

FUTABA

FUTABA Integrated Report
2021



Corporate Motto **Quality Products at Lower Cost**

Management Principle

We will continue with unceasing efforts to achieve the following.

- ① Be a company that is trusted by and essential to our customers.
- ② Be a company that can be proud and worth living for associates we work with.
- ③ Be a company that is broadly supported and loved by the local society.

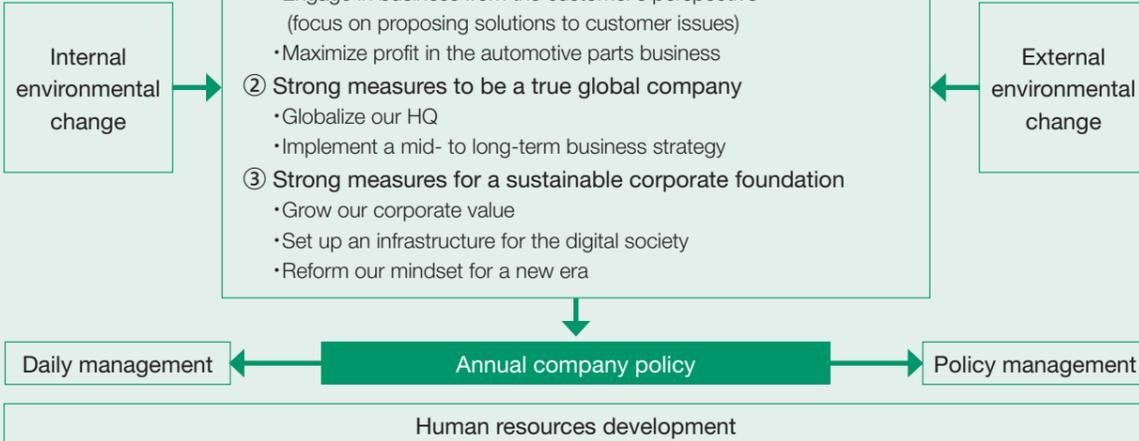
Corporate Charter • Code of Conduct • Action Guidelines of Futaba

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

FY2021 to 2023 Mid-term Management Policy

- ① Strong measures to be a trusted and successful company
 - Engage in business from the customer's perspective (focus on proposing solutions to customer issues)
 - Maximize profit in the automotive parts business
- ② Strong measures to be a true global company
 - Globalize our HQ
 - Implement a mid- to long-term business strategy
- ③ Strong measures for a sustainable corporate foundation
 - Grow our corporate value
 - Set up an infrastructure for the digital society
 - Reform our mindset for a new era



I Take on all challenges!

We will be united in our resolve to improve our manufacturing processes to ensure our clients and partners are always happy.

II The importance of being on site

Being present on site and assessing the actual situation is the best way to determine the root cause of any problem.

III Be unassuming, humble, strong both in mind and body, and when necessary be bold

It becomes easy to deal with difficult issues and implement improvements if you are modest, unassuming, tough, and hardworking.

IV Think individually, act collectively

Maximize results by working as a team where each individual is driven and understands the importance of working together.

V People first

Trusted relationships are formed by always treating everybody the same way—our clients, suppliers, affiliates, employees and their families, and people in our local communities.

Wisdom and Kaizen

Respect for People

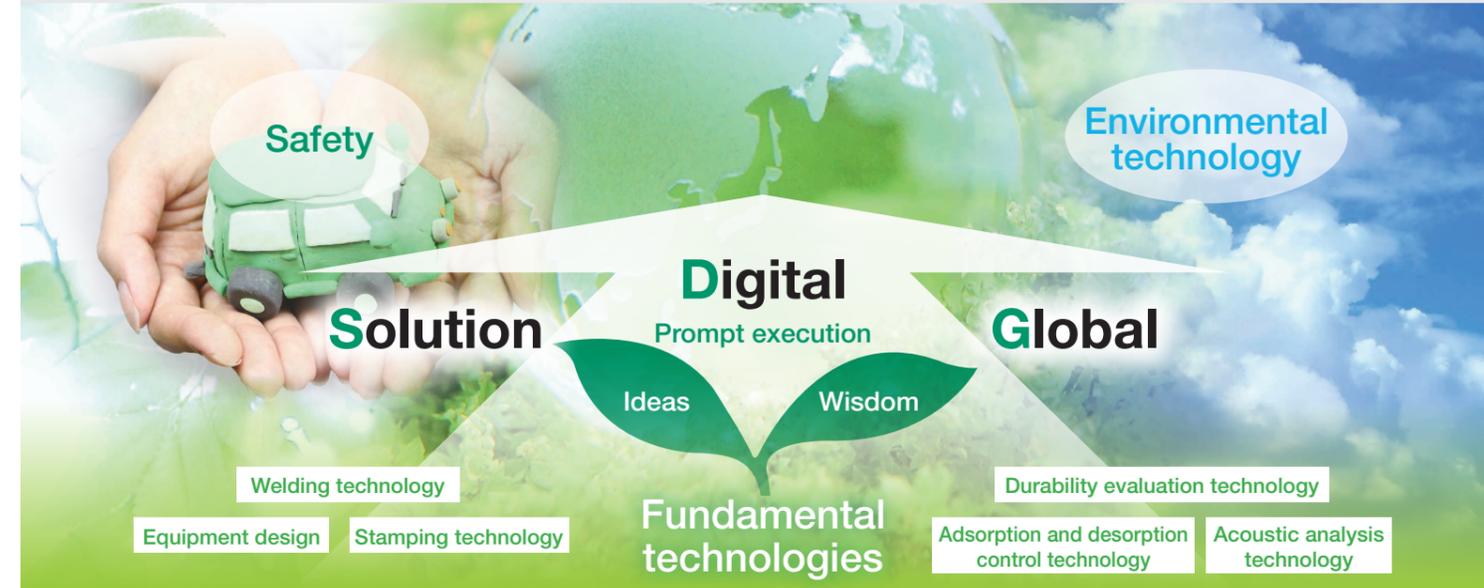
FUTABA WAY

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

Action Statement

We will focus on mobility in order to contribute to society by employing ideas, wisdom, and prompt execution exceeding customers' expectations to provide safety- and environment-related technologies.



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Editorial Policy

Starting this fiscal year, we have published the FUTABA Integrated Report to explain and provide a better understanding of our strategies and initiatives for solving social issues and enhancing the Futaba Group's corporate value over the medium to long term for a wide range of stakeholders, including shareholders and investors. This report has been prepared and edited primarily with reference to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). We intend to position this integrated report as a tool for dialogue with our stakeholders so that it will help lead to sustainable enhancement of our corporate value. We will continue to make every effort to promote a better understanding of our company.

Structure of Information Disclosure

Financial information	Non-financial information
FUTABA Integrated Report 2021	
<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/	

Reference Guidelines

- International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC)
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation issued by the Ministry of Economy, Trade and Industry

Reporting Period

April 1, 2020 to March 31, 2021

*Some activities outside the reporting period are also introduced.

Publication

September 2021

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.



Scope of Report

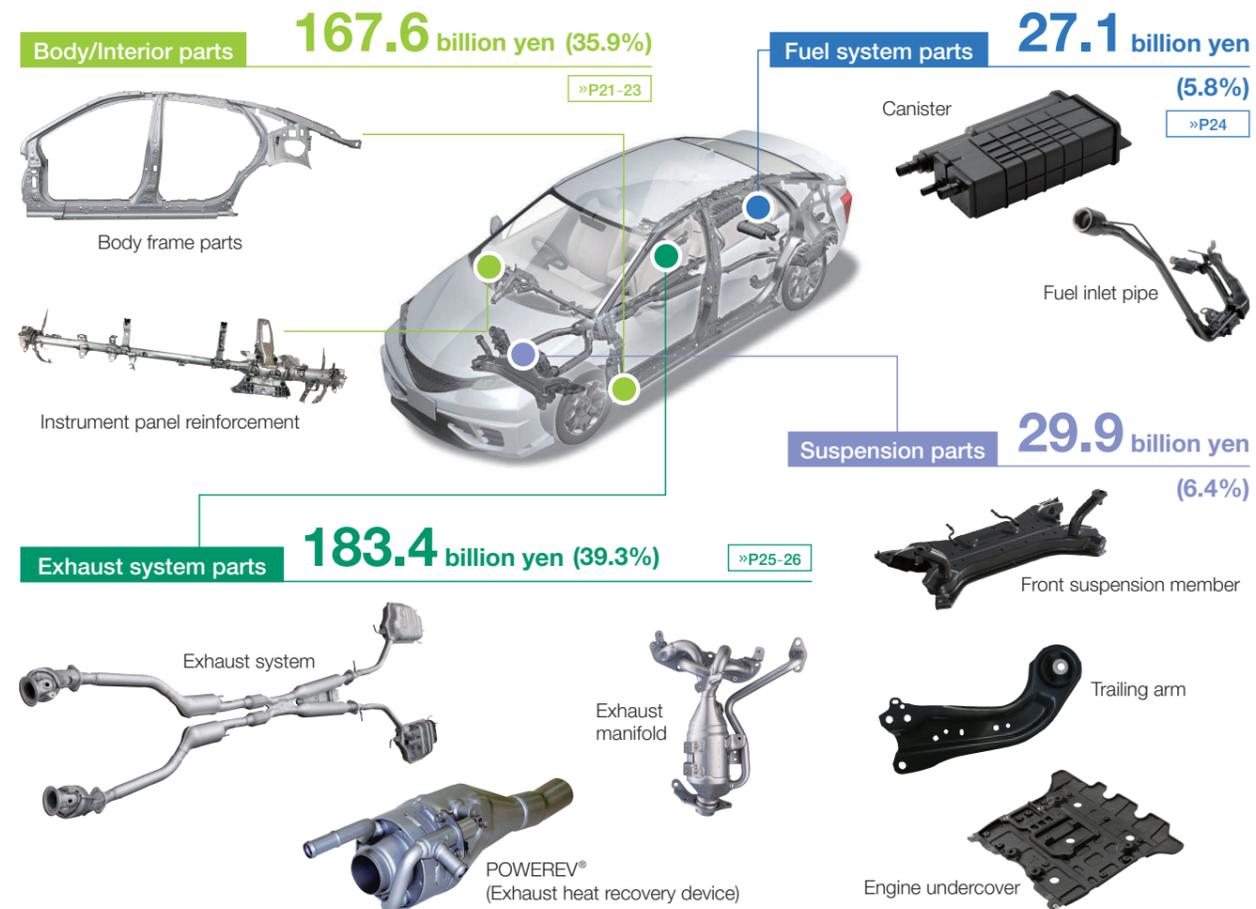
Futaba Industrial Co., Ltd. and its consolidated subsidiaries

*The scope of some sections is separately defined.

Business Focus

The Futaba Group's main business is the manufacture and sales of automotive parts, information and environment equipment parts, equipment for external sale, and agricultural products. We produce products that contribute to "Safety, Environment, and Performance" by utilizing core technologies such as sound damping, heat management, stamping, and welding that we have cultivated.

Automotive parts



Information environment equipment

21.0 billion yen (4.5%)



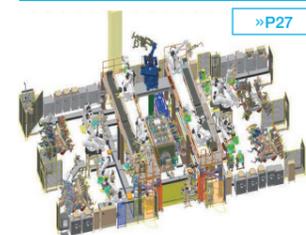
Tray module for copiers

Other

37.8 billion yen (8.1%)

Equipment for external sales business

»P27



Assembly and welding equipment

Agricultural business

»P28

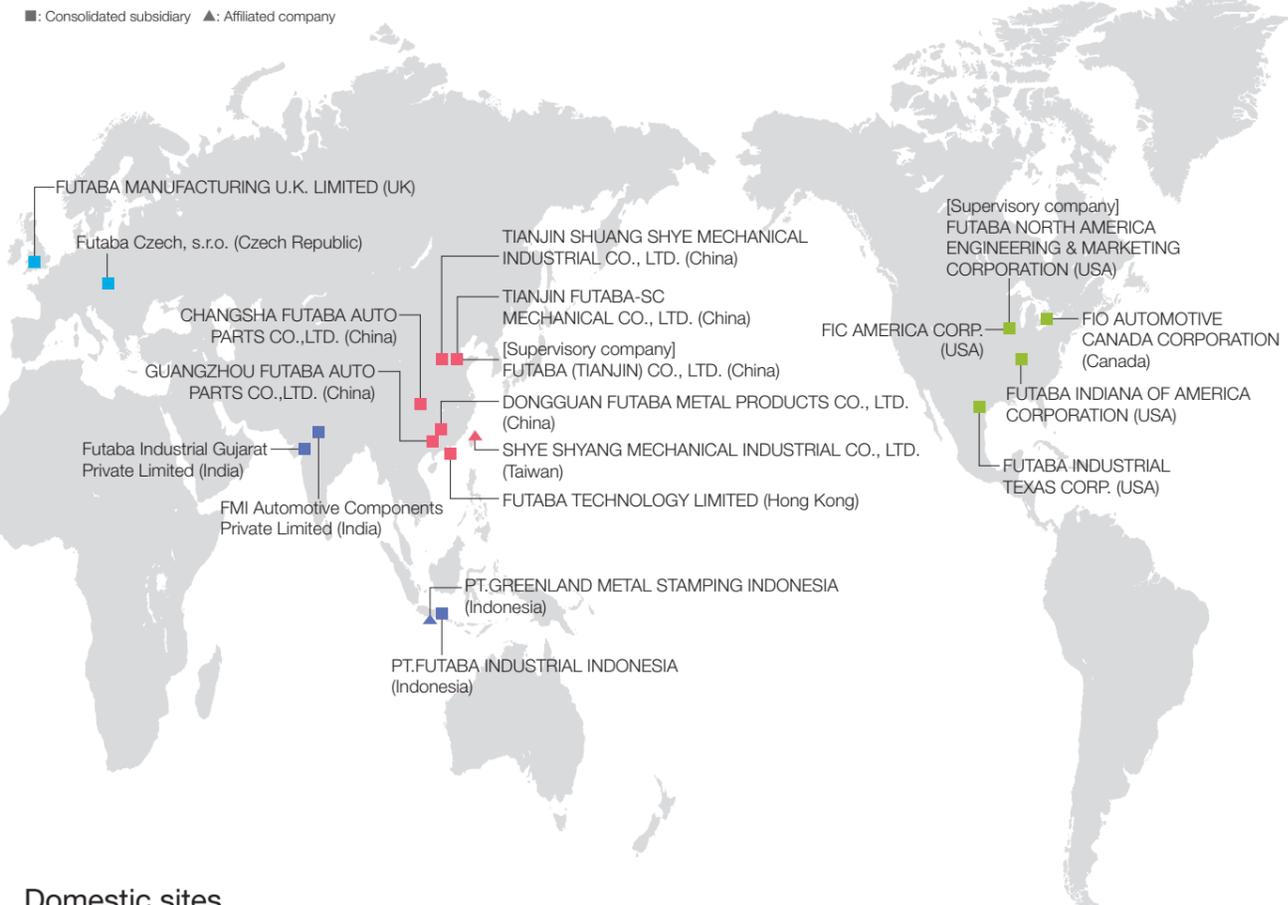


aleaf® CO₂ accumulation and application device for greenhouse cultivation

Futaba Group Sites (As of June 30, 2021)

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.

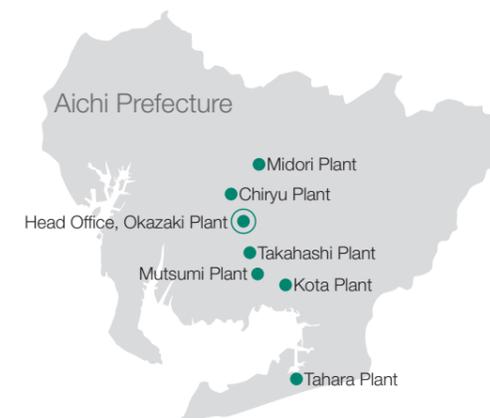
Global sites



Domestic sites

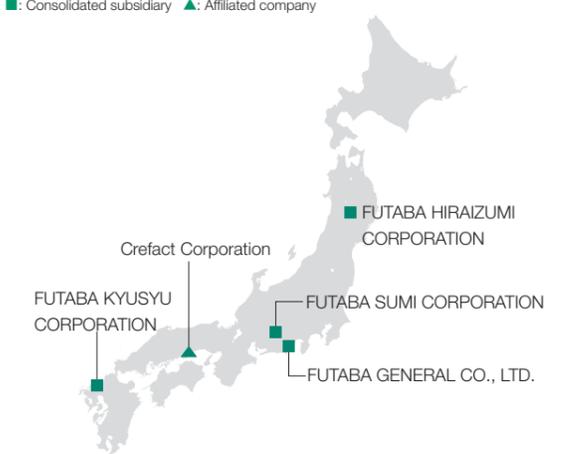
Domestic plants

● Head Office ● Plant



Domestic subsidiaries and affiliated companies

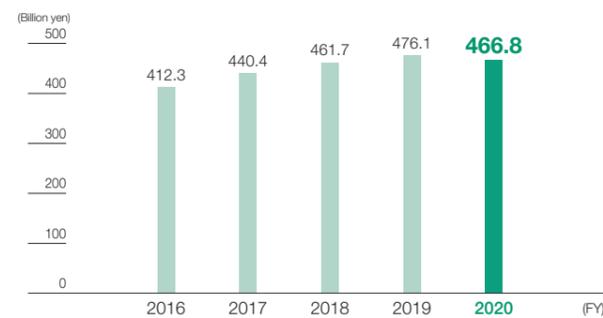
■ Consolidated subsidiary ▲ Affiliated company



Financial and Non-financial Highlights

Consolidated financial data

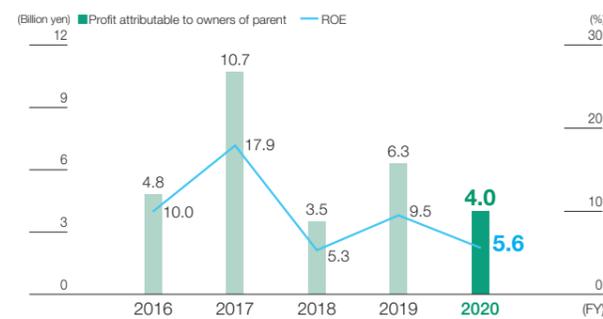
Sales



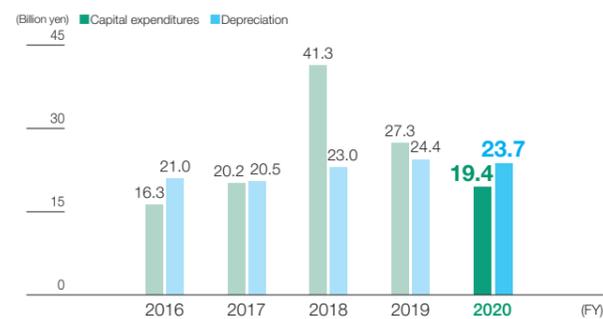
Operating profit / Operating profit ratio



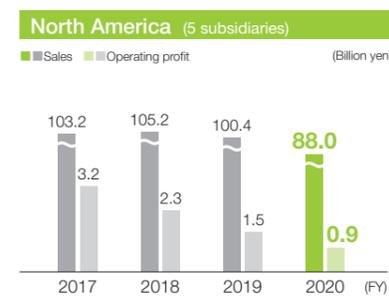
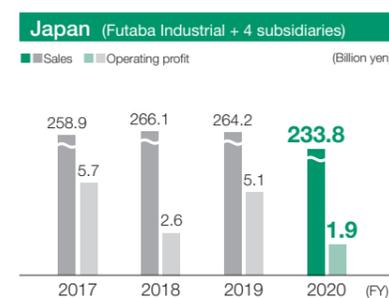
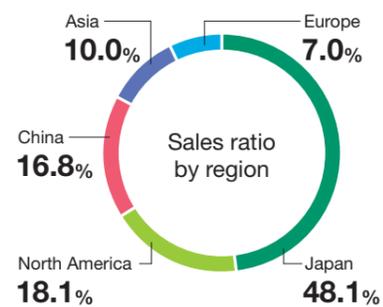
Profit attributable to owners of parent / ROE



Capital expenditures / Depreciation



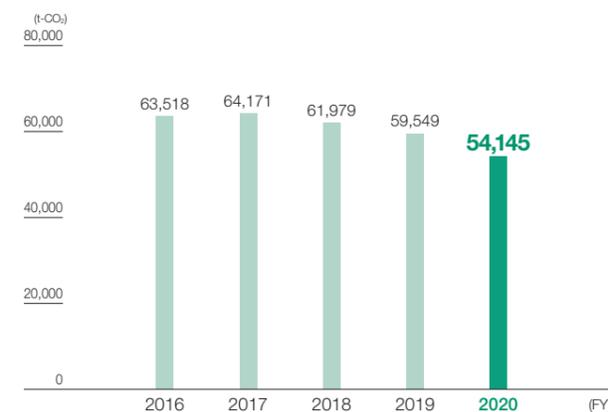
Sales and operating profit by region



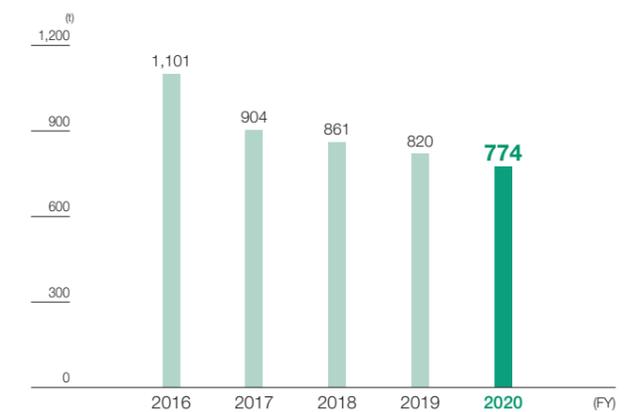
Note: The Asia segment has been reclassified into the China segment and the Asia segment (other than China) effective from this fiscal year.

Non-financial data

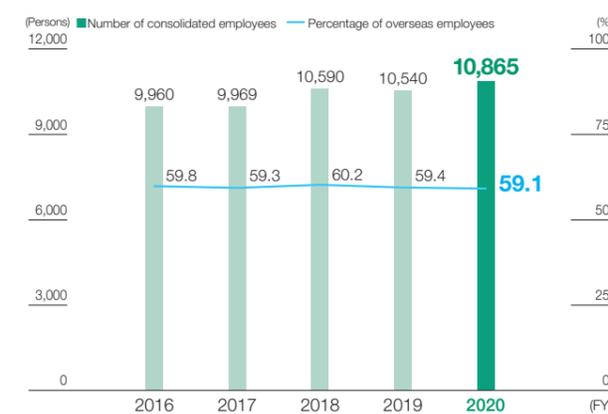
CO₂ emissions (Non-consolidated)



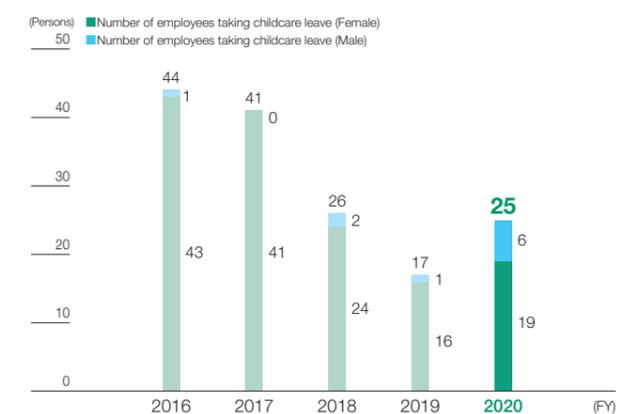
Waste output (Non-consolidated)



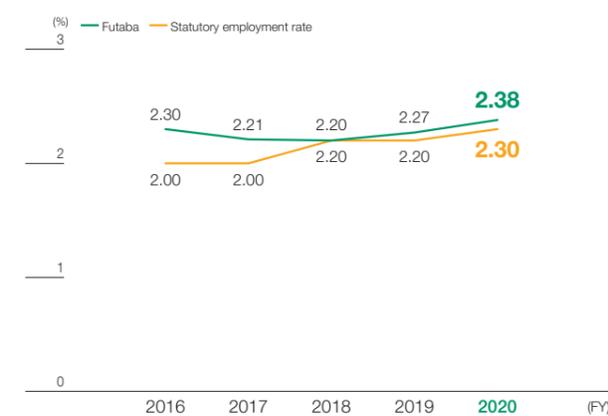
Number of employees / Percentage of overseas employees



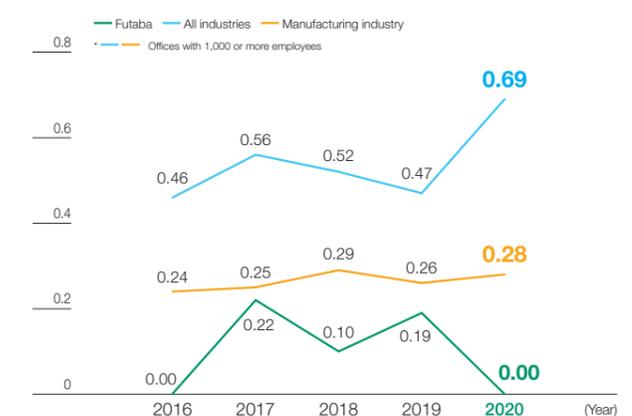
Number of employees taking childcare leave by gender (Non-consolidated)



Percentage of employees with disabilities (Non-consolidated)



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



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

FUTABA History and Future

Since its foundation, the Futaba Group as "a team that tackles challenges to grow" has made contributions with its advanced technological development capability and manufacturing capability to ensure our clients and partners are always happy. We will work as one to contribute to the coming mobility society by leveraging the strengths we have developed.

Sales (Billion yen)
500

466.8 billion yen



Origin of Futaba Industrial
"Futaba" comes from a Japanese proverb "Sendan wa futaba yori kanbashi (The Japanese bead tree is fragrant from when a sprout, which is a metaphor for a genius always reveals himself or herself even in childhood)."
"Industrial" is an English translation of a Japanese term sangyo, which has an implied meaning of "taking on any challenge to create business."



Developed and produced fish netting machines at a remarkable pace to solve the food shortage

Worked on pollution issues (contribution through environmental technologies)
1960 Entered into the muffler business
Contributed to the social demand for solving noise issues through our core technologies



1956 Started production of mufflers for scooters



Established research and evaluation facilities

Progressed further by leveraging our core technologies (contribution through safety technologies)
1970- Expanded the parts business to contribute to the environment and safety in addition to the muffler business by applying stamping and welding technologies.



Iron canister



Instrument panel reinforcement

Offered new value (contribution through environmental technologies)
Leveraged our strength of an integrated system of product development, production technology, and manufacturing, which allowed us to propose products designed and evaluated by ourselves to our customers and to produce them.

Took on a challenge to evolve the technological development (contribution through environmental technologies)
1990- Developed the world's first stainless steel exhaust manifold using "Evaluation/Analysis" and "Functional design" technologies as a challenge to reduce weight and improve exhaust gas performance.



Toyota Motor's first stainless steel exhaust manifold

Heat management technology (contribution through environmental technologies)
Developed an exhaust heat recovery device by combining core technologies with heat management technology to recover and utilize heat energy from exhaust gas.



Toyota Motor's first exhaust heat recovery device POWEREV™



SCR*
* SCR (Selective Catalytic Reduction): Selective catalytic reduction for a diesel engine



The world's first pipe intake manifold



Muffler with variable valve



DPF* for diesel-powered vehicles

* DPF (Diesel Particulate Filter): The filter that reduces particulate matter (PM) contained in exhaust gas from a diesel engine

Took on a further challenge to enhance manufacturing and technological development capabilities (safety and environmental technology)
Took on a new challenge as "a team that tackles challenges to grow" nurtured since the foundation to enhance manufacturing capability by developing hot stamping based on safety technology and also a challenge to contribute to the environment with "agleaf" using environmental technology.

Built a global production system (Globalization)
We developed a global production system to meet customer needs. In addition to production, we also promoted to develop an integrated functional system for supervising and managing production.



General purpose line for small-lot production of various products



2015 Introduced hot stamping in Mutsumi Plant to meet customer needs



Produced high-grade reception area seating sets utilizing core technologies

Contributed to society through manufacturing capability (contribution to local communities)
Futaba Industrial's first product was born from the desire to create products useful for society in the post-war era of food shortages, using our core technologies of stamping and welding cultivated by our predecessor Dengensha.

Took on a challenge to develop new technology (Innovation of the production line)
1970- We quickly attempted automation and achieved it amid sluggish sales of domestic automobiles, soaring resource prices, and a pressing need to improve productivity and streamline operations.

"Pushing the limit of production efficiency" (Innovation of the production line)
We have attempted to increase production efficiency through automation with the aim of "Creating the world's No. 1 production line" and rebuilt the production lines one after another. The technology is still applied in production lines.



We created our core businesses by taking on the challenges of various businesses using our technologies with the first priority of contributing to the local communities and our employees.

We expanded the automotive parts business by utilizing our technologies and developed a system to fulfill our social responsibilities.

The top management and together to balance solid business expansion.

employees worked investment with

We boldly took on challenges for becoming an industry leader and expanded our business globally.

We strengthened our foundation to enhance compliance and ensure stable earnings.

Become a sustainable company that values creativity and action



Message from the President



Aiming to anticipate future needs to be a trusted supplier

The Futaba Group intends to maintain its position as a trusted and successful supplier; accordingly, it has continued to enforce the basics of “Safety, Quality, and Monozukuri” to pursue optimization on a global basis, even while enduring the effects of the coronavirus disease (COVID-19).

With the advent of a digital society, the automobile industry is experiencing a once-in-a-century major transformation, as encapsulated by the CASE^{*1} concept, and the value propositions people expect from mobility are changing substantially.

The Futaba Group is seeking to contribute to safer, more environmentally friendly mobility by building up our workforce, equipment, and organizational structure. In conjunc-

tion with this, we are pursuing bold innovation by establishing a framework for promoting DX^{*2} (digital transformation) within our operations, aiming to improve our capacity to provide product-based solutions.

Challenges facing the automobile industry currently comprise not only the need to reduce CO₂ emissions that are caused by mobility itself, but also the trend toward decarbonization throughout the entire mobility life cycle from automobile production to disposal.

How far should we—or can we—go in responding faithfully to the demands of society as a whole? Our responsibility as a company that is also a member of society is being put to the test.

Hiroyoshi Yoshiki
President

Futaba’s Aspirations for Society and for Itself

Using societal change and advances in mobility as a springboard

The automobile industry, which forms the focus of the Futaba Group’s business, is currently experiencing a once-in-a-century major transformation. Cars have developed as a means of transporting people and things, but with the addition of new value propositions such as CASE and MaaS^{*3}, their societal role and the meaning assigned to them could change. Recently, it has become increasingly common to use the term “mobility” with regard to cars; I personally believe that mobility includes not only movement of people, but also movement of things, and even data.

Currently, our day-to-day lives have been unsettled by a pandemic that is also regarded as a once-in-a-century event. All of a sudden, it became unusual to see people doing things that used to be the norm, such as commuting to work, holding meetings in person, or going on trips with family or friends. On the other hand, advances in telecommunications technologies accessible via PCs and smartphones made teleworking and videoconferencing into everyday occurrences. At the same time, more people started using online shopping services to purchase commodities, stimulating new demand for transporting them. These days, innovations that enable the use of telecommunications technology to instantaneously transcend national

and temporal barriers are advancing at an accelerating pace, over months rather than years.

Amid such transformation, the amount of value we can add to Futaba’s products will be of crucial importance, making it necessary to upgrade our existing technologies and carve out new domains. I also think we need to pursue DX with a sense of urgency, and overhaul the way we work.

The Company We Want to Be by FY2030 and Our Action Statement

Against this backdrop of societal transformation, the Futaba Group too is moving fast to pursue bold innovation. To remain a trusted and successful company for the next 10 or 20 years, we need more than just our traditional competitive advantages based on safety and quality. It has become increasingly necessary to supplement these with the capacity to generate new value propositions, and the speed to respond to new needs ahead of other companies.

The Futaba Group has over 20 sites worldwide, and its employees number is more than 10,000. In order to fully mobilize this potential, we felt that we needed to reaffirm the direction we should head in, so we recently set out our vision for the company we want to be by FY2030 and our Action Statement for achieving this. We ensured that they would not simply reflect Japanese values, but could serve as universal values to be shared by all Futaba Group employees working globally as “One Futaba.”

Message from the President



The Company We Want to Be by FY2030

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Action Statement

We will focus on mobility in order to contribute to society by employing ideas, wisdom, and prompt execution exceeding customers' expectations to provide safety- and environment-related technologies.

*1 CASE: Acronym of Connected, Autonomous, Shared & Services, and Electric. "Shared & Services" denotes car-sharing and car-based services, although the "S" sometimes represents only car-sharing. This acronym expresses the directions in which cars are evolving.

*2 DX (Digital Transformation): Leveraging advanced IT technologies to reform work processes.

*3 MaaS (Mobility as a Service): Expresses the new ways in which cars are used

Contribution to Society through the SDGs*4

Achieving growth through sustainable business activities

Many companies are starting to engage in the SDGs (Sustainable Development Goals). I am not really keen on the tendency to jump on the bandwagon, but the problems of resource depletion and climate change resulting from global warming are accelerating, while leading industrialized nations and developing nations alike are experiencing increasing economic distortion and disparity that can no longer be neglected.

Yet, reading the 17 goals comprising the SDGs reveals that, while nobody could argue with the aim of creating societies that "leave no one behind," the individual goals contain some obvious contradictions. The fact is, it would be an oversimplification to assume that simply achieving the goals would ensure a rosy future for our societies.

At the Futaba Group, we selected 6 of the 17 SDGs as Strategic SDGs to which we give the highest priority, and

defined 14 Priority Issues*5 (Materiality) that will contribute to their achievement. We set specific initiatives, which we incorporated into each Center's policy for the fiscal year ending March 31, 2022, and reflected in the Mid-term Management Policy's priority implementation items, then started taking action. We are also collaborating in this regard with our subsidiaries and suppliers in Japan and overseas. However, in tackling these initiatives, I think we need to go beyond mere words of encouragement. Instead, we must incorporate our priorities into all aspects of our operations so that every single employee understands which part of the SDGs their work is contributing to, and how they are personally involved in solving social issues.

The "power of people" that is necessary for growth

In my opinion, a company cannot achieve sustainable growth unless people grow. In my New Year's address to employees, I asked them to (1) create "thinking teams and organizations" that can cope with change; (2) create a culture that values taking on one small challenge after another and tolerates failure; and (3) develop our human resources. In agriculture, creating healthy soil is said to be the most important job to ensure good crops can be harvested. I personally believe that, for a monozukuri company such as the Futaba Group, "creating healthy soil" means instituting change in our people, our organization, and our corporate culture.

And, alongside developing a diverse range of global human resources, what I want to focus on is creating an organization and culture in which women can make use of their abilities. From a worldwide perspective, there is evidence that, in societies where women are actively engaged in paid work, women's opinions are more likely to be reflected in product development, and economic growth rates are high. To enable women to work

enthusiastically and continue to work in roles they find fulfilling, I think we need to do more to offer career support and help them with balancing work and home commitments.

*4 SDGs (Sustainable Development Goals): Goals advocated by the United Nations.

*5 14 Priority Issues: For details, refer to "Priority Issues (Materialities): SDGs Initiatives" on pages 15-16.

Transform an Unprecedented Period of Transition into Opportunity

Mustering the strength to charge ahead rather than staying in place

As I mentioned at the beginning, the automobile industry is in the midst of a once-in-a-century major transformation. Also in supplier circles, an increasing number of companies are picking up on the structural changes in the industry due to CASE and breaking into the market.

If the Futaba Group is to remain successful throughout this period of transformation, it will be imperative for us to supplement our traditional emphasis on cost and delivery with comprehensive solutions capacity that addresses additional considerations such as performance and added value.

In terms of individual product lines, this means further bolstering our efforts to make mobility safer and more environmentally friendly. For example, even if the role of mobility itself changes as a result of CASE, nobody could argue with the need to produce lightweight, strong car bodies. In fact, we have been approached by a certain automobile manufacturer, which said that it wanted to invest management resources in adapting to CASE, and asked if Futaba could take on the entire process from proposal to development of body frame parts. For us, this is a huge, heaven-sent opportunity. It is a unique chance for Futaba, which is known for its expertise in exhaust system parts, to participate in development combining exhaust system parts with car body parts, and be involved in changes to the structure of entire vehicles to make them electric. We are already preparing for such developments internally, ensuring that we have the necessary capacity by developing human resources, as well as investing in analytical equipment and other tools.

Given that these developments relate to the Futaba Group's ability to solve challenges—in other words, our capacity to propose solutions that solve customer issues—I think the question is how much we can hone that capacity. We will gain new competitive advantages as a result of others praising us by saying that Futaba can be relied on to get a job done, or Futaba came up with a new solution that simply hadn't occurred to them.

Contributing to decarbonized societies

For automobile industry suppliers such as ourselves, the most troubling issue is how to tackle decarbonization.

Europe is already witnessing a nascent trend toward keeping CO₂ emissions as close as possible to zero throughout all stages of the mobility life cycle, from automobile production to disposal.

Some people may think that the point of promoting the uptake of electric vehicles (EVs)*6 is to achieve that very goal. But many may be unaware that, in fact, EVs also consume large amounts of energy during the body and battery manufacturing processes.

The CO₂ emissions from a manufacturing plant are more-or-less equal to the amount of energy consumption required for production. So, essentially, there is no means of achieving carbon neutrality other than reducing the amount of energy input while at the same time shifting to renewable energy sources for the energy that is used.

In January 2021, the Japanese government declared that by 2035 EVs would account for 100% of new car sales in Japan, and by 2030 the percentage of sales accounting for gas-engine cars other than hybrid vehicles (HVs) would be reduced to 30-50%. Automobile manufacturers with which the Futaba Group does business have also announced plans to reduce CO₂ emissions in their own plants to net zero by 2035. However, unless similar action will also be taken by the suppliers that provide 70% of the parts they use, their decarbonization efforts could end up being all words with no real effect.

For power systems in the mobility field, the shift to EVs is practically regarded as common sense, but if one investigates trends among automobile manufacturers worldwide, it is not that simple. Europe at one time embarked on a shift to diesel cars, but following revelations of exhaust gas-related illegalities on the part of certain companies, it was forced to change course toward EVs. Moreover, EVs still present issues in terms of their range and the time required for recharging. Accordingly, it would be worthwhile to pay attention to fuel cell electric vehicles (FCEVs)*7 and plug-in hybrid electric vehicles (PHEVs)*8 in addition to EVs, as practical solutions to achieve decarbonization from now on.

In any event, the Futaba Group plans to transform this period of transition into opportunity by striving to reduce CO₂ emissions throughout the car life cycle from materials procurement to disposal, and by extending its high-value-added domains beyond the exhaust system parts that have been our traditional area of expertise to encompass additional fields including body and interior parts.

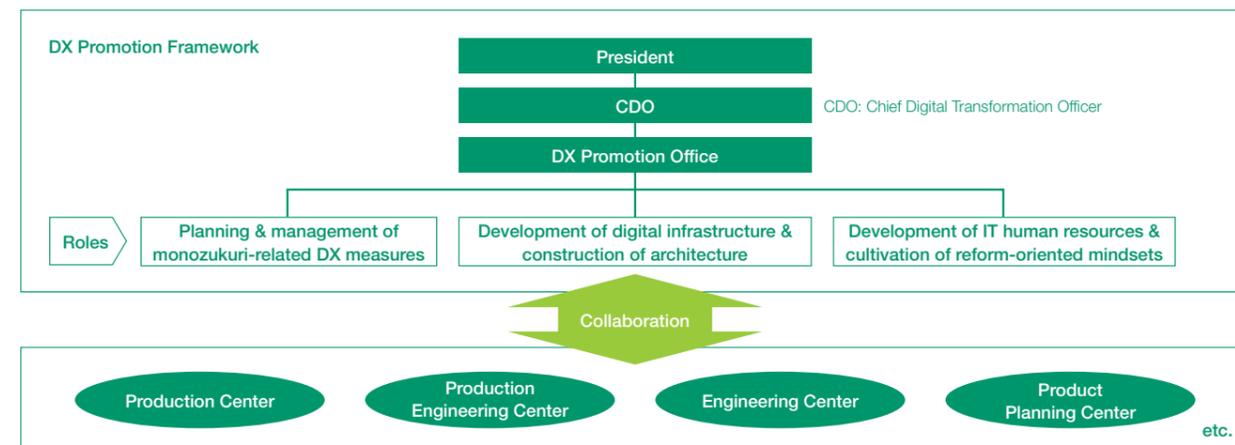
*6 Electric vehicles (EVs): Cars that operate by means of a motor rotated using electricity stored in a battery.

*7 Fuel cell electric vehicles (FCEVs): Cars that operate by means of a fuel cell that creates a chemical reaction between hydrogen and oxygen to generate electricity.

*8 Plug-in hybrid electric vehicles (PHEVs): Next-generation eco-cars in which the distance that can be travelled using electricity alone is extended by adding external charging capability to a hybrid vehicle (HV) that operates using a combination of an engine and a motor.

Message from the President

Structure of the DX Promotion Framework



Results of the New Five-Year Plan, and the Mid-term Management Policy

Enforcing the basics of “Safety, Quality, and Monozukuri”

The New Five-Year Plan, which we implemented over a five-year period from FY2016, finished on March 31, 2021. With regard to our initial projection of achieving 440 billion yen in sales and an operating profit ratio of 3.5%, although we achieved the sales goal, we did not reach our goal for operating profit ratio, largely due to the effects of the pandemic. However, in the second half of the plan’s final fiscal year, the operating profit ratio rose to 4.4%, so I believe that we did attain the capacity to exceed 3.5%.

During the five years of the plan, the Futaba Group steadily pursued rationalization-based improvement activities comprising reduction of defective product waste, improvement of yields, implementation of multi-skill development, and enhancement of productivity. This demonstrates that the Futaba Group has acquired the capacity to secure the minimum level of profit necessary to survive as a supplier operating in the global arena. In the automobile industry, which is the main source of sales for the Group, the pandemic’s spread caused sales volumes to decline compared with the previous fiscal year in Japan, North America, Europe, China, and the Asia region. Under such circumstances, we enforced the basics of “Safety, Quality, and Monozukuri,” and established firm prospects for securing revenue exceeding a certain level by undertaking structural reforms and strengthening cost management.

When I look back over the New Five-Year Plan as Futaba’s president, I think we succeeded in building a solid foundation for a management and earnings base that will last into the future by improving the efficiency of our operations and strengthening administration. In FY2018, the Futaba Group pivoted its focus towards a growth strategy for the future, and we are now striving to strengthen our

monozukuri globally to enable us to keep production in line with our plans. In tandem with this, we are also continuing to address issues such as optimizing our parts business as a whole by executing our medium- to long-term business strategies, building the organizational structure to support a new business model for body system parts, and strengthening our development of parts for EVs.

Reforming our operations through digitalization and innovation

In April 2021, we launched a new Mid-term Management Policy^{*9}. Over the next three years, I want to focus our efforts on digitalization and innovation of our monozukuri. In order to cultivate the solutions capacity necessary to solve customer issues, and then act with a sense of urgency in leveraging this capacity to develop commercial products, we need to drastically change our established ways of working. It is DX that will make this possible. To date, our use of IT has entailed acquiring increased efficiency as if we were placing an order for clothing that would “fit the shape” of Futaba. DX, on the other hand, entails working to change Futaba’s “shape” so that it fits the digitalization Futaba aspires to achieve in the near future.

Guided by a conviction that it should be the president who ensures effective implementation of DX, I myself am heading up the DX Promotion Office, which we established in May 2021 as a specialized organization to handle DX. We are overcoming barriers between individual divisions and departments as we start to engage the entire company in thinking about DX from three perspectives^{*10}: (1) marketing, research, and value creation; (2) development process innovation; and (3) production process innovation. This is testing the extent to which we can bring together the systems, structures, and capabilities necessary for businesses that will still be successful in 10 years’ time.

^{*9} Mid-term Management Policy: For details, refer to “Mid-term Management Policy” on pages 19–20.

^{*10} The three perspectives: For details, refer to “DX initiatives” on page 20.

To Our Stakeholders

Let’s make sure to pass on the baton to the generations to come

In November 2020, Futaba Industrial marked the 75th anniversary of its establishment. It is thanks to the efforts of our predecessors that this company has continued for three-fourths of a century. And it is partly to honor these efforts that we must make sure to pass on the baton of the Futaba Group’s monozukuri DNA to the generations to come. What is required of us now is to more clearly define the form of the “Next Futaba” we are seeking to create. Meanwhile, the key issue we must address is how to use creation of new value to develop a solid base that will last into the future.

I want us to tackle challenges without fearing change

Under circumstances that make it impossible to foresee how the COVID-19 pandemic will develop, our operating environment remains unpredictable. However, that is not a reason to relax our efforts to undertake business reforms. Having outlined six priority implementation items based on our Mid-term Management Policy, the Futaba Group will now use these as the starting point for taking action. Our sites that undertake monozukuri make steady efforts to follow set procedures and avoid producing defective products, while facing constant, stringent demands in terms of

quality and delivery. We need to both standardize and digitalize the work involved in those processes, and proceed one step at a time to take on challenges that will set new standards for the future.

The Futaba Group is supported by a truly diverse range of stakeholders, including its shareholders and investors, employees, and local communities. We have decided to issue FUTABA Integrated Report from this year to help these stakeholders better understand our proposed initiatives to solve social issues and enhance Futaba’s corporate value over the medium to long term.

The Futaba Group regards operating profit ratio and ROE as key performance indicators, and will continue striving to improve these indicators. In addition, we regard dividends as an important means of providing returns to shareholders. We will continue striving to pay stable dividends, while at the same time enhancing corporate value by continuously undertaking capital expenditure to enable business growth.

I encourage you to view this FUTABA Integrated Report as a tool to facilitate dialogue between Futaba and its stakeholders. I hope it will help you to appreciate that the Futaba Group is engaged in initiatives aimed at making the world’s societies sustainable.

It is my aim to retain our stakeholders’ trust in future by persevering with reforms as I drive the Futaba Group forward.



Priority Issues (Materiality): SDGs Initiatives

Futaba Group reflected the Sustainable Development Goals (SDGs) as a common goal of business activities and international communities in the Mid-term Management Policy, linking with the Strategy to Enhance Corporate Value and the 14 Priority Issues (Materiality). We will further contribute to the achievement of SDGs and the realization of sustainable society through our business activities. In order to continue to meet the expectations of stakeholders, we will strive for solving environmental and social issues to enhance the corporate value.

1. Draw a vision for the future growth through SDGs

Connection between FUTABA and SDGs up until now

On the foundation of our Corporate Motto and Management Principle, we have been committed to reducing environmental impact through our development and production, as well as preserving the natural resources and contributing to the society (ESG initiatives) through our CSR activities.

Connection between FUTABA and SDGs for the future

The society faces new environmental and social issues as it becomes affluent, and we support the Sustainable Development Goals (SDGs) as a framework to achieve a Sustainable Society through solving these issues. We started focusing on reconstructing our business activities from the SDGs viewpoint from January 2020. The process and our vision are as follows.

(1) Selection of Strategic SDGs and identification of 14 Priority Issues

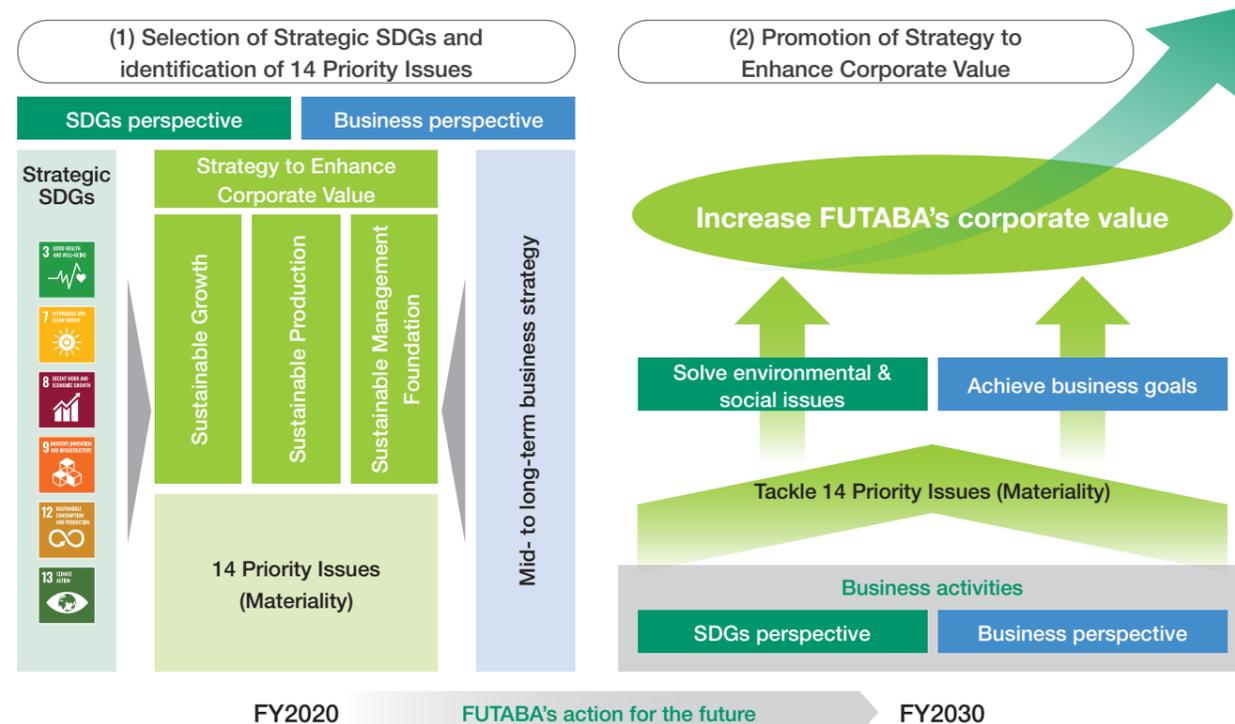
In accordance with the SDGs framework as the common language with the stakeholders, we figured Strategic SDGs (6 out of 17 goals within the SDGs framework) that have the highest priority from stakeholders' and our business perspectives. In achieving the Strategic SDGs, we identified the 14 Priority Issues (Materiality) to tackle.

(2) Promotion of Strategy to Enhance Corporate Value

Futaba Group tackles the 14 Priority Issues (Materiality), which are divided into three categories: Sustainable Growth, Sustainable Production and Sustainable Management Foundation.

We promote both the SDGs Initiatives and the Mid- to Long-term Business Strategy at the same time.

By the promotion of this initiative as the strategy to enhance corporate value, we aim to provide solutions to environmental and social issues and achieve our business goals, which will lead to the survival and sustainable growth of our company. We will promote this initiative as all-Futaba Group.



2. Our approach to SDGs

Selection of Strategic SDGs

Our view on Strategic SDGs

We placed six goals in the SDGs framework as the Strategic SDGs (Six SDGs Goals) which have the highest priority from both stakeholders' and our business perspectives. We will focus on achieving these goals. For other goals within the SDGs framework placed as Significant SDGs, we will continue our operational efforts through our ESG activities.

(1) Highly prioritized goals from business perspective

By interviewing related departments in our organization, we prioritized goals within the SDGs framework that represent opportunities that we can contribute as a business.

(2) Highly prioritized goals from stakeholders' perspective

On the basis of indicators presented by ESG rating agencies, we conducted an analysis on market and social trends and selected prioritized goals, paying close attention to the expectations of stakeholders.

Identification of 14 Priority Issues (Materiality)

We placed the 14 Priority Issues (Materiality) as activities to achieve the Strategic SDGs, and set targets, KPIs and milestones for each priority issue.

To meet the expectations of stakeholders and achieve our business goals, we confirmed consistency between the 14 Priority Issues (Materiality) and the Mid- to Long-term Business Strategy (Business Activities). These issues are categorized into three groups (1. Sustainable Growth, 2. Sustainable Production, 3. Sustainable Management Foundation) as three main pillars of the Strategy to Enhance Corporate Value, and integrated with business activities.

The Strategy to Enhance Corporate Value now enables us to promote both the SDGs Initiatives and the Mid- to Long-term Business Strategy (Business Activities) simultaneously. We will promote them as all-Futaba Group.

Promotional Activities

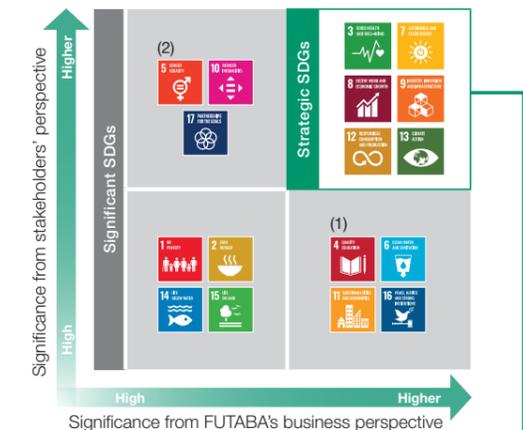
1. Promotional activities as Management

We started to regularly hold the Corporate Value & SDGs Promotion Committee attended by the Board members since April 2020. We actively promote the activities including deliberation on directions and policies, objective setting, and progress management as all-Futaba Group.

2. Promotional activities as FUTABA

We assigned the Responsible Dept. to promote ESG initiatives, driving the decisions of the Corporate Value & SDGs Promotion Committee and the directions of Management across the organization. We also structured the Responsible Dept. to communicate with the Responsible Business Conduct Office (Project Management Office). We will aim to coordinate with domestic and overseas subsidiaries and suppliers in order to promote the activities as all-Futaba Group.

Mapping of the goals in SDGs framework



14 Priority Issues (Materiality)

1. Sustainable Growth

1. Development of environment-friendly green mobility system (E)
2. Pursuit of light-weight body structure (E)
3. Creation of new values (S)

2. Sustainable Production

4. "Monozukuri" considering the impact on global warming and climate change (E)
5. Contributing to a circular economy by reducing waste, conserving resources and promoting recycling (E)
6. Promotion of environmental management on a Group-wide and global basis (E)
7. Improvement in productivity by improving production and operational efficiency (S)
8. Improvement in quality of products and service (S)
9. Creation of safety-first workplace (S)
10. Establishment of sustainable supply chain (E)(S)

3. Sustainable Management Foundation

11. Promotion of health management (S)
12. Contributions to and coexistence with local communities (S)
13. Active work by diverse human resources and human resource development (S)
14. Governance (G)

(E) Environment (S) Social (G) Governance

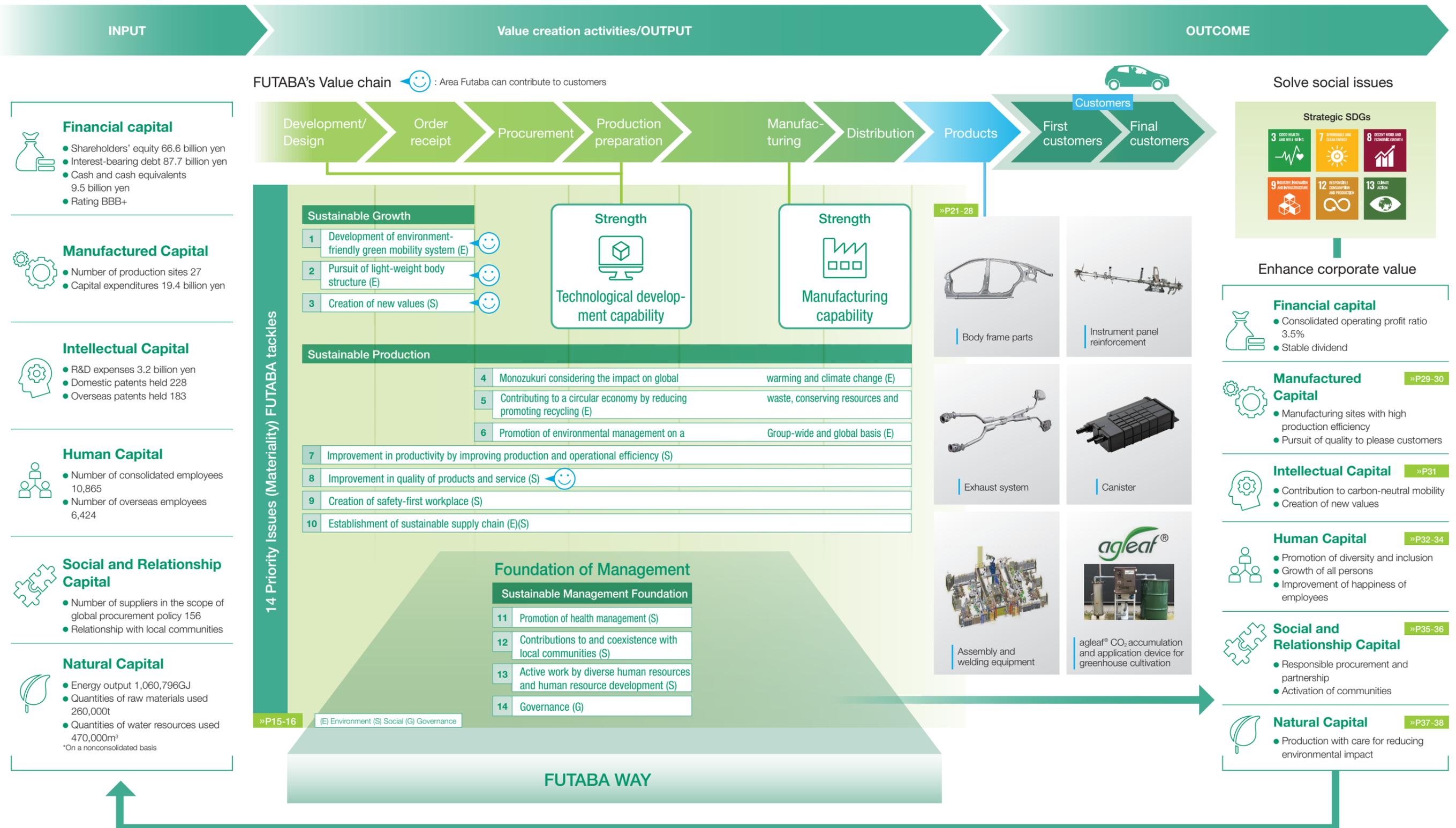
Please click on the link to see the promotional system chart.



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

Value Creation Process

The FUTABA WAY composes of belief, value, and pride which have been handed down over generations since our foundation. Centering around the 14 Priority Issues which we identified toward 2030 from a long-term viewpoint under drastically changing external environment, we aim to enhance our corporate value by solving social issues and achieving business goals through our products, which leverage our strength cultivated with the FUTABA WAY as the origin.



Mid-term Management Policy

We formulated the New Five-year Plan in May 2016, and have implemented management reform activities, centering around the enhancement of efficiency and management in addition to conventional reform of Monozukuri. From 2018, we also started to tackle initiatives toward growth in the future, while reinforcing management foundation through the enhancement of efficiency and management. Following the completion of the New Five-year Plan in FY2020, we formulated the FY2021-2023 Mid-term Management Policy, based on what we want to be in the future, environmental changes, a sense of value required for companies, and the review of the Five-year Plan. The new Mid-term Management Policy indicates the direction of the Futaba Group from FY2021 onward and what we want to be by 2030.

Changes in external environment and a sense of value required for companies

We set what we should be in the future, flexibly responding to various changes in external environment and tackling SDGs with which companies are strongly requested to comply in recent years.



Outline of the FY2021-2023 Mid-term Management Policy and Priority Implementation Items

Based on the three pillars in the Mid-term Management Policy, we aim 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.



We aim to deliver a consolidated operating profit ratio of 3.5% constantly, through putting together the Six Priority Implementation Items from the Mid-term Management Stance and the Mid-term Management Policy, and tackling them across the Futaba Group.

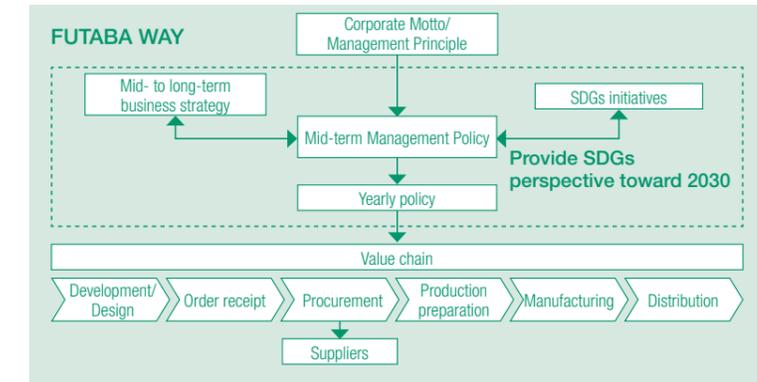
Classification	Outline of Priority Implementation Items
Overall	1. Contribution to society through SDGs activities
Monozukuri (Mass production)	2. Standardize/Promote digitalization and strengthen Monozukuri
Monozukuri (New)	3. Technological innovation and business model evolution to enhance competitiveness
Foundation of production	4. Formulate mid-long term production plans and create structure for global investment management
Management foundation (Platform)	5. Create the basis of company strategy using the digital technology to win through
	6. Responding to changes in the business environment and optimizing FUTABA sites for the future

Priority initiatives

SDGs initiatives

SDGs Initiatives are anchored to the Mid-term Management Policy as one of the Priority Implementation Items and positioned as the item to link with all Priority Implementation Items. Consequently, the policies of every department at HQ and every subsidiary as well as global production policy embed the SDGs initiatives to be promoted throughout our entire value chain toward 2030, aiming for the integration of SDGs into Management.

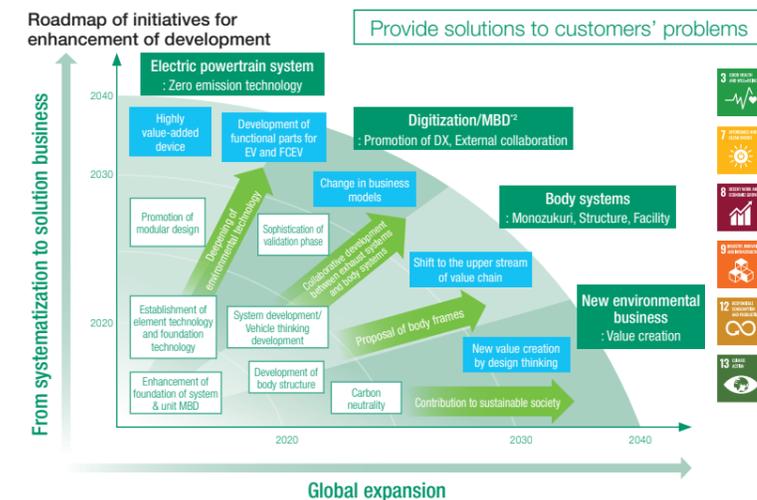
Promotion of SDGs initiatives is now a part of our dairy business operation as all-Futaba Group.



Technological development initiatives

Toward 2040, we provide solutions to customers' problems by the response to solution businesses through global expansion and systematization. We also tackle the enhancement of product development to contribute to zero emission including the improvement of weight and fuel efficiency; the further improvement of exhaust gas purification of exhaust system parts; and the development of a road map toward carbon neutrality through Life Cycle Assessment (LCA)*1 including raw materials, production, emission of completed automobiles, and recycling.

*1 Life Cycle Assessment: Methodology to quantitatively assess environmental impact of the entire life cycle or at a specific stage of a product
 *2 MBD (Model Based Development): Development with the utilization of CAE (Computer Aided Engineering)



DX initiatives

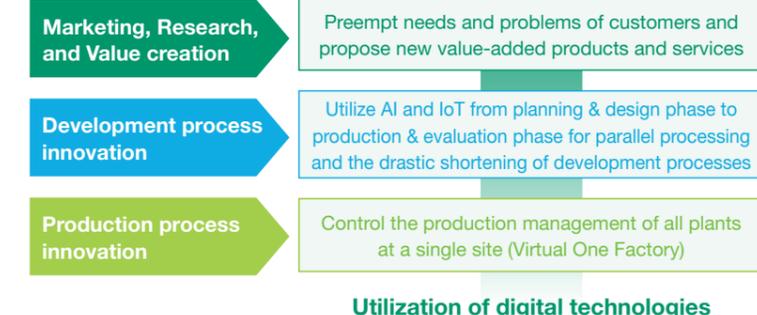
We aim to transform to the way of work (mechanism, organization, and capability) which enables swift commercialization by the creation of new products and solutions through the utilization of digital technologies from the three perspectives. In May 2021, we established the DX Promotion Office, headed by the President for the swift and powerful promotion of DX. From this point on, DX Promotion Office powerfully promotes DX, driving and collaborating with departments across the Company.

Change in mindset

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.



Three perspectives

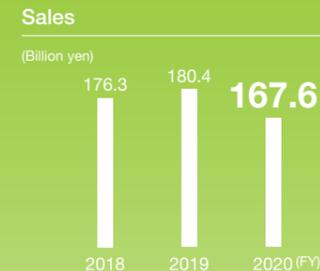


Strategy by Product

Body/Interior parts

Summary of FY2020

We have been shifting our work from parts production to body structure proposals, with customers starting to recognize our competency. Sales in FY2020 ended up with 167.6 billion yen (down 7.1% year on year), affected by the substantial fluctuation in production due to the global spread of COVID-19 infections.



Body parts

Overview

We provide body frame parts of automobiles such as body pillars, which absorb impact in the event of a collision from the front or side and secure space for occupants to survive and hold the front and rear doors.

Main products



External environment/Risks and opportunities

- Structural reform of the automobile industry driven by CASE
- Expansion of products for electric vehicles and response to the needs for weight improvement
- Promotion of digitalization through the acceleration of change
- Intensifying global competition

Strength

- Press molding and welding technologies of ultra-high tension material*
- Production technologies to ensure required quality
- Response to global production in Japan, North America, Europe, China, etc.
- Capability to propose lightweight body structure with collision safety performance

*Ultra-high tension material: A thinner steel sheet with improved strength which can contribute to weight improvement

Priority issues for the Mid-term Management Policy

Technological innovation and business model evolution to enhance competitiveness

- Proposal of a body structure combining the performance from vehicles' perspective and Monozukuri
- Enhancement of Monozukuri and challenge to new production methods

Contribution to a society by sustainable growth through SDGs initiatives

- Promotion of proposals for weight improvement toward the reduction of CO₂ emissions
- Substantial shortening of development lead time by the innovation of development process through the utilization of digital technologies including MBD and AI

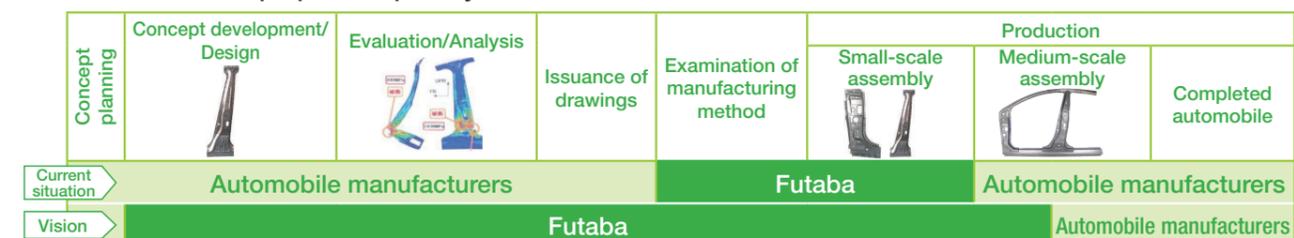
New business model of body parts

In the environment where automobile manufacturers are shifting their management resources to the changes in the industrial structure including CASE, we focus on shifting our business domains to high-value added ones which automobile manufacturers used to shoulder. We enhance development through the expansion of development resources (analysis and design) and facilities (facility for analysis and evaluation system), aiming to strengthen the speed of development. As an initiative to improve the capability of proposal, we aim to expand our business domains from design and production on a part basis to structure proposal and production on an assembly basis.

Enhancement of development (Achievement of FY2020 goals)

Expansion of development resources (Vs. FY2018)		Expansion of facilities (Vs. FY2018 for analysis facilities)	
FY2020		Analysis facilities (Computer) in FY2020	Evaluation system
Analysis resource	6 times	Processing capability 12.5 times	Implement evaluation and analysis in partnership with steel manufacturers
Design resource	2.5 times	Software for analysis 3 times	

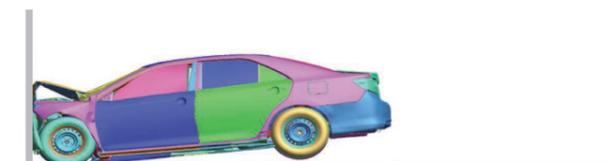
Enhancement of proposal capability



Initiatives for collision safety through the enhancement of analytical technology

We aim to improve the technology of collision analysis through the performance confirmation by a body shell analysis*, in order to secure space for occupants to survive in the event of a collision. In order to gain more reliable analysis results, we also tackle the technology to predict breaking point of welded parts in the event of a collision.

*Body shell analysis: To check the deformation of a body frame



Collision analysis



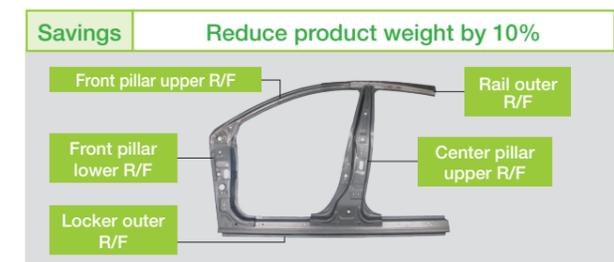
Identify broken parts by collision analysis



Social issues which our main products can solve

Development of production methods with the utilization of cold stamping ultra-high tension materials

We tackle the development of processing technology of parts with 1470MPa cold stamping high-tension materials, which will improve weight of parts and substantially reduce CO₂ emissions during processing. We are promoting the development to comply with parts with difficult shapes to process and pursue the globalization of ultra-high tension materials. We will also tackle the reduction of CO₂ emissions in the production of parts and during the driving of a vehicle.



Body parts made with 1470MPa material

Strategy by Product

Interior parts

Overview

We provide products to support the steering, instrument panel, audio, etc., located inside an instrument panel (dashboard). As the frame of an automobile, they feature an occupant protection function in the event of a collision and contribute to the improvement of a steering feeling.

Main products



External environment/Risks and opportunities

- Change in required performance due to the shift from gasoline-powered vehicles to EVs
- Compliance with space saving through the improvement of design flexibility and increase in the size of displays
- Body frames made of resins for collision-free automobiles (autonomous driving)

Strength

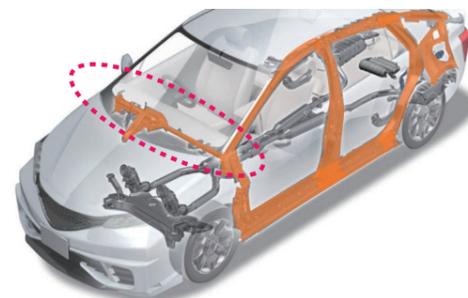
- Light-weight and thinner plate structure utilizing laser welding with less heat distortion
- Development and mass production of body frame parts and instrument panel reinforcements
- Capability of development proposal of optimum vehicle structure by MBD
- Global production system in Japan, North America, Europe, China, etc.

Priority issues for the Mid-term Management Policy

- Proposal of light-weight and space-saving instrument panel reinforcements compliant with electric vehicles
- Development proposal to solve customers' problems from vehicles' perspective
- Substantial shortening of development lead time by the innovation of development process through the utilization of digital technologies including MBD and AI

Initiatives for the development of interior parts

With the advancement of weight improvement and space saving of automobiles, we will propose the most suitable solution for a vehicle to satisfy rigidity of a vehicle; collision safety performance; and the improvement of a steering feeling, leveraging our strength in the development and track record in mass production of body frame parts and instrument panel reinforcements. Through these proposals, we will contribute to occupant protection in the event of a collision and weight improvement, which will lead to the reduction of CO₂ emissions through LCA.



Development of the area of an instrument panel reinforcement and a body frame

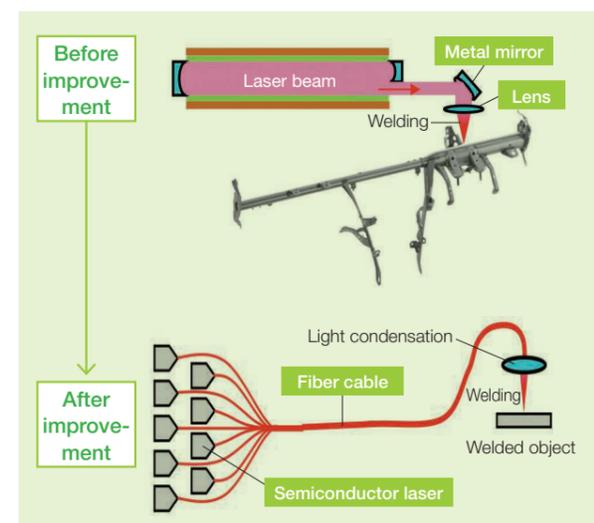


Social issues which our main products can solve

Initiatives for fiber laser welding

We will contribute to the reduction of CO₂ emissions through shift from conventional CO₂ (carbon dioxide gas) laser welding to energy-efficient fiber laser welding in the mass production facility of instrument panel reinforcements.

Savings Reduction of CO₂ emissions: 639t-CO₂



Fuel system parts

Summary of FY2020

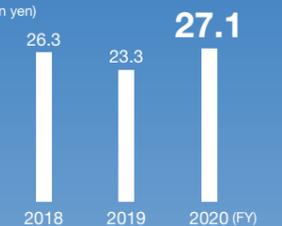
Sales in FY2020 ended up with 27.1 billion yen (up 16.2% year on year) driven by new orders received attributable to the new technology of canisters*¹ and the new double-layer activated carbon structure.*²

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

*² Double-layer activated carbon structure: Different types of carbons placed in double layers to substantially improve performance

Sales

(Billion yen)



Overview

We provide products to contribute to reduce substances of environmental concern generated by automobiles, developing and producing functional fuel system parts around a fuel tank.

Main products



External environment/Risks and opportunities

- Stricter regulation of fuel efficiency and exhaust gases by countries and regions
- Contribution to environment through the improvement of fuel efficiency and performance of exhaust gas purification
- Enhancement of technologies to comply with low purge* amount driven by the spread of electric vehicles

*Purge: To return gasoline 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 flexibility in burning a purged gas in an engine.

Strength

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

Priority issues for the Mid-term Management Policy

- Develop fuel systems aimed at reducing CO₂ emissions, advancing Eco-products* with care for environment
- Develop light-weight and space-saving fuel systems compliant with electric vehicles
- Substantial shortening of development lead time by the innovation of development process through the utilization of digital technologies including MBD and AI

*Eco-products: Environment-friendly green mobility system accredited by the standard of the Company

Initiatives for the development of canisters

In order to comply with the low purge amount of fuel-efficient vehicles including HVs, we expand the double-layer activated carbon structure to other types of vehicles, as a new technology and structure. We also promote the development of highly-functional activated carbon materials to make them smaller and lighter. We also develop products with care for the reduction of substances of environmental concern, utilizing recyclable materials from SDGs perspective.

	2020	2022	2024	2026	2028
Development of structure compliant with HVs and fuel-efficient vehicles					Development of unique and optimal structure
Development of highly-functional materials					Development of highly-functional materials
Development of products to reduce environmental impact					Expansion of the recycling rate and plant-derived materials



Social issues which our main products can solve

Initiatives for the expansion of canisters in compliance with the laws and regulations of North America to other types of vehicles

We promote the provision of products that lead to reduce substances of environmental concern generated from automobiles. We tackle the development of products to contribute to zero emission globally through the expansion of our unique technology of double-layer activated carbon structure in North America and China.

Savings Evaporative gas volume of 20mg or less



Adopted to canisters in compliance with the laws and regulations of North America

Strategy by Product

Exhaust system parts

Summary of FY2020

Sales in FY2020 ended up with 183.4 billion yen (up 13.7% year on year), driven by the commencement of the mass production of exhaust systems for the new car model Yaris of Toyota Motor Corporation, and the sale increase of the exhaust systems produced in India.

Sales

(Billion yen)

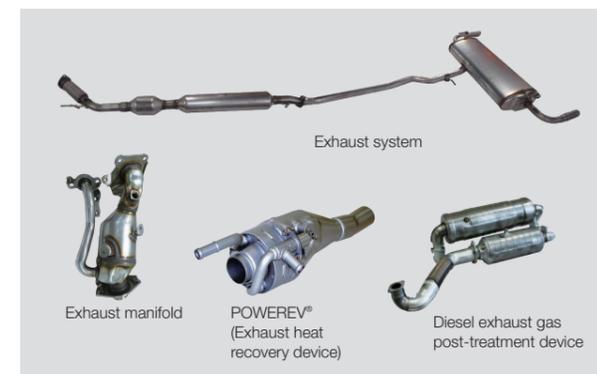


Overview

Through exhaust systems*, we provide products to contribute to the better fuel efficiency of automobiles, the reduction of CO₂ emissions, the cleaning of exhaust gas, and the reduction of noise.

*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.

Main products



External environment/Risks and opportunities

- Shift to the upper stream of value chain in response to CASE
- Change in the powertrain mix driven by the spread of electric vehicles
- Stricter regulation of fuel efficiency and exhaust gases by countries and regions
- Noise reduction of exhaust systems accompanied by tighter restrictions of vehicle noise
- Contribution to environment through the improvement of fuel efficiency and performance of exhaust gas purification as well as noise reduction

Strength

- Leading share 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
- Capability of development and proposal from vehicles' perspective, leveraging the track record in mass production of body parts and exhaust system parts
- Global production systems in Japan, the United States, Europe, China, and India

Priority issues for the Mid-term Management Policy

- Develop exhaust systems aimed at reducing CO₂ emissions, advancing Eco-products with care for environment
- Develop light-weight and space-saving exhaust systems compliant with electric vehicles
- Development proposal to solve customers' problems from vehicles' perspective
- Substantial shortening of development lead time by optimization through the utilization of digital technologies including MBD and AI as well as the innovation of development process, and the promotion of the provision of solution and new value creation

Development of environment-friendly green mobility systems

We will contribute to manufacture environment-friendly automobiles through the advancement of exhaust systems centering around the development described in (1) through (3) below.

Contribution to zero emission

Improvement of the performance of exhaust gas purification substantially contributes as a measure to reduce substances of environmental concern. In order to make the systems highly-functional including GPF* and catalysts to collect and remove microparticles in exhaust gas, we tackle the development of **(1) Next-generation hot end system** to realize with the new production methods.

Specifically, we are developing technology to keep multiple functions in a compact module, including the placement of catalysts in the upper stream close to an engine as a measure to quickly warm catalysts; the recovery of exhaust heat; and the reduction of sheet thickness of materials of catalysts. We are also developing a new production method to cope with the deterioration in strength of catalysts due to the use of thinner materials.

*GPF: Gasoline Particulate Filter

Initiatives for electric vehicles (Compliance with HV, PHEV, REEV*)

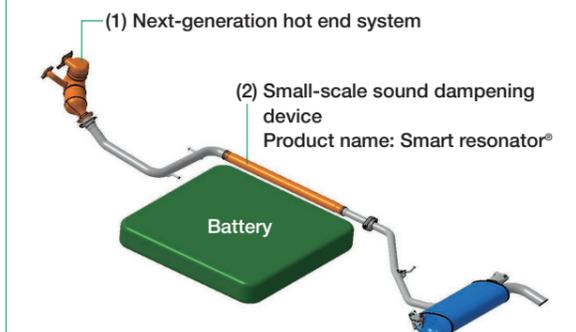
We are tackling the development of **(2) Small-scale sound dampening device**, in order to contribute to the upsizing of battery parts under the floor of a vehicle toward the improvement in the cruising range of electric vehicles and the reduction of CO₂ emissions.

*REEV: Range Extender Electric Vehicle
Vehicle equipped with an engine as a generator in order to extend the cruising range of EV

(3) Initiatives for the development of areas under the floor of a vehicle in order to solve customers' problems

In order to cope with upsizing of batteries of electric vehicles with engines including PHEVs, we promote the enhancement of solution proposals to customers, including the optimization proposal of areas under the floor centering around the downsizing of exhaust systems, leveraging our strength in the mass production of body parts and exhaust system parts.

Conceptual diagram of the application to PHEV



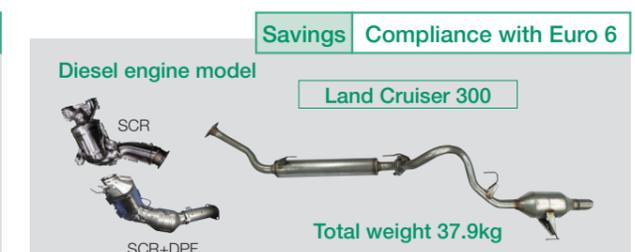
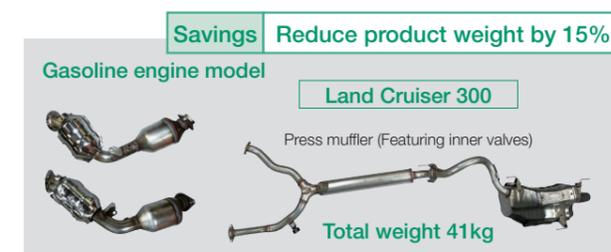
Effects of Smart resonator® (Product name)

- 1 Downsizing and weight improvement by improvement in the efficiency of sound dampening
- 2 Thermal insulation effect by the dual pipes structure (Downsizing by the removal of heat insulators etc.)
- 3 Contribution to battery space under the floor by improvement in the flexibility of mounting

Social issues which our main products can solve

Initiatives of light-weight exhaust systems

In order to cope with the changes in body frame structure of the car model Land Cruiser of Toyota Motor Corporation at a full model change in 2021, we substantially reduced weight by the exhaust systems which utilized a space-saving press muffler and valves to coexist with high performance, contributing to reduce CO₂ emissions in the manufacturing of parts as well as during the driving of an automobile. In order to cope with Euro 6*, the diesel engine models adopted Diesel Particulate Filter (DPF) and Selective Catalytic Reduction (SCR) systems to remove hazardous materials to contribute to reduce substances of environmental concern.



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

Strategy by Product

Equipment for external sales business

Summary of FY2020

We achieved our sales target through sales activities in early stages and strategic order taking in overseas projects, together with high customer evaluation for the quality of equipment and adherence to deadlines which lead to stable orders received. We also substantially exceeded our profit target through activities for cost reduction and cost control, and our profit ratio recorded the highest in the history.

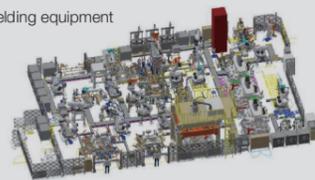
Overview

We provide assembly and welding equipment to various countries with the proposal and production of equipment that meet the needs of customers, applying advanced know-how we have accumulated and utilizing three-dimensional CAD; intensity analysis; robot simulation; and offline teaching.*

*Offline teaching: To create the operation of robots and equipment on simulation software, and recreate the operation through putting the data into actual robots

Main products

Assembly and welding equipment



External environment/Risks and opportunities

- Intensifying competition with local manufacturers overseas
- Reinforcement of customers' expansion into emerging countries
- Shortage of human resources due to customers' shift to development projects including Mobility as a Service (MaaS), CASE, etc.

- Increase of opportunities to receive full turnkey* orders

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

Strength

- Equipment quality with a deep trust from customers
- Delivery record of the global body line*
- Overseas expansion and service systems with minimal capital expenditures
- Track record in orders received for both small-to-medium-sized parts and large-sized parts, and production of assembly equipment of these parts
- Systems capable of receiving full turnkey orders for large-scale assembly and welding equipment

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

Priority issues for the Mid-term Management Policy

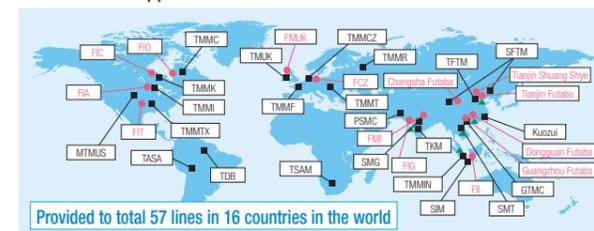
- Expansion of equipment for external sales business at home and abroad
- Receiving orders, expanding the scope of works, and gaining new customers in China and India

Initiatives to strengthen global business

We have produced total 57 global body lines in 16 countries in the world since 1998. In order to cope with intensifying global competition, we established the Custom Production Equipment Div. in China in April 2021. We will promote sales activities, reducing cost by LCC* procurement in China and India and listening to customer voices.

*LCC (Low Cost Country): Countries which produce products with low cost

Futaba's overseas subsidiaries, factories of customers with delivery record, and overseas suppliers



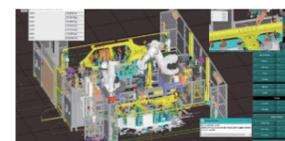
● Futaba's overseas subsidiaries ■ Overseas customers (With delivery record) ▲ Overseas suppliers

Social issues which our main products can solve

Creation of equipment to reduce environmental impact

In creating new equipment, we make equipment light-weight and space-saving, adopt energy-saving tools, and incorporate new equipment into existing equipment. We also promote the reduction of CO₂ emissions through DX and LCA activities including the examination of equipment simulations, digitalization of field work, and workless* confirmation of equipment in virtual reality.

*Workless: Condition of equipment in which there is no vehicle parts to weld and assemble



Facility simulation



Comparison through overlaying 3D data on actual stuff

Agricultural business

Overview

We produce and sell a device to accumulate and apply CO₂ for greenhouse cultivation called agleaf®, 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.

Main products

agleaf® CO₂ accumulation and application device for greenhouse cultivation



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

Toward the development of new equipment

We are enhancing the development of new equipment, following the trend of shifting toward environment-conscious agriculture. In order to achieve the goal of expanding organic agriculture, we are promoting the enhancement of industry-academia-government collaboration, positioning the development of weeding equipment and cultivation equipment as priority themes.



Social issues which our main products can solve

Contribution to the reduction of substances of environmental concern and the low-carbon society

By applying the exhaust gas purification technology, etc. for automobiles, we developed the first device in the industry which accumulates CO₂ exhausted from a combustion-type heater and applies to greenhouses. Through the contribution to reduce CO₂, we are substantially contributing to reduce substances of environmental concern and form the low-carbon society.



Collects, purifies, and accumulates CO₂ while heating during night time, and uses accumulated CO₂ locally during day time when photosynthesis is performed

New environmental business

Overview

Utilization and enhancement of CO₂ collection technologies

- Promotion of technological development toward the realization of carbon neutrality
- Initiatives of the collection technology of highly-efficient and highly-pure CO₂ and the technological development toward the utilization of CO₂

Initiatives for the technology of utilizing next-generation power semiconductors

- Initiatives for inverter application technology, utilizing GaN semiconductors* with which energy saving and a speeding up of communication and power control are expected for home appliances, automobiles and industrial equipment

*GaN semiconductor: A highly functional semiconductor with nitrogen gallium as a material, capable of contributing to downsizing and energy saving

External environment/Risks and opportunities

- Movements toward the realization of decarbonized and carbon-neutral society
- Response to the heightened awareness of environmental problems

Strength

- High-temperature gas control technology and highly-efficient purification technology cultivated by our exhaust system parts
- Gas absorption and desorption control technology cultivated by our fuel system parts
- CO₂ collection and utilization technology, and control technology cultivated through agleaf®



Future initiatives and social issues to solve

Development of CO₂ collection technology

We aim for creating carbon-neutral production plants, applying the development technologies of exhaust system parts and fuel system parts. We promote the development of collection technology of CO₂ exhausted not only from the Company but also from various fields of Monozukuri.

We will also contribute to promote carbon neutrality of local areas through examining how to reuse collected CO₂ from multiple angles and utilizing in various areas including agriculture.

Manufactured Capital

Futaba has global production base and stamping and welding technologies meeting customer needs. The Company strengthens the competitiveness of its Monozukuri consistently 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 work force to understanding the meaning of their work, have awareness for making improvement at all times, and work towards increasing productively and higher quality, while actively challenging Monozukuri taking in new technologies and information.

Priority Issue (Materiality) 7

Improvement in productivity by improving production and operational efficiency [S]



Introducing new production efficiency management

Futaba is advancing the introduction of new production efficiency management, to identify issues and make improvement by having all bases use same indicators for comparison and analysis. From FY2020, we are reviewing the efficiency and production management indicators on a global basis. We will push forward with improving productivity and achieve 15% increase in FY2025 compared to FY2020 (3% increase annually), and a 50% reduction in indirect processes and inventory.

FY2025 productivity increase target



Using tablet devices for management



Moving products with AGV

Initiatives to improve production efficiency using digital tools

To digitalize manufacturing sites, Futaba introduced tablet devices to all production lines in 2018 to help reduce management man-hours by eliminating daily management of hand-written production status report. Currently, we are working to link the device with systems for production instruction, shipping management, and order receipt/placement.

Going forward, we aim to centrally manage order placement, reception, and parts supply operations as well as collection and shipping operations, instead of managing them separately at each plant. In addition, we will further improve production efficiency by connecting the device with production facility to manage information related to line operation and facility.

Introduction of AGV* is also in progress and it is now in partial operation. It will be expanded to all plants in the future.

We will proceed with other initiatives to support production activity, including: (1) enhancing preventative maintenance to facilitate stable production and (2) improving efficiency of product inspection and managing data tendency (making effective use of non-contact 3D measuring instrument and non-destructive testing equipment).

*AGV: Automatic guided vehicle or autonomous mobile robot

Optimizing production system

Information necessary for production planning is organized in a way to facilitate planning for optimum production system and utilization of manufactured capital. This is done by performing update management of general-purpose equipment load and its model changeover. Optimum strategy is formulated and implemented on a global basis based on company-wide profit plan.

Preventative maintenance activities

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" from "fixing after failure." Ideas of TPS* is taken in to address labor reduction in the distribution process flow within the premises. The process includes flow from parts reception, distribution to production lines, to product shipping.

*TPS: Toyota Production System. A production method established to thoroughly eliminate muda (waste) in the production line.

TOPICS

Increasing production capacity in Tohoku region

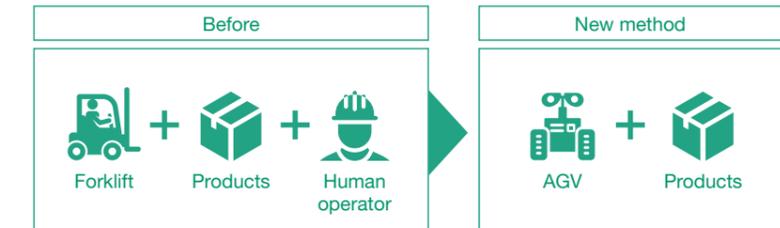
We will increase the production capacity of Futaba Hiraizumi Corp., a subsidiary based in Iwate Prefecture, to address increase in orders of different parts for automotive exhaust system parts and body parts. With the construction of new plant (No.2 Plant) and the introduction of new manufacturing facilities, we are expecting 60% increase in sales compared to the period ended March 2020. Amount of investment for the construction of the No.2 Plant will be approximately 2 billion yen. The construction work began in August 2021,

and the production is to start in June 2022. Additionally, we are expecting to hire 30 new employees from the local area, contributing to job-creation in the region.

The No.2 Plant, upon construction, aims to be the pioneer among the plants to implement DX, along with promoting reduction in CO₂ emissions by considering facility layout taking into account the flow of goods. This includes changing the product transportation from man-operated forklift to unmanned AGV.



Image of No. 2 Plant



Unmanned product transportation using AGV

Priority Issue (Materiality) 8

Improvement in quality of products and service [S]



By setting quality assurance rules as a foundation in the works involving product planning and product inspection, we defined the objective and the responsibility of each job, making each department assume responsibility for quality assurance. Based on quality assurance rules and following the S-D-C-A daily improvement cycle* to gain the trust of customers, we are striving to improve

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

Quality improvement activities

We are conducting our daily activities to respond to the expectations of our customers via activities such as business quality improvement with TQM, quality control activity confirmation meetings, and regular quality meetings. In addition, we are working to improve 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 in the market or elsewhere, 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.

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.

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

our quality assurance systems with an emphasis on processes.

We will also enhance the quality assurance system, uniting all the Company's functions as one, 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).

Performing QA inspection

The Chief of Quality Assurance Center and the members visit plants in Japan and overseas to perform an overall inspection of the quality assurance structures 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," and improvements are made.



Quality control activity confirmation meeting

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 polices of “developing attractive products” and “developing high-performance, high-functioning products.” Working together with our customers towards zero-emission and carbon-neutral mobility, we will promote weight improvement and noise reduction while trying to create new values based on the core technology and contribute to the realization of rich, sustainable society through cooperation with partner companies of different industries and industry-academia-government collaboration.

Intellectual property initiatives

Futaba gathers and analyzes information related to intellectual property, 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 considering the Company's course of action.

R&D initiatives

While promoting development of original products by combining our product development technology with production technology, we are interacting and cooperating with automobile manufacturers and specialized manufacturers, and conducting industry-academia-government joint development activities to develop technologies in wide range of area including materials development such as iron, nonferrous metal, and resin, as well as new structures and new production methods.

Going forward, we will input more resources into R&D, especially in adding higher value to body parts and enhancing the development of electrification related products as well as the environment related new products.

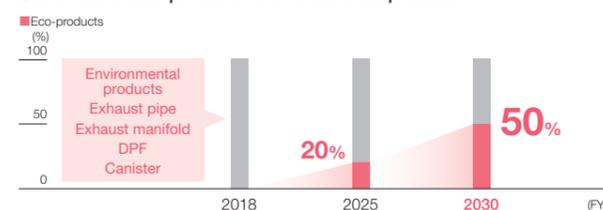
Priority Issue (Materiality) 1

Development of environment-friendly green mobility system [E]

To increase sales ratio of environment-friendly Eco-products by realizing CO₂ emissions reduction and noise reduction related to mobility, Futaba works on (1) evolution of exhaust gas purification technology, (2) evolution of sound dampening technology, and (3) weight improvement and downsizing of products.*

*For initiatives involving (1) to (3), see p.26 “Development of environment-friendly green mobility system”

Sales ratio of Eco-products to environmental products

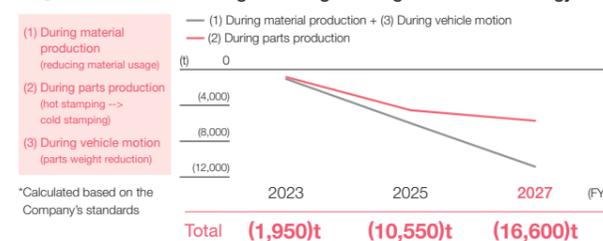


Priority Issue (Materiality) 2

Pursuit of light-weight body structure [E]

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 by utilizing global, ultra-high tension technology and through other approaches. To promote such action, we are strengthening the development of body structure and also evolving the production technology.

CO₂ emission reduction target utilizing ultra-high tension technology



Priority Issue (Materiality) 3

Creation of new values [S]

To solve environmental and social issues, Futaba works on a global basis to develop technologies aimed at realizing carbon neutrality, develop technologies for zero-emission, develop new products for next-generation mobility, and evolve products for agricultural domain.

Human Capital

Futaba believes that, “to do a good work, all employees, including their families, should be in good physical, mental, and social condition,” and maintaining this is an important managerial issue. Therefore the Company is pushing ahead with initiatives to encourage each and every employee to work happily, with joy, and with energy and aims to improve the happiness of employees.

Furthermore, by accepting various human resources, by bringing out their maximum potential, and by realizing a workplace environment 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.

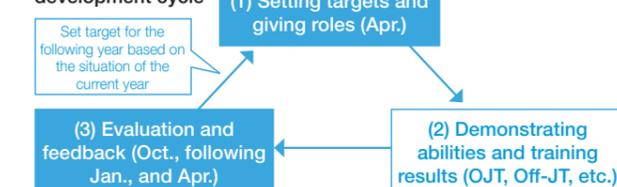
Priority Issue (Materiality) 13

Active work by diverse human resources and human resource development [S]

Growth of each employee

Based on our belief that the growth of each individual employee leads to the development of the corporation, Futaba promotes the development of global human resources capable of performing operations with a sense of ownership.

Human resources development cycle



Training system

Qualification	By rank	By function	Self-development
Managers	Management training for managers Training for new managers	Pre-overseas posting training Selective English proficiency training Outside training, seminars, etc. Overseas trainee system	Language learning Internal TOEIC testing
Assistant managers	Training for assistant managers		
General	Problem solving-oriented business improvement training (advisers) Problem solving-oriented business improvement training (basic/advanced)		
New employees	New recruit training, Monozukuri training, follow-up training for new recruits		

Developing human resources for Monozukuri

To enhance Monozukuri capabilities at production sites, Futaba works on improving skills of each skilled workers at Monozukuri Training Center to promote development of personnel skilled for Monozukuri and development of workplace.

Training programs offered at Monozukuri Training Center

Name of training programs	Purpose	Training hours
Training for new assistant managers	Acknowledging the roles of assistant managers, TPS “built in quality with ownership,” etc.	32 hours
Training for new group leaders	Acknowledging the roles of group leaders, TPS issue resolution method, etc.	24 hours
Training for new team leaders	Acknowledging the roles of team leaders, acquiring basics through TPS exercise, etc.	32 hours
Special training for first-level skilled workers	Acquiring basic knowledge and attitude required for becoming a skilled worker, TWI-JI (how to teach your job), etc.	32 hours
Training for first-level skilled workers	Acquiring basic knowledge of safety and quality, TPS basic training, etc.	16 hours
Training for second-level skilled workers	Acquiring basic knowledge of safety and quality, acquiring TPS muda elimination and Just in Time (JIT), etc.	16 hours
Training for new employees	Acquiring basic knowledge of safety and quality, gaining a sense of solidarity through disciplined activity training, etc.	32 hours

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.

(FY2020 competition was cancelled due to COVID-19)



Competing welding technique

Promotion of diversity and inclusion

Futaba believes that a company will grow if its human resources, with diverse attributes and values, can demonstrate their maximum potential and work energetically with a sense of reassurance. Specifically, we are promoting female empowerment, employment of people with disability, rehiring after mandatory retirement, and enhancing work-life balance, among others.

Female empowerment initiatives

Futaba promotes proactive hiring of female employees by setting target ratio for female newly graduate hire. In addition, we implemented measures such as childcare leave and shorter working hours programs that exceed statutory requirement to support balance between work and child rearing, and in FY2020, introduced a telecommuting program to create an environment where female employees can further continue their career.

	Target	FY2018 Result	FY2019 Result	FY2020 Result
Ratio of female newly graduate hire (on career track)	20%	17.8%	14.8%	17.0%

TOPICS A get-together between Outside Directors and female employees

In June 2019, Ms. Motoko Miyajima, attorney at law, was appointed the first female Outside Director of the Company. In order to examine measures for female empowerment, Ms. Miyajima and career-track female clerical and skilled workers from each department met six times in total to share opinion on matters such as job satisfaction, future career plan, and work-life balancing measures. We will reflect these opinions in planning corporate measures in the future.



Initiatives for hiring people with disabilities

Futaba works proactively to hire people with disabilities in support of their independence as well as their participation to society. The employment ratio was 2.38% in FY2020, which exceeds the statutory requirement.

Initiatives for reemployment after mandatory retirement

Futaba has a system for rehiring employees after their mandatory retirement. In compliance with laws and regulations, we rehire all those who wish to be re-employed. We also introduced shorter working hours program to respond to voices requesting diverse work style of rehired employees.

Number of employees rehired after mandatory retirement

FY	2016	2017	2018	2019	2020
Persons	94	94	110	128	138

Efforts towards improving work-life balance

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 FY2020), 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) <table border="1" style="margin-left: 20px;"> <thead> <tr> <th colspan="6">Paid annual leave taken</th> </tr> <tr> <th>FY</th> <th>2016</th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Days</td> <td>17.0</td> <td>16.3</td> <td>16.9</td> <td>17.5</td> <td>17.9</td> </tr> </tbody> </table>	Paid annual leave taken						FY	2016	2017	2018	2019	2020	Days	17.0	16.3	16.9	17.5	17.9
Paid annual leave taken																			
FY	2016	2017	2018	2019	2020														
Days	17.0	16.3	16.9	17.5	17.9														
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																		

Priority Issue (Materiality) 9 Creation of safety-first workplace [S]

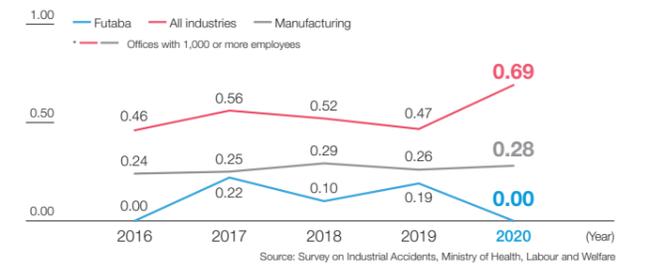
We believe that the safety and health of each one of our employees is a precious asset and management resource. Based on the concept that "Safety always takes first priority," we seek to ensure workplace environments facilitating safety and ease of work, respecting the personalities and individuality of our employees, while striving to ensure their satisfaction and fulfillment.

Accident prevention initiatives

We implemented STOP 6* initiatives and focus on risk reduction activities in particular to prevent accidents arising from transportation of heavy objects and accidents related to vehicles (lifting). We also work on reducing the risks by reviewing the risk assessment.

*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.

Frequency of industrial accidents (Disabling injury frequency rate)



Safety education

Under our belief that it is possible to achieve a zero accident record, Futaba provides safety education to achieve zero accident workplaces, working to ensure that basic practices are thoroughly carried out. Examples of specific company-wide educations we provide are: rank-based education for newly appointed managers and education for changing the mindset to create safety culture and to create felt leadership*.

*Felt leadership: Under felt leadership, not only the leaders will demonstrate leadership but each employee will also develop awareness that they are professional leaders who have thorough knowledge of the site and take the lead in promoting safety activities.



Safety education course

Priority Issue (Materiality) 11 Promotion of health management [S]

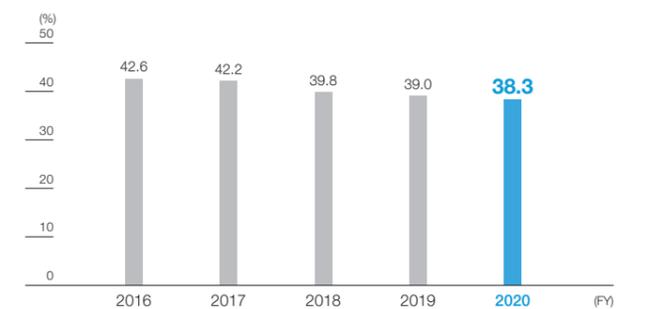
Based on the concepts of Well-Being¹ and health management, Futaba promotes the establishment of healthy lifestyle, prevention of disease and its aggravation, and locomotive syndrome prevention activity to improve happiness of employees and to extend the healthy life expectancy. We are working to make improvement for comfortable labor environment and carrying out health promotion by enhancing health guidance offered by occupational health physician and public health nurse in addition to making visible those with high risk of brain blood vessel disease and heart disease and collaborating with health insurance association so that employees can continue working in a good mental and physical condition.

We are also promoting employees maintain their health through sports promotion activities using apps, cooperating with the company cafeteria in advertising healthy menus, conducting

mental health education, and carrying out activities to promote no-smoking.

¹ Well-Being: Concept meaning being in a good physical, mental, and social condition.
² loco: Short for locomotive syndrome. Condition wherein mobility functions are declined due to locomotive organ impairment.

Percentage of smokers (male)



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 sets out standards of action for employees, clearly states compliance with

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

*Futaba Helpline: See "Establishment of helplines" on p.50

Social and Relationship Capital

Futaba establishes partnership with each of its suppliers and together 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.

Priority Issue (Materiality) 10

Establishment of sustainable supply chain [E][S]



Basic approach

1 Open and fair optimal procurement

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 Procurement strategy from global/SDGs perspective

To respond to customers' Monozukuri, new technologies, and new production methods, we make proactive use of local suppliers thereby strengthening our procurement base while contributing to the regional community.

3 Ongoing transactions based on 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. During the period of COVID-19 crisis, interactive meetings are being mainly held online.



Company policy briefing at new year greeting party (live streaming)

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.



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. Furthermore, the Supplier CSR Guidelines states our expectations toward our suppliers, while we promote business activities focused on CSR together with our suppliers based on mutual understanding and relationships of trust.

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

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.

Period	Mass production			Selection and order placement	
	Safety [S]	Quality [Q]	Delivery [D]	Cost [C]	BCP
Up to 2020	Promote SDGs initiatives				
2021-25	Incorporate SDGs initiatives into assessment				
2026 onwards	E Environment		S Society		G Governance
	Energy-saving & clean energy, CO ₂ emission reduction, and chemical substance management		Human rights, gender, education, learning opportunity, and conflict mineral		Forced labor, corporate governance, compliance, and information security

Priority Issue (Materiality) 12

Contributions to and coexistence with local communities [S]



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 com-

munity 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

Futaba Environmental Course for employee families was held at Okazaki-shi Hotaru (firefly) School in Okazaki-shi, Aichi Prefecture. Participants received in-class lecture on biology of fireflies as well as biodiversity, and went into the river to study living things and think about the environment.



Futaba Environmental Course at Hotaru School

Japan/Head Office

Community activity

We participated in a festival for community, sponsored by the Japanese Association. We took charge of a game booth for a ball game called "struck out," introduced Japanese cultures, and deepened our interaction with the local residents.



EMJA Jamboree

UK/FMUK

People development

We donated stationeries offered by employees as charity as well as emergency food supply stocked at the Company to Okazaki Heiwa Gakuen, children's orphanage in Okazaki-shi, Aichi Prefecture.



Donating stationeries to children

Japan/Head Office

Support during COVID-19

FMI (India) visited three impoverished regions and distributed food, household goods, and sanitary goods, and performed a play to raise awareness of the residents on COVID-19 infection prevention and vaccination.



A play for awareness enhancement

India/FMI

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 makes effective use of the limited resources and minimize environmental burden. In August 2021, we newly developed an environmental policy to promote future activities and contribute to global environmental protection.

Case 3 Yosedome (consolidation) of production facility

Case of yosedome of muffler production line
To increase utilization rate per line, line A is consolidated to line B when its production volume drops.

Other initiatives

- Reducing standby power consumption
- Cutting down air leakage loss
- Replacing ceiling lighting to LED
- Renewing extra high-voltage substation facility
- Managing cooling chiller temperature
- Shifting to electric forklift trucks
- Installing solar panels (Fall 2021)

Environmental policy

Futaba Group recognizes global environmental protection as 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 low-environmental burden production and facility creation from the development stage to distribution.

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.

Priority Issue (Materiality) 4

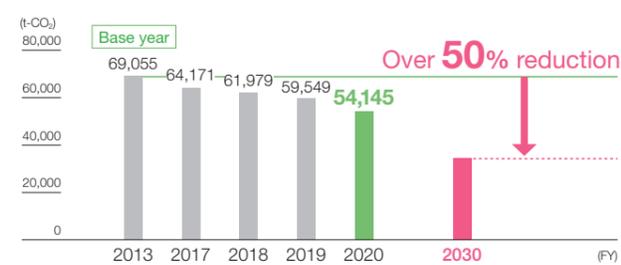
“Monozukuri” considering the impact on global warming and climate change [E]



To realize the creation of decarbonized society, we set FY2030 CO₂ emissions reduction target at a reduction of 50% or more at plants, compared to FY2013. Our efforts towards achieving this target include replacing heat source of air conditioners at plants (change from heavy oil A type to electrical type) and controlling energy consumption with the use of inverter. We are also steadily performing other improvement activities related to production such as yosedome (consolidating production operation), reducing standby power consumption, and cutting down air leakage loss.

Going forward, we will make more approaches from the production method and product design stage, and continue our commitment to realizing carbon neutrality.

Amount of CO₂ emissions (non-consolidated)

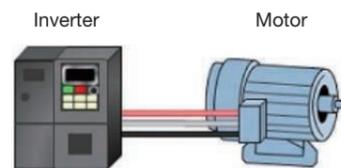


Case 1 Replacing heat source of air conditioners at plants



Replace from heavy oil A type to electrical type

Case 2 Controlling with inverter



Connect an inverter to the main motor to moderately adjust the rotation speed and control electricity consumption

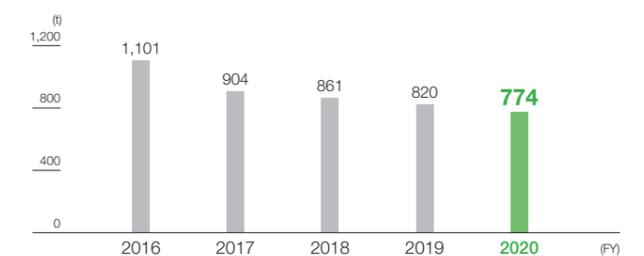
Priority Issue (Materiality) 5

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



We are working on saving resources, recycling, and reducing waste taking into consideration 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.

Industrial waste output (Non-consolidated)



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 the Company also focuses on activities to minimize waste loss and reduce waste within the process to avoid defective products in the production process. We also carry out other initiatives such as reducing waste by conducting daily inspection using non-destructive testing equipment for overall resource saving and waste reduction.

Initiatives to reduce oil usage

To reduce the amount of fuel used for forklifts, which account for nearly 70% of all oil use, we are shifting to electric forklifts and small electric vehicles. In FY2020, 75% of transportation equipment was shifted to electric. 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 are filtered and reused as much as possible.

Priority Issue (Materiality) 6

Promotion of environmental management on a Group-wide and Global basis [E]



Futaba acquired ISO14001 in 2000 and commits in carrying out environmental management aimed at realizing a sustainable and recycling-oriented society.

As a specific activity, we have four subcommittees (Pollution Prevention, Waste Reduction, Energy Conservation, and Resource Conservation) for horizontal implementation of good examples across the Company and to improve flaws in a timely manner. Each subcommittee works to achieve each of their goals for continued improvement. Going forward, we will share the environmental targets with our subsidiaries and further expand our activities.

Number of bases that acquired ISO and its ratio



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

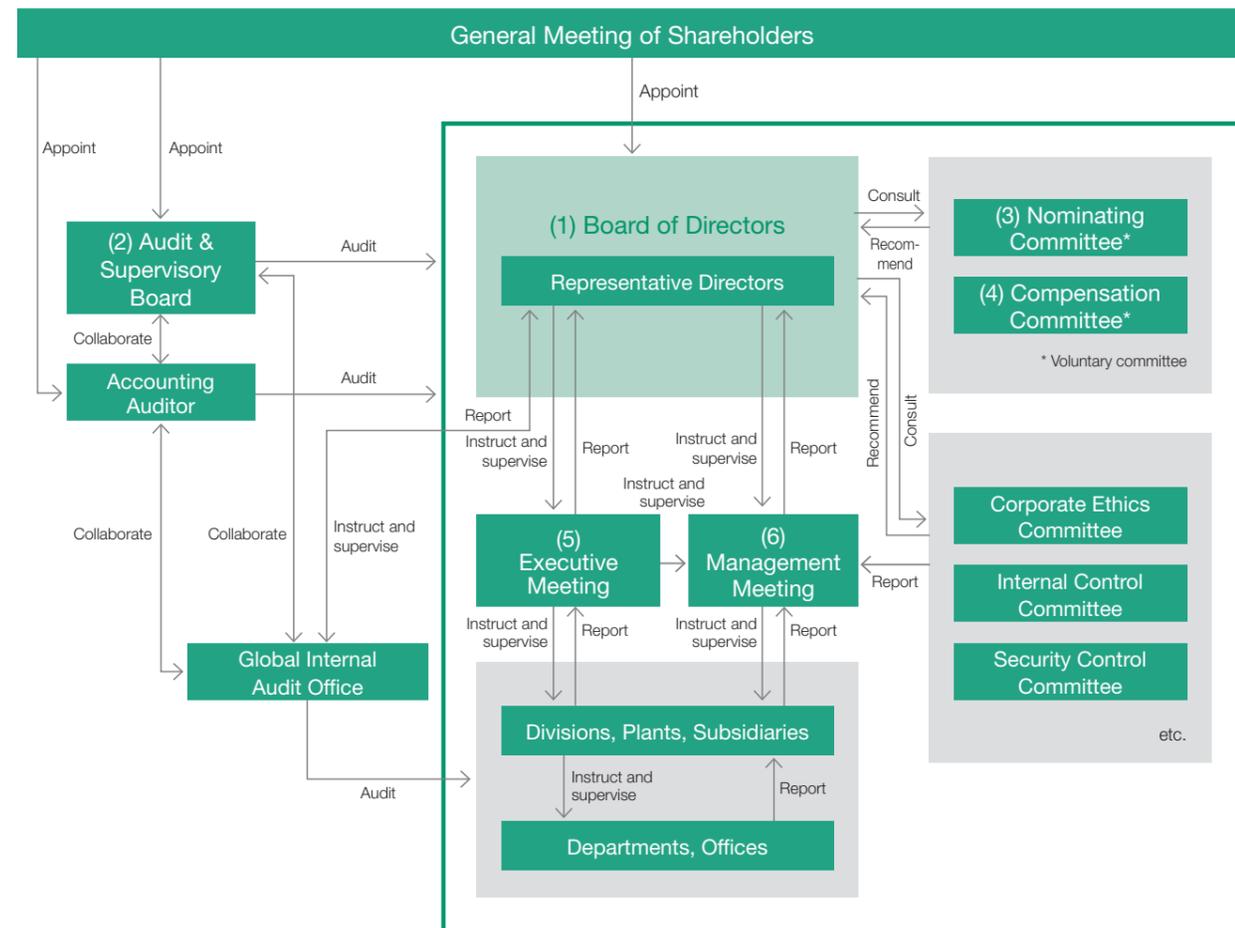
to conduct business activities in compliance with laws, regulations and social norms, as well as enhance business transparency. To this end, we will continue to develop and enhance these systems with an emphasis on (1) faster-paced management with better strategic capabilities, (2) ensuring the transparency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

Promotion system of corporate governance

For sustainable growth and the improvement of corporate value over the medium to long term, we believe it important to implement fair and independent audit, in addition to faster-paced decision making and business execution. Therefore, at the monthly meetings of the Board of Directors, Outside Directors

offer advice to ensure the appropriate report, deliberation, and resolution of material matters. At the regular meetings of the Audit & Supervisory Board, we ensure the management oversight function through Audit & Supervisory Board Members’ attendance to material meetings and audits of subsidiaries.

Corporate governance system



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.

Month and year	Event	Achievements and medium- to long-term objectives
June 2014	Outside Directors were appointed and assumed office	• To strengthen a management oversight function
November 2015	Started to assess the Board of Directors’ effectiveness through an in-house questionnaire survey	• Grasp opinions and requests regarding the members of the Board of Directors, the way of operation, and the quality of information to be provided to the Board of Directors, etc. • Enhance the Board of Directors’ effectiveness in a sustainable manner
June 2016	Increased the number of Outside Directors	• To strengthen a management oversight function
December 2018	Established the Nominating Committee and the Compensation Committee as voluntary committees	• To strengthen the management oversight function of the Board of Directors • To enhance the objectivity and transparency of a decision-making process
June 2019	Increased the number of Outside Directors through the appointment and assumption of office of a female Outside Director (attorney at law)	• To strengthen a management oversight function • To enhance the Board diversity

Oversight function/Execution function

(1) Board of Directors

The Board of Directors holds monthly meetings in principle, attended by one full-time Audit & Supervisory Board Member and three Outside Audit & Supervisory Board Members in addition to nine Directors (including three 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.

Number of meetings held in FY2020: 12 times

(3) Nominating Committee

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.

Number of meetings held in FY2020: Six times

Deliberative body for business execution

(5) Executive Meeting

It deliberates and resolves highly confidential matters among items for decision making regarding business execution.

Frequency of meetings: Once a month in principle

(2) Audit & Supervisory Board

The Audit & Supervisory Board holds monthly meetings in principle, attended by 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 accountants, a former president of a company, and a 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.

Number of meetings held in FY2020: 14 times

(4) Compensation Committee

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 and Executive Officers from a fair and objective perspective, and submit recommendations to the Board of Directors.

Number of meetings held in FY2020: Five times

(6) Management Meeting

It discusses matters to be submitted to the Board of Directors, other important matters and individual issues.

Frequency of meetings: Twice a month in principle

Corporate Governance

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 from 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.

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 advise and supervision to management, with the knowledge of business management, finance and accounting, and legal affairs.

Support for Outside Directors and Outside Audit & Supervisory Board Members

In order to deepen the understanding of Outside Directors on our business execution, we have each division submit reports and hold plant tours 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 assign a staff member to support their duties, in addition to holding a preliminary briefing on matters to be submitted to the Board of Directors.

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

The Company appoints three Outside Directors and three Outside Audit & Supervisory Board Members to offer advice and suggestions to ensure appropriate decision making by the Board of Directors from an external viewpoint, in addition to 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 was appointed in order to bring his wealth of experience and deep insight into the Company's management, considering his expertise and experience, acquired over many years as a certified public accountant, as well as serving as Outside Audit & Supervisory Board Member and Outside Director of the Company since 2015.
Masayoshi Ichikawa	Outside Director	○	Mr. Masayoshi Ichikawa was appointed in order to bring in many years of experience as corporate manager at Toyoda Gosei Co., Ltd. as well as his wealth of experience and deep insight into the Company's management.
Motoko Miyajima	Outside Director	○	Ms. Motoko Miyajima was appointed in order to bring in her expertise and experience acquired over many years as an attorney at law as well as her wealth of experience and deep insight into the Company's management.
Yoshihisa Miyabe	Outside Audit & Supervisory Board Member	○	Mr. Yoshihisa Miyabe was appointed in order to bring in his expertise in the production engineering field cultivated at Toyota Motor Corporation as well as his extensive experience and deep insight into the Company's audits.
Hitoshi Suzuki	Outside Audit & Supervisory Board Member	○	Mr. Hitoshi Suzuki was appointed in order to bring in his expertise and experience, acquired as a certified public accountant, and his extensive experience and deep insight, into the Company's audits.
Ryusuke Itakura	Outside Audit & Supervisory Board Member	○	Mr. Ryusuke Itakura was appointed in order to bring in his expertise in finance and experience as corporate manager from many years of service at Sumitomo Mitsui Banking Corporation as well as his extensive experience and deep insight into the Company's audits.

Training for Directors and Audit & Supervisory Board Members

For those who serve as Directors and Audit & Supervisory Board Members, we hold seminars on laws and regulations related to corporate officers, in order to deepen their understanding on roles and duties as persons who play a key role in an important governance organization. We also hold regular training sessions for officers and promote them to participate in outside seminars as necessary, taking up medium- to long-term issues.

Assessment of the Board of Directors' effectiveness

We aim for continuous improvement of the Board of Directors, analyzing and assessing whether the Board of Directors effectively fulfills its roles and duties, with reference to questionnaire surveys, etc. of Outside Directors and Audit & Supervisory Board Members.

Assessment method

- Implemented a questionnaire survey of the Board members on its effectiveness (carried out in December, and covered the period from April to December)
- Aggregated the results of the questionnaire survey, and examined countermeasures (from January to February)
- 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 (March)

Results of assessment in FY2020

- As a result our improvement initiatives on the structure and management method as well as the quality of information to be provided to the Board of Directors, we were assessed as holding effectiveness to make material decisions in management and to oversight business execution.
- On the other hand, some respondents commented that too much time is spent for the approval of business execution matters and time allocated for discussion on medium- to long-term business strategies, etc. is insufficient.

Improvement plan based on the results of assessment in FY2020

- Enhancement of discussions on medium- to long-term management strategies, etc.
We will enhance time to spare for the deliberation of our global strategy with medium- to long-term view, through making the number of matters to be submitted to the Board of Directors and the time for discussion efficient.
- Enhancement of advice on corporate management from Outside Directors and Outside Audit & Supervisory Board Members
After the Board of Directors meetings, we will separately allocate time to obtain advice on their expertise areas as well as from a wide perspective of external environment.

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 to perform business operations properly in accordance with the Companies Act and other laws and regulations. Regarding matters to be discussed according to the rules, we make decisions on through discussions in the Board of Directors meetings and other occasions, and perform business operations.

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. We have established the Working-level Meeting on Internal Control under the Internal Control Committee to promote the practical aspects of internal control. The Internal Control Committee has set the FUTABA 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.

Corporate Governance

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 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.

The content of the compensation of individual Directors is determined by the President based on the delegation by the resolution of the Board of Directors. The President determines the content of the compensation of individual Directors, respecting the deliberation and recommendation of the voluntary Compensation Committee of which Independent Outside

Directors account for a majority. However, 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, respecting 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 (persons)
		Monthly compensation	Bonus	Stock compensation	Retirement benefits for executives	
Directors (excluding Outside Directors)	169	123	33	12	—	5
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	17	17	—	—	—	1
Outside Directors	22	22	—	—	—	3
Outside Audit & Supervisory Board Members	14	14	—	—	—	3

Strategic Shareholdings

Basic policy regarding 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 FY2020

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, we judged to keep holding the strategic shareholdings.

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 Finance and Accounting 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 FY2020

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

Directors and Audit & Supervisory Board Members (As of June 17, 2021)

Directors



Representative Director
and President

Nominating Committee

Hiroyoshi Yoshiki (January 4, 1957)

April 1980 Joined Toyota Motor Co., Ltd.
January 2001 Vice President, Toyota Motor Manufacturing, Kentucky, Inc.
January 2007 General Manager, Plant Administration Div., Kinuura Plant, Toyota Motor Corporation
June 2009 Managing Officer
June 2010 Plant General Manager, Kinuura Plant
April 2011 Deputy Chief Officer, Technical Administration Group
January 2012 Chief Officer, Technical Administration Group
April 2015 Corporate Adviser, the Company
June 2015 Representative Director and Senior Executive Vice President
June 2016 Representative Director and President (to the present)

Reasons for appointment

In addition to his experience of serving as Managing Officer at Toyota Motor Corporation, Mr. Hiroyoshi Yoshiki has been involved in the management of the Company, having served as Senior Executive Vice President and President since 2015.

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



Director, Operating Officer

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 (to the present)

Reasons for appointment

In addition to his experience as Managing Officer at Toyota Motor Corporation, Mr. Yoshihiro Uozumi has his experience mainly in the production control departments at Toyota Motor Corporation.



Director, Operating Officer

Mikio Iwatsuki (September 10, 1957)

April 1981 Joined the Company
November 2002 General Manager, Engineering Div., Mutsumi Plant
July 2006 Counselor, Information & Environmental Equipment Div., Mutsumi Plant
July 2008 Officer, Information & Environmental Equipment Div., Mutsumi Plant
June 2010 Director
June 2013 Director, Managing Executive Officer
June 2015 Director, Senior Managing Executive Officer
January 2021 Director, Executive Officer (to the present)

Reasons for appointment

In addition to his experience mainly in the information & environmental equipment division and the production division at the Company, Mr. Mikio Iwatsuki has been involved in the management of the Company as Director since 2010.

Number of Board of Directors meetings attended	12/12 (100%)
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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, 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%)
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Director, Operating Officer

Tomohiro Takahashi (June 1, 1960)

April 1984 Joined Toyota Motor Corporation
January 2007 General Manager, Purchasing Dept. No.3, Purchasing Div. No.2, Global Purchasing Center
January 2008 General Manager, Body Parts Dept. No.2, Body Parts Purchasing Div., Purchasing Group
January 2010 General Manager, Purchasing Control Dept.
April 2011 Officer, Planning Center, the Company
July 2011 Officer, Deputy Chief, Planning Center
June 2012 Director
June 2013 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 purchasing division at Toyota Motor Corporation and the Company, Mr. Tomohiro Takahashi has been involved in the management of the Company as Director since 2012.

Number of Board of Directors meetings attended	12/12 (100%)
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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	6/6 (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 RIKKA 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.

Number of Board of Directors meetings attended	12/12 (100%)
Number of Nominating Committee meetings attended	6/6 (100%)
Number of Compensation Committee meetings attended	5/5 (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	6/6 (100%)
Number of Compensation Committee meetings attended	5/5 (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 Public Pollution Review Committee, Aichi Prefecture
June 2012 Member of Development Review Committee, Nagoya City
April 2016 Member of Administrative Complaint Review Committee, Aichi Prefecture
June 2016 Outside Director, Canox Corporation (to the present)
June 2019 Director, the Company (to the present)

Reasons for appointment

Ms. Motoko Miyajima has expertise and experience acquired over many years as an attorney at law.

Number of Board of Directors meetings attended	12/12 (100%)
Number of Nominating Committee meetings attended	6/6 (100%)
Number of Compensation Committee meetings attended	5/5 (100%)

Audit & Supervisory Board Members



Audit & Supervisory
Board Member

Kazunori Kato (November 3, 1961)

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



Outside Audit & Supervisory
Board Member

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 Seconded to Toyota South Africa Motors (Pty) Ltd.
January 2021 Plant General Manager, Motomachi Plant, Toyota Motor Corporation (to the present)
June 2021 Audit & Supervisory Board Member, 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.



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 Kaitun 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 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%)



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, SMBC Guarantee Co., Ltd.
June 2013 Representative Director and President, Muromachi Building Service Co., Ltd.
May 2019 Director, TAIWOKA 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%)

Comments from Outside Directors

Our Outside Directors provided us with comments regarding the Company's governance and medium- to long-term value creation.



Outside Director
Masaki Horie

Outside Director
Motoko Miyajima

Outside Director
Masayoshi Ichikawa

Outside Director

Masaki Horie

This is my sixth year of involvement with the Company as an Outside Director. During this time, the Company has continued to uphold the legacy of the FUTABA WAY, which lies at the heart of all it does, while instituting bold governance-related reforms such as increasing the number of Outside Directors, introducing a stock compensation program, and reducing the membership of the Board of Directors. As a result, it has made progress in building an organizational structure that can respond with a sense of urgency to changes in the business and social environment. In terms of strengthening corporate governance in future, I think the monthly informal meetings of Outside Directors and meetings with senior management ensure that we have the capacity to focus on the future as well as the present.

As one aspect of governance reform, I chair the Nominating Committee, which is an advisory body. I am therefore involved in deliberating on matters related to the appointment, dismissal, and nomination of Directors, Officers, and senior executives. The primary role of Outside Directors is to ensure appropriate governance from an external viewpoint with regard to the proper operation of the Board of Directors, and the execution of business by Officers. Our secondary role is to draw on our individual expertise to provide management advice regarding specific fields.

Each month, all the Outside Directors visit about three divisions, where they listen to what employees have to say about the business situation, including the operating environment and risks; they also tour plants, and offer advice when it is requested. My own fields of expertise are accounting and finance, and the associated field of financial control. The management advice I dedicated my efforts to over the past year related to: strengthening budgetary controls, including for capital expenditure; putting SDGs-based management into practice; strengthening the financial standing of locations overseas; and global auditing. Futaba is especially committed to its SDGs initiatives. The Company defined 14 priority issues (materialities) based on the SDGs; from now on it will be crucial for employees to fully understand the aims of the SDGs and put the priority issues into practice. From an Outside Director's perspective, I judge the priority issues defined by the Company to be appropriate and practicable given the production-related measures the Company is already actually engaged in (e.g., improvement of yields and reduction of discarded products).

I hope to continue progressing side-by-side with the other Outside Directors to provide rigorous oversight of management as well as appropriate management advice.

Outside Director

Masayoshi Ichikawa

Since last fiscal year, the Company has further developed its SDGs initiatives, implementing them with a sense of urgency to create value for the global community and stakeholders. I believe my own mission is to oversee the management of the Company as it boldly confronts 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. When I assumed the position of Outside Director at Futaba, the Company was working hard under the command of its president, Hiroyoshi Yoshiki, to create the structure and systems necessary to build profit, and was partway toward producing results. My initial impression was of a workplace where management was inward-looking, coordination between divisions was weak, and the work undertaken in each department was not clearly visible to other departments. Now, I feel that the Company has changed its approach to engineering work, switching from an approach that, in the automotive context, could be described as "series-based management" to an approach based on cultivation of elemental technologies from the perspective of medium-term technology development. As a result, the Company is now more inclined to develop products that inspire customers, and has made rapid progress toward a culture that is constantly focused on technological capability and competitive advantage. With regard to

production technologies, despite the Company's high potential, coordination among divisions was weak, and I felt there was insufficient awareness that products offering higher added value could be produced by also mobilizing the production technology capabilities of the equipment for external sales business (i.e., custom production equipment). Now, personnel involved in engineering, production technologies, and specialized machinery have started to coordinate better than ever before and take the initiative in proposing products that offer more to customers. On a separate note, during my monthly plant tours I became aware that work was going to waste due to defective products, so I asked the Company to improve its quality control system.

Since last year, I have served as chair of the Compensation Committee, which is an advisory body. The committee recommends to the Board of Directors the payment of compensation for Directors and Officers in the form of monthly compensation befitting the size of the Company, and bonuses linked to the Company's performance. Such recommendations are made following discussion to determine whether the compensation in question remains fair and appropriate. I will keep striving to contribute to the Company's sustainable growth and enhanced corporate value over the medium term, as it pursues further innovation on the path to becoming a global company. To that end, I will continue traveling to operating sites, listening to a wide range of feedback from those sites, and endeavoring to detect problems early.

Outside Director

Motoko Miyajima

I regard the role of the Outside Director as being partly to give advice from an objective viewpoint to enable a company to pursue sustained growth and increased corporate value over the medium to long term. The other aspect of our role is to oversee business execution by the management team to ensure that the company is well-run. To fulfill these roles, therefore, I try to understand the Company's business situation by listening to what employees in individual divisions have to say and touring plants. Then I offer opinions and recommendations at meetings of the Board of Directors and other bodies.

I focus particularly on my own fields of expertise, which are law, intellectual property, compliance, and risk management. In 2008, the Company was found to have engaged in inappropriate accounting, but a new management team subsequently took over and dedicated itself to improvements. As a result, I believe that awareness of compliance among Directors, Officers, and executives is now high, and the setup and operation of the internal control system are appropriate. The atmosphere among Directors and Officers is open, allowing individuals to speak frankly, and the candid opinions of Outside Directors are taken seriously.

Given that the operating environment for the automobile industry is expected to change even more in future, the Company needs to be steered in the right direction to address these changes. While continuing to leverage its existing core technologies, and strengths

in manufacturing and elsewhere, the Company needs to focus on improving its operational efficiency. This should include shifting to a business model adapted to changes in the business environment, developing technologies, and implementing DX. However, such a management policy and stance on the part of the management team is all very well, but the key challenge is to thoroughly instill this policy and stance among all employees, including those working on production sites, to ensure effective implementation.

Another challenge is that of helping women to participate fully in the workplace, and promoting other forms of diversity. Given that the Company operates as a manufacturer mainly in the automotive parts business sector, its overall ratio of female employees is low, while there are still only a handful of female managers. During FY2020, the Company held six informal discussion sessions with female employees in career-track positions. My impression was that many of them were enthusiastically engaged in their work, but some issues were also apparent. I pointed these issues out to all the Directors and Officers, as well as the Human Resources Division, and suggested that remedial measures were required. I believe that, as a prerequisite to women's full participation in the workplace, it is also necessary to reform workstyles for men. My personal aim is to create a workplace environment where both men and women can maintain good work-life balance and feel highly motivated to work.

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 holds meetings of the Corporate Ethics Committee three times a year in principle, chaired by the Chief Risk Management Officer (CRO), and attended by the President, Center Chiefs, Audit & Supervisory Board Members and others deemed appropriate by the Committee. These meetings

Specific initiatives

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. Each year a 12-point self-assessment on compliance is held for the Company (at a sectional level) and for domestic and overseas subsidiaries. Feedback is given to encourage voluntary improvement activities.

Results of self-assessment

There has been no major changes in the trend observed in the assessment results of FY2020 in comparison with those of the previous FY. The enhancement of the awareness of compliance was observed in the following areas: Items regarding labor and management of safety and health were rated as high as FY2019, and items regarding the Antimonopoly Act and joint development contracts were rated significantly higher than the previous FY.

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.

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.

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

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, and have been conducting education for employees to disseminate it across the Group. We also tackle the further enhancement of an anti-corruption mechanism and system through the Internal Control Committee.

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.

Export management activities

In order to comply with laws and regulations regarding export management, we operate and manage export based on internal rules determined for international transactions and with the appointment of a manager responsible for international transaction management in each division. We also established a liaison committee for international transaction management, and conduct information sharing and education regarding import and export operations, in addition to the review of internal rules across the Company and the regular checks of the status of business at each division.

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 will continue to enhance the effectiveness of the system through improving awareness, system etc.

Number of reporting and consultations

FY	2016	2017	2018	2019	2020
Number	13	9	8	16	24

Risk Management

Basic approach

To prevent risks which may have a major impact on management, we aim to minimize controllable 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

control and governance risks; the Security Control Committee for information leakage risks; the Committee for the Prevention of the Recurrence of Serious Quality Problems for quality problems; and the Corporate Ethics Committee for malpractice risks.

Business Continuity Plan (BCP)

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

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

We strive to upgrade the overall countermeasures, with domestic subsidiaries also participating to the BCP Action Committee from FY2020. Every year, we also implement Company-wide disaster preparedness drills, and simulation drills, assuming the occurrence of major earthquakes. We will continue to strengthen our capabilities for emergency situations through the drills, etc.



Simulation drills

Information security

We recognize the global increase of cyber attacks and viruses as a major risk. Targets for cyber attacks and viruses are shifting from automobile manufacturers with robust security to supply chains connected through networks. As a company closely connected with automobile manufacturers, we strive for strengthening information security including prevention of customer information leakage.

Content of initiatives

- Strengthened the whole system through the introduction of an enhanced e-mail system across the Group
- Held an exercise for targeted e-mail attack
- Held cyber security education through e-learning
- Addressed the BCP through the transfer of backup servers
- Strengthened the response to incidents by the Computer Security Incidence Response Team (CSIRT) organization

Financial Summary (Consolidated)

	(FY)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
(Million yen)												
Operating results												
Sales		373,458	372,083	365,246	399,378	422,874	437,640	412,383	440,446	461,705	476,165	466,809
Operating profit (loss)		11,885	2,630	(360)	2,784	4,367	3,121	8,976	11,258	6,797	10,621	7,780
Ordinary profit (loss)		8,483	335	(2,163)	2,073	2,116	636	7,542	10,955	6,449	9,968	7,962
Profit (loss) before income taxes		6,879	(1,234)	(4,264)	7,020	2,116	533	5,619	6,380	6,158	10,340	7,942
Profit (loss) attributable to owners of parent		3,346	(4,747)	(5,067)	2,954	1,039	(1,195)	4,806	10,721	3,509	6,357	4,095
Capital expenditures		15,188	13,382	16,667	21,474	20,480	26,514	16,330	20,252	41,347	27,385	19,470
Depreciation		25,456	21,891	20,093	20,167	20,318	24,152	21,073	20,515	23,078	24,497	23,772
R&D expenses		2,130	2,214	2,162	2,586	2,940	3,079	3,235	3,367	3,494	3,443	3,285
Net assets		51,542	48,175	49,691	57,600	66,914	56,179	67,029	75,691	75,211	76,488	87,216
Total assets		216,966	221,579	225,314	237,019	255,311	233,303	242,311	253,362	249,061	253,517	290,194
Interest-bearing debt		90,900	87,000	96,100	91,200	95,000	90,700	84,600	81,300	84,900	82,300	87,700
(yen)												
Per share information												
Earnings (loss) per share		47.84	(67.86)	(72.44)	42.24	14.86	(17.09)	65.76	119.82	39.22	71.03	45.73
Net assets per share		544.30	511.42	520.77	595.74	720.87	593.39	607.17	731.50	734.90	753.80	866.86
Dividends		3.00	0.00	0.00	3.00	3.00	3.00	3.00	10.00	10.00	10.00	10.00
Payout ratio (%)		6.3	—	—	7.1	20.2	—	4.6	8.3	25.5	14.1	21.9
(Million yen)												
Cash flow												
Cash flows from operating activities		33,270	17,932	14,861	23,266	25,780	22,751	26,178	24,960	25,410	34,020	22,792
Cash flows from investing activities		(14,990)	(14,787)	(18,987)	(13,235)	(31,451)	(20,333)	(20,902)	(27,081)	(30,961)	(26,443)	(24,672)
Cash flows from financing activities		(20,596)	(3,460)	3,682	(10,702)	1,017	(3,612)	3,262	(6,304)	1,489	(5,572)	1,750
Cash and cash equivalents at end of period		16,517	16,500	17,932	20,237	14,576	13,121	20,581	11,960	7,541	9,370	9,522
(%)												
Financial indicators												
Operating profit ratio		3.2	0.7	(0.1)	0.7	1.0	0.7	2.2	2.6	1.5	2.2	1.7
Equity ratio		17.5	16.1	16.2	17.6	19.8	17.8	22.4	25.8	26.4	26.6	26.8
Return on equity (ROE)		8.8	(12.9)	(14.0)	7.6	2.3	(2.6)	10.0	17.9	5.3	9.5	5.6
Return on assets (ROA)		1.4	(2.2)	(2.3)	1.3	0.4	(0.5)	2.0	4.3	1.4	2.5	1.5

Financial Review

Financial Position and Results of Operations

During the fiscal year, global economic conditions remained challenging due to the effects of the COVID-19 pandemic. The North America's economy improved, however, while European economies weakened. China, in the meantime, started to stage a modest economic recovery, and the Indian economy picked up. The Japanese economy is also facing challenging conditions due to the effects of the COVID-19 pandemic but continued to show signs of improvement.

In the automobile industry, which is the main source of sales for the FUTABA Group, sales volumes were lower than in the previous fiscal year in Japan, North America, Europe, China and Asia due to the effects of the COVID-19 pandemic.

Under such conditions, the FUTABA Group enforced the basics of "Safety, Quality, and Monozukuri (manufacturing)" and stepped up structural reform and cost management to secure income.

Net sales decreased 2.0% from the previous fiscal year to 466.8 billion yen. Profits were pushed down by factors such as lower sales of motor vehicle parts, and operating profit decreased 26.7% to 7.7 billion yen, ordinary profit fell 20.1% to 7.9 billion yen, and profit attributable to owners of parent was down 35.6% to 4.0 billion yen.

Geographic segment performance was as follows. Starting from the first three months of the fiscal year under review, the Company changed its reporting segments. Comparisons with the results of the same period of the previous year were made based on figures for the same period of the previous year reclassified into the revised segments.

a. Japan

Sales decreased 11.5% to 233.8 billion yen mainly due to decrease in production of automobiles at major customers. Segment operating profit decreased 62.3% to 1.9 billion yen largely due to decrease in sales.

b. North America

Sales decreased 12.3% to 88.0 billion yen mainly due to decrease in production volume at major customers. Segment operating profit decreased 41.8% to 0.9 billion yen largely due to decrease in sales.

c. Europe

Sales increased 16.5% to 34.0 billion yen mainly due to the effect of increase in production volume at Czech Republic where a new model was launched. Segment operating profit increased 26.8% to 0.9 billion yen largely due to increase in sales.

d. China

Sales increased 19.8% to 81.7 billion yen mainly due to increase in production volume at major customers. Segment operating profit increased 10.1% to 3.4 billion yen largely due to increase in sales.

e. Asia

Sales increased 57.4% to 48.6 billion yen mainly due to the effect of increase in the unit price of parts supplied by customers. Segment operating profit increased 237.5% to 0.8 billion yen largely due to streamlining and improvement.

Financial position was as follows.

Total assets increased 36.6 billion yen at the end of March 2021 from the end of the previous fiscal year to 290.1 billion yen, mainly due to increases in notes and accounts receivable - trade, and construction in progress. Total liabilities amounted to 202.9 billion yen, a 25.9 billion yen increase from the end of the previous fiscal year, mainly due to increases in notes and accounts payable - trade and short-term borrowings. Net assets increased 10.7 billion yen from the end of the previous fiscal year to 87.2 billion yen due mainly to an increase in foreign currency translation adjustment.

Cash flows

Cash and cash equivalents of the FUTABA Group increased 0.1 billion yen from the end of the previous fiscal year to 9.5 billion yen. The major components of cash flows were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities decreased 11.2 billion yen (33.0%) to 22.7 billion yen. This was largely due to an increase in trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities decreased 1.7 billion yen (6.7%) to 24.6 billion yen. This was mainly due to a decrease in purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities was 1.7 billion yen compared with a negative cash flow of 5.5 billion yen in the previous fiscal year. This primarily reflects an increase in borrowings.

Consolidated Financial Statements

Consolidated balance sheet

	(Million yen)		(Million yen)	
	As of March 31, 2020	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Assets				
Current assets				
Cash and deposits	9,376	9,527		
Notes and accounts receivable - trade	69,129	88,648		
Finished goods	4,456	4,387		
Work in process	12,223	18,011		
Raw materials and supplies	6,148	6,493		
Other	6,835	8,101		
Allowance for doubtful accounts	(41)	(20)		
Total current assets	108,128	135,150		
Non-current assets				
Property, plant and equipment				
Buildings and structures	71,906	75,874		
Accumulated depreciation	(42,208)	(45,384)		
Buildings and structures, net	29,698	30,490		
Machinery, equipment and vehicles	219,229	225,841		
Accumulated depreciation	(168,979)	(176,542)		
Machinery, equipment and vehicles, net	50,249	49,299		
Tools, furniture and fixtures	68,301	75,401		
Accumulated depreciation	(57,660)	(66,105)		
Tools, furniture and fixtures, net	10,640	9,296		
Land	14,302	14,425		
Leased assets	18,828	18,798		
Accumulated depreciation	(16,556)	(16,816)		
Leased assets, net	2,272	1,982		
Construction in progress	16,054	23,270		
Total property, plant and equipment	123,218	128,765		
Intangible assets				
Software	912	857		
Other	35	24		
Total intangible assets	948	882		
Investments and other assets				
Investment securities	12,232	15,316		
Long-term loans receivable	810	786		
Retirement benefit asset	6,275	8,517		
Deferred tax assets	1,905	907		
Other	1,149	1,059		
Allowance for doubtful accounts	(1,149)	(1,189)		
Total investments and other assets	21,222	25,396		
Total non-current assets	145,389	155,044		
Total assets	253,517	290,194		
Liabilities				
Current liabilities				
Notes and accounts payable - trade	51,459	67,544		
Electronically recorded obligations - operating	4,243	4,064		
Short-term borrowings	9,499	13,637		
Current portion of long-term borrowings	13,442	14,411		
Income taxes payable	742	1,117		
Accrued consumption taxes	2,155	2,565		
Provision for bonuses for directors (and other officers)	39	39		
Accrued expenses	10,630	11,368		
Other	9,735	11,485		
Total current liabilities	101,947	126,235		
Non-current liabilities				
Bonds payable	12,000	12,000		
Long-term borrowings	45,534	46,087		
Deferred tax liabilities	6,004	7,818		
Provision for product warranties	191	218		
Retirement benefit liability	9,728	9,078		
Other	1,623	1,539		
Total non-current liabilities	75,081	76,742		
Total liabilities	177,029	202,978		
Net assets				
Shareholders' equity				
Share capital	16,820	16,820		
Capital surplus	13,377	13,334		
Retained earnings	33,348	36,549		
Treasury shares	(89)	(19)		
Total shareholders' equity	63,456	66,684		
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	4,445	6,771		
Foreign currency translation adjustment	(803)	1,587		
Remeasurements of defined benefit plans	381	2,597		
Total accumulated other comprehensive income	4,023	10,956		
Non-controlling interests	9,008	9,574		
Total net assets	76,488	87,216		
Total liabilities and net assets	253,517	290,194		

Consolidated Financial Statements

Consolidated statement of income

(Million yen)

	Fiscal year ended March 31, 2020 (Apr. 1, 2019 – Mar. 31, 2020)	Fiscal year ended March 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)
Net sales	476,165	466,809
Cost of sales	442,415	437,442
Gross profit	33,750	29,367
Selling, general and administrative expenses	23,128	21,587
Operating profit	10,621	7,780
Non-operating income		
Interest income	100	57
Dividend income	314	286
Gain on sale of scraps	245	262
Foreign exchange gains	—	406
Subsidy income	438	—
Miscellaneous income	544	841
Total non-operating income	1,644	1,854
Non-operating expenses		
Interest expenses	917	812
Loss on abandonment of non-current assets	366	356
Share of loss of entities accounted for using equity method	143	255
Foreign exchange losses	634	—
Miscellaneous losses	237	248
Total non-operating expenses	2,297	1,672
Ordinary profit	9,968	7,962
Extraordinary income		
Gain on liquidation of subsidiaries and associates	623	—
Gain on sale of investment securities	2	—
Total extraordinary income	626	—
Extraordinary losses		
Impairment losses	—	20
Loss on valuation of investment securities	253	—
Total extraordinary losses	253	20
Profit before income taxes	10,340	7,942
Income taxes - current	1,361	1,907
Income taxes - deferred	1,939	993
Total income taxes	3,301	2,901
Profit	7,039	5,040
Profit attributable to non-controlling interests	681	945
Profit attributable to owners of parent	6,357	4,095

Consolidated statement of comprehensive income

(Million yen)

	Fiscal year ended March 31, 2020 (Apr. 1, 2019 – Mar. 31, 2020)	Fiscal year ended March 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)
Profit	7,039	5,040
Other comprehensive income		
Valuation difference on available-for-sale securities	(724)	2,329
Foreign currency translation adjustment	(3,039)	2,493
Remeasurements of defined benefit plans, net of tax	(326)	2,215
Share of other comprehensive income of entities accounted for using equity method	(33)	67
Total other comprehensive income	(4,124)	7,106
Comprehensive income	2,915	12,147
Comprehensive income attributable to		
Owners of parent	2,595	11,028
Non-controlling interests	320	1,118

Consolidated statement of cash flows

(Million yen)

	Fiscal year ended March 31, 2020 (Apr. 1, 2019 – Mar. 31, 2020)	Fiscal year ended March 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)
Cash flows from operating activities		
Profit before income taxes	10,340	7,942
Depreciation	24,497	23,772
Impairment losses	—	20
Increase (decrease) in allowance for doubtful accounts	(48)	19
Increase (decrease) in provision for bonuses for directors (and other officers)	(27)	—
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(82)	—
Increase (decrease) in provision for product warranties	17	27
Interest and dividend income	(415)	(344)
Subsidy income	(438)	—
Interest expenses	917	812
Loss on abandonment of property, plant and equipment	370	352
Share of loss (profit) of entities accounted for using equity method	143	255
Loss (gain) on liquidity of affiliated company	(623)	—
Decrease (increase) in trade receivables	(2,695)	(17,663)
Decrease (increase) in inventories	(2,737)	(4,891)
Increase (decrease) in trade payables	2,688	13,903
Increase (decrease) in accrued consumption taxes	1,118	355
Other	1,912	604
Subtotal	34,937	25,164
Interest and dividends received	532	424
Interest paid	(908)	(818)
Income taxes refund (paid)	(759)	(2,198)
Subsidies received	219	219
Net cash provided by (used in) operating activities	34,020	22,792
Cash flows from investing activities		
Payments into time deposits	(5)	(2)
Proceeds from withdrawal of time deposits	501	2
Purchase of property, plant and equipment	(26,598)	(24,654)
Proceeds from sale of property, plant and equipment	93	234
Proceeds from sale and redemption of investment securities	2	0
Other	(437)	(252)
Net cash provided by (used in) investing activities	(26,443)	(24,672)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,730)	3,244
Proceeds from long-term borrowings	10,158	14,225
Repayments of long-term borrowings	(9,586)	(13,542)
Repayments of lease obligations	(538)	(565)
Dividends paid	(894)	(894)
Dividends paid to non-controlling interests	(979)	(828)
Proceeds from share issuance to non-controlling shareholders	—	111
Other	(1)	(0)
Net cash provided by (used in) financing activities	(5,572)	1,750
Effect of exchange rate change on cash and cash equivalents	(175)	282
Net increase (decrease) in cash and cash equivalents	1,828	151
Cash and cash equivalents at beginning of period	7,541	9,370
Cash and cash equivalents at end of period	9,370	9,522

Corporate and Stock Information

Company Profile (As of March 31, 2021)

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	Hiro Yoshi Yoshiki, President
Main business lines	Automotive parts business, information environment equipment business, equipment for external sales, and agricultural business
Subsidiaries and affiliates	Domestic subsidiaries: 4 companies Domestic affiliates: 1 company Overseas subsidiaries: 19 companies* Overseas affiliates: 2 companies
Number of employees	Consolidated: 10,865 Non-consolidated: 3,615
Sales	Consolidated: 466.8 billion yen Non-consolidated: 232.4 billion yen

*The number of overseas subsidiaries is now 18 as a result of the transfer of business of FUTABA METAL PRODUCTS (SHENZHEN) CO.,LTD. on June 2021.

Major shareholders (Top 10)

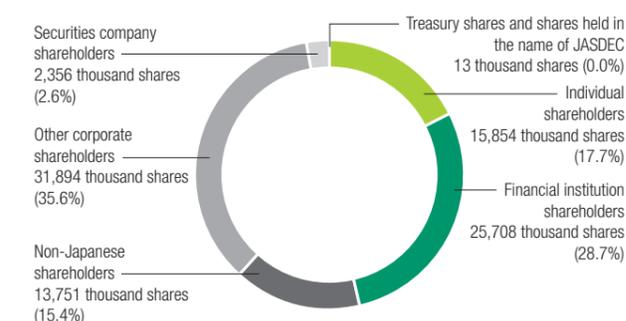
Name of major shareholder	Shares held (thousand shares)	Ownership ratio (%)
Toyota Motor Corporation	28,116	31.3
The Master Trust Bank of Japan, Ltd. (trust account)	5,027	5.6
Custody Bank of Japan, Ltd. (trust account)	4,267	4.7
Sumitomo Mitsui Banking Corporation	3,063	3.4
Futaba Suppliers Cooperative Shareholding Association	3,047	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
MUFG Bank, Ltd.	1,290	1.4
Futaba Employee Shareholding Association	1,259	1.4
Sumitomo Mitsui Trust Bank, Limited	1,162	1.2
The Bank of Nagoya, Ltd.	1,035	1.1

*The ownership ratio excludes treasury shares.

Stock Overview (As of March 31, 2021)

Total number of authorized shares	200,000,000 shares
Total number of shares outstanding (including 13,927 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



Access to Futaba WEB site

Please access our website for more information about Futaba Industrial.

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



FUTABA INDUSTRIAL CO., LTD.

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