
# F-TECH CSR REPORT 2020

F-tech


## ■Editorial Policy

Since FY2010, F-tech Inc. has reported the Group's environmental and social contribution on a global basis in its "Environmental Activity Report". From FY2017, the Group has changed its " Environmental Activity Report" format to a "CSR Report" format because on the social background that highly values CSR*1 and ESG*2.

We consider this report as a communication tool with our stakeholders with relation to our CSR activities, offering coverage of our initiatives on CSR promotion system, governance and compliance, human rights and labor, environmental protection, safety and quality, societal contributions, and more in a reader –friendly manner.

Going forward, we will strive to provide even more complete details on items reported thus far, including the environment and society, while talking measures to ensure continuity.

This report is prepared with reference to the Ministry of Environment's "Environmental Reporting Guidelines (Fiscal Year 2018 version) " for environmental matters and to ISO26000 for social responsibility matters.

Furthermore, in this report, the F-tech Group is referred to as the "F-tech Group" or "the Group".
F-tech inc. is referred to as "F-tech" or "the Company".

*1 CSR：Corporate Social Responsibility

*2 ESG：From the perspective of companies aiming at sustainable growth the 3 areas to be emphasized: the environment (E), society(S), and corporate government(G).

# Contents



## ■Reporting Period

FY2019 (April 2019 – March 2020) achievements and partial contents outside the scopes of the reporting period.

## ■Reporting Organizations （☞P6）

F-tech Inc. [Reporting sites : 3 sites]
Domestic Subsidiaries [Reporting organizations : 3 companies, 3 sites ]
Overseas Subsidiaries [Reporting organizations : 12 companies, 14 sites]

**Future predictions, Plans, and Goals**

This reporting contains futures with report to the “ Reporting Organizations” in the Group listed above. The statements contained herein are forecasts based on information current at the time of inclusion and are not conclusion. As such, the results of future business activities mad differ from the forecasts described in this report.

# The advance to sustainable growth with corporate slogan “Better than Ever”.

## Transforming the business structure responds to social changes

The automotive industry is in the period of great change caused by the innovation of CASE and MaaS. In past 3 years, F-tech Group have been set “Back to Basics, Challenge for New” as company-global policy and pursued world-top-class expertise as a suspension manufacture, As the result, we got the great praises by the customers and received new business order.

Our living-style started to changed from the beginning of 2020 by the pandemic of COVID-19. The world have not been released from the threat. We are in the period of the human history that people attack the virus. Therefore, I raised “Better than Ever”*1 as the corporate slogan of F-tech Group to the employee all over the world to commit the hearts and proceed powerfully without fear.

The companies is required to change in social value changes. Under our “Better than Ever” slogan, we work to create new value by the promotion of CSR activities by all F-tech, IT innovation of work process, and the unique technology development. Then, we will realize the social changes and continue to build the flexible system adapts to them.

Our greatest strength is our “associates power” that enables us to sustain our business for these 70 years. We advance to sustainable growth and creation the corporate value with taking advantage of the strength, facing each issues firmly and leading the solution by degrees.

## Environmental Initiatives as a core management subject

We are required to take specific actions since environmental thought and counter-measure are valued as one of CSR activities. F-tech Group recognizes the environmental Initiatives as a core management subject and makes it strengthen.

The environmental load reduction activities are not only to fulfill corporate social responsibility but also an important element of efforts to reduce permanent costs, which is the origin of the manufacturing industry. The activities are worked actively and the issues are pursued by sharing this though as the basic idea in the whole group,

The 14th Mid-term Plan(three-year management plan) started in FY2020. We definitely carry Important Environmental Issues which is formulated in the medium-term plan out to archive “New 2030 Global Environmental Targets”.

The environmental load reduction activities will continue as long as F-tech Group continues business worldwide. Although the demands from society are becoming more diverse, we have to evolve the activities with comprehending the importance. I will make all employees have the thought of “Better than Ever”, cultivate their own perspective, and will continue to engage in activities that are unique to each activity area.

（☞**P23-25**）

*1 Best performance ever . Exceeds record highs.

## Improvement corporate value through CSR.

CSR Committee activity which started in 2017 archived the third year. It exams to problems related to corporate governance and internal control, catch important issues and check if the system works to solve them or not. If it have been not worked, the committee make it settled. The activities are reported in the board meetings timely and strengthen checking and governance. Also, the committee solve the tasks caught from the exams with each committees under it,

"Our Action Guideline Manual" was made for the employee to understand "Our Action Guideline" which is their origin of all actions have revised in 2019 more. It is easier to understand with some examples. In this year, we will distribute translated versions to foreign bases and make each employee to understand it.

At the point of Work style reform, not only taking all paid leave for employees and enrichment of childcare leave but also promotion of diversity and the adoption of flextime system to Japanese bases. Although it was adapted as a provisional measure for covid-19 originally, we work to increase work-style flexibility and improve work-life balance.（☞**P9-14**）

## The eternal themes : strength, durability and weight reduction

Our products are required to have both strength and durability and weight reduction. We adopted hydroforming, joining dissimilar metals with iron and aluminum(FSW*2), brush up high-difficulty plastic working technology and developing design simulation technology to achieve conflicting demands. We have completed the optimum product design that realizes high rigidity and light weight at the same time.

In the field of manufacturing, Engineering Division have summarized the optimum process setting and equipment concept, and then completed a series of in-house production of high-quality products safely, with high efficiency and with minimum energy by Production Planning Division.

The efforts for further weight reduction and new technological developing is worked with the network of the material and the body makers. I want to express in the report how I always solve the problems, work diligently on improvement activities and challenge to create new value.（☞**P28**）

*2 Joining dissimilar metals with iron and aluminum is our patented technology.

# The Challenge is Identifying Issues and Internal Reforms Across the Whole Group.

## ≪Financial Indicators≫

### ■ Sales

Sales had been robust until the third quarter due to the gradual recovery trend of the global economy and the diversification of customers. However, sales turned to be sluggish in the fourth quarter due to the impact of COVID-19 and decreased by 7% on a year-to-year down to 218,712 million yen.

### ■ Operating income

Sales to other customers covered the decline in sales of main customers, but profits declined due to the impact of COVID-19 in the fourth quarter, and operating income fell 38% year-on-year to 4.1 billion yen. We will strive to minimize impact of COVID-19.

### ■ Interest-bearing debt

Although there was investment associated with the order of the new model from existing customers, the amount of interest-bearing debt was on a downward trend as we reviewed each investment. However, in order to secure the liquidity on hand due to COVID-19, the amount of interest-bearing debt rose up to 51.3 billion yen.

### ■ Interest-bearing debt ratio

Although it was 42.6% at the end of 2014 fiscal year, it has been in the 30% range every year since FY2017 as we have continuously strengthened the management of the total asset balance.

## ≪Environmental Indicators≫

### ■CO2 emissions

Target: Reduce $CO_2$ emissions per unit of production by 2.8% in FY2017.
In fiscal 2019, the unit $CO_2$ emission rate was 0.415t-$CO_2$ per million yen of sales (-6.2% compared to fiscal 2017).

### ■Amount of water resources used

Target: 2.2% reduction per unit of water resources used in FY2017
The actual amount of water used in FY2019 was 3.06 m3 / million yen of sales (-1.9% compared to FY2017).

### ■Amount of waste generated

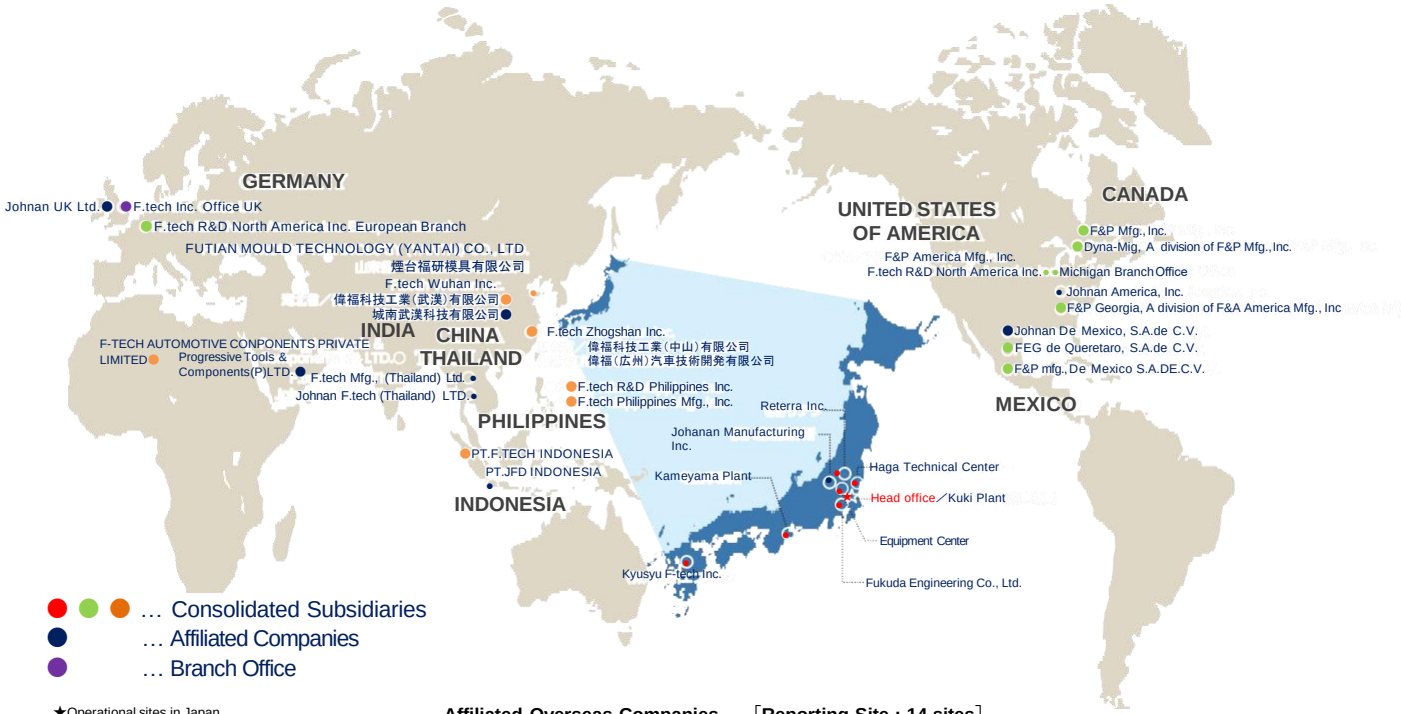
Target: 2% reduction of waste discharge per unit production in FY2017
The actual result of FY2019 was 0.023 ton/ million yen of sales per unit production (-6.6% compared to FY2017).

※The "base year" used as the "reduction target" for the environmental index has been changed to FY2017.
The details are explained in the Medium-term Environmental Plan on page 23 of this report.

| | Item | Unit | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 |
|---|---|---|---|---|---|---|---|
| Financial Indicators | Sales | 1 millionyen | 196,343 | 197,941 | 226,060 | 235,361 | 218,712 |
| | Operating income | 1 millionyen | 6,821 | 8,035 | 6,856 | 6,580 | 4,088 |
| | Operating income ratio | % | 3.5 | 4.1 | 3.0 | 2.8 | 1.9 |
| | ROE | % | 9.1 | 12.8 | 12.8 | 6.9 | 0.8 |
| | Interest-bearing debt balance | 1 millionyen | 58,686 | 59,129 | 59,508 | 46,220 | 51,342 |
| | Interest-bearing debt ratio | % | 42.5 | 40.9 | 39.5 | 33.7 | 38.3 |
| Environmental Indicators | $CO_2$ Emissions Volume (intensity) | t-$CO_2$/1million yen sales | 0.436 | 0.483 | 0.443 | 0.432 | 0.415 |
| | Water Resource Usage Volume (intensity) | $m^3$/1 millionyen sales | 3.32 | 3.43 | 3.12 | 3.08 | 3.06 |
| | Waste Emissions Volume (intensity) | ton/1 million yen sales | 0.038 | 0.045 | 0.025 | 0.021 | 0.023 |

# Global Network 10 countries, 11 production sites, and 8 technology development

Not only developing production sites in North America, Asia, and China with cutting-edge facilities, but also we have established development sites in each area to respond quickly to customer's demands. We are aiming to "level up" the entire Group by the exchange of information in all areas, including quality, development, production, and the environment.




★Operational sites in Japan
○Affiliated companies in Japan
●Affiliated overseas companies
◎Reporting Organizations

**F-tech Inc.** ［**Reporting Sites : 3 sites**］
★Head office, and Kuki Plant (Kuki City, Saitama)◎
★Haga Technical Center (Haga-gun, Tochigi)◎
★Kameyama Plant (Kamayama City, Mie) ◎
●Equipment Center (Kazo City, Saitama)

**3 Domestic Subsidiaries & 1 Affiliated Company**
**[ Reporting Sites : 4 sites]**
●Fukuda Engineering Co., Ltd. (Kazo City, Saitama)(FEG)◎
●Kyusyu F-tech Inc. (Yamaga City, Kumamoto)(QFT)◎
●Reterra Inc. (Chichibu-gun, Saitama)(Reterra)◎
●Johanan Manufacturing Inc. (Ueda City, Nagano) (Johanan Manufacturing)

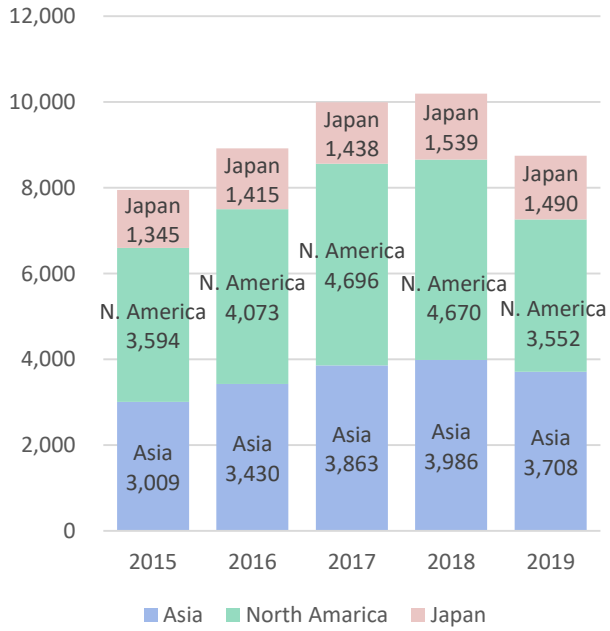
**Affiliated Overseas Companies** ［**Reporting Site : 14 sites**］
●F&P Mfg., Inc. (Ontario, Canada)(F&P)◎
●Dyna-Mig, A division of Mfg., Inc. (Ontario, Canada)(DYNA-MIG)◎
●F&P America Mfg., Inc. (Ohio, the U.S.A)(F&PA)◎
●F&P Georgia, A division of F&P America Mfg., Inc. (George, the U.S.A)(F&PG)◎
●F.tech R&D North America Inc. (Ohio, the U.S.A)(R&DNA)◎
●Michigan Branch Office (Michigan, the U.S.A)
●F.tech R&D North America Inc. European Branch (Dusseldorf, Germany)
●F.E.G. DE QUERETARO S.A. DE C.V. (Queretaro, Mexico)( FEGQ)◎
●F&P MFG.,DE MEXICO S.A. DE C.V. (Guanajuato, Mexico)(FPMX)◎
●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-TECH AUTOMOTIVE COMPONENS PRIVATE LIMITED (Haryana, India)
●F-Tech Zhongshan Inc. (Guangdong, China)(FTZ)◎
●F-Tech Wuhan Inc. (Hubei, China)(FTW)◎
●YANTAI FUYAN MOULD CO., LTD(Shandong, China)(FEGY)
●F-Tech R&D (Guangzhou) Inc. (Guangdong, China)(FR&DCH)◎
●F.tech Inc. Office UK (London, U.K.)
●Johnan America, Inc.
●Johnan De Mexico, S.A.de C.V.
●Johnan UK Ltd.
●Johnan F.tech (Thailand) LTD.
●PT.JFD INDONESIA
●Johnan Wuhan Inc.
●Progressive Tools & Component（P）LTD.

※YANTAI FUYAN MOULD., Ltd, the newly established Michigan Branch Office, and the European Branch are outside the reporting scope as they are not mass manufacturing facilities and do not have any significant impact on the environment.

## Corporate Overview

| | |
|---|---|
| Company Name | F-tech Inc. |
| Head Office Address | 19, Showanuma, Shobucho, Kuki, Saitama, JAPAN |
| Established | July 1, 1947 |
| Capital | 6,790,370,000 yen |
| Representative | President & CEO Yuichi Fukuda |
| Employees (consolidated) | 8,750 people (Included average temporary employment) |
| Business Activities | Automotive parts and released dies, machines, and tools development, manufacturing, and sales |
| Main Customers | Honda Motor Co., Ltd<br>General Motors Company<br>Nissan Motor Co., Ltd.<br>Honda R&D Co., Ltd.<br>Nissan Shatai, Co., Ltd.<br>Suzuki Motor Corporation<br>Toyota Motor Manufacturing and others |

## Number of Employees by Regional Segments

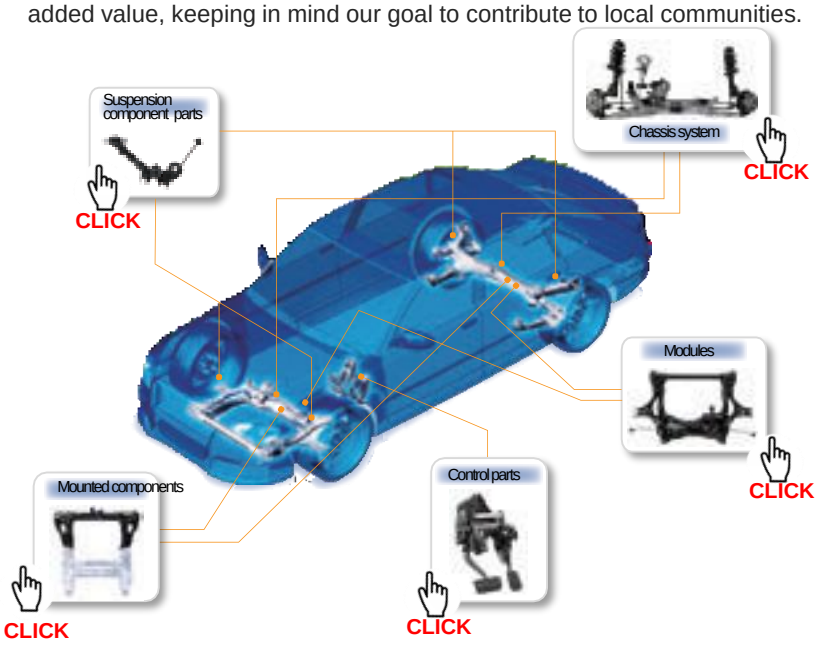


# Our Products Becoming a Top Chassis-suspension Supplier

Established in 1947 as metal-processing company, F-tech began manufacturing automotive parts in 1967 and had been following the automotive industry's development for over half a century since then.

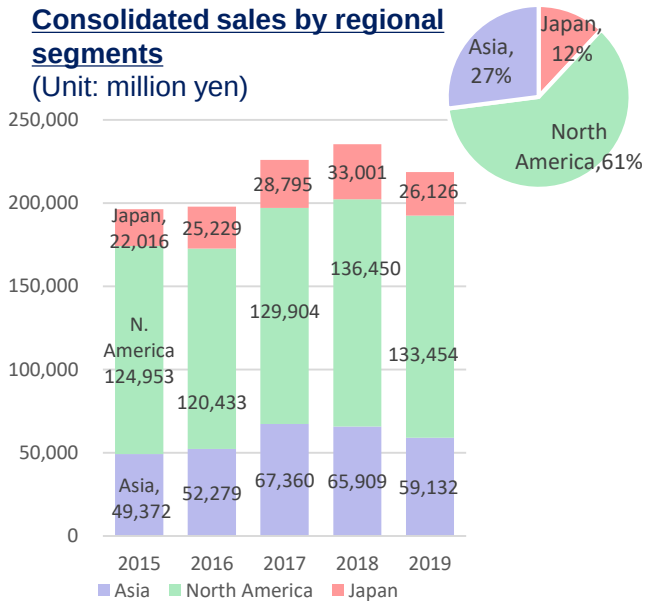
We manufacturing suspension components, such as suspension arms, and pedals, which are important safety-related components in automobiles, using our strong design and technological capabilities along with our unique integrated processing system. We have managed to achieve product strength and durability, and weight reductions at the same time, all while maintaining the high quality required by auto manufacturers.

Going forward we aim to provide overwhelmingly competitive products as an industry-leading global company, strive to create new added value, keeping in mind our goal to contribute to local communities.



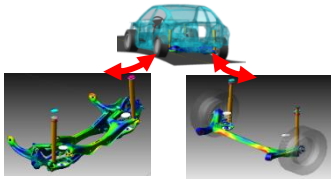

## Consolidated sales by regional segments

(Unit: million yen)




## Design Technology Capability

By utilizing our proprietary analysis technology, we are promoting development based on product performance predictions from things like runtime suspension system,



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## Pursuit of Cutting-Edge Processing Technology

In addition to hydroforming and friction stir welding (FSW) technologies, we have also developed FUT-1, an ultra-precise plastic processing technology that allows for optimal thickness adjustment.

Hydroforming FSW FUT-1

**■Kameyama Plant 50th Anniversary Ceremony**

On 23rd August 2018, The ceremony was held in the plant. It has started from Wada factory and grown as a world-class leading plant.

**■Kuki Plant 40th Anniversary Ceremony**

On 21st September 2019, the ceremony was held in Kuki city. We expressed the history and next goals with former directors and contributors.

## Corporate Philosophy

Challenging Spirit　　Respecting People　　Making Profit

## Mission Statement

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

## Our Action Guidelines

### Compliance with laws and ordinances

We always give top priority to ethically appropriate conduct in all our activities. We always comply with laws and ordinances and act with a good social conscience as a good member of society in keeping with being a company with a high commitment to legal compliance. If we discover any violation or possible violation of any laws, ordinances or company rules, we will report the matter, make suggestions, and consult with our direct supervisor or the Corporate Ethics Kaizen Desk.

### Respect for human rights

We respect all individual and human rights of our colleagues in the workplace.

We do not tolerate any child labor, forced labor, discrimination or any type of harassment that violates human rights.

### Labor and Safety & Health

We will establish a safe and secure working environment for all our employees, and maintain a pleasant and safe working environment.

### Quality

We strictly follow the highest standards and procedures giving top priority to provide products and services with safety to meet customer's expectations.

### Compliance with company rules

We create our company's internal rules and regulations based on rational reasoning and relevant objectives to create a fair and equal working environment and we commit to communicating with our employees effectively.

### Traflc safety

As a member of the automotive components manufactures, we always observe traflc safety laws, rules and regulations, being a good citizen on the road by giving way to others on the road.

### Environmental protection

We will endeavor to protect the environment, with the belief that the Earth belongs to all humankind. We always consider minimizing the impact on nature and optimize energy resource utilization in production.

### Increasing corporate value

We believe the purpose of a company as a going concern is the creation of value. We will always strive to maximize socially accepted corporate values by bringing profit long-term for our shareholders and society.

### Disclosure and management of information

We strictly distinguish and manage information from personal, company confidential, and to be disclosed appropriately. However, we strive to publicly make available any required information in accordance with respective laws and corporate regulations appropriately and in a timely manner.

### Fair transactions

We always ensure business is conducted in a free, equal and fair manner with transparency, and will not engage or agree with any irrational, corrupt business practices.

We will not allow giving and receiving of any benefit or convenience beyond reasonable and legal limits socially acceptable, and we will not maintain any unfair relationship with political parties or government authorities.

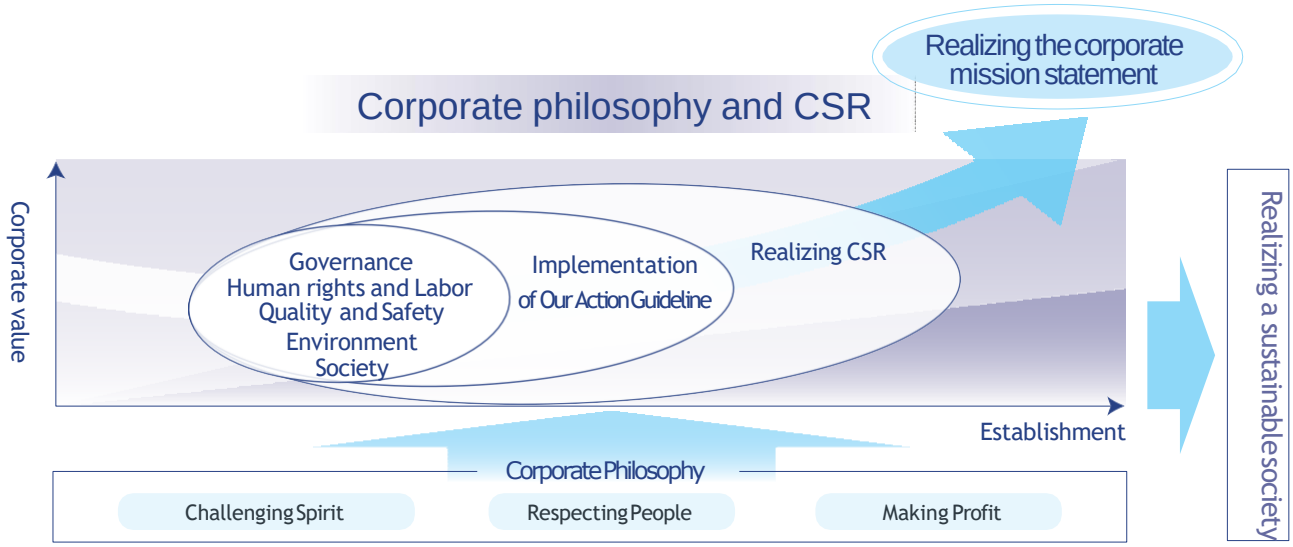
We will never permit or tolerate any relationship or connection with any anti-social organizations or behaviors which may threaten the safety and well-being of our society.

### Community involvement

Being a member of the local community, we support the creation of an equal, wealthy and well-being of our society through participation in local community development, promotion of cultural, educational, and the improvement of the welfare of the local society.

## Our CSR Approach

We fully understand that our business activities affect both society and environment, and we pledge to act responsibly based on our philosophies, mission statement, and action guidelines, as well as to contribute to the creation of a sustainable society and environment.



# We aim to steadily improve our CSR promotion system by sharing and establishing values throughout the Group.

## Enhance the activities of each committee and strengthen ties through the CSR Committee

F-tech Group, as a global company, conducts business in the Japan, North America, and Asia Pacific regions, but we operate with full awareness and understanding of our social responsibilities in each region.

Our offices in Japan and overseas, subsidiaries, and affiliated companies are all involved in environmental conservation activities, and the Group also holds an annual group-wide Global Environmental Conference to share information.

Furthermore, we also promote sharing throughout the entire Group, including through various non-environmental initiatives such as analysis of product quality assurance and workplace safety, reform measures, governance, compliance, and employee work styles.

Our company-wide CSR committee was launched in June of 2017 to standardize CSR activities as the Group and to generate a group-wide synergistic effect. The company-wide CSR committee aims to even further globally energize CSR activities while sharing details of the activities carried out by each department or related divisions, based on the company philosophies ,mission statement and action guidelines.

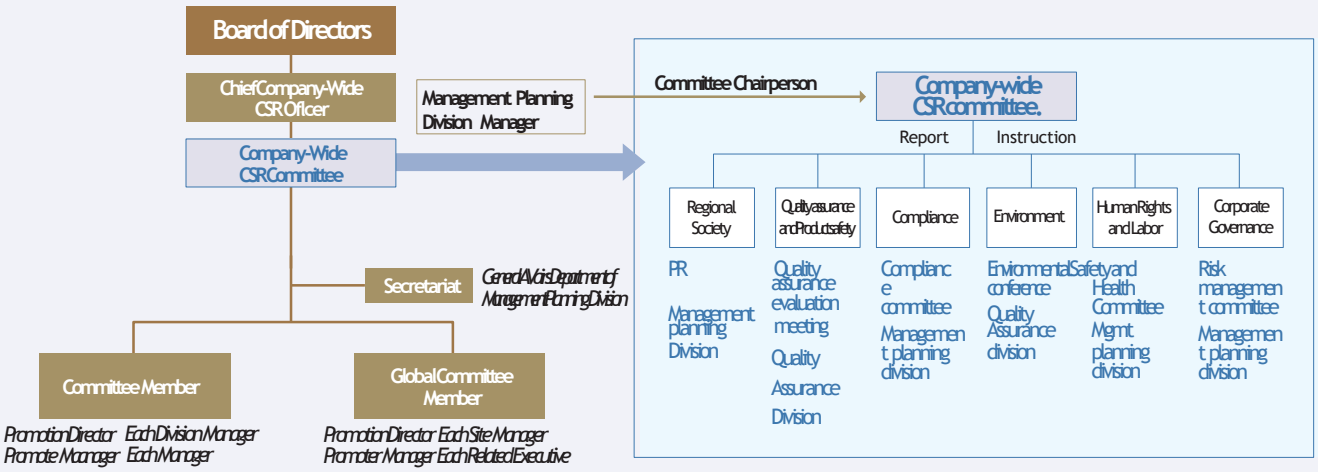
## Verify CSR throughout the group and aim to further improvement

Before establishing the company-wide CSR committee, the risk management committee verify “Corporate Governance” and “Risk Control” of domestic & overseas related companies and each department in Japan .

In FY2018, the company-wide CSR committee consolidated the above 2 sheets into the “ CSR Verification Sheet,” and surveys were conducted . Currently we have begun to verify the problems and countermeasures discovered in this survey across all companies and departments. Each location has already begun to select important issues from the resultant themes, and we are promoting self-directed improvements under the follow-up of the CSR committee .

In order to raise the CSR level of the entire group, the company-wide CSR committee will continue to confirm the progress of autonomous improvement activities of each company and each department, and collect new information and establish it in the organization, even after 2020.

## Company-wide CSR Management System



# We Will Actively Work to Enhance Our Corporate Governance to Improve Sustainability.

## Corporate Governance Structure

The Group has committed management that focuses stakeholders in mind, including all of the shareholders, customers, and creditors, as well as regional societies, and workers, the Group is endeavoring to maximize the Company's continuous and long-term shareholder return as a basic goal for corporate governance.

As the decision-making body for management issues, the Company's Board of Directors, consisting of 5 directors (including 2 outside directors), implements important business executions, legal matters as well As monitors business executions. We separate the management from business execution function by introducing an executive officer system to strengthen the decision-making, oversight functions of the Board of Directors for expediting businessexecutions.

In addition, to ensure monitoring of management, F-tech has appointed 2 highly independent outside directors, whose external viewpoints are actively Incorporated into management by receiving opinions and suggestions from multiple perspective . Moreover, the directors' terms of office are limited to one year to facilitate the Company's ability to respond proactively to changes in the businessenvironment.

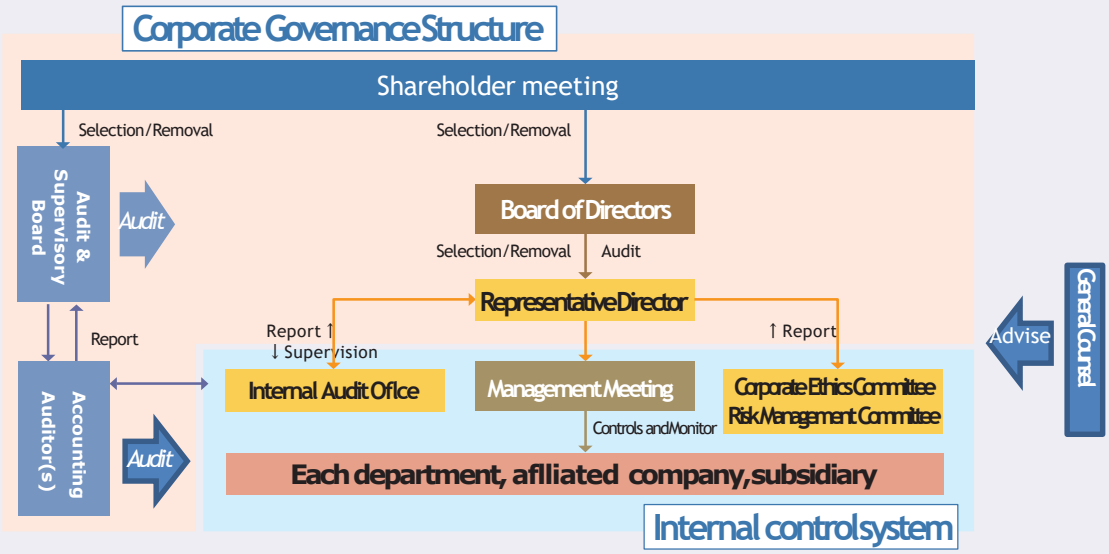
For overseas businesses, the executive officer of the head office will be appointed as the chairman of the board of the overseas subsidiary for each regional segment, and will participate in important decision-making of the overseas subsidiary.

In addition, 2 Director & Senior Managing Executive Officers have been appointed Global Chief SED Officer and Global Business Management Officer respectively, and supervise overseas subsidiaries in the SED area and business management area.

As a company that has elected an Audit & Supervisory Board-style structure, F-tech has the Audit & Supervisory Board consisting of 4 Audit & Supervisory Board Members (including 2 outside Audit & Supervisory Board Members). Each Audit & Supervisory Board Member, in accordance with audit policies and individual work assignments established by the Audit and Supervisory Board, audits the directors' performance of their work through, attendance at meetings of the Board of Directors, business operation execution, and reviews its corporation assets and financial condition.

## Reception of the Corporate Governance Code

With regards to the Corporate Governance Code (June 1st, 2015/Revised June 1st, 2018) set by the Tokyo Stock Exchange, we as a company have compiled our thoughts in our "F-tech Corporate Governance Guidelines (November 1st, 2015/Revised November 29th, 2018)," and our response has been published on our company's website. Furthermore, at the point of June 2019 in time, the matters for which the Company provides explanations are as below.



## 【Supplementary Principle 4-10-1】

### Use of operational approach (Consideration of nomination and remuneration committee)

F-tech does not have an optional advisory committee for discussing matters such as nominations and remuneration for directors and officers. However, the Company discusses important matters, including nominations and remuneration at meetings among independent outside directors and presidents. Furthermore, the Board of Directors actively seeks the opinions of directors and Audit & Supervisory Board Members including independent outside directors and independent outside Audit & Supervisory Board Members, taking time to carefully deliberate.

### Compliance Initiatives

The Group established its “Corporate Ethics Committee” in October of 2004 to verify compliance with laws and company policies, as well as to prepare and set policies. This committee also makes decisions related to important issues that cannot be handled by individual divisions, including the protection of proponents, while providing instruction for improvement to relevant decisions so
that compliance status can be verified at all times. In November of 2004 we set forth our corporate conduct standards, “Our Action Guidelines (Corporate Code of Conduct),” in order to proactively prevent violations of laws and regulations. In June of 2006 we established our “Compliance Regulations” compliance system with the goal of improving corporate ethics and legal compliance. Furthermore, the Company has established a “Corporate Ethics Kaizen Desk,” a system in which employees and other workers in the Group to directly report or consult with the Company. In addition to later establishing a new “Compliance Committee” in September of 2015, the Company has also set up an “External Suggestion Window (located within a corporate law office)” and an “Audit & Supervisory Board Member and Outside Director Suggestion Window” for anonymous reports, creating an environment where suggestions can be easily made through multiple points of contact. Furthermore, we reviewed “Our Action Guidelines” , revising it to be a more reader-friendly brochure that has been redistributed to all employees in April of 2020, and are participating in ongoing compliance training to directors and workers for further enhancement of our compliance initiatives.


### Risk Management Initiatives

The Group utilizes a structure to prevent risk of loss by recognizing the risks associated with major business operations and placing responsible managers from professional perspectives in charge of departments. In June of 2006 we established our risk management system, called “Risk Management Regulations.” Additionally, in the case of an unforeseen event such as large-scale disasters, an emergency task force in which the President acts as a general manager and the Vice-President or responsible director acts as assistant general manager is put into place immediately, and discusses and collects information simultaneously to prevent additional damages and to minimize environmental harm. In September of 2015 we established “Risk Management Committees” throughout each affiliated company in the Group to follow company-wide risks to prevent their reoccurrence.

Since the establishment of the “Company-Wide CSR Committee” in June of 2017, each committee between the “Company-Wide CSR Committee,” “Risk Management Committee,” and “Compliance Committee” have been held respectively twice a year. At the end of each fiscal year, each affiliated company in the Group has conducted its own verification using checklists prepared for each business, reporting new countermeasures to the 3 committees. After deliberation by the committees, a final report and verification results from all of the Group companies are made to the Board of Directors. These 3 committees identify company-wide issues related to the Company’s corporate governance and strengthening of the internal controls system, follow up on risk regulations, improve upon apparent risks, and develop company-wide measures to prevent risk reoccurrences throughout the entire Group. The Risk Management Committee regularly reports Board of Directors on how to identify, evaluate, deal with risks related to important environmental issues, and formulate a Business Continuity Planning (BCP).

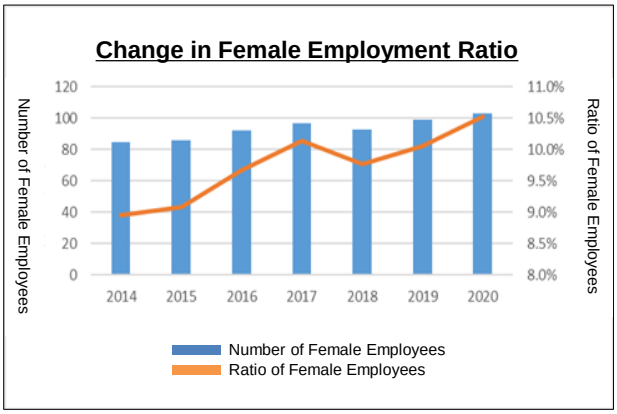
# We aim to create a secure, safety and comfortable working environment for every employees based on our philosophy of respecting people.

## Diversity Initiatives

### ■ Promoting Active Participation of Female Employees

F-tech aims to create a workplace where everyone, regardless of gender, can show their individuality and abilities. There have been great improvements to our working environment in this regard, particularly within the manufacturing, engineering, development, and procurement departments, where most employees were male, and we are actively placing women in a variety of fields throughout the Company. Until 10 years ago women did not work in manufacturing sites that handled heavy metal plates. However, in the present day they can handle them by using support equipment, and there is much promise in female engineers.

In the future, we will continue to follow the Promotion of Women's Participation Act, promoting recruitment, promotion, and leadership training for women as we aim to expand the overall percentage of women in the workplace in all fields. On the other hand, we must take another look at how men operate in the workplace in order to allow women to participate as well. Going forward, we will work toward improving the working environment so that everyone can have a good work-life balance and both men and women can enjoy fulfilling social lives.




### ■Promoting Active Participation of Senior Citizens

We provide an environment where our employees approaching the retirement age of 60 can continue to work after retiring, as well as providing information like life planning seminars aimed at specific age groups. We launched our "Takumi System" in July of 2019 to provide a new way for retired employees to work, boosting retirees' motivation while passing on their skills. In this system, our talented workers with advanced skills are recognized as "Takumi," and they play the important role of instructors who pass on their skills to their successors. (8 participants at the point of September 2020 in time)

### ■ Empowerment of Foreign Employees and Revitalization of the Group

At F-tech we consider it essential to develop cooperation with our overseas sites. To achieve this, we must secure diverse human resources. As a result of actively hiring foreign employees, currently employees of various nationalities contribute to the Company. Furthermore, we are accepting short-term trainees from overseas sites and foreign technical intern trainees. In order to help our foreign employees understand our operations, we strive to create a working environment welcoming to foreigners through methods such as creating multilingual notices and manuals, as well as through interactions at company events.

In addition, we consider the custom difference, for instance, we provide a worship place for Muslims.

### ■ Active Participation of Those with Disabilities

F-tech is committed to hiring people with disabilities. Furthermore, we aim to create a working environment where every individual can maximize their abilities and find value in their work, regardless of disability. The Company continues employment, and our employment rate of those with disabilities is 2.3% (22 employees), above the mandatory employment rate of 2.2% (21 employees).

# Work-Life Balance Initiatives

Following our philosophy of respecting people, F-tech believes that people need a fulfilling private life in order for them to work with purpose, and as such we place much importance on work-life balance. Furthermore, the entire Group aims to be a company that is easy to work for, not only for those who need childcare or nursing assistance, but for all of our employees. The following are examples of our work-life balance initiatives.

## Reduction of overtime work and promotion of taking annual paid leave

Overtime hours are expected to be kept within 20 hours per month, and we are working with labor and management to manage employees' time and reduce long working hours. In FY2019, the average overtime hours worked by regular employees was 11 hours per month, and management is clearly working to manage hours worked and to reduce long working hours.

Aiming for all employees to fully utilize their annual paid leave, which expires with lack of use, we have achieved our goal of regular employees taking 100% of their paid leave for 21 consecutive years.

In order to be able to take half-day paid leave more flexible for individual employees situation as needed (childcare, school events, nursing care, outpatient treatments etc.), we have revised our work rules on our half-day paid leave system from 4 times a year to 20 times a year starting in FY2019.

Haga site has already introduced flextime. The head office and related departments start the trial in August of 2020. It allows each employee to be more well balanced work-life and has the advantage to be able to work more efficiently. On the other hand, it also has the disadvantage to cause poor communication in the department members. Toward introducing flextime to other departments, we will blush up the system according to employees' opinions.

Kuki plant awarded "Gold" certification for its "Diversity of Work Style Practices" by Saitama Prefecture. Furthermore, our men's work style revision initiatives (for instance, the number of men taking paternity leave) are evaluated, we have got "Gold Plus" certification.



## Support for Balancing Childcare and Nursing

Since FY2018 we hold a company-wide briefing on work-life balance and a nursing care support system for all managers, done with the aim of creating a cooperative working environment where employees can understand each other's circumstances regarding childcare and nursing. We also distribute childcare and nursing support guide book to all employees through our company portal site.

Between FY2015 and FY2019, 30 female employees took childcare leave, and 32 of them returned (or will be returned) (100% took childcare leave, and 97% returned to work after). The number of men taking paternity leave has continued to rise, with 9 men taking it after FY2015. (3 of them took in FY2019)

In order to supplement support during childcare leave, we have established an interview system with the employee him/her self, their manager, and human resource person in charge, before maternity leave and before returning to work, in addition to regular communication during leave. 14 employees are currently utilizing our reduced working hours system for childcare after their return to work (available through completion of the 3rd year of elementary school). Nursing care leave can be taken for up to 1 year a maximum of 3 times per eligible family member. As with childcare leave, we utilize an interview system in addition to regular communication during leave.

We drive forward to create a lively workplace where all employees can balance work and life and work a long time.

## Initiative for Promotion of Human Rights Awareness

Based on the Company philosophy "respecting people", our employees are provided annual training to respect others and prevent the occurrence of various types of harassment, including child labor and forced labor. We verify the status of compliance to this respect of human rights of employees every year.

Furthermore, we have established an internal whistleblower hotline that allows anonymous consults in the case that a person believes that a human rights violation or compliance issue has occurred. We strive to create a working atmosphere with an open culture where people can come forward easily.

# Initiative for Flexible work style

## Using the flextime system, for refinement of work-life balance and diversified flexible way of working

Management Planning
Division
General Affairs Department
**Kyoko Akashi**

Our company had previously introduced a flextime system limited to Research & Development and Sales and Marketing departments, but from August 2020, the scope of departments to which this system applies has been expanded according to the nature of the work. As a result, in August, the head office to which I belong started trial operation in preparation for full-scale operation.

I am a mother of two children, and I worked full-time while I raised up my first child. I found it very difficult to balance work and home life having two children, so I chose to work short time officially from 8:00 to 16:00.

However, with the introduction of the "flextime system," we can now choose a new way of working by starting work an hour earlier and switching from "short-time work" to "full-time" without changing our working hours.

Although waking up an hour earlier and working more hours has put more pressure on me than ever before, my children have grown up and are less demanding than before, so I am now able to maintain a good work-life balance.

With the introduction of the flextime system, I can flexibly decide when to start and end work at my own discretion, and can work, not being restricted by time. However, while this system is flexible, it requires self-discipline. I would like to continue to maintain a good work-life balance, making the best use of the flexible work hours system.

## For the fruitful life at work and home, active acquirement of the childcare leave!

Production Planning Division Kuki plant
Manufacturing Department Production Planning Section
**Yuji Yamagami**

I belong to the Production Planning Section and mainly promote the die setup work for new models. I took childcare leave for two months and a half from June 2020. I applied for a slightly longer period of time because my wife had a child later in life and this is the first time for her to raise a child, as well as to prevent infection by the new coronavirus.

I could take the leave due to my supervisor and coworkers' better understanding about childcare. As a result, I had almost no anxiety about my work during the leave or after returning to work, and was able to focus on childcare with peace of mind.

During my leave, my wife and I took turns with childcare and housework, but I was always short of sleep because of crying at night and breastfeeding every three hours. I felt horrified if I had not taken the leave.
Just a month after, I finally got used to housework and started to understand the pace of childcare, which allowed me to spend more time with my child. Thanks to this, he now looks at me in the eye and smiles very often.

During this leave, I was able to spend a very meaningful amount of time with my child. It's an experience that doesn't come around too many times in life, so if there are any dads out there who are thinking of taking childcare leave, I hope they will take advantage of it. On the work front, I am now able to tackle my work with a renewed spirit. I will continue to make die setups with better quality and productivity than ever before.

# Improvement through Standardized and Shared Health and Safety Rules

F-Tech* and FEG have set a company-wide safety policy for fiscal 2019 as follows: "We aim to improve the level of safety at all our sites by standardizing and sharing health and safety rules globally" and exercised the labor and safety & health activities all across the group.

The Company-Wide Safety Committee, consisting of members from F-Tech and FEG, set "Formulation of unified safety evaluation and rules (routine and non-routine work)" as a priority item. In addition to "Zero work-related accidents" and "prevention of work-related accidents," we are also working to reduce the number of non-work-related accidents, such as commuting accidents and traffic accidents.

In fiscal 2020, following on from fiscal 2019, we have set our company-wide safety policy as "Aiming to improve the level of safety at all sites through global standardization and sharing of safety and health rules", and have set "Formulation and operation of a collection of prohibited moves and one-point lessons, and operation of risk management" as new priority measures, and will further develop our activities.
Head Office, Kuki Plant, Kameyama Plant, Haga Technical Center and Equipment Center

## Risk Assessment of Chemical Substances Initiatives

We are working on chemical substance risk assessments for existing operations at all business sites. We are making improvements in areas where improvements are needed in each district. In the current fiscal year, we will continue to make efforts to prevent occupational accidents caused by chemical substances from occurring.

＜Practical example＞


*GHS pictorial label: A pictorial label that clearly indicates the hazards of chemical products in accordance with global standards.

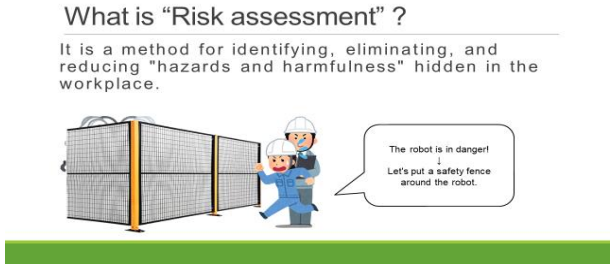
## Strengthening the sharing of disaster information within and outside the Group to prevent the recurrence of similar disasters

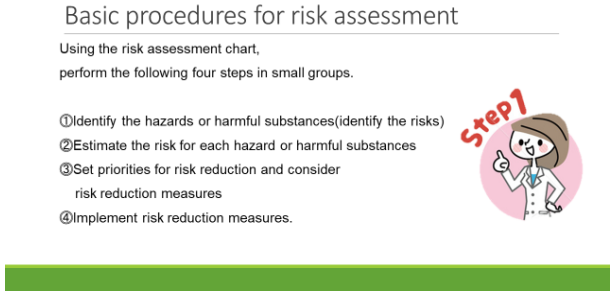
In fiscal 2019, in addition to taking measures to prevent recurrence by sharing information on past disasters, we have been working to prevent similar disasters by horizontally disseminating information on disasters at affiliated companies.
In fiscal 2020, we will continue to strengthen our efforts to standardize and share information on a global scale. We have a system in place to list the information that has been disseminated and take measures in each region for those that require improvements, which are then confirmed by the Health and Safety Committee.

## Risk Assessment Initiatives

The traditional method of preventing occupational accidents is to investigate actual occupational accidents that have occurred and work to prevent the recurrence of similar accidents.
In addition to this traditional method, we continued to implement health and safety activities in fiscal 2019, mainly in Manufacturing Division, based on a method called "risk assessment," in which we identify potential dangers and hazards in each workplace by thoroughly conducting multifaceted and scientific analysis and evaluation (assessment).
In fiscal year 2020, we will expand this "risk assessment" to the Research and Development, Engineering Division, and other divisions to further eliminate occupational accidents.

＜Practical example＞




*Excerpt from F-Tech seminar material

# Quality policy of the F-tech Group
# Maximize customer satisfaction by delivering the highest value (quality).

Under the 13 Mid-Term Management Plan, we have set group-wide targets to provide the highest value to our customers, aiming to achieve the 「World's top quality level」, and have promoted activities to improve quality.

In fiscal 2018, as a result of (1) ZD (zero defects) activities, (2) preventive activities, and (3) quality improvement initiatives at North American sites, the activities of each Group manufacturing site were highly evaluated and received numerous awards from customers. nce fiscal 2019, we have continued to strive to achieve the highest level of customer satisfaction for the entire Group.

## Held 33rd Global Quality Joint Conference Setting targets for the entire Ftech Group

On December 5th and 6th, 2019, the 33rd Global Quality Joint Conference was held at Narita View Hotel in Narita City, Chiba Prefecture, with 46 participants from 15 sites in 8 countries of the Ftech Group (including Kyushu Ftech and Reterra), as well as the Quality Assurance, Development, Purchasing, and Engineering. As this year is the final year of the 13 Mid-Term Management Plan, we have talked about the 14 Mid-Term Management Plan to our Our Group sites.

As Ftech Group's quality policy is "Maximize customer satisfaction by delivering the highest value", we set group-wide targets and shared the following priority measures.

1. Enhancement and penetration of quality systems for new models
2. Development and proper placement of quality/field technical experts
3. Strengthen irregular measures such as handling changes and abnormal products

At the conference, reported the quality performance of each site over the past 3 years and future efforts.

1. Quality Results for FY 2017 to FY 2019
・Quality Performance under the 13th Mid-Term Management Plan
・Quality Performance in Fiscal 2019
・ Positive points, reflection points (tasks)
2. Sharing examples of quality improvement
・ Introduction of initiatives and good examples that led to quality improvement
3. Proposed 14 Mid-Term Management Plan (from FY 2020) Quality Measures Deployment Plan
・ Major Quality Measures Planned for Fiscal 2020
4. Other (TOPIX, announcment etc.)

Divided into 3 groups and discussed Y-gaya themes. Various opinions were exchanged from each sites, and it was a meaningful conference.

・14 Mid-Term Management Group Quality Measures
・Group standardization of drawing validation
・ Efforts to reduce welding defects
（Arrangement of methods for fracture inspection, application of Teflon nuts, etc.)

Review of the 13 Mid-Term Business Plan

Explanation of the 14 Mid-Term Business Plan Policy

Group Discussion

Venue: Narita View Hotel

# Enhancement of the overall managerial transparency with Timely and Appropriate Information Disclosure and targeting the Sustainable Growth

The Company has established its " appropriate information disclosure " and "policy related to constructive dialogue with shareholders" within the F-tech Corporate Governance Guidelines, and we are striving for timely and appropriate disclosures of information.

### Appropriate Information Disclosure (F-tech Corporate Governance Guidelines, Article 14)

In its aim to build a relationship of mutual trust with all stakeholders, including shareholders, the Company ensures management transparency by disclosing fairly and in a reader-friendly manner information, including legal disclosures, management policies, financial status, and business initiatives, as well as procedures and reasons in the appointment of the senior management and nomination of, directors, and Audit & Supervisory Board Member candidates.

### Constructive dialogue with shareholders (F-tech Corporate Governance Guidelines, Article 34, Paragraph 1)

Based on the recognition that constructive dialogue with shareholders is essential to enhance sustainable corporate growth and increased corporate value over the mid-to long-term corporate value, F-tech uses every effort to engage in such mutual dialogue.

### [Policy related to constructive dialogue with shareholders]

Based on the recognition that meaningful dialogue with shareholders is essential to enhance sustainable growth and mid-to-long-term corporate value, F-tech approaches these dialogues based on the following policies.

1. To the extent reasonable, dialogues with shareholders are conducted by the President & CEO, the director with IR oversight, other management, or managers from the division responsible for IR.
2. The division responsible for IR shall collaborate with and engage in meaningful dialogue with the internal related divisions.
3. We shall explain to our shareholders in an understandable manner, the strategies, investments, and important company indicators related to the Mid-term Management Plan, endeavoring to disclose information for determining mid-to-long-term corporate value.
4. The IR team plans to conduct multiple IR activities, in addition to individual interviews, including holding financial results briefings and facility tours and attending IR fairs.
5. The executive officer responsible for IR conscientiously conveys the Company policies to shareholders through dialogue and shares any opinions he receives from shareholders to directors and others.
6. In order for thoroughly fair information disclose, the IR executive officer strictly controls important non-public information in accordance with company rules.

### Communication with Shareholders (Private Investors, and Institutional Investors)

The Company endeavors to disclose information to shareholders, private investors, and institutional investors both domestically and overseas in a timely and appropriate manner.
In order for our investors to understand our company further, we endeavor to create various opportunities for communication through shareholders' meetings, corporate briefings for individual investors, financial results briefings, quarterly 1-on-1 meetings, telephone conferences, and exhibitions at various events. We will continue to work hard and expand the number of people who become fans of F-tech.


Financial results briefing


General meeting of shareholders

Automotive Engineering Exposition
(May, 2019)

# We will strengthen relationships with local communities through environmental conservation activities and scholarship foundations.

## 2019 Sainokuni Saitama Environment Encouragement Prize Received the Business site category Incentive Award

The 「Sai-no-Kuni Saitama Environment Award」 goes to individuals and organizations that are engaged in environmental conservation activities and companies that are engaged in social contribution activities related to the environment in order to foster awareness and promote environmental conservation activities. In February 2020, F-tech received the Encouragement Prize in the business site category for our exemplary corporate efforts in environmental conservation and our long-standing contributions to the local community, including our reforestation and river cleanup activities at our head office and Kuki Plant.

## Ftech's Reforestation、2nd Agreement period contract concluded 2020～2024

As of fiscal 2019, we have concluded our 1st 5-year agreement with Saitama Prefecture and the Saitama Agriculture and Forestry Public Corporation. Still there is room for the continuation of activities in the agreement area, so the period was renewed to the 2nd agreement period (2020 to 2024).

## Typhoon No. 19 disaster relief volunteer

On October 12, 2019, typhoon 19, the strongest typhoon in the past, landed. Along with the approach and passage of the typhoon, we had record heavy rain that we had never experienced before, and we were hit by large-scale river flooding and landslide disasters. In this typhoon, water was supplied to lake and park in Toda City, Saitama Prefecture, which has the role of preventing flooding into Tokyo by storing water as a regulating reservoir when the Arakawa River is in danger due to rising water levels, thereby preventing large-scale flood damage in the Tokyo metropolitan area. However, in exchange for this, on December 1, F-tech conducted a cleanup of the flooded park as a gathering of Honda related companies, called "Keyaki no Kai," in which flotsam were removed.

## Status of biodiversity initiatives

In fiscal 2017, we strengthened our domestic goal to achieve a participation rate of at least 25% of the total number of employees. Thanks to the cooperation of many employees, in fiscal 2019 we achieved our goal with a participation rate exceeding that of the previous year.

| | 目標 | 実績 |
|---|---|---|
| 国内拠点 | 拠点従業員<br>参加率：25%以上<br>（延べ 204 名以上） | 参加率：56.4%<br>延べ参加人数：461 人<br>活動拠点：3 拠点<br>活動数：10 |
| グループ | 生物多様性への<br>取り組みの継続 | 延べ参加人数：675 人<br>活動拠点：9 拠点<br>活動数：19 |

## F-tech Scholarship Foundation

Ftech established the Ftech Scholarship Foundation in 2016 to support undergraduate and graduate students with high aspirations and academic aspirations for the future. It became a public interest incorporated foundation in 2017 and continues to provide scholarships to about 30 students every year. Through scholarships, we will provide concrete, systematic, and lasting support to outstanding students in Japan and overseas so that they can absorb various kinds of knowledge and experience various things. We will also contribute to the development of a global society by developing useful human resources who can contribute to the improvement of Japan's international status, the development of culture, technology, and science.

Ftech's Reforestation

Sainokuni Saitama Environment Encouragement Prize


Typhoon No. 19 disaster relief volunteer

Scholarship student meetup


Clean-up activities (Haga Technical Center)


Adapter Program (Kameyama Plant)


Rivier Clean-up (Headquarters and Kuki Office)

# We will work to reduce the environmental impact of our vehicles throughout their life cycles.

## Basic concept toward the environment

As a manufacturer of automotive components, Ftech has long cultivated its technologies in the design, development, manufacturing, and sales stages in consideration of safety in its integrated processing system. Now, the sales of fuel-efficient vehicles and heavy vehicles such as batteries for electric vehicles and hybrid vehicles are becoming mainstream. In order to be able to continue to be chosen as a company that is expected by automakers, it has become a challenge to be able to mass-produce products that are safe, lightweight, and environmentally friendly, and that contribute to the fuel-efficient performance of automobiles.

Automobiles require large amounts of environmental resources from procurement to R & D, production, transportation, use as vehicles, and disposal. Our company believes that it can contribute to a sustainable society if it is aware that its business activities fall within the life cycle of automobiles and proactively works to reduce the environmental impact of all its business activities.

## Ftech Environmental Philosophy

In order to become the top runner in the area of the environment in the automotive industry, we will make the most effort to establish a future with rich nature and low carbon by having each of our associate's extending their understanding of global environmental issues and proactively engaging in the continuous preservation of the environment in all areas of our corporate activities.

## F-Tech Basic Policy

（1）In order to form a sustainable society, we will work on reduction of environmental burden and conservation of biodiversity in all business activities related to the manufacture of undercarriage automobile parts.

- Work to reduce environmental burden throughout the product’s life cycle.
- In the development area, we will reduce Co2 emissions by reducing the weight of our products.
- Conserve resources and save energy in all our business activities.
- Continue zero emissions of waste in all our business activities.
- Work on social contribution activities leading to conservation of biodiversity.

（2）Comply with laws concerning environment and energy and other requirements to agree.

（3）Strive to continuously improve the environment and energy management system and prevent pollution.

（4）Establish environmental and energy targets and review them on a regular basis.

（5）Ensure that you can use information and necessary resources to achieve environmental and energy targets.

（6）Train people with high awareness of the environment through energy saving activities and environmental preservation activities.

（7）Strive to introduce energy-efficient products, equipment and services.

（8）Disclose environmental information on business activities appropriately.

## Map of important issues in the environmental field

Ftech has identified important issues regarding its environmental activities, taking into account requests and expectations from stakeholders, including customers and local communities. The materiality of the identified important issues is identified by lighting with our company's business criticality and the current level of initiatives, and is reflected in the company's mid-long term business plan.

Critical Issue Identification Process


Key Issues Map


## Important environmental issues

As part of its efforts to realize a sustainable society, Ftech is working to reduce its environmental impact by focusing on the following important environmental issues: reduction of CO2 emissions; environmental conservation of air, water and soil; reduction of resources, water and waste; management of chemical substances; development of environmentally friendly products; and conservation of biodiversity.

In 2017, we established quantitative targets for CO2 emissions reduction, water resource reduction, and waste reduction as part of our 2030 Global Environmental Targets ,but in 2020, we revised our 2030 targets. This is due to the significant difference in the current situation from the standard of 2013. There have been various changes in the past few years, including changes in production conditions at each site, changes in production facilities, and the construction of new plants. Therefore, the base year was changed to 2017, and the volume of reduction was revised to the same level as the 2013 base year, and the target value was set.

## New 2030 Global Environmental Targets

■ Reduce CO2 emission intensity by 18%
Base year: Comparison with FY 2017 Index: Sales

■ Reduce water consumption intensity by 14%
Base year: Comparison with FY 2017 Index: Sales

■ Reduce waste emissions intensity by 13%
Base year: Comparison with FY 2017 Index: Sales

※CO2 emissions target: Energy used in the plant
Excluded item: Distribution, company vehicles, welded CO2 gas
※In order to improve consistency with greenhouse gas emissions and water resource use, sales include intergroup transactions.

# We will enhance our management system with ISO 50001 as the core.

## All Ftech environment management system

In order to minimize the environmental impact of the business activities, our group is promoting ISO 14001 certification, an international environmental standard. In 1998, we began efforts to acquire ISO 14001 certification at our domestic sites, and all our development and production sites have been certified. Aiming to acquire certification for all overseas production sites, the most recent example is a Mexican production site established in 2012, completed certification registration in May 2017. The remaining sites (FEGQ/FTI) will work on a mid-long term plan to acquire certification.

In our group, we began global expansion of our environmental activities in 2008. In 2013, we obtained ISO 50001 certification, the international energy standard, and in 2015, we issued the Global F-tech Energy Management System as a common system to all Group companies. We are now working to expand ISO 50001 certification to our overseas sites.

## Organizational structure

In conjunction with its global environmental expansion in 2008, our group established an environmental management system led by Japan. We have established an environmental organization system by appointing a person in charge of practical operations at each overseas site, with the manager of the site in charge. (See figure below)

## Status of compliance with environmental laws and regulations

Based on our group's Environmental Philosophy, we are striving to comply with regulations of each country and region and requirements of stakeholders by utilizing the ISO 14001 environmental management system. There were no major environmental violations, fines, or other serious accidents in FY2019.

## Development of core energy-saving human resources

Our group is working to train core energy-saving personnel who can perform energy audits, which are essential for ISO 50001 compliance. As energy diagnosticians are required to have a high level of expertise in diagnosis and analysis based on their knowledge of facilities and energy conservation, we believe that it is an urgent task to develop human resources that will be the core of such expertise.

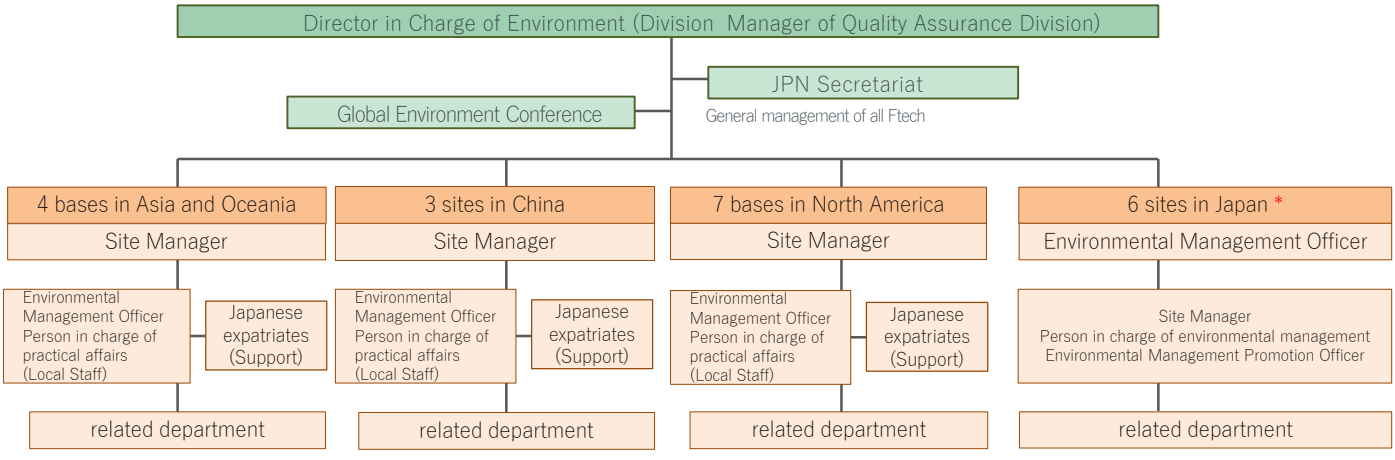
At the Global Environmental Conference held in FY 2019, 32 participants from Japan and overseas were provided with elementary education, one of the main measures being the development of energy-saving core human resources. In the future, we plan and implement higher level education to further enhance our expertise.

## Internal Environmental Audits

For our company's global expansion of the environment, it is important to ensure that the environmental management system and energy management system in Japan, which will be the core, are compatible with the systems and standards. To confirm this, we conduct internal environmental audits periodically.

In order to conduct effective audits, our company regularly holds seminars for internal environmental auditors and strives to continuously increase the number of auditors. We conduct highly impartial audits by having auditors from various divisions participate in audits. In fiscal 2019, 25 auditors participated in the internal audit, an increase of 1 from the previous year.

■ Ftech Group's Environmental Management System




* Six domestic sites include domestic subsidiaries.

# We aim to improve the level of the entire Group by sharing know-how.

## Report on the Results of the 13th Mid -Term Management Plan (Environmental domain)

At our company, the domestic plants lead the Group in developing environmental plans. We are working to improve group-wide efforts to reduce environmental impact, while sharing the know-how of the Group and incorporating the efforts of domestic and overseas sites.

The development of ISO 50001 *, which is the key to achieving the 2030 global environmental targets, was expanded to F & PA in North America in 2015, FTZ and FTW in China in 2016, and FMTL in Thailand was completed in fiscal 2019. 7 targeted overseas production sites are remained.

In fiscal 2019, we reviewed our 13th Mid-Term Management Plan (Environmental domain). The two main fixes are:

（1） Review of 2030 Global Environmental Targets

（ Please refer to "P. 19 Environmental Issues" for details. ）

（2） Review of ISO 50001 horizontal deployment methods

We had planned to expand ISO 50001 from each benchmark site in North America and Asia Pacific to overseas sites that had not yet introduced 50001. However, as our benchmark sites are too busy to operate their own ISO 50001 and have a little know-how on expanding horizontally, Ftech will expand ISO 50001 to the remaining 7 sites. In December 2019, a policy briefing on the next mid-term management plan was held for overseas business site managers, and it was confirmed that overseas business sites that had not yet introduced ISO 50001 in the environmental field would introduce ISO 50001 in the 14th mid-term management plan.

＊ Group expansion of ISO 50001 ：
In October 2013, Kameyama Plant in Mie Prefecture became the first domestic manufacturer specializing in automotive parts to acquire ISO 50001 certification for its energy management system. In 2015, upgraded Kameyama plants effort and issued the Global Ftech Energy Management System. These guidelines cover all the requirements of ISO 50001 and add our company's unique know-how. These guidelines are shared by the entire Group and promoted for horizontal deployment at all production sites.

## Results of the 13th Mid-Term Environmental Plan （2017～2019）

Target: Ftech Group (6 domestic and 14 overseas)

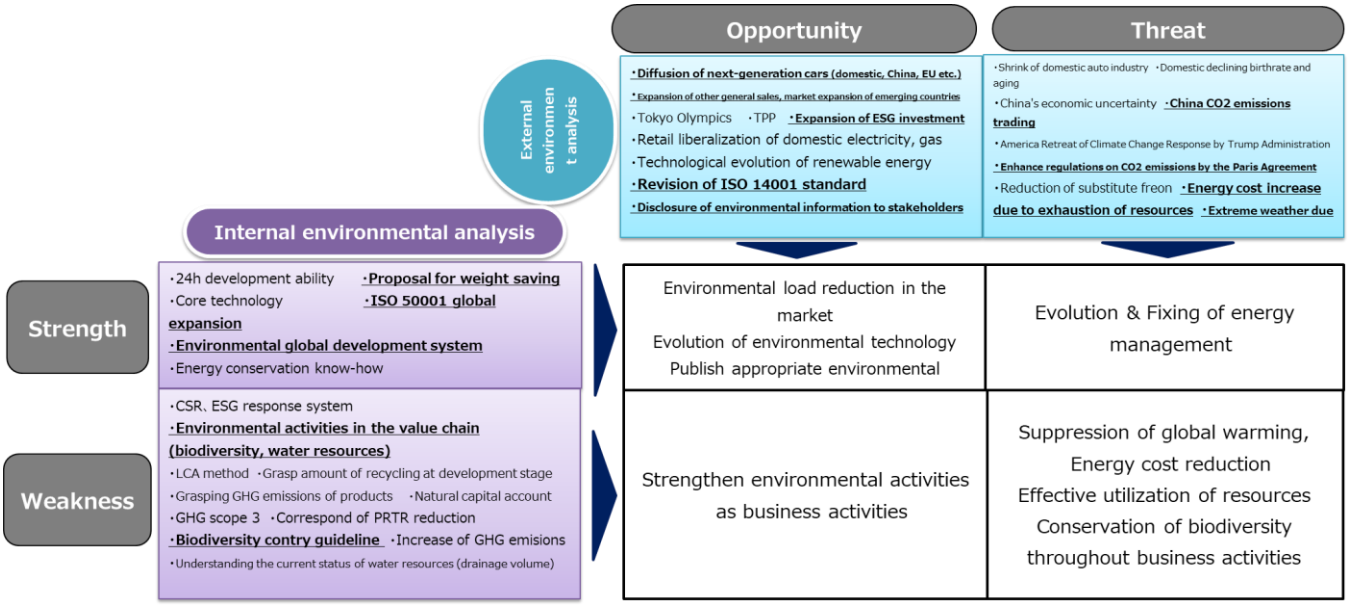
| Deployment Content | | Period | | |
|---|---|---|---|---|
| | | 2017 | 2018 | 2019 |
| ・Reduction of CO2 emission intensity (Unit:t-CO2 / Sales 1 million yen ) | Plan | —(Base year) | 0.436(1.4%improve) | 0.430 （2.8% improve ） |
| | Result⇒ Evaluation | 0.443 | 0.432(2.5%improve)⇒〇 | 0.415(6.2% improve)⇒〇 |
| ・Reduction of unit water consumption (Unit：㎥/ Sales 1 million yen ) | Plan | —(Base year) | 3.08(1.1%improve)) | 0.305(2.2% improve) |
| | Result⇒ Evaluation | 3.12 | 3.08(1.3% improve)⇒〇 | 3.06(1.9% improve)⇒△ |
| ・Reduction of waste discharge unit (Unit:ton/ Sales 1 million yen ) | Plan | —(Base year) | 0.025( 1 % improve) | 0.024( 2 % improve) |
| | Result⇒ Evaluation | 0.025 | 0.021 （17.5% improve ） ⇒〇 | 0.023 （6.6% improve ） ⇒〇 |
| ・Publication of environmental reports at production sites | Plan | 〔 preparation for issuance 〕 | [ preparation for issuance ] | 〔 internal publication 〕 |
| | Result⇒ Evaluation | preparations for issuance⇒〇 | preparation for issuance⇒〇 | Some site are unissued. ⇒△ |
| ・ISO 50001 compliance at overseas benchmark sites | Plan | 〔 Start in Asia Pacific 〕 | 〔 Asia Pacific complete 〕 | 〔 Asia Pacific complete 〕 [ Start in North America ] |
| | Result⇒ Evaluation | Manual maintenance completed ⇒〇 | FMTL2/3 support completed⇒× | FMTL Self-declaration complete ⇒〇 NA Reviewed due to the impact of covid-virus |
| ・ISO 14001 (2015 revised ver.) certification Acquisition target: Ftech Group | Plan | 〔 system construction 〕 | 〔finish transfer〕 | 〔 continuous development 〕 |
| | Result⇒ Evaluation | 2 sites not completed ⇒△ | Transfer completed⇒〇 | |
| ・Development of core energy-saving human resources | Plan | 〔plan training curriculum〕 | 〔construct training curriculum〕 | 〔complete training〕 |
| | Result⇒ Evaluation | planning completed⇒〇 | Curriculum constructed⇒〇 | Training complete⇒〇 |
| ・Assessment of biodiversity | Plan | 〔grasp of the current situation〕 | 〔consider measure〕 | 〔 Brushing Up Guidelines 〕 |
| | Result⇒ Evaluation | Grasp complete ⇒〇 | Finish considering⇒〇 | Finished brushing up⇒〇 |

〇: Target achieved, △: Achievement of 70% or more but less than 100%, ×: Achievement of less than 70%
The goals of "Development/Engineering" are withheld from the viewpoint of confidential information.

# Environmental domain
# Start of the 14th Mid-term Plan

## 14th Mid-Term Environmental Plan Process

In the formulation of the next mid-term plan, the 14th mid-term environmental vision was decided as "Realize the environmental top runner" following the 13th mid-term plan. We have also summarized the changes in the internal and external environment surrounding our company as shown below, by considering the Key Issues Map (P. 19) .




## Formulation and development of the 14th Mid-term Plan

Our company's strengths and weaknesses were used as an internal environmental analysis, and our company's opportunities and threats were taken into account as an external environmental analysis to identify issues to be addressed in the environmental domain of our company. By this analysis, we have set targets as a business plan in the environmental domain and summarized the main measures we are taking in the diagram below. These key measures are being implemented as common goals for the Ftech Group at domestic and overseas bases.

## Toward the Realization of a Sustainable Society

Ftech is implementing its mid-term plan to address our company‘s important environmental issues and achieve the 2030 Global Environmental Targets (P. 19) in order to realize a sustainable society. By identifying the issues and solving them group wide, we will become an environment top runner in the automobile industry which is Ftech’s environmental philosophy.

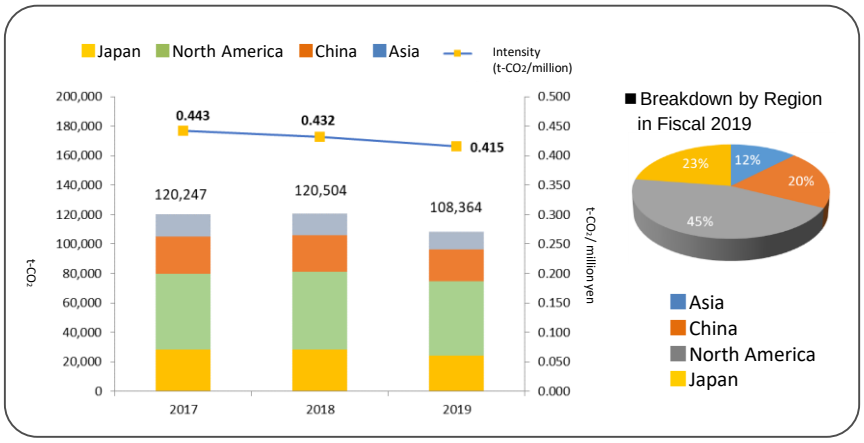
## Main measures of the 14th Mid-term Plan

| deployment plan | Period | | |
|---|---|---|---|
| | 2020 | 2021 | 2022 |
| ・Reduction of CO2 emission intensity compared to FY 17 (unite:t-CO2/ Sales 1 million yen) | 0.424(4.2%improve) | 0.418 (5.6%improve) | 0.412 ( 7 %improve) |
| ・Reduction of water consumption intensity compared to FY 17 (unit:㎥/ 1 million yen) | 3.01(3.3%improve) | 2.98 (4.4%improve) | 2.94 (5.5%improve) |
| ・Reduction in waste emission intensity compared to FY 17 (unit:ton/ 1 million yen) | 0.024(3%improve) | 0.24 (4%improve) | 0.024 (5%improve) |
| ・Publication of environmental reports at production sites | [ official publication (for external) ] | [ continuing issue ] | |
| ・Introduction of ISO 50001 | [start in 2sites] | [Deployment Complete in 2sites] | [deployment complete in 1site、start in 1site] |
| ・Construction and operation of a global environmental management system | consider | Construct / Expand | operate |
| ・ISO 14001 certification (2015 revised ver.) | FEGQ [completion of system construction]<br>Start in FTI | FEGQ [ acquisition of certification ]<br>FTI [ completion of system construction ] | FTI [ acquisition of certification ] |
| ・Strengthening biodiversity initiatives | [ Start operation with new guidelines ] | [Total number of participants: 20% or more of all employees] | [ Total number of participants: 25% or more of all employees ] |

# We will strive to improve data accuracy throughout the Group.

## Results of CO2 Emissions

Target＜ 2.8% reduction in CO2 emissions intensity compared to FY 2017 ＞
→ Result＜6.2% reduction＞ cleared the target

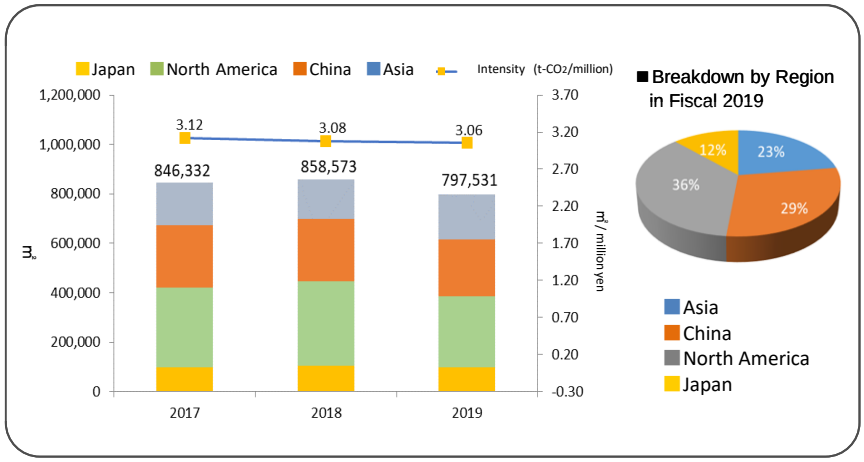



In the 4th quarter, production at all sites decreased due to the impact of the COVID virus. CO2 emissions decreased by 12,140 t-CO2 from the previous year. Of the reduction in CO2 emissions, 2,674 t-CO2 of reduction is due to the CO2 emission coefficient change for electricity at each site, and about 1,277 t-CO2 is due to the effects of energy-saving measures in each site that were identified in 2019, and a reduction of approximately 7,800 t-CO2 is due to a decrease of production. The rest is assumed to be the effects of measures that have yet to be identified, but this is a future issue.

By region, CO2 emissions at our sites in China, North America, and Japan have been reduced by more than the decrease in sales compared to the previous fiscal year, and this has led to improvements.

## Actual water resource consumption

Target＜2.2% reduction in water consumption intensity compared to FY 2017＞
→ Result＜1.9% reduction＞cloud not cleared the target



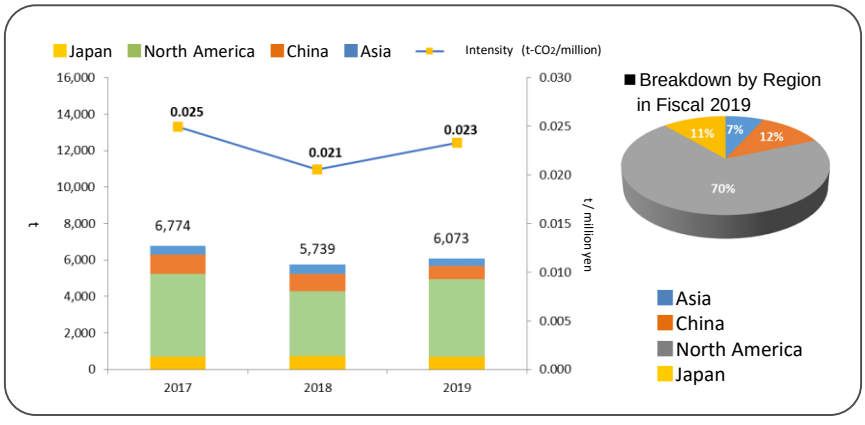

Water consumption decreased by 61,042 m3 from the previous year. Most of the water used in our group is for cleaning, surface treatment, electrodeposition coating, and steam in the painting process, and is closely linked to production. However, the target was not achieved because the amount of water used could not be controlled along with the decrease in sales.

In 2019, we were able to reduce water consumption by 10,954 m3 through domestic and overseas measures. However, approximately 34,300 m3 was decreased due to a decrease in sales, and the rest will be unaccounted for as well as CO2 emissions.

There are many sites that rely heavily on water to maintain the quality of water in the painting process and to prevent adverse effects on quality. However, it is necessary to further reduce water consumption to achieve the target. We will share effective measures and work to reduce water consumption through the prioritized management of water in our group.

## Results of Waste Emission

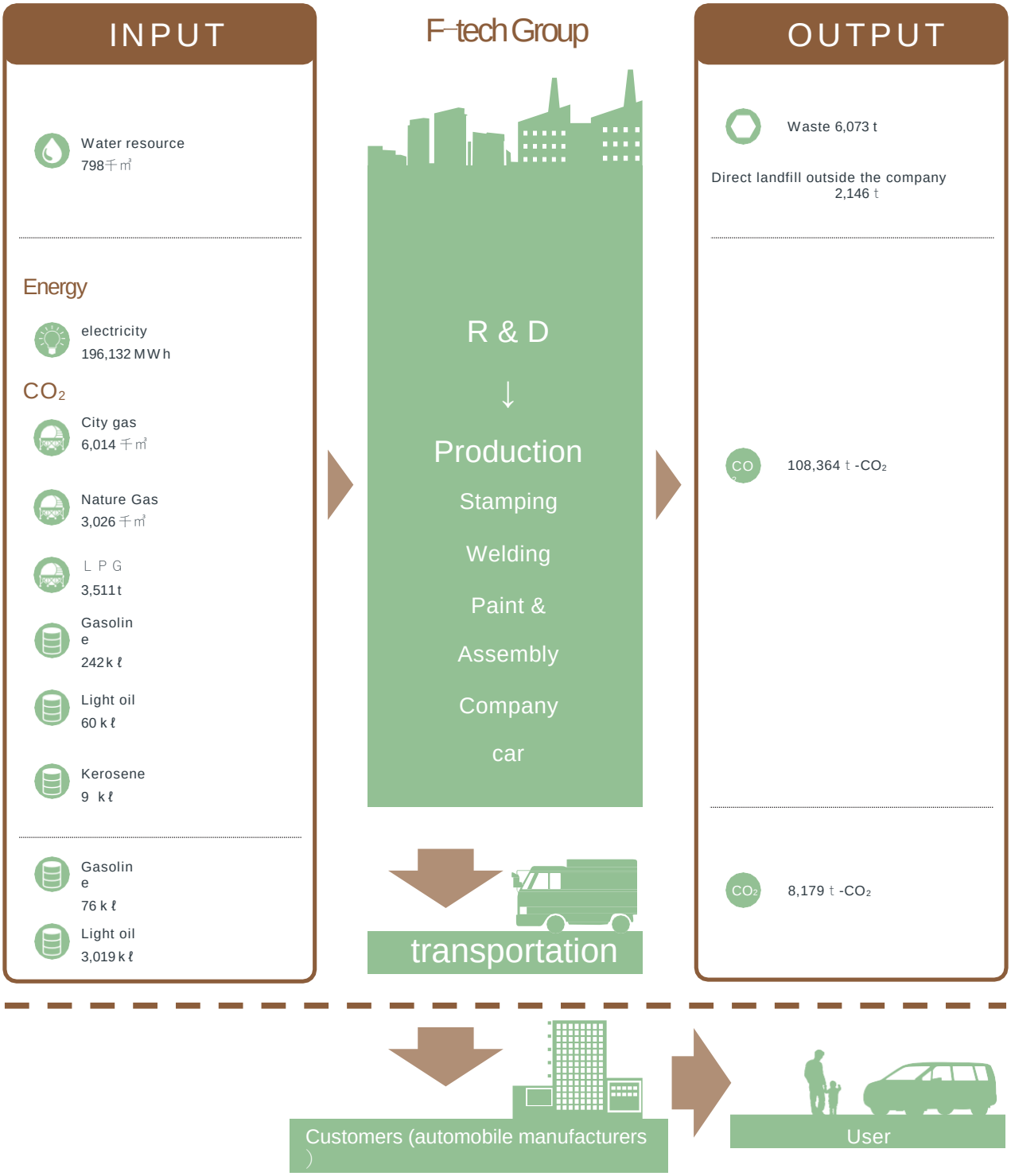
Target＜2% reduction in waste emission intensity compared to FY 2017＞
→ Result＜6.6% reduction＞cleared the target




Before fiscal 2017, some overseas sites had different views on the definition of waste, so the amount of waste included valuable materials such as scrap. In fiscal 2017, however, we unified the definition of waste within the Group, which led to improved data accuracy at each site. The amount of waste generated increased by 334 tons from the previous year. By region, emissions in North America alone increased by 700 tons due to increased production. As a result of the decline in sales, emissions intensity in Japan and Asia Pacific sites have worsened, but at our China sites, waste emissions intensity have improved by 18% compared to the previous fiscal year. This was the result of measures that reduced 140 tons of waste by reducing sludge and partial reuse of waste alkaline solution in the painting process.

※CO2 emissions include energy used at plants and R & D and energy used in distribution.
※In Japan, data from the Kuki & Kameyama plant, Haga Technica Center, and domestic subsidiaries are included.

# Material flow




・OUTPUT of CO2 emissions are calculated by multiplying INPUT energy consumption and CO2 conversion factor.
・The calculation method for CO2 is based on the "Greenhouse Gas Calculation and Reporting Manual" of Ministry of Economy, Trade and Industry and Ministry of the Environment and "The Greenhouse Gas Protocol" and WRI/WBCSD.
・Domestic power consumption is calculated based on the latest coefficients for each power company.
・The period covered is from April 2019 to March 2020.

# We are committed to open and fair CSR purchasing.

## Purchasing Policy

The Purchasing Department will conduct fair, equitable, and highly transparent transactions in accordance with the Company's "Action Guidelines" and promote initiatives aimed at coexistence and co-prosperity with suppliers.

(1) Achieve an optimal cost structure
(2) Procurement of attractive products with QCD
(3) Pursuit of logistics efficiency

## Partnerships with Business Partners

We will strive for mutual understanding with our business partners as good partners who work together to create better products, and we will build trusting relationships with them on an equal footing, making full use of each other's wisdom and ingenuity, with the idea of coexistence and co-prosperity.

## Green Purchasing

The F-Tech Group has established the "F-Tech Green Purchasing Guidelines" as a basic concept for green purchasing, which prioritizes the purchase of environmentally friendly parts, materials and products.

We request our suppliers to take the following actions.

- Establishment of an environmental management system
- Compliance with environment-related laws and regulations
- Implementation of management of chemical substances in products
- Grasping and reducing greenhouse gas emissions

## Procurement policy briefing

However, in consideration of the prevention of infection among visitors and our employees at COVID-19, we decided not to hold the meeting this year and to only distribute information.

In April 2020, we distributed materials on our purchasing policy briefing and examples of our environmental initiatives to 68 suppliers and asked for their cooperation in surveying the status of environmental initiatives.

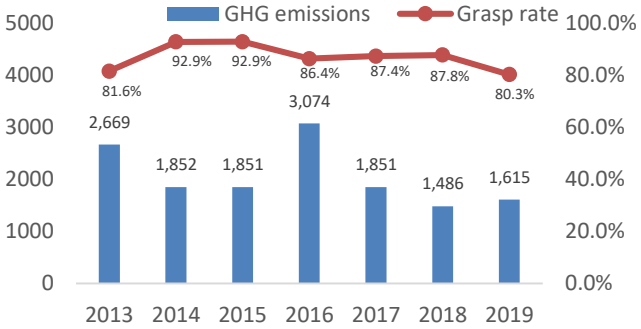
## Survey of Environmental Initiatives

1.Survey of environmentally hazardous substances
(1) Energy consumption
(2) Amount of water resources used

2.Establishment and achievement status of CO2 reduction
3.Status of Biodiversity Activities

## Grasping the greenhouse gas emissions

■Greenhouse gas emissions from domestic suppliers




Grasp rate: The percentage of the cumulative amount of transaction value with business partners covered by the survey out of the total transaction value, excluding F-Tech Group bases, customers and customer Tier 1s, trading companies and employee benefit-related, etc.

GHG emissions: The amount of energy used by business partners among the companies surveyed in terms of CO2, and the total amount of CO2 emissions after prorating the amount of CO2 emissions according to the ratio of sales to our company.

## Examples of Environmental Improvement

(1) We consulted with a recycling company to collect used leather gloves, which had been disposed of as industrial waste, free of charge, and are now reducing industrial waste by recycling them as recycled leather gloves.

(2) By making 1-way cases used for import and export returnable, we are recycling the packaging materials and reusing resources, and are considering further applications.

(3) Optimizing domestic and international transportation routes and improving the transportation loading ratio to reduce the environmental impact for the reduction of CO2 emissions.

## Management of Chemical Substances Contained in Products

In response to regulations on chemical substances contained in products, the Group has established a management system at each site and conducts IMDS* surveys. Substances that are harmful to humans and the environment and whose use is prohibited or regulated by law are defined in the "F-Tech Standards for the Management of Chemical Substances in Products" and the use of these substances is strictly prohibited.

In addition, through our green purchasing activities, we are working to eliminate the use of these substances with the understanding of our suppliers, and are providing our customers with products that do not contain these substances.

* IMDS : International Material Data System (Material database for the automotive industry)

## Responsible Mineral Procurement

We will continue to investigate mineral sourcing that is related not only to conflict but also to human rights abuses, environmental destruction, and other irregularities, and strive to purchase products that do not contain minerals originating from conflict zones or high-risk areas.

We use CMRP*(Latest version) as the internationally formatted template that RMI *(Responsible Minerals Initiative) publishes annually for Responsible Minerals Procurement Initiative.

*1 RMI: Responsible Minerals Initiative (Conflict Minerals Free Initiative)
*2 CMRT: Conflict Minerals Reporting Template

# 10th Global Environment Conference

At Kameyama Plant, the 10th Global Environment Conference was held from November 5 to 7, 2019, inviting 35 representatives from 14 Group sites. Through 10 global environment conferences, we have been able to share a total of 400 million yen worth of environmental measures and contribute to reducing the environmental impact and manufacturing costs of the entire group. At this conferences, the secretariat announced the following 3 information.

## (1) Confirmation of progress toward the 2030 Global Environmental Targets

We shared the results of the 13th Mid-Term Environmental Plan up to the first half of fiscal 2018 and the contents of the 14th Mid-Term Environmental Plan, reviewed the base year and reduction targets for the 2030 Global Environmental Targets, taking into account changes in production status at each site, and reconfirmed the processes for achieving the targets.

As this meeting marks the 10th anniversary, we made it easier to visualize the status of the horizontal development of measures reported by each site so that our group's know-how can be fully utilized. We have also prepared reports to make it easier to understand and analyze the progress of each site's environmental targets. We confirmed that we would utilize existing shared measures and know-how and accelerate the introduction of ISO 50001 in accordance with the promotion status of each site.

## (2) Strengthening biodiversity activities

Our group confirms that it will strengthen its biodiversity initiatives and aims to create a low-carbon, sustainable and prosperous society through its business activities.

## (3) Priority management of water measures

A total of 640 environmental improvement measures have been shared at the conference, but only 42 of them are related to water. In order to improve the current situation in which water reduction targets have not been achieved, we shared the view that "measures to reduce water consumption in factories" will be the main theme of the next Global Environment Conference. Our group will work to achieve this goal by strengthening its water measure know-how.

■Grand Prize（No.1 site）：
F-Tech Zhongshan Inc.（FTZ）
Improvement of paint sludge drying

In China, the reduction of waste was an important issue due to the increase in the processing unit price resulting from stricter environmental laws. At FTZ, we focused on sludge, which is discharged the most, and reduced its volume by drying sludge using the waste heat from compressors. Since it was found that the weight of sludge could be reduced 33.5% by drying the sludge for 10 hours, the sludge drying area was improved so that more sludge can be dried efficiently, and the piping of the waste heat duct was also reviewed.

■ Excellence Award （No.1 Measure）：
F&P mfg.,De Mexico S.A.DE.C.V（FPMX）
Reuse of garbage

At FPMX, the task was the dispose of about 3.4 tons of food waste discharged from the cafeteria every month. An investigation into whether food waste can be effectively recycled revealed that nearby livestock farms need it as livestock feed. We also worked with the environmental authorities to see if there was a legal problem with outsourcing, and supported the approval so that livestock farmers could handle it as livestock feed. It not only reduced food waste but also helped livestock farmers.

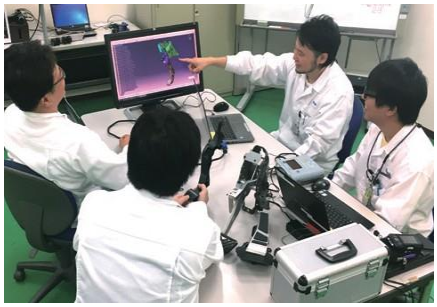
■CSR Award：
F.tech Mfg., (Thailand) Ltd.（FMTL）
Collect and effective recycling of lotteries

Lottery is one of Thai entertainment that many Thai people enjoy. Of course, most of the lotteries become trash, so we set up special boxes to collect the lotteries from employees. The lotteries are then handed over to a citizens' group through a nearby temple, and support is provided to a Down syndrome welfare facility that makes wreaths and flowers for funerals.

■Idea Award：
Haga Technical Center
Reduction of waste oil and water in hydroforming process

In the hydroforming process of the prototype department, a large amount of water is mixed with special oil to form water. This molding water could not be reused and was disposed as waste oil because foreign substances such as other oil and chips adhered from the prototype were mixed. In the prototype division, an oil-water separator was installed and filtered to separate water mixed with waste, resulting in a 98% reduction in waste oil.

# With our sights set on next-gen vehicles, we will respond to social needs, and contribute to the automotive industry



The automobile industry is currently undergoing a period of rapid and major transformation.
Notably, joint venture within the industry and market entry from other industries are taking place.
In addition, the use of motors in place of engines for the power train, rapid digitalization in the form of automatic driving, collision avoidance, etc... is in progress. As such, requirements for automotive components have gradually been changing.

In response to these trends, there is demand for the automobile industry to not only meet fuel efficiency and exhaust emissions targets, but also reduce weight in order to improve electric power costs.
In addition, in order to achieve self-driving and accurate control of the support systems, a good stiffness balance of the suspension parts is crucial. Moreover, the design needs to ensure collision safety.

In order to meet the growing needs of our customers for improving strength, durability, and vehicle performance, we make full use of our improved optimization simulations and mechanical simulations—Optimization simulation is a method of determining the most efficient product shape.
Collision performance is optimized using this method, the requirement of which in recent years has become more strict. In addition, a highly efficient energy absorption structure and skeleton was constructed using Ftech's collision analysis method. This has made it possible to develop products that meet the needs of each vehicle.

## A 24-hour development system with shared technical capabilities around the globe

Currently, we have 11 production bases in 10 countries in addition to 8 research and technology development bases around the world.
In addition to development sites in Japan, North Asia, and Asia working in coordination, the main roles such as product development, prototyping, production efficiency verification, and manufacturability analysis in each region are allocated efficiently, which enables a 24-hour development system.

## Predicting final product performance utilizing Ftech's analysis capabilities

In order to meet market demand, various simulation software are utilized to design chassis products that are both lightweight and high-stiffness. These analysis tools are used not only for strength and durability, but also for steering stability requirements and to create product designs that effectively absorb collision energy.

## Pressed-plate torsion beam, an eco-friendly and lightweight alternative

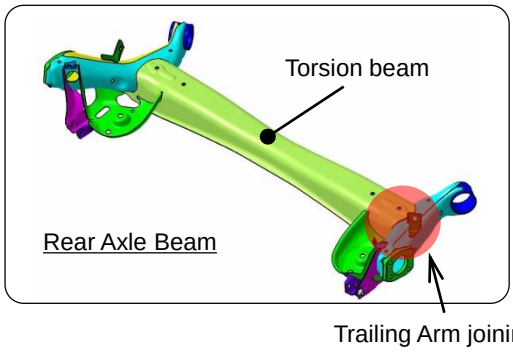
With regards to one of our compact cars that has started production in recent years, we have changed the torsion beam—which is a part of the rear axle beam —from a hydraulically molded pipe to a pressed plate.

This is because using plates can maximize the cross-sectional area by taking advantage of the degree of freedom in shape without being restricted by the circumference, unlike it is the case for pipes.

In addition, compared to the pipe torsion beam, the joining area of the trailing arm can be increased, which increases the stiffness of the entire axle beam and enables more stable operation of the car.

Furthermore, since the pressed-plate torsion beam does not require any special process other than the press molding process during manufacturing, it can cut down energy consumption and reduce the amount of greenhouse gas emissions and water resources used.

In this way, we will continue to contribute to the automotive industry by developing parts that meet the needs for performance such as weight reduction and steering stability, as well as social needs including energy efficiency and safety, of our customers.



# The development of safe and highest-quality products

Research & Development Division
Product Development Department
Design Section #2

Senior Chief Engineer
**Ryota Sekiguchi**

F-voice

## We will take on the challenge of continuous technological development and respond to changes in the automobile industry.

I am in charge of designing a component called "AXLE BEAM". It is a type of rear suspension component mainly used for small cars. This component requires high strength and rigidity to support the car, but on the other hand, it also acts as a spring by twisting itself. At first glance, it is a very interesting part that has contradictory elements.

In recent years, in order to improve ride quality and steering stability, a method of increasing the stiffness of AXLE BEAM while using softer coil springs and rubber parts has become a trend. The shortcut to obtaining higher stiffness is to increase the thickness of the steel plates. However, this leads to an increase in weight, which in turn leads to increased pollution due to decrease in fuel efficiency.

We faced the conflicting challenges of increasing rigidity while reducing component weight. Therefore, I thought that a different approach was needed. We were able to solve this problem by making a major change in the design concept from the conventional "TORSION BEAM + stabilizer structure" to "A structure with a reinforcing material welded to the TORSION BEAM".

In recent years, CAD analysis tools and hardware have been continuously improving, making it possible to perform simulations in a wide variety of fields. However, it is not the case that all of the actual product shapes and performance evaluation results are as predicted. Our frequent discussions with prototype, testing, and mass production department have been fed back to the analysis and product design team.

In this way, by the time a product has started mass-production, a lot of data and know-how are accumulated and relationships with many people are created. I like to think the products, technology, and know-how created in this way are the prime example of F-tech's assets. I am proud to be a part of the team involved in the process.

Today, the automotive industry is facing a major turning point. A growing number of countries are starting to ban the sale of gasoline and diesel vehicles, which suggests the wave of EVs is inevitable. In the future, the components I'm designing may also be very different from what they are today.

However, even if the shape of our products were to change due to the trend of electric vehicles, we would like to make the most of F-tech's assets that we have cultivated so far to supply our customers with safe and highest-quality products.

# Japan

## Kuki Plant（Kuki City, Saitama）

### FUT-1※　Frequency Change of the Smoke ventilation fan

FUT-1 uses processing oil to improve moldability during press working. Therefore , the oil burns due to the heat generated through plastic working. So we are using the fan to ventilate the smoke generated during press working.

An inverter is installed in the smoke ventilation fan, but it was set to 50Hz and wasted. Therefore, we investigated the oil smoke amount to see if the inverter could be operated efficiently by lowering the frequency.

The investigation result showed 35Hz frequency would be efficiently most, but, we found the smoke would not be exhausted well in some of the parts process. We tried to review the duct shape and improve it . Now ,we can exhaust the smoke by 35Hz frequency in every kind of parts process.

As a result , we could reduce annual power consumption 9,760kWh (Equivalent to Co2 emissions 3,689Kg) by improving the power consumption from 3.7kWh to 2.5kWh.

※FUT-1：F.tech Ultimate Technologies.（Thick Plate Friction Cold Forging.)


▲Before

▲After

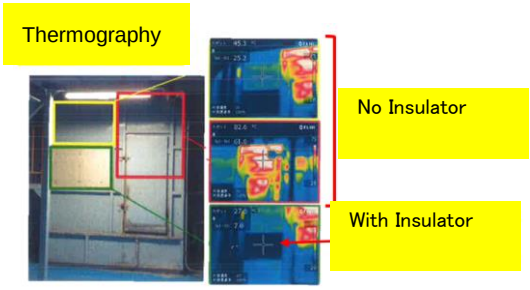
## Kameyama Plant（ Kameyama City, Mie）

### Paste the heat Insulator to the Evaporator, Delay of the start-up time of the Deodorizing furnace and Drying furnace

The Paint Equipment of Kameyama plant dose not drain water to the outside. The evaporator has the key function to warm and evaporate the waste-water concentrate by using city gas as heat source.

Since the purpose is to evaporate, the surface of the equipment becomes hot and the amount of heat released is large, causing an increase of usage of city gas. Therefore we paste heat insulator to the equipment to reduce city gas usage. Through the monitoring of the time from start-up to reach the optimal temperature, we found start-up time could be delayed by 10 minutes and carried it out.

As a result, we could reduce the usage of city gas by 7,417㎥ (CO2 equivalent to 15,426lg ) in a year.



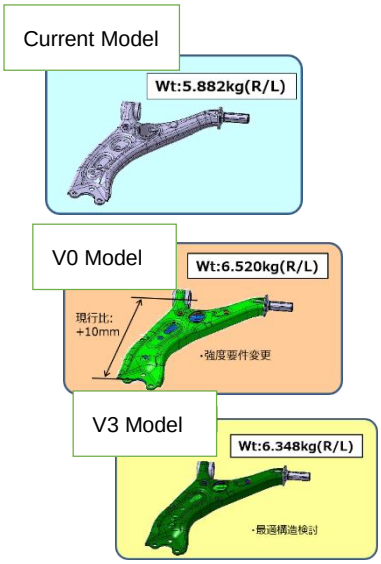

## Haga Technical Center（Haga Town, Haga-gun, Tochigi）

### Contribution to the global environment by reducing parts weight

Q (quality) C (cost) D (delivery) are the three most important factors in manufacturing of automobile parts, but in addition to these, we are developing parts that take the environment into consideration. Reducing our parts weight makes fuel consumption less by contributing to the whole car weight reduction. Furthermore Less Co2 emissions contribute to the improvement of the global environment.

Ministry of Economy, Trade and Industry and Ministry of Land, Infrastructure, Transport and Tourism announced the passenger car's fuel efficiency goal of 25.4km/ℓ as of Year 2030 on March 31,2020. It needs 32.3% improvement to 19.2km /ℓ actual figure in 2016. To achieve the fuel efficiency goal, reduction of auto parts weight plays a very important role under this circumstance.

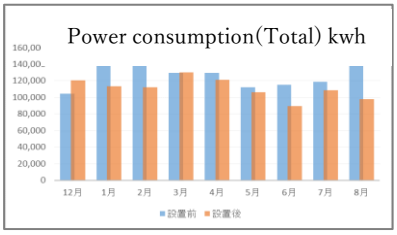
Take FR LWR ARM as an example, we have developed 6.348kg develop event model whose weight reduced by 0.402kg (▲6.3%) compared with the conventional one whose weight is 6.75kg in one in the activity result of the previous term. If this part is mass produced in the future, gas consumption will be reduced by 21,185 /ℓ equivalent to CO2 49,191kg in a year. We will continue to develop parts that contribute to the global environment as "All F-tech".

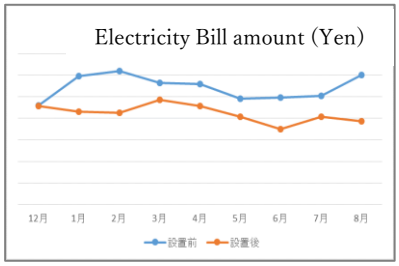


# Japan

Fukuda Engineering Co, Ltd.(FEG/Kazo City, Saitama)

## Power consumption reduction by installation of demand controller




FEG installed demand controller to save the power consumption and electricity cost “Demand controller ” is the device for measuring “maximum demand power (demand value)” which is the power value used to calculate electricity charges of the power companies. When it is about to exceed the maximum power demand, the service send a notice to the manager.

As the improvement of the awareness of power saving, we could save the power consumption by preventing overuse of electricity. Electricity consumption totaled 1,001,478kWh in 9 months from December 2019 to August 2020 after the equipment was installed. Compared to 9 months from December 2018 to August 2019 before the equipment was installed, a total reduction reached 133,021kWh (about 11.7%). This is equivalent to approximately 50.2t- CO2/kwh emission reduction. We succeeded in significant reduction of about 22.0% by converting the electricity charges over the previous year in 9 months. We will continue efforts to save more power in order to reduce the environmental burden.

Kyushu F-tech Co., Ltd.（QFT/Yamaga City, Kumamoto）

## Certified as a Bright Company in Kumamoto Prefecture

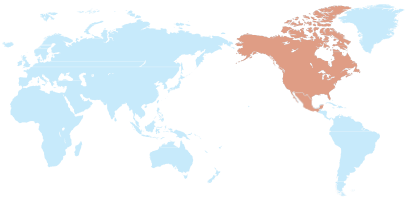

In order to improve the working environment and treatment of companies and promote young people’s employment in the prefecture, Kumamoto Prefecture supports the creation of attractive companies for the employees and jobseekers by certifying the Bright Companies. A bright company is the company whose workers shine lively and can continue working with peace of mind. It needs basic 4 requirements.
(1)Satisfaction of employees and their families. (2)Local employment. (3)Stable management (4)Contribution to the local communities and local economy. If it is certified, the recognition from the job seekers and schools will increase and Kumamoto Prefecture will actively promote the company. Besides it , the certified companies can participate in the limited event for the certified companies and can also have some preferential treatment under the Kumamoto prefecture official loan system. Kyushu F-tech has applied from 2018, and as a result of the challenge over 2 years, it was certified as a “Bright Company” in Kumamoto in the first year of Reiwa. On October 17, 2019, I attended the certification ceremony held at the Kumamoto prefectural office. Bright company system has started in 2013, 287 companies have been certified and Kyushu F-tech became the one of the certified companies in 2019. (From 35,000 target companies.).

Retera Inc.（Chichibu, Saitama）

## Regeneration of woodland（Chichibu Plant）

In 1996, Saitama prefecture enterprise bureau created the industrial park by developing 227,000㎡ of hills in Chichibu for the purpose of strengthening the financial base, creating employment opportunities and revitalizing of the local economy. Retera started factory operation in 1999 and now owns and manages 3 plots. 200 people are working day and night surrounded by the rich natural forest. As Retera grows , the deciduous trees like cherry blossoms, quercus, oak and the thickets also have overgrown without being taken care of for 20 years after the industrial park developed. In 2020, we started maintenance project of the forest next to the Retera site by utilizing the prefecture’s budget “Regeneration of woodland” under sponsorship of Saitama Prefecture and Chichibu City . The forestry association handles logging and weeding, the employees of Retera were in charge of collecting and cleaning up the fallen trees. He voluntary employees completed the maintenance in February of this year by making use of the time before and after the business hours. Now many employees enjoy the great view of the town from the hill as a healing place.

# North America



Dyna-Mig, A division of F&P Mfg., Inc.（DYNA-MIG /Ontario, Canada

## Sponsorship to Rotary Club

During September 2019, DYNA-MIG sponsored the Rotary Club of Stratford's 24th Annual Dragon Bout Festival. Dyna-Mig was noted as a silver Sponsor for the 2019. Between forty to fifty dragon boat teams take part in the dragon boat festival every year. The event raises about fifty – thousand dollars per year for Rotary Club of Stratford and also brings approximately one thousand tourists to the city to attend the festival. Since the creation of the dragon boat festival twenty-five years ago, the festival has raised almost one million dollars in Rotary Club of Stratford fundraising, which they use to support community and international projects. Examples of these include the Rotary Hospice Stratford – Perth, which provides a peaceful comfortable home with twenty –four hour specialized palliative care for those living with a terminal illness; and the AQUABOX project, which provides simple low cost water filtration systems that can provide purified drinking water. The AQUABOX systems are distributed to areas impacted by disasters. Dyna-Mig has supported the Rotary Club of Stratford's Dragon Boat Festival for many years and will continue to support local social contribution.


F&P America Mfg., Inc.（FPA /Ohio, USA）

## Installation of rainwater drainage filter

FPA has started on a project to install a specially designed rainwater drainage filter to prevent surface debris such as metal pieces and wooden pallet debris from entering the rainwater drainage system.

By installing a total of 10 rainwater drainage filters at the rainwater drainage outlet in the high-risk trailer parking lot on the north side, we were able to prevent dust from flowing out of the factory.

F&P George, A division of F&P America Mfg., Inc.（FPG /Georgia, USA）

## Earth-day Activity

To celebrate Earth Day, FPG partnered with Pirelli Tire to clean up trash and waste in the Floyd Industrial Park.
A total of 78 participants collected approximately £ 400 of waste in total over a three-day period.


F. tech R&D North America Inc.（R&DNA /Ohio, USA）

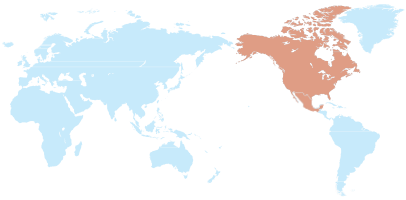
## R&D activities for EV vehicles

The Automotive industry is charging ahead with its shift towards the adoption of electric vehicles. In California, the governor announced a ban on the sale of new gas-powered cars starting in 2035. For the last several years, we at R&D NA have focused our efforts on researching EVs. We have made a solid expansion in our development of EV parts for OEMs

## Introduction of electronic signature system

We implemented an e-signature system in September 2019. Any file that requires approval is created in digital format and then processed using e-signature. We are working further to reduce our consumption of natural resources. While this implementation began in just one department, we expect further reduction of resource-consumption as e-signature expands to the company level.

# North America



F&P Mfg., Inc.（F&P/Ontario, Canada）

## Maintenance of rainwater reservoir

F&P upgraded the Storm Water Management (SWM) system to further control the quantity and quality of water entering into the local area. The system was recognized that it contributed to the management of erosion and mud flood, and to the protection of water quality in the dialogue between the government and the local conservation authority.

The filtering system was set to gather mud, salt, sand and oil before water entering into the nearby stream and protection of the quality of water was reinforced. Also, the rain water was changed to be flown into the underground drain after it was gathered to the reservoir on the ground. It was modeled after "*100 year storm*"* to prevent erosion by water flow from the reservoir. It made the reservoir larger and the quantity of drainage was controlled by the orifice plate, which could prevent the erosion.

The construction was completed in October 2019. The rain drainage from the factory met the requirements by the recommended design and the maintenance, which not only made the quality of water better but also protected adjacent buildings.

In addition, the annual tree planting activity of F&P was taken place in April 2019 as one of the management of rain water. The volunteers planted the 40 tamarack trees and the 10 spruce trees and set the fences to protect the reservoir against beavers.

* Heavy rain once in 100 years.


F&P mfg., De Mexico S.A.DE.C.V（FPMX / Guanajuato, Mexico）

## Harmony between tree planting activities and the community

Mexico is a very hot country. Afforestation is a popular activity to create a shade environment and refresh your feeling. We planted 30 trees in neighborhood in July helping to maintain biodiversity. We hold a lecture about the environment at a junior high school near the company with the permission of the principal on October.

The purpose of this lecture is to raise young people's awareness to the environmental problems that Mexico has in its economic growth.

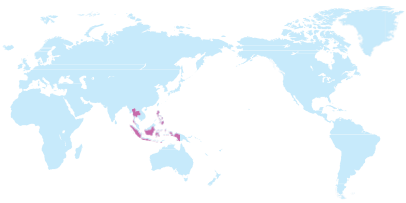
During the lecture, students asked some questions and they were very interested in environmental issues.

FEG de Queretaro, S.A. de C.V.（FEGQ / Queretaro, Mexico)

## Distribution of stationery to school children, scholarship support

FEGQ distributes stationery items such as bags and pens necessary for school children of employees as part of educational support for school children every year. We also provide the scholarship to those with excellent academic performance so that they can make use of it for study.

# Asia



F-tech Philippines Mfg., Inc.（FPMI / Laguna, Philippines）

## Conversion of uninterruptible Power Supply(UPS)

As part of our improvement with the aim of reducing cost and contributing to our company wide target of Co2 emission reduction under environment for 26th term, one of the improvement activities implemented is the conversion of Uninterruptible Power Supply or UPS.

A UPS is a device that provides battery backup when the electrical power fails or drops to an unacceptable voltage level. UPS device also provides protection from power surges.

We converted to the larger capacity UPS which could connect to two computers from the previous UPS which could connect to only one computer so that we could reduce the number of UPS devices.

Even though some of the UPS have not converted to the larger one yet , we expect an energy savings of 13,547 kWh/year or Php93,342.40/year and Co2 emission reduction of 7,179 kg-Co2/year. The investment is Php273,000 and the Payback period is 2 years and 11 months. The cost saving / unit is Php403,200.


F-tech R&D Philippines Inc.（FR&DP / Laguna, Philippines）

## “Clean, Green and Healthy FR&DP ”

For this term, we worked on clean-up activity, with a “Clean, Green and Healthy FRDP” as a slogan. Every Monday, Wednesday, Friday, the assigned employees allot 10 minutes of their time to clean and tidy the FRDP surroundings. Aside from maintaining cleanliness in the surroundings, the activities keep body moving while reaping the benefits of the morning sun thus promoting good health too. Through the combined monetary contributions of its employees, FRDP was able to provide educational assistance covering the school related expenses for two children from “ Pequena Casa de Nazareth” .The foundation mission is to provide opportunity and improve the quality of life for those girls who suffered from physical and emotional negligence.

F-tech Mfg., (Thailand) Ltd.（FMTL/Ayutthaya, Thailand

## Donation activities of reused goods

FMTL installed automatic exhaust fan which automatically turns off at the break time for 60 and 30 minutes, which reduced 372 kWh/ Day of energy or THB 261/ Day.

Another activity is teaching about the environment to the primary school students. In order to pass on environmental conservation to the next generation, we taught about waste sorting.

As a CSR activity, we donate items that are reusable, such as

1, Old calendars to the blind, in order to create a braille book.

2, Lost lottery to people with aphasia, to make wreaths and flower arrangements for funerals at nearby temples.

3, Cosmetics that are not used anymore, for the corpse make-up to reduce waste.


PT.F.TECH INDONESIA（FTI /Karawang, Indonesia）

## Tree planting at the new factory

In 2019, FTI moved to the new factory and declared that we actively work on environmental protection and corporate social responsibility at the time of its construction. Various trees were planted in front of the factory as a measure to conserve the ecosystem and prevent air pollution. In addition, we provided baby food to children under the age of 5 and donated to orphans through temples every month. This activities are temporarily suspended due to the influence of COVID 19. We hope that social anxiety will be resolved and these activities can be resumed.

# China

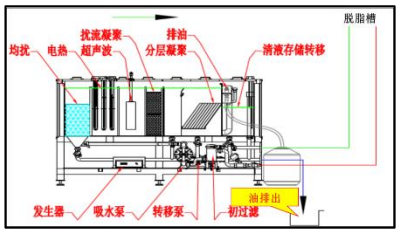
F-tech Zhongshan Inc. （FTZ /Guangdong, China）

## Reduction of waste alkali treatment amount

Due to the stricter environmental regulations, the disposal processing price has increased because waste disposal companies were running short. The waste alkali in the paint degreasing process contains rust preventive oil and is treated in an oil-water separation tank. The old oil-water separation tank used previously was able to remove the oil floating on the water surface, but the oil contained in the liquid could not be separated and was returned to the degreasing main tank as it was. Since the oil that could not be removed accumulates, it was necessary to constantly measure the oil content in the liquid and change the liquid before it reaches the upper limit of the control range in order to maintain the degreasing effect, and to extend the change period.

In order to improve the oil-water separation effect, we have currently changed to an oil-water separation tank that employs new technologies such as ultrasonic waves and isolation methods. After the improvement, we were able to reduce the amount of waste of 60 tons of tank liquid and alkaline treatment chemicals every year, and the treatment cost was reduced by about RMB¥450,000 .

Principle of new oil-water separation tank

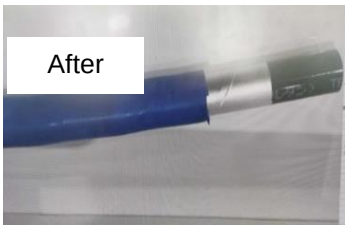



F-tech Wuhan Inc.（FTW / Hubei, China）

## Improvement of air piping for welding jigs

During the manufacturing process, the air piping of the welding jig is often damaged by welding spatter, causing leakage of compressed air frequently. This problem cause frequent plumbing repair. This problem affects the pipe repair frequency and increases repair work. As a result, not only utilization rate of the equipment will drop but also the quality of the product may deteriorate.

In order to improve this air leakage from the pipe, the equipment management section and the engineering section jointly examined from the equipment design stage and decided to use an air pipe protected by a three-layer structure aluminum. First of all, we introduced a jig that uses 5 sets of aluminum-protected air piping in December 2018. As a result, there was no damage or leakage of the piping even now, the air leakage problem was greatly improved, and the life of the piping was extended at the same time. If we change it to the new type air pipe for all jigs, one set costs RMB 1,000 to RMB 2,000, and we have already changed 28 sets. We will introduce the new air pipe to all welding jigs, aiming for "zero air leakage" in the near future.


F-tech R&D (Guangzhou) Inc.（FR＆DCH / Guangdong, China）

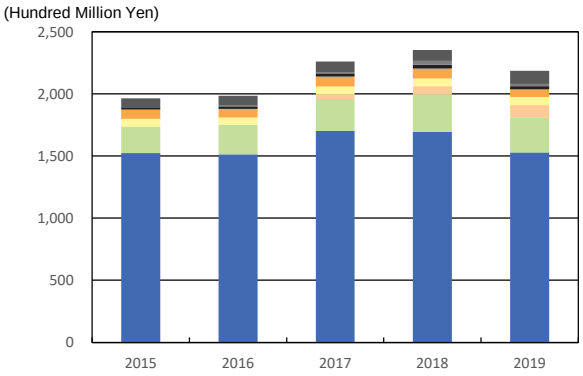
## Improvement of maintenance work place

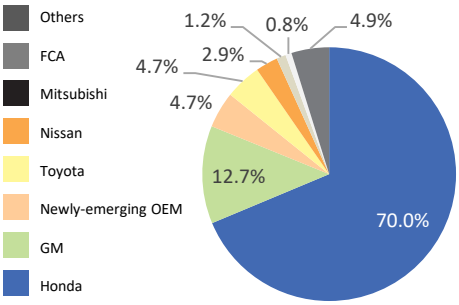
FR&DCH has improved the work area so that production activities can be carried out safely. As a result, we could perform better maintenance work for worker's safety and special equipment. Before the improvement, the position of the maintenance ladder was bad, and there was a distance from the crane stop position. Therefore, it was difficult to inspect and repair the electric system of the crane, and there was a possibility of the accidental falls.
As a result of considering factors such as construction safety, impact on equipment, work efficiency, and remodeling costs, we can now perform the maintenance work safely by installing a new ladder and inspection platform at different positions without removing the old ladder.

Before

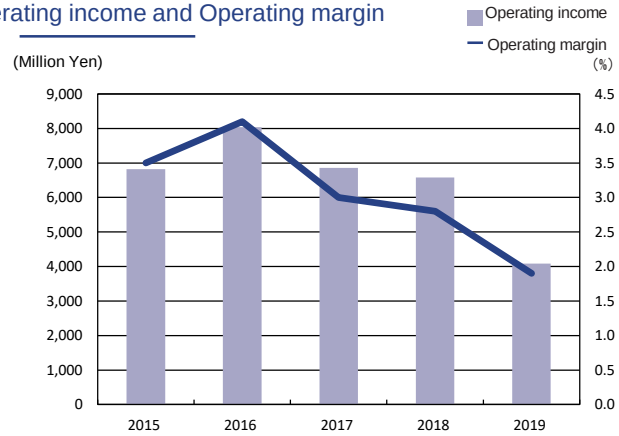
After

## Sales results by customer

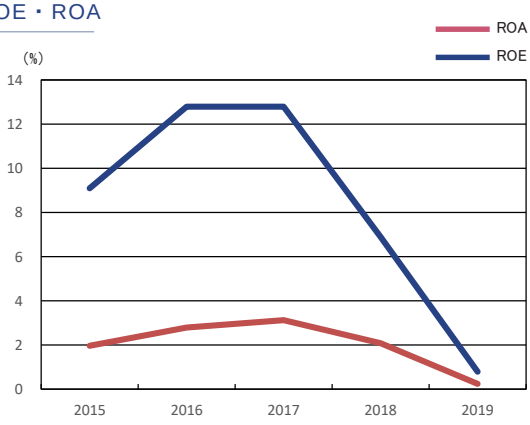


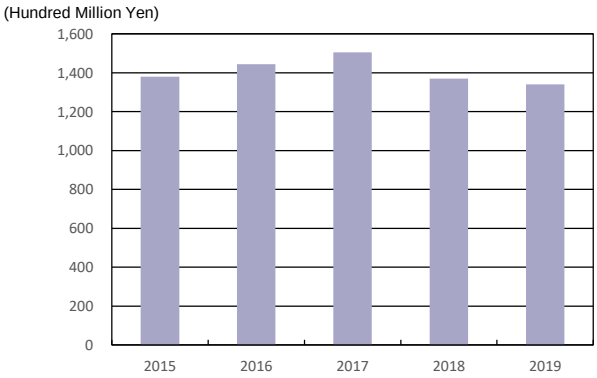

## Operating income and Operating margin



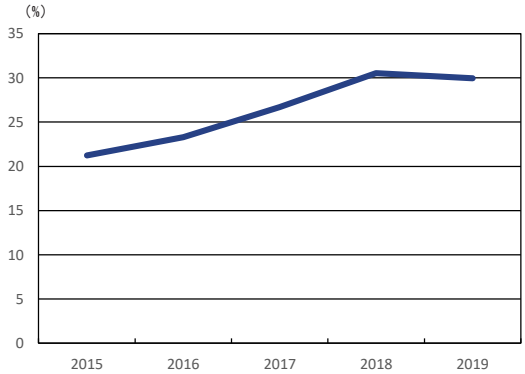

## ROE・ROA



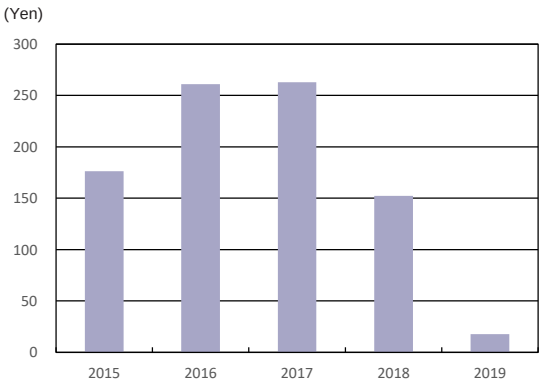

## Total assets



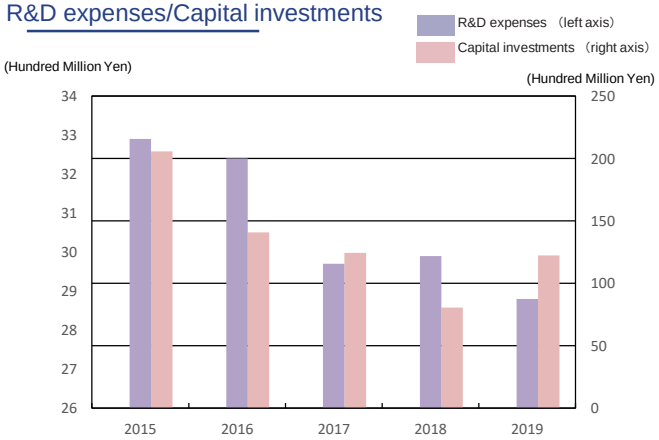

## Capital-to-asset ratio




## Current net earnings per share




## R&D expenses/Capital investments



**Issuer：**

**F-tech Inc.**

19, Showanuma, Shobucho, Kuki, Saitama 346-0194
JAPAN

**Inquiries：**
**F-tech Inc. General Affairs Department**
TEL. 0480-85-5211 FAX. 0480-87-1290
E-mail : webmaster@ftech.co.jp

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