

Environmental and Social Report 2019

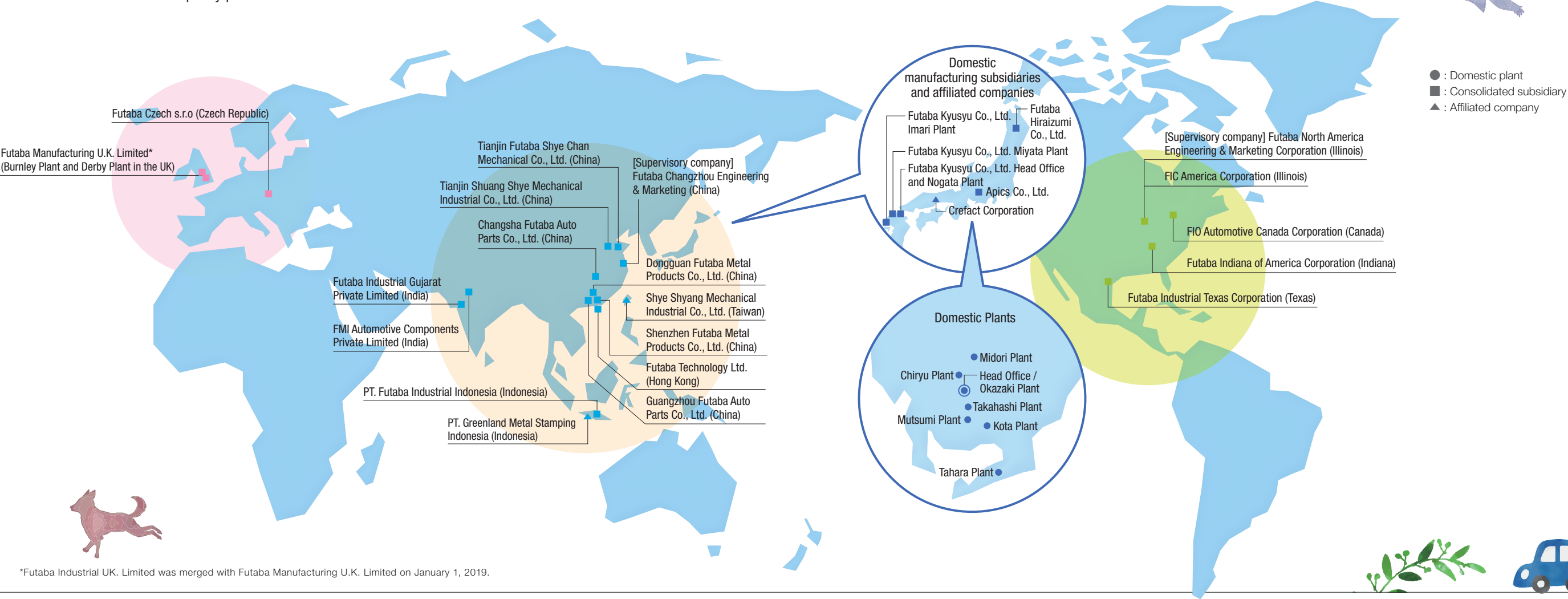


Environmental and Social Contribution Activities at Overseas Business Locations



Business Operations and Editorial Policy of FUTABA

In addition to improving our domestic facilities, we continue to expand our overseas production sites in regions such as North America, Europe, Southeast Asia, and China, in order to establish a global system that enables us to deliver quality products at lower cost whenever and wherever our customers so desire.



Editorial Policy (To our readers)

“Environmental and Social Report” is an annual report that presents the year’s results and future plans relating to FUTABA’s environmental and social activities, with emphasis on the Company’s social involvement. The report is published as an important tool for communication with our readers. If you have any opinions, suggestions, or questions, please contact the telephone number on the back cover.

Reporting Period

April 1, 2018 to March 31, 2019

*Some of the undertakings covered are not from the period specified.

Publication

September 2019 (Next publication scheduled for September 2020)

Scope of Report

Futaba Industrial Co., Ltd.

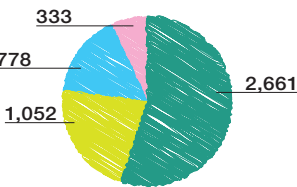
*The environmental report covers data from the integration of seven domestic plants which have acquired ISO 14001 certification (Okazaki, Midori, Chiryu, Kota, Mutsumi, Takahashi and Tahara Plants).

*Some of our Group company activities are also included.

Company Outline

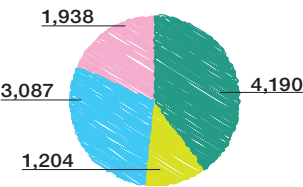
Company name Futaba Industrial Co., Ltd.
Head Office Azaochaya 1, Hashime-cho, Okazaki-shi, Aichi, Japan
Established November 1, 1945
Capital 16.8 Billion Yen
Business Focus Manufacture and sales of automobile and vehicle assembly parts, information and environmental equipment parts, jigs and welding machines, etc., and manufacture of CO₂ purification, accumulation, and application devices for greenhouse cultivation

Sales by Region (Consolidated) (Hundred million yen)
(FY2018)



*Inter-segment transactions are included.

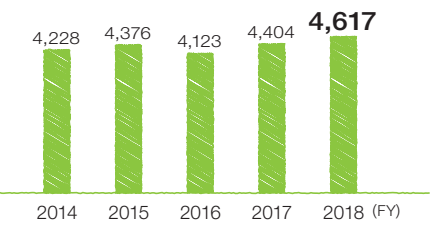
Number of Employees by Region (Consolidated)
(As of March 31, 2019)



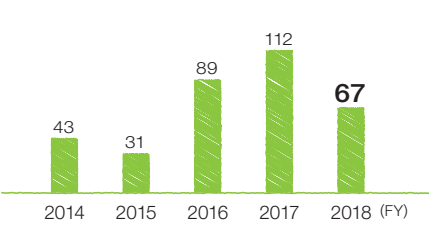
Total: 10,419

Company Performance

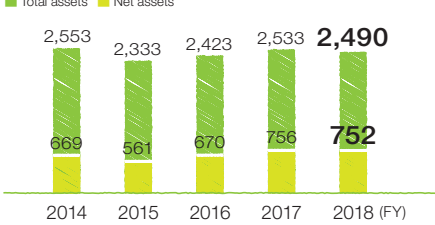
Sales (Consolidated) (Hundred million yen)



Operating Profit (Consolidated) (Hundred million yen)



Total and Net Assets (Consolidated) (Hundred million yen)



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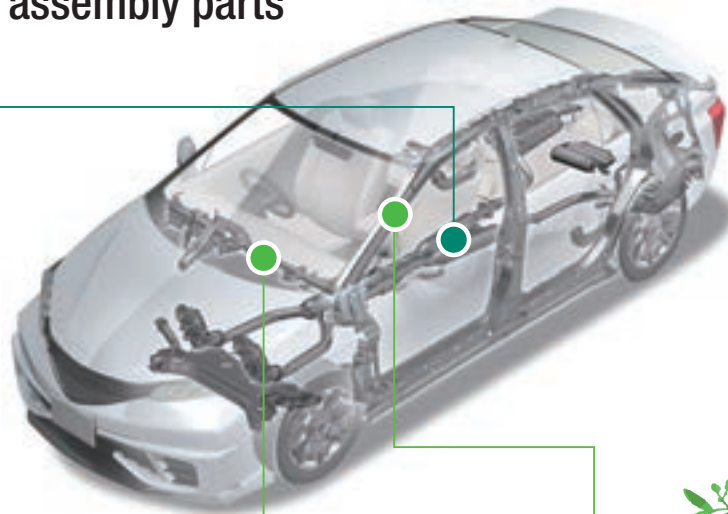
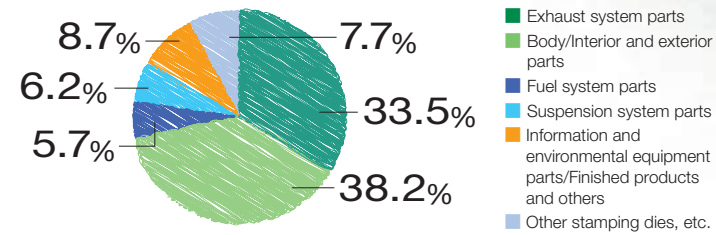
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Business Fields

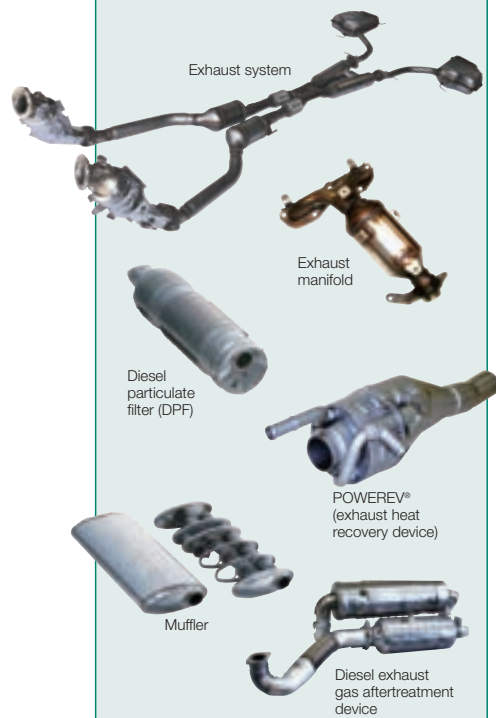
The Futaba Group's main business is the manufacture and sales of automobile and vehicle assembly parts, information and environmental equipment parts, and other stamping dies and welding equipment.

Manufacture and sales of automobile and vehicle assembly parts

Sales Ratio by Product



Exhaust System Parts



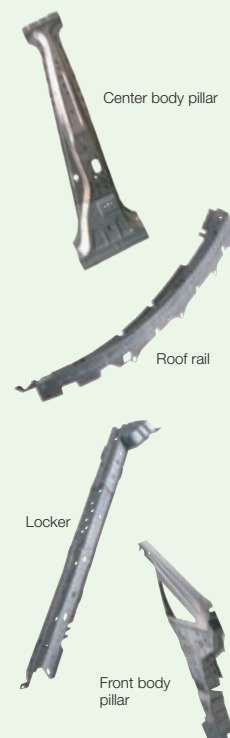
- Exhaust system
- Exhaust manifold
- Diesel exhaust gas aftertreatment device
- POWEREV® (exhaust heat recovery device)
- Diesel particulate filter (DPF), etc.

Interior and exterior parts (Decoration parts)



- Instrument panel reinforcement, etc.

Body frame parts



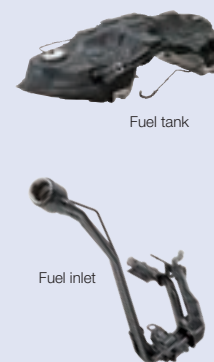
- Front body pillar
- Center body pillar
- Cows, etc.

Suspension system parts



- Front suspension frame
- Rear axle beams, etc.

Fuel system parts



- Fuel inlet
- Fuel tank
- Canisters, etc.



Information and environmental equipment parts/ Finished products and others

- Information and environmental equipment parts: Paper feeding units and precision parts for copiers, multifunction copiers, printers, and digital printers, etc., home-use fuel cell cogeneration system related-units and components, etc.
- Other: Assembly and welding equipment, stamping dies, jigs and various labor saving and streamlining equipment, etc. for automobile manufacturers

Information and Environmental Equipment Parts Business

Futaba's business encompasses everything from the development to the production of parts for multi-purpose color copiers and other equipments on a module basis, applying the sophisticated press and precision assembly technology fostered through the production of automobile parts. We have been developing and manufacturing component parts for fuel cells for home use as well in recent years.



Large capacity paper feeder

For-Sale Assembly Lines and Stamping Dies Business

The accumulation of new technologies and production methods for the maintenance and improved productivity of Futaba's own assembly lines has developed into its third business. The Company reflects input received from those with firsthand involvement in manufacturing in making welding assembly lines and dies that anticipate customer needs.

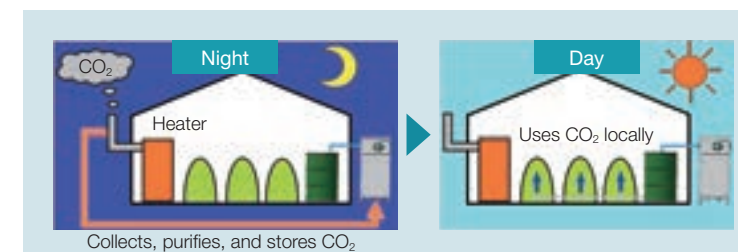


Three dimensional CAD of a hemming device and hemming die

Agricultural field

Expanded lineup of CO₂ purification, accumulation, and application devices for greenhouse cultivation

In August 2019, we additionally launched a small version (see photo) that supports greenhouses of up to approximately 1,000 m² to our lineup of aleaf purification, accumulation, and application devices for greenhouse cultivation. This system collects, purifies, and stores CO₂ emitted from combustion heaters at night and reuses the CO₂ to encourage photosynthesis of plants during the day.



▲aleaf purification, accumulation, and application device for greenhouse cultivation

*DPF: Diesel Particulate Filter

We will provide new values for the future by continuing to take on challenges in manufacturing



Looking Back at FY2018

In the automobile industry, which is the Futaba Group's main source of sales, there was a slight decrease in sales volume in North America, and sales also declined in Europe and China. The sales volume in Japan exceeded that of the previous year. Under these circumstances, the Group emphasized strict concentration on the fundamentals of safety (anzen), quality (hinshitsu) and manufacturing (monozukuri) based on our New Five-year Plan, and endeavored to secure profit by strengthening structural reforms and cost management. As a result, although net sales surpassed that of the previous fiscal year, profits fell short of the previous fiscal year owing to production preparation costs for products that were newly launched and a delay in cost improvements that were planned.

During FY2019, we will make further revisions to our production structure while making even further efforts such as to improve production efficiency, promote costs improvements, review the supply chain, and reduce logistics costs.



Progress and Achievements in the New Five-year Plan

Since FY2016, the Group has been working on its New Five-year Plan to move to the next growth stage. We are making priority investments of resources in areas that we expect will continue to grow in the future and are reconsidering areas in which we cannot expect profit, in an aim for sustainable growth as a company.

In FY2018, the third year of the plan, we continued to steadily execute the plan, and focused on improving the efficiency of operations and strengthening administration during this period. To improve the competitiveness of our mainstay products, we strengthened the body system development structure, established an advanced development division, and augmented the simulation and analysis workforce. In our efforts for management reform, we adopted IT for production site administration operations, developed a CO₂ reduction structure, and renewed old stamping machines. In new technologies and new businesses, we expanded mass production of ultra-high tension cold stamping parts and hot-stamping parts in an aim for reduced automotive body weight and improvements in safety performance at Kota Plant and FIO (Canada). Operations started at a new company in India to optimize production locations.

We aim to achieve an operating profit ratio of 3.5% by FY2020, which is the final year of the New Five-year Plan, and going forward, we will implement various measures to achieve this.



Striving to be a Team that Continues to Take on Challenges (Together with Employees)

Based on the FUTABA WAY, the Futaba Group's common value system and basic action principles, we will continue to take on bold challenges in an aim to be a team with people who can think and act individually under the two pillars of "wisdom and improvement (kaizen) and respect for people."

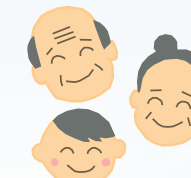
Our Stakeholders



Customers



Shareholders and investors



Local communities



Suppliers



Employees

In the automobile parts business that is the mainstay business of the Futaba Group, the number of vehicles produced overseas including emerging countries is growing, and we are being faced with increasingly sophisticated requirements for safety, quality, and cost reductions. In addition, as a result of the global strengthening of environmental regulations and increasingly stringent fuel efficiency requirements, making vehicles lighter has become an issue. The evolution of our stamping, bending, and welding technologies that are positioned as our core technologies and the deployment and use of these technologies with new materials will be key to addressing this issue.

Currently, with its 23 consolidated subsidiaries in Japan and around the world, the Group is working to enhance human resources development and organizational strengths on a global level with the aim of becoming an organization at which each and every employee can learn and grow and is provided with equal opportunities so that they can perform operations with a sense of ownership.

Currently, the Futaba Group is thoroughly concentrating on the fundamentals of manufacturing and working to ensure quality while pursuing further structural reform and manufacturing reform in response to these significant changes in the environment. To do so, it is essential for the Futaba Group to not only brush up the core technologies that have been refined over many years, but to also apply them in new fields and strengthen its unique technologies.

The predecessor of Futaba was born in 1935, and demonstrated strengths in the manufacture and sales of automobiles and aircraft parts. Futaba Industrial Co., Ltd. was born in 1946 after World War II. For 73 years since then, the Company leveraged this DNA to support the automobile industry that is one of the key industries of Japan. The spirit of taking on challenges and reform is truly our driving force, based on which we will strive to be a corporate group that is loved for many years to come. I ask for your continued guidance and encouragement.



To Our Stakeholders

The automobile industry is in the midst of a major transformation with the magnitude of once-in-a-century. The waves being generated by CASE (Connected, Autonomous, Shared, and Electric) are bringing about changes to the conventional idea of automobiles.



Hiroyoshi Yoshiki
President

Special Feature

Environmental and Social Contribution Activities at Overseas Business Locations

Futaba Czech s.r.o. Czech Republic

We actively accept requests for plant tours and plant workshops from nearby elementary schools, high schools, and universities, as well as requests for plant tours from special needs schools, as we place top priority on contributing to the local community. We provide education on the approach of safety first at the plant and specialized knowledge on electrical safety.



Futaba Indiana of America Corporation Indiana, USA

Activities are conducted by the Event Committee led by the General Affair Department in order to improve the quality of regional social contribution activities. In 2018 we held the FIA Open House-Japan Fest that incorporates culture as a Japanese company. The event created a good opportunity to spend valuable time together with friends and family members and to introduce FIA to the local community and allow them to feel more familiar with FIA, which will lead to the development of a workplace to feel proud of. Activities for environmental improvement will be incorporated in 2019.

FIC America Corporation Illinois, USA

Employees visit high schools to provide explanations on why environmental protection is necessary, what companies do to protect the environment, and how the products of FIC and the Futaba Group help to protect the environment. Environmental activities together with high school students are planned for the next fiscal year.



Futaba North America Engineering & Marketing Corporation Illinois, USA

We became a member of the Japanese Chamber of Commerce and Industry of Chicago and worked to contribute to the local community through participation in events. Recently, employees have been invited as guest lecturers at the Chicago Japanese School to speak on the topic of the ingenuity of the automobile industry linked with the world. By using actual products and showing videos on manufacturing, the lecture communicated the wonders of the automobile industry and its links with the world going beyond textbook-learning.

FUTABA Industrial Texas Corporation Texas, USA

We focus on waste reduction and recycling as part of our environmental and social contribution activities. The city of San Antonio started a recycling certification system for businesses in February 2018, and 57 businesses out of a total of 43,500 businesses were certified. We acquired silver certification. Because the certification is updated every two years, we will aim for gold certification next time. Going forward, we will link our core business and environmental activities as we create an environmentally-friendly company.



FIO Automotive Canada Corporation Canada

We are engaged in zero landfill garbage activities in order to reduce our environmental impact. These activities were started from December 2018. We try to achieve zero landfill garbage by using different colored trash cans for normal garbage (garbage to be incinerated), recycling, and compost garbage (garbage that can be recycled as compost). A greenhouse gas emission reduction of approximately 5 tons has been achieved through these efforts.

PT. Futaba Industrial Indonesia Indonesia

The traffic conditions in Indonesia are not very good, and most employees commute to work by motorcycle. Therefore, we are conducting traffic safety activities in the same manner as in Japan as a company engaged in the automobile industry. We conduct a traffic safety monitoring near the Company once every two months. We remind not only our employees of traffic safety when they commute to and from work, but also people in the neighborhood. Thanks in part to these efforts, there has been a decrease in traffic accidents involving employees in recent years.



Futaba Industrial Gujarat Private Limited India

Along with the start of production in July 2018, we have participated in cleaning activities in the neighborhood, sponsored a cricket tournament, actively hired local residents, and provided commuting support as social contribution activities (cricket tournament shown in the photo).



FMI Automotive Components Private Limited India

As part of our CSR activities, 2% of average net profits for the past three years is provided for social contribution activities based on the Companies Act of India. The internal CSR Committee discusses what to use these funds on every year, and last year they were used to donate two classrooms to a local elementary school. This year the funds were donated to the Prime Minister's National Relief Fund (PMNRF) for use in relief and assistance for people affected by natural disasters and diseases in India. Going forward, we will continue to contribute to the local community through a variety of activities.



Changsha Futaba Auto Parts Co., Ltd. China

Traffic police officers were invited to serve as instructors for a traffic safety class that was available not only to employees, but also the family members (particularly elderly people), friends, and acquaintances of employees. The rapid advance of motorization in China is believed to have led to traffic violations and traffic accidents because there are few opportunities to learn about traffic rules. The purpose of these activities is to provide an opportunity for people from the local community to learn about traffic rules, and it is hoped that they will lead to an improvement in traffic manners and a reduction in traffic accidents.

Tianjin Futaba Shye Chan Mechanical Co., Ltd. China

We are working to protect the environment through a reduction in environmental pollution and energy conservation to reduce gas emissions. Plastic waste is one factor leading to the deterioration of the environment, and it is becoming a social issue. On March 3, 2019, local management and union members used a holiday to distribute free reusable bags to customers at a supermarket square and conduct awareness-raising activities. The program encouraged people to reduce the amount of plastic bags used and reduce plastic waste. In addition, speeches on environmental protection were made by the children of employees.



Tianjin Shuang Shye Mechanical Industrial Co., Ltd. China

Arbor Day is held on March 12 in China, and we hold a Tree-Planting Festival every year at this time as part of our greening and environmental improvement activities. Although Tianjin is said to have extremely poor air quality, going forward, we will continue activities to reduce our environmental burden and contribute to society.



Management Principle and Strategies of FUTABA



We conduct our business activities, clearly indicating in the Company motto and management principle our desire to always be a company that is trusted by our stakeholders.

Company motto ...Quality Products at Lower Cost

We will continue with unceasing efforts to achieve the following:

Management principle ...1. Be a company that is trusted by and is essential to our customers.

2. Be a company that our associates can be proud of and feel motivated by.

3. Be a company that is widely supported and appreciated by the local communities.



Corporate Charter

1. Compliance with laws, regulations, social norms and the like P12

We will conduct corporate activities with high ethical standards and fulfill our social responsibilities in compliance with relevant domestic and foreign laws, regulations and social norms, as well as internal rules.

2. Contributions to society P13 P33

We will respect domestic and foreign cultures and customs, make efforts to preserve the environment, grow together with our local communities and become a company that is appreciated by the local communities.

3. Significance of the Company's existence P28

We will engage in the research and development of cutting edge technologies for the provision of products and services worldwide that our customers find satisfactory in terms of both quality and cost.

4. Fostering better communication and corporate culture P31

We will listen with sincerity to the opinions of various people both inside and outside of the Company, regardless of their positions, and foster a lively and energetic corporate culture that permits free thinking and active expression of personal opinions.

5. Respect for employees P31

We will respect the personalities and individuality of our employees, ensure a safe and pleasant work environment, and strive to provide comfort and enrichment to our employees.

6. Appropriate information disclosure P29

We will appropriately disclose corporate information in order to increase corporate transparency and soundness.

7. Harmony with society P33

We will abide in harmony with society as a good corporate citizen and firmly confront antisocial forces that pose a threat to social order and safety.

8. Growth and development with business partners, affiliates, etc. P30

We will always be innovative as we manage our business from a global perspective and will endeavor to grow and develop together with various stakeholders, including our business partners and affiliates.

Futaba's Code of Conduct

Chapter 1 Conduct in our relationship with the Company

1. Fostering a cheery and sound work environment
2. Safeguarding of assets and security management

Chapter 2 Conduct in corporate activities

3. Environmental conservation activities
4. Sales and procurement activities
5. Manufacturing that is trusted by customers
6. Becoming a globally trusted company

Chapter 3 Conduct in our relationship with society

7. Fair and open communication with society
8. Becoming a socially trusted corporate citizen
9. As a sound citizen
10. As a considerate driver



Progress in the New Five-year Plan

This fiscal year will be the fourth year of the New Five-year Plan during which we continue to implement the policies of the Plan while also responding to challenges surfacing in the recent operating environment.



Operating Environment

Increase in number of vehicles sold in overseas markets

Acceleration of the spread of electronic vehicles

Shift upstream in the value chain to support CASE*

* CASE is an acronym for Connected, Autonomous, Shared, and Electric



Challenges in the Operating Environment

Efforts that need to be further strengthened

1 Strengthening of global management structure

Manufacturing reform

Management reform

2 Strengthening product development to support electrification

Strengthening development for electronic vehicles

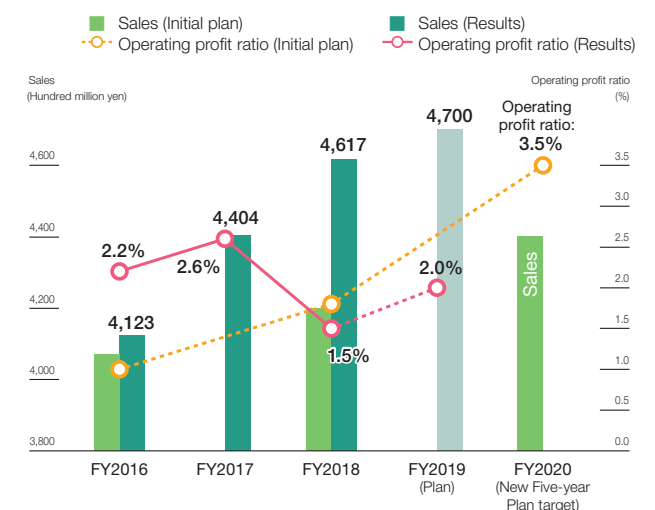
New efforts aimed at growth

3 Shift to business model in high-added-value areas

New business model for body products



Sales and Operating Profit Ratio (Consolidated)



Future Approach



Corporate Governance

Futaba understands the objective of corporate governance to be “ensuring proper business management from the perspective of diverse internal and external stakeholders in order to achieve a strong and sound company”. To this end, we will conduct business activities in compliance with laws, regulations and social norms, as well as enhance business transparency.

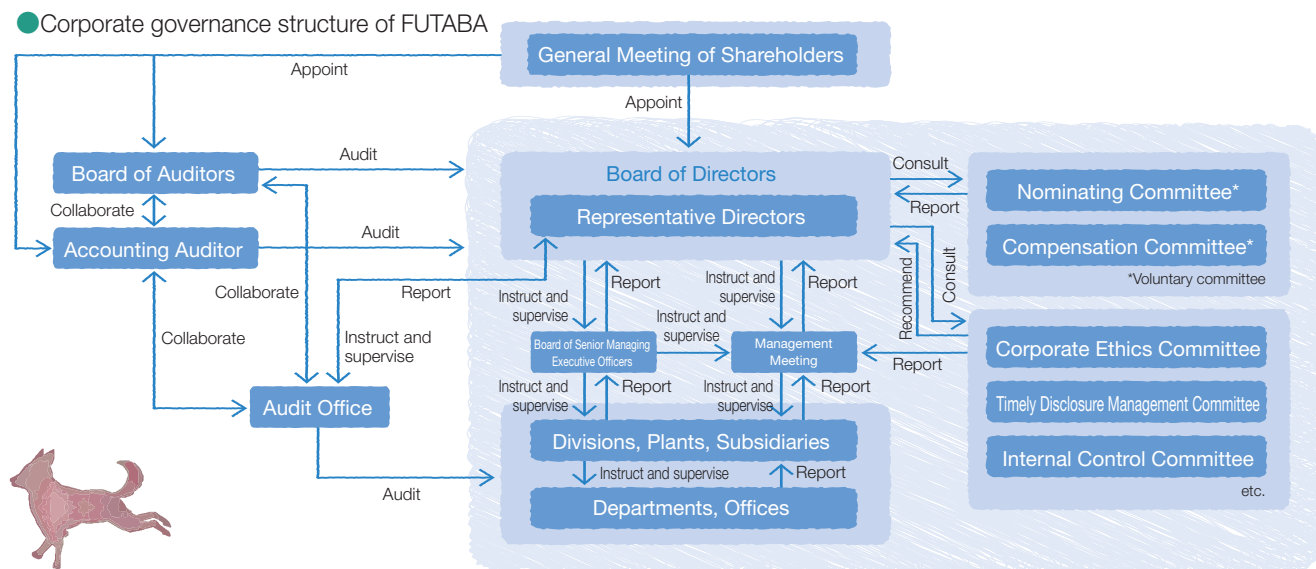


① Hitoshi Suzuki, (Outside) Audit & Supervisory Board Member	⑤ Masayoshi Ichikawa, (Outside) Director	⑨ Takayuki Yoshida, Director, Senior Managing Executive Officer
② Toshiyuki Isobe, (Outside) Audit & Supervisory Board Member	⑥ Motoko Miyajima, (Outside) Director	⑩ Mikio Iwatsuki, Director, Senior Managing Executive Officer
③ Hiroyoshi Yoshiki, President	⑦ Akira Nakashima, Audit & Supervisory Board Member	⑪ Tomohiro Takahashi, Director, Senior Managing Executive Officer
④ Masaki Horie, (Outside) Director	⑧ Ryusuke Itakura, (Outside) Audit & Supervisory Board Member	⑫ Fumio Ohashi, Director, Senior Managing Executive Officer

Governance

The Board of Directors, which is the highest decision-making organ, discusses statutory and material matters, determines business strategies and provides oversight of the execution of business operations. A management meeting is held when executing a business operation to discuss matters submitted to the Board of Directors, other important matters and individual

projects. In addition, a structure is in place to enable accurate and prompt business decisions by holding a meeting of the Board of Senior Managing Executive Officers to deliberate and resolve especially vital proposals concerning the direction and management of the Company.



Internal Control

Internal Control Basic Structures

The basic stance of FUTABA regarding internal control is for the Directors themselves to take the lead in complying with laws, regulations and corporate ethics for the appropriate execution of business operations, thus familiarizing employees with the concept and practice through their words and actions. As

regards the execution of business operations, we are incorporating problem detection and improvement mechanisms into the business execution system, while developing human resources and organizations capable of implementing the mechanisms.

Corporate Structure for Internal Control

1. Structure for ensuring that the directors execute their duties in compliance with laws, regulations and the articles of incorporation
2. Structure for preserving and managing information relating to the execution of duties by directors
3. Rules on and structures for managing the risk of loss
4. Structure for ensuring that the directors execute their duties efficiently
5. Structure for ensuring that employees execute their duties in compliance with laws, regulations and the articles of incorporation
6. Structure for ensuring that the Group's business operations are performed appropriately
7. Matters relating to employees who assist with the duties of corporate auditors, should corporate auditors request appointment of such employees
8. Matters relating to independence of the aforementioned employees from directors
9. Structure where by directors and employees report to corporate auditors
Other structures relating to reports to corporate auditors
10. In addition, structure for ensuring that corporate auditors perform audits effectively

Compliance

Futaba defines compliance as follows: “Acting with integrity not only in compliance with laws and regulations, but also with a sense of values and ethics required of a business person as a member of society, thereby realizing fair and appropriate business management, achieving harmony with civil society and promoting creative development of the company. Placing importance on environmental issues and taking initiative in environmental conservation efforts”.

We will conduct corporate activities with high ethical standards and fulfill our social responsibilities with full awareness of our corporate social responsibilities and public mission. We will respect domestic and foreign cultures and customs, make efforts to preserve the environment, grow together with our local communities and engage in various activities in an effort to become a company that is appreciated by local communities.

Educational activities

We provide compliance training to persons in charge, supervisors (e.g., group leaders), and department and division heads with respect to laws and regulations relevant to their business operations. Additionally, we provide security management training to all employees.

Establishment of helpline

We established the “Futaba Helpline” to provide appropriate internal and external consultation services with regard to various problems and questions concerning compliance.

Risk Management

In order to ensure the PDCA cycle of identifying as risks, analyzing, assessing and addressing factors that may inhibit the achievement of our organizational goals or impact business continuity, Futaba has established various committees. Examples of committees that assess risks and implement appropriate measures to reduce or avoid them include the Security Management Committee for information leakage risks, the Material Quality Issue Recurrence Prevention Committee for quality issues, the Corporate Ethics Committee for fraud risks, and the Internal Control Promotion Committee for internal control and governance.

Business Continuity Plan (BCP)

Focusing particularly on damages caused by earthquakes, Futaba conducts BCP activities geared toward recovery as expeditiously as possible, while giving first priority to human life. Futaba also devised a business continuity plan (BCP) involving the implementation of an emergency earthquake notification system and a safety confirmation system, the formulation of measures to ensure the safety of evacuation routes and prevent the turn-over and falling of equipment and other efforts to prevent and/or reduce damages, as well as the education of human resources to secure personnel capable of fully demonstrating his/her capability in the event of an emergency and an early recovery from anticipated damages. In addition, we have concluded a cooperation agreement with Okazaki City to provide facilities at the time of disasters.

Information Security

For the purpose of protecting and managing confidential information, we have established the Futaba Security Guidelines to instill awareness of security management in employees.

Environmental Management

All of the employees are engaged in activities to reduce our environmental impact based on the awareness that environmental conservation is the core element of our business activities.

Message from the Director in Charge



Mikio Iwatsuki
Top management

All employees of Futaba participate in environmental conservation activities aimed at harmony between our business activities and the environment, with the goal of realizing a sustainable society.

In order to comply with laws, internal regulations, and standards related to the environment and contribute to the realization of a sustainable society, we are actively working on the development of environmentally-friendly products, preventing global warming, reducing chemical risk, reducing noise, reducing waste, recycling resources, conserving water resources, and preserving biodiversity.

In particular, in order to reduce the environmental impact of production, the seven plants are combining their best respective efforts through coordinated activities based on a common environmental management system to effectively produce the maximum effects as one team.

In an effort to reduce CO₂ emissions, which is one of our corporate social responsibilities, we have set challenging reduction targets and are promoting various measures such as systematically replacing old equipment with energy-saving equipment and devices.

We, employees at Futaba, will continue to work as one in environmental conservation activities by valuing communication with members of local communities.

Excerpt from Environmental Policy

Environmental Philosophy Revised November 1, 2010

The seven plants (manufacture of automobile parts, information and environmental equipment parts, and for-sale assembly lines and stamping dies) shall actively contribute to the conservation of the global environment by positioning environmental management as a core element of their business activities, under the recognition that environmental conservation is a task of global significance.

Accordingly, by designating the environmental management system as an important foundation of its business activities, each plant shall make improvements on an ongoing basis with respect to elements of its business activities that impact the environment and work to achieve harmony with the local communities.



Environmental Management System

Futaba is engaged in cross-departmental improvements activities across plants led by the Pollution Prevention, Waste Reduction, Energy Conservation and Resource Conservation Subcommittees. Thanks to these activities, each plant has been able to maintain a high-level environment. We will continue to utilize the environmental management system, make ongoing efforts, and strive to make further improvements.



Environmental Education

For the education of internal auditors, an external instructor is invited to conduct more practical education and raise the standard of internal audits. Education by rank, targeted at new employees and new managers, is also conducted as necessary within the Company.



Compliance with Related Environmental Laws and Regulations

As part of ISO14001 activities, Futaba has established stricter voluntary standards than local government regulations, based on which the compliance status is confirmed periodically, with the Pollution Prevention Subcommittee playing a central role. With respect to water quality of effluent from plants, we have developed a system to manage septic tanks and drainage systems within our plants, and by identifying the trends in the deterioration of water quality, we are preventing water quality from breaching the standards.

There was no breach of regulations in FY2018.



Environment-related Complaints and Responses

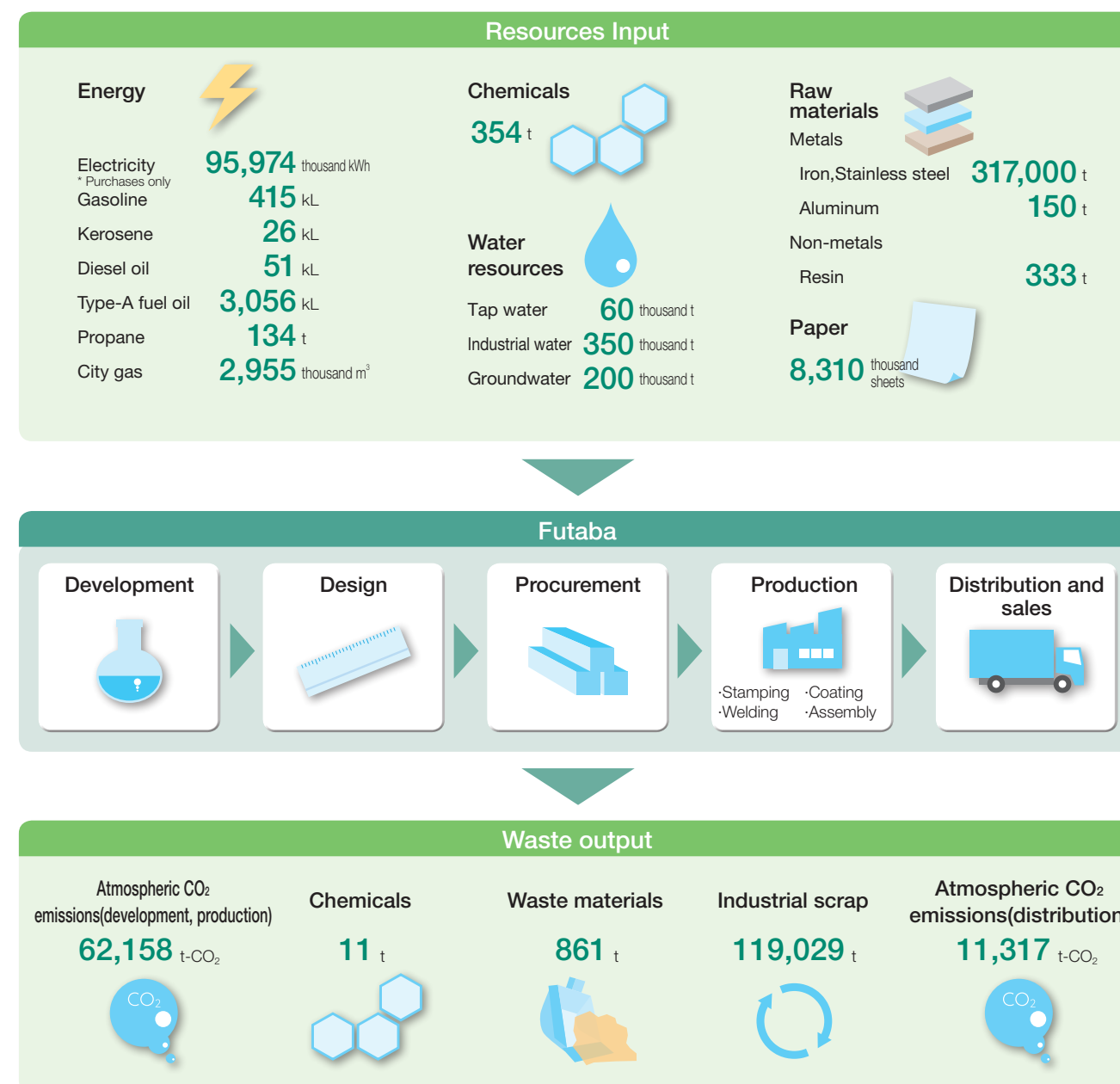
Not satisfied with merely complying with laws and meeting the standards of agreements, we have set stricter voluntary standards to reduce noise levels in consideration of the neighboring residents to be a company that is widely supported and appreciated by the local communities.

In FY2018, we conducted noise measurement monitoring and selected items to be produced during night work, as well as reduced noise from the scrap collection box.



Resources Input and Waste Output

Futaba is working to reduce substances of concern by keeping complete track of energy and other resources essential to business activities that are input and CO₂ and other waste that are output.



Development of Eco-friendly Products



In order to achieve a sustainable society, we are endeavoring to develop eco-friendly products that anticipate environmental changes and needs.

Development Policy

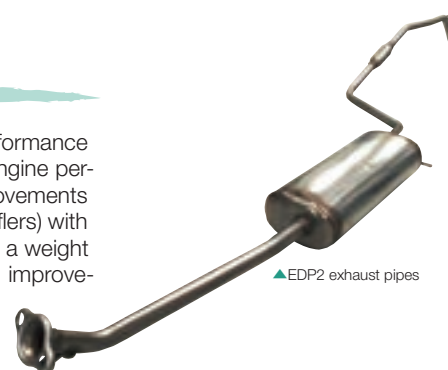
1. With respect to exhaust system products, we will promote the development of technologies that contribute to compliance with stricter regulations such as exhaust noise reduction and exhaust emission control, as well as improved fuel efficiency.
2. We will promote weight reduction of body system products that contribute to collision safety as well as improved fuel efficiency by developing hot-stamping parts and cold stamping ultra-high tension parts.
3. In order to conserve energy and reduce CO₂ emissions, we will promote the development of heat management systems including heat recovery devices (POWEREV®) and parts for fuel cells for home use.



Our Environmentally-Friendly Products (New Product Introduction)

Exhaust pipes for Daihatsu Motor: Adoption of thin sheets with a thickness of 0.8 mm (weight reductions)

Exhaust pipes are one of the parts that have a significant impact on product performance through reducing exhaust noises generated by a vehicle's engine and improving engine performance by efficiently emitting engine gases. Amid the increasing needs for improvements in automotive fuel performance, by using exhaust pipe components (pipes and mufflers) with a sheet thickness of 0.8 mm, which is thinner than conventional components with a weight that is 20% lighter than conventional parts, we have significantly contributed to improvements in fuel performance.



Comments from the Developers

Exhaust Pipe Design Sect.2, Exhaust System Development Division

Hiroshi Umemoto (Left) Hiroaki Yokoyama (Right)

In order to use thin materials for the exhaust pipe, it was necessary to satisfy quality requirements to weld the thin sheets together. Although we faced various challenges to realize this, we were able to overcome these challenges and achieve a lighter weight by working together with related departments and deliberating on the product structure and the setting of welding standards. We will continue development in the future to contribute to improved fuel economy through lighter weight.



Canister compatible with Chinese regulations

A canister is a product that contributes to the environment by absorbing gasoline vapor emitted by the fuel tank and emitting only clean air outside of the vehicle. Regulations in China have become as strict as those in North America, and the resulting increase in size and complexity of canisters has also become an issue. In response to these strengthened regulations, we have developed a double-layer structure rather than relying only on adsorbent performance and achieved performance at a low cost. The product has been adopted in Yaris and Vios vehicles produced in China by Toyota Motor Corporation.



Comments from the Developers

Body System Functional Parts Development Sect.,
Vehicle Function System Development Division
Performance Test Sect., Performance Assurance Division

Although we were not able to attain the targeted performance and had the issue of high ventilation resistance in the early development stage, the design and evaluation departments joined efforts to repeat hypothesis and verification while pursuing improvement. As a result, we established specifications that achieved a balance between performance and ventilation resistance. Going forward, we intend to contribute to the global environment through the products we develop.



Efforts to Prevent Global Warming



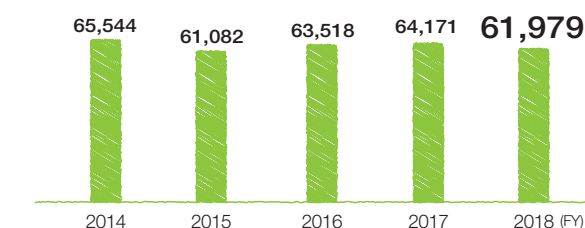
We will endeavor to prevent global warming by actively engaging in energy conservation activities relating to our plant facilities and distribution through observation of the Act on the Rational Use of Energy.



Reduction of CO₂ Emissions

In FY2018, our efforts included updating transformers and compressors, converting ceiling lights to LEDs, and renovating the thermal insulation for hot and cold water pipes for air conditioning. Emissions were reduced by 10.2% compared to FY2013 (the base year).

CO₂ Emissions (t-CO₂)



Energy Conservation Subcommittee

The Energy Conservation Subcommittee is responsible for promoting energy conservation activities under our environmental management system.

The Subcommittee checks monthly progress relative to the annual targets and provides a system for quick recovery when delays occur in the progress of the plan.

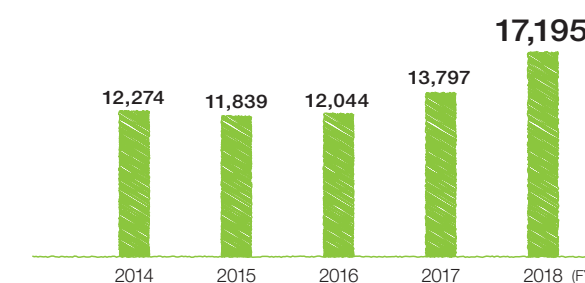
The Subcommittee is working to reduce our specific energy consumption by 1% or more per year, as stipulated in the Act on the Rational Use of Energy, by tracking energy use in each plant.



Reduction of CO₂ Emissions in Distribution

Emissions increased by 24.6% year on year as a result of an increase in the volume of products shipped from Mikawa to Kyushu in response to a customer request.

Distribution CO₂ Emissions (t-CO₂)



Chemical Risk Reduction

In response to various regulations concerning chemicals, we are managing and reducing the quantities of chemicals used, transferred or released that could be hazardous to human health and ecosystems.

Chemical Management System

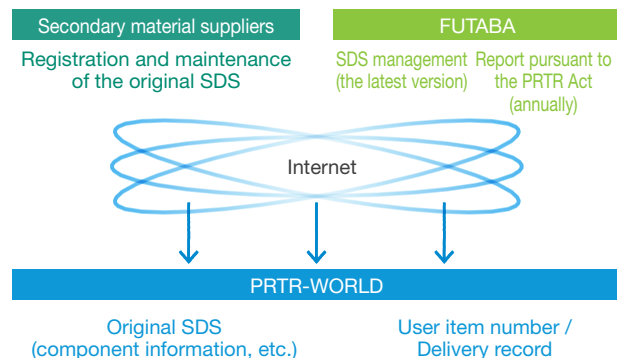
The quantities of relevant substances used, transferred or released are calculated from the quantities of secondary materials purchased (fuel, paint, adhesive, etc.), using the chemical management system (PRTR-WORLD) developed by Eco-Research K.K.



PRTR

Pollutant Release and Transfer Register, which is a system whereby the release and transfer of chemicals suspected of being harmful are tracked quantitatively and registered.

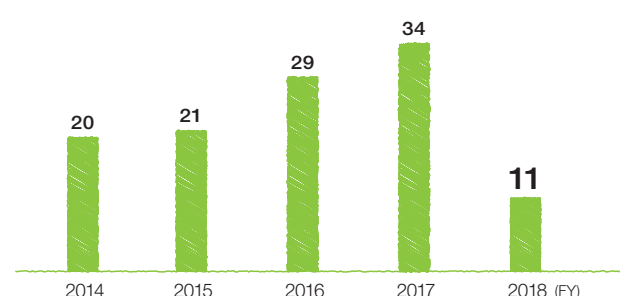
Outline of the chemical management system



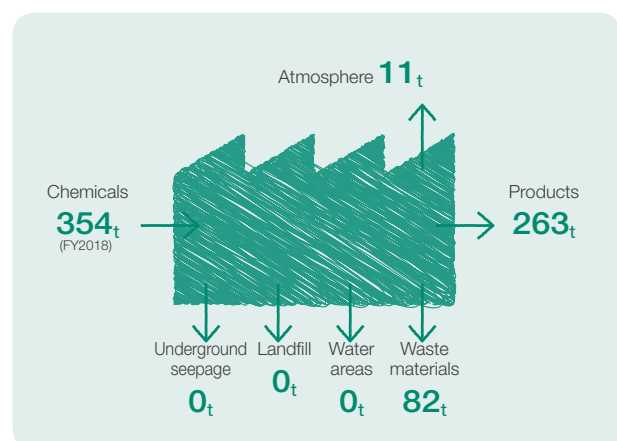
Efforts to Reduce Chemical Substances

Chemical substances used significantly dropped by 66.3% as a result of a decrease in the amount of gasoline used thanks to the further shift to battery-powered forklifts at plants.

Quantities of PRTR substances released (t)



Quantities of PRTR substances released and transferred



Reduction of VOC (Volatile Organic Compounds) Emissions

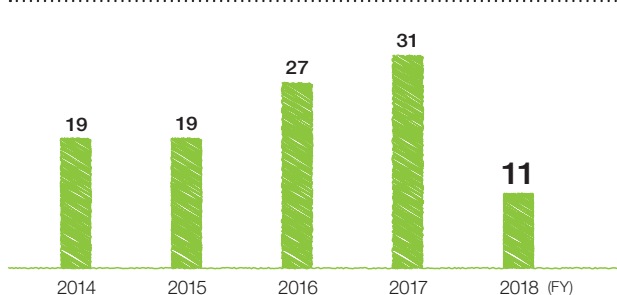
VOC emissions significantly dropped by 64% as a result of a decrease in the amount of gasoline used thanks to the further shift to battery-powered forklifts at plants.



VOC

Volatile organic compounds, which are hazardous substances that create photochemical oxidants and other substances, thereby causing health problems.

VOC Emissions (t)



Waste Reduction and Resource Recycling

In order to make effective use of limited resources, we have been promoting 3R (Reduce, Reuse and Recycle) activities, led by the Environmental Management System Subcommittees (Resource Conservation and Waste Reduction Subcommittees).



Industrial Waste Reduction

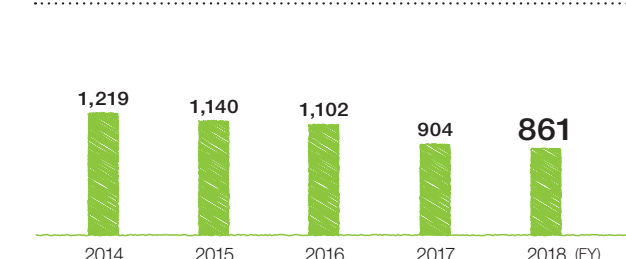
We are promoting efforts to reduce waste output and landfill waste and are working on the recycling mainly of waste oil, plastic, and sludge.



▲Our waste to be recycled

We are working to reduce the quantity of industrial waste. Output was reduced by 4.7% year on year in FY2018.

Quantity of waste output (t)



Conservation of Water Resources and Preservation of Biodiversity

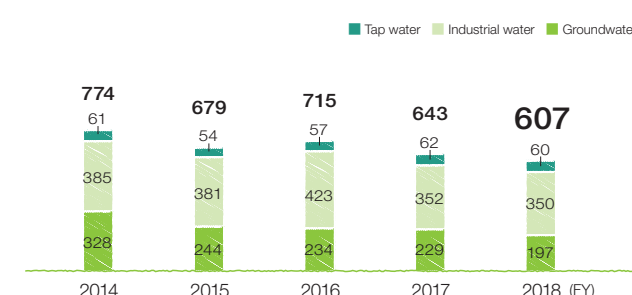
Futaba is endeavoring to conserve water resources, which are the source of all living things, as well as preserve biodiversity through activities to make the local man-made forest more compatible with the original ecosystem.



Conservation of water resources

Futaba uses industrial water and groundwater in various processes including the cooling of its facilities, cleaning of its products and airtightness inspections. Futaba is making efforts to reuse its water resources by building recirculating systems at various sites. Industrial effluent from the plants is controlled in accordance with our voluntary standards, which are more stringent than the statutory standards. After the treatment in the septic system or the effluent treatment facility on our premises, the effluent is discharged into the public waters. We keep track of the amount of effluent with a flowmeter.

Water Usage (Thousand t)



Efforts to Preserve Biodiversity

Futaba has been engaged in "reforestation activities" by leasing the forest owned by Okazaki City since 2011. Approximately 10 staff members conduct activities such as undergrowth mowing, leaf raking, the thinning of small trees, and oak cultivation twice a year. The Kids' Insect Hunting Event was held in July and Woodworking Workshop was held in December, enjoyed by many family members of employees.



▲The Kids' Insect Hunting Event

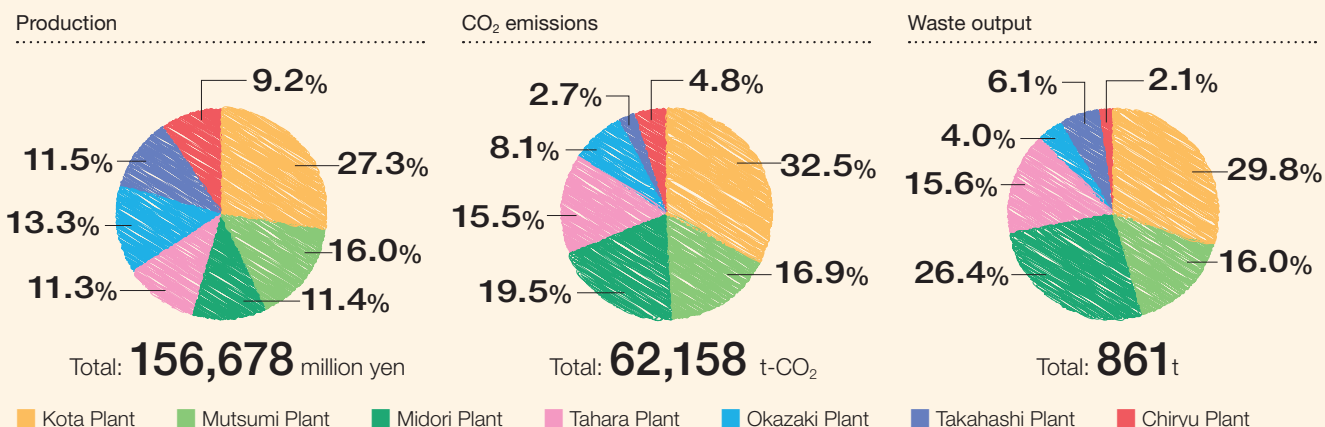
▲Reforestation activities

Efforts of Plants and Group Companies



Recognizing that the conservation of the environment is one of the most important issues, Futaba's plants are conscious of environmental sustainability in conducting activities related to any and all aspects of business. The plants are also contributing to local residents through proactive efforts to communicate with, as well as through environmental conservation and social activities in harmony with the local communities.

Efforts undertaken by plants



Okazaki Plant

Address : Azaochaya 1, Hashime-cho, Okazaki-shi, Aichi, Japan

Products : Cows, side frames, center pillars, center mufflers, main mufflers



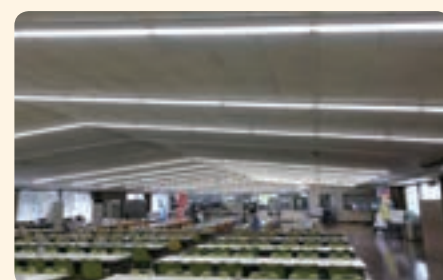
Yoshihito Yamada
Plant Manager

At the Okazaki Plant, we are engaged in resource conservation activities (reductions in the amount of materials used) and energy conservation activities (improvements in the operational efficiency of production facilities) through production activities, which are our mainstay business. In addition, as part of our regional social contribution activities, we

actively participate in the traffic safety monitoring to ensure the safety of children going to school and environmental beautification efforts through cleaning around the plant. We will constantly promote manufacturing that is friendly toward the environment and endeavor to coexist with the local community.

Environmental and Social Activities

- As a result of steady materials yield improvement activities at the plant, the annual usage volume of steel materials required for production was reduced by 1,300 tons compared to the base year of FY2016. In addition, annual power consumption was reduced by 549,148 kwh thanks to the renewal of aging production facilities to more efficient equipment, and the adoption of LED lighting and renewal of air conditioning along with improving the working environment. We will implement such activities systematically and work to protect the regional environment.
- In order to prevent noise from affecting the residents of nearby areas, we have set voluntary standards for the sound pressure level at the plant premise borders, and carefully manage noise by periodically conducting noise measurements. We are promoting our plan to install more soundproof walls, and this fiscal year we have extended soundproof walls on the southern borders of the plant. Going forward, we will continue such efforts while regularly communicating with people in the local community.

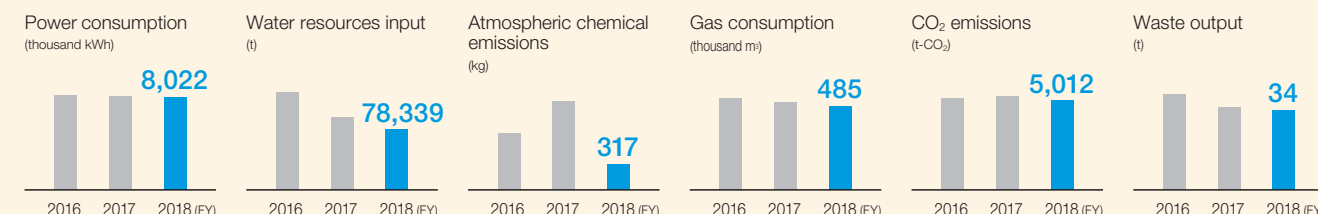


▲ Adoption of LED lighting in the cafeteria building



▲ Extension of soundproof walls on the southern borders of the plant

Information on Environmental Impact



Midori Plant

Address : Midorigaoka 6-1, Toyota-shi, Aichi, Japan

Products : Suspension members, rear axle beams, fuel inlet pipes, instrument panel reinforcement, exhaust manifolds, EGR pipes



Kenji Tsuyuguchi
Plant Manager

Our plant located in the car town Toyota City covers the entire range of production (i.e., stamp molding → welding and assembly → coating) for automotive parts such as instrument panel reinforcements and suspension. By pursuing improvement in production efficiency, which is our mainstay business, through efforts including productivity

improvement, in-process defective waste reduction and distribution loss reduction, at the same time, we are working to save energy and reduce CO₂ emissions and our environmental impact to promote environmentally-friendly manufacturing.

Environmental and Social Activities

- We have been switching from gasoline forklifts to electric forklifts since FY2013, and we completed the replacement of all of the 27 gasoline forklifts we initially had in FY2018. As a result, we have been able to reduce gasoline consumption by approximately 160 kl per year and reduce CO₂ emissions by about 300 t-CO₂ per year.
- We exhibited at the Toyota Industry Festa jointly with the Toyota City Environmental Preservation Division and neighboring companies and held a killifish scooping corner using killifish raised with effluent from the plant. Water emitted from the plant must satisfy strict water quality standards prescribed by laws and regulations. Raising killifish that are sensitive to water quality in effluent from the plant fulfills both a water quality monitoring function and facilitates interaction with the local community. In addition, this year, we participated in the Kotobuki Shrine Fall Festival of the community of Higashida where the plant is located for the first time and operated a food stall. We sold out a total of 700 sausages that were well received by the local residents, and the event was a good opportunity for communication.

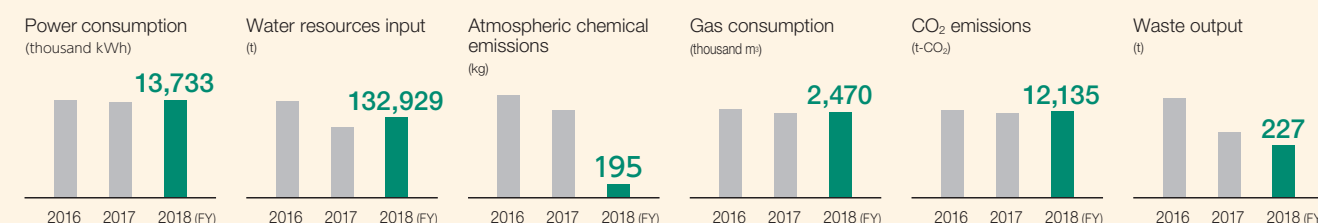


▲ Completion of the switch to electric forklifts



▲ Food stall at the local Kotobuki Shrine Fall Festival

Information on Environmental Impact



Efforts of Plants and Group Companies



Chiryu Plant

Address : Donsuyama 110,
Aizuma-cho,
Chiryu-shi, Aichi,
Japan

Products : Fender shields,
cowls, body pillars



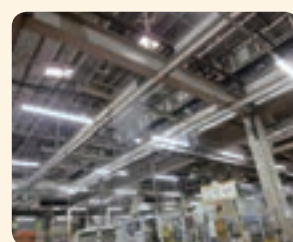
Kenji Tsuyuguchi
Plant Manager

The Chiryu Plant mainly manufactures body parts for automobiles. Under the plant's policy to be "a company that contributes to the local community," the plant is proactively engaged in traffic safety activities such as the traffic safety monitoring and communication activities with the local community in order to deepen interaction. In addition, in order to reduce our environmental impact, we have continued activities such as reducing

energy use through the consolidation of production facilities and reducing the amount of waste. Furthermore, since our plant is adjacent to a residential area, we are also focusing on noise control measures. Going forward, we will continue making efforts to become a company that is well liked by the local community, while also seeking to become a company in which our employees can work comfortably with a sense of fulfillment.

Environmental and Social Activities

- As energy conservation activities, we have conserved energy through improvements in production activities that are our mainstay business and we have also steadily reduced power consumption. As a result, we achieved our target for FY2018. We plan to adopt LED lighting and introduce energy-saving equipment, and we will make further efforts to conserve energy this fiscal year as well. As noise control measures, we will focus on the reduction of noise at night, evaluate the sources of noise and implement countermeasures, and continue voluntary measurements of sound pressure at our plant premise borders. In addition, we plan to repair plant exterior walls to improve safety.
- We promote traffic safety on street corners in the morning of "Zero Traffic Accident Days (the 10th, 20th and 30th of each month)" and during the prefectural Traffic Safety Campaign period and engage in cleaning activities around the plant. Furthermore, although the local summer festival where the sausages made by Futaba Chiryu are always popular every year was canceled in 2018 due to a typhoon, we did participate in the Mamorinpics, a local disaster prevention event. Experiencing disaster prevention measures together with members of the local community was a good opportunity for communication.



▲ Adoption of LED lights in the building



▲ High-efficiency motor

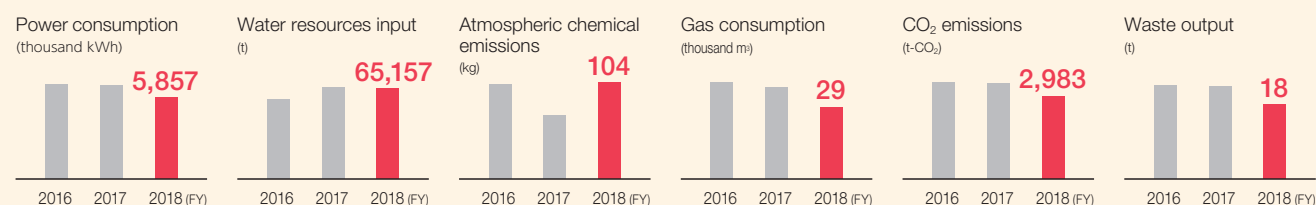


▲ Mamorinpics



▲ Clean-up activities around the plant

Information on Environmental Impact



Kota Plant

Address : Nagamine
Yanagisawa 1-1,
Kota-cho, Nukata-gun,
Aichi, Japan

Products : Mufflers, exhaust
manifolds and other
exhaust system parts,
body parts



Deno Kanamoto
Plant Manager

The Kota Plant, with research and development departments located on the same premises, is the largest of Futaba's business locations, and it is equipped with the latest production facilities including hot stamping lines. In the efforts of our New Five-year Plan from FY2016, we have strengthened coordination among cost planning, development, production technology, and manufacturing teams for exhaust and

functional parts, all belonging to the same business location, in an effort to build a stronger profit structure.

Furthermore, the Kota Plant cherishes its ties with local residents and is striving to be a business facility that is appreciated by local residents through events including plant tours and ground golf tournaments, as well as clean-up activities in the areas surrounding the plant.

Environmental and Social Activities

- We hold a ground golf tournament and a BBQ party every year to deepen exchanges with local residents of both Okazaki City and Kota-cho. A total of about 200 people participated in the event. These are wonderful opportunities that allow our employees, including the plant manager, to mingle with local residents and share an understanding of our activities.
- As the Company's flagship plant, we actively accept visits to the Kota Plant in order to make the appeal of Futaba widely known to those outside the Company mainly through introductions of products and manufacturing sites as well as business activities to all stakeholders. As the plant is open to visitors throughout the year, employees work with a good sense of tension. Also, at the Manufacturing Training Center adjacent to the plant, our safety simulation facility has been well received by many visitors, as it enables them to recognize the danger that lies in everyday life. Going forward, we will continue to make efforts to be a plant that is appreciated by everyone.



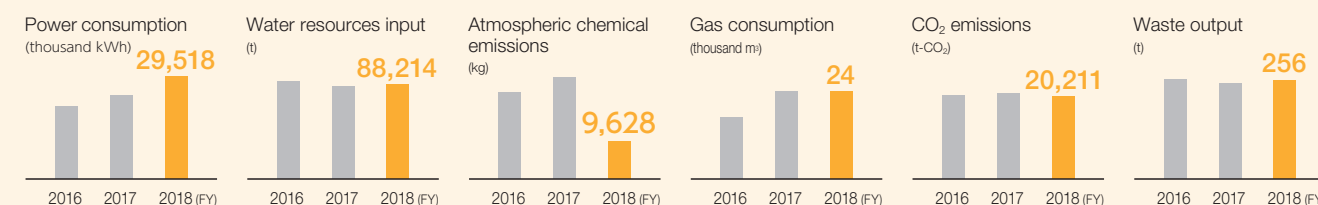
▲ Introduction of the muffler production line



▲ Ground golf tournament and BBQ party



Information on Environmental Impact



Efforts of Plants and Group Companies



Mutsumi Plant

Address : Mukaimaeda 38,
Zaika-cho, Okazaki-shi,
Aichi, Japan

Products : -Office equipment / Information and
environmental equipment
-Exhaust heat recovery devices,
fuel cell-related parts
-Automobile parts
-Body parts, chassis parts



Kenichi Ikeda
Plant Manager

Our plant primarily manufactures automobile body parts as well as information- and environment-related parts. We are engaged in environmentally-friendly manufacturing by reducing automobile body weight through the processing of ultra-high tension materials in the body parts segment, production of paper feeder units for copy machines, and the production of environmental products in the information- and environment-related parts segment.

Two hot stamping (process in which heated steel sheets are cooled immediately after being stamped to increase the strength) lines went into operation in 2015 in

advance of other plants. With these hot stamping lines, we have continued to take on the challenge of addressing both enhanced strength and reduced automotive body weight. We will install energy saving equipment in our production lines and improve the production/delivery process in an effort to prevent global warming through our environmentally-friendly manufacturing, while at the same time proactively engage in environmental conservation activities. We are also taking action by promoting the traffic safety monitoring and accepting visits to the plant, to become a company that is loved by the local community.

Environmental and Social Activities

- As we place importance on making contributions to the local community, we accept requests for plant tours from neighboring elementary schools and local high schools, and also actively accept requests for plant tours and plant workshops for students from special needs schools. In addition, in order to ensure the safety of local elementary and middle school students on their way to school at the crossings to the east and west of the Plant, where there is heavy traffic, we conduct a traffic safety monitoring at the crossings on "Zero Traffic Accident Days (the 10th, 20th and 30th of each month)" and during the prefectural Traffic Safety Campaign period.
- We are promoting energy conservation activities as part of activities aimed at reducing CO₂ emissions. In FY2018, we planned and implemented improvements in each department in order to achieve the goal of reduction by 2% compared to FY2016 (1% reduction per year). Major improvements included the adoption of inverters for cold water pumps and exhaust fans, the adoption of LED lighting, switching to highly efficient transformers, and switching from fuel oil to clean electricity through the renewal of some air conditioning. Furthermore, we conduct monthly energy conservation patrols to maintain and promote awareness on energy conservation.



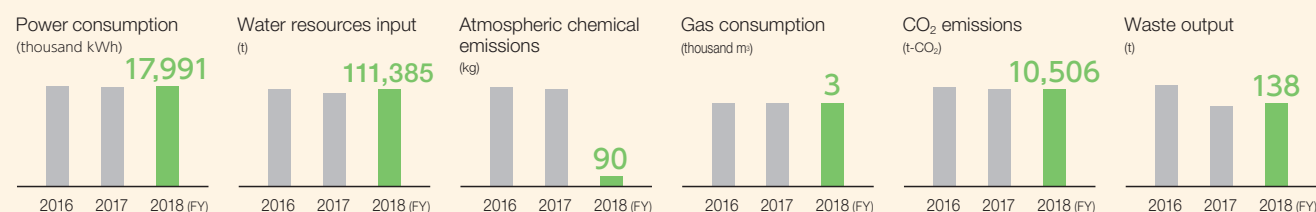
▲ Monitoring



▲ Plant tour



Information on Environmental Impact



Takahashi Plant

Address : Hifumi 24, Takahashi-cho,
Okazaki-shi, Aichi, Japan

Products : Production of dies, welding
assembly lines and fine
blanking products



Takahisa Inagaki
Plant Manager

The Takahashi Plant plays the central role for Futaba's stamping and welding technologies for preparing the stamping dies and equipment for the production of parts by Futaba Industrial in Japan and overseas. For stamping dies and equipment produced by the plant, efforts are made to maximize efficiency throughout the lifecycle from planning to production through means such as the proposal of efficient product forms including product weight reduction and

the minimization of materials, energy conservation for stamping dies and equipment, simplification of the production process, and achievement of product quality in a short period of time in order to contribute to environmental preservation on a global level, not limited to just the plant.

In addition, our plant is actively engaged in community contribution activities that include cleaning around the plant, traffic safety measures, and volunteering activities.

Environmental and Social Activities

- Every month we stand on the crossings and streets where there are no traffic signals that children pass by to go to school in the area near the plant to promote traffic safety on Zero Traffic Accident Days and during the prefectural Traffic Safety Campaign period. In this manner we contribute to an improvement in awareness of traffic safety among employees and local residents. In addition, we have launched the Cleanliness Subcommittee at the plant that conducts a full cleaning of the plant and its surroundings four times a year as part of efforts that give the top priority to contributing to the local community.
- As energy conservation activities, we are working toward the goal of reducing power consumption by 1% year on year. During FY2018, we focused on the renewal of air conditioning equipment and the adoption of LED for ceiling lighting at Plant No. 1 and achieved our annual targets of reducing power consumption by 260.8 kWh per month and CO₂ emissions by 1,545.9 t-CO₂ per month. We have plans for energy conservation measures including the adoption of LED lighting for office buildings and renewal to highly efficient transformers in an effort to reduce CO₂ emissions this fiscal year as well.



▲ Adoption of LED for plant ceiling lighting

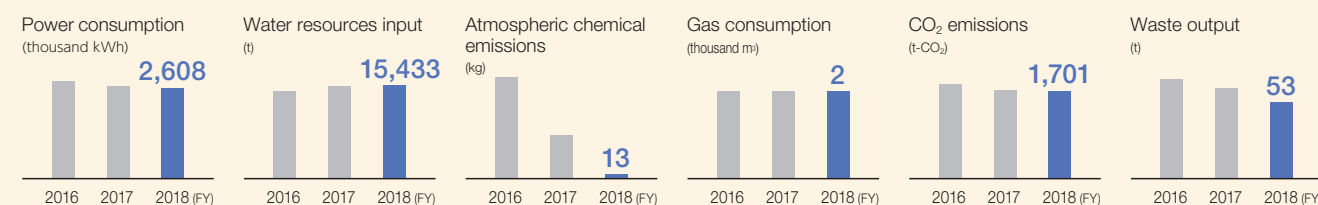


▲ Traffic monitoring near the plant



▲ Plant cleanliness activities

Information on Environmental Impact



Efforts of Plants and Group Companies



Tahara Plant

Address : Midorigahama 1-5, Tahara-shi, Aichi, Japan
 Products : Mufflers, exhaust manifolds and other exhaust system parts, cowls, beams, instrument panel reinforcement



Yoshinobu Nakamura
Plant Manager

The Tahara Plant in Tahara City, Aichi Prefecture mainly produces exhaust system parts, body parts and suspension system parts for automobiles. As our plant is on the Mikawa Bay within an abundant natural environment, we are strengthening measures to prevent the occurrence of water quality incidents caused by an oil spill or wastewater

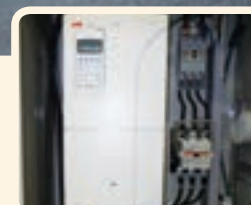
treatment failure. Each and every one of our employees is constantly aware of efforts to reduce our environmental impact and is focused on efforts to reduce energy consumption. Going forward, we will actively participate in a variety of environmental activities to contribute to the local community as the Company's only business location in Higashi Mikawa.

Environmental and Social Activities

- As part of our social contribution activities, every month we stand on the streets to promote traffic safety on Zero Traffic Accident Days and promote traffic safety in the city, as well as participate in clean-up activities around the plant. This year we also participated in the Make Tahara Beautiful Promotion Day together with companies from the coastal area, and picked up trash along industrial roads near the plant. We will contribute to the local community through these activities.
- As energy conservation activities, we reduced CO₂ emissions by 12.25 t-CO₂ per month through the adoption of inverters for the main motor of the stamping machine, the introduction of high-efficiency equipment, the adoption of LED lights and renewal to top-runner transformers. In addition, we actively participate in the Tahara City Light-down Campaign that is held every summer and the Light-down Campaign that is held every winter sponsored by the Tahara Eco Garden City Regional Council (co-sponsored by Tahara City). We will work on reducing CO₂ emissions and actively participate in events sponsored by Tahara City this year as well.

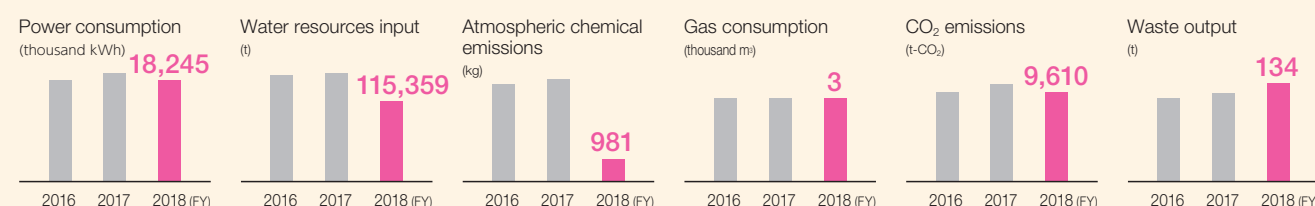


▲ Traffic monitoring



▲ Adoption of inverters for the main motor

Information on Environmental Impact



Group Companies



Futaba Kyusyu Co., Ltd.

Address : Nakaizumi 1181-6, Nogata-shi, Fukuoka, Japan (Head Office / Nogata Plant)
 Products : Mufflers, pillars, cowls, instrument panels, inlet pipes, pedals, beams



Tateo Kawabuchi
Plant Manager

The Company has three plants as the Group's production base in Kyushu. We strive to preserve the environment through environmental management as the core of our business activities, and conduct activities under our policy of complying with environmental laws and promoting effective and reduced use of resources. We are mainly engaged in reducing CO₂ emissions, industrial waste output, and defect

waste output, and we have designated the environmental management system as one of our important foundations of our business activities. All of our employees are engaged in activities with an awareness of the natural environment in order to become an environmentally-friendly plant, and are aiming for production plant operations that take into consideration the local community.

Environmental and Social Activities

- At the Nogata and Imari Plants, we perform waste cleaning work (bottles and cans) and weeding work near the prefectural and city roads around the Plants twice each year. By carrying out such cleaning work, we prevent pest insects and illegal dumping and contribute to the preservation of the living environment. In addition, during the nationwide (prefectural) Traffic Safety Campaign period, we conduct the traffic safety monitoring on the prefectural highways and conduct a petition drive for the elimination of drunk driving during the winter campaign period and submit these signatures to the local police station, contributing to the improvement of traffic safety awareness among both employees and local residents.
- At the Imari Plant, while empty packing boxes and pallets were stored at the premise outside the plant in the past, roofed storage spaces were built in-house at three locations (a total of 287 m²) to eliminate the risk of oil leaks from rain or wind. This has not only eliminated the leakage of the small amount of oil that remains on containers, but has also made it possible to secure a container storage location.

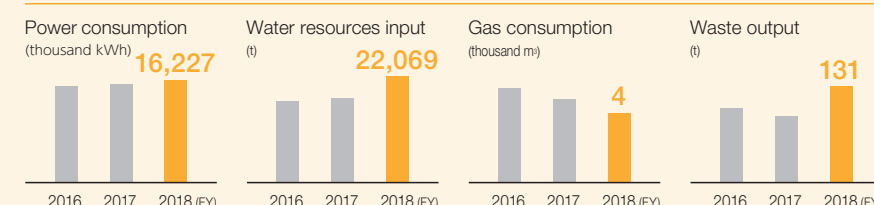


▲ Clean-up activities around the plant



▲ Establishment of roofed storage spaces for empty packing boxes and pallets

Information on Environmental Impact



Futaba Hiraizumi Co., Ltd.

Address : Hiraizumi Kamitokuzawa 65, Hiraizumi-cho, Nishiiwai-gun, Iwate, Japan (Head Office, Plant)
 Products : Mufflers and body parts



Tsuguhiko Umemura
President and Representative Director

The company is located in Hiraizumi-cho, a World Cultural Heritage Site surrounded by rich nature. We will find harmony with local communities and work on our social contribution activities, so as not to

impair the culture and landscape that has been inherited through generations, by placing an emphasis on contributing to environmental protection, including energy saving, resource saving, and waste reduction.

Environmental and Social Activities

- Last fiscal year, we invited people in the local community for a plant tour for the first time at an event to commemorate our founding anniversary in appreciation of our relationship with stakeholders. Nearly 200 people attended the event, where they gained an understanding of the business activities of the Futaba Group. Going forward, we will continue social contribution activities including volunteering activities and interaction with the local community.



▲ Plant tour for local residents

Efforts of Plants and Group Companies

Futaba
Hiraizumi
Co., Ltd.

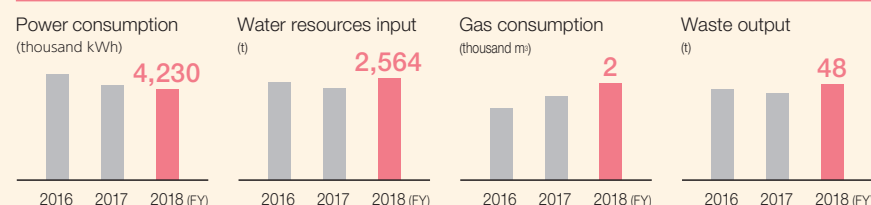
● We actively accept requests for plant tours for government agencies and high school, middle school, and elementary school students in Iwate Prefecture as part of our social contribution activities.

In addition, we accept internships and actively participate in employment guidance at high schools to contribute real extra-curricular social study activities for students.



▲ Plant tour for elementary school students

Information on Environmental Impact



Apics Co., Ltd.

Address : Sumi Minamiyama 2-1,
Kota-cho, Nukata-gun,
Aichi, Japan
(Head Office, Plant)

Products : Production of automobile parts
and dies, stamping, assembly



Shinichi Ogiso
President and
Representative Director

Our Head Office and the Kota Plant are located in an industrial park adjacent to the Kota Sumi Interchange on National Route No. 23 in Kota-cho that is abundant in nature. Kota-cho is a region that has many events deriving from history and nature as represented by the Weeping

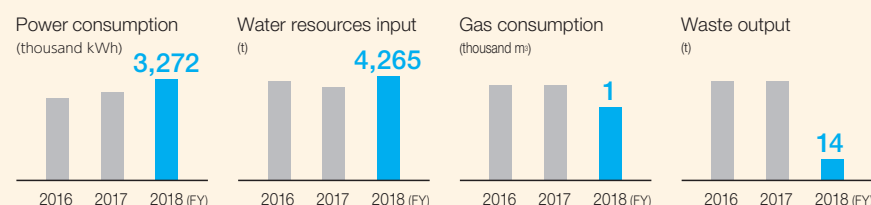
Cherry Tree Festival, the Honkoji Temple Hydrangea Festival, and Kota Hikoza Festival (named after a historical figure). We are actively taking part in local events that value this environment and history in an effort to better communicate with the residents.



Environmental and Social Activities

● We are engaged in street cleaning and weed removal activities on the roads surrounding the industrial park, prefectural highways, and the roads in the vicinity of the Kota Sumi Interchange every year. We work on weed removal and street cleaning as activities that lead to the preservation of the living environment by preventing the occurrence of pest insects, prevention of fire by removing dry grass and similar hazards, prevention of crime such as illegal dumping in overgrown weeds, and traffic safety that allows local residents to walk safely on sidewalks. In March, we donated stationary for new students at local elementary schools as part of community contribution activities. In addition, a significant contribution was made to reduce power consumption through the adoption of LED lighting at plants.

Information on Environmental Impact



▲ Environmental beautification project

Relationship with Customers

We are working to achieve our Mission of “providing safe, secure and environmentally-friendly products to customers through stamping technologies and welding technologies” as well as support new processing technologies of recent years and implement quality improvement activities in order to enhance the reliability of our products.

Message from the General Manager of the Quality Assurance Department



Norimasa Shinoda
The Person Responsible for
Quality Assurance
General Manager, Quality
Assurance Department

We have acquired IATF16949:2016 certification in order to achieve our mission, as well as to support the acquisition of new processing technologies that have emerged in recent years and to enhance reliability. We will continue to make improvements to our TQM activities and the quality assurance system with an emphasis on process. While focusing on the two pillars of wisdom and improvement as well as a human focus of the FUTABA WAY, we will work to improve the level of quality assurance within the entire Company, functioning as one through the development of human resources capable of performing operations with a sense of ownership.

Acquisition of IATF16949 certification for entire company



Improving Manufacturing Quality

We are conducting our daily activities to respond to the expectations of our customers via activities such as business quality improvement with TQM as a company-wide activity, quality control activity confirmation meetings led by the Manufacturing Department, and regular quality meetings at our Engineering Department, Production Engineering Department, and Quality Assurance Department. In addition, we are working to improve quality including by the sharing of issues and the introduction of improvements through regular meetings with suppliers.



Prevention and Milestone Management

We conduct checks including system audits on quality assurance and milestone management meetings as preventive measures, as well as hold quality committees and quality function meetings in order to resolve issues.



▲ Quality control activity confirmation meeting of the Manufacturing Department



Quality Improvement Activities

We implement the “Quality and Performance Council,” “QA inspections,” “Quality Control Activity Confirmation Meeting,” etc. in order to improve the overall quality level of the Futaba Group.

Quality and Performance Council

The Council meets monthly, with the participation of all domestic plants, to report on the quality improvement efforts of each department to the top management.

In addition to making prompt decisions on Futaba's directionality regarding quality, the Council also unifies views within the Company to achieve a consensus.

QA Inspections

The General Manager of the Quality Assurance Department visits each plant, performs an overall inspection of the quality assurance structures and provides guidance. Improvements are made through biannual inspections, and development of structures and improvement in quality level are sought to prevent serious quality problems from arising.

Global Expansion

Aiming to increase the overall quality level of the Group, we are expanding our quality improvement activities to include domestic and overseas subsidiaries, while confirming the content of activities via video conferencing every month, etc.

Relationship with Shareholders and Investors

By establishing a disclosure policy, we strive to provide accurate and fair information to our shareholders and investors in a timely manner.



Disclosure Policy

Futaba discloses important information, such as information on decisions, events and financial results that affect investment decisions, in accordance with the Financial Instruments and Exchanges Act and other laws and regulations, as well as in accordance with the rules stipulated by the Tokyo Stock Exchange.

We also voluntarily disclose information that does not fall within the foregoing category but may affect the investment decisions of our investors or are believed to be helpful in promoting understanding of Futaba, based on our own judgment.



Communication with Shareholders

As we prize our communication with our shareholders, we give utmost priority to transportation convenience in the selection of venue for our Ordinary General Meeting of Shareholders. We believe that the Q&A session at the Ordinary General Meeting of Shareholders is a valuable opportunity to communicate with shareholders.

We also proactively participate in various events including technology exhibitions and provide shareholders with opportunities to deepen their understanding of our initiatives.



▲ The 105th Ordinary General Meeting of Shareholders

Showcasing at “Automotive Engineering Exposition 2019 Yokohama”

We exhibited our products at the AUTOMOTIVE ENGINEERING EXPOSITION 2019 YOKOHAMA held from Wednesday, May 22 to Friday, May 24, 2019. In this Expo, there were 624 corporate exhibitors and more than 90,000 visitors during the three-day period.

At our display stand, we showcased the products that contribute to environmental impact reduction, fuel efficiency improvement, and making lighter vehicles through the development of functional component systems such as POWEREV® (an exhaust heat recovery device), exhaust system parts, body frame parts, and SCR, and in doing so we were able to advertise Futaba's technological strengths to many visitors.



Relationship with Suppliers

Futaba consistently manages its procurement activities from a global perspective and is working to grow and develop together with suppliers.

We have been promoting activities in accordance with the following policies for FY2018:

- (1) Clarify supplier issues and structurally reinforce improvement activities driven by procurement; and
- (2) Pursue new technologies and production methods such as weight reduction technology and new bonding methods, in order to rebuild the procurement base into one that is not restricted by the existing framework.

We have been promoting activities to raise safety awareness by presenting examples of accidents to each supplier and inspecting workplaces, and by developing structures that assign top priority to safety. In addition, we carried out quality improvement support activities and education (5 whys education) for our key suppliers, jointly with supporting plants, and also identified our supplier's problems and concerns. We implement various measures while holding discussions with suppliers in response to the new issues facing suppliers including business succession issues and establish partnerships with a long-term outlook.



Basic Procurement Policy

1. Open and Fair Optimal Procurement

- In the selection of suppliers, we clarify our expectations in terms of quality, cost, technology, delivery and SE capabilities, and assess the accomplishments of each candidate in a fair manner.
- We consistently remain open to new entrants and judge such candidates fairly by comprehensively taking into account factors including the candidates' economic conditions, presence of any antisocial elements and their environmental initiatives, in addition to quality, cost, technology and delivery.

Assessment

2. Ongoing Transactions based on Mutual Trust

- We mutually cooperate to maintain direct and two-way communications with our suppliers and aim for mutual prosperity through long-term and ongoing transactions.
- In order to secure competitive cost performance in the future for both the Company and our suppliers into the future, we cooperate with our suppliers to strengthen both cost reduction and SE activities from a medium-term perspective.

Cost reduction

3. Matching Global Perspectives with Optimal Local Procurement

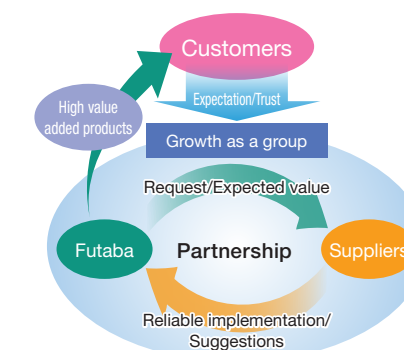
- We build competitive procurement bases in each region of the world in order to contribute to the optimal local manufacturing of each customer and to support new technologies and new production methods.
- We will contribute to the local communities by proactively utilizing local suppliers.

Procurement base



Establishment of Trust with Suppliers

We hold a supplier liaison meeting every year to communicate the overall stance of the Company and the details of activities to suppliers in each field. We promote the sharing of information as we make efforts toward mutual communication rather than merely the one-way transmission of information. In the Supplier Communication Room, which also serves as a place where suppliers can communicate with each other, we are proactively distributing various information to our suppliers, including the following: (1) New Five-year Plan; (2) Policies of the Procurement Department; (3) Customer information; and (4) Quality status of suppliers. We also notify the Company's requests to suppliers, and engage in expectation activities for sharing goals. Through such activities, we will encourage friendly competition between the Company and its suppliers, aiming at the growth of the Group.



Green Procurement, CSR Initiatives, etc.

As regards the procurement of items comprising the products we manufacture and sell, we are working on enabling preferential procurement from suppliers who have established environmental management systems and are proactively promoting initiatives for reducing environmental impact. Based on our environmental policy, we are endeavoring to realize green procurement by asking our suppliers to (1) comply with relevant laws and regulations, (2) build environmental management systems, (3) promote initiative to

reduce environmental impact (reduction of distribution-related CO₂, reduction of packing and packaging materials, improvement of environmental performance) as a part of their voluntary environmental activities. In our Corporate Social Responsibility (CSR) initiatives, we have formulated the Supplier CSR Guidelines, so that we do not address these issues alone, but instead build mutual trust and understanding with our suppliers, in order to promote business activities together with an emphasis on CSR.

Relationship with Employees

Futaba will respect the personalities and individuality of our employees, ensure a safe and pleasant work environment, and strive to provide comfort and enrichment to our employees.

Building a Workplace Where Safety Comes First

The Company is engaged in activities to create a safe and secure workplace, and to create a zero accident workplace based on our achievements and reflections on the previous fiscal year, so that each and every person working for us can do rewarding work in good health every day. These efforts mainly consist of the following two activities.

1. Not allowing industrial accidents to occur

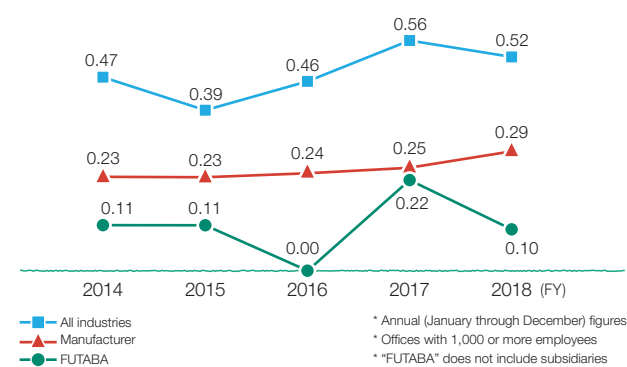
- (1) Education to learn about accident risks and improve each individual's sensitivity toward safety
- (2) Measures to keep people away from serious accident risks and risk reducing activities
- (3) Communication activities to resolve the problems and concerns of each individual

2. Maintaining and promoting health, and improving working environment

- (1) Implementation of a "Karada Iki Iki (healthy body) Campaign" to motivate employees to develop appropriate exercise habits, with the purpose of preventing metabolic syndrome and lifestyle diseases
- (2) Continued implementation of the "stop-smoking campaign" from last year that helps people quit smoking
- (3) Implementation of maintenance and improvements in the working environment aimed at achieving "zero" heatstroke incidents

We publish these initiatives in a "Safety Tips Handbook" that is distributed to all employees, and use the Handbook on a daily basis as we work to build a workplace where employees can act properly.

Frequency of industrial accidents (Disabling injury frequency rate)



Human Resource Development

Nurturing manufacturing professionals

We opened the Manufacturing Training Center in 2011 in order to foster individuals and establish workplaces that are strongly geared towards manufacturing, as well as cultivate masters who excel in specific skills.

Futaba is endeavoring to cultivate human resources through implementing classroom education on safety and

quality that is provided in groups, sensory education in the sensory section of the Center, special education designed for the acquisition of certifications for specialized skills such as stamping and welding, which are core technologies, and various skill-related competitions.

Provision of Education for Skill Development

Education by Rank

We provide training (e.g., new employee training, problem resolution training, management and executive training) appropriate for every level of employees, from new recruits to executives, in order to enhance their knowledge and skills required for the respective job type and rank.



▲ New employee training

Education by Function

We provide education that focuses on the specialized skills required of each function, such as language screening and cross-cultural training mainly designed to cultivate global human resources, and education on TPS and quality that serves as the basis for manufacturing.



▲ Education on stamping safety

Education by Workplace

We promote OJT (on-the-job training) and provide on-the-job education in the workplace.



▲ On-the-job training at the production site

Utilization of Diverse Human Resources

Recruitment

Our aim is to recruit human resources capable of operating globally that have the ability to solve problems, take action, work as a part of a team and continue to learn.

Hiring of disabled persons

We actively employ disabled persons to assist them to live independently and participate in society. The percentage of employees with disabilities in FY2017 was 2.21% and exceeded the statutory requirement. We will continue to make efforts to expand the employment of individuals with disabilities.

	FY2014	FY2015	FY2016	FY2017	FY2018
No. of employees	3,249	3,300	3,372	3,421	3,406
(Of which are female employee)	286	295	314	332	358
No. of non-Japanese employees	17	17	17	18	19
No. of re-employed workers	86	86	94	94	110
Percentage of employees with disabilities	2.37%	2.14%	2.30%	2.21%	2.20%

Establishment of a pleasant workplace

Promotion of Paid Annual Leave

As an initiative to improve the work-life balance, we have set a target with the labor union to take 16 days of paid annual leave, and we confirm the status of paid annual leave and encourage employees to take annual paid leave. In addition, a refresh leave system and a three-consecutive-holidays system have been established in an effort to further encourage the acquisition of paid annual leave.

	FY2014	FY2015	FY2016	FY2017	FY2018
Average paid annual leave taken per person	15.3	17.0	17.0	16.3	16.9

Efforts to Support Childcare

The Company is working to create an environment where employees are able to feel reassured about continuing to work while maintaining a balance between childcare and work.

Main childcare support systems

- Childcare leave system (until the child reaches 2 years of age)
- Childcare shorter working hours system (until the child has completed the fourth grade of elementary school)
- Restrictions on overtime work (until the child enters elementary school)
- Child nursing leave (5 days per year for each child; maximum of 10 days per year)

	FY2014	FY2015	FY2016	FY2017	FY2018
No. of childcare leave system users	46	43	44	41	60
No. of users of the childcare shorter working hours system	27	32	28	53	54

Initiatives to Support Nursing Care

We have established a nursing care leave system (up to 365 days; may be taken up to 3 times) and a nursing care shorter working hours system (3 years from the start of use; no limit on the number of times taken), and are working to promote a balance between work and nursing care.

Relationship with Local Communities

In the hope of creating a bond of trust with local residents, we are aspiring to enhance our social contribution activities by actively communicating with the local communities and addressing various comments and opinions.



Holding of the Futaba Youth Baseball Championship

The 8th Futaba Youth Baseball Championship was held as part of our social contribution activities. The championship has been continuously held since 2011 for the purpose of the development of healthy youth and improvement in their strength and skills. The 8th championship had a total of 31 teams and 441 players competing over a period of two months starting from September.



▶ Futaba Youth Baseball Championship



▶ Volunteers picking trash along the main road



▶ Aoinokai Society volunteers



Volunteer clean-up in Okazaki City

A volunteer clean-up was conducted throughout Okazaki City. A total of 36 volunteers from the Head Office, Okazaki Plant, the labor union, and Futaba Baseball Team picked up trash for one hour along Prefectural Road No. 56 on the south side of the Okazaki Plant. In addition, 45 members of the assistant manager council's volunteer club Aoinokai Society picked up trash near the venue where fireworks were held the day before.



Sponsored the Tokkawa Firefly Festival for the First Time

We participated for the first time as a sponsoring company for the Tokkawa Firefly Festival that is held every year in Torikawa-cho of Okazaki City.

These efforts were the first of the cases in which Okazaki City links companies with a local community in need of support. We donated traffic signs and traffic guidance pamphlets and participated as traffic guidance volunteers on each Saturday and Sunday in June during the festival period to contribute to the management of the Tokkawa Firefly Festival.



▶ Traffic guidance volunteers for the Tokkawa Firefly Festival



Futaba Baseball Team the First-time Winner of the Eastern Aichi Prefecture Championship of the Emperor's Cup

The All-Japan Rubber-ball Baseball Eastern Aichi Prefecture Championship of the 74th Emperor's Cup was held at Kariya Baseball Field in June 2019. Seventeen powerful teams participated in the Eastern Aichi Prefecture Championship. The Futaba Baseball Team also participated and after many fierce matches, got through to the finals with extra innings where it won the championship for the first time. The Futaba Baseball Team qualified for the national competition scheduled to be held in Nagano Prefecture in September and it will aim to win the national competition as a representative of Okazaki City in Eastern Aichi Prefecture.



▶ Victory by the Futaba Baseball Team



Airing of Cable TV Program "Searching for Cool Companies — Apics Co., Ltd." on the Mikawawan Network

Apics was introduced on "Searching for Cool Companies," a cable TV program by the Mikawawan Network that showcases local companies with outstanding technologies and attractive products. The program introduced not only details of Apics' business but also the work by employees, and also had a show-and-tell of the things the company is proud of. The appeal of Apics was communicated to viewers in Gamagori City and Kota-cho in a condensed 15 minutes on the air.



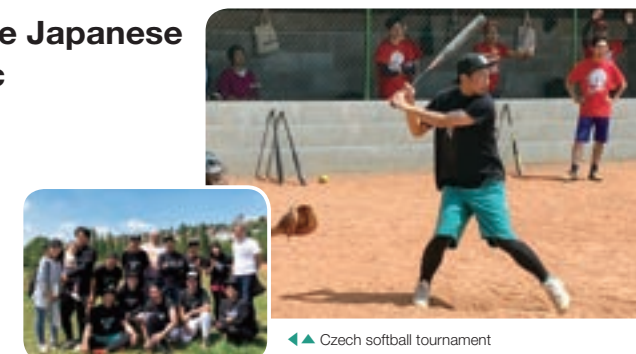
▶ TV coverage of Apics



Softball Tournament Hosted by the Japanese Association in the Czech Republic

A softball tournament hosted by the Japanese Association in the Czech Republic was held at Prague Baseball Field.

Blessed with a sunny day, about 400 Japanese residents of the Czech Republic participated in the tournament. It was a great success with not only Japanese personnel seconded to FCZ and their family members, but also local staff members participating in the game. The wives of secondees also participated, and it was a friendly and pleasant day.



▶ Czech softball tournament

Comment from Local Residents



Tsuneo Hiro, Representative Chairman of Kitano School Ward, Okazaki City

Our Kitano School Ward is located in the northwest part of Okazaki City, and it is bordered by Toyota City to the north and Anjo City to the west. A prefectural road extending from east to west has nearly been completed and even further efforts will be made to attract plants in the future, and these plants are becoming more closely connected with the region.

Against this backdrop, I think that Futaba Industrial along with Mitsubishi Motors and Maruyasu Industries has always considered and put into practice co-existence and co-prosperity of the company and the local community.

When a block wall collapsed and a student passed away as a result of the Northern Osaka Prefecture Earthquake last year, the Okazaki Plant promptly reviewed risks and improved the palette yard so that students could safely go to school. However, there are still many requests from town residents, and I hope that your company can demonstrate leadership among local companies to respond one at a time to such issues as commuters' traffic jams during the morning and evening, commuting vehicles using residential roads in the town, and noise issues.

As a representative of the ward, I would like to thank your company for the traffic safety monitoring during morning commuting hours and request your further cooperation in the future in safe and secure community building.