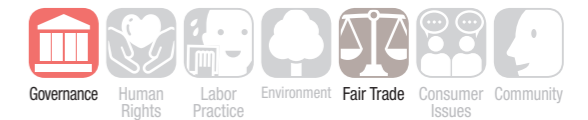


Management System



Social Requirements

- Strengthening supervisory functions
- Ensuring management transparency
- Increasing awareness of corporate ethics

The FDK Approach

- Strengthening corporate governance
- Building an internal control system
- Ensure compliance

Highlights of Management System

Number of outside directors (total number of directors: 7)	Attendees of compliance training course for all employees	Number of transmissions of compliance-related information through the company intranet	Number of occupational accidents
3	5,436	27	9
Occupational accident occurrence rate	Occupational accident severity rate	Number of management reviews for manifested risks	Number of internal reports
0.25	0.00	27	3

Initiatives supporting Management System

Strengthening Corporate Governance

Basic Concept

FDK Group conducts reviews of the management system as necessary for each measure based on the general principles of the Corporate Governance Code stipulated by the Financial Instruments Exchange as well as establishes organizations and introduces other necessary measures because it believes strengthening corporate governance improves the soundness and transparency of the company and improves the value for FDK shareholders.

FDK strives to heighten fairness and transparency with broad disclosure of information such as the provision of financial information via the Internet while working to quickly release management information.

Moreover, FDK has introduced a corporate officer system composed of two directors and corporate executive officers as well as nine corporate officers to operate businesses that separate the auditing of management and the business operating system.

In addition, of our seven directors, who include Audit and Supervisory Committee members, three are outside directors.

Board of Directors

The FDK Board of Directors is composed of four directors (excluding directors who are Audit and Supervisory Committee members) and three directors who are Audit and Supervisory Committee members. Board of Directors meetings are held once every month to determine

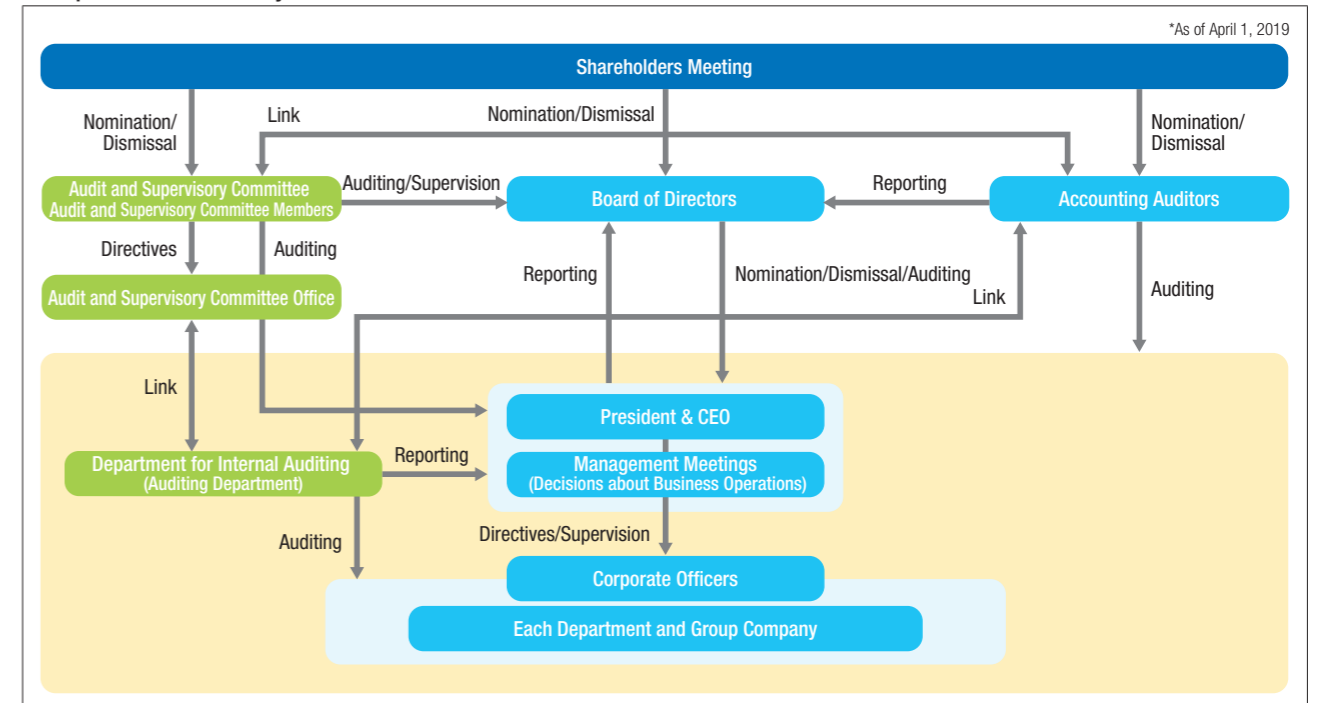
important management matters and deliberate the progress status of performance and investigate the measures.

Audit and Supervisory Committee

The FDK Audit and Supervisory Committee is composed of three directors, including two outside directors, with meetings held once a month and whenever else a meeting is deemed appropriate to monitor and audit the appropriateness and validity of management. Furthermore, each Audit and Supervisory Committee member attends the Board of Directors meetings to share objective and fair insight about overall management and each matter while also auditing the appropriateness and validity of business operations of the directors according to the auditing policies formulated by the Audit and Supervisory Committee.

FDK has established an Audit and Supervisory Committee Office with the purpose to facilitate high-quality auditing and supervision as well as to contribute to the strengthening of governance through smooth informational sharing with outside directors who are Audit and Supervisory Committee members. FDK aims to improve the effectiveness and efficiency of auditing with close links that include bilateral informational exchange and sharing of opinions between the Audit and Supervisory Committee, Audit and Supervisory Office, Accounting Auditors, and the Auditing Department.

Corporate Governance System chart



Building an Internal Control System

Basic Concept

As a means to fulfill corporate social responsibilities, FDK Group approved the "Basic Policy for Establishing an Internal Control System" at the Board of Directors meeting by recognizing the necessity of strengthening corporate governance to maintain a sound and strong relationship with FDK stakeholders from employees to suppliers and local communities while ensuring the appropriateness of operations and reliability of financial reporting in addition to realizing management that complies with relevant laws and the Articles of Incorporation.

Comply with the Corporate Governance Code

FDK released a corporate governance report in June 2018. FDK subsequently released a governance report in December 2018 reflecting revisions to the Corporate Governance Code enacted on June 1 of that year, and FDK continued throughout FY2018 to enhance the items of compliance.

Ensure Compliance

Basic Concept

FDK Group established the "FDK Group Corporate Conduct Guidelines" in 2000 as the standard of conduct for each and every employee. FDK Group strives to earn trust from consumers, customers and suppliers by clarifying the policy that states, "FDK Group acts with a sense of ethics and complies with the laws and social codes", in FDK Action Guidelines. FDK encourages awareness and action of each individual by displaying and allowing every employee to confirm our Action Guidelines on each work site while also publishing them on FDK intranet.

Corporate Governance Code Strengthening and enhancing "General Principle 4: Responsibilities of the Board of Directors"

(1) Directorship training

FDK held training for directors as well as corporate officers once this year (covering two themes) with the objective of updating expert knowledge and acquiring knowledge outside of that scope of expertise in an effort to increase the expertise and knowledge of FDK directors.

(2) Board of Directors performance evaluation

Continuing from last year, FDK held discussions based on survey questionnaire evaluation methods and the results of third-party analysis of questionnaires. In doing so, FDK dug deeper into the heart of issues for the Board of Directors and undertook efforts to strengthen their supervisory functions.

Conducting Education

FDK Group explains laws and regulations closely related to work from internal regulations to the Foreign Exchange and Foreign Trade Control Law, the Product Liability Act, Antimonopoly Law, and Personal Information Protection Law in stratified training for new employees and new managers to bring about understanding. In addition, FDK conduct various compliance training for all of the employees. FDK also holds trainings annually at each business site related to export management and subcontracting transactions.

In FY2018, FDK implemented an e-learning program for all employees regarding the Pharmaceutical and Medical Devices Act and

the Antimonopoly Act, attended by a total of 5,436.

In addition, FDK strives to raise awareness about laws and regulations by providing employees a broad range of information about compliance that includes information about amendments to laws and regulations, and an introduction of examples about violations using the intranet.

FDK communicated information 27 times in FY2018 on topics including the Foreign Exchange Act and the Antimonopoly Act.



Ensure Compliance (Head Office presentation conference)

Complying with Laws and Regulations Related to Business Operations

The business operations of the FDK Group must comply with a wide range of laws, regulations and standards. In addition to this broad compliance, understanding culture and customs and clearly responding to social trends are part of comprehensive compliance from an ethical perspective. FDK has also put in place dedicated organizations for each field of compliance such as Health and Safety Committee, Environmental Management Committee, Product Chemical Substances Management Committee, Export Management Committee and Product Safety Promotion Committee in an effort to operate its businesses in compliance with all laws and regulations.

Actions for Health Safety and Safety Activities, Number of Incidents, and Measures Against Occupational Accidents

1. Health and Safety Policy

FDK aims to improve and ensure the safety and health of its employees under the basic principle that occupational accidents must not happen. Every employee participates in building a safe and comfortable workplace by systematizing and continually developing independent occupational health and safety activities for the purpose of eliminating all occupational accidents. FDK also places importance on employee mental health measures not just from the perspective of employees and their families, but also in terms of earning trust as a company and operating business smoothly. These actions have strengthened our mental health efforts.

2. Occupational Safety Promotion System

The FDK Group holds quarterly meetings of the Central Health and Safety Committee, which includes the president and the chairman of the labor union, as a supervisory function for the Health and Safe-

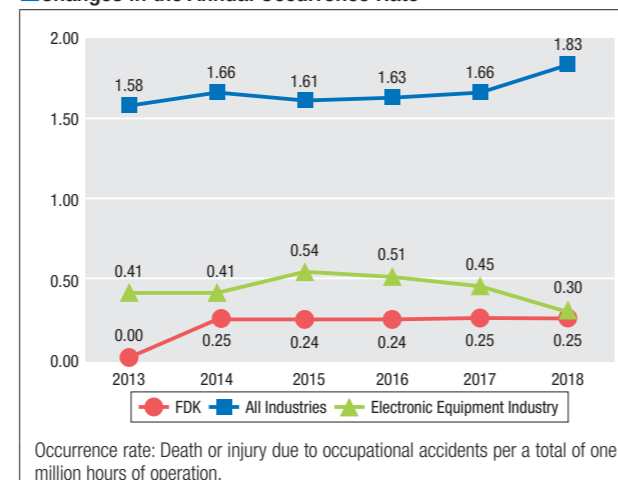
ty Committees at each business site. The central committee shares information about activities at each business site while formulating Group-wide activity plans.

The "On-Site Health and Safety Committees" are held jointly by labor and management at each business site every month to conduct health and safety measures appropriate for that business site. In addition, some business sites have been certified under the OHSAS18001 international occupational health and safety assessment.

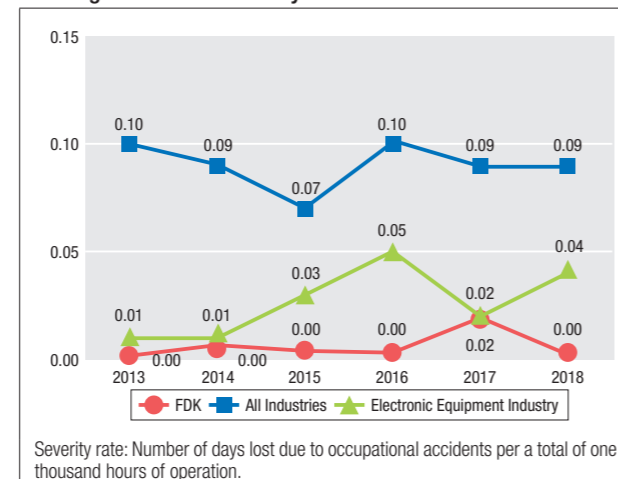
3. Status of Occupational Accidents

Nine occupational accidents occurred in FY2018 (after four the previous fiscal year). The occurrence rate and severity rate of occupational accidents of FDK has continued better than the level of the national and the electronic equipment industry average.

Changes in the Annual Occurrence Rate



Changes in Annual Severity Rate



4. Occupational health and safety education

While implementing stratified occupational health and safety education for all new employees throughout the FDK Group, FDK also carry out skill enhancement education and help with acquisition of official certifications.



Experiential danger training: press injury accidents

Experiential danger training: gear roller injury accidents



Experiential danger training: pointing and calling

Risk Management Initiatives

1. Risk & Compliance Committee

FDK has established a Risk & Compliance Committee as the highest decision-making body related to risk management and compliance in accordance with the "Basic Policy for Establishing an Internal Control System" to prevent the manifestation of risks for certain losses in the execution of business by the FDK Group, properly respond to any manifested risks, and prevent any recurrence.

2. Risk Management Framework

The Risk & Compliance Committee grasps the state of risk management throughout the FDK Group, makes decisions about and puts into practice policies, processes and other matters in addition to facilitating ongoing improvements.

3. Risk Management Process

Each department takes the following steps. (1) Identify, evaluate and verify potential risks inherent to business activities. (2) Clarify the priority of response for each risk and determine risk control policies (avoidance, mitigation, migration and retention of risks). (3) Execute measures in each department to prevent risks before they manifest in accordance with decided policies. Each department rapidly escalates response in the event any risks do manifest. Any issues are resolved as quickly as possible to minimize the impact through an appropriate response in cooperation with each relevant department and the Risk & Compliance Committee Secretariat as well as working to identify the underlying causes in addition to formulating and executing plans to prevent recurrence.

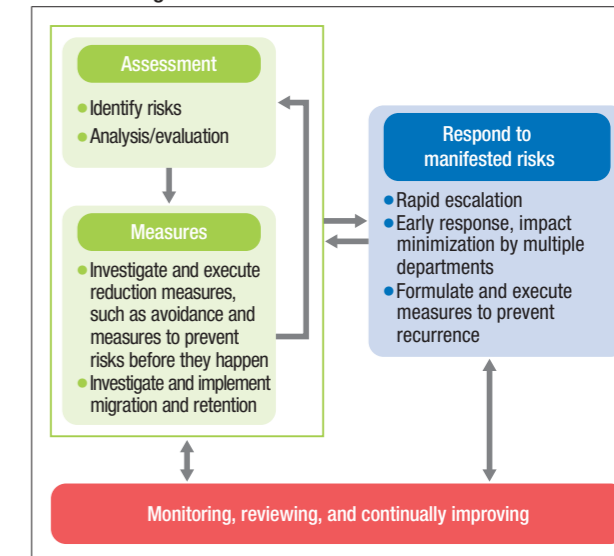
FDK checks the progress of execution during each of these steps and makes improvements as necessary.

Examples of Crisis (Manifested Risks)

- 1 Natural disasters/accidents
- 2 Product trouble
- 3 Corporate attacks/compliance breaches
- 4 Informational security trouble
- 5 Environmental issues, etc.

In FY2018, management reviews were conducted regarding 27 incidents of manifested risk.

Risk Management Process chart



Internal Reporting System

FDK has established an "Internal Reporting Desk" and "Supplier Compliance Desk" to receive reports and consultations about internal rule breaches and actions that violate laws or regulations. The "Internal Reporting Desk," "Supplier Compliance Desk," and the "Internal Reporting Regulations" guarantee anonymity of anyone who reports a violation in addition to ensuring no harm is done as a result of reporting an issue. Any issue discovered as a result of investigation into a report is immediately addressed with reform measures. There were three reports in FY2018 which were addressed appropriately.

Internal reporting system

