

- About the cover page -

The two bands represent the comfortable and clean air produced by Fujitsu General Group products (upper band) and the smiles of children looking toward a bright future (lower band). By placing two bands together, we imagined our Group and society moving toward the future together.

Fujitsu General Group

INTEGRATED REPORT 2021

Living together for our future



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FUJITSU GENERAL LIMITED

FUJITSU

Living together for our future

FUJITSU GENERAL Way

The FUJITSU GENERAL Way represents the Fujitsu General Group's core purpose that defines, as a basis for achieving sustainable growth, where our company wants to be, the mission we must fulfill to support customers and society, and the value we offer.

It also serves as a guidepost for every employee of the Fujitsu General Group to follow in everything they do at work. By fulfilling our Corporate Philosophy through our businesses, we will bring comfort, wellness, confidence, and safety to society and pave the way for a brighter future for generations to come.



Structure of the FUJITSU GENERAL Way

The FUJITSU GENERAL Way encompasses the Corporate Philosophy and the Code of Conduct.



Our Mission

—Living together for our future—

Through innovation and technology, we deliver a brighter future with the peace of mind to our customers and societies around the world.

Our Philosophy

Act Spontaneously

We embrace new challenges by investing in ourselves for personal growth, and through continuous creativity with a spontaneous attitude.

Develop Our Team

We respect and value our people, and optimize their abilities through fostering culture and diversity, and utilizing a collaborative effort focused on communication.

Value Integrity

To achieve our goals, we always act with integrity and shared ethics.

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Forward-looking Statement

This report presents not only the past and current facts about the Fujitsu General Group but also its projections, forecasts, and plans. Such projections, forecasts, and plans are based on the information available to us at the time we prepared this report. All readers are advised to note that results of the Group's business activities and developments may differ from those projections, forecasts, and plans, depending on unforeseeable changes in business environments and other relevant factors.

Editorial Policy

This report has been prepared to comprehensively report financial information including management strategies and business performance to enhance corporate value, as well as non-financial information mainly on initiatives for sustainable management. The aim is to provide stakeholders with a better understanding of the Fujitsu General Group's medium- to long-term value creation. For further details, please visit our website.

- Reporting period: FY2020 (April 1, 2020 – March 31, 2021)
Please note that this report also refers to some events that took place before and after this period.
- Scope or organizations covered in report: This report covers activities and achievements by Fujitsu General Limited as well as its consolidated subsidiaries and affiliated companies accounted for by the equity method, which collectively constitute the Fujitsu General Group.
- Issued: October 2021

* Fractions less than the indicated units in this report are rounded down to the nearest whole number for the amount and number of shares held (provided, however, that amounts in the unit of 100 million yen are rounded to the nearest unit), and various ratios are rounded to the nearest whole number.

● "nocria" is a registered trademark of Fujitsu General Limited.

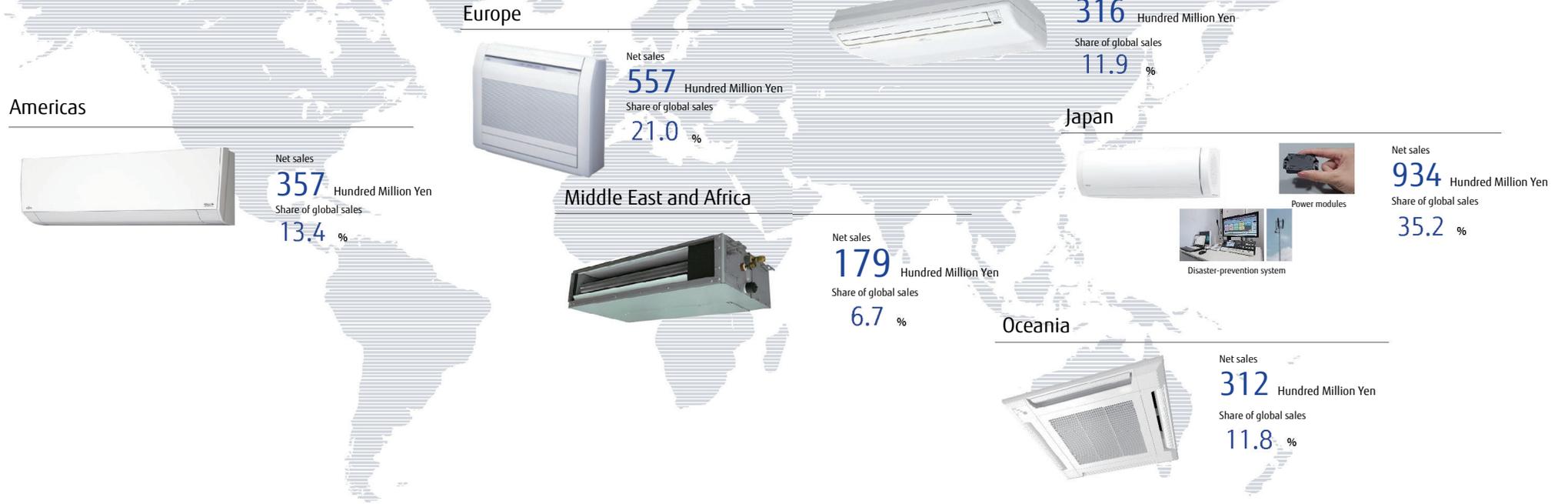
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The Fujitsu General Group at a Glance

Toward the realization of a comfortable, safe and secure society

The Fujitsu General Group provides comfortable spaces, safety and security to people in more than 100 countries around the world through its Air Conditioner, Information & Communication System, and Electronic Devices businesses.

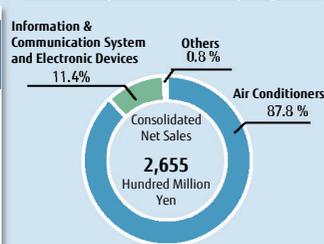
* Figures are actual results for FY2020



Our Group's Business

<p>Air Conditioner Business</p> <p>"Delivering life-refreshing air"</p> <p>Air is always around us. Fujitsu General offers air conditioners designed to make room air clean and refreshing and bring ultimate comfort to customers anytime anywhere.</p>	<p>Information & Communication System Business</p> <p>"Creating a safe and secure future together"</p> <p>Communication devices business has continued since our founding. Fujitsu General's Information & Communication System business will continue to deliver safety and security for our future society.</p>	<p>Electronic Devices Business</p> <p>"World-class advanced technology and proposal capability"</p> <p>We deliver precise and highly accurate quality and reliability.</p>
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Sales Composition Ratio by Segment



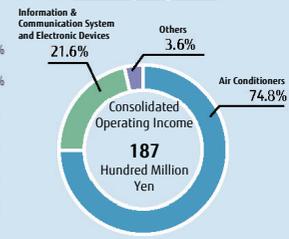
Net sales



Operating Income and Operating Income Margin



Operating Income Composition Ratio by Segment



Message from the President



Innovation & Globalization

Providing a Brand New Tomorrow
to Everyone on Earth

–Living together for our future–

Through innovation and technology, we deliver a brighter future with the peace of mind to our customers and societies around the world.

FUJITSU GENERAL LIMITED
President & Representative Director

Etsuro Saito

Sustainable Management Is the Fulfillment of a "Contract with the Future"

The spread of COVID-19 has not yet been brought under control, and continues to have a significant impact on the lives and economic activities of people around the world. Under these circumstances, the number of people in poverty and starvation, which had been on a downward trend, has begun to increase. There are also concerns about further widening disparities, such as the downward revision to economic growth prospects in emerging countries where vaccinations are inadequate. A harsh reality is coming into view where people who are vulnerable to natural disasters caused by climate change are being left behind.

The Air Conditioner, Information & Communication System, and Electronic Devices businesses operated by the Fujitsu General Group are indispensable for the realization of a sustainable society, and the Group's business cannot be described without sustainability. Our Mission—Living together for our future—stated under the Group Corporate Philosophy, is synonymous with the Sustainable Development Goals (SDGs) philosophy of "Leave no one behind." Accordingly, the Group formulated the "New Basic Policy on Sustainable Management" in March 2021, and has been promoting initiatives under the key themes of Planet (Harmonious coexistence with our planet), Society (Social contribution), and Our People (Care for employees).

We have a responsibility to minimize the impact of climate change through the early realization of carbon neutrality and the resolution of social issues through innovation and technology, and to provide an environment where children of the next generation and the beyond can live in good health. Promoting sustainable management is, in a sense, a process of fulfilling a "contract with the future."

Our Group is committed to sustainable management, not because society demands it, but because it is the purpose of our core business.

Aiming for Further Growth through Innovation & Globalization

In January 2021, Fujitsu General celebrated the 85th anniversary of its founding. It is said that when the company was founded, Mr. Keijiro Yao (the founder) had a dream and hope that "one day this small company will take off on the world stage." This year also marks the 50th anniversary of the company's pioneering overseas air conditioner business. At that time, our engineers went to the Middle East to experience the local climate and developed an air conditioner that could withstand 24-hour continuous operation in an environment of over 50 degrees Celsius, laying the foundation for our overseas air conditioning business.

This DNA of innovation and globalization has been handed down from generation to generation, and we have developed and commercialized many industry-first original functions in our mainstay air conditioners. We are also building new business models by promoting alliances and collaborations with European and U.S. companies, and making a full-scale entry into the solutions business in India and Australia. In March 2021, we made Aeroshield Co., Ltd., a Japanese company that develops and sells ultraviolet irradiation systems, into a subsidiary, in order to meet the needs for sterilization and cleanliness. In Information & Communication System, we have started demonstration tests of the Flooding Alert System for disaster response, and in Electronic Devices, we plan to start sample shipments of next-generation power modules that will contribute to energy conservation in various fields in FY2021.

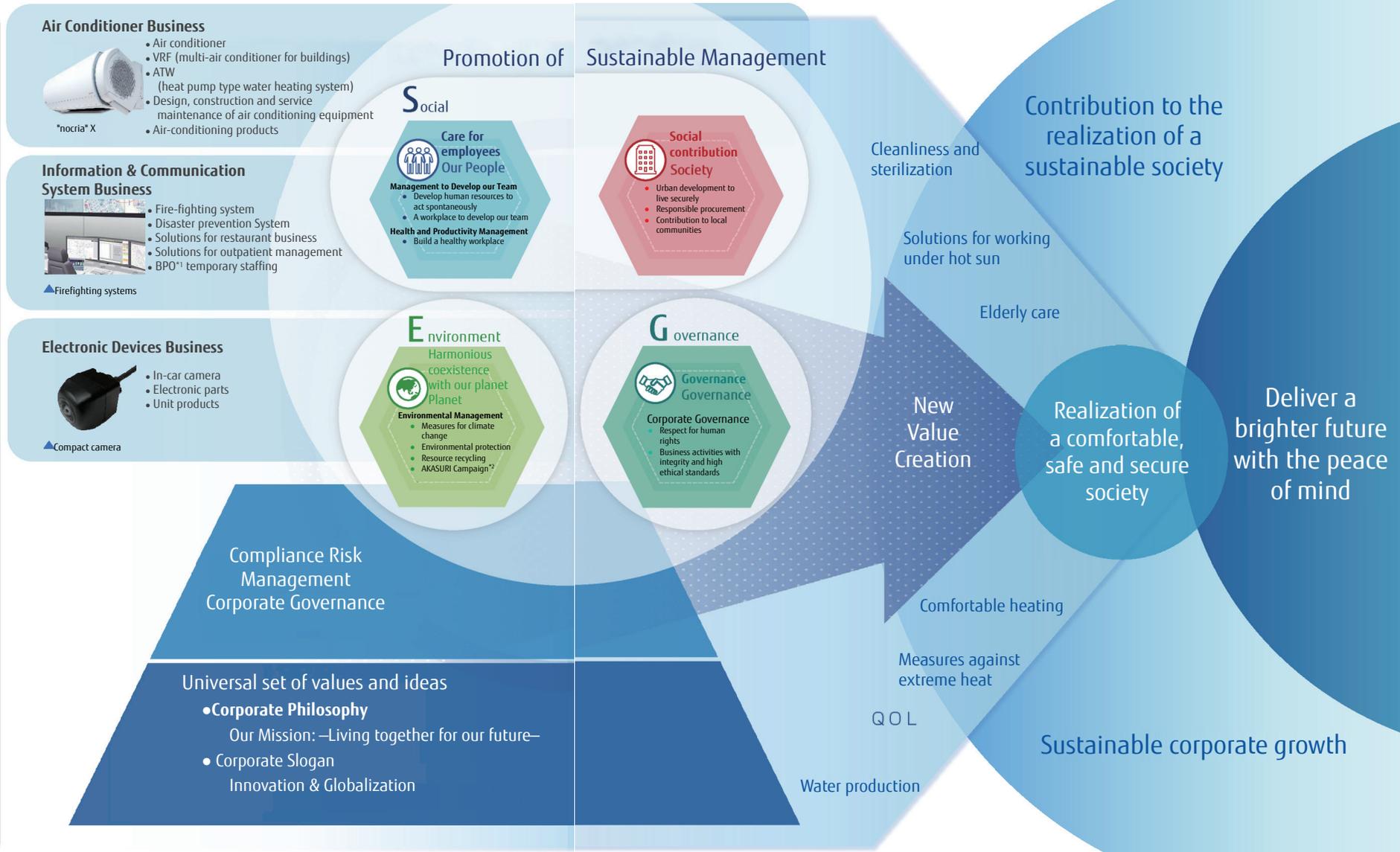
FY2022 will mark the end of our Medium-term Management Plan, but this is only a passing point. With "sustainable management" at the core of our growth strategy, we will continue contributing to the realization of a sustainable society by implementing our Corporate Philosophy and meet the expectations of our stakeholders in order to achieve the goals of our Medium-term Management Plan and further implement long-term business growth and development.

The Process of Value Creation-Diagram

We will pursue Our Mission in the FUJITSU GENERAL Way, "Living together for our future: Through innovation and technology, we deliver a brighter future with the peace of mind to our customers and societies around the world." and aim to improve sustainable corporate value.

Social Issues

- Climate change
 - Global heatwaves
 - Increase in abnormal weather
- Resource depletion
- Waste problems
- Water resource problems
 - Desertification due to depletion of water resources
 - Pollution of water sources
- Pollution by toxic chemicals
- Destruction of natural environment



*1 A service that uses the system to outsource the very work customers used to do
 *2 Company-wide activities to build a foundation that helps reduce environmental impact and increase profitability

The Process of Value Creation-Measures and KPI

Medium-Term Management Plan and Roadmap

The Fujitsu General Group is promoting activities by setting the following priority themes to achieve the "Medium-term Management Plan" with the target year of FY2022.

In line with pushing forward more with priority themes, we will also pursue the implementation of our Corporate Philosophy and Business Growth Strategies by further ensuring risk management and building a business model in response to the new era of coexistence with COVID-19.

Promoting Core Strategic Themes of the Medium-Term Management Plan

Core Businesses

I. Expansion of AC business

- Innovation of AC development system
- Strengthening of AC sales activities

Promotion of "5 key expansion projects"

- (1) Expansion of international commercial business
- (2) Aggressive capture of domestic housing industry channel
- (3) Capture and expansion of Indian market
- (4) Expansion of North America business by acceleration of collaboration
- (5) The promotion of business alliance

II. Strengthening the business foundation of Info & Comm Syst. and Electronic Devices

- Information & Communication Systems
 - Stabilize existing businesses
 - Create new businesses by utilizing held assets
- Electronic Devices
 - Establish the power module business
 - Improve quality and promote production innovations
 - Production management system

Management

III. Promote cost reduction

- Promote development of standardization design
- Cost reduction/promote VE
- Strengthen manufacturing ("monozukuri")

IV. Strengthening of power to generate cash flow

- Promote CCC improvement^{*1}
- Investment for growth (include M&A)
- Shareholder returns
- Investment in human resources, etc.

Adapting to a New Era of Coexisting with COVID-19

- ◆ Thoroughness in risk management
Acceleration of building strong organization for BCM (Business Continuity Management)
- ◆ Development of business model for how to coexist with COVID-19
 - Cleanliness and sterilization
 - Remote monitoring and contactless
 - Utilization of AI/IoT

"Sustainable Management"
(implementing Corporate Philosophy and pursuing its growth strategies)

See P.16

New Value Creation Sustainable Products^{*3}

Promotion of Sustainable Management

■ Harmonious coexistence with our planet (Planet)

- Contributing to global warming mitigation measures
 - Achieve carbon neutrality
 - Introduction of Sustainable Product System
- Contributing to a circulating society

■ Social contribution (Society)

- Fostering innovation to address social issues
 - Promotion of FIC^{*2}
 - Introduction of SDGs Proposal System
- Providing a healthy, clean, and safe society and environment

■ Care for employees (Our People)

- Strategic implementation of Health and Productivity Management 2.0
- Creating flexible work styles under COVID-19
- Enhancing human resource development

FY2030

- ◆ Aim to have Sustainable Products and Services account for 30% or more of consolidated net sales
- ◆ Aim to achieve "carbon neutrality"

FY2022

Achieve Medium-Term Management Plan

Net sales **3,300** hundred million yen

Operating income **260** hundred million yen

Operating income ratio **7.9** %

CCC **75** days or less

*1 Cash Conversion Cycle

*2 Abbreviation of "The Future of Innovation Challenge" (activities to create new businesses by soliciting ideas)

*3 Products and services that make a significant contribution to sustainable management and contribute to the Group's Growth Strategies

Interview with the President



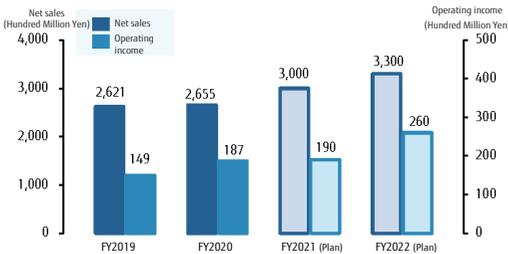
We will execute the priority themes set forth in the Medium-Term Management Plan and respond to the new era, in pursuit of business growth while promoting Sustainable Management.

Basic Policies and Progress in Medium-Term Management Plan

Question 1 Can you please tell us about the progress in the Medium-Term Management Plan?

In FY2020, demand for air conditioners was generally firm, although there was a temporary drop under the pandemic of COVID-19. In addition, the Company made steady progress in the priority themes set forth in the Medium-term Management Policy, such as the creation of a foundation for growth in North America and India, resulting in sales and operating income increases for the second consecutive year.

In FY2021, we are facing a difficult environment in terms of production and costs due to the shortage of parts for semiconductors and other products that has continued from the previous fiscal year, tight shipping conditions, and soaring material prices. However, sales and profits are expected to increase due to solid demand mainly in Europe and the United States and the effect of improved selling prices in the second half of the year. Despite the pandemic of COVID-19 and other tough business environments, our prior investments and various measures taken from a medium- to long-term perspective are steadily bearing fruit. We believe that our goals for FY2022 can be achieved if we implement the priority themes set forth in the Medium-Term Management Plan and respond to the new era.



	FY2019 Actual	FY2020 Actual	FY2021 Plan	FY2022 Plan
Net sales	2,621 Hundred Million Yen	2,655 Hundred Million Yen	3,000 Hundred Million Yen	3,300 Hundred Million Yen
Operating income (Operating income ratio)	149 Hundred Million Yen (5.7%)	187 Hundred Million Yen (7.1%)	190 Hundred Million Yen (6.3%)	260 Hundred Million Yen (7.9%)

- Major Results**
- Increased revenue and profits by growing new businesses, under challenging business environment such as COVID-19
 - Established a foundation for growth in our most important markets (North America, India)
 - Domestic AC: Double-digit growth for five consecutive years in the housing industry channel
 - Promotion of Sustainable Management
 - Newly established the position of CSO (Chief Sustainability Officer)
 - Established a new basic policy on Sustainable Management
 - Create synergies in the cleanliness and sterilization field (making "Aeroshield" a subsidiary)

Question 2 Could you be more specific about the progress made in North America and India that are the most important markets for air conditioners?

In North America, we have been steadily expanding our business by taking proactive measures such as introducing new products for cold regions where demand is expected to grow as an alternative to heating equipment, selling products jointly developed with Rheem, and developing multiple brands. In addition, we are taking steps to further expand our business by establishing a new R&D center on the West Coast and starting an experiment to demonstrate energy efficiency in New York. In India, it took time for us to shift to a direct sales system, but we did well in the stagnant market due to the complete lockdown caused by COVID-19, and expanded the market share of our products. ABS, an air-conditioning engineering company that has become a subsidiary, has also seen a large increase in orders, and we have high expectations for future growth together.

See pp. 27-30

<p>North America</p> <ul style="list-style-type: none"> ● Expansion of our product line-up <ul style="list-style-type: none"> - Launch new products targeting colder climates - Launch products jointly developed with Rheem - Multi-brand development ● Strengthening our development system <ul style="list-style-type: none"> - Established a new R&D Center on the West Coast ● Decarbonization initiatives <ul style="list-style-type: none"> - Plan to start demonstration projects in New York and Chicago to demonstrate energy efficiency 	<p>New R&D Center</p>	<p>India</p> <ul style="list-style-type: none"> ● Launch our direct sales <ul style="list-style-type: none"> - Strengthen our sales network and sales promotions - Launch new products such as Tropical Cooling Only Inverter - Double-digit growth under COVID-19 situation ● Expansion of solution business <ul style="list-style-type: none"> - Substantial growth at ABS due to sales channel expansion 	<p>Local brand shop</p>
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Question 3 What measures are taken to strengthen the business foundation for Information & Communication System and Electronic Devices?

In the Information & Communication System Business, we have adopted the policy of "Creating a secure and safe future together" in response to the growing social demand for enhanced disaster response capabilities. In addition to securing stable earnings from existing businesses, we will contribute to the safety and security of residents by creating new businesses utilizing approximately 5,000 outdoor disaster-prevention substations installed in local governments in Japan. In the area of Electronic Devices, we are working to make next-generation power modules a pillar of our future business. These modules are expected to contribute to the miniaturization and higher efficiency of power electronics products, and we plan to begin shipping samples of our industry-leading small GaN modules in FY2021.

See pp. 31-34

Question 4 What are the risks and issues that need to be addressed in order to achieve the Medium-Term Management Plan?

Despite the impact of COVID-19 and other factors, we achieved an increase in both sales and profits in FY2020, but problems in procurement and production due to the recent shortage of semiconductors and electronic components have emerged. In addition, dealing with the rising cost of copper and other materials is also an issue. As for measures in procurement and production, we will work to have multi-sourcing of parts and materials, review inventory holding, and level out production and shipments. We are also working on the introduction of a new production management system, which is scheduled to partially commence operation in FY2021. With regard to the soaring cost of materials, we are working on resource-saving designs in addition to reserving favorable positions, and are also examining alternative materials such as switching from copper to aluminum.

Risks and challenges, policies to address them	Response to procurement and production	<ul style="list-style-type: none"> • Engage in procurement from multiple sources • Revise inventory holdings, and standardize production and shipments • New production management system (scheduled to be partially operational from FY2021)
	Rising material costs	<ul style="list-style-type: none"> • Consider resource-efficient designs and use of alternative materials (change from copper to aluminum, etc.)
	Response to climate change	<ul style="list-style-type: none"> • Introduce a carbon neutrality, Sustainable Product System

See pp. 14, 16, 23-24

Interview with the President

Aim of Sustainable Management

Basic Policy

The Sustainable Development Goals (SDGs) are intended to drive future business creation, and their core principle of "Leave no one behind" is synonymous with our own corporate philosophy of "Living together for our future." Fujitsu General takes a medium- and long-term approach to the promotion of sustainable management. Fujitsu General promises the children and society of the future to create a sustainable society, and pursues its own business growth by accelerating these sustainability efforts.

Question 5 Can you please tell us the background to the formulation of the basic policy on "Sustainable Management" in March 2021?

Fujitsu General formulated the basic policy on "Sustainable Management" in March 2021. The Sustainable Development Goals (SDGs) will drive future business creation, and their promise of "Leave no one behind" is synonymous with Our Mission "Living together for our future." We believe that working for Sustainable Management is a way to promise the realization of a sustainable society to future children and society from a medium- to long-term perspective, and to pursue the growth of our business by accelerating the process.

Harmonious Coexistence with Our Planet (Planet)

- **Harmonious coexistence with our planet (Planet)**
 - Contributing to global warming mitigation measures
 - Contributing to a circulating society



- **Care for employees (Our People)**
 - Strategic implementation of health and productivity management 2.0
 - Creating flexible work styles under COVID-19
 - Enhancing human resource development

- **Social contribution (Society)**
 - Fostering innovation to address social issues
 - Providing a healthy, clean, and safe society and environment

The above figure shows a conceptual image of our current business with the focus on sustainability. It is no exaggeration to say that our Group's business is built on the concept of sustainability, and we will tackle it head on, not because it is a social demand, but because it is our purpose. We will continue to implement all our business activities with an awareness of sustainability and for all of our stakeholders, and implement each measure based on the three pillars: "Harmonious coexistence with our planet (Planet)," "Social contribution (Society)" and "Care for employees (Our People)."

Harmonious Coexistence with Our Planet (Planet)

Question 6 While many other companies have set the target of achieving carbon neutrality by FY2050, how was your target set for FY2030?

Some people say that the goal of achieving carbon neutrality by 2030 is ambitious, but my own view is slightly different. At Fujitsu General, air conditioners account for about 90% of our sales. Environmental regulations on energy efficiency, refrigerants, etc. are advancing around the world, especially in Europe, and environmental responsiveness is essential to increase the competitiveness of our products.

We have a responsibility to provide a healthy life for our children, who will lead the next generation, and the generations to come. We must not deprive them of a future filled with hope. For this purpose, achieving carbon neutrality as soon as possible is essential.

In March 2021, we formulated a new basic policy on Sustainable Management and set a target of switching all electricity used by the Group to renewable energy sources by FY2025, which we expect to achieve ahead of schedule in FY2022.

We are making steady progress, as we plan to complete the installation of solar panels on the roofs of four of our eight production bases around the world by FY2022. We are also planning to further advance toward our goal of achieving carbon neutrality by 2030.

Medium-Term Environmental Targets See pp. 23, 24

Subject	Targets and measures to reduce greenhouse gas emissions
Scope 1, 2 (Our business activities)	● 100% reduction by FY2030
	FY2019... (emissions 59,807 t-CO ₂ in FY2019)
	FY2023... Reduce by 50%
	FY2025... Reduce by 70%
FY2030... Reduce by 100%	
Scope 3	Our supply network ● Reduce 30% by FY2035 compared to FY2018
	Products sold ● Reduce 30% by FY2030 compared to FY2013

- Main Measures**
- Shift to use of renewable energy at existing overseas plants
 - Shift to use of renewable energy for all energy used by the Group (100% reuse)
 - Shift to use of renewable energy for all other energy used => **Achieve carbon neutrality**

Question 7 How will the reduction of greenhouse gas emissions from the products sold be addressed?

The energy efficiency of Japan's air conditioning equipment is among the best in the world. We have set a target of a 30% reduction from the FY2013 level using the best technology available today, and we believe that it will be extremely difficult to reach a level higher than this. However, the first approach to achieve this is to take measures at the design stage. By developing new technologies such as refrigerant conversion, we will develop products that maximize energy efficiency.

The second is to switch from non-inverter to high-efficiency inverter air conditioners. Approximately 70% of our sales are overseas. Especially in Asian countries such as India, where demand is expected to increase in the future, many inefficient non-inverter air conditioners are still in use. We will promote the switchover to high-efficiency inverter air conditioners, and at the same time, strive to reduce greenhouse gas emissions in service maintenance through remote operation and fault diagnosis by utilizing AI and the IoT.

Lastly, we will develop air conditioners powered by renewable energy. For example, we are constantly working on research and development of products powered by natural energy and exhaust heat.

In fact, I personally believe that this reduction goal for product use is more ambitious than the goal of "achieving carbon neutrality in Scopes 1 and 2 by FY2030." It is an important environmental goal for our company.

See p. 45

Financial Overview

Aiming to further enhance corporate value by balancing Sustainable Management with the ability to generate cash

Vice President & Representative Director
Hiroshi Niwayama

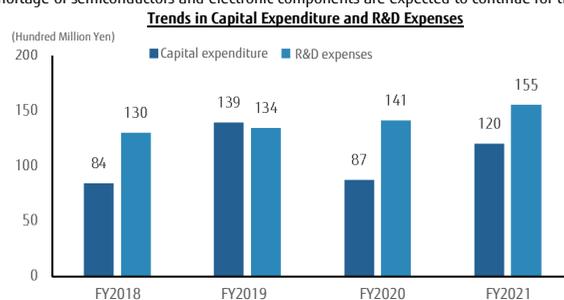


Review of FY2020 and Plan for FY2021

In FY2020, consolidated financial performance and orders in the air conditioner business (hereinafter referred to as "air conditioners") were firm against the backdrop of home demand. However, production and shipments did not proceed as planned due to tough conditions with marine transportation and parts shortages, resulting in company-wide net sales of 2,655 hundred million yen, which was on a par with the previous year. In terms of income and loss, we had the impact of soaring ocean freight rates and an increase in upfront investment costs for product development and the expansion of overseas sales channels. Nevertheless, the Company achieved operating income of 187 hundred million yen, an increase of 38 hundred million yen (25%) from the previous fiscal year, thanks to the effect of increased sales of air conditioners for the domestic market and the promotion of cost-reduction activities and early procurement of materials.

For FY2021, we plan to achieve net sales of 3,000 hundred million yen and operating income of 190 hundred million yen. The tough conditions with marine transportation for air conditioners and the shortage of semiconductors and electronic components are expected to continue for the time being. But the entire company is expected to

achieve an increase in net sales of 345 hundred million yen (up 13%) from the previous fiscal year due to firm demand mainly in Europe and the U.S. Operating income is expected to increase only 3 hundred million yen (up 1%) year on year to 190 hundred million yen. This is mainly because there are factors that will reduce profits due to the deterioration of the external environment with air conditioners, such as soaring prices of copper and other materials and components, rising ocean freight rates, and the deterioration of exchange rates due to the appreciation of currencies of countries where air conditioners are manufactured. These factors will cancel out the effects of increased revenues and increased profits achieved through cost reductions.



We are currently in a difficult business environment due to the continuing shortage of semiconductors and electronic components and the tough conditions with marine transportation. However, we hope to achieve our sales and profit plan by firmly operating our supply chain, from procurement and production to sales and logistics. On the other hand, we plan to make the second-largest capital investment for future growth, 120 hundred million yen, for the expansion of R&D facilities and the enhancement and rationalization of production facilities, and the highest level of R&D expenditure ever, 155 hundred million yen, for the development of new models and research in innovative technologies.

Medium-Term Management Plan

Our Medium-Term Management Plan targets net sales of 3,300 hundred million yen and operating income of 260 hundred million yen in FY2022, and we are implementing various measures to achieve these goals.

1. Growth investment

The Fujitsu General Group is proactively investing in development and production facilities and IT systems for future business expansion and building a robust business foundation. For example, in Thailand, home to one of the Group's main plants, we have been investing in the construction of a second plant and line expansion to increase production capacity since FY2018, and expect to secure a production capacity approximately 1.9 times higher than that of FY2018 by FY2022. For investments in IT systems that support global growth and the strengthening of product development capabilities, in addition to conventional business efficiency improvement, we plan to invest approximately 250 hundred million yen from FY2016 to FY2022. This will go on renewing our mission-critical system, which aims to strengthen governance while increasing the sophistication and speed of business management by centrally managing data on development, production, sales, etc.

Financial Overview

Through implementing mergers and acquisitions with the aim to expand business scope of air conditioners, in FY2020, we made a Japanese manufacturer of ultraviolet irradiation equipment a subsidiary, and its mission aligns with the concept of "Providing a healthy, clean, and safe society and environment," which is one of the key themes of Sustainable Management of our Group. In the future, we will continue to proactively pursue mergers and acquisitions that are necessary to promote our Growth Strategies, particularly in the area of air conditioners. As for research and development, we are not only developing products that meet market needs such as comfort and cleanliness, and new high-performance models, but also designing products that contribute to reducing environmental impact such as energy-saving devices, and promoting activities to create new value such as the Future of Innovation Challenge (FIC; see page 21 for details).

In terms of investment in "our people," we will introduce a new personnel system in FY2020 to create a system that will allow us to further evaluate the spontaneous endeavors of our employees. In addition, from FY2021, we are reviewing the retirement benefit system, raising the benefit level and introducing a defined contribution pension plan. We believe that the continuation of these personnel system reforms will lead to sustainable growth for both employees and the company.

M&A Performance

FY2018		
Company Name (abbreviated)	Business	Country
PAG	Construction and maintenance	Australia
ABS	Construction and maintenance	India
FGIT	Distributor	Italy
FY2020		
Aeroshield	UV irradiation device manufacturer	Japan

2. Promoting cost reduction

The situation of tight supply and demand and rising prices of materials, semiconductors, electronic components, etc. will continue for a while, and costs are expected to rise in the face of changing lifestyles due to home demand amid the pandemic of COVID-19 and the digital society of 5G, Big Data, AI/IIoT, and DX. To cope with this situation, we need to further strengthen standardized designs, promote value engineering (VE) more than ever, and speed up our response to material-saving designs and the change of materials used for parts, in order to promote total cost reductions. We will promote cost-reduction activities, where suppliers, engineering departments, and factories work in unison from the initial stage of design by further strengthening cooperation with external parties.

The pandemic of COVID-19 has forced us to conduct business negotiations and meetings both in and outside the Group online. But some of them have been just as effective as conventional face-to-face meetings, and as a result, we have been able to reduce travel and other expenses compared with before the pandemic. We will continue to implement such measures in the stages of with COVID and post-COVID to improve operational efficiency and eliminate waste.

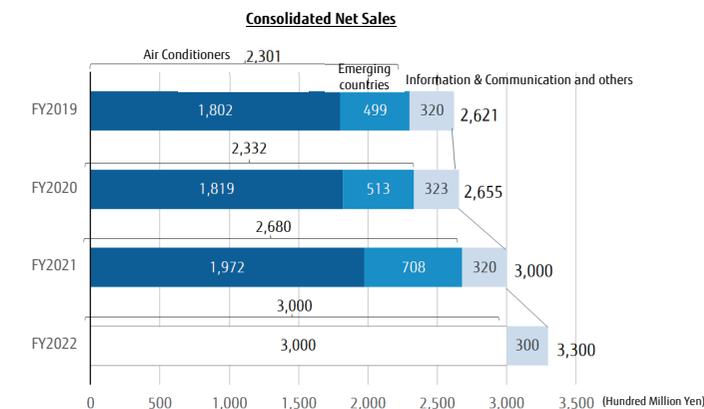
3. Promote the CCC improvement

In FY2020, the CCC was 91.3 days (almost the same as the previous fiscal year at 91.9 days), but the days inventory outstanding ("inventory days" hereinafter) was 52.2 days, an increase of 6.3 days year-on-year. This was due to a backlog of inventories of products that could not be shipped due to tough shipping conditions and components that could not be produced due to shortages of some parts toward the end of the fiscal year. The recent shortage of semiconductors and electronic components in the procurement market is expected to continue in the future, so we need to hold more parts than before to be able to produce according to the delivery situation. As a result, the number of inventory days will increase compared with the initial plan, but we will further improve our financial efficiency by reducing accounts receivable. Our plan is to shorten the CCC to 75 days or less by FY2022.

4. Aiming to achieve the Medium-Term Management Plan

We are aiming to achieve the goals of the Medium-Term Management Plan by implementing various measures such as investment for growth, promotion of total cost reductions, and shortening of the CCC. However, the aforementioned shortage of semiconductors and electronic components and the tough conditions with marine transportation have become new risks to achieving the goals. In response to emerging risks, we are working to build a stable supply system by presenting long-term requirements to our suppliers, and if this improves the accuracy of our production plan, we will be able to secure shipping and container space in advance, which will help us deal with the tough conditions with marine transportation.

Fortunately, even under the impact of COVID-19, orders for air conditioners have been strong due to factors such as increased demand for home use, etc. In addition, we expect that developed countries will continue to replace their air conditioners with those using heat pump technology, and that the penetration rate will increase in emerging countries. By capturing these demands, we aim to achieve our Medium-Term Management Plan.



Future Financial Strategy

1. Sustainable management and financial strategies

The Fujitsu General Group newly formulated the basic policy on "Sustainable Management" in March 2021. As Financial Strategies to promote the three pillars, "Harmonious coexistence with our planet," "Social contribution" and "Care for employees," there is no fundamental change, which is to continue to invest in development, production, and sales of more energy-efficient products, including Sustainable Products (see page 16 for details), as well as in our employees, and to use the cash we generate to cover the investments.

In the future, if we need a large amount of funds to promote Sustainable Management, we will use green loans and green bonds if we can determine that they are the most appropriate means of financing, after comprehensively considering the financial market environment and the Group's financial position.

2. Sustainable management and corporate value enhancement

The Fujitsu General Group considers that the most important financial strategy is to continuously expand the cycle of growth investment generating the next cash flows. To achieve this, we need to generate operating cash flow to cover investment cash flow based on the current capital structure of approximately a 50% equity ratio. Currently, working capital is swelling due to a temporary increase in inventories caused by the disruption in the supply chain, and it is essential to quickly bring this disruption under control and return to the normal cash cycle. By doing so, the Company will be able to stably expand its ability to generate cash from both the quantitative aspect of increasing earnings power through sales expansion and improving profitability through total cost reductions, and the qualitative aspect of improving efficiency by shortening the CCC.

In addition, we believe that Sustainable Management, in which society and the Company coexist and prosper together, is the basis for the stable and continuous expansion of our ability to generate cash. We will continue to further promote dialogue with our shareholders, investors, and other stakeholders with the aim of further enhancing our corporate value through both Sustainable Management and the ability to generate cash.

Special Feature 1: Initiatives to Generate Innovation

Create Innovations to Solve Social Issues

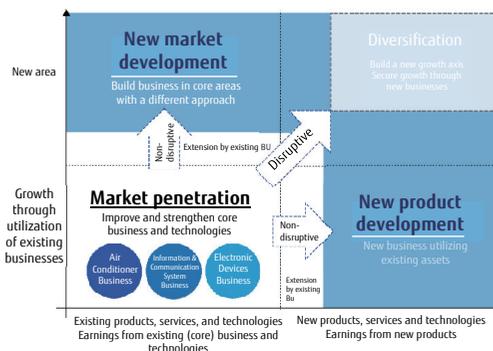
The future of innovation challenge

(FIC: Activities to create new businesses by soliciting ideas)

In 2016, we launched the Being Innovative Group (BIG)^{*1} organization dedicated to embodying the idea of "Creating and delivering new value to the world," working on innovation through small-group activities. In FY2020, the BIG launched FIC, an initiative to create new value, with the aim of realizing a society where children can live with hope and joy 10 to 20 years into the future.

In order to gather ideas from a broader range of perspectives, all employees of the Fujitsu General Group are invited to participate in the FIC, a new business creation activity that solicits ideas from individuals to start and scale up businesses that solve social issues. FIC solicits ideas internally and selects the best ones through multiple rounds of screening. We received numerous applications for ideas during the call for proposals held in FY2020.

Ideas that passed the second and final selection process are now moving toward the phase where they will be considered for actual commercialization.



A second round of selection

Demonstration experiment using air conditioners

(In collaboration with Taku-shi, Saga Prefecture and NPO Value Creation Platform)

Air conditioners, which are home appliances for daily life, can be expected to be used as a device to protect the lives of residents while reducing the psychological burden of being watched and monitored.

For this purpose, Fujitsu General conducted a demonstration experiment^{*2} using air conditioners for about 30 local residents from July 1, 2020 to March 31, 2021, in collaboration with Taku-shi municipal government in Saga Prefecture and the NPO Value Creation Platform. Based on the results of this experiment, which aims to verify the effectiveness of the behavioral cognitive data^{*3} on air conditioners, we will study the use of air conditioners for the health, safety and security of residents.

We will continue to make various efforts to utilize air conditioners to help solve issues faced by our customers and society.

"Flooding Alert System": Promoting life-saving actions in the event of typhoons and torrential rains

In recent years, major disasters such as large-scale river flooding, inundation, and landslides have been occurring frequently. However, it is difficult to predict torrential rains with pinpoint accuracy, and there have been problems such as not being able to evacuate in time due to the rapid rise in water levels, and difficulty in hearing broadcasts on the disaster prevention municipal radio due to the sound of torrential rains.

Fujitsu General developed the "Flooding Alert System" and conducted a demonstration experiment with the cooperation of Iida City in Nagano Prefecture in December 2020. The system utilizes the outdoor loudspeaker substation of the disaster prevention municipal radio, which we are working on as part of the Information & Communication System business, and installs a flooding sensor at the bottom of the outdoor loudspeaker substation to detect flooding caused by localized river rises with pinpoint accuracy and automatically notifies the residents of the danger area.

We will continue to study the scalability and improvements and promote introduction to municipalities nationwide.



A demonstration test was conducted in Iida City, Nagano Prefecture Flooding Alert System

Voice

Expectations for Flooding Alert System

Mr. Takeshi Goto, Deputy Director, Iida Municipal Crisis Management Office

Every year, localized torrential rains and prolonged torrential rains caused by linear rain bands occur in many areas of Japan, resulting in the loss of precious lives and property. Under the Disaster Countermeasure Basic Act, the local governments at the base are responsible for protecting the lives and property of their residents, and some of them are focusing on disaster-prevention measures, which are essential for the continuation of administrative functions, even in the face of financial difficulties.

The Flooding Alert System proposed by Fujitsu General and tested this time is functionally simple and easy to understand, and we recognize that it will be effective as a means of automatically and reliably communicating information to residents when there is a risk of confusion at the disaster control headquarters in the event of a disaster. We also expect that the use of fire-bell tones will enable us to communicate the emergency situation over a greater distance.

For the introduction of the system, it is also essential to conduct evacuation drills for our residents in the event that a substation is activated. It is necessary to learn and consider in advance how much risk there is in the place of residence and how to act at the timing of an alert, and also to share the evacuation action plan of each household within the community. In addition to introducing the Flooding Alert System, I believe that the system's effectiveness will be maximized and residents' lives and properties will be protected by raising residents' awareness of the risks and leading them to take appropriate evacuation actions in advance.

I hope that improvements will be made based on the demonstration test results, and that the system will spread throughout the country as something that reliably conveys information to residents.



Iida Municipal Crisis Management Office

Mr. Takeshi Goto, Deputy Director
(Advisor on disaster information communication methods, Fire and Disaster Management Agency, Ministry of Internal Affairs and Communications)

*1 Abbreviation for Being Innovative Group. A group dedicated to creating new value and embodying what we offer to the world.

*2 Examining the possibility of using the various pieces of information detected by air conditioners to provide services that are useful in the lives of residents.

*3 Information such as the amount of activity and presence of residents at home.

Special Feature 2: Formulation of New Mid-Term Environmental Action Plan

Toward Carbon Neutrality in 2030

In March 2021, the Fujitsu General Group formulated and announced the Basic Policy on Sustainable Management. The Sustainable Development Goals (SDGs) are intended to drive future business creation, and their core principle of "Leave no one behind" is synonymous with our own Corporate Philosophy of "Living together for our future." Fujitsu General takes a medium- and long-term approach to the promotion of sustainable management.

Fujitsu General promises the children and society of the future to create a sustainable society, and pursues its own business growth by accelerating these sustainability efforts.

New Mid-Term Environmental Action Plan

New Mid-Term Environmental Action Plan

Reduction of Our Own Environmental Impact - Achieve Carbon Neutrality



Greenhouse gas emissions from our Group's business activities
By FY2030

Completely eliminate

Through Our Supply Network



Total greenhouse gas emissions by our supply network
By FY2035

Reduction of 30%
(vs. FY2018)

For Customers and Society



Total global greenhouse gas emissions from the use of our products*1
By FY2030

Reduction of 30%*2
(vs. FY2013)

<<Before Review>>

Greenhouse gas emissions associated with our entire Group's business activities
By FY2030

Reduction of 30%
(vs. FY2013)

Not targeted

Total greenhouse gas emissions from the use of our products in Japan
By FY2030

Reduction of 28%
(vs. FY2013)

Measures

1. Achieve carbon neutrality (completely eliminate greenhouse gas emissions) by FY2030

Fujitsu General will transition to the use of renewable energy in its Group's business activities in accordance with the following road map.

Target FY	Progress	
FY2023	50%	Switch to use of renewable energy at existing overseas plants
FY2025	70%	Switch to use of renewable energy for all energy used by the Group (100% reuse)
FY2030	100%	Switch to use of renewable energy for all other energy used (Carbon neutrality)

2. Reduction of 30% compared to FY2018 for total greenhouse gas emissions by our supply network by FY2035

[Main measures in 1&2]

- Use renewable energy (solar power generation, etc.) and purchasing of energy-saving equipment for production sites, development sites, and offices
- Prevention of Freon leakage at production sites and sales sites
- Switch over to renewable energy
- Switch from appliances powered by fossil fuels such as gasoline, light oil, or LPG to renewable energy

3. Reduction of 30% compared to FY2013*1 for total global greenhouse gas emissions from the use of our products*2 by FY2030

[Main measures]

- Provide air conditioners with superior energy saving capabilities from the design stage
- Switch from non-inverter air conditioners to high efficiency inverter air conditioners
- Develop products that use natural energy and waste heat to promote reductions in greenhouse gas emissions

* 1. Scope 3 Category 11
* 2. With air conditioners

*1 With air conditioners
*2 Scope 3, Category 11

Business Overview

Consolidated net sales*
2,655 hundred million yen

Operating income
187 hundred million yen

Operating income ratio
7.1 %

Air Conditioner Business

■ Air Conditioner Business



2,332 hundred million yen
(1% increase vs. FY2019)
(Composition: 88%)

140 hundred million yen
(34% increase vs. FY2019)

6.0 %

Air Conditioner Business

"Delivering life-refreshing air"

Air is always around us. Fujitsu General offers air conditioners designed to make room air clean and refreshing and bring ultimate comfort to customers anytime anywhere.



Information & Communication System and Electronic Devices

■ Information & Communication System and Electronic Devices Business



Fire-fighting systems

303 hundred million yen
(1% increase vs. FY2019)
(Composition: 11%)

40 hundred million yen
(3% increase vs. FY2019)

13.3 %



Power module

Information & Communication System Business

"Creating a safe and secure future together"

Communication devices business has continued since our founding. Fujitsu General's Information & Communication System business will continue to deliver safety and security for our future society.



POS system for a restaurant

Handheld radio communication device

Electronic Devices Business

"World-class advanced technology and design capability"

We deliver precise and highly accurate quality and reliability.



In-car camera

Active filter module for power factor correction (ACT module)

* Includes sales of 2,001 million yen (composition: 1%) in the other segment

Air Conditioner Business

Business Highlights



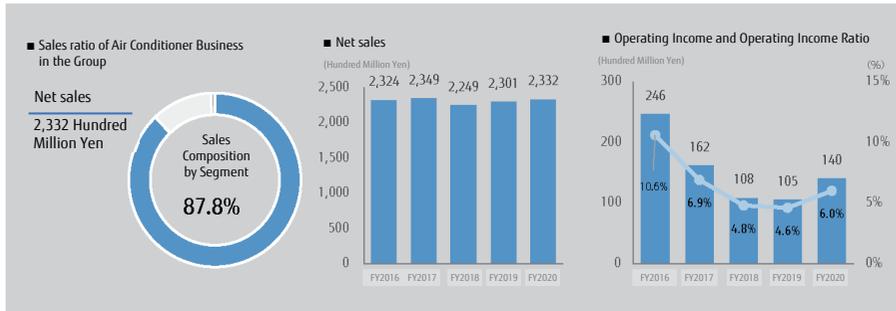
Demand for air conditioners, the Fujitsu General Group's core business, is expanding worldwide as equipment that creates a comfortable environment and supports social infrastructure. In this market environment, under our Sustainable Management Policy, we will provide products and services that significantly contribute to the reduction of greenhouse gas emissions, etc., and create new values to solve social issues, aiming to realize a sustainable society and further develop our business.

Director & Corporate Executive Vice President,
in charge of Air Conditioner and Quality Assurance, President,
Office of Air Conditioner Business, and General Manager,
Air Conditioner Products Planning Division

Tadashi Hasegawa

FY2020 Performance

In the Air Conditioner segment, in addition to the impact of COVID-19, there was a reactionary decline in sales to Europe, which had grown significantly in the previous fiscal year, as well as the impact of tough conditions with marine transportation and parts shortages on production and shipments ("postponement of production and shipments" hereinafter). However, in addition to domestic sales, overseas sales increased by 1.3% to 2,331.57 hundred million yen year on year, due to increased sales in North America, India, Oceania and other regions. In the second half of the fiscal year, although orders received were generally firm in each region, with sales to Europe also increasing, some shipments to North America, Europe, and the Middle East were carried over to the next fiscal year due to postponement of production and shipments. Operating income was 140.16 hundred million yen (up 33.6% year on year) due to the effect of increased sales in the domestic market, cost reductions and early procurement of materials, as well as favorable exchange rates, despite the impact of soaring ocean freight rates and increased fixed costs.



Overseas

Net sales totaled 1,710.53 hundred million yen (down 1.0% year on year). For the Americas, in North America, there was a postponement of production and shipments in the fourth quarter. However, sales of room air conditioners with excellent energy-saving performance increased amid expanding demand for home air conditioners due to favorable weather and rising home demand. Additionally, sales of whole-house air-conditioning system, which are mainstream in the United States, also increased due to the effect of expanding the product lineup by introducing new models jointly developed with our local partner, Rheem. On the other hand, overall sales in the Americas fell below the previous fiscal year's level due to a significant decrease in sales in Brazil as a result of the sluggish market caused by COVID-19 as well as a decrease in sales due to the fall in the sales currency. We will continue our efforts to reduce environmental impact, including experiments to demonstrate the energy-saving performance of heat pump technology jointly with the state of New York in the U.S. In Europe, sales decreased due to COVID-19 and the postponement of production and shipments, compared with the previous fiscal year when sales grew significantly due to the heatwave and the subsidy policy for air-to-water heat pump systems (ATW). Sales of room air conditioners, especially in France and Germany, have been strong, and orders for ATW have also been firm, backed by the extension and expansion of subsidy policies. In the Middle East and Africa, despite sluggish market conditions, sales increased through the third quarter due to the effect of inventory reduction in the previous fiscal year, but they declined in the fourth quarter due to the postponement of production and shipments. In Oceania, service maintenance operations were sluggish due to the stagnation of various corporate activities under the impact of COVID-19. However, sales increased due to growth in sales of room air conditioners against the backdrop of rising demand for home use and other factors, as well as strong sales of variable refrigerant flow (VRF) multi-split-type air conditioners for buildings. In Asia, although market conditions were sluggish due to restrictions on sales activities caused by COVID-19, sales increased in the core market of India, where sales of both room air conditioners and VRF increased as a result of the shift to our direct sales system, and orders at the solution business were also strong. To further expand sales in India, we are introducing new models with improved energy efficiency and strengthening our sales network by increasing the number of specialty stores. For Greater China, sales of room air conditioners increased in China due to steady sales of VRF, mainly from the retail store project, while we narrowed down sales channels with an emphasis on profitability amid intensifying price competition.



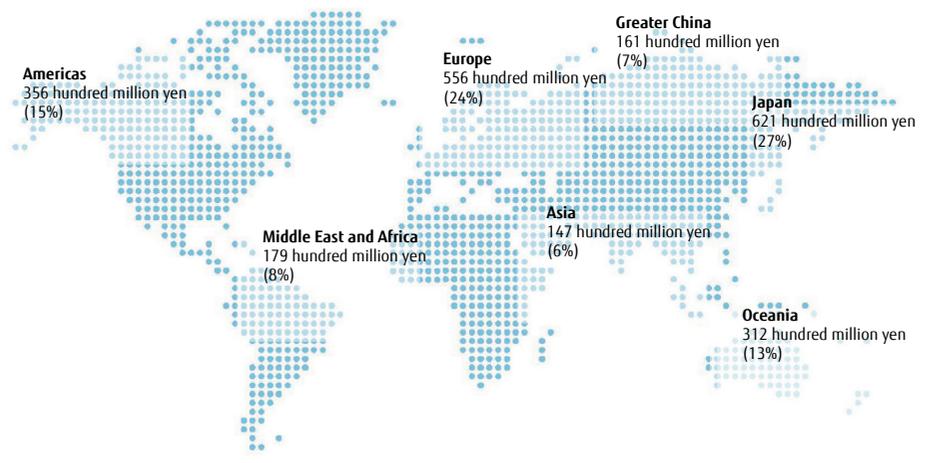
Domestic

Net sales totaled 621.03 hundred million yen (up 8.4% year on year). The industry's shipment volume of air conditioners reached a record high, due in part to growing interest in the living environment caused by the increase in time spent at home associated with the prolonged impact of COVID-19. Fujitsu General has a lineup that meets the needs for cleanliness and ease of installation, such as models equipped with our unique "heating sterilization of heat exchanger" function that removes mold and bacteria from high-end to popular models, as well as models with both compactness and design. Both shipments and clearance exceeded the industry level, as sales grew through various channels such as mass merchandisers, housing equipment, and mail order. Sales of humidifying sterilizing deodorizers, which use low-concentration ozone and plasma ions to suppress airborne viruses and do not require filter replacement, also increased in response to surging demand. In April 2021, we launched a new model in the high-end "nocria" Z series, featuring AI and improved cleanliness functions, as well as a design that expresses the texture of unglazed ceramics.



Air Conditioner Business

Net Sales and Composition of Air Conditioner Business by Region (FY2020)



Future Initiatives in Air Conditioner Business



Risks and opportunities in air conditioners business

Risk	Opportunity
<ul style="list-style-type: none"> Short-term decline in demand due to unseasonable weather, economic recession, etc. Decline in the superiority of existing technologies due to rapid technological innovation Intensifying competition 	<ul style="list-style-type: none"> Expansion of air conditioner market in the medium to long term Expansion of business domain by entering the solutions business Increasing needs for energy conservation

The Fujitsu General Group is making steady progress toward its ambitious goal of becoming carbon neutrality by 2030. Our Group's air conditioner is positioned as a "renewable energy device" utilizing heat pump technology in Japan and Europe. It is not only a clean, energy-saving, comfortable, and safe product in countries and regions around the world, but is also expected to contribute to the mitigation of climate change as an alternative to fossil fuel devices in heating and hot water supply applications. In addition, demand is expected to increase over the medium to long term due to the expansion of new products and services utilizing rapidly advancing digital technologies such as AI and the IoT. On the other hand, competition in the market is becoming more intense, and in addition to strengthening our existing business areas, we will work to expand our overall business by further widening our product fields and entering the solutions field to maintain our competitive edge.

Strengthening product competitiveness

In addition to further improving energy efficiency and comfort, and complying with environmental regulations, we are developing products that utilize AI and the IoT, and entering new businesses to provide products that help reduce greenhouse gas emissions and solve social issues. In Japan, in response to the increasing demand for air conditioning in the summer in cold regions, we launched the nocria ZN series of air conditioners for cold regions in August 2020, featuring industry-leading high heating capacity, heating sterilization of heat exchanger, and a smartphone-linking function via wireless LAN. In addition, in March 2021, we will add Aeroshield Co., Ltd., a UV irradiation equipment manufacturer, as a subsidiary, and will actively promote business in the field of cleanliness and sterilization. Overseas, we have introduced our proprietary commercial-use air conditioner "AIRSTAGE® J and V series with space-saving and ease of installation performance. We are gradually expanding our lineup of highly energy-efficient heat pump products by introducing products not previously available from us, through joint development with Rheem (U.S.) on unitary air conditioners, Atlantic (France) on air-to-water heat pump systems (ATW) and G.I. Holding (Italy) in the field of air handling units (AHU) and chillers. In addition, we will continue to expand into the service business field, such as air conditioning equipment design, installation and maintenance, through M&A and other ways.

Strengthening development and production structures

We are working to strengthen our development and production structures in order to increase the competitiveness of our products and respond to growing demand. In addition to the Innovation & Communication Center in the Kawasaki Headquarters, which was completed in June 2019, we are creating new value by strengthening our development structure. We are doing this by increasing the number of technology facilities and engineers at our technology bases in Thailand and China, and by proactively utilizing external resources to respond to new technologies such as AI and the IoT. Furthermore, at our plants in Thailand and China, we are increasing production capacity by expanding assembly lines and processing facilities, as well as to improve production efficiency through the use of IoT, automation, and labor-saving measures.

Information & Communication System and Electronic Devices Business

Business Highlights

Information & Communication System Business



In the Information & Communication System business, we are developing our business activities under the policy of "Creating a secure and safe future together." In the public sector business, we are building social systems that contribute to the safety and security of people's lives through Fire-fighting and Disaster prevention systems, and in the Private sector business, we aim to provide systems and services that contribute to a safe and secure new world that supports a fulfilling life for each and every person. As a result, many systems that we have built together with our customers are now in operation throughout Japan. In the future, we will make further effective use of this valuable asset, and by combining them, we will contribute to society by finding new values that have never been seen before, and continue to grow together with our customers.

Director & Corporate First Senior Vice President, in charge of Information & Communication System, and President, Office of Information & Communication System, and President & Representative Director, Fujitsu General OS Technology Limited

Masaki Sugiyama

Electronic Devices Business



In the Electronic Devices business, we are promoting development of new products that are highly valuable to society. We are also currently developing next-generation power modules utilizing the core technologies of our business units, which will combine energy efficiency with high output. Furthermore, we are introducing new equipment to expand our existing EMS business*, and will continue to provide products and services that will satisfy our customers.

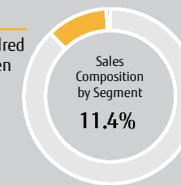
Corporate Senior Vice President
President and Representative Director, Fujitsu General Electronics Ltd.
In charge of Electronic Devices
General Manager, Electronic Devices & Components Division
President, Fujitsu General Electronics (Suzhou) Co., Ltd.

Masashi Okada

FY2020 Performance

■ Sales ratio of Information & Communication System and Electronic Devices businesses in the Group

Net sales
303 Hundred Million Yen



■ Net sales

(Hundred Million Yen)



■ Operating Income and Operating Income Ratio

(Hundred Million Yen)



For the Information & Communication System and Electronic Devices segments, sales increased by 0.6% to 302.93 hundred million yen and operating income increased by 3.4% to 40.42 hundred million yen year on year due to higher sales in Information & Communication System, despite lower sales in Electronic Devices.

Information & Communication System

Net sales totaled 198.03 hundred million yen (up 5.5% year on year).

Sales of private sector demand systems decreased due to sluggish demand for store systems for the food service industry due to COVID-19. However, overall sales of the segment increased due to steady progress in public systems with deliveries of disaster prevention system, for which orders were strong in the previous fiscal year.



Disaster-prevention system

Electronic Devices

Net sales were 104.90 hundred million yen (down 7.5% year on year).

Sales of electronic parts and semi-assembled components for industrial robots increased due to stronger capital investment demand in China. On the other hand, sales of in-vehicle equipment decreased due to a significant impact of the sluggish automobile market amid COVID-19 in the first half of the year.



Power module

* Electronics Manufacturing Services, a contract manufacturing business of electronic devices.

Information & Communication System and Electronic Devices Business

Future Initiatives in Information & Communication System Business

Risks and opportunities in Information & Communication System



Fire-fighting systems

Risk	<ul style="list-style-type: none"> ■ Decrease in demand for digitalization of disaster-prevention radios ■ Entry of competitors through use of various communication infrastructures ■ Changes in the fire-fighting systems market due to the wide-area expansion of firefighting organizations ■ Prolonged stagnation in the food service industry market under the impact of COVID-19
Opportunity	<ul style="list-style-type: none"> ■ Expansion of disaster prevention and mitigation infrastructure by local governments in response to the recent spate of natural disasters, and replacement demand for firefighting digital radio systems ■ Increasing need for systems that avoid the 3 C's (closed spaces, crowded places, close contact) in the food service industry and medical institutions to prevent the spread of COVID-19 ■ Expectations for outsourcing services to solve labor shortages in the private sector business

In the Information & Communication System business, Fire-fighting and Disaster prevention systems are expected to make progress in upgrading and expanding their functions in response to the need to strengthen their ability to cope with frequent natural disasters and an aging society. In response to these demands, we will contribute to the safety and security of residents by providing systems aimed at creating an infrastructure for disaster prevention and mitigation.

Private sector system business has been affected by a market slowdown due to the prolonged COVID-19. However, the need for systems that avoid the 3 C's (closed spaces, crowded places, close contact) for infection prevention and the need for outsourcing services, especially in the food service industry due to the recent shortage of labor, are expected to expand further.

Fire-fighting and disaster prevention systems

By improving the functionality of our systems in response to changing market demands and engaging in sales activities that are closely aligned with our customers, we are working to enhance the trust of our customers and promote our business to win orders. In firefighting systems, we are expanding our market share by responding to customer needs based on the Fire-fighting system GRANCAST®. In the future, we will further utilize the operational assets of our systems to capture demand for the renewal of firefighting digital radio systems expected around 2023.

For the disaster prevention system, in addition to responding to diversified means of information transmission through e-mail distribution and Social Networking Service (SNS), we will expand disaster-prevention and mitigation functions from information collection to transmission. We will do this through a system that allows local governments to collect their own weather information and automatically make decisions on issuing evacuation information, and through efforts to enhance the value of the system via industry-academia collaboration.

Private sector systems

Due to the prolonged COVID-19 pandemic, there is a growing need for systems that avoid the 3 C's (closed spaces, crowded places, close contact) in the food service industry and medical institutions to prevent infection. We are expanding the provision of mobile web services, such as take-out systems for the food service industry, and systems for medical institutions that allow patients to wait for their turn to be examined using cell phones and smartphones.

In addition to the existing businesses of distribution, medical care, and fruit grading, we are also promoting the new human resources business and "BPO Total Services." In the human resources business, we are working to develop business in response to the shortage of engineers, mainly in metropolitan areas around Tokyo where demand for IT human resources is active. In the BPO Total Services, we provide support to major food service companies for operations such as "master maintenance and other operations," "kitting operations in cooperation with logistics companies," and "system monitoring," where customers face problems due to a lack of manpower, by providing business support such as in-house take-home service instead of on-site service for customers. This is also expected to reduce the risk of COVID-19.

* Business Process Outsourcing, a service that uses the system to outsource the very work customers used to do.

Future Initiatives in Electronic Devices Business

Risks and opportunities in Electronic Devices business



Compact camera

Risk	<ul style="list-style-type: none"> ■ Sudden fluctuation in orders due to external factors (impact of COVID-19, competition for dominance between the U.S. and China, etc.) ■ Direct impact on business due to overconcentration on specific customers ■ Prolonged difficulties in procuring parts due to global shortages of semiconductor supplies
Opportunity	<ul style="list-style-type: none"> ■ Expansion and diversification of demand for robots ■ Development of applications for energy-saving, downsizing, and high-power technologies ■ Return to domestic production ■ Green growth strategy in line with the declaration of carbon neutrality in 2050

For the Electronic Devices business, in the manufacture of electronic components and units mainly for industrial robots, the market shrank under the impact of COVID-19. But demand is on a recovery trend toward post-COVID, and it is expected that the market will expand in the medium to long term due to needs for automation and labor-saving. The market is also expected to expand from industrial robots to those for stores and medical use.

As for cameras, we can expect to expand the potential fields that we can cultivate and develop in depth by utilizing core technologies of the business units. In addition, we are working on the development of next-generation power modules that will further advance energy efficiency toward a carbon-neutral society.

Electronic parts and semi-assembled components

Based on our core technologies such as downsizing, high integration, output and efficiency technologies, we will work to cultivate existing customers and acquire new customers by strengthening our development and sales structures.

At our overseas sales office in China, we will promote new business development activities for markets other than industrial robots, and strengthen cooperation with partner companies so that we can compete with local EMS companies* in terms of price competition and Japanese quality manufacturing.

Camera

The applications of cameras are becoming more and more diversified, not only for in-vehicle equipment but also for plant inspections and security. Under such circumstances, Fujitsu General's cameras are compact and have high visibility and excellent image-correction processing technology. We will utilize these core technologies to expand our business beyond the automotive industry.

Next-generation power module

We are developing high-performance power modules that are expected to be rolled out in the business of air conditioners, compact and lightweight robots, data centers, wind power generation, and in-vehicle businesses. We will contribute to our customers by making equipment smaller and more energy-efficient, and will work to develop these products widely.

* Manufacturers of electronic devices providing Electronics Manufacturing Services on contract.

Executive Message

Promoting Sustainable Management



Recognizing the Sustainable Development Goals (SDGs) promise of "Leaving no one behind" and the Fujitsu General Group Corporate Philosophy of "Living together for our future" as being synonymous, we will promote "Sustainable Management" and pursue the growth of Fujitsu General Group and contribution to a sustainable society. In addition, we will contribute to the solution of social issues through "innovation and technology" with action against climate change as our top priority.

Corporate Senior Vice President
Executive Manager, Office of Sustainability Promotion
General Manager, e Promotion Division
Vice in Charge of Quality Assurance

Masataka Eto

Contributing to a Sustainable Society

The world is facing many unprecedented challenges such as poverty, conflict, climate change, and infectious diseases. We believe that the SDGs guide us on the path we should take in order to continue living on this unique planet, and that they show the same direction as the Fujitsu General Group's Corporate Philosophy—"Living together for our future." In March 2021, we formulated the basic policy on "Sustainable Management." In accordance with this basic policy, we will promote Sustainable Management from a medium- to long-term perspective and pursue the growth of our Group and contribution to a sustainable society.

Action to Promote Sustainable Management

In promoting Sustainable Management, the Fujitsu General Group identifies materiality (key issues) in order to grasp the high-priority issues, and as a result, we recognize that addressing climate change is our top priority. In March 2021, we revised our Mid-Term Environmental Action Plan in order to strengthen our response to the growing seriousness of climate change. In FY2020, the Group expressed its support for the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). In FY2021, we have assessed the impact of climate change scenarios on our business, identified risks and opportunities, and disclosed the information. In addition, as one of the new initiatives to realize the Group Mission, "Through innovation and technology, we deliver a brighter future with the peace of mind to our customers and society around the world," we have started a new program to create businesses that solve social issues based on the ideas of individuals. Through this program, we will create more innovations and contribute to solving social issues. Furthermore, for our employees, whom the Group considers to be the most important stakeholders, we strive to further promote Health and Productivity Management, in order to create a workplace where employees themselves can stay healthy and energetic, and enhance their productivity and motivation.

Identification of Materiality and Key Themes to Promote Sustainable Management

Under the banner of Innovation & Globalization, the Fujitsu General Group will contribute to the creation of a sustainable society through its core business.

Identification of Materiality

The Fujitsu General Group identifies Materiality to promote Sustainable Management in its business operations. In identifying Materiality, we use international guidelines, such as the Sustainable Development Goals (SDGs) and the Global Reporting Initiative (GRI) Standards, as well as reports published by independent research institutions. We use them in light of the Group's Corporate Philosophy and management policy to select issues for the Group to address. The extracted issues are classified and organized into two categories: "Stakeholder interest & impact" and "Significance to the Group," and the more important issues are designated as the Key CSR Themes.

Materiality Identification Process



Materiality Matrix*



* The numbers placed under each item correspond to the SDG number our Company addresses through its CSR activities.

Realization of Sustainable Management

Identification of Materiality and Key Themes to Promote Sustainable Management

List of Key Themes and SDGs

The Fujitsu General Group identifies Materiality (key issues) and promotes activities on high-priority issues as the Key Themes. We aim to play our part in helping achieve the SDGs by implementing these Key Themes.

List of Key Themes [Summary version*]

Activity Category	Key Themes	Key Initiatives	Management Indicator (KPI)	SDGs	See
Environment	Responding to Climate Change	Reduce CO ₂ emissions from products during their use Reduce CO ₂ emissions across business activities	Greenhouse gas emissions	7 13	pp.23-24, 39-45
Social	Customer Relations	New Value Creation	Conduct research and development projects that address social issues Offer products that address social issues	- -	7 9 pp.21-22
	Employee Relations	Development of Talented Personnel (Develop employees to take on challenges spontaneously)	Introduce a system that encourages employees to take on challenges spontaneously Train employees	- -	4 p.47
		Health and Productivity Management and Occupational Health & Safety (Raise health awareness and create workplace for "Good Life")	Promoting mental health Measures to prevent lifestyle-related illness	- -	2 3 p.49
		Diversity (Create workplace where employees can work flexibly with diversity)	Promote diversity & inclusion in the workplace Help employees to maintain a good work-life balance	Number of newly promoted female managers and leaders Percentage and number of days of childcare leave taken by full-time male employees -	1 3 4 5 8 10 pp.47-48
	Supplier Relations	Supply Chain Management (Encouraging our suppliers to adopt our CSR initiatives)	Promotion of CSR procurement	Number of local audit firms	1 3 5 8 10 12 16 p.50
Governance	Respect for Human Rights	Promote human rights awareness Responding to human rights Violations	Number of cases of due diligence on human rights conducted	1 5 8 16 p.38	
	Adherence to Compliance and Governance Guidelines	Prevent insider trading	-	8 16 pp.46, 54, 64	
		Conduct compliance education	-		

Human Rights Initiatives

Human Rights Initiatives

Basic Approach

We believe that it is important to both recognize and properly understand human rights issues, foster a spirit of respect for and sensitivity to human rights, and maintain a zero-tolerance policy towards discrimination or any other human rights violations. Each employee of the Fujitsu General Group should be conscious of the need to protect human rights while letting this fundamental principle guide their actions.

- **Application of our Human Rights Policy**
It is incumbent upon all executives and employees of the Group to adhere to this policy. Furthermore, we will encourage all business partners connected to the Group's products and services to both respect as well as not to violate human rights.
- **Our Commitment as Expressed in the Human Rights Policy**
 - We support and respect international norms on human rights, including the United Nations' International Bill of Rights, the Guiding Principles on Business and Human Rights, and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.
 - In order to exercise due diligence in the area of protecting human rights, we will establish the process and means to identify and prevent or mitigate any potential violation of human rights.
 - If we are found to have caused or been involved in a possible violation of human rights, we will work to redress the matter through appropriate procedures.
 - We will provide education and training to our executives and employees to ensure that this policy is implemented throughout all of our business activities.
 - We will communicate and consult with relevant external stakeholders on how to respond to potential and actual violations of human rights.
 - We will be transparent with regard to our efforts to protect human rights, using our website and other platforms to keep the public informed.

Key Initiatives

Status of Human Rights Awareness Activities for Employees

- **Conducting human rights awareness training**
The Fujitsu General Group strives to raise employees' consciousness of human rights issues through regularly scheduled educational programs. As an opportunity for human rights education, we provide employees with e-learning on the prevention of harassment during Human Rights Week every year. In addition, human rights enlightenment is promoted through human rights education for newly appointed managers and new employees.

Responding to Human Rights Violations

- **Establishment of a Human rights consultation and relief office for employees**
The Fujitsu General Group has set up a "Corporate Ethics Helpline" for consultation and relief to protect employees' human rights, and it can be either reached through the division in charge or via an external law firm. All employees have been made aware of the helpline through the details posted on the company intranet as well as via e-learning. The system provides a mechanism for the early detection and resolution of potential or actual violations of laws and regulations, internal rules and corporate ethics, as well as the prevention of general violation. We have a system in place that enables an independent dedicated team of investigators to take responsibility for factual probes and, if necessary, take corrective action and prevent recurrence, whenever a report is filed or a request for consultation is received.

Please visit our website for more information.
CSR Structure and Policy
<https://www.fujitsu-general.com/jp/csr/policy.html>



* List of Key Themes is partially shown.

Realization of Sustainable Management

Environmental Initiatives

Disclosure of Climate Change-related Information (based on TCFD)

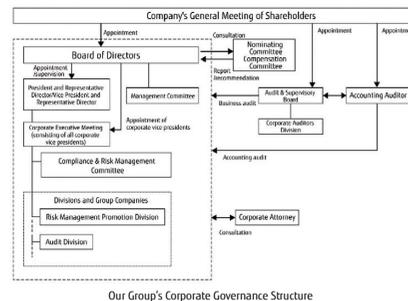
In June 2017, the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board (FSB), announced recommendations for companies to understand and disclose the risks and opportunities posed by climate change. The Fujitsu General Group has endorsed the TCFD in 2020 and shall disclose key information related to climate change in line with the TCFD recommendations.

List of disclosure items

TCFD Recommendations and Supporting Recommended Disclosures	Recommended Disclosures
Governance: Disclose the organization's governance around climate-related risks and opportunities.	
a) Describe the board's oversight of climate-related risks and opportunities.	Governance
b) Describe management's role in assessing and managing climate-related risks and opportunities.	
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Strategies
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	
Risk management: Disclose how the organization identifies, assesses, and manages climate-related risks.	
a) Describe the organization's processes for identifying and assessing climate-related risks.	Risk Management
b) Describe the organization's processes for managing climate-related risks.	
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	
Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Environmental Action Plan (metrics and targets)
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	

Governance

In March 2021, through discussions at the Board of Directors, we formulated and announced the basic policy and key themes of Sustainable Management. In addition, important management issues are discussed at the Management Committee (held twice a month in principle) attended by Corporate Vice Presidents (Corporate First Senior Vice Presidents and above), as well as at meetings of the Board of Directors, held once a month or on an ad hoc basis when necessary. The Corporate Executive Meeting composed of all Corporate Vice Presidents, meets three times a month in principle to deliberate and decide on specific important issues related to business execution, and seek approval from the Board of Directors on particularly important matters. The Environmental Promotion Committee meets four times a year to check the progress and results of the policies and measures in the Mid-Term Environmental Action Plan and the Environmental Action Plan Stage IX, and to promote further improvements and new initiatives.



Strategies

Impact and countermeasures of climate-related risks and opportunities in the air conditioner business of Fujitsu General Group

Regarding the business risks related to climate change, we examined the following two scenarios according to the TCFD classification: (1) "Risks related to the transition to a low-carbon economy" which will mainly occur in the course of the 2°C scenario, and (2) "Risks related to the physical impacts of climate change" which will occur when the 4°C scenario is reached due to the failure to reduce global CO₂ emissions.

We also consider the business opportunities and compile strategic initiatives to prepare for risks and take advantage of opportunities.

[Risks: Impact on business and likelihood of occurrence]

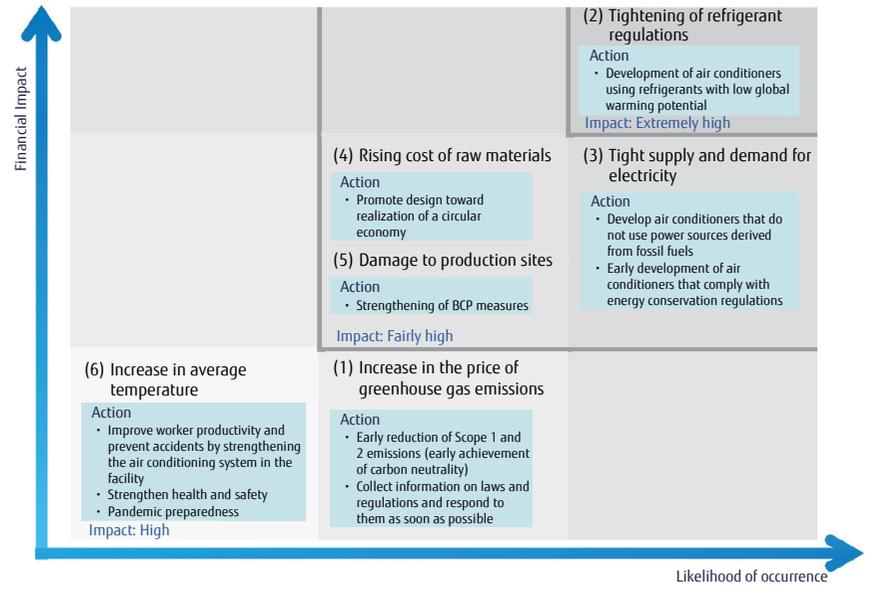
Risk Item		Risk	Likelihood of occurrence	Financial Impact Level
Transition	Policy and legal	(1) Increase in the price of greenhouse gas emissions	2	1
		(2) Tightening of refrigerant regulations	3	3
		(3) Tight supply and demand for electricity	3	2
	Market	(4) Rising cost of raw materials	2	2
Physical	Acute	(5) Damage to production sites	2	2
	Chronic	(6) Increase in average temperature	1	1

■ Likelihood of occurrence

Level	Definition
1	Occurs very rarely
2	Moderate
3	Occurs frequently

■ Financial impact

Level	Estimated impact (financial)
1	High
2	Very high
3	Extremely high



Environmental Initiatives

Disclosure of Climate Change-related Information (based on TCFD) (Continued)

[Opportunity]

Opportunity Item		Opportunity
Products and Services	Tighter regulations on the use of fossil fuels	Stricter regulations on the use of fossil fuels have increased the need for heat pump heaters, leading to higher sales
	Increase in demand for air conditioners due to rising temperatures	In response to growing demand for air conditioners due to rising temperatures, research and development of air conditioners for high outdoor temperatures and sales expansion
	Strengthening of regulations on energy conservation	Expand sales by doing research and development of air conditioners with high energy efficiency in response to tighter energy conservation regulations

Risk Management

The Fujitsu General Group classifies various changes in the external environment associated with climate change into "transition risk" and "physical risk" as exemplified by the TCFD recommendations, and evaluates the financial impact and probability in three levels to identify significant risks and opportunities. In addition, at the Group we strive to prevent and mitigate risks that could significantly impact our business by conducting risk assessments related to compliance, crisis management, human resources, labor, safety & health management, the environment, IT security, and information management, amongst others. The process is overseen by the Compliance & Risk Management Committee.

Process for identification of climate-related risks and opportunities, consideration of actions, and implementation management



Risk Management System

In order to promptly identify risks that may adversely affect the Fujitsu General Group, whether at home or overseas, and to implement countermeasures in a timely manner, risk assessments are conducted to confirm appropriateness of the risk evaluation and risk management of each division of the Company as well as for the Group companies. The Compliance & Risk Management Committee selects priority issues to be addressed while promoting activities to reduce risk. The committee reports its annual activities to the Board of Directors.

Environmental Action Plan (metrics and targets)

Mid-Term Environmental Action Plan

Fujitsu General Group established the "Mid-Term Environmental Action Plan" in 2016 with FY2030 as the final target year as a concrete plan to carry out actions for the "Fujitsu General Group Environmental Policy" and for climate change which is the highest priority theme in materiality analysis. In order to more actively work to bring about a sustainable society, we conducted a major revision of our Mid-Term Environmental Action Plan in March 2021.

All employees will share the goals to be achieved in the medium term and aim to both reduce environmental impact and enhance corporate value while contributing to the achievement of SDGs.

1. Achieve carbon neutrality (completely eliminate greenhouse gas emissions) by FY2030
2. Reduction of 30% compared to FY2018 for total greenhouse gas emissions by our supply network by FY2035
3. Reduction of 30% compared to FY2013^{*2} for total global greenhouse gas emissions from the use of our products^{*1} by FY2035

The Environmental Action Plan Stage IX (FY2019–FY2022)

	Pillar Initiative	Theme	Key Initiative	Activity Indicator	Target by FY2022	FY2020 Performance	Related SDGs	
Activities for Customers and Society	Action Against Global Warming	Greater Contribution to Reducing Greenhouse Gas Emissions	Switch to new refrigerant	Switch to low-GWP refrigerants (Package, multi, room air conditioners)	Switchover to R32 for all target models	Completed switchover to R32 for all 216 target models	13	
	Resource Recycling	Effective Use of Resources	Enhance product competitiveness	Conversion rate to standardized outdoor units	≥ 90%	78%	8 9 12 13	
Activities for Reduction of our Environmental Impact	Action Against Global Warming	Pursue Energy Use Efficiency	Thoroughly eliminate waste	Improvement rate of electricity use efficiency at production sites (Per unit of production vs. FY2013)	≥ 15% reduction	Domestic: 2% reduction Overseas: 16% increase	8 9 12 13	
				Improvement rate of gas use efficiency at production sites (Per unit of production vs. FY2013)	Domestic: 60% reduction Overseas: 15% reduction	Domestic: 45% reduction Overseas: 29% increase		
				Reduction rate of electricity used for evaluation and testing facilities at overseas development sites (vs. FY2018)	≥ 30% reduction	23% reduction		
				Reduce transfer of products between warehouses (domestic)	Reduction rate of CO ₂ emissions in transport between warehouses	≥ 4% reduction		8% reduction
				Improve product transportation efficiency (domestic)	Reduce logistics CO ₂ emissions per unit sold	1.91 (t-CO ₂ /1,000 units)		1.86 (t-CO ₂ /1,000 units)
	Resource Recycling	Rationalize Resource Use	Thoroughly eliminate waste	Expand use of renewable energy	Increase renewable energy utilization rate	≥ 5% of power consumption	2%	7 13
				Reduce aluminum material waste loss	Reduce waste loss ratio by 75% (vs. FY2016)	41% reduction		
				Reduce copper material waste loss	Reduce waste loss ratio by 67% (vs. FY2016)	61% reduction		
				Reduction of water consumption at production sites (reduction rate of water consumption per production output) (vs. FY2013)	Domestic: ≥ 20% reduction Overseas: ≥ 6% reduction	Domestic: 2% reduction Overseas: 6% reduction	6 8 9 12	
				Improve waste recycling rate at production sites (recycling rate in total amount generated)	≥ 99%	Domestic: 90% Overseas: 95%		
Reduction rate of total waste generated by production sites (per unit of production vs. FY2013)	≥ 20% reduction	Domestic: 13% increase Overseas: 0%	8 9 12					
Pursue disassembly and sorting capabilities (increase value of priced goods)	Mixed recovery item ratio ≤ 22%	23%	8 9 12					
Pursue recycling (turning waste into valuable resources)	Reduce 9 recovery items shipped as waste	Completed reduction of 2 items						

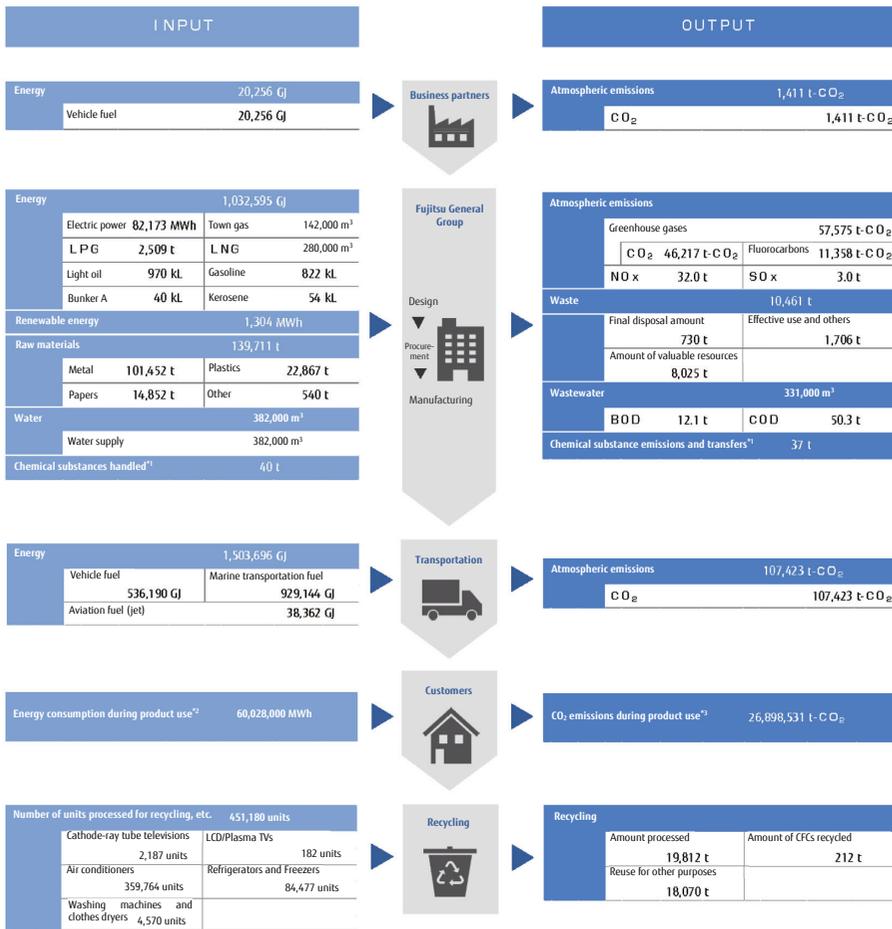
*1 Scope 3 Category 11
*2 For air conditioners

Realization of Sustainable Management

Environmental Initiatives

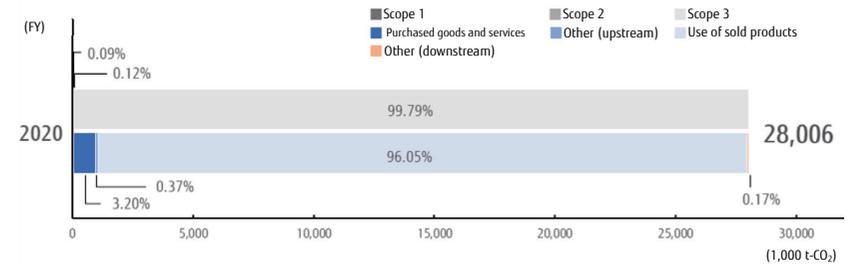
Disclosure of Climate Change-related Information (based on TCFD) (Continued)

Material Balance (FY2020 Performance)



Reporting Greenhouse Gas Emissions Based on GHG Protocol

CO₂ emissions in value chain



CO₂ emissions in Scope 1, 2, 3

Scope	Category	Calculated volume/t-CO ₂		
		FY2020	% of total	
Scope 1	Direct emissions from owned or controlled sources	24,497	0.09%	
Scope 2	Indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company	33,078	0.12%	
Scope 3	All other indirect emissions that occur in a company's value chain	27,948,097	99.79%	
Upstream	Category 1	Purchased goods and services	897,591	3.21%
	Category 2	Capital goods	26,973	0.10%
	Category 3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	2,863	0.01%
	Category 4	Upstream transportation and distribution	69,472	0.25%
	Category 5	Waste generated in operations	2,927	0.010%
	Category 6	Business travel	576	0.002%
	Category 7	Employee commuting	312	0.001%
	Category 8	Upstream leased assets	589	0.002%
Downstream	Category 9	Downstream transportation and distribution	39,362	0.14%
	Category 10	Processing of sold products	28	0.00010%
	Category 11	Use of sold products	26,898,531	96.05%
	Category 12	End-of-life treatment of sold products	8,873	0.03%
Total		28,005,672	100.0%	

*1 Total amount of PRTR substances handled per business site in annual amount of 100 kg or more
 *2 Total amount of electricity consumed by our products during their operating hours (estimated value)
 *3 Total amount of CO₂ emissions during the operating period of our products sold

* Figures may not add up due to rounding.

Realization of Sustainable Management

Environmental Initiatives

Realization of a Sustainable Society

Reduction of Greenhouse Gas Emissions

Basic Approach

The Fujitsu General Group believes that reducing greenhouse gas emissions in all business areas is important to curb climate change caused by global warming. We will promote the reduction of greenhouse gas emissions by improving the energy efficiency of products used by our customers.

In addition, by expanding the use of renewable energy sources such as solar power generation, we aim to achieve completely eliminate greenhouse gas emissions from our business activities by FY2030.

Key Initiatives

Reducing greenhouse gas emissions during product use

At the Fujitsu General Group, we believe that by developing and supplying products with improved energy efficiency, we can reduce greenhouse gas emission levels and contribute to achieving a sustainable society.

● Pursuing energy efficiency

As a result of our efforts to improve the energy efficiency of newly developed products, CO₂ emissions from air conditioners developed and sold in FY2020 during product use were reduced by 47.5% compared with FY2013. We will continue to develop products with even greater energy efficiency to contribute to the reduction of greenhouse gas emissions.

Model
Example

Achieved the industry's top level* energy-saving performance

3-/4-/5-unit multi-split type outdoor unit air conditioners

(Models: AOYG18KBTA3, AOYG24KBTA3, AOYG30KBTA4, AOYG36KBTA5)

By adopting a high-performance refrigerant (R32) with reduced environmental impact, and using a highly efficient compressor and fan motor optimally designed for each capacity range, we were able to achieve the industry's top energy efficiency and conservation rankings of A+++ for cooling and A++ for heating in all capacity ranges.

Initiatives to reduce greenhouse gas emissions in business activities

Fujitsu General Group aims to completely eliminate greenhouse gas emissions from the business activities of the entire Group by FY2030. We are expanding the use of renewable energy, and encouraging each employee to review their daily work processes to reduce redundancies. We also share best practices across departments to achieve improvements. In FY2020, CO₂ emissions were reduced by approximately 22% compared with FY2013, thanks to the introduction of solar power generation systems by our production and sales company in China and the promotion of a production shift to models that use an R32 refrigerant with the ability to reduce GWP (Global Warming Potential).

● Installation of Solar Power Generation Systems

In August 2020, Fujitsu General Central Air-Conditioner (Wuxi) Co., Ltd., our production and sales company in China installed new solar panels on the roof. With the operation of the solar power generation system, we shifted about 14% of our electricity use to renewable energy by March 2021, reducing CO₂ emissions by 204 tons. For the full year, the CO₂ emissions are expected to be reduced by 371 tons, or about 25% of the electricity used.

* First place, jointly shared first place, or narrowly behind first place (as of March 2021)

Commitment to Society

Promoting FG Way Management

We have been taking actions to assist employees around the world in embracing and acting upon our Corporate Philosophy "FUJITSU GENERAL Way."

Example 1: Corporate Philosophy Briefings at Overseas Plants

In October 2020, Fujitsu General (Shanghai) Co., Ltd., our manufacturer in China was connected online with Japan, and the President shared his thoughts on our Corporate Philosophy and the vision of the company. In December 2020, Fujitsu General (Thailand) Co., Ltd., our manufacturer in Thailand, held a debriefing session on activities to promote the Corporate Philosophy, and the activities of each group were shared.



Corporate Philosophy sharing meeting
Fujitsu General (Shanghai) Co., Ltd.
(our manufacturer in China)



Debriefing session on activities to promote the
Corporate Philosophy
Fujitsu General (Thailand) Co., Ltd.,
our manufacturer in Thailand

Example 2: Promoters to Spread the Corporate Philosophy in the Workplace

Workshops are held by promoters assigned to each workplace to help promoters deepen their own understanding of the Corporate Philosophy and share examples of embodiment. Promoters also take the content of their discussions back to their workplaces and share the information with employees in their respective workplaces in an effort to delve deeper into and review the goals of their departments and individuals.



Online FG Way workshop



Promoters exchanging opinions while keeping a social distance

The Fujitsu General Group ensures that every employee embraces and acts upon the FUJITSU GENERAL Way. We promote "People Management" by developing people to spontaneously take on challenges as well as creating a workplace that promotes healthy lifestyles among employees and in which diverse employees can thrive and succeed in a flexible manner. We believe these approaches will help us address social issues and achieve Our Mission to "deliver a brighter future with the peace of mind."

Commitment to Society

Promoting People Management

Develop Talented Personnel Willing to Take on New Challenges

Basic Approach

We believe that the development and education of human resources will play an extremely important role in maximizing the potential of our people—our most valuable management resource—because the sustainable growth of Fujitsu General Group is possible only through them.

The new personnel system introduced in FY2020 clarifies the roles played by each rank of employee more than ever before. This system is designed to encourage employees to voluntarily take on challenges for higher positions within the company and greater responsibility, making it possible for them to succeed in their own personal development and growth.

Through rank-based training, each employee's growth and career are managed by the personnel system to raise awareness of the roles required at each rank in the organization, to ensure the skills necessary to fulfill the roles are acquired, and to encourage employees to willingly take on new challenges. The Fujitsu General Group will support the formation, provide opportunities for challenges, and foster an awareness of aspirations, visions, and dreams (what you want it to be and what you want to achieve) as it relates to work and career potential. Three aims of the new personnel system are to 1) Instill, practice, and realize our Corporate and Personnel Philosophy; 2) Maximize the potential of our most important management resources—people—for the sustainable growth of the Group; 3) Create an organization that is able to face up to changes by keeping employees motivated and helping them to grow individually. Under the Corporate Philosophy, we ask our employees to practice and realize Our Philosophy, "Act Spontaneously," "Develop Our Team," and "Value Integrity."

Create Workplace Where Employees Can Work Flexibly with Diversity

Basic Approach

At the Fujitsu General Group, we have made the promotion of both diversity and inclusion a cornerstone of our "management strategy to achieve sustainable growth." We will continue to strive to create a working environment in which diverse employees can play an active role, developing these same human resources in line with our Corporate Philosophy, with an eye to improving our competitive position.

Each initiative is undertaken in order to achieve balance between the requirements of the company and the needs of the employee, such as needing to provide childcare to your children, medical care for yourself, or long-term care of an elderly relative. The goal is to create a working environment in which women, foreign nationals, those with disabilities, and more senior staff, without being singled out in any way, can fully participate and play an active part in the organization.

In line with actualizing our Corporate Philosophy, we will continue to promote diversity and inclusion, creating an environment in which all employees can contribute, take on challenges, and be able to demonstrate their unique values.

Key Initiatives

Diversity & inclusion

● Recruiting international employees

In Japan, the Fujitsu General Headquarters also recruits foreign nationals.

● Extending the retirement age

In Fujitsu General Group (Japan), the mandatory retirement age is 60 years old, but we provide a place where those who wish to continue working after the age of 60 can work until the age of 65.

● Promoting women in the company

The Fujitsu General Group is working on reforming the organizational culture in which women can play an active role through system changes and awareness-raising.

Starting in FY2021, the following new five-year numerical targets are set to further raise awareness: (1) By FY2026, a total of at least 15 female employees will be promoted to newly appointed managers and leadership positions. (2) By FY2026, the rate of male regular employees taking childcare leave will be 30% or more, and the average period of leave taken will be 10 days or more.

● Promoting foreign nationals as managers at overseas locations

At the Fujitsu General Group, we are placing foreign nationals in management positions at our overseas locations.

● Employing people with disability

Since 1970, the Fujitsu General Group has been recruiting graduates of special needs schools. In 2004, Fujitsu General Heartware Ltd., a special-purpose subsidiary, was established to better enable those employees with disabilities to work with a sense of purpose and genuinely feel they are contributing to society.

The primary business activities of Heartware include 1) in-house maintenance (cleaning, collection and separation of garbage, garden maintenance); 2) logistical support (packing and shipping of promotional materials, processing and packing of warranty parts, inventory picking, receiving and sorting mail, receiving and intra-company notification of courier packages); 3) recycling (disassembly of air conditioner prototypes, confidential document shredding); and 4) in-house services for employees (bicycle tire repair for bicycles used for commuting). Employees with disabilities represent 2.87% of our total employees in Japan (2020), which is greater than the 2.3% level required by law.

Work-life balance

The Fujitsu General Group has established that "valuing and investing in our people" is paramount to its pursuit of business and as such, maintaining a healthy work-life balance is a fundamental cornerstone to support team development.

As an initiative to reduce long working hours, the Kawasaki Headquarters area sets a regular leave-on-time day once a week and recommends no overtime days. As a result of regular patrols by labor and management to encourage employees to go home on time, the percentage of employees leaving work on time in the Headquarters area on regular leave-on-time day has been roughly 90% throughout FY2020. To encourage employees to use their annual paid leave, it has been recommended that each employee takes no less than two days of annual leave every six months and includes a weekend or national holiday to extend the leave time beyond two days. In addition, from FY2020, we will increase the number of annual leave days set during the summer vacation period to four days, up by one day, to promote the use of annual leave.

Commitment to Society

Promoting People Management (Continued)

Raise Health Awareness and Create Workplace for Good Life

Basic Approach

The Fujitsu General Group is promoting Health and Productivity Management in the workplace, believing that unless the workplace is healthy, it is not possible to develop human resources who will work willingly and energetically. The Group regards Health and Productivity Management as the strategic implementation of health measures that will support the realization of sustainable business growth. The Group also strives to achieve an approach to "valuing and investing in our people," as stated in our Corporate Philosophy and medium-term management plan. To strengthen our efforts in this area, we have stressed that the mental and physical health of our employees is a valuable asset. We also have made clear the importance of creating a workplace that is both easy to work in and rewarding, which in turn is expected to increase overall motivation and combined energy.

Fujitsu General Group's Declaration of Employee Wellness
Healthy employees and their healthy families are our most valuable assets. As a company that delivers comfort and safety to customers around the world, it is our responsibility to ensure that every employee stays healthy and happy in a vibrant workplace.

Key Initiative

Initiatives to promote employee health

● Health consulting service available to all employees

The primary purpose is to provide health education to all employees while helping to establish connections with medical professionals. All employees enjoy a medical consultation with an industrial physician or public health nurse for approximately 15 minutes (single consultation). New recruits undergo the consultation during initial training with the rest of employees being able to receive a medical consultation during working hours on a rotational basis.

● High-risk approach

1. Continuous support provided by industrial physicians and nurses
Support the continuation of treatment by monthly confirmation of treatment. For FY2020, this support was provided to 22 employees.
2. Specific Health Guidance
Health guidance is provided to those whose health checkup results fall outside the standard values and who are at risk of developing lifestyle-related diseases. Appointments can be made either outside or during working hours, so that as many employees as possible can receive the guidance. For FY2020, active support was provided to 139 employees, and moral support was provided to 98 employees.

Supply Chain Management

Basic Approach

The Fujitsu General Group feels it must manage its entire global supply chain, both in Japan and throughout the world, in line with fulfilling its overall social responsibilities. Our components suppliers are required to adhere to the Group's CSR procurement guidelines; we visit their factories to perform a physical compliance audit. As part of our efforts to fulfill social expectations and achieve Our Mission—"Living together for our future", we work with our suppliers to minimize the impact of our business operations on the environment and society.

Key Initiative

Dissemination of CSR Procurement Policy

In procuring products, materials and raw materials, the Fujitsu General Group has formulated the CSR Procurement Policy and Guidelines with the aim of fulfilling social responsibility in the entire supply chain. It will do this by adding required items in light of the progress in measures taken for the environment, labor environment, human rights, etc. to the existing items such as quality, performance, price and delivery. We share our CSR Procurement Policy and Guidelines with our suppliers and ask them to practice them within their companies.

On-site supplier survey

In FY2020, due to the pandemic of COVID-19, we were unable to conduct CSR audits and other on-site surveys, but we did conduct self-checks using the self-assessment questionnaire for seven companies in Japan, four in China, and five in Thailand. For the surveys conducted in FY2020, no CSR problems were identified for the target companies.

Measures for Conflict Minerals

At the Fujitsu General Group, in cooperation with our suppliers, we promote responsible procurement to prevent the sourcing of conflict minerals connected with the use of forced labor, human rights violations, and civil unrest/war.

Basic Policy on Responsible Mineral Procurement

It is the policy of the Fujitsu General Group to exclude from its products, parts and supply chain those minerals with a high risk of contributing to conflict or being associated with forced labor or human rights violation.

Message from External Director

In an era of uncertainty, where there is no correct answer, "efforts to gather public knowledge and courage to make a decision" are required to overcome the situation. External Directors support top management when they need to make split-second business decisions by leveraging our empirical value to facilitate their decision-making.

External Director
Fumiaki Terasaka



Observation of Fujitsu General and the Board of Directors

Fujitsu General is commended on the following two points. 1) By clarifying its Corporate Philosophy and slogan, depicting the story of value creation, and presenting specific medium-term management plan targets, the company communicates "Big Picture, Small Win" (having a lofty goal, but reaching it based on steady efforts and small successes) in an easy-to-understand manner to all stakeholders. 2) In order to establish sustainable growth and a stable management base, the company is proactively seeking and developing a strategic business portfolio through M&A and other means, and is always proactive and aggressive in its approach.

The following points can be commended about the Board of Directors. 1) There is always an open atmosphere for the exchange of opinions. 2) There is a quick response and action regarding questions and opinions from Outside Directors. 3) Documents for deliberations and reports are well organized and easy to understand, especially documents related to financial statements. 4) The quarterly financial results are explained in advance, and the agenda for each month's meeting is distributed by e-mail, which facilitates smooth deliberations on the day of the meeting.

The above plays a major role in avoiding irrationality and risks in the organization, which is often caused by decision-making that prioritizes the company's own convenience and efficiency.

In addition, especially after experiencing the pandemic of COVID-19, the demise of the lifetime employment system and the reformation of work style has reaffirmed the fact that the group is a collection of individuals, and that the community is disappearing as the stronghold it was in the past. We are entering an era in which each individual must be prepared to be independent and self-reliant, and where the individuals' skills are called in question.

In order to achieve this, we must act flexibly and create an organizational environment that encourages and leverages flexible thinking and imagination. Human resource development and enhancement of our organizational capabilities are needed in order to hone our skills so we are capable of making decisions with a sense of ownership at all times.

Close communication across the entire Fujitsu General Group should be made, transcending positions, in a manner tailored to the field. We believe that it is an important task for all Fujitsu General Group employees to act "across boundaries."

Roles of Compensation Committee and Nominating Committee

Both the Compensation Committee and the Nominating Committee are considered to be narrowly related to the treatment of executives, but of course, they are all related to the salaries, positions and qualifications of employees.

Both payroll and human resources should play a role in employee engagement in order to build a relationship where a company and employees can interact and grow together as indispensable beings.

Under such circumstances, it is necessary to appoint a Chief Executive Officer who can make bold management decisions in response to changes in the business environment in order to achieve sustainable growth and enhance corporate value over the medium and long term.

The Corporate Governance Code also provides guidelines about appointment, dismissal, and education of the CEO about should be carried out in an effective manner with objectivity, competence, and transparency. As for the Nominating Committee, it is necessary to deepen discussions from various perspectives in identifying important positions in the organization and in the succession plan.

The Compensation Committee also believes that it is necessary to design the compensation system for management to function as a sound incentive for sustainable growth and enhancement of corporate value over the medium to long term, and to provide an objective and transparent procedural process for determining the appropriate and specific amount of compensation in an easy-to-understand manner.

Fujitsu General's Initiatives for Sustainability

Fujitsu General's Corporate Philosophy "Living together for our future" illustrates our approach toward sustainability (contribution to the realization of a sustainable society).

We have set pillars of our specific direction; (1) Harmonious coexistence with our planet, (2) Social contribution, and (3) Care for employees. In order to "contribute to action against climate change," sustainable products are used to reduce greenhouse gas emissions and solve social issues. As to "create a safe and secure future," we will focus on the development of technology for systems that are useful in times of disaster. Through these initiatives, we work to contribute to society.

Message from External Director

Based on the idea that our employees must be healthy in order to make such contributions to society, we are making concrete efforts under the banner of Health and Productivity Management. In order to promote these activities more strongly, the President himself has been appointed Chief Sustainability Officer (CSO), which shows the company's unwavering commitment to sustainability. An analogy for the realization of sustainability can be found in the Buddhist teaching of "practicing altruism." This is the same idea as the Triple Win philosophy of the Omi merchants who were active from the Edo period (1603–1867) to the Meiji period (1868–1912): "Good for the seller, good for the buyer, and good for society." The Corporate Philosophy of Fujitsu General, "Living together for our future," expresses our commitment to contribute to society through Sustainable Products and make efforts to solve social issues, while generating profits as a company.

Future of the Board of Directors

In today's world, anything can happen, and we are in a VUCA (Volatile, Uncertain, Complex, and Ambiguous) era. In an era of uncertainty, where there is no correct answer, "efforts to gather public knowledge and courage to make decisions" are essential to overcome the situation. In addition, it is necessary to have a keen eye, wisdom and technological innovation from various angles as to how we organize and assess such raw data. In particular, to provide global services worldwide, Fujitsu General needs to make instantaneous management decisions. That is when the introduction of empirical knowledge from outside the company and the exchange of information become valuable. The role of Independent External Officers is to support top management to facilitate their decision-making to take risks.



Until now, the role of External Officers has been more of a defensive one of monitoring, such as avoiding corporate risks and preventing fraud. However, from now on, it is necessary for External Officers to be actively involved in finding strategic management issues by further extending the opinion exchange meetings between internal and external officers, as Fujitsu General is already doing. It is important for Internal and External Directors and Audit & Supervisory Board Members with experience, wisdom and skills cultivated in different areas to work together to ensure the effectiveness of the Board of Directors for the sustainable development and enhancement of corporate value of Fujitsu General. They must do so while considering the concept of *Rongo* (Analects of Confucius) and *Soroban* (abacus) (philosophy of the union of morality and economy), and with each officer mutually crossing over borders without being bound by the skill matrix.

Governance

Adherence to Compliance and Governance Guidelines

Corporate Governance

Basic Approach

The Fujitsu General Group believes that the basis of corporate governance is to increase management efficiency, such as the expediting the decision-making process, while at the same time ensuring transparency in the decision-making process and enhancing the internal control function over business execution.

Corporate Governance Structure

The Fujitsu General Group has adopted the Audit & Supervisory Board Member and Corporate Vice President (executive officer) system to enhance management's oversight function and enable efficient and agile business execution. The Auditors conduct audits and provide supervision from a standpoint independent of company management. We believe that this system is effective in terms of our meeting the tenets of our corporate governance program.

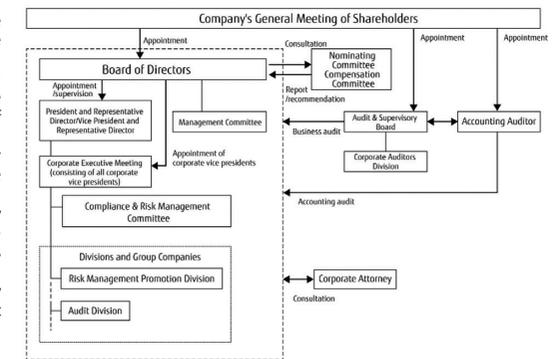
As of the end of June 2021, there were 11 Directors (including five External Directors) and three Audit & Supervisory Board Member (including two External Audit & Supervisory Board Members).

Important management issues are discussed at the Management Committee (held twice a month in principle) attended by Corporate Vice Presidents (Corporate First Senior Vice Presidents and above), as well as at meetings of the Board of Directors, held once a month or on an ad hoc basis when necessary. The Corporate Executive Meeting, which consists of all Corporate Vice Presidents, meets three times a month in principle to deliberate and decide on specific important issues related to business execution, and seek approval from the Board of Directors on particularly important matters. In FY2020, 13 meetings of the Board of Directors were held (and one other meeting with a written resolution) with a 98% attendance rate of officers.

The Audit & Supervisory Board consists of three Audit & Supervisory Board Members (including two External Audit & Supervisory Board Members) with the Office of Corporate Auditors (one personnel member) expected to assist Audit & Supervisory Board Members in fulfilling their duties. The Audit & Supervisory Board meets monthly on the same day as the Board of Directors and on an extraordinary basis when necessary. Audit & Supervisory Board Member attend Board of Directors meetings to audit the proceedings of the meetings and the content of resolutions, and express their opinion when deemed necessary. Full-time Audit & Supervisory Board Members attend important internal meetings or sit on committees, such as the Corporate Executive Meeting and the Compliance & Risk Management Committee.

They meet on a quarterly basis with the President to provide audit findings and make recommendations based on the audit activities. In addition, we conducted interviews and reports 91 times a year with Directors, Corporate Vice Presidents, senior managers in charge of each division, and conducted visits to 13 locations a year in Japan and overseas basically by remote auditing using the video conference system due to COVID-19.

In principle, the Full-time Audit & Supervisory Board Member hold quarterly meetings with the External Directors to share their views on issues identified through the auditing activities. Reports of the Full-time Audit & Supervisory Board Member activities are made to the Audit & Supervisory Boards and appropriately shared with the Auditors.



Our Group's Corporate Governance Structure

Governance

Corporate Governance (Continued)

Role of the Board of Directors

The Board of Directors makes decisions on important matters related to the management of the Fujitsu General Group and important business execution as stipulated by laws and regulations and the Company's Articles of Incorporation. Matters requiring a resolution of the Board of Directors are clearly defined in the Board of Directors Regulations. For matters that do not require a resolution of the Board of Directors, internal rules (Management Meeting Regulations, Corporate Executive Meeting Regulations, Internal Approval Rules, etc.) establish the criteria on the degree of importance of each matter for delegation to the Director or Corporate Vice Presidents in charge of the relevant business execution.

Our basic policy is to appoint a well-balanced Board of Directors from both within and external the Company who have the knowledge, experience, and abilities necessary for the Company's business operations, taking into account diversity in terms of gender and globalization, etc. We believe that the current composition of the Board of Directors (11 Directors in total (including 5 External Directors, 1 of whom is a woman)) is appropriate.

Appointment and Dismissal of Senior Management and Nomination of Candidates for Directors and Auditors

Candidates for Internal Directors and Corporate Vice Presidents are nominated from those who understand and embody the Corporate Philosophy of the Fujitsu General Group. They are expected to have excellent character and insight, as well as a combination of professional business knowledge and the ability to perform their duties from a company-wide perspective.

Senior management team members are selected based on their leadership and decision-making capability to lead and drive the company, in addition to their caliber as Directors.

Nominees for External Directors are selected from individuals who can supervise management from an independent standpoint and provide advice on the Company's corporate activities based on their extensive experience and insight.

Candidates for Auditors are nominated from those with excellent character and insight, who are familiar with company management and the Company's operations, and who have a high level of professional expertise and extensive experience in accounting and other fields.

Candidate nominations for Directors and Corporate Vice Presidents and the appointment and the dismissal of senior management are deliberated and approved by the Board of Directors, following deliberation and submission of a proposal to the Board of Directors by the Nominating Committee which consists of a majority of Independent External Directors. The Board of Directors deliberates and approves the nomination of candidates for Auditors after obtaining prior advice from Independent External Directors and the Audit & Supervisory Board. The Nomination Committee also deliberates on the dismissal of one or more of the management team members in the event of any of the following: serious misconduct, serious violation of laws and regulations, violation or disregard of the Company's Articles of Incorporation, finding that one or more of the management team members is not adequately discharging their duties, or in case that any other event occurs that is felt to make it difficult for one or more of the management team members to properly perform their duties.

Attendance of Directors at Board of Directors Meetings and Nomination and Compensation Committee Meetings in FY2020*

Name	Affiliation	Board of Directors	Nominating Committee	Compensation Committee
Etsuro Saito		◎100% (13/13)	100% (1/1)	-
Hiroshi Niwayama		100% (13/13)	-	100% (2/2)
Hisashi Sakamaki	[External] [Independent]	92% (12/13)	100% (1/1)	100% (2/2)
Fumiaki Terasaka	[External] [Independent]	85% (11/13)	◎100% (1/1)	◎100% (2/2)
Mieko Kuwayama	[External] [Independent]	100% (13/13)	100% (1/1)	100% (2/2)
Hirohisa Yamaguchi	[External]	100% (13/13)	-	-
Tsunenao Kosuda		92% (12/13)	-	-
Tadashi Hasegawa		100% (13/13)	-	-
Hiroyuki Yokoyama		100% (13/13)	-	-
Masaki Sugiyama		100% (13/13)	-	-

* ◎ indicates Chair/Committee Chairperson

Reasons for appointment of external officers

	Name	Reasons for Appointment
Directors	Hisashi Sakamaki [Independent]	Mr. Hisashi Sakamaki is the Chairman and CEO of Canon Electronics Inc. and has extensive experience and expertise in technology, production, purchasing and other areas related to electronic devices, in addition to corporate management. Based on this experience and knowledge, he has been appointed External Director as he provides appropriate advice and opinions from an outside perspective and properly fulfills his management oversight function, including his role as a member of the voluntary Nominating Committee and Compensation Committee.
	Fumiaki Terasaka [Independent]	Mr. Fumiaki Terasaka was President and Representative Director of Sapporo Breweries Ltd. and has extensive experience and knowledge in sales, marketing and human resource development in addition to corporate management. Based on this experience and knowledge, he has been appointed External Director as he provides appropriate advice and opinions from an outside perspective and properly fulfills his management oversight function, including his role as Chairperson of the voluntary Nominating Committee and Compensation Committee.
	Mieko Kuwayama [Independent]	Ms. Mieko Kuwayama has a wealth of business experience, including as General Manager of the CSR Department at Shiseido Co., Ltd. and knowledge as a university researcher specializing in CSR, business ethics, and diversity management. Based on this experience and knowledge, she has been appointed External Director as she provides appropriate advice and opinions from an outside perspective and properly fulfills her management oversight function, including her role as a member of the voluntary Nominating Committee and Compensation Committee.
	Osami Maehara [Independent]	Mr. Osami Maehara was President and Representative Director of Hitachi Koki Co., Ltd. (now Koki Holdings Co., Ltd.) and has extensive experience and knowledge in corporate management, business expansion through M&A, and overseas assignments as President of a sales subsidiary. Based on this experience and knowledge, he is expected to provide appropriate advice and opinions from an outside perspective, and he has been appointed as External Director based on the judgment that he will be able to properly perform management oversight functions, including activities as a member of the voluntary Nominating Committee and Compensation Committee.
	Hirohisa Yamaguchi	Mr. Hirohisa Yamaguchi is Corporate Senior Vice President of Fujitsu Limited, and has extensive experience in ICT-based businesses and knowledge of cutting-edge digital technologies. Based on this experience and knowledge, he has been appointed External Director as he provides appropriate advice and opinions from an outside perspective and properly fulfills his management oversight function.
Audit & Supervisory Board Member	Akira Inoue [Independent]	Mr. Akira Inoue, based on his considerable knowledge of finance and accounting through many years of business experience at a financial institution, is expected to audit and supervise properly and effectively and therefore has been appointed External Audit & Supervisory Board Member.
	Youichi Hirose	Mr. Youichi Hirose has a wealth of experience as an officer of other companies and considerable knowledge of finance and accounting, having served as Corporate Vice President and the Head of Corporate Finance Unit of Fujitsu Limited and currently as full-time Audit & Supervisory Board Member of Fujitsu Limited. We believe that he will audit and supervise properly and effectively, and therefore has been appointed External Audit & Supervisory Board Member.

Governance

Corporate Governance (Continued)

Role of the Board of Directors

The Audit & Supervisory Board consists of three Auditors, two of whom are External Audit & Supervisory Board Members. Based on their position as dedicated auditors, the full-time Audit & Supervisory Board Members actively work to collect information from within the company to routinely monitor and verify the status of the structure and operation of the internal control system. External Audit & Supervisory Board Members are aware that their appointment, as required by law, is for them to further enhance the independence and impartiality of the auditing system, and actively seek to obtain the information necessary for the audit process and share the information obtained with other Auditors. The Auditors attend Board of Directors meetings and express their opinions when deemed necessary. In addition, based on the audit plan, the company Auditors attend important meetings such as the Corporate Executive Meeting, review important documents, interview Directors, Corporate Vice Presidents, and managers of each division, and conduct on-site audits of domestic and overseas offices in order to make recommendations on issues and other matters as needed. Meetings with the President and exchanges of opinion with External Directors are also held on a quarterly basis. The Audit & Supervisory Board prepares an audit report based on the activities of each of these auditors. Furthermore, the main duties of full-time Audit & Supervisory Board Members include deciding on the appointment and dismissal of the Audit & Supervisory Board Members, audit policies, methods for investigating the state of operations and assets, and other matters related to the execution of their duties.

Appointment of the Accounting Auditor

The Audit & Supervisory Board decides on proposals to be submitted to the Company's General Meeting of Shareholders as to whether to appoint, dismiss or not to reappoint the Accounting Auditor. In doing so, the Audit & Supervisory Board Members interview the Accounting Auditors eight times a year about the status of audits and exchange opinions with them, as well as obtain information from the executive departments, and evaluate and make decisions on the auditing system, professional capabilities, independence, quality control system, and reasonableness of audit costs of the Accounting Auditors in light of laws and regulations and the standards established by the Audit & Supervisory Board.

Executive compensation

(i) Matters relating to the policy for determining the amount and calculation method of Executive compensation

The Company's Board of Directors, at its meeting held on February 22, 2021, resolved the decision policy regarding the details of individual remuneration, etc. for Directors in accordance with the Company's remuneration system resolved by the Compensation Committee.

• Basic policy

The Company's basic policy is to establish a highly transparent compensation system that enables our Group to bring on board superior human resources who will drive the sound and sustainable growth of the Fujitsu General Group, while also further aligning business performance and shareholder value. The compensation consists of "basic remuneration," which is paid in a fixed monthly amount based on job responsibilities and position, "bonuses," which are linked to short-term performance, and "restricted stock compensation," which is non-monetary remuneration that provides incentives for sustained enhancement of corporate value. External Directors, who are responsible for supervisory functions, are paid only "basic remuneration" in consideration of their duties.

Details of the policy for determining the content of remuneration, etc. for individual Directors are as follows.

a. Policy on determining the amount of basic remuneration (monetary remuneration) for each individual (Including policies on determining the timing and conditions for granting remuneration, etc.)

The basic remuneration for Internal Directors shall be monthly fixed remuneration, and the amount of such remuneration shall be determined as a fixed monthly amount in accordance with each Director's responsibilities and position. The amount of fixed remuneration (basic remuneration) for Directors was resolved at the 98th Ordinary General Meeting of Shareholders held on June 20, 2017 to be no more than 600 million yen per year (including no more than 50 million yen for External Directors). The number of Directors at the close of this General Meeting of Shareholders was 13 (including four External Directors).

b. Policy for determining the amount of performance-linked remuneration, etc.

(Including policies on determining the timing and conditions for granting remuneration, etc.)

Performance-linked remuneration, etc. shall be cash remuneration to be paid to Directors who are responsible for business execution, and a bonus reflecting the business results for a fiscal year shall be paid at a certain time each year. The actual calculation of bonus payments is based on the financial results in the current fiscal year, measuring the actual result against the expected consolidated operating profit projected per the Medium-term Management Plan of the Group, which is considered a transparent and objective indicator. The total pay-out amount for bonuses shall require approval of the Annual General Meeting of Shareholders.

The actual consolidated operating profit for the current fiscal year was 18,737 million yen against a target of 16,000 million yen, and the payment of 74 million yen in bonuses to six Executive Directors was approved at the 102nd Ordinary General Meeting of Shareholders held on June 17, 2021.

c. Policy for determining the calculation method for the content and number of non-monetary remuneration, etc. (Including policies on determining the timing and conditions for granting remuneration, etc.)

Non-monetary remuneration, etc. shall be restricted to transferable shares for the purpose of providing incentives to the Internal Directors (excluding External Directors) to continuously improve the corporate value of the Company and to further share value with shareholders. The number of such shares shall be within the framework resolved at the General Meeting of Shareholders and shall be paid at a certain time each year.

The amount of remuneration for the granting of non-monetary remuneration of restricted stock was resolved at the 101st Ordinary General Meeting of Shareholders held on June 17, 2020 to be no more than 100 million yen per year, and the maximum number of shares to be granted shall be no more than 70,000 shares per year (excluding External Directors). The number of Directors (excluding External Directors) at the close of this General Meeting of Shareholders was six (6).

d. Policy for determining the ratio of the amount of monetary remuneration, performance-linked remuneration, etc., or non-monetary remuneration, etc., to the amount of remuneration, etc., of individual Directors

The Compensation Committee shall consider each type of the ratio of remuneration for Director who is responsible for business execution. The Board of Directors shall determine the details of individual remuneration, etc. for each Director based on the report of the Compensation Committee. The ratio of each type of remuneration, etc. shall be approximately 60–75% for basic remuneration and approximately 25–40% for bonuses and restricted stock compensation.

e. Method of determining the details of remuneration, etc. for individual Directors

Individual remuneration, etc., shall be deliberated by the Compensation Committee, a majority of whose members are Independent External Directors, and reported to the Board of Directors for deliberation and decision by the Board of Directors. The Compensation Committee shall verify the appropriateness of the level of remuneration, etc. by utilizing objective data from outside organizations.

f. Policy for determining the amount of remuneration, etc. for individual Audit & Supervisory Board Members (Including policies on determining the timing and conditions for granting remuneration, etc.)

Only the "basic remuneration," which is a monthly fixed compensation, shall be paid. In addition, the amount of remuneration shall be determined by consultation among Audit & Supervisory Board Members within the limit of "not more than 100 million yen per year" as set forth at the 98th Ordinary General Meeting of Shareholders held on June 20, 2017. The number of Audit & Supervisory Board Members at the close of this General Meeting of Shareholders was three (3).

In determining the details of remuneration, etc. of individual Directors for the fiscal year under review, the Compensation Committee, the majority of whose members are Independent External Directors, has conducted a multifaceted review, including verification of the appropriateness of the level of remuneration, etc., utilizing objective data from outside organizations and consistency with the decision policy, and the Board of Directors has basically respected the report of the Compensation Committee and determined that it is in line with the decision policy.

Governance

Corporate Governance (Continued)

(ii) Total amount of compensation by Executive Group, total amount of compensation by type, and the number of Applicable Executives

Classification	Total Compensation, etc. (Millions of yen)	Total Amount of Compensation by Type (Millions of yen)		Non-monetary Compensation, etc. (Restricted Stock Compensation)	Number of Applicable Executives (Persons)
		Fixed Compensation (Basic Remuneration)	Performance-Linked Remuneration (Bonuses)		
Directors (excluding External Directors)	341	252	74	14	8
Audit & Supervisory Board Members (excluding External Audit & Supervisory Board Members)	20	20	-	-	1
External Officers	46	46	-	-	6

Summary of results of analysis and assessment on overall effectiveness of the Board of Directors

In order to improve the effectiveness of corporate governance, the Company annually conducts an effectiveness assessment on the Board of Directors. The assessment details are reported to the Board of Directors in May each year, and discussions are held to improve the effectiveness.

An effectiveness assessment on the Board of Directors in FY2020 was conducted in the same way as last year, with all Directors responding to a questionnaire.

In the results, the Board of Directors was assessed to be generally appropriate in terms of its operation, etc., and we confirmed that the effectiveness of our Board of Directors is secured.

Although there has been a general improvement in the assessment, the Board of Directors found that there are areas for further improvement, such as increasing the matters to be discussed at the Board of Directors, the timing of deliberations, further activating discussions, providing and enhancing training opportunities, and the activities of the Nominating Committee and Compensation Committee and share the recognition that these issues are continuously reviewed and the effectiveness of the Board of Directors will be further improved, including responses to these issues.

Our Leadership

Directors

Etsuro Saito

President & Representative Director

April 1977	Joined the Company
December 2008	General Manager, VRF/ATW Sales & Marketing Division
April 2009	Corporate Vice President
April 2011	Corporate Senior Vice President
April 2015	Corporate Senior Executive Vice President
June 2015	President & Representative Director Vice President & Representative Director

Hiroshi Niwayama

Vice President & Representative Director

April 1977	Joined the Company
October 2001	General Manager, Finance Division and General Manager, Accounting Division
June 2004	Director
April 2006	Director & Corporate Vice President
April 2007	Director & Corporate Senior Vice President
April 2010	Director & Corporate First Senior Vice President
April 2011	Director & Corporate Executive Vice President
April 2015	Director & Corporate Senior Executive Vice President
June 2018	Vice President & Representative Director, in charge of Corporate Functions (to present)

Hisashi Sakamaki

Director

External Independent

January 1967	Joined Canon Camera Co., Inc. (currently Canon Inc.)
January 1987	General Manager, Systems Operations, Canon Inc.
March 1989	Director, Canon Inc.
March 1996	Managing Director, Canon Inc.
March 1999	President & CEO, Canon Electronics Inc.
May 2010	External Director, Ryohin Keikaku Co., Ltd.
June 2015	Director, the Company (to present)
June 2016	External Director, Yaoko Co., Ltd. (to present)
March 2021	Chairman & CEO, Canon Electronics Inc. (to present)

Fumiaki Terasaka

Director

External Independent

April 1972	Joined Sapporo Breweries Limited (currently Sapporo Holdings Limited)
October 2002	Director, Kyushu Sales & Marketing Division, Sapporo Breweries Limited
March 2004	Operating Officer, Sapporo Breweries Limited (newly established company)
September 2004	Director and Managing Officer, Sapporo Breweries Limited
March 2005	Director and Executive Managing Officer, Sapporo Breweries Limited
March 2009	Executive Managing Officer, Sapporo Breweries Limited
March 2010	President and Representative Director, Sapporo Breweries Limited Member of the Board, Managing Director and Group Operating Officer, Sapporo Holdings Limited
March 2013	Senior Advisor, Sapporo Breweries Limited
March 2014	Advisor, Sapporo Breweries Limited
November 2015	External Audit & Supervisory Board Member, DAISYO CORPORATION (to present)
June 2017	Director, the Company (to present)
June 2017	External Director, Citizen Watch Co., Ltd. (to present)

Mieko Kuwayama

Director

External Independent

April 1970	Joined Shiseido Company, Limited
April 2004	General Manager, CSR Department, Shiseido Company, Limited
April 2008	Part-time Lecturer, Faculty of Economics, Komazawa University
April 2009	Senior Researcher, Business Ethics Research Center
June 2012	Specially Appointed Professor, Graduate School of Law, Hitotsubashi University
April 2015	Visiting Researcher, Research Center for CFO Education, Hitotsubashi University (to present)
April 2015	Visiting Researcher, Mission Management Research Institute, Meiji University
June 2017	Director, the Company (to present)
April 2018	Chief Researcher, Business Ethics Research Center (to present)
June 2018	External Director, HAZAMA ANDO CORPORATION (to present)

Osami Maehara

Director (New Candidate)

External Independent

April 1978	Joined the Company
August 1983	Joined Hitachi Koki Co., Ltd. (currently Koki Holdings Co., Ltd.)
June 2006	General Manager, Corporate Planning Division, Hitachi Koki Co., Ltd.
June 2008	Director, Hitachi Koki Co., Ltd.
June 2012	Managing Director, Hitachi Koki Co., Ltd.
June 2013	Senior Managing Director, Hitachi Koki Co., Ltd.
June 2014	President & Representative Director, Hitachi Koki Co., Ltd.
April 2019	Chairman, Koki Holdings Co., Ltd.
August 2020	External Director, Audit & Supervisory Committee Member, UMC Electronics Co., Ltd.
June 2021	Director (to present)

Hirohisa Yamaguchi

Director

External

April 1983	Joined Fujitsu Limited
April 2015	Head of Innovation Business Unit, Fujitsu Limited
April 2016	Corporate Vice President, Fujitsu Limited
April 2018	Corporate Senior Vice President, Fujitsu Limited (to present)
June 2019	Director (to present)

Tsunenao Kosuda

Director

April 1978	Joined the Company
June 2002	General Manager, Sales Planning Department, Domestic Whole Sales Promotion Division
June 2005	Director
April 2006	Director & Corporate Vice President
June 2006	Corporate Vice President
April 2009	Corporate Senior Vice President
June 2010	Director & Corporate Senior Vice President
April 2011	Director & Corporate First Senior Vice President
April 2013	Director & Corporate Executive Vice President
April 2018	Director & Corporate Senior Executive Vice President, in charge of Domestic Sales and Marketing, and President, Office of Domestic Sales and Marketing (to present)

Governance

Directors

Tadashi Hasegawa

Director	
April 1988	Joined Fujikoki Corporation
May 1997	Joined the Company
April 2014	Director & Senior Vice General Manager, Fujitsu General Central Air-conditioner (Wuxi) Co., Ltd.
April 2015	Corporate Vice President, the Company
April 2017	Corporate Senior Vice President
June 2018	Director & Corporate Senior Vice President
April 2019	Director & Corporate First Senior Vice President
April 2020	Director & Corporate Executive Vice President, in charge of Air Conditioner and Quality Assurance, President, Office of Air Conditioner Business, and General Manager, Air Conditioner Products Planning Division (to present)

Hiroyuki Yokoyama

Director	
April 1986	Joined the Company
October 2007	General Manager, Global Demand Chain Management Division, Office of Global Demand Chain Management
April 2009	Corporate Vice President
April 2014	Corporate Senior Vice President
June 2017	Director & Corporate Senior Vice President
April 2019	Director & Corporate First Senior Vice President
April 2021	Director & Corporate First Senior Vice President, President, Office of International Sales and Marketing, General Manager, Global Marketing Division, and Chairman & CEO, Fujitsu General America, Inc., President, Fujitsu General Central Air-conditioner (Wuxi) Co., Ltd., and President, Fujitsu General (Taiwan) Co., Ltd. (to present)

Masaki Sugiyama

Director	
April 1981	Joined the Company
April 2011	General Manager, Information & Communication Networking System Division
April 2016	Corporate Vice President,
June 2016	Director & Corporate Vice President
April 2018	Director & Corporate Senior Vice President
April 2019	Director & Corporate First Senior Vice President
May 2019	Director & Corporate First Senior Vice President, in charge of Information & Communication System, and President, Office of Information & Communication System, and President & Representative Director, Fujitsu General OS Technology Limited (to present)

Audit & Supervisory Board Member

Akira Inoue

Full-time Corporate Auditor	
April 1980	Joined The Dai-ichi Kangyo Bank, Ltd. (now Mizuho Bank, Ltd.)
September 1999	Senior Vice President, Credit Audit Division
April 2002	Senior Vice President, Corporate Credit Assessment Division, Mizuho Corporate Bank, Ltd. (Currently Mizuho Bank, Ltd.)
October 2007	Deputy General Manager, Internal Audit Division
May 2008	General Manager, Internal Audit Division, Hokuetsu Paper Mills, Ltd. (Currently Hokuetsu Corporation) (Seconded)
June 2010	Senior Vice President, Corporate Banking Division No.8, Mizuho Corporate Bank, Ltd.
June 2010	Full-time Corporate Auditor of our Company (to present)

Yoshinobu Miyajima

Full-time Corporate Auditor	
April 1981	Joined the Company
December 2009	General Manager, Air Conditioner Business Administration Division, and Deputy General Manager, Finance and Accounting Division
April 2010	Corporate Vice President
April 2014	Corporate Senior Vice President
April 2021	Adviser (to present)

Youichi Hirose

Corporate Auditor	
April 1981	Joined Fujitsu Limited
June 2009	Vice President, Corporate Controller, Corporate Finance Unit, Fujitsu Limited
April 2012	Executive Vice President
May 2013	Corporate Vice President
April 2014	Head of Corporate Finance Unit
April 2017	Executive Advisor
June 2017	Audit & Supervisory Board Member (to present)
June 2018	Corporate Auditor of our Company (to present)

(As of June 17, 2021)

Corporate Executive Officers, etc.

■ Chief Executive Officer

Etsuro Saito
CSO (Chief Sustainability Officer)

■ Corporate Senior Executive Vice President

Hiroshi Niwayama
In charge of Corporate Functions

Tsunenao Kosuda
In charge of Domestic Sales and Marketing President, Office of Domestic Sales and Marketing

■ Corporate Executive Vice President

Tadashi Hasegawa
In charge of Air Conditioner and Quality Assurance, President, Office of Air Conditioner Business, and General Manager, Air Conditioner Products Planning Division

■ Corporate First Senior Vice President

Hiroyuki Yokoyama
President, Office of International Sales and Marketing, General Manager, Global Marketing Division and Chairman & CEO, Fujitsu General America, Inc., President, Fujitsu General Central Airconditioner (Wuxi) Co., Ltd., President, Fujitsu General (Taiwan) Co., Ltd.

Masaki Sugiyama

In charge of Information & Communication System, and President, Office of Information & Communication System, President and Representative Director, Fujitsu General OS Technology Limited.

Susumu Ohkawara

General Manager, Corporate Executive Office, in charge of Risk Management Promotion Division, Internal Controls General Manager

■ Corporate Senior Vice President

Kimihiko Shimizu

Chairman and President of Fujitsu General (Shanghai) Co., Ltd.

Masataka Eto

Vice in charge of Quality Assurance, Executive Manager, Office of Sustainability Promotion General Manager, CSR Promotion Division

Yosuke Nakagawa

Deputy Executive Manager, Office of Domestic Sales and Marketing, General Manager, Domestic Area Sales Promotion Division, General Manager, Domestic Service Support Division

Takumi Tsubouchi

Executive Manager, Office of Air Conditioner Products Development, Vice in charge of Air Conditioner, Deputy Executive Manager, Air Conditioner Business Group, Mentor, Being Innovative Group (BIG)

Masashi Okada

President and Representative Director, Fujitsu General Electronics Ltd., In charge of Electronic Devices, General Manager, Electronic Devices & Components Division, President, Fujitsu General Electronics (Suzhou) Co., Ltd.

■ Executive Fellow

Hideji Kawashima

In charge of Advanced Development and Technology Academy, Section Manager, Technical Academy of Air Conditioner, President and Representative Director, Fujitsu General EMC Laboratory Ltd.

■ Corporate Vice President

Atsushi Itagaki

President, Fujitsu General Air Conditioning R&D (Thailand) Co., Ltd.

Masahiko Naito

Executive Manager, Office of Global Demand Chain Management, General Manager, Global Demand Chain Management Division, In charge of production management, procurement, and logistics, Vice in charge of IT

Hiroyuki Sato

Deputy Executive Manager, Office of Air Conditioner Products Development, Deputy Executive Manager, Air Conditioner Business Group

Sumie Morita

Deputy Executive Manager, Office of Air Conditioner Products Development, General Manager, Air Conditioner System Development Division

Hiroshi Kobayashi

General Manager, Human Resources Division

Toshio Kano

General Manager, Public & Investor Relations Division

Shigeki Saito

Deputy Executive Manager, Office of Information & Communication System, General Manager, Information & Communication System Sales Management Division

■ Fellow

Eiji Futagami

General Manager, Office of Air Conditioner Engineering Project

(As of June 17, 2021)

Introduction of Nominating and Compensation Committee members

Nominating Committee Members

Chairman Director Fumiaki Terasaka (Independent External Director)

Members Director Hisashi Sakamaki (Independent External Director), Director Mieko Kuwayama (Independent External Director), Director Osami Maehara (Independent External Director), President & Representative Director Etsuro Saito (As of June 17, 2021)

Compensation Committee Members

Chairman Director Fumiaki Terasaka (Independent External Director)

Members Director Hisashi Sakamaki (Independent External Director), Director Mieko Kuwayama (Independent External Director),

Director Osami Maehara (Independent External Director), Vice President & Representative Director Hiroshi Niwayama (As of June 17, 2021)

Governance

Corporate Governance (Continued)

Company's expectations for Directors and Audit & Supervisory Board Member*

These are the areas that will be important in promoting "Sustainable Management," which aims to contribute to the growth and development of the Company's business over the medium to long term and to the realization of a sustainable society. The following list has been resolved by the Board of Directors in accordance with the resolutions of the Nomination Committee, a majority of whose members are Independent External Directors.

	Name	Position	Affiliation	Area of expertise the Company expects from candidates in particular								
				Corporate Management	Global Experience	Manufacturing, Technology	Sales, Marketing	ICT, DX	Finance, Accounting, M&A	Legal affairs, Risk management	Personnel development, Organizational Innovation, Diversity	
Directors	Etsuro Saito	President & Representative Director		○	○							○
	Hiroshi Niwayama	Vice President & Representative Director		○					○	○		
	Hisashi Sakamaki	Director	[External] [Independent]	○	○	○						
	Fumiaki Terasaka	Director	[External] [Independent]	○			○					○
	Mieko Kuwayama	Director	[External] [Independent]				○				○	○
	Osami Maehara	Director	[External] [Independent]	○	○				○			
	Hirohisa Yamaguchi	Director	[External]	○			○	○				
	Tsunenao Kosuda	Director		○			○					
	Tadashi Hasegawa	Director			○	○						
	Hiroyuki Yokoyama	Director		○			○					
Masaki Sugiyama	Director		○				○					
Audit & Supervisory Board Members	Akira Inoue	Full-time Audit & Supervisory Board Member	[External] [Independent]						○	○		
	Yoshinobu Miyajima	Full-time Audit & Supervisory Board Member							○	○		
	Youichi Hirose	Audit & Supervisory Board Member	[External]						○	○		

* Listed up to three areas in which the company has particular expectations for each person. The above list does not represent all of the knowledge and experience held by each person.

Risk Management

Basic Approach

At the Fujitsu General Group, we strive to prevent and reduce risks that could significantly impact our business by conducting risk assessments related to compliance, crisis management, human resources, labor, safety & health management, IT security, the environment and information management, through deliberations by the Compliance & Risk Management Committee.

Risk management system

In order to promptly identify risks that may adversely affect the Fujitsu General Group, whether at home or overseas, and to implement countermeasures in a timely manner, risk assessments are conducted to confirm the appropriateness of the risk evaluation and risk management of each division of the Company as well as for the Group companies. The Compliance & Risk Management Committee selects priority issues to be addressed while promoting activities to reduce risk.

In FY2020, we addressed key themes including overseas business risks, IT security risks, environmental regulation compliance, and quality compliance. The committee reports its annual activities to the Board of Directors.

Key Initiatives

Risk management

"FUJITSU GENERAL Way Code of Conduct," which sets forth the specifics to be taken into account as the basis for compliance at the Fujitsu General Group, is posted on the company intranet and disseminated through training programs for executives and employees. To raise awareness among employees, training is provided to division managers, who are responsible for risk management and internal controls in the field. We also provide training on important laws and regulations related to each division's operations, such as the Anti-Monopoly Act and the Subcontract Act, as well as on preventing harassment, information leakage, and bribery, as necessary. We also regularly send out e-mail newsletters to employees to raise awareness of compliance in general.

Business continuity management

The Fujitsu General Group has formulated the Business Continuity Plan (BCP) for the purpose of ensuring the safety of employees and their families while continuing and operating its business in the event of an unplanned disruption or large-scale natural disasters. Disasters include, but are not limited to, a major earthquake or the spread of new infectious diseases. In order to ensure the effectiveness of the Plan, the Fujitsu General Group regularly conducts awareness-raising activities and BCP drills covering important business operations.

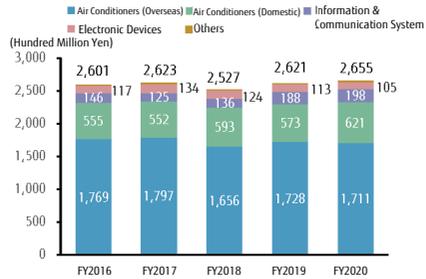
In response to the COVID-19 epidemic, we are striving to prevent infection and the spread of the disease, while continuing to maintain important business operations during the epidemic and fulfilling our social responsibilities.

Financial & ESG Highlights

Key Financial/ESG Indicators

Financial Highlights

Net sales



Net sales increased by 34 hundred million yen on year to 2,655 hundred million yen (an increase of 1% year on year) due to an increase in sales of Air Conditioners and Information & Communication System, despite a decline in sales of Electronic Devices. In the Air Conditioner segment, in addition to the impact of COVID-19, there was a reactionary decline in sales to Europe, which had grown significantly in the previous fiscal year, as well as the postponement of production and shipments due to tough conditions in marine transportation and parts shortages. However, in addition to domestic sales, overseas sales increased by 1% to 2,332 hundred million yen, up 31 hundred million yen year on year, due to stronger sales in North America, India, Oceania and other regions.

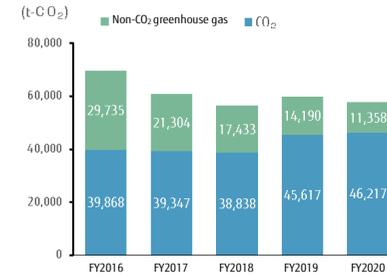
Operating income and Operating income margin



Operating income was 187 hundred million yen (up 25% year on year) due to the effect of increased sales of Air Conditioners in the domestic market, cost reductions and early procurement of materials, as well as favorable exchange rates, despite the impact of soaring ocean freight rates and increased fixed costs in our main stay Air Conditioner business. Operating income margin rose 1.4% year on year to 7.1%.

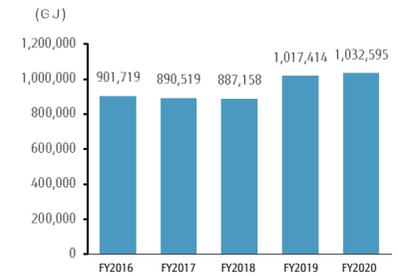
ESG Highlights

Greenhouse gas emissions* (CO₂ equivalent)



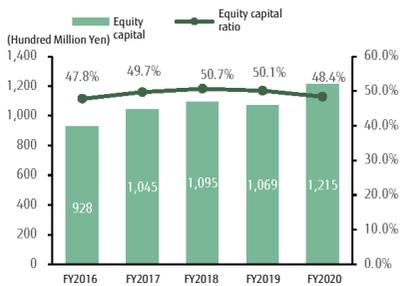
CO₂ emissions from energy consumed and emissions (CO₂ equivalent) from refrigerant CFCs (HFC) used in air conditioning products in our business activities are calculated. CO₂ emissions increased year on year due to the addition of gasoline consumption equivalents used at domestic sales and service bases from FY2020.

Energy consumption*



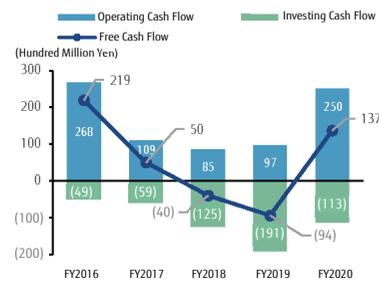
In order to improve the efficiency of energy consumption in our business activities, we are continuing to efficiently operate testing facilities that consume a large amount of electricity at our development sites, and at our production sites, we are strengthening energy-saving measures such as energy conversion at facilities. In FY2020, the amount of LNG consumption increased year on year due to greater use of boilers associated with relocation of the FG Shanghai employee dormitory.

Equity capital and Shareholder's equity ratio



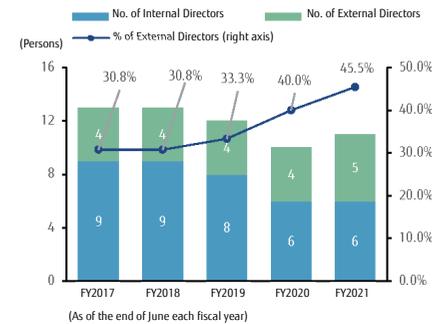
Equity capital increased by 146 hundred million yen from the end of the previous fiscal year to 1,215 hundred million yen, due to recording of the profit attributable to owners of parent and an increase in accumulated other comprehensive income (loss), including foreign currency translation adjustments. The shareholder's equity ratio decreased by 1.7% from the end of the previous fiscal year to 48.4%.

Operating Cash Flow, Investing Cash Flow and Free Cash Flow



Operating Cash Flow resulted in income of 250 hundred million yen, due to the recording of profit before adjustment of taxes, etc., income from depreciation, and improvement in working capital. Investing Cash Flow provided by (used in) investing activities resulted in expenditure of 113 hundred million yen, due to investments in development and production facilities and IT systems, as well as the investment in a manufacturer of ultraviolet lighting equipment. As a result, Free Cash Flow provided for the fiscal year under review were 137 hundred million yen.

Number of Board of Directors and External Directors



At the General Meeting of Shareholders held in June 2021, we increased the number of Independent External Directors by one, bringing the total number of Directors to 11, consisting of five External Directors (including one woman) and six internal Directors. The ratio of External Directors is 45.5%.

*As a result of careful examination of the data, some of the figures for FY 2020 have been revised.

Financial Data

Financial Data

Five-Year Financial Summary

Financial Data	(Unit)	FY2016	FY2017	FY2018	FY2019	FY2020
Net sales	(Millions of yen)	260,054	262,340	252,667	262,117	265,452
Operating income	(Millions of yen)	26,490	20,207	14,589	14,941	18,737
Operating income margin	(%)	10.2	7.7	5.8	5.7	7.1
Ordinary income	(Millions of yen)	23,960	18,543	14,116	13,683	20,537
Profit attributable to owners of parent	(Millions of yen)	10,031	12,854	8,892	5,765	13,008
Comprehensive income	(Millions of yen)	10,513	14,879	8,171	752	19,921
Total net assets	(Millions of yen)	95,694	107,722	113,122	110,711	126,085
Total assets	(Millions of yen)	193,949	210,403	215,784	213,250	251,378
Net cash provided by (used in) operating activities	(Millions of yen)	26,799	10,894	8,513	9,724	25,001
Net cash provided by (used in) investing activities	(Millions of yen)	(4,923)	(5,862)	(12,515)	(19,141)	(11,267)
Free cash flows	(Millions of yen)	21,875	5,032	(4,002)	(9,416)	13,733
Net cash provided by (used in) financing activities	(Millions of yen)	(2,891)	(2,936)	(3,172)	2,090	(5,825)
Cash and cash equivalents at end of period	(Millions of yen)	40,789	42,710	35,412	27,571	36,707
Amount per share						
Earnings per share (EPS)	(Yen)	95.88	122.86	84.99	55.11	124.32
Net assets per share (BPS)	(Yen)	886.89	998.94	1,046.46	1,021.74	1,161.61
Dividend per share	(Yen)	22.00	24.00	26.00	28.00	30.00
Key Indicators, etc.						
R&D expenses	(Millions of yen)	12,102	12,874	12,986	13,425	14,133
R&D expense ratio	(%)	4.7	4.9	5.1	5.1	5.3
Capital expenditures	(Millions of yen)	5,538	6,358	8,378	13,939	8,729
Depreciation expenses	(Millions of yen)	5,382	5,062	5,280	5,848	6,124
Shareholder's equity ratio	(%)	47.8	49.7	50.7	50.1	48.4
Return on equity (ROE)	(%)	11.3	13.0	8.3	5.3	11.4
Return on assets (ROA)	(%)	5.3	6.4	4.2	2.7	5.6
Net D/E ratio	(Times)	(0.44)	(0.41)	(0.32)	(0.21)	(0.26)
Cash Conversion Cycle*	(Days)	74.5	74.5	87.4	91.9	91.3
Days Inventory Outstanding	(Days)	31.7	37.8	42.8	45.9	52.2
Inventories	(Millions of yen)	23,355	27,930	26,703	32,979	44,479
Dividend payout ratio	(%)	22.9	19.5	30.6	50.8	24.1
Price earnings ratio (PER)	(Times)	22.9	15.5	18.4	35.4	24.8
Total shareholder return (TSR)	(%)	127.9	112.2	94.3	118.2	185.1

* Cash conversion cycle (CCC): Days' sales in accounts receivable + Days' sales in inventory - Days' sales in accounts payable

Consolidated Balance Sheets

(Unit: millions of yen)

Fiscal years ended March 31	2019	2020
Assets		
Current assets:		
Cash and deposits	27,571	36,707
Notes and accounts receivable - trade	71,266	75,921
Merchandise and finished goods	24,874	34,484
Work in process	1,548	2,178
Raw materials and supplies	6,556	7,815
Other	10,221	13,269
Allowance for doubtful accounts	(268)	(268)
Total current assets	141,770	170,108
Noncurrent assets:		
<i>Property, plant and equipment-</i>		
Buildings and structures	33,678	35,923
Machinery, equipment and vehicles	35,554	39,159
Tools, furniture and fixtures	24,333	27,622
Land	9,007	8,973
Construction in progress	796	840
Accumulated depreciation	(60,452)	(67,718)
Total property, plant and equipment	42,917	44,801
<i>Intangible assets-</i>		
Goodwill	3,517	5,556
Other	7,713	11,352
Total intangible assets	11,231	16,908
<i>Investments and other assets-</i>		
Investment securities	4,976	6,232
Deferred tax assets	8,469	9,885
Retirement benefit asset	249	-
Other	3,647	3,452
Allowance for doubtful accounts	(10)	(10)
Total investments and other assets	17,331	19,560
Total non-current assets	71,480	81,270
Total assets	213,250	251,378

Financial Data

Consolidated Statements of Income

(Unit: millions of yen)

Fiscal years ended March 31	2019	2020
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	35,465	46,642
Short-term loans payable	5,446	5,018
Lease obligations	252	303
Income taxes payable	1,564	3,853
Accrued expenses	14,946	17,498
Provision for product warranties	3,835	6,540
Provision for overseas business restructuring	2,580	1,439
Provision for loss related to the Antimonopoly Act	7,925	7,925
Other	10,066	14,116
Total current liabilities	82,082	103,337
Noncurrent liabilities:		
Long-term loans payable	120	96
Lease obligations	518	642
Deferred tax liabilities for land revaluation	2,380	2,380
Net defined benefit liability	15,990	10,093
Other	1,447	8,742
Total noncurrent liabilities	20,457	21,955
Total liabilities	102,539	125,293
Net assets		
Shareholders' equity:		
Capital stock	18,089	18,089
Capital surplus	530	-
Retained earnings	95,296	104,660
Treasury Stock	(5,045)	(5,023)
Total shareholders' equity	108,870	117,726
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	434	1,120
Deferred gains or losses on hedges	(706)	-
Revaluation reserve for land	4,793	4,793
Foreign currency translation adjustment	(6,496)	(1,979)
Remeasurements of defined benefit plans	6	(102)
Total accumulated other comprehensive income	(1,969)	3,832
Non-controlling interests	3,810	4,526
Total net assets	110,711	126,085
Total liabilities and net assets	213,250	251,378

Consolidated Statements of Income

(Unit: millions of yen)

Fiscal years ended March 31	2019	2020
Net sales	262,117	265,452
Cost of sales	189,877	186,693
Gross profit	72,240	78,759
Selling, general and administrative expenses	57,298	60,021
Operating income	14,941	18,737
Non-operating income:		
Interest income	53	49
Dividends income	101	114
Foreign exchange gains	-	2,485
Equity in earnings of affiliates	130	344
Other	270	740
Total non-operating income	556	3,734
Non-operating expenses:		
Interest expenses	117	108
Foreign exchange losses	700	-
Compensation payment	-	816
Payment of indirect tax for prior periods	-	372
Loss on valuation of investment securities	325	0
Closure compensation when waiting at home	249	-
Adjustment for revision of retirement benefit plan	158	-
Other	263	636
Total non-operating expenses	1,814	1,934
Ordinary profit	13,683	20,537
Extraordinary loss:		
Effect of change in retirement benefit plan	-	2,003
Overseas business restructuring expenses	3,473	-
Total extraordinary loss	3,473	2,003
Profit before income taxes	10,210	18,534
Income taxes - current	4,442	6,227
Income taxes - deferred	(639)	(1,574)
Total income taxes	3,803	4,653
Profit	6,406	13,880
Profit attributable to non-controlling interests	640	872
Profit attributable to owners of parent	5,765	13,008

Data Collection

Financial Data

Consolidated Statements of Comprehensive Income

(Unit: millions of yen)

Fiscal years ended March 31	2019	2020
Profit	6,406	13,880
Other comprehensive income:		
Valuation difference on available-for-sale securities	(424)	686
Deferred gains or losses on hedges	(706)	706
Foreign currency translation adjustment	(4,610)	4,506
Remeasurements of defined benefit plans, net of tax	232	(108)
Share of other comprehensive income of entities accounted for using equity method	(144)	249
Total other comprehensive income	(5,653)	6,040
Comprehensive income	752	19,921
Comprehensive income attributable to:		
Owners of the parent	239	18,810
Non-controlling interests	513	1,110

Consolidated Statements of Changes in Net Sales

Fiscal Year ended March 31, 2020

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2019	18,089	530	92,290	(5,044)	105,865
Changes of items during the period					
Dividends from surplus			(2,824)		(2,824)
Profit attributable to owners of parent			5,765		5,765
Purchase of treasury stock				(0)	(0)
Reversal of revaluation reserve for land			65		65
Net changes in items other than shareholders' equity					
Total changes of items during the period	-	-	3,006	(0)	3,005
Balance as of March 31, 2020	18,089	530	95,296	(5,045)	108,870

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available for sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2019	859	-	4,858	(1,869)	(226)	3,622	3,634	113,122
Changes of items during the period								
Dividends from surplus								(2,824)
Profit attributable to owners of parent								5,765
Purchase of treasury stock								(0)
Reversal of revaluation reserve for land								65
Net changes in items other than shareholders' equity	(424)	(706)	(65)	(4,627)	232	(5,591)	175	(5,416)
Total changes of items during the period	(424)	(706)	(65)	(4,627)	232	(5,591)	175	(2,411)
Balance as of March 31, 2020	434	(706)	4,793	(6,496)	6	(1,969)	3,810	110,711

Financial Data

Consolidated Statements of Changes in Net Sales

Fiscal Year ended March 31, 2020

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2020	18,089	530	95,296	(5,045)	108,870
Changes of items during the period					
Dividends from surplus			(3,034)		(3,034)
Profit attributable to owners of parent			13,008		13,008
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		24		22	46
Changes in treasury stock of the parent arising from transactions with non-controlling shareholders		(1,164)			(1,164)
Transfer to retained earnings from additional paid-in capital		610	(610)		-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(530)	9,364	22	8,855
Balance as of March 31, 2021	18,089	-	104,660	(5,023)	117,726

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available for sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2020	434	(706)	4,793	(6,496)	6	(1,969)	3,810	110,711
Changes of items during the period								
Dividends from surplus								(3,034)
Profit attributable to owners of parent								13,008
Purchase of treasury stock								(0)
Disposal of treasury stock								46
Changes in treasury stock of the parent arising from transactions with non-controlling shareholders								(1,164)
Transfer to retained earnings from additional paid-in capital								-
Net changes of items other than shareholders' equity	686	706	-	4,517	(108)	5,801	716	6,518
Total changes of items during the period	686	706	-	4,517	(108)	5,801	716	15,374
Balance as of March 31, 2021	1,120	-	4,793	(1,979)	(102)	3,832	4,526	126,085

Consolidated Statements of Cash Flows

(Unit: millions of yen)

Fiscal years ended March 31	2019	2020
Net cash provided by (used in) operating activities:		
Profit before income taxes	10,210	18,534
Depreciation and amortization	5,848	6,124
Amortization of goodwill	223	211
Increase (decrease) in provision	2,335	1,122
Increase (decrease) in net defined benefit liability	239	(5,825)
Interest and dividend income	(155)	(163)
Interest expenses	117	108
Decrease (increase) in notes and accounts receivable-trade	2,770	668
Decrease (increase) in inventories	(8,902)	(8,031)
Increase (decrease) in notes and accounts payable-trade	(593)	5,812
Other, net	429	9,528
Subtotal	12,525	28,088
Interest and dividends income received	155	163
Interest expenses paid	(120)	(105)
Income taxes paid	(2,834)	(3,145)
Net cash provided by (used in) operating activities	9,724	25,001
Net cash provided by (used in) investing activities:		
Purchase of property, plant and equipment	(12,641)	(5,503)
Proceeds from sales of property, plant and equipment	57	64
Purchase of investment securities	(12)	(12)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(454)	(2,940)
Other, net	(6,089)	(2,875)
Net cash provided by (used in) investing activities	(19,141)	(11,267)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	5,427	(948)
Proceeds from long-term loans payable	160	-
Repayment of long-term loans payable	-	(40)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(2,820)	(3,028)
Repayments of lease obligations	(259)	(269)
Other, net	(416)	(1,538)
Net cash provided by (used in) financing activities	2,090	(5,825)
Effect of exchange rate change on cash and cash equivalents	(514)	1,228
Net increase (decrease) in cash and cash equivalents	(7,840)	9,136
Cash and cash equivalents at beginning of period	35,412	27,571
Cash and cash equivalents at end of period	27,571	36,707

Annual Topics

May. ■ Introduction all-new series of commercial multi split air conditioners in Europe

Released 20 models with improved flexibility in installation and facility design, including the industry's smallest J-IVL series.



AIRSTAGE J Series

Oct. ■ Launch of new "nocria" X Series

Released the new "nocria" X series, the first-in-industry product to automatically perform "heat exchanger with heating sterilization" functions when the user is not at home, based on AI learning the user's rhythm of daily life.



"nocria" X Series

Nov. ■ Publication of our first Sustainability Report

We published our first Sustainability Report with the aim of reporting on our policies and approaches, as well as the details and achievements of our CSR activities, which the Group is undertaking for the realization of a sustainable society.

■ Demonstration test of Flooding Alert System

We have started a demonstration experiment of the "Flooding Alert System" to alert people to evacuate early in the event of flooding caused by a typhoon or localized torrential rain.



Mar. ■ Accredited "Certified Health and Productivity Management Outstanding Organization 2021: White 500"

Recognized as a corporation that considers Health Management of its employees from a management perspective and works strategically to achieve this goal, we were accredited "Certified Health and Productivity Management Outstanding Large Corporation 2021: White 500."



2021

Apr. | May. | Jun. | July. | Aug. | Sep. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar.

2020

Jun. ■ Launch of wearable air conditioner "CÓmodo gear"

Launched Cómodo gear, a wearable air conditioner that efficiently cools the body when worn. Entering the wearable field to create new value.



Cómodo gear

Aug. ■ Launch of Future of Innovation Challenge

Launched a new program to create businesses that solve social issues based on the ideas of individuals.

■ Establishment of Advanced Engineering Lab, a new testing laboratory

Advanced Engineering Lab was established at the Kawasaki Headquarters to promote innovation in the development process and the practical application of new technologies.



Indoor test room



Outdoor test room

■ Introduction all-new series of commercial multi split air conditioners in Europe

In order to further expand sales in the North American market, we launched a multi-position type whole-house air-conditioning system air conditioner with excellent ease of installation, energy saving, quietness, and comfort, through joint development with Rheem, a U.S. manufacturer.



Joint development of air conditioners for North America

Dec. ■ Establishment of CSO

The Chief Sustainability Officer (CSO) position was established to integrate Sustainability into the Group's overall strategies and to accelerate efforts for the realization.

■ FY2020 Energy Conservation Grand Prize won by "nocria" HM Series

HM Series of ceiling-mounted air conditioner "nocria" won the Chairman's Award in the product and business model category of FY2020 Energy Conservation Grand Prize sponsored by the Energy Conservation Center, Japan.



"nocria" HM Series

Mar. ■ Creating a new basic policy on Sustainable Management

We have formulated the new Basic Policy on Sustainable Management that specifies measures to achieve carbon neutrality by FY2030 and to introduce the "Sustainable Product" system.

■ Acquisition of AERO SHIELD Co., Ltd. as a subsidiary

AERO SHIELD Co., Ltd. becomes our subsidiary, and it develops and sells ultraviolet lighting equipment using ultraviolet C wave (UVC) lamps that are highly effective as a control measure against floating bacteria and viruses.



AERO SHIELD

Corporate Profile
Basic Data

Corporate Profile (As of March 31, 2021)

FUJITSU GENERAL LIMITED
Headquarters
 3-3-17, Suenaga, Takatsu-ku, Kawasaki, Kanagawa

Representative
 Etsuro Saito, President & Representative Director

Established
 January 15, 1936

Capital
 18,089 million yen

Number of Employees
 Fujitsu General Limited: 1,679
 Fujitsu General Group: 8,066

Number of Directors
 11 (including five External Directors)

Number of consolidated subsidiaries: 38

Number of affiliates accounted for by the equity method: 4

Stock Exchange Listing
 Fujitsu General Limited's shares are traded on the first section of the Tokyo Stock Exchange.

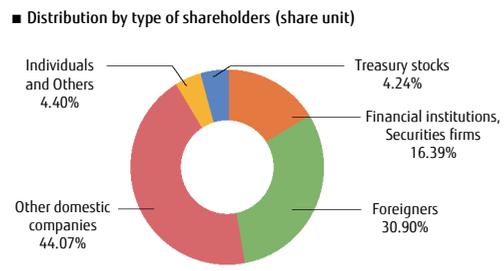
Stock Code
 6755

Number of shares
 Number of shares authorized: 200,000,000
 Number of shares issued: 109,277,299

Number of shareholders
 4,786

Major Shareholders
* In addition to the above, FUJITSU GENERAL retains 4,630 thousand shares of treasury stock.

Shareholder	Number of shares (thousands)	Shareholding Ratio (%) <small>* Excluding treasury stock</small>
Fujitsu Ltd.	46,121	44.07
JPMorgan Chase Bank 385632	7,083	6.77
Goldman Sachs And Company Regular Account	5,355	5.12
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,454	4.26
JPMorgan Chase Bank 380072	3,265	3.12
Custody Bank of Japan, Ltd. (Trust Account)	2,282	2.18
Mizuho Bank, Ltd.	2,000	1.91
CGMI PB CUSTOMER ACCOUNT	1,822	1.74
MSIP CLIENT SECURITIES	1,598	1.53
MLI FOR CLIENT GENERAL OMNI NON-COLLATERAL NONTREASY-PB	1,372	1.31



Stock price and trading volume

