

TSE Prime Market
NSE Premier Market

Securities Code: 7241

Futaba Industrial Co., Ltd.

Medium-Term

Management

Plan

2025—2027



May 14, 2025



Agenda

Review of the Previous Medium-Term Management Plan (2022-2024)

New Medium-Term Management Plan (2025-2027)

(i) Current Perception of the Business Environment

(ii) FUTABA's Vision

(iii) Business Strategy

(iv) Financial and Capital Strategy

I. Review of the Previous Medium-Term Management Plan (2022-2024)

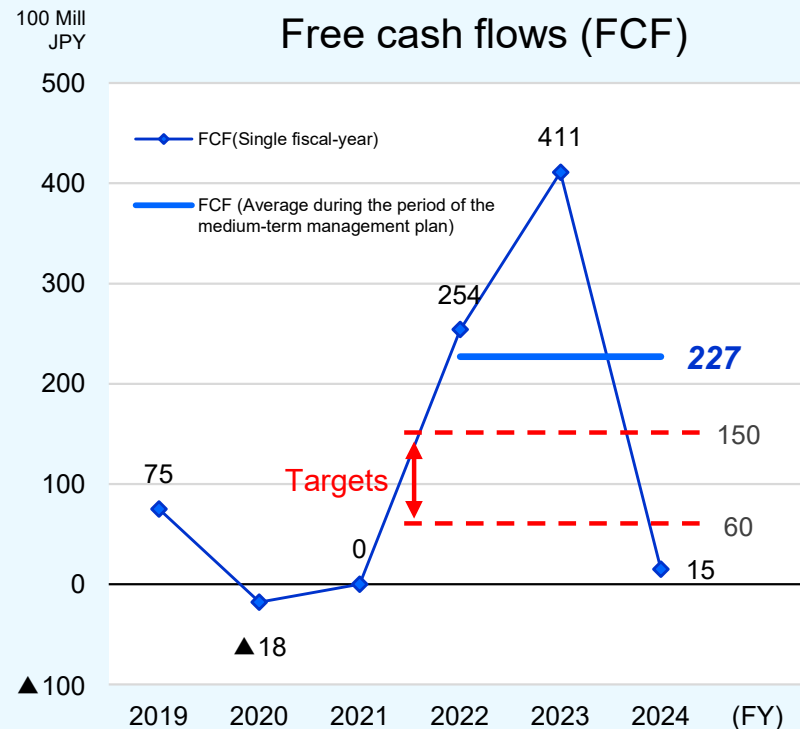
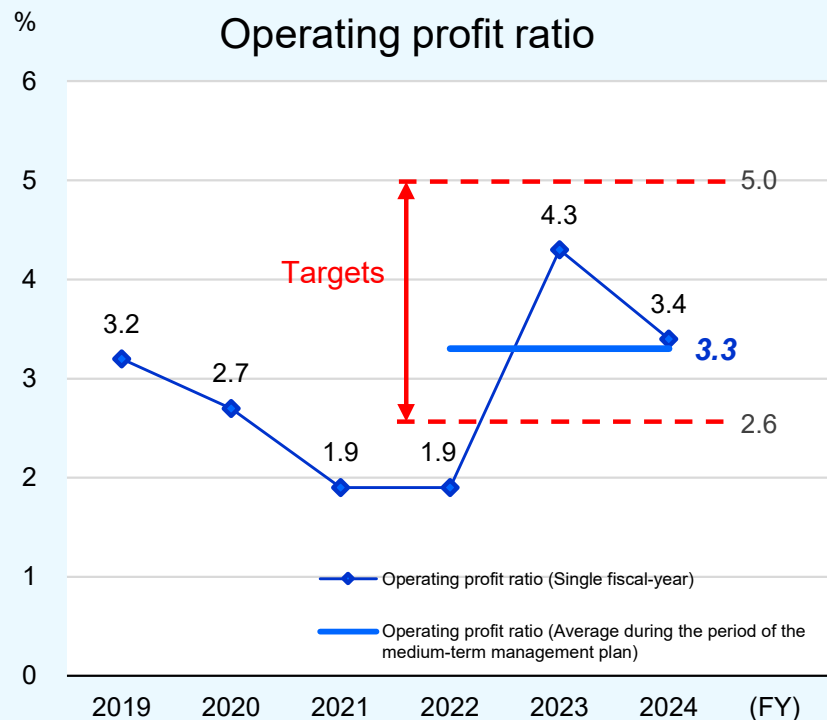
Review

Theme of the previous Medium-Term Management Plan

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

The targets for management indicators were met and this helped improve the financial situation.

Indicators	Operating profit ratio	Free cash flow
Targets	2.6 - 5.0%	6.0 billion - 15.0 billion yen / year
Results	3.3% (3-year average)	22.7 billion yen (3-year average)



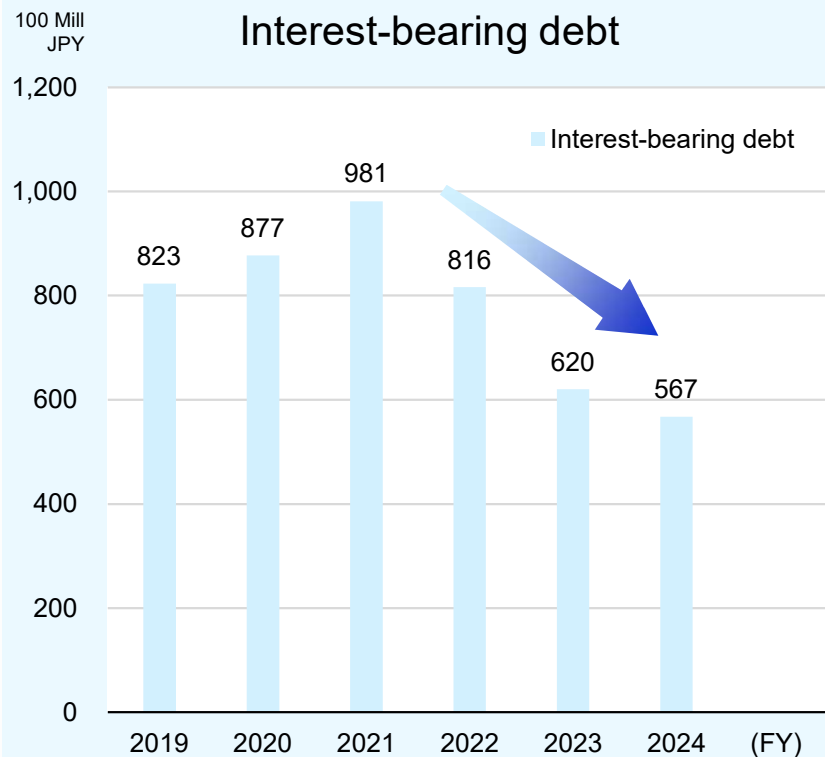
I. Review of the Previous Medium-Term Management Plan (2022-2024)

Review

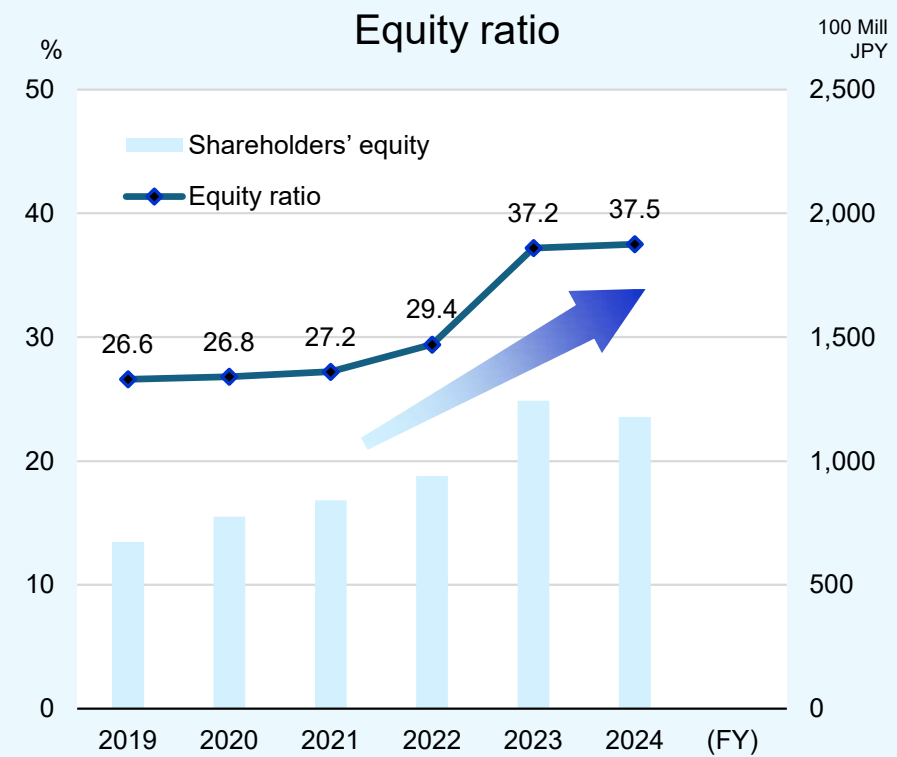
Theme of the previous Medium-Term Management Plan

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

Repayment of interest-bearing debt improved the financial situation.



The interest-bearing debt balance decreased at least 40.0 billion yen from the end of FY2021.



The equity ratio rose 10 percentage points from the end of FY2021.


I. Review of the Previous Medium-Term Management Plan (2022-2024)

Future issues

Item	Issue
Growth strategy	<ul style="list-style-type: none"> • Body parts business: Enhance development and capacity with a view to expanding sales • Exhaust system parts business: Develop new systems geared to needs for electrification • New businesses: Accelerate development to achieve an early launch • India business: Expand our presence in this growth market and strengthen the business foundations
Earnings capacity	<ul style="list-style-type: none"> • Strengthening of activities, targeting an operating profit ratio of 5%
Human resources	<ul style="list-style-type: none"> • Active roles of all employees and improvement in their job satisfaction
Carbon neutrality	<ul style="list-style-type: none"> • Global: CO₂ emissions ▲50% or more in FY2030 from the FY2019 level • Japan: Endeavors to achieve carbon neutrality in 2030
Financial and capital strategy	<ul style="list-style-type: none"> • Management conscious of the cost of capital and share prices with a view to a higher PBR

Agenda

 Review of the Previous Medium-Term Management Plan (2022-2024)

 **New Medium-Term Management Plan (2025-2027)**

(i) Current Perception of the Business Environment

(ii) FUTABA's Vision

(iii) Business Strategy

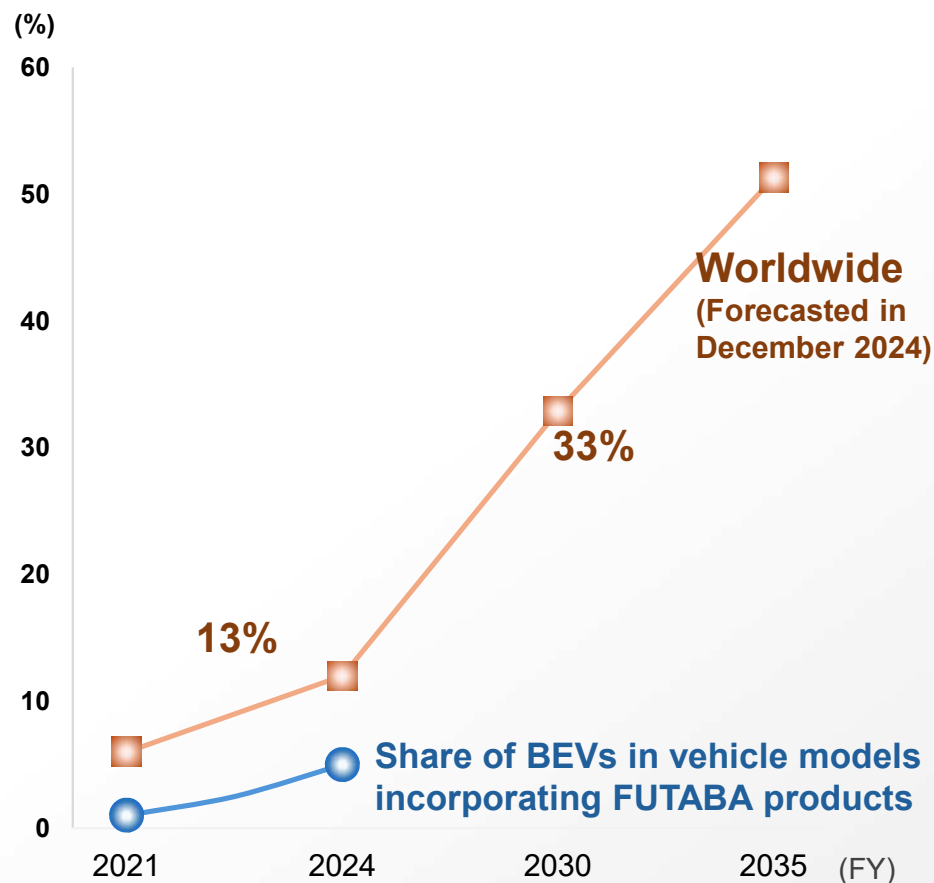
(iv) Financial and Capital Strategy

II. - (i) Current Perception of the Business Environment

Forecast share of BEVs in global new vehicle sales

* Excluding PHEVs

Impacts on net sales are forecast on the basis of recent external data.

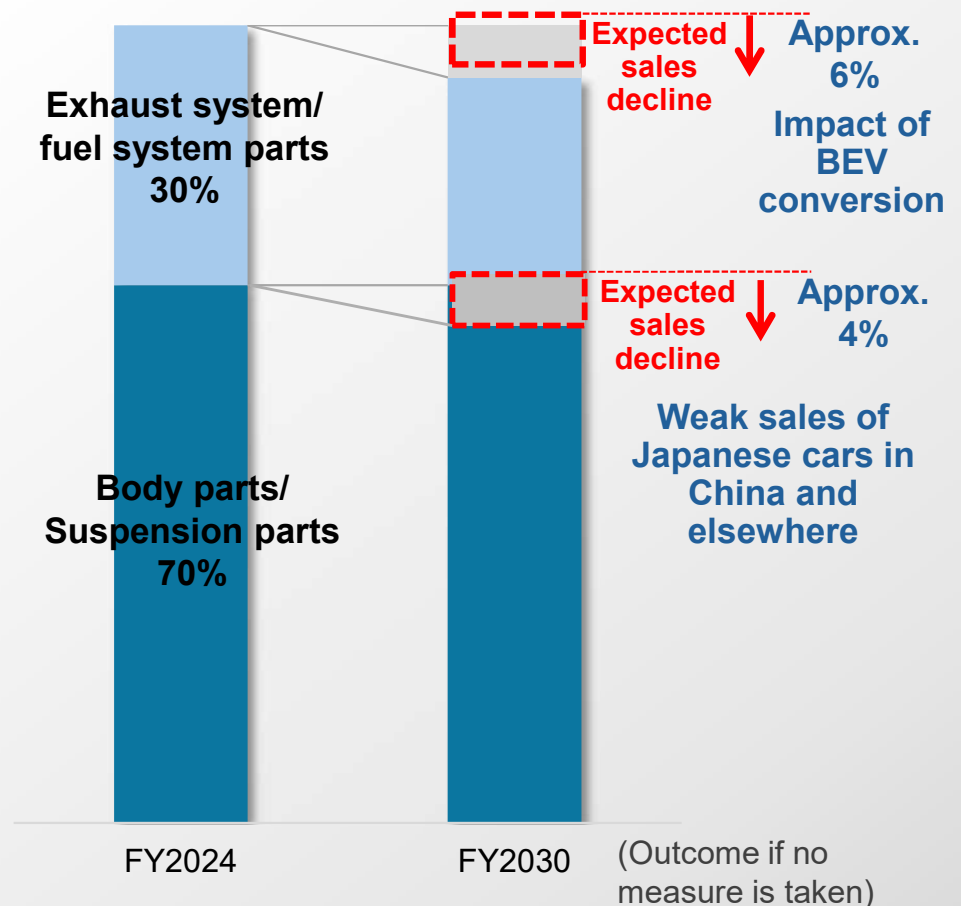


* Data are created by Futaba Industrial on the basis of data created by MarkLines (forecast as of December 2024).

Forecast of impact on Futaba consolidated sales

* Excluding automobile-related parts and supplied items

Popularization of BEVs and declines in China and elsewhere will have the impact of reducing net sales by around 10%.



II. - (ii) FUTABA's Vision

Position of Medium-Term Management Plan 2025-2027

Previous Medium-Term
Management Plan
2022 - 2024

**Improve financial
condition**

Medium-Term Management Plan
2025 - 2027

**Growth
investment**

2030 Objective

**Stable growth
on a global scale**

Initiatives	<ul style="list-style-type: none">• Improve the return on capital• Reduce interest-bearing debt• Increase equity ratio	<ul style="list-style-type: none">• Grow existing businesses• Launch new businesses• Strengthen the management base	<ul style="list-style-type: none">• Generate positive results from growth strategies for existing businesses• Establish a new profitable business
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II. - (iii) Business Strategy

Growth of existing businesses (products) / Launch of new businesses

<Three strategies for expanding sales>

- Body parts business: Enhance development and capacity with a view to expanding sales
- Exhaust system parts business: Develop new systems geared to needs for electrification
- New businesses: Accelerate development for early launch

Growth of existing businesses (Regional)

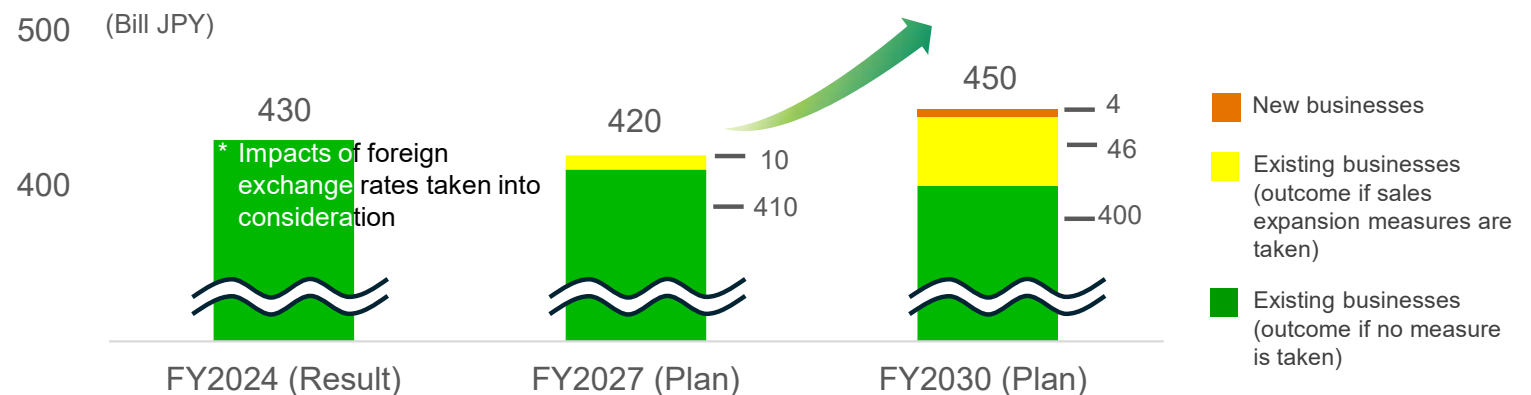
- India business: Expand our presence in this growth market and strengthen the business foundations

Strengthening the management base

- Improving earnings capacity
- Investment in human resources
- Carbon neutrality

Sales plan

* Excluding parts supplied by customers



II. - (iii) Business Strategy: Body Parts Business

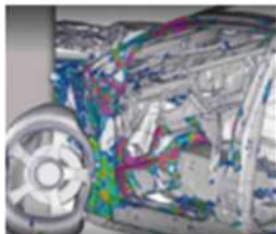
Vision

A team with capabilities in manufacturing and structural proposals to enable body design and analysis operations for automobile manufacturers

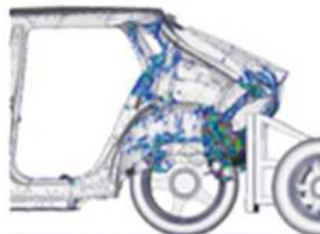
FUTABA's strengths

- Improvement in computer-aided engineering (CAE) technologies to perform stress analyses and to calculate optimal forms of molds
- Mold structures and bonding technologies applicable to cold ultra-high tensile strength materials
- Zone development
Make proposals at the planning/concept stage in vehicle development

Frontal crash



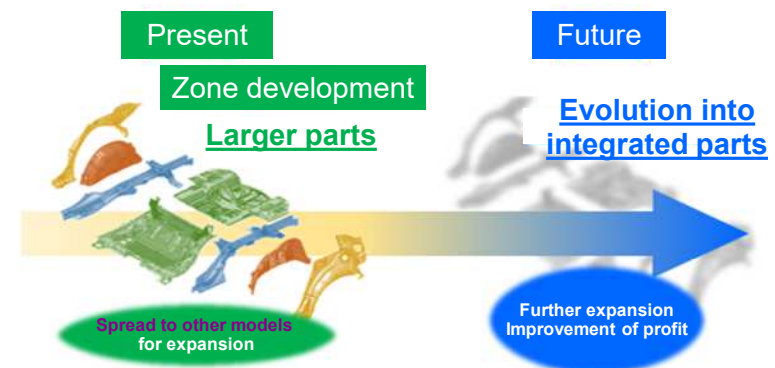
Rear-impact crash



Initiatives for the future

Develop lightweight, high-strength bodies that provide survival spaces in the event of a collision, offering safety and reassurance

- Increase models for which larger parts will be provided
- Carry out integration for boosting the added value of bonding (profit)
Reduce the number of parts (weight reduction)



II. - (iii) Business Strategy: Body Parts Business

TOPIC

Initiatives for larger and more integrated parts

Before



Components for small-scale assembly

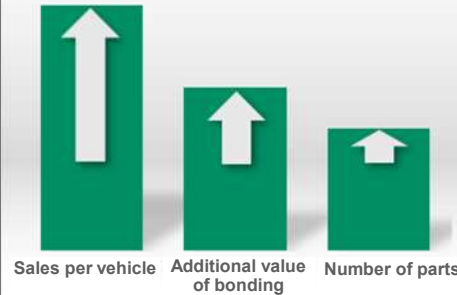


Present



Zone development for larger parts

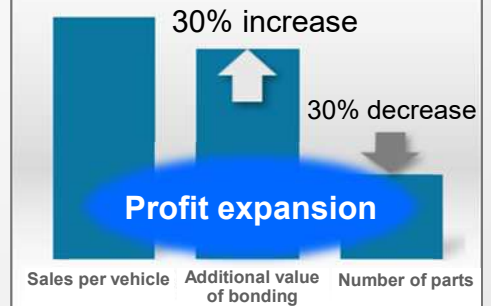
Components for medium-scale assembly



Future

Further expansion
Improvement of profit

Proposals of integrated structures



Spread to other models for expansion

bZ4X



2022

Crown Series



2023

Land Cruiser 250



2024

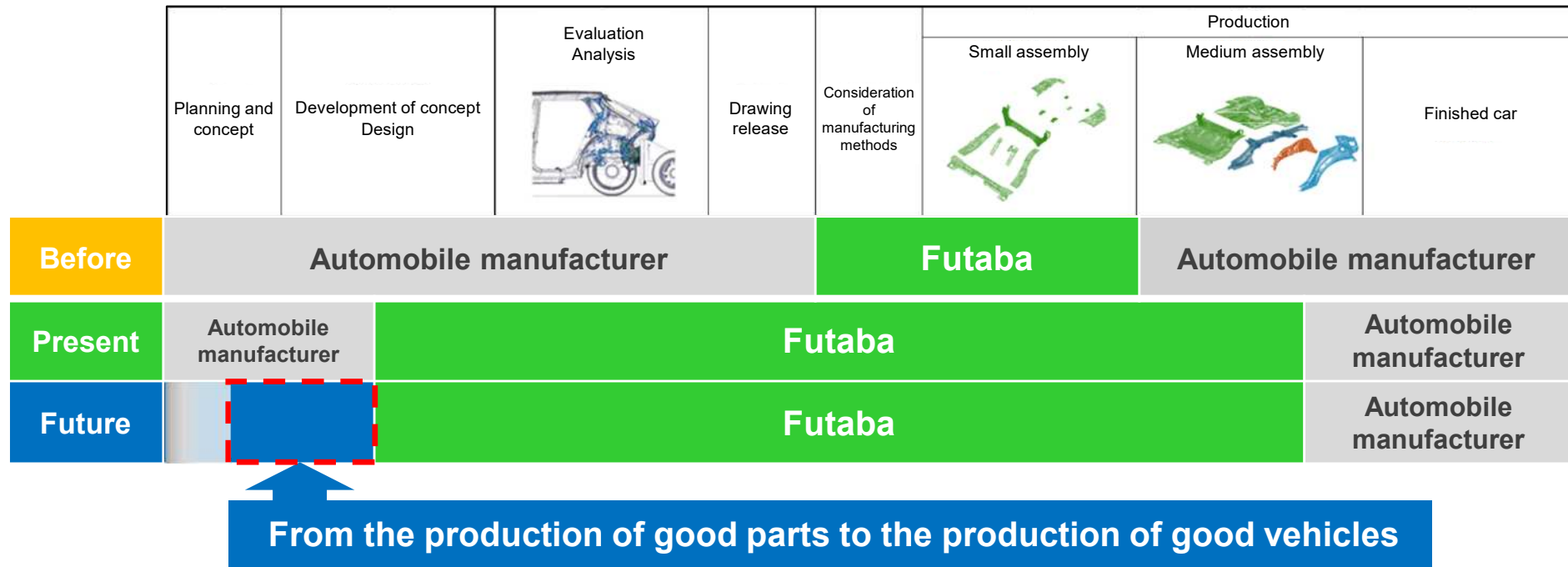
2025

Orange : Larger parts
Blue : Other ordered parts

II. - (iii) Business Strategy: Body Parts Business

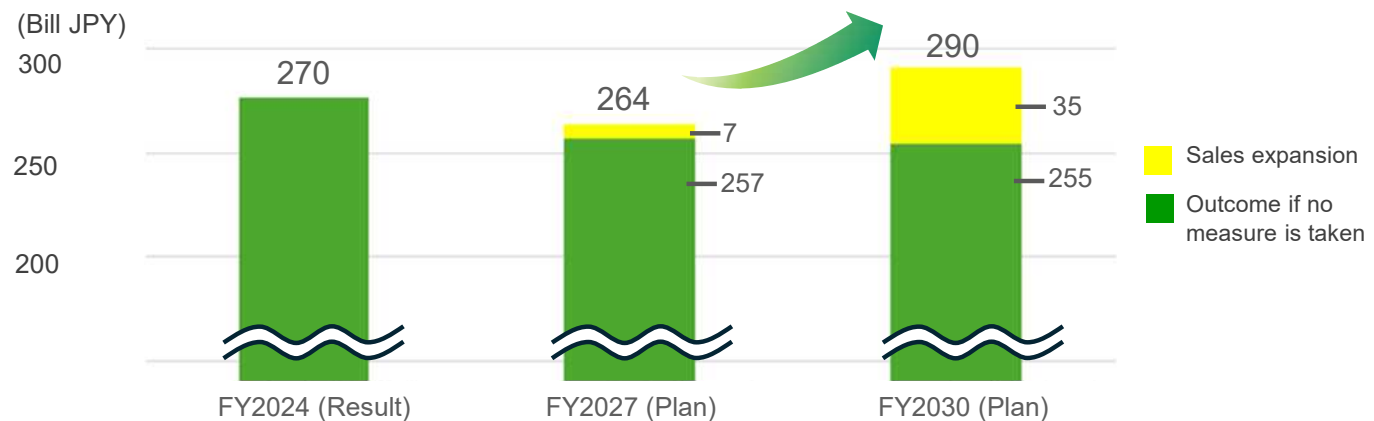
Roadmap

Participate in the vehicle planning and concept phase to collaboratively create designs with automobile manufacturers and to supply high value-added parts



Sales plan

* Excluding parts supplied by customers



II. - (iii) Business Strategy: Exhaust System Parts Business

Vision

Develop new exhaust systems suited to needs for electrification
(Develop full modular mufflers / Increase production efficiency)

FUTABA's strengths

- Holding of the largest market share in automotive mufflers in Japan
- A track record in integrated internal development and production encompassing all processes including design, evaluation, equipment and production
- Development capabilities based on advanced analytical technologies for developing optimal solutions from multiple domains, including noise, vibrations, strength and durability

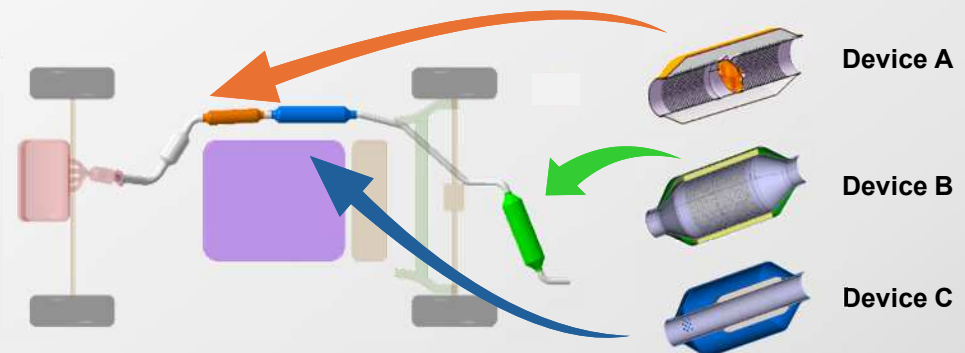
Initiatives for the future

Develop new exhaust systems that meet purification and silencing performance requirements to deliver an environmental and fulfilling life

- A combination of small and standardized mufflers for increasing efficiency in preparations for production
- Transition from the development of individual vehicles to the development of modules to shorten the lead time for development and preparation for production

What is a full modular muffler?

The silencing characteristics incorporated into the internal structure of a conventional muffler are divided. Separate muffler devices specializing in their respective characteristics are used in a combined manner. Thus, the muffler is made smaller in size and is applicable to plug-in hybrid electric vehicles (PHEVs), hybrid electric vehicles (HEVs) and other types of vehicles equipped with batteries. It is so versatile that it increases development and production efficiency.

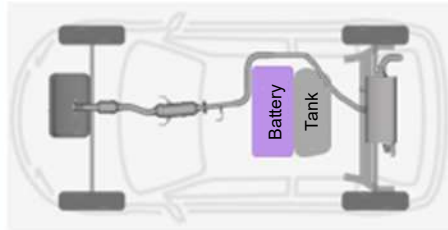


II. - (iii) Business Strategy: Exhaust System Parts Business

Roadmap

Evolve from modular devices into full modular mufflers

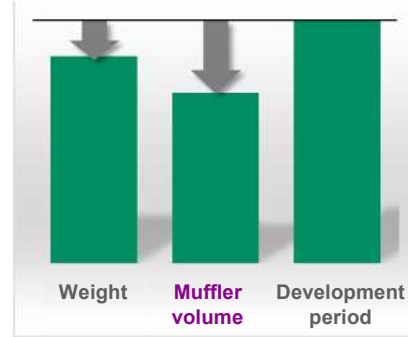
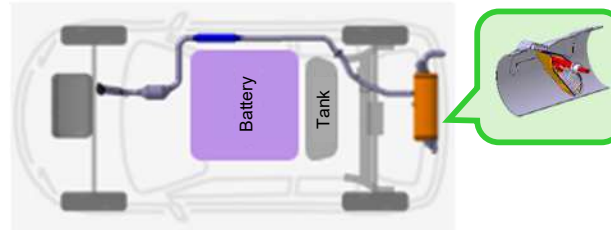
Before



Present

Addition of modular devices

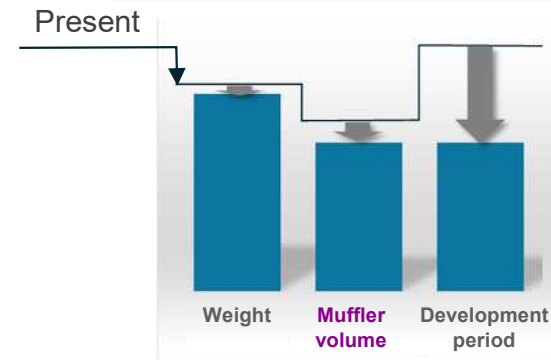
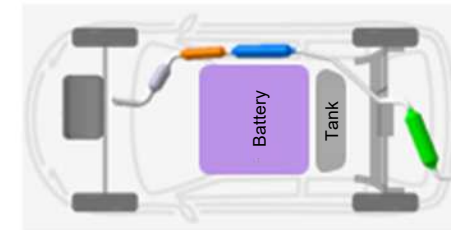
Sales promotion activities for PHEVs and HEVs



Future

Full modular mufflers

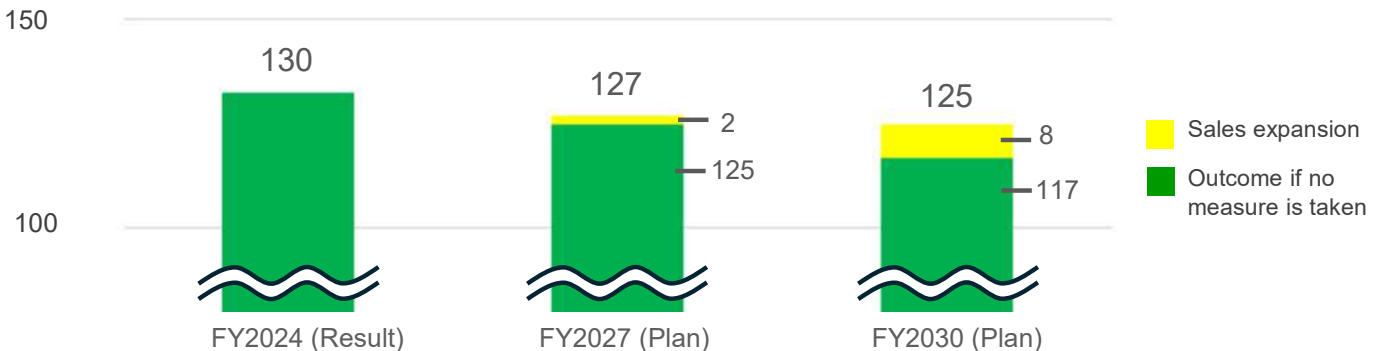
Combination of small and standardized mufflers



Sales plan

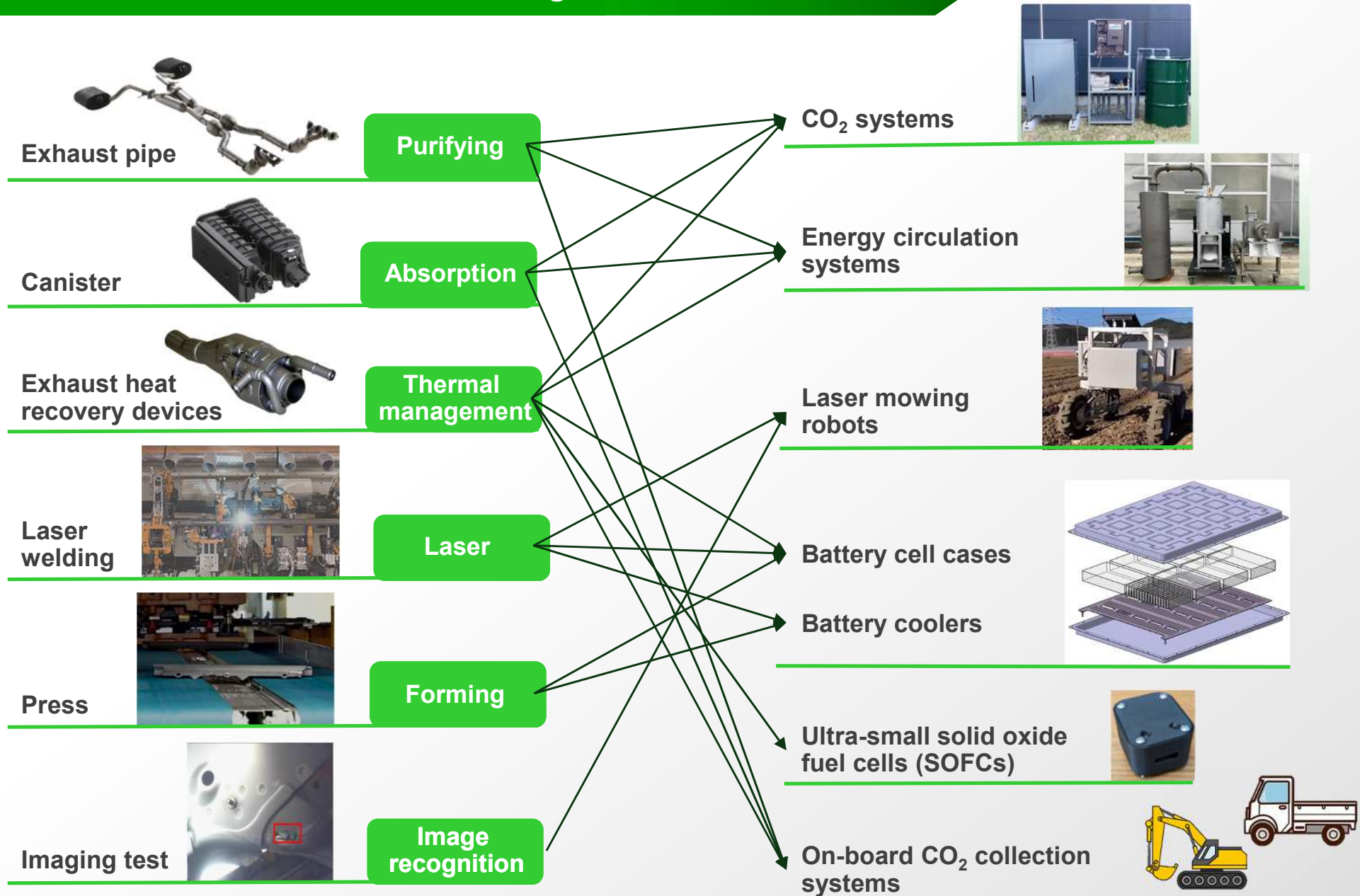
(Bill JPY)

* Excluding parts supplied by customers



II. - (iii) Business Strategy: New Businesses

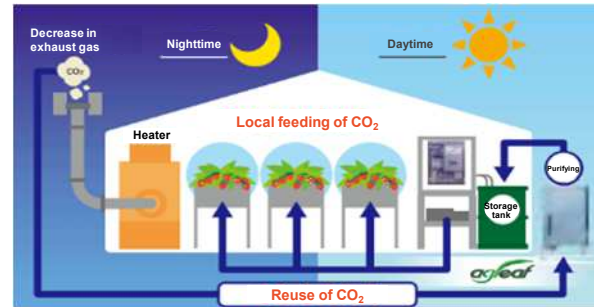
Correlations between core technologies and new businesses



II. - (iii) Business Strategy: New Businesses

Agricultural business (agleaf)

agleaf[®] CO₂ system

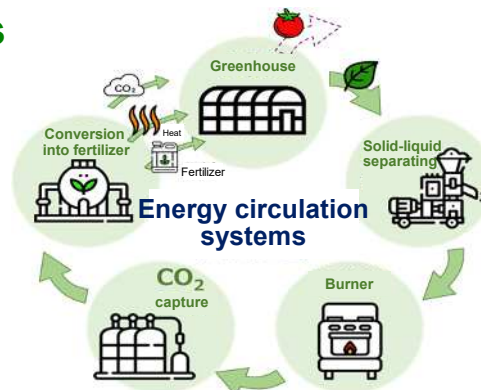


Commercially available

Continuous improvement

- Increase in CO₂ recovery efficiency
→ Feeding of CO₂ at high concentrations for a long time
Decrease in CO₂ emissions from heaters
- Diversification of fuels for heaters
→ Biomass fuels and others

Energy circulation systems



Under development

Accelerate development

- Establish technologies for drying residues, methods of using heat and technologies for producing fertilizers

Laser weeding robots



Under development

Accelerate development

- Increase AI image recognition accuracy
- Establish laser irradiation technologies

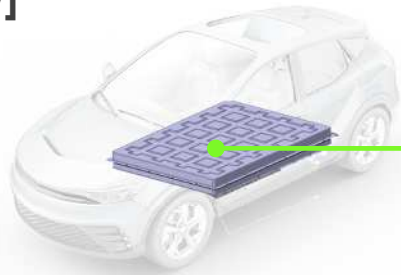
Carry out verification at a real farm
Accelerate efforts for the business launch

II. - (iii) Business Strategy: New Businesses

Battery products

Develop new products with the use of core technologies

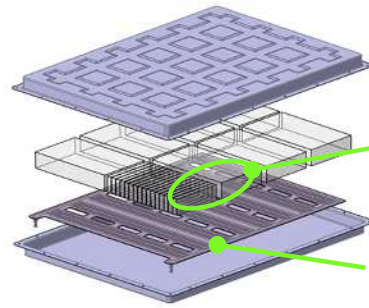
[Battery]



[Battery cell case]



[Battery cooling plate]



Other businesses

Advertise an environmental, reassuring and fulfilling life through new businesses to society

[Ultra-small solid oxide fuel cells (SOFCs)]

Ultra-small SOFCs powered by biofuels for long operating hours



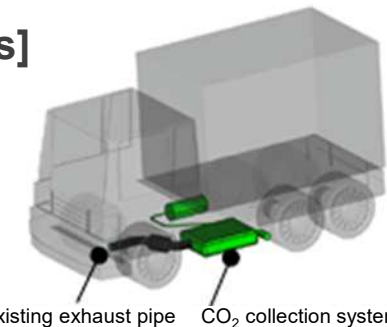
[Onboard CO₂ collection systems]

CO₂ collection from exhaust gas from construction machinery and trucks



+

CO₂
collection
device



Existing exhaust pipe CO₂ collection system

Accelerate
development

- Optimize the space for mounting the system and the amount of CO₂ collection
- Search for partners in use of CO₂

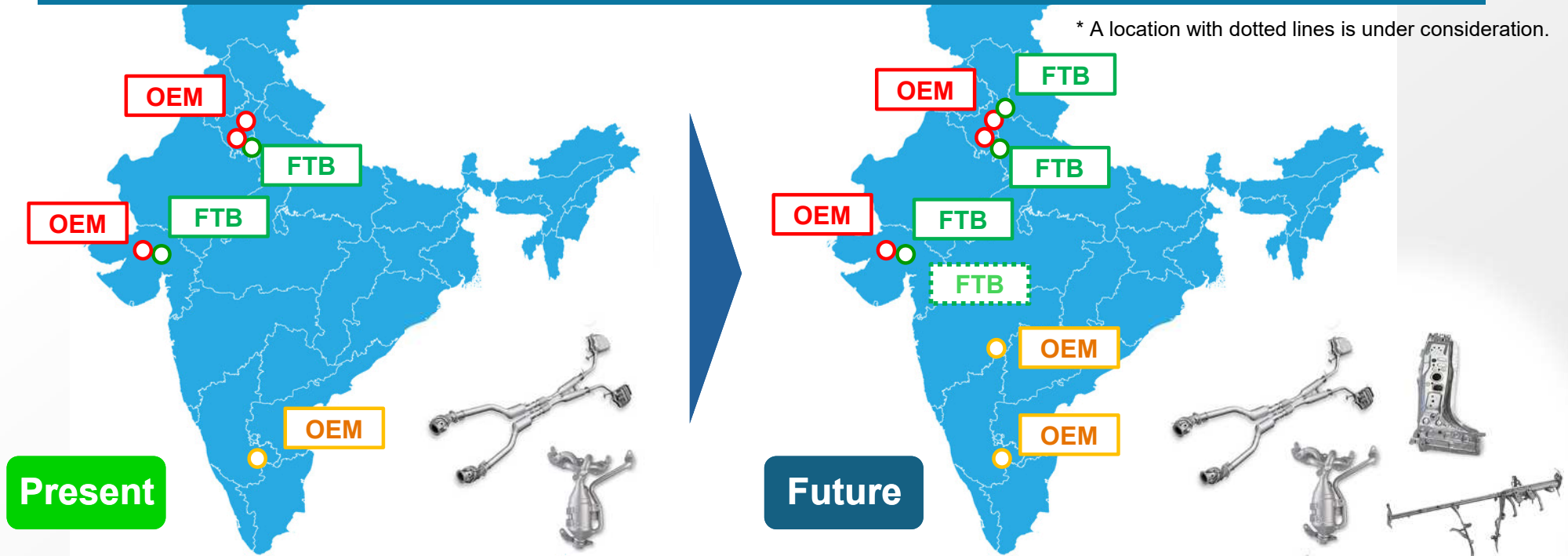
Sales plan

Sales target for all the new businesses: 4.0 billion yen per year (FY2030)

II. - (iii) Business Strategy: India Business

Vision

Expand business and achieve growth in line with growth of automobile manufacturers (OEM)



FUTABA's strengths

- Implement Japanese manufacturing (quality, productivity and *kaizen*) in India
- A wide range of large products produced as a steel and stainless steel processing manufacturer (bodies, instrumental panel reinforcements, exhaust pipes and exhaust manifolds)
- Talented local staff

II. - (iii) Business Strategy: India Business

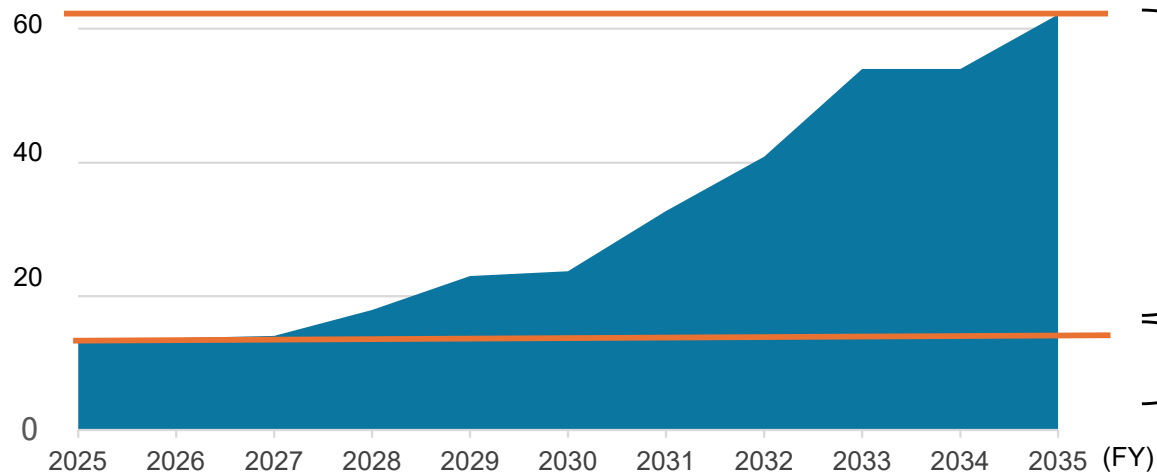
Initiatives for the future vision

- Capitalize on strengths to gain more orders
- Make efficient investments (collaboration with local suppliers and reduce the investment unit cost)
- Hire and train local personnel
- Turn the equipment business into a local business

Sales target

* Excluding parts supplied by customers

(Bill JPY)



Make optimal and efficient investments for growth

Additional investment:
30 billion yen

Total investment:
10 billion yen

II. - (iii) Business Strategy: Strengthen the Management Base

Vision

Building a strong management base to increase the operating profit ratio and return on equity (ROE)

Business strategies

Strategies that are strengthened

- Shorten the lead time / Reduce investments **TOPIC (i)**
- Improve quality: Anti-crack quality assurance (QA) / Quality assurance (QA) network **TOPIC (ii)**
- Smart factory **TOPIC (iii)**
(Labor saving, unmanned operation and environmentally friendly plants)

Strategies that are not changed = Flexibility in production capacity

- Variability of personnel and equipment capacity according to market trends
<e.g. personnel and plants>
 - UK and China (Guangzhou):
214 personnel reduced in 2024
 - China (Changsha and Tianjin):
Plants closed in 2023 and 2024
 - India: FMI's second plant to be launched in 2027
- <e.g. equipment>
 - Consolidation of operations: Ratio of two-shift operation: 38% in 2024 to 70% in 2027

Earnings capacity

Increase earnings (global expansion)

1) Improve shop-floor operations (with the use of digital technologies)

- Increase yield: Reduce consumption of materials, which is responsible for 60% of the cost

- Decrease defects
- Increase productivity: from 3% to 4%
Analyze data with the use of factory information technologies (artificial intelligence (AI) and software) to take measures
- Labor saving and shift to unmanned operation

2) Indirect streamlining

- Revise and abolish operations and standardize them (with the use of AI)

3) Products that are easier to produce

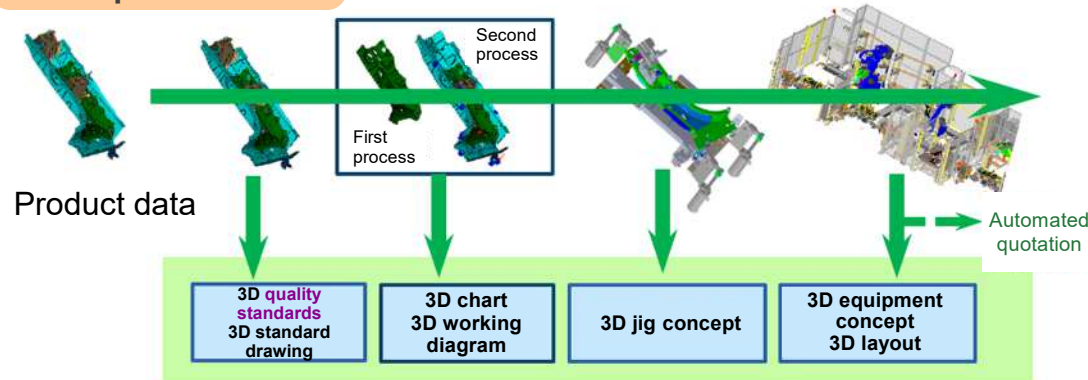
- Shorten processes
- Decrease defects

II. - (iii) Business Strategy: Strengthen the Management Base

TOPIC (i) Shorten the lead time / Reduce investments

Preparation for production **through** 3D processes

Improve consideration precision and achieve earlier implementation



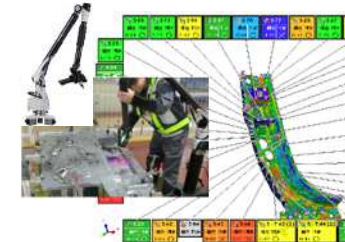
Formulation of master 3D standards
(jig standards reduced by ▲30%)

Creation of data library

Production preparation **management system**

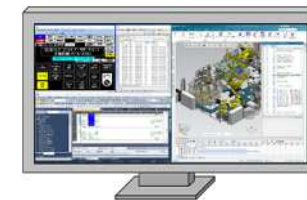


3D measurement



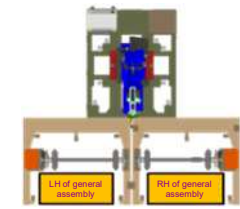
Streamlining of processes with inspection jigs

Electrical simulation



Simulation in a virtual space

Introduce a **catalog line**



Increase the ratio of two-shift operations

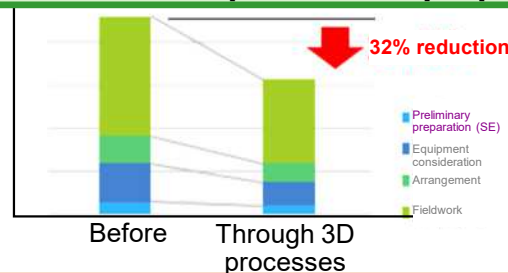
Automatic augmented reality (AR)



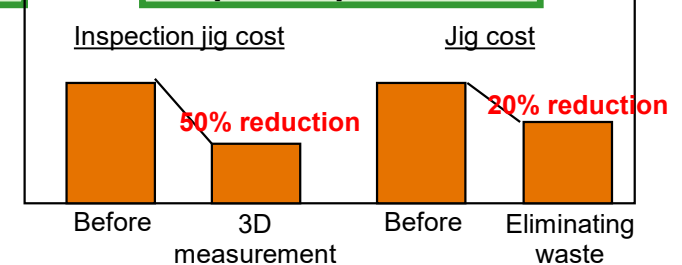
FY2027 target

A new digital process is in operation with a view to halving the lead time for production preparation.

Labor involved in production preparation



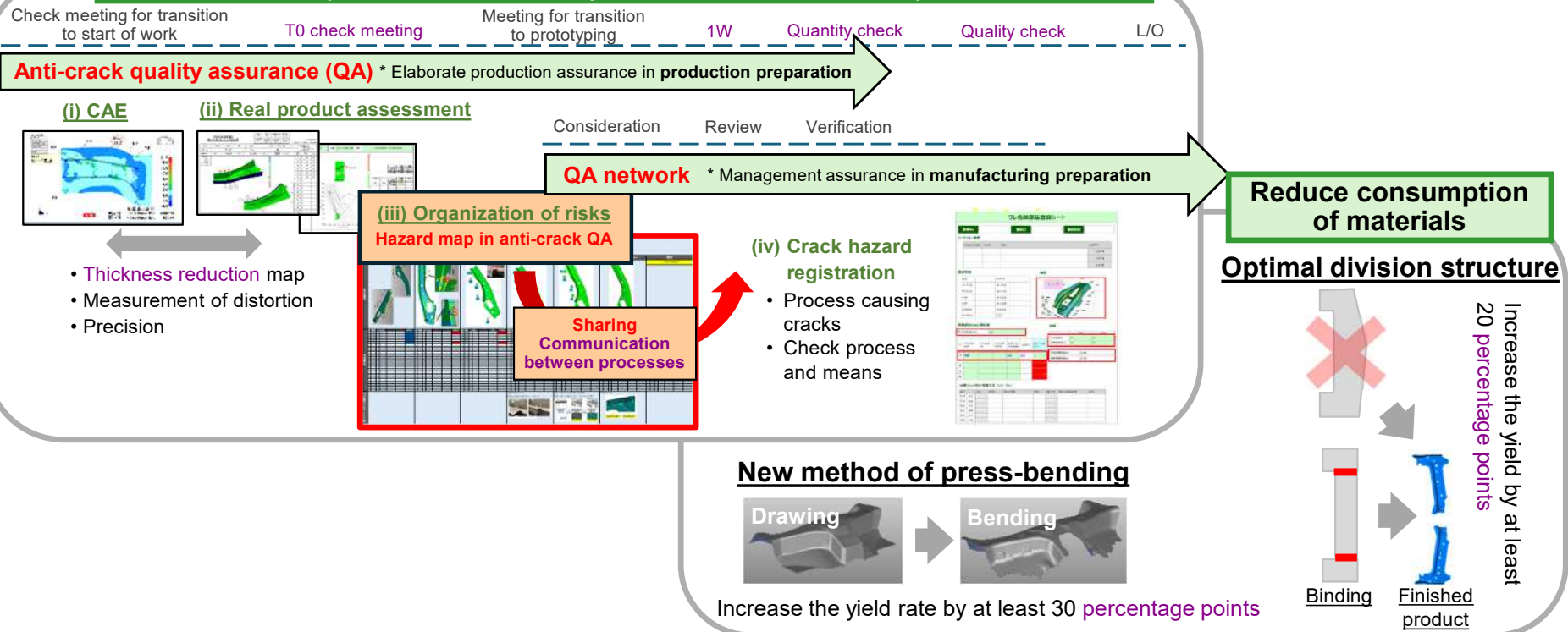
Capital expenditures



II. - (iii) Business Strategy: Strengthen the Management Base

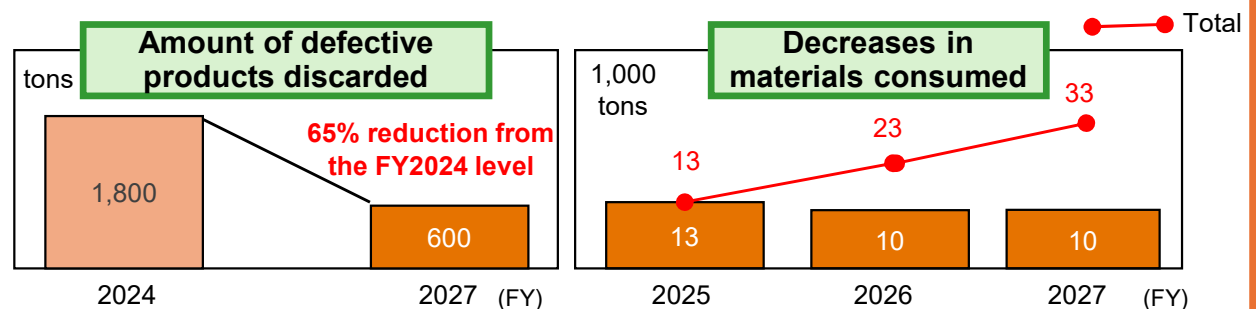
TOPIC (ii) Improve quality and yield

<Digital Transformation> Prevention of cracks in the pressing process (to reduce defective products to be discarded)



FY2027 target

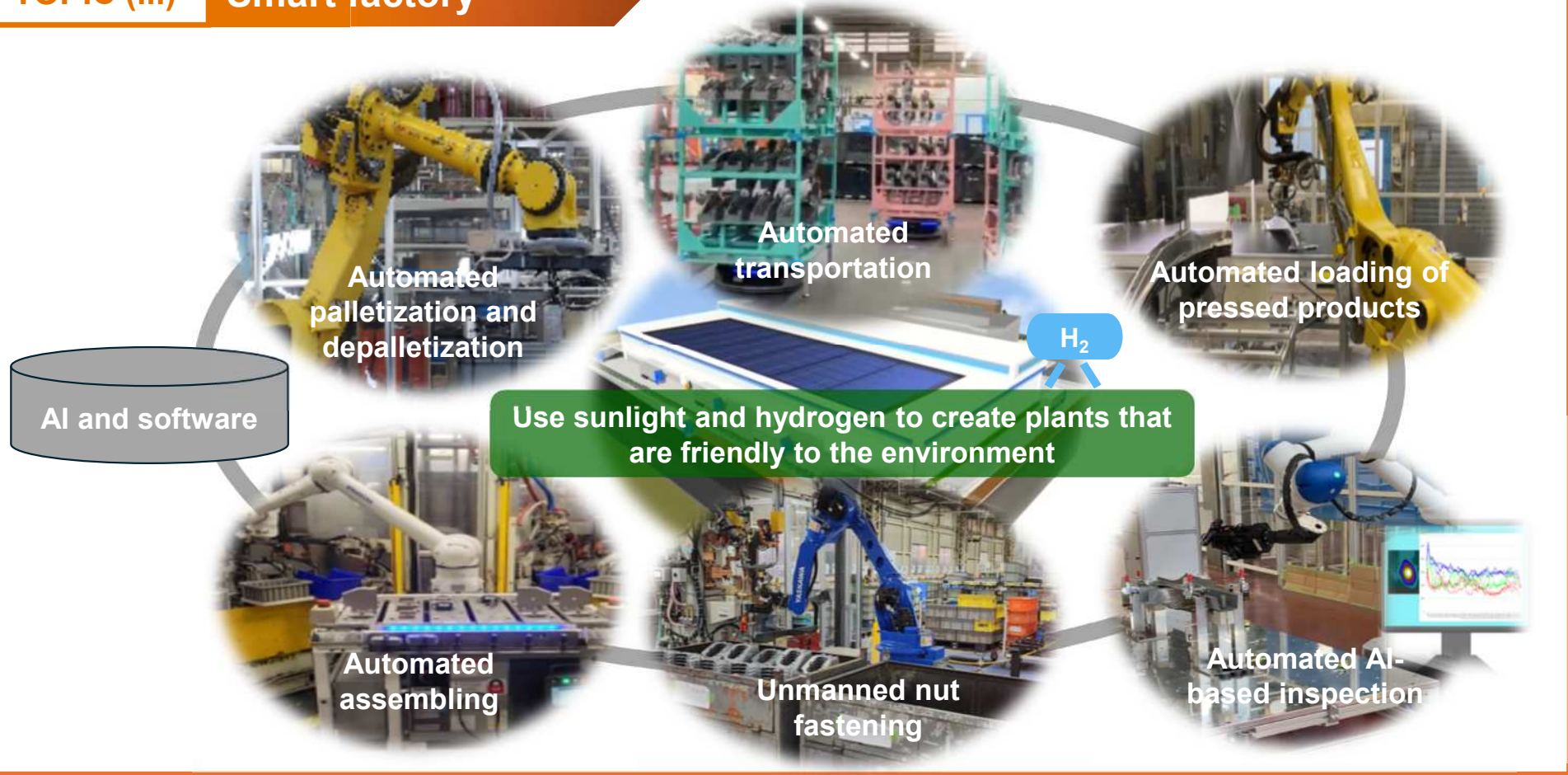
Decrease defective products to be discarded
Optimize the yield to reduce consumption of materials



II. - (iii) Business Strategy: Strengthen the Management Base

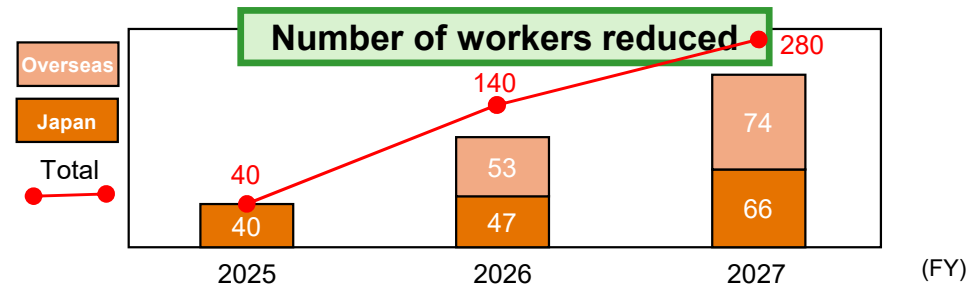
TOPIC (iii)

Smart factory



FY2027 target

Automation technologies are being spread.

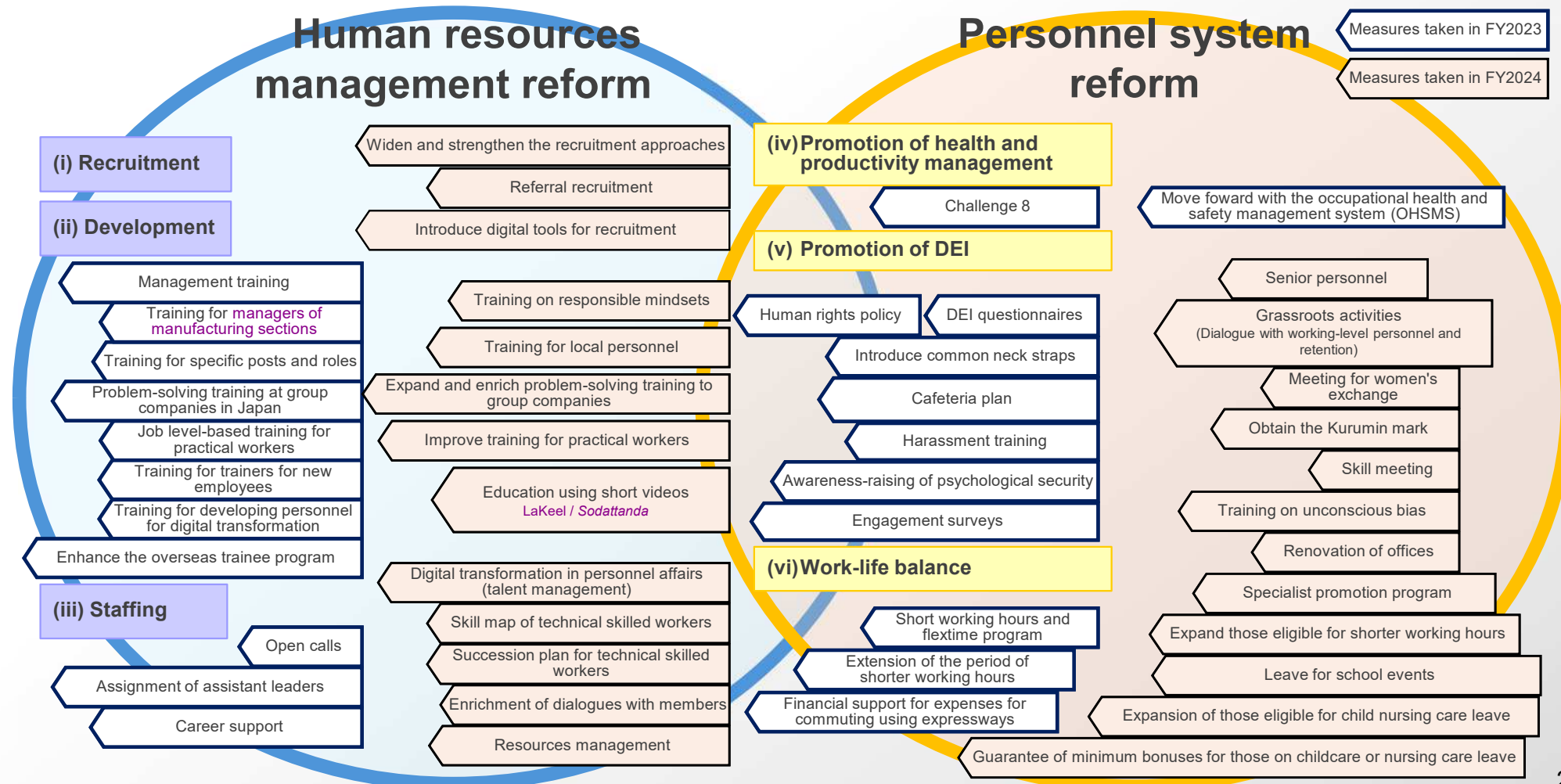


II. - (iii) Business Strategy: Strengthen the Management Base (Investment in Personnel)

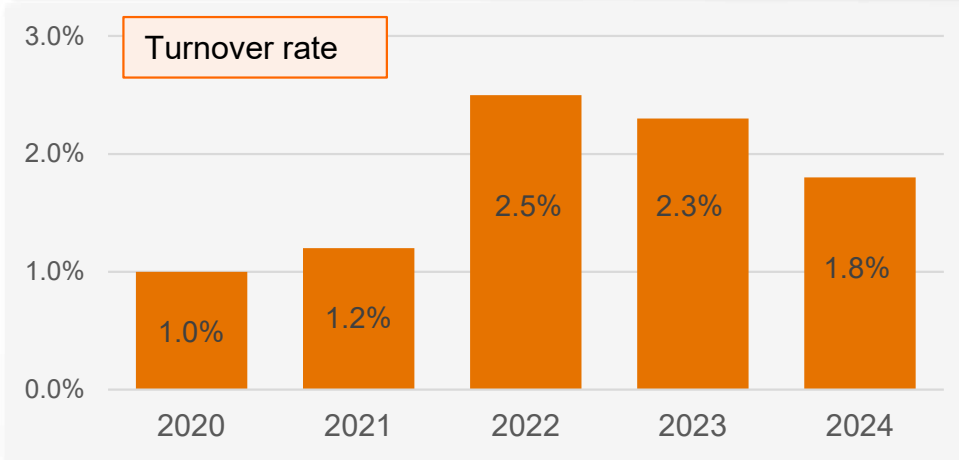
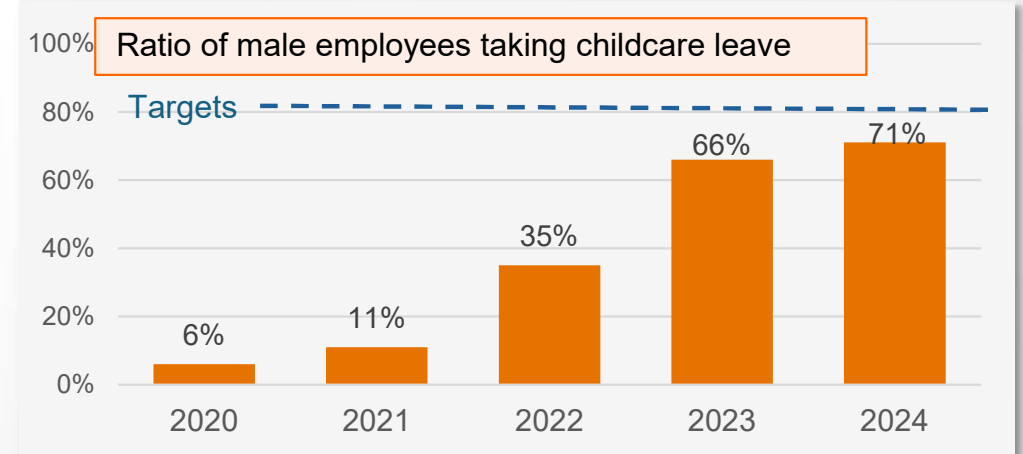
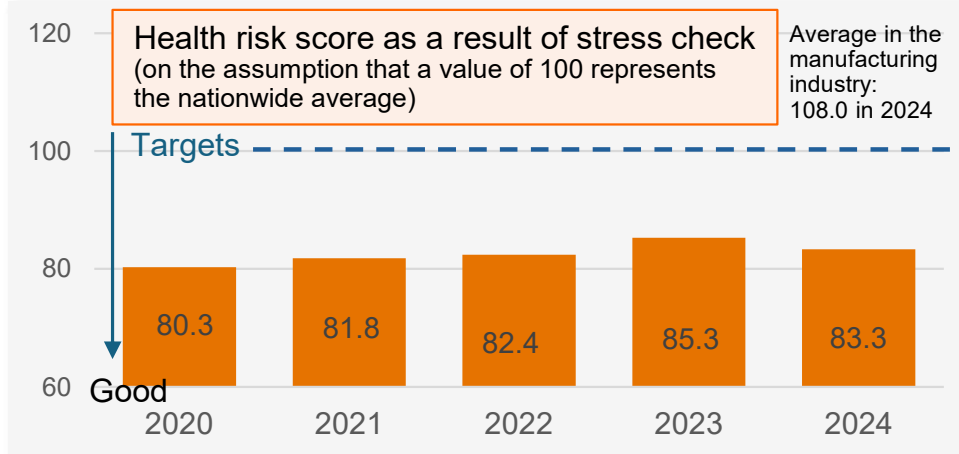
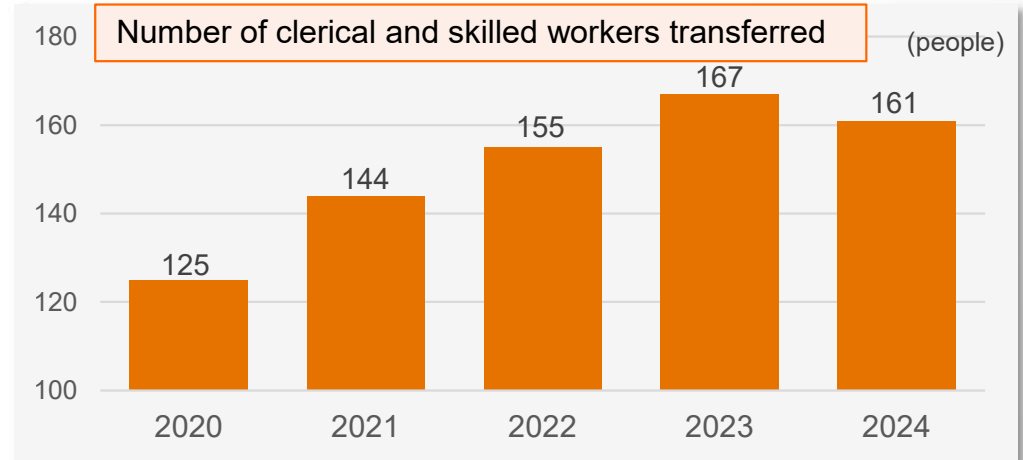
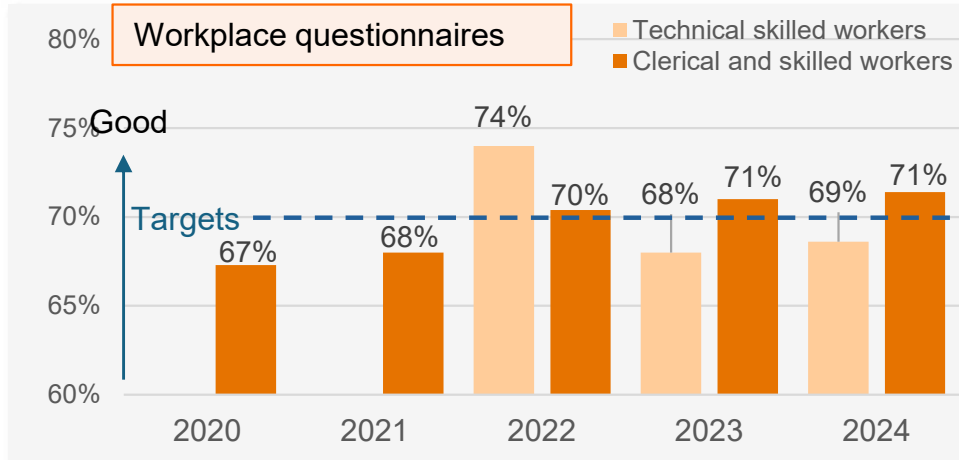
Vision

Support job satisfaction and the growth of individuals to build the foundations for independent behaviors to facilitate reforms

To boost job satisfaction, the reforms have been conducted immediately to change the old style personnel system.



II. - (iii) Business Strategy: Strengthen the Management Base (Investment in Personnel)



Employees' job satisfaction gradually increased

- Positive responses to the workplace questionnaire survey are on the increase.
- The stress check score and the turnover rate were stable at low levels.
- Transfers between departments, which provide a factor for higher job satisfaction, are being activated and they are on the increase.
- The ratio of male employees taking childcare leave has been rising considerably since FY2023, when an initiative was started to encourage male employees to take the leave.

II. - (iii) Business Strategy: Strengthen the Management Base (Investment in Personnel)

Future initiatives

Execute priority measures to increase employees' job satisfaction
— Helping as many employees as possible achieve personal growth through their work

Every employee plays an active role

Increase job satisfaction

Human resources management reform

— Recruiting, developing and assigning diverse personnel

- ✓ **Recruit more personnel necessary to accomplish the business strategies**
 - Referral recruitment, scout recruitment and use of media
- ✓ **Career support for growth**
 - Prepare education and evaluation tools and enrich dialogues between superiors and subordinates
- ✓ **Skills development**
 - Conduct personal skill evaluations and create and implement development plans
 - Provide education, including video distribution, close to shop-floor workers
 - Provide training on manufacturing management (focus on real places and items, and human capabilities)
- ✓ **Initiatives for optimal assignment**
 - Increase personnel transfers for individual growth and for capacity development
 - Shift resources for creating value

Personnel system reform

— Changing systems and culture

- ✓ **Institutional changes for attaining work-life balance**
 - Expand uninterrupted two-shift operation and take steps to increase the ratio of male employees taking childcare leave
- ✓ **DEI and culture reform**
 - Hold internal exchange meetings to build up relationships among employees
 - Give training for bolstering employee autonomy that will lead to a change in their behaviors
 - Continue renovation of offices and plants
- ✓ **Health and productivity management**
 - Create a safe and reassuring workplace culture and overcome employees' health problems
 - Acquire White 500 certification

II. - (iii) Business Strategy: Strengthen the Management Base (Carbon Neutrality)

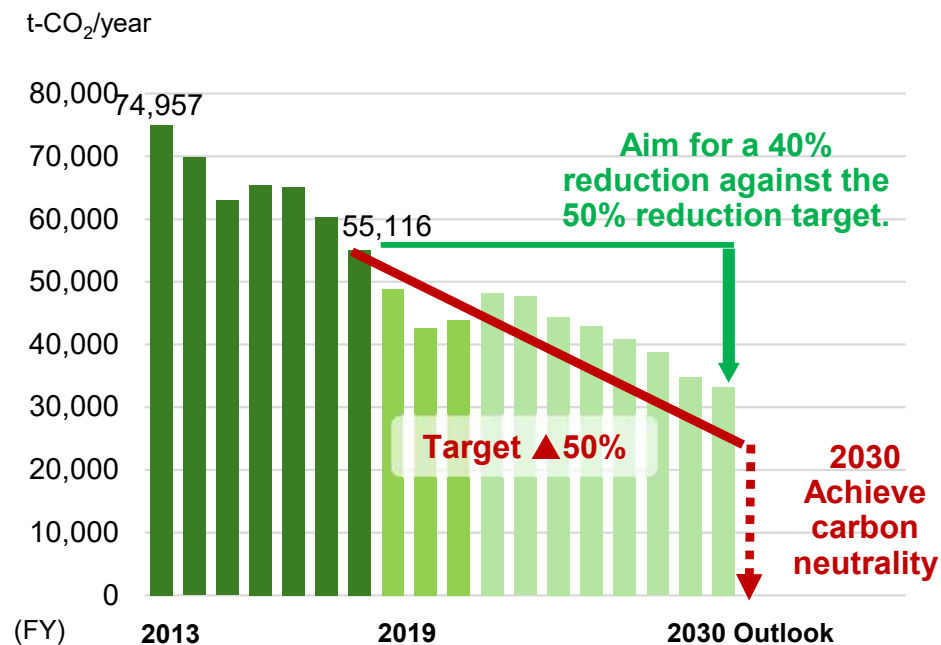
Vision

Global: ▲50% or more (▲4.6% per year*) in FY2030 (from the FY2019 level)
Japan: Efforts to achieve carbon neutrality in 2030

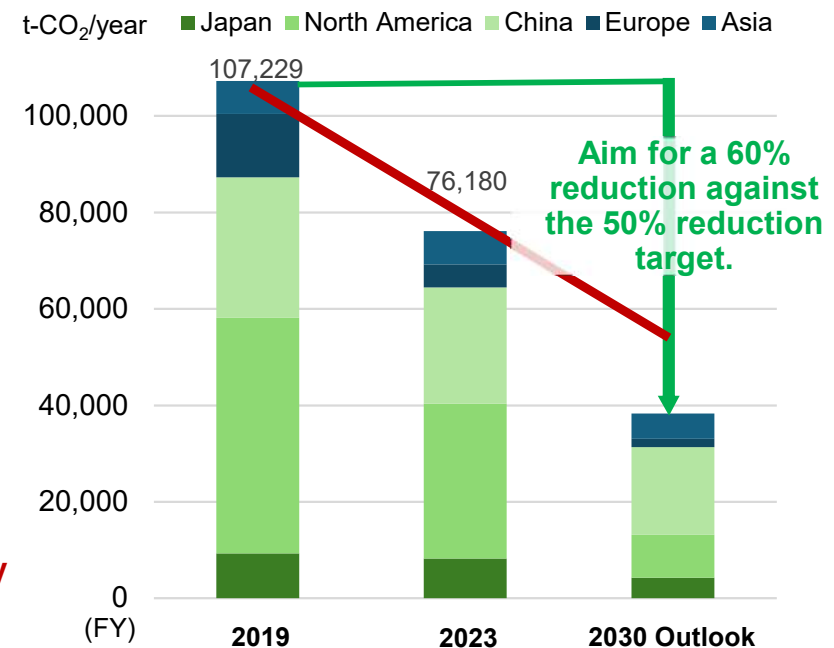
* The pace of reduction was increased from ▲3% per year to ▲4.6% per year in October 2024.

Minimize CO₂ emissions from plants

<Non-consolidated>



<Group companies>

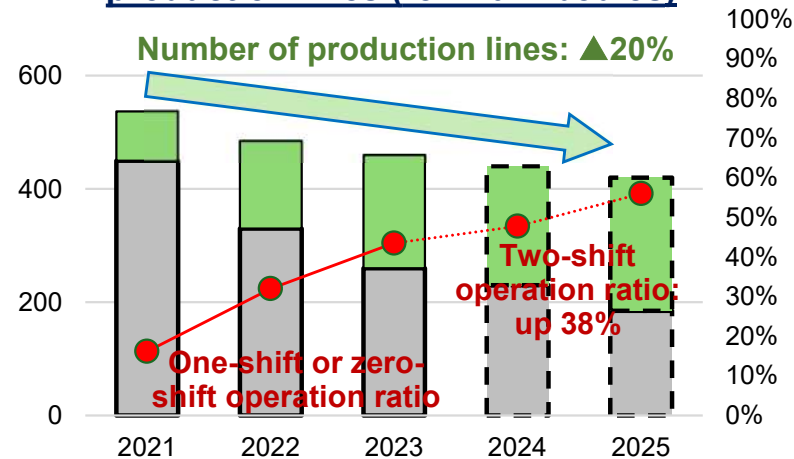


II. - (iii) Business Strategy: Strengthen the Management Base (Carbon Neutrality)

Step up activities to meet challenging targets

Best practice activities

Consolidation of operations on production lines (for main bodies)



Seek body structure with low weight and high tensile strength

Advance processing technologies for ultra-high tensile materials

- (i) In materials production: Reduce the consumption of materials
- (ii) In parts production: Perform pressing or hot stamping of cold ultra-high tensile strength materials properly according to parts
- (iii) In vehicle operation: Reduce the weight of parts

* (i) and (iii) are concerned with Scope 3 emissions whereas (ii) with Scope 2 emissions.



(in t-CO₂ per year)

Global	(i)	(ii)	(iii)	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

Carry out activities involving suppliers



Production division meeting

The president and other officers visit production plants in Japan each month to give ideas.

Ask suppliers to participate and present and share examples of improvement with a focus on real places and real items



Energy-saving dojo

It is a workshop that presents and shares know-how so that suppliers can learn it together with our staff.

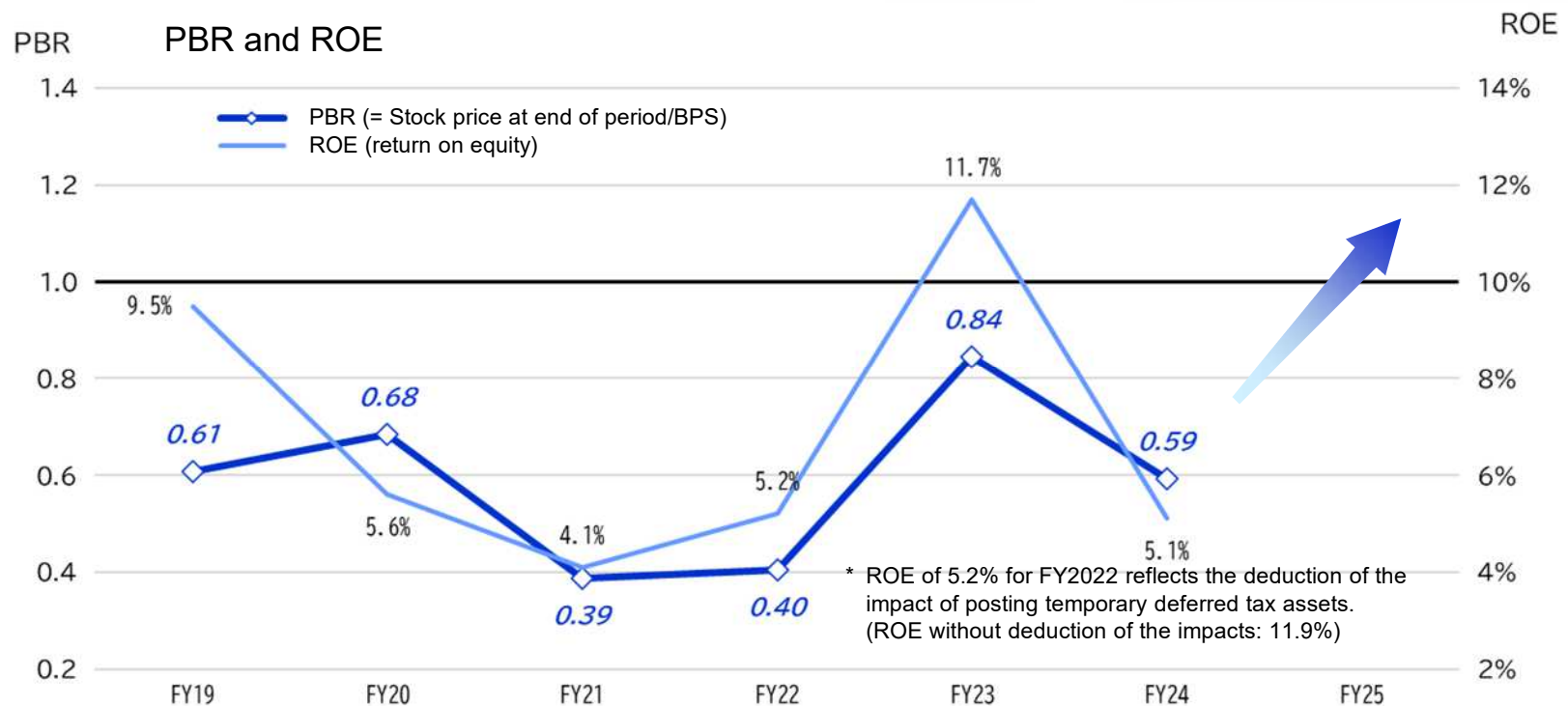
Dojos (workshops) will be successively launched at individual plants.

II. - (iv) Financial and Capital Strategy

Theme of New Medium-Term Management Plan

Improve profitability with a view to **attaining a PBR of 1 swiftly**

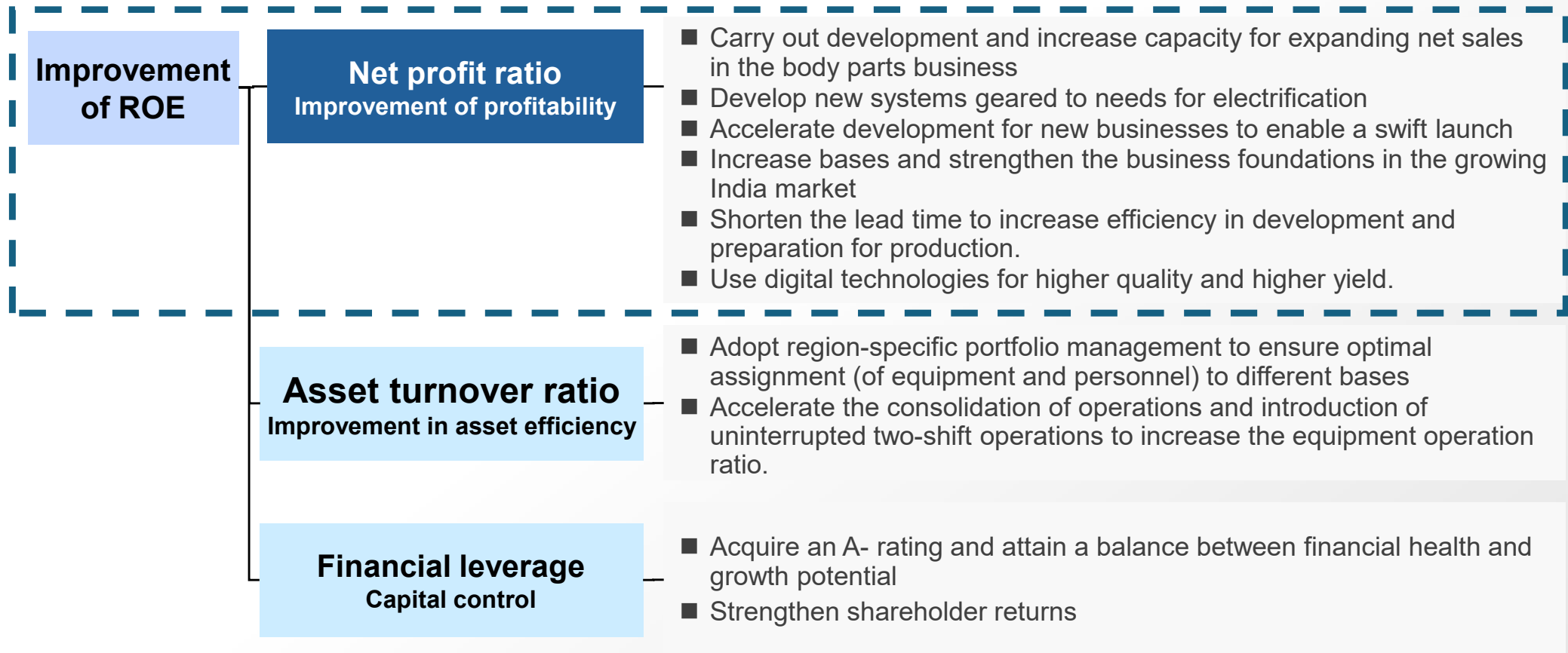
Indicators	ROE	Operating profit ratio
Targets	10% or higher	5.0% (FY2027)



Past data suggest that our PBR and ROE are interrelated. We will seek continuous growth in earnings to achieve an ROE of 10% and a PBR of 1 or more as well.

II. - (iv) Financial and Capital Strategy

Initiatives to raise ROE



ROE
10% or higher



Net profit ratio
Operating profit
ratio: 5%



Maintain and
increase
**the asset
turnover ratio**



**Financial
leverage**
Financial health
management

II. - (iv) Financial and Capital Strategy

Cash allocation

Allocation: Repayment of interest-bearing debt

Investment in future growth and shareholder return

Previous Medium-Term Management Plan
2022-2024

[Cash inflows]

Operating CF
130.0 billion yen

[Cash outflows]

Shareholder returns
6.9 billion yen

Capital
expenditures
65.9 billion yen

Repayment of interest-
bearing debt
41.4 billion yen
(98.1→56.7)

Other 15.8 billion yen

Research and
development expenses
15.0 billion yen

New Medium-Term Management Plan
2025-2027

[Cash inflows]

Operating CF
118.0 billion yen

[Cash outflows]

Shareholder returns
11.0 billion yen
or more

Regular capital
investment
77.0 billion yen

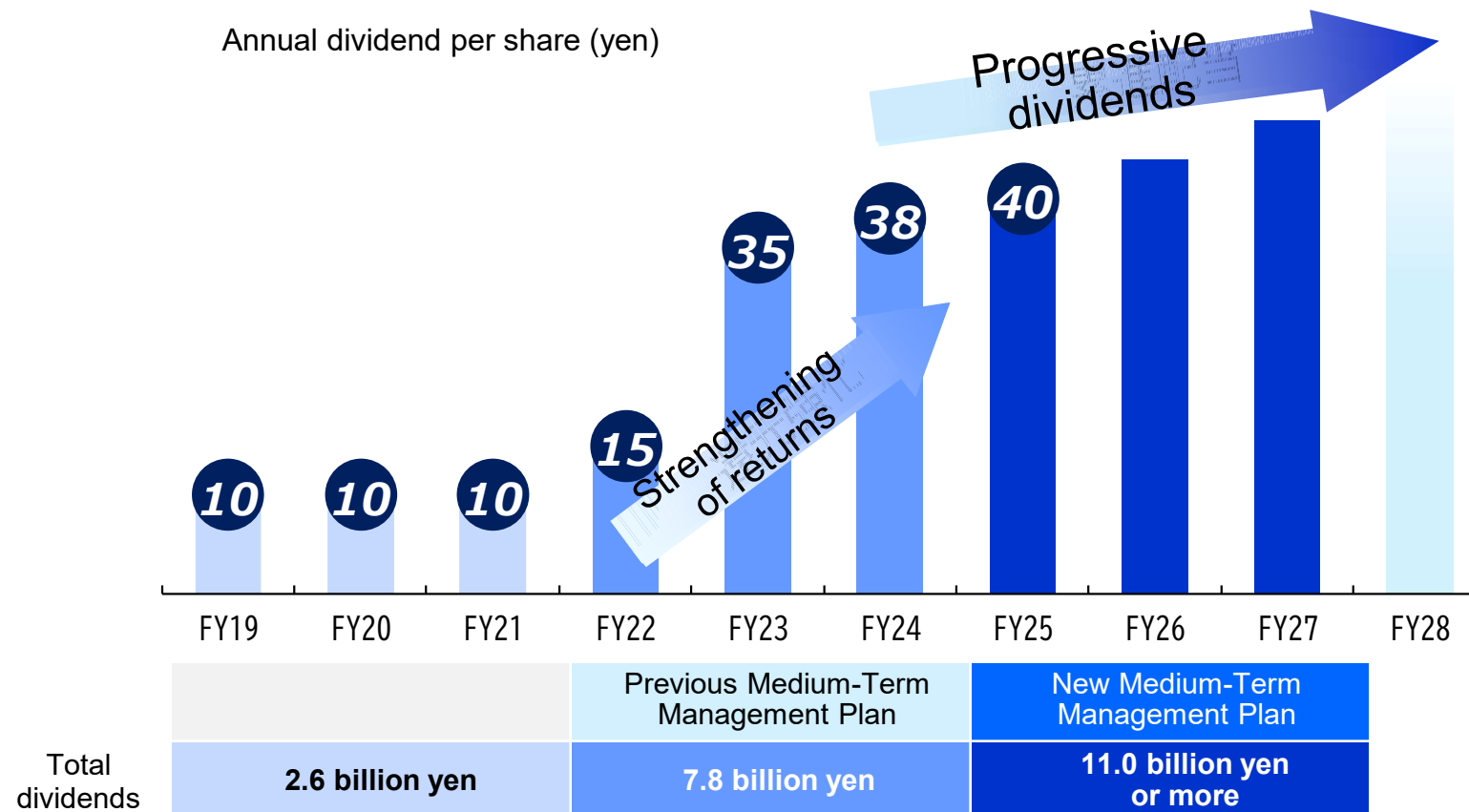
Capital investment
for growth
30.0 billion yen

Research and
development
expenses
22.0 billion yen

II. - (iv) Financial and Capital Strategy

Shareholder returns

Progressive dividends with a minimum dividend on equity (DOE) of 3.5%



Past
Pursue a basic policy of maintaining stable dividends while giving overall consideration to financial results, the payout ratio and other factors
* Payout ratio roughly targeted around 30%

Going forward
Introduce progressive dividends with a minimum dividend on equity (DOE) of 3.5% to pay stable dividends appropriate to growth



Futaba Industrial Co., Ltd.

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

[Precautions]

The outlook regarding our company (including consolidated subsidiaries) disclosed in this document is based on information currently available to our management and is subject to risks and uncertainties. Therefore, we kindly ask you to refrain from solely relying on these performance forecasts for investment decisions. Please be aware that actual performance may significantly differ from these performance forecasts due to various important factors. Critical elements that may affect actual performance include economic conditions surrounding our company, consolidated subsidiaries, and equity method affiliates' business domains, market trends, and exchange rates, including the USD-to-JPY rate. All information contained in this document is the property of Futaba Industrial Co., Ltd. We kindly request that no reproduction, modification, reprinting, transmission, or any use of this information for any purpose be carried out without prior written consent from our company, regardless of the means or methods employed.

This document displays some figures in units of 100 million yen for the purpose of providing an overview of our performance. The original figures are managed in units of million yen and have been rounded for presentation. Therefore, totals, differences, and other amounts shown in this document may appear inaccurate in terms of the hundred million yen digit.