

F.C.C.

F.C.C. Sustainability Report 2023





Corporate Philosophy

● Basic Policy

We make a contribution to society by supplying products and services that make the best of ideas and technology to satisfy customers in every way.

● Course of action

We will,

- place safety and the environment first when conducting business
- employ ingenuity and creative thinking for the greater purpose of advancing our business
- renew and improve ourselves and our business every day
- carry out our work in a speedy and timely manner
- honor harmony among people and make our offices a place where people enjoy what they do in a bright working atmosphere.

CONTENTS

Introduction

- 01 **Corporate Philosophy**
- 02 **Contents**
- 03 **Top Message**
- 04 **Business Strategy**
- 09 **Value Creation Process**
- 11 **Business Overview**
- 13 **Strength of FCC Group that supports business activities**

Environment

- 16 **Environmental Initiatives**
 - 16 Toward Climate Change Response - Prevention of Global Warming
 - 18 Environmental Goals and Achievements
 - 19 Environmental Management
 - 20 Environmental Education and Communication
 - 21 Achievement of Global Warming Measures
 - 24 Initiatives toward Effective Resource Use

Society

- 26 **Human Capital**
 - 26 Initiatives toward Enhanced Engagement
 - 27 Promotion of Diversity
 - 27 Human Resource Development and Capacity Building
- 29 **Safety**
 - 29 Safety & Health Management
- 30 **Responsibility to Customers and Business Partners**
 - 30 Quality
 - 30 Procurement

Governance

- 33 **Corporate Governance**
 - 33 Basic Concept
 - 33 Corporate Governance Structure
 - 34 Organization of the Board of Directors and Policy for Election/Dismissal of Directors
 - 35 Activity Status
 - 36 Executive Compensation
 - 37 Board Viability Assessment
 - 37 Group Governance
- 39 **Nonfinancial Data**
- 45 **Corporate Overview**

Editorial Policy

The report *F.C.C. Sustainability Report 2023* is disclosed as the information regarding the initiatives to contribute to the realization of sustainable society as a nonfinancial Information (ESG information) disclosure tool.

Precautions on Future Prospect

The report contains forecasts, business plans, and future prospects regarding the business environment of the Group. The descriptions are based on information that was available at the time of publication and include uncertainties as well. Accordingly, they may differ from those described in the report depending on the results of business activities and changes in various conditions.

Standards and Guidelines Referenced

- GRI Standard in accordance with the GR (I Global Reporting Initiative)
- Ministry of Economy, Trade and Industry Value Co-Creation Guidance 2.0
- Ministry of the Environment *Environmental Reporting Guidelines*
- TCFD (Task Force on Climate-Related Financial Disclosures) Recommendations

Publication Period

FY 2022 (Apr. 01, 2022, to Mar. 31, 2023)

*Some information after April 2023 is included as well.

Relevant Organizations and Notations

The F.C.C. Co., Ltd., and the entire group are reported. In the text, F.C.C. Co., Ltd., (unconsolidated) is referred to as "the Company" and the consolidated group is referred to as "the Group" to distinguish between the two.

Tob Message

Creating value required by society through both wheels of fundamental businesses and new businesses



President and CEO,
F.C.C. Co., Ltd.

Yoshitaka Saito

"What to Inherit" and "What to Transform"

As a clutch manufacturer that integrates production from the development of friction materials to the assembly of clutches, the Group has successfully expanded its business performance along with the development of the automobile industry and boasts the world's top share in the motorcycle clutch category. We have established a global production system with 22 production bases of 14 companies in 10 countries overseas, including domestic production bases.

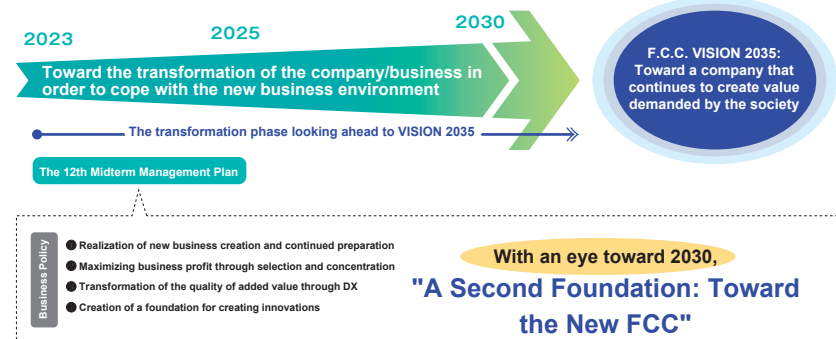
As we look back on the 11th midterm (2020-2022), there were challenging circumstances due to external factors, such as the impact of COVID-19 pandemic, the shortage of semiconductors and inflation, but we have been preparing for the Company's growth by evolving our frontline performances and development capabilities, promoting digitalization, and preparing for new businesses. In addition, looking 10 years ahead, we have announced VISION 2035, which outlines the direction FCC should take, aiming to become "A company that can continue creating the value demanded by the society."

In the 12th midterm (from 2023), we have set our business policy as "Second Foundation toward a New FCC" and plan a transformation of our business structure and reinforcement of our business foundation based on four themes: (1) Realization of new business creation and continuation of preparation, (2) Selection and concentration of core technologies to maximize business profits, (3) Transformation of the quality of added value through DX, and (4) Creation of a foundation to generate innovations.

The operational environment is expected to continue to be unpredictable because of supply constraints, rising raw material prices, and fluctuations in the financial and capital markets.

In addition, new social value systems and industrial structures are rapidly changing, including the advance of digital technologies and the growing global momentum toward achieving carbon neutrality. Particularly in the automotive industry, the shift to electrification is further accelerating, and competition among companies is becoming increasingly intense. Nevertheless, the Company views this period of great transformation as a business opportunity. Without challenges, nothing will be generated nor new value will be created. While placing importance on the technologies, production systems, and networks we have cultivated to date, we will use our global perspectives and innovative approach as a weapon to respond to the needs of our customers around the world in an optimal manner and fulfill our responsibility for the development of a sustainable future. We will strive to be recognized by our valued stakeholders as "A company that is needed by the society," and we would like to ask for your continued support in the future.

Transformation of the company/business with an eye toward 2030 to establish a second foundation



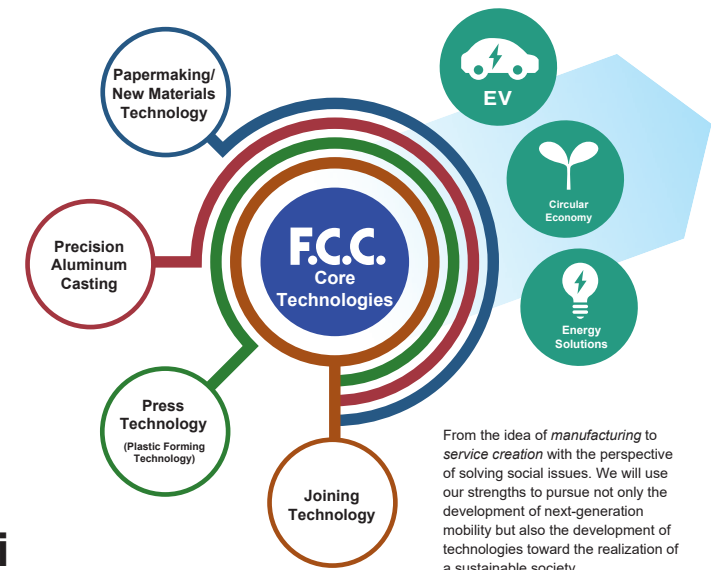
Business Strategy



Inheriting the mindset that has been unchallenged by other companies throughout the ages, we will accelerate development and promote fundamental businesses and new businesses.

Executive Managing Director
General Management Assistant/
General Manager of Development

Kazuto Suzuki

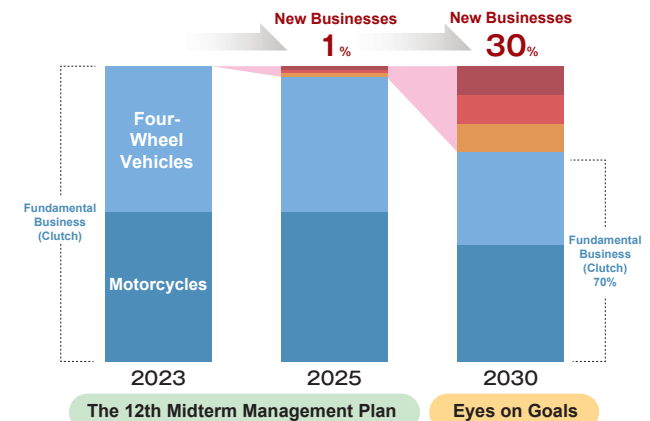


From Commissioning Type to Proposal Type. Unlocking the Door to the Future through Creativity/Ingenuity, and Management Innovation

Looking back, I believe that the turning point that led to today's growth was that we were able to mass-produce high-quality clutch products consistently from development to assembly with both wheels of chemical and mechatronics, and that we expanded overseas at the right time to take advantage of the wave of the times. For motorcycle clutches, our evolution in friction materials and successful development of A&S clutch have earned the trust of our customers because we were able to respond to customers' strict requirements in fine-tuned detail. In the field of four-wheel clutches, we have expanded our sales channels to North America, taking the opportunity of gaining the support of customers in Europe following Japanese customers. We have experienced numerous economic crises, but we have overcome them by building a stable supply system overseas as well, supplementing each other with motorcycles and four-wheels, and have not allowed our competitors to take a single step ahead of us.

Until now, we have grown solidly by earnestly addressing the functional parts of clutches, but this will not be the case in the coming EV era. While further expanding our fundamental businesses, we will aim for the transformation of our business structure (business portfolio) by shifting to offensive development that offers proposals with a critical sense so that we do not miss the tide of CASE and the de-carbonized society. We will provide new value in the development of next-generation mobility and the environmental domain by utilizing our strengths in papermaking and materials technologies, machining technologies, as well as different assets in our global production system and realize the "New FCC."

Business Structure Transformation (Portfolio)



Transformation into a company that continuously provides new values in mobility and non-mobility domains

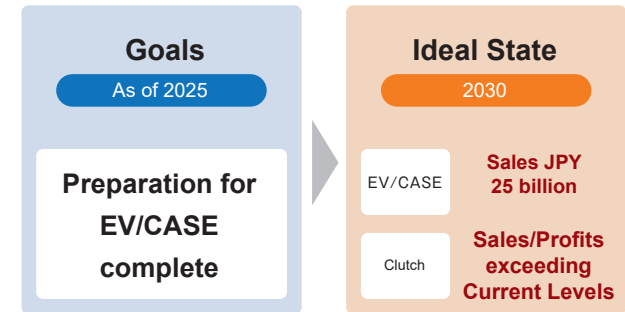
Business Strategy [Motorcycle Business]



With DX, we aim to expand the low-cost market, and at the same time strengthen high added-value and competitiveness through the development of automatic starting clutches and commercialization of CASE.

Executive Managing Director, in charge of motorcycle business

Satoshi Nakaya



Sales to India and ASEAN with both Wheels of ICEs and EVs toward Expansion of NEXT Market.

In our fundamental business, we are endeavoring to expand our low-price share through DX and cost reduction. India is a 100 cc market, and sales expansion to local customers is expected with the low-price specifications. In addition, since we are now able to provide driven gears at a lower price through self-sufficiency, we expect it to be a major milestone in the development of the NEXT market if it is adopted by India, which exports a lot to Africa. In addition, the automatic starting clutch where we have been working on its development for a long time has also been favorably accepted by our customers. The system is not an electronic control, but a mechanical system, reducing the selling price and making it a highly competitive product. We expect to have them on large/medium-sizes within 2024.

Motorcycles are also gradually being electrified.

In such an environment, as a new business rollout for motorcycles, we have developed our unique high-performance, high-efficiency compact power units as electric products and are currently preparing for mass production. Furthermore, we are preparing for the mass production of motor cores as electrical core components and promoting the prototyping of other core components. Amid the ongoing digital evolution in end-users and markets, we are taking on the challenge of expanding our business domain to meet future needs and changes in values, such as *connectivity* and *services*, in addition to power unit products centered on "things."

Fundamental Business <Clutch Domain>

- ◆ **Polishing Up Low-Cost, Highly Value-Added Technologies**
 - ▷ Establish technological evolution through DX and automation
- ◆ **Strengthen Cost Competitiveness through Standardization/Optimization**
 - ▷ Cost reductions and NEXT market expansion through standardization of specifications and optimal production by shared facilities

New Businesses <CASE Domain>

- ◆ **Accelerate CASE Business Development**
 - ▷ Seek for creating value in both products and solutions by taking advantage of FCC core technologies and customer bases
- ◆ **Commercialize Compact EV Power Units**
 - ▷ Build a bridgehead to the EV market with compact/differentiated technologies and a strong global production base centered on India/ASEAN

Business Strategy [Motorcycle Business]

Motorcycle CASE Business



Creation of value in terms of both products/solutions by power unit + digital service, utilizing core technologies and customer bases

Managing Executive Officer
General manager of motorcycle CASE commercialization

Toshinari Mohara

Evolving from a Drive Train Company to an e-Drive Solution Company

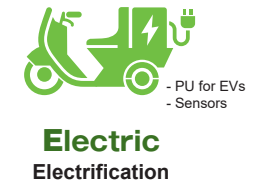
To achieve the 2030 motorcycle CASE business goals, it is necessary to provide new values by integrating power units and digital services in line with digital evolution. To this end, we will add "C" (Connected) and "S" (Service) to "E" (Electric) of the "things," such as power units, and create new value as "e-Power Drive Unit with Service" that integrates power units and digital services, aiming to be an "e-Drive solution company." Strategically, we will promote market development in ASEAN countries including India, the largest market for EVs, by utilizing our strengths in the immediate response to customer needs, high technological capabilities, and high-quality global production assets.

We will commercialize compact EV power units, the high value-added motor core products using the laminated core die and press technologies at an early stage, starting with mass production of electric fundamental components. In addition, at the end of 2023, we entered into a business partnership with and invested in Takumi Motion Controls, a mobility venture company in India that specializes in the "C" and "S" of "CASE." Their expertise in electronic circuits and control technology will be incorporated into Connect, and the CASE business development for motorcycles will be accelerated while advancing software development. We will aim to establish the business at an early stage with a view to actively using alliances with other companies in the future.

Initiative toward CASE Commercialization

e-Power Drive Unit with Service

Providing new value of next-generation mobility through the integration of power units and digital services



Invested in Takumi Motion Controls Pvt. Ltd., a mobility venture company in India. In the development of electronic components, including the MCU (motor control unit) for motorcycles currently under progress, we will accelerate the CASE businesses reflecting Takumi's electronic circuit technologies and control technologies in Connect technology and promoting the technological development linked to service software in the future.

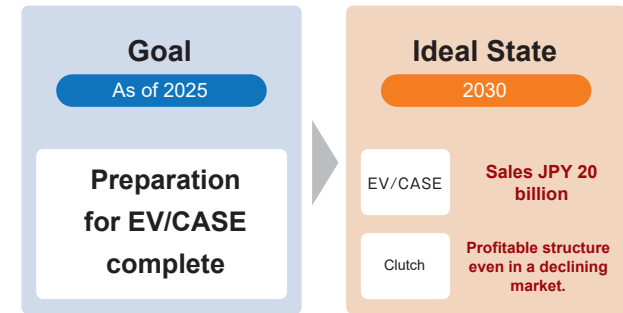
Business Strategy [Four-Wheel Business]



We will create new value in the CASE businesses by utilizing the chemical and mechanical expertise we have cultivated in our fundamental businesses, aiming to become the world's No. 1 component manufacturer.

Executive Managing Director in charge of Four-Wheel Business

Atsuhiko Mukoyama



Fundamental Businesses <Clutch Domain>

◆ Building a bottom structure* and resource-shift with an eye to production decline

- ▷ Drastically reducing fixed costs through selection and concentration
- ▷ Strategy for integration and efficiency based on products and regional axes

*Building a profitable structure even if production volume faces a structural decline

New Businesses <CASE Domain>

◆ Entering into Motor Core SUB Module Businesses

- ▷ Taking advantage of proprietary technologies and global production bases to promote development of differentiated technologies, aim at becoming a pillar of future businesses.

◆ Accelerating the Development of CASE Products/Businesses

- ▷ Diversification of providing values through core technologies cultivated in fundamental businesses (Aluminum die-cast value-added products, joining of dissimilar material, thermal management)

Utilizing Core Technologies and Customer Bases, Selling into The Markets of North America / China.

The four-wheel clutch business is predicted to peak in 2025. We recognize that in order to survive even after production declines, it is necessary to thoroughly reduce fixed costs and establish an optimal production system. As a countermeasure, we will first integrate the lines at each production location to build an efficient production system. Next, CASE businesses and other new work will be allocated to the space left vacant after integration. While ensuring steady performance of fundamental businesses, we will build a bottom structure and resource-shift to prepare for future production declines, and in the future, we plan to use the vacant factories as bases for the creation of new businesses.

We entered the motor core SUB module business in 2019 and started from the establishment of manufacturing technology by introducing precision press machines for laminated cores at our Watagashima Works.

The number of staff, which was three (3) at the time, has grown to 70 as a project, and they are engaged in accelerating CASE business development. Currently, we have inquiries from 12 companies in Japan alone, and we have orders with some already delivered prototypes and the arranged equipment in preparation for mass production.

We aim to become the world's top component manufacturer by utilizing our core technologies in friction materials, aluminum die casting, and joining of dissimilar materials, as well as the thermal management cultivated in our core businesses, our global customer bases, and our advantage of being capable of doing everything in-house from design to analysis and assembly to sell to the market in the North America, China, India, and ASEAN.



Providing Rotor Cores and Hollow Shafts Developed In-House as an Assembly

Integrated in-house development has become possible from laminated core die manufacturing to stamping and rotor shaft manufacturing. This will also contribute to the reduction of man-hours in the development of shaft-core cooling technology toward down-sizing and the high revolution of motors. Preparation is currently underway for mass production at our base in China.

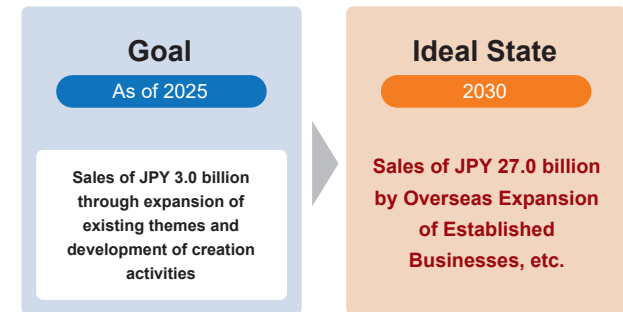
Business Strategy [Non-mobility Businesses]



We will be the one and only one who responds to potential images with sales expertise that responds quickly to needs and finely tuning the technical expertise.

Executive Officer
General Manager of Business Strategy /
New Business Development

Hiroki Miyaji



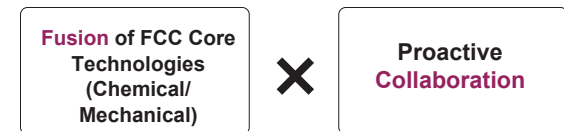
Promoting new innovative businesses with borderless mindset by all employees

Whereas we have been sowing the seeds of new businesses in all directions, we are now aiming for initiatives that maximize FCC's comprehensive strengths in the shortest possible time through effective utilization of resources by selection and concentration. The fundamental clutch business has a large market size, making it difficult to replace it with a single axis. Nowadays, the product cycles are short, and the trends change quickly, which could be a drag if you stick to a single large domain. We are currently exploring several domains in which we may utilize the Group's seeds while identifying a variety of different social needs and challenges. Regarding the energy solutions, we are currently working on the development of EV/CASE products (energy saving) and SOFC (energy creation) focused on ethanol, utilizing friction material papermaking technology, sintering technology, and thermal management.

The Circular Economy is already in the process of demonstrating the water purification and the filtration membrane system and is scheduled to be commercialized in 2025. All of them are being developed in a style of *collaboration* with universities, authorities, and other companies.

The reason why FCC has been able to grow so much is that it possesses the sales force to quickly respond to customer requests and the technical capabilities that exceed expectations. While inheriting this strength, we will catch the needs demanded by end users and propose products and services, which will lead to the increased profits of fundamental businesses and the value creation for new businesses.

New Businesses <Non-mobility domain>



◆ Circular Economy

- ▷ Products/Solutions linked to purification of water and air, and circulation systems

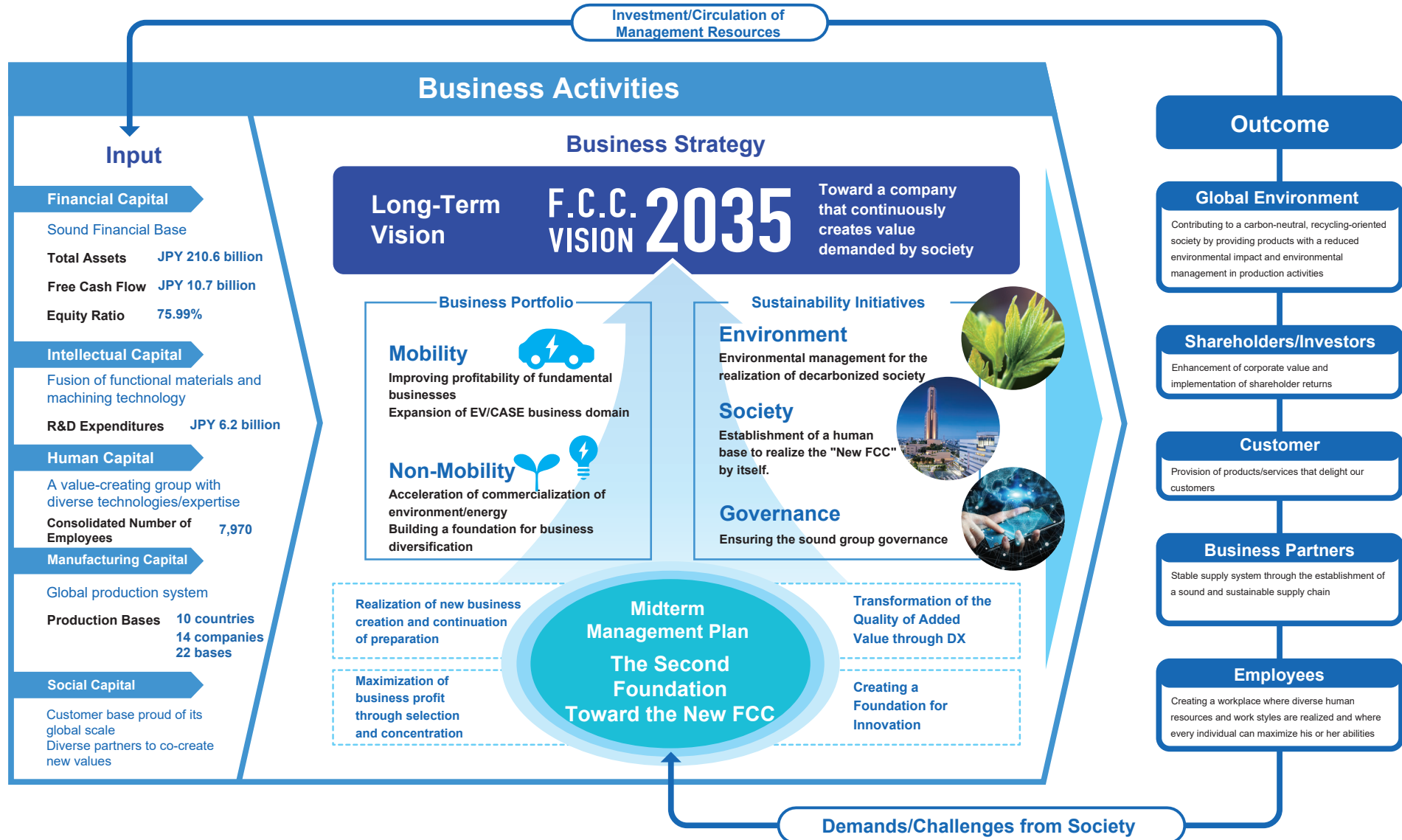
◆ Energy Solution

- ▷ Energy solutions utilizing energy creation, energy storage, energy saving and thermal management (fuel cells, catalysts, etc.)

◆ Creation of Diverse Businesses that Generate New Value and Fostering a Corporate Culture

- ▷ Servitization Business
- ▷ Fostering a culture of internal creation and developing new businesses to suit overseas needs

Value Creation Process



- Climate Change Issues
- DX
- Diversification of consumption/behavior trends
- Geopolitical risks

*Figures are all as of March 2023 term

Chemicals x Mechatronics

The New Future Created by Unique Technologies

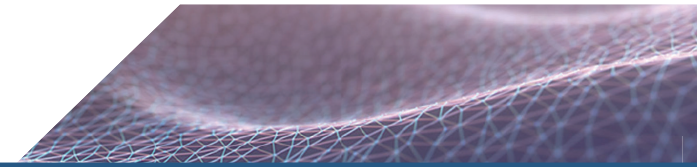
Utilizing Papermaking Technology, a unique technology cultivated in the manufacture of highly durable and heat-resistant friction materials, we select and blend raw materials suited to the needs, and with excellent sheet structure and shape conditioning technology, we are contributing to higher functionality and lighter weight in a variety of products. We contribute to the realization of a sustainable society by providing new values that combine high-performance sheets (chemicals) with plastic processing, precision aluminum die-casting and joining technologies, and unit development (mechatronics).

Create, Coordinate, and Connect—the foundations of future society and environment.

Four Core Technologies

Papermaking / New Material Technologies

Highly functional materials produced of paper



Precision Aluminum Casting

Lightweight / Compact / High Precision Aluminum Die Casting



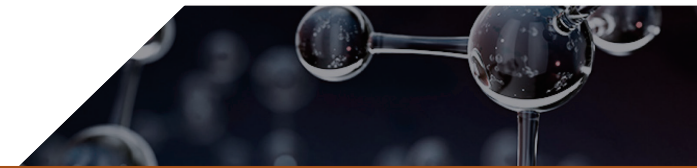
Press Technology

(Plastic Processing Technology)
Quickly forming sophisticated and precise geometries



Joining Technology

Technology that joins dissimilar materials with different melting points, such as steel and aluminum.



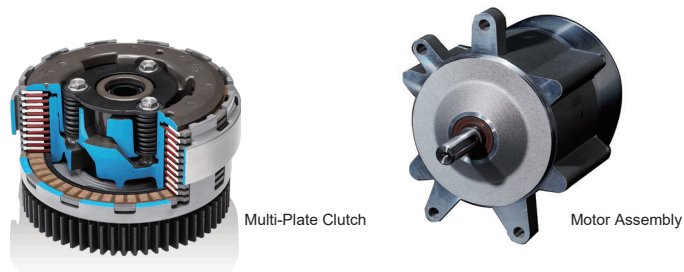
Business Overview

Mobility Businesses

Maximizing profitability through the comprehensive strengths of “clutch top share” x “valuable technologies and global manufacturing”

Motorcycle Business

Production of clutches for motorcycles, scooters, and ATVs
Development of new businesses in the EV/CASE domain



Four-Wheel Business

Production of clutches for manual and automatic transmission vehicles
Development of new business in EV/CASE domain

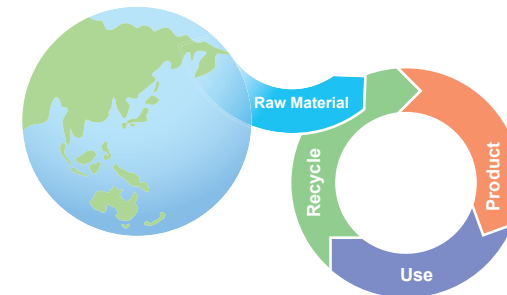


Non-Mobility Business

Creation of businesses in the environment/energy fields to realize a carbon-neutral and sustainable society

Circular Economy

Products/solutions linked to water and air purification and circulation systems



Energy Solutions

Energy solutions that utilize energy creation, energy storage, energy saving and heat management (Fuel Cell, Catalyst, etc.)



<TOPICS> New Business Initiatives

Toward Commercialization of Compact EV Power Units

Motorcycle Business

Motor Fundamental Components

Started preparation for production of motorcycle motor cores in India

Started preparation for production of motor cores, a fundamental motor component, in India (FCC Clutch India Private Ltd.). Proceeding with installation of production facilities aiming to establish a mass production system by the end of FY 2024.

Motor Fundamental Components

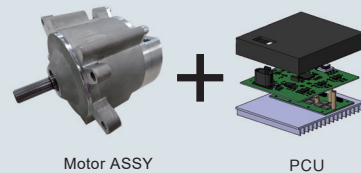


Motor Assy

Installation of Motor Assembly Mass-Production Verification Line in New Hosoe Factory

Started installation of a motor assembly mass-production verification line in the new Hosoe Factory. Accelerating the development of production technology for earlier start-up of mass production lines in India/ASEAN bases, aiming to win orders for motor Assy. We are also preparing for PCUs with a view to the mass production as EV power unit.

EV Power Unit



Toward Entry into Motor Core SUB Module Business

Four-Wheel Businesses

Started Preparation for Production of Four-Wheel Motor Cores in China.

Started preparation for production of laminated cores in China (China FCC Foshan Co., Ltd.). Preparation is underway for the construction of a new factory (total floor area: 3,850 m²) and the installation of production lines aiming to establish a mass production system.



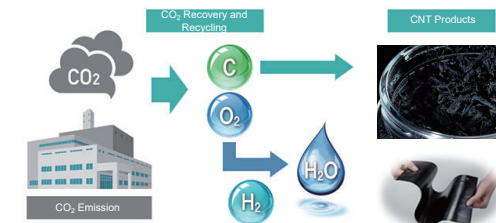
Foshan: Image of completed new building

Started Consideration of Circular Economy Businesses

Non-Mobility Businesses

Efforts Toward Establishing a Carbon Recycling Business

We have started efforts to develop technology to produce carbon nanotubes (CNT), a highly functional material, by collecting CO₂ emitted from chemical plants, etc. and extracting carbon (C) from CO₂. We will simultaneously develop a recycling method to collect products in which CNTs were used and recycle them as raw materials for CNTs again. In the future, we aim to realize a sustainable society by providing specific solutions for achieving carbon neutrality and a circular economy through the establishment of carbon recycling technologies and the supply chains to recycle CO₂ into high value-added green materials.



Applications that utilize CNT products

Conductive Auxiliary Agent for Battery Electrodes
(CO₂ reduction through improved battery performance and higher efficiency)

Lightweight / High-Strength Structural Members
(CO₂ reduction through lightweight and improved fuel economy / electricity cost performance)

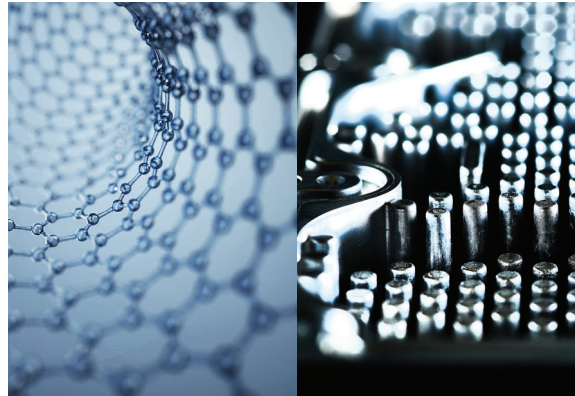
CNT Recycling
(Reduction of environmental impact through reduced waste disposal)

Strengths of FCC Group that Support Business Activities



(1) Stable financial foundation based on clutch business

We have established a sound and stable financial foundation, centered on the motorcycles and four-wheel clutches and the clutch businesses for general-purpose machines, as well as the application of porous fiber catalyst sheets (paper catalysts) and paper catalysts for engine exhaust gas purification as the mainstay of our business. We are utilizing the technology and experience cultivated in those fundamental businesses to accelerate business creation in new businesses by allocation of generated funds to growth investments in a focused manner. Currently, we are aggressively expanding into new business fields, such as products for EVs, circular economy businesses, and energy solution businesses.



(2) Unique Technologies of Chemicals and Mechatronics

The major strength of the Group is its integrated manufacturing of clutches, from research and development of friction materials in clutch manufacturing to assembly of components. We believe that one of our unique abilities is to combine functional material technologies, such as friction material development with the capabilities of chemicals and mechatronics technologies in the machining technology, and this is a competitive advantage that differentiates us from many suppliers. Utilizing the knowledge and know-how accumulated through the manufacture of these world-class clutches, we are actively promoting technological development toward the realization of a decarbonized society in addition to the development of next-generation mobility.



(3) Responding to QCD with a Global Production System

The Group has 22 production bases in 10 countries overseas, primarily in Japan, the U.S.A., and Asia, and has established a global production system and extensive supply chain network. In order to respond quickly to customer needs, we ensure strict quality control and cost consciousness in all processes of production through our unique global quality management system and sustainable customer satisfaction and further expand our global market share through the enhancement of product competitiveness in terms of quality, cost, and delivery.



4) Customer Bases and Brand Strengths

The fundamental clutch business of the Group holds a world-class market share, and in particular, holds the No. 1 market share in the world for motorcycle clutches. In the process of growth of the clutch business, we have built up a solid customer base through building trust with our customers around the world. We believe this is one of our great strengths. In addition, the Company enters the FIM Endurance World Championship with F.C.C. TSR Honda France and is highly supported by motorsports fans around the world. The customer base and the brand power that we have cultivated in the clutch business have enhanced our trust and credibility also in the development of new businesses, which gives us a great advantage in building a competitive position. We are convinced that these elements will drive our success toward business diversification development.



(5) A Value-Creating Group that Supports the Strength of Manufacturing

As an automotive component manufacturer, our highly advanced technologies in manufacturing, including clutch product development, production, and quality, are assets that have been forged over the years by customers all over the world. We believe that the Group's overwhelming strength is its ability to listen sincerely to the needs and opinions of customers and to adequately reflect them in its products. The DNA is inherited by every one of our employees, whose passion for manufacturing and adaptability to changes are the most important elements for the continuation of our business in the future.

In the transformation of the industries, we believe it is important to develop human resources resilient to changes and to create innovations. We will further accelerate the development of value-creating human resources for sustainable growth.





Environment

Environmental Initiatives

Response to Climate Change – Toward Prevention of Global Warming -

Disclosure of Information on Climate Change

The Group identifies Risks (transition risks and physical risks) and opportunities that the climate change poses to the business, based on the recommendations of **TCFD (The Task Force on Climate-related Financial Disclosures)** toward the response to the climate change. Using the typical IPCC concentration pathway scenarios RCP8.5 and 2.6, the analyses are conducted based on the 2°C scenario for transition risks and the 4°C scenario for physical risks.

Governance

In consideration of the impact on the environment, society, and economy, the entire Group is engaged in various initiatives to fulfill our social responsibility and to solve social issues as part of our long-term corporate strategy. Sustainability-related items are broken down in the midterm management plan and annual business plan based on the corporate philosophy and long-term vision, and the board of directors appropriately oversees their progress.

[⇨P33 Corporate Governance Structure](#)

Risk Management

The Group appoints a risk management officer from the board of directors as the person responsible for management. In addition, a company-wide FCG Committee is established, chaired by the risk management officer, to coordinate risk management and conduct cross-organizational risk management for the entire Group.

Strategy

Carbon neutrality initiatives are essential to the achievement of a sustainable society. Governments around the world are likely to tighten energy regulations and laws regarding the reduction of CO₂ emissions, and it is anticipated that the automotive industry will be subject to a growing number of regulations in the future. While we view these changes as risks, we also see them as opportunities to expand our business domain by focusing on the development of products and services with minimal environmental impact. We believe that flexibly responding to future environmental regulations and laws and providing products and services that are highly valued by society will contribute to the reduction of CO₂ emissions and will lead to the sustainable growth of the Group, and we will reflect it in our business activities.

Response to Risks and Opportunities Posed by Climate Change

Transition Risks to a Decarbonized Economy (mainly risks leading to the 2°C scenario)

| Degree of Impact | Category | Major Risks | When the Risks Emerge | Main Responses |
|------------------|--|---|-----------------------|---|
| Large | Government Policies Laws and Regulations | Increased business cost contributions associated with the introduction of carbon taxes, imposition of taxes on fuel/energy consumption, emissions trading, etc. Increased raw material procurement costs due to the change to environmentally friendly raw materials by suppliers and cost increases due to carbon tax, etc., which are passed on to prices. | Short to Long Term | <ul style="list-style-type: none"> - Improved efficiency in production, transportation, etc. - Decarbonization and low-carbon energy - Promotion of introduction of high-efficiency equipment, etc. |
| Large | Technologies | Lost sales opportunities due to delays in technological development of products/ services Incurred countermeasure costs for facilities toward decarbonization | Mid to Long Term | <ul style="list-style-type: none"> - Securing and developing human resources toward new business creation - Promoting commercialization of compact EV power units - Exploring the motorcycle EV/CASE business domain - Minimizing energy consumption through labor saving and efficiency improvement in production |
| Medium | Market Trend Reputation | Customers are more likely to select procurement products from the LCA perspective, causing a delay in LCA response, which will result in decreased demand from customers. | Mid to Long Term | <ul style="list-style-type: none"> - Reduction of raw material use through environmentally friendly design, such as reducing weights and the reduction of chemical substance use integrated during the design of products and services, and promotion of development of low-carbon products. - Strengthening the LCA response throughout the supply chain |

Risks Associated with Physical Impacts of Climate Change (mainly the risks leading to the 4°C scenario)

| Degree of Impact | Category | Main Risks | When the Risks Emerge | Main Responses |
|------------------|------------------------|---|-----------------------|---|
| Large | Product/Service Market | (Acute Risk) Changes in severe climate patterns such as typhoons, floods, and droughts (Chronic Risk) Risks to business continuity due to climate change-related weather disasters, such as sea level rise and temperature rise. | Mid to Long Term | - When constructing a new factory, consider the conditions of location, layout of facilities, and changes in climate patterns, with the flood damage in mind. - Strengthening the risk-based countermeasures per manufacturing bases, based on the results of risk assessments - Strengthening supply chain BCP |

Climate Change Related Opportunities

| Degree of Impact | Category | Main Opportunities | When the Opportunities Emerge | Main Responses |
|------------------|------------------------------|--|-------------------------------|---|
| Large | Acute/Chronic Physical Risks | Enhanced market value and increased profits through increased sales of innovative products (services) that lead to contributions to climate change mitigation and adaptation | Short to Long Term | - Establishing/expanding business foundation for compact EV power unit related products at an early stage - Development of SOFC, shuttle batteries, etc. - Contributing to light-weighting in the mobility industries through the expansion of carbon nanotube sales - Development of air purification technologies, such as gas (CO ₂ etc.) adsorption by utilizing our unique technologies of papermaking, film coating, and catalyst (honeycomb structure) - Providing technologies that contribute to energy saving by light-weighting the vehicles and reducing the cycle time through joining of dissimilar materials and utilizing the joining technology cultivated in existing businesses - Functional high-strength products (ceramic setters, etc.) |

Indexes and Targets

The Group considers addressing the environmental issues centering on climate change as one of the priority issues and aims to achieve carbon neutrality by 2050 in its long-term goals to create environmental value through business promotion.

Furthermore, as a milestone, we have raised our 2030 reduction goal to 50% of that of the Japanese government (compared to FY 2013), and we are promoting environmental activities for the entire Group to achieve the goal.

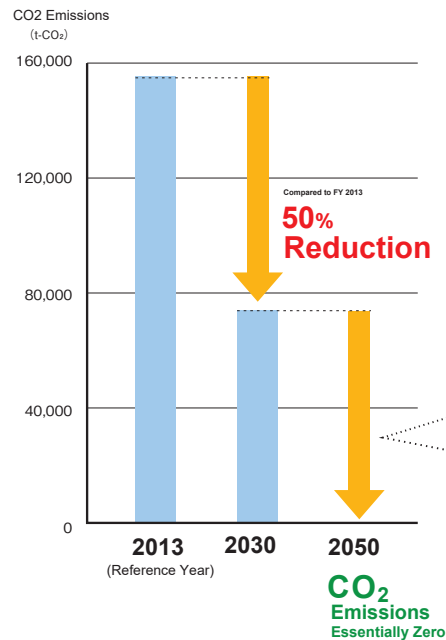
CO₂ Emissions to Essentially Zero

In 2022, the Group announced that it would aim to achieve carbon neutrality (net zero emissions) by 2050.



Setting 2013 as the reference year, we aim to achieve at least 50% CO₂ emissions in 2030 and substantially zero CO₂ emissions by 2050.

CO₂ Emission Reduction Goals



Energy-Saving Activities Associated with Production Activities

- Continuation of energy saving activities
- Energy saving through the introduction of new technologies (Groundwater A/C etc.)
- Cooperative creation of supply chain

Introduction of Renewable Energy

- Change in power coefficient
- Introduction of solar power generation
- Introduction of carbon-free power supply
- Introduction of hydrogen burner etc.

Contribution to CO₂ Reduction and Environment through Products

- Development of EV related products
- Energy solutions
- Circular economy etc.

* The CO₂ emission coefficient differs from other CO₂ emission results because a fixed coefficient was used at the time of the review of the CO₂ emission reduction goals.

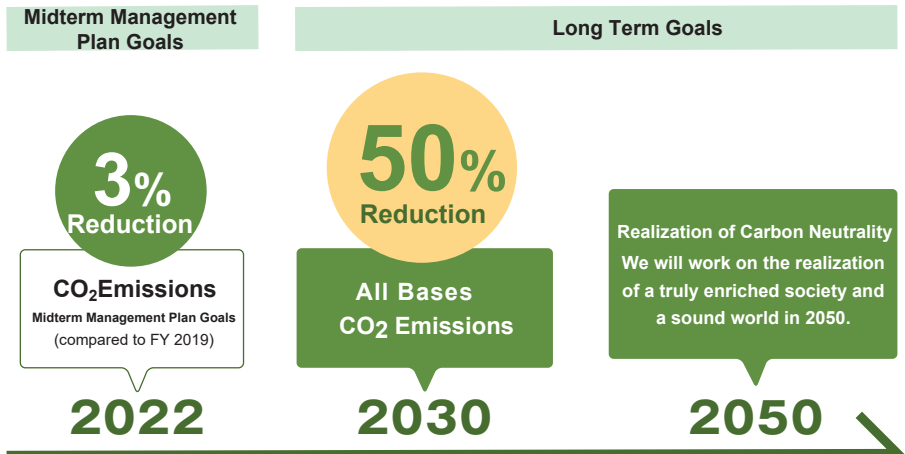
Environmental Goals and Results

The Group has set up mid- to long-term environmental goals toward the achievement of carbon neutrality and is putting these goals into practice. We are developing the products that contribute to decarbonization, including new business products, and we are working on reducing CO₂ emissions in the mobility industries and in new business domains. In addition, we are aiming at reducing CO₂ emissions from production activities by strengthening LCA (Life Cycle Assessment) support throughout the supply chain and by globally introducing clean energy, such as solar power generation and renewable energy that take advantage of the regional characteristics of each base.

Regarding CO₂ emissions for the entire group in FY 2022, in addition to strengthening the competitiveness of our fundamental businesses, we actively worked on the development of new businesses with high environmental improvement factors, such as products in the EV/CASE domain and environmental/energy solutions, and these efforts contributed to an increase compared to the previous fiscal year, when factory operations declined. In energy-saving activities associated with production activities, we will further strengthen and accelerate our improvement efforts toward the achievement of our goals by aggressively promoting the introduction of digital technology to our manufacturing sites and working to improve operational efficiency, productivity, quality, and other on-site CO₂CO₂(kotsu-kotsu = diligent) improvements.

Goals of FY 2022 and Results

| Items to Address | Management Items | FY 2022 Goals | FY 2022 Results |
|---|--|--|--|
| 1 Reduction of CO ₂ emissions | CO ₂ emissions per unit production (Domestic bases: t-CO ₂ and unit value added production) | All bases: 3% reduction compared to FY 2019 | Domestic Bases: 13.9% reduction |
| | CO ₂ emissions per unit production (Overseas bases: t-CO ₂ and unit value added production) | | Overseas Bases: 0.01% increase *Because of decreased added value by raw material price hikes |
| 2 Reduction of waste emissions | Quantity that requires treatment cost per unit production (ton/unit value added production) | Domestic bases: Equivalent to or less than the quantity per unit production of FY 2019 | 4% increase * Increased because of increased production |
| 3 Reduction of water resource consumption | Papermaking volume unit (m ³ /m) | Domestic 1 base: 3% reduction compared to FY 2019 | Suzuka factory: 13% increase * Increased because of increased production |
| 4 Management of hazardous chemicals | Reduction of environmentally impacting substances | <ul style="list-style-type: none"> ■ Technical Research Institute: Development of alternative technologies for reduction of contained substances ■ Domestic Factories: Reduction of in-process substances regulated by law ■ Other Domestic Bases: Compositional evaluation of newly purchased products | Technical Research Institute: Conducted evaluations on development themes Other Divisions: Verification at the start-up of mass production and evaluation of composition of newly purchased products. |



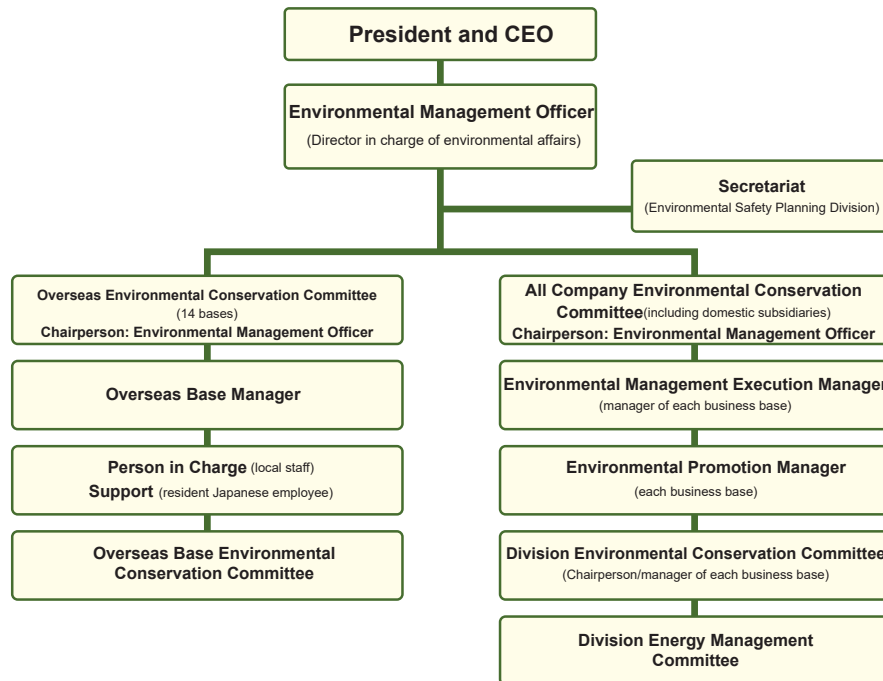
* We have set a 3% reduction compared to FY 2019 as a midterm management plan goal for FY 2020 to FY 2022 and worked on it.

* We have reviewed our CO₂ emissions reduction goal for the Group's business activities and are aiming for 50% reduction (compared to FY 2013) by FY 2030, and essentially zero emissions by FY 2050, thereby further accelerating the response to climate change as an entire Group.

Environmental Management

Management System

The Group established a system chaired by the environmental management officer and centered on the company-wide environmental conservation committee for domestic bases and the overseas environmental conservation committee for overseas bases, which coordinates and handles all issues related to environmental improvement. We are working on effective environmental conservation activities through horizontal deployment of information and activities that only our company having many bases can provide. In addition, an environmental conservation committee is regularly held at each base to verify compliance with laws and regulations and to manage the activity statuses.



ISO 14001 Certification

As a foundation for continuously improving our environmental performance, the Group has obtained certification under the international standard ISO 14001. Details of the certification acquisition statuses are available on the website.

| | |
|--|--|
| <p>Domestic (including subsidiaries)</p> <p>All 8 Bases</p> | <p>Overseas</p> <p>13 Bases</p> |
| <p>Corporate Website Environmental Management</p> | |

Management Review

In accordance with ISO 14001, an environmental management review is conducted by management level once a year to ensure that the environmental management system is appropriate, adequate, and effective. In addition, an activity performance review meeting is held semiannually, where the president and the director in charge of the environment visit each domestic base and conduct on-site verification of the status of activities.

Environmental Audits and Compliance with Laws and Regulations

Based on ISO 14001, we implement an audit by an external certification body and an internal environmental audit once every year. In FY 2022 as well, there were no pointed out externally serious issues including compliance with laws and regulations.

Environmental Risk Management

Each business base implements response drills for accidents and emergencies that may cause environmental pollution. The treatment procedures are clarified and periodic drills are conducted to familiarize and improve the procedures. In FY 2022, no serious environmental emergent accidents occurred.



Emergency Drills Blocking of drums

Environmental Education and Communication

Promotion of Environmental Education

We are promoting activities that raise environmental awareness and activate behaviors utilizing in-house digital signages, the intranet, and in-house bulletins. In-house digital signages foster consciousness and raise awareness among every employee by sharing the basic environmental knowledge and the latest environmental information. We also introduce environmental information in in-house bulletins. We will continue the effort to foster environmental consciousness and to raise awareness not only among employees but also among their families.

Strengthening Environmental Information Disclosure

In order to properly disclose the climate change countermeasure activities that we are working on, the Company has been participating in the CDP Climate Change survey by the CDP, an international NPO, which is one of the corporate assessments on climate change and responding to CDP since FY 2018.

Implementation of Third-Party Audits of Environmental Data

In response to the increasing demands for transparency and reliability of environmental information, the Company has undergone a third-party audit of its greenhouse gas (GHG) emissions data by SGS Japan Inc. since 2018 and discloses the data on its website.

⇒ [SGS Japan Inc. Third Party Verification Opinions](#)

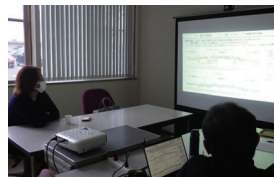
Know-How on Energy Saving Policies Cultivated in Japan to ALL FCC

We aim to further reduce CO₂ through sharing the effective energy-saving know-how we have cultivated in Japan so far with the entire Group.

We have made it into a booklet so that employees of overseas group companies can access and utilize it. In order to continue to reduce CO₂ emissions, the entire Group will continue to work together to share information and promote initiatives to reduce CO₂ emissions.

Contribution to Decarbonized Society by Deploying Energy Saving Know-How

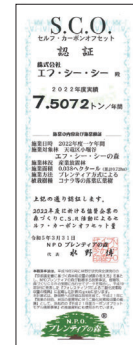
Decarbonization has become an unavoidable and urgent issue for local industries. The Company wanted to give back to the community the energy saving know-how it has cultivated over the years and visited local companies to conduct energy saving diagnostics. Based on the diagnostic results, we visualized energy waste and made suggestions for inspiring energy-saving activities, starting with operational improvements and new insights.



Energy saving diagnostic report in progress Thermography Heat Dissipation Check (Visiting Ohtaya Meat Co., Ltd.)

Biodiversity Conservation Activities

At the F.C.C. Forest in Tenryu-ku, Hamamatsu City, carbon offsetting through tree plantations and the annual forest restoration activities were held aiming at restoring the forest ecosystem. Employees and their families picked up acorns last fall and carefully grew them as foster parents, and as part of the Acorn Foster Parent Activity, many saplings were planted in the FCC Forest this year as well. We will continue our activities in the future and contribute to the conservation of biodiversity in the region.



We participated in the Lake Sanaru Reed Cutting organized by the Lake Sanaru Regional Council again this year. By cutting the reeds that grow in clusters along the shore of Lake Sanaru, we prevent the withered reeds from polluting the water and the lakeshore. The harvested reeds are passed on to tea farmers for use as overlaying straw for their tea fields. The activities not only improve the landscape but also lead to production activities and resource recycling in the local society as a result of our own environmental activities.



Results of Global Warming Countermeasures Efforts

Reduction of Greenhouse Gas Emissions

The Group considers climate change initiatives as one of its most important missions and respects the goal of the Paris Agreement to limit the global average temperature increase to less than 2°C above the level before the industrial revolution. In order to contribute to the achievement of goals, we have included in our business plan, the reduction of CO₂ emissions from our business activities with the aim of realizing a decarbonized society. In response to the government's long-term strategy based on the Paris Agreement, in February 2022, we revised our midterm management plan and created milestones aimed at carbon neutrality. The entire Group will accelerate its efforts to address climate change.

Result of FY 2022 (compared to FY 2019)

CO₂ Emissions

1.6% Reduction

CO₂ Emissions per Unit Production

29.1% Reduction

*CO₂ emission coefficients are based on market standards for Japan and the location standards for overseas.

Result of FY 2022 Energy Saving Diagnostics

Suggested CO₂ Reduction

378 t-CO₂

CO₂ Reduction Ratio

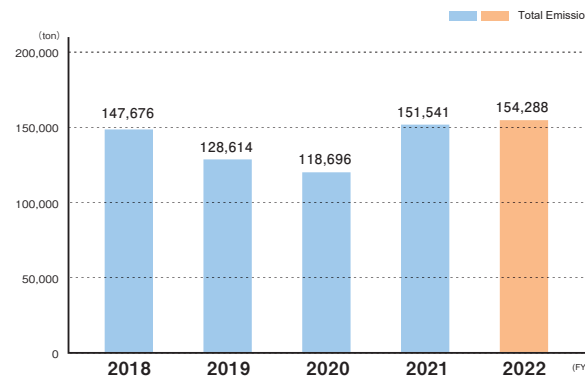
2.0%
(compared to FY2019)

*The energy saving diagnostics FY 2022 were conducted only at domestic bases.

Consideration of Carbon Recycling Business

With the aim of realizing a sustainable society, we have started to consider a carbon recycling business in collaboration with other companies. We will develop technology to produce carbon nanotubes (CNT), a highly functional material, by capturing CO₂ emitted from chemical plants and extracting carbon (C) from the CO₂. We will also focus on a carbon circulation-type mechanism, and develop at the same time, a recycling method to collect products in which CNTs are used and recycle them again as raw materials for CNTs. We plan to establish a supply chain as an open framework in collaboration with chemical manufacturers, the supply source of CO₂ in Japan/overseas, and universities having CO₂ separation and recovery technologies.

CO₂ Emissions Trend



Transition to Clean Energy

As for the energy we use, we are promoting a shift to clean energy derived from renewable energy. Partial introduction began in FY 2022.

Introduction of Bioethanol Blended Fuels

Bioethanol produced from plants is attracting the attention of many because of its effectiveness in reducing CO₂ emissions. FCC Brazil has started the bioethanol shift of fuel gasoline for company vehicles on a trial basis.

Reduction of Energy Consumption

We continue to implement energy saving activities throughout our business activities. We are promoting a variety of initiatives, such as more efficient processes, review and optimization of facility operations and settings, and visualization of energy consumption, and we are horizontally spreading effective measures throughout the Group to reduce energy consumption.

Energy Saving Diagnostic Results

The Group has long been working to improve energy use. We have organized a team of employees who have accumulated knowledge through many years of activity experience and are actively promoting energy saving activities by conducting energy saving diagnostics not only at domestic business bases but also at affiliated companies' factories and overseas base factories. Even under the influence of COVID-19, the efforts were carried out with the incorporation of web conferences.

Introduction of Cooling Facility Using Groundwater

The Watagashima area of Tenryu-ku, Hamamatsu City, where the Watagashima Factory is located, is identified as rich in groundwater, an environment that makes it easy to use groundwater. Taking advantage of such land, we have introduced a cooling facility that uses groundwater, which provides a constant temperature throughout the year. Electric chillers were previously used to cool the hydraulic oil for the hydraulic units of joining machines, but by using groundwater to cool the hydraulic oil, the amount of electricity use and CO₂ emissions associated with the cooling of the hydraulic units have been reduced.

Electricity consumption has been reduced by approximately 90% and CO₂ emissions by 20.3 tons/year compared to the pre-introduction state.



Appearance



Inside

Development of Energy Saving Hydraulic Pump Controller for Casting Machines

FCC Vietnam developed/manufactured in-house a Hydraulic Pump Controller aiming at energy saving of its own casting machines. A reduction in power consumption of casting machine has been realized by the inverter speed control of hydraulic pump motor drive. Comparing the power consumption of hydraulic pumps when the system was not used and when it was used, it led to a reduction of approximately 35% (according to internal research).



The equipment was installed between the control panel of the casting machine and the hydraulic pump motor.

The Group has participated in the GX League of the Ministry of Economy, Trade and Industry (METI) since fiscal year 2023, seeing the 2050 carbon neutrality goals as the opportunity for growth and aiming to enhance its competitiveness.



The GX League was established for the purpose of implementing, the discussion for transformation, and the creation of new markets among companies aiming to achieve sustainable growth in society by taking on the challenge of GX (Green Transformation)^{*1} with a view to achieving carbon neutrality in 2050 and social transformation in industry, government, and academia that are working on the same initiatives.

The Group has also recently decided to participate to accelerate the movement toward CN in 2050.

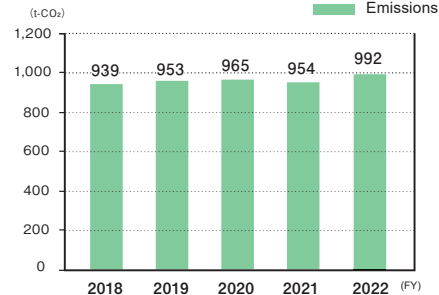
^{*1} GX (Green Transformation)

To transform the entire economic/social system to achieve emission reductions and increased industrial competitiveness by viewing national efforts to achieve carbon neutrality in 2050 and greenhouse gas emission reduction goals in 2030 as an opportunity for economic growth.

CO₂ Emissions in Product Transportation

The Energy Conservation Law was amended in 2006, and energy conservation efforts have been required in the transportation sector as well. With the cooperation of our business partners, the Company is working to identify/reduce CO₂ emissions during transportation.

Trend of CO₂ Emissions in Product Transportation



* Shows emission trends of domestic bases.
* CO₂ emissions are determined using the improved ton-kilo method.

<TOPICS>

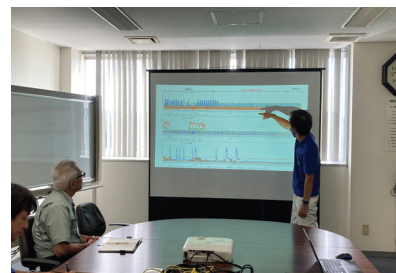
Efforts with our Business Partners to Create Environmentally Conscious Products

Aiming to create environmentally friendly products, we conducted an energy saving diagnostic for our business partners by utilizing the know-how we have cultivated through energy saving and environmental impact reduction activities over the years.

This will lead to the vitalization of the movement toward carbon neutrality, and both our business partners and us will work together to enhance the social value of our existence and aim to environmental contribution throughout the entire supply chain.



Diagnosing the air leaks



Reporting the energy saving diagnostic result (Visit at AITEC Corporation)

Green Purchasing and Procurement

We require our business partners to submit the FCC Green Procurement Compliance Statement. We share the list of environmentally impacting substances based on the GADSL list, environmental policies and standards, and other rules and are working together for environmental improvement activities.

Environmental Inspections of Business Partners

Partners

With the aim of promoting environmental management throughout the supply chain, we visit business partners that have not yet officially certified nor self-declared the environmental management system for the purpose of sharing environmental information.

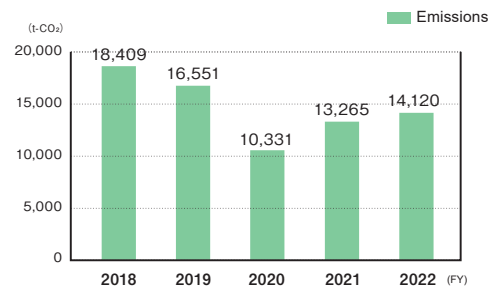


Checking the final drainage ditch witnessed by the business partner

Business Partner Environmental Data

As part of our responsibility to reduce the environmental impact of all corporate activities and product use, we have been conducting CO₂ emissions surveys of our business partners since FY 2008 based on the concept of life cycle assessment (LCA), which evaluates the environmental impact of product over lifetime. The ultimate goal is to quantitatively identify and eventually reduce the total amount of CO₂ emissions in all areas of corporate activities (production, purchasing, sales, offices, logistics, etc.)

Trend of CO₂ Emissions of Business Partners



* Shows the emission trends of business partners in Japan (excluding logistics CO₂).
* CO₂ emissions as per sales percentage for FCC

Identifying Other Data of Suppliers

| Waste Emissions | FY 2018 | 2,698ton |
|-----------------|---------|----------|
| | FY 2019 | 2,480ton |
| | FY 2020 | 2,142ton |
| | FY 2021 | 2,633ton |
| | FY 2022 | 2,386ton |

| Water Resource Consumption | FY 2018 | 49,018m ³ |
|----------------------------|---------|----------------------|
| | FY 2019 | 47,103m ³ |
| | FY 2020 | 24,771m ³ |
| | FY 2021 | 59,390m ³ |
| | FY 2022 | 46,926m ³ |

* Waste emissions and water consumption as per sales percentages for FCC

Efforts for Efficient Resource Use

Waste Reduction

In 2004, the Company achieved Zero Emissions (Less than 1.0% of landfill waste in final disposal per total amount of waste emitted) to eliminate landfill of industrial waste, and since then has maintained zero emissions while promoting the improvement of the level of sorted emissions for recycling and the reduction of the generated amount of waste through source countermeasures. We are working to reduce emissions of valuable substances (paper and waste plastics) from the viewpoint of reducing the use of resources. In addition, from the product development stage, we are working to resource conservation for metal materials and are striving to make effective use of limited resources.

Result of FY 2022 (compared to FY 2019)

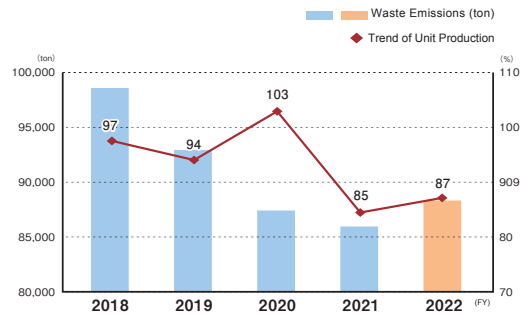
Waste Emissions

3.0% Reduction
(compared to FY 2019)

Recycling Rate

99.7%

Trend of FCC Group Waste Emissions



* Zero emissions have been achieved.
Recycling rate of at least 99% is the definition of zero emissions by the Company, which means no final disposal of waste (landfill) is conducted.

Reduction of Packages and Packaging Materials in Logistics

To reduce the environmental impact associated with logistics, we are actively promoting initiatives to reduce the amount of usage of packages and packaging materials. Using environmental testers (constant temperature and humidity chamber) to reproduce the temperature and humidity in the transportation process, we were able to package products in a way that matched the transportation environment and product characteristics, resulting in effective use of materials and waste reduction while ensuring product quality.

Effective Use of Water Resources

As a company with a papermaking process that uses a large amount of water resources, the Company has been making a major effort to save water since 2010 and has been monitoring the amount of water intake by water withdrawal for the entire Group.

Recognizing that water is an indispensable resource for people's living in the world, society, and our businesses, we will continue to promote planned reductions in water consumption.

Result of FY 2022 (compared to FY 2019)

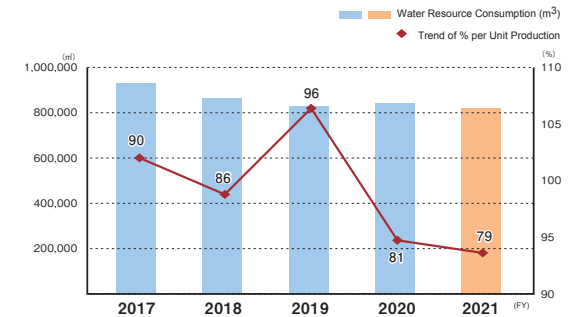
Water Resources Consumption

15,604 m³ Reduction

Water Resource Consumption per Unit Production

2.3% Reduction

Trend of FCC Group Water Resource Consumption



Water Recycling

Return water, the treated wastewater after the papermaking process, is recycled as water for the empty box washing machine and the pond in the factory premises, thereby reducing water consumption and emissions.



Pond at Suzuka Factory that uses return water

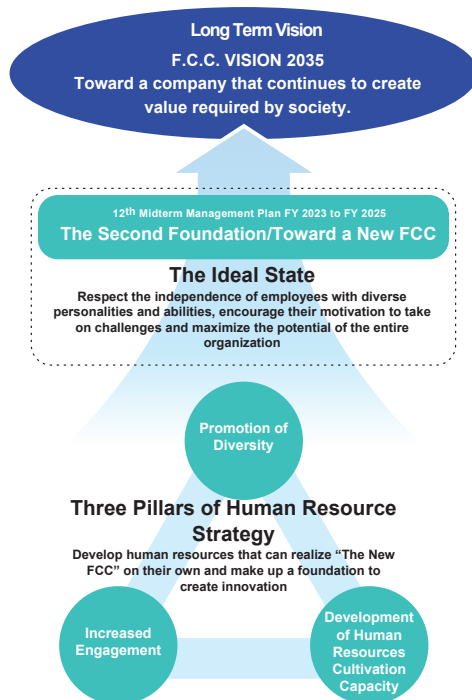


Social

Human Capital

In order to aim at sustainable growth in the midst of a drastically transforming business environment, the Group has started a long-term vision of VISION 2035, and a new 12th Midterm Management Plan.

In VISION 2035, we set forth our ideal state of “Toward a company that continues to create the value required by society.” In addition, in the 12th Midterm Management Plan, to adapt to the new business environment, and positioned as a turning point of the Company/businesses, and we set a business policy of “The Second Foundation/Toward a New FCC.”



In order to develop human resources that can realize “The New FCC” on their own and make up a foundation to create innovation, we will promote our efforts with the three pillars of improving engagement, promoting diversity, and cultivating human resources / developing capacity of employees as the center of our policies. Through these policies, we will evaluate the Diversity KPI, Engagement Score, Health Management Score (Absenteeism/Presenteeism), Stress Check, and Retirement Rate on a fixed-point basis as the indicators of change in awareness/behavior and run the PDCA cycle. By fostering a culture that respects the independence of employees with diverse personalities and abilities and that motivates them to take on challenges, we aim to support autonomous career development and to bring out the maximum potential of the entire organization.

Initiatives to Improve Engagement

Engagement Survey

We position the improved engagement of our employees as an important goal indicator for “Building a Foundation for Creating Innovation.” In FY 2023, we will conduct an engagement survey, and we plan to set a target value/determine the orientation of policies based on the results of the survey.

Promotion of Health

In order to establish an environment where employees are healthy and active both mentally and physically, and can demonstrate high performance, in 2021, we started a full-scale initiative utilizing the framework of the Certification System for Excellent Health Management Corporations under the leadership of the Ministry of Economy, Trade and Industry.

- (1) As an ideal state, we depicted a state where employees are working cheerfully, happily, and actively and set up a health declaration, internal implementation system, and strategy map.
- (2) We implemented the following measures
 - 1) Walking rally and yoga class
 - 2) Sharing health knowledge within the Company through in-house bulletins, health columns, and awareness raising on radio exercises
 - 3) Use of in-house SNS
 - 4) Focusing on women’s specific health issues, held seminars for women on a regular basis.
 - 5) Education on mental health/lifestyle-related disease improvement
 - 6) PR for consultation desk as care for dependents and assistance for influenza vaccinations
 - 7) Developed a return-to-work program for employees who have been absent from work for an extended period of time and established a system to support their return to workplace



Certification as a Health and Productivity 2023 Company (Large Corporation Category)

Under the certification system for Health and Productivity organized by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi (Japan Health Council), we were certified as a Health and Productivity 2023 Company (Large Corporation Category) as a corporation that considers employee health management from a managerial perspective and strategically addresses the issue.



Establishment of Workplace Environment

Improvement Working Group

From FY 2023, a working group has been established and started efforts to improve the workplace environment with the aim of eliminating high stress factors visualized in the results of stress check group analyses. These initiatives are expected not only to contribute to employee work engagement and increased productivity but also to the healthy growth of the organization. Through the initiative, we will support the enhancement of health and the maintenance/improvement of motivation to work for every employee and aim to realize sustainable work styles and workplace environments.

Easy Working Environment

The Company places great importance on work-life balance and providing a comfortable work environment for employees.



We acquired the Kurumin Mark in 2019, and as a company that supports childcare, we have established a Childcare Consultation Desk and are providing consultation and awareness of in-house systems regardless of women or men and to create an environment that facilitates access. We are promoting the acquisition of childcare leave for male employees by introducing the joy of participating in childcare not only to female employees but also to male employees through in-house bulletins. In addition, to prevent excessive overtime work, we promote monitoring of working hours and effective task management.

⇒ [P44 Nonfinancial Data: Childcare Leave Acquisition Rate and others](#)

Promoting Diversity

Goal Setting in Promoting Diversity

We consider it essential for an organization to be diverse, not homogeneous, in order to create a foundation for innovation. In FY 2023, we plan to picture an ideal state of the Company's diversity and to set a goal value for it.

Promoting the Active Roles of Women

In terms of diversity, we have traditionally seen a tendency of having a small percentage of female employees in the core human resources. Hence, we are focusing on Women's Active Roles to study/implement measures to address women-specific issues from multiple perspectives and promoting to foster an organizational culture.

In FY 2022, (1) posted a column on diversity on the company intra., (2) provided communication skills training for middle-level female employees, and (3) held a cross-divisional subcommittee meeting to promote women's active roles. In FY 2023 as well, we will continue to implement such plans in order to foster an organizational culture in which women can play an active role. In addition, to create an environment that accepts diversity, we regularly invite outside instructors and hold diversity meetings. Opportunities are provided to learn methods for facilitating discussions that will help smooth communication and collaboration with others who have different value perspectives and ways of thinking.

Action Plan for Promotion of Active Roles for Women

1. Planning Period
April 01, 2021, to March 31, 2026
2. Goals
 - By 2026, the percentage of female employees promoted to a higher position will be equal to the percentage of male employees.
 - By 2026, raise the rate of male employees taking childcare leave to 40%.

⇒ [P44 Nonfinancial data: Percentage of Female Workers in Management Positions](#)

Employment of Persons with Disabilities

The Company maintains regular communication with local special needs schools and employment support organizations, and even when we receive referrals, we proceed to acceptance only after completion of work experience for the purpose matching with the Company and deepening the understanding of the work. Even after employment, we work together with referral agencies to create an environment in which people with disabilities can work comfortably alongside the local community by providing a way to pick up any concerns that the relevant employees may have that are difficult for them to express directly to the company.

Human Resource Development/ Capacity Building

Human Resource Development System

The Company has established a systematic human resources training system to ensure that it can grasp changes in the business environment and to develop the human resources necessary to achieve "The New FCC."

In terms of training by hierarchy, we provide training tailored to each growth stage, such as the training for new employees, training at the time of promotion, and training for management positions.

| | By Level | By Domain | | | | OJT | Self-Development | | |
|------------------------|--|------------------|-----------------|----------------------|----------------------------|----------------------------------|------------------------------|------------------|-----------------------|
| Division Manager Level | Managerial Training Promotion Training | Quality Training | Safety Training | Environment Training | Business Skill-Up Training | Overseas Pre-Assignment Training | Divisional Training Programs | English Skill Up | Qualification Support |
| Section Manager Class | Promotion Training | | | | | | | | |
| Manager Class | Younger Employees Skill-Up Training New Employee Training | | | | | | | | |
| General | | | | | | | | | |

⇒ [P44 Nonfinancial Data: Amount of Training Investment](#)

Human Resource Evaluation System

In FY 2019, the Company amended the human resources system to reward employees through fairer evaluations for their achievements in challenging tasks and in their efforts to improve their abilities. Clarified the role behavior expected of each according to his or her rank, and have enhanced evaluation, instruction, and feedback through individual goal management. In FY 2023, in order to establish a human resource foundation that will drive innovation, we will first review the evaluation criteria for role behavior required of the management level and aim to build a work environment in which employees are highly motivated to demonstrate their abilities and take on challenges.

In the implementation, foundation building for the creation of innovation will be promoted through the upsurge of abilities and motivation of each employee and the vitalization of the entire organization by taking into account the characteristics and opinions of an employee based on both the status of the organization through engagement surveys and the results of career preferences and suitability tests of the employee.

Revision of Human Resource Evaluation System toward "The New FCC"

- The Review Plan of The Role Behavior Required of Management Level -

(partial excerpts of the revised content)

- 1) Foster a culture that encourages a positive exchange of opinions by making the most of individuals
- 2) To create an environment that encourages acceptance of failures and positive challenges
- 3) Management shall also continue to learn and take on challenges

Regular Job Rotation

We implement a scheme of building a system for regular job rotations to encourage employees to develop their own abilities and to promote unique career development. We expect that this will help promote the identification of a suitable job, increase motivation, and build relationships within the company.

Safety

Health and Safety Management

Occupational Health and Safety Management

In compliance with the Occupational Health and Safety (OH&S) Management System (ISO 45001), we have established an in-house system in Japan and overseas, and through the operation of PDCA cycles, we are implementing an enhanced health and safety program.

As the evaluation and inspection of activities, both domestic and overseas bases are audited by internal auditors using the three-reals approach to correct unsafe locations and unsafe actions and to propose specific improvements.

In addition, a management review of health and safety activities is conducted every year to review the system, and it is reflected in the activity policy for the following fiscal year. Since FY 2013, twice-a-year meetings have been held at domestic bases to review the results of activities. The president and the safety officer visit each business base to check the status of activities on-site.

Aiming for a Zero Hazard Source Workplace

Since 2002, we have introduced Risk Assessment (RA). Since 2017, we have been increasing the sensitivity of each employee to judge risks as dangerous through training of equipment safety experts in order to ensure further improvement. We will continue to improve the risks we find and implement the creation of an attractive workplace.

Initiatives for Education/Training Related to Health & Safety

The Company recognizes that education is an essential part of its efforts to ensure the occupational safety of employees and is working to upgrade the training of employees according to their hierarchy and roles.

At the general employee level, in addition to the training provided to increase the understanding of risks for newly hired employees who are unfamiliar with the work, specific training is provided to employees engaged in special hazardous work, while for managers and supervisors, training is implemented with a focus on acquiring the skills to pull the workplace forward, respectively.

| | Statutory/General Training | Job-Based Training | Appointed Persons Training |
|------------------------------|--|--|--|
| Section Manager Class | | | General Health and Safety Manager Seminar Safety Manager Training |
| Team Leader Class | Risk Assessment Application Training | Promotion Training Foreman Follow-Up Training | Chemical Substance Manager Training Equipment Safety (Sub-Assessor) |
| Group Leader Class | Risk Assessment Introduction Training Risk Assessment Staff Training | Foreman Training | Operation Manager Training |
| Sub-Leader Class | | | |
| General | Mid-Level Employee Training Follow-Up Training New Employee Training | | |

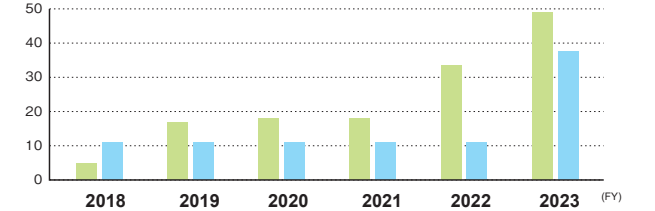
Fostering Safety Assessors (SSA)*

The company implements safety measures from the facility design stage to prevent occupational accidents from various hazard sources, such as entrapment, amputation, electrical shock, falling, and explosions. We develop experts who can accurately assess the adequacy of safety in manufacturing and provide appropriate instruction to further ensure safety in the workplace. The number of qualified Safety Sub-Assessors is 49 as of the end of September 2023 at factories in Japan (including group companies).

* Safety Sub-Assessor (SSA):

Third-party certification system for knowledge and competence in machinery and equipment safety in accordance with international safety standards

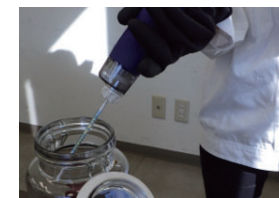
Status of Safety Training
(cumulative number of persons)
(persons)



Implementation of Working Groups, the business base collaborative activities aimed at improved safety of worksites.

Three working groups have been organized to prevent occupational accidents, fires, and chemical disasters, and the study workshops have been held toward the resolution of those issues.

In addition to preventing the recurrence of past occupational accidents that actually occurred at business bases in Japan and identifying the locations with potential accidents in order to reduce risk, we regularly exchange opinions on what issues do exist and what measures are necessary to prevent disasters from occurring. We aim to improve the safety level of the entire Company, including overseas, through stronger collaboration throughout the Group. We will regularly hold working groups associated with various events to enhance activities for safety and fire prevention and will continue our efforts to create a safe, secure workplace environment.



Detector Tube Usage Training



Protective Mask Fitting Test

⇨ P44 Nonfinancial Data: Occupational Accident Occurrence Status

Responsibility to Customers/Business Partners

Quality

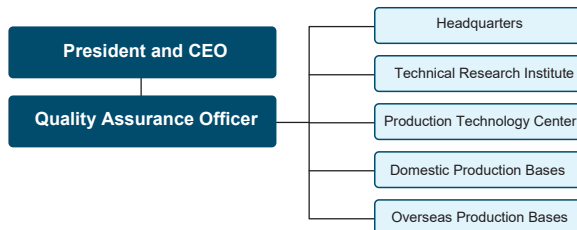
Quality Improvement Initiatives

The Quality Policy is set forth in the Group's action guidelines, and all employees are aware of the mission to "Continuously assure the function and performance of product to customer satisfaction through quality management systems and technologies trusted by the customers," and are working on providing high-quality products, especially in the manufacture of critical functional components for the automotive industry.

Under the quality policy, we have established and are operating the FQS (F.C.C. Quality Standard), a unified quality assurance guidelines for the entire Group, which enables us to continuously provide our customers worldwide with safety and security as well as satisfactory functions and performance of our products.

We also believe that the security and safety of our employees are the important factors in improving quality, and by reflecting these rules throughout the Group, we are working to improve quality by spreading improvement activities, such as change points that hamper work and abnormality handling to our overseas bases as well.

Quality Assurance System
Under our Quality Policy, which serves as the fundamental philosophy for all of our manufacturing, we are working to maintain and improve global product quality and to establish a quality assurance system that will satisfy our customers.



Quality Management System

Starting with the acquisition of an externally certified quality management system in Japan in 1996, we have acquired ISO 9001/IATF 16949 certification in our bases, including those overseas. The Group has established a quality management system that conforms to international standards and aims to achieve the quality structure at the top level in the industry through a constant awareness of continuous improvement.

- **ISO9001** : Domestic 6 bases/Overseas 21 bases
- **IATF16949** : Domestic 5 bases/Overseas 17 bases

* One (1) base to be certified in 2024

Quality Training/Enlightenment Activities

In order to enhance the value of products and meet customer expectations, we maintain the FQS Quality Education/Training Rules. With the aim of raising the consciousness, which is necessary for the roles and positions of the department, on the quality management and the improvement of the skills in technologies/quality control methods, we plan and promote training programs by job classification according to internal qualifications and job contents.

Regarding quality incidents, we share the causes and specific behaviors based on cases that have occurred at other companies and study and disseminate measures to prevent quality incidents in the Company.

Procurement

Promoting Sustainability in Supply Chains

In order to build a healthy and sustainable supply chain, we established the Supplier Sustainability Guidelines in November 2020 to share the Company's approach to the sustainability with our business partners and work together to promote it. The Guidelines set forth requirements based on the laws and social norms of various countries in the five categories of safety/quality, human rights/labor, environment, compliance, and information disclosure, and we request that all business partners of manufacturing comply with the guidelines based on these. In FY 2023, in order to grasp the statuses of our sustainability efforts, we used a survey form based on the guidelines to grasp the statuses of compliance with the guidelines among our major business partners in Japan and confirmed that there were no significant issues that needed to be addressed. We will continue to ensure compliance with the guidelines throughout our supply chain and achieve a sound and sustainable supply chain.

Sustainability Requirements to Our Suppliers

| Item | Requirement |
|-------------------------------|--|
| Safety/Quality | 1) Provide products/services that meet the needs of consumers/customers 2) Safety of products/services, ensuring quality governance 3) Safety of products/services, securing the quality |
| Human Rights/Labor | 1) Abolition of discrimination 2) Respect for human rights 3) Prohibition of child labor 4) Prohibition of forced labor 5) Wage 6) Working hours 7) Dialogue/consultation with employees 8) Safe/healthy working environment 9) Response to conflict minerals |
| Environment | 1) Environmental management 2) Reduction of greenhouse gas emissions 3) Environmental conservation such as atmosphere, water, soil, etc. 4) Resource conservation/waste reduction 5) Chemical substance management |
| Compliance | 1) Compliance with Laws and Regulations 2) Compliance with competition laws 3) Corruption prevention 4) Prohibition of conflict of interest 5) Control/protection of confidential information 6) Protection of informants 7) Export transaction management 8) Protection of intellectual property |
| Information Disclosure | 1) Information disclosure to stakeholders |

Strengthening Collaboration with Business Partners

With our business partners, we hold regular information-sharing opportunities* to ensure smooth communication. Specifically, we ask our business partners to share our future business operations, procurement/quality/environmental policies and to take the initiative to promote sustainability in order to maintain high quality, and thus we enhance the soundness of our entire supply chain.

*We hold social gatherings and roundtable talks with business partners once a year in principle. Since the spread of COVID-19, the meeting was postponed and information sharing was continued using distributed materials.

* We hold social gatherings and roundtable talks with business partners once a year in principle. Since the spread of COVID-19, the meeting was postponed and information sharing was continued using distributed materials.

Business Partner's Risk Management

To ensure the continuous supply of high-quality products to our customers, we carry out risk assessments of all business partners once a year, utilizing the Company's risk survey form. For business partners who are judged as requiring improvement based on the Company's evaluation criteria, we visit them directly at their sites and conduct support activities toward improvement while having communication with them.

Conflict minerals

In addition to the regulatory framework of the international society in recent years, companies are being required to procure minerals more responsibly against the background of human rights abuses and conflicts caused by armed groups at mining sites. Our Group conducts procurement activities based on a basic policy of not using conflict minerals* and in addition to surveys using the CMRT* issued by the RMI*, conducts survey responses at the request of client companies to confirm the distribution channels of minerals in the supply chain and their procurement sources. In conducting the survey, we confirm with our business partners that the procurement is from the certified smelters under the RMAP* by RMI and recognize the risks based on the collected CMRTs.

* Conflict minerals

Those products mined in the Democratic Republic of the Congo and neighboring countries to serve as a source of activity funding for the local armed groups. Tin, tantalum, tungsten, and gold are defined as conflict minerals and are abbreviated as 3TG.

* RMI

Responsible Minerals Initiative: An international body committed to responsible mineral procurement

* CMRT

Conflict Minerals Reporting Template: A template for reporting conflict minerals prepared and published by RMI.

* RMAP

Responsible Minerals Assurance Process: The responsible minerals assurance process advocated by RMI.

Governance



Corporate governance

Basic concept

Under its corporate philosophy the Company strives to enhance corporate governance as one of the top priorities of management, with the aims of earning even greater trust from shareholders, customers, employees, our communities, and other stakeholders; swift, resolute decision-making with fairness and transparency; sustained growth; and medium- to long-term improvements in corporate value.

Corporate governance structure

Board of Directors

The Board of Directors consists of 10 Directors (including five Outside Directors; chaired by the President & CEO). In addition to making decisions on matters prescribed by laws and regulations and important business execution, it also oversees the performance of the duties of Directors.

Audit and Supervisory Board

The Audit and Supervisory Board consists of four Directors (including three Outside Directors; chaired by the Standing Audit and Supervisory Board Member). In accordance with decisions by the Audit and Supervisory Board on matters such as audit policies, audit plans, and division of responsibilities, Audit and Supervisory Board Members attend meetings of the Board of Directors and other important meetings and review the status of business and finances. Through these and other means, they audit and supervise the performance of the duties of Directors and the states of maintenance and operation of internal controls systems.

Accounting auditor

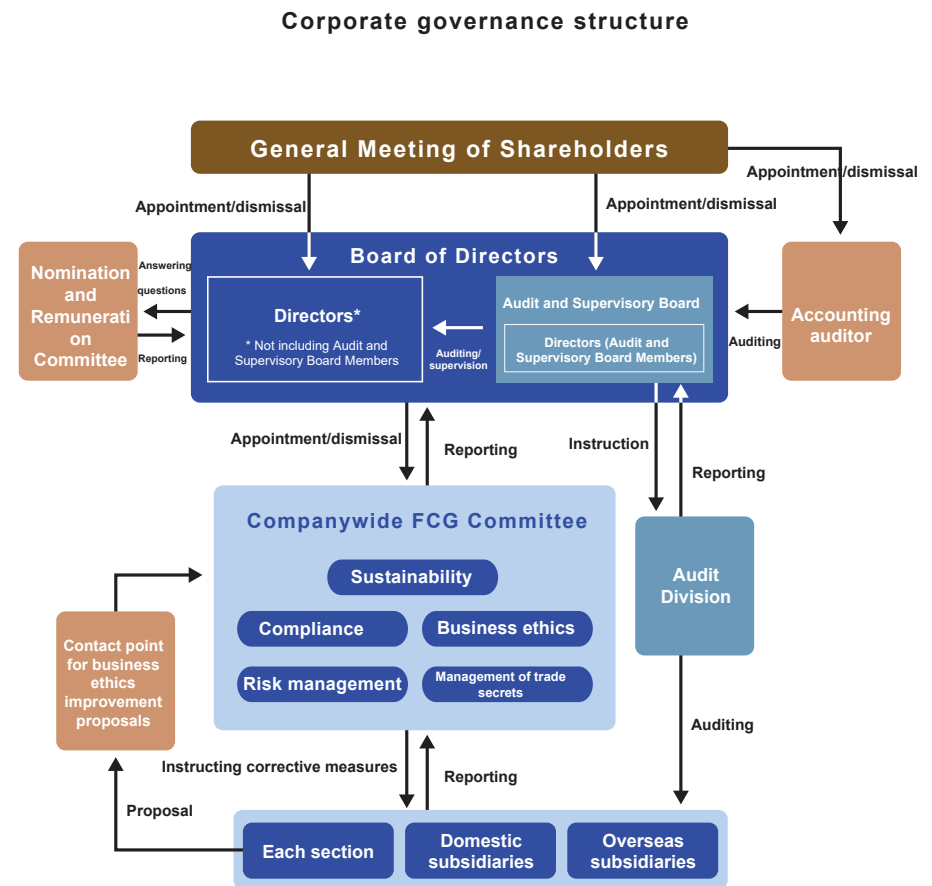
The Company undergoes accounting audits by Yasumori Audit Corporation pursuant to the Companies Act and the Financial Instruments and Exchange Act.

Audit Division

The Company has established the Audit Division to assist the duties of the Audit and Supervisory Board. The Audit Division audits the states of maintenance of internal controls systems and operations Groupwide, with the aims of ensuring the efficacy and efficiency of business operations, the reliability of financial reporting, legal and regulatory compliance of business activities, and preservation of assets.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of six Directors (including five Outside Directors; chaired by the President & CEO). It deliberates and advises on matters such as nomination and remuneration of Directors.



Makeup of the Board of Directors and policies on Director appointment/dismissal

Makeup of the Board of Directors

- In accordance with the Articles of Incorporation, the Board of Directors consists of up to 12 qualified persons, including up to five Directors/Audit and Supervisory Board Members.
- Independent Outside Directors make up at least one-third of Board membership.
- To perform its roles and responsibilities effectively, the Board of Directors has a structure based on a healthy balance of diverse knowledge and experience, with consideration for diversity in various aspects including gender, international experience, career history, and age.
- Sufficient consideration is given to ensuring the independence of Outside Directors, based on the independence criteria established by the Tokyo Stock Exchange.
- Directors/Audit and Supervisory Board Members include members highly knowledgeable of finance and accounting.

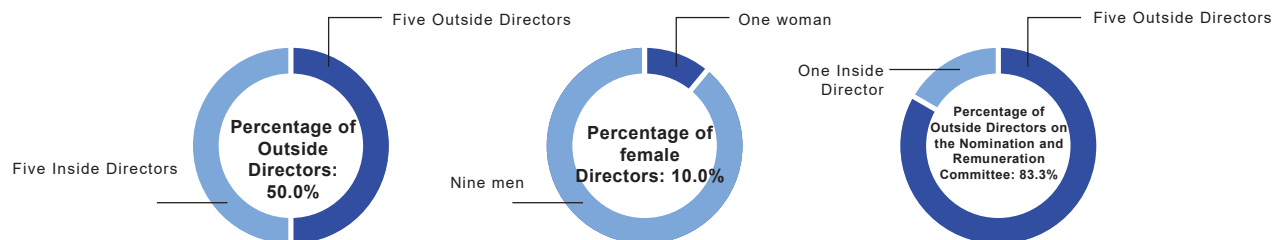
Policies on appointment/dismissal of Directors

- Directors are chosen who possess high levels of business ethics in addition to outstanding characters and knowledge.
- Directors are chosen who possess expert knowledge and a wealth of experience concerning Company businesses or their own areas of specialization.
- Advised by the Nomination and Remuneration Committee, the Board of Directors makes decisions on appointment/dismissal of Directors with consideration for matters such as ability to perform the duties of Directors appropriately, reflecting the makeup of the Board.

Board of Directors skills matrix

| Name | Position | Nomination and Remuneration Committee | Corporate management | Manufacturing /technology R&D | Sales and marketing | Business development, M&A | Digital, IT/ICT/ DX | Finance and accounting | Legal compliance | Global experience |
|--------------------|--|---------------------------------------|----------------------|-------------------------------|---------------------|---------------------------|---------------------|------------------------|------------------|-------------------|
| Yoshitaka Saito | President & CEO | ○ | ● | | | ● | ● | | | ● |
| Kazuto Suzuki | Executive Director | | ● | ● | | | | | | ● |
| Atsuhiko Mukoyama | Managing Director | | ● | ● | | | | | | ● |
| Kenji Nakatani | Managing Director | | ● | | ● | | | | | ● |
| Kunihiro Koshizuka | Outside Director | ○ | ● | ● | | ● | ● | | | ● |
| Kazutoku Kobayashi | Outside Director | ○ | ● | | ● | ● | | | | ● |
| Kojiro Matsumoto | Director Standing Audit and Supervisory Board Member | | ● | | ● | | | | ● | ● |
| Masahide Sato | Outside Director Audit and Supervisory Board Member | ○ | | | | | | ● | | |
| Kazumoto Sugiyama | Outside Director Audit and Supervisory Board Member | ○ | | | | | | | ● | |
| Mayumi Yamamoto | Outside Director Audit and Supervisory Board Member | ○ | | | | | | ● | | |

Note: The skills matrix is not an exhaustive list of all knowledge and experience of each Director.



Status of activities (Specific matters considered, meetings held, attendance)

Board of Directors

Specific matters considered by the Board of Directors concern oversight of matters such as the state of performance of the duties of Directors, compliance, risk management, and the structure of Group companies. In addition, the progress of efforts to achieve the targets of annual plans under the 11th medium-term management plan is reported to the Board periodically. Other efforts of the Board included formulation of the 12th medium-term management plan for the period beginning FY2023.

The Company Board of Directors met nine times in FY2022. Attendance by each Director is reviewed below.

| Name | Meetings held | Meetings attended |
|--------------------|---------------|-------------------|
| Yoshitaka Saito | 9 | 9 |
| Kazuto Suzuki | 9 | 9 |
| Atsuhiko Mukoyama | 9 | 9 |
| Kunihiro Koshizuka | 7 | 7 |
| Kazutoku Kobayashi | 7 | 7 |
| Kojiro Matsumoto | 9 | 9 |
| Yoshinori Tsuji | 2 | 2 |
| Masahide Sato | 9 | 9 |
| Kazumoto Sugiyama | 9 | 9 |
| Mayumi Yamamoto | 7 | 7 |

Notes: 1. Yoshinori Tsuji resigned upon the conclusion of the 92nd Regular General Meeting of Shareholders held June 21, 2022. Numbers of meetings held and attended are shown for the period until his resignation.

2. Mayumi Yamamoto was appointed in the 92nd Regular General Meeting of Shareholders held June 21, 2022. Numbers of meetings held and attended are shown for the period since her appointment.

Audit and Supervisory Board

Specific matters considered by the Audit and Supervisory Board include audit policies, audit plans, the states of maintenance and operation of internal-controls systems, and the methods of auditing by the accounting auditor and the validity of its findings. The Audit and Supervisory Board's activities include attending meetings of the Board of Directors and other important meetings and auditing and oversight of the performance of duties of Directors and the states of maintenance and operation of internal-controls systems through means such as review of business and finances, in accordance with audit policies, audit plans, and division of responsibilities established by the Audit and

Supervisory Board. It also exchanges opinions, regularly and at other times as needed, with the Representative Director, other Directors, and the accounting auditor and cooperates with the Audit Division to ensure the efficacy of auditing. The Company has appointed a standing Audit and Supervisory Board Member to enhance information collection and make the Audit and Supervisory Board even more effective. In addition, Outside Directors Masahide Sato and Mayumi Yamamoto are certified public accountants highly knowledgeable concerning finance and accounting. In FY2022 the Company's Audit and Supervisory Board met 13 times. Attendance by individual Audit and Supervisory Board Members is reviewed below.

| Name | Meetings held | Meetings attended |
|-------------------|---------------|-------------------|
| Kojiro Matsumoto | 13 | 13 |
| Yoshinori Tsuji | 3 | 3 |
| Masahide Sato | 13 | 13 |
| Kazumoto Sugiyama | 13 | 13 |
| Mayumi Yamamoto | 10 | 10 |

Notes: 1. Yoshinori Tsuji resigned upon the conclusion of the 92nd Regular General Meeting of Shareholders held June 21, 2022. Numbers of meetings held and attended are shown for the period until his resignation.

2. Kunihiro Koshizuka, Kazutoku Kobayashi, and Mayumi Yamamoto was appointed in the 92nd Regular General Meeting of Shareholders held June 21, 2022. Numbers of meetings held and attended are shown for the period since their appointment.

Nomination and Remuneration Committee

Specific matters considered by the Nomination and Remuneration Committee include preparation of draft proposals to be submitted to the General Meeting of Shareholders for appointment and dismissal of Directors and revisions to executive remuneration programs.

In FY2022 the Company's Nomination and Remuneration Committee met three times. Attendance by individual members is reviewed below.

| Name | Meetings held | Meetings attended |
|--------------------|---------------|-------------------|
| Yoshitaka Saito | 3 | 3 |
| Kunihiro Koshizuka | 2 | 2 |
| Kazutoku Kobayashi | 2 | 2 |
| Yoshinori Tsuji | 1 | 1 |
| Masahide Sato | 3 | 3 |
| Kazumoto Sugiyama | 3 | 3 |
| Mayumi Yamamoto | 2 | 2 |

Notes: 1. For Yoshinori Tsuji, numbers of meetings held and attended are shown for the period until his resignation from the committee.

2. For Kunihiro Koshizuka, Kazutoku Kobayashi, and Mayumi Yamamoto, numbers of meetings held and attended are shown for the period since their appointment as members of the committee.

Officer remuneration

Policies etc. on decisions on details of officer remuneration etc.

1. Basic policy

The Company's Director remuneration structure is linked to business performance and shareholder returns, to provide sound and appropriate incentives toward sustained growth. As a basic policy, remuneration for individual Directors is determined at appropriate levels reflecting individual responsibilities and other matters. Remuneration of Directors (not including Outside Directors and Directors/Audit and Supervisory Board Members) consists of base remuneration, remuneration reflecting individual evaluation, performance-linked bonuses, and share-based remuneration. In consideration of their duties, remuneration of Outside Directors and Directors/Audit and Supervisory Board Members consists of base remuneration only.

2. Base remuneration

Base remuneration is paid in fixed monthly amounts of cash, determined with comprehensive consideration for matters such as post, duties, and levels at other companies.

3. Remuneration reflecting individual evaluation and performance-linked bonuses

Remuneration reflecting individual evaluation and is paid in cash based on considerations such as qualitative evaluation of the degree of contribution by each Director to business performance. It is paid in monthly amounts in addition to base remuneration for the following fiscal year. Performance-linked bonuses are paid at a certain time each year in amounts calculated in accordance with consolidated business income in each fiscal year, as cash remuneration reflecting key performance indicators (KPIs) intended as incentives for improving business performance each fiscal year. Any factors requiring special consideration are discussed by the Nomination and Remuneration Committee.

4. Share-based remuneration

Intended to promote sharing of value with shareholders, share-based remuneration consists of transfer-restricted shares of common stock awarded at a certain time each year, with their transfer restricted until retirement.

5. Remuneration ratio

These are considered by the Nomination and Remuneration Committee reflecting matters such as benchmark remuneration levels of companies similar to the Company in terms of business size and type and belonging to related industries. The target ratio of remuneration types is 65:10:10:15 (base remuneration: remuneration reflecting individual evaluation: performance-linked bonuses: share-based remuneration).

6. Methods of deciding on details of remuneration etc.

To ensure the validity of matters related to remuneration of officers and the objectivity and transparency of their decision-making processes, the Board of Directors makes decisions on remuneration of Directors (not including Directors/Audit and Supervisory Board Members) with advice from the Nomination and Remuneration Committee, a majority of whose membership consists of Outside Directors. Remuneration of Directors/Audit and Supervisory Board Members is decided in consultation with the Directors/Audit and Supervisory Board Members, within the limits approved by the General Meeting of Shareholders.

Decisions on details of individuals' remuneration amounts are delegated to the President & CEO by a resolution of the Board of Directors. The President & CEO makes such decisions with advice from the Nomination and Remuneration Committee.

Total amounts of remuneration etc. in FY2022

The Company Board of Directors has approved the above policy with advice from the Nomination and Remuneration Committee. In addition, the Board of Directors has verified that individual Director remuneration amounts for FY2022 reflect respect for the recommendations of the Nomination and Remuneration Committee and determined that the details of such remuneration etc. and methods of deciding on them conform to the above policy. The Nomination and Remuneration Committee met three times in FY2022. Review and reporting by the Nomination and Remuneration Advisory Committee reflected consideration for the Company's business size and other matters, with reference to data on executive compensation surveys by outside research institutes.

| Officer category | Total amount of remuneration etc. (Million yen) | Total amount by type of remuneration etc. (million yen) | | | | Number of subject officers (Persons) |
|---|---|---|---|----------------------------|--------------------------|--------------------------------------|
| | | Base remuneration | Remuneration reflecting individual evaluation | Performance-linked bonuses | Share-based remuneration | |
| (not including Directors/Audit and Supervisory Board Members) (Outside Directors included above) | 139 (10) | 97 (10) | 11 (-) | 11 (-) | 18 (-) | 5 (2) |
| Directors/Audit and Supervisory Board Members (Outside Directors included above) | 42 (18) | 42 (18) | - (-) | - (-) | - (-) | 5 (4) |
| Total (Outside Directors included above) | 181 (28) | 139 (28) | 11 (-) | 11 (-) | 18 (-) | 10 (6) |

Evaluation of the efficacy of the Board of Directors

Company Outside Directors also serving as Audit and Supervisory Board Members analyzed and assessed the efficacy of the Board of Directors as a whole in FY2022, based on self-assessment by Directors. This evaluation was conducted from the perspectives of the number and composition of members of the Board of Directors, operation of the Board, and Board (Director) roles and responsibilities, based on corporate governance guidelines established by the Company. It found that the Board was functioning appropriately overall on all topics. It also confirmed that efforts such as increasing the number of Outside Directors and adopting more flexible methods of operation of the Board (on selection of topics of deliberation and methods of deliberation) in FY2022 had stimulated deliberation to contribute to matters such as new businesses and medium-term management planning. It also identified the need to enhance deliberation on medium- to long-term management strategies and business portfolios through appropriate exchange of information and opinions, through means such as establishing opportunities for informal discussion and participation of observers in Board of Directors meetings. Based on these findings, the Board will take steps as necessary to enable it to demonstrate its functions to the fullest.

Group governance

Code of conduct

In 2020, the Company established the corporate conduct charter, which applies throughout the Group, with the aims of not only complying with laws and regulations but also helping to achieve solutions to social issues, to enable it to achieve sustained growth while contributing to a sustainable society. To ensure the permeation of this charter among all employees, it promotes it by distributing leaflets, providing explanations in in-house training, reading it aloud in morning meetings, and publishing it in internal bulletins. The state of these awareness-raising activities is reported on periodically to the Companywide FCG Committee.



Structure

To increase corporate value Groupwide and ensure the propriety of operations as provided for in the Companies Act, the Company appoints internal officers responsible for overseeing the areas of (i) compliance and business ethics, (ii) risk management, and (iii) management of trade secrets. It also maintains a Group governance structure in which section heads serve as persons responsible and managers as promotion personnel. (At subsidiaries, the subsidiary presidents serve as persons responsible and resident Japanese staff and national staff as promotion personnel.)

Monitoring activities

The Company has established the Companywide FCG Committee, whose membership consists of officers and executives. Each month, it receives reports from all sections and subsidiaries on the state of their governance and carries out monitoring of whether or not appropriate measures are being taken Groupwide. Results of monitoring by the Companywide FCG Committee are reported by individual executives to the Board of Directors.

In FY2022, the Companywide FCG Committee met 12 times. There were no serious incidents affecting management.

Training and awareness-raising activities

The General Affairs Division serves as the headquarters in charge of raising awareness of governance among employees, by drafting annual training and awareness-raising activity plans at the start of each period and using the Group governance system. Last year's results are reviewed below.

Activities to raise employee awareness

| | |
|--------------|--|
| April | Corporate philosophy/code of conduct, internal whistleblowing program |
| Nov. | Appropriate transactions (anticorruption, compliance with competition law) |
| Dec. | Prevention of harassment |
| Feb. | Management of trade secrets |

Tiered training

| | |
|--------------|---|
| April | New employees Governance fundamentals |
| June | New managers Governance systems and promotion structure |
| June | Officers, section heads, subsidiary presidents The actual state of governance at FCC |

Internal whistleblowing program

The Company has established the contact point for business ethics improvement proposals with the aim of building a corporate structure of openness and honesty. This contact point receives reports concerning business ethics, such as those concerning failure to comply with laws and regulations, improprieties, and violations, by telephone, email, and post, and through suggestion boxes at business facilities. Submittals are responded to by verifying their facts from a fair and neutral perspective and seeking the independent opinions of outside experts.

Similar contact points are established at subsidiaries to promote self-purification functions at them as well.

While eight matters were reported in FY2022, investigation of each showed that there were no serious incidents affecting management.

Information security

Dependence on and the importance of business information systems have been increasing dramatically in recent years, due to factors including increasing numbers of cyberattacks, the spread of remote working, and digital transformation. As a result, information security is becoming even more important in the business environment. The Company recognizes information security to be vital to its continued survival and growth. In response, it is implementing measures that include strengthening information security, striving to prevent leaks of information, improving information systems environments, and information-security training intended to raise employee awareness.

The Company also has earned external certification under the ISO 27001 international standard on development and management of information security management systems. On a Groupwide basis as well, we are making progress on conformity to the Security Guidelines (v. 2.1) established by the Japan Automobile Manufacturers Association (JAMA) and the Japan Auto Parts Industries Association (JAPIA), as we strive to prevent increasingly severe cyberattacks and enhance resilience.



IS770061/ISO27001 R&D Division Product Technology Development Department

Non-financial Data



Environment
Materials flows

INPUT

Green procurement

■ **Raw materials**

| | |
|-------------------|-----------|
| Steel | 8,841 ton |
| Cast iron | 0 ton |
| Aluminum | 1,349 ton |
| Nonferrous metals | 1.5 ton |
| Other materials | 1,920 ton |

■ **Water resources**

| | |
|------------------|------------------------|
| Tap water | 17,774 m ³ |
| Industrial water | 16,921 m ³ |
| Groundwater | 237,688 m ³ |

■ **Subsidiary materials**

| | |
|--|-----------|
| Oils | 1,899 ton |
| Substances handled subject to the PRTR Act | 35 ton |

■ **Energy**

| | |
|---------------|---------------|
| Electricity | 28,718,000kWh |
| LPG | 959 ton |
| Kerosene | 0.3 kl |
| Gasoline | 15 kl |
| Light oil | 0.5 kl |
| Heavy oil | 0 kl |
| City gas | 152,000 cu. m |
| Energy inputs | 336,031 GJ |

Technology R&D activities

Development and design of products with low environmental impacts/flow improvements through studying specifications



Procurement

Production activities

Minimizing environmental impact

Products

Product shipment

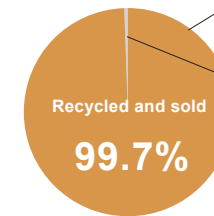
Products

To global markets via customers (automakers)

OUTPUT

Waste-recycling efforts

■ **Total wastes: 8,316 tons**



99.7% of wastes are recycled or sold

| | |
|-----------------------|-----------|
| Recycled (outsourced) | 1,085 ton |
| Sold | 7,207 ton |

Landfill: 0.3%

| | |
|--|--------|
| Final waste disposal volume (landfill) | 24 ton |
|--|--------|

* We have achieved zero emissions (1.0% or less of total wastes) in final waste disposal volume (landfill).

Efforts to identify, reduce, and monitor wastes

■ **Air**

| | |
|---------------------------|------------|
| CO ₂ emissions | 16,649 ton |
| NO _x emissions | 0 ton |
| SO _x emissions | 0 ton |

■ **Emissions of substances subject to the PRTR Act**

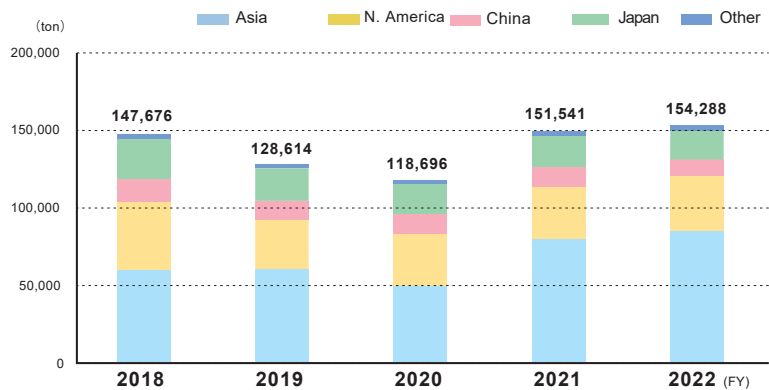
| | |
|-------------------------------|----------|
| Air emissions | 0.12 ton |
| Water emissions | 0 ton |
| Volume transported externally | 4.24 ton |

■ **Water**

| | |
|-----|---------|
| BOD | 0 ton |
| COD | 0.8 ton |

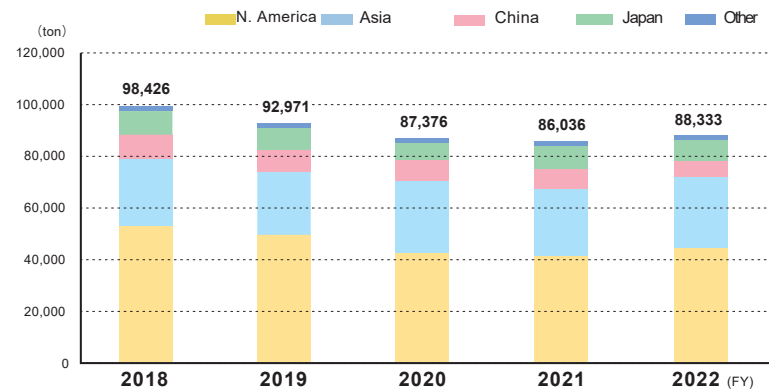
| | |
|--|------------|
| Partner CO ₂ emissions | 14,120 ton |
| CO ₂ emissions from product shipments | 992 ton |

Trend in FCC Group CO₂ emissions

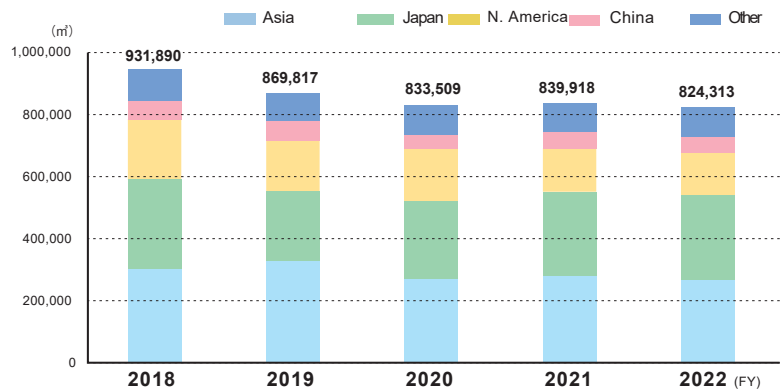


* CO₂ emissions above reflect fixed coefficients.

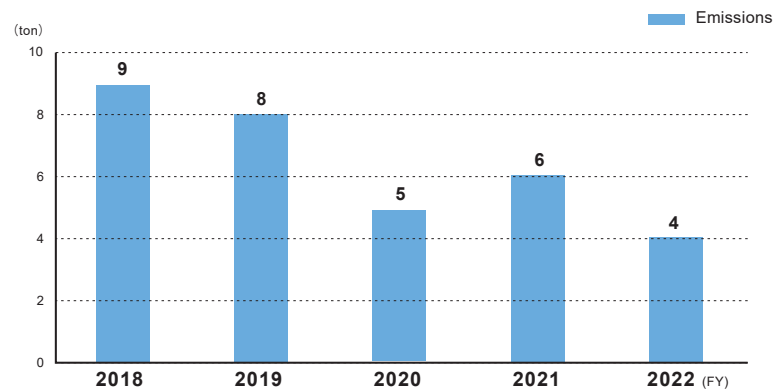
Trend in FCC Group waste emissions



Trend in FCC Group water use

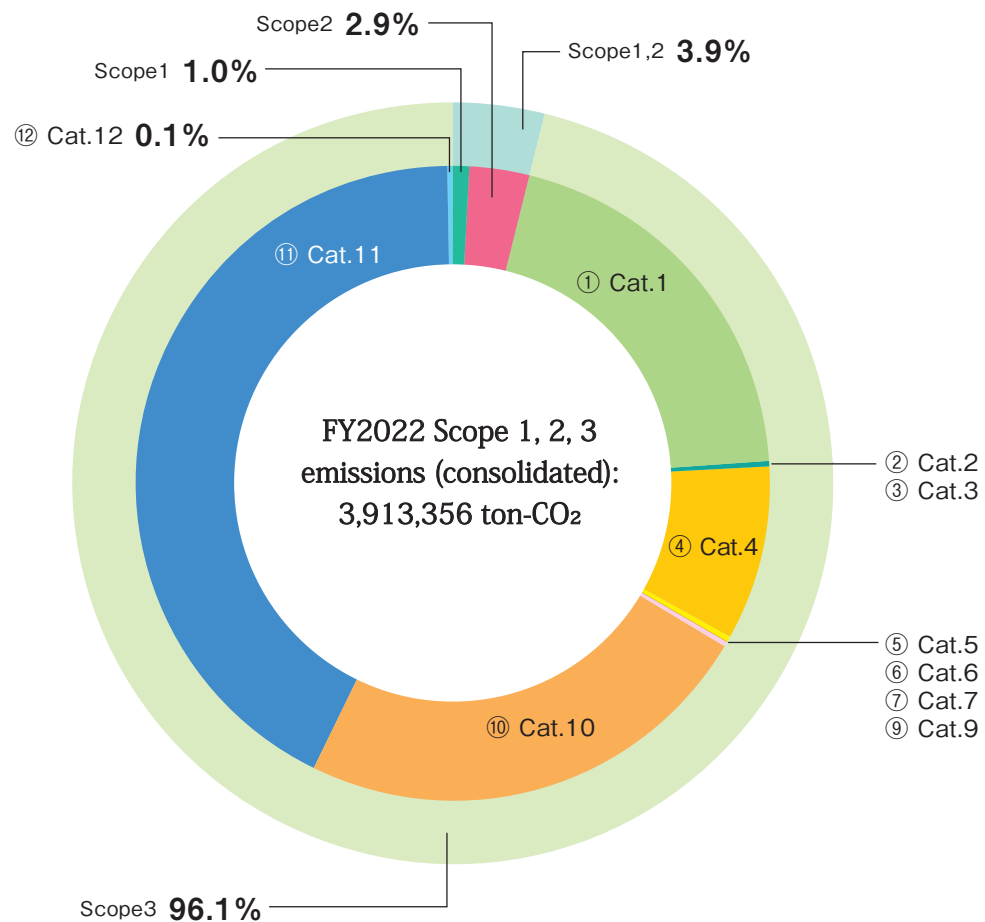


Trend in FCC Group (Japan) emissions of substances with environmental impacts



* Detailed figures for FY2022 are published on the Company website

Scope 1, 2, 3 emissions data



| Scope | Category | Share (%) |
|---------|--|-----------|
| Scope 1 | Direct emissions from gas, gasoline, etc. | 1.0% |
| Scope 2 | Indirect emissions from electricity etc. | 2.9% |
| Scope 3 | ① Category 1: Purchased goods and services | 20.0% |
| | ② Category 2: Capital goods | 0.3% |
| | ③ Category 3: Fuel- and energy-related activities not included in Scopes 1 and 2 | 0.2% |
| | ④ Category 4: Upstream transportation and distribution | 8.7% |
| | ⑤ Category 5: Waste generated in operations | 0.2% |
| | ⑥ Category 6: Business travel | 0.03% |
| | ⑦ Category 7: Employee commuting | 0.1% |
| | ⑧ Category 8: Upstream leased assets | 0% |
| | ⑨ Category 9: Downstream transportation and distribution | 0.2% |
| | ⑩ Category 10: Processing of sold products | 23.7% |
| | ⑪ Category 11: Use of sold products | 42.4% |
| | ⑫ Category 12: End-of-life treatment of sold products | 0.1% |
| | ⑬ Category 13: Downstream leased assets | 0% |
| | ⑭ Category 14: Franchises | 0% |
| | ⑮ Category 15: Investments | 0% |
| | ⑯ Category 16: Other | 0% |

Environmental accounting

Environmental protection costs (nonconsolidated *1)

(Million yen)

| Category | | Details of main initiatives | FY2018 | | FY2019 | | FY2020 | | FY2021 | | FY2022 | |
|------------------------------|--|--|------------|----------|------------|----------|------------|----------|------------|----------|------------|----------|
| | | | Investment | Expenses | Investment | Expenses | Investment | Expenses | Investment | Expenses | Investment | Expenses |
| Business Costs in area | Pollution-prevention costs | Adoption of wastewater treatment equipment, maintenance management, local release/dust collectors/deodorizer inspection, repair, cleaning, etc. | 6 | 52 | 67 | 46 | 3 | 38 | 27 | 39 | 8 | 35 |
| | Global environmental protection costs | Air-conditioner/compressor capacity maintenance and improvement, adoption of LED lighting, upgrading of power reception facilities, etc. | 35 | 58 | 100 | 59 | 82 | 49 | 31 | 57 | 63 | 66 |
| | Resource cycle costs | Industrial waste recycling, efficient resource use, general waste recycling, etc. | 0 | 50 | 1 | 46 | 0 | 40 | 9 | 47 | 9 | 46 |
| | Upstream/downstream costs | Recycling, collection, resale, proper disposal, etc. of products etc. manufactured and sold | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Management activity costs | Vegetation management, internal environmental auditor training, periodic ISO inspection, environmental measurement and testing, environmental training, environmental labor management, etc. | 1 | 88 | 0 | 88 | 4 | 87 | 0 | 77 | 0 | 86 |
| | R&D costs | R&D on products etc. (fuel consumption improvements [lighter weights], reduction of substances with environmental impacts, reduction of organic solvents, yield improvements), etc. | 0 | 1,027 | 0 | 1,066 | 0 | 1,045 | 0 | 461 | 0 | 311 |
| | Social activity costs | Community cleanup activities, landscaping, tree-planting activities, etc. | 0 | 4 | 0 | 3 | 0 | 2 | 0 | 2 | 0 | 2 |
| | Costs of responding to environmental damage | Costs of responding to environmental damage (soil pollution remediation etc.) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | | | 42 | 1,280 | 169 | 1,309 | 88 | 1,262 | 67 | 682 | 80 | 545 |

Materials volume (nonconsolidated *1)

| Item | Unit | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|--|---------------------|---------|---------|---------|---------|---------|
| Energy use | GJ | 387,295 | 348,450 | 323,343 | 366,912 | 336,031 |
| CO₂ emissions | ton-CO ₂ | 16,553 | 14,631 | 13,576 | 15,455 | 16,649 |
| CO₂ emissions from transport | ton-CO ₂ | 939 | 953 | 965 | 954 | 992 |
| Waste emissions | ton | 8,962 | 8,584 | 7,364 | 8,212 | 8,316 |
| Water resource use | m ³ | 288,161 | 223,458 | 247,733 | 270,611 | 272,383 |
| Emissions of substances subject to PRTR Act | ton | 9 | 8 | 5 | 6 | 4 |

*1 Including major domestic subsidiaries.

Social

Main HR data (nonconsolidated)

| Item | Unit | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | |
|--|-------------|---------|--------|--------|--------|--------|--------|
| Employees | Male | Persons | 969 | 974 | 988 | 978 | 967 |
| | Female | Persons | 133 | 131 | 128 | 126 | 125 |
| | Total | Persons | 1,102 | 1,105 | 1,116 | 1,104 | 1,092 |
| Average years of continuous service | Male | Years | 17.0 | 17.3 | 17.7 | 18.0 | 18.4 |
| | Female | Years | 17.6 | 17.9 | 18.5 | 18.8 | 19.2 |
| | Total | Years | 17.0 | 17.3 | 17.7 | 18.0 | 18.4 |
| Women workers as a percentage of managerial positions | % | 1.3 | 1.2 | 1.2 | 0.6 | 0.6 | |
| Percentage of midcareer hires | % | 78.5 | 39.2 | 15.6 | 37.5 | 24.1 | |
| Percentage taking childcare leave | Male | % | 0.0 | 6.6 | 5.7 | 35.7 | 31.6*2 |
| | Female | % | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Monthly average overtime hours | Hours | 12.48 | 11.09 | 8.44 | 10.66 | 9.59 | |
| Percentage taking annual paid vacation | % | 91.9 | 91.6 | 87.4 | 90.4 | 94.7 | |
| Investment in training | Million yen | 39 | 43 | 48 | 30 | 27 | |
| Training costs per employee | Yen | 31,379 | 34,284 | 36,942 | 22,452 | 20,587 | |

*2 Revised beginning FY2022 in accordance with the disclosure conditions under the Act on the Promotion of Women's Active Engagement in Professional Life.

On-the-job accidents (nonconsolidated) [consolidated]

| Item | Unit | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---|---------|---------|---------|---------|---------|---------|
| Fatalities | Persons | 0[0] | 0[0] | 0[0] | 0[0] | 0[0] |
| Accidents/injuries not requiring time off work | Persons | 6[8] | 7[12] | 4[5] | 2[3] | 3[3] |
| Accidents/injuries requiring time off work | Persons | 0[1] | 2[2] | 0[0] | 2[2] | 0[0] |
| Frequency *3 | % | 0.00[—] | 0.77[—] | 0.00[—] | 0.82[—] | 0.00[—] |

*3 Frequency: Number of workers killed/injured per million working hours is used as the frequency of on-the-job accidents.

Number of social-contribution activities conducted (consolidated)

| Item | Unit | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---------------------------------------|------------|--------|--------|--------|--------|--------|
| Social-contribution activities | Activities | 169 | 176 | 105 | 150 | 122 |

Company Profile

Launched integrated paper lining production process
 Changed trade name to F.C.C. Co., Ltd.

Established June 1939

Representative President & CEO
 Yoshitaka Saito

Capital 4,175 million yen

Employees Consolidated: 7,876
 Nonconsolidated: 1,074
 (Permanent, full-time employees as of September 30, 2023)

Headquarters 〒431-1394
 7000-36 Nakagawa,
 Hosoe-cho, Hamana-ku,
 Hamamatsu, Shizuoka
 Prefecture, Japan

Affiliates Kyushu F.C.C. Co.,
 Ltd. Tenryu Sangyo
 Co., Ltd. Flint Co., Ltd.

Domestic facilities

Headquarters/Hosoe Factory (Hamamatsu, Shizuoka Prefecture)
 R&D Division/Manufacturing Technology Center (Hamamatsu, Shizuoka Prefecture)
 Hamakita Factory (Hamamatsu, Shizuoka Prefecture)
 Watagashima Factory (Hamamatsu, Shizuoka Prefecture)
 Ryuuyo Factory (Iwata, Shizuoka Prefecture)
 Suzuka Factory (Suzuka, Mie Prefecture)
 Tokyo Office (Asaka, Saitama Prefecture)
 Tochigi Office (Utsunomiya, Tochigi Prefecture)

Overseas facilities

United States (four facilities),
 Mexico, Brazil,
 Thailand (two facilities),
 Indonesia, Vietnam, Philippines,
 India (seven facilities),
 China (three facilities), Taiwan
 Munich Office (GermMunich Office (Germany))



History

1939: Fuji Lite Industries Co., Ltd. founded
 1943: Renamed Fuji Chemical Co., Ltd.
 1948: Began transactions with Honda R&D Co., Ltd. (now Honda Motor Co., Ltd.)
 1954: Began transactions with Suzuki Motor Corporation (now Suzuki Corporation)
 1956: Began transactions with Yamaha Motor Co., Ltd.
 1963: Opened Suzuka Factory in Suzuka, Mie Prefecture
 1963: Opened R&D Division in Hamamatsu, Shizuoka Prefecture
 1984: Opened Ryuyo Factory in Ryuyo, Iwata-gun (now Iwata), Shizuoka Prefecture
 1989: Opened Hosoe Factory in Inasa-gun, Hosoe (now Hamamatsu), Shizuoka Prefecture
 Relocated Head Office and R&D Division
 1991: Began participation in World Grand Prix motorcycle racing
 2000: Opened Tenryu Factory in Ryuyo, Iwata-gun (now Iwata), Shizuoka Prefecture
 2004: Shares listed on the First Section of the Tokyo Stock Exchange
 2013: Number of overseas facilities reached 22 facilities of 14 companies in 10 countries
 2017: Relocated Tenryu Factory (renamed Watagashima Factory) to Hamamatsu, Shizuoka Prefecture
 Acquired all shares in Flint Co., Ltd. (now a consolidated subsidiary)
 2018: Transferred all shares in Tohoku Chemical Industries, Ltd. Won FIM Endurance World Championship
 2020: Yoshitaka Saito appointed President & CEO





F.C.C. Co., Ltd.

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