

Environmental and Social Report 2017

Special
Feature

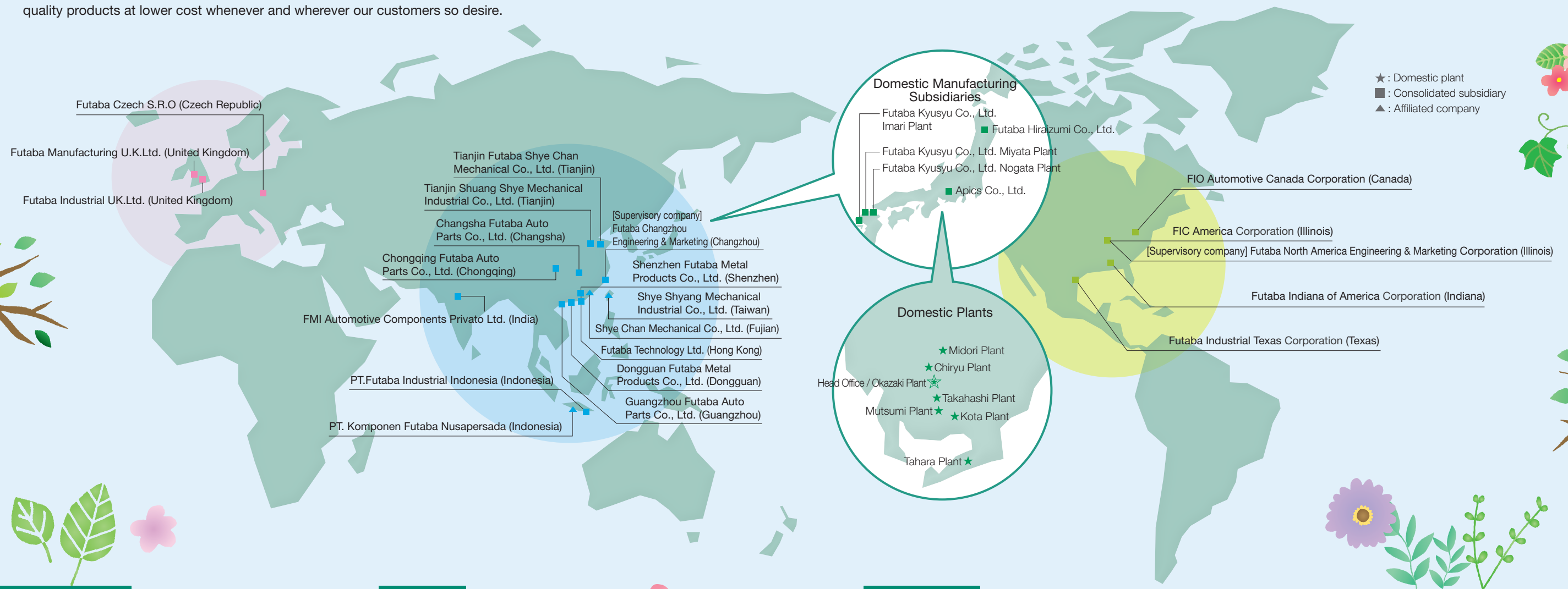
THE FUTABA WAY 2017

These are our “shared sense of values” and “basic action principles.”



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. We would appreciate your responding to the questionnaire to share your thoughts with us, make suggestions, or ask us questions.

Reference Guidelines

"Environmental Reporting Guidelines (2012 Edition)", Ministry of Environment
GRI Guidelines Version 4

Reporting Period

April 1, 2016 to March 31, 2017

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

Publication

September 2017 (Next publication scheduled for August 2018)

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.

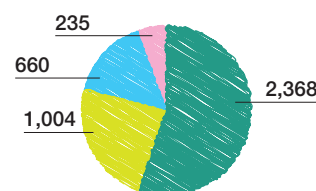
Company Outline

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.

Sales by Region (Consolidated) (Hundred million yen)

(FY2016)

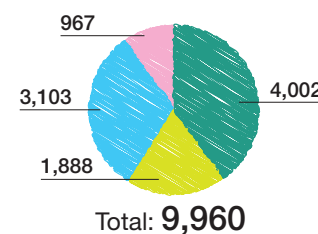
■ Japan ■ North America ■ Asia ■ Europe



Number of Employees by Region (Consolidated)

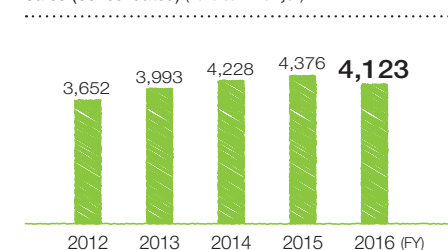
(As of March 31, 2017)

■ Japan ■ North America ■ Asia ■ Europe

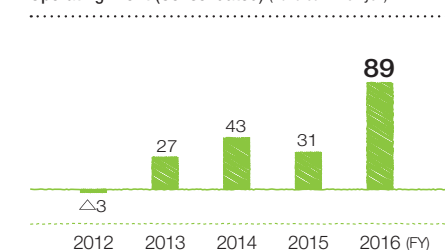


Company Performance

Sales (Consolidated) (Hundred million yen)



Operating Profit (Consolidated) (Hundred million yen)



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

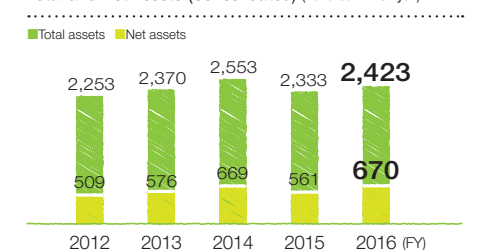


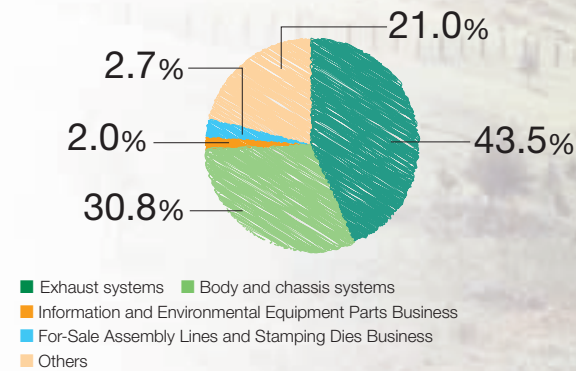
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Business Fields

Futaba's exhaust systems are highly regarded by domestic and overseas automobile manufacturers for successfully achieving a desirable balance between environmental performance and engine performance at a higher level. The company draws on its cutting edge technologies to produce products that excel in safety, reliability and cost competitiveness in such areas as body parts and suspension system parts as well. Futaba also actively conducts development activities with a view to the future in order to address environmental issues.

Sales Ratio by Product



■ Exhaust systems ■ Body and chassis systems
 ■ Information and Environmental Equipment Parts Business
 ■ For-Sale Assembly Lines and Stamping Dies Business
 ■ Others

Automobile Parts Business Exhaust systems

Contributing to both improved engine performance and lower noise

The exhaust system has a significant impact on the performance of an automobile. It strikes a desirable balance between conflicting needs, such as engine performance and sound muffling, exhaust emission control and other environmental performance. The company is also actively pursuing the development of products for the future, such as exhaust heat recovery systems for improved fuel efficiency and diesel particulate filters (DPFs) for the removal of particulates in the exhaust emission of diesel engines.

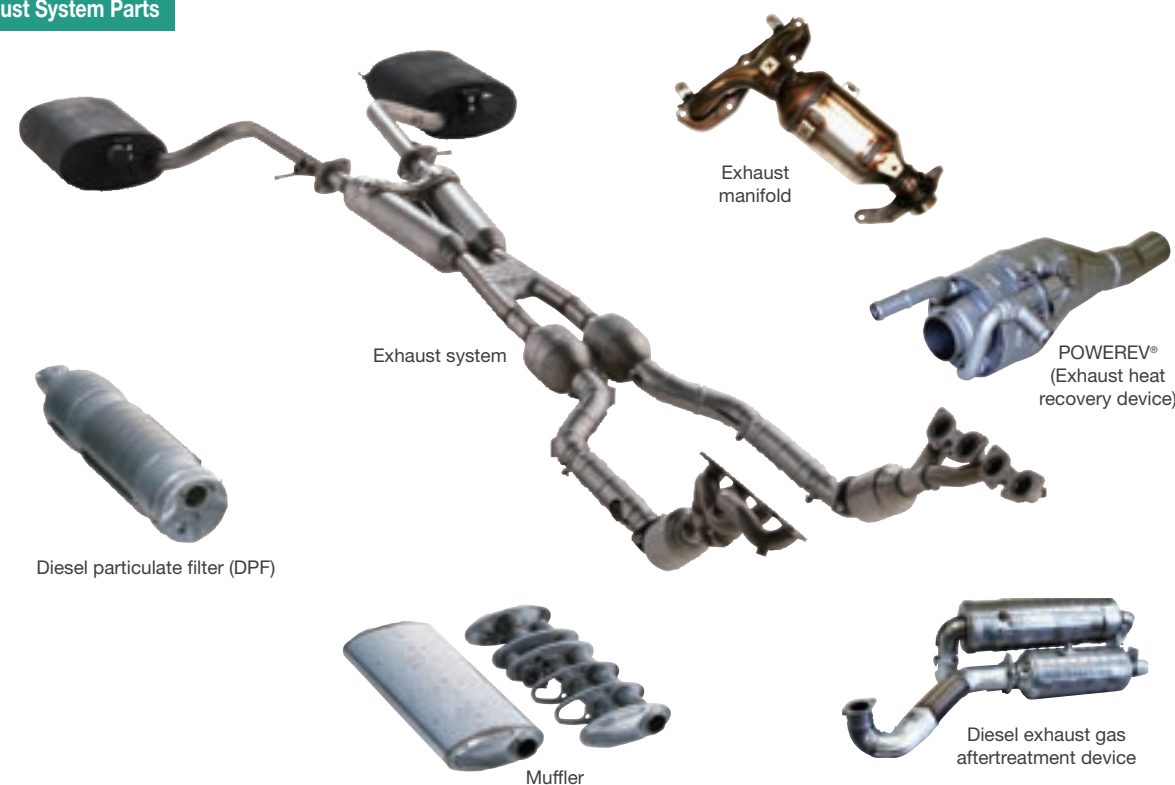
Strength

Our optimal design employs bending technology and analysis technology to improve the effects of heat from exhaust gas and to realize even lower noise.

Direction of product development

The performance of these parts influences the environmental performance of the entire automobile. We are engaged in research and development to further reduce CO₂-emission.

Exhaust System Parts



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.



Tray module

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



Automobile Parts Business Body and chassis systems

Realizing both safety and weight reduction

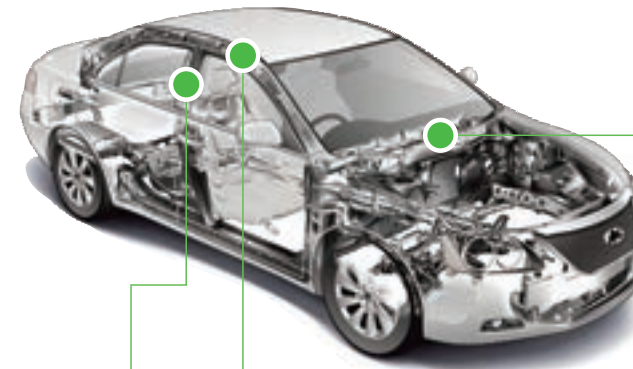
Body and chassis systems comprise the frame of an automobile and provide protection to its driver and passengers. To achieve both safety and improved fuel efficiency through weight reduction, Futaba is working on the development of high tension materials (high tension steel sheets) and related processing techniques in collaboration with steel manufacturers, as well as on the development of laser welding technology and its application to product manufacturing.

Strength

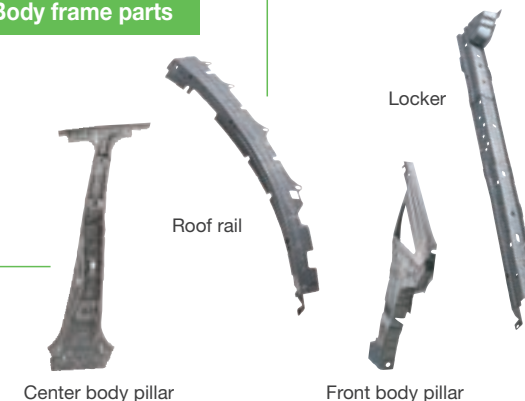
Our strengths include hot stamping that are both safe and environmentally-friendly, the development of ultra-high tension steel through collaborations with iron and steel manufacturers, as well as optimal development that employs advanced analysis technology.

Direction of product development

We are engaged in development with the aim to realize both environmental and safety performance and to achieve their evolution.



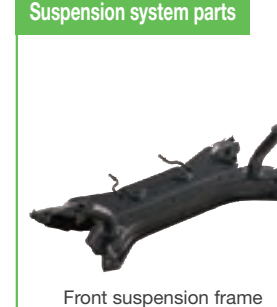
Body frame parts



Interior and exterior parts (Decoration parts)



Suspension system parts



Fuel system parts



Sharing our vision through the “New Five-year Plan” and the “FUTABA WAY,” while pursuing structural reforms



Overview of Operations in FY2016

During FY2016, in the automobile industry, which is the main source of sales for the Futaba Group, demand in North America remained strong mainly for light trucks and demand in Europe was on the way to recovery from the European crisis, whilst provisional tax reduction measures and other factors drove expansion of demand in China. In Japan, although the sales volume for ordinary cars is flat, sales of light motor vehicles are not yet recovering from the effects of tax hikes and other factors. As a result, our performance in the domestic market still lacks strength overall. In this environment, the Futaba Group has positioned FY2016, the first year of the “New Five-year Plan” as a year for developing systems. The Plan stresses strict concentration on the fundamentals of ‘safety, quality, and manufacturing,’ and on striving to secure profit by strengthening structural reforms and cost management.

As a result, while consolidated net sales decreased slightly year on year, they were on par with the previous fiscal year when adjusted for foreign exchange fluctuations. Profits that had been an issue improved significantly, and a net profit was achieved.



Formulation of the “FUTABA WAY”

While the Company has established a Company Motto, Management Principle, Corporate Charter, Action Charter and Futaba’s Code of Conduct, we also formulated the “FUTABA WAY 2017” last year as part of efforts to develop systems for promoting the “New Five-year Plan.” This clearly states the convictions, value system and pride that have been handed down as a “shared sense of values” and “basic action principles” since our foundation, which we believe are also important in company-wide efforts aimed at achieving targets for 2020. In addition, it clearly states our corporate mission of “providing safe, secure and environmentally-friendly products to customers through stamping technologies and welding technologies,” and all employees share the Company’s raison d’être. In order to continue to achieve sustainable global growth in the future, we believe that it is essential to share the DNA that Futaba has fostered for over 70 years both in Japan and on a global level. Thus it will be possible for the entire Futaba Group to grow, as employees rediscover their roles from a broad perspective and by thinking, acting and growing on their own. While it will take some time, we will take every opportunity to instill the FUTABA WAY among employees based on specific examples.



Progress of Important CSR Issues

We have taken initiatives to address CSR issues with a particular focus on “safety,” “quality” and “the environment.” In terms of safety, the Company has promoted safety education and observance of rules as well as the creation of an environment and human resources that enable safety first based on a stance of “giving top priority to safety.” The Company had zero accidents with disabling injury during FY2016, and we will continue to work toward achieving zero accidents.

As initiatives to improve quality, we have implemented thorough quality assurance so that no serious quality problems arise, acquired IATF16949 certification for plants in Japan as the international industry standard, and performed ongoing improvement activities based on thoroughgoing analysis of true causes and other efforts.

As for the environment, corporate social responsibilities of the automobile industry are becoming more important as the impact of climate change intensifies. As lighter body parts have a significant effect on fuel efficiency, we will introduce hot stamping lines and strengthen processing technologies with a focus on cold stamping for ultra-high tension materials* with both high strength and productivity. We have also developed CO₂ purification, accumulation and application devices for greenhouse cultivation as a new business, which will revolutionize the way the Company’s technologies will contribute to CO₂ reductions. In terms of

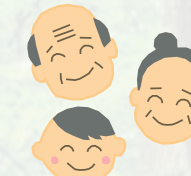
Our Stakeholders



Customers



Shareholders and investors



Local communities



Suppliers



Employees

production, we have cleared targets for the quantity of waste released, and we will continue to work to reduce waste while focusing on the impact our business has on the environment.

* Ultra-high tension materials: High tension steel sheets (high tension materials) with particularly high strength



To Our Stakeholders

Reforms under the “New Five-year Plan” have just begun. We will promote reforms on a global level and accelerate efforts so that Futaba will truly transform itself in four years when the plan is completed. We are confident that we will be able to generate new value and grow as well as create a company that is beloved by all of our stakeholders for the years to come by continuing to take on challenges and to implement reforms based on our DNA (the “FUTABA WAY”) fostered over our 70 years of history. Your continued support and understanding would be greatly appreciated.



Hiroyoshi Yoshiki
President

THE FUTABA WAY 2017

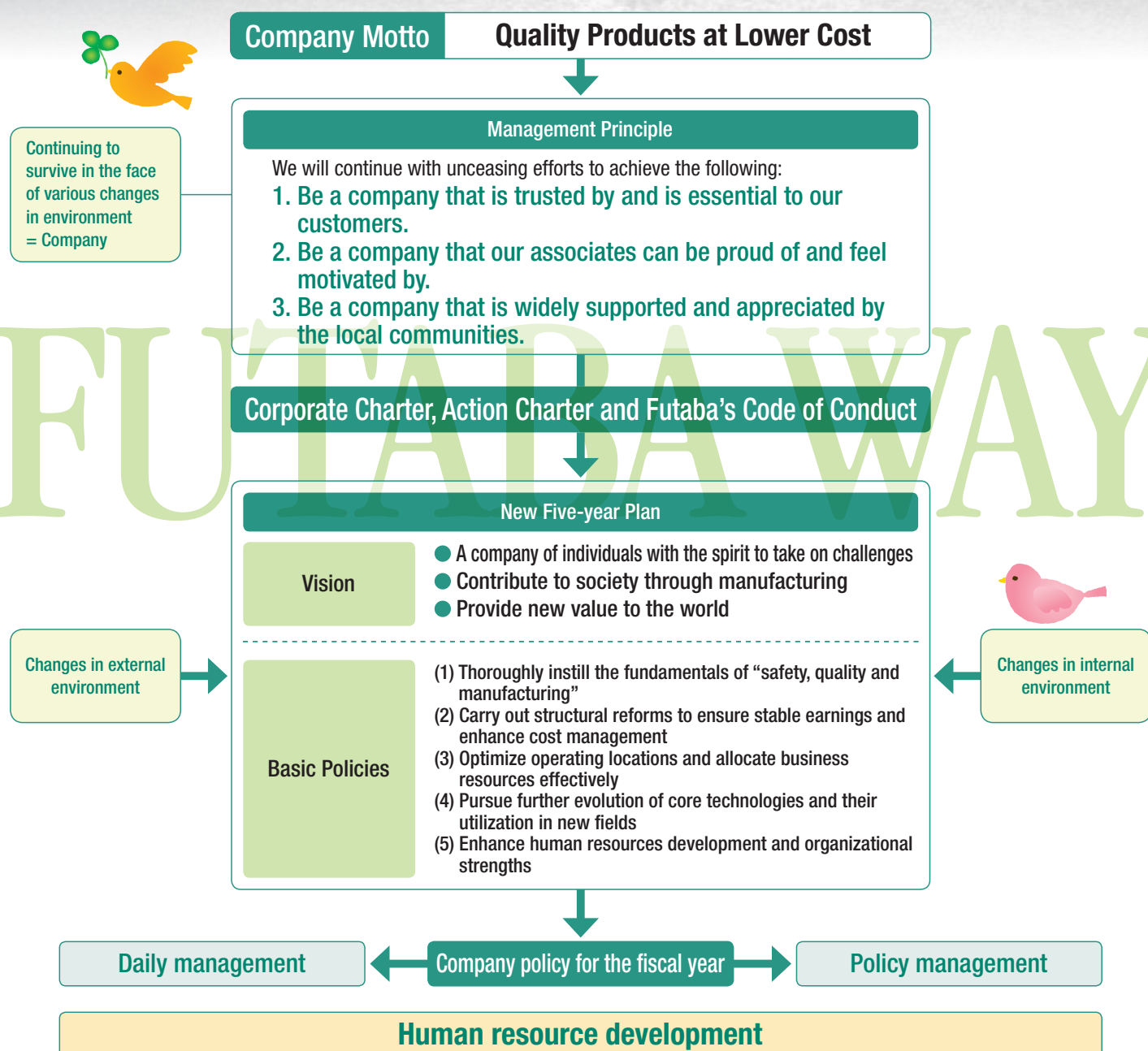
These are our “shared sense of values” and “basic action principles.”

We have formulated the “FUTABA WAY” that clearly states the convictions, value system and pride that have been continuously handed down, as implicit knowledge, as a “shared sense of values” and “basic action principles” through Futaba’s history that has extended over 70 years since foundation.

We believe that it is essential to communicate these “shared sense of values” and “basic action principles” to employees of Futaba working around the world, and ensure that they understand them.

Our mission is to use this as a base to further develop Futaba into the future and build up a new “FUTABA WAY.”

► Position of THE FUTABA WAY 2017



► Two pillars and five keywords of THE FUTABA WAY 2017



I Bold challenges

We take on the bold challenges of manufacturing together to realize joy among customers and our associates.

- 1 Utilization of core technologies to create added value and contribution to society through manufacturing
- 2 A spirit of boldly confronting the unknown and the difficult
- 3 Speed and execution

II Commitment to sites

We learn from the go-and-see principle that the essence of issues always exist onsite.

- 1 Learn from the go-and-see principle
- 2 The site is a treasure trove for improvements
- 3 The site is where relationships of trust are built
- 4 The site is where human resources are developed

III Simplicity, fortitude and frugality, and at times boldness

We boldly take on difficult issues and improvement through simple and earnest daily efforts based on a spirit of simplicity and fortitude.

- 1 With honesty and steadfastness
- 2 A spirit of frugality and saving
- 3 Doing things boldly, thoroughly, and to the end
- 4 Commitment to profits



IV A team with people who can think and act individually

We create the best results as a team by using individual aspirations and a spirit of cooperation as our strength.

- 1 Thinking with a spirit of independence
- 2 Applying knowledge under harsh circumstances
- 3 Teamwork based on a spirit of mutual respect and maximizing collective potential

V Valuing people

We interact with “customers,” “suppliers,” “affiliates,” “employees and their families” and “people in local communities” always with the same mindset, and create good relationships of trust.

- 1 Customer oriented
- 2 A corporate culture that values employees of the Futaba Group and their families
- 3 Coexistence with and contributing to local communities

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

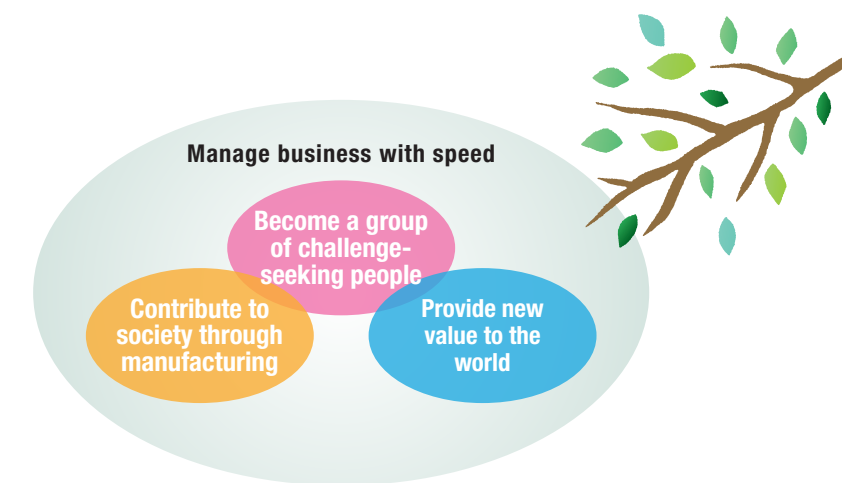


Vision of Futaba for FY2020

Our vision by FY2020 is as follows.

We will work collectively toward achieving more orders for exhaust system parts, improving the profitability of body parts and reorganize plants, etc., while focusing on trends in the domestic market and global economy.

Further, we will refine our core technology of stamping and welding to expand our product line under the key phrases "environment" and "energy saving" to include offerings in the environmental segment, mainly in the automobile parts business. We will manage these business activities with speed.



Mission

We have defined a mission in order to indicate the Company's raison d'être in terms of "what we stand for and what is expected of us." In doing so, it will be possible for all employees to efficiently pursue corporate activities constantly with the same spirit.

(The Company's Mission)

"Providing safe, secure and environmentally-friendly products to customers through stamping technologies and welding technologies."



Toward the realization of the New Five-year Plan

We will aim for new growth while revising management plans along with changes in the business environment for the steady implementation of the "New Five-year Plan" formulated last year.

Basic Policies

Upon executing the New Five-year Plan, we will build structures to realize sustainable growth based on the following five basic policies.

1 Thoroughly instill the fundamentals of "safety, quality and manufacturing"

Futaba will go back to its basics, thoroughly instill the fundamentals of safety, quality and manufacturing and put its Company motto "Quality Products at Lower Cost" into practice.

2 Carry out structural reforms to ensure stable earnings and enhance cost management

Futaba will reform its organizational structures to improve its medium and long-term profitability and enhance its cost planning/cost management structures.

3 Optimize operating locations and allocate business resources efficiently

Futaba will optimize its domestic and overseas production locations to effectively utilize its business resources.

4 Pursue further evolution of core technologies and their utilization in new fields

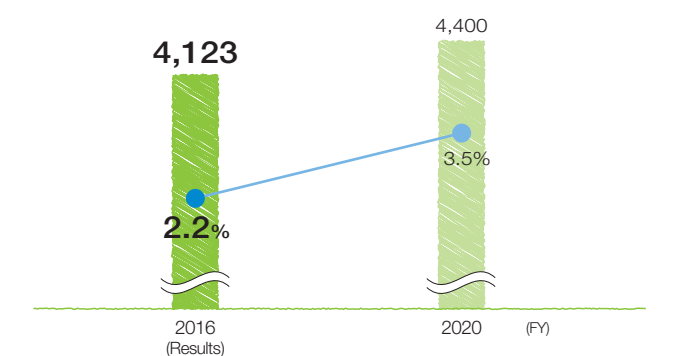
Futaba will develop appealing products that overwhelm competitors through the further evolution of its press technology and welding technology and proactively take on challenges into new fields.

5 Enhance human resources development and organizational strengths

Futaba will further enhance education by job type and function to develop human resources that will play a leading role at Futaba in the future and thereby bolster its organizational strengths.

Forecast for Sales and Operating Profit Ratio (Consolidated)

■ Sales ● Operating Profit to sales (Hundred million yen)



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 Hiroyoshi Yoshiki, President
② Toshiyuki Isobe, (Outside) Audit & Supervisory Board Member
③ Akira Nakashima, Audit & Supervisory Board Member
④ Kiyoshi Kinoshita, (Outside) Director

⑤ Mikio Iwatsuki, Director, Senior Managing Executive Officer
⑥ Takayuki Yoshida, Director, Senior Managing Executive Officer;
⑦ Hitoshi Suzuki, (Outside) Audit & Supervisory Board Member
⑧ Yoshihiro Yoshimura, (Outside) Audit & Supervisory Board Member

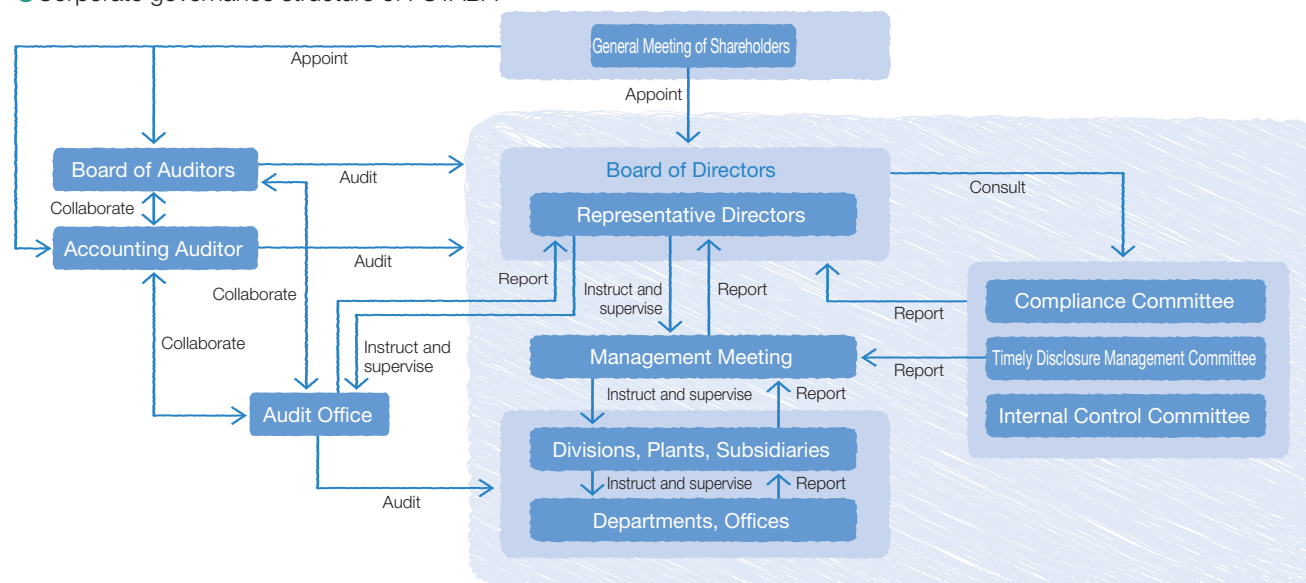
⑨ Tomohiro Takahashi, Director, Senior Managing Executive Officer
⑩ Fumio Ohashi, Director, Senior Managing Executive Officer
⑪ Keita Asakawa, Director, Managing Executive Officer;
⑫ Masaki Horie, (Outside) Director

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 structure is in place

to enable accurate and prompt business decisions by holding a management meeting when executing a business operation to discuss matters submitted to the Board of Directors, other important matters and individual projects.

Corporate governance structure of FUTABA



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 Quality Committee for quality issues, the Compliance 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 publish an Information Security Management Handbook to instill awareness of security management in employees.

Environmental Management

By designating environmental management as an important foundation of its business activities, Futaba is endeavoring to raise the environmental awareness of our employees and is engaged in continual improvement.

Message from the Director in Charge



Mikio Iwatsuki
Top management

Futaba positions the environment as one of the most important issues in its business activities, and is engaged in ongoing improvements through awareness and action for environmental conservation by each and every employee and environmental management that is unified across seven plants.

We are engaged in environmental management in accordance with ISO14001, the international standards for environmental management systems, and during FY2017 we were certified under the ISO14001:2015 standards, which were revised significantly for the first time in eleven years. We will fully implement the integration of environmental management with business processes and respond to strengthened requirements toward performance and effectiveness which are the essence of the revisions.

Another change is that Futaba has recently become an affiliate of Toyota Motor Corporation. As a result, going forward we will actively participate in environmental activities by All Toyota in addition to our independent efforts, and take on the challenge of initiatives from a longer-term standpoint.

We will utilize Futaba's core technologies to create environmentally-friendly products, and promote energy savings and reductions in CO₂ emissions in the manufacturing process. In doing so, we hope to contribute to the realization of a sustainable society.

We, at Futaba, will continue to work as one in environmental conservation and improvement 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.



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 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



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.

plants, and by identifying the trends in the deterioration of water quality, we are preventing water quality from breaching the standards. In regards to noise and vibration, we pay attention to noise when forklifts are driven outside, and strive to repair bumpy road surfaces, loose gratings, etc. at early stages. There was no breach of regulations in FY2016.



Environment-related Complaints and Responses

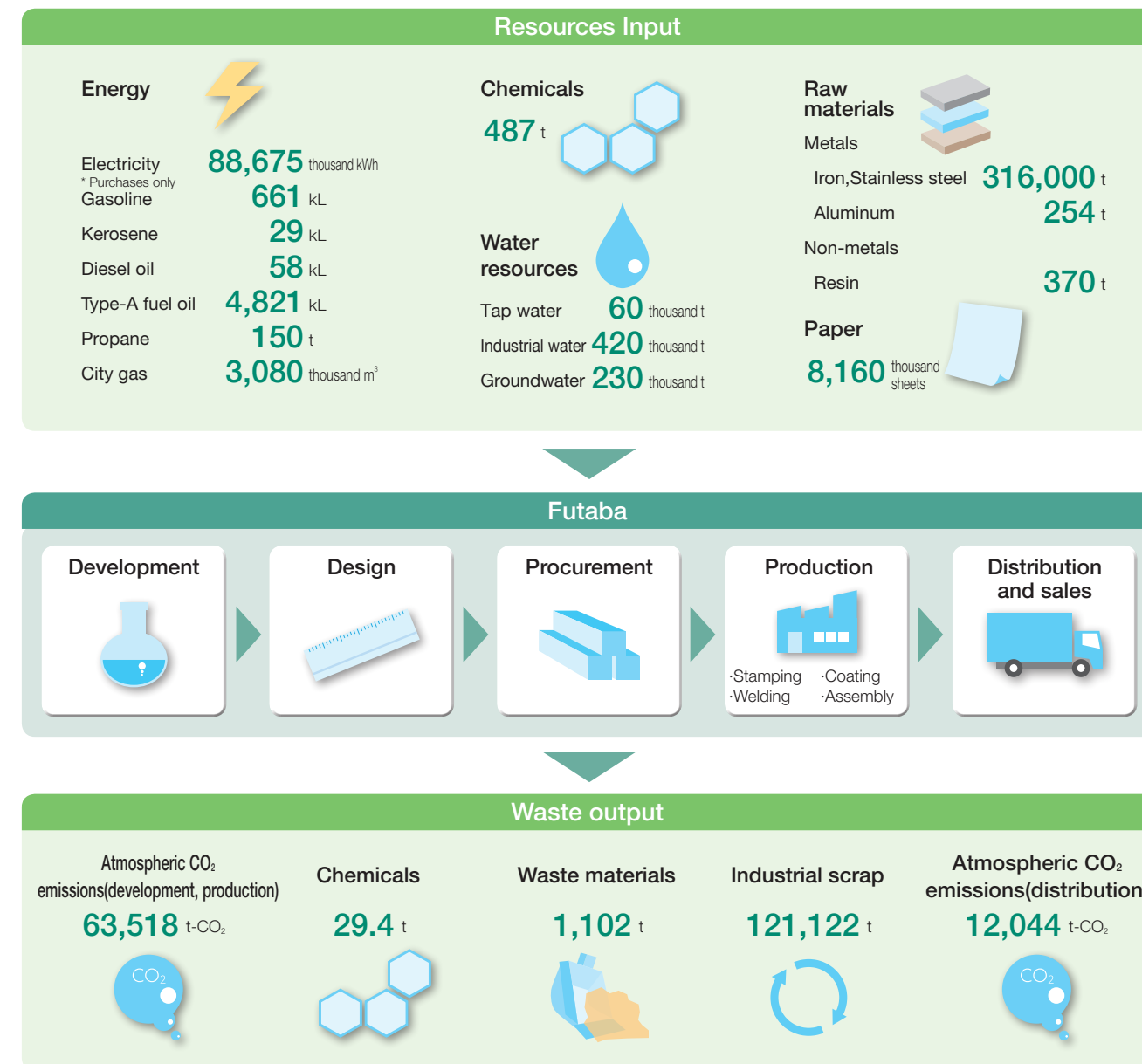
Not satisfied with merely complying with laws and meeting the standards of agreements, we are duly considering the neighboring residents and stepping up our efforts.

In July 2016, we received a complaint regarding a blast of dust to neighboring homes from the parking lot undergoing renovation at the Kota Plant grounds. Also in August, we received a complaint from neighboring residents regarding a cloud of sand on a road in Company premises (a gravel road) caused by cars returning from the parking lot at the Kota Plant grounds. We took the emergency measures of sprinkling water and establishing a speed restriction (20 km) at the construction site access point, informing employees of speed limits, and informed residents of these actions. In July 2016, we received a complaint regarding a clattering noise at night caused by handling cargo at the Chiryu Plant. We have made a request to carriers and are conducting education and training with follow up once every month.



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 exhaust noise reduction and exhaust emission control, as well as improved fuel efficiency.
2. We will enhance the safety and performance of body and chassis products, as well as promote weight reduction to contribute to improved fuel efficiency.
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)

DPF muffler that contributes to space saving and resource saving (material reduction)

The DPF is an environmentally-friendly product that purifies exhaust gas with a filter that collects soot exhausted from a diesel engine. The Green Procurement Award was granted by Kubota Corporation for contributing to resource savings with materials reduction through a patented structure that achieves both required performance and mounting in a narrow space within the bonnet of a tractor.



▲ DPF muffler enabling space saving and resource saving (material reduction)

Comments from the Developers

Catalyst-related Parts Design Section, Engine Equipment Development Department, Engineering Department

Masafumi Wada (left), Suguru Sone (right)

Because a DPF installed in agricultural machinery and construction machinery is located within the bonnet close to the engine, space is considerably limited. We have to establish specifications capable of satisfying the performance required by customers (strength, purification performance, etc.) and that allow for mass production under these conditions. We believe that the specifications that earned the award were made possible thanks firstly to cooperation of the Production Engineering Department. We will continue to take the environment into consideration and strive to develop value-added products.

Stamping process for body parts with ultra-high tension 1180 MPa materials

Making vehicles more lightweight has become an urgent task in order to improve fuel efficiency in line with enhanced automobile exhaust gas regulations. In response to this, we have developed a stamping process for body parts made of ultra-high tension 1180 MPa materials to reduce weight.

We received the Project Awards (CE Special Award) from Toyota Motor Corporation for the development of this body part.



▲ Project Awards (CE Special Award) from Toyota Motor Corporation

▲ Body part in ultra-high tension 1180 MPa material

Comments from the Developers

Joint development by Production Engineering Department, Press Production Technology Unit, Stamping Die Planning Section, Production Technology Development Unit, Body System Planning & Supervision Department, Production Technology Development Section, Body Engineering Section

In the development of the 1180 MPa part that was adopted by Toyota Motor Corporation for the first time, we managed to complete development with the full cooperation of the departments involved despite difficulties in springback suppression and calibration compared to conventional materials. Going forward, we will promote the development of ultra-high tension parts for further weight reductions to contribute to improvements in the environment.



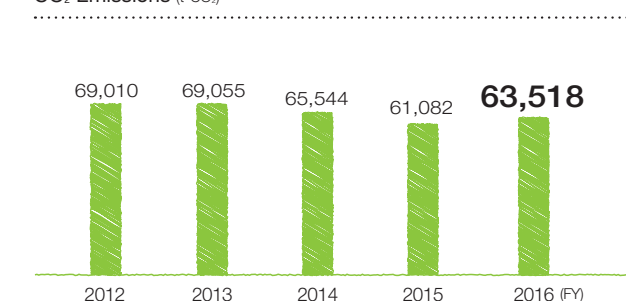
Efforts to Prevent Global Warming

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 FY2016, CO₂ emissions increased by 4.0% year on year as a result of operation of new facilities including hot stamping lines, despite efforts including stamping machine inverter control (70% operation), upgrading air booster regulators to small booster compressors, and upgrading from air-cooled chillers (three units) to water-cooled screw chillers (one unit). However this marked an 8.0% reduction compared to FY2013 (the base year), thus we were able to achieve our target of a reduction of 6%.

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.

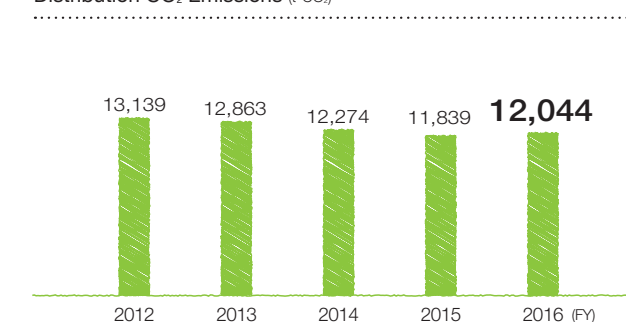
The Subcommittee is working to reduce our specific energy consumption by 1% or more per year, as stipulated in the Act on the Rational Use of Energy, by tracking energy use in each plant.

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
CO ₂ emission (t-CO ₂)	69,010	69,055	65,544	61,082	63,518
Reduction Target (%)	—	Base year	-2	-4	-6

Reduction of CO₂ Emissions in Distribution

Although CO₂ emissions in distribution increased by 1.7% year on year as a result of the increase in transit volume from the Mikawa district to the Tohoku region in line with parts standardization by customers, CO₂ emissions were reduced by 6.4% compared to FY2013 (the base year) and the target was achieved. Going forward, we will consider measures such as the utilization of double-connected trucks and lighter loading containers.

Distribution CO₂ Emissions (t-CO₂)



	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Distribution CO ₂ emission (t-CO ₂)	13,139	12,863	12,274	11,839	12,044
Reduction Target (%)	—	Base year	-1	-2	-3

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

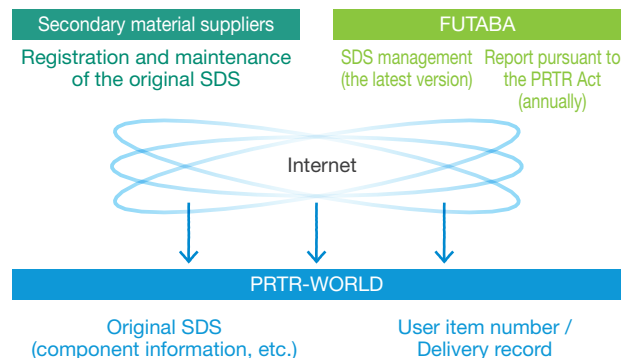
The quantities of relevant substances used, transferred or released are calculated from the quantities of secondary materials purchased (fuel, paint, adhesive, etc.), using the chemical management system (PRTR-WORLD) developed by Eco-Research K.K.



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

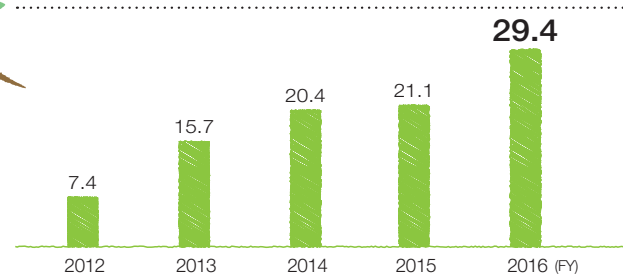


Efforts to Reduce Chemical Substances

The overall quantity of chemical substances used increased from 440t in the previous fiscal year to 486t. This was due to an increase in the quantity of paint-related substances used from an increase in coating lines and quality improvement efforts made in the form of repainting floors in plants, palettes and jigs. As a result, the output of substances subject to PRTR increased by 10%.

Moving forward, we will pay due attention and strive to reduce the purchase and use of substances subject to PRTR.

Quantities of PRTR substances released (t)



Reduction of VOC (Volatile Organic Compounds) Emissions

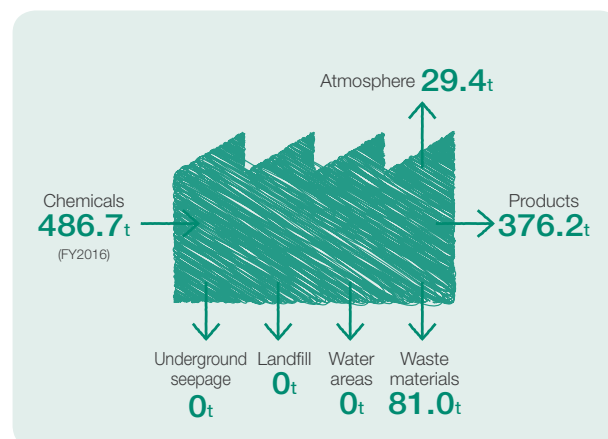
VOC emissions increased by 38.1% as a result of an increase in painting processes for exhaust system products, offsetting the suppressed use of fuel-related substances.



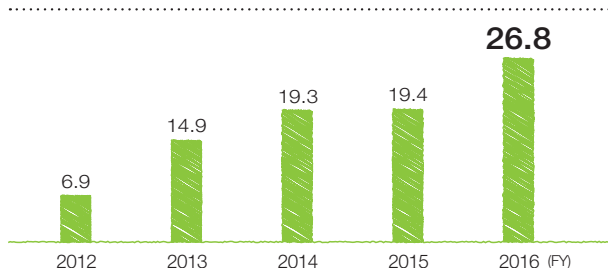
VOC

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

Quantities of PRTR substances released and transferred



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.

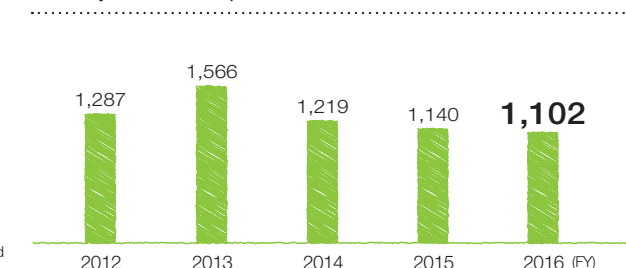
In FY2016, we worked to (1) reuse waste liquid using a centrifuge, (2) reduce press pit waste liquid using a



Our waste to be recycled

simplified oil-water separation tank and (3) promote recycling by means of thorough separation. As a result, industrial waste output decreased by 3% from the previous fiscal year.

Quantity of waste output (t)



Conservation of Water Resources and Preservation of Biodiversity

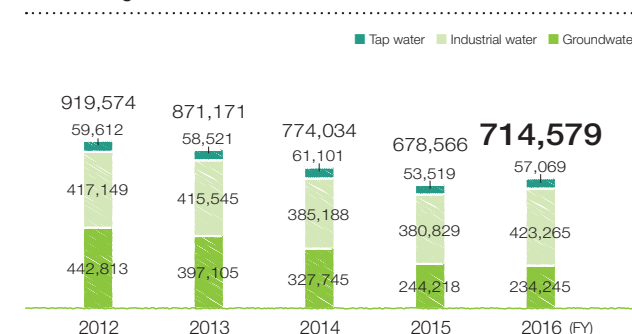
Futaba is endeavoring to conserve water resources, which are the source of all living things, as well as preserve biodiversity through activities to make the local man-made forest more compatible with the original ecosystem.



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 discharged into the public waters after separating out the oil in the oil-water separator tank. Additionally, sewage is constantly 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 sewage is discharged into the public waters.

Water Usage (t)



Efforts to Preserve Biodiversity

Futaba has been engaged in "reforestation activities" by leasing the forest owned by Okazaki City since 2011. Approximately 15 staff members conduct activities such as undergrowth mowing, leaf raking and the thinning of small trees twice a year.

In addition, we hold events targeted at families in the summer and fall. The "Beetle (Japanese Dynastid Beetle) Catching Event" that was held in July as a summer event attracted 67 members of 24 families. We also held the "Woodwork Class" in November as a fall event, during which 65 members of 18 families engaged in Christmas wreath-making.

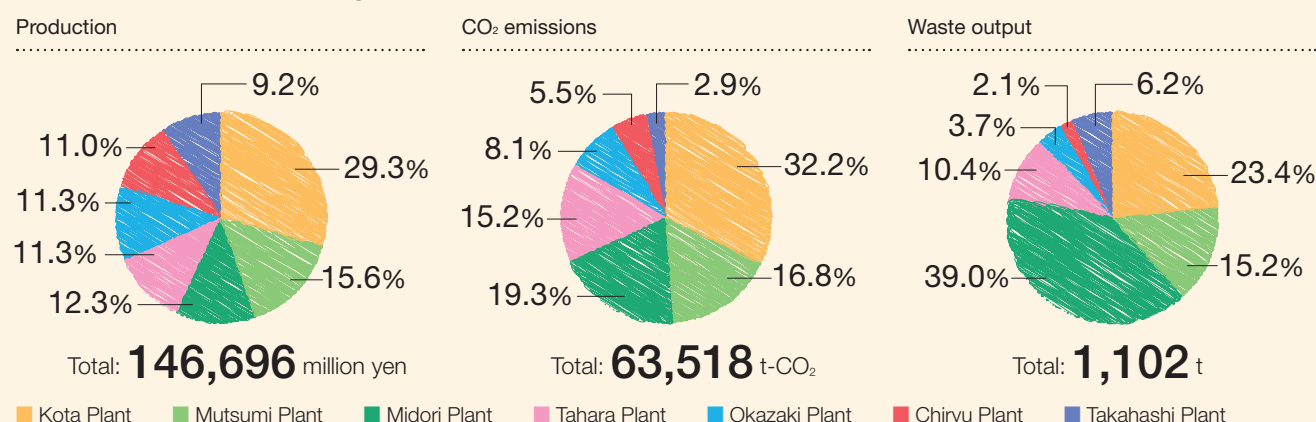


Thinning trees
Catching beetles (Japanese dynastid beetles)

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, Hashimecho, Okazaki-shi, Aichi, Japan
Total site area : 49,641 m²
Building floor area : 32,344 m²

Products : Cows, instrument panels, side frames, center pillars



Kenji Tsuyuguchi
Plant Manager

Under the Plant's policy to be "a company that contributes to the local community," the Plant proactively plans and conducts traffic safety, regional cleaning volunteering and other such activities, while also making efforts in developing human resources into voluntary participants. In addition to upgrading lights surrounding the Plant to LEDs and contributing

to the environment through the reduction of CO₂ emissions, we also endeavor to create a bright, safe and secure community. Furthermore, security cameras in the parking lot have been installed in positions that contribute to community crime prevention at the request of the local general meeting of representatives and the police station.

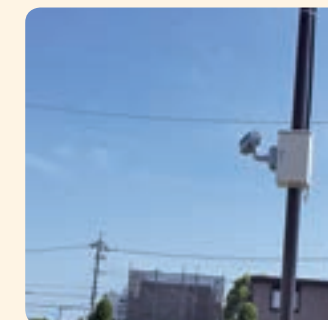


▲ Banner at the northwest corner

Environmental and Social Activities

- At the northwest corner of the Plant's grounds, there is an intersection at a sharp angle with poor visibility, especially when people commute in the morning and evening. For this reason, we have cut down some of the shrubbery here and rounded the corner to improve visibility, and also installed a banner promoting traffic safety at this location that serves as the doorway for Okazaki City.

- As security camera images are playing a significant role in solving various incidents lately, we have installed security cameras to record vehicles that access the Company's parking lot so that they can contribute to the Company's safety and the elimination of crime in the community.



▲ Security camera on bypass side



▲ Security camera on old prefectural highway no. 56

Information on Environmental Impact

Power consumption	8,201 thousand kWh	Water resources input	126,255 t	Atmospheric chemical emissions	0.695 t
Gas consumption	529 thousand m ³	CO ₂ emissions	5,170 t-CO ₂	Waste output	40.7 t



Midori Plant

Address : Midorigaoka 6-1, Toyota-shi, Aichi, Japan
Total site area : 47,651 m²
Building floor area : 40,089 m²

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



Kazumitsu Ozaki
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, suspension, and fuel inlet pipes. By pursuing improvements in our business activities through

efforts including productivity improvement, in-process waste reduction and distribution loss reduction, we will work to save energy, CO₂ emissions and our environmental impact to promote environmentally-friendly manufacturing.

Environmental and Social Activities

- We consolidated two coating equipment units into one unit in January 2017 in an effort to improve the efficiency of coating operations as part of activities to reduce our environmental impact. As a result, we were able to reduce both the amount of power used to operate equipment and the amount of paint, etc. containing chemical substances used. In addition, we upgraded a total of 270 lighting units to LEDs in offices and the cafeteria in March 2017. In doing so, we reduced power usage by 2,650 kWh/month and CO₂ emissions by 1.2t-CO₂/month.
- At Toyota Industry Festa held in September 2016, we exhibited a stand introducing corporate environmental activities jointly with the Toyota City Environmental Conservation Section and neighboring companies. Our Plant provided killifish that were raised in effluent from the Plant, and we held a killifish scoop fishing corner for children. Effluent from the Plant has to fulfill water quality criteria stipulated by laws and regulations. Killifish are sensitive to water quality and, being bred at our Plant since several years ago, this helps to monitor the quality of water.



▲ Killifish scoop fishing



Efforts of Plants and Group Companies

Midori Plant ▶

Information on Environmental Impact

Power consumption	13,731 thousand kWh	Water resources input	160,343 t	Atmospheric chemical emissions	1.474 t
Gas consumption	2,560 thousand m ³	CO ₂ emissions	12,281 t-CO ₂	Waste output	429.7 t



Chiryu Plant

Address	: Donsuyama 110, Aizuma-cho, Chiryu-shi, Aichi, Japan	Products	: Mufflers, fender shields, cowls
Total site area	: 35,742 m ²		
Building floor area	: 19,381 m ²		

Kazumitsu Ozaki
Plant Manager

The Chiryu Plant, which is located in Chiryu City, Aichi Prefecture, mainly manufactures body parts for automobiles. In FY2016, we worked to improve the efficiency of equipment in response to changes in production by customers, and implemented energy conservation measures related to facilities including switching to highly efficient transformers, the adoption of inverters for cranes and water circulation

pumps of cooling water circulation facilities, as well as the adoption of LED lighting. In this fiscal year, we will continue making further efforts to become a company that is well liked by local residents, while also seeking to become a company in which our employees can work comfortably with a sense of fulfillment.

Environmental and Social Activities

- Examples of energy conservation activities that achieved significant results include switching to highly efficient amorphous transformers and the adoption of inverters for circulation water pumps, which reduced CO₂ emissions by approximately 4t-CO₂/month combined.
- We paved with concrete and flattened the shipping field in front of the main gate to reduce the noise caused from bumps on the ground when handling cargo.
- We promote traffic safety on street corners in the morning on "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, as well as participate in the annual litter-pickup event called "Clean Sunday" in Chiryu City held in June. In addition, we actively participate in local events and strive to contribute to their development.



▲ Reduction of noise through paving



▲ The local summer festival



▲ Participated in Clean Sunday

Information on Environmental Impact

Power consumption	6,840 thousand kWh	Water resources input	57,328 t	Atmospheric chemical emissions	0.102 t
Gas consumption	39 thousand m ³	CO ₂ emissions	3,486 t-CO ₂	Waste output	23.0 t



Kota Plant

Address	: Nagamine Yanagisawa 1-1, Kota-cho, Nukata-gun, Aichi, Japan	Products	: Mufflers, exhaust manifolds and other exhaust systems
Total site area	: 236,742 m ²		
Building floor area	: 103,309 m ²		

Tateo Kawabuchi
Plant Manager

With the research and development departments located on the same premises, we are the largest of Futaba's business locations. As the development and production departments are in the same Plant, prompt feedback concerning issues in the manufacturing process is given to the development department. In addition, the transfer of the exhaust system parts equipment department from Takahashi Plant last fiscal year enabled a framework in which the development, production and equipment work as one to manufacture more superior products. Furthermore, in June 2017, the new Plant No. 4 was

completed and the new hot stamping technology was introduced. Through this technology we will work to reduce the weight of parts in order to improve the fuel efficiency of vehicles and reduce CO₂ as part of efforts to contribute to a reduction in our environmental impact.

The Kota Plant also cherishes its ties with local residents. We are striving to be a business facility that is appreciated by local residents through holding 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 invite local residents to a ground golf tournament and a BBQ party held every year, using our grounds adjacent to the Plant. Approximately 100 people participate in this event each time. In the ground golf tournament, a wide range of people have fun, from serious players aiming to win the tournament to families participating together with their children. Because the BBQ party allows our employees including Plant Manager Kawabuchi to mingle with local residents, it is a wonderful opportunity to listen to their valuable opinions.
- We readily accept visits to the Kota Plant. As Futaba's flagship plant, we make the appeal of Futaba widely known to those outside the Company by accepting requests for introductions of products and manufacturing sites for business partners and administrative institutions, student field trips from elementary schools and corporate research by university students, etc. In the tour, visitors are given the opportunity to see the educational facility in the Manufacturing Training Center adjacent to the Plant. In particular, our safety simulation facility that can provide the experience of dangerous situations in a setting where safety is ensured has been well received by many visitors, as it enables them to recognize the danger that lies in everyday situations. Going forward, we will continue to foster fans of Futaba through these activities and be a plant that is appreciated by everyone.



▲ Ground golf tournament



▲ Plant tour

Information on Environmental Impact

Power consumption	20,870 thousand kWh	Water resources input	91,885 t	Atmospheric chemical emissions	21.787 t
Gas consumption	17 thousand m ³	CO ₂ emissions	20,435 t-CO ₂	Waste output	258.1 t

Efforts of Plants and Group Companies



Mutsumi Plant

Address : Mukaimaeda 38, Zaiko-cho, Okazaki-shi, Aichi, Japan
Total site area : 78,018 m²
Building floor area : 48,525 m²

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



Deno Kanamoto
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 in tray modules for copy machines and production of environmental machinery 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.

Environmental and Social Activities

- As we place importance on making contributions to the local community, we accept requests for plant tours from local elementary 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 vehicular traffic, we promote traffic safety and watchovers at the crossings on Zero Traffic Accident Days (the 10th, 20th and 30th of each month) and during the prefectural Traffic Safety Campaign period.

- In terms of energy conservation activities that lead directly to the reduction of CO₂ emissions, in FY2017, we are planning and implementing improvements in each department in order to achieve the goal of reduction by 1% from the previous fiscal year (1% reduction per year).

Major improvements included reducing the standby electricity of robots through the simplification of production lines (switch to slim and compact lines with the minimum number of robots necessary), setting facilities to operate at optimum conditions as achieved through the use of inverters, switching to highly efficient transformers and enforcing strict control of the temperature and time setting of air conditioners. Furthermore, we conduct monthly energy conservation patrols to maintain and promote awareness on energy conservation.



▲ Energy conservation patrol



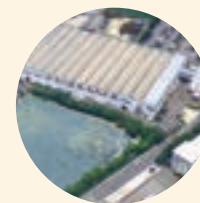
▲ Accepted plant tours from local elementary schools



▲ Promoting traffic safety out on the streets

Information on Environmental Impact

Power consumption	18,024 thousand kWh	Water resources input	111,569 t	Atmospheric chemical emissions	0.854 t
Gas consumption	3 thousand m ³	CO ₂ emissions	10,655 t-CO ₂	Waste output	167.2 t



Takahashi Plant

Address : Hifumi 24, Takahashi-cho, Okazaki-shi, Aichi, Japan
Total site area : 29,962 m²
Building floor area : 17,343 m²

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



Yoshihito Yamada
Plant Manager

As the Production Engineering Department, our key role is to provide stamping dies and welding assembly lines to the production plants. The keywords being "simple," "slim" and "compact," our efforts in stamping dies involve reducing the steel stock used by getting the dimensions of a die as close as possible to the dimensions of the actual

product, while our efforts in welding assembly lines involve promoting the reduction and downsizing of cylinders, valves and other such components and reducing electricity consumption.

In this fiscal year, we will continue to push ahead with "environmentally-friendly stamping die and assembly line development."

Environmental and Social Activities

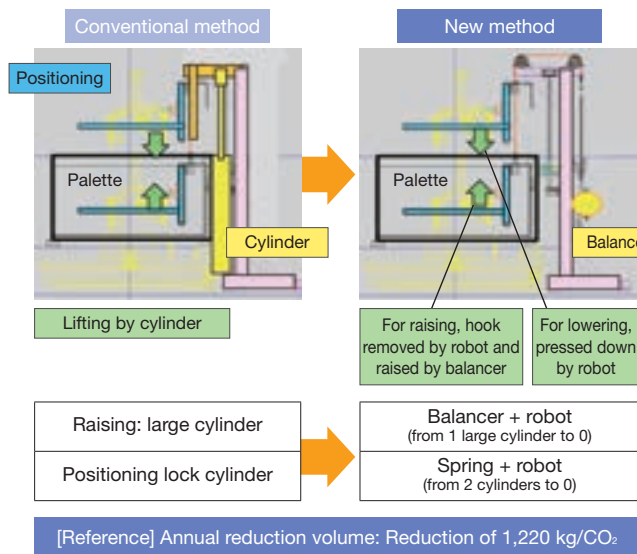
● "Simple, Slim and Compact" Dies and Assembly Lines ... Representative Examples

We effectively utilize mechanisms and linkages, share assembly lines and jig units, and thereby reduce the required power to nil or lower levels and decrease the number of units of dies produced, to help reduce CO₂ emission.

- (1) Reduction of air power by utilizing mechanisms and robots
- (2) Simplification of units through copy grinding mechanisms
- (3) Energy saving through the reduction of robot standby power
- (4) Sharing of jigs through R/L lot production
- (5) Reduction of cylinders by utilizing mechanisms
- (6) Adoption of inverters for motors of spinning machines and suction blowers

(1) Reduction of air power by utilizing mechanisms and robots

Mechanisms carry out the positioning, lifting and switching of palettes



Information on Environmental Impact

Power consumption	2,813 thousand kWh	Water resources input	14,480 t	Atmospheric chemical emissions	0.291 t
Gas consumption	2 thousand m ³	CO ₂ emissions	1,834 t-CO ₂	Waste output	68.3 t



Tahara Plant

Address : Midorigahama 1-5, Tahara-shi, Aichi, Japan
Total site area : 102,461 m²
Building floor area : 56,725 m²

Products : Mufflers, exhaust manifolds and other exhaust systems, cowls, rear axle housing



Yoshinobu Nakamura
Plant Manager

The Tahara Plant in Tahara City, Aichi Prefecture mainly produces exhaust system parts, body parts, suspension system parts for automobiles.

As our Plant is on the Mikawa Bay, it is located within an abundant natural environment. For that reason, we are particularly sensitive to environmental pollution such as oil leaks.

Each and every one of our employees is constantly aware of efforts to reduce our environmental impact that include the strengthening of effluent treatment management and the adoption of LED lighting.

In addition, we actively participate in a variety of activities to contribute to the local community as the Company's only business location in Higashi Mikawa.

Efforts of Plants and Group Companies

Tahara Plant ▶ Environmental and Social Activities

- This year we also stood in front of Tahara Station and at the Michi-no-Eki (roadside rest area) Mekkun House together with companies from the coastal area.

In addition, we participated in the Make Tahara Beautiful Promotion Day in June and picked up trash to the east and south of the Plant.

Going forward, we would like to contribute to the local community through various activities.

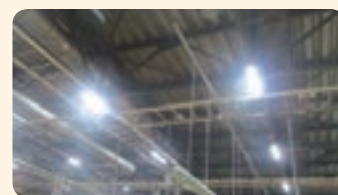
- As part of our energy conservation activities, we adopted inverters for small compressors, introduced LED lighting and energy saving chillers, resulting in the decrease in CO₂ emissions by 5.32t-CO₂/month. Following last year, we again participated in the “Winter Light-down Campaign” held in February in conjunction with Energy Saving Month, as well as the “Summer Light-down Campaign” held from June through July. We registered for the Eco Challenge Declaration of Tahara City again this fiscal year. We will conduct energy conservation activities on our business sites and participate in events sponsored by Tahara City.



▲ Picking up trash on Make Tahara Beautiful Promotion Day



▲ Promoting traffic safety out on the streets



▲ Adoption of LED lighting

Information on Environmental Impact

Power consumption	18,196 thousand kWh	Water resources input	152,718 t	Atmospheric chemical emissions	4.218 t
Gas consumption	2 thousand m ³	CO ₂ emissions	9,657 t-CO ₂	Waste output	114.2 t

Group Companies ▼



Futaba Kyusyu Co., Ltd.

Address	: Nakaizumi 1181-6, Nogata-shi, Fukuoka, Japan (Head Office / Nogata Plant)	Building floor area	: 45,378 m ² (Total for Head Office, Imari Plant and Nogata Plant)
Total site area	: 136,973 m ² (Total for Head Office, Imari Plant and Nogata Plant)	Products	: Mufflers, exhaust heat recovery devices, pillars, cowls, instrument panels, inlet pipes, pedals, beams



Tsugumi Sanmiya
President and Representative Director

The Company aims for environmentally-friendly management as the Group's production base in Kyushu. The effluent from Nogata Plant flows into the Onga River, which is a Class A river. As the Onga River is said to be the only river in Kyushu that salmon swim upstream, each employee needs to pay attention in their respective positions in order to

protect the natural environment. All of our employees are engaged in activities with an awareness of the natural environment in order to become an environmentally-friendly plant with the understanding of partner companies, as well as production plant operations that take into consideration the local community.

Environmental and Social Activities

- At both the Nogata and Imari Plants, each department voluntarily gathers to pick up trash and mow grass around the Plant several times a year in order to beautify and protect the natural environment in the local community around the Plants. We also ask partner companies that visit the Company to cooperate by participating in a study session using a textbook that is held in the janitor's room at the beginning of the fiscal year before entering the premises. These activities are beginning to take root, and the Company's awareness of the environment has also been favorably received by the local community around the Plant as well as partner companies.

- While in the past electric forklifts were no match for gasoline forklifts in terms of power, the evolution of electric forklifts has been remarkable. Currently electric forklifts are attracting much attention because they are environmentally-friendly, despite the fact that it takes time for charging. The Company is also gradually changing over to electric forklifts. We upgraded three of our forklifts to electric forklifts during the previous fiscal year. As a result, a contribution was made to CO₂ reductions as gasoline consumption of 100ℓ per day and 24,000ℓ per year have been eliminated through electricity usage.



▲ A clean-up

Information on Environmental Impact

Power consumption	15,210 thousand kWh	Water resources input	16,958 t
Gas consumption	5.4 thousand m ³	Waste output	101 t



Apics Co., Ltd.

Address	: Sumi Minamiyama 2-1, Kota-cho, Nukata-gun, Aichi, Japan (Head Office, Plant)	Building floor area	: 17,681 m ² (Total for Head Office, Kota Plant and Anjo Plant)
Total site area	: 49,699 m ² (Total for Head Office, Kota Plant and Anjo Plant)	Products	: Production of automobile parts and dies, stamping, assembly



Shingo Tanemura
President and Representative Director

Our Head Office and the Kota Plant, which are situated in an industrial park adjacent to the Kota Sumi Interchange on Meiho Road (National Route No. 23), engage in business activities in an environment surrounded by extremely beautiful nature, including the nearby “Hirahara Genji Botaru no Sato (firefly park)”

(Nishio City) where the Firefly Festival is held every year. We work on contribution activities to the local community by not only working diligently to protect this wonderful natural environment, but also actively taking part in local events 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 cleaning that leads to the preservation of the living environment preventing the occurrence of pest insects, prevention of fire from 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 addition, waste produced within the Company was reduced by 29.5% compared to the previous fiscal year thanks to active recycling campaigns.



▲ Environmental beautification project

Efforts of Plants and Group Companies

Apics Co., Ltd.▶

● The Plant is surrounded by about 30 cherry trees that are visited every year by dear friends from afar when they are about to blossom. They eat several hundreds of “pest insects” around the Company every day, and contribute to farms in the local community.

We deepen our friendship with these birds by means such as setting up nets to protect them from crows and other enemies. These birds are a soothing presence for our employees during break time. This year, we observed six healthy chicks leave the nest.



▲ Swallow's nest

Information on Environmental Impact

Power consumption	2,638 thousand kWh	Water resources input	4,073 t
Gas consumption	1.3 thousand m ³	Waste output	67.6 t



Futaba Hiraizumi Co., Ltd.

Address : Hiraizumi Kamitokuzawa 65, Hiraizumi-cho, Nishiiwai-gun, Iwate, Japan
Total site area : 77,244 m²

Building : 17,148 m² floor area
Products : Mufflers and body parts



Isao Goto
President and Representative Director

The Company is located in Hiraizumi-cho, a World Cultural Heritage site in an abundant natural environment full of greenery, where it is engaged in the production of exhaust system parts and body parts for automobiles. In an aim to be “a company that develops together with the local community and

is loved by the local community,” we actively participate not only in social contribution activities, but also in local events as we work toward the revitalization of the town and deepened friendships with everyone in the local community to deliver security and reliability.

Environmental and Social Activities

● Since Hiraizumi-cho, the Company's location, was registered as a World Cultural Heritage site in 2011, we have been engaged in various activities in order to pass down its historic buildings and archaeological remains to future generations.

As part of activities for passing down the culture, history, and nature related to the cultural heritage of Hiraizumi to future generations, the Company is engaged in beautification activities both on and off premises, and promotes activities that will contribute to community-building so that it will invite more people to visit or live in Hiraizumi.

● As the only company that has been invited to Hiraizumi-cho, the Company actively holds plant tours for government institutions, and high school, middle school and elementary school students within Iwate Prefecture. At these plant tours, we provide explanations on the manufacturing process, environmental activities and social contribution activities in order to give participants an understanding of the business activities of the Futaba Group. In addition, we offer internships for high school and middle school students so that they can experience the appeal of the Futaba Group firsthand.



▲ Beautification of the surroundings



▲ A plant tour

Information on Environmental Impact

Power consumption	4,954 thousand kWh	Water resources input	2,468 t
Gas consumption	1.8 thousand m ³	Waste output	45.49 t

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 completed acquisition of TS16949 certification in the last fiscal year. Furthermore, in the aim of acquiring IATF16949 certification in the current fiscal year, we review management systems and conduct activities aimed at improving trust from customers and reducing our environmental impact. While focusing on the two pillars of wisdom and improvement as well as a human focus, 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 TS16949 certification for entire company



Improving Manufacturing Quality

In order to improve quality at manufacturing sites, the Manufacturing Department will lead activities including quality control activity confirmation meetings and production department meetings at each business location in an aim for mutual betterment. In addition, we will work to improve quality including 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 function meetings and quality committees in order to resolve issues.



Quality Improvement Activities

We implement the “Quality and Performance Council,” “QA inspections,” “Quality Improvement Debriefing 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.

Quality Improvement Debriefing Meeting

The General Manager of the Quality Assurance Department visits the production sites at each plant to inspect quality improvement activities and provide guidance. The direct communication and implementation of the thoughts and policies of the top management through the inspection of the “quality improvement cycle every three months” and “in-process defect minimization activities” are resulting in heightened awareness about quality improvement.

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.



▲ Quality Improvement Debriefing Meeting

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 and IR Activities

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 103rd Ordinary General Meeting of Shareholders

Showcasing at “Automotive Engineering Exposition 2017 Yokohama”

We exhibited our products at the AUTOMOTIVE ENGINEERING EXPOSITION 2017 YOKOHAMA held from Wednesday, May 24 to Friday, May 26, 2017. In this Expo, there were 562 corporate exhibitors and more than 90,000 visitors during the three-day period.

At our display stand, we showcased exhaust system parts, the POWEREV® (an exhaust heat recovery device), lightweight and high-strength body parts, and laser welded instrument panel reinforcements that contribute to improved fuel efficiency and reduced weight for automobiles, and in doing so we were able to advertise Futaba's technological strengths to many visitors.



Relationship with Suppliers

Futaba consistently manages our business from a global perspective and is working to grow and develop together with our suppliers.

We have been promoting activities in accordance with the following policies for FY2016:



- (1) Structurally reinforce supplier (SQCD) improvement activities driven by procurement; and
- (2) Pursue new technologies and new production methods, and strengthen procurement bases in coordination with the overseas procurement function

We have been promoting activities to raise safety awareness by showing examples of accidents to each supplier and by inspecting workplaces, and developing structures that give top priority to safety.

We also provided guidance on quality improvement activities to our key suppliers in collaboration with the quality assurance department, and identified suppliers' problems and concerns. In order to adapt to rapid changes in the environment, we are implementing various measures to enhance collaboration with suppliers, with the aim to coexist and co-prosper with suppliers based on mutual trust from a long-term perspective.



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.

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 ensure cost-competitiveness for both Futaba and the suppliers into the future, we cooperate with the suppliers in cost reduction activities from a medium-term perspective.

3. Matching Global Perspectives with Optimal Local Procurement

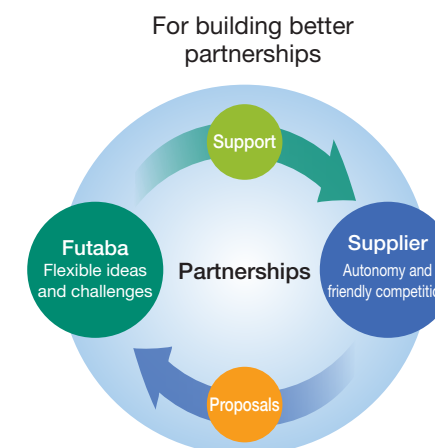
- We build competitive procurement bases in each region of the world in order to contribute to the optimal local manufacturing of each customer and to support new technologies and new production methods.
- We will contribute to the local communities by proactively utilizing local suppliers.



Establishment of Trust with Suppliers

We hold a supplier liaison meeting twice a year to communicate the overall stance of Futaba 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; (4) Quality status of suppliers; (5) Good examples of cost improvement; (6) Quality-related examples; (7) Introduction of products for which we received orders; (8) Information on production plants; (9) Information on production technologies concerning dies; (10) Information on production technologies concerning assembly lines; (11) Information on overseas production sites; and (12) Comments to Futaba. We also notify Futaba's requests for the fiscal year in terms of safety, quality, delivery and costs to key suppliers, and engage in expectation activities for sharing goals. Through such activities, we will build a partnership in which Futaba and its suppliers will engage in friendly competition and grow together by heading toward the same direction.



Green Procurement, etc.

As regards to the procurement of items comprising the products we manufacture and sell, we are working on enabling preferential procurement from suppliers who are conducting environmental conservation activities together with use and proactively establishing environmental management systems and 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.

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 daily 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 consist of the two following activities.

1. Not allowing industrial accidents to occur

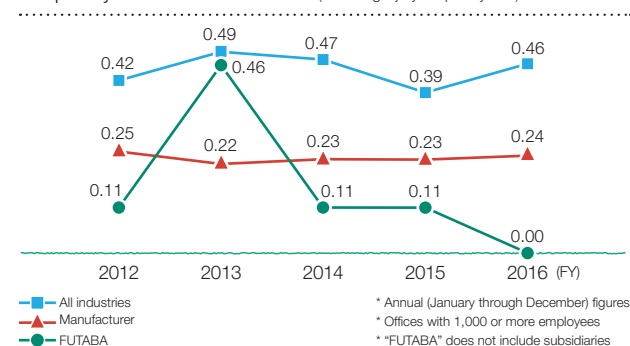
- (1) Education to make each and every employee aware of risks and improve their sensitivity toward safety
- (2) Improvement activities to keep people away from major risks or eliminate risks
- (3) Communication activities to resolve issues at the workplace

2. Activities aimed at health maintenance and improvement

- (1) Implementation of health promotion activities with an improved menu so that all employees can participate in the prevention of metabolic syndrome and adult onset diseases
- (2) Continued implementation of the “stop-smoking” campaign from last year that helps people quit smoking
- (3) Implementation of improvements in the working environment aimed at achieving “zero” heatstroke incidents

The “Safety Tips Handbook” summarizes these initiatives and is distributed to all employees as part of daily efforts to create workplaces where employees have proper understanding so they can act correctly.

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 rank appropriate training (e.g., new employee training, problem resolution, management and executive training) 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.



▲ Education by 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 by function (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 and education 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 FY2016 was 2.30% and exceeded the statutory requirement. We will continue to make efforts to expand the employment of individuals with disabilities.

	FY2012	FY2013	FY2014	FY2015	FY2016
No. of employees	3,205	3,211	3,249	3,300	3,372
(Of which are female employee)	292	286	286	295	314
No. of non-Japanese employees	18	19	17	17	17
No. of re-employed workers	78	87	86	86	94
Percentage of employees with disabilities	1.84%	2.29%	2.37%	2.14%	2.30%



Establishment of a pleasant workplace

Promotion of Paid Annual Leave

Based on the belief that the separation between work and leisure allows an individual to maximize his or her potential, both the management and the workers at Futaba are promoting the use of sixteen days of paid annual leave.

Further, there is a system that allows employees to take three consecutive days of paid annual leave once each year so that employees may refresh both the mind and the body,

as well as a system that allows employees who have been with the company for a long period to take five consecutive days of paid annual leave during a milestone year. We are striving to encourage our employees to take leave by confirming the annual leave situation between the management and the workers.

Improvement of the Childcare Support System

Futaba is making efforts to establish an environment where employees are able to continue to work with ease by striking a balance between work and childcare or nursing care. We actively support working parents by offering flexible options in terms of work arrangement, such as by extending the eligibility for working shorter hours beginning on April 1, 2012 to cover children three years of age to fourth grade of elementary school and allowing employees to choose their start and end times in 30-minute increments.

	FY2012	FY2013	FY2014	FY2015	FY2016
No. of employees who took childcare leave	34	43	46	43	44
Percentage returning to work after extended childcare leave	94.1%	95.3%	100.0%	100.0%	100.0%
No. of employees who worked shorter hours due to childcare	21	20	27	32	28

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.



Communication with Local Communities

Holding of First “Rice Planting Experience Volunteer Program” in Okazaki City

On Sunday, May 21, 2017, 40 employees and their family members gathered for traditional planting by hand at a rice field in a mountainous part of Okazaki City.

The participants were able to experience how the rice they normally eat is made while coming in contact with wildlife in the fields and streams and learning about the natural environment.

It was an enjoyable volunteer activity filled with smiles and laughter, a wonderful opportunity for communication that brought much joy to the local community and the farmers.



Holding of the 6th Futaba Youth Baseball Championship

The Company holds a youth baseball championship every year for the purpose of the development of healthy youth and improvement in their strength and skills as part of our social contribution activities as a local company. The 6th championship was held from September to October 2016.

The championship involved youth baseball teams from neighboring municipalities centered on Okazaki City, with a total of 32 teams and some 500 players in heated contest.

Upon many close matches, the Yanan Arrows emerged as the winners for the first time.



▲ Commemorative photo of the 6th championship



Collected 700,000 “Ai Caps (bottle caps of love)”

The Company also participates in a “Ai Cap campaign” (a campaign for collecting caps from plastic bottles) that promotes the prevention of CO₂ emissions, environmental improvements and recycling, and donates sales proceeds to the children of the world for vaccines. A cumulative total of 700,000 caps have been collected since October 2010 when collection started to June 2017 (a period of six years and seven months).

As a result, vaccines have been donated to 813 children. Furthermore, a 5,127 kg reduction in CO₂ emissions has been achieved by not incinerating the caps.



▲ Caps collected



Efforts to Preserve Biodiversity

Reforestation Activities in a Forest Owned by Okazaki City

On Sunday, June 4, 2017, 19 participants conducted forest maintenance activities in a forest owned by Okazaki City near Kuwagai Observatory.

These activities that started in 2011 are aimed at the creation of healthy forests and biodiversity conservation through tree thinning.

The participants thinned trees, mowed undergrowth, raked leaves in order to maintain the nature trail and conserve the forest on the day of the activities.

A “Beetle (Japanese Dynastid Beetle) Catching Event” is held in July and a “Woodwork Class” in November at this forest for employees and their families so that people can learn about the importance of forests and nature while having a good time.



Comment from Local Residents

Masaru Miyaji

Chairperson of the Society and Education Board, Kitano School District, Okazaki City

The Kitano School District, where the Head Office and the Okazaki Plant of Futaba Industrial Co., Ltd. are located, is in the northwest area of Okazaki City next to Toyota City and Anjo City.

Many companies including Futaba, the Okazaki Plant of MITSUBISHI MOTORS and the Okazaki Plant of Maruyasu Industries have expanded into this area since 1965, which has led to rapid advances in the development of industrial and residential areas, and the number of residents is on the rise even now.

The traffic safety workshop for the elderly that Futaba started, and has continued as a regional collaboration traffic safety model project, has become a very valuable form of training for the Kitano School District Elderly Club Association, as it uses a simulator to facilitate understanding.

In addition, I am thankful for Futaba's employees joining and actively participating in various activities in the local community, including employee education to refrain from using the school district's many narrow residential roads, watchovers at crossings for traffic safety for children walking to school, early morning cleaning on prefectural highway no. 56 on the day following the Okazaki Fireworks Festival, and river cleaning at the end of the year.



Futaba Industrial Co., Ltd.

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