

# GALILEI

FUKUSHIMA GALILEI CO. LTD.

Integrated Report **2020**

**GALILEI**  
Be cool, Be alive.

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# Be cool, Be alive.

## CONTENTS

- 03-06 President's Message
- 07-08 Galilei Group Synergy
- 09-10 Our History - From Fukushima Industries to Fukushima Galilei
- 11-12 A Model for Value Creation

### Overview of Each of Our Operations

- 13-14 Nature of Business and Sustainable Development Goals
- 15 Refrigerator and Freezer Operations
- 16 Showcase Operations
- 17 FMS Operations
- 18 Service Operations
- 19 Engineering Operations
- 20 GALILEI PANEL CREATE CO. LTD.
- 21 TAKAHASHI GALILEI CO. LTD.
- 22 SHOKEN GALILEI CO. LTD.
- 23 Foreign Operations
- 24 Sales Trends by Operation

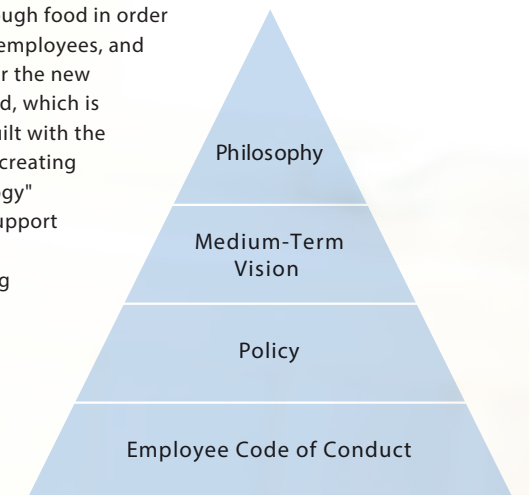
### ESG Initiatives

- 25-26 Environmental Policy
- 27-28 Environmental Record
- 29-30 Social Engagement
- 31-32 Human Resources Retention and Development
- 33-34 Prevention of the Spread of COVID-19

- 35-36 Corporate Governance
- 37-38 MILAB
- 39 Consolidated Balance Sheets
- Consolidated Statements of Income
- 40 Consolidated Statement of Changes in Net Assets
- Consolidated Cash Flow Statement
- 41 Company Profile and Stock Information
- 42 Company Officers, Branches, and Group Companies

Our themes are the environment, safety and peace of mind: we aim to be a “Happiness Creation Company”

The Corporate Philosophy of the Galilei Group is to contribute to society through food in order to realize the "Four Rules of Happiness" for the consumer, the customer, our employees, and our stakeholders as set out below. Even after we have made a new start under the new "Galilei" brand name, we will continue to guard the safety and security of food, which is one of the basics of life for the consumer, by using the cold chain we have built with the technology and experience of the companies in the group. We contribute to creating a rich and happy future and are ready to respond with our "Cooling Technology" whenever anything needs to be moved between the farm and table and to support improvements in dietary quality from behind the scenes. As part of our efforts to conserve the global environment, we are endeavoring to make all our products long-lasting and power-saving. The entire company is engaged in efforts to reduce CO<sub>2</sub> emissions, reduce food-loss with our advanced freezing and defrosting technology, and making extreme efforts to solve the issue of refrigerant gases. The entire group is also pressing forward boldly with our Sustainable Development Goals (SDGs), aiming to become a company that contributes positively to global development and harmony.



## The Corporate Philosophy of the Galilei Group

1.	Consumer Happiness	Taking the environment, safety and peace of mind as our themes, it is our basic aim to work with our customers to contribute to the happiness of the consumer.
2.	Customer Happiness	By the use of original technology and systems, it is our basic aim to add new value to the food business and contribute to the happiness of our customers.
3.	Employee Happiness	It is our basic aim to pursue both material and spiritual happiness by enhancing our ability to shoulder responsibility, and through development as individual employees and as a company.
4.	Stakeholder Happiness	It is our basic aim to strive towards common goals, always working to increase company performance and providing happiness to our stockholders and trading partners.

## Charter of Corporate Behavior

- Food Safety and Security
- Pursuit of Customer Satisfaction
- Environmental Conservation
- Social Engagement
- Global
- Legal Compliance
- Fair and Free Transactions
- Respect for Employees
- Disclosure of Information
- Information Management
- Attitude Towards Antisocial Organizations

## Employee Code of Conduct

- Food Safety and Security — Safe and secure food, anywhere, anytime
- Customer oriented, Customer focused — Become immersed in the customer experience
- Teamwork — Test your limits with Team Galilei
- Creativity and Vision — Boldly challenge into the future
- Education — Develop people and cultivate yourself
- Adhere Strictly to Rules — Do what is expected, as expected



## President's Message

New value creation and group collaboration synergies.

We look to the future and strive to provide total support for the food industry.

### Yutaka Fukushima, President

Capitalizing on our group synergies in the supply chain from food distribution through to food production.

Open innovation for new collaboration and new value creation

The ongoing COVID-19 pandemic has had a significant impact on the food-related industries. Some food service companies have been forced to change their business models altogether while food processors and food retailers have seen sales rise thanks to more people cooking and eating at home during the pandemic. A notable difference between the industries hit harder by the pandemic and the industries benefited from it has been manifested. Amid the current situation, we have seen a rise in demand for our products that are related to food deliveries and takeouts and we are beginning to see quite a different revenue structure in this financial year. This situation will probably be here to stay as the "new normal." Therefore, it is important for us to come up with new ideas and concepts without adhering strictly to conventional business theories.

On December 3, 2019, we changed our company name from Fukushima Industries Corporation to Fukushima Galilei Co. Ltd. and made a new start under the united Galilei brand. At the same time, a new head office building was built and is positioned as the third factory of the Galilei Group. The MILAB, which is an open innovation hub located in the building, is where we undertake a range of tasks and is open to the public. The MILAB has been created based on our "JOIN" concept to give an opportunity for those involved in the food industry to visit the facilities and see and experience what we do and to connect with each other to create new value (shared value). All of us at the Galilei Group are working hard to make the MILAB more widely known in the industry and to attract more users. It is also a venue for group collaboration. More than 2,000 people



had visited the MILAB in the first four months between its opening and March 2020. The number of visitors has gradually increased since June, when the facility reopened after a temporary closure due to the outbreak of COVID-19. This year, we have set up a MILAB CLUB to promote the "JOIN" concept to more people, those who live faraway places, in particular. The MILAB CLUB organizes physical events as well as online seminars. We regard it our immediate task to turn our networking efforts at the MILAB to connect customers, businesses in various sectors, universities, research institutes, and entrepreneurs into a business model that develops new partnerships and creates new value. This network will be one of the Galilei Group's strength.

As mentioned earlier, strengthening collaboration among group companies is one of our important tasks. For example, our four group companies jointly participated in the Food Factory 2020, a food trade show held in October 2020. To make the Galilei Group's collective strengths stand out, we set up a large-scale exhibition booth rather than an individual booth for each group company as in the past. In this way, we successfully attracted more visitors' attention. Moreover, we changed the way the four group companies perceived each other for the better and deepened our collaboration.

We at the Galilei Group seek to expand our business fields and provide total support for the food industry, from the downstream or the tertiary industry such as restaurants and retailers, through the mainstream or the secondary industry such as manufacturing and warehousing, and to the upstream or the primary industry such as production and fishing. In this sense, group collaboration is vital, and in this financial year, all sales divisions of the group companies started to work together to move from the downstream through the midstream and to the upstream, as mentioned earlier, as if we were climbing a mountain. Today, the whole food industry is experiencing a major transformation. We have a sense of urgency and take a forward-looking approach. We are confident that our strong group synergies will help us to create new value and to deliver great results in the near future.

HACCP support and pre-maintenance services.

More advanced system development will better connect us with the customers

The Galilei Group develops and offers a broad selection of systems and services using IoT and digital networking. Hazard Analysis and Critical Control Point or HACCP, which is an approach to the control of food safety hazards, will be fully enforced in June 2021. In response to this, we are accelerating efforts to market HACCP ExAround and HACCP master V3, both

of which are the HACCP support systems developed by us. HACCP ExAround is a cloud-based service that accurately and automatically records the temperatures of in-store refrigerated and freezer showcases as well as refrigerators and freezers installed in the back of the store, around the clock. HACCP master V3 enables refrigerator and freezer data and cooking process data to be centrally controlled by a computer and automates HACCP-compliant food safety and hygiene control. Our solutions are rated by customers as effective in saving labor, increasing work efficiency, and reducing labor and administrative costs. More customers have started to use them.



Automated HACCP solutions:  
HACCP ExAround and HACCP master V3

To reduce life cycle cost (LCC) associated with customers' equipment operation, we offer a service called S-net 24, which monitors the equipment's temperature, operation, and electricity usage around the clock. S-net 24 is designed to reduce electricity consumption of the equipment, along with remote control from the Galilei Group's service center, and maintenance services are effectively provided as and when needed.



S-net 24, a 24-hour equipment monitoring service  
for life cycle cost (LCC) reduction

By developing these efforts even further, we are hopeful that customers will have no need to call us for technical support or troubleshooting in the future and that we will be a "zero call company" (ZCC). We are making every effort to achieve this goal. More specifically, we are undertaking both software development and hardware innovation to deliver centralized services of fault prediction and effective equipment servicing and maintenance.



## In pursuit of more solutions and more business opportunities with our award-winning Galilei Air-tec System

The Galilei Air-tec System, which is a new solution that we developed in collaboration with Trial Company, Inc., a supermarket chain operating some 250 stores nationwide, is worthy of note. Food retailers with refrigerated and freezer showcases accounting for more than 50 percent of their energy consumption have often received complaints from customers about fresh food and frozen food aisles being cold. However, condensation and mold are common problems faced by these food retailers and it is difficult for them to control their in-store temperature and humidity levels. This is where the Galilei Air-tec System comes in. This system has been developed to offer a solution to this problem. Showcases and air conditioning and ventilation systems are usually controlled individually in-store, but now with the Galilei Air-tec System, they are all controlled by AI, resulting in reduced energy consumption. We focused our development efforts on three things, which are positive pressure ventilation to prevent insect and dust entry, increased energy efficiency through reduced air conditioning load, and a dehumidified and improved in-store environment. When we installed the Galilei Air-tec System in four stores to validate its performance, it reduced power consumption by 16.1 percent and power demand by 9 percent, as compared with other conventional stores with the same floor area of 3,000 m<sup>2</sup> and the same floor layout. In recognition of our development and achievement, the Galilei Air-tec System became a winner of the FY2019 Energy Conservation Grand Prize in the Energy Conservation Best Practice Category by the Minister of Economy, Trade and Industry.



# Galilei Air-tec System

Galilei Air-tec System  
AI totally controls air conditioning systems and reduces energy consumption.

The Galilei Air-tec System has been developed to serve its purpose, but we are pleasantly surprised that during the ongoing COVID-19 pandemic, it attracted unexpected attention as it is thought to be effective in avoiding the 3Cs (closed spaces, crowded places, and close-contact settings) and reducing the risk of catching the virus. The desiccant technology which is the main technology used for the Galilei Air-tec System was shortlisted for the FY2020 Subsidies for Carbon Dioxide Emission Control Project Costs in the Supplementary Budget (Support Project for Introducing High-Performance Ventilation Equipment to Reduce Risk of Large-Scale Infection Risk) by the Ministry of Environment. We are pleased that our efforts have been recognized and to have this opportunity to contribute to public health through the Galilei Air-tec System. We are optimistic about the system's further development and potential. In addition, our Galilei Air-tec System project, "High-Performance Ventilation, Air Conditioning, and Showcase Multi-Control System for Supermarkets in Asia" was approved by the "FY2020 Creation and Dissemination Project of Low Carbon Technologies for Developing Countries through Co-innovation" undertaken by the Global Environment Centre Foundation (GEC). Validation tests are scheduled to be carried out in supermarkets in Indonesia, Vietnam, and Thailand. Through the validation, we will review the advantages of introducing the Galilei Air-tec System in Southeast Asia where the weather is hot and humid as well as issues associated with the roll out of the system in the region. We look forward to more business opportunities that the system will bring to us.

## SDG initiatives and social contribution, the

### Galilei Group's mission

Raising awareness and continuously developing the products and services society expects

We support the Sustainable Development Goals (SDGs) and undertake SDGs initiatives with a specific focus on "improving the quality of people's eating habits" and "taking better care of the global environment." Particularly, we must focus on CFCs that cause global warming as we provide cooling technologies and products. The levels of impact of CFCs can be calculated by CO<sub>2</sub> equivalent or Global Warming Potential (GWP). GWP provides a common scale for measuring the climate effects of CO<sub>2</sub> for a specific time frame. For any greenhouse gas, it is the amount of CO<sub>2</sub> which would warm the earth as much as that amount of that gas. CFCs has a GWP of about 100 to 1,000, depending on the gas, but it clearly has a significant impact on the environment. It is therefore imperative for us to use low GWP refrigerants and natural refrigerants for all of our products



and equipment as we pursue our initiatives at the forefront of CFC-free manufacturing. All of us at the Galilei Group should be passionate about social contribution and very aware of the role we play in achieving the SDGs when we engage in technical development, production, and marketing. In addition to addressing and dealing with the CFC issue, we also aim to pursue food safety and security and reduce food waste for the purpose of the improvement of the quality of people's eating habits. We remain committed to creating a sustainable environment by achieving improved energy efficiency and added comfort and taking infection control measures.



Focus on CFC-free manufacturing and SDG initiatives including environmental protection and food waste reduction

As part of our efforts to support our customers in controlling the spread of COVID-19, we offered a free Blast Chiller (100V) lending service for six months from July 2020. Blast Chiller is useful for handling takeout orders and preventing food poisoning. (We no longer offer this service.) We also launched a COVID-19 Support Campaign, and for six months from September 2020, we lent, free of charge, the electrolytic dilute sodium

hypochlorite generating system, FE Clean Water, which we had given away as samples in the past. Electrolytic hypochlorite water has been traditionally used to sterilize food and cooking utensils. The Japan Electrolyzed Water Association has recently made an announcement that it has been verified that electrolytic hypochlorite water could potentially inactivate COVID-19. During the pandemic, we launched refrigerated takeout food lockers to respond to increasing takeout orders in the food service industry. Customers can pick up their preordered and prepaid takeout meals at any time they like without having to wait for their orders to be ready for collection. In this way, there is no face-to-face contact and the risk of catching COVID-19 is reduced. As takeout needs are expected to be diversified, we plan to launch freezer lockers as well.

## A new business proposal scheme, "Value," for the creation of new business opportunities

### Bold and resolute attempt to deepen the existing business fields and to explore new fields

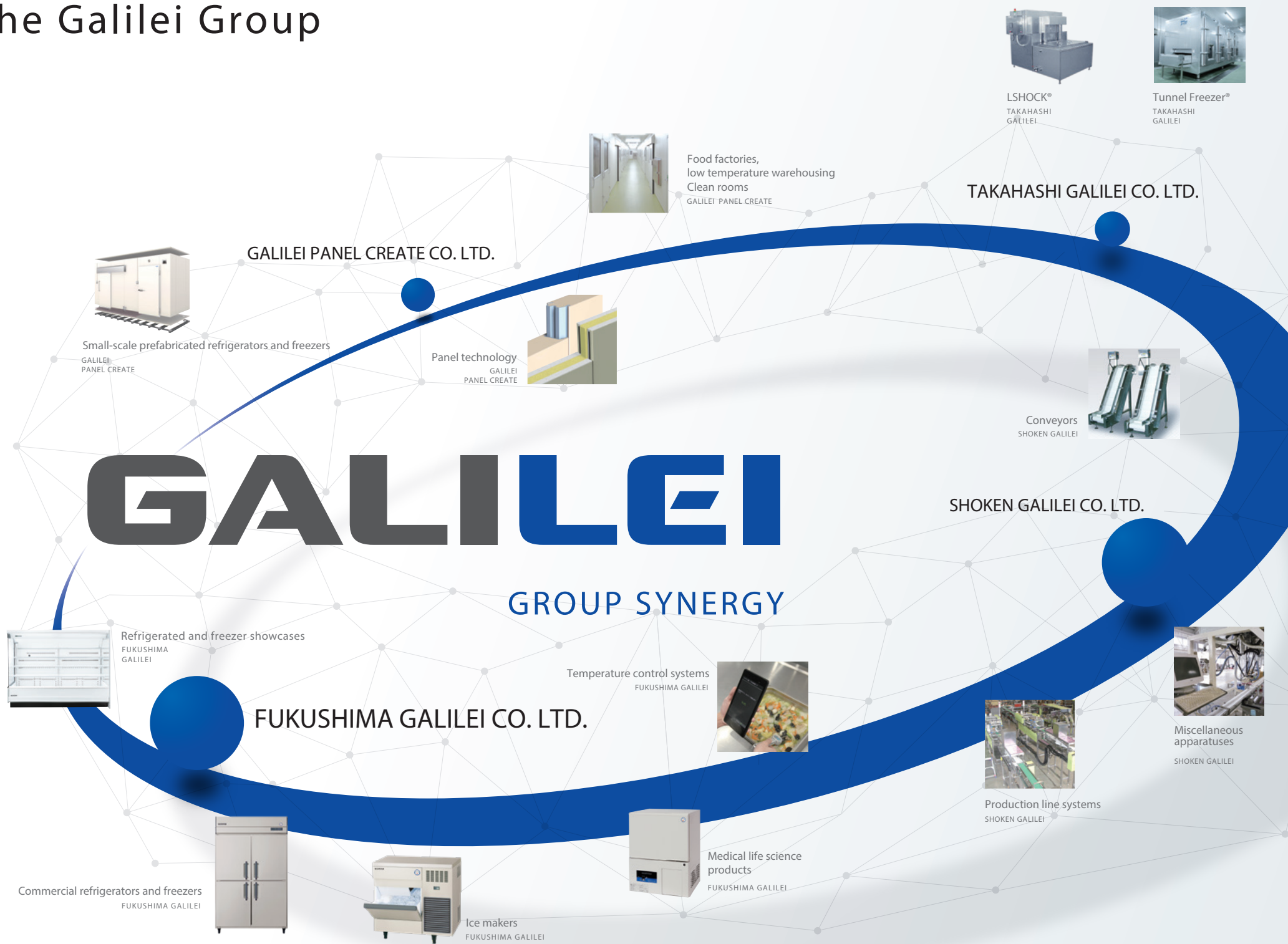
In this financial year, we have introduced a new business proposal scheme called "Value." Under the scheme, which aims to create new new business proposal opportunities, all group employees first submit written proposals for screening. Shortlisted proposals are examined for more specific business planning and then reviewed and finalized for implementation. Our employees are ready to rise to the challenge of writing business proposals and polish their proposals in discussion with management. The launch of the scheme is the result of our interaction and communication with venture capitalists occupying office spaces in our head office building. We were impressed with their creativity, flexibility, and not to mention, their ability to turn ideas into a reality.

We also address the improvement of corporate governance. Our corporate governance system has undergone a major transformation to ensure business transparency and to promote fair corporate activities.

We believe that to open up the future, we need to think outside the box and come up with new ideas (i.e. koto, or services and mono, or goods). Each and every one of our employees is the driving force that will make that happen. We will boldly and resolutely rise to new challenges of developing new business areas and adapt to change in the market and meet customer needs while advancing the technologies we have amassed and the operations we have earnestly carried out. We strive to achieve sustainable growth and increase corporate value in the mid to long term in reliance on the trust we have earned from society.



A future, with good food, abundance, life, and happiness, opened to you by the Galilei Group



## Guarding consumer food safety and security A synergy only the Galilei Group can provide

As pioneers in the future of food and life, the future that the Galilei Group is striving for is one in which we can bring the happiness of food to the world and abundance to people's lives. We can respond to the diverse needs of our customers and guard the food safety and security of the consumer by using our cooling power that we have cultivated over many years and our advanced engineering capabilities. The synergies born from the fusions of each of the characteristics of the companies in the group and our core technologies enable us to provide complete support throughout the entire food production stream.

### POINTS

#### The Benefits of the Group Synergy

- Lateral deployment of business resources to realize new needs and open new markets
- Approaching infrastructure for food from a variety of angles
- Global deployment from the historical foundations built by each member company



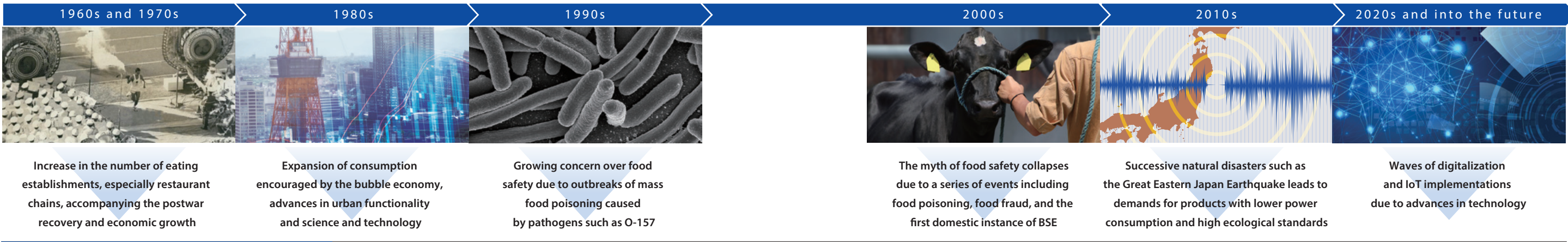
## A place to bring together people with people, people with technology, and technology with technology

The member companies of the Galilei Group have been brought together at the new head office building recently completed at Takeshima in the Nishiyodogawa ward of Osaka, and there they allow their various operations to cross over, thereby making it an important base for creating new values. At the same time, on the 1st, 2nd, and 8th floors, the "MILAB" was brought into existence to be a place for people to take on the starring role in the "making of concepts". It is not just a place for our employees, but rather a place where people from different fields, such as our customers, other enterprises such as our suppliers, universities, research facilities, and entrepreneurs, can gather, interact, and collaborate to develop technologies and ideas that do not yet exist in the world. This will enable us to go beyond the field of food to create the knowledge and know-how we will need for fresh innovations for the future, bring forth new products and services, and solve the issues faced by our customers and society.

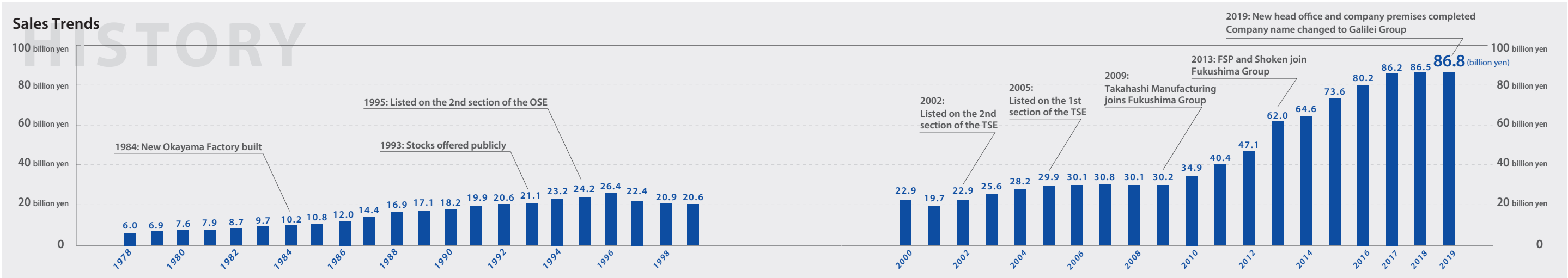
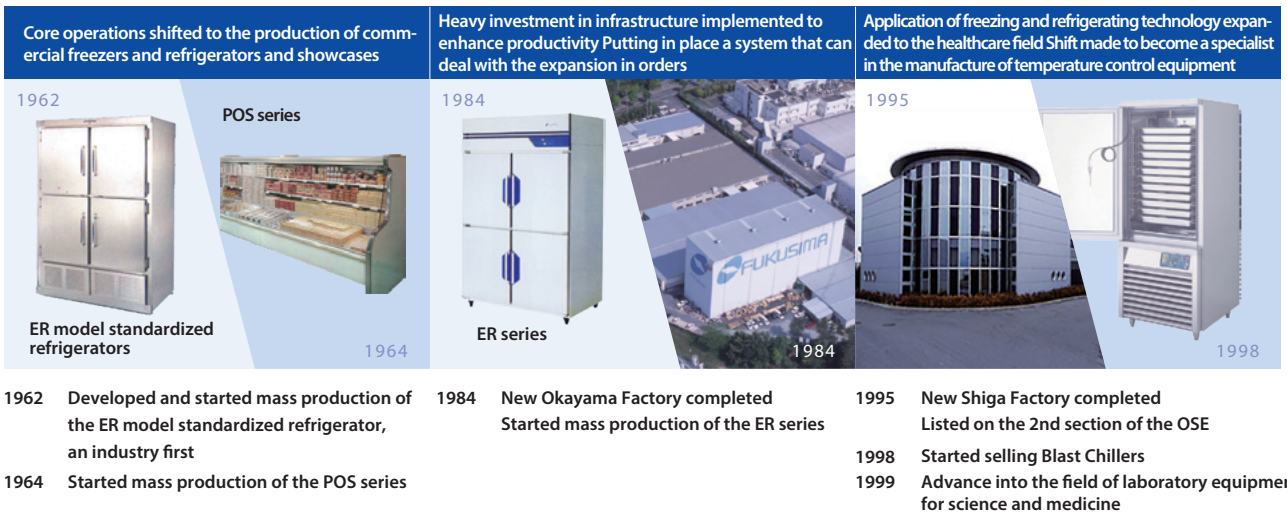


# Our History - From Fukushima Industries to Fukushima Galilei

## Changing Societal Issues and Needs



## Solutions Provided by the Galilei Group





# A Model for Value Creation

GALILEI GROUP VALUE CREATION MODEL

As our cool technology evolves, we use the power of food to enable people to grow and develop.

As supporters of the food lifeline that is essential to our daily lives, the Galilei Group will continue to expand our fields of operation and further evolve our cooling technology so that we can improve the quality of diet throughout the world. We will be a company that fulfills its societal responsibilities by contributing to a sustainable society, while accelerating our shift to being a smart company, and continuing to grow while, as a leading company in the global food business, at the same time continually generate innovations.





# Nature of Business and Sustainable Development Goals

GALILEI GROUP BUSINESS

Enriching the world's diet with a "Cold Chain for Food" built by the Galilei Group

The cooling power of the Galilei Group is there to safely and securely deliver food to the people. The group's unique Cold Chain connects the producers with the dining table through a collection of technology and know-how nurtured by each of the companies and business units.



## GALILEI GROUP

### GALILEI PANEL CREATE CO. LTD. [P20 >>](#)

The high-performance thermal insulation panel technology and system engineering enable the refrigerating and freezing spaces as well as clean work spaces for facilities such as food processing factories and plant factories.



### TAKAHASHI GALILEI CO. LTD. [P21 >>](#)

We are pioneers who developed, designed, and manufactured the world's first "Tunnel Freezer", a continuous rapid freezing/cooling device. We are proud of our record of 60 years since founding and our number 1 market share in Japan.



### SHOKEN GALILEI CO. LTD. [P22 >>](#)

Since our founding in 1968, as a specialized producer of machinery and plant for food factories and drive apparatuses, we have helped automate, introduced labor-saving devices, and reduced power consumption on many production lines and logistics lines.



# GALILEI GROUP SDGs

## GALILEI GROUP SDGs declaration

At the GALILEI GROUP, we approve of the purpose behind the "Agenda for Sustainable Development Goals (SDGs) by 2030" and aim to realize the happiness of citizens, customers, employees, shareholders, and business partners by balancing the pursuit of corporate economic value with the resolution of social issues.

### Declaration | 1

#### Improve the quality of people's eating habits

- ▶ **Pursue food safety and security**
  - Suppress the proliferation of bacteria with rapid cooling and thawing technologies
  - Develop AI pre-maintenance and HACCP support systems
  - The MILAB for industry-academia collaboration
  - Engineering business which provides complete proposal, design, and construction services

#### ▶ Reduce food loss

- Maintain food freshness with the cold chain
- Extend the expiration date with Tunnel Freezers

<Supported SDGs>



### Declaration | 2

#### Take better care of the global environment

#### ▶ Adjust to and mitigate climate change

- Rapidly shift to low GWP and natural refrigerants for all products and equipment of the Group
- Improve refrigerant leak detection systems and product and construction quality to provide 10-year refrigerant leak warranties

#### ▶ Contribute to sustainable regional environments

- In-store environment with AI-controlled refrigeration and freezing equipment and air conditioning, air supply, exhaust, and ventilation systems for energy efficiency, added comfort, and the prevention of COVID-19 infection
- Product-as-a-Service utilizing IT
- LCA-conscious product development
- Pursue energy conservation

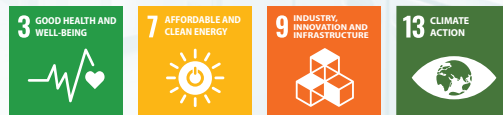
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## Refrigerator and Freezer Operations

**GALILEI**



Adapt to change in the food service industry and create new value and a new market

### Identify demand brought by change and seize the opportunity

The overall market size of the food service industry has fallen by some 30 percent due to the COVID-19 pandemic. These days, people more often cook and eat at home or buy ready-made meals, but they still find eating out a fascinating experience as it offers an opportunity to enjoy something different that they cannot otherwise enjoy at home or to have a good time with family and friends. There is no doubt that people will eat out again in a way that suits the needs of the times.

As people's eating habits and dietary patterns are changing, it is our mission to adapt to change and support our customers. We are therefore considering developing new products for the new normal and plan to launch them in a timely manner.

The commercial refrigerator and freezer series, The Galilei, which has undergone design and functionality improvements, is rated as one of the most energy efficient product in the commercial refrigerator and freezer category.

We seek to remain number 1 in terms of energy efficiency. We anticipate that the rapid increase in food deliveries and takeouts will create demand for cooling and freezing equipment to prevent food poisoning and other food hygiene problems and we believe it will be a great opportunity for us. The market for Blast Chiller which is used for cooling and freezing food, for example, has expanded from food production factories and mega-kitchen facilities to the food service industry.

The electrolytic dilute sodium hypochlorite generating system, FE Clean Water, has been attracting attention in terms of food safety and hygiene to prevent viral infection. This year, we are focusing on a so-called mountain climbing approach, which is a made-up word. It means that we will change our traditional approach and move up from the tertiary industry

to the primary and secondary industries. Together with our group companies; Takahashi Galilei, Galilei Panel Create, and Shoken Galilei, we are uniting our efforts, under the slogan of mountain climbing, to gain more opportunities to be of service to food processors and food manufacturer.



Electrolytic dilute sodium hypochlorite generating system, FE Clean Water

### Marketing for HACCP-compliant solutions prior to its full enforcement

In June 2021, all food business operators will be required to put a food safety and hygiene management system in place, which complies with Hazard Analysis and Critical Control Point (HACCP). Japan has its own food safety and hygiene management standards, but some food business operators are also HACCP compliant. All food business operators, including the food service industry, will be required to comply with the international standards.

We will accelerate marketing efforts for HACCP ExAround and HACCP master V3, both of which are the HACCP support systems developed and sold by us. HACCP master V3 enables temperature and hygiene data to be controlled and recorded by IoT in the entire food service process and automates HACCP hygiene control, resulting in the improvement in work efficiency and labor savings. Our strengths lie in the ease of customization that only we can perform and our ability to precisely meet customer needs, and we plan to expand our target industries to the entire food service industry.

With HACCP master V3, temperature control in the entire food service process, from ingredient deliveries and food preparations to food consumption, as well as staff's temperature and personal hygiene checks can be centrally managed. Customers can rely on us for HACCP control with confidence.

Through its business activities, the Galilei Group helps to change consumers' lives for the better and promotes CFC-free refrigerants and CO<sub>2</sub> refrigerants to protect the environment.

*The Galilei*



The Galilei Series

## Showcase Operations

**GALILEI**



Protect the earth, save lives, create the stores of the future, from a cutting-edge technological perspective

### A rise in demand for food products from people cooking and eating at home and the relaunch of "CLAIR Send – you"

Our business activities are closely linked to the trends taking place in supermarkets, convenience stores, and drug stores. In FY2020, there were many cases where food retailers postponed plans to open new stores due to the impact of COVID-19. Nevertheless, more people started to cook and eat at home and demand for food products from these people rose as a result. Against this backdrop, we are focusing on ensuring food safety and hygiene and providing after-sales maintenance services. In the previous financial year, "CLAIR Send-you", an open refrigerated showcase with a separate freezer, was redesigned and relaunched for the first time in 14 years and it has been well received by customers. We understand that its popularity is due to the fact that the product is suitable for any type of store and designed to present food products in an attractive manner, as well as it is energy efficient, durable, and easy to handle. In order to make this product even more useful to customers, we listen to customer feedback and continue to make improvements.

### Aggressive AI applications in retail stores

In recent years, AI retail technology has been attracting attention. In the previous financial year, the Galilei Group launched a "Retail AI Showcase" system in alliance with an IT company. With this system, a smart camera mounted on the showcase monitors on-shelf availability and inventory in the showcase and sends a replenishment alert to the storage area behind the store when the inventory falls below a specific level. Specially made shopping carts are equipped with a self-checkout feature. Customers scan products they want to buy as they place them into the cart and walk through a specially made checkout aisle to pay for them. There is no face-to-face contact with cashiers. By developing systems like this, we offer solutions for sales losses, labor shortages, increased labor costs, and long waiting time at checkout counters, supporting manpower savings and automation in the retail industry.

The Galilei Air-tec System is another AI solution for controlling in-store air conditioning systems we have developed. Showcases and air conditioning and ventilation systems are usually controlled manually and individually, but now with the Galilei Air-tec System, they are all controlled by sensors installed at various parts of the store, increasing in-store comfort, labor savings, and energy efficiency. Moreover, maintaining appropriate in-store temperature and humidity levels helps to control condensation and mold growth and is also beneficial to the maintenance of equipment.

### Committed to protecting the earth and saving lives with food service solutions

The Galilei Group has set out two major goals in its Sustainable Development Goals (SDGs) declaration. They are "improving the quality of people's eating habits" and "taking better care of the global environment." The goal "adjusting to and mitigating climate change", in particular, is a challenge that Showcase Operations staff must face. Specific initiatives that we have undertaken to promote CFC-free refrigerants include the development and delivery of freezing equipment with replacement CO<sub>2</sub> refrigerants in February 2015. Unfortunately, only seven stores have had this equipment installed by FY2019 because of safety concerns and cost constraints. To overcome this situation, we take advantage of the trust and confidence that we have earned from our customers when we approach them. We plan to increase the number of stores with the equipment to 200.

We are in the middle of the global COVID-19 pandemic and people are paying more attention to keeping the economy going while saving lives. We are very aware that our business activities are closely linked to people's dietary habits and lives and we remain committed to providing support to economic activities that are friendly to both people and the environment.

**CLAIR**  
Send-you





OVERVIEW OF EACH OF OUR OPERATIONS

## FMS Operations

**GALILEI**



Improve product development capabilities to contribute to medical advances

### Good performance in the regenerative medicine and pharmaceutical markets

The ongoing COVID-19 pandemic has invigorated the drugstore market and the food research and regenerative medicine fields while many hospitals, clinics, and dispensing pharmacies have been financially struggling. Market trends have changed significantly.

The FMS Operations division, which specializes in products used in pharmaceutical and medical research fields, struggled to perform well in the domestic market in April and May. Its overseas operations in Asia were even more unsatisfactory due to lockdown. Sales of prefabricated refrigerators in the regenerative medicine and pharmaceutical markets rose and the food manufacturing market showed strong performance although there were variances in each domestic market segment. Overall, the FMS Operations division performed far better in the first half of FY2020 than the previous year.

### Attempt to develop products requiring higher technical capabilities

We deal in an extensive range of products in the FMS Operations division and medical cool boxes are one of our flagship products. We have consistently expanded the product line and market share since the establishment of the FMS Operations division in 1999. Unlike multi-purpose cool boxes, medical cool boxes need strict temperature control to prevent temperature fluctuations. As a result of our intensive research and technical development, our medical cool boxes enjoy the industry's highest temperature precision in their product category. The FMS Operations is a newer business area for us, but we have earned customers' trust as described above. We will continue to focus our efforts on improving product features, including energy-saving features, and services and offering products and systems that reflect customer trust and market feedback. Currently, we are developing new ultra low temperature freezers for pharmaceutical companies, universities, and research institutes. They will be

used for cutting-edge research such as iPS cells and marketed as a high-end, advanced technology product.

However, it takes time and effort to search for many types of specimens stored for a prolonged period of time. The new product will have a built-in specimen search solution as well as IoT functions and a touch panel, along with other standard features. It is scheduled to be launched by the beginning of the next financial year. This new ultra low temperature freezer is expected to supplement the high-end product line of the FMS Operations division and to serve as a stepping stone to further growth and development of the operations. We are actively delivering digital transformation (DX) in product development in this way. For example, we are developing products for regenerative medicine that monitor the operation status of various equipment with IoT. For prefabricated refrigerators used for pharmaceutical purposes, we are proposing our HACCP support system, "HACCP ExAround", to control pharmaceutical storage temperatures. The system is scheduled to be installed at many customers by next spring. We believe that delivering digital transformation as more widely as possible through many development projects like these is what we should prioritize in the future.

### Good health and well-being

We actively undertake SDG initiatives. Among 17 SDG goals, there are several goals that we should achieve in the FMS Operations and the goal "good health and well-being" is our most important goal of all. Advances in regenerative medicine, for example, will help to improve the quality of life (QOL) of patients with incurable diseases and help as many people as possible to return to social participation. A large number of people are involved in regenerative medicine. We are one of those who aim for medical advances. We are absolutely certain that our work in the FMS Operations will help to achieve the goal "good health and well-being."

OVERVIEW OF EACH OF OUR OPERATIONS

## Service Operations

**GALILEI**



Take a different customer approach according to their circumstances and improve services to become a top regional leader and then a top market leader in Japan

### Approach customers differently according to their business conditions

The Service Operations division is responsible for product repair, servicing, and maintenance. Sales from showcase repair for retailers, such as supermarkets and drugstores, rose as a consequence of more people cooking and eating at home, but sales in the food service industry declined. As a result, the overall performance of the Service Operations division in the first half of the FY2020 was in line with the previous year.

It is worth noting that we lent the electrolytic dilute sodium hypochlorite generating system, FE Clean Water, and Blast Chiller, free of charge to our food service customers who were still in financial difficulties, and subsequently provided full maintenance services. We also offer a direct follow-up service called "Plus One Service." When we visit customers for repair or servicing, we listen to their problems, if any, and offer solutions. Those customers who are performing very well, such as supermarkets, are more willing to make capital investments. We identify their needs for equipment upgrading when we visit them for repair or servicing and actively approach them for investment opportunities.

### Prompt and appropriate repairs and pre-failure servicing

To improve the overall performance of the Service Operations division, we established the Service Strategy Office in FY2020 and are making preparations for a service called S-net that is linked to other systems and sends pre-alerts for potential equipment failures. A specific example of our efforts to improve the Service Operations is a "Zero Call Company" project. Under this project, a network of technical staff is assigned to prevent potential equipment failures and provide equipment repair and maintenance services nationwide by using their skills and digital technology. This will enable us to move away from the traditional approach for providing repair and maintenance call-out services.

We also aim to improve our service quality and reduce costs as well as streamline the engineer support system. The service is scheduled to become operational in the first half of the next financial year. In anticipation of the service being linked to Fukushima S-net 24 which remotely monitors equipment's temperature, operation, and electricity usage, we are in the process of developing a system which makes it possible to identify each model's potential failures and repair descriptions from its repair history.

### Environmentally-friendly top regional leader who is on customers' side

One of the important activities of the Service Operations division is to manage CFCs used for our commercial refrigerators and freezers and refrigerated and freezer showcases. We operate the Service Operations in accordance with Act on Rational Use and Appropriate Management of Fluorocarbons and, for environmental protection purposes, we make every effort to ensure that no gas leaks occur and to reduce the use of CFCs.

We aim to be a top regional leader in the commercial kitchen equipment and refrigerated and freezer showcases market. We have stronger alliance with Takahashi Galilei Co. Ltd. and provide sales promotion support for its Tunnel Freezer® in various areas of Japan. The company name change in the previous financial year made it easier for us to collaborate more closely within the Group. Through the sales promotion support we provide to Takahashi Galilei, we expect the group collaboration to be even stronger. To be a top regional leader, we need to improve the service that we offer to our customers. In this sense, our service engineers will act as total equipment advisors who are capable of dealing with many types of models including other companies' products. We also need to secure more staff in major cities in Japan, such as Tokyo, Nagoya, and Osaka. By providing services that suit individual regions and becoming a top leader in each region, the Galilei Group aims to ultimately become a top market leader in the country.



## Engineering Operations

GALILEI



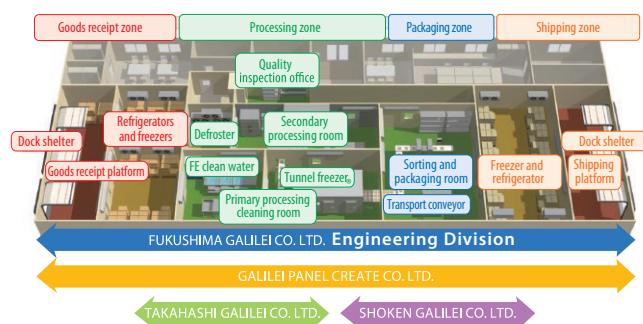
Our strength lies in working with customers and offering total management solutions.  
Group synergies for added advantages

### Market hanging in the balance

The Engineering Operations division, which offers solutions for food production factories and low temperature warehouses, performed better in this financial year than the previous financial year. According to our analysis, the good performance is closely linked to a significant increase in sales of frozen food products purchased by consumers cooking and eating at home during the COVID-19 pandemic and food manufacturers' more aggressive capital investments. However, the outlook of the Engineering Operations still hangs in the balance as some food manufacturers are postponing factory opening plans and the way that food is served is changing. Our overseas expansion has also been affected by lockdown in other countries.

### Unite efforts, climb a “mountain” and grab opportunities

We offer not only refrigeration and freezing equipment, but also total management solutions for food production factories. We take advantage of a network of business operations in the Galilei Group and focus on the synergies of the proposal, design, and construction capabilities of the group companies. By combining their products and technical capabilities, we meet customers' diverse requirements for refrigeration and freezing equipment to thermal insulation panels and production lines.



From FY2020 onward, all sales divisions of the group companies unite their efforts in the food supply chain to move up from the

tertiary industry (e.g. retailers and wholesalers) to the secondary and primary industries as if they were climbing a mountain. For example, to win customer orders, the Engineering Department of Fukushima Galilei Co. Ltd. works with Takahashi Galilei Co. Ltd., which targets leading construction companies and facilities and equipment company, and with Galilei Panel Create Co. Ltd., which targets food production factories. This multi-channel approach brings us new business opportunities.

This network is one of the Galilei Group's greatest strengths and the group collaboration is gradually beginning to bear fruit. By further enhancing the group collaboration, we continue to aim for total management solutions that satisfy customer needs.

### Propose, create, and implement, and then look to the future

We do not just offer products, technology, construction services, or equipment and operation support. We do take the future of our customers and society very seriously. We at the Galilei Group have made a Sustainable Development Goals (SDGs) declaration and promote the introduction of systems with CO<sub>2</sub> refrigerants to protect the environment. Currently, CO<sub>2</sub> refrigerants are more commonly used in large companies and organizations operating for the good of the public such as cooperatives. Amid increased market needs for CO<sub>2</sub> refrigerants, we intend to take the initiative in making proposals and promoting and expanding the use of CO<sub>2</sub> refrigerants.

As mentioned earlier, the Engineering Operations division offers total management solutions for food production factories. We specifically plan to set up a production equipment design section and a total equipment section and train and develop design engineers and construction engineers for the respective sections. As you can see from our policies and concepts mentioned earlier, our vision is to become an unparalleled, smart equipment and facilities company with unrivaled creativity that is always on customers' side and grows and evolves with them. With the Galilei Group's synergy, brand power, and collaboration of the group companies and various business divisions, we are confident we can achieve the vision.

## GALILEI PANEL CREATE CO. LTD.

GALILEI



Explore a new market with stronger marketing and technical capabilities and an excellent workforce.  
Be a total panel manufacturer.

### Product development and new market exploration

Galilei Panel Create Co. Ltd. manufactures high performance thermal insulation panels used for hygiene management and temperature control, and designs and creates work spaces for which our panels are used. With a wide array of products and unique design and construction technologies, we have expanded our business domain to various work spaces, including refrigerators and freezers for food production factories, and clean rooms in plant factories and pharmaceutical and precision instrument manufacturers. We actively play our part in protecting the environment. For example, we use HFO (hydrofluoroolefin), a new foaming agent kind to the environment, for non-fluorocarbon panel “econe” which was launched in 2019. The product is of good quality (thermal insulation and appearance) and effective in protecting the environment.

econe

#### Eco + Connect + Earth

- Eco** — Environmentally friendly panels
- Connect** — Bringing together Galilei Group and our customers and even our customers' customers
- Earth** — Connecting the environment, the land and the earth



Currently, we are exploring new demand in a non-refrigeration field and have recently exhibited two ceiling panels in a trade show. One of them is a ceiling panel with built-in LED lights. Lighting work can be carried out simultaneously when a panel is installed. The other is a system ceiling for clean rooms in medical facilities and semiconductor plants. There are many other work spaces, other than clean rooms, that require higher levels of hygiene management and temperature control. Computer server rooms are one of our targets. Furthermore, we consider thermal insulation companies and panel companies for our possible M&As and also carry out interior product development (walkable clean room ceilings and clean room

panels), internal semi-production of fire-proof panels, and system ceiling technology development.

### Enhanced marketing and purchasing capabilities and increased ability to deal with bigger orders

In the Galilei Group, all sales divisions of the group companies work together to win customer orders and move up the food supply chain from the retail and wholesale industries (tertiary industry) to the processing industry (secondary industry) and production (primary industry) as if they were climbing a mountain. We have a three-company collaboration arrangement with the Engineering Department of Fukushima Galilei Co. Ltd. and Takahashi Galilei Co. Ltd. Through this arrangement, we are in a strong position to market our panels in all operations of the Galilei Group and we aim to win orders for small panels in all business transactions led by the group companies. Winning bigger orders is another important future strategy for us. We will make extra marketing efforts to attract leading construction companies, facilities and equipment companies, engineering companies, and design companies, and target bigger orders when using sales channels. We have opened six sales offices throughout Japan to restructure the sales force. In addition to strengthening the sales structure, we seek to win more orders by improving the construction process, product quality, and safety, expanding development capacity, and changing purchasing practices to maintain high quality and improve cost effectiveness.

Internally, we will pursue digital transformation (DX), increase work efficiency and productivity, and improve employee training programs and change the way we work. We aim for a better working environment and higher employee competence.

The company name change and the relocation of the head office in the previous financial year were a tremendous boost to the Galilei Group's brand power. Backed by the Group's synergy, we explore a new market, improve our technical capabilities, and strengthen our workforce. We create the value society expects and aim to be a total panel manufacturer that makes a positive contribution to realizing a sustainable society.



OVERVIEW OF EACH OF OUR OPERATIONS

## TAKAHASHI GALILEI CO. LTD.

GALILEI



Business expansion through business collaboration leads to a better society and a better Takahashi Galilei

### Business collaboration is the key to opening up the future

Takahashi Galilei Co. Ltd. has long contributed to the improvement of productivity of food production factories, with its flagship product, Tunnel Freezer® quick-cooling quick-freezing system. In Japan, many of our new customers who are small and medium-sized companies have refrained from making capital investment decisions. Our overseas operations have also been badly affected by COVID-19 and we have only recently resumed operations. Fortunately, we have begun to receive orders from large companies as a result of our aggressive marketing efforts backed by the Galilei Group's enhanced business collaboration and strong brand power. We are stepping out efforts to resume overseas operations in partnership with the Overseas Business Department of Fukushima Galilei Co. Ltd. We are making steady progress and moving forward.

### Aiming to be the number one company in the domestic freezing sector

Our research and development is undertaken by a product improvement team and a product upgrade and development team. We conduct digital transformation (DX) research in preparation for the launch of Fukushima Galilei's remote monitoring system. However, we deal in large-scale products and we alone cannot make them versatile, but we can and will use the Galilei Group's collaboration to our advantage. We make production line proposals to food production factories that use cooling and heating equipment and automated transfer equipment with Tunnel Freezer® as their main equipment, and actively involve ourselves in their overall line design and equipment selection. We also build and enhance our software

development capacity for system integration.

Our future business plan is to make aggressive efforts to increase market share of spiral freezers which are suitable for mass production, and relaunch LSHOOK®, an alcohol-type product we used to market, to expand our product line. By increasing the product line, working closely with the Engineering Department of Fukushima Galilei to offer total solutions to food production factories, and building capacity to meet customer needs, we strive to be the top company in the domestic freezing sector.

### Greater collaboration to create a better society

We do not only play our part in delivering tasty food that is safe to eat, to consumers. Another vital mission of ours is to help to reduce food waste by extending the best before date or the use-by date. In order to achieve this mission, it is important to save energy and address problems associated with food.

Saving energy and addressing food problems is about rising to the challenge of achieving one of the Galilei Group's SDG goals, "improving the quality of people's eating habits." The level of our achievement of this goal can be measured by the quality and precision of the freezers we make. To raise the level, we encourage our employees to look at technical development from the perspective of the SDGs so that our products will be even more beneficial to society. We are contemplating extending the collaboration within the Galilei Group to include other companies and universities. Currently, we are making preparations to participate in an industry-academia collaborative project along with Fukushima Galilei. We are hopeful that if we can build a creative business model for us as a company involved in the food supply chain from distribution through processing to production, we can make an even more contribution to society and improve our operations at the same time.

OVERVIEW OF EACH OF OUR OPERATIONS

## SHOKEN GALILEI CO. LTD.

GALILEI



Aiming to be a robot system integrator that identifies what good food production factories should be.

### Focus on demand and capital investment trends

Shoken Galilei Co. Ltd. manufactures and markets food production factory equipment and drive systems. Our strategic theme is "be a robot system integrator and let it be the second pillar of our business operations." We achieved growth, albeit minor, in the first half of this financial year, compared with two financial years ago. The growth was due to a rise in orders from customers dealing in fresh and chilled food products as more people were cooking and eating at home during the COVID-19 pandemic. Customers' investment commitments have somehow bounced back in the second half of the year and we have started to receive rather small-scale but urgent equipment upgrade or improvement requests. We expect that once the COVID-19 pandemic has subsided, the market will go through a new transformation and then eventually return to what it was before. We should keep a close eye on demand from consumers for eating out and eating in as well as customers' investment trends.

### A robot system integrator who can accurately identify customer needs

Traditionally, we have provided full custom made automation, manpower saving, and labor saving solutions for food production factories. We expect to see new challenges and needs after the pandemic. Take the 3Cs (closed spaces, crowded places, and close-contact settings) for instance. Many food production factories still rely on manual work, putting their workers at higher risk if they cannot keep a safe distance from each other. We actively attempt to advertise solutions that address this problem and meet customers' needs by taking part in exhibitions and increasing the frequency of promoting food production line systems. Robotization is sweeping through the food industry. As mentioned earlier, we plan to be a robot system integrator and let it be the second pillar of our business operations. To this end, we are in the process of training and developing engineers,

working with system manufacturers, collecting more knowledge and information about 5G image processing, and attracting more human resources. It is true, however, that some trade inquiries from customers are unlikely to bring investment benefits to them or are not suitable for robotization at all. Robotization should be regarded as one of automation, manpower saving, and labor saving solutions. For this reason, we will not just be a robot system integrator, but will be an expert who can make the right decision about the value of robotization for our customers. We focus on accurately identifying benefits that will be brought to customers and offering suitable solutions to them.

### Food production factories with IoT applications

The Galilei Group is doing its best to achieve the goals set out in its SDG declaration. We are certain that our pursuit and improvement of automation, manpower saving, and labor saving solutions will lead to safety and consistency in food processing and improved quality, and help to reduce food waste mentioned in Goal 12: "Responsible consumption and production." IoT in food processing will further improve quality and productivity. In factories with IoT, equipment status will be monitored in real time and the data will be collected to be used for production management. Unlike the automobile industry in which IoT is widely applied, the purposes of and needs for IoT applications in the food industry have not been fully established and standardizing factory equipment specifications remains a challenge. We look ahead from the perspective of total production equipment and strive to be an expert in identifying what a good food production factory means to customers. We changed our company name to Shoken Galilei to coincide with the establishment of the Galilei Group in the previous financial year as we share the same goals with the Group. We have since actively collaborated with the group companies. Leveraging the united brand power, we are committed to expanding our business domains in the food industry and rising to the challenge of creating new value.



# FOREIGN OPERATION

Market advanced technologies, offer a range of total solutions, deepen and evolve operations, and get involved in the food industries of other countries in pursuit of true globalization

## In pursuit of new projects in the market during the COVID-19 pandemic

Fukushima Galilei has operated overseas for over 40 years. We now operate in China and 10 countries and regions in Southeast Asia, supporting Japanese companies in their overseas expansion and providing product marketing and maintenance services. As a result of the impact of COVID-19, sales in the first half of FY2020 were down some 54 percent from the same period in the previous year. It was mainly due to the fact that the food service industry came to a virtual standstill and our manufacturing and sales activities as well as associated construction services also came to a halt as a result. Although the retail industry has started to show signs of bouncing back, it has not yet made capital investment commitments. It is likely that this severe situation is here to stay for quite some time.

Recently, the “High-Performance Ventilation, Air Conditioning, and Showcase Multi-Control System for Supermarkets in Asia” project was approved by the “FY2020 Creation and Dissemination Project of Low Carbon Technologies for Developing Countries through Co-innovation” undertaken by the Global Environment Centre Foundation (GEC). To describe the overview of this project, we will install our Galilei Air-tec System in supermarkets in Indonesia, Vietnam, and Thailand to automatically and centrally control in-store air conditioning and showcases for both added comfort and increased energy efficiency and also to control condensation and mold growth. The system is also beneficial to in-store hygiene and equipment maintenance. The purpose of this project is to examine business issues associated with marketing of the Galilei Air-tec System. We expect that the introduction of the system to Southeast Asia is more beneficial because of its climate than in Japan, but we still need to collect comprehensive data as to how long it will take to recover initial investments and what appropriate temperature and humidity levels will be for local users. Our joint project partner supermarkets intend to install the system to all of their stores

while government-owned supermarkets and home-grown business conglomerate supermarkets in the target countries have shown a strong interest in using the advanced technology. We are therefore optimistic about the Galilei Air-tec System's further expansion once it has become widely known as a successful business model.

## “Deepening” and “evolution” for true globalization

We have long worked closely with the group companies in overseas sales operations to approach restaurants, retailers, and food manufacturers beyond the industry boundary. We are strengthening group collaboration in the Galilei Group and we will use this as a new opportunity to increase sales in the Fukushima Group's business areas.

When several types of production equipment and freezing and refrigeration equipment are installed in a building in Japan, each piece of the equipment is usually handled by its specialist manufacturer. In our overseas team, however, we offer one-stop design, construction, and maintenance services and oversee the whole project. For this reason, we often receive technical advice from other companies, and if we take advantage of the know-how that we have accumulated, we will be able to propose enhanced total solutions, including agency services, for our customers. These days, we provide more maintenance services in the Engineering Operations division. We will improve and strengthen the operations and perform capacity building for engineers and also actively approach convenience store chains and small retailers to market retail products which will be developed and produced in an overseas factory next year. We seek to deepen and evolve our operations as a global company by offering solutions brought about by taking the characteristics and actual status of each market and each sector into consideration and by taking advantage of the group's collective strengths.

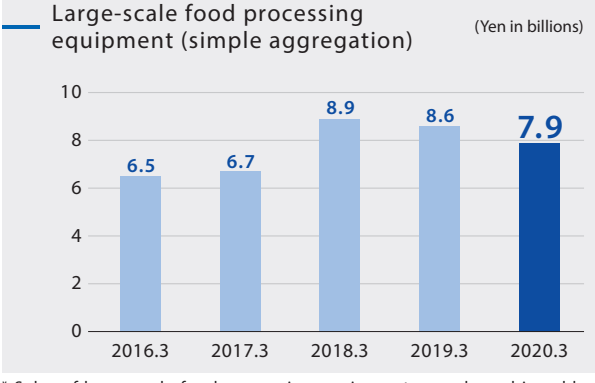
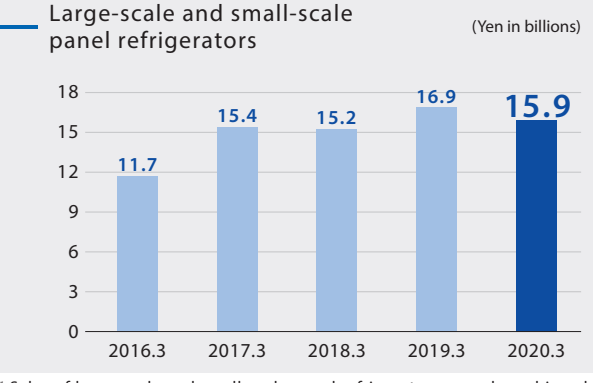
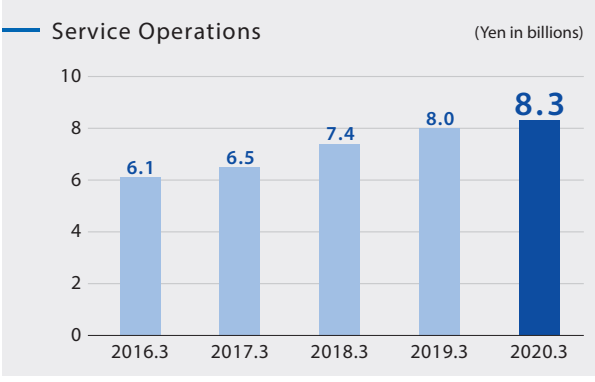
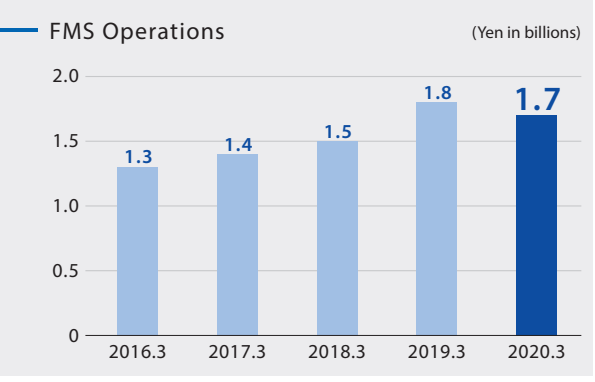
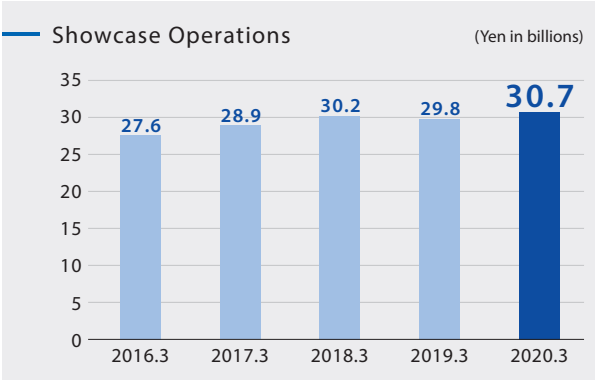
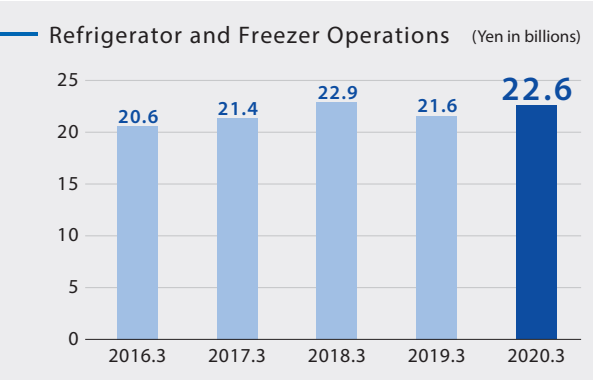


Topics

### FY2020 Creation and Dissemination Project of Low Carbon Technologies for Developing Countries through Co-innovation

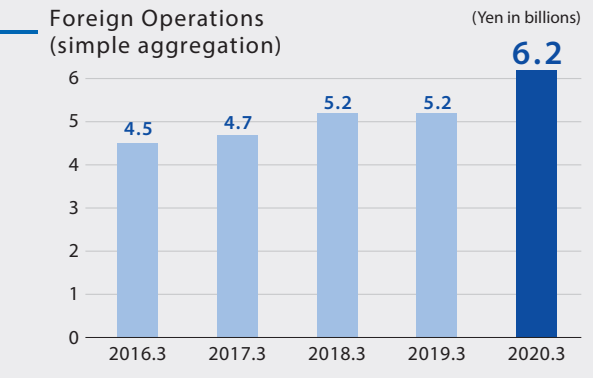
The “High-Performance Ventilation, Air Conditioning, and Showcase Multi-Control System for Supermarkets in Asia” project has been assessed for the FY2020 Creation and Dissemination Project of Low Carbon Technologies for Developing Countries through Co-innovation by the Global Environment Centre Foundation (GEC). The project has been given in-principle approval for the subsidies.

# Sales Trends by Operation

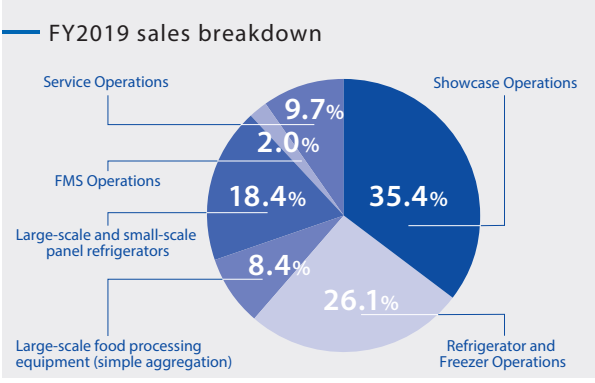


\* Sales of large-scale and small-scale panel refrigerators are sales achieved by the Engineering Operations division and sales achieved by Galilei Panel Create Co. Ltd. combined.

\* Sales of large-scale food processing equipment are sales achieved by Takahashi Galilei Co. Ltd. (excluding Service Operations) and sales achieved by Shoken Galilei Co. Ltd. combined.



\* Sales achieved by the Foreign Operations division are included in sales achieved by the Refrigerator and Freezer Operations division and sales achieved by the Showcase Operations division.





# Environmental Policy

It is our goal to be an "Eco Partner" that can provide environmentally friendly products, systems, and services.

### Basic Environmental Philosophy

Fukushima Galilei Co. Ltd. recognizes that making our operations environmentally friendly is an important management issue and we will continuously and actively pursue initiatives that give consideration to the effect on the environment. As part of our "Happiness Creating" activities, based around "ECO-tech", it is our goal to be an "Eco Partner" that can provide environmentally friendly products, systems, and services.

### Basic Environmental Policy

- 1

In the manufacture, sale, construction, and maintenance of commercial refrigerators and freezers, showcases, prefabricated compartments, and other related devices and systems, as well as the provision of store systems, we will provide and propose products and services that will reduce the burden our customers place on the environment.
- 2

We will endeavor to make continuous improvements to our environment management systems, while at the same time gaining the best understanding we can of the effects that our operations have on the environment and preventing pollution.
- 3

We will strictly adhere to the laws, regulations, guidelines issued by the industry bodies and communities of which we are members, and any other requirements that we have taken upon ourselves and work on environmental management.
- 4

Of the environmental impacts caused by our business activities, we are addressing the following items as major issues.

1. Actively selling products and systems that give consideration to the environment

2. Reducing the impact of CFCs on the environment

3. Reducing waste product emissions

4. Reducing the amount of energy used

5. Reducing the amount of material used and consumed
- 5

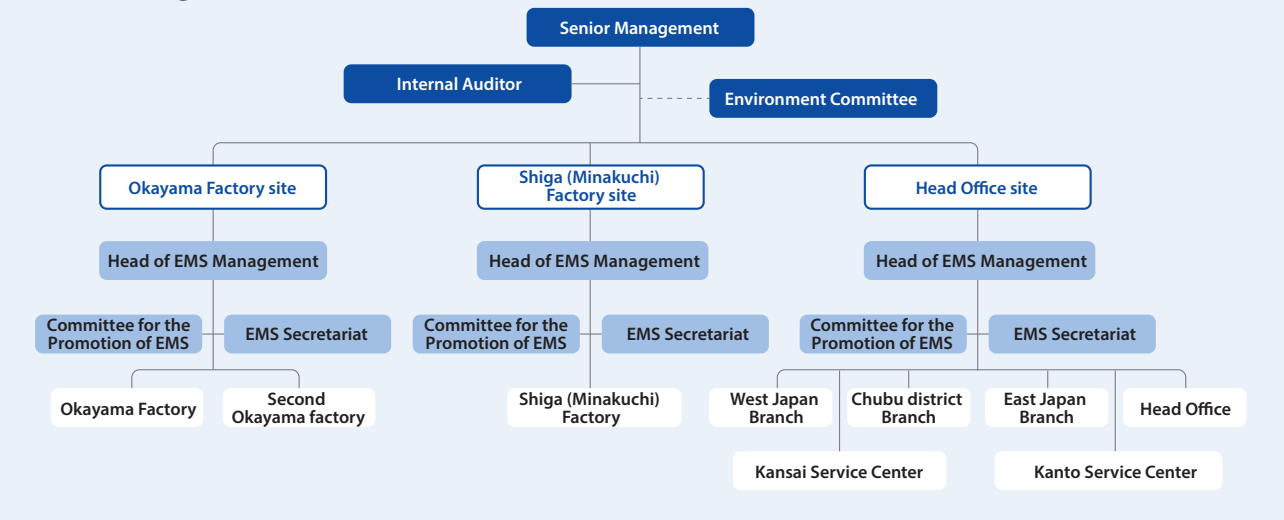
We will establish environmental goals and targets, create an action plan, and implement it.  
We will also regularly review these and revise them as necessary.
- 6

We will document the environmental management system, and maintain the environmental management system according to the content of that documentation.
- 7

We will make this environmental policy known to all employees, and increase awareness of the importance of environmental conservation through education.  
In addition, we will make know this environmental policy and our initiatives to the corporate partners to which group companies deliver, receive from, or cooperate with, seeking their understanding and support.

### Framework for Promoting Our EMS

We are undertaking a variety of activities to promote the EMS, centering on the Committee for the Promotion of EMS, setting environmental targets and assessing our performance against them.



### Environment Auditor

In order to confirm that the EMS is functioning effectively, we will implement an annual internal audit and also invite auditing by an external certification body once per year. Internal Auditors shall participate in seminars for the training of internal auditors and will be selected from amongst those registered who have the recognized skills. There are currently 60 registered participants.

### Committee

Each site has a Committee for the Promotion of EMS under the Head of EMS Management that exchanges a variety of information and which meets regularly to set and review targets and observe progress. The actual numbers of committee members in 2019 were 36 at the Head Office site, 22 at the Shiga (Minakuchi) Factory site, and 21 at the Okayama Factory site. In the 2020 financial year the numbers running the program are 32 at the Head Office site, 21 at the Shiga (Minakuchi) Factory site, and 21 at the Okayama Factory site.

### Environmental Education

There will be environmental education provided once per year for all employees (full-time employees, part-time employees, temps, contractors) based on the annual education plan. The recovery of CFCs is an environmental activity that we are deeply involved with, and we have established our own certification standards, and we ensure that recovery operations are performed by certified registrants. We are constantly improving the abilities of our CFC recovery technicians through such programs as yearly emergency response training.

### ENVIRONMENT TOPICS



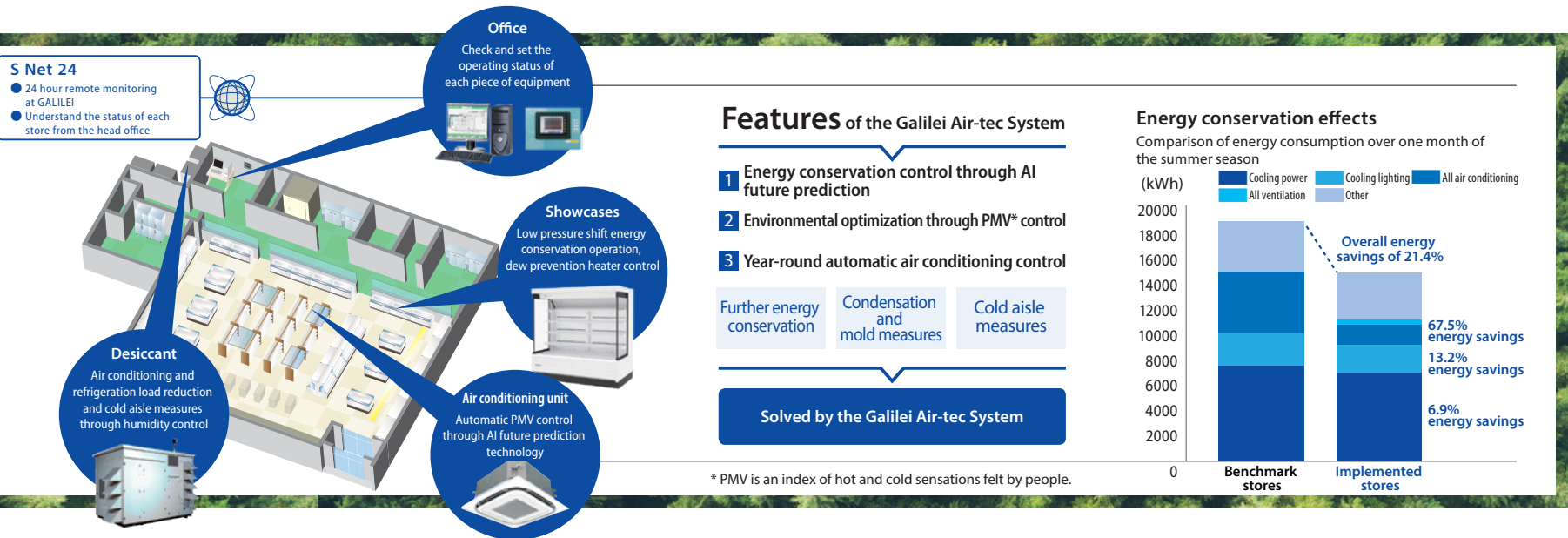
### Next-generation air conditioning “Galilei Air-tec System”

The “Implementation of Comfortable Store Energy Conservation Through PMV Control Utilizing AI Technology” project was awarded the FY 2019 Energy Conservation Grand Prize in the Energy Conservation Best Practice Category by the Minister of Economy, Trade and Industry.

Simultaneously achieves the optimization of the food supermarket in-store environment and comfortable energy conservation

### Galilei Air-tec System

The Galilei Air-tec System conceived by comprehensive store planner GALILEI GROUP resolves various environmental problems at supermarkets such as energy conservation, manpower saving, sanitation management, and comfort.





Environmental Record

Environmental Record of the Head Office, Eastern Japan Branch, Chubu Branch, and Western Japan Branch

Head Office, Eastern Japan Branch, Chubu Branch, and Western Japan Branch

TOPICS

Number of Premises in the Energy Management Store Program

460premises

Reduction in Power Consumption due to Energy Management


10.1% reduction

Since its release in 2012, the number of premises using the "Bems-you" system to manage energy was 433 in 2018, and this risen to 460 premises now. For the premises that are being managed, we have implemented optimal control of refrigerator and freezer facilities, installed inverter freezer units, and proposed operational improvements for demand control air conditioning units. For premises that have implemented Bems-you and acted on energy management, there has been an average reduction of 10.1% in power consumption in the premises.

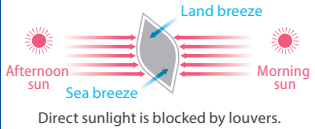
**Bems-you** Refrigerators and freezers, lighting equipment, and air conditioning systems account for 90 percent of electricity consumed in a supermarket. Refrigerators and freezers, in particular, account for as much as 60 percent of the supermarket's electricity consumption. They are possibly the most effective energy-saving equipment. The "Bems-you" energy management system is an energy efficient solution conceived by Fukushima Galilei, a specialist refrigerator and freezer manufacturer.

[Galilei head office building]

An energy efficient ZEB Ready building aiming for net zero



The Galilei head office building is an advanced "ZEB Ready" building, which is a few step closer to a ZEB\* with significant energy efficiency. The head office building is oval shaped to signify the symbol of the company's predecessor, Fukushima Industries Corporation. Natural energy is effectively used in the building by blocking sunlight from the east and the west and bringing in natural breeze into the building through large louvers according to the wind direction throughout the year.



\* A ZEB is a zero energy building with net zero energy consumption, i.e. the balance between the amount of energy produced and the amount used is zero.

Environmental Conservation Goals and Performance Evaluation  
Head Office, East Japan Branch, Chubu district Branch, and West Japan Branch

Environmental Policy		Environmental Goals	Targets (actions taken)	Performance in 2019	Success rate
Provide products, systems, and services that reduce impact on the environment	Contribute to reducing the environmental burden of the end-user by providing them with products, systems, and services that are good for the environment, safe, and secure, based around ECO-tech	Expand product sales (Target: Total projected sales)	Implementation rate 100%	◎	◎
		Promote and propose long-lasting businesses	Implementation rate 100%		
		Develop and provide energy saving systems	Implementation rate 100%		
		Develop and provide Safe and Secure Contract, systems	Implementation rate 100%		
		Create the promotional material for the above items and provide information	Implementation rate 100%		
Reducing impact on the environment	Ensure that refrigerants are recovered during servicing and when disposing of units	Maintain good records of amount of refrigerant recovered and units destroyed	Implementation rate 100%	◎	◎
		Record the number of gas replenishment events, the amount of gas used, and the monetary value, compensated or not	Implementation rate 100%		
	Investigate the number of gas leakage events and set targets according to the previous year's performance	Ensure there are 4 days per month when overtime is not permitted	Implementation rate 100%	○	○
		Reduce wasteful power use	Implementation rate 94%		
Environmental Education and promotion of information campaigns	Increase employee awareness of environmental issues through environmental education and activities to raise awareness	Organize neighborhood cleanups. Hold group meetings or work improvement meetings	Implementation rate 100%	◎	◎
		Conduct training	Implementation rate 93%		
		Improve employees' performance	Implementation rate 92%		
	Disseminate information about our Environment, Safety, Security program	Take other steps (Prepare a RPA program)	Implementation rate 100%	◎	◎
Compliance with the law	Strict adherence to regulations related to the environment (adherence to environment laws, regulations, and industrial guidelines)	Clean filters once every 3 months	Implementation rate 97%	○	○
		Ensure compliance checks are made	Implementation rate 100%	◎	◎

Environmental Record at the Shiga (Minakuchi) Factory and Okayama Factory

Shiga (Minakuchi) Factory

Reduction in CO<sub>2</sub> equivalent emissions following product redesigning

10%

Reduction in waste

Following the redesigning of main products, CO<sub>2</sub> equivalent emissions of old and new products were reduced by 10%. With R448A refrigerant, GWP was reduced by about 64%, as compared with R404A. R404A annual consumption of 12t was halved to 6t. Product redesigning reduced waste. Annul waste was reduced to 248,400 yen.

Okayama Factory

Commercial refrigerators and freezers

Increase in energy efficiency as compared with conventional models

Vertical type: 18.2%

Horizontal type: 22.0%

Reduction in resin consumption

13.3t/year

Commercial refrigerators and freezers were redesigned and energy efficiency of new vertical and horizontal models was improved by 18.2% and 22.0%, respectively. R404A refrigerant with a higher GWP was replaced with R134a for 80% of vertical models and 100% of horizontal models. Reduction in GWP was about 10% for vertical models and about 30% for horizontal modes on a weighted average basis. Resin parts for the door handle were removed, reducing resin consumption by 13.3t per year. Ant nest corrosion resistant copper tubes were used to reduce gas leaks.

Environmental Conservation Goals and Performance  
Evaluation: Shiga (Minakuchi) Factory

Success rate ◎=100% ○= 80% or more △= Less than 80%

Environmental Policy	Environmental Goals	Targets (actions taken)	Performance in 2019	Evaluation
Prevent global warming (Reduce CO <sub>2</sub> emissions)	Calculate CO <sub>2</sub> equivalent emissions of parts and performance of new and old products and parts in the new product development and product improvement stage. Reduce CO <sub>2</sub> emissions through improvements.	As with FY2018, calculate CO <sub>2</sub> equivalent emissions of new products and parts in the product development, parts design, and performance stage as part of LCA activities. Aim to reduce CO <sub>2</sub> emissions by 10%. Also aim to reduce power consumed for performance tests in the testing wing by 2% from FY2018	The operating status of the cleaning tower in the testing wing regularly checked LED lighting for laboratories in the testing wing 10% reduction in CO <sub>2</sub> emissions following the redesigning of main products	○
	Reduce emissions of greenhouse gases	Reduce greenhouse gas emissions to 2.0% below the 2018 financial year level	6.5% reduction compared to 2018	◎
		Increase value added per hour at the factory to 105% compared to the 2018 financial year level	3.5% increase in production of compartments per hour compared to 2018	○
		Reduce power consumption to 2.0% below the 2018 financial year level	5.0% increase in value added per hour compared to 2018	◎
		Reduce LPG consumption to 2.0% below the 2018 financial year level	5.3% reduction compared to 2018	◎
	Reduce amount of material used and consumed.	Reduce paper use to 2.0% below the 2018 financial year level	8.9% reduction compared to 2018	◎
Use resources effectively	Reduce industrial waste generation to 2.0% below the 2018 financial year level		Digitizing test sheets of the heat exchanger team and the inspection team resulted in reduced paper use, but redesigning the CLAIR series significantly increased paper use. 2.4% increase compared to 2018	○
			2.3% increase compared to 2018	○
Reduction in industrial waste and appropriate disposal	Reduce specially controlled industrial waste generation to 2.0% below the 2018 financial year level		27% reduction compared to 2018	◎

Environmental Conservation Goals and Performance  
Evaluation: Okayama Factory

Success rate ◎=100% ○= 80% or more △= Less than 80%

Environmental Policy	Environmental Goals	Targets (actions taken)	Performance in 2019	Evaluation
Power saving products (Development and Design)	Develop products that consume less power than current products	Commercial refrigerators and freezers redesigned	Production of more energy efficient models started, with 18.2% for vertical models and 22.0% for horizontal models	○
Reducing the environmental impact of CFCs	Ensure recovery of refrigerant	Implement recovery recording using check sheets	Implementation rate 100%	◎
	Control CFC emissions	・ Strict adherence to CFC emissions laws ・ Management and servicing of devices using CFCs	Implementation rate 100%	◎
Reducing the amount of energy used (reducing CO <sub>2</sub> emissions)	By productivity improvements, reduce the power consumed per unit of product by 5% compared to FY2018	・ Improving productivity ・ Switching to energy-saving facilities ・ Visualization of power consumption	1.5% increase compared to 2018	△
	Reduce LPG usage to 5% below the 2018 financial year level	Regular maintenance of coating facilities Reduction in solvent coating defects	1.7% reduction compared to 2018	△
Reduction in waste and appropriate disposal	Reduce LPG usage to 5% below the 2018 financial year level	Reduce parts wasted due to foaming failures or product redesigning	14% reduction compared to 2018	◎
Reducing the amount of material used and consumed	Reduce the amount of copying paper used per product by 3% compared to FY2018	・ Review and abolish documentation ・ Digitize meeting documentation ・ Use the back of a used piece of paper	9.2% reduction compared to 2018	◎



SOCIAL ENGAGEMENT

Programs based firmly in our neighborhoods  
Creating ties with our regional communities

As members of our regional communities ourselves, each of our offices and factories all over Japan participate in neighborhood cleaning activities and contribute in other ways to the areas we are part of. We also contribute to making our lives and societies more dynamic and active by promoting a variety of programs that demonstrate the importance we place on our ties with our regional communities.

1 Exhibition at the KidZania Pavilion



Kids learn the mechanism of cooling, experience repairing and servicing machines, and along with their parents they increase their interest in food

Since 2015, we have had an exhibition at the "Refrigerator Support Center" pavilion in KidZania Koshien (Nishinomiya, Hyogo Prefecture), a place where children can learn about work and society through experience. They can learn the systems used for cooling the showcases that they see in supermarkets and convenience stores, how we keep safe the food they eat every day, how we perform repairs and maintenance, and what it is like to check the monitors. We hope to impress upon the visiting children and their parents an interest in food and the importance of work by teaching them about the products of Fukushima Galilei, an important actor behind the scenes of society.



2 Challenge Course for Children  
Okayama Factory tour

The stage is Sho'o, the local town for the Okayama Factory  
A program to contribute to the local area by teaching children the joy of making things

As part of our contribution to the local community, we organize factory tours every year for children attending elementary schools and middle schools in Sho'o, Okayama Prefecture, the location of our Okayama Factory which has been the backbone of our Refrigerator and Freezer Operations since it was established in 1984. The "Challenge Course" teaches children the joy of making things, striving to get children to discover, learn, and challenge, and it is where the "freezing cycle" is explained to them so they learn about how cooling happens, they experience freezing temperatures of -25°C, and take a tour of the factory to see the steps involved in producing a product. There are some concepts that may be difficult for children, but they are all very serious when it comes to learning about the refrigerators and freezers that are so familiar to them.



3 Refrigerators donated to Children's Cafeteria Network

We donated refrigerators to a Children's Cafeteria Network in Koka City, Shiga Prefecture

The "Children's Cafeteria" has about 3700 locations around Japan, providing meals for free or at minimal cost to children from underprivileged families or whose parents return home late. Osaka Prefecture, where the head office of Fukushima Galilei is located, is the region with the second most number of these facilities nationwide. As part of our social contribution initiatives, we donated commercial refrigerators and freezers (GRD-122PM) to Children's Cafeteria Network Koka overseeing 18 cafeterias in Koka City, where Shiga (Minakuchi) Factory is located.



4 Refrigerators and freezers donated to hospitals

As part of our social contribution initiatives, we donated refrigerators and freezers to hospitals in partnership with We Support.

As COVID-19 continued to spread, healthcare workers were risking their lives and working very hard to treat COVID-19 patients. These frontline healthcare workers were so busy that they had little time to go out for a meal. Staff of Oisix ra daichi Inc. started an initiative to provide meal support for them to maintain good health. In support of this initiative, Fukushima Galilei donated refrigerators and freezers to five hospitals for temporary storage of their chilled foods and drinks.



We Support  
(RCF, Coconet Inc, and Oisix ra daichi Inc.)

POINT

Our new head office can become a place of refuge during an emergency such as a tsunami or flood

The area surrounding the new head office is an area that has a high probability of being hit by tsunami when there is a large earthquake or by flooding due to the riverbanks being breached. The 8-story high new head office has been certified by the Osaka Municipal government as an emergency evacuation point that can be temporarily opened up to neighboring residents during a disaster. There is an emergency generator on the roof that can run the cafeteria on the 8th floor during an emergency or when the power has been cut to provide the residents seeking refuge with the food they need.



# Human Resources Retention and Development

## Work style reform

To respond to the needs of frontline staff who feed the nation, we have actively launched recruitment drives, increasing the number of employees by 500 or so in the last five years. We take the reduction of long working hours and the improvement of the work environment very seriously and take a wide range of measures to attract good talent as well as retain existing employees. Specifically, we have introduced a work interval system to promote a flexible and healthy way to work throughout the Group. The number of employees taking annual leave has been increasing by more than 10 percent each year. In October 2020, we made a “Health Declaration” to promote and provide measures for good health and well-being for the employees.

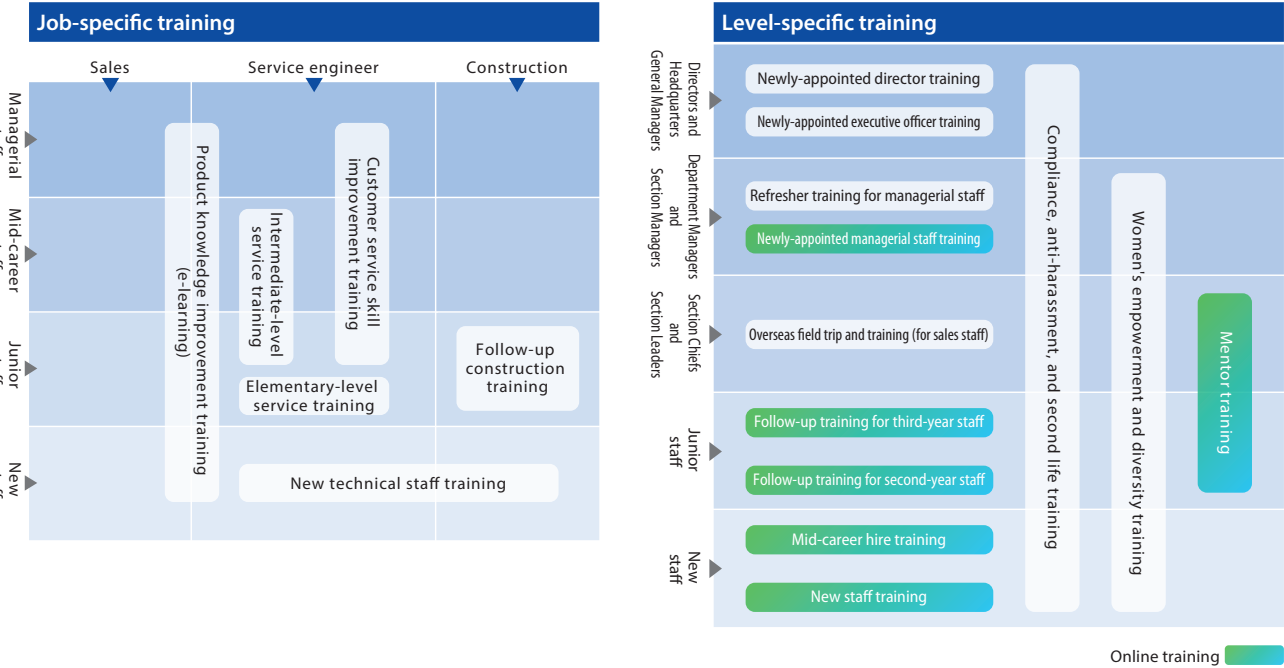
To attract and retain good talent, we also actively convert the status of those in informal employment to regular employees. Each year, more than

50 non-regular employees become regular employees.

In addition, we regularly and carefully review the working hours to improve the way we work. For example, we have work improvement meetings held in each workplace on a monthly basis and have set a three-sentence rule that requires everyone to write an email using up to three sentences.

In the new head office building, no doors are installed between the office area and the staircase at the back on each floor, allowing group companies employees to have unrestricted access and to maximize group synergies by integrating their respective operations and working together without boundaries.

We will continue to reduce the total working hours and further expand the work-from-home scheme to pursue post-COVID-19 work style reform that focuses on the “new normal” way of work.



**POINT**

### Online training

To combat COVID-19, the Galilei Group encourages employees to work from home and/or work staggered hours and keep a social distance in the workplace.

We also have online training courses in our training programs to seamlessly provide training during the pandemic.

### Follow-up training for second-year staff

**Purpose:** The purpose of the training is help second-year employees to be able to work independently and effectively and to prevent them from leaving.

**Description:** The training is designed to encourage employees to reflect on their first year of service, motivate them, and improve their skills in order to make their second-year goals clear and set specific targets.

**Target:** Second-year employees (in career positions and administrative positions, and group company employees)

## Women's empowerment

At Fukushima Galilei, we aim to encourage Galilei Group employees from diverse backgrounds to maximize their potential. To promote diversity, in particular, we seek to be a company where women's empowerment is the norm rather than the exception. To this end, we have set three targets of “hiring”, “retaining”, and “empowering” women in quantitative terms. We have a range of measures in place to provide a good work environment and to support women in working continuously and actively.

- Reduced working hours for child care (Employees with a child under the age of 10 can work reduced hours.)
- Paid child nursing care leave and family care leave
- Follow-up interviews for female employees with babies and/or young children (A three-party interview (i.e. employee, supervisor, and human resources manager) is conducted to discuss the situation and share necessary information when the employee reports her pregnancy, before she returns to work after child care leave, when she receives a nursery place while she is on child care leave, and after she has returned to work.)
- Pair Transfer Program (This is a program that allows an employee to request a job transfer to her preferred branch/office (or regional location) when she gets married or her spouse is transferred.)
- Welcome Back Program (This is a program that rehires an employee who has left the company to care for her children or family members.)
- Family Support Program (This is a program under which the company pays the full costs of transportation, accommodation, child care services for sick child care, and extended child care services for up to 100,000 yen per year to an employee who requests child care support from her family members to balance child care responsibilities and work commitments.
- Annual Leave Accumulation Program (Under this program, male employees can take child care leave using their paid annual leave.)
- Job Change Program

## Corporate women's tennis team

**First wins in the Japan League matches clinched a place in the League again!**

**With steady progress and improvement, the team is committed to promoting the development of women's tennis in Japan.**

Our women's tennis team established in April 2017 is in the Japan League, which is the highest league of corporate tennis teams in Japan.

The five-member team took part in the Japan League matches for the first time, which lasted from December 2019 to January 2020, and their wins clinched their place in the League in the coming season.

The team is determined to try hard to reach the final this year. We will continue this program as a way to contribute to the growth of women's tennis, improve our environment, build the career design of the team members, and improve working style.



## On-the-job training (OJT)

### Enhanced on-the-job training in each workplace

“Nurture others and improve yourself” is one of our policies set out in the Employee Code of Conduct. We seek to create a workplace where we teach each other and learn from each other at work for mutual as well as personal growth and development. Enhanced on-the-job training provided in such an environment is the pillar of our human resources program.

### New employee mentoring program

The new employee mentoring program is designed to help to eliminate new employees' anxiety and to promote independent and self-sustained growth and development.

In addition to an OJT mentor, each new employee is assigned a mentor who provides mental health support.

### Professional development program

We embrace lifelong learning and encourage professional development.

For example, when employees take and pass professional qualification examinations recommended by the company or complete designated correspondence courses, we pay the full costs of their examination fees and learning materials.

**POINT**

### Happy Career Training for female sales staff

We have put a Happy Career Training course in place to support young female sales staff in envisioning their long-term career development paths and working toward the goals. In this training, they share information needed for female sales staff to continue to work, identify a role model who balance work commitments and family responsibilities, have group discussions, and make future action plans.



# Prevention of the Spread of COVID-19

At the Galilei Group, we see it as our mission to supply and maintain food equipment and medical equipment especially during the COVID-19 pandemic and are working very hard to offer solutions. We are making efforts to help to prevent the spread of COVID-19. Examples of our efforts include the Galilei Air-tec System for both environmental protection and energy efficiency, refrigerated lockers with no face-to-face contact, FE Clean Water for effective hygiene management, and free Blast Chillers lending service for the prevention of food poisoning.

## SOLUTION 1 Galilei Air-tec System

### A high-performance ventilation system to tackle COVID-19 and save energy

Ventilating the room is effective in avoiding the 3Cs (closed spaces, crowded places, and close-contact settings). This high-performance ventilation system offers more reliable ventilation and controls temperature through the heat exchanger.

#### Advantages of installing this high-performance ventilation system

1. More comfortable closed spaces through reliable ventilation
2. Energy efficiency through reduced load

#### Features of the Galilei Air-tec System

- 1 Energy conservation control through AI future prediction
- 2 Environmental optimization through PMV\* control
- 3 Year-round automatic air conditioning control

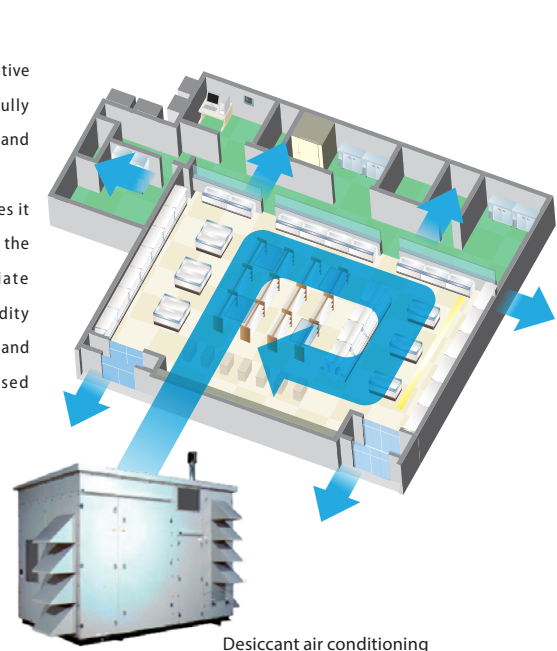
Further energy conservation  
Condensation and mold measures  
Cold aisle measures

Solved by the Galilei Air-tec System

\* PMV is an index of hot and cold sensations felt by people.

#### New ventilation design

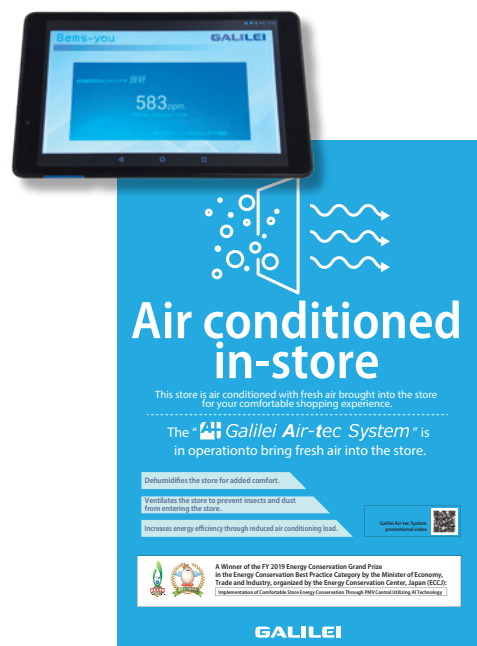
In the Galilei Air-tec System, positive pressure ventilation is successfully applied to create a comfortable and clean in-store environment. Desiccant air conditioning makes it possible to draw in fresh air into the store while keeping appropriate in-store temperature and humidity levels. Reduced air conditioning and showcase load leads to increased energy efficiency.



Desiccant air conditioning



The "Implementation of Comfortable Store Energy Conservation Through PMV Control Utilizing AI Technology" project was awarded the FY 2019 Energy Conservation Grand Prize in the Energy Conservation Best Practice Category by the Minister of Economy, Trade and Industry.



## SOLUTION 2 Refrigerated lockers

### No face-to-face contact for safer service

Why not install a refrigerated locker in-store for customers to pick up their preordered and prepaid food products? Their food orders are kept refrigerated in the locker. Takeout service using this locker has no face-to-face contact and is safer as it reduces the risk of customers and store staff catching COVID-19. To use a refrigerated locker, all customers need to do is to pay for their orders on our app and hold the QR code over the locker to open the door. This service has no face-to-face contact at all. It is possible to install additional lockers or combine lockers that keep food products at room temperature or keep them refrigerated. Freezer lockers will be made available soon.



## SOLUTION 3 Free FE Clean Water lending service

### Sterilizing water, simple and low cost

No need for dilution. Can be used as sterilizing water, simply and as much as you like. We lend FE Clean Water free of charge for six months. With only salt and water, electrolytic hypochlorite water can be made at low cost. Electrolytic hypochlorite water whose main ingredient is sodium hypochlorite has high sterilization effects. It is mildly alkaline and kind to the skin and the environment and does not spoil food. It is effective in HACCP management and may also be effective in controlling infections\*.

\* It is effective in controlling viral infections to a certain extent, but we do not guarantee it is effective in preventing the spread of COVID-19.



#### Subsidies, grants, and loans for businesses

The Japanese government and local authorities provide subsidies, grants, and loans to businesses, including restaurants, affected by the COVID-19 pandemic. The maximum amount, eligibility, and application deadlines may vary. For more information, please visit the FY2020 Small and Medium Enterprise Agency Supplementary Sustainability Benefits Project website or alternatively contact the help desk.

## SOLUTION 4 Free Blast Chillers lending service

### For takeout orders and the prevention of food poisoning

The Blast Chiller cools and freezes heated food fast. It rapidly skips the temperature danger zone for bacteria growth to ensure food safety and to keep the original flavors of the food. We lent the equipment to our customers free of charge for six months. This service was available to small-scale retail customers who use our commercial refrigerators and sell (or are considering selling) takeouts and packed meals.



Cools and freezes heated food products fast. Rapidly skips the temperature danger zone for bacteria growth between 10°C and 60°C.



CORPORATE GOVERNANCE

The Galilei Group promotes fair corporate activities from a perspective of management transparency and aims to achieve sustainable growth based on the trust of society and to increase corporate value over the medium to long term.

We were converted into a company with an audit and supervisory committee by a resolution passed in the general meeting of shareholders for the 69th term held on June 29, 2020. The purpose of the conversion was to increase the percentage of outside directors on the Board of Directors by appointing independent outside directors to the Board of Directors; to reduce the size of the Board of Directors; and to strengthen its supervisory functions by delegating a substantial part of its important decision making process to the directors.

Directors (excluding directors who are audit and supervisory committee members)	Number of directors	8 directors (7 directors and 1 outside directors)
	Term	1 year
	Incentives	Performance-based remuneration
Directors who are audit and supervisory committee members	Number of directors	3 directors
	Term	2 years
Total number of directors	Number of directors	11 directors
	Percentage of outside directors	36.4%
	Percentage of female directors	9.1%
Independent directors (who have been notified to the Tokyo Stock Exchange)	4 outside directors have been notified to the Tokyo Stock Exchange.	
Decision making process for directors' nomination, appointment, removal, and remuneration	Nomination Advisory Committee and Remuneration Advisory Committee	
Auditor	Deloitte Touche Tohmatsu LLC	
Introduction of an executive officer system	Yes	

POINT

For improved corporate governance: Conversion into a company with an audit and supervisory committee

Q. Why did you become a company with an audit and supervisory committee at this time?

The business environment surrounding us has been rapidly changing. We made the decision to become a company with an audit and supervisory committee to enable us to better adapt to change in a timely and appropriate manner and to improve corporate governance.

Q. What was the purpose of becoming a company with an audit and supervisory committee?

The purpose of the conversion was to facilitate a decision making process of the Board of Directors, to further invigorate its discussions on business strategies, and to strengthen its supervisory functions.

Q. Specifically, how do you facilitate the decision making process and strengthen the supervisory functions of the Board of Directors?

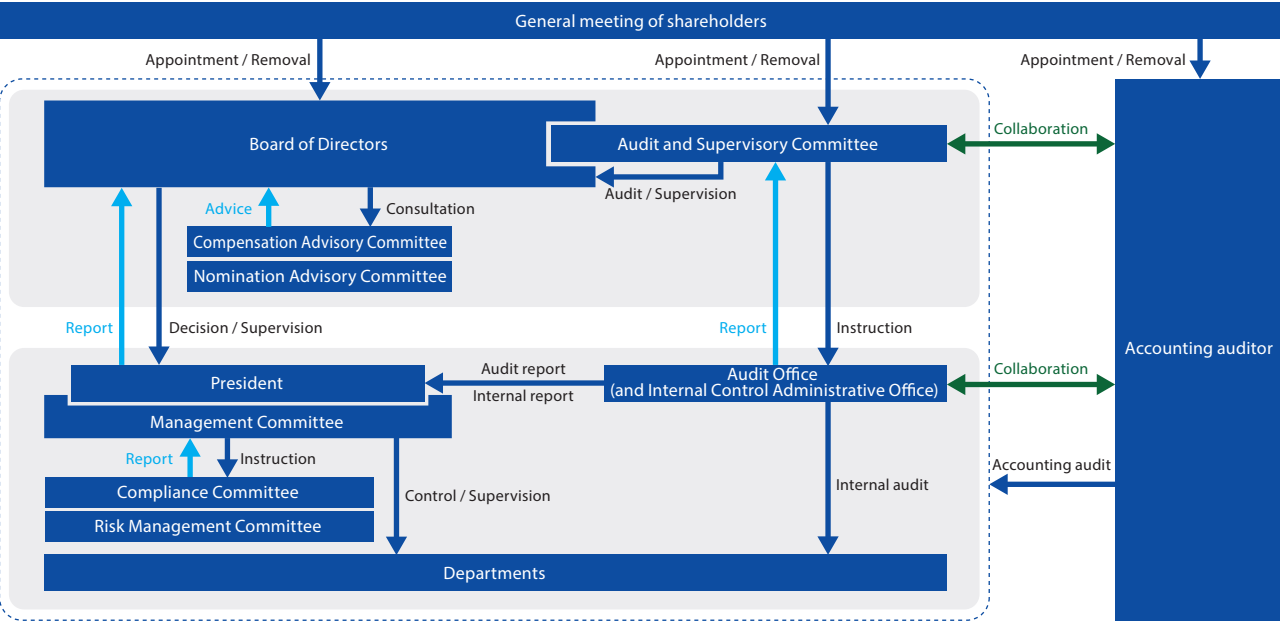
A company with an audit and supervisory committee is permitted by law to delegate all or part of its important decision making process to its directors except for matters that are required to be approved by a resolution of the Board of Directors. The delegation of authority enables us to make decisions promptly and flexibly and the Board of Directors to put a greater focus on discussing important issues such as business strategies. Unlike auditors, audit and supervisory committee members are directors who have the rights to vote in board meetings and can directly participate in the decision making process. They help to strengthen the supervisory functions of the Board of Directors.

Please see the Corporate Governance Report for more information on our fundamental principles of corporate governance and our initiatives and status under the Corporate Governance Code.

HYPERLINK

<https://www.galilei.co.jp/wp/wp-content/uploads/2020/07/f861fac7587dacb913effa27c8831791.pdf>

Corporate governance system



I Board of Directors

A meeting of the Board of Directors is held once a month to discuss and decide on important matters and exchanges opinions, and directors work together to monitor the execution of business. The Board of Directors consists of 11 directors, including one outside director and three audit and supervisory committee members (three outside directors), and makes management decisions. Board meetings are chaired by Hiroshi Fukushima, President. Other board members are Akira Fukushima, Go Fukushima, Mitsuru Katayama, Kenji Nagao, Kozo Mizutani, and Tatsuo Hino, all of whom are directors; Hiroko Tanaka, Outside Director; and Hiroshi Takeuchi, Takao Fujikawa, and Keiichi Yodoshi, all of whom are outside directors/audit and supervisory committee members.

II Audit and Supervisory Committee

We are a company with an audit and supervisory committee. The Audit and Supervisory Committee meets once a month to discuss proposals of the Board of Directors and to share important meeting information and exchanges opinions among the members. Meetings of the Audit and Supervisory Committee are chaired by Hiroshi Takeuchi, Outside Director. Other audit and supervisory committee members are Takao Fujikawa and Keiichi Yodoshi.

III Nomination Advisory Committee and Remuneration Advisory Committee

We have the Nomination Advisory Committee and the Remuneration Advisory Committee as advisory bodies of the Board of Directors. The Nomination Advisory Committee consists of three members, namely Hiroshi Takeuchi, Takao Fujikawa, and Keiichi Yodoshi, all of whom are outside directors delegated by the Board of Directors, and Takao Fujikawa serves as committee chairman. The Committee meets at least once a year. The Committee screens director and executive officer candidates based on competence and aptitude and the Board of Directors makes the final selection decision on the advice of the Committee. The Remuneration Advisory Committee consists of three members, namely Yutaka Fukushima, President; Hiroshi Takeuchi, Outside Director; and Keiichi Yodoshi, Outside Director, all of whom are delegated by the Board of Directors, and Keiichi Yodoshi serves as committee chairman. The Committee meets at least once a year. The Committee discusses the remuneration system and total remuneration, and the Board of Directors determines, on the advice of the Committee, the remuneration system and total remuneration, the percentage of performance-based remuneration, and the percentage of cash remuneration to share remuneration.

IV Management Committee

We have the Management Committee to facilitate a decision making process. Meetings of the Management Committee are attended by directors in charge of operations, full-time audit and supervisory committee members, executive officers, and headquarters general managers to engage in full discussion of business management and by outside directors to express their opinions. Yutaka Fukushima, President, serves as committee chairman. Other committee members are Akira Fukushima, Go Fukushima, Mitsuru Katayama, Kenji Nagao, Kozo Mizutani, and Tatsuo Hino, all of whom are directors; Hiroshi Takeuchi, Full-Time Audit and Supervisory Committee Member; seven executive directors; and four headquarters general managers.

V Audit Office

We have the Audit Office, which is responsible for performing operational audits for the improvement of the internal audit system.



# MILAB

## MILAB - A laboratory that opens up the future of food

### Serving as the Galilei Group's third factory

The MILAB is the brainchild of the Galilei Group, which creates food solutions with new ideas. It is based on our "JOIN" concept that connects people with technologies and regarded as our third factory. Since its opening last year, it had been visited by those involved in the food industry. After a temporary closure due to COVID-19 in 2020, it reopened in June and has become more widely known in the industry.

### Members-only open community, MILAB CLUB

The MILAB is visited by many people who are involved in the food industry. The MILAB CLUB is a members-only open community for them to share technical expertise and information. It provides an extensive range of events and content both virtually and physically with a focus on useful and practical themes, such as how to run and manage restaurants during the COVID-19 pandemic. It also organizes seminars given by well-known business chain owners. Nowadays, more people are joining the MILAB CLUB and we are aiming to offer an even better community experience.



### Experience the Galilei Group's business activities.

At the MILAB, visitors can have a hands-on experience of the Galilei Group's business activities. For examples, Tunnel Freezers® tests at the MILAB Food Factory Laboratory, freezing and defrosting tests at the MILAB Product Testing Laboratory, and bread baking and freezing tests at the MILAB Bakery are open for viewing each day. The latest commercial refrigerators and freezer series, The GALILEI, is showcased at the MILAB as well. In response to the increasing demand for takeouts, a refrigerated locker system is also on display for visitors to try it for themselves. Demonstration equipment is replaced from time to time.



Tunnel Freezer® manufactured by Takahashi Galilei



Create food solutions with new ideas.

The "JOIN" concept to connect people with technologies

### The "JOIN" concept has begun to bear fruit.

The MILAB was opened about a year ago and its concept is beginning to bear fruit. One of the stories behind its progress is about a food processing machine, which is scheduled to be on display at the MILAB. The story started when a food processor who wanted to make their specialist food processing machine an even better one met a machine tool manufacturer at a MILAB seminar and discussed their problem with the machine tool manufacturer. The two companies decided to collaborate and a specialist food processing machine was made with preferred specifications. The Galilei Group is expected to market the product. The new machine was developed to offer a better food processing solution. It all started at the MILAB. This is the very example of how our "JOIN" concept being put to good use. We hope to offer more opportunities like this.



### To increase the value of the MILAB

Restrictions have been placed on social events due to the impact of COVID-19. However, the "JOIN" concept is still important to those involved in the food industry and we are confident that the MILAB will be widely used again once the situation has subsided. When the time comes, connections created at the MILAB will lead to customers delivering results and new shared valuable being created. In other words, taking better steps to realize the "JOIN" concept will increase the value of the MILAB. To this end, we continue to be more open-minded about the management of the MILAB.



**MILAB Kitchen**

A range of kitchen equipment and systems provided in the MILAB Kitchen offers an opportunity to try cooking operations and experience food tastes, safety, and security in an actual setting.



**MILAB Bakery**

Fermenting, baking cooling, and freezing tests can be conducted using actual equipment, making it easier for customers to select the model that best suits their needs.



**MILAB Store**

The store offers next-generation retail store experiences such as cashless payment and purchase analysis by images.



**MILAB Food Laboratory / Product Testing Laboratory**

The tastes, safety, and nutritional value of food ingredients are scientifically analyzed, offering new value to customers' product development.



**MILAB Salon / MILAB Office**

The MILAB Salon / MILAB Office is an incubation hub that provides support in many aspects for start-up companies as well as those contemplating new ventures.



**MILAB Office / Environmental Testing Laboratory**

This space is where prototype assembly and trial runs are conducted. It can also be used for hands-on workshops.



**MILAB Food Factory Laboratory**

Six Tunnel Freezers® with different features are on display in the laboratory to conduct tests using actual food ingredients.



**MILAB Cafeteria**

This staff cafeteria serves healthy meals for employees. Next-general food services are also researched here.



Consolidated Balance Sheets

(Yen in millions)		
	Previous consolidated fiscal year (March 31, 2019)	Current consolidated fiscal year (March 31, 2020)
Assets		
Current assets		
Cash and deposits	34,283	31,696
Notes and accounts receivable - trade	18,678	19,358
Electronically recorded monetary claims	1,235	2,241
Merchandise and finished goods	2,239	2,265
Work in process	2,166	1,558
Raw materials and supplies	2,038	2,031
Other	946	873
Allowance for doubtful accounts	(1,166)	(1,046)
Total current assets	60,422	58,978
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,358	8,411
Machinery, equipment and vehicles, net	992	1,784
Land	5,294	6,731
Construction in progress	3,904	803
Other, net	349	730
Total property, plant and equipment	14,899	18,461
Intangible assets	421	416
Investments and other assets		
Investment securities	7,948	6,813
Deferred tax assets	—	382
Other	2,941	3,324
Allowance for doubtful accounts	(9)	(59)
Total investments and other assets	10,879	10,461
Total non-current assets	26,200	29,339
Total assets	86,622	88,318

(Yen in millions)		
	Previous consolidated fiscal year (March 31, 2019)	Current consolidated fiscal year (March 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,996	19,656
Short-term loans payable	185	125
Income taxes payable	1,641	1,655
Provision for bonuses	1,724	1,586
Provision for product warranties	370	380
Provision for loss on construction contracts	187	120
Other	5,981	4,963
Total current liabilities	31,088	28,489
Non-current liabilities		
Deferred tax liabilities	304	—
Provision for directors' retirement benefits	921	1,034
Provision for contingent loss	250	238
Net defined benefit liability	39	311
Asset retirement obligations	119	120
Other	11	12
Total non-current liabilities	1,646	1,717
Total liabilities	32,735	30,206
Net assets		
Shareholders' equity		
Capital stock	2,760	2,760
Capital surplus	3,168	3,168
Retained earnings	47,057	52,321
Treasury shares	(3,214)	(3,214)
Total shareholders' equity	49,771	55,035
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,058	3,076
Foreign currency translation adjustment	65	122
Remeasurements of defined benefit plans	(64)	(177)
Total accumulated other comprehensive income	4,059	3,020
Non-controlling interests	56	54
Total net assets	53,887	58,111
Total liabilities and net assets	86,622	88,318

Consolidated Statements of Income

(Yen in millions)		
	Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (April 1, 2019 to March 31, 2020)
Net sales	86,529	86,801
Cost of sales	63,765	63,985
Gross profit	22,763	22,816
Selling, general and administrative expenses	13,358	13,728
Operating profit	9,405	9,087
Non-operating income		
Interest income	11	13
Dividend income	96	95
House rent income	98	106
Insurance and dividend income	34	51
Purchase discounts	48	50
Foreign exchange gains	5	—
Compensation income	5	22
Other	148	242
Total non-operating income	447	582
Non-operating expenses		
Interest expenses	11	4
Compensation expenses	24	52
Foreign exchange losses	—	104
Condolence money	51	—
Loss on sales of non-current assets	17	—
Other	69	63
Total non-operating expenses	174	224
Ordinary profit	9,678	9,446
Extraordinary income		
Gain on sales of investment securities	39	23
Total extraordinary income	39	23
Extraordinary losses		
Loss on valuation of investment securities	—	18
Impairment loss	—	52
Provision for contingent loss	—	215
Total extraordinary losses	—	286
Profit before income taxes	9,718	9,183
Income taxes - current	3,252	3,063
Income taxes - deferred	(161)	(93)
Total income taxes	3,091	2,969
Profit	6,627	6,214
Profit (loss) attributable to non-controlling interests	11	(12)
Profit attributable to owners of parent	6,615	6,226

Consolidated Statement of Changes in Net Assets

(Yen in millions)										
Current consolidated fiscal year (April 1, 2019 to March 31, 2020)										
	Shareholders' equity					Accumulated other comprehensive income				Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests
Balance at beginning of current period	2,760	3,168	47,057	(3,214)	49,771	4,058	65	(64)	4,059	56
Changes of items during period										
Dividends of surplus			(961)		(961)					
Profit attributable to owners of parent			6,226		6,226					
Purchase of treasury shares				(0)	(0)					
Net changes of items other than shareholders' equity						(982)	56	(113)	(1,038)	(2)
Total changes of items during period	—	—	5,264	(0)	5,264	(982)	56	(113)	(1,038)	(2)
Balance at end of current period	2,760	3,168	52,321	(3,214)	55,035	3,076	122	(177)	3,020	54

Consolidated Cash Flow Statement

(Yen in millions)		
	Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (April 1, 2019 to March 31, 2020)
Net cash provided by (used in) operating activities		
Profit before income taxes	9,718	9,183
Depreciation	939	1,269
Increase (decrease) in allowance for doubtful accounts	(56)	(41)
Increase (decrease) in provision for bonuses	288	(138)
Increase (decrease) in provision for product warranties	1	9
Increase (decrease) in provision for loss on construction contracts	(364)	(66)
Increase (decrease) in net defined benefit liability	(35)	108
Increase (decrease) in provision for directors' retirement benefits	101	112
Increase (decrease) in provision for contingent loss	(38)	(11)
Interest and dividend income	(107)	(109)
Foreign exchange losses (gains)	(155)	121
Loss (gain) on valuation of investment securities	—	18
Loss (gain) on sales of investment securities	(38)	(23)
Loss (gain) on operation of investments in capital	(1)	—
Interest expenses	11	4
Loss (gain) on sales of property, plant and equipment	17	(0)
Loss on retirement of property, plant and equipment	21	3
Impairment losses	—	52
Decrease (increase) in notes and accounts receivable - trade	496	(1,520)
Decrease (increase) in inventories	(141)	582
Decrease (increase) in other current assets	31	122
Decrease (increase) in other non-current assets	(282)	(203)
Increase (decrease) in notes and accounts payable - trade	(214)	(1,366)
Increase (decrease) in other current liabilities	112	(34)
Other	1	1
Subtotal	10,308	8,073
Interest and dividend income received	107	109
Interest expenses paid	(10)	(11)
Income taxes paid	(3,839)	(3,029)
Net cash provided by (used in) operating activities	6,564	5,140

(Yen in millions)		
	Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (April 1, 2019 to March 31, 2020)
Net cash provided by (used in) investing activities		
Payments into time deposits	(934)	(632)
Proceeds from withdrawal of time deposits	421	647
Purchase of property, plant and equipment	(2,498)	(5,924)
Proceeds from sales of property, plant and equipment	33	1
Purchase of intangible assets	(229)	(107)
Purchase of investment securities	(58)	(299)
Proceeds from sales of investment securities	43	29
Loan advances	(35)	(159)
Proceeds from sales of investments in capital	29	—
Net cash provided by (used in) investing activities	(3,229)	(6,445)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(249)	(54)
Repayments of long-term loans payable	(244)	—
Purchase of treasury shares	(0)	(0)
Repayments of finance lease obligations	(1)	(1)
Cash dividends paid	(802)	(960)
Net cash provided by (used in) financing activities	(1,298)	(1,017)
Effect of exchange rate change on cash and cash equivalents	150	(88)
Net increase (decrease) in cash and cash equivalents	2,187	(2,409)
Cash and cash equivalents at beginning of period	31,481	33,669
Cash and cash equivalents at end of period	33,669	31,259



# Company Profile and Stock Information

## Company profile

Trade-name	FUKUSHIMA GALILEI CO. LTD.
Foundation	December 8, 1951
Capital stock	2.76 billion yen
Number of employees	2,344 employees on a consolidated basis and 1,737 employees on a non-consolidated basis (including non-regular employees) as of March 2020
Business year	From April 1 to March 31 the following year
Annual general meeting of shareholders	June
Location of head office	2-6-18 Takeshima, Nishiyodogawa, Osaka City, 555-0011
Listed stock exchange	Tokyo Stock Exchange (stock code: 6420)
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited

## Stock information

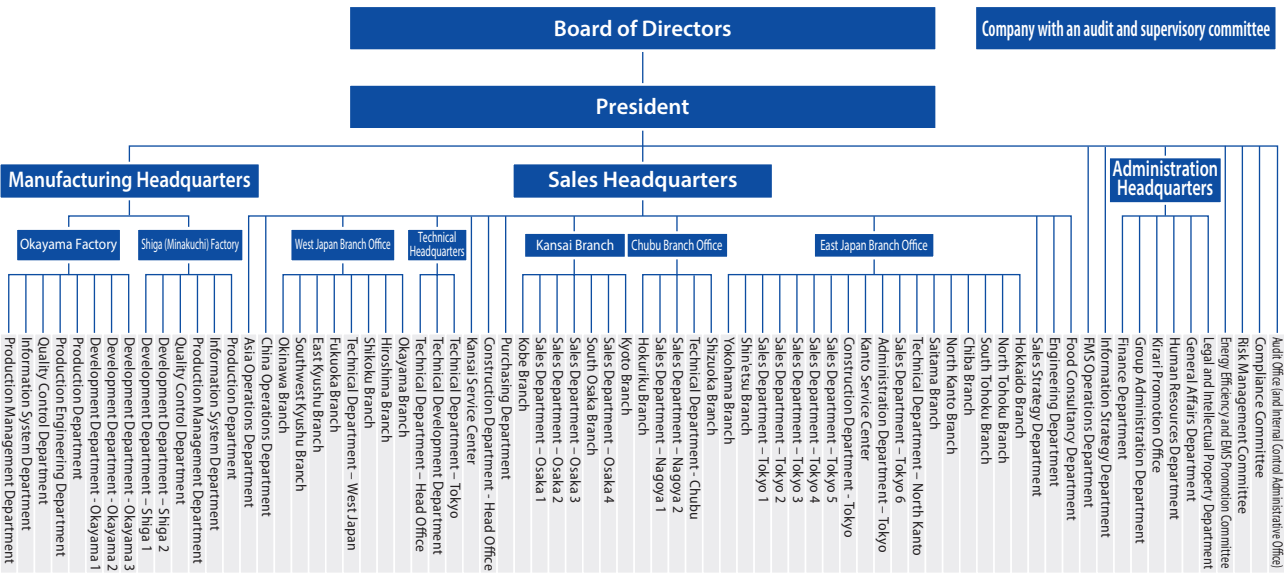
As of March 2020

Total number of authorized shares, total number of issued shares, total number of shareholders

Total number of authorized shares	63,685,000 shares
Total number of issued shares	22,066,160 shares (including 2,029,667 treasury shares)
Total number of shareholders at the end of the current fiscal year	4,016 persons

## Organizational chart

As of March 2020



# Company Officers, Branches, and Group Companies

## Directors

Yutaka Fukushima, President	Kozo Mizutani, Director	Hiroshi Takeuchi, Outside Director (Audit and Supervisory Committee Member)
Akira Fukushima, Vice President	Tatsuo Hino, Director	Takao Fujikawa, Outside Director (Audit and Supervisory Committee Member)
Go Fukushima, Senior Managing Director	Hiroko Tanaka, Outside Director	Keiichi Yodoshi, Outside Director (Audit and Supervisory Committee Member)
Mitsuru Katayama, Managing Director		
Kenji Nagao, Managing Director		

## Offices

Main offices	· Head office and Kansai Branch (Osaka) · Chubu Branch Office (Nagoya)	· East Japan Branch Office (Asakusabashi Tokyo and Nihombashi Tokyo) · West Japan Branch (Fukuoka)
Branches Sales offices Service stations	· Hokkaido (Sapporo) · North Tohoku (Morioka) · Yamagata · Saitama · Chiba · Shizuoka · Mie · Shiga · Kobe · Tottori · Shikoku (Takamatsu) · Kurume · Miyakonojo · Okinawa	· Hakodate · Aomori · Koriyama · North Kanto (Utsunomiya) · Kashiwa · Hamamatsu · Hokuriku (Toyama) · Fukuchiyama · Nishinomiya · Hiroshima · Tokushima · Saga · Southwest Kyushu (Kumamoto) · Ishigaki · Asahikawa · Akita · Shin'etsu (Niigata) · Takasaki · Yokohama · Numazu · Kanazawa · South Osaka · Himeji · Matsue · Matsuyama · East Kyushu (Oita) · Nagasaki · Miyakojima · Obihiro · Mizusawa · Nagano · Mito · West Tokyo · Toyohashi · Fukui · Nara · Okayama · Fukuyama · Kochi · Miyazaki · Sasebo · Kushiro · South Tohoku (Sendai) · Matsumoto · Tsukuba · Kofu · Gifu · Kyoto · Wakayama · Okayama Factory · Yamaguchi · Kita-Kyushu · Nobeoka · Kagoshima
Service centers	· Kanto (Nishi-Funabashi) · Kansai (Osaka)	
Factory	· Shiga (Minakuchi) · Okayama	

## List of group companies

TAKAHASHI GALILEI CO. LTD.	GALILEI PANEL CREATE CO. LTD.	SHOKEN GALILEI CO. LTD.
Fukushima Trading Co., Ltd.	GALILEI (Thailand) CO., LTD.	FUKUSHIMA GALILEI CO., LTD. [Shanghai]
FUKUSHIMA GALILEI (H.K.) CO., LTD.	FUKUSHIMA GALILEI TAIWAN CO., LTD.	Fukushima Galilei Singapore Pte. Ltd.
Fukushima Galilei Malaysia Sdn. Bhd.	Fukushima Galilei (Thailand) Co., Ltd.	Fukushima Galilei Vietnam Co., Ltd.
Fukushima International (Cambodia) Co., Ltd.	PT. FUKUSHIMA International Indonesia	Fukushima Galilei Myanmar Co. Ltd.
Fukushima Galilei Philippine Corporation		