Futaba Corporation
June 9th, 2023

Re-Futaba

- Active Action
(Resolution and Commitment) -

Business Reconstruction Plan
(April, 2023 – March, 2024)

Introduction

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We announced the medium-term business policy (MTP) FIP2023 on August 8th, 2020. We set forth profitability improvements through cost restructuring with the highest priority and then worked on transforming into a profit-driven management structure.

Unfortunately, we had four consecutive terms showing a deficit mainly due to significant losses in the Electronic Devices business. Our financial foundation was significantly damaged.

We take this result seriously and ate postponing the renewal of MTP until next fiscal year* . We will focus on a single year business reconstruction plan;

Re-Futaba - Active Action (Resolution and Commitment) -

We are determined to carry out this plan without fail and rebuild Futaba.

* MTP will be announced in 2024

Reflection on previous MTP (FIP2023)

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Despite the steady implementation of core policies, our management goals are not achieved due to significant deficits in Electronic Devices business.

Progress on Core Polices

✔ Achieved ■ Mediocre ✗ Unachieved

Improvement of Company Quality

- ✔ Fixed cost reduction through consolidation of domestic and overseas sites
- ■ Reorganization was implemented; the expected effect of BtoB/BtoC businesses separation is achieved, but one of manufacturing and sales integration is not sufficient.
- ■ Delays in business plan to create new core businesses
- ✗ Cash conversion cycle is not shortened and liquidity on hand is deteriorated due to increase in inventories.

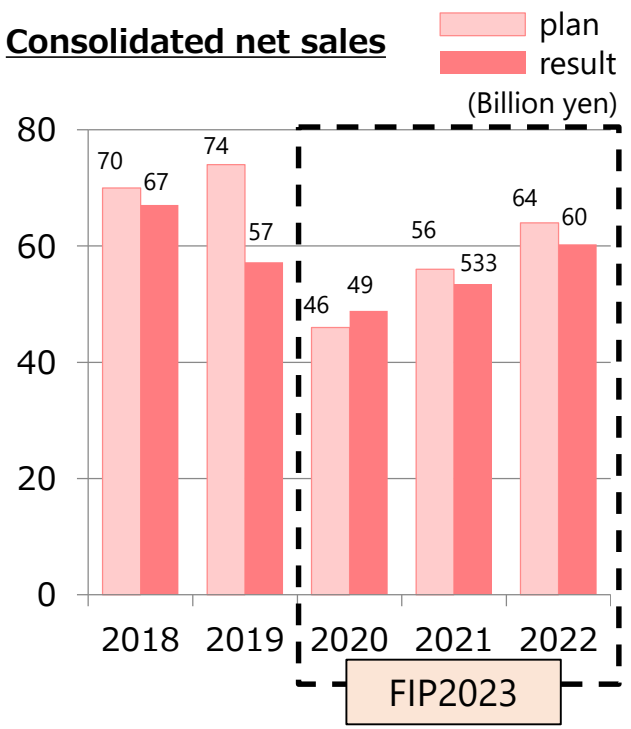
Deepening and Widening

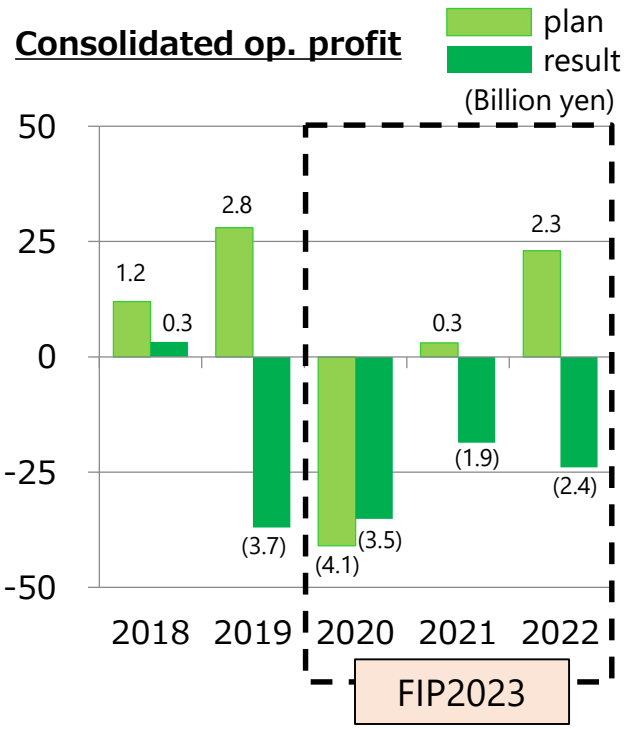
- ■ Industrial-drone/robotics-products were expanded into new business area, but market growth is slow.
- ✗ Targets of OLED/Touch-Sensor business not achieved due to misjudgment of market needs
- ✗ Start digital transformation (DX) (e.g., Parts contract processing webservice),but target not achieved

Investment and Challenge

- ■ Revise capital investment plan due to slump in markets
- ✗ Investment results are lower than plans due to delays in new business plan

Management Goals





We have failed FIP2020 and FIP2023, and been deficit for four consecutive terms

Re-Futaba Policies

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Resolution and Commitment

We will accomplish structural reforms and rebuild Futaba for sustainable growth

We will think and act toward our goals to accomplish the reforms and rebuild Futaba

Achievement in Re-Futaba

Restructuring	**Restructure Business and Optimize Size of Base**	(Electronic Devices)	・Terminate in-house OLED production ・Terminate in-house Touch Sensor production (Excluding some products) ・Withdraw VFD Business and close base
		(Machinery and Tooling)	・Reorganize factories in Japan/China
		・Reorganize overseas sales office ・Optimize domestic business scale	
Reconstruction for Sustainable Growth	**Pursue Business Profit**	・Improve variable cost ratio ・Reduce foxed cost	: ¥1.2B-2.1%pt (Inventory control, reasonable pricing, etc.) : ¥1.7B (Restructuring and Improving business efficiency)
		・Strengthen human capital	: Revision to merit-based personnel system, Human resource development for business expansion
	Medium-term Dev. Vision	・Integrate Software and Service with Hardware as Core, Expanding to Solution Domain	

Re-Futaba Business Portfolio Transformation

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Visions of Each Business

Electronic Device Businesses

Main Products : VFD, Touch Sensor, OLED

Electronic Components Business

Restructuring to Improve Earnings

System Solution Business Main Products : Industrial RC, Composite Module, Robotics (Industrial Drone, etc.)

Create Customer Spare Time for Wellbeing of People

Expand business domain by deepening wireless, system, and robotics technologies

Hobby Radio Control Business Main Products : Hobby RC, Peripherals

Continuous R&D and Attractive Product

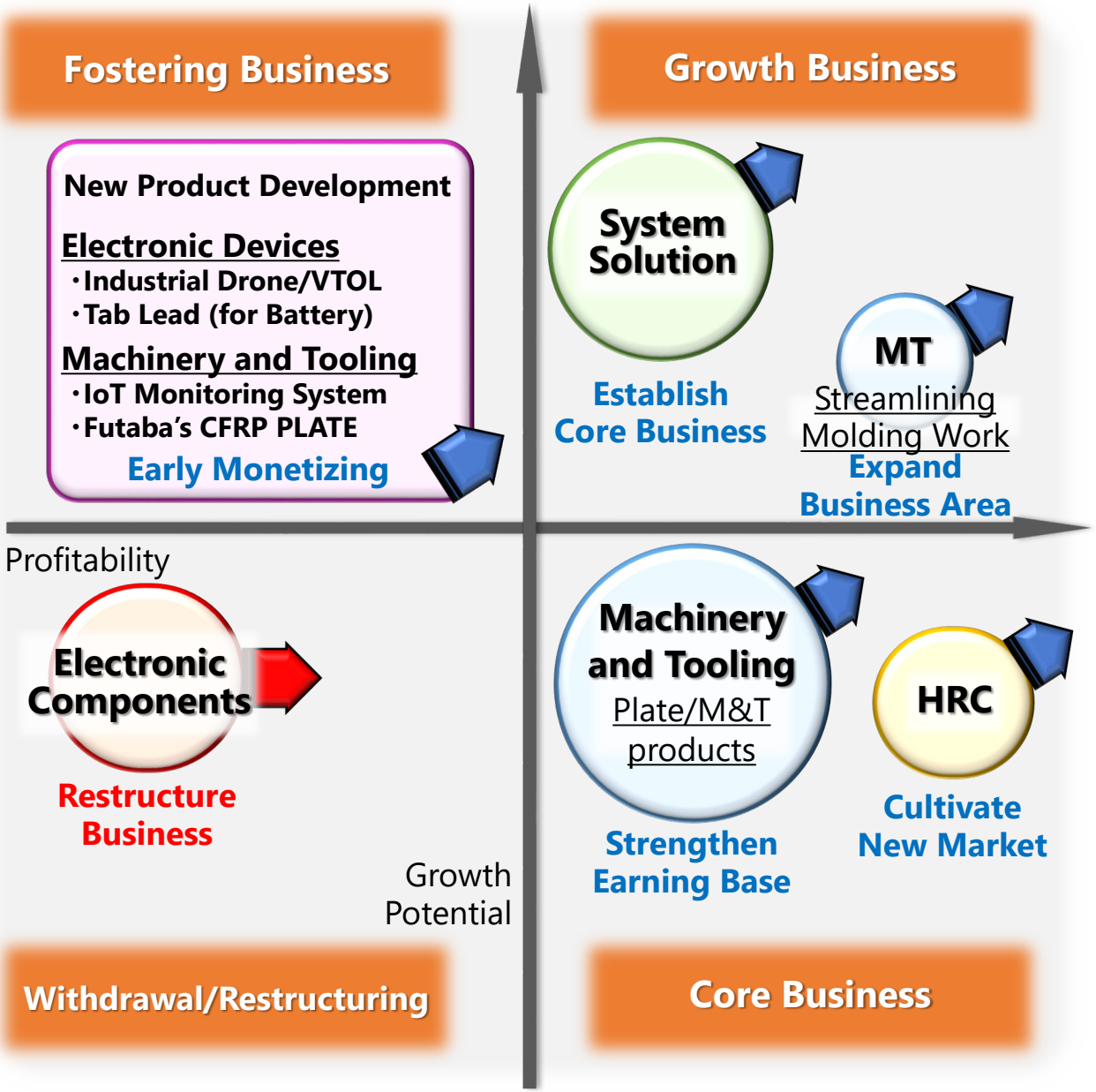
Leading HRC market with products and services based on our strengths

Machinery and Tooling Business

Main Products : Plate, M&T Products, Streamlining Molding Work

Further enhance presence in Manufacturing Industry

Contribute to industry by providing solutions based on M&T processing



Re-Futaba Management Goals

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	FY2022 Result	**FY2023 Plan**	Change
Electronic Devices	27.3	24.0	(3.3)
Machinery & Tooling	33.0	32.0	(1.0)
Net Sales (Billion yen)	60.3	56.0	(4.3)
Electronic Devices	(2.6)	(1.3)	1.3
Machinery & Tooling	0.2	0.1	(0.1)
Op. Profit (Billion yen)	(2.4)	(1.2)	1.2

* Net sales and operating profit include inter-segment transactions.

Re-Futaba Effects of Structural Reforms

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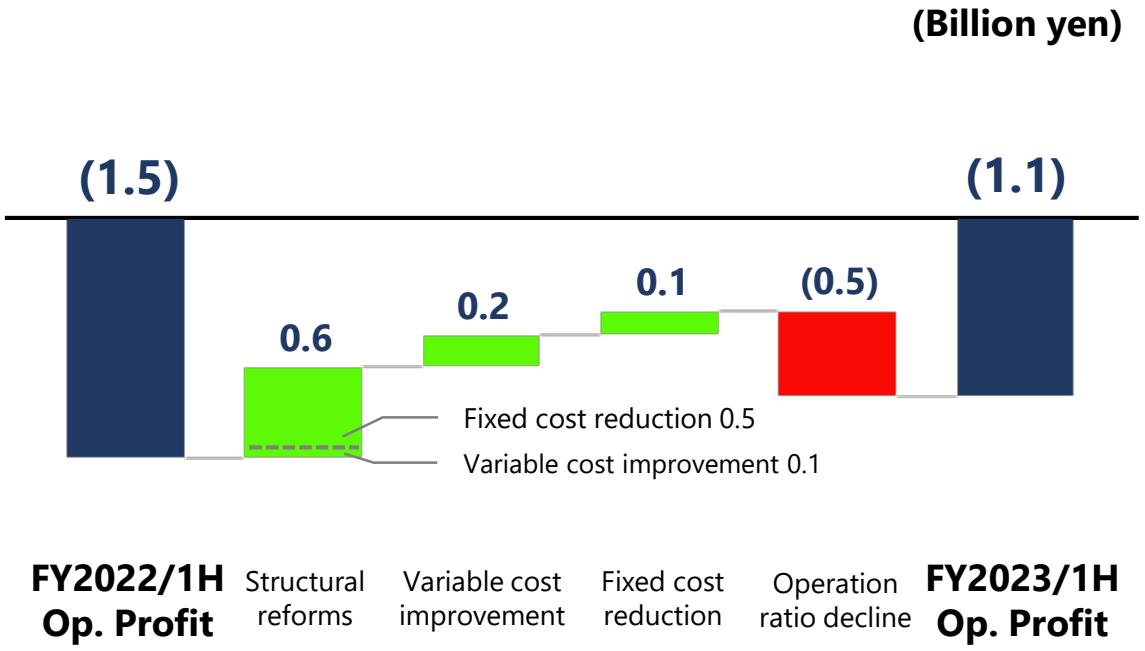
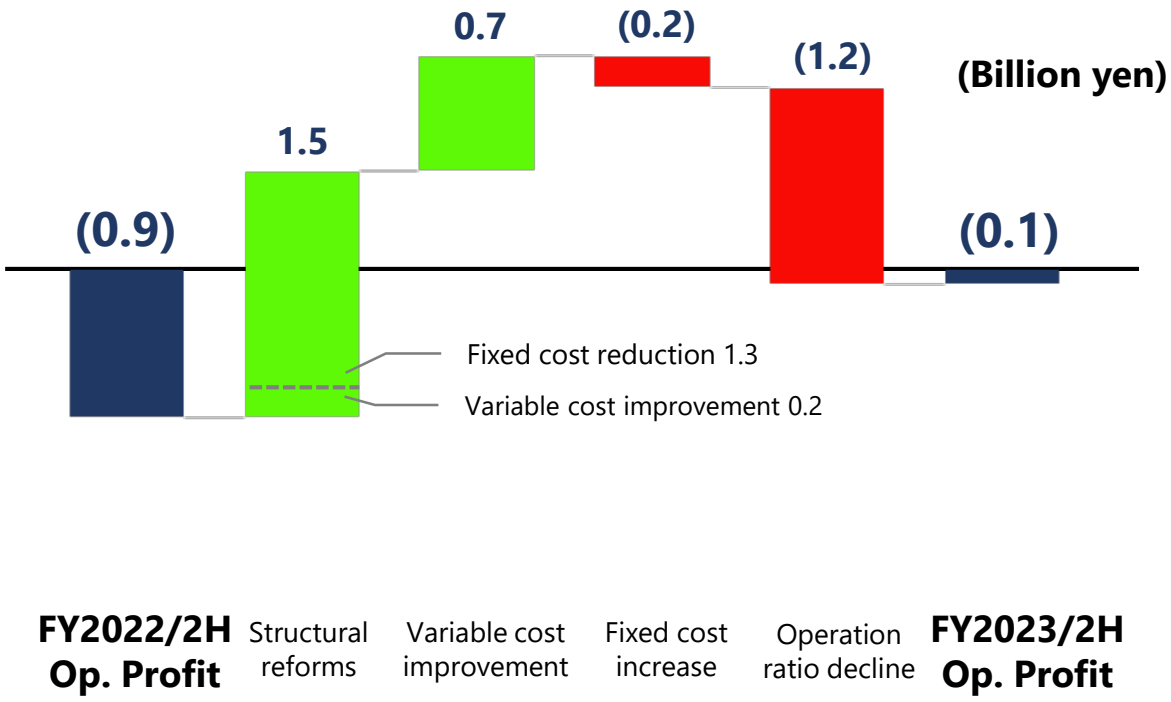
Estimation of Operation Profit Improvement

FY2023/1H (relative to same period last year)



Structural reform effect : ¥0.6B
Operation profit improvement : ¥0.4B

FY2023/2H (relative to same period last year)



Structural reform effect : ¥1.5B
Operation profit improvement : ¥0.8B

Restructuring

Restructuring - Overall View -

Futaba

Restructure entire group to meet the business size

Business	Summary	Completion	Target Site
OLED	Terminate in-house production	FY2024	FUTABA MOBILE DISPLAY Corporation
Touch Sensor	Terminate in-house production (excluding some products)	FY2024	TAIWAN FUTABA ELECTRONICS Corporation
VFD	Withdraw	FY2023/1H	FUTABA Corporation of The Philippines
Machinery and Tooling	Reorganize factory	FY2023/1H	FUTABA Corporation Akashi Machinery & Tooling Factory, FUTABA PRECISION MOULD (Shenzhen) Corporation, Ltd., FUTABA PRECISION DIE AND MOLD MACHINERY (China) Co., Ltd.
Electronic Devices	Reorganize sales office	FY2024	FUTABA INTERNATIONAL TRADING (Shanghai) Co., Ltd., FUTABA Corporation of America, TAIWAN FUTABA ELECTRONICS Corporation FUTABA DENSHI Corporation (S) Pte. Ltd., FUTABA ELECTRONICS COMPONENTS KOREA Co., Ltd., FUTABA (Hong Kong) Corporation, Ltd.
Domestic	Optimize business scale	FY2023/1H	FUTABA Corporation

Cost reduction

FY2023 2.1 Billion yen

When Accomplished 4.9 Billion yen/year (relative to FY2022)

* Reduction in entire group: Approx. 900 people
Accomplished in FY2024

Restructuring - Restructure Business and Optimize Business Size -

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Change Business Content of OLED

Discontinue inhouse production in FY2024
Concentrate on sales and module business through business partnership with RiTdisplay Corp.

Target site: FUTABA MOBILE DISPLAY Corporation

Topics

☐Aims of Restructuring

- Combination of RiT's production-capacity and cost-competitiveness with our automotive reliability technology will enhance added value.
- Dissolve factory by discontinuing in-house production

☐Schedule

FY2023/1H	FY2023/2H	FY2024
Manufacture transfer to RiTdisplay Corp.		Discontinue in-house production

Change Business Content of Touch Sensor

Discontinue inhouse production in FY2024 (excluding some products)
Transform into module business based on outsourcing

Target site: TAIWAN FUTABA ELECTRONICS Corporation

Topics

☐Aims of Restructuring

Terminate in-house production of unprofitable products and change business content to one based on in-house design and outsourcing production, to improve profitability

☐Schedule

FY2023/1H	FY2023/2H	FY2024
Start to terminate in-house production		Discontinue in-house production (excluding some products)

Restructuring - Restructure Business and Optimize Business Size -

Futaba

Withdraw VFD Business

Terminate production in FY2023/1H

Target site: FUTABA Corporation of The Philippines

Reorganize factories in Japan/China (Machinery and Tooling Business)

Change business structure to match market scale in FY2023/1H

Target site: (Japan) FUTABA Corporation Akashi Factory
(China) FUTABA PRECISION MOULD (Shenzhen) Corporation, Ltd.,, FUTABA PRECISION DIE AND MOLD MACHINERY (China) Co., Ltd.

Topics

☐Aim of Restructuring

Dissolve factory by withdrawing VFD business

☐Schedule

FY2023/1H → FY2023/2H → FY2024

Discontinue production
Withdraw business

Topics

☐Aims of Restructuring

- Japan : Consolidate factories in order to deal with shrinking small-size mold base market
- China : Improve business efficiency with appropriate personnel and market-focused activities

☐Schedule

FY2023/1H → FY2023/2H → FY2024

- Close domestic factory
- Scale down business in China

Restructuring - Restructure Business and Optimize Business Size -

Futaba

Reorganize Sales Companies (Electronic Devices Business)

Optimize sales structure in line with business restructure by FY2024

Target site:
FUTABA INTERNATIONAL TRADING (Shanghai) Co., Ltd.,
FUTABA Corporation of America, FUTABA (Hong Kong) Corporation, Ltd.
TAIWAN FUTABA ELECTRONICS Corporation
FUTABA DENSHI Corporation (S) Pte. Ltd.,
FUTABA ELECTRONICS COMPONENTS KOREA Co., Ltd.,

Topics

□Aim of Restructuring

Optimize personnel to change business contents of OLED and Touch Sensor

□Schedule

FY2023/1H → FY2023/2H → FY2024

Start reorganization — Accomplish reorganization

Optimize the Size of Domestic Business

Optimize business size to meet sales scale in FY2023/1H

Target site: Futaba Corporation

Topics

□Request early retirement

Criteria
- Not less than 50 years old and 10 years work exp.
- Expand candidate conditions at business centers with restructuring or discontinuation of operations

□Schedule

FY2023/1H → FY2023/2H → FY2024

Personnel optimization

Reconstruction for Sustainable Growth

Futaba

Reform Corporate Culture to *Focus on Earnings*

Improve Variable Cost Ratio

VCR improvement effect

¥1.2B 2.1%pt in FY2023 (from last fiscal year)

- ☐ Accomplish restructuring
- ☐ Ensure proper inventory management through KPI
- ☐ Reflect material cost rise in selling price
- ☐ Reduce man-hours by automation/ manpower-saving production processes

Reduce Fixed Cost

Fixed cost reduction effect

¥1.7B in FY2023 (from last fiscal year)

- ☐ Accomplish restructuring
- ☐ Improve operational efficiency through Promoting DX

Strengthen Human Capital

- ☐ Revision to merit-based personnel system
- ☐ Human resource development for business expansion

Reconstruction for Sustainable Growth - System Solution -

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Market Needs

- IoT Diffusion
- Manpower Saving by Robots
- Industrial App. of Drones

Customer Value

Create Customer Spare Time

Futaba Manufacturing

◆HMI・M2M prod.

TFT-LCD module

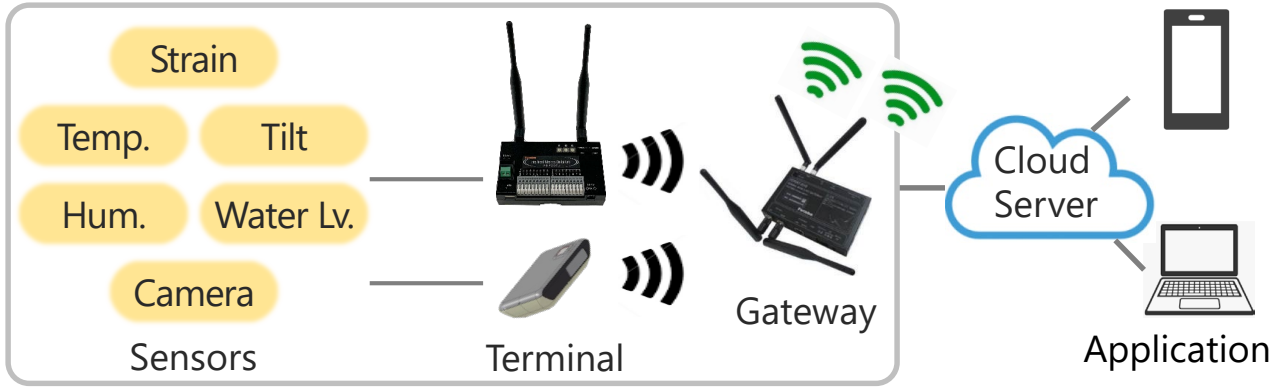
Wireless controller

◆Robotics prod.

Industrial transmitter

Servo motor

◆HMI・M2M Business



HMI : Expand sales of RC systems to overseas agricultural and construction machinery markets

M2M : Propose systematized products to build IoT environment by deepening core technologies

◆Robotics Business

Transmitter with image transmission function

Industrial drone

Drone: Expand business domain from aircraft sales to maintenance services and school

Reconstruction for Sustainable Growth - Hobby Radio Control -

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Market Needs

Stable Comm.	**Remote ID**	**Long-dist. Transport**
Congestion in 2.4 GHz Band	Civil Aeronautics Act	Practical App. of VTOL*

Customer Value

Brands based on wireless communication and aircraft control technology

Futaba Manufacturing

◆HRC

Trans. for air

Trans. for car

◆Peripherals

Servo motor

Gyro

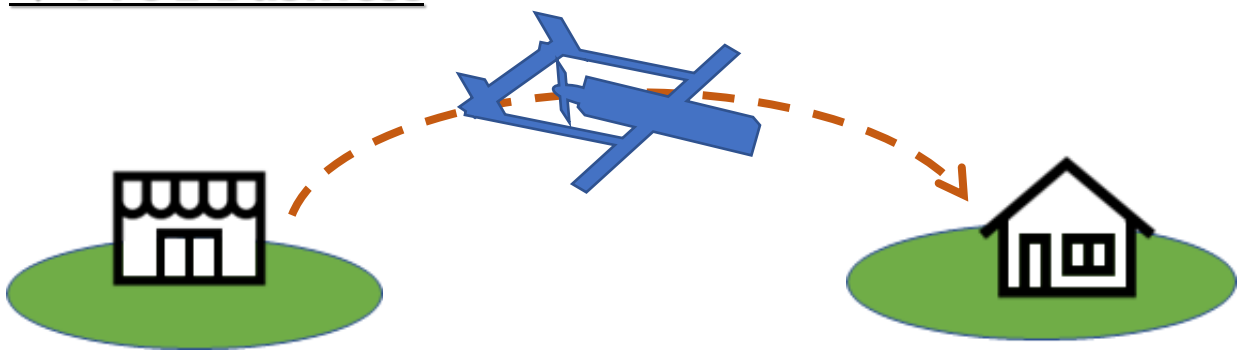
◆HRC Business
(Respond to New Needs)

HRC
- Set with 920 MHz band RF module
- RC user-specific remote ID

Establish software dev. teams at overseas affiliates
- Quick update for overseas customer needs

Transmitter for air and 920 MHz band RF module

◆VTOL Business



Market development of industrial VTOL including collaboration

*VTOL：Vertical Take-Off and Landing aircraft

Reconstruction for Sustainable Growth - Machinery and Tooling -

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Market Needs

Streamline Manufacturing | **Contribute SDGs** | **Global Services**

Customer Value

Solutions Based on Machinery and Tooling

Futaba Manufacturing

◆Plate/M&T

Plate

Mold base

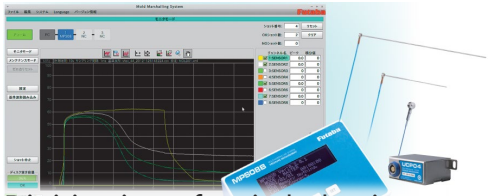
◆Streamlining Molding Work

In-Cavity measuring system

◆Streamlining Molding Work Business

Complex solution business, global business expansion

Man-power saving × productivity improvement × SDGs



Digitization of resin behavior
(In-Cavity measuring system)

Digitization of equipment operation status
(IoT monitoring system)

Molding/ Production

Reduction of waste resin
(Hot runner system)

Improvement in workability and productivity by weight reduction
(Futaba's CFRP PLATE)

Easy & quick material procurement
(Futaba order site)

Business Expansion into Factory Automation

Reconstruction for Sustainable Growth - for Sustainable Energy -

Futaba

Market Needs

Improve Perf./Reliability
Fast-Charge/Long-Life

Mold Battery Components
Prototype/Mass-Production

Customer Value

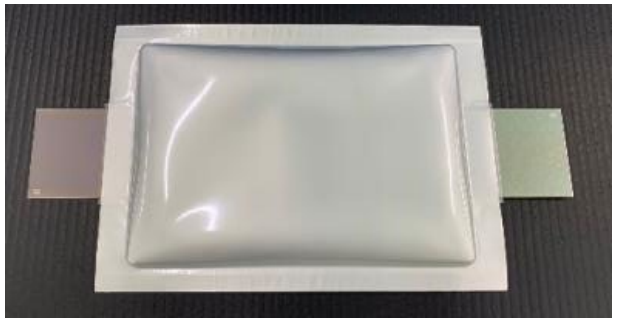
Components contributing to battery safety, and Battery Lab. Service

Futaba Manufacturing

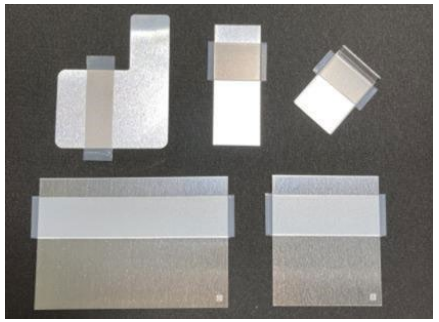
- Film Punching/ Deep Drawing
- Thin-Film Technology
- Feeder/ Molding Machine
- Automotive QC System

◆Tab Lead

Automotive quality components for LiB/LiC/SSB



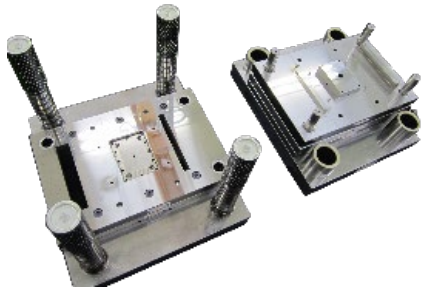
Lithium-ion battery (LiB)



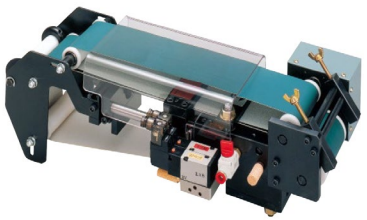
Tab lead

◆Laminated Battery/Capacitor Lab, Service

Prototype battery components
Design/manufacture mass production equipments



Deep drawing (mold, molding machine)



Feeder

Reconstruction for Sustainable Growth - Medium-term Dev. Vision -

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Electronic Devices

Synergy Products for DX Age

Deepen technology to connect for humans, machines and things and improve wellbeing in smart society

R&D

Products to contribute reducing environmental impact

Integrate Software and Service with Hardware as Core, Expanding to Solution Domain

Machinery and Tooling

Equipment and Services for Manufacturing Optimization

Evolve the business model to lead the manufacturing optimization in reform

Futaba Philosophy

『Honshitsu-no-Chokushi』

"Honshitsu-no-Chokushi" is to have the desire to look at the nature of things in depth, and to investigate thoroughly.

Corporate philosophy

We, Futaba Group, contribute to the prosperity of the global society by creating equipment, materials and services, which are indispensable to our customers.

futabaWAY
This is our philosophy and behavior system.

⚠ Note

The future plan performances described in this document are based on the information currently obtained by the Company, actual performances may differ these forecasts due to various factors.