

## **FUTABA Internal Control Policy**

Based on the "Futaba way," "Management Principles," and "Futaba Code of Conduct," We will conduct our business appropriately, throughout the Futaba group (FUTABA) . In addition, for endless improvement on quality of business and management, we implement the cycle of improvement through TQM(Total Quality Management)\*, with following activities.

- a. Implementing operational system, including the concept of the internal control system such as three lines (Control for Risks, Guidance, Internal check and Internal audit)
- b. Clarifying roles and responsibilities among the group and realizing autonomy of subsidiaries
- c. Implementing education system regarding TQM activities and standards to enhance the ability of entity

Furthermore, FUTABA aims to enhance sustainable corporate value with our goals of the SDGs.

We develop people with high ethical standards through these activities. Then, build an effective organization to implement our designated internal control.

### **1. Systems to secure executive officers delegated by directors and companies in each fields (executive officers) carrying out duties that comply with laws and the articles of incorporation**

Establish "Futaba way," "Management Principles," "Futaba Code of Conduct," and other rules regarding corporate ethics. Then, we share our policy in compliance with laws and the articles of incorporation, among directors and executive officers.

- ① We provide education and training for directors and executive officers.
- ② Through the process of decision-making, i.e. the Board of Directors, we decide everything after deep discussion, in accordance with established agenda and decision making rules

### **2. Information storing/managing systems regarding the execution of duties by directors/executive officers**

Documents and information (including electromagnetic records) regarding the execution of duties by directors/executive officers, e.g. minutes of board meetings, shall be managed in accordance with the established rules.

### **3. Risk management system regarding management**

Setting up in-house organization and meeting body to deal with risks related to our business, e.g. Safety, Quality, Environment and Ethics. Through these organization's activities, design and implement risk management system.

- ① We manage funds based on the budget controlling system. When we operate and revise the fund management system, we obtain necessary approval from boards/meeting structures in

accordance with the rules defining authority and agendas.

- ② We provide information timely and honestly, by following measures.
  - Maintaining assets appropriately
  - Documenting funds flow/management system
- ③ We prepare for risks by implementing manuals for emergency, conducting emergency drill, insurance and other risk diversification measures.
- ④ We build secure network that incorporates security measures in order to enhance the utilization of information among the group, using information technologies.

#### **4. System for directors and executive officers to execute their duties efficiently**

Based on the mid to long-term plan and company 'hoshin's, we structure 'hoshin's at each stage of the organization and manage 'hoshin's consistently.

- ① Keep efficiency of business with agile decision-making by granting the authority of executing operations to executive officers, based on the rules defining the duties, roles and responsibilities of each department.

#### **5. System to make employees perform their duties in compliance with laws/regulations and the Articles of Incorporation**

Establish "Futaba way", "Management Principles", "Futaba Code of Conduct" and rules regarding corporate ethics. Then will thoroughly inform them through training and development for employees.

- ① We will establish the guideline to operate our business effectively in accordance with these rules/policies. Then implement them throughout the entity, to ensure the effectiveness of them.
- ② We set the department of internal auditor, independent from other departments. The department reports the audit results to the Board of Directors timely in manner, then feeding back the result to relevant parties, with suggesting remediation measures. Then following up for recurrence prevention measures.
- ③ We provide the "FUTABA Corporate Ethics Helpline" as a whistleblowing system to grasp information on legal compliance/corporate ethics promptly and to resolve effectively.

#### **6. System to conduct appropriate business in FUTABA**

Share "Futaba way", "Management Principles", "Futaba Code of Conduct" and other rules regarding corporate ethics among Futaba group. Then, communicate these to all employees through the training and other means.

- ① We establish and implement guidelines, to conduct our business effectively based on the above rules.
- ② Headquarter's board and other meeting body shall discuss about subsidiary's significant management subjects, based on the rules defining intercompany delegations of authorities, roles/responsibilities and pre-approval requirements. In addition, directors are dispatched to provide management guidance, auditing and support to subsidiaries.
- ③ Through the local whistleblowing system in each subsidiaries and the "FUTABA Corporate Ethics Helpline", we grasp information on legal compliance/corporate ethics promptly and to resolve effectively.

### **7. Maintaining the independency of employees, those assists the corporate auditors**

Assisting corporate auditors by Corporate Auditor's office staffs, then concrete its independence by defining staffs and organizational structure of Corporate Auditor's office in prior to its operation.

### **8. Reporting system for directors/executive officers, employees and directors of subsidiaries to report their execution of their duties to corporate auditors**

Directors/executive officers, employees, directors of subsidiaries and others, will report necessary information as requested by the corporate auditors timely in manner.

- ① In particular, if they discover any facts that may lead significant damage to FUTABA, immediately report to corporate auditors.
- ② No whistleblower will be prejudiced by making above report.

### **9. Other systems to ensure effectiveness of audits by corporate auditors**

We enable our corporate auditor to grasp the management's working status timely in manner, through establishing system including attendance of major meeting such as board meeting, and inspecting important documents on management.

- ① Establish a system that enables corporate auditors to exchange opinions regularly, with the representative director, accounting auditor, internal audit department, and other necessary person.
- ② FUTABA bear the applied audit costs in accordance with the rules decided by the Board of company auditors.

\* Continuous cycle of Daily job management (SDCA) and Kaizen(PDCA)

(Approved by the board of directors on Sep 24<sup>th</sup>, 2020)