

FUTABA



FUTABA Integrated Report **2023**



Continuing the Challenge to Deliver Solid Value— Environment, Peace of mind, and Quality of life



When Futaba Industrial was founded in 1945, in order to survive under the harsh environment during the wartime, we leveraged the skills of our engineers at the time in stamping and welding techniques and commenced the manufacture of such items as fish netting machines and pipe-fabricated furniture sets. The history of the Futaba Group began with the provision of a good quality of life to the local community and employees. Our technology was later applied to the manufacture of automotive parts, and we have continually met the needs of our customers in terms of environment and peace of mind.

We will continue to deliver solid value in the three areas—environment, peace of mind, and quality of life—that we developed through our long history to more communities around the world. To enable this, we will uphold the FUTABA WAY, which is the source of our beliefs, values, and pride, and has been passed down through the Futaba Group. Our high technological development and manufacturing capabilities as well as global production structure will be used for us to continue the challenge of creating products and services that contribute to solving social issues.

The Futaba Group is committed to meeting the expectation of stakeholders by improving its corporate value through the solution of social issues and the achievement of its business goals.



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Key Points of the FUTABA Integrated Report 2023

The FUTABA Integrated Report 2023 broadly and concretely describes the Futaba Group's strategies and initiatives for contributing to society and improving its enterprise value, with a focus on the solid value to be delivered in three areas—environment, peace of mind, and quality of life—which have been developed by the Group through its history.

Furthermore, the Futaba Group's value creation scenario is described from near-, medium- and long-term perspectives, and as such, among other long-term management issues, the Group's thinking on the

structure and investment in human resources (human capital) for sustainable management and its approach to addressing them are described in more detail. Furthermore, this report discloses the KPIs, targets, and results in relation to 14 priority issues (Materiality) for SDGs and describes their progress. In regard to the construction of a foundation for sustainable growth, we are focusing our efforts on water resources, biodiversity, health, human rights and human resources development in addition to addressing climate change. The initiatives are also described in this report.

Editorial Policy

This integrated report describes the strategies and initiatives toward solving social issues and the medium- to long-term enhancement of the Futaba Group's corporate value. The purpose of this integrated report is to deepen the understanding of a wide range of stakeholders, including shareholders and investors. The FUTABA Integrated Report has been issued since fiscal 2021 as the Group's integrated report. This report has been prepared and edited mainly with reference to the International Integrated Reporting Framework of the IFRS Foundation.

Positioning this integrated report as a tool for dialogue with stakeholders, we will consider your opinions with sincerity and promote further information disclosure. We will continue to make every effort to promote a better understanding of the Futaba Group.

Scope of Report

This reporting covers Futaba Industrial Co., Ltd. and its consolidated subsidiaries.

* The scope of some sections is separately defined.

Notes on Forward-looking Statements

This integrated report includes predictions and forecasts regarding future plans, strategies, and performance. These statements are based on information currently available, and do not guarantee future performance. Actual performance may diverge from the predictions and forward-looking statements in this integrated report due to changes in the business environment.

Reference Guidelines

- IFRS Foundation
International Integrated Reporting Framework
- Ministry of Economy, Trade and Industry
Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation



Reporting Period

April 1, 2022 to March 31, 2023

* Some activities outside the reporting period are also introduced.

Publication

September 2023

Structure of Information Disclosure

Financial information	Non-financial information
Futaba Integrated Report 2023	
<ul style="list-style-type: none"> • Financial results • Annual Securities Reports, etc. 	<ul style="list-style-type: none"> • Sustainability • Corporate governance report, etc.
Futaba website https://www.futabasangyo.com/en/	

FUTABA History and Future

Since its foundation in 1945, the Futaba Group as “a team that tackles challenges to grow” has been thriving and creating value by solving social issues over time and materializing the happiness of our clients and working colleagues. We will work as one to contribute to society by capturing the needs of the times and providing new products and services.

1945—

1960—

1980—

Social issues

Lack of foods and daily necessities after World War II

Pollution issues driven by increasing motorization

- Enactment of automotive noise regulations (1951)
- Enactment of the Air Pollution Control Act (1968)
- Enactment of automotive exhaust gas regulations (1972)

Response to saving energy and resources

- Enactment of fuel efficiency standards (1979)

Increase of traffic accidents associated with the increase of automobiles

- Commencement of collision safety regulations (1994)

Initiatives to combat global warming

- Adoption of the Kyoto Protocol (1997)

Solutions through products and technologies

Net sales
(Billion yen)

700

600

500

400

300

200

100

0

1945

1950

1960

1970

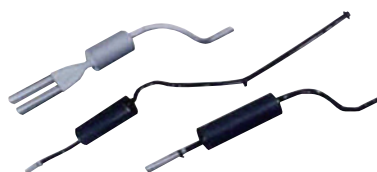
1980



Around 1945

Developed and produced fish netting machines

We developed and produced fish netting machines to solve the post-war food shortage, helping people in the local community make their quality of living.



1959

Entered into the muffler business

To mitigate the automotive noise issues, we started to produce mufflers by applying our pipe stamping and welding technologies. Today, we have worked on lighter weight of our mufflers, contributing to the reduction of CO₂ emissions.



1989

Developed and produced stainless steel exhaust manifolds

Departing from conventional ferrous casting, we developed a manifold made of stainless sheet metal, contributing to a lighter weight and improvement in exhaust gas purification. Our product was adopted by Toyota Motor Corporation as their first stainless steel exhaust manifold.



Around 1947

Produced reception area seating sets made from pipes

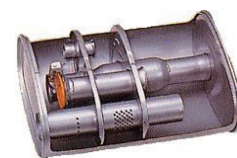
We delivered new value through the production of high-grade reception area seating sets that were underlaid with the pipe stamping and welding technologies held by our founders.



1970

Mass-produced iron canisters

Started to produce canisters to make evaporative gases clean under the increasing concern for air pollution.



1995

Developed and produced mufflers featuring inner valves

We developed mufflers that enabled the reduction of both CO₂ emissions and noises by downsizing and light-weight.

2000—

2010—

2020—

Competition for fuel efficiency among hybrid vehicles

- Amendment of fuel efficiency standards (1999)

Air pollution issues driven by the increase of diesel-powered vehicles

- Enactment of the Automobile NOx and PM Act (2001)

Escalation of climate change driven by global warming

- Adoption of the Paris Agreement (2015)
- Introduction of NEV^{*3} mandate policy in China (2019)

Escalation of food issues

^{*3} A new energy vehicle (NEV):
A vehicle powered by new energy, such as a battery electric vehicle (BEV) or a fuel cell vehicle (FCV).

Accelerating efforts to realize a decarbonized society

- 2050 Carbon Neutrality Declaration by the Japanese Government (2020)
- Amendment to the Act on Promotion of Global Warming Countermeasures (2021)

Accelerating environmental regulations for the automotive industry

- Strengthened ZEV^{*4} regulations in California, the U.S. (2022)
- EU's decision to ban sale of new engine-powered vehicles after 2035 (2023)^{*5}

^{*4} A zero emission vehicle (ZEV): A vehicle that emits no exhaust gas.
^{*5} Sale of cars running on synthetic fuels will be permitted.



2001

Developed and produced center pillars with the processing of 980 MPa cold-stamped UHTSS^{*1}.

Thanks to the development of stamping technologies for UHTSS, the new product helped improve collision safety and fuel efficiency of vehicles.

^{*1} Ultra-high-tensile strength steel (UHTSS):
High tensile strength steel has tensile strength higher than regular steel, and grades with tensile strength of 980 MPa or higher are called UHTSS. UHTSS can be processed thin and thus contribute to light weight of products.



2004

Developed and produced DPF^{*2} for diesel-powered vehicles

We have tackled air pollution issues through the development and production of products which reduce particulate matters (PM).

^{*2} Diesel particulate filter: A filter to collect diesel particulates



2006

Developed and produced an exhaust heat recovery device, POWEREV[®].

Vehicle fuel efficiency and CO₂ emissions performance were improved thanks to this device for collecting and reusing the heat energy of exhaust gases.



2015

Developed and produced front pillars with hot stamping.



2016

Developed and produced lockers with the processing of 1180 MPa cold-stamped UHTSS.

With new stamping technologies, we realized the higher tensile strength and lighter weight of products, leading to enhance the vehicle safety and reduce CO₂ emissions.



2017

Developed, produced, and sold aleaf[®]

Applying technologies for canisters and exhaust heat recovery devices, we developed a device to accumulate and supply CO₂ for greenhouse cultivation, and proposed a new production method in agriculture.



2022

Produced sub-assemblies of center floor pans.

We started to produce large and complex assembly body parts for electric vehicles including BEV^{*6}.

^{*6} Battery electric vehicles.



2023

Developed and produced front pillars with the processing of 1470 MPa cold-stamped UHTSS.

To achieve enhancement of the collision safety of vehicles and reduction of CO₂ emissions, we realized the higher tensile strength and lighter weight of products by developing stamping technologies utilizing CAE^{*7} analysis.

^{*7} Computer aided engineering:
CAE enables development through computer simulations.

1990

2000

2010

2020

(FY)

FUTABA's Strengths

During its history of over 75 years, the Futaba Group has prepared its structure from planning through design and development, manufacturing preparation and production. At the same time, the Group worked dauntlessly on new technologies that would become the source of its competitive edge, and continued to hone the strength in technological development and manufacturing capabilities that it has cultivated over the years. We will leverage and further hone these strengths and continue to deliver to our customers, solid values in the three areas of environment, peace of mind, and quality of life.

Futaba's flow, from planning to production

Product planning

Design and development

Technological Development Capability

Product planning and proposal capability × Development and evaluation system
× Production engineering capability for taking on new technology

Product planning and proposal capability

We give first priority to the satisfaction of our customers. We contribute to solving social issues through the planning of products, such as those that give consideration to the environment.

Proposal capability for body and interior parts

In the production of automotive body parts, we have in place a structure that is capable of making proposals of body structures from the planning and simultaneous engineering (SE)^{*1} phase of automobile manufacturers. We use information on the body structure to examine the strength and combination of parts, and propose part structures with high quality and high performance. We will offer proposals for development in the area of both body and interior parts by leveraging our characteristics of manufacturing assembly and welding equipment for external sale.



^{*1} Simultaneous engineering (SE):
The activity in which the production engineering or manufacturing divisions participate in design from the early stages of development.

Powertrain system parts

We have been enhancing our planning and proposal capability by picking up the desires of society and customers in relation to the environment and safety. We propose electrification-related products, which meet the various needs (such as larger batteries and safety) of electric vehicles, and exhaust systems.

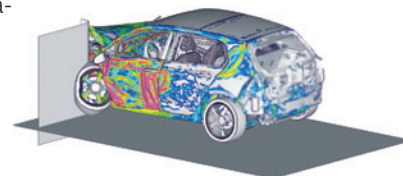
Development and evaluation system

We ensure response to customer needs from the design phase. We utilize various testing equipment and digital technologies, and have a foundation in place for shortening development lead time and delivering high quality, high performance products.

Analysis and evaluation technology

We are strengthening our analysis technology by engaging in body shell analysis^{*2} as well as technology to predict the breaking point of welded parts in the event of a collision. In regard to exhaust system parts, we can evaluate and analyze not only the strength of structures but also other elements, from noise and vibration to heat transfer.

^{*2} Body shell analysis:
An analysis to check the deformation of a body frame.



Exhaust noise reduction technology

We are pursuing and achieving small, light-weight mufflers through the optimal combination of technologies, such as sound absorbing material, resonator chamber, expansion chamber, to reduce the noise released by the engine.

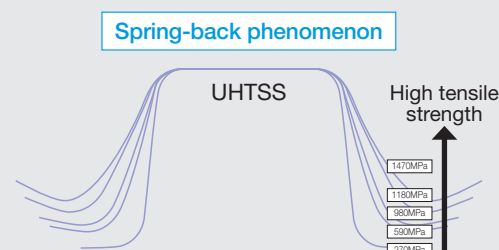
Heat management technology

We possess heat-control technology cultivated in the automotive field. It includes utilizing heat collected from exhaust gas to warm the engine or the vehicle interiors.

Deepening the technological development capability —1470 MPa cold-stamped UHTSS body parts —

The 1470 MPa cold-stamped UHTSS has much higher strength than ordinary steel sheets and can be processed into a thinner and lighter product with sufficient strength. However, due to its low elongation, the material is difficult to stamp and prone to large spring-back (reverse elastic deformation) after stamped, which makes it difficult to ensure the dimensional accuracy of the stamped product. Thus, we ran stamping simulations to identify challenges based on the know-how we cultivated through the mass production of UHTSS parts. We solved the challenges by beads^{*3}, etc. so that they could harmonize with the part shape, making trial stamps, with conducting material evaluations.

^{*3} A bead: A protruding or recessed portion provided to strengthen a body surface.



Production preparation

Production

Manufacturing Capability

Production engineering capability that innovates the production line
× A global production structure × Human resources for *monozukuri*

Production engineering capability

We continue to hone our advanced stamping technology and welding technology, which we have possessed since our founding. We identify the optimal production method for each material and shape and support our manufacturing with original production engineering that involves our manufacturing equipment business.

Stamping technology

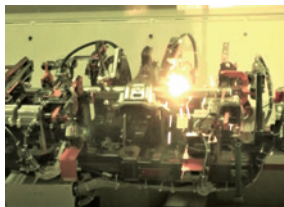
We possess the processing technology for cold stamping ultra-high-tensile strength steel, which are very difficult to shape, as well as conduct hot stamping^{*4}, which enables complex shapes with high strength to be formed.

^{*4} Hot stamping:

A method for strengthening steel sheets in which a steel sheet is heated to a high temperature and press formed. They are then quick-cooled while still in stamp, thereby gaining more strength.

Welding technology

We possess the technological capability and know-how for making full use of fiber laser welders, which enables the highly-efficient use of energy and delivers superior welding quality.



Maximization of production equipment capacity

We take the equipment purchased by customers and arrange them in an optimal manner to draw out their maximum performance. The positional relationship of the jig and robot and welding trajectory are optimized through simulations at the design stage to allow for the shortest lead time.

Global production system

We have built a global production system with 27 production sites around the world. Based on the Toyota Production System (TPS), we have localized production methods according to each region and optimized distribution between plants, thus ensuring a stable supply of products. Furthermore, we share information on a global basis to enhance productivity. Going forward, we will continue to respond to diverse needs by making use of the characteristics of our plants located near automobile manufacturers.



Human resources for *monozukuri*

We believe that human resources development takes place on site when both superiors and subordinates learn from each other, make improvements on their own and achieve self-growth through the process of seeing, hearing, and feeling.

We promote human resources development on a global basis. Our employees can learn about safety and quality as well as the TPS at the *Monozukuri* Training Center. In addition, we motivate them to upskill by holding the Futaba Skills Competition and FM Circle Competition.

Deepening the manufacturing capability —Digital twin technology in the manufacturing equipment business^{*5}—

We leverage the latest digital twin technology^{*5} to deliver equipment with high level of completeness. The feasibility of equipment operation had been previously verified in a 3D digital space, but the digital twin technology has enabled even robot operation programs and electrical control programs to be reproduced on CAD. This allows us to finish equipment designs without the need of real products. This contributes to shortening production lead time, maintaining high quality, and reducing CO₂ emissions.

^{*5} Digital twin technology: The technology to reproduce real equipment and products, or equipment and products to be produced, in a virtual space (in a digital format), utilizing IoT and other technologies



Business Focus

The Futaba Group's main business is the manufacture and sale of automotive parts, manufacturing equipment, agricultural products, and Information environment equipment parts. Body and interior parts account for approximately half of net sales excluding supplied parts*¹. We produce products that can deliver solid value of environment, peace of mind, and quality of life to more regions of the world by capitalizing on core technologies such as stamping, welding, sound damping, and heat management that we have cultivated.

*¹ Net sales excluding parts supplied by customers such as catalysts used in exhaust system parts



Automotive parts*²

Body and interior parts

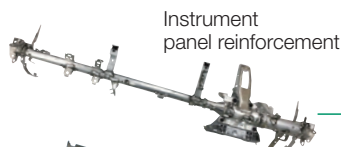
188.2 billion yen (47.4%) »P31-33



Center floor pan sub-assembly



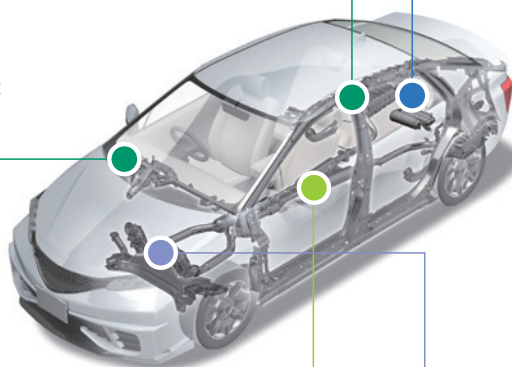
Body frame parts



Instrument panel reinforcement



Outer wheel well sub-assembly



Fuel system parts

16.5 billion yen (4.1%) »P34



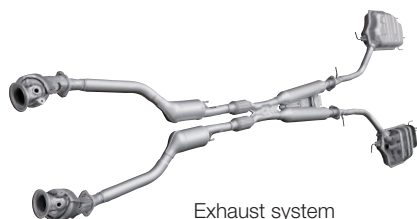
Canister



Fuel inlet pipe

Exhaust system parts

107.9 billion yen (27.2%) »P35-36



Exhaust system



Exhaust manifold

Suspension parts

31.3 billion yen (7.9%)



Trailing arm



Engine undercover



Other*²

53.3 billion yen (13.4%)

Manufacturing equipment business

»P37



Assembly and welding equipment

Agricultural business

»P37



agleaf® CO₂ accumulation and application device for greenhouse cultivation

Information environment equipment parts



Tray module for copiers

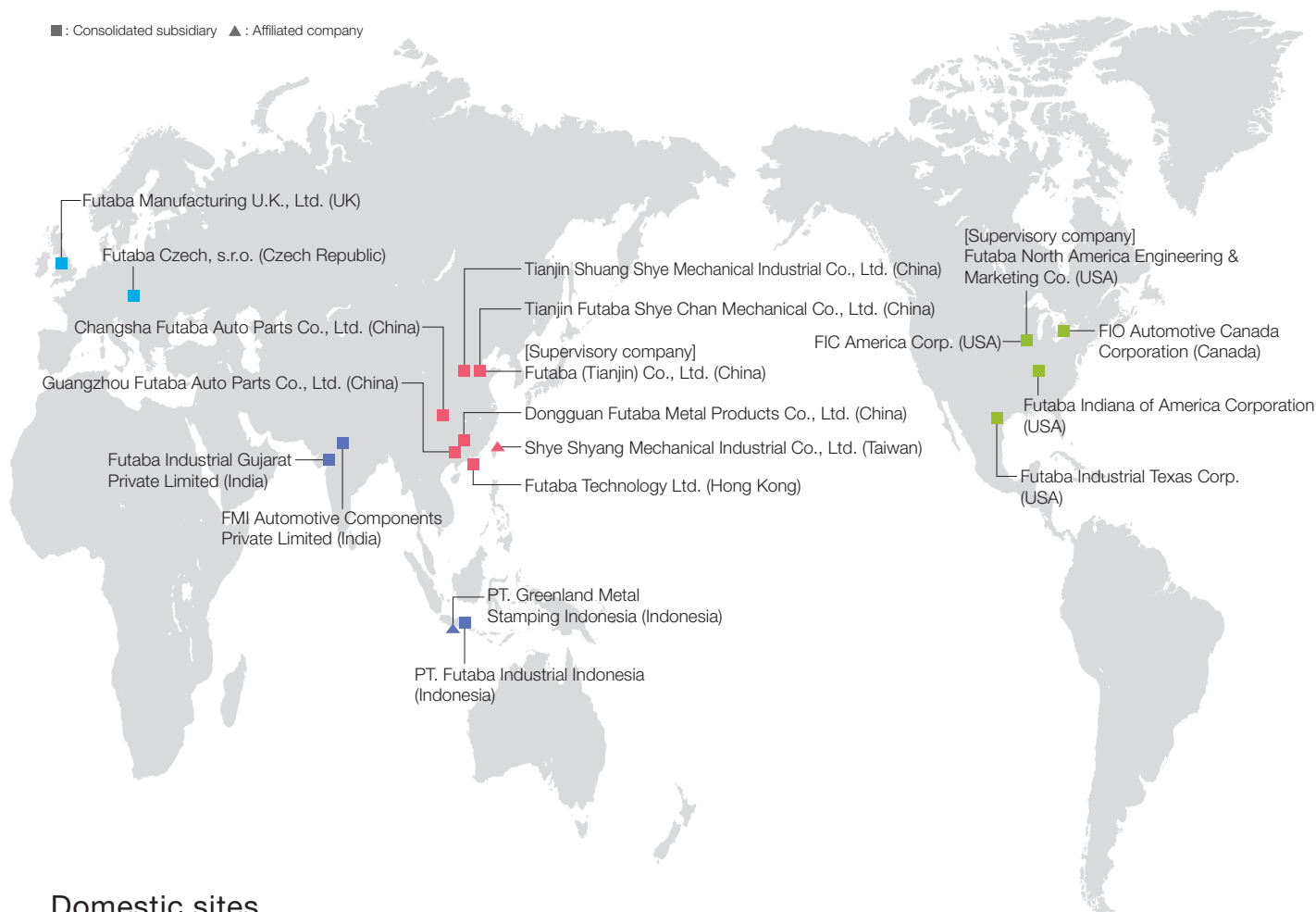
*² Net sales and the proportion of sales excluding supplied parts

The FUTABA Group Sites (As of March 31, 2023)

Since we opened the first global site in the United States in 1994, we have expanded our business globally, currently with more than 20 sites around the world. We are also working to enhance capability of our production sites in each region to respond quickly to customers not only in Japan but also overseas. The Futaba Group will strive to create new value that contributes to solving social issues using this global network.

Global sites

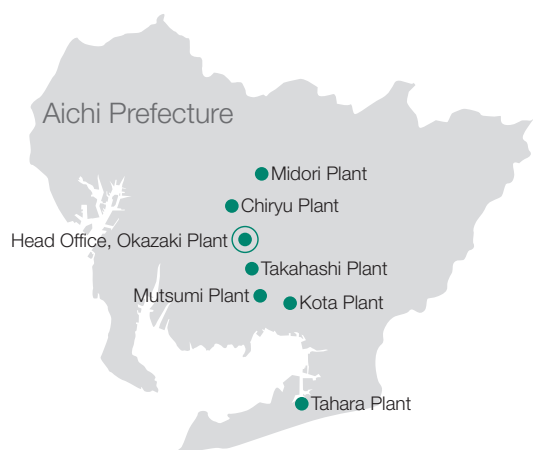
■ : Consolidated subsidiary ▲ : Affiliated company



Domestic sites

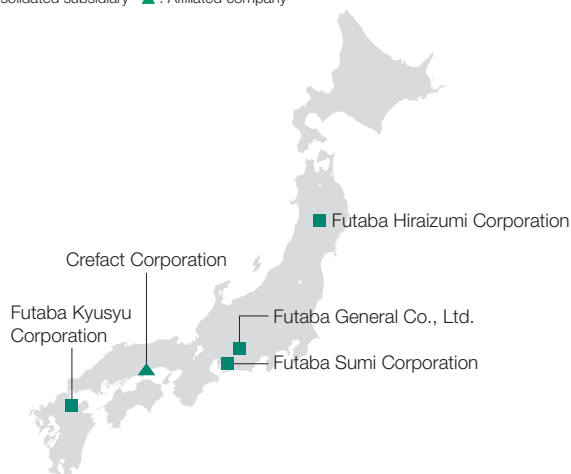
Domestic plants

● : Head Office ● : Plant



Domestic subsidiaries and affiliated companies

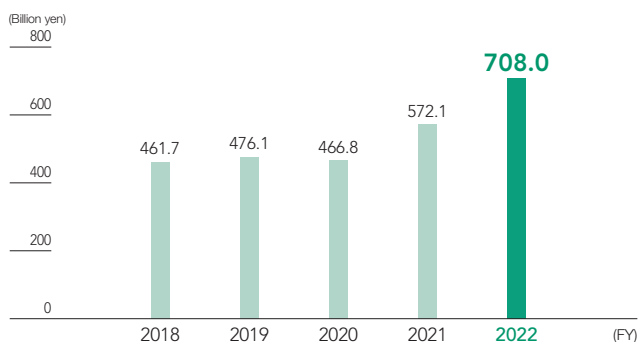
■ : Consolidated subsidiary ▲ : Affiliated company



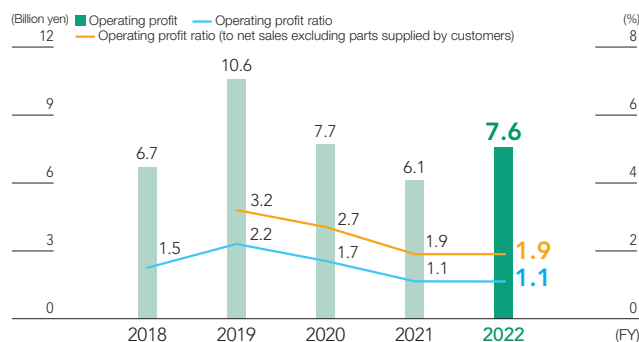
Financial and Non-financial Highlights

Consolidated financial data

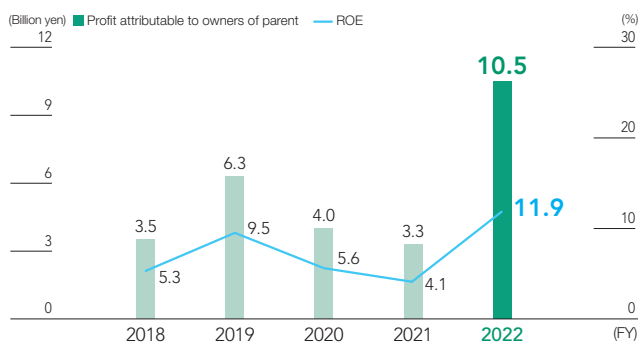
Net sales



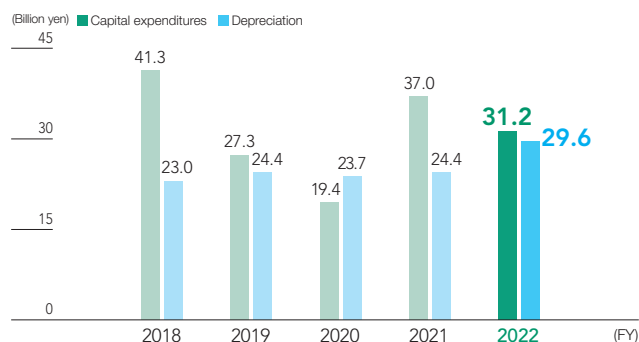
Operating profit / Operating profit ratio



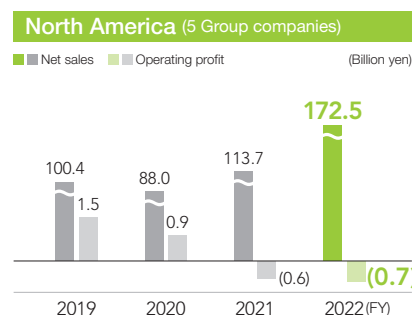
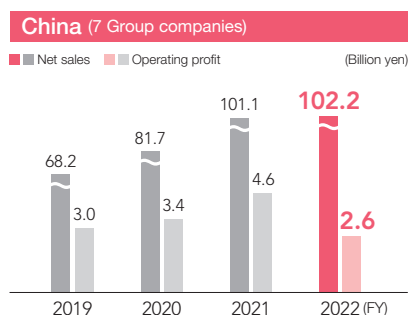
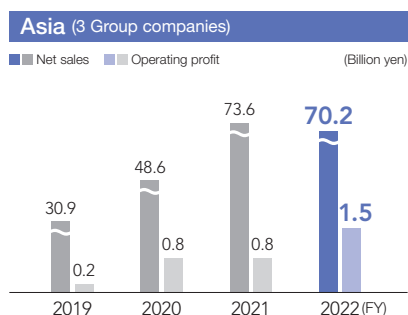
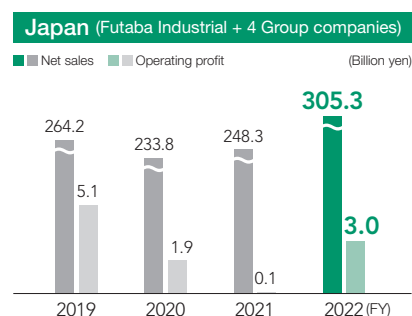
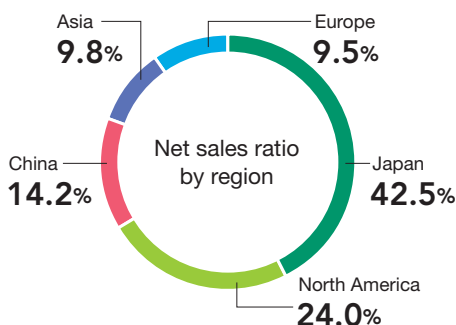
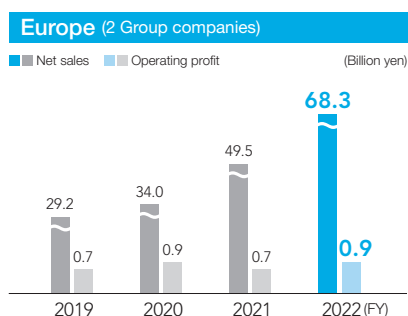
Profit attributable to owners of parent / ROE



Capital expenditures / Depreciation

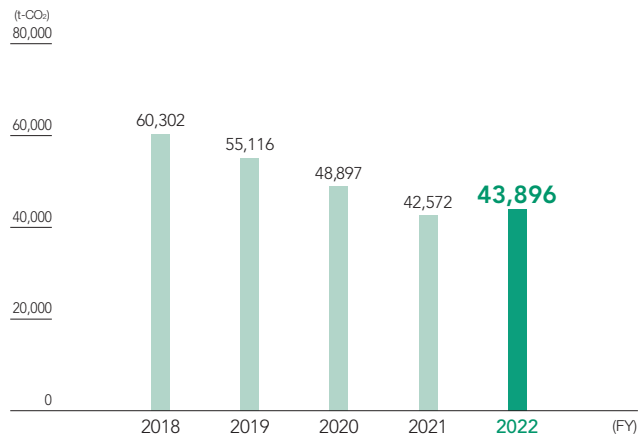


Net sales and operating profit by region

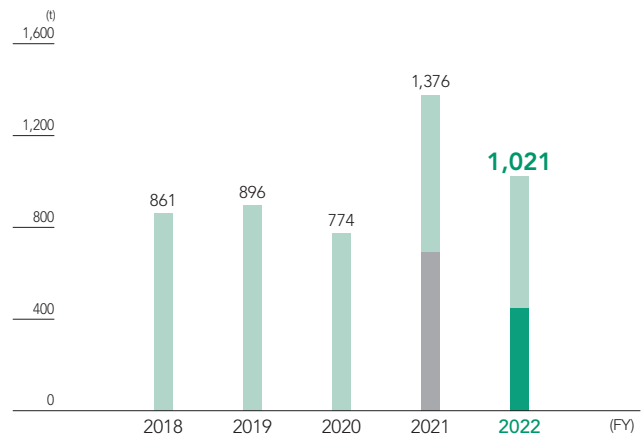


Non-financial data

CO₂ emissions (Non-consolidated)



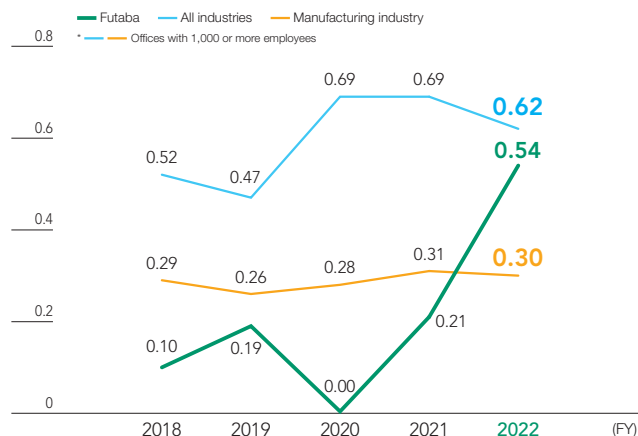
Waste output (Non-consolidated)



*1 The amount of waste outputs in FY2021 was amended.

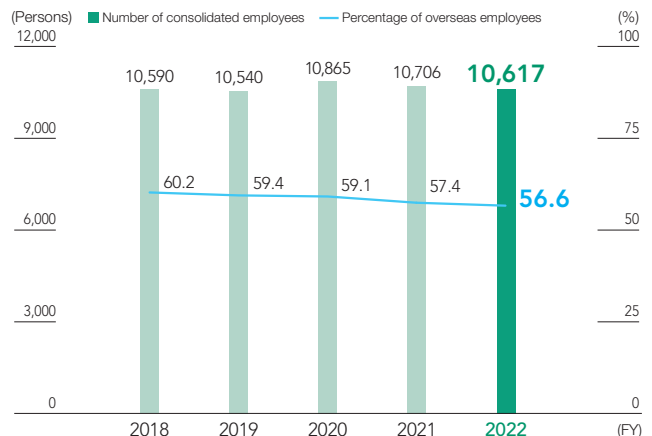
*2 The amount of waste outputs from FY2021 to FY2022 significantly increased due to an extraordinary factor: the inflow of underground water in a pit excavation accompanied with the introduction of new stamping machine.

Frequency of industrial accidents (Disabling injury frequency rate) (Non-consolidated)

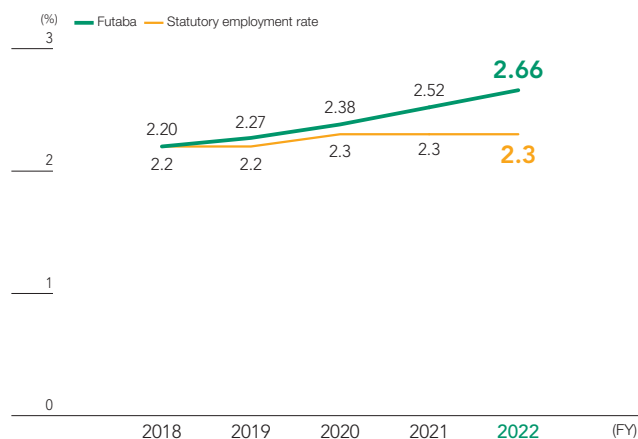


Source: Survey on Industrial Accidents, Ministry of Health, Labour and Welfare

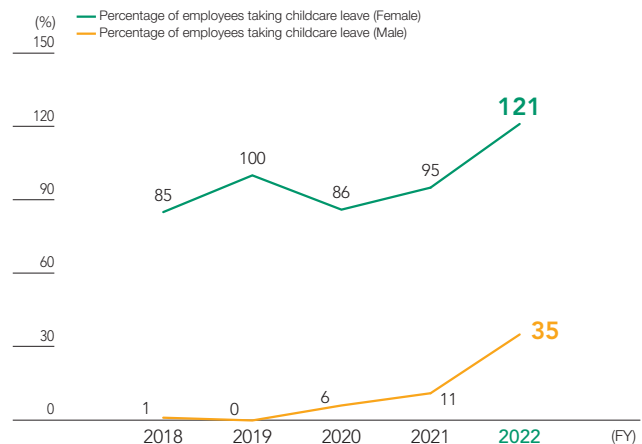
Number of consolidated employees / Percentage of overseas employees



Percentage of employees with disabilities (Non-consolidated)



Percentage of employees taking childcare leave by gender (Non-consolidated)



* The percentages may exceed 100% because an employee and the spouse of an employee who gave birth in a previous fiscal year may take childcare leave in the following fiscal year.

Message from the President



Deepen Earnings Capacity and Value Proposition with Every Employee Playing an Active Role

Yoshihiro Uozumi
President

Beyond the Surging Wave

The past year was a turbulent one.

A series of unprecedented events have swept across the world in waves. These include energy and raw material prices driven upward by war, the yen's sharp depreciation, fluctuation in production owing to the semiconductor shortage and other supply-related challenges, rising labor costs, and human resource mobility, among others.

With each challenge we faced, the group worked together to repair the damage to the ship that is the Futaba and maintained a firm grip on the rudder amidst tempestuous waters.

This resulted in the ship reaching its destination without wrecking or sinking, while also revealing Futaba's next challenge.

Progress on Management Issues

Futaba announced a three-year medium-term management plan in May 2022. Based on the fundamental concept of "Strengthening earnings

capacity and working to increase free cash flow," we established management targets of free cash flow of 6.0–15.0 billion yen and a consolidated operating profit ratio (to net sales excluding parts supplied by customers*) of 2.6–5%. To achieve the goal, we will manage to limit the amount of capital expenditures to 25.0–30.0 billion yen.

We will achieve the goals of our medium-term management plan and allocate the funds to (1) shareholder returns, (2) repayment of interest-bearing debt, and (3) investment for future growth (fortification of advanced development).

I would like to reflect on these initiatives.

*1 Net sales excluding parts supplied by customers
Net sales excluding parts supplied by customers, such as catalysts used in exhaust systems

Expand sales even amidst progress in BEVs

The company's long-term management challenge is to respond to the popularization of battery electric vehicles (BEVs). As a premise for the medium-term management plan, we formed our sales forecast based on automobile manufacturers' production plans. As a result, in 2030, we anticipate a

decrease in net sales of about 10% compared with FY2021 according to our forecast due to the transition to BEVs, and have established three strategies.

- (1) Expanding sales of body parts and increasing their added value
- (2) Increasing market share in mature markets for engine-powered vehicles
- (3) Creating new businesses

Although expansion of orders for (1) and (2) continues, we must add newly developed and new technology products—including BEV-ready products—to solidify sales growth. With this in mind, we will promote the fortification of advanced development.

We are steadily increasing its number of associates for (3) through open innovation^{*2}, but moving into the business phase will require two to three years.

^{*2} **Open innovation**

Collaborating with external parties to promote internal innovation, and to achieve innovation through the inflow and outflow of ideas, technology, and other resources.

Cultivate earnings capacity

For FY2022, the group posted higher net sales and operating profit, but the North America segment recorded an operating loss. Production volume fluctuations occurred globally, reaffirming the need to lower the break-even point even further.

Since the variable cost ratio of our cost structure is high, we need to heighten the efficiency of both fixed and variable costs. It is important to mitigate in-process defects and material losses, minimize machine downtime, and reduce energy costs and overtime hours. Also, concerning fixed costs, we need to consolidate low utilization lines to achieve production with less equipment and energy and fewer personnel.

These are some ways in which we have been promoting best practice activities since fiscal 2021 to heighten both variable and fixed cost efficiency and to establish the industry's best production method. At this point, we are gradually seeing results from the model lines we have established in Japan. We will push our activities forward by rapidly expanding these model lines to other plants domestically and abroad.

Another pillar of earnings capacity is to manage to limit capital expenditures to the 25.0–30.0 billion yen range. We already transitioned in FY2021 to a management method of decision-making that assigns a priority to each investment project and visualizes investments over a three-year period. Moreover, we have launched efforts to lower investment unit costs by reducing the number of processes, investing less per process, and other measures. The impact of these efforts should become apparent in the second half of FY2023.



Fortification of advanced development and DX^{*3} reform

Futaba has had a culture of commercialization and sales growth with minimum investment in development. This has resulted in R&D investment of only about 5.0 billion yen, or just over 1% of net sales in real terms. The lifeblood of the parts manufacturing industry is technology. The scale of investment in development over the medium term should be increased to 2–3%.

An investment of money only without the backing of human resources, however, will not bring success. Since FY2022, we have shifted around 10% of the resources of the product development teams in both the Design Development Division and Production Engineering Division to the Advanced Development Division.

We are currently leveraging our fortified advanced development capabilities in the development of parts for BEVs and hydrogen engines, and products for applications related to agriculture. Specific items include battery cooling plates and covers, exhaust system parts for hydrogen engine vehicles, hydrogen producing fuel reformers, and weeding equipment, among others. We will accelerate the pace of development to quickly satisfy many customers while maintaining our superiority over our competitors.

Meanwhile, we do need to further streamline the product development process. We aim to fully leverage digital tools and minimize rework to minimum number of process and lead time in half.

Digital transformation (DX) reforms are gradually beginning to take root in design development, production engineering, and manufacturing workplaces. In the manufacturing workplace, we intend to establish Virtual One Factory—a system that enables the centralized control of production management operations of multiple plants from a single site in Japan—by 2024. The system is in fact already operational at some plants. Moreover, we have established more than 30 digitization themes for administrative workplaces to streamline clerical and indirect business processes.

^{*3} **DX:** Abbreviation of digital transformation.
Transforming business using digital technology

Growing into a Sustainable Company

As a corporate citizen, our mission is to contribute to the realization of a sustainable society.

With this in mind, Futaba needs to grow into a sustainable company over the long term, and the company has positioned investment in people and carbon neutrality as key themes.

The Chief Sustainability Officer (CSO), a position newly established this year, will spearhead the steady implementation of necessary measures.

Investment in people

Through our activities in FY2022, we became aware of two major challenges regarding investment in people.

The first is that a company is driven by its people, which means that we need to make

continuous investment in human wisdom and growth. We believe that the repeated occurrence of accidents and failures of a kind, as well as the slow pace at which improvements were implemented, was likely the result of insufficient employee training and inappropriate allocation of human resources.

The second issue is the declining birthrate, aging population, and workforce diversification. Since its peak in 1995, the working-age population in Japan has been declining. It is projected to fall by about 20% by 2040, with no end to the decrease in sight. Moreover, with the mobility of human resources currently expanding, we will be unable to retain the necessary personnel if we cannot offer rewarding jobs and workplaces.

Therefore, we will continuously grow Futaba's human capital by bolstering the company's investment in people, both in terms of human resources management (human resources development and expansion) and in personnel system reform. The key phrase is "Every employee plays an active role."

The first thing to look at is human resources management. We have a clear picture of the human resources required to complete our medium-term management plan, corporate global policy, and priority initiatives. For instance, we will implement the measures below in a manner that does not affect the speed of reform by focusing on the aforementioned advanced development personnel, global improvement leaders, and DX human resources.

- (1) Education and practice to raise competence and skill level
- (2) Help employees develop a wide range of perspectives through rotation
- (3) Provide opportunities for reskilling
- (4) Expand recruitment

Next, let's address personnel system reform. The concept encompasses respect for diverse values, the creation of a workplace where employees can work enthusiastically, and the appropriate allocation of personnel. With this in mind, it is important that we provide appropriate support and consideration to each individual, offer fair opportunities for everyone to challenge themselves, and to have a system that fairly evaluates those who have worked hard and have shown potential.

To avoid the new system becoming a one-way approach from the company to employees, we will reinforce communication by incorporating a much broader range of opinions from younger and mid-level employees.

We also need to promote the reform of our personnel system on a global scale. In a first for the company, this year we internally promoted the foreign president of a Group company to the position of Executive Officer. Our intent is for the system to allow talented people to work globally regardless of nationality or gender.

In addition to personnel systems, we must also undertake reform of the workplace culture to eliminate unconscious bias^{*4}. In August 2022, the Company declared its policy to promote diversity, equity, and inclusion (DE&I). We are working to ensure company-wide penetration of the policy through training for executives and working with the labor union to mutually deepen understanding. We are presently formulating a grand design for institutional reform and prioritizing individual measures, which we will be implemented sequentially during FY2023.

^{*4} **Unconscious bias:** Assumptions and prejudices that the person is not consciously aware of

Taking on the challenge of achieving carbon neutrality

In 2021, we announced a new CO₂ reduction target. This was when the U.S. returned to the Paris Agreement and countries set their new targets at the 2021 UN Climate Summit.

Company target

By FY2030

Reduction of 50% or more (vs. FY2013)

Subsequent company-wide activities have put us on track to achieve a 40% reduction for Scope 1 and 2^{*5,*6} emissions in Japan by 2025. We will switch to LED lighting and inverter motors, introduce solar panel power generation, and implement building heat shielding and insulation whenever possible. Furthermore, we are determined to achieve the reduction target also by taking measures that will help reduce standby power consumption, such as raising productivity, consolidating production lines, reducing in-process defects, turning off power when not needed, and improving the level of daily operational management.

We are also working together with our suppliers to promote Scope 3^{*7} emission reductions by informing them regarding our initiatives and examples of CO₂ reduction activities provided by automobile manufacturers.

It is also our intent to ensure that we accumulate further CO₂ reduction items, purchase credits, and take other steps to meet the chal-

Message from the President

lence of achieving carbon neutrality at our domestic plants by 2035.

Looking at overseas operations, the reality is that the situation differs from one region to the next. Parts of Europe and the United States are already on pace to achieve reductions in excess of 50%, including the purchase of credits. Meanwhile, in Asia—including China—renewable energy-derived power sources are not so clearly defined. The first step will be to communicate examples of our domestic activities and steadily promote CO₂ emission reduction.

^{*5} **Scope 1:** Direct emissions of greenhouse gases by the business operator itself

^{*6} **Scope 2:** Indirect emissions from use of electricity, heat, and steam supplied by other companies

^{*7} **Scope 3:** Indirect emissions other than Scopes 1 and 2 (Emissions of other companies related to the business operator's activities)

Supply Chain Built on Deepened Mutual Trust

Over our long history, we have conducted business in cooperation with numerous affiliates and suppliers. We would like to thank you again for always being there for Futaba and supporting the company through good times and bad. Difficulties such as those we experienced in FY2022 may very well occur in the future, although they may differ in nature. Therefore, we would like to further reinforce the trust our affiliates and suppliers have in us.

The majority of Futaba's suppliers in Japan are subject to the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors^{*8}. In addition to compliance with laws and regulations, we will further deepen mutual trust through supporting improvement, Suppliers Cooperative, and other communication activities. In addition, from fiscal year 2023, we will reinforce the following activities to bolster the competitiveness of the entire group, suppliers included.

- 1) March and September are designated as months for discussions on prices and issues to heighten awareness of prices as well as problems in general.
- 2) Increase supplier participation in production quality improvement confirmation meetings
- 3) Participate in production division meetings for the lateral deployment of Futaba's best practices

Moreover, we believe that one of our roles is to deliver the voices of our suppliers collected through these communications to automobile manufacturers.

We assess that the procurement base for our overseas sites is not as strong as in Japan. In North America, China, and India in particular, we will further promote local procurement and expand our supply chain in the interest of bolstering our competitiveness.

^{*8} **Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors:**

Law instituted to combat the abuse of an advantageous bargaining position by large procuring enterprises against a subcontractor.

Future of Futaba

Every day, while I'm working, I'm thinking about how to make Futaba a better company. Our first priority is to make Futaba a better company in the eyes of its employees. The significance, however, of the company's existence varies among its approximately 10,000 employees worldwide. Employees may view the company as a means to make a living, to achieve their own personal growth, or to support colleagues, the company, or society. We must constantly grow our company to maximize the number of employees who feel fulfilled in their work. We are now promoting human resources management and personnel system reforms with the key phrase "Every employee plays an active role" as our motto.

We believe that we can provide more value than expected to our shareholders, investors, suppliers, automobile manufacturers, end-users, and society at large because we are a company where "Every employee plays an active role."

Historically, we have deepened the plasticity processing technology for iron and stainless steel and the welding and other joining technologies to deliver products with sound dampening, purification, and collision durability functions. Futaba defines the added value of these products as the solid value to be offered in the three areas of environment, peace of mind, and quality of life.

Environment

Purification of engine exhaust and creation of a clean atmosphere
Elimination of engine and exhaust noise

Peace of mind

Body frame technology protecting occupants in the event of a collision

Quality of life

Fishing net knitting machines, pipe furniture, agleaf®, etc. adding more richness to people's lives

These will be changed from a BtoB^{*9} to a BtoC^{*10} perspective and from a short-term to a long-term future view. We are trying to redefine our

corporate purpose.

It is my belief that even a decade or two from now, the technological core of Futaba will be plasticity processing and welding technologies. The important thing is to deepen these core technologies. In addition to hot pressing, we have deepened and refined our technology for cold-stamping ultra-high tensile strength steel (UHTSS) sheets and turned it into one of our strengths. Similarly, we will continue to deepen and further develop the technologies we have cultivated at the forefront of the times.

Furthermore, and importantly, our stakeholders' demands are becoming increasingly challenging due to advances in technology and changes in the global environment. We believe it is important to stay ahead of these changes, to try to envision the future, and to incorporate technologies from new areas in addition to those we have developed.

With the shift to BEVs, for instance, engine noise will be eliminated and exhaust systems will no longer be needed, and these changes will occur rather rapidly. As this era approaches, we

will be confronted with the sounds of the road surface and the wind resounding in our ears, in place of engine sounds.

In a society in which traffic accidents are dropping significantly due to progress in autonomous driving, bodies with high collision safety performance will still be necessary, but they will also be designed to serve as a comfortable mobile space.

We assume that aleaf®—a system that increases yields in agriculture—will have to become more carbon neutral. We have begun work on a system with the ability to produce by itself the energy it needs from seed sowing to harvest.

We will continue to evolve our value proposition toward the realization of a future society in which as many people as possible can live in comfort. Please look forward to the continued, annual evolution of Futaba.

*9 **BtoB (Business to Business):**

Business model in which companies offer goods and services to other companies

*10 **BtoC (Business to Consumer):**

Business model in which companies offer goods and services directly to the general public.



Toward Sustainability

Since its founding, the Futaba Group has contributed to resolving social issues by providing customers with solid value in the three areas of environment, peace of mind, and quality of life through its products. In these uncertain times, Futaba will continue to respond to social issues such as those outlined in the UN's Sustainable Development Goals (SDGs) through our business activities thereby contributing to the realization of a sustainable society.

Long-term management issues

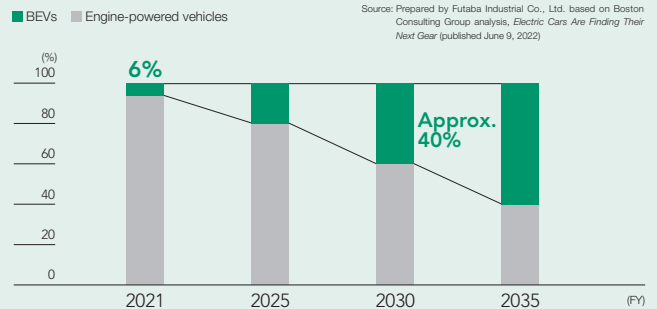
The recent changes in the environment surrounding the automotive industry have made issues such as responding to the popularization of BEVs and sustainability initiatives of investment in people and carbon neutrality important over the medium- to long-term for the Futaba Group.

Analysts are predicting fewer engine-powered vehicles and more BEVs in the future. We are deeply aware of how such changes will affect the Futaba Group, as our products include exhaust and fuel system parts, which are not installed in BEVs.

Moreover, as the working-age population declines and the labor force becomes increasingly mobile, it is urgent for the Futaba Group to strengthen its human capital. As such, we have positioned investment in people as one of our key management issues.

Furthermore, as countries enact policies toward a carbon-neutral society in response to worsening climate change sparked by global warming, the Futaba Group recognizes that this is an issue it must also address.

Global forecast for new vehicle sales



Country Policies Toward Carbon-Neutral Society

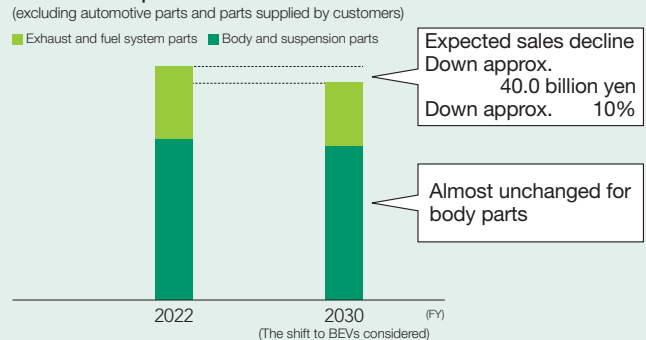
CO ₂ reduction target	UK	EU	US	Japan
2030	Down 68% or more	Down 55% or more	Down 50–52%	Down 46%
2050	Net zero			

Response to BEV popularization

Our forecast for FY2030 shows that the popularization of BEVs will impact our net sales of exhaust and fuel system parts, and we expect a decrease of approximately 40.0 billion yen in net sales (down approximately 10% from FY2022). We are implementing three strategies to address the impact of the popularization of BEVs and to increase future sales.

- ① Expanding sales of body parts and increasing their added value [P31-32](#)
- ② Increasing market share in engine-powered vehicles [P35-36](#)
- ③ Creating new business [P38](#)

Forecast for impact of BEVs on consolidated net sales



Message from the Officers in Charge



Shoichiro Kato
Center Chief, Component
Planning & Management
Division

Major changes in the business environment are already underway. While we ensure solving immediate issues, it is also becoming increasingly important to formulate long-term strategies that anticipate changes in society and potential customer needs associated with the popularization of BEVs. With contributing to society and customers at the core of our thinking, we will prepare and position ourselves for the global roll out of a growth strategy for the parts business by adapting the aforementioned three strategies with regionality, flexibility, and responsiveness.



Yoshihiko Ishizaki
Center Chief, Sales
Center

We serve as a bridge of trust with our customers even amidst rapid changes in the environment and—by responding flexibly and quickly—maximize our value creation. Based on (1) sustainability of business, (2) consideration of governance, and (3) consideration of the environment, we will work globally to achieve sustainable growth while providing the values of environment, peace of mind, and quality of life to our various stakeholders.

Sustainability structure

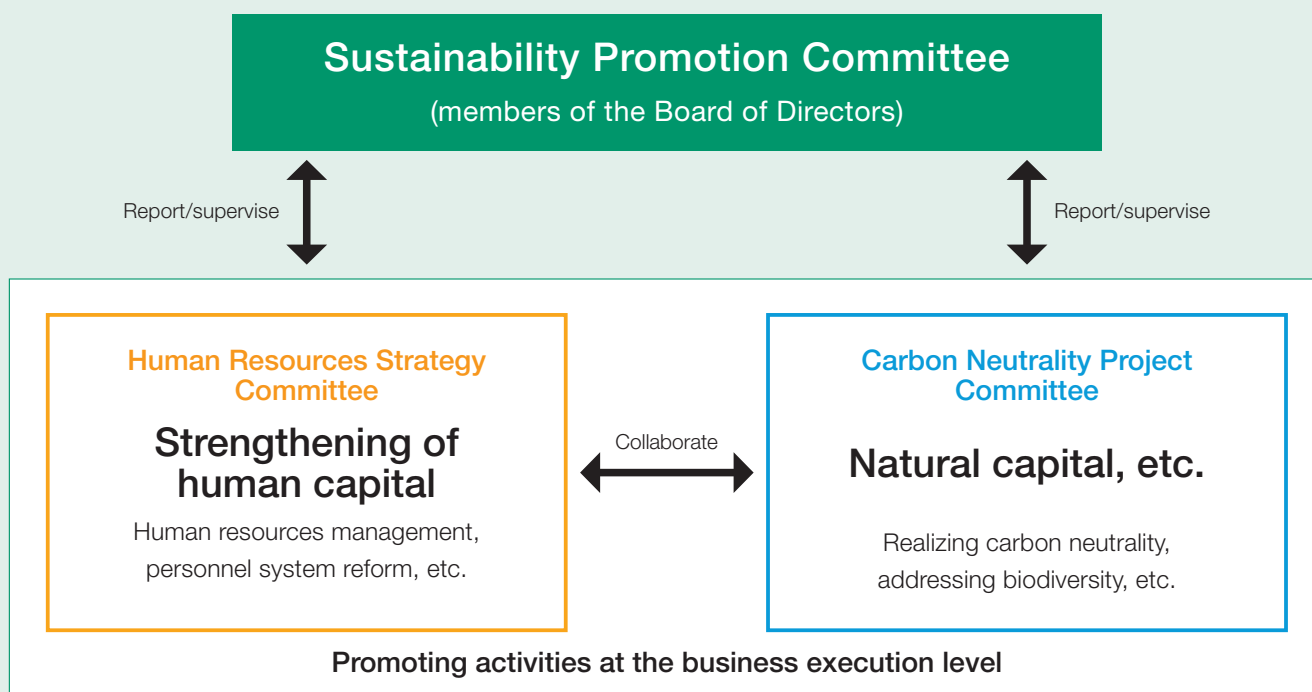
Basic approach

The Futaba Group considers the realization of a sustainable society as its social mission, and accordingly it supports the Sustainable Development Goals (SDGs), common goals of the international community. With the aim of solving environmental and social issues through its business activities and reinforcing the management foundation to support these activities, we have adopted 14 Priority Issues (Materiality) into its management strategy and has been working on them since FY2020.

Since FY2021, we have focused on carbon neutrality (CN), and from FY2023 we will add investment in people (human capital) as another priority, and channel our energy into these two most important themes.

Promotion system

In FY2023, Futaba appointed a Chief Sustainability Officer (CSO), a newly established position. The CSO will lead the way in the realization of these two most important themes—investment in people (human capital) and carbon neutrality (CN)—through the following structure.



Message from the Officer in Charge



Kenichi Nakao
Chief Sustainability
Officer (CSO)

Futaba Industrial Co., Ltd. is committed to achieving a sustainable society based on the twin pillars of investment in people and carbon neutrality.

With regard to investment in people, we aim to achieve our management targets by having every employee play an active role, through the management of human resource and the reform of our personnel system. Concerning carbon neutrality, we are promoting improvements in energy efficiency and the adoption of renewable energy sources in the interest of reducing greenhouse gas (GHG) emissions.

We continuously coordinate our efforts with Board members through the Sustainability Promotion Committee.

We will promote sustainability-related reform and innovation on a global scale, with a focus on transparency and collaboration with stakeholders.

Human resources strategy

Toward the global achievement of management strategies through “Every employee plays an active role”

Our medium-term management policy, based on our vision of The Company We Want to Be by 2030, consists of: Strong measures to be a trusted and successful company; strong measures to be a true global company; and strong measures for a sustainable corporate foundation. We are aware that human resources are a crucial element of the business foundation for the further promotion of the business measures in our medium-term management policy, and for the realization of the our value proposition in the three areas of environment, peace of mind, and quality of life, which we have held in high esteem.

Therefore, we have adopted the basic concept regarding human resources of “Every employee plays an active role.” By promoting human resources management strategies and personnel system reforms to ensure every employee plays an active role, placing emphasis on the strengths of each individual, job satisfaction, and taking on challenges, we aim to properly allocate human resources to enable individuals 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.

Value proposition in three areas	Environment Peace of mind Quality of life	Medium-term management policy	Strong measures to be a trusted and successful company Strong measures to be a true global company Strong measures for a sustainable corporate foundation
-----------------------------------------	--------------------------------------------------------	--------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------

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**
 - Develop human resources capable of planning and achieving challenging goals to solve problems independently by having them acquire the specialized knowledge and skills necessary for their jobs.
- **Promote the active engagement of diverse human resources**
 - Promote appropriate personnel allocation to capitalize on each individual’s strengths
 - Identify and develop human resources to create new value
- **Strengthen management human resources**
 - Develop leaders who can create a satisfying workplace and foster human resources with a purpose-oriented and far-sighted perspective (in terms of time and geography) to bring management and business strategies to fruition

Personnel system reform to ensure every employee plays an active role

- **Promote health management**
 - Creating a workplace where employees can work safely and with a sense of reassurance
 - Strengthen support to promote mental and physical health
- **Promote diversity, equity, and inclusion**
 - Foster a workplace environment and culture where the strengths of each individual are leveraged and everyone has fair opportunities to take on challenges
- **Cultivate a satisfying work environment for a diverse workforce**
 - Offer flexible work arrangements
 - Create a work environment in which each individual employee can demonstrate their true capabilities

Need to develop new strategies and enact human resource policies for enhancing job satisfaction to acquire human resources and draw out the abilities and active engagement of each individual.

Human resource-related changes in the external environment

- Decline in the working-age population and accelerated human resource mobility (intensified competition among companies to secure human resources and diversification of career and work style-related values)
- Given the situation—marked by changes in the business environment and management strategies, such as the shift to BEVs and carbon neutrality, it is necessary to update the skills and capabilities of personnel to empower them to respond to changes in business and operational processes due to the advancement of technological innovation.

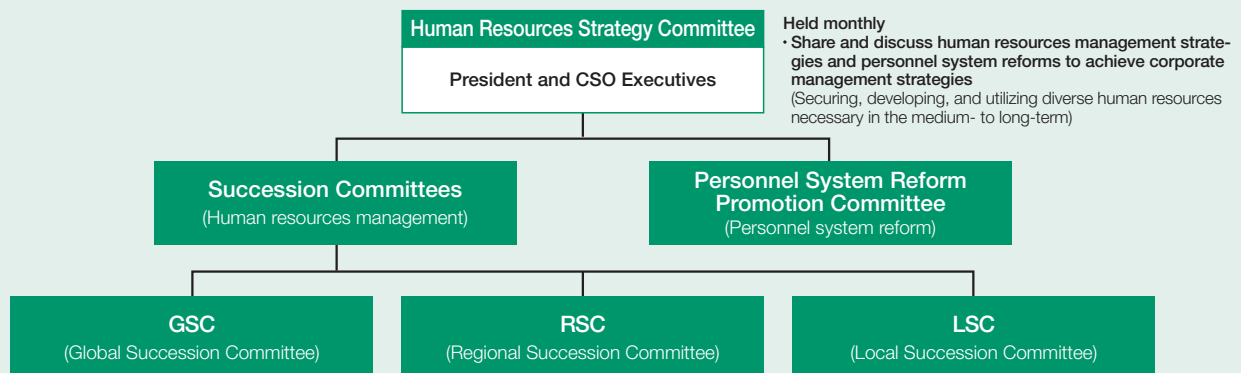
Framework and approach to promoting human resources strategy

Human Resources Strategy Committee

To bring our human resources strategy to fruition, the Human Resources Strategy Committee—with top management in attendance—shares specific issues and measures, and monitors progress. These activities are spearheaded by the CSO, in cooperation with the site heads of domestic and overseas Group companies and their respective human resource departments.

Under the Human Resources Strategy Committee, Succession Committees and the Personnel System

Reform Promotion Committee have also been established to promote initiatives in their areas of responsibility. Succession Committees have been respectively established at the global, regional, and site levels to study and promote human resources development plans tailored to the unique conditions and issues of each region and site. The Personnel System Reform Promotion Committee discusses progress and issues related to all policies.



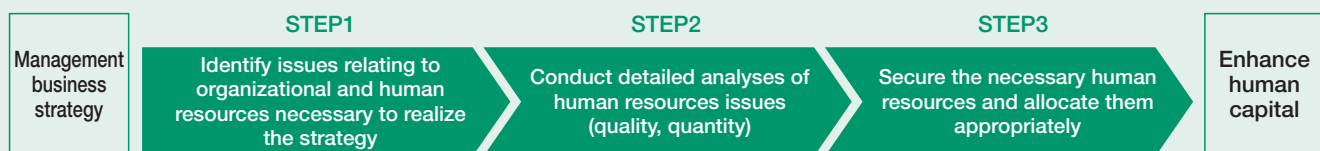
TOPICS Strengthening human resources management to enhance global governance

The Futaba Group operates a Global Succession Committee (GSC), which comprises members from Center Chiefs of the headquarters in Japan and above. The GSC promotes the selection and development of human resources to fill key positions related to global governance, as well as the organizational structure most appropriate for groupwide management. Moreover, Regional Succession Committee (RSC) and Local Succession Committee (LSC) meetings are held in each region with senior management from each company participating as members to formulate and execute succession plans for each of the companies and to systematically develop local human resources. The contents of the RSC and LSC discussions are shared with the GSC to systematically promote local personnel to key positions.



Overall picture of the human resources management strategy review process

To secure and maintain the human resources needed to bring our strategy to fruition, we will identify human resources issues, and study and implement measures to resolve them through the following processes.



Desired human resources identified in STEP 1



STEP 1 resulted in the clarification of our image of the desired human resources we must secure and maintain to realize our strategy.

We will continue hiring and training a diverse workforce regardless of gender, nationality, age, and other factors, to secure and maintain the desired human resources.

For more information on our current efforts to enhance our human capital, including the aforementioned initiatives, please refer to “Human Capital” in this report. (see pages 45–52)

Carbon neutrality (CN)

One of our challenges in realizing a sustainable society is to become carbon neutral. First, in Scope 1 and 2, areas where a company can control its own emissions, we will determine how to achieve CO₂ emissions reduction targets for our plants, which requires thorough daily improvements and innovative technologies. Together with automobile manufacturers and suppliers, we are promoting initiatives with a view to Scope 3 and Life Cycle Assessment* (LCA).

CO₂ emissions reduction targets for plants

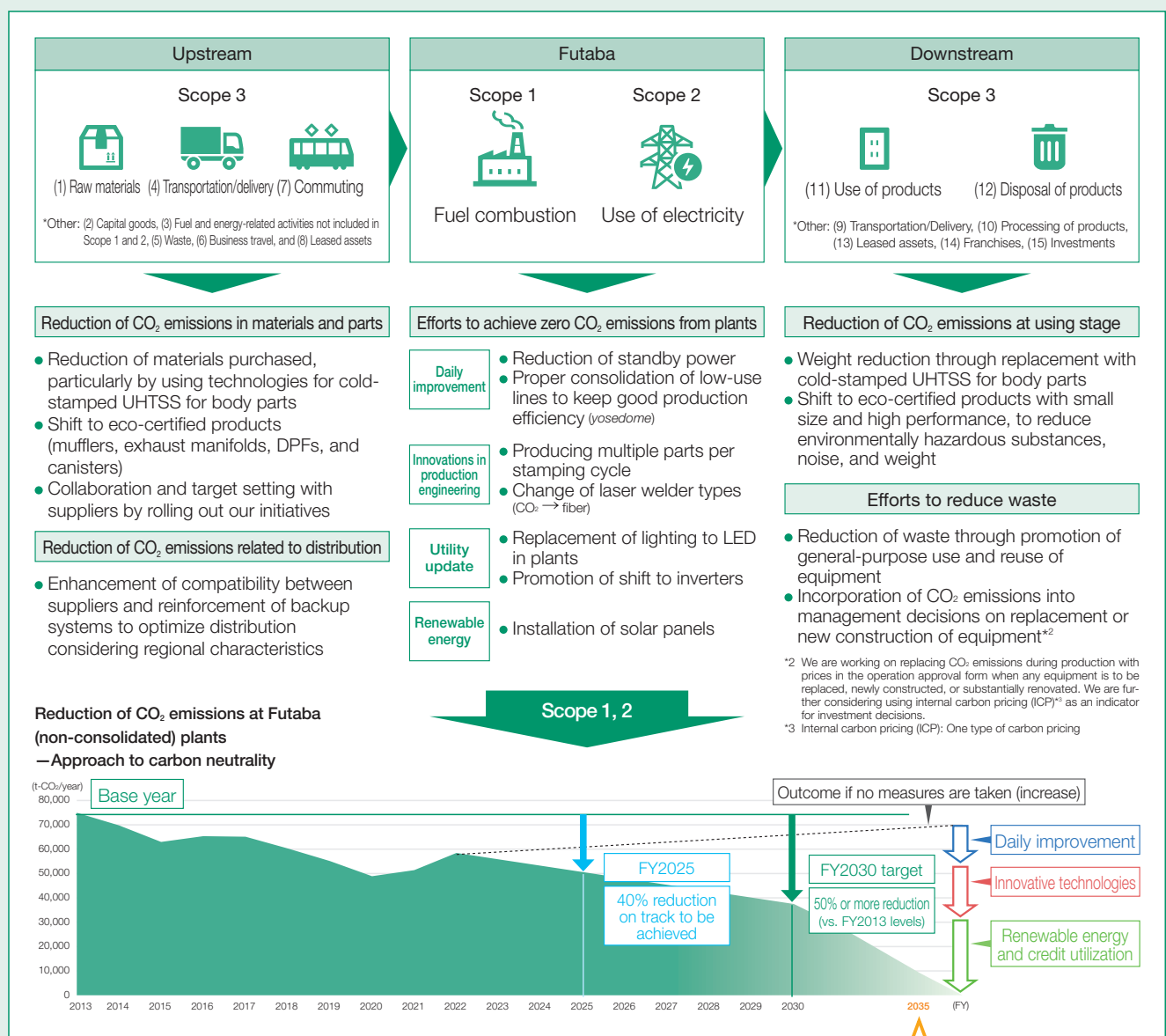
Non-consolidated: Reduction of 50% or more by FY2030 compared to FY2013

Domestic and overseas Group companies: Annual 3% reduction (same level as non-consolidated target) 2035 Take on the challenge to achieve carbon neutrality in domestic plants

* Life cycle assessment (LCA): Methodology to quantitatively assess environmental impact of the entire life cycle or at a specific stage of a product

Life cycle CO₂ reduction

In addition to CO₂ emissions reduction activities at our plants, we are implementing additional initiatives from a life cycle perspective.



Take on the challenge to achieve carbon neutrality in domestic plants by 2035

For details on the promotion system, please visit our website. <https://www.futabasangyo.com/en/csr/environment/decarbonization>

Message from the Officer in Charge



Takashi Fujii
Chief Risk Management
Officer (CRO)

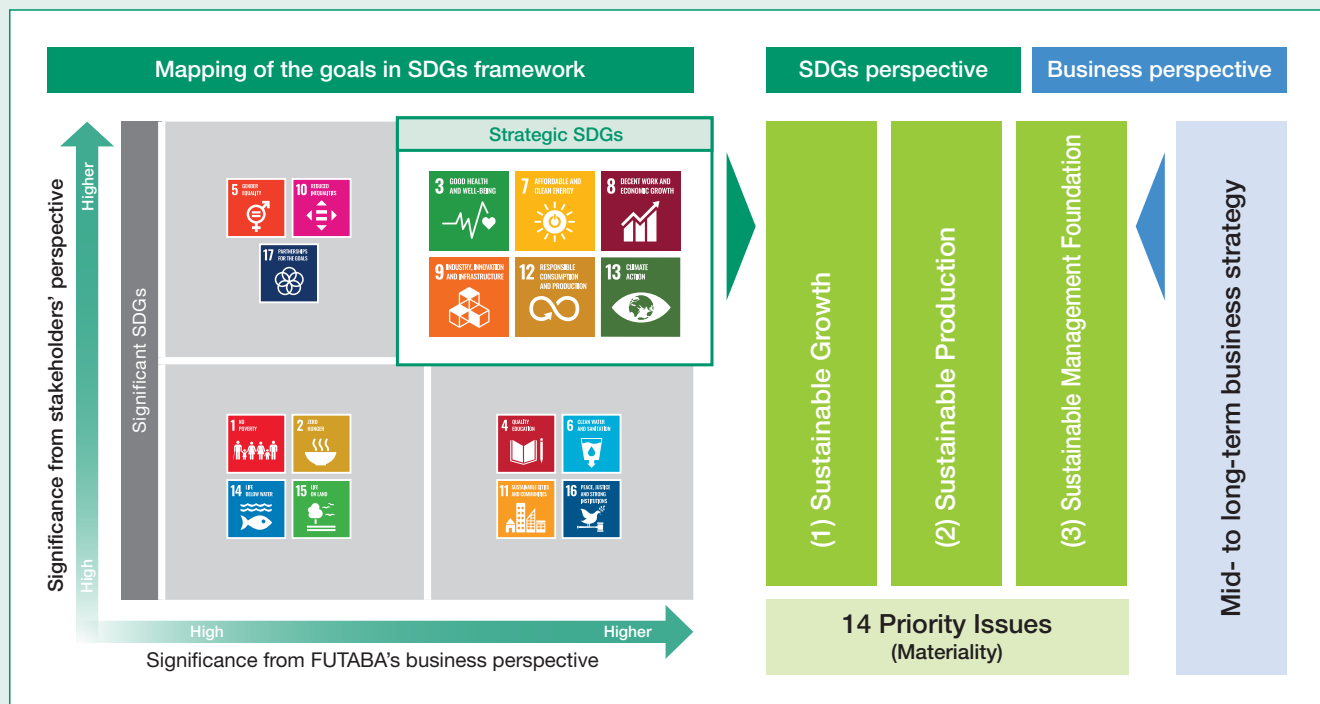
The goal of realizing carbon neutrality has significance. In addition to mitigating climate change and contributing to the realization of a sustainable society, each employee will endeavor to make improvements on a daily basis toward developing an eye for meticulous management. This will contribute to strengthening the company's competitiveness and boosting profits, while also heightening awareness of energy conservation at home. This will also result in the company being able to meet the expectations of many customers and of society, which enhances Futaba's reputation and attracts talented human resources. Put another way, we can aim to increase corporate value, and this should lead to an increase in the share price.

Integrating the SDGs into management

In support of the Sustainable Development Goals (SDGs)—common goals of the international community—the Futaba Group selected 14 Priority Issues (Materiality) in FY2020. The Priority Issues (Materiality) are for the Futaba Group to achieve the Strategic SDGs that have the highest priority from both stakeholders' and our business perspectives. To integrate these issues with Business Strategy, we categorized them into three themes: (1) Sustainable Growth, (2) Sustainable Production, and (3) Sustainable Management

Foundation. Currently, SDGs Project Management Offices and Responsible Dept. are integrating the SDGs into their business activities while also incorporating them into the medium-term management plan and corporate global policy. The primary initiatives and objectives of the Priority Issues (Materiality) themes appear on the next page.

We will continue to promote activities by implementing the PDCA cycle, as well as regular checks and follow-ups to achieve our goals.



Medium-term management plan

Corporate global policy

Key Initiatives, Targets, and Others

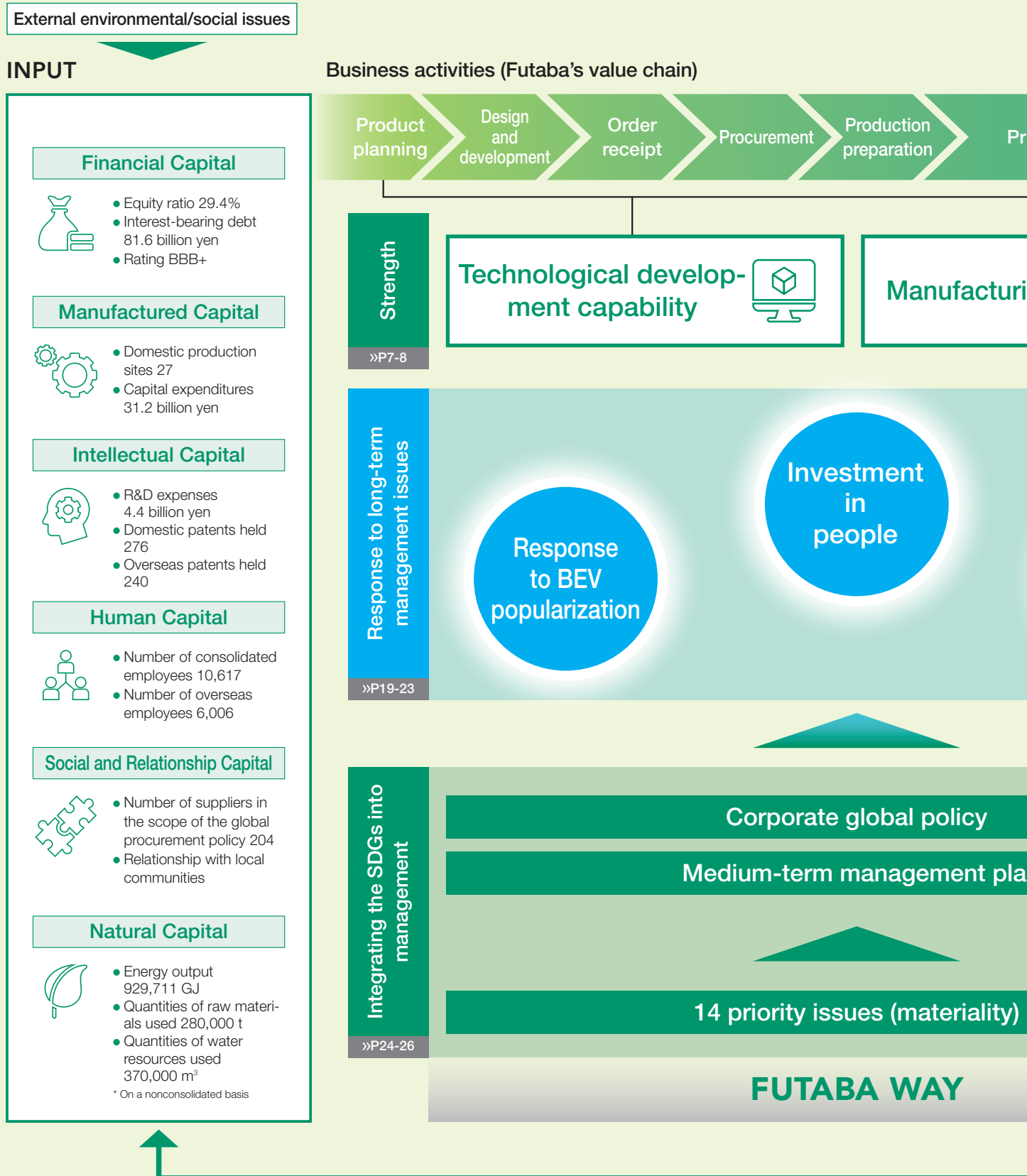
Area	Priority Issue (Materiality)	Key Initiatives		Main KPIs	
(1) Sustainable Growth	Development of environment-friendly green mobility system	<ul style="list-style-type: none"> Development and evolution of exhaust gas purification and sound dampening technologies Thorough downsizing and weight improvement of products 		<ul style="list-style-type: none"> Net Sales proportion of eco-certified products to environmental products (%) * (vs. FY2018) 	
	Pursuit of light-weight body structure	Parts weight reduction utilizing UHTSS technology [1] During material production: Material usage reduction [2] During parts production: Use of cold-stamped UHTSS and hot stamped steel for different purposes [3] During vehicle motion: Parts weight reduction		<ul style="list-style-type: none"> Reduction of CO₂ emissions (t-CO₂/year) * (vs. FY2020) 	
	Creation of new values	<ul style="list-style-type: none"> Electrification products Development of technologies to reduce CO₂ emissions / Response to energy diversification Development of products for the agricultural sector / Exploring new businesses possibilities toward a decarbonized society 		<ul style="list-style-type: none"> Creation of innovation to solve environmental and social issues 	
(2) Sustainable Production	"Monozukuri" considering the impact on global warming and climate change	[1] Daily improvement, technological innovation, and utilization of renewable energy, credits, etc. <ul style="list-style-type: none"> Fuel switching for air conditioning heat sources (shift to electricity) Shift to multiple types of inverters (energy saving) [2] Promotion of renewable energy utilization <ul style="list-style-type: none"> Introduction of solar power generation Purchase of CO₂-free electricity 		[1] CO ₂ emissions reduction targets for plants (%) Down 3.0%/year <ul style="list-style-type: none"> Non-consolidated: vs. FY2013 Subsidiaries: vs. FY2019 [2] Percentage of renewable energy used (%) * (vs. FY2020)	
	Contributing to a circular economy by reducing waste, conserving resources, and promoting recycling	[1] Steel usage reduction: Material yield improvement [2] Oil usage reduction: Switch to electric forklifts, small electric vehicles, and AGV Filtration and reuse of processed oil [3] Industrial waste output reduction [4] Defective product waste reduction: Scrap fee revision		[1] Percentage reduction in steel usage: Down 0.5%/year [2] Percentage reduction in oil usage: Down 1.0%/year [3] Percentage reduction in industrial waste output Down 1.0%/year [4] Percentage reduction in defective product waste: Decrease to one-tenth in 10 years * [1][2] vs. FY2019 (per million yen of processing added value) [3] vs. FY2019 (total volume) [4] vs. FY2020 (total volume)	
	Promotion of environmental management on a Group-wide and global basis	<ul style="list-style-type: none"> Acquisition of ISO14001 certification at all production sites 		<ul style="list-style-type: none"> Percentage of ISO14001 certifications acquired in all production sites (%) 	
	Improvement in productivity by improving production and operational efficiency	<ul style="list-style-type: none"> TPS introduction activities (labor reduction, efficiency improvement, and volume improvement) Improvement of distribution within the premises Preventive maintenance activities 		<ul style="list-style-type: none"> Productivity improvement rate Up 3.0%/year * (vs. FY2020) 	
	Improvement in quality of products and services	<ul style="list-style-type: none"> Acquisition of IATF 16949 or ISO9001 certification for all production sites 		<ul style="list-style-type: none"> Percentage of IATF 16949 or ISO9001 certifications acquired in all production sites (%) 	
	Creation of safety-first workplace	<ul style="list-style-type: none"> Establishment and implementation of a health and safety training system Risk assessment restructuring (plant) Establishment of an Occupational Health and Safety Management System Inspection of existing facilities and equipment of those before starting mass production Periodic review of regulations & safety standards for assembly equipment and stamping equipment 		<ul style="list-style-type: none"> Annual number of industrial accidents and accident frequency rate (number of accidents / total actual hours worked x 1 million) * Target disasters: For 12 domestic sites, accidents not accompanied by lost worktime (zero accidents that require time off from work or cause disabilities) For 15 overseas sites, accidents that are not accompanied by lost worktime, require time off from work, or cause disabilities * Serious disasters: Zero accidents at all sites 	
	Establishment of sustainable supply chain	[1] Solid implementation of CSR and green procurement policies by suppliers [2] Support for suppliers in quality, safety, etc. and development of related systems [3] Identification and minimization of resources used by suppliers [4] Development and sharing of examples of SDGs activities by suppliers		[3] Percentage reduction in CO ₂ emissions of suppliers (%) Down 3.0%/year * (vs. FY2021)	
(3) Sustainable Management Foundation	Promotion of health management** (Group companies set their own targets)	[1] Specific support for the establishment of healthy lifestyle habits [2] Decreased number of persons with mental health problems	(1) Proactive support for improvement in abnormal findings (2) Promotion of no-smoking	(1) Percentage of BMI 25 or higher (%) (2) Percentage of male smokers (%) Percentage index of persons with mental health problems (who are absent from work for one month or more) * (vs. FY2020)	
	Contributions to and coexistence with local communities (Group companies set their own targets in the three key areas in [2])	[1] Business activities [2] Social activities	Job creation, skill enhancement, and return of profits to local communities Global deployment in three key areas (environmental protection, community activity, and people development)	Achievement of business plans at all Group companies Global contributions in three key areas	
	Active work by diverse human resources and human resources development** (Group companies set their own targets)	[1] Promoting diversity [2] Creating a supportive workplace	<ul style="list-style-type: none"> Promotion of female empowerment Enhancement of diversity of new hires <ul style="list-style-type: none"> Improvement of work-life balance 	(1) Ratio of female management positions (%) (2) Percentage of new female graduates hired in administrative and technical positions (%) (3) Percentage of employees with disabilities (%) (1) Paid annual leave taken (2) Turnover rate (%)	
	Governance	[1] Risk management [2] Corporate ethics/compliance	(1) Promotion of operational quality improvement activities (functions and projects) (2) Development of organization, infrastructure, and recovery system to ensure information security based on DX (3) Establishment of a system for promoting confidentiality management, and achievement of ATSG requirements Establishment of a system and mechanism to confirm compliance with laws and regulations related to business activities at a higher level	(1) Percentage progress of operational quality improvement activities (%) (2) Percentage of CSIRT systems in place (%) SOC adoption rate (%) (3) Percentage of systems for promoting confidentiality management in place (%) Percentage of ATSG requirements achieved (%) —	

*1 "Main KPIs," "FY2022 Results," and "Mid- to Long-term Milestones and Targets" are on a non-consolidated basis.

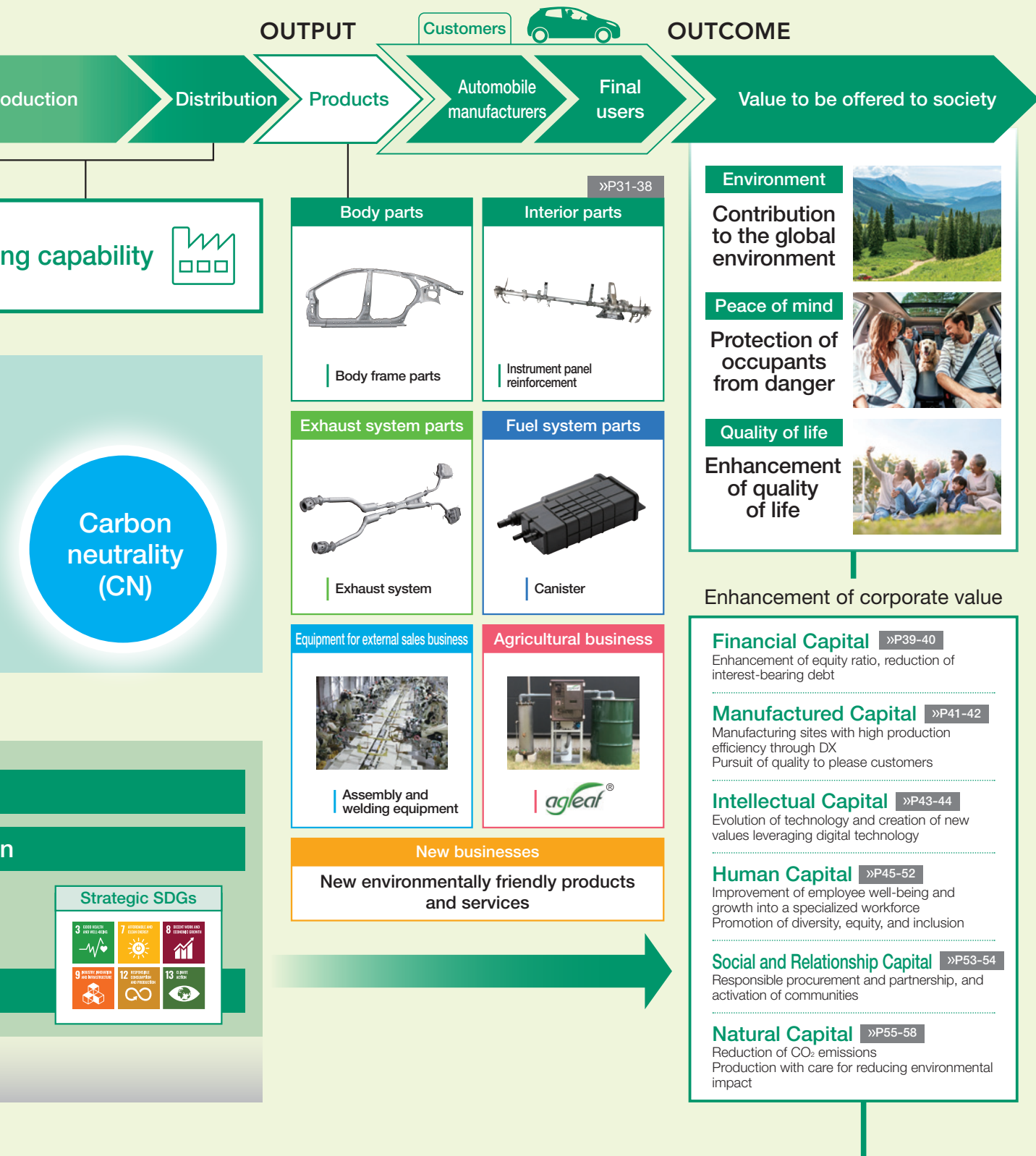
FY2022 Results	Mid- to Long-term Milestones and Targets	Related SDGs	Related page																				
20.9% (forecast)	FY2025: 20% FY2030: 50%	   	P44																				
Total Down 4,216 t-CO ₂ /year ① During material production Down 1,034 t-CO ₂ /year ② During parts production Down 697 t-CO ₂ /year ③ During vehicle motion Down 2,485 t-CO ₂ /year	<table><tr><td></td><td>①</td><td>②</td><td>③</td><td>Total</td></tr><tr><td>FY2023</td><td>-331</td><td>-868</td><td>-754</td><td>-1,953</td></tr><tr><td>FY2025</td><td>-1,829</td><td>-4,561</td><td>-4,160</td><td>-10,550</td></tr><tr><td>FY2027</td><td>-3,314</td><td>-5,740</td><td>-7,540</td><td>-16,594</td></tr></table> (t-CO ₂ /year) * (vs. FY2020)		①	②	③	Total	FY2023	-331	-868	-754	-1,953	FY2025	-1,829	-4,561	-4,160	-10,550	FY2027	-3,314	-5,740	-7,540	-16,594	   	P44
	①	②	③	Total																			
FY2023	-331	-868	-754	-1,953																			
FY2025	-1,829	-4,561	-4,160	-10,550																			
FY2027	-3,314	-5,740	-7,540	-16,594																			
R&D underway	FY2030: Introduce new products to global markets	  	P44																				
① Non-consolidated: Down 41.4% ② Non-consolidated: Launched solar power generation operation at Kota Plant Building No. 4 From August 2022 → Generation of electricity equivalent to 440,000 Kwh Non-consolidated: Purchase of non-fossil certificates (equivalent to 1% of total non-consolidated electricity consumption: 1.3 million Kwh)	① FY2030 Non-consolidated: Down over 50% Subsidiaries: Down 33%	   	P55																				
① Non-consolidated: Down 1.6% ② Non-consolidated: Down 29.9% ③ Non-consolidated: Down 10.3% ④ Non-consolidated: Down 50.5%	<table><tr><td></td><td>①</td><td>②</td><td>③</td><td>④</td></tr><tr><td>FY2025</td><td>-3.0</td><td>-6.0</td><td>-6.0</td><td>—</td></tr><tr><td>FY2030</td><td>-5.5</td><td>-11.0</td><td>-11.0</td><td>-90.0</td></tr></table> (%) * ①② vs. FY2019 (per million yen of processing added value) ③ vs. FY2019 (total volume) ④ vs. FY2020 (total volume)		①	②	③	④	FY2025	-3.0	-6.0	-6.0	—	FY2030	-5.5	-11.0	-11.0	-90.0	   	P55-56					
	①	②	③	④																			
FY2025	-3.0	-6.0	-6.0	—																			
FY2030	-5.5	-11.0	-11.0	-90.0																			
96%	FY2024: Complete acquisition at all production sites	   	P56																				
Non-consolidated: 99.1% reduction (target: 106% of FY2020 level) *Target not achieved due to reduced production during COVID-19 pandemic	FY2025: Up 15% FY2030: Up 30%	   	P41																				
73%	FY2025: Complete acquisition at all production sites	  	P41-42																				
12 domestic sites • Industrial accidents 16 • Accident frequency rate 1.39	12 domestic sites Industrial accidents Accident frequency rate FY2025: 10 or less 1.00 or less FY2030: 6 or less 0.60 or less	 	P45																				
③ Non-consolidated suppliers: Down 6.0%	③ FY2030 Non-consolidated suppliers: Down 27%	   	P53-54																				
(1) 30.2% (2) 34.1%	<table><tr><td></td><td>① (1)</td><td>① (2)</td><td>②</td></tr><tr><td>FY2025</td><td>25.0%</td><td>33.1%</td><td>0.61</td></tr><tr><td>FY2030</td><td>20.0%</td><td>27.8%</td><td>0.41</td></tr></table>		① (1)	① (2)	②	FY2025	25.0%	33.1%	0.61	FY2030	20.0%	27.8%	0.41	 	P46-47								
	① (1)	① (2)	②																				
FY2025	25.0%	33.1%	0.61																				
FY2030	20.0%	27.8%	0.41																				
1.23																							
Completed preparation of business plans at all Group companies	Achieve business plans at all Group companies in each fiscal year	  	P54																				
Global implementation in three key areas Main activities: Repair and renovation of local school facilities, aid for areas struck by disaster, and <i>monozukuri</i> classes for elementary school students	Promotion systems and programs are in place at all sites, and voluntary activities by employees have taken root.	 																					
(1) 1.1% (2) 19.4% (joined in April 2023) (3) 2.7%	(1) FY2025: 3% or more FY2030: 5% or more (2) FY2025: 20% FY2030: 30% or more (3) Above statutory employment rate (FY2022 statutory employment rate: 2.3%)	  	P48-52																				
(1) 18.6 days (2) 2.5%	(1) FY2025: 18.5 days or more FY2030: 20 days (2) FY2025–2030: Maintain 2% or less																						
(1) 85% (2) CSIRT: 100% (system in place) SOC: Domestic 75% / Overseas 44% (3) Confidential management promotion system 100% (completed in FY2021) ATSG: Non-consolidated 81% / Domestic 49% / Overseas 57%	(1) FY2023: Complete operational quality improvement activities, start operation, and normalize it (2) CSIRT: FY2022 100% SOC: Domestic FY2023 100% / Overseas FY2024 100% (3) ATSG: Domestic FY2023 100% / Overseas FY2025 100%	 	P73-74																				
Domestic: Completed monitoring and follow-up on implementation status Overseas: Completed establishment of systems in response to revisions	Domestic: FY2022 Monitoring and follow-up on implementation status Overseas: FY2022 Establishing systems in response to revisions FY2023 Monitoring and follow-up on implementation status																						

Value Creation Process

The business environment enveloping the Futaba Group is changing dramatically—including the shift to BEVs for automobiles, the decline in the working population, and the impact of climate change—and more rapidly than expected. The Futaba Group has long recognized the external environment and social issues that need to be addressed, and has been engaged in its businesses to meet the needs of society. Our beliefs, values, and pride have been handed down over generations since our



foundation as the Futaba Way. With the Futaba Way as the origin, we will aim to enhance our corporate value by addressing long-term management issues through business activities that integrate the SDGs and provide society with solid values in terms of environment, peace of mind, and quality of life.



Medium-term Management Plan

In May 2022, the Futaba Group formulated its medium-term management plan up to FY2024. We have formulated a global corporate policy for each fiscal year as a specific initiative to realize the objectives of our medium-term management plan, and we will continue to promote our initiatives toward achievement of the plan leveraging the FY2023 Corporate Global Policy.

Basic policy

We have formulated the medium-term management policy to achieve The Company We Want to Be by FY2030. We will aspire to become a strong and sustainable global company by establishing a strong management and profit structure and investing our resources in bringing innovation to digitalization and *monozukuri*.



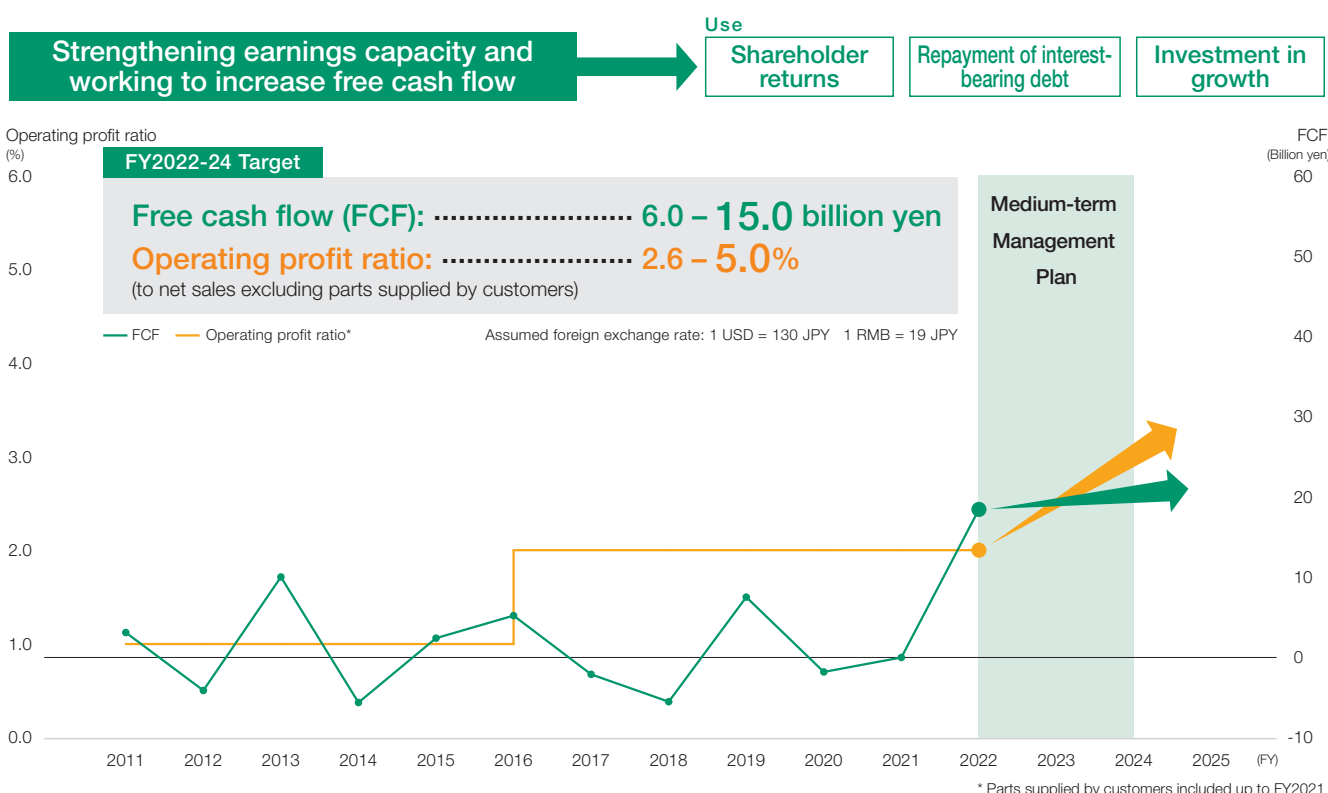
Medium-term management goal

The Futaba Group's goal for between FY2022 and FY2024 is "strengthening earnings capacity and working to increase free cash flow (FCF)." By FY2024, we will raise our FCF from 6.0 billion yen to 15.0 billion yen, and our consolidated operating profit ratio (to net sales excluding parts supplied by customers*) from 2.6% to 5.0%.

Consolidated operating profit ratio in FY2022 was about 2%, which fell short of the target, but FCF exceeded the

target. In FY2023, we will further strengthen our earnings capacity in the North America region through measures such as improving production efficiency, to increase FCF and operating profit ratio. We will allocate FCF to shareholder returns, repayment of interest-bearing debt, and investment for growth.

*1 Net sales excluding parts supplied by customers: Net sales excluding parts supplied by customers, such as catalysts used in exhaust system parts



FY2023 corporate global policy

Review of FY2022 corporate global policy

The corporate foundation for FY2022 was based on the growth strategies of safety and quality, human resources development, and DX. Key items include environmental contribution, strengthening of competitiveness, and enhancement of value-added. Furthermore, we have formulated policies for priority initiatives in each of these items, and have been working to review and reorganize the practice and structure of our activities. While we did achieve success to a certain extent in each of these items, we also identified new challenges, which are noted below.

- Reinforced promotion of each key theme and clarification of strategies by region
- Improved groupwide understanding and penetration of our high-level concepts, such as the corporate motto and management principle, and of the company policy; and following up on the progress of these initiatives.
- Responding to declarations at international conferences and new requirements by the Tokyo Stock Exchange (Initiatives toward realizing the management based on an awareness of human capital, cost of capital, and stock price)

Approach to FY2023 corporate global policy

Given the new challenges to realizing our medium-term management goals, we will proceed with a clarified follow-up structure by giving more definite shape to each key theme in corporate foundation and growth strategy and to leaders in charge of each theme. The structure was designed to ensure that all Futaba Group employees are fully aware of the relationships between their own region and others, particularly given the differences in strategies from one region to the next outside Japan. Moreover, we have clarified the matters to be addressed by placing safety

and quality first and separating these two themes, as they are of top priority for the company. And we will focus on improving the break-even point (see 6.1 in the table below) and managing to keep total investment below a certain level in capital expenditures (see 7 in the table below) to achieve our medium-term management plan objective of a stable FCF turnaround. Furthermore, we will work on each of the key themes of profit improvement and lateral expansion (see 6 in the table below) with the aim of improving the operating profit ratio.

Foundation	1. Safety		Creating structures, people, and workplaces that never cause serious accidents or fires.	Center Chief Kawabuchi	
	2. Quality		Creating structures, people, and workplaces that never cause serious quality problems.	Center Chief Yamada	
	3. Human Capital		Fostering a workplace culture in which every employee can play an active role and reforming the system.	Center Chief Nakao	
	4. DX		Formulating operational processes to realize the company reformation.	DX Supervisor Yoshida	
Growth Strategy	5. Sustainable growth		Promoting sustainability transformation (SX) to achieve a carbon-neutral, circular economy.	CSO Nakao CRO Fujii	
	Competitiveness Improvement	6. Profit improvement and lateral expansion	1) Improving break-even point in all regions to build a financial position resilient to business environment changes.	Center Chief Ohashi	
			2) Strengthening <i>monozukuri</i> competitiveness by enhancing best practice*2 activities and daily management level.	Center Chief Hisatsune Center Chief Kawabuchi	
			3) Resolving individual issues in each region, and formulating and implementing regional strategies based on customer trends.	Center Chief Takahashi Center Chief Kawabuchi	
			North America	Promoting special projects to rapidly eliminate accumulated losses.	President Dave Martin*3
			China	Increasing order intake and reforming earnings structure for the future. Resource and production site optimization in line with customer needs.	President Ogiso*3
			Europe	Studying and formulating business strategies in response to customer trends. Fixed cost optimization in European operations.	President Inoue*3 President Kevin Schofield*3
			Asia	India: Strengthening competitiveness and optimizing use of resources toward increase of order intake.	President Tanuma*3
				Indonesia: Ensuring the implementation of medium- to long-term management plan.	President Suzuki*3
		7. Capital expenditure		Refining medium-term investment planning and management methods, and improving investment efficiency.	Center Chief Hisatsune Center Chief Takahashi Center Chief Kawabuchi
		8. Business expansion		1) Expanding body parts business and increasing their added value. 2) Increasing market share in mature markets for engine-powered vehicles. 3) Fortifying advanced development and creating new businesses.	Center Chief Kato Center Chief Ishizaki Center Chief Hisatsune Center Chief Yokota

*2 Best Practice: Best methods and processes to improve productivity

*3 Mr. Dave Martin: President of Futaba North America Engineering & Marketing Co. Mr. Ogiso: President of Futaba (Tianjin) Co., Ltd. Mr. Inoue: President of Futaba Czech, s.r.o.

Mr. Kevin Schofield: President of Futaba Manufacturing U.K. Ltd. Mr. Tanuma: President of FMI Automotive Components Private Limited

Mr. Suzuki: President of P.T. Futaba Industrial Indonesia

Strategy by Product

Body and interior parts



Environment

Peace of mind

Quality of life

Summary of FY2022

Toyota Motor Corporation adopted our first 1470 MPa cold-stamped UHTSS parts for Prius and medium-scale assembly parts for Crown following bZ4X, and we have launched production of these parts. We have also started production of our instrument panel reinforcement using the world's first new process for the joining of dissimilar metals aluminum and steel, a technology that has been adopted by Toyota for Lexus RX. Despite significant fluctuations in customers' production plans due to factors such as tight semiconductor demand, Futaba's net sales* for FY2022 totaled 188.2 billion yen, up 20.9% from the previous fiscal year.

* Excluding parts supplied by customers

Body parts

Overview

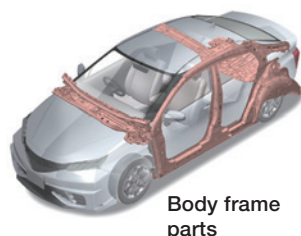
We mainly produce and supply body frame parts of automobiles. We implement the proposal of structure which enables both vehicle performance and manufacturing feasibility, in order to contribute to the safety of vehicles. From this point on, we aim to shift from the production of small-scale assembly parts to the production and supply of larger and more complex medium-scale assembly parts by further improving our body analysis capability.

Value to be offered

Social issues which our main products tackle

- Frequent disasters due to the progress of global warming, climate change, and abnormal weather
- Security of space for occupants to survive in the event of a collision

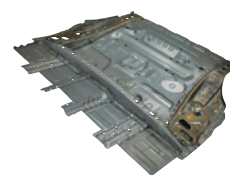
Main products



Body frame parts



Front pillar upper outer



Center floor pan sub-assembly

Value to be offered

- Contribution to the improvement of fuel efficiency and the reduction of CO₂ emissions through the reduction of product weight by materials with improved strength
- Contribution to the manufacture of safe and secure automobiles through the structure proposal of body parts, with the enhancement of manufacturing technology and analysis technology including materials with improved strength

External environment/Risks and opportunities

External environment	<ul style="list-style-type: none"> • Announcement of country policies toward carbon-neutral society • Enhancement of collision safety standards • Advances in digitalization to keep pace with the acceleration of change • Soaring raw material prices and energy cost • Intensifying global competition
Risks	<ul style="list-style-type: none"> • Changes in automobile manufacturers' supply chains and entry of new manufacturers into BEVs • Major changes in automobile manufacturing driven by the acceleration of larger, more integrated structures
Opportunities	<ul style="list-style-type: none"> • New proposals by augmenting development and enhancing technological competitiveness in line with body structure transformation • Suitable use of cold-stamped UHTSS parts and hot-stamped parts

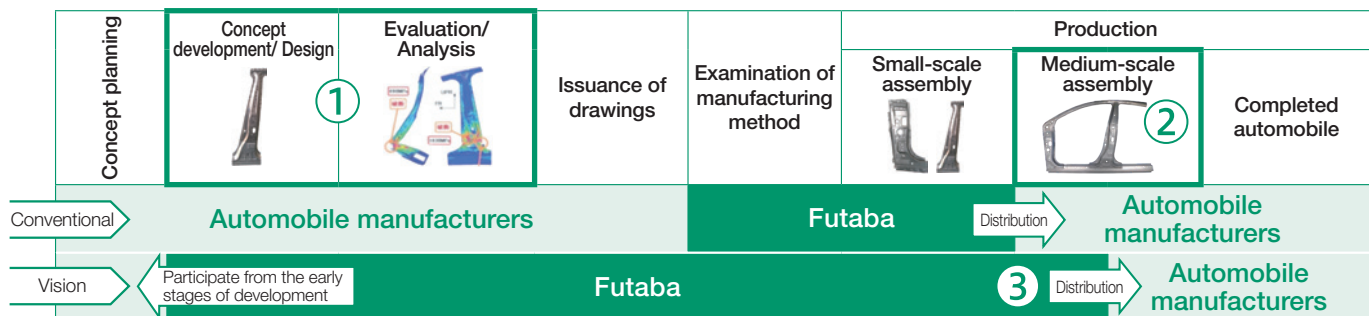
Strength

Category	Details
Press forming and welding technologies of UHTSS parts	<ul style="list-style-type: none"> Improvements of CAE technology in forming for UHTSS have led to heightened accuracy of stress analysis in products and prospective die technology Establishment of die structure for UHTSS
Capability for proposing light-weight structures with improved strength, which enables both manufacturing feasibility and vehicle performance	<ul style="list-style-type: none"> Through lighter weight, lower cost, higher quality manufacturing and the application of collision analysis technology, we propose solutions to customers from the conceptual and design stages of vehicle development

Responding to the popularization of BEVs: Expanding sales of body parts and increasing their added value

We will expand sales and profit through increasing added value of body parts by enhancing proposal capability which incorporates following (1) through (3).

Enhancement of proposal capability



① Promotion of proposal activities in early stages

We will improve our performance analysis technology utilizing CAE analysis, etc. We will also enhance our capability for making structural proposals to enable both performance and manufacturability, through improving our manufacturing capability including the utilization of 1470 MPa cold-stamped UHTSS parts and other UHTSS sheets.

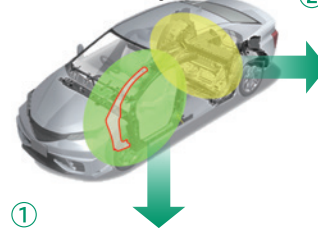
② Improvement of production efficiency of medium-scale parts

We will contribute to increasing sales and profit through meeting customer needs and improving manufacturing capability in the production of larger and more complex medium-scale assembly parts, departing from conventional small-scale assembly parts.

③ Efficient distribution

We will contribute to reducing CO₂ emissions in transportation through examining and proposing inventory reduction and minimization of distribution frequency by the improvement of product storage efficiency and space saving, in view of the environment, jointly with automobile manufacturers from early stages (Phase (1)).

Zone-based development of the car body

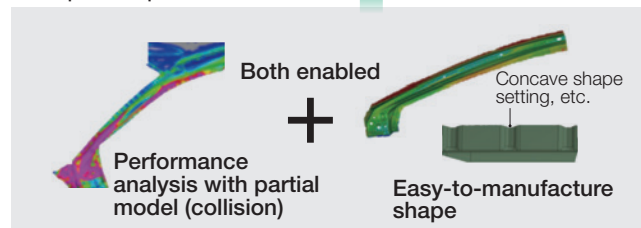


Increased complexity and size



① Proposed zone solution

Leverage CAE and other technological development capabilities



Vision and progress

We aim to become a team which can shoulder a part of body design and analysis operations of automobile manufacturers with our manufacturing capability and structural proposal capability.

	2023	2025	2030
Social trend	Carbon neutrality		
	Enhancement of collision safety standards by countries		
Development trend	Contribution to fuel efficiency through the proposal of UHTSS parts		
	Contribution to performance by proposing zone solutions		
	Human resources development through the execution of benchmarking and the promotion of secondment to customers		

FY2022 progress

Contributed to fuel efficiency through the proposal of UHTSS parts

- Developed *monozukuri* processes such as shapes and production methods for parts such as front pillar upper outers in cooperation with automobile manufacturers, and developed body parts made of 1470 MPa cold-stamped UHTSS.

Contributed to performance through the zone-based development proposal

- Made structural proposals that enable both manufacturability and performance (collision analysis). Received orders for the entire zone from front pillars to roof rails, and launched production
- Collaborated with automobile manufacturers on capacity improvements and other measures, and contributed to logistics cost and CO₂ emission reductions. Launched production of medium-scale rear floor assembly parts for Crown following b24X

Interior parts

Environment

Peace of mind

Quality of life

Overview

We develop, produce, and supply products to support the steering, instrument panel, audio, etc., located inside an instrument panel (dashboard) as a frame of an automobile. We deploy instrument panel reinforcements with pipe structure which utilizes laser welding with high welding speed. For upscale automobiles which require a high level of steering feeling, we provide highly value-added products featuring a laser-welded halved structure with improved force transmission as well as structures joining dissimilar materials. From this point on, we will promote the development of zone solutions for instrument panel reinforcement and body frame focusing on the optimum structure of the vehicle overall, with electric vehicles in mind.

Value to be offered

Social issues which our main products tackle

- Frequent disasters due to the progress of global warming, climate change, and abnormal weather
- Security of occupants in the event of a collision

Main products

Instrument panel reinforcement



Laser-welded pipe structure



Laser-welded halved structure



Dissimilar composite structure

Value to be offered

- Contribution to the improvement of fuel efficiency and the reduction of CO₂ emissions through the weight improvement of products
- Provision of safety and security to occupants through securing space to survive in the event of a collision
- Contribution to the improvement of a steering feeling in order to provide driving pleasure
- Contribution to the lowering of the design side of a dashboard through saving the space of an instrument panel reinforcement, in order to provide a comfortable space with a wide view

External environment/Risks and opportunities

External environment	<ul style="list-style-type: none"> • Enhancement of collision safety standards • Changes in performance requirements due to electric vehicle development • Comfortability of living space
Risks	<ul style="list-style-type: none"> • Integration of instrument panel reinforcement and peripheral parts due to changes in automobile manufacturers' performance requirements
Opportunities	<ul style="list-style-type: none"> • Significant structural changes due to the need for improved collision performance and steering feel, as well as the need to save space

Strength

Category	Details
Laser welding technology which enables thinner plate structure	Thin plates that cannot be arc welded can be used through the application of laser welding, which has low thermal distortion and no burn-through.
Proposal capability of the structure of body frame parts and an instrument panel reinforcement all together	Proposal and realization of optimal overall structure that can only be achieved by a manufacturer that can handle both body and instrument panel reinforcement from design through to production

Vision and progress

	2023	2025	2030
Social trend	Self-driving Level 2 → Level 3 → Level 4		
	Enhancement of collision safety standards by countries		
	Improvement in design flexibility and enlargement of displays driven by the shift from gasoline-powered vehicles to electric vehicles		
Development trend	Cost reduction by the certain incorporation of RRCI ^{*1} and SSA ^{*2} items		
	High added value and differentiation due to initiatives for the improvement of a steering feeling		
	High added value and differentiation due to the area development around a cowl in view of a vehicle as a whole instead of individual parts		

*1 RRCI: Cost innovation activities of Toyota Motor Corporation to achieve non-defective products with low cost

*2 SSA (Smart Standard Activity): Special activities of Toyota Motor Corporation to make both quality and performance appropriate

FY2022 progress

Reduced costs by the certain incorporation of RRCI and SSA items

- The incorporation of RRCI and SSA items into the new Prius led to the achievement of a cost reduction of about 20%.

Achieved high added value and differentiation due to initiatives to improve a steering feeling

- Adoption of a structure combining different materials with aluminum die-cast on the driver's side and steel on the passenger's side of the Lexus RX contributed to an improved steering feeling

Achieved high added value and differentiation due to the area development around a cowl in view of a vehicle as a whole instead of individual parts

- Will incorporate area development items for bodies and instrument panel reinforcements into the next new model.

Fuel system parts

Environment

Peace of mind

Quality of life

Summary of FY2022

We have been working to adopt recycled resin materials and reduce the cost for canisters*¹ since FY2021. With the same production volume as in FY2021, Net sales for FY2022*² totaled 16.5 billion yen, down 1.2% from the previous fiscal year.

*1 Canister: A device that absorbs evaporative gases from a fuel tank to emit clean air from a vehicle

*2 Excluding parts supplied by customers

Overview

We develop, produce, and supply functional fuel system parts around a fuel tank. With stricter regulation of fuel efficiency and exhaust gases, we will shift from canisters with a simple structure to canisters with a multi-layer structure which incorporate our own know-how. With carbon neutrality in mind, we also develop a new canister toward the adoption of recycled resin materials.

Value to be offered

Social issues which our main products tackle

- Environmental pollution, and destruction of biodiversity and ecosystem
- Frequent disasters due to the progress of global warming, climate change, and abnormal weather

Main products

Canister



For gasoline-powered vehicles



For PHEVs

Fuel inlet pipe



Value to be offered

- Contribution to the human-friendly and environmentally friendly future through the reduction of substances of environmental concern which lead to air pollution
- Contribution to the reduction of CO₂ emissions through the provision of canisters which conform with the certification standards of fuel-efficient powertrains of electric vehicles.

External environment/Risks and opportunities

External environment	<ul style="list-style-type: none"> • Automobile manufacturers' announcement of their strategies of electric vehicles (HEVs and PHEVs) • Stricter regulation of fuel efficiency and exhaust gases by countries and regions
Risks	<ul style="list-style-type: none"> • Declining demand for fuel system parts due to an increase in BEVs
Opportunities	<ul style="list-style-type: none"> • Contribution to environment through the improvement of fuel efficiency and performance of exhaust gas purification • Enhancement of technologies to comply with low purge amount due to the popularization of electric vehicles • Adoption of recyclable resin materials which can reduce CO₂ emissions

Strength

Category	Details
Proposal capability of the development of optimum products for fuel-efficient vehicles, HEVs, and PHEVs respectively	Incorporate Futaba's proprietary development items as appropriate for fuel-efficient vehicles and electric vehicles—HEVs and PHEVs—with consideration for automobile manufacturers' needs
Possession of cutting-edge facilities for the evaluation of fuel systems	Evaluations in accordance with emission regulations of various countries and outsourced evaluations for certification by automobile manufacturers are possible

Vision and progress

	2023	2025	2030
Social trend	Stricter regulation of fuel efficiency by countries		
	Stricter regulation of exhaust gases by countries		
	Changes in vehicles: Shift to smaller-engines, turbocharged engines, and increase of HEVs and PHEVs		
Development trend	Continuous compliance with the regulation of fuel efficiency and exhaust gases through the development of structure compliant with HEVs and PHEVs		
	Reduction of environmental burdens through the adoption of recyclable resin materials		
	Cost reduction through the development of highly-functional materials		

FY2022 progress

Continued to comply with the regulation of fuel efficiency and exhaust gases through the development of structure compliant with HEVs and PHEVs

- Proposed and promoted the development of canister structures incorporating Futaba's patented items to meet automobile manufacturers' needs

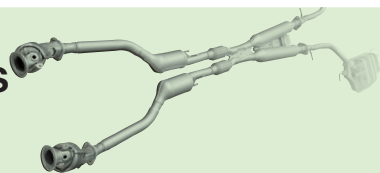
Reduced environmental burdens through the adoption of recyclable resin materials

- In cooperation with automobile manufacturers, completed selection of recyclable materials
- Launched performance evaluation toward adopting recyclable materials in FY2023

Reduced costs through the development of highly-functional materials

- Proposed low-cost material items to automobile manufacturers and currently promoting development of canister elements for adoption
- Launched performance evaluation for installation in vehicles

Exhaust system parts



Environment

Peace of mind

Quality of life

Summary of FY2022

In Japan, we started the mass production of exhaust systems for Prius and Sienta of Toyota Motor Corporation. In India, we launched mass production of exhaust manifolds for new engines for Suzuki Motor Corporation. Owing partly to the global recovery in production, net sales for FY2022*¹ totaled 107.9 billion yen, up 67.5% from the previous fiscal year.

*1 Excluding parts supplied by customers

Overview

We develop, produce, and supply exhaust system parts of automobiles including exhaust systems*² and exhaust manifolds, etc. We provide downsized and light-weight exhaust systems which feature both purification and sound dampening functions. From this point on, toward the market share increase among vehicles equipped with an engine, we aim to realize the minimum amount of investment and the minimum number of processes through developing modular mufflers which satisfy purification and sound dampening performance by the combination of smaller and standardized mufflers, and also through the use of DX. We are also working to formulate a product design process that takes circular economy*³ into account, and to expand the range of eco-certified products*⁴.

*2 Exhaust system: Multi-functional parts that minimize noise from automobile engines and purify combustion gases, as well as optimize exhaust pressure to improve engine performance

*3 Circular economy: An economic system that preserves and maintains the value of products, materials, and resources for as long as possible, and minimizes waste generation.

*4 Eco-certified products: An in-house system for certifying environmentally friendly products

Value to be offered

Social issues which our main products tackle

- Frequent disasters due to the progress of global warming, climate change, and abnormal weather
- Environmental pollution, and destruction of biodiversity and ecosystem
- Health problems by noises, discomfort, and pollution problems in living environments

Main products



Exhaust system



Exhaust manifold



Diesel exhaust gas post-treatment device

Value to be offered

- Contribution to the improvement of fuel efficiency and the reduction of CO₂ emissions through the size and weight improvement of products
- Contribution to the human-friendly and environmentally friendly future, through the quick activation of exhaust gas purifying effect with the structure to enhance the warming function of catalysts, which reduces substances of environmental concern leading to air pollution
- Contribution to the improvement of comfortability in a car through the reduction of exhaust noises and vibrations
- Contribution to a better society through the reduction of exterior noises by the sound dampening technology

External environment/Risks and opportunities

External environment	<ul style="list-style-type: none"> • Announcement of country policies toward carbon-neutral society • Soaring raw material prices and energy cost • Acceleration of shift to BEVs by automobile manufacturers • Stricter regulation of fuel efficiency and exhaust gases by countries and regions
Risks	<ul style="list-style-type: none"> • Decreasing automobile demand due to Japan's social challenges such as declining birthrate and environmental issues • A decrease in the number of engine-powered vehicles due to the popularization of electric vehicles (intensifying competition to receive orders for exhaust system)
Opportunities	<ul style="list-style-type: none"> • Emerging needs for fuel efficiency, improved exhaust gas purification performance, sound dampening, and more due to stricter regulations • Expansion of possibilities for adopting new sources of energy (hydrogen, e-fuel*⁵) toward carbon neutrality • Immediate growth in demand for engine-powered vehicles in India

*5 e-fuel: Alternative renewable fuel which is manufactured by the synthesis of hydrogen derived from renewable energy

Strength

Category	Details
Track record in the development of exhaust system parts with the manufacturers of automobiles, agricultural machineries, and construction machineries	We are system supplier familiar with functionality who can be entrusted by any manufacturer with all processes, from the concept development stage onward
Development capability of highly functional exhaust systems, with the full use of MBD* ⁶ including sound, vibration, strength and durability as well as optimization technology	Development without the need for prototype building by finding the optimal solution in consideration of sound, vibration, strength, durability and other factors combined, based on highly accurate analysis technology for each function
Unparalleled reduction of development lead time	Reduced need for rework and use of agile development through design support AI that leverages veteran knowledge

*6 Model-based development (MBD): Development through simulation using computer-aided engineering (CAE) software.

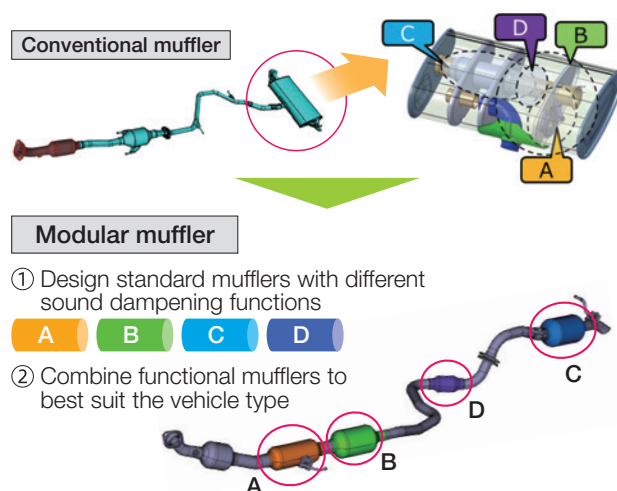
Response to the popularization of BEVs—Increase market share among engine-powered vehicles

1. Initiatives for electric vehicles (Compatibility with HEVs, PHEVs, and REEVs*⁷)

We are designing and developing several different types of standardized mufflers to build a modular muffler system which can be adapted to various vehicle types by combining the standardized mufflers. We will make mufflers smaller and enhance their performance by the new sound dampening structure. The downsized muffler will allow for larger battery parts to be fitted under the vehicle floor, contributing to improvement in the cruising range of vehicles. Standardization of the muffler body or its parts across different types of vehicles also enables cost reduction.

*7 Range extender electric vehicle (REEV):

A vehicle equipped with an engine as a generator in order to extend the cruising range of an HEV



Shorten design time, and reduce types of mufflers and associated production facilities

2. Contribution to zero emission

In order to reduce substances of environmental concern, we tackle the development of next-generation exhaust manifolds which materializes the improvement of the purification performance of the system including GPFs*⁸ and catalysts to collect and remove microparticles in exhaust gas.

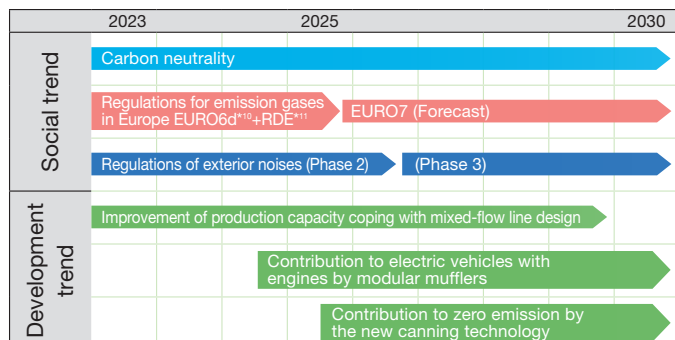
Specifically, we place catalysts in the upper stream close to an engine as a measure to quickly warm catalysts. This improves purification performance through control of gas flow in a limited mounting space while simultaneously improving pressure loss. Moreover, the new canning*⁹ method assembles thin catalyst walls which strengths are relatively low.

*8 Gasoline particulate filter (GPF): A filter to process exhaust gas of a gasoline-powered vehicle with a direct injection engine

*9 Canning: To store catalysts in cases

Vision and progress

We will promote the diversion and sharing of parts, while limiting investments with the full utilization of the production capacity we hold. To bring these to fruition, we will promote the development of modular mufflers to shorten product design, development and evaluation periods. We will further strengthen advanced development by shifting personnel involved in exhaust systems to other areas. Meanwhile, we will increase our market share by the sales expansion to areas where electric vehicles with engines are widely used.



*10 EURO6d: Legal regulations for the components of emission gases to be introduced in Europe

*11 Real driving emissions (RDE): Driving tests on actual roads

FY2022 progress

Improved production capacity coping with mixed-flow line design

- Realized mixed-flow production line, launched mass production

Contributed to electric vehicles with engines by modular mufflers

- Making proposals to automakers for adoption of modular mufflers, as their development is now on track

Contributed to zero emission by the new canning technology

- Completed the development of a new canning method, and proposing vehicle models into which the method will be introduced

Equipment for external sales business

Environment

Peace of mind

Quality of life

Overview

We design, produce, and provide large-scale equipment to assemble and weld body frames including side bodies and underbodies for domestic and overseas plants of completed automobiles, with the proposal and production of equipment that meet the needs of automobile manufacturers. We continuously implement initiatives to maintain a high quality and short-en production lead time, with the application of advanced know-how of equipment production and the utilization of the latest technology of digital twins.

Value to be offered

Social issues which our main products tackle	<ul style="list-style-type: none"> Creation of environmentally friendly vehicles and facilities toward suppressing global warming Safety and security of workers in production sites
Main products	 Assembly and welding equipment
Value to be offered	<ul style="list-style-type: none"> Provision of simple production equipment to conserve energy to help mitigate CO₂ emissions Contribution to safe, secure operations and to the environment by providing highly reliable, people-friendly equipment

Strength/Vision/Progress

Strength	<ul style="list-style-type: none"> High level of trust from automobile manufacturers Joint development of new production lines by joining forces and working within the automobile manufacturer Experienced, talented personnel
Vision	<ul style="list-style-type: none"> Evolution into a production system supplier and promoting human resources development Contribution to carbon neutrality through life cycle assessment (LCA)* in equipment manufacturing Promotion of optimal procurement and local network of local production and consumption
Progress	<ul style="list-style-type: none"> Interviewed automobile manufacturers and examined the system to provide (Integrated conventional equipment technology and system development) Introduced virtual learning to enable learning without physical practice by making the most of DX and digital twins Began developing local networks for new orders from emerging countries and local production for local consumption

* Life cycle assessment (LCA): Refers to the assessment of the entire product life cycle, encompassing resource extraction, raw materials, production, distribution, consumption, and disposal

Agricultural business

Environment

Peace of mind

Quality of life

Overview

We produce and sell a device to accumulate and apply CO₂ for greenhouse cultivation called aleaf®, which stores CO₂ by collecting and purifying exhaust gases from a combustion-type heater during night time and reuses them for the promotion of photosynthesis in day time. Adoption of our products are also increasing in the field of agriculture, backed by growing environmental awareness and escalating energy costs. We will continue to promote the development of new products toward the expansion of our agricultural business.

Value to be offered

Social issues which our main products tackle	<ul style="list-style-type: none"> Frequent disasters due to the progress of global warming, climate change, and abnormal weather Food crisis due to population increase and stable food supply
Main products	 aleaf® CO₂ accumulation and application device for greenhouse cultivation
Value to be offered	<ul style="list-style-type: none"> Contribution to the global environment by the reduction of CO₂ emissions, and contribution to sustainable society by the stable supply of safe and secure agricultural products

Strength/Vision/Progress

Strength	<ul style="list-style-type: none"> Capability of new product development with the utilization of a core technology we have cultivated Highly value-added products which care for environment and food safety Contribution to the reduction of CO₂ emissions by CO₂ recycling technology
Vision	Through our new product development, we will contribute to sustainable agriculture which enables both the reduction of substances of environmental concern and the improvement of productivity, toward the implementation of the strategy for sustainable food systems, MeaDRI, promoted by the Ministry of Agriculture, Forestry and Fisheries.
Progress	<ul style="list-style-type: none"> Promoted enhanced marketability of CO₂ accumulation and application device by leveraging knowledge accumulated through activities under a collaborative agreement with the Japan Agricultural Cooperatives (JA) Aichi Mikawa/Okazaki City/Kota Town Promoted the development of laser weeding equipment that can contribute to expanding organic agriculture

Challenge of new business toward the future society

Environment

Peace of mind

Quality of life

Overview

We expect the global popularization of BEVs to inevitably have a long-term impact on the Futaba Group. Therefore, we are taking on the challenge of creating new businesses. In January 2022, we established the Social Solution Creation Office by gathering people from diverse backgrounds through in-house recruitment. With the strengths

cultivated in existing businesses and new ideas born of open innovation, we aim not only for the sustainable development of the Futaba Group, but also for the creation of a circular economy in which consumers can enjoy quality of life without sacrificing environmental sustainability.

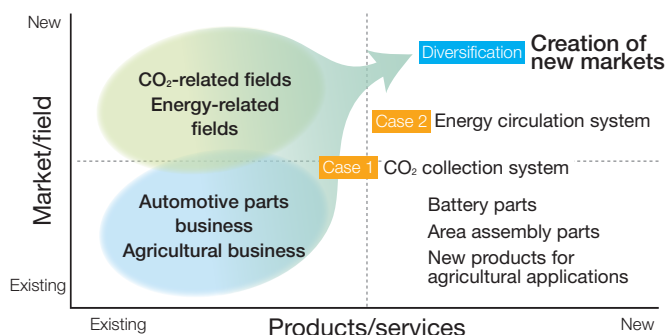
Direction of new business creation

We believe that, in the creation of new businesses, exchanges across fields and industries are important. We promote open innovation through coworking offices, participation in new communities, industry-academia-government collaboration, and the use of laboratories outside the company. Moreover, to clarify the desired image of the future, we are creating a Future Society Creation MAP^{*1}, mapping trends, and utilizing consulting services. Furthermore, by multiplying the capabilities we have cultivated in our existing businesses, we are creating new business themes. To this point, we have successfully created several themes and have begun testing hypotheses and gauging feasibility.

^{*1} Future Society Creation MAP:

With the aim of finding potential future issues, we consider possible issues and develop a future society MAP based on them, which should lead to the creation of challenges we will take on.

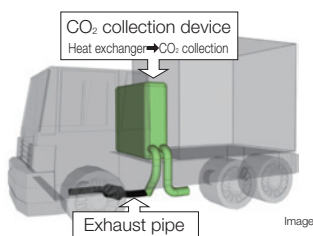
Seek business themes to be addressed



Case 1

On-board CO₂ collection system for small- to medium-sized trucks Internal combustion engines carving a path to a decarbonized society

As the world moves toward carbon neutrality, we are developing a system that separates and collects CO₂ emitted during vehicle operation. This system will be able to be installed by retrofitting engine-powered vehicles, eliminating the need for new vehicle purchases. We are undertaking the development of new collection materials in collaboration with universities, and applying our own knowledge to embody the equipment and study installation methods. In collaboration with a logistics company, we are also promoting proof of concept (PoC) projects^{*2}.



^{*2} Proof of concept (PoC): Verification of the feasibility of a new idea and the resulting effects

Value to be offered

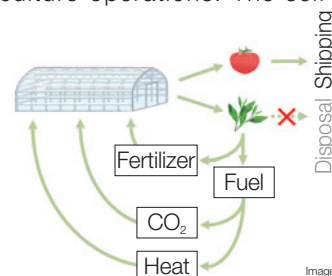
- Contributing to global environmental sustainability by recycling CO₂ to reduce CO₂ emissions and by continuously using engine-powered vehicle to conserve resources
- Contributing to the enrichment of consumers' lives by maintaining the convenience of delivery services

Case 2

Self-production and self-consumption energy circulation system project for facility horticulture Producing and using energy generated from agricultural waste

Due to the aging of Japan's farmers and the low rate of food self-sufficiency, we believe that the future of agriculture needs to be made more appealing. As such, we are collaboratively taking on the challenge of a business that aims for sustainable growth in agriculture. Specifically, we are developing an energy recycling system for facility horticulture operations. The self-production, self-consumption system reduces the farmer's initial investment and makes stable farming possible.

Currently, in addition to energy, we are working cooperatively with universities on technology to regenerate materials needed for crops.



Value to be offered

- Contribution to carbon neutrality at horticultural facilities
- Contribution to the affluent life of consumers through stabilization of running costs for farmers and providing a stable supply of foodstuffs

Financial Capital

To meet the expectations of all stakeholders, including shareholders, investors, customers, employees, and local communities, the Futaba Group needs to transform into a company with a healthy financial standing, or to strengthen its earnings capacity to become a highly profitable company. The basic policy behind the company's publicly announced medium-term management targets is strengthening earnings capacity and working to increase free cash flow. Strengthening earnings capacity will enable us to efficiently allocate our earnings to the three pillars of (1) shareholder returns, (2) repayment of interest-bearing debt, and (3) investments toward corporate growth. While keeping this goal in mind, we will also work to improve our financial position. To achieve sustainable growth of the company and realize a medium- to long-term increase in corporate value, we will undertake the appropriate allocation of financial capital while being aware of the cost of capital. We will also aim to enhance corporate and shareholder value while engaging in dialogue with all stakeholders.



Fumio Ohashi
Center Chief, Accounting
and Finance Center

FY2022 Results

Equity ratio
29.4%

Interest-bearing debt
81.6 billion yen

Review of FY2022 and outlook for FY2023

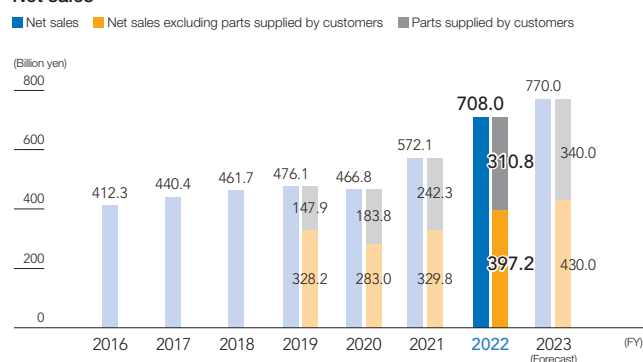
For FY2022, net sales increased 23.8% from the previous fiscal year to 708.0 billion yen due to foreign exchange fluctuations and increases in the unit prices of parts supplied by customers as well as quoted prices of materials. Operating profit rose 25.6% to 7.6 billion yen due to factors including the effect of switching to new vehicles, in spite of soaring material, logistics, and labor costs and higher depreciation expenses. Ordinary profit was 7.7 billion yen, down 0.5% from the previous fiscal year. Profit attributable to owners of parent amounted to 10.5 billion yen, up 219.8%, chiefly due to the recognition of deferred tax assets.

Excluding the impact of foreign exchange rates and higher material costs, three segments of the Japan, Europe, and Asia recorded increases in net sales and profits. In the North America segment, while net sales were up, profits declined. Factors behind the decrease included an increase in depreciation and higher material, labor, logistics costs, etc. The China segment recorded a decrease in profit, partly due to lower sales.

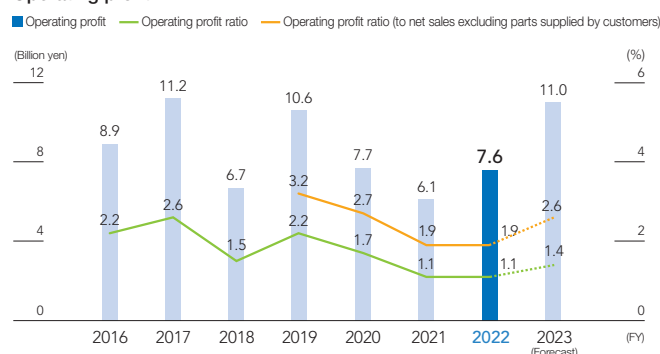
Free cash flow—one of our medium-term management targets—was 25.4 billion yen, achieving the target. Even after deducting one-time special factors included in cash flow from operating activities, the total is 18.4 billion yen. We view this as a result of restraint on investment and cash-conscious business management.

Looking at the outlook for FY2023, the environment surrounding the Futaba Group remains uncertain and is expected to continue to be difficult to predict. Amidst these circumstances, we are moving forward with efforts to improve our break-even point to help stabilize our financial position. We will place a particular priority on restoring the earnings capacity of our North America segment.

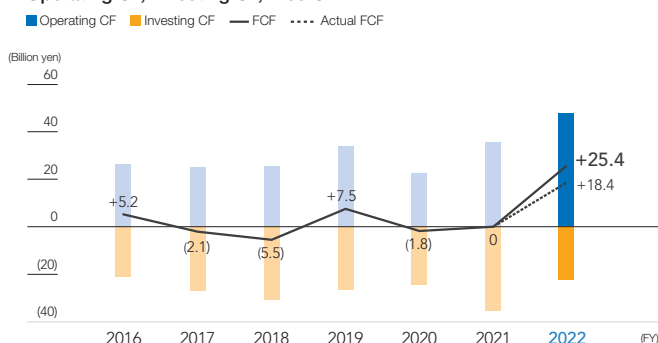
Net sales



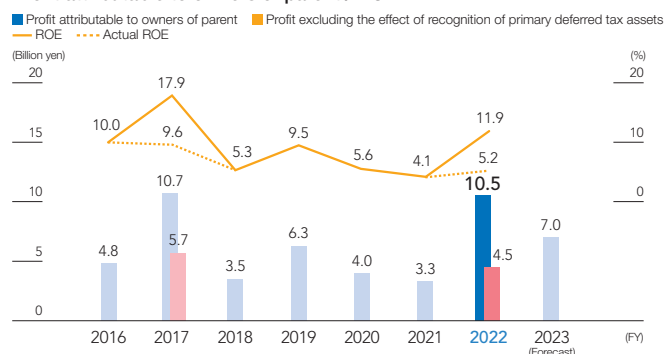
Operating profit



Operating CF, Investing CF, Free CF



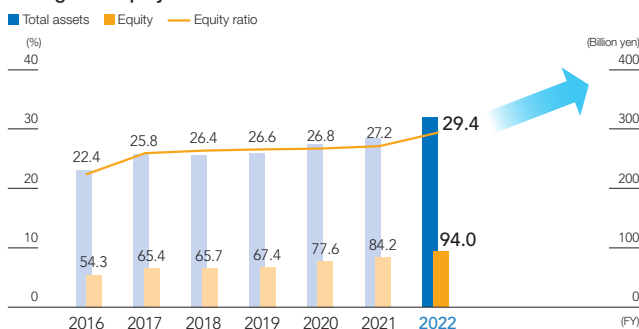
Profit attributable to owners of parent / ROE



Basic capital policy

Our basic capital policy is to secure financial security. The Futaba Group regards net sales, operating profit ratio, ROE, interest-bearing debt, and equity ratio as key performance indicators and continues striving to improve and enhance these indicators. In particular, over the medium term, we aim to boost the equity ratio to around 40%. Since ROE is an indicator that investors prioritize, we will actively apply it as an analytical and evaluative measure of return on capital. We also place importance on ratings by external rating agencies as objective evaluations and continue to be assessed by Japan Credit Rating Agency, Ltd. (JCR). Our near-term goal is to achieve the medium-term management targets and improve our current JCR rating of BBB+ to A-.

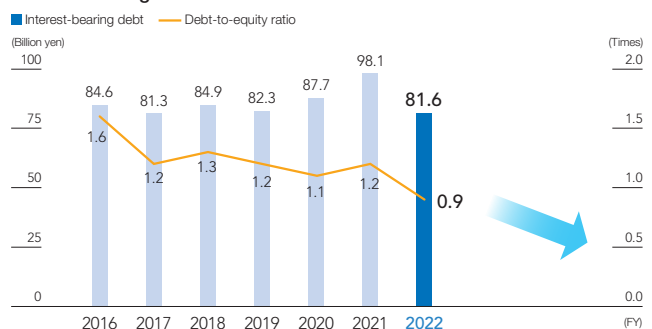
Changes in equity ratio



Financing

The Futaba Group's interest-bearing debt at the end of March 2023 stands at 81.6 billion yen. Although still relatively large, we have succeeded in reducing the debt-to-equity ratio to less than 1x. By appropriately allocating funds generated through management conscious of earnings capacity, we hope to reduce the interest-bearing debt balance by another level. Funds are needed for working capital, capital expenditures, investment in R&D, shareholder returns, and other purposes. Moreover, during FY2023, we will repay 7.5 billion yen in long-term borrowings and redeem 6.0 billion yen in bonds payable. We are considering ways to address these issues, including refinancing through bank loans. We closely communicate with our financial institutions and maintain a good relationship with them.

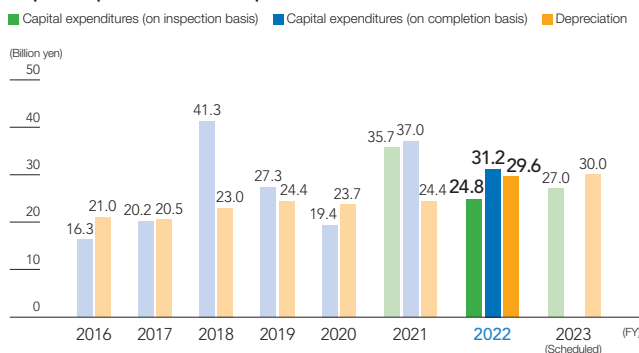
Interest-bearing debt



Capital expenditure

Capital expenditure is an important item to drive the growth of the Futaba Group. We have traditionally executed a high level of capital expenditure to enhance our profitability. As a result, we generated a negative free cash flow in certain fiscal years. Currently, when considering a capital expenditure associated with a launch of a new car model, we use an internal hurdle rate based on WACC (weighted average cost of capital) to determine the feasibility of investment. We make investment decisions focusing on the expected cash flows in excess of the capital expenditures during the model life cycle of automotive parts for which we receive orders. We are engaged in target costing activities while considering cost of capital.

Capital expenditures and depreciation

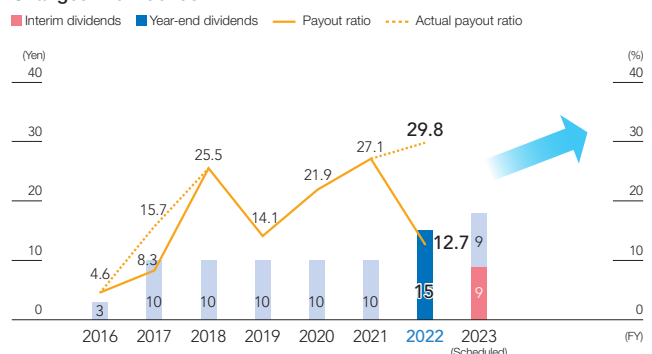


Shareholder returns

Our basic policy on shareholder returns is to maintain stable dividends. The dividend for FY2022 has been increased to 15 yen per share, for an actual payout ratio of 30%. This excludes the impact of the deferral of 6.0 billion yen in income taxes due to the recognition of deferred tax assets as a result of tax effect accounting. In FY2023, we plan to pay an interim dividend and raise the yearly dividend to 18 yen. While considering retaining internal reserves to strengthen our financial position and to make investments for growth, we will strive to maintain and increase dividends with a target payout ratio of around 30%. To meet the expectations of our shareholders and investors, we will continue to work to steadily achieve the management targets set in the medium-term management plan.

In 2023, we plan to announce on our website our efforts toward the "measures to realize management that is conscious of cost of capital and stock price," as recommended by the Tokyo Stock Exchange.

Changes in dividends



Manufactured Capital

Futaba has global production sites and stamping and welding technologies. The company is strengthening its competitiveness in integrated manufacturing, from development through to mass production. Our workforce, always bearing in mind the idea of improvement, constantly strives to improve productivity and quality. Most recently, we have focused on heightened production efficiency and shop-axis activities*1 by leveraging digital technology. We will continue to aggressively tackle the challenge of strengthening *monozukuri* further while incorporating new technologies and information.

*1 Shop axis: Each production process of stamping, welding, and others



Tateo Kawabuchi
Center Chief,
Production Center

With the aim of delivering safe, reliable products to our customers around the world, we are striving to create a quality mindset and culture in which all Futaba Group members think and act with customers and quality first in mind. Moreover, the united efforts of the engineering, production engineering, and manufacturing divisions have resulted in the accumulation of improvements based on quality data analysis. The divisions cooperate in promoting the creation of processes with a high degree of quality assurance that prevent the production of defective products. Quality gates have been established at each step of development to serve as watchdogs for quality and ensure product integrity.



Satoshi Yamada
Center Chief,
Quality Assurance
Center

FY2022 Results

Number of production sites

27

Capital expenditures

31.2 billion yen

Improvement in productivity by improving production and operational efficiency

Optimization of global production system

We are optimizing our global production system across car models and regions to effectively utilize our manufactured capital (i.e., people, general-purpose equipment and buildings) and build a strong management and profit structure. To optimize the production system of each site and region, we provide Group companies in Japan and abroad with adequate personnel support from the Head Office and mother plants and share and examine the production system based on changes in the external environment, customers' production trends, and the production status at each site from a medium- to long-term perspective.



On-site confirmation with local staff

Preventative maintenance activities and improvement of distribution within the premises

We are working to augment maintenance database management on a global basis to mitigate production stoppages due to failure of equipment. We have implemented condition monitoring and remote monitoring systems to promote preventative maintenance that focuses on "management to prevent failure" rather than "fixing after failure." Ideas of TPS are adopted to save labor and reduce the distribution processes within the premises, from parts receiving, distribution to production lines, to product shipping.

Initiatives to improve productivity: Best Practice Activities

The Futaba Group is working on initiatives to improve productivity by 15% in FY2025 compared to FY2020 (3% increase annually). In FY2022, we launched Best Practice Activities aimed at the best methods and processes to enhance productivity globally. We are pursuing the best methods by sharing process improvement efforts across all plants under a specified theme and in cooperation with respective centers. In FY2022, we focused on five themes at our domestic plants: raising the productivity of large transfer presses, improving the profitability of instrument panel reinforcement, bolstering the competitiveness of exhaust system parts, and consolidating lines for body and exhaust system parts (*yosedome*). Moreover, we brought

domestic and overseas Group companies together for a debrief on the results of their activities. We shared best practice information on a global basis to use it as a foothold for global rollout.

In FY2023, we will globally roll out improvement activities under the three themes of raising the productivity of large transfer presses, improving the profitability of instrument panel reinforcement, and consolidating lines for body parts (*yosedome*). Additionally, we will further expand our best practice activities and bolster our earnings capacity by launching initiatives on two new themes: Improving the vendor availability ratio and the standardization of quality control operations.

Improvement in quality of products and services

By setting quality assurance rules as a foundation in the works involving product planning and product inspection, we defined the objective and the responsibility of each job, making each department assume responsibility for quality assurance. Based on quality assurance rules and following the S-D-C-A daily improvement cycle*2 to gain the trust of customers, we are striving to improve our quality assurance systems with an emphasis on processes. We will also make a company-wide effort to enhance the quality assurance system by developing human resources capable of performing operations with a sense of ownership through work quality improvement activities based on the concept of total quality management (TQM).

*2 S-D-C-A: An acronym of standardize, do, check, and action.

Quality improvement activities

We are conducting our daily activities to respond to the expectations of our customers, such as business quality improvement with TQM, quality control activity confirmation meetings, and regular quality meetings. In addition, we are working to improve the quality of all of the Company's products by sharing issues and failure information as well as examples of improvements through meetings with suppliers.

If quality issues arise, we implement a cycle that ensures that we pursue the cause, execute countermeasures, thoroughly prevent recurrence at relevant departments within the Company, and put the system under review.

Performing QA inspection

The Chief of Quality Assurance Center and the members perform an overall inspection of the quality assurance structures of all plants in Japan and overseas and provide guidance. Improvements are made through these inspections, and development of structures and improvement in quality level are sought to prevent serious quality problems from arising. Similarly, key processes performed within the Company or at our suppliers are audited by the auditors to check whether the quality of the work are assured at the view point "Ji Kotei-Kanketsu (own process completion)," and improvements are made.

Human resources development activities

Our training program inculcates knowledge of quality required for commercialization as well as understanding of the roles of manufacturing processes and quality assurance systems required for process assurance, and skills for recurrence prevention. Furthermore, the quality assurance rules enhance understanding of personal roles, responsibilities and the significance of work, thereby increasing satisfaction.

And since FY2022, we have been conducting global quality exhibitions to promote the understanding of quality among employees under the theme, "Know, Think, and Act."



North America Five Whys Education, assessing the actual situation on site



QA inspections overseas

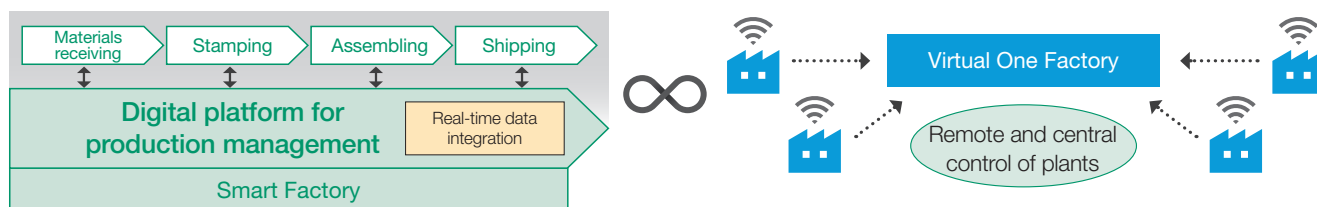


Global quality exhibition

DX - Production process innovation

Realization of Smart Factory and Virtual One Factory

We are implementing activities to bolster our *monozukuri* capabilities through the introduction of Smart Factory and, by realizing Virtual One Factory, to halve the number of production management processes.



Smart Factory

Leveraging digital technology for efficient production and automation

Real-time data integration

We introduced a monitoring system for real-time monitoring of the conditions of the exhaust pipe assembly line to enhance productivity. In FY2023, we will introduce a function to link with production instruction information which will minimize inventory by reducing production lead time.

Constructing an integrated production information platform

We will further reinforce our *monozukuri* capabilities by building a platform to consolidate and analyze the aggregated production performance information, as well as dispersed information related to energy and quality.

Virtual One Factory

Centralized control of production management operations at multiple plants in Japan

In FY2022, we established a central control office at the Kota Plant to augment the system and consolidate production control operations for assembly lines at six plants in the Mikawa district. This has contributed to a reduction of approximately 20% of processes in related operations. We will consolidate other production management operations and reinforce the system, with the aim of halving the number of production management processes by 2025.



Central Control Office

Intellectual Capital

Our Engineering Division has continuously pursued the firm mission of developing and delivering products that satisfy everyone, both inside and outside the company. In this time of significant change, we will continue to support the realization of a sustainable, prosperous society by undertaking the development of new products that will contribute to solving social issues at an earlier stage while leveraging our diversity through an even more intense spirit of challenge and the forming of relationships without barriers.



Toshio Yokota
Center Chief,
Engineering Center

To deliver environmentally friendly, safe, and secure body frames, our Production Engineering Center has been taking on the challenge of reducing weight and bolstering strength by evolving the plasticity processing and welding technologies that we have carefully cultivated over time. We are also working to achieve commercialization more rapidly and at a higher level by transforming processes—from development to mass production—without barriers. We will generate new value by fostering robust teamwork and nurturing human resources with the enthusiasm to take on new challenges, so that every employee can play an active role in the company.



Toshiyuki Hisatsune
Center Chief, Production
Engineering Center

FY2022 Results

R&D expenses
4.4 billion yen

Patent filings
71

Patents held
Domestic **276** Overseas **240**

R&D initiatives

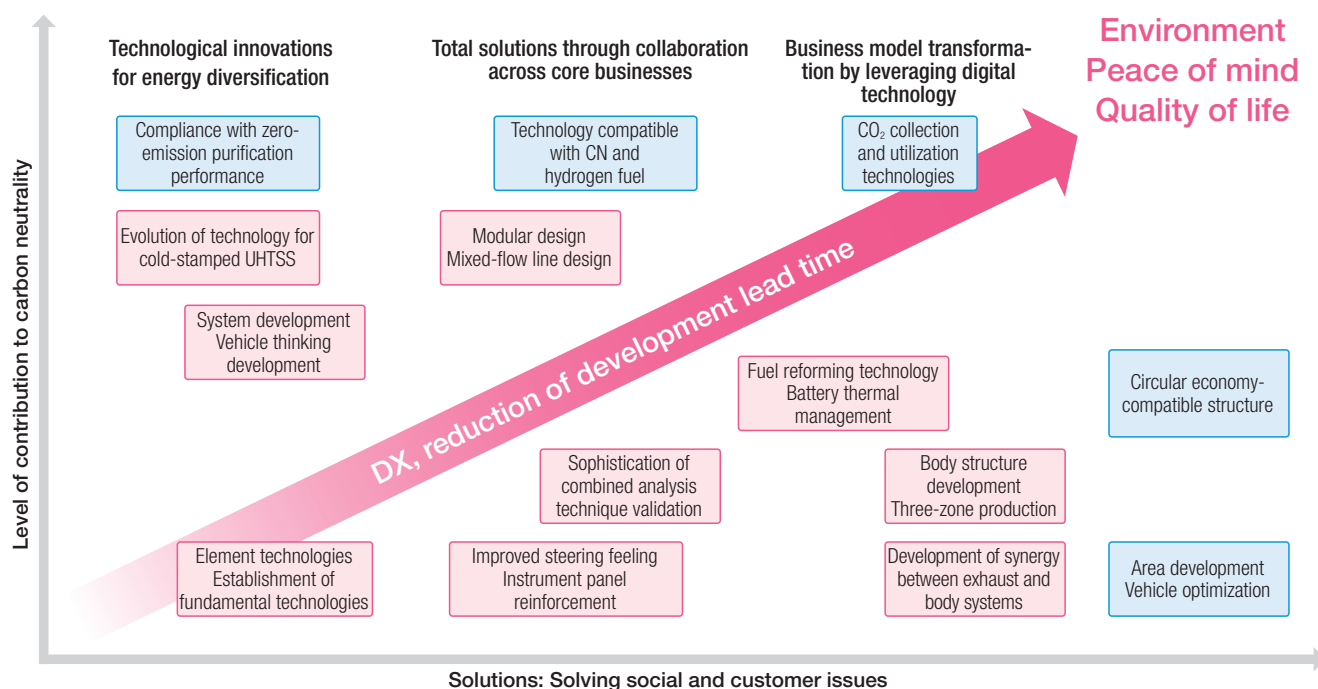
Basic approach

Under the slogans of environment, peace of mind, and quality of life, we continue to take on the challenge of solving social issues by leveraging the technological development and *monozukuri* capabilities that we have cultivated since our founding. In the mobility field—our focus—we are striving to solve social issues by developing new products and production methods necessary in the rapidly changing world of electrification and new fuels, in addition to structural develop-

ment of body systems and development of zone solutions. We are also strengthening our efforts toward new business development including research activities. With this in mind, we are streamlining existing product development by leveraging digital technology and AI to improve quality and speed, while proactively investing and implementing resource shifts such as increasing the workforce allocated to advanced development and open innovation.

Roadmap for development

To help achieve carbon neutrality, we will input more resources into R&D in line with our development roadmap. In particular, we will add higher value to body parts and enhance the development of electrification related products as well as products for agricultural domain and new environmental business, thereby offering solutions that lead to environment, peace of mind, and quality of life.

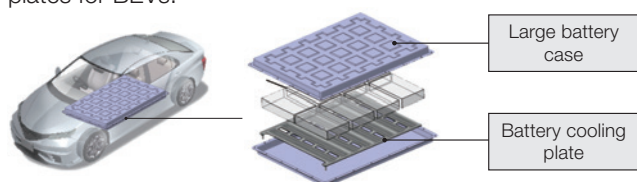


Pursuit of light-weight body structure

Our target for CO₂ emissions reduction in production processes and during vehicle motion is a reduction of 16,594 t-CO₂ in FY2027 (compared with FY2020). We are proposing optimum and light-weight body structure on a global basis by utilizing UHTSS processing technology and through other approaches. To promote such action, we are strengthening the development of body structure and also evolving the production technology.

Creation of new values

We aim to leverage our core technologies to create innovations toward solving environmental and social issues. We are leveraging our molding and welding techniques and thermal management technologies in promoting technological development of large battery cases and battery cooling plates for BEVs.



Development of environment-friendly green mobility system

With regard to exhaust pipes, we achieved noise and weight reduction for Toyota Motor Corporation's Prius, Sienta, and Lexus RX. Looking at exhaust manifolds, we launched mass production of eco-product certified products by reducing substances of environmental concern for Lexus RX as well as Suzuki Motor Corporation's Vitara Brezza in India. We are on pace to achieve our target of the 50% in terms of sales proportion by FY2030.

Open innovation

Utilizing each other's knowledge and technologies, we are pursuing joint development with universities, municipalities, and companies in different industries. The aims are to develop new technologies and shorten development time. We are involved in the development of super lean burn technology for the New Energy and Industrial Technology Development Organization (NEDO)* project led by universities and other companies, and working to promote the development of hydrogen-producing fuel reformers.

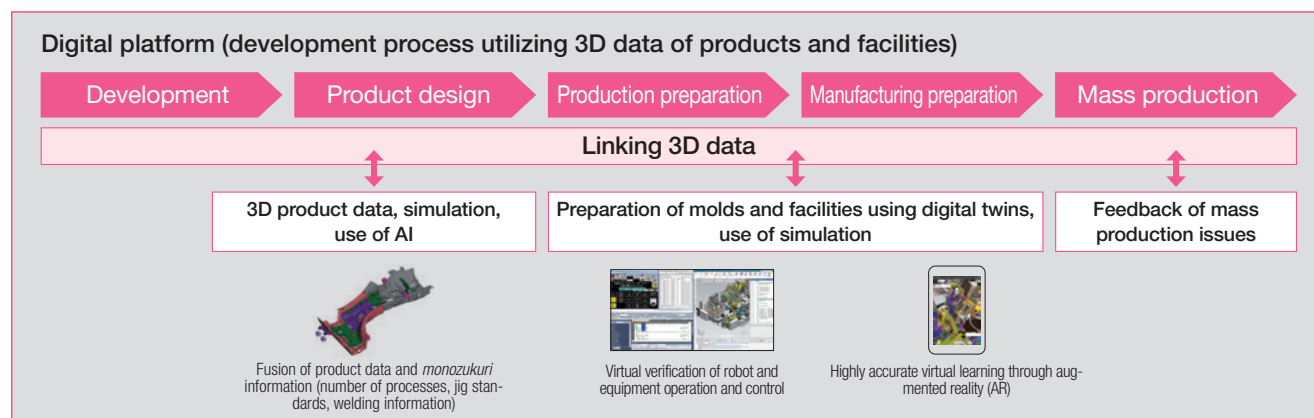
Working cooperatively with universities, Futaba is also conducting research into the possibility of predicting cracks in welded portions of cold-stamped UHTSS, and on edge cracks through tensile bending tests.

* NEDO: New Energy and Industrial Technology Development Organization

DX—Transformation of development process

Futaba is working to transform its development process from the traditional pass-the-baton type development by each process to a more agile, parallel development in the digital space using 3D data of products, facilities and plants, thereby aiming to halve the development lead time.

We succeeded in reducing project processes (i.e. development lead time) by 20% in FY2022 compared with FY2020. To facilitate the shift of resources to high-value-added operations, we will continue the operational reform of the development process, aiming for a 50% reduction by FY2025 compared with FY2020.



Intellectual property initiatives

Basic approach

Futaba gathers and analyzes information related to intellectual property rights, and develops strategy on intellectual property activities at each stage of planning, R&D, and implementation related to the development of products and new production technologies. We are increasing and maintaining our competitive edge by protecting the new product and new production technology, the fruits of R&D, with intellectual property rights covering from core technology to peripheral and improved technologies. At the same time, we try to minimize the occurrence of risk of infringing other company's patents relating to our new products or new production technologies, by assessing patents held by other companies and considering countermeasures.

Promotion system

At Futaba, Legal and Intellectual Property Office is responsible for handling intellectual property rights and inventions by employees as well as for promoting activities related to intellectual property rights. The Legal and Intellectual Property Office closely cooperates with relevant departments under Engineering Center, Production Engineering Center, Production Center, and others. Furthermore, we seek advice from our patent attorney as necessary before promoting the Company's activities.

Human Capital

Human resources are key to achieving sustainable growth and strategic objectives. In order to enhance human capital, we believe it is important to attain the “active participation of all employees” by supporting each individual to take on challenges and improve their motivation, thereby maximizing their abilities and raising the performance of the entire organization. We will encourage the active participation of each individual employee and contribute to the sustainable growth of the company and development of society as a whole through the acquisition of suitable human resources, “people development” and other educational programs that will support the growth of employees and develop their skills, and “workplace development” to improve the organizational culture and ways of working.



Kenichi Nakao
Chief Officer, General Affairs
and Human Resources Center

FY2022 Results

Percentage of mid-career hires (non-consolidated)

26.3%

Turnover rate (non-consolidated)

2.5%

Percentage of overseas employees

56.6%

Promotion of safety and health

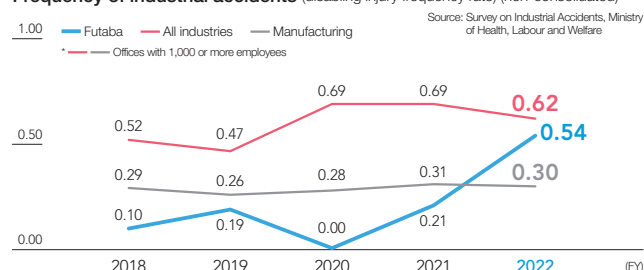
Creation of safety-first workplace

Creating a workplace culture where employees can work safely and with a sense of reassurance

We have established the PDCA cycle of occupational health and safety activities in each of our workplaces and put in place a structure to introduce an occupational health and safety management system (OSHMS)*¹, thereby improving our workplace safety culture.

All of the industrial accidents that occurred during FY2022 were attributable to human factors. Through appointed managers' workplace patrols and risk assessment*² activities, we will identify the risks that cause accidents. We will also enact measures to reduce risks, strive to create workplaces where employees can manage their own work and accidents are unlikely to happen, and focus on developing employees in a way that makes them adhere to work rules.

Frequency of industrial accidents (disabling injury frequency rate) (non-consolidated)



*1 Occupational Health and Safety Management System (OSHMS)

A system in which a business operator voluntarily manages occupational health and safety on an ongoing basis to improve occupational health and safety levels on its worksites.

*2 Risk assessment

A method that comprises the following processes: identifying potential worksite risks or hazards; assessing risks by combining the severity of industrial accidents and health problems caused by the identified risks or hazards (i.e., the level of harm to persons) and the probability of the accidents; prioritizing risk control measures based on the magnitude of the assessed risks; and examining how to eliminate or reduce the risks.

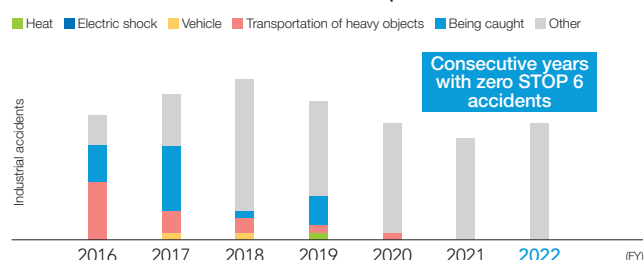
Industrial accident prevention initiatives

We implemented STOP 6*³ initiatives and focus on risk reduction activities in particular to prevent accidents arising from transportation of heavy objects and accidents related to vehicles (lifting), both of which have a high probability on our worksites. We also work on reducing the risks by reviewing the risk assessment.

*³ STOP 6

Activities to prevent accidents from happening by focusing on six types of accidents analyzed from examples of past accidents as critical accidents. The six are: being caught in a machine, collision with a heavy object, collision with a vehicle, falls, electric shocks, and contact with a heated object.

STOP 6 accidents that have occurred in the past



Safety education

Under our belief that it is possible to achieve a zero accident record, Futaba provides safety education to employees so that they follow proper work procedures to achieve zero-accident workplaces, working to ensure that basic practices are thoroughly carried out. Specifically, we plan and provide training programs every year, such as crane rigging and slinging operation and lifting operation, and provide hands-on training and skills enhancement training to on-site workers. We also ensure that all of our employees are keenly aware of the importance of following rules.

Fire prevention initiatives

As part of the activity to prevent fires, we focus on preventing fires caused by sparks and spatters as well as electrical systems and devices. We take thorough countermeasures across Futaba for the identical and same type of equipment with which fires occurred inside and outside of our workplaces in the past. We also raise awareness of never letting a fire happen by identifying potential fire risks in each of our workplaces, mapping the risks, and always visualizing and managing them.



Conducting a lifting operation capacity evaluation test

Promotion of health management

Futaba believes that strategically implementing initiatives to maintain and promote our employees' health is an "investment" for the future. To grow and develop toward the near future and continuously contribute to society, we set out the Health Statement in August 2022. In addition to the Company, the health insurance association and labor union have also signed the statement, indicating their commitment to fulfill each of their roles to enact initiatives to build the health of employees and create a company in which all employees can actively participate. The Company has received recognition for its health management initiatives, being certified by the Ministry of Economy, Trade and Industry as a 2023 Certified Health & Productivity Management Outstanding Organization (large enterprise category).



Health Statement

We consider our employees are members of Futaba family. Employees' physical and mental health comes first for us to help each of them spend their daily life for many years to come and help them work positively. For employees to stay healthy, we, Futaba, labor union, and health insurance association, hereby set out our Health Statement.

1. Futaba will offer employees safe workplaces with a sense of reassurance and continue improving them.

2. Futaba will proactively help employees promote their physical and mental health.

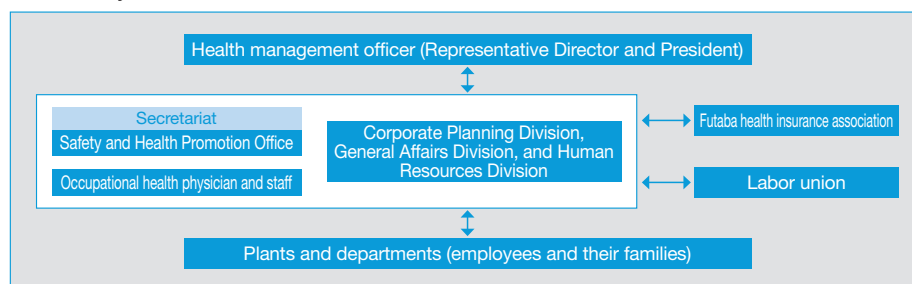
3. Employees will try to improve their lifestyles to stay healthy.

Through these activities, Futaba will ensure employee well-being in harmony with society.

Promotion system

The Safety and Health Promotion Office serves as a secretariat. The health insurance association, labor union, occupational health physician, and internal departments cooperate with each other to help employees solve their health issues.

Promotion system chart



Health issues and targets

In FY2021 we focused our efforts on health management, which is the foundation of our healthcare management, implementing a high-risk approach (work restrictions, etc.), thereby reducing the number of those at high risk for illness. In FY2022 we began providing health guidance by doctors and public health nurses to people other than those subject to specific health guidance in order to reduce the number of people with metabolic syndrome, which can lead to serious illnesses.

In addition to implementing approaches that focus on improving lifestyle to address the issues of low rates of exercise, poor dietary practices (e.g., eating too fast), and high smoking rates, from FY2023 we are introducing the Health Challenge 8^{*4} to help raise employees' awareness of their own health and establish healthier habits.

^{*4} Health Challenge 8: An initiative to maintain and promote health by working on improving eight healthy habits (healthy body weight, breakfast, snacks, alcohol consumption, exercise, not smoking, sleep, stress).

Category	Indicator	FY2020 Results	FY2021 Results	FY2022 Results	FY2023 Target*	FY2025 Target*
Physical-related	Rate of metabolic syndrome	7.5%	8.0%	8.0%	7.6%	7.2%
	Rate of employees at high risk for disease	1.26%	0.89%	0.56%	0.69%	0.49%

*Target values set based on 2021 data

Exercise promotion initiatives

From FY2020, we began focusing on promoting walking as a gateway to healthy exercise habits, and are using ICT (information and communication technology) to encourage the participation of people who do not normally walk. Employees who used this ICT and averaged 8,000 steps/day or more showed weight loss. In addition to organizing walking events, relay races, and other events to promote exercise, we provide opportunities and environments for exercise, such as encouraging employees to do radio calisthenics before starting work as part of their daily exercise routine and providing exercise facilities on company property.

In addition, since FY2022, we have been conducting fitness assessments and health seminars for employees over the age of 50 to help them become aware of their physical fitness and maintain and strengthen their bodies, as well as company health events for all employees to raise awareness of the importance of exercise and create opportunities to change their awareness and behavior.



Health seminar for employees over the age of 50

Healthy diet initiatives

The Company's employee cafeteria is registered with the food education and health promotion projects of the prefecture and city as an Aichi Prefecture Food Education Promotion Cooperative Eatery and an Okazaki City Health Support Facility, respectively. As such, the cafeteria offers health-conscious options, such as meals of just 600 Calories, and displays the Calorie counts on every item on the menu. In addition, the Company shares its health concerns with the catering companies that provide food to the employee cafeteria, and they provide menu items in consideration of those health issues as a monthly health event.

No-smoking initiatives

In order to protect employees from the hazards of smoking and second-hand smoke, we have established internal no-smoking days and are engaging in activities to promote the cessation of smoking across the entire company. From April 1, 2025, we plan to prohibit smoking on all company property.

In preparation for this goal, we held no-smoking seminars in FY2022 including "lung checker" lung age assessments for those who were interested, in order to help employees come to a correct understanding of COPD*5 and encourage early prevention and treatment. We are also running a campaign to support employees to quit smoking.

Participants in the challenge to give up smoking

FY	2020	2021	2022
No. of participants	24	40	25
Achievement rate (%)	50	30	46

*5 COPD (chronic obstructive pulmonary disease) is a lung disease primarily caused by long-term smoking that causes inflammation of the lungs and makes it difficult to exhale.

Helping employees build mental health

We carry out activities based on guidelines for four types of mental health care while cooperating with occupational health staff and the Human Resources Division among others. Having introduced mental health education in the job level-based training programs, we consider it necessary to help employees build mental health in the early stage of their careers, and focus on implementing initiatives aimed at helping new employees stay mentally healthy. In FY2023, we will set workplace improvement as a priority issue, and will identify strengths and weaknesses of workplaces based on the results of group analysis after stress checks, thereby creating a framework that will lead to workplace improvement.

Women's health events

We held health events (FUTABA Pink Ribbon Movement) to raise awareness of the importance of the early detection, diagnosis, and treatment of breast cancer. We also held a concurrent event to experience various health measurements including vascular age assessment, allowing many employees, regardless of gender, to try palpating themselves.

Furthermore, we raised awareness by setting out booths at company events to give not only employees but also their families the opportunity to think about breast cancer.



A family-friendly company event

Human rights initiatives

In addition to defining the Company's basic policy on respecting human rights by stating, "We will respect the personalities and individuality of our employees, ensure a safe and supportive work environment, and strive to realize comfort and affluence for our employees" in Futaba's Corporate Charter, we recognize the importance of respecting the human rights of the people we encounter in all of our business activities. Having drafted the "Futaba

Group Human Rights Policy" in July 2023, we are promoting the implementation of respect for human rights among Futaba Group employees and suppliers. We also promote education and awareness-raising on human rights among employees and conduct human rights due diligence (a process conducted to identify, prevent, and mitigate negative impacts on human rights).

View the Futaba Group Human Rights Policy from the following website: https://www.futabasangyo.com/csr/society/human_rights/ (in Japanese)

Initiatives promoting respect for human rights

Field	2010	2015	2020	2023
Company policies	2007 Corporate Charter			
	2010 Formulation of the Action Guidelines of Futaba			
	2023 Formulation of the Futaba Group Human Rights Policy			
Training and education	2016 Harassment training for managers			
	2021 Publication of the Message from the President and implementation of company-wide harassment training			
Consulting services	2008 Establishment of helplines			
	2020 Expansion of consulting services (multilingual support)			

Creating supportive workplaces

Basic approach

Futaba strives to improve the work-life balance of its employees by working to reduce total working hours, introducing measures to enable employees to balance their home and working lives, and encouraging employees to take paid annual leave so each and every employee with diverse attributes and values can work with a sense of reassurance.

Initiatives	System examples
Flexible work style	Flexible working hours (no core time), and telecommuting
Promotion of taking paid annual leave	Achieve target of paid annual leave taken (17 days for FY2022), taking refresh leave (can take 5 consecutive days leave after a specific number of years of service), and 3-day consecutive paid annual leave (each year)
Shorter total working hours	Each Wednesday is set as a No Overtime Day when staff are urged to leave at the fixed time
Supporting childcare	Childcare leave (until the child reaches 2 years of age), shorter working hours or shortened flexible working hours for childcare (until the child has completed the fourth grade of elementary school), restrictions on overtime work (until the child enters elementary school), child nursing leave (5 days per year; maximum of 10 days per year), special leave upon spouse's delivery (3 days), and Anshin leave (unused paid annual leave can be accumulated for 20 days at maximum to be used for childcare or nursing care)
Supporting nursing care	Nursing care temporary leave (up to 365 days; may be taken up to 3 times), a nursing care shorter working hours system (3 years from the start of use; no limit on the number of times taken), nursing care leave (5 days per year; maximum 10 days per year), and Anshin leave (unused paid annual leave can be accumulated for 20 days at maximum to be used for childcare or nursing care)

Status of paid annual leave taken

Having set a target of 18.5 days for the average number of days of paid annual leave taken in FY2023, we encourage employees to take paid annual leave and follow up on their leave status at the monthly employer-and-employee discussion sessions.

Average number of days taken as paid annual leave (union members on a non-consolidated basis)

FY	2018	2019	2020	2021	2022
Days	16.9	17.5	17.9	19.4	18.6

Status of total working hours

We seek to reduce employee overtime hours and encourage them to take paid annual leave by drawing up an overtime work and paid annual leave plan at the beginning of each fiscal year and taking a monthly follow-up action based on actual overtime hours and paid annual leave taken. We are promoting the reduction of total working hours, with the goal of coming in under 1,900 hours in FY2023.

Total working hours (union members on a non-consolidated basis)

FY	2018	2019	2020	2021	2022
Hours (h)	2,075	2,010	1,971	1,979	1,960

Status of childcare leave taken

We offer various schemes to allow employees to balance work with childcare, such as childcare leave, shortened flexible working hours, and remote work. We have compiled these schemes in a handbook to spread awareness of them within the company and implement activities to increase understanding among managers. We promote the use of these schemes to create a supportive working environment for employees during their parenting years.

Rates of taking childcare leave (union members on a non-consolidated basis)

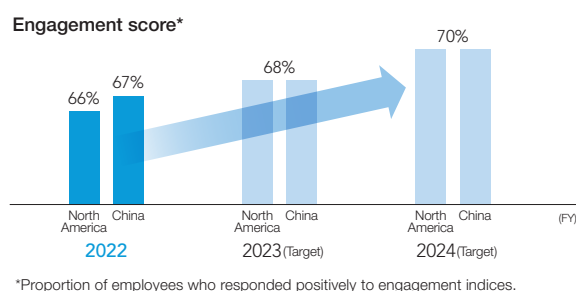
FY	2018	2019	2020	2021	2022
Male	1%	0%	6%	11%	35%
Female	85%	100%	86%	95%	121%

*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.

TOPICS

Improving employee engagement on a global basis

In order for the Futaba Group to come out on top in the global competition, it will need the active participation of diverse human resources, making it important to take measures to increase engagement. We held engagement surveys in North America and China in FY2022 and formulated action plans to address the issues revealed by an analysis of the survey results. We will expand the scope of these efforts in the future and promote the development of a workplace with high levels of engagement where diverse human resources can actively participate.



Promotion of diversity, equity and inclusion (DE&I)

Basic approach

Futaba positions the promotion of DE&I as one of its key management strategies aimed at achieving sustainable growth. In August 2022, we made our Diversity, Equity & Inclusion Statement. We will actively strive to further expand and improve our systems and change the mindset of

employees as we aim for the “active participation of all employees” in which each individual can leverage his or her strengths and feel motivated as they challenge themselves and actively participate.

Diversity, Equity & Inclusion Statement

- We will value differences among individuals in gender, age, race, nationality, disability, sexual orientation, religion and belief, values, workstyle, lifestyle, background, and others, and consider their diversity the driving force for new value creation and growth.
- By offering support and consideration tailored to the individual, we provide everyone with a fair opportunity to challenge themselves.
- We will strive to create work environments in which employees respect and appreciate each other's personality and mutually enhance one another, thereby enabling teams to produce best outcomes.
- As a global *monozukuri* company with leading technologies, we will offer solid value in terms of the environment, safety, and quality of life to more people around the world through our diverse people that enhance their creativity and ability to take action and that take initiative.

Top Management delivers its message on DE&I promotion

In January 2023, top management delivered a message to all employees via video to explain the Company's approach and the Futaba Group's vision on DE&I promotion. The Center Chief at each center office declared their commitment to DE&I promotion and asked all employees to have a sense of ownership in the DE&I initiative and proactively participate in related activities.



Center Chief declaring their commitment to employees



Top management delivers its message to all employees

TOPICS Interview with a newly appointed Executive Officer

On April 1, 2023, Dave Martin took up his post as globalization advisor and president of the North American supervisory company, becoming the Company's first Executive Officer of foreign nationality. We caught up with Dave following his appointment to get his thoughts on the Futaba Group.



Dave Martin

President of Futaba North America Engineering & Marketing Co.

On DE&I

As the Company's workforce becomes more diverse, more people will be able to bring good ideas and capabilities to the Company. I believe that monocultures tend to be stiff and inflexible, while diverse cultures are flexible and adaptable. If one wants to survive amidst the changes currently taking place in society (such as the spread of BEVs), then flexibility is one of the most important things to have. With its history of immigration, diversity is an integral part of North America, and I feel that North America is ahead of Japan in terms of the participation of women as well. However, there are still many areas where the status quo should be challenged. For example, we are currently considering even more flexible ways of working, such as temporary employment and shortened working hours. Our aim is to become a company where employees can work comfortably as they take advantage of new ways of working.

Toward further globalization

In order for globalization to succeed, it is important to understand the situations and demands specific to individual regions. I hope that we can laterally deploy each region's strengths and capabilities, in a similar way to our best practice activities, and expand them outside North America. In addition, it is good to have communications running not only between Japan and the overseas sites, but also between the overseas sites themselves. In the past, only the stamping staff of North American sites gathered to discuss improvements in their work, but starting in 2023, staff from sites in the UK and Czech Republic have begun participating in our improvement activities. I believe that this is exactly how global networks are built. Discussing how to make best use of the capabilities of each region in this way will lead to further globalization.

Finally, I have recently visited the Futaba Head Office in Japan and each of the North American sites. I was encouraged by all the young people in the production plants and offices, who were highly motivated and active, with a powerful sense of hope for the company. It was wonderful to see so many people full of good ideas and dreams for the future. It gave me hope. However, hope is not a plan. Going forward, I would like to explore how to create plans out of their ideas and how to make the best use of our talent pool.

Female empowerment initiatives

We aim to become a company where female employees can also demonstrate their full potential and work actively, while finding their jobs fulfilling and feeling personal growth. Until now, we have focused our efforts on creating an environment that made it possible to work flexibly even after life events through various benefits like childcare leave, shortened working hours, flexible working hours, and

telecommuting. In 2021, we shifted our focus from employee retention to female empowerment. We set KPIs, such as increasing the percentage of female managers and hiring more new female graduates, developing a working environment where employees feel fulfilled in their work, and putting more effort into developing female employees.

Voluntary action plan for promoting female employees to managers and officers

As part of our effort to promote diversity management, we will systematically develop and promote female employees so that they can become managers in the future, aiming to raise the percentage of female managers to 3% or more of the total managers by 2025 and 5% or more by 2030.

Percentage of female managers (non-consolidated)

FY	2018	2019	2020	2021	2022
Ratio	0.3%	0.3%	0.9%	0.9%	1.1%

Percentage of new female graduates (on career track; non-consolidated)

Target	2018	2019	2020	2021	2022
20%	17.8%	14.8%	17.0%	11.9%	12.5%

Initiatives to create a fulfilling working environment and enhance employee development

In FY2022, we held workshops for upper management as part of our efforts to develop a corporate culture that promotes female empowerment. In addition, we held career design training for female employees and diversity management training for their supervisors to support female employees with their career-building. Female employees were able to reexamine their own strengths and values and sketch out their career plans for the mid- to long-term future, while their supervisors learned about the particularities specific to women's career-building and considered what initiatives and actions they could take as managers. We will continue holding such training sessions in FY2023 and beyond.



Career design training

Initiatives to eliminate the gender pay gap

If the pay level of male employees at Futaba were set at 100, then the pay level of female employees would be 68.9. We are aware that although we use the same pay structure for men and women, a gender pay gap does exist due to differences such as staff composition, types of occupation, rank, and ways of working. Under these circumstances, we will continue to promote various initiatives aimed at furthering the advancement of women.

Recruitment initiatives

To hire diverse people on a global basis regardless of gender, nationality, age, or other attributes, we provide interviewer training to employees in charge of recruitment so that they will look at applicants' skills, experience, and willingness from fair, equal, and objective perspectives. We actively hire mid-career professionals and turn temporary workers into regular employees, in addition to hiring new graduates as valuable human resources that potentially bring new insights, values, and ideas into our organization.

Percentage of mid-career hires (non-consolidated)

FY	2018	2019	2020	2021	2022
Ratio	36.7%	20.6%	23.1%	27.1%	26.3%

Percentage of temporary workers becoming regular employees (non-consolidated)

FY	2018	2019	2020	2021	2022
Ratio	87.2%	82.4%	76.7%	73.0%	95.2%

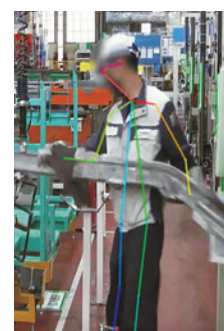
Initiatives for reemployment after mandatory retirement

Futaba has a system for rehiring employees after their mandatory retirement to offer them an opportunity to work and pass on their technical capabilities and skills to the next generation. In compliance with laws and regulations, we rehire all those who wish to be re-employed. In April 2022, we reviewed the system to treat rehired employees according to their roles so that they can find their jobs fulfilling after their mandatory retirement, with a view to Japan's declining workforce due to the aging population and lower birth rate. We are also promoting other initiatives, such as holding seminars that teach employees how to build assets at life milestones and health seminars that teach them how to stay healthy, providing physical fitness testing in order to raise awareness of career building and staying healthy during years of service before retirement and to encourage employees to work in better condition for many years to come. Another is establishing universal lines (low-workload production lines) for elderly and female employees to work in an easier way.

Number of rehired employees over time (non-consolidated)

FY	2018	2019	2020	2021	2022
Number of rehired employees	110	128	138	129	181

*The number of rehired employees is the number of people registered with us aged 60 to 65 at the end of each fiscal year



Measuring bodily angles of an employee at work (universal line creation)

Initiatives for hiring people with disabilities

Futaba works proactively to hire people with disabilities in support of their independence and participation in society. With an employment rate of 2.66% in FY2022, we have maintained the statutory requirement of 2.3%.

We provide training programs to improve understanding at the workplaces that people with disabilities will belong to, and they have an interview with the Human Resources Division on an individual basis, in order to improve their work environments.



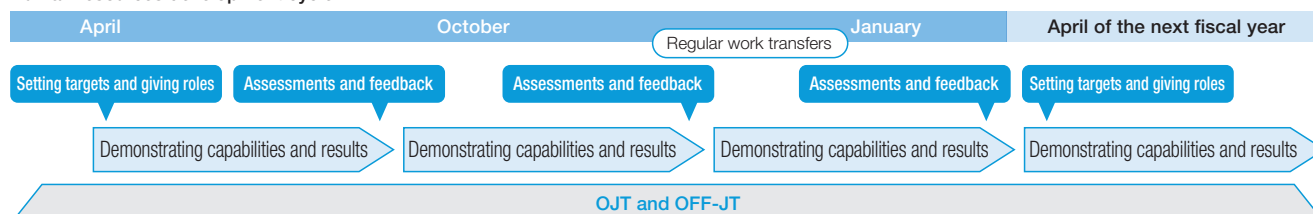
A workplace

Human resources development

Basic approach

Futaba's human resources development policy is to "continue providing the framework and opportunities for education that will fulfill the human resources management strategy." To this end, we are continuing to implement the human resources development cycle (setting targets and giving roles; demonstrating capabilities and results; evaluations and feedback), and in order to support it, we hold OJT and OFF-JT sessions (various training programs) and training rotations (work transfers). In addition, we have defined the skills and capabilities required at each job level and expanding measures as well as providing training to acquire these abilities.

Human resources development cycle



Training system (Futaba non-consolidated)

Professional qualifications	Required skills and capabilities	Job level-based training		Training by function	Self-development	Further enhancement	
		Clerical and skilled workers	Technical skilled workers				
Managers and higher	Capability to lead others to achieve maximum results as an organization	Training for new managers (business management)		Pre-overseas posting training Selective English proficiency training Safety and quality education Technical skill seminar and special education	Internal TOEIC testing Support for learning languages Support for learning business skills	Training for managers	Diversity management training
Assistant managers and team leaders	Capability to engage others and use leadership to achieve results	Training for new assistant manager level	Training for new assistant managers			Career design training for women	
		Problem solving-oriented business improvement training (advisers)	Training for new group leaders				
General	Capability to take initiative as a team member and contribute to the organization	Problem solving-oriented business improvement training (basic/advanced)	Special training for first-level skilled workers Training for first-level skilled workers Training for second-level skilled workers			Enhancement of overseas trainee system	
New employees	Capability to properly carry out work duties with a sense of responsibility	New recruit training, <i>monozukuri</i> training, training before placement	Training for new employees				

Amount of investment in education based on the training system *Excluding individual training at workplaces for clerical and skilled workers

FY	2020	2021	2022
Amount of investment in education (million yen)	138	136	148

Strengthening the development of global human resources

The Futaba Group has 15 group companies in eight countries around the world outside Japan, with a total of over 10,000 employees with diverse nationalities across the entire group. In this global business environment, Futaba is deploying measures to improve the English language abilities of all employees. We are working to develop global human resources by providing self-development content, short-term intensive English training during working hours, and role-playing training for online meetings with overseas staff.

In addition, we have an overseas trainee system under which young employees are sent to our overseas subsidiaries for fixed periods of time. Under the supervision of local managers, the program aims to train employees in overseas business practices, global perspectives, and English communication skills, thereby promoting the development of human resources who will lead global Futaba in the future.



Overseas trainees (North America)



Overseas trainees (Indonesia)

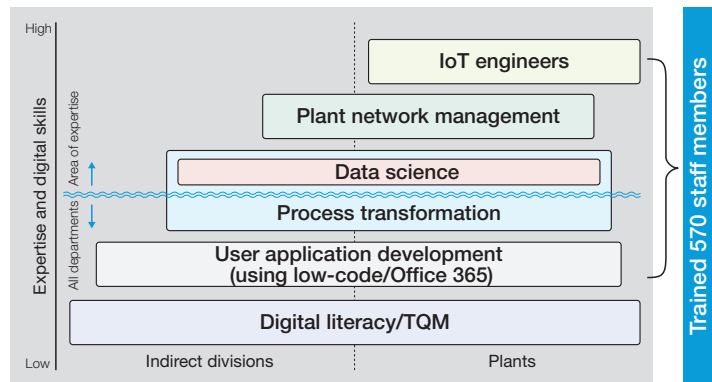
Developing human resources to equip them with digital skills

We promote the development of personnel capable of speedily transforming ways of working and changing operational processes by combining the TQM activities and digital technologies.

We are promoting training for management to enhance the company-wide promotion of DX while making improvements by using tools and introducing systems in business processes, as well as providing training in low-code application development.

We will accelerate making overall operational processes optimal and proceed with developing human resource that are capable of making the shift toward high value-added work.

System to equip human resources with digital skills



Content of initiatives

- Training to increase understanding via video content, comics, and e-learning
- Experience-based study sessions using practical examples (e.g., exhibitions)
- Promotion of user-centered business application development
- Planning and implementation of education and digitalization programs aimed at process transformation
- OJT through the introduction of systems as project team activities



Promoting understanding through comics

©COMIC LEARNING



DX exhibition

Developing human resources for *monozukuri*

To enhance *monozukuri* capabilities at production sites (i.e., to ensure high productivity, quality, cost reduction, etc.), Futaba works on improving skills of each skilled worker to promote development of personnel skilled for *monozukuri* and development of workplace.

Shop-specific training (maintenance shop)

In March 2022, we began offering shop-specific practical training in work operations at manufacturing sites. In these training sessions, highly skilled and experienced technicians acted as direct instructors, producing an environment in which employees could learn the rules and principles using actual machinery. At present, we are running four training sessions on the fundamentals of maintenance shops. Going forward, we will gradually expand the scope of training.



A training session

Holding the Futaba Skills Competition

The Futaba Skills Competition is held as part of our efforts to develop skilled human resources. Each year approximately 60 contestants, including from Group companies, compete in four categories: sheet metal, welding, electronics, and inspection. Winners of the plant competitions go on to test their skills against each other in the company-wide competition. A total of 200 colleagues and supervisors come to the competition and give big cheers to the competitors.



The Futaba Skills Competition Sheet metal competition

Developing management human resources

In the belief that strengthening management at each workplace is the top priority for improving human capital, we conduct management training for managers. Each participant of this training will implement the business PDCA cycle to learn the management methods for effectively and efficiently achieving results. More specifically, they learn how to apply such practical methods as the HoRenSo Method [Reporting, Inform, Consult], Saihatsuboshi Method [Prevention of Recurrence], etc.. We put these methods into practice in administrative and technical workplaces as the "Futaba way of working."

Based on the role of the manager, employees systematically learn the key points, from clarifying the mission and vision to fostering the workplace culture. In addition to the above, in FY2022 we selected and studied techniques for communicating with younger employees.



Management training

Social and Relationship Capital

The Futaba Group's suppliers are important partners for its *monozukuri*. Until now, we have grown together with an emphasis on "receiving quality products at a low price in a stable way over the long term." Going forward, we will build up a socially and environmentally friendly supply chain management that takes carbon neutrality, climate change, human rights, and other issues into account, as we enter an era in which we must achieve a sustainable business model. In line with our basic approach to procurement, we aim to create a sustainable supply chain while deepening partnerships with our suppliers.



Tomohiro Takahashi
Center Chief,
Procurement Center

Establishment of sustainable supply chain

Basic approach

1 Optimum purchasing based on openness and fairness

We select suppliers by making clear our expectations on safety, quality, delivery time, cost, technology, SE ability, SDGs, and information management, and properly assess their achievements and other outcome.

2 Strategic purchasing in global and SDGs aspect

To adapt to customers' *monozukuri*, new technologies, and new production methods, we proactively cooperate with local suppliers to strengthen our procurement base and contribute to the regional community.

3 Long-term continuous business built upon mutual trust

Under the premises that the transactions will be a long-term transaction, we will aim to achieve mutual prosperity and increased competitiveness of the entire supply chain through interactive communication and support.

Sustainability initiatives across the entire supply chain

With the aim of making business operations sustainable, we formulated the Supplier Sustainability Guidelines and Green Procurement Guidelines, thereby stating our expectations toward our suppliers. We promote sustainability-oriented business activities with them based on mutual understanding and trust.

Details of each guideline can be found at <https://www.futabasangyo.com/en/csr/society/supply/>

Supplier Sustainability Guidelines

These guidelines exist in order to present issues and ideas from diverse perspectives, such as prohibitions on illegal immigration, child labor, and forced/excessive labor, the protection of human rights and the concept of equality, mutual dialogue with employees, prohibitions on harassment, diversity & inclusion, prioritizing a safe and healthy working environment, initiatives to improve skills and capabilities, fostering a corporate culture that develops personnel, and more. We have shared these with our suppliers and are strengthening the entire supply chain through periodic evaluations and continuous initiatives.

In particular, in order for business activities to respect human rights, we are continuously demanding that suppliers periodically conduct self-assessments and redress issues. We also recognize that responsible procurement of mineral resources and raw materials is a significant issue across the supply chain, and periodically examine and track the use of conflict minerals on a global basis.

Green Procurement Guidelines

With the aim of developing an environmentally friendly and sustainable supply chain, this guideline was revised in March 2023 to add the promotion of initiatives related to CO₂ emissions reduction, efficient use of resources, the impact on water environments, and the creation of a society in harmony with nature. We shared our plans for the medium- to long-term reduction of CO₂ emissions with our suppliers and are making efforts toward the development of a decarbonized society.

By 2022, all of our suppliers became able to grasp their own total emissions. Starting in FY2023, we began supporting suppliers in measuring the amount of electricity consumed by their respective facilities so that they would be able to develop concrete visions of how they can begin cutting down on their emissions. We are also working to strengthen our suppliers' efforts by sharing examples of our own initiatives, as well as the good practices contributed by other suppliers.

We will continue to promote further understanding of the societal need for decarbonization through information sessions and various conference bodies.

Establishment of trust with suppliers

Communication activities

We have always supported our suppliers when they faced problems. Starting in 2023, we designated March and September as months discussions on prices and issues as part of our efforts to strengthen partnerships. In addition, we will endeavor to strengthen competitiveness throughout the supply chain by enlisting suppliers' participation in production quality improvement confirmation meetings, which are the internal meetings for reporting improvement activities, and voluntary study activities (on-site improvement, CN improvement case studies).

We will continue communicating company policy and expected activities at new year greeting parties or general meetings of the Suppliers Cooperative, sharing what issues should be tackled. We aim to solve issues and establish long-term trust based on mutual understanding and cooperation.

Futaba endorses the objectives of the Council on Promoting Partnership Building for Cultivating the Future, in which the Cabinet Office and Ministry of Economy, Trade and Industry participate. On April 22, 2022, we officially proclaimed our Declaration of Partnership Building.



Streaming our message to suppliers
(live on the Internet)



Voluntary study activities

Activities of Suppliers Cooperative and developing human resources

In FY2023, we will formulate a vision for the Futaba Suppliers Cooperative and launch efforts to reform the activities of the Futaba Suppliers Cooperative to respond to future changes in social conditions. In addition, we will continue to conduct subcommittee activities, management roundtables, Futaba Juku (study groups for future generations), safety education and quality support activities, etc., and work with suppliers to create an organization in which all employees can participate actively and to improve individual capabilities and safety culture.



Management roundtable

Contributions to and coexistence with local communities

To become a company that is widely supported and loved by the local community by fulfilling the role of good corporate citizen through business and social activities, Futaba focuses its activities on the three key global areas - environmental protection, community activity, and people development (youth development and community welfare) - to contribute

to the local community as an organization. Futaba also supports corporate contribution activities where employees take initiative in creating sustainable society. In addition, we will proactively dispatch information regarding outcome of our social contribution activities to build trust with stakeholders.

Specific initiatives

Environmental protection

Japan/Head Office

Futaba Environmental Course for employee families was held at Okazaki-shi Hotaru (firefly) School. Participants learned about biodiversity through an in-class lecture and a field study of living things at the river.

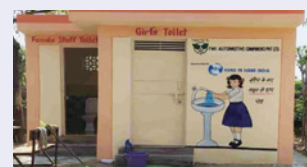


Futaba Environmental Course at Hotaru School

Community activity

India/FMI

We provided a high school in Haryana, India, with separate restrooms for boys, girls, and staff, and carried out repairs and renovations to the library and other facilities.



Provided separate restrooms

People development

Japan/Head Office

Our engineers visited a local elementary school to hold Science and *Monozukuri* Course (on sound, heat, electricity and energy). Through hands-on experience, the students got interested in *monozukuri*.



Science and Monozukuri Course

Aid for areas struck by disaster

Japan, North America, UK/Head Office, FIC, FMUK

In support of the victims of the earthquakes in Turkey and Syria, we provided relief supplies and made donations to specified nonprofit corporations and the Red Cross.



Donating relief supplies (FIC)

TOPICS

Futaba Industrial Baseball Team contributes to the local communities

Founded in 1982, the Futaba Industrial Baseball Team has been expanding its activities, winning the Emperor's Cup 77th All Japan Rubber Baseball ENEOS Tournament for the first time in 2022.

The players are actively involved in local activities and people development such as interacting with children of orphanages and sending their managers to hold baseball clinics and special classes for elementary school children, doing their best to be a team with the full support of our home side.



Won the Emperor's Cup 77th All Japan Rubber Baseball Tournament for the first time

Natural Capital

Considering the impact on global warming and climate change, Futaba works on reducing the environmental burden in order to realize decarbonized society while promoting production and business activities that make effective use of the limited resources and minimize environmental burden. In order to propel future activities, we formulated a new environmental policy in August 2021 and will contribute to the protection of the global environment.

See: Futaba Group Environmental Policy <https://www.futabasangyo.com/en/csr/environment/policy/>



Tateo Kawabuchi
Center Chief,
Production Center

FY2022 Results

Amount of CO₂ emissions (non-consolidated)

41.4% reduction (vs. FY2013)

Amount of steel used (non-consolidated)

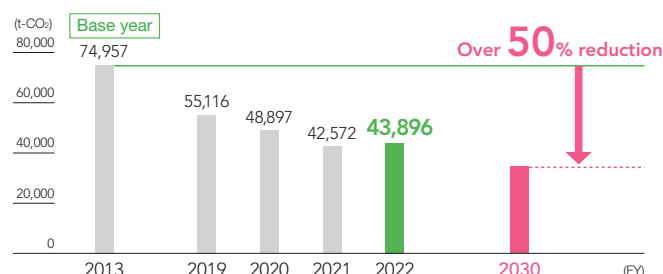
1.6% reduction (vs. FY2019)

“Monozukuri” considering the impact on global warming and climate change

Our goal is to reduce CO₂ emissions by 50% or more compared to FY2013 by FY2030. Each plant has a target of reducing its CO₂ emissions by 3% every year. We are employing various measures in pursuit of this target, such as making daily improvements, technical innovation, updating equipment to energy-saving models, and introducing renewable energy (solar power).

We are also challenging ourselves by aiming to achieve carbon neutrality (non-consolidated) by FY2035.

Amount of CO₂ emissions (non-consolidated)



Contributing to a circular economy by reducing waste, conserving resources, and promoting recycling

We are working to promote waste reduction, resource-saving, and recycling, considering the lifecycle of resources. Especially to reduce the amount of steel used, we are making efforts to minimize material loss (scrap waste, etc.) and improve material yield while implementing activities to reduce oil usage and industrial waste output. This output in FY2022 was 1,021 tons. Regarding the inflow of under-

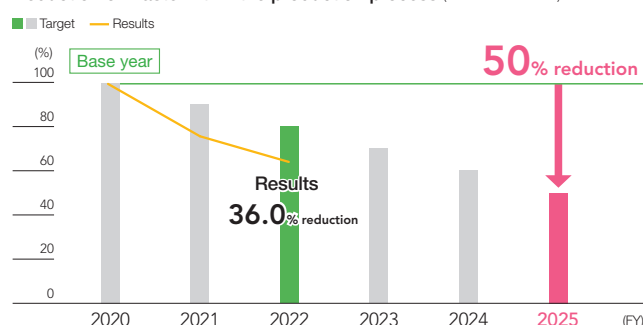
ground water into stamping pits in some plants in FY2021, although water sealing measures have been implemented and are showing some improvements, abnormal values still persist. We have set a target at the normal level of 740 tons with the expectation that wastewater will be reduced in FY2023.

Initiatives to reduce steel usage

Improving material yield is an important activity in pursuing minimization of material needed to make one product. Each production site makes steady and repeated efforts to reduce the size of materials by millimeters. Countermeasures against root causes are also important in preventing the outflow of defective products. Therefore, we also focus globally on activities to minimize loss and waste and reduce waste within the production process (reduction of 50% or more compared to FY2020 by FY2025).

By using non-destructive testing equipment, we reduce scraps from daily inspections and promote overall resource-saving and waste reduction.

Reduction of waste within the production process (non-consolidated)



* The amount of waste within the production process for FY2021 has been amended.



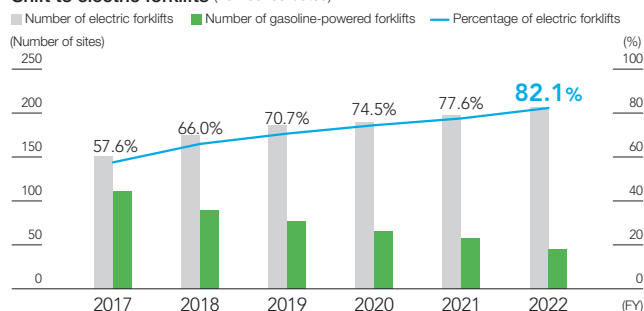
Activities to reduce waste within the production process (China)

Initiatives to reduce oil usage

To reduce the amount of fuel used for gasoline-powered forklifts, which account for nearly 70% of all oil use, we are shifting to electric forklifts and small electric vehicles. In FY2022, 82% of forklifts were shifted to electric ones. Going forward, we will continue to reduce the overall number of forklifts by improving distribution.

Also, to contribute to making effective use of resources through recycling, the processing oil for product processing is filtered and reused as much as possible.

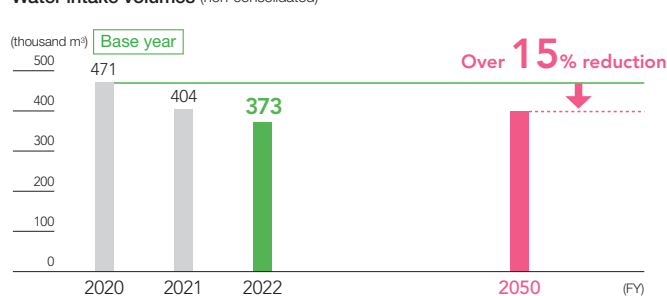
Shift to electric forklifts (non-consolidated)



Initiatives for water resources

In recent years, global warming is predicted to have significant impact on the availability of water in some regions, as it is said to cause changes in the amount of precipitation and a rise in sea levels. In order to conserve water resources which are essential for its production activities, Futaba Group is implementing strict quantitative controls to lower water discharge limits by an additional 10% compared to the Agreement for Pollution Prevention signed with municipalities. In addition, we are working to achieve our target of reducing water intake volumes by 15% from the FY2020 level by FY2050.

Water intake volumes (non-consolidated)



* The figures for FY2022 show the effects of the water intake restrictions caused by the industrial water headworks accident.

Toward a society that coexists with nature

Working with biodiversity

We have begun to address biodiversity, which is both part of our natural capital and maintains and preserves our natural environment.

Having mapped out the impacts our business activities have on our natural capital (outputs) and the degrees of dependence (inputs), we have created a map of relationships and are identifying significant risks based on the results of analyzing the map.

Inputs: energy (electricity, gas, etc.)/water resources/materials (iron, aluminum, stainless steel, paint, etc.)

Stamping

Welding

Cleaning &
degreasing

Coating

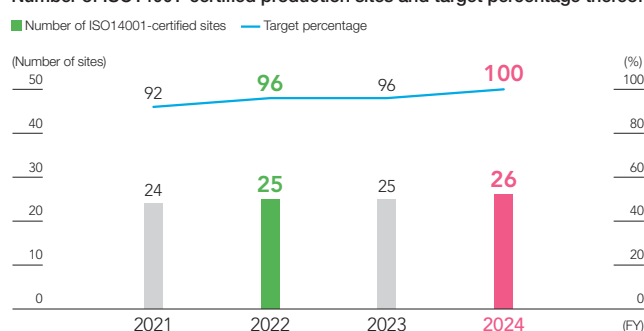
Outputs: emissions into the atmosphere (CO₂, etc.)/emissions into water and soil (waste water from production plants, etc.)

Promotion of environmental management on a Group-wide and global basis

The Futaba Group is working on obtaining ISO14001 certification at all of its production sites to achieve a sustainable and circular society.

In order to further invigorate our environmental management activities in Japan, we have been working to obtain integrated certification, and have acquired integrated certification for Futaba Sumi in FY2022 and Futaba Kyusyu in FY2023. In FY2024, we plan to integrate Futaba Hiraizumi.

Number of ISO14001-certified production sites and target percentage thereof



* Futaba Kyusyu Corporation's Miyata Plant is not counted in the graph above because it is located in the premises of an automobile manufacturer's plant.

Responding to climate change

Support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and information disclosure

Futaba declared its support for the TCFD recommendations in June 2022. Based on the TCFD framework, we conducted a scenario analysis, identified risks and opportunities that could impact our business activities, and reflected the identified risks and opportunities in our management strategies. We will look into the impact of the risks and opportunities on our financial results and expand and improve our activities.



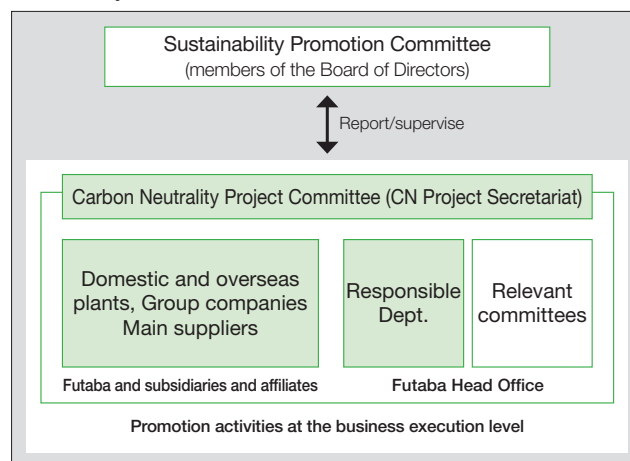
Governance

Futaba reports and supervises its management approach to climate change and the risks and opportunities associated with its business at our Sustainability Promotion Committee.

As one of the Company's priority issues (materiality), environmental issues including climate change are incorporated into the medium-term management plan and corporate global policy after approval by the Board of Directors, and the Company is working to achieve its goals.

The Carbon Neutrality Project Committee deliberates and establishes the Futaba Group's policies and targets, and each responsible department formulates action plans, deploys them to the Futaba Group, and manages their progress. Progress is reported to the Sustainability Promotion Committee, while improvement activities and the reexamination of targets based on changes in the business environment and business performance are discussed by the CN Project Secretariat and each responsible department, and are reflected in the policies and targets.

Promotion system chart



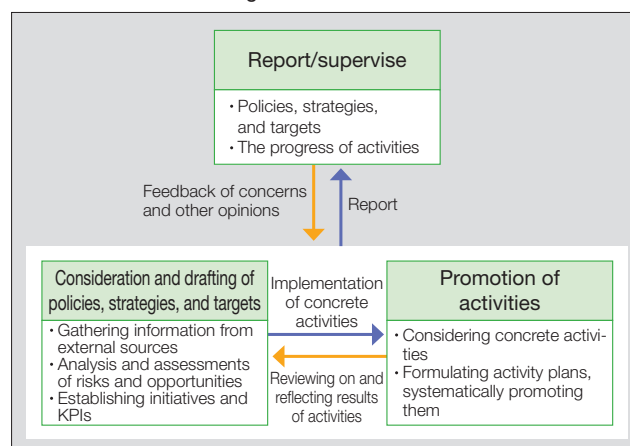
Risk management

The Futaba Group identified climate-related risks based on the following process, and assesses and manages the risks.

(How we identified risks)

- ① Selected high-priority social issues from both business and stakeholders' perspectives
- ② Had external experts review the selected social issues
- ③ Interviewed departments involved and set a medium-to long-term target and management indicators related to the social issues including climate change
- ④ Reported to and obtained approval from management executives at the Sustainability Promotion Committee

Risk assessment and management



Strategy

We conducted a scenario analysis to understand the risks and opportunities brought about by climate change and the impacts of them and to examine the appropriateness of a strategy predicting what the world will look like around 2030 and whether we need to implement more initiatives.

With reference to several existing scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC),*1 we

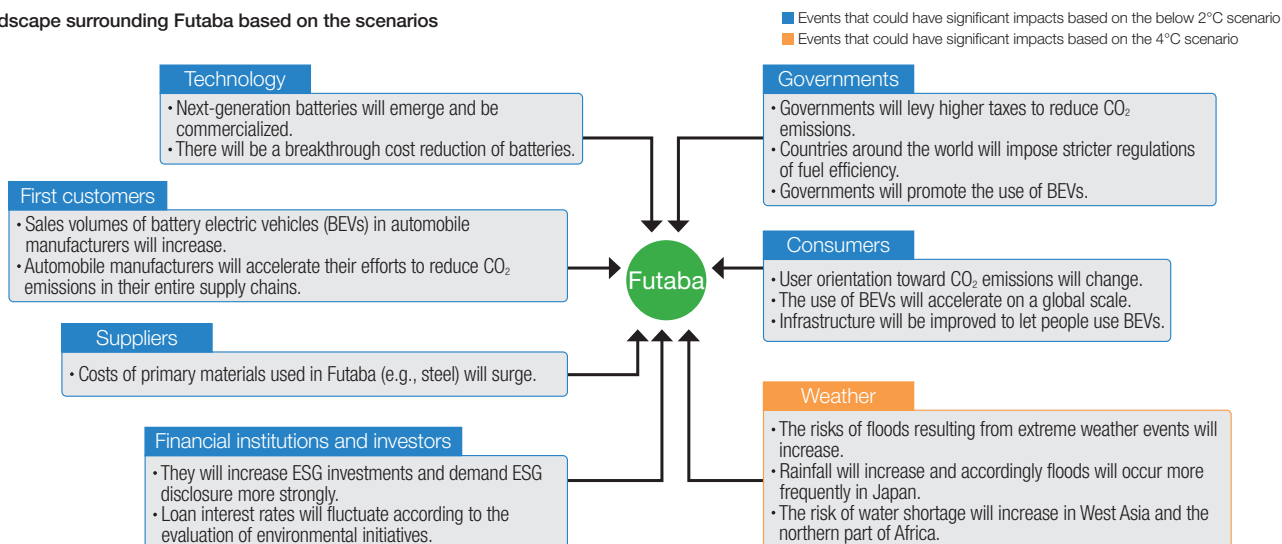
assumed two worlds in the scenario analysis, the below 2°C scenario*2 and the 4°C scenario.*3 The former scenario assumes the world with apparent transition impacts, and the latter scenario assumes the world with apparent physical impacts. The next page shows the landscape surrounding Futaba based on the scenarios, the risks and opportunities that could significantly impact Futaba, and measures against the risks and for the opportunities.

*1 The IPCC was created in 1988 by the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP).

*2 Scenario assuming that countries around the world will take stricter policies and systems and that the increase in global average temperature at the end of the 21st century will be kept below 2°C above pre-industrial levels

*3 Scenario assuming that countries around the world will not introduce additional policies and systems and that the global average temperature will rise 4°C or so above pre-industrial levels by the end of the 21st century

Landscape surrounding Futaba based on the scenarios



Risks and opportunities: events that could directly impact our net sales

Events		Risks and opportunities	Impact	Futaba's measures
Promotion of the use of BEVs and EVs (market)	Transition risks (below 2°C scenario)	<ul style="list-style-type: none"> • Decline in net sales with decreased sales volumes of gas-engine vehicles due to imposed zero-emission vehicle (ZEV) regulations and changes in consumer preferences • Increase in net sales with newly marketed products after the development of parts for BEVs 	Medium	<ul style="list-style-type: none"> • Research and develop parts for BEVs and EVs • Produce more body parts, expand the manufacturing equipment business, and add more value to parts See pages 31-32, 37 • Receive orders for body parts with more value to be added through the development of zones of the car body with our analytical capability • Increasing market share in engine-powered vehicles See pages 35-36 • Expand the sale of exhaust system parts to be standardized with minimum investments and number of processes • Create and develop new business by leveraging exhaust gas collection and purification technology See pages 37-38
Natural disasters and extreme weather events (acute)	Physical risks (4°C scenario)	<ul style="list-style-type: none"> • Decrease in net sales due to production delays and suspension caused by supply chain disruptions and sites stricken by natural disasters and extreme weather events 	—	<ul style="list-style-type: none"> • Improve and operate the system for implementing the BCP, and continuously review the plan See pages 74 • Operate the Disaster Response Headquarters and other organizations

Risks and opportunities: events that could indirectly impact Futaba

Events		Risks and opportunities	Impact	Futaba's measures
Stricter CO ₂ emissions regulations (policies/laws and regulations)	Transition risks (below 2°C scenario)	<ul style="list-style-type: none"> • Heavier taxes levied on companies due to new taxes on the amount of CO₂ emissions • Increase in net sales with new offerings of more energy-efficient and lighter-weight products 	Low ↓ Medium	<ul style="list-style-type: none"> • Take thorough measures for improvement to reduce CO₂ emissions at plants (both on a non-consolidated and consolidated basis) See pages 23, 55 • Contribute to a circular economy by promoting resource conservation, recycling, and waste reduction See pages 55-56 • Develop light-weight exhaust systems, aiming to reduce CO₂ emissions See pages 35-36 • Develop the processing technology of parts with cold stamped UHTSS, which will make parts lighter-weight and help substantially reduce CO₂ emissions during processing See pages 44
Public esteem (reputation)		<ul style="list-style-type: none"> • Decline in corporate value due to lack of responses to climate change-related information disclosure, and the impact thereof • Difficulty to fundraise • Drop in stock price • Difficulty to secure human resources, etc. 	—	<ul style="list-style-type: none"> • Enhance climate-change-related information disclosure and strengthen communication with stakeholders

Metrics and targets

To manage the identified risks and opportunities, Futaba has set management indicators and strives to achieve the targets.

Management indicators and FY2030 target as of May 2023

CO ₂ emissions reduction targets for plants
Over 50% reduction in FY2030 compared to FY2013 on a non-consolidated basis
Group companies: Annual 3% reduction (same level as non-consolidated target)
Accept challenge to achieve carbon neutrality in domestic plants by 2035

FY2022 results of the management indicators

Amount of CO ₂ emissions
43,896 t-CO₂
(Scope 1 and 2 emissions on a non-consolidated basis) (41% reduction compared to FY2013)

Corporate Governance

Basic approach to corporate governance

The Company understands the objective of corporate governance to be “having company management keep discipline from the perspective of diverse internal and external stakeholders in order to achieve a strong and sound company.” We acknowledge the importance of building and improving organizational systems that allow corporate governance to function effectively, in order to conduct business activities in

compliance with laws, regulations, and social norms, as well as to enhance business transparency. To this end, we will continue to develop and enhance these systems with an emphasis on (1) faster-paced management with better strategic capabilities, (2) ensuring the transparency of corporate conduct, and (3) enhancing disclosure and accountability.

To view our Corporate Governance Report, visit our website at: <https://www.futabasangyo.com/csr/governance/corporate/> (in Japanese)

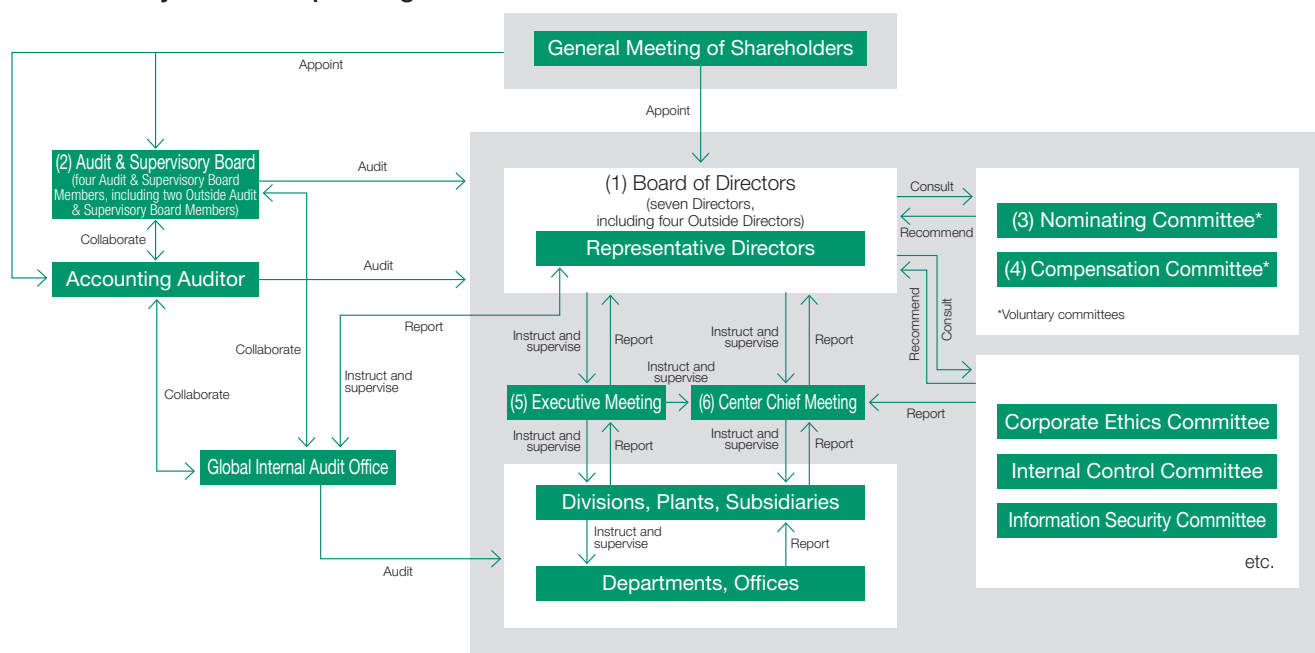
Initiatives for strengthening corporate governance

Corporate governance is a foundation to support our sustainable growth, and we believe it essential to continue to evolve it based on social trends and needs. We have been striving for continuously strengthening corporate governance. To enhance effective oversight of Directors and Executive Officers as required of the Board of Directors, we have been increasing the ratio of Outside Directors. In

addition, in FY2021 we carried out a third-party assessment of the Board of Directors’ effectiveness and addressed the problems and issues it identified. We intend to have a third-party organization assess the Board of Directors’ effectiveness on a regular basis going forward.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of Directors (persons)	9	10	8	8	8	8	8	9	7	7
Outside Directors included above (persons)	1	1	2	2	2	3	3	3	4	4
Ratio of Outside Directors	11%	10%	25%	25%	25%	38%	38%	33%	57%	57%
Overview of appointment of Outside Directors	<p>June 2014 Appointment of and assumption of office by an Outside Director</p> <p>June 2016 Increased the number of Outside Directors</p> <p>June 2019 Increased the number of Outside Directors through the appointment of and assumption of office by a female Outside Director (attorney at law)</p> <p>June 2022 Increased the number of Outside Directors</p>									
Compensation Committee and Nominating Committee	<p>December 2018 Established the Nominating Committee and the Compensation Committee as voluntary committees</p>									
Enhancing effectiveness	<p>November 2015 Started to assess the Board of Directors’ effectiveness through an in-house questionnaire survey</p> <p>October 2021 Started third-party assessment on the Board of Director’s effectiveness</p>									

Promotion system of corporate governance



Oversight function/Execution function

(1) Board of Directors

Number of meetings held in FY2022: 12 times

The Board of Directors holds monthly meetings in principle, attended by seven Directors including four Outside Directors. One of the Outside Directors is female. It discusses statutory and material matters, determines management strategies, and provides oversight of the execution of business operations. In addition to the above members, four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members, attend Board of Directors' meetings. The Board of Directors resolves agenda based on laws, regulations, and the Articles of Incorporation, and discusses important issues relating to the Company's course of action from mid- to long-term and global perspectives.

Main matters discussed at the FY2022 Board of Directors' meetings

Management in general	<ul style="list-style-type: none"> Formulating the medium-term management plan Formulating corporate global policy Formulating global business plan Approving the annual budget Entering into important new business
Other	<ul style="list-style-type: none"> Implementation and results of the Board of Directors' effectiveness assessment Management policy and risks and opportunities regarding climate change Initiatives regarding the Company's course of action (SDGs, carbon neutrality, DX, IT security, etc.)

(2) Audit & Supervisory Board

Number of meetings held in FY2022: 15 times

The Audit & Supervisory Board holds monthly meetings in principle, attended by four Audit & Supervisory Board Members appointed at the general meeting of shareholders (two full-time Audit & Supervisory Board Members and two Outside Audit & Supervisory Board Members).

The Outside Audit & Supervisory Board Members consist of a certified public accountant, and a member who held directorships and similar positions at other companies. Leveraging their expertise by audit area, they implement statutory operational audits specified by the Companies Act, and accounting audits, of the Company and its subsidiaries at home and abroad.

Audit structure

The Company undergoes three types of audits: audit by Audit & Supervisory Board Members; internal audit by a unit that directly reports to the President; and audit by the Accounting Auditor that is an audit corporation. With a view to efficient and effective audits, Audit & Supervisory Board Members, the Global Internal Audit Office, and the Accounting Auditor meet at monthly three-way audit meetings and other opportunities to share audit plans and results, and exchange information on risks identified through respective audits. Moreover, to facilitate further information sharing, the Global Internal Audit Office holds a regular monthly meeting with full-time Audit & Supervisory Board Members, who share the information with the rest of the Audit & Supervisory Board.

Audit by Audit & Supervisory Board Members

Each Audit & Supervisory Board Member examines the Company and its subsidiaries in accordance with the audit policy and plan formulated by the Audit & Supervisory Board. They also audit the execution of duties of Directors by attending important meetings including Board of Directors meetings, Center Chief Meetings, and Management Meetings, inspecting approval forms and other important documents, and visiting offices and subsidiaries.

Internal audit

We have the Global Internal Audit Office in place, which is tasked with reporting to the Company's management, including Outside Directors, on the summary of its internal audit results, the urgency of the problems identified, proposed improvements, and other matters in order to provide reasonable assurance regarding the status of auditees. In addition, it offers advice and proposals aimed at strengthening and enhancing the Company's internal control. The Office shares the audit results at Internal Control Committee meetings as well, thereby giving opportunities for individual departments to learn the best practices and issues of other departments and Group companies and to gain insight therefrom.

Audit by Accounting Auditor

PricewaterhouseCoopers Aarata LLC has been auditing the Company since FY2019.

Corporate Governance

(3) Nominating Committee

Number of meetings held in FY2022:
10 times

The Nominating Committee consists of five committee members (three Outside Directors and two Inside Directors). The Chairperson is appointed from Outside Directors, with Mr. Masaki Horie currently serving in the position. As an advisory body to the Board of Directors, it deliberates matters related to the appointment and dismissal of Directors and Executive Officers from a fair and objective perspective, and submits recommendations to the Board of Directors.

Main matters discussed at the FY2022 Nominating Committee meetings

- Nomination of Director candidates
- Appointment of a Representative Director
- Appointment and dismissal of Executive Officers and Officers
- Assignment of duties to Executive Officers and Officers
- Consideration of succession plans for those officers including the President

(4) Compensation Committee

Number of meetings held in FY2022:
Six times

The Compensation Committee consists of four committee members (three Outside Directors and one Inside Director). The Chairperson is appointed from Outside Directors, with Mr. Masayoshi Ichikawa currently serving in the position. As an advisory body to the Board of Directors, it deliberates the compensation system and standard, and the amount of compensation of Directors, Executive Officers, and others from a fair and objective perspective, and submits recommendations to the Board of Directors.

Main matters discussed at the FY2022 Compensation Committee meetings

- Monthly compensation for Directors, Executive Officers, and Officers
- Amounts of Bonuses for Directors, Executive Officers, and Officers
- Restricted stock compensation for Directors, Executive Officers, and Officers
- A vision for the compensation system for Directors, Executive Officers, and Officers

Deliberative bodies for business execution

(5) Executive Meeting

Frequency of meetings:
Once a month in principle

The meeting is composed of the President and Executives, and deliberates and resolves highly confidential matters among items for decision-making regarding business execution.

(6) Center Chief Meeting

Frequency of meetings:
Twice a month in principle

The meeting is composed of the President, Chief Officers, and full-time Audit & Supervisory Board Members, and discusses matters to be submitted to the Board of Directors, other important matters, and individual issues.

Approach to internal control

We perform business operations properly across the Group, based on the FUTABA WAY, the Management Principle, and the Action Guidelines of Futaba. We strive to improve the quality of our operation, and the quality of corporate management in the long run, through initiatives centering around the following items, repeating maintenance and improvement through TQM activities. We also aim to sustainably improve the corporate value toward the SDGs goals.

- Establish the mechanism of operation, incorporating the way of thinking of "division of roles among business practice, guidance and check, and audit (three lines of function) in response to risks"
- Clarify roles and responsibilities regarding duties in the Group, and make subsidiaries autonomous
- Improve education system on TQM activities and operation standards, and raise the level of the entire organization

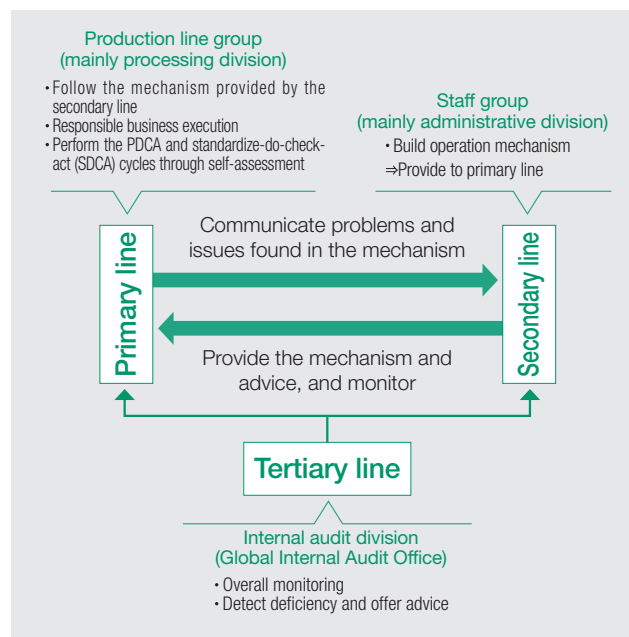
Through these initiatives, we will realize the internal control Futaba pursues by increasing human resources equipped with high ethical standard and establishing an effective organization.

Internal control system

We share with Directors and other Officers responsible for the attitude expected in performing business operations properly in accordance with the Companies Act and other laws and regulations. Matters to be submitted in accordance with the rules are discussed thoroughly at Board of Directors meetings and others, and executed after proper decision-making.

In actual business operations, the Internal Control Committee promotes the internal control activities within the Company as an advisory body to the Board of Directors. In addition, we have established the Working-level Meeting on Internal Control under the Internal Control Committee to promote the practical aspects of internal control. The Internal Control Committee has set the

Three lines of function



FUTABA Operation and Quality Management Standard as operational standard and good quality requirement, and divisions in the headquarters promote the improvement activities of operation and quality as the promotor of our global organization. We aim to improve the corporate management quality through the improvement activities of operation and quality, and as a result, to secure the internal control of our global organization.

Status of the activities of the Internal Control Committee is reported regularly to the Board of Directors. The global progress of the improvement activities of operation and quality, and issues identified at each region and site are shared with members of the Board of Directors and being guided by them, the direction of activities, etc. are decided.

Criteria for appointment and dismissal of Directors and Audit & Supervisory Board Members

The Board of Directors emphasizes the balance of skills, experience, and expertise as well as diversity and suitability of Directors in their appointment, dismissal and nomination, in order to ensure the function of the Board of Directors and to make accurate and swift decisions. The Nominating Committee was voluntarily established in December 2018, as an advisory body to the Board of Directors chiefly composed of Independent Outside Directors. In case of appointment, dismissal, and nomination of Directors, the Board of Directors receives recommendations with reasons for individual appointment, dismissal, and nomination from the Nominating Committee, and then decides at Board of Directors meetings. Starting from the general meeting of

shareholders in 2019, the Committee's input has been reflected in the proposals for appointment, dismissal, and nomination of Directors.

In case of the appointment and dismissal of Audit & Supervisory Board Members, we appoint persons who can contribute to appropriate management audit with the knowledge of business management, finance, and accounting. The Board of Directors obtains the consent of the Audit & Supervisory Board via the latter's resolution, whereupon it decides on the candidates and submits proposals for appointments of Audit & Supervisory Board Members to the general meeting of shareholders.

Directors and Audit & Supervisory Board Members skills matrix

The competencies and experience of the Company's Directors and Audit & Supervisory Board Members are as follows.

		Corporate management	Technology and development	Production engineering, manufacturing, and quality	Sales and procurement	Finance and accounting	Legal affairs and governance	Personnel	IT and DX	Environment	Overseas business
Representative Director, President and Executive Officer	Yoshihiro Uozumi	○		○	○		○			○	○
Representative Director, Executive Officer	Fumio Ohashi	○				○	○	○	○		○
Director, Executive Officer	Toshio Yokota	○	○								○
Outside Director	Masaki Horie	○				○					
Outside Director	Masayoshi Ichikawa	○	○	○							○
Outside Director	Motoko Miyajima						○			○	
Outside Director	Yoshihisa Miyabe	○		○						○	○
Full-time Audit & Supervisory Board Member	Kazunori Kato				○		○	○			
Full-time Audit & Supervisory Board Member	Keiichi Toriyama					○	○				○
Outside Audit & Supervisory Board Member	Hitoshi Suzuki	○				○					
Outside Audit & Supervisory Board Member	Shigeo Hayashi	○		○			○			○	○

Corporate Governance

Criteria for appointment of Independent Officers

We appoint Independent Officers in accordance with the criteria for externality as defined in the Companies Act and the criteria for independence as defined by the financial instruments exchange. In case of appointment, we place importance on a high level of expertise and wealth of experience that enable candid and constructive advice and supervision to management.

Reasons for appointment of Outside Directors and Outside Audit & Supervisory Board Members

The Company appoints four Outside Directors and two Outside Audit & Supervisory Board Members to receive advice and suggestions from an external viewpoint to ensure appropriate decision-making by the Board of Directors, in addition to benefiting from their fields of expertise.

Outside Directors and Outside Audit & Supervisory Board Members and main reasons for their appointment

Name	Position	Independent Officer	Main reasons for appointment
Masaki Horie	Outside Director	○	Mr. Masaki Horie has expertise and experience acquired over many years as a certified public accountant. His appointment will bring his wealth of experience and deep insight into the Company's management.
Masayoshi Ichikawa	Outside Director	○	Mr. Masayoshi Ichikawa has many years of experience as corporate manager at Toyoda Gosei Co., Ltd. His appointment will bring his wealth of experience and deep insight into the Company's management.
Motoko Miyajima	Outside Director	○	Ms. Motoko Miyajima has expertise and experience acquired over many years as an attorney at law. Her appointment will bring her wealth of experience and deep insight into the Company's management.
Yoshihisa Miyabe	Outside Director		Mr. Yoshihisa Miyabe has expertise and experience relating to production engineering divisions acquired over many years at Toyota Motor Corporation. His appointment will bring his wealth of experience and deep insight into the Company's management.
Hitoshi Suzuki	Outside Audit & Supervisory Board Member	○	Mr. Hitoshi Suzuki has expertise and experience acquired over many years as a certified public accountant. His appointment will bring his wealth of experience and deep insight into the Company's audit.
Shigeo Hayashi	Outside Audit & Supervisory Board Member	○	In addition to his experience as Director and Senior Managing Executive Officer at Olympus Corporation, Mr. Shigeo Hayashi also has experience from serving mainly in that company's Production Engineering Division. His appointment will bring his wealth of experience and deep insight into the Company's audit.

Support for Outside Directors and Outside Audit & Supervisory Board Members

In order to deepen the understanding of Outside Directors and Outside Audit & Supervisory Board Members on our business execution, we have each division submit reports and hold plant tours of the Company and subsidiaries for them, in addition to holding a preliminary briefing on matters to be submitted to the Board of Directors.

For Outside Audit & Supervisory Board Members, we have set up the Audit & Supervisory Board Office as an organization to support their duties and assigned dedicated staff members.



Plant tour by Outside Directors

Training for Directors and Audit & Supervisory Board Members

For Directors and Audit & Supervisory Board Members who play key roles in the important governance system, we hold seminars on laws and regulations related to corporate officers, in order to deepen their understanding on their roles and duties. Furthermore, we provide regular training session for Directors and Audit & Supervisory Board Members focusing on medium- to long-term issues, while arranging their participation in outside seminars and inviting outside professionals to workshops as necessary.

Compensation for Directors and Audit & Supervisory Board Members

Basic approach

Compensation for Directors is set at the level competitive enough to secure and retain talented persons to realize the Management Principle as well as to motivate them to fulfil expected roles toward the sustainable improvement of corporate value and shareholders' value. Specifically, compensation for Directors who assume business execution is composed of monthly compensation, bonuses, and

stock compensation. Compensation for Outside Directors who assume oversight function is composed of monthly compensation only. Regarding the content of compensation for Directors, we ensure rationality, objectivity, and transparency in both the content of compensation and the decision procedure, in order to fulfil accountability to shareholders and other stakeholders.

Calculation method

Type of compensation	Monthly compensation	Bonus	Stock compensation
Ratio	60%	30%	10%
Eligible position	Directors, Audit & Supervisory Board Members	Directors (excluding Outside Directors)	Directors (excluding Outside Directors)
Calculation method	The amount is determined according to positions and responsibilities, etc., and reviewed as appropriate to be competitive enough to secure and retain talented persons in the job market, in view of our corporate performance, standards of other companies, and social environments.	The amount is calculated by the Board of Directors in view of consolidated operating profit of each fiscal year and the level of achievement of targets determined in the medium-term management plan, and the amount and the timing of payment are determined by the resolution of the annual general meeting of shareholders.	In order to share values with shareholders and drive the motivation to contribute to enhancing the medium- to long-term corporate value and shareholders' value, the Company allocates restricted stocks to a Director responsible for business execution with restriction on transfer until the Director retires from the position in principle as a reward for business execution every fiscal year, and grants monetary claims to be used for payment in exchange for allocated stock at a certain period every fiscal year. The number of shares to be allocated is determined in view of positions, responsibilities, share price, etc.

Matters regarding individual Directors' monthly compensation are entrusted from the Board of Directors to the Representative Director on the condition that they will be decided by the voluntary Compensation Committee, majority of whose members are Independent Outside Directors. Subject to the approval of a general meeting of shareholders on the total amount of Directors' Bonus, the Board of Directors entrusts matters regarding individual Directors' bonuses to the Representative Directors on the condition that they will be decided by the voluntary Compensation Committee.

The Representative Directors later report to the Compensation Committee on the actual monthly compensation and bonus payments made to individual Directors to make sure that those correspond to the Compensation Committee's approval.

For stock compensation for Directors, the number of shares to be allocated to individual persons is determined by the resolution of the Board of Directors, taking into account the deliberation and recommendation of the Voluntary Compensation Committee. Compensation for Audit & Supervisory Board Members is determined through consultation among them.

Amount of compensation for Directors and Audit & Supervisory Board Members

Category	Total amount of compensation (million yen)	Total amount of compensation by type (million yen)				Number of eligible Directors and Audit & Supervisory Board Members (persons)
		Monthly compensation	Bonus	Stock compensation	Retirement benefits for executives	
Directors (excluding Outside Directors)	126	96	20	10	—	6
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	15	15	—	—	—	1
Outside Directors	22	22	—	—	—	4
Outside Audit & Supervisory Board Members	19	19	—	—	—	4

* The figures above include the three Directors and one Outside Audit & Supervisory Board Member who stepped down at the close of the 108th Annual General Meeting of Shareholders held on June 22, 2022.

Assessment of the Board of Directors' effectiveness

We aim for continuous improvement of the Board of Directors, by conducting questionnaire surveys yearly to Directors and Audit & Supervisory Board Members and analyzing them to see whether the Board of Directors is effectively fulfilling its roles and duties. The FY2022 assessment of the Board of Directors' effectiveness was conducted by the Company on its own in October to November 2022 in the form of a questionnaire survey of all the Directors and Audit & Supervisory Board Members. A total of 31 questions were asked to assess the Board of Directors' composition, operation, discussions, monitoring functions, and other items. Based on the survey results, effectiveness improvement actions for FY2023 were reported to the Board of Directors in December 2022.

	Issues identified in FY2021	Actions taken in FY2022
Composition of the Board of Directors	<ul style="list-style-type: none"> • Diversity of the Board members (internationality) • Segregation of function between execution and supervision 	Revised the ratio of Inside and Outside Directors in order to shift to a structure that enables the Board to perform more effective supervision from an objective standpoint
Operation of the Board of Directors	<ul style="list-style-type: none"> • Activating discussions and providing time for free discussion 	Allocated time to discuss matters on the Company's directions and mid- to long-term strategies from a global perspective
Discussions at Board of Directors meetings	<ul style="list-style-type: none"> • Reviewing matters to be submitted (criteria for approval, amount, etc.) 	Revised the criteria for matters to be submitted to Board of Directors meetings to make effective use of discussion time (stipulating that matters relating to individual operations be approved at Center Chief Meetings)

Overall results of FY2022 assessment

- Scores were generally high for all the items surveyed. This has led us to conclude that the Company's Board of Directors functions effectively.
- The measures introduced in FY2022 to improve the Board of Directors' operation and discussions have invigorated debate on important management issues.
- Given that new issues were identified, however, further actions are needed to enhance the Board of Directors' effectiveness.

	Issues identified in FY2022	Actions being taken
Discussions at Board of Directors meetings	<p>Discuss even broader issues including the following:</p> <ul style="list-style-type: none"> • Human capital • Development of successors; and diversity of the Board members (internationality) • Measures to create and improve corporate value • Actions to address the opinions and suggestions of shareholders 	<p>Utilizing the longer discussion time afforded by the FY2022 reform, the Board of Directors regularly discusses issues that need to be addressed to adapt to a changing external environment. Directors receive regular reports on the progress on and the outcomes of our annual policy and Group companies' policies. Based thereon, they discuss the direction we should take to address issues and grow on a global scale.</p>
Operation of the Board of Directors	Provide Outside Directors and Outside Audit & Supervisory Board Members with enough time to consider and review the matters submitted	The timetable for preparing for a Board of Directors meeting shall be revised to allow Outside Directors and Outside Audit & Supervisory Board Members enough time to consider and review the matters submitted.

Strategic shareholdings

Strategic Shareholdings

We believe it necessary to maintain partnership with various companies in the process of product development, procurement, production, and sales in order to sustain growth in our mainstay automotive parts business. To that end, we hold necessary strategic shareholdings, comprehensively considering business strategies, enhancement of partnership with customers and trading partners as well as maintenance of relationship with local communities. We regularly evaluate economic rationality and review the validity of the holdings.

Basic policy regarding exercising voting rights

Regarding the exercise of voting rights, we respect the management policies and business strategies of our investee companies, and judge if the exercise will contribute to improving their corporate value over the medium- to long- term and to realize sustainable growth, instead of judging approval or disapproval under a uniform standard.

Examination of strategic shareholdings in FY2022

We examined to determine the appropriateness of strategic shareholdings in consideration of qualitative aspects including business strategies, enhancement of partnership with customers and trading partners, and enhancement of relationship with local communities, in addition to the quantitative aspect that is the dividend yield in comparison with the funding costs. As a result, the ratio of strategic shareholdings in consolidated net assets came to 4.4% as of March 31, 2023.

Dialogue with shareholders and investors

Basic approach

We actively facilitate dialogue with shareholders and investors, aiming for sustainable growth and the improvement of corporate value.

The Board of Directors strives for developing and enhancing systems to promote constructive dialogue with shareholders and investors.

We manage IR activities with appointing a person in charge of IR in the General Affairs Division to work in collaboration with related departments including the

Accounting and Finance Center and the Corporate Planning Division.

Regarding opinions and concerns captured in dialogue with shareholders and investors, we report to the Board of Directors and management executives as necessary to share the recognized issues.

Communication with shareholders and investors

We strive to increase the number of shareholders attending our annual general meetings of shareholders, which we regard as a precious opportunity for constructive dialogue with shareholders. In addition, we hold semiannual one-on-one meetings with institutional shareholders to exchange views on ESG and other matters using the FUTABA Integrated Report. The views expressed there are shared with management executives.

For domestic institutional investors and analysts, we hold semiannual financial results briefings as part of IR activities, where the President and the Director responsible for accounting and finance present our management policy, growth strategy, and business performance. One-on-one meetings and facility tours are also held as appropriate.

We will continue to ensure active communication with shareholders and investors, especially by providing timely, appropriate, and effective disclosures.

Main IR activities in FY2022

Scope	Overview
Individual shareholders and investors	<ul style="list-style-type: none"> • Annual general meeting of shareholders • One-on-one interviews
Domestic institutional shareholders	<ul style="list-style-type: none"> • Annual general meeting of shareholders • Financial results briefings • One-on-one meetings
Domestic institutional investors and analysts	<ul style="list-style-type: none"> • Financial results briefings • Facility tour • One-on-one meetings
Overseas institutional investors	<ul style="list-style-type: none"> • One-on-one meetings

TOPICS A facility tour for institutional investors and analysts

In December 2022, we hosted a facility tour for institutional investors and analysts for the first time in about 10 years. The President and other management executives welcomed the participants and explained our BEV efforts and growth strategy such as factory DX, showing actual equipment on site. The tour helped the participants increase their understanding of our manufacturing capabilities while enabling us to gain valuable opinions from them.



A tour of a plant

Directors and Audit & Supervisory Board Members (As of June 22, 2023)

Board of Directors, Nominating Committee, Compensation Committee, and Audit & Supervisory Board
Number of meetings attended/Number of meetings held (year ended March 2023)

Directors



**Representative Director,
President and Executive Officer** Nominating
Committee

Yoshihiro Uozumi (April 9, 1958)

April 1982	Joined Toyota Motor Sales Co., Ltd.
January 2010	General Manager, Vehicle Planning Department, Production Control Division, Toyota Motor Corporation
April 2013	Plant General Manager, Motomachi Plant
April 2013	Field General Manager, Logistic Field, Production Control Group
April 2015	Plant General Manager, Honsha Plant
April 2015	Plant General Manager, Hirose Plant
April 2017	Managing Officer
April 2017	Deputy Chief Executive Officer, China Region
April 2017	President, GAC Toyota Motor Co., Ltd.
April 2021	Executive Officer, the Company
June 2021	Director, Executive Officer
June 2022	Representative Director, President and Executive Officer (to the present)

Reasons for appointment

In addition to his experience of serving as Managing Officer at Toyota Motor Corporation, Mr. Yoshihiro Uozumi has been involved in the management of the Company, having served as Director since 2021.

Number of Board of Directors meetings attended	12/12 (100%)
Number of Nominating Committee meetings attended	10/10 (100%)



Outside Director Independent
Officer Nominating
Committee Compensation
Committee

Masaki Horie (November 25, 1949)

April 1973	Joined Price Waterhouse Japan
November 1980	Joined Itoh Audit Corporation
July 1997	Representative Partner
January 2001	Representative Partner, Chuo Aoyama Audit Corporation
September 2006	Representative Partner, PricewaterhouseCoopers Aarata (Currently PricewaterhouseCoopers Aarata LLC)
June 2010	Retired from PricewaterhouseCoopers Aarata
July 2010	Established Certified Public Accountant Masaki Horie Accounting Office (to the present)
June 2011	Outside Audit & Supervisory Board Member, TOKAI RIKAI CO., LTD.
June 2015	Audit & Supervisory Board Member, the Company
June 2016	Outside Audit & Supervisory Board Member, IBIDEN CO., LTD.
June 2016	Director, the Company (to the present)
June 2017	Outside Director (Audit & Supervisory Committee Member), IBIDEN CO., LTD. (to the present)

Reasons for appointment

In addition to his expertise and experience acquired over many years as a certified public accountant, Mr. Masaki Horie has served as Outside Audit & Supervisory Board Member and Outside Director of the Company since 2015 and provided advice to the management of the Company.

Number of Board of Directors meetings attended	12/12 (100%)
Number of Nominating Committee meetings attended	10/10 (100%)
Number of Compensation Committee meetings attended	6/6 (100%)



**Representative Director,
Executive Officer** Nominating
Committee Compensation
Committee

Fumio Ohashi (August 23, 1960)

April 1984	Joined Toyota Motor Corporation
January 2004	General Manager, Financial Planning Dept., Finance Div.
January 2005	General Manager, Funds & Foreign Exchange Management Dept., Finance Div.
January 2006	General Manager, Funds Management Dept., Accounting Div.
January 2007	General Manager, Accounting Dept., Technical Administration Div.
January 2009	Corporate Secretary and Treasurer, Toyota Motor Manufacturing Canada Inc.
January 2014	General Manager, Global Audit Dept., Toyota Motor Corporation
June 2015	Corporate Adviser, the Company
June 2015	Director, Managing Executive Officer
June 2017	Director, Senior Managing Executive Officer
January 2021	Director, Executive Officer
June 2023	Representative Director, Executive Officer (to the present)

Reasons for appointment

In addition to his experience mainly in the accounting and finance division at Toyota Motor Corporation, Mr. Fumio Ohashi has been involved in the management of the Company as Director since 2015.

Number of Board of Directors meetings attended	12/12 (100%)
Number of Nominating Committee meetings attended	10/10 (100%)

*Mr. Ohashi is a member of the Compensation Committee since June 22, 2023.



Outside Director Independent
Officer Nominating
Committee Compensation
Committee

Masayoshi Ichikawa (January 10, 1953)

April 1977	Joined Toyoda Gosei Co., Ltd.
June 2004	Deputy General Manager, Optoelectronics Business Unit
June 2005	Director
June 2008	General Manager, Optoelectronics Business Unit
June 2010	Managing Director
January 2011	Chairman, TE Opto Corporation
June 2012	Director, Senior Managing Officer, Toyoda Gosei Co., Ltd.
June 2012	Chairman, Toyoda Gosei North America Corporation
June 2015	Executive Vice President, Toyoda Gosei Co., Ltd.
June 2017	Advisor
July 2017	Technical Advisor, TOKAI CARBON CO., LTD. (to the present)
June 2018	Director, the Company (to the present)
June 2019	Retired as Advisor, Toyoda Gosei Co., Ltd.

Reasons for appointment

In addition to many years of experience as corporate manager at Toyoda Gosei Co., Ltd., Mr. Masayoshi Ichikawa has served as Outside Director of the Company since 2018 and provided advice to the management of the Company.

Number of Board of Directors meetings attended	12/12 (100%)
Number of Nominating Committee meetings attended	10/10 (100%)
Number of Compensation Committee meetings attended	6/6 (100%)



**Director, Executive
Officer**

Toshio Yokota (March 15, 1965)

April 1987	Joined the Company
November 2009	General Manager, Exhaust System Development Div.
January 2014	General Manager, Cost Planning Div.
July 2017	President, Futaba Changzhou Engineering & Marketing Co., Ltd.
April 2020	Executive Officer, the Company
January 2021	Officer
January 2021	President, FUTABA (TIANJIN) CO., LTD.
April 2023	Executive Officer, the Company
June 2023	Director, Executive Officer (to the present)

Reasons for appointment

In addition to his experience mainly in the engineering division at the Company, Mr. Toshio Yokota has overseas experience as President of the Company's headquarters in China.

Audit & Supervisory Board Members



Outside Director

Independent
OfficerNominating
CommitteeCompensation
Committee

Motoko Miyajima

(January 1, 1957)

April	1990	Registered as Attorney at Law
April	1993	Joined Toyota Industries Corporation
September	1997	Adjunct Lecturer, Faculty of Law, Nanzan University
April	2002	Adjunct Lecturer, School of Law, Nagoya University
April	2004	Professor, Law School, Meijo University
December	2004	Retired from Toyota Industries Corporation
January	2006	Visiting Attorney, Iriya Law Office (to the present)
October	2009	Member of Public Pollution Review Committee, Aichi Prefecture
June	2012	Member of Development Review Committee, Nagoya City
April	2016	Member of Administrative Complaint Review Committee, Aichi Prefecture
June	2016	Outside Director, Canox Corporation (to the present)
June	2019	Director, the Company (to the present)

Reasons for appointment

In addition to her expertise and experience acquired over many years as an attorney at law, Ms. Motoko Miyajima has served as Outside Director of the Company since 2019 and provided advice to the management of the Company.

Number of Board of Directors meetings attended	12/12 (100%)
Number of Nominating Committee meetings attended	10/10 (100%)
Number of Compensation Committee meetings attended	6/6 (100%)



Outside Director

Yoshihisa Miyabe

(August 9, 1967)

April	1991	Joined Toyota Motor Corporation
June	2009	General Manager, Technical Administration Dept., Plastic Parts Engineering Div.
January	2016	General Manager, Tsutsumi Plant Final Assembly Div.
January	2020	Chief Coordinating Executive, Toyota South Africa Motors (Pty) Ltd.
January	2021	Plant General Manager, Motomachi Plant, Toyota Motor Corporation (to the present)
June	2021	Outside Auditor, Trinity Industrial Corporation (to the present)
June	2021	Audit & Supervisory Board Member, the Company
June	2022	Director, the Company (to the present)

Reasons for appointment

In addition to his expertise and experience relating to production engineering divisions acquired over many years at Toyota Motor Corporation, Mr. Yoshihisa Miyabe has served as Outside Audit & Supervisory Board Member and Outside Director of the Company and provided advice to the management of the Company.

Number of Board of Directors meetings attended	12/12 (100%)
Number of Audit & Supervisory Board meetings attended	4/4 (100%) * 2 ordinary meetings and 2 extraordinary meetings



Full-time Audit & Supervisory Board Member

Kazunori Kato

(November 3, 1961)

April	1985	Joined TOKAI RIKI CO., LTD.
January	2010	General Manager, Material and Equipment Office, Purchasing Div.
April	2011	Project General Manager, Human Resources Div., General Affairs and Human Resources Group, the Company
January	2013	General Manager, Human Resources Div., General Affairs and Human Resources Group
April	2018	General Manager, Audit Office
January	2021	General Manager, Global Audit Office
April	2021	General Manager, Audit & Supervisory Board Office
June	2021	Audit & Supervisory Board Member (to the present)

Reasons for appointment

In addition to his experience mainly in purchasing division at TOKAI RIKI CO., LTD., Mr. Kazunori Kato has experience in human resources and audit divisions of the Company.

Number of Board of Directors meetings attended	12/12 (100%)
Number of Audit & Supervisory Board meetings attended	15/15 (100%) * 12 ordinary meetings and 3 extraordinary meetings



Full-time Audit & Supervisory Board Member

Keiichi Toriyama

(September 15, 1963)

April	1986	Joined the Company
January	2012	General Manager, Accounting Div.
February	2014	Vice President, Futaba Changzhou Engineering & Marketing Co., Ltd.
January	2017	General Manager, Finance Div., the Company
June	2018	General Manager, Accounting Div., General Manager, Finance Div.
April	2022	Executive Senior Coordinator, Futaba Czech, s.r.o.
June	2023	Function Manager, Audit & Supervisory Board Office
June	2023	Audit & Supervisory Board Member (to the present)

Reasons for appointment

In addition to his expertise mainly in the accounting and finance division at the Company, Mr. Keiichi Toriyama has overseas experience in China, Czech Republic, etc.



Outside Audit & Supervisory Board Member

Independent
Officer

Hitoshi Suzuki

(April 15, 1954)

November	1977	Joined Coopers & Lybrand Japan
July	1981	Joined Itoh Audit Corporation
July	1989	Established Certified Public Accountant Hitoshi Suzuki Accounting Office (to the present)
June	2006	Corporate Auditor, Aichi Kaiun Co., Ltd. (to the present)
August	2014	Audit & Supervisory Board Member, DOMY CO., LTD. (to the present)
June	2016	Audit & Supervisory Board Member, the Company (to the present)

Reasons for appointment

Mr. Hitoshi Suzuki has expertise and experience acquired over many years as a certified public accountant.

Number of Board of Directors meetings attended	11/12 (91%)
Number of Audit & Supervisory Board meetings attended	15/15 (100%) * 12 ordinary meetings and 3 extraordinary meetings



Outside Audit & Supervisory Board Member

Independent
Officer

Shigeo Hayashi

(August 21, 1957)

April	1981	Joined Olympus Optical Co., Ltd. (currently Olympus Corporation)
January	2006	General Manager, Production Survey Dept., Production Engineering Center
April	2008	Plant General Manager, Ina Plant
June	2009	Executive Officer
October	2011	President and CEO, Nagano Olympus Co., Ltd.
April	2012	Director and Managing Executive Officer, Olympus Corporation
April	2016	Director and Senior Managing Executive Officer
June	2016	Senior Managing Executive Officer
March	2019	Retired from Olympus Corporation
January	2020	Advisor, YUASA NEOTEC CO., LTD. (to the present)
October	2020	Advisor, Japan Management Association (to the present)
February	2022	Advisor, ZUIKO Corporation
June	2022	Audit & Supervisory Board Member, the Company (to the present)

Reasons for appointment

In addition to his experience as Director and Senior Managing Executive Officer at Olympus Corporation, Mr. Shigeo Hayashi also has experience from serving mainly in that company's Production Engineering Division.

Number of Board of Directors meetings attended	10/10 (100%)
Number of Audit & Supervisory Board meetings attended	11/11 (100%) * 10 ordinary meetings and 1 extraordinary meeting

Outside Directors Roundtable

The outside directors of Futaba Industrial discussed the state of the company's governance and its commitment to sustainability.



Participants

Masaki Horie

Outside Director

Masayoshi Ichikawa

Outside Director

Motoko Miyajima

Outside Director

Yoshihisa Miyabe

Outside Director

Looking Back at the Past Year

Horie: I have been looking primarily at accounting and finance, focusing on things such as budgeting and profit and loss status of overseas sites. I have been closely monitoring debt movements in the North American market in particular—where interest rates are rising rapidly—and the price-to-book ratio.

Miyajima: The role of outside directors is to provide appropriate advice to companies from the perspective of medium-to long-term corporate value improvement. As it applies to my specialty, this includes areas such as legal, intellectual property, compliance, and risk management. In addition, being a woman, I also addressed diversity, including the promotion of the active engagement of women.

Ichikawa: I offer advice on technological development and the formulation of production methods to produce it. Quality assurance is another topic I'm familiar with. We have interviewed executives in the technology field. We were par-

ticularly interested in whether technological developments are being planned that will enable sustainable growth, and whether manufacturing processes are evolving to make production more efficient.

Miyabe: Given the changing environment surrounding the automobile industry, we have assessed how management should cope with changes in automobile structures and parts, as well as manufacturing methods and processes. We have also exchanged perspectives on how confident we are in our *monozukuri* capabilities in the workplace, with an emphasis on safety.

Futaba's Corporate Governance

Horie: The composition of Futaba's Board of Directors—with three internal directors and four outside directors—surpasses the standard established in the Corporate Governance Code. We can say that the company is practicing effective governance. On the day before each monthly Board of Directors' meeting, outside directors

gather to exchange views. This is followed by an hour-long discussion with internal directors and executive officers.

Ichikawa: We exchange ideas primarily on two key themes. One involves the agenda for the Board of Directors' meeting. The other is not an item that appears on the agenda, but we exchange opinions on information and points we have noticed from our respective visits to each department and plant. When the four of us reach a consensus on areas for improvement, we then submit recommendations to the other directors and operating officers.

Miyajima: The Board of Directors also engages in open discussion. As I am in charge of compliance, I sometimes make harsh comments, but the Board members are receptive. Our company had a scandal more than a decade ago involving accounting procedures. We recognize that compliance awareness is high among our current management executives, which is attributable partly to our experience in implementing reforms since the incident.

Miyabe: President Uozumi takes the initiative to begin each Board meeting with a report on safety and occupational accidents. I'm very much in favor of this emphasis on safety, as it is a fundamental element of management. The culture of the current Board of Directors is such that even the harshest proposals are accepted and discussed head-on.

Roles of the nominating committee and compensation committee

Horie: The Nominating Committee consists of three outside and two internal directors. The Committee deliberates on the appointment and dismissal of directors and executive officers from an objective, fair perspective, and reports back to the Board of Directors. During the past year, in addition to appointments to replace two retiring executive officers, we also reported on new appointments to senior officer positions.

Ichikawa: The Compensation Committee consists of three outside directors and one internal director. The Committee deliberates on the compensation system, level, and amount of compensation for directors, executive officers, and others, from an objective, fair perspective, and reports the results to the Board of Directors. Prior to the creation of the current system in December 2018, executive compensation at Futaba was unstable and not commensurate

with the size of the company. We reviewed monthly compensation, aligned bonuses with performance, and established a restricted stock compensation plan in 2019. Our assessment is that we are moving in the right direction.

Toward a Sustainable Futaba

Diversity, equity and inclusion and "Every employee plays an active role"

Ichikawa: Along with diversity, equity and inclusiveness are now essential. We must have a strategy for diversity, equity and inclusion and "Every employee playing an active role" if we are to create new value and grow globally. Supervisors need to constantly communicate in a way that their subordinates can readily understand, to ensure they are all well informed.

Miyajima: Having everyone playing an active role and feeling fulfilled and happy in their work is a wonderful thing. It takes time, however, to disseminate these thoughts across the entire group. I feel that there is a impervious layer in between that obstructs dialogue, both top to bottom and bottom to top. It is essential to communicate carefully and continuously, using language that is easy to understand.

Miyabe: I previously served as an outside audit & supervisory board member. During that time, I had the opportunity to meet with labor union executive committee members and to chat with participants at the company's internal long-distance relay race. My impression was that everyone was very aware of the issues. I hope that the network of connections—the vertical connection in the workplace, the horizontal connections built through the labor union and other organizations, and the diagonal connections built through job associations and events—will become more active and lead to "Every employee playing an active role."

Horie: These days, respect for the individual is a given. We must treat individuals with respect for their personal way of thinking. It occurred



to me that everyone from top management, department and division heads, and the employees who work under them are all individuals. While maintaining respect for each other, we have to break through that impervious layer somewhere.

Appointment of foreign executive officers



Horie: A fundamental principle of global management is to trust local management to local top executives. In the North American market—an important base for the company—there are manufacturing sites of four Group companies under the purview of a supervisory company, and localization was necessary to increase profits in these areas.

Effective April 1, 2023, Dave Martin, the vice president of the North American supervisory company was appointed president and promoted to Futaba head office executive officer.

Miyabe: In a society that demands diversity, it was incumbent upon us to appropriately allocate personnel to achieve optimal management in the region.

Ichikawa: The Nominating Committee took ample time to conduct an online interview with Dave. He had a firm idea of how to manage business in North America to fulfill the role as the supervisory company. He also had a sound grasp of Futaba's policies.

Miyajima: Dave had established a distinguished track record with a Group company in Canada. During the interview, we learned that he had an accurate understanding of the issues facing the U.S. Group companies, and we determined that he would be a good fit.

Climate change countermeasures and carbon neutrality

Horie: The primary cause of climate change is believed to be CO₂ emissions. One of the countermeasures to this issue is to shift from conventional automobiles to BEVs that do not emit CO₂. This means that internal combustion engines will be replaced by motors and that the use of the Futaba Group's exhaust system parts may

decrease as a result of the shift, and the company will need to address this impact.

Ichikawa: Carbon neutrality initiatives have already become a commonplace response for companies. The Futaba Group has established a mandatory goal of reducing CO₂ emissions by 50% by 2030 compared with 2013 levels, and is implementing a variety of measures to achieve this objective. In my view, we have no choice but to use carbon neutrality as an advantage to cultivate new, appealing products. Futaba has a product called aleaf, for instance, which leverages technology developed for mufflers and other products in the collection of CO₂. This product is ahead of its time.

Miyabe: The key is the way in which we utilize our elemental technologies and expand them into new products that contribute to carbon neutrality. It is my view that there are various possibilities for development, including catalyst fluid and temperature control technology as well as laser welding technology for thin-walled products.

Miyajima: Our efforts toward carbon neutrality are closely related to our medium- and long-term management plans. We need to develop new technologies and pioneer new businesses to offset the decrease in demand for exhaust systems caused by the shift to BEVs. The management is actively pursuing these initiatives and working hard to bring them to fruition.



Ichikawa: Through these carbon neutrality efforts, I would like to see us not only develop our own technology, but new production methods as well. A recently launched product is representative of the evolution of a technology called cold-stamped UHTSS. This manufacturing method enables room-temperature processing of ultra-high-tensile strength steel, or UHTSS. Traditionally, hot stamping, in which the metal is heated and pressed, has been used. Moreover, a reduction in lead times will naturally result in reduced fuel consumption. We must pursue bold reforms, including the reorganization of manufacturing processes.

Horie: The trends of the customers who receive our products also play a crucial role. In Europe, a region keen on environmental measures, major automakers have recently changed their approach. A movement toward the use of synthetic fuels that emit less CO₂ is also underway.

We must also seek cooperation from suppliers and other parties to solve this problem. There may be cases in which the renewal of everything from machinery and equipment will be required to achieve zero emission. It presents quite a conundrum.

Looking Forward

Horie: The goal of the United Nations' Sustainable Development Goals (SDGs) is 2030. With that in mind, it might behoove management to take a longer-term view. First of all, we must firmly commit to the development and manufacture of automobile bodies and raise our financial performance. As the muffler business will be deeply impacted by the trend toward BEVs, we need to carefully discern the situation. If synthetic or hydrogen fuels will be used, it is possible that the business will remain.

Miyajima: The key to growth will be the transition to a business model that adapts to changes in the environment. While leveraging our strengths centered on manufacturing, we must also proactively accept challenges in new fields. It will become increasingly important to understand and utilize patents and other intellectual property.

Ichikawa: The use of digital technology is also progressing. Management also needs to strengthen its ability to utilize large-volume data. If we continue to do things the way we always have, the company will not grow.

Miyabe: We have launched organizational efforts on digital transformation, or DX, to promote the transformation of our business. What is important is not to make DX the objective, but rather to firmly link it to Futaba's future vision, and the results we aim to achieve.

Horie: The North American market is my concern. Given the large scale of its business, if we can generate profits here, the Futaba Group's consolidated performance will significantly improve.

Ichikawa: We cannot underestimate the importance, though, of China, India, and other Asian markets. Technical development and sales must

collaborate with each other, and we must move forward urgently with measures to expand sales of the products that require our focus.

Miyajima: Accumulation of human resources is vital for a growing company. A small proportion of the Futaba Group's employees are female, and the proportion is even more limited when it comes to management positions, despite the promotion of the advancement of women being a hot topic. For several years now, we have been holding meetings with female employees in career-track positions. And, while many of them are highly motivated, some are struggling as they lack role models to serve as positive examples. We need to develop a system that gives women the opportunity to play a more active role.

In recent years, the number of women active in the technical sector has been on the rise. During the aforementioned meetings, many participants noted that their supervisors had been very understanding, and that they found the experience worthwhile. I believe that if supervisors throughout the company are able to deepen their understanding, more women will be able to demonstrate their capabilities and become promising personnel.

Miyabe: Our role is to be on the lookout for latent initiatives that could benefit Futaba, and to cultivate budding ideas into initiatives that can be applied across different processes and plants. These accumulated efforts will result in the creation of unique technologies and products, which will serve to deliver a powerful message to society. I believe that the characteristics of plants—the bases of *monozukuri*—should be more developed and tailored for each region and production line. Indispensable in the realization of this, however, is an organization and individuals with initiative.

Horie: The driving force behind corporate growth is a company's human resources. To cultivate human resources, we must enhance the motivation of each employee by clarifying the skills and capabilities we seek in human resources, and expand training opportunities—including reskilling.



Compliance

Basic approach

Futaba defines compliance as follows: “Acting with integrity not only in compliance with laws and regulations, but also with a sense of values and ethics required of a business person as a member of society, thereby realizing fair and appropriate business management, achieving harmony with civil society, and promoting creative development of the Company. Placing importance on environmental issues and taking initiatives in environmental conservation efforts.” We

conduct corporate activities with high ethical standards and fulfill our social responsibilities with full awareness of our corporate social responsibilities and public mission. We respect domestic and foreign cultures and customs, make efforts to preserve the environment, grow together with our local communities, and engage in various activities in an effort to become a company that is appreciated by local communities.

Promotion system

The Company has the Corporate Ethics Committee in place, which is chaired by the Chief Risk Management Officer (CRO) and attended by the President, Chief Officers, full-time Audit & Supervisory Board Members, and others deemed appropriate by the Committee. The Committee

deliberates and decides policy on key matters concerning corporate ethics and compliance, while seeking to improve the awareness of compliance by ensuring the full knowledge of the Management Principle, Corporate Charter, and Code of Conduct.

Specific initiatives

Establishing compliance system

We specified a responsible department for each of the 137 laws and regulations applied or relating to our business in Japan. The responsible departments formulated and started implementing compliance management plans for the 86 influential laws and regulations selected. In addition, we began the operation of a system to receive information on related laws and regulations directly from an external information provider. We have also begun to create a compliance system at the overseas bases as well.

Training and educational activities

The Company is enhancing the awareness of compliance through training on necessary legal knowledge based on qualifications and ranks of employees. Moreover, we regularly conduct compliance self-assessments, the results of which are compiled and fed back. This is aimed at encouraging individual departments to voluntarily assess their compliance status and carry out the PDCA cycle for the aforementioned compliance management plans.

Initiatives regarding compliance with competition laws

As one of important education themes, we aim to enhance employees’ awareness of compliance with competition laws through education in various training programs as well as regular e-learning education. Before employees make contact with competitors, we request them to submit application in the form prescribed by the Company and conduct a check.

Initiatives for proper tax payment

We strive to file a proper tax return, strictly complying with laws and regulations regarding taxation. We neither apply tax breaks deviated from the intent of tax laws nor engage in intentional tax avoidance activities. We also do not engage in activities with the abuse of tax heavens and tax treaties, which may lead to base erosion and income transfer.

For the management of taxation risks in response to globalization, we have established provisions regarding the taxation rules to comply with and the management of transfer pricing of the Group, and manage transfer pricing based on the OECD Transfer Pricing Guidelines and the transfer pricing taxation rules of countries and areas where our Group companies are located.

Anti-corruption and anti-bribery initiatives

We properly perform business operations across the Group based on the FUTABA WAY, the Management Principle, etc. We have issued the Action Guidelines of Futaba in order for all employees to act with common sense and high ethical standards. We revised the Basic Approach to Anti-corruption (Anti-bribery) Initiatives in September 2019. We have been conducting education for employees to disseminate it across the Group. Furthermore, we strive to enhance an anti-corruption mechanism and system through the Internal Control Committee.

Establishment of helplines

The Company has established the Futaba Helpline, an internal helpline that allows anonymous reporting and consultations, in order to detect and resolve internal issues early. In addition to the internal helpline, the head office and domestic Group companies have set up an external helpline at a law firm outside the Company for the wide range of usage including family members, retirees, and employees of major trading partners. Overseas Group companies have a similar mechanism to that in Japan. The helplines target violations of laws and internal rules which may significantly affect the Company, and the reports and consultations are fact-checked in collaboration with dedicated departments to speedily resolve problems. Internal reporting rules are managed in accordance with the Whistleblower Protection Act. The content of reporting is regularly reported to management executives and Audit & Supervisory Board Members.

We consider that the upward trend in the number of reporting and consultations reflects an increase in employees’ awareness of the system. Reported details are analyzed to implement preventative measures in cooperation with dedicated departments. We will continue to enhance the effectiveness of the system through enhancement of awareness and improvement, etc.

Number of reporting and consultations

FY	2018	2019	2020	2021	2022
Number of cases	8	16	24	64	50

Note: Helpline in North America started in FY2021.

Risk Management

Basic approach

To prevent risks which may have a major impact on management, we are working on minimizing risks in our global organization through promoting operation and quality improvement activities. In order to minimize damage in the event of a risk materializing, we report to management executives through committees and meetings set up internally including the Internal Control Committee, while responding to risks and problems at each department. We will further strengthen the system to capture risks of our global organization.

Promotion system

We established various committees and meetings internally in order to implement the PDCA cycle to analyze, evaluate, and take actions against risks which may significantly affect our management. For example, we promote risk management with following committees and meetings: the Internal

Business continuity plan (BCP)

We continuously review and improve our BCP, positioning major earthquakes as a priority risk.

Regarding business continuity in emergency situations such as major earthquakes, we make it our basic policy to aim for minimizing material or personnel damage, supporting the restoration of local communities, and resuming our business activities swiftly. As part of the basic policy, we systematically retrofit existing plant buildings to withstand earthquakes, while conducting Company-wide emergency drills, tabletop emergency exercises, and so forth to prepare for a major earthquake in the Nankai Trough.

In an effort to advance Group-wide BCP activities, we hold BCP countermeasures meetings four times a year. As

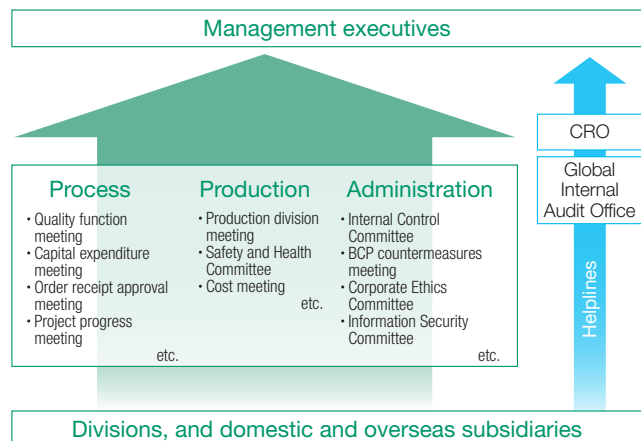
Information security

In recent years, cyberattacks have caused a greater number of problems to society, whether in the form of information leaks, data losses, or system shutdowns. In this climate, we consider it our corporate social responsibility to properly manage and safeguard all kinds of information assets—from clients' information and our confidential data to personal information—pursuant to our basic policy for information security. We recognize information security risk as important issue and comply with laws and regulations, comply with laws and regulations, maintain operating foundation, ensure security level and cyber security, and practice information security management.

Content of initiatives

- Join the Toyota Group's Security Operations Center (SOC; domestic Futaba Group companies only)
- Hold an exercise for targeted e-mail attacks
- Hold cybersecurity education through e-learning
- Promote IT-BCP with protective measures against ransomware
- Strengthen the response to incidents by CSIRT*¹ organization
- Comply with JAMA*³/JAPIA*⁴ Cybersecurity Guidelines Ver. 2.0

Risk management framework



Control Committee for internal control and governance risks; the Information Security Committee for information leakage risks; Quality Function Committee for quality problems; and the Corporate Ethics Committee for risks of legal violations.

seen in the creation of an IT-BCP Subcommittee in FY2022, we make ongoing efforts to expand and raise the quality of BCP activities.

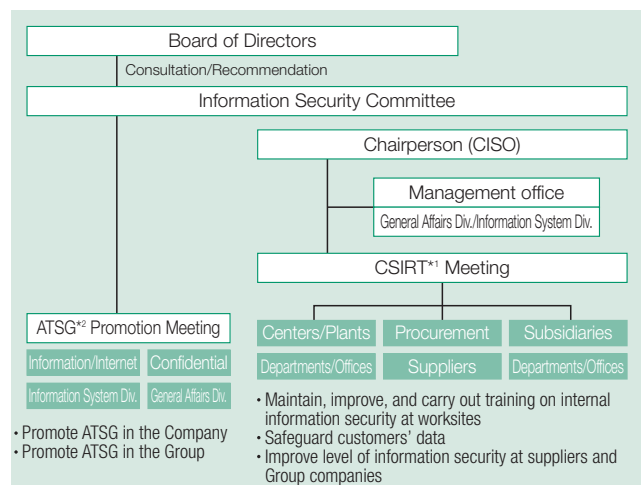


Fire-extinguishing drill



Disaster control headquarters during a tabletop emergency exercise

Information security promotion framework



*1. Computer Security Incident Response Team:

The team responds to incidents that are deemed as security issues.

*2. All-Toyota Security Guidelines.

*3. Japan Automobile Manufacturers Association.

*4. Japan Auto Parts Industries Association.

Financial Summary (Consolidated)

	(FY)	2012	2013	2014	2015
Operating results					
Net sales		365,246	399,378	422,874	437,640
Operating profit (loss)		(360)	2,784	4,367	3,121
Ordinary profit (loss)		(2,163)	2,073	2,116	636
Profit (loss) before income taxes		(4,264)	7,020	2,116	533
Profit (loss) attributable to owners of parent		(5,067)	2,954	1,039	(1,195)
Capital expenditures		16,667	21,474	20,480	26,514
Depreciation		20,093	20,167	20,318	24,152
R&D expenses		2,162	2,586	2,940	3,079
Net assets		49,691	57,600	66,914	56,179
Total assets		225,314	237,019	255,311	233,303
Interest-bearing debt		96,164	91,286	95,088	90,728
Per share information					
Earnings (loss) per share		(72.44)	42.24	14.86	(17.09)
Net assets per share		520.77	595.74	720.87	593.39
Dividends		0.00	3.00	3.00	3.00
Payout ratio (%)		—	7.1	20.2	—
Cash flow					
Cash flows from operating activities		14,861	23,266	25,780	22,751
Cash flows from investing activities		(18,987)	(13,235)	(31,451)	(20,333)
Cash flows from financing activities		3,682	(10,702)	1,017	(3,612)
Cash and cash equivalents		17,932	20,237	14,576	13,121
Financial indicators					
Operating profit ratio		(0.1)	0.7	1.0	0.7
Equity ratio		16.2	17.6	19.8	17.8
Return on equity (ROE)		(14.0)	7.6	2.3	(2.6)
Return on assets (ROA)		(2.3)	1.3	0.4	(0.5)

Introduction	Pursuits and Achievements Until Now	Message from the President	For a Leap Forward	Foundations for Future Endeavors	Corporate Governance	Data Section
						(Million yen)
2016	2017	2018	2019	2020	2021	2022
412,383	440,446	461,705	476,165	466,809	572,118	708,072
8,976	11,258	6,797	10,621	7,780	6,115	7,681
7,542	10,955	6,449	9,968	7,962	7,807	7,768
5,619	6,380	6,158	10,340	7,942	6,255	7,917
4,806	10,721	3,509	6,357	4,095	3,307	10,576
16,330	20,252	41,347	27,385	19,470	37,010	31,293
21,073	20,515	23,078	24,497	23,772	24,478	29,672
3,235	3,367	3,494	3,443	3,285	4,296	4,446
67,029	75,691	75,211	76,488	87,216	90,014	99,747
242,311	253,362	249,061	253,517	290,194	309,487	319,768
84,671	81,380	84,946	82,340	87,723	98,147	81,675
						(Yen)
65.76	119.82	39.22	71.03	45.73	36.94	118.26
607.17	731.50	734.90	753.80	866.86	940.37	1,051.94
3.00	10.00	10.00	10.00	10.00	10.00	15.00
4.6	8.3	25.5	14.1	21.9	27.1	12.7
						(Million yen)
26,178	24,960	25,410	34,020	22,792	35,468	47,743
(20,902)	(27,081)	(30,961)	(26,443)	(24,672)	(35,547)	(22,307)
3,262	(6,304)	1,489	(5,572)	1,750	(3,451)	(22,009)
20,581	11,960	7,541	9,370	9,522	6,730	10,331
						(%)
2.2	2.6	1.5	2.2	1.7	1.1	1.1
22.4	25.8	26.4	26.6	26.8	27.2	29.4
10.0	17.9	5.3	9.5	5.6	4.1	11.9
2.0	4.3	1.4	2.5	1.5	1.1	3.4

Financial Review

Financial position and results of operations

During the fiscal year under review, global economic conditions gradually recovered in Japan, North America, China and Asia. Nonetheless, full attention should be paid to effects of price increases, supply-side constraints, and financial and capital market fluctuations, amid continuing global monetary restraint except for Japan. In Europe, the economy shows signs of treading water for the recovery.

In the automobile industry, the main business partner for the Futaba Group, the number of new vehicles sales increased year on year in all regions, despite the continued shortage in the supply of parts due to the expansion of the COVID-19 pandemic and the situation in between Russia and Ukraine.

Under such circumstances, the Group has set “strengthening earnings capability and working to increase free cash flow (FCF)” as its medium-term management goal for FY2022 through FY2024. By further strengthening earnings capability through improved production efficiency, etc. and steadily working to increase FCF, we will allocate the funds to shareholder returns, repayment of interest-bearing debt, and investment for future growth.

The Futaba Group has been dedicated to three value propositions: environment, peace of mind, and quality of life. “Environment” refers to exhaust system parts that reduce burden on the natural environment. “Peace of mind” refers to body/interior parts that protect people from danger and make people feel at ease. “Quality of life” refers to products and services that improve living quality. The Futaba Group will enhance the value propositions and the dissemination of information for all stakeholders, including customers, employees, and local communities—as well as shareholders and investors.

Net Sales increased 23.8% year on year to 708.0 billion yen mainly due to the increase in production quantity of automobiles of major customers. Operating profit increased 25.6% to 7.6 billion yen, and ordinary profit fell 0.5% to 7.7 billion yen due to factors such as an increase in sales of the automotive parts business and effects of switching to new vehicle models.

The Futaba Group recorded income taxes - deferred (gain) as the result of considering the collectability of deferred tax assets based on examining its future business plans and other factors in the Japan segment. For this, profit attributable to owners of parent increased 219.8% year on year to 10.5 billion yen.

Performance by geographic segment was as follows.

a) Japan

Net Sales increased 22.9% year on year to 305.3 billion yen mainly due to the increase in production quantity of automobiles of major customers, increases in the unit prices of parts supplied by customers and materials quoted prices, and foreign exchange fluctuations. Segment operating profit increased 1,495.6% year on year to 3.0 billion yen largely due to an increase in net sales and the effects of switching to new vehicle models.

b) North America

Net Sales increased 51.6% year on year to 172.5 billion yen mainly due to the increase in production quantity of automobiles of major customers and foreign exchange fluctuations. Segment operating loss was 0.7 billion yen

(segment operating loss of 0.6 billion yen in the previous year) largely due to increases in depreciation for launching new vehicle models and expenses due to inflation effect.

c) Europe

Net Sales increased 37.8% year on year to 68.3 billion yen mainly due to the increase in production quantity of automobiles of major customers and foreign exchange fluctuations. Segment operating profit increased 36.8% year on year to 0.9 billion yen largely due to increase in net sales.

d) China

Net sales increased 1.1% year on year to 102.2 billion yen mainly due to the increase in the unit prices of parts supplied by customers and the fluctuations in exchange rate; however, the actual net sales decreased. Segment operating profit decreased 42.9% year on year to 2.6 billion yen largely due to the decrease in the actual net sales.

e) Asia

Net Sales decreased 4.6% year on year to 70.2 billion yen mainly due to a decrease in the unit prices of parts supplied by customers; however, the production quantity of automobiles of major customers increased and net sales excluding parts supplied by customers increased. Segment operating profit increased 72.2% year on year to 1.5 billion yen largely due to the increase in net sales excluding parts supplied by customers.

* Increase (decrease) in the unit price of parts supplied means the increase (decrease) in the price of catalysts used in exhaust system parts, which are supplied by customers. It increases (decreases) the net sales as the net sales price of the product including the parts increases (decreases) by the same amount, but it does not affect the operating profit.

Financial position was as follows.

Total assets increased 10.2 billion yen as of March 31, 2023 from the end of the previous fiscal year to 319.7 billion yen, mainly due to an increase in accounts receivable - trade. Total liabilities amounted to 220.0 billion yen, a 0.5 billion yen increase from the end of the previous fiscal year, mainly due to an increase in accounts payable -trade. Net assets increased 9.7 billion yen from the end of the previous fiscal year to 99.7 billion yen due mainly to an increase in retained earnings.

Cash flows

Cash and cash equivalents of the Futaba Group increased 3.6 billion yen from the end of the previous fiscal year to 10.3 billion yen. The major components of cash flows were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities increased 12.2 billion yen (34.6%) to 47.7 billion yen. This was largely due to an increase in trade payables.

(Cash flows from investing activities)

Net cash used in investing activities decreased 13.2 billion yen (37.2%) to 22.3 billion yen. This was mainly due to a decrease in purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was 22.0 billion yen compared with 3.4 billion yen of net cash used in the previous fiscal year. This was mainly due to repayments of long-term borrowings.

Consolidated Financial Statements

Consolidated balance sheet

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	6,734	10,335
Notes and accounts receivable - trade	89,219	100,906
Finished goods	6,166	7,095
Work in process	16,231	15,354
Raw materials and supplies	7,653	7,894
Other	9,360	10,605
Total current assets	135,367	152,191
Non-current assets		
Property, plant and equipment		
Buildings and structures	82,922	86,423
Accumulated depreciation	(49,343)	(52,953)
Buildings and structures, net	33,578	33,469
Machinery, equipment and vehicles	250,083	262,533
Accumulated depreciation	(189,638)	(200,464)
Machinery, equipment and vehicles, net	60,445	62,068
Tools, furniture and fixtures	86,500	99,080
Accumulated depreciation	(74,459)	(84,891)
Tools, furniture and fixtures, net	12,040	14,188
Land	14,537	14,618
Leased assets	17,850	17,975
Accumulated depreciation	(16,493)	(16,459)
Leased assets, net	1,357	1,515
Construction in progress	21,457	13,375
Total property, plant and equipment	143,416	139,235
Intangible assets		
Software	1,570	1,637
Other	22	22
Total intangible assets	1,592	1,660
Investments and other assets		
Investment securities	17,387	16,287
Long-term loans receivable	789	37
Retirement benefit asset	10,068	8,700
Deferred tax assets	1,127	1,226
Other	955	461
Allowance for doubtful accounts	(1,217)	(34)
Total investments and other assets	29,111	26,680
Total non-current assets	174,120	167,576
Total assets	309,487	319,768

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	73,832	96,153
Electronically recorded obligations - operating	4,150	5,699
Current portion of bonds payable	—	6,000
Short-term borrowings	16,335	9,464
Current portion of long-term borrowings	25,920	7,581
Income taxes payable	773	984
Accrued consumption taxes	1,831	1,393
Provision for bonuses for directors (and other officers)	33	33
Accrued expenses	11,904	12,909
Other	10,284	7,567
Total current liabilities	145,067	147,787
Non-current liabilities		
Bonds payable	12,000	6,000
Long-term borrowings	43,022	51,818
Deferred tax liabilities	9,246	3,117
Provision for product warranties	225	274
Retirement benefit liability	8,645	9,619
Other	1,267	1,403
Total non-current liabilities	74,406	72,233
Total liabilities	219,473	220,021
Net assets		
Shareholders' equity		
Share capital	16,820	16,820
Capital surplus	9,183	9,182
Retained earnings	38,961	48,641
Treasury shares	(14)	(62)
Total shareholders' equity	64,950	74,581
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,982	7,500
Foreign currency translation adjustment	7,300	9,802
Remeasurements of defined benefit plans	3,986	2,187
Total accumulated other comprehensive income	19,269	19,489
Non-controlling interests	5,794	5,675
Total net assets	90,014	99,747
Total liabilities and net assets	309,487	319,768

Consolidated Financial Statements

Consolidated statement of income

(Million yen)

	Fiscal year ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)	Fiscal year ended March 31, 2023 (Apr. 1, 2022 – Mar. 31, 2023)
Net sales	572,118	708,072
Cost of sales	543,009	675,058
Gross profit	29,108	33,013
Selling, general and administrative expenses	22,993	25,332
Operating profit	6,115	7,681
Non-operating income		
Interest income	91	209
Dividend income	312	405
Gain on sale of scraps	566	463
Share of profit of entities accounted for using equity method	709	260
Foreign exchange gains	736	—
Miscellaneous income	983	927
Total non-operating income	3,400	2,266
Non-operating expenses		
Interest expenses	830	1,402
Loss on abandonment of non-current assets	678	240
Foreign exchange losses	—	141
Miscellaneous losses	198	395
Total non-operating expenses	1,707	2,178
Ordinary profit	7,807	7,768
Extraordinary income		
Gain on liquidation of subsidiaries and associates	11	—
Gain on sale of investment securities	99	1,604
Total extraordinary income	110	1,604
Extraordinary losses		
Impairment losses	532	1,454
Loss on sales of investments in capital of subsidiaries and affiliates	1,122	—
Loss on valuation of investment securities	7	—
Total extraordinary losses	1,662	1,454
Profit before income taxes	6,255	7,917
Income taxes - current	1,839	2,068
Income taxes - deferred	198	(5,055)
Total income taxes	2,037	(2,987)
Profit	4,218	10,904
Profit attributable to non-controlling interests	910	328
Profit attributable to owners of parent	3,307	10,576

Consolidated statement of comprehensive income

(Million yen)

	Fiscal year ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)	Fiscal year ended March 31, 2023 (Apr. 1, 2022 – Mar. 31, 2023)
Profit	4,218	10,904
Other comprehensive income		
Valuation difference on available-for-sale securities	1,209	(483)
Foreign currency translation adjustment	6,183	2,579
Remeasurements of defined benefit plans, net of tax	1,388	(1,799)
Share of other comprehensive income of entities accounted for using equity method	441	165
Total other comprehensive income	9,223	462
Comprehensive income	13,441	11,367
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,620	10,796
Comprehensive income attributable to non-controlling interests	1,821	570

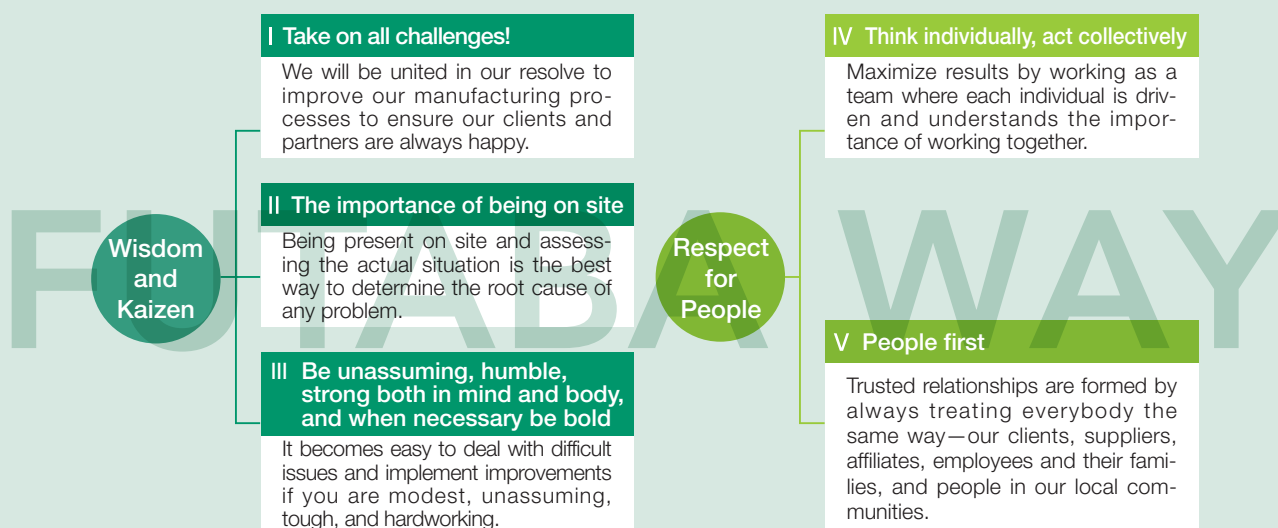
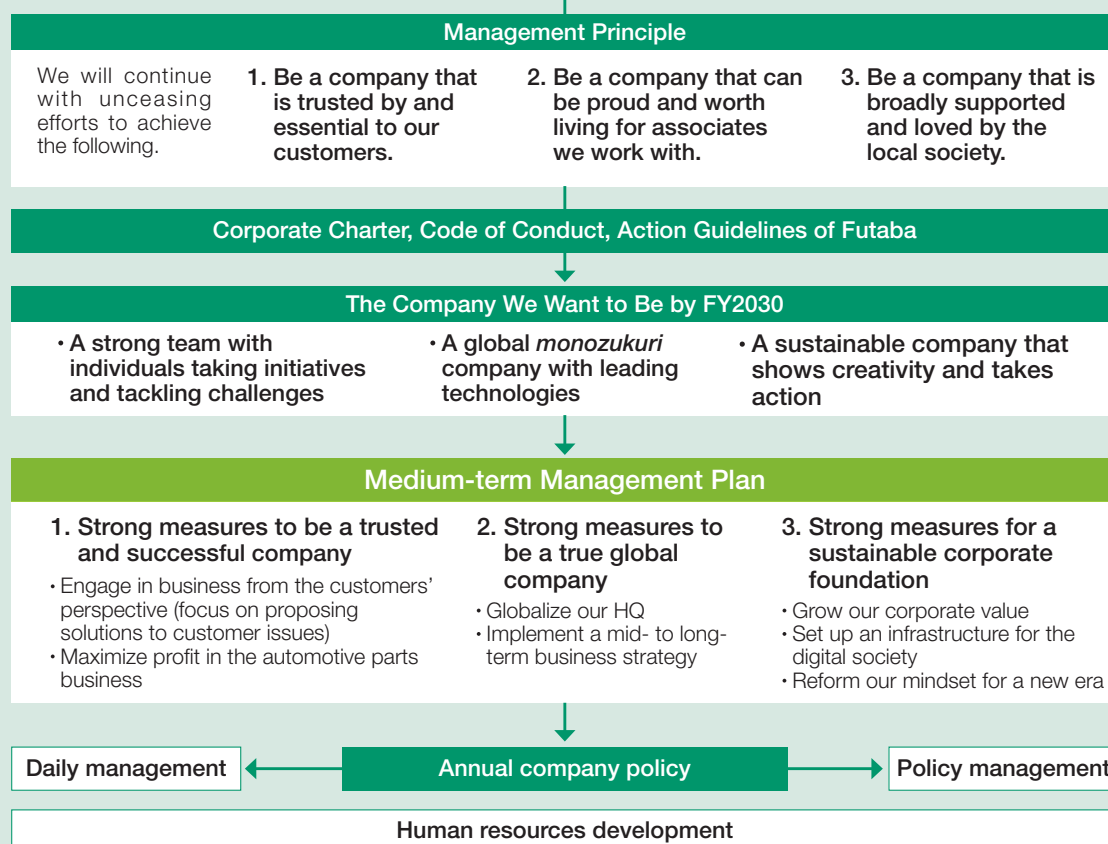
Consolidated statement of cash flows

(Million yen)

	Fiscal year ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)	Fiscal year ended March 31, 2023 (Apr. 1, 2022 – Mar. 31, 2023)
Cash flows from operating activities		
Profit before income taxes	6,255	7,917
Depreciation	24,478	29,672
Impairment losses	532	1,454
Increase (decrease) in allowance for doubtful accounts	6	—
Increase (decrease) in provision for bonuses for directors (and other officers)	(6)	0
Increase (decrease) in provision for product warranties	7	49
Interest and dividend income	(403)	(614)
Interest expenses	830	1,402
Loss on abandonment of property, plant and equipment	677	222
Share of loss (profit) of entities accounted for using equity method	(709)	(260)
Loss (gain) on sale of investment securities	(99)	(1,607)
Loss (gain) on sales of investments in capital of subsidiaries and associates	1,122	—
Decrease (increase) in trade receivables	3,579	(8,664)
Decrease (increase) in inventories	(319)	772
Increase (decrease) in trade payables	3,481	21,188
Increase (decrease) in accrued consumption taxes	(895)	(455)
Other, net	(513)	(362)
Subtotal	38,023	50,716
Interest and dividends received	1,272	672
Interest paid	(820)	(1,342)
Income taxes refund (paid)	(3,007)	(2,303)
Net cash provided by (used in) operating activities	35,468	47,743
Cash flows from investing activities		
Purchase of property, plant and equipment	(34,622)	(24,179)
Proceeds from sale of property, plant and equipment	246	81
Purchase of intangible assets	(1,100)	(621)
Proceeds from sale and redemption of investment securities	135	2,400
Payment for sales of investment in affiliates resulting in change in scope of consolidation	(231)	—
Other, net	25	12
Net cash provided by (used in) investing activities	(35,547)	(22,307)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,553	(7,468)
Proceeds from long-term borrowings	21,452	15,064
Repayments of long-term borrowings	(15,249)	(26,892)
Repayments of lease liabilities	(458)	(766)
Dividends paid	(895)	(895)
Dividends paid to non-controlling interests	(429)	(980)
Payments from changes in Investments in capital of subsidiaries and associates that do not result in change in scope of consolidation	(9,393)	—
Other, net	(30)	(70)
Net cash provided by (used in) financing activities	(3,451)	(22,009)
Effect of exchange rate change on cash and cash equivalents	738	174
Net increase (decrease) in cash and cash equivalents	(2,791)	3,600
Cash and cash equivalents at beginning of period	9,522	6,730
Cash and cash equivalents	6,730	10,331

FUTABA WAY

Corporate Motto **Quality Products at Lower Cost**



Departing from conventional ways of work, each of officers and employees aims to change our culture and mindset, with WSDGs as the catchphrase, in order to become a company to be selected by the new era and survive.



We aim to continue a stable business through the two activities: SDG for the reform of culture and mindset, and SDGs adopted by the United Nations. We created a logo in order to enhance the awareness of the activities.

Solution Provide solutions to customers' problems

Digital Change work processes with the utilization of digital technologies

Global Strive for overall optimization with a global perspective

Corporate and Stock Information

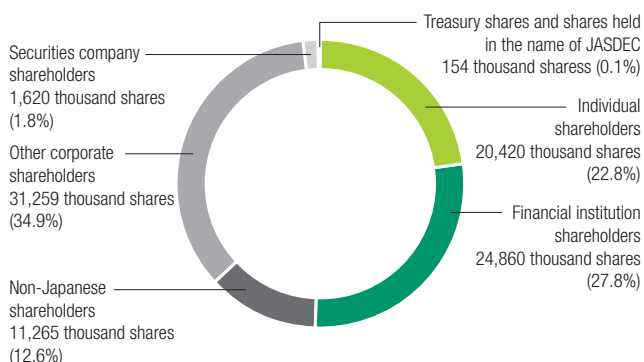
Company profile (As of March 31, 2023)

Company name	FUTABA INDUSTRIAL CO., LTD.
Founded	March 25, 1935
Established	November 1, 1945
Share capital	16,820.16 million yen
Head Office location	1 Ochaya, Hashime-cho, Okazaki-shi, Aichi Prefecture, Japan
Representative	Yoshihiro Uozumi, Representative Director and President
Main business lines	Manufacture and sale of automotive parts, information environment equipment parts, manufacturing equipment and agricultural equipment for greenhouse cultivation
Subsidiaries and affiliates	Domestic subsidiaries: 4 companies Domestic affiliate: 1 company Overseas subsidiaries: 17 companies Overseas affiliates: 2 companies
Number of employees	Consolidated: 10,617 Non-consolidated: 3,749
Net sales	Consolidated: 708.0 billion yen Non-consolidated: 304.3 billion yen

Stock overview (As of March 31, 2023)

Total number of authorized shares	200,000,000 shares
Total number of shares issued	89,580,827 shares (including 154,055 treasury shares)
Number of shares per unit	100 shares
Listed stock exchange	Tokyo and Nagoya Stock Exchanges (Securities code: 7241)
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited

Ownership ratio by shareholders



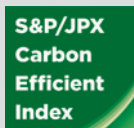
Major shareholders (Top 10)

Name of major shareholder	Shares held (thousand shares)	Ownership ratio (%)
Toyota Motor Corporation	28,116	31.4
The Master Trust Bank of Japan, Ltd. (trust account)	8,375	9.3
Futaba Suppliers Cooperative Shareholding Association	3,328	3.7
Custody Bank of Japan, Ltd. (trust account)	3,224	3.6
Sumitomo Mitsui Banking Corporation	3,063	3.4
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	2,919	3.2
NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG RE CLIENTS NON-TREATY ACCOUNT	1,454	1.6
Futaba Employee Shareholding Association	1,410	1.5
MUFG Bank, Ltd.	1,290	1.4
DFA INTL SMALL CAP VALUE PORTFOLIO	1,216	1.3

Note: The ownership ratio excludes treasury shares.

External assessment

Our initiatives and information disclosures on each of the areas of environment, social, and governance were recognized and selected by various ESG assessment organizations as constituent of domestic and overseas ESG indexes.



Access to Futaba website

Please access our website for more information about Futaba Industrial.

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

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FUTABA INDUSTRIAL CO., LTD.

Contact Information

Public Relations Sect., General Affairs Div.

1 Ochaya, Hashime-cho, Okazaki-shi, Aichi Prefecture 444-8558, Japan

Phone: +81-564-31-2211 Fax: +81-564-31-2220

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