

FUTABA

Environmental and Social Report 2016



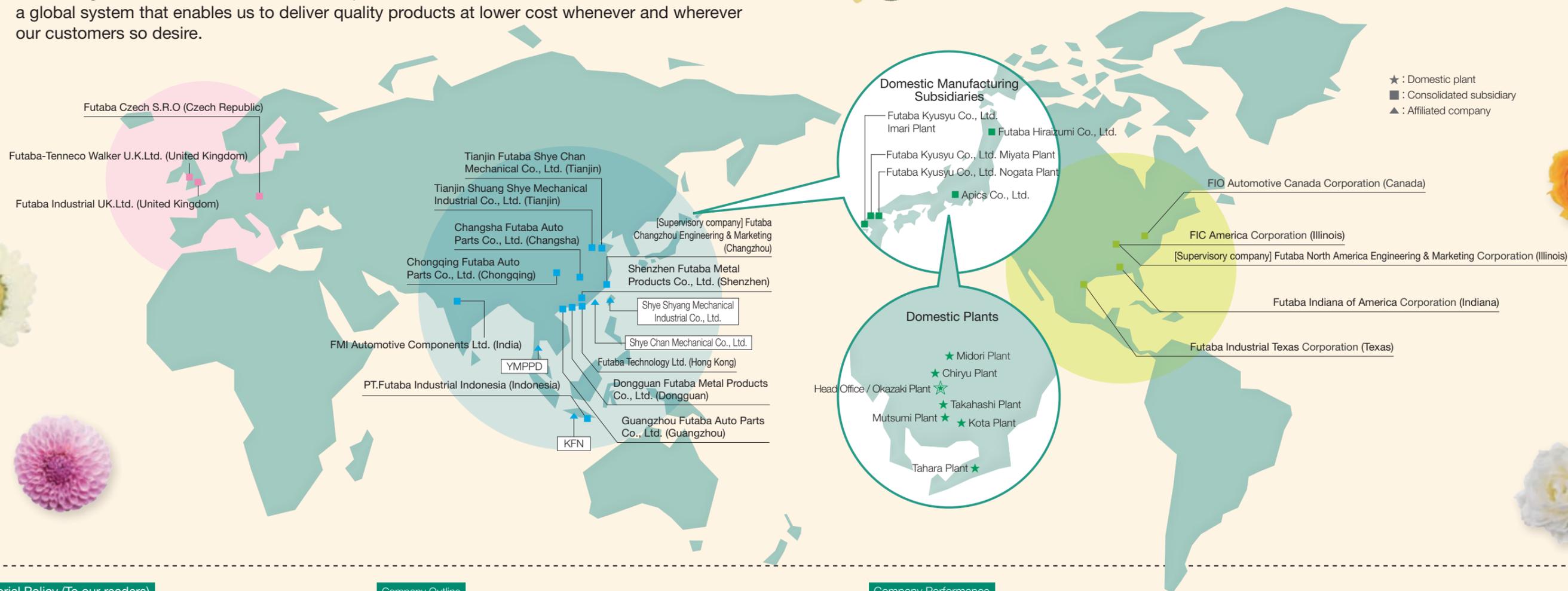
Special Feature

**Establishment of Hot Stamping Lines
for Lightweight and High-tensile Parts
that are Both Safe and
Environmentally-friendly**



Business Operations and Editorial Policy of FUTABA

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



Editorial Policy (To our readers)

"Environmental and Social Report" is an annual report that presents the year's results and future plans relating to FUTABA's environmental and social activities, with emphasis on the Company's social involvement. The report is published as an important tool for communication with our readers. We would appreciate your responding to the questionnaire to share your thoughts with us, make suggestions, or ask us questions.

Reference Guidelines

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

Reporting Period

April 1, 2015 to March 31, 2016

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

Publication

August 2016 (Next publication scheduled for August 2017)

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).

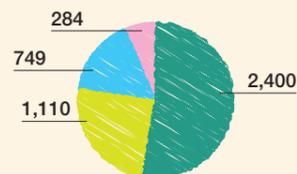
*Some of our Group company activities are also included.

Company Outline

Company name Futaba Industrial Co., Ltd.
 Head Office Azaochaya 1, Hashime-cho, Okazaki-shi, Aichi, Japan
 Established November 1, 1945
 Capital 11.8 Billion Yen
 Business Focus Manufacture and sales of automobile and vehicle assembly parts, information and environmental equipment parts, jigs and welding machines, etc.

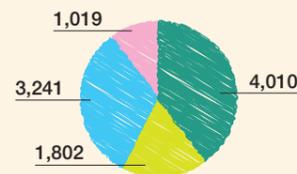
Sales by Region (Consolidated) (Hundred million yen)

(FY2015)
 ■ Japan ■ North America ■ Asia ■ Europe



Number of Employees by Region (Consolidated)

(As of March 31, 2016)
 ■ Japan ■ North America ■ Asia ■ Europe



Company Performance

Sales (Consolidated) (Hundred million yen)



Operating Profit (Consolidated) (Hundred million yen)



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



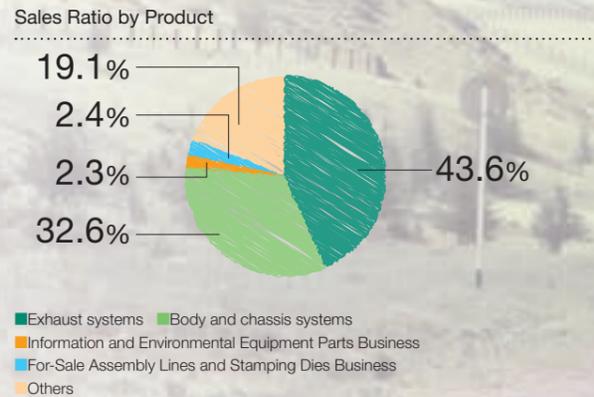
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Business Fields

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



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.

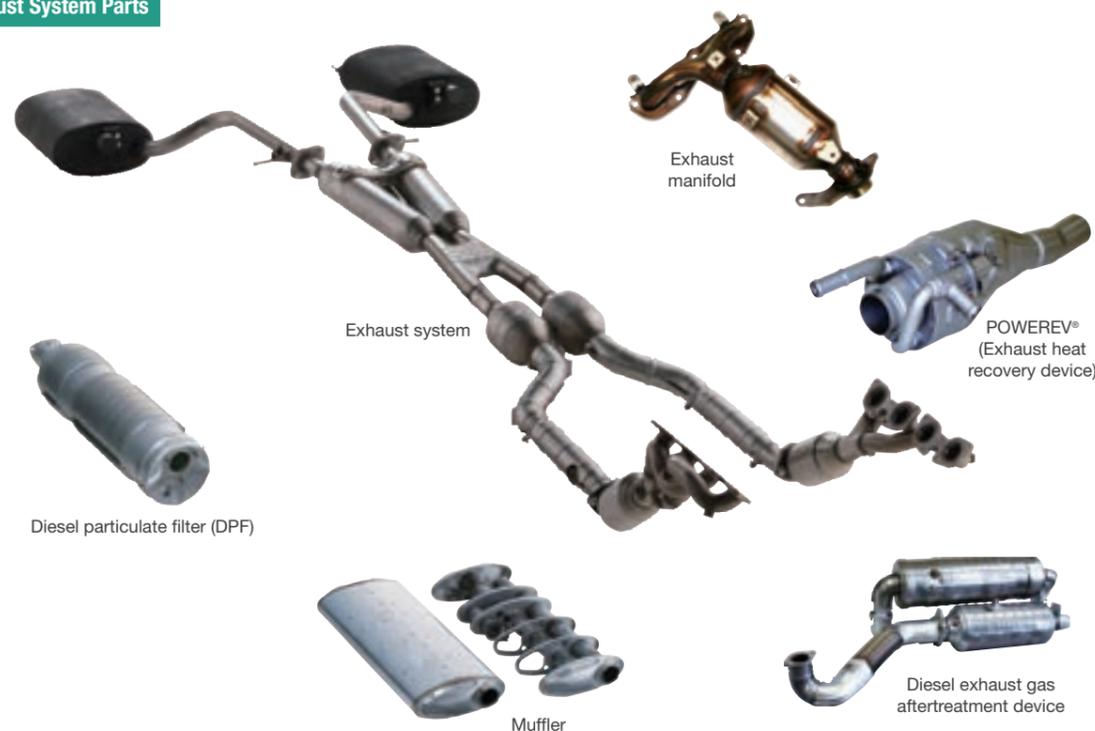
Strength

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

Direction of product development

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

Exhaust System Parts



Automobile Parts Business Body and chassis systems

Realizing both safety and weight reduction

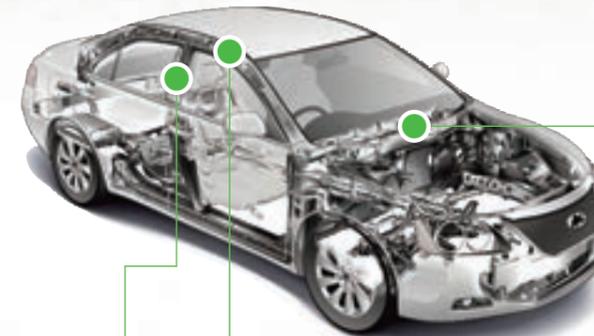
Body and chassis systems comprise the frame of an automobile and provide protection to its driver and passengers. To achieve both safety and improved fuel efficiency through weight reduction, Futaba is working on the development of high tension materials (high tension steel sheets) and related processing 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 are in the development of ultra-high tension steel through collaborations with iron and steel manufacturers and in our optimal development that employs advanced analysis technology.

Direction of product development

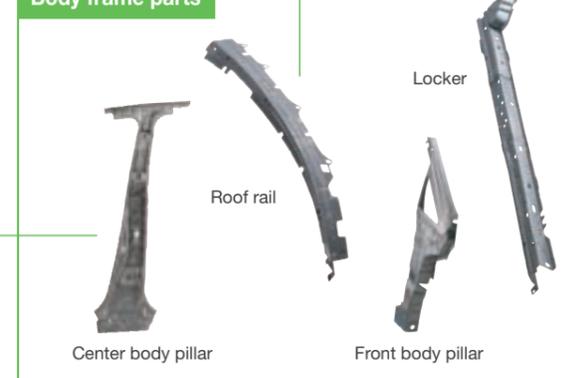
We are engaged in development with the aim to realize both environmental and safety performance and to achieve their evolution.



Interior and exterior parts (Decoration parts)



Body frame parts



Suspension system parts



Fuel system parts



Without Fear of Challenges and Changes, Futaba is Moving on to the Next Stage while Tackling Social Issues.



I am Hiroyoshi Yoshiki, the ninth President of Futaba Industrial Co., Ltd. I have renewed my commitment to maximizing Futaba's potential and pursuing a new stage of growth step by step while tackling social issues.

Futaba Entering a New Stage of Growth

We have been engaging in various initiatives to rebuild Futaba since 2009. These include efforts in the development of Futaba's foundations (e.g., internal controls, corporate governance), production systems and human resources. Further, based on management targets such as those set out in VISION2020 and the Medium-term Business Plan, we have been executing reforms in corporate culture, but a vast amount of issues still remain.

The significance of the Company's existence is to make a profit through its business activities and give back to society. A company can fulfill its responsibility with respect to its stakeholders especially its shareholders and investors, only when it makes a solid profit. Making such a profit consequently translates into satisfying employees, customers, local communities and business partners. For this reason, Futaba will reaffirm its innate abilities and seek to become a company that can make stable and solid profits. Particularly noteworthy is that we will receive a 10 billion yen capital injection from Toyota Motor Corporation during this fiscal year, and become its affiliate. We believe this will further raise hopes among our stakeholders, and increase the need to reinforce management as well as enhance the level of expectations that we must fulfill.

Positioning of CSR and Overcoming Issues

The Futaba Group has positioned CSR management as a practice that involves sharing and demonstrating with employees its Management Principles, Corporate Charter and Futaba's Code of Conduct, based on the company motto "quality products at lower cost." Among them, "Safety / Quality" serves as the basis for the creation of value and is fundamental to aiming at becoming a company that is essential to society through improvements in customer satisfaction. We have been engaging in company-wide activities over the past few years to overcome quality issues. As improvement in quality directly leads to higher profitability, we will build a structure that enables us to ensure stable quality.

We will also strive to eliminate accidents at manufacturing sites, with the aim of reducing the number of accidents to zero.

As for the utilization of human resources, we have established global personnel systems and put into place a framework that enables a diverse range of people including women, foreigners and disabled persons to play an active role in the workforce. Moreover, in order to become an "organization that learns and grows," we are endeavoring to create an environment in which each and every person can understand the meaning of work and demonstrate his/her abilities with a sense of ownership. In FY2015, the number of traffic accidents caused by our employees increased by 25% from the previous fiscal year. We take this situation very seriously, and we will enhance educational activities with the aim of reducing accidents caused by our employees to zero.

Initiatives in the New Five-year Plan

This fiscal year was marked by the launch of "Futaba's New Five-year Plan (FY2016-FY2020)" under the slogan "Let's regain Futaba's strengths and pave the way for Futaba's future." We are determined to make our utmost efforts to: "thoroughly instill the fundamentals of safety, quality and manufacturing;" "carry out structural reforms to ensure stable earnings and enhance cost management;" "pursue further evolution of core technologies and their utilization in new fields;" and "enhance human resources development and organizational strengths."

Our foremost agenda is management reform. We will start restructuring the organization by product field and promote structural reform in each department, while also enhancing cost management and bolstering the management of subsidiaries through supervisory companies at overseas operating locations. To speed up the business decision-making process, we will place importance on decisions made within each division, and clarify responsibility and authority.

As the development of products that contribute to "environment and safety" is a prerequisite for surviving the competition, we will accelerate product development to meet the need for fuel efficiency, exhaust gas purification and sound muffling, not to mention safety.

Furthermore, we will bolster initiatives in new technologies and new businesses in addition to those in the automobile parts business, such as sales of CO₂ accumulation and application devices targeted at farmers engaged in greenhouse cultivation.

My Future Resolve

Futaba Industrial Co., Ltd. has grown as a leader in automobile mufflers. To aim even higher, it is necessary to have the courage and the will to continue taking on challenges, without fearing change.

As long as Futaba continues to exist as a company, Futaba must not only steadily identify social trends and issues and fulfill its social responsibility, but also deploy its core technologies, which is a shared asset within the Group and make a contribution to society through its businesses.

At present, Futaba is proactively working on expanding production on a global scale with hot stamping with minimal space and minimal investment that has been realized in Japan, as well as adapting to multiple materials such as the processing of ultra-high tension materials and aluminum, which are indispensable for manufacturing safe and comfortable automobiles. "Challenges and Changes" as the bedrock of "manufacturing" including the innovation of such production technologies will serve as the driving force in paving the way for the Group's future.

Your continued support and understanding would be greatly appreciated.



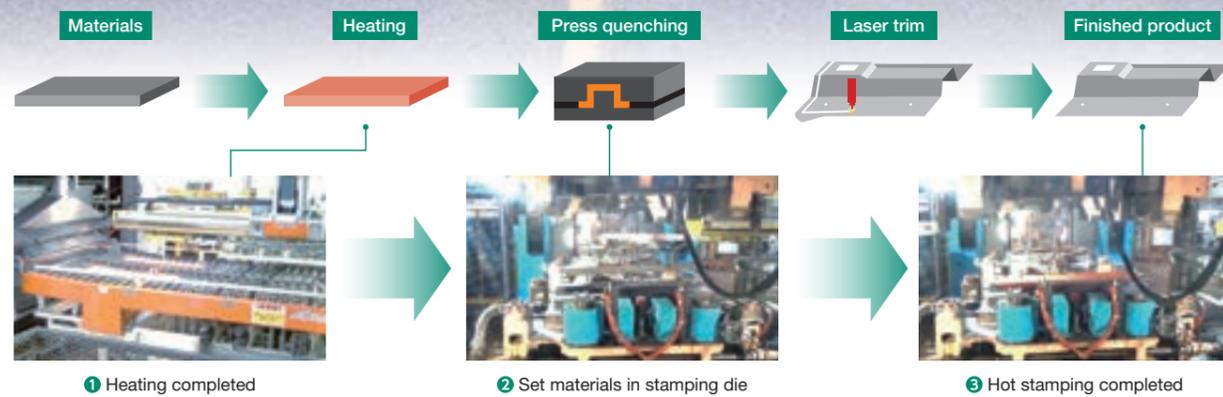
Hiroyoshi Yoshiki
President

Establishment of Hot Stamping Lines for Lightweight and High-tensile Parts that are Both Safe and Environmentally-friendly

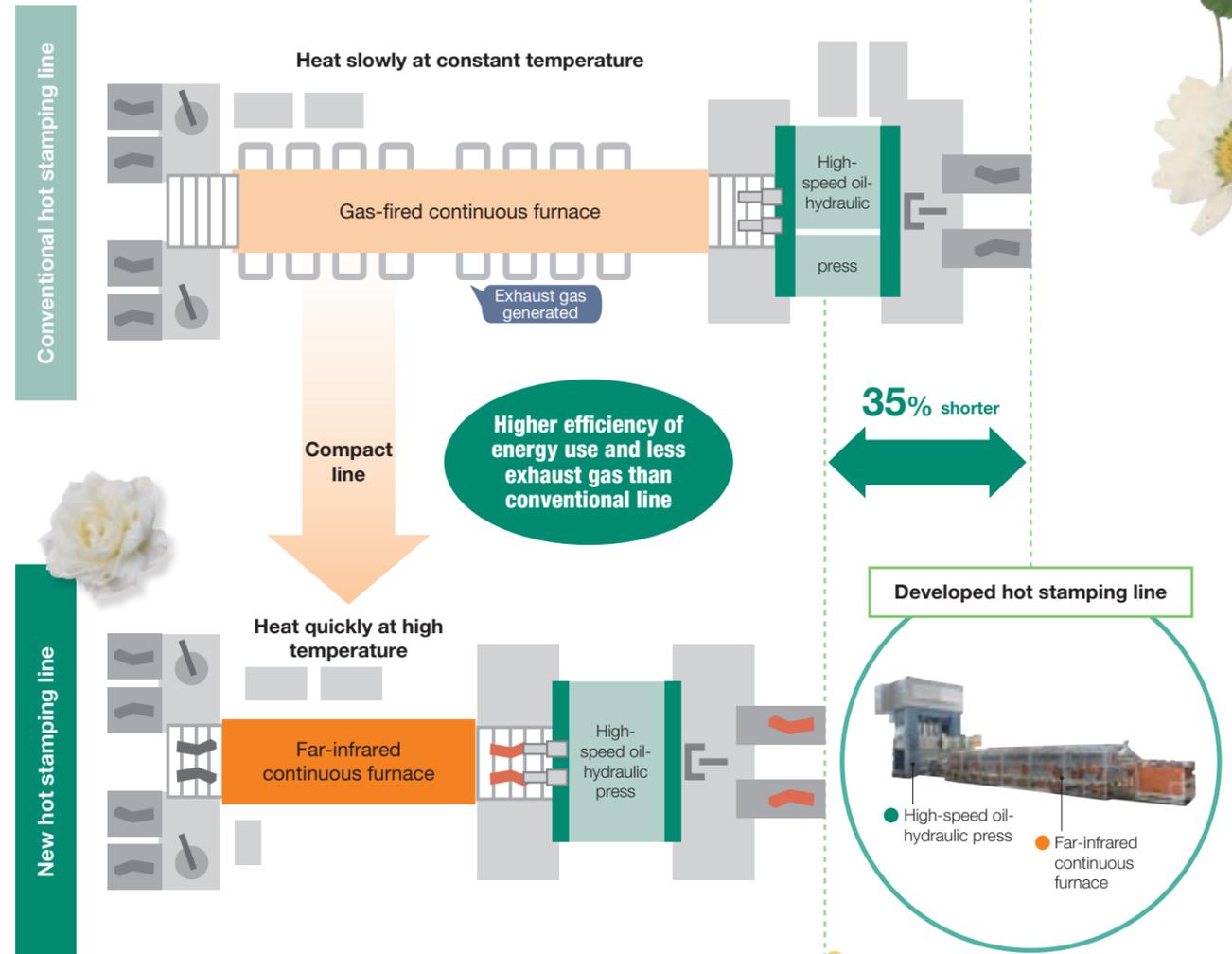
Reduction of sheet thickness and enhancement of strength of body frame parts are required to overcome conflicting issues, namely, the issue of enhancing automobile collision safety and the issue of improving fuel efficiency. To fulfill these requirements, we are working on manufacturing lightweight, strong automobile frame parts by building hot stamping lines.

As conventional hot stamping lines consist of a long heating furnace, which translates into long and heavy lines, we replaced the gas-fired heating furnace with a far-infrared type to improve heating efficiency and curb the generation of exhaust gas. We also created compact lines with a short furnace length by optimizing the heating conditions. We plan to put into place a framework for supplying lightweight, high-tensile parts by deploying mainly these lines in Japan, North America and China.

Workflow in Hot Stamping Process



Products of Hot Stamping



Comments from the Developers and Staff in Charge of Production Technologies



- Kazuhiko Miyajima (left) Section Head, Product Manufacturing Reform Promotion Office
- Isao Eguchi (center) General staff, Process Planning Section, Press Production Technology Unit, Production Engineering Department
- Yoshihiro Kamiya (right) Head of Production Technology Development Section, Production Technology Development Unit, Production Engineering Department

At Futaba, because cold processing was the main method we used so far, we were confused with the temperature management specific to hot processing. Although many quality issues and transport problems had arisen at the time of launching the production line, these were overcome by the ingenious efforts made by development and machine tools departments and production plants, and so production is going smoothly now. We believe this is attributable to the benchmarking and persistent build-up of elemental technologies that have been carried out since the early stages of development. Now that global deployment will start, we would make it a success by making the most of our experience and expertise gained from this launch.

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 P15 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



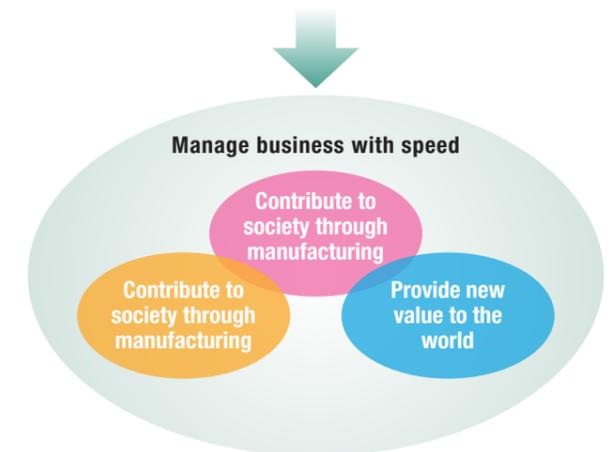
Vision of Futaba for FY2020

Our vision by FY2020 is as follows.

In consideration of the maturing domestic market and growth potential of emerging markets, we will aspire to achieve further growth by establishing overseas operating locations mainly in the emerging markets of China and Southeast Asia.

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.

- Thoroughly instill the fundamentals of "safety, quality and manufacturing"
- Carry out structural reforms to ensure stable earnings and enhance cost management
- Optimize operating locations and allocate business resources efficiently
- Pursue further evolution of core technologies and their utilization in new fields
- Enhance human resources development and organizational strengths



New Five-year Plan (FY2016–FY2020)

To adapt to changes in the environment, we have reviewed our business plan and formulated the "New Five-year Plan." We will steadily implement this New Five-year Plan and aim for new growth.

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.

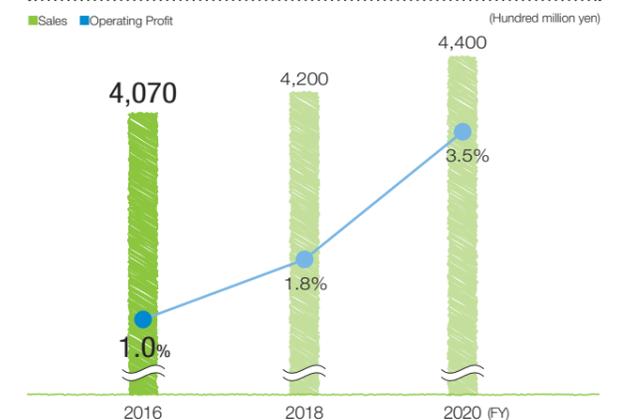
4 Pursue further evolution of core technologies and their utilization in new fields

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.

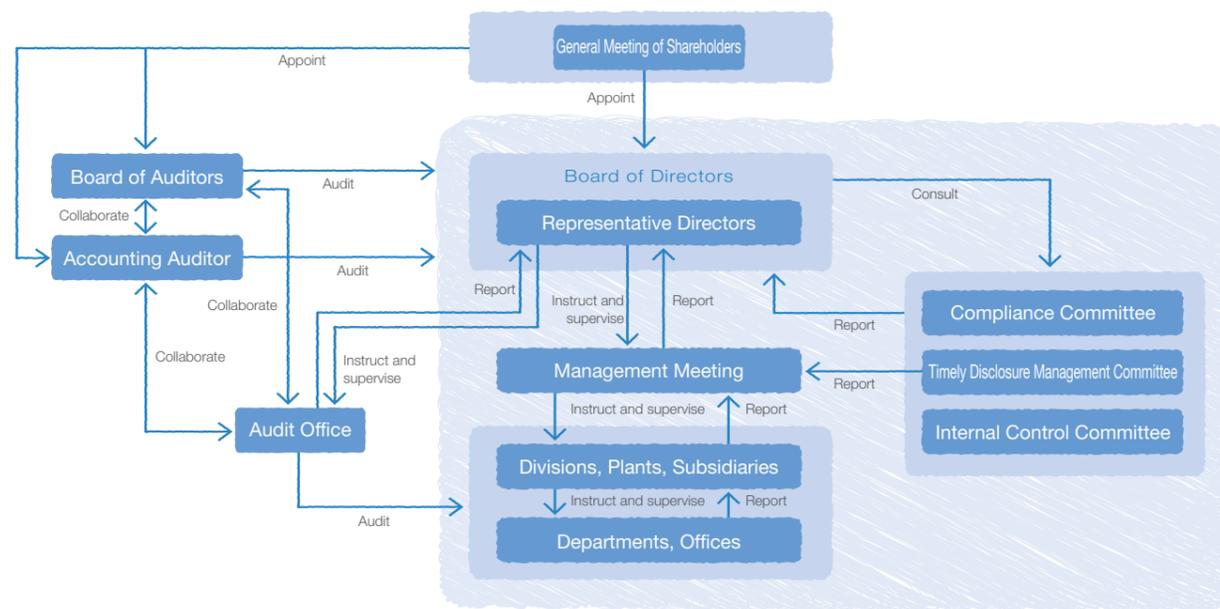


Front row, left to right: Toshiyuki Isobe, (Outside) Audit & Supervisory Board Member; Umenobu Sugiki, Audit & Supervisory Board Member; Kiyoshi Kinoshita, (Outside) Director; Hiroyoshi Yoshiki, President; Masaki Horie, (Outside) Director; Mikio Iwatsuki, Director, Senior Managing Executive Officer
 Back row, left to right: Hitoshi Suzuki (Outside) Audit & Supervisory Board Member; Yoshihiro Yoshimura, (Outside) Audit & Supervisory Board Member; Tomohiro Takahashi, Director, Managing Executive Officer; Takayuki Yoshida, Director, Senior Managing Executive Officer; Keita Asakawa, Director, Managing Executive Officer; Fumio Ohashi, 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 structure is in place to enable accurate and prompt business decisions by holding a management meeting when executing a business operation to discuss matters submitted to the Board of Directors, other important matters and individual projects.

Corporate governance structure of FUTABA



Internal Control

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.

Internal Control Basic Structures

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 and Social Efforts



Under the Corporate Environmental Council, we set annual targets concerning environmental and social activities to be undertaken in the course of business activities and work towards continual improvement.



Environmental and Social Management

The Corporate Environmental Council chaired by President, meets twice each year to coordinate Futaba's environmental and social activities. Adopting "sustainable growth of the Company and improvement of its competitiveness by contributing to society through business activities" as the corporate policy for this fiscal year, we will work together with the local communities for sustainable corporate development.



FY2015 Results and FY2016 Goals

Corporate Environmental Council has been promoting environmental activities and social activities

... Achieved ... Partially achieved

Item	Supervisory department	Related page	Target	FY2015			FY2016	
				Actual (Effort / Activity)	Result	Target		
Environmental activities	General and Personnel Affairs Department (CSR and Environment Division)	P.15 P.16	Have each organization improve and enhance their activities (including domestic subsidiaries)	Status of activities tracked by Corporate Environmental Council Continued with the certification of the environmental management system		Have each organization improve and enhance their activities (including domestic subsidiaries)		
			Observe environmental laws and regulations	Managed environmental laws and regulations in accordance with voluntary standards		Observe environmental laws and regulations		
	Engineering Department Production Engineering Department	P.17	Develop eco-friendly products (further improvement in making products more compact, lightweight and efficient)	Completed development of aerodynamically-oriented ultra-flat cross-section muffler.		Develop eco-friendly products (Engaged in further downsizing, weight reduction and improvement of efficiency)		
				Completed development of low-cost canister compliant with environmental protection regulations.				
	Prevention of global warming	Manufacturing Department Production and Distribution Control Department	P.18	CO ₂ emissions from the main line of business: Reduce by 1% from FY2013 results	Reduced emission by 11.5% from FY2013 by renewing substation transformers and air conditioners, replacing gasoline-powered forklifts with battery-powered ones and suspending the operation of in-house power generators fueled with Type A fuel oil.		CO ₂ emissions from the main line of business: Reduce by 12.5% from FY2013 results	
				Promote energy management	Controlled operation of compressors and managed operation of air conditioners. Promoted activities to turn off standby electricity and correct air leakages			Promote energy management
Chemical risk reduction	Manufacturing Department	P.19	Track the quantities of chemical substances used, released and transferred	Tracked the quantities of relevant substances used, released and transferred through the utilization of the chemical substance management system		Track the quantities of chemical substances used, released and transferred		
Waste reduction and resource recycling	Manufacturing Department	P.20	Quantity of waste released: Reduce by 1% from FY2013 results	Reduced waste output by 26.9% from FY2013 by promoting the recycling of waste materials		Quantity of waste released: Reduce by 29.7% from FY2013 results (Reduce by 4% year-on-year)		
			Track the quantity of waste released and the status of waste processing	Tracked the quantity of industrial waste released and the status of waste processing through the utilization of the waste management system and conducting onsite inspections			Track the quantity of waste released and the status of waste processing	
Social activities	Quality Assurance Department Sales Department	P.28	Earn the trust of customers	Quality improvement activities Implemented "Quality and Performance Council," "QA inspections" and "Quality Improvement Debriefing Meeting".		Earn the trust of customers Acquire ISO/TS16949 certification		
	Corporate Planning Office Public Relations Office	P.29	Earn the trust of shareholders and investors	Provided accurate and fair information in a timely manner		Earn the trust of shareholders and investors		
	Procurement Department	P.30	Strengthen collaboration with suppliers and aim for mutual prosperity.	Utilized Supplier Communication Room. Fostered partnerships to grow together by conducting expectation activities.		Strengthen collaboration with suppliers and aim for mutual prosperity.		
	Health and Safety Management Office Personnel Affairs Department	P.31 P.32	Establish a safe and pleasant workplace for the achievement of comfort and enrichment	Implemented 28 (Futaba) Dialog Activities and Safety Tips Handbook within the Company. Provided education for skill development, Improved childcare support system, Expanded hiring of disabled people		Establish a safe and pleasant workplace for the achievement of comfort and enrichment		
	General and Personnel Affairs Department	P.33 P.34	Earn the trust of local communities	Proactively promoted social contribution activities (Promotion of traffic safety on street corners, participation in volunteer cleaning projects) Organized the Futaba Youth Baseball Championship Engaged in reforestation activities Donated hometown contribution to Hiraizumi Town, Iwate Prefecture (Ended in December 2015) Participated in Ecocap Movement Exhibited at the Exciting Energy Conservation Class		Earn the trust of local communities		

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

Aiming for more advanced environmental management based on EMS-based management standardized across all plants and awareness/action of each and every employee

We are engaged in environmental management in accordance with ISO14001, the international standards for environmental management systems, based on the view that environmental conservation is a major issue in business activities.

Through common management based on an environmental management system unified across seven plants, we are working to raise the environmental management level uniformly within the entire Company and improve the framework on an ongoing basis by creating an upward spiral of the PDCA cycle. In particular, compliance with environmental laws and regulations is treated as a matter of utmost importance, and having established stricter voluntary standards, we execute monitoring and management so as not to deviate from laws and regulations, and conduct drills periodically to prepare against emergency situations. We also intend to make efforts in promoting the conservation of energy and reducing CO₂ emission in the manufacturing process which constitute our core business in a proactive and planned manner, to help realize a sustainable society.

We, at Futaba, will work as one in promoting environmental improvement activities by cherishing communication with members of local communities, under the banner of "quality products that are friendlier to the environment at lower cost."



Environment-related Complaints and Responses

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

In May 2015, Mutsumi Plant received a complaint regarding the noise of alarms generated when operating die racks at night. In an effort to prevent such complaints, we lowered the set level of the alarm volume and shared this experience across other plants to make them mindful of alarm sounds of equipment installed outdoors. Also, in September 2015, Kota Plant received a complaint against the noise generated when trucks are driven on the prefectural highway in front of the Plant at night. We created a brief single-topic lesson regarding precautions to be taken when driving at night, distributed it to freight companies and requested them to make it widely aware among drivers.



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.

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

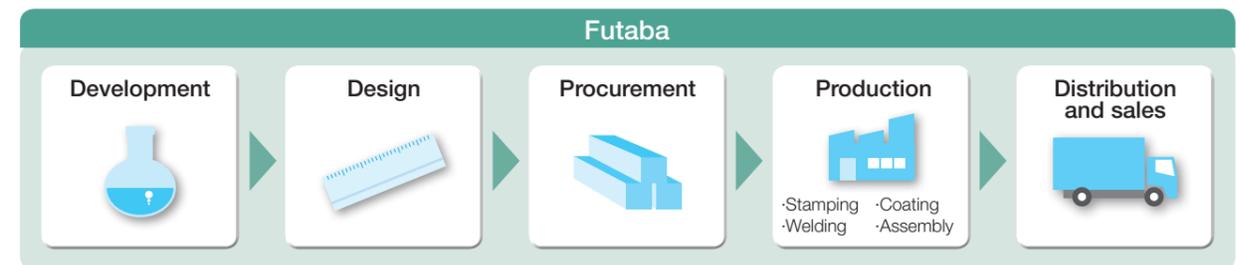
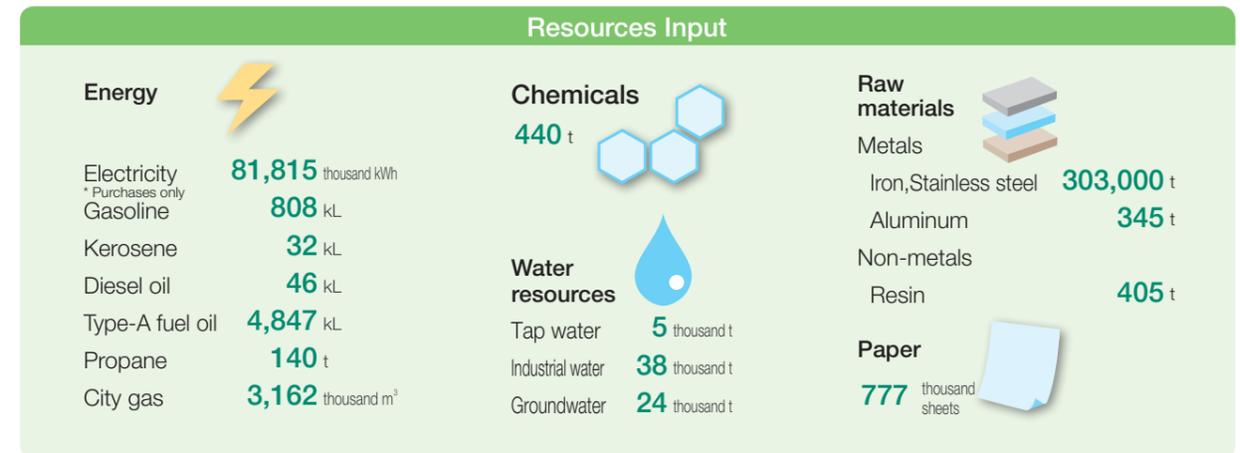
For the education of internal auditors, an external instructor is invited to conduct more practical education and raise the standard of internal audits. Education by rank, targeted at new employees and new managers, is also conducted as necessary within the Company.



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 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. In regards to noise and vibration, we pay attention to noise when forklifts are driven outside, and strive to repair bumpy road surfaces, loose gratings, etc. at early stages. There was no breach of regulations in FY2015.



Development of Eco-friendly Products

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

Development Policy

1. With respect to exhaust system products, we will promote the development of technologies that contribute to exhaust noise reduction and exhaust emission control, as well as improved fuel efficiency.
2. We will enhance the safety and performance of body and chassis products, as well as promote weight reduction to contribute to improved fuel efficiency.
3. In order to conserve energy and reduce CO₂ emissions, we will promote the development of heat management systems including heat recovery devices (POWEREV[®]) and parts for fuel cells for home use.

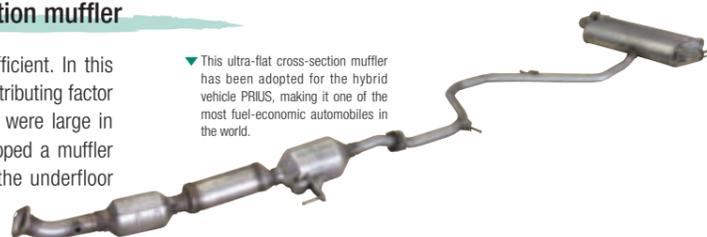


Our Environmentally Friendly Products (New Product Information)

Aerodynamically-oriented ultra-flat cross-section muffler

In recent years, automobiles have become increasingly fuel efficient. In this context, aerodynamic performance has become an important contributing factor to fuel efficiency. In contrast with conventional mufflers, which were large in capacity for the purpose of ensuring sound muffling, we developed a muffler whose cross-section shape is ultra-flat, in order to improve the underfloor aerodynamic performance while ensuring sound muffling.

▼ This ultra-flat cross-section muffler has been adopted for the hybrid vehicle PRIUS, making it one of the most fuel-economic automobiles in the world.



Comments from the Developers

Masayuki Sudo

Exhaust Pipe Design Section 1, Exhaust System Development Department, Engineering Department

The development of this ultra-flat cross-section muffler had various issues, including challenges on the manufacturing front. But with our slogan "Let's contribute to the manufacturing of better automobiles," we pushed ahead with manufacturing reforms and managed to resolve the issues. We will continue to take on the challenge of developing products that contribute to fuel efficiency, energy conservation and resource-saving activities.



▲ Canister compliant with LEV III regulations in North America

Low-cost canister compliant with environmental protection regulations

A canister is an eco-friendly product capable of minimizing toxic substances that are released from the vehicle by making the internal activated carbon absorb gasoline vapor generated inside the gasoline tank while the vehicle is being refueled or parked. As regulations on evaporating gasoline emissions from automobiles have become stricter in each country in recent years, high performance is required even for canisters. As part of Futaba's initiatives, we have engaged in the development of efficient structures that take advantage of absorption properties of various types of activated carbon and unique gas flow technologies and thus realized high-performance products at low cost.

Comments from the Developers

Masahito Hosoi (left), Koji Iwamoto (right)

Fuel Parts Development Section, Vehicle Function Development Department, Engineering Department

We are making progress in the development of low-cost products made to satisfy customers and comply with the gasoline vapor emission regulations in the U.S., which are the toughest in the world. Even though we have to repeat the hypothesis-and-test cycle over and over again at times as the flow of gasoline vapor inside the canister is not visible, our design staff and evaluation staff are able to work as one and steadily fulfill these requirements. Through the products we develop, we will continue to contribute to the global environment into the future.



Efforts to Prevent Global Warming

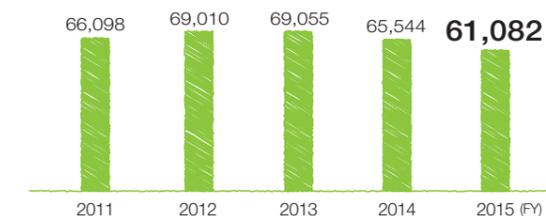
We will endeavor to prevent global warming by actively engaging in energy conservation activities relating to our plant facilities and distribution through observation of the Act on the Rational Use of Energy.



Reduction of CO₂ Emissions

In FY2015, we made planned investments in renewing substation transformers, improving air conditioners and replacing ceiling lights with LEDs. In conjunction with this, we made operational improvements such as cooling water pump control and compressor operation control, and shortened the operation time of in-house power generators that use Type A fuel oil. As a result, we were able to reduce CO₂ emission by 6.8% from FY2014.

CO₂ Emissions (t-CO₂)



Energy Conservation Subcommittee

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

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

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

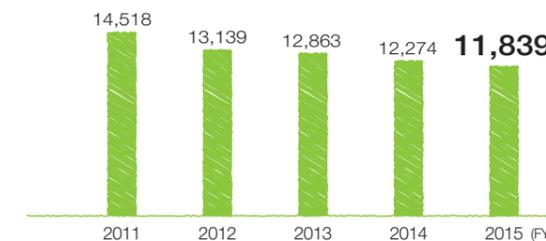
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
CO ₂ emission (t-CO ₂)	66,098	69,010	69,055	65,544	61,082
Reduction Target (%)	—	—	Base year	-2	-4



Reduction of CO₂ Emissions in Distribution

Due in part to higher load efficiency resulting from improved packaging and reduction in transit volume associated with lower production load, in addition to our ongoing efforts in the reduction of long-distance transit through relegation of production, we were able to reduce CO₂ emission in distribution by 3.5% from the previous year.

Distribution CO₂ Emissions (t-CO₂)

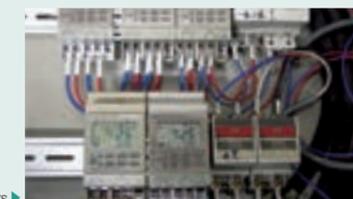


	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Distribution CO ₂ emission (t-CO ₂)	14,518	13,139	12,863	12,274	11,839
Reduction Target (%)	—	—	Base year	-1	-2

Reduction of Fuel Consumption through Timer-based Control of Air Conditioners

We reduced Type A fuel oil consumption by making improvements to run air conditioners only when needed using a timer-based controller, instead of running them around the clock as we had been.

Timer-based controller for air conditioners



Chemical Risk Reduction

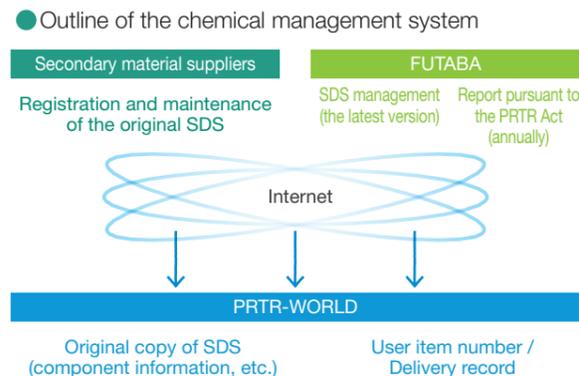
In response to various regulations concerning chemicals, we are managing and reducing the quantities of chemicals used, transferred or released that could be hazardous to human health and ecosystems.

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.

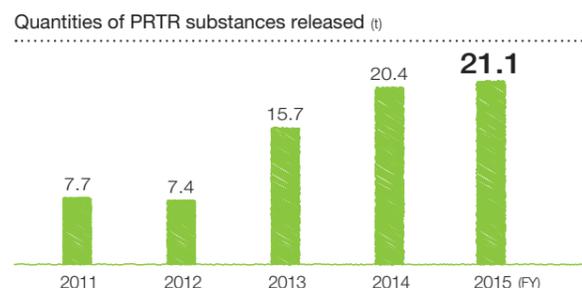


PRTR
Pollutant Release and Transfer Register, which is a system whereby the release and transfer of chemicals suspected of being harmful are tracked quantitatively and registered.

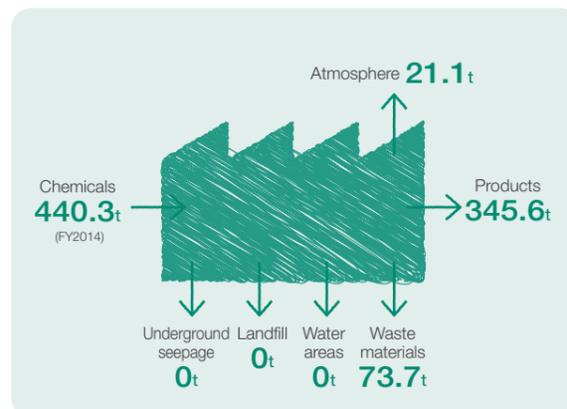


Efforts to Reduce Chemical Substances

As for the quantity of chemical substances used, while the overall quantity decreased by 17% from 529t in the previous year to 440t as a result of reduced quantity of fuel-related substances used, the output of substances subject to PRTR increased by 3.4%, which is a result of an increase in the quantity of paint-related substances used due to quality improvement efforts made in the form of repainting floors in plants, palettes and jigs.



Quantities of PRTR substances released and transferred

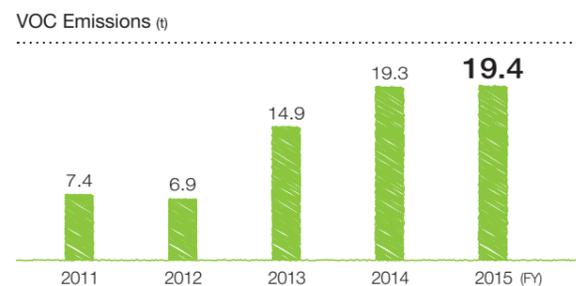


Reduction of VOC (Volatile Organic Compounds) Emissions

VOC emissions slightly increased by 0.5% as a result of an increased use of paint-related substances, offsetting the suppressed use of fuel-related substances.



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



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).

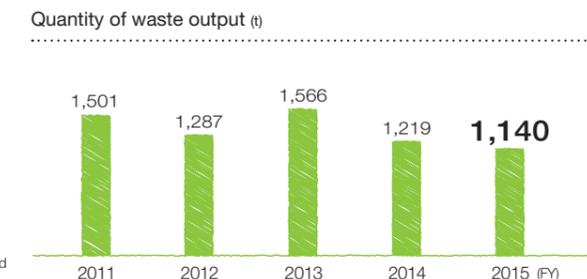
Industrial Waste Reduction

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 FY2015, we set the reduction target at a high level and made company-wide efforts. We also promoted the recycling of waste materials, as a result of which industrial waste output decreased by 6% from the previous year.

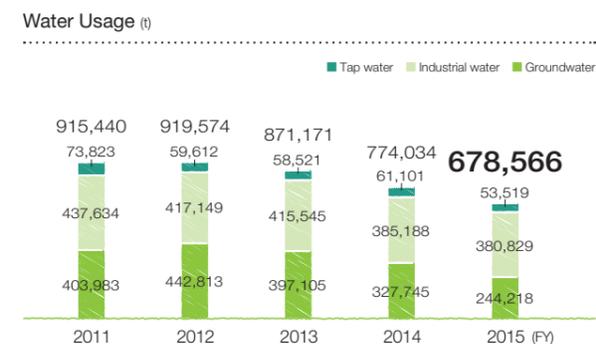


Conservation of Water Resources and Preservation of Biodiversity

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 discharged into the public waters after separating out the oil in the oil-water separator tank. Additionally, sewage is constantly controlled in accordance with our voluntary standards, which are more stringent than the statutory standards. After the treatment in the septic system or the effluent treatment facility on our premises, the sewage is discharged into the public waters.



Efforts to Preserve Biodiversity

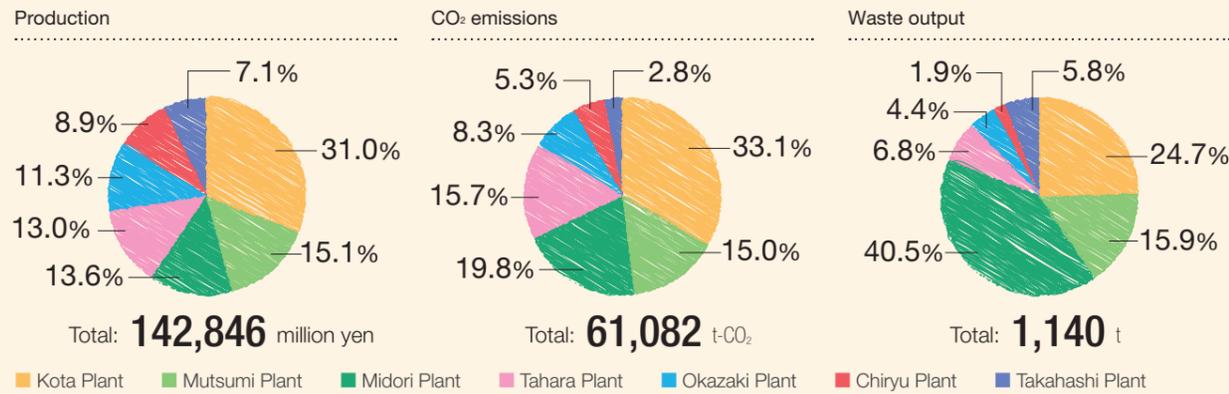
Futaba has been engaged in "reforestation activities" by leasing the forest owned by Okazaki City since 2011. As for the highlights of activities in FY2015, we took on the challenge of "Compost Making" using fallen leaves collected at the site during hands-on reforestation work in June. We also held events targeted at families that are raising children: they indulged in the "Beetle (Japanese Dynastid Beetle) Catching Event" in July, and enjoyed making Christmas wreaths in the "Woodwork Class" in November. In these events, we used original materials to answer the simple question "why tree lopping would lead to reforestation," providing explanations in a manner that even children could easily understand. These efforts have been introduced on Aichi Prefecture's website, with Futaba being featured as a company providing child-raising support.



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
 Total site area : 49,641 m²
 Building floor area : 32,344 m²

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



Kenji Tsuyuguchi
Plant Manager

This year marks the 50th anniversary since the relocation of the Head Office and Okazaki Plant to Hashime-cho in Okazaki City. Under the Plant's policy to be "a company that contributes to the local community," the Plant proactively plans and conducts traffic safety, regional cleaning volunteering and other such activities, while also making efforts in developing human resources into voluntary participants. Other than replacing lights inside and outside the Plant with LEDs and contributing to the environment through the reduction of

CO₂ emissions, we also endeavor to promote the mental health of employees through a lively work environment and create a safe and secure town by installing bright street lamps.

At the meeting of the Environment Committee convened once a month, the respective persons in charge of environment-related facilities in the Plant report the management status, etc. together with photos on a monthly rotating basis, and reexamine the focus on the regional environment.

Environmental and Social Activities

- Last year, we applied for the community-linked traffic safety model business for which entries had been sought by Aichi Prefecture, and held a traffic safety lecture targeted at senior citizens in the Kitano school district where the Plant is located, in collaboration with the regional general meeting of representatives, Citizens Services and Security Division of Aichi Prefectural Government, Safety and Security Division of Okazaki City Government and the Traffic Department of Okazaki Police Station. The lecture started with a talk given by the head of the Traffic Department, followed by participants experiencing automobile, bicycle and pedestrian simulators; and the event seems to have helped many elderly people become aware of many things. As a company involved in automobiles, we will continue to hold such lectures in hope of eliminating tragic traffic accidents in the local community.



▲ Traffic safety lecture

- The Plant's parking lot faces the new and old Hirabari Kaido road; during the installation of lighting, we were mindful of positioning lights to make the sidewalks as bright as possible so that pedestrians and cyclists could pass through with a sense of security even at night. We also cut the trees that were blocking the view in the Plant's north-east direction and placed flowerbeds to help create a local community with low traffic accident risks and high crime-prevention standards.



▲ Flowerbed placement



▲ Experiencing a pedestrian simulator

Information on Environmental Impact

Power consumption	9,262 thousand kWh	Water resources input	129,534 t	Atmospheric chemical emissions	1.075 t
Gas consumption	242 thousand m ³	CO ₂ emissions	5,043 t-CO ₂	Waste output	50.6 t



Midori Plant

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

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



Yasuyoshi Shirai
Plant Manager

We cover the entire range of production (i.e., stamping → assembly → coating/zinc plating → shipping) for various items, major examples of which include automotive parts such as suspension, fuel inlet pipes and instrument panel. We have engaged in in-house voluntary research activities, produced results such as improving the productivity

of the main line of business, reducing in-process waste and decreasing distribution loss and endeavored to reduce energy consumption and CO₂ emission. Every person partakes in environmentally-conscious production activities.

Environmental and Social Activities

- We switched from gasoline-powered to battery-powered forklifts. By replacing 5 forklifts, we reduced gasoline consumption by 4,750l/month and CO₂ emission by 10.62 t CO₂/month.
- We replaced the steel chemical tank (aluminum sulfate/caustic soda) with a plastic one, thereby reducing the risk of leakage from the tank. We also further reduced environmental risks by renewing the inner dike wall (FRP finish).
- We monitor the reliability of water quality by breeding killifish in tanks filled with effluent from the Plant. Killifish eggs have repeatedly hatched, and the young killifish are swimming energetically.



▲ Killifish kept in tanks



▲ Plastic tank with renewed inner dike wall

Information on Environmental Impact

Power consumption	19,559 thousand kWh	Water resources input	168,413 t	Atmospheric chemical emissions	1.614 t
Gas consumption	2,929 thousand m ³	CO ₂ emissions	12,094 t-CO ₂	Waste output	460.6 t



Chiryu Plant

Address : Donsuyama 110, Aizuma-cho, Chiryu-shi, Aichi, Japan
 Total site area : 35,742 m²
 Building floor area : 19,381 m²

Products : Mufflers, fender shields, cows



Yasuyoshi Shirai
Plant Manager

The Chiryu Plant, which is located in Chiryu City, Aichi Prefecture, mainly manufactures body parts for automobiles. In FY2015, we engaged in improvement activities by exercising our collective wisdom in working out how to manufacture and supply products efficiently in response to changes in production stemming from increased production by customers. Efficient production not only shortens the

operation time of equipment and reduces electricity consumption but also reduces total working hours, which is deemed to help each employee attain work-life balance. In this fiscal year, we will continue making further efforts to become a company that is well liked by local residents, while also seeking to become a company in which our employees can work comfortably with a sense of fulfillment.

Efforts of Plants and Group Companies

Chiryu Plant ▶ Environmental and Social Activities

- Since last year, we have been given the opportunity to set up a sausage stall at the summer festival in Aizuma-cho, which is home to Chiryu Plant; our employees, led by younger staff members clad in matching Japanese traditional happi coats, participated in the event. The stall enjoyed greater popularity than expected, and the smiles on high-spirited children's faces left a lasting impression. Given that we normally have few opportunities to interact directly with local residents, we are eager to cooperate in events like this regularly in the future.
- We have been promoting traffic safety on street corners in the morning on "zero traffic accident days" (on the 10th, 20th and 30th of each month) and engaging in cleaning activities targeted at areas around the Plant, as well as participating in the annual litter-pickup event called "Clean Sunday" in Chiryu City held in June.



▲ Sausage stall



▲ Promoting traffic safety out on the streets



▲ Cleaning activities targeted at areas around the Plant

Information on Environmental Impact

Power consumption	6,297 thousand kWh	Water resources input	50,010 t	Atmospheric chemical emissions	0.133 t
Gas consumption	39 thousand m ³	CO ₂ emissions	3,248 t-CO ₂	Waste output	21.9 t



Kota Plant

Address : Nagamine Yanagisawa 1-1, Kota-cho, Nukata-gun, Aichi, Japan
 Products : Mufflers, exhaust manifolds and other exhaust systems
 Total site area : 236,742 m²
 Building floor area : 103,309 m²



Tateo Kawabuchi
Plant Manager

With the research and development departments located on the same premises, we are the largest of Futaba's business locations. As the development and production departments are in the same Plant, prompt feedback concerning issues in the manufacturing process is given to the development department. In FY2016, the transfer of the exhaust system parts equipment department from Takahashi Plant led to the

launch of a framework in which three departments, i.e., the development, production and equipment departments, work as one to manufacture more superior products. The Kota Plant also cherishes its ties with local residents. We are striving to be a plant that is appreciated by local residents through plant tours and various events.

Environmental and Social Activities

- We invite local residents to a ground golf tournament and a BBQ party held every year, using our grounds adjacent to the Plant. Approximately 100 people participate in this event each time. In the ground golf tournament, a wide range of people have fun, from serious players aiming to win the tournament to children participating with their fathers. In the BBQ party held after the tournament, our employees including Plant Manager Kawabuchi join the participating local residents and get the opportunity to openly listen to their opinions.
- We readily accept visits to Kota Plant, as Futaba's flagship plant. We make the appeal of Futaba widely known to those outside the Company through PR activities targeted at customers, administrative institutions, etc., student field trips from neighboring elementary schools, corporate research by university students, etc. Further, visitors are given the opportunity to have a simulated experience of dangerous situations at the safety simulation facility in the Manufacturing Training Center adjacent to the Plant. This has been highly rated by many visitors, as it enables them to become more sensitive to danger while in a setting where safety is ensured. We will continue to be a plant that is appreciated by many stakeholders including customers and local residents through such activities.



▲ Ground golf tournament



▲ Plant tour

Information on Environmental Impact

Power consumption	33,843 thousand kWh	Water resources input	96,564 t	Atmospheric chemical emissions	13.710 t
Gas consumption	15 thousand m ³	CO ₂ emissions	20,243 t-CO ₂	Waste output	280.9 t



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
 Total site area : 78,018 m²
 Building floor area : 48,525 m²



Deno Kanamoto
Plant Manager

Our plant primarily manufactures automobile body parts as well as information- and environment-related parts. We are contributing to the environment and energy conservation by reducing automobile body weight through the processing of ultra-high tension materials in the body parts segment and by manufacturing key components of ENEFARMS, etc. in the environmental-related parts segment. Two hot stamping (process in which heated steel sheets are cooled immediately after being stamped) lines went into full operation in the previous fiscal year.

These are hot stamping lines that have continued to take on the challenge of addressing conflicting demands of enhancing strength and reducing automotive body weight. We also intend to 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 engaging in environment conservation activities.

Environmental and Social Activities

- As we place importance on making contributions to the local community, we promote traffic safety at the pedestrian crossings to the east and west of the Plant, where there is heavy vehicular traffic, in order to ensure the safety of local elementary and middle school students on their way to and from school. We stand at the crossings on the Zero Traffic Accident Days (10th, 20th and 30th of each month) and every day during the prefectural Traffic Safety Campaign period in an effort to prevent traffic accidents.
- We also provide traffic safety education to employees to turn them into role-model drivers in the community, including DVD-based traffic safety education targeted at our new employees and mid-career employees as well as lectures by staff members from the Traffic Department of Okazaki Police Station, in an effort to prevent traffic accidents while commuting and at other times.



▲ Beautification activities around the Plant

- In terms of energy conservation activities that lead directly to the reduction of CO₂ emissions, in FY2016, we are planning and implementing improvements in order to achieve the goal of reduction by 3% from the FY2013 level (1% reduction per year). Major improvements included reducing the standby electricity of robots through the simplification of production lines (switch to slim and compact lines with the minimum number of robots necessary), and setting facilities to operate at optimum conditions as achieved through the use of inverters, switching to highly efficient transformers, and enforcing strict control of the temperature and time setting of air conditioners. Furthermore, we conduct monthly energy conservation patrols to maintain and promote awareness on energy conservation.



▲ Energy conservation patrol



▲ Promoting traffic safety out on the streets

Information on Environmental Impact

Power consumption	16,242 thousand kWh	Water resources input	108,180 t	Atmospheric chemical emissions	0.638 t
Gas consumption	3 thousand m ³	CO ₂ emissions	9,189 t-CO ₂	Waste output	181.7 t

Efforts of Plants and Group Companies



Takahashi Plant

Address : Hifumi 24, Takahashi-cho, Okazaki-shi, Aichi, Japan
 Total site area : 29,962 m²
 Building floor area : 17,343 m²
 Products : Production of dies, welding assembly lines and fine blanking products



Yoshihito Yamada
Plant Manager

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

our efforts in welding assembly lines involve promoting the reduction and downsizing of cylinders, valves and other such components and reducing electricity consumption. In this fiscal year, we will continue to push ahead with "environmentally-friendly stamping die and assembly line development."

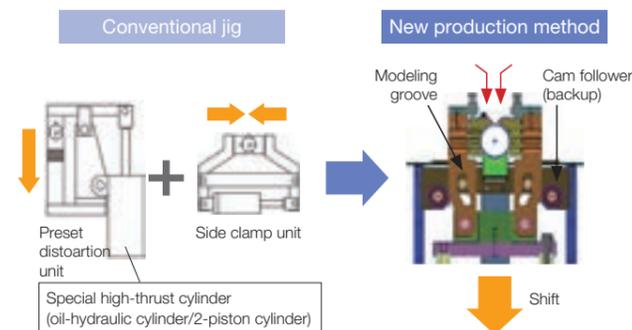
Environmental and Social Activities

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

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

- (1) Oil-hydraulic unit ⇒ Specification downgrading by switching to air-hydraulic cylinder
- (2) Revolving table robot external shaft motor ⇒ Change in structure to be operated by air cylinder with a brake
- (3) Oil-hydraulic press ⇒ Switch to simple link press by motor and ball screw
- (4) Reduction of cylinders by utilizing mechanisms
- (5) Reduction of number of jigs for production by sharing jig units
- (6) Higher thrust of air by utilizing linkages (abolition of oil hydraulics)

Reduction of units by linkages



The conventional production method requires **two units**: a unit for presetting distortion; and a side clamp unit to prevent the work from opening.

Modeling groove is used to enable a side clamp and preset distortion in **one motion**

<Reference> Annual reduction volume: Reduction of 1.839t-CO₂

Information on Environmental Impact

Power consumption	2,755 thousand kWh	Water resources input	16,782 t	Atmospheric chemical emissions	0.470 t
Gas consumption	2 thousand m ³	CO ₂ emissions	1,695 t-CO ₂	Waste output	66.3 t



Tahara Plant

Address : Midorigahama 1-5, Tahara-shi, Aichi, Japan
 Total site area : 102,461 m²
 Building floor area : 56,725 m²
 Products : Mufflers, exhaust manifolds and other exhaust systems, cowls, rear axle housing



Kazumitsu Ozaki
Plant Manager

The Tahara Plant produces exhaust system parts, body parts, suspension system parts, etc. for automobiles. As our plant is located on the sea shore, we are particularly concerned about polluting the environment. In terms of the management of effluent treatment, we are stepping up our efforts to prevent pollution by setting voluntary standards and increasing inspection frequency. As for energy

conservation activities, we are making steady efforts to conserve electricity and prevent air leakages while making investments in energy-saving equipment such as replacing skylights in the Plant with new ones and introducing LED lighting. Each and every one of our employees are exchanging ideas and cooperating with each other to reduce environmental load.

Environmental and Social Activities

● As part of our energy conservation activities, we adopted timer-based control of air conditioners, replaced the skylights in Building No.1 with new ones, introduced two battery-powered forklifts and switched 20t and 5t cranes to inverter-type cranes, among others, resulting in the decrease in CO₂ emission by 98.97tCO₂/month. Following last year, we again participated in the "Winter Light-down Campaign" held in February in conjunction with the Energy-saving Month, and the "Summer Light-down Campaign" held from June through July.

We registered for the Eco Challenge Declaration of Tahara City again this fiscal year. We will conduct energy conservation activities on our business sites and participate in events sponsored by Tahara City.

● Traffic Safety Association of Tahara Coastal Companies jointly stood along the industrial road on the east side of the Plant to promote traffic safety during the spring, summer, fall and winter prefectural Traffic Safety Campaigns, in which both labor and management participated as one. Every day during the campaigns, various departments took turns in promoting traffic safety on the roads along the Plant used by commuters and in cleaning the roads in the neighborhood.



▲ Skylights in the ceiling



▲ Air conditioner timer



▲ Promoting traffic safety out on the streets

Information on Environmental Impact

Power consumption	18,443 thousand kWh	Water resources input	109,083 t	Atmospheric chemical emissions	3.416 t
Gas consumption	2 thousand m ³	CO ₂ emissions	9,570 t-CO ₂	Waste output	77.8 t

Group Companies



Futaba Kyusyu Co., Ltd.

Address : Kawahara 5515, Ohkawa-cho, Imari-shi, Saga, Japan (Head Office / Imari Plant)
 Total site area : 136,973 m² (Total for Head Office, Imari Plant and Nogata Plant)
 Building floor area : 45,378 m² (Total for Head Office, Imari Plant and Nogata Plant)
 Products : Mufflers, exhaust heat recovery devices, pillars, cowls, instrument panels, inlet pipes, pedals, beams



Nobuharu Hamada
President and Representative Director

In April 2016, Futaba Kyushu's Head Office was relocated from Imari City, Saga Prefecture to Nogata City, Fukuoka Prefecture. As both Imari and Nogata Plants had been proactively making efforts for the ISO, their goal to become

an environmentally-friendly production plant remains unchanged. With the aim of achieving zero emissions, we routinely promote the elimination of production loss, defect loss and transport loss while taking good care of resources.

Environmental and Social Activities

● Previously, Imari Plant's compressors had been switched on and off manually, so the staff would occasionally forget to switch it off. But having adopted the automatic control of compressors, the switch is no longer left on accidentally, saving approximately 10,000kW.

● Previously, there were multiple switches for air conditioners in Nogata Plant, which were managed by departments individually. Now that the air conditioners are managed in a centralized manner in consideration of the air temperature, heat stroke index and other such factors, air conditioners are no longer left on by accident, leading to the reduction of power consumption by around 3,000kW per month as well as improved comfort inside the Plant.



▲ Automatic control of compressors



▲ Centralized management of air conditioners

Information on Environmental Impact

Power consumption	14,933 thousand kWh	Water resources input	20,393 t
Gas consumption	6.1 thousand m ³	Waste output	119.2 t

Efforts of Plants and Group Companies



Apics Co., Ltd.

Address : Sumi Minamiyama 2-1, Kota-cho, Nukata-gun, Aichi, Japan (Head Office, Plant)
 Building floor area : 17,681 m² (Total for Head Office, Kota Plant and Anjo Plant)
 Products : Production of automobile parts and dies, stamping, assembly
 Total site area : 49,699 m² (Total for Head Office, Kota Plant and Anjo Plant)



Shingo Tanemura
President and Representative Director

Our Head Office and Kota Plant, which are situated in an industrial park adjacent to Kota Sumi Interchange on Meiho Road (National Route No. 23), engage in business activities in an environment blessed with greenery.

We not only conduct activities that protect the local environment and potentially contribute to the local community, but also actively take part in local events in an effort to better communicate with the local residents.

Environmental and Social Activities

We are engaged in environmental beautification projects such as cleaning the streets surrounding the industrial park and the roads in the vicinity of Kota Sumi Interchange and removing weeds, in addition to traffic safety activities. Meiho Road, which runs in front of Apics, is a regional high-standard road and is expected to become increasingly important as "the lifeline of Aichi Prefecture's manufacturing sector" in the future. With this in mind, we are lobbying for social infrastructure development, together with neighboring major companies and the respective mayors of Kota-cho and Nishio City. The early opening of the entire route of Meiho Road and its conversion into a four-lane road will not only have economic effects in terms of improved convenience, lower distribution costs, etc., but is also expected to have various effects in the form of reduced CO₂ emission, improved fuel economy, ensured safety and peace of mind, etc. by alleviating traffic jams in National Route 1 and other arterial roads. We will continue to engage in such social contribution activities in cooperation with municipal governments and neighboring major companies in the future.



▲ Environmental beautification project

Information on Environmental Impact

Power consumption	2,240 thousand kWh	Water resources input	4,265 t
Gas consumption	1.5 thousand m ³	Waste output	95.85 t



Futaba Hiraizumi Co., Ltd.

Address : Hiraizumi Kamitokuzawa 65, Hiraizumi-cho, Nishiiwai-gun, Iwate, Japan
 Building floor area : 17,148 m²
 Products : Mufflers and body parts
 Total site area : 77,244 m²



Isao Goto
President and Representative Director

Our production activities are divided into three activities: stamping of metal materials; welding and assembly; and transport and delivery. By proposing improvements for the environment and ensuring that they are carried out in production activities, we are raising the environmental

awareness of each and every employee, collaborating with municipal governments and local residents, and making efforts to conserve the beautiful natural landscape in harmony with the preservation of historic sites.

Environmental and Social Activities

In Iwate Prefecture, where forests account for approximately 75% of the land, Futaba Hiraizumi is established in Hiraizumi-cho, surrounded by lush green nature. We have been planting seasonally blooming trees in our premises for some time: in this fiscal year, we planted a total of 11 cherry trees (Somei-yoshino/Yamahiba-zakura). Together with Hiraizumi-cho, which aims to "build a town with beautiful nature," we are striving to preserve its natural environment and landscape, as well as pushing ahead with initiatives that help create a society that is comfortable to live in for our employees and local residents.



▲ Planting cherry trees

Information on Environmental Impact

Power consumption	4,735 thousand kWh	Water resources input	2,552 t
Gas consumption	1.7 thousand m ³	Waste output	47.81 t



Relationship with Customers

We engage in the research and development of cutting edge technologies in order to provide products and services worldwide that satisfy our customers in terms of both quality and cost.

Message from the Director in Charge of Quality



Noriyoshi Kurono
The Person Responsible for Quality Assurance
General Manager, Quality Assurance Department

There is no end to quality improvement activities

In order to be "a company that is trusted by customers" as stated in our management principles, a mission that we must fulfill without fail is to deliver "high quality."

In FY2016, we are working to make further improvements in the quality assurance structure to prevent quality issues from arising and obtain ISO/TS16949 certification on a company-wide scale, as proof of a company that is trusted for quality. All of our employees will work as one with the aim to "be a company that is trusted by and is essential to our customers" by building a strong quality management system.

Quality Policy

The quality policy for FY2016 is to:

- (1) Thoroughly instill quality assurance to prevent serious quality problems from arising;
- (2) Obtain ISO/TS16949 certification for plants in Japan;
- (3) Improve the standard of activities for achieving the desired quality in production preparation through design, trial production, production engineering and manufacturing processes; and
- (4) Conduct ongoing improvement activities based on thoroughgoing analysis of true causes.

Through initiatives to improve the level of quality assurance with all functions working as one, we will aim to become a "company that is trusted for its quality."



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

Quality Improvement Debriefing Meeting

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



▲ Quality Improvement Debriefing Meeting

Global Expansion

We are aiming to expand our quality improvement activities to include domestic and overseas subsidiaries, so that the various sites may compete with each other thereby increasing the overall quality level of the Group.

Relationship with Shareholders and Investors

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

Disclosure Policy and IR Activities

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

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

Communication with Shareholders

As we prize our communication with our shareholders, we give utmost priority to transportation convenience in the selection of venue for our Ordinary General Meeting of Shareholders.

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



▲ The 102nd Ordinary General Meeting of Shareholders

Showcasing at “Automotive Engineering Exposition 2016 Yokohama”

We exhibited our products at the “Automotive Engineering Exposition 2016 Yokohama” held from May 25 (Wednesday) to May 27, 2016 (Friday). In this Expo, there were 538 exhibitors and more than 87,000 visitors during the three-day period.

At our display booth, we showcased our automobile parts such as exhaust system parts, body frame parts and other main products by using automobile-shaped wire frames so that general visitors could learn about them easily. To many visitors, we were able to advertise Futaba’s products that *improve fuel efficiency* and reduce weight, which contribute to the manufacturing of safe, clean and comfortable automobiles.



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 FY2015:

- (1) Structurally reinforce suppliers by enhancing collaboration with other departments; and
- (2) Enhance procurement bases capable of contributing to Futaba NGA on a global scale.

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

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

Basic Procurement Policy

In order to manufacture parts that will satisfy our prized customers, Futaba conducts procurement in accordance with the following three basic policies:

1. Open and Fair Optimal Procurement

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

2. Ongoing Transactions based on Mutual Trust

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

3. Matching Global Perspectives with Optimal Local Procurement

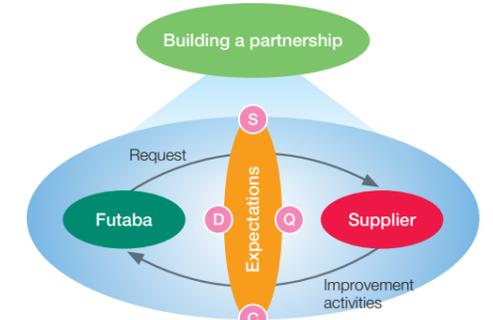
- We build competitive procurement bases in each region of the world in order to contribute to the optimal local manufacturing of each customer.
- We will contribute to the local communities by proactively utilizing local suppliers.

Establishment of Trust with Suppliers

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) The policies of the Procurement Department and the Material Procurement, Parts Procurement and Dies/Assembly Lines Procurement Departments; (2) Customer information; (3) Quality status of suppliers; (4) Good examples of cost improvement; (5) Quality-related examples; (6) Introduction of products for which we received orders; (7) Information on production plants; (8) Information on production technologies concerning dies; (9) Information on production technologies concerning assembly lines; (10) Information on overseas production sites; and (11) Comments to Futaba. We also notify Futaba’s requests for the fiscal year in terms of safety, quality, delivery and costs to key suppliers, and engage in expectation activities for sharing goals. Through such activities, we will build a partnership in which Futaba and its suppliers will engage in friendly competition and grow together by heading toward the same direction.

Achieving higher levels through expectation activities

“Expectation activities”: Futaba’s requests for the fiscal year in terms of safety, quality, delivery and costs are notified to key suppliers in order to share goals.



* Enable suppliers and Futaba to grow together through expectations.

Green Procurement, etc.

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

Based on our environmental policy, we are endeavoring to realize green

procurement by asking our suppliers to (1) comply with relevant laws and regulations, (2) build environmental management systems, (3) promote initiative to reduce environmental impact (reduction of distribution-related CO₂, reduction of packing and packaging materials, improvement of environmental performance) as a part of their voluntary environmental activities.

Relationship with Employees



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

Message from the Director in Charge of Personnel Affairs



Takashi Fujii
General Manager, General and Personnel Affairs Department

Become a company that is widely supported and appreciated by the local communities

Our management principle is to “Become a company that is widely supported and appreciated by the local communities.” In order to “Become a company that is widely supported and appreciated by the local communities,” we need to have the mindset to “work together with local communities” and respect each other. To this end, we proactively participate in activities and events that contribute to the communities and conduct various types of employee education and engage in workplace development so that each and every employee can have a high level of awareness of being a member of the community at all times.



Building a Workplace Where Safety Comes First

For the purpose of building a safe and comfortable workplace, we are engaged in the activities focusing primarily on the following matters in consideration of our accomplishments in and reflections on the previous fiscal year to make the daily life of each and every worker fulfilling.

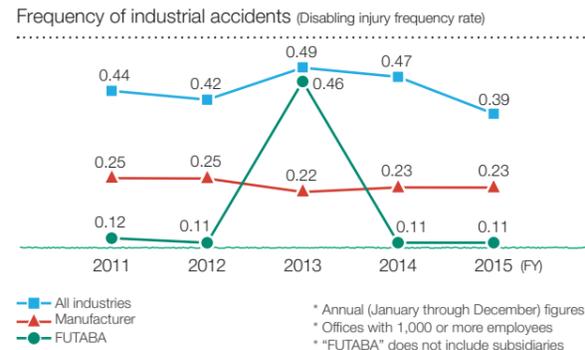
Our activities consist mainly of “A” activities comprising those continuing from the previous fiscal year and “B” activities comprising efforts to improve the results from the previous year.

[A. Prevention of industrial accidents]

- (1) Conduction activities to prevent serious accidents
- (2) As activities to improve workers' knowledge and awareness, distribute the “Safety Tips Handbook” to all workers and deepen their knowledge and awareness through “28 (Futaba) Dialog Activities”
- (3) Conduct activities to prevent accidents arising from people falling over through “No Hands in Pockets” Campaign”

[B. Health promotion activities]

- (1) Implement a “health promotion campaign” with the participation of all employees for the amelioration of metabolic syndrome
- (2) Execute a stop-smoking campaign aimed at preventing passive smoking and reducing smokers
- (3) Improve work environment, use heatstroke-related items and conduct activities to take the right measures based on correct knowledge through “28 (Futaba) Dialog Activities” aimed at achieving “zero” heatstroke



Human Resource Development

Nurturing manufacturing professionals

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

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

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

Provision of Education for Skill Development

Education by Rank

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



▲ Education by rank (new employee training)

Education by Function

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



▲ Education by function (Education on stamping safety)

Education by Workplace

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



▲ On-the-job training and education at the production site



Utilization of Diverse Human Resources

Recruitment

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

Hiring of disabled persons

We actively employ disabled persons to assist them to live independently and participate in society. The percentage of employees with disabilities in FY2015 was 2.14% and exceeded the statutory requirement. We will continue to make efforts to expand the employment of individuals with disabilities.

	FY2011	FY2012	FY2013	FY2014	FY2015
No. of employees	3,166	3,205	3,211	3,249	3,300
(Of which are female employee)	278	292	286	286	295
No. of non-Japanese employees	14	18	19	17	17
No. of re-employed workers	75	78	87	86	86
Percentage of employees with disabilities	1.82%	1.84%	2.29%	2.37%	2.14%



Establishment of a pleasant workplace

Promotion of Paid Annual Leave

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

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

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

Improvement of the Childcare Support System

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

	FY2011	FY2012	FY2013	FY2014	FY2015
No. of employees who took childcare leave	31	34	43	46	43
Percentage returning to work after extended childcare leave	88.9%	94.1%	95.3%	100.0%	100.0%
No. of employees who worked shorter hours due to childcare	5	21	20	27	32

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.

Traffic Safety Initiative Futaba Joins 3,000 People Promoting Traffic Safety Out on the Streets in Toyota City

On September 24, 2015 (Thursday), we participated in the all-out event to promote traffic safety along National Route 248 in Toyota City.

This event is an annual traffic safety activity conducted jointly by companies located in Toyota City, with a total of 3,000 participants. Members of our plant situated in Toyota City participated in the activity and advocated traffic safety.



▲ Our employees advocating traffic safety



▲ Letter of appreciation

Letter of Appreciation Received from Okazaki Police Station, Aichi Prefecture

On September 30, 2015 (Wednesday), we received a letter of appreciation for being an outstanding administration office of safe driving at the FY2015 Traffic Safety Commendation Ceremony held at the Okazaki Chamber of Commerce and Industry. We were commended for having recognized the importance of traffic safety and proactively promoted safe driving management.

Five Futaba employees received the award for outstanding automobile drivers which is presented to people who work in the jurisdiction of Okazaki Police Station.

On October 15 (Thursday), three members of Futaba's Midori Plant received the award for outstanding automobile drivers, granted to individuals who work in the jurisdiction of Toyota Police Station at Toyota City Citizens' Cultural Hall.

To Eliminate Traffic Accidents Caused by Our Employees, Futaba Submits "Oath" of Traffic Safety

On December 14, 2015 (Monday), we submitted to Okazaki Police Station an "Oath of Traffic Safety" made by 2,406 employees of four plants and two subsidiaries in the jurisdiction of Okazaki Police Station. This activity is conducted at all plants in conjunction with the year-end prefectural Traffic Safety Campaign period; in this fiscal year, we submitted the oath made by 4,058 employees including our domestic subsidiaries to the police stations concerned.

Excellent works of "traffic safety slogans," for which entries had been sought simultaneously with the oath, were also chosen by Okazaki Police Station.

Excellent works of traffic safety slogans

- First Prize "The more you hurry, the more likely you will be in an accident"
- Second Prize "Always keep calm when you are driving - Give way! Stop! Check!"
- Third Prize "Driving is about being kind enough to give way, and being at ease"



▲ Senior Executive Officer Fujii submitting "Oath of Traffic Safety" to Okazaki Police Station Chief Yamauchi

With Surprise Guest "Hugmin" Reforestation Activity "Woodwork Class"

On November 21, 2015 (Saturday), we held a "Woodwork Class" at Mori no Sogo Station in Kashiya-cho, Okazaki City. This event is a winter project of "reforestation activities" promoted as an initiative to preserve biodiversity. Participating parents and children, totaling 45 persons from 12 families, had fun making Christmas wreaths together.

We were also interviewed by the Child-raising Support Section of Aichi Prefectural Government for our activities contributing to child-raising support, and were given a surprise visit by official mascot "Hugmin."



Children excited at seeing Hugmin ▶



▲ Making Christmas wreaths



▲ Our display booth at the 8th Exciting Energy Conservation Class

Promoting Activities to Raise Awareness of Energy Conservation Showcasing at the 8th Exciting Energy Conservation Class

On December 20, 2015 (Sunday), we exhibited our products at the 8th Exciting Energy Conservation Class held at Okazaki City Library and Community Plaza "Libra."

This event, held by the Okazaki City Global Warming Prevention Team for the eighth time, is aimed at raising local elementary and middle school children's awareness of energy conservation and global warming prevention activities.

As PR efforts targeted at visitors at the event, we showcased our eco-friendly products and displayed a panel showing our social contribution activities.

Comment from Local Residents

"Kitano School District's Dance of the Fireflies" Kitano Firefly Society

At the end of May, Japanese fireflies (*"heike-botaru,"* scientific name: *Luciola lateralis*) started to flutter along the water channel next to Yamashita Park at Kitano-cho this year again. The fact that the larvae of fireflies raised carefully and released by the members have flown is an outstanding feat for the second consecutive year.

Kitano Firefly Society was founded in April 2012. Five years later, our long-cherished dream to raise fireflies by ourselves is coming true. We would like to express our deep gratitude to local residents registered as members, the local general meeting of representatives, Futaba and other cooperating companies and offices for the support they have given us. We are truly grateful. We are proud of the high level of awareness of environmental conservation among many local residents and members of each organization.

As these activities have caught Okazaki City's attention, we have obtained the prestigious "Citizen's Environmental Target Certification" by the Environmental Department of Okazaki City Government in February 2015.

We will continue to engage in steady activities into the future, to fulfill our dream of creating an environment of "Kitano, home to naturally flying *heike-botaru*" in a couple of years' time. We look forward to the continued support by relevant parties through their environmental activities and social contribution activities.



▲ The members of the Kitano Firefly Society

Futaba Industrial Co., Ltd.

■ Contact Information

CSR and Environment Division, General Affairs Department

Azaochaya 1, Hashime-cho, Okazaki-shi,

Aichi, Japan 444-8558

TEL: 0564-31-2211, FAX: 0564-31-2220

URL:<http://www.futabasangyo.com/>