

FURUNO's Materiality and Sustainable Management

Materiality (Important Issues)

To continue to serve society, FURUNO has identified materiality that should be addressed to contribute to a sustainable society through its business and to enhance corporate value. The materiality identified will be reviewed and revised as necessary based on changes in the business environment and the demands of social issues, as well as advice received through dialogue with our stakeholders.

Materiality Identification Process

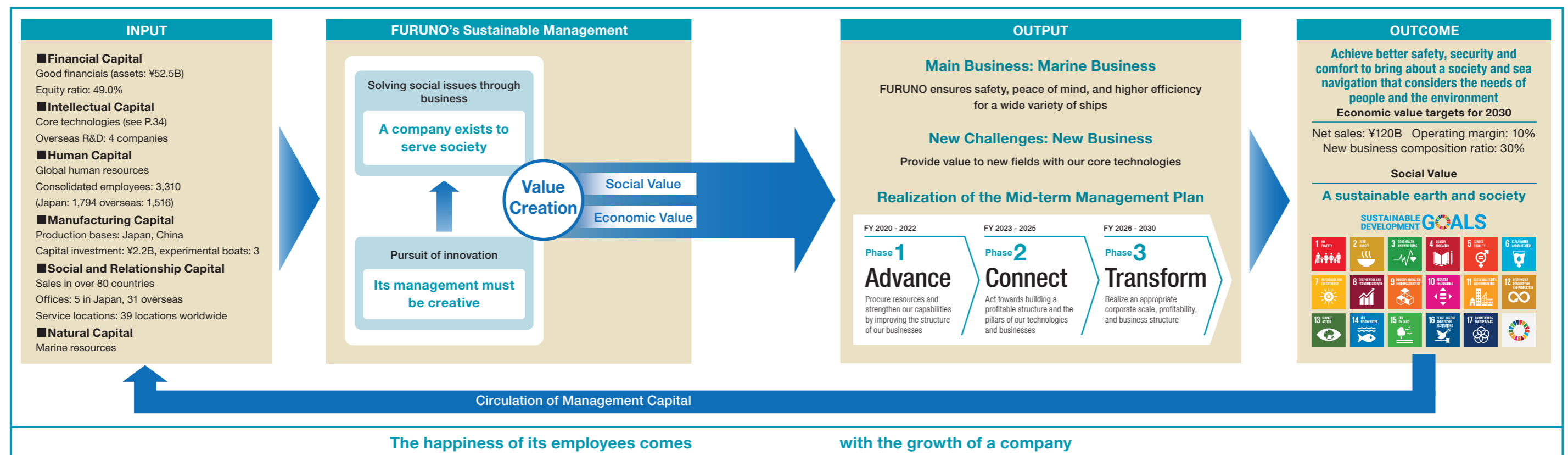
FURUNO identified the 169 targets of the SDGs and social issues in the fisheries and marine transportation industries. FURUNO then selected issues to be addressed for a sustainable growth consistent with its management philosophy and Global Vision NAVI NEXT 2030.

Sustainable Management

FURUNO has grown by creating new innovations that contribute to solving social issues and providing value that combines social and economic values. FURUNO will continue to use its management capital to create further innovations and provide even more value, contributing to its sustainable management.

FURUNO's Materiality for a Sustainable Growth

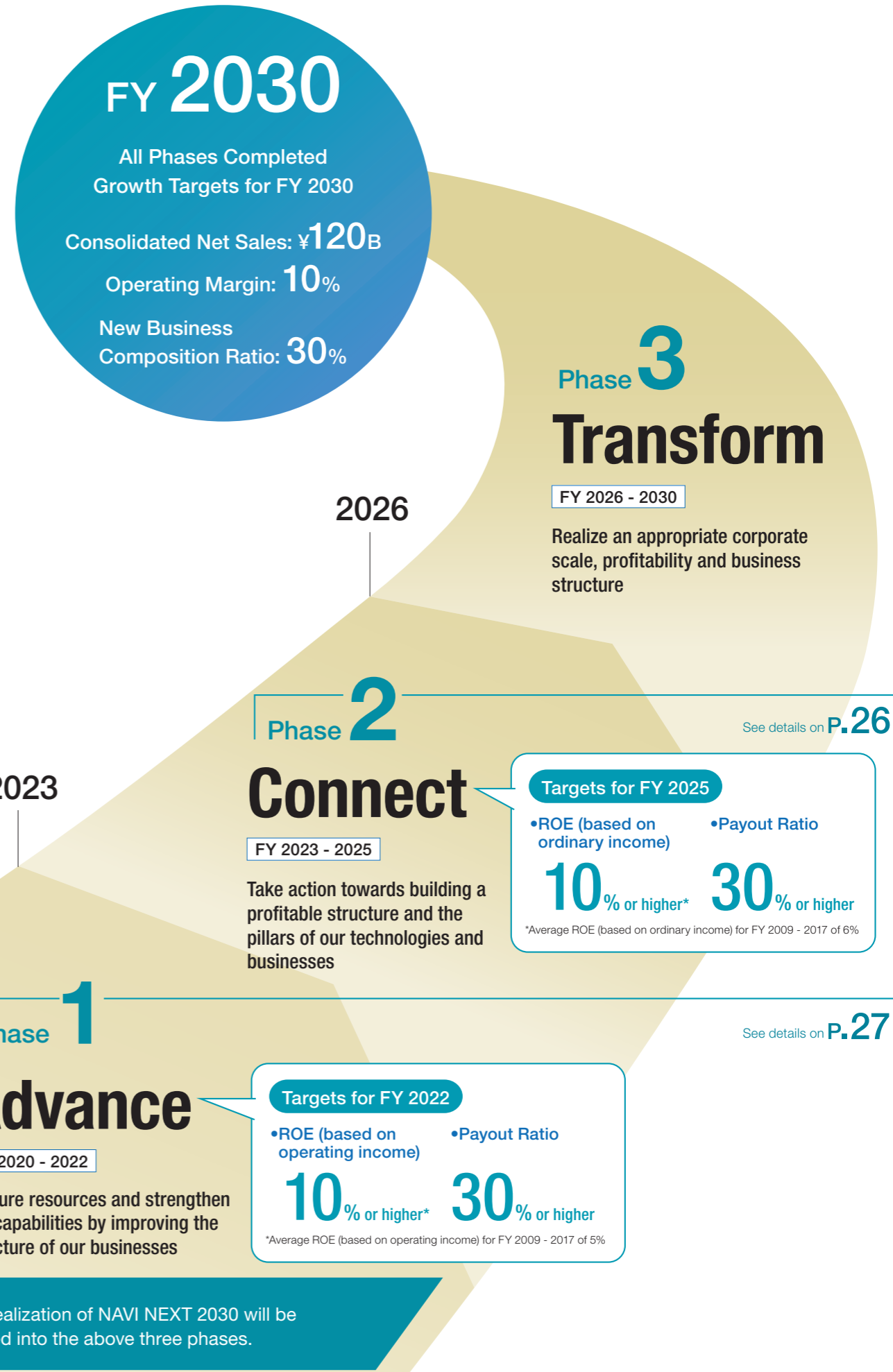
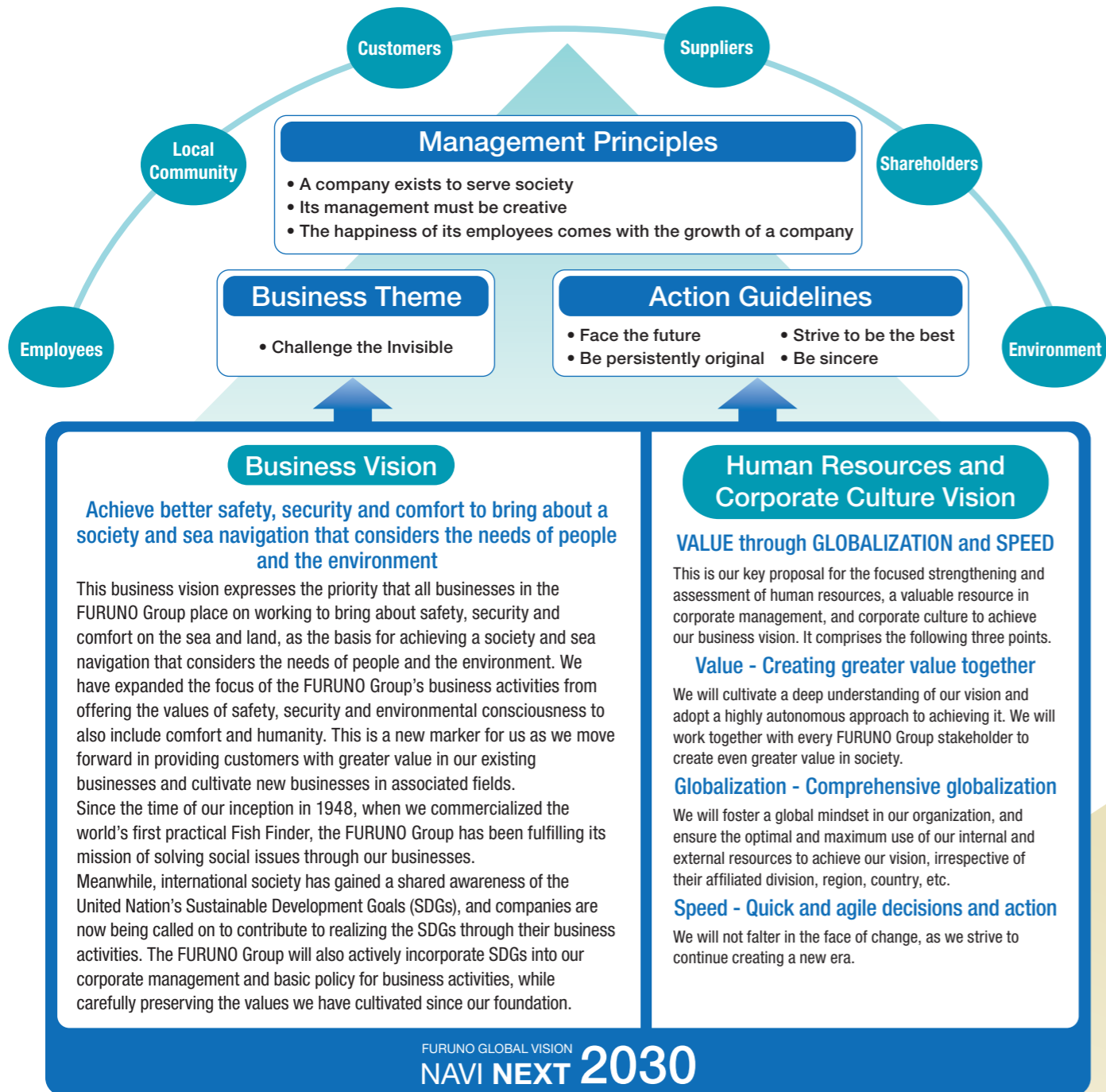
Materiality	Elements	Initiatives
Marine and global environmental conservation	Prevention of marine accidents and pollution	<ul style="list-style-type: none"> Avoid collisions through autonomous navigation Prevent pollution caused by maritime accidents
	Protection of fishery resources and response to increasing food demand	<ul style="list-style-type: none"> Support for managed fisheries using catch information Support for increasing aquaculture fish production
	Environment-friendly production	<ul style="list-style-type: none"> Create products based on the preservation of the global environment, formation of a recycling-oriented society, and maintenance of biodiversity
Community and human resource development	Aging staff and manpower shortages	<ul style="list-style-type: none"> Reduce workload with unmanned vessels, providing support for vessel operation with remote management Support the realization of smart fisheries using types of data that do not rely on intuition and experience
	Coexistence and co-prosperity	<ul style="list-style-type: none"> Support fishermen with sustainable fisheries Contribute to local communities in areas such as cultural promotion and environmental preservation
	Diversity and inclusion promotion	<ul style="list-style-type: none"> Develop diverse human resources and more productive work styles
Preservation and utilization of management infrastructure for business promotion	Utilization of DX	<ul style="list-style-type: none"> Promote DX to create new businesses, such as marine DX
	Utilization of intellectual assets	<ul style="list-style-type: none"> Strengthen corporate competitiveness by acquiring and utilizing intellectual property
	Corporate governance	<ul style="list-style-type: none"> Implement governance that pursues legality, appropriateness, efficiency, and risk management, while being accountable to stakeholders
	Sustainable procurement promotion	<ul style="list-style-type: none"> Share strategies with business partners to deepen mutual understanding Promote CSR activities throughout the supply chain
	Thorough security export control	<ul style="list-style-type: none"> Comply and transact based on relevant laws and regulations, international economic sanctions, etc.



Sustainable Growth

Corporate Vision FURUNO GLOBAL VISION “NAVI NEXT 2030”

While respecting the Management Principles and Action Guidelines as universal values, we have clearly stated the vision we aim to achieve by 2030 as a new management vision consisting of a Business Vision and a Vision for Human Resources and Corporate Culture, and we intend to continuously and progressively increase both customer value and corporate value by developing various activities to realize this vision.



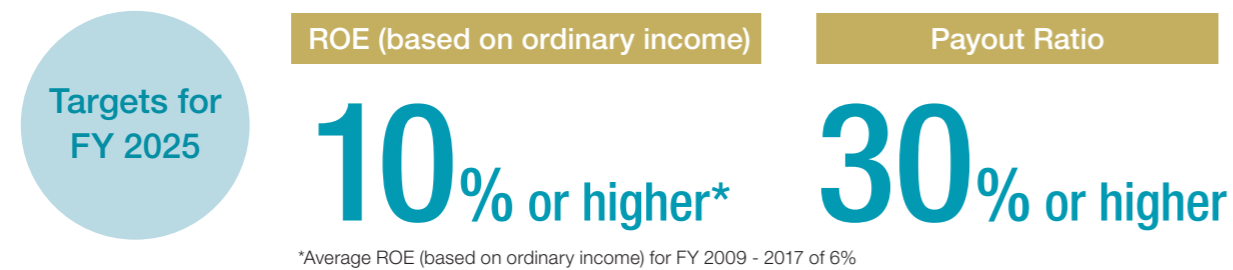
Mid-term Management Plan

Phase 2 “Connect” of Mid-term Management Plan

In February 2023, FURUNO formulated the Mid-term Management Plan (Phase 2) for the three-year period from FY 2023 to FY 2025. In Phase 2, we will complete the measures that were not achieved in Phase 1 to improve profitability, and at the same time, we will secure profits by expanding sales. We will also promote investments for future growth to enhance corporate value. In addition, we will strive to improve the ratio of ordinary income to shareholders’ equity.

Key Performance Indicators (KPI)

In FY 2025, FURUNO will build a management foundation that will enable it to sustain the following.



Main Measures

1 Improvement in Profitability

Complete the measures of Phase 1, focusing on improving profitability by increasing the quality level, optimizing inventories, and optimizing the product development function and the comprehensive manufacturing function.

2 Expansion of Sales

Provide high-quality services through remote management, promote DX for the marine field focusing on digitalization, and invest resources in businesses with growth potential to further generate resources for investment in growth.

3 Implementation of Sustainable Management

Aim to realize sustainable management by expressing a long-term policy that will guide our future business, strengthening business creation through strategic investments, promptly commercializing new and expanding businesses, investing in human resources, and promoting diversity.

Review of Phase 1 “Advance” of the Mid-term Management Plan

We have been working on Phase 1, which covers the three-year period from FY 2020 to FY 2022. In FY 2022, the ROE was 3.0% and the dividend payout ratio was 58.5%.

*Average ROE (based on operating income) for FY 2009 - 2017 of 5%

Strengthening Capabilities and Improving Structure

1 Stronger Inventory Control and Appropriate Inventory Levels

Expenses due to inventory disposal and write-downs decreased by ¥617M with the optimized production volume and tighter inventory control. However, inventories increased significantly due to difficulties in parts procurement, causing production delays.

2 Further Increase in Quality Level

With the promotion of quality improvement activities and other initiatives across business units, quality loss costs decreased by ¥433M compared to before the start of Phase 1. The number of complaints also decreased, leading to improved customer satisfaction.

3 Optimization of Product Development Functions

In addition to cost reduction activities for current models, a cumulative cost reduction of ¥399M was achieved during Phase 1, by streamlining development operations, including the use of common design in new product development.

4 Optimization of Comprehensive Manufacturing Functions

FURUNO has worked to optimize production and purchased parts and materials at domestic and overseas factories, and to automate production processes to establish a system to produce and ship necessary goods at the necessary time and in the necessary quantity. However, production delays caused by difficulties in obtaining parts have inconvenienced our customers.

5 New Strategic Investment Quota

FURUNO developed new businesses (aquaculture support business and construction tech business), invested in R&D, and worked on expanding current businesses. FURUNO also made aggressive investments in M&A to strengthen its product development capabilities overseas and in the establishment of a new R&D building to consolidate its R&D departments.