### **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.

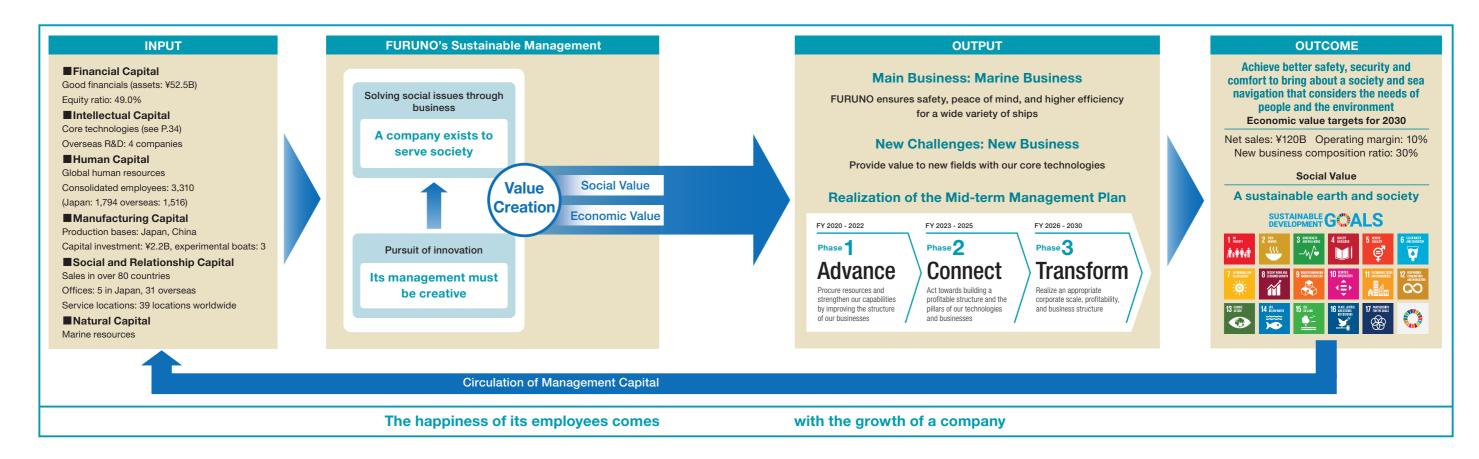
#### **Materiality Identification Process**

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** • Avoid collisions through autonomous navigation Prevention of marine accidents and pollution • Prevent pollution caused by maritime accidents Marine and global • Support for managed fisheries using catch information Protection of fishery resources and response to increasing food demand • Support for increasing aquaculture fish production environmental • Create products based on the preservation of the global environment, formation conservation Environment-friendly production of a recycling-oriented society, and maintenance of biodiversity • Reduce workload with unmanned vessels, providing support for vessel operation Aging staff and manpower with remote management Community shortages • Support the realization of smart fisheries using types of data that do not rely on intuition and experience and human • Support fishermen with sustainable fisheries resource Coexistence and co-prosperity • Contribute to local communities in areas such as cultural promotion and development environmental preservation Diversity and inclusion promotion • Develop diverse human resources and more productive work styles Utilization of DX • Promote DX to create new businesses, such as marine DX Preservation • Strengthen corporate competitiveness by acquiring and utilizing intellectual Utilization of intellectual assets and utilizatio • Implement governance that pursues legality, appropriateness, efficiency, and risk of managemen<sup>i</sup> Corporate governance management, while being accountable to stakeholders infrastructure Sustainable procurement • Share strategies with business partners to deepen mutual understanding for business promotion • Promote CSR activities throughout the supply chain promotion Thorough security export • Comply and transact based on relevant laws and regulations, international control economic sanctions, etc



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# **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.



#### **Business Vision**

Achieve better safety, security and comfort to bring about a society and sea navigation that considers the needs of people and the environment

This business vision expresses the priority that all businesses in the FURUNO Group place on working to bring about safety, security and comfort on the sea and land, as the basis for achieving a society and sea navigation that considers the needs of people and the environment. We have expanded the focus of the FURUNO Group's business activities from offering the values of safety, security and environmental consciousness to also include comfort and humanity. This is a new marker for us as we move forward in providing customers with greater value in our existing businesses and cultivate new businesses in associated fields. Since the time of our inception in 1948, when we commercialized the world's first practical Fish Finder, the FURUNO Group has been fulfilling its mission of solving social issues through our businesses. Meanwhile, international society has gained a shared awareness of the United Nation's Sustainable Development Goals (SDGs), and companies are now being called on to contribute to realizing the SDGs through their business activities. The FURUNO Group will also actively incorporate SDGs into our corporate management and basic policy for business activities, while

carefully preserving the values we have cultivated since our foundation.

2020

# Human Resources and Corporate Culture Vision

#### **VALUE through GLOBALIZATION and SPEED**

This is our key proposal for the focused strengthening and assessment of human resources, a valuable resource in corporate management, and corporate culture to achieve our business vision. It comprises the following three points.

#### Value - Creating greater value together

We will cultivate a deep understanding of our vision and adopt a highly autonomous approach to achieving it. We will work together with every FURUNO Group stakeholder to create even greater value in society.

#### Globalization - Comprehensive globalization

We will foster a global mindset in our organization, and ensure the optimal and maximum use of our internal and external resources to achieve our vision, irrespective of their affiliated division, region, country, etc.

#### Speed - Quick and agile decisions and action

We will not falter in the face of change, as we strive to continue creating a new era.

NAVI NEXT 2030

Mid-term Management Plan

FY 2030

All Phases Completed Growth Targets for FY 2030

Consolidated Net Sales: ¥120B

Operating Margin: 10%

New Business
Composition Ratio: 30%

# Phase Transform

FY 2026 - 2030

Business Strategy | Governance, Social and Environmental Reports | Together with Society | Financial and Non-financial Data

Realize an appropriate corporate scale, profitability and business structure

Phase 2

# Connect

2026

FY 2023 - 2025

Take action towards building a profitable structure and the pillars of our technologies and businesses

# Targets for FY 2025

•ROE (based on ordinary income)

Payout Ratio

10% or higher\* 30

\*Average ROE (based on ordinary income) for FY 2009 - 2017 of 6%

Phase

2023

# Advance -

FY 2020 - 2022

Procure resources and strengthen our capabilities by improving the structure of our businesses

#### Targets for FY 2022

ROE (based on operating income)

Payout Ratio

10% or higher\*

 $30_{\%\,\mathrm{or\,highel}}$ 

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

The realization of NAVI NEXT 2030 will be divided into the above three phases.

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See details on P.27

See details on P. 26

# 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.

Targets for FY 2025

ROE (based on ordinary income)

Payout Ratio

10% or higher\*

30% or higher

\*Average ROE (based on ordinary income) for FY 2009 - 2017 of 6%

#### **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.

O1 O2 For Future Growth Business Strategy O3 Business Strategy O4 For Future Growth O5 Together with Society O6 Financial and Non-financial Data

# 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.

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