

Environmental and Social Report 2018

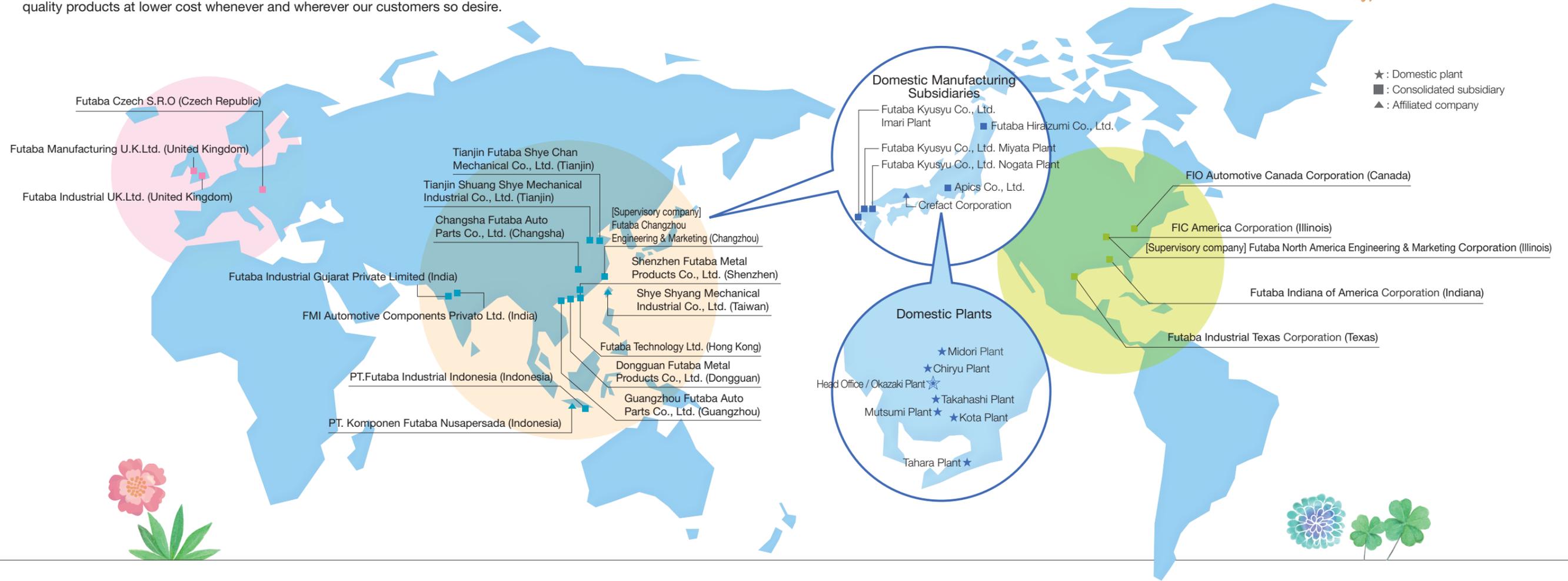


CO₂ purification, accumulation and application device for greenhouse cultivation



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.

Reporting Period
April 1, 2017 to March 31, 2018
*Some of the undertakings covered are not from the period specified.

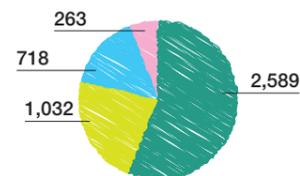
Publication
September 2018 (Next publication scheduled for September 2019)

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.

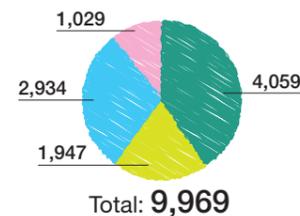
Company Outline

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) (FY2017)

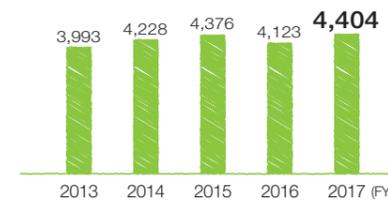


Number of Employees by Region (Consolidated) (As of March 31, 2018)

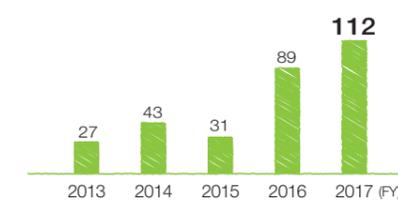


Company Performance

Sales (Consolidated) (Hundred million yen)



Operating Profit (Consolidated) (Hundred million yen)



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

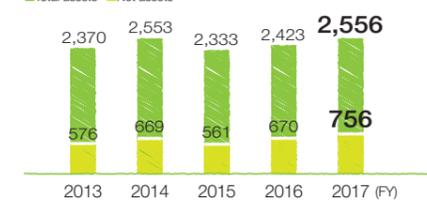


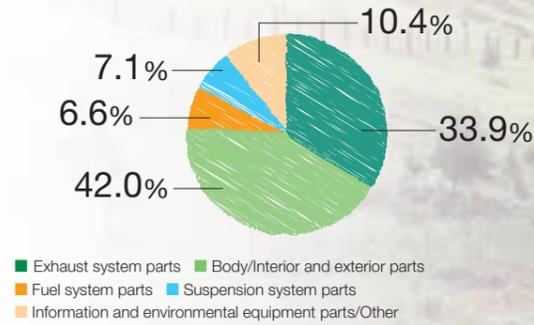
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Business Fields

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



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 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.

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.

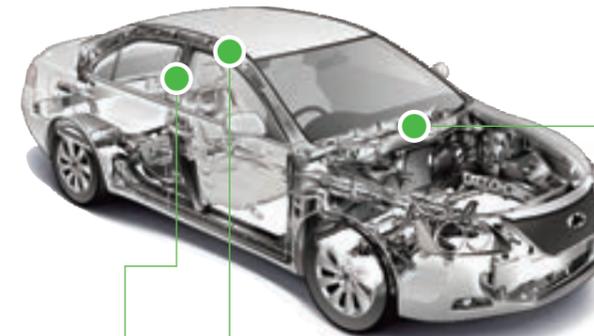
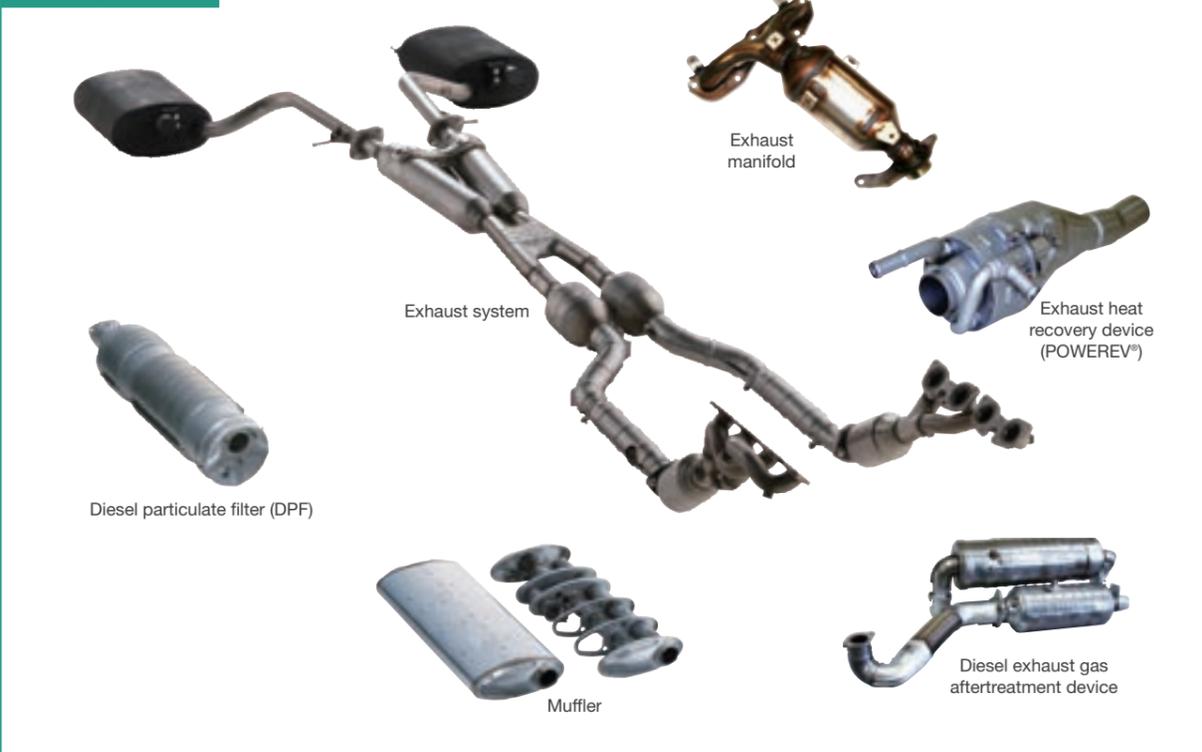
Strength

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.

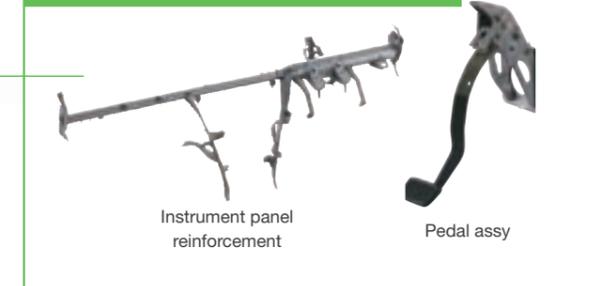
Exhaust System Parts



Body frame parts



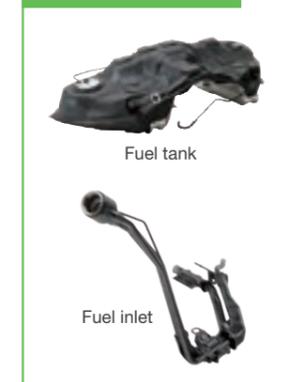
Interior and exterior parts (Decoration parts)



Suspension system parts



Fuel system parts



To become a company that cultivates new value and contributes to society through manufacturing, we strive to be a company of individuals with the spirit to take on any challenge



Looking Back at Operations in FY2017

In the automobile industry, which is the Futaba Group's main source of sales, despite a decline in annual sales volume in North America and Europe, sales remained strong in China, and the annual sales volume in Japan exceeded that of the previous year, as well. Under these circumstances, due to the Group's stressing strict concentration on the fundamentals of 'safety, quality, and manufacturing' based on our New Five-year Plan, and striving to secure profit by strengthening structural reforms and cost management, we were able to achieve net sales and profit surpassing the previous year.



Progress in the "New Five-year Plan" and "FUTABA WAY"

Currently in the automobile industry, the global strengthening of environmental regulations and a rising awareness for fuel efficiency have accelerated competition toward improved environmental performance. Since FY2016, in order for the Group to respond to these changes in the business environment and move to the next growth stage, we have been working on our "New Five-year Plan." We are making priority investments of resources in areas that we expect will continue to grow in the future, and are boldly reconsidering areas in which we cannot expect profit.

In FY2017, the second year of the plan, we aimed to steadily execute our five-year plan and visualize our profit plan with an analogous business division system. The Body System

Planning & Supervision Department and the Exhaust and Function System Planning & Supervision Department set profit goals and quality goals, promoted goal achieving activities in collaboration with relevant departments, and gained confidence to achieve targeted profits for mainstay automobile models. In addition, in India, which has displayed outstanding growth, we established our second production base and started production of exhaust pipes and exhaust manifolds.

Meanwhile, in new technologies and new businesses, we have continued working to promote lighter and stronger body system stamping parts, by expanding the introduction of hot stamp processing lines and establishing ultra-high tension stamping processing technology, in order to build a global supply system for environmentally-friendly products with high added value. We named our CO₂ purification, accumulation and application devices for greenhouse cultivation "agleaf[®]" and started sales to the public.

We aim to achieve consolidated net sales of 440.0 billion yen and an operating profit ratio of 3.5% by FY2020, which is the final year of the New Five-year Plan.

FUTABAWAY, our value system formulated in 2017, under the two pillars of "wisdom and improvement" and "a human focus," sets out five keywords including "bold challenges," "a team with people who can think and act individually," and "simplicity, fortitude and frugality." Futaba will not be swayed by changes in the external environment, and as a team of people who can think and act individually, will continue to make bold challenges to earnestly reach our goals.

Our Stakeholders



Customers



Shareholders and investors



Local communities



Suppliers



Employees



Developing Human Resources and Strengthening Our Organization

In the past few years, there have been calls for work style reform in Japan. The Company has raised its added value through ongoing improvements to work processes by visualizing the overall workflow and reducing wasteful tasks and auxiliary work to expand activities that improve work quality and productivity. With each individual employee performing operations with a sense of ownership and taking on new challenges, the Group can continue to develop its potential to an even greater extent. In FY2018, we aim to be an organization that learns and grows by linking in-house training and OJT, in order to develop human resources who can think and act independently.



To Our Stakeholders

Since our founding in 1945, under our company motto, Quality Products at Lower Cost, we have strived to provide products that meet the needs of our customers. For over 70 years, we have continued our business activities and established a place for ourselves as an automobile parts manufacturer using stamping and welding technology. I would like to express my profound gratitude for the support of all our stakeholders, including our customers and shareholders, without which we could not have achieved our success. Until now, we have worked with a focus on manufacturing reform. However, we must aim to further enhance our profitability and improve management efficiency

by increasing the speed of business decisions, enhancing governance, and revising our approach to work per se.

In the automobile industry, as symbolized by the acronym, CASE (Connected, Autonomous, Shared, Electric), a major wave of reform—is on the horizon. The Company has established an organization that is responsible for the planning and development of parts for fuel cells for home use, and is accelerating advanced development through an increased research and development budget. In order to respond to increasingly strict environmental regulations, we have also enhanced the development of exhaust system products that contribute to CO₂ reduction and zero emissions, and are also aiming to improve added value through addition and integration of the functions of body system parts and parts for fuel cells.

In order to respond to the expectations of all of our stakeholders, each and every employee of the Futaba Group holds a sense of ownership and aims to build a company that can contribute further to society. I ask for your continued guidance and encouragement.



Hiroyoshi Yoshiki

President

Special Feature



Clean, eco-friendly, next generation CO₂ application

“agleaf®” CO₂ purification, accumulation and application device for greenhouse cultivation



Model: FC3040 (approx. 2,000 m²-type)



Model: FC5070 (approx. 3,000 m²-type)

The “agleaf®” CO₂ purification, accumulation and application device for greenhouse cultivation is a system that purifies exhaust gas from combustion heaters, separates only the CO₂, and stores it for reuse. Because this product reuses CO₂ that was originally exhausted, it does not require additional fuel, and reduces the CO₂ emitted into the atmosphere, making it environmentally friendly. In addition, despite being originated from exhaust gas, CO₂ is not hot, and therefore does not raise the temperature inside a greenhouse and can be applied locally. Futaba proposes this clean, eco-friendly, next generation CO₂ application.

System concept

It collects, purifies, and stores CO₂ produced during nighttime heating, and then applies the stored CO₂ locally during the day.



agleaf® leverages technology and expertise of the automobile field.

A system that applies Futaba's core technology, developed in the automobile industry

Exhaust gas purification + Gas absorption + Heat management



Comments from the Developers

Every industry in the world is actively working to reduce CO₂ emissions, as well as carrying out energy saving measures such as reducing fossil fuel consumption. However, we learned that greenhouse cultivation uses fuel all day long, both for heating at night and to promote photosynthesis during the day. The problem to consider here is that the CO₂ emitted during heating is not used at all, but simply released into the atmosphere. agleaf®, which was developed by Futaba, is an environmentally friendly, next generation CO₂ application system that makes it possible to recycle the CO₂ emitted from heaters.

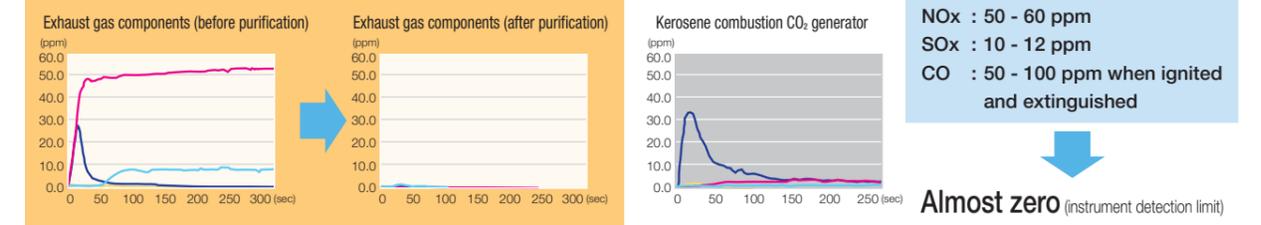
We will continue to provide the finest technologies in order to respond to the age of environmental management that will soon arrive also in the agricultural sector, so that we can support many farmers in the future.

Four advantages of agleaf®

Advantage 1 It's environmentally friendly, crop friendly and worker friendly!

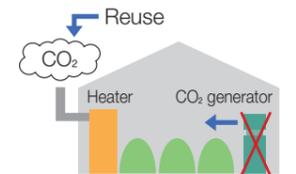
agleaf® thoroughly purifies the exhaust gas from heaters that use low sulfur A-fuel oil, and **uses the resulting clean CO₂ for cultivation**. Because it applies CO₂ that is even cleaner than that produced by kerosene combustion CO₂ generators, **it makes food safer and more secure**. Furthermore, **as the CO₂ to be used is cooled to room temperature**, it does not raise the greenhouse temperature in vain.

● A-fuel oil combustion exhaust gas purification performance (NO_x, SO_x, CO) ■ CO ■ NO ■ NO₂ ■ SO₂



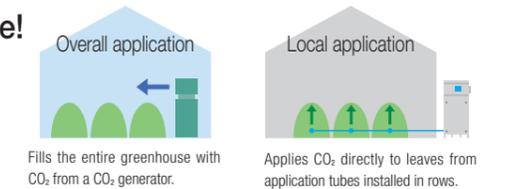
Advantage 2 It saves energy and reduces running costs!

Because agleaf® stores and reuses CO₂ that is discharged from heaters, there is **no need to pay for fuel** to apply the CO₂.



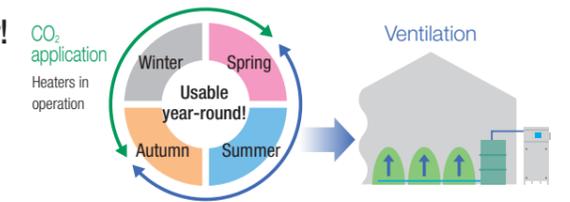
Advantage 3 It makes efficient local application possible!

agleaf® is **capable of waste free**, even and local application of CO₂. Using such local application, you can expect to improve ventilation around crop rows and **reduce damage from diseases**. (Irrigation tubes are used for local application.)



Advantage 4 It can also be used during the summer!

During seasons when heaters are not in operation, **it can be applied to the rows as ventilation**.



Customer Voices (User survey comments)

<p>Green perilla</p> <ul style="list-style-type: none"> ● Harvests increased by 1.4 times compared to greenhouses that do not apply CO₂. ● The harvest clearly improved compared to kerosene combustion systems. ● Ventilation around the plant roots improved, eliminating mold and diseases. 	<p>Chrysanthemum</p> <ul style="list-style-type: none"> ● Growth on the inner rows has improved. ● Cut flower weight has improved. ● Growth was not impeded, even when flowers were planted densely. 	<p>Tomatoes</p> <ul style="list-style-type: none"> ● Harvests increased by more than 20%. ● Areas where I apply CO₂ are clearly growing faster, moving up harvest 7 to 10 days, so I'm busy with reaping. ● There are more tomatoes on the vine and the sizes are larger.
<p>Strawberries</p> <ul style="list-style-type: none"> ● Operation is odorless, compared with combustion CO₂ generators. 	<p>Green peppers</p> <ul style="list-style-type: none"> ● Harvests increased by 1.4 times compared to areas where CO₂ was not applied. 	

*Comments reflect the opinions of individuals, and are not intended to guarantee results.

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

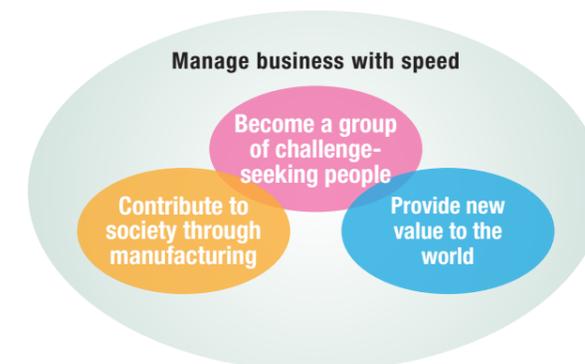
7. Fair and open communication with society
8. Becoming a socially trusted corporate citizen
9. As a sound citizen
10. As a considerate driver

Vision of Futaba for FY2020

Our vision by FY2020 is as follows.

We are working to further improve the profitability of exhaust system and body parts and support future electrification, 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 in 2016.

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.

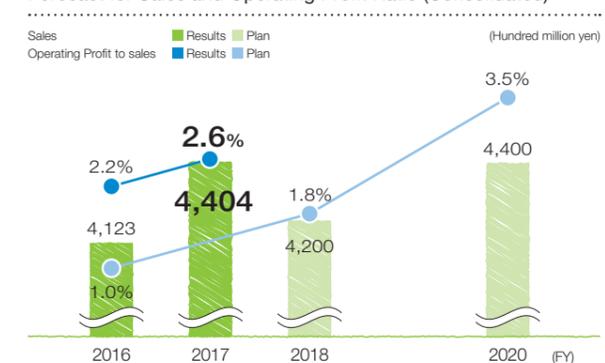
4 Pursue further evolution of core technologies and their utilization in new fields

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)



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.



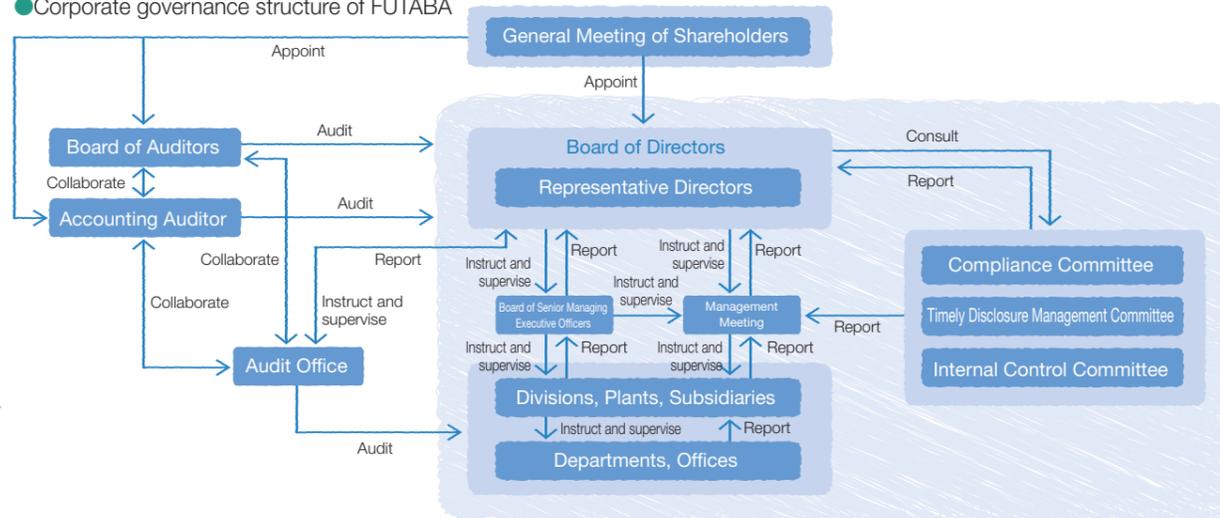
① Hiroyoshi Yoshiki, President	⑤ Masayoshi Ichikawa, (Outside) Director	⑨ Takayuki Yoshida, Director, Senior Managing Executive Officer
② Yoshihiro Yoshimura, (Outside) Audit & Supervisory Board Member	⑥ Mikio Iwatsuki, Director, Senior Managing Executive Officer	⑩ Tomohiro Takahashi, Director, Senior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

Governance

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

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

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

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

In order to realize a sustainable society, we are actively working on the development of environmentally-friendly products, preventing global warming, reducing chemical risk, reducing waste, recycling resources, conserving water resources, and preserving biodiversity.

Specifically, our various sites collaborate through a common environmental management system to each establish a high environmental goal and make ongoing efforts to achieve optimal results in reducing environmental impact as a team.

Last year, we became an affiliate of Toyota Motor Corporation. In addition to our independent efforts, we will also take on the Toyota Environmental Challenge by All Toyota.

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

excerpt from Environmental Policy

Environmental Philosophy Revised November 1, 2010

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

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

Environmental Management System

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

Environmental Education

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

Compliance with Related Environmental Laws and Regulations

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

plants, and by identifying the trends in the deterioration of water quality, we are preventing water quality from breaching the standards. There was no breach of regulations in FY2017. From FY2018, we will participate in the environmental management by All Toyota, and thus we will strengthen this system even further.

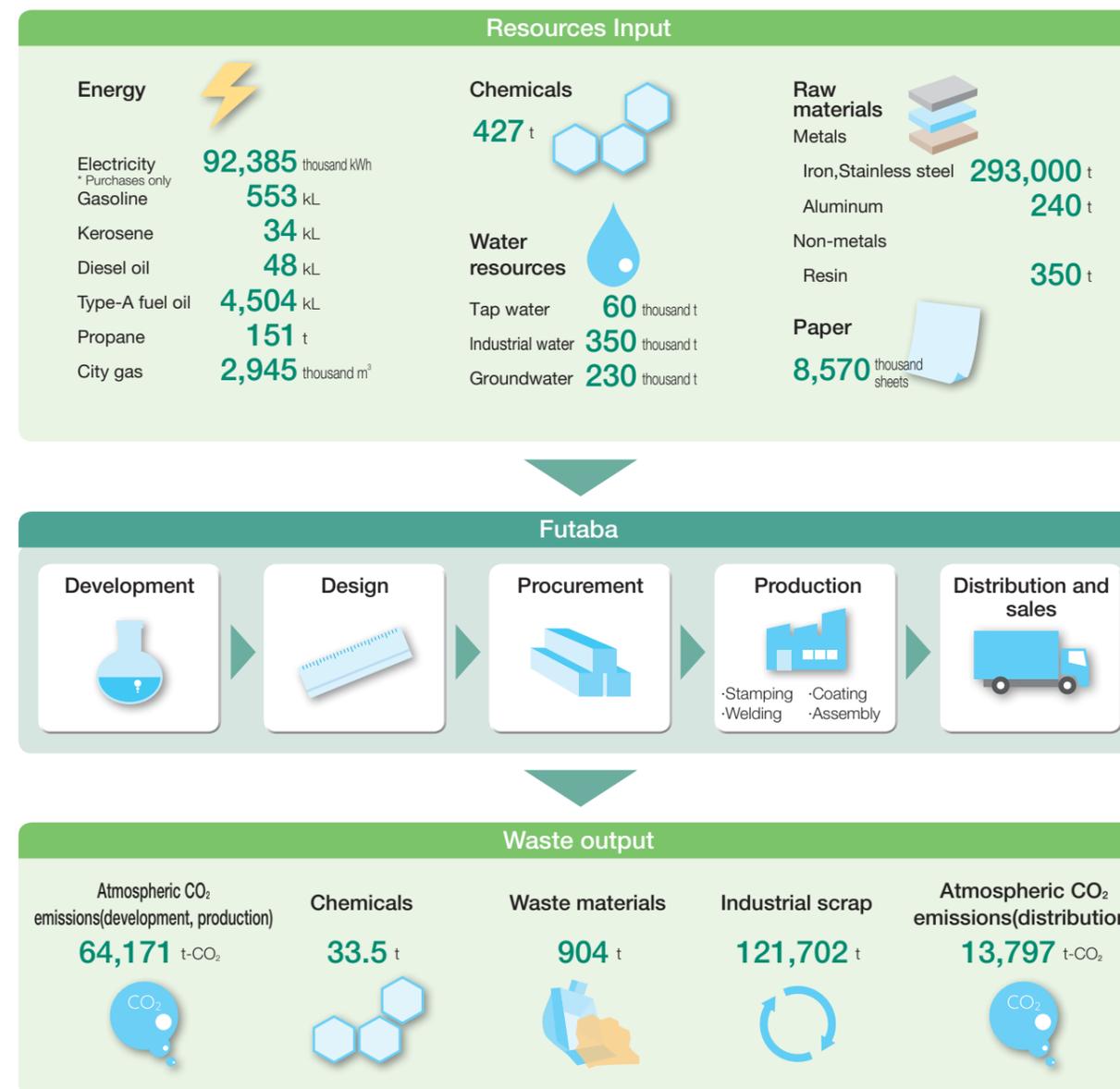
Environment-related Complaints and Responses

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 to be a company that is widely supported and appreciated by the local communities.

We have been able to deal with sources of noise by having the Pollution Prevention Subcommittee conduct patrols inside of plants, and taking measures such as quantifying and regulating the sound levels of alarms on outdoor racks. As a result, we received zero environment-related complaints in FY2017.

Resources Input and Waste Output

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



Development of Eco-friendly Products

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

Development Policy

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

Our Environmentally-Friendly Products (New Product Introduction)

Lightweight converter to meet environmental regulations

Converters are environmentally-friendly products placed just under the turbochargers of turbocharged engines, which purify harmful substances discharged from the engine using a ternary catalyst. In order to make significant weight reductions, we have adopted the lost-wax manufacturing method, which reduces the thickness of the plate for upstream cast parts to that of sheet metal, and for the first time have adopted a t0.3 material, which employs a quarter of the conventional thickness for the insulator. In addition, in order to efficiently deliver exhaust heat to the catalyst, we have pursued gas flow, low heat capacity, and thermal insulation, contributing to vehicle fuel efficiency and the achievement of exhaust targets.



▲ Lightweight converter

Comments from the Developers

Engine Parts Design Section
Koji Fujiwara (Left) Takashi Inoue (Right)

There are many challenges in designing converters installed in new engines, especially the strength design of parts connecting materials with differential thermal expansion and floating structure design of insulators using t0.3 materials, which we attempted for the first time and found to be very difficult. We believe that our success in making easy-to-build, low cost products while maintaining our high standards was possible as a result of many related departments uniting and working together. We are very proud of the fact that Futaba's converters are used in cutting edge, environmentally-friendly engines.



Highly rigid, lightweight aluminum instrument panel reinforcement

Instrument panel reinforcement refers to parts inside the dashboard that make the vehicle body more rigid and support the steering, instrumentation, and audio components. By using aluminum, we were able to make these parts 20% lighter than conventional steel parts, while improving steering and stability while driving, and greatly reducing undesired vibrations. By developing this technology, we won the CE Special Award from Toyota Motor Corporation.



◀ Project Award (CE Special Award) from Toyota Motor Corporation



▲ Aluminum instrument panel reinforcement for the LEXUS LS

Comments from the Developers

Joint development by Body Parts Section 1, Body System Assembly Production Technology Unit, and Production Technology Development Section 2, Production Technology Development Unit of Production Engineering Department, and Interior Parts Development Section, Vehicle Function System Development Unit of Engineering Department

We achieved our goal by developing a stress distribution structure that satisfies vehicle performance, even using aluminum, which has a lower fatigue limit than steel. In terms of production technology, we had great difficulty stabilizing welding quality and securing product precision, but related departments came together to realize mass production. We will continue to take on new challenges in product development that can contribute to weight reduction and performance improvement.



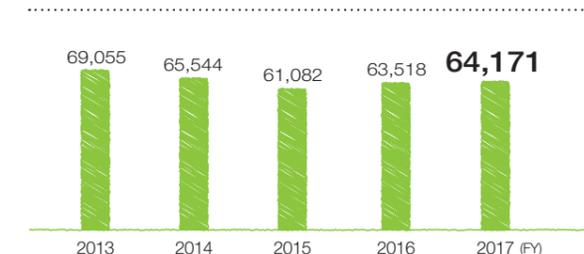
Efforts to Prevent Global Warming

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 FY2017, our efforts included switching to highly efficient transformers, converting ceiling lights to LEDs, and adopting inverters for ceiling cranes and exhaust fans. As a result, we were able to reduce CO₂ emissions by 810 t-CO₂ per year (1.2%). However, CO₂ emissions increased by 1.0% from the previous fiscal year as a result of preparations for new production, as well as the operation of new facilities such as hot stamping lines.

CO₂ Emissions (t-CO₂)



Energy Conservation Subcommittee

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

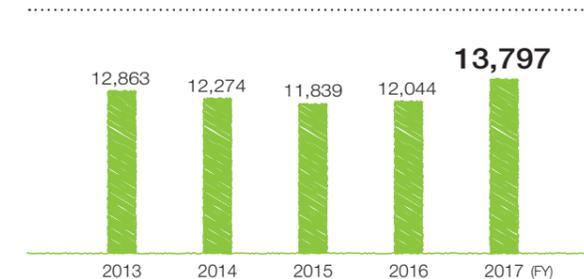
The Subcommittee checks monthly progress relative to the annual targets and provides a system for quick recovery when delays occur in the progress of the plan.

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

Reduction of CO₂ Emissions in Distribution

CO₂ emissions in distribution increased by 14.5% year on year as a result of the increase in long-distance transportation in line with parts standardization by customers. Going forward, we will consider measures such as the utilization of double-connected trucks and lighter loading containers.

Distribution CO₂ Emissions (t-CO₂)

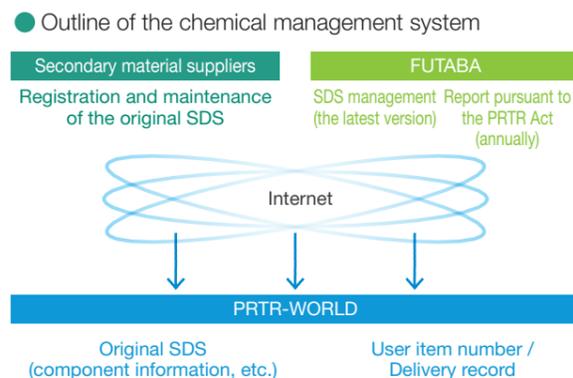


Chemical Risk Reduction

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

Chemical Management System

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



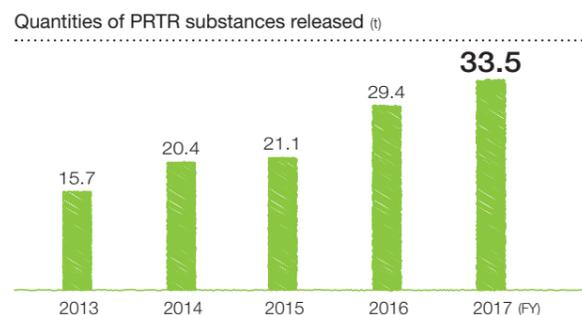
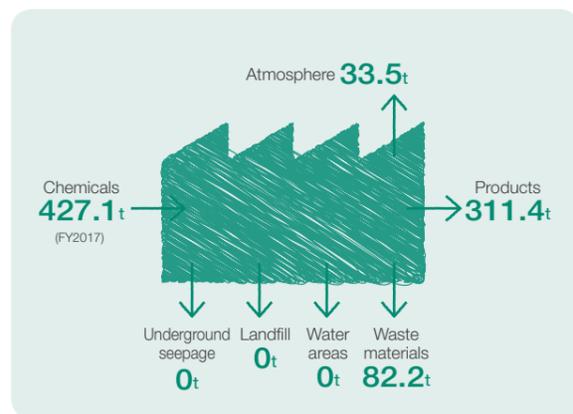
PRTR

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

Efforts to Reduce Chemical Substances

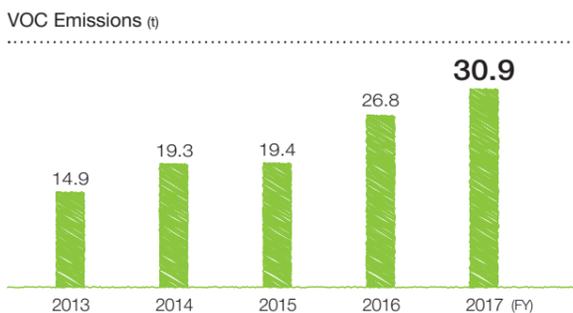
The overall quantity of chemical substances used decreased from 486 tons in the previous fiscal year to 427 tons. However, the output of substances subject to PRTR increased by 13.9% due to quality improvement efforts made in the form of repainting floors in plants, palettes and jigs. Moving forward, we will pay due attention and strive to reduce the purchase and use of substances subject to PRTR.

● Quantities of PRTR substances released and transferred



Reduction of VOC (Volatile Organic Compounds) Emissions

VOC emissions increased by 14.9% as a result of an increase in painting processes for exhaust system products, offsetting the suppressed use of fuel-related substances. Moving forward, we will strive to reduce VOC emissions.



VOC

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

Waste Reduction and Resource Recycling

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

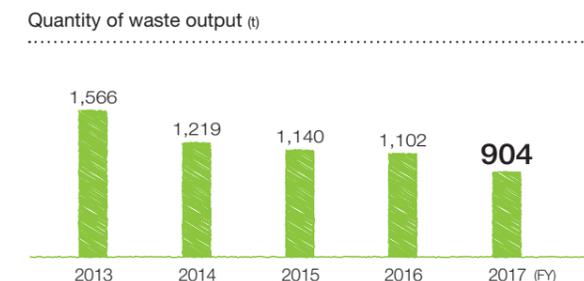
Industrial Waste Reduction

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



▲ Our waste to be recycled

In FY2017, we worked to reduce waste alkali by using a simplified oil-water separation tank. As a result, industrial waste decreased by 17.8% from the previous fiscal year.



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 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 effluent is discharged into the public waters. We keep track of the amount of effluent with a flowmeter.



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.

The "Beetle (Japanese Dynastid Beetle) Catching Event," held in July as a summer event targeted at families, attracted 68 members of 20 families.



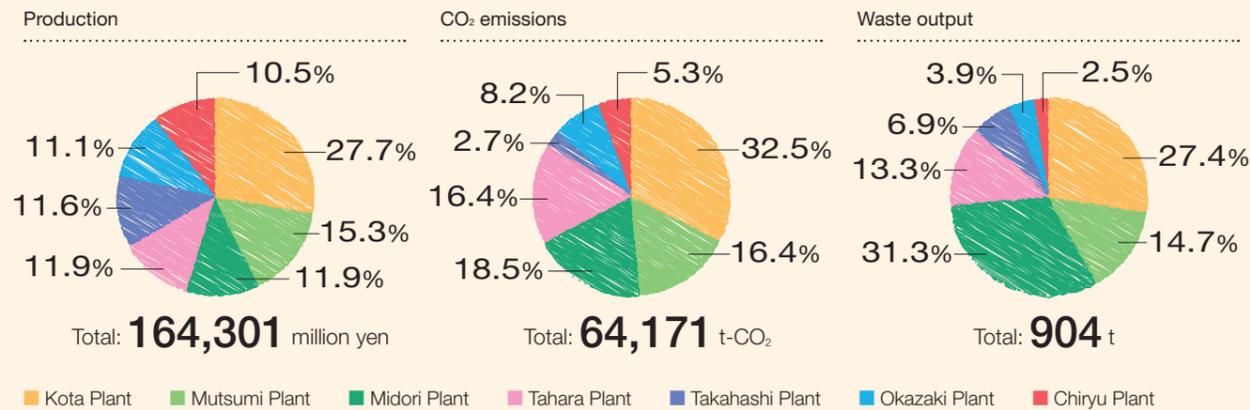
▲ Thinning trees

▲ 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, Hashime-cho, Okazaki-shi, Aichi, Japan

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



Kenji Tsuyuguchi
Plant Manager

Under the Plant's policy to be "a company that contributes to the local community," the Plant is proactively engaged in traffic safety activities such as traffic safety watchovers, as well as regional cleaning volunteering. In order to reduce our environmental impact, we are also continuing activities such as reducing both energy usage and industrial waste emissions by renewal to highly efficient facilities.

Furthermore, because our Plant is located in an industrial area that is adjacent to a residential area, we also put effort into noise control measures, such as the installation of soundproof walls, and will continue to promote these activities to demonstrate our presence as a company that contributes to the local community.

Environmental and Social Activities

In order to prevent noise from affecting the residents of nearby areas, the Plant has set voluntary standards for the sound pressure level at the Plant premise borders, and carefully manages noise by periodically conducting noise measurements. In August 2017, we built a soundproof wall (height: 5 m, width: 52 m) on the west side of the Plant to further suppress noise. This enabled us to reduce the sound pressure level at the premise borders from 52.1 dB to 49.8 dB. In FY2018, we plan to renovate the soundproof walls on the south side of the Plant (height: 5 m, width: 62 m).



▲ New soundproof wall on the west side of the Plant

In terms of energy saving activities, every fiscal year, we are working to reduce power usage by 1% from that of the previous fiscal year. In FY2017, we promoted the conversion and integration of air conditioners and transformers into highly efficient equipment, reduced power usage by 45,801 kWh/month, and reduced CO₂ emissions by 11.75 t-CO₂/month, achieving our targets for FY2017. In FY2018 as well, we are planning various energy conservation measures including conversion to LED lighting, which has been implemented in our Plant in May.



▲ Lighting in the Plant

Information on Environmental Impact

Power consumption	8,079 thousand kWh	Water resources input	94,701 t	Atmospheric chemical emissions	1.091 t
Gas consumption	506 thousand m ³	CO ₂ emissions	5,277 t-CO ₂	Waste output	34.9 t

Midori Plant



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

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



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 and suspension. By pursuing improvement in production efficiency, which is our mainstay business, through

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

Environmental and Social Activities

We closed our galvanization facility in 2017 as part of activities to reduce our environmental impact. As a result, we have eliminated the use of agents containing chemical substances, and thereby reduced our environmental impact. In addition, we are promoting the introduction of electric forklifts, with the expectation of reducing the number of gasoline engine powered forklifts from 17 in 2014 to 0 in FY2018, greatly contributing to reduction in CO₂ emissions.



We carry out various forms of simulated training for environmental accidents and emergency situations. In this fiscal year, we conducted simulation training in a nearby river into which effluent from the Plant flows, assuming the leak of an environmental pollutant, such as oil, from the Plant. We checked the width and flow speed of the river, as well as methods to collect oil in the event of a spill. Although it is most important to avoid causing environmental accidents or emergency situations in the first place, we will continue to repeatedly provide education in preparation for unforeseen circumstances.



▲ Simulation training fishing

Efforts of Plants and Group Companies

Midori Plant ▶

Information on Environmental Impact

Power consumption	13,463 thousand kWh	Water resources input	116,693 t	Atmospheric chemical emissions	1.258 t
Gas consumption	2,442 thousand m ³	CO ₂ emissions	11,844 t-CO ₂	Waste output	282.7 t



Chiryu Plant

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

Products : Fender shields, cowls, body pillars



Kazumitsu Ozaki
Plant Manager

The Chiryu Plant mainly manufactures body parts for automobiles. Under our policy of “plant management that causes no mistakes or complaints,” we actively participate in communication activities with local communities. In addition, in order to reduce our environmental impact, we are implementing energy conservation measures by systematically improving the efficiency of equipment, switching to highly efficient transformers, adopting inverters for water

circulation pumps, and adopting LED lighting. In addition, since our Plant is adjacent to a residential area, we are also focusing on noise control measures. Going forward, we will continue making efforts to become a company that is well liked by the local community, while also seeking to become a company in which our employees can work comfortably with a sense of fulfillment.

Environmental and Social Activities

- We are repairing road surfaces, installing soundproof walls, and taking other measures in order to prevent noise that affects our neighbors. At the same time, the plant staff has also evaluated sources of noise at night, and carried out measures and educational activities, and made voluntary measurements of sound pressure both day and night at our Plant premise borders in order to ensure noise management. In addition, we created an enclosure with new soundproof sheets attached to pumps, which are a major source of sound, to prevent sound leakage outside of the company.
- We promote traffic safety on street corners in the morning of “Zero Traffic Accident Days (the 10th, 20th and 30th of each month)” and during the prefectural Traffic Safety Campaign period and engage in cleaning activities around the Plant. In June, we also participated in the annual litter-pickup event called “Clean Sunday” in Chiryu City. In addition, we actively participate in local summer festivals and disaster prevention drills to encourage interaction with local residents, and strive to contribute to their development.



▲ Enclosing sound sources with soundproof sheets



▲ Soundproof wall (west side of the Plant)



▲ Clean Sunday



▲ Aizuma-cho Summer Festival

Information on Environmental Impact

Power consumption	6,747 thousand kWh	Water resources input	65,784 t	Atmospheric chemical emissions	0.069 t
Gas consumption	37 thousand m ³	CO ₂ emissions	3,434 t-CO ₂	Waste output	22.7 t



Kota Plant

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

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



Tateo Kawabuchi
Plant Manager

With the research and development departments located on the same premises, we are the largest of the Company’s business locations. Currently, in the efforts of our New Five-year Plan from FY2016, we have adopted an analogous business division system, under which cost planning, development, production technology, and manufacturing teams with regard to exhaust and functional parts belong to the same business location, in an effort to build a stronger profit

structure. Results are gradually taking shape, and we will continue our activities to achieve our profit plans. 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 events including plant tours and ground golf tournaments, as well as clean-up activities in the areas surrounding the Plant.

Environmental and Social Activities

- We hold a ground golf tournament and a BBQ party every year to deepen exchanges with local residents of both Okazaki City and Kota-cho. Around 100 people participate in this event each time. It is a wonderful opportunity that allows our employees, including the plant manager, to mingle with local residents, to listen to their concerns and share an understanding of our activities.
- As the Company’s flagship plant, we actively accept visits to the Kota Plant in order to make the appeal of Futaba widely known to those outside the Company mainly through introductions of products and manufacturing sites, as well as business activities to all stakeholders. As the Plant is open to visitors throughout the year, employees work with a good sense of tension. Also, at the Manufacturing Training Center adjacent to the Plant, our safety simulation facility that can provide the experience of dangerous situations has been well received by many visitors, as it enables them to recognize the danger that lies in everyday life. Going forward, we will continue to make efforts to be a plant that is appreciated by everyone.



▲ Ground golf tournament



▲ Plant tour

Information on Environmental Impact

Power consumption	24,148 thousand kWh	Water resources input	87,237 t	Atmospheric chemical emissions	25.689 t
Gas consumption	24 thousand m ³	CO ₂ emissions	20,869 t-CO ₂	Waste output	247.9 t

Efforts of Plants and Group Companies



Mutsumi Plant

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

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



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 of tray modules for copy machines and production of environmental products in the information- and environment-related parts segment. Two hot stamping (process in which heated steel sheets are cooled immediately after being stamped to increase the strength) lines went into operation in 2015 in advance of

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

Environmental and Social Activities

As we place importance on making contributions to the local community, we accept requests for plant tours from neighboring elementary schools and local high schools, and also actively accept requests for plant tours and plant workshops for students from special needs schools.



Accepted plant tours from local elementary schools

In addition, in order to ensure the safety of local elementary and middle school students on their way to school at the crossings to the east and west of the Plant, where there is heavy traffic, we 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 planned and implemented improvements in each department in order to achieve the goal of reduction by 1% from the previous fiscal year (1% reduction per year).



Promoting traffic safety watchovers

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.



Information on Environmental Impact

Power consumption	17,816 thousand kWh	Water resources input	107,328 t	Atmospheric chemical emissions	0.84 t
Gas consumption	3 thousand m ³	CO ₂ emissions	10,501 t-CO ₂	Waste output	132.6 t



Takahashi Plant

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

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



Yoshihito Yamada
Plant Manager

Our key role is to provide stamping dies and welding assembly lines that embodies stamping technologies and welding technologies to production plants. The keywords being "simple," "slim" and "compact," our efforts involve promoting the downsizing of die and welding equipment and reducing energy consumption by shortening manufacturing lead times. In this fiscal year, we will continue to contribute to environmental

conservation in local communities through "environmentally-friendly stamping die and assembly line development."

In addition, our Plant is actively engaged in community contribution activities. By performing volunteer cleaning around the Plant and promoting traffic safety watchovers every month, we are working to make contributions in community beautification and the safety of local children walking to school.

Environmental and Social Activities

Our Plant takes part in traffic safety activities as a company engaged in the automobile industry.

We promote traffic safety on street corners in the morning on "Zero Traffic Accident Days" and during the prefectural Traffic Safety Campaign period. When carrying out traffic safety watchovers, we have employees adhere strictly to traffic rules and spread traffic safety in the community, while also securing the safety of local children walking to school.



Securing the safety of local children walking to school

In early April, the plant manager also participates as we hand out traffic safety items to nearby elementary school students on school routes near the Plant.

Our Plant's Cleanliness Subcommittee has all employees participate in full plant cleaning four times per year before long holiday periods and other times. In spring and autumn, we pick up garbage, rake fallen leaves, and clear weeds on the premises of the Plant and in the parking lot. By having all employees clean at once, we bring a sense of unity to the Plant, and it becomes part of our communication activities. Also, having employees clean the Plant themselves fosters a sense of fondness for the Plant.



Volunteer cleaning around the Plant

We hope to build a cycle where activities take root and the Plant is kept clean.



Information on Environmental Impact

Power consumption	2,664 thousand kWh	Water resources input	15,212 t	Atmospheric chemical emissions	0.125 t
Gas consumption	2 thousand m ³	CO ₂ emissions	1,722 t-CO ₂	Waste output	62.6 t

Efforts of Plants and Group Companies



Tahara Plant

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



Yoshinobu Nakamura
Plant Manager

The Tahara Plant in Tahara City, Aichi Prefecture mainly produces exhaust system parts, body parts and suspension system parts for automobiles. As our Plant is on the Mikawa Bay within an abundant natural environment, we are 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.

Environmental and Social Activities

As part of social contribution activities, every year we stand on the streets to promote traffic safety on "Zero Traffic Accident Days" and promote traffic safety in the city, as well as pick up garbage around the Plant. This year we also conducted watchovers in the industrial roads in front of the Plant, 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 south of the Plant. Going forward, we would like to contribute to the local community through various activities.



▲ Picking up trash on Make Tahara Beautiful Promotion Day

As part of our energy conservation activities, we adopted inverters for small compressors, introduced LED lighting and adopted inverters to main motors for stamping machines, reducing CO₂ emissions by 8.62 t-CO₂/month.



▲ Adoption of LED lighting



▲ Promoting traffic safety watchovers

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 year. We will continue our energy conservation activities on our business sites and participate in events sponsored by Tahara City.

Information on Environmental Impact

Power consumption	19,466 thousand kWh	Water resources input	155,740 t	Atmospheric chemical emissions	4.420 t
Gas consumption	3 thousand m ³	CO ₂ emissions	10,525 t-CO ₂	Waste output	120.2 t

Group Companies



Futaba Kyusyu Co., Ltd.

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



Tsugumi Sanmiya
President and Representative Director

The Company has three plants as the Group's production base in Kyushu. We strive to preserve the environment through environmental management as the foundation of our business activities, and conduct activities under our policy of complying with environmental laws and promoting social contribution activities.

We are mainly engaged in reducing CO₂ emissions, industrial waste output, and defect waste output. All of our employees are engaged in activities with an awareness of the natural environment in order to become an environmentally-friendly plant, and are aiming for production plant operations that take into consideration the local community.

Environmental and Social Activities

- At the Nogata and Imari Plants, we perform waste cleaning work (bottles and cans) and weeding work near the prefectural and city roads around the Plants twice each year. By carrying out such cleaning work, we prevent pest insects and illegal dumping. In addition, during the nationwide (prefectural) Traffic Safety Campaign period, we conduct traffic safety watchovers on the prefectural highways, contributing to the improvement of traffic safety awareness among both employees and local residents.
- In the midst of global warming, we have been transitioning gradually from gasoline forklifts to electric forklifts as exhaust-gas-free forklifts are environmentally friendly, and have changed 33 out of 37 forklifts, thus far. In the previous fiscal year, we changed four units, using electricity in place of 2,000 liters of gasoline per month, or a total of 24,000 liters per year, resulting in a CO₂ reduction of 4 tons per month.



▲ Environmental beautification project

Information on Environmental Impact

Power consumption	15,609 thousand kWh	Water resources input	17,511 t
Gas consumption	4.8 thousand m ³	Waste output	91 t



Futaba Hiraizumi Co., Ltd.

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



Isao Goto
President and Representative Director

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

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

Environmental and Social Activities

- We actively hold plant tours for government institutions, and high school, middle school and elementary school students within Iwate Prefecture. Last fiscal year, we invited family members of our employees to our plant tour for the first time since the company was established. Nearly 150 people attended the event, where they gained an understanding of the business activities of the Futaba Group.



▲ Plant tour

Efforts of Plants and Group Companies

Futaba Hiraizumi Co., Ltd.

● Last fiscal year, we introduced electric forklifts for the first time. By switching from gasoline powered to electric powered forklifts, we are able to reduce both fuel costs and CO₂ emissions. Moreover, as the only noise produced is the operating sound of the motor, we expect an improvement in noise problems, as well.



▲ Electric forklift

Information on Environmental Impact

Power consumption	4,435 thousand kWh	Water resources input	2,305 t
Gas consumption	2.11 thousand m ³	Waste output	43.54 t



Apics Co., Ltd.

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

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



Shingo Tanemura
President and Representative Director

Our Head Office and the Kota Plant are located in an industrial park adjacent to the Kota Sumi Interchange on Meiho Road (National Route No. 23).

A group of stone tools originating from the Paleolithic Age to the Jomon Period was found at the *Ushinomatsu Iseki* remains discovered in Sumi District in Kota-cho, which was noted as one of few such cases in Aichi Prefecture. In addition, a site has also been discovered with remains of residence from the Kamakura

Period to the Muromachi Period, and many relics have been excavated. This is a region where you can turn your thoughts to ancient history in the midst of abundant nature.

In order to care for this environment and contribute to the local community, we are working on various activities on a steady basis, 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 month. We work on weed removal that leads to the preservation of the living environment preventing the occurrence of pest insects, prevention of fire by removing dry grass and similar hazards, prevention of crime such as illegal dumping in overgrown weeds, and traffic safety that allows local residents to walk safely on sidewalks. In addition, this fiscal year, we held a 70th anniversary planting ceremony as one of our greening activities.



▲ 70th anniversary ceremonial tree planting



▲ Environmental beautification project

Information on Environmental Impact

Power consumption	2,835 thousand kWh	Water resources input	3,792 t
Gas consumption	1.3 thousand m ³	Waste output	67.8 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

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

Acquisition of TS16949 certification for entire company



Improving Manufacturing Quality

We are conducting our daily activities to respond to the expectations of our customers via activities such as business quality improvement with TQM as a company-wide activity, quality control activity confirmation meetings held twice per month led by the Manufacturing Department, and regular quality meetings at our Engineering Department, Production Engineering Department, and Quality Assurance Department. 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 committees and quality function meetings in order to resolve issues.



▲ Quality control activity confirmation meeting of the Manufacturing Department



Quality Improvement Activities

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

Global Expansion

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

Relationship with Shareholders and Investors

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

Disclosure Policy

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

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

Communication with Shareholders

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

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



▲ The 104th Ordinary General Meeting of Shareholders

Showcasing at “Automotive Engineering Exposition 2018 Yokohama”

We exhibited our products at the AUTOMOTIVE ENGINEERING EXPOSITION 2018 YOKOHAMA held from Wednesday, May 23 to Friday, May 25, 2018. In this Expo, there were 597 corporate exhibitors and more than 90,000 visitors during the three-day period.

At our display stand, we showcased the products that contribute to environmental impact reduction, fuel efficiency improvement, and making lighter vehicles through the development of functional component systems such as POWEREV® (an exhaust heat recovery device), exhaust system parts, body frame parts, interior parts, DPF, SCR, and canisters, 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 FY2017:

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

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

In addition, we carried out quality improvement support activities and education (5 whys education) for our key suppliers, jointly with supporting plants, and also identified our supplier's problems and concerns. In order to adapt to rapid changes in the environment, we are implementing various measures to enhance collaboration with our suppliers, with the aim of coexistence and co-prosperity 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.

Assessment

2. Ongoing Transactions based on Mutual Trust

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

Cost reduction

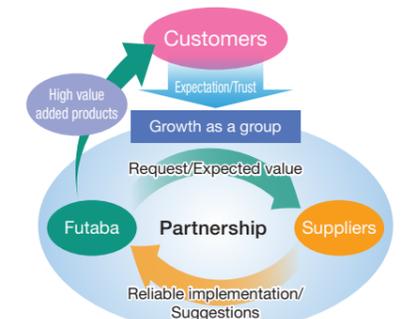
3. Matching Global Perspectives with Optimal Local Procurement

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

Procurement base

Establishment of Trust with Suppliers

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



Green Procurement, CSR Initiatives, etc.

As regards the procurement of items comprising the products we manufacture and sell, we are working on enabling preferential procurement from suppliers who are conducting environmental conservation activities together with us, 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. In our Corporate Social Responsibility (CSR) initiatives, we have formulated the Supplier CSR Guidelines, so that we do not address these issues alone, but instead build mutual trust and understanding with our suppliers, in order to promote business activities together with an emphasis on CSR.

Relationship with Employees

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

Building a Workplace Where Safety Comes First

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

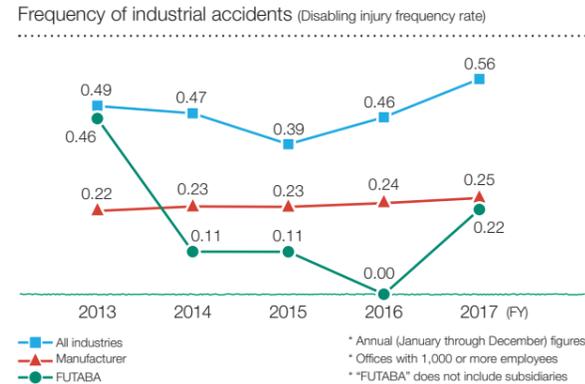
1. Not allowing industrial accidents to occur

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

2. Maintaining and promoting health, and improving working environment

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

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



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.

	FY2013	FY2014	FY2015	FY2016	FY2017
No. of employees	3,211	3,249	3,300	3,372	3,421
(Of which are female employee)	286	286	295	314	332
No. of non-Japanese employees	19	17	17	17	18
No. of re-employed workers	87	86	86	94	94
Percentage of employees with disabilities	2.29%	2.37%	2.14%	2.30%	2.21%

Hiring of disabled persons

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

Establishment of a pleasant workplace

Promotion of Paid Annual Leave

As an initiative for work-life balance, both the management and the workers at Futaba have set a target to take 16 days of paid annual leave, and aim to achieve this target through checks on the situation undertaken together by the management and the workers, along with follow-up.

	FY2013	FY2014	FY2015	FY2016	FY2017
Average paid annual leave taken per person	14.6	15.3	17.0	17.0	16.3

Efforts to Support Childcare

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

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

	FY2013	FY2014	FY2015	FY2016	FY2017
No. of childcare leave system users	43	46	43	44	41
No. of uses of the childcare shorter working hours system	20	27	32	28	53

Initiatives to Support Nursing Care

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

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.

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.

Futaba Hiraizumi took part in voluntary cleaning activities at Chūson-ji Temple

On August 26 and September 2, 2017, employees of Futaba Hiraizumi conducted volunteer cleaning of the main hall of Chūson-ji Temple, which is part of the Hiraizumi World Cultural Heritage Site.

Volunteers used only cloths and water, with no detergent, to remove the moss that has been growing for 40 years. Although the work seemed overwhelming at first, volunteers eventually grew silent and discarded interfering thoughts in order to carefully polish the temple. Cleaning up the main hall and experiencing the World Heritage Site and the three-generation history of the Fujiwara dynasty in person purified the minds of the volunteers, as well.



▶ Employees of Futaba Hiraizumi polishing the Chūson-ji Temple main hall



▶ Commemorative photo of the 7th championship

Holding of the 7th 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 7th championship was held from September to November 2017.

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 Okazaki Minami Club emerged as the winners for the first time.

Okazaki City Midorigaoka Elementary School's Kota Plant Tour

On October 2, 2017 a total of 101 fifth grade students and teachers from Okazaki City Midorigaoka Elementary School visited our Kota Plant in order to gain a deeper understanding of the automobile industry and learn about local auto parts manufacturers.

The group toured a series of facilities and truck yards shipping finished products, and also tried a safety simulation experience at the Manufacturing Training Center. The tour received high praise from the participants, such as "I enjoyed seeing many different facilities" and "I want to try more safety simulation experiences."



▶ Plant tour

▶ Students listening intently to explanations of the process



▶ Commemorative photo taken in front of the main office process

A Letter of Appreciation from the Central University of Haryana

FMI (India) received a letter of appreciation from the Central University of Haryana in India, for the plant tour carried out in February 2018.

In this plant tour, 75 professors and students from the university came to visit the plant, where we introduced FMI, presented the 5S activities carried out at the company, and gave a tour of the manufacturing floor. A professor of the Central University of Haryana commented that, "The knowledge gained on this tour will definitely help the students to acquire professional careers in the future."

In addition, at a later date, four Indian newspapers published articles regarding this plant tour.



▶ Group photo



▶ Newspaper article published



▶ President Ota (left) and Plant Manager Sakamoto (right) of FMI



▶ Commemorative photo with all of the students



▶ A cheer erupts from the hall as they hear Coach Shibata swing his bat

A Lecture at Kota Town Chuo Elementary School

On February 19, 2018, a Learn from Alumni Meet was held at Kota Town Chuo Elementary School, with Ryosuke Shibata, a graduate of the elementary school and coach of the Futaba Baseball Club invited to speak as a lecturer.

Based on his own experience, Coach Shibata conveyed a message to all 523 students at the school, expressing how important it is to not simply decide what you want to be, but to devise a concrete plan for the type of school you want to attend, what you plan to study, and when you will produce certain results in order to make your dreams come true. Cheers erupted from the audience of children to the sounds of power pitching and Coach Shibata's bat cutting through the air, as he swung during practical demonstrations.

Comment from Local Residents



Naohiko Yamamoto, Head of Nagamine Ward

I think that it is no exaggeration to say that Nagamine Ward of Kota-cho is in a mutually beneficial relationship with the Futaba's Kota Plant. Roughly 20 years ago, when we worked to attract outstanding companies to our area, Futaba answered the call and built this plant.

When I last visited the Plant, I heard that the Kota Plant has two ultra large stamping machines, which are the only ones of their kind in Japan, and there were voices of concern regarding the possibility of noise from the Plant. In fact, nothing of the sort has occurred, and even late at night they keep the environment quiet. They also conduct cleaning campaigns on commuter roads as part of their education for new employees, and during traffic safety campaign periods, work with local residents to post traffic guards. In addition, they actively engage in exchanges with local residents, and the plant manager participates in various events such as the ground golf tournament and respect-for-the-elderly meets, cooperating to build fellowship with the community.

As a resident, I am very much encouraged by the fact that Kota-cho and Futaba have concluded an agreement on the use of facilities as an evacuation site in the event of a disaster. As Head of Nagamine Ward, I would like to express my deep appreciation for Futaba's cooperation, and hope to continue contributing as a ward to the development of Futaba.