

FUTABA



FUTABA Integrated Report **2024**



Continuing the Challenge to Deliver Solid Value— Clean & green, Peace of mind, and Quality of life



The dire wartime situation at the time of the founding of the company in 1945 led the engineers of the day to make the most of their molding and joining technologies, and they started by making products such as fishing net knitting machines and pipe furniture.

Those technologies were later applied to producing automotive parts, and we have since continued to offer products primarily made of iron or stainless steel.

As the outside world becomes more complex and changes drastically, offering continued value in the areas of clean & green, peace of mind, and quality of life means that the Futaba Group must successfully implement its “every employee plays an active role” initiative, which involves every single employee making full use of his or her capabilities and coming together as one.

In 2024, the Futaba Group has redefined its existing Corporate Motto and Management Principle as Purpose, Mission, and Values to foster a shared identity with the partners who work with us and instill a shared awareness of tackling the challenge of creating new value.

We will uphold our new management system and the FUTABA WAY, which is the source of our beliefs, values, and pride, and has been passed down through the Futaba Group’s history. The high technological development and manufacturing capabilities and the global production structure we have built will be used for us to continue to deliver FUTABA’s values (products and services) to more regions around the world, aiming for a future society in which everyone can live with comfort.

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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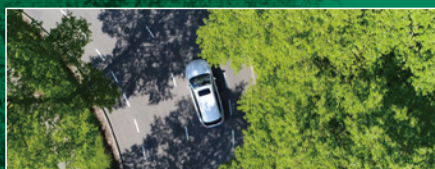
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Key Points of the FUTABA Integrated Report 2024

The FUTABA Integrated Report 2024 broadly and concretely describes the Futaba Group's strategies and initiatives for contributing to society and improving its corporate value, aiming to deliver values in three areas—clean & green, peace of mind, and quality of life.

Furthermore, the Futaba Group's value creation scenario is described from near, medium and long-term perspectives, all parts of which are based on the idea of investment in human resources (human capital) for sustainable management and coexistence with nature. Around the three areas of our value propositions of clean & green, peace of mind, and quality of life, this report describes how our products are linked to these three values, as well as technology development and strategies for sustainable corporate growth.

In regard to the construction of a foundation for our future endeavors, we are focusing our efforts on water resources, biodiversity, personnel system reform, and human resources development in addition to addressing climate change. The initiatives are also described in this report.

Editorial Policy

The purpose of this integrated report is to deepen the understanding of a wide range of stakeholders about the Futaba Group, 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.

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, 2023 to March 31, 2024

*Some activities outside the reporting period are also introduced.

Scope of Report

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

*The scope of some sections is separately defined.

Publication

September 2024

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.

Structure of Information Disclosure

Financial information	Non-financial information
Futaba Integrated Report 2024	
<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 URL: https://www.futabasangyo.com/en	

Message from the President



Yoshihiro Uozumi

President

Looking Back at the Second Year of the Medium-term Management Plan

In FY2023, we achieved record-high net sales and profits thanks to an increase in the number of vehicles produced by Japanese automobile manufacturers, which are our major customers. We would like to express our appreciation for the support we have received from our customers, subsidiaries and affiliates, trading partners, suppliers, and shareholders.

I would also like to express my appreciation for the efforts of all Futaba Group employees at large who have delivered results thanks to their proactively taking on challenges for the future while fighting more immediate issues such as labor shortages and inflation. When I see employees facing various difficulties and overcoming each of them, my sense is that they themselves have changed greatly.

Futaba is currently working under its three year medium-term management plan covering the period from FY2022 to FY2024. In FY2023, the second year of the plan, we further accelerated activities based on the themes of investment in people, fortification of advanced development, improving earnings capacity, and working together with our suppliers. These initiatives are described below.

Employee cultivation and job satisfaction lead to enhanced competitiveness

The first initiative I would like to talk about is investment in people. A company is a collective of working people, and the best performance for a company is achieved when “Every employee plays an active role.” On the other hand, in order for employees to play an active role, it is essential to provide them with rewarding work, workplaces, and education that gives them a sense of growth. Through the following measures, we are strengthening our training and improving job satisfaction.

We strengthened worker education related to safety, quality, and productivity, began management education to enhance the capabilities of managers who provide guidance on these issues, and implemented transfers to broaden the range of experience on an approximately twice the scale of previous transfers. In addition, in accordance with our Diversity, Equity & Inclusion (DE&I) Statement issued in August 2022, we implemented education on DE&I. Furthermore, we introduced a flex-time system for shortened working hours for childcare purposes, which supports the active participation of employees in the child-rearing generation, and a new cafeteria plan for the fair application of employee benefits. Work to refresh the interiors of factories and offices, which has been well received by many employees for brightening the workplace, is also part of our efforts to improve job satisfaction.

Opening the Way to the Future and Expanding the Value with Every Employee Playing an Active Role

Shifting human resources to advanced development areas

Initiatives to strengthen advanced development included shifting about 15% of our human resources within product development divisions to advanced development areas and establishing the Business Development Center. We newly established a basic research organization, and carbon neutral and aleaf® businesses were also placed under the organization. Although it will take several years for new businesses to emerge, we have identified potential themes such as on-board CO₂ collection system for small- to medium-sized trucks, laser weeding machines, agricultural energy circulation systems, woody biomass combustion photosynthesis stimulation systems, and battery cooling plates and large battery cases for BEVs. We are making steady progress on each of these through active collaboration with universities, municipalities, and companies in different industries.

Gigacasting is an aluminum integrated forming method for vehicle body parts announced for adoption in BEVs by automobile manufacturers. As a result of our discussions, we realized that we could compete with gigacasting by evolving our sheet metal capabilities, which was a good stimulus for us. Strengths and weaknesses exist in both aluminum forming and sheet metal methods, respectively. Sheet metal methods are superior in terms of productivity and quality assurance, and have the

advantage of enabling production using existing facilities. Still, there is the issue of the large number of component parts and welding then, which we will overcome through larger and more integrated bodies. We began development in March 2023, and the first round of development has been completed. We are now on the verge of successfully completing this scaling up and integrating. As they steadily address these issues, employees are building up a more robust bearing.

A year of acceleration and strengthening of many initiatives

Regarding efforts to bolster our earnings capacity, we accelerated our initiatives under the themes of “Best Practice Activities,” “DX*¹,” “Capital expenditure management,” “Strengthen operations in North America,” and “Maintaining and expanding sales.”

*1 DX: Abbreviation of digital transformation. Transforming business using digital technology

Best Practice Activities

The purpose of the Best Practice Activities is to develop even more superior processes while laterally deploying our superior manufacturing processes (best processes) globally. In FY2023, we improved press productivity by between 5% and 10% compared to FY2022, the year we began these activities. In addition, we expect to reduce the number of production lines by approximately 20% (compared to



FY2021) in 2025, despite an increase in the number of units produced, due to the consolidation of welding lines. Of this, we expect to increase the number of two-shift production lines by approximately 40%. In addition, we are using cameras and lasers to automate inspections that previously relied on manual labor. We hold brainstorming sessions for those responsible for improvement actions in various regions around the world, where explanations are provided using actual products. While working to deploy concepts laterally, we follow up on the implementation status of best processes at overseas sites.

DX

Progress in DX has enabled advancements in CAE analysis by converting drawings and work drawings into 3D data at development and production engineering sites, making it possible to improve the completeness of facilities prior to machine verification and installation, shortening lead times, reducing man-hours, and improving accuracy. The reduction in man-hours also leads to the strengthening of advanced development. At manufacturing sites, we have nearly achieved a Virtual One Factory in the Mikawa district, and are identifying changes in a timely manner by replacing plant operation status with digital data. In contrast to the previous style of managing production at each plant, it is now possible to respond with a small number of people in a centralized control room away from one single plant.

Capital expenditure management

The leveling of three-year capital expenditures, an effort launched in FY2021, has generally become entrenched. By flexibly adjusting the timing of investments for internal purposes according to the timing of new model changes at each automobile manufacturer, we have been able to control the maximum total annual investment within the range of 25.0 to 30.0 billion yen. In FY2023, a joint team comprised of production engineering, manufacturing, and purchasing personnel began activities to reduce capital expenditure unit costs. At the stage prior to the design of dies and facilities, this team considers how to select press machines and shorten processes, and at the facility design stage, it considers how to avoid excessive specifications. This led to achieving an investment unit cost reduction of approximately 50% compared to past projects. As a result, the Company's free cash flow is expected to exceed 20.0 billion yen on average over the three years from FY2022 to FY2024 (forecast).

Strengthen operations in North America

One year ago in FY2022, within the regional segments, North America was the only segment to record an operating loss, at 700 million yen. In addition to external factors such as inflation triggered by the COVID-19 pandemic and the conflict in Ukraine, a rapid increase in turnover, delayed training for temporary employees, and a decline in the quality of field operations also contributed to the deterioration of

business performance. From the following year, Executive Officer Dave Martin took the leadership in rebuilding our presence in North America. As a result of sequentially tackling challenges, including negotiating with customers to pass on cost increases, reducing logistics costs by promoting localization, curbing investment through equipment reuse, and reducing defective and discarded products, operating profit in FY2023 recovered to approximately 3.4 billion yen. We see these as emergency measures that generated some level of results.

On the other hand, in the North American region, we need to further lower our break-even point in view of the situation where the increase in the number of automobiles produced by each automobile manufacturer is at the highest level ever. To this end, it is necessary to carry out activities that go back to the very foundations—building companies and *monozukuri*—such as building employee engagement and improving the quality of operations through enhanced education. Going forward, we will continue to strengthen initiatives with a consensus between our Japan and U.S. entities on measures for a new phase, including system restructuring for autonomous talent cultivation and quality improvement, as well as a support system for North America as a whole as it leads this restructuring, plus support from Japan.

Maintaining and expanding sales

We depend on engine-related parts for approximately 30% of its sales. Maintaining and expanding sales in the midst of the shift to BEVs cannot be achieved through ordinary efforts, and a failure to expand sales will trigger an eventual downturn in employee morale and the company's business, in turn. Our basic policy to avoid this kind of situation comes in three strategies: expanding sales in the body field, increasing market share for exhaust system parts, and creating new businesses.

With respect to expanding sales in the body field, efforts to make proposals at early stages based on zone development and CAE analysis have been gradually producing results. For example, we have received orders for medium-scale assembly parts common to BEVs for vehicles in the D segment, and have also received orders for similar medium-scale assembly parts for other projects. This success was achieved not only by accelerating development proposals but also by taking advantage of the plant's location near an automobile manufacturer. On the other hand, orders for medium-scale assembly parts bring shortages of inventory space, so production and delivery spaced out and synchronized with the

production pace of automobile manufacturers are essential. We are operating with an unprecedented level of tension as we continue to produce without halting production lines for even a minute or a second, and there is no doubt that this sense of tension enhances our operational capabilities.

The standout feature of our proposals to increase our market share for exhaust system parts is the modular muffler. Since 2022, we have been making proposals to a wide range of automobile manufacturers, but there are still roadblocks to adoption, namely in durability and cost. We are currently assessing improved versions of these products internally. As the concept of the product is being received positively, we will advance development and verification toward its adoption.

Toward collaboration to overcome difficulties together

The next initiative is working together with our suppliers. All suppliers are valued business partners for us, and we cannot generate our products without any and all of the parts we procure. We believe that strong ties based on such partnerships and relationships of trust will support supply chains and bring about industrial development. We recognize that our role is to communicate the harsh business environment surrounding suppliers and issues related to their business survival to automobile manufacturers, discuss solutions, and work together with suppliers to overcome difficulties. At the same time, we are also responsible for strengthening our competitiveness through mutual brainstorming with suppliers. From 2022, suppliers have been invited to participate in the our improvement activities related to safety, quality, and productivity, expanding opportunities to share information and exchange opinions. We will continue to expand this kind of collaboration going forward.

End of the 15-year post-war process

In FY2023, the progress and results of these initiatives boosted our business performance, and this was positively received by the stock market. With regard to our targets in the medium-term management plan—an operating profit ratio (net sales excluding parts supplied by customers*) of 2.6% to 5.0% and free cash flow of 6.0 to 15.0 billion yen—the former is expected to exceed 3% on average over the three year period, and the latter is expected to exceed approximately 20.0 billion yen on average over the three year period, as stated above, landing us within the target achievement zone.

Message from the President

Based on the above results, the annual dividend for FY2023 was set at 35 yen per share (interim dividend of 15 yen and year-end dividend of 20 yen), a 3.5 times increase from 10 yen per share two years prior. Though, while the share price rose to 3x, our price-to-book ratio floundered at 0.6x. Going forward, we will further strengthen our earnings structure transformation. On the other hand, the balance of interest-bearing debt decreased by approximately 30% from three years ago to the 60.0 billion yen level, and the equity ratio improved to a little less than 40%.

On the anniversary of our founding in 2023, I conveyed to employees the message that our 15-year post-war process has finally ended. After the emergence of past misconduct, we have made efforts to restore trust, and the improvement of our operational quality has led to more sound financial position. I am confident that from now on, all employees will be resolutely elevate their efforts on their own.

^{*2} Net sales excluding parts supplied by customers: Net sales excluding parts supplied by customers, such as catalysts used in exhaust system parts

Issues in the next medium-term management plan

Thus far, we have steadily executed our growth strategy based on the medium-term management plan, strengthening and accelerating initiatives. While this has generated results, we have also identified new issues among these. We will focus on resolving these issues in the next three year medium-term management plan that will start in FY2025.

This is a period that we will solidify our position for sustainable growth in terms of the basic competitiveness of a company that uses safety and quality as KPIs. We are once again working to establish a foundation for quality assurance. In FY2024, we have launched new activities to further improve safety and quality.

In terms of safety, we will conduct risk assessments at all workplaces and in all operations based on an Occupational Safety and Health Management System (OSHMS) as defined by the Ministry of Health, Labour and Welfare, and increase the number of “safety people^{*3}” by utilizing documentation for this as an educational tool. Our calculations indicate that these initiatives will take three years, and we are determined to see it through in trust of the results to come.

In terms of quality, we will also promote activities that go back to basics. Based on a philosophy centered on “Ji Kotei-Kanketsu (own process completion)^{*4}” and “proper baton-passing,” in which measures against quality risks are mutually

confirmed face-to-face in the front-end and back-end processes, we are determining the conditions of good products in detail that are necessary for maintaining and improving quality, and we are taking a site-first approach to activities.

^{*3} Safety people: People who protect the safety and health of workers

^{*4} Ji Kotei-Kanketsu (own process completion): A method of work in which quality assurance (including operational quality) is reliably implemented in own processes, and defective products and issues are not passed on to subsequent processes

New management system aware of changes

About five years ago, the term “purpose management” began to pop up more often in Japan. Behind this trend, I believe, is a shift in the mindset of corporate leaders from shareholder capitalism to stakeholder capitalism, and a shift in the younger generation’s emphasis toward social significance rather than corporate name recognition and business performance. At Futaba, we are also aware of these changes, and as a company aiming for sustainable growth into the future, we have revised our management system as follows.

● Purpose: Futaba’s purpose

Producing environmentally-friendly products, we will help create a comfortable society for all people

Since the start of operations in 1945, Futaba has developed its businesses as a sheet metal vendor mainly producing automobile parts. Automobiles are a means of transportation that has enriched people’s lives and supported the development of various industries, but they are also vehicles that have negative aspects such as traffic accidents, environmental pollution, and noise. We have played a role in reducing these negative factors, and has a mission to make further efforts to reduce this burden in the future. In addition, our business activities also have the negative aspect of the greenhouse gas emissions they cause. It is our social responsibility to confront global warming head-on. We have clearly redoubled our intent here, expressing it as our purpose.

● Mission: Futaba’s mission

Clean & green, peace of mind, and quality of life

Futaba’s mission is to continue to provide value to the world in these three areas. As times change, society will change, and people’s attitudes and lifestyles will change as well. However, we believe that the mission of the Company, which places value on Clean & green, peace of mind, and quality of life, will

remain unchanged. We believe that it is important to enjoy the support of people around the world by providing future-minded value and continuing to be an essential company to society.

● Values: What matters to Futaba

**“Create Beyond”
Better Forever All Together**

Futaba has defined its Values as those that we treasure and protect in order to “Create Beyond.” This reflects our desire to transform our weaknesses into strengths. We must always consider manufacturing from the customer’s (end user’s) point of view, and ask ourselves whether the value we provide exceeds their expectations. We will judge the quality of our products and services by referring to whether we are fulfilling “Create Beyond.”

When we informed our employees of the content of this new management system this year, we emphasized that the system is not complete and solely has Mission and Values. Here, there is no Vision that would normally come alongside these. At present, there are too many uncertainties about what the future automotive society will be like. There is no doubt that electrification, especially BEVs and fuel

cell hybrid vehicles (FCHVs), will advance automobiles toward carbon neutrality. However, there will without a doubt be many twists and turns on the path to reach this point.

What Futaba needs to do now is to build up a full line of technologies so that it can respond to whatever kind of automotive society comes along in the future. To that end, I believe that strengthening advanced development and updating our Vision every year is the way for us to move steadily toward the future.

Moving forward with the desire that every employee plays an active role

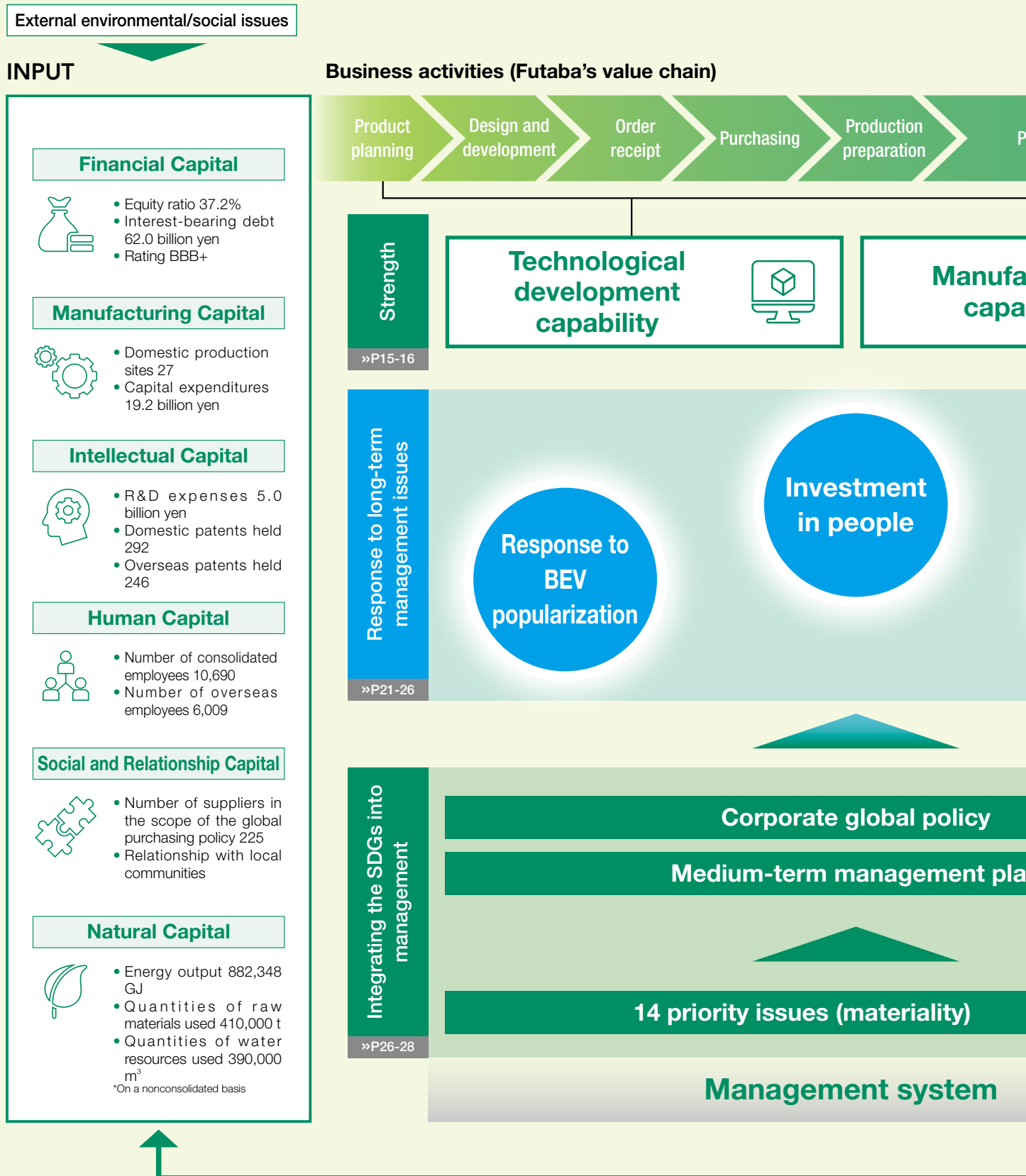
Futaba’s aim is for every employee to play an active role. My desire is that each and every employee, in this aggregation of people who resonate with and support our business activities, devotes themselves to the duties assigned to them, and play an active role. I would also like to see all employees grow as human beings through their work, and create a company, a workplace, and colleagues where we can share prosperity together.

I would like to express my appreciation to all of our stakeholders for their continued support of Futaba as we move forward with these passionate aspirations.

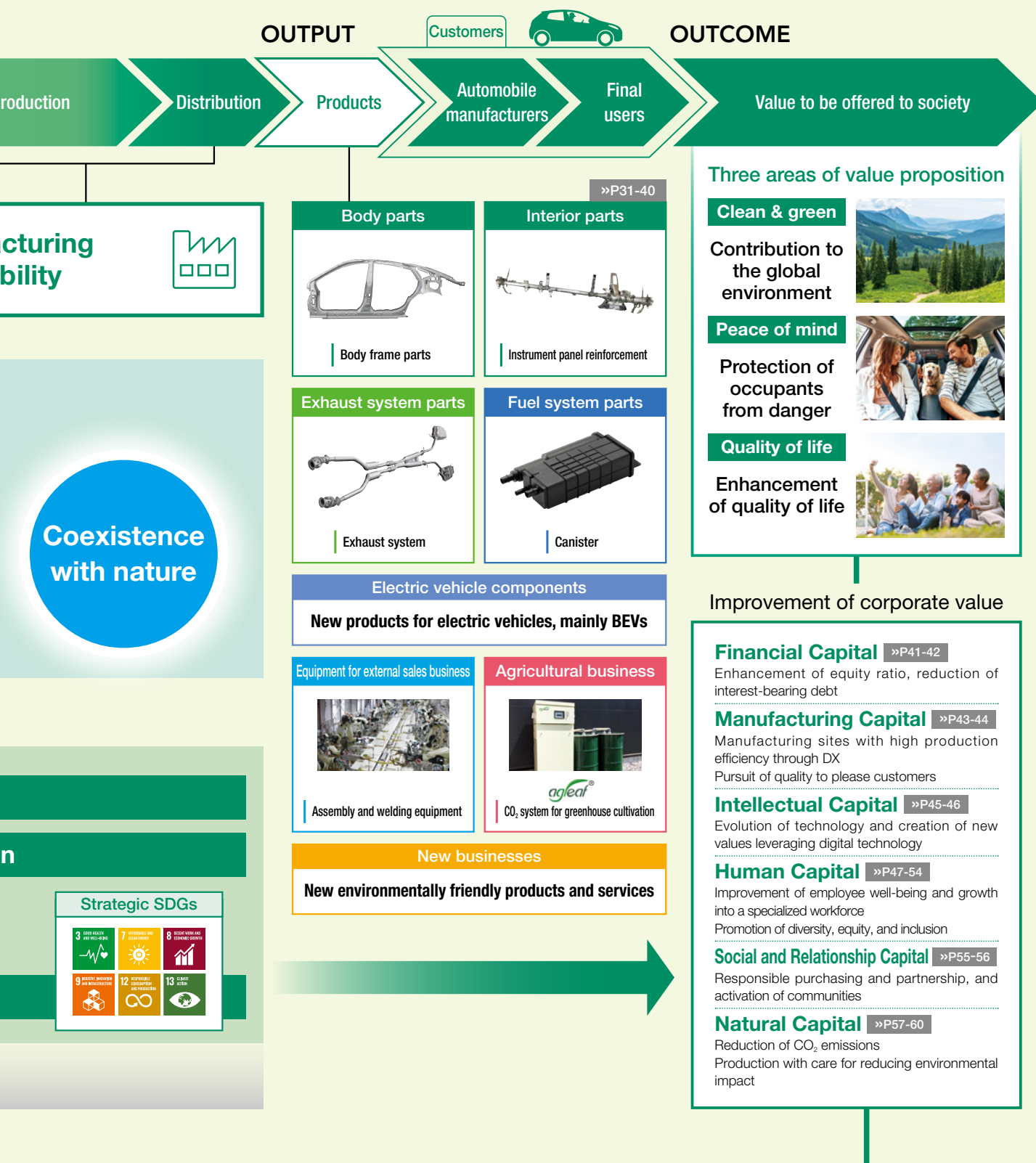


Value Creation Process

The business environment enveloping the Futaba Group is changing dramatically, including the shift to BEVs for automobiles, the decline in the working population, and climate change. 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.



To evolve even further, in 2024, the Futaba Group redefined its Corporate Motto and Management Principle, as “Purpose,” “Mission,” and “Values.” Based on this new management system, we will aim to improve our corporate value by addressing long-term management issues through business activities that integrate the SDGs and delivering values in the areas of clean & green, peace of mind, and quality of life, which are the Mission of the Futaba Group.



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



Founded with a dream
to be a big tree

1960



Expanding the
automotive parts
business

1980



Advancement of
technologies

Social issues

Lack of foods and daily necessities after World War II

Pollution issues driven by increasing motorization

Response to saving energy and resources

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

Increase of traffic accidents associated with the increase of automobiles

- Enactment of fuel efficiency standards (1979)
- Commencement of collision safety regulations (1994)
- Adoption of the Kyoto Protocol (1997)

Solutions through products and technologies

Net sales
(Billion yen)

800

700

600

500

400

300

200

100

0

1945

1950

1960

1970

1980

- 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.
- 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 the founders.



Fish netting machines



Reception area seating sets made from pipes

- To mitigate the automotive noise issues, we entered the muffler business by applying our pipe stamping and welding technologies.
- Started to produce iron canisters to make evaporative gases clean under the increasing concern for air pollution.



First mufflers



Iron canisters

- We developed exhaust manifolds made of stainless steel to replace conventional cast iron manifolds, contributing to a lighter weight and improvement in exhaust gas purification, which were adopted by Toyota Motor Corporation as their first stainless steel exhaust manifolds.
- Developed mufflers with an internal valve that enabled the reduction of both CO₂ emissions and noises by downsizing and light-weight.

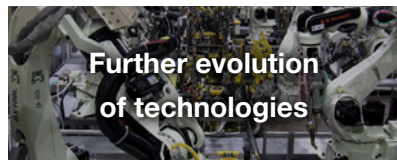


Stainless steel exhaust manifolds



Mufflers featuring inner valves

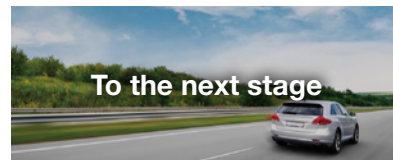
2000



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

- Developed center pillars by developing stamping technologies of high strength material 980 MPa cold-stamped UHTSS^{*1} to contribute to the improvement of collision safety and fuel efficiency of vehicles.
- Developed and produced DPFs^{*2} for diesel vehicles which reduce particulate matters (PM) to address air pollution issues.
- Developed an exhaust heat recovery device, POWEREV[®], which recovers and utilizes waste heat energy in exhaust gases, improving fuel efficiency and reducing CO₂ emissions.

^{*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.

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



Center pillars with the processing of 980 MPa cold-stamped UHTSS



DPF for diesel-powered vehicles



Exhaust heat recovery device, POWEREV[®]

- With the hot-stamping technology and the cold-stamping technology developed for processing 1180 MPa cold-stamped UHTSS, we realized the higher tensile strength and lighter weight of products, enhancing the vehicle safety and reducing CO₂ emissions.
- Applying technologies for canisters and exhaust heat recovery devices, we developed aleaf[®], a CO₂ system for greenhouse cultivation, to offer a new production method in agriculture.



Front pillars with hot stamping



Lockers with the processing of 1180 MPa cold-stamped UHTSS

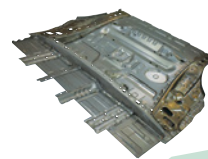


Agricultural business: aleaf[®] CO₂ system for greenhouse cultivation

- We started to produce sub-assemblies of center floor pans, which are large and complex body part assemblies for electric vehicles including BEV^{*6}.
- 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 for 1470 MPa cold-stamped UHTSS utilizing CAE^{*7} analysis.

^{*6} Battery electric vehicles.

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



Sub-assemblies of center floor pans



Front pillars with the processing of 1470 MPa cold-stamped UHTSS

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.

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



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 offer zone-based development proposals for developing body and interior parts together as a zone-based solution, by leveraging our function as a manufacturer of 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, in addition to exhaust systems being placed under even stricter regulations.



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 — How far can we go with steel? —

The 1470 MPa cold-stamped UHTSS has much higher strength than ordinary steel sheets and can be cold-worked into thinner and lighter products with sufficient strength. In FY2023, our cold-stamped front pillar was adopted in new vehicle models, an achievement by utilizing the know-how we have cultivated for a part we are specialized in. Going forward, we will continue to sophisticate our plasticity processing technology to enable application to more complicated shapes.

Also to compete with gigacasting^{*3}, we are working on the development of larger, more integrated structures specifically in the area of rear underbodies^{*4}, under the theme of “How far can we go with steel?”. We will bring together our accumulated expertise in metal plasticity processing and welding for the development to increase the possibilities for steel, and present proposals to automobile manufacturers.

^{*3} Gigacasting: An aluminum casting technology to manufacture a single piece module integrating many automobile body parts.

^{*4} Rear underbody: A body part located at the rear lower part of a vehicle.



Our rear underbody exhibited at the Automotive Engineering Exposition 2024

We will leverage and further hone these strengths and continue to deliver to our customers, solid values in the three areas of clean & green, peace of mind, and quality of life.

Production preparation

Production

Manufacturing Capability

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



Production engineering capability

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^{*5}, which enables complex shapes with high strength to be formed.

^{*5} 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 arrange equipment in an optimal manner to draw out its 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.

Digital twin technology

We leverage the latest digital twin technology^{*6} to deliver equipment with high level of completeness. It has enabled even robot operation programs and electrical control programs to be reproduced on CAD, allowing equipment designs to be finished without the need of real products.

^{*6} 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



Global production system

Plant network

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*

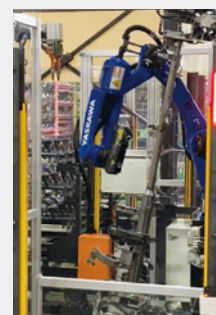
We believe that human resources development takes place on site when both superiors and subordinates learn from each other, make improvements on their own and achieve self-growth through the process of seeing, hearing, and feeling.

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 manufacturing capabilities — Introducing unmanned operation using digital technology —

We are introducing unmanned operations in production to strengthen our competitiveness as well as to respond to an anticipated future decline in the working-age population and continue production even under such circumstances. By utilizing the latest digital technology for light operations and operations such as inspection and transportation that have been conventionally performed by humans, we are working with an aim to improve productivity and to halve overhead man-hours at factories.

In 2024, we introduced unmanned inspection equipment for a welding process on the instrument panel reinforcement production line, which determines whether parts are properly welded. In the past, welded parts were visually inspected by a human inspector, but now the acceptability of each weld is judged using digital technologies, which reduces man-hours while preventing errors involved in human visual inspection.



Unmanned inspection equipment judging the acceptability of welds in an instrument panel reinforcement

Business Focus

The Futaba Group's main business is the manufacture and sale of automotive parts, manufacturing equipment, and agricultural products. In terms of net sales excluding parts supplied by customers*¹, exhaust system and fuel system parts which will be significantly affected by the spread of BEVs and FCVs account for approximately 30% and other products account for approximately 70%. We produce products and services that can deliver solid value in terms of clean & green, peace of mind, and quality of life 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: Net sales excluding parts supplied by customers, such as catalysts used in exhaust system parts

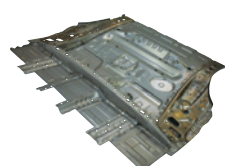


Automotive parts*²

Body and interior parts

240.2 billion yen (53.4%)

»P33-35



Center floor pan sub-assembly



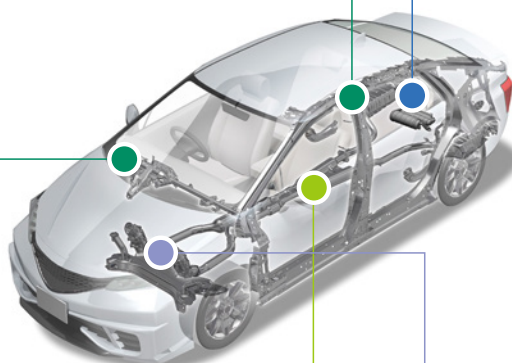
Body frame parts



Instrument panel reinforcement



Wheelhouse outer sub-assembly



Fuel system parts

18.8 billion yen (4.2%)

»P36



Canister

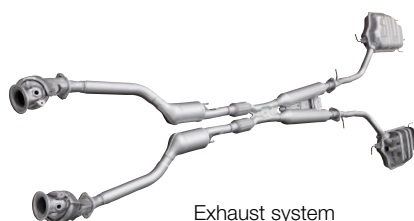


Fuel inlet pipe

Exhaust system parts

114.6 billion yen (25.5%)

»P37-38



Exhaust system



Exhaust manifold

Suspension parts

34.3 billion yen (7.6%)



Trailing arm



Engine undercover

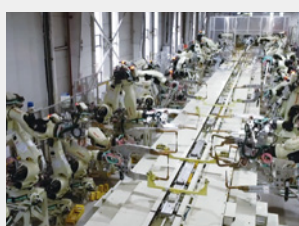


Other*²

41.4 billion yen (9.3%)

Equipment for external sales business

»P39



Assembly and welding equipment

Agricultural business

»P39



agleaf®

agleaf®
CO₂ system
for greenhouse
cultivation

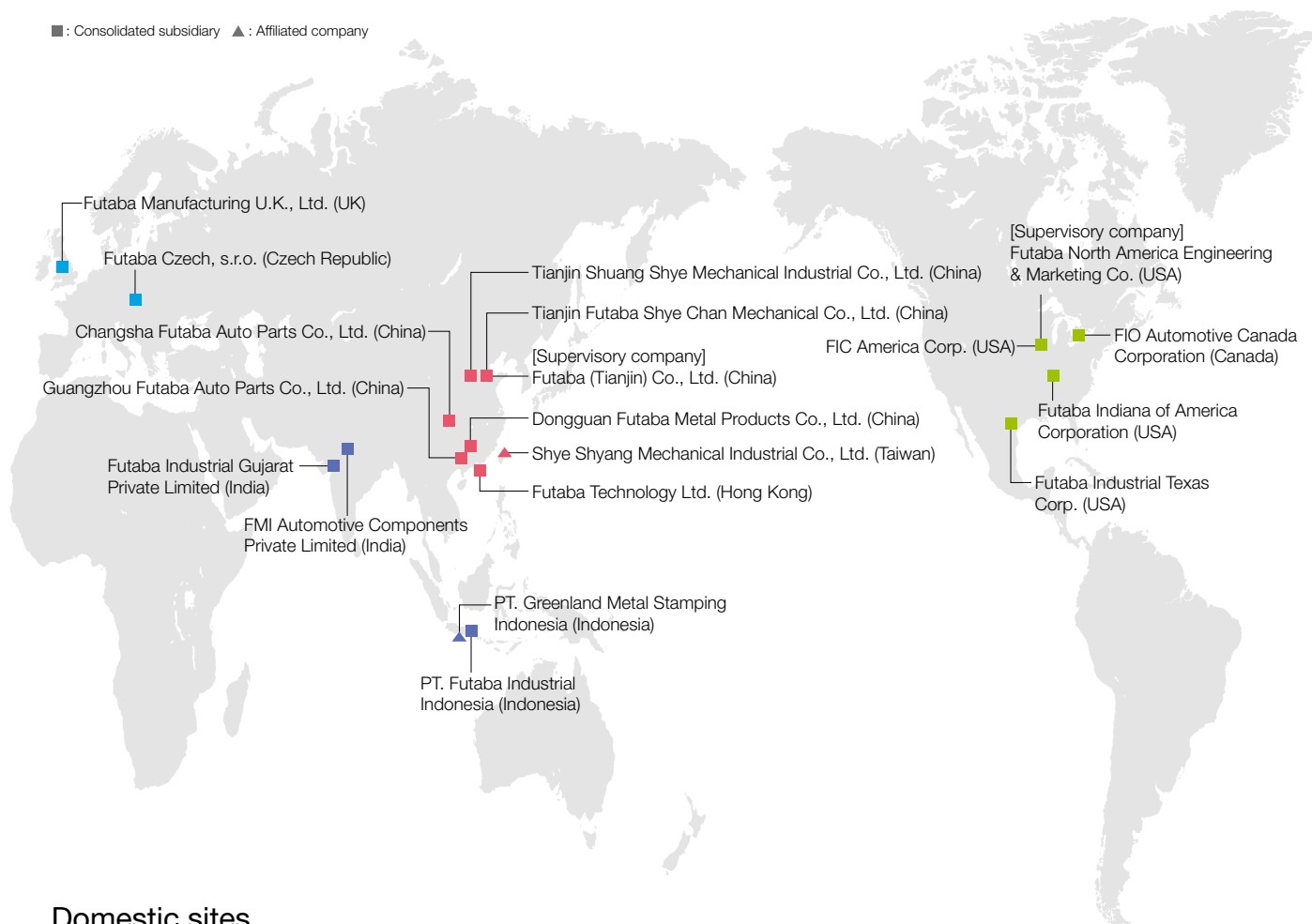
*² Net sales and the proportion of sales excluding supplied parts.

The FUTABA Group Sites (as of March 31, 2024)

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

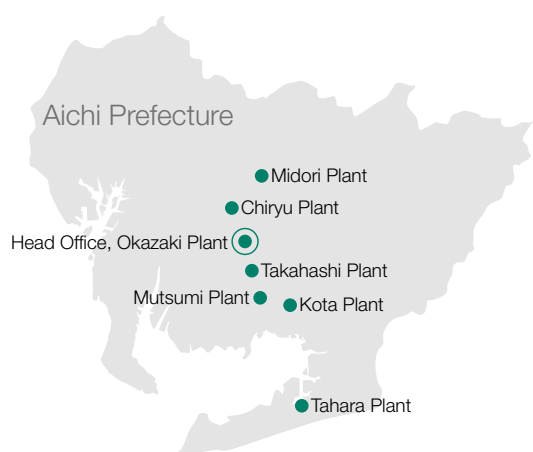
■ : Consolidated subsidiary ▲ : Affiliated company



Domestic sites

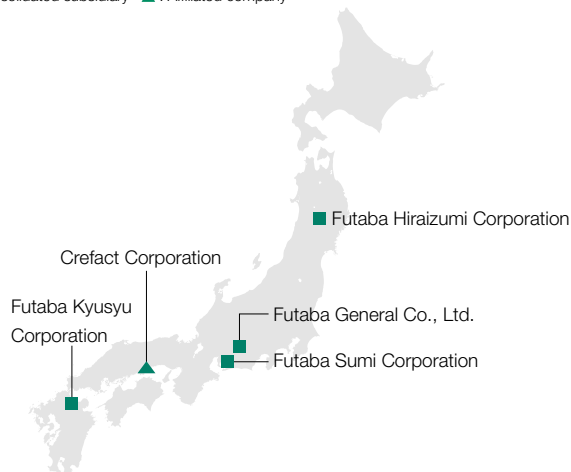
Domestic plants

● : Head Office ● : Plant



Domestic subsidiaries and affiliated companies

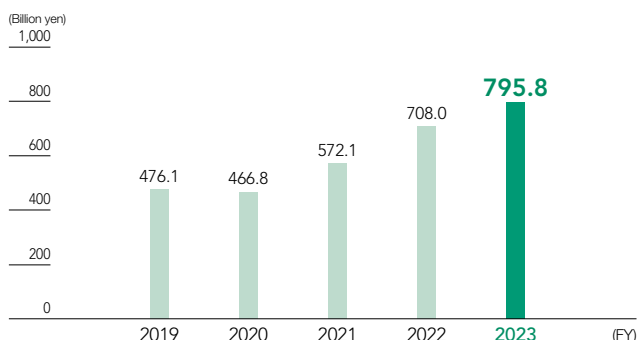
■ : Consolidated subsidiary ▲ : Affiliated company



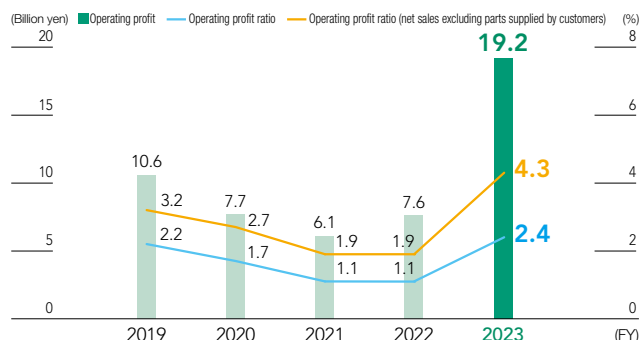
Financial and Non-financial Highlights

Consolidated financial data

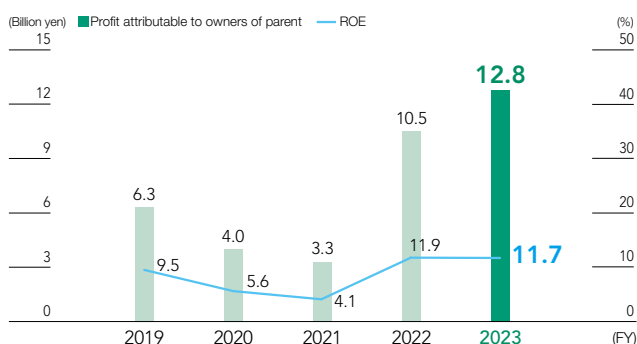
Net sales



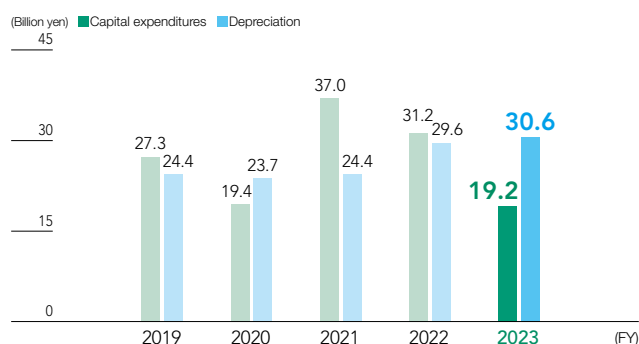
Operating profit / Operating profit ratio



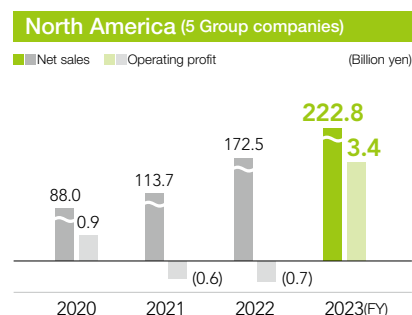
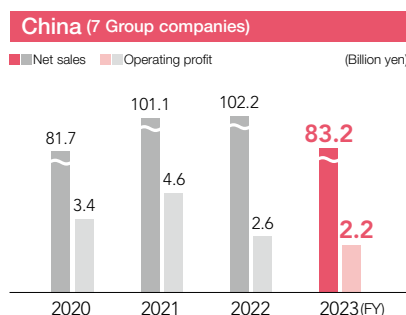
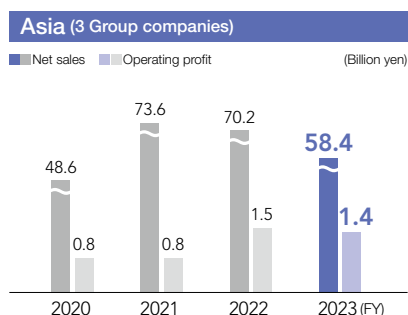
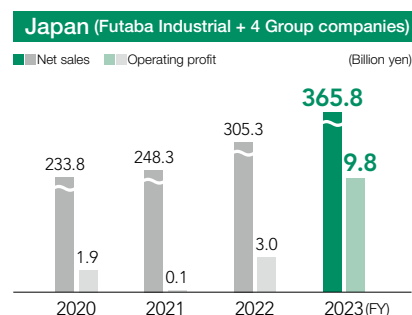
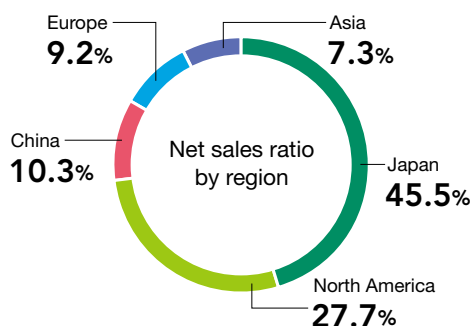
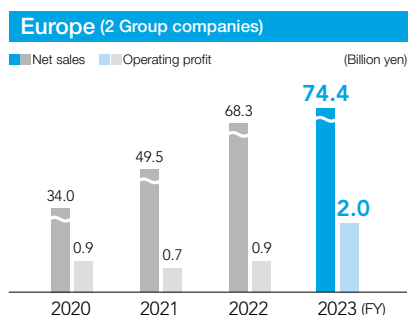
Profit attributable to owners of parent / ROE



Capital expenditures / Depreciation

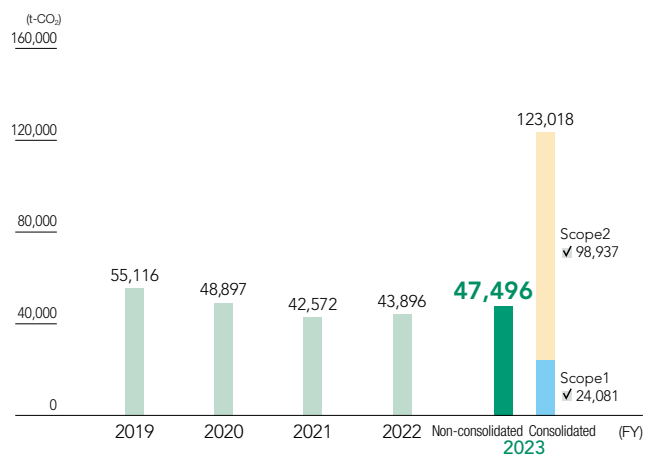


Net sales and operating profit by region



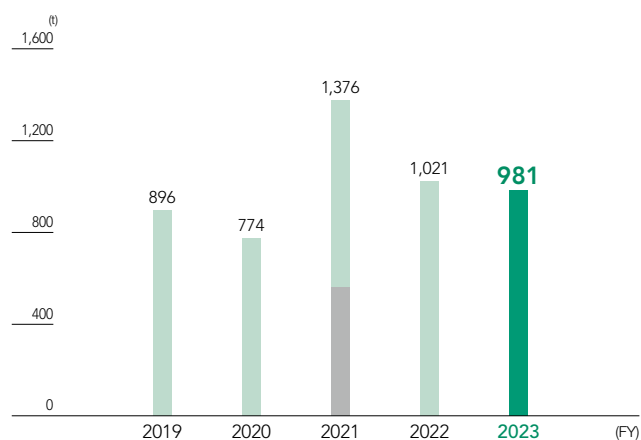
Non-financial data

CO₂ emissions (Non-consolidated)*¹



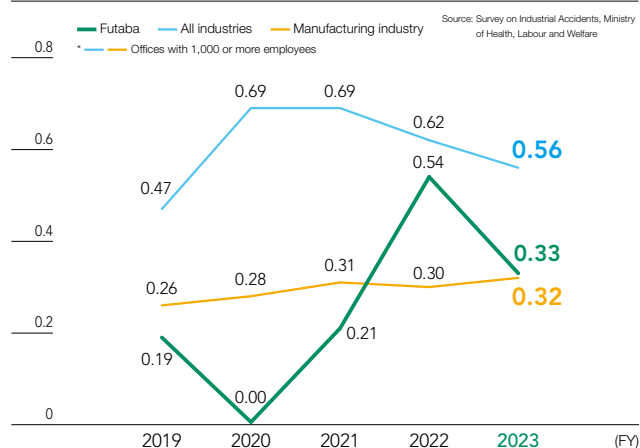
* ✓ denotes emissions with third-party assurance by PricewaterhouseCoopers Sustainability LLC.

Waste output (Non-consolidated)



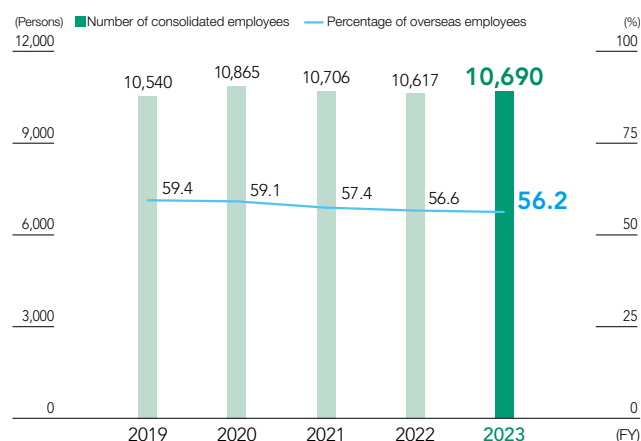
*The amount of waste outputs in FY2021 significantly increased due to an extraordinary factor: the inflow of underground water in a pit excavation accompanied with the introduction of new stamping machine.

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

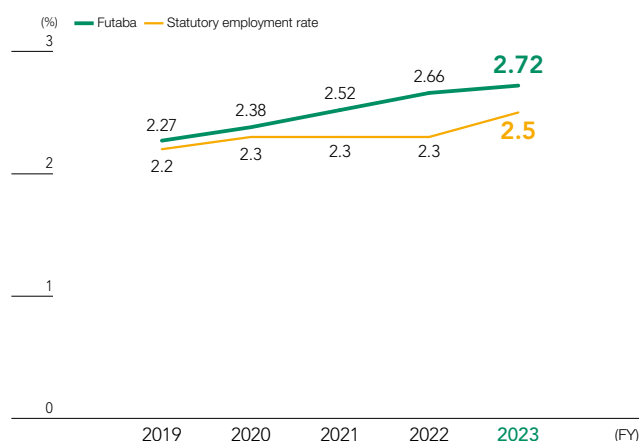


Source: Survey on Industrial Accidents, Ministry of Health, Labour and Welfare

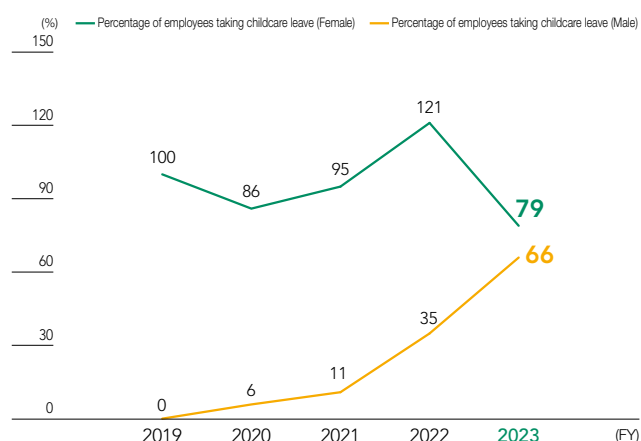
Number of consolidated employees/Percentage of overseas employees



Percentage of employees with disabilities (Non-consolidated)



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



*¹ <Calculation criteria for CO₂ emissions in FY2023>
Calculation scope: Futaba (Consolidated); Head Office and manufacturing sites
Scope 1: Direct CO₂ emissions from fuel use (energy-derived)

Ministry of the Environment: List of calculation methods and emission factors / Factors to be used for the calculation of greenhouse gas emissions in FY2023
Gases are calculated based on the standard ambient temperature and pressure (SATP: 25°C, 1 bar).

Scope 2: Indirect CO₂ emissions associated with use of electricity purchased
For electric power in Japan, the adjusted emission factors of the List of Emission Factors by Electric Utility (for the 2024 submission) were used. For electric power from overseas, emission factors based on contracts with electric power suppliers or country-specific emission factors from IEA Conversion Factors 2023 were used.
Emissions from renewable energy use is calculated with the CO₂ emission factor set at zero.

Of the data presented in the Futaba Integrated Report 2024, CO₂ emissions with ✓ obtained assurance by PricewaterhouseCoopers Sustainability LLC, an independent certification body. For details, please refer to the Company's website.
<https://www.futabasangyo.com/en/csr/environment/verification/>

Toward Sustainability

Since its founding, the Futaba Group has contributed to resolving social issues by providing value to customers in the three areas of clean & green, peace of mind, and quality of life through its products. In these uncertain times, Futaba will continue to respond to social issues through our business activities, thereby contributing to the realization of a sustainable society.

Long-term management issues

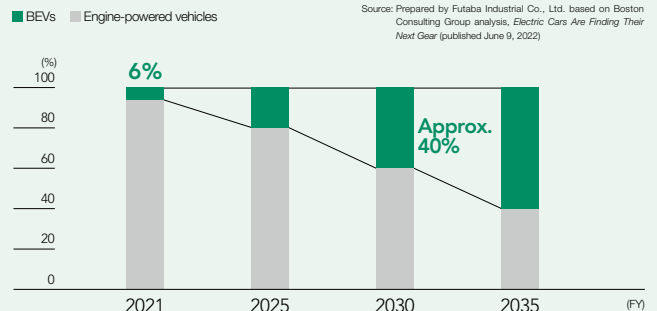
Amidst the changing environment surrounding the automotive industry, we believe that responding to the popularization of BEVs and our sustainability initiatives of investment in people and coexistence with nature, or response to natural capital, are important issues over the medium- to long- term for the Futaba Group.

We are keenly aware of the impact the rapid global spread of BEVs and growing public expectations will have on our exhaust and fuel system parts. Meanwhile, we are adopting a strategic, focused approach, as we view the development of new technologies as a prime opportunity to make use of the press forming and joining technologies we have cultivated.

Moreover, given that we are faced with social phenomena such as the declining birthrate, aging population, and the declining number of working-age people, we believe that bolstering human capital is important to become a company that can grow in a sustainable manner and remain competitive. With the goal of becoming a company where each individual Futaba Group employee can play an active role, we are promoting initiatives with these two concepts at the core: human resources management reform and personnel system reform.

Furthermore, amidst the issuance by various countries policies aimed at a carbon-neutral society, the Futaba Group will also redouble its efforts to achieve carbon neutrality, with the aim of conserving natural resources and offering its products to a sustainable society.

Global forecast for new vehicle sales



Country Policies Toward Carbon-Neutral Society

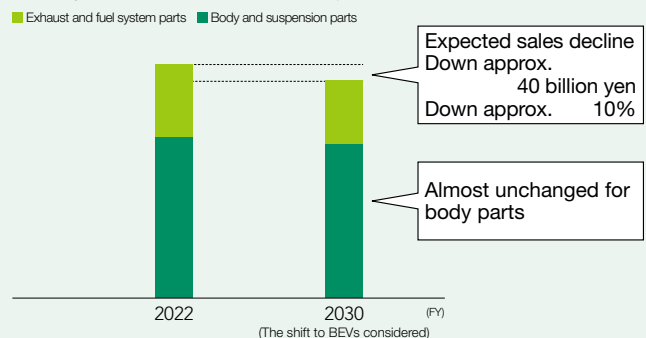
CO ₂ reduction target	UK	EU	US	Japan
2030	Down 68% or more	Down 55% or more	Down 50–52%	Down 46%
2050	Net zero			

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 [P33-34](#)
- ② Increasing market share in engine-powered vehicles [P37-38](#)
- ③ Creating new business [P40](#)

Forecast for impact of BEVs on consolidated net sales (excluding automotive parts and parts supplied by customers)



Message from the Officer in Charge



Shoichiro Kato
Center Chief, Product
Planning Center

With the three areas of clean & green, peace of mind, and quality of life at the core, we will plan a flexible business strategy that will enable us to deliver products that satisfy customer needs where and when needed to the greatest extent possible, while at the same time continuing to promote quality that can be used with peace of mind and an appropriate profit level.



Yoshihiko Ishizaki
Center Chief, Sales
Center

In response to the different ways BEVs are being adopted in different regions, in addition to working on new technologies, we are fully leveraging our traditional press forming and joining technologies, as well as our ability to make proposals. We will explain to our customers our strategies, by region, for (1) expanding sales and added value of body parts, (2) increasing market share for vehicles with residual engines, and (3) initiatives for electrification parts. We will also work to grow our sales channels and capture orders globally while capitalizing on the strengths of our existing bases.

Sustainability promotion

The Futaba Group is working to accelerate and expand its sustainability activities with the two most important themes of investment in people, or bolstering human capital, and coexistence with nature, or response to natural capital.

With regard to investment in people, we believe that without human growth, the company cannot grow. With this in mind, we aim to enable each individual employee to work with vitality, with all of them playing active roles, and to create value that surpasses expectations (Create Beyond). To achieve this, we will enhance our human resources management reform and personnel system reform, and meticulously execute everything from recruitment and training to the proper allocation of personnel, with the goal of enhancing job satisfaction and comfort.

In addition to measures to combat climate change, in the interest of achieving coexistence with nature, we have also begun managing water resources, assessing biodiversity-related risks, and formulating policies and action plans.

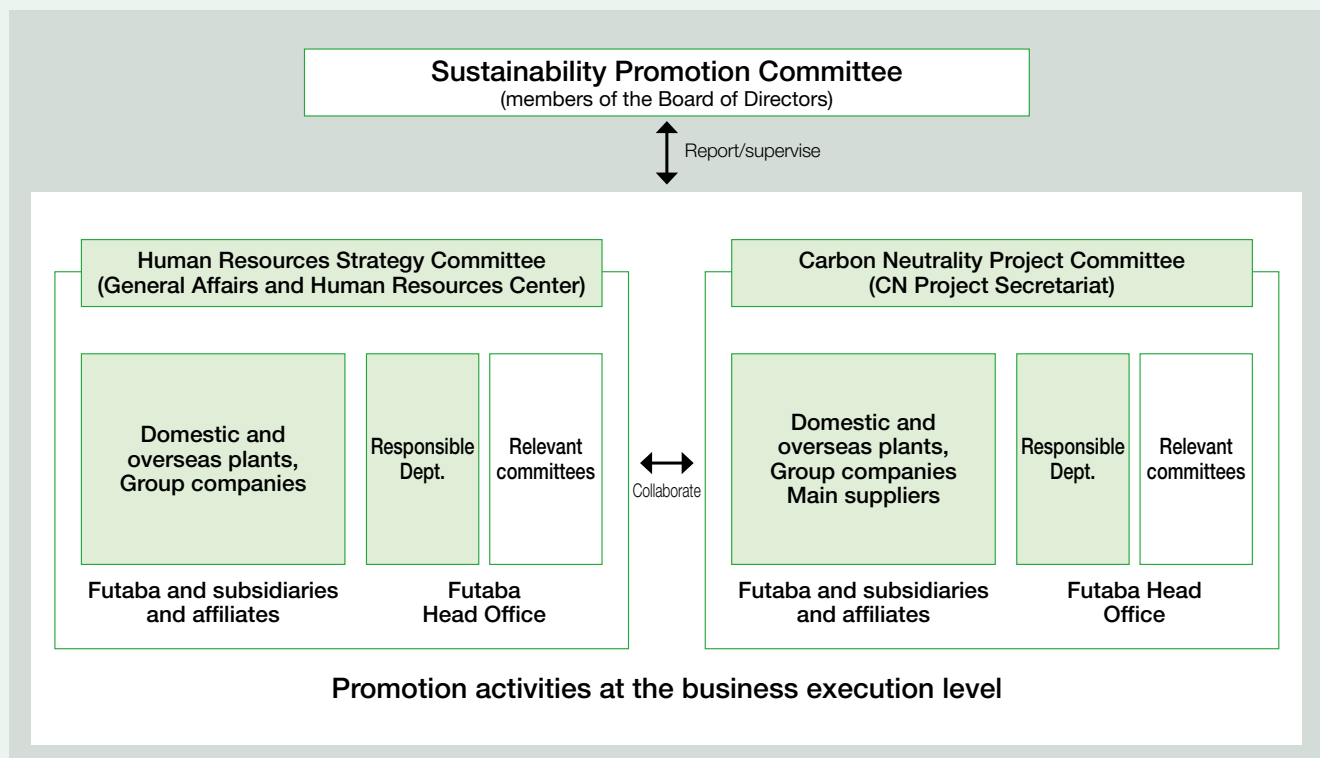
Promotion system

Under the supervision of the Sustainability Promotion Committee (members of the Board of Directors), which convenes four times annually, the Chief Sustainability Officer (CSO) heads up promotional activities at the operational level. The Human Resources Strategy Committee*¹ and the Carbon Neutrality Project Committee*² discuss and deliberate the direction, objectives, and initiatives of the Futaba Group's sustainability efforts.

*1 Human Resources Strategy Committee: A forum for discussing the human resources management reform and personnel system reforms aimed at enabling all employees to play an active role, including investment in people (bolstering human capital).

*2 Carbon Neutrality Project Committee: A forum for discussing issues such as coexistence with nature (response to natural capital), carbon neutrality, biodiversity, and the circular economy.

Promotion system chart



Message from the Officer in Charge



Kenichi Nakao

Chief Sustainability
Officer (CSO)

We will strengthen our investment in people and coexistence with nature as a foundation for ensuring the Futaba Group's sustainable growth and contributing to resolving social issues. The president and all other participants enthusiastically discuss each month investment in people at the Human Resources Strategy Committee and coexistence with nature at the Carbon Neutrality Project Committee, and they are implementing measures with a sense of urgency. Through the Sustainability Promotion Committee, we share information with Board members and receive meaningful guidance.

We will continue promoting these activities from a global viewpoint.

Human resources strategy

Open the way to the future and expand the value with every employee playing an active role

1. Changes in the external environment related to human resources strategy

Significant changes in the business environment have resulted in the Futaba Group's human resources strategy facing a major turning point. The decline in the working-age population and accelerated human resource mobility have sparked intensified competition among companies to secure human resources and diversification of career and work style-related values. In the Futaba Group, we need to rapidly respond to changes in business and operational processes due to the development of BEVs and response to carbon neutrality causing competition to intensify, changes in management strategy, and the spread of advanced technologies. We must also upgrade the skills and abilities of personnel who can devise solutions that exceed customers' and society's expectations. This is why the Futaba Group believes it necessary to formulate new human resources strategies and implement personnel policies to secure human resources by heightening job satisfaction, elicit the strengths of each individual, and raise organizational capabilities to capitalize on these strengths.

2. Basic approach to human resources, "Every employee plays an active role", and human resource issues

Therefore, we have adopted the basic concept regarding human resources, "Every employee plays an active role." If each individual is able to improve their capabilities by 10% or 20% and work with a sense of fulfillment, it will greatly boost the company as a whole. To remove the obstacles to this, we will implement personnel system reform to heighten job satisfaction, and we will undertake the human resources management reform to support growth.

(1) Personnel System Reform

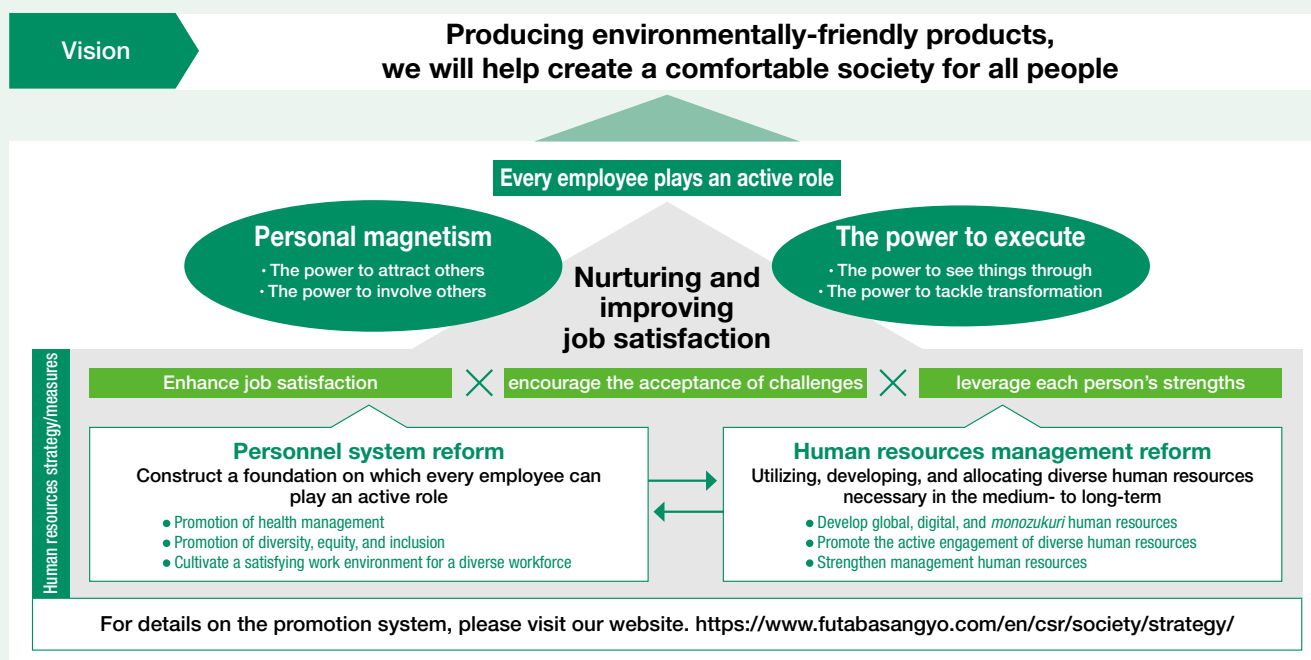
Creating a workplace environment where everyone can gain satisfaction from their work (comfort and job satisfaction)

For each individual to make the most of their own ideas and abilities, it is vital for them to be in a workplace environment where they are satisfied with their job and are able to easily demonstrate their strengths. We acknowledge that, to this point, we have not succeeded in fully capitalizing on the strengths and ideas of our diverse workforce, and that we have not been able to raise our employees' job satisfaction. These are attributable to the workplace culture of our vertically divided organization and the value system that prioritizes long working hours remain. Given this, by heightening psychological safety and providing flexible work styles, we have to create an environment and culture that facilitates the utilization of the ideas and capabilities of a diverse range of human resources. Therefore, by working to promote initiatives for safety and health, DE&I, respect for human rights, the creation of fair rules and systems, and the fostering of a comfortable workplace, we will work to build a foundation that will enhance job satisfaction and make it easier for each individual to accept challenges on equal footing.

(2) Human Resources Management Reform:

Personnel development that supports individual growth and heightens sense of personal growth

To devise diverse solutions that surpass society's and our customers' expectations, while also transforming our business and operational processes, cross-organizational collaboration must be strengthened and diverse human resources must be fully leveraged. We recognize, however, that our current situation is inadequate in terms of internal human resource mobility and our human resource cultivation initiatives. In manufacturing in particular, many workers have experience at only one factory or in one occupation, so it is essential they are systematically trained to become multi-skilled workers. In certain departments, the specialization of work has delayed role and task standardization, and in some cases, slowed the speed of human resource cultivation. This is why we have begun hiring a diverse range of people while keeping an eye on overall optimization and the medium- to long-term perspective, identifying the human resources required to execute our strategies for each function, and systematically cultivating them. This will help us to secure human resources capable of thought and action, and support them in their further endeavors.



3. Main initiatives for every employee achieving to play an active role

After more than a decade rebuilding its management base after past difficulties, the Futaba Group has begun steadily walking the path to a new future. We will continue resolutely along this path by implementing a variety of initiatives to cultivate an organization and human resources able to respond rapidly to changes in business and work processes and offer solutions that surpass our customers' and society's the expectations.

(1) Promotion of Safety and Health Personnel system reform Human resources management reform

Since we recognize that creating a safe, healthy working environment for our employees is a crucial foundation for individual and corporate growth, we are promoting a wide range of initiatives.

- ① Education and operation of the Occupational Safety and Health Management System (OSHMS)*¹, with the aim of creating a safe, secure workplace culture
- ② Promotion of health in line with the Health Statement (implementation of Health Challenge 8^②, etc.)

*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 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).

(2) Expanding Initiatives to Support the Activities of Diverse Employees and Enhance Job Satisfaction (Promote DE&I) Personnel system reform Human resources management reform

To enable each and every one of our diverse employees to derive fulfillment from their work, we will work to respect human rights, eliminate harassment, strengthen personnel systems, and enhance the workplace environment.

- ① Promotion of human rights due diligence based on the Futaba Group Human Rights Policy
- ② Promotion of grassroots activities oriented toward creating a satisfying workplace
- ③ Holding of Will Cafe networking events for female employees to help them make connections, raise career awareness, and discover new work styles
- ④ Developing support systems to aid employees in balancing work and family life (introduction of short-term flex-time work, extension of period during which reduced hours are available, etc.)
- ⑤ Creating a better working environment (interior refurbishment of factories and offices, introduction of hot-desking system for offices, etc.)

(3) Strengthening Organizations and Personnel That Support *Monozukuri* Sites Human resources management reform

At manufacturing sites, while placing priority on safety and quality, we are working tirelessly to improve and standardize processes and introduce the latest production technologies. This will enable us to expand the area of each worker's responsibility (multi-skilling) and attempt to balance measures to cope with the declining birthrate and aging population against improvements to productivity.

- ① Creating a skills map commensurate with each employee's work level, and systematically upskilling through interviews and confirmation between superiors and subordinates
- ② Constructing a lean production system that allows swift response to changes in production volume and provides worker transfers and supports
- ③ Cultivating managers (department managers, general managers, plant general managers) and other personnel with titles (team leaders, group leaders, assistant managers) capable of reliably executing the five major tasks (safety, quality, cost, productivity, human resource cultivation)
- ④ Launching training for department managers in manufacturing, and role-play training for assistant managers, and role-play training for group leaders to strengthen practical education through on-site, hands-on learning
- ⑤ Establishing a system to recognize and reward employees who continuously work to refine and improve products

(4) Revitalizing the Organizational Culture to Achieve Every Employee Playing an Active Role Personnel system reform

To lay a foundation on which every employee can play an active role, we will actively promote a transformation in terms of awareness, through measures including improving psychological safety and eliminating harassment and unconscious bias. We will foster a workplace environment in which each individual can fully leverage their strengths, feel a sense of job satisfaction, and accept new challenges.

- ① Encouraging the use of "san (honorific suffix)" instead of job titles and adoption of consistent lanyards, toward building horizontal relationships
- ② Implementing group training to achieve a workplace with a high level of psychological safety, distributing educational videos featuring employees, and implementing on-the-job training at model workplaces
- ③ Deploying videos and implementing training programs to improve situation concerning harassment and unconscious bias

(5) Human Resource Development, Appropriate Allocation, and Promotion of Internal and External Personnel Exchange Human resources management reform

By activating systematic rotation, we aim to generate innovation and bolster competitiveness by revitalizing human resource cultivation and personnel exchanges inside and outside the company.

- ① Investigation and implementation of succession plans for key posts
- ② After identifying the necessary human resources, systematically rotate staff to promote development and set career paths for individuals
- ③ Augment transfers from other functions and recruitment of personnel from outside the company to reinforce human resources in the Advanced Development Division
- ④ Conduct open recruitment to strengthen departments including reinforcement of new business development and digital solutions, and promote diversity
- ⑤ Upgrade overseas dispatch program for younger talent to promote the cultivation of global human resources and personnel exchange with Group companies

To develop and deploy the human resources necessary to achieve management and business strategies, the Human Resources Strategy Committee convenes monthly—with top management in attendance—to discuss specific issues and measures.

For specific initiatives in FY2023 and the first quarter of FY2024, please refer to Human Capital pages. (see pages 47-54)

Coexistence with Nature (Response to Natural Capital)

Basic policy

The Futaba Group has established its Purpose as aiming to coexist harmoniously with nature by continuously contributing to a comfortable society through environmentally friendly manufacturing. We have enacted the Futaba Group Environmental Charter as a unified policy with the aim of working toward coexistence with nature as a group.

Previous Initiatives: Addressing Carbon Neutrality

As measures to combat social issues such as extreme weather events sparked by global warming, we are striving to reduce CO₂ emissions through comprehensive daily improvements in Scope 1 and 2 emissions, and we are steadily achieving results globally. Furthermore, with regard to Scope 3 (upstream) emissions, we are focused on (1) raw materials—which account for the majority of Scope 3 CO₂ emissions—and are actively working to mitigate CO₂ emissions through product development that results in reduced usage while also improving the yield.

CO₂ emissions reduction targets for plants

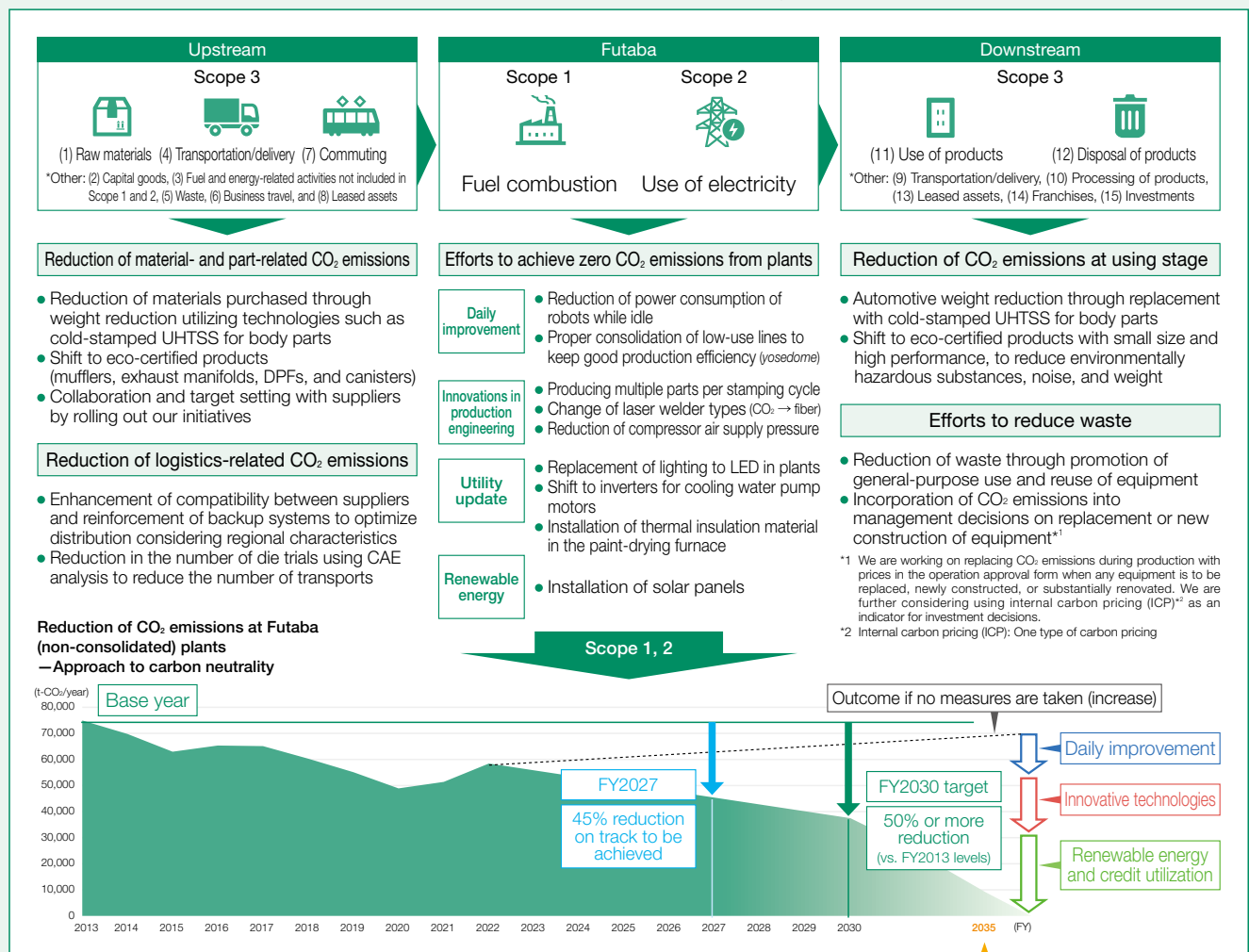
Non-consolidated: Reduction of 50% or more by FY2030 compared to FY2013

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 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/>

Future Initiatives: Addressing Biodiversity

The Futaba Group recognizes that it utilizes natural capital—including water resources—in its business activities, and that it also has an impact on the natural environment. Going forward, we will bolster our natural capital-related initiatives not only in the area of the atmosphere (reducing CO₂ emissions), but also with regard to water quality and soil, as well as biodiversity, and we will consider taking action with a view to being nature positive.

With the publishing of the final version of the TNFD^{*3} framework in 2023, the Futaba Group quickly went to work addressing the relationship between its business activities and natural capital, identifying risks and considering initiatives. In parallel with this, we are preparing for the disclosure of information, and going forward, we will continue to expand disclosure content.

Moreover, we will focus not only on mitigating our environmental impact, but on the use of resources in our business activities in an efficient and cyclical manner. We accept the challenge of achieving a circular economy.

^{*3} TNFD: Taskforce on Nature-related Financial Disclosures

(1) Governance

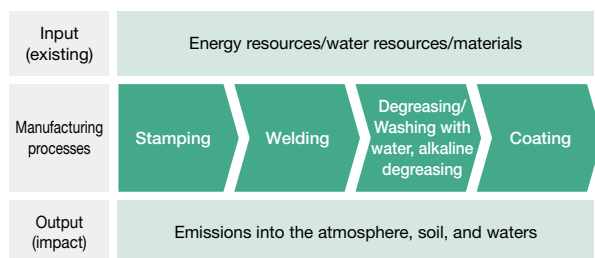
We address and manage natural capital and biodiversity within the framework of our sustainability promotion structure.

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

(2) Strategy (risk and opportunity)

We have mapped out the relationship between the Futaba Group's business activities and natural capital, and organized the dependencies and impacts. We regard the use of water and energy resources and emissions into the atmosphere, soil, and water as risks related to our business activities.

Going forward, we will give consideration to potential opportunities.



(3) Management of risk and impact

We identify risks using assessment tools such as Aqueduct.^{*4} The risks identified are discussed by the Carbon Neutrality Project Committee. The targets set for each natural capital are managed as part of the materiality of the SDGs.

^{*4} Aqueduct:
An analytical tool used for evaluating water stress and risk of depletion in various regions

(4) Metrics and targets

To conserve natural capital on which we rely and which we impact, in addition to our previous carbon neutrality (reduction of CO₂ emissions) initiatives, we will add new initiatives toward VOC^{*5}, waste, and water resources (water intake), establish targets, and manage them on a global basis.

^{*5} VOC (Volatile Organic Compound):
General term for organic chemical substances such as toluene, benzene, chlorofluorocarbons, xylene that evaporate into the atmosphere.

Reduction item	Domestic target	Overseas target
VOC	Minimization	Minimization
Waste	-1%/year vs. FY2019	-1%/year vs. FY2022
Water resources (water intake)	-0.5%/year vs. FY2020	-0.5%/year vs. FY2022
CO ₂	-50% in FY2030 vs. FY2020 (excluding domestic group companies)	-33% in FY2030 vs. FY2019 (including domestic group companies)

Message from the Officer in Charge



Takashi Fujii

Chief Communication
Officer (CCO)
Chief Risk Management
Officer (CRO)

We aim to create a comfortable society through environmentally friendly manufacturing. Activities oriented toward coexistence with nature are a key element in the Futaba Group achieving sustainable growth (sustainability). Activities to achieve carbon neutrality started with energy management and cost improvement through enhancements made on a daily basis, and these activities have steadily generated results on a global scale. We must enhance the manner in which we address the natural capital issue by adding water management and biodiversity maintenance activities.

Moreover, the Futaba Group places importance on working together with our suppliers—our important business partners of ours—and we aim to collaborate with them based on our Declaration of Partnership Building. We will share this message with our fellow Futaba Group members, with the aim of creating an environment in which all employees play active roles. Let us all unite to transform the company.

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. We have already integrated these priority issues into our business activities, and promoted them through the medium-term management plan and global company policies.

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

For details, please visit our website. <https://www.futabasangyo.com/en/csr/management/sdgs/>

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 rate for plant: Down 3.0%/year *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; processed oil filtration and reuse [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 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 IATF16949 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 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 purchasing 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		[1] Percentage reduction in CO ₂ emissions of suppliers: Down 3.0%/year *vs. FY2021	
(3) Sustainable Management Foundation	Promotion of health management* ¹ (Group companies set their own targets)	[1] Specific support for the establishment of healthy lifestyle habits	(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 (%)	
		[2] Decreased number of persons with mental health problems		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)	Social activities	Global deployment in three key areas (environmental protection, community activity, and people development) *Business activities omitted (activities will continue)	Global contributions in three key areas	
	Active work by diverse human resources and human resources development* ¹ (Group companies set their own targets)	[1] Promoting diversity	(1) Promotion of female empowerment (2) Enhancement of diversity of new hires (3) Promotion of employment of persons with disabilities	(1) Ratio of female management positions (%) (2) Percentage of new female graduates hired in administrative and technical positions (%) (3) Percentage of employees with disabilities (%)	
		[2] Creating supportive workplaces	Improvement of work-life balance	(1) Paid annual leave taken (2) Turnover rate (%)	
	Governance	[1] Risk Management	(1) Promotion of operational quality improvement activities (functions and projects) (2) Construction 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	(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 (%)	
		[2] Corporate ethics/compliance	Establishment of a system and mechanism to confirm compliance with laws and regulations related to business activities at a higher level	—	

*1 "Main KPIs," "FY2023 Results," and "Mid- to Long-term Milestones and Targets" are on a non-consolidated basis.

FY2023 Results	Mid- to Long-term Milestones and Targets	Related SDGs	Related Page																				
40.9% (forecast) *Anticipatory response to OEM fuel efficiency and emissions regulations	FY2025: 20% FY2030: 50%	   	P46																				
Total: Down 4,988 t-CO ₂ /year ① During material production: Down 2,012 t-CO ₂ /year ② During parts production: Down 1,359 t-CO ₂ /year ③ During vehicle operation: Down 1,617 t-CO ₂ /year	(t-CO ₂ /year) <table><tr><th></th><th>①</th><th>②</th><th>③</th><th>Total</th></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> *(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	   	P46
	①	②	③	Total																			
FY2023	-331	-868	-754	-1,953																			
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FY2027	-3,314	-5,740	-7,540	-16,594																			
R&D underway *Steady progress in development, starting on new development themes	FY2030: Introduce new products to global markets	  	P46																				
① Non-consolidated: Down 36.6% ② Non-consolidated: Equivalent to 1% of actual usage (solar power generated at Kota Plant Building No. 4) Non-consolidated: Purchase of non-fossil certificates (equivalent to 1% of total non-consolidated electricity consumption)	① FY2030 Non-consolidated: Down 50% or more Subsidiaries: Down 33% ② FY2030 Non-consolidated: Renewable energy ratio: 60% *Added ② as a target	   	P57																				
① Domestic: Down 2.4% ② Domestic: Down 47.8% *Increase in processing value ③ Domestic: Down 3.7% *Waste alkali generated by groundwater inflow into stamping pits ④ Non-consolidated: Down 52.5% *Standardization of manufacturing management *① ② ③ Expansion of scope (non-consolidated → domestic)	(%) <table><tr><th></th><th>①</th><th>②</th><th>③</th><th>④</th></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> *① ② vs. FY2019 (per million yen of processing 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	   	P57-58					
	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	   	P58																				
Non-consolidated: 104% reduction (target: 109% of FY2020 level) *Impact of customer shutdowns and delays in transitions from trial production to mass production stage.	FY2025: Up 15% FY2030: Up 30%	   	P43																				
73%	FY2026: Complete acquisition at all production sites *Target year changed from FY2025 to FY2026.	  	P43-44																				
12 domestic sites • Industrial accidents: 16 • Accident frequency rate: 1.32 *Increase in the number of accidents involving falls	12 domestic sites Industrial accidents Accident frequency rate FY2025 10 or less 1.00 or less FY2030 6 or less 0.60 or less	 	P47																				
① Non-consolidated suppliers: Down 6.8% (forecast) *Under verification	① FY2030 Non-consolidated suppliers: Down 27%	   	P55-56																				
(1) 28.1% (2) 33.0% *Issue of employee health awareness	On a nonconsolidated basis ① (1) ① (2) ② FY2025 25.0% 33.1% 0.61 FY2030 20.0% 27.8% 0.41	 	P48-49																				
1.37 *Lack of improvement in the workplace environment, depression related to COVID-19, etc.																							
Global implementation in three key areas Main activities: Construction of facilities and installation of equipment in the community, forest cleanup activities, 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.	     	P56																				
(1) 1.3% (2) 20.0% (joined in April 2024) (3) 2.7%	(1) FY2025: 3% or more/FY2030: 5% or more (2) FY2025: 20%/FY2030: 30% or more (3) Above statutory employment rate (FY2023 statutory employment rate: 2.5%)	  	P50-54																				
(1) 18.5 days (2) 2.3%	(1) FY2025: 18.5 days or more/FY2030: 20 days (2) FY2025/FY2030: Maintain 2% or less																						
(1) 65% *Delays at Group companies (2) CSIRT: 100% (system in place) SOC: Domestic 100%/Overseas 93% (3) Confidential management promotion system 100% (completed in FY2021) ATSG: Non-consolidated 97%/Domestic 94%/Overseas 72% *TMC requested a change in standards during the fiscal year.	(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																				
Completed establishment of systems and frameworks both domestically and overseas	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																						

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 FY2024 Corporate Global Policy.

Underpinned by our medium-term management policies 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 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

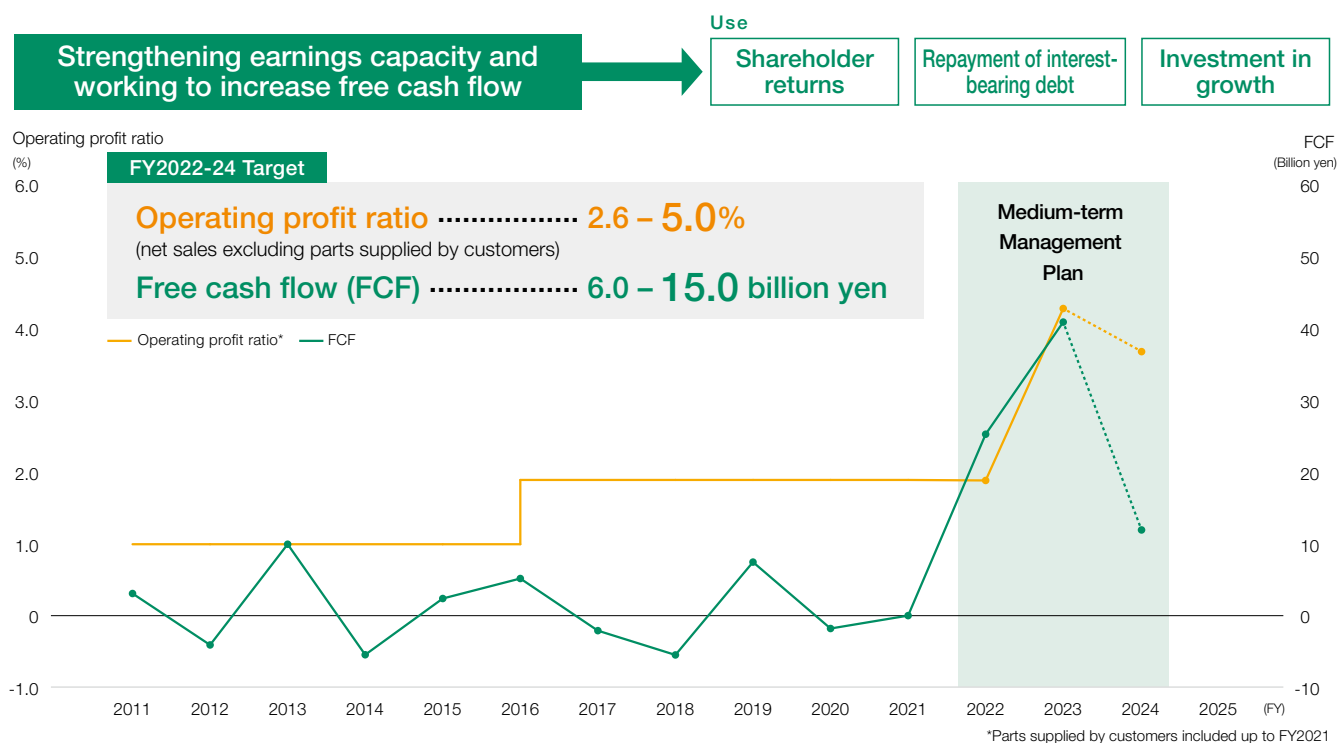
The Futaba Group's goal for between FY2022 and FY2024 is “strengthening earnings capacity and working to increase free cash flow (FCF).” By FY2024, we will raise our FCF from 6.0 billion yen to 15.0 billion yen, and our consolidated operating profit ratio (net sales excluding parts supplied by customers*)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

In FY2023, in our efforts to bolster our earnings capacity, we accelerated our initiatives under the themes of “best practice activities,” “DX,” “capital expenditure management,” “strengthen operations in North America,” and “maintaining and expanding sales.”

As a result, the averages for the three years of the plan, including the forecast for FY2024, are expected to be in line with initial targets, with operating profit ratio forecast to exceed 3% and FCF to reach approximately over 20.0 billion yen.

We will work to further strengthen our competitiveness and financial position, allocating FCF to shareholder returns, as well as to the 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



Message from the Officer



Dave Martin

President of Futaba North America
Engineering & Marketing Co.

For the Futaba Group to continuously contribute to society, it will need to make its relationships with all stakeholders even stronger. If we are to meet the ever-changing expectations of our stakeholders, we ourselves must continue to change. In particular, we will focus on rebuilding the workplace environment in accordance with the diversity of employees, strengthening our products and *monozukuri* capabilities that reflect customer needs, and reducing environmental impact through reductions in material use and waste.

In North America, we will prepare and progress a fiscal-year policy based on the expectations of our stakeholders. We are engaged in a variety of activities, but we will strengthen the following in particular.

- Responses to new models that take production capacity adjustments into consideration
- Optimization of management systems at the regional and plant levels with the aim of reducing fixed costs and achieving self-reliance
- Promotion of the use of TPS and shop-specific best practice activities to improve productivity and reduce variable costs and waste

FY2024 corporate global policy

Review of FY2023 corporate global policy

In FY2023, we set safety, quality, human capital, and digital transformation (DX) as the key items of our corporate foundation, and sustainable growth, profit improvement and lateral expansion, capital expenditure, and business expansion as the key items of our growth strategy. 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.

- Build a global promotion system to further strengthen safety and quality, which are our top priorities
- Strengthen global communication and promote lateral expansion
- Create new technologies and businesses that will contribute to further innovation and development of society and Futaba
- Further improve understanding and penetration of the management system and corporate policies across the entire Futaba Group and further strengthen initiatives

Approach to FY2024 corporate global policy

In the FY2024 policy, as in FY2023, we will appoint leaders in charge of each of the four key items of our corporate foundation and four key items of our growth strategy and clarify and proceed with a follow-up structure. Placing “safety and health” and “quality,” which are the top priorities for the company, at the top of the list, we have appointed a Chief Quality Officer (CQO) for quality in particular, and we are working to raise the standard of quality globally. We have also newly set the development of an integrated global management structure as part of our efforts for profit improvement and lateral expansion (see item 6.1 in the table below) and will strengthen communication and promote lateral expansion on a global basis. Further, we will continue to

work on each of the key themes of profit improvement and lateral expansion (item 6) and capital expenditure (item 7) with the aim of securing stable FCF and improving the operating profit ratio, for the stabilization of the results of the medium-term management plan that we achieved in FY2023. In addition, with the aim of utilizing and deploying the advanced technology development that we have already been working on, we have launched a new center, the Business Development Center, and we will continue to strengthen it for the realization of new businesses to add to our existing businesses. We will also communicate the new management system and corporate policies and engage in ongoing activities aimed at their penetration.

Foundation	1. Safety and Health		Renewed strengthening of workplace environments, rule development, and human resources development to create a workplace where zero accidents and zero fires are a matter of course Creating workplaces where all employees can be mindful of their own and their colleagues' health	Center Chief Kawabuchi
	2. Quality		Promoting “Ji Kotei-Kanketsu (own process completion)” at each stage of technology development, production preparation, and mass production with the aim of zero leakage defects and thorough creation and management of the conditions of good products by passing the baton through all processes	CQO (Satoshi) Yamada
	3. Human capital		Human resources management (education, development, assignment) reform and personnel system reform, for a true sense that every employee can play an active role. Establish resources strategy that focuses on changes in both internal and external environments in each region	Center Chief Nakao
	4. DX		Aiming to become a company in which all employees can make full use of digital data and constantly reform operations and processes	Ohashi S-EA*2
Growth Strategy	5. Sustainable growth		Transforming into a company that can lead a carbon neutral, circular economy	CSO Nakao CCO/CRO Fujii Center Chief Yokota
	Competitiveness Improvement	6. Profit improvement and lateral expansion	1) Building a global integrated management structure by strengthening communication between Japan and individual overseas regions	President Dave Martin Center Chief Kawabuchi Takahashi S-EA*2
			2) Improving break-even point in all regions to build a financial position resilient to business environment changes.	Center Chief Imai
			3) Formulating and implementing sales and business strategies for business expansion	Center Chief Ishizaki Center Chief Kato Center Chief Yokota Center Chief Hisatsune
			North America Improving break-even point and rapidly eliminating accumulated losses by promoting special projects	President Dave Martin Presidents of North American operating entities
			China Reforming earnings structure urgently to enable maintenance and increase of order intake	President Ogiso Presidents of Chinese operating entities
			Europe Establishing manufacturing operations capable of achieving zero leakage defects Optimal production systems in line with changes in customers' scales	President Inoue President Philip Ord
			Asia India: Promoting localization and accelerating expansion of business scale	President Tanuma President Arakawa
			Indonesia: Increasing profit by expanding order intake	President Suzuki
		7. Capital expenditure	Steadily implementing medium-term investment plans and reducing capital expenditure unit costs in dies and facilities	Center Chief Yokota Center Chief Kawabuchi Center Chief Sukigara
		8. Advanced technologies	Strengthening technological development for future business expansion	Center Chief (Yutaka) Yamada

*2 S-EA: Abbreviation of Senior Executive Advisor

Strategy by Product

Futaba Group continues to work on solving social issues by leveraging the technological development and *monozukuri* capabilities that we have cultivated since our founding. In addition to further improving the value offered by existing products, we are also using the technologies that we have cultivated to create new products and businesses that will be supported by people and support society, with a view to the future.

Value to be offered and main products We will contribute to carbon neutrality with all products and businesses

New businesses

P40

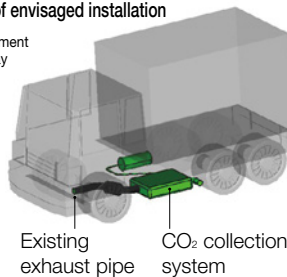
Case 1

On-board CO₂ collection system for small- to medium-sized trucks

Contribution to CO₂ collection and recycling

Image of envisaged installation

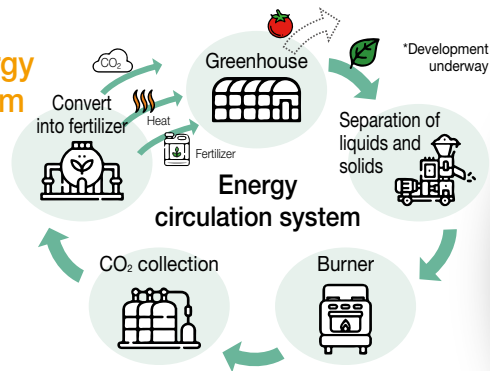
*Development underway



Case 2

Agricultural energy circulation system

Contribution to sustainable agriculture with circular economy



Exhaust system parts P37-38

Improve acoustic comfort inside vehicle cabin
Reduce vehicle's external noise



Exhaust system

Fuel system parts P36

Reduce emissions of environmentally harmful substances



Canister

Electric vehicle components P38

Reduce CO₂ emissions by improving power efficiency



Battery cooling plate *Development underway

Clean & green

- Climate change and global warming
- Noise and air pollution
- Environmental pollution, and destruction of biodiversity and ecosystem

Quality

- Food crisis increase and events, stable
- Aging and worker population
- Effective use

Social to add

Quality of
life

Due to population
and extreme weather
the food supply
decline of farm
production
use of resources

Issues
to be
addressed

Agricultural business P39

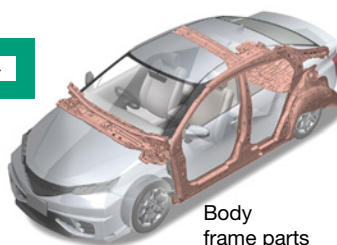
Contribute to energy saving
and reduction of CO₂
emissions through
smart agriculture



agleaf®
CO₂ system for greenhouse cultivation

Body parts P33-34

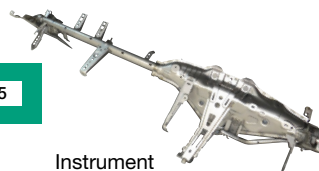
Secure survival spaces
in event of collision



Body
frame parts

Interior parts P35

Offer drivers
exciting driving



Instrument
panel reinforcement

- Zero traffic accidents resulting in death of occupants
- Workplace injuries and workload of workers in production sites

Peace of
mind

Equipment for external sales business P39

Provide highly reliable,
people-friendly equipment



Assembly and welding equipment

Body Parts / Interior Parts

Clean & green

Peace of mind

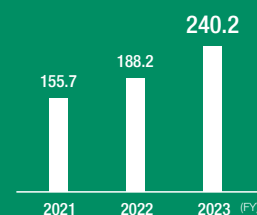
Quality of life

Summary of FY2023

After first adopting them for the Prius in 2023, Toyota Motor Corporation adopted our 1470 MPa cold-stamped UHTSS parts for the Land Cruiser “250,” and our medium-scale assembly parts for the Crown (Sport) and the Land Cruiser “250.” We have now launched production of these parts. Mainly due to the expanded adoption of medium-scale assembly parts, net sales for FY2023* totaled 240.2 billion yen, up 27.6% from the previous fiscal year.

*Excluding parts supplied by customers

Net sales (billion yen)



Body parts

Overview

We mainly produce and supply body frame parts of automobiles. We make proposals of structures that enable both vehicle performance and manufacturing feasibility, in order to contribute to safety, such as securing space for occupants to survive in the event of a collision. We will now further improve our plasticity processing and welding technologies and body analysis capabilities and proceed with the development and proposal of larger, more integrated parts in our aim to increase order intake.

External environment/Risks and opportunities

External environment	<ul style="list-style-type: none"> Announcement of strengthening of country policies toward carbon-neutral society, “2024 problem” in distribution (driver overtime hours capped by law from 2024) Enhancement of collision safety standards Soaring raw material prices and energy cost Advances in digitalization to keep pace with accelerating market changes 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 (reduction in the number of parts due to gigacasting, etc.) Response to fluctuation in vehicle production volumes and to wider variety of models
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

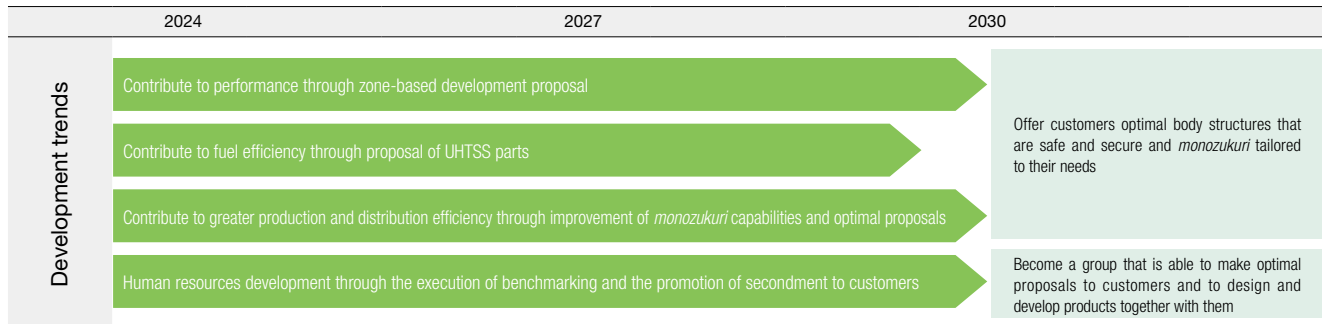
Strengths

Plastic processing and welding technologies	<ul style="list-style-type: none"> Improvements of CAE technology in forming have led to heightened accuracy of stress analysis in products and prospective die technology Establishment of die structure and welding technology for UHTSS 	Capability for proposing lightweight structures with improved strength	<ul style="list-style-type: none"> Through lighter weight, lower cost, higher quality manufacturing, better understanding of body structure, and the application of collision analysis technology, we propose solutions to customers from the planning and concept stages of vehicle development
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Strategy

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.

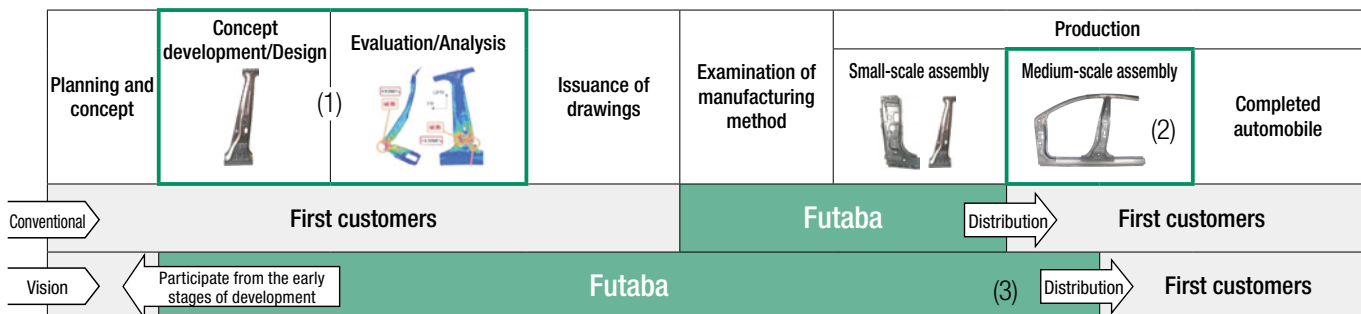
Roadmap



Priority activities

We will expand sales and profit by increasing the added value of body parts, through enhancement of our proposal capabilities incorporating the following (1) through (3).

Enhancement of proposal capability



(1) Promotion of zone-based development: How far can we go with steel?

While continuing our early proposal activities from the planning and concept stages, we will take on the challenge of single-piece modules and larger, more integrated parts through the use of UHTSS for parts that are more difficult to form, innovation in forming methods, and the development of plastic processing and welding technologies, including pre-forming welding, and propose reductions in the number of parts and structures suited to the market that offer good reparability with the use of collision performance analysis technology. We will also improve our performance analysis technology, including the use of CAE analysis, and make more realistic proposals that balance performance and *monozukuri*.

(2) Improvement of manufacturing capability: Efficient production and delivery of medium-scale assembly parts

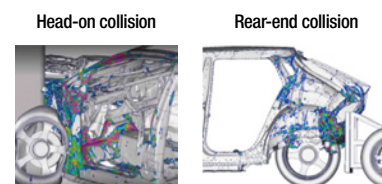
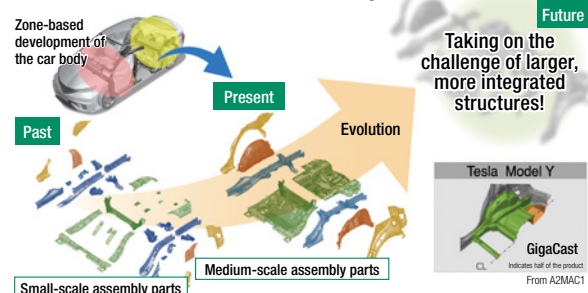
We are proceeding with mutual inventory reduction through sequential production and sequential delivery* to meet customers' needs, namely the shift to outsourcing of medium-scale assembly and synchronous production with our assembly production processes. We will also work toward the promotion of general-purpose use and shared use of lines to reduce investment and shorten lead times, which will contribute to increased sale and profits.

* Sequential production and sequential delivery: The production sequence, etc. of vehicles moving along the production line is determined several days in advance and notified to parts manufacturers. The parts manufacturers then produce and deliver parts based on that production sequence.

(3) Optimal proposals from in-house processes through to customer processes: synergies between automotive parts business and manufacturing equipment business

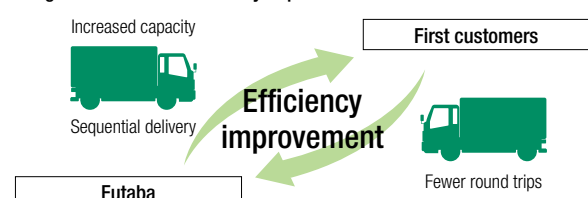
By leveraging the individual strengths of the automotive parts business and the manufacturing equipment business, we will work to offer added value that makes the most of our comprehensive knowledge from the production of Futaba parts to their installation by our customers. In so doing, we will make early proposals for the improvement of distribution efficiency through product storage efficiency improvements and space-saving measures, thus contributing to the reduction of CO₂ emissions during transportation.

Consideration of size increases: How far can we go with steel?



New and more in-depth performance analysis

Image of distribution efficiency improvement



Interior parts

Clean & green 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 a pipe structure that utilizes fiber 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.

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• Changes in instrument panel equipment for SDV*
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 for wider field of view and space

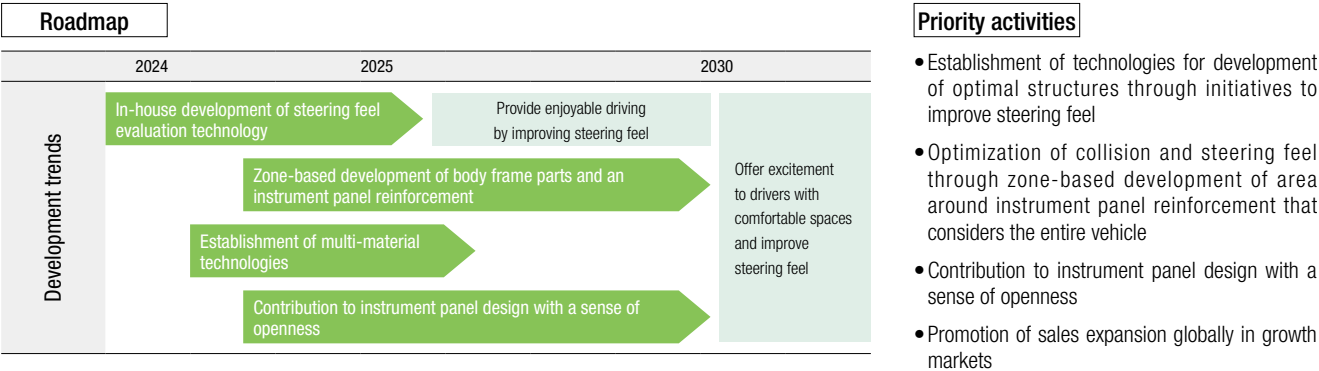
* SDV (Software Defined Vehicle): A vehicle whose functions, etc. can be updated even after sale through software upgrades

Strengths

Laser welding technology	Thin plates that cannot be arc welded can be processed through the application of laser welding, which has low thermal distortion and no burn-through.	Proposal capability	We are capable of handling body and instrument panel reinforcement from design through to production. Leveraging our strength and rigidity design technologies, we propose not individual parts but optimal overall structures.
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Strategy

We will contribute to the provision of vehicles that have comfortable mobile space and that are enjoyable to drive through instrument panel design that gives a sense of openness and products with an improved steering feel, needs for which are increasing, particularly for BEVs.



Fuel system parts

Clean & green

Peace of mind

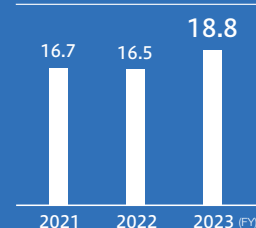
Quality of life

Summary of FY2023

We have been working on development for the adoption of recycled resin materials and reduction of the cost for canisters*¹ since FY2021. We are also developing advanced-function canisters and proposing them to automotive manufacturers in regions where environmental regulations are being tightened. Due to the recovery of the semiconductor shortages, net sales for FY2023*² totaled 18.8 billion yen, up 13.9% 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

Net sales (billion yen)



Overview

We develop, produce, and supply functional fuel system parts around a fuel tank. With stricter regulation of evaporative gas and exhaust emission standards and compliance with ORVR*³, we are shifting from canisters with a simple structure to canisters with a multi-layer structure that incorporate our own know-how. With carbon neutrality in mind, we are also developing a canister toward the adoption of recycled resin materials.

*3 ORVR: Abbreviation of Onboard Refueling Vapor Recovery

External environment/Risks and opportunities

External environment	<ul style="list-style-type: none"> • Stricter regulation of fuel efficiency and exhaust gases by countries and regions • Shift to electrification (HEVs and PHEVs) • Transformation to a sustainable society (circular economy) • Diversification of fuels, e.g. alcohol fuels
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"> • More advanced canister functions in line with stricter environmental regulations • Lower purge*⁴ due to the popularization of PHEV • Adoption of recyclable resin materials • Development of canisters for various fuels

*4 Purge: Removal of gasoline vapors that have been adsorbed in the canister and return them to the engine. Low purge means a reduction in the air to be returned to the engine.

Strengths

Development proposal capability	Incorporate Futaba's proprietary development items as appropriate for fuel-efficient vehicles and electric vehicles (HEVs and PHEVs)	Possession of the latest evaluation equipment	Evaluations in accordance with emission regulations of various countries and evaluations of durable gasoline adsorption and desorption products for certification by automobile manufacturers are possible
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Strategy

We will aim to deploy advanced-function canisters globally in line with the tightening of regulations in individual countries

Roadmap			
	2024	2025	2030
Development trends	Development of high-performance materials		Reduce the burden on the environment with new adsorption technologies
	Adoption of recyclable resin materials		
	Continued compliance with environmental regulations → Development of structure with more advanced functions (low-purge compatible)		Contribution to a sustainability society

Priority activities

- Propose advanced-function, low-cost materials to automobile manufacturers and promote development of canister elements for adoption
- Launch performance evaluation toward adopting recyclable materials and propose to automobile manufacturers
- Propose and promote development of industry top-level low purge-compatible structures incorporating Futaba's patented items

Exhaust system parts



Clean & green

Peace of mind

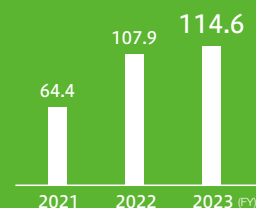
Quality of life

Summary of FY2023

In the area of exhaust pipes, we began mass production of the exhaust system for Toyota Motor Corporation's Land Cruiser "70" (model reintroduced in Japan) and the exhaust manifold for the Lexus GX and LBX. Due to the recovery of the semiconductor shortages, net sales for FY2023*¹ totaled 114.6 billion yen, up 6.2% from the previous fiscal year.

*¹ Excluding parts supplied by customers

Net sales (billion yen)



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 the circular economy into account, and to expand the range of environmentally friendly products.

*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

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 Slowdown in BEV adoption and expansion of PHEV growth 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 Rise of Chinese automobile manufacturers in electric vehicle space (intensifying cost competition)
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 Development of new engines by Japanese automobile manufacturers (multi-pathway strategy) Immediate growth in demand for engine-powered vehicles in India Expansion of possibilities for adopting new sources of energy (hydrogen, e-fuel*³) toward carbon neutrality

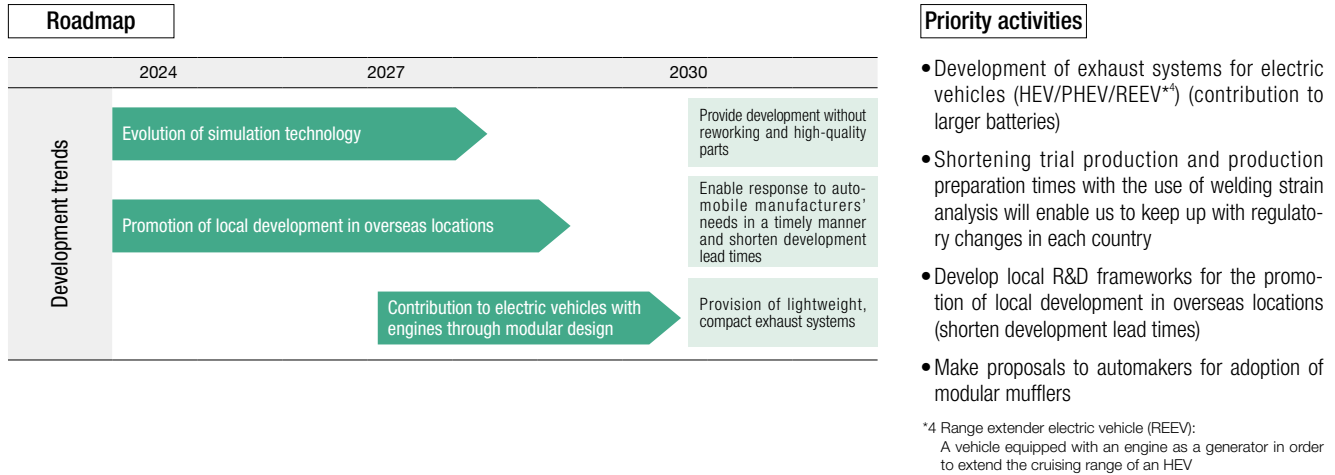
*³ e-fuel: Synthetic fuel manufactured by the synthesis of CO₂ and hydrogen derived from renewable energy

Strengths

Development track record <p>We are a system supplier familiar with functionality that can accept contracts for all processes, from the concept development stage onward, from manufacturers of automobiles, agricultural machinery, and construction machinery</p>	Advanced product performance development capabilities <p>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</p>	Reduction of development lead time <p>Reduced need for rework and use of agile development through design support AI that leverages veteran knowledge</p>
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Strategy

We will make timely proposals of exhaust systems that meet the needs related to electrification and stricter exhaust gas regulations in individual countries.



Materialization of new value creation — electric vehicle-related parts —

Overview

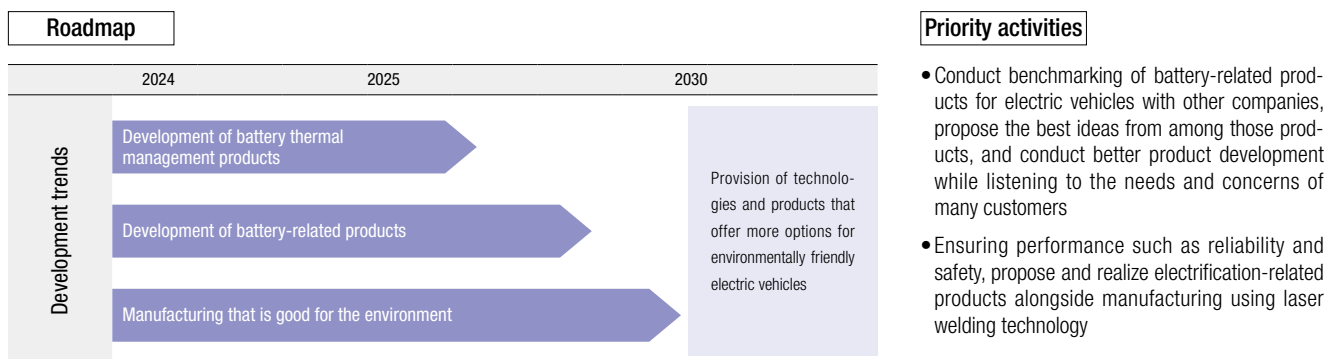
Leveraging our strong technologies cultivated in the development and mass production of body parts and exhaust systems, we will develop and propose battery cooling plates and other new products for electric vehicles, mainly BEVs, to contribute to a carbon neutral society.

Strengths



Strategy

In the electric vehicle market, which is expected to grow, leveraging our strengths of technological development and manufacturing capabilities, we will work to enter markets and win orders so that we can contribute as much as possible to fuel-efficient (power-efficient) vehicles with large cabin spaces and provide environmentally friendly products with low CO₂ emissions during manufacture on a global scale.



Equipment for external sales business

Clean & green 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 high quality and shorten production lead time, with the application of advanced know-how of equipment production and the utilization of the latest technology of digital twins.

Strengths

Development capabilities

Capabilities in joint development of new production lines and systems by joining forces and working within the automobile manufacturer

Human resources

Capabilities in proposals to customers by our experienced, talented personnel

Strategy

By integrating manufacturing equipment and service solutions, we will offer highly safe equipment that is trusted highly by customers on a global basis.

Roadmap

	2024	2025	2030
Development trends	Evolution into a production system supplier and human resources development for that purpose		
	Contribution to carbon neutrality through life cycle assessment (LCA)* in equipment manufacturing		
	Optimal purchasing that is considerate of the global environment / Network of local production for local consumption		
	Optimal distribution through synergies between the equipment and parts businesses / Provision of optimal equipment		

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

Priority activities

- Joint development of new lines and their systems through collaboration with customers
- Smarter and shorter field work*, such as workless teaching using digital technology
- Receipt of orders for new lines for emerging countries and local purchasing/localization tailored to customer preferences
- Proposals at assembly level of parts suitable for automated supply to customers' body production lines through collaboration in parts production

*Field work: Traveling to the site where equipment is installed to perform maintenance and inspection, etc.

Agricultural business

Clean & green Peace of mind Quality of life

Overview

We produce and sell the agleaf® CO₂ system for greenhouse cultivation. This system collects and purifies exhaust gases from combustion-type heaters used at night, stores the CO₂, and recycles it for the promotion of photosynthesis during the day. Adoption of our products is 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.

Strengths

Development capabilities

Capability of new product development with the utilization of a core technology we have cultivated

Reduction of CO₂ emissions

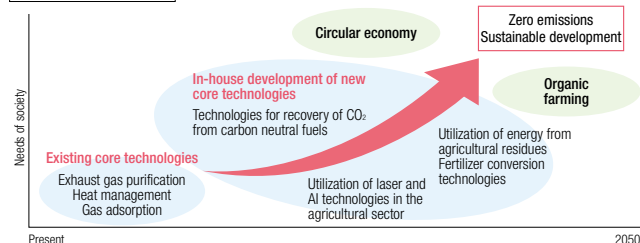
Contribution to the reduction of CO₂ emissions with CO₂ recycling technology

Strategy

In response to the strategy for sustainable food systems, MeaDRI*, which will realize both the improvement of agricultural productivity and sustainability, we will promote the expansion of the agricultural business through the challenges of "application of existing core technologies" that contribute to the achievement of zero CO₂ emissions and the expansion of organic farming and "in-house development of new core technologies."

*Strategy for sustainable food systems, MeaDRI: A policy direction formulated by the Ministry of Agriculture, Forestry and Fisheries in May 2021. With the aims of achieving zero CO₂ emissions in the agriculture, forestry, and fisheries industries, it sets targets that include the reduction in the use of chemical pesticides and fertilizers and the expansion of organic farming.

Roadmap



Priority activities

- Further improvement of performance of CO₂ systems
- Development of CO₂ recovery technologies for carbon neutral fuels
- Development of weeding robots that use laser technology
- Use of energy circulation systems for agriculture aimed at a circular economy
- Increase in recognition of "agleaf®" agricultural brand

Challenge of new business toward the future society

Clean & green

Peace of mind

Quality of life

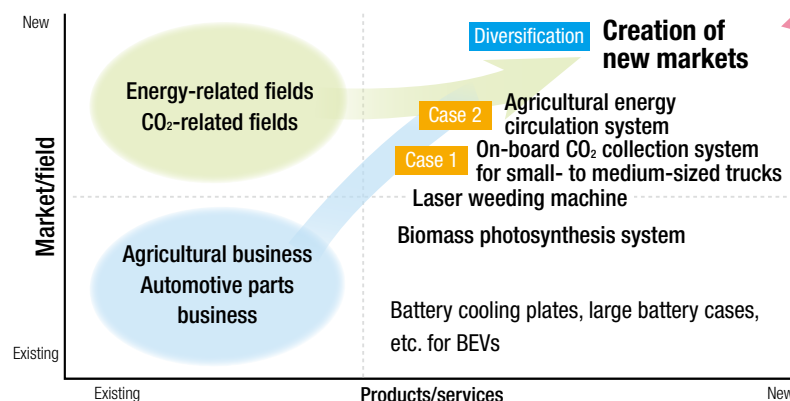
Message from the Officer in Charge

The Business Development Center was newly established this year to further accelerate and realize the creation of new businesses. Shifting human resources to areas of advanced development, as well as embracing the changes in automotive society, we are exploring and researching both existing and future technologies. In addition, beyond the automobile business, we are also conducting research and development that will contribute to responses to greenhouse gases and the effective use of energy, in our quest for further evolution in the areas of agriculture and carbon neutral business. We will continue our journey of challenge to create new markets and to turn as many potential themes into business as possible.

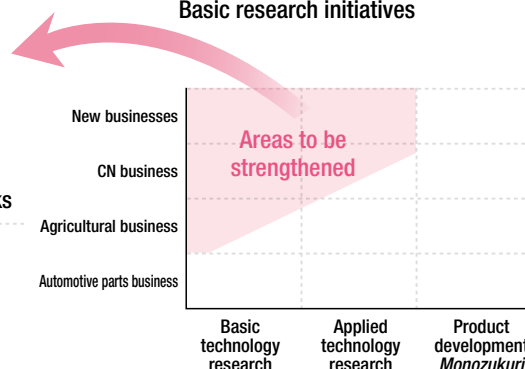


Yutaka Yamada
Center Chief, Business
Development Center

Direction of new business creation



Basic research initiatives



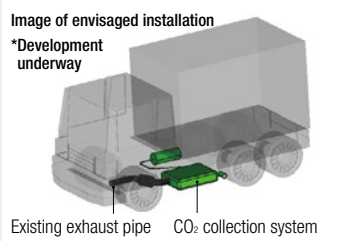
- ◎ **Co-creation:** Active promotion of open innovation to generate synergies
- ◎ **Creation:** Promotion of business creation in new markets and sectors
- ◎ **Challenge:** Take on the challenge of solutions businesses for future society

- ◎ **Applied technology research**
Technology themes that make concrete use of core technologies
- ◎ **Basic technology research**
New core technology themes

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 by distribution trucks, which are difficult to electrify. As this system will be able to be retrofitted to engine-equipped vehicles, we believe that this business will contribute greatly to making existing vehicles carbon neutral. We have partnered with a university in the area of materials development and with a logistics company for in-vehicle demonstration and are promoting the development of this business. We will continue to strengthen collaboration with our partners and pick up the pace of development with the aim of practical application at an early stage.



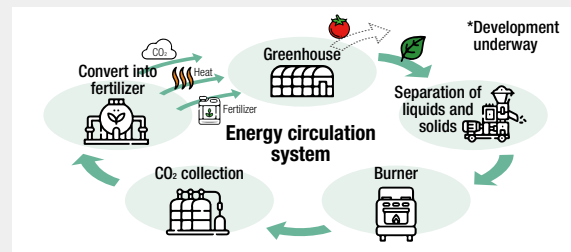
Progress and future developments

In February 2024, we tested the system on public roads with our logistics company partner and confirmed travel of about 10 km with zero CO₂ emissions. We are now working on further enhancement of the device's performance and on making it lighter and more compact, developing the system with the aim of practical application in 2027.

Case 2

Agricultural energy circulation system business Producing and using energy generated from agricultural residues

We are considering the utilization of agricultural residues with the dual aims of improving productivity and achieving sustainability in the agricultural industry. Residues will be separated into liquids and solids, after which the solids will be burned to extract heat and CO₂, and the liquids will be mixed with the resulting ash to make fertilizer. Our current challenge is to build a system that circulates these residues in a cycle of self-production and self-consumption. We will continue to engage in activities that contribute to the circular economy by putting limited resources to effective use.



Progress and future developments

We are conducting demonstration trials of the individual elemental technologies for each function to verify our hypotheses. Our next move will be to introduce a trial system at actual farms and other facilities and clarify the feasibility of such a business, including building a business model.

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. Through these activities, we will be able to appropriately allocate our earnings to the three pillars of (1) shareholder returns, (2) investments toward corporate growth, and (3) repayment of interest-bearing debt. 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 practice management 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.



Hideki Imai

Center Chief, Accounting and Finance Center

FY2023 Results

Equity ratio
37.2%

Interest-bearing debt
62.0 billion yen

Review of FY2023 and outlook for FY2024

Looking at the automotive industry in FY2023, the number of new vehicles sold increased year on year in all regions due to the easing of production constraints caused by semiconductor shortages, among other factors. Nonetheless, the industry faced challenges, such as cost increases due mainly to high prices of raw materials and rising labor costs and intensifying competition due to mass launches of BEV models, including by emerging manufacturers in China.

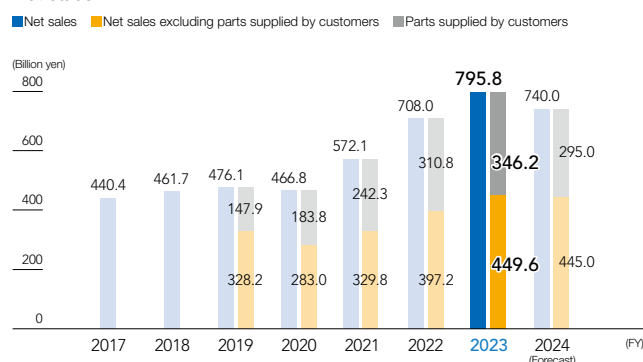
Under these circumstances, the Group posted record-high net sales and profit. Net sales increased 12.4% to 795.8 billion yen, and profit was up across the board due to factors such as an increase in sales of the automotive parts business. Operating profit increased 150.1% to 19.2 billion yen, ordinary profit increased 138.0% to 18.4 billion yen, and profit attributable to owners of parent increased 21.3% to 12.8 billion yen.

The three segments of Japan, Europe, and Asia recorded increases in net sales and profits. In particular, the North America segment became profitable, partly due to the progress of the break-even point improvement project that began in FY2023. On the other hand, in the China segment, net sales and operating profit decreased mainly due to a decrease in Japanese OEM sales resulting from growth in BEVs from Chinese companies.

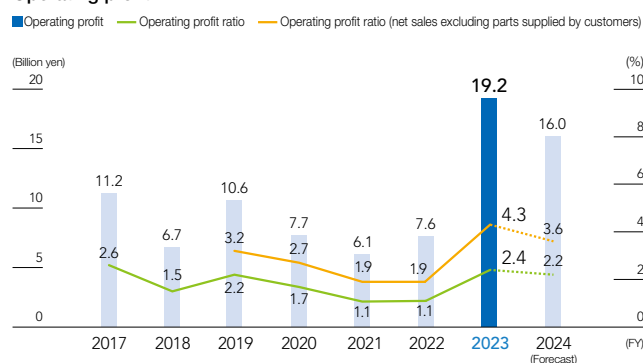
In line with the progress of the medium-term management plan for FY2022 to FY2024, we have developed a business structure that can generate stable cash flows. As a result, the balance of interest-bearing debt at the end of FY2023 decreased by approximately 30% from three years earlier to 62 billion yen, and the debt-to-equity ratio improved to 0.5x. We are making steady progress in strengthening our financial position, and are preparing to step up R&D investments and capital expenditures for future growth.

The automobile industry is in the midst of an unprecedented period of major change. Continuing in FY2024, the Company will strive to enhance its earnings capacity and strengthen its business foundation by steadily promoting cost improvements through streamlining production and distribution.

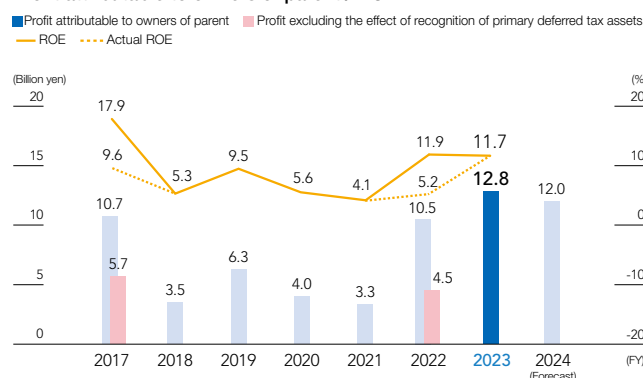
Net sales



Operating profit



Profit attributable to owners of parent / ROE



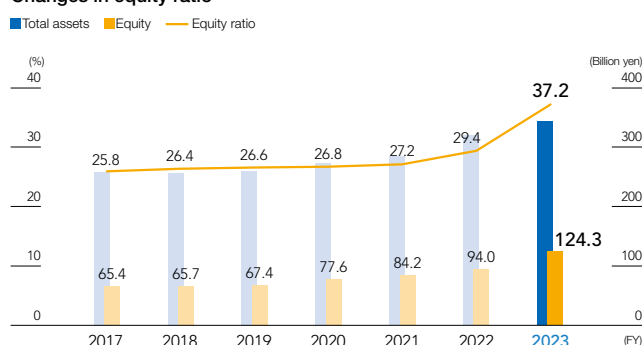
Basic capital policy

Our basic capital policy is to secure financial security. In addition, under the medium-term management plan for FY2022 to FY2024, we are working to strengthen our financial standing based on the policy of strengthening earnings capacity and increasing free cash flow.

At the end of FY2023, the equity ratio was 37.2%, approaching the current target of the 40% level.

With respect to realizing management that is conscious of cost of capital and stock price, we are promoting initiatives to secure return on capital that exceeds the cost of capital. We have set a target ROE of 10% or more as a specific indicator, and aim to improve corporate value and shareholder value over the medium- to long- term. In FY2023, ROE was 11.7%, achieving our target for the second consecutive fiscal year.

Changes in equity ratio



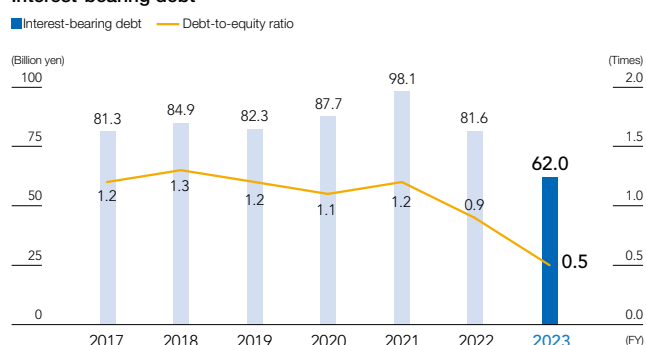
Financial position

In FY2023, the effective use of operating cash flow and improvements in the efficiency of funds within the Group resulted in a balance of interest-bearing debt at the end of the fiscal year for the Futaba Group of 62 billion yen. The debt-to-equity ratio was 0.5x, and the equity ratio improved by 7.8 percentage points from the previous fiscal year.

In FY2024, we will continue to steadily prepare for future growth investments (increased production, new development) by allocating operating cash flow to necessary capital expenditures and R&D funding and further reducing interest-bearing debt.

By steadily generating cash flows, we will balance the maintenance and improvement of financial soundness with return to shareholders and investment for future growth, while underpinning building a future business portfolio.

Interest-bearing debt



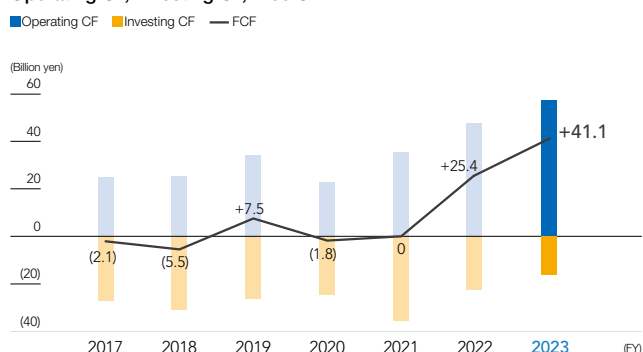
Investments (capital expenditure and R&D expenses)

Capital expenditure is an important item to drive the growth of the Futaba Group. However, there have been fiscal years where several model changes resulted in negative free cash flow.

At present, the maximum amount of investment is set at 25.0 to 30.0 billion, and investments are made while maintaining a balance between capital expenditures for model changes and other new and renovation investments.

In addition, as a result of efforts to reduce investment through the reuse of existing facilities and the shutdown of production lines, etc., we achieved the free cash flow target in the medium-term management plan (6.0 to 15.0 billion yen) for the second consecutive fiscal year.

Operating CF, Investing CF, Free CF



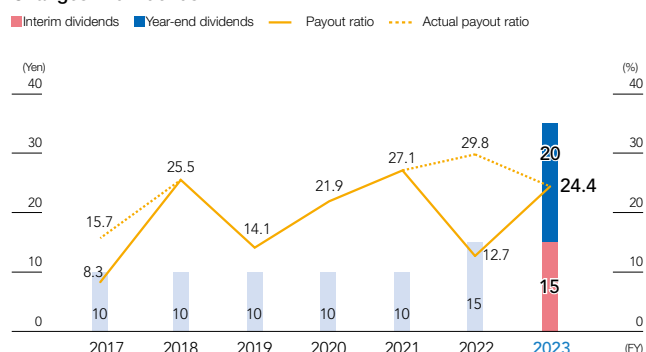
Shareholder returns

We strive to enhance shareholder returns, primarily dividends, taking into consideration the optimal balance between capital soundness and investment for growth. In addition to maintaining stable dividends as before, we will strive to maintain and increase dividends with a target payout ratio of around 30%, while taking into consideration the reduction of interest-bearing debt aimed at improving financial position.

In FY2023, we restored the interim dividend and increased the annual dividend by 35 yen (interim dividend of 15 yen and year-end dividend of 20 yen; payout ratio of 24.4%).

Going forward, in order to meet the expectations of our shareholders, we will steadily achieve the management targets set out in the medium-term management plan and strive to improve corporate value and enhance shareholder returns.

Changes in dividends



Manufacturing 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. In order to raise the capabilities of each and every employee, we have begun new activities to elevate our safety and quality, as well as to improve training and job satisfaction. In addition, we are accelerating our best practices and DX initiatives to improve productivity and earnings capacity. We always consider manufacturing from the customer's point of view and strive to provide value that exceeds customer expectations.



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. In addition, we have established quality gates at milestones from the development and design stages to production preparation and mass production, and confirm quality assurance integrity as a quality watchdog.



Satoshi Yamada
CQO, Center Chief,
Quality Management Center

FY2023 Results

Number of production sites

27

Capital expenditures

19.2 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 manufacturing 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 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 began Best Practice Activities aimed at the global lateral deployment of our superior manufacturing processes and the development of even more superior processes. In FY2023, we carried out activities under five themes: raising the productivity of large transfer presses, improving the profitability of instrument panel reinforcement, consolidating body welding lines, improving competitiveness in exhaust system vendor processes, and standardizing quality control operations.

In FY2023, we improved press productivity by between 5% and 10% compared to FY2022, the year we began these activities. In addition, we have come within striking distance of our targets of reducing the number of welding lines by about 20% in 2025 and, of these, increasing the number of two-shift produc-

tion lines by about 40%, despite an increase in the number of production units. In addition, we have made progress in the development of new best processes, such as automating inspection processes that used to rely on manual labor by utilizing cameras and lasers.

In terms of lateral development on a global scale, we hold brainstorming sessions that bring together those responsible for promoting activities at Group companies in Japan and overseas. These sessions explain newly developed processes on site and examples of improvements, and we follow up on the implementation status of best processes at overseas sites and strengthen them.

In FY2024, we will newly establish the themes of strengthening preventive maintenance of presses and improving the competitiveness of exhaust manifolds, and expand activities to strengthen our earnings capacity.

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 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).

In addition, we allocate personnel on a priority basis to our quality assurance unit to identify quality-related risks from the initial stages of product development to the manufacturing process.

Furthermore, we are focusing on the use of digital transformation (DX) to organize past failure information and provide feedback to the initial stage of product design.

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

Strengthening the quality assurance promotion system and governance

In April 2024, we launched the Quality Management Center, which consolidates organizations for quality assurance, quality audits, quality technology, and quality control into a single division. From the perspective of global quality assurance from the planning and design development stages, we will promote prevention activities incorporating countermeasures in the presumption of certain quality risks, thereby further ensuring quality assurance for customers. During audits, in addition to the QA inspections that have been conducted in the past, we are also conducting detailed and careful interviews with concern to psychological safety, such as whether or not there is an open workplace environment and culture. Specifically, we seek to determine if workplaces allow personnel in development and evaluation divisions, such as engineering and production engineering, as well as those in production divisions to speak out about any problems, whether or not excessive pressure is applied, and whether or not evaluations are made on a subjective basis, in order to investigate and respond to potential risks.

Quality improvement activities

We are conducting our daily activities to respond to the expectations of our customers, such as business quality improvement with TQM and quality control activity confirmation meetings at manufacturing plants. 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, relevant departments within the Company cooperate to thoroughly investigate the cause and take measures to prevent recurrence. Top management also visits sites to confirm the accuracy of countermeasures, feedback to engineering, and production engineering divisions, and standardization.

Performing QA inspection

The Process Management Audit Department conducts QA inspections (quality assurance structure inspections and process inspections) at all plants in Japan and overseas. Any issues that emerge will be followed up on until improvements are completed, and confirmation will also be made regarding their deployment to other processes. In addition, strong initiatives are introduced at events such as quality function meetings and during Quality Month, part of company-wide efforts to elevate quality. We also conduct QA inspections of suppliers' processes and advance improvements.

Human resources development activities

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

During the Global Quality Month in November every year, we raise the quality awareness of all employees and create a quality culture under the theme of "Know, Think, and Act on Futaba's Quality." In addition, we have been holding global quality brainstorming sessions since 2023, the launch of activities where quality divisions come together and brainstorm.



Quality control activity confirmation meeting



QA inspections overseas

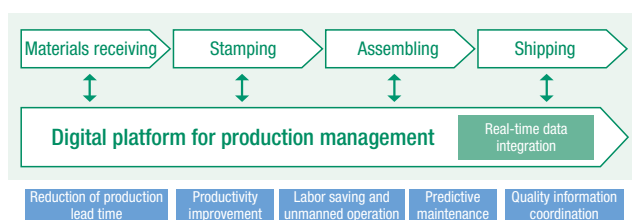


Global quality brainstorming sessions

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. Through the realization of these initiatives, we are advancing efforts as planned in identifying real-time production status and reducing production management man-hours.



Smart Factory

Leveraging digital technology for efficient production and automation

Real-time data integration

We integrated our real-time production information collection system with our shipping management system to improve productivity, optimize inventory, and shorten production instruction information lead time. We are also building field networks so that digital technologies can be safely utilized at production sites.

Automation of distribution within the premises

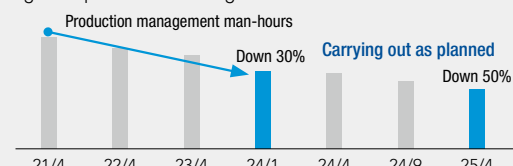
We are working to automate parts distribution by utilizing self-driving transportation technology. We aim to further strengthen our manufacturing capabilities through automated collection of parts tailored to production conditions, integrated with production information.

Virtual One Factory

Centralized control of production management operations at multiple plants in Japan

From FY2022, we have established a central control office at the Kota Plant to consolidate production control operations for assembly lines at six plants in the Mikawa district. This has contributed to a reduction of approximately 30% of processes in related operations.

We will further increase efficiency through the use of digital technologies and shift to high-value-added work, such as through medium- to long-term production strategies and innovative distribution reforms.



Intellectual Capital

Our Engineering Center develops mobility products that support safe, secure, and environmentally friendly mobility. The environment surrounding BEVs, software-defined vehicles (SDVs), gigacasting, and other technologies is changing rapidly, and we are striving to further advance our core technologies and develop new products. In addition, we are working to advance the development process using digital technologies and AI. We intend to create new products that satisfy customers by exceeding many different kinds of expectations.



Toshiyuki Hisatsune
Center Chief,
Engineering Center

Our Production Engineering Center continues to evolve toward the realization of Smart Factory through the use of materials and process designs that take the global environment into consideration, using a wide range of digital technologies to shorten production preparation lead times while ensuring high quality and efficient capital expenditure. In addition, in order to immediately adapt to new technologies and new businesses, we are proactively working on new production methods and transformation of existing production methods, constantly looking one step ahead of ourselves.



Toshio Yokota
Center Chief, Production
Engineering Center

FY2023 Results

R&D expenses
5.0 billion yen

Patent filings
95

Patents held
Domestic 292 Overseas 246

R&D initiatives

Basic approach

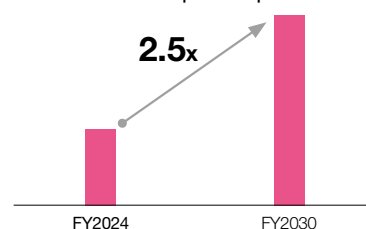
Our R&D is centered on the forming and welding technologies it has developed since its foundation. To address social issues and meet customer expectations, we are evolving our technological development capability and manufacturing capability and creating new products, new production methods, and new businesses. Toward the realization of a sustainable, prosperous society, we will work to evolve existing products and develop new businesses using the strengths we have gained through our activities to date and open innovation, and create new value.

Approach to value creation

We expect a decrease in net sales of engine-related parts due to the spread of BEVs. However, in the development of existing products that will form our business foundation, we are working to develop new products and new production methods that will be needed amid rapid environmental changes, including the development of products for electric vehicles, in addition to the structural development of body parts and zone development of solutions.

In new business development, we have established the Business Development Center, which will take charge of expanding future business areas, including research activities, based on the belief that the utilization of advanced technologies and proprietary technologies is essential as long as we engage in the manufacture and sale of industrial products as a regular business. We plan to increase investment in development expenses to 2.5 times the current level and accelerate the creation of new businesses by creating new partners through open innovation.

New business development expense forecast



Evolution of existing products



- Streamlining the development structure by improving quality and speeding up development using digital and AI technologies
- Pursuing the potential of steel, and taking on the challenge of even larger and more integrated structures utilizing forming and laser welding technologies
- Zone development that brings about an optimal layout of body parts and exhaust system parts, etc., in a holistic consideration of the entire vehicle
- Further improving CAE analysis for confirming collision performance
- Developing battery cooling plates for electric vehicles
- Developing modular design and mixed-flow line design for exhaust systems
- Improving steering feeling of instrument panel reinforcement

Creating new businesses



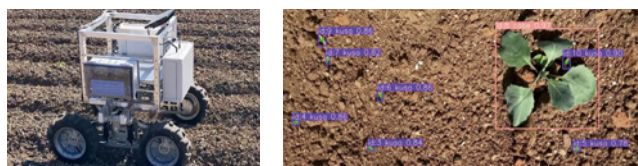
- Establishing the Business Development Center to explore new technologies and businesses
- Shifting resources, including aggressive investment and personnel enhancement
- Establishing a CO₂ collection and utilization business model
- Promoting development of super lean burn technology for engine-powered vehicles
- Developing a woody biomass combustion photosynthesis stimulation system that uses no fossil fuel and emits virtually no CO₂
- Developing an agricultural energy circulation system contributing to the circular economy
- Developing a laser weeding machine to address the challenges of organic farming

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 by 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. In agriculture, we are promoting the development of a laser weeding machine that utilizes the laser and image recognition technologies developed in the automotive parts businesses to address the issue of weeds often found in organic farming, an initiative promoted by the Japanese government that does not use agricultural chemicals.



Development of environment-friendly green mobility system

With regard to exhaust pipes, we launched mass production of parts for sound dampening and lighter weight for Toyota Motor Corporation's Land Cruiser "70" and Levin (China), and for Suzuki Motor Corporation's Swift and Fronx (India). In addition, we began mass production of exhaust manifolds for the Lexus GX and LBX. In each of these areas, we are working to develop environmentally conscious products on a global scale.

Open innovation

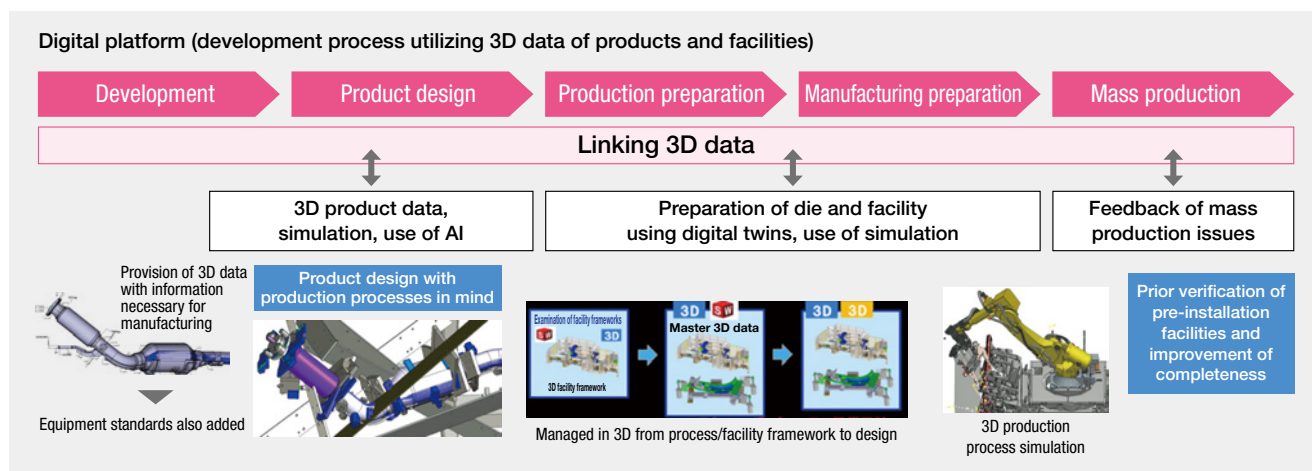
Utilizing each other's knowledge and technologies, we are pursuing joint development with universities, municipalities, and companies in different industries. The aims are to develop new technologies and shorten development time. In the development of an on-board CO₂ collection system for small- to medium-sized trucks, we are inviting a wide range of partners to collaborate, including cooperating with universities in material development, and cooperating with partner distribution companies in verification studies. We are also involved in the development of super lean burn technology alongside universities and other companies, and are working to promote the development of hydrogen-producing fuel reformers.

We will continue to expand the circle of partners and promote the development of co-creation businesses.

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 in FY2025 versus FY2020.

In FY2023, we achieved a 25% reduction in project man-hours (development lead time) compared to FY2020, and will further advance operational reforms in the development process in order to shift resources to high-value-added operations.



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 the Engineering Center, Production Engineering Center, Business Development Center, Production Center, and others. Furthermore, we seek advice from our patent attorney as necessary before promoting the Company's activities.

Human Capital

With the aim that every employee plays an active role, an environment where each and every employee can work with enthusiasm, we place the highest priority on nurturing employees to enhance their capabilities and improving their job satisfaction to encourage employees to demonstrate their capabilities. We will encourage the cultivation of our employees through training and career development programs that help employees improve the skills they need.

In addition, in order to create a workplace environment with job satisfaction, we are focusing on creating a safe and healthy working environment, as well as improving benefits and workplace culture. With the aim to be a company where all employees can work with a sense of satisfaction, we will pursue sustainable growth.



Kenichi Nakao
Center Chief, General Affairs
and Human Resources Center

FY2023 Results

Percentage of experienced hires (non-consolidated)

27.5%

Turnover rate (non-consolidated)

2.3%

Percentage of overseas employees

56.2%

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

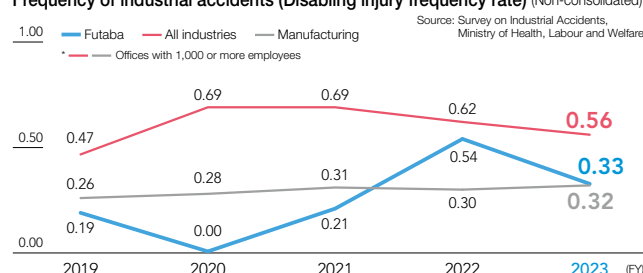
We have established the PDCA cycle of occupational health and safety activities in each of our workplaces and put in place a structure for greater promotion of and enhanced education on our occupational health and safety management system (OSHMS), thereby improving our workplace safety culture.

In addition, in our work to create an environment where everyone can work safely and with peace of mind, we are striving to create workplaces with risk mitigation measures to prevent disasters from happening. This is achieved by using educational video tools in multiple languages, improving individual risk sensitivity through measures such as creating time for safety education, workplace observation activities by position, and risk assessment*¹ promotion activities. We will also focus on developing human resources who strictly observe work rules.

*¹ 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.

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



Industrial accident prevention initiatives

We implemented STOP 6*² initiatives and focus on risk reduction activities in particular to prevent accidents arising from transportation of heavy objects and accidents related to vehicles (forklift work), both of which have a high probability on our worksites. We are working to identify potential dangers in operations, make improvements, and reduce risks.

*² 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.



Forklift operation capacity evaluation test

Safety education

Under our belief that it is possible to achieve a zero accident record, Futaba prepares standard work procedure documents and are working to ensure that basic practices are thoroughly carried out, so that they follow proper work procedures to achieve zero-accident workplaces. In addition, we are carrying out activities to prevent past disasters from fading away, as well as holding annual hands-on training for workers, in order to ensure all employees are keenly aware of the importance of following rules.



Safety experience training venue

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.

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 2024 Certified Health & Productivity Management Outstanding Organization (large enterprise category), marking the second consecutive year of certification.



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.

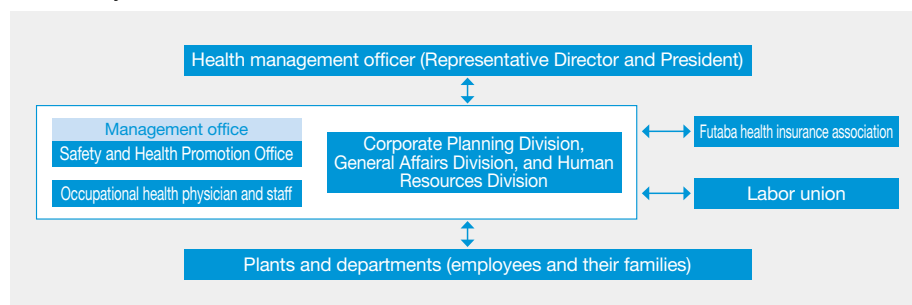
3. Employees will try to improve their lifestyles to stay healthy.

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

We are working to tackle the health of issues such as a lack of people with strong exercise habits, poor dietary practices (e.g., eating too fast), and high smoking rates. We are taking a range of actions, including a high-risk approach such as work restrictions, and approaches that focus on improving lifestyles, such as health guidance by doctors and public health nurses to people other

than those subject to specific health guidance. From FY2023, we have been working on the Health Challenge 8 initiative company-wide to raise employees' awareness of their own health and establish healthier habits. Here, we have introduced a mechanism in which each department's health leaders take the initiative in calling on employees to build health habits.

Category	Indicator	FY2020 Results	FY2021 Results	FY2022 Results	FY2023 Results	FY2025 Target ^{*3}
Physical-related	Rate of metabolic syndrome	7.5%	8.0%	8.0%	8.9%	7.2%
	Rate of employees at high risk for disease	1.26%	0.89%	0.56%	0.82%	0.49%

^{*3} Target values set based on 2021 data

Exercise promotion initiatives

The Company was certified as a Sports Yell Company 2024 by the Japan Sports Agency as a company that actively promotes sports to improve the health of its employees.

With specific events such as internal 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 subsidizing exercise fees, such as for sports facility usage.

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 up to 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 meals in consideration of those health issues as a monthly health event. In FY2023, we began using Pitto Reji, a cash register-style tool that allows employees to view the calories and nutrients they consume on their smartphones at the cafeteria, and this has helped to raise employees' health awareness.

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 specified smoking times, 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.

As a preparation for this, in FY2023, we launched a program to support employees to quit smoking^{*4}, which replaces the existing support campaign. This new program covers all expenses incurred for smoke cessation and supports those volunteering to quit smoking. Although the number of participants decreased compared to the previous campaign to support employees to quit smoking due to the company-wide internal declaration involved for quitting smoking, a boosting effect from supporters also improved the smoking cessation achievement rate.

Participants in the challenge to give up smoking

FY	2020	2021	2022	2023 ^{*4}
No. of participants	24	40	25	8
Achievement rate	50	30	46	87.5

^{*4} Program to support employees to quit smoking: a program to support employees who will quit smoking provides support from surrounding colleagues for employees who declare they will take on the challenge of quitting smoking, ahead of prohibit smoking on all company property on April 1, 2025.

Helping employees build mental health

We carry out activities based on guidelines for four types of mental health care^{*5} 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 especially in the early stage of joining us, and focus on implementing initiatives aimed at helping new employees stay mentally healthy. In addition, 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 environment improvement.

^{*5} Four types of mental health care in mental health guidelines

Refers to initiatives for four kinds of mental health action as defined by the Ministry of Health, Labour and Welfare. There are four approaches: (1) self-care, (2) care by management and supervisors, (3) care by industrial health staff, etc. placed at offices, and (4) care by external resources.

Initiatives for women's health

We hold seminars on health issues specific to women and cancer awareness 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 measurement, and many employees, regardless of gender, participated. Furthermore, we raised awareness about breast cancer through exhibition booths at company events to give not only employees but also their families the opportunity to think about breast cancer.

Human rights initiatives

Basic approach

In order to realize a sustainable society, the Futaba Group recognizes that it is important to respect the human rights of all people involved in business activities, including employees. In accordance with the United Nations Guiding Principles on Business and Human Rights, we will thoroughly comply with the laws and regulations of each country and region in which we conduct business activities. In the unlikely event that an adverse effect on human rights is directly caused or an indirect effect becomes apparent, we will take appropriate measures to rectify or remedy the situation.

Futaba has established the Futaba Group Human Rights Policy as its highest policy regarding human rights. Based on these guidelines, we will promote management that further respects human rights in each country and region where we conduct business activities.

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

Promotion system

We work with relevant internal organizations such as the Corporate Planning Center and the Purchasing Center to disseminate information within and outside the company. In addition, we regularly report the progress of initiatives related to human rights at the Sustainability Promotion Committee, in which Directors participate.

Human rights due diligence

With the aim of respecting human rights on a global scale, we have selected four priority action themes for human rights compliance. In FY2023, we began conducting surveys on these four priority action themes for Group companies in Japan and overseas. Beginning in FY2024, we plan to conduct on-site inspections and provide training to Group companies in Japan.

Four priority action themes (1) Prohibition of discrimination, respect and inclusiveness of diversity, (2) Prohibition of harassment, (3) Prohibition of illegal immigrant labor and forced labor, (4) Prohibition of child labor

Prevention of harassment

We have designated December of each year as Harassment Prevention Month, in order to deepen understanding of harassment and prevent harassment before it happens. During the first Harassment Prevention Month in 2023, we sent out a message from the President regarding the prevention of harassment and placed internal posters. In March 2024, we created an original educational video for viewing by employees. Through these and other efforts, we have been ceaselessly disseminating our message toward the eradication of harassment.

Creating supportive workplaces

Basic approach

Futaba works to create an environment in which each employee can choose their own way of working according to their life stage. We support employees so that they can work with a sense of satisfaction while placing importance on work-life balance.

Status of paid annual leave taken/Status of overtime work

The status of paid annual leave taken and the status of overtime work are followed up monthly by labor and management at each business site, and efforts are made to encourage the use of paid annual leave and to reduce overtime work. With regard to paid annual leave, we have established a system for taking three consecutive days of paid annual leave, and promotes the use of a large number of days off (five days off in total, including Saturdays and Sundays) so that employees can refresh themselves both physically and mentally. With regard to overtime work, each Wednesday is set as a No Overtime Day when staff are urged to leave at the fixed time. In addition, we recognize the problem of load being unfairly distributed to some employees, and will promote measures to equalize the workload.

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

FY	2019	2020	2021	2022	2023
Days	17.5	17.9	19.4	18.6	18.5

Average number of overtime hours per month (union members on a non-consolidated basis)

FY	2019	2020	2021	2022	2023
Days	22.5	20.4	21.4	19.3	21.2

Support for balancing work and childcare

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 and are working to create a supportive working environment for employees during their parenting years.

Main measures to support childcare * Underlined portions indicate systems that exceed statutory requirements.

- **Childcare leave** (until the child reaches two years of age)
- **Shorter working hours for childcare/Shortened flexible working hours for childcare** (until the child has completed the sixth grade of elementary school)
- **Restrictions on overtime and late-night work** (until the child enters elementary school)
- **Child nursing leave** (until the child has completed the sixth grade of elementary school; five days per year; maximum of 10 days)
- **Child school event leave** (until the child has completed the third grade of high school; three days per year; maximum of six days)

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

FY	2019	2020	2021	2022	2023
Male	0%	6%	11%	35%	66%
Female	100%	86%	95%	121%	79%

* The percentages may exceed 100% because female employees and/or spouses of employees who had given birth in a prior fiscal year took childcare leave during the current fiscal year. In FY2023, 100% of female employees who gave birth in that fiscal year took childcare leave. However, if a woman gave birth at the end of FY2023, she would be counted as a person who took childcare leave in FY2024. Therefore, the percentage of women who took childcare leave was below 100%.

Feedback from childcare support system users



**Satoshi Ohno, Team Leader,
Manufacturing Department, Kota Plant**
[Childcare leave]

I was able to take a whole year of childcare leave thanks to the support of the entire workplace to eliminate the worries I had during the leave. I was keenly aware of the difficulties of raising a child, and regretting that I had been avoiding those responsibilities because of my work. However, I think I brought greater happiness to my family since I was able to focus on raising my child during the leave.



Namiko Ono, Human Resources Division, Head Office
[Remote work] [Childcare leave]
[Shorter working hours for childcare]
[Shortened flexible working hours for childcare]
[Child nursing leave] [Child school event leave]

After returning from childcare leave, I have been able to work according to my child's needs (such as transportation to and from nursery schools and lessons) by utilizing each system available to me. With the understanding of my superiors and colleagues, I was able to work with flexibility, which gave me more time to spend with my child.

Hot-desking system for offices

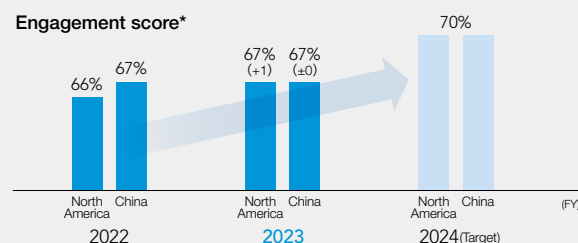
With the spread of working from home due to the COVID-19 pandemic, the lack of communication among employees has been an issue for the Company as a whole. In order to create a workplace where employees can relax both physically and mentally, regardless of their attributes, we launched a three year plan to improve the office environment in FY2023. Since then, employees have offered feedback like the new system has led to increased communication and that operational quality has improved due to environmental changes.



TOPICS Improving employee engagement

The Futaba Group believes that high levels of employee engagement lead to stronger competitiveness as a company, and is working to improve employee engagement.

For Group companies in North America and China, we conducted a common global engagement survey, and strengthened measures in each region based on the survey results, such as utilizing town hall meetings to promote communication between management and employees regarding corporate direction. In FY2023, in China, improvements were seen in items such as dissemination of strategies, and in North America, the overall score increased from the previous year. Going forward, we will continue to implement measures that will improve employee engagement.



* Proportion of employees who responded positively to engagement indices.

In addition, in Japan, with the aim of improving job satisfaction, from FY2023 we began conducting a questionnaire including engagement questions for all employees (non-consolidated). Of all employees, 87% participated in the survey, which sought to determine how they think about their company and their jobs.

By continuing this survey and conducting on-site interviews (grassroots activities, described below), we are working to improve job satisfaction.

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

Basic approach

The Futaba Group positions the promotion of DE&I as one of its key management strategies aimed at achieving sustainable growth. In accordance with 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 “every employee plays an active role” 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 clean & green, 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.

Strengthening the diversity promotion framework

In January 2024, we established the Diversity Promotion Section, a dedicated department within the General Affairs and Human Resources Center and started its activities to further strengthen the DE&I mindset of each and every employee. This is also designed to revitalize organizational culture that serves as the foundation for realizing “every employee plays an active role,” in which diverse human resources can maximize their abilities, in addition to workplace environments and systems that we have built up.

Initiatives to revitalize the organizational culture

• Promotion of diversity, equity, and inclusion

In 2023, we carried out multiple activities mindful of diversity and inclusion, the D and I of DE&I. This included encouraging the use of “san (honorific suffix)” instead of job titles, color unification of neck lanyards, and use of the hot-desking system for offices, achieving a flatter organization. As for equity (E), we also enhanced our benefit systems by introducing a cafeteria plan. As for training, we held a lecture on creating a psychologically safe workplace and harassment training, making efforts to foster an open workplace culture.

• Creating workplaces with high psychological safety

In FY2024, we carried out training using original educational videos. The appearance of our employees in these videos created buzz about psychological safety in the workplace, and provided an opportunity for many employees to take ownership of the matter. In addition, a model workplace was selected, and efforts were launched to realize a workplace with high psychological safety through six months of on-the-job training.



Gentleness of attitude and facial expression created a very facilitative atmosphere for speaking out.
The Company's original video

• Grassroots Activities

We began holding face-to-face interviews on workplace conditions to gauge employees' motivation and satisfaction. These interviews are designed to help us meet the expectations of employees who want to work with a sense of fulfillment by helping to explore and implement new measures based on interview content and by effectively implementing existing measures. This is an important activity toward reaching a state where “every employee plays an active role.”



Interview about motivation and satisfaction



TOPICS



Rhianon Garvey
Deputy Managing Director,
Futaba Manufacturing U.K., Ltd.

Interview with a new Deputy Managing Director

Effective April 1, 2024, Ms. Rhianon Garvey was appointed Deputy Managing Director of Futaba Manufacturing U.K., Ltd. (FMUK). We caught up with Rhianon following her appointment to get her thoughts on the Futaba Group's DE&I and empowerment of women.

I began my career as a quality engineer, and after serving as Plant Manager of Derby Plant, I have now been appointed as Deputy Managing Director of FMUK. FMUK is working to create an environment in which all of our colleagues feel a sense of fulfillment in their work and that they play an important role. At FMUK, we respect the merits of individuals and try to listen to opinions that differ from ours. It is important to respect individuals regardless of their gender, race, religion, or other qualities. In the United Kingdom, it took time for it to become an ordinary thing for women to be engineers and managers. A company cannot progress without embracing diversity. As a newly-appointed Deputy Managing Director and a front runner in creating a truly diverse culture, I believe that I will be able to support all members of the Futaba Group into the future and help them take the next step forward.

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. (For program details, see page 50.)

In May 2024, we obtained “Kurumin” certification from the Ministry of Health, Labour and Welfare as a company supporting childcare.

Going forward, we will use our set KPIs, such as increasing the percentage of female managers and hiring more new female graduates, to empower women further and develop a working environment where employees feel fulfilled in their work, and put 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	2019	2020	2021	2022	2023
Ratio	0.3%	0.9%	0.9%	1.1%	1.3%

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

Target	2019	2020	2021	2022	2023
20%	14.8%	17.0%	11.9%	12.5%	20.0%

• Initiatives to create a fulfilling working environment and enhance employee development

From FY2022, we have continued to hold 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 sketch out their career plans for the medium- 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. In FY2024, we launched an exchange meeting, known as “Will Cafe,” designed to help women share concerns about career development and work-life balance, promoting the discovery of role models, public faces of the company, and ways of working, and building relationships among women. We also hold roundtable discussions as a forum for managers with female subordinates to share ideas and ideas for the development and support of female employees. We will consider and advance measures based on the opinions elicited through “Will Cafe” and roundtable discussions.



A conversation at Will Cafe

• 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 71. 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. In particular, the fact that the percentage of female managers is lower than that of men is the main factor behind the pay gap between men and women. In order to increase the percentage of female managers, each employee and their supervisor review their individual career plans according to their life stage every year, and systematically advance their careers to become managers.

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 from fair, equal, and objective perspectives. In addition, we actively conduct direct recruitment, recruitment of semi-recent university graduates, and employment support in cooperation with labor associations and chambers of commerce, resulting in the acquisition of valuable human resources who bring new knowledge, values, and ideas.

Percentage of mid-career hires (non-consolidated)

FY	2019	2020	2021	2022	2023
Ratio	20.6%	23.1%	27.1%	26.3%	27.5%

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

FY	2019	2020	2021	2022	2023
Ratio	82.4%	76.7%	73.0%	95.2%	73.3%

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. 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	2019	2020	2021	2022	2023
Number of rehired employees	128	138	129	181	249

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



Manual dexterity test

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 2.72% in FY2023, we have maintained the statutory requirement of 2.5%.

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.



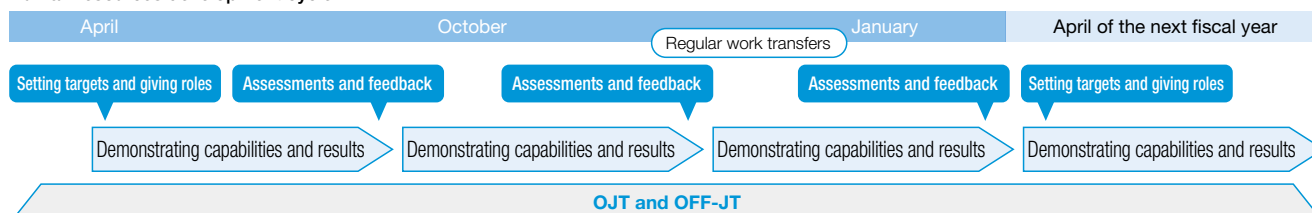
Workplace environment for people with disabilities

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). We have defined the skills and capabilities required at each job level and are strengthening education measures to acquire these abilities. In FY2023, with the key theme of "every employee plays an active role," we newly implemented rank-specific training for practical positions and problem-solving training for Group companies in Japan. In addition, we carried out initiatives to draft career paths at the center level and build the foundations of planned on-the-job training.

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	Practical workers				
Managers and higher	Capability to lead others to achieve maximum results as an organization	Training on ways of working Training for new managers (roles and basic knowledge)			Location executive training and pre-overseas posting training Selective English proficiency training Internal control education Technical skill seminar and special education Circle education SQC-related 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 Problem solving-oriented business improvement training (advisers)	Training for new assistant managers Training for new group leaders Training for new team leaders				Enhancement of overseas trainee system	
General	Capability to take initiative as a team member and contribute to the organization	Problem solving-oriented business improvement training	Special training for first-level skilled workers Training for first-level skilled workers Training for second-level skilled workers	Problem solving-oriented business improvement training Process improvement training				
New employees	Capability to properly carry out work duties with a sense of responsibility	Training before placement New recruit training, monozukuri training	New recruit training, monozukuri training	New recruit training, monozukuri training			Career design training for women	

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

FY	2020	2021	2022	2023
Amount of investment in education (million yen)	138	136	148	231

Advancing globally-minded human resources development

The Futaba Group operates the Human Resources Strategy Committee made up of members from Center Chiefs of the headquarters in Japan and above. This committee regularly discusses the ideal organizational structure for the management of the entire Group in Japan and overseas, the selection of key positions, and the succession plan for each position. In addition, by selecting future management candidates and discussing development plans such as making tough assignments and rotating candidates, we are driving effective personnel allocation and promoting the growth of individuals with a sense of speed. As for overseas Group companies, Regional Succession Committee (RSC) and Local Succession Committee (LSC) meetings are held in each region with senior management 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 meetings are shared with the Human Resources Strategy Committee, and the Group systematically promotes local human resources to higher positions from a Group-wide perspective.

Developing human resources through active rotation and appropriately allocating human resources

We are promoting a shift of resources to areas where we should focus, such as advanced development. In addition, for divisions that are to be strengthened as the company and that are required to take on the challenge of transformation, we conduct internal open recruitment. We are also building up and operating a system to provide opportunities for transfers from departments outside employees' scope of expertise, opportunities for employees to take on challenges, and opportunities for self-motivated growth.

Developing management human resources

We believe that strengthening management at each workplace is the top priority for improving human capital. Each participant of our rank-based training for managers 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 engineering workplaces as the "Futaba way of working."

In addition, based on the role of the manager, employees systematically learn the key points, from clarifying the mission and vision to fostering the workplace culture.



Management training

Strengthening the development of global human resources

The Futaba Group has 15 group companies in eight countries around the world, as well as Japan, with a total of over 10,000 diverse employees. In this business environment, Futaba is implementing measures to improve the English language abilities of employees in Japan and to develop global human resources.

• Providing English language learning opportunities

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 (e.g., online meetings with overseas staff) for young employees that simulates actual overseas work.

• Overseas trainee system

To develop global leaders, we dispatch young employees to overseas Group companies and provide them with opportunities to play active roles on a global scale. In FY2023, in order to support growth from an early stage, we expanded this system, including reducing the requirements for overseas dispatch from as early as the fifth year after joining the company to as early as the third year after joining the company. In addition, since FY2023, local staff from Tianjin, China, have been dispatched to Japan for training, and we provide opportunities for them to learn business operations in Japan, make use of what they have learned, and play active roles overseas.

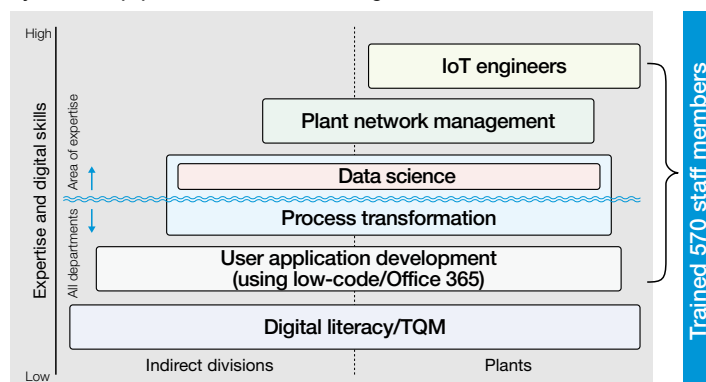
Going forward, we will actively promote the dispatch of local staff from overseas Group companies to Japan for training.

Developing human resources to equip them with digital skills

By utilizing both TQM and digital technologies, we aim to cultivate talent to become a company where all employees are capable of harnessing digital data and speedily transform the ways they work and change operational processes.

In order to promote the planning of cross-divisional issues and make practical use of digital technologies, we conduct accompanying theme-based practical education with the cooperation of external experts. For FY2025, we have set a target of training 570 employees. As of the end of FY2023, we had completed development for about 320 personnel, and we are making progress in training digital personnel as planned.

System to equip human resources with digital skills



Content of initiatives

- Hands-on learning of user application development on the theme of issues in one's own department
- Planning and implementation of education and digitalization programs aimed at process transformation
- Hands-on education for data scientists using data analysis tools
- Hands-on training of plant network managers through system introduction
- Structuring and promoting activities on cross-divisional themes



Developing user applications



Plant network management

Developing human resources for *monozukuri*

While placing priority on safety and quality, we are working tirelessly to improve and standardize processes and introduce the latest production technologies. This will enable us to expand the area of each worker's responsibility (multi-skilling) and attempt to balance measures to cope with the declining birthrate and aging population against improvements to productivity. With the aim of strengthening individuals and organizations*, we will continue to strengthen hands-on education with actual equipment on site.

* Strengthening of individuals and organizations:

Individuals: Creating a skills map commensurate with each employee, and systematically upskilling through interviews and confirmation with superiors and subordinates. Organizations: Strengthening organizations by cultivating team leaders, group leaders, assistant managers, managers, general managers, and plant managers who are capable of executing the five major tasks (safety, quality, cost, productivity, and human resource cultivation).

• Education through easy-to-understand videos

In April 2024, we introduced a video-based education system as a new learning opportunity for all employees of Group companies in Japan. We use easy-to-understand video training materials on safety, quality, traffic safety, etc., working to cultivate talent who can alter their behavior and put principles into practice by improving their awareness and knowledge through dialogue in the workplace.



Video education

• Holding the Futaba Skills Competition

The Futaba Skills Competition, which aims to develop skilled human resources, marked its 10th year in 2023. This year, in addition to the four events of welding, inspection, sheet metal processing, and electricity, lifting operation was also held as an exhibition* round, with a total of 50 participating athletes. On the day of the event, a total of 200 people, including athlete supervisors and colleagues, participated in the event and studied each other's skills.

*Exhibition: Open competition



Futaba Skills Competition (lift operation event)

Social and Relationship Capital

The Futaba Group's suppliers are important partners for its *monozukuri*. We must build supply chain management that takes the issues surrounding us, carbon neutrality, climate change, human rights, and other issues into account, and realize a sustainable business model together with our suppliers. At the same time, we are also responsible for strengthening our competitiveness through mutual brainstorming with suppliers. For this reason, suppliers are invited to participate in the Company's improvement activities related to safety, quality, and productivity, expanding opportunities to share information and exchange opinions.

We will continue to expand these collaborations and deepen partnerships with our suppliers while aiming for a sustainable supply chain.



Mamoru Sukigara
Center Chief,
Purchasing Center

Establishment of a 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 activities, and information security, 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 purchasing 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 Purchasing Guidelines, thereby stating our expectations toward our suppliers. We promote sustainability-oriented business activities with them based on mutual understanding and trust.

For our basic policy and details of each guideline, please visit our website. <https://www.futabasangyo.com/en/csr/society/supply/>

• Supplier Sustainability Guidelines

These guidelines were formulated under the belief of the necessity of working across the entire supply chain to promote 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.

In particular, in order for business activities to respect human rights based on the Futaba Group Human Rights Policy, we are continuously demanding that suppliers periodically conduct self-assessments and redress issues (in FY2023, we engaged with 128 companies). In order to gain suppliers' support our human rights policy, we have entered into memorandums of understanding focusing on the human rights of workers. We also recognize that responsible purchasing of mineral resources and raw materials is a significant issue across the supply chain, and regularly conduct surveys on the use of conflict minerals and extended minerals on a global basis.

• Green Purchasing Guidelines

In accordance with the Futaba Group Environmental Charter and Environmental Policy, the Group is promoting initiatives related to compliance with laws and regulations, management of chemical substances, reduction of CO₂ emissions, efficient use of resources, impacts on the water environment, and the creation of a society in harmony with nature, in order to realize an environmentally friendly and sustainable supply chain. We shared our plans for the medium- to long-term reduction of CO₂ emissions as priority items with our suppliers and are making efforts toward the development of a decarbonized society.

By FY2022, all of our suppliers became able to grasp their own total emissions. In FY2023, we supported 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. In addition, we invite suppliers to participate in our "Energy-saving dojo" as a place to provide examples of energy-saving improvements, and conduct activities to broaden knowledge of CO₂ emissions reduction.

We are also working to strengthen our customers' efforts by sharing examples of our own initiatives, as well as the good practices contributed by suppliers online.

Establishment of trust with suppliers

We hold purchasing policy briefings to explain our annual policies, initiatives, and future direction. We also use these in the aims of deepening mutual understanding and building long-term relationships of trust by sharing specific activities and targets for safety, quality assurance, stable supply, cost, etc. for each supplier through expected activities. In addition, we honor and commend our suppliers for their outstanding results.

• Communication activities

Since FY2023, we have designated March and September of each year as months for discussions on prices and issues, and have been engaged in individual communication activities regarding the labor environment and logistics issues, which are changing rapidly, and promoting initiatives to help suppliers solve their problems. Furthermore, we hold management roundtables to exchange opinions and share information on various management issues in an effort to strengthen partnerships.

• Activities to strengthen collaboration and competitiveness through expansion of internal activities

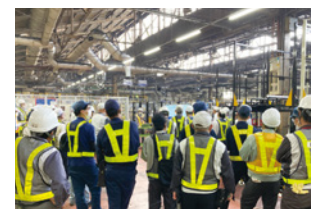
We are endeavoring to strengthen competitiveness throughout the supply chain by enlisting suppliers' participation in production quality improvement confirmation meetings, which are the internal meetings for reporting improvement activities, and production division meetings (on-site improvement, CN improvement case studies). New activities include safety and quality experience education, information security seminars, and health management seminars, and we will continue to expand these collaborations going forward.

• Mutual study and human resources development through Suppliers Cooperative activities

In FY2024, we launched theme study groups as one of the activities of Suppliers Cooperative. Study groups met on specific themes such as how to work/work style reforms, carbon neutrality, and improving proposal capabilities, as we aim to build an organization that every employee can play an active role by promoting mutual improvement among suppliers.



Purchasing policy briefing (held live online)



Participation in a production division meeting



Participation in safety and quality experience education

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.



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.

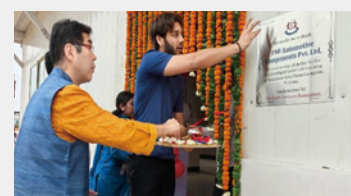


Futaba Environmental Course at Hotaru School

Community activity

India/FMO

Through donations to NGOs, support was provided for the construction of shelter rooms with toilets for the elderly and persons with disabilities in the community, the establishment of solar power plants, food provision activities, etc.



Shelter room opening ceremony

People development

Japan/Head Office

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

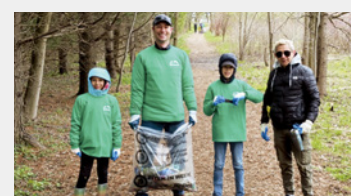


Science and Monozukuri Course

Environmental protection

North America/FIO

In April, which is Earth Month, we carried out forest clean-ups. A total of 67 employees and their families gathered to learn about the importance of protecting the global environment for the next generation.



Cleanup activities

Natural Capital

Environmentally conscious manufacturing is essential for the continuation of our business activities. In light of the impact of global warming and climate change, which have become more serious in recent years, we believe that carbon-neutral activities, the effective use of resources, and the reduction of environmental impacts will lead to the establishment of a society in harmony with nature and contribute to biodiversity.

In April 2024, we formulated the Futaba Group Environmental Charter in order to demonstrate a unified Group will on a global scale. Going forward, the Group will continue to make concerted efforts to protect the global environment.

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



Tateo Kawabuchi

Center Chief,
Production Center

FY2023 Results

Amount of CO₂ emissions (non-consolidated)

36.6% reduction (vs. FY2013)

Amount of steel used (including domestic Group companies)

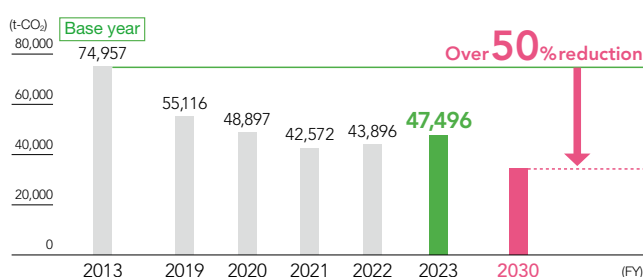
2.5% reduction (vs. FY2019)

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

We have set a non-consolidated target of reducing CO₂ emissions by 50% or more by FY2030 (compared to FY2013). As part of our efforts to reduce CO₂ emissions, each plant has set a target of reducing its CO₂ emissions by 3% every year. Group companies in Japan and overseas are also working to reduce CO₂ emissions on a global basis, based on the same targets as non-consolidated targets. 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 setting FY2035 as the target date for achieving carbon neutrality (non-consolidated).

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. With respect to reducing the amount of steel used, we are making efforts to minimize material loss (scrap waste, etc.) and improve material yield.

We are also implementing activities to reduce the amount of oil used and the amount of industrial waste produced. In response to the problem of groundwater flowing into stamping pits at some of our plants, which has been a waste issue in the past, we are considering and preparing a system to purify groundwater without disposing of it, based on the premise of effective use of water resources. Going forward, we will continue to promote activities that take into consideration the recycling of waste generated at production sites, and at the same time, we are beginning to move toward promoting circular economy as a company.

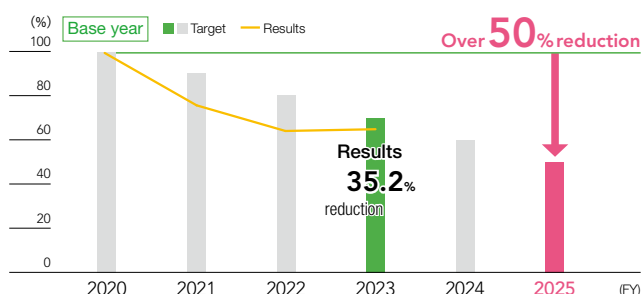
Initiatives to reduce steel usage

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 FY2023, 86.8% of forklifts were shifted to electric ones. Going forward, we will continue to reduce the overall number of forklifts by improving distribution.

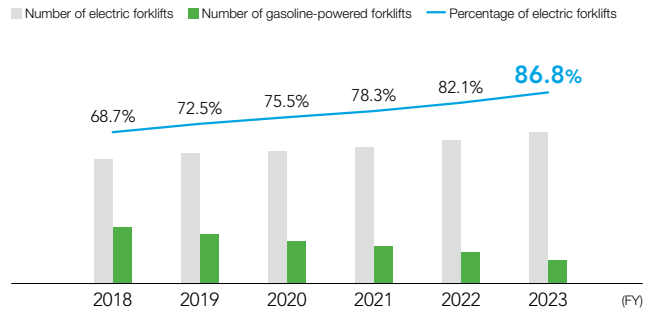
Also, to contribute to making effective use of resources through recycling, the processing oil for product processing is filtered and reused as much as possible.

Initiatives for water resources

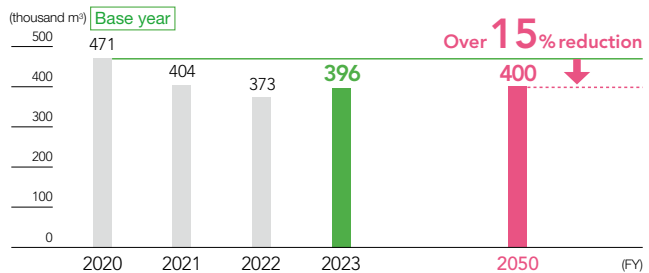
As climate change progresses, the importance of water resources is increasing year by year. In Japan, we are continuing efforts to achieve our target of reducing water intake volumes by 15% from the FY2020 level by FY2050. In FY2021, production volume decreased, and in FY2022, water usage decreased due to an accident at the water intake source, but in FY2023, production recovered to the level of the previous year, and the trend is toward further reductions.

In order to maintain a sound water cycle, the water quality of discharged water is controlled at a level that is 10% stricter than the wastewater standards of each region. Group companies in Japan and overseas have also set similar targets, and are working to secure water resources on a global basis.

Shift to electric forklifts (including domestic Group companies)



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

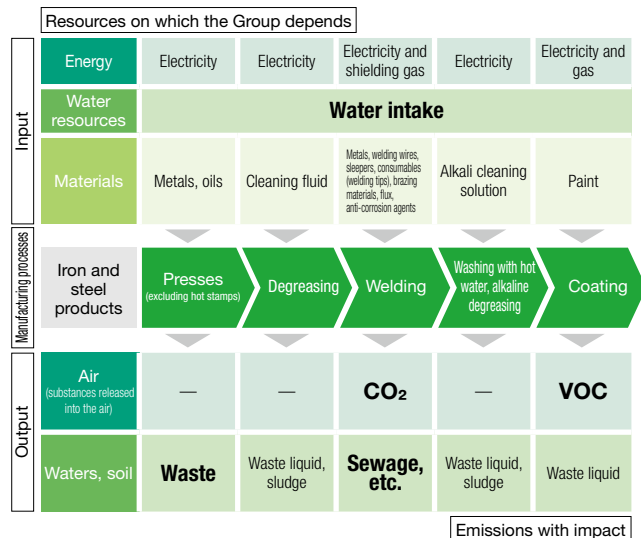
Working with biodiversity

As a result of investigating the environmental risks and impacts of our business activities, we have identified water intake as a resource risk on which we are dependent, and waste, CO₂, sewage, and VOCs as emissions that have an impact on the environment, and we are promoting reduction activities by setting global targets.

In Okazaki-shi, where our Head Office is located, we have also entered into a partnership agreement on natural symbiosis at the Tokkawa Firefly Village with the Tokkawa Firefly Preservation Association. In cooperation with environmental conservation activities in the Tokkawa Firefly Village, since 2019, we have been conducting volunteer activities such as the Firefly Festival, improvement of mountain trails, and river sediment removal. In the future, in order to pass on the superior natural environment of the Tokkawa Firefly Village to future generations, we will continue to cooperate in various fields toward sustainable coexistence with the natural environment.



Volunteers removing river sediment



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

With regard to the acquisition of ISO14001 certification, we plan to complete the acquisition of ISO14001 certification for all Group companies by acquisition of the certificate in India (FIG).

In Japan, we completed the acquisition of integrated certification for the Head Office and three domestic Group companies in June 2024.

In addition, in order to align environmental activities and targets on a global basis, the Futaba Group Environmental Charter was established in April 2024 as an overarching concept for the environmental policies of Group companies in Japan and overseas.

Going forward, the Futaba Group will continue to make concerted efforts to create environmentally conscious products and technologies, and to steadily take on the challenge of environmentally friendly manufacturing.

Number of ISO14001-certified production sites and target percentage thereof



* In FY2024, the number of ISO14001 certified sites decreased due to the dissolution of Changsha Futaba Auto Parts Co., Ltd., an overseas consolidated subsidiary.

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 incorporated countermeasures 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.



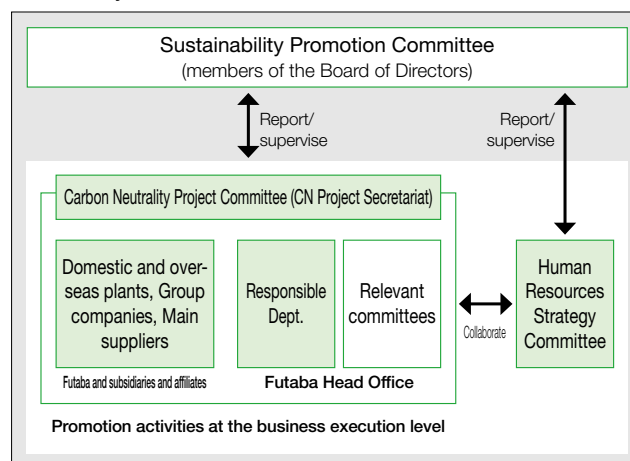
Governance

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 globally. In addition, we have expanded this to our suppliers in Japan, and are promoting measures throughout the supply chain. 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



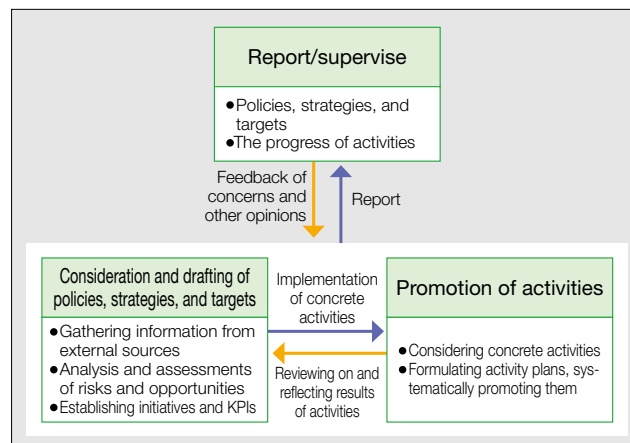
Risk management

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.

Furthermore, the Group began considering measures for the 1.5°C scenario based on the Sixth Assessment Report of the IPCC released in 2023 and the first GST^{*4} by COP28.

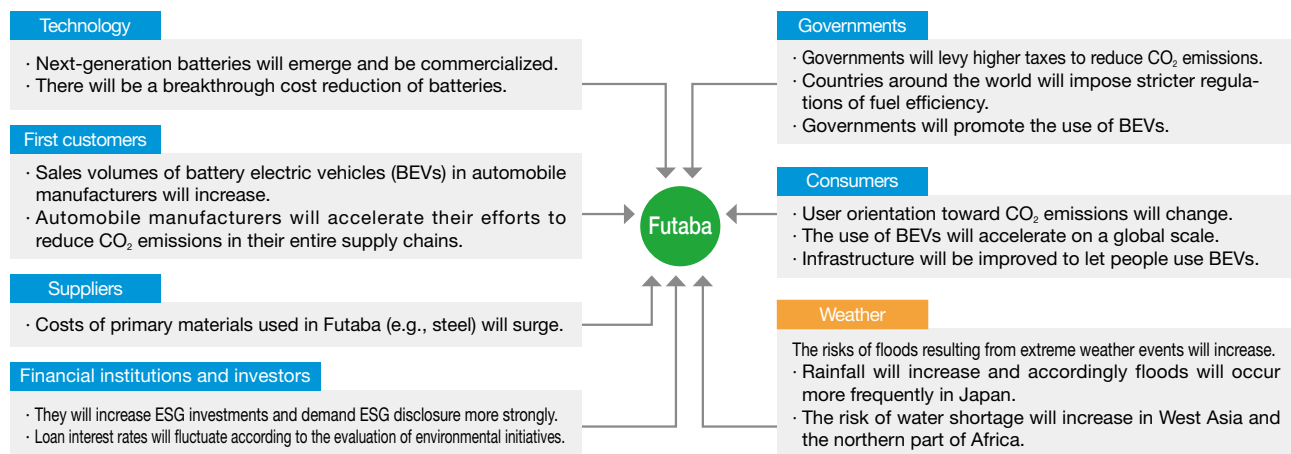
^{*1} The IPCC was created in 1988 by the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP).

^{*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

^{*4} A system to understand the progress toward achieving the international targets set out in the Paris Agreement on climate change on a global scale

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 equipment for external sales business, and add more value to parts See pages 33-34, 39 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 37-38 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 39-40
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 page 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 25, 57 Contributing to a circular economy by reducing waste, conserving resources, and promoting recycling See pages 57-58 Develop light-weight exhaust systems, aiming to reduce CO₂ emissions See pages 37-38 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 page 46
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 2024

Targets for reduction of CO₂ emissions and introduction rate of renewable energy

Accepted challenge to achieve carbon neutrality in domestic plants by 2035

Futaba CO₂ emissions reduction targets for plants

Non-consolidated: Over **50%** reduction in FY2030 compared to FY2013

Domestic Group companies: Annual **3%** reduction (same level as non-consolidated target)

Introduction of renewable energy

Non-consolidated: **60%** introduction in FY2030 (total non-consolidated electricity ratio, including credits)

Suppliers Reduction targets for CO₂ emissions

Major suppliers (112 companies): Annual **3%** reduction compared to FY2021

Management indicator results for FY2023

CO₂ emissions and introduction rate of renewable energy

Futaba on a non-consolidated basis

CO₂ emissions: **47,496 t-CO₂**

(Scope 1, 2)

(**36.6% reduction** vs. FY2013)

Introduction rate of renewable energy: **2.1%**

Suppliers

CO₂ emissions: **19,965 t-CO₂** (estimate)

(Scope 1, 2)

(**6.8% reduction** vs. FY2021)

Corporate Governance

Basic approach to corporate governance

Futaba's corporate governance system emphasizes a balance between supervision by the Board of Directors primarily from on the perspective of Outside Directors, and the capability to execute business operations through the leadership of the President. In order to practice fair and transparent corporate activities in compliance with the letter and spirit of laws and regulations in Japan and abroad, the Board of Directors, the majority of whose members are Outside Directors, supervises business execution and makes important management decisions, with consideration of the allocation of

management resources conscious of capital costs, profitability, and growth potential.

For business execution, the President provides leadership in formulating and implementing strategic policies, while Center Chiefs and CxOs are responsible for respective functions and in charge of the smooth operation of their organizations.

Through these, the Company organizationally ensures appropriate decision making and strives for sustainable growth and improvement of its corporate value over the medium- to long- term.

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. To strengthen our corporate governance, we have established a rule that requires at least one third of the members of the Board of Directors to be Independent Outside Directors to enable effective oversight of Executive Officers and Directors.

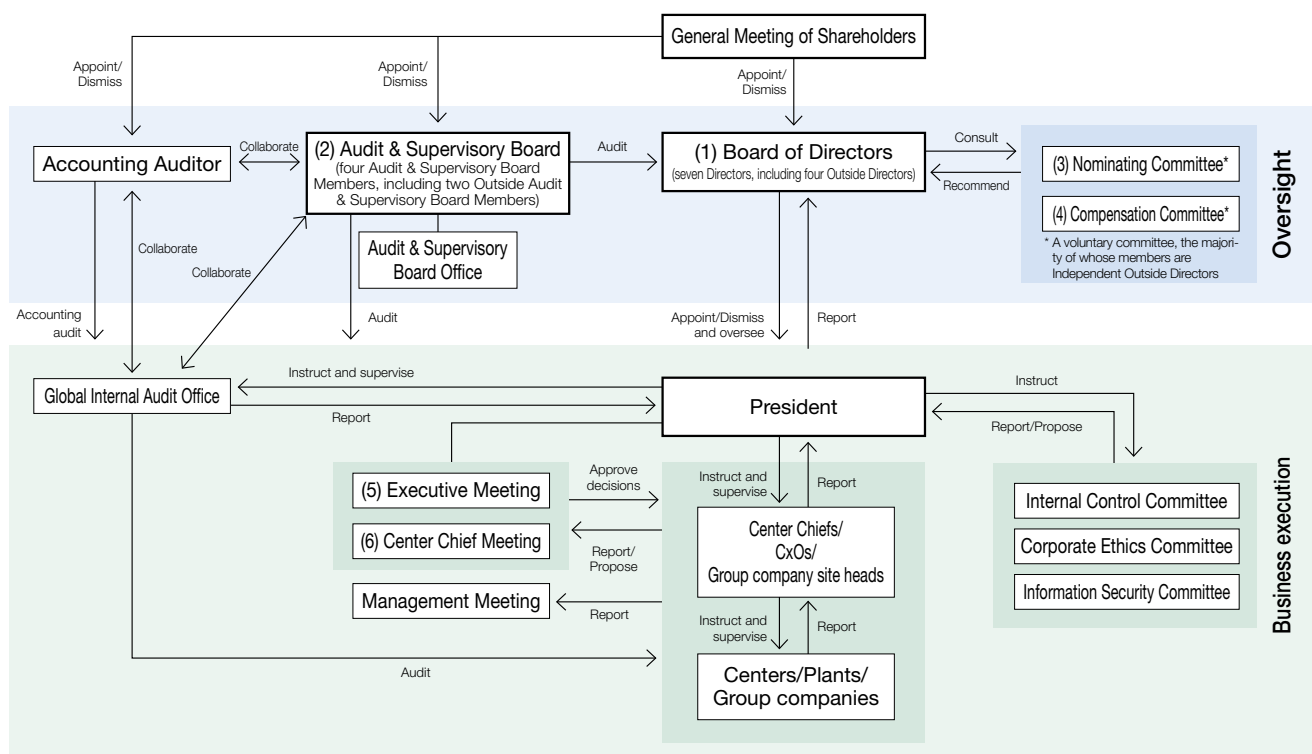
In addition, the effectiveness of the Board of Directors is evaluated annually by a third party organization or the Secretariat of the Board of Directors. The status of operation of the Board of Directors as well as its issues and challenges are surveyed, and response measures are taken in the operation of the Board of Directors in the following fiscal year to achieve continuous improvement.

For details about our corporate governance, please visit our website. <https://www.futabasangyo.com/csr/governance/corporate/>

Promotion system of corporate governance

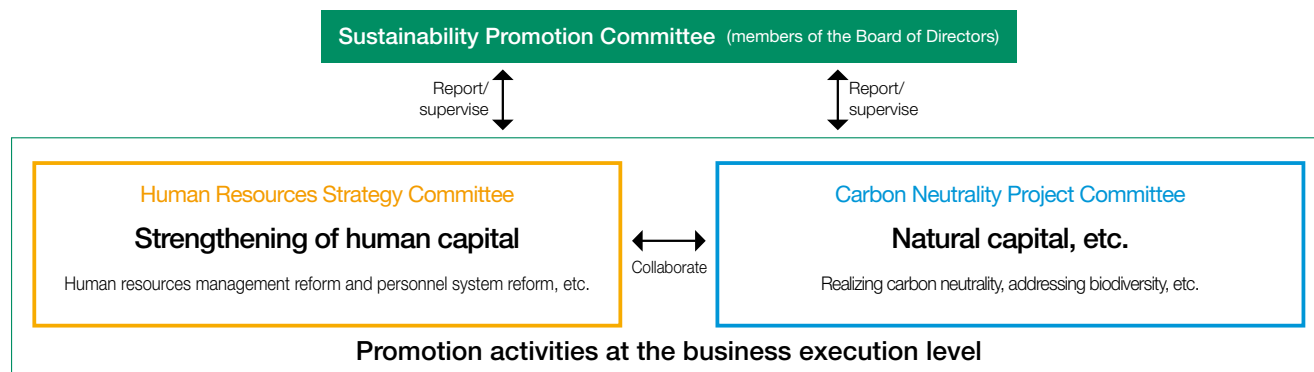
Our corporate governance promotion structure consists of three major functions.

1. Oversight function	Oversight of business execution by the Board of Directors, Nominating Committee and Compensation Committee, the majority of whose members are Outside Directors
2. Business execution function	The function to execute business under the leadership of the President, comprising deliberative organs to deliberate and resolve issues to be addressed by each center, such as the Executive Meeting, and specialized committees to address corporate issues, such as the Internal Control Committee.
3. Auditing function	Audit of the oversight and business execution functions by internal and external auditing organizations collaborating with each other



Sustainability promotion system

Also in sustainability promotion activities, the Company places importance oversight by the Board of Directors. The Sustainability Promotion Committee is composed of members of the Board of Directors including all Outside Directors and meets four times annually. The Chief Sustainability Officer (CSO) reports on and discusses the activities for strengthening of human capital and CN promotion activities on the theme of coexistence with nature (natural capital).



Oversight function/Execution function

(1) Board of Directors

Number of meetings held in FY2023: 13 times

The Board of Directors is composed of seven Directors including four Outside Directors and holds monthly meetings in principle. 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 FY2023 Board of Directors' meetings

Management strategies	<ul style="list-style-type: none"> Measures to increase corporate value Promotion of carbon neutrality Medium-term management plan Management policy and risks and opportunities regarding climate change
Policies	<ul style="list-style-type: none"> Corporate global policy Audit policy Reports on execution of center policies Safety reports
Governance	<ul style="list-style-type: none"> Assessment of the Board of Directors' effectiveness Internal control activities IR activities Structure of the Audit & Supervisory Board Committee activities
Financial results and financial matters	<ul style="list-style-type: none"> Quarterly financial results Approving the annual budget Medium-term Investment Plan
Personnel	<ul style="list-style-type: none"> Appointment and compensation of officers Human capital Human rights policy

(2) Audit & Supervisory Board

Number of meetings held in FY2023: 13 times

The Audit & Supervisory Board is composed of 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) and holds monthly meetings in principle.

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 operational audits and accounting audits of the Company and its Group companies in Japan 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

Audit & Supervisory Board Members audit the status of the establishment and operation of the internal control system, the appropriateness of the methods and results of audits by the Accounting Auditor, and the status of the execution of duties by Directors and other officers, based on the audit policies resolved by the Audit & Supervisory Board, in light also of the company policy and priority issues.

Specifically, Audit & Supervisory Board Members attend meetings of the Board of Directors and the Internal Control Committee and other important meetings, receive reports from Directors and other officers on the execution of their duties, and conduct interviews with Group companies in Japan and overseas.

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 Japan LLC has been auditing the Company since FY2019.

Corporate Governance

(3) Nominating Committee Number of meetings held in FY2023: Six times

The Nominating Committee consists of five committee members (three Outside Directors, one Inside Director and one member who is not either). The Chairperson is appointed from Outside Directors, with Ms. Motoko Miyajima 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 FY2023 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 FY2023: Seven times

The Compensation Committee consists of five committee members (three Outside Directors, one Inside Director and one member who is not either). 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 FY2023 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.

Approach to internal control

We perform business operations properly across the Group, based on our Purpose, Mission and Values, the FUTABA WAY, and the Charter of Corporate Behavior, and FUTABA Code of Conduct. 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 we pursue by increasing human resources equipped with high ethical standard and establishing an effective organization.

Internal control system

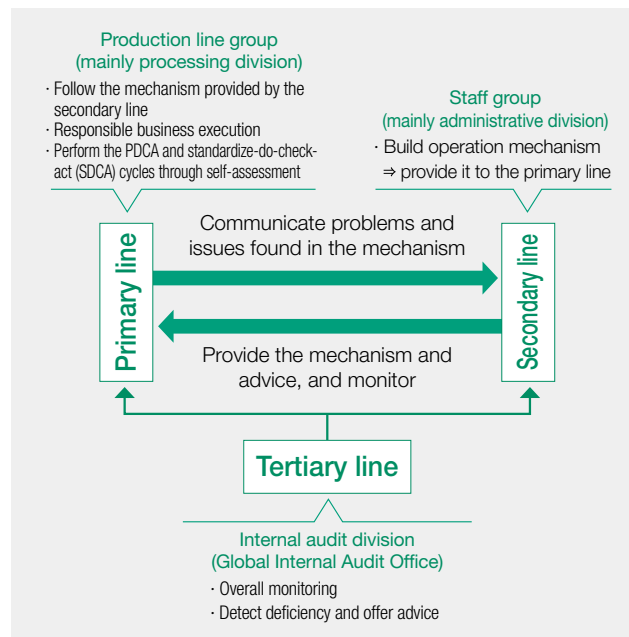
We share with Directors and other Officers responsible for the attitude expected in performing business operations properly in accordance with the Companies Act and other laws and regulations. Matters to be submitted in accordance with the rules are discussed thoroughly at Board of Directors meetings 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 FUTABA Operation

(6) Center Chief Meeting Frequency of meetings: Once a month in principle

The meeting is composed of the President, Center Chiefs, and full-time Audit & Supervisory Board Members, and deliberates and resolves matters to be submitted to the Board of Directors, other important matters, and individual issues.

Three lines of function



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 and governance	Technology and development	Production engineering, manufacturing, and quality	Sales and purchasing	Finance and accounting	Compliance and risk management	Sustainability		IT and DX	Overseas business
								Human capital	Environment		
Representative Director and President	Yoshihiro Uozumi	○		○	○		○		○		○
Representative Director	Toshio Yokota	○	○	○				○	○		○
Director	Hideki Imai					○				○	○
Outside Director	Masayoshi Ichikawa	○	○	○							○
Outside Director	Motoko Miyajima						○	○	○		
Outside Director	Yoshihisa Miyabe	○		○					○		○
Outside Director	Hideo Yamamoto	○			○	○	○			○	○
Full-time Audit & Supervisory Board Member	Kazunori Kato				○		○	○			
Full-time Audit & Supervisory Board Member	Keiichi Toriyama					○	○				○
Outside Audit & Supervisory Board Member	Shigeo Hayashi	○		○			○		○		○
Outside Audit & Supervisory Board Member	Yumiko Sakurai	○				○					

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
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.
Hideo Yamamoto	Outside Director	○	Mr. Hideo Yamamoto has many years of overseas experience at MUFG Bank, Ltd. and a wide range of knowledge of finance, as well as knowledge of the finance and information systems divisions and experience in management as a director at KOITO MANUFACTURING CO., LTD. His appointment will bring his wealth of experience and deep insight into the Company's management.
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.
Yumiko Sakurai	Outside Audit & Supervisory Board Member	○	Ms. Yumiko Sakurai has expertise and experience acquired over many years as a certified public accountant as well as experience as an outside officer of other companies. Her appointment will bring her wealth of experience and deep insight into the Company's audit.

Sharing of information with 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 Group companies 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, with a focus on medium- to long-term issues, we arrange their participation in outside seminars and invite 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 corporate philosophy 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, the level of achievement of targets determined in the medium-term management plan, and the level of achievement of targets for environmental issues, 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.

Method for determining the amount of compensation for Directors and Audit & Supervisory Board Members

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 Directors and Audit & Supervisory Board Members eligible for payment (persons)
		Monthly compensation	Bonus	Stock compensation	
Directors (excluding Outside Directors)	118	79	30	8	4
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	27	27	—	—	2
Outside Director	23	23	—	—	4
Outside Audit & Supervisory Board Member	15	15	—	—	3

*The figures above include one Director and one Outside Audit & Supervisory Board Member who stepped down at the close of the 109th Annual General Meeting of Shareholders held on June 22, 2023.

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. A summary of the Board of Directors' effectiveness assessment in FY2023 and the results are shown below. Based on the survey results, effectiveness improvement actions planned for FY2024 were submitted to the Board of Directors in February 2024.

Survey target:	All Directors (seven persons) and Audit & Supervisory Board Members (four persons)
Assessment method:	A questionnaire survey was conducted with the target respondents.
Assessment items:	a total of 31 questions about the Board of Directors' composition, operation, discussions, monitoring functions, and other items

	Issues identified in FY2022	Actions taken in FY2023
Operation of the Board of Directors	Increase participants' understanding of the matters submitted to the Board of Directors' meeting	<ul style="list-style-type: none"> · Distributed information materials concerning the agenda of the Board of Directors meeting in advance · Held prior briefings for Directors and Audit & Supervisory Board Members
Discussions at Board of Directors meetings	Deepen discussions on topics that need to be discussed more deeply	Discussions broadened and deepened on topics such as human capital, development of successors to top management, and improvement of corporate value



Overall results of FY2023 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 FY2023	Actions to be taken
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	A timetable is drawn up to schedule preparation tasks for each Board of Directors meeting to allow Outside Directors and Outside Audit & Supervisory Board Members enough time to consider and review the matters submitted (action underway since FY2022).
Discussions at Board of Directors meetings	Discuss even broader issues including the following: <ul style="list-style-type: none"> · Progress of management plans · Group business portfolio strategy · Process reform through DX · Medium-term global strategies · Actions to address the opinions and suggestions of shareholders, etc. 	<ul style="list-style-type: none"> · 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 global policy and Group companies' policies. Based thereon, they discuss the medium-term global strategies to address issues and grow on a global scale.

Strategic shareholdings

Strategic shareholdings

We believe it necessary to maintain partnership with various companies in the process of product development, purchasing, 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 FY2023

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 5.4% as of March 31, 2024.

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 Center.

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 are also held every quarter after financial results are reported.

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

Main IR activities in FY2023

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 One-on-one meetings
Overseas institutional investors	<ul style="list-style-type: none"> One-on-one meetings



Annual general meeting of shareholders

Directors and Audit & Supervisory Board Members (As of June 21, 2024)

Board of Directors, Nominating Committee, Compensation Committee, and Audit & Supervisory Board
Number of meetings attended/Number of meetings held (year ended March 2024)

Directors



Representative Director and President

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 President (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	13/13 (100%)
Number of Nominating Committee meetings attended	6/6 (100%)



Outside Director

Independent Officer

Nominating Committee

Compensation Committee

Masayoshi Ichikawa (January 10, 1953)

April 1977 Joined Toyota 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	13/13 (100%)
Number of Nominating Committee meetings attended	6/6 (100%)
Number of Compensation Committee meetings attended	7/7 (100%)



Representative Director

Compensation Committee

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
June 2024 Representative 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.

Number of Board of Directors meetings attended	11/11 (100%)
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Outside Director

Independent Officer

Nominating Committee

Compensation 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	13/13 (100%)
Number of Nominating Committee meetings attended	6/6 (100%)
Number of Compensation Committee meetings attended	7/7 (100%)



Director

Hideki Imai (December 5, 1963)

April 1987 Joined Toyota Motor Corporation
April 2003 Deputy General Manager, Accounting Div., Toyota Peugeot Citroën Automobile Czech, s.r.o.
January 2012 Group Manager, Financial Management Office, Accounting Div., Toyota Motor Corporation
July 2015 Group Manager, BR Accounting Information Advancement Promotion Office
November 2020 General Manager, Finance Div., the Company
January 2022 General Manager, Accounting Div.
April 2023 Deputy Chief, Accounting and Finance Center
April 2024 Officer
June 2024 Director, Officer (to the present)

Reasons for appointment

Mr. Hideki Imai has experience mainly in the accounting and finance divisions of Toyota Motor Corporation and the Company.



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
June 2021 Audit & Supervisory Board Member, the Company
June 2022 Director (to the present)

Reasons for appointment

Mr. Yoshihisa Miyabe has knowledge on the production engineering division acquired over many years at Toyota Motor Corporation.

Number of Board of Directors meetings attended	13/13 (100%)
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Outside
Director

Independent
Officer

Nominating
Committee

Compensation
Committee

Hideo Yamamoto

(April 1, 1958)

April 1980 Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)
February 1988 Manager, London Branch
April 1999 Deputy General Manager, Risk Management Group, Planning Division for the Americas, The Bank of Tokyo-Mitsubishi, Ltd. (currently MUFG Bank, Ltd.)
October 2003 General Manager, Risk Management Office for the Americas
January 2006 General Manager, Corporate Banking Group No.2, Corporate Banking Division No.8, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)
July 2008 General Manager, Asian Investment Banking Division
October 2010 Standing Adviser, Finance & Accounting Headquarters, KOITO MANUFACTURING CO., LTD.
June 2011 Managing Director, Head of Finance & Accounting Headquarters (CFO)
June 2017 Director and Managing Corporate Officer, in charge of General Affairs Department, Information System Department (CIO), Internal Audit Department
June 2022 Managing Corporate Officer, in charge of General Affairs Department, Public Relations Department, Information System Department (CIO), Internal Audit Department and Deputy in charge of DX
June 2023 Outside Director (Audit & Supervisory Committee Member), DMW Corporation (to the present)
June 2024 Director, the Company (to the present)

Reasons for appointment

Mr. Hideo Yamamoto has many years of overseas experience at MUFG Bank, Ltd. and a wide range of knowledge of finance, as well as knowledge of the finance and information systems divisions and experience in management as a director at KOITO MANUFACTURING CO., LTD.



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	13/13 (100%)
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Number of Audit & Supervisory Board meetings attended	13/13 (100%)
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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 Functional 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.

Number of Board of Directors meetings attended	11/11 (100%)
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Number of Audit & Supervisory Board meetings attended	10/10 (100%)
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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	13/13 (100%)
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Number of Audit & Supervisory Board meetings attended	13/13 (100%)
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Outside Audit &
Supervisory Board Member

Independent
Officer

Yumiko Sakurai

(March 1, 1969)

October 1992 Joined Ito Accounting Office
April 1996 Registered as Certified Public Accountant
January 2000 President, Yumiko Sakurai Certified Public Accountant Office (to the present)
June 2014 Outside Director, PROTO CORPORATION (to the present)
June 2019 Outside Audit & Supervisory Board Member, JTEKT CORPORATION
June 2022 Outside Director, DAIKOKU DENKI Co., Ltd. (to the present)
June 2024 Outside Director, JTEKT CORPORATION (to the present)
June 2024 Audit & Supervisory Board Member, the Company (to the present)

Reasons for appointment

Ms. Yumiko Sakurai has specialized knowledge and experience cultivated as a certified public accountant as well as experience as an outside officer of other companies.

Messages from Outside Directors

The Outside Directors have provided messages about the state of our governance and its initiatives.



Outside Director

Masayoshi Ichikawa

The Nominating Committee and the Compensation Committee were established in FY2018. The Nominating Committee discusses medium-term appointment plans for officers, including educational rotation, in consideration of the future of Futaba. In addition, the Compensation Committee conducts benchmark surveys of other companies, discusses monthly compensation according to company size and position, and allocation of bonuses according to annual earnings. Through these, it has deemed that sound management is being conducted.

It is commendable that Futaba's sustainability activities have taken root and progressed globally toward the realization of a sustainable society. I believe that technological development and quality assurance are the lifelines of a manufacturing company if it is to continue growth going forward.

First of all, in terms of technology development, it seems that engineers once believed their job was to design parts for their own fields in earnest. Recently, however, Futaba has changed so that, while proposing and designing products that will please their customers, its engineers can enjoy working with production technology and factory staff, up to a *monozukuri* process without excess or waste in manufacturing. In addition, Futaba established the Business Development Center, and struck a corporate stance to tackle new businesses in earnest. This is also an area where I would like to provide advice.

When it comes to quality assurance, meanwhile, it is a given that you should deliver products and quality that satisfy customers. However, in response to the question of whether or not everyone working at each site around the world has been successfully creating products through shared quality management, my sense is that each site has its quality issues. In recent years, Futaba has launched its Quality Month on a global scale, and I feel that people's awareness of quality has increased alongside more vibrant exchanges between people. It is my hope that Futaba will evolve into a company that advances quality management based on the same global standards.



Outside Director

Motoko Miyajima

As an Outside Director, I endeavor to provide a checking function for sound corporate management.

I myself am paying particular attention to the legal affairs and intellectual property fields, which are my areas of expertise, as well as compliance. The automobile industry has been plagued with falsified safety testing, which has provided a painful reminder of the importance of checking systems for compliance with laws and regulations. Officers and executives at Futaba are highly aware of the importance of compliance with laws and regulations, and the frank opinions of outside officers are taken seriously. However, there are still issues to be addressed in ensuring that all employees are fully aware of the importance of compliance with laws and regulations, and persistent efforts are required in this area.

With regard to the appointing of officers and executives, the Nominating Committee, which is mainly composed of Outside Directors, actively exchanges opinions and deliberates on the matter, and reports its findings to the Board of Directors.

With regard to the empowerment of women, which is a challenge Futaba is tackling, the Company has implemented various measures in the past several years toward improving environments and changing awareness. As Futaba had originally had a low number of female employees, it will take some time to achieve its quantitative targets. However, there are increasing opportunities to see women playing active roles at various locations, and I have high expectations for their future.

In an era when companies must take into account the global environment, the situation surrounding the automobile industry is also changing significantly. Under the slogans of the clean & green, peace of mind, and quality of life, Futaba is also taking on the challenge of providing products and services that can contribute to solving the issues required by society, while leveraging its existing technologies. I expect that already-budding development will lead to commercialization.



Outside Director

Yoshihisa Miyabe

From the perspective of engaging in field management of *monozukuri* in Japan and overseas, I believe that my role is to strengthen manufacturing capabilities, develop and implement technology strategies from a people-centric perspective of investing in the people of the Company, job satisfaction, and helping every employee play an active role, and to continue to improve the processes, culture, and individual capabilities in the entire organization. Over the past year in particular, my sense has been that investments in people have emerged in tangible and intangible ways across various sites.

In the areas of manufacturing and production engineering, which are the core of Futaba's business, I feel that many things have changed dramatically over the past few years. For instance, through capital expenditure strategies and cash flow management, each function autonomously considers matters such as investment management and efficiency, and the development of best practices, and the entire Company works together organically to strengthen the quality of work in a sustainable manner. In order to further accelerate these initiatives and achieve the "three strategies*" set forth by the Company at a high level, it is crucial that Futaba thoroughly master and expand the core elemental technologies that it has developed thus far, such as welding technology and technology for controlling heat and fluids, and that it manage its business centered on products founded in these technologies.

With regard to carbon neutrality and environmental management, Futaba has launched two-pronged initiatives, including steady initiatives at plants and industry-academia collaboration initiatives in new businesses with the launch of the Business Development Center, and the Company is steadily beginning both offensive and defensive initiatives. In the future, I feel that it is important to promote collaboration with suppliers and partners in this area as well as in the parts business, and work toward realizing a circular economy.

Going forward, Futaba will continue to strive to create a Group that is people-centered and can create various values.

* Three strategies: The Company's three strategies for expanding sales (see page 21)



Outside Director

Hideo Yamamoto

New appointment

I was elected as an Outside Director at the 2024 General Meeting of Shareholders. During my 31 years as a banker at MUFG Bank, I worked not only in Japan but also overseas for 16 years in New York, London, and Singapore. At KOITO MANUFACTURING CO., LTD., an automotive parts company that I subsequently joined after MUFG Bank, I served as CFO for the first six years, and as the officer in charge of information systems, general affairs, public relations, and IR for the second six years, engaging in direct dialogue with many shareholders and institutional investors.

I would like to use these experiences to serve as a bridge between the Company and its stakeholders. Specifically, I will constantly monitor whether the opinions and requests of shareholders and institutional investors in Japan and overseas are being reflected in Futaba's management, and whether the Company's strengths and growth potential are being properly communicated and understood in the run-up to the era of CASE and carbon neutrality (decarbonization). Alongside this, I will also strive to engage in direct dialogue with these stakeholders.

In addition, employees are the most important stakeholders in order to realize a state where every employee plays an active role within the Company. By visiting not only administrative divisions but also factories and other worksites to listen to feedback from employees, and by monitoring whether this feedback reach the top management and are reflected in their actions, and whether the policies and guidelines of the top management are implemented by all employees, I hope that I can help build an energetic workplace environment and support the growth of the Company.

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, Center Chiefs, 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 Charter of Corporate Behavior, FUTABA Code of Conduct and Action Guidelines of Futaba, based on our Purpose, Mission, and Values, and the FUTABA WAY, etc.

Specific initiatives

Establishing compliance system

For each of the 138 laws and regulations applicable or relating to our business in Japan, we have designated a responsible department which receives information on the law or regulation from an external information provider. Furthermore, the responsible department has selected 88 influential laws and regulations out of the 138 laws and regulations and formulated compliance management plans for them, which already are in operation. We are also working to establish a compliance system at our 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 our Purpose, Mission, Values, and the FUTABA WAY, etc. We have issued the Charter of Corporate Behavior and FUTABA Code of Conduct in order for all employees to act with common sense and high ethical standards. We revised the Basic Approach to Anticorruption (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 Directors and Audit & Supervisory Board Members.

In FY2023, we received 58 reports and consultations (11 at Futaba Head Office and 47 at Group companies in Japan and overseas). Many of the reports concerned harassment or violation of internal rules, and we have responded to them appropriately. We will continue to enhance the effectiveness of the system through enhancement of awareness and improvement, etc.

Number of reporting and consultations

FY	2019	2020	2021	2022	2023
Number of cases	16	24	64	50	58

*Helpline in North America started in FY2021.

Risk Management

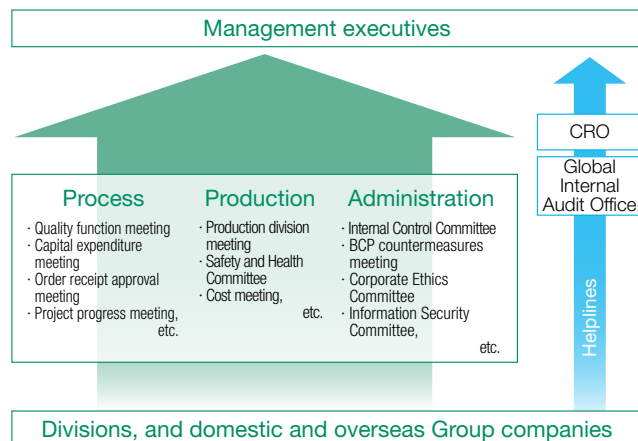
Basic approach

To prevent risks which may have a major impact on management, we are working on minimizing controllable 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 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 Safety and Health

Risk management framework



Committee for safety and health risks; the Internal 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.

Business continuity plan (BCP)

We formulate our BCPs with a basic policy to aim to minimize material and human damage, support the restoration of local communities, and resume our business activities swiftly in the event of emergency situations such as major earthquakes. With "human life first" as the first priority, we take physical countermeasures, including preparing primary evacuation sites inside plant buildings (such as providing shelters against falling objects), while conducting company-wide emergency drills to prepare for a major earthquake in the Nankai Trough. As part of emergency drills, we conduct tabletop emergency exercises which simulate initial response after a disaster including Group companies in Japan. We also maintain and revise our BCPs and manuals on an ongoing basis.

In an effort to advance effective Group-wide BCP activities, we hold quarterly BCP countermeasures meetings. By sharing best practices in the formulation and operation of BCPs at plants, we continue to work to raise the overall quality of our BCPs.



Tabletop emergency exercise

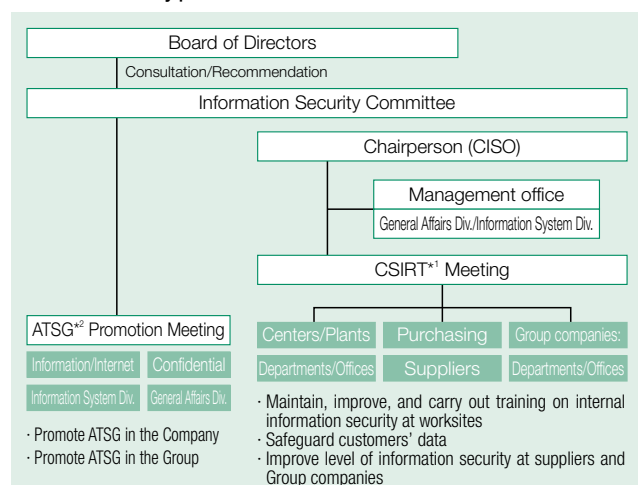
Information security

In recent years, cyberattacks have caused a greater number of problems to society, such as information leaks, data losses, and 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

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)	2013	2014	2015	2016
Operating results					
Net sales		399,378	422,874	437,640	412,383
Operating profit (loss)		2,784	4,367	3,121	8,976
Ordinary profit (loss)		2,073	2,116	636	7,542
Profit (loss) before income taxes		7,020	2,116	533	5,619
Profit (loss) attributable to owners of parent		2,954	1,039	(1,195)	4,806
Capital expenditures		21,474	20,480	26,514	16,330
Depreciation		20,167	20,318	24,152	21,073
R&D expenses		2,586	2,940	3,079	3,235
Net assets		57,600	66,914	56,179	67,029
Total assets		237,019	255,311	233,303	242,311
Interest-bearing debt		91,286	95,088	90,728	84,671
Per share information					
Earnings (loss) per share		42.24	14.86	(17.09)	65.76
Net assets per share		595.74	720.87	593.39	607.17
Dividends		3.00	3.00	3.00	3.00
Payout ratio (%)		7.1	20.2	—	4.6
Cash flow					
Cash flows from operating activities		23,266	25,780	22,751	26,178
Cash flows from investing activities		(13,235)	(31,451)	(20,333)	(20,902)
Cash flows from financing activities		(10,702)	1,017	(3,612)	3,262
Cash and cash equivalents at end of period		20,237	14,576	13,121	20,581
Financial indicators					
Operating profit ratio		0.7	1.0	0.7	2.2
Equity ratio		17.6	19.8	17.8	22.4
Return on equity (ROE)		7.6	2.3	(2.6)	10.0
Return on assets (ROA)		1.3	0.4	(0.5)	2.0

							(Million yen)
2017	2018	2019	2020	2021	2022	2023	
440,446	461,705	476,165	466,809	572,118	708,072	795,802	
11,258	6,797	10,621	7,780	6,115	7,681	19,213	
10,955	6,449	9,968	7,962	7,807	7,768	18,489	
6,380	6,158	10,340	7,942	6,255	7,917	18,489	
10,721	3,509	6,357	4,095	3,307	10,576	12,831	
20,252	41,347	27,385	19,470	37,010	31,293	19,214	
20,515	23,078	24,497	23,772	24,478	29,672	30,653	
3,367	3,494	3,443	3,285	4,296	4,446	5,087	
75,691	75,211	76,488	87,216	90,014	99,747	130,901	
253,362	249,061	253,517	290,194	309,487	319,768	334,780	
81,380	84,946	82,340	87,723	98,147	81,675	62,026	
							(Yen)
119.82	39.22	71.03	45.73	36.94	118.26	143.44	
731.50	734.90	753.80	866.86	940.37	1,051.94	1,390.23	
10.00	10.00	10.00	10.00	10.00	15.00	35.00	
8.3	25.5	14.1	21.9	27.1	12.7	24.4	
							(Million yen)
24,960	25,410	34,020	22,792	35,468	47,743	57,370	
(27,081)	(30,961)	(26,443)	(24,672)	(35,547)	(22,307)	(16,208)	
(6,304)	1,489	(5,572)	1,750	(3,451)	(22,009)	(27,746)	
11,960	7,541	9,370	9,522	6,730	10,331	24,277	
							(%)
2.6	1.5	2.2	1.7	1.1	1.1	2.4	
25.8	26.4	26.6	26.8	27.2	29.4	37.2	
17.9	5.3	9.5	5.6	4.1	11.9	11.7	
4.3	1.4	2.5	1.5	1.1	3.4	3.8	

Financial Review

Financial position and results of operations

During the fiscal year under review, the global economy experienced a sluggish recovery. This primarily reflected the weakness of economic activities in Europe due to continued monetary tightening and a slowdown in growth in China linked partly to the slump of the real estate market, although the U.S. economy remained firm given rising employment and growth in consumer spending. In Japan, there were signs of a moderate recovery on the back of improvements in the employment and income environment and growth in inbound demand.

Looking at the automotive industry overall, the number of new vehicles sold increased year on year in all regions due to the easing of production constraints caused by semiconductor shortages, among other factors. Nonetheless, the industry faced challenges, such as cost increases due mainly to high prices of raw materials and rising labor costs and intensifying competition in the BEV market, especially in China, throughout the year.

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.

Regarding earnings and results generated from business activities through our products and services with three value propositions to a society consisting of clean & green, peace of mind, and quality of life, 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 12.4% year on year to 795.8 billion yen. On the profit side, operating profit increased 150.1% to 19.2 billion yen, ordinary profit increased 138.0%, to 18.4 billion yen, and profit attributable to owners of parent increased 21.3% to 12.8 billion yen, due to factors such as an increase in sales of the automotive parts business.

Performance by geographic segment was as follows.

①Japan

Net sales increased 60.5 billion yen (19.8%) year on year to 365.8 billion yen. Segment operating profit increased 220.6% year on year to 9.8 billion yen.

②North America

Net sales increased 50.3 billion yen year on year (29.2%) to

222.8 billion yen. Segment operating profit was 3.4 billion yen (segment operating loss of 0.7 billion yen in the previous year).

③Europe

Net sales increased 6.1 billion yen (9.0%) year on year to 74.4 billion yen. Segment operating profit increased 112.7% year on year to 2.0 billion yen.

④China

Net sales decreased 18.9 billion yen (18.6%) year on year to 83.2 billion yen. Segment operating profit decreased 15.6% year on year to 2.2 billion yen.

⑤Asia

Net sales decreased 11.7 billion yen (16.8%) year on year to 58.4 billion yen. Segment operating profit decreased 4.3% year on year to 1.4 billion yen.

Financial position was as follows.

Total assets increased 15.0 billion yen as of March 31, 2024 from the end of the previous fiscal year to 334.7 billion yen, mainly due to an increase in cash and deposits. Total liabilities amounted to 203.8 billion yen, a 16.1 billion yen decrease from the end of the previous fiscal year, mainly due to decrease in notes and accounts payable - trade and long-term borrowings. Net assets increased 31.1 billion yen from the end of the previous fiscal year to 130.9 billion yen due mainly to an increase in retained earnings.

Cash flows

Cash and cash equivalents of the Futaba Group increased 13.9 billion yen from the end of the previous fiscal year to 24.2 billion yen. The major components of cash flows were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities increased 9.6 billion yen (20.2%) to 57.3 billion yen. This was largely due to an increase in profit before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities decreased 6.0 billion yen (27.3%) to 16.2 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 27.7 billion yen compared with 22.0 billion yen of net cash used in the previous fiscal year. This was mainly due to repayments of long-term borrowings and redemption of bonds.

Consolidated Financial Statements

Consolidated balance sheet

(Million yen)

(Million yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	10,335	25,029
Notes and accounts receivable - trade	100,906	89,572
Finished goods	7,095	6,714
Work in process	15,354	15,024
Raw materials and supplies	7,894	7,370
Other	10,605	9,805
Total current assets	152,191	153,518
Non-current assets		
Property, plant and equipment		
Buildings and structures	86,423	93,108
Accumulated depreciation	(52,953)	(57,359)
Buildings and structures, net	33,469	35,748
Machinery, equipment and vehicles	262,533	271,653
Accumulated depreciation	(200,464)	(211,742)
Machinery, equipment and vehicles, net	62,068	59,911
Tools, furniture and fixtures	99,080	109,378
Accumulated depreciation	(84,891)	(95,852)
Tools, furniture and fixtures, net	14,188	13,525
Land	14,618	14,853
Leased assets	17,975	18,986
Accumulated depreciation	(16,459)	(16,582)
Leased assets, net	1,515	2,403
Construction in progress	13,375	9,724
Total property, plant and equipment	139,235	136,167
Intangible assets		
Software	1,637	1,810
Other	22	86
Total intangible assets	1,660	1,896
Investments and other assets		
Investment securities	16,287	26,619
Long-term loans receivable	37	33
Retirement benefit asset	8,700	14,592
Deferred tax assets	1,226	1,535
Other	461	424
Allowance for doubtful accounts	(34)	(8)
Total investments and other assets	26,680	43,197
Total non-current assets	167,576	181,262
Total assets	319,768	334,780

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	96,153	86,135
Electronically recorded obligations - operating	5,699	3,790
Current portion of bonds payable	6,000	—
Short-term borrowings	9,464	1,105
Current portion of long-term borrowings	7,581	11,773
Income taxes payable	984	2,639
Accrued consumption taxes	1,393	2,498
Provision for bonuses for directors (and other officers)	33	32
Accrued expenses	12,909	15,576
Other	7,567	14,376
Total current liabilities	147,787	137,926
Non-current liabilities		
Bonds payable	6,000	6,000
Long-term borrowings	51,818	41,137
Deferred tax liabilities	3,117	10,191
Provision for product warranties	274	388
Provision for decommissioning and removal	—	933
Retirement benefit liability	9,619	5,057
Other	1,403	2,243
Total non-current liabilities	72,233	65,951
Total liabilities	220,021	203,878
Net assets		
Shareholders' equity		
Share capital	16,820	16,820
Capital surplus	9,182	9,186
Retained earnings	48,641	58,893
Treasury shares	(62)	(46)
Total shareholders' equity	74,581	84,853
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,500	14,712
Foreign currency translation adjustment	9,802	16,094
Remeasurements of defined benefit plans	2,187	8,718
Total accumulated other comprehensive income	19,489	39,525
Non-controlling interests	5,675	6,523
Total net assets	99,747	130,901
Total liabilities and net assets	319,768	334,780

Consolidated Financial Statements

Consolidated statement of income

(Million yen)

	Fiscal year ended March 31, 2023 (Apr. 1, 2022 – Mar. 31, 2023)	Fiscal year ended March 31, 2024 (Apr. 1, 2023 – Mar. 31, 2024)
Net sales	708,072	795,802
Cost of sales	675,058	748,260
Gross profit	33,013	47,542
Selling, general and administrative expenses	25,332	28,329
Operating profit	7,681	19,213
Non-operating income		
Interest income	209	617
Dividend income	405	456
Gain on sale of scraps	463	382
Share of profit of entities accounted for using equity method	260	—
Foreign exchange gains	—	668
Insurance claim income	2	559
Miscellaneous income	925	693
Total non-operating income	2,266	3,379
Non-operating expenses		
Interest expenses	1,402	992
Loss on abandonment of non-current assets	240	403
Share of loss of entities accounted for using equity method	—	150
Foreign exchange losses	141	—
Loss on valuation of derivatives	40	665
Litigation settlement	—	573
Provision for decommissioning and removals	—	933
Miscellaneous losses	354	384
Total non-operating expenses	2,178	4,102
Ordinary profit	7,768	18,489
Extraordinary income		
Gain on sale of investment securities	1,604	—
Total extraordinary income	1,604	—
Extraordinary losses		
Impairment losses	1,454	—
Total extraordinary losses	1,454	—
Profit before income taxes	7,917	18,489
Income taxes - current	2,068	4,301
Income taxes - deferred	(5,055)	766
Total income taxes	(2,987)	5,067
Profit	10,904	13,422
Profit attributable to non-controlling interests	328	590
Profit attributable to owners of parent	10,576	12,831

Consolidated statement of comprehensive income

(Million yen)

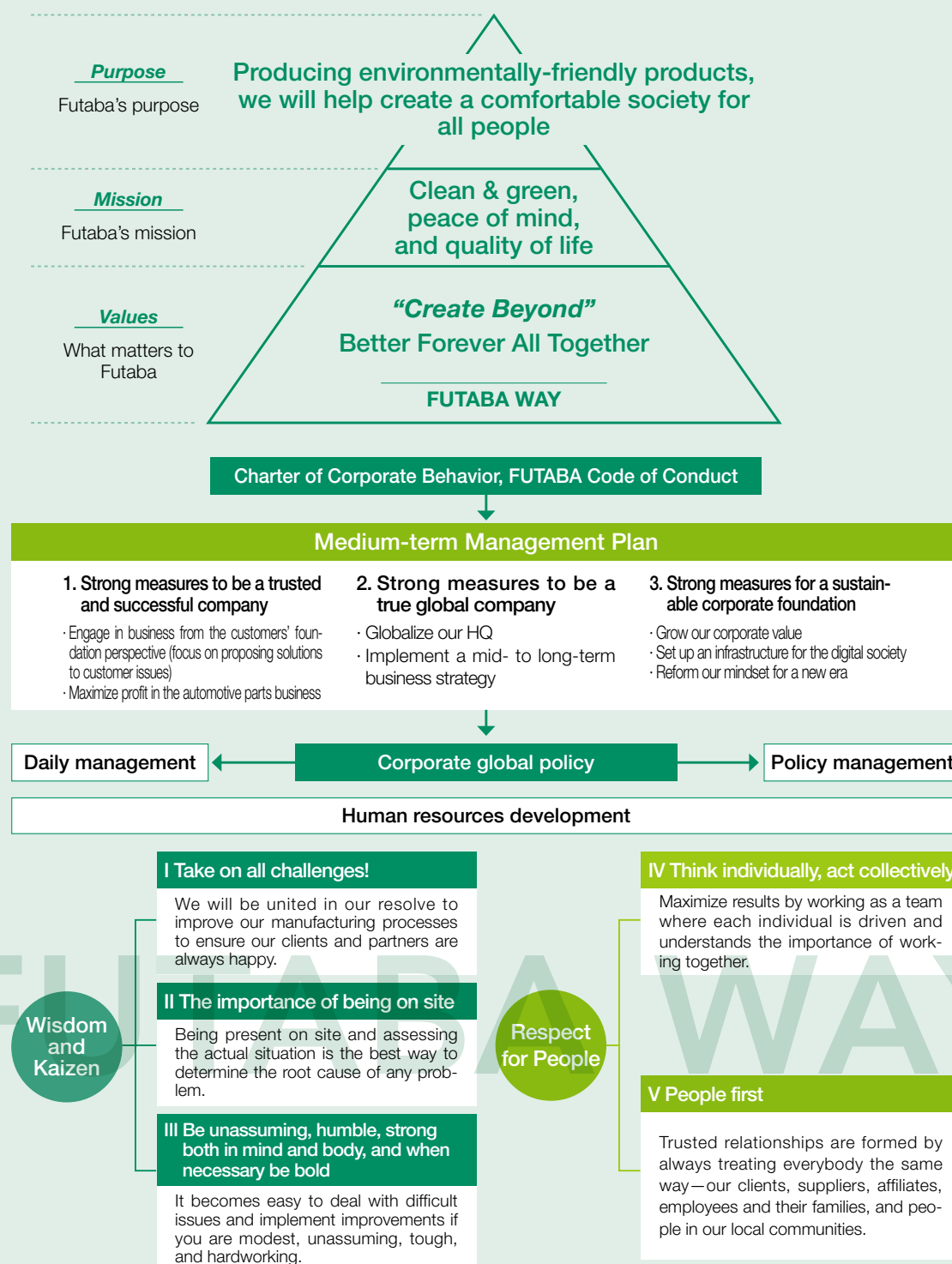
	Fiscal year ended March 31, 2023 (Apr. 1, 2022 – Mar. 31, 2023)	Fiscal year ended March 31, 2024 (Apr. 1, 2023 – Mar. 31, 2024)
Profit	10,904	13,422
Other comprehensive income		
Valuation difference on available-for-sale securities	(483)	7,210
Foreign currency translation adjustment	2,579	5,930
Remeasurements of defined benefit plans, net of tax	(1,799)	6,531
Share of other comprehensive income of entities accounted for using equity method	165	427
Total other comprehensive income	462	20,099
Comprehensive income	11,367	33,521
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,796	32,399
Comprehensive income attributable to non-controlling interests	570	1,122

Consolidated statement of cash flows

(Million yen)

	Fiscal year ended March 31, 2023 (Apr. 1, 2022 – Mar. 31, 2023)	Fiscal year ended March 31, 2024 (Apr. 1, 2023 – Mar. 31, 2024)
Cash flows from operating activities		
Profit before income taxes	7,917	18,489
Depreciation	29,672	30,653
Impairment losses	1,454	—
Increase (decrease) in allowance for doubtful accounts	—	(25)
Increase (decrease) in provision for bonuses for directors (and other officers)	0	(1)
Increase (decrease) in provision for product warranties	49	114
Increase (decrease) in reserve for demolition and removal	—	933
Interest and dividend income	(614)	(1,074)
Interest expenses	1,402	992
Loss on abandonment of property, plant and equipment	222	400
Share of loss (profit) of entities accounted for using equity method	(260)	150
Loss (gain) on valuation of derivatives	40	665
Loss (gain) on sale of investment securities	(1,607)	(4)
Decrease (increase) in trade receivables	(8,664)	18,562
Decrease (increase) in inventories	772	2,853
Increase (decrease) in trade payables	21,188	(19,413)
Increase (decrease) in accrued consumption taxes	(455)	243
Increase (decrease) in other current liabilities	(639)	4,400
Other, net	236	900
Subtotal	50,716	58,840
Interest and dividends received	672	1,250
Interest paid	(1,342)	(1,014)
Income taxes refund (paid)	(2,303)	(1,705)
Net cash provided by (used in) operating activities	47,743	57,370
Cash flows from investing activities		
Payments into time deposits	—	(723)
Purchase of property, plant and equipment	(24,179)	(14,917)
Proceeds from sale of property, plant and equipment	81	219
Purchase of intangible assets	(621)	(805)
Proceeds from sale and redemption of investment securities	2,400	13
Other, net	12	4
Net cash provided by (used in) investing activities	(22,307)	(16,208)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(7,468)	(9,206)
Proceeds from long-term borrowings	15,064	—
Repayments of long-term borrowings	(26,892)	(8,926)
Repayments of lease liabilities	(766)	(515)
Redemption of bonds	—	(6,000)
Dividends paid	(895)	(2,676)
Dividends paid to non-controlling interests	(980)	(419)
Other, net	(70)	(0)
Net cash provided by (used in) financing activities	(22,009)	(27,746)
Effect of exchange rate change on cash and cash equivalents	174	(449)
Net increase (decrease) in cash and cash equivalents	3,600	12,966
Cash and cash equivalents at beginning of period	6,730	10,331
Increase (decrease) in cash and cash equivalents resulting from a change in closing dates of consolidated subsidiaries	—	979
Cash and cash equivalents at end of period	10,331	24,277

Management System



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

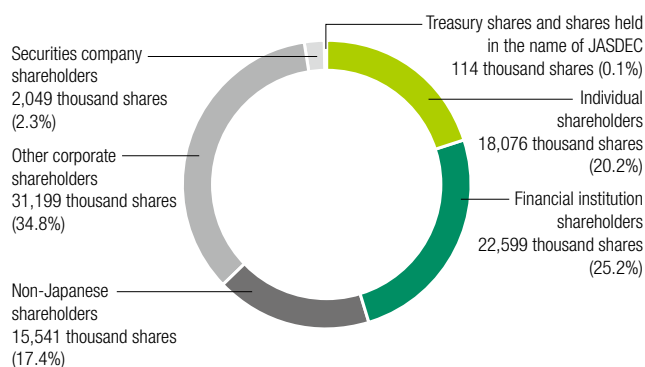
Company profile (As of March 31, 2024)

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, equipment for external sales 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: 10,690 Non-consolidated: 3,773
Net sales	Consolidated: 795.8 billion yen Non-consolidated: 364.9 billion yen

Stock overview (As of March 31, 2024)

Total number of authorized shares	200,000,000 shares
Total number of shares issued	89,580,827 shares (including 114,669 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)	7,821	8.7
Futaba Suppliers Cooperative Shareholding Association	3,559	3.9
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
Custody Bank of Japan, Ltd. (trust account)	2,304	2.5
Futaba Employee Shareholding Association	1,358	1.5
MUFG Bank, Ltd.	1,290	1.4
STATE STREET BANK AND TRUST COMPANY 505223	1,263	1.4
DFA INTL SMALL CAP VALUE PORTFOLIO	1,160	1.2

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/>

futaba industrial

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