

FY 2025-2027

Medium-term Business Policy

~ Toward Sustainable Profit Generation and Growth ~

(April 2024 – March 2027)

May 10, 2024

Futaba Corporation



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.

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We have achieved profit improvement through structural reforms and cost reduction

Progress on Core Polices

Restructuring

- ✓ Business reconstruction
Implemented planned discontinuation of in-house OLED and withdrawal from VFD and out-cell touch sensor business
- ✓ Optimization of Bases
Implemented planned reorganization domestic and international bases according to business scale

Pursue Business Profit

Fixed cost

Plan : ¥1.7B cut
Result : ¥3.3B cut

Variable cost ratio
Plan : 2.1%pt cut
Result : 0.8%pt rise

- Strengthen human capital
Advanced human resource development for business expansion; merit-based HR system revision planned in new MTP
* MTP (Medium-term business policy)
- ✓ Fixed cost reduction
Achieved goals through discontinuation of VFD (restructuring) and cost reduction
- ✗ Variable cost ratio reduction
Missed goals primarily due to insufficient labor reduction from production automation/streamlining and inventory management not meeting plans

✓ Achieved ■ Mediocre ✗ Unachieved

Management Goals

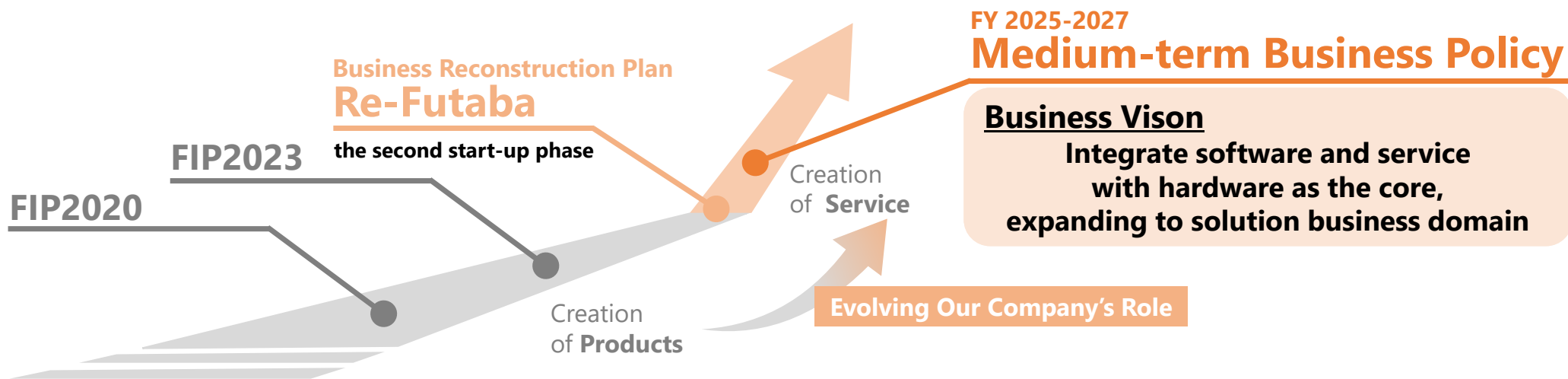
(Billion yen)

	FY 2023	FY 2024	
	Result	Plan	Result
Net sales	60.3	56.0	56.4
Electronic Systems	27.3	24.0	24.8
Machinery & Tooling	33.0	32.0	31.5
Operation profit	(2.4)	(1.2)	(1.1)
Electronic Systems	(2.6)	(1.3)	(1.0)
Machinery & Tooling	0.2	0.1	(0.2)
Fixed Cost	-	¥1.7B cut	¥3.3B cut
Variable Cost Ratio	-	2.1%pt cut	0.8%pt rise

* Fixed cost, and variable cost ratio are compared to the previous fiscal year (FY 20223).

02 Positioning & Basic Policies of Medium-term Business Policy

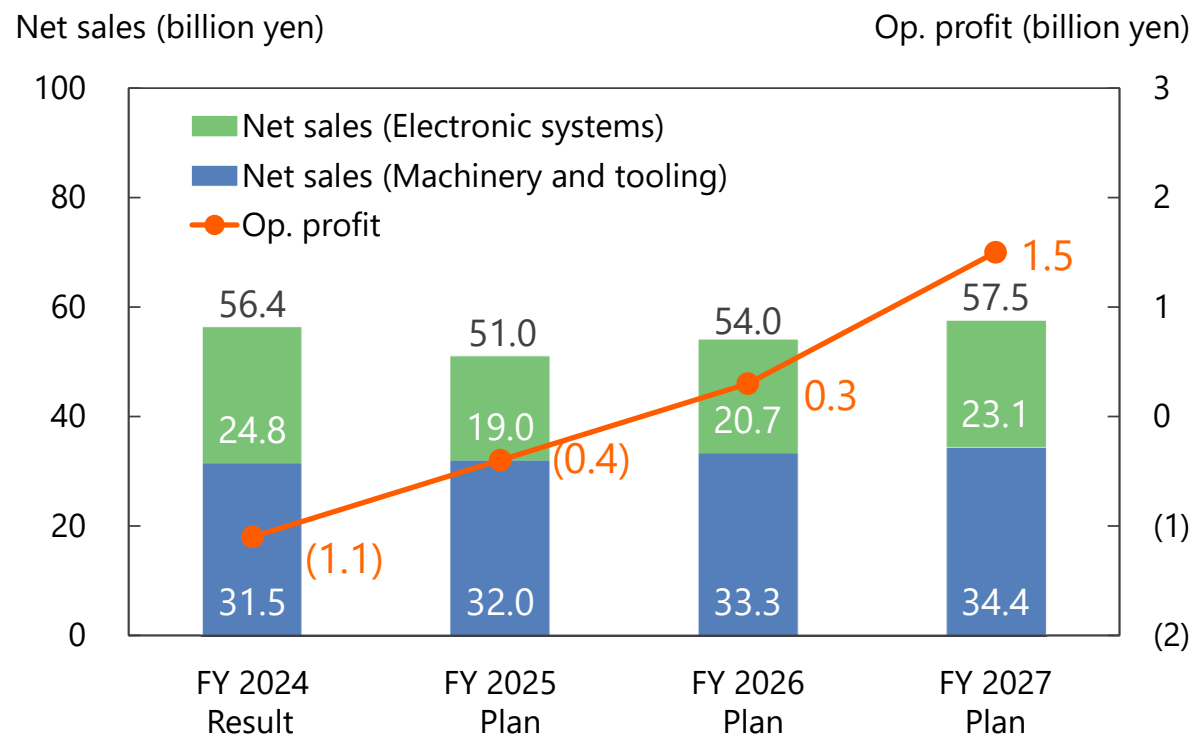
Advancing transition toward sustainable profit generation and growth to build a solid business foundation.



Basic Policy	Restructuring and Strengthening the Business Structure		Strengthening the Management Foundation	
	1. Completing Restructuring	2. Expanding into Solution Domain	3. Enhancing Corporate Function	4. Developing Stakeholders Trust
Action	<ul style="list-style-type: none"> Completion of business reconstruction plan Organizational changes accompanying business optimization 	<ul style="list-style-type: none"> New business development based on marketing analysis Solving customer issues through the expansion of proposal domains 	<ul style="list-style-type: none"> Investment in HR dev. Accelerating DX* through AI and IT optimization Establishment and operation of risk management system <p><small>*DX: Digital Transformation</small></p>	<ul style="list-style-type: none"> SDGs activities Capital returns improvement Dialogue with stakeholders

FY 2027 Consolidated Net sales: 57.5 billion yen, Op. profit: 1.5 billion yen

Consolidated net sales and op. profit trends



FY 2025 Management goals

(Billion yen)

	1H	2H	Full
Net sales	25.0	26.0	51.0
Electronic Systems	9.0	10.0	19.0
Machinery & Tooling	16.0	16.0	32.0
Operation profit	(0.7)	0.3	(0.4)
Electronic Systems	(0.8)	(0.1)	(0.9)
Machinery & Tooling	0.1	0.4	0.5

Completion of restructuring in 1H
Planning for profitability from 2H

* The exchange rate has been estimated at 145 JPY/USD.

* Estimated exchange rate sensitivity for FY 2027: 1 JPY/USD depreciation to impact sales by +210 million yen and operating profit by -10 million yen

04 Business Portfolio

System Solution

Industrial Radio Control (IRC)

- Expanding construction/agricultural machinery parts sales in domestic and international markets

Composite Module

- Expanding business in ODM development

Robotics Solution

Robotics (Drone, Servo)

- Early profitability through integration of industrial / hobby resources

Hobby Radio Control (HRC)

- Offering attractive products and novel hobby experience

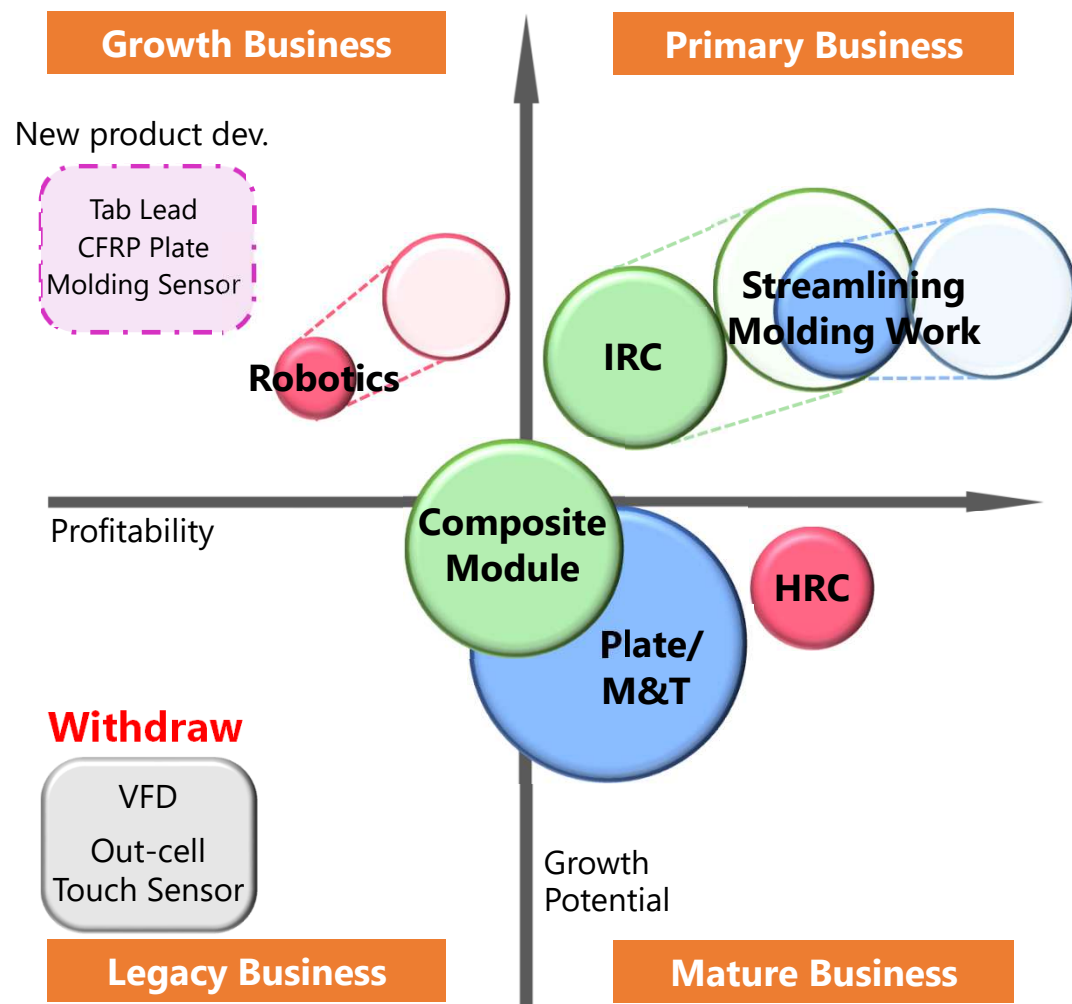
Machinery and Tooling

Plate / M&T Products

- Expanding the range of procurement rationalization and strengthening provision to the FA Sector

Streamlining Molding Work

- Supporting DX introduction, expanding core user



Restructuring and Strengthening the Business Structure

- 05** Completing Restructuring
- 06** Expanding into Solution Domain

05 Completing Restructuring - Result and Future Plan -

Restructuring



① OLED

- Terminate in-house production
*~June, 2024



④ M&T

- Reorganize factory



② Out-cell Touch Sensor

- Withdraw
*~September, 2024



⑤ Electronic Systems

- Reorganize sales office



③ VFD

- Withdraw



⑥ Domestic Business

- Optimize the size

Result and Future Plan

【FY 2024: Result】

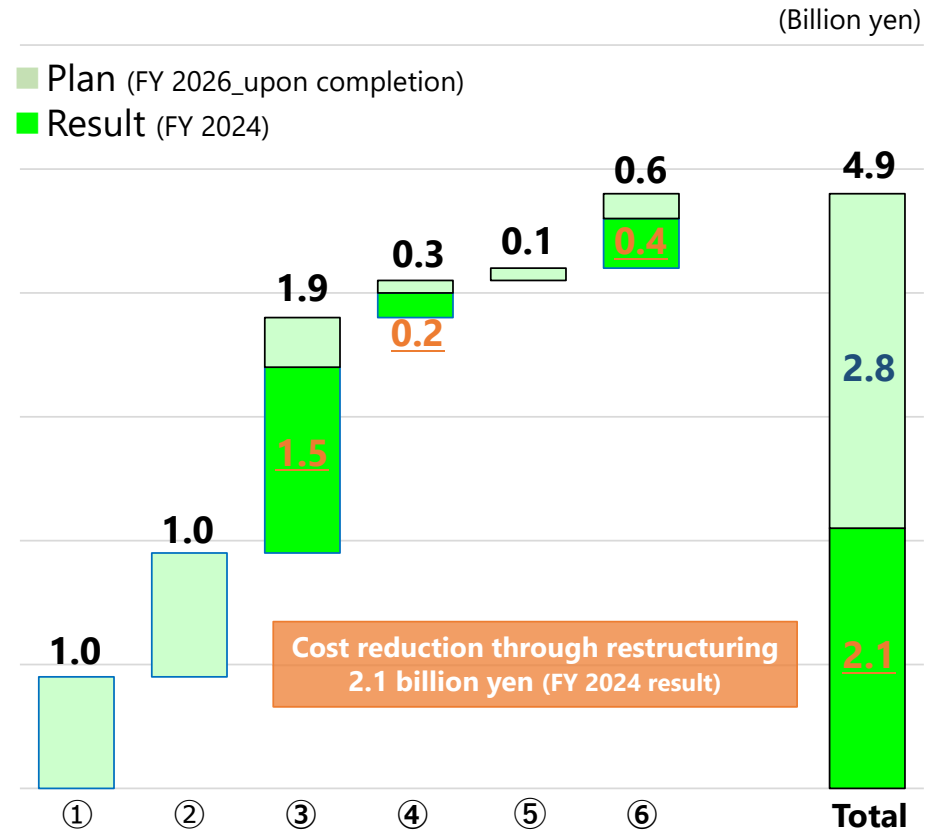
2.1 billion yen

Cost reduction through restructuring

【FY 2025 and beyond: Plan】

2.8 billion yen (compared to FY 2024)

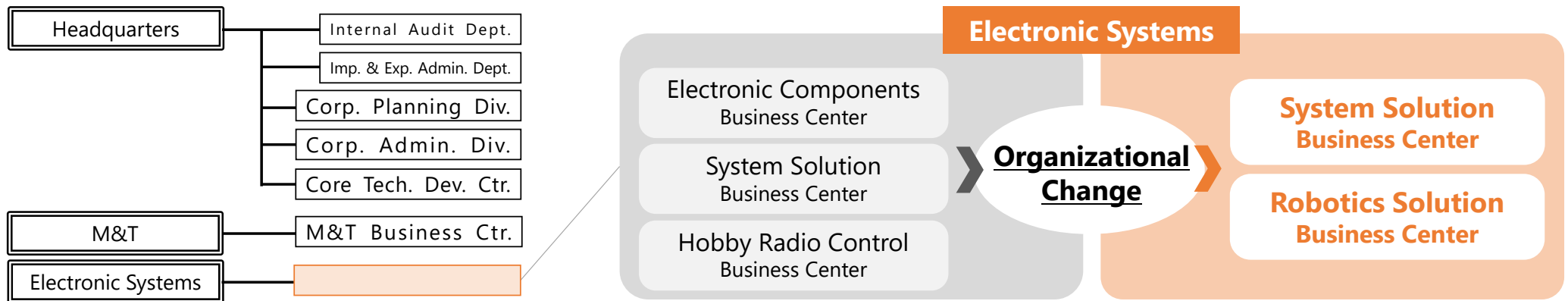
Achieving further cost reduction by FY 2025 1H



Result and future plan of restructuring
(Cost reduction compared to FY 2023)

05 Completing Restructuring - Organizational Change (on Apr. 1, 2024) -

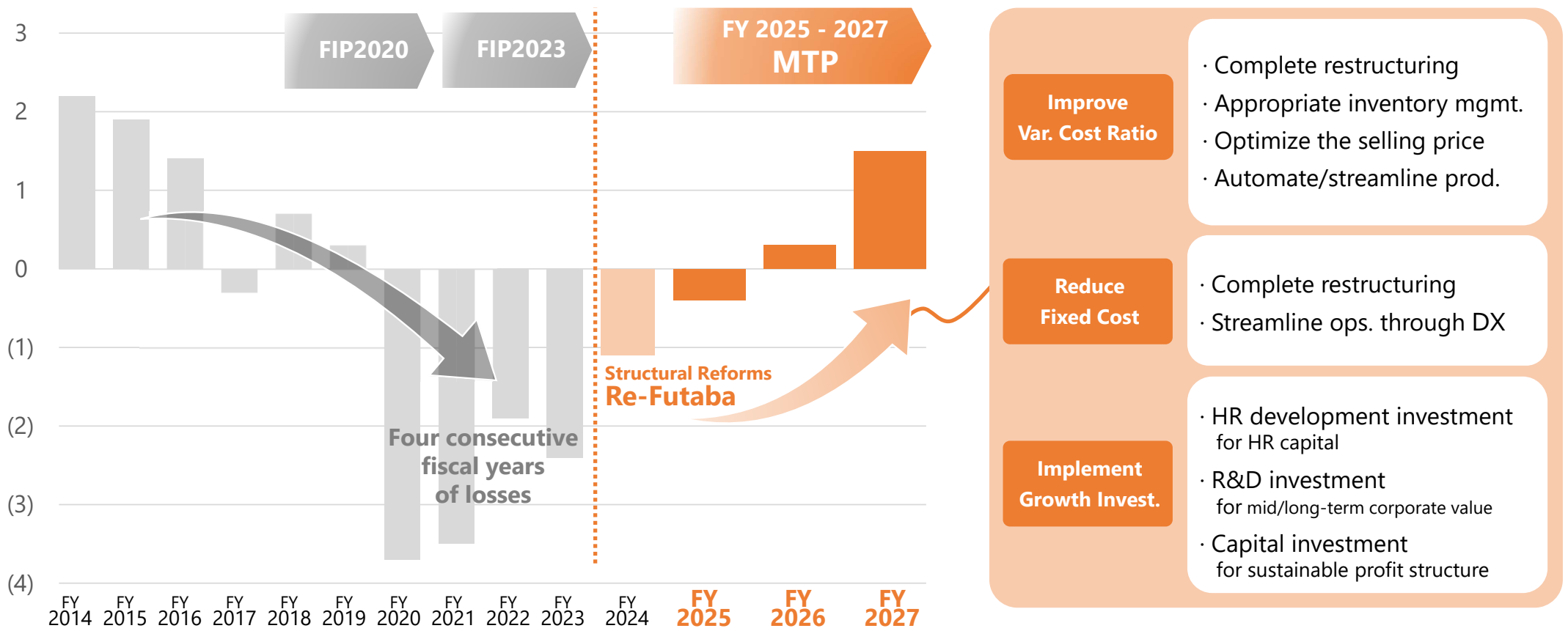
Organizational Change Innovate our business, products and technology to accelerate solution business



- Product Development Efficiency Improvement**
 - Integrate OLED business into System Solution business to enhance product value
 - Merge the industrial & hobby robotics division to streamline resource utilization
- Global Sales Expansion**
 - Reorganize international sales office as strategic hubs for global expansion
- Innovation Creation**
 - Establish a business promotion function within Core Technology Development Center to strengthen collaboration with business centers

Establishment of corporate culture to focus on earning

Op. profit (billion yen)



06 Expanding into Solution Domain - System Solution -

Market Needs

Improving safety/productivity

Improving working environment

Developing engineers/technicians

Customer Value



Create customer spare time through RC/IoT/system technology

Futaba Manufacturing

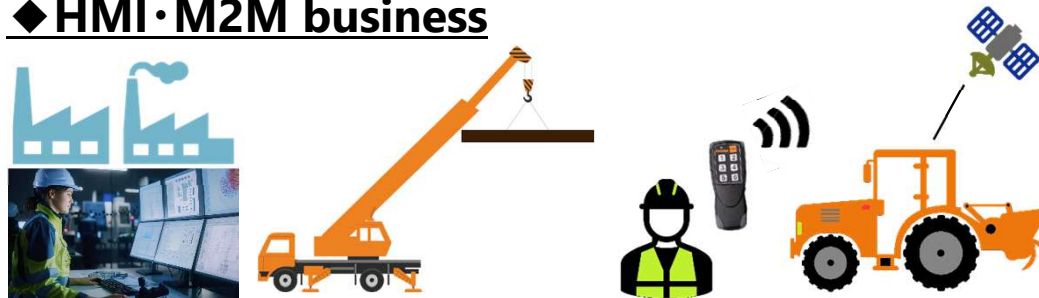
◆ **HMI·M2M prod. Composite module**
IRC



TFT-LCD module

IRC

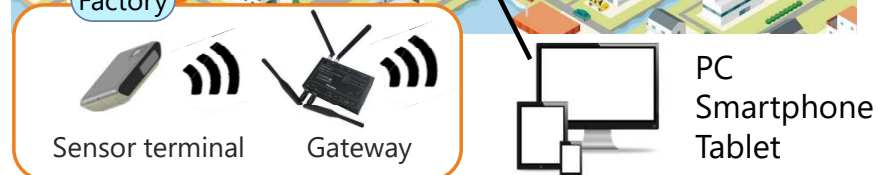
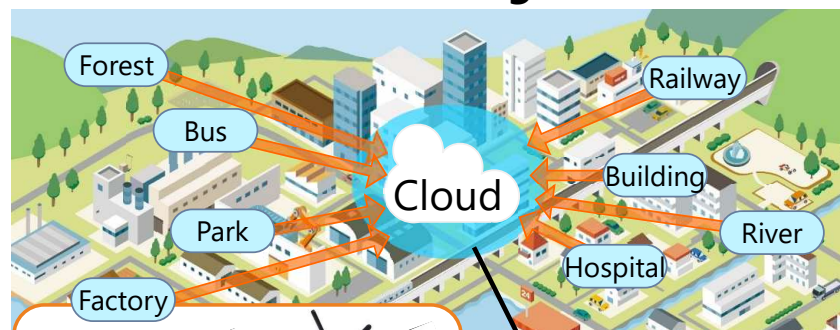
◆ HMI·M2M business



Remote operation from indoors

Star/stop of auto. operation agri. machinery

Proposing remote control units for wireless operation in the construction and agriculture sectors



Proposing systematized IoT products through deepening of wireless technology

06 Expanding into Solution Domain - Robotics Solution -

Market Needs

Hobby

Stable, response, function

Business

Stable, durability, support

Customer Value

Provide products and service for both hobby and business applications based on radio control technology

Futaba Manufacturing



Industrial drone



Range extender
(Generator to be built in drone)



Gyro



Servo



Transmitter



Providing products and service for the inspection, disaster relief and FA markets



Business

Long-cultivated radio control technology

Hobby

Offering attractive products and novel hobby experience



06 Expanding into Solution Domain - Machinery and Tooling -

Market Needs

Procurement process optimization

Streamlining manufacturing

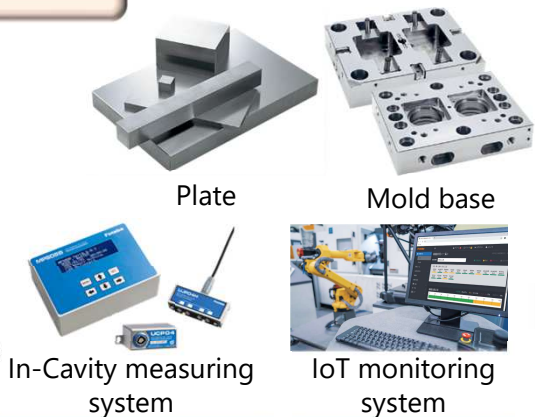
Customer Value

Solutions based on machinery and tooling

Futaba Manufacturing

◆ Plate/M&T

◆ Streamlining Molding Work



Procurement



Easy & quick material procurement
(Futaba order site / On-Demand Contract Manufacturing)

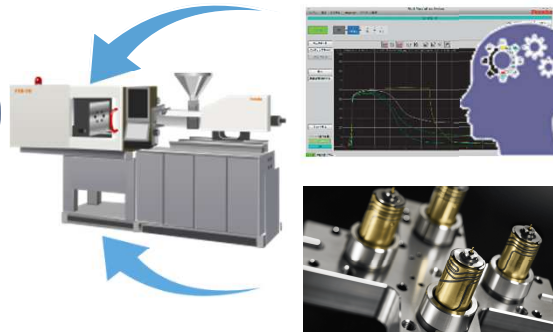
Contributing to the rationalization of the customer's operations, ranging from procurement to production
Manpower saving × productivity improvement × SDGs



Supporting DX introduction

(seminar / contents distribution service)

Molding/ Production



Digitization of resin behavior × The optimization of molding conditions by AI
(Molding AI system)

Reduction of waste resin
(Hot runner system)

Strengthening the Management Foundation

- 07** Enhancing Corporate Function
- 08** Developing Stakeholders Trust

07 Enhancing Corporate Function

HR Development Investment



● Securing HR for solution domain

Recruit and dev. necessary resources*
* Software and marketing talent, among others

● Global HR dev. and exchange

Global and external exchange training

HR System Reform



● Merit-based HR system

Review promotion criteria

● Reform to foster growth dialogue

Review system operation

DX Acceleration



● Effective utilization of Generative AI

Training generative AI on internal data

● Optimizing IT infrastructure

Cont. updating and cores system rebuild

Risk Management



● Strengthening risk mgmt. function

Develop and operate new system*
* FERM (Futaba Enterprise Risk Management)

● Strengthening information security

Oversight and cont. education

SDGs / Environmental Initiatives: Basic Philosophy

Futaba group enhance corporate value through the provision of products and services, respect the workings of nature. We work on a reduction of environmental load not to leave a negative legacy to the next generation and the goal is a sustainable society.

Examples of KPIs for critical sustainability issues:**Environment**

- **CO₂ emission reduction rate** (compared to FY 2014) **≥75%** (54.5%)
- **Waste recycling rate** **≥99%** (94.0%)
- **Reduction rate of water usage per unit of net sales**
compared to FY 2023 **≥50%** * by the end of FY 2026

**Social**

- **Ratio of women in management** **≥20%** (12.0%)
- **Paternal leave take-up rate** **≥50%** (37.5%) * by the end of FY 2026
- **Annual paid leave utilization rate** **≥80%** (70.3%)

**Governance**

- **Number of major compliance violations** **0** (0)
- **Number of serious information security** **0** (0)



* The indicators are targets for FY 2031. (The numbers in parentheses are the results for FY 2024.)

Examples of SDGs initiatives:

Use of plant-based packaging materials

Introduction of solar power generation (Thailand base)

SDGs study sessions

We recognize the urgent and paramount task of building a sustainable profit structure and growth aimed at enhancing corporate value over the medium/long term.

Furthermore, we regard the return of profits to our shareholders as one of our most important management priorities.

Aiming for a shareholder return with a dividend payout ratio of over 30%, we set long-term goals of achieving an ROE of 8% and a PBR of >1, and we will strive for early improvement towards stable capital profitability.

Measures aimed at realizing management with emphasis on capital cost and stock price

PBR

Improving capital returns

ROE

Building a profit-oriented structure

PER

Enhancing corporate value

Improving profitability

Completing Restructuring

Improving asset turnover

Shortening CCC, appropriate inventory mgmt.

Selling off idle assets

Liquidating bases with the business withdrawal

Fostering business

Increasing high-value added products sales ratio

Enhancing funding capacity

Commitment line agreement (5 billion yen)

Non-financial factors

Strengthening IR/SR
(Dialogue with stakeholders, among others)

 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.