Realization of **Sustainable Management**











- 53 Executive Message54 Materiality55 Core Strategic Themes
- 57 Responding to Climate Change
- 58 Environmental Initiatives (based on TCFD)

- 65 Initiatives for Employees66 Partnership67 Message from External Director
- 70 Governance

04 | Realization of Sustainable Management — 04 | Realization of Sustainable Management

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 culting-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 highpriority 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



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		Action Against Climate Change,	Reduce CO₂ emissions from products during their use		
Planet		Reduce Energy	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	Conduct research and development projects that address social issues		
			Offer products that address social issues		
		Delivering Products that Meet Customers' Expectations	Improve quality of products and services		
		Improve Customer Communication	Initiatives to boost overall quality of the call center operation		
	Community Relations	Coexistence with the Local	Provide educational assistance for children		
		Communities	Conduct community outreach programs		
			Make charitable donations		
	Supplier Relations	Approach to Our Suppliers	Promotion of CSR procurement		
		Dialogue with Shareholders and	Dialogue with shareholders and investors		
		Investors	Share company information with shareholders and investors		
Care for Emplo	yees	Develop Employees to Take on Challenges on Their Own Initiative	Introduce a system that encourages employees to take on challenges spontaneously		
			Train employees		
		Creating a Workplace that Promotes	Promoting mental health		
		Healthy Lifestyles Among Employees to Achieve the "Good Life"	Measures to prevent lifestyle-related illness		
		to Achieve the Good Life	Reduce second-hand smoke exposure and encourage smokers to quit		
			Help employees maintain a healthy diet		
			Raise awareness of women's health among all employees		
			Help employees continue to work while receiving medical treatment		
		Creating a Workplace in which Diverse Employees Can Thrive and Succeed in a Flexible Manner	Promote diversity & inclusion in the workplace		
			Help employees to maintain a good work-life balance		
			Dialogue with the labor union		
Governance Ac	jendas	Respect for Human Rights	Promote human rights awareness		
			Action against human rights violations		
		Adherence to Compliance and Governance Guidelines	Provide compliance training to employees		

 $^{{\}rm *1\ The\ SDGs\ icons\ listed\ here\ are\ SDG\ targets\ that\ the\ Company\ believes\ it\ can\ contribute\ to\ through\ its\ activities.}$

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	7===	p. 57
Greenhouse gas emissions	<u></u>	p.57
-	8 12	_
Waste loss ratio to purchase volume	m co	-
-	**************************************	-
Water use reduction rate	6 2000 7 2000 8 2000 pt. 12 2000 14 2000	
Reduction rate of total waste generated		-
-		
Percentage of products certified as <i>Sustainable Product</i> in consolidated net sales	7 (1) (1) (1) (1) (1) (1) (1) (1) (1) (1)	pp.29-35
-		
		-
-		
-	gordend specialist	
-	**************************************	-
-		
Number of local audit firms	11 5 11 10 11 10 11 12 11 16 11 16 11 17 11 16 11 17 11	p.38
-		
-		-
-	400. ₩	p.65
-	***	•
-		
-		
-		
	2 :: 3 ::: ": -\(\sqrt{\sq}}}}}}}}}}}}}}}}}}}}}}}}}}}}}}}}}}}}	_
-		
-		
-		
Number of newly promoted female managers and leaders		
Percentage and number of days of childcare leave taken by full-time		
male employees		-
-		
-	11. 516 800014	
Number of cases of due diligence on human rights conducted	find the state of	pp.36-38
-	8 111712 16 11.117	pp.70-75

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
- 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.

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

TCF	D Recommendations and Supporting Recommended Disclosures	Recommended Disclosures			
Gov	vernance: 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.	Governance			
Str	ategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's bus strategy, and financial planning where such information is material.	sinesses,			
a)	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term				
b)	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Strategy			
c)	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.				
Ris	k 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.				
b)	Describe the organization's processes for managing climate-related risks.	Risk			
c)	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Management			
Me	trics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and op where such information is material.	pportunities			
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			
b)					
c)	$Describe \ the \ targets \ used \ by \ the \ organization \ to \ manage \ climate-related \ risks \ and \ opportunities \ and \ performance \ against \ targets.$	(Metrics and Targets)			

^{*} For results, please see page 64.

^{*1} Scope 3, Category 11 *2 For air conditioners

^{*3} Excluding some leased properties

Environmental Initiatives

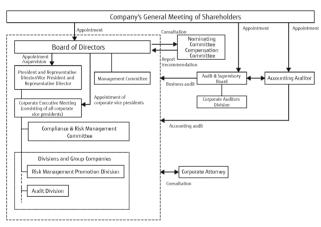
Disclosure of Climate Change-related Information (based on TCFD) (cont.)

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 CO_2 emissions.

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

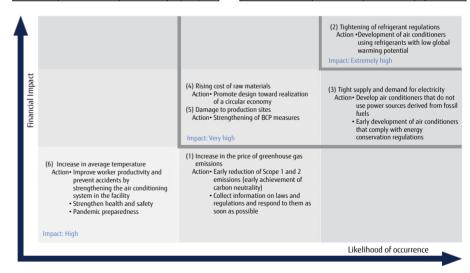
■ [Risks: Impact on business and likelihood of occurrence]

•	Risk Item		Risks	Likelihood of occurrence	Financial Impact Level
legal of		[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
	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
Physical	Acute	[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		Occurs frequently

■ Financial Impact							
Level 1 2 3							
Estimated impact (financial)	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

■ Environmental Action Plan Stage IX (FY2019-FY2022)

- LIIVIIOIIII	Pillar		E IX (1 12013		T	D(2024 D (n I . Isns
	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%	A O O
	Chemical Substances Management	Promote Procurement of Materials with Low	Strengthen supply chain management system	Promote EMS at all overseas suppliers (construction rate of Level II or higher)	≥ 90%	95%	CO CO CO CO CO CO CO CO
		Environmental Impact		Promote CMS at all suppliers (construction rate of Rank B or higher)	100%	99.6%	3 mint. 6 min. 12 min.
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	m 3 ∞ ∞
				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%	8 A. 107 SEPARATE 12 A.M. 19 X 7
			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%	(A)
	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	8 AANT 88 AND 12 AND
				Reduce copper material waste loss	Reduce waste to 67% of total purchased amount (vs. FY2016)	59% reduction	1 8 8
				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	M & CO
				Improvement of waste recycling rate at production sites (recycling rate in total amount of waste generated)	≥ 99%	Domestic: 93% Overseas: 95%	# 3 ©
				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%	- A-000 A-000 A-000
				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)	1

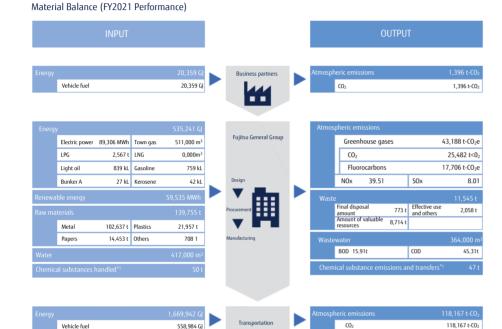
^{*1} Scope 3, Category 11

^{*2} For air conditioners

04 | Realization of Sustainable Management - 04 | Realization of Sustainable Management

Environmental Initiatives

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

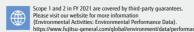


Marine transportation fuel	1,058,069 GJ
Aviation fuel (jet)	52,889 GJ

Number				Recycli		
	Cathode-ray tube televisions 1,913 units		Recycling		Amount processed 18,262 t	Amount of CFCs recycled 210
	Air conditioners 338,157 units	Refrigerators and Freezers 73,769 units	\triangle		Reuse for other purposes 16,736 t	
	Washing machines and clothes dryers 3,882 units		23			

...

- *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

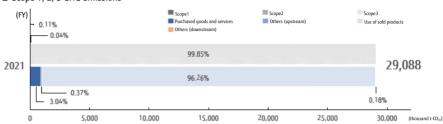




210 t

Reporting Greenhouse Gas Emissions Based on GHG Protocol

■ Scope 1, 2, 3 GHG emissions



Emissions from	corporate activi	ties (Scope 1 + Scope 2*1)	43,188	0.15%	
Scope 1	Direct emission company	ns from fuels and fluorocarbons consumed by the	30,651	0.119	
Scope 2		ons from the generation of purchased electricity, steam, poling consumed by the company (Market-based*2)	12,536	0.049	
scope 2		" (Location-based*3)	44,132		
All other indire	ct emissions that	coccur in a company's value chain (Scope 3)	29,044,542	99.85%	
	Category 1	Purchased goods and services	883,642	3.049	
	Category 2	Capital goods	25,341	0.099	
	Category 3	Fuel- and energy-related activities not included in Scopes 1 and 2	3,101	0.019	
Scope 3	Category 4	Upstream transportation and distribution	75,608	0.269	
Upstream	Category 5	Waste generated in operations	2,441	0.0089	
	Category 6*4	Business travel	969	0.0039	
	Category 7*4	Employer's commuting	284	0.0019	
	Category 8	Upstream leased assets	Not applicable (included in Scopes 1 and 2)		
	Category 9	Downstream transportation and distribution	44,655	0.159	
	Category 10	Processing of sold products	37	0.000139	
	Category 11	Use of sold products	27,999,395	96.269	
Scope 3 Downstream	Category 12	End-of-life treatment of sold products	9,068	0.039	
	Category 13	Downstream leased assets	Not applicable		
	Category 14	Franchise	Not applicable		
	Category 15	Investments	Not applicable		
Emissions from	entire value cha	in (Scope 1 + Scope 2*1 + Scope 3)	29,087,730	100.09	

^{*1} Market-based

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]

^{*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 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" Managemen

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 pertnership 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.



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 plance.

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.

Elichi 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 Elichi 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 managements 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.

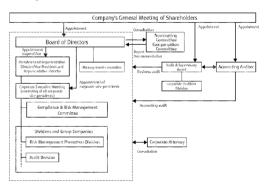
As of the end of June 2022, there were 11 Directors (including five External Directors) and three Audit & Supervisory Board Member (including two External Audit & Supervisory Board Members).

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.







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
	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)	-
Directors	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	Akira Inoue	[External] [Independent]	100%(14/14)	-	-	©100%(14/14)
	Yoshinobu Miyajima		100%(14/14)	-	-	100%(14/14)
Members	Youichi Hirose	[External]	86%(12/14)	-	-	100%(14/14)

^{*1} \odot 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	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.
Board Members	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.

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
 - 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 Indicator 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.

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

	Total Remuneration, etc. (Millions of yen)	Total Ar	Number of		
Classification		Fixed Remuneration (Basic Remuneration)	Performance- Linked Remuneration (Bonuses)	Non-monetary Remuneration, etc. (Restricted Stock Remuneration)	Applicable Executives (Persons)
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

President & 0	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 (CS)
April 2022	President & Representative Director , Chief Executive Officer (CEO) and CSO (to present)

Hiroshi Niwayama October 2001 General Manager, Finance Division and General Manager Accounting Division Director lune 2004 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

Hisashi S Director	Sakamaki External Independen
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)

Director	External Independent
April 1972	Joined Sapporo Breweries Limited
October 2002	(currently Sapporo Holdings Limited) 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 Limite
March 2009	Executive Managing Officer, Sapporo Breweries Limited
March 2010 March 2013	President and Representative Director, Sapporo Breweries Limited Member of the Board, Managing Director and Group Operating Officer, Sapporo Holdings Limited 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)

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

Mieko Kuwayama

Osami Maehara

Director	Cildia	External	Independent
April 1978	Joined the Company		
August 1983	Joined Hitachi Koki Co., Ltd. (currently Koki Holdin	gs Co., Ltd.)
June 2006	General Manager, Corporate	Planning Division, Hi	tachi Koki Co., Ltd.
June 2008	Director, Hitachi Koki Co., Ltd	l.	
June 2012	Managing Director, Hitachi K	oki Co., Ltd.	
June 2013	Senior Managing Director, Hi	tachi Koki Co., Ltd.	
June 2014	President & Representative D	Director, Hitachi Koki (Co., Ltd.
April 2019	Chairman, Koki Holdings Co.,	Ltd.	
August 2020	External Director, Audit & Sup Electronics Co., Ltd.	pervisory Committee	Member, UMC
Jun 2021	Director, the Company (to pro	esent)	

Our Leadership (cont.)

Directors

Hirohisa Director	Yamaguchi _{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 Director	Kosuda
April 1978	Joined the Company
June 2002	General Manager, Sales Planning Department, Domestic Whole Sale 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 H	asegawa
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.
•	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, Exective 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)
	May 1997 April 2014 April 2015 April 2017 June 2018 April 2019 April 2020

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, Exective Manager, Office of International Sales and Marketing, General Manager, Office of International Sales and Marketing, Chairman & CEO, Fujitsu General America, Inc., President, Fujitsu General Central Autoroditioner (Wuxi) Co., Ltd., and President, Fujitsu General Charwan) Co., Ltd. (to present)

Masaki Sugiyama Anril 1981 loined the Company April 2011 General Manager, Information & Communication Networking System Corporate Vice President April 2016 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. Exective Manager, Office of Information & Communication System, President & Representative Director, Fujitsu General OS Technology Limited (to present)

Audit & Supervisory Board Members

Akira Ino Full-time Cor	UE 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)

	hinobu Miyajima time Corporate Auditor							
April 1981	Joined the Company							
December 2009 April 2010	General Manager, Air Conditioner Business Administration Division, and Deputy General Manager, Finance and Accounting Division 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)							

Corporate	Hirose 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)
lune 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 Exective 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 Exective 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 Exective Manager, Office of Information & Communication System President & Representative Director, Fujitsu General OS Technology

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

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, TCFG Compressor (Thailand) Co., Ltd.

■ Corporate Vice President

Masahiko Naito

Vice in charge of Branding and IT

Mentor, Being Innovative Group (BIG)

Hirovuki Sato

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

Hiroshi Kobavashi

General Manager, Human Resources Division

Toshio Kano

General Manager Cornorate Communications Division General Manager, Sustainability Promotion Division General Manager, Environment Administration Division

Shigeki Asai

Deputy Executive Manager, Office of Information & Communication

General Manager, Information & Communication System Sales Management Division

Yasushi Asanuma

Deputy Executive Manager, Office of International Sales and

■ Fellow

General Manager, Office of Air Conditioner Engineering Project President and Representative Director, Fujitsu General Laboratories

(As of July 1, 2022)

(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

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

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		Area of expertise the Company expects in particular								
		Affiliation	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
	Etsuro Saito		0	0	0		0		0	0	0
	Hiroshi Niwayama		0	0	0			0	0	0	
	Hisashi Sakamaki	[External] [Independent]	0	0	0	0		0		0	0
	Fumiaki Terasaka	[External] [Independent]	0	0			0			0	0
	Mieko Kuwayama	[External] [Independent]	0			0	0			0	0
Directors	Osami Maehara	[External] [Independent]	0	0	0		0		0	0	
	Hirohisa Yamaguchi	[External]	0	0			0	0			
	Tsunenao Kosuda		0	0			0				0
	Tadashi Hasegawa		0		0	0		0			0
	Hiroyuki Yokoyama		0		0		0	0	0		
	Masaki Sugiyama		0			0	0	0			
Audit &	Akira Inoue	[External] [Independent]			0				0	0	
Supervisory Board	Yoshinobu Miyajima				0				0	0	
Members	Youichi Hirose	[External]						0	0	0	

^{*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.