



F.tech Group  
**Environmental  
Report**  

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**2011**



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### Forecasts, plans and goals in this report

Future forecasts for F.tech Group (12 affiliated companies) are shown in this report and those were made based on the information at the time of publication of the report. Therefore, the results may be different from the forecasts in the report.

## Editorial Policy

We have been issuing Environmental Report since 2010 as environmental education as well as to inform our employees about our environmental activities. For this issue we have focused on not only our employees, but stakeholders to provide the information in an understandable way. Also from the Corporate Social Responsibility point of view we have expanded information to corporate governance, compliance, environmental aspects and social aspects as well. Activities of Quality Assurance, Health & Safety and Community Activity are also disclosed in this report. Guideline was referred by “2007 Environmental Report Guideline” issued by Ministry of Environment.

F.tech Group described as F.tech or our group. F.tech Inc. is mentioned as the company.

## Reporting term

Results of FY2010 (04/2010 – 03/2011) and activities in previous terms

## Organization (Abbreviated names in brackets)

\* As for Social Aspects, it is based on the activities of F.tech Inc. Activities of F.tech Group or group of companies is mentioned at each time.

F.tech Inc.

- Head Office & Kuki Plant <Saitama, Japan>
- Haga Technical Centre <Tochigi, Japan>
- Kameyama Plant <Mie, Japan>

Subsidiaries and Affiliated companies in Japan

- Fukuda Engineering Co., Ltd. (FEG) <Saitama, Japan>
- Kushu F.tech Inc. <Kumamoto, Japan>
- Reterra Co., Ltd. <Saitama, Japan>
- Johnan Manufacturing <Nagano, Japan>

Subsidiaries in overseas

- F & P Mfg., Inc. (F&P) <Ontario, Canada>
- DYNA-MIG, A division of F&P Mfg., Inc. (DYNA-MIG) <Ontario, Canada>
- F.tech Philippines Mfg., Inc. (FPMI) <Laguna, Philippines>
- F.tech R&D Philippines Inc. (R&DP) <Laguna, Philippines>
- F & P America Mfg., Inc. (F&PA) <Ohio, U.S.A.>
- F.tech R&D North America Inc. (R&DNA) <Ohio, U.S.A.>
- F & P Georgia, A division of F&P America Mfg., Inc. (F&PG) <Georgia, U.S.A.>
- F.tech Zhongshan Inc. (FTZ) <Guangdong, China>
- F.tech Wuhan (FTW) <Hubei, China>
- F.tech Mfg. (Thailand) Ltd. (FMTL) <Ayutthaya, Thailand>

The following companies are excluded;

F.E.G. DE QUERETARO S.A. DE C.V., FUTIAN MOULD TECHNOLOGY (YANTAI) CO., LTD. and Yantai Fuyan Trading Co., Ltd. are not mass production factories and therefore, they do not make impact on the environment.

## References

Environmental Report Guideline 2007

# Message from President



We would like to extend our sincere sympathies to those who were affected in the disaster areas. The F.tech Group will strive to support and recover the disaster-struck regions as early as possible. There were no major disruption to Kuki Plant (Saitama Pref.) and Kameyama Plant (Mie Pref.) However, the building of Haga Technical Centre (Tochigi Pref.) was damaged as well as a crane.

We set up an emergency headquarters immediately after the earthquake to be fully aware of the internal and external situation of the company and distribute correct information, and we executed the countermeasures for the disaster. Haga Technical Centre, the most severely damaged building constructed a temporary office at the end of March and started operation from the 1<sup>st</sup> of April. However the building needs full repair except for the framework and it is expected to be completed in December 2011.

Also, in order to reduce electricity consumption in the summer, we changed work shifts, controlled air conditioners' temperatures and used LED lightings to cut power consumption by 15%.

## EXPAND ENVIRONMENTAL REPORT TO SOCIAL ASPECT

We have been operating business with environmental concerns in three plants, Kameyama, Haga and Kuki received ISO 14001 certification in 1999. We issued the Environmental Annual Report in 2010 for the first time. In this year's issue we focused on Plan-Do-Check-Act cycle in making reports and sustainable activities. Also with consideration for Corporate Social Responsibility we started to disclose not only environmental aspects, but social aspects as well.

This matches one of F.tech's management policies "We aim to live together in harmony with the environment, local community, shareholders and employees".

## CO2 REDUCTION BY "LIGHTWEIGHT PRODUCTS" WHEN A CAR IS RUNNING

During the life cycle of a vehicle from mining raw materials to being produced as a vehicle and driving to disposal, it is said that CO2 is most produced when it is running. The progress of global warming is evident and the automobile industry's mission is how to reduce CO2 emissions from running vehicles.

At F.tech we are working on the reduction of our carbon footprint as well as developing "environmentally friendly products" as a most important task. We will develop not only lightweight products, but products that can reduce CO2 from running vehicles. You will see a part of our activities in this report.

## ENHANCE ALL-F.TECH'S EFFORTS

We developed the "F.tech Group Environmental Mid Term Plan" for 2011 to 2013. Nowadays, more than 60% of segment sales are generated by the overseas companies and more than 80% of employees are in overseas companies. Therefore, we set goals for 4 major items; "Prevention of Global Warming", "Obtain ISO 50001 Certificate", "All-F.tech Overall Management" and "Control System for Chemicals Contained in Products" to enhance the F.tech group's characteristics.

Tsuguo Kimura  
President  
August 2011



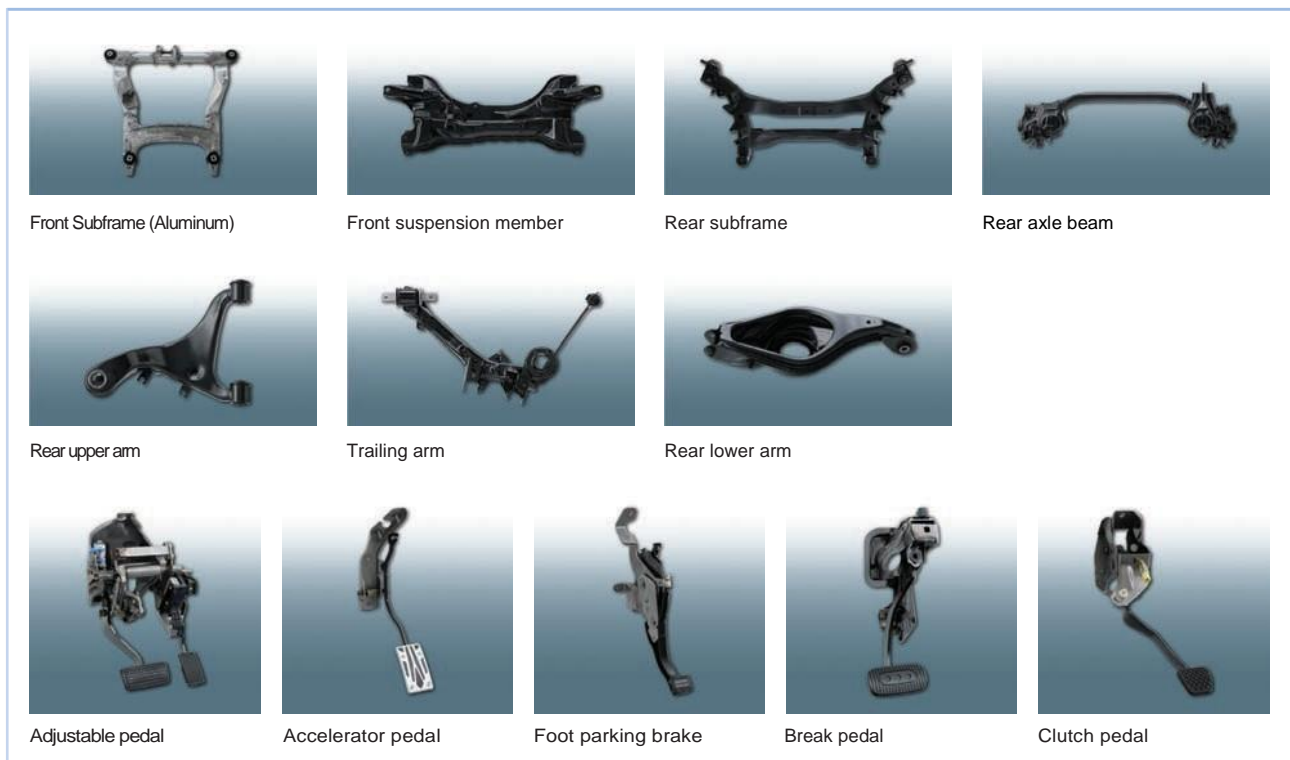
# Company Profile

## Developing and manufacturing critical safety suspension parts globally.

Speed, low cost, reliability, as well as responding to social needs such as safety and environmental performance means consistently working on planning, development and production.

## Major products

We manufacture critical safety automotive parts such as suspension, subframe and pedal with our unique integrated manufacturing system (from planning to development, fabrication of die/equipment, hydroforming process, welding, ED paint and assembly)



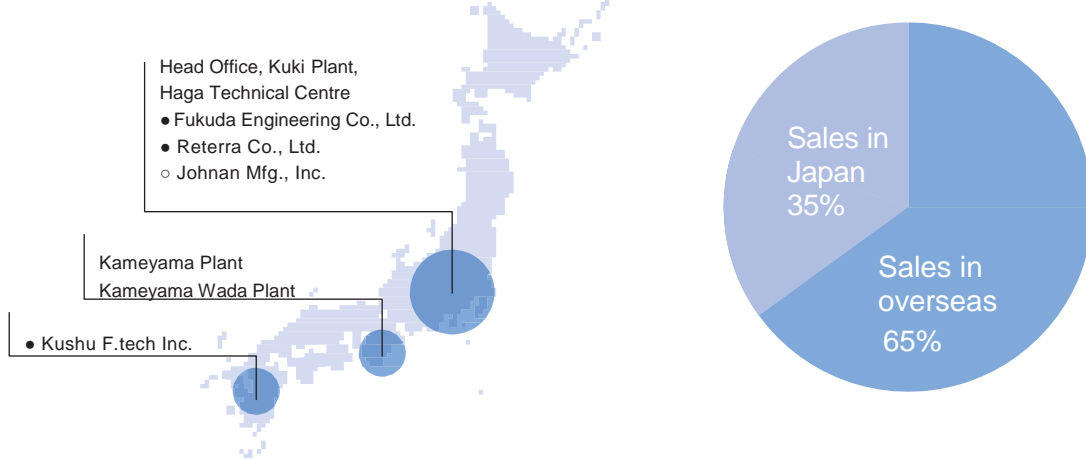
## Outline of the company

Company name	F.tech Inc.
Head Office	19, Showanuma, Shobucho, Kuki, Saitama, Japan
Established	July 1, 1947
Capital	2,677 million yen
President & COO	Tsuguo Kimura
Total number of employees	5,594 people (Consolidated) as of end of March 2011
Business activity	Development, design, manufacturing and sales of automotive parts and related dies, machinery and equipment, etc.
Major customers	Honda Motor Co., Ltd., Nissan Motor Co., Ltd., Suzuki Motor Corp., General Motors Corp., Isuzu Motors Ltd., Toyota Motor Corp., Daihatsu Motor Co., Ltd., Mitsubishi Motors Corp.

# Global Network

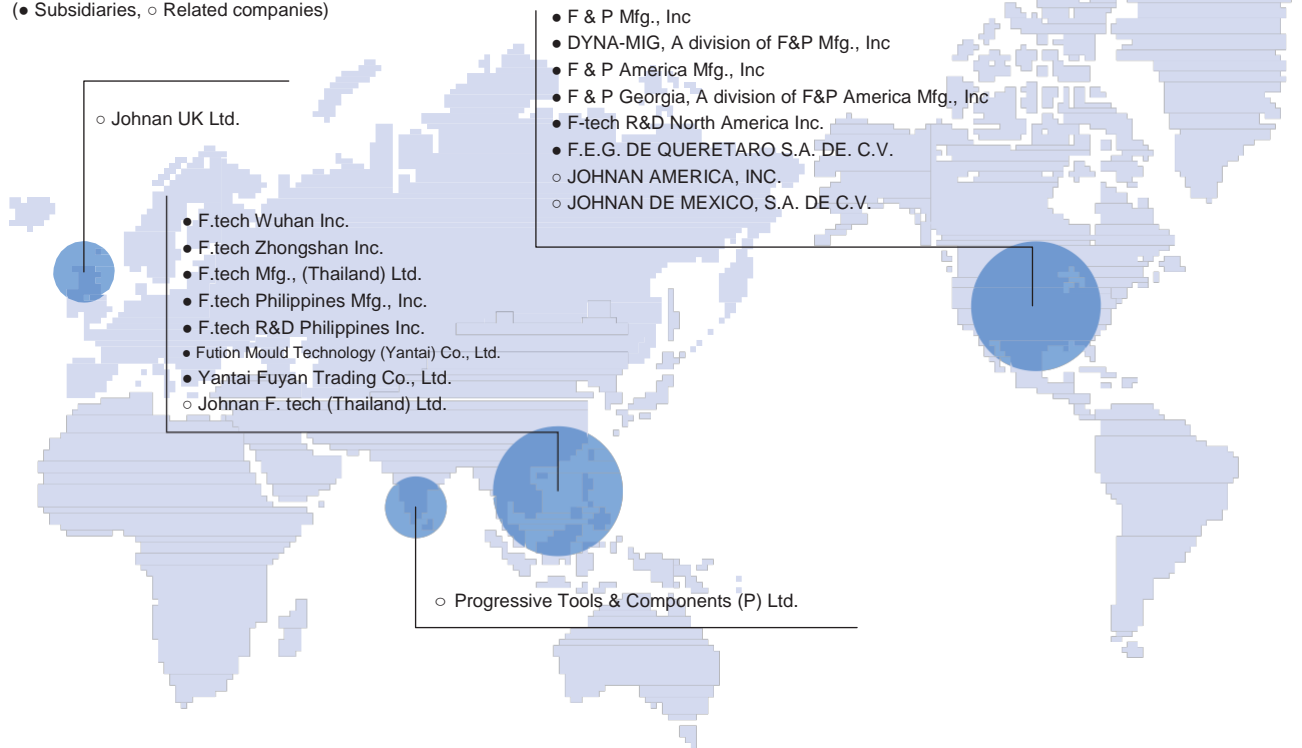
We are expanding our network globally from North America to South America, China, Asia and Europe.

Head Office/Plants and subsidiaries in Japan (● Subsidiaries, ○ Related companies)

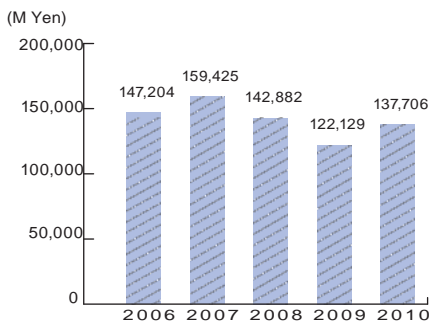


## Overseas subsidiaries

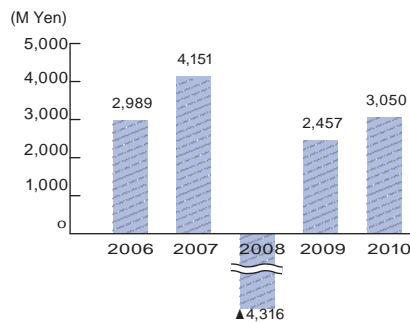
(● Subsidiaries, ○ Related companies)



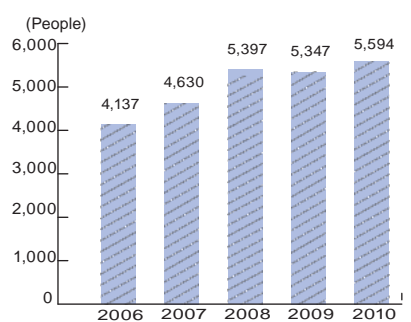
Consolidated Sales



Consolidated net profit/loss



Consolidated number of employees



# Corporate Governance / Internal Control

## Corporate Governance

F.tech has responsibilities to meet shareholder's expectations while focusing on employees, suppliers and the local communities.

Also, we must set long term goals for the company and maximize revenues for the shareholders as principle of Corporate Governance, while organizing a business management structure (Board of Directors, Board of Auditors) and a global structure that can work at compliance and risk management.

In order to monitor our business operation in an objective manner we have created an Operating Officer system while external auditors, Board of Directors and Board of Auditors monitor and audit. The term of Board of Directors is one year to accommodate a volatile business environment.

The Board of Directors consists of 8 directors. They make decisions relating to critical business matters.

The Board of Auditors consists of 4 auditors (2 are external auditors) and each auditor attends Board of Directors Meetings, conducts investigation of financial activities, and controls business operations based on the auditing policies established by the Board of Auditors.

We have 7 Divisions and 2 Offices and each section has a director. The Management Meeting consisting of 8 directors and a total of 9 members of Senior General Managers and General Managers. They are responsible to discuss business matters to be decided upon by the Board of Directors.

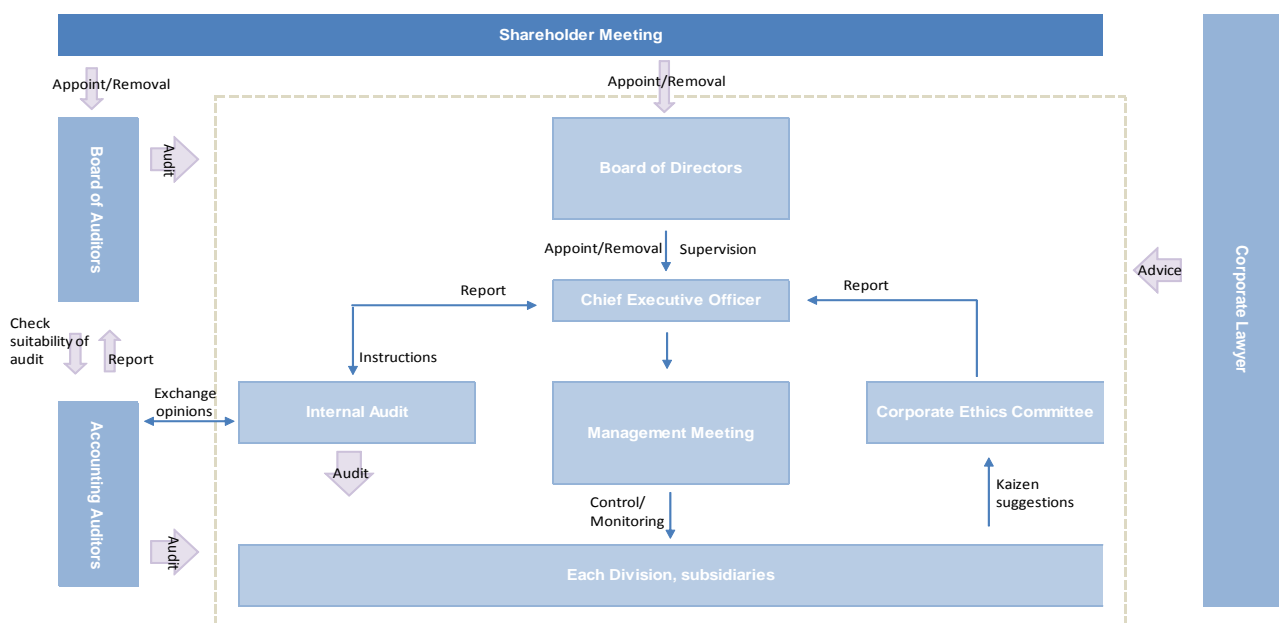
In addition, major domestic plants and overseas plants have an Operating Officer to judge critical matters a speedy and efficient manner.

## Internal Control

A department in charge of internal control recognizes the risks that are related to its major operations, chooses a responsible person and holds meetings to prevent a loss from happening. Also there is an independent audit department which is under the direct control of the president. It has four internal auditors and they audit each department's operations.

As of March 31, 2011, we have issued "Internal Control Report" stating that our internal control related to financial report is valid.

## Corporate Governance System



## Corporate Ethics Committee

In October 2004 we established “Corporate Ethics Committee” (Chairman: Director & Senior Managing Operating Officer, also Compliance Officer) to confirm our compliance situation and develop policies. Also we established “Corporate Ethics Kaizen Window” to protect a whistle-blower and to be aware of corporate ethics.

In November 2004, we have developed “Our Action Guideline”, and “Rules & Regulations of Compliance” in June 2006 to improve corporate ethics. In 2010, we revised “Rules & Regulations of Compliance” for employees for ease of understanding and distributed it to all affiliated companies in Japan.

## Risk Management

F.tech Group developed “Risk Management Standards” in June 2006. We have a system that if the following situations occurred the emergency headquarters headed by the president will be set up

immediately when;

- Significant loss occurred to customer
- Serious labour accident occurred
- Extremely important information was leaked related to business operation
- Major supplier went bankrupt
- Significant loss caused to customer due to disrupted computer system
- Breach of law or received administration penalty
- Majority shares were cornered
- Significant damage caused by fire, earthquake, flood, etc
- Major event occurred and the company is unable to continue its business.

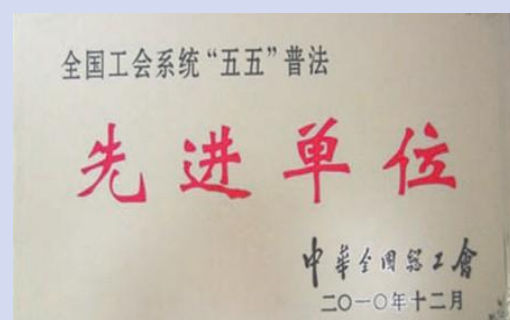
At any normal time we assign a Risk Management Officer in Corporate Ethics Committee to overview the company, and each division has a checklist to verify its activities periodically. The checklist is audited by internal auditors.

## F.tech Wuhan Inc.

### Award for Excellence Company in Knowledge of Laws

In recent years, labour disputes occur frequently in China due to the drastic change in social environment. Among those, F.tech Wuhan Inc. (FTW) has been providing training sessions regarding Labour Law, Environmental Law, Occupational Health and Safety Act, Social Insurance, Income Tax Law and business operation for employees to have a better understanding of laws. Also established was a Environmental Committee and Safety Committee to monitor compliance with regulations and laws. They set June as “Safety Month” and the 5<sup>th</sup> of June as “Environmental Day”. As a result they have never had labour disputes since the company was founded 6 years ago, and keep the turnover rate less than 1% for three consecutive years. In September 2010, the deputy mayor of Wuhan visited and told FTW that “Even local Chinese companies couldn’t achieve such accomplishment. A foreign company has better understating of Chinese culture and laws than we do. It is a wonderful company”.

His comments gave a strong impression to the person who accompanied deputy mayor and it was broadcasted throughout China. As a result, it attracted the All China Federation of Trade Unions and FTW received an award.



## 11 companies from all over the world meet to share the information of environmental activities

The 2<sup>nd</sup> Annual Environmental Meeting was held on October 5 to 7, 2010 in Kumagaya, Japan. In total, 34 people attended from three factories, two subsidiaries in Japan and nine companies from overseas. Also, Mie Prefecture Environmental Conservation Agency who certifies ISO 14001 was invited as well.



### Reduce CO2 by using natural light

One of F&PA's activities "Capture daylight by using light pipes" got a lot of attentions. There were also many positive reports, for example FPMI's tree planting and use of LED, and FMTL's "Use of low illumination light bulb by adjusting the height of mercury lamp". At this year's meeting we provided discussion time to share information of "Chemical Substance Contained in Products Program", "Green House Gas Emissions from Product Lifecycle Viewpoint Program" and each country's regulations even though there was a language barrier.

Because we held this meeting in Saitama we had a guest from the Environmental Department, Saitama Prefecture present "Why we need to reduce CO2". Also we visited Honda Saitama Plant to learn of their environmental program such as the cogeneration system and cooling system that is using an ammonia compressor.

We did not hold the 3<sup>rd</sup> Environmental Meeting in 2011 due to the earthquake in Japan. However, the 2012 meeting will be decided upon as a place conducive to enable substantial discussions.



F&PA using natural light by light pipes



Group discussion



## TOPICS 2 Develop environmentally friendly products

### Working to balance the two needs, “Safety improvement” & “Lightweight”

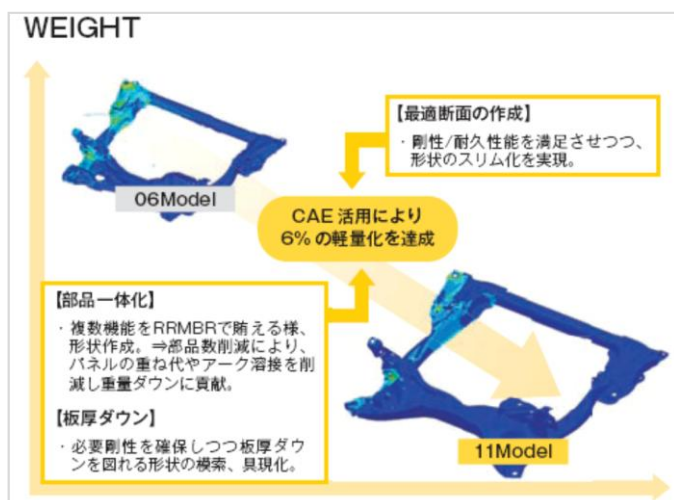
It is said that about 80 percent of CO2 emission is produced when driving in the life of a car. On the other hand, crash safety and ride quality improvement are demanding while those requirements lead to an increase in the weight of a car. F.tech is working on optimizing designs and development to meet the two needs.



#### Achieving lightweight by using CAE

At F.tech, we use CAE\*1 technology to analyze designs in order to optimize and achieve lightweight products. The data and know-how that has been accumulated are enabling F.tech to analyze not only metal, but rubber and plastic.

With this technology we are able to analyze strength, durability and crash performance at the development stage while reducing child parts and achieve the best specifications.



#### An example of lightweight activity: “Civic”

Developed lightweight products for Civic are Front Subframe, Rear Trailing Arm and Front Lower Arm.

We set a goal which was to reduce weight more than 5%\*2 from the previous model. We were able to reduce the weight by 6% for Front Subframe, by 5% for Rear Trailing Arm, and by 10% for Front Lower Arm.

#### Achieving “Environmental performance” & “Customer needs”

We will enhance the technology of CAE while improving other lightweight technologies such as “Lightweight by changing material to High Tensile Strength Steel”, and “Optimum structure by using hydroforming process or hot bulging process”. Also we will keep challenging F.tech to meet customer’s needs by “Improving fuel efficiency by reducing weight”, “Developing environmental friendly products by reducing production load”, “Collision safety”, and “Ride quality”

\*1: CAE (Computer Aided Engineering) - Create a virtual part by a computer and apply virtual tests from various perspectives. By using this technology, the development time can be reduced and number of prototype and testing can be also reduced. Therefore, it can contribute to reducing the carbon footprint at the development stage. \*2: In-house goal

# Goal & Results

○: Achieved goal, △: Achieved 70%>100%, ×: Less than 70%

Item		2010 Targets	2010 Results	Evaluation	2011 Targets
Prevention of global warming	• Improvement of CO2 emission basic unit	-	-	-	5% improvement (vs. last year)
	• Reduce CO2 emission more than 1% by implementing countermeasure <sup>1</sup> (compared with previous term)	All of the companies 146t-CO2	All of the companies 232t-CO3	○	All of the companies 141t-CO3
		Kuki 54t-CO2	Kuki 130t-CO3	○	Kuki 64t-CO3
		Kameyama 79t-CO2	Kameyama 88t-CO3	○	Kameyama 77t-CO3
	Haga 14t-CO2	Haga 13t-CO3 Not completed due to the earthquake	△	Haga Excluded due to earthquake	
• Reduce CO2 emission by installing environmentally friendly infrastructure <sup>2</sup>	-	-	-	Haga More than 5	
Resources recycling	• Reduce waste more than 1% by implementing countermeasure <sup>1</sup> (compared with previous term)	All of the companies 4.3t	All of the companies 14.9t	○	All of the companies 4.9t <sup>3</sup>
		Kuki 1.9t	Kuki 8.2t	○	Kuki 2.0t
		Kameyama 2.3t	Kameyama 0.0t Did not promote the countermeasures as planned	×	Kameyama 2.9t
		Haga 0.2t	Haga 6.6t	○	Haga Excluded due to earthquake
	• Improve yield at planning stage	-	-	-	Meet A0 requirements
Human resource development	• Implement individual audit	Completed	Completed	○	-
	• Orientation for auditors	Attendance rate 70%+	Attendance rate 80%+	○	-
	• Study session for energy conservation	-	-	-	Attendance rate 70%+
International Standard	• Optimize ISO 14001	-	-	-	Reduce system documents by 30% by the end of 2012
	• Preparation of ISO 50001 certificate	-	-	-	Completion of building system
Corporate Social Responsibility	• Evaluation of Japanese subsidiaries	Evaluate Kushu F.tech	Completed	○	-
	• Law seminar to Japanese subsidiaries	Complete Kushu F.tech	Completed	○	-
	• Held 2nd Global Environmental Meeting	-	Completed	○	-
	• Issuance of Environmental Report	Issue to outside the company	Completed	○	-
All-F.tech Overall Management	• Held 2nd Global Environmental Meeting in overseas	-	-	-	Completion of meeting in overseas
	• Establish supply chain green house gas emissions program	-	-	-	Date collection more than 80%
	• Completion of Environmental Visit	-	-	-	Completion of Environmental Visit
Chemical substance contained in products Program	• Chemical substance contained in products	Assure 100% no chemicals	Completed	○	-
	• Enhance supplier control	-	-	-	Completion
	• Establish LCC <sup>4</sup> assurance system	-	-	-	Completion

<sup>1</sup>: Reduction of CO2 emission by implementing countermeasures; Regardless of emission evaluation reduction is made based on the amount that could be reduced by countermeasures.

<sup>2</sup>: Installation of environmentally friendly infrastructure: Building of Haga Technical Centre was damaged by the earthquake in March 2011. Therefore, they revised their goal of CO2 emission reduced by installing an environmentally friendly infrastructure, not by countermeasures.

<sup>3</sup>: Group goal will be unexpected waste deducted from the total amount of waste of FY2010.

<sup>4</sup>: LCC: Leading Competitive Countries – To procure parts and/or services from countries that have excellent competitiveness.

# F.tech Group Mid Term Plan (FY2011-2013)

Boost our ability to the next level.

Critical Items	Countermeasure	Year			Department
		2011	2012	2013	
Prevention of global warming	Benchmarking	Set benchmarks	Improvement of efficiency	High equalization	F.tech group of companies
	GHG Program (Including supply chain)	Data collection more than 80%	Data collection more than 90%	Data collection more than 100%	F.tech group of companies
	Improvement of energy basic unit	Improve by 5% (compared with 2010)	Improve by 7.5% (compared with 2010)	Improve by 10% (compared with 2010)	Kuki Plant, Kameyama Plant
International Standard	Obtain ISO 50001 <sup>*1</sup> certificate	Examined	Establish a system	Obtain certificate	EMS Office / Kameyama Plant
	Optimization of ISO 14001	Review the system	Combined with ISO 50001	Continue to be certified	EMS Office
All-F.tech Overall Management	Completion of Environmental Visit	Canada, Asia region	U.S.A., South America	Weak area	EMS Office / Overseas plants
	Establish of Global Environmental Meeting	Held overseas	Held in Japan	Held overseas	EMS Office / F.tech Group of companies
Chemical substance contained in products Program	Standardized All F.tech Management System	Run the system	Improvement	Continuance	EMS Office / F.tech Group of companies
	Establish LCC assurance system	Standardized	Run the system	Improvement	Purchasing / EMS Office

We are focused on the 5 items during the Mid Term Plan (FY2011-2013).

F.tech Group is committed to prevent global warming by setting benchmarks for high standards of energy efficiency. Also from the aspect of LCA (Life Cycle Assessment), we will obtain the data of greenhouse gases (GHG) not only for the group, but for our supply chain. In addition, while considering the expansion of activities in view of Corporate Social Responsibility (CSR), we conducted Environmental Visits<sup>\*2</sup> to subsidiaries in Japan in 2009 and 2010 as our “All F.tech Overall Management Program”. We will carry out visits to overseas companies in Mid Term. “Benchmarking”, “Chemical Substances Contained in Products Program” and “GHG Calculation Program” will be evaluated to strengthen the entire group.

“Resources recycling” and “Development of human resources” are not priority action items in the Mid Term Plan (FY2011-2013), however, each company will continue to work to improve these areas. As for “Expansion of CSR activity”, this will be included in the “All F.tech Overall Management” from FY2011 as per expanded customer requirements.

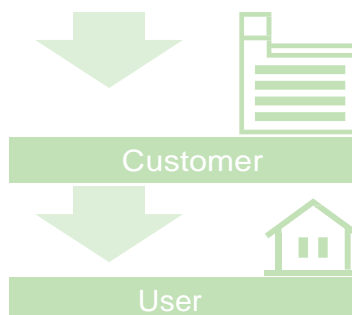
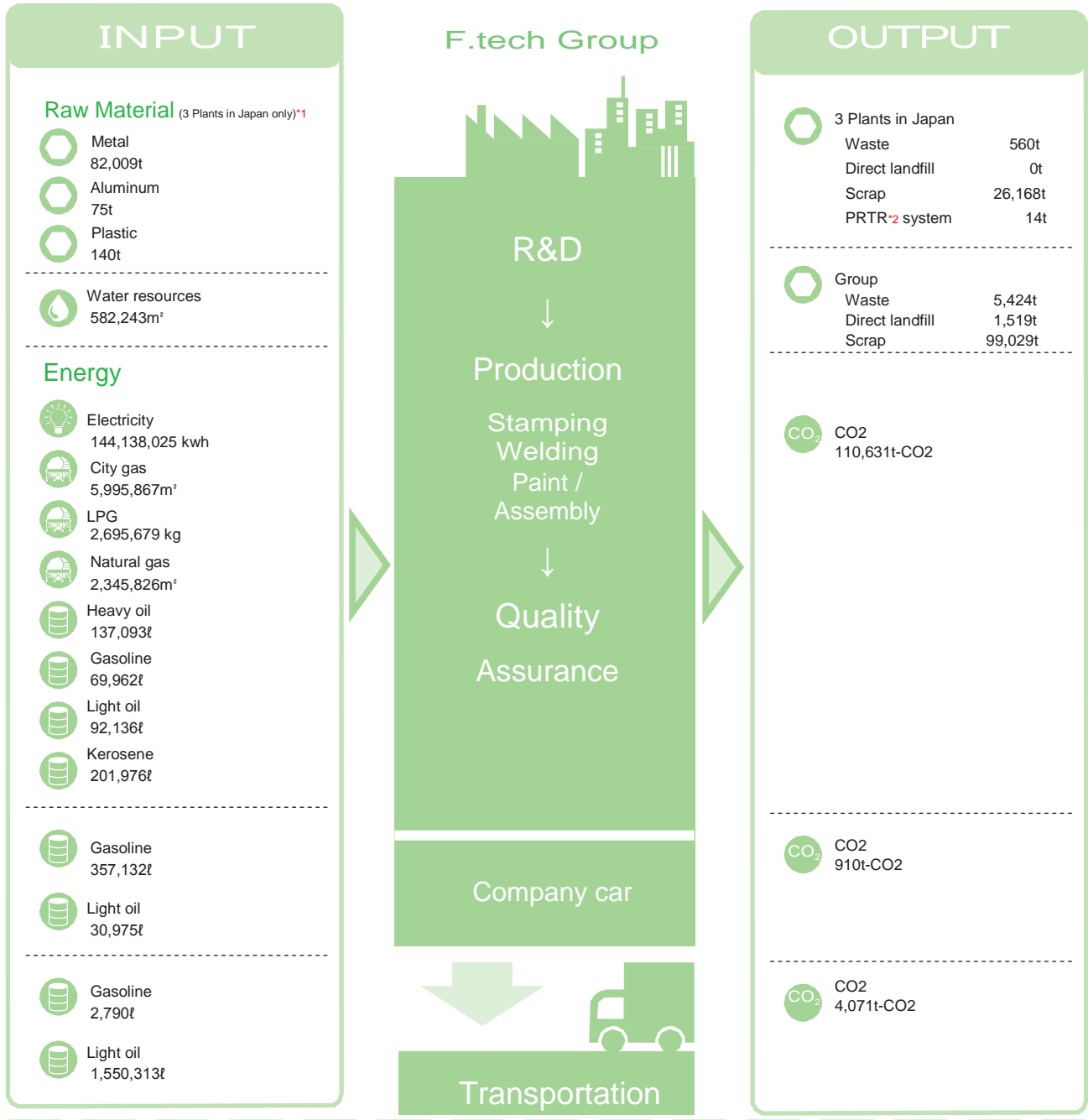
※ Developing environmentally friendly products is continuously included as a priority action item in the Mid Term Plan (FY2011-2013) as well as the yearly plan. However, from the aspect of confidential information we refrain from making announcements.

\*1: ISO50001 – It is an international standard with the objective of increasing energy efficiency, reducing costs and improving energy performance. It was internationally standardized in June 2011.

\*2: Environmental Visit – Evaluate environmental system (Comply with laws, ISO 14001) in the F.tech group. We conducted it at subsidiaries in Japan in 2009 and 2010. We will carry this out to overseas companies during Mid Term Plan (FY2011-2013).

# Material Flow

## Reducing carbon footprints from development to production



\*1: Amount of material combines 3 facilities in Japan. Other amounts are combined of the F.tech Group.

\*2: Pollutant Release and Transfer Register



# Environmental Management

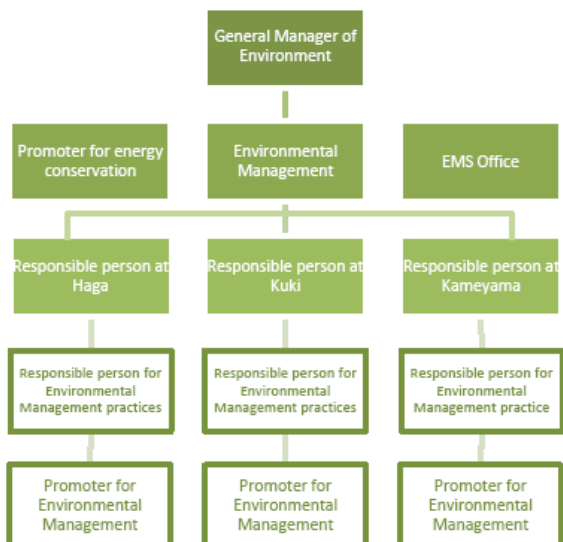
## All domestic and overseas companies are ISO 14001 certified

### Environmental Management System

13 companies of the F.tech Group except a die design/production company and a R&D facility, have acquired ISO14001 certification. Kushu F.tech Inc. also acquired the certificate in FY2010.

In order to control Environmental Management System the company set an EMS Office and assigned a responsible person and a promoter for Environmental Management to each site to ensure operation of the system.

### Environmental Management System



### Internal Environmental Audit

An internal environmental audit is conducted every year to confirm compliance with ISO 14001, operation situation of Environmental Management System and environmental performance.

Internal auditors were increased in FY2009. However, to improve auditor's skills "Auditor Orientation" was implemented in FY2010. It was provided to improve auditor's skills at the actual spot, to understand environmental issues that may occur at F.tech, and they performed auditing role-play. During the role-play the auditors audited actual area, so this experience increased their confidence.

### Environmental Education

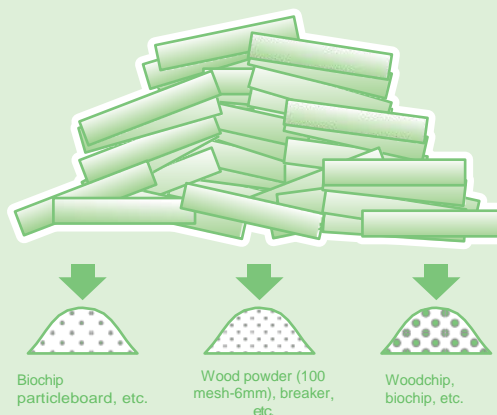
Since the company acquired ISO 14001 certification in 1999, many employees are taking ISO 14001 Basic Course every year as a required class.

Also once every year the company provides Environmental Management Classes to all employees particularly on the company's environmental policies, environmental effect, of changing production activities, and expected incidents of not following workmanship procedures.

## Environmental Committee at Haga Technical Centre

Environmental Committee was organized at Haga Technical Centre to promote reduction of carbon footprints. Large portions of their waste were wooden crates which were parts packaging for testing from overseas. Therefore, they chose a manufacture that can make particleboards from the crates since December 2009.

In addition, they started reusing gloves and rugs by washing them. As a result the amount of waste was reduced by 35% compared to last year.



# CO2 Emission Reduction Activity

## Working together to reduce CO2 emissions

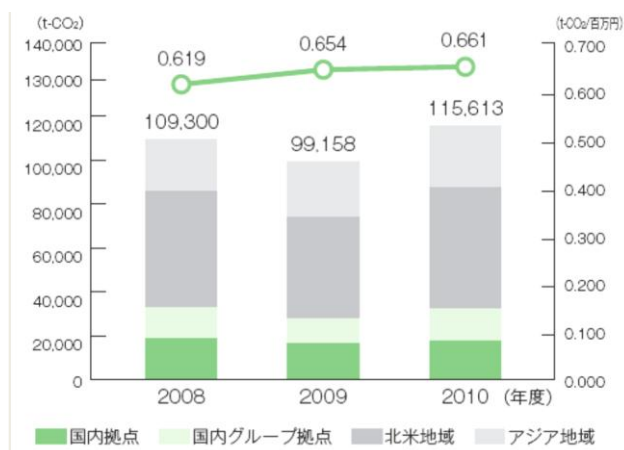
In the process of producing products in the group of companies, electricity, LPG, city gas, natural gas, heavy oil, gasoline, diesel oil and kerosene accounts for about 95% of CO2 emissions. The group-wide total CO2 emission of 11.50Kt-CO2 in FY2010, increased by 17% from FY2009's 9.90Kt-CO2. The basic unit for energy consumption has been increased by 1.0% per production output. This is because the production volume has increased, and electricity consumption has risen due to a heat wave in 2010, and because Kameyama Plant started its production in full swing.

By region, North America accounts for about 50% of CO2 emissions. For North America, the amount of CO2 emission at 5.50Kt-CO2 increased by 19%, however, the basic unit for energy consumption improved by 2.0%. For Asian region, the CO2 emission at 2.50Kt-CO2 increased by 12%, but the basic unit for energy consumption improved by 2.4%.

Environmental Visits were conducted in FY2011 at overseas companies to equalize the high level of energy efficiency of the group by developing benchmarks and to improve the basic unit of energy consumption. Also the Greenhouse Gases Calculation Program for the supply chain was checked during the visit.

As for the 3 facilities in Japan, they have been controlling the reduced amount by implementing countermeasures which were not of energy consumption affected by production change since 2009. The reduced amount is the amount evaluated by how much energy has been reduced by the countermeasures. The reduced volume was 232t-CO2 against the target of FY2010 of 146t-CO2. However, the required reduction of an annual average of 1% was demanded by the Energy Saving Act. A 10.3% reduction in sales in FY2010 means that a goal of improvement of the basic unit for energy consumption (Improve value-added) was set at 5% at to recover for the Mid Term.

Amount of CO2 emission of F.tech Group and the basic unit of energy level per sales



### Sample of Activities

#### Energy Control System at Kameyama Plant

The Energy Control System was introduced in November 2009 at the Kameyama Plant to reduce energy loss when production is not running. The system can obtain the amount of electricity, gas and air in real-time and it determines the minimum energy usage on weekends. With this system Kameyama Plant was able to reduce CO2 by 135t-CO2 in 2010. Also, they used this system to reduce energy loss during week nights by detecting waste from equipment and achieved reduction of 18t-CO2 per year.

#### Use of LED lightings

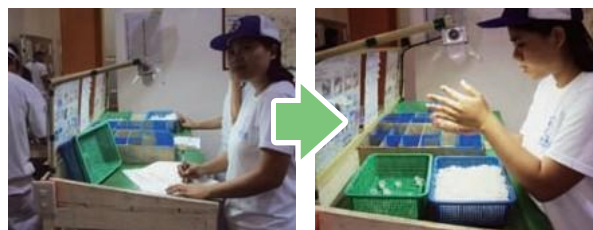
At **FPMI**, 39 tubes of 16W LED and 6 tubes of 9W LED were installed to inspection tables in plastic plant, machining areas and offices. By using 16W LED the luminance was improved from 675lx to 1200lx and 9W LED's luminance was improved from 300lx to 700lx. As a result they reduced CO2 emission by 4.6t-CO2 per year.

#### DYNA-MIG replaced parking light with LED

Upon their parking lot expansion, they found out that existing 455W bulbs would be over capacity in wiring and needed additional work. Therefore, they changed bulbs into 211W LED and were able to reduce the carbon footprint by 2.2t-CO2 per year.

At **FMTL**, they changed the height of lighting from 13m to 7.5m and changed wattage from 400W to 250W while maintaining the luminance. As a result they were able to reduce the carbon footprint by 1.3t-CO2.

Moreover, Kuki Plant changed to LED for offices and part of the aisles in the factory, and Haga Technical Centre's guide lights have been changed to energy-saving type bulbs.



# Waste Reduction Activity

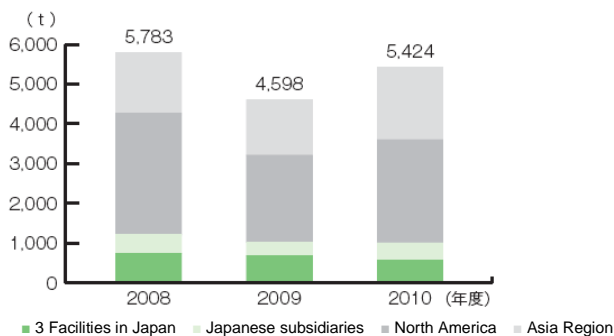
## Efforts to reduce wastes continuously

The group's total amount of waste was 5,424t in FY2010 with the increased of production volume. It increased by 18% from FY2009 amount of 4,598t.

Three facilities in Japan completed the "Zero Emission Program" (zero landfill rate) in 2006 and they are carrying on with the program to utilize resources.

The goal of reducing wastes at the 3 facilities for FY2010 is controlled by CO2 emission reduction which was reduced by 14.9t against the goal of 4.3t. This is because Haga Technical Centre has been recycling its wastes as valuable resources since 2009 and reusing stamping fluids. We will reduce wastes by promoting to separate wastes at Kameyama Plant and reducing paint sludge as well as reducing scraps by improving stamping yield.

### Transition of amount of waste of F.tech Group



## Samples of Activity

### Facilities in Japan

**Kuki Plant** recycles plastics such as plastic sheeting, polypropylene bands, stretch film and bubble wrap into valuable resources. They are segregated at Kuki and a recycling factory segregates furthermore, compressing, packaging and shipping overseas as raw materials for plastics. Kuki Plant used to pay disposal fees, however, by segregating plastics they are able to recycle the wastes into valuable resources of 3500kg in FY2010.

**Haga Technical Centre** installed an oil purifier onto the oiler of the durability test machine. Waste oil was reduced by purifying the oil and extending the oil's life with the device.

### Facilities overseas

**F&P** had been disposing of waste oil by way of hazardous waste through a vendor who picked up and disposed of the waste oil.

Since 2009 waste oil is transported to an oil purification centre and the oils are filtered for re-use. As a result, waste oil was reduced by 15.3kl per year.

**FTZ** now reuses markers for inspection to reduce waste. The tip of marker worn down by hot welded parts was stuck inside the marker and became useless. Therefore, FTZ now takes the tip of the marker out before it gets worn and injects ink so as to use the tip more than one time.

## F.tech Zhongshan Inc.

### 2010 Environmental Award for Corporate Excellence

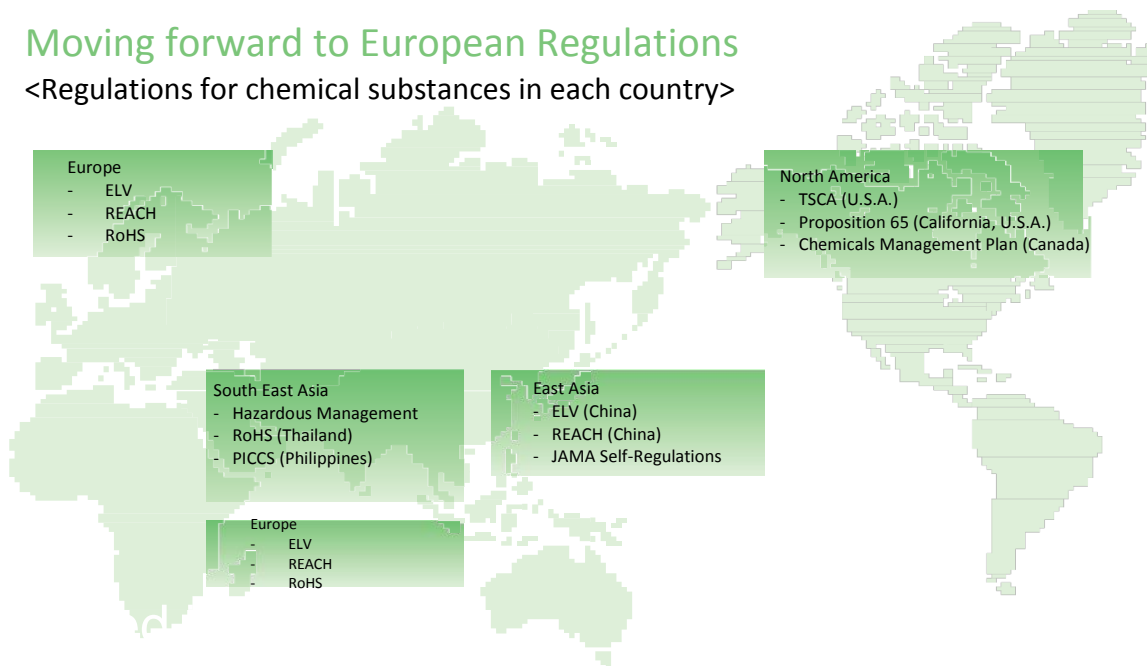
F.tech Zhongshan Inc. (FTZ) received 2010 Environmental Award for Corporate Excellence from Dongfeng Honda Automobile Co., Ltd. (WDHAC). FTZ has been working on environmental issues such as CO2, waste and water resources to reduce environmental load since its establishment. In December 2010, Environmental Department of WDHAC visited FTZ to check their environmental policies, environmental load reduction activity, accuracy of energy data and disposal of hazardous waste. As a result, FTZ's efforts to reduce environmental load were evaluated and earned the award. All employees of FTZ showed their understanding of environment at concerns and they were delighted that their efforts of reducing environmental load were recognized.



# Chemical Substances Contained in Products Program

## Moving forward to European Regulations

<Regulations for chemical substances in each country>



Chemical regulations have been strengthening in the world while the impact on human health and the environment (pollution, health hazard) of concern. This is especially in Europe which is ahead of any other countries in establishing the regulations of EVL<sup>\*1</sup> and REACH<sup>\*2</sup> and others will soon be following them.

F.tech Group has been using lead free paint since 2003 and hexavalent chromium free fasteners (nut, bolt) since 2006. Also we have been using IMDS<sup>\*3</sup> to send to customers approximately 250 pieces of data regarding chemicals used in the assembly of products.

In 2010, “F.tech Management Standard for Chemical Substances Contained in Products” was established for the supply chain.

F.tech Group has 9 production sites across the world which enables us to purchase local materials, products, and supply parts between the sites. We have design facilities as well. Therefore, we thought “Management Standard for Chemical Substances Contained in Products” was needed to manage compliance of regulations and laws.

To enhance our group’s competitiveness as procurement from Leading Competitive Countries (LCC) is accelerating, we are establishing a system that can evaluate suppliers and obey chemical regulations in each country.

To manage the Chemical Substances Contained in Products Program there needs to be a wide range of knowledge such as legal, chemical, and product information, as well as manpower. We will ask for your continuous support regarding this program.

\*1 – ELV: End of Life Vehicles - A Directive of the European Union. The directive aims at reduction of waste and hazards arising from end-of-life vehicles. Addresses restricted chemicals such as lead, mercury, cadmium, hexavalent chromium, and establishes automobile recycling rate program.

\*2 – REACH: REACH is the European Community Regulation on chemicals and their safe use. It deals with the **R**egistration, **E**valuation, **A**uthorization and **R**estriction of **C**hemical substances. If a consumer asks about chemical substances in a product, the producer must disclose the contents.

\*3 – IMDS: International Material Data System - a collective, computer-based material data system used primarily by automotive OEMs to manage environmentally relevant aspects of the different parts used in vehicles.



# Quality Assurance

## We are aiming to produce “Global High Quality” products.

### Philosophy of Quality Assurance

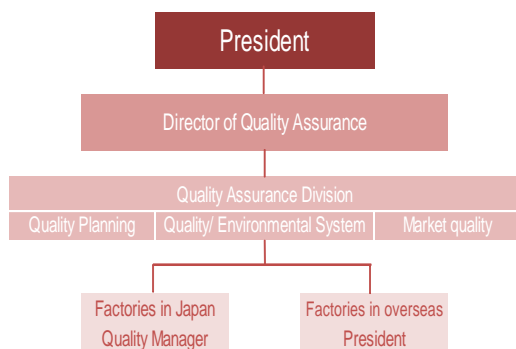
One of our F.tech Group’s Management Policies is “Create values with excellent quality”. We think of customer satisfaction first and a stable supply of products that meet the customer requirements as well as regulatory requirements in design, development and manufacturing so as to achieve global high quality.

An automobile is entrusted with human life when it is driven, and the suspension components underpinning automobiles are our main products. We have a responsibility to pay particular attention to safety and to take all possible measures for ensuring quality control without fail.

### Quality Control System

F.tech Group of companies either located in Japan or overseas acquired the certification of ISO/TS 16949 which is the automotive quality system standards within the global automotive industry and ISO 9001 certification.

### F.tech Group Quality Assurance System



### Group Quality assurance activities

In order to realize “Global identical quality”, “Global simultaneous supply”, “Global optimized cost” and “Environmental conformity”, we at F.tech Group act for the following activities:

- ① For quality assurance for new products, check maturation from two sides; specification quality and manufacturing quality, and issue “Declaration of Quality Safety” so as to start mass production at each production facility.
- ② Defect information is shared with the facility that produces the same product, has the same process and equipment so as to prevent occurrence of similar defect and reoccurrence.
- ③ Hold “Global Quality Conference” annually to share global quality goals and strategies so as to achieve production of “Global identical quality” products.
- ④ Implement assessments for suppliers from Leading Competitive Countries (LCC) so as to realize “Global simultaneous supply” and “Global optimized cost”.
- ⑤ Control by global standard for Chemical Substance Contained in Products Program so as to evaluate “Environmental conformity”.

We have completed the following activities in FY2010.

- ① Issued Declaration of Quality Safety for 4 models.
- ② Shared 35 incidents with related company and each company needs to confirm the issues.
- ③ Held 24<sup>th</sup> Global Quality Conference at F & P Georgia, A division of F & P America. Mfg., Inc.
- ④ Assessed quality system and process for Chinese suppliers with Purchasing Division. It will be performed regularly for the future. See page 15 for ⑤.

### Received Honda Global Quality Award

In January 2011, F.tech received a long-sought “Global Quality Award” from Honda Motor Co., Ltd. This is because our global quality improvement activities, such as sending a core person to overseas to convey parent company’s operation, were evaluated. We will continuously promote overseas development in QCDDE (Quality, Cost, Delivery, Design and Environment) areas so as to achieve overwhelming competitiveness.



# Occupational Health and Safety

Ensure employee's health & safety based on our company principle, "Respecting People".

## Management system of Occupational Health and Safety

In order to ensure health and safety at work we placed General Management Department of headquarters, and the General Manager of the Health and Safety Department manages overall health and safety plans.

Each plant manager of each company is in charge of health and safety and is to manage health and safety administrators. Each company established a Health & Safety Committee to develop prevention measures; to plan safety training; to review policies and regulations. Also each committee conveys the information and opinions from the Committee to the General Management Department.

Number of work related injuries in FY2010 for Japan was 9 and frequency rate<sup>1</sup> was 4.124 while accident severity rate<sup>2</sup> was 0.470.

In FY2010, we worked toward the safety policy of "0 risk at work place" by ensuring safety and reducing risks by using "Plan-Do-Check-Act cycle". Unfortunately we had 2 lost time incidents, 7 no lost time incidents and 6 traffic incidents. (Number is the total of all plants in Japan)

Based on the review from FY2010 we enhanced personal protective equipment education for everybody and provided practical training and awareness training for new associates. Also, in order to eliminate traffic incidents we provided a safety seminar for younger workers so as to increase awareness.

## Mental and physical health care

F.tech is also actively involved in employee's mental and physical health as a preventative measure.

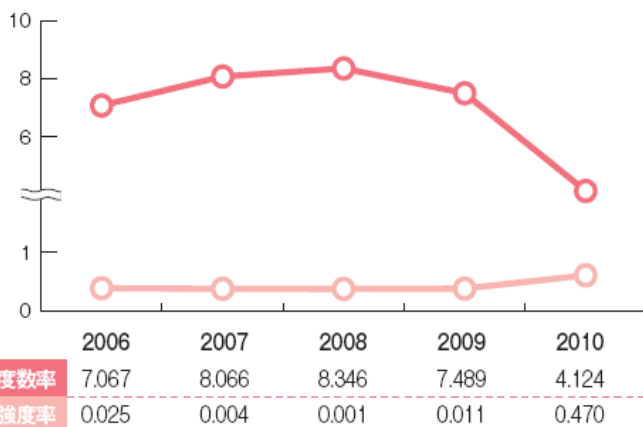
We implement a health checkup for all employees regularly and special checkups such as hearing, pneumoconiosis, ultraviolet & infrared rays and organic solvent twice per year. CVS<sup>3</sup> checkup is performed once a year on those who use a computer.

As for mental health, we started to use an external company to provide EAPs<sup>4</sup> service since April 2010. This service can be used not only by employees, but by their immediate family as well. Employees can use this service for anything from simple questions to complex issues.

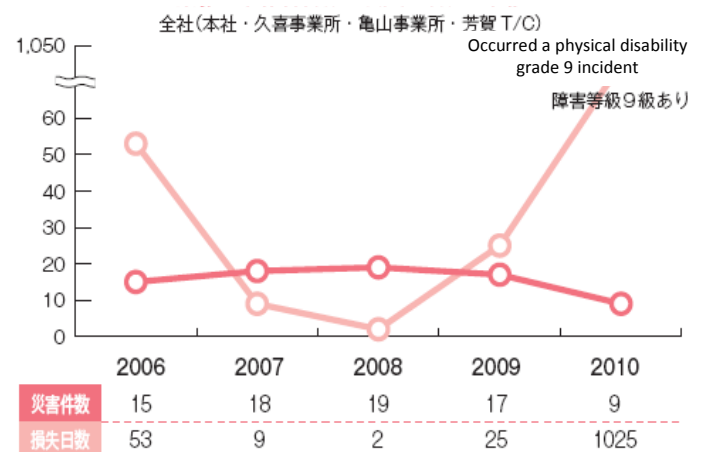
- \*1: Frequency rate - The number of accidents/incidents per million hours worked.
- \*2: Accident severity rate - The time lost through injuries as calculated in total days lost per 1000 hours worked.
- \*3: CVS: Computer vision syndrome is a temporary condition resulting from focusing the eyes on a computer display for protracted, uninterrupted periods of time. Another name, Visual Display Terminals (VDT) syndrome is known in Japan.
- \*4: EAPs: Employee Assistance Programs are employee benefit programs offered by many employers, typically in conjunction with a health insurance plan. EAPs are intended to help employees deal with personal problems that might adversely impact their work performance, health, and well-being.
- \*5: Total working days lost: The time lost through injuries  
 Death ...7,500 days  
 Permanent and total physical disability ...physical disability grade 1-3 (7,500 days)  
 Permanent partially physical disability ... physical disability grade 4-14(As per grade 50-5,500 days)  
 Temporary disability ... lost time day is multiplied by 300/365

\* Results are from April to March  
 \* F.tech companies means Headquarter, Kuki Plant, Kameyama Plant, Haga Technical Centre and FEG

Frequency rate & Severity rate  
 Headquarter, Kuki, Kameyama and Haga Technical Center



# of incident & Total working days lost\*  
 Headquarter, Kuki, Kameyama and Haga Technical Center



# Living in harmony with the Community

## Aiming to be a company that is rooted to the community globally

### <Japan>

#### Weeding by goats: Human & Earth Friendly

To maintain the Kameyama's greenbelt, located north side of the Kameyama plant, by volunteers, we joined "Kameyama Adapt Program" as the first company participating in Kameyama city.

Previously volunteers were maintaining the preservation of the greenbelt by weeding, but exhaust gas from lawnmowers and weed disposal weren't much good to the environment.

Therefore, they looked up in Wisdom of Living and tried to weed by having goats. The result was better than expected. Weed is food for goats and goat's dung is buried in the ground by dung beetles to be decomposed and returned to soil. Grass seeds in the goat's dung are also buried in the ground, so it helps to grow grasses that absorbs CO2. This program kills three or four birds with one stone.

\*Adopt Program -The Adopt Program is a litter clean-up program designed to encourage businesses, community groups, schools, block clubs and other segments of the community to work in concert with the City of Kameyama to help keep our environment clean and beautiful. The program works having participating groups "adopt" a specific site or section of road, pledging to keep it free trash and debris.



### <Canada>

#### Continue to plant 500 seedlings per year

Located in Tottenham, Ontario, F & P Mfg. Inc. partnered with Streams Community Committee 9 years ago to plant approximately 500 seedlings per year. This year F&P planted 500 seedlings, which were planted along the stream and flood plain. Currently the plantings do reduce CO2, reduce water temperature which increases fish populations and reduces erosion of the stream banks.

### <Japan>

#### Certificate of Appreciation from Governor of Saitama

Eco-Life Day is a program in which Saitama Prefecture provides to improve environmental awareness. In FY2010, the headquarters, Kuki Plant, Kameyama Plant and Haga Technical Centre started to participate in this program. By the summer 740 employees participated and by the winter 947 employees participated by checking with Eco-Life check sheet. As a result, the company achieved the 8<sup>th</sup> place out of 338 participating companies for the total number of participant of Eco-Life Day Winter and received a certificate of appreciation from the Governor of Saitama.



### <Philippines>

#### Participated 2010 Christmas Gift-Giving

F.tech Philippines Mfg., Inc. participated in the 2010 Christmas Gift-Giving program which collected used clothing, shoes, books and food from employees and delivered to 100 families in Zapote Region, Laguna as Christmas gifts. The expenses to run this program were the results of collecting and recycling\* plastic bottles, cardboard and wood chips.

\* A project called Material Recovery Facility (MRF) that F.tech Philippines Mfg., Inc. started since 2010.

### <Philippines>

#### Honda Cars Philippines Corporate Social Responsibility Award

Social action programs such as tree planting and Christmas gift distribution at F.tech Philippines Mfg., Inc. were recognized by Honda and they received Honda Cars Philippines Corporate Social Responsibility Award.