Environmental Activity Report

Ftech Group Environmental Report 2014

Ftech
株式会社 エフテック

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 “2012 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 FY2013 (04/2013 – 03/2014) and activities in previous terms

About the future of prediction and planning and targets

In this report, the predictions about the future of F-tech Group (F-TECH Co., Ltd. And its 16 consolidated subsidiaries companies) is also written.

These descriptions is a prediction, based on the current information when this report was written. Therefore, the results of business activities in the future, may be different to the predictions described in this report.

Organization

★Facilities in Japan
○Affiliated company in Japan
●Affiliated company overseas

F.tech Inc. [3 facilities]

★Head office, Kuki Plant [Shobucho, Kuki, Saitama]

★Haga Technical Centre [Hagacho, Tochigi]

★Kameyama Plant [Kameyamashi, Mie]

Domestic company/ Affiliated company [4 facilities]

○ Fukuda Engineering Co., Ltd. (FEG) [Kazoshi, Saitama]
○Kyushu F.tech Inc. (QFT) [Yamagashi, Kumamoto]
○Reterra Co., Ltd. (Reterra) [Chichibu, Saitama]
○Johnan Manufacturing [Uedashi, Nagano]

Subsidiaries in overseas [11 companies, 13 facilities]

●F＆P Mfg., Inc. [Ontario, Canada] (F&P)
●Dyna-Mig, A division of F&P Mfg.,Inc. [Ontario, Canada] (DYNA-MIG)
●F&P America Mfg., Inc. [Ohio, USA] (F&PA)
●F&P Georgia, A division of F&P America Mfg., Inc. [Georgia, USA] (F&PG)
●F.tech R＆D North America Inc. [Ohio, USA] (R&DNA)
●F.E.G. de Queretaro S.A. de C.V. [Queretaro Mexico] (FEGQ)
●F&P Mfg., De México S.A. DE. C.V [Guanajuato Mexico] (FPMX)
●F.tech Zhongshan Inc. [Guangdong, China] (FTZ)
●F.tech Wuhan Inc. [Hubei, China] (FTW)
● F.tech Philippines Mfg., Inc. [Laguna, Philippines] (FPMI)
●F.tech R＆D Philippines Inc. [Laguna, Philippines] (FR&DP)
● F.tech Mfg. (Thailand) LTD. [Ayutthaya, Thailand] (FMTL)
●PT. F.TECH INDONESIA [KARAWANG INDONESIA] (FTI)

※F&P Mfg. De Mexico S.A. DE. C.V. and PT. Ftech Indonesia were added from this report.

※FUTIAN MOULD TECHNOLOGY (YANTAI) CO., LTD is not mass production factory and therefore, they do not make impact on the environment. F.tech R&D (Guangzhou) INC. is in preparation in order to be excluded in the report.

C O N T E N T S

Editorial Policy 01

Message from President 02

Company principle 03

TOPICS 1 05-06

~ First in Japan as auto parts manufacturer ~

Acquired ISO50001 certification in Kameyama Plant

TOPICS 2 07

Development of crushed torsion beam

TOPICS 3 08

Joint prize of Okouchi Memmorial Technology Prize

Ftech group Environmental Mid Term Plan 09-10

Trend of CO^2 emission. amount of waste 11

Material flow 12

FY2013 Goals & Result 13

Environmental Management 14-15

Green Procurement 16

Quality Assurance 17

Health and Safety 18

TOPICS 19-23

Global Activities

Corporate Governance/ Compliance/ Risk Management 24

Company profile 25-26

Establish a global environmental management system to be an Environment Frontrunner

In F-tech group, about 70% of CO2 emissions are accounted for in our overseas group of companies, so reducing environmental load of the whole group has become an important issue.

In the Midterm Environmental Plan for which FY2013 is the last year, the "global mother (Japan)" has been visiting companies overseas to conduct "All F-tech Environment Visit" to improve the level of energy usage and environmental management since 2011. In addition, the Global Environmental Conference, which started in 2009, we see that each year the contents of the report from each company have been enhanced.

These efforts are also evaluated from Honda, and we were able to receive "Environmental Award" in 2012 and 2013 for the second consecutive year.

With the solid foundation of environmental activities, we started Midterm Plan which was to cover the whole F-tech group of companies with the slogan of "Realization of Environmental Frontrunner by the Evolution of the Energy Management" in FY2014. Our plan is to roll out in four areas: "Production", "Management", "Development/Engineering" and "Corporate activities".

In the "Production" area, "Reduction of greenhouse gas and emissions per unit" was set as a target for the entire group. Adding a new goal of "Reduction of water usage per unit", and we will continue to strengthen "Management of the value chain" which we have been preparing from the previous Midterm Plan. (See page 10)

Acquired ISO 50001 certificate in Kameyama Plant Expand to all of F-tech group of companies

In the "Management" area, we acquired international standard ISO50001 certification of energy management in October 2013 in Kameyama Plant, and that will be one of the pillars in this area. Acquisition of ISO14001 in new plants overseas in the future, and as a next step, we share the know-how within our group of companies that developed in the Kameyama Plant. The aim is to reduce greenhouse gas emissions and enhance business competitiveness by reducing energy usage. (see page 5)

Co-Awarded "60th Okochi Memorial Technology Prize" for technology of friction stir welding

The goal of our group of companies is to develop and manufacture automobile parts which give great impact to the society and the environment. Therefore, developing technology is an ongoing challenge to achieve "safety and comfort" and "weight reduction and space saving" which both contribute to energy use reduction and resource conservation.

In 2013, F-tech shared the "60th Okochi Memorial Technology Award" from the Okochi Memorial Fundation with Honda Motor Co., Ltd and an other company for the technology that continuously welds aluminum alloy and steel in hybrid sub-frame development.

This technology achieved significant reduction in weight and the power usage of manufacturing. In addition, crushed torsion beam which was developed by evolving the hydro processing technology also obtained high evaluation in weight reduction and performance. (see page 7 and 8)

F-tech group will strive to establish standards in all aspects: "Quality", "Safety", "Development" and "Human Resources"

As with environmental aspects, we are promoting standarized rules and close communication within the group of companies in all kinds of aspects such as, "Quality", "Safety", "Development" and "Human Resource Development".

In 2013, we started common quality assurance standards "G-FQS" within the group. Our "Global Quality Joint Meeting" marked the 27th anniversary. We will strive to strengthen the company structure globally by applying the F-tech group's standards even in the new production plants in Mexico and Indonesia.

August 2014

Tsuguo Kimura, President & CEO

木村 嗣夫

Company Principle

From a global perspective, we strive to contribute to our society and to improve the quality of life through manufacturing of highest quality products with ambition and sincerity.

Our action guidelines

■ Compliance with laws and ordinances

We will always give top priority to ethically appropriate actions in all of our activities. We will always comply with the laws and ordinances and the rules, and each of us will act with common sense as a responsible member of society, so as to ensure a high level of legal compliance at the company.

■ Traffic safety

As people engaged in the production of automotive parts, we will always be in compliance with traffic rules, and we will always strive for exemplary safe driving with a readiness to give way to others on the road.

■ Increase in the corporate value

With an understanding that the continued survival of a company relies on the creation of values, we will strive to raise the corporate value as a company winning recognition from the general public, trying to continue securing profit on a long-term basis.

■ Fair business transactions

We will not engage in any unreasonable or irrational business practices and we will not provide benefits or preferential treatment to anyone beyond common sense or generally accepted ideas, always evaluating various conditions based on comparisons in an impartial manner and conducting business transactions that are sound and fair.

■ Compliance with company regulations and rules

With appropriate understanding of the purpose of establishing the company regulations and rules, which have been established for ensuring a working environment in which every one of the associates can work together with equal rights and opportunities, we will always act in compliance with these company regulations and rules.

■ Conservation of the environment

Based on an understanding that the Earth is an invaluable asset to the whole of humankind, we will strive to minimize, and ensure optimum disposal or treatment for, any waste related to manufacturing, and to utilize natural resources and energy in more efficient ways.

■ Information and public disclosure of information

We will make clear the distinctions between private or confidential information and the information to be disclosed to the public, and we will strive to provide accurate information that is useful to our customers, and to disclose information that should be made public in a timely and appropriate manner.

Environ-mental principle

F.tech aims to be an environmental forerunner in the automobile industry and is fully committed to building a low-carbon, nature-rich future by deepening the awareness of global environmental issues amongst each and every one of its employees and actively enforcing ongoing environmental conservation activities across the entire spectrum of its corporate activities.

Basic policies

- Reducing environmental impact through product lifecycle
- Reducing CO2 when a vehicle running by reducing its weight
- Conduct reservation of resources and energy in all business activities
- Continue to produce zero waste in all business activities
- Comply laws and regulations of environment
- Conduct continuous improvement of Environmental Management System and prevent pollution
- Set environmental purposes and objectives and review regularly
- Develop environmental persons
- Disclose environmental information related business activities

~First in Japan as automotive manufacturer~

Certified ISO50001 in Kameyama plant [*1]

In October 2013, Kameyama Plant, located in Mie Prefecture, accquired an Energy Management System: ISO50001 certificate, the first in Japan as automotive manufacurer. ISO50001 is a relatively new standard which has standarzied internationally in 2011. It has been attracting attention worldwide because it leads to reducing greenhouse gas emissions and energy costs. The number of certification sites as of 2012 worldwide were rapidly growing to about three times [*2] that of 2011. The Ministry of Economy, Trade and Industry is recommending to introduce the standard as an energy conservation tool because of the high integrity to the Energy Conservation Law [*3]. On the same ministry's ISO50001 introduction case study page, Kameyama plant's initiatives has also been introduced.

Success of ISO50001 Energy review is the key

The foundation of ISO50001 is "energy review" [*4]. The energy review is basically an energy-saving diagnosis that is to discover energy saving ideas by analyzing the data. In F-tech's energy review, we used our energy management system that has 400 measuring points to analyze data and also "Kaizen Opportunities Check Sheet" that has energy-saving know-hows that have been colletected from the Global Environmental Meetings and energy-saving trainings. Through these activities we established the Kameyama Plant's own system.

Kameyama Plant is an advanced factory in energy management which has been working since it was reborn in 2009. However, still 46 items of energy conservation measures have been identified in the first energy review. Further improvement measures have been discovered in subsequent reviews.

Energy-Saving activities of all department participating in "Saving-Energy Y-gaya [*5]"

In Kameyama Plant, the energy data that is stored in the energy management system is analyzed thorough "Y-gaya" meeting sessions to improve analysis skills and analytical skills of associates.

Through the Energy-saving Y-gaya, we found out that many cases were not required items, but we were convinced that they were necessary items.

For example, some of mercury lamps of Paint Assembly Department stayed on and they were exclude from the light-out activities because we believed they would affect quality and safety. But we reviewed the area again by thinking outside of the box. As a result, we were able to reduce 6 more light bulbs. (see "energy-saving research table" below)

In order to strengthen the energy management within the Ftech group, we shared the ISO50001 activities with Kuki Plant, reflecting part of the system that was established in Kameyama Plant.

We will continue to promote the ongoing energy conservation activities to establish the cycle to check the effect of data analysis, improve measures planning and confirm effects.

Record the analysis results and findings in the "Energy Saving Survey"

* 1 ISO50001 : International Standard of Energy Management System(EnMS) that has been issued in June 2011. The mechanism to perform the management of the activity systematically, which oraganization need to carry out the energy-saving, set the policy, objectives and targets, planning, decide the procedure.
* 2 ISO Survey-2012 ISO50001 (ISO)
* 3 Energy Conservation Law: Law, concerning the rational such as energy use.
* 4 Energy reveiw:Determine the energy performance of the organization based on the data and other information which leads to the specific opportunities for improvement.(ISO50001:2011 quoted from the terms and definition)
* 5 Y-gaya: A effort to discuss the improvement possibilities beyond the boundaries of post, age, gender, and department.

We will work on prevention of global warming and improvement of corporate competitiveness globally.

On November 1st, 2013 at the head office, we had a ceremony to celebrate on registration of ISO50001, and a registration card was issued from the Japan Automobile Research Institute (JARI) which was a certification institution of ISO50001. After the cremony Mr. Nishina, the JARI's Senior Management Administrator, and our president Mr. Kimura, had a talk about F-tech's initiatives to ISO50001 and future development.

Photo on the left：Tsuguo Kimura, President of F-tech
Photo on the right : Hideyoshi Nishina, Executive Manager
Japan Automobile Research Institute

Mr. Nishina The other day in the IPCC[*6] report, it was reported that the world average temperature increased about 1℃ in the past 100 years, and it will rise in the future.

Mr. Kimura That's right. It has been said that this year's typhoon and other abnormal weather come from the global warming which is caused by greenhouse gases. Contributing to the world global warming issues is important of course, but major issue of a manufacturing industry like F-tech's is the energy supply-demand problem.

Mr. Nishina In that regard, ISO50001 is a standard specialized in energy, so it was a very effective approach for your company.

Mr. Kimura For the Kameyama Plant which acquired certification this time, it was a good opportunity to manage its energy strictly by introducing the energy management system because we were able to integrate it with the new building.

Mr. Nishina Major difference between ISO14001 is that there is a requirement for a energy review.

Mr. Kimura ISO50001 requires very fine analysis of energy from the first stage. It couldn't all be covered with ISO14001.

Mr. Nishina Now that you have built this system in Kameyama Plant, I think you can clearly see how much energy is used and in which process.

Mr. Kimura Our overseas companies have basically similar processes: stamping, welding, painting and assembly. Therefore, we have been holding a Global Environmental Conference from few years ago, meeting not only domestic companies but also overseas compaies to share the effective environmental measures. In the future, we would like to expand the management system that was established in Kameyama Plant globally.

Mr. Nishina It would be very effective for your company to expand the system globally with Kameyama Plant as a principal plant. I believe that there is know-how that is accumulated over many years in Japan, so it will be a resource of information from Japan to overseas.

Mr. Kimmura By sharing the ISO50001 system globally, I believe that we can contribute to resolving the global warming issues happening around the whole world and conserving resources. We also would like to enhance our corporate competitiveness further by reducing energy costs. I hope we are exchanging information continuously.

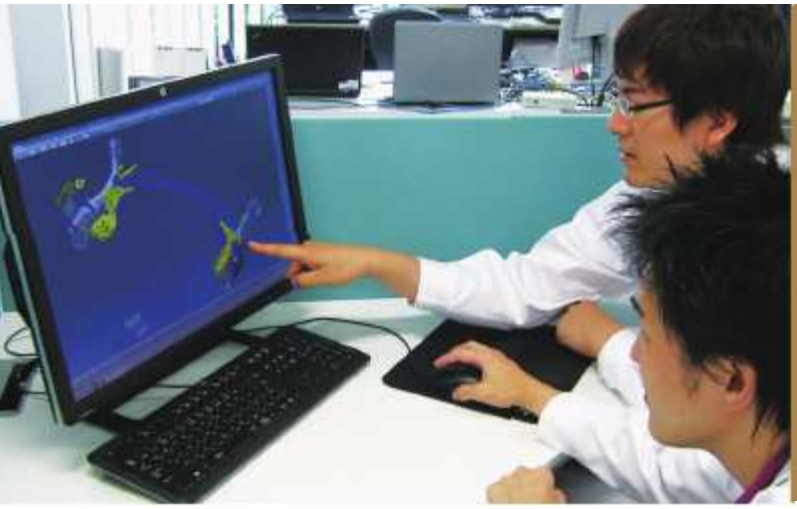
Mr. Nishina Absolutely. Thank you.

* 6 IPCC：Abbreviation of Intergovernmental Panel on Climate Change

※ For efforts of other environmental improvement utilizing ISO50001.
Please refer to page 19 TOPICS: Kameyama Plant efforts in Global

Development of Crushed Torsion Beam

Aim to achieve both Weight Reduction, Comfort & Convenience



Ensuring a wide interior space with ultra-low deck floor, while pursuing weight reduction for fuel efficiency — Along with such concept, F-tech has worked on the development of suspension parts.

What the society and users seek in an automobile is, environmental and cost friendly, and comfort and convenience. At the same time we are expected to make them happen. Even in developing countries it is said that by 2030 the weight needs to be 20% lighter than the entire vehicle lineup of 2010. Under such cirumstances, achieving both lightweight, comfort and convenience becomes an important issue for development at F-tech as well.

Pursued suspension components with lightweight, high rigidity, and high driving performance

By reducing vehicle's body weight, it will improve fuel economy and contribute to reduction of CO2 emissions and family budget. However, to reduce the weight of suspension it requires firm structure and high rigidity components. So it was a very hard challenge to achieve both, supporting the body, and shock absorption from the road surface.

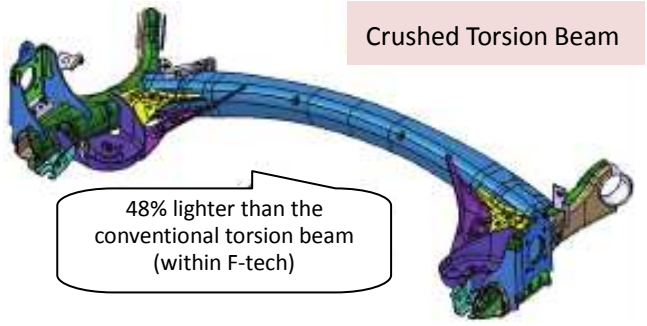
The independent suspension system[*1] which is adopted in various models has high running performance, but there is problem in lightweight, cost, and miniaturization. Therfore, F-tech decided to adopt the axle suspension system[*2] that is superior in lightweight, cost, and miniaturization.

The advantages of conventional axle suspension system were simple structure, less space and ecomonical. But in order to increase the rigidity, it was necessary to increase thickness and add auxiliary parts (stabilizer), so there was a drawback in weight. This time, we worked on the development of the torsion beam of crushed type in order to compensate for these drawbacks.

Crushed torsion beam can increase cross-section surfaces inside of the beam and that enable to ensure the rigidity even when the thickness is reduced significantly. Also, by adjusting the cross-sectional shape, fine-tuning of rigidity can be done. This can balance the vehicle body and it contributes greatly to ensure its driving performance.

* 1Independent suspension system : Right and left of the each suspension move independently, and the follow-up of the tire are good compared to the axle type.

* 2 Axle suspension system :Suspentsion system that connects the right and left tires by a single axle, the structure is simple and durable.



Exceed driving performance with the independent suspension system

In the independent suspension system, all fuctions are separated into subframe, suspension arm and spring, but in the axle suspension system they are covered by one part. Thereby we can reduce the number of components and CO2 emissions during manufacturing as well as weight reduction. In order to guarantee the performance in one part, we needed to evalute the relationship between actual vehicle and single piece of part. It required repeat analysis and verification.

The bow-shaped crushed torsion beam was born as a result. In order to bring out the driving performance equally or higher than the independent suspension system we made full use of layout techniques, such as bending/rotating while avoiding interference with periphral parts, all with the aim to improve the rigidity during cornering and steering ability.

We will not only develop suspension parts like the previous ones in the future, but for the further evolution, our aim is to develop a suspension system.

Joint Prize of Okochi Memorial Technology Award

Realized weight reduction and energy savings by heterogeneous metal friction stir welding

F-tech shared the "60th Okochi Memorial Technology Award" with Honda Motor Co., Ltd. and an other company. It was for the hybrid subframe development technology that has the Friction Stir Welding (FSW) technology which can continuously join dissimilar metals, such as aluminum and steel. This technology is used for the Honda Accord model (North America).

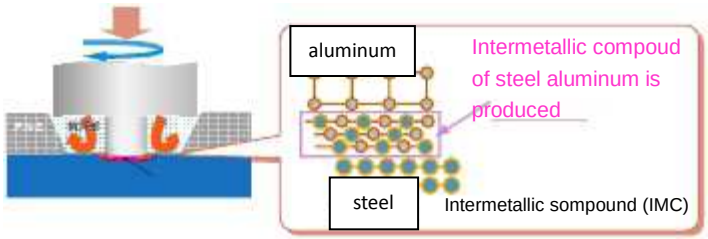
* Okochi Memorial Technology Award: presented for the significant achievements that contributed greatly to the development of academic progress and industry, concernning the implementation of production engineering of Japan, research and development of production technology, and advanced production system.

Build the world's first mass-production system with continuous joining of aluminum and steel

Mechanism of FSW is, first stack a plate of aluminum on top of the steel and insert the high speed rotating tool. The tool's tip scrapes the painted surface layer, galvanizing to the surface of iron while it is stirring the aluminum.
When these two types of metals touch each other at high temperature with no oxygen, a layer called "intermetallic compound" is made. The intermetallic compound acts like a glue and joins steel and aluminum.
Power required for joining by FSW other than the robot is only the external axis motor required for the position control and to rotate the tool.
The new model can be produced at half the power compared with the conventional model because the welding process is eliminated.

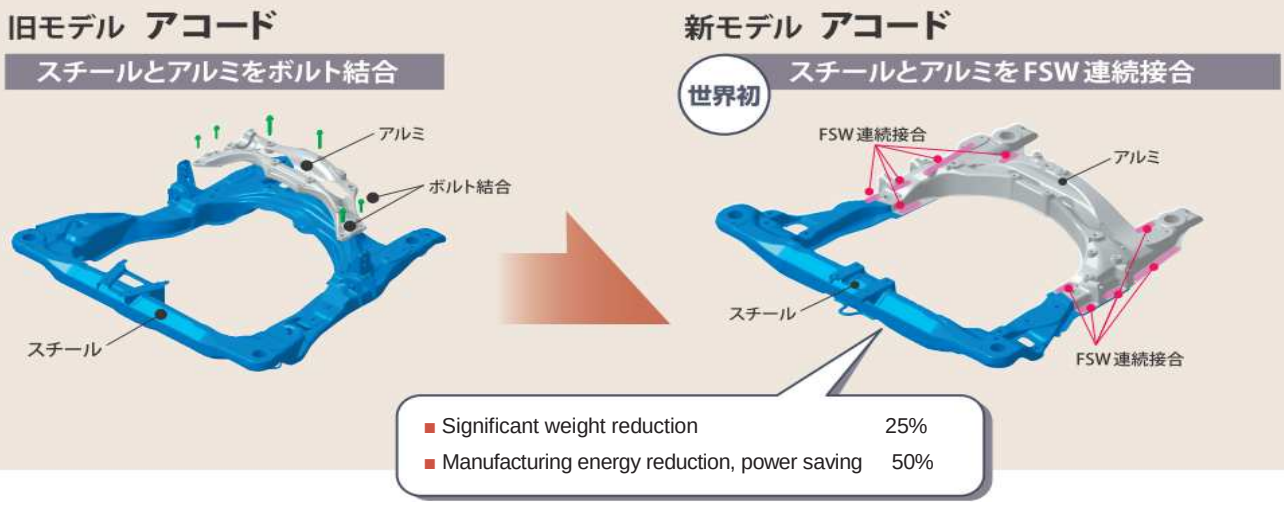
The new Accord model used 50% less power in production and 25% less weight compared to the conventional model by using the FSW method. We will continue to expand the newly established mass production technology as the core technology toward the next model.

Why do steel and aluminum join?



Joined by the intermetallic compound produced between the steel and aluminum

Benefits of FSW continuous joining of hybrid structure Front Subframe



Start a full-scale development of New Environmental Area Midterm Plan within the group of companies

The 11th Midterm Plan Environmental Area started from FY2011 (Target is three major plants in Japan), and FY2013 was the final year of this plan. We have almost completed informinf of our activities such as benchmarking, collecting numerical data and environmental measures which we shared at the Global Environmental Meeting to the group. So finally we are planning to start the actual program within the group. In the 11th Midterm Plan, the goal of "Improvement of energy consumption" was not met in three consecutive years. This is because the value added which is the denominator of the original unit was reduced (see page 10 below). The new Midterm Plan that is starting from 2014 expands the scope from three major domestic plants to the whole group. As for the energy consumption per unit, we will review the goals and create workable plans.

■ 11th Midterm Plan Environmental Area (2011-2013)

○ : Target achieved △Achieved more than 70% less than 100%

× : Achievement of less than 70% ー : Excluded

Range	Activities	Plan/Actual	When		
			FY2011	FY2012	FY2013
Prevention of Global Warming (Production)	・Benchmarking	Plan	Set benchmarks	Improvement of OEE	High equalization
		Actual	Completed setting benchmarks	Implemented of OEE improvement activities	Completed high equalization
		Evaluation	○	○	○
	・Grasping of GHG including supply chain	Plan	Completion rate: 80%	Completion rate: 90%	Completion rate: 100%
		Actual	Completion rate: 84%	Completion rate: 91%	Completion rate: 98%
		Evaluation	○	○	△
	・Improvement of unit requirement of energy	Plan	Improved by 5% (as compared with FY2010)	Improved by 7.5% (as compared with	Improved by 10% (as compared with
		Actual	Improved 2.9% (as compared with	Disimproved by 14.1% (as compared with	Disimproved by 22.7% (as compared with
		Evaluation	△	×	×
ISO Certification (Management)	・Achievement of certification for ISO 50001	Plan	System examination	System establishment	Obtain the certificate
		Actual	Completed examination	System establishment completed	Completed obtaining the certificate
		Evaluation	○	○	○
	・Optimization for continuing certification for ISO 14001	Plan	Review the system	Combined with ISO 50001	Continue to be certified
		Actual	Completed review the system	Completed combining with ISO 50001	Continue to be certified
		Evaluation	○	○	○
General Control over All-F.tech Activities (Management)	・Implementation of environmental visits to overseas production locations	Plan	Oversea affiliates	Environmental Visit to FMTL	Weak area
		Actual	Completed 8 oversea affiliates	Completed	Fllow-up at Global Environmental Conference
		Evaluation	○	○	○
	・Regularization of global environmental conference	Plan	Cancelled due to the earthquake	Host it in Japan	Host it in Japan
		Actual	–	Completed	Completed
		Evaluation	–	○	○
Management of Chemical Substances Contained in Products (Management)	・Standardization of all-F.tech management system	Plan	Run the system	Improvement	Standardization
		Actual	Completed	Completed	Completed
		Evaluation	○	○	○
	・Establishment of LCC activity assurance system	Plan	Standardization	Application	Issuance of G-FQS
		Actual	Completed	Completed	Completed issuance of G-FQS
		Evaluation	○	○	○

Set 2020 Global Environmental Goals

Today, the issues that a company has to tackle are widely expanding in variety such issues are not only reducing CO2 within the company, but extend to the value chain, activity of biodiversity, and disclosure of environmental information. Therefore, we established the 12th Midterm Plan to respond to the demands from the society. The plan has 4 pillars: "Management", "Production Area", "Development/Engineering Area", and "Business activities". F-tech will continue to promote as a group with the slogan of "Realization as an environmental frontrunner by evolving the energy management ".

* For the goal of "Development/Engineer area" refrain from publcation because of confidential information.
"Management of chemical substances contained in products" excluded from the 12 mid-term plan because it has been fixed, so we are continuity managing.

* CO2 emissions【target】energy used in the plant【Excluded】logistics, company car, welding CO2 gas

12th Midterm Plan Environmental Area (2014-2016) Target: F-tech group

Range	Activities	When		
		FY2011	FY2012	FY2013
Production	・Activity to reduce GHG emission rate	Improvement by 4% (as compared with FY2010)	Improvement by 5% (as compared with FY2010)	Improvement by 6% (as compared with FY2010)
	・Activity to strengthen controls over the value chain	Improvement in GHG data accuracy	Preparing for activity for reduction	Pursuing activity for reduction
	★New plan ・Activity to reduce water resource consumption rate	Improvement by 4% (as compared with FY2010)	Improvement by 5% (as compared with FY2010)	Improvement by 6% (as compared with FY2010)
Management	・Activity to ensure compliance with ISO 50001 at overseas production locations at benchmark level	Preparing for overseas rollout	Completion in NA	Completion in China
	・Activity to achieve certification for ISO 14001 (2015 revised version)	Establishing system	Establishing system / Achieving certification	Achieving certification
	・Activity to ensure successful achievement of ISO 14001 certification at new mass-production locations	Establishing system	Establishing system / Achieving certification	Achieving certification
★New plan Corporate activity	・Activity contributory to local communities	Sharing information	Rolling out activity	Continuing activity
	・Activity for the conservation of biodiversity	Establishing guidelines	Pursuing activity	Continuing activity

* 1 Improvement of specific energy consumption index

In F-tech, we have been calculating the energy consumption unit by putting the added value (sales-<subcontracting costs + material cost + purchased parts cost>) as the denominator, and we have been ussing as an index. However, despite of our efforts to improve environmental challenges, the amount of energy consumption became worse for three consecutive years. That is because the market demand changed from larger and luxury vehicles where value-added was high, to small vehicles where value-added was low, also, the production shifted overseas to accomodate the increasing demand for from overseas.

deployment measures	plan/result	2011	2012	2013
CO2 reduction measures (3 domestic plants total)	plan	141t-CO2	137t-CO2	107t-CO2
	result	250t-CO2	213t-CO2	228t-CO2
	achievement rate	177%	155%	213%

Since 2014, the targets of plan changed from the three major domestic plants to to thw whole group of companies. So we changed the denominator of the consumption unit to "Amount of Sales".

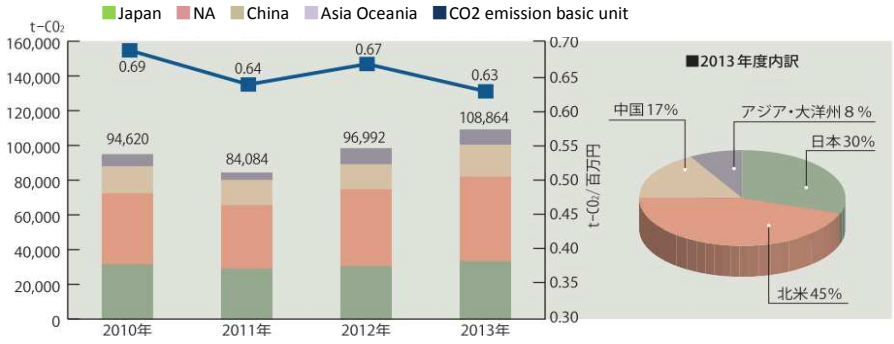
【Reference】Reduction of CO2 emission by implementing countermeasures

"Reduction amount by measures" is the amount reduced by measures (any kind of improvement activities). The specific energy consumption is decresed by the value-added sales amount. Therefore, the 3 Japanese plants are managing CO2 reduction amounts by countermeasures.

Our energy consumption unit got worse in FY2011 to 2013, but the CO2 reduced by countermeasurs is steadily lowering as shown on the left.

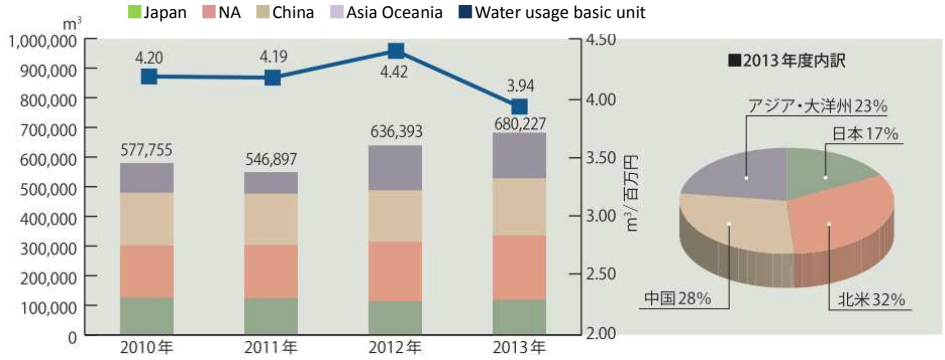
Promoting the environment load reduction activities throughtout the entire group of companies

■Emission of greenhouse gas (CO2)



* Data of greenhouse gas was collected from energy used at factory, research institution and transportation.
* The data was tracked back and revised
* "Japan" including Kuki plant, Kameyama plant, Haga Technical Centre and other affiliate companies' data.
* Referred calculation method issued by Ministry of Economy, Trade and Industry and WRI/ WBCSD "The Greenhouse Gas Protocol
* Japanese domestic electricity is based on the latest information provided by each power company.
* Reported values is round off it to first decimal places

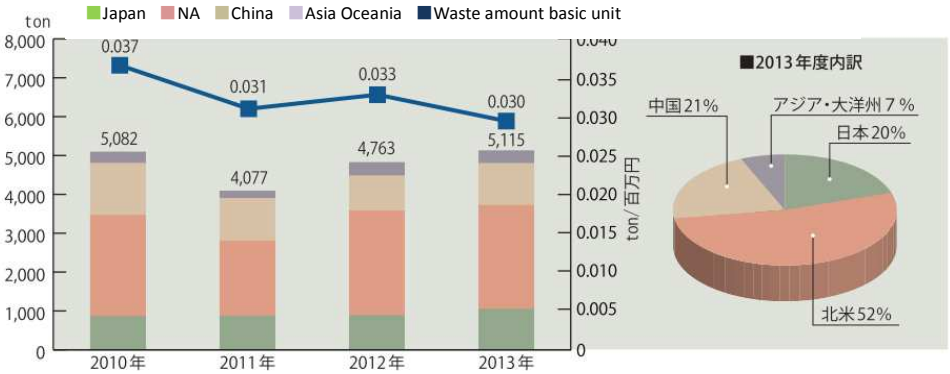
■Amount of water usage



*"Japan" including Kuki plant, Kameyama plant, Haga Technical Centre and other affiliate companies' data.
* Reported values is round off it to first decimal places

■Amount of waste

【Total amount of waste】



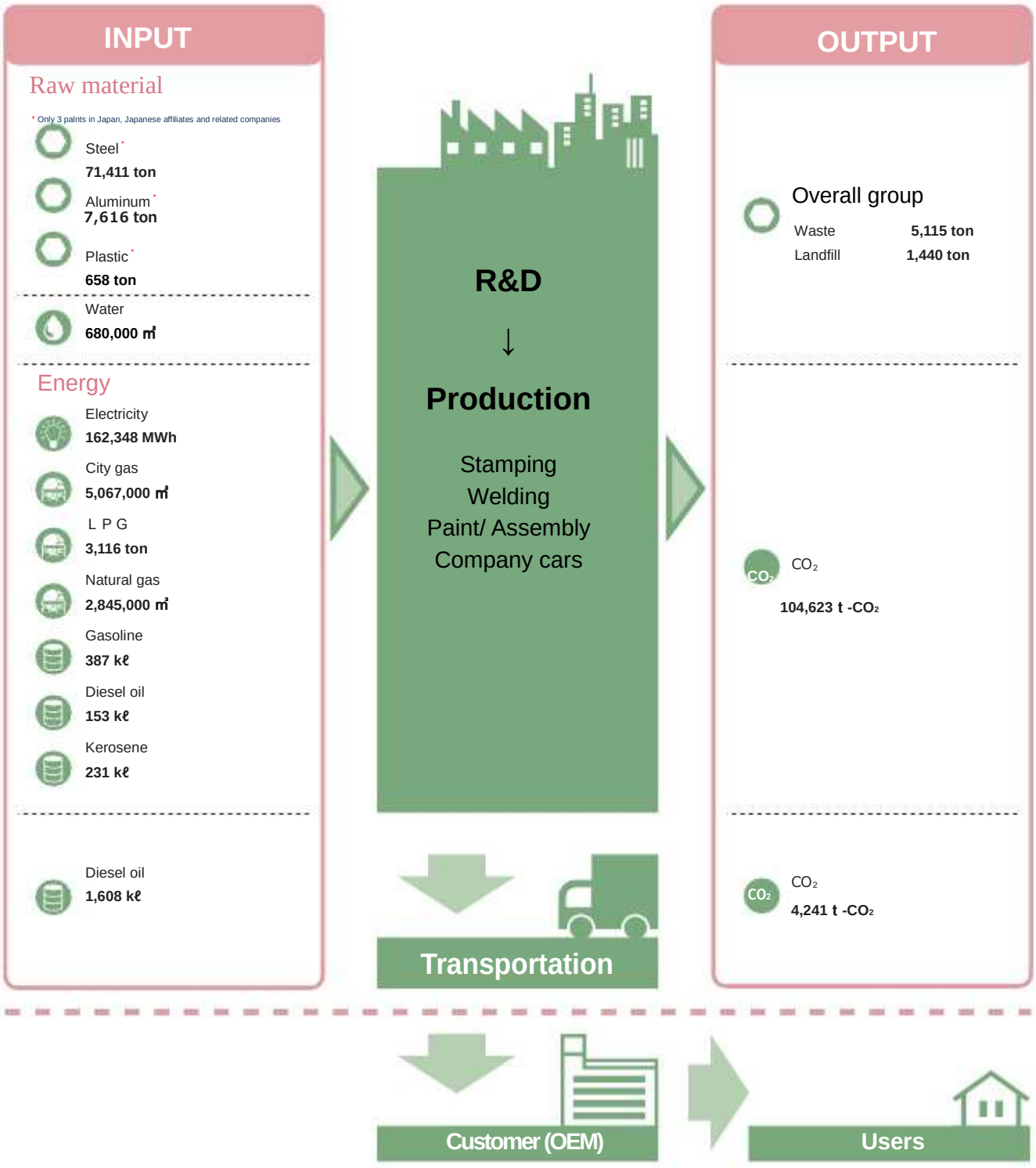
*"Japan" including Kuki plant, Kameyama plant, Haga Technical Centre and other affiliate companies' data.
* Reported values is round off it to first decimal places

【Amount of landfill】

*"Japan" including Kuki plant, Kameyama plant, Haga Technical Centre and other affiliate companies' data.
* Reported values is round off it to first decimal places

Reducing carbon footprints from development to production

Ftech Group



*Amount of material combines 3 facilities and affiliates in Japan. Other amounts are combined of the F.tech Group.
*CO2 emission in OUTPUT was calculated multiplying the amount of energy consumption in INPUT by CO2 conversion factor.
*Referred calculation method of CO2 issued by Ministry of Economy, Trade and Industry and WRI/ WBCSD “The Greenhouse Gas Protocol”
*Power consumption in Japan was calculated based on the latest factor of each power company
*Date period is 04/2013 – 03/2014

Proactively active to meet the purpose and goals of 3 plants in Japan.*1

○:Target achieved、△:achievement less than 100% more than 70% ×:achievement less than 70% －:excluded

Range*2	Item	FY2013 Targets	FY2013 Results	Evaluation	FY2014 Targets
Preventation of global warming (Production)	■Improvement of CO2 emission basic unit Examinee: Head Office,Kuki plant, Kameyama plant, HagaT/C	■Improved by 3.0% (as compared with FY2010)	■Worsened by 22.7% (Actual result) Improved by 7.4%(correction value*) *Correction value:assuming value that it is not affected by the reduction of the value added	× ○	■Improved by 1.0% (as compared with FY2013)
	■ Reduced CO2 emission more than 1% by implementing countermeasure (compared with previous term) *3 Examinee: Head office, Kuki plant, Kameyama plant & Haga T/C	■Kuki plant: reduction of more than 38.1t-CO2	■Kuki plant: reduction of more than 60.6t-CO2	○	■Kuki plant: reduction of more than 45.0t-CO2
		■Kameyama plant: reduction of more than 54.9t-CO2	■Kameyama plant: reduction of more than 153.6t-CO2	○	■Kameyama plant: reduction of more than 50.1t-CO2
		■HagaT/C: reduction of more than 13.7t-CO2	■HagaT/C: reduction of more than 15.2t-CO2	○	■HagaT/C: reduction of more than 14.9t-CO2
ISO Certification (Management)	■Improvement of Environment and Energy Management	■Acuire external authentication for ISO50001 (Kameyama plant)	■Acuire external authentication for ISO50001 (Kameyama plant)	○	■ISO50001overseas rollout Start in North America benchmark base
General Control over All-F.tech Activities (Management)	■Regularization of global environmental conference	■To held Global Environmental Conference Completed	■To held Global Environmental Conference Completed	○	No target setted for fixing
Management of Chemical Substances Contained in Products (Management)	■化学物質管理体制の向上	■Implementation of training for chemical substance management Completed 5 associates	■Implementation of training for chemical substance management Completed 9 associates	○	No target setted for fixing
Corporate activity	■Fulfillment of social responsibility	－	－	－	■Activity contributory to local communities ⇒Implement more than 1 projects/internal 3 bases ■Activity for the conservation of biodiversity Establishing guidelines

＊1 3 Internal Plant: Head Office Kuki Plant, Kameyama Plant, Haga T/C
＊2 Area:Inside（ ）is the area name of 12 mid-term plan
＊3 Reduction of CO2 emissions by measures: Regardless of emissions, evaluate based on the amount reduced by measures.
＊4 About product development which has excellent environmental performance, continuing our efforts as a priority item in the mid-term plan and annual plans, but refrain from disclosure of details because it is confidential information.

Strengthening the Environment Management in overseas companies

■ All-Ftech Environmental Management System

At F.tech we recognized environmental issues as critical items to manage, so we started our action to obtain ISO 14001 certificate in 1998. The production facilities located overseas also obtained the ISO 14001 certificate in 2009 to work together to build F.tech Environmental Management System. We are planning to acquire the certificate for Mexico and Indonesia, the newly established production bases in FY2013.

■ Organization

We started the All F.tech Environmental Management System in 2008. The president of each overseas facility is to oversees the system and placed an associate in charge who organized its system. We are in the process of preparing the environmental organization to acquire a certificate of ISO14001 in the future at the newly established companies, F&P Mfg., De Mexico S.A. DE. C.V (Mexico) and PT. F.TECH INDONESIA (Indonesia).

■ Compliance

Laws and regulations of environment are diverse in each country and region and they are enormous. Some facilities overseas have a contract to ensure that laws are observed. At the three plants in Japan, they introduced an electronic manifest system to improve their law management of waste diposal.

In other domestic plants, they hold monthly environmental meetings to ensure the progress of action, and they perform a full-check audit of laws once a year to ensure if laws and regulations are observed.

■ Environmental training

The company provides the ISO 14001 Basic Course as a requirement and many employees take it. Also, environmental seminars and internal auditor training courses are provided to educate employees.

Overseas facilities also have training as well. The facility in China provides environmental training to all employees and invites an external instructor to provide study sessions. In the Philippines, as part of the Environmental Awareness Programs, they implemented Proper use of energy consumption patrol and posted its results on the bulletin board. They also created objects and benches made by packaging waste and donated them to local schools.

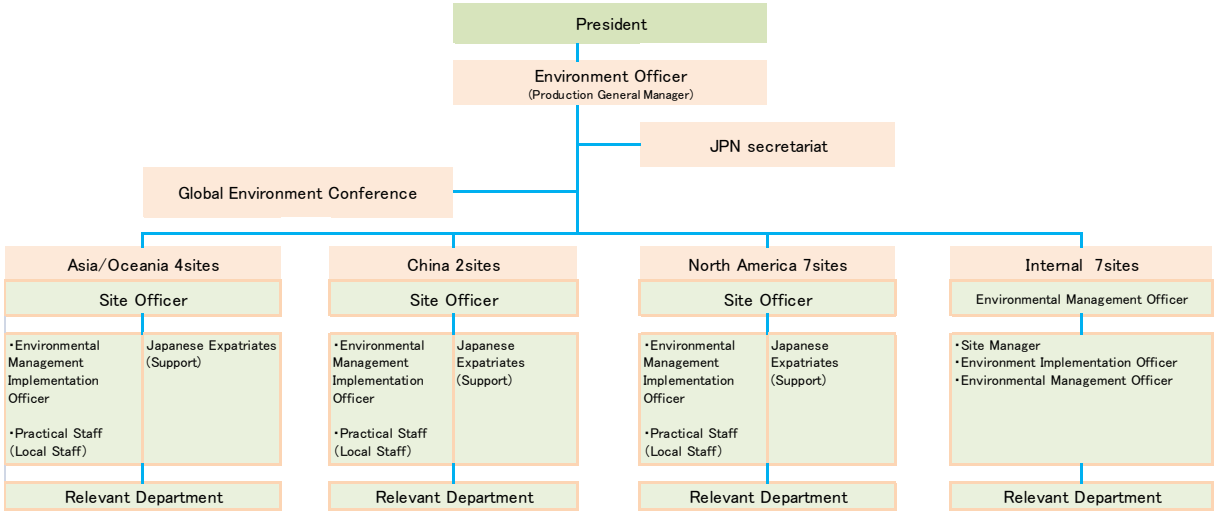
■ Internal audit

In F-tech group, under the Environmental Management System (EMS) at each site, regular internal environmental audits are conducted to ensure compliance of the EMS.

In addition, in order to perform a valid audit, hold internal environmental auditors training is held regularly to expand auditors continually.

Simulation audit scenes of internal environmental auditors training (in-house training

■ Ftech Environmental management system



* 7 internal sites include the internal subsidiaries and affiliates

■ Report of the industrial waste electronic manifest case studies

In 2013 the Ministry of the Environment formulated “Road map for electronic manifest widespread use”, and announced the goal of electronic manifest diffusion rate of 50% (use rate) by FY2016. In F-tech, we completed introduction of the electronic manifest system of industrial watse in three Japanese plants. Currently, we completely eliminated paper manifest and are operating 100% electronic manifest.

On Febuary 13, 2013, our activities were introduced to those who were considering the electronic manifest at the workshop organized by the Foundation of Japan Industrial Waste Technology Center Information Processing Center. We realized that this electronic manifest is a very useful system to evaluate the legal compliance. We at F-tech will fulfill the responsibility of reducing industrial waste as we generate them, and we will reduce industrial waste and continue to improve the management level of legal compliance of waste disposal.

Case studies in electronic manifest workshop

* 1 Electronic Manifest: Manifest system is for ensuring the proper processing of illegal dumping by understanding the flow of the processing of industrial waste that was entrusted to the disposal professional, collection and transportation professional by themselves. There is paper and eletronic media, electronic manifest is a manifest of electronic media.

* 2 Internal 3 sites : Head Office, Kuki plant, Kameyama plant, Haga T/C

The 4th Ftech Group Global Environmental Conference Held under the theme of “Sharing energy visualization”

Group photo at Hitachi Omika office with the participants

Grand Prize: FTW(China) “Spray Deodorizing Furnace Introduction”

In F-tech group, we have held Global Environmental Meetings since 2009 to share effective environmental practices at each company, to implement Energy Visualization training, and also to provide tours to other local companies.

The 4th Global Environmental Meeting was held in Kuki, Saitama in September 2013. This time we set the theme of “Sharing Energy Visualization” to share the viewpoints of visualization, and had exercises divided into small groups based on actual visualized energy data. We also visited Hitachi, Ltd. Omika plant, the first to authenticate ISO50001 in domestic electronics manufacturer, in order to study leveraging of energy management system and efforts of ISO50001.

In order to continue the Global Environment Conference, F-tech will strive to correspond more speedily about initiatives regarding new environment activities all across F-tech.

4th Global Environmental Conference

We purchase raw materials, parts, and products from the companies that are working on reducing environmental loads preferentially

■ Our concept of Green Purchasing

F-tech has established “F-tech Green Purchasing Guidelines” which are our basic concepts of green purchasing to preferentially buy parts, materials, and products that are considerate to the environment. Also we promote this green purchasing to our business partners and strive to conserve the global environment.

■ Formulating the Green Purchasing Guidelines

In the "F-Tech Green Purchasing Guidelines", we asked the following contents to our business partners in Japan and overseas:

・ Development of environmental management system
・ Compliance with environmental laws
・ Implementation of management of Chemical Substances Contained in Products Program
・ Grasp amount of greenhouse gas emissions and its reduction

F-tech will keep working on building a low-carbon and sustainable society while managing the resources and supporting our suppliers.

F-Tech Green Purchasing Guidelines

■ Grasp of greenhouse gas emissions in the value chain

In “GHG Protocol”, the world common greenhouse gas calculation guidelines recommend that we not only reduce greenhouse gases emitted during our business activities within the Ftech group, but we have to identify risks related to greenhouse gases and reduction opportunities in the value chain. Therefore, in F-tech group, we are promoting greenhouse gas emissions to our suppliers from FY2011. Further, we will improve the accuracy of data, and also strive to reduce greenhouse gas emissions including the value chain as well.

■ Management of Chemical Substances Contained in Products Program

In F-tech group, we are managing global regulations of chemical substances contained in products and customer requirements by establishing the management system and implementing the IMDS survey at each company.

We developed “F-tech Products Chemical Substance Management Standards”, to define substances that are prohibitied or regulated because they are harmful to humans and the environment, and we strictly prohibit the use of these substances. Also, F-tech is working to eliminate these substance through green purchasing activities, and to supply products that do not contain these substances. In addition, we also defined the substances where hazardous property is concerned and added the same standards to managing the chemical substances contained in product regulations of each country.

In Japan, we regularly conduct environmental system audit to our suppliers including the management of chemical substances contained in products. In FY2013, we extended the internal training to auditors who can perform the environmental system audit. In companies overseas, we established “Global F-tech Quality Standard (G-FQS)” in FY2013 which consists of common rules for managing chemical substances contained in products and supplier control.

We will continue to ensure hazardous chemicals are not contained in our products in the entire F-tech Group by following the common rules defined in the G-FQS.

Started the operation of Global Quality Standard (G-FQS)*1

■ Working on quality improvement with focus on "F-tech Quality Cycle"

The foundation of F-tech group's principal is "Companies that are expected to exist" to "Achieve incomparable quality".

Therefore, we are working on "F-tech Quality Cycle" that continually carries out quality improvement and kaizen at each stage, from design, development, production preparation, production and shipment.

F.TECH Quality Cycle

■ Build "Quality Assurance System for strengthening the important processes"

We started "Quality Assurance System for strengthening the important processes" to enhace more our efforts over the years in the 12th Midterm Plan started in FY2014. We created "Critical Process Assurance Standards" as a tool and expanded it to companies overseas. We will apply the standards to new models that start up in the future to establish a system that provides feedback to the production site to ensure control of critical processes that might cause important quality issues.

■ Started the group's unified rules

～ Prevent occurrence of problem, Quickly solve the problem that occurred and Reslolution at the source ～

In FY2013, we reviewed the contents of "G-FQS" that was developed in FY2012 to make it more effective, and started using it within the group.

In order to establish the unified rules, our Quality Assurance Division created a draft by collecting information through meetings and exchanging opinions between departments (Stamping, Welding and Paint) based on the ISO/TS16949 requirements and customer requirements.

After reflecting on the study results, the final decision was made during the World Quality Joint Meeting and we officially issued. FY2014 we plan to expand the management criteria of each manufacturing process, mainly overseas.

■ Hosted 27th "World Quality Joint Meeting"

Our domestic and overseas representatives gathered in Kuki, Saitama on July 16th ~ 18th, 2013 and participated in the "27th World Quality Joint Meeting". At the meeting, we shared information such as quality situations and improvement measures of each company. We also expanded information about FY2013 policies and measures, and set out mind to achieve the 11th Midterm goal of F-tech, "To be a multi-functional suspension system manufacturer with overwhelming competitiveness".

In addition, we had a plant tour in Kuki Plant to observe the FSW technology that joins steel and aluminam together, and also received an "Okochi Award" in the field of production engineering. We also visited Fukai Mfg., Co. Ltd. to observe high-tensile steel plate processing technology and weight reduction technology, Tailored blank processing.

State of Fukai Mfg Ltd. tour

*1 G-FQS：Global F-TECH Quality Standard
*2 ISO/TS16949：Quality management system for the automotive industry
*3 FSW：Friction Stir Welding (Friction stir welding)

Inspection and improvement for “Health and safety work environment” in the group

■ Promoting the goal of “Zero Lost time”

This year is the last year of the 11th Midterm Plan (2011~2013) and closing year of the goal which was set as “ Zero Lost Time” within the group. Unfortunately we didn’t achieve the goal, but since 2010 nine faicilities overseas (F&P, F&P-A, DYNA-MIG, F&P-G, FPMI, FEG-Q, FT-Z, FT-W, FMTL) were checked periodically for their safety to keep high level of practice. In addition, two new facilities, FT-I (Indonesia) and FPMX (Mexico) were added in 2013.

FPMI’s basic of safety is understanding 5S

■ Conducted Safety Audit in five facilities overseas

In F-tech group, we established safety rules in the “Health and Safety Management Standards”. In FY2013, we conducted the Safety Audit using the “Safety Credibility Inspection Manual” mainly in five facilities overseas (F&PG, FPMX, FEGQ, FPMI and FTI). We initially checked their data to see where they were in terms of safety and then we provided trainings. The trainings were for local Safety representitives and their managers to provide “Awreness of weak areas” and “Opportunity for leading kaizen activity”. By running the statistically-controlled method within the group, it enabled us to understand differences of individual’s awarness and area differences1 for safety.

■ Health and Safety Management Standards to new facilities

In FY2013, we focused on training to newly established facilities, FT-I (Indonesia) and FPMX (Mexico) and facilities located in developing countries. We provided follow-up every 3 to 6 months to check the progress of safety kaizen activities, and produced continuous support in disaster-prevention.

FTI (Indonesia) has been introducing pre- opening gymnastics from inception
※FTZ (China) has also introduced pre-opening gymnastics for musde pain prevention since February 2014

In the Safety Report, a lot of photographs were used to make the report easy to understand for everyone and easier to handle by local managers.

■ Further development of new overseas facility

In the new facilities such as FT-I and FPMX, we provide Safety Visits on a continuous basis in order to make these events as ”awakening events” to make “safety awareness” as a habit. The most basic thing is to maintain safety and quality during normal operation of quipment. Therefore, start-up inspection is important as well as engineer training is essential to maintaining equipment safety. We strive to build a facility where people understand the basic of safety and managers are able to be aware of the hidden unsafe actions independetly. In addition, we will also strive to prevent disasters by re-checking local laws and regulations and improving compliance awareness

■2nd Annual Kuki Family Traffic Safety Seminar

On October 27th, 2013, F.tech Traffic Safety Committee and Honda Affiliated Companies Industrial Accident Prevention Committee Saitama Branch together hosted the 2nd Kuki Family Safety Seminar. A total of 47 local residents attended (22 adults and 25 children). It was a vibrant event, the same as last year’s one.

Global Activities

Japan

Kuki Plant

Clean-up activities of River Bizen Horikawa

Our Kuki Plant is registered in “Kawano-kuni Oendan”, the cleanup effort group organized by Saitama Prefecture. We started cleaning the River Bizen Horikawa running by the Kuki Shobu Industrial Park in November 2013.

In River Bizen Horikaw, there is much illegal dumping and it negatively affects to birds, fish and plants. We collected 200kg of garbage such as cans and plastic bottles, tube TV, cupboard and toilet seat in FY2013 activities. We were amazed by the amount of trash but we also were pleased to see the beautiful river.

If the act of throwing garbage goes away our activity of cleaning is no longer required in the first place. At Kuki Plant, we think that by continuing the clean-up activity of River Bizen Horikawa, it is not only conserving the ecosystem of birds, fish and plants, but also improving individual’s moral and manners.

Clean-up activities of River Bizen Horikawa

Kameyama Plant

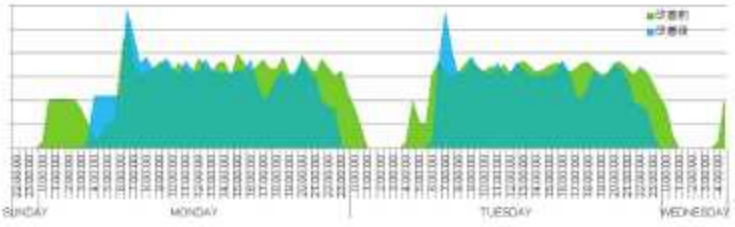
Improvement by ISO50001 EnMS utilization

At Kameyama Plant, we completed the activity of "Change to LED lighting of Stamping area" which began from the previous year to reduce electricity usage, and it had a large impact. In addition to this activity we turned off outside lights on weekends and turned off the GHP* security power on holidays. We also implemeted an auto-off feature to turn off the servo power of welding robots during breaktime to reduce standby power of production equipment. In the city gas usage reduction program, we were able to reduce gas significantly from the paint equipment that consumed gas a lot by reviewing the setting of timer used for heating-up to time it to the production start-up time.

In FY2013, we reduced 239.6MWh in electricity, 21,719m^3 in city gas, and CO2 emission reductions for the entire plant was 153.6t-CO2.

We will continue to be using the ISO50001 system to improve kaizen activities to be the top plant within the group in energy saving.

* GHP：Gas Engine Heat Pump Air-ConditionersTurn the compressor by gas enegine, air conditioning system for heating and cooloing by heat pump operation



Painting equipment city gas usage improvement before/after transition graph

Haga Technical Center

3 years from the Great East Japan Earthquake, The long-awaited new building completed

The concept of the new building was “Safety” and “Building that represents the future of F-tech”. Let’s say ordinary buildings are built with 1.0 seismic index of structure, the new building was built with 1.25 seismic index, the same grade as schools or evacuation buildings. The new building would secure our employees safety and they could start their work right away even if the same scale of disaster occurs again.

From an environmental perspective, the building has large double-glazed glass panels in the courtyard and the east side of building to let in the light. Their design room there was the exhaust heat workstation in consideration of heat from the PC. They put ventilation of air-conditioning on the floor and put intake vent near the ceiling to remove the heat. This air-conditioning system was energy-saving and improved the work environment around the desk. In addition, LED lightings were installed in thelobby, hallways and restroom. We expect that effect of electricity reduction for the entire building will be about 110,000kWh/year.

In the future, we plan to reduce electricity consumption further by introducing electricity monitoring and conditioning on-demand systems in Haga.

Haga Technical Center Administration building completed

Kyushu F.tech Inc.

Social action program
～ Plant tour by local elementary school students ～

At Kyushu Ftech, we accept students from high schools and schools for the disabled every year as social action programs to gain experience about making automotive parts. Last year we invited the local elementary school students as the school approached the company for children to “Learn how automotive parts are made from coil to product”.

First, the safety of factory was explained followed by the explanation of how brake pedals are made in the order of stamping, welding, assembly, along with the textbook from the school. At Kyushu Ftech, we produce brake pedals, so we explained the basic concept of “Stop” mechanism by using animation. During the plant tour the children were eagerly attentive and taking note while they felt the smell of oil and the sound of striking metal. We also learnt from them to have fresh mind and the importance of learning.

Description of the brake pedal

“Production” tour in the factory

Reterra Co., Ltd.

Installed skylights in die-casting factory ceiling

After the establishment of Chichibu die-casting factory in 1999, the illumination of the area declined because of the dirt of the inner wall ceiling that had accumulated over 14 years of operation. The height of the die-casting factory’s ceiling is 12m, so the light from outside was blocked, so we were relying on mercury lamps to get the minimum illumination within the working environment measurement (illuminance). Therefore, we installed skylights in the die-casting factory ceiling for the purpose of energy reduction and to create a comfortable safe working environment in 2013. We were able to collect large amounts of natural light from six skylights and we now turn off the unnecessary mercury lamps when it is sunny.

It was a large investment, but the illuminance of the entire plant increased as well as workability. We also received good feedback from associates. In additon, these activities were evaluated well by our visitors, and as a result our credibility has improved.

Before installing panel(mercury lamp)

After installing natural light harvesting

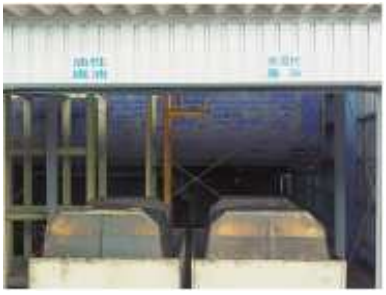
JOHNAN MANUFACTURING INC.

Start recycling the oleaginous waste oil

At Johnan, we had been disposing the waste oil as two different disposal cost of industrial waste by separating it to water-soluble waste oil and oleaginous waste oil. However, when we re-analyzed the component of the waste oil, we found out that the oleaginous waste oil could be sold to an outside company as a recycled product.

Therefore, we started selling the oleginous watse oil to the outside company as a recycled product from FY2013, and we recycle 3,000 liter per year. With this acitivity we not only reduced the amount of industrial waste, but we saved outsoursing process cost. Moreover, we were able to earn benefits from the sales of the waste oil.

We will continue to separate the oil into oleaginous waste oil and water-soluble waste, and will be recycling the oleginous waste oil.



Waste oil separation tank for recycling

Global Activities

Asia

FPMI

Relief disaster victims of the super typhoon Haiyan

In Novenber 2013, a super typhoon (the international name: Haiyan) hit the Philippines. Haiyan was the largest Typhoon ever. Many of our associates participated in volounteer activities to help victims as they practiced our policy, “We are One Family”. FPMI participated in fund-raising and donated relief supplies for the victims as well as sorting of relief goods for a charity organization.

In additon, FPMI continued to participate in the tree planting program (National Greening Program) that was established by the Environment and Natural Resource Department since FY2011. Since then 2,125 trees were planted by our associate volunteers.

We, FPMI associates, consider conservation of the enivironment a common issue for all humanity and we will take a proactive approch to the challenge.

Donated relief goods for disaster victims

Participated in the afforestation program

FMTL

Reduction of LP gas and tree planting at the coast

In the LP gas reduction in the paint drying furnace program, we changed its temperature from 200°C to 185°C based on the information provided by the other facility while strictly checking the effect of the paint quality. As a result, the amount of LP gas used for drying furnace was reduced by 25,211kg and CO2 emissions were reduced by 75.68t-CO2 in the second half of 2013. That means we cut down in 679,138 baht worth of gas.

In our social contribution activities, we planted about 300 mangrove species to protect destruction of mangrove forest and to raise awareness of conservation of the environment with our associates. The coastal area in Thailand is eroded about 1 to 5m ever year, so the destruction of mangrove forests has been a problem. We also worked on conservation of aquatic animals’ ecosystem and breeding ground.

Changed temperature setting of the drying furnace

Afforestation activities of mangrove

FTW

Introduction of water spray deodorizer

In FTW, we changed from conventional regenerative deodorizing furnace that was using natural gas to the water spray deodorizer. Since water spray deodorizer does not use natural gas, we reduced the natural gas usage about 100,000m^3 (202t-CO2) per year. We were also able to achieve the goal of “3% reduction of CO2 emissions”. This water spray deodorizing unit sprays to deodor gas that is generated from the drying furnace to absorb the smell with moisture and then release it through filter. It does not use harmful substances nor discharge them. The investment of this unit was 580,000 yuan and maintenace cost is 5,000 yuan annually. This water spray deodorizing unit uses 1,950m^3 of water per year, but it will reduce the cost of natural gas about 280,000 yuan per year, so we will recover the investment in two years.

Water spray deodorizer

FTZ

Waste reduction by reviewing packaging specifications

In FY2013, we worked on reduction of waste. Our Purchasing department promoted this program as they reviewed packaging specifications and we were able to reduce the cost and waste.

The economic result was 320,000 Yuan.

Example:

1) Changed Guangzhou Mitsuba’s packaging for motor (Fig. 1)
   Changed from cardboard box to plastic returnable box
   Improvement effect: 1) Reduced 112,500 pieces (10.9 ton) of cardboard per year
   2) Eliminated the replacement work – Reduced 150,000 Yuan (labour cost)
2) Changed packaging for overseas shipping (Cradle parts) (Fig. 2)
   Changed from steel box to cardboard box
   Improvement effect: 1) Eliminated steel waste 2) Cost reduction: 43 Yuan/box -> 3.20K Yuan/year

Fig. 1

Fig. 2

North America

DYNA-MIG

Recieved Award of Excellence [*1] in two consecutive years

We received the "2nd Award of Excellence" successively from FY2012. In FY2013, we updated our welding line gas exhaust system, cooling and ventilation equipment and also we installed a high efficiency air conditioning and heating unit on the roof and an VFD[*2] unit to the production line. These activities made an impact and were evaluated.

We also participated in the "saveONenergy" program and received incentives. We effectively utilized the Festival Hydro's "Company Enrgy Management 3.0" (can see the energy usage on the internet all times) and are monitoring the energy usage day-by-day. Through our enery reduction activity we will continue to contribute to reducing global warming and energy cost.

Awarded "2nd Award of Excellence"

* 1 Prize that was awarded for the company that contributed in peak power reduction or electricity usage reduction in any way, by the local power supply company "Stratford Festival Hydro Corporation"(following: Festival Hydro Inc.)

* 2 VFD : Variable voltage/frequency control

* 3 Refund system of investment amount spent for initiatives to energy conservation, which Ontario Power Authority funded, and managed by Festival Hydro Corporation.

F&P

Recycle & re-use 95% of waste by changing to energy

In order to reduce landfill waste, we began thermal recycling initiatives to change the waste to energy. Because of these efforts, our recycling rate has improved from 65% to 95%.

In order to improve our recycling program, we provided waste and recycling stations where waste is produced. The collected waste is sent to a thermal treatment facility to be recycled to electricity through the steam turbine generator. The facility powers up to 6000 homes with the energy produced from thermally treating waste. The excess heat generated from thermal treatment is then used by neighboring facilities. The waste we send to the facility is also recycled into ferrous metal. F&P is continously exploring new technology and also investigating recycling alternatives in order to achieve a goal of becoming a zero waste facility.

Steam turbine generator

F&PA

Received "Honda Green Award" and DRG3* certified business

We received two awards as a result of our continuous improvement activities to achieve high level of Green Compliance. The Honda Green Award was for the introduction of the Silver Bullet Water System for our cooling tower to cooling the compressor. The system does not require harmful chemicals and it enables us to manage water quality levels, such as water stain and bacteria. For the certification of DRG3 Green Business, this is the result of the introduction of many improvement ideas that were proposed in the Honda Energy Audit into our facility. We take these occasions of Honda Green Award and Honda Energy Audit as to further our approch to environmental sustainability for both our generation and next generations.

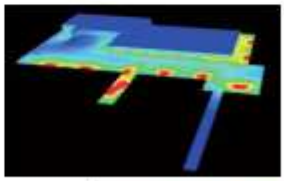
Honda Green Award and Silver Bullet Water System

* DRG3 : Dayton Regional Green 3 - Voluntary and ongoing programs to help the basic environmental measures in order to save money in the process for the company to reduce ecological・footprint, energy, and resource use.

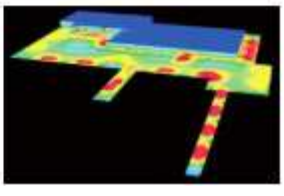
F&PG

Improvement of lighting in parking lot

In F&PG, we improved the lighting in our parking lot behind the factory. We felt that the illumination level was not sufficient for pedestrians, trailers and forklift for safety operations. The photos (AB) shown here are a comparison of before and after the improvement. The blue area indicates that the visibility is very bad. Therefore, we installed new LED lightings (photo B) to improve the area. This activity led us to a further reduction of energy and maintenance cost.



A Before



B After

New Plants

Research & Development facility in China and New Production Plants joined in Mexico and Indonesia

At F-tech, we are expanding business in the overseas markets and we are working to extend our R&D base and production base. In 2011, our R&D facility was built in China and two production facilities were established in Mexico and Indonesia. Since our R&D facility was built in China we now have the “4-pole” structure that connects Japan, China, Philippines, and North America. As for our production area, we expanded its capacity to accommodate the expanding markets in Asia and North America. We will be sharing the many years of know-how concerning environmental aspects and social aspects with these plants and will promote to be a socially and enviromentally friendly manufacturer.

F.tech R&D (Guangzhou) Inc.

R&D (Guangzhou) established in December 2012 to lead the Chinese market which is growing significantly. This facility has not only a development department but also, a Sales department, an Engineering department and a Purchasing department have been added. It began full-scale operation from new business planning to design proposals and up to product planning with four departments working together.
We will challenge the competition with mega suppliers with our global network of R&D, our testing facility, and by buliding prototype parts locally.

F&P MFG. DE MEXICO S.A. DE C.V.

The Mexico production base was established in July 2012 to expand our business in North America and Mexico, and to build our production supply system. Our operation started in January 2013 producing our integrated manufacturing system of stamping, welding, painting and assembly. We will be responding to the demands in North American and Mexican markets.

Site area : 104,624m^2
Factory space : 12,880m^2

PT. F.tech INDONESIA

The Indonesia production base was established in January 2013 in order to expand its production capacity for growing the market in Asia. The production started in September 2013 in welding
and assembly. We will be building a competitive edge with new business models.

Site area : approximately 6,700 m^2
Factory space : approximately 2,600 m^2

We will work on compliance awareness both in internal and overseas

■ Corporate Governance

At Ftech group, we must set long term goals for the company and maximize revenues for the shareholders as a 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 7 directors. They make decisions relating to critical business matters. The Board of Auditors consists of 3 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 5 Divisions and 2 Offices and each section has a director. The Management Meeting consists of 7 directors and a total of 12 members of Senior General Managers and General Mangers. They are responsible for discussing business matters to be decided upon by the Board of Directors. Our facilities overseas we placed a director in North America, China and in each region of Aisa to operate independent and efficient business.

■ 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, 2014, we have issued "Internal Control Report" stating that our internal control related to financial report is valid.

■ 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 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 then distributed it to all employees. In additon, FY2013 strived to enlightenment expansion of corporate ethics improvement proposal office by creating a poster and well-knowned it, not only internal, but also in the overseas group companies.

■ Risk Management

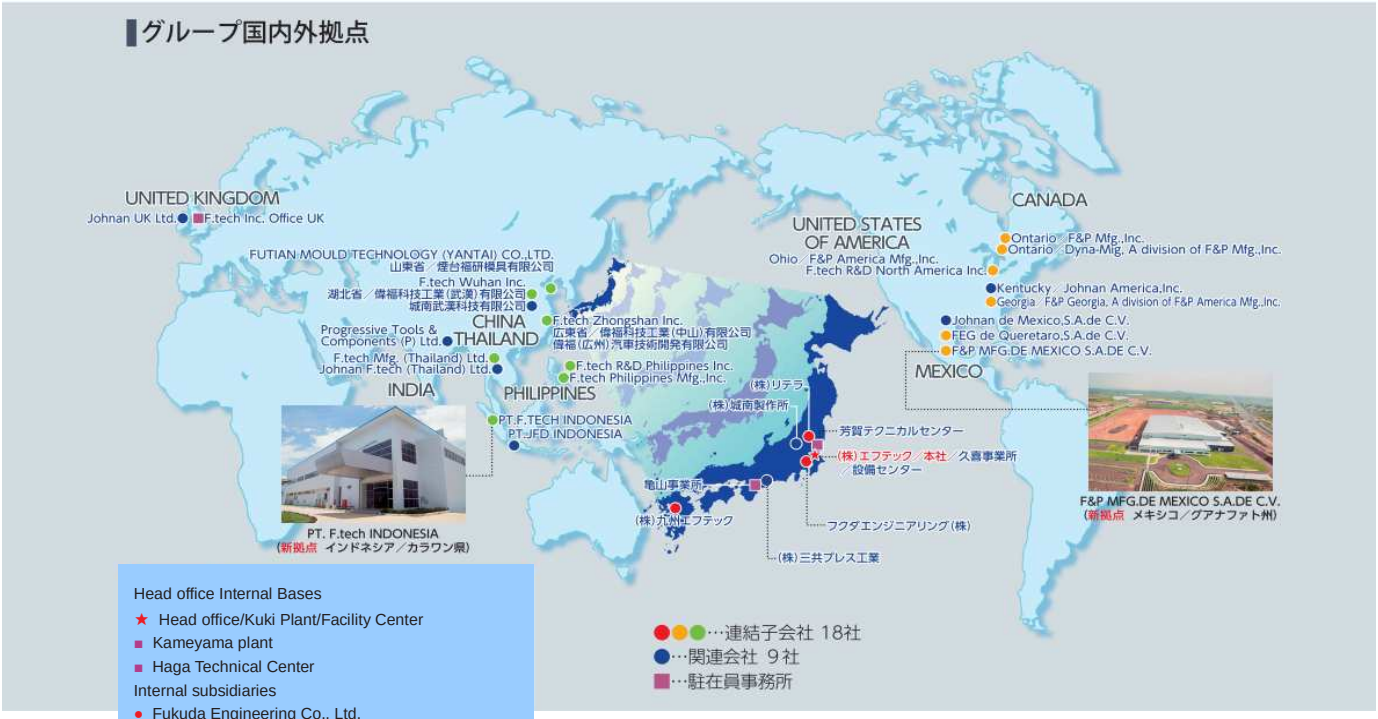
In F-tech group, we developed "Risk Management Regulations" in June 2006. When a risk occurs, we have a system that the emergency headquaters headed by the president will be set up immediately to correspond the situation by following the regulations.

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.

In accordance with our fundamental principles “Respecting People”, “Challenging Spirit” and “Making Profits,” we will expand our business globally and aim for “Customer Satisfaction No.1”. We will produce and supply automotive parts that comply with customer requirements and laws in designing and development, and striving to achieve high quality.

We are expanding the global network to Central South America, China, Asia and Europe followed by North American facilities.

We are promoting to build a system to make the group together in all aspects such as human resource development, human resource exchange and information exchange as well as launching production bases in Mexico and Indonesia.



Head office Internal Bases
- ★ Head office/Kuki Plant/Facility Center
- ■ Kameyama plant
- ■ Haga Technical Center

Internal subsidiaries
- ● Fukuda Engineering Co., Ltd.
- ● Kyushu F-Tech Inc.
- ● Reterra Co., Ltd
- ● Sankyo Press Industry Co., Ltd
- ● Jonan Mfg Co., Ltd

Overseas subsidiaries
- ● F&P Mfg.,Inc.
- ● F&P America Mfg.,Inc.
- ● Dyna-Mig, A division of F&P Mfg., Inc.
- ● F&P Georgia, A division of F&P America Mfg., Inc.
- ● F.tech R&D North America Inc.
- ● FEG de Queretaro, S.A. de C.V.
- ● F&P MFG.DE MEXICO S.A. DE C.V.
- ● F.tech Philippines Mfg., Inc.
- ● F.tech R&D Philippines Inc.
- ● F.tech Mfg. (Thailand) Ltd.
- ● PT.F.TECH INDONESIA
- ● F-Tech Zhongahan Inc. (FTZ) [Guangdong, china]
- ● F-Tech Wuhan Inc. (FTW) [Hubei, China]
- ● FUTIAN MOULD TECHNOLOGY (YANTAI)CO., LTD
- ● YANTAI FUYANMOULD CO., LTD
- ● Johnan America, Inc.
- ● Johnan de Mexico, S.A. de C.V.
- ● Johnan UK Ltd.
- ● Johnan F.tech (Thailand) Ltd.
- ● PT. JFD INDONESIA
- ● Seongnam Wuhan Science & Technology Co., Ltd
- ● Progressive Tools & Components (P) Ltd.

■Ftech Group Profile

Company name	F.tech Inc.
Head office	19 Showa-numa, Shobu-Cho, Kuki, Saitama Pref.
Established	July 1, 1947
Capital	4,790 million Yen
President&COO	Tsuguo Kimura
Employees	5,788 (Consolidated as of March 2014)
Business activities	Development, design, manufacturing and sales of automotive parts, and related dies, machinery and equipment, etc.
Main customers	Honda Motor Co.,Ltd., General Motors Corp., Nissan Motor Co., Ltd., Toyota Motor Corp., Mitsubishi Motors Corp., Suzuki Motor Corp., Daihatsu Motor Co., Ltd., Isuzu Motors Ltd., and others

Improvement and support of vehicle's performance by developing and manufacturing critical safety suspension parts

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.

Main 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)

Steel front Subframe

Steel and aluminum front Subframe
(Welded two dissimilar metals by FSW*)

Aluminum front Subframe
(Continuous weld by FSW*)

Brake pedal

Rear Subframe produced by hybrid aluminum process

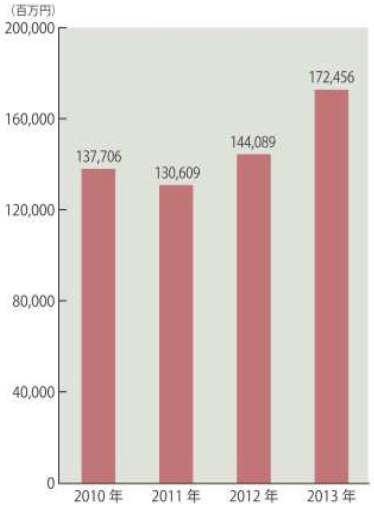
Rear axle beam

Lower arm

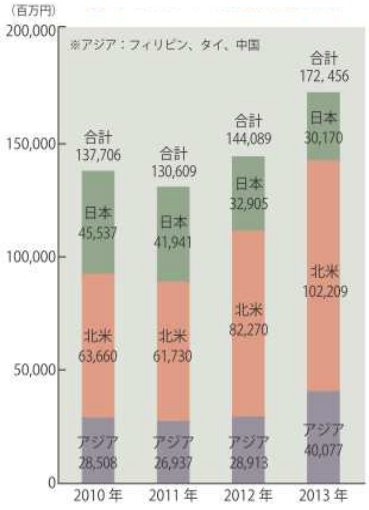
Organ type accelerator pedal

* FSW：Friction Stir Welding

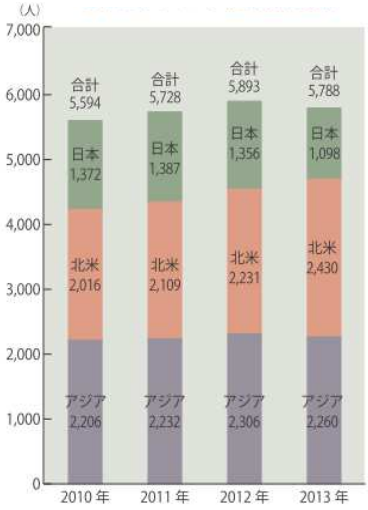
Consolidated sales



Sales by segment



Employees by segment



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