

FUTABA

FUTABA Integrated Report

2022



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

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

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

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





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Key Points of the FUTABA Integrated Report 2022

The FUTABA Integrated Report 2022 broadly and concretely describes the Futaba Group's strategies and initiatives for contributing to society and improving its enterprise value, with a focus on the solid value to be offered in three areas—environment, peace of mind, and quality of life—which were developed by the Group through its history.

Furthermore, the Futaba Group's value creation scenario is described from near-, medium- and long-term perspectives, and as such the Group's thinking in relation to long-term management issues and its approach toward their resolution are indicated. At the same time,

this report also summarizes the medium-term management plan, in which medium-term business targets for this fiscal year and new targets for up to FY2024 have been established. Furthermore, this report discloses the KPIs, targets, and results in relation to 14 priority issues (materiality) and describes their progress. In regard to the construction of a foundation for sustainable growth, we are focusing our efforts on digitalization, diversity and inclusion, and strengthening our corporate governance in addition to addressing climate change. The initiatives are also described in this report.

Editorial Policy

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

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

Scope of Report

Futaba Industrial Co., Ltd. and its consolidated subsidiaries

* The scope of some sections is separately defined.

Notes on forward-looking statements

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

Reference Guidelines

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



Reporting Period

April 1, 2021 to March 31, 2022

* Some activities outside the reporting period are also introduced.

Publication

September 2022

Structure of Information Disclosure

Financial information	Non-financial information
Futaba Integrated Report 2022	
<ul style="list-style-type: none"> • Financial results • Annual Securities Reports, etc. 	<ul style="list-style-type: none"> • Environmental and social initiatives • Corporate governance report, etc.
Futaba website https://www.futabasangyo.com/en/	

FUTABA History and Future

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



Social issues

Lack of foods and daily necessities after World War II

Pollution issues driven by increasing motorization

Response to saving energy and resources

Increase of traffic accidents associated with the increase of automobiles

Competition for fuel efficiency among hybrid vehicles

Escalation of climate change driven by global warming

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

- Enactment of fuel efficiency standards (1979)

- Commencement of collision safety regulations (1994)

- Amendment of fuel efficiency standards (1999)

- Adoption of the Paris Agreement (2015)
- 2050 Carbon Neutrality Declaration by the Japanese Government (2020)

- Enactment of the Kyoto Protocol (1997)

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

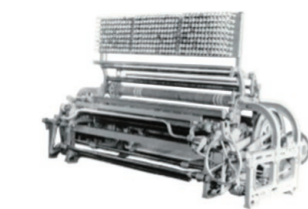
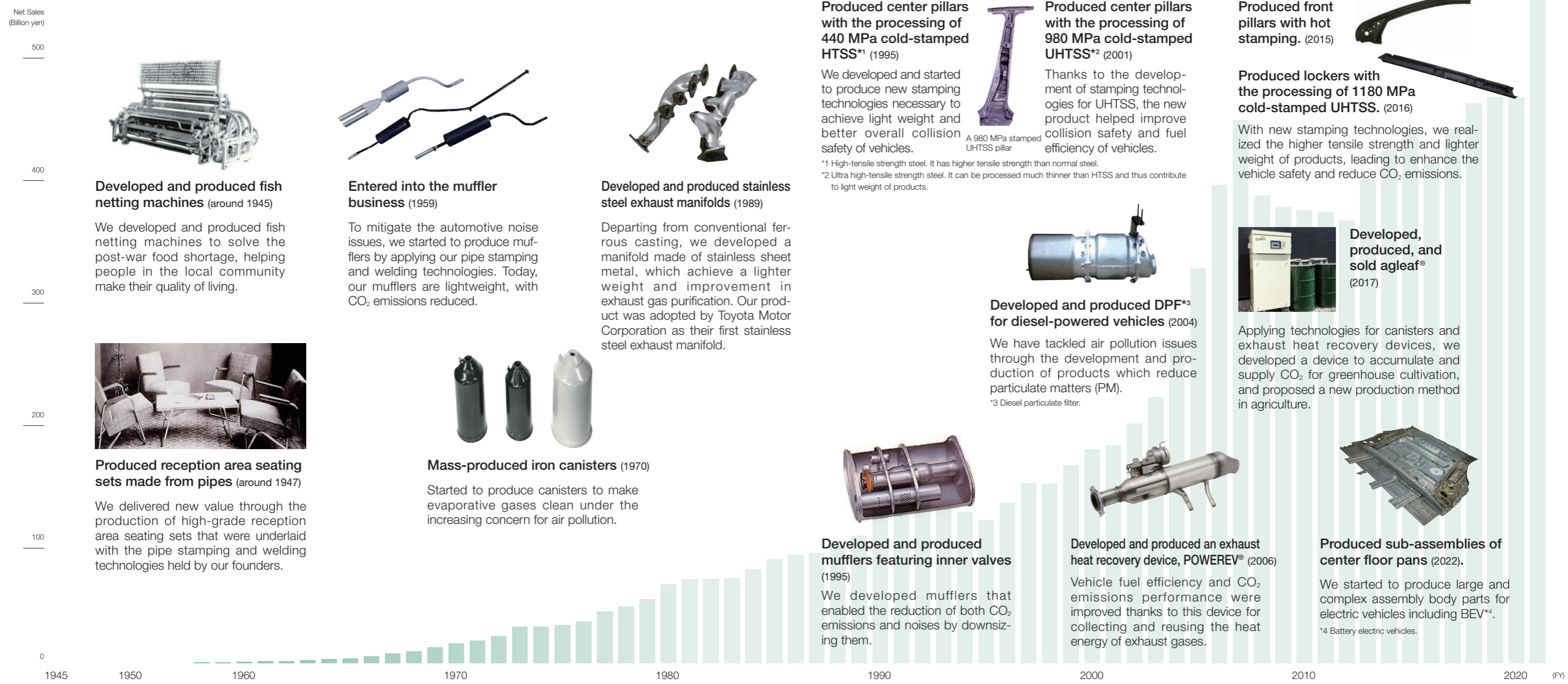
- Adoption of the Kyoto Protocol (1997)

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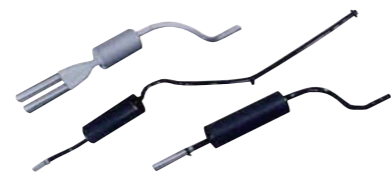
- Escalation of food issues

Solutions through products and technologies



Developed and produced fish netting machines (around 1945)

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.



Entered into the muffler business (1959)

To mitigate the automotive noise issues, we started to produce mufflers by applying our pipe stamping and welding technologies. Today, our mufflers are lightweight, with CO₂ emissions reduced.



Developed and produced stainless steel exhaust manifolds (1989)

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



Mass-produced iron canisters (1970)

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



Produced reception area seating sets made from pipes (around 1947)

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

Produced center pillars with the processing of 440 MPa cold-stamped HTSS*1 (1995)

We developed and started to produce new stamping technologies necessary to achieve light weight and better overall collision safety of vehicles.



A 980 MPa stamped UHTSS pillar

Produced center pillars with the processing of 980 MPa cold-stamped UHTSS*2 (2001)

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

*1 High-tensile strength steel. It has higher tensile strength than normal steel.
*2 Ultra high-tensile strength steel. It can be processed much thinner than HTSS and thus contribute to light weight of products.

Produced front pillars with hot stamping. (2015)



Produced lockers with the processing of 1180 MPa cold-stamped UHTSS. (2016)

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



Developed and produced DPF*3 for diesel-powered vehicles (2004)

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

*3 Diesel particulate filter.



Developed, produced, and sold agleaf® (2017)

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



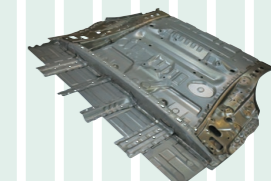
Developed and produced mufflers featuring inner valves (1995)

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



Developed and produced an exhaust heat recovery device, POWEREV® (2006)

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



Produced sub-assemblies of center floor pans (2022).

We started to produce large and complex assembly body parts for electric vehicles including BEV*4.

*4 Battery electric vehicles.

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 evolve the strength in technological development and manufacturing capabilities that it has cultivated over the years. We will leverage and further evolve these strengths and continue to deliver to our customers, solid value in the three areas of environment, peace of mind, and quality of life.

Futaba's flow, from planning to production

Product planning

Design and development

Production preparation

Production

Technological Development Capability

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

Manufacturing capability

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

Product planning and proposal capability

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

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, consider new, efficient manufacturing methods, and propose high value-added part structures. Going forward, we will strengthen our proposal capability for development in the area of both body and interior parts by leveraging our experience of manufacturing assembly and welding equipment for external sale.

^{*1} Simultaneous engineering means 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. In particular, we will contribute to customers by continuing to propose electrification-related products, which meet the various needs (such as larger batteries and safety) of electric vehicles, and exhaust systems.

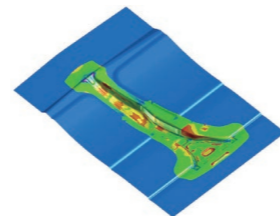
Development and evaluation system

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

Analysis and evaluation technology

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

Going forward, we will work for the substantial shortening of development lead time by innovation of the development process, such as utilization of digital technologies including MBD^{*3} and AI.



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

^{*3} Model-based development. In MBD, simulations are made using computer-aided engineering (CAE) software.

Exhaust noise reduction technology

We are pursuing and achieving small, lightweight 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 recovered from exhaust gas to warm the engine or the vehicle interiors. The technology has also been transferred to the agricultural business. It is used to supply heat to greenhouses through accumulation of the CO₂ exhaust released from combustion-type heaters.

Production engineering capability

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

Stamping technology

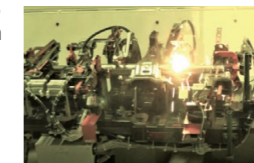
We possess the processing technology for cold stamping ultra high-tensile strength steel, which are very difficult to shape, as well as conduct hot stamping^{*4}, which enables complex shapes with high strength to be formed. Going forward, we will propose products that are even stronger and more lightweight. We are also enhancing added value by focusing efforts on making steel stamps for creating advanced products.



^{*4} 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 stamping, 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 beam quality. We are also enhancing the technology for combining the use of industrial robots and welding equipment. Going forward, we will construct new technologies in anticipation of multi-materialization^{*5}.



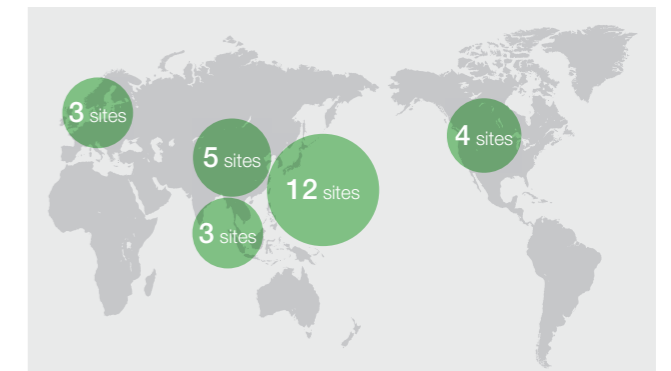
^{*5} Multi-materialization means to manufacture products by combining non-steel materials, such as aluminum and resin.

Maximization of production installation capacity

We take the equipment purchased by customers and arrange them in an optimal manner to draw out their maximum performance. At our production sites, we employ industrial robots to handle products in addition to welding in order to increase the operating rates of the robots. 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. By switching a portion of a general line into a cellular line and simply swapping equipment, we shorten production preparation time and deal with changes in production volume.

Global production system

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



Human resources for *monozukuri*

The FUTABA WAY, which are the beliefs, values, and pride that have been handed down since our foundation, is entrenched within the Futaba Group. We believe that human resources development takes place on site when both superiors and subordinates learn and achieve self-growth through the process of seeing, hearing, and feeling.

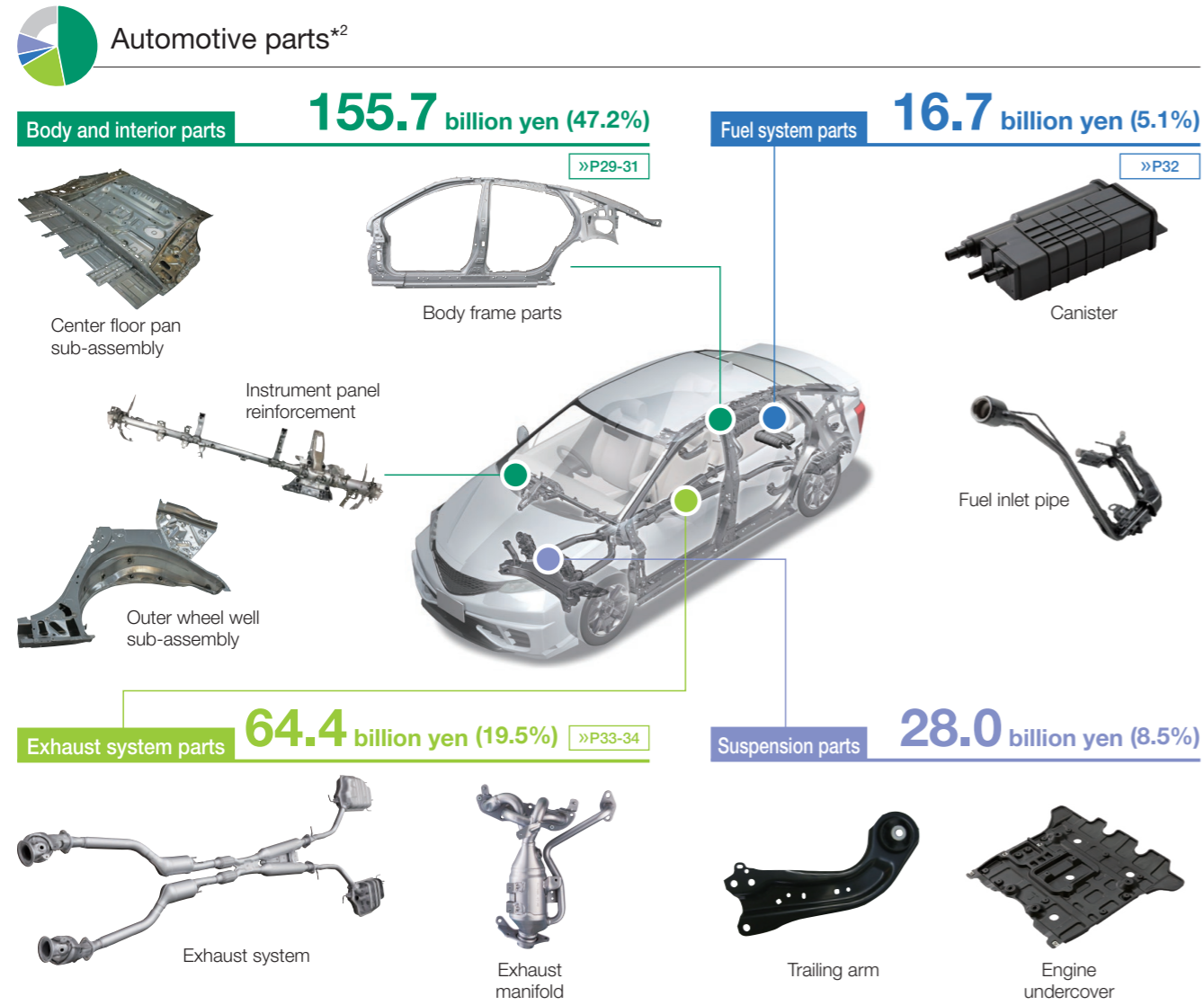
We promote human resources development on a global basis. Our employees can learn about safety and quality as well as the TPS at the Monozukuri Training Center. In addition, we motivate them to upskill by holding the Futaba Skills Competition and FM Circle Competition.



Business Focus

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

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

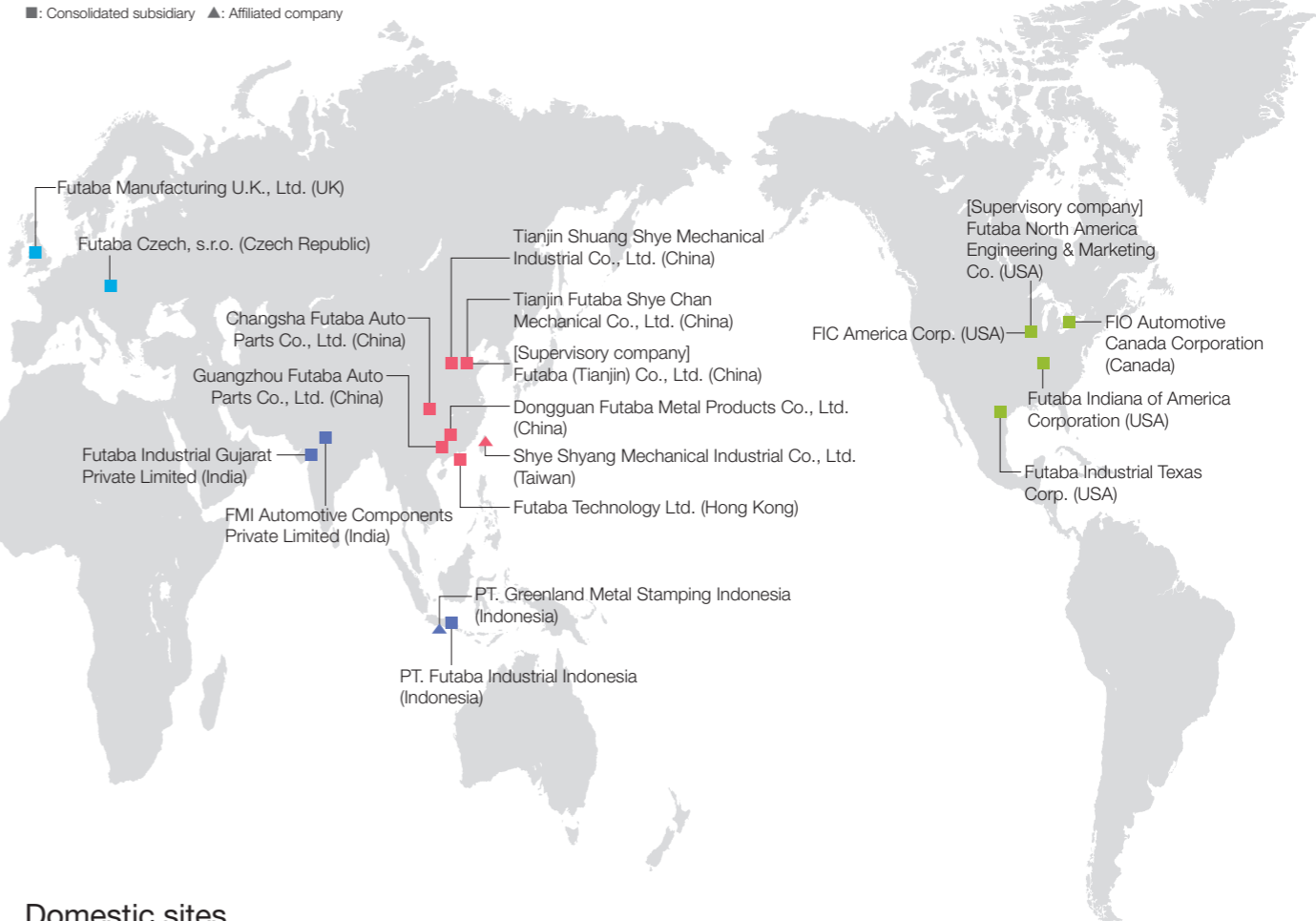


*2 Net sales and the proportion of sales excluding supplied parts

FUTABA Group Sites (As of March 31, 2022)

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.

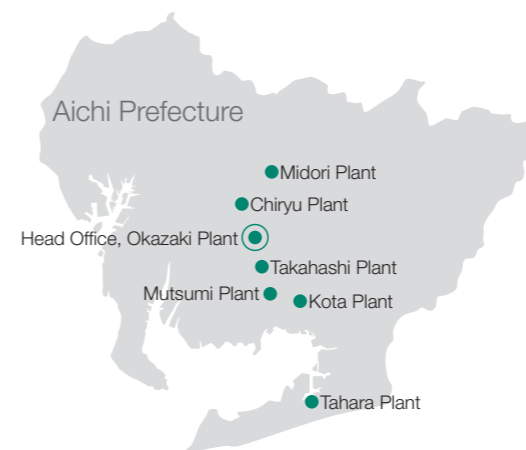
Global sites



Domestic sites

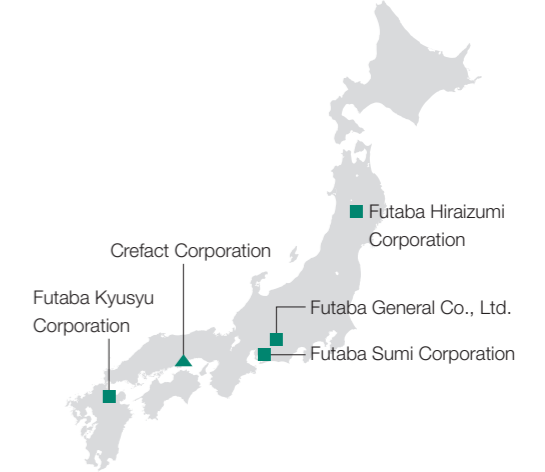
Domestic plants

● Head Office ● Plant



Domestic subsidiaries and affiliated companies

■ Consolidated subsidiary ▲ Affiliated company

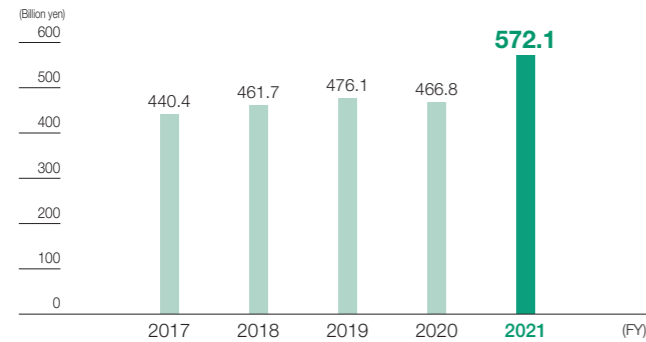


Financial and Non-financial Highlights

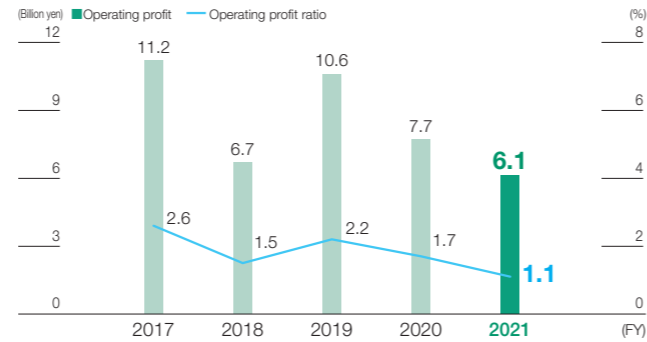
Consolidated financial data

(Source: Annual Securities Report)

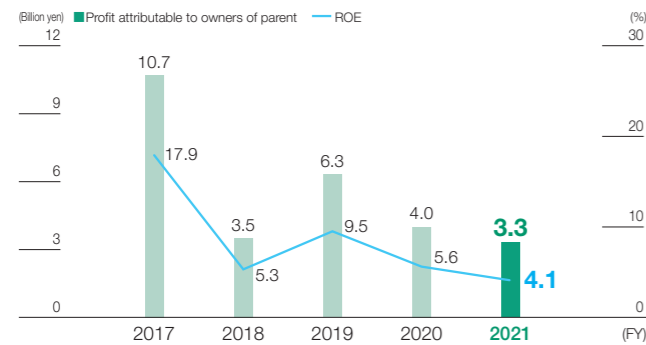
Net Sales



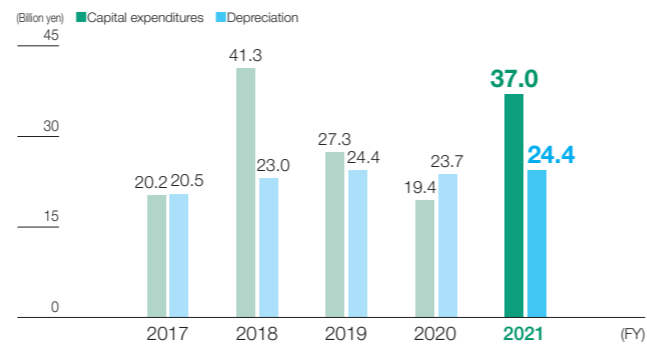
Operating profit / Operating profit ratio



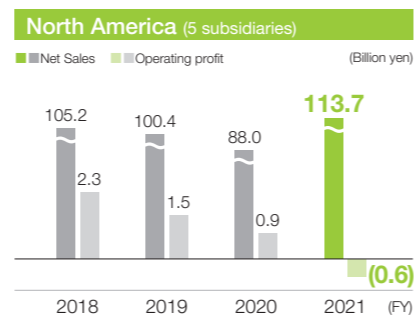
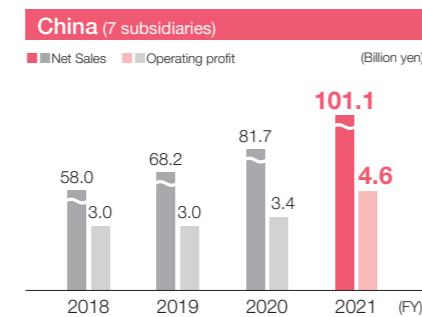
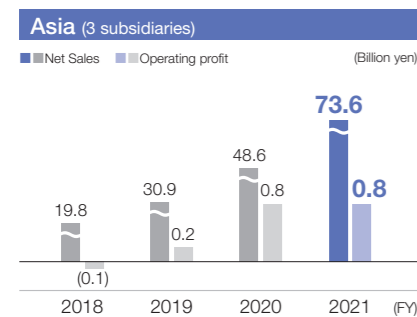
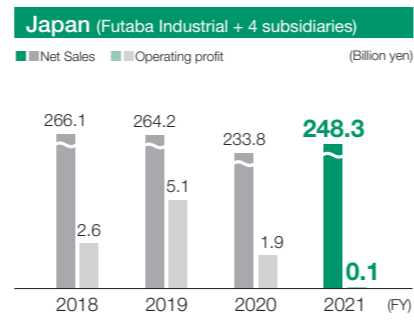
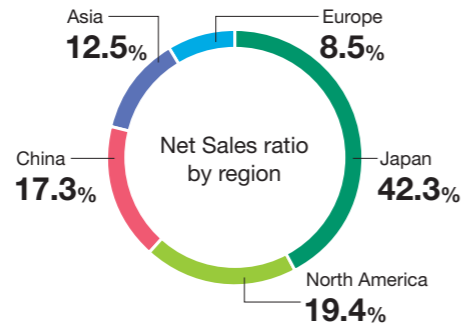
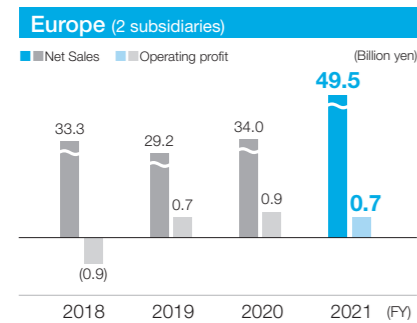
Profit attributable to owners of parent / ROE



Capital expenditures / Depreciation

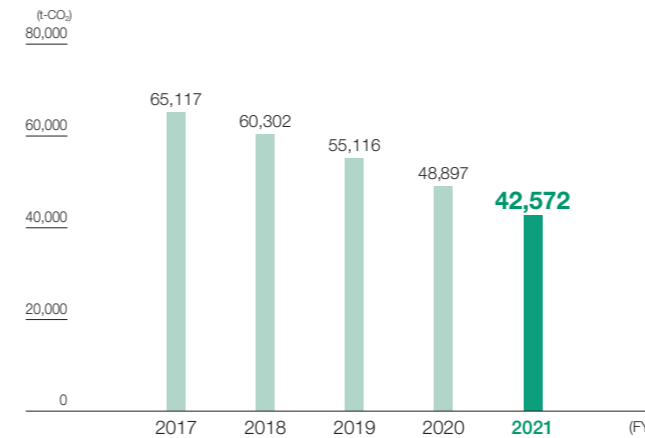


Net Sales and operating profit by region



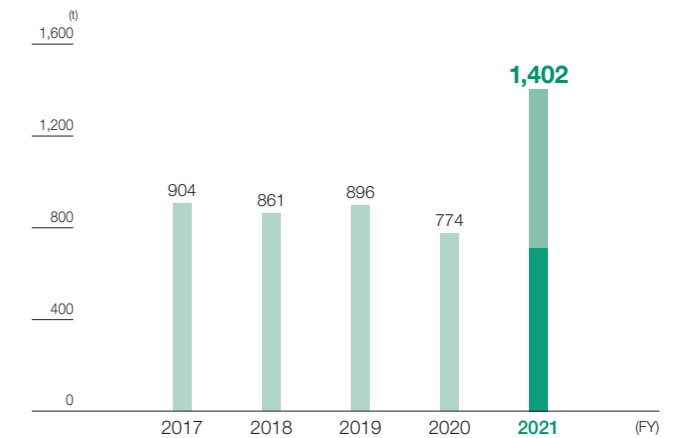
Non-financial data

CO₂ emissions (Non-consolidated)



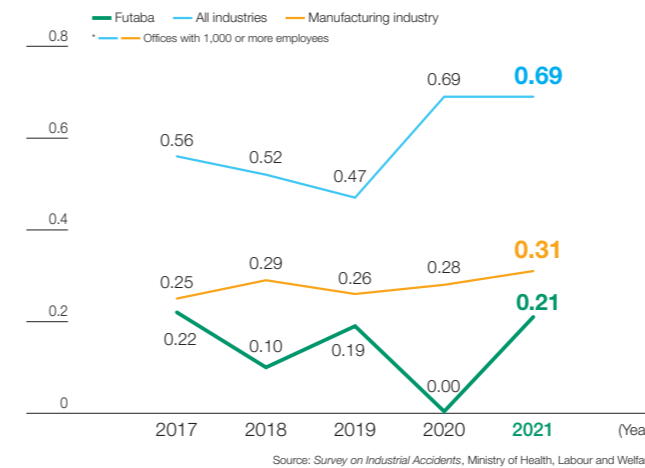
Note: The amounts of CO₂ emissions since FY2017 have been amended in accordance with the revision of CO₂ conversion coefficient to yearly fluctuations from FY2022.

Waste output (Non-consolidated)



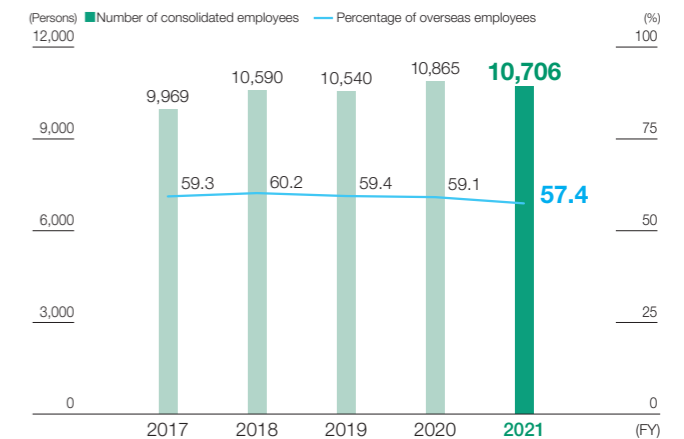
*1 The amount of waste outputs in FY2019 has been amended.
*2 The amount of waste outputs in FY2021 significantly increased due to an extraordinary factor: the inflow of underground water in a pit excavation accompanied with the introduction of new stamping machine.

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

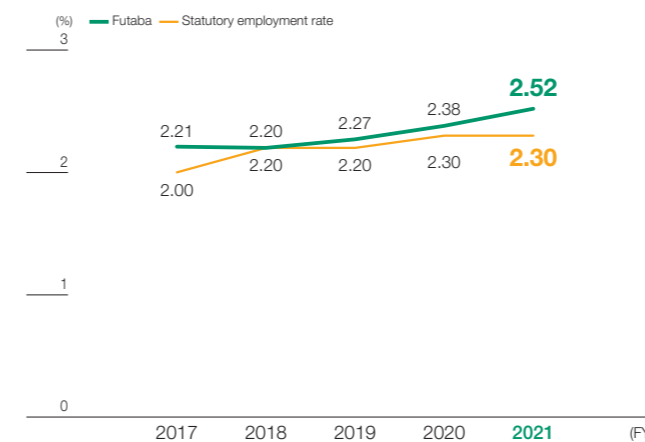


Source: Survey on Industrial Accidents, Ministry of Health, Labour and Welfare

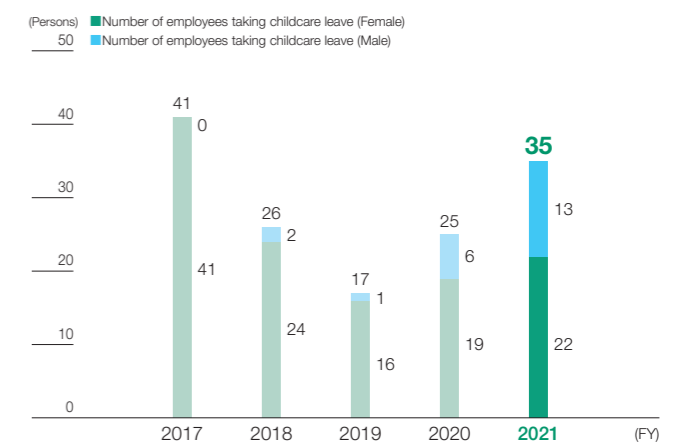
Number of consolidated employees / Percentage of overseas employees



Percentage of employees with disabilities (Non-consolidated)



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





From Earning Capacity to Value Creation

Yoshihiro Uozumi
President

The World Caught Up in a Wave

The COVID-19 pandemic, the invasion of Ukraine by Russia, supply chain disruptions, surging raw material prices, carbon neutrality*¹, DX*², CASE*³ ... We are all caught in a giant wave that has never before been experienced.

As member of the automobile industry, the Futaba Group must also overcome this wave; it is a test for us as well. If we do not face the situation head on, the S.S. Futaba will sink into the deep sea. There is a sense of crisis.

The Futaba Group has technological capability and also manufacturing capability, a unique management system, and sincere, dedicated employees who have successfully made it through difficult times. It is now that we must pool our wisdom, concentrate our efforts, and continue to take on the challenge of stable growth even in these difficult circumstances.

*1 Carbon neutrality: Decarbonization policy aimed at preventing global warming

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

*3 CASE: Acronym of Connected, Autonomous, Shared, and Electric.

A Dozen Years Since the Decision to Restart

Improper accounting practices came to light at Futaba in 2008-2009. This was not simply about errors in the presentation of the company's financial statements. It meant that Futaba lacked the vitality to keep up with trends in the 1990s and 2000s, specifically globalization (overseas expansion) and diversification in customer orientations.

Futaba began moving however to restart itself. With the support of the many people involved, the company first rebuilt its compliance and governance systems. After that, under its New Five-Year Plan, which started in 2016, Futaba worked to improve business quality in order to have the capacity to stably generate operating profit while carrying out business activities in accordance with company rules. While implementing total quality management (TQM), all departments defined and pursued priority themes that included visualization

of management costs, product development for both high quality and low costs, and a production system capable of flexibly adapting to market changes (mutual plant support, multi-skills training). As a result, the operating profit ratio stabilized in the 2% range and equity increased 30.0 billion yen as the company was successful in improving its financial KPI*⁴. In addition, through development of activities overseas, it achieved profitability in all regions globally.

*4 KPI: Key Performance Indicator
An indicator that quantifies and evaluates whether processes that need to be executed to achieve business targets are being appropriately implemented

Creating the Future—Long-Term Strategies and Medium-term Management Plan

One year has passed since I was appointed at Futaba. During this time, I have had the opportunity to hear the opinions of many customers, suppliers, business partners, and others on Futaba's issues and challenges. And, internally, I talked with everyone at the level of manager and above, including the management team, and held in-depth discussions on specific themes with specialists in development, manufacturing, sales, procurement, and other areas.

As a result, I believe that Futaba's issues can be divided into the following three groups.

- 1) Transforming carbon neutrality initiatives in the auto industry into opportunities. To do this, we will soberly analyze the impact of BEVs and switch Futaba's areas of specialty to new growth businesses.
- 2) Applying the best practices Futaba has accumulated over time to all production lines and tying this to financial performance.
- 3) Strengthening the overseas business and generating earnings in all global regions. To this end, we will work to train and utilize local executive candidates overseas and provide support from Japan.

On how to address the above three issues, I have organized our approach into two time horizons, the long term and the medium term.



Long-Term Strategy

The Futaba Group needs a long-term direction that makes possible stable growth. No strategy of the future is even possible, though, without measures for carbon neutrality in particular.

Trends in the energy source mix and CO₂ emission restrictions for automobiles in different countries, systems of subsidies for electric vehicles, changes in the awareness of automobile users. How Futaba will be impacted will differ depending on the strategies automakers adopt in response to these developments. Decisions will be made based on the extent of progress in restrictions on sales of gas-engine vehicles by 2030 and the degree of acceleration in the spread of BEVs.

Based on an analysis of announcements made by automobile manufacturers as of the present, the impact on Futaba's consolidated net sales in 2030 is estimated to be a decline of around 10%, which, converted to a yen figure, is equivalent to around 30-35 billion yen^{*5}. This is within the range of what we will be able to offset through our own efforts.

^{*5} Excludes catalysts and other customer-supplied products used in exhaust system parts

Toward sales growth

We have considered measures to offset the expected decline in sales that will result from addressing carbon neutrality and also measures to boost sales proactively.

(1) Raise the value-added of body parts P29-30

We will further improve SE ability and CAE analysis ability for body parts, which automakers rate highly, and leverage our competitive hot stamping, high-tensile steel-plate cold stamping, and welding quality to work to increase orders for complex, large-sized parts assembled with many components. We will also take advantage of being located in close proximity to automaker factories and promote the fact that this reduces total costs when including logistics costs. In addition, we will work for synergies between the body parts business and equipment for external sales business, which manufactures and installs assembly and welding equipment for the body.

(2) Increase adoption of new exhaust system parts P33-34

It is expected that there will still be customers in considerable numbers who choose PHEVs^{*6} or HEVs^{*7} going forward. We have set the goal of developing exhaust modules capable of delivering higher performance than before in the space under the body, which is becoming increasingly limited as more space is taken up by batteries. We will increase sales of exhaust modules for light, compact, and high-performance exhaust modules for PHEVs and HEVs while gaining the understanding of automobile manufacturers.

^{*6} PHEV: Plug-in Hybrid Electrical Vehicle

^{*7} HEV: Hybrid Electrical Vehicle

(3) Evolve and create new businesses P36

We will strengthen the manufacture and sale of aleaf[®], a growth promotion system for greenhouse crops. This system promotes crop growth by using carbon dioxide emitted in greenhouses for plant photosynthesis, but we have been receiving inquiries in connection with carbon neutrality as well.

Last year, Futaba established an organization to study the utilization of carbon dioxide in a manner that leads to solutions to social issues. We will work for both social contribution and sales growth using exhaust collection and purification, an area of specialty.

(4) Strengthen the supply chain

Futaba has many suppliers that remained close to the company during its past growth, decline, and revival. The move to BEVs is a matter of life and death for companies specializing in exhaust systems. We intend to share information with our suppliers and take measures with them.

Vehicle electrification is accelerating. We cannot allow ourselves to be reassured by the expectation that the gas-engine vehicle market will still exist to a certain extent; we must act quickly.

Reducing CO₂ from business activities

Decarbonization initiatives include the challenge of reducing carbon dioxide emitted by the Futaba Group and its supply chain. Last year, we set a goal of reducing CO₂ emissions by 50% or more by 2030 compared to 2013 for Futaba on a non-consolidated basis. This new goal is 15 percentage points higher than our previously stated target. We established an administrative office in-house, conducted various preparations, including emissions visualization, item accumulation, setting criteria for making execution decisions, and awareness-raising activities, and accelerated activities through quick decisions and actions.

In part because of these initiatives, a 40% reduction by 2025 is within view, and, moreover, we are in the process of conducting item accumulation. Also, this year, visualization and goal-setting were completed at domestic and overseas subsidiaries and partner companies, and a promotion system for the Group overall, including suppliers, was established for Scopes 1 and 2^{*8,9}. We are currently carrying out equivalent initiatives for Scope 3^{*10} as well. As a company, and as a member of society, we regard such initiatives as a matter of course.

^{*8} Scope 1: Direct emissions of greenhouse gases by the business operator itself

^{*9} Scope 2: Indirect emissions from use of electricity, heat, and steam supplied by other companies

^{*10} Scope 3: Indirect emissions other than Scopes 1 and 2 (Emissions of other companies related to the business operator's activities)

Medium-term Management Plan

Futaba previously was guided by its New Five-Year Plan. It delivered results to a certain extent, but the situation is still not satisfactory. We have come to generate stable profits, but interest-bearing debt remains high.

In our latest plan, one of the pillars is strengthening earning capacity, which is to say, restoring sound cash flow. Over the next three years, we intend to secure free cash flow of at least 15 billion yen per year. This will make it possible to strike a good balance going forward between 1) shareholder returns, 2) interest-bearing debt repayment, and 3) growth investment.

Raising the operating profit ratio

The operating profit ratio is an indicator that reveals a company's profitability. It is the ratio of operating profit to net sales, and the higher it is, the higher the profitability of the company's main business. Futaba's operating profit ratio is still in the 2%^{*5} range, but we want to consistently keep it at 5%^{*5} or higher.

Our manufacturing capabilities are not necessarily at the top of the industry in all respects. Consolidating lines to raise utilization rates, conducting labor savings through converting to robots in quality processes and other measures, strengthening management of good quality requirements for constant optimization of processing points—aiming for the industry top, we will build the best manufacturing lines and quickly extend them to global sites as well.

Optimal solutions for capital expenditures

For the immediate future, we will make capital expenditures of 30 billion yen per year. It takes wisdom to maximize earnings within a limited budget. Until now, it has been the trend to rely entirely on facilities to improve safety, quality, and productivity. From now on, though, we will switch to finding optimal solutions within budget for each project and improvement item through the participation of everyone involved.

Message from the President

Toward better earnings in the overseas business

The low profitability of the overseas business was one of the weaknesses of Futaba in the past. The awareness of management and employees was limited to Japanese operations.

Overseas application of manufacturing capabilities for achieving high levels of quality and productivity was insufficient, and the involvement of local company members was also inadequate. It was sometimes even the case that the situation failed to improve even after support was provided onsite.

Subsequent activities provided the impetus for major reductions in discarded products and improvements to productivity, and in 2020 profitability was achieved for the overseas business as a whole.

In order to increasing our earning capacity, it essential that we strengthen competitiveness in the overseas business. We will further bolster communication with global sites and continue to provide optimal support, and we will build a foundation for sites to make their own improvements. To this end, we will conduct local management training and reinforce management teams in a planned manner.

Commitment to future value creation

Since its founding, Futaba has been dedicated to a value proposition comprised of environment, peace of mind, and quality of life. This remains the fundamental theme of Futaba's value creation.

Pride in evolving products

In the first area, environment, we have moved from simple exhaust pipes to exhaust pipes with purification performance and quiet operations. In the second area, peace of mind, we are working to expand our lineup of body parts that protect passengers in vehicle collisions from individual parts to large-sized, complex body frames. Regarding the third area, quality of life, Futaba started from fishing net knitting machines and over time expanded its business domain to pipe furniture, tables with electric heaters, parts for information and OA equipment, and aleaf®, which contributes to agriculture.

Though the shape and form of the products may change, I believe their value is universal.

Futaba has a lineup of decarbonization products as well that are capable of leading society. We also have adequate knowledge, experience, and

facilities related to element technology, which is the foundation for manufacturing superior products. To be able to accommodate any customer request, we will continue daily research on cutting-edge technologies and prepare for mass production development.

Changing the corporate culture

Valuable products cannot be created without the efforts of every employee. The workplace needs to be such that it allows everyone to work comfortably and experience growth. I will now present two important themes for Futaba's future.

Developing workplaces and people that recognize diversity

Most of Futaba's employees 20 years ago were Japanese men. Today, it is a matter course to hire people of foreign nationalities, mid-career professionals, and women. In the Futaba Group, the overseas business has exceeded domestic operations in net sales since 2020 and number of employees since 2005. Employees with diverse career histories and thinking are increasing every year, including women, mid-career hires, and non-Japanese nationals. What will the company look like in 10 or 20 years? Diverse employees with different places of birth, genders, cultures, religions, and customs are supporting the Futaba Group. To bring out the individuality and talents of all employees and have them enthusiastically engage in business operations at Futaba, which has oriented itself globally, we must make further strides in developing pleasant and comfortable work environments. In addition, through people development, we will work to hire, train, and promote diverse personnel. In this regard, we made a Diversity & Inclusion Declaration in August 2022 and will accelerate initiatives.

Bold business process reforms via DX

Expectations are mounting for DX to transform business itself through the utilization of digital technology. Futaba intends to use DX to reform business processes. We are starting a number of new initiatives, including 1) reducing hours required for data entry and analysis through use of AI, 2) utilizing digital twin technology to reduce trial-and-error in the real world, and 3) production aligned with sales through the use of digital *kanban* within processes.

I think that utilizing DX will make a significant contribution to shortening lead times for goods, information, and processes, reducing data handling man-hours, and cutting inventories as well.

Issues, though, remain. The digital specialists at Futaba that can handle DX are limited as of the present.

I plan to implement a training plan to have at least 500 digital specialists in three years. To extract 500 people from the current organization will require us to streamline existing business processes. To do this, we will strengthen TQM activities at each workplace and move them forward.

To our stakeholders

Over the past decade or so, the *raison d'être* of companies has changed significantly. One trend symbolic of this is the change from shareholder capitalism, which favors shareholders and investors, to stakeholder capitalism, which emphasizes relationships with diverse stakeholders. In order for companies to achieve sustainable growth, we must create good relationships with not only

shareholders and investors but also customers, suppliers, partner companies, local communities, and employees.

The mission of Futaba is to earn the trust of our many stakeholders through business activities; specifically important is having the understanding of society and the general public.

Futaba has largely steered toward globalizing operations. This means acknowledging people's diversity, respecting diverse cultures, and cooperating in order to help ensure the societies people live in are highly livable ones.

When our value proposition to customers, which consists of environment, peace of mind, and quality of life, and which Futaba has been committed to since its founding, is shared by all Group members, I firmly believe the Futaba Group will be able to continue to make great leaps forward, and I am prepared to take the lead in this effort.



Management Toward a Sustainable Society

The automotive industry is in the midst of the greatest transformation in its history. Accordingly, the Futaba Group too is pursuing bold innovation. We aspire to remain a trusted and successful company for the next 10 to 20 years. To this end, we will further improve our creativity, proposal capability, and speed and contribute to a sustainable society by delivering value in terms of environment, peace of mind, and quality of life.

Futaba's Long-term Management Vision

The Company We Want to Be by FY2030

- A strong team with individuals taking initiatives and tackling challenges
- A global *monozukuri* company with leading technologies
- A sustainable company that shows creativity and takes action



Long-term Management Issues and Response

The Futaba Group aims to enhance its corporate value by solving social issues and achieving its business goals from a long-term perspective. Among our long-term management issues are to respond to the popularization of BEVs and to work toward a decarbonized society and carbon neutrality.

Today, analysts are predicting fewer engine-powered vehicles and more BEVs by 2030 (see figure on the right), and automobile manufacturers are announcing BEV strategies. We are deeply aware of how such changes will affect the Futaba Group, as our products include exhaust and fuel system parts, which are not installed in BEVs.

We also understand the impact of cost increases that will occur when making investments needed for renewable energy use, as well as purchases such as carbon credits and green power in the future. These are in response to the high public interest in carbon neutrality and the policies of various countries toward a carbon-neutral society.

Response to BEV popularization

Forecast for Impact of BEV Popularization on Futaba Group (excluding parts supplied by customers)

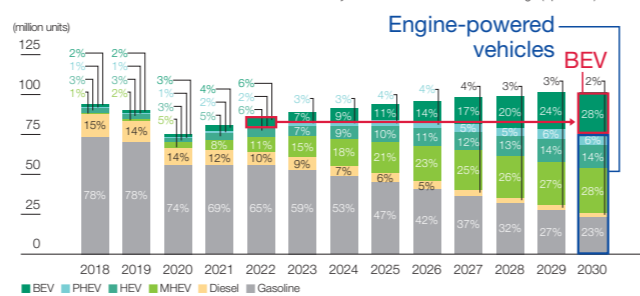
We estimated the Futaba Group's future sales on the basis of automobile manufacturers' future production plans. Our forecast for FY2030 shows that the popularization of BEVs will impact our net sales of exhaust and fuel system parts, and we expect a decrease of 30 to 35 billion yen in net sales (down approximately 10% from FY2021).

Outline of BEV Strategy

We will work on three strategies to address the impact of the popularization of BEVs and to increase future sales.

- (1) Expanding the body parts business and the manufacturing equipment business, and increasing their added value >>P29-30, 35
- (2) Increasing market share in engine-powered vehicles >>P33-34
- (3) Creating new business >>P36

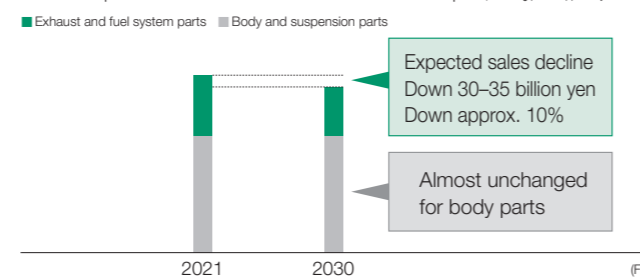
BEV popularization forecast Note: Percentages in the graph indicate proportions by drive system Source: Boston Consulting Group Why Electric Cars Can't Come Fast Enough (April 2021)



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			

Forecast for impact of BEVs on FY2030 consolidated net sales of automotive parts (excluding parts supplied by customers)



Response to Carbon Neutrality (CN)

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

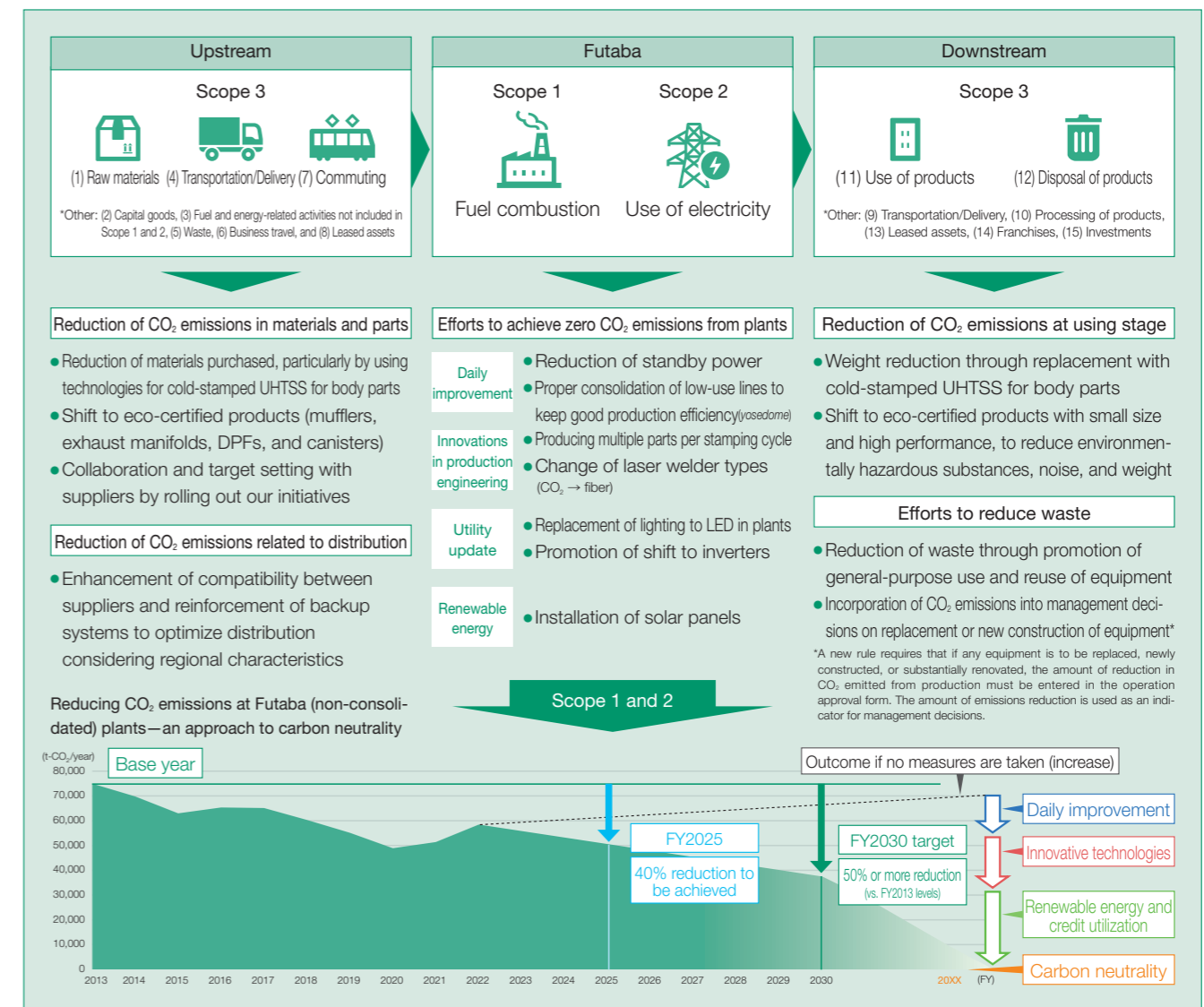
CO₂ emissions reduction targets for plants

- Non-consolidated: 50% or more reduction as of FY2030 (vs. FY2013)
- Domestic and overseas subsidiaries: Annual 3% reduction (same level as non-consolidated target)

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

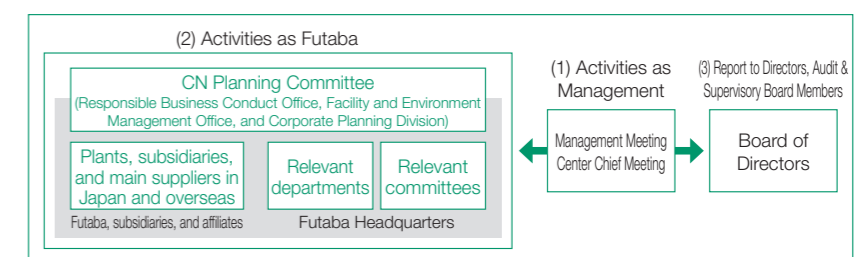
Life Cycle CO₂ Reduction

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



Promotion System

To strengthen and speed up our global activities, we established the Carbon Neutral (CN) Project Management Office in July 2021. With the office playing a central role in promoting carbon neutrality and raising awareness, we are actively expanding and sharing information on where we can improve.

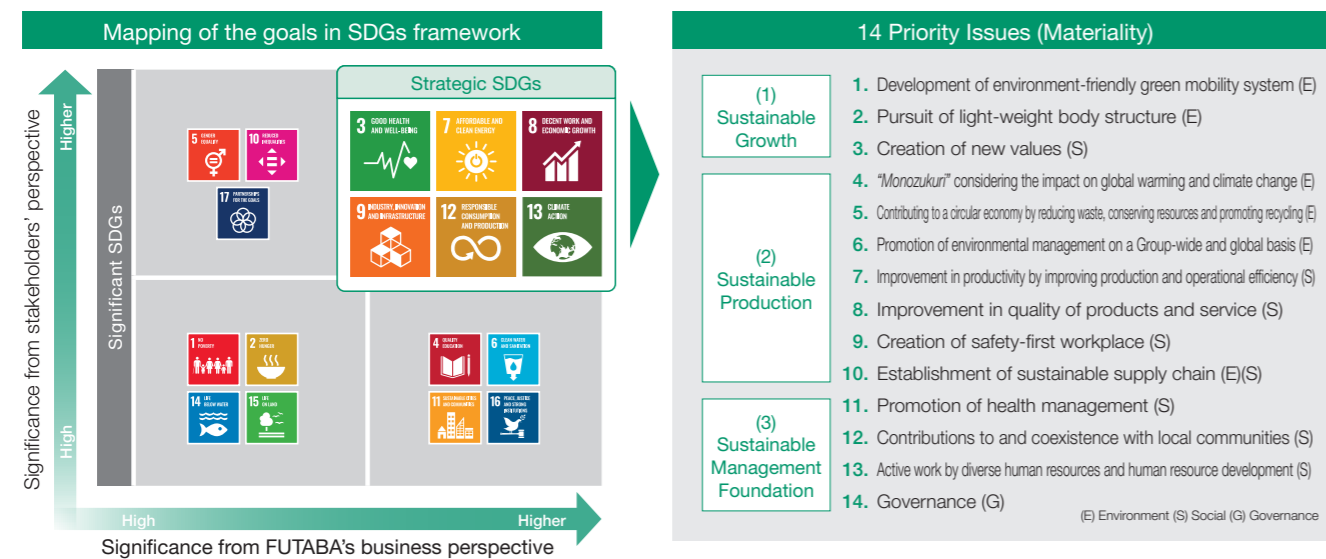


Integrating the SDGs into Management

In support of the Sustainable Development Goals (SDGs), which are common goals of the international community, the Futaba Group has established Priority Issues (Materiality). These are aimed at solving environmental and social issues through our business activities and strengthening the management foundation that support the solution. As part of our Medium-term Management Policy, the Priority Issues are incorporated into our operations through each yearly policy.

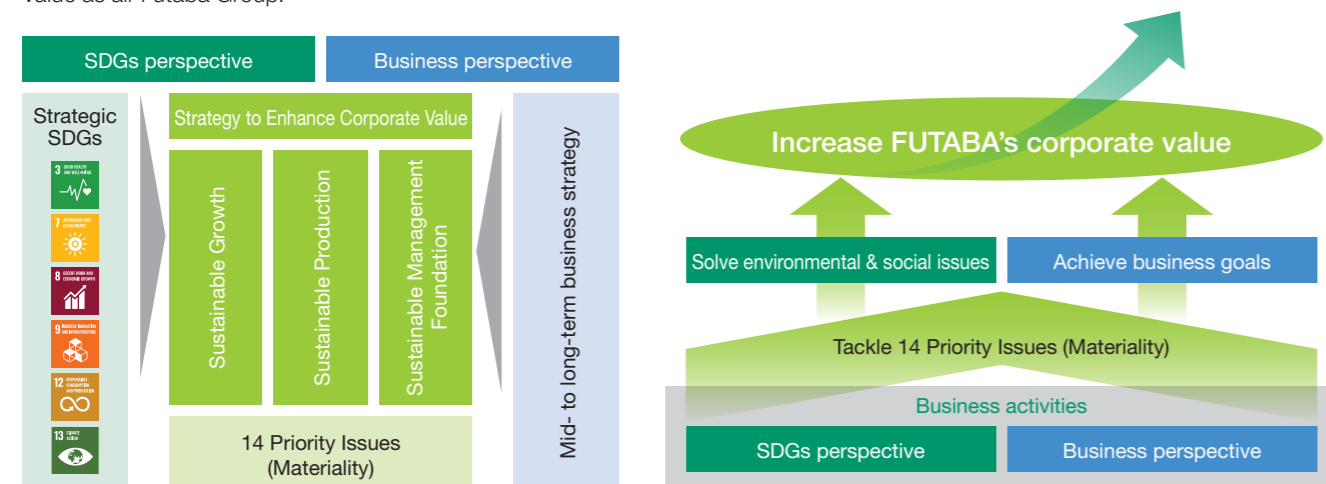
Priority Issues (Materiality)

The Priority Issues (Materiality) are for the Futaba Group to achieve the Strategic SDGs (6 out of 17 goals within the SDGs framework) that have the highest priority from both stakeholders' and our business perspectives. To integrate these issues with Business Strategy, we categorized them into three themes: (1) Sustainable Growth, (2) Sustainable Production, and (3) Sustainable Management Foundation.



Promotion of Strategy to Enhance Corporate Value at All-Futaba Group

The Strategy to Enhance Corporate Value integrates the Strategic SDGs (6 out of 17 goals within the SDGs framework) and business strategies. The Strategy is focused on the Priority Issues (Materiality), which are categorized into Sustainable Growth, Sustainable Production, and Sustainable Management Foundation. Efforts on these themes will translate into solutions to environmental and social issues and achieve our business goals, leading us to sustainable growth. We will promote this Strategy to Enhance Corporate Value as all-Futaba Group.



Please click on the link to see our SDGs initiatives to date, promotional system, and other information.

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

Key Highlights of Priority Issues (Materiality)

We visualize what we want to achieve in regard to the Priority Issues (Materiality), for each of which we set specific targets, KPIs, and milestones. These are incorporated into the daily operations of each employee through each yearly policy, in order for the Priority Issues to be integrated into management.

Vision



Key Initiatives, Targets, and Others

Area	Priority Issue (Materiality)	Key Initiatives	Main KPIs	FY2021 Results	Mid- to Long-term Milestones and Targets	Related SDGs																									
(1) Sustainable Growth	1. Development of environment-friendly green mobility system [E]	<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) 	12.5% (forecast)	FY2025 20% FY2030 50%																										
	2. Pursuit of light-weight body structure [E]	<ul style="list-style-type: none"> Parts weight reduction utilizing ultra-high-tensile strength steel (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) 	No records (mass production from FY2023 onward)	<table border="1"> <thead> <tr> <th colspan="5">(t-CO₂/year)</th> </tr> <tr> <th></th> <th>①</th> <th>②</th> <th>③</th> <th>Total</th> </tr> </thead> <tbody> <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> </tbody> </table> (Vs. FY2020)	(t-CO ₂ /year)						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	
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3. Creation of new values [S]	<ul style="list-style-type: none"> Carbon-neutral technology development using LCA Development of products for next-generation mobility and agricultural domain 	<ul style="list-style-type: none"> Creation of innovation to solve environmental and social issues 	R&D underway	FY2030: Introduce new products to global markets																											
(2) Sustainable Production	4. "Monozukuri" considering the impact on global warming and climate change [E]	<ul style="list-style-type: none"> ① Daily improvement, technological innovation, and utilization of renewable energy, credits, etc. Fuel switching for air conditioning heat sources (shift to electricity) Shift to multiple kinds of inverters (energy saving) ② Promotion of renewable energy utilization Introduction of solar power generation Purchase of CO₂-free electricity 	<ul style="list-style-type: none"> ① CO₂ emission reduction rate at plants: Down 3.0%/year Non-consolidated: Vs. FY2013 Subsidiaries: Vs. FY2019 ② Percentage of renewable energy used (Vs. FY2020) 	<ul style="list-style-type: none"> ① Non-consolidated: Down 43.2% ② Non-consolidated: Completed installation of solar power generation equipment at Kota Plant Building No. 4 (in operation from August 2022) 	<ul style="list-style-type: none"> ① FY2030 non-consolidated: Down 50% or more Subsidiaries: Down 33% 																										
	5. Contributing to a circular economy by reducing waste, conserving resources and promoting recycling [E]	<ul style="list-style-type: none"> ① Steel usage reduction: Material yield improvement ② Oil usage reduction: Switch to electric forklifts, small electric vehicles, and AGV Filtration and reuse of processed oil ③ Industrial waste output reduction ④ Defective product waste reduction: Scrap fee revision 	<ul style="list-style-type: none"> 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 Note: ①② Vs. FY2019 (per million yen of processing added value) ③ Vs. FY2019 (total volume) ④ Vs. FY2020 (total volume) 	<ul style="list-style-type: none"> ① Non-consolidated: Down 1.2% ② Non-consolidated: Down 2.4% ③ Non-consolidated: Up 56.4%* ④ Non-consolidated: Down 15.4% *The increase in output was due to an abnormality (the inflow of underground water in a pit excavation accompanied with the introduction of new stamping machine). When the abnormality value is excluded: Down 7.4% 	<table border="1"> <thead> <tr> <th colspan="5">(%)</th> </tr> <tr> <th></th> <th>①</th> <th>②</th> <th>③</th> <th>④</th> </tr> </thead> <tbody> <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> </tbody> </table> Note: ①② Vs. FY2019 (per million yen of processing added value) ③ Vs. FY2019 (total volume) ④ Vs. FY2020 (total volume)	(%)						①	②	③	④	FY2025	-3.0	-6.0	-6.0	-	FY2030	-5.5	-11.0	-11.0	-90.0						
	(%)																														
		①	②	③	④																										
	FY2025	-3.0	-6.0	-6.0	-																										
	FY2030	-5.5	-11.0	-11.0	-90.0																										
	6. Promotion of environmental management on a Group-wide and global basis [E]	<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 	92%	FY2024: Complete acquisition at all production sites																										
	7. Improvement in productivity by improving production and operational efficiency [S]	<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) 	<ul style="list-style-type: none"> Non-consolidated: 98.9% (target: 103% of the previous fiscal year's result) - Target not achieved due to reduced production during COVID-19 pandemic 	FY2025: Up 15% FY2030: Up 30%																										
	8. Improvement in quality of products and service [S]	<ul style="list-style-type: none"> Acquisition of IATF 16949 or ISO9001 certification for all production sites 	<ul style="list-style-type: none"> Percentage of ISO16949 or ISO9001 certifications acquired in all production sites 	58%	FY2025: Complete acquisition for all production sites																										
	9. Creation of safety-first workplace [S]	<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 Periodic review of regulations & safety standards for welding equipment and stamping equipment 	<ul style="list-style-type: none"> Annual number of industrial accidents and accident frequency rate (number of accidents / total actual hours worked x 1 million) Target disasters: For 12 domestic sites, accidents not accompanied by lost worktime (zero accidents that require time off from work or cause disabilities) For 15 overseas offices, accidents that are not accompanied by lost worktime, require time off from work, and cause disabilities Serious disasters: Zero accidents at all sites 	<ul style="list-style-type: none"> 12 domestic sites Industrial accidents: 14 Accident frequency rate: 1.20 	<ul style="list-style-type: none"> 12 domestic sites Industrial accidents: 10 or less Accident frequency rate: 1.00 or less FY2030: 6 or less, 0.60 or less 																										
10. Establishment of sustainable supply chain [E][S]	<ul style="list-style-type: none"> ① Solid implementation of CSR and green procurement policies by suppliers ② Support for suppliers in quality, safety, etc. and development of related systems ③ Identification and minimization of resources used by suppliers ④ Development and sharing of examples of SDGs activities by suppliers 	<ul style="list-style-type: none"> ③ Percentage reduction in CO₂ emissions of suppliers 	<ul style="list-style-type: none"> ③ Non-consolidated: Held briefings on Futaba's SDGs initiatives Held procurement policy briefings Participation rate: 100% (115 companies/115 companies) 	<ul style="list-style-type: none"> ③ Non-consolidated: FY2022: CO₂ emissions down 3% or more vs. FY2021 Medium- to long-term: Confirm FY2022 results and set separate targets 																											
(3) Sustainable Community	11. Promotion of health management [S]**	<ul style="list-style-type: none"> ① Specific support for the establishment of healthy lifestyle habits ③ Proactive support for improvement in abnormal findings Promotion of no-smoking 	<ul style="list-style-type: none"> (1) Percentage of BMI 25 or higher (2) Percentage of male smokers 	<ul style="list-style-type: none"> (1) 29.1% (2) 36.1% 	<table border="1"> <thead> <tr> <th></th> <th>① (1)</th> <th>① (2)</th> <th>②</th> </tr> </thead> <tbody> <tr> <td>FY2025</td> <td>25.0%</td> <td>33.1%</td> <td>0.75</td> </tr> <tr> <td>FY2030</td> <td>20.0%</td> <td>27.8%</td> <td>0.50</td> </tr> </tbody> </table>		① (1)	① (2)	②	FY2025	25.0%	33.1%	0.75	FY2030	20.0%	27.8%	0.50														
		① (1)	① (2)	②																											
	FY2025	25.0%	33.1%	0.75																											
	FY2030	20.0%	27.8%	0.50																											
	12. Contributions to and coexistence with local communities [S]	① Business activities	Job creation and return of profits to local communities	Achievement of business plans at all subsidiaries	Completed preparation of business plans at all subsidiaries	Achieve business plans at all subsidiaries in each fiscal year																									
② Social activities		Global activities in three key areas (environmental protection, community activity, and people development)	Global contributions in three key areas	Completed global activities and policies in three key areas	Main activities: sponsorship of local festivals, support for Ukraine, and science and monozukuri classes for elementary school students	Promotion systems and programs are in place at all sites, and voluntary activities by employees have taken root.																									
13. Active work by diverse human resources and human resource development [S]**	① Promoting diversity	<ul style="list-style-type: none"> Enhancement of diversity of new hires Promotion of female empowerment 	<ul style="list-style-type: none"> (1) Percentage of new female graduates hired in administrative and technical positions (2) Percentage of employees with disabilities (3) Ratio of female management positions 	<ul style="list-style-type: none"> (1) 12.5% (joined in April 2022) (2) 2.52% (3) 0.9% 	<ul style="list-style-type: none"> (1) FY2025: 20% FY2030: 30% or more (2) Above statutory employment rate (FY2021 statutory employment rate: 2.3%) (3) FY2025: 3% or more FY2030: 5% or more 																										
	② Creating a pleasant workplace	<ul style="list-style-type: none"> Improvement of work-life balance 	<ul style="list-style-type: none"> (1) Paid annual leave taken (2) Turnover rate 	<ul style="list-style-type: none"> (1) 19.4 days (2) 1.2% 	<ul style="list-style-type: none"> (1) FY2025: 18.5 days FY2030: 20 days (2) FY2025-2030: Maintain 2% or less 																										
14. Governance [G]	① Risk management	<ul style="list-style-type: none"> Promotion of operational quality improvement activities (functions, projects, and manufacturing) Development of organization, infrastructure, and recovery system to ensure information security based on DX Establishment of a system for promoting confidentiality management, and achievement of ATSG requirements 	<ul style="list-style-type: none"> (1) Percentage progress of operational quality improvement activities (2) Percentage of CSIRT systems in place SOC adoption rate (3) Confidentiality management promotion system 100% Percentage of ATSG requirements achieved 	<ul style="list-style-type: none"> (1) 100% (2) CSIRT: Examined and implemented SOC Domestic 50% / Overseas 25% (3) Confidentiality management promotion system 100% ATSG: Non-consolidated 79% / Domestic 55% / Overseas 56% 	<ul style="list-style-type: none"> (1) FY2023: Complete operational quality improvement activities, start operation, and normalize it (2) CSIRT: FY2022 100% SOC: Domestic FY2023, Overseas FY2024 100% (3) ATSG: Domestic FY2023, Overseas FY2025 100% 																										
	② Corporate ethics/compliance	<ul style="list-style-type: none"> Establishment of a system and mechanism to confirm compliance with laws and regulations related to business activities at a higher level 	—	<ul style="list-style-type: none"> Domestic: Reconfirmation of relevant laws and regulations and establishment of systems in response to revisions Overseas: Reconfirmation of relevant overseas laws and regulations 	<ul style="list-style-type: none"> Domestic: Monitor and follow up on implementation status for FY2022 Overseas: Establish systems in response to revisions for FY2022 FY2023: Monitor and follow up on implementation status 																										

*1 "Main KPIs," "FY2021 Results," and "Mid- to Long-term Milestones and Targets" are on a non-consolidated basis.

Value Creation Process

The Futaba Group has been engaged in its businesses to meet the needs of society. Our beliefs, values, and pride have been handed down over generations since our foundation as the Futaba Way. With the FUTABA WAY as the origin, we will aim to enhance our corporate value by delivering to society solid value in the areas of environment, peace of mind, and quality of life through the products with the strength we have cultivated, and by achieving our business goals.



Medium-term Management Plan

In May 2022, the Futaba Group formulated its medium-term management plan up to FY2024. We will promote our initiatives toward achievement of the medium-term management plan leveraging the FY2022 Corporate Global Policy.

Basic Policy

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



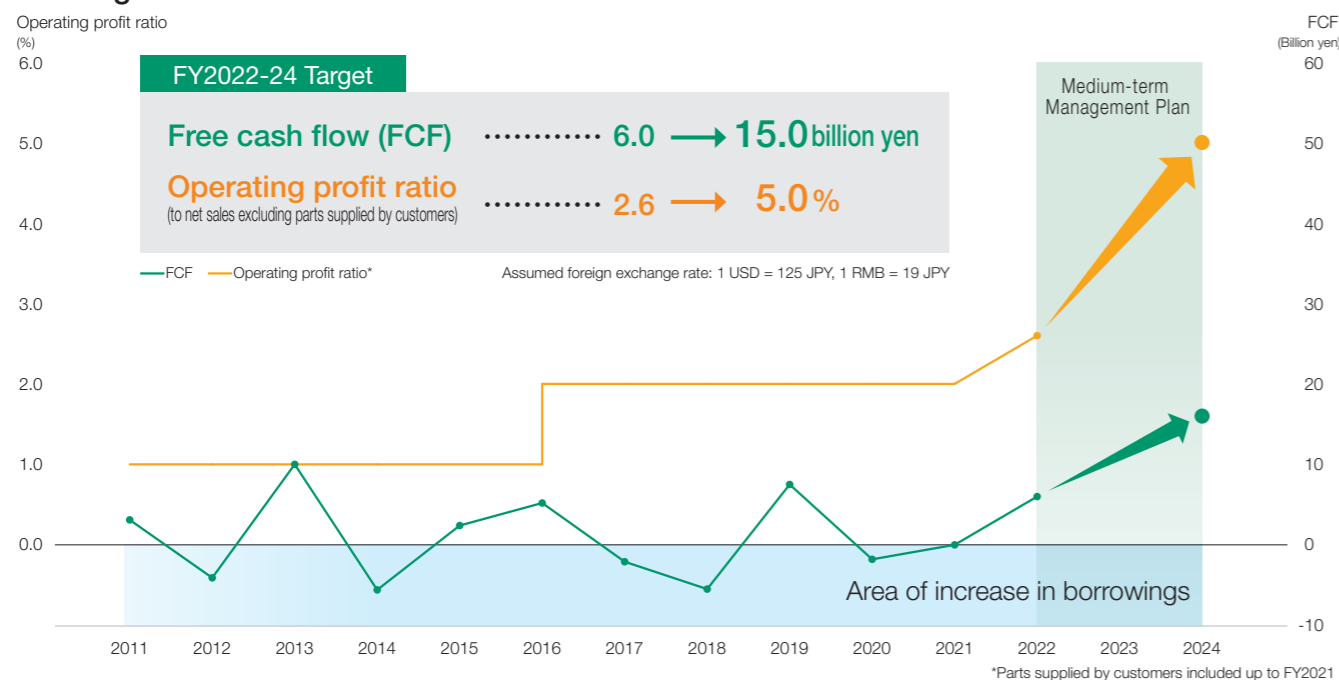
Medium-term Management Goal

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

By further strengthening earnings capacity 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.

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

Strengthening earnings capacity and working to increase free cash flow



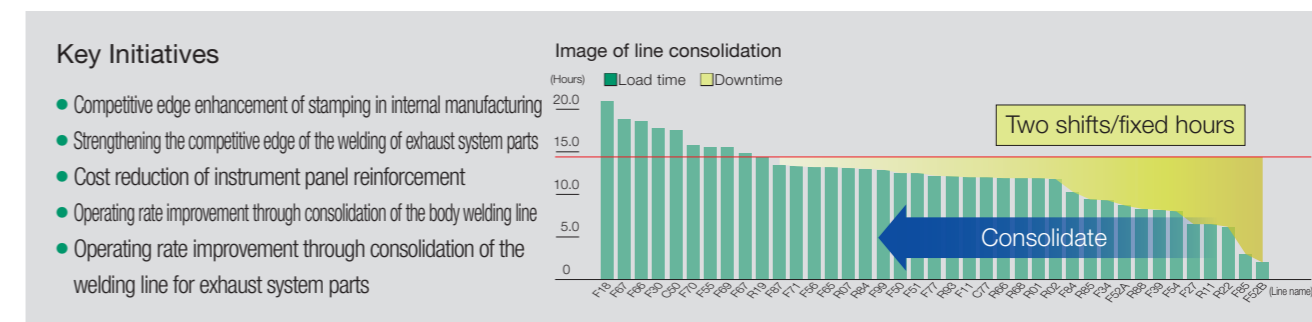
FY2022 Corporate Global Policy

Specific strategies were placed into the FY2022 Corporate Global Policy to achieve the targets of the Medium-term Management Goal. Best Practice Activities and strengthening of DX initiatives are being promoted to enhance earnings capacity. To obtain maximum effect within a limited budget, we will reduce investment amounts by carrying out investment management of the cash flow base and promoting process reduction and specification reviews in relation to investment for switching vehicle types. We will aim for FCF of 6.0 billion yen and an operating profit ratio (to net sales excluding parts supplied by customers*) of 2.6% in the fiscal year ending March 31, 2023.

Foundation	1. Safety/quality	Creating a corporate culture and structure to prevent serious accidents, fires or serious quality problems.	
	2. HR	Global human resources development and building energetic workplace with good communication.	
	3. DX	Architecture restructure to realize the company reformation.	
Growth Strategy	4. Contribution to Environment	Global dissemination of CO ₂ reduction and energy-saving activities in an aim to realize decarbonized society-carbon neutrality.	
	Competitiveness Improvement	5. Profit improvement	Fundamental reform and improvement of manufacturing capabilities through Best Practice Activity and activities to reduce investment in dies and welding assembly equipments.
		6. CAPEX	Cash flow based investment management.
		7. Sustainable growth	Execute Plan and adapt immediately to External environment change for future growth.
	8. Value propositions	New business development to provide solutions for the sustainable growth.	

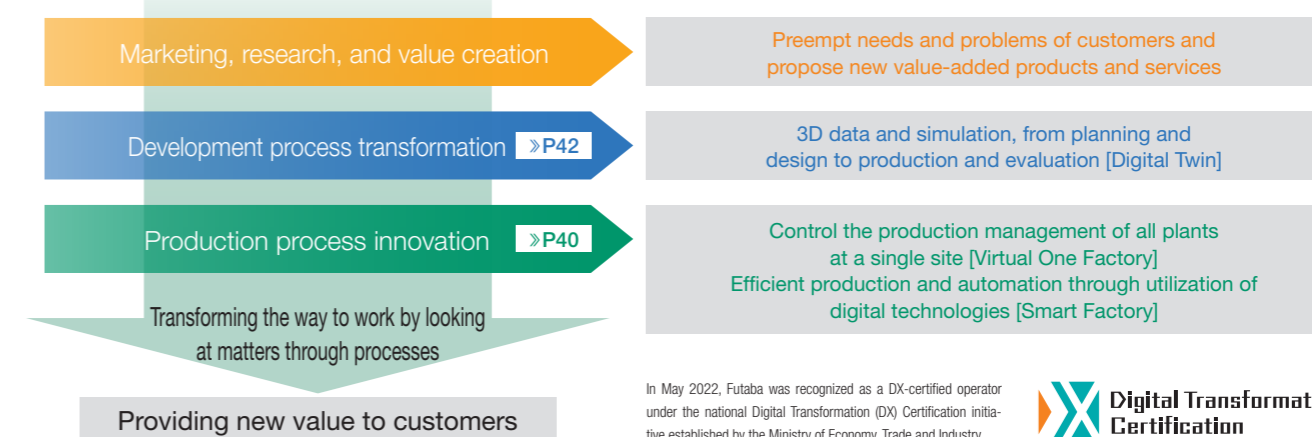
Earnings Capacity – Best Practice Activities –

During production, Futaba promotes the best practice activities of the industry on a global scale, not simply "Futaba's best." Model plants will be selected for each initiative to establish best methods. By swiftly transferring those methods to Group companies in Japan and abroad, we will reduce capital expenditure, increase operating profit, and increase FCF.



Digital Transformation (DX) Initiatives

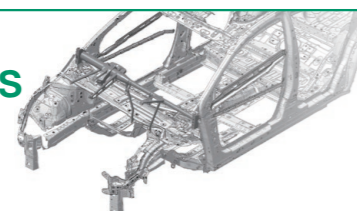
Through DX, Futaba will transform the architecture (people, organizations, and climate) into one that can create and provide the new products and solutions being sought by customers. With "strengthening earnings capacity" as the keyword, we will intensively promote innovation of the development and production processes. Furthermore, to strengthen the corporate foundation, trim down daily operations, and increase the added value of operations, we will promote the streamlining of operations through support provided by digital apps. What is more, we will proactively promote the development of in-house human resources in all departments equipped with digital skills.



Strategy by Product

Body/Interior parts

Environment Peace of mind Quality of life



Summary of FY2021

For Toyota Motor Corporation, we started the mass production of body and interior parts of Noah and Voxy in Japan, Tundra in North America, and Highlander in China. Net Sales* in FY2021 ended up with 155.7 billion yen amid the substantial fluctuation in production due to the global spread of COVID-19 infections.

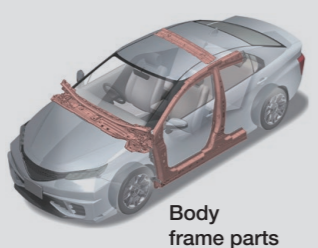


*Excluding parts supplied by customers

Body parts

Overview

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

Value to be offered

Social issues which our main products tackle	<ul style="list-style-type: none"> ● Frequent disasters due to the progress of global warming, climate change, and abnormal weather ● Security of space for occupants to survive in the event of a collision
Main products	  
Value to be offered	<ul style="list-style-type: none"> ● Contribution to the improvement of fuel efficiency and the reduction of CO₂ emissions through the reduction of product weight by materials with improved strength ● Contribution to the manufacture of safe and secure automobiles through the structure proposal of body parts, with the enhancement of manufacturing technology and analysis technology including materials with improved strength

External environment/Risks and opportunities

External environment

- Announcement of country policies toward carbon-neutral society
- Enhancement of collision safety standards
- Soaring raw material prices and energy cost
- Structural reform of the automobile industry due to CASE
- Promotion of digitalization through the acceleration of change
- Intensifying global competition

Risks and opportunities

- Expansion of products for electric vehicles and response to the needs for weight improvement
- Utilization of cold-stamped UHTSS (shift from hot stamped steel)
- Response to small-lot production of various products

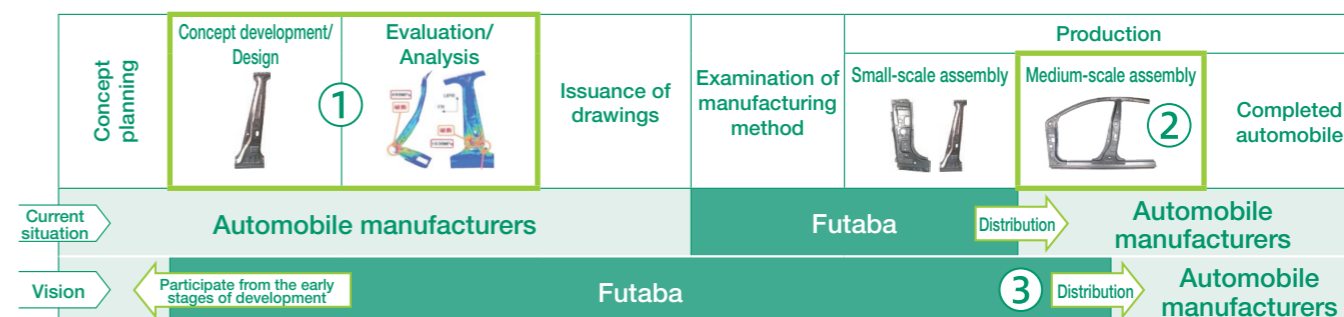
Strength

- Press molding and welding technologies of UHTSS parts
- Production technologies to ensure required quality
- Global production sites in Japan, North America, China, Europe, etc.
- Proposal capability of light-weight structure with improved strength, which enables both manufacturing feasibility and vehicle performance

Response to long-term management issues—Increase added value of body parts

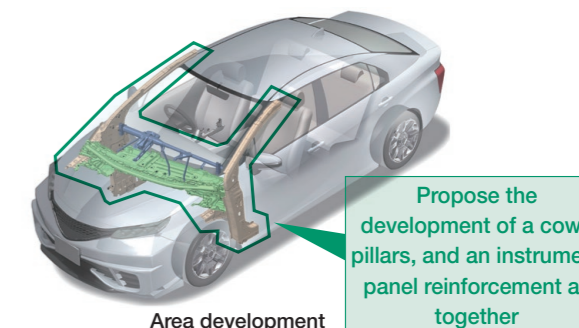
We will expand sales and profit through increasing added value of body parts by enhancing proposal capability which incorporates following (1) through (3).

Enhancement of proposal capability



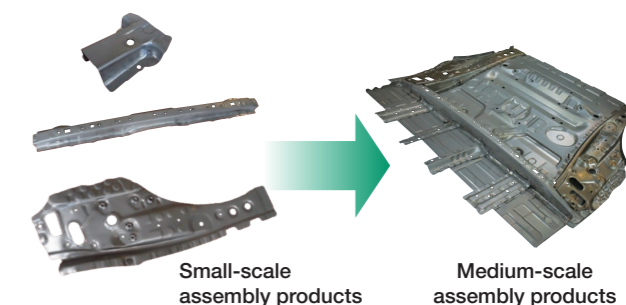
(1) Promotion of proposal activities in early stages

We will improve our performance analysis technology and propose the development of the forward area of vehicles, utilizing CAE analysis, etc. We will also enhance our structure proposal capability to enable both performance and manufacturing, through improving our manufacturing capability including the utilization of 1470 MPa cold stamped UHTSS parts and other ultra-high-tensile steel sheets.



(2) Improvement of production efficiency of medium-scale parts

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



(3) Efficient distribution

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

Future vision

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 structure proposal capability.

	2022	2025	2030
Social trend	Carbon neutrality		
	Enhancement of collision safety standards by countries		
Development trend	Contribution to fuel efficiency through the proposal of 1470 MPa cold stamped UHTSS parts		
	Contribution to performance through the area development proposal		
	Human resources development through the execution of benchmarking and the promotion of secondment to customers		


Strategy by Product

Interior parts Environment Peace of mind Quality of life

Overview

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

Value to be offered

Social issues which our main products tackle	<ul style="list-style-type: none"> ● Frequent disasters due to the progress of global warming, climate change, and abnormal weather ● Security of occupants in the event of a collision
Main products	 <p>Laser-welded halved structure Laser-welded pipe structure</p>
Value to be offered	<ul style="list-style-type: none"> ● Contribution to the improvement of fuel efficiency and the reduction of CO₂ emissions through the weight improvement of products ● Provision of safety and security to occupants through securing space to survive in the event of a collision ● Contribution to the improvement of a steering feeling in order to provide driving pleasure ● Contribution to the lowering of the design side of a dashboard through saving the space of an instrument panel reinforcement, in order to provide a comfortable space with a wide view

External environment/Risks and opportunities

External environment

- Enhancement of collision safety standards
- Change in required performance due to the adoption of self-driving technology
- Comfortability of living space

Risks and opportunities

- Response to major structural changes driven by the needs for improvement in collision safety performance and a steering feeling and space saving

Strength

- Laser welding technology which enables thinner plate structure
 - Proposal capability of the structure of body frame parts and an instrument panel reinforcement all together
 - Proposal capability of the development of optimum vehicle structure by MBD
 - Global production sites in Japan, North America, and China
 - Our share of instrument panel reinforcements in Toyota Motor Corporation: 70% in Japan, and 100% in North America*¹
- *1 Based on our own research

Future vision

	2022	2025	2030
Social trend	Self-driving Level 2	Level 3	Level 4
	Enhancement of collision safety standards by countries		
	Improvement in design flexibility and enlargement of displays driven by the shift from gasoline-powered vehicles to electric vehicles		
Development trend	Cost reduction by the certain incorporation of RRCI* ² and SSA* ³ items		
	High added value and differentiation due to initiatives for the improvement of a steering feeling		
	High added value and differentiation due to the area development around a cowl in view of a vehicle as a whole instead of individual parts		

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

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

Fuel system parts Environment Peace of mind Quality of life

Summary of FY2021

Net Sales*¹ in FY2021 ended up with 16.7 billion yen attributable to the termination of production of canisters*² with a simple structure.


*1 Excluding parts supplied by customers

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

Overview

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

Value to be offered

Social issues which our main products tackle	<ul style="list-style-type: none"> ● Environmental pollution, and destruction of biodiversity and ecosystem ● Frequent disasters due to the progress of global warming, climate change, and abnormal weather
Main products	 <p>Canister For gasoline-powered vehicles For PHEVs Fuel inlet pipe</p>
Value to be offered	<ul style="list-style-type: none"> ● Contribution to the human-friendly and environmentally friendly future through the reduction of substances of environmental concern which lead to air pollution ● Contribution to the reduction of CO₂ emissions through the provision of canisters which conform with the certification standards of fuel-efficient powertrains of electric vehicles.

External environment/Risks and opportunities

External environment

- Automobile manufacturers' announcement of their strategies of electric vehicles (HEVs and PHEVs)
- Stricter regulation of fuel efficiency and exhaust gases by countries and regions

Risks and opportunities

- Contribution to environment through the improvement of fuel efficiency and performance of exhaust gas purification
- Enhancement of technologies to comply with low purge*³ amount due to the spread of electric vehicles
- Adoption of recyclable resin materials which can reduce CO₂ emissions

Strength

- Development capability of fuel systems including fuel pipes, and canisters
- Possession of cutting-edge facilities for the evaluation of fuel systems
- Proposal capability of the development of optimum products for fuel-efficient vehicles, HEVs, and PHEVs respectively
- Global production sites in Japan, the United States, and China

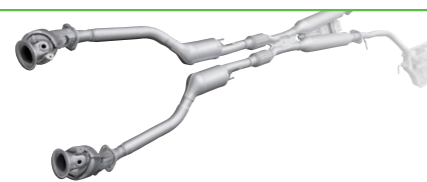
*3 Purge: To return gasoline vapor accumulated in a canister to an engine. In order to achieve better fuel efficiency, the amount of purge is reduced year by year (low purge) due to less frequency in burning a purged gas in an engine.

Future vision

	2022	2025	2030
Social trend	Stricter regulation of fuel efficiency by countries		
	Stricter regulation of exhaust gases by countries		
	Changes in vehicles: With smaller-engine, turbocharged, and increase of HEVs and PHEVs		
Development trend	Continuous compliance with the regulation of fuel efficiency and exhaust gases through the development of structure compliant with HEVs and PHEVs		
	Reduction of environmental burdens through the adoption of recyclable resin materials		
	Cost reduction through the development of highly-functional materials		

Strategy by Product

Exhaust system parts



Environment

Peace of mind

Quality of life

Summary of FY2021

In Japan, we started the mass production of exhaust systems for Land Cruiser and LEXUS NX of Toyota Motor Corporation. In India, the production for SUZUKI MOTOR CORPORATION increased, and net sales*¹ for FY2021 thus amounted to 64.4 billion yen.

*¹ Excluding parts supplied by customers

Overview

We develop, produce, and supply exhaust system parts of automobiles including exhaust systems*² and exhaust manifolds, etc. We provide downsized and light-weight exhaust systems which feature both purification and sound dampening functions. From this point on, toward the market share increase among vehicles equipped with an engine, we aim to realize the minimum amount of investment and the minimum number of processes through developing modular mufflers which satisfy required functions by the combination of standardized mufflers.

*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

Value to be offered

Social issues which our main products tackle	<ul style="list-style-type: none"> ● Frequent disasters due to the progress of global warming, climate change, and abnormal weather ● Environmental pollution, and destruction of biodiversity and ecosystem ● Health problems by noises, discomfort, and pollution problems in living environments
Main products	
Value to be offered	<ul style="list-style-type: none"> ● Contribution to the improvement of fuel efficiency and the reduction of CO₂ emissions through the weight improvement of products ● Contribution to the human-friendly and environmentally friendly future, through the quick activation of purifying effect with the structure to enhance the warming function of catalysts, which reduces substances of environmental concern leading to air pollution ● Contribution to the improvement of comfortability in a car through the reduction of exhaust noises and vibrations ● Contribution to a better society through the reduction of exterior noises by the sound dampening technology

External environment/Risks and opportunities

External environment

- Announcement of country policies toward carbon-neutral society
- Soaring raw material prices and energy cost
- Announcement of BEV strategies by automobile manufacturers
- Shift to the upper stream of value chain in response to CASE
- Stricter regulation of fuel efficiency and exhaust gases by countries and regions

Risks and opportunities

- Decrease of vehicles equipped with an engine due to the spread of electric vehicles
- Noise reduction of exhaust systems accompanied by tighter regulations of exterior noises
- Contribution to environment through the improvement of fuel efficiency and performance of exhaust gas purification as well as noise reduction
- Verification of hydrogen fuel, e-fuel,*³ and carbon-neutral synthetic fuel

*³ e-fuel: Alternative renewable fuel which is manufactured by the synthesis of hydrogen derived from renewable energy

Strength

- Leading share*⁴ in domestic exhaust system parts market
- Track record in the development of exhaust system parts with the manufacturers of automobiles, agricultural machineries, and construction machineries
- Development capability of highly functional exhaust systems, with the full use of MBD including sound, vibration, strength and durability as well as optimization technology
- Reduced lead time for development due to the introduction of an AI system to assist in the design
- Capability of development and proposal from vehicles' perspective, leveraging the track record in mass production of body parts and exhaust system parts
- Global production sites in Japan, the United States, Europe, China, and India

*⁴ Based on our own research

Response to long-term management issues—Increase market share among engine-powered vehicles

We will respond to the impact of the popularization of BEVs by the standardization of exhaust systems and the enhancement of added value, centering around the development of following (1) through (3).

1. Initiatives for electric vehicles (Compliance with HEVs, PHEVs, and REEVs*⁵)

We tackle the development of (1) Modular mufflers which can comply with multiple types of cars through the development and design of several standardized mufflers and the combination of them. We will make mufflers smaller and less noisy by the new sound dampening structure. Standardization of products across different types of vehicles also enables cost reduction.

We tackle the development of (2) Small-scale sound dampening device, in order to contribute to the upsizing of battery parts under the floor of a vehicle toward the improvement in the cruising range of vehicles and the reduction of CO₂ emissions. We will contribute to vehicles and the environment through the compliance with the wide range of layouts of electric vehicles by the smaller, lighter, and less noisy mufflers with highly efficient sound dampening feature and countermeasures to prevent heat damage of a battery and surrounding parts.

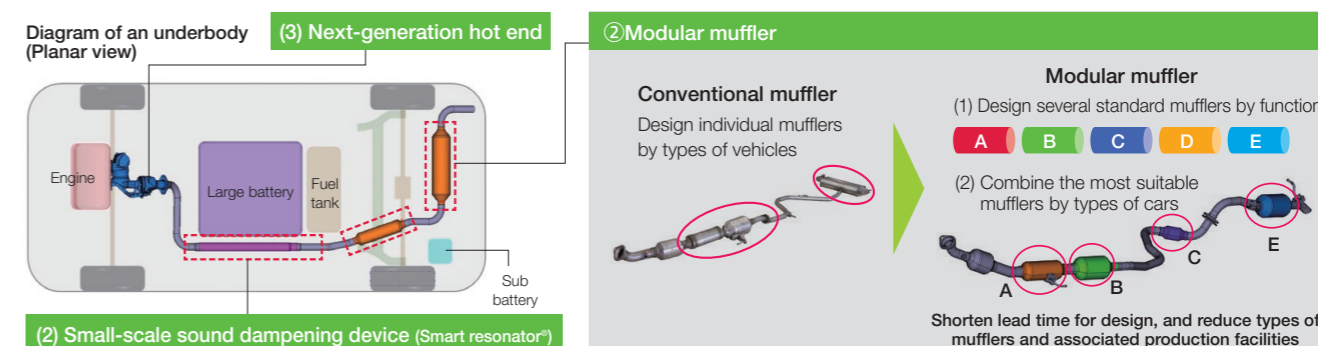
*⁵ REEV (Range Extender Electric Vehicle): A vehicle equipped with an engine as a generator in order to extend the cruising range of an HEV

2. Contribution to zero emission

In order to reduce substances of environmental concern, we tackle the development of (3) Next-generation hot end which materializes the improvement of the purification performance of the system including GPFs*⁶ and catalysts to collect and remove microparticles in exhaust gas.

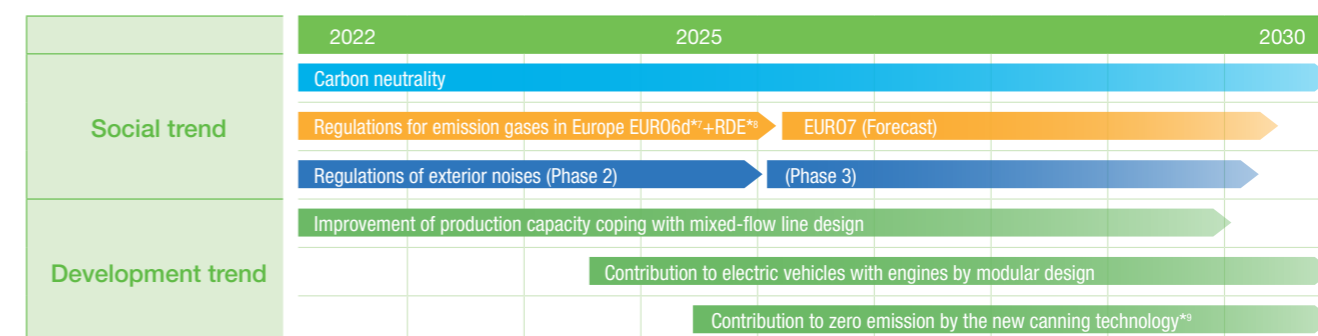
Specifically, we place catalysts in the upper stream close to an engine as a measure to quickly warm catalysts. We are developing technology to control exhaust gas flow in the limited equipment space and improve the purification performance. We are also developing a new production method to cope with the deterioration in the strength of catalysts due to the use of thinner materials.

*⁶ GPF (Gasoline Particulate Filter): A filter to process exhaust gas of a gasoline vehicle with a direct injection engine



Future vision

We will promote the diversion and sharing of parts, while limiting investments with the full utilization of the production capacity we hold. We will also shorten lead time for product design, development, and evaluation, and reduce human resources through the implementation of modular design of mufflers. On the top, we will increase our market share by the sales expansion to areas where electric vehicles with engines are widely used.



*⁷ Euro 6d: Legal regulations for the components of emission gases to be introduced in Europe

*⁸ RDE (Real Driving Emission): Driving test on actual roads

*⁹ Canning: To store catalysts in cases

Strategy by Product

Equipment for external sales business

Environment

Peace of mind

Quality of life

Summary of FY2021

The quality of equipment by manufacturing technology, efficient production of equipment and adherence to deadlines cultivated over many years are highly evaluated by automobile manufacturers, and net sales in FY2021 exceeded those of FY2020 due to the stable order receipt.

Overview

We design, produce, and provide large-scale equipment to assemble and weld body frames including side bodies and underbodies for domestic and overseas plants of completed automobiles, with the proposal and production of equipment that meet the needs of automobile manufacturers. We continuously implement initiatives to maintain a high quality and shorten production lead time, with the application of advanced know-how of equipment production and the utilization of the latest technology of digital twins.*1

*1 Digital twins: A 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

Value to be offered

Social issues which our main products tackle

- Frequent disasters due to the progress of global warming, climate change, and abnormal weather
- Safety and security of workers in production sites

Main products

Assembly and welding equipment



Value to be offered

- Contribution to the reduction of CO₂ emissions through the provision of highly-sophisticated equipment, with the compact equipment design, utilization of energy-saving equipment, lean manufacturing and construction processes, and digital twins
- Provision of safety and security to workers through the development of unbreakable equipment which does not cause disasters, with the consideration of the movement of workers and the maintainability of equipment

External environment/Risks and opportunities

External environment

- Announcement of country policies toward carbon-neutral society
- Shortage of human resources due to automobile manufacturers' shift to development projects including Mobility as a Service (MaaS), CASE, etc.
- Reinforcement of automobile manufacturers' expansion into emerging countries

Risks and opportunities

- Intensifying competition with local manufacturers overseas
- Increase of opportunities to receive full turnkey*2 orders

*2 Full turnkey: To conduct construction with undertaking the responsibilities of entire stages including an examination stage, a robot teaching and a trial run, instead of producing equipment according to specifications

Strength

- Strong trust relationship with automobile manufacturers in equipment quality and management of deadlines
- Production of equipment with a high level of technology and solid partnership with suppliers
- Overseas development of custom production equipment business with the utilization of existing sites
- A track record in orders received for both small-to-medium-sized parts and large-sized parts, and the production of assembly equipment of these parts
Example: A track record in the delivery of the global body line*3 including side bodies and underbodies to total 57 lines in 16 countries in the world
- Systems capable of receiving full turnkey orders for large-scale assembly and welding equipment

*3 Global body line: A simple and compact general-purpose body assembly line which Toyota Motor Corporation promotes globally

Future vision

	2022	2025	2030
Establishment of foundation, and growth strategy	Further deepening of quality, cost, and deadlines by the development of human resources and environments		
Initiatives to combat global warming	Contribution to carbon neutrality through the reduction of CO ₂ emissions by the production of equipment with the utilization of digital technology		
Local procurement and localization	Promotion of globalization centering around China and India		

Agricultural business

Environment

Peace of mind

Quality of life

Overview

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

Value to be offered

Social issues which our main products tackle

- Frequent disasters due to the progress of global warming, climate change, and abnormal weather
- Food crisis due to population increase and stable food supply

Main products



aleaf® CO₂ accumulation and application device for greenhouse cultivation

Value to be offered

- Contribution to the global environment by the reduction of CO₂ emissions, and contribution to sustainable society by the stable supply of safe and secure agricultural products

Strength

- Capability of new product development with the utilization of a core technology we have cultivated
- Highly value-added products which care for environment and food safety
- Contribution to the reduction of CO₂ emissions by CO₂ recycling technology

Initiatives to contribute to environment-friendly agriculture

Aiming for the expansion of organic agriculture following the shift to environment-conscious agriculture, we are promoting the enhancement of industry-academia-government collaboration, positioning the development of weeding equipment and cultivation equipment as priority themes.

Future vision

Through our innovation, we will realize sustainable agriculture which enables both the reduction of substances of environmental concern and the improvement of productivity, toward the strategy for sustainable food systems, MeaDRI, promoted by the Ministry of Agriculture, Forestry and Fisheries.

Challenge of new business toward the future society

Environment

Peace of mind

Quality of life

Overview

In January 2022, we established a division to manage new businesses, with the creation of new businesses toward the sustainable growth of the society and the company as its mission. We tackle the research, planning, and promotion toward the commercialization of new businesses, as well as the exploration of themes to tackle toward the solution of social issues in the future.

CO₂-related themes

We promote the co-creation of new values through combining technologies owned by our company and partners, with the recognition that the realization of decarbonated society is an urgent social issue.

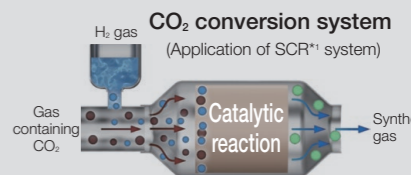
Utilization of CO₂ collection technologies: Zero CO₂ emissions in the air with CO₂ collection

We apply our sophisticated gas flow control technology in order to realize a small and highly-efficient CO₂ collection system.



Utilization of CO₂ conversion technology: Reuse of collected CO₂ as a resource

We promote the evaluation of systems and services to convert collected CO₂ to synthetic fuel and reuse it as energy.



*1 SCR (Selective Catalytic Reduction): The filter that reduces particulate matter (PM) contained in exhaust gas from a diesel engine

Themes related to future issues

We promote speculative design,*3 aiming for the business planning to realize a well-being*2 society. We explore businesses to solve new social issues, with the creation of a decarbonated society and a society with the utilization of digital technologies by 2030.

*2 Well-being: A concept meaning being in a good physical, mental, and social condition *3 Speculative design: Imagining and conceptualizing what the future should be

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. Aiming at a stronger and more sustainable global company, we will effectively allocate the funds obtained under the new medium-term management plan to returns to shareholders, repayment of interest-bearing debt, and growth-oriented investment.

FY2021 Results

Equity ratio
27.2%

Interest-bearing debt
98.1 billion yen

Basic approach

The Futaba Group has secured stable earnings since the implementation of the New Five-Year Plan announced in May 2016. Meanwhile, the capital expenditures remain at a high level, with the interest-bearing debt at the end of March 2022 up from the time we announced the New Five-Year Plan.

Accordingly, in May 2022, we announced the new medium-term management targets through FY2024 under the new medium-term management plan. Its basic policy is strengthening earnings capacity and working to increase free cash flow. Going forward, we will set a target for earnings capacity in addition to profitability to strengthen our financial position. The funds obtained under the plan will be allocated to (1) returns to shareholders, (2) repayment of interest-bearing debt, and (3) investment for growth. We will have a balanced approach to ensure financial security.

Review of FY2021 and outlook for FY2022

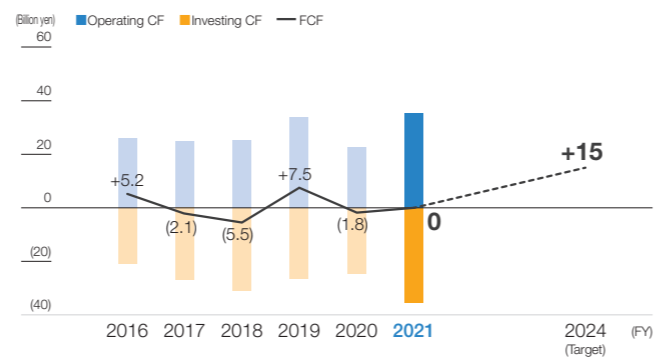
During the fiscal year 2021, the global economy remained in a severe condition due to the impact of COVID-19. In the automobile industry, new car sales in Japan, North America and Europe declined year on year mainly due to parts supply shortages under the pandemic.

Net sales increased 22.6% from the previous fiscal year to 572.1 billion yen mainly due to foreign exchange fluctuations and increases in the unit prices of parts supplied by customers. Operating profit decreased 21.4% to 6.1 billion yen (operating profit ratio: 1.1%) due to factors such as selling price changes, ordinary profit fell 1.9% to 7.8 billion yen, and profit attributable to owners or parent was down 19.2% to 3.3 billion yen.

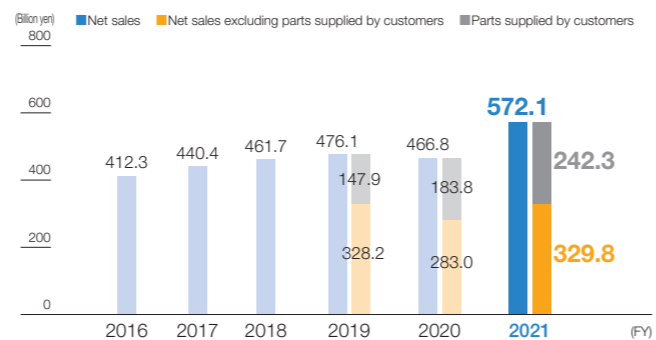
By segment, net sales increased year on year in all segments. Operating profit increased year on year only in the China segment, whereas it decreased in the Japan, Europe, and Asia segments. The North America segment recorded an operating loss mainly due to increases in production preparation costs and depreciation expenses associated with the launch of new car models.

Looking at the outlook for FY2022, the environment surrounding the Futaba Group remains uncertain. Net sales are expected to increase from the previous fiscal year due to foreign exchange fluctuations as well as increases in the unit prices of parts supplied by customers and in changes in materials quoted prices. We will make cost-reduction efforts to achieve a year-on-year increase in operating profit.

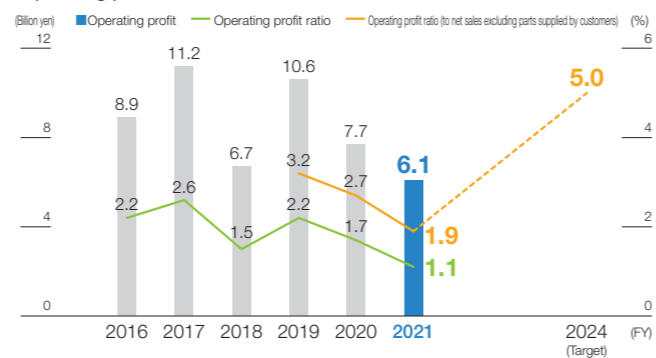
Operating CF, Investing CF, Free CF



Net sales



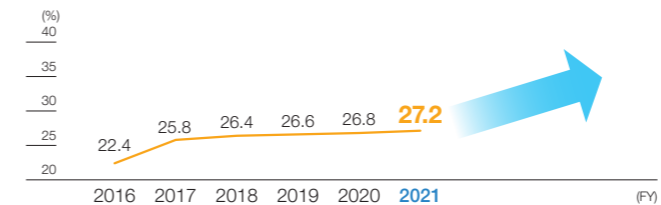
Operating profit



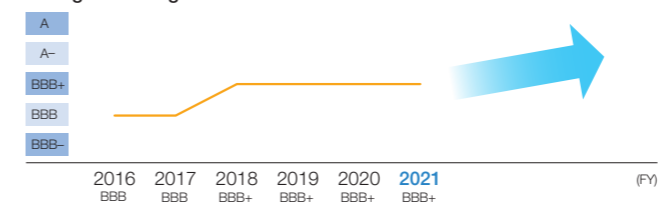
Basic capital policy

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

Changes in equity ratio



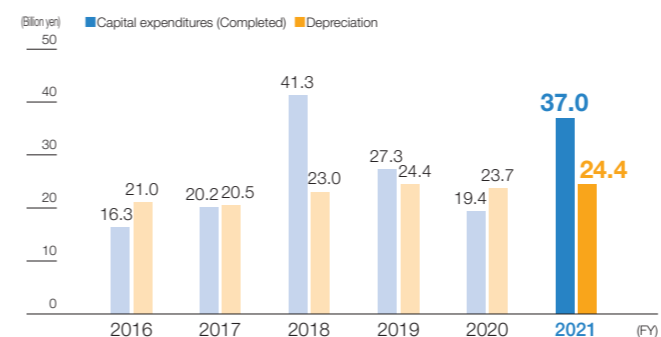
Changes in rating



Capital expenditure

Capital expenditure is an important item to drive the growth of the Futaba Group. We have made a high level of capital expenditure to enhance our profitability. As a result, we generated a negative free cash flow in certain fiscal years. Currently, when considering a capital expenditure associated with a launch of a new car model, we use an internal hurdle rate based on WACC (weighted average cost of capital) to determine the feasibility of investment. We make investment decisions focusing on the expected cash flows in excess of the capital expenditures during the model life cycle of automotive parts for which we receive orders. We are engaged in target costing activities while considering cash flows. Our near-term capital expenditure target is capped at 30.0 billion yen per year. By setting this hurdle, we pursue optimal and wise investments.

Capital expenditures and depreciation

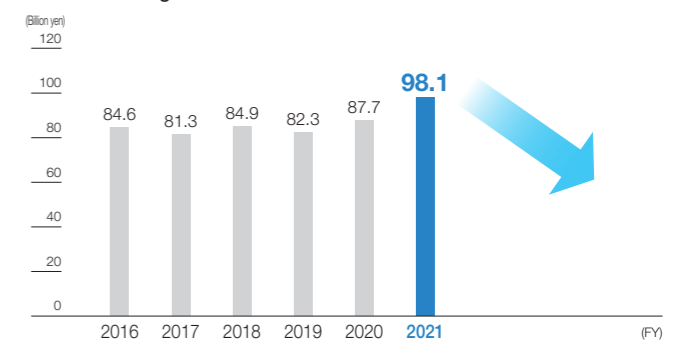


Financing

The Futaba Group's interest-bearing debt at the end of March 2022 stands at 98.1 billion yen. It has temporarily increased partly due to the acquisition of additional shares in our consolidated subsidiaries in FY2021 in an attempt to accelerate the decision-making process to reinforce the business of the China segment.

Funds are needed for working capital, capital expenditures, investment in R&D, shareholder returns, and other purposes. We meet these capital needs mainly through internal resources—basically, cash flows from operating activities—and procure funds as necessary through bank loans and other means. The long-term borrowings due in FY2022 amounts to 25.9 billion yen, for which we are considering refinancing with bank loans, etc. We closely communicate with our financial institutions and maintain a good relationship with them.

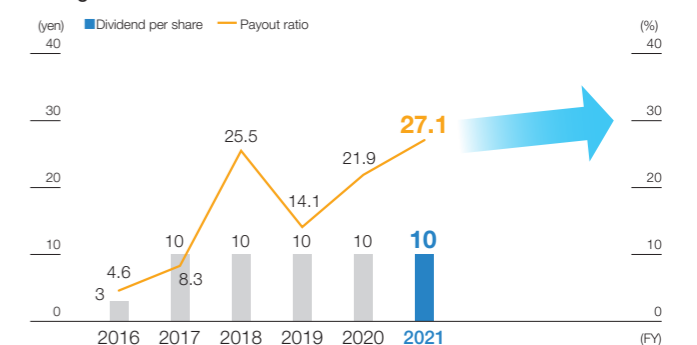
Interest-bearing debt



Shareholder returns

Our basic policy on shareholder returns is to maintain stable dividends. Going forward, we remain committed to pay stable dividends. We also focus on the payout ratio while considering retaining internal reserves to strengthen our financial position and to make investments for growth. We will strive to increase dividends with a target payout ratio of around 30%. To meet the expectations of shareholders and investors, we are determined to achieve the management targets set in the medium-term management plan.

Changes in dividends



Manufactured Capital

Futaba has a global production base and stamping and welding technologies to meet our customer's needs. The Company consistently strengthens its competitiveness in manufacturing throughout the process of development, designing to making prototypes and mass production, while promoting production efficiency improvement using digital tools.

Furthermore, the Company motivates its workforce to understand the meaning of their work, keep improving, and increase productivity and quality. Also, we actively pursue *monozukuri* using new technologies and information.

FY2021 Results

Number of production sites

27

Capital expenditures

37.0 billion yen

Improvement in productivity by improving production and operational efficiency

Optimization of global production system

We are optimizing our global production system across car models and regions to effectively utilize our manufactured capital (i.e., people, general-purpose equipment and buildings) and build a strong management and profit structure.

To optimize the production system of each site and region, we provide overseas subsidiaries with adequate personnel support from the Head Office and their parent plant and share and examine information on changes in the external environment, customers' production trends, and the production status at each site from a medium- to long-term perspective.

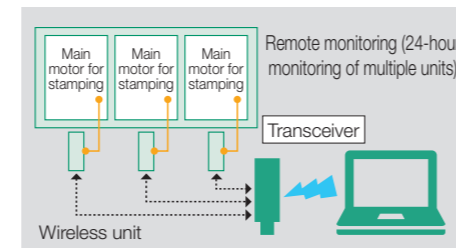
Initiatives to improve productivity

To identify problems and improve productivity, Futaba introduced the new production efficiency management that allows all bases to compare and analyze their operations using the same indicators. Going forward, we pursue best practices—not the best in Futaba but the best in the industry and the world—by bringing together improvement activities of each production site and addressing major issues through collaboration among persons in charge of each production process. For indirect business processes, we will consolidate indirect divisions (Virtual One Factory) to improve operational efficiency and streamline operations. We aim to improve productivity by 15% in FY 2025 compared to FY2020 (3% increase annually).

Preventative maintenance activities and improvement of distribution within the premises

As a measure to prevent production suspension due to equipment failure, we 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 logistics processes within the premises, from parts receiving, distribution to production lines, to product shipping.

Wireless diagnostic system for rotating machine



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

Quality improvement activities

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

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

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).



Quality control activity confirmation meeting

Performing QA inspection

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

Human resources development activities

Our training program inculcates knowledge of quality required for commercialization as well as understanding of the roles of manufacturing processes and quality assurance systems required for process assurance, and skills for recurrence prevention.

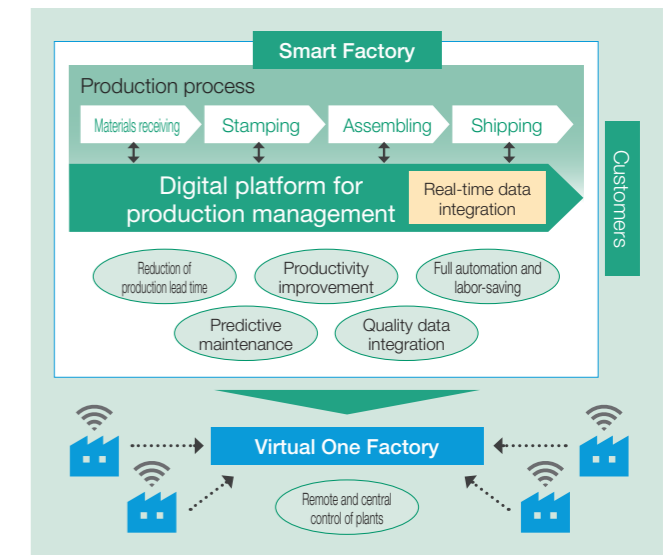
Furthermore, the quality assurance rules enhance understanding of personal roles, responsibilities and the significance of work, thereby increasing satisfaction.

DX - Production process innovation

We remain committed to innovating the production process with digital support. By further enhancing *monozukuri* capabilities (Smart Factory) and pursuing Virtual One Factory, we aim to increase productivity by 15% and halve the indirect processes at plants.

(1) Further enhance *monozukuri* capabilities with digital support (Smart Factory)

The system integrates real-time operational data in the production process into a digital platform for production management. We utilize the data for improvements and labor-saving to streamline production sites. We will develop a model line by FY2023. The model line will be deployed in Japan with the aim of global expansion in FY 2025.



(2) Build a Virtual One Factory

Linking data of production sites enables remote and central control of production management and indirect businesses. We aim to centrally control the management operations from a single domestic site in FY 2025, thereby reducing the number of processes of indirect businesses.

Examples of initiatives

Smart Factory

[Deployment of one-way system to in-process kanban]
Reduction of production lead time

The method of conveying information on production instruction is switched from returnable kanban to data transfer. By eliminating physical delivery of kanban and sorting tasks, we aim to prevent information from being retained in the process from production to shipment, and reduce the production lead time.

[Automation of ancillary tasks]
Full automation and labor-saving

We will adopt and accelerate the introduction of trackless AGVs that eliminate the need for installing guiding rails. Under the system, we will promote full automation of parts delivery tasks by linking the receipt of finished goods and the supply of parts in accordance with production progress.

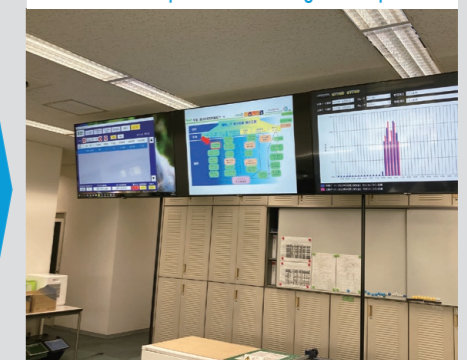
[Collection of real-time production performance] Acceleration of productivity improvement

Production performance and causes for suspension will be automatically acquired from the signal of production facilities. This helps us to capture the production status in real-time and promptly address anomalies and make improvements, thereby enhancing productivity. In addition, such timely production information will be linked to various information to develop a digital platform for production management.



Virtual One Factory

[Remote and central control]
Concentration of production management operations



We will conduct real-time monitoring of on-site conditions from a remote area, concentrate plants' administrative operations, and control all plants as one. Under the system, we will reduce management person-hours.

Intellectual Capital

In pursuit of quality to please customers around the world, Futaba is challenging to develop new technologies and new production methods by setting basic policies of “developing attractive products” and “developing high-performance, high-functioning products.” To help solve social issues of zero-emission and carbon-neutral mobility, we will promote weight improvement and noise reduction while trying to create new values and contribute to the realization of rich, sustainable society through cooperation with partner companies of different industries and industry-academia-government collaboration.

FY2021 Results

R&D expenses
4.2 billion yen

Patent filings
78

Patents held
Domestic **251** Overseas **209**

Intellectual property initiatives

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 new product development and new production technology development.

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 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 Department is responsible for handling intellectual property rights, inventions by employees and the promotion of activities related to intellectual property rights. Legal and Intellectual Property Department closely cooperates with relevant departments under Engineering Center, Production Engineering Center, Production Center, and others.

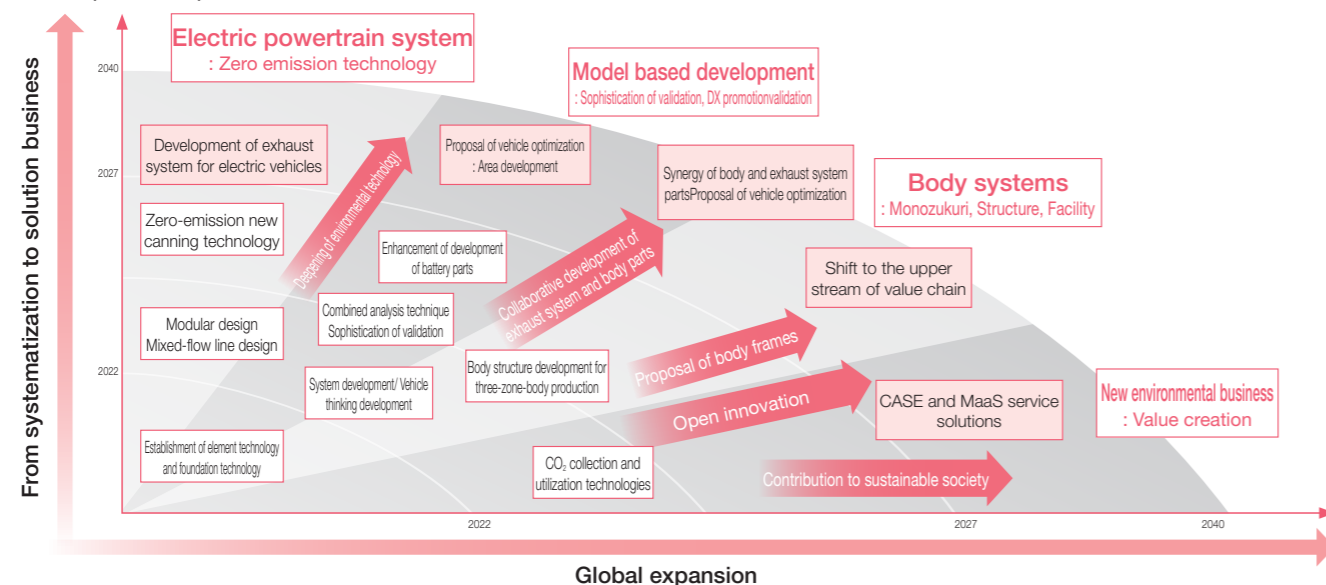
Furthermore, we seek advice from our patent attorney as necessary before promoting the Company's activities.

R&D initiatives

Leveraging Futaba's element technologies and fundamental technologies, we promote development of original products by combining our product development capabilities with production technologies. We also interact, cooperate and collaborate with automobile manufacturers, specialized manufacturers as well as industry, academia and government to develop technologies in a

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

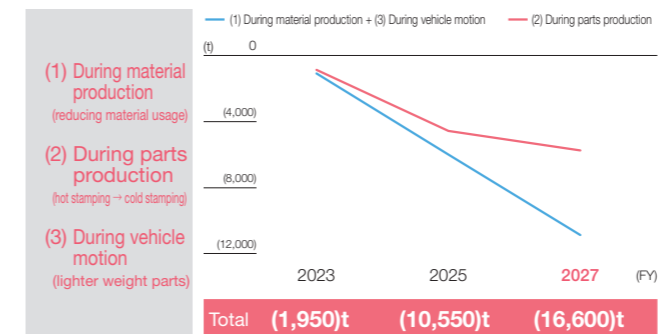
Roadmap for development



Case 1 Pursuit of light-weight body structure

In order to reduce CO₂ emitted during production process and while the vehicle is in motion, we are proposing optimum and light-weight body structure on a global basis by utilizing the processing technology of ultra-high-tensile strength steel and through other approaches. To promote such action, we are strengthening the development of body structure and also evolving the production technology.

Target for CO₂ emission reduction utilizing the processing technology of UHTSS



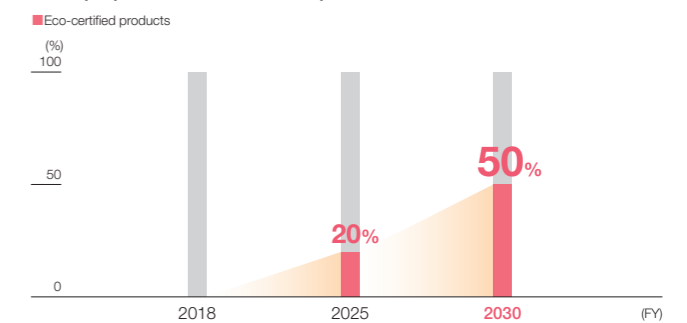
*Calculated based on the Company's standards

Case 2 Development of environment-friendly green mobility system

Towards zero-emission and carbon-neutral mobility, Futaba is committed to developing eco-certified products* to reduce environmentally hazardous substances, noise, and weight, aiming to increase the sales ratio of such products.

*Environment-friendly green mobility system certified under the Company's standards

Sales proportion of eco-certified products



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.

Overview of the development process transformation

Developing a digital platform for 3D data of products and facilities, we integrate information using 3D data throughout the process from development to mass production.

Furthermore, we facilitate simulation development using 3D data. With the help of feedback from actual product data, we work on shortening the development period and reducing rework.

Digital platform for 3D data of products and facilities

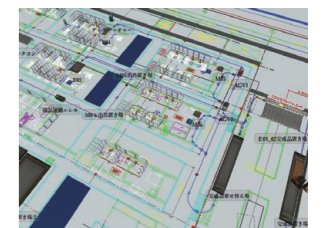


Case 1 Introducing AI to product design

Traditionally, drawings or other documents are used to instruct production preparation following the product design process; nowadays they have been gradually replaced by 3D data. Futaba is working on reviewing the product design process leveraging 3D data. We introduced AI trained with the optimal process, design know-how and accumulated knowledge, etc., and use it as a design guide that provides designers with points worthy of note. By reducing uneven quality of designs, AI helps prevent redesigning and accelerate the decision-making process on the shape of products.

Case 2 Utilizing simulation for production preparation

We utilize simulation to examine logistics within a plant by replicating a layout of the entire plant in the digital space. We visualize and optimize delivery routes and examine the space in advance within the digital area to reduce the on-site manufacturing preparation processes after facility installation and save labor in the logistics within the premises after the start of mass production.



Human Capital

We believe that the safety and health of each one of our employees is a precious asset and management resource. Based on the concept that "Safety always takes first priority," we seek to ensure workplace environments facilitating safety and ease of work, respecting the personalities and individuality of our employees, while striving to ensure their satisfaction and fulfillment. Furthermore, by accepting various human resources, bringing out their maximum potential, and realizing work environments where they can work energetically and with a sense of reassurance, we will increase corporate value and contribute to the healthy and sustainable growth of society.

FY2021 Results

Percentage of mid-career hires

27.1% (non-consolidated)

Turnover rate

1.2% (non-consolidated)

Percentage of overseas employees

57.4%

Promotion of safety and health

Creation of safety-first workplace

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

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

We also strive to create workplaces that make an accident unlikely to happen through appointed managers' workplace patrols and risk assessment^{*2} activities, and focus on developing employees in a way that adheres to work rules.

^{*1} Occupational health and safety management system is 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.

Industrial accident prevention initiatives

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

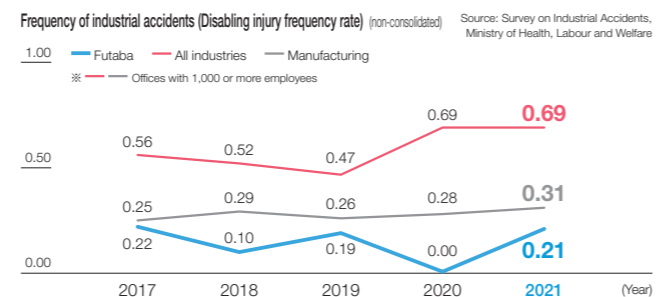
^{*3} STOP 6: Activity to prevent accidents from happening by focusing on six types of accidents analyzed from examples of past accidents as critical accidents and promote prevention activities. The six are: being caught in a machine, collision with a heavy object, collision with a vehicle, falls, electric shocks, and contact with a heated object.

Safety education

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

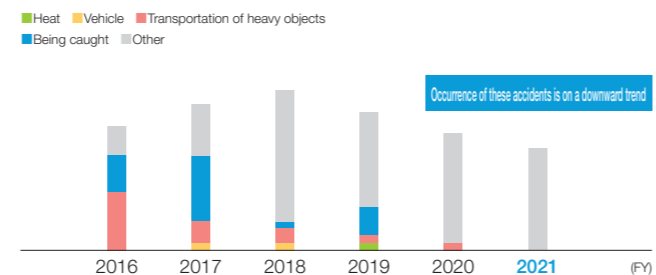
Fire prevention initiatives

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



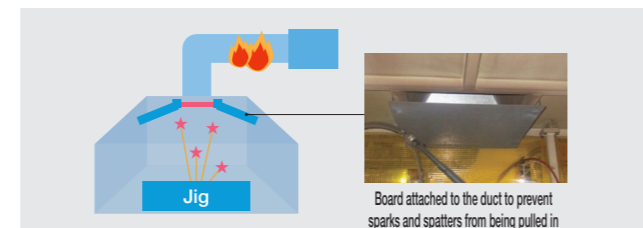
^{*2} Risk assessment is a method that comprises the following processes: identifying potential worksite risks or hazards; assessing risks by combining the severity of industrial accidents and health problems caused by the identified risks or hazards (i.e., the level of harm to persons) and the probability of the accidents; prioritizing risk control measures based on the magnitude of the assessed risks; and examining how to eliminate or reduce the risks.

STOP 6 accidents occurred in the past



Hands-on training of crane operation

Countermeasure to prevent sparks and spatters from entering a duct



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. Investing in health will make employees more energetic, increase their work productivity, and invigorate our organization, helping improve our performance and corporate value.

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 management office. The health insurance association, labor union, occupational health physician, and internal departments cooperate with each other to help employees solve their health issues.

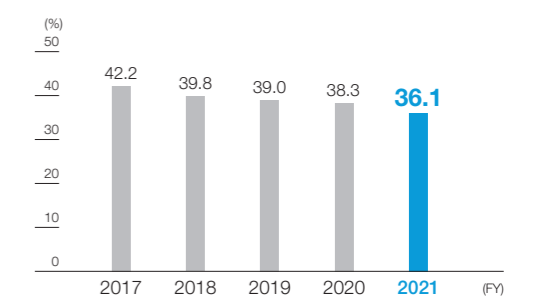
Promotion system chart



Helping employees establish healthy lifestyles

We promote lifestyle improvement activities with a focus on good diet, regular exercise, enough sleep, and no-smoking in particular to promote employee health. To help employees continue working in a good mental and physical condition, the occupational health physician determines whether or not those diagnosed with health problems as a result of check-ups can continue working, and recommends based on the decision that they see a doctor for further examination. The physician and public health nurse also inform and encourage those at high risk of developing stroke and heart diseases to improve their lifestyles while providing health guidance. In addition, we promote employees maintain their health through sports promotion activities using aruku& app. and other tools, cooperate with the company cafeteria in advertising healthy menus, and promote no-smoking by setting internal non-smoking dates.

Percentage of smokers(male; non-consolidated)



Helping employees build mental health

We carry out activities based on guidelines for four types of mental health care while cooperating with occupational health staff and the Human Resources Division among others. We consider it necessary to help employees build mental health in the early stage of their careers, and focus on implementing initiatives aimed at helping new employees stay mentally healthy. We provide a group work training program to new employees to teach them about self-care, and interview them two or three months after they join us. After new employees join us, we mentor them to reduce their reality shock, listen to their anxiety and concerns about their jobs, and serve as a bridge between them and their bosses, thereby creating good work environments that allow new employees to feel free to consult about anything.



Health seminar by a public health nurse

Human rights initiatives

Futaba's Corporate Charter defines the Company's basic policy on respecting human rights by stating, "We will respect the personalities and individuality of our employees, ensure a safe and pleasant work environment, and strive to provide comfort and enrichment to our employees." To realize the philosophy of the Charter, the Action Guidelines of Futaba, which set out standards of action for employees, clearly state compliance with

international rules and local rules and respecting personalities. Futaba employees will rely on these as a standard for their actions. Furthermore, we work on creating harassment-free workplaces through training programs and other approach. Futaba Helpline* is set up for internal and external consultations and employee can access the helpline on a global basis.

*Futaba Helpline: See "Establishment of helplines" on page 69

Promotion of diversity and inclusion

Basic approach

Futaba positions the promotion of diversity and inclusion as one of its key management strategies aimed at achieving its sustainable growth. In August 2022, we made our Diversity & Inclusion Statement. We will actively strive to further expand and improve our systems and to change employee mindset, aiming to become a company where employees with diverse attributes

can energetically work while finding their jobs fulfilling and feeling personal growth.

These days, we also actively develop local workers in a planned manner to promote our management deeply grounded in local regions.

Diversity & Inclusion Statement

We

- 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.
- We will strive to create work environments that allow individuals to demonstrate their full potential by respecting and appreciating each other's personality and mutually enhancing one another, thereby enabling teams to produce best outcome.
- As a global *monozukuri* company with leading technologies, we will offer solid value in terms of the environment, safety, and quality of life to more people around the world through our diverse people that enhance their creativity and ability to take action and that take initiative.

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. We previously focused on employee retention, and improved and expanded our measures to help female employees strike a balance between work and child rearing. In 2021, however, our focus shifted to female empowerment. We set KPIs, such as increasing the percentage of female managers and hiring more new

female graduates, and started improving our work environments and putting more effort into developing female employees. In 2022, we held a workshop targeted at the management team to create a corporate culture that promotes female empowerment. We will also take measures to help female employees and their bosses build their careers.

Voluntary action plan for promoting female employees to managers and officers

From the perspective of encouraging employees to have a better work-life balance, we have improved our HR programs, such as childcare leave and shorter working hours programs as well as a reemployment program that allows us to rehire employees who have left us before because their spouses accepted job transfers or for other reasons. Going forward, as part of our effort to

promote diversity management, we will develop female employees so that they can become managers in the future, aiming to raise the percentage of female managers to over 1% of the total managers by 2020 and more than five times higher than 2020 by 2030.

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

Target	2017	2018	2019	2020	2021
20%	14.0%	17.8%	14.8%	17.0%	12.5%

Percentage of female managers (non-consolidated)

FY	2017	2018	2019	2020	2021
比率	0.3%	0.3%	0.3%	0.9%	0.9%

TOPICS A workshop targeted at the management team to promote female empowerment

In August 2022, we held a workshop targeted at the management team to better understand that ensuring diversity is a key issue in implementing our management strategies and to further accelerate the promotion of female empowerment. We will continue implementing initiatives to promote female empowerment.



Management members during the online workshop

Succession planning

Net sales from overseas business account for approximately 50% of the consolidated net sales of the Futaba Group. The number of employees on a consolidated basis is around 11,000, of which, around 6,000 employees work outside of Japan. To operate our Group companies, we consider that local employees' more active engagement is essential for swift and appropriate decision-making based on local circumstances, cultures, and customs. We, therefore, operate succession committees, each of which is comprised of the management executives of each Group company, and strive to develop local employees in a planned manner.



Succession committee in North America

Recruitment initiatives

To hire diverse people on a global basis regardless of gender, nationality, age, or other attributes, we provide interviewer training to employees in charge of recruitment so that they will look at applicants' skills, experience, and willingness from fair, equal, and objective perspectives. We actively hire mid-career

professionals and turn temporary workers into regular employees, in addition to hiring new graduates as valuable human resources that potentially bring new insights, values, and ideas into our organization.

Percentage of mid-career hires (non-consolidated)

FY	2017	2018	2019	2020	2021
Percentage	17.3%	36.7%	20.6%	23.1%	27.1%

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

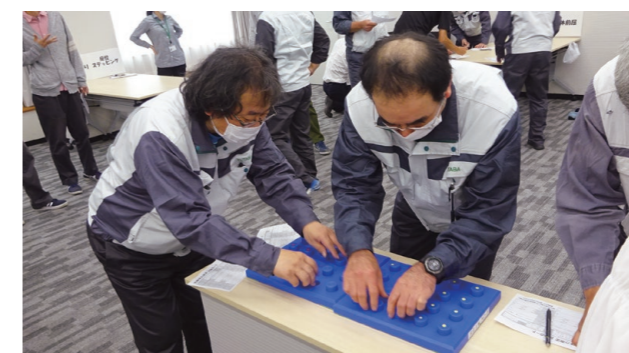
FY	2017	2018	2019	2020	2021
Percentage	77.3%	87.2%	82.4%	76.7%	73.0%

Initiatives for reemployment after mandatory retirement

Futaba has a system for rehiring employees after their mandatory retirement to offer them an opportunity to work and pass on their technical capabilities and skills to the next generation. In compliance with laws and regulations, we rehire all those who wish to be re-employed. In April 2022, we reviewed the system to treat rehired employees according to their roles so that they can find their jobs fulfilling after their mandatory retirement, with a view to Japan's declining workforce due to aging population and lower birth rate.

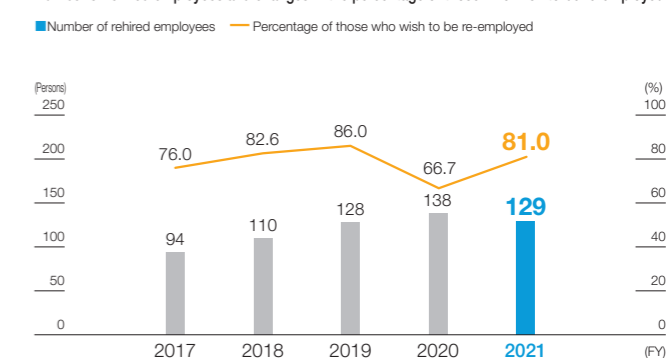
We also consider implementing more initiatives. One of which

is holding a seminar that teaches how to build assets in life milestones and a health seminar that teaches how to stay healthy and provides physical fitness testing, in order to raise awareness among participants of career building and staying healthy during years of service before retirement and to encourage them 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.



Physical fitness testing (manual dexterity)

Number of rehired employees and changes in the percentage of those who wish to be re-employed



Initiatives for hiring people with disabilities

Futaba works proactively to hire people with disabilities in support of their independence and participation in society. The employment rate was 2.52% in FY2021, exceeding the statutory requirement of 2.3%. We provide training programs to our 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.



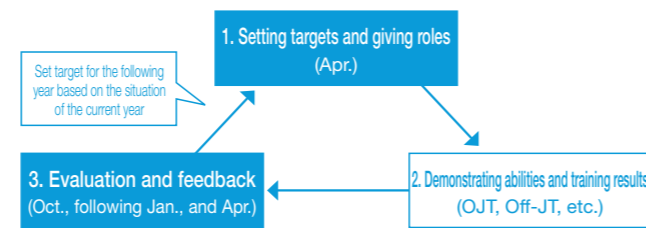
Individual interview

Human resources development

Basic approach

The operating environment surrounding the automobile industry has been drastically changing. To keep growing under such situation, we are aware that developing our human resources on a global basis is key. Based on our belief that the growth of each individual employee leads to the development of the corporation, we provide on-the-job training (OJT), a rotational program, which allows employees to work in multiple business functions, and other training programs shown in the table below, in order to help employees acquire necessary abilities and skills. We focus on developing each employee by using the human resources development cycle in which members and their bosses go through processes (1 through 3 on the right) every year.

Human resources development cycle



Training system (non-consolidated)

Qualification	By rank		By function	By shop	Self-development			
	Clerical and skilled workers	Technical skilled workers						
Managers	Training for new managers (business management)		Pre-overseas posting training Selective English proficiency training Overseas trainee system Outside training, seminars, etc. Safety and quality education Technical skill seminar and special education	Training in parentheses is under consideration (Stamping training) (Assembly training) (Inspection training) (Distribution training) Maintenance training Language learning Internal TOEIC testing				
	Training for new managers (roles and basic knowledge)							
Assistant managers and team leaders	Training for new assistant manager positions	Training for new assistant managers Training for new group leaders						
	Problem solving-oriented business improvement training (advisers)	Training for new team leaders Special training for first-level skilled workers						
General	Problem solving-oriented business improvement training (basic/advanced)	Training for first-level skilled workers Training for second-level skilled workers						
New employees	New recruit training, <i>monozukuri</i> training, follow-up training for new recruits							

Human resources development at global sites

Our global sites develop their human resources by providing training programs that teach problem-solving approaches, management methods, the TPS, etc.



Voluntary learning session at FIA



Problem-solving training at Guangzhou Futaba

Developing human resources for *monozukuri*

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



Maintenance training

Holding the Futaba Skills Competition

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

(FY2021 competition was cancelled due to COVID-19)



Competing welding technique

DX — Developing human resources to ensure tech-savvy personnel

Developing human resources to equip them with digital skills

As we consider it necessary to have diverse, tech-savvy personnel capable of adapting to changes in the business environment for our organization, we focus on developing human resources to equip them with digital skills.

We define tech-savvy personnel as those capable of transforming the way of work and changing operational processes through several processes in a speedy manner by combining the TQM activities and digital technologies. Based on this definition, we promote human resources development.

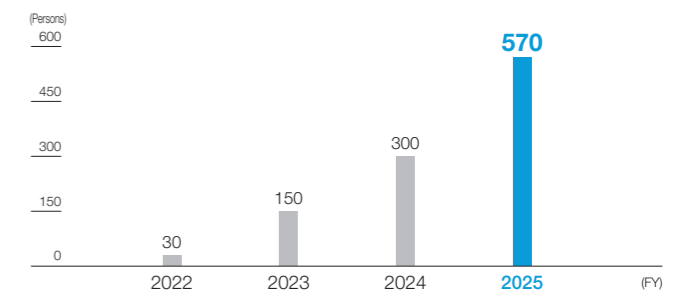
We will provide education to all departments while making improvements by using tools and introducing systems in business processes.

Through such human resources development, we will accelerate making overall operational processes optimal and fully streamline routine operations.

Content of initiatives

- OJT through the introduction of systems as project team activities
- Promotion of user-centered business application development
- e-learning to drive better understanding of DX
- Experience-based study sessions using practical examples (e.g., exhibitions)
- Education on how to use digital tools

Projected number of human resources to be equipped with digital skills (cumulative)



DX exhibition

Creating employee-friendly workplaces

Basic approach

Futaba works to reduce total working hours, introduces work-life balancing measures, and encourages employees to take paid annual leave so each and every employee with diverse attributes and values can work with a sense of reassurance.

Initiatives	System examples
Flexible work style	Flexible working hours (no core time), and telecommuting
Promotion of taking paid annual leave	Achieve target of paid annual leave taken (17 days for FY2021), taking refresh leave (can take 5 consecutive days leave after a specific number of years of service), and 3-day consecutive paid annual leave (each year)
Shorter total working hours	Each Wednesday is set as a No Overtime Day when staff are encouraged to leave at the set time
Supporting childcare	Childcare leave (until the child reaches 2 years of age), childcare shorter working hours (until the child has completed the fourth grade of elementary school), restrictions on overtime work (until the child enters elementary school), child nursing leave (5 days per year; maximum of 10 days per year), special leave upon spouse's delivery (3 days), and Anshin leave (unused paid annual leave can be accumulated for 20 days at maximum to be used for childcare or nursing care)
Supporting nursing care	Nursing care temporary leave (up to 365 days; may be taken up to 3 times), a nursing care shorter working hours system (3 years from the start of use; no limit on the number of times taken), nursing care leave (5 days per year; maximum 10 days per year), and Anshin leave (unused paid annual leave can be accumulated for 20 days at maximum to be used for childcare or nursing care)

Status of paid annual leave taken

We encourage employees to take paid annual leave by setting a target number of days to be taken through discussions between each employee and us and taking a follow-up action at the monthly employer-and-employee discussion session.

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

FY	2017	2018	2019	2020	2021
Days	16.3	16.9	17.5	17.9	19.4

Status of overtime work

We seek to reduce employee overtime hours by drawing up a plan at the beginning of each fiscal year and taking a monthly follow-up action based on actual overtime hours.

Monthly average overtime hours (union members on a non-consolidated basis)

FY	2017	2018	2019	2020	2021
Hours	28.9	26.9	22.7	20.4	21.4

Social and Relationship Capital

Futaba establishes partnership with each of its suppliers and works on solving social issues while creating sustainable supply chain. Additionally, we aim 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.

Establishment of sustainable supply chain

Basic approach

1. Optimum purchasing based on openness and fairness

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

2. Strategic purchasing in global and SDGs aspect

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

3. Long-term continuous business built upon mutual trust

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

Establishment of trust with suppliers

Communication activity

We share important issues of the Company or the entire supply chain at company policy briefing given at new year greeting party or general meeting of Suppliers Cooperative, procurement policy briefing, excellence awards ceremony, and supplier meeting. We aim to solve issues and establish long-term trust based on mutual understanding and cooperation. Based on our Declaration of Partnership Building, we thoroughly discuss changes in the external environment (e.g., soaring raw material prices) with our suppliers. Due to the COVID-19 crisis, interactive meetings are being mainly held online. In addition, an information sharing site called FTB Digital Supplier Room was launched to promote communication utilizing new forms and digital technologies.

Activities of Suppliers Cooperative and developing human resources

Together with our suppliers, we make efforts to increase abilities of the organization as well as the individual and enhance safety culture through QC circle competitions, safety education, and quality support activities.

Working towards CO₂ emissions reduction and sustainable supply chain

We promote initiatives based on the philosophy of SDGs throughout the entire supply chain that includes customers and suppliers.

Basic Policy for SDGs-Based Procurement for future

1. We will position SDGs (especially ESG) issues and initiatives as main activities to be addressed by the partners of the entire supply chain and share information, obtain understanding of the current situation, hone each other's skills, and confirm progress.
2. We will reach out to, offer support, and cooperate with those in our supply chain to execute countermeasures.
3. We will, in the future, incorporate each company's attitudes towards addressing SDGs issues and the results of those actions in the performance assessment and in selecting the suppliers.



Company policy briefing at new year greeting party (held online)



Presentation of the Futaba Suppliers Cooperative Circle



Procurement policy briefing

CSR initiatives in procurement

Based on Futaba's environmental policy as encapsulated in the Green Procurement Guidelines, the Company promotes legal compliance, creation of environmental management system, and makes efforts to reduce our environmental impact. Our goal is to ensure the realization of an environmentally friendly and

sustainable supply chain. In June 2022, we revised the Supplier CSR Guidelines to the Supplier Sustainability Guidelines, which state our expectations toward our suppliers. We promote sustainability-oriented business activities with them based on mutual understanding and trust.

Details of each guideline can be found at: <https://www.futabasangyo.com/profile/customer/>

Respect for human rights and responsible procurement of minerals (conflict minerals)

Futaba is promoting procurement activities that respect human rights and the environment. We believe that human rights initiatives require concerted efforts by both the Company and the entire supply chain, and incorporated items related to such initiatives into the Supplier Sustainability Guidelines. Under the guidelines, suppliers are requested to conduct periodic self-assessments and take continuous corrective actions.

We also recognize that responsible procurement of mineral resources and raw materials is a significant issue across the supply chain, requesting suppliers to practice responsible procurement. Furthermore, we examine and track the use of conflict minerals in the upper stream of the supply chain on an annual basis.

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

US/FIA

We sponsored the Watermelon Festival, which features watermelon, one of the local specialties of Knox County. Families of our employees participated in the festival, including a baby contest.



Tasting of a variety of watermelons

People development

Japan/Head Office

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



Science and Monozukuri Course

Humanitarian support for Ukraine

Japan, Czech, UK/Head Office, FCZ, FMUK

To support refugees from Ukraine, the Futaba Group donated money and purchased goods such as hygiene products to the Red Cross. Our employees also donated food and other daily necessities.



Relief goods (FMUK)

TOPICS Futaba Industrial Baseball Team contributes to the local communities

Founded in 1982, Futaba Industrial Baseball Team has expanded its sphere of action in Japan, once entering the best eight teams of the nationwide tournament. The players are actively involved in local activities and people development such as interacting with children of orphanages, giving their best to be a team with the full support of our home side.



An interactive event with children of an orphanage

Natural Capital

Considering the impact on global warming and climate change, Futaba works on reducing the environmental burden in order to realize decarbonized society while promoting production and business activities that make effective use of the limited resources and minimize environmental burden. In August 2021, we newly developed an environmental policy to further promote such activities. We will continue contributing to global environmental protection.

FY2021 Results

Amount of CO₂ emissions (non-consolidated)

43.2% reduction (vs. FY2013)

Amount of steel used (non-consolidated)

1.2% reduction (vs. FY2019)

Environmental policy Futaba Group recognizes global environmental protection as a key management issue and commits to reducing environmental burden to realize sustainable and decarbonized society.

1. We will comply with environmental requirements.

Set and commit to complying with voluntary standards more strict than the various environmental protection ordinances and other requirements agreed to.

2. We will commit to protecting the environment.

Specifically, commit to preventing pollution, making sustainable use of resources, mitigating and adapting to climate change, and protecting the ecosystem.

3. We will set clear targets for and commit to protecting the environment.

Investigate and assess environmental impact of our business activities, and to effectively cut down or reduce the main cause, set environmental objectives and targets to be achieved within a range technically and economically feasible. To achieve the environmental objectives and targets, commit to carrying out *monozukuri* and facility creation with less environmental impact from development to distribution stages.

4. We will continuously improve our environmental management system.

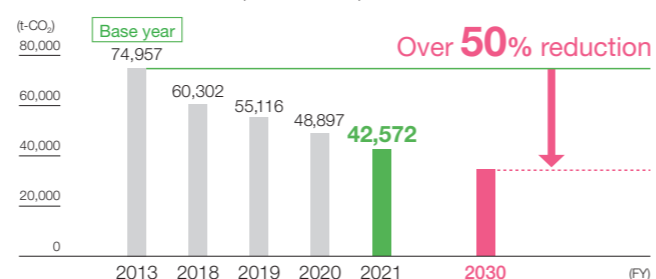
To achieve the environmental objectives and targets, clarify roles and responsibilities and create-perform-assess plans for further improvement.

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

To realize carbon neutrality, we set an FY2030 CO₂ emissions reduction target at a reduction of 50% or more at plants on a non-consolidated basis, compared to FY2013, and that at a reduction of 3% every year at subsidiaries in Japan and abroad (equivalent level to the non-consolidated basis), and strive to reduce CO₂ emissions on a global basis.

In Scope 1 and 2 emissions that we can commit to reducing, we save energy any way possible on a daily basis, innovate production technologies, renew utility facilities, and use renewable energy. We will also make an effort with the reduction of Scope 3 emissions and the LCA in mind in cooperation with automobile manufacturers and suppliers.

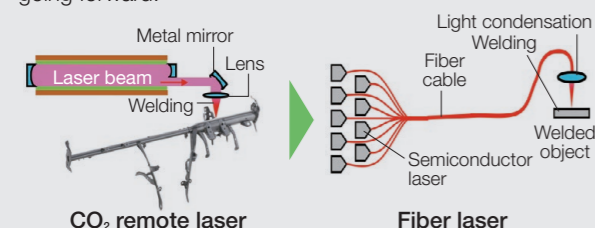
Amount of CO₂ emissions (non-consolidated)



* The amount of CO₂ emissions since FY2013 has been amended in accordance with the revision of CO₂ conversion coefficient to yearly fluctuations from FY2022.

Case 1 Replacing with fiber laser welders

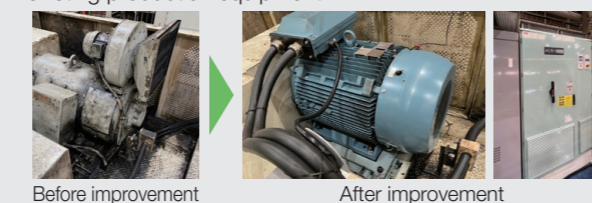
We have been replacing CO₂ remote laser welders in the mass production facility of instrument panel reinforcements with lower-power-consumption fiber laser welders. We expect to cut approximately 600 tons of CO₂ emissions going forward.



Case 2 Connecting an inverter to the main motor

Connect an inverter to the existing main motor to adjust the motor's rotation speed and control wasteful electricity consumption.

We expect to cut approximately 800 tons of CO₂ emissions when we complete connecting inverters to all the existing production equipment.



Case 3 Using renewable energy

In August 2022, we installed solar panels at Kota Plant. The power generated by these solar panels covers approximately 60% of power consumed in the office building every month, and we expect to cut 280 tons of CO₂ emissions annually.

Going forward, we plan to install solar panels at other plants as well as subsidiaries in Japan and abroad.



Solar panels at Kota Plant

Other initiatives

- Consolidating production operations (Yosedome)
- Replacing plant lighting with LED
- Reducing standby power consumption
- Renewing extra high-voltage substation facility
- Cutting down air leakage loss
- Managing cooling chiller temperature per stamping cycle
- Producing multiple parts per stamping cycle

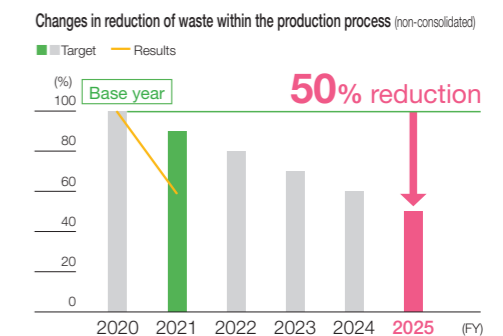
Contributing to a circular economy by reducing waste, conserving resources, and promoting recycling

We are working to promote waste reduction, resource-saving, and recycling, considering the lifecycle of resources. Especially, to reduce the amount of steel used, we are making efforts to minimize material loss (scrap waste, etc.) and improve material yield while implementing activities to reduce oil usage and industrial waste output. This output in FY2020 and FY2021 was 774

tons and 1,402 tons, respectively. We had an abnormal amount of waste in FY2021 (the inflow of underground water in pit excavation work with new stamping machine) due to increased alkaline waste. As we currently take measures to stop the inflow, we expect to control the amount of waste. Our output target in FY2022 is 702 tons.

Initiatives to reduce steel usage

Improving material yield is an important activity in pursuing minimization of material needed to make one product. Each production base makes steady and repeated efforts to reduce the size of materials by millimeters. Countermeasure against root cause is also important in preventing outflow of defective products. Therefore, we also focus on activities to reduce waste within the production process to avoid defective products in the process and on minimizing loss and waste. We reduced waste within the process by 40% in FY2021, compared to the base year of FY2020, and aim to reduce it by over 50% in FY2025 (at a reduction of 10% or more every year). By using non-destructive testing equipment, we reduce scraps from daily inspections and promote overall resource-saving and waste reduction.

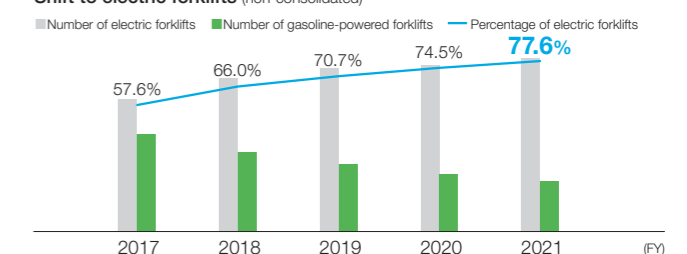


Initiatives to reduce oil usage

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 FY2021, 77% of forklifts were shifted to electric ones. Going forward, we will continue to reduce the number of forklifts by improving distribution.

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

Shift to electric forklifts (non-consolidated)



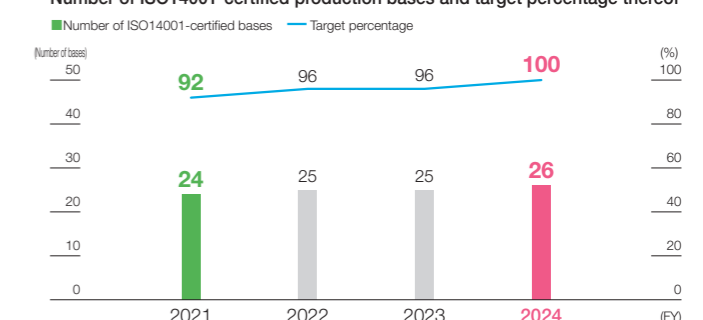
Promotion of environmental management on a Group-wide and global basis

The Futaba Group has acquired ISO14001 at its production bases one after another, and commits in carrying out environmental management aimed at realizing a sustainable and recycling-oriented society.

To accelerate efforts across the Futaba Group, Futaba Sumi Corporation, one of the subsidiaries of Futaba, joined Futaba's organization engaging in ISO activities and acquired the ISO certification in June 2022.

Going forward, Futaba plans to integrate Futaba Kyusyu Corporation and Futaba Hiraizumi Corporation, both of which have already been ISO-certified, to achieve our common goal in Japan.

Number of ISO14001-certified production bases and target percentage thereof



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

Responding to climate change

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

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

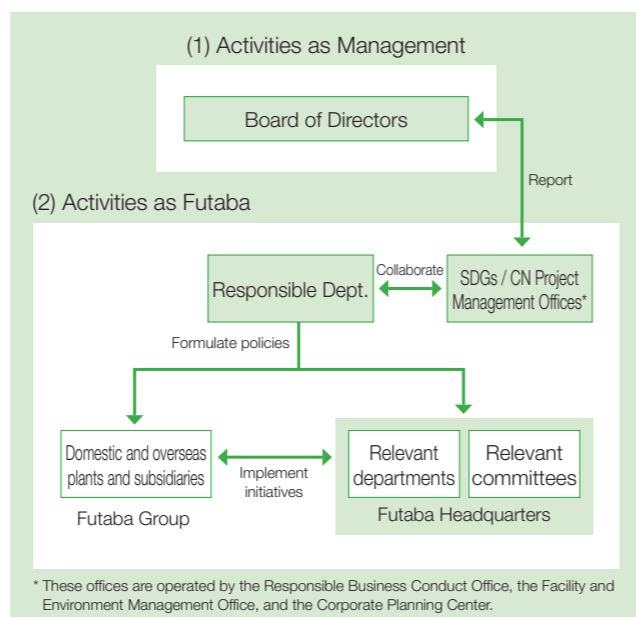


Governance

Futaba's Board of Directors clarified and oversees the direction of management associated with climate change as well as business-related risks and opportunities.

Since addressing climate change and other environmental issues is one of our Priority Issues (Materiality), we set management indicators and a medium- to long-term target upon approval of the Board of Directors.

To achieve each of the management indicators, the Responsible Dept. will formulate policies, share them across the Futaba Group, and manage progress. The Responsible Dept. will report the progress to the Board of Directors, reflect in the policies the improvement activities to be carried out based on changes in the business environment and results, and promote the activities.

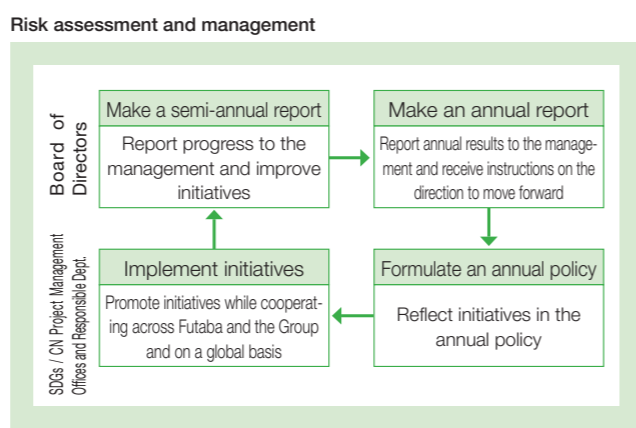


Risk management

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 the targets and indicators to the Board of Directors and obtained approval



Strategy

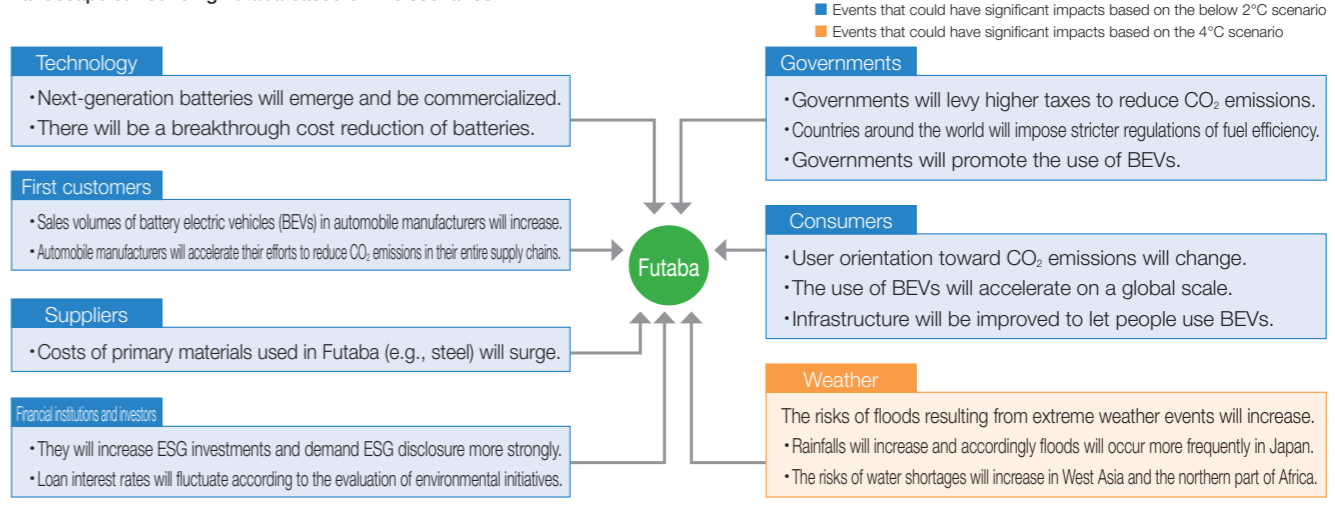
We conducted a scenario analysis to understand the risks and opportunities brought about by climate change and the impacts of them and to examine the appropriateness of a strategy predicting what the world will look like around 2030 and whether we need to implement more initiatives.

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

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

*1. The IPCC was created in 1988 by the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP).
 *2. Scenario assuming that countries around the world will take stricter policies and systems and that the increase in global average temperature at the end of the 21st century will be kept below 2°C above pre-industrial levels
 *3. Scenario assuming that countries around the world will not introduce additional policies and systems and that the global average temperature will rise 4°C or so above pre-industrial levels by the end of the 21st century

Landscape surrounding Futaba based on the scenarios



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

Events	Risks and opportunities	Impact	Measures
Promotion of the use of BEVs and EVs (market)	Transition risks (below 2°C scenario) ● 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	● Research and develop parts for BEVs and EVs ● Produce more body parts, expand the manufacturing equipment business, and add more value to parts → See pages 29 and 35 ● Receive orders for body parts with more value to be added through the development of zones of the car body with our analytical capability ● Increase market share of parts for gas-engine vehicles → See page 33 ● Expand the sale of exhaust system parts to be standardized with minimum investments and person-hours ● Create and develop new business by leveraging exhaust gas collection and purification technology → See page 36
Natural disasters and extreme weather events (acute)	Physical risks (4°C scenario) ● 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	—	● Improve and operate the system for implementing the BCP, and continuously review the plan → See page 70 ● Operate the Disaster Response Headquarters and other organizations

Risks and opportunities: events that could indirectly impact Futaba

Events	Risks and opportunities	Impact	Measures
Stricter CO ₂ emissions regulations (policies / laws and regulations)	Transition risks (below 2°C scenario) ● Heavier taxes levied on companies due to new taxes on the amount of CO ₂ emissions ● Increase in net sales with new offerings of more energy-efficient and lighter-weight products	Low ↓ Medium	● Take thorough measures for improvement to reduce CO ₂ emissions at plants (both on a non-consolidated and consolidated basis) → See pages 20 and 51 ● Contribute to a circular economy by reducing waste, conserving resources, and promoting recycling → See page 52 ● Develop light-weight exhaust systems, aiming to reduce CO ₂ emissions → See page 33 ● Develop the processing technology of parts with cold stamped UHTSS, which will make parts lighter-weight and help substantially reduce CO ₂ emissions during processing → See page 42
Public esteem (reputation)	● 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 ensure human resources, etc.	—	● Disclose more climate change-related information and more communicate 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 March 2022

CO₂ emissions reduction targets for plants
 Over **50%** reduction in FY2030 compared to FY2013 on a non-consolidated basis

FY2021 results of the management indicators

Amount of CO₂ emissions: **42,572 tons**
 (Scope 1 and 2 emissions on a non-consolidated basis; 43% reduction compared to FY2013)

Corporate Governance

Basic approach to corporate governance

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

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

Initiatives for strengthening corporate governance

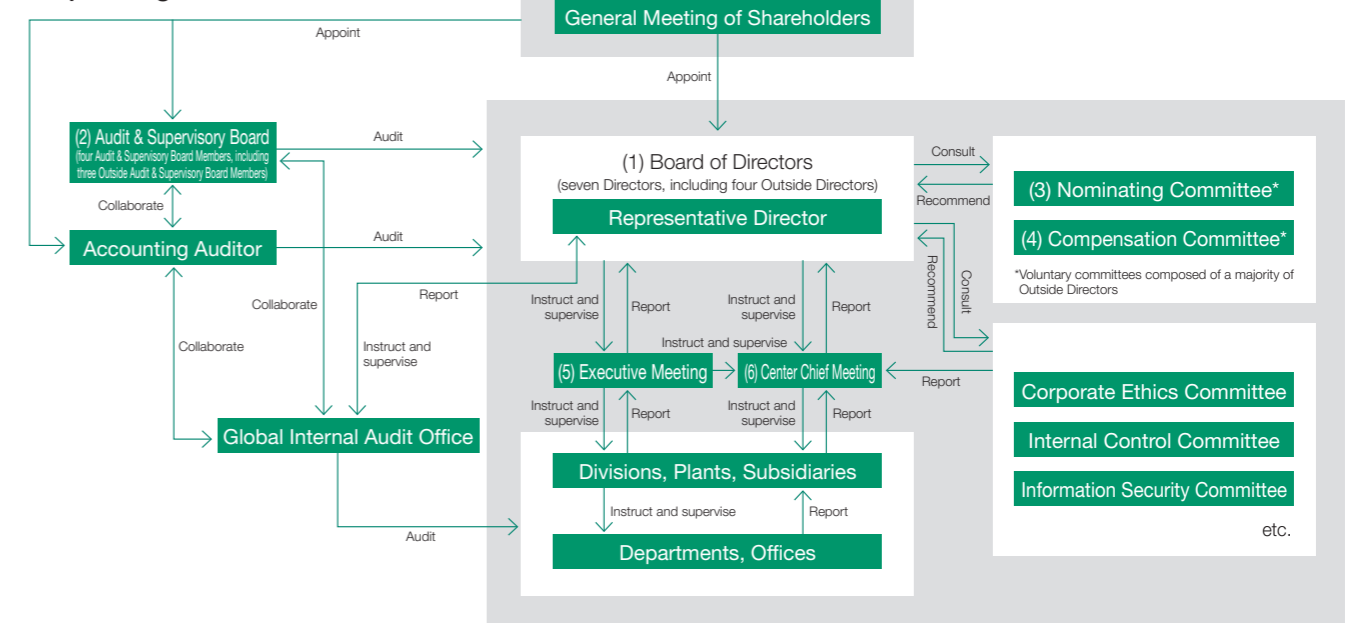
Corporate governance is a foundation to support our sustainable growth, and we believe it essential to evolve it based on social trends and needs. We have been striving for continuously strengthening corporate governance.

To enhance effective oversight of Executive Officers and Directors as required of the Board of Directors, we have been

increasing the ratio of Outside Directors. In addition, in FY2021, we carried out third-party assessment on the Board effectiveness to clarify problems and issues of the Board of Directors and are addressing them.

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

Promotion system of corporate governance



Oversight function/Execution function

(1) Board of Directors

Number of meetings held in FY2021: 12 times

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

Main agendas discussed at the FY2021 Board of Directors' meetings

Management in general	<ul style="list-style-type: none"> Formulating medium-term management policy Formulating corporate global policy Formulating global business plan Approving annual budget (income, capital expenditures, and financing) Entering into important new business (new market or area of new technology)
Other	<ul style="list-style-type: none"> Performing and reporting on Board effectiveness assessment Management policy and risks and opportunities regarding climate change Status of initiatives regarding the Company's course of action (SDGs, CN, DX promotion, IT security, etc.)

(2) Audit & Supervisory Board

Number of meetings held in FY2021: 14 times

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

The Outside Audit & Supervisory Board Members consist of a certified public accountant, a former company president, and a former plant general manager (an expert of the production engineering field). Leveraging their expertise by audit areas, they implement statutory operational audits specified by the Companies Act and accounting audits for companies including our subsidiaries at home and abroad.

Audit structure

Audit & Supervisory Board Members, Global Internal Audit Office, and Accounting Auditor exchange opinions and share information on matters such as their audit structure, audit policy, audit plan, and audit results by holding monthly meetings to cooperate in performing efficient and effective audit.

Audit by Audit & Supervisory Board Members

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

Internal audit

In order to achieve management goal, guarantee objective business execution, and make improvement proposals, we established Global Internal Audit Office and perform audit covering the overall business based on internal audit plan approved by the President at the beginning of the business year. Audit results are reported to the President and the Board of Directors regularly.

Audit by Accounting Auditor

PricewaterhouseCoopers Arata LLC has been auditing the Company since FY2019.

Corporate Governance

(3) Nominating Committee Number of meetings held in FY2021: Seven times

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

Deliberative body 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 the FUTABA WAY, the Management Principle, and the Action Guidelines of Futaba. We will improve the quality of our operation, and the quality of corporate management in the long run, through initiatives centering around following items, repeating maintenance and improvement through Total Quality Management (TQM) activities. We will also aim to sustainably improve the corporate value toward the SDGs goals.

- Establish the mechanism of operation, incorporating the way of thinking of “division of roles among business practice, guidance and check, and audit (three lines of function) in response to risks”
 - Clarify roles and responsibilities regarding duties in the Group, and make subsidiaries autonomous
 - Improve education system on TQM activities and operation standards, and raise the level of the entire organization
- Through these initiatives, we will realize the internal control Futaba pursues by increasing human resources equipped with high ethical standard and establishing effective organization.

Internal control system

We share with Directors and other Officers responsible for business execution 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 the 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

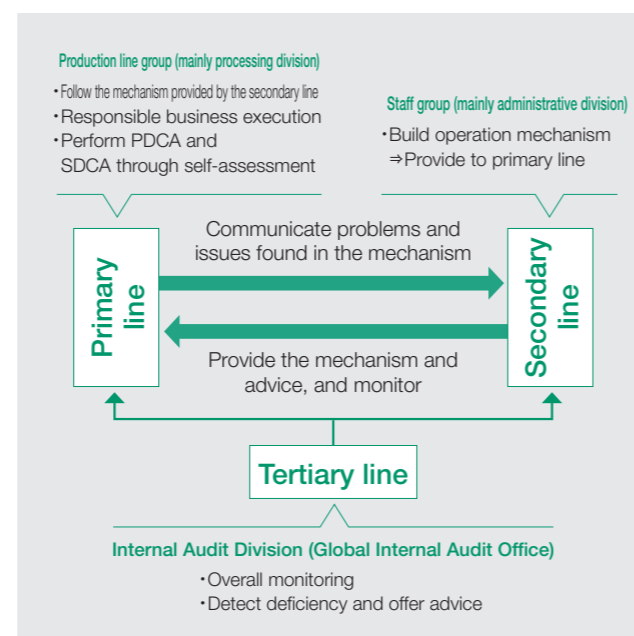
(4) Compensation Committee Number of meetings held in FY2021: Seven times

The Compensation Committee consists of three committee members (three Outside Directors). The Committee is chaired by Mr. Masayoshi Ichikawa. 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 submit recommendations to the Board of Directors.

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

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

Three lines of function



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

Status of the activities of the Internal Control Committee are reported regularly to the Board of Directors. The global progress of the improvement activities of operational quality is considered when determining the direction of activities, in addition to the advice received from the Board members by sharing issues identified at each region and site.

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 voluntary Nominating Committee chiefly composed of Independent Outside Directors, and then decides at the 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 the Audit & Supervisory Board Members, we appoint persons who can contribute to appropriate management audit with the knowledge of business management, finance and accounting, and then decide after a resolution of the Audit & Supervisory Board. The Board of Directors obtains the consent of the Audit & Supervisory Board via the latter's resolution, and then submits proposals for appointments of Audit & Supervisory Board Members to the general meeting of shareholders.

Board of Directors and Audit & Supervisory Board Members skills matrix

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

		Corporate management	Technology and development	Production engineering, manufacturing, and quality	Sales and procurement	Finance and accounting	Legal affairs and governance	Personnel	The Environment	Industry insights	Overseas business
President	Yoshihiro Uozumi	○	○	○	○	○	○	○	○	○	○
Director, Operating Officer	Takayuki Yoshida	○	○							○	
Director, Operating Officer	Fumio Ohashi	○				○	○	○		○	○
Outside Director	Masaki Horie	○				○				○	
Outside Director	Masayoshi Ichikawa	○	○	○						○	○
Outside Director	Motoko Miyajima						○		○	○	
Outside Director	Yoshihisa Miyabe	○		○					○	○	○
Audit & Supervisory Board Member	Kazunori Kato				○		○	○		○	
Outside Audit & Supervisory Board Member	Hitoshi Suzuki	○				○				○	
Outside Audit & Supervisory Board Member	Ryusuke Itakura	○				○	○				
Outside Audit & Supervisory Board Member	Shigeo Hayashi	○		○			○		○		○

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 expertise and experience to make candid and constructive advice and supervision to management, with the knowledge of business management, finance and accounting, and legal affairs.

Corporate Governance

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

The Company appoints four Outside Directors and three 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 benefitting from their fields of expertise.

Main reasons for appointment of Outside Directors and Outside Audit & Supervisory Board Members

Name	Position	Independent Officer	Main reasons for appointment
Masaki Horie	Outside Director	○	Mr. Masaki Horie has expertise and experience acquired over many years as a certified public accountant. His appointment will bring his wealth of experience and deep insight into the Company's management.
Masayoshi Ichikawa	Outside Director	○	Mr. Masayoshi Ichikawa has many years of experience as corporate manager at Toyoda Gosei Co., Ltd. His appointment will bring his wealth of experience and deep insight into the Company's management.
Motoko Miyajima	Outside Director	○	Ms. Motoko Miyajima has expertise and experience acquired over many years as an attorney at law. His appointment will bring his wealth of experience and deep insight into the Company's management.
Yoshihisa Miyabe	Outside Director		Mr. Yoshihisa Miyabe has knowledge on the production engineering division acquired over many years at Toyota Motor Corporation. His appointment will bring his wealth of experience and deep insight into the Company's management.
Hitoshi Suzuki	Outside Audit & Supervisory Board Member	○	Mr. Hitoshi Suzuki has expertise and experience acquired over many years as a certified public accountant. His appointment will bring his wealth of experience and deep insight into the Company's management.
Ryusuke Itakura	Outside Audit & Supervisory Board Member	○	Mr. Ryusuke Itakura has expertise in finance and experience as corporate manager acquired from many years of service at Sumitomo Mitsui Banking Corporation. 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 in that company's Production Engineering Division. His appointment will bring his wealth of experience and deep insight into the Company's management.

Support for Outside Directors and Outside Audit & Supervisory Board Members

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

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



Plant tour by Outside Directors

Training for Directors and Audit & Supervisory Board Members

For Directors and Audit & Supervisory Board Members who play key roles in the important governance system, we hold seminars on laws and regulations related to corporate officers, in order to deepen their understanding on their roles and duties. Furthermore, we take up medium- to long-term issues and hold regular training sessions, promote officers to participate in outside seminars, and invite outside professionals to workshops as necessary.

Executive Compensation

Basic approach

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

Compensation for Outside Directors who assume oversight function is composed of monthly compensation only. Regarding the content of compensation for Directors, we ensure rationality, objectivity, and transparency in both of the content 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, and reviewed as appropriate to be competitive enough to secure and retain talented persons in the job market, in view of our corporate performance, standards of other companies, and social environments.	The amount is calculated by the Board of Directors in view of consolidated operating profit of each fiscal year and the level of achievement of targets determined in the medium- to long-term management plan, and the amount and the timing of payment is determined by the resolution of the general meeting of shareholders.	In order to share values with shareholders and drive their motivation to contribute to enhance 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, and share price, etc.

Matters regarding Director's individual monthly compensation is entrusted from the Board to the Representative Director on the condition that it will be paid based on individual monthly amount decided at the voluntary Compensation Committee composed of a majority of Independent Outside Directors. Subject to the approval of the general meeting of shareholders on the total amount of Directors' Bonus, the Board entrusts matters regarding Director's individual bonus to the Representative Director on the condition that it will be paid based on individual bonus

decided at the voluntary Compensation Committee. The Representative Director later reports to the Compensation Committee the actual monthly compensation and bonus payments made to individual Directors to make sure that they agree with 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, based on the deliberation and recommendation of the voluntary Compensation Committee.

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/Audit & Supervisory Board Members paid (persons)
		Monthly compensation	Bonus	Stock compensation	Retirement benefits for executives	
Directors (excluding Outside Directors)	189	142	33	13	—	6
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	16	16	—	—	—	2
Outside Director	22	22	—	—	—	3
Outside Audit & Supervisory Board Member	14	14	—	—	—	4

*The above includes the two Audit & Supervisory Board Members who retired as of the close of the 107th General Meeting of Shareholders held on June 17, 2021.

Corporate Governance

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. From FY2021, we have third-party organization assess the Board effectiveness.

Assessment methods and categories

● Carried out third-party assessment on the Board effectiveness (October - November 2021)

Questionnaire survey: performed to all Directors and Audit & Supervisory Board Members

Main assessment categories

(1) Composition of the Board (2) Operation of the Board
(3) Discussions at the Board meetings (4) The Board's monitoring function etc. Total of 40 questions

Interview: performed to all Directors based on their answers to the questionnaire

● Reported the improvement plan of the effectiveness in the next fiscal year to the Board of Directors, based on the results of the questionnaire survey (December 2021)

Results of assessment in FY2021

Average scores of the questionnaire results show that the scores were generally high for most of the categories, no wide gap was seen between the inside and outside Directors and Audit & Supervisory Board Members regarding the questionnaire, and the Company's Board of Directors is functioning effectively in general. On the other hand, issues were pointed out through questionnaire surveys and interviews from various perspectives. Among them, we determined the matters shown in the table on the right to be important issues.

Category	Issues identified
Composition of the Board	<ul style="list-style-type: none"> Diversity of the Board member (internationality) Segregation of function between execution and supervision
Operation of the Board	<ul style="list-style-type: none"> Activating discussions and providing time for free discussion
Discussions at the Board meetings	<ul style="list-style-type: none"> Reviewing matters to be submitted (criteria for approval, amount, etc.)

Responses to FY2021 assessment results

● Composition of the Board (segregation of function between execution and supervision)

We will review the ratio of internal and external directors to establish a structure suitable to oversee Executive Officers and Directors effectively from an objective standpoint as required of the Board of Directors.

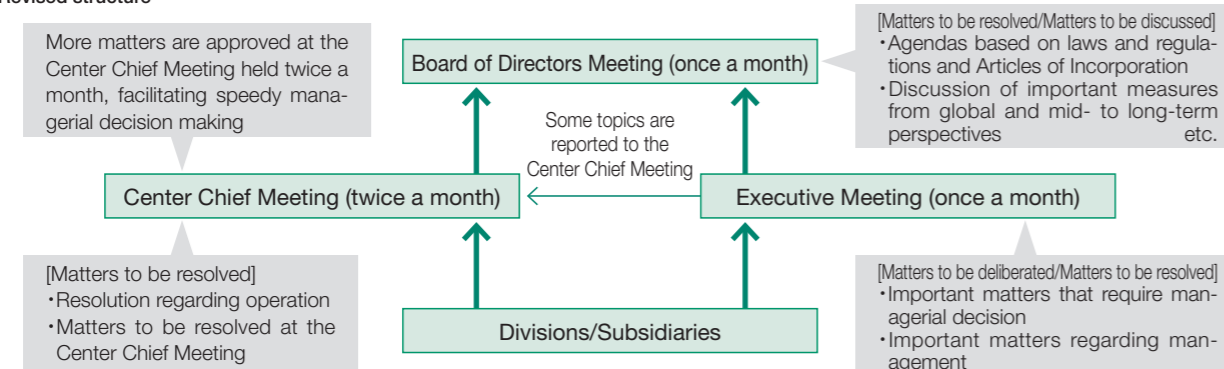
● Operation of the Board (activating discussions)

We will set time to discuss matters on the Company's directions and mid- to long-term strategies from a global perspective at the Board of Directors meeting.

● Discussions at the Board meetings (reviewing matters to be submitted)

To make good use of the discussion time mentioned above, we will review the criteria for matters to be submitted to the Board of Directors meeting by allowing matters relating to individual operation to be approved at the Center Chief Meeting thereby expediting managerial judgements to respond to a period of fast-changing external environment.

Revised structure



Strategic Shareholdings

Strategic Shareholdings

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

Basic policy regarding exercising voting rights

Regarding the exercise of voting rights, we respect the management policies and business strategies of our investee companies, and judge if the exercise will contribute to improve 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 FY2021

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 maintenance of relationship with local communities, in addition to quantitative aspects including dividend yield, funding costs, and weighted average cost of capital. As a result of such examination, a decision was made to sell some issues.

Dialogue with Shareholders and Investors

Basic approach

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

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

We manage IR activities with appointing a person in charge of IR in the General Affairs Division to work in collaboration with related departments including the Accounting and Finance Center and the Corporate Planning Division.

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

Holding the ordinary general meeting of shareholders

The general meeting of shareholders is a precious opportunity for constructive dialogue with our shareholders. We make efforts to allow more of our shareholders to attend the ordinary general meeting of shareholders. We have adopted online voting to facilitate the exercise of voting rights.

Communication with investors

Futaba holds briefings on its financial results for institutional investors and analysts twice a year, to report on our management policy, growth strategy and performance. We also hold tours of our facilities for institutional investors and analysts at their request.

Main IR activities in FY2021

Scope	Overview
Domestic institutional investors, securities analysts	Financial results briefing
	Individual interviews/ Telephone and online interviews
	Individual visits
Overseas institutional investors	Individual interviews/ Telephone and online interviews
Individual shareholders, individual investors	Issue and dispatch of notice of general meeting of shareholders

Directors and Audit & Supervisory Board Members (As of June 22, 2022)

Board of Directors, Nominating Committee, Compensation Committee, and Audit & Supervisory Board Number of meetings attended/Number of meetings held (year ended March 2022)

Directors



Director, President and Executive Officer Nominating Committee

Yoshihiro Uozumi (April 9, 1958)

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

Reasons for appointment

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

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



Director, Operating Officer

Takayuki Yoshida (May 21, 1958)

April 1981 Joined the Company
November 2008 Chief, Product Planning Office
July 2010 Officer, Product Planning Office
July 2011 Deputy Chief Officer, Engineering Center, and Officer, Product Planning Office
June 2012 Director
June 2013 Director, Managing Executive Officer
June 2016 Director, Senior Managing Executive Officer
January 2021 Director, Executive Officer (to the present)

Reasons for appointment

In addition to his experience mainly in the product planning division and the engineering division at the Company, Mr. Takayuki Yoshida has been involved in the management of the Company as Director since 2012.

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



Director, Operating Officer Nominating Committee

Fumio Ohashi (August 23, 1960)

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

Reasons for appointment

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

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

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



Outside Director Independent Officer Nominating Committee Compensation Committee

Masaki Horie (November 25, 1949)

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

Reasons for appointment

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

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

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

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



Outside Director Independent Officer Nominating Committee Compensation Committee

Masayoshi Ichikawa (January 10, 1953)

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

Reasons for appointment

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

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

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

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



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 Administrative Complaint Review Committee, Aichi Prefecture
June 2012 Member of Development Review Committee, Nagoya City
April 2016 Member of Administrative Complaint Review Committee, Aichi Prefecture
June 2016 Outside Director, Canox Corporation (to the present)
June 2019 Director, the Company (to the present)

Reasons for appointment

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

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

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

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



Outside Director

Yoshihisa Miyabe (August 9, 1967)

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

Reasons for appointment

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

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

Number of Audit & Supervisory Board meetings attended 10/10 (100%) ^{*10 ordinary meetings}

Audit & Supervisory Board Members



Audit & Supervisory Board Member

Kazunori Kato (November 3, 1961)

April 1985 Joined TOKAI RIKA 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 RIKA CO., LTD., Mr. Kazunori Kato has experience in human resources and audit divisions of the Company.

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

Number of Audit & Supervisory Board meetings attended 12/12 (100%) ^{*10 ordinary meetings and 2 extraordinary meetings}



Outside Audit & Supervisory Board Member Independent Officer

Hitoshi Suzuki (April 15, 1954)

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

Reasons for appointment

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

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

Number of Audit & Supervisory Board meetings attended 14/14 (100%) ^{*12 ordinary meetings and 2 extraordinary meetings}



Outside Audit & Supervisory Board Member Independent Officer

Ryusuke Itakura (November 17, 1955)

April 1979 Joined The Mitsui Bank, Ltd.
June 2000 Branch Manager, Ozumi Branch, The Sakura Bank, Ltd.
April 2001 General Manager, Nerima Block, Sumitomo Mitsui Banking Corporation
April 2006 Executive Officer
June 2009 Representative Director and President, SMCB Guarantee Co., Ltd.
June 2013 Representative Director and President, Muromachi Building Service Co., Ltd.
May 2019 Director, TANIOKA GAKUEN Educational Foundation (to the present)
June 2019 Audit & Supervisory Board Member, the Company (to the present)

Reasons for appointment

Mr. Ryusuke Itakura has expertise in finance and experience as corporate manager acquired from many years of service at Sumitomo Mitsui Banking Corporation.

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

Number of Audit & Supervisory Board meetings attended 14/14 (100%) ^{*12 ordinary meetings and 2 extraordinary meetings}



Outside Audit & Supervisory Board Member Independent Officer

Shigeo Hayashi (August 21, 1957)

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

Comments from Outside Directors and Outside Audit & Supervisory Board Members

Our Outside Directors and Outside Audit & Supervisory Board Members provided us with comments regarding the Company's governance, its medium- to long-term value creation, and other matters.

Comments from Outside Directors

Outside Director

Masaki Horie



Last fiscal year, we worked to strengthen the governance system in the manner required by companies listed on the Prime Market. Regarding issues going forward, Outside Directors now constitute a majority on the Board of Directors, and I think that even more communication is needed with internal Directors. Specifically, this means coordinating with new President Uozumi to further strengthen governance on a global basis.

Futaba is entering a major transition period. The company will be conducting sales activities centered on body parts, and the key will be the timing of market launches for new products currently being considered. The company is acquiring a structure by which all executives and employees will work collectively to get through this major period of change. I intend to be involved in creating a structure that enables steady profits to be generated by overseas subsidiaries with global operations as well.

I also chair the Nominating Committee, and for Executive Officers, I think further considerations are needed so that promotions and assignments are decided based on fair evaluations to allow them to more fully demonstrate their abilities.

Initiatives based on an awareness of the SDGs and ESG have become common, and addressing carbon neutrality and climate change is an urgent challenge. Futaba has launched a promotion team and is conducting activities down to the level of risk analysis and initiative items. Regarding the matters to be reported to the Board of Directors, there is a system for obtaining information as necessary and monitoring progress and other items, and this is producing positive results. I expect Futaba to actively develop new environment-conscious products, make disclosures based on the TCFD recommendations, and conduct other initiatives as it becomes a more global company.

Outside Director

Motoko Miyajima



As an Outside Director, I give advice from the standpoint of enhancing medium- to long-term corporate value and work to provide oversight to ensure sound company management.

I focus particularly on my own fields of expertise, which are law, intellectual property, compliance, and risk management.

I think Futaba's Officers and executives have a strong awareness of compliance, the atmosphere among Directors and Officers is open, allowing individuals to speak frankly, and the candid opinions of Outside Directors are taken seriously. In order to have a corporate culture in which this awareness and atmosphere extend to all employees, constant efforts are needed on the part of the management team.

With the current imperative to achieve the SDGs and carbon neutrality/decarbonization, the environment surrounding the auto industry is changing greatly. In responding to this change, Futaba, with its slogan of "environment, peace of mind, and quality of life," is leveraging its existing technologies and strengths to continue taking on challenges so that it can help solve issues as required by society. At the same time, an intellectual property strategy to capitalize on the results is increasing in importance.

In addition, in connection with promoting diversity, starting with women's active participation and advancement, I continue to provide advice on developing the workplace environment and changing mindsets. We are striving to have workplaces where a good work-life balance can be maintained regardless of the employee's gender.

I believe my mission is to oversee the management of Futaba as it boldly faces change, and to provide level-headed, patient support while it evolves as an organization by taking on new challenges to generate results. In the automotive parts company where I worked previously, I performed management roles such as running new businesses and serving as the officer in charge of the engineering division. Looking at Futaba from a technology standpoint, with automobiles diversifying, which includes BEVs, the company is taking the customer's perspective, placing value on medium-term technology development and cultivation of element technology in order to strengthen itself, and moving forward with developing products that are inspiring to customers. I feel that a culture of constantly thinking of technological capabilities and competitiveness is gaining ground and that such a mindset is steadily penetrating employees as well. Moreover, Futaba has begun activities for taking the initiative in proposing good quality, inexpensive products that satisfy customers, and I expect growth in its technologies and production technologies.

Taking measures for carbon neutrality is an urgent task, and Futaba has first set the goal of reducing CO₂ emissions by 50% or more by 2030. I think it will be important for the company to appropriately address climate change and faithfully achieve this goal. Since last year I have also served as the chair of the Compensation Committee, which is an advisory committee, and I sense that the fairness and appropriateness of executive compensation are being maintained. Monthly compensation and bonuses linked to company performance appropriate to the company's size are being paid as executive compensation.

I will keep striving to contribute to the Company's sustainable growth and corporate value creation over the medium term as it pursues further innovation on the path to becoming a global company. To that end, I will continue endeavoring to detect issues early by traveling to operating sites and listening to a wide range of feedback from those sites.

Outside Director

Masayoshi Ichikawa



I was appointed as Outside Director at the General Meeting of Shareholders in 2022. I think my strength is maximizing sustainable competitiveness and value added by improving organizational mechanisms and processes, the culture, and individual abilities through my existing knowledge and experience in production technologies and manufacturing for automobiles and a variety of automobile parts and through strategic development based on global sites.

The external environment is transforming greatly and at an unprecedented pace, and in response to these changes, CASE and mobility specifically, Futaba will help solve social issues through the strategic SDGs and 14 Priority Issues it is focused on and achieve its business goals. While precisely identifying the risks and opportunities involved, I believe it will be important to thoroughly strengthen the manufacturing base, deepen manufacturing rooted in technology and processing points, and carry out domain expansion. Futaba will further enhance the technologies it possesses and not only broaden the range of applied products but listen carefully to market needs with humility at all times and respond speedily. I think it is important to be level-headed when looking at one's own standing.

And, more than anything, the people who support these things are to be valued and also the realization of an organization and cultivation of a corporate culture in which people think and act themselves, in which each individual takes action with conscious intent. With this aspiration, and while anticipating changes in automobiles and manufacturing, I will conduct decision-making and supervision related to execution and contribute to enhancing corporate value.

New appointment

Outside Director

Yoshihisa Miyabe



Comments from Outside Directors and Outside Audit & Supervisory Board Members

Comments from Outside Audit & Supervisory Board Members

Outside Audit & Supervisory Board Member

Hitoshi Suzuki



As an Audit & Supervisory Board Member, I provide opinions on overall management, based on my specialized knowledge as an accountant, at meetings of the Board of Directors and other venues.

In the previous fiscal year, a survey was conducted to grasp the actual facts in light of the problem that management's message had not adequately penetrated below a certain level internally.

Futaba's risk management and control activities are conducted based on "three lines*," and the system is laudable. On the other hand, I feel there are issues in the level of internal controls at overseas subsidiaries and in communication between divisions, which includes ERP system operations not being up to speed and feedback not being provided when local sites voice concerns to the parent company, and I have made recommendations on these matters.

In its medium-term management targets, Futaba will make calculations based on sales net of customer-supplied parts. Exhaust system and fuel system parts effectively make up a little less than 25% of sales, and an operating profit ratio closer to actual value will be expressed, so this should help deepen the understanding of stakeholders. I think that to ensure the transparency and fairness of decision-making processes, it is important to incorporate a standpoint that looks at the company asking how it appears from the outside. I hope to be able to offer opinions from this sort of perspective.

As an Audit & Supervisory Board Member, and as a specialist in corporate accounting and auditing, I will work hard to further improve the corporate governance system.

* 3 Lines: Refer to page 57, "Approach to internal control."

New appointment

Outside Audit & Supervisory Board Member

Shigeo Hayashi



I have thus far mainly been involved in the manufacturing field. As a part of this, I have engaged in the development of innovative processing methods and facilities, reformed procurement functions and cost management, implemented the Toyota production system, and rolled it out globally. From these experiences, I think the following points are particularly important in manufacturing.

- (1) Having a system for promoting self-initiated actions by employees and building mechanisms that lead to individual growth and increased organizational strength.
- (2) In quality management, having mechanisms for tracking not only quality status but also amendments to the law and changes in customer requirements and quickly improving rules and standards.
- (3) Unifying evaluation items for manufacturing capability on a companywide basis, having those evaluations made objectively and digitally by a department outside the division involved, and making thereby the evolution of manufacturing capability clearly visible to the entire company.

In addition, through my experience as a director in my previous job, I was also deeply involved in corporate governance issues. A manufacturing brand that has been built up over many, many years loses credibility if a legal or compliance problem occurs, even a small one, and the value of that brand instantly drops.

The root reason why employees will work hard at a company, I believe, is pride in the fact that their activities and existence are of benefit to society. Futaba has a long history in manufacturing and to ensure it loses neither credibility nor pride, as an independent Outside Audit & Supervisory Board Member, I will work for the company's further development while drawing on my past experience.

The Japan Audit & Supervisory Board Members Association has established "Audit & Supervisory Board Member" as the standard English translation for "kansayaku," the Japanese word meaning "auditing officer." Former President Yoshiki played a role in the English translation as well, but I think the translation comes from the fact that although the U.S. and other countries have auditing systems, the equivalent of Japan's auditing officer does not exist. In the field of corporate governance, overseas, the position is mainly written with the transliteration, "kansayaku." Japan's system of auditing officers is quite rare globally.

Having been appointed to this rare position, there are things I always strive to do. First of all, with the social environment and the conventional wisdom changing at a dizzying pace, and, at the same time, a new conventional wisdom emerging, I always try to look at how such developments impact the company and employees and whether the direction the company is to head in the future is aligned with them.

I also value the viewpoint that looks at whether wellbeing is being improved, and this includes employees' work engagement.

In Japan, effective auditing is conducted in which three different parties, Audit & Supervisory Board Members, the Accounting Auditor, and internal auditors play complementary roles. This three-pronged system of auditing emphasizes communication among the three parties. In addition, discussions with the Audit & Supervisory Board Members of subsidiaries, with unions, and with frontline employees are also emphasized.

At the various meetings and in interviews with top management, etc., I work to provide appropriate management advice from a perspective that utilizes my extensive experience serving as a senior executive and not only on the legality of business execution.

I firmly believe that deepening our awareness as "kansayaku" will in turn also lead to Futaba's sustainable growth and raising its corporate value, and I will continue working on this basis.

Outside Audit & Supervisory Board Member

Ryusuke Itakura



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 will conduct corporate

Promotion system

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

Specific initiatives

Establishing compliance system

We specified a responsible department for each of the 137 laws and regulations applied to or relating to our business in Japan. The responsible departments selected 86 influential laws and regulations, to which they formulated and implemented compliance management plan. In addition, we began the operation of a system to receive information on related laws and regulations directly from an external information provider. We have also begun to create compliance system at the overseas sites 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. A self-assessment on compliance is carried out regularly, and feedback is given to encourage voluntary improvement activities.

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.

Establishment of helplines

The Company has established the Futaba Helpline to allow anonymous reporting and consultations, in order to detect and resolve internal issues early. For the head office and domestic subsidiaries, an external helpline is set up at a law firm outside the Company in addition to the internal helpline for the wide range of usage including family members, retirees, and employees of major trading partners. Systems similar to domestic one are prepared in overseas subsidiaries. The helplines target violations of laws and internal rules which may significantly affect the Company, and reports and consultations are fact-checked in collaboration with dedicated departments to speedily resolve problems. Internal reporting rules are managed in accordance with the Whistleblower Protection Act. The content of reporting is regularly reported to management executives and Audit & Supervisory Board Members. We regard the increase in the number of reporting and consultations as an increase in employees' awareness of the system. Reported details are analyzed to implement preventative measures in cooperation with dedicated departments. We will continue to enhance the effectiveness of the system through improving awareness, system, etc.

activities with high ethical standards and fulfill our social responsibilities with full awareness of our corporate social responsibilities and public mission. We will 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.

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

Initiatives for proper tax payment

We strive to file a proper tax return, strictly complying with laws and regulations regarding taxation. We will 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 tax base erosion and income transfer.

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

Anti-corruption and anti-bribery initiatives

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

Number of reporting and consultations

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

Note: Helpline in North America started in FY2021.

Risk Management

Basic approach

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

Promotion system

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

Business Continuity Plan (BCP)

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

Regarding business continuity in emergency situation such as major earthquake, we make it our basic policy to aim for minimizing material or personnel damage, supporting the restoration of local communities, and resuming our business activities swiftly. We continuously hold evacuation drills and implement systematic renovation of plant buildings for earthquake-resistant structures.

Since FY2020, our business continuity management activity is expanded to include the entire Futaba group. We strive to upgrade the overall countermeasures, with domestic subsidiaries also participating to the global BCP Countermeasures meeting. Every year, we also implement Company-wide disaster preparedness drills and simulation drills, assuming the occurrence

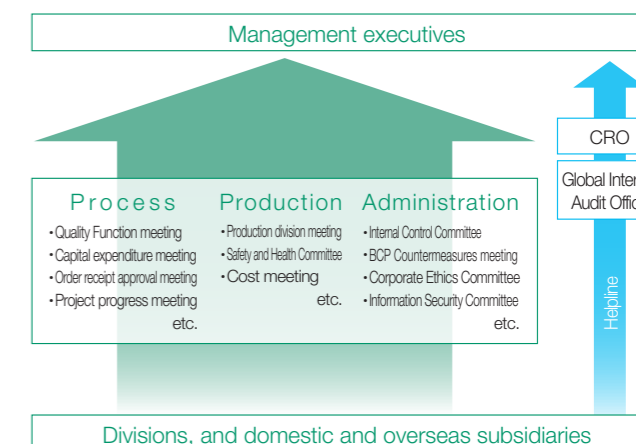
Information security

Today, we are faced with the threat of computer viruses and cybercrime that may lead to information leakage and data loss. Against such backdrop, we believe it is a social responsibility of a company to safeguard information asset by, under basic policy for information security, thoroughly managing all types of information including client information, the company's confidential information, and personal information. We recognize information security risk as important issue and comply with laws and regulations, maintain operating foundation, ensure security level and cyber security, and practice information security management.

Content of initiatives

- Introduce Security Operations Center (SOC) employed by Toyota Group
- Hold an exercise for targeted e-mail attack
- Hold cyber security education through e-learning
- Promote IT-related business continuity management with protective measures against ransomware
- Strengthen the response to incidents by CSIRT^{*1} organization

Risk management framework



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

of major earthquakes. We will continue to strengthen our capabilities for emergency situations through the drills, etc.

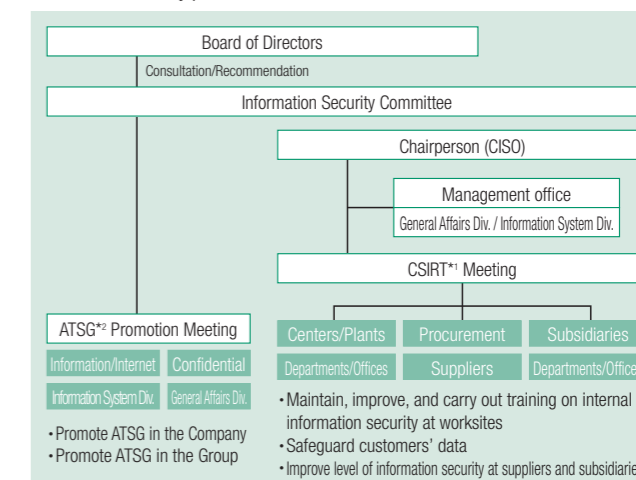


Fire-extinguishing drill



Disaster control headquarters - simulation drill

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.

Financial Summary (Consolidated)

	(FY)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
(Million yen)												
Operating results												
Net sales		372,083	365,246	399,378	422,874	437,640	412,383	440,446	461,705	476,165	466,809	572,118
Operating profit (loss)		2,630	(360)	2,784	4,367	3,121	8,976	11,258	6,797	10,621	7,780	6,115
Ordinary profit (loss)		335	(2,163)	2,073	2,116	636	7,542	10,955	6,449	9,968	7,962	7,807
Profit (loss) before income taxes		(1,234)	(4,264)	7,020	2,116	533	5,619	6,380	6,158	10,340	7,942	6,255
Profit (loss) attributable to owners of parent		(4,747)	(5,067)	2,954	1,039	(1,195)	4,806	10,721	3,509	6,357	4,095	3,307
Capital expenditures		13,382	16,667	21,474	20,480	26,514	16,330	20,252	41,347	27,385	19,470	37,010
Depreciation		21,891	20,093	20,167	20,318	24,152	21,073	20,515	23,078	24,497	23,772	24,478
R&D expenses		2,214	2,162	2,586	2,940	3,079	3,235	3,367	3,494	3,443	3,285	4,296
Net assets		48,175	49,691	57,600	66,914	56,179	67,029	75,691	75,211	76,488	87,216	90,014
Total assets		221,579	225,314	237,019	255,311	233,303	242,311	253,362	249,061	253,517	290,194	309,487
Interest-bearing debt		87,072	96,164	91,286	95,088	90,728	84,671	81,380	84,946	82,353	87,723	98,147
(Yen)												
Per share information												
Earnings (loss) per share		(67.86)	(72.44)	42.24	14.86	(17.09)	65.76	119.82	39.22	71.03	45.73	36.94
Net assets per share		511.42	520.77	595.74	720.87	593.39	607.17	731.50	734.90	753.80	866.86	940.37
Dividends		0.00	0.00	3.00	3.00	3.00	3.00	10.00	10.00	10.00	10.00	10.00
Payout ratio (%)		—	—	7.1	20.2	—	4.6	8.3	25.5	14.1	21.9	27.1
(Million yen)												
Cash flow												
Cash flows from operating activities		17,932	14,861	23,266	25,780	22,751	26,178	24,960	25,410	34,020	22,792	35,468
Cash flows from investing activities		(14,787)	(18,987)	(13,235)	(31,451)	(20,333)	(20,902)	(27,081)	(30,961)	(26,443)	(24,672)	(35,547)
Cash flows from financing activities		(3,460)	3,682	(10,702)	1,017	(3,612)	3,262	(6,304)	1,489	(5,572)	1,750	(3,451)
Cash and cash equivalents at end of period		16,500	17,932	20,237	14,576	13,121	20,581	11,960	7,541	9,370	9,522	6,730
(%)												
Financial indicators												
Operating profit ratio		0.7	(0.1)	0.7	1.0	0.7	2.2	2.6	1.5	2.2	1.7	1.1
Equity ratio		16.1	16.2	17.6	19.8	17.8	22.4	25.8	26.4	26.6	26.8	27.2
Return on equity (ROE)		(12.9)	(14.0)	7.6	2.3	(2.6)	10.0	17.9	5.3	9.5	5.6	4.1
Return on assets (ROA)		(2.2)	(2.3)	1.3	0.4	(0.5)	2.0	4.3	1.4	2.5	1.5	1.1

Financial Review

Financial Position and Results of Operations

During the fiscal year under review, global economic conditions remained challenging due to the effects of the COVID-19 pandemic. Nonetheless, economies were recovering in North America, Europe, and Asia. The Chinese economy showed signs of recovery despite restraints on economic activities in some areas due to the resurgence of COVID-19 infections. The Japanese economy, while continuing to recover, still showed signs of weakness in certain industries, reflecting lingering challenges attributable to the COVID-19 pandemic. In addition, given uncertainties attributable to the situation in Ukraine and other factors, attention should be paid to rises in raw material prices, fluctuations in capital markets, and a downside risk in supply conditions, which are likely to affect both the global and Japanese economies.

In the automobile industry, the main source of sales for the Futaba Group, the number of new vehicle sold is declining year on year in Japan, North America, and Europe, mainly reflecting a shortage in the supply of parts due to the effects of the COVID-19 pandemic. The number of new vehicles sold is on the rise year on year in China and Asia.

Given such circumstances, the Group has formulated a medium-term management policy for FY2021 through FY2023, under which it aspires to become a strong and sustainable global company based on the following three pillars: strong measures to be a trusted and successful company, to be a true global company, and for a sustainable corporate foundation.

Net sales increased 22.6% from the previous fiscal year to 572.1 billion yen. Profits were pushed down by factors such as selling price changes, and operating profit decreased 21.4% to 6.1 billion yen, ordinary profit fell 1.9% to 7.8 billion yen, and profit attributable to owners of parent was down 19.2% to 3.3 billion yen.

Performance by geographic segment was as follows.

a. Japan

Net Sales increased 6.2% year on year to 248.3 billion yen, mainly due to the increase in the unit price of parts supplied by customers. Segment operating profit decreased 90.0% year on year to 0.1 billion yen largely due to the decrease in operating profit of businesses other than the automotive parts.

b. North America

Net Sales increased 29.2% year on year to 113.7 billion yen mainly due to the increase in the unit price of parts supplied by customers and the fluctuations in exchange rate. Segment operating loss was 0.6 billion yen (segment operating profit of 0.9 billion yen in the previous year) largely due to the increase in expenses in relation to the preparation of the production for the new vehicle model.

c. Europe

Net Sales increased 45.6% year on year to 49.5 billion yen mainly due to the increase in the unit price of parts supplied

by customers and the fluctuations in exchange rate. Segment operating profit decreased 26.4% year on year to 0.7 billion yen largely due to the decrease in operating profit of businesses other than the automotive parts.

d. China

Net Sales increased 23.8% year on year to 101.1 billion yen mainly due to the increase in production of automobiles at major customers. Segment operating profit increased 35.2% year on year to 4.6 billion yen largely due to increase in net sales.

e. Asia

Net Sales increased 51.3% year on year to 73.6 billion yen mainly due to the increase in the unit price of parts supplied by customers and the fluctuations in exchange rate. Segment operating profit remained almost flat at 0.8 billion yen, a year on year decrease of 1.8%.

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

Financial position was as follows.

Total assets increased 19.2 billion yen as of March 31, 2022 from the end of the previous fiscal year to 309.4 billion yen, mainly due to an increase in property, plant and equipment. Total liabilities amounted to 219.4 billion yen, a 16.4 billion yen increase from the end of the previous fiscal year, mainly due to an increase in borrowings. Net assets increased 2.7 billion yen from the end of the previous fiscal year to 90.0 billion yen due mainly to an increase in foreign currency translation adjustment.

Cash flows

Cash and cash equivalents of the Futaba Group decreased 2.7 billion yen from the end of the previous fiscal year to 6.7 billion yen. The major components of cash flows were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities increased 12.6 billion yen (55.6%) to 35.4 billion yen. This was largely due to an increase in trade payables.

(Cash flows from investing activities)

Net cash used in investing activities increased 10.8 billion yen (44.1%) to 35.5 billion yen. This was mainly due to an increase in purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was 3.4 billion yen compared with a positive cash flow of 1.7 billion yen in the previous fiscal year. This primarily reflects purchase of investments in capital of subsidiaries and associates not resulting in change in scope of consolidation.

Consolidated Financial Statements

Consolidated balance sheet

	(Million yen)		(Million yen)	
	As of March 31, 2021	As of March 31, 2022	As of March 31, 2021	As of March 31, 2022
Assets				
Current assets				
Cash and deposits	9,527	6,734		
Notes and accounts receivable - trade	88,648	89,219		
Finished goods	4,387	6,166		
Work in process	18,011	16,231		
Raw materials and supplies	6,493	7,653		
Other	8,101	9,360		
Allowance for doubtful accounts	(20)	—		
Total current assets	135,150	135,367		
Non-current assets				
Property, plant and equipment				
Buildings and structures	75,874	82,922		
Accumulated depreciation	(45,384)	(49,343)		
Buildings and structures, net	30,490	33,578		
Machinery, equipment and vehicles	225,841	250,083		
Accumulated depreciation	(176,542)	(189,638)		
Machinery, equipment and vehicles, net	49,299	60,445		
Tools, furniture and fixtures	75,401	86,500		
Accumulated depreciation	(66,105)	(74,459)		
Tools, furniture and fixtures, net	9,296	12,040		
Land	14,425	14,537		
Leased assets	18,798	17,850		
Accumulated depreciation	(16,816)	(16,493)		
Leased assets, net	1,982	1,357		
Construction in progress	23,270	21,457		
Total property, plant and equipment	128,765	143,416		
Intangible assets				
Software	857	1,570		
Other	24	22		
Total intangible assets	882	1,592		
Investments and other assets				
Investment securities	15,316	17,387		
Long-term loans receivable	786	789		
Retirement benefit asset	8,517	10,068		
Deferred tax assets	907	1,127		
Other	1,059	955		
Allowance for doubtful accounts	(1,189)	(1,217)		
Total investments and other assets	25,396	29,111		
Total non-current assets	155,044	174,120		
Total assets	290,194	309,487		
Liabilities				
Current liabilities				
Notes and accounts payable - trade	67,544	73,832		
Electronically recorded obligations - operating	4,064	4,150		
Short-term borrowings	13,637	16,335		
Current portion of long-term borrowings	14,411	25,920		
Income taxes payable	1,117	773		
Accrued consumption taxes	2,565	1,831		
Provision for bonuses for directors (and other officers)	39	33		
Accrued expenses	11,368	11,904		
Other	11,485	10,284		
Total current liabilities	126,235	145,067		
Non-current liabilities				
Bonds payable	12,000	12,000		
Long-term borrowings	46,087	43,022		
Deferred tax liabilities	7,818	9,246		
Provision for product warranties	218	225		
Retirement benefit liability	9,078	8,645		
Other	1,539	1,267		
Total non-current liabilities	76,742	74,406		
Total liabilities	202,978	219,473		
Net assets				
Shareholders' equity				
Share capital	16,820	16,820		
Capital surplus	13,334	9,183		
Retained earnings	36,549	38,961		
Treasury shares	(19)	(14)		
Total shareholders' equity	66,684	64,950		
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	6,771	7,982		
Foreign currency translation adjustment	1,587	7,300		
Remeasurements of defined benefit plans	2,597	3,986		
Total accumulated other comprehensive income	10,956	19,269		
Non-controlling interests	9,574	5,794		
Total net assets	87,216	90,014		
Total liabilities and net assets	290,194	309,487		

Consolidated Financial Statements

Consolidated statement of income

(Million yen)

	Fiscal year ended March 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)	Fiscal year ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)
Net sales	466,809	572,118
Cost of sales	437,442	543,009
Gross profit	29,367	29,108
Selling, general and administrative expenses	21,587	22,993
Operating profit	7,780	6,115
Non-operating income		
Interest income	57	91
Dividend income	286	312
Gain on sale of scraps	262	566
Share of profit of entities accounted for using equity method	—	709
Foreign exchange gains	406	736
Miscellaneous income	841	983
Total non-operating income	1,854	3,400
Non-operating expenses		
Interest expenses	812	830
Loss on abandonment of non-current assets	356	678
Share of loss of entities accounted for using equity method	255	—
Miscellaneous losses	248	198
Total non-operating expenses	1,672	1,707
Ordinary profit	7,962	7,807
Extraordinary income		
Gain on liquidation of subsidiaries and associates	—	11
Gain on sale of investment securities	—	99
Total extraordinary income	—	110
Extraordinary losses		
Impairment losses	20	532
Investments in capital of subsidiaries and associates	—	1,122
Loss on valuation of investment securities	—	7
Total extraordinary losses	20	1,662
Profit before income taxes	7,942	6,255
Income taxes - current	1,907	1,839
Income taxes - deferred	993	198
Total income taxes	2,901	2,037
Profit	5,040	4,218
Profit attributable to non-controlling interests	945	910
Profit attributable to owners of parent	4,095	3,307

Consolidated statement of comprehensive income

(Million yen)

	Fiscal year ended March 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)	Fiscal year ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)
Profit	5,040	4,218
Other comprehensive income		
Valuation difference on available-for-sale securities	2,329	1,209
Foreign currency translation adjustment	2,493	6,183
Remeasurements of defined benefit plans, net of tax	2,215	1,388
Share of other comprehensive income of entities accounted for using equity method	67	441
Total other comprehensive income	7,106	9,223
Comprehensive income	12,147	13,441
Comprehensive income attributable to		
Owners of parent	11,028	11,620
Non-controlling interests	1,118	1,821

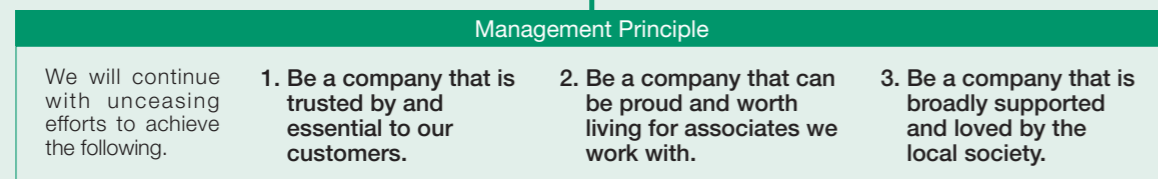
Consolidated statement of cash flows

(Million yen)

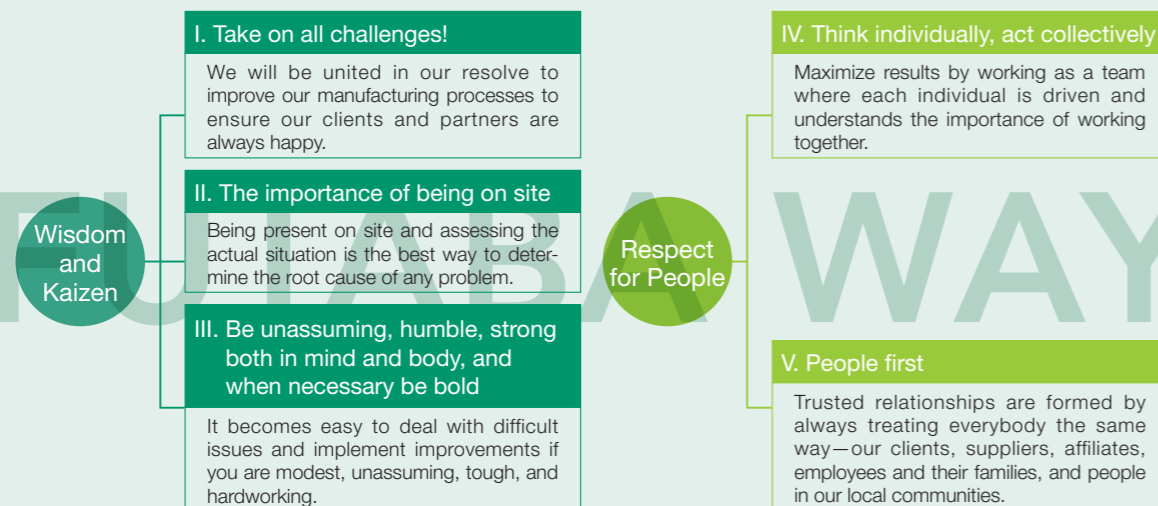
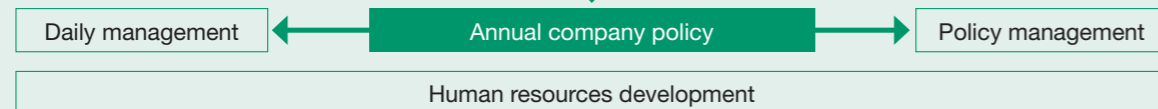
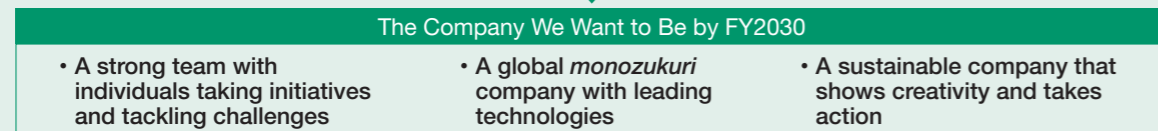
	Fiscal year ended March 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)	Fiscal year ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)
Cash flows from operating activities		
Profit before income taxes	7,942	6,255
Depreciation	23,772	24,478
Impairment losses	20	532
Increase (decrease) in allowance for doubtful accounts	19	6
Increase (decrease) in provision for bonuses for directors (and other officers)	—	(6)
Increase (decrease) in provision for product warranties	27	7
Interest and dividend income	(344)	(403)
Interest expenses	812	830
Loss on abandonment of property, plant and equipment	352	677
Share of loss (profit) of entities accounted for using equity method	255	(709)
Loss (gain) on sales of investments in capital of subsidiaries and associates	—	1,122
Decrease (increase) in trade receivables	(17,663)	3,579
Decrease (increase) in inventories	(4,891)	(319)
Increase (decrease) in trade payables	13,903	3,481
Increase (decrease) in accrued consumption taxes	355	(895)
Other	604	(613)
Subtotal	25,164	38,023
Interest and dividends received	424	1,272
Interest paid	(818)	(820)
Income taxes refund (paid)	(2,198)	(3,007)
Subsidies received	219	—
Net cash provided by (used in) operating activities	22,792	35,468
Cash flows from investing activities		
Payments into time deposits	(2)	—
Proceeds from withdrawal of time deposits	2	2
Purchase of property, plant and equipment	(24,654)	(34,622)
Proceeds from sale of property, plant and equipment	234	246
Proceeds from sale and redemption of investment securities	0	135
Payments for sales of investments in capital of subsidiaries and associates resulting in change in scope of consolidation	—	(231)
Other	(252)	(1,077)
Net cash provided by (used in) investing activities	(24,672)	(35,547)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,244	1,553
Proceeds from long-term borrowings	14,225	21,452
Repayments of long-term borrowings	(13,542)	(15,249)
Repayments of lease obligations	(565)	(458)
Dividends paid	(894)	(895)
Dividends paid to non-controlling interests	(828)	(429)
Proceeds from share issuance to non-controlling shareholders	111	—
Purchase of investments in capital of subsidiaries and associates not resulting in change in scope of consolidation	—	(9,393)
Other	(0)	(30)
Net cash provided by (used in) financing activities	1,750	(3,451)
Effect of exchange rate change on cash and cash equivalents	282	738
Net increase (decrease) in cash and cash equivalents	151	(2,791)
Cash and cash equivalents at beginning of period	9,370	9,522
Cash and cash equivalents at end of period	9,522	6,730

FUTABA WAY


Corporate Motto Quality Products at Lower Cost



Corporate Charter, Code of Conduct, Action Guidelines of Futaba



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.



Logo

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, 2022)

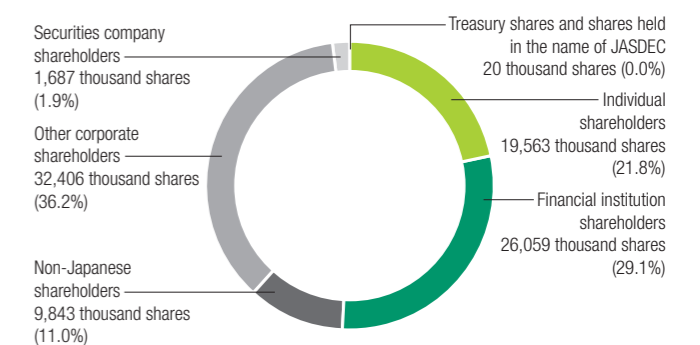
Company name	FUTABA INDUSTRIAL CO., LTD.
Founded	March 25, 1935
Established	November 1, 1945
Share capital	16,820.16 million yen
Head Office location	1 Ochaya, Hashime-cho, Okazaki-shi, Aichi Prefecture, Japan
Representative	Hiroyoshi Yoshiki*, President
Main business lines	Manufacture and sale of automotive parts, automotive manufacturing equipment, OA equipment, and agricultural equipment for greenhouse cultivation
Subsidiaries and affiliates	Domestic subsidiaries: 4 companies Domestic affiliates: 1 company Overseas subsidiaries: 17 companies Overseas affiliates: 2 companies
Number of employees	Consolidated: 10,706 Non-consolidated: 3,716
Net sales	Consolidated: 572.1 billion yen Non-consolidated: 246.3 billion yen

* Yoshihiro Uozumi, Representative Director, President and Executive Officer, became the Company's Representative in June 22, 2022.

Stock Overview (As of March 31, 2022)

Total number of authorized shares	200,000,000 shares
Total number of shares issued (including 20,177 treasury shares)	89,580,827 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	31.3
The Master Trust Bank of Japan, Ltd. (trust account)	8,885	9.9
Custody Bank of Japan, Ltd. (trust account)	4,082	4.5
Sumitomo Mitsui Banking Corporation	3,063	3.4
Futaba Suppliers Cooperative Shareholding Association	3,058	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
Futaba Employee Shareholding Association	1,330	1.4
MUFG Bank, Ltd.	1,290	1.4
Sumitomo Mitsui Trust Bank, Limited	1,162	1.2
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/ACCT BP2S DUBLIN CLIENTS-AIFM	1,146	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 Search



FUTABA INDUSTRIAL CO., LTD.

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