

Fujitsu General Group
**INTEGRATED
REPORT**

2022



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.



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: FY2021 (April 1, 2021 – March 31, 2022)
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.
- Published: September 2022 (Next scheduled: September 2023)

* 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.

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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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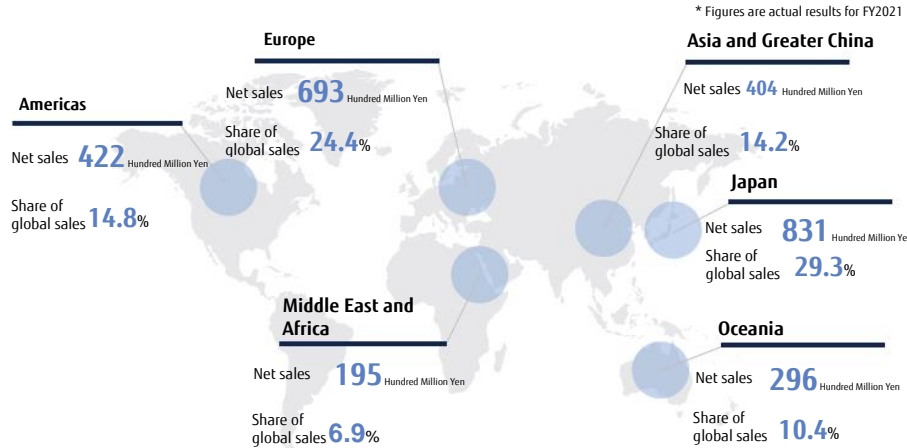
Forward-looking Statement

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.

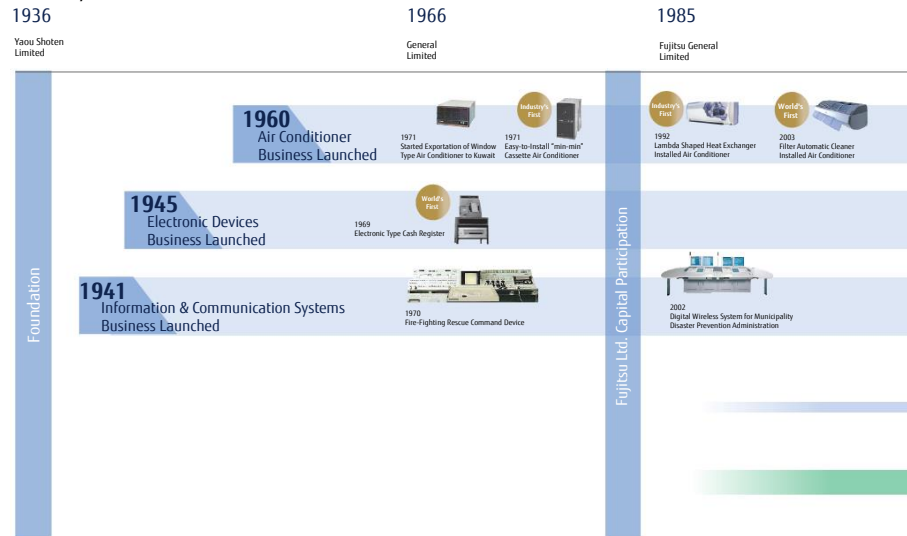
The Fujitsu General Group at a Glance

Toward the realization of a comfortable, safe and secure society

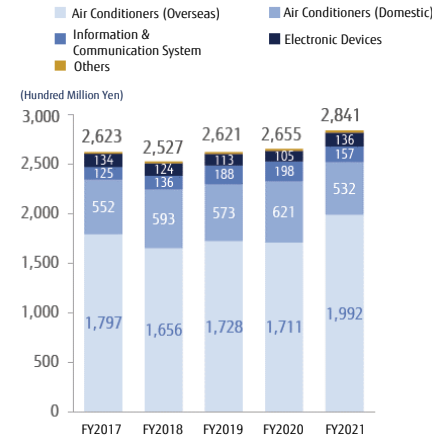
The Fujitsu General Group provides comfortable spaces, safety and security to people in more than 100 countries around the world through its Air Conditioner, Information & Communication System, and Electronic Devices businesses.



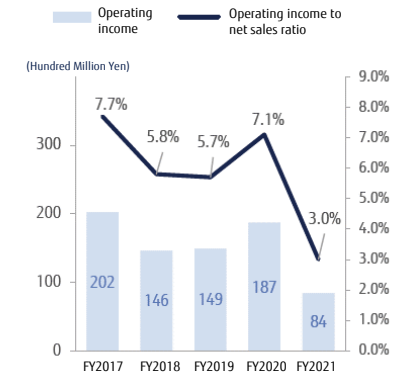
History of FUJITSU GENERAL



Net sales



Operating income and operating income margin



Message from the President



Innovation & Globalization

今日にない明日を、世界の人に

– 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 & CEO

Etsuro Saito

Sustainable Management Is the Fulfillment of a “Contract with the Future”

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. We believe that our Mission “Living together for our future” stated under the Group Corporate Philosophy, is synonymous with the Sustainable Development Goals (SDGs) philosophy of “No One Will Be Left Behind.” Accordingly, the Group formulated the “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).

With an uncertain future and rapidly changing current environment, it is essential to generate profits at a higher level and establish a substantial financial structure in order to achieve sustainable growth through continuous forward-looking investment. Above all, we feel that we must pursue a certain business scale in order to achieve Sustainable Management. Otherwise, we will not be able to have a broad and positive impact on our customers and societies around the world, which is the goal of our corporate philosophy. In order for us to carry out management in line with our corporate philosophy, we believe that more power is needed than ever before, and if we stay on a small scale, our company will eventually be surpassed and eliminated by the competitors. In this sense, our Group is committed to achieving the goals set forth in its current Medium-term Management Plan, which ends in FY2022, of 370 billion yen in net sales and 17 billion yen in operating income.

In the belief that Sustainable Management for our Group is a contract to provide a sustainable future where children living today, and their children and generations beyond, can live happily in good health with dreams and hopes, we, as people who are living in the present era, must fulfill our obligation to the future.

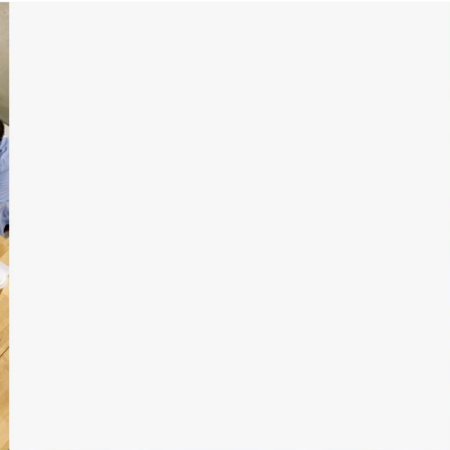
Contributing to Solving Social Issues through “Innovation and Technology” and “Spontaneous Human Resources,” Leveraging the Strengths of Fujitsu General Group

We are convinced that Fujitsu General Group has a world-class *monozukuri* (manufacturing) spirit and technological strengths cultivated to this day, as well as strong global sales capabilities in overseas and domestic markets. We believe that the direction in which we should head in order to utilize and develop our group's strengths is to create innovation by taking on the challenge of not only “conventional *monozukuri*” but also “advanced *monozukuri*” through the fusion of advanced technologies.

Innovation is not something that is created by a handful of geniuses with a flash of inspiration. It is something that is born through the accumulation of steady work, thinking through the social issues of each era and how to solve them, with the knowledge and cooperation of many people, and not giving up in the face of countless failures. It is indeed a challenge. However, if each and every one of our employees keep their eyes open and realize that the seeds of innovation are around us, unexpected ideas will be born and innovation will be created.

In order to create innovation, our Group has introduced the Future of Innovation Challenge (FIC) system that allows all employees, not only those in the development division, but also those in the sales and corporate divisions, to find the seeds of innovation and propose them. The Group has also introduced the 10% Rule, which allows employees to use up to 10% of their scheduled monthly working hours for self-education. Through these and other measures, our Group is now about to create many new businesses, the potential for innovation, and the seeds of such innovation. In addition, we will actively work to develop spontaneous human resources who are motivated to work hard, earnestly, and actively to take on the task of solving problems, where employees strive for their own growth. We will further promote “transformation of corporate activities” through new activities and measures such as “strengthening branding activities” and “transforming ourselves into a truly global company,” and through profitable growth as a company and acceleration of Sustainable Management, our Group will grow to make further contributions to the global environment and society.

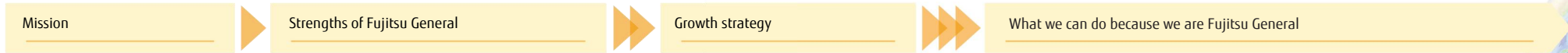
Story of Value Creation



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The Process of Value Creation - Diagram



-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.

Manufactured capital
Global production and R&D bases for innovation and technology

- Production bases: 8 bases [Breakdown] Domestic: 2 Overseas: 6
- R&D bases: 6 bases [Breakdown] Domestic: 1 Overseas: 5

Human capital
Human resources supporting innovation and technology

- Self-motivated talent development
- Empowering of *monozukuri* (manufacturing) "Technical Academy"

Intellectual capital
Since our founding, we have created world and industry firsts through our value-creation capabilities

Air conditioners

- Simple-mounting cassette-type cooler (industry's first)
- Air conditioner with automatic filter cleaning function (world's first)
- Air conditioner with hybrid airflow (world's first)

Information & Communication System and Electronic Devices

- Digital fire-fighting emergency radio (SCPC method) system (first in Japan)
- Municipal Disaster Prevention Radio touchscreen console (industry's first)

...And others

Social and relationship capital
Expanding and joint development* of business areas by strengthening cooperation

- Joint development: 9 companies
- Overseas sales companies: 15 companies
- Overseas distributors: 97 companies

*As of March 2022

Promotion of Sustainable Management

Pla net

Our People

Society

Power of monozukuri

World- and industry-first technologies

Global business development

Business in more than 100 countries worldwide

Expansion of partnership

Management that considers sustainability of society

- Considering the of SDGs and looking our current core promote initiatives Creation of respond to cutting-technologies
- Investment of resources and of capital with future

significance beyond business, for the Innovation and edge

management concentration an eye on the future

"Examples of Initiative" sales products *Sustainable Product*

- Development and expansion of certified as *Product*

SDGs and Fujitsu General share the same belief

SDGs (United Nations)

No One Will Be Left Behind

We aim for a future in which people can continue to live affluently and peacefully on the planet through cooperation

Together, toward a sustainable future that only Fujitsu General can offer

Creation and realization of world and industry firsts

Creation of innovation leveraging the power of *monozukuri*

Providing comfortable and clean air with low CO₂ emissions to the world

Contribution to Mitigation of Climate Change Utilizing Inverter Technology

- Development and sales expansion of products with heat pumps
- Development and sale of enhanced energy-saving products
- Development, sale, etc. of renewable energy products

Heat pump hot water heating system ATW

Advanced telecommunications technology since the company's founding

Providing safety and security leveraging high communication technology

Providing safety and security with firefighting and disaster prevention systems, etc.

Fire-fighting systems

Providing health and cleanliness

by utilizing ultraviolet horizontal irradiation technology

Providing products that meet indoor cleanliness and sterilization requirements, etc.

Aero Shield

Development of Excellent Energy-saving Devices

Small GaN module

The Process of Value Creation - Measures and KPIs

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

In line with pushing forward more with core strategic themes, we will also pursue the implementation of our Corporate Philosophy and business growth strategies by further ensuring risk management and building business models in response to the new era of coexistence with COVID-19.

Promoting the Core Strategic Themes of Medium-term Management Plan

I. Expansion of Air Conditioner Business

- Strengthening responsiveness to external environment
 - Enhance development productivity (PLM^{*1}, CAE^{*2})
 - Design process innovation
 - New production bases, production leveling
 - Review of procurement methods
 - Improvement in selling prices
- Further development of business model
- Innovation of development system
- Strengthening of sales activities

II. Strengthening Business Foundations for Information & Communication System and Electronic Devices

- Information & Communication System
 - Stabilization of existing businesses
 - New challenges for continuous growth
- Electronic Devices
 - Establishment of power module business
 - Improve quality and promote production innovations

III. Promotion of Total Cost Reduction

- Standardized design and conversion to alternative materials
- Promotion of cost reduction and VE^{*3}
- Strengthening *monozukuri* (manufacturing), etc.

IV. Strengthening of power to generate cash flow

- Promote CCC^{*4} improvement
- Investment for growth (include M&A)
- Shareholder returns
- Investment in human resources, etc.

Adoption of a new era to coexist with COVID-19

- ◆ Thoroughness in risk management
 - Acceleration of building strong organization for BCM^{*5} (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

Go to the next stage!

FY2030

Aim to have products and services certified as *Sustainable Product* account for over 30% or more of consolidated net sales

FY2025

Aim to achieve carbon neutrality

FY2022

Achieve Medium-term Management Plan

Net sales 3,700 Hundred million yen
 Operating income 170 Hundred million yen
 Operating income margin 4.6%
 CCC ≤ 85 days

See P.21

New Value Creation Sustainable Product

Promotion of Sustainable Management

- Harmonious Coexistence with Our Planet (Planet)
 - Contributing to climate change mitigation
 - Achieve carbon neutrality
- Social Contribution (Society)
 - Supply chain management
 - Strengthen partnership
 - Quality initiatives
 - Coexistence with local communities
- Care for Employees (Our People)
 - Strategic implementation of health and productivity management
 - Build an environment where employees can play an active role
 - Enhancing human resource development

*1 Abbreviation for Product Lifecycle Management.

*2 Abbreviation for Computer Aided Engineering.

*3 Abbreviation for Value Engineering.

*4 Abbreviation for Cash Conversion Cycle. It refers to an indicator used to see the efficiency of funds.

*5 Abbreviation for Business Continuity Management.

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

Interview with the President

We will execute the core strategic 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

Q1. Can you please tell us about the progress in the Medium-term Management Plan?

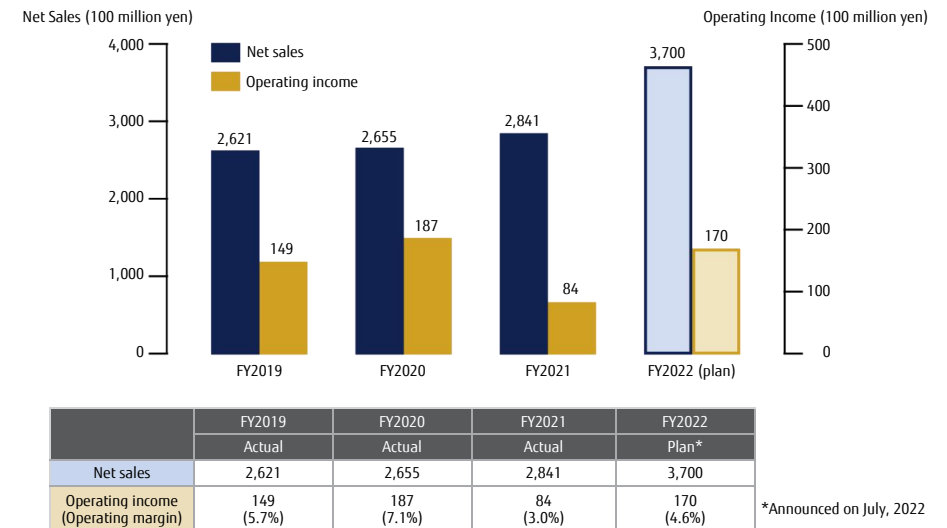
Consolidated net sales for FY2021 increased due to an expanded sales volume of air conditioners for overseas markets and improvement in selling prices. However, profit and loss were significantly affected by soaring prices of materials and parts, ocean freight rates, and the appreciation of the currency of the country of production, and furthermore, a lockdown of the city of Shanghai in March resulted in a supply suspension at the air conditioner manufacturing plants based there.

In FY2022, demand for air conditioners remains strong, especially in Europe and the U.S. In addition, the spread of heat pump equipment has accelerated in Europe amid the trend toward decarbonization, and the Indian market is expected to grow into a major one in the near future. Thus, demand for air conditioners is on an upward trend.

On the other hand, prices of materials and parts and ocean freight rates remain at an unprecedented level, the ongoing shortages of semiconductors and components and logistics stagnation in various industries have not yet been resolved, although they are improving, and there are growing concerns about rising prices against a background of accelerating global inflation, as well as uncertainties in exchange rate trends. We expect that the situation will continue to be severe in terms of cost.

Currently, at Fujitsu General Group we are working on various improvement measures in all aspects of our business activities, but it is difficult to absorb all the rapid cost increases in a short period of time, and although we expect to achieve the sales target for FY2022 that had previously been set, we are forced to review the target figures for operating income.

In order to achieve the plan for FY2022, we regard "Normalization of the supply chain," "Responding to rising external costs," and "Building a foundation for future development" as the three most pressing issues. And we aim to promote the measures set forth in the Medium-term Management Plan, and furthermore, to achieve long-term business growth and development while ensuring risk tolerance under difficult and unpredictable circumstances.



Urgent issues and actions to achieve the plan

1 Normalization of the supply chain

2 Responding to rising external costs

3 Building a foundation for future development

Interview with the President

Q2. What measures are you taking for the “Normalization of the supply chain”?


Severely affected by procurement and logistics issues in FY2021, we are focusing on “eliminating concerns about the supply of electronic parts,” “responding to fluctuations in demand,” and “optimizing and streamlining orders, production, and inventory management” in order to quickly normalize the supply chain.

With regard to “eliminating concerns about the supply of electronic parts,” we have made steady progress in expanding our purchasing options by identifying items purchased from a single source and prioritizing the allocation of technical resources to the adoption of alternatives and the diversification of procurement sources. We are also reducing the number of product models to be manufactured by standardizing parts and optimizing the number of items through the expansion of standardized designs. Furthermore, in order to prevent us concentrating on particular EMS vendors, we are diversifying our requirements and making long-term arrangements for parts, and also procuring parts from secondary vendors with whom we have not had direct transactions in the past.

For “responding to fluctuations in demand,” we will work to standardize production through integrated production and sales efforts and by using external resources such as ODMs and production contractors, considering the demand forecast and sales methods of the Sales Division. In addition, while air conditioners have been produced intensively in China and Thailand, we plan to entrust local production partners in India starting in FY2022 as an initiative for local production for local consumption to diversify risks, and we will consider local production in Europe and the Americas in the future.

For “optimizing and streamlining orders, production, and inventory management,” we are rebuilding our IT infrastructure, including a new production management system, and are working on strategic inventory management by prioritizing inventories of distributors and parts for air conditioners.

Although the supply chain disruption had a significant impact in FY2021, operations are steadily improving as a result of these efforts, and we aim to return to normalcy as soon as possible.


Issues	Measures
Unstable supply of electronic parts	<ul style="list-style-type: none"> > Expand purchasing options (adopt alternatives, diversify suppliers) > Reduction in the number of models (standardization design, optimization of number of models) > Dispersion of orders to EMS, long-term arrangement of parts, and management of secondary suppliers
Responding to fluctuations in demand	<ul style="list-style-type: none"> > Production leveling at the Thailand factory > Expand utilization of ODM > Local production for local consumption for risk diversification 
Optimizing and streamlining orders, production, and inventories	<ul style="list-style-type: none"> > Establish of the new system for production management > Reconstruct IT infrastructure > Review inventory strategies (sales subsidiaries, main parts)

Q3. What measures are you taking for “Responding to cost rising to external factors”?

First, we are moving forward with measures to address the sharp rise in prices of materials, components, and parts. We are working to switch the material used for heat exchangers from copper, which has a high unit price, to a relatively inexpensive material, aluminum. It is already in the final stages of commercialization and we plan to begin sales in some regions in FY2022. In addition, our development, procurement, plants, and overseas R&D divisions will work closely together to reduce costs, including for low-cost inverters dedicated to cooling. In addition, local production in India, as explained earlier, is expected to be effective in terms of reducing costs as well as diversifying risk. In addition to these efforts, we will take all possible measures, such as easing excessive specifications, changing specifications, and improving productivity by promoting IT and automation in development divisions and plants.

Next, with regards to “soaring ocean freight rates,” we will work to ensure that the ship space slots secured are used up by taking orders and producing on a container-by-container basis, securing contracted space slots considering shipping plans and freight rates, and curb logistics costs through local production for local consumption.

Since this cost increase is unprecedentedly sharp and far beyond the normal self-help efforts we can do such as reducing costs and improving productivity, we will continue to raise product prices around the world in order to improve profitability.


Issues	Measures
Rising material costs, components costs, and parts costs	<ul style="list-style-type: none"> > Cost reduction in collaboration with development, procurement, production, and overseas R&D (e.g., shift from copper to aluminum, Tropical Cooling Only Inverter AC, etc.) > Mitigation of over-specification and specification changes > Expand purchasing options > Cost reduction by production in India > Improvement of productivity by IT, automation, etc. 
Rising ocean freight costs	<ul style="list-style-type: none"> > Arrange orders and production by the container > Ensuring the allocation of ship space quotas > Secure contracted space based on shipping plans and freight rates > Control logistics costs by local production for local consumption
Product price	> Continuously increasing product prices worldwide

Q4. What measures are you taking for “Building a foundation for future development”

First, for the “Development organization and technology development,” we will enhance the productivity of development by utilizing computer-aided engineering (CAE) and product lifecycle management (PLM) as well as promoting standardized design. At the same time, we will strengthen our software development system to expand our solutions business, which is indispensable for building the air conditioner business model we are aiming for.

Next, for “*Monozukuri* (Manufacturing),” we will quickly normalize operations of production at our Thai plant to realize the benefits of increased production capacity and promote the development of local production in India and Europe. In parallel with this, we will also promote the decarbonization of energy used at each of our plants.

In addition, to enhance company-wide human resource development, we will continue to hire mid-level specialists, and at the same time, promote measures that contribute to the expansion and improvement of human capital, such as the expansion of the functions of the Technical Academy and the development of global human resources.

Issues	Measures
Development organization, Technical development	<ul style="list-style-type: none"> > Improve productivity by the use of new technologies (CAE/PLM) > Proceed standardization design > Strengthen software development organization to support solution business
Production	<ul style="list-style-type: none"> > Increase production capacity and normalize production at the Thailand factory > Promote decarbonization of factory energies > Local production in India and France 
Human resources development	<ul style="list-style-type: none"> > Continue hiring mid-level experts > Expansion of Technical Academy and continuation of organizational revitalization activities > Expand program to develop global human resources

Interview with the President

Q5. How are the measures to expand sales in the priority markets of North America, India, and Europe, progressing?

In North America, which is one of our most important markets, we have a very large number of backorders as of the end of FY2021 due to supply chain problems. As deliveries have been delayed, many customers are still waiting for our Company's products to arrive. Shipments are made as they come, but first, this backorder should be resolved as soon as possible.

In addition to this, as environmental awareness rises in the North American market, we will capture the demand to replace fossil fueled heaters with heat pump equipment through the introduction of new products for cold regions. In the U.S., the movement for decarbonization is gaining momentum under the current administration, which we believe is a tailwind for the Fujitsu General Group. We will also continue to develop sales channels through multi-brand development and accelerate collaboration with Rheem. Furthermore, from the viewpoint of risk diversification, we believe it is necessary to manufacture our products close to where they are consumed, and will consider local production in North America.

■ Promotion of sales activities to capture growing demand

North America

- Early resolution of backorders
- Expand our product line-up
 - Development of models for cold regions
 - Develop sales channels using a multi brand strategy
 - Accelerate growing collaboration with Rheem
- Consider local production



Whole house solutions for residential and commercial

In India, another top-priority market, in FY2021, our Company's sales growth rate was much higher than the market growth rate, resulting in an increase in market share. We will continue to introduce new products, mainly cooling-only inverter air conditioners and expand our sales channels. In addition, as a new production base, we plan to start local production this fiscal year.

Furthermore, ABS, a subsidiary of the Company that develops solution businesses, has been receiving very strong orders, partly due to the expansion of its sales area. As a result, the sales and revenues have grown substantially. We expect to generate significant synergies with product sales in the future.

India

- Expansion of local sales
 - Double-digit growth in local sales under COVID-19
 - Launching new products and expanding sales channels
 - Plan to start local production in FY2022
- Expansion of solution business
 - ABS: Double-digit growth and seeking to create synergies



Local sales store in India

This is the Company's other priority market. In Europe, which is leading the way with its decarbonization policy, shipments of ATW in FY2021 doubled from the previous year, thanks in part to the benefits of subsidy policies for heat pump equipment. While market growth is expected to continue, we will introduce new products jointly developed with our longtime French partner Atlantic, as well as consider local production. In Europe, the commercial market is also expected to recover with the resumption of economic activities, and we will continue our efforts to expand commercial routes with an eye on the solutions business as well.

Europe

- Expansion of commercial business
 - Accelerate growing collaboration with G.I. Holding
- Promotion of ATW business
 - Launch new products by joint development
 - Prepare local production
- Strengthen solution business

WATERSTAGE



ATW (Air to Water)

Q6. How are the Information & Communication System and Electronic Devices businesses?

First, in the Information & Communication System, we expect a slight decrease in sales in FY2022, as our mainstay firefighting and disaster-prevention systems are at the turning point of business negotiations. In the future, we will aim to increase orders by supporting the wide-area expansion of firefighting organizations and promoting product development of new firefighting digital products, which will be fully commercialized around FY2023. As for the disaster-prevention system, we plan to provide new value by utilizing our abundant operational assets, such as flood alerts and proposals for improving the voice quality of wireless broadcasting. In the private-sector business, in addition to the traditional distribution and medical businesses, we will expand our human resources business with an eye to pioneering cutting-edge technology fields such as DX (Digital Transformation) and AI.

As for the electronic devices segment, in the unit manufacturing business, which is the mainstay of our sales, we will promote efforts to secure orders from existing customers for robot controllers and other products, as well as to enhance production- and cost-competitiveness in automation. In the power module segment, which we consider to be a future pillar of our business, we started mass production of IGBT modules for the Company's VRF in 2021. The power module business is new for the Company, but due to the recent shortage of semiconductors, we have received many inquiries. While demand for power modules for EV is strong, there is a shortage for industrial equipment, and we are receiving many inquiries from both new and existing customers, and intend to develop business from a medium- to long-term perspective. Sample shipments of modules have also begun with next-generation semiconductor GaN devices, and we will accelerate the development of next-generation devices with superior energy-saving performance.

Information & Communication System

- Public systems (Fire-fighting systems, Disaster prevention systems)
 - Strengthen activities for a wide area of fire-fighting organizations
 - Develop new products for updating disaster prevention digital radio
 - Utilize abundant operating assets in disaster prevention systems
- Private sector systems
 - Expand human resources business (develop high-technology fields such as DX and AI)



Fire and emergency communication command system

Electronic Devices

- Stabilization of existing businesses
 - Secure orders from existing customers and stable production
 - Automation initiatives for cost-competitive
- Develop new business (power module business)
 - Start mass production of IGBT module for our VRF
 - Start to ship samples of the GaN module (develop next-generation models that achieve ultra-high efficiency and ultra-miniaturization)



GaN module

Interview with the President



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



Q7. Can you explain again about the characteristics of Sustainable Management promoted by Fujitsu General?

In the Fujitsu General Group, our core business is directly connected to the realization of a sustainable society and the more we strengthen our core business, the more we can contribute to a sustainable society, which is a major feature of the Air Conditioners and Information & Communication System and Electronic Devices businesses.

In the case of our mainstay product, air conditioners, the use of products with superior energy efficiency and alternatives to fossil fuel equipment will reduce global carbon dioxide emissions and curb global warming.

Our Group's corporate philosophy, "Our Mission – Living together for our future," aims to solve social issues through our core business, such as minimizing our impact on climate change through innovation and technology. We have responsibilities to provide an environment in which our children, who will lead the next generation, and the generations to come, can live well.

Promoting Sustainable Management based on the three pillars of "1. Harmonious Coexistence with Our Planet," "2. Social Contribution" and "3. Care for Employees" is a process of fulfilling our "Contract with the future," so to speak.



Q8. Under "Harmonious Coexistence with Our Planet," the deadline for achieving carbon neutrality has been moved up to FY2025. Can you tell us about the background to this?

The deadline for achieving carbon neutrality in our business activities (Scope 1 and 2), which we set in April 2021, was set for FY2030, but after a further review of the plan, we have decided to advance the deadline for this goal by five years to FY2025.

As the background, we have been able to switch to 100% renewable energy as of April 1, 2022 for the electricity used in our business activities. As a result, net zero GHG emissions have been achieved in electricity use at all of our bases worldwide.

We shall promote decarbonization as early as possible in our own business activities, not to mention the contribution we can make in our core business. Given that many European companies have set their carbon neutrality targets around FY2025, we believe that the Fujitsu General Group, which operates globally, should also set its target at FY2025.

Subject		Targets and measures to reduce greenhouse gas emissions	
Scope 1, 2	Our business activities	• 100% reduction by FY2025	
		FY2020	(FY2020 emissions 57,575 t-CO ₂)
		FY2025	Reduce by 100% → Achieve carbon neutrality
Scope 3	Our supply network	• Reduce 30% by FY2035 compared to FY2018	
	Products sold	• Reduce 30% by FY2030 compared to FY2013	

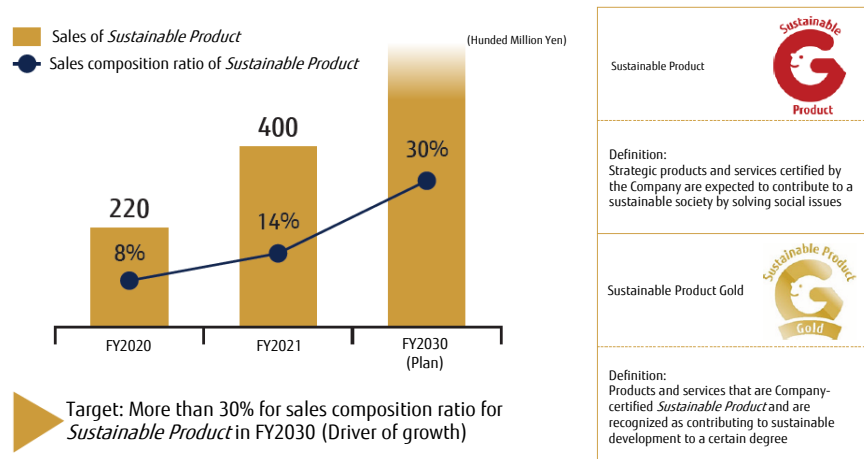
▶ Aim to achieve carbon neutrality in FY2025 (Revised previous plan to target FY2030)

Interview with the President

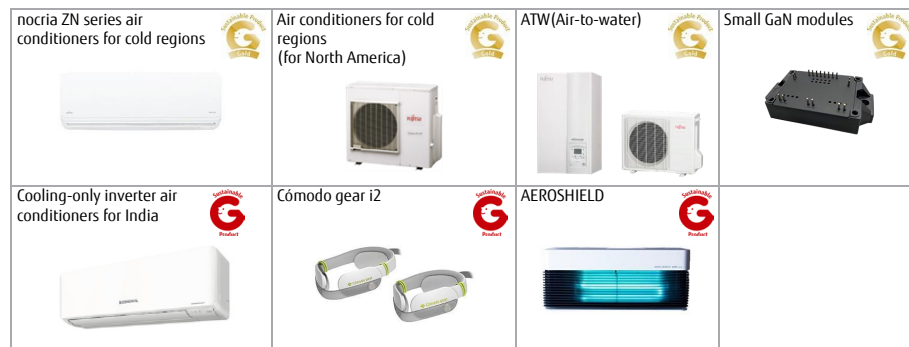
Q9. How are the sales of Sustainable Product ?

Sustainable Product are Fujitsu General Group's original certification system. We certify strategic products and services that are expected to solve social issues and contribute to a sustainable society as *Sustainable Product* and position them as a driving force for the future growth of Fujitsu General Group to expand sales. Taking Air To Water (ATW) heat pumps as an example, in France, where there are many nuclear power plants and electricity is mainly from renewable energy sources, switching from natural gas-fired heating systems to ATW can be expected to significantly reduce CO₂ emissions. In FY2021, actual sales of *Sustainable Product* amounted to 40 billion yen, accounting for about 14% of total sales. Sales of cooling-only inverter air conditioners in India, and ATW grew significantly, nearly doubling from 22.0 billion yen in the previous year.

At present, seven products have been certified as *Sustainable Product*, and we will continue to invest heavily in new product development, market development, and other activities related to *Sustainable Product*, aiming to have them account for 30% or more of total company sales by FY2030.



Products Certified as Sustainable Product



Sustainable Product

Definition: Strategic products and services certified by the Company are expected to contribute to a sustainable society by solving social issues

Sustainable Product Gold

Definition: Products and services that are Company-certified *Sustainable Product* and are recognized as contributing to sustainable development to a certain degree

Q10. Are there any new initiatives under "Social Contribution"?

To summarize, we believe our contribution to society can be divided into "social contribution through our core business" and "social contribution as a member of society." In "social contribution through our core business," all businesses of Fujitsu General Group are closely connected to People and Society and we will provide better values in these aspects by pursuing our core business. As for "social contribution as a member of society," we have been engaged in various activities so far, but we have newly formulated the "Basic Policy for Social Contribution Activities" and decided to strengthen our efforts. While respecting our existing activities, we will focus on supporting social contribution activities participated in by employees in accordance with this Basic Policy for new social contribution activities to be launched in the future.

	Current activities	New initiatives
Social contribution through our core business	<p>Pursuit of our core business</p> <p>Our business is closely connected to people and society. Providing good value to people and society by pursuing our core business would be a social contribution.</p> <p>BIG, Ideathon, 10% rule, new business creation programs</p> <p>Across organizational initiatives</p>	
Social contribution as a member of society	<ul style="list-style-type: none"> Interaction with children who will lead the next generations Activities to increase interest in manufacturing Interaction with local communities and nearby schools Support for social welfare activities Protect and breed rare species Environmental protection (afforestation, beach cleanup) 	<p>Basic Policy for Social Contribution Activities</p> <p>Based on our corporate philosophy of "Living together for our future," everyone will take the initiative in social contribution activities to achieve harmony with society and realize a sustainable society.</p> <p>(Key areas of action)</p> <ul style="list-style-type: none"> Fostering the next generation of human resources Communication with local communities Preservation of the global environments

Interview with the President

Q11. What measures are you taking for "Care for Employees"?

The "Fujitsu General Group Declaration of Employee Wellness" was announced in July 2017, and our Health Management has entered its 6th year. While the COVID-19 pandemic restricts face-to-face activities, we are working to create a workplace where employees can remain healthy and energetic and improve their productivity and motivation through various approaches.

There has also been a steady increase in assistance and collaboration for families supporting employees' health and with companies and organizations seeking to introduce Health Management.

In addition to the promotion of Health Management, we intend to strengthen our efforts to support employees' "spontaneous career development and learning."

Needless to say, the fundamental source of the Company's competitiveness lies in our employees. In addition to strengthening English language skills with the aim of developing global human resources, we will improve communication skills, logical thinking, DX literacy, and other skills so that each employee can proactively think about their future vision and be active in this uncertain and competitive era. Accordingly, we will continue to develop an environment in which each employee can hone and improve their own skills.

Fujitsu General Group promotes Health Management, in the belief that only when employees have a healthy and vigorous workplace can we develop human resources who are willing to work spontaneously. Defining Health Management as "the strategic realization of health measures for the achievement of sustainable business growth," our Group makes it clear that "employee health is a valuable asset for management" in order to promote and strengthen "valuing and investing in our people," as stated in our Corporate Philosophy and Medium-term Management Plan. We are working to create a healthy and vibrant workplace as a comfortable and rewarding place to work and improve the motivation and overall strength of all employees.

Fujitsu General Group 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.

■ Pursue the realization of well-being

The Health Management of Fujitsu General Group not only promotes the health of employees, but also provides support to families who support our employees and companies and organizations that aim to introduce Health Management. We will contribute to local communities and pursue the realization of Well-being also through support to stakeholders.

- 1) Support for the creation of safe and secure workplace (Creating a workplace with high psychological safety)
- 2) Beyond the acquisition of health information, conduct training that enables employees to become aware of their own health and change their behavior
- 3) Expand health support to employees at overseas and domestic offices and Group companies
- 4) Hold walking and other health events in which families can participate, and provide health information
- 5) Introduce internal health support practices outside the company to support Health Management activities in society
- 6) Co-creation of new measures and contribution to local communities through joint projects with local companies, industry-academia-government collaboration, etc.

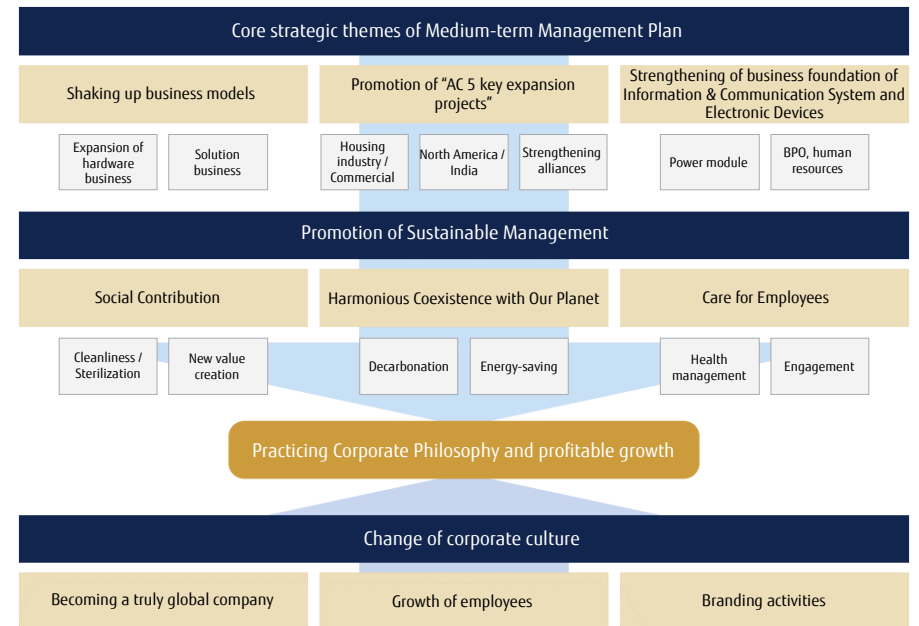


At the external lecture

Q12. FY2022 will mark the end of the Medium-term Management Plan. What is your vision for the management policy for FY2023 and beyond?

There is no change in the major policy of promoting the Core strategic themes and Sustainable Management that we are working on in the current Medium-term Management Plan, and we will continue to strengthen them. Although we are in a temporarily difficult situation due to supply chain disruptions and external cost increases, various measures are imperative and we are making steady progress in strengthening our resilience to fluctuations in external factors. In addition, sales growth in the top-priority markets of North America and India, as well as orders for ATW in Europe, which is expected to contribute to decarbonization, remain strong. We believe that if we clear the most pressing issues and further strengthen our corporate structure, we will be able to achieve even greater expansion of our business scale and increase profitability.

In addition to these efforts, new initiatives will be taken under the themes of "Becoming a truly global company," "Growth of employees," and "Branding activities" as part of our corporate culture transformation, aiming to put our Corporate Philosophy into practice and achieve profitable growth.



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 FY2021 and Plan for FY2022

In FY2021, consolidated net sales were 284.1 billion yen, up 18.6 billion yen (7%) from the previous year, supported by strong demand in the priority markets of North America, India, and Europe in the air conditioner business, and in the electronic devices business. As for profit and loss, despite an increase in sales volume of air conditioner business in priority markets and the effect of improved selling prices in various overseas regions, operating income was 8.4 billion yen, a decrease of 10.3 billion yen (55%) from the previous year, due to the significant impact of soaring prices of materials and parts, high ocean freight rates, and the appreciation of currencies of the production countries.

Although orders for air conditioner business for overseas markets remained strong, and there were signs of improvement in procurement compared with previous years, we were severely affected by logistics stagnation in marine, port, and land transportation after shipments from the plants. In addition, sporadic and intermittent restrictions on activities at our own plants and suppliers due to the spread of COVID-19, combined with the lockdown of Shanghai since the beginning of March, resulted in net sales and respective profits falling far short of the forecasts published in January 2022.

For FY2022, we plan net sales of 370.0 billion yen, up 85.9 billion yen (+30%) year on year, supported by continued strong overseas demand and the inclusion of sales carried over from FY2021 due to logistics stagnation and additional activities to improve selling price. With operating income, we will continue to face a difficult situation due to unprecedented high prices of materials, parts, and ocean freight rates, the yen's depreciation, and the risk of further deterioration in the cost environment against the backdrop of rising resource prices due to the Ukrainian crisis. However, we plan to achieve 17.0 billion yen, an increase of 8.6 billion yen (up 101%) from the previous year, by promoting total cost reduction through procurement policy, design process innovation, and other measures, and by thoroughly working to further strengthen our revenue capabilities through company-wide efforts to improve cost efficiency in addition to the effects from sales increase of air conditioners and further improvement of sales prices.

Growth Investment and Cash Generation Capability

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. Capital investment in FY2021 was 8.2 billion yen, mainly for projects such as production capacity expansion at the Thai plant and core system renewal. In addition to the renewal of the core system, we plan to invest 13.0 billion yen in FY2022 for growth investments such as expansion of production bases and investment in molds to expand product lineups.

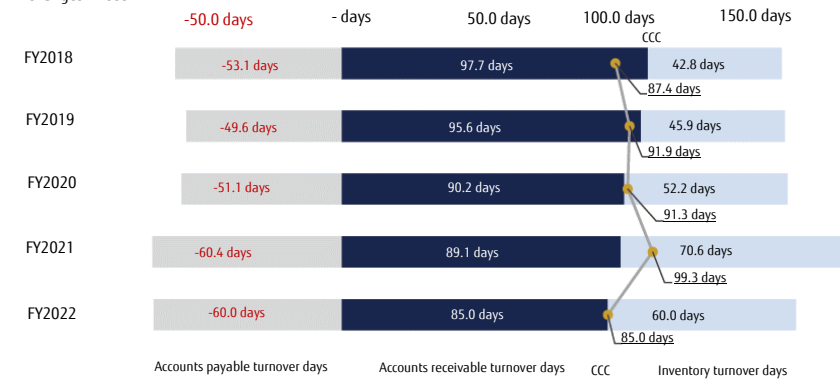
R&D expenditures in FY2021 totaled 14.6 billion yen, as a result of expanding product lineups and standardizing designs to meet market demand, such as regional needs and environmental regulations, as well as converting from copper to aluminum and using material-saving designs. In FY2022, our plan is to spend a record 16.0 billion yen on R&D to strengthen our development capabilities and expand our product lineup.

2. Cash-generation capability

Our cash generation capability to support growth investment, in FY2021, both parts, and product inventories were backlogged due to supply chain disruptions, resulting in an inventory balance of 73.0 billion yen at the end of the period, up 28.5 billion yen from the end of the previous period, and the cash conversion cycle ("CCC") increased 8.0 days from 91.3 days to 99.3 days, and operating cash flow was minus 14.9 billion yen (positive 25.0 billion yen in the previous year), resulting in a deterioration of financial performance. By quickly normalizing the supply chain, which is a pressing issue, we will shorten inventory backlogs and strengthen our capability to generate cash.

The CCC target for FY2022 is 85 days or less (a decrease of 14.3 days from the previous period), which we believe can be achieved by reducing the inventory turnover days (inventory days hereinafter). Inventory days increased from 52.2 in FY2020 to 70.6 in FY2021, an increase of 18.4 days due to supply chain disruptions. In FY2022, we expect the shortage of parts for semiconductors and other products to continue for some time, so we plan to increase inventories to be held, mainly of parts, from the normal level. At the same time, we plan to strengthen our coping with parts shortages by promoting standardized design and common use of parts, thereby curbing the backlog of parts inventory, and reducing the backlog of product inventory and inventory days to about 60 days by having production that matches the departure of ships. Targeting 85 days for days receivable outstanding and 60 days for days payable outstanding, and together with inventory days, the CCC is planned at 85 days.

■ Changes in CCC



Financial Overview

Initiative to Improve Profit Margins

Operating income for FY2021 decreased, and the operating income margin fell to 3.0% from 7.1% in the previous period. This was mainly due to the inability to compensate for the sharp rise in prices of materials and parts, the appreciation of currency of the country of production, and the unprecedented rise in ocean freight rates, despite our efforts to expand sales volume, improve selling prices, and reduce costs. We hope to raise the operating income margin to 4.6% in FY2022 by executing the following measures.

1. Total cost reduction

In order to promote total cost reductions, in coping with rising material and component prices, we will further strengthen standardized design, reduce unit costs by switching from copper to aluminum for heat exchangers, and reduce costs through local production in India, in addition to executing other measures to reduce production costs. As for rising ocean freight rates, we will execute measures such as reducing unit price increases by ensuring reliable shipments by contracted vessels and reducing ocean transportation itself through local production for local consumption. Regarding the conversion of heat exchangers to aluminum, we will actually begin sales in FY2022, and based on local production for local consumption, we will start contract manufacturing in India and knockdown production at our joint venture manufacturer in France during FY2022.

In addition, we have revamped our core system in order to improve the efficiency of product design and enhance the sophistication and speed of management. At this time, we are considering a thorough review of our workflow to eliminate waste and irregularities inherent in our operations and fundamentally change the way we work. As a direct result of the workflow improvement, there will be cost reductions through reduced overtime and travel expenses, but above all, we aim for a positive impact on total cost reductions through an increase in high-value-added work.

2. Improvement in selling prices

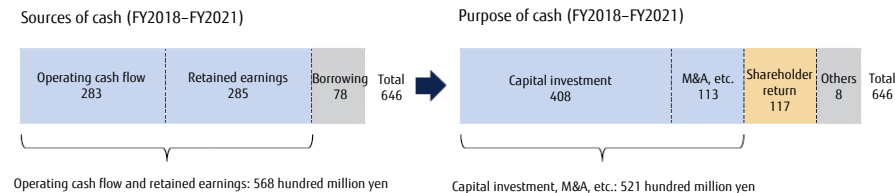
As described above, Fujitsu General Group as a whole is promoting a total cost reduction, but the recent rise in material and component prices and the unprecedented hike in ocean freight rates are beyond the scope of self-help efforts such as ordinary cost reduction and productivity improvement, and they are seriously pressuring the profitability of our Group. Under these circumstances, our Group is striving to increase average selling prices by introducing new high-value-added products and improving the product composition, and at the same time, striving to improve profit margins by raising the unit price of products themselves.

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 Product*, as well as in our employees, and to use the cash we generate to cover the investments.

The graph shows the use and source of cumulative cash from FY2018 to FY2021. Cash flows from operating activities (operating cash flow) and retained earnings (56.8 billion yen) provided 52.1 billion yen for M&A and capital expenditures during the period.



As for the return of 117 hundred million yen to shareholders, the Company increased the dividends by 2 yen again for the period under review, in accordance with the Company's Basic Policy on profit distribution, "Stable and continuous return of profits." Although profits decreased in FY2021, the dividend payout ratio was 90.0%, higher than in the past, as we continued to increase dividends. Looking ahead, we intend to execute shareholder returns in a manner consistent with the Company's Basic Policy and maintain a dividend payout ratio of 30% or more. On the other hand, since the dividend payout ratio alone is affected by profit and loss for a single fiscal year, we have added Dividend on Equity (DOE) as one of the indicators of shareholder return, and intend to execute stable and continuous shareholder returns.

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. As mentioned above, due to the recent supply chain disruptions, both profit and financial position deteriorated in FY2021, and our capability to generate cash declined. In FY2022, we intend to reverse this trend and return to a growth path, regaining our capability to generate cash, the fruit of our growth investments, and expand our business in FY2023 and beyond.

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.

Feature 1: Air Conditioning Business in the Indian Market



Features of cooling only inverter air conditioner

- Can cool the room to 24°C or less quickly even if outside temperature is 50°C
- Improved durability to withstand sudden and large voltage fluctuations

Adopting multiple technologies for the first time in our company

- Newly developed the inverter control unit with high output power and improved durability for Cooling-only models
- Developed a heat exchanger dedicated to Cooling-only outdoor unit



Cooling-only inverter air conditioners for India

Switching from Constant-speed Cooling-only AC to Inverter AC with Superior Energy Efficiency

In our Medium-term Management Policy, Fujitsu General Group set "Expansion of air conditioner business as the core strategic theme and is working on "Capture and expansion of Indian market" as one of the promotions of "5 key expansion projects." In India, where the air conditioner market is expected to continue to grow, we aim to contribute to the growth of our business and reduce environmental impact by expanding sales of highly energy-efficient inverter air conditioners.

Development of cooling-only inverter AC for India

Demand in India, Thailand, and other regions, where cooling operation is used throughout the year, for cooling-only AC is growing at a rate of about 10% per year, but this is a tough market where low-priced, non-Japanese products are gaining ground as demand expands.

In addition, despite the harsh operating environment, such as long hours of use at high outdoor temperatures, consumer needs for energy-efficient models have risen under the energy circumstances.

Fujitsu General Air Conditioning R&D (Thailand) Co., Ltd. ("FGDT" hereinafter) has planned, designed, and commercialized inverter air conditioners for cooling only in the Indian market.

Local employees, who are familiar with the living environment in the cooling-only region, played a key role in the design and development of a product with features tailored to the area, leading to the launch of the product in India in February 2020. The newly developed cooling-only inverter air conditioner lineup has been further strengthened since 2021 to provide comfortable spaces to more customers.



Members of FGDT
(Face masks are removed only for the purpose of photographing)

Voice Voice from Engineers (Japanese expatriates)

There are two major difficulties in development.

The first is to improve the design and development capabilities of local engineers involved in development. For local engineers with limited experience in the development of inverter air conditioners, we improved the systematization and visualization of development materials and positioned DR^{*1} as a place for education, allowing them to take the initiative in design and development, thereby improving the capabilities of all engineers.

The second is to accurately understand the market demand. For this development, in addition to repeated studies to understand the background of the requests and the actual situation in the field, we went to India to conduct surveys and discussed matters with local distributors.

As a result, we believe that we have been able to develop models that are not just cost-cutting but also suitable for cooling-only regions.

The development this time was realized with the cooperation of many people such as local sales staff and factories.

FGDT has many relatively young engineers who are highly motivated to take on new challenges. The atmosphere in the workplace is also cheerful and characterized by good teamwork.

Leveraging the strengths of FGDT, we will continue to contribute to our business.



A development meeting

*1 Abbreviation for Design Review.

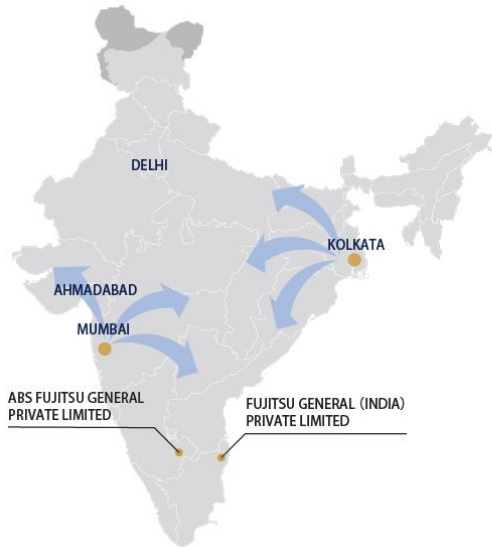
Feature 1: Air Conditioning Business in the Indian Market

Expansion of solution business

ABS Fujitsu General is an HVAC (Heating, Ventilation, and Air Conditioning) installation company in India. Based on our abundant know-how and achievements in commercial air-conditioning systems in the Indian market, we are developing an integrated business from designing air-conditioning equipment to construction and service maintenance and accumulating an extensive actual performance record not only from existing customers but also from new customers acquired by the expansion of our bases, and our sales continue to increase every year.

In addition to the existing bases mainly in southern India, we are developing new businesses in western and eastern India by approaching new markets and customers through the expansion of new base networks such as Kolkata and Mumbai. In the future, we will further expand our network to major cities in India such as Delhi and Ahmedabad, and will always practice attentive customer service and focus on strengthening our customer base by linking to orders for additional projects, and at the same time, will work on improving customer trust in addition to enhancing business performance.

We shall make a further leap forward to quickly solidify our position as an HVAC solution provider covering the whole of India, work on acquiring orders for overseas projects including neighboring countries and provide construction for global HVAC equipment.



Duct construction

Future actions to expand sales

To meet the further demand growth in India, we will strengthen our sales network by increasing the number of specialty stores to expand sales, and we plan to start local production in FY2022.

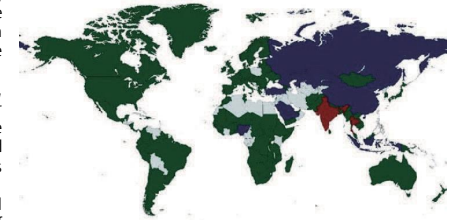
Feature 2: Sustainable Management Initiatives in Europe

Conversion from Fossil-fueled Heaters to Heat Pump Equipment with Low GHG Emissions

In the Medium-term Management Policy for FY2021, Fujitsu General Group is pursuing the practice of our Corporate Philosophy and business growth strategy setting up the "promotion of Sustainable Management" aiming to build a business model that coexists with the COVID-19 and contribute to the realization of a sustainable society together with the strengthening of the promotion of core strategic themes.

Movement of global warming countermeasures in Europe

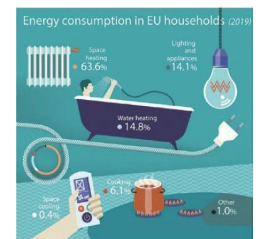
Under the Paris Agreement (COP21), the international global warming countermeasures are pursuing efforts to keep the world's average temperature rise to 1.5°C while keeping it well below 2°C compared with before the Industrial Revolution, and therefore, are aiming to achieve global carbon neutrality in the second half of this century. Under such circumstances, since COP26 was held in November 2021, more than 150 countries/regions have announced they will aim for carbon neutrality by 2050, and in Europe, as a growth strategy to realize a sustainable EU economy, the "European Green Deal" was announced in 2019 ahead of the world setting "real zero greenhouse gas emissions by 2050" as one of the main goals. And in order to achieve this goal, the European Climate Law was enacted in 2020 leading the world in the movement for the reduction of greenhouse gases by stipulating "a net 55% reduction in greenhouse gas emissions from 1990 by 2030."



Countries/regions stating carbon neutrality
At the end of COP26 (Color shows deadline of accomplishment)
Green:2050 Blue:2060 Red:2070
(Source: Ministry of Economy, Trade and Industry)

Preferential treatment such as subsidies and tax reduction for products

As about 80% of the energy consumption of household in Europe is for heating or hot water and about 60% of the energy used for heating is still dependent on fossil fuels, incentives such as subsidies and tax cut for the products which use heat pump are allowed in various countries in Europe in response to the goals for emission reductions and the spread of renewable energy, and our business opportunities are expanding.



Energy usage ratio by use in households in the EU
(Source: EUROSTAT)

Feature 2: Sustainable Management Initiatives in Europe

Fujitsu General Group's initiatives in Europe

Fujitsu General Group will play a part in breaking away from fossil fuels by promptly gathering information such as regulations and preferential treatment in European countries and delivering ATW and other products to the market in a timely way and aiming to contribute to a safe society.

What are ATW and DHW?

ATW (Air to Water) is a device that makes hot water using heat pump technology. A heat pump, as the name "pump the heat" suggests, is a technology that collects heat from the air and transfers the collected heat to water, and the hot water produced by it is used for heating or hot water supply.

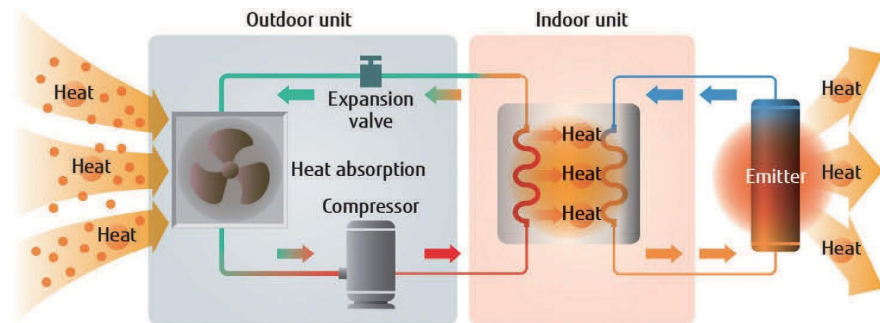
Since heat is moved rather than generated, it saves energy compared with conventional combustion heating equipment.

Space heating is used as a heating air conditioner by circulating hot water to terminals such as floor warmers, radiators and fan coils installed in the room.

Domestic hot water (DHW) is used as water for showering, washing hands, and other domestic purposes.

■ Advantages

- Heat pump technology is recognized as a renewable energy source in Europe.
- Compared with fossil fuel heating equipment, it saves energy and emits less CO₂; thus, the environmental load is smaller.



France

■ Introduction of energy- and space-saving models

In order to comply with RE2020^{*1}, new energy-saving regulations for new buildings in France, we plan to further expand sales in the French new construction market by introducing energy- and space-saving models.

*1 Regulations that require the reduction of power consumption of the entire new building. The power limit value varies by the climate category.

Relationship with Atlantic (France)

In 2009, we signed a joint development contract for ATW and started a joint business. As of 2022, we are jointly developing ATW utilizing our heat pump technology and ATLANTIC's hot water control technology and continuing close communication for better manufacturing such as monthly project meetings between France, Germany, Japan and ATLANTIC's engineers stationed at our Kawasaki head office since 2019. As an important joint development partner for European business, we will continue to strengthen our relationship.



Germany [FG(EURO)]

■ Small VRF: Early transition to new refrigerant

Along with the conversion to low GWP^{*1} refrigerant being promoted for RAC/PA, we are also implementing the conversion of small VRFs at an early stage to promote sales expansion of products that meet environmental regulations.

■ Compliance for regulations / incentives and strengthening of R&D

With the tightening of regulations in Europe as a whole, regulations are being tightened and subsidies are being introduced in each country. In Germany, we are promoting sales expansion of ATA^{*3}/ATW with the fair wind of the subsidy system (BEG^{*2}) aimed at promoting the introduction of renewable energy equipment and replacing fossil fuel heating equipment.

With the introduction of new regulations and subsidies, prompt information gathering and feedback on product development are becoming important, and along with strengthening market research centered on European R&D, we are promoting the product development that matches environmental regulations together with collaboration partners.



Building where FG(EURO) resides



Left: Training scene; Right: VRF training room

*1 GWP: Global warming potential. A coefficient that indicates how many times the greenhouse effect is that of carbon dioxide.

*2 BEG: Bundesförderung für effiziente Gebäude (Government funding for high efficiency buildings)

*3 A German program that provides subsidies for newly built and refurbished properties as well as heating systems that use renewable energy such as heat pumps.

*3 Abbreviation for Air-to-Air.

Feature 2: Sustainable Management Initiatives in Europe

Fujitsu General Group's initiatives in Europe (continued)

Italy [FG (ITALIA)]

- **Strengthening of VRF sales system**
With the energy saving demand for buildings as background, we are strengthening our pre-sale system with the aim of expanding sales of VRF.
- **Strengthening new businesses**
We are promoting the expansion of the commercial business including the handling of GIH products (chillers, rooftop units, fan coil units, etc.) in order to cover the demand for the replacement of fossil fuels with heat pumps in the large air conditioning area.



(Left) Building where FG (ITALIA) resides



(Right) Office reception

UK[FGAC(UK)]

- **New entry into the ATW monoblock*1 market**
We are planning to enter the market with ATW mono-block models aiming for replacement demand for ATW with the background of regulations prohibiting the installation of gas/oil boilers in newly built properties, which is scheduled to be introduced in 2025.



Building where FGAC(UK) resides

*1 ATW that integrates a heat pump heat source circuit and water heat exchange unit.

Feature 3: Initiatives to Respect Human Rights

Basic approach

The FUJITSU GENERAL Way, which represents the common values of the Fujitsu General Group, states "We respect human rights" in the opening line of the Code of Conduct. This statement clearly sets out the company's position that "its activities will be based on respect for human rights, that diversity is to be embraced, and that no one shall be discriminated against on the basis of race, religion, disability, gender or sexual orientation, nor shall harassments be tolerated." We strive to ensure that all employees of the Group demonstrate this spirit in action.

Our Group conducts human rights due diligence*1 for the purpose of ensuring the Code of Conduct and preventing and mitigating negative impacts on human rights.

Implementation of human rights due diligence

Fujitsu General Group conducted human rights due diligence on the Kawasaki Headquarters in FY2021.

<Results and issues>

- **Occupational health and safety:** Partially insufficient confirmation of proper implementation of measures to prevent occupational accidents
- **Information disclosure:** Non-disclosure of human rights due diligence implementation plan and results
- **Employee education:** Partially insufficient human rights education on forced/child labor
- **Stakeholders:** Establishment of a consultation desk (sign language support, etc.) that takes into consideration diverse consumers and customers

After addressing these issues and taking corrective actions, we reevaluated the situation and informed all concerned parties of our ongoing response.

We will continue to conduct human rights due diligence on all of our Group companies over a three-year period, with the frequency of human rights due diligence at each site to be approximately once every three years, to prevent human rights violations before they occur, and to correct and address any events that may lead to human rights violations as soon as possible.

Results of human rights due diligence evaluation (Kawasaki Headquarters)

[1] Management Status: Confirmed 11 major items



[2] Performance: Confirmed 14 major items



*1 Human rights due diligence is conducted based on the checklist prepared in light of international standards, etc., for the purpose of identifying potential risks in the Company's business activities and items that require further promotion, and to make improvements.

Human Rights Initiatives

Human Rights Policy

Basic Approach to Human Rights

The FUJITSU GENERAL Way, which represents the common values of the Fujitsu General Group, states "We respect human rights" in the opening line of the Code of Conduct.

This statement clearly sets out the company's position that "its activities will be based on respect for human rights, that diversity is to be embraced, and that no one shall be discriminated against on the basis of race, religion, disability, gender or sexual orientation, nor shall harassments be tolerated."

We strive to ensure that all employees of the Group demonstrate this spirit in action.

We believe that it is important to properly recognize human rights issues to cultivate a spirit of respect and a sense of the true meaning of human rights, and to act in a way that does not tolerate discrimination or other human rights violations.

It is the fundamental principle of our group that each employee of the Group should be conscious of the need to protect human rights and act accordingly.

The Group supports and respects the following international principles and standards, and will continue to promote human rights-oriented management.

- "International Bill of Human Rights"
- "Guiding Principles on Business and Human Rights"
- "ILO Declaration on Fundamental Principles and Rights at Work"
- "National Action Plan on Business and Human Rights"
- "United Nations Global Compact"
- "Convention on the Rights of the Child"
- "Children's Rights and Business Principles"

Scope of application

This policy applies to all officers and employees of the Group. In addition, we will work with all business partners related to the Group's products and services to respect human rights and not infringe them.

Implementation of human rights due diligence

The Group will implement human rights due diligence in accordance with the procedures based on the "UN Guiding Principles on Business and Human Rights" and will endeavor to identify, prevent and mitigate the negative impacts on human rights.

If it becomes clear that the Group's business activities have caused or promoted human rights violations, or if indirect effects through business relationships, etc., have become clear, or even if they are not clear negative impacts - if it is suspected that there is a possibility of causing violations, we will correct and remedy it through dialogue and appropriate procedures.

Dialogue / Discussion

We will hold dialogue and discuss with relevant external stakeholders on responses to potential and actual impacts on human rights.

Education and enlightenment

We will not only educate officers and employees, but also provide appropriate education and training to all stakeholders so that this policy will be implemented throughout our business activities.

Information disclosure

We will disclose the progress of our efforts to respect human rights and the results on our website.

Key Initiatives

The Group recognizes that addressing the following human rights issues related to its business activities is an important element of human rights responsibility.

- Prohibition of forced labor and child labor
We will not be involved in forced labor or child labor in all business activities in all countries or regions. In addition, regarding forced labor, we do not use or take part in it, and we do not make a profit.
- Discrimination / harassment
We will respect the human rights of each individual and will not engage in unfair discrimination or sexual harassment due to race, skin color, religion, beliefs, gender, social status, family origin, disability, sexual orientation, etc.
- Freedom of association
We respect the basic rights of our employees regarding freedom of association and collective bargaining.
- Providing a safe, hygienic and healthy working environment
We provide a working environment where you can continue to work safely, hygienically and healthily.

Published: October 4, 2019
Revised: June 2, 2022
FUJITSU GENERAL LIMITED
President & CEO



Key initiatives

Conducting human rights awareness training

The Fujitsu General Group strives to raise employees' awareness on human rights issues through regular education. As an opportunity for human rights education, we provide e-learning on the prevention of harassment and human rights risks in business activities during Human Rights Week every year. In addition, we promote human rights education for newly appointed managers and new hires.

CSR Procurement

The Fujitsu General Group conducts surveys to check the status of compliance with the CSR Procurement Guidelines for suppliers. For the survey, we request our business partners to conduct a self-check assessment in advance. During the field survey, we check the status of CSR initiatives centering on human rights, health and safety and environment measures.

Establishment of human rights consultation / Relief desk

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 a violation.

We have a system in place that enables an independent 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.
Human Rights
<https://www.fujitsu-general.com/global/csr/human-rights.html>



Growth Strategy



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Business Overview

Consolidated net sales*1 **2,841** hundred million yen
 Operating income*2 **84** hundred million yen

Operating income ratio **3.0 %**

Air Conditioner



2,524 hundred million yen
 (8.3% increase vs. FY2020)
 (Composition: 88.8%)

52 hundred million yen
 (63.2% decrease vs. FY2020)

2.0 %

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



Fire-fighting systems

293 hundred million yen
 (3.6% decrease vs. FY2020)
 (Composition: 10.3%)

21 hundred million yen
 (46.3% decrease vs. FY2020)

7.4 %

Information & Communication System Business "Creating a secure and safe future together"

Communication device 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 restaurants

Handheld radio communication device



GaN module

Electronics Devices Business "World-class advanced technology and design capability"

We deliver precise and highly accurate quality and reliability.



Industrial 5-Phase Stepping Motor Driven Substrate

IPM

*1 Including net sales of 2.4 billion yen (1% of total) in Other segment
 *2 Including operating income of 1.1 billion yen in Other segment

Air Conditioner Business

Business Highlights



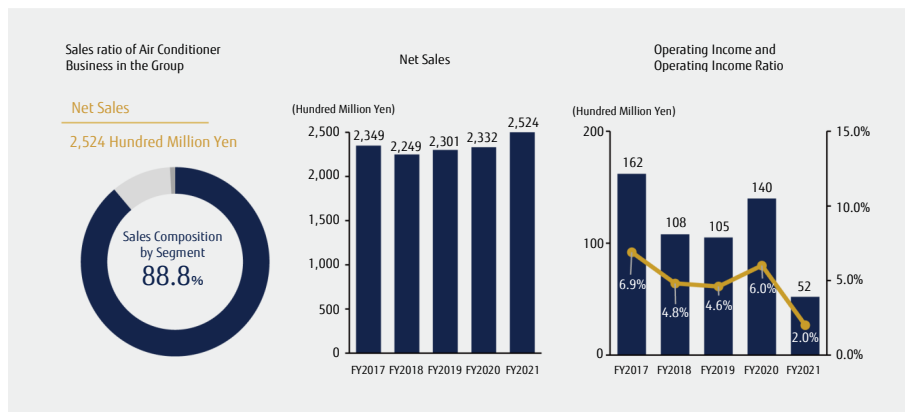
Demand for air conditioners, that are the core business of Fujitsu General Group, is expanding worldwide as sustainable products in addition to creating a comfortable environment. We will strive to further develop our business by creating new value through our products and services by addressing replacing products with high environmental impact by improving energy efficiency impact and developing solution businesses.

Director & Corporate Executive Vice President
 In charge of Air Conditioner and Quality Assurance
 Executive Manager, Air Conditioner Business Group
 General Manager, Air Conditioner Products Planning Division
 President, Fujitsu General (Thailand) Co., Ltd.
 President and Representative Director, Aero Shield Co., Ltd.

Tadashi Hasegawa

FY2021 Performance

In the Air Conditioner segment, sales in Japan declined due to unseasonable summer weather and other factors, but overseas sales increased, especially in our priority markets of North America, India, and Europe, resulting in net sales of 252,453 million yen (up 8.3% from the previous fiscal year). Operating income was 5,152 million yen (down 63.2% year on year) due to the significant impact of soaring prices of materials and parts, ocean freight rates, and the appreciation of the currency of the country of production, despite the effects of increased sales volume and improved selling prices to overseas customers.



■ Overseas

Net sales totaled 199,189 million yen (up 16.4% year on year).

In the North American region, sales of room air conditioners with excellent energy-saving performance increased in North America as demand remained strong due to favorable weather and rising demand for home use, and sales of VRF (multi-function air conditioners for building use) also grew. In addition, we have expanded sales by enhancing our product lineup, including models for cold regions, and by strengthening our sales network in the southern states of the U.S.

In Europe, sales of room air conditioners increased due to a recovery of markets in southern Europe, and sales of ATW (heat pump type water heating systems) also increased due to a significant growth in sales under the subsidy policies aimed at reducing environmental impact. To further expand sales of ATW, for which demand is expected to grow in the future, we are strengthening our sales network and developing new products that are easy to install.

In the Middle East and Africa, sales increased due to a recovery of some markets, increased sales in the first half of the year accompanying the postponement of shipments from FY2021, and the delivery of projects.

In Oceania, although service and maintenance operations are on a recovery trend, sales decreased due to a decline in shipments of room air conditioners as a result of a production impact caused by parts shortages and other factors.

In Asia, sales of room air conditioners grew faster than the market due to a recovery of the Indian market, our main market, as well as the effects of lineup expansion and other measures. In the solutions business, orders were strong and sales increased due to the expansion of sales bases. Toward further sales expansion in India, we will strengthen our sales network by increasing the number of specialty stores, and plan to start local production in 2022.

In Greater China, sales of room air conditioners exceeded FY2021, but sales declined due to a drop in sales of the large-scale VRF project.



Variable refrigerant flow (VRF) multi-split type air conditioners for buildings "AIRSTAGETM" series

■ Domestic

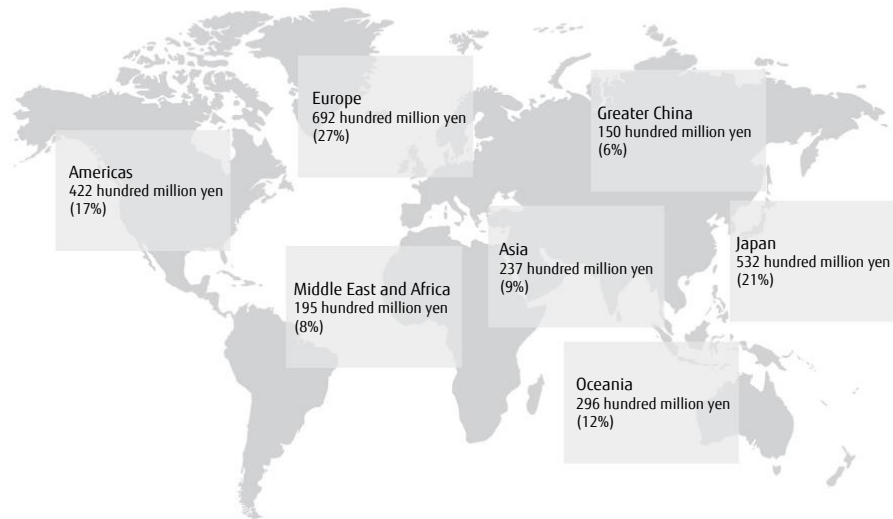
Net sales totaled 53,264 million yen (down 14.2% year on year). Sales to the residential equipment channel were steady, but the mass retailer channel sales declined due to unfavorable summer weather, the impact of a selling price policy emphasizing profitability mainly in the popular price range, and a decrease in production of some models accompanying shortages of parts.



"nocria" Z Series

Air Conditioner Business

Net Sales and Composition of Air Conditioner Business by Region (FY2021)



Future Initiatives in Air Conditioner Business



Risks in air conditioner business

Impact of COVID-19	<ul style="list-style-type: none"> ● Lockdown in the selling countries ● Shutdown of production plants and component manufacturers
Action against climate change	<ul style="list-style-type: none"> ● Reinforcement of various regulations (refrigerant and energy-saving) ● Natural disasters and tight power supply and demand
Supply chain	<ul style="list-style-type: none"> ● Concerns about supply of electronic components and materials ● Soaring costs for materials, parts and logistics

Our Actions

■ 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, in November 2021 we launched the nocris ZN series of air conditioners for cold regions, featuring industry-leading high heating capacity, heating sterilization of the heat exchanger, and a smartphone-linking function via wireless LAN, and the DN Series, featuring superior ease of installation. In addition, Aeroshield for ambulances was launched in February 2022 through joint development with Aeroshield Co., Ltd., a UV irradiation device manufacturer that became our subsidiary in March 2021, and we will proactively promote our business in the cleanliness and sterilization field as well.

Overseas, we have launched the "AIRSTAGE" J and V series of commercial air conditioners, which are space-saving and easy to install, developed in-house, and have entered into a joint venture with Rheem (U.S.) on unitary air conditioners, Atlantic (France) on air-to-water (ATW) heat pump systems, and G. I. Holding (Italy) in the field of air handling units (AHU) and chillers, gradually expanding our lineup of highly energy-saving heat pump products.

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 by increasing the number of technical 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. In addition, we will increase production capacity by expanding assembly lines and processing facilities at our plants in Thailand and China, and will promote the use of IoT, automation, and labor saving to improve production efficiency. We will also promote the development of new production bases in Europe, India, and other regions to avoid the risk of exchange rate fluctuations and tariff hikes.

Opportunities in air conditioner business

Impact of COVID-19	<ul style="list-style-type: none"> ● Increased demand for indoor air quality (IAQ) products will lead to greater demand for related products. ● Expansion of demand due to the stay-at-home trend
Action against climate change	<ul style="list-style-type: none"> ● Expansion of business for "Sustainable Product"^{*1} ● Expansion of demand for heat pump equipment
Supply chain	<ul style="list-style-type: none"> ● Cost reduction through design process innovation (standardization, multi-functioning, new technology) ● Production in the country of sale (India, Europe)

^{*1} Internal certificate system that designates the Group's strategic products and services that are expected to solve social issues and contribute to a sustainable society as *Sustainable Product*.

Information & Communication System and Electronic Devices Businesses

Business Highlights

Information & Communication System Business



The Information & Communication System segment carries out business activities under the policy of "Creating a secure and safe future together," in order to deliver a future where people can live with peace of mind. For the public sector business, we aim to provide systems that continue to grow by utilizing the latest technology and infrastructure to help residents escape various dangers through disaster prevention and firefighting systems. In the private sector business, we are working with food service companies to create systems that contribute to the smiles and well-being of our customers. To realize these goals, many engineers are trained to take the lead in the future. Especially in an environment where it is difficult to envision a bright future, we will take on the challenge of creating the future with a positive attitude.

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

Masaki Sugiyama

Electronic Devices Business



The Electronic Devices segment promotes development of new products that are highly valuable to society. The power semiconductor module business, leveraging the core technologies of our business units, is at the center of this effort, strengthening the development and sales of next-generation power modules, including IPMs. For IPMs, we will begin mass production for other companies in FY2022, starting with their installation in VRFs being developed by the Air Conditioner Division. Furthermore, as for the next-generation power modules, we plan to deliver products that combine energy efficiency and high power output to our customers as soon as possible. We are also introducing new equipment to expand our existing EMS business*, and will continue to provide products and services that will satisfy our customers.

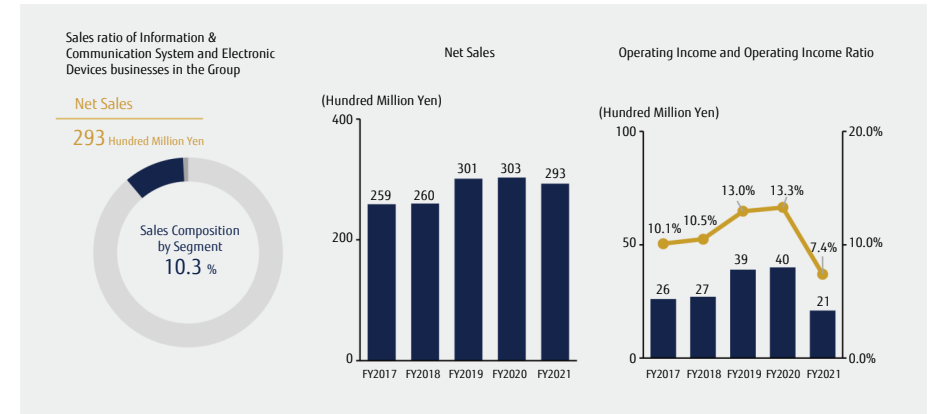
Corporate Senior Vice President
President and Representative Director, Fujitsu General Electronics Ltd.
In charge of Electronic Devices
General Manager, Electronic Devices & Components Division
President, Fujitsu General Electronics (Suzhou) Co., Ltd.

Masashi Okada

*1 An abbreviation for Electronics Manufacturing Service, a contract manufacturing business of electronic devices.

FY2021 Performance

For the Information & Communication System and Electronic Devices segments, sales increased in Electronic Devices; however, due to a decline in sales of Information & Communication System, net sales were 29,214 million yen (down 3.6% year on year) and operating income was 2,170 million yen (down 46.3% year on year).



■ Information & Communication System

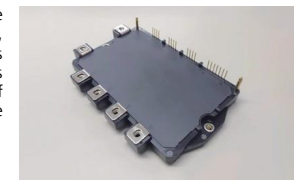
Net sales totaled 15,679 million yen (down 20.8% year on year). In the Public Sector Systems, sales declined due to a decrease in the number of projects for the delivery of disaster-prevention systems as the round of digitization business negotiations has run its course. In the Private Sector Systems, storefront systems for the food service industry continued to face difficult conditions, but we are working to expand business in new areas such as the human resources business and BPO services.



Disaster-prevention systems

■ Electronic Devices

Net sales totaled 13,534 million yen (up 29.0% year on year). Although sales of in-vehicle cameras were lower than in FY2021 due to automobile production cutbacks and other factors, sales increased in the manufacture of electronic components and units, for industrial robots due to higher sales on the back of increased capital investment demand. In addition, mass production of power modules, which contribute to miniaturization and higher efficiency of electronics products, began in January 2022 for the Company's VRF, and we will promote external sales in the future.



IPM

Information & Communication System and Electronic Devices Businesses

Future Initiatives in Information & Communication System Business



Fire-fighting systems

Risks and opportunities in Information & Communication System Business

Risks	<ul style="list-style-type: none"> ● Entry of competitors using diverse communication infrastructures in disaster-prevention systems ● 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
Opportunities	<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 and disaster-prevention 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 pandemic. 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, is expected to expand further.

■ Public business

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 trust and promote our business to win orders.

Fire-fighting systems

- Strengthen activities for a wide area of fire-fighting organizations
- Develop new products for updating disaster prevention digital radio

Disaster-prevention system

- Utilize abundant operating assets in disaster-prevention systems
- Providing innovative products through advanced systems

■ Private sector systems

We are expanding to offer mobile online services, such as a take-out system for the food service industry and a waiting-list system for medical institutions using cell phones and smartphones.

Distribution business

- Strive to cultivate take-out business and acquire new customers

Medical care business

- Expand non-contact solutions and service areas

BPO services

- Providing support services for work style reforms that lead to improved productivity for our customers

Human resources business

- Pioneering cutting-edge technology fields such as DX, AI, and cloud services
- Secure human resources in line with diverse customer needs



Municipal disaster-prevention digital radio system



Smartphone ordering system

Future Initiatives in Electronic Devices Business



GaN module

Risks and opportunities in Electronic Devices Business

Risks	<ul style="list-style-type: none"> ● Soaring prices of materials and components due to changes in the global environment, as well as prolonged difficulty in obtaining parts ● Direct impact on business due to overconcentration on specific customers ● Soaring labor costs due to a shrinking worker population
Opportunities	<ul style="list-style-type: none"> ● Expanding market for robot demand and automation due to declining workforce ● Adoption of power modules in the motor field, increasing market needs due to the shift to EVs in automobiles ● Accelerating demand for energy-saving electric products in line with the shift to green energy toward carbon neutrality

In the Electronic Devices segment, we are leveraging our strengths in power supplies and motor drive circuit technology to develop our business with a focus on the manufacture of substrates and units for industrial robots. Capital investment in robots is strong worldwide for the purpose of improving stability and productivity, and the market is expected to steadily expand from industrial use to retail and medical use. We have newly positioned power modules used in power supplies as a pillar of our business and are working to expand our product lineup and mass production system. We will continue to develop products with the keywords of energy saving, resource saving, and high efficiency toward the early realization of a carbon-neutral society.

■ Power module

Promoting product development and capacity enhancement of production lines

- IPM: Expansion of models with IPM for air conditioners and start of external sales
- GaN modules: Build a track record in each field and application
- SiC modules: Start considering IPM replacement

New development of next-generation modules

- Collaboration with the Air Conditioner Division for the development of next-generation modules
- Ultra-low loss and ultra-compact products with a strong focus on energy-saving performance

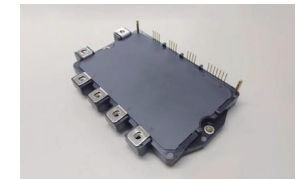
■ Electronic parts and semi-assembled components

Unit manufacturing business

- Establish supply chain management to strengthen parts procurement capabilities
- Acquisition of power module projects and early orders by Fujitsu General Electronics (Suzhou) Co, Ltd.

Realization of unified quality through automation and centralized control

- Enhance quality control and productivity through automation

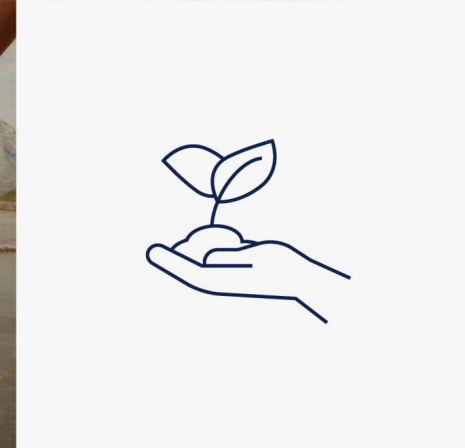
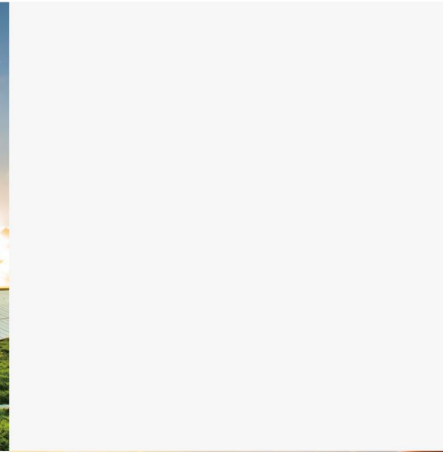


IPM



Power factor improvement active filter module (ACT module)

Realization of Sustainable Management



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Executive Message

Promoting Sustainable Management



We are committed to "Sustainable Management" based on the pillars of "Harmonious Coexistence with Our Planet," "Social Contribution," and "Care for Employees." In addition, to address climate change, which is one of our top priorities, we aim to contribute to solving social issues by adopting carbon neutrality in our business activities and introducing our own *Sustainable Product System* for our products and services.

Corporate Vice President
 General Manager, Corporate Communications Division
 General Manager, Sustainability Promotion Division
 General Manager, Environment Administration Division

Toshio Kano

Contributing to a Sustainable Society

As the world faces unprecedented challenges on a global scale such as climate change, resource depletion, and infectious diseases, the Fujitsu General Group formulated the Basic Policy for "Sustainable Management" in March 2021 and has been promoting activities accordingly since then.

In Sustainable Management, we work based on the pillars of "Harmonious Coexistence with Our Planet," "Social Contribution," and "Care for Employees." And, leveraging our "innovation and technology cultivated since our founding," "global business development" and "partnerships with our agencies and business partners," at Fujitsu General Group we will strengthen our "Contribution to Mitigation of Climate Change" by working to replace fossil-fueled equipment with products offering heat pump technologies that our core business of air conditioners project has been cultivated for many years. In addition, we will carefully consider the meaning of the SDGs, and looking beyond our current core business, we aim to contribute to solving social issues through our Group's ongoing efforts to "create innovation" and respond to cutting-edge technologies.

"Responding to Climate Change" as the top-priority issue

In promoting Sustainable Management, the Fujitsu General Group identifies material issues (Materiality) in order to grasp the high-priority issues, recognizing responding to climate change as the top priority. To address climate change, we have set targets for GHG emissions in our own business activities as well as our supply chain, and are promoting measures to achieve these targets.

■ Carbon neutrality in our own business activities

In April 2022, three years earlier than originally planned, we converted to 100% renewable energy for the electricity we use in our business activities. Other than electricity, we will aggressively pursue carbon neutrality by moving up our target five years to 2025, from our original plan to achieve it by 2030. In addition to switching to renewable energy sources, we will continue to reduce energy consumption by promoting the Company-wide *Akasuri* (waste elimination) Campaign.

■ Products offered to our customers: Introduction of *Sustainable Product System*

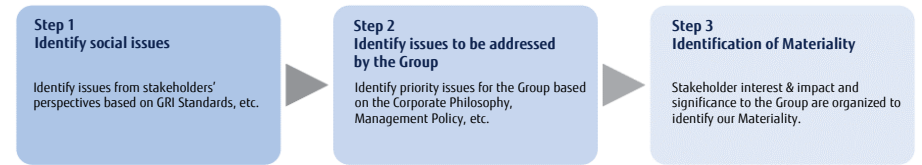
Establishing a *Sustainable Product System* to certify products and services that make a significant contribution to solving social issues addressed by the SDGs, we are expanding sales of certified products and services. Fujitsu General Group, for example, has developed and sold a product that utilizes the technology of heat pumps, cultivated by the Air Conditioner Division, which is the core business, to replace heaters that use fossil fuels, and they are expected to substantially reduce GHG emissions during use. In order to make our Group's heat pump equipment available to as many people as possible, we will develop products that capitalize on this technology and expand sales by leveraging our global sales network.

Materiality

Materiality

The Fujitsu General Group identifies Materiality to promote Sustainable Management in its business operations. In identifying materiality, we identified issues in light of our Group's Corporate Philosophy and Management Policies, considering international guidelines such as the SDGs and the GRI Standards, as well as the results of various surveys conducted by external research organizations. The extracted issues are classified and organized into two categories, "Stakeholder interest & impact" and "Significance to the Group." And the more material issues are designated as Core strategic themes.

Materiality Identification Process



Materiality Matrix

Thorough Compliance and Governance, Respect for Human Rights				
Extremely high	Management of Chemical Substances	Efficient Use of Natural Resources Reduce Energy, Waste, and Water Consumption Air Pollution Control Supply Chain Management	Action against Climate Change Product Safety and Reliability	
Very high	Biodiversity Conservation	Stakeholder Engagement	Diversity Health and Productivity Management & Occupational Health and Safety New Value Creation	
High		Information Security Community Contribution	Talent Development	
		High	Very high	Extremely high
		Significance to the Group		

Core Strategic Themes

List of Core Strategic Themes and SDGs

The Fujitsu General Group identifies Materiality and promotes subjects on high-priority issues as Core Strategic Themes. We aim to play our part in helping achieve the SDGs by implementing these Core Strategic Themes.

List of Core Strategic Themes

Classification		Key Initiatives
Harmonious Coexistence with Our Planet	Action Against Climate Change, Reduce Energy	Reduce CO ₂ emissions from products during their use
		Reduce CO ₂ emissions across business activities
	Efficient Use of Natural Resources	Promoting resource-saving design Reduce material waste from production
	Air Pollution Control	Reduce air pollutant emissions
Reduce Water and Waste	Reduce water usage	
	Reduce waste disposal	
Social Contribution	Customer Relations	New Value Creation
		Delivering Products that Meet Customers' Expectations
		Improve Customer Communication
	Community Relations	Coexistence with the Local Communities
		Approach to Our Suppliers
	Supplier Relations	Dialogue with Shareholders and Investors
		Develop Employees to Take on Challenges on Their Own Initiative
		Creating a Workplace that Promotes Healthy Lifestyles Among Employees to Achieve the "Good Life"
	Care for Employees	Creating a Workplace in which Diverse Employees Can Thrive and Succeed in a Flexible Manner
		Respect for Human Rights
Adherence to Compliance and Governance Guidelines		
Governance Agendas	Respect for Human Rights	
	Adherence to Compliance and Governance Guidelines	

Promotion framework of Sustainable Management

In Fujitsu General Group, the President is appointed Chief Sustainability Officer (CSO) and the Sustainability Management Department promotes company-wide activities based on "Sustainable Management." The Sustainability Promotion Division holds meetings of the Sustainability Promotion Committee to share plans, progress, and issues related to Sustainable Management. Under this management structure, we are working to contribute to the resolution of social issues and to achieve sustainable growth for the Company.

KPI	SDGs*1	See
Greenhouse gas emissions		p.57
Greenhouse gas emissions		
-		
Waste loss ratio to purchase volume		-
-		
Water use reduction rate		-
Reduction rate of total waste generated		
-		
Percentage of products certified as <i>Sustainable Product</i> in consolidated net sales		pp.29-35
-		
-		
-		
-		
Number of local audit firms		p.38
-		
-		
-		p.65
-		
-		
-		
-		
-		
Number of newly promoted female managers and leaders		
Percentage and number of days of childcare leave taken by full-time male employees		
-		
-		
Number of cases of due diligence on human rights conducted		pp.36-38
-		pp.70-75

*1 The SDGs icons listed here are SDG targets that the Company believes it can contribute to through its activities.

Responding to Climate Change

Basic Approach to Action Against Climate Change

The Fujitsu General Group believes that reducing greenhouse gas emissions in all business areas is important to curb climate change caused by global warming. To reduce our own environmental impact by expanding the use of renewable energy sources such as solar power generation, we aim to completely eliminate greenhouse gas emissions from our business activities by FY2025. In addition, we will reduce greenhouse gas emissions through the management of the supply chain of our Group's business activities and by improving the energy efficiency of products used by customers.

1. Achieve carbon neutrality (completely eliminate greenhouse gas emissions) by FY2025
2. Reduction of 30% compared with 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 FY2030

Specific Actions and Results

Action: Carbon Neutrality initiative

■ Basic Approach

Fujitsu General Group has positioned the expansion of its business through contributions to the realization of a sustainable society as a core part of its Growth Strategy, and promotes Sustainable Management based on the pillars of "Harmonious Coexistence with Our Planet," "Social Contribution," and "Care for Employees."

■ Key Initiatives

Fujitsu General Group has switched to 100% renewable energy for electricity used in its business activities from April 1, 2022, to reduce greenhouse gas emissions. This will enable us to achieve net zero GHG emissions in electricity use at all of our bases^{*3} worldwide. By converting to 100% renewable energy three years earlier than originally planned, we will move up the target date of achieving carbon neutrality to FY2025 from FY2030. Our Group will gradually switch all fuels used by our Group other than electricity to renewable energy sources, etc., and will make steady progress toward achieving this goal.

* For results, please see page 64.

*1 Scope 3, Category 11

*2 For air conditioners

*3 Excluding some leased properties.

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. Fujitsu General Group 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	Strategy
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.	

Environmental Initiatives

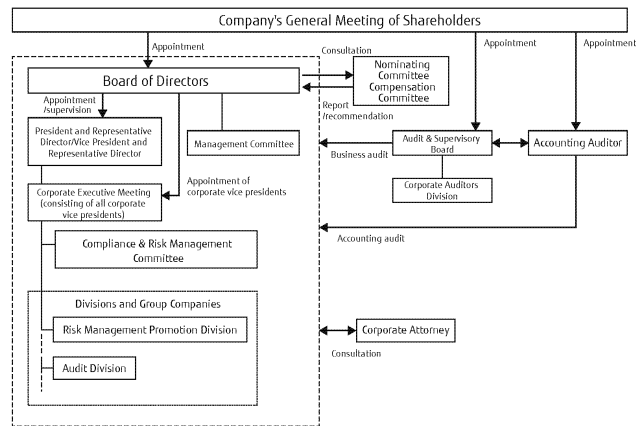
Disclosure of Climate Change-related Information (based on TCFD) (cont.)

Governance

In April 2021, through discussions with the Board of Directors, we formulated and announced the basic policy and core strategic 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, 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.

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.



Our Group's Corporate Governance Structure

Strategy

■ 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]

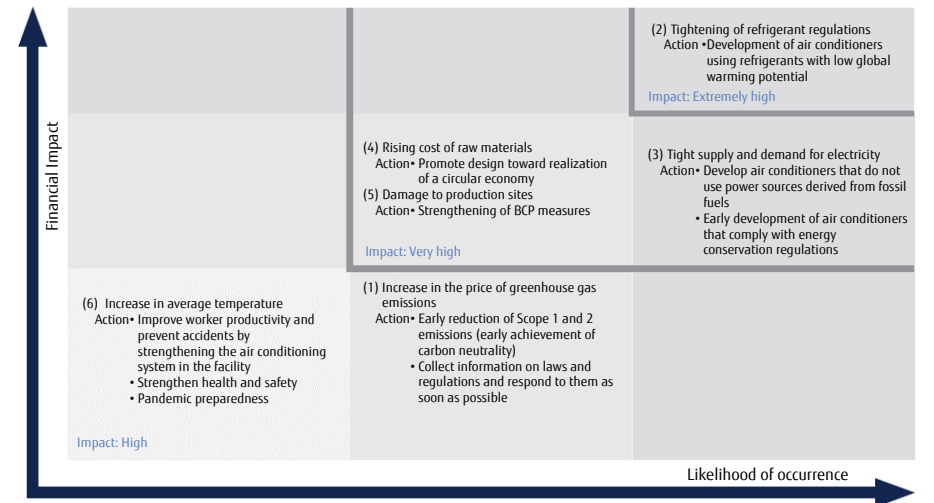
Risk Item			Risks	Likelihood of occurrence	Financial Impact Level
Transition	Policy and legal	[1] Increase in the price of greenhouse gas emissions	Increased cost burden in procuring raw materials and manufacturing products due to carbon tax, introduction of emissions trading, etc.	2	1
		[2] Tightening of refrigerant regulations	Loss of sales opportunities if unable to comply with refrigerant regulations	3	3
		[3] Tight supply and demand for electricity	Possibility that electricity use will increase in emerging countries, causing electricity shortages and making it difficult to expand sales of air conditioners	3	2
Physical	Market	[4] Rising cost of raw materials	Possibility of higher raw material prices or difficulty in obtaining raw materials due to changes in the supply-demand balance or changes in materials toward fossil fuel-free	2	2
		[5] Damage to production bases	Possibility of inundation of our plants due to disasters such as typhoons and floods, resulting in damage to production facilities, etc. and the suspension of operations, or the suspension of parts supply due to the inability of suppliers to operate	2	2
	Chronic	[6] Increase in average temperature	Possibility of increased heat stress and infectious diseases leading to decreased worker productivity and accidents	1	1

■ Likelihood of occurrence

Level	1	2	3
Definition	Occurs very rarely	Moderate	Occurs frequently

■ Financial Impact

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



Environmental Initiatives

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

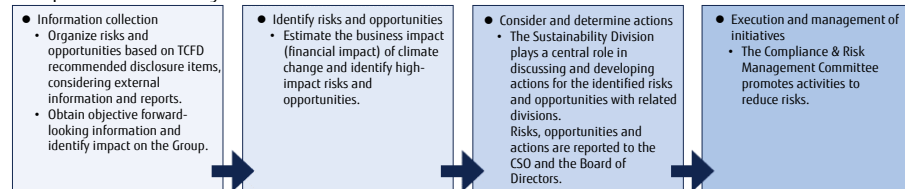
[Opportunity]

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, 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 FY2025
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 FY2030

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

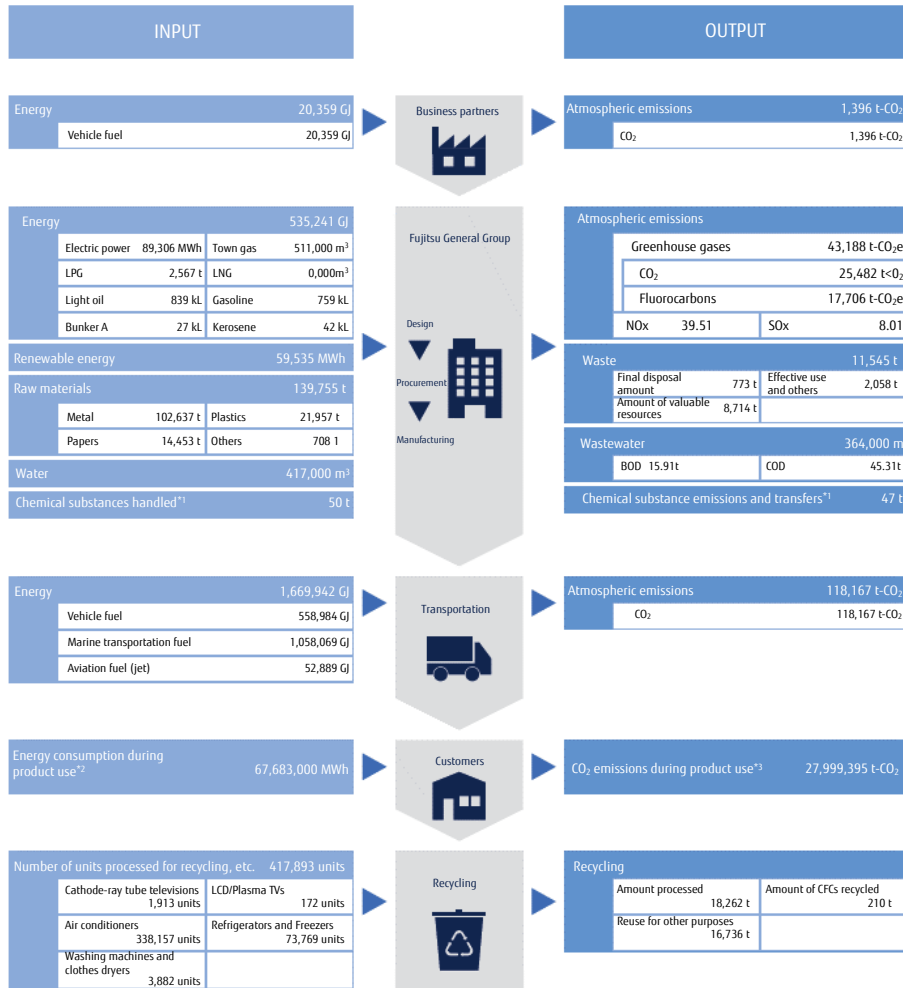
■ Environmental Action Plan Stage IX (FY2019–FY2022)

	Pillar Initiative	Theme	Key Initiatives	Activity Indicator	Target by FY2022	FY2021 Performance	Related SDGs	
Activities for Customers and Society	Resource Recycling	Effective Use of Resources	Enhance product competitiveness	Conversion rate to standardized outdoor units	≥ 90%	81%		
	Chemical Substances Management	Promote Procurement of Materials with Low Environmental Impact	Strengthen supply chain management system	Promote EMS at all overseas suppliers (construction rate of Level II or higher) Promote CMS at all suppliers (construction rate of Rank B or higher)	≥ 90% 100%	95% 99.6%	 	
Activities for Reduction of Our Own Environmental Impact	Responding to Climate Change	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: 16% reduction Overseas: 18% increase		
				Improvement rate of gas use efficiency at production sites (per unit of production vs. FY2013)	Domestic: 60% reduction Overseas: 15% reduction	Domestic: 47% reduction Overseas: 24% increase		
				Reduction rate of electricity used for evaluation and testing facilities at overseas development sites (vs. FY2018)	≥ 30% reduction	32% reduction		
				Reduce transfer of products between warehouses (Domestic)	Reduction rate of CO ₂ emissions in transport between warehouses (50% reduction vs. FY2013)	4.2%	8.8%	
				Improve product transportation efficiency (domestic)	Reduce logistics CO ₂ emissions per unit sold (15% reduction vs. FY2013)	1.91 (t-CO ₂ /1,000 units)	1.93 (t-CO ₂ /1,000 units)	
				Expand use of renewable energy	Renewable energy utilization rate	≥ 5% of power consumption	67%	
Resource Recycling	Rationalize Resource Use	Thoroughly eliminate waste	Reduce aluminum material waste loss	Reduce waste to 75% of total purchased amount (vs. FY2016)	43% reduction			
			Reduce copper material waste loss	Reduce waste to 67% of total purchased amount (vs. FY2016)	59% reduction			
			Reduce water consumption at production sites (reduction rate of water consumption per production volume)	Domestic ≥ 20% reduction; overseas ≥ 6% reduction (vs. FY2013)	Domestic: 21% reduction Overseas: 3% reduction	 		
			Improvement of waste recycling rate at production sites (recycling rate in total amount of waste generated)	≥ 99%	Domestic: 93% Overseas: 95%			
			Reduction rate of total waste generated by production sites (per unit of production vs. FY2013)	≥ 20% reduction	Domestic: 10% increase Overseas: 4% increase			
			Pursue disassembly and sorting capabilities (increase value of priced goods)	Mixed recovery item ratio ≤ 22%	23%			
			Pursue recycling (turning waste into valuable resources)	Reduce 3 recovery items shipped as waste per year (total of 9 items for the entire period)	Reduction: 0 (reduction of 5 items in total for the entire period)			

Environmental Initiatives

Disclosure of Climate Change-related Information (Based on TCFD) (cont.)

Material Balance (FY2021 Performance)

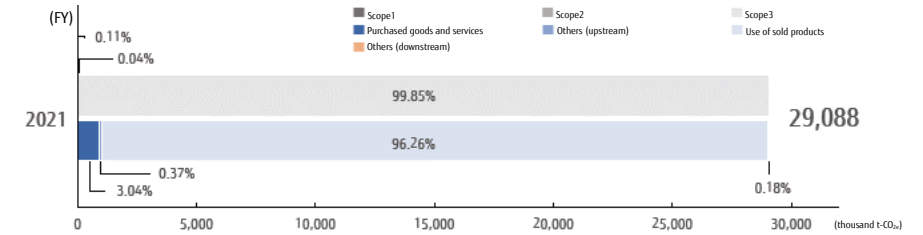


*1 Total amount of PRTR substances handled per business site in annual amount of 100 kg or more
 *2 Total amount of electricity consumed by our products during their operating hours (estimated value)
 *3 Total amount of CO₂ emissions during the operating period of our products sold

Scope 1 and 2 in FY 2021 are covered by third-party guarantees. Please visit our website for more information (Environmental Activities: Environmental Performance Data). <https://www.fujitsu-general.com/global/environment/data/performance.html>

Reporting Greenhouse Gas Emissions Based on GHG Protocol

Scope 1, 2, 3 GHG emissions



Scope	Category	Calculated volume/t-CO ₂ e	% of Total	
		FY2021		
Emissions from corporate activities (Scope 1 + Scope 2 ¹⁾)		43,188	0.15%	
Scope 1	Direct emissions from fuels and fluorocarbons consumed by the company	30,651	0.11%	
Scope 2	Indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the company (Market-based ²⁾)	12,536	0.04%	
		(Location-based ³⁾)	44,132	-
All other indirect emissions that occur in a company's value chain (Scope 3)		29,044,542	99.85%	
Scope 3 Upstream	Category 1	Purchased goods and services	883,642	3.04%
	Category 2	Capital goods	25,341	0.09%
	Category 3	Fuel- and energy-related activities not included in Scopes 1 and 2	3,101	0.01%
	Category 4	Upstream transportation and distribution	75,608	0.26%
	Category 5	Waste generated in operations	2,441	0.008%
	Category 6 ⁴⁾	Business travel	969	0.003%
	Category 7 ⁴⁾	Employer's commuting	284	0.001%
	Category 8	Upstream leased assets	Not applicable (included in Scopes 1 and 2)	-
Scope 3 Downstream	Category 9	Downstream transportation and distribution	44,655	0.15%
	Category 10	Processing of sold products	37	0.00013%
	Category 11	Use of sold products	27,999,395	96.26%
	Category 12	End-of-life treatment of sold products	9,068	0.03%
	Category 13	Downstream leased assets	Not applicable	-
	Category 14	Franchise	Not applicable	-
	Category 15	Investments	Not applicable	-
Emissions from entire value chain (Scope 1 + Scope 2 ¹⁾ + Scope 3)		29,087,730	100.0%	

*1 Market-based
 *2 Domestic: Calculated with emission factors for electricity contractually purchased. Overseas: Calculated with emission factors by country based on IEA "Emissions Factors."
 *3 Calculated based on average electricity generation emission factors for defined locations. [Before FY2020] Domestic: Calculated with emission factors of 2002 listed on the public documents by the Federation of Electric Power Companies of Japan. Overseas: Calculated with emission factors of 2006 listed on the public documents by the Federation of Electric Power Companies of Japan. [From FY2021 onward] Domestic: Calculated with the Ministry of the Environment "Emission Factors by Electric Utility General Transmission and Distribution Companies." Overseas: Calculated with emission factors by country based on IEA "Emissions Factors."
 *4 Scope of coverage is within Japan.

Initiatives for Employees

Promotion of Corporate Philosophy "FUJITSU General Way" Management

Embracing our Corporate Philosophy

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

■ Initiatives at Fujitsu General (Shanghai) Limited: Conducting FG Way training

Study meetings were held by FG Way Penetration Project members for 3 days in May and June 2021. In the opening remarks, the Representative Director commented that, in order to have the FG Way take root in the workplace, each member needs to think about what he or she should do, take action, and take the initiative in developing and promoting activities in the workplace.

The members representing each department were divided into four groups to learn how to build a team to penetrate the FG Way and had lively discussions on the draft of the implementation plan.

The name of this project was decided as "the FG Way Predecessor", and we have set a mission to "deepen the understanding of all employees, have a common recognition and create the future together."



Opening of study meeting

Partnership

Partnership with Overseas Distributors

At the Fujitsu General Group, we have set "Expansion of the Air Conditioner Business" as one of our core strategic themes to achieve the Medium-term Management Plan. We will create new innovations through partnerships with other companies, expand product lineups, and lead to business expansion.

Voice Master Group (Canada)

The year 2022 marks a few epic milestones for The Master Group, celebrating not only 70 years as an industry leader in Heating Ventilation Air Conditioning and Refrigeration (HVAC-R) distribution, but also the 25th anniversary of our partnership with Fujitsu General. The Master Group and Fujitsu General partnership emanated out of necessity from both parties, Master needed an industry-leading, quality ductless product line and Fujitsu General needed an industry leading distribution partner. The rest is history. Since the onset of the partnership, The Master Group has grown exponentially, and so has our partnership with Fujitsu General. Master has expanded to become a Canadian HVAC-R powerhouse operating four distribution centers and more than 50 branches nationally, and our most recent acquisition in the United States has elevated Master to international status. While company growth is propelled by multiple factors, the Fujitsu brand quality and cooperation has been key.

Providing unmatched heating and cooling products, in terms of innovation, reliability and efficiency, Fujitsu General is a core component of our Canadian growth and success. Canada, often referred to as the Great White North, is a country where quality comfort conditioning is not a luxury but is a necessity. Master is proud to be the largest distributor of Fujitsu General in Canada, and one of the top 5 in North America. We reach high performance with the brand, thanks to the partnership in most provinces and a robust, ever-growing dealership network. Master and Fujitsu General exemplify support through state-of-the-art training centers regionally across Canada and the USA. This exemplary training and technical support provided by Master and Fujitsu General to in-house technical experts and dealer partners shows a common enthusiasm for continuous training and improvement and is evidence of something greater we share; common values.

I primarily attribute the success of our partnership to shared values. Values such as integrity, commitment, innovation, and a desire to provide excellence in customer service truly solidifies our continued involvement with the Fujitsu General name. This like-mindedness naturally results in trust and reciprocity. A fine example of this is the warranty program for parts and labour initiated by Master in 2008 for the implementation of the Master 10-year parts and labour warranty for Fujitsu General products in Eastern Canada.

This innovative idea was well received in the marketplace and showed confidence and support for the Fujitsu General products and growing market confidence and acceptance. This desire to excel is further exemplified with the Distribution Advisory Council, through which we are offered a structure to provide our input and feedback. Furthermore, Fujitsu General is undeniably an industry pioneer in terms of research and development of innovative, sustainable, responsible, and efficient technologies. Environmental responsibility is a priority and all of us here at The Master Group thrive to promote these powerful, sustainable products as part of our mission to drive the industry forward. I believe Master and Fujitsu General are the definition of a true alliance, a testimony of our common belief in the importance of being a good partner as a key business asset. I trust this will continue to support our strategic plan as we aim to be a partner of choice and the leading, fastest growing, and innovative HVAC-R solution provider in North America.



The Master Group (Canada)
President

Mr. Neil McDougall

Message from External Director

I will work on the “Harmonious Coexistence with the Planet, Social Contribution, and Care for Employees,” promoted by Fujitsu General, and our financial position enhancement, and make the most of my diverse experience for the sustainable enhancement of corporate value.

External Director
Osami Maehara



Reflections from My First Year in Office

It has been a year since I was appointed as the External Director of Fujitsu General.

Looking back on the past year, I must mention the pandemic of COVID-19 which plunged the world into turmoil, something said to occur only once every 100 years, it started at the end of 2019. The supply chain has been in turmoil and there is still no sign of recovery. Under such circumstances, weighing economic impoverishment, the world is beginning to steer in the direction of economic priorities. In addition to external factors such as the tight supply and demand for electronic components, which can be regarded as a compounded force majeure, significant and persistently high raw material prices, and the tight supply and demand for vessels, we are facing a management environment unparalleled in recent years, including heightened geopolitical risks due to Russia's invasion of Ukraine.

In this difficult management environment, I have the impression that Fujitsu General's senior management have carefully identified various issues and taken the necessary actions proactively and boldly, though making extremely difficult decisions. In fulfilling my role as External Director, it is essential to understand the policies and direction of the Company. It would be difficult to obtain sufficient information only at the Board of Directors which is generally held monthly, but at Fujitsu General, the agenda and matters to be reported at the monthly meetings are disclosed in advance, so I can fully digest the contents prior to the meeting. Meetings are also held as needed to exchange opinions on important development and sales measures, and the direction of management is disclosed and actively discussed at the same time.

Furthermore, Audit & Supervisory Board Members regularly report on issues, and I feel that *visualization* is something that is strongly recognized and promoted.

This management approach is founded on sincere efforts for Sustainable Management that Fujitsu General is currently promoting. The more severe the environment surrounding management becomes, the more important it is to go back to the basics, and in this sense, I believe that Fujitsu General has executed an unwavering Sustainable Management.

In terms of financials, the Company analyzes and verifies the external environment and its own position, and reflects the results in its management indexes in a timely manner. The quantitative explanations of the background and factors behind the decision-making process by the Board of Directors indicate that management decisions are being made accurately.

From a non-financial aspect as well, the promotion of Sustainable Management as the Company's Basic Policy, can be seen very clearly in the “Topics of business activities,” which are shared in a timely manner. The topics include activities that aim to maintain employee motivation, have coexistence with local communities, and responding to Climate Change, through which the Company's commitment to Sustainable Management can be seen at a glance.

Opinion as an External Director

As such, the Company is already extremely sophisticated, but there are some points that I am aware of and what we ask of as External Director in order for us to continue to achieve sustainable growth.

First of all, I am aware that I do not hesitate to speak up when I find a project or matter in which I can be of help, even if only a little, based on my diverse experience. More than 70% of our net sales, and about 80% of those of the Air Conditioner business, are overseas sales, and the business is truly worldwide. Therefore, it is essential to maintain a bird's-eye view (seeing the whole thing from a high position) and fish's-eye view (not losing sight of the flow of tides), and I am happy to discuss the matter even if it means “don't teach fish to swim” as our business is for diverse customers with completely different cultures, customs, and languages from Japan.

The key to Fujitsu General's sustainable growth is, above all, *human resources*. Therefore, I am asking to take a deeper look at the succession plan to further strengthen human resource development. By having senior management take responsibility for the development of mid-level managers in each division and department, rather than merely planning for the succession of top management and executives, we hope to foster the development of employees who will become their successors. At the same time, this will allow senior management themselves to grow and acquire the knowledge to aim for even higher levels. I would like to see the Company achieve growth based on a win-win relationship.

As a member of the Nominating Committee, I will be able to make a more impartial decision objectively by checking various plans and materials.

With regard to remuneration for officers, we have already adopted a performance-linked remuneration system. On top of that, provides an incentive to practice and promote Sustainable Management, the Company's Basic Policy for Management, and the purpose of further sharing value with our shareholders and other stakeholders, The introduction of a new non-monetary remuneration system called “Sustainable Management Index Type Restricted Stock remuneration” and also expresses our intention to promote Sustainable Management as the core of the Company is a highly commendable decision.

I believe that Fujitsu General is promoting proactive initiatives in Sustainable Management that are second to none for other listed companies. Under the three key themes of “Harmonious Coexistence with the Planet, Social Contribution, and Care for Employees,” the Company takes the lead in promoting and communicating diverse initiatives. A few examples of the proactive efforts can be seen at a glance.

Message from External Directors (cont.)

1) Disclosure of Climate Change Information based on the TCFD, which is one of the principles of the Corporate Governance Code newly imposed on Prime Market listed companies; 2) Proactive and quantitative efforts toward the realization of carbon neutrality; 3) Solar power generation efforts; 4) Introduction of Fujitsu General's own certification system "Sustainable Product" (development of products that contribute to sustainable growth) and setting a target of at least 20% for sales from such product groups; 5) Active employment of non-Japanese employees; 6) Operation of special subsidiary Fujitsu General Heartwear Limited to promote employment of persons with disabilities; 7) Setting quantitative targets for promotion of women's role and their promotion; 8) Setting targets for the childcare leave system not only for women but also for male regular employees; 9) Proactive initiatives that are rarely seen at other companies, such as "delivery classes" at nearby elementary schools, as a way of contributing to society; 10) Donation of Aeroshield, an UV irradiation device, to local governments, and many more.

Expectations for Fujitsu General

In order to further accelerate our efforts toward Sustainable Management, I would like to conclude with my expectations for Fujitsu General in the future.

Apart from certain external factors such as the COVID-19 pandemic, the tight supply and demand for electronic components and vessels, and the high and rising prices of raw materials, the biggest challenge is updating the core system (ERP) as an internal factor. Renewal of the ERP system is a major investment to manage, distribute, and effectively utilize the basic elements (people, goods, money, and information) that are the Company's resources. This renewal project is so difficult that it is necessary to rely on outside experts, requiring high costs and time. First of all, I hope that all concerned parties will work together to complete this renewal project without omission.

Next, from the perspective of management indicators, considering the Company's position as an entity listed on the Prime Market, contribution to shareholders is one of the highest priorities.

These days, the world calls for a "transition from shareholder capitalism to a new capitalism," and intangible assets and human capital with an awareness of ESG (environmental consideration, social contribution, and governance) are becoming increasingly important. Some have advocated "impact-weighted accounting," which incorporates these factors. The approach is to regard investments in intangible assets and human capital as investment targets rather than cost factors for a company, leading to increased corporate value. In reality, this is very difficult to achieve, but in a sense, I believe that Fujitsu General is promoting management in line with this approach.

On the other hand, while the Company has been conducting stable dividend payments to shareholders on an ongoing basis, I think it would be a good idea to further clarify the targets by incorporating financial indicators that are objective and easy to understand.

Fujitsu General sets operating profit as a management indicator, but going one step further and setting indicators such as return on equity (ROE), return on assets (ROA), or return on invested capital (ROIC) would also be in line with global trends and the setting of targets for improving corporate value.

I would like to see Fujitsu General further solidify the Sustainable Management that it is currently promoting and improve its corporate value, aiming to become a "Visionary Company (a company that can sustain its unique corporate culture and management as an organization, not as individuals)" in both name and reality.

Eiichi Shibusawa, the founder of Japanese capitalism, wrote "The Analects of Confucius and Abacus: Harmonizing Morality and Economy," which I believe is a model of Sustainable Management. Furthermore, like Eiichi Shibusawa, Sontoku Ninomiya, who is known as a man of hard study, left a maxim: "Economy without morality is a crime, and morality without economy is nonsense." I believe that what these two eminent figures are trying to say is that it is not enough just to have a good bottom line, but it is also necessary to have "Harmonious Coexistence with the Planet, Social Contribution, and Care for Employees" that Fujitsu General is promoting. This is also a lesson that such values and sustainable spirit may become "pie in the sky" if the financial aspects of the Company are not fulfilled.

As External Director, I will continue to work from a broader perspective to contribute to the sustainable enhancement of Fujitsu General's corporate value and the promotion of Sustainable Management.

Governance

Corporate Governance

Basic Approach

The Fujitsu General Group believes that the basis of corporate governance is to increase management efficiency, such as 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.

Management

■ 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.

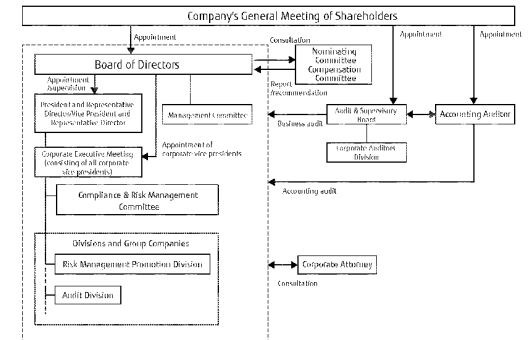
As of the end of June 2022, there were 11 Directors (including five External Directors) and three Audit & Supervisory Board Member (including two External Audit & Supervisory Board Members).

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 FY2021, 14 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 Members) with the Corporate Auditors Division (one staff member) expected to assist the Members in fulfilling their duties. The Audit & Supervisory Board meets monthly on the same day as the Board of Directors or on an ad hoc basis when necessary. The Audit & Supervisory Board Members attend the Board of Directors to audit the proceedings of the meetings and the content of resolutions, and express their opinion when deemed necessary. Furthermore, Full-time Audit & Supervisory Board Members attend important internal meetings or sits on committees, such as the Corporate Executive Meeting and the Compliance & Risk Management Committee. A full-time Audit & Supervisory Board Member also meets on a quarterly basis with the President to provide audit findings and make recommendations based on the audit activities.

In addition, interviews and reports were conducted 94 times a year with Directors, executive officers and senior managers in charge of each division. In the midst of the ban on overseas travel and voluntary refraining from visiting other domestic offices under the impact of COVID-19, 17 inspections were conducted this year (10 in Japan and 7 overseas) basically through remote audits using a videoconferencing system. However, audits were limited in scope, and excluded the physical inspection and manufacturing divisions. In principle, Full-time Audit & Supervisory Board Members hold quarterly meetings with External Directors to share their views on issues identified through audits. Reports of full-time Audit & Supervisory Board Members' activities are made to the Audit & Supervisory Board for proper sharing among Audit & Supervisory Board Members.

Internal audits are conducted by the Audit Division with nine employees, an internal organization dedicated to internal audits. The Audit Division reports on the status of internal audits to the Board of Directors periodically once a year.



Please visit our website for more information.
 IR Information (To Shareholders and Investors) in Japanese
<https://www.fujitsu-general.com/jp/ir/>

Governance

Corporate Governance (cont.)

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 consisting of members from inside and outside 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.

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 Audit & Supervisory Board Members are nominated from those with excellent personalities and insights, who are familiar with corporate management and our 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 Audit & Supervisory Board Member after obtaining prior advice from Independent External Directors and consent from 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 FY2021^{*1}

	Name	Affiliation	Board of Directors	Nominating Committee	Compensation Committee	Audit & Supervisory Board
Directors	Etsuro Saito		◎100%(14/14)	100%(2/2)	-	-
	Hiroshi Niwayama		100%(14/14)	-	100%(2/2)	-
	Hisashi Sakamaki	[External] [Independent]	93%(13/14)	100%(2/2)	100%(2/2)	-
	Fumiaki Terasaka	[External] [Independent]	100%(14/14)	◎100%(2/2)	◎100%(2/2)	-
	Mieko Kuwayama	[External] [Independent]	100%(14/14)	100%(2/2)	100%(2/2)	-
	Osami Maehara	[External] [Independent]	100%(12/12)	100%(2/2)	100%(2/2)	-
	Hirohisa Yamaguchi	[External]	100%(14/14)	-	-	-
	Tsunenao Kosuda		100%(14/14)	-	-	-
	Tadashi Hasegawa		100%(14/14)	-	-	-
	Hiroyuki Yokoyama		100%(14/14)	-	-	-
Masaki Sugiyama		100%(14/14)	-	-	-	
Audit & Supervisory Board Members	Akira Inoue	[External] [Independent]	100%(14/14)	-	-	◎100%(14/14)
	Yoshinobu Miyajima		100%(14/14)	-	-	100%(14/14)
	Youichi Hirose	[External]	86%(12/14)	-	-	100%(14/14)

*1 ◎ indicates Chair/Committee Chairperson

Reasons for appointment of external officers

Name	Reasons for Appointment
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.
Directors 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 his role as a member of the voluntary Nominating Committee and Compensation Committee.
Osami Maehara [Independent]	Mr. Osami Maehara has experience as 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 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.
Hirohisa Yamaguchi	Mr. Hirohisa Yamaguchi is Executive 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 external perspective and properly fulfills his management oversight function.
Audit & Supervisory Board Members 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 he 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 Officer and the Head of Finance & Accounting Division 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 he has been appointed External Audit & Supervisory Board Member.

Governance

Corporate Governance (cont.)

Role of the Audit & Supervisory Board Members

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.

Audit & Supervisory Board Members attend Board of Directors meetings and express their opinions when deemed necessary. In addition, based on the audit plan, the Audit & Supervisory Board members 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 Audit & Supervisory Board Members' appointment and dismissal of the full-time Audit & Supervisory Board Member, and decision audit policies, methods for investigating the state of operations and assets, and other matters related to 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 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 Auditor in light of laws and regulations and the standards established by the Audit & Supervisory Board.

Executive compensation

[1] 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 April 27, 2022, resolved to revise 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 the 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 and promotion of Sustainable Management. 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 for determining the amount of remuneration, etc. for each individual of basic remuneration (monetary compensation) (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 8,444 million yen against a target of 19,000 million yen, and the payment of 55 million yen in bonuses to six Executive Directors was approved at the 103rd Ordinary General Meeting of Shareholders held on June 16, 2022.
- 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 and others shall be restricted to restricted stock for the purpose of providing incentives to the Internal Directors (excluding External Directors) to continuously improve the corporate value of the Company and to practice and promote Sustainable Management, as well as to further share value with shareholders. This system consists of "Service Continuity Type Restricted Stock Compensation," in which a Director of the Company (excluding External Directors) must serve continuously for a certain period of time in order for the restrictions on transfers to be lifted, and "Sustainable Management Index Type Restricted Stock Compensation," in which the achievement of evaluation indicators of Sustainable Management must be met in order for the restrictions on transfers to be lifted. The number of such shares shall be within the framework resolved at the General Meeting of Shareholders and paid at a certain time each year.
At the 103rd Ordinary General Meeting of Shareholders held on June 16, 2022, the Company resolved that the total amount of monetary compensation claims to be paid for the granting of restricted stock as non-monetary compensation and the total number of shares of the Company's common stock to be issued or disposed of by the Company shall be 100 million yen per annum or less and 70,000 shares per annum or less, combining "Service Continuity Type Restricted Stock Compensation" and "Sustainable Management Index Type Restricted Stock Compensation." 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 nonmonetary 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).
- g. Others
The Company has established "Guidelines for Officers' Ownership of Company Shares" and strives to ensure that each officer holds at least a certain number of shares of the Company's stock (including restricted stock compensation) as determined by their position in the Company.

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 respected the report of the Compensation Committee and determined that it is in line with the decision policy.

Governance

Corporate Governance (cont.)

[2] The total amount of remuneration by Executive Group, the total amount of remuneration by type, and the number of Applicable Executives

Classification	Total Remuneration, etc. (Millions of yen)	Total Amount of Remuneration by Type (Millions of yen)			Number of Applicable Executives (Persons)
		Fixed Remuneration (Basic Remuneration)	Performance- Linked Remuneration (Bonuses)	Non-monetary Remuneration, etc. (Restricted Stock Remuneration)	
Directors (excluding External Directors)	316	234	55	26	6
Audit & Supervisory Board Members (excluding External Audit & Supervisory Board Members)	26	26	—	—	2
External Officers	52	52	—	—	7

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, in principle, 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 FY2021 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 a general improvement is seen by the assessment, there are areas for further improvement, and we must recognize that these issues should be continuously reviewed, such as reviewing the matters to be discussed at the Board of Directors, further promoting active discussions, and activating the activities of the Nominating Committee and Remuneration Committee, and providing and enhancing training opportunities. We will further improve the effectiveness of the Board of Directors, including addressing these issues.

Our Leadership

Directors

Etsuro Saito

President & CEO (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
December 2020	President & Representative Director, Chief Sustainability Officer (CSO)
April 2022	President & Representative Director, Chief Executive Officer (CEO) and CSO (to present)

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

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

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

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

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.
Jun 2021	Director, the Company (to present)

Governance

Our Leadership (cont.)

Directors

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
June 2019	Director, the Company (to present)
April 2022	Corporate Executive Officer, EVP, Fujitsu Limited (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 (to present)

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
April 2022	Director & Corporate Executive Vice President, in charge of Air Conditioner and Quality Assurance, Executive Manager, Air Conditioner Business Group, General Manager, Air Conditioner Products Planning Division, President, Fujitsu General (Thailand) Co., Ltd., President & Representative Director, AERO SHIELD Co., Ltd. (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 2022	Director & Corporate Executive Vice President, in charge of Global Demand Chain Management, Executive Manager, Office of International Sales and Marketing, General Manager, Global Marketing Division, Chairman & CEO, Fujitsu General America, Inc., President, Fujitsu General Central Airconditioner (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, Executive Manager, Office of Information & Communication System, President & Representative Director, Fujitsu General OS Technology Limited (to present)

Audit & Supervisory Board Members

Akira Inoue	
Full-time Corporate Auditor	External Independent
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)
June 2021	Full-time Corporate Auditor of our Company (to present)

Youichi Hirose	
Corporate Auditor	External
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)

Corporate Vice Presidents and Other Management Officers

■ Chief Executive Officer

Etsuro Saito
CEO (Chief Executive Officer)
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

■ Corporate Executive Vice President

Tadashi Hasegawa
In charge of Air Conditioner and Quality Assurance
Executive Manager, Air Conditioner Business Group
General Manager, Air Conditioner Product Planning Division
President, Fujitsu General (Thailand) Co., Ltd.
President and Representative Director, Aero Shield Co., Ltd.

Hiroyuki Yokoyama
In charge of Global Demand Chain Management
Executive Manager, Office of International Sales and Marketing
General Manager, Global Marketing Division
Chairman & CEO, Fujitsu General America, Inc.
President, Fujitsu General Central Air Conditioning (Wuxi) Co., Ltd.
President, Fujitsu General (Taiwan) Co., Ltd.

■ Corporate First Senior Vice President

Masaki Sugiyama
In charge of Information & Communication System
Executive Manager, Office of Information & Communication System
President & Representative Director, Fujitsu General OS Technology Limited

Susumu Ohkawara
General Manager, Corporate Executive Office
In charge of Risk Management and Internal Control

■ Corporate Senior Vice President

Kimihiko Shimizu
In charge of Procurement Reform
President, Fujitsu General (Shanghai) Co., Ltd.

Masataka Eto
Director and General Manager, Fujitsu General (Shanghai) Co., Ltd.

Yosuke Nakagawa
Executive Manager, Office of Domestic Sales and Marketing
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.

Atsushi Itagaki
President, Fujitsu General Air Conditioning R&D (Thailand) Co., Ltd.
Director, TCGF Compressor (Thailand) Co., Ltd.

■ Corporate Vice President

Masahiko Naito
Vice in charge of Branding and IT

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

Hiroshi Kobayashi
General Manager, Human Resources Division

Toshio Kano
General Manager, Corporate Communications Division
General Manager, Sustainability Promotion Division
General Manager, Environment Administration Division

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

Yasushi Asanuma
Deputy Executive Manager, Office of International Sales and Marketing

■ Fellow

Eiji Futagami
General Manager, Office of Air Conditioner Engineering Project
President and Representative Director, Fujitsu General Laboratories Limited
(As of July 1, 2022)

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 & CEO (Representative Director) Etsuro Saito
(As of July 1, 2022)

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 July 1, 2022)

Governance

Directors and Audit & Supervisory Board Members

Company's expectations for Directors and Audit & Supervisory Board Member*1

At Fujitsu General Group, we have set "Sustainable Management," which pursues the implementation of our Corporate Philosophy and business Growth Strategy, as the basis of all business activities and have set "Harmonious Coexistence with the Planet," "Social Contribution" and "Care for Employees" as our key themes.

The following are areas that are important for our Group to promote Sustainable Management and its specific measures in the Medium-term Management Plan.

Of the following areas, "Business Management" is mainly responsible for monitoring and supervising the execution of business operations in line with the Group's Sustainable Management, and for raising issues from a long-term perspective.

The following list has been resolved by the Board of Directors in accordance with the resolution of the Nomination Committee, a majority of whose members are independent External Directors.

	Name	Affiliation	Area of expertise the Company expects in particular									
			Business Management	Corporate Management	Global & Overseas Business; Globalization	Manufacturing & Technology Research & Development	Sales & Marketing	ICT & DX	Finance, Accounting, M&A	Compliance & Risk Management	Personnel Development	Organizational Invigoration, Diversity
Directors	Etsuro Saito		○	○	○		○		○	○	○	
	Hiroshi Niwayama		○	○	○			○	○	○		
	Hisashi Sakamaki	[External] [Independent]	○	○	○	○		○		○	○	
	Fumiaki Terasaka	[External] [Independent]	○	○			○			○	○	
	Mieko Kuwayama	[External] [Independent]	○			○	○			○	○	
	Osami Maehara	[External] [Independent]	○	○	○		○		○	○		
	Hirohisa Yamaguchi	[External]	○	○			○	○				
	Tsunenao Kosuda		○	○			○				○	
	Tadashi Hasegawa		○		○	○		○			○	
	Hiroyuki Yokoyama		○		○		○	○	○			
Masaki Sugiyama		○			○	○	○					
Audit & Supervisory Board Members	Akira Inoue	[External] [Independent]			○				○	○		
	Yoshinobu Miyajima				○				○	○		
	Youichi Hirose	[External]						○	○	○		

*1 Areas in which the Company has particular expectations in light of the individual's experience and current role are entered a circle. 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, organized every quarter, selects priority issues to be addressed while promoting activities to reduce risk.

In FY2021, we addressed the following key themes: "Overseas business risk," "Product export operations," "IT security risk," "Electrical/electronic component procurement risk," "Quality compliance," and "Environmental regulatory compliance." The committee reports its annual activities to the Board of Directors.

Key Initiatives

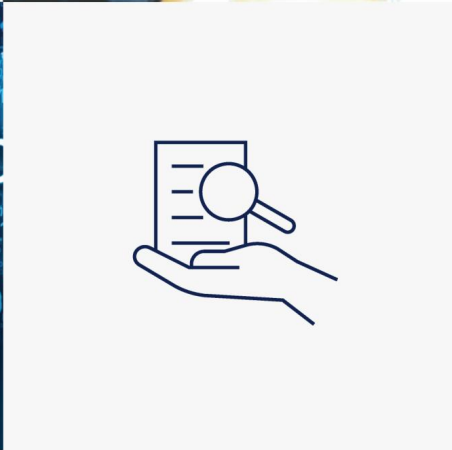
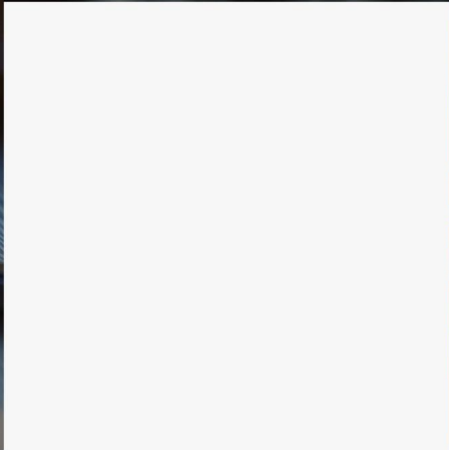
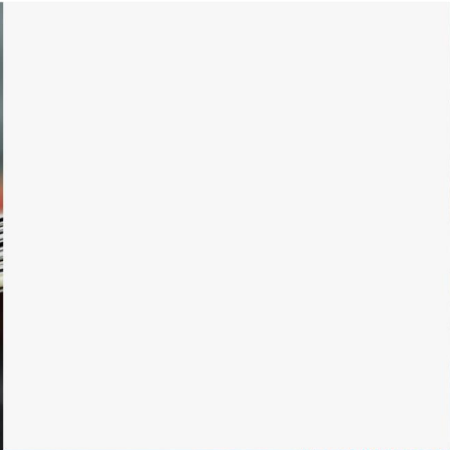
■ Risk Management

The Code of Conduct of the Fujitsu General Way, which sets forth the specifics to be taken into account as the basis for compliance in the Fujitsu General Group, is posted on the Company intranet and also disseminated through training programs for executives and employees. As part of our employee awareness-raising activities, we conduct training on the essentials of risk management for managers, who are responsible for on-site risk management and internal controls. We also conduct training on important laws and regulations relevant to each division's operations, such as the Anti-Monopoly Act, insider trading regulations, and the Subcontract Act, as well as on business and human rights, information leak prevention, etc. 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 pandemic, we are striving to prevent infection and the spread of the disease, while continuing to maintain important business operations during the pandemic and fulfilling our social responsibilities.

Data Overview

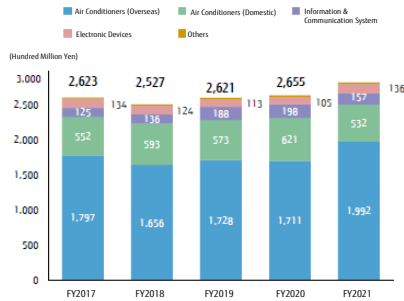


Financial & ESG Highlights

Key Financial/ESG Indicators

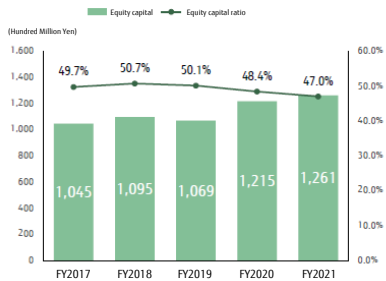
Financial Highlights

■ Net sales



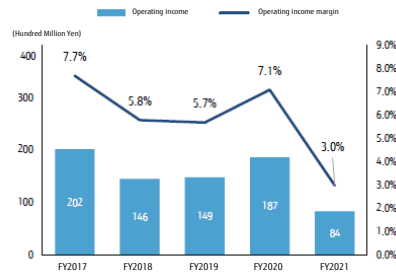
Net sales grew 18.6 billion yen year on year to 284.1 billion yen (up 7% year on year) due to an increase in overseas sales of Air Conditioners and Electronic Devices. In the Air Conditioner segment, sales in Japan declined due to unseasonable summer weather and other factors, but overseas sales rose, especially in our priority markets of North America, India, and Europe, resulting in an increase of 19.2 billion yen from the previous year to 252.4 billion yen (up 8.0% year on year).

■ Equity capital and shareholder's equity ratio



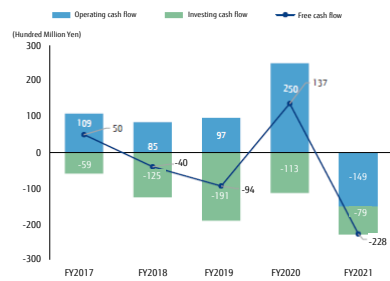
Equity capital grew 4.6 billion yen compared with the end of the previous period to 126.1 billion yen due to an increase in foreign currency translation adjustments. The issuance of new shares as restricted stock compensation in July 2021 resulted in an increase of 35 million yen in capital and capital surplus, respectively. The shareholder's equity ratio dropped 1.4% from the end of the previous fiscal year to 47.0%.

■ Operating income & operating income margin



Operating income was 8.4 billion yen (down 55.0% year on year) due to a significant impact of soaring prices of materials and parts, ocean freight rates, and the appreciation of the currency of the country of production, despite the effects of increased sales volume and improved selling prices of overseas air conditioners. Operating income margin fell 4.1% year on year to 3.0%.

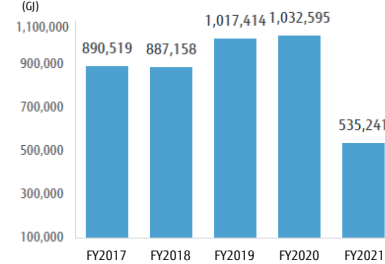
■ Operating cash flow, investing cash flow, free cash flow



Operating cash flows resulted in expenditure of 14.9 billion yen, due to an increase in working capital with higher inventories, despite the recording of profit before adjustment of taxes, etc. and income from depreciation. Investing cash flows resulted in expenditure of 7.9 billion yen due to investments in development/production facilities and IT systems. As a result, free cash flows for the year were an expenditure of 22.8 billion yen.

ESG Highlights

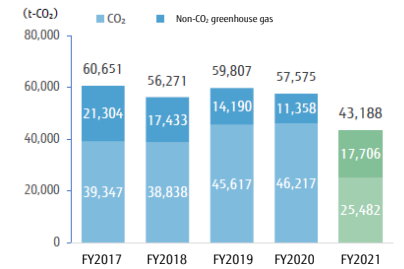
■ Energy consumption*



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 FY2021, the conversion factor for energy consumption was applied at 3.6 GJ/kWh as the ratio of renewable electricity for the entire Group was more than half due to the switch to a renewable energy electricity menu and the introduction of renewable energy certificates. (up to FY2020: 9.97 GJ/kWh)

■ Greenhouse gas emissions* (CO₂ equivalent)

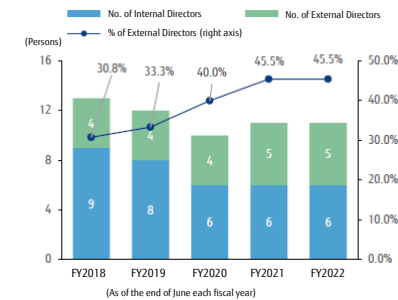


CO₂ emissions from energy consumed and emissions (CO₂ equivalent) from refrigerant CFCs (HFC) used in air conditioning products in our business activities are calculated.

In FY2021, GHG emissions other than CO₂ increased compared with the previous year, mainly due to an increase in refrigerant CFC emissions in the manufacturing process at our overseas air conditioner plants.

From FY2021, we have been actively promoting the switch to a renewable energy power menu and the introduction of renewable energy certificates, and have thus shifted our CO₂ calculation method to the market criteria.

■ Number of board of directors/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%.



*Scope 1 and 2 in FY 2021 are covered by third-party guarantees. Please visit our website for more information (Environmental Activities: Environmental Performance Data). <https://www.fujitsu-general.com/global/environment/data/performance.html>



* 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)	FY2017	FY2018	FY2019	FY2020	FY2021
Net sales	(Millions of yen)	262,340	252,667	262,117	265,452	284,128
Operating income	(Millions of yen)	20,207	14,589	14,941	18,737	8,444
Operating income margin	(%)	7.7	5.8	5.7	7.1	3.0
Ordinary income	(Millions of yen)	18,543	14,116	13,683	20,537	11,402
Profit attributable to owners of parent	(Millions of yen)	12,854	8,892	5,765	13,008	3,722
Comprehensive income	(Millions of yen)	14,879	8,171	752	19,921	9,616
Total net assets	(Millions of yen)	107,722	113,122	110,711	126,085	131,454
Total assets	(Millions of yen)	210,403	215,784	213,250	251,378	268,633
Net cash provided by (used in) operating activities	(Millions of yen)	10,894	8,513	9,724	25,001	(14,945)
Net cash provided by (used in) investing activities	(Millions of yen)	(5,862)	(12,515)	(19,141)	(11,267)	(7,871)
Free cash flow	(Millions of yen)	5,032	(4,002)	(9,416)	13,733	(22,817)
Net cash provided by (used in) financing activities	(Millions of yen)	(2,936)	(3,172)	2,090	(5,825)	(971)
Cash and cash equivalents at end of period	(Millions of yen)	42,710	35,412	27,571	36,707	14,202
Amount per share						
Earnings per share (EPS)	(Yen)	122.86	84.99	55.11	124.32	35.57
Net assets per share (BPS)	(Yen)	998.94	1,046.46	1,021.74	1,161.61	1,205.43
Dividend per share	(Yen)	24.00	26.00	28.00	30.00	32.00
Key Indicators, etc.						
R&D expenses	(Millions of yen)	12,874	12,986	13,425	14,133	14,582
R&D expense ratio	(%)	4.9	5.1	5.1	5.3	5.1
Capital expenditures	(Millions of yen)	6,358	8,378	13,939	8,729	8,201
Depreciation expenses	(Millions of yen)	5,062	5,280	5,848	6,124	6,825
Shareholder's equity ratio	(%)	49.7	50.7	50.1	48.4	47.0
Return on equity (ROE)	(%)	13.0	8.3	5.3	11.4	3.0
Return on assets (ROA)	(%)	6.4	4.2	2.7	5.6	1.4
Net D/E ratio	(Times)	(0.41)	(0.32)	(0.21)	(0.26)	(0.04)
Cash Conversion Cycle*	(Days)	74.5	87.4	91.9	91.3	99.3
Days Inventory Outstanding	(Days)	37.8	42.8	45.9	52.2	70.6
Inventories	(Millions of yen)	27,930	26,703	32,979	44,479	73,037
Dividend payout ratio	(%)	19.5	30.6	50.8	24.1	90.0
Price earnings ratio (PER)	(Times)	15.5	18.4	35.4	24.8	67.2
Total shareholder return (TSR)	(%)	87.6	73.5	92.3	145.1	115.0

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

Consolidated Balance Sheet

(Unit: millions of yen)

Fiscal years ended March 31	2020	2021
Assets		
Current assets:		
Cash and deposits	36,707	14,202
Notes and accounts receivable - trade	75,921	83,150
Merchandise and finished goods	34,484	54,012
Work in process	2,178	3,418
Raw materials and supplies	7,815	15,606
Others	13,269	15,755
Allowance for doubtful accounts	(268)	(216)
Total current assets	170,108	185,929
Noncurrent assets:		
Property, plant and equipment-		
Buildings and structures	35,923	37,432
Machinery, equipment and vehicles	39,159	43,640
Tools, furniture and fixtures	27,622	30,951
Land	8,973	8,900
Construction in progress	840	468
Accumulated depreciation	(67,718)	(76,218)
Total property, plant and equipment	44,801	45,174
Intangible assets-		
Goodwill	5,556	5,486
Others	11,352	13,789
Total intangible assets	16,908	19,275
Investments and other assets-		
Investment securities	6,232	5,992
Deferred tax assets	9,885	9,042
Others	3,452	3,227
Allowance for doubtful accounts	(10)	(9)
Total investments and other assets	19,560	18,253
Total non-current assets	81,270	82,703
Total assets	251,378	268,633

Financial Data

Financial Data

Consolidated Balance Sheet

(Unit: millions of yen)

Fiscal years ended March 31	2020	2021
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	46,642	58,072
Short-term loans payable	5,018	8,509
Lease obligations	303	295
Income taxes payable	3,853	2,047
Accrued expenses	17,498	19,536
Provision for product warranties	6,540	4,659
Provision for overseas business restructuring	1,439	2,335
Provision for loss related to the Antimonopoly Act	7,925	7,900
Others	14,116	12,747
Total current liabilities	103,337	116,103
Noncurrent liabilities:		
Long-term loans payable	96	25
Lease obligations	642	732
Deferred tax liabilities for land revaluation	2,380	2,365
Net defined benefit liability	10,093	10,567
Others	8,742	7,383
Total noncurrent liabilities	21,955	21,074
Total liabilities	125,293	137,178
Net assets		
Shareholders' equity		
Capital stock	18,089	18,124
Capital surplus	—	35
Retained earnings	104,660	104,660
Treasury stocks	(5,023)	(5,023)
Total shareholders' equity	117,726	117,797
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,120	768
Revaluation reserve for land	4,793	4,759
Foreign currency translation adjustment	(1,979)	3,079
Remeasurements of defined benefit plans	(102)	(230)
Total accumulated other comprehensive income	3,832	8,376
Non-controlling interests	4,526	5,281
Total net assets	126,085	131,454
Total liabilities and net assets	251,378	268,633

Consolidated Statements of Income

(Unit: millions of yen)

Fiscal years ended March 31	2020	2021
Net sales	265,452	284,128
Cost of sales	186,693	219,599
Gross profit	78,759	64,529
Selling, general and administrative expenses	60,021	56,085
Operating income	18,737	8,444
Non-operating income:		
Interest income	49	78
Dividends income	114	188
Gain on sale of securities	—	341
Equity in earnings of affiliates	344	346
Foreign exchange gains	2,485	2,762
Others	740	683
Total non-operating income	3,734	4,401
Non-operating expenses:		
Interest expenses	108	119
Business restructuring expenses	—	891
Loss on disaster	—	150
Compensation payment	816	—
Payment of indirect tax for prior periods	372	—
Others	636	282
Total non-operating expenses	1,934	1,444
Ordinary profit	20,537	11,402
Extraordinary loss:		
Overseas business restructuring expenses	—	836
Effect of change in retirement benefit plan	2,003	—
Total extraordinary loss	2,003	836
Profit before income taxes	18,534	10,565
Income taxes - current	6,227	4,486
Income taxes - deferred	(1,574)	1,349
Total income taxes	4,653	5,836
Profit	13,880	4,728
Profit attributable to non-controlling interests	872	1,006
Profit attributable to owners of parent	13,008	3,722

Financial Data

Financial Data

Consolidated Statements of Comprehensive Income

(Unit: millions of yen)

Fiscal years ended March 31	2020	2021
Profit	13,880	4,728
Other comprehensive income:		
Valuation difference on available-for-sale securities	686	(351)
Deferred gains or losses on hedges	706	—
Foreign currency translation adjustment	4,506	5,300
Remeasurements of defined benefit plans, net of tax	(108)	(128)
Share of other comprehensive income of entities accounted for using equity method	249	66
Total other comprehensive income	6,040	4,887
Comprehensive income	19,921	9,616
Comprehensive income attributable to:		
Owners of the parent	18,810	8,291
Non-controlling interests	1,110	1,324

Consolidated Statements of Changes in Net Assets Fiscal Year ended March 31, 2021

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stocks	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 additional paid-in capital from retained earnings		610	(610)		—
Net changes in 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 additional paid-in capital from retained earnings								-
Net changes in 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

Financial Data

Financial Data

Consolidated Statements of Changes in Net Assets Fiscal Year ended March 31, 2022

(Unit: millions of yen)

	Shareholders' equity					Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stocks		
Balance as of April 1, 2021	18,089	-	104,660	(5,023)		117,726
Cumulative effects of changes in accounting policies			(502)			(502)
Balance to reflect changes in accounting policies	18,089	-	104,157	(5,023)		117,223
Changes of items during the period						
Issuance of new stock	35	35				70
Dividends from surplus			(3,244)			(3,244)
Profit attributable to owners of parent			3,722			3,722
Acquisition of treasury stock				(0)		(0)
Reversal of revaluation reserve for land			34			34
Change in scope of equity method			(9)			(9)
Net changes of items other than shareholders' equity						
Total changes of items during the period	35	35	503	(0)		573
Balance as of March 31, 2022	18,124	35	104,660	(5,023)		117,797

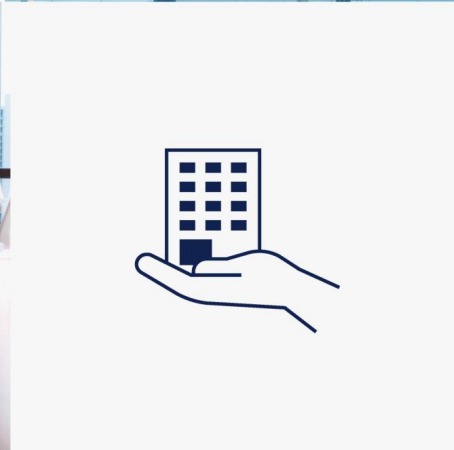
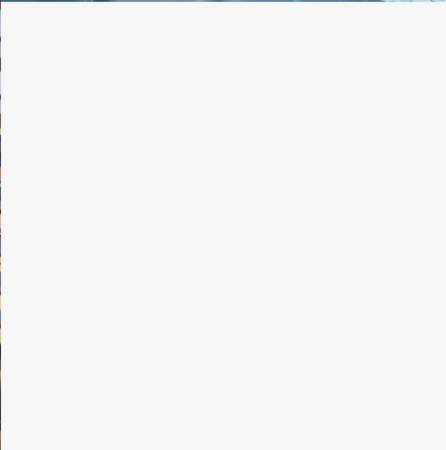
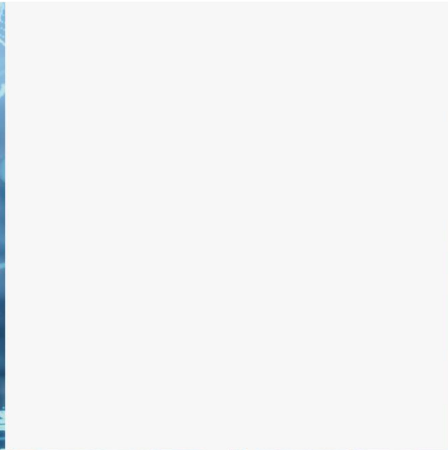
	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available for sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2021	1,120	4,793	(1,979)	(102)	3,832	4,526	126,085
Cumulative effects of changes in accounting policies						(2)	(504)
Balance to reflect changes in accounting policies	1,120	4,793	(1,979)	(102)	3,832	4,524	125,580
Changes of items during the period							
Issuance of new stock							70
Dividends from surplus							(3,244)
Profit attributable to owners of parent							3,722
Acquisition of treasury stock							(0)
Reversal of revaluation reserve for land							34
Change in scope of equity method							(9)
Net changes of items other than shareholders' equity	(351)	(34)	5,058	(128)	4,543	756	5,300
Total changes of items during the period	(351)	(34)	5,058	(128)	4,543	756	5,874
Balance as of March 31, 2022	768	4,759	3,079	(230)	8,376	5,281	131,454

Consolidated Statement of Cash Flows

(Unit: millions of yen)

Fiscal years ended March 31	2020	2021
Net cash provided by (used in) operating activities:		
Profit before income taxes	18,534	10,565
Depreciation expenses	6,124	6,825
Amortization of goodwill	211	393
Increase (decrease) in provision	1,122	(1,782)
Increase (decrease) in retirement benefit liability	(5,825)	239
Interest and dividend income	(163)	(267)
Interest expenses	108	119
Decrease (increase) in notes and accounts receivable-trade	668	(399)
Decrease (increase) in inventories	(8,031)	(22,731)
Increase (decrease) in notes and accounts payable-trade	5,812	3,027
Others	9,528	(5,828)
Subtotal	28,088	(9,838)
Interest and dividends income received	163	267
Interest expenses paid	(105)	(117)
Income taxes paid	(3,145)	(5,257)
Net cash provided by (used in) operating activities	25,001	(14,945)
Net cash provided by (used in) investing activities:		
Purchase of property, plant and equipment	(5,503)	(4,555)
Proceeds from sales of property, plant and equipment	64	90
Purchase of intangible assets	(2,928)	(2,856)
Purchase of investment securities	(12)	(13)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(2,940)	(494)
Others	53	(42)
Cash flows from investment activities	(11,267)	(7,871)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(948)	3,155
Repayment of long-term loans payable	(40)	(66)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(3,028)	(3,237)
Repayments of lease obligations	(269)	(325)
Others	(1,538)	(497)
Net cash provided by (used in) financing activities	(5,825)	(971)
Effect of exchange rate change on cash and cash equivalents	1,228	1,284
Net increase (decrease) in cash and cash equivalents	9,136	(22,505)
Cash and cash equivalents at beginning of period	27,571	36,707
Cash and cash equivalents at end of period	36,707	14,202

Corporate Profile




95 Annual Topics
97 Basic Data

Annual Topics

April Demonstration Project Begins in New York State, USA

Participated in "Next Generation HVAC Innovation Challenges" sponsored by the New York State Energy Development Research Organization (NYSERDA). To demonstrate the energy-saving performance of heat pump technology, air conditioning systems utilizing VRFs (multi-air conditioners for buildings) made by our company were installed in public facilities in the state.



VRF J IV Series outdoor unit and VS1000 RTE ventilation system the air conditioning systems used in the demonstration project.

May Australian TRUSTED BRAND Winner for Fourth Straight Year


Fujitsu General (Aust.) Pty Ltd., an Australian sales subsidiary of our company, has been named "WINNER," the best air conditioner category in the TRUSTED BRANDS AUSTRALIA 2021. The TRUSTED BRAND is an award sponsored by the Australian edition of Reader's Digest, a global magazine, and the fourth and fourth time in four years.



"TRUSTED BRAND WINNER" logo
* Awarded again in June 2022, making it the fifth consecutive year.

November Released the Gokudan nocria® ZN series, an air conditioner with enhanced heating

Released the Gokudan nocria® ZN series, which achieves industry-leading heating capacity that warms indoors well even below freezing, and high energy efficiency. In addition, the Gokudan nocria® DN series, which is excellent in ease of installation, is also on sale. This product is a sustainable heating system by replacing heating equipment that uses fossil fuels, we can expect a reduction in greenhouse gas emissions.



Gokudan nocria® ZN series

November Matrix converter-related technology registered with WIPO GREEN

Participated in WIPO GREEN, a platform for expanding the use of environmental technology operated by the United Nations World Intellectual Property Organization (WIPO), aimed at promoting the use of proprietary technology and contributing to the SDGs. We aim to raise awareness of our proprietary matrix converter-related technology and create matching opportunities with other companies to promote the use of this technology.



Matrix converter for ultra-small quick charger

2021 2022

April May June July August September October November December January February March

June Started providing Cómodo gear i2, a cooling and heating device that can be worn on the body

Started providing a new model of wearable device "Cómodo gear i2" that efficiently cools and heats the body by wearing it. This product is expected to be used by people in industries such as security, construction, and factories that work in hot weather or in environments without air conditioning.



Cómodo gear i2 (Neck part)

June Developed the industry's first*1 Compact GaN module


Developed "Compact GaN module" that realizes miniaturization and high efficiency of power electronics products. GaN devices can reduce the power consumption of the device itself by about 50% compared to Si, which is currently the mainstream, and are expected to contribute to the reduction of greenhouse gas emissions.



Compact GaN module

November Development of Aero Shield for use in ambulances

Aeroshield Co., Ltd., a manufacturer of ultraviolet irradiation equipment in our group, has developed ultraviolet irradiation equipment for use in ambulances. Airborne bacteria and viruses can be expected to be reduced by taking in the air inside the car and irradiating it with UV-C (ultraviolet C waves).



Installation image in an ambulance Product image

February Released simple fire command system Grancast Light

Released Grancast Light, a simple fire-fighting command system for small and medium-sized firefighting headquarters, which has almost the same functions as a normal fire-fighting command system, but is more compact and reduces installation costs.



Installation image of Grancast Light

*1 In a full-bridge configuration module with built-in drive circuit and high-voltage chip (as of June 15, 2021, according to the Company's research)

Basic Data

Corporate Profile (As of March 31, 2022)

FUJITSU GENERAL LIMITED

Headquarters
3-3-17 Suenaga, Takatsu-ku, Kawasaki, Kanagawa

Representative
Etsuro Saito, President & CEO

Established
January 15, 1936

Capital stock
18,124 million yen

Number of employees
Fujitsu General Limited: 1,710
Fujitsu General Group: 8,398

Number of Directors (as of June 16, 2022)
11 (including 5 External Directors)

Number of consolidated subsidiaries: 38
Number of affiliates accounted for by the equity method: 3

Stock exchange listing
The Prime Market of the Tokyo Stock Exchange
(Transferred on April 4, 2022)

Stock Code
6755

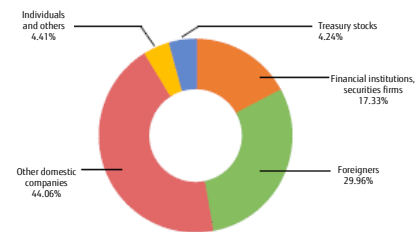
Number of shares
Number of shares authorized: 200,000,000
Number of shares issued: 109,301,660

Number of shareholders
4,853

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

Shareholder	Number of Shares Held (Thousands of shares)	Shareholding Ratio (%) * Excluding treasury stock
Fujitsu Ltd.	46,121	44.06
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,049	7.69
J.P. Morgan Chase Bank 385635	4,476	4.28
Goldman Sachs International	4,341	4.15
J.P. Morgan Chase Bank 380072	3,602	3.44
Custody Bank of Japan, Ltd. (Trust Account)	2,987	2.85
MSIP CLIENT SECURITIES	2,180	2.08
Mizuho Bank, Ltd.	2,000	1.91
Goldman Sachs And Company Regular Account	1,774	1.70
J.P. Morgan Chase Bank 385632	1,531	1.46

■ **Distribution by type of shareholders**



■ **Stock price and trading volume**

