

Earnings Results Presentation

for the Fiscal Year Ending March 31, 2024
(110th term)



May 15, 2024

Futaba Industrial Co., Ltd.



FUTABA



1. Overview of the Fiscal Year Ended March 31, 2024

2. Full-Year Earnings Forecasts for the Fiscal Year Ending March 31, 2025

3. Reference

4. Progress on Medium-Term Management Plan, etc.

Earning Results Summary

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(Million yen)

	FY3/2024 Results	FY3/2023 Results	Change	Change (%)
Sales [including parts supplied by customers]	* 795,802	708,072	+87,730	+12.4%
[excluding parts supplied by customers]	* 449,664	397,225	+52,438	+13.2%
Operating profit	* 19,213 (2.4%) (4.3%)	7,681 (1.1%) (1.9%)	+11,531	+150.1%
Ordinary profit	* 18,489 (2.3%) (4.1%)	7,768 (1.1%) (2.0%)	+10,721	+138.0%
Profit attributable to owners of parent	* 12,831 (1.6%) (2.9%)	10,576 (1.5%) (2.7%)	+2,254	+21.3%

The figure in parentheses () indicates the ratio to sales. Top: Including parts supplied by customers Bottom: Excluding parts supplied by customers

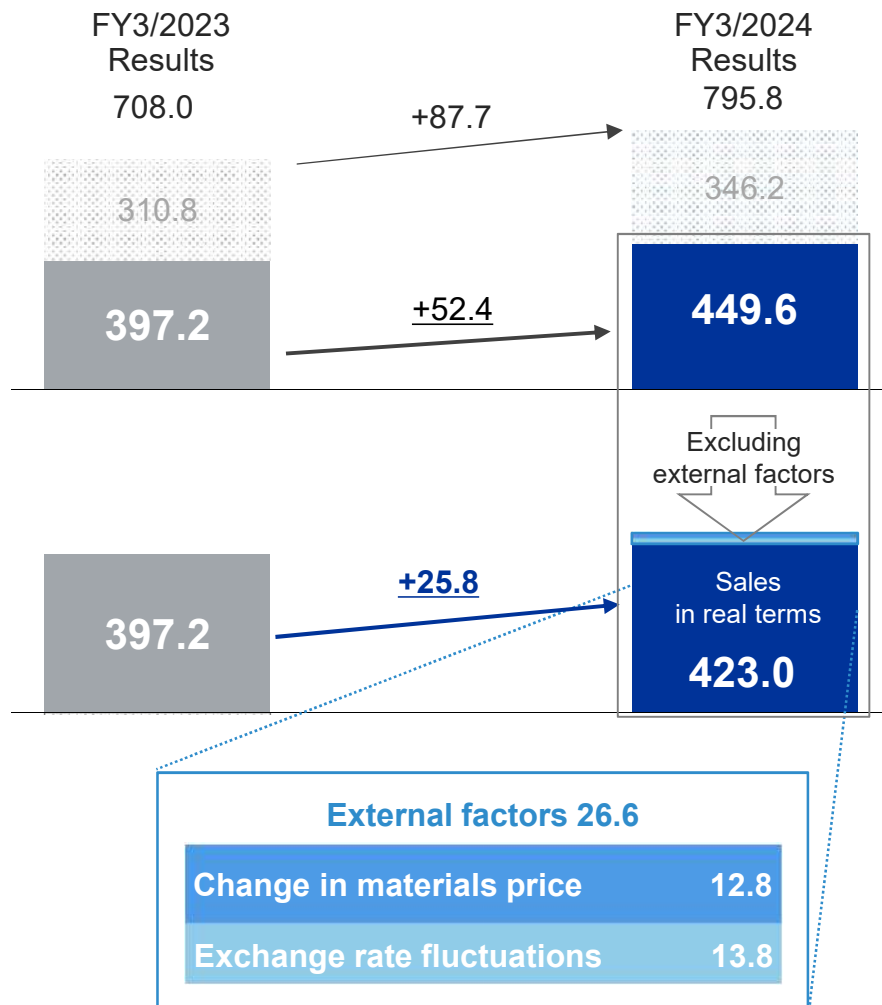
Exchange rate (1 USD)	144.6 yen	135.5 yen	The Japanese currency fell by 9.2 yen against the U.S. dollar.
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*: Record high

Earning Results Summary Breakdown of Sales: Impacts of parts supplied by customers/materials price/exchange rate fluctuations

◆ Sales

- Sales (excluding parts supplied by customers) Billion yen
- ▨ Amount of parts supplied by customers



- Sales including parts supplied by customers increased 87.7 billion yen.
- Sales excluding parts supplied by customers increased 52.4 billion yen.
- Sales in real terms, excluding the effects of changes in materials price and fluctuations in exchange rate, increased **25.8 billion yen (6.5%)**

• Meaning of the term "parts supplied by customers"

Catalysts and other parts supplied for value by customers

Sales prices of products, including parts supplied by customers, include values of parts supplied by customers and have no impact on profits

• Meaning of the term "changes in materials price"

It means that, due to changes in market conditions, unit purchase prices of materials and materials costs, which are components of sales prices, fluctuate by the same amount.

There is no impact on profits because sales and costs fluctuate by the same amount

• Meaning of the effects of fluctuations in exchange rate

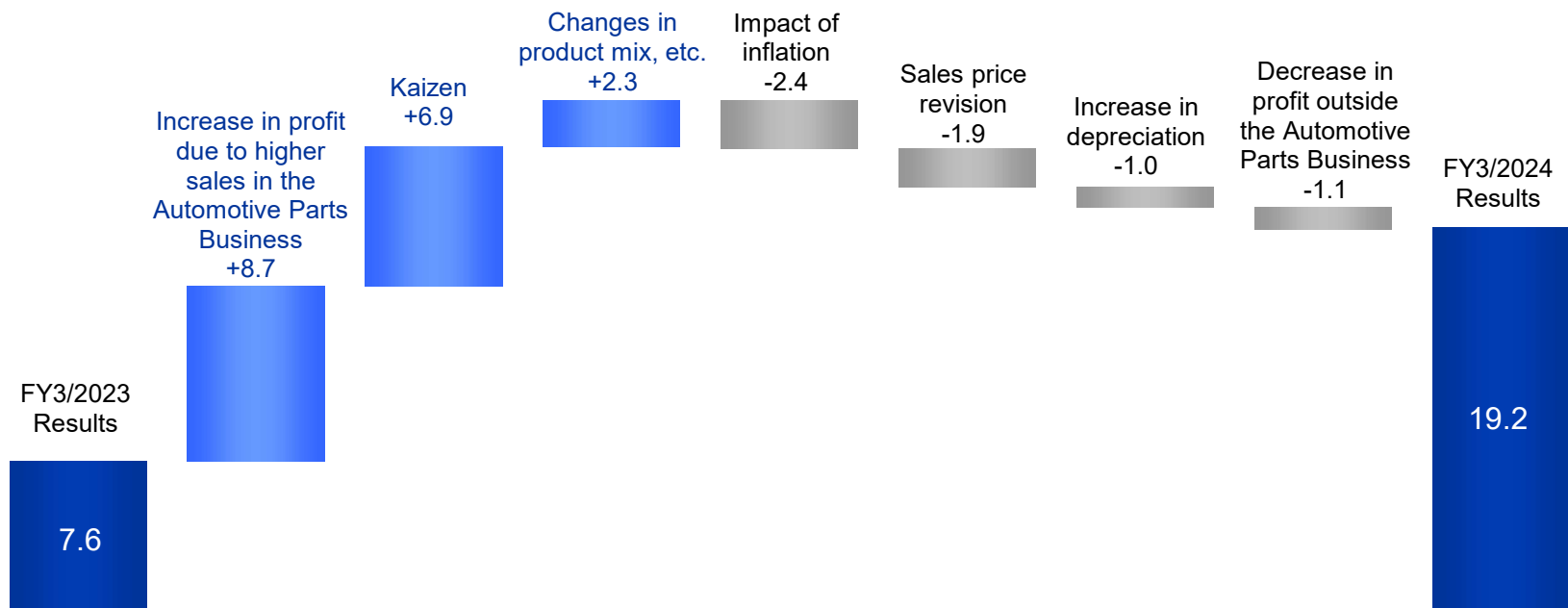
It means that, when converting the financial figures of overseas subsidiaries into yen equivalent, differences arise in exchange rate, sales, etc. between the previous fiscal year and the fiscal year under review.

Analysis of Change in Operating Profit

Change in operating profit: **up 11.5 billion yen** (from 7.6 billion yen to 19.2 billion yen)

Billion yen

- Factors for profit increase
- Factors for profit decrease



	FY3/2023 Results									FY3/2024 Results	Change
	7.6									19.2	
Japan	3.0	+6.5	+2.8	+0.8	-1.1	-0.3	-0.7	-1.3	9.8	+6.7	
North America	-0.7	+3.4	+2.3	+0.1	-0.6	-0.7	0.0	-0.3	3.5	+4.2	
Europe	1.0	+1.1	+0.3	+0.4	-0.2	-0.3	-0.2	0.0	2.1	+1.1	
China	2.6	-2.3	+1.4	+0.9	-0.4	-0.6	-0.1	+0.7	2.2	-0.4	
Asia	1.5	0.0	+0.1	+0.1	-0.1	0.0	0.0	-0.2	1.4	-0.1	
	<u>7.6</u>								<u>19.2</u>	<u>+11.5</u>	

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Full-year Earnings Forecast

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	Billion yen			
	FY3/2025 Forecasts	FY3/2024 Results	Change	Change (%)
Sales [including parts supplied by customers]	740.0	795.8	-55.8	-7.0%
[excluding parts supplied by customers]	435.0	449.6	-14.6	-3.3%
Operating profit	16.0 (2.2%) (3.7%)	19.2 (2.4%) (4.3%)	-3.2	-16.7%
Ordinary profit	15.0 (2.0%) (3.4%)	18.4 (2.3%) (4.1%)	-3.4	-18.9%
Profit attributable to owners of parent	12.0 (1.6%) (2.8%)	12.8 (1.6%) (2.9%)	-0.8	-6.5%
Exchange rate (1 USD)	140.0 yen	144.6 yen		

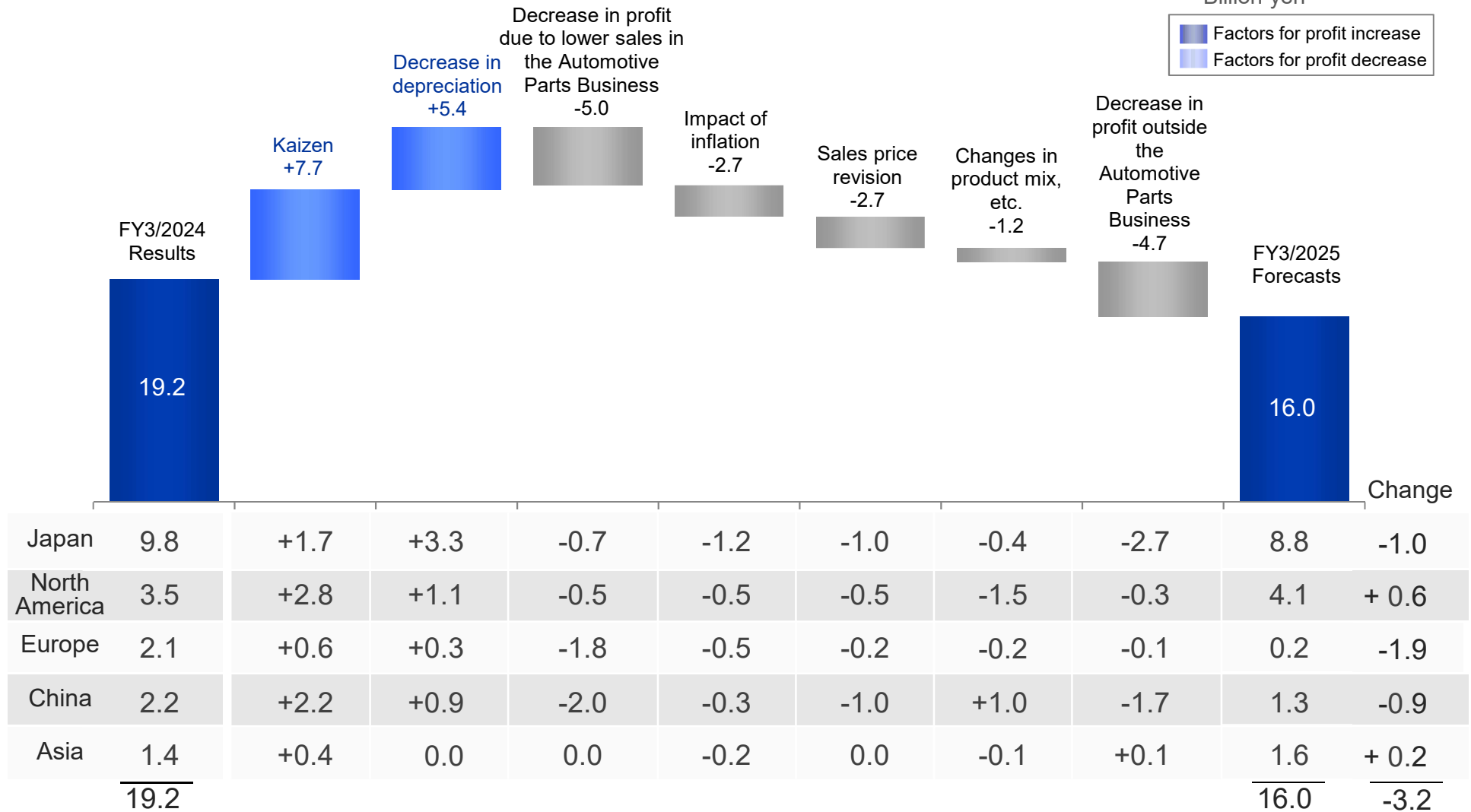
The figure in parentheses () indicates the ratio to sales. Top: Including parts supplied by customers Bottom: Excluding parts supplied by customers

Analysis of Change in Operating Profit

Change in operating profit: **Down 3.2 billion yen** (from 19.2 billion yen to 16.0 billion yen)

Billion yen

■ Factors for profit increase
■ Factors for profit decrease



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Sales and Operating Profit by Business Segment (including parts supplied by customers)

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		(Million yen)			
		FY3/2024 Results	FY3/2023 Results	Change	Change (%)
Japan	Sales	365,859	305,348	+60,511	+19.8%
	Operating profit	9,800 (2.7%)	3,056 (1.0%)	+6,743	+220.6%
North America	Sales	222,877	172,532	+50,344	+29.2%
	Operating profit	3,489 (1.6%)	-739 (-0.4%)	+4,229	—
Europe	Sales	74,480	68,331	+6,149	+9.0%
	Operating profit	2,075 (2.8%)	975 (1.4%)	+1,099	+112.7%
China	Sales	83,299	102,281	-18,981	-18.6%
	Operating profit	2,216 (2.7%)	2,626 (2.6%)	-410	-15.6%
Asia	Sales	58,454	70,238	-11,783	-16.8%
	Operating profit	1,437 (2.5%)	1,502 (2.1%)	-64	-4.3%
Consolidation adjustments	Sales	-9,168	-10,659	+1,490	
	Operating profit	193	259	-66	
Total	Sales	795,802	708,072	+87,730	+12.4%
	Operating profit	19,213 (2.4%)	7,681 (1.1%)	+11,531	+150.1%

(Note) Figures in parentheses indicate the sales ratio.

* China fiscal year under review: April 30, 2023 to March 31, 2024,
Previous fiscal year: January 31, 2022 to December 31, 2022

Sales and Operating Profit by Business Segment (excluding parts supplied by customers)

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		(Million yen)			
		FY3/2024 Results	FY3/2023 Results	Change	Change (%)
Japan	Sales [excluding parts supplied by customers]	225,558	191,772	+33,786	+17.6%
	Operating profit	9,800 (4.3%)	3,056 (1.6%)	+6,743	+220.6%
North America	Sales [excluding parts supplied by customers]	111,191	94,000	+17,191	+18.3%
	Operating profit	3,489 (3.1%)	-739 (-0.8%)	+4,229	—
Europe	Sales [excluding parts supplied by customers]	41,219	33,263	+7,955	+23.9%
	Operating profit	2,075 (5.0%)	975 (2.9%)	+1,099	+112.7%
China	Sales [excluding parts supplied by customers]	64,177	72,640	-8,463	-11.7%
	Operating profit	2,216 (3.5%)	2,626 (3.6%)	-410	-15.6%
Asia	Sales [excluding parts supplied by customers]	16,686	16,208	+477	+2.9%
	Operating profit	1,437 (8.6%)	1,502 (9.3%)	-64	-4.3%
Consolidation adjustments	Sales	-9,168	-10,659	+1,490	
	Operating profit	193	259	-66	
Total	Sales [excluding parts supplied by customers]	449,664	397,225	+52,438	+13.2%
	Operating profit	19,213 (4.3%)	7,681 (1.9%)	+11,531	+150.1%

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Sales by Customer

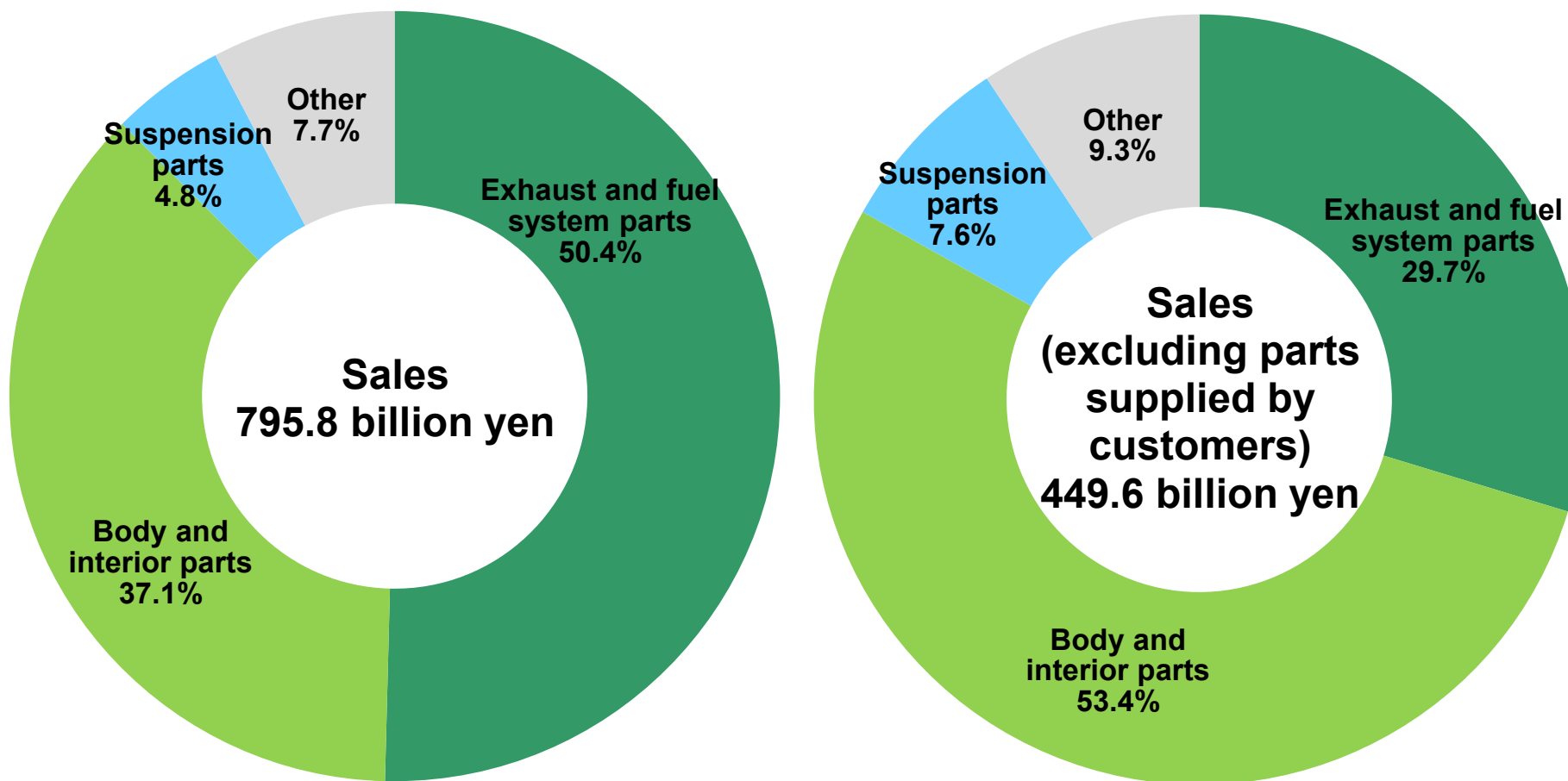
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The figure in parentheses () indicates the ratio to sales (Billion yen)

Including parts supplied by customers	FY3/2024 Results		FY3/2023 Results		Change	Change (%)
*1 Toyota Group	645.8	(81.2%)	544.8	(76.9%)	+101.0	+18.5%
Suzuki	68.2	(8.6%)	73.8	(10.4%)	-5.6	-7.6%
Mitsubishi Motors	22.3	(2.8%)	24.3	(3.4%)	-1.9	-8.1%
Honda Motor	9.6	(1.2%)	10.1	(1.4%)	-0.5	-5.0%
*2 Nissan Group	9.5	(1.2%)	7.8	(1.1%)	+1.7	21.7%
Other	40.1	(5.0%)	47.0	(6.8%)	-6.8	-14.3%
Total	795.8	(100.0%)	708.0	(100.0%)	+87.7	12.4%
Excluding parts supplied by customers						
*1 Toyota Group	375.6	(83.5%)	321.8	(81.0%)	+53.7	+16.7%
Suzuki	22.8	(5.1%)	20.5	(5.2%)	+2.3	+11.3%
Mitsubishi Motors	10.4	(2.3%)	10.9	(2.8%)	-0.5	-4.9%
Honda Motor	6.9	(1.6%)	7.2	(1.8%)	-0.2	-3.2%
*2 Nissan Group	7.1	(1.6%)	5.8	(1.5%)	+1.3	+23.4%
Other	26.5	(5.9%)	30.8	(7.7%)	-4.2	-13.8%
Total	449.6	(100.0%)	397.2	(100.0%)	+52.4	+13.2%

*1. The Toyota Group includes Daihatsu, Hino Motors, etc.

*2. The Nissan Group includes Nissan Shatai.



Comparison of sales breakdowns between sales including parts supplied by customers and those excluding such parts

Exhaust and fuel system parts	50.4% → 29.7% (-20.7%)
Body and interior parts	37.1% → 53.4% (+16.3%)

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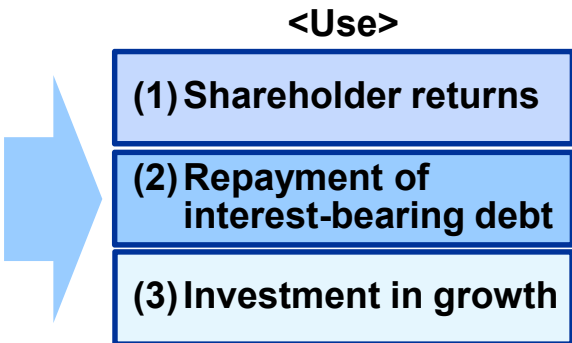
4. Progress on Medium-Term Management Plan, etc.

Improve financial condition

Strengthen corporate competitiveness and strength

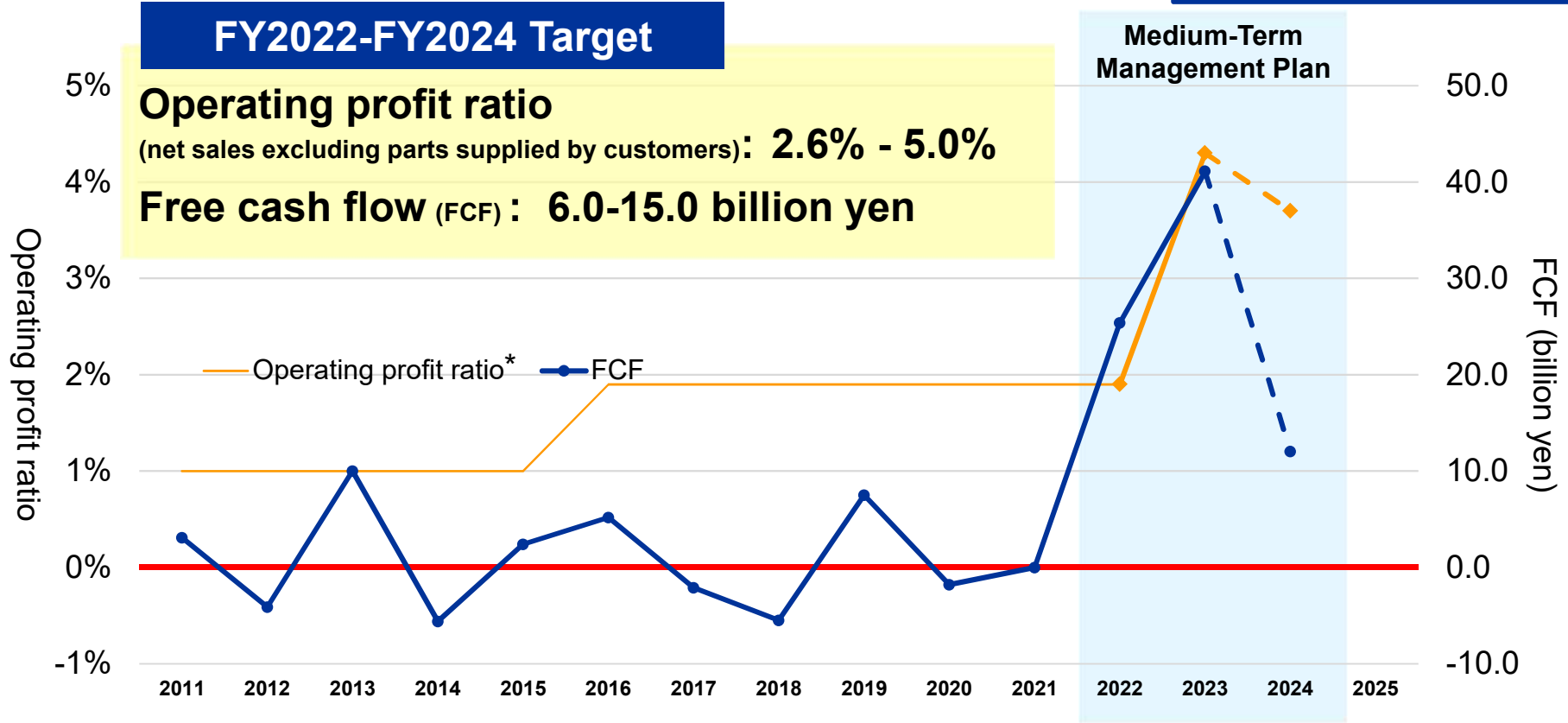
Risks and opportunities

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



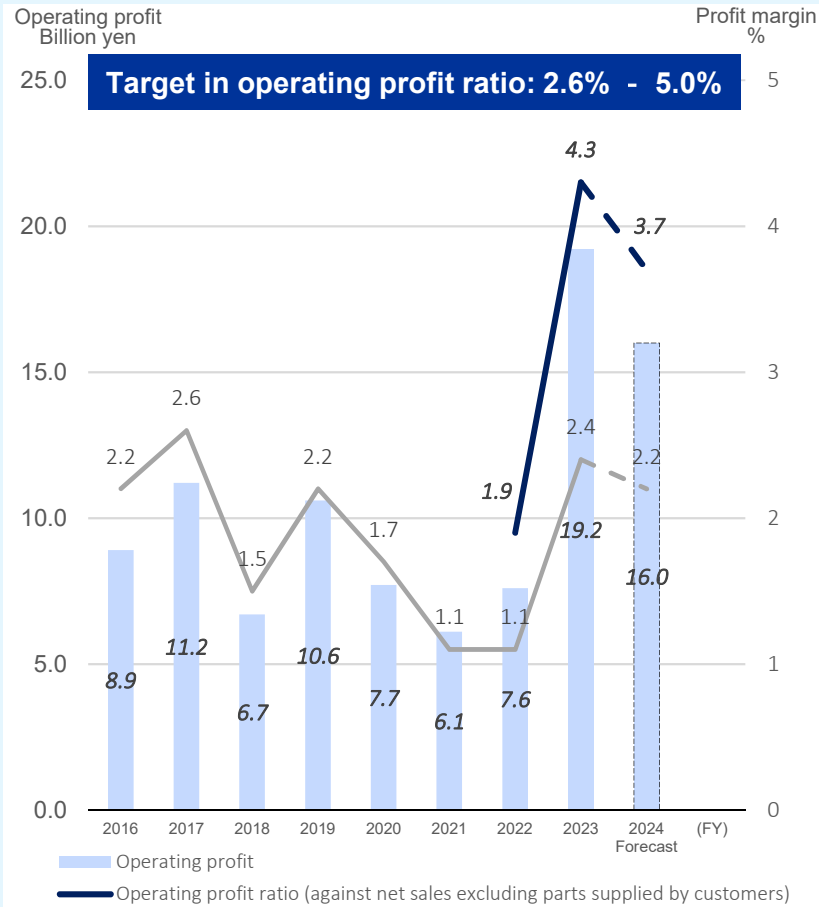
FY2022-FY2024 Target

Operating profit ratio
 (net sales excluding parts supplied by customers): **2.6% - 5.0%**
Free cash flow (FCF) : 6.0-15.0 billion yen



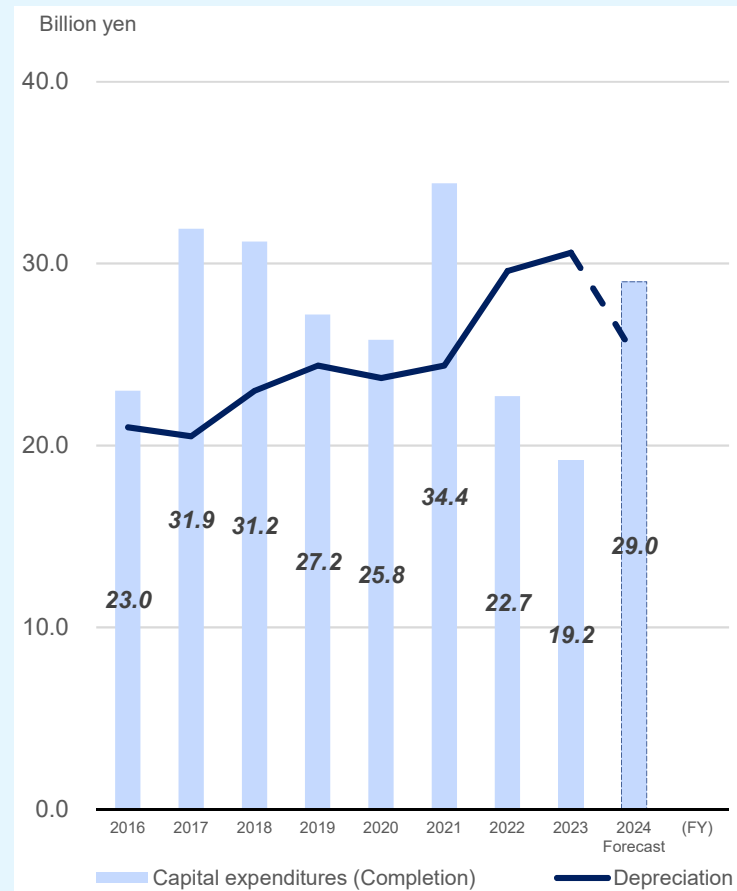
* Parts supplied by customers included up to FY2021

Operating profit ratio



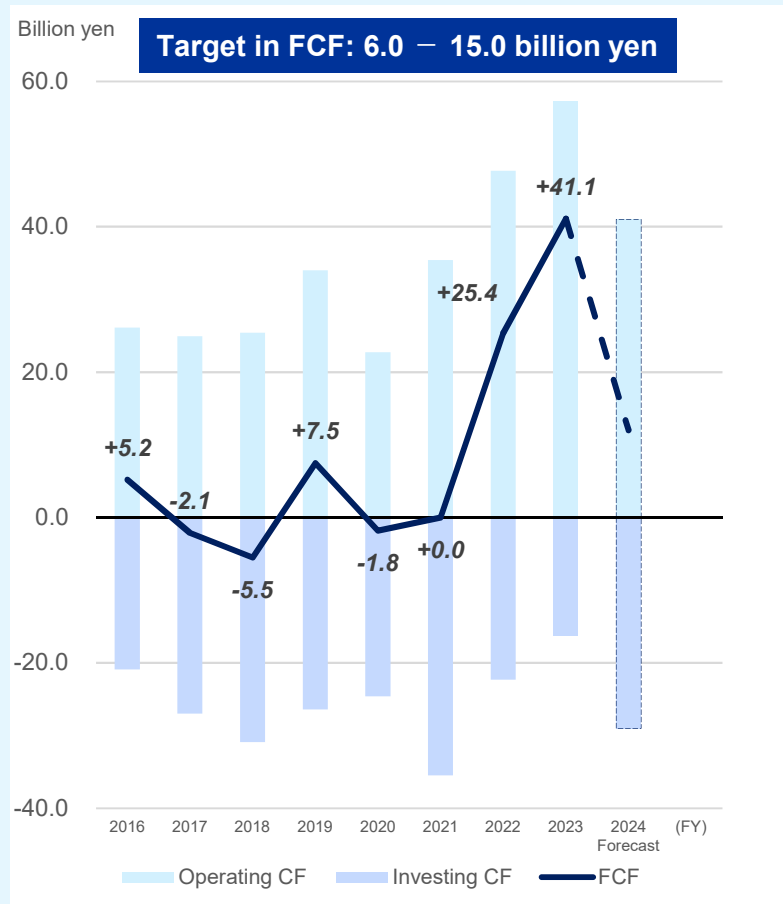
**Continue activities that lower the breakeven point in net sales.
Increase efficiency in terms of both variable and fixed costs.**

Capital expenditures



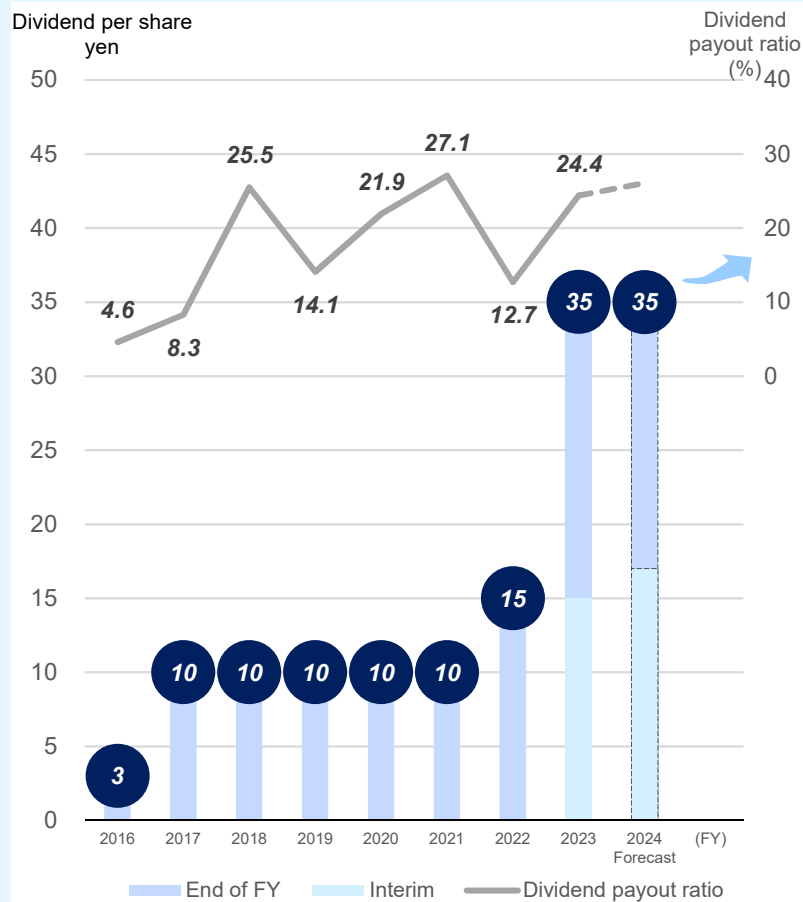
**To achieve the free cash flow target, set the upper limit of capital expenditures at 25 to 30 billion yen.
Reduce capital expenditures.**

Free cash flows



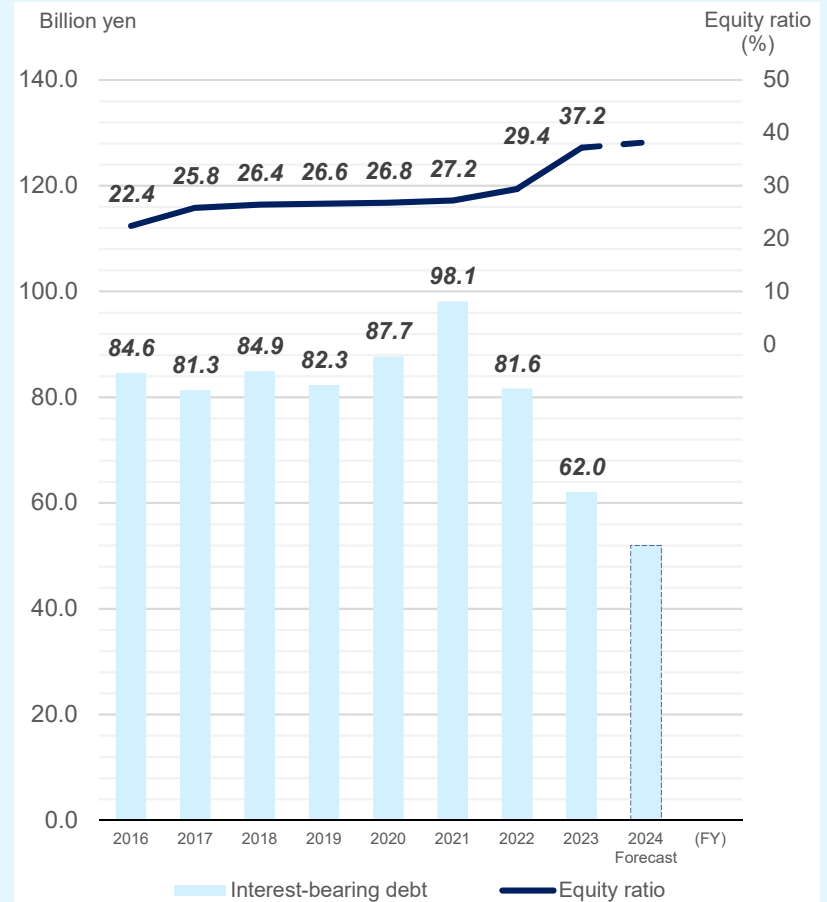
Seek to improve free cash flows.
Allocate to (1) shareholder returns, (2) repayment of interest-bearing debt, and (3) investments in growth (with a focus on advanced development).

(1) Shareholder returns



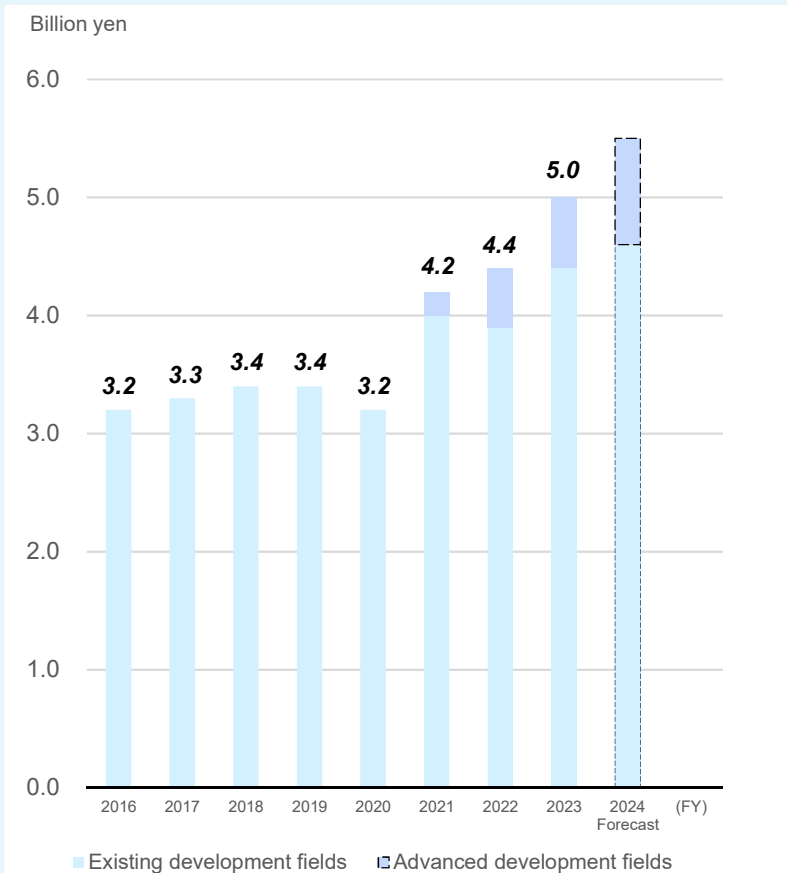
**Payout ratio target set around 30%.
Strive to maintain and increase the amounts of dividends.**

(2) Repayment of interest-bearing debt



**Increase capital efficiency inside the Group to reduce interest-bearing debt.
The equity ratio stands at approximately 40%.**

(3) Investments in growth (research and development expenses)

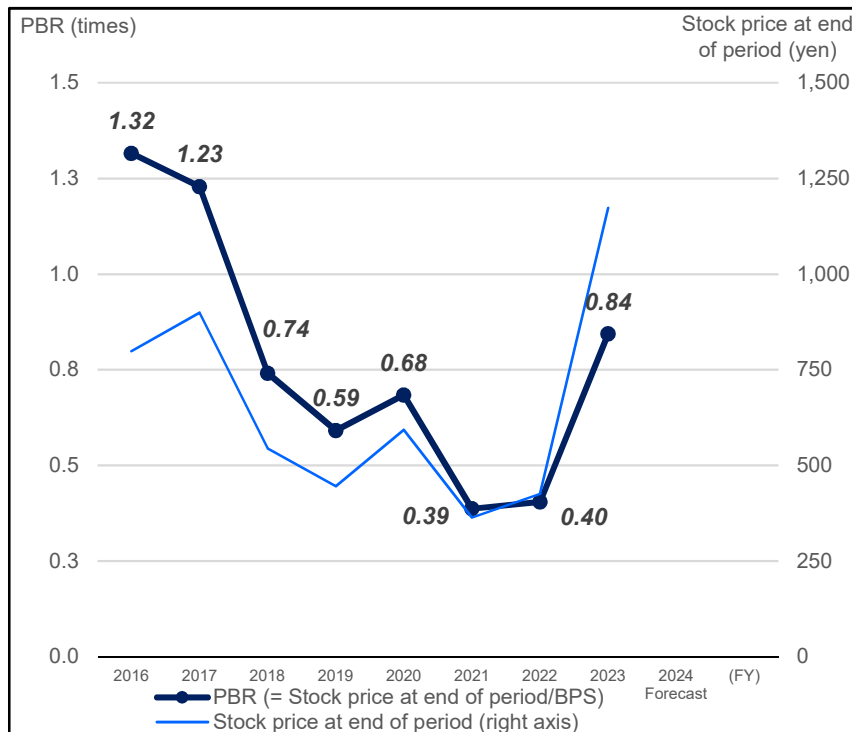


**Increase the ratio of research and development expenses to net sales in real terms from around 1% to a range of 2% to 3%.
Shift from existing fields to advanced fields and new businesses**

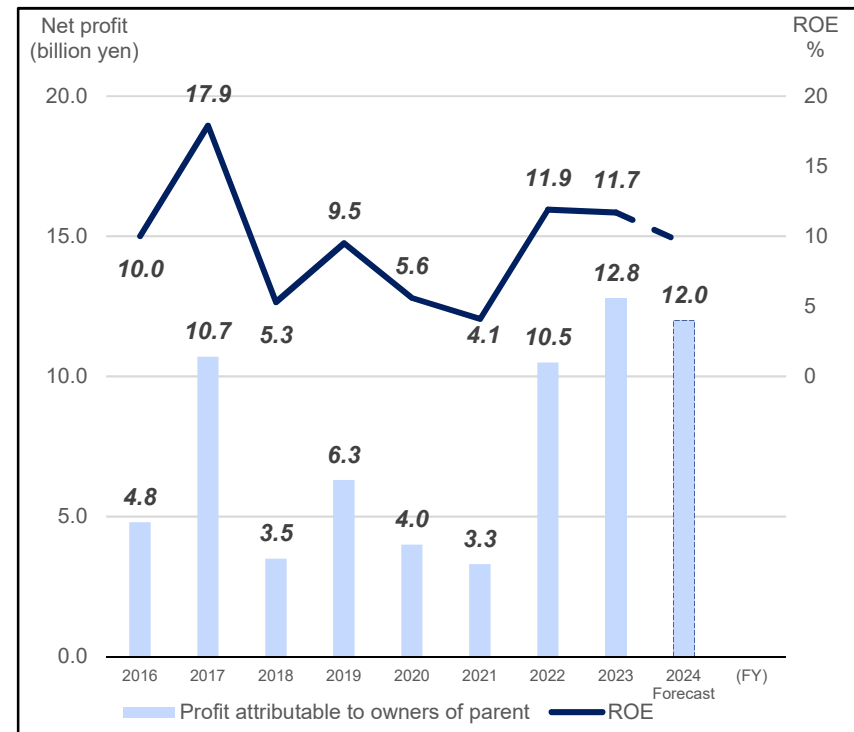
Carry out management with attention to capital cost and share price with a view to quickly reaching a price-to-book-value ratio of 1

- **Set the ROE target at 10% or higher to boost capital profitability**
- **Promote objectives-oriented activities on a region-by-region basis**

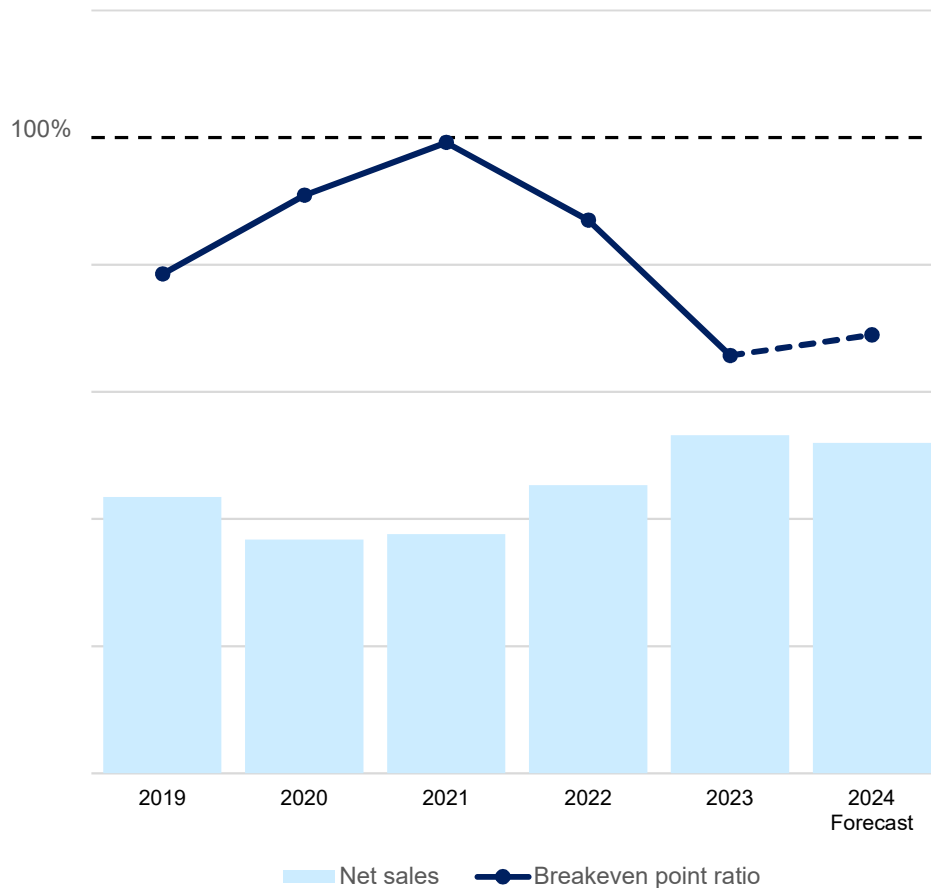
Share price and PBR



Net profit and ROE



Improvement in breakeven point (Japan)



<Daily activities>

- Improved productivity
- Quality improvement (improvement of defect rates)
- Yield improvement

<Special activities>

Best practice activities

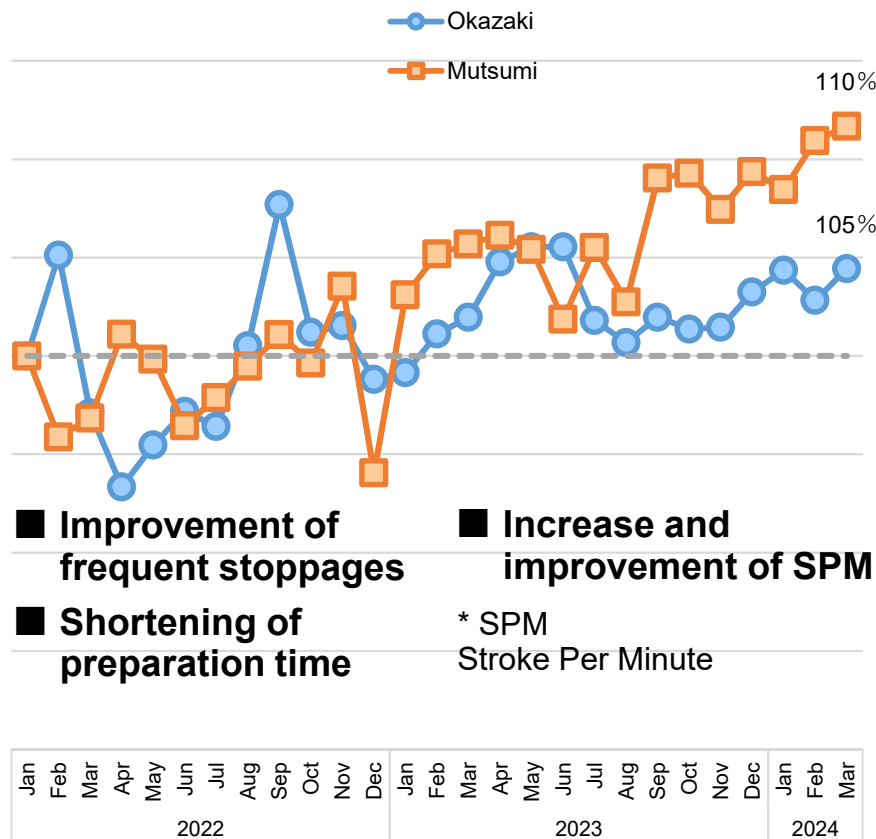
- Improve productivity in pressing
- Integrate and suspend production lines
- Improve revenue from interior parts
- Increase the competitiveness of exhaust system parts

Seek to be the industry's best in yield and quality and quickly introduce the best practices globally

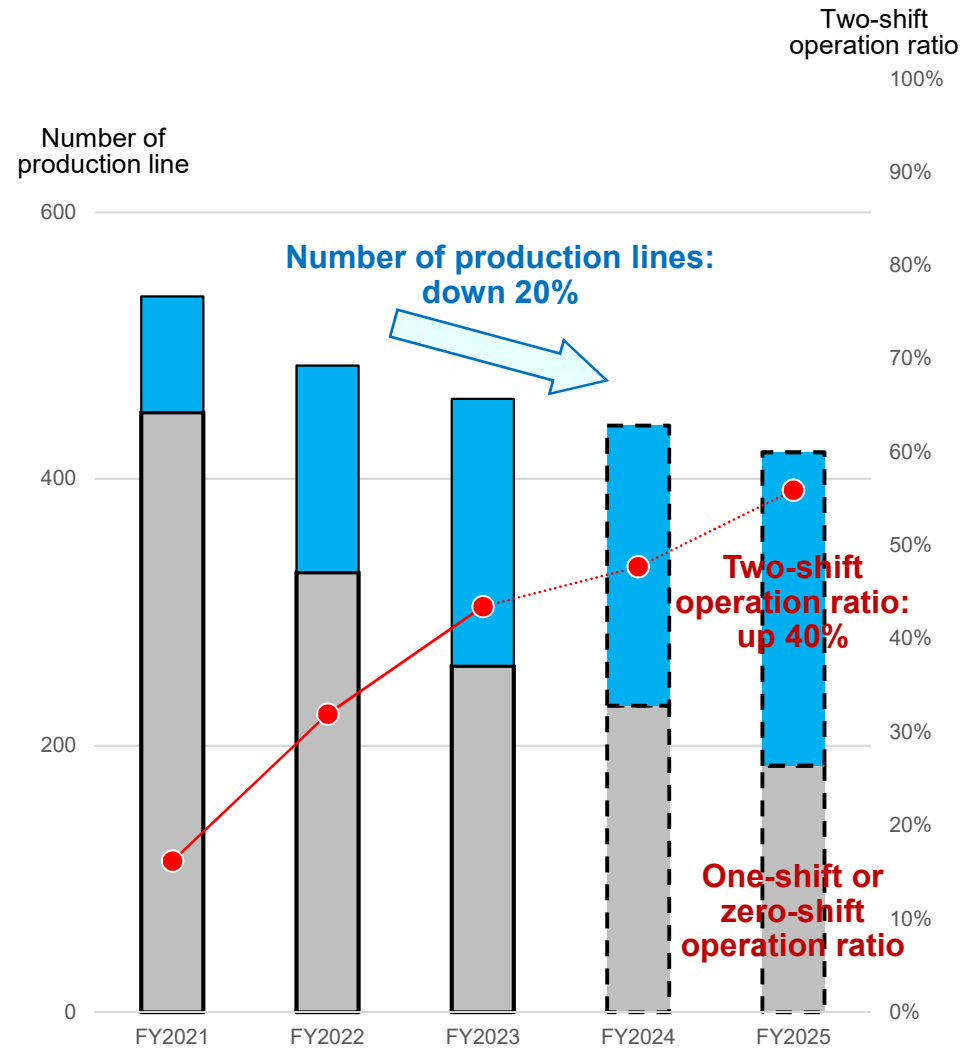
Best practice activities

<Improve productivity in pressing>

Improve productivity in transfer pressing
 Okazaki: 2,000 t / Mutsumi: 2,000 t, 1,500 t, 800 t

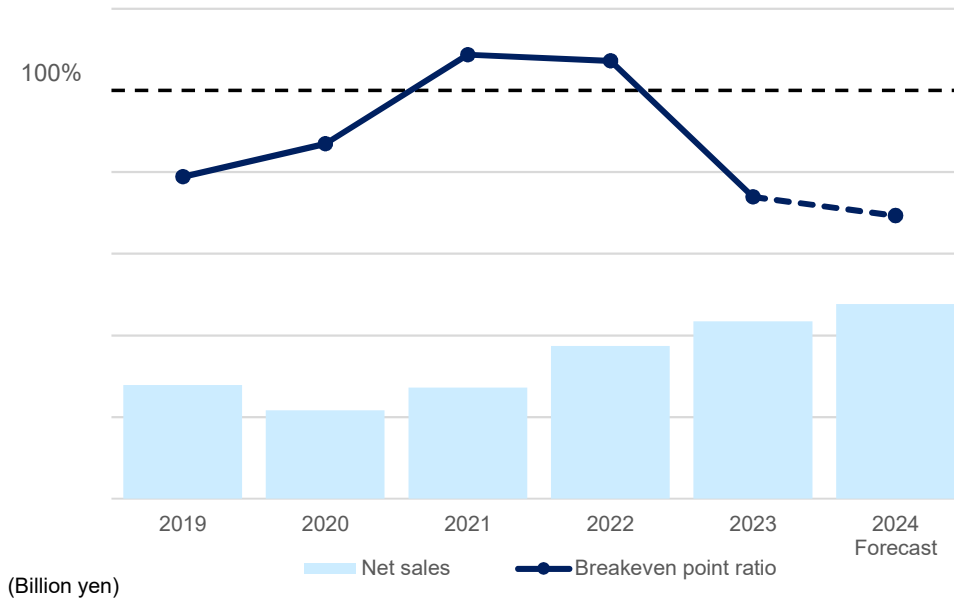


<Integrate and suspend production lines>



(North America) Special project driven by the local top management

Improvement in breakeven point (North America)



[Purpose]

- **Improvement of breakeven points** through earnings structure reforms

[Strategy]

- Thorough earnings structure analysis
- Setting of targets for all expense items and improvement activities

Operating profit	2019	2020	2021	2022	2023	2024
	1.6	0.9	-0.6	-0.7	3.4	4.1

Causes of operating loss

- Increase in expenses (Inflation)
- Increase in depreciation
- (Increase in investment)

Measures to improve the breakeven point

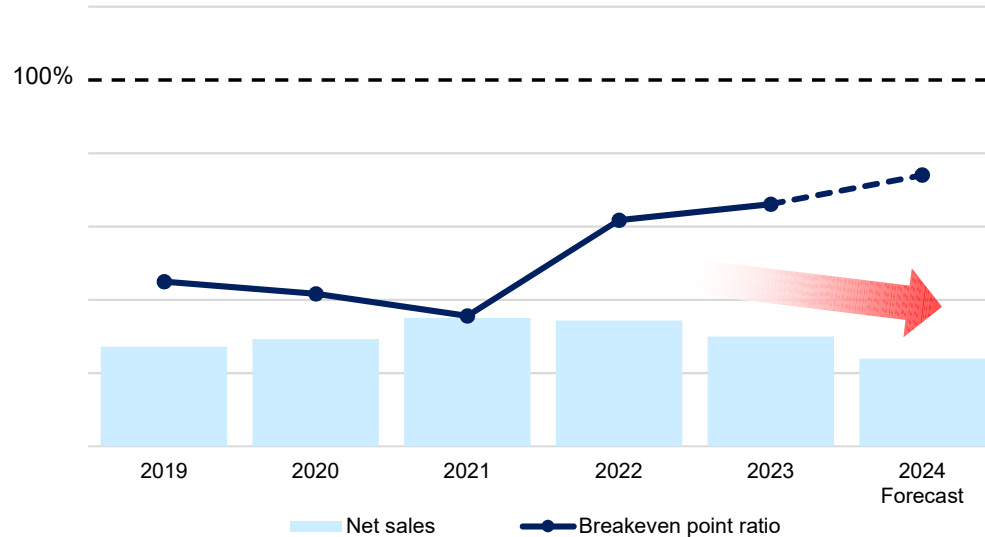
- **Best practice activities (Application of measures implemented in Japan)**
- **Appropriate passing on of fixed cost increases (linked to inflation)**
- **Further facilitation of a shift to local procurement**



Automation of the supply of materials for pressing (Best practice activities)

(China) Survival strategies with an eye on new phases

Improvement in breakeven point (China)



[Background]

- Struggling sales of Japanese brand OEMs due to the rise of Chinese brand OEMs

⇒ **Decline in the number of vehicles produced and further intensification of competition**

[Strategy]

- **Further facilitation of a shift to local procurement**
- **Improved productivity**
- **Application of best practices**

[Examples of locally-driven initiatives]



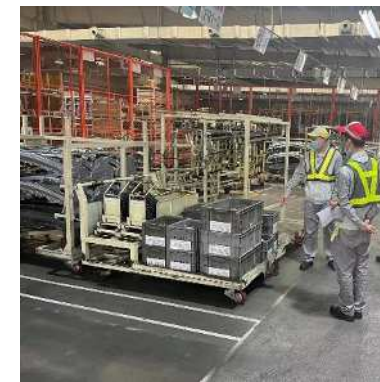
Reduce amounts of materials
(Yield improvement)



Automation of assembly lines
(Best practice activities)



Pursue of improvements in logistics
(Best practice activities)



Automation of component supply
(Best practice activities)

Improve financial condition

Strengthen corporate competitiveness and strength

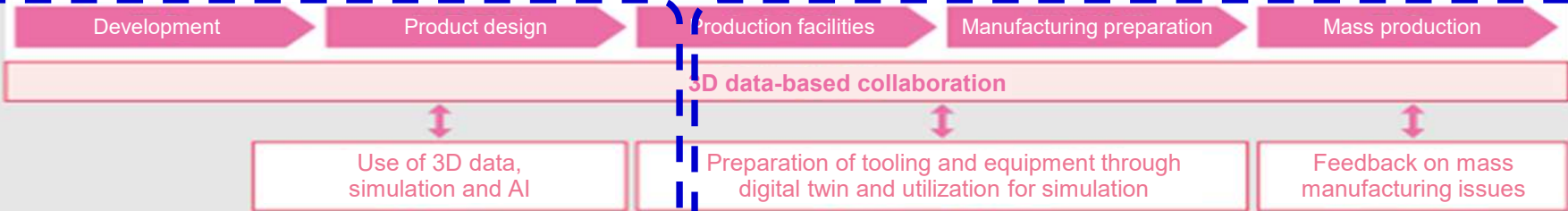
Risks and opportunities

[Implementation of development process transformation]

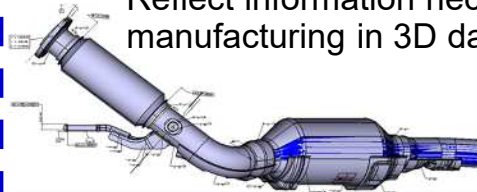
Facilitated transformation to create a process in which development is made in a digital space by utilizing 3D data of products, equipment and plants, and implemented activities to **reduce the development lead time by half**.

3D digital platform for products and equipment

Development process

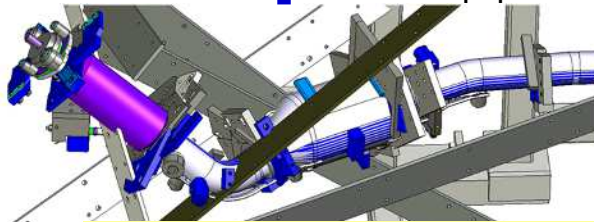


Reflect information necessary for manufacturing in 3D data



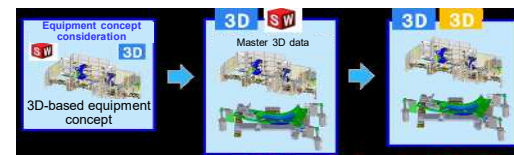
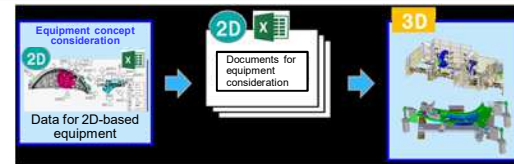
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In addition, reflect equipment standards



3D data-based collaboration

Design products in consideration of production process
 ⇒ Shortening of lead time and reduction of man-hours and losses



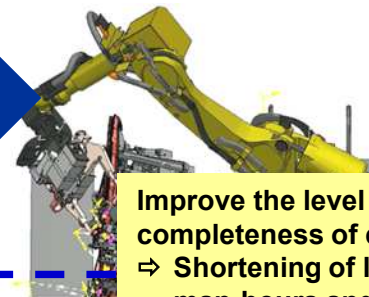
Process/equipment planning on a 2D basis



3D-based operation covering the entire process from process/equipment concept to design



3D-based production process simulation



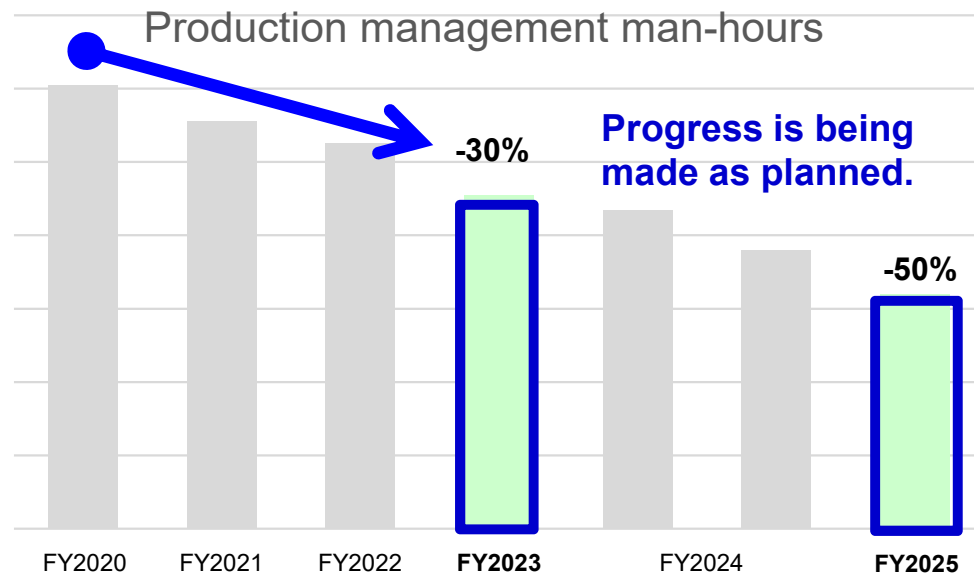
Improve the level of advance validation and completeness of equipment before installation
 ⇒ Shortening of lead time and reduction of man-hours and losses

[Implementation of production process reforms]

Advance activities to **reduce production management man-hours by half** through the creation of a virtual one factory



Consolidation of production management operations



Consolidate the overlapping of operations between plants and improve efficiency by using digital technologies

Make a shift to focus on high value-added operations

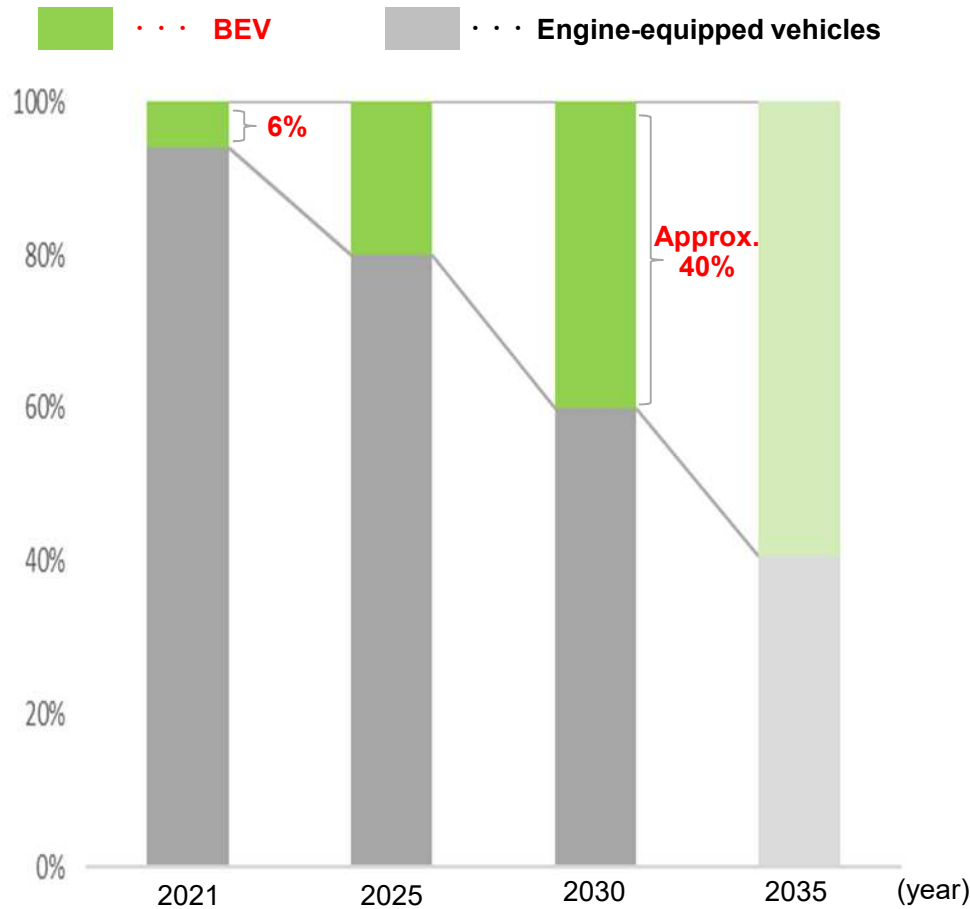
- Medium- to long-term production strategy
- Groundbreaking logistics reform

Improve financial condition

Strengthen corporate competitiveness and strength

Risks and opportunities

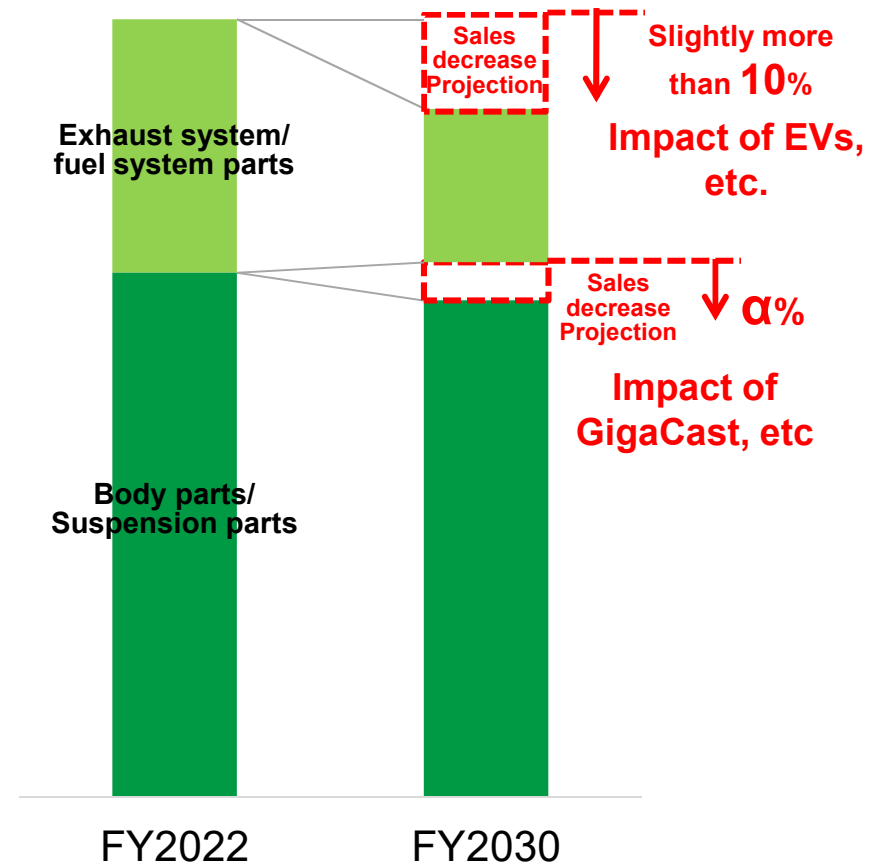
<Worldwide New Vehicle Sales Forecast>



Source: Created by Futaba Industrial based on Boston Consulting Group analysis "Electric Cars Are Finding Their Next Gear (June 9, 2022)"

The number of engine-equipped vehicles will decrease
BEV conversion will expand rapidly

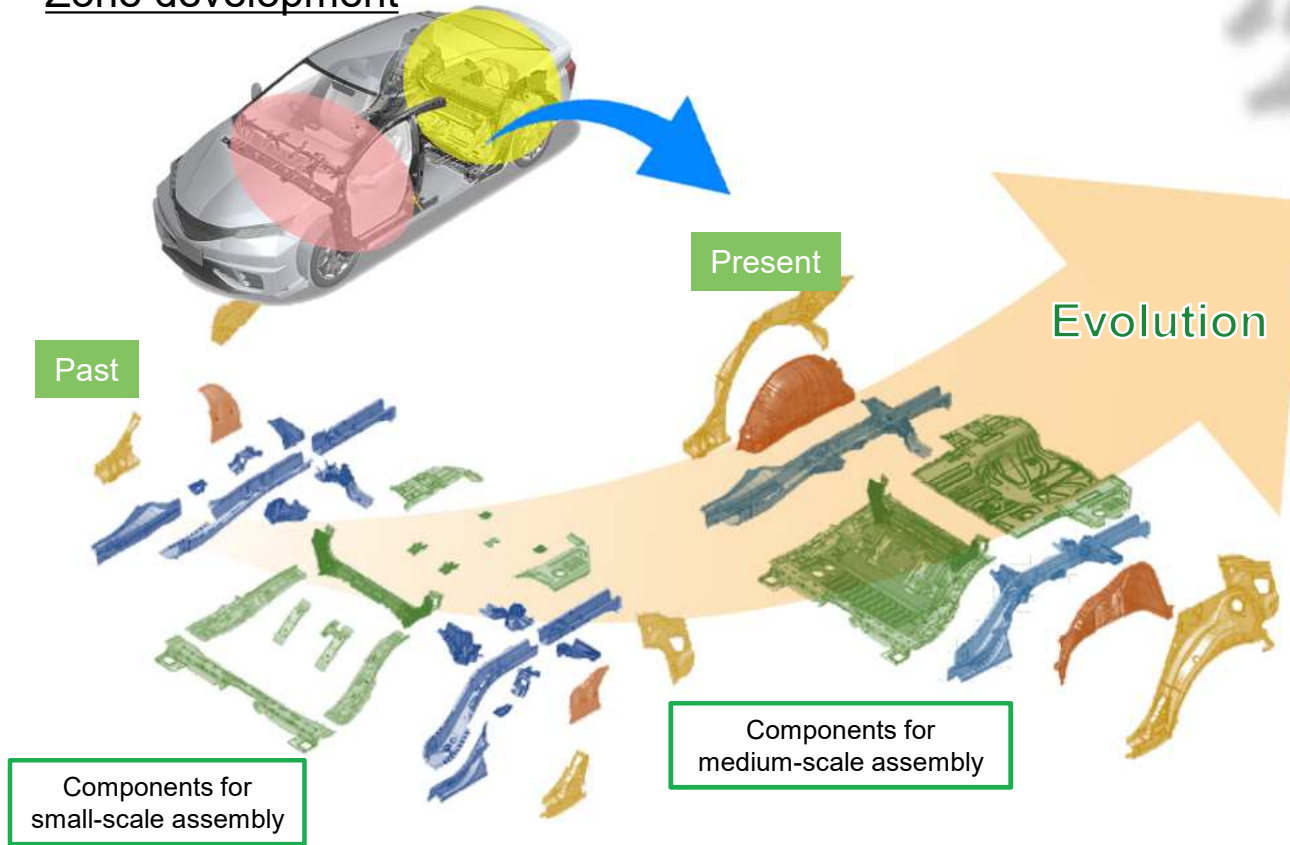
Forecast of impact on Futaba consolidated sales (Excluding automobile-related parts and supplied items)



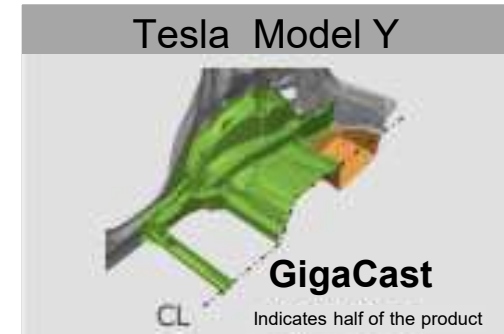
Consider providing larger and more integrated components

Zone development

Future



Taking on challenges to offer larger and more integrated components



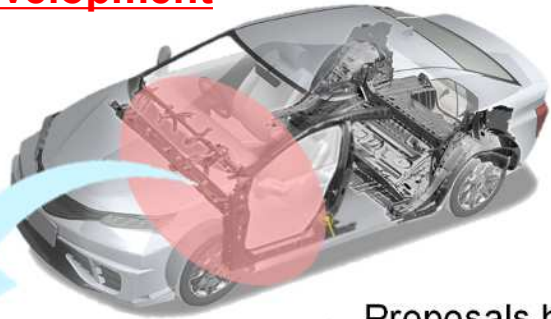
Source: A2MAC1

**Components become more complex and larger
Make structure-focused proposals by leveraging manufacturing capabilities (molding and joining technologies)**

Risks and Opportunities:

Sales Expansion - Expanding Sales of Body Parts and Increasing Added Value

(1) Zone development



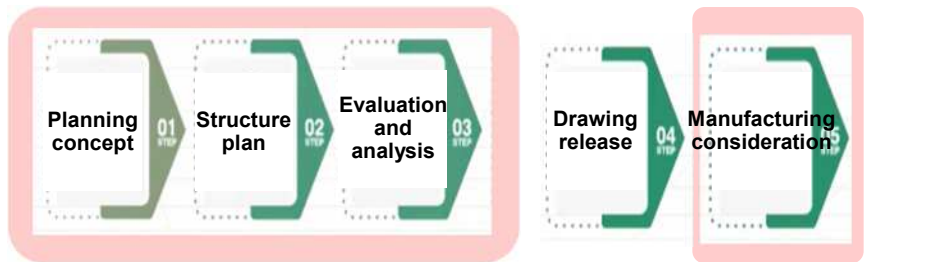
Solution proposals by Zone

Utilize CAE and other R&D potential

Proposals based on Monozukuri

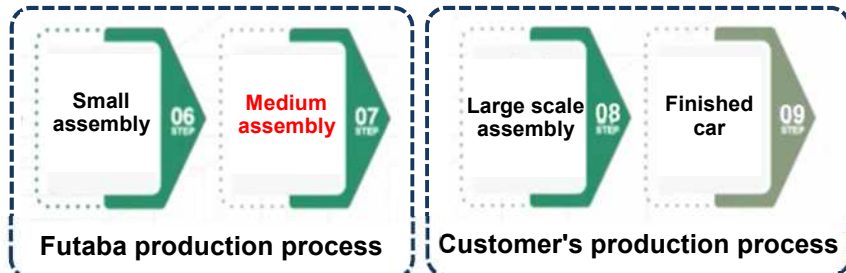
(2) Responding to shift to ultra-high tensile strength steel (Contributes to weight reduction of cars)

We will continue to proactively propose structures that balance manufacturing with ultra-high tensile strength steel and performance (CAE:FR impact test).



New added value

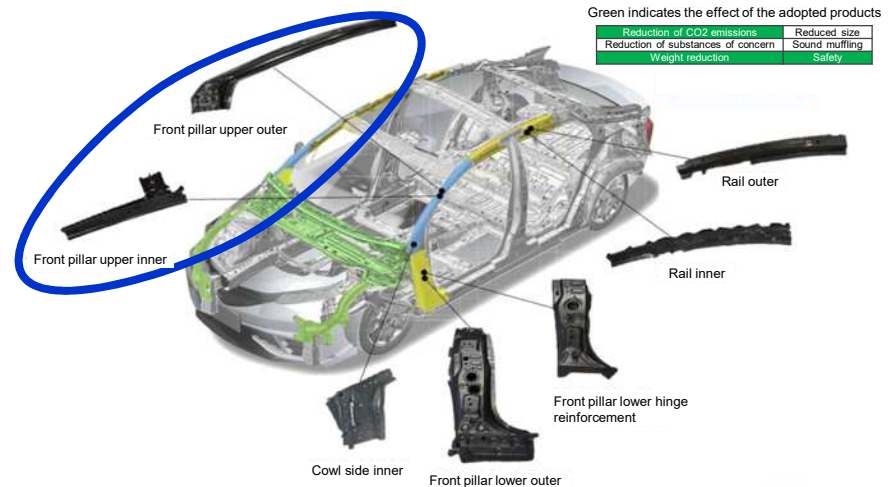
Traditional added value



Futaba production process

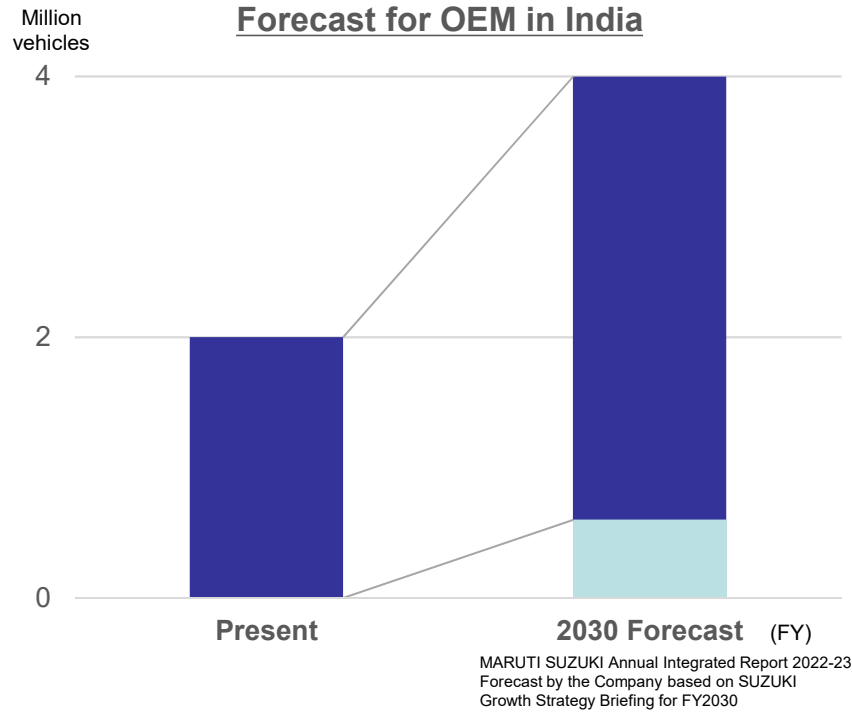
Customer's production process

Front pillar (SPC 1470 MPa)



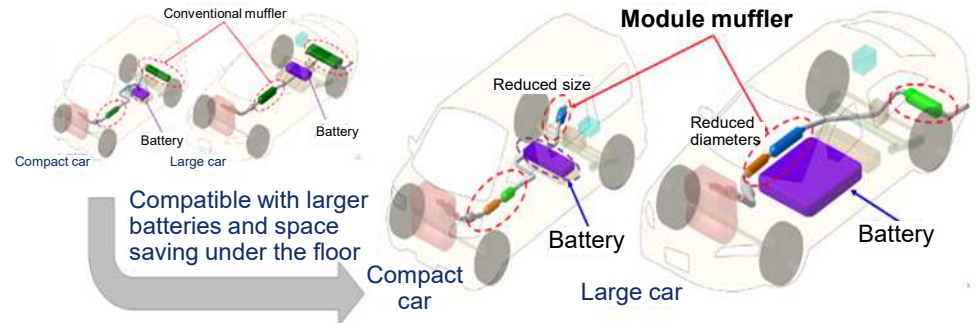
Blue: 1470 MPa material, Yellow: 1180 MPa material, Green: Other main body parts

(1) India: Expand sales by expanding OEM business

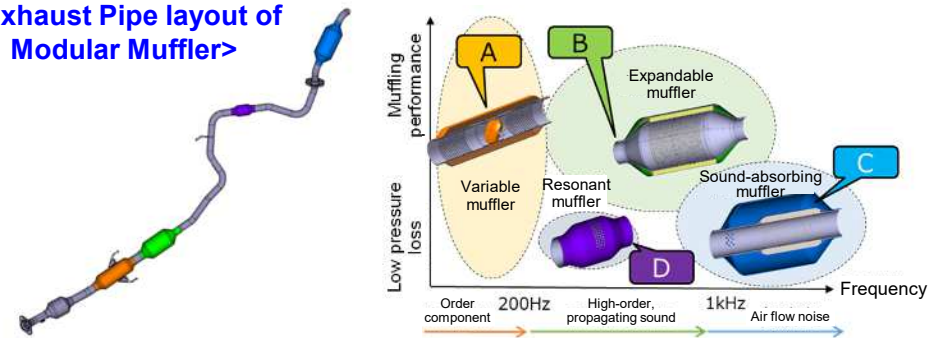


■ BEV ■ Vehicles with BEV engine (Engine-equipped vehicles: ICE, CNG, HEV, PHEV)

(2) Newly developed product: Modular muffler



<Exhaust Pipe layout of Modular Muffler>



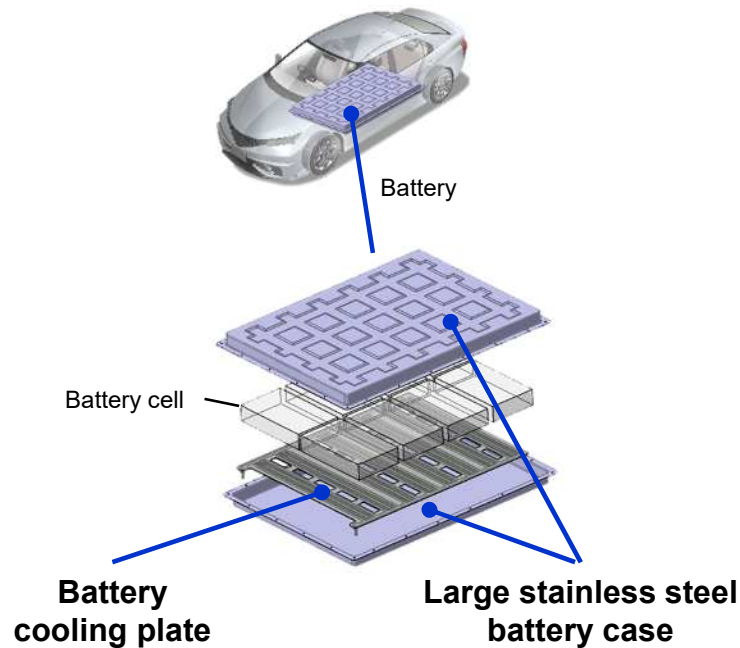
20% or more weight reduction, 20% or more muffler volume reduction

We will launch a team dedicated to driving localization in India and respond to customer needs quicker than ever.

Step up efforts to receive orders for exhaust systems used in new models

We will work to increase market share of our specialty engine function products (exhaust pipes, exhaust manifolds and canisters) by using newly developed products such as modular mufflers.

(1) Development of products for BEV



Promote the development of products for BEVs by utilizing our specialty technologies such as thermal management, laser welding, and stainless steel stamping.

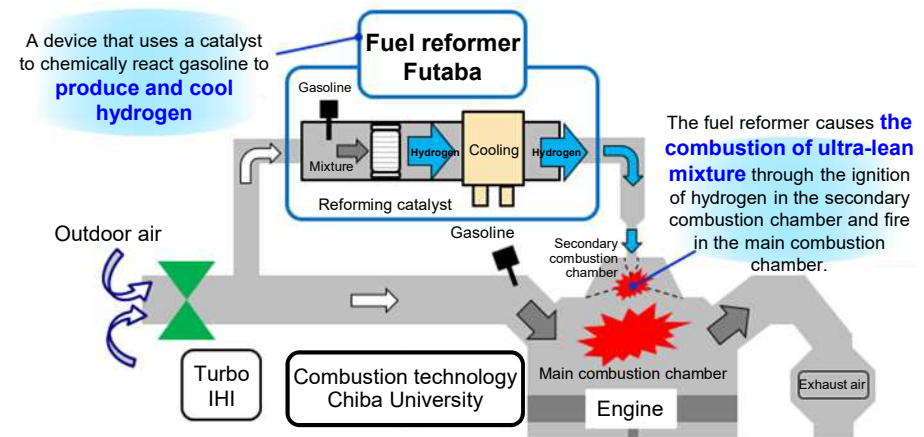
↓

Currently proposing to OEMs for adoption from 2027 onwards

(2) Development of hydrogen utilization technology for HVs

Under development with Chiba University and IHI

Aim to **reduce CO₂ emissions by 30%** by realizing **ultra lean combustion** in the engine through the use of **hydrogen** generated in a fuel reformer as a source of engine ignition



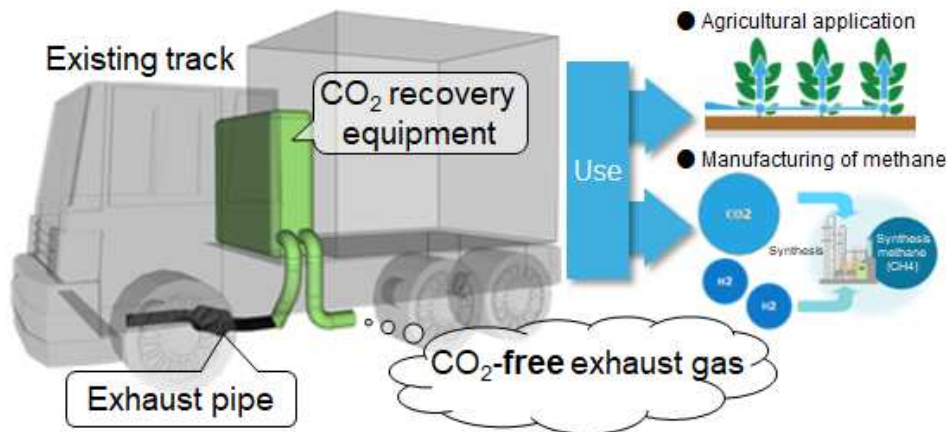
Promote technological development aimed at reducing CO₂ emissions from existing engine vehicles by utilizing hydrogen, one of the next-generation energy sources

(1) CO₂ collection business for logistics trucks

Contribute to the achievement of decarbonization in the logistics industry, aiming to balance global **environmental sustainability** and **quality of life**.

<Business overview>

A system that separates and collects CO₂ emitted **during driving** Can be used sustainably as it can be retrofitted and installed in **existing vehicles**.



<Co-creation type business development>

Promote Hypothesis Testing **with Partner and In-House Expertise**

Material development: University of Tokyo

Demonstration study: SBS Holdings, Inc.

System development: Utilizing in-house knowledge

<Business Proposition Value>

Contribution to global environmental sustainability

- Reduction of greenhouse gas CO₂ emissions
- Resource conservation through sustainable use of existing vehicles
- Recycling through effective use of CO₂

Contribution to quality of life

- Survival of delivery convenience
- Realizing environmental contribution through CO₂ recycling

<Progress in development>

A test run was conducted on a public street in February 2024.

A traveled distance of 10 kilometers on the public street was achieved with ZERO CO₂ emissions.



(Vehicle used for the test)



(View of the equipment installed)

<Promotion schedule>

Item	2022	2023	2024	2025	2026	2027
Description	Business development Feasibility study (FS)			Product development		Release

(2) Laser weeding machine

“Green Food System Strategy” (formulated by the Ministry of Agriculture, Forestry and Fisheries)
 <Goal for 2050>

1. 50% reduction in the use of chemical pesticides
2. Increase the area of organic farming efforts by 25%, to 1 million hectares

Contributing to the spread of organic agriculture

Aim to achieve weeding that does not rely on people or pesticides

<Development status>

We started the demonstration of laser eradication on weeds and autonomous driving.



<Enhancing industry-academia-government collaboration>

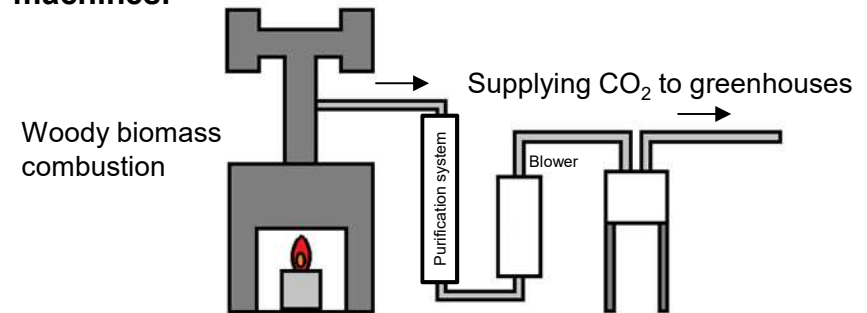


Selected as New Aichi Creative Research and Development Theme in FY2023



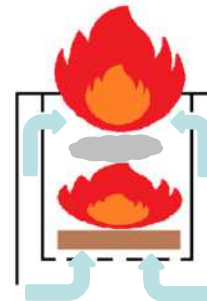
(3) Woody biomass combustion type photosynthesis promotion system

Develop a carbon-neutral CO₂ application machine that utilizes woody biomass to replace kerosene-burning machines.



<Points of development>

- (1) Enhanced secondary combustion system significantly reduces harmful components
- (2) Further removes soot and harmful components from exhaust gas with a purification system



<Future activities>

Safety evaluation and cultivation demonstration will be verified at public research institutions, with the aim of early commercialization.

We will continue to provide many stakeholders with products and services that offer value to society from three perspectives.

Clean & Green represents exhaust system parts that reduce negative impacts on the natural environment.

Peace of mind represents body/interior parts that protect people from danger and provide them with peace of mind.

Quality of life represent products and services that increase quality of life (the apleaf system and new businesses)

While envisioning joy and sensation that surpass the expectations and satisfaction of end users who actually use products, not to mention customers to whom we deliver products, under the shared slogan of “Create Beyond” (create beyond the customer’s expectations), we will continue to provide many stakeholders with products and services that offer value to society from the three perspectives of the clean & green, peace of mind and quality of life.



FUTABA

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[Important Notes]

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