

FUTABA
Supplier Sustainability Guidelines

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FUTABA INDUSTRIAL CO., LTD.

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I. Introduction

FUTABA INDUSTRIAL CO., LTD. (hereinafter called FUTABA), as “a team that tackles challenges to grow” has endeavored to improve “Technological development” and “Monozukuri (manufacturing)” capabilities since its establishment. In 2015, we issued and announced “FUTABA Supplier CSR Guidelines”, which newly defined the social responsibilities that companies should make a concerted effort, and have been promoting business activities together with our partners from the perspective of CSR.

Issues such as human rights and natural environment have become more serious along with the progress of globalization, and the movements to work toward them on a global scale has accelerated in recent years. In response to this trend, the United Nations advocated SDGs with the aim of “Realization of a Sustainable Society” through specific goals. Had engaged in environment-friendly and CSR business activities to today, as from now, we would like to go forward with the keyword “SUSTAINABILITY”, which is more high-level and inclusive.

Therefore, the name of “Supplier CSR Guidelines” has been changed to “Supplier Sustainability Guidelines” while maintaining the fundamental concept adding various aspects such as human rights and environment and so on.

We hope that our partners to reaffirm the necessity and cooperate as FUTABA Supply Chain Team.

Furthermore, FUTABA strives to provide the following three values to our stakeholders including suppliers, and to disseminate information.

1. Environment

- Exhaust system parts that reduce negative impact on natural environment

2. Peace of mind

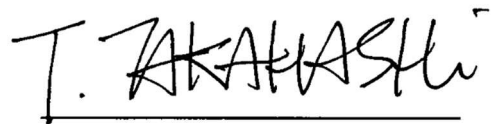
- Body and interior parts that protect people from danger and provide them with peace of mind

3. Enriched life

Products and services that increase quality of life
(agleaf(R) and new business etc.)

Our purchasing activities will be operated and instigated respecting the above as well.

Your understanding on the guideline and practical implementation to yourselves and your suppliers as ever is requested and greatly appreciated.

A handwritten signature in black ink, reading "T. TAKAHASHI". The signature is written in a cursive style with a horizontal line underneath the name.

Tomohiro Takahashi
Chief Officer, Purchasing Center
FUTABA INDUSTRIAL CO., LTD.

II. FUTABA Purchasing Basic Policy

FUTABA Purchasing Team strives to provide our valued customers with satisfactory products, services and values based upon the following three basic policies.

1. Optimum purchasing based on openness and fairness
 - Upon supplier selection, we present our expectation and evaluate appropriately on safety, quality, delivery, cost, engineering and SE and IT security capability, and SDGs program.
 - New supplier validation shall be done fairly and openly considering business robustness, attitude toward anti-social organization and environmental practice as well as the above.

2. Strategic purchasing in global and SDGs' aspect
 - In order to contribute to customers' optimum Monozukuri, and to react to new technology and process, we establish competitive purchasing infrastructure globally.
 - Support self-reliance of regional HQ and subsidiaries for the implementation of strategical procurement per area, and contribute to local community by utilizing local suppliers positively.
 - Develop our members capable to global work by continuous improvement of education system.

3. Long-term continuous business built upon mutual trust
 - Pursue mutual prosperity through communication and support in the long-term cooperation basis.
 - In mid-long term point of view, enhance optimization activities for the competitiveness as “FUTABA Group” all supplier chain inclusive.
 - Strive for optimum purchasing through continuous work kaizen and digital solutions as FUTABA Group.

III. Supplier Sustainability Guidelines

We are certain that activities should be reinforced toward sustainability to contribute to livable earth and more enriched society by offering products, services, solutions and values. On the premise of sustainable and long-term co-prosperity and partnership on the basis of the improvement and growth in engineering/Monozukuri capability, work quality and organization, we would like to strive for the followings pursuing the strong competitiveness as FUTABA supply chain.

(1) Share Basic Management Philosophy

We would like to perform the following philosophy together with our suppliers.

- **Relationship with Employees**
Endeavor to make the lives of employees comfortable and fulfilling, respect each employee's personality and individuality ensuring a safe comfortable working environment, and cultivate a corporate culture to promote human resource development.
- **Management based on a long-term stable perspective**
Carry out management based on a long term perspective and pursue mutual growth and development.
- **Relentless Kaizen Efforts**
We improve our ability and skill continuously without being satisfied with the current situation.
- **Two-way Communication**
We aim to achieve mutual prosperity through open and frank two way communication.

(2) Customer Satisfaction (Improvement of Safety/Peace of mind, Quality, Cost reduction, and Technical capabilities)

Continue acquiring customers' trust and satisfaction providing quality products and services produced and delivered in safe and secured process and manner.

- **Supply products and services meeting customer needs**
Develop and supply products socially useful meeting customer needs.
- **Provision of appropriate information on products and services**
We provide customers with appropriate information on product and service.
- **Ensuring safety and peace of mind on products and services**
Base on the policy "Safety is the first priority", we build work environment that employees can work safely and comfortably. We supply products and services in compliance with the applicable safety laws and regulations of each country and region.
- **Quality assurance of product and service**
Regarding post process as customer, we establish system and work process as corporate basis to assure product and job quality.
- **Cost reduction based on optimization**
Continuous cost reduction based on optimization to realize competitiveness for quality product and service at lower cost shall be pursued.

- **Improvement of technological capabilities**

Necessity and expectations for the three areas such as Natural environment, Safety & peace of mind and Enriched life are rising. Perceiving social & environmental needs as well as customers' accurately and taking the lead, we strive to improve our ability to embody, realize and offer solution and enjoyment at lower cost.

(3) Respect for human (Labor and Human rights)

We respect human rights and each individual employee.

- **Elimination of discrimination, and Diversity & Inclusion**

- a. Do not allow any kind of discrimination relating to race, nationality, ethnicity, gender, age, nationality, creed, religion, sexual orientation, gender identity, disability and family composition and so on, in any situation for employment (including the application, hiring, promotion, compensation, access to training, job assignment, wages, benefits, discipline, termination and/or retirement).
- b. Think highly of diversity and inclusion as the key element of the business growth, and encourage activities accordingly.

- **Harassment**

- a. Do not tolerate any form of harassment; for example, power harassment (abuse of authority), sexual harassment, peer pressure, any conduct that lowers the dignity of individual in workplace.
- b. Implement environment and procedure that employees can report without hesitation and fear, feel comfortable to report, and prompt investigation of any harassment complaints.

- **Child labor**

Do not accept labor by children who have not reached the legal minimum age for employment prescribed in local laws and regulations etc.

- **Migrant labor, forced labor**
 - a. Assure that all work to be a voluntary basis and employees can leave work or terminate their employment of their own volition. Do not tolerate forced labor by means of violence and threat or by entrapment of debt, or any other form of modern slavery and human trafficking.
 - b. Do not require employees to surrender passports, government-issued identifications, or work permits as a condition of employment. Do not exploit employees with high recruitment fees and other costs deemed unreasonable as a condition of employment.

- **Wages and benefits**

Comply with local applicable laws and regulations, etc., including those relating to minimum wages, overtime hours, wage deductions, piece rates and other elements of compensation.

- **Working Hours**

Comply with local applicable laws and regulations, etc., that stipulate employees working hours (overtime work inclusive), holidays and paid leaves.

- **Dialogue and consultation with employees**

Hold sincere dialogues and consultations with employee's representatives and/or employees.

- **Safe and Healthy Working Environment**

Strive to prevent accidents and injuries at workplace so that each employee can work without concerns prioritizing health and safety at work above all else.

(4) Environment

We continue working for harmonious growth with the global environment.

- Environmental Management System

Pursuing harmony and coexistence of nature and humans, we establish management system as company-wide, operate and improve continuously in order to implement wide range of environmental activities in conformance with local applicable laws and regulations of each region and country.

- Reduction of Greenhouse Gas (GHG) Emissions

- a. Manage and reduce GHGs from our operation, and effectively utilize energy in order to contribute to the prevention of global warming.
- b. Strive for the reduction of the environmental load toward future realization of decarbonized society regarding global environment protection as the important issue of our business.
- c. Present status and activities to be shared periodically and collaborated when necessary with suppliers.

- Prevention of environmental pollution such as air, water and soil

Comply with local applicable laws and regulations about anti-pollution for air, water, soil and so on, in each region and country, continue monitoring and reduction of pollutants to prevent environmental pollution.

- Resource Saving and Waste Reduction

- a. Strive for energy-saving equipment, material utilization, process design and optimization of packing material.
- b. Comply with local applicable laws and regulations in each region and country on proper waste disposal and recycling, and so on. Work for the reduction of landfill waste through the efficient use of resources.

- **Management of Chemical Substances**
 - a. Safely manage chemical substances that could be environmental pollutions. Ensure that prohibited chemical substances are not used in products complying with local applicable laws and regulations in each region and country.
 - b. Grasp and report to administrative body on the specified chemical substances used in processes ensuring that prohibited ones are not used comply with applicable laws and regulations in each region and country.

- **Establishment of a Society in Harmony with Nature**

Based on the recognition that biodiversity and society in harmony with nature is important, take initiatives that will help realize the production and purchasing in harmony and coexistence with nature.

(5) Legal Compliance

We strive to comply with applicable laws, regulations and their spirits of each country and region, and to conduct conscientious corporate activities.

- **Compliance with Laws and their Spirit**

Establish and implement policies, structure and mechanisms for ensuring legal compliance including a code of conduct, hotline, training and so on.

- **Management and protection of confidential information**

Obtain personal and confidential information regarding customers, business partners, own employees, others and so on, only by legitimate means. Manage and protect such information in a secure manner, and use it only within the permissible scope.

- **Protection of Intellectual Property**

Protect all intellectual property of the company against any infringement by others, and do not obtain fraudulently nor infringe the intellectual property of others.
- **Compliance with the Competition Laws**

Do not perform illegal actions against the competition laws and regulations of each country and region including private monopolies, unreasonable restraint of trade (cartel, collusive bidding, etc.) or unfair trade practices and insider transactions.
- **Export Controls**

The export of technologies and goods regulated by the laws and regulations of each country and region as to export controls is conducted in accordance with the appropriate procedures and controls.
- **Anticorruption Measures**
 - a. Our political donations and contributions to be carried out in conformance with applicable laws and regulations of each country and region, and we strive to build transparent and fair relationships with political organizations or administrative bodies.
 - b. Do not engage in giving or receiving entertainment, gifts or money with our business partners for the purpose of acquiring or maintaining unjust interest or wrongful preferential treatment.
 - c. Do not conduct fictitious or otherwise falsified transactions, or any other similar acts prone to be misconstrued as such, and shall make properly and keep books, records and accounts, which fairly reflect the transactions based on fair and reasonable judgment.

- **Responsible Material Procurement**
 - a. Obtain materials with consideration and care to avoid the procurement or usage of the ones which are unlawful or obtained through unethical or otherwise unacceptable means (such as *Conflicts minerals, cobalt, natural rubber).
 - b. Request suppliers on the cooperation such as the submission of the related document periodically or when necessary.

*Conflicts minerals ... 3TG (Tin, Tantalum, Tungsten and Gold)

(6) Disclosure of Information

We deliver and disclose our corporate information fairly and positively.

- **Disclosure of Information to Stakeholders**

Disclose information such as financial status, performance and operation in a timely and appropriate manner, and strive to maintain and develop mutual understanding and trust with stakeholders through open and fair communications.

(7) Social Contribution

We continue to engage in social contribution activities for the coexistence with society.

- **Contribution to the Local Communities**

Promote and actively participate in social contribution activities involving our employees for the development of local community, aiming to be trusted company by community.

(8) Risk Management

Strive to prevent and minimize various risks, and react instantly and appropriately upon the occurrence.

- Risk management systems

Performs risk analysis on business activities including information security; for example, cyber-attacks and information leakage etc., and establish and operate company-wide information control systems.

- Business Continuity Plans (BCP)

Formulate and operate the Business Continuity Plan (BCP) that minimizes risks of disasters such as earthquake, floods, fires etc. as well as incidents such as equipment stoppage and shutdown of various supplies etc., and secures prompt recovery and restart of operation.

(9) Requests to our Suppliers

- All of our business partners are requested to understand and conduct as stipulated in this “FUTABA Sustainability Guidelines” as well as FUTABA.
- Your initiatives and development to your own supply chain asking for their understanding and implementation of this guideline is requested, and your cooperation is greatly appreciated.
- Please assess your and your suppliers’ status periodically, and continuously perform corrective action. Please share your assessment results and various activities with FUTABA.