

# Earnings Results Presentation

for the First Half of the Fiscal Year  
Ending March 31, 2024 (110th term)



November 15, 2023

Futaba Industrial Co., Ltd.



## FUTABA



1. Overview of the First Half of the Fiscal Year Ending March 31, 2024

2. Full-Year Earnings Forecasts for the Fiscal Year Ending March 31, 2024

3. Progress on Medium-Term Management Plan, etc.

# Earning Results Summary

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(Million yen)

	FY3/2024 H1 Results	FY3/2023 H1 Results	Change	Change (%)
Sales				
[including parts supplied by customers]	403,340	326,457	+76,882	+23.6%
[excluding parts supplied by customers]	225,850	177,643	+48,206	+27.1%
Operating profit	9,445 (2.3%) (4.2%)	-289 (-0.1%) (-0.2%)	+9,734	—
Ordinary profit	9,527 (2.4%) (4.2%)	-208 (-0.1%) (-0.1%)	+9,736	—
Profit attributable to owners of parent	6,739 (1.7%) (3.0%)	-1,102 (-0.3%) (-0.6%)	+7,841	—

The figure in parentheses ( ) indicates the ratio to sales.

Top: Including parts supplied by customers

Bottom: Excluding parts supplied by customers

Exchange rates (1 USD)	141.0 yen	134.0 yen	The Japanese currency fell by 7.0 yen against the U.S. dollar.
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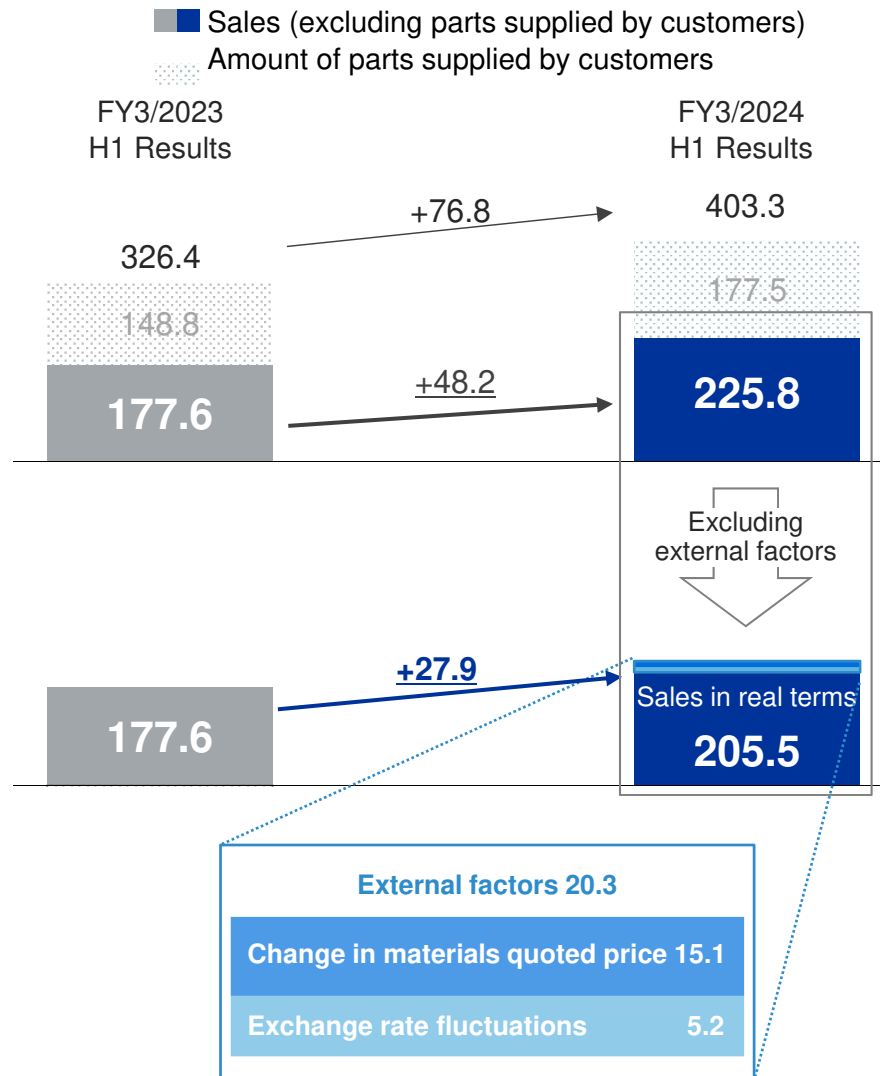
# Earning Results Summary Breakdown of Sales:

## Impacts of parts supplied by customers/materials quoted price/exchange rate fluctuations

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### ◆ Sales

(Billion yen)



- Sales including parts supplied by customers rose 76.8 billion yen.
- Sales excluding parts supplied by customers rose 48.2 billion yen.
- Sales in real terms, excluding the effects of changes in materials quoted prices and fluctuations in foreign exchange rates, increased 27.9 billion yen (15.5%) compared to the same period of the previous fiscal year.

- Meaning of the term "parts supplied by customers"  
Catalysts and other parts supplied for value by customers  
Sales prices of products, including parts supplied by customers, include values of parts supplied by customers and have no impact on profits
- Meaning of the term "changes in materials quoted prices"  
It means that, due to changes in market conditions, unit purchase prices of materials and materials costs, which are components of sales prices, fluctuate by the same amount.  
There is no impact on profits because sales and costs fluctuate by the same amount
- Meaning of the effects of fluctuations in foreign exchange rates  
It means that, when converting the financial figures of overseas subsidiaries into yen equivalent, differences arise in foreign exchange rates, sales, etc. between the previous fiscal year and the fiscal year under review.

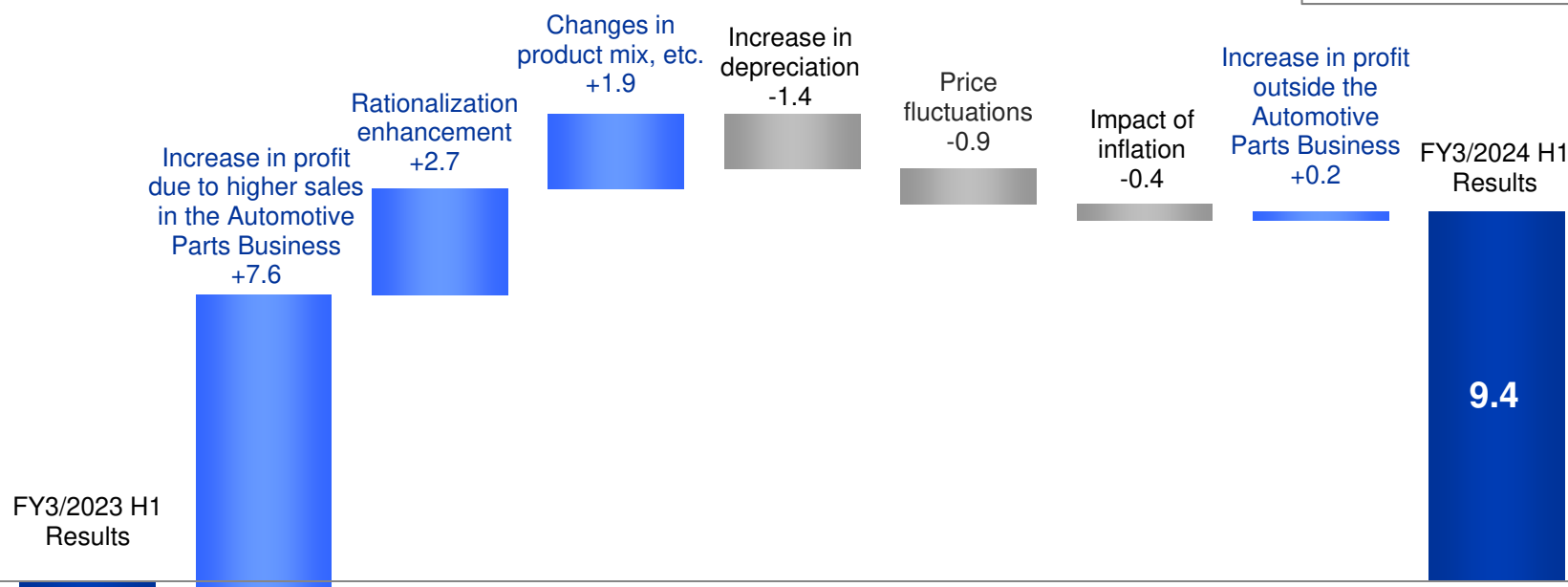
# Analysis of Change in Operating Profit

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Change in operating profit: **Up 9.7 billion yen**  
(from -0.3 billion yen to 9.4 billion yen)

(Billion yen)

Factors for profit increase  
Factors for profit decrease



-0.3									Change	
	0.2	+5.6	+1.1	+1.3	-0.7	-0.2	-0.6	-0.4	6.3	+6.1
a	-2.2	+2.5	+0.7	-0.2	-0.3	-0.3	+0.5	-0.1	0.6	+2.8
e	0.6	-0.1	+0.1	+0.2	-0.1	-0.1	-0.1	0.0	0.5	-0.1
	0.7	-0.5	+0.7	+0.2	-0.3	-0.3	-0.2	+0.7	1.0	+0.3
	0.4	+0.1	+0.1	+0.4	0.0	0.0	0.0	0.0	1.0	+0.6
	-0.3								9.4	+9.7

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# Full-year Earnings Forecast

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The full-year earnings forecast announced on July 27 has been revised upwards in view of the Q2 results and the current situation in Q3.

							(Billion yen)
	Current forecast for FY3/2024		Previous forecast for FY3/2024	Change	Change (%)	FY3/2023 Results	Change
Sales	810.0		770.0	+400	+5.2%	708.0	+102.0
[including parts supplied by customers]							
[excluding parts supplied by customers]	455.0		430.0	+250	+5.8%	397.2	+57.8
Operating profit	15.0	(1.9%) (3.3%)	11.0	+40	+36.4%	7.6	+7.4
Ordinary profit	14.0	(1.7%) (3.1%)	10.0	+40	+40.0%	7.7	+6.3
Profit attributable to owners of parent	10.0	(1.2%) (2.2%)	7.0	+30	+42.9%	10.5	-0.5

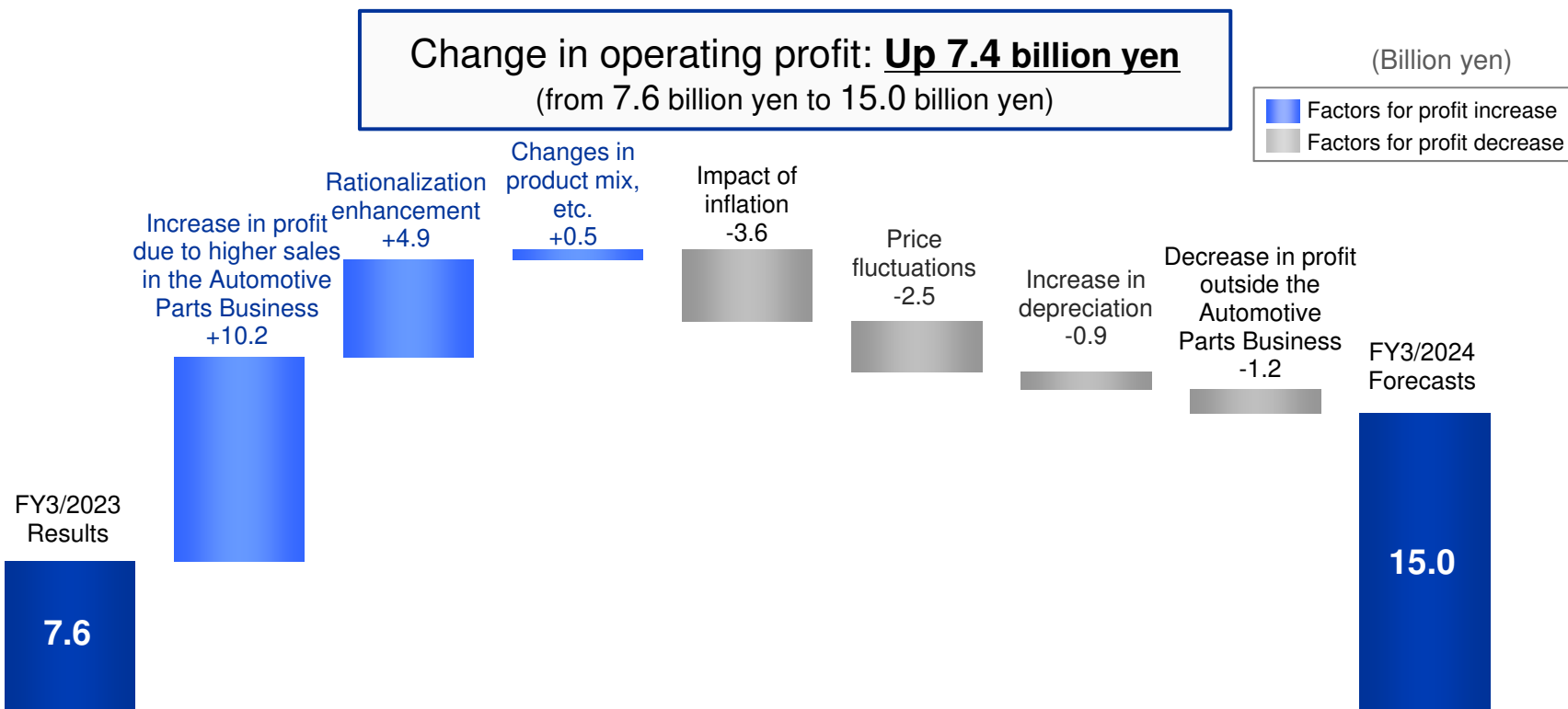
The figure in parentheses ( ) indicates the ratio to sales.

Top: Including parts supplied by customers Bottom: Excluding parts supplied by customers

Exchange rates (1 USD)	140.0 yen	130.0 yen	The yen will fall by 10.0 yen against the U.S. dollar.
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# Analysis of Change in Operating Profit

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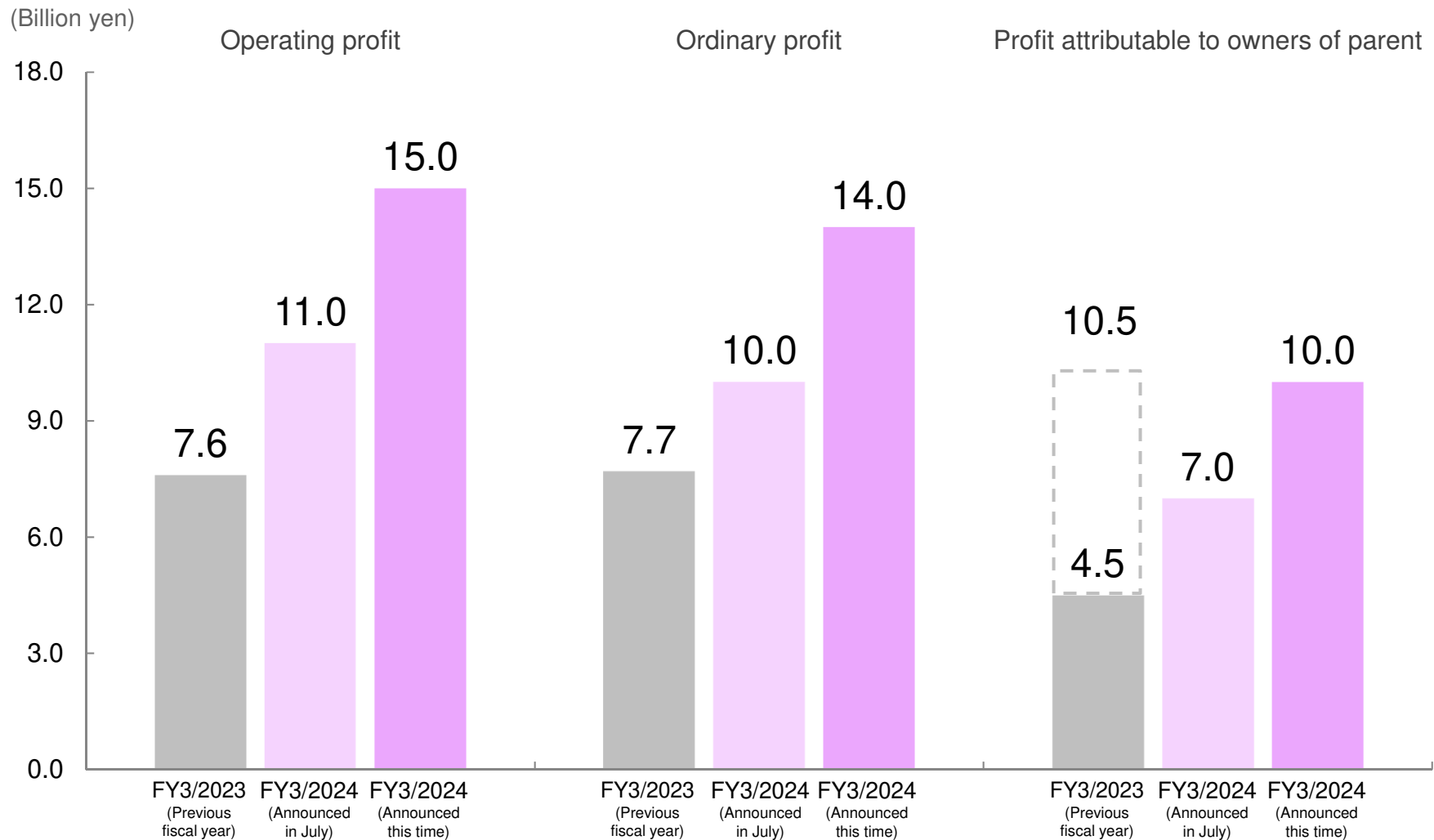


The figure in parentheses ( ) indicates the rise in labor expenses.

										Change
Japan	3.1	+7.1	+2.1	+1.5	-1.8 (-1.1)	-0.7	-1.0	-0.8	9.5	+6.4
North America	-0.7	+4.3	+1.1	-1.4	-0.8 (-0.4)	-0.7	+0.1	-0.3	1.6	+2.3
Europe	1.0	+1.0	+0.3	-0.1	-0.4 (-0.4)	-0.4	+0.1	0.0	1.5	+0.5
China	2.7	-2.5	+1.1	+0.6	-0.4 (-0.4)	-0.7	-0.1	0.0	0.7	-2.0
Asia	1.5	+0.3	+0.3	-0.1	-0.2 (-0.2)	0.0	0.0	-0.1	1.7	+0.2
	<u>7.6</u>								<u>15.0</u>	<u>+7.4</u>

# Trends in Profits from FY3/2023 to FY3/2024

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Profit attributable to owners of parent increased 5.5 billion yen year on year excluding income taxes - deferred of 6.0 billion yen attributable to the posting of deferred tax assets in the previous fiscal year.

## ◆ Dividend forecast for FY3/2024

Following the revision to the earnings forecast, the dividend forecast for FY3/2024 has also been revised from what was announced on July 27 to 30 yen per share, consisting of an interim dividend of 15 yen per share and a year-end dividend of 15 yen per share.

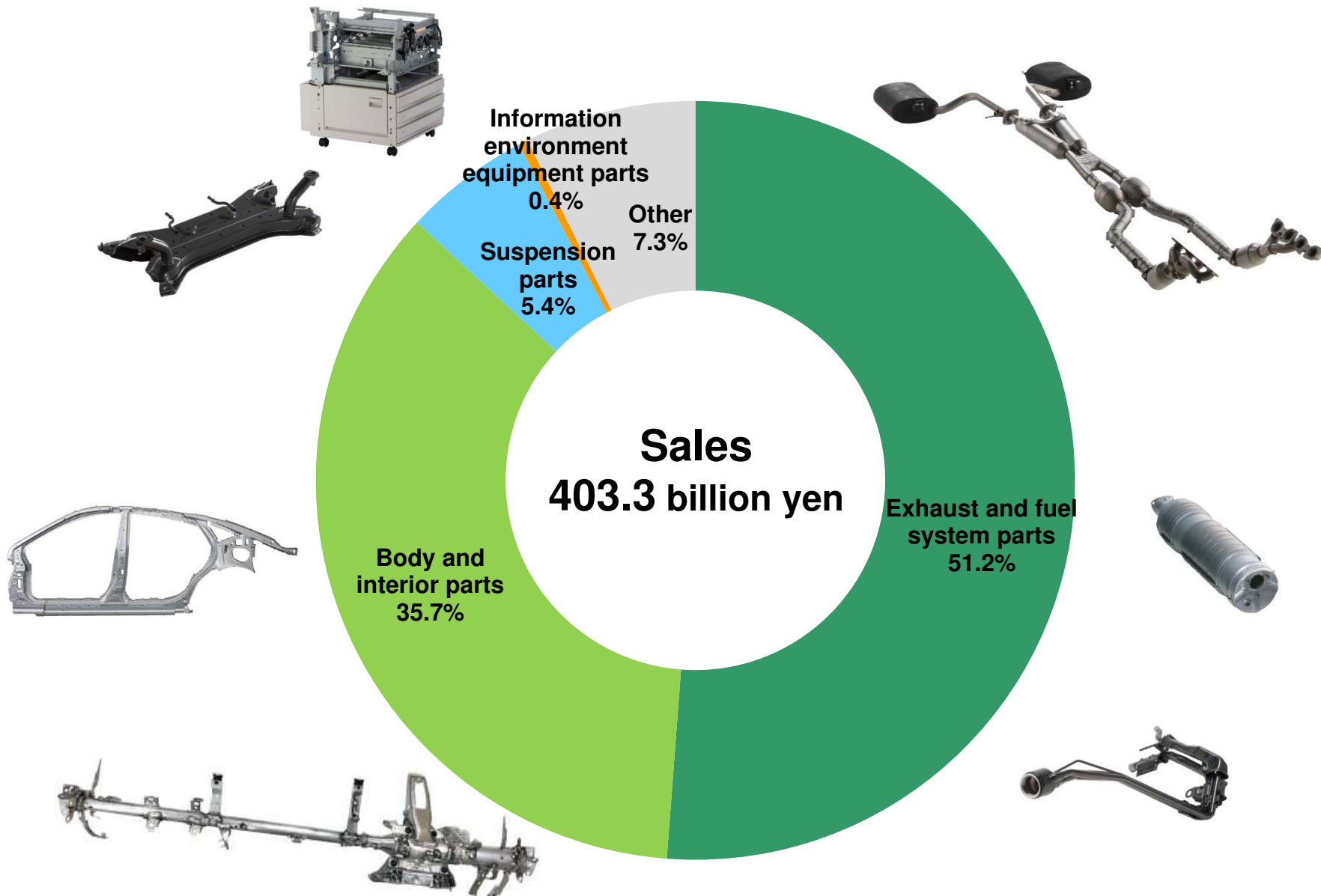
## ◆ Past trends in dividends

	103rd term (March 2017)	104th term (March 2018)	105th term (March 2019)	106th term (March 2020)	107th term (March 2021)	108th term (March 2022)	109th term (March 2023)
	Yen	Yen	Yen	Yen	Yen	Yen	Yen
End of Q2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
End of FY	3.00	10.00	10.00	10.00	10.00	10.00	15.00
<b>Total</b>	<b>3.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>15.00</b>
Dividend payout ratio	4.6%	8.3%	25.5%	14.1%	21.9%	27.1%	* 12.7%
	Billion yen	Billion yen	Billion yen	Billion yen	Billion yen	Billion yen	Billion yen
Net profit	4.8	10.7	3.5	6.3	4.0	3.3	10.5

Announced on April 26    Announced on July 27

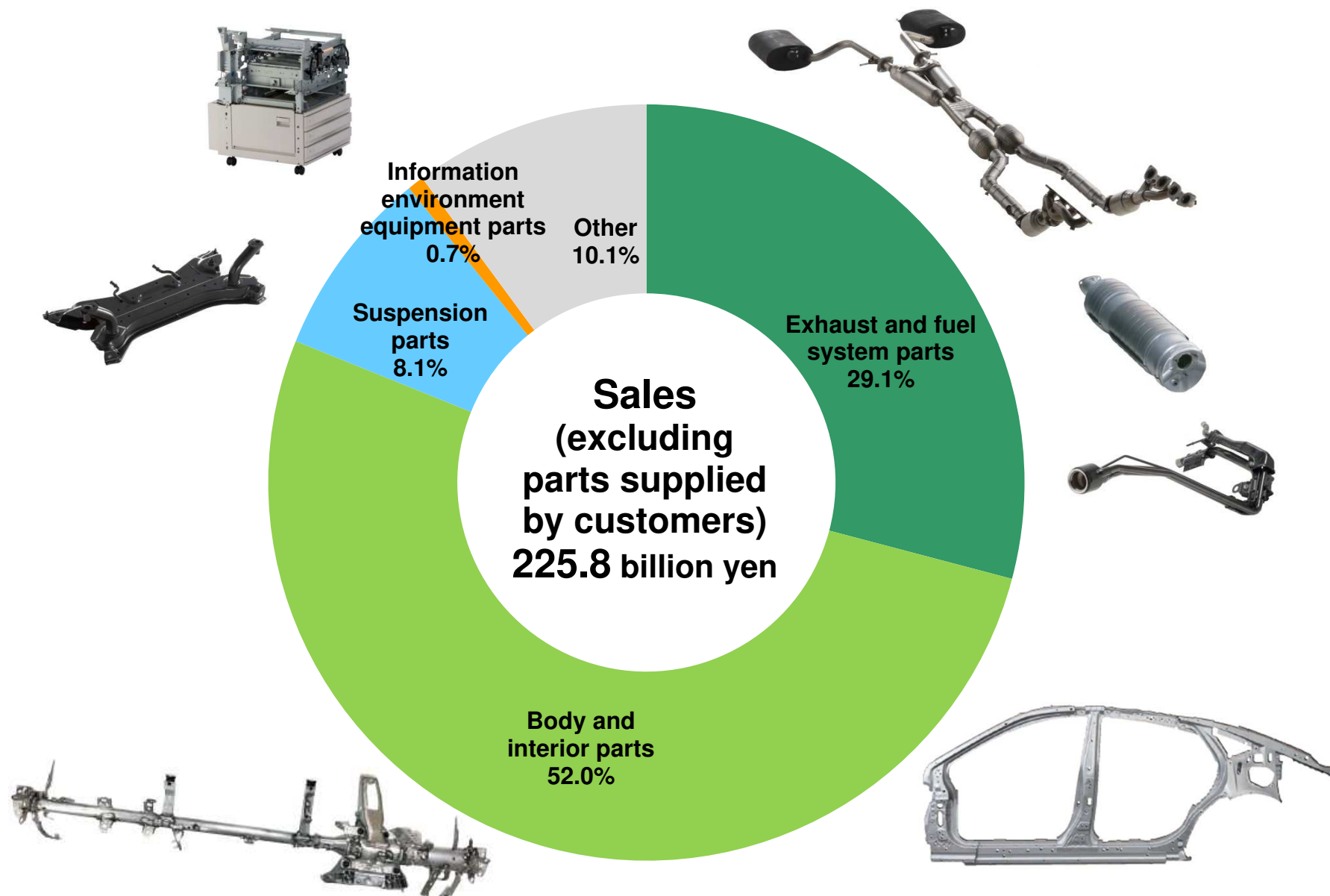
110th term (March 2024)	110th term (March 2024)	110th term (March 2024)
Yen	Yen	Yen
<b>9.00</b>	<b>9.00</b>	<b>15.00</b>
<b>9.00</b>	<b>9.00</b>	Forecast 15.00
<b>18.00</b>	<b>18.00</b>	Forecast 30.00
29.3%	23.0%	Forecast 26.8%
Billion yen 5.5	Billion yen 7.0	Billion yen Forecast 10.0

\* Excluding a rise in deferred tax assets (6.0 billion yen)  
Profit: 4.5 billion yen, Payout ratio: 29.8%



# [Reference] Sales Breakdown by Product Category for FY3/2024 (excluding parts supplied by customers)

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Improve financial condition

Response to carbon neutrality

Investment in human resources

Risks and opportunities

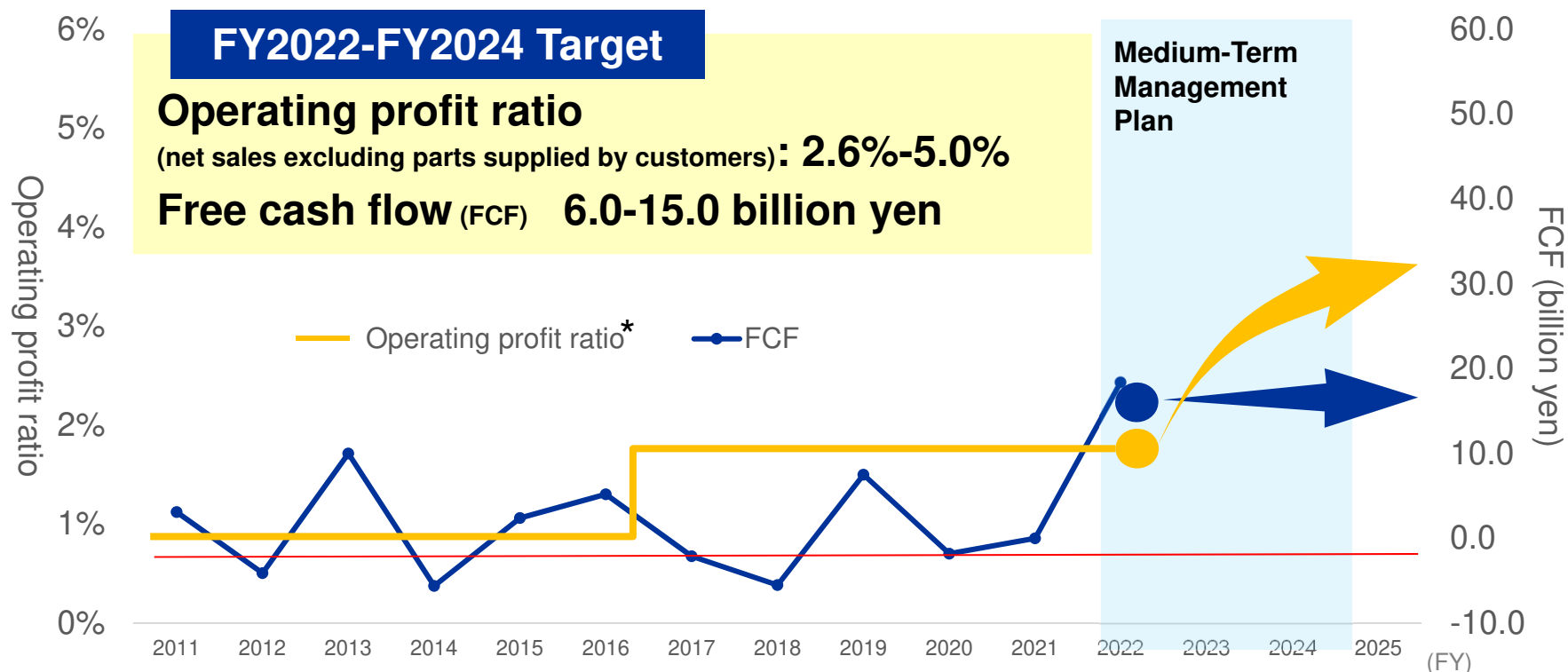
Strengthening earnings capacity and working to increase free cash flow (FCF)

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(1) Shareholder returns

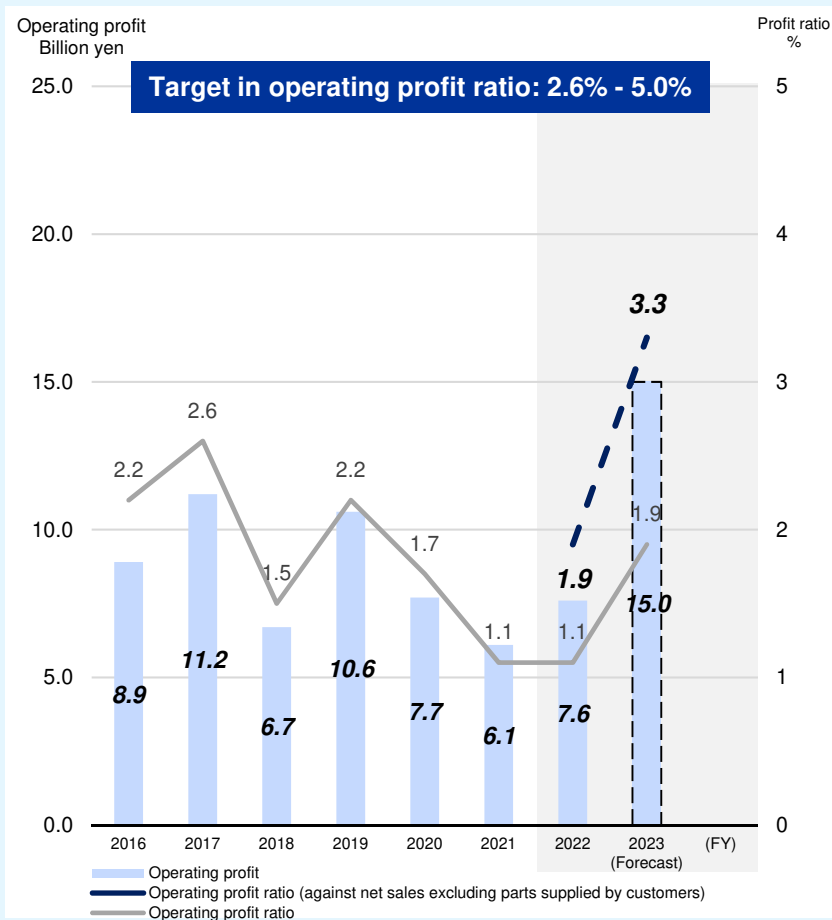
(2) Repayment of interest-bearing debt

(3) Investment in growth



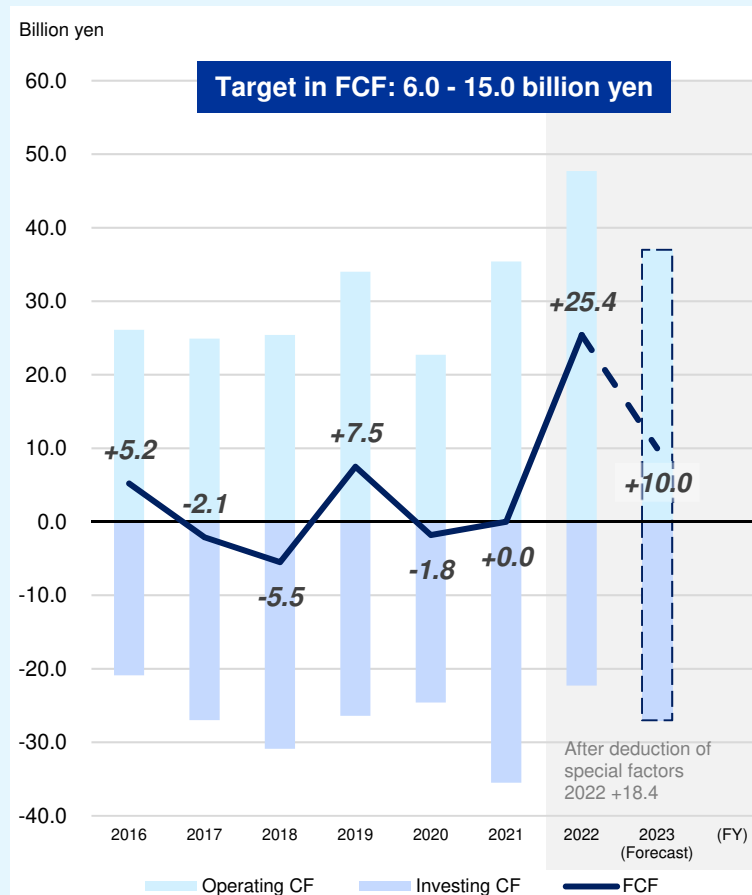
\* Parts supplied by customers included up to FY2021

## Operating profit ratio



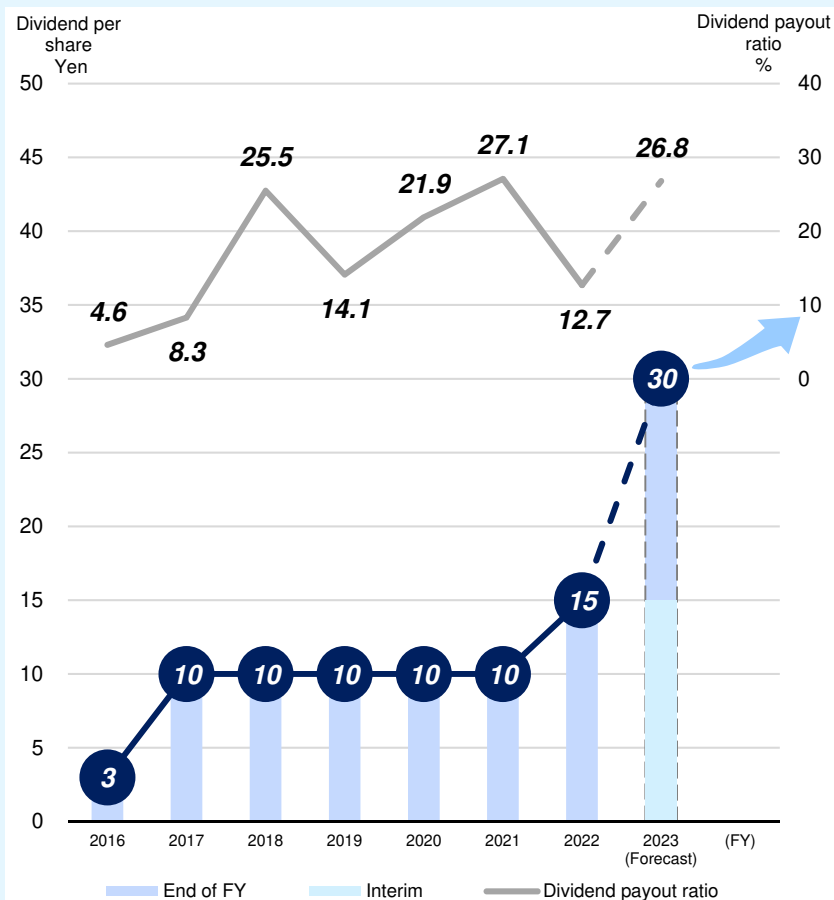
**Accelerate activities that lower the breakeven point in net sales.**  
**Increase efficiency in terms of both variable and fixed costs.**

## Free cash flows



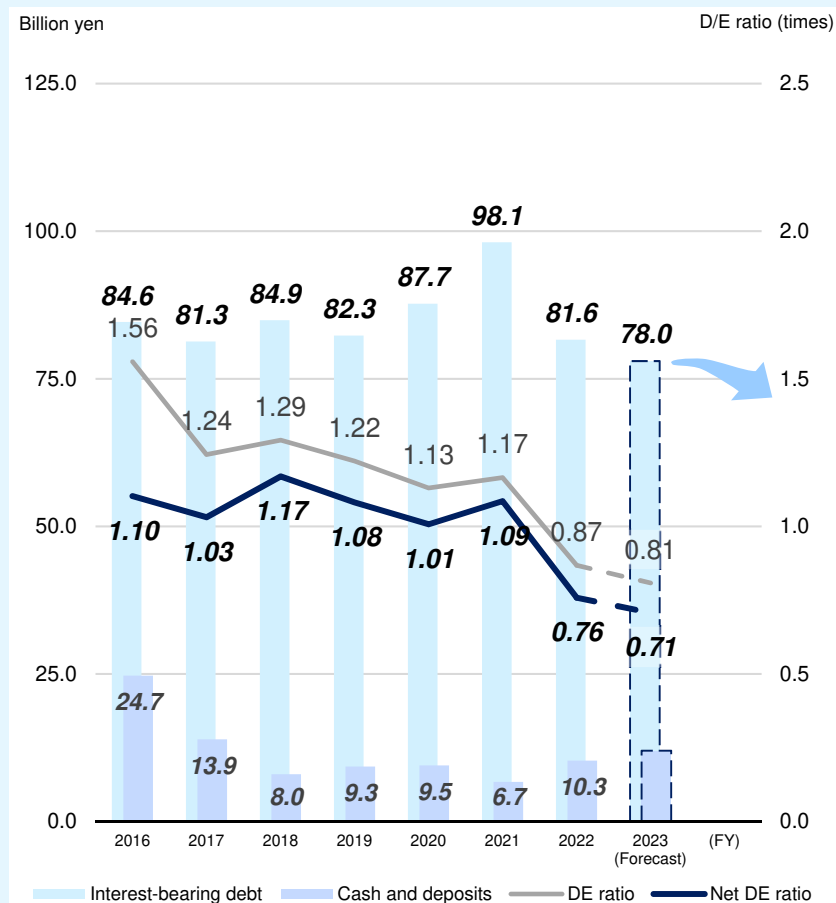
**Attain constant profitability.**  
**Allocate to (1) shareholder returns, (2) repayment of interest-bearing debt, and (3) investments in growth (with a focus on advanced development).**

## (1) Shareholder returns



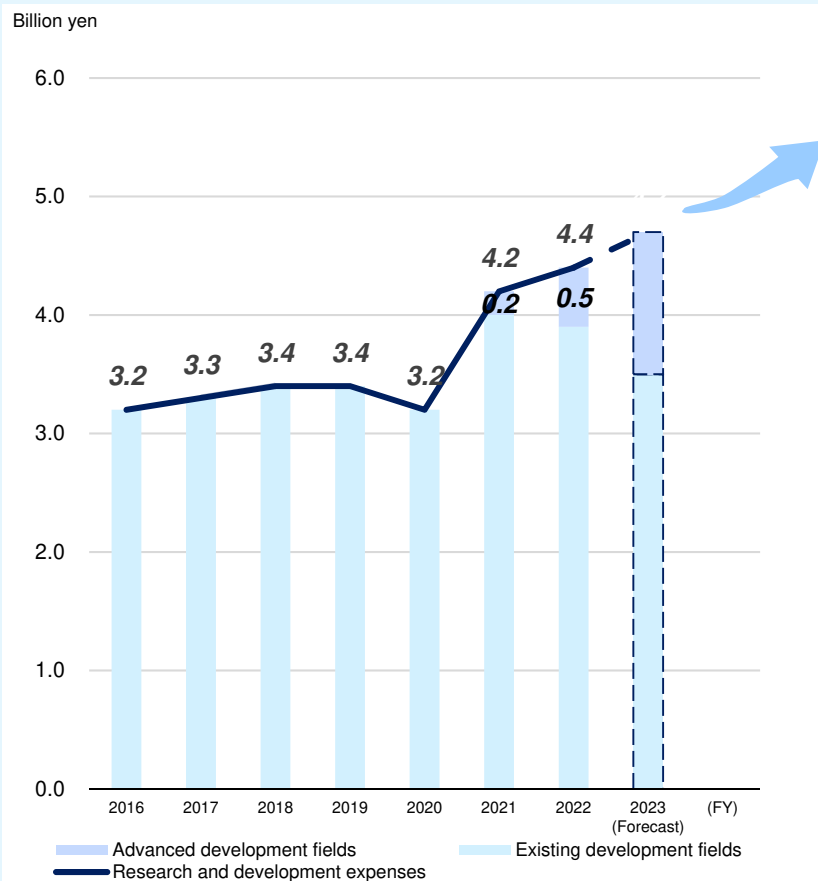
**Payout ratio target set around 30%**  
**Strive to maintain and increase the amounts of dividends.**  
 \* An interim dividend was paid for the first time in 15 years.

## (2) Repayment of interest-bearing debt



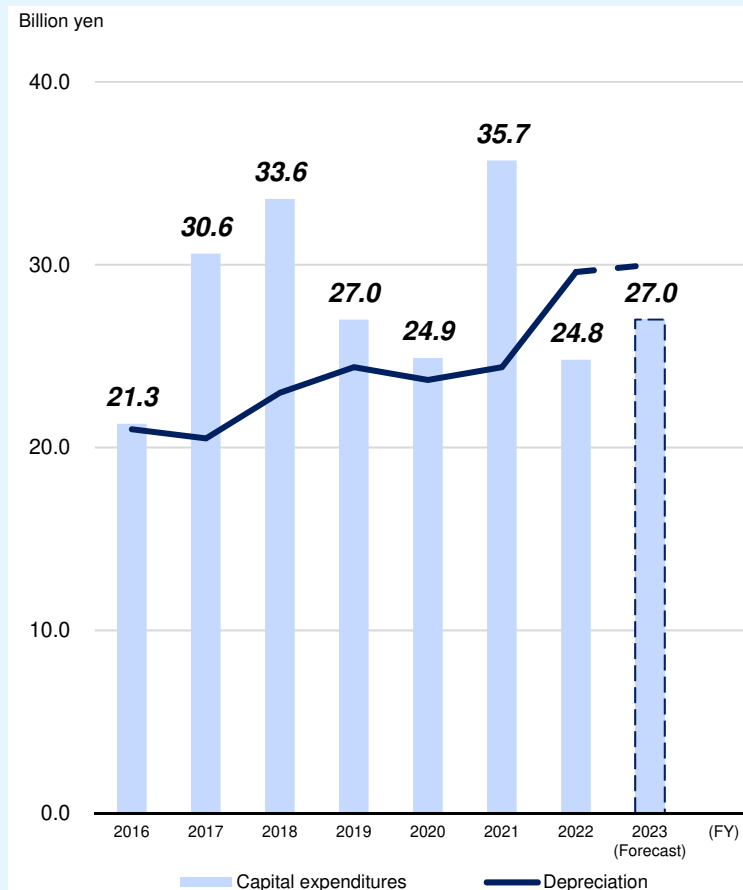
**Continue cutting interest-bearing debt.**  
**Increase fund liquidity inside the Group to reduce interest-bearing debt.**

## (3) Investments in growth (research and development expenses)



**Increase the ratio of research and development expenses to net sales in real terms from around 1% to a range of 2% to 3%.  
Shift from existing fields to advanced fields.**

## Capital expenditures



**To achieve the free cash flow target, set the upper limit of capital expenditures at 25 to 35 billion yen. Follow a basic principle of making no investment exceeding the amount of depreciation.**

- Strive to improve the financial standing in view of the medium-term management targets and seek to achieve sustainable growth and medium- to long-term increases in corporate value and shareholder value.
- Carry out management with attention to capital cost and share price with a view to quickly reaching a price-to-book-value ratio of 1.

### Capital profitability

**ROE: 10% or more**

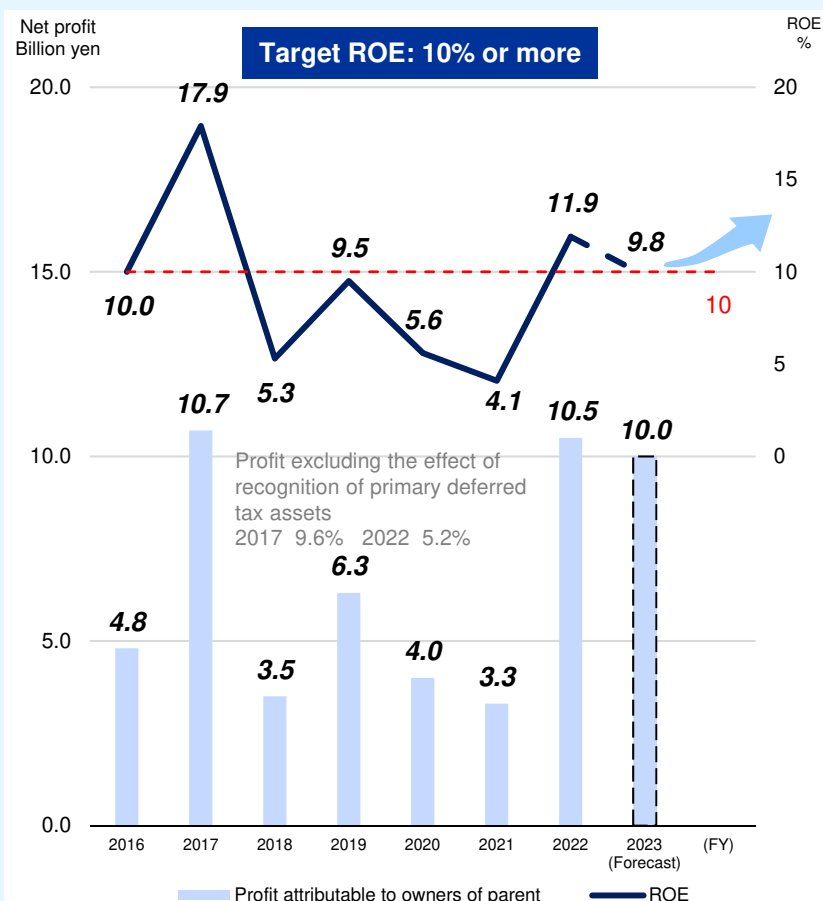
- ✓ Employ ROE as a KPI in return on capital profitability and set a target that is higher than the shareholders' equity cost.
- ✓ Use the WACC-based internal hurdle rate at the time of considering capital expenditures.
- ✓ Measure and evaluate return on invested capital on a location-by-location basis.

### Financial soundness

**Equity ratio: Over 40%**

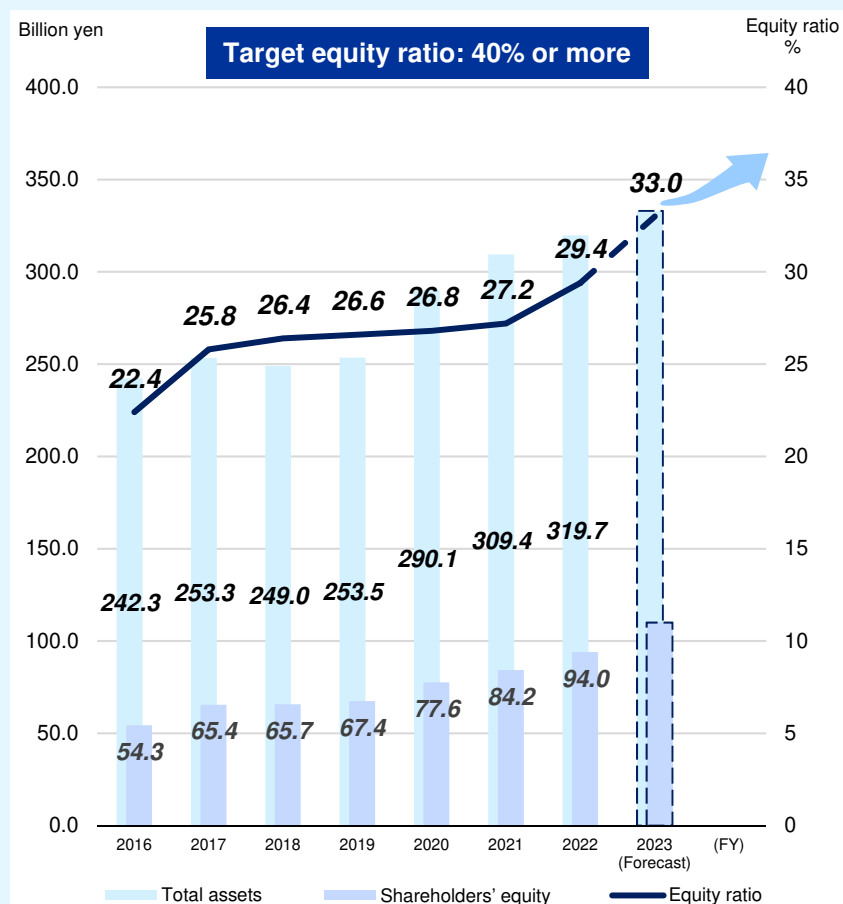
- ✓ Increase the equity ratio and reduce the D/E ratio for strengthening the financial standing.
- ✓ Aim to have the JCR bond rating upgraded from the current BBB+ to A-.
- ✓ Toughen capital expenditures management to limit the amount of capital expenditures.

## ROE



**Expressly specify an ROE target of 10% or more.  
Work on realization of management that is  
conscious of cost of capital.**

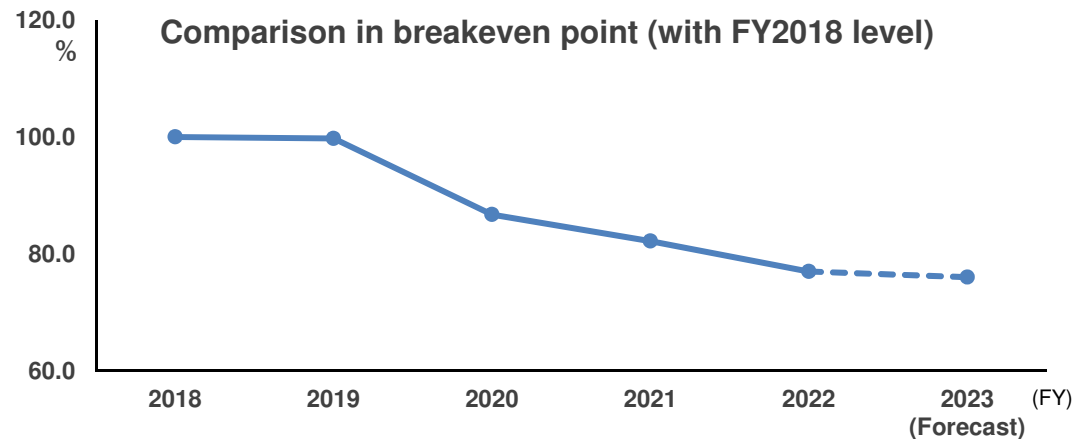
## Equity ratio



**Improve profitability and strengthen shareholders' equity.  
Improve turnover of inventories and non-current assets.**

## Improvement in breakeven point (Japan)

[Futaba Industrial (automotive parts business)]



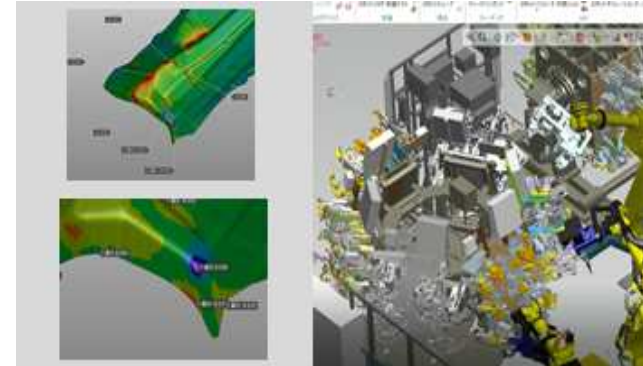
## (2) Best practice activities



- Improve productivity in pressing
- Improve revenue from interior parts
- Increase the competitiveness of exhaust system parts
- Integrate and suspend production lines for body parts
- Integrate and suspend production lines for exhaust system parts

Seek to be the industry's best in yield and quality and quickly introduce the best practices globally.

## (1) Development process transformation



Shorten development lead time with the use of design support AI, production process simulation and other means.

## (3) Shift to production management at a single location

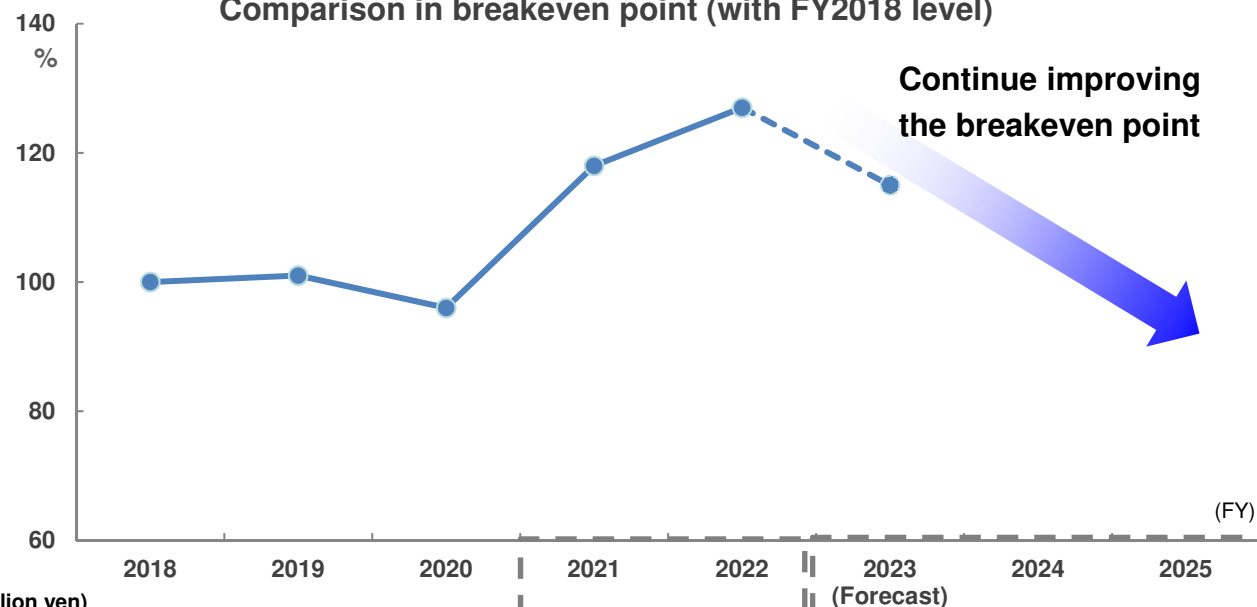


Reduce the indirect processes through digital remote management.

**Introduce activities in Japan globally to increase operating profit.**

## Improvement in breakeven point (North America)

Comparison in breakeven point (with FY2018 level)



(Billion yen)

	2018	2019	2020	2021	2022	2023 (Forecast)	2024	2025
Operating profit	2.3	1.6	0.9	-0.6	-0.7	1.6		

**Causes of operating loss**

- Hike in depreciation after vehicle model change
- Impact of inflation

**Measures to improve the breakeven point**

- Reduce fixed costs at individual locations
- Reduce capital expenditures (optimize investment)
- Reduce logistics costs (optimize processes)



Best practice activities  
Global expansion



Logistical improvement (AGVs)

**Encourage best practice activities and other initiatives in a bid to further improve the breakeven point.**

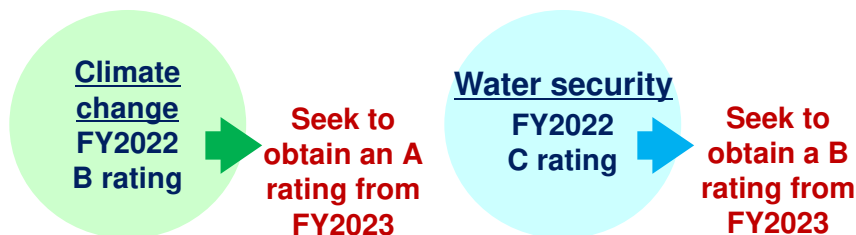
Improve financial condition

Response to carbon neutrality

Investment in human resources

Risks and opportunities

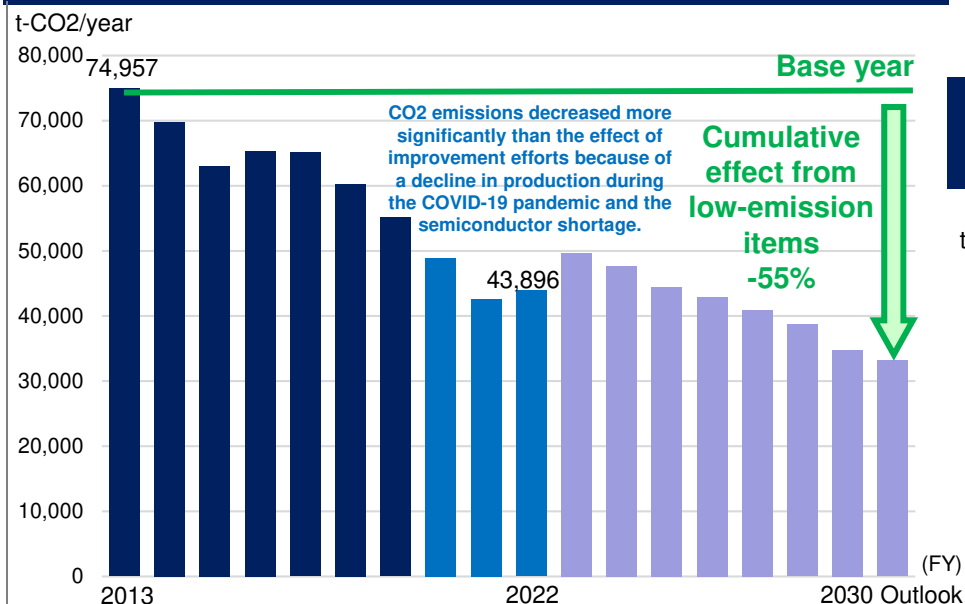
## 1) Seek higher CDP ratings



## 2) Minimize CO2 emissions

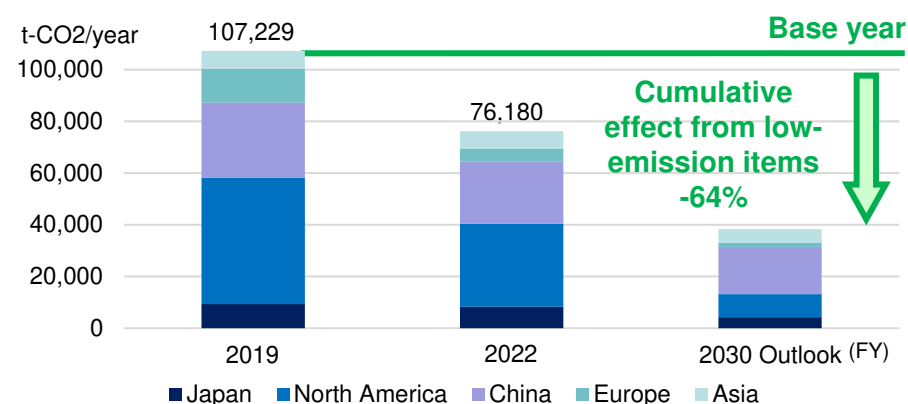
### (1) Non-consolidated

Target for 2030: At least 50% lower than the FY2013 level



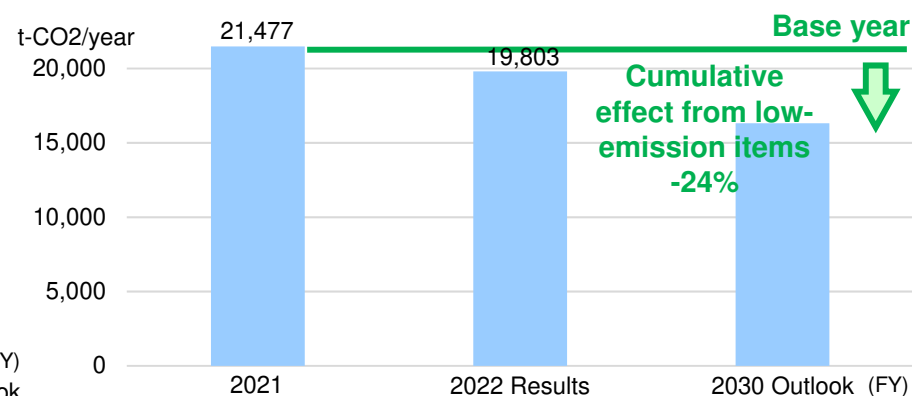
## (2) Group companies

Target for 2030: 33% lower than the FY2019 level



## (3) Suppliers in Japan

Target for 2030: 27% lower than the FY2021 level



## 3) Accept the challenge to achieve carbon neutrality in domestic plants by 2035

Improve financial condition

Response to carbon neutrality

Investment in human resources

Risks and opportunities

# Investment in human resources:

## Active Work by All Personnel and Examples of Major Initiatives

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We are aware that **human resources** are a crucial element of the business foundation needed to realize our value proposition in the three areas of **environment, peace of mind, and quality of life**.

The phrase "**Every employee plays an active role**" represents our basic concept regarding human resources

Value proposition in three areas

Medium-Term Management Policy

Every employee plays an active role

Each individual's  
strengths



Job satisfaction  
(supportive work environment +  
sense of fulfillment)



Taking on challenges

We aim to properly allocate human resources to enable each employee to leverage their strengths, take on challenges, and grow, and to thereby contribute to the sustainable growth of society through the company's business activities.

**Human resources management**

Securing, developing, and utilizing  
diverse human resources necessary in  
the medium- to long-term

**Personnel system reform**

Building a foundation for  
"Every employee plays an active role"

**Human resources management strategy**

- Develop global, digital, and monozukuri human resources
- Promote the active engagement of diverse human resources
- Strengthen management human resources

**Personnel system reform to ensure every  
employee plays an active role**

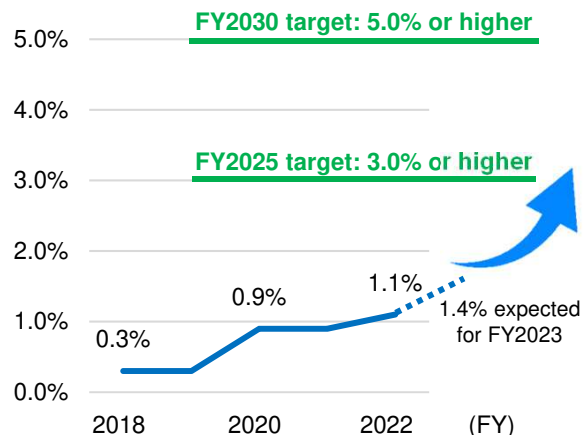
- Promote health management
- Promote diversity, equity, and inclusion
- Cultivate a satisfying work environment for a diverse workforce

# Investment in human resources:

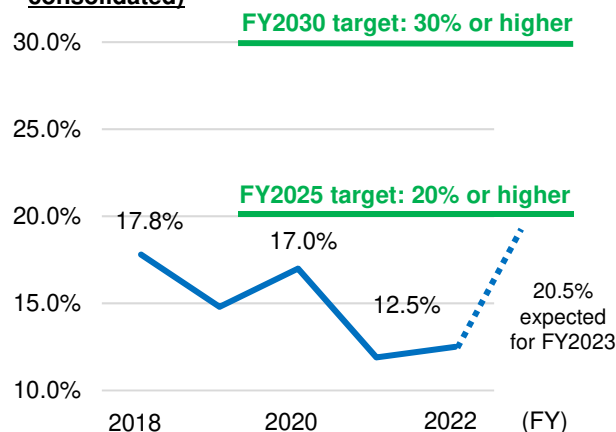
## Active Work by All Personnel and Examples of Major Initiatives

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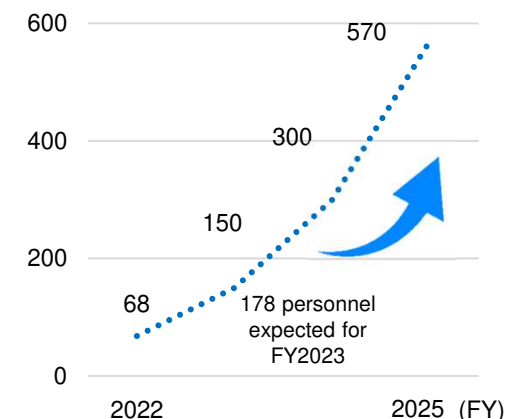
### Ratio of female management positions (non-consolidated)



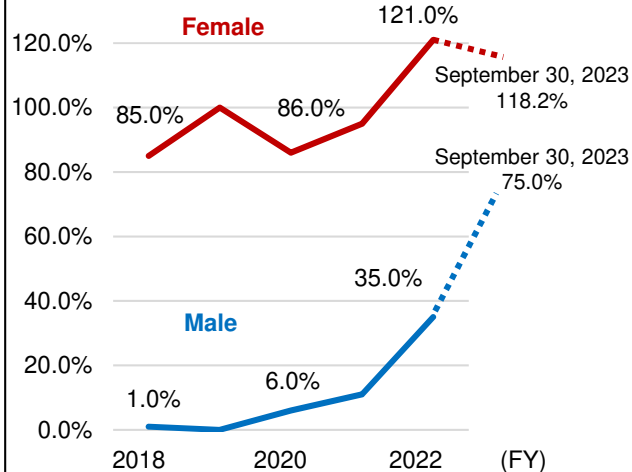
### Percentage of new female graduates hired (on the mainly career track only; non-consolidated)



### DX personnel development plan (non-consolidated)



### Rates of taking childcare leave (non-consolidated)



\* The percentages may exceed 100% because employees and/or spouses of employees who had given birth in a prior fiscal year took childcare leave during the current fiscal year.



Female employee career design training



Creation and implementation of career plans for overseas trainees



Dave Martin,  
President,  
Futaba North America  
Engineering & Marketing Co.

Promotion of a foreign employee  
to executive officer in FY2023

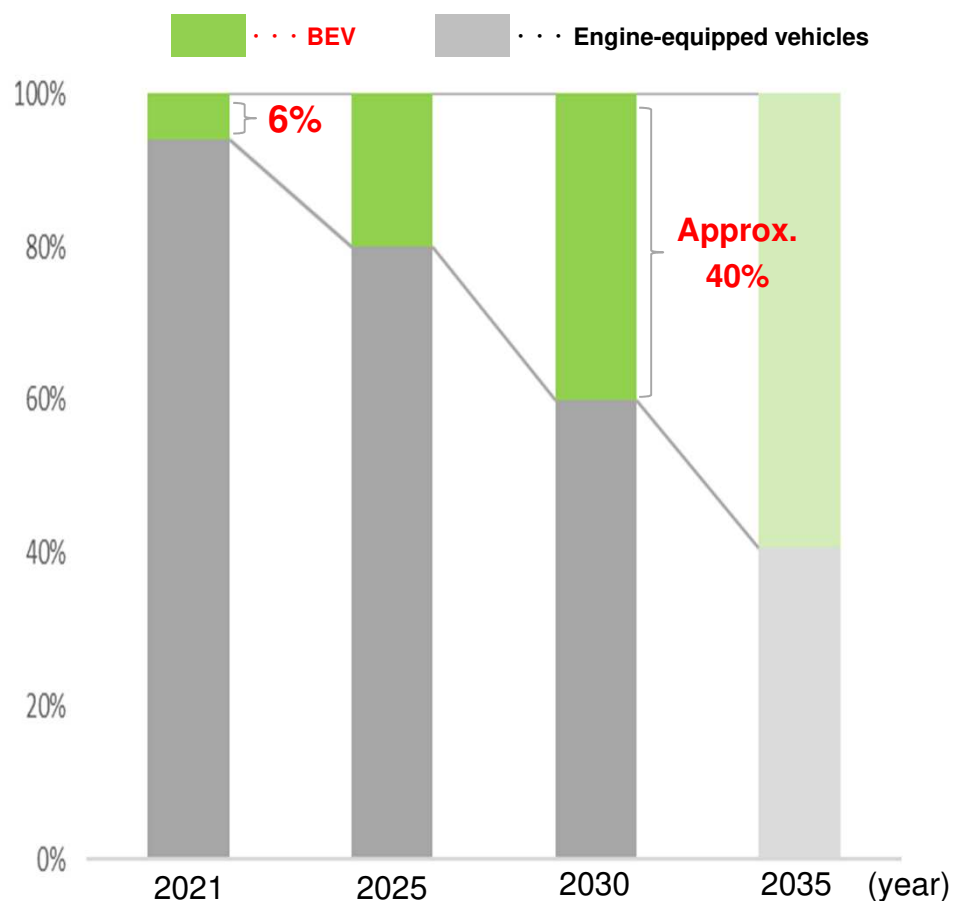
Improve financial condition

Response to carbon neutrality

Investment in human resources

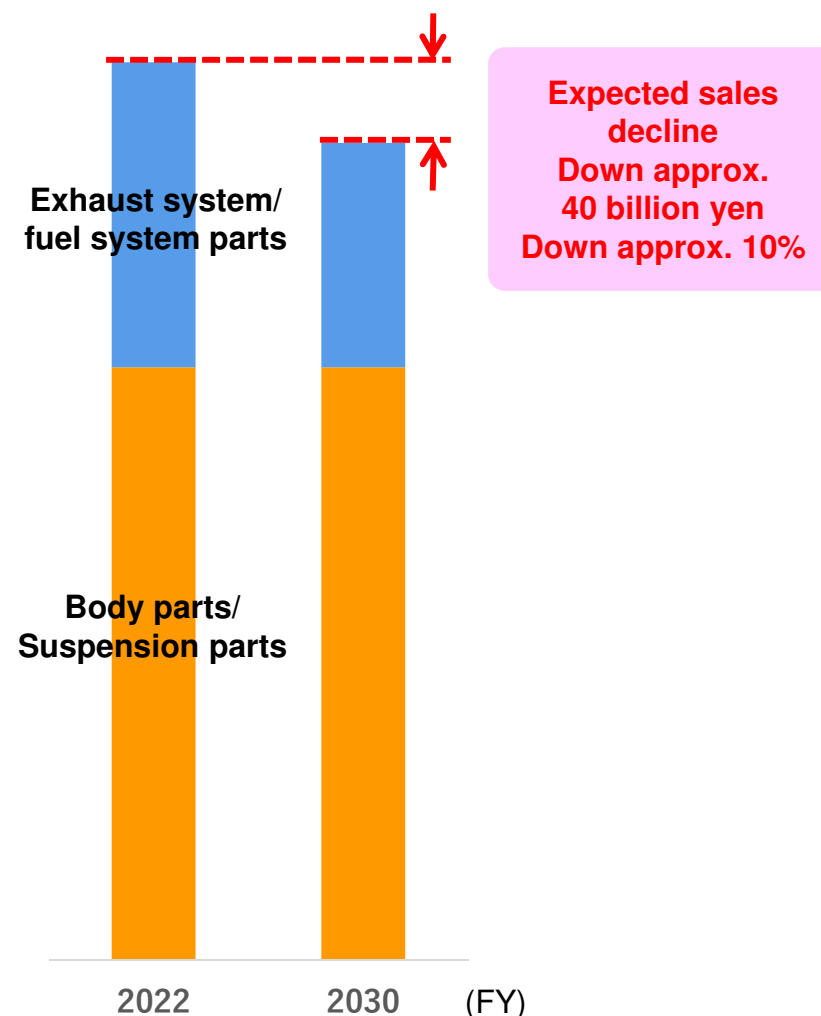
Risks and opportunities

## <Worldwide New Vehicle Sales Forecast>

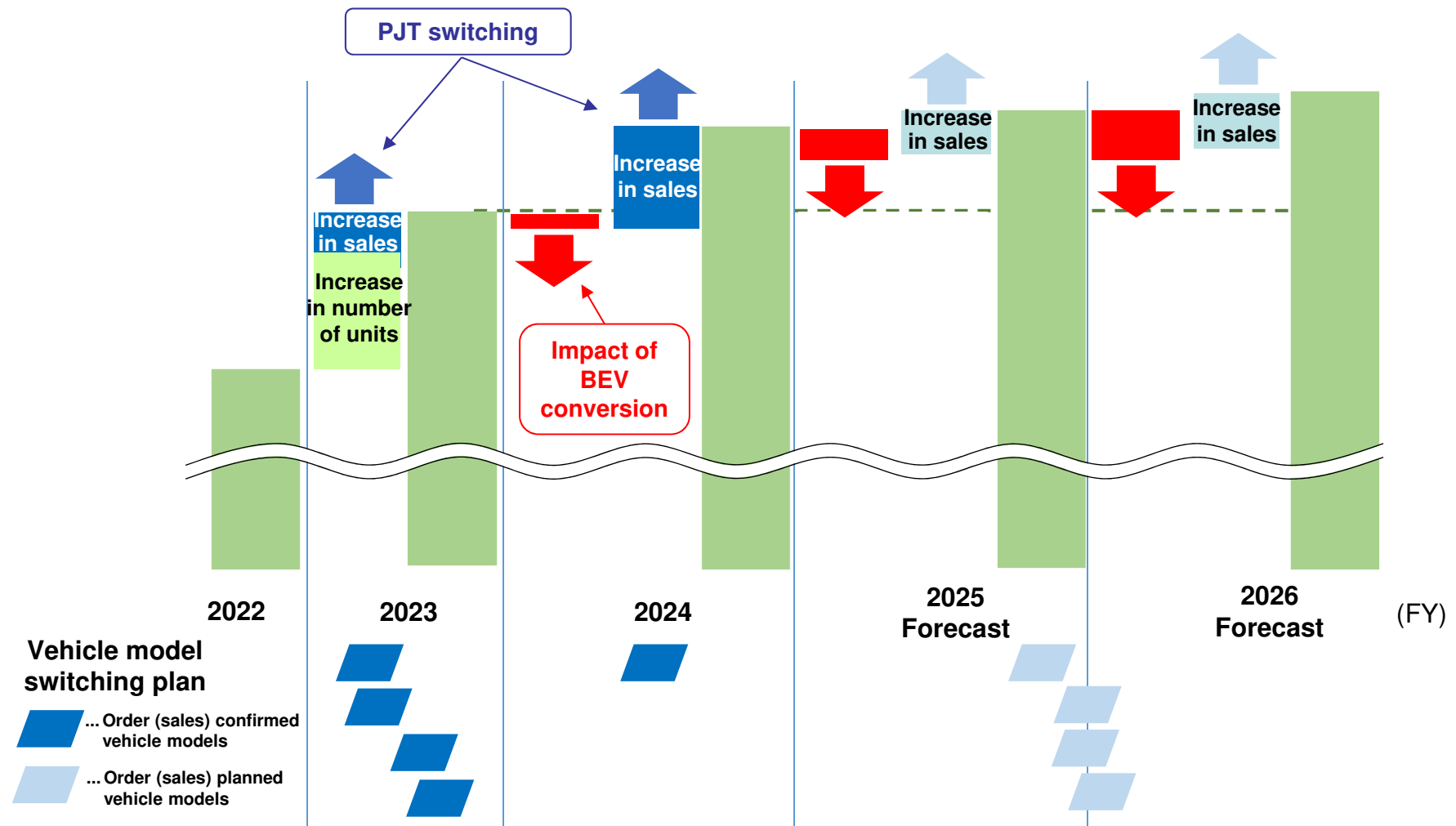


**The number of engine-equipped vehicles will decrease**  
**BEV conversion will expand rapidly**

## Forecast of impact on Futaba consolidated sales (Excluding automobile-related parts and supplied items)



Efforts are underway to increase order sales for each switching project from FY2023 onwards.

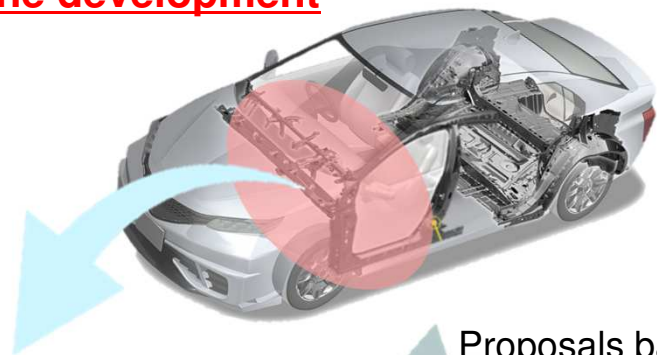


# Risks and Opportunities:

Sales Expansion - Expanding Sales of Body Parts and Increasing Added Value

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## (1) Zone development



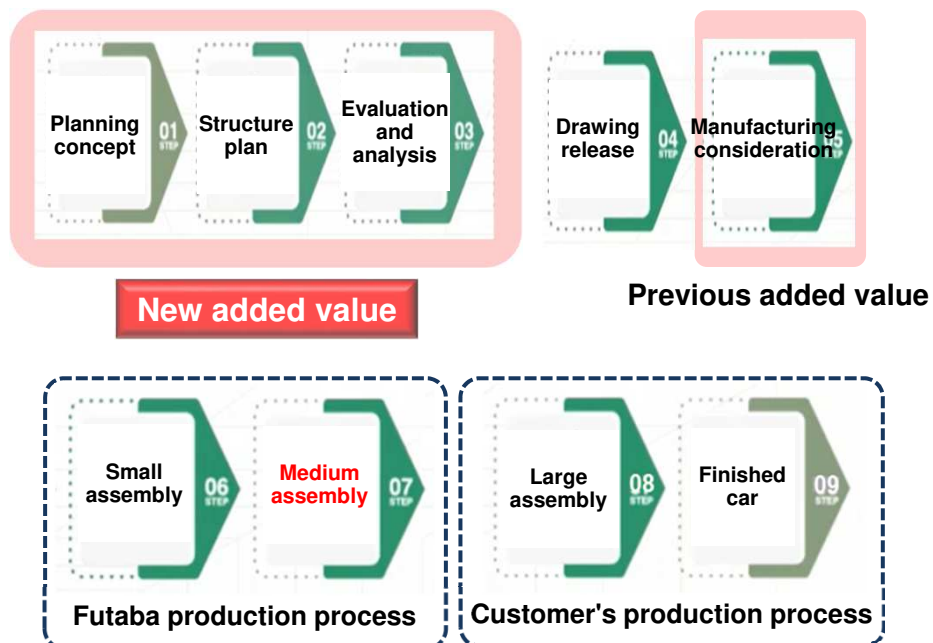
Solution proposals by Zone

Proposals based on Monozukuri

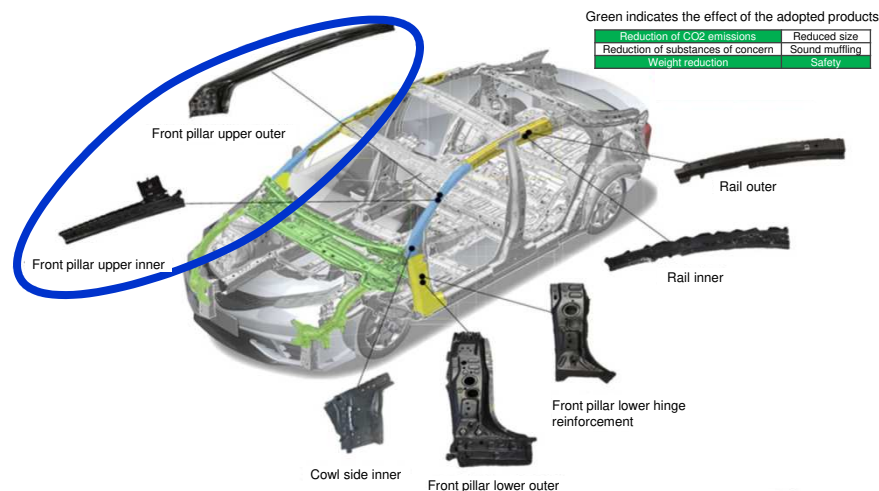
*Utilize CAE and other R&D potential*

## (2) Responding to shift to ultra-high tensile strength steel (Contributes to weight reduction of cars)

We will continue to **proactively propose structures that balance manufacturing with ultra-high tensile strength steel and performance (CAE; FR impact test).**



### Front pillar (SPC 1470 MPa)

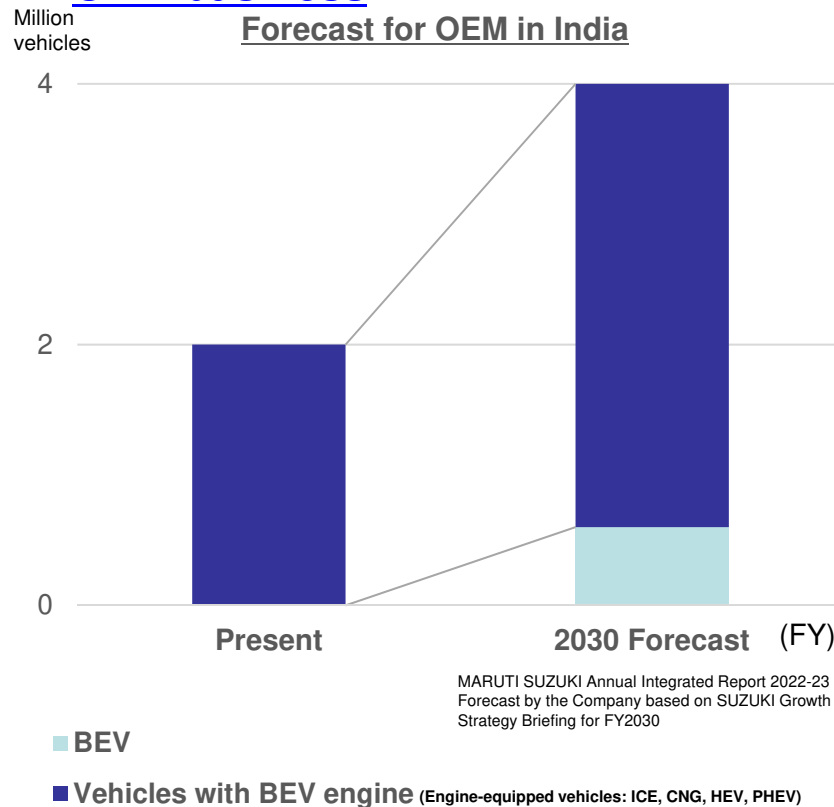


Blue: 1470 MPa material, Yellow: 1180 MPa material, Green: Other main body parts

# Risks and Opportunities: Sales Expansion - Increasing Share of Exhaust System Products

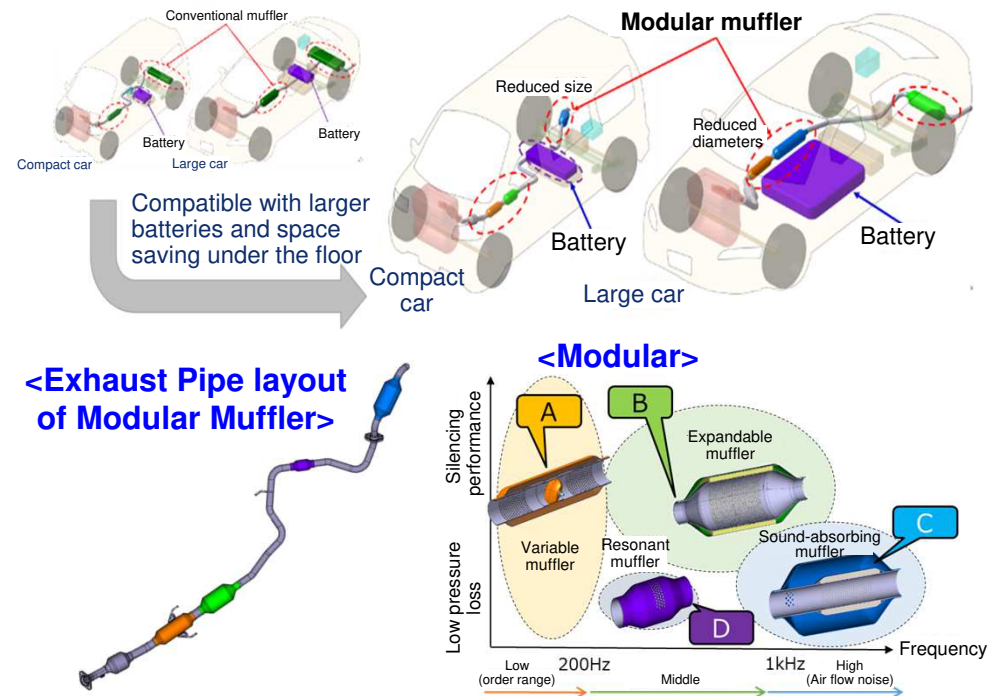
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## (1) India: Expand sales by expanding OEM business



While the trend toward BEVs continues in major regions, India is expected to see demand based on the OEM business expansion policy, and we aim to expand sales of our specialty products (exhaust pipes and exhaust manifolds).

## (2) Newly developed product: Modular muffler



**15% or more weight reduction,  
40% or more muffler volume reduction**

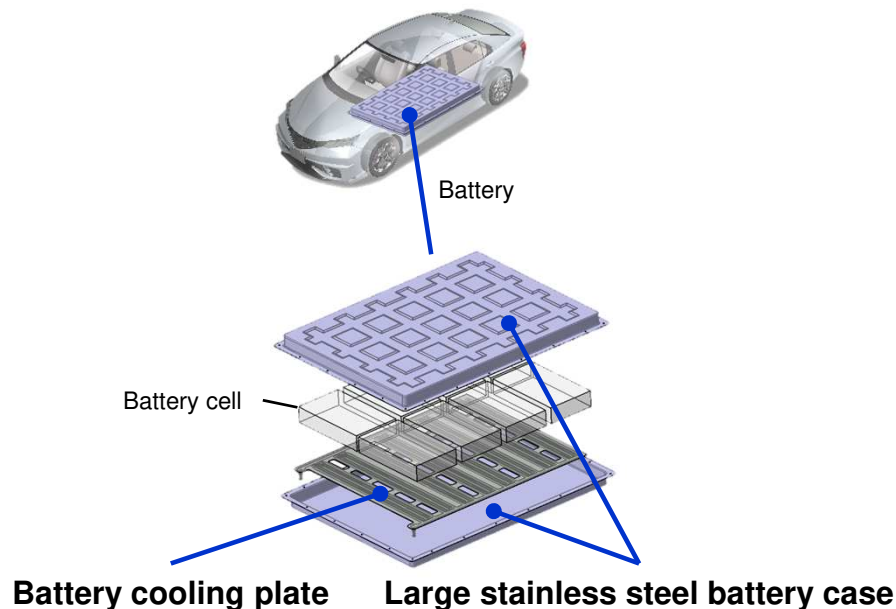
We will work to increase market share of our specialty engine function products (exhaust pipes, exhaust manifolds and canisters) by using newly developed products such as modular mufflers.

# Risks and Opportunities:

## Sales Expansion - Product Development for BEV and HV

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### (1) Development of products for BEV



Promote the development of products for BEVs by utilizing our specialty technologies such as thermal management, laser welding, and stainless steel stamping.



Currently proposing to OEMs for adoption around 2026

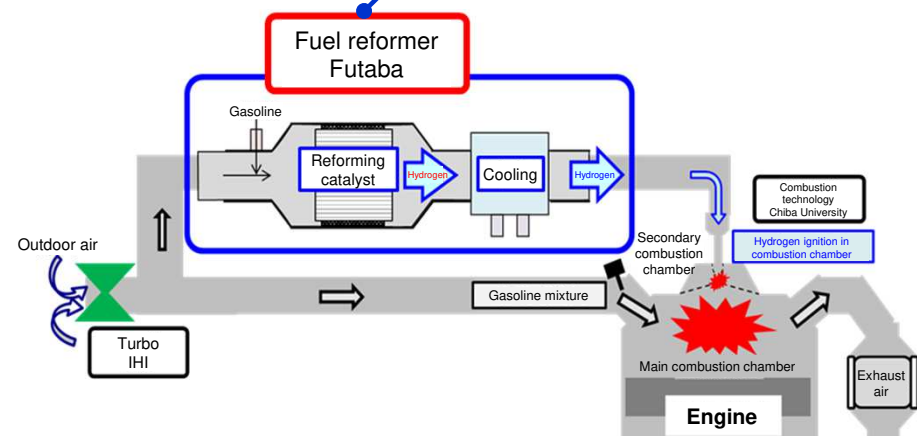
### (2) Development of hydrogen utilization technology for HVs

NEDO theme name

Development of ultra lean combustion technology for hybrid vehicles

Achieve **ultra lean combustion** in existing engine vehicles by **utilizing hydrogen ignition to reduce CO<sub>2</sub> emissions by 30% or more.** (Fuel efficiency improvement technology)

A device that uses a catalyst to chemically react gasoline to produce and cool hydrogen



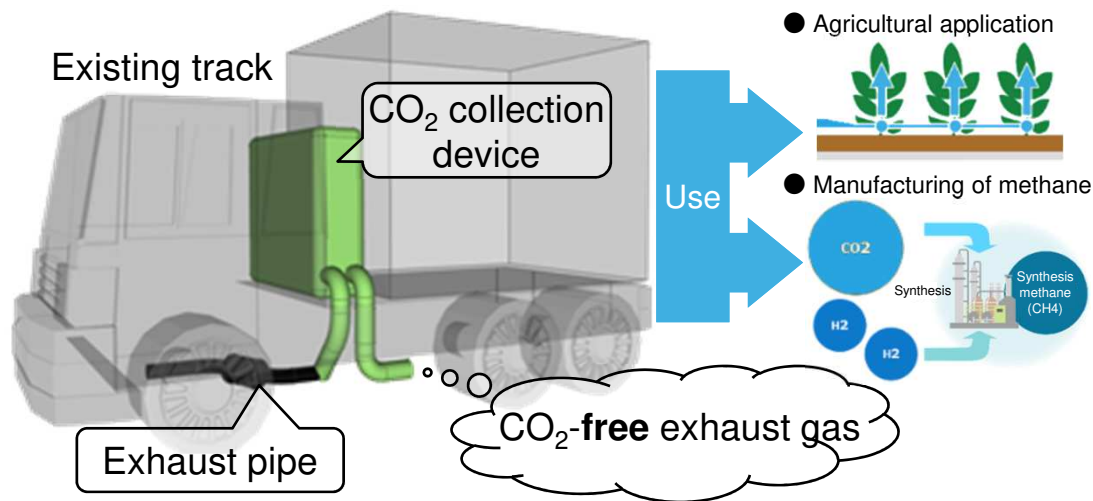
Promote technological development aimed at reducing CO<sub>2</sub> emissions from existing engine vehicles by utilizing hydrogen, one of the next-generation energy sources

## (1) CO<sub>2</sub> collection business for logistics trucks

Contribute to the achievement of decarbonization in the logistics industry, aiming to balance global **environmental sustainability** and **quality of life**.

### <Business Overview>

A system that separates and collects CO<sub>2</sub> emitted **during driving**  
Can be used sustainably as it can be retrofitted and installed in **existing vehicles**.



### <Co-creation Type Business Development>

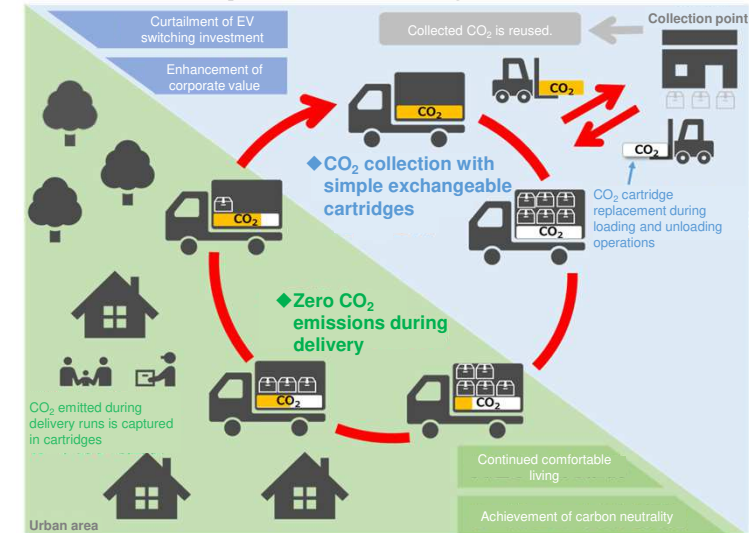
Promote Hypothesis Testing with **Partner and In-House Expertise**

Material development: University of Tokyo

Demonstration study: SBS Holdings, Inc.

System development: Utilizing in-house knowledge

### <Business Operation Image>



### <Business Proposition Value>

#### Contribution to global environmental sustainability

Reduction of greenhouse gas CO<sub>2</sub> emissions  
Resource conservation through sustainable use of existing vehicles  
Recycling through effective use of CO<sub>2</sub>

#### Contribution to quality of life

Survival of delivery convenience  
Realizing environmental contribution through CO<sub>2</sub> recycling

### <Promotion Schedule>

Item	2022	2023	2024	2025	2026	2027
Description	Business development Feasibility study (FS)			Product development		Release

## (2) Laser weeding machine

“Green Food System Strategy” (formulated by the Ministry of Agriculture, Forestry and Fisheries)  
<Goal for 2050>

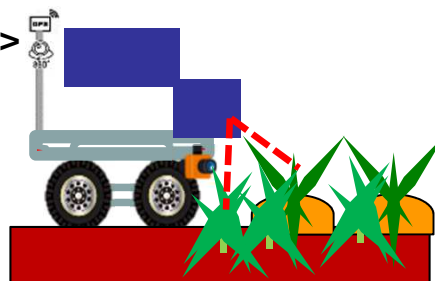
1. 50% reduction in the use of chemical pesticides
2. Increase the area of organic farming efforts by 25%, to 1 million hectares etc.

**Contributing to the spread of organic agriculture**

**Aim to achieve weeding that does not rely on people or pesticides**

### <Details of the Development>

Promote development of a system that recognizes weeds by image recognition and removes them by laser irradiation.



Conceptual image

<Enhancing Industry-academia-government Collaboration>



**Selected as New Aichi Creative Research and Development Theme in FY2023**

Initiatives

Development of elemental technologies

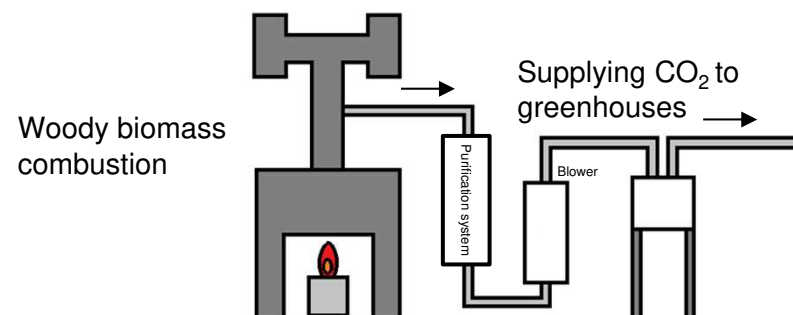
System design

Prototype production

Farm demonstration

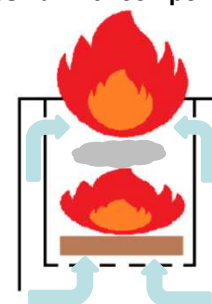
## (3) Woody biomass combustion type photosynthesis promotion system

Develop a carbon-neutral CO<sub>2</sub> application machine that utilizes woody biomass to replace kerosene-burning machines.



### <Points of Development>

(1) Enhanced secondary combustion system significantly reduces harmful components



(2) Further removes soot and harmful components from exhaust gas with a purification system



### <Future Activities>

Safety evaluation and cultivation demonstration will be verified at public research institutions, with the aim of early commercialization.

- **Solid value in three areas**

**Environment** represents exhaust system parts that reduce negative impacts on the natural environment.

**Peace of mind** represents body/interior parts that protect people from danger and provide them with peace of mind.

**Quality of life** represent products and services that increase quality of life. Agleaf, new businesses (FUTURE SOLUTIONS CREATION office)

- **We will increase our efforts to provide value and disseminate information to our many stakeholders.**





**Futaba Industrial Co., Ltd.**

<https://www.futabasangyo.com/>

**[Important Notes]**

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