

FUTABA INDUSTRIAL Report 2020



FUTABA INDUSTRIAL CO.,LTD.

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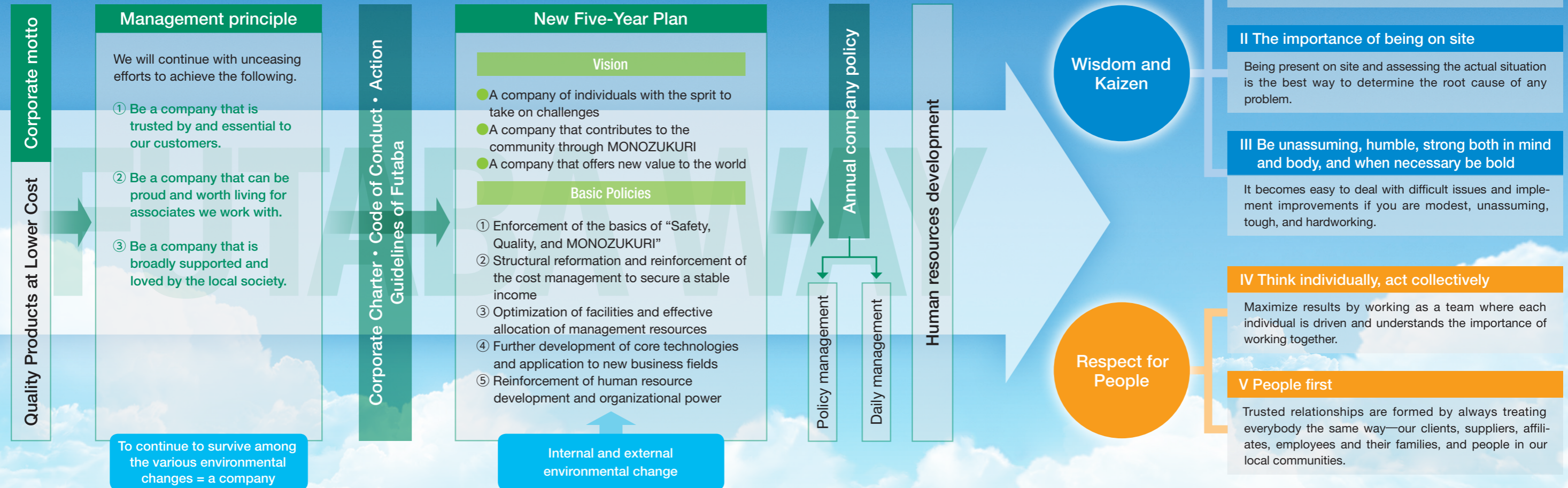
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To our readers

We have decided to issue FUTABA INDUSTRIAL Report from this fiscal year to further facilitate your understanding of our initiatives to address our current situation and issues. Whereas the previous Environmental and Social Report has focused on our activities and results in the environmental and social fields, this FUTABA INDUSTRIAL Report incorporates financial information as well, to serve as an important communication tool.

THE FUTABA WAY

FUTABA WAY... Summary of “Common Value” and “Fundamental Principle” which shine a light on the Futaba’s belief, value, and pride which had been handed down from generation to generation.



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Reporting Period April 1, 2019 to March 31, 2020 *Some activities outside the set period are also introduced.
 Scope of Report Futaba Industrial Co., Ltd. *Some of our Group company activities are also included.
 Publication September 2020
 (Next publication scheduled for September 2021)

Notes on forward-looking statements
 This report includes predictions and forecasts regarding our future plans, strategies, and performance. These statements are based on information currently available, and do not guarantee our future performance. Actual performance may diverge from the predictions and forward-looking statements in this report due to changes in the business environment.

Aiming to be your partner of choice and a winning company

Hiroyoshi Yoshiki

President

<Looking back at FY2019>

Initiatives so far increased revenue and profits

FY2019 saw increased revenue and profits despite lower sales volume in North America, Europe, and China by the automobile manufacturers which are the Futaba Group's main source of sales. I am especially overjoyed at the remarkable improvements in profitability compared to the growth of sales. In 2016, we formulated our New Five-Year Plan, and I believe that the improvements made mainly at production sites and the streamlining of operations are gradually starting to bear fruit.

However, there are discrepancies among regions, with Asia (including China) showing double-digit growth in sales and profit. While revenue declined but profit increased in Japan, and revenue declined in Europe, where the situation remained bleak, we still managed to attain a surplus.

In North America, making up a large share in sales, there was a large model change by a customer and an increase in production preparation costs that entailed, as well as delays in cost improvement activities, resulting in less sales and profit than the previous fiscal year.

Recovery from the COVID-19 crisis

The spread of coronavirus disease (COVID-19) from the start of this year forced to shut down operations at not only automobile manufacturers but also at Futaba Group plants, with the supply chain also left in chaos. Earlier this year, plants in China were shut down, and the operation rates dropped. However, beginning in April, with the re-start of plant operations, growth surpassed around 20% over the

		FY2020 results	FY2019 results	YoY	
				Change	Change (%)
Japan	Sales	264.2	266.1	(1.9)	(0.7)%
	Operating profit	5.1	2.6	2.4	89.7%
North America	Sales	100.4	105.2	(4.7)	(4.5)%
	Operating profit	1.5	2.3	(0.7)	(31.6)%
Europe	Sales	29.2	33.3	(4.1)	(12.4)%
	Operating profit	0.7	(0.9)	1.6	-
Asia	Sales	99.1	77.8	21.3	27.4%
	Operating profit	3.3	2.9	0.4	14.6%
Consolidation	Sales	(16.8)	(20.8)	3.9	
	Operating profit	(0.1)	(0.2)	0	
Total	Sales	476.1	461.7	14.4	3.1%
	Operating profit	10.6	6.7	3.8	56.3%

previous year. For the past several years, China has taken the reigns to steer themselves to become an automobile superpower as they've focused the efforts of their national policy on electronic vehicles (EVs); however, hybrid vehicles have recently come to be recognized as energy-saving automobiles. Given that the field of EVs is the strong point of Japanese automobile manufacturers, I believe we can expect a tailwind in our favor and the Chinese market is the key to recovery in performance this fiscal year.

Plants were shut down between April and May in North America. As North America's massive territory makes cars a daily necessity, dealerships are facing an

inventory shortage, and automobile manufacturers are in full throttle to increase production. Going forward, we will likely see securing personnel, equipment capacity and raw material procurement as pivotal points.

<Progress in management strategy: the New Five-Year Plan>

Hopes for the New Five-Year Plan

Upon being appointed President in 2016, I examined Futaba at the time and thought that improvements were needed in three stages.

The first was to "stop the bleeding." Amid accumulating defective product waste and increasing overtime, the mentality at that time was that, even if defective products were produced, there were no problems so long as the planned production quota was met. This kind of mentality does not earn profit. Therefore, we ensured that our employees fully understood the principle of "building quality into the work process," and we reset our management guidelines and objectives. As a result of this, we were able to reduce defective product waste by around 70%. However, more effort is still needed in the future to reach our goal of a 90% reduction.

The second stage was operational management. Our rapid global expansion has left the building of a management structure and personnel development to stagnate. Moreover, since many of our products have a set sales price at the time they are ordered, the only thing we can do is to reduce our costs to turn out a profit. Basic management of work (materials, personnel, delivery) is of importance; however, Futaba was not properly managing the day-to-day operations, and the only way to identify profitability was to examine the overall end-of-year numbers, implying that the very basics of "daily efforts accumulating into company performance" had fallen into neglect. So we clarified authority and responsibilities, established rules, and reviewed the organizational structure. We also re-built the revenue management system. This has already been firmly established in Futaba Japan, and is currently being expanded to subsidiaries in Japan and overseas. Additionally, tablet devices are now being employed in production sites, promoting the timely visualization of production performance and assisting in daily analysis and improvement. This system is slated to be rolled out globally in the future. We are also working to optimize our logistics system. Working on the press and assembly work process alone is inadequate to shorten lead time; in-plant transport is also an important component. We are making further efforts at optimization by connecting equipment, personnel,

transport vehicles and parts racks with sensors and utilizing IoT* and artificial intelligence (AI). The effects of these efforts have been verified in the model area through joint research with universities, and we plan to push forward with further practical applications to expand to all plants in the future.

The third stage is business planning. The automobile industry is facing an upheaval of once in a century, and we must prepare a growth strategy that anticipates those changes while fortifying our technological development capability to achieve it. Thus, in April 2019, we set up the BR Global Business Planning Office. This Office is independent from existing divisions, integrates total plans for order receiving, development, production, sales, and profits over the medium to long term, and aims to optimize the entirety of the Group's business plans. The Office plans to also invest and utilize resources such as people, things, and money, and is pursuing how the Futaba Group ought to be (future growth and profitability). In February 2020, the Office formulated the Global Business Plan to create a basis for business planning with a medium to long-term view.

*IoT: Internet of Things; the use of the Internet to connect products.



Outlook for the final year of the New Five-Year Plan

The New Five-Year Plan had the initial goal of reaching 440 billion yen in sales and an operating profit ratio of 3.5%. The sales goal was already met in FY2019, with the operating profit ratio increasing year on year but by 0.7 points, to a mere 2.2%. Prior to the COVID-19 pandemic, we had resolve to reach the goal no matter what; however, the pandemic has made it difficult to see what the future holds. Yet, we are forging ahead with the strong resolve that we will become a company with the capacity to reach an operating profit ratio of 3.5% when we regain our production volume.

<Growth strategy connecting to the future>

The New Five-Year Plan is thorough with the basics of safety, quality, and manufacturing, and began from securing revenue through structural reforms and the strengthening of cost management. However, the main thrust of this Plan must be the growth strategy for the future.

The sales ratio of the Futaba Group has already reached near parity between Japan and overseas. However, integration of the Group has not occurred with any sense of speed from a global perspective.

In the future, we will work to optimize our parts business and maximize profits not only in Japan but at our Global sites. We will also press forward with the creation of a system to build a business model for next-generation technology and body system products currently in development, to fully strengthen our development and solutions capacity.

The development of EVs has become a pressing task in terms of current global trends. The Futaba Group is moving forward with 1) the strengthening of development of exhaust system parts that contribute to reducing gas emissions, 2) the development of new products that use our core technologies such as sound damping, heat management, and thin sheet welding, and 3) the strengthening of the planning and development organizations, and the use of MBD* and IT.

*MBD: Model Based Development; development through simulation analysis using virtual prototypes and testing with a computer

<Promotion of the SDGs* as a shared challenge for the world>

In order for a company to gain recognition in the world, it's not enough to simply generate profits; the company must have a strategy mindful of its stakeholders. We will integrate the various messages contained within the SDGs into the Futaba Group strategy, and we hope to make this into a tool for communication with all of our stakeholders.

To this end, in January 2020, we have established the Responsible Business Conduct Office as a specialized organization dedicated to working on the SDGs, and have set up the Corporate Value and SDGs Promotion Meeting attended by every member of our Board of Directors.

In order to find out in what way we should align our business activities with the SDGs, we have identified all our operations and linked each of them from the perspective of the SDGs. We now have the preliminary concept of the direction we are heading. We will set up our own unique KPI* that includes non-financial information, and aim to integrate important themes into management and reflect this on our business policy, such as our medium-term plans.

*SDGs: Sustainable Development Goals

*KPI: Key performance indicator

<Further promotion of ESG>

Strengthening corporate governance

The Futaba Group has made contributions to both the environment and society with our mainstay business of exhaust system parts. In the realm of governance, we have formulated the FUTABA Management Standard, and aim to strengthen risk management through further improvements to operational quality and clarify roles and responsibilities in the entire Group.

Examples of our recent efforts include adding more female Outside Director positions and creating voluntary bodies such as the Compensation Committee and the Nominating Committee comprising mainly Outside Directors, to improve transparency in corporate governance and create a sound management system.

*ESG: Acronym for Environment, Social and Governance

Workstyles for the "new normal"

Mutual trust must form the basis of relations between a company and its employees.

There are calls now for reforms to workstyles in various companies; having spent time living in the US, I would like to share my experience. Almost all workers leave work for home at the set time in the



US. Even though overtime is rare, this does not mean they are lazy. They work very hard at the jobs and roles they have been assigned. Things differ from Japan there in that they are assessed by their results, rather than the time spent working. Since it is clear when things need to be done, they are certain of not only how to use their time, but how to manage their resources.

From my experience, under this "new normal," there won't be anything new that emerges; rather, we will need to get back to the basics of work in terms of clarifying what results are expected, when they are expected, and what resources are needed for the work. Moreover, the power of companies to examine the work of each and every employee and correctly assess that work is being tested.

<To all of our stakeholders>

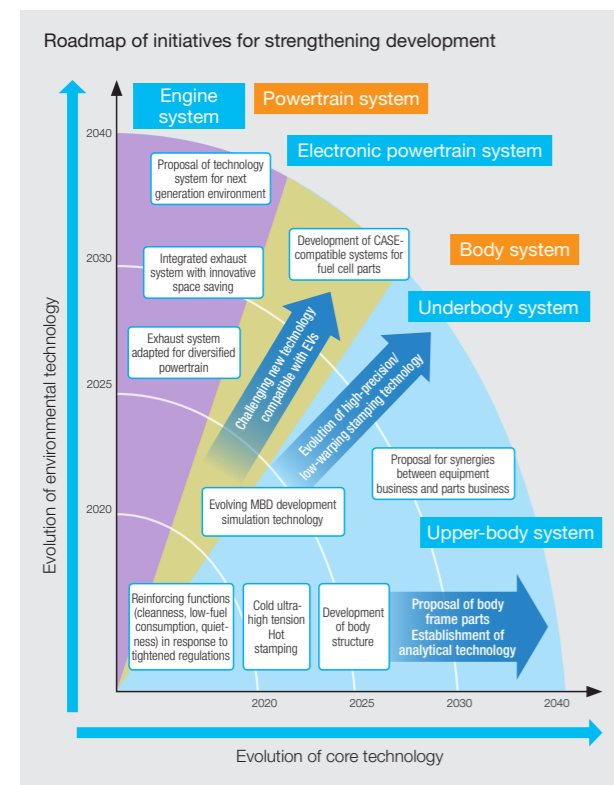
The automobile industry is in the midst of a once-in-a-century major transformation. There is a new conceptual solution called CASE*, and the COVID-19 crisis is sparking a reconsideration of personal mobility. In this kind of society, the Futaba Group must become a company that can support our customers with our technologies. Regarding the SDGs and ESG I mentioned above, in order to become a partner of choice and a winning company, the question is just

how committed we are to solving the challenges society poses to us with safety and the environment, and what kind of tangible results we can produce. We will combine our strengths to contribute to the sustainable growth of society, and become a company that society will have no reservations in supporting in full.

The Futaba Group is thoroughly concentrating on the fundamentals of manufacturing and working to ensure quality while pursuing further structural reform and manufacturing reform to face the challenges society poses. It's the challenges and the reforms that are the impetus of the Futaba Group and that will propel us towards growth.

We will continue to aim to be a corporate group both loved and trusted by all of our stakeholders. I ask for your continued guidance and encouragement.

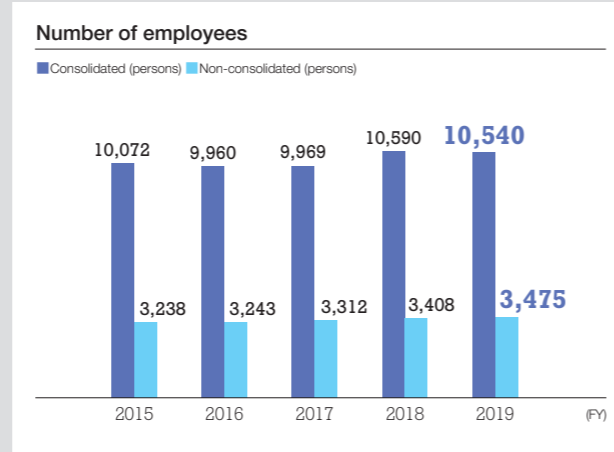
*CASE: Acronym of Connected, Autonomous, Shared, Electric



Company Profile and Financial Highlights

Company Profile (As of March 31, 2020)

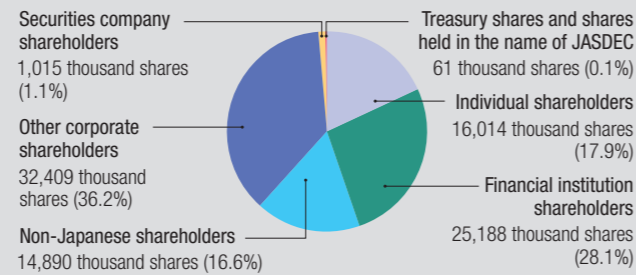
Company name: FUTABA INDUSTRIAL CO., LTD.
 Founded: March 25, 1935
 Established: November 1, 1945
 Capital: 16,820.16 million yen
 Head Office location: 1 Ochaya, Hashime-cho, Okazaki-shi, Aichi Prefecture, Japan
 Representative: Hiroyoshi Yoshiki, President
 Main business lines: Automotive parts business, information environment equipment business, equipment for external sales, and agricultural business
 Subsidiaries and affiliates: Domestic subsidiaries: 4 companies, Domestic affiliates: 1 company, Overseas subsidiaries: 18 companies, Overseas affiliates: 2 companies
 Number of employees: Non-consolidated: 3,475, Consolidated: 10,540



Stock Overview (As of March 31, 2020)

Total number of authorized shares: 200,000,000 shares
 Total number of shares outstanding: 89,580,827 shares (Including 61,739 treasury shares)
 Number of shares per unit: 100 shares
 Listed stock exchange: Tokyo and Nagoya Stock Exchanges (Securities code: 7241)
 Shareholder registry administrator: Sumitomo Mitsui Trust Bank, Limited

Ownership ratio by shareholders

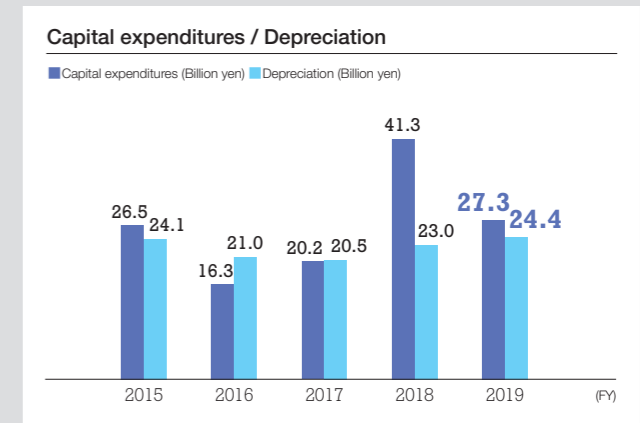
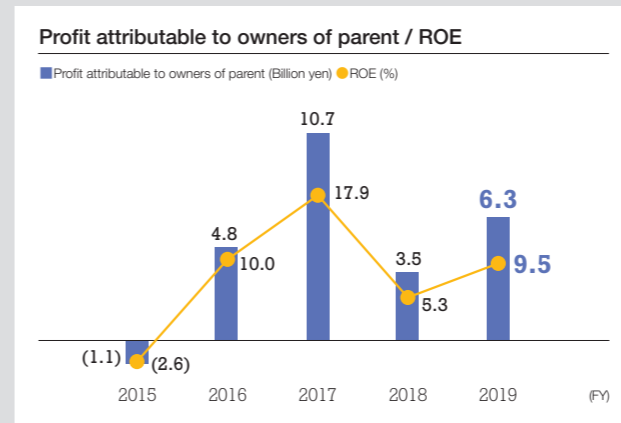
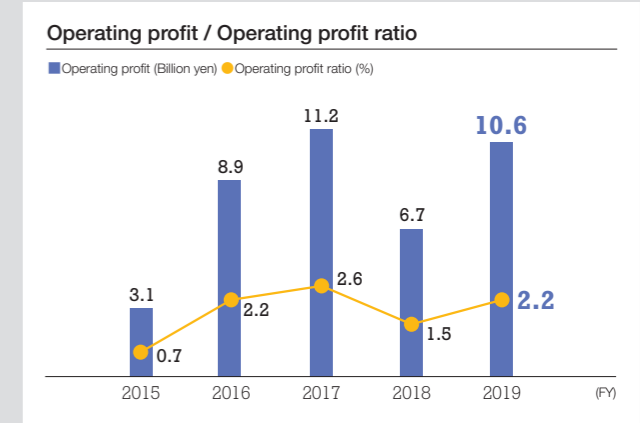
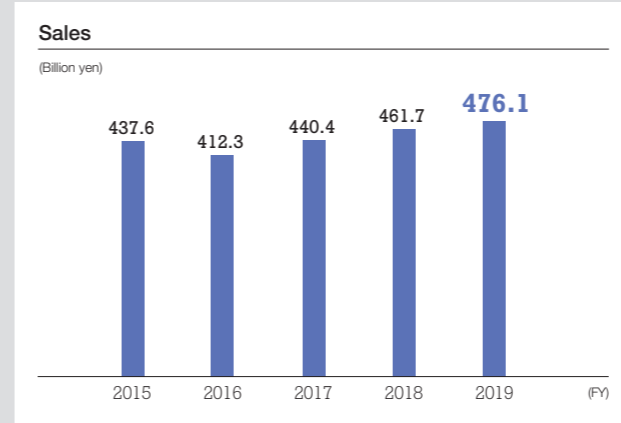


Major shareholders (top 10)

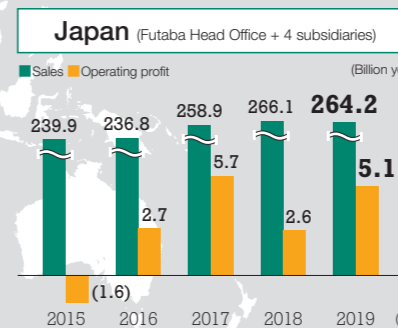
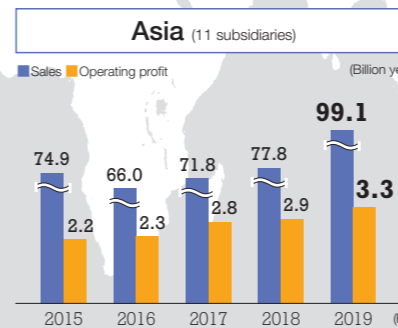
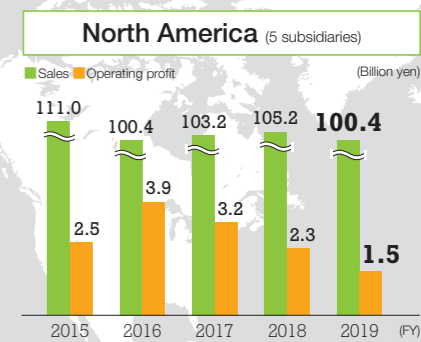
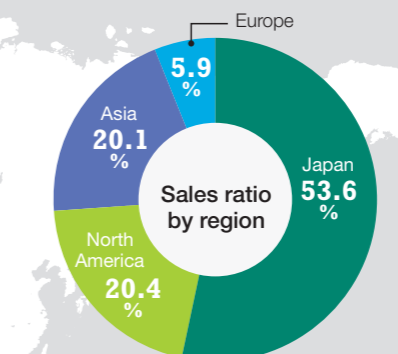
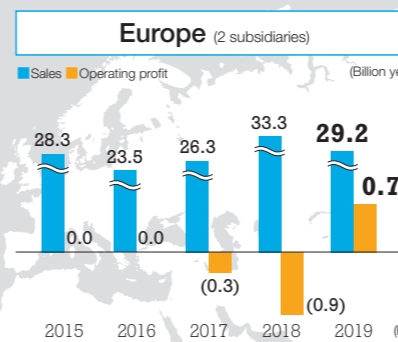
Name of major shareholder	Shares held (thousand shares)	Ownership ratio (%)
Toyota Motor Corporation	28,116	31.4
The Master Trust Bank of Japan, Ltd. (trust account)	4,861	5.4
Japan Trustee Services Bank, Ltd. (trust account)	3,878	4.3
Sumitomo Mitsui Banking Corporation	3,063	3.4
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	2,919	3.2
Futaba Suppliers Cooperative Shareholding Association	2,883	3.2
MUFG Bank, Ltd.	1,290	1.4
Futaba Employee Shareholding Association	1,184	1.3
Sumitomo Mitsui Trust Bank, Limited	1,162	1.2
Japan Trustee Services Bank, Ltd. (trust account 5)	1,130	1.2

*The ownership ratio excludes treasury shares.

Major consolidated financial data



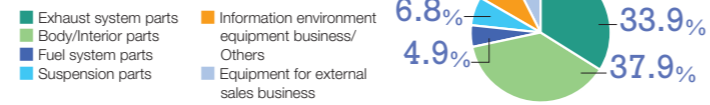
Sales and operating profit by region



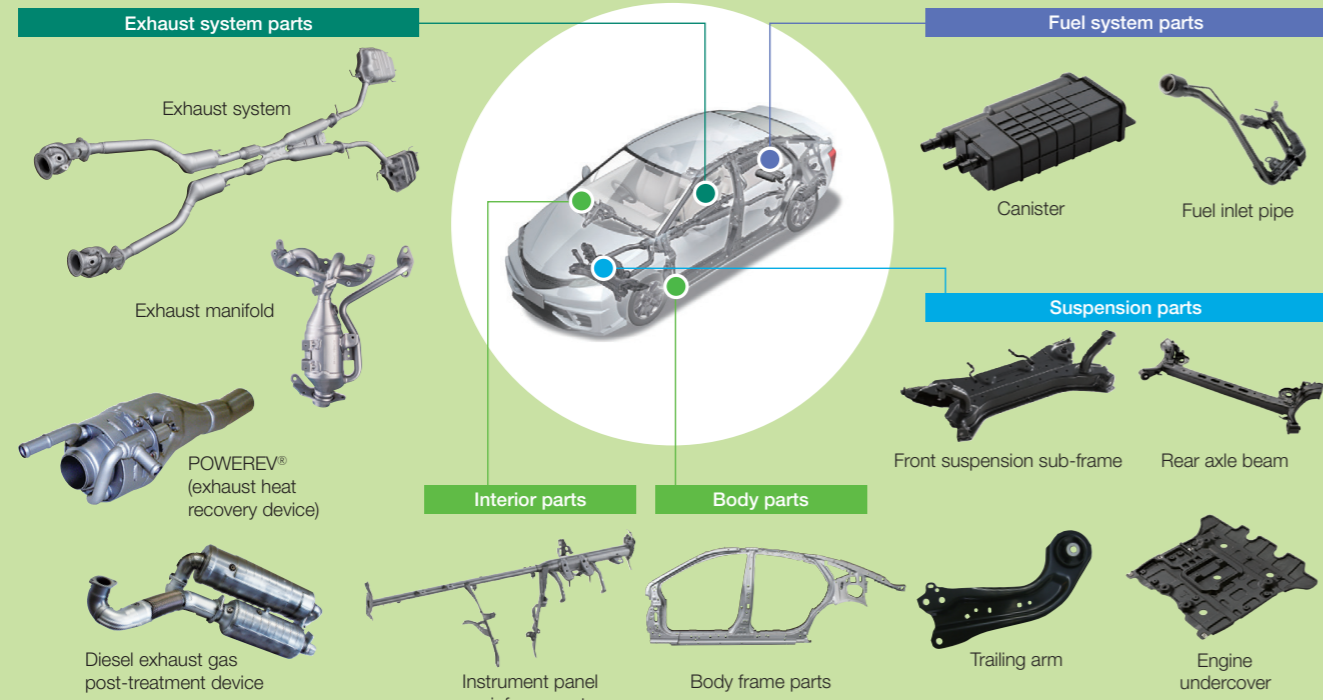
Business Focus

The Futaba Group's main business is the manufacture and sales of automotive parts, information and environment equipment parts, and equipment for external sales.

Sales ratio by product



Automotive parts business



Information environment equipment business/ Equipment for external sales business

- Information environment equipment business: Paper feeding units and precision parts for copiers, multifunction copiers, printers, and digital printers, etc.
- Equipment for external sales business: Assembly and welding equipment for automobile manufacturers

Information environment equipment business

We produce parts for multi-purpose color copiers and other equipment, applying the press and welding technology and precision assembly technology fostered through the production of automotive parts. We strive to achieve high-value-added manufacturing through our integrated systems covering design, development, production, and delivery.



Equipment for external sales business

The equipment for external sales business produces welding assembly lines for plants for finished vehicles inside and outside Japan. By exploiting digital, simulation, and other advanced technologies, we have created an integrated equipment building system incorporating marketing activities, planning, design, production, trials, and conditioning.



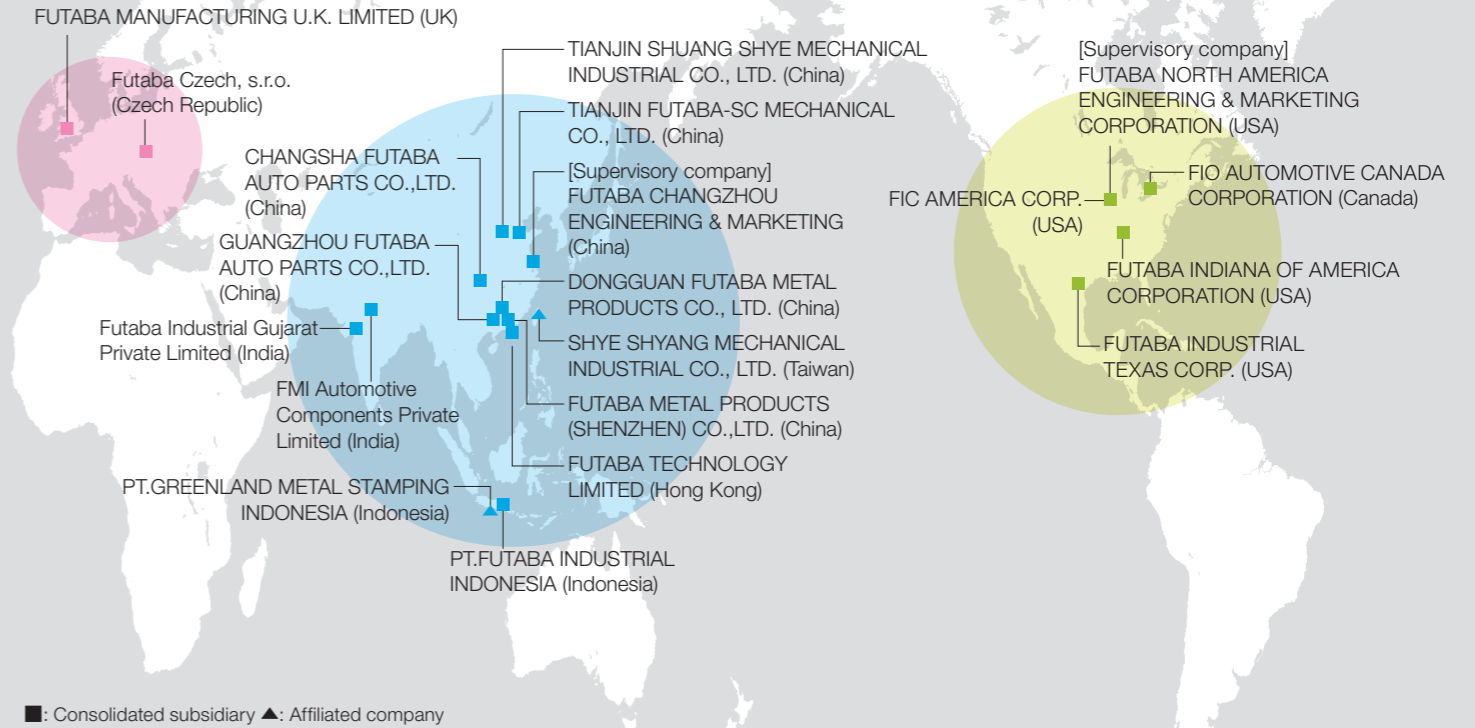
Agricultural business aleaf®

By applying core technologies refined in the automobile industry (exhaust gas purification, gas adsorption, heat management), we have developed for sale a device to purify exhaust gases and also accumulate and apply CO₂, called aleaf®.

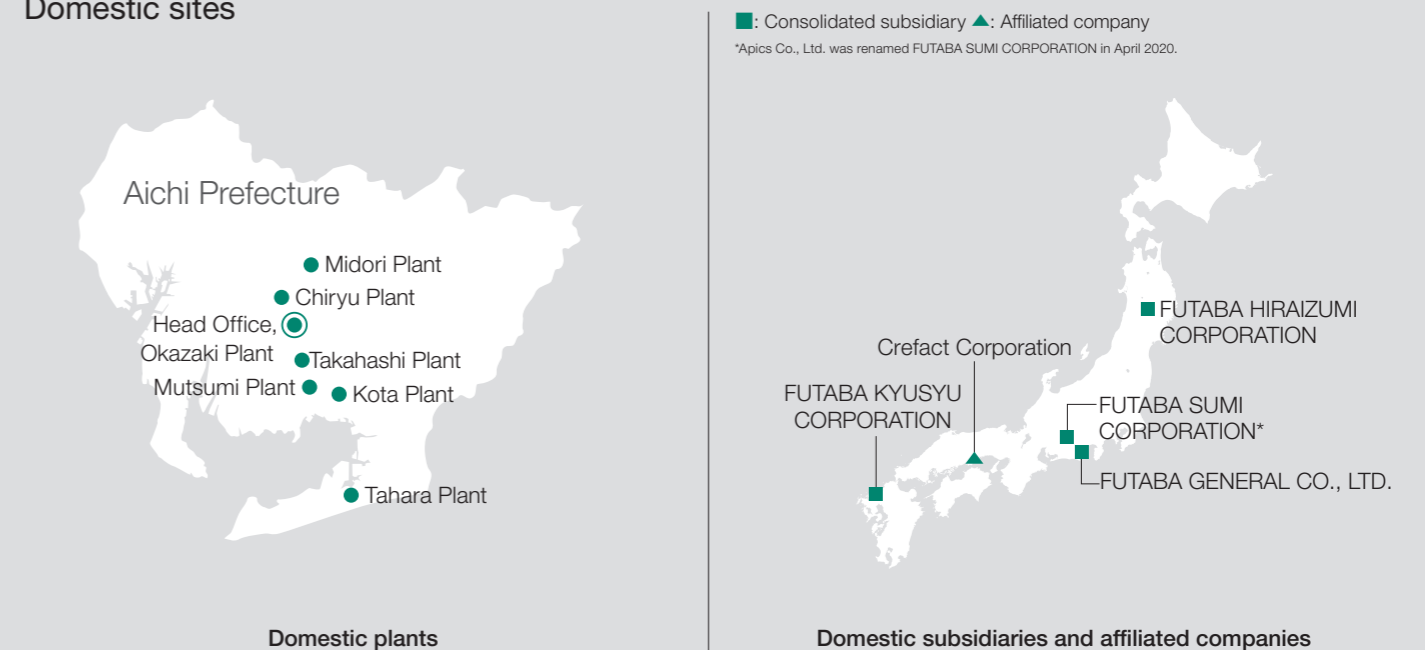


Futaba Group Sites (As of March 31, 2020)

Global sites



Domestic sites



SDGs Initiatives

1 ESG and the SDGs

Initiatives so far

We have been committed to Corporate Social Responsibility (CSR) and Environment, Social and Governance (ESG) based on our corporate motto and management principle. In our mainstay automotive parts business, we develop environmentally-friendly exhaust system products and lighter body parts for improved fuel efficiency to contribute to reducing CO₂ emissions of automobiles. In addition to these business activities, we are also proactively engaged in legal compliance, ensuring transparency of management, and participating in various local events.

Future initiatives

The Sustainable Development Goals (SDGs) are shared goals of international society. The Company is striving through its business activities to achieve the sustainable society envisaged by these goals, contributing to solving the environmental and social problems identified by the SDGs. As we further promote our initiatives in order to meet the expectations of our stakeholders, including shareholders who endorse the SDGs, we intend to improve our corporate value and attain sustainable growth.



SUSTAINABLE DEVELOPMENT GOALS

What is the SDGs?

The 2030 Agenda for Sustainable Development (the 2030 Agenda) is a set of international development goals from 2016 to 2030, which was adopted by the UN Sustainable Development Summit held in September 2015 building on the success of Millennium Development Goals (MDGs).

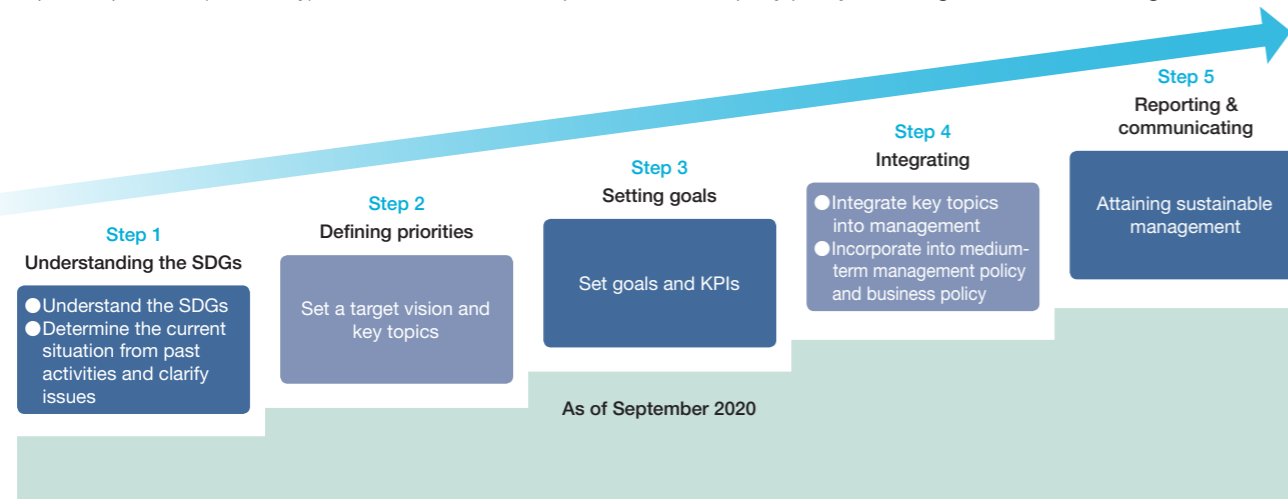
The 2030 Agenda listed “Sustainable Development Goals” consisting of 17 goals and 169 targets in order to eradicate poverty and realize a sustainable world. The SDGs are universal goals applicable, not only to developing countries but also developed countries, and pledge “Leave no one behind.” through the implementation process.

Source: Ministry of Foreign Affairs of Japan

2 Steps Taken for the SDGs

Initiatives based on the SDG Compass

We promote SDGs initiatives based on the five steps of the SDG Compass, which is a guide for business action to incorporate the SDGs. Firstly we took stock of and reviewed our business activities, clarifying them in terms of the SDGs, as well as highlighting relations to ESG. After that, we selected the SDGs that we will give the highest priority to. The next step is to select key topics to prioritize (materiality) and set KPIs to be incorporated into company policy and integrated into our management.

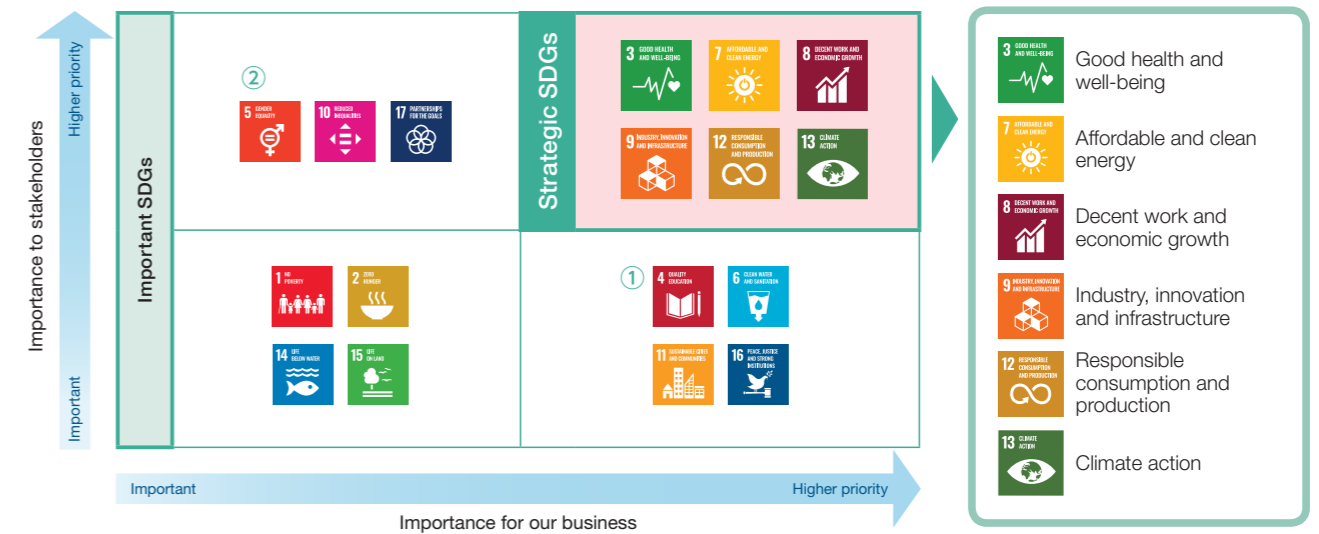


3 SDGs with Higher Priority

Selection process for strategic SDGs

The Company designated strategic SDGs by analyzing importance in terms of our business and for our stakeholders, to select goals that deserve the highest priority for the company and for society. The Company is working as a Group on a global basis to achieve these goals. Other goals are designated as important SDGs, which we continue to work on through related activities.

Importance matrix



① SDGs that have a higher importance for our business

SDGs with high impact and relevance to our business are selected after reviewing and clarifying our business activities so far.

② SDGs that have a higher importance for stakeholders

Based on requests made in ESG appraisals, we have analyzed market and social trends to select SDGs for which our stakeholders have particular expectations toward the Company.

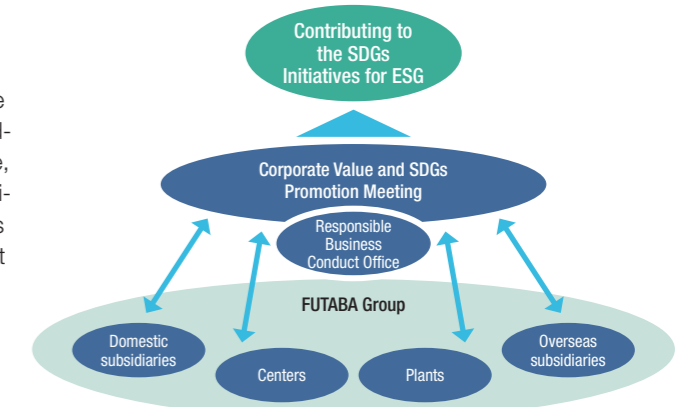
4 System to Promote the SDGs Initiatives

Organizing the Corporate Value and SDGs Promotion Meeting

In order to promote these activities, we launched the Responsible Business Conduct Office in January 2020, setting up the Corporate Value and SDGs Promotion Meeting to be attended by all members of the Board of Directors, establishing directions for action and tracking the progress achieved. The meetings will be once every quarter, already being held in April and July in FY2020.

Future promotion system

Decision-making and deliberations at the Corporate Value and SDGs Promotion Meeting are communicated to individual divisions from the Responsible Business Conduct Office, which spearheads the activities. We will establish a cross-divisional collaborative system with the Responsible Business Conduct Office as the secretariat with a view to expanding it globally Group-wide.



Corporate Governance

The Company aims to further enhance its corporate governance structure in order to attain sustainable growth and increase corporate value.

Basic approach

Futaba understands the objective of corporate governance to be “having company management keep discipline from the perspective of diverse internal and external stakeholders in order to achieve a strong and sound company.” We acknowledge the importance of building and improving organizational systems that allow corporate governance to function effectively, in order to conduct business activities in

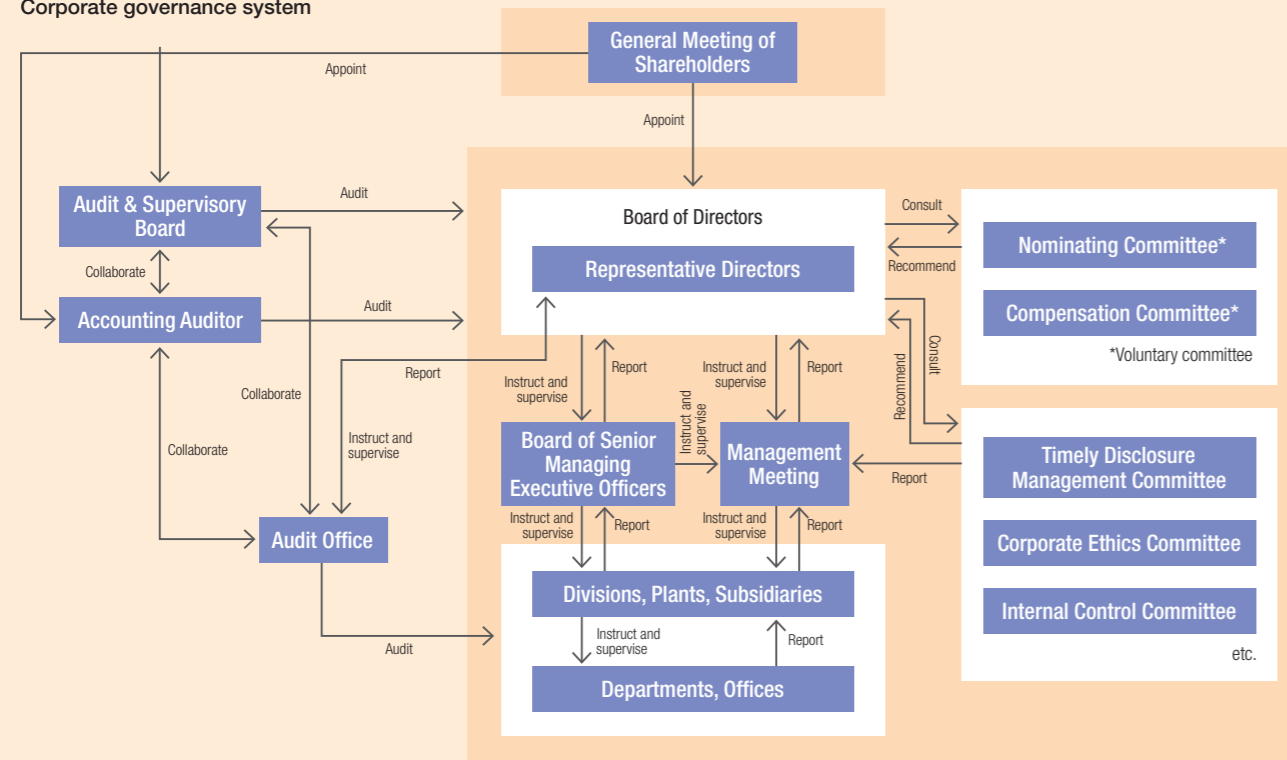
compliance with laws, regulations and social norms, as well as enhance business transparency. To this end, we will continue to develop and enhance these systems with an emphasis on (1) faster-paced management with better strategic capabilities, (2) ensuring the transparency of corporate conduct, and (3) promoting disclosure and accountability.

Promotion system

The Board of Directors, as the highest decision-making organ for business execution and other areas, holds monthly meetings, and extraordinary meetings as necessary. It discusses statutory and material matters, determines business strategies and provides oversight of the execution of business operations. The Board of Senior Managing Executive Officers is in place as a voluntary executive body and strives for faster-paced management with better strategic capabili-

ties. The Board of Senior Managing Executive Officers holds monthly meetings to deliberate and decide on the Company’s direction and management agenda of top priority. In addition, Management Meetings are held twice a month, to discuss matters to be submitted to the Board of Directors, other important matters and individual issues, to build a system enabling accurate and swift management decisions.

Corporate governance system



Basic approach to the internal control system

Futaba’s basic stance on internal control is that Directors themselves take the initiative in setting an example of complying with laws and regulations as well as corporate ethics and disseminate to employees through the Directors’ words and actions in order to perform business operations properly.

For executing business operations, commitments are made to incorporate problem detection and improvement mechanisms into the business execution process and also develop human resources and create organizational structures to practice the mechanisms.

Appointment and dismissal of management executives and Directors, and appointment of Audit & Supervisory Board Members

The Board of Directors emphasizes the balance of skills, experience and expertise as well as diversity and suitability of Directors and Officers in their appointment, dismissal and nomination. The Nominating Committee was voluntarily established in December 2018, as an advisory body to the Board of Directors chiefly composed of independent Outside Directors. The Board of Directors receives recommendations from the Nominating Committee, then decides on the appointment, dismissal, and nomination of Directors and Officers. Starting

from the general meeting of shareholders in 2019, the Committee’s input has been reflected in the proposals for appointment, dismissal, and nomination of Directors. The appointment of Audit & Supervisory Board Members is decided after a resolution from the Audit & Supervisory Board. The Board of Directors obtains the consent of the Audit & Supervisory Board via the latter’s resolution, then submits proposals for appointments of Audit & Supervisory Board Members to the general meeting of shareholders.

Outside Directors and Outside Audit & Supervisory Board Members

The Company appoints three Outside Directors and three Outside Audit & Supervisory Board Members to offer advice and suggestions to ensure appropriate decision-making by

the Board of Directors from an external viewpoint, in addition to their fields of expertise.

Main reasons for appointment of Outside Officers

Name	Position	Independent Officer	Main reasons for appointment
Masaki Horie	Outside Director	○	Mr. Masaki Horie was appointed in order to bring his wealth of experience and deep insight into the Company’s management, considering his expertise and experience, acquired over many years as a certified public accountant, as well as serving as Outside Audit & Supervisory Board Member and Outside Director of the Company since 2015.
Masayoshi Ichikawa	Outside Director	○	Mr. Masayoshi Ichikawa was appointed in order to bring many years of experience as corporate manager at Toyoda Gosei Co., Ltd. as well as his wealth of experience and deep insight into the Company’s management.
Motoko Miyajima	Outside Director	○	Ms. Motoko Miyajima was appointed in order to bring her expertise and experience acquired over many years as an attorney at law as well as her wealth of experience and deep insight into the Company’s management.
Toshiyuki Isobe	Outside Audit & Supervisory Board Member	○	Mr. Toshiyuki Isobe was appointed in order to bring his expertise in the production engineering field and experience as corporate manager at Toyota Motor Corporation as well as his extensive experience and deep insight into the Company’s audits.
Hitoshi Suzuki	Outside Audit & Supervisory Board Member	○	Mr. Hitoshi Suzuki as appointed in order to bring his expertise and experience, acquired as a certified public accountant, and his extensive experience and deep insight, into the Company’s audits.
Ryusuke Itakura	Outside Audit & Supervisory Board Member	○	Mr. Ryusuke Itakura has expertise in finance and experience as a corporate manager from years of service at Sumitomo Mitsui Banking Corporation. Although he was an executive at our main bank, there are no issues with the independence criteria under stock exchange regulations as he has been in retirement for 10 years. We believe he can engage in auditing activities from an impartial and neutral standpoint.

Compensation for management executives and Directors

Compensation for Directors (excluding Outside Directors) and Officers comprises monthly compensation, bonuses, and restricted stock compensation. The monthly compensation is fixed, while the bonuses reflect duties and achievements ensuring linkage to the Company’s performance. The restricted stock compensation program was introduced from FY2019 as an incentive to sustainably improve the Company’s corporate value and to better share values with our shareholders.

The Compensation Committee was voluntarily established in December 2018, as an advisory body to the Board of Directors chiefly composed of independent Outside Directors. The Board of Directors decides the compensation of the Directors and Officers following recommendations from the Compensation Committee. Starting from the general meeting of shareholders in 2019, the Committee’s input has been reflected in the proposals for Directors’ compensation.

Assessment of Board of Directors’ effectiveness

The Board of Directors analyzes and assesses whether it effectively fulfills its roles and duties with reference to questionnaires and other evaluations from Outside Directors and Audit & Supervisory Board Members, and makes corrections as necessary. In FY2019, in order to implement requests and correct issues identified through the questionnaires, the

frequency of meetings with Outside Directors to check operations of the divisions, and the number of divisions so covered, were both increased, as part of an overall extension of discussions from a medium and long-term and global perspective. Legal seminars were also held at training sessions with the aim of providing education for Officers.

Compliance

We promote business activities in compliance with laws, regulations and social norms.

Basic approach

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.

Promotion system

The Company holds meetings of the Corporate Ethics Committee in principle three times a year, chaired by the Chief Risk management Officer (CRO), and attended by the President, Center Chiefs, Audit & Supervisory Board Members and others deemed appropriate by the

Committee. These meetings deliberate and decide policy on key matters concerning corporate ethics and compliance, as well as seeking to improve compliance by ensuring full knowledge of the management principle, Corporate Charter, and Code of Conduct.

Training and educational activities

The Company is enhancing compliance awareness through qualifications and rank-based training mainly on necessary legal knowledge.

Each year a 12-point self-assessment on compliance is held for the Company (at a sectional level) and for domestic and overseas subsidiaries. Feedback is given to encourage voluntary improvement activities.



New employee training

Examples of compliance training

Name of program	Scope	Outline	Times held
Legal seminars	Officers	Information on legal revisions, etc.	3 times a year
Internal controls training	Newly appointed managers	Compliance in general	Once a year
Training on individual topics	Employees	Various laws and regulations e.g. the Antimonopoly Act	Once a year

Establishment of helplines

The Company has established the Futaba Helpline to allow anonymous reporting and consultations, in order to detect and resolve risks early. Another helpline is set up at a law firm outside the Company. We spread awareness of the whistleblowing system through internal newsletters and Code of Conduct cards given to all employees. This helpline can also be used by personnel in overseas subsidiaries, while other consultation services are offered in each country.

Reports and consultations are fact-checked in collaboration with dedicated departments to speedily resolve the problem. Internal Reporting Rules are established and made known inside the Company, to prevent any disadvantageous treatment to people consulting the helpline.

From FY2020, the scope of this system will be extended to our trading partners, enhancing it still further.

Risk Management

Factors with a major impact on business activities are seen as risks. The entire Company works in risk minimization efforts to prevent risks and ensure quick recovery.

BCP

Basic approach

Focusing on risks (primarily earthquakes-related risk) that affect business continuity, the Company formulated in 2013 a Business Continuity Plan (BCP) and engages in BCP activities with a basic policy of (1) first priority to human life, (2) early recovery of the disaster-stricken area, and (3) early recovery of our own operations and production. Initially

activities were based on a Tokai Earthquake Task Force Committee anticipating a major earthquake. However, aiming to focus on the production recovery stage and risks other than major earthquakes as well, this Committee now promotes its activities under the name of BCP Action Committee.

Examples of initiatives

Action at times of risk

The Company will set up a taskforce in the event a risk materializes with an impact on business continuity that meets a certain criteria. Initial response and production recovery measures are taken according to the various manuals. Each business location holds tabletop exercises as drills to simulate the occurrence of a risk, in order to raise the level of our response.



Tabletop exercise (Head Office)



Tabletop exercise (Plants)

Drills simulating an earthquake

Each September the Company holds various exercises as part of Company-wide disaster preparedness drills, to improve our ability to respond to a major earthquake, and to increase awareness about disaster preparedness.



Evacuation drill (Midori Plant)



Evacuation drill (Okazaki Plant)

Security control, information security

Basic approach

For the Company, all forms of information, including those received from customers and trading partners, are essential information assets. We undertake various activities to ensure Officers, employees and all others involved in our operations are aware of the importance and responsibility that entail information management.



Belongings inspection

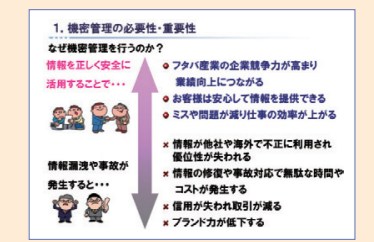
Examples of initiatives

Security Control Months (Raising awareness, belongings inspections)

May and October of each year are designated Security Control Months. The aim is to increase awareness about security control among employees through education in the workplaces, awareness surveys, and belongings inspections.



Security Control Month poster



Holding e-learning

Environmental Management

We engage in environmental conservation activities with the aim of contributing to the realization of a sustainable society.

Excerpt from Environmental Policy

Environmental Philosophy (Revised November 1, 2010)

The seven plants (manufacture of automotive parts, information environment equipment parts, and equipment for external sales 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

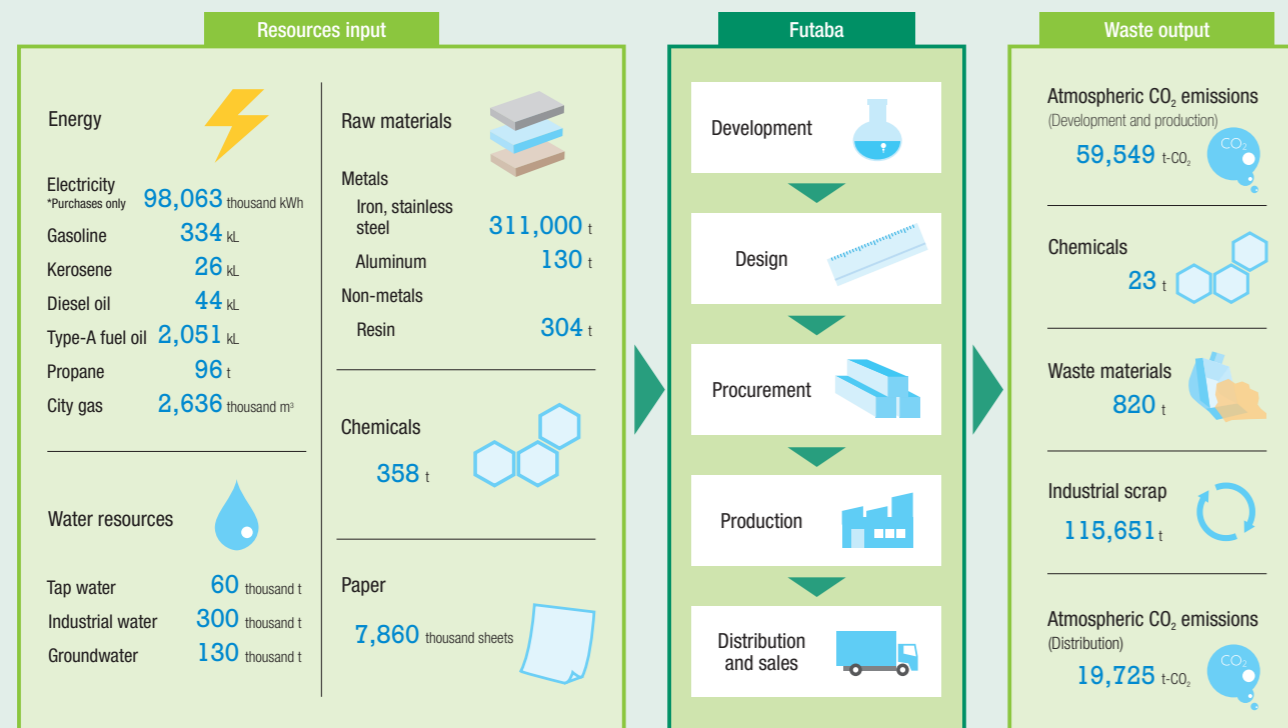
Futaba is engaged in cross-departmental improvements activities across plants led by the Pollution Prevention, Waste Reduction, Energy Conservation and Resource Conservation Subcommittees. We will continue to utilize the environmental management system and strive to make further improvements.

Environmental education

Ongoing training is provided by outside instructors to our ISO Secretariat and general managers, in order to enhance knowledge.

Resources input and waste output (FY2019)

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.



Reduction of CO₂ Emissions by Lightweight Products

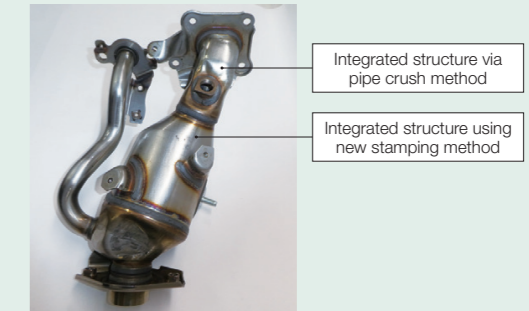
To reduce CO₂ emissions with better fuel efficiency, we are working to reduce the weight of our products as well as taking initiatives to secure future growth, including the development of next-generation mobility.

Development of exhaust manifolds* that contribute to weight improvement

The product was designed by using analytical technology to optimize its form and sheet thickness. In its production, we used a new stamping method to create an integrated structure, reducing the number of components by 20% and weld length by 35%, while ensuring stable quality globally. Toyota's new car model YARIS adopted this product first.

*Exhaust manifold: Exhaust system parts to rectify and purify gases generated from engines

Savings Reduce product weight by 10%



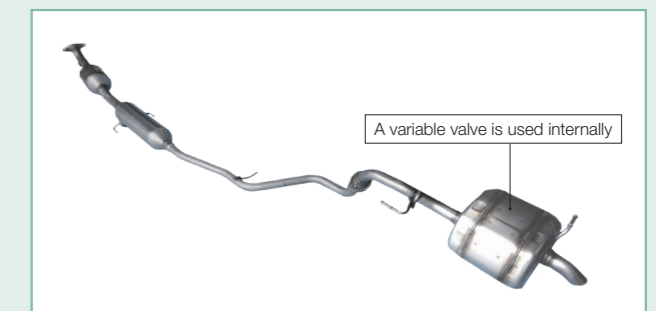
Exhaust manifold

Lightweight exhaust system through the use of variable valves*

Use of a variable valve inside the muffler simplified the structure while making it more compact, and analysis has optimized the shape to reduce sheet thickness of the parts. This achieved higher sound damping performance and lighter weight, contributing to better fuel efficiency. Futaba's products are installed in the new care model YARIS produced in Europe by Toyota Motor Corporation, and will be used on other models in the future.

*Exhaust system: Multi-functional parts that minimize noise from automobile engines and purify combustion gases, as well as optimize exhaust pressure to improve engine performance.

Savings Reduce product weight by 10%

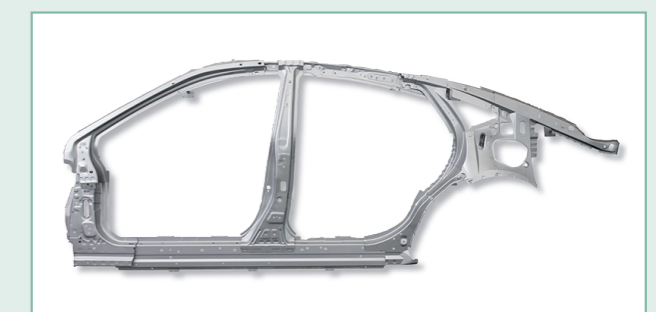


Exhaust system

Development of production methods using cold stamping ultra-high tension materials

Futaba seeks to improve the fuel efficiency of automobiles while reducing CO₂ emissions by promoting lighter weights with thinner high-tensile steel sheets and removing reinforcing parts. There are two mass production technologies: using 1470 MPa-level hot stamping material and 1180 MPa cold stamping material. Futaba is working on development using 1470 MPa cold stamping ultra-high tension material, despite the considerable engineering issues such as formability, as this will substantially reduce CO₂ emissions during processing.

Savings Reduce product weight by 10%



Body frame parts

Topics

R&D project in Aichi Prefecture

A joint research project by Futaba and Nagoya Institute of Technology was selected as part of the Knowledge Hub Aichi's Priority Research Project Phase III, Aichi Prefecture's flagship R&D program. Futaba will work on this joint industry-academia-government project for the future with support from Aichi Prefecture to contribute to developing next-generation mobility and achieving a low-carbon society.

Project name Development of high-functionality GaN power devices and high-performance power circuits

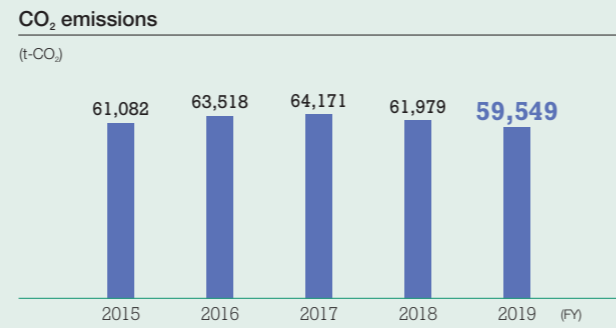
Outline Development of technology to grind gallium nitride (GaN) crystals, which are essential to electric vehicles, and high-efficiency power converters using GaN power semiconductors

Reduction of CO₂ Emissions in Production Activities

We are actively promoting energy conservation activities in processes ranging from production technologies to manufacturing sites.

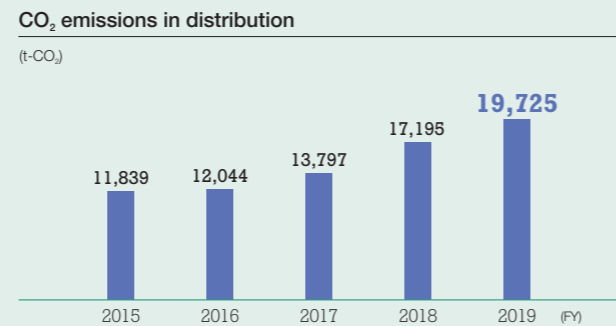
Promoting activities to reduce CO₂ emissions

Futaba is promoting energy conservation activities across all its plants. We are also working to reduce our specific energy consumption by 1% or more per year, as stipulated in the Act on the Rational Use of Energy, by tracking energy use in each plant.



Reduction of CO₂ emissions in distribution

Futaba is rationalizing distribution routes at full trailer-loads to cope with the increase in transportation between plants to remote locations.



Case 1: Planning to reduce energy usage in laser welding by energy displacement

Before

Use of CO₂ (carbon dioxide) laser welding

After

Change to fiber laser welding (FY2020 to FY2030)

Savings Reduction of CO₂ emissions: 460 t-CO₂ per year

Case 2: Energy conservation by standardization of the inverter control equipment of the hydraulic pump

Inverter pump for control

Using inverter control for the hydraulic pump active in the production line reduced pump rotations during no-load running in the cycle, achieving energy conservation. Greater effect is obtained by standardizing equipment inside and outside Japan.

Savings Reduction of CO₂ emissions: 186 t-CO₂ per year

Case 3: Renovation of cogeneration hot and cold water pipes (Midori Plant)

Before

Because the air conditioning systems in the two air conditioned areas were independent of each other, both operated simultaneously even at low load times.

After

By connecting the hot and cold water pipes, operation of just one water cooling/heating machine can now cover both areas.

Savings Reduction of CO₂ emissions: 91.6 t-CO₂ per year

Case 4: Energy conservation by changing the compressed air blower in the washer draining process (Takahashi Plant)

Before

Moisture on products in the cleaning process is blown off with compressed air from the compressor.

After

Switched to low-pressure air blasts using a roots blower (5.5 Kw) with low heat dissipation to drain water.

Savings Reduction of CO₂ emissions: 15.5 t-CO₂ per year

Topics

Receiving an Excellence Award in the 2020 Aichi Environmental Awards

The Aichi Environmental Awards were established by Aichi Prefecture to publicize the high quality of the prefecture's environmental technology and activities. Futaba's agleaf[®], CO₂ purification, accumulation, and application device for greenhouse cultivation received an Excellence Award in these awards.



At the award ceremony



agleaf[®] CO₂ purification, accumulation, and application device for greenhouse cultivation



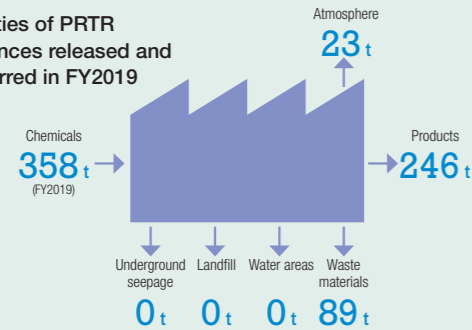
Activities to Minimize Environmental Risk and Preserve Biodiversity

With the aim of achieving a harmony between humanity and nature, Futaba manages and minimizes use of chemicals while promoting activities to protect the natural environment.

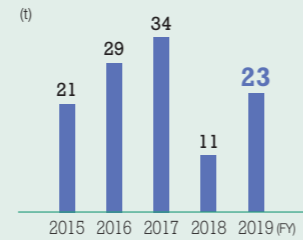
Efforts to reduce substances of concern

Futaba uses a chemical management system to manage the quantities of substances of concern used, transferred, or released.

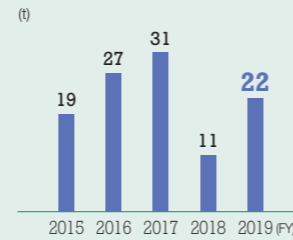
Quantities of PRTR substances released and transferred in FY2019



Quantities of PRTR* substances released



VOC* emissions



*PRTR: Pollutant Release and Transfer Register
A system whereby the release and transfer of chemicals suspected of being harmful is tracked quantitatively and registered.
*VOC: Volatile Organic Compounds
Hazardous substances that create photochemical oxidants and other substances, thereby causing health problems.

Topics (Canisters conforming to North American regulations*)

We are developing products that lead to lower output of substances of concern generated in the use of automobiles.

Futaba has contributed to reducing emissions of evaporative gases that generate VOC at a low cost, by adopting a unique double-layer activated carbon structure in the development of our canisters. These canisters are used in vehicles of Nissan Motor Co., Ltd.

*Canisters: a device that adsorbs evaporative gases from the fuel tank to emit clean air from the vehicle.

Savings Evaporative gas volume of 20 mg or less



Canister

Efforts to preserve biodiversity

Futaba promotes the protection of biodiversity with the aim of achieving a harmony between humanity and nature. One of our efforts is reforestation activities by leasing the forest owned by Okazaki City since 2011, to make manmade forests more similar to natural ecosystems. We promote tree planting at our locations overseas and are engaged in activities for the sake of the environment and biodiversity.



Reforestation activities



Tree-planting activities in India (FMI)

Social contribution activities for a society in harmony with nature

We are actively participating in clean-up activities held by municipalities where our plants are located. Our environmental protection activities are ongoing in communities. We also engage in regular clean-up activities around plants and locations overseas, helping to beautify the surrounding areas. Our domestic subsidiary FUTABA HIRAIZUMI CORPORATION contributes to preserving the local landscape by clean-up activities in the town of Hiraizumi (Iwate Prefecture), where it is located. This town has historic landmarks that are registered as World Heritage Sites.



Clean-up activities in Hiraizumi (FUTABA HIRAIZUMI CORPORATION)



Clean-up activities in China (GUANGZHOU FUTABA AUTO PARTS CO.,LTD.)

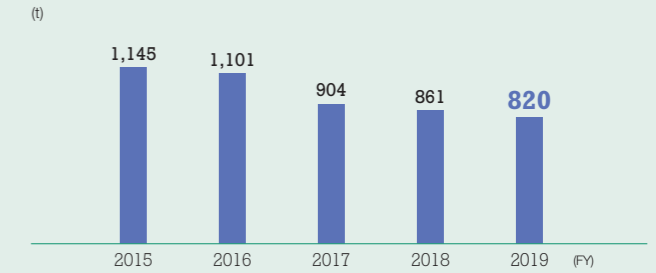
Initiatives to Reduce Waste and Conserve Resources

Futaba ensures the best use of limited resources by reducing waste and water usage.

Efforts to reduce waste output

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

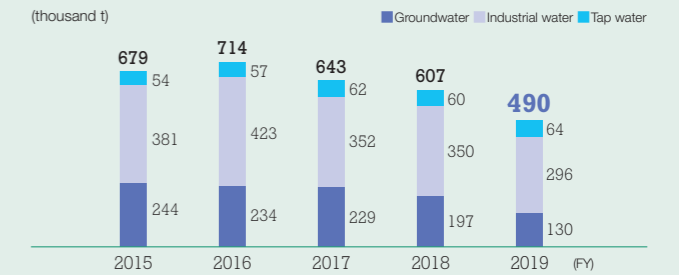
Waste output



Efficient use 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.

Water usage



Relationship with Customers

Based on our management principle to be “a company that is trusted by and essential to our customers,” we are active in quality improvement activities to improve the trust of our customers.

Basic approach

By setting quality assurance rules as the foundation of work and following the S-D-C-A daily improvement cycle (standardize, do, check, act) to gain the trust of customers, we are striving to improve our quality assurance systems with an emphasis on processes.

We will also enhance the quality assurance system, uniting all the Company's functions as one, by developing human resources capable of performing operations with a sense of ownership through work quality improvement activities based on the concept of total quality management (TQM).

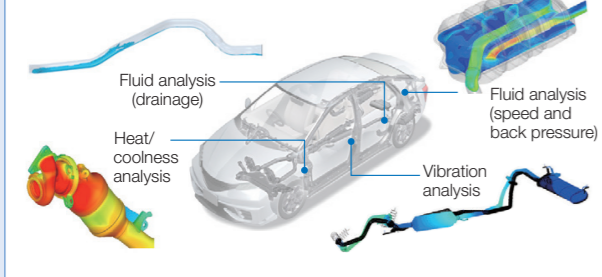
Efforts to ensure the safety and reliability of new products

We have built a development system that fully integrates our customers in order to develop new products with high levels of safety and reliability. In recent years we are promoting with our customers virtual development that does not require prototype vehicles. By incorporating IT into development, such as creating databases of past knowledge or applying RPA* to standard operations, we can achieve high quality, high efficiency development.

In the future we will also work on parts for fuel cells for home use and new business development in addition to our existing products to contribute to a sustainable society.

*RPA: Robotic Process Automation
Efforts to utilize AI and other solutions for tasks previously assumed to be performable only by humans

Virtual development concept



Failure recurrence countermeasures and preventive measures

We are conducting our daily activities to respond to the expectations of our customers via activities such as business quality improvement with TQM, quality control activity confirmation meetings, and regular quality meetings. In addition, we are working to improve quality including by the sharing of issues and failure information as well as examples of improvements through regular meetings with suppliers.

The Chief of Quality Assurance Center visits each plant twice a year, to perform an overall inspection of the quality assurance structures and provide guidance. Improvements are made through these inspections, and development of structures and improvement in quality level are sought to prevent serious quality problems from arising.



Quality control activity confirmation meeting

Efforts for customer satisfaction

In order to enhance the satisfaction of end users, we cooperate with customers from the planning stage onward, including working together on new technologies, tackling issues on mass production as well as incorporating improvements into new models.

Efforts for human resources and workplace development

Our training program inculcates knowledge of quality required for commercialization and auditing skills for manufacturing processes and quality assurance systems.

The quality assurance rules enhance understanding of personal roles, responsibilities and the significance of work, thereby increasing satisfaction.



In-house training

Examples of awards

As a token of customers' appreciation of our efforts, Futaba has been commended in a wide range of fields.

Kaizen Excellence Award from Toyota Motor Corporation

We received this award in recognition of our efforts in kaizen (improvement) of the quality, cost and delivery (QCD) performance of prototypes, in which we achieved zero defects.



Trophy and letter of appreciation

Premium Partner from Fuji Xerox Co., Ltd.

We were commended as the Premium Partner 2019, for the ninth time in nine consecutive years, in recognition of contributing to QCD.



Premium Partner 2019

Relationship with Shareholders and Investors

We strive to ensure our information disclosure is timely, appropriate, and impartial, and to engage in good communication with our shareholders and investors.

Basic approach

Futaba discloses important information, such as information on decisions, actual 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 our stakeholders or is believed to be helpful in promoting understanding of Futaba, based on our own judgment.

Additionally, in compliance with the fair disclosure rules, we appropriately manage important facts yet to be made public, and disclose information in a fair manner.

Holding the ordinary general meeting of shareholders

The meeting of shareholders is a precious opportunity for constructive dialogue with our shareholders. We make efforts to allow more of our shareholders to attend the ordinary general meeting of shareholders.

We have adopted online voting to facilitate the exercise of voting rights.



The Ordinary General Meeting of Shareholders

Communication with investors

Futaba holds briefings on its financial results for institutional investors and analysts twice a year, to report on our management policy, growth strategy and performance.

We also hold tours of our facilities for institutional investors and analysts at their request. A tour of our subsidiary GUANGZHOU FUTABA AUTO PARTS (China) was held in 2019.

Main IR activities in FY2019

Scope	Outline
Domestic institutional investors, securities analysts	Financial results briefing
	Individual interviews/telephone interviews
	Individual visits
Overseas institutional investors	Facility tours (China)
Individual shareholders, individual investors	Individual interviews/telephone interviews
	Issue/dispatch of notice of general meeting of shareholders
	Issue/dispatch of shareholder newsletter

Policy for returns to shareholders

For Futaba, increasing the profits of our shareholders is a key management priority. We distribute profits with the basic policy of maintaining stable dividends, and will strive to meet the expectations of our shareholders with overall consideration of our operating results, dividend payout ratio, and other factors.

Relationship with Suppliers

From a global viewpoint, our aim is to seek growth and expansion by building mutual trust with our suppliers, through optimal procurement activities geared to social demands.

Basic approach

1. Open and fair optimal procurement

In the selection of suppliers, we clarify our expectations in terms of quality, cost, technological capabilities, delivery and SE capabilities, and assess the accomplishments of each candidate in a fair manner. In the case of new businesses, we take a consistently open approach, making impartial decisions with comprehensive consideration of economic conditions, the presence of any antisocial elements, and environmental initiatives.

2. Ongoing transactions based on mutual trust

We mutually cooperate to maintain direct and two-way communications with our suppliers and aim for building reciprocal relationships based on trust through long-term and ongoing transactions. Going forward, we press ahead with achieving greater competitiveness throughout the entire supply chain.

3. Matching global perspectives with optimal local procurement

We are pursuing a globally competitive procurement base to contribute to manufacturing best suited for our customers' production bases and the latest technologies and production methods. We proactively adopt local suppliers and striving to contribute to local communities.

Establishment of trust with suppliers

Communication activities with suppliers

Key issues and activities in the entire supply chain are shared through events such as the policy briefing and excellent supplier awards, aiming to gain mutual understanding and cooperation as well as synergistic effects to achieve solutions to problems and build relationships of trust over the medium to long-term.

Activities of Futaba Suppliers Cooperative

Workshops, QC circle competitions, sectional meeting activities and next-generation executive meetings, etc. serve to raise the overall level of the Cooperative and to encourage the growth and improvement of the abilities of both organizations and individuals.

Human resources development activities

We provide group training to suppliers treating them as part of the Futaba Team, and continue to grow together. Quality support and system-building activities are also held to help engagement with quality and other such issues.



Policy briefing



Presentation of the Futaba Suppliers Cooperative Circle



Futaba Suppliers Cooperative seminars



Final briefing of the Futaba Academy

Supply chain risk management/BCP activities

The entire Futaba Group, together with its suppliers, works to ensure that it can promptly engage in initial response when an emergency occurs and stage a swift recovery. We also have a management system in place to confirm suppliers' safety and operations in a timely manner, while receiving their cooperation. We facilitate suppliers' development of their BCPs according to our guidelines, and support ongoing improvement of their systems.

Building a sustainable supply chain

Suppliers are encouraged to adopt green procurement and our CSR Guidelines, with the aim of attaining mutual growth and building a sustainable supply chain while coexisting with and contributing to local communities.

(1) Environment

Based on Futaba's environmental policy as encapsulated in the Green Procurement Guidelines and elsewhere, the Company promotes structures for legal compliance and environmental management systems together with efforts to reduce our environmental impact. Our goal is to ensure the realization of an environmentally friendly and sustainable supply chain.

(2) Contributions to and coexistence with society

The Supplier CSR Guidelines clearly state our expectations toward our suppliers, while we promote business activities focused on CSR together with our suppliers based on mutual understanding and relationships of trust.

Relationship with Local Communities

We are aspiring to enhance our social contribution activities by actively communicating with the local communities.

Basic approach

Futaba's basic approach to contributing to society is embodied in our management principle to "Be a company that is broadly supported and loved by the local society." This serves as the base for actively expanding our social contribution activities in the key fields of environmental con-

servation, community activities, fostering youth, and welfare for local communities. We encourage employees to join in social contribution activities, with the aim of being a company that can earn the trust of our stakeholders.

Examples of activities of the Futaba Group

Holding traffic safety classes for the elderly

A traffic safety class using a simulator was held with the cooperation of Okazaki City and the Okazaki Police Station.



Traffic safety class for the elderly

Japan | Head Office

Sponsoring the Kota Kite Festival

The Company participated for the first time in the street stalls for the Kota Kite Festival (Kota-cho, Nukata-gun, Aichi), where employees mingled with local residents.



Pork miso soup stall organized by Kota Plant

Japan | Kota Plant

Holding workshops for technical high school students

Workshops to experience manufacturing are held for students of a local technical high school, covering creation of 3D data applying CAD/CAM to the processing of materials.



Workshop for technical high school students

Japan | Takahashi Plant

Encouraging purchases of goods made by people with disabilities

The Company sells goods from a group home for people with intellectual disabilities at its canteen. Proceeds from the sales go to support the operations of NPOs.



Selling goods made by people with disabilities at a canteen

Japan | FUTABA GENERAL CO., LTD.

Giving employment opportunities to former inmates

FCZ has supported the Yellow Ribbon Run since 2017 to give second chances to former inmates, offering employment opportunities to approximately 80 such people so far.

Czech Republic | Futaba Czech, s.r.o.



Yellow Ribbon Run

Providing food after Ramadan

FII invites local disadvantaged children to enjoy meals as part of 'Buka Puasa', the ending of Ramadan.

*'Buka Puasa': The dinner after the end of Ramadan in Indonesia.

Indonesia | PT.FUTABA INDUSTRIAL INDONESIA



Providing meals to children

Topics

Futaba Industrial Japanese-style Baseball Team

The Futaba Industrial Japanese-style Baseball Team was founded in 1982. The team has steadily built up its strength to expand its sphere of action in Japan, such as for instance winning the prefectural competition three times and entering the best eight teams of the nationwide tournament in FY2019. The players are actively involved in local activities such as holding baseball workshops for youth, giving their best to be a team with the full support of our home side.



Best eight in the Nationwide Emperor's Cup Tournament



The third Futaba Youth Baseball Workshop

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

Basic approach to safety and health

We believe that the safety and health of each one of our employees is a precious asset and management resource. Based on the concept that "Safety always takes first priority," we seek to ensure workplace environments facilitating safety and ease of work, respecting the personalities and individuality of our employees, while striving to ensure their satisfaction and fulfillment.

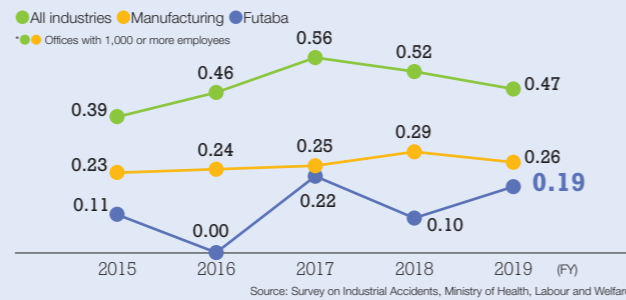
Safety education

Under our belief that it is possible to achieve a zero accident record, Futaba provides safety education to achieve zero accident workplaces, seeking to ensure that basic practices are thoroughly carried out. Education and activities centers on safety education by rank for newly appointed managers, and activities to boost safety awareness Company-wide via e-learning.

Efforts to improve employee health

The three types of management for health (health management, work management, and environmental management) are key activities for the Company. Regular health checkups have a 100% rate, with follow-up steps taken for those recommended by the industrial physician as requiring examination upon judging whether the employee is fit for work. To help maintain and improve health and fitness, the *Karada Iki Iki*

Frequency of industrial accidents (Disabling injury frequency rate)



Implementing safety education

(healthy body) Campaign is held as part of the October Health Month activities as an opportunity to correct lifestyle habits. We also work to prevent in advance or avoid the recurrence of mental health issues, such as by providing employees with mental health education and conducting stress checks. Based on regular advice from health consultants, we also work on improving workplace tasks and environments.

Holding Safety and Health Committee meetings

Based on the Industrial Safety and Health Act, each plant holds a Safety and Health Committee meeting once a month. Company-wide Safety and Health Committee meetings are held four times a year, discussing the industrial accidents status report, progress of safety activities, health activities, for example, to ensure a pleasant workplace. The labor union puts forward problems or opinions regarding safety and health, to share and answer.



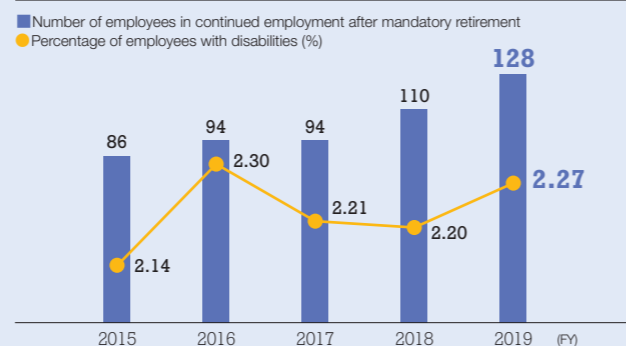
Company-wide Safety and Health Committee

Utilization of diverse human resources

We work to develop and maintain internal environments where diverse human resources can be active as corporate activities expand globally. Our recruitment activities aim to secure excellent human resources regardless of nationality or gender. As one example, we have set a goal of 20% or more women among our graduate recruits.

We also actively employ persons with disabilities to assist them to live independently and participate in society. The percentage of employees with disabilities in FY2019 was 2.27% and exceeded the statutory requirement. We are considering measures such as raising the continued employment age for employees re-employed after mandatory retirement.

Number of employees in continued employment after mandatory retirement and percentage of employees with disabilities



Efforts for human resource development

Based on our belief that the growth of each individual employee leads to the development of the corporation, Futaba promotes the development of global human resources capable of performing operations with a sense of ownership and the development of human resources able to make the maximum use of their individual abilities. To achieve this,

we implement education by rank, function, and workplace, while also leveraging the Monozukuri Training Center* to foster individuals and establish workplaces that are strongly geared toward manufacturing, as well as cultivate masters who excel in specific skills.*

*Monozukuri Training Center: Our internal training center where employees learn about safety, quality, and core technologies, etc.

Training system

Qualification	By rank	By function	Self-development
Management positions	Management training for managers	Pre-overseas posting training Selective English proficiency training Outside training, seminars, etc. Overseas trainee system	Language learning Regular TOEIC testing Correspondence course
	Training for new managers		
Assistant managers	Training for assistant managers		
	Problem solving-oriented business improvement training (advisers)		
	Problem solving-oriented business improvement training (basic/advanced)		
General	4th-year training		
	New recruit training, Monozukuri training, follow-up training for new recruits		

Holding the Futaba Skills Competition

The Futaba Skills Competition is held as part of our efforts to develop skilled human resources. Each year approximately 60 contestants, including from Group companies, compete in four categories: sheet metal, welding, electronics, and inspection. Winners of the plant competitions go on to test their skills against each other in the Company-wide competition.



Competing in arc welding skills



Competing in sheet metal skills

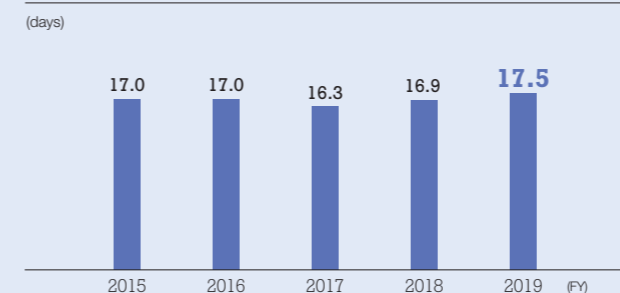
Efforts for a good work-life balance

The Company aims to improve the work-life balance of our employees, to achieve diverse, flexible, and effective work styles.

Examples of initiatives and systems

Initiatives	System examples
Promotion of taking paid annual leave	Achieved the goal of 16 days of paid annual leave taken (the FY2020 goal is 17 days) Taking refresh leave (can take five consecutive days leave after a specific number of years of service) and three-day consecutive paid annual leave (each year)
Shorter total working hours	Each Wednesday is set as a No Overtime Day when staff are encouraged to leave at the set time
Supporting childcare	Childcare leave (until the child reaches 2 years of age), childcare shorter working hours (until the child has completed the fourth grade of elementary school), restrictions on overtime work (until the child enters elementary school), and child nursing leave (5 days per year; maximum of 10 days per year)
Supporting nursing care	Nursing care leave (up to 365 days; may be taken up to 3 times) and a nursing care shorter working hours system (3 years from the start of use; no limit on the number of times taken)

Number of days of paid annual leave taken (average)



Utilization of childcare support systems



Financial Summary (Consolidated)

	(FY)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
(Million yen)												
Operating results												
Sales		376,323	373,458	372,083	365,246	399,378	422,874	437,640	412,383	440,446	461,705	476,165
Operating profit (loss)		3,183	11,885	2,630	(360)	2,784	4,367	3,121	8,976	11,258	6,797	10,621
Ordinary profit (loss)		(399)	8,483	335	(2,163)	2,073	2,116	636	7,542	10,955	6,449	9,968
Profit (loss) before income taxes		(2,841)	6,879	(1,234)	(4,264)	7,020	2,116	533	5,619	6,380	6,158	10,340
Profit (loss) attributable to owners of parent		(565)	3,346	(4,747)	(5,067)	2,954	1,039	(1,195)	4,806	10,721	3,509	6,357
Capital expenditures		30,106	15,188	13,382	16,667	21,474	20,480	26,514	16,330	20,252	41,347	27,385
Depreciation		30,414	25,456	21,891	20,093	20,167	20,318	24,152	21,073	20,515	23,078	24,497
R&D expenses		1,953	2,130	2,214	2,162	2,586	2,940	3,079	3,235	3,367	3,494	3,443
Net assets		50,459	51,542	48,175	49,691	57,600	66,914	56,179	67,029	75,691	75,211	76,488
Total assets		257,205	216,966	221,579	225,314	237,019	255,311	233,303	242,311	253,362	249,061	253,517
Interest-bearing debt		114,800	90,900	87,000	96,100	91,200	95,000	90,700	84,600	81,300	84,900	82,300
(yen)												
Per share information												
Earnings (loss) per share		(8.09)	47.84	(67.86)	(72.44)	42.24	14.86	(17.09)	65.76	119.82	39.22	71.03
Net assets per share		544.42	544.30	511.42	520.77	595.74	720.87	593.39	607.17	731.50	734.90	753.80
Dividends		0.00	3.00	0.00	0.00	3.00	3.00	3.00	3.00	10.00	10.00	10.00
Payout ratio (%)		—	6.3	—	—	7.1	20.2	—	4.6	8.3	25.5	14.1
(Million yen)												
Cash flow												
Cash flows from operating activities		51,429	33,270	17,932	14,861	23,266	25,780	22,751	26,178	24,960	25,410	34,020
Cash flows from investing activities		(20,281)	(14,990)	(14,787)	(18,987)	(13,235)	(31,451)	(20,333)	(20,902)	(27,081)	(30,961)	(26,443)
Cash flows from financing activities		(23,956)	(20,596)	(3,460)	3,682	(10,702)	1,017	(3,612)	3,262	(6,304)	1,489	(5,572)
Cash and cash equivalents at end of period		20,015	16,517	16,500	17,932	20,237	14,576	13,121	20,581	11,960	7,541	9,370
Financial indicators												
Operating profit ratio (%)		0.8	3.2	0.7	(0.1)	0.7	1.0	0.7	2.2	2.6	1.5	2.2
Equity ratio (%)		14.8	17.5	16.1	16.2	17.6	19.8	17.8	22.4	25.8	26.4	26.6
Return on equity (ROE) (%)		(1.5)	8.8	(12.9)	(14.0)	7.6	2.3	(2.6)	10.0	17.9	5.3	9.5
Return on assets (ROA) (%)		0.2	1.50	(2.1)	(2.2)	1.2	0.4	(0.5)	2.0	4.2	1.4	2.5