

# Fiscal Year Ending March 2024 Financial Results Briefing

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Thursday, June 6, 2024  
PIOLAX, INC.  
(Code: 5988)  
Yukihiko Shimazu, President

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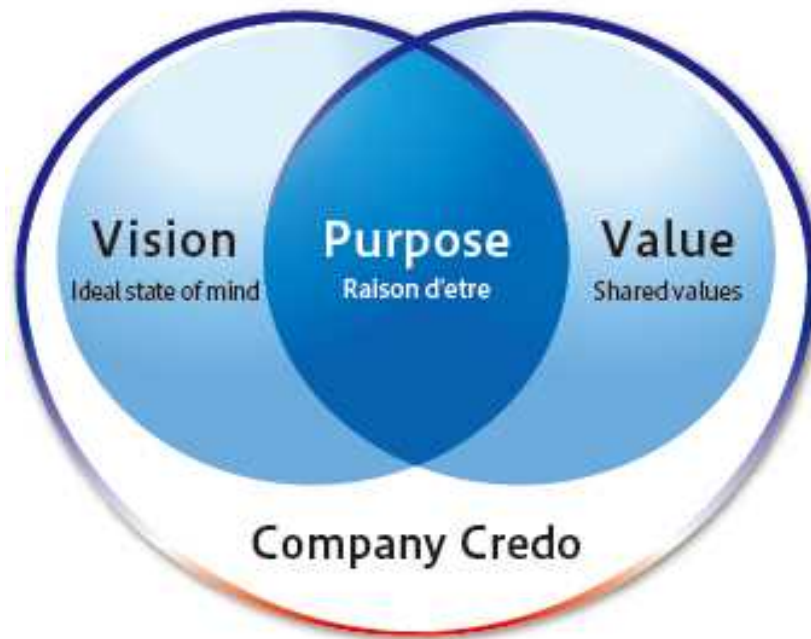
## **V. Growth Strategy (Medical Device Business)**

Yuri Yamamoto, President of Piolax Medical Devices, Inc.

# I. MEDIUM-TERM MANAGEMENT PLAN (FY24-FY26)

# Establishment of New Corporate Philosophy

On the occasion of our 90th anniversary in October 2023, we established the corporate philosophy "Piolax Way."



## Purpose

Connect people and society with technology for an exciting future

## Vision

Create new value

-As pioneers of elasticity, we will create a next future-

## Value

- 1) Pioneer new ideas and open to change
- 2) Strive for excellence with passion and trust
- 3) Respect creativity and free thinking

## Company Credo

"Sincerity, Cooperation, and Contribution"

# Business Environment

## Growth factors

### ■ Global car production: **almost flat**

Global car production forecast (Unit: 1 mil. cars)

2024	2025	2026	2030
89	<del>92</del> 91	92	105

### ■ Accelerate shift to EVs

Strengthen R&D capabilities.  
Acquire orders for CASE products.

### ■ Invest in growth platforms

Improve productivity by IoT and DX.  
Reallocate global production.  
Develop domestic infrastructure.  
Strengthen EU market entry.

### ■ Discover new businesses

### ■ Execute profit structure reforms

### ■ Reinforce human assets development

## Risk factors

**Red text:** Corrections since last time

### [Market]

- **Sluggish Japanese OEMs in China and Thailand**
- Decreased orders for existing Piolax products due to the shift to EVs

### [Society/Economy]

- Soaring costs of materials, logistics, energy, labor, etc.
- Foreign exchange fluctuations
- Geopolitical risks (US-China friction, Ukraine conflict, Taiwan contingency, etc.)
- Accelerated inflationary economy

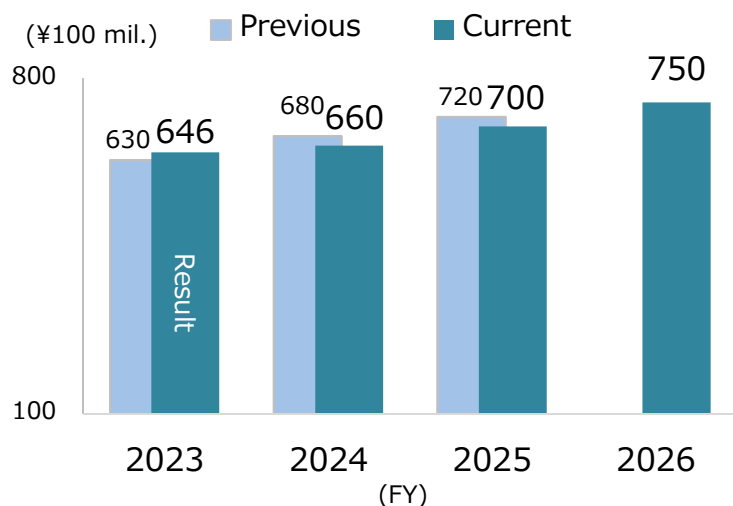
### [Others]

- Cyber attack
- Securing human assets

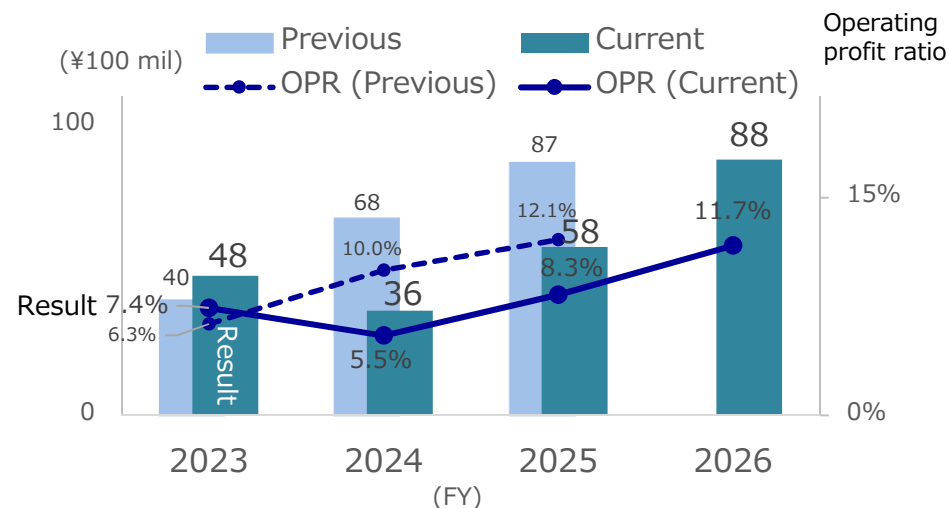
# Management Indicators - 1

## Medium-term management plan (FY24-FY26) and review of previous plan (FY23-FY25)

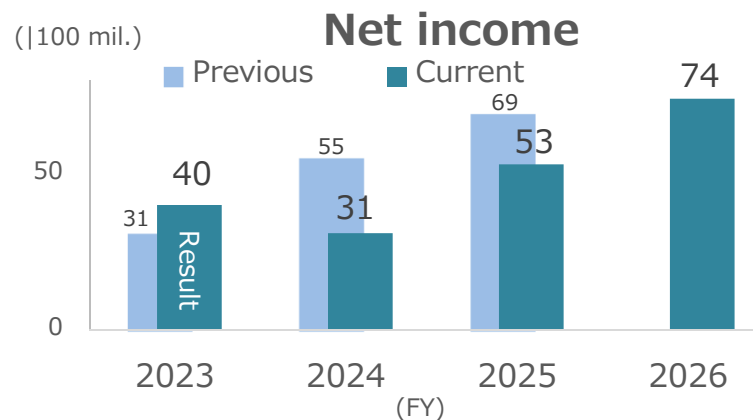
### Sales



### Operating profit



In FY23, while increased costs for materials, energy, etc. continued to squeeze profit, gradual recovery in car production and cost recovery from customers resulted in increase in both sales and profit. In FY24, we expect increase in sales and decrease in profit due to ongoing cost increase and sluggish bases in China and Thailand.

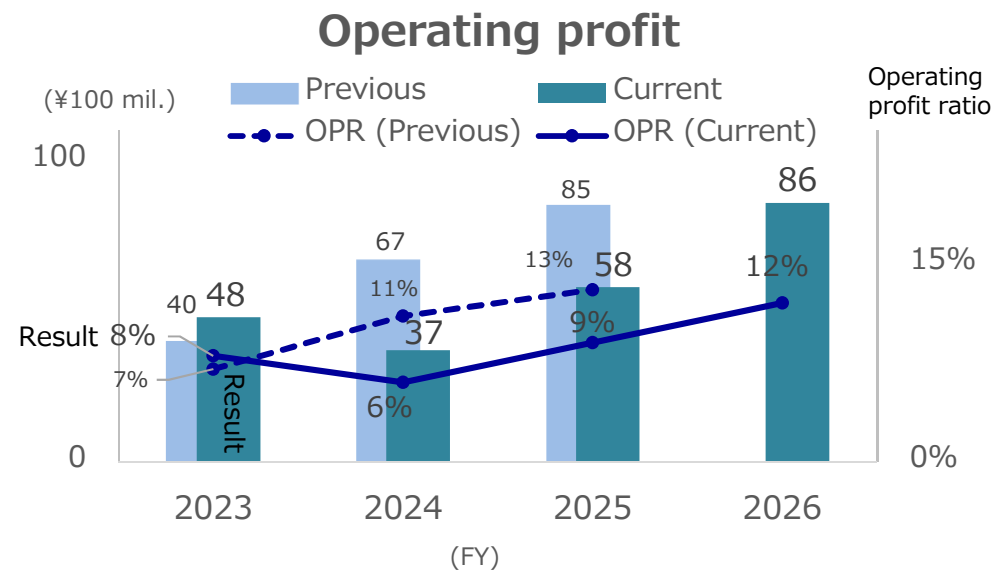
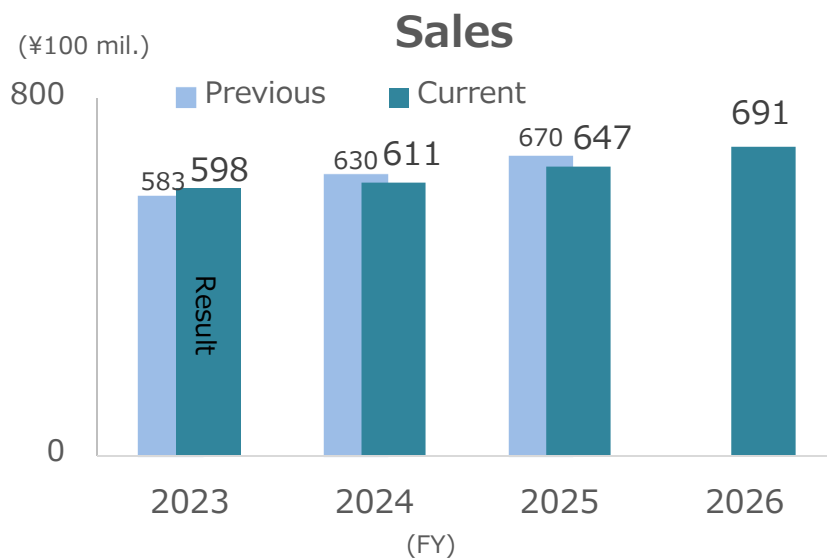


# Management Indicators - 2 by Segment

## Medium-term management plan for auto parts business

### Assumptions for FY26 sales plan (¥69.1)

- Global car production will remain flat.
- Promote sales of CASE products with aggressive R&D and capital investment.
- Shift strategies in China and Thailand, where business is sluggish.
- Exchange rate: 1 USD = 145 JPY, 1 CNY = 20 JPY

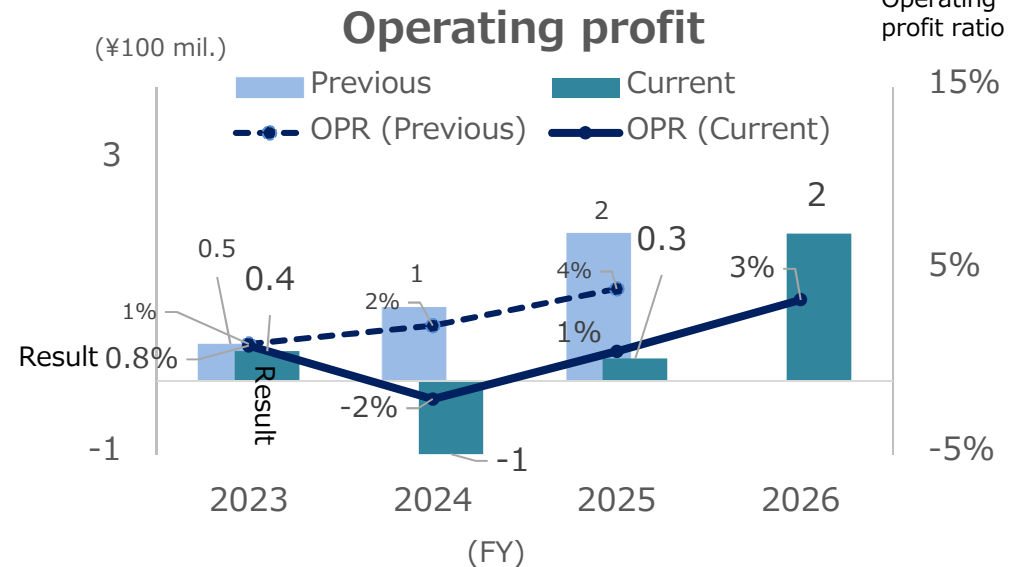
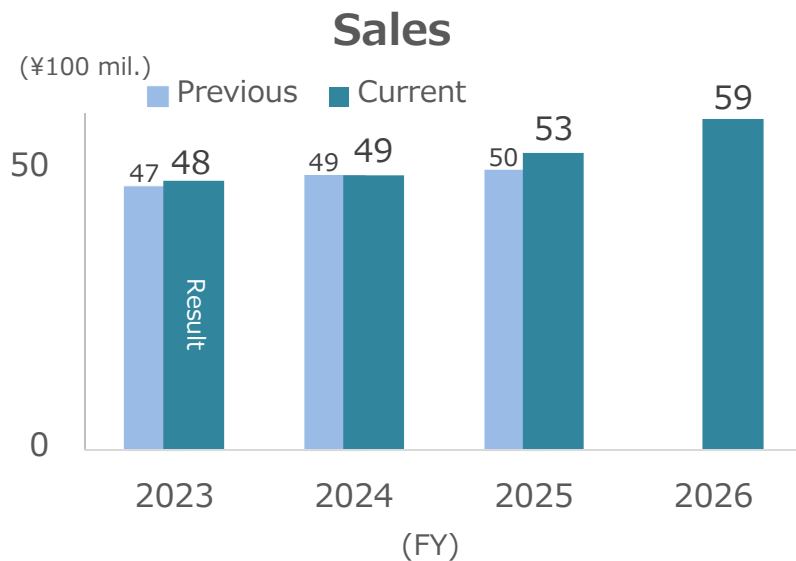


# Management Indicators - 2 by Segment

## Medium-term management plan for **medical device business**

### Assumption for FY26 sales plan (¥5.9 billion)

- While sales increase will push up marginal profit in FY24, increasing development and labor costs and other expenses will have a major impact, resulting in a temporary deficit.
- The period FY24-FY26 will see sales increase by launching new products.





## II. GROWTH STRATEGY (AUTO PARTS BUSINESS)

# Management Strategy and Plan (Auto Parts 1)

## 1. Product and customer strategies

Management strategy and priority issue	FY23 result	FY24 target	FY26 target	FY30 target
<b>Develop and get orders of CASE products</b>				
Sales expansion of CASE products	Target: ¥1 bil. Actual: ¥1.1 bil.	¥1 bil.	→	Sales of ¥10 bil.
<b>Diversify customers and products</b>				
Overseas OEM ratio	Target: 16% Actual: 13%	16%	18%	20%
Increased per-car sales for new models (vs. former models)	Target: +10% Actual: +25%	+10%	+10%	+10%

## 2. Business strategy

<b>Find new businesses</b>				
Discover and create new businesses	Feasibility study	Propose candidate business	Sales from new business	Sales of ¥5 bil. or more
<b>Reform profit structure</b>				
Reduce fixed cost (non-consolidated basis)	Target: - ¥200 mil.  Actual: - ¥100 mil.	FY24: - ¥400 mil. FY25: - ¥500 mil.	Fixed costs of ¥10 bil. level	Keep the fixed cost level

# Management Strategy and Plan (Auto Parts 2)

## 3. Regional strategy

Management strategy and priority issue	FY23 result	FY24 target	FY26 target	FY30 target
<b>Business strategy in North America</b>				
North America (USA and Mexico) sales among overseas sales	Target: 35% or more Actual: 42%	35% or more	40% or more	40% or more
<b>Shift business strategy in China</b>				
Sales ratio from Chinese OEMs	Actual: 16%	18% or more	20% or more	30% or more
<b>Improve profitability in Asia (PK, PT, PI, PI)</b>				
Operating profit ratio of Asian bases	Target: 12% Actual: 9%	10% or more	13% or more	15% or more
<b>Strategy in Continental Europe</b>				
Increase sales from German OEMs	Consider European business strategy	Decide and launch European business strategy	Build new European business structure	Sales of ¥5 bil. or more in Europe

# Management Strategy and Plan (Auto Parts 3)

## 4. Growth investment strategy

Management strategy and priority issue	FY23 result	FY24 target	FY26 target	FY30 target
<b>Develop infrastructure in Japan</b>				
Build new Moka Plant	Phase I completed Phase II started	Phase II completed in FY25	Decide Phase III plan	200% productivity
Build new Head Office in Yokohama		Completed in FY25	Promote work style reform	Continue to promote work style reform
<b>Increase investment in CASE products / new business</b>				
R&D expenses (against sales)	Target: 1.5% Actual: 1.3%	1.5%	1.7%	2.0%

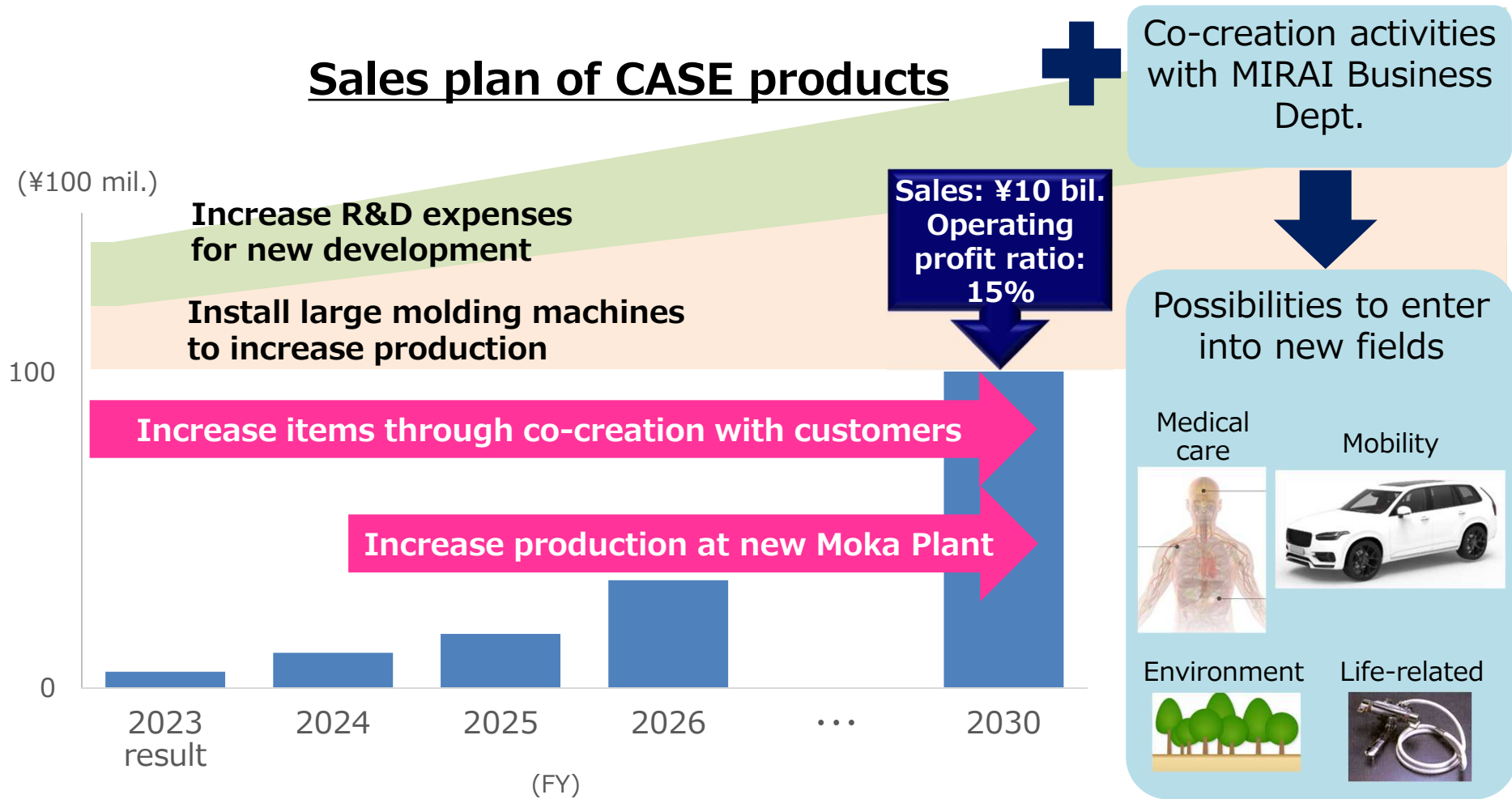
## 5. Management capital strategy

<b>Pursue capital efficiency</b>				
Dividend payout ratio	Target: 100% Result: 108%	100%	100%	Continue shareholder returns with capital efficiency in mind
ROE	Target: 3.0% Actual: 3.8%	→	8% or more	10% or more
<b>Promote ESG Management</b>				
Carbon neutrality CO2 reduction (BM FY19)	Target: -13% Actual: being tallied (expected to be achieved)	-17%	-25%	-46%

# Sales Expansion of CASE Products - 2

**Strengthen development and sales system of CASE products**

## Sales plan of CASE products



# Product Strategy (Existing Products)

- Carefully watch market trends of EV, PHEV and ICE (customers' strategies by region, timeline, production scale).
- Develop strategies for existing products (comprehensive view of market environment changes).
- Execute "selection and concentration" in terms of development and production and reallocate management resources.

## Powertrain parts (14% of the Group sales)

- Expand parts sales for e-Axle.
- Execute "selection and concentration": withdrawal, focus, and optimal production allocation as the Group including all the subsidiaries.
- Start plastic powertrain parts.
- Follow our major customers' strategies.

## Fuel system parts (16% of the Group sales)

- Keep pace with changing demand (BEV to PHEV).
- Flexibly respond to environmental regulations and expand sales. (Timely judgment of development, investment scale, market constraints, etc.)
- Develop high value-added products for thermal management, battery, etc.
- Develop products for e-fuel.

### e-Axle related products

For parking mechanism



Detent spring



Torsional spring



Motor cooling pipe

<Entry into thermal management products using our technologies through fuel system part>

- Cooling and heating for air conditioning
- Cooling of heat generated by battery

### Connector / Joint



### Quick connector



### Battery degassing tube

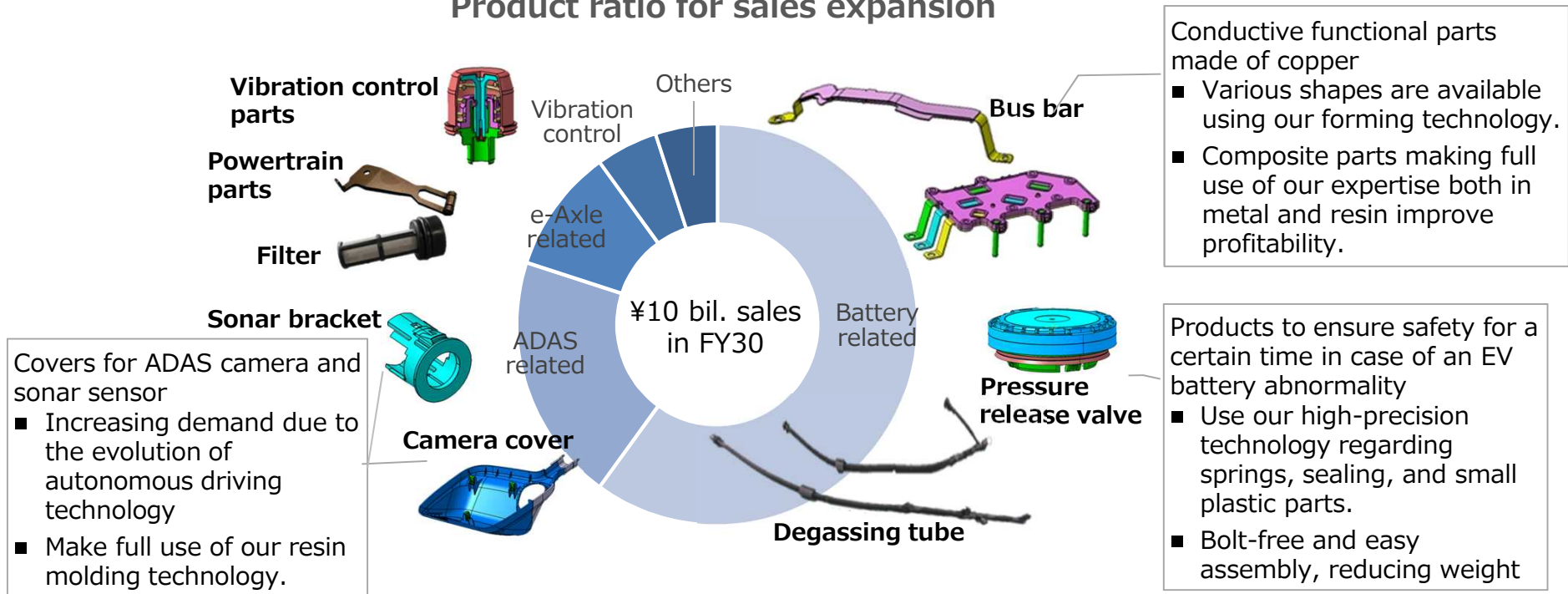


# Sales Expansion of CASE Products - 1

## Steady progress of entering into and selling CASE products

- We are steadily getting orders; sales expansion target in FY23 was achieved.  
 <Breakdown> Battery-related 60% / ADAS-related 20% / e-Axle, vibration control, etc. 20%
- Build relationships with new customers by making the most of our technologies.

Product ratio for sales expansion



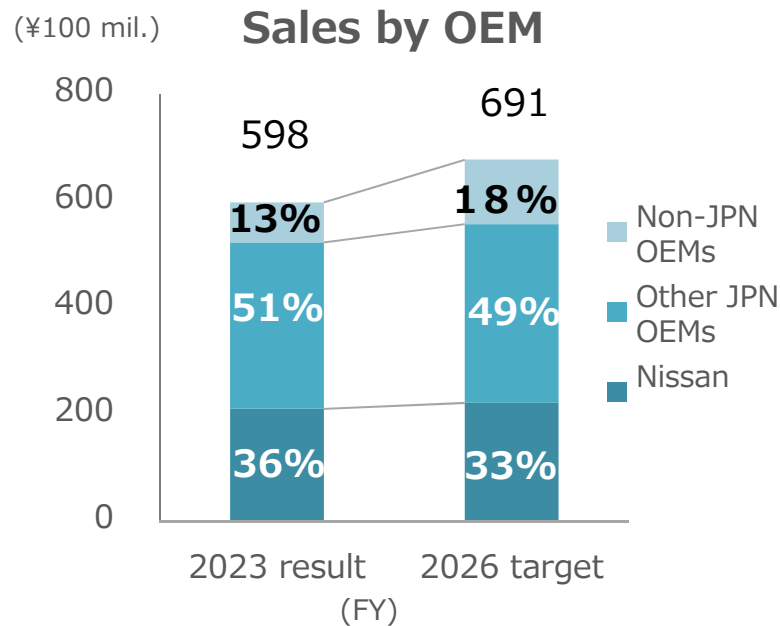
ADAS: Advanced Driver Assistance System

e-Axle: Drive module for EVs that combines a drive motor, an inverter, and a reducer

# Diversifying Customers and Products

## FY2026 Target

- Sales from non-Japanese OEMs: 18%
- Per-car sales for new models: +10% (from former models)



### Increase per-car sales (Japan)

- Target: Major models of Japanese OEMs
- Raise the unit price of parts and win new orders

#### [Major products contributing to sales]

- Open-close mechanism parts (for glove box)
- Valves for fuel tank
- Interior parts



- CASE products (ADAS, bus bars, etc.)
- Existing products adapting to structural changes by electrification
- New items through co-creation activities with customers



# Initiatives at Overseas Bases

## Europe (U.K. / Germany)

- Enhance sales to German OEMs.
- Continue to consider production allocation in Europe.

## ASEAN (Korea, Thailand, Indonesia) and India

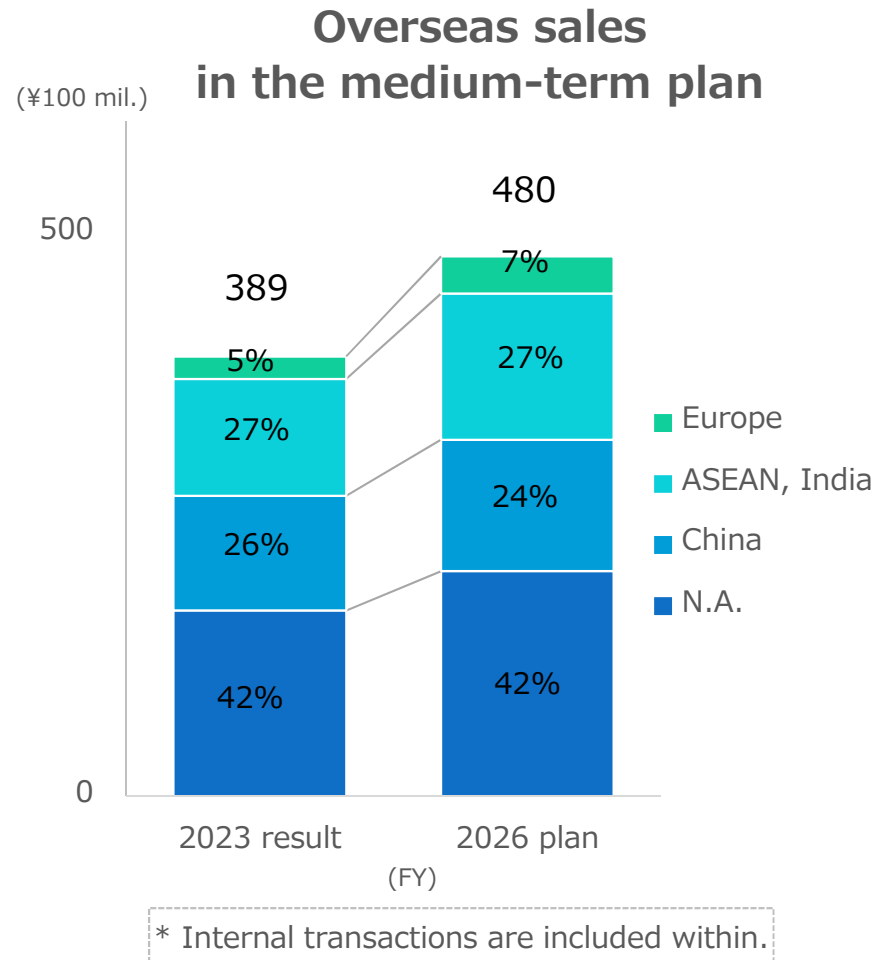
- Thailand: Shift business strategy (explained separately)
- India: Plant expansion in FY23
- Korea: Increase production
- Reinforce sales via cooperation among bases.

## China

- Shift business strategy due to market change. (Explained separately)

## North America (U.S. / Mexico)

- Increase sales from the U.S. BIG 3.
- Increase sales from VW and Hyundai.
- Expand production capacity.



# Initiatives at Overseas Bases (China)

## Shifting business strategy in China

### [Measures to expand sales]

#### (1) Change kakuhan targets

- Chinese OEMs (emerging EV makers) + Existing customers (to protect current businesses)

#### (2) Fundamental review of the development system

- A system completed in China
- A system to keep pace with the speedy Chinese market

### [Measures to improve profits]

#### (1) Drastic review of materials, processes, and methods

- Use local low-cost materials.
- Pursue labor saving to raise cost competitiveness.

#### (2) Review of production system

- Consolidate/Reallocate production for efficiency.
- Expand local production.

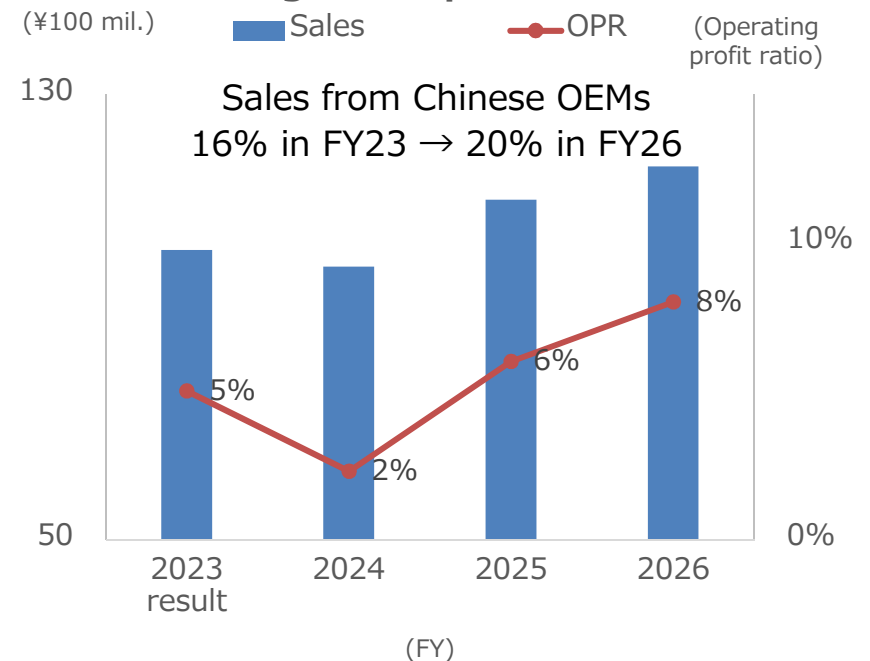
#### (3) Efficient organizational structure

- Consolidate management and quality functions at the Shanghai Head Office.

## China auto market

- Japanese OEMs are sluggish.
- Chinese OEMs are expanding their share (about 10% up from FY21 to FY24).
- Rapid shift to EVs

## Consolidated medium-term management plan in China



# Initiatives at Overseas Bases (Asia)

## Shifting business strategy in Thailand

### [Measures to expand sales]

- (1) Existing business - Promote fuel system parts for HEV.
- (2) New business – Win orders in new fields (e.g. molded interior parts) and of battery-related parts for BEV.
- (3) Expand customer base other than Nissan (Toyota, Chinese OEMs, etc.).
- (4) Cooperate with bases in Indonesia and India. Joint activities to expand sales of motorcycle parts with growth potential.

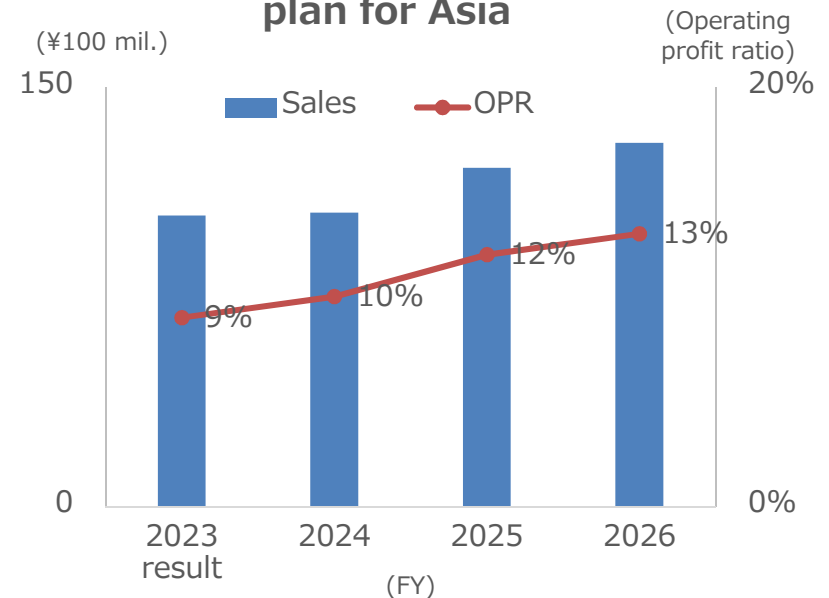
### [Measures to improve profits]

- Reduce fixed costs.
- Further pursue efficiency through automation and labor saving. (Introduce IoT in production)
- Reduce losses through quality improvement.

## Thai auto market

- Sluggish car sales in the country
- Increasing EV share (Chinese OEMs occupy about 80% of BEVs)
- Japanese OEMs are losing their share.

## Medium-term management plan for Asia



\* Thailand, India, Indonesia, and Korea

# Infrastructure Development in Japan - 1

## Starting operation at new Moka Plant

- Phase I zone (Plastic Building): From January 2024
- Investment: ¥10.5 billion (FY22-FY25) - cost increase due to facility expansion and soaring material cost
- Total floor: Approx. 28,700 m<sup>2</sup> (including Phase II zone)
- Phase II construction (Metal Building) started in FY24, full-scale operation in FY25

### <Next-generation global mother plant>

- Next-generation equipment and molding lines
- Automated lines using AI/IoT technology
- Efficient production through DX
- **200% productivity** by 2030
- **Efforts for carbon neutrality**
- **Increased production of CASE products**  
(battery-related parts, ADAS brackets)



Inside of new Moka Plant  
(Plastic Building)

# Infrastructure Development in Japan - 2

## For future growth - New Head Office -

### Global Head Office that transmits Piolax corporate brand to the world for a long time – Sustainable office

- Consolidate functions of Head Office and Yokohama Technical Center.
- Promote workstyle reform through working from home and free address system.
- Raise productivity of indirect sections through infrastructure development.
- Create an office that contributes to employee comfort and job satisfaction.
- Drastically improve the efficiency of indirect operations through Smart Office Project.

### Sustainable office

- ZEB Ready\* to be certified
- Fully automatic louvers on windows to control outside light and room temperature.
- EV parking space may provide power in case of disaster.



New Head Office image  
(Hodogaya, Yokohama)

Start of construction: FY24

Completion: FY25

\* Buildings that comply with a primary energy consumption reduction of 50% or more from the standard primary energy consumption, excluding renewable energy, will be certified.

# Capital Investment / Depreciation

**Capital investment for future leaps,  
mainly in the development of domestic infrastructure**

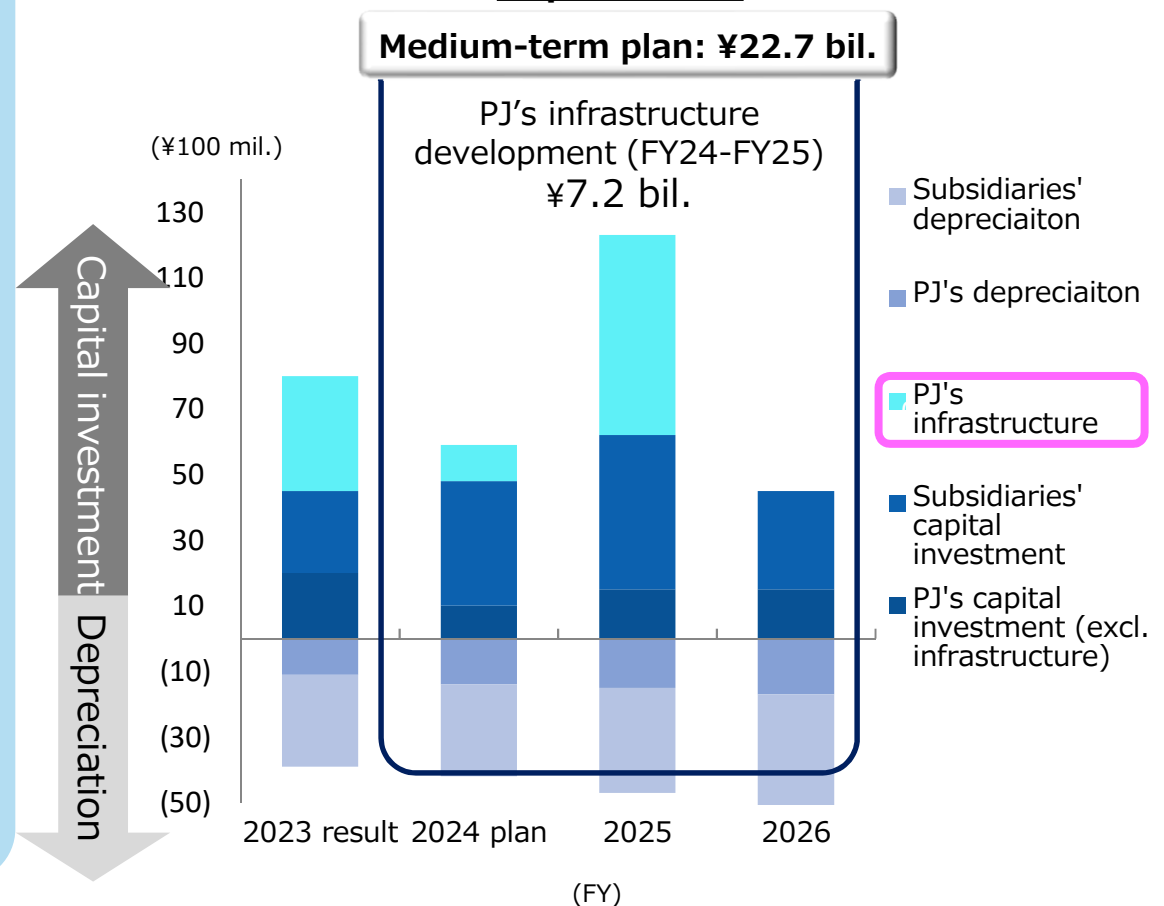
[FY24]

- Start construction of the Moka Plant's Phase II zone.
- Start construction of the new Head Office.
- Introduce solar panels and other equipment for environmental measures.
- Consider reallocating production globally.
- Expand production at overseas bases (Korea and Mexico).

[FY25]

- Complete the Moka Plant's Phase II zone.
- Complete the new Head Office.

## Trends in capital investment and depreciation



# Growth Investment (Capital investment)

**For further growth toward the 100th anniversary (2033) and beyond**

## Corporate growth

- Improve **stakeholder satisfaction**.
- **Expand sales** by new products and businesses.
- **Strengthen profitability** through structural reforms.
- **Increase productivity** by improving production and quality systems.
- Improve **employee job satisfaction**.

No.	Growth	3-year investment (¥100 mil.)	Main contents / targets
1	Developing new CASE products	20	Sales expansion: ¥22 bil. for 3 years FY30 global sales: + ¥10 bil. Introducing large molding machines at Moka Plant
2	Increased production capacity	78	Labor saving. Reducing direct material cost. Improving process. Improving/Reorganizing plants. Introducing new MES.
3	Structural reform through investment in DX and IoT	28	Reducing fixed and variable costs. Responding to new SAP (HANA).
4	Environmental investment	10	Installing solar panels. Reducing energy cost. Responding to carbon neutrality. Social contribution.
5	Human capital investment	3	Developing human resources. Work style reform. Health management. Improving employee satisfaction through welfare. Raising hiring rate.
6	Renewal	88	Improving productivity. Completion of new Moka Plant's Phase II zone and new Head Office (integrated R&D management)
Total		227	

The following is included among the above.

Improving Competitiveness in China	25	Increasing sales share of Chinese OEMs
Structural reform of medical device business	7	Increasing sales by ¥1 bil. by FY26

# III. CAPITAL POLICY

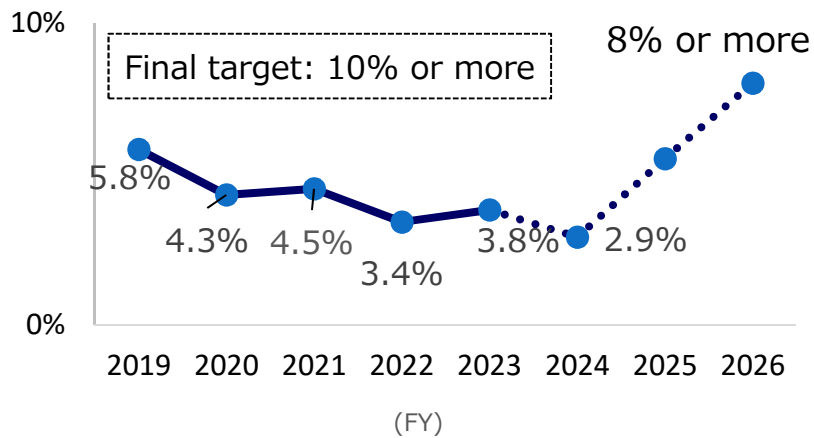


# Capital Policy - 1

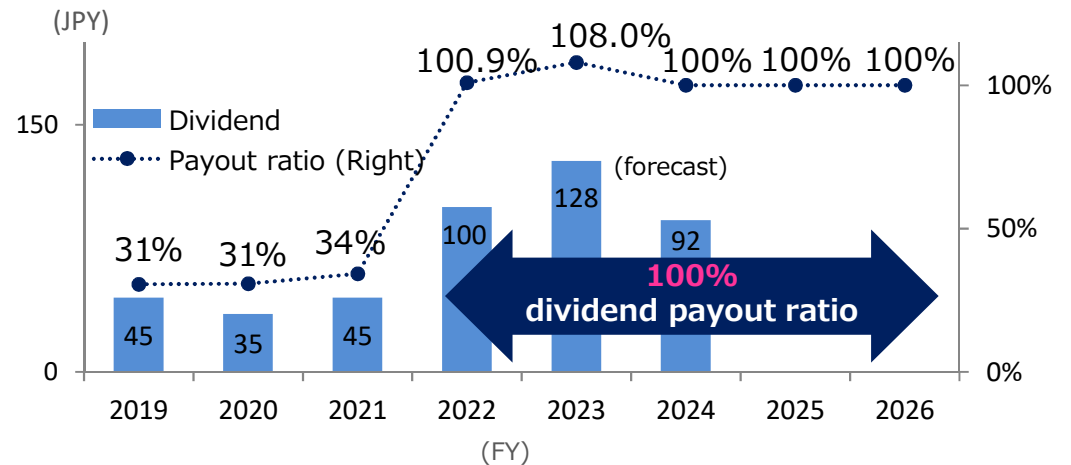
## Key KPIs

	FY25 management indicators (Previous)	FY26 management indicators (Amended)
ROE	8% or more Final target: 10% or more EVA spread +	8% or more Final target: 10% or more EVA spread +
Dividend payout ratio	100%	100% (continuing)

ROE trend



Dividend and payout ratio



\* The interim dividend for FY23 includes commemorative dividend of 10.00 yen for the 90th anniversary of the Company's founding.

# Capital Policy - 2

## Toward PBR 1x

### 3-year capital policy (FY24-FY26)

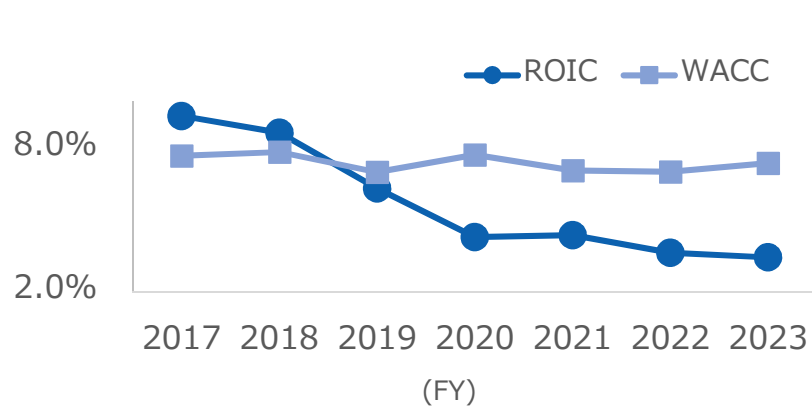
- Curb the buildup of equity capital
- 100% dividend payout ratio
- Agile repurchase/retirement of treasury stock

Retirement: To be implemented on June 26, 2024 (disclosed on May 10, 2024)

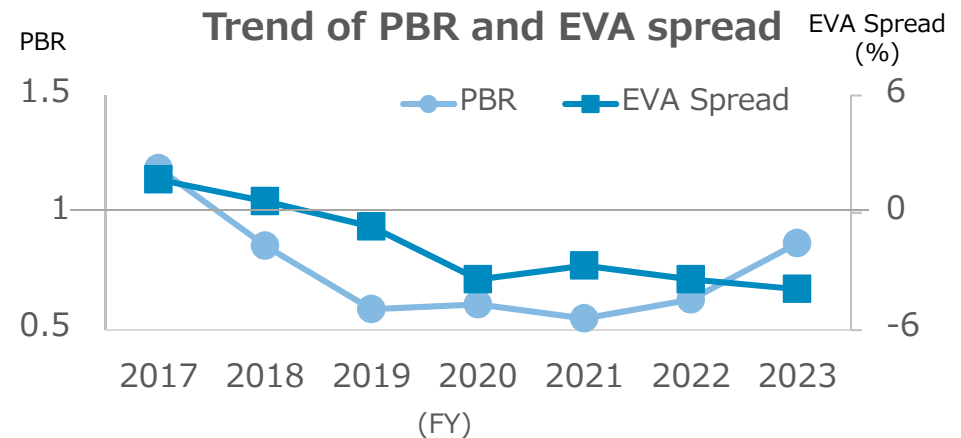
Repurchase: Being examined for implementation in this fiscal year (ending March 31, 2025)

The amount and timing will be disclosed as soon as it has been decided.

### Trend of ROIC and WACC



### Trend of PBR and EVA spread

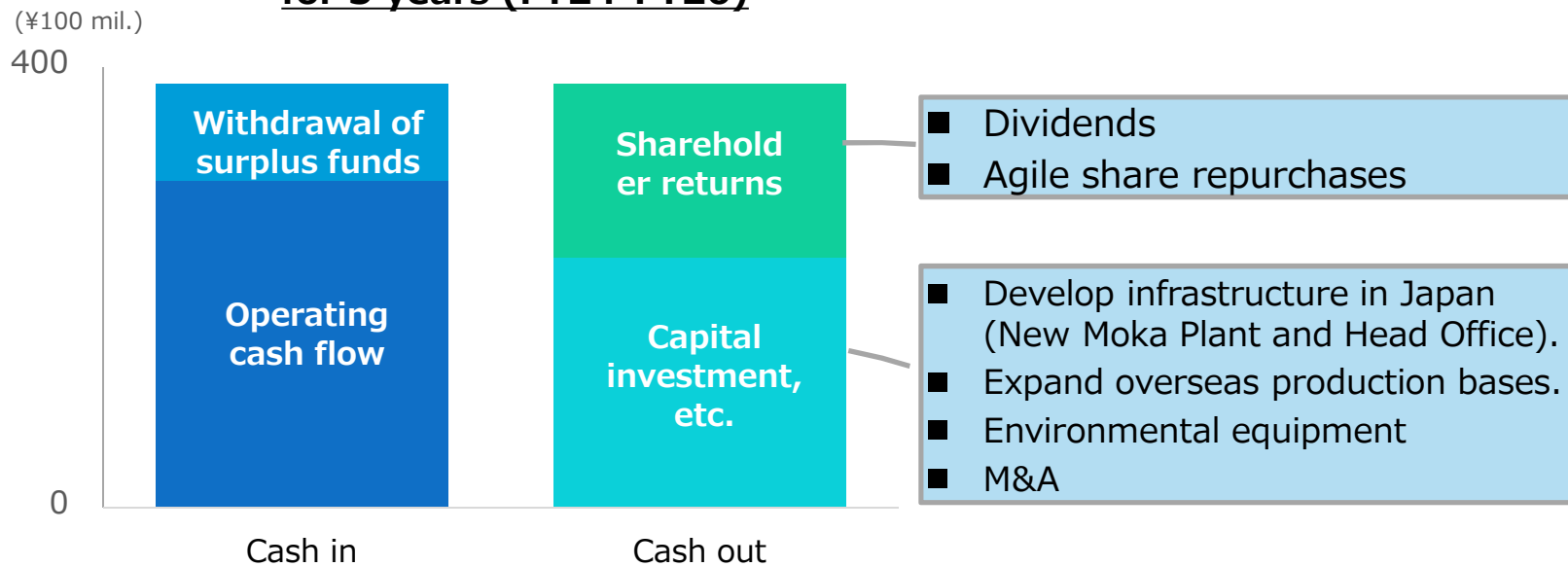


# Capital Policy - 3

FY24-FY26

- Aim to optimize the optimal capital structure and capital efficiency.
- Make aggressive growth investment for the future.
- Increase investment in R&D to promote new product development.
- Take additional measures to improve ROE and shareholder returns.

## Cash Allocation for 3 years (FY24-FY26)



# IV. PROMOTION OF ESG MANAGEMENT

# E

# Efforts for Carbon Neutrality

## Introduction of renewable energy

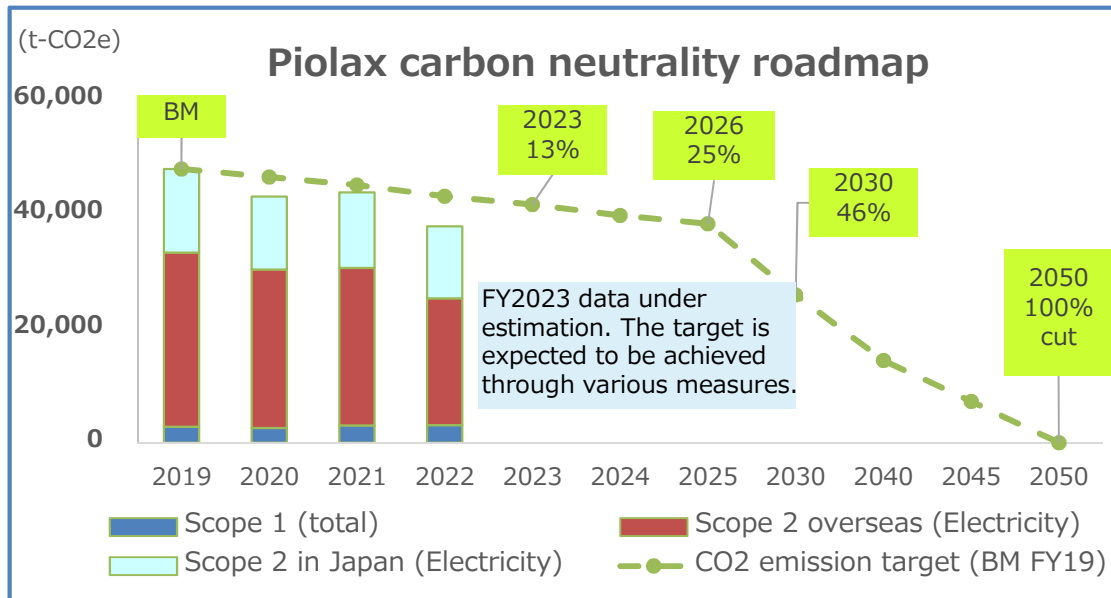
Moka Plant (Tochigi prefecture), Fuji Plant (Shizuoka prefecture), and Piolax Medical Device have started to use renewable energy **100%** since FY23.

## Installation of solar panels

Solar panels are installed on the new Moka Plant to promote self-sufficiency in renewable energy. We will also enhance Efforts in terms of life cycle assessment (LCA) to reduce Burden on the environment.



Solar panels on new Moka Plant



Overseas subsidiaries also included in the CN roadmap

**2030: -46%**

**2050: -100%** (From FY19)

\* We aim for carbon neutrality by 2050 for Scopes 1 and 2.

\* Subject: Piolax and its all subsidiaries

# Diversity Initiatives

## Diversity-related data

Improvement is seen in FY23.

	FY21	FY22	FY23	FY30
Percentage of female managers	3.5%	3.9%	5.2%	20% or more
Gender wage differential (regular workers)	—	79.1%	81.0%*	Eliminate the differential
Percentage of male employees taking childcare leave	18.2%	55.6%	60.0%	Further improvement

\* Gender wage differential: The ratio limited to managers is 103.9%.

### Certification of "Kurumin"

On November 9, 2023, we acquired "Kurumin" certification from the Ministry of Health, Labor and Welfare as a "company supporting child-rearing." During the period subject to accreditation review, we set the following action goals: (1) encourage male employees to take childcare leave, (2) reduce overtime work, and (3) expand internship and other opportunities. We believe that our achievements in these actions were evaluated and led to our certification.



### Certification of the highest ranking (3<sup>rd</sup> stage) of "Eruboshi" as an outstanding company

We will continue our efforts to increase the number of female managers and develop a workplace environment where anyone can work comfortably and play an active role.



### Certification as an "excellent health management corporation group in 2023" (large corporate division)

We will continue our support to promote mental and physical health and realize work-life balance of all employees, which is one of the most Important management objectives.



# G

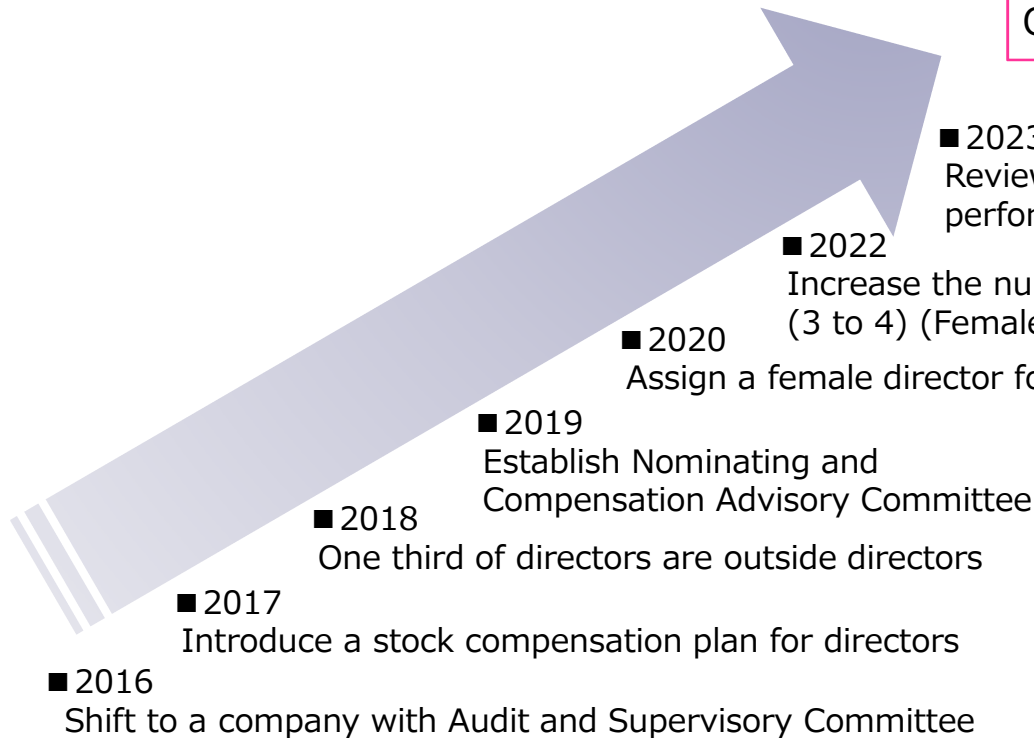
# Strengthening Governance

Aggressive management aiming to enhance corporate value over the medium to long term

## **Aimed structure of the Board**

Female directors: 30% or more

Outside directors: Majority



## **Structure of the Board (after the shareholders' meeting in June 2024)**

Female directors: 22% (2 people out of 9)

Outside directors: 44% (4 out of 9)

## **Effectiveness evaluation of the Board**

External advice is taken once every three years to increase objectivity. The Audit and Supervisory Committee is also evaluated every year from FY22.

# V. GROWTH STRATEGY (MEDICAL DEVICE)



# Business Environment and Aiming Direction

**[FY23]**

## **Impact of the corona infectious disease and competition**

- Soaring material, energy, and labor costs
- Deterioration of competitive environment (Fierce competition due to the reduced number of cases and the shrinking market)
- Increased cost to keep competitiveness in multiple domains, expand overseas, and invest in plant maintenance and others

**[FY24]**

## **Restructuring of management strategy**

- The market environment and cost increase factors will remain this fiscal year.
- Develop and launch new products - selection and concentration, speedy development.



- Review a new product launch plan and management structure.
- Respond to market environment changes and improve corporate structure.
- Allocate resources appropriately over the medium to long term to increase sales and profitability.
- Strengthen investment in human resources to enhance organizational strength and growth.

# Management Strategy (Medical Device Business)

## **1. Business selection and concentration**

- Concentrate resources on “vascular treatment\*1” and “non-vascular treatment\*2.”
- Maintain the top share in Japan of specific products\*3 and increase the ratio.
- Expand the market and strengthen the production system, focusing on our unique products.
- Expand market in Japan and overseas, strengthening overseas expansion.

## **2. New product development**

Launch profitable products for niche markets.

## **3. Strong cooperation with the parent company**


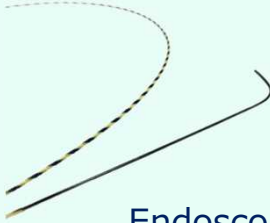




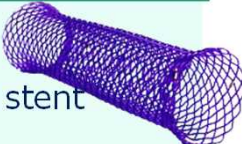
In the area of product design, production engineering, and management as well as with new Moka Plant

\*1 Vascular treatment: Treatment or diagnosis is performed by passing a device through blood vessels.

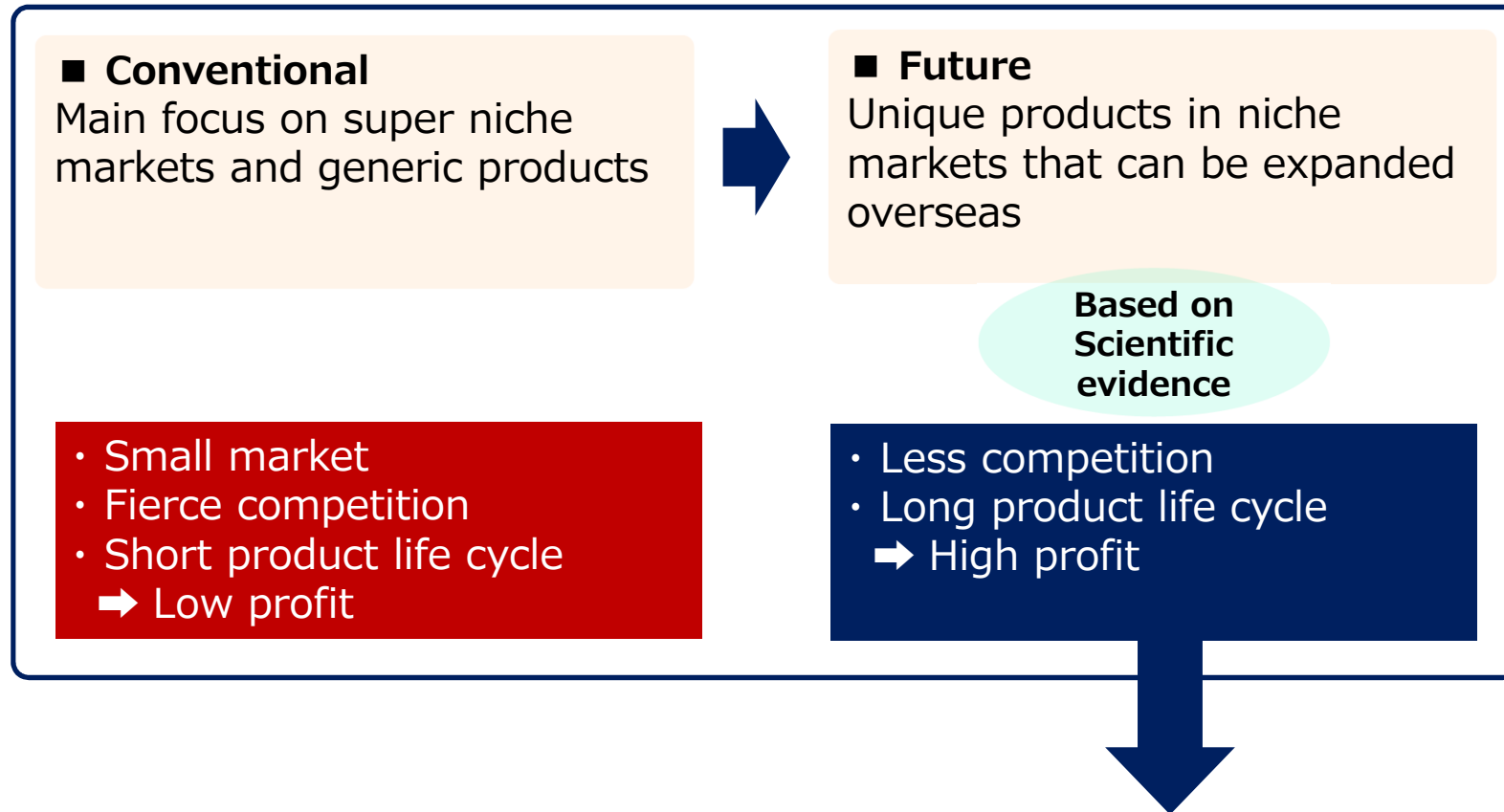
\*2 Non-vascular: Treatment or diagnosis is performed by passing a device through vessels other than blood vessels.

\*3 Specific products: Guidewires for digestive endoscopes in Japan

# Business selection and concentration

Vascular treatment	Selection and concentration x Global	Non-vascular treatment
 <p>Vascular embolic coil</p>	<p><b>1. Maintain the top share in Japan and raise the ratio</b> Enhance production and expand market.</p>	 <p>Endoscopic guidewire</p>
  <p>Chemical mixing connector      Microballoon Catheter</p>	<p><b>2. Build evidence</b> Expand market (in Japan and overseas).</p>	  <p>Endoscopic sheath      Endoscopic cannula</p>
<p>&lt;New&gt; Vascular embolic coil Coil pusher Mapping Coil Guidewire for dialysis shunt</p>	<p><b>3. Launch new products based on our strengths</b></p> <ul style="list-style-type: none"> <li>•Recreate medium- to long-term business roadmap.</li> <li>•Use introductory products.</li> <li>•Develop sales areas/routes.</li> </ul>	<p>&lt;New&gt; Biodegradable esophageal stent Endoscopic sheath Plastic stent Balloon catheter for esophageal dilatation &lt;Resale&gt; Biliary covered stent</p> 

# Efforts for New Product Development



**Japan is leading the markets where our company does business.**

**→ We can develop the business globally.**

**Expanding sales = Securing profits**

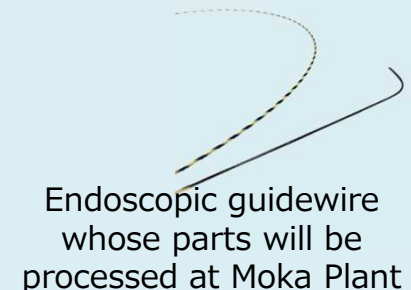
# Strong Cooperation with Parent Company

Use the strengths of designing, development, manufacturing, and processing that Piolax has accumulated in the medical field

## 1. Increase production capacity (Use Moka Plant)

July 2024: Start parts processing at Moka Plant.

From 2025: further promote production efficiency and cost reduction.  
(Consider increasing production and outsourcing other processes.)



## 2. Establish a supply chain which ensures stable supply at optimal price without being affected by order fluctuations

Stabilize supply, improve quality, and reduce cost through in-house production.

## 3. Use Piolax's strengths in designing metal-and-plastic-combined structure in the medical field

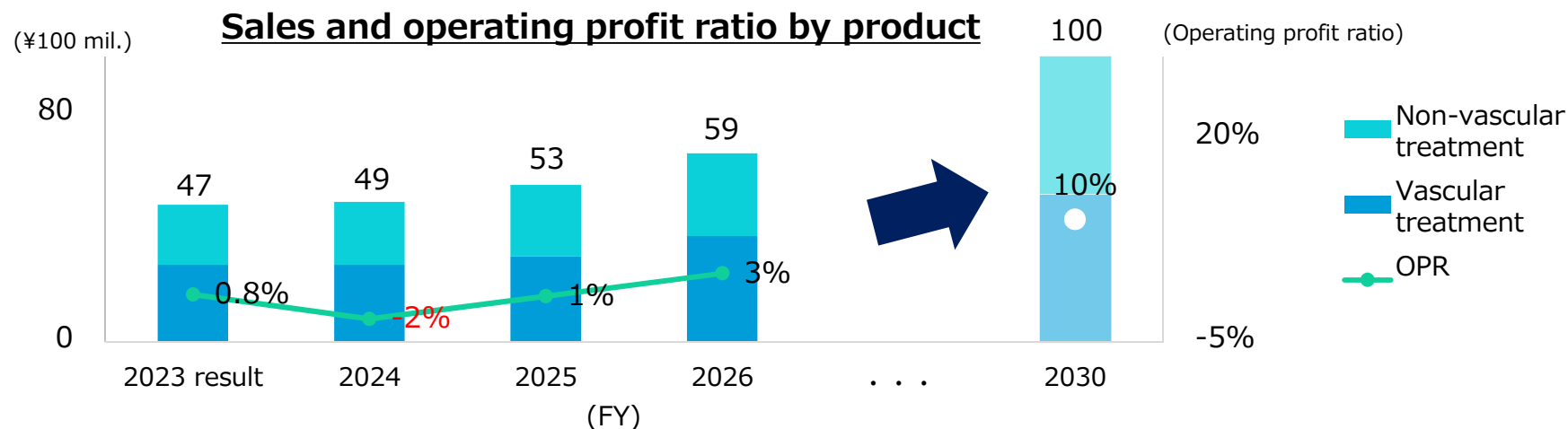
## 4. Cooperate in simulating medical devices when used in human body

Give feedback of numerical analysis on human body and device materials for product design.  
Use scientific evidence to shorten a development time.

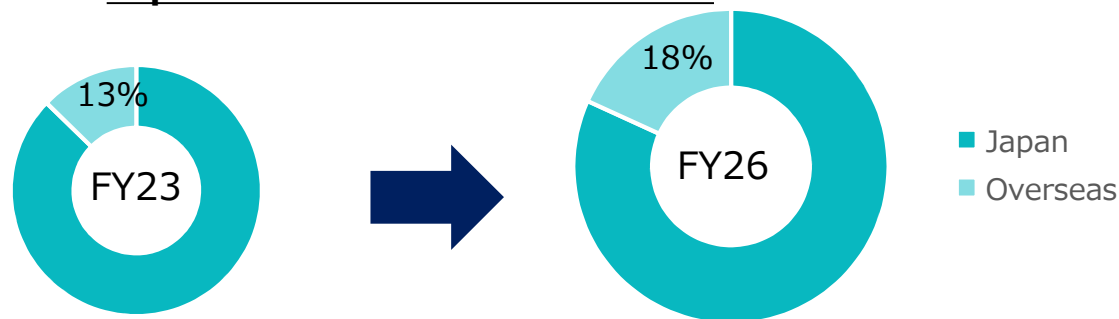
## 5. Encourage system integration and personnel exchange for back-office work

# Mission "Bringing Smiles to Patients in the World"

- Promote unique and highly competitive product development.
- Use OEMs to gain high market share in domestic and overseas niche markets.
- Aim to achieve sales ¥10 billion and operating profit of ¥1 billion in FY2030.



## Japan and overseas sales ratio



# Precautions for handling this document

**The forward-looking statements contained in this document are based on information available to us at the time of publication.**

**Please note that such statements are future projections at this time and contain risks and uncertainties and that actual results may significantly differ from the projections.**

