Integrated Report 2024

F.tech

Introduction

We aim to be the world's leading manufacturer of functional area for vehicle chassis.

By supplying vital components for automobiles, we support both the precise handling of vehicles and the safety of the people who ride in them. Our functional parts for vehicle chassis, which we supply to manufacturers worldwide, play a crucial role in ensuring driving stability and safety performance. In today's world, where demands for sustainability are increasing globally, in addition to emphasizing high-quality and high-performance manufacturing, we create value that supports the future of the environment, human rights, and the economy. With the spirit of challenge since our foundation, the F-tech Group will fulfill its social responsibilities as a corporate group that contributes to the happiness of all people living on this planet.

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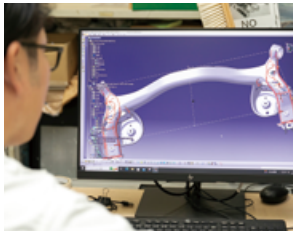

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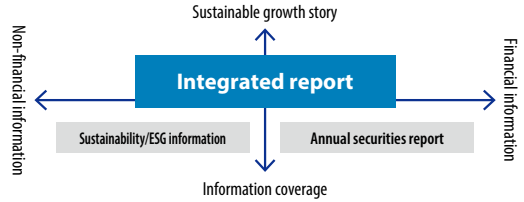
Editorial Policy

This report aims to communicate the various initiatives within the F-tech Group and the value they bring, and to engage in communication with diverse stakeholders. The information presented here has been extracted to highlight the key points, so please refer to the respective pages on our Company website for a more comprehensive overview of our initiatives. In editing this report, we have referenced frameworks such as the "International Integrated Reporting Framework" and the "Guidance for Collaborative Value Creation" provided by Japan's Ministry of Economy, Trade and Industry.

Environment Social Governance
Guidance for Collaborative Value Creation

Disclosure System



Reporting Period

Period: FY2023 (April 1, 2023 to March 31, 2024)
Note: The report also includes information about some activities that take place during or after April 2024.

Organizations: F-tech Inc. and its consolidated subsidiaries

Accounting standards: The Group prepares its financial statements according to generally accepted accounting standards in Japan.

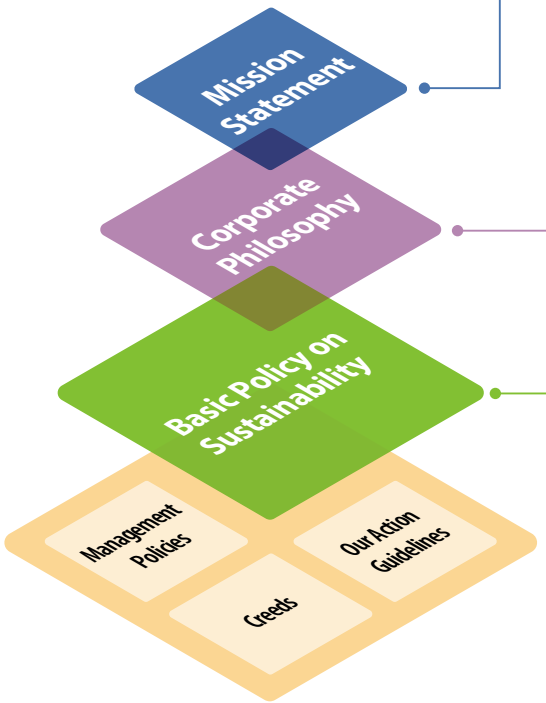
Notes

In preparing this report, we referred to the GRI Standards as the basis for our identification of materiality and considered the TCFD recommendations for ISO 26000 and other relevant guidelines. In this report, the F-tech Group is also referred to as "the Group," and F-tech Inc. may be referred to simply as "F-tech" or "the Company."

F-TECH Philosophy

The "F-tech Philosophy" refers to the Mission Statement, Corporate Philosophy, and Basic Policy on Sustainability that form the foundation of the F-tech family's approach, actions, and decision-making.

F-tech Philosophy



From a global perspective, we strive to contribute to our society and to improve the quality of life through manufacturing of the highest quality products with ambition and sincerity.

1. Challenging Spirit
2. Respecting People
3. Making Profit

Based on our mission statement, corporate philosophy, and action guidelines, we will strive sincerely to solve global issues and enhance our corporate value through our business activities in the aim of realizing a society with sustainable mobility.

Our Action Guidelines

Compliance with laws and ordinances
We always give top priority to ethically appropriate conduct in all our activities. We always comply with laws and ordinances and act with a good social conscience as a good member of society in keeping with being a company with a high commitment to legal compliance. If we discover any violation or possible violation of any laws, ordinances or company rules, we will report the matter, make suggestions, and consult with our direct supervisor or the Corporate Ethics Kaizen Desk.

Respect for human rights
We respect all individual and human rights. We do not tolerate any child labor, forced labor, discrimination or any type of harassment that violates human rights.

Labor and Safety & Health
We will establish a safe and secure working environment for all our employees, and maintain a pleasant and safe working environment.

Quality
We strictly follow the highest standards and procedures giving top priority to provide products and services with safety to meet customer's expectations.

Compliance with company rules
We create our company's internal rules and regulations based on rational reasoning and relevant objectives to create a fair and equal working environment and we commit to communicating with our employees effectively.

Traffic safety
As a member of the automotive components manufactures, we always observe traffic safety laws, rules and regulations, being a good citizen on the road by giving way to others on the road.

Environmental protection
We will endeavor to protect the environment, with the belief that the Earth belongs to all humankind. We always consider minimizing the impact on nature and optimize energy resource utilization in production.

Increasing corporate value
We believe the purpose of a company as a going concern is the creation of value. We will always strive to maximize socially accepted corporate values by bringing profit long-term for our shareholders and society.

Disclosure and management of information
We strictly distinguish and manage information from personal, company confidential, and to be disclosed appropriately. However, we strive to publicly make available any required information in accordance with respective laws and corporate regulations appropriately and in a timely manner.

Fair transactions
We always ensure business is conducted in a free, equal and fair manner with transparency, and will not engage or agree with any irrational, corrupt business practices. We will not allow giving and receiving of any benefit or convenience beyond reasonable and legal limits socially acceptable, and we will not maintain any unfair relationship with political parties or government authorities. We will never permit or tolerate any relationship or connection with any anti-social organizations or behaviors which may threaten the safety and well-being of our society.

Community involvement
Being a member of the local community, we support the creation of an equal, wealthy and well-being of our society through participation in local community development, promotion of cultural, educational, and the improvement of the welfare of the local society.

Our Best and Strongest Performance

Better than Ever

The F-tech Group is
dedicated to pursuing the highest level of performance
and surpassing our past achievements,
as represented by our corporate slogan “Better than Ever.”
This slogan embodies the founder’s motto of “nisshin mukyo” (constantly pursuing new frontiers) and
expresses our shared spirit of endless challenge with our global partners as
we pursue new possibilities together.

The F-tech Group's Track Record of Supporting Value Creation

Founding Period
(1947 to 1964)

1947. Founder Jiroku Fukuda established Fukuda Seisakusho in Soka City, Saitama Prefecture, for press working on toy parts.

At founding

1959. Began manufacturing motorcycle parts for Honda Motor Co.

1964. Company name changed to Fukuda Press Kogyo Co.

Founding Period of Automobile Business
(1965 to 1987)

1965. Developed and manufactured functional parts for four-wheeled vehicles.

1967. Kameyama Plant (currently Kameyama Wada Plant) was established in Kameyama, Mie Prefecture.

1978. Head office and plant (now Kuki Plant) moved to Kuki City, Saitama Prefecture.

1986. F&P Mfg., Inc. was established in Ontario, Canada, as the Group's first overseas base.

Period of Diversification of Clients and Business Areas
(1988 to 1999)

1988. Company name changed to F-tech Inc.

1991. Started business with Mitsubishi Motors Corporation.

1993. F&P America Mfg., Inc. was established in Ohio, U.S.A.

1994. Kyusyu F.tech Inc. was established.

F-TECH PHILIPPINES, MFG., INC. was established.

1995. Started business with Nissan Shatai Co. Ltd.

1997. The current DYNA-MIG, A Division of F&P Mfg., Inc., was established.

1999. Started business with Daihatsu Motor Co., Ltd.

Period of Global Expansion
(2000 to 2023)

2000. Began business with Nissan Motor Co.
The current F&P Georgia, A division of F&P America Mfg. was established

2001. Began business with Toyota Motor Manufacturing North America, Inc.
Began business with Suzuki Motor Corporation

F.E.G.DE QUERETARO S.A. DE C.V. was established.

2002. F-tech Zhongshan Inc. was established

2003. The current F.TECH R&D NORTH AMERICA INC. was established.

2004. F-tech Wuhan Inc. was established.

2006. F-TECH MFG. (THAILAND) LTD. was established.

2007. Reterra Co. Ltd. was acquired as a subsidiary

The current YANTAI FUYAN MOULD CO., LTD. was established.

2008. F.tech R&D Philippines Inc. was established.

2011. F-tech R&D (Guangzhou) INC. was established.

2012. F&P MFG DE MEXICO S.A. DE CV. was established.

2013. PT.F.TECH INDONESIA was established.
Michigan/R&D NA Office was established.

2018. F-Tech Automotive Components Private Limited was established.

2021. Started business with Toyota Motor Corporation.

2022. Acquired India Steel Summit Private Limited as a subsidiary.

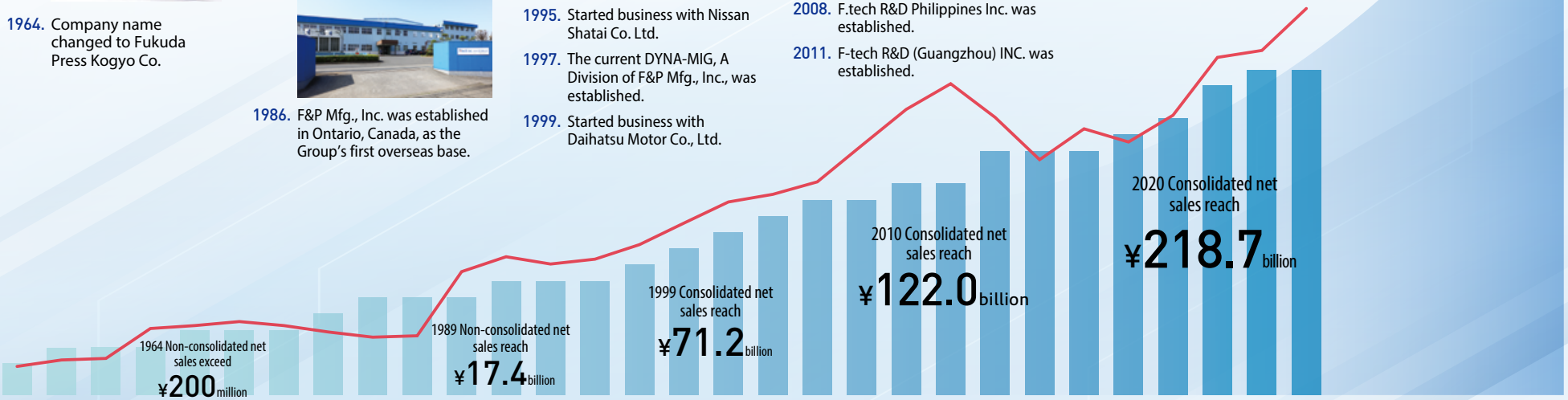
2023. Established F-TECH NORTH AMERICA INC.

Moved from the Prime Market to the Standard Market of the Tokyo Stock Exchange.

Into the Future
(2024 onward)

The F-tech Group's Value Creation

2024 Consolidated net sales reach
¥298.7 billion



Overview of the F-tech Group's Advances Overseas

Fiscal Year Ended March 31, 2024

The F-tech Group, Pioneering the Future through Challenge and Innovation Aiming to Achieve Sustainable Growth through Global Expansion and Technological Excellence

China
Sales
¥40.7 billion
Employees
1,561

India
Sales
¥5.0 billion
Employees
447

Indonesia
Sales
¥2.3 billion
Employees
125

Thailand
Sales
¥11.5 billion
Employees
713

Philippines
Sales
¥1.8 billion
Employees
630

United States
Sales
¥87.3 billion
Employees
1,531

Canada
Sales
¥80.8 billion
Employees
1,844

Mexico
Sales
¥38.3 billion
Employees
1,635

Net Sales
¥298.7 billion
+14.4 %(from FY2023)

Operating Cash Flow
¥19.4 billion
+2.0 billion (from FY2023)

EPS
¥90
-¥3 (from FY2023)

Ordinary profit
¥3.0 billion
+56.3 % (from FY2023)

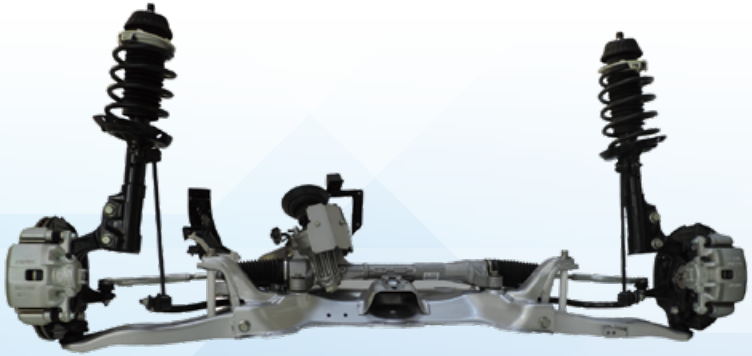
Operating Margin
1.2 %
+0.5 percentage point (from FY2023)

ROE
3.0 %
-0.5 percentage point (from FY2023)

Dividend
¥20
Unchanged (from FY2023)

PBR
0.25 times
+0.0089 percentage point (from FY2023)

We aim to be the world's leading manufacturer of functional area for vehicle chassis



❶ Chassis systems

❷ Modules

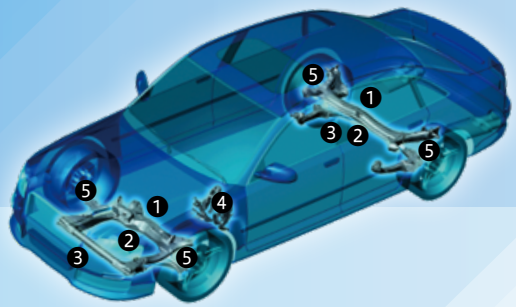
❸ Mounted components

❹ Control parts

A Specialized Manufacturer of Functional Area for Vehicle Chassis Responding to the Shift to EVs

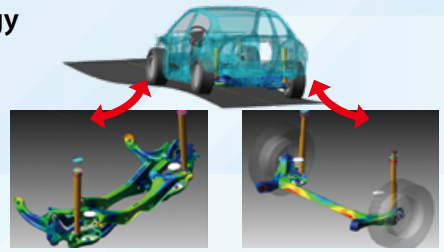
We manufacture automotive components that have an important impact on safety, such as suspension arms, subframes, and pedals, utilizing sophisticated design capabilities and a unique integrated processing system. In addition to ensuring the high-quality automobile manufacturers require, our components simultaneously offer strength, durability, and weight reduction.

❺ Suspension components



Design Technology Capabilities

We utilize our proprietary analysis technology to conduct development based on product performance predictions, such as suspension during driving.



Processing Technologies

We have developed unique technologies such as hydroforming, friction stir welding (FSW), and FUT-1 (a type of ultra-precise forming).

Message from the President

We will continue working to exceed the best of the past and meet the needs of the world.

Yuichi Fukuda
President & CEO
F-tech Inc.

The 15th Mid-Term Business Plan and the Status of Global Expansion

In the context of the Company's overall focus on improving earning power under the 15th Mid-Term Business Plan, we succeeded in achieving significant year-on-year increases in both operating profit and ordinary profit during the fiscal year ended March 31, 2024. Our global expansion was one of the factors that positively influenced these results.

Our business is composed of three regional segments: Japan, North America, and Asia, each requiring strategies tailored to the specific market, economic, and cultural differences in those regions.

North America is a mature market with stable automobile

production numbers expected to remain high, so it continues to be important for our company. Canada, the United States, and Mexico are included in the North America region, and Mexico, in particular, is performing very well. Thanks to significant capital expenditures under the 14th Mid-Term Business Plan, our production progress in Mexico has been smooth, and we have achieved positive investment returns. Additionally, Canada is showing significant recovery from the COVID-19 pandemic and returning to a stable business environment. Addressing challenges in the United States will be key to accelerating improvements in our earning power throughout North America.

The market in China is rapidly moving toward electrification. Local automotive manufacturers there are particularly proactive, posing challenges for Japanese and Western automakers. Despite this situation, we cannot overlook the world's largest automotive market. To navigate the current headwinds effectively, we must streamline operations as needed and accumulate strength for the next wave of changes.

In Asia, a region of remarkable economic growth, we are emphasizing India. We are swiftly concentrating our management resources there to avoid missing out on opportunities in this market.

To continue achieving results in the global market, we must accurately anticipate the challenges and realities our local teams face and collaborate across borders to address them. During the year under review, the Company began promoting problem-solving conferences in each regional segment, as part of our effort to improve earning power on a global scale.

We are accelerating our earning power on a global scale through cross-border collaboration.

Responding to International Situations and Other Changes

The reduction in automotive production caused by the semiconductor shortage has been largely resolved, and the situation in Ukraine does not directly affect our business activities. However, conflicts, accidents, and disasters can have various cascading effects. With upcoming elections in various countries including the United States in 2024, as well as the situation in the Middle East and potential future changes or events, we aim to minimize negative impacts and expand our growth opportunities by steadily building a business structure and supply chain that is not overly dependent on any one company or country.

Thoughts on "Better than Ever"

We are currently embracing "Better than Ever" as our corporate slogan. I had been searching for a phrase that could resonate with all employees, including those in our global operations. After much consideration, I came across a comment made by a gold medalist in a certain sport during the 2021 Tokyo Olympics: "I was able to win the gold medal because I delivered my best performance ever." This remark left a deep impression on us, and I decided to adopt "Better than Ever" as our slogan. It conveys the idea of always striving for the highest performance and surpassing our previous best. I believe it is a fitting representation for our company as the world's leading manufacturer of functional area for vehicle chassis.

This slogan also aligns with our motto of "nisshin mukyo," which is inscribed on monuments at all our overseas production sites. It encompasses the belief of "constantly pursuing new frontiers." We hope to share this sentiment with our colleagues around the world.

Proactive Human Resource Development and Embracing People with Diverse Individuality

We focus on talent development and invest in our employees through a diverse educational training system called the "F-tech Human Resource Educational System." We continuously update this system to adapt to changes in society. As part of this effort, I personally engage in conversation with employees, communicate the direction we should take as well as the ideal qualities we seek in our workforce through "F.Career Design Advance."

In recent years, various elements such as global sustainability, human rights awareness, governance, environmental issues, and information security have become inseparable from the sustainable growth of both society and companies. It is important for all employees in the Group, not just within Japan, to understand that these issues are also their own concerns. In order for the Company to be further recognized globally, we will continue to enhance our training programs.

Employee diversification is another important theme in our human capital strategy. We are committed to actively promoting the participation of women, seniors, foreign nationals, and individuals with disabilities.

In particular, this fiscal year we established the "Women's Working Team (WWT)," which I supervise directly. This team consists of individuals with diverse backgrounds from various departments within the Company. We aim to identify what the Company is lacking and what areas need improvement to enable greater participation of women. We will seek proposals and analyze the results from this working team to create a more attractive environment and introduce beneficial systems after having them present the stimulated outcomes at meetings such as management conferences.

F-tech will become a company where diverse individuality thrives through proactive education and recruitment.

Aiming to Continuously Enhance Governance

To enhance our governance on an ongoing basis, we are increasing the ratio of external directors in our governance structure to obtain diverse perspectives and specialized knowledge, as well as to improve transparency and trust. Currently, we have five directors, two of whom are outside directors, and one of whom is a woman.

Furthermore, amid growing demand for transparency in the supervision and execution of corporate governance, we have adopted the form of a company with an Audit & Supervisory Board, and this board audits the activities of the directors. In addition, we have established the Nomination and Compensation Committee to determine the compensation of directors and executive officers. We will continue to

leverage the existing systems and committees, and encourage internal discussions to further enhance our governance.

Promoting Globally Responsive Sustainability

To advance comprehensive ESG initiatives, the Company established the Sustainability Promotion Department in 2023 and developed a roadmap toward achieving carbon neutrality by 2050. Moving forward, we are entering a phase of taking concrete actions both internally and externally.

We are also identifying benchmarks and measurement methods to accurately calculate the amount of CO_2 emitted by each product throughout the manufacturing process. Going beyond conventional efforts, it will be increasingly important to focus on reducing product weights from the initial design stage to promote reduced CO_2 emissions. This is not an easy task, but it is crucial for the Sustainability Promotion Department to collaborate with relevant departments and conduct carbon accounting across the supply chain. Using the data collected, we will strive to achieve sustainable growth and enhance competitiveness while reducing environmental impact.

Striving to be a Corporate Group that meets Society's Demands

Now that humanity is facing diverse challenges we need to address on a global scale, not just in Japan. We aim to become a corporate group where all employees understand this and respond appropriately to social demands.

One area in particular that we want to emphasize is accurately identifying the needs of global automotive manufacturers and creating the values we are uniquely positioned to provide. We firmly believe that we have the power to remain a supplier of choice on a global scale with our manufacturing technology, design capabilities, product supply systems, and trust-based relationships.

Automotive power generation sources and various other elements are constantly evolving and changing the way society operates. The level and speed of this evolution vary by country and region, and the market will continue to evolve continuously. Being in the mobility business, we have a mission to respond to these changes. Strengthening our core business is essential for survival. In addition, we will make every effort to accurately capture and leverage these changes for new growth.

We will strengthen our core business, seize opportunities to change, and link these businesses to future growth.

The Value Creation Process

We aim to be the world's leading manufacturer of functional area for vehicle chassis.

INPUT

Our Strengths

- Product development capabilities
- Production technology capabilities
- International competitiveness
- Ability to respond to customers' requirements
- Personnel capabilities

Financial Capital
Total assets
¥191,772 million

Manufacturing Capital
(1) Capital expenditures
¥7,629 million
(2) Production sites
14

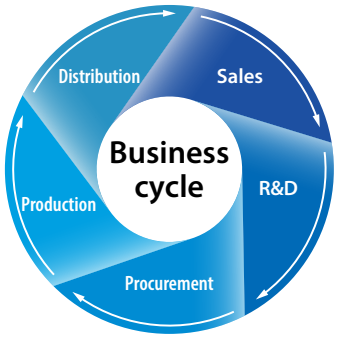
Intellectual Capital
R&D expenses
¥2,668 million

Human Capital
The Number of employees, consolidated basis
9,800

Social and Relationship Capital
Global Network
Three companies in Japan, 16 overseas

Natural Capital
(1) Electricity
193,705mWh
(2) Water resources
732,000㎥

BUSINESS PROCESS



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Major sustainability-related initiatives

- Design and develop parts , such as EV-related products, that meet customer needs
- Strengthen and enhance employee engagement
- Expand supply chain management

Mission Statement • Corporate Philosophy
Action Guidlines • Basic Policy on Sustainabirlity
Various Policies • Corporate Governance System

OUTPUT

Products and Targets for 2030

Low-cost, highly functional parts for automobile chassis

+

- Achieve Scope 1 and 2 carbon neutrality in manufacturing area by 2035
- Achieve carbon neutrality throughout the supply chain by 2050
- **100%** participation of all employees in human rights training
- Achievement of **zero** lost time incidents
- **Zero** major quality defects
- **100%** employee participation in compliance training
- **Zero** violations of laws and regulations
- **100%** deployment of supplier CSR verification sheets

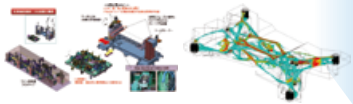
OUTCOME

Value to Society

Deliver safe and reliable products
Provide high-quality products that meet collision safety standards to protect precious lives

Provide mobility comfort
Deliver products that offer excellent maneuverability and stability

Provide environmentally friendly products
Contribute to carbon neutrality through highly efficient production and maximum weight reduction



Contribute to global society
Provide value to global society through job creation, social contribution activities, etc.

Implementation of a sustainable mobility society

Materiality initiatives, resolving global issues

Materiality

Aiming to Realize a Society with Sustainable Mobility

Taking into account the concerns of stakeholders and the degree of importance to the Company, the F-tech Group has identified materiality drivers and established KPIs to enhance corporate value and contribute to the creation of a sustainable society. We have determined these materiality drivers through internal discussions and deliberations.

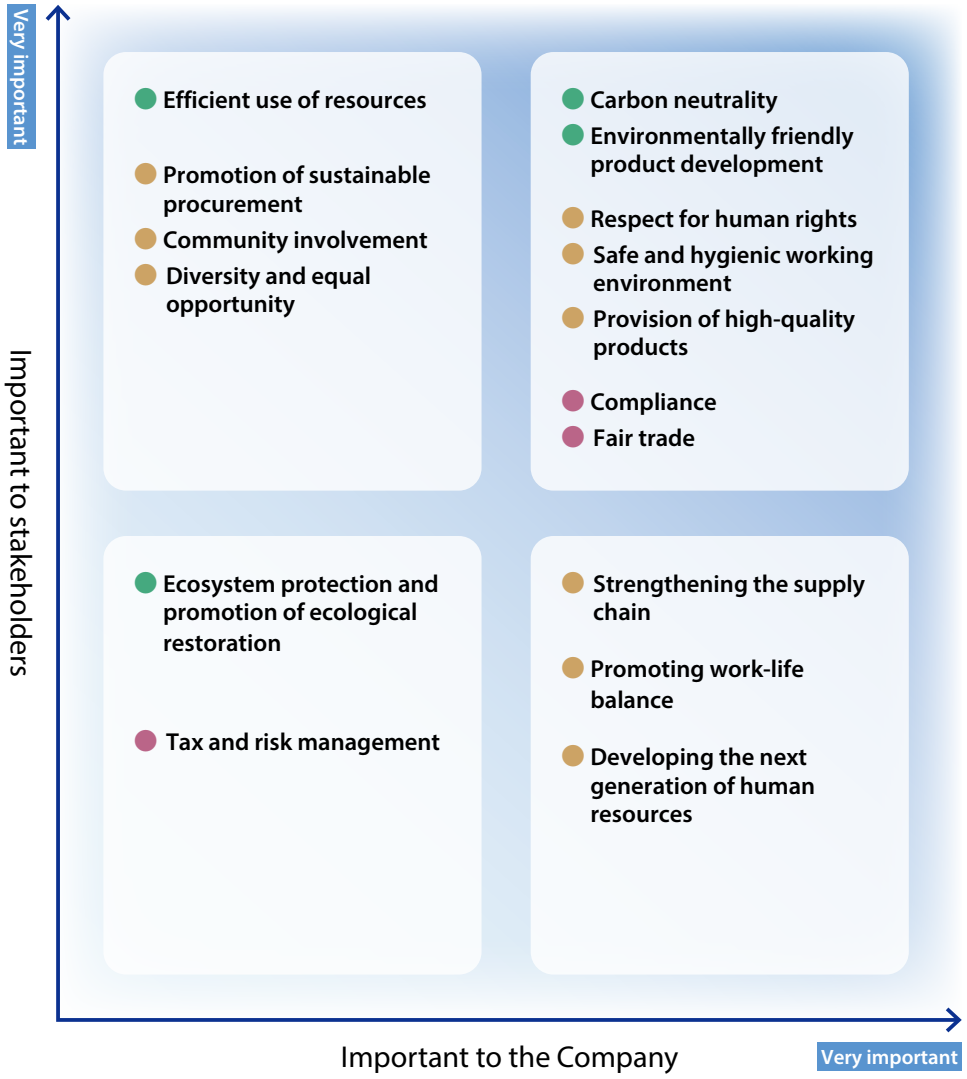
Identifying Materiality Items

STEP - 1 Identify our stakeholders and social issues based on GRI standards, ESG external evaluation items, etc.

STEP - 2 Prioritize the issues based on the level of importance to the Company and the level of interest of our stakeholders using a matrix.

STEP - 3 From the prioritized sustainability issues, identify and decide on key issues through discussions at the Sustainability Committee,

STEP - 4 Assign the seven issues identified as drivers and manage progress based on KPIs.



Materiality Initiatives

The F-tech Group has identified seven materiality drivers that prioritize relationships with stakeholders, aim to build a sustainable society, and enhance corporate value. We have established KPIs for these areas until 2030. In this way, the Company will strengthen its response to ESG and promote sustainable management.

	Materiality Items	Our Aims	The Company's Main Initiatives	KPI (2030)	Relation to the SDGs
Environment	**Response to carbon neutrality**	Establish a low-carbon and highly efficient production system and develop environmentally friendly products	■ Design and develop items, such as EV products, that meet customer needs ■ Reduce environmentally hazardous substances ■ Evaluate products using LCA ■ Implement third-party verification ■ Expand the use of renewable energy	■ Achieve Scope 1 and 2 carbon neutrality in manufacturing area by 2035 ■ Achieve carbon neutrality throughout the supply chain by 2050	7, 12, 13
	Development of environmentally friendly products				
Social	**Respect for human rights**	Further strengthen our business foundation, ensure a comfortable working environment for our employees, and provide a secure and safe future for all	■ Foster a corporate culture that respects diversity ■ Strengthen and enhance employee engagement	■ Human rights training — 100% employee participation	3, 8
	Safe and hygienic working environment		■ Continue to comply with occupational safety laws and regulations	■ No lost time injuries — 0 cases	
	Provision of high-quality products		■ Augment customer satisfaction	■ Major quality defects — 0 cases	
Governance	**Compliance**	Expand the corporate infrastructure to enhance corporate value over the medium to long term	■ Expand compliance training	■ Compliance training — 100% employee participation ■ Violation of laws and regulations — 0 cases	9, 16, 17
	Fair trade		■ Enhance CSR verification sheets ■ Expand supply chain management	■ Supplier CSR verification sheet — 100% deployment	

Sustainability Roadmap

Basic Policy on Sustainability

Based on our mission statement, corporate philosophy, and action guidelines, we will strive sincerely to solve global issues and enhance our corporate value through our business activities in the aim of realizing a society with sustainable mobility.

Realize a Society with Sustainable Mobility

Phase

Understand

Create an Internal Promotion Structure

Build a New System
- Establish the Sustainability Promotion Department
- Launch the Sustainability Committee
- Step up initiatives to promote an understanding of sustainability

Put into Practice

Establish a PDCA Cycle

Continue to Operate
- Improve issues by utilizing the results of external evaluations
- Establish and review of policies in each area
- Establish a sustainable supply chain

Entrench

Report and Communicate

Ensure Transparency and Mutual Understanding
- Integrate important themes into management and reflect them in the mid-term business plan
- Ensure management soundness and maximize value
- Conduct disclosure in line with stakeholder needs
- Engage in effective dialogue with investors

Continue to Promote

Sustained Growth

2026 onwards
Practice | Disclosure | Dialogue

Co-create with Stakeholders
- Formulate the Company's purpose (targeting 2050)
- Develop through disclosure and dialogue
- Pursue new business

Make Value Creation Visible
- Establish a value-creation process
- Publish an integrated report
- Consider KPIs for sustainability
- Prepare to formulate a purpose

Annual Securities Report
▶Response to new disclosure items

Sustainability Standards Board of Japan (SSBJ)
▶Consider legal disclosure initiatives

2025
Practice | Disclosure | Dialogue

Enhance Sustainability Management
- Formulate a medium-term vision
- Strengthen environmental, social, and economic sustainability initiatives

Establish Policies and Issues
- Identify issues through the use of external evaluations
- Identify materiality items and formulate basic policies
- Implement sustainability training

2024
System development | Practice | Disclosure

2023
Recognition of issues | Establishment of systems

The F-tech Group's Strengths

F-tech Group aims to be the world's leading manufacturer of functional area for vehicle chassis. Our strengths lie in our product development capabilities, production technology capabilities, international competitiveness, ability to respond to customer requirements, and the personnel capabilities that support all of these. By leveraging these strengths, we strive to provide cutting-edge technology, high-quality products, and environmentally conscious solutions, while promoting the growth and collaboration of our employees. Through these efforts, we aim to contribute to the realization of a sustainable society and enhance our corporate value.

Product Development Capabilities

The F-tech Group's product development capabilities lie in providing optimal design proposals tailored to customer needs. By leveraging our R&D base and combining foundational and manufacturing technologies, we strive to achieve a balance among performance, quality, cost, and productivity. In particular, we thoroughly consider weight-reduction solutions to improve fuel efficiency and reduce cost, and proceed with mass production after prototyping and durability testing. Our close collaboration with customers and a high degree of customization are the sources of our competitive advantage and earnings.

International Competitiveness

The F-tech Group has established strong relationships with key clients and expanded its manufacturing and sales bases globally. This allows us to respond quickly to the needs of each region and accommodate design changes. With this strategy, we have strengthened trust, secured orders, and ensured profitability. Moving forward, we will continue to provide high-quality products and services as well as aiming for further growth.

Production Technology Capabilities

As a specialized manufacturer in the field of automotive and motorcycle suspension systems, the F-tech Group has established a comprehensive system from product design to quality assurance, accumulating unique technological expertise. We work closely with vehicle manufacturers, introducing hydroforming and friction stir welding technologies to address environmental concerns and diverse market needs, thus serving as a significant source of revenue. Our long-term vision is to become the world's leading manufacturer of functional area for vehicle chassis. We strive to enhance customer satisfaction, create new market opportunities, pursue the development of new technologies, and market expansion. We are leveraging our production technology capabilities to contribute to the realization of a sustainable society.

Ability to Respond to Customers' Requirements

The F-tech Group has a system in place to seamlessly respond to the needs of its customers. This system includes designing proposals tailored to automobile manufacturers and supporting for mass production. Our ability to meet customer needs consistently has been a key strength in building trust-based relationships. In particular, our long-standing track record of high-quality business with established automobile manufacturer groups has led to new orders from other manufacturers. This ability to respond to customer requirements is an important element in the value creation of F-tech Group.

Progress on Sustainability-Related KPIs

The Sustainability Committee determines KPIs that align with our materiality drivers and promote them globally. The progress of these initiatives is monitored by the Management Meeting, with the aim of strengthening future efforts.

Key Measures and KPIs		Related Materiality Items	Scope*	Fiscal 2024 Targets	Fiscal 2024 Results
Labor and human rights	Training on diversity, discrimination, and harassment	● Respect for human rights	All employees in Japan and overseas	70% or more	90.0% (8,818 people)
	Percentage of employees protected by joint management–worker health and safety committees	● Safe and hygienic working environment	All employees in Japan and overseas	70% or more	99.6% (9,764 people)
Ethics	Awareness training on ethical issues	● Compliance	All employees in Japan and overseas	70% or more	90.1% (8,827 people)
	Awareness training on information security breach prevention		All employees in Japan and overseas	70% or more	90.1% (8,827 people)
Responsible procurement	Signatures in support of supplier sustainability guidelines	● Promotion of sustainable procurement ● Fair trade	Major business partners in Japan and overseas	Endorsement signatures by 70% or more	72.1% (303 companies)
	Conflict minerals usage survey		Major business partners in Japan and overseas	Survey implementation rate of 70% or more	83.6% (281 companies)
	Responsible sourcing training for purchasing staff		Purchasing staff in Japan and overseas	Participation rate of 80% or higher	95.6% (130 people)
Environment	Awareness training on environmental issues	● Response to carbon neutrality ● Development of environmentally friendly products	All employees in Japan and overseas	70% or more	74.6% (7,314 people)
	Percentage of production sites with ISO 14001 certification		Production sites in Japan and overseas Die production sites	80% or more	81.3% (13 sites)

* Scope:
Japan and overseas: Scope includes F-tech (non-consolidated), domestic subsidiaries, and overseas subsidiaries
All employees: All employees (excluding executives), including part-time and temporary workers
Major business partners: Outsourcing costs at each production site, number of companies that fall into the top 80% or more of sales

Data Used as a Basis for KPI Calculations

Number of F-tech Group employees

9,800

Major business partners of the F-tech Group

420 companies

Of whom, number of purchasing managers

136

Of which, number of those subject to conflict minerals surveys

336 companies

Classification and External Certification

As of March 31, 2024

Classification		F-tech Group																							
		Domestic base				Overseas bases																			
Region		Non-consolidated	Domestic subsidiary			North America								China				Asia Pacific							
Base name		Ftech	RETERRA	QFT	FEG	FPC	DM	FPA	FPG	FPMX	RDNA	FTNA	FEGQ	FTZ	FTW	FRDCH	FEGY	FPMI	FMTL	FRDP	FTI	FTAC	ISS
Classification	Production	●	●	●		●	●	●	●	●				●	●			●	●		●		●
	Die manufacturing				●								●										
	Sales and development	●	●	●	●						●	●				●	●			●		●	
Certification	IATF 16949	●	■	■		●	●	●	●	●	■		●	●	●			●	●		●		●
	ISO 14001	●	●	●		●	●	●	●	●				●	●			●	●				●

Note: Official names of bases are found on the Global Network on page 66.
■Certification: Mainly, basis with ISO 9001 certification

ESG Datasheet (Three Years)

Environment (E)

Category	Scope of Data*1	Unit	FY2021	FY2022	FY2023
Electricity consumption	Japan, overseas	MWh	186,208	191,057	193,705
Of which, carbon-free electricity usage rate*2	Japan, overseas	%	15.2	16.2	18.2
GHG emissions (Scope 1/2)	Japan, overseas	t-CO^2	92,642	90,520	83,850
GHG emissions (Scope 3 Cat. 4)	Japan, overseas	t-CO^2	5,263	4,223	4,017
Total water consumption	Japan, overseas	1,000m^3	761	736	731
Total wastewater discharge	Japan, overseas	1,000m^3	570	530	510
Total waste emissions	Japan, overseas	ton	4,848	5,443	5,259
Total weight of hazardous waste	Japan, overseas	ton	1,110	920	1,308
Total weight of non-hazardous waste	Japan, overseas	ton	3,738	4,523	3,951
Total weight of direct landfill waste	Japan, overseas	ton	1,151	1,291	1,026
CDP assessment (climate change)	Japan, overseas	Class	B	B	B

Society (S)1/2

Total number of employees	Japan, overseas	People	9,150	9,763	9,800
Number of overseas employees	Overseas	People	7,852	8,467	8,486
Percentage of overseas employees	Japan, overseas	%	85.8	86.7	86.6
Percentage of female employees	Japan, overseas	%	18.8	17.7	16.8
Ratio of female managers*3	Japan, overseas	%	13.0	13.4	15.6
Percentage of employees with disabilities	Japan	%	2.15	2.25	2.53
	Japan (non-consolidated)	%	2.40	2.60	3.00
Number of employees (full-time employees)	Japan (non-consolidated)	People	775	745	739
Number of temporary employees	Japan (non-consolidated)	People	152	166	200
Average years of service	Japan (non-consolidated)	Years	17.7	18.5	18.5
Average years of service (men)	Japan (non-consolidated)	Years	18.3	19.0	19.0
Average years of service (women)	Japan (non-consolidated)	Years	13.3	14.3	14.3
Average age	Japan (non-consolidated)	Years	40.5	41.1	41.4
Average annual salary	Japan (non-consolidated)	Thousands of yen	5,580	5,720	5,935
Percentage of employees taking paid leave	Japan (non-consolidated)	%	94.7	93.9	95.3
Number of childcare leave taken	Japan (non-consolidated)	Cases	5	7	8
Percentage of male employees taking childcare leave	Japan (non-consolidated)	%	17.3	33.3	38.5

Society (S)2/2

項目	データ範囲(注1)	単位	FY2021	FY2022	FY2023
Total working hours	Japan, overseas	Thousand hours	–	21,133	20,727
Total hours worked per person	Japan, overseas	Hours	–	2,165	2,115
	Japan (non-consolidated)	Hours	1,925	1,887	1,919
Average overtime hours	Japan (non-consolidated)	Hours	6.3	3.7	9.4
Number of occupational accidents*4	Japan, overseas	Cases	65	64	62
Number of days lost due to work-related injuries and illnesses	Japan, overseas	Days	–	1,252	1,115
Major quality defects*5	Japan, overseas	Cases	0	0	0

Governance (G)

Number of directors	Japan (non-consolidated)	People	5	5	5
Ratio of independent outside directors	Japan (non-consolidated)	%	40	40	40
Ratio of female directors	Japan (non-consolidated)	%	20	20	20
Number of executive officers	Japan (non-consolidated)	People	16	16	16
Ratio of female executive officers	Japan (non-consolidated)	%	0	0	0
Number of whistleblower reports*6	Japan, overseas	Cases	8	6	7
Conflict of interest, bribery	Japan, overseas	Cases	0	0	0
Harassment	Japan, overseas	Cases	6	3	3
Of which, violation of laws, regulations, and internal rules	Japan, overseas	Cases	0	2	4
Of which, other whistleblowing	Japan, overseas	Cases	2	1	0
Corruption*7	Japan, overseas	Cases	0	0	0
Information security incidents*8	Japan, overseas	Cases	0	1	0

*1 Scope:
Japan and overseas: Scope includes F-tech (non-consolidated), domestic subsidiaries, and overseas subsidiaries
Japan (non-consolidated): Scope includes F-tech on a non-consolidated basis (head office, Kuki Plant, Kameyama Plant, Haga Technical Center)
Japan: Scope includes F-tech on a non-consolidated base and domestic subsidiaries (excludes overseas subsidiaries)
Overseas: Scope includes overseas subsidiaries (excludes F-tech on a non-consolidated base and domestic subsidiaries)
*2 Carbon-free electricity refers to electricity derived from renewable energy sources and nuclear power.
*3 The ratio of female managers is calculated based on the Act on the Promotion of Women's Active Engagement in Professional Life as the ratio of the number of female managers to the number of all managers.
*4 The number of occupational accidents is the number of accidents including and above the bone fracture and suture class.
*5 Quality defects affecting product performance and regulatory non-conformity
*6 Whistleblowing reports is the number of cases reported by the Compliance Committee after being received by internal, external (law firms), and corporate auditors/outside directors.
*7 Corruption is defined as a breach of trust, embezzlement, bribery, and extortion of favors.
*8 Information security incidents are defined as cyber-attacks, system downtime, information leaks, unauthorized access, and website falsification.

15th Mid-Term Business Plan (FY2023–FY2025) Overview

Growth

Companywide Policy Contribute to society by improving earning power and achieving sustainable growth.

16th Mid-Term Business Plan (FY2026–FY2028)
Target Operating margin of 5%

Challenge for New

Pursue Strategic Opportunities to Grow the Business

- Expand added value through strategic sales activities
- Expand EV commercial rights
- Maximize development efficiency
- Establish new technologies

Build Sustainability Management

- Strengthen ESG management initiatives
- Promote carbon neutrality
- Enhance reputation among stakeholders

Invest in growth

Earn

Reduce borrowings

Pursue the essence of manufacturing

Enhance Earning Power

- Deploy F-tech integrated support at problem sites
- Improve profitability by strengthening competitive advantage
- Improve employee engagement
- Nurturing human resources who can play an active role in the F-tech family

Build a Sounder Financial Structure

- Produce results from investments under the 14th Mid-Term Business Plan
- Curtail investment
- Reinforce the system for monitoring income and expenditures

Back to Basics

Earning power

Increasing Earning Power

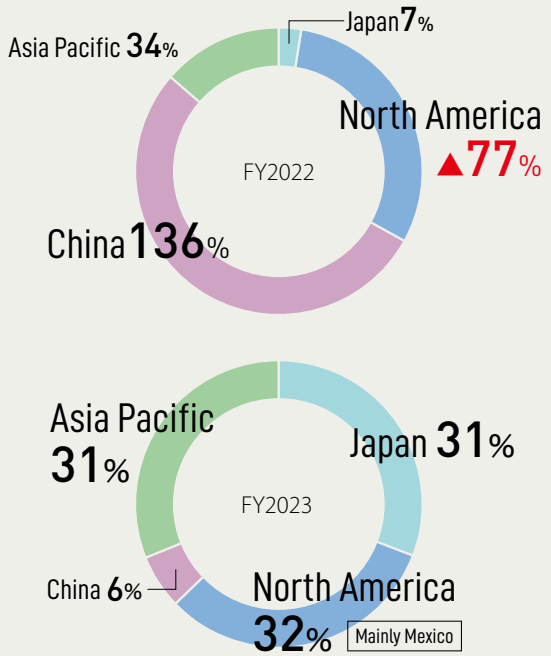
Pursuing the Essence of Manufacturing

Strengthen Cooperation with Japan to Resolve Issues in the United States and China and Promoting Measures to Address Them

A Changing Profit Structure

In FY2022, business in China covered losses in North America, but in FY2023, North America covered a decrease in profits in China.

Profit by Region



	Environmental Changes	Initiatives
United States	• Difficulty in retaining and securing talent ⇨ Decreased productivity and delayed improvements • Production reduction due to delayed start of OEM mass production ⇨ Decreased sales • Increased costs for handling new launches	• Changed dispatching company and strengthened education • Increased support staff from Japan and other locations to promote efficiency improvement, streamlining, and ensuring high-quality standards
Canada	• Decreased sales due to reduced OEM production by US-based companies • Stable Honda production volume • Impact of UAW wage increase negotiations	• Make steady progress in efficiency improvement, streamlining, and incorporating in-house processes • Addressed wage increases and strengthened communication with employees
China	• Significant reduction in production by Japanese OEMs • Rise of Chinese OEMs • Slowdown in the Chinese economy	**Implemented countermeasures assuming a decrease in sales** • Labor cost reduction aligned with sales decline • Stamping part in-house production ➡ Increased added value • Consolidation of service parts **Improved production efficiency and significant cost reduction**

Note: Progress is based on a comparison of single-year results against the 15th Mid-Term Business Plan

Increasing Earning Power

Deploying Engineering Support to Problem Sites

Aiming to Improve Efficiency and Quality by Strengthening Technical Support and Establishing Improvements

AMERICA

United States

- Stamping
- Welding
- Painting
- Quality control
- Production control

Measures in FY2023

Deployment of experts and implementation of various improvements and guidance

- Review of personnel allocation
- Improvement of welding equipment specifications
- Improvement of work procedures and reeducation
- Change in parts layout
- Review of consumables management standards
- Improvement of transport packaging
- Improvement of supervisors' leadership skills

etc.

Measures in FY2024

Step up each area by increasing the number of experts introduced by 20% over the previous year

Support for stamping area
Full-year support for press machine operators
Die maintenance support

Welding area support
Support for line efficiency improvement and repair work
Reduction of manufacturing loss cost

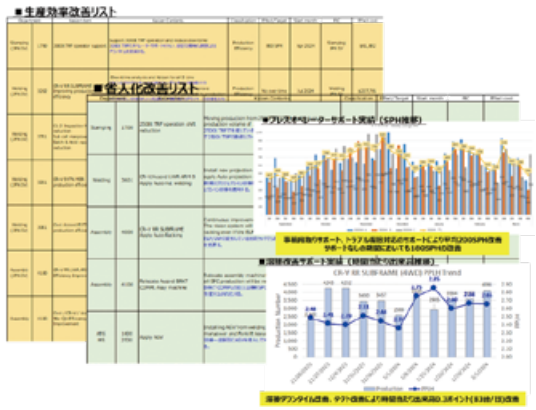
Painting area support
Scrap cost reduction

Assembly area support
Improvement of line efficiency and automation
Scrap cost reduction

Outputs / Targets

Major Improvement Effects

- Production efficiency improvement of 15% or more
- Personnel reduction of 35% or more



Dispatched a support team of 50 people for a total of 60 days

Integrated support: Japan | Mexico | Canada | China

Priority Implementation and Deployment in FY2024

- Establish a trial period without technical support staff to encourage guidance on efficiency/quality improvement
- Establish awareness of improvement by repeating the PDCA cycle of improvement → guidance → confirmation of effects

Support to Be Continued in FY2024 and beyond

Increasing Earning Power

Strengthening Competitive Advantage

Boost Earning Power Across the North American Region and Secure Stable Earnings

	Status of Bases	Positioning of Bases (Increasing Earning Power)	Effects from FY2024
Canada	**DYNA-MIG, A Division of F&P Mfg., Inc.** Achieved personnel reduction in production lines through the implementation of various improvement measures **FY2023 result** Compared with FY2022: Down by 29 people Estimated effect: Approx. ¥200 million Note: Effect is calculated at an exchange rate of C$1 to ¥108.	• The personnel reduction effects of various improvement measures have already been proven. • We aim to share these improvement measures among the Group's bases.	Sales and operating profit will remain stable while we maintain the same number of employees. Sales forecast: Approx. ¥32.0 billion Operating profit: Compared with FY2021 (before improvement): Up ¥1.0 billion Note: Effect is calculated at an exchange rate of C$1 to ¥110.
Mexico	We have invested approximately US$100 million in building expansion, facility enhancement, etc. since FY2022 in response to orders for four models from three automakers. Mass production is currently moving ahead steadily. **FY2023 result** Sales: Approx. ¥37.0 billion Operating margin: Approx. 8.6% Note: Effect is calculated at an exchange rate of US$1 to ¥145.	Grow into major base for securing earnings within the Group **Number of models at base in Mexico** EVs: 3 models ICE: 4 models* *Internal combustion engine	Steady mass production of newly ordered models and stable level of sales and operating profit Sales forecast: Approx. ¥40.0 billion Compared with FY2021 (before improvement): Up ¥31.0 billion Note: Effect is calculated at an exchange rate of US$1 to ¥145.

Building a Sounder Financial Structure

Creating Investment Results to Become the F-tech Group's Leading Growth Location

F&P MFG DE MEXICO, S.A. DE C.V.

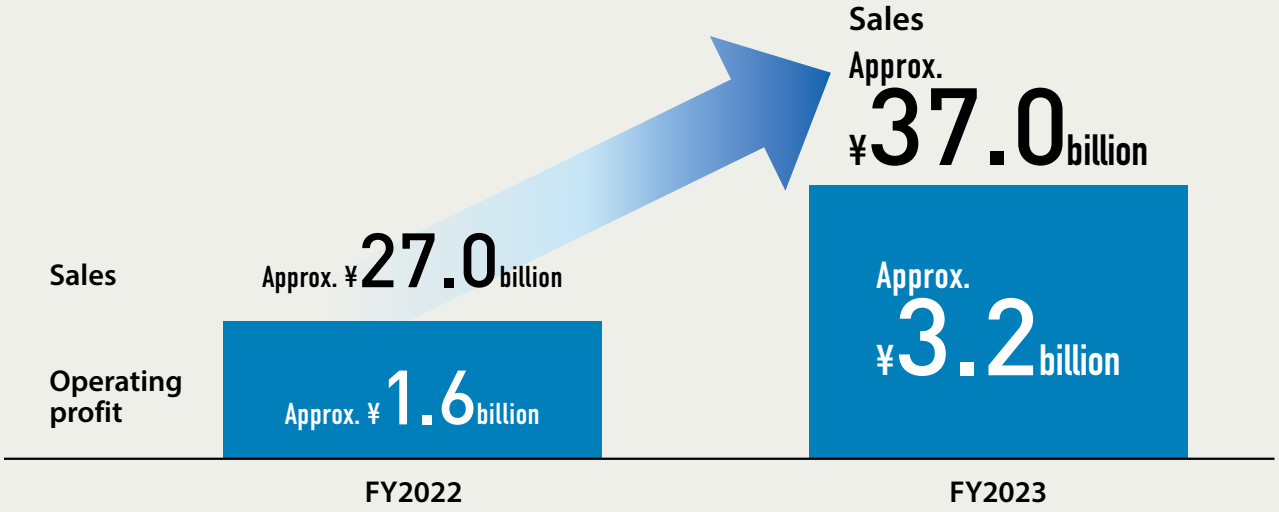
Invested Around US$100 Million in FY2022

Invested in new facilities, capacity expansion, and building expansion to accommodate orders for four models (three EVs) from three automakers

+

Increasing Earning Power

Increased production efficiency, reduced costs, and curtailed labor costs



Note: Assumed exchange rates are US$1 = ¥136 in FY2022 and ¥145 in FY2023

We achieved our first-year targets for net debt/EBITDA multiple. We are working to build an even sounder financial structure.

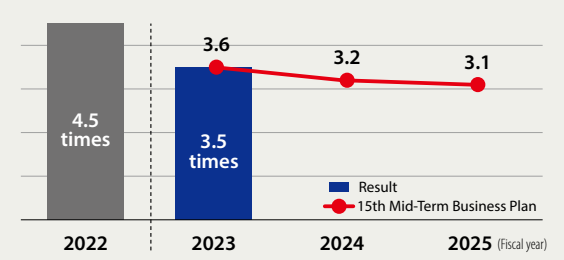
Cash and deposits ▸ 12,204 million
Interest-bearing debt ▸ 76,064 million

Net Debt
63,860 million

Operating profit ▸ 3,708 million
Depreciation ▸ 14,559 million

EBITDA
18,267 million

Net Debt/EBITDA multiple



Initiatives

- **Control investment amounts**
  We will conduct comprehensive evaluations for general investments and new model investment proposals, thus limiting the amount of investment to within the Group's amount of depreciation.
- **Strengthen the system for monitoring income and expenses**
  The head office participates in monthly each site's Management Meeting to share information about the income and expense, investment, and cash flow situation. We will promptly execute actions to address any issues and seek solutions.

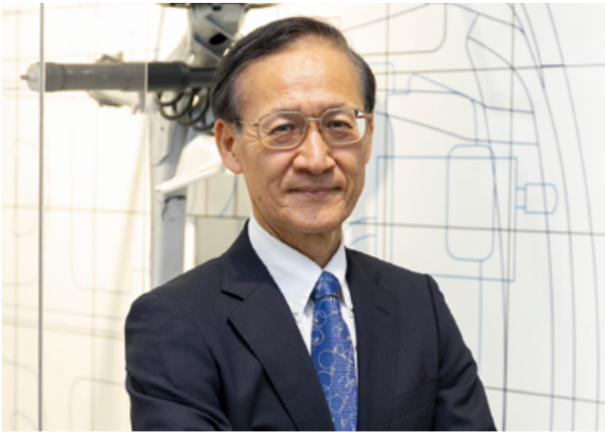
Note: Net debt/EBITDA multiple = (interest-bearing debt minus cash and deposits) ÷ (operating profit + depreciation)

Our Sustainability

F-tech's Initiatives

The F-tech Group, which supplies automotive parts globally, is dedicated to sustainability. It is no exaggeration to say that our mission is to contribute to the realization of a sustainable mobility society. Through our business activities, we strive to address global challenges and enhance corporate value.

Social Human Capital Strategy



We will enhance the total sum of our human resources capabilities by improving the abilities and motivation of each employee.

Director & Senior Managing Executive Officer
Management Planning Division Manager and Global Business Management Officer
Hiroyuki Aoki

Cultivating Human Resources to Enhance Corporate Value

To sustainably enhance corporate value, it is essential to strengthen our human capital. Our human capital is built upon the combination of individual employees' capabilities and the number of personnel. Therefore, the Company's human capital strategy emphasizes the improvement of overall human capital through enhancing the capabilities and motivation of each employee, along with ensuring the necessary number of personnel and working hours.

Guided by our philosophy of "respecting people, "we have been dedicated to nurturing talent to enable each employee's personal growth. Education to enhance technical skills is conducted through classroom training and on-the-job training. Additionally, we have established a talent development system based on a grading system and implement training programs accordingly. Furthermore, we gather the latest knowledge in response to environmental changes and specifically accumulate information in the fields of IoT and automation to continuously develop our educational content.

Moreover, to foster a sense of proactive career development, we have created an internal application system for desired positions. Each year, we receive 5 to 10 applications in response to recruitment according to the needs of various departments. As our global expansion progresses, some employees have taken advantage of this system to go on overseas assignments.

Developing management talent overseas is also a significant challenge. When it is not possible to secure suitable talent locally, we dispatch managerial staff from Japan to oversee operations on-site. While we actively utilize external recruitment to address such situations, we also place high expectations on employees voluntarily applying for positions to improve their management capabilities and motivation.

Promoting the Success of People with Diverse Personalities

The Company is committed to promoting women to managerial positions. Currently, we have two female managers, and in April 2024, the Company appointed its first female executive officer. This is just the beginning, as we aim to further increase the number of female managers. As part of this effort, we have established the "Women's Working Team" directly under the president to work towards solving Company challenges from a women's perspective.

Furthermore, The Company has its own unique initiative called the "takumi" (mentor) system, which was introduced in 2019. This system aims to utilize the expertise and experience of post-retirement employees to mentor and develop younger employees. For example, maintenance skills for dies are crucial in determining product quality, and passing on this knowledge is vital to the Company's success. The mentoring system contributes both to the transfer of technical skills and the passing on of management skills.

Programs to Enhance Engagement

In 2023, we launched the "F.Career Design Advance" program, aimed at career development and enhancing employee engagement. This program serves as a platform for top management to directly communicate the future direction and the desired profile of globally competitive talent, thereby significantly contributing to improving employee engagement. Additionally, we conduct detailed surveys on a regular basis, gaining insights into employee opinions and identifying areas for improvement. Through this process, we strive to create a healthy work environment and foster a corporate culture that enables employees to thrive and excel.

Human Capital Disclosure

Initiatives to Develop Human Resources That Will Continue to Grow throughout Their Lives

Nurturing People

Mentoring System

In July 2019, we launched our "takumi" (mentor) system to provide a new way for retired employees to work, boosting retirees' motivation while passing on their skills. In this system, our talented workers with advanced skills are recognized as "takumi," and they play the important role of instructors who pass on their skills to their successors. Their remuneration is determined according to their roles and responsibilities.

Number of rehired retirees (mentor candidates) (As of July 31, 2024)

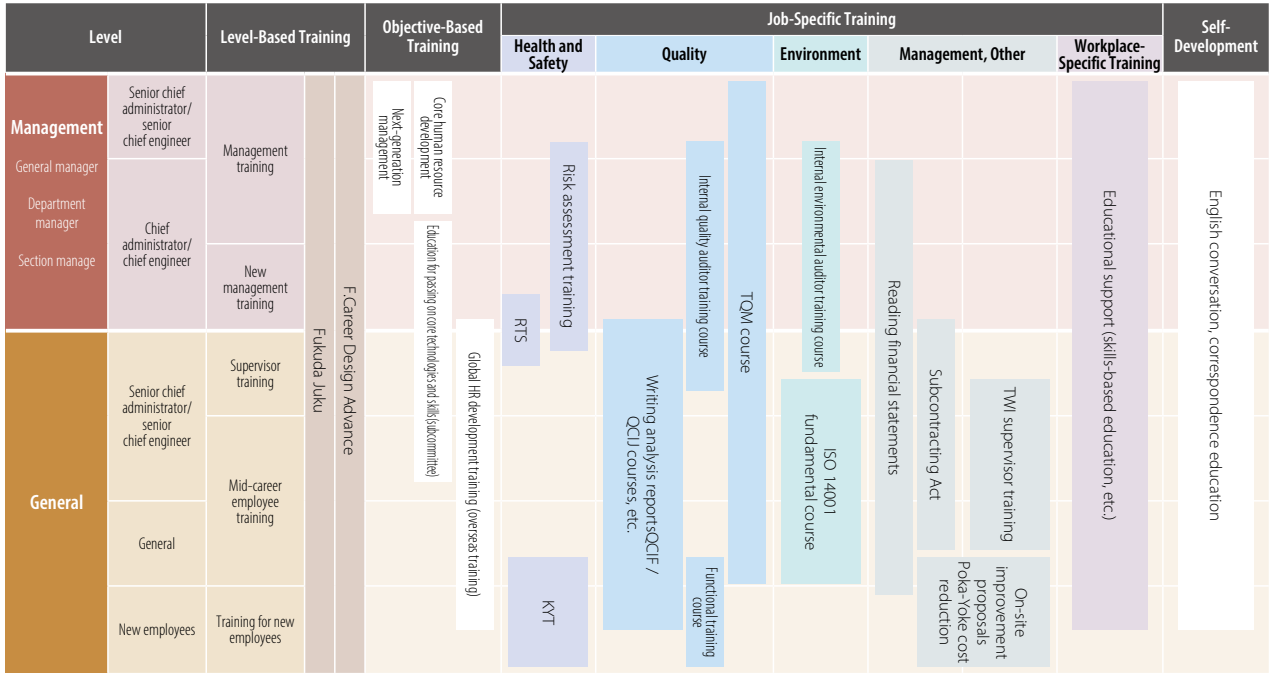
- **Total number rehired as contract employees: 54**
- **Of whom, rehired as takumi mentors: 21**

In addition to providing an environment for people to work, we also offer life planning seminars and other information to help people think about working after retiring at 60.

Aiming to Enhance Employee Engagement and to Help with Rethinking Careers

To achieve sustainable growth, the Company places great emphasis on each employee "thinking," "embracing challenges," and "creating value" based on its philosophy. As part of this initiative, in 2023 the Company launched the "F.Career Design Advance" program, with the Company's president serving as a lecturer. This program aims to enhance employee engagement and help them reconsider career plans. Lectures will be held a total of 10 times, targeting approximately 80 influential employees, including those from the Company's subsidiaries. Participants will learn about the Company's philosophy and its history of embracing challenge, understand the qualities and skills that management seeks, and clarify their own roles and career plans. The opportunity to deeply understand the thoughts of top management through the program's Q&A sessions has been highly valued, as participants gain valuable insights. In 2024, the program will be held in China for the first time, targeting local managers and marking the beginning of the program's global expansion.

Employee Training Structure



Training and Education

The Company is committed to human resource development that maximizes the motivation and individuality of each employee and helps them embody elements of our management philosophy, of having a "challenging spirit" and "respecting people." We provide various types of training programs to support the development of our employees based on their growth stage and career. These programs include "hierarchy-based education," which focuses on providing new employees with fundamental knowledge of the significance of work and safety, as well as leadership training for newly appointed managerial positions from a management perspective. We also offer "purpose-based education" to nurture people who excel in specific areas, such as those working at overseas locations. Additionally, we have "job-specific education" programs to develop professionals in various fields. Furthermore, we encourage self-development by providing opportunities for employees to enhance their skills and knowledge. Through these initiatives, we strive to foster the growth of each individual and support their career progression.

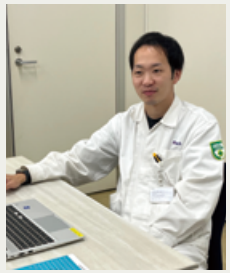
F-tech's HR Development System

Guided by its philosophy of "respecting people," the Company focuses on human resource development so that each and every employee can achieve personal growth. We provide a wide range of educational and training programs, including onboarding programs for new employees who are taking their first steps into the professional world, training tailored to different levels and functions, and opportunities for self-development in pursuit of further skill enhancement. By realizing individualized development based on each employee's goals, the Company creates an environment where people can achieve maximum performance.

Note: Refer to the "Employee Training Structure" on the preceding page.

VOICE

Deepening Family Ties through Childcare Leave and an Appreciation for the Workplace



Fumiya Imasato
General Affairs Department

I work in the General Affairs Department, where my main responsibilities include shareholder meetings, board meetings, and stock-related tasks. In April 2024, my second child was born, and I took one month of childcare leave. This period was incredibly valuable and meaningful to me.

First, I had significantly more time to spend with my family, which strengthened my bond with my wife and deepened my attachment to my children. In particular, I was able to build an even closer relationship with my eldest son, whom I previously could only spend a short time with after returning home from work. By spending more time together during the day, our connection grew even stronger. Additionally, taking direct responsibility for caring for a newborn and being involved in childcare made me realize how challenging and responsible childcare is. Through this experience, I gained a sense of satisfaction in being able to lighten my wife's burden and assist in her recovery.

The General Affairs Department is involved in preparations for shareholder meetings from April to June, so this is a busy period. Initially, I had reservations about taking childcare leave during this time. However, thanks to the support and understanding of my colleagues both inside and outside the department, I was able to take my leave with peace of mind. I am sincerely grateful to everyone who helped in sharing the workload.

I wholeheartedly hope that an environment where more male employees can easily take childcare leave will be widely established in the future.

My Experience and Gratitude for Being Nurtured by Family and Society during my Childcare Leave Experience

Administration Section,
Manufacturing Department
Kameyama Plant
Ryo Ito

I am a member of the Quality Section, which is involved in inspections at the Kameyama Plant. I am responsible for product evaluations and handling interactions with customers and clients. In June 2023, my first child was born, and my wife and I took childcare leave. My paternity leave lasted for three weeks, during which I focused on childcare along with my wife, who was on maternity leave. In the Quality Section, I received encouragement from my superiors and colleagues, as well as advice from experienced parents, which helped me in my parenting journey. My wife, who belongs to the Welding Division, also received considerable support and understanding from her department, allowing us to engage in childcare with peace of mind.

Due to the impact of the COVID-19 pandemic, hospital visits and other applications were restricted, and we couldn't rely on our parents for help. Despite these challenges, I managed household chores while assisting my wife, who was still recovering, and responded to our baby's cries every two hours. These three weeks were a valuable experience, and the time spent with my first child was irreplaceable.

After returning to work, my wife and I resumed our respective roles, and the Company has been considerate of our needs, including working on holidays and accommodating childcare arrangements. We are grateful to work for a company that promotes childcare support, as what was once considered unusual in previous generations is becoming increasingly normal in our time. We strongly hope that the understanding that parenting is a responsibility shared by society as a whole continues to grow, and we look forward to the development of supportive environments.

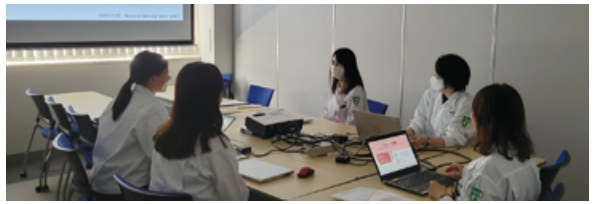
Creating a Comfortable Working Environment

Aiming to Create a Workplace that Respects Diversity and Grows Together

Utilizing Diverse Human Resources

Promoting the Activities of Female Employees

F-tech strives to create a workplace where all employees, regardless of gender, can demonstrate their individuality and abilities. In departments such as manufacturing, engineering, development, and procurement, which have historically been predominantly male, we are actively working to improve the work environment and promote the assignment of women, enabling them to work in various fields throughout the Company. Until a decade ago, it was uncommon for women to work in manufacturing sites that dealt with sheet metal, for example. However, with the use of support equipment, it is now possible for women to handle such tasks, and expectations for the cultivation of female technicians are growing. In April 2024, we established the Women's Working Team to formulate policies by and for female employees. Going forward, we will further expand the opportunities for women to excel and continue to make efforts in the areas of recruitment, promotion, and leadership development. To promote the active participation of women, we also need to reassess men's working styles. We will strive to create an environment where both men and women can have a fulfilling social life by balancing work and personal life.



Promoting the Active Participation of People with Disabilities

F-tech actively promotes the employment of people with disabilities, participating in information exchange meetings with special needs schools, among other initiatives. We strive to create an environment where individuals can work with a sense of fulfillment, taking into account the extent of their disabilities while maximizing their abilities. Currently, we maintain employment rates that surpass statutory requirements. At the end of FY2023, our employment rate was at 3.0% (27 people) compared with the statutory rate of 2.3% (20 people).

Employing Foreign Nationals as Employees and Managers

The F-tech Group has 19 overseas locations, and collaboration with each of these locations is essential for the overall growth of the Group. Furthermore, overseas sales account for approximately 90% of the Group's total sales, underscoring the need to actively work on the globalization of our business and our workforce. To promote employment diversity, we actively recruit international students in our hiring of new graduates. Since 2013, we have also participated in the Boston Career Forum to recruit Japanese and foreign students studying abroad.

To date, we have hired 19 foreign nationals through recruitment activities in Japan and 15 people through the Boston Career Forum.

We also welcome technical and short-term trainees from overseas locations.

Kuki Philippines Trainees

In Japan, we strive to create a working environment that is comfortable for people who do not read Japanese by employing multilingual signage and manuals, as well as promoting interaction through internal events. We also take into consideration differences in customs, such as arranging rooms for Muslims to pray.

Creating a Comfortable Working Environment

F-tech emphasizes the importance of work-life balance. We believe that in order to work with a sense of fulfillment, it is necessary to have a fulfilling personal life as well. Under the principle of respecting human dignity, F-tech strives to be a Company where all employees, not just those with childcare or caregiving responsibilities, have a comfortable and supportive workplace environment. This is a goal shared across the entire Group.

Reducing Overtime Hours

We take a proactive stance toward reducing working hours through labor-management cooperation and time management. In FY2023, average monthly overtime hours were 9.4 hours. We have introduced a flextime system at the Haga Technical Center to enable employees to balance their personal lives and work more efficiently. This system has been gradually expanded to other departments, enabling employees to adjust their working hours according to the demands of their assigned tasks. This has helped to reduce overtime hours.

Keeping Overtime Hours within 20 Hours per Month

Fiscal year	2021		2022		2023
Average monthly overtime hours	6.3H	➡	3.7H	➡	9.4H

Promoting the Use of Annual Paid Leave

F-tech has set the goal of having all employees use up their annual paid leave before it expires by the statute of limitations, and we have reached this goal among regular employees for 25 consecutive years. Each department creates a plan for utilizing annual paid leave and provides progress updates at meetings every three months to ensure the progress is carefully managed. Additionally, the Company has revised its policies to allow employees to take leave in half-day increments up to 20 times per year. This encourages people to take leave and provides flexibility to accommodate a work-life balance, including childcare and caregiving responsibilities.

Aiming to Completely Eliminate Paid Leave Expiration

Goal Achieved for 25 Consecutive Years

Helping to Balance Work alongside Childcare and Nursing Care

We promote the following working environment initiatives targeting employees who are raising children or caring for family members. Our aim is to foster a cooperative work environment with mutual understanding between supervisors and subordinates.

1. We provide the "Guidebook for Supporting a Balance between Work and Childcare/Nursing Care" on the Company's portal site.
2. We hold explanatory meetings for managers on revisions to the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members.
3. We post notices encouraging male employees to take childcare leave.

People Returning to Work Following Childcare Leave

People Taking Childcare Leave	2019	2020	2021	2022	2023
Men	3	1	4	5	7
Women	3	6	1	3	3
Total	6	7	5	8	10
Returnees	6	7	5	8	10 (expected)

100% of eligible women took maternity leave (ratio of pregnant women who took maternity leave)
100% return-to-work rate (rate of men and women who returned to work after taking leave)

- Employees can work shorter hours when providing childcare to children until the end of the third grade of elementary school, which exceeds the legal requirement. (Currently, 13 employees are using this system.)
- Employees can take nursing care leave up to three times for a maximum of one year per family member, which is longer than legally mandated.

In 2015, we introduced a general employer action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children, administered by the Ministry of Health, Labour and Welfare.

From April 2018 to March 2021, we worked on the following initiatives:

1. Conducting explanatory sessions on childcare support systems for managerial employees.
2. Implementing a system of interviews before taking and returning from childcare leave.

As a result of these efforts, we obtained the Kurumin certification for the second time in August 2021.

Human Rights Awareness Initiatives

In line with the Company's philosophy of respecting people, we conduct training for employees and disseminate information through monthly newsletters to prevent various forms of harassment, including child labor and forced labor, and to promote respect for human rights.

We have established anonymous reporting channels internally and externally to address any potential human rights violations or compliance issues, ensuring a supportive environment where employees can feel secure in seeking assistance. We strive to create a workplace with an open and transparent atmosphere.

Conducting Health Checkups

To maintain and improve the health of our employees, which are a vital corporate resource, we conduct annual health checks for all employees. Additionally, we have established a system to partially subsidize the cost of comprehensive health examinations for employees who wish to have more sophisticated checks. In FY2024, we increased the amount of the subsidy so that employees could receive more sophisticated checks for an out-of-pocket payment of only ¥1,000.

Occupational Health and Safety Initiatives

Aiming to Strengthen Cooperation and Increase Safety Awareness throughout the Group

Groupwide Efforts to Embrace a Safety Policy Aimed at Zero Accidents

F-tech* and Fukuda Engineering Co., Ltd. set a Companywide safety policy for FY2023: "We aim to improve the safety level at all of our sites by globally standardizing and sharing safety and health rules." Accordingly, during the year we continued to implement occupational health and safety activities throughout the Group. The Company-wide Safety Committee, organized by F-tech* and FEG members, reported on the results of the previous fiscal year at each location and exchanged opinions on the activity plans for the current fiscal year. In addition, we have established consistent safety evaluations and rules (routine/non-routine work) and undertaken initiatives to achieve zero-lost-workday accidents and also prevent accidents that do not involve lost workdays. We are also working to eliminate commuting incidents and traffic accidents.

In FY2024, as in FY2023, we will continue our efforts to improve the level of safety under the Company-wide safety policy, aiming for "zero accidents"

* Head office, Kuki Plant, Kameyama Plant, Haga Technical Center, and Kazo Equipment Center

Establishing a Groupwide Health and Safety System

In accordance with our reporting criteria, in the event of a business accident occurring at a domestic or overseas sites of the F-tech Group, we share information immediately throughout the Group, including information about countermeasures. We have established an awareness-raising system to prevent similar accidents from recurring. We conduct prompt and thorough inspections at bases in Japan and overseas in the event of an operational accident or accident that causes major physical damage, revealing dangers that were formerly hidden. Based on the results of such inspections, we conduct initiatives at Group sites such as reviewing safety rules and criteria at our domestic and overseas sites.

Effective remedial measures are implemented through risk assessment evaluation of occupational accidents within the group.

At each Group sites, we implement effective improvement measures by using risk assessment methods to identify and eliminate or reduce hazards and risks in the workplace in order to prevent the recurrence of occupational accidents.

Investigation into the Handling of Heavy Parts

Inquiry Items	Kuki	Kameyama	Haga	EG Haga	Kyushu F.tech	FEG	Reterra	FTZ	FTW	FTI	FMTL	FPMI	ISS	VAGC	FPA	FPG	FPC	DynaMig	RDNA	FRDP	FPMX	FEGQ
1) Do you have any written standards for products that are treated as heavy items?	No	Yes	No	No	No	No	No	No	No	No	No	Yes	Yes	No	Yes	No	Yes	Yes	Yes	No	Yes	Yes
2) From what weight in kilograms does the standard for heavy products apply?	None	15kg	Intuition	Unaware of them	None	15kg	None	Women 10kg Men 15kg	15kg	27kg	Women 25Kg Men 55Kg	Women 25Kg Men 50Kg	Women Men 15Kg	No	22.7Kg (50lb)	No	14Kg	14Kg	22.7Kg (50lb)	Women 25kg Men 50kg	Women 20kg Men 25kg	Women 20kg Men 25kg
3) Number of accidents caused by heavy objects (since 2020)	1	1	0	0	0	1	0	0	0	0	0	0	0	0	0	1	1	1	0	0	0	0
4) Number of accidents caused by non-heavy objects (less than 1 kg) (from 2020)	0	0	0	0	0	0	0	2	0	0	0	0	0	0	1	0	0	0	0	0	1	0
5) Effectiveness of countermeasures	Implemented	Implemented	None	None	Implemented	Not implemented	No	Implemented	No	No	No	No	No	No	Implemented	Implemented	Implemented	Implemented	Implemented	Not implemented	Implemented	Not implemented

In order to comply with legal regulations and internal guidelines, it is necessary to establish handling standards for heavy objects and provide training to employees during their work. Going forward, these measures will be implemented at each location.

FTW Information about Operational Accidents Class A Accidents

Quality Improvement Initiatives

In further pursuit of the essence of quality, we have committed ourselves to three principles: be honest, never give up, be tenacious , and persevere.

Back to Basics
Company-Wide Improvement Activities That Pursue the Essence of Quality

Last year, we established a three-year plan as part of the 15th Mid-Term Business Plan and set a new quality policy, "Aiming to enhance customer satisfaction by pursuing the essence of quality," for the F-tech family. It was a year in which all sites came together to start quality improvement activities.

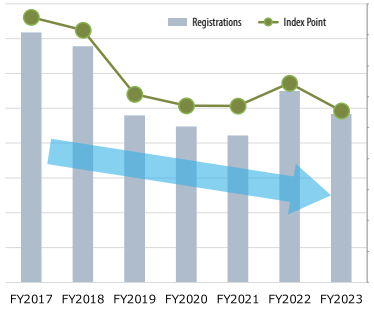
Each location analyzed its weaknesses and implemented measures based on the results. As a result, we achieved approximately a 12% improvement towards our goal (15% improvement in customer registration issues and in-process waste) set for the first year of the 15th Mid-Term Business Plan. While we fell slightly short of our target, quality has undoubtedly improved at each site, and we have maintained an improvement trend. However, we have observed a tendency for quality to remain unstable at sites affected by customer production fluctuations accelerated by EV adoption and high personnel turnover. Therefore, we have identified such sites as key monitoring points and are working to establish a robust support system to ensure stable quality even in unstable environments.

In addition, as part of our Company-wide mid-term priority initiatives, we remain committed to diligently and persistently implementing the two initiatives of "enhancing supervisors' skills" and "reinforcing operational oversight." We will strive to build a strong foundation for quality.

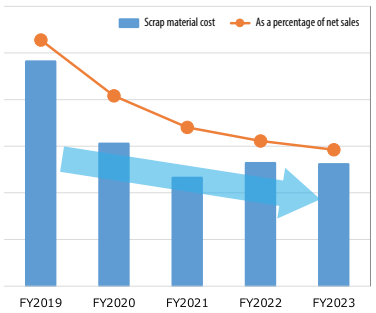
Meanwhile, in the Quality Assurance Department in Japan, we are working on developing a curriculum for nurturing quality assurance and quality management talent. We are identifying the necessary elements, experiences, and skills required to cultivate quality professionals who can excel on a global scale and developing a medium- to long-term training plan, including job rotations. Alongside the mid-term priority quality initiatives, we will continue our efforts to achieve the FY2024 goals.

Results of FAM. Quality Indicators for FY2023

Customer Registration Issues TOTAL for the Year



In-Process Waste TOTAL for the Year

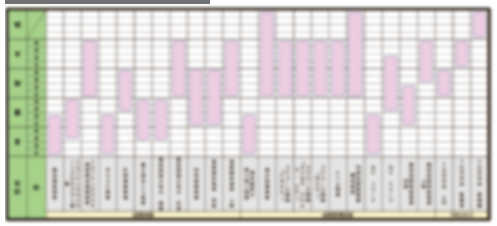


Maintained an improvement trend in all quality indicators
(12% improvement from FY2022)

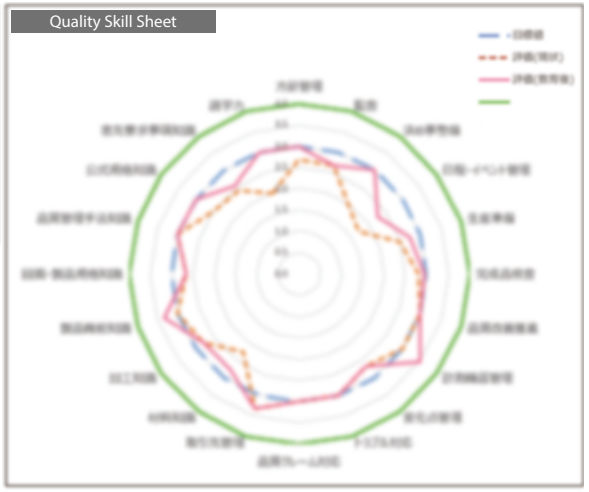
Quality Management Skills Map and Curriculum Development

F.tech Quality Warrior Skills/Knowledge Assessment Sheet

Course Curriculum Table



Quality Skill Sheet



Evaluate skill levels on an individual basis
Set targets for a period of one year, three years, etc., and develop skill improvement plans and curricula.

Challenge for New, Better than Ever
New Quality Assurance and Management Improvement Initiatives

Last year we newly challenged to ensure the quality assurance and improvement of management control. In particular, we actively promoted DX in the area of quality management, accelerating efforts to enhance the efficiency and reliability of our quality management processes throughout the Company.

Case Study Enhanced Control of Welding Conditions (Digital Teaching Data System)

We are currently working on the development of a system that enables centralized management of welding conditions and facilitates data tracing. By utilizing ICT technology, workflows and quality evaluation results will be fed back to the system even when changes or variations occur, making it easier to manage the history. This is expected to lead to efficiency improvements. First, we will conduct trials on the products and manufacturing lines that started mass production in the previous fiscal year and update the system. We plan to expand it to other products in the future.

Welding: Condition Data Entry Form

Data registration

Main System Functions

- Display of welding conditions for each weld
- Accumulation of failure events and causes
- Visualization of welding position and display level of importance
- Workflow management at the time of change

Accumulation of Data and Management for Each Product and Weld

FY2023 Quality Awards
Quality-Related Awards Received from Customers in Each Region

Last fiscal year, we received quality-related awards from customers in various regions. We will continue accelerating our efforts to improve quality throughout the Company and strive to ensure customer satisfaction worldwide.

Key Awards

<North America>

- General Motors' "Supplier Quality Excellence Award 2023"
- Toyota North America's "Quality Certificate"

<Asia>

- Nissan's "Certificate of Appreciation for Excellent Quality"
- GTMC (Toyota)'s "FY2023 Quality Cooperation Award"
- TDEM (Toyota Daihatsu)'s "OUTSTANDING PERFOMANCE SUPPLIER IN QUALITY PERFORMANCE"

Relationship with Shareholders and Investors

We aim to increase management transparency and achieve sustainable growth through timely and appropriate disclosure.

Appropriate Disclosure

(F-tech Corporate Governance Guidelines, Article14)
In its aim to build a relationship of mutual trust with all stakeholders, including shareholders, the Company ensures management transparency by disclosing fairly and in a reader-friendly manner information, including legal disclosures, management policies, financial status, and business initiatives, as well as procedures and reasons in the appointment of the senior management and nomination of, directors, and Audit & Supervisory Board Member candidates.

Constructive Dialogue with Shareholders

(F-tech Corporate Governance Guidelines, Article 34, Paragraph 1)
Based on the recognition that constructive dialogue with shareholders is essential to enhance sustainable corporate growth and increase corporate value over the medium term, F-tech uses every effort to engage in such mutual dialogue.

Policy Related to Constructive Dialogue with Shareholders

Based on the recognition that meaningful dialogue with shareholders is essential to enhance sustainable growth and medium-term corporate value, F-tech approaches these dialogues based on the following policies.

1. To the extent reasonable, dialogues with shareholders are conducted by the president and CEO, directors and auditors (including outside directors and outside auditors), the director responsible for IR oversight, or managers from the division responsible for IR.

2. The division responsible for IR shall collaborate with and engage in meaningful dialogue with internal- related divisions.

3. We shall explain to our shareholders in an understandable manner about the strategies, investments, and key performance indicators (KPIs) related to the Mid-Term Business Plan, as well as endeavor to disclose information for shareholders to determine medium-term corporate value.

4. Division responsible for IR plans shall conduct multiple IR activities such as individual interviews, including financial results briefings, facility tours, and attending IR fairs

5. The executive officer responsible for IR conscientiously conveys the Company policies to shareholders through dialogue and shares any opinions he or she receives from shareholders with directors and others.

6. In order for thoroughly fair information disclosure, the executive officer responsible for IR strictly secures important non-public information in accordance with company rules.

Communication with Shareholders & Investors

Based on the disclosure standards of the Tokyo Stock Exchange, we disclose information to shareholders, suppliers, investors, and the regional community in a timely manner while confirming with the Tokyo Stock Exchange and the general counsel. In order for our investors to understand our company, we provide various opportunities for communication including an annual general meeting of shareholders, financial results briefings, one-on-one meetings, and the Nikkei IR Fair. In this way, we provide opportunities for the president and CEO, the director in charge of IR, and the IR department to communicate directly with shareholders, individual investors, and institutional investors. The valuable opinions obtained through these dialogues are reported to the Board of Directors and other relevant bodies. and we reflect them in the management for enhancing sustainable corporate value. In addition, we have prepared English-language materials for overseas investors, and we are also working to provide English translations. Since the May 2023 earnings results briefing for the fiscal year ended March 31, 2023, we have aimed to attract more institutional investors by hosting a hybrid event combining in-person explanations at a venue in Tokyo with web streaming.

Relationship with Local Communities

Social Contribution Activities for a Sustainable Future

"Joint Food Donation Ceremony" (Held in Conjunction with Saitama Resona Bank)

Since 2021, we have held a food drive in conjunction with Saitama Resona Bank. November 2023 marked our third such drive. More than 805 food and daily-use items were collected over the course of two weeks through donations within the Company and at Fukuda Engineering, a subsidiary. The items were donated to seven facilities in the cities of Kuki and Kazo, providing support to needy children. We will continue to proactively take part in such activities and work to contribute to the local community.

F-tech's Reforestation

On May 28, 2023 F-Tech's Reforestation was resumed for the first time in four years. Due to post-pandemic circumstances, this event was held on a smaller scale than in the past, but we were able to enjoy engaging activities while experiencing nature. from now on, too we aim to expand the scale and continue our forest conservation efforts.

Cleanup Activities

Kuki Area

Zero-Trash Clean Kuki Citizens' Movement

September 29, 2023

Cleanup at Bizenhorikawa River

November 16, 2023
March 22, 2024
Total participants: 96
Note: The Bizenhorikawa River cleanup was in cooperation with seven nearby companies.
Cooperating companies:
Nippon Chutetukan K.K., Okabe Co., Ltd., Mukoyama Steel Works Co., Ltd., Sanyo Industries, Ltd., Toyo Seikan Co., Ltd., Godai Industry Inc., Hirooka Tekkojo Co., Ltd.

Kameyama Area

The Adopt Program* Cleanup Green Place in Meihan Industrial Park

May 20, July 15, and October 21, 2023
Total participants: 117

***Adopt Program**
An adopt program is an initiative that aims to achieve clean, trash and weed-free communal areas through volunteer cleanup activities, based on the "adoption" of nearby parks and green tracts of land by people of local communities. The city of Kameyama introduced this system in April 2007, and our Kameyama Plant was the city's first participant.

Haga Area

Cleanup Efforts in Haga Industrial Park

May 25, 2023
July 20, 2023
October 19, 2023
Total participants: 74

Shareholder Benefit Initiatives That Contribute to Society

F-tech provides "Kids Smile QUO Cards" as a shareholder benefit, and contributes ¥50 per card to activities to support children in the areas affected by the Great East Japan Earthquake. By doing so, we aim to make a positive impact on the future of children in disaster-affected areas and contribute to the local community.

SAITAMA Environmental Fest & Children's Eco Festival

We participated in the "SAITAMA Environmental Fest & Children's Eco Festival" organized by Saitama Prefecture and Aeon Mall Ageo on November 11 and 12, 2023. At our booth, we showcased the Company's environmental conservation efforts and held a craft workshop for children. The workshop involved making bath sachets using thinned Japanese cypress obtained from forestry activities in Saitama Prefecture. We were able to create handmade fragrant bath sachets and convey the joy of crafting while promoting the sustainable utilization of forest resources.

A total of 150 participants joined us over the two days, helping to raise awareness about the protection and sustainable utilization of local forest resources. Moving forward, we will continue to focus on these initiatives as part of the Company's environmental activities.

Environment Information Disclosure Based on TCFD Recommendations

In September 2023, the Company decided at board meeting to be committed to achieve carbon neutrality throughout the supply chain by 2050. We will continue to address climate change in accordance with the TCFD's disclosure recommendations.

TCFD
Governance

- Board of Directors oversight of climate-related risks and opportunities
- Management's role in assessing and managing climate-related risks and opportunities.

The Company recognizes climate change as a topmost management issue and has established a Carbon Neutral Strategy Committee and a Carbon Neutral Promotion Cross-Functional Team (referred to as CFT) under the supervision of a director to strengthen its response to this issue. The organizational structure is shown in the diagram below.

Board of Directors

The Company considers adapting to climate change adaptation a topmost management issues based on the identification of materiality in its areas of business. The Board of Directors receives regular reports and conducts monitoring regarding the deliberation and decision-making on important corporate governance policies and the status of sustainability management. Additionally, significant matters such as the roadmap for carbon neutrality, the implementation plan developed by Cross-Functional Team (CFT), and the establishment and revision of committee regulations are discussed in the Management Meeting before being presented to the Board of Directors.

Management Meeting

To ensure the smooth operation of the Company's business activities, the Management Meeting engages in the resolution, discussion, and understanding of important management matters. We conduct deliberations on overall business plans and budgets based on annual and medium-term management policies. Moreover, we hold discussions and review progress on important matters such as implementation plans and roadmaps related to climate change adaptation.

Carbon Neutral Strategy Committee

The committee is chaired by the president and CEO and consists of division managers, general managers. The Company conducts its business activities with consideration for various aspects of the economy, environment, and society, aiming to build better relationships with stakeholders and contribute to a sustainable decarbonized society. The committee is responsible for managing and overseeing implementation activities based on the Company's carbon neutral roadmap, discussing and sharing information on action plans and amendments to committee regulations, and handling other important matters that have been discussed by the Cross-Functional Team (CFT). To facilitate decision-making on important matters, the committee submits proposals and reports to the Board of Directors and the Management Meeting.

Carbon Neutral Promotion Cross-Functional Team (CFT)

The CFT is led by the general manager of the Corporate Planning Office, heading a team consisting of department heads from related departments. They are involved in formulating the roadmap and strategy for the Company until 2050. Their main initiatives include gathering and analyzing information on carbon neutrality, identifying business risks and opportunities, and playing a central role in implementing climate change mitigation measures approved by the Board of Directors.

Climate-Related Governance Structure

TCFD
Strategy

- Address selected short-, medium-, and long-term climate change risks and opportunities
- Gauge impacts of climate-related risks and opportunities on business, strategic, and financial planning
- Ensure the resilience of strategies in light of climate-related scenario-based considerations

We have identified climate change risks and opportunities and assessed their impact, based on assumptions about 2050 and taking into account scenarios from the IPCC and the IEA, policy and regulatory trends, and industry developments. Climate change risks and opportunities are constantly evolving, and we will continue to adapt to changing risks and opportunities and strive to further enhance disclosure.

Identification of Climate-Related Risks/Opportunities and Impact Assessment

Category	Perspective		Business Risks for the Company				Explanation of and Response to Risks
			Content	Period	Scope	Financial Impact	
Transitional risks toward in the move toward a decarbonized society (2°C/1.5°C)	Policies, laws and regulations	Application of carbon taxes and carbon trading schemes	Increased operating costs due to introduction of carbon tax and purchase of credits	Long term	Expenses	↘	We assume that the impact of carbon taxes and stricter regulations will be small due to our responsiveness to carbon neutrality, but we expect to purchase credits for some of emission allowances.
		Compliance with GHG emission regulations	Increased regulations and fines	Short term		→	
	Technology	Development of lightweight components Spread of electric vehicles	Increased R&D expenses to meet customer needs Conversion to new technologies and increased capital R&D expenses.	Long term		↓	In order to meet customer needs for electrification, over the long term we will need to design and develop lighter-weight and lower-carbon products and establish an energy-saving production system.
		Uptake of renewable energy and energy-saving technologies	Increase in capital expenditures to meet energy saving requirements			↘	
	Market	Impact on material prices	Rise in raw material prices and manufacturing costs			→	We expect to incur higher costs in our efforts to reduce product weights, due to the use of more expensive high-tensile-strength materials and non-ferrous metals, as well as the decarbonization of electricity used in the manufacturing process.
		Impact on energy prices	Rising energy prices/increased expenses			→	
	Reputation	Changes in customer behavior	Lost orders due to delay inenvironmental response	Medium term	Sales	↘	If we are tardy in responding to customer needs, the Company may lose orders for new models and other products. In addition, procurement costs could rise due to delays in our move to decarbonization, owing to increased ESG investments.
		Reputational change among investors/ financial institutions Complaints from neighbors	Increase in financing costs (interest rates) Damage to corporate image/fines		Expenses	↘	
Physical risks associated with failure to respond to climate change (4°C)	Acute	Change in precipitation/climate patterns	Production stoppage due to flooding/water shortage	Long term	Sales	↓	The Company has an electrodeposition coating process, and water shortages could hamper this production process. In addition, the Company will need to deal with heat stroke and other risks over the long term due to rising average temperatures.
		Increased average temperature impact	Heat stroke/worker injury/ increased air conditioning costs		Expenses	↘	
	Chronic	Intensification of extreme weather events	Supply chain disruption/reduced production		Sales	↓	Production and delivery could be affected by extreme weather events.

Category	Perspective		Business Risks for the Company				
			Policy	Content	Period	Scope	Financial Impact
Opportunities stemming from response to climate change	Resource efficiency	Impact on production processes	• Establishment of a sustainable production system	• Implement and expand water reduction measures that address water risks • Promote waste recycling	Medium term	Profits	→
	Energy sources	Use of low-carbon energy	• Promotion of carbon neutrality • Improving the efficiency of production processes	• Pursue high-efficiency and minimum-energy production • Introduce renewable energy sources and comply with future carbon taxes	Long term		↗
	Products Services	Impact on R&D	• Creation of environmentally friendly products	• Develop lightweight products • Consider and utilize recycled materials • Expand product applications to electric vehicles		Sales	↑
	Markets	Growing adoption of electric vehicles	• Establishment of sustainable management • Appropriate information disclosure	• Expand disclosure of non-financial information • Lower financing costs		Sales Profits	↗
	Robustness Resilience	Business sustainability partnerships	• Improvement of corporate competitiveness through collaboration with suppliers	• Strengthen BCP initiatives • Support decarbonization			↗

F-tech Our 2050 Carbon Neutral Challenge

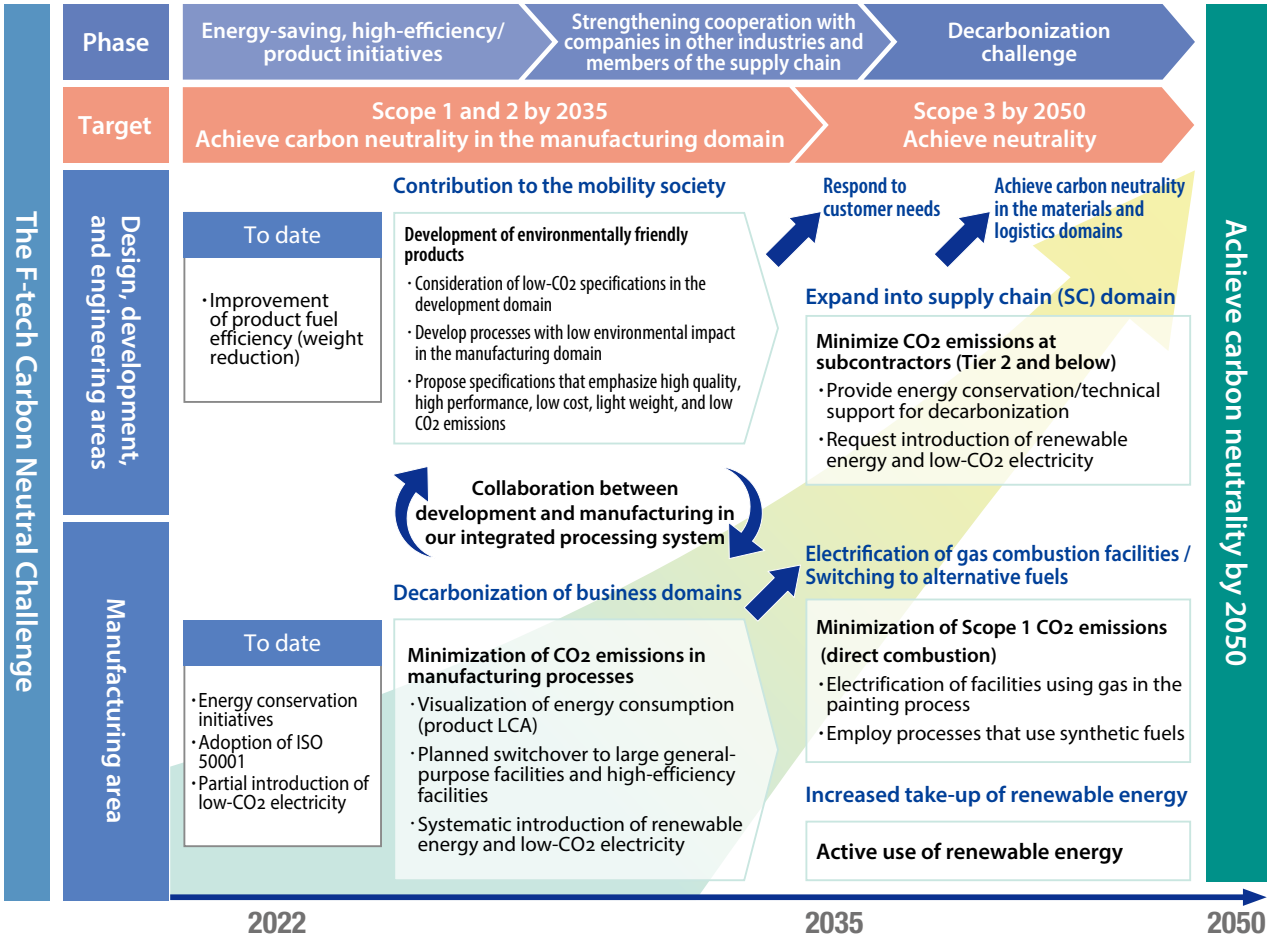
We have "We aim to achieve a decarbonized society through contributions to a mobility society, in collaboration with society and our customers." as our slogan. As specific initiatives, we will focus on the introduction of large-scale, high-efficiency facilities, and the promotion of energy conservation and renewable energy. Additionally, we will tailor our product development efforts to meet the needs of our customers.

The Company has established an integrated in-house processing system from development to mass production. In the development area, we are conducting evaluations based on life cycle assessments (LCAs) to explore product specifications that are CO_2-free. In manufacturing, we will strive to develop processes that have minimal environmental impact. Through the coordination of development and production, we are committed to environmentally conscious manufacturing.

In the long term, we will strengthen collaboration among our supply chain by sharing Company initiatives and providing support for decarbonization. Through these efforts, we aim to enhance our competitiveness.

Roadmap To Achieving Carbon Neutrality by 2050

Under a new governance structure for climate change adaptation, the Company has formulated a roadmap that takes climate change risks and opportunities into account. Based on this roadmap, the Company will proceed with identifying more specific measures and developing reduction plans.



TCFD
Risk Management

- Process for screening and assessing climate-related risks
- Process for managing climate-related risks
- Status of integration of climate-related risk management processes into comprehensive risk management

Process Flow for Climate-Related Risk Screening, Assessment, and Management

F-tech has identified climate change risks and opportunities by considering requests and expectations from such stakeholders as customers and local communities. Identified risks and opportunities have been approved through the Company's climate change governance structure, and policies and targets have been set and reflected in operational and mid-term business plans.

We are managing climate change measures based on the existing ISO 14001 management system. However, in order to establish a lower-carbon production system, some measures may go beyond the framework of ISO 14001, such as planned updates to large-scale and general-purpose equipment and the introduction of renewable energy. In cases where the redistribution and adjustment of management resources at the Companywide level are necessary, the Carbon Neutral Strategy Committee will discuss and consider effective measures for implementation.

Status of Integration with Other Management Systems Regarding Climate-Related Risk Management Processes

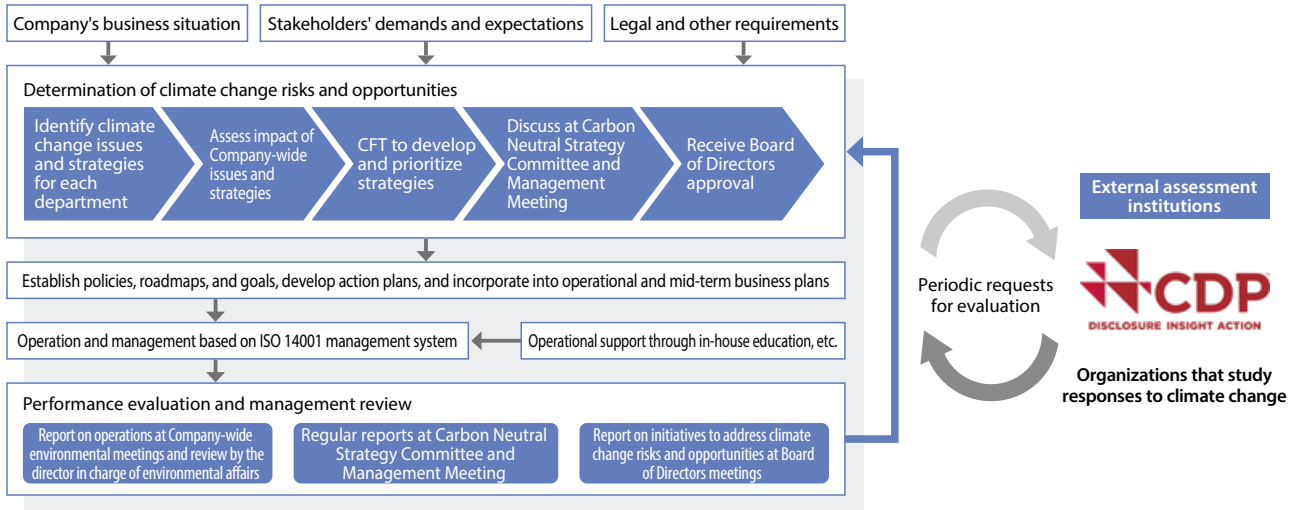
F-tech has started integrating carbon neutrality into its ISO 14001 environmental management system (EMS) to effectively carry out environmentally friendly business activities across Group companies and its supply chain.

In addition, identified risks such as heavy rains have always been managed as part of the Company's business continuity plan within its risk management framework. F-tech is working on establishing a prompt response system and improving its ability to respond to accidents.

Results of FY2023 CDP Assessment

CDP DISCLOSER 2023

We have been actively addressing environmental issues by developing our environmental management system on a global basis. In FY2017, we shifted our environmental communication, which was previously conducted individually with each automaker, to an evaluation system through a third-party organization (CDP), and we received a "B" rating which is the next rank of leadership on climate change and water security measures in the CDP survey in FY2023. We will continue to make maximum use of external evaluations by CDP to further strengthen our own environmental initiatives.



CDP Assessment

FY2023 Assessment	Climate Change	Water Security
F-TECH CO. LTD.	B	B

TCFD Metrics and Targets

- Indicators for assessing climate-related risks and opportunities
- Scope 1, 2, and 3 greenhouse gas (GHG) emissions and associated risks
- Targets and achievements in managing climate-related risks and opportunities.

Long-Term Targets

As part of its efforts to realize a sustainable society, F-tech is working to reduce its environmental impact by focusing on the following important environmental issues: "reduction of CO_2 emissions," "environmental conservation, including air, water, and soil," "resource-saving and reduction of water consumption and waste," "management of chemical substances," "development of environmentally friendly products," and "biodiversity conservation."

Regarding the "reduction of CO_2 emissions," we are committed to our efforts to achieve carbon neutrality by 2050 across the entire supply chain, as part of our efforts to realize a decarbonized society.

Currently, our challenge is that the calculation of Scope 3 emissions is limited to Category 4, which covers shipping and transportation. Going forward, we will collaborate with customers and suppliers to conduct global investigations on other categories of Scope 3 emissions.

Carbon Neutrality Basic Policy

Together with society and our customers, we aim to realize a decarbonized society through our contribution to mobility.

2035

We aim to achieve carbon neutrality for CO_2 emissions (Scope 1 and 2) in the manufacturing area by 2035.

2050

We will take on the challenge of achieving net zero CO_2 emissions for all operations throughout supply chain.

Formulation of a Global Environmental Policy

To further the efforts of the entire F-tech Group towards realizing a decarbonized society, we have revised our environmental policy, moving from a conventional domestic-oriented approach to a "Global Environmental Policy." The revised policy declares our commitment to carbon neutrality and incorporates clearer and more concise expressions that are easily understood by internal and external stakeholders.

Environmental Policy

Based on our company Mission Statement, "We will do our utmost to contribute to national society and build a prosperous future," we will continuously promote the following environmental improvement activities in all of our business activities.

1. **Contribute to the realization of a sustainable society**
   (1) Promote carbon neutrality, focusing on CO_2 reduction throughout the lifecycle of corporate activities and products
   (2) Develop environmentally friendly products, such as lightweight products that help extend the cruising range of automobiles
   (3) Promote the sustainable use of natural resources such as water

2. **Strive to reduce our environmental impact and prevent pollution.**
   (1) Implement improvement activities to achieve targets by utilizing the environmental management system
   (2) Prevent environmental pollution by complying with relevant environmental laws, regulations, and other requirements.
   (3) Cultivate human resources through environmental education for all people involved in our business activities and internal activities.

3. **Strive to coexist in harmony with local communities.**
   (1) Promote biodiversity conservation and social contribution activities
   (2) Appropriately disclose environmental information

Revised: September 8, 2023

Progress toward Our 2030 Global Environmental Targets

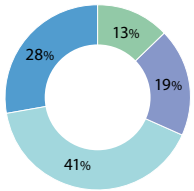
CO_2 Emissions Results

Total emissions
- Target: Reduce total CO_2 emissions by 18.0% compared to FY2017 levels (Scope1/2)
- Result: The target was achieved, **with a 30.7% reduction.**

Per unit
- Target: Reduce unit CO_2 emissions by 6.0% compared to FY2017 levels
- Result: The target was achieved, **with a 44.0% reduction.**

In FY2023, net sales were up 10.6% year on year, and up 23.8% compared with FY2017 levels.

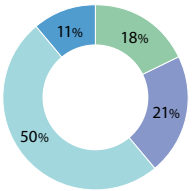
On the other hand, the Group's has steadily reduced its Scope 1/2 CO_2 emissions through the adoption of low-CO_2 electricity in North America and the solar power generation at its site in Thailand. In 2023, the Group's overall efforts resulted in a CO_2 reduction effect of 2,998t across 40 initiatives. Going forward, there is a growing demand for CO_2 reduction measures that encompass the entire supply chain, and we will globally implement reduction initiatives that include Scope 3 emissions.



Water Resource Usage Results

Per unit
- Target: 6.0% reduction in water consumption per unit compared to FY2017 levels
- Result: The target was achieved, **with a 31.2% reduction.**

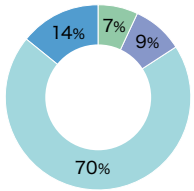
Water consumption decreased by 0.6% (4,137 m³) year on year. The majority of the Group's water consumption is used for product cleaning, surface treatment, electrodeposition coating, and steam in the painting process, and many sites are highly dependent on water to maintain water quality in the painting process and to prevent adverse effects on quality. In FY2023, we introduced measures in four areas, including water reuse in the painting process and reduced water consumption by 5,139 m3.



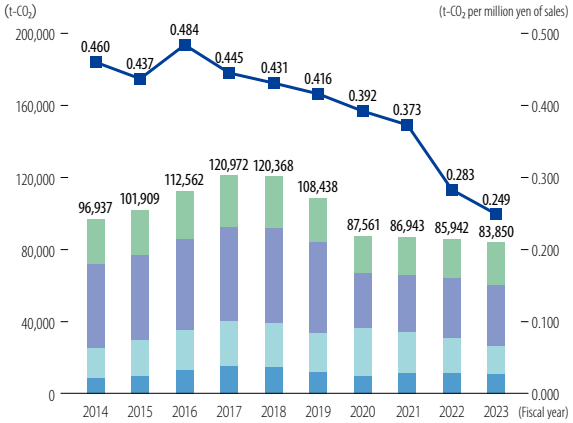
Waste Emissions Results

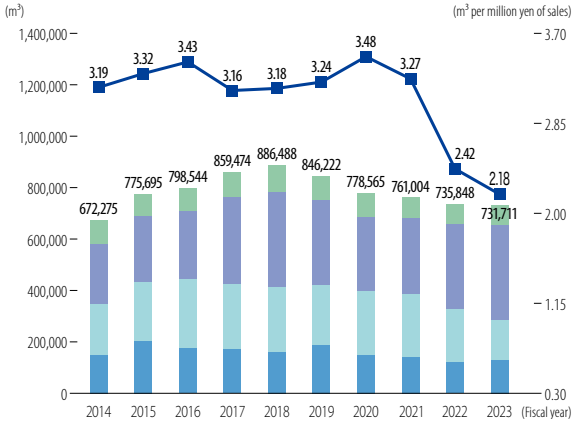
Per unit
- Target: 6.0% reduction in waste emissions per unit of production compared to FY2017
- Result: The target was achieved, **with a 33.5% reduction.**

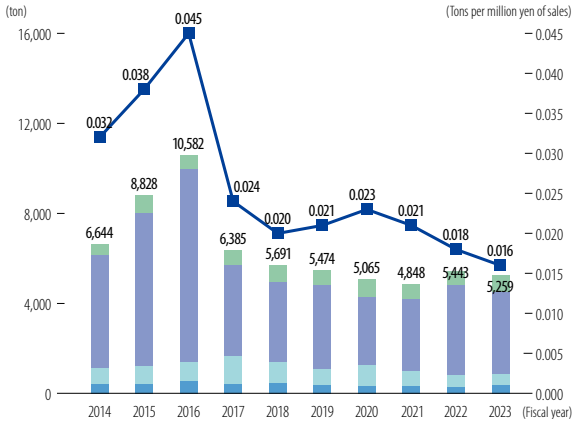
Waste emissions were down by 3.4% (184t) year on year. By region, waste emissions decreased by 372t in North America and China. In FY2023, the Group implemented reduction measures that resulted in a waste reduction effect of 22.5t by lowering the amount of sludge through changes in the chemicals used in the wastewater treatment process.



Japan | North America | China | Asia-Pacific | Per unit of production







15th Mid-Term Business Plan/FY2023 Environment and Energy Plan and Implementation Status

To further strengthen its efforts to address climate change and contribute to a carbon-neutral society and mobility society, the Company launched its 15th Mid-Term Business Plan in the environmental field starting from 2023.

Outcomes of the First Year of the 15th Mid-Term Business Plan (FY2023–FY2025)【Main measures】 Target: F-tech Group (6 sites in Japan, 14 overseas)

Enhancement Details		Period		
		FY2023	FY2024	FY2025
Reduction of CO_2 emissions to achieve carbon neutrality by 2050 (Scope 1 and 2)	Plan	18% improvement (compared to FY2017)	21% improvement (compared to FY2017)	24% improvement (compared to FY2017)
	Achievement	30.7% improvement		
	Evaluation	○		

○: Target achieved ×: Target not achieved

Enhancement Details		Period		
		FY2023	FY2024	FY2025
Reduction in CO_2 emissions per unit of production (Scope 1 and 2)	Plan	6.0% improvement (compared to FY2017)	7.0% improvement (compared to FY2017)	8.0% improvement (compared to FY2017)
	Achievement	44.0% improvement		
	Evaluation	○		

○: Target achieved ×: Target not achieved

Results of the FY2023 Environment and Energy Plan (Non-Consolidated)

Theme		FY2023 Management Items	Results	Evaluation
1. Achieving carbon neutrality by 2050	Reduction of total CO_2 emissions (Scope 1 and 2)	Reduction of CO_2 emissions by 18.0% or more compared with FY2017	10.9% reduction	×
2. Rationalization of energy use	Improvement of CO_2 emissions per unit of production (Scope 1 and 2)	2% improvement compared with FY2021 in all areas (Kuki, Kameyama, Haga), 98 points or less	84.1% 15.9% improvement	○
	Reduction of CO_2 emissions through measures	Reduction of 89.4 t-CO_2 or more (1.0% or more) compared with the 67th fiscal period	302t-CO_2 reduction	○
3. Development of environmentally friendly products	Weight reduction of newly developed parts	Reduction of 5% or more compared to the previous year's model	5.2% reduction in next-generation EV parts	○
	Establishment of new technology and new products	At least one plan/proposal	—(*)	○
4. Priority management items	Establishment of calculation system for Scope 3	Establishment of global GHG calculation standards and strengthening calculation system	Head office and overseas model base construction	○
	Product LCA Establishment of CO_2 tables	Understanding of energy consumption by building model lines Study for creation of CO_2 table	Construction of 3 model lines in the Company CO_2 table discussion	○
	Revision of G.Ftech_EnMS	Compliance of internal global energy management standards to ISO 50001:2018 version Establishment of management standards and rules for LCA	Group compliance with ISO 50001:2018 Establishment of facility management standards in Group	○
	Sustainability-related policies Creation of guidelines	• Formulation of F-tech Basic Policy on Sustainability • Establishment of Sustainability Committee • Publication of Sustainability Guidelines for suppliers	Basic Policy on Sustainability Establishment of internal committees and promotion system Establishment and development of supplier guidelines	○
5. Fulfillment of social responsibility	Contribution to local communities	Implementation of biodiversity activities/social contribution activities Implementation of at least one example at each site	Kuki 4 Kameyama 3 Haga 3	○

○: Target achieved ×: Target not achieved * Not made public for reasons of confidentiality

FY2024 Environment and Energy Plan and Implementation Status

In the second year of the 15th Mid-Term Business Plan, the FY2024 Environment and Energy Plan has been revised, with higher targets, in order to achieve carbon neutrality. As a key management focus, efforts will be made to establish a sustainable supply chain by promoting and embedding global supplier sustainability guidelines. Additionally, to achieve carbon neutrality, measures such as incorporating product life cycle assessments (LCAs), maintaining and strengthening environmental management systems, and implementing specific action plans will be developed and quantified to ensure effective implementation.

FY2024 Environment and Energy Plan (Non-consolidated)

Theme		FY2024 Management items
1. Achieving carbon neutrality by 2050	Reduction of total CO_2 emissions (Scope 1 and 2)	Reduction of CO_2 emissions by 21% or more compared with FY2107
2. Rationalization of energy use	CO_2 emissions per unit of production	97.0 points or less compared with FY2017
	Reduction of CO_2 emissions through measures	Reduction of 91.9 t-CO_2 or more (1.0% or more) compared with FY2021
3. Development of environmentally friendly products	Weight reduction of newly developed parts	Reduction of 5% or more compared to the previous year's model
	Establishment of new technology and new products	At least one plan/proposal
4. Priority management items	Creation of sustainable supply chain	Establishment and promotion of the supplier guideline
	Responses to product LCA	Establishment of energy consumption measuring Deployment to overseas sites
	Maintenance and enhancement of environmental management system	Horizontal rollout of energy efficiency case studies and track record of actual performance results Integrated planning with sustainability
	Establishment of carbon neutral implementation measures	Carbon neutral implementation strategies proposals and quantifications Implementation of Scope 3 calculations
5. Biodiversity conservation across the business	Contribution to local communities	Biodiversity or social contribution activities implementation At least one or more activities implemented at each site

○: Target achieved ×: Target not achieved

Material Flows (FY2023 Results)

INPUT

Water resources **732,000m³**

Energy

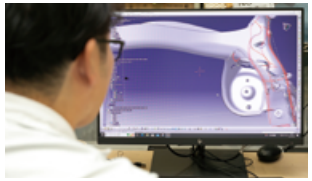
Electricity	**193,705MWh**	Gasoline	**137kl**
City gas	**4,745,000m³**	Diesel fuel	**135kl**
Natural gas	**3,039,000m³**	Kerosene	**10kl**
LPG	**3,592t**		

Transportation

Gasoline	**47kl**
Diesel fuel	**1,481kl**

F.tech Group

Research & Development



Production

Stamping
Welding
Painting
Assembly
Company cars

Shipping

Customers (automakers)

End users

OUTPUT

Waste **5,259t**
Of which, direct landfill outside the Company **1,026t**

Scope 1 and 2 CO_2 emissions ..... **84,253t-CO_2**
Scope 3 Cat.4 CO_2 emissions ..... **4,017t-CO_2**

- CO_2 emissions under OUTPUTS are calculated by multiplying the energy consumption of the INPUTS by the CO_2 conversion factor.
- The CO_2 calculation method is based on the "Greenhouse Gas Emissions Calculation and Reporting Manual" of the Ministry of Economy, Trade and Industry and the Ministry of the Environment and "The Greenhouse Gas Protocol" of the WRI/WBCSD.
- Domestic electricity is calculated based on the latest coefficient for each electric power company.
- The data covers the period from April 2023 to March 2024.

FY2023 F-tech Environmental Accounting

F-tech has been preparing for environmental accounting since the publication of its Environmental Report, before it became a CSR report. We believe that accurately identifying, measuring, totaling, and analyzing the amount of investment in and cost of environmental conservation, and knowing the effects of that investment and cost, is important for further improvement of our initiatives and for fulfilling our accountability to stakeholders.

We are considering the possibility of including overseas Group companies in our calculations to the extent possible.

Environmental Conservation Costs

(Thousands of yen)

Classification		Main Initiatives	FY2019	FY2020	FY2021	FY2022	FY2023
Cost in business area	(1) Pollution prevention cost	Prevention of air and water pollution	15,291	14,781	19,486	18,401	19,327
	(2) Global environmental protection costs	Capital investment for energy saving, management costs of CFC-containing equipment, and appropriate treatment costs	110,410	20,317	24,890	46,493	45,544
	(3) Resource recycling costs	Proper disposal costs of industrial waste	18,061	18,811	12,858	13,066	10,120
	Subtotal		143,762	53,909	57,234	77,959	74,992
Management activity costs		ISO certification cost, CSR report cost, environmental measurement cost, etc.	9,003	6,786	7,268	9,321	9,199
R&D costs		Research and development to reduce environmental impact	1,090,000	856,000	731,000	731,000	991,000
Social activity costs		Participation in, donation to, and support of environmental conservation activities	2,151	1,920	1,795	1,625	1,955
Total			1,244,917	972,274	854,531	897,864	1,152,138

Economic Benefits Associated with Environmental Protection Measures

(Thousands of yen)

Classification	Effects	FY2019	FY2020	FY2021	FY2022	FY2023
Income	Income from valuable resources	423,750	431,949	688,824	596,782	588,866
Cost saving	Cost savings from energy-saving activities	14,924	19,230	15,953	12,029	17,033
Total		438,674	451,180	704,778	608,810	605,899

Environmental Conservation Effects

Classification	Environmental Performance Index	Unit	Amount Used in FY2019	Amount Used in FY2020	Amount Used in FY2021	Amount Used in FY2022	Amount Used in FY2023	FY2022 Reduction by Measures
Environmental conservation effects related to resources used in business activities	Total energy consumption	GJ	254,007	231,264	225,165	216,122	244,386	7,863
	Electricity	GJ	194,906	176,067	172,142	165,622	186,989	7,285
	City gas	GJ	45,019	42,670	41,258	38,977	43,902	577
	LPG	GJ	14,082	12,497	11,696	11,481	13,453	0
	Water resources	m^3	75,870	76,858	61,629	60,893	58,888	0
Environmental conservation effects related to environmental impact and waste emitted from business activities	CO2 emissions	t-CO_2	12,349	11,233	9,590	9,378	10,093	302
	In-house carbon value	Thousand yen/t-CO_2	336	49	65	83	133	–
	Specific chemical emissions	ton	0.9	0.9	1.7	0.4	0.6	0
	Emissions of waste and other items	ton	414	444	404	428	541	0
Emissions of environmentally hazardous substances from transportation	CO2 emissions	t-CO_2	2,208	1,680	1,567	1,614	1,841	1

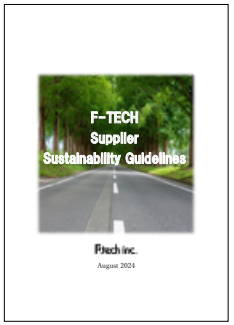
Notes:The calorific value of the GHG emissions calculation, reporting, and publication system based on the Law Concerning the Promotion of the Measures to Cope with Global Warming in Japan is used in the calculation.
Our environmental accounting is in accordance with the "Environmental Accounting Guidelines" of the Ministry of the Environment, and only shows activities in Japan.

Aiming to Realize a Sustainable Supply Chain

Aiming for Fair Transactions

F-tech Supplier Sustainability Guidelines

The F-tech Group has been promoting environmentally conscious activities through the "F-tech Green Purchasing Guidelines." To further establish a sustainable society and achieve fair transactions, we have newly established the "F-tech Supplier Sustainability Guidelines." These guidelines not only consider the environment but also encompass economic and social aspects, aiming to conduct fair, just, and transparent transactions.



Education of employees in charge of Purchasing

F-tech conducts education on purchasing norms and responsible procurement, including "prevention of corruption," "prohibition of conflicts of interest," "the Antimonopoly Act," and "conflict minerals," in order to ensure fair, equitable, and transparent transactions. This year, the education is being conducted globally, as well as domestically.

(For progress, please refer to page 17.)

Explanation of Purchasing Policy

In April 2024, we distributed materials explaining our purchasing policy and introducing examples of the Company's environmental initiatives to 67 suppliers and asked for their cooperation in conducting a survey on the status of their environmental initiatives.

Survey of the Status of Environmental Initiatives

1. Survey of environmentally hazardous substances
   (1) Consumption by type of energy
   (2) Water resources used
2. Establishment and achievement of CO_2 reduction targets
3. Status of biodiversity and social contribution activities
4. Sharing of improvement measures for energy saving, water use, and waste discharge

2023: Received five case reports on environmental initiatives and presented one award

Examples of Environmental Improvements

By reassessing transport routes for overseas sites, we promoted the utilization of regional ports such as the Port of Yokkaichi to shorten domestic truck transportation distances and reduce CO_2 emissions. Additionally, we conducted a review of transaction conditions for truck transportation in anticipation of the so-called 2024 Problem in logistics.

Management of Chemical Substances Contained in Products

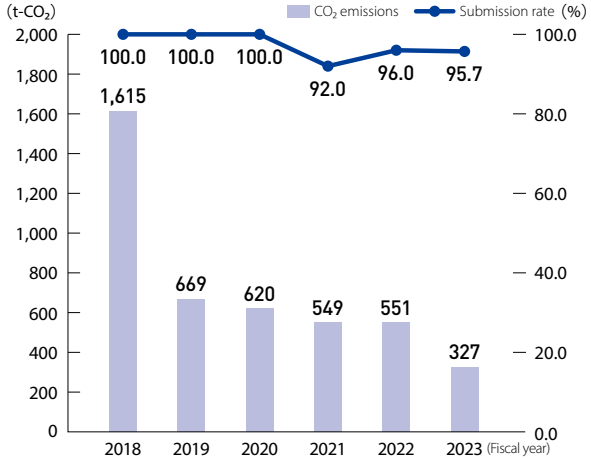
To address the regulation of chemicals in its products, the F-tech Group has established a management system and conducts IMDS* surveys. The use of hazardous substances regulated by law are prohibited under the "F-tech Product Chemical Substance Management Standards." We also work in collaboration with our business partners to eliminate targeted substances and provide safe products.

*IMDS: International Material Data System

Understanding Greenhouse Gas Emissions in the Supply Chain

Greenhouse Gas Emissions of Domestic Customers (FY2023 Results)

CO_2 Emissions of Company Suppliers



Responsible Mineral Procurement

We support the RMI*1 and promote "Responsible Mineral Procurement" using the CMRT*2 and EMRT*3 to avoid the use of conflict minerals that may involve risks or illicit activities such as child labor, human rights abuses, poor working conditions, environmental destruction, and corruption associated with mineral sourcing from conflict areas or high-risk countries. We require suppliers to comply with the "F-tech Supplier Sustainability Guidelines" to prevent inappropriate mineral use.

*1 RMI: Responsible Minerals Initiative
*2 CMRT: Conflict Minerals Reporting Template
*3 EMRT: Extended Minerals Reporting Template

TOPICS

FY2023 Global Environmental Conference

Since 2009, the F-tech Group has been hosting the "F-tech Group Global Environmental Conference." In FY2023, the conference was held in Japan in a face-to-face format after a four-year hiatus, with the aim of promoting information dissemination for the establishment of the Sustainability Promotion Structure, which includes environmental initiatives and the achievement of carbon neutrality, as opposed to the previous web-based format due to the COVID-19 pandemic.

During the conference, President Fukuda gave a speech, followed by presentations by the Director in Charge of Environment and the Environmental Affairs Secretariat on future policies and information dissemination. Reports on environmental initiatives were also given from global sites. A total of 86 new environmental initiatives were gathered from 15 domestic and overseas sites, resulting in a reduction effect of approximately ¥85.0 million and sharing the achievements of approximately ¥750.0mn in cumulative improvement measures. These efforts greatly contributed to reducing environmental impact and manufacturing costs throughout the entire Group.

1 ▸ The Target of Carbon Neutrality

We explained our shared Carbon Neutrality Basic Policy and our long-term goal to achieve carbon neutrality for Scope 1 and 2 CO_2 emissions in our manufacturing sector by 2035. At this stage, we need to identify specific measures and set more concrete targets for achieving carbon neutrality. With the newly established Carbon Neutrality Strategy Committee at the center, we plan to develop Company-wide initiatives in the future.

2 ▸ Decarbonization of Business Areas

To achieve carbon neutrality, it is crucial to enhance energy-saving activities and utilize renewable energy and low-carbon power. To promote this, we will expand the energy management standards cultivated through ISO 50001 to our global sites. As part of this effort, we will (1) establish equipment management records for each site, (2) develop equipment management standards based on Japan's Act on the Rational Use of Energy, and (3) establish rules for conducting energy assessments as part of the decision-making process for equipment changes on a global scale. Furthermore, we are also planning to cultivate personnel capable of conducting energy diagnoses internally to achieve energy-efficient manufacturing using minimal energy.

3 ▸ Contributing to a Mobility Society

Products that contribute to the realization of carbon neutrality require environmental assessments from the perspective of the product life cycle, from materials to manufacturing, transportation, and disposal. We have started measuring environmental impacts on our product manufacturing through environmental assessments at model lines in Japan to evaluate the current state of our product development practices. We plan to construct model lines at each global site and implement product-level assessments in the future.

4 ▸ Dissemination of Sustainability-Related Policies

The F-tech Group has established various policies, including the Basic Policy on Sustainability, and is earnestly working to realize a sustainable society not only in terms of the environment but also labor, human rights, ethics, and responsible procurement activities. We have confirmed our commitment to implementing initiatives in accordance with these policies on a global scale.

For FY2023, outstanding measures were determined through mutual voting among conference participants.

Grand Prize-Winning Site

F-tech Zhongshan Inc. (FTZ / Guangdong, China)

Installation of Solar Equipment, Reduction of Waste from Marking Pens

The company installed the Group's largest solar power generation facility, with a capacity of 3.48MW. Additionally, it replaced plastic pens used for weld inspections with chalk, reducing waste by approximately 1.2 tons annually.

Excellence Award-Winning Site

Kuki Plant (KUKI / Saitama Prefecture, Japan)

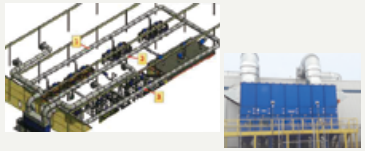
Change to Water Renewal Method in the Painting Process

Internally manufactured piping allowed reuse in other rinsing processes of approximately 50 tons of rinsing water that was formally disposed of during maintenance.

Idea Award

DYNA-MIG, A Division of F&P Mfg., Inc. (DM / Ontario, Canada)

Reduction of Losses with RoboBend (An Industrial Air Purification System)



Production was reviewed, exhaust routes were streamlined, and operating methods were revised, reducing annual electricity and power costs by approximately ¥2 million.

CSR Award

F&P MFG DE MEXICO S.A. DE CV. (FPMX / Querétaro, Mexico)

Environmental Awareness Activities for Nearby Elementary Schools

Since 2018, the company has conducted annual environmental lectures for the next generation and community outreach initiatives at nearby elementary schools.

Environmentally Conscious Products and Technologies

Initiatives to Develop Products with Reduced Environmental Impact Using Proprietary Advanced Development Methods

Initiatives to Realize Low-Carbon Manufacturing Technologies

Just 25 years remain until 2050, our target year for achieving carbon neutrality. While 25 years may initially seem like the distant future, reaching this goal will be challenging unless we incorporate technology elements that can steadily incorporate the reduction of CO_2 emissions from manufacturing into each product specification as we progress with product development.

In our previous development of parts for zero-emission vehicles such as PHEVs, FCVs, and BEVs, one important product design consideration has been reducing weight. Lower weight helps improve fuel efficiency and electric power consumption, leading to reduced CO_2 emissions and energy consumption throughout a vehicle's lifecycle, resulting in environmentally friendly products.

Moving forward, in addition to reducing product weight the focus will also be on considering how to achieve low-carbon manufacturing, ultimately through product specifications. This is both necessary for our survival in a decarbonized society and part of our corporate responsibility. We are committed to developing products that simultaneously improve manufacturing efficiency, reduce environmental impact, and enhance earning power by making full use of simulation in manufacturing without compromising value-added.

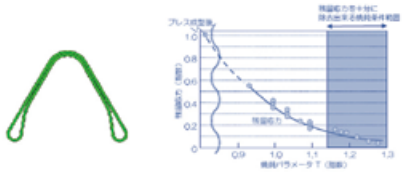
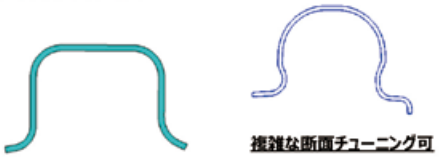
For example, for RR AXLE BEAM we applied hydroforming technology—forming a torsion beam with a closed cross-section through deformation (called crushed torsion)—to achieve the advanced characteristics required. This weight-reduction technology has also been applied to mass-produced components. However, as residual stress during forming affects durability, we have also included a process to reduce this stress through annealing.

In development processes that required equivalent characteristics to products using crushed torsion, instead of simply selecting the same structure we explored press plate torsion with the aim of reducing CO_2 emissions during mass production. As a result, we achieved target characteristics equivalent to crushed torsion and maintained the same product weight, successfully implementing the mass production process of the AXLEBEAM with plate torsion specifications.

Moving forward, we will continue to identify quantitatively how much environmental impact reduction can be achieved through product specifications, while contributing to our customers' performance requirements and needs. We will set achievement targets and strive for product development accordingly.

Product Development Department Research & Development Division

Torsion beam構造特徴

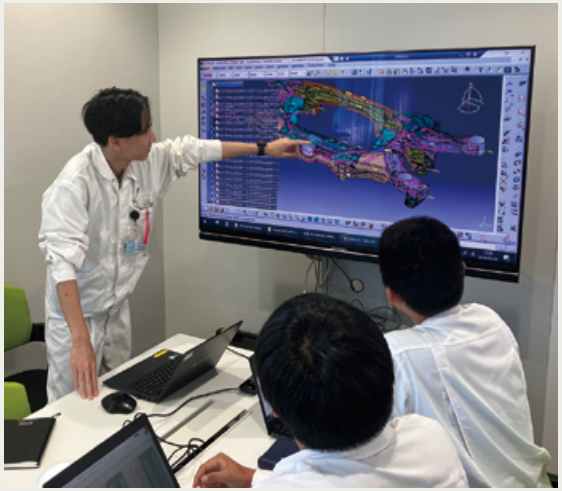
	CRUSHED	SHEET
加工法案	ハイドロフォーム＋焼鈍	プレス加工
技術要素	焼鈍による残留応力低減 	断面成形自由度  複雑な断面チューニング可
CO_2 排出	×	○
COST	△	○
L/O追従性	○	△
軽量化	○	○
トレンド	△	○

VOICE

Our theme is to maximize weight reduction and optimize component design to accommodate larger components for EV vehicles.

Tomoya Watanabe
Team 2, Design Section 1,
Product Development Department

Ever since I was a child, I have loved cars, and I joined the Company with the desire to contribute to society by creating useful things in the automotive industry. I had numerous options even within the realm of automotive parts, but I was particularly interested in F-tech, which provides components that are essential for a car to run.



During my first year at the Company, I underwent training in the manufacturing field, and in my second year, I was assigned to the design department. Now in my eighth year, I am primarily involved in the development of the RR SUBFRAME.

In recent years, environmental considerations have become the norm in the automotive industry, with a focus on the development of EVs.

The component I am responsible for is one of those parts.

Developing components for EVs is a challenging task because the installation of motors and batteries can make these vehicles heavy. There is a high demand for performance from clients, and it is difficult to balance performance with lightweight design. However, the benefits of weight reduction are significant, as lower weight extends an EV's driving range. By reducing the amount of electricity used during driving, we can lower the environmental burden and enhance a product's competitiveness by increasing the driving distance.

While development poses many challenges, I believe that by utilizing the analysis techniques and know-how that the Company has cultivated, we can pursue the creation of even lighter products.

However, simply focusing on weight reduction is not enough to meet the performance demands of clients. Therefore, in the process of product design, we strive to create high-quality products with added value. We collaborate with other departments to achieve optimal product structures. We also consider manufacturing perspectives to design products that are easy to produce, thus improving production efficiency.

Looking ahead, I believe the trend toward electrification will continue to accelerate. Therefore, I will apply the knowledge I have gained from current development projects, strive to create better products, and constantly enhance my skills. I aim to contribute to the growth of both myself and the Company by creating attractive products.

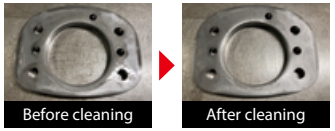
F-tech Group Global Initiatives

The F-tech Group is actively promoting social contribution activities and environmental initiatives on a global scale in order to achieve a sustainable society. Each site is implementing unique measures tailored to regional characteristics and business operations, aiming to protect the global environment and contribute to local communities.

Japan

Kuki Plant (Kuki, Saitama Prefecture)

Improving the Cleaning Solution Used at the Kuki Plant Significantly Reducing CO_2 Emissions and Achieving Environmental and Cost Benefits



In the precision thick plate processing (FUT1) at the Kuki Plant, we have verified the switch to a manufacturer-recommended cleaning solution that can be used at room temperature.
Previously, we used a heated cleaning solution for a special oil cleaning process. After testing, we confirmed that the new cleaning solution presented no performance issues, and we succeeded in making the switch. As a result, we were able to reduce annual power consumption by 33,024 kWh, lower CO_2 emissions by 12,480 kg-CO_2, and achieve a cost savings of ¥139,636. Moving forward, we will not only continue to address environmental issues but also expand our focus to include new technologies such as automation and actively pursue further challenges.

Kameyama Plant (Kameyama, Mie Prefecture)

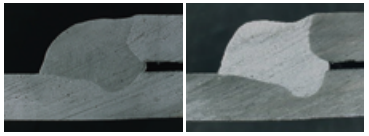
F-tech's Approach to Learning with the Children Who Will Lead the Future

At the Kameyama Plant, we actively welcome factory tours from nearby elementary schools with the aim of contributing to the local community. Through these tours, children learn about the functions and importance of our products, the importance of safety measures in a hazardous environment, the significance of protective equipment, and the proper disposal of waste, among other things. We hope that through these tours, children will develop an interest in automobiles and aspire to drive vehicles and work in the automotive industry in the future.

Haga Technical Center (Haga-cho, Haga-gun, Tochigi Prefecture)

F-tech's Commitment to Environmental Preservation as Seen through New Macro Testing Methods

The Haga Technical Center's Elemental Technology Section is responsible for researching and developing production technology for mass-producing F-tech products. As part of our environmental improvement efforts, we have found a method that does not use environmentally burdensome chemicals in the macro testing conducted to confirm welding penetration quality, replacing the conventional approach. In addition to eliminating the use of chemicals, we have reduced water consumption during macro testing by over 90%.


Conventional method New method

Fukuda Engineering Co., Ltd. (FEG / Kazo, Saitama Prefecture)

Introducing Carbon Offset LP Gas A Success Story in Measuring and Reducing CO_2 Emissions

In July 2022, we introduced "carbon offset LP gas," which allows us to accurately measure the CO_2 emissions produced when using liquefied propane gas and reduce these emissions by improving our usage. Any CO_2 emissions that cannot be reduced are offset using voluntary credits. For the one-year period starting in March 1, 2023, we offset 4,498.2kg of CO_2. Voluntary credits go toward projects such as forest regeneration, which help to reduce future CO_2 emissions. Going forward, we will continue our production activities with a focus on reducing environmental impact.

Kyushu F-tech (QFT / Yamaga, Kumamoto Prefecture)

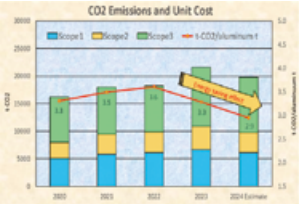
A Step toward Local Revitalization
Job Guidance for Yamaga City High School Students

Yamaga City Company Guidance is a job guidance event targeting high school students in the city of Yamaga, held annually with the aim of promoting employment at local companies. In fiscal 2023, a total of 53 companies exhibited at the event, which was attended by 331 students from five high schools. A total of 38 male students visited the Company's booth and listened attentively to our explanations. They also asked many questions, helping make the event meaningful.

Reterra Inc. (Ogano, Chichibu, Saitama Prefecture)

Moving from the Gathering of Scope 1 and 2 Data to Scope 3
Managing CO_2 Emissions from Aluminum Ingots

Each year, the company has been compiling CO_2 emissions associated with aluminum ingots as part of the "CO_2 emission reduction activities" driven by the global expansion of the F-tech family. Besides being required to collect data on Scope 1 and 2 emissions from national, prefectural, and delivery companies, we expect we will need to begin gathering data on Scope 3 emissions going forward. In FY2023, electricity and LPG consumption increased, but through energy-saving measures, we achieved reductions on a per-unit basis. We anticipate significant reductions in FY2024, and the company is working to achieve carbon neutrality by 2035.



North America

F&P America Mfg., Inc. (FPA / Ohio, United States)

Employees, Families, and Students Work Together to Install 140 Smoke Detectors

Company employees and their families participated in a volunteer activity with the American Red Cross and students from the University of Dayton University to install smoke detectors and carbon monoxide detectors in homes. Over two occasions in November 2023 and May 2024, a total of approximately 60 individuals participated, installing 140 smoke detectors and carbon monoxide detectors in 50 households.

F&P Georgia, A Division of F&P America Mfg., Inc. (FPG / Georgia, United States)

Sustainable Green Space Management, Nurtured by Yellow Peach Trees
Local Biodiversity

In 2017, as part of its CSR activities, the Company developed a walking trail within its premises and planted yellow peach trees, which are native to Georgia. Six years later, , although they are still relatively low, the trees have grown while no protective measures have been taken during their growth. The yellow peaches at the lower part of the trees have served as food for wild deer, making a small contribution to biodiversity. The harvested yellow peaches were enjoyed by volunteer members. In the coming year, the aim is to increase the harvest volume, make donations, distribute the peaches to employees, and further contribute to biodiversity.

F.TECH R&D NORTH AMERICA INC. (RDNA / Ohio, United States)

Effective Utilization of Idle Welding Equipment
Expansion of Prototype Operations and Employee Health Management

In 2023, the company brought idle welding equipment into service at other sites to expand prototype operations. In order to ensure the safety and health of employees, the Company engaged the consulting services of the Ohio Bureau of Workers' Compensation and

conducted air quality tests to assess the impact of the new equipment. Employees wore air quality monitors while working and collected samples of welding fumes. Based on this, the company confirmed the importance of installing appropriate ventilation equipment, using safety gear, and following proper work procedures.

F&P Mfg., Inc. (F&P / Ontario, Canada)

Environmental Contribution through the Reuse of RO Process Wastewater and Tree Planting for a Sustainable Future

In 2023 and 2024, we began reusing wastewater generated from the reverse osmosis (RO) painting process. Out of an average of 8.5 liters of tap water, 5.5 liters are available for reuse, while the remaining 3 liters are discharged as wastewater into the sewage system at an annual flow rate of approximately 4,300 cubic meters. The associated cost amounts to C$16,555 per year. In January 2024, we introduced a 7,500-liter storage tank and a pump, allowing us to begin reusing the wastewater for toilets and other purposes, reducing tap water consumption by approximately 6%. We will continue to strive for the complete reuse of all RO wastewater. Additionally, on April 30, 2023, a total of 19 participants took part in an annual tree-planting event and planted a total of 250 seedlings.

DYNA-MIG, A Division of F&P Mfg., Inc. (DM / Ontario, Canada)

Social Contribution by Employees and Companies Working Together Results of United Way Fundraising Activities

For over 20 years, the company's employees have been supporting fundraising activities for the United Way of Perth-Huron. The United Way supports over 45 organizations that assist people facing difficulties in the community, providing services such as social inclusion, counseling, and transportation support.

From September 2022 to March 2023, a total of 25 employees donated C$7,331 individually, and as a company, we donated C$8,786, for a total of C$16,117. The activities of the United Way help support the United Nations' Sustainable Development Goals.

F&P MFG DE MEXICO S.A. DE CV. (FPMX / Guanajuato, Mexico)

Learning with Elementary School Students about Global Environmental Protection and Waste Separation

In September 2023, we visited a nearby elementary school to help 52 students from the fourth and fifth grades learn about environmental protection. The importance of waste separation was explained, and "Waste Separation Squad" patches were handed out to students who promised to separate waste every day. (In Mexico, waste separation is not typically practiced at home or in school). Additionally, recycling containers were donated, and waste collectors were introduced. After students separate waste, the school expects that some of the waste can be sold, contributing to the school's operational funds.

F.E.G. DE QUERETARO S.A. DE C.V. (FEGQ / Querétaro, Mexico)

An Ongoing Initiatives to Environmental Consideration and Educational Support

As part of our efforts to reduce CO_2 emissions, we have replaced forklifts fueled by LP gas with electric forklifts, thereby reducing CO_2 emissions from combustion. We are also working to lower fuel expenditures, as the rising unit cost of fuel can have a negative impact on the company's finances. Additionally, the company recognizes the importance of education for the future of society, and so over the past 15 years, we have been providing financial assistance and school supplies to employees' children. We will continue to support this initiative going forward.

China

F-tech Zhongshan Inc. (FTZ / Guangdong, China)

Realizing a Sustainable Society

1. Commitment to Carbon Neutrality

In May 2023, the company's ethics committee conducted waste sorting and carbon neutrality education for employees' children at a local park. In July, we promoted car sharing, electric bikes, bicycles, and walking for commuting and shopping, with 75 participants collectively reducing CO_2 emissions by 2.42t.

2. Reduction of Food Waste

In the past, the cafeteria vendor couldn't accurately determine the number of employees and their menu choices, resulting in a significant amount of leftover food. In September, we implemented a meal ordering system expected to reduce food waste by 12.54t annually. Additionally, employees' satisfaction improved as they were able to order their preferred menu items.

F-tech Wuhan Inc. (FTW / Hubei, China)

Community Support and Snow Removal Operations Contribute to Local Communities

In accordance with the action guidelines of "community engagement," we actively cooperate with regular public activities such as blood donations and respond positively to spontaneous requests. In previous years, snowfall in Wuhan was rare enough that it did not significantly disrupt transportation. However, in 2024, a cold wave hit from early to late February, resulting in daily snowfall that affected public transportation. On February 23, in response to a call for snow removal assistance from the high administrative agency, 23 volunteers spent over three hours clearing snow primarily around bus stops.

F-tech R&D (Guangzhou) Inc. (FRDCH / Guangdong, China)

Raising Safety Awareness through Evacuation Drills to Prepare for Disasters

At the end of December in 2023, employees participated in a fire drill organized by our office building's management company to enhance evacuation skills. They learned about evacuation routes, proper use of firefighting equipment, and basic postures. The training also conveyed knowledge about evacuation during a fire. In the event of a disaster, facilities and items may be lost, but ensuring the safety of human lives takes top priority. To prevent daily accidents and disasters, we will continue to strive to raise awareness of crisis management.

Asia

India Steel Summit Private Limited (ISS / Uttar Pradesh, India)

Contributing to the Local Community through Support for Educational Institutions

In India, CSR activities are mandated by the Companies Act. Companies must contribute 2% or more of their average profits of the past three financial years towards initiatives such as hunger and poverty alleviation, healthcare, education, environmental conservation, and other societal contributions. Our company makes annual contributions towards the improvement of local school facilities. In the previous period, a donation was made to the G.D. EDUCATION SOCIETY, an educational institution, which was utilized for providing uniforms, textbooks, meals, and introducing facilities such as PCs and LCD monitors free of charge.

F.tech R & D Philippines Inc. (FRDP / Laguna, Philippines)

Commemorating the 15th Anniversary of FRDP Walking Together with the Community Palm Tree Planting and CSR Activities

The company continues to have a connection with the local community and strives to contribute in whatever way it can. As part of this year's CSR activities, we planted palm trees to commemorate the 15th anniversary of F.tech R & D Philippines Inc. (FRDP), aiming to enhance stability, prosperity, and environmental sustainability. In August, we participated in the Brigada Eskwela* program at Roma Elementary School, conducting school maintenance and providing educational supplies. Additionally, we presented gifts at "An Bahay Parola, Peace Home" during Christmas. Through our community contributions, we believe in building a sustainable and bright future.

*Brigada Eskwela: School Maintenance Week conducted by the Ministry of Education

F-TECH PHILIPPINES MFG., INC. (FPMI / Laguna, Philippines)

The Bayanihan Spirit of FPMI Contributing to School Maintenance during Brigada Eskwela

Brigada Eskwela is a nationwide event known as School Maintenance Week conducted by the Department of Education in the Philippines. The company contributed to the event by donating 20 small trash bins and two large trash bins made from used chemical containers to Roma Elementary School. Seven individuals collaborated with a Bayanihan* spirit in preparation for the opening of the public school in August 2023. We also donated brooms and dustpans. The Company will continue to engage in such activities to contribute to the improvement of the quality of education for the children.

*Bayanihan: The traditional Filipino spirit of mutual help

F-TECH MFG. (THAILAND) LTD. (FMTL / Ayutthaya, Thailand)

CSR and Health, Safety, and Environment Initiatives That Have Received High Praise from Governmental Agencies

The company participates in government-sponsored events to receive external evaluations of various initiatives being implemented within the organization. This year, our CSR initiatives were recognized by Thailand's Ministry of Industry, and our efforts in safety, health, and the environment were acknowledged by the Ministry of Labor. While we received an award from Ayutthaya Province for our safety, health, and environmental practices last year, this year we were honored to receive a national award (only 42 companies were recognized nationwide). We will continue to fulfill our social responsibilities while seeking external recognition.

PT. F.TECH INDONESIA (FTI / Karawang, Indonesia)

The Importance of Alms Giving and Community Collaboration in Sacrificial Festivals to Support Traditional Events

The company participated in the local traditional event, the "Sacrifice Festival," by providing two goats. These goats will later be donated to the less fortunate in the local community. The Sacrifice Festival is a meaningful event where generosity is extended to those in need in the community, and we have been participating in this important community service activity every year without fail. On the day of the Sacrifice Festival, the town was filled with a festive atmosphere, and smiles were shared by both the providers and the recipients. We are determined to continue our commitment to local community contribution activities in the future.

Governance Corporate Governance System

Board of Directors

The Board of Directors of the Company consists of five directors, including two outside directors, and serves as the Company's management decision-making body, making decisions on important business operations and statutory matters, as well as supervising the execution of business operations. We have introduced an executive officer system to separate management supervision and business execution functions to strengthen the supervisory function of the Board of Directors and speed up business execution.

In addition, to enhance the objective monitoring of business operations, F-tech has appointed two highly independent outside directors, whose external viewpoints are actively incorporated into management by receiving opinions and suggestions from multiple perspectives. Moreover, the directors' terms of office are limited to one year to facilitate management's ability to respond proactively and flexibly to changes in the social and business environment.

Major Board of Directors Discussion Items

Decisions on matters that have a significant impact on the direction of management, based on statutory requirements that require approval by the Board of Directors, are thoroughly deliberated upon and decided by the Board of Directors. For example, significant capital expenditures that have a major impact on the future of the F-tech Group, initiation of transactions with new business partners that require sufficient consideration in terms of profitability and risk, and new overseas expansions are all subject to comprehensive discussions, taking into account the opinions of outside directors.

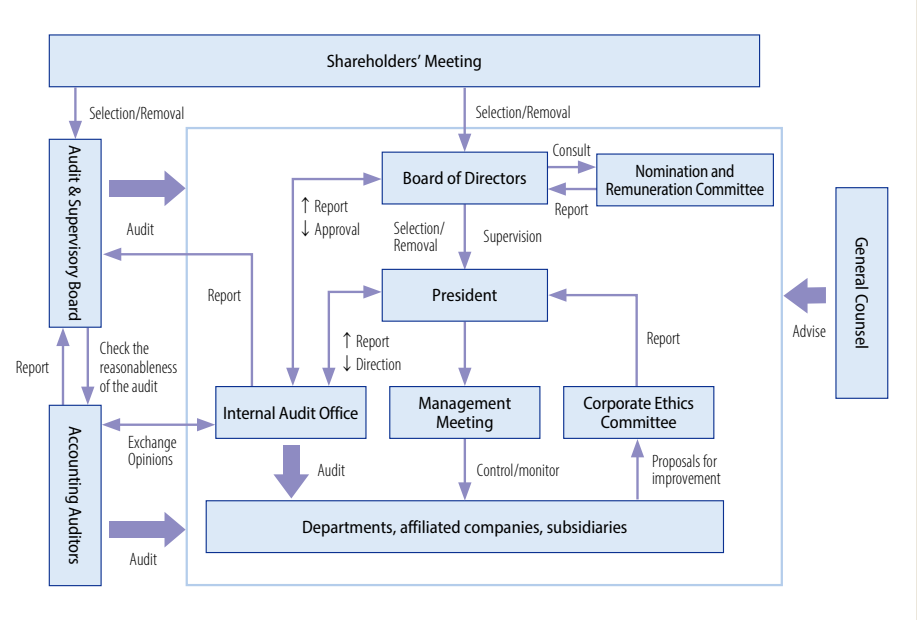
Management Structure of the Overseas Group Company

For overseas group companies, directors who are also senior managing executive officers are appointed as a global chief SED officer and a global business management officer. They attend management meetings of overseas Group companies via a web conferencing system on a monthly basis, allowing them to quickly grasp any changes in the business conditions and discuss any necessary management issues as appropriate.

Policy for Determining Remuneration

To ensure transparency, fairness, and reasonableness in determining the amount and calculation method of remuneration for directors and others, the Board of Directors consults with a voluntary committee, the Nomination and Compensation Committee, where outside directors hold a majority. This committee reviews the content based on surveys conducted by external third parties, such as the "Corporate Executive Compensation Survey," and reports the results of its deliberations to the Board of Directors. The Board of Directors then determines the amount or calculation method of compensation for directors and others based on the committee's recommendations.

Similarly, for determining the level of performance-based compensation, important indicators, target levels, and calculation methods, the Board of Directors consults with the Nomination and Compensation Committee, asks for deliberations by the committee, and receives recommendations from the committee before making a final decision.



Compliance Initiatives

In accordance with its Ethics Policy, the F-tech Group places the highest priority on ethics to conduct all of its actions, always complying with the laws and rules of each country in which it operates, and acting with social good sense to remain a highly law-abiding company. In accordance with this policy, the F-tech Group has established Compliance Regulations to comply with domestic and international laws and internal rules, prevent harassment including human rights violations, and sever ties with antisocial organizations that pose a threat to social order. Additionally, regular distribution of electronic newsletters and classroom training sessions are conducted to enhance compliance awareness within the Group.

Furthermore, we have established Corporate Ethics Kaizen Desks as internal whistleblowing desks where individuals can make anonymous reports and consultations, creating an environment that facilitates easier submission of proposals. In the event that a problem is discovered through this process, a Corporate Ethics Committee meets to ensure the protection of the whistleblower, conduct investigations, consider countermeasures, and issue improvement instructions to the relevant departments. Moreover, we have set up suggestion boxes and whistleblowing desks within our overseas subsidiaries to foster a work environment with good communication.

Initiatives Addressing Risk

The Company has established Risk Management Regulations in order to respond to and avoid risks that have become increasingly diversified in recent years, and is constantly making efforts to reduce risks on a daily basis. The Risk Management Committee is composed of the Production Planning Division Manager (who serves as risk management officer), the Management Planning Division Manager, and each division manager. The committee discusses specific measures, drawing on specialized opinions from each division. The BCP (business continuity plan) Working Group prepares and updates department-specific manuals.

In the event of a large-scale disaster or other unforeseen event, an emergency task force headed by the president is immediately established to assess the situation, determine countermeasure policies and set up a system to quickly restore and recover from the disaster. We are implementing measures such as utilizing data centers for IT data protection to ensure information system and network security, stockpiling food and emergency supplies, and conducting employee education programs such as disaster preparedness training and regular safety confirmation exercises.

Information Security Initiatives

We distribute Information Security Guidelines to all employees and strive to ensure a thorough understanding of these guidelines among employees. Minutes of Board of Directors and other important meetings are handled in accordance with our Regulations for the Management of Documents and Forms, Confidentiality Regulations, and Regulations on Information System Management. Contracts and other agreements are subject to Contract Management Regulations and are handled accordingly.

In March 2024, the Information Security Committee conducted an emergency response training exercise, assuming a security incident as part of our BCP measures. The training focused on the recovery response to a ransomware infection cyber-attack that resulted in the encryption of our internal production management system. We established procedures based on the scenario and ensured that relevant parties were informed and understood them. Additionally, in August 2023, we successfully restored our production management system using backup data to confirm its proper recovery. In FY2024, we will continue to enhance our backup operations by implementing measures to strengthen primary backup acquisition on-site and secondary remote backup acquisition at off-site sites, in preparation for potential security incidents.

Information Security Guidelines

Sustainability Promotion Structure

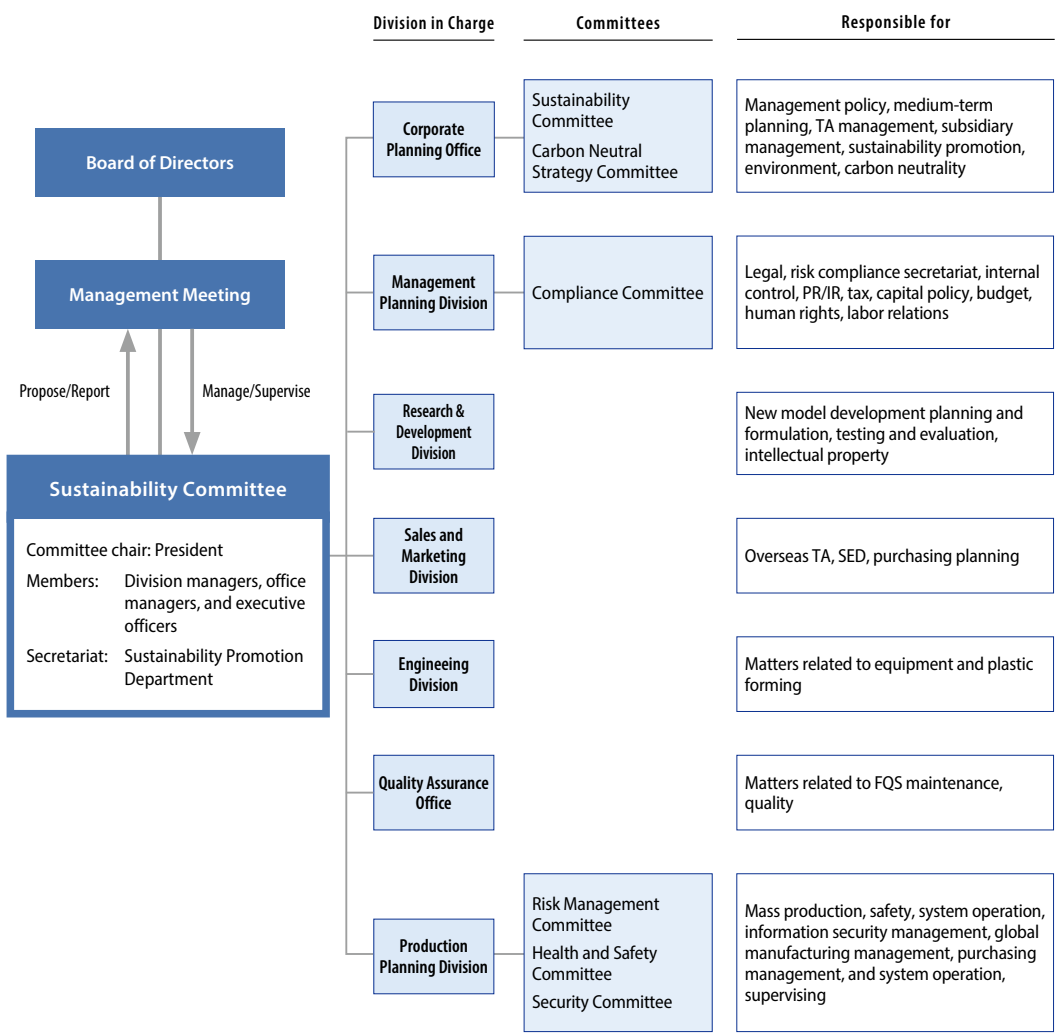
The Company is committed to sustainability management, as it aims to realize a sustainable society while ensuring corporate growth. Last year, we established the Sustainability Promotion Department and created a structure to respond to a rapidly changing business environment, such as one affected by climate change and population decline. Over the past year, we have worked on devising and promoting measures related to sustainability and carbon neutrality, as well as expanding information disclosure. In the current fiscal year, we will further strengthen our initiatives to address social issues, taking into account global trends and the Company's business model. Our goal is to contribute to society through our business activities and enhance the sustainability of both the Company and society by achieving sustainable growth.

Sustainability Committee

The Company has further strengthened its commitment to sustainability through the activities of the Sustainability Committee, which was established last fiscal year. The committee, chaired by the president and CEO, consists of division managers, general managers, and executive officers, with the Sustainability Promotion Department serving as the committee's secretariat. In the committee, reports and discussions are conducted on the Company's direction and issues to be addressed. After being deliberated by the Management Meeting, these matters are then presented to the Board of Directors. Additionally, there is collaboration with specialized committees such as the Compliance Committee to aim for a unified approach throughout the entire company. Each department works on problem-solving based on the decisions made in the committee, aligned with their respective duties.

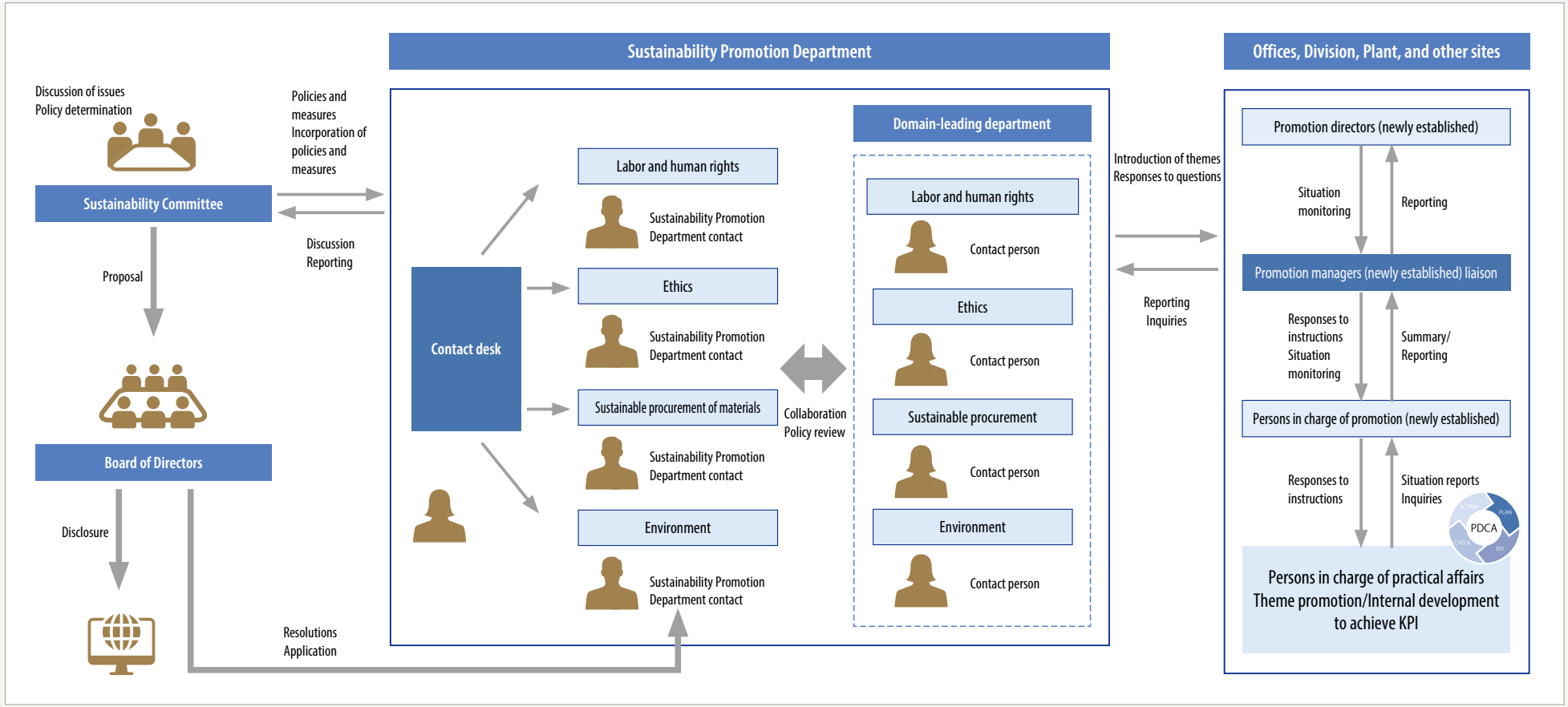
The Board of Directors implements necessary governance based on this information and formulates strategies towards achieving a sustainable future. The Company will maintain this structure and further promote efforts towards sustainability.

Sustainability Committee



A Globally Expanded Sustainability Promotion Structure

The Company has established a global system capable of addressing various sustainability challenges in order to achieve sustainable management.
Specifically, we have appointed promotion directors, promotion managers, and persons in charge of promotion at each site to drive the identified materiality items and clarify their roles. Additionally, we collaborate with the Sustainability Promotion Department in Japan to facilitate the implementation of specific themes, share information, and follow up on the promotion process, including issue resolution.
Through these efforts, the F-tech Group aims to realize sustainable management and create social value.



Directors and Auditors

Directors

Yuichi Fukuda

President & CEO

Significant Concurrent Positions outside the Company
None

Career Summary
Dec. 1994 Joined the Company
Jun. 2004 Director
Jun. 2008 Director & Senior Managing Executive Officer
Mar. 2010 Division Manager of Management Planning Division
Apr. 2012 Chief Sales & Marketing Officer and Regional CEO of North America
Apr. 2013 Chief Domestic Business Officer
Apr. 2014 Director & Executive Vice President
Apr. 2015 President & CEO (current position)
Dec. 2021 Member of Nomination and Remuneration Committee (current position)

Reasons for Appointment
Yuichi Fukuda has diverse experience and broad knowledge gained through his service as a president of domestic and overseas sites and as a person responsible for overseas business area, production planning area, and management planning area. Since becoming President & CEO in April 2015, he has leveraged his experience and knowledge to demonstrate strong leadership and decisiveness with the aim of achieving sustainable growth for the F-tech Group and increasing its corporate value over the medium to long term. He has also adequately performed his duties in critical management decision-making and supervising business execution with strong leadership and decisiveness.

Hajime Fujitaki

Director & Senior Managing Executive Officer
Global Chief SED Officer

Significant Concurrent Positions outside the Company
None

Career Summary
Aug. 1981 Joined the Company
Jun. 2004 Senior Operating Officer
May. 2008 President of F&P America Mfg. Inc.
Apr. 2012 Division Manager of Quality Assurance Division
Jun. 2012 Director& Managing Executive Officer
Apr. 2013 Division Manager of Production Planning Division
Apr. 2016 Division Manager of Sales & Marketing Division
Apr. 2017 Division Manager of Sales & Marketing Division and Regional CEO of Asia
Apr. 2020 Director & Senior Managing Executive Officer (current position)
Apr. 2020 Global Chief SED Officer (current position)

Reasons for Appointment
Hajime Fujitaki has a wide range of experience as a responsible person including the supervision of the development area, sales & marketing area, and production planning area, as well as the service as a president of overseas sites, and currently serves as Global Chief SED Officer. Leveraging his abundant experience and in-depth knowledge in the Company group's management nurtured through his career, he has properly performed his duties in critical management decision-making and supervising business execution as a Director.

Hiroyuki Aoki

Director & Senior Managing Executive Officer
Division Manager of Management Planning Division
Global Business Management Officer

Significant Concurrent Positions outside the Company
None

Career Summary
Aug. 2015 Joined the Company as Assistant Division Manager of Management Planning Division
Apr. 2016 Senior Operating Officer
Apr. 2016 Division Manager of Management Planning Division (current position)
Jun. 2016 Director and Senior Operating Officer
Apr. 2020 Director & Senior Managing Executive Officer (current position)
Apr. 2020 Global Business Management Officer (current position)

Reasons for Appointment
Hiroyuki Aoki has experience in important administrative affairs as a person responsible for the Company's management planning area, including supervision of the Company group's accounting, finance, human resources and labor management, governance, and compliance. Currently, he serves concurrently as Global Business Management Officer. Leveraging his abundant experience and in-depth knowledge in the Company group's management nurtured through his career, he has properly performed his duties in critical management decision-making and supervising business execution as a Director.

Directors and Auditors

Directors

Naoko Tomono

Director | Outside | Independent

Significant Concurrent Positions outside the Company

Partner of T and T PARTNERS LAW OFFICE
Outside director of Taisei Lamick Co., Ltd.
Vice President of the Daini Tokyo Bar Association

Career Summary

Apr. 1988 Joined Sogo & Seibu Co. Ltd. (formerly Seibu Department Store Co. Ltd.)
Dec. 2008 Registered as an attorney at law (Daini Tokyo Bar Association)
Jan. 2009 Joined T and T PARTNERS LAW OFFICE (formerly Takagi Yoshiko LAW OFFICE)
Jan. 2013 Partner (current position)
Jun. 2016 Outside director of Taisei Lamick Co., Ltd. (current position)
Jun. 2017 Outside director of the Company (current position)
Dec. 2021 Chairperson of Nomination and Remuneration Committee (current position)
Apr. 2024 Vice President of Daini Tokyo Bar Association(current position)

Reasons for Appointment

With her extensive experience in corporate work and as a practicing lawyer, Naoko Tomono utilizes her expertise as an outside director to oversee the Company's legal affairs and risk management, governance, and sustainability matters. She also provides independent oversight of the Company's management. Additionally, as the chairperson of the Nomination and Compensation Committee, she deliberates on the appointment and dismissal of executives and examines the executive compensation system, contributing to the establishment of an highly objective governance framework.

Nobuhiro Koga

Director | Outside | Independent

Significant Concurrent Positions outside the Company

Professor, Faculty of Fundamental Engineering, Nippon Institute of Technology
Chairman, Industry-University Cooperation Center, Nippon Institute of Technology
Director, Association of Saishin Collabo Sangakukan industry–academic–government collaboration

Career Summary

Apr. 1996 Associate Professor, Faculty of Fundamental Engineering (formerly Department of Mechanical Engineering), Nippon Institute of Technology
Apr. 2002 Professor, Faculty of Fundamental Engineering (formerly Department of Mechanical Engineering), Nippon Institute of Technology (current position)
Apr. 2013 Chairman, Industry-University Cooperation and Entrepreneurial Education Center, Nippon Institute of Technology (current position)
May. 2016 Director, Association of Saishin Collabo Sangakukan industry-academic-government collaboration (current position)
Jun. 2018 Outside Director of the Company (current position)
Dec. 2021 Member of Nomination and Remuneration Committee (current position)

Reasons for Appointment

As an outside director, leveraging extensive academic experience as a university professor specializing in mechanical engineering, Nobuhiro Koga oversees the Company's research and development activities and supervises overall business operations. Additionally, he provides independent oversight of the Company's management. Mr. Koga also serves as a member of the Nomination and Compensation Committee, participating in the deliberation of executives appointments and dismissals, as well as executive compensation systems, contributing to the establishment of a governance structure with high objectivity and transparency.

Skill Matrix

Name/Item	Gender	Independence	Corporate Management	Technology/ Development	Production/ Engineering	Sales/Procurement	Finance/Accounting	Legal/Risk Control	Governance/ Sustainability	Academic experience	Overseas experience
Yuichi Fukuda	Male		●		●	●	●				●
Hajime Fujitaki	Male			●	●	●					●
Hiroyuki Aoki	Male						●	●	●		●
Naoko Tomono	Female	Outside/ Independent						●	●		
Nobuhiro Koga	Male	Outside/ Independent		●						●(Engineering)	

Directors and Auditors

Auditors

Yasuyuki Ikezawa

Full-time Auditor

Significant Concurrent Positions outside the Company

None

Career Summary

Apr. 1980 Joined the Company
Apr. 2002 Administration Block Leader of Development Planning Office
Jun. 2004 Administration Block Leader of Kuki Plant
Mar. 2009 Administration Block Leader of Kameyama Plant
Apr. 2013 Director of F&P Mfg., Inc.
May. 2016 Managing Director of F&P Mfg., Inc.
Jun. 2018 Full-time Auditor (current position)

Michiaki Nakanishi

Full-time Auditor

Significant Concurrent Positions outside the Company

None

Career Summary

Apr. 1985 Joined The Hyakugo Bank, Ltd.
Jun. 2013 General Manager of Kameyama Branch, The Hyakugo Bank, Ltd.
Jun. 2015 Business Promotion Officer of Branch Management Division, The Hyakugo Bank, Ltd.
Jul. 2017 Joined the Company
Apr. 2018 General Manager of Internal Audit Office
Apr. 2020 Personnel Department, Management Planning Division
Sep. 2020 Director of F&P Mfg., Inc.
Jun. 2023 Full-time Auditor (current position)

Hiroshi Takahashi

Auditor Outside Independent

Significant Concurrent Positions outside the Company

Director of Non-life Insurance Policy-holders Protection Corporation of Japan
Chairperson of Egusa Foundation for International Cooperation in the Social Sciences
Adviser of Atsumi & Sakai

Career Summary

Aug. 1985 Professor, Faculty of Law, The University of Tokyo
Dec. 1998 Director of Non-life Insurance Policy-holders Protection Corporation of Japan (current position)
Apr. 2007 Executive Vice President of The University of Tokyo
May 2009 Professor Emeritus of The University of Tokyo
Jun. 2009 Special Counsel of Mori Hamada & Matsumoto
Feb. 2010 Director of Japan Institute of Business Law
Jun. 2017 Chairperson of Egusa Foundation for International Cooperation in the Social Sciences (current position)
Apr. 2018 Advisor of Atsumi & Sakai (current position)
Jun. 2019 Outside Auditor of the Company (current position)

Kenichiro Masuda

Auditor Outside

Significant Concurrent Positions outside the Company

President of The Saitama Resona Foundation for Industrial and Economic Promotion
Part-time Auditor of Daizo Corporation

Career Summary

Apr. 1984 Joined Saitama Bank, Limited (currently Saitama Resona Bank, Limited)
Jun. 2011 Executive Officer, General Manager of Group Strategy Division, Resona Holdings, Inc.
Apr. 2013 Executive Officer, Resona Bank, Limited
Apr. 2013 Executive Officer, Resona Holdings, Inc.
Apr. 2016 Director and Managing Executive Officer, Saitama Resona Bank, Limited
Apr. 2018 Representative Director and Senior Executive Officer, Saitama Resona Bank, Limited
Jun. 2019 President and Representative Director, Resona Guarantee Co., Ltd
Apr. 2022 President, The Saitama Resona Foundation for Industrial and Economic Promotion (current position)
Jun. 2022 Outside Auditor of the Company (current position)
Oct. 2022 Outside Auditor of Daizo Corporation (current position)

Message from an Outside Director

Committed to Sustainable Growth and Enhancement of Corporate Value through Fair and Transparent Processes

Naoko Tomono
Independent Outside Directors,
Chairperson of the Nomination and Compensation Committee

Career History

I was appointed as an independent outside director of the Company in June 2017, and I am currently serving my eighth term. Since the establishment of the Nomination and Compensation Committee in December 2021, I have been involved in its operations as the committee chair. Drawing on my experience as a lawyer since 2008 and my experience in corporate work, I strive to contribute to management from an objective perspective.

My Role on the Nomination and Compensation Committee

To enhance the fairness, transparency, and objectivity of the evaluation and decision-making process for the appointment and compensation of directors and executive officers, the Company established the Nomination and Compensation Committee as an a voluntary advisory body in December 2021. As the committee chair, I review matters related to the appointment and dismissal of directors and other similar positions, as well as matters related to their compensation, and provide recommendations based on the skills matrix and remuneration criteria of the candidates to the Board of Directors after deliberation. By following this process, I believe I contribute to the appointment and compensation decisions of directors and executive officers with greater objectivity.

Board of Directors Effectiveness

The Company's Board of Directors consists of five directors, including two outside directors, and conducts deliberations on management matters once or twice a month on a regular basis. Additionally, the Board oversees the execution of duties by directors and executive officers to respond to commitments to shareholders for the Company's sustainable growth and the improvement of medium and long term corporate value. The Company's Board of Directors evaluates the effectiveness of the entire Board annually, considering various factors such as meeting frequency, deliberation topics, and duration based on the opinions of individual directors. Based on these evaluation opinions, the Company's Board of Directors believes that it is enhancing the effectiveness in increasing corporate value and ensuring stable management.

Future Issues and Expectations

The global automotive market is currently in an uncertain situation, with a mix of opportunities and risks regarding the transition from traditional combustion engines to electric vehicles (EVs) and geopolitical changes affecting investment recovery and profitability. Therefore, I believe it is increasingly important for the Company to thoroughly discuss and consider proposals presented at the Board of Directors and the Management Meeting to achieve favorable results for the Company's future. It is also crucial to improve governance and internal control systems, including the Group's affiliated companies, to mitigate risks and prevent unexpected losses. Additionally, making steady investments in education and training to enhance human resources will contribute to improving medium and long-term profitability.

Financial and Non-Financial Highlights

Financial and Environmental Indicators

Financial Indicators

Net Sales

Despite the impact of monetary tightening in the United States and Europe, and a delayed move to EVs by Japanese automakers in the Chinese market, Net sales grew 14.4% year on year, to ¥298,759 million, due to yen depreciation and new orders for mass production.

Operating Profit

Operating profit surged 81.9% year on year, to more than ¥3.7 billion. The increase in royalty in Japan and the effect of mass production of new orders in North America contributed to an increase of ¥1.7 billion from the previous fiscal year.

Interest-Bearing Debt

In FY2020, the Company took on debt in preparation for the impact of COVID-19, but debt levels were down year on year. As in FY2022, in FY2023 the Company continued to borrow funds for such purposes as a large-scale investment project in Mexico and EV-related investments in the United States, boosting interest-bearing debt to more than ¥76.0 billion.

Interest-Bearing Debt Ratio

Since FY2021, the debt ratio has been at the 40% level, owing to large new investments. However, the ratio in FY2023 was 39.7%, due in part to the effects of ongoing efforts to strengthen our management of the interest-bearing debt balance and restrain investment.

Environmental Indicators

CO_2 Emissions

Target: Reduce CO_2 emissions per unit of production by 6.0% compared with FY2017 levels.

In FY2023, emissions were 0. 249 t-CO_2 per million yen of sales (down 44.0% from FY2017).

Water Resources Used

Target: Reduce water resources used per unit of production by 6.0% compared with FY2017 levels.

In FY2023, water use amounted to 2.18m3 per million yen of sales (down 31.2% from FY2017).

Waste Generated

Target: Reduce waste generated per unit of production by 6.0% compared with FY2017 levels.

In FY2023, the Group generated waste of 0.016 ton per million yen of sales (down 33.5% from FY2017).

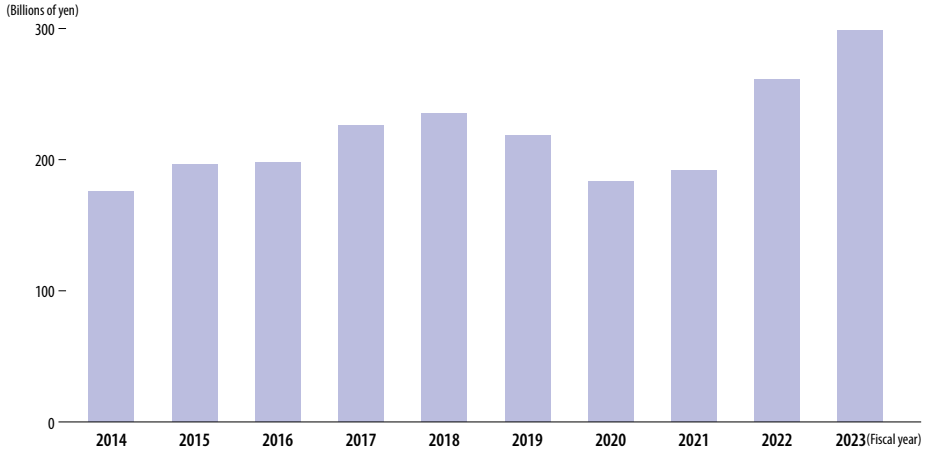
Details of environmental indicators are explained on page 40 of this report. In addition, we have revised some content compared with the previous year's report.

Item		Unit	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Financial Indicators	Net sales	Million yen	175,579	196,343	197,941	226,060	235,361	218,712	183,647	191,892	261,156	298,759
	Operating profit	Million yen	5,564	6,821	8,035	6,856	6,580	4,088	3,072	1,142	2,038	3,708
	Operating margin	%	3.2	3.5	4.1	3.0	2.8	1.9	1.7	0.6	0.8	1.2
	ROE	%	6.3	9.1	12.8	12.8	6.9	0.8	-2.9	0.5	3.6	3.2
	Interest-bearing debt	Million yen	56,569	58,686	59,129	59,510	46,220	51,342	49,565	64,867	73,925	76,064
	Interest-bearing debt ratio	%	42.6	42.5	40.9	39.5	33.7	38.3	36.3	40.3	42.0	39.7
Environmental Indicators	CO_2 emissions (per unit of production)	t-CO_2 per million yen of sales	0.460	0.437	0.484	0.445	0.431	0.416	0.392	0.373	0.283	0.249
	Water resources used (per unit of production)	m^3 per million yen of sales	3.19	3.32	3.43	3.16	3.18	3.24	3.48	3.27	2.42	2.18
	Waste generated (per unit of production)	Ton per million yen of sales	0.032	0.038	0.045	0.024	0.020	0.021	0.023	0.021	0.018	0.016

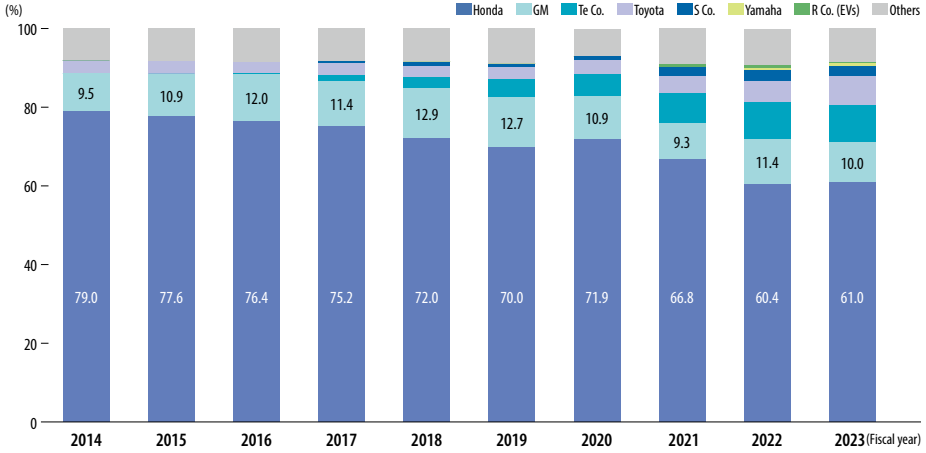
Financial and Non-Financial Highlights

Other Data

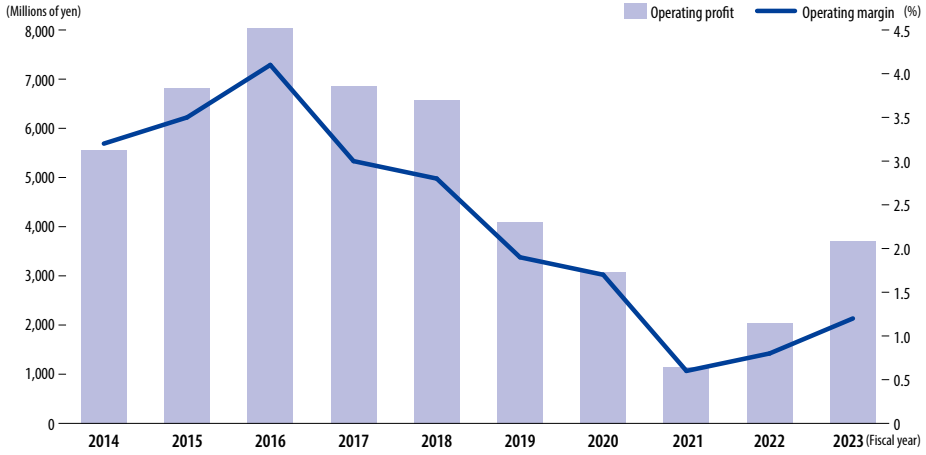
Consolidated Net Sales



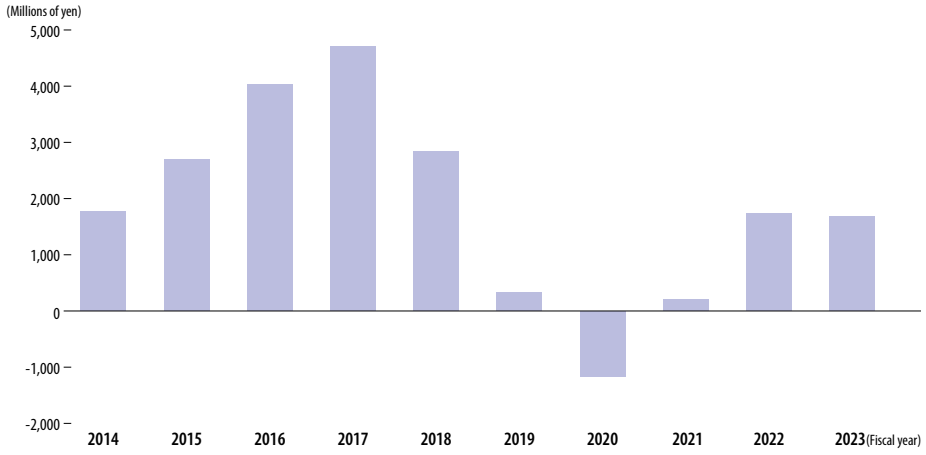
Share of Sales by Customer



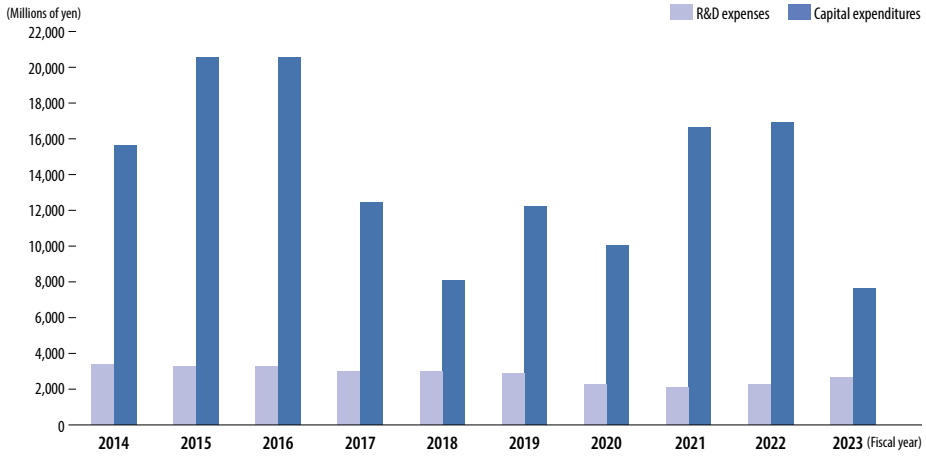
Operating Profit/Operating Margin



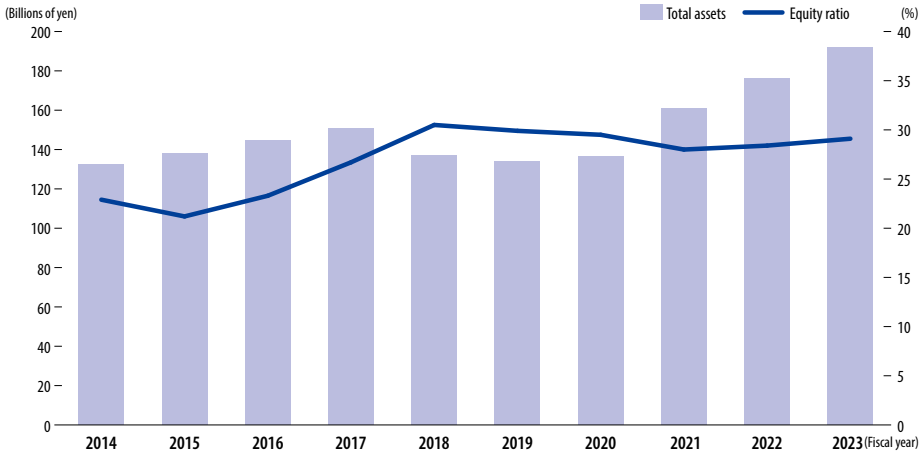
Net Income or Net Loss



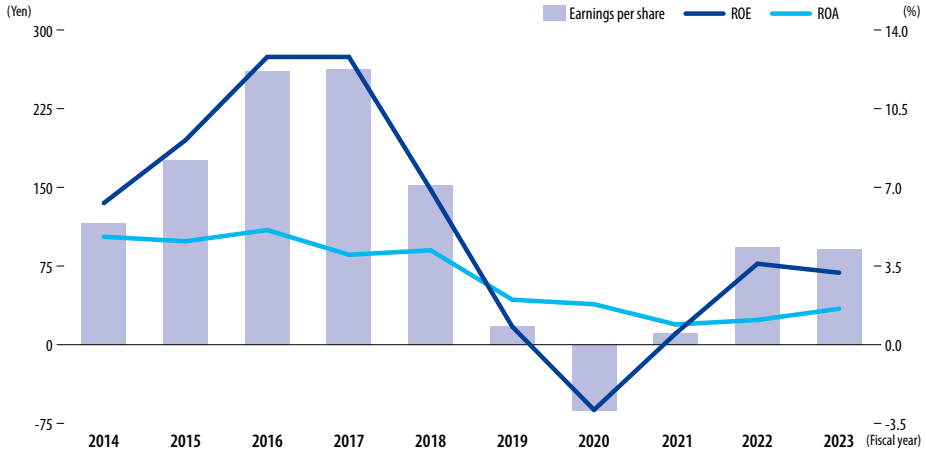
R&D Expenses/Capital Expenditures



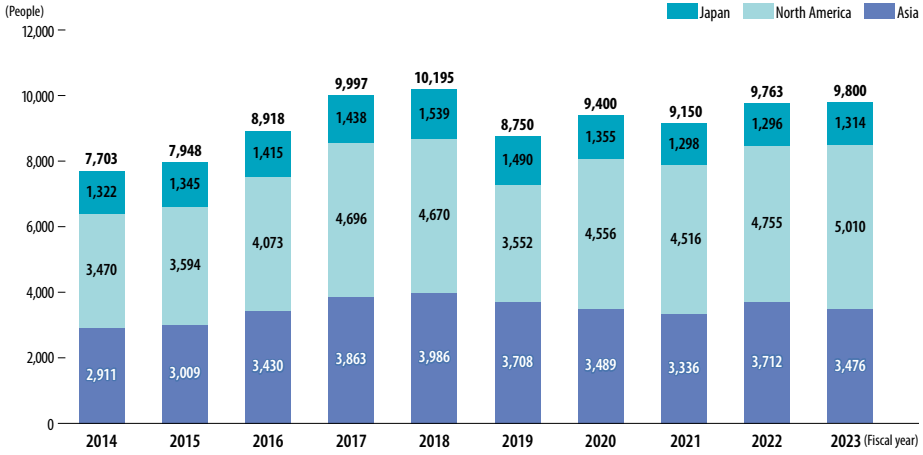
Total Assets/Equity Ratio



ROE, ROA/Earnings per Share



Employees by Geographic Segment



Consolidated Balance Sheets and Consolidated Statements of Income (Fiscal Year Ended March 31, 2024)

Balance Sheets

(Millions of yen)

Assets	
Line item	Amount
Current assets	**83,069**
Cash and deposits	12,204
Notes receivable - trade	604
Accounts receivable - trade	41,317
Merchandise and finished goods	4,423
Work in process	7,623
Raw materials and supplies	13,438
Other	3,502
Allowance for doubtful accounts	(44)
Non-current assets	**108,702**
Property, plant and equipment	**94,033**
Buildings and structures, net	21,735
Machinery, equipment and vehicles, net	50,507
Dies and tools, net	2,646
Land	6,239
Leased assets, net	371
Construction in progress	7,171
Other, net	5,361
Intangible assets	**319**
Software	290
Right of using facilities	28
Investments and other assets	**14,350**
Investment securities	9,485
Retirement benefit assets	269
Deferred tax assets	3,427
Other	1,167
Total assets	**191,772**

(Millions of yen)

Liabilities	
Line item	Amount
Current liabilities	**92,053**
Notes and accounts payable - trade	27,902
Short-term loans payable	38,537
Current portion of long-term loans payable	12,782
Lease obligations	1,029
Income taxes payable	769
Accounts payable - other	2,214
Notes payable - facilities	177
Provision for directors' bonuses	49
Other	8,590
Non-current liabilities	**27,975**
Long-term loans payable	22,043
Lease obligations	1,671
Deferred tax liabilities	2,994
Provision for directors' retirement benefits	56
Net defined benefit liability	956
Negative goodwill	28
Other	226
Total liabilities	**120,029**
Net assets	
Shareholders' equity	**42,404**
Capital stock	6,790
Capital surplus	6,404
Retained earnings	29,288
Treasury shares	(79)
Accumulated other comprehensive income	**13,421**
Valuation difference on available-for-sale securities	1,154
Deferred gains or losses on hedges	237
Foreign currency translation adjustment	11,937
Remeasurements of defined benefit plans	92
Non-controlling interests	**15,916**
Total net assets	**71,742**
Total liabilities and net assets	**191,772**

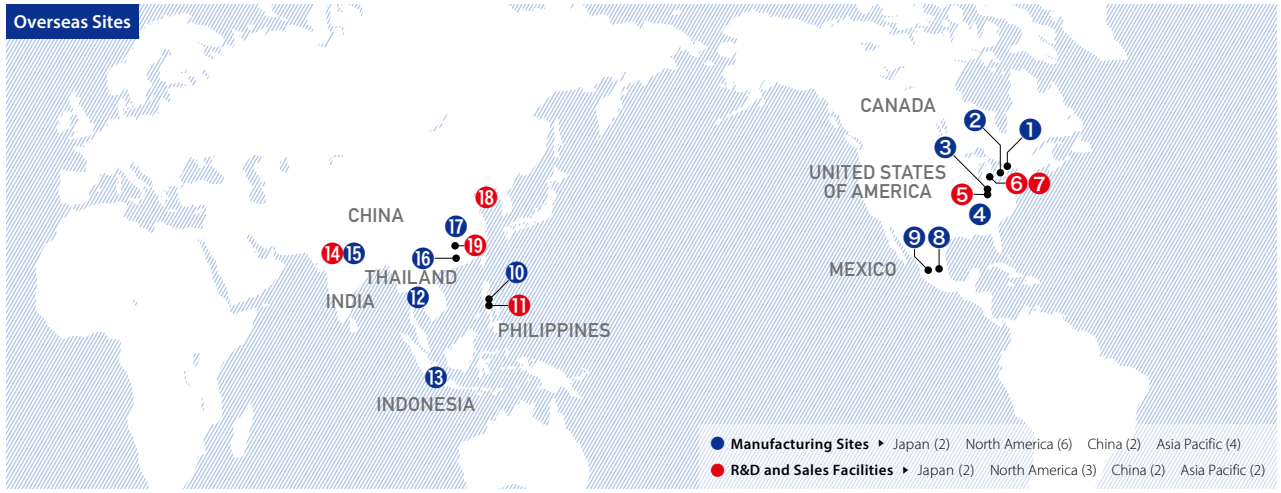
Statements of Income

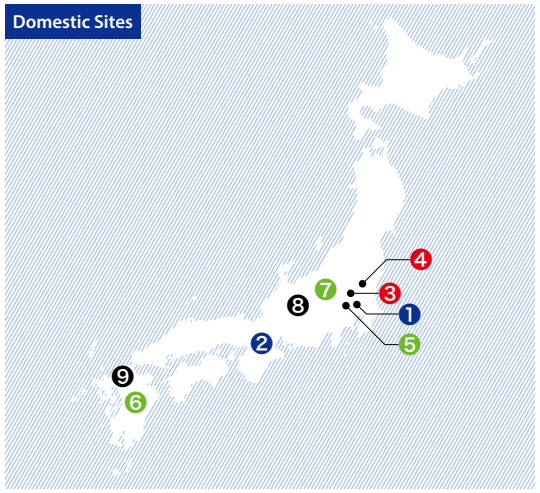
(Millions of yen)

Line item		Amount
Net sales		**298,759**
Cost of goods sold		**276,435**
Gross profit		**22,323**
Selling, general and administrative expenses		**18,615**
Operating profit		**3,708**
Non-operating income		
Interest income	149	
Dividend income	69	
Share of profit of entities accounted for using equity method	600	
Foreign exchange gains	1,232	
Other	276	2,328
Non-operating expenses		
Interest expenses	2,825	
Other	209	3,034
Ordinary profit		**3,001**
Extraordinary income		
Gain on sales of non-current assets	14	
Gain on change in equity	157	172
Extraordinary losses		
Loss on sales of non-current assets	3	
Loss on retirement of non-current assets	69	73
Profit before income taxes		**3,100**
Income taxes - current		**3,139**
Income taxes - deferred		**(1,662)**
Profit		**1,623**
Profit (loss) attributable to non-controlling interests)		**(59)**
Profit attributable to owners of parent		**1,683**

F-tech Group Global Network (As of April 1, 2024)

In addition to expanding production bases, we have established R&D and sales bases in various regions to enhance our responsiveness to customer needs. We are advancing information sharing in areas such as quality, development, procurement, and the environment, aiming to elevate the overall level of the Group.





Overseas Subsidiaries

1. F&P Mfg., Inc. [Ontario, Canada] (F&P)
2. DYNA-MIG, a division of F&P Mfg., Inc. [Ontario, Canada] (DM)
3. F&P America Mfg., Inc. [Ohio, United States] (FPA)
4. F&P Georgia, A division of F&P America Mfg., Inc. [Georgia, United States] (FPG)
5. F.TECH R&D NORTH AMERICA INC. [Ohio, United States] (RDNA)
6. Michigan/ R&D NA Office [Michigan, United States]
7. F-TECH NORTH AMERICA INC. [Michigan, United States] (FTNA)
8. F.E.G. DE QUERETARO S.A. DE C.V. [Queretaro, Mexico] (FEGQ)
9. F&P MFG DE MEXICO S.A. DE CV. [Guanajuato, Mexico] (FPMX)
10. F-TECH PHILIPPINES, MFG., INC. [Laguna, Philippines] (FPMI)
11. F.tech R & D Philippines Inc. [Laguna, Philippines] (FRDP)
12. F-TECH MFG. (THAILAND) LTD. [Ayutthaya, Thailand] (FMTL)
13. PT. F.TECH INDONESIA [Karawang, Indonesia] (FTI)
14. F-Tech Automotive Components Private Limited [Haryana, India] (FTAC)
15. India Steel Summit Private Limited [Uttar Pradesh, India] (ISS)
16. F-tech Zhongshan Inc. [Guangdong, China] (FTZ)
17. F-tech Wuhan Inc. [Hubei, China] (FTW)
18. FUTIAN MOULD TECHNOLOGY (YANTAI) CO., LTD. [Shandong, China] (FEGY)
19. F-tech R&D (Guangzhou) Inc. [Guangzhou, China] (FRDCH)

<Equity-Method Affiliates>

- Johnan America, Inc.
- Johnan De Mexico, S.A.de C.V.
- Johnan F.tech (Thailand) LTD.
- VEE GEE Auto Components Private Limited.

F-tech (Non-Consolidated)

1. Head office, Kuki Plant [Kuki, Saitama Prefecture]
2. Kameyama Plant [Kameyama, Mie Prefecture]
3. Equipment Center [Kazo, Saitama Prefecture]
4. Haga Technical Center [Haga-cho, Haga-gun, Tochigi Prefecture]

Domestic Subsidiaries

5. Fukuda Engineering Co., Ltd. [Kazo, Saitama Prefecture] (FEG)
6. Kyushu F.tech Inc. [Yamaga, Kumamoto Prefecture] (QFT)
7. Reterra Inc. [Ogano, Chichibu, Saitama Prefecture]

Domestic Affiliated Companies

8. Johnan Manufacturing Inc. [Ueda, Nagano Prefecture]
9. Johnan-Kyushu Manufacturing Inc. [Nogata, Fukuoka Prefecture]

Company Profile (As of March 31, 2024)

Company Name	F-TECH INC.
Head Office	19, Showanuma, Shobucho, Kuki, Saitama 346-0194 Japan
Established	July 1, 1947
Capital	¥6.79 billion
President & CEO	Yuichi Fukuda
Employees	Consolidated: 9,800; non-consolidated: 939
Business Activities	Development, design, manufacturing, and sales of automotive parts, and related dies, machinery and equipment
Main Customers	HONDA MOTOR CO., LTD.; General Motors Company; NISSAN MOTOR CO., LTD.; SUZUKI MOTOR CORPORATION; TOYOTA MOTOR CORPORATION; etc.
Stock Market Listing	Standard Market, Tokyo Stock Exchange

Published by : F-tech Inc.
19, Showanuma, Shobucho, Kuki, Saitama 346-0194 Japan

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