

Financial Results Briefing for the 2nd Quarter of FY2024

Thursday, December 5, 2024
PIOLAX, INC.
(Code: 5988)
Satoshi Yamada, President

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Progress of medium-term management plan

(Unit: 100M JPY)

	FY2023 results	FY2024 after revision	FY2025	FY2026
Sales	646	(660) 635	700	750
Automotive	598	(611) 585	647	691
Medical device	48	(49) 50	53	59
Operating profit	48	(36) 24	58	88
Automotive	48	(37) 22	58	86
Medical device	0.4	(-1) 2	0.3	2
Operating profit ratio	7.4%	(5.5%) 3.8%	8.3%	11.7%
Automotive	8%	(6%) 3.8%	9%	12%
Medical device	0.8%	(2%) 4.0%	1%	3%
Net profit	40	(31) 22	53	74
ROE	2.9%	→		8% or more

In the 1H, sales increased (strong North America and medical device business), but profit decreased compared to the plan. Without the effect of weak yen, the sales also decreased due to reduce production of major Japanese OEMs in Japan and China.

Assuming that this trend will continue in the 2H, we have revised our full-year forecasts downward.

The medium-term management plan is also being reviewed in light of significant changes in the business environment.

Global car production is around 85 million units, with EVs and hybrids becoming more prevalent.

We will step up our efforts to approach Chinese OEMs in light of struggles of Japanese OEMs in China.

We will aim for medium- to long-term development by investing in areas with high growth potential (N.A. and India), improving our development structure, and strengthening our product development capabilities.

<Exchange rates> 1 USD = 145 JPY, 1 CNY = 20 JPY

*Figures in parentheses are before revision.

Progress of medium-term management plan: Automotive 1

Management strategy and priority issue	Medium-term management plan	Situations in FY24
1. Product and customer strategy • Develop CASE parts and receive orders • Diversify customers and products	Accelerate response to CASE	Steady sales activities
	Sales ratio to non-Japanese OEMs: 18% in FY26	1H: 12.4%
	Increase per-car sales for new models: +10% (from former models) in FY26	Steady progress for JPN OEMs in Japan
2. Business strategy • Discover new businesses • Reduce fixed costs (Piolax Japan)	Discover new businesses other than medical equipment	Continue discovering new business by MIRAI Business Dept.
	Fixed costs (Piolax Japan) FY24: Reduced by 400 million yen FY26: 10 billion yen level	Promoting fixed cost cut and identifying growth areas to raise profitability of Piolax Japan
3. Regional strategy • Strategy in North America • Change in strategy in China • Improve profitability in Asia • Strategy in Continental Europe	Ratio of N.A. sales (U.S. and Mexico) to overseas sales in FY26: 40% or more	Sales ratio: 35% (full year forecast) N.A. sales cover sluggish China sales.
	Sales ratio with Chinese OEMs in FY26: 20% or more	Conducting sales expansion activities
	Improve profitability in Asia Operating profit ratio in FY26: 13% or more	Operating profit ratio: 8.2% (full year forecast)
	Establish a new system in Europe	Reviewing our business structure in Europe

Progress of medium-term management plan: Automotive 2

Management strategy and Priority Issue	Medium-term management plan	Situations in FY24
4. Growth investment strategy •Develop infrastructure in Japan •Enhance investment in CASE and new businesses	Build a new Moka Plant. FY24: Start Phase II construction. FY25: Complete Phase II construction and start operation. New Head Office to be completed in FY25	Building a new Moka Plant. Phase II started in FY24 Constructing new Head Office in FY24
	Enhance investment in CASE and new businesses. R&D to sales ratio in FY24: 1.5%	Promoting development of CASE and eco-friendly products
5. Management capital strategy •Pursue capital efficiency •Promote ESG management	FY24 to FY26: 100% dividend payout ratio ROE in FY26: 8% or more	Disclose capital policy (Separately explained)
	Promote ESG target •Reduce CO2 for carbon neutrality -17% in FY24, -25% in FY26 •Advance diversity initiatives •Enhance governance	•Promoting measures for carbon neutrality including our supply chain in the Group •Others are progressing steadily (Separately explained)

Response to CASE

Accelerate development and sales of CASE products, which is progressing steadily

[Strategic Policy]

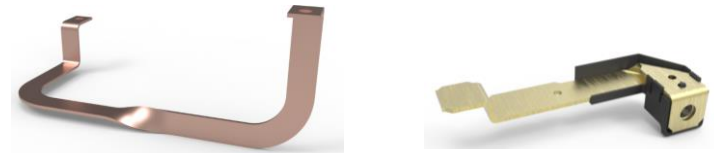
■ Focus resources on promising items and accelerate sales expansion: bus bars, ADAS brackets

■ Make new Moka Plant a mother plant of CASE products

- Aggressive investment plan (large molding machines, presses)
- Establish competitive process designs and costs through automation

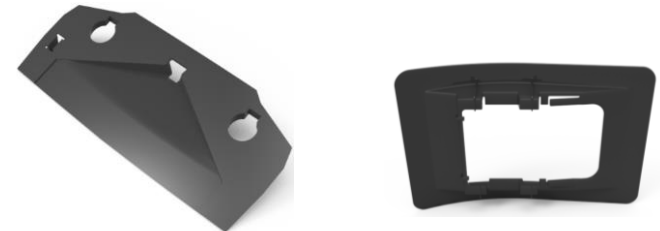
Bus bar

Functional parts made of copper or aluminum to distribute power to multiple outputs

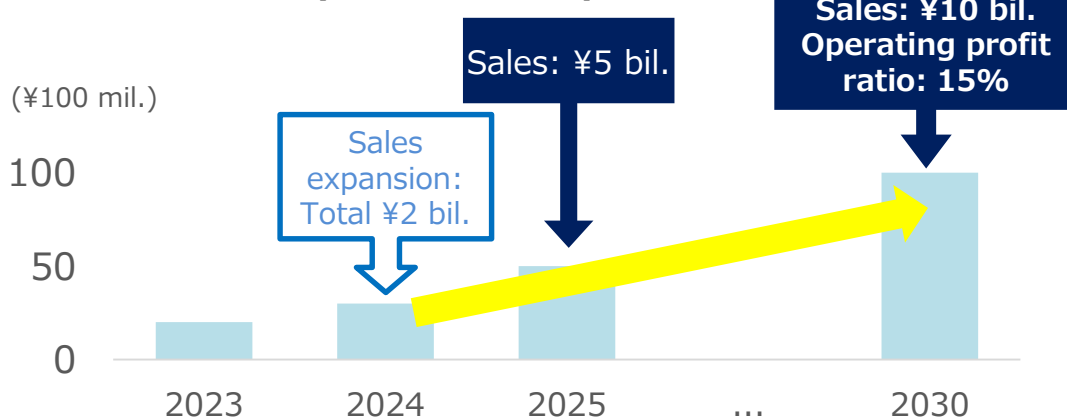


ADAS Bracket

Fasten various devices for advanced driving assistance system to car body



Sales plan of CASE products



Sales are increasing steadily in line with our sales expansion roadmap.

BUSINESS GROWTH STRATEGY

Shift in management policy

Piolax in the past – Glow in line with the increasing car production

- Four business units by product line (fasteners, fuel system parts, powertrain parts, O/C mechanism parts)
- Management in the limited product areas by selection and concentration



Changes in the business environment

- Car production volume remaining or slightly decreasing
- Changes in automotive components due to electrification
- Accelerating automotive development speed
- Increased costs of materials, energy, labor, etc.



Piolax in the future - Grow on our own without relying solely on car production increase

Automotive: Well-modulated allocation of management resources

- Regional strategy: Active investment in growing markets
- Product strategy: Product development beyond the boundaries of the existing product lines

Medical device: Expand medical business and increase its ratio in the Group

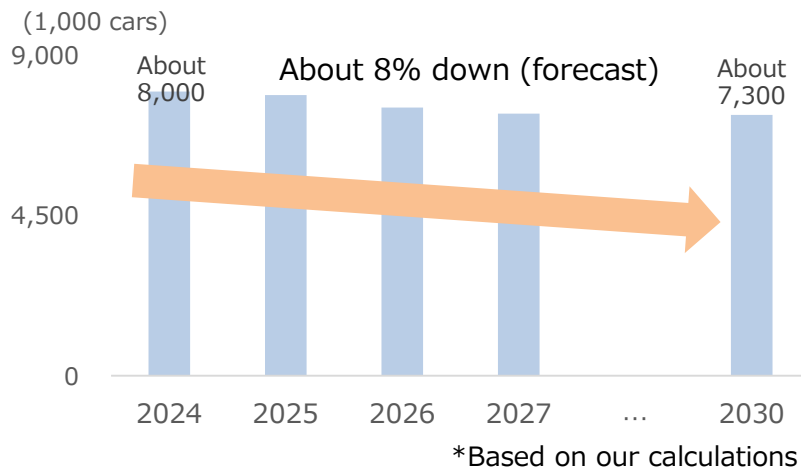
REGIONAL STRATEGIES (JAPAN, NORTH AMERICA, INDIA, CHINA)

Japan: CASE products

Strengthen our organization by selection and concentration on CASE products and active investments

[Market environment in Japan]

■ Car production volume in Japan



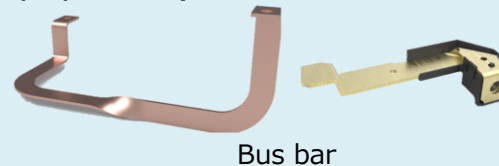
■ Customer trends

- Domestic production increase cannot be expected. A function as a R&D center of core technologies for next-generation EV units will be expanded.
e.g.) e-axles, ADAS, batteries

Business strategy

1. Strengthen our organization to respond to CASE

- Active capital investment in CASE products (Large molding machines, metal processing equipment)



- Strengthen development, production engineering, and manufacturing systems.

2. Raise profitability by labor-saving and automation

- Promote labor-saving and automation in the Group.
- Enhance price competitiveness.

3. Strengthen global strategies

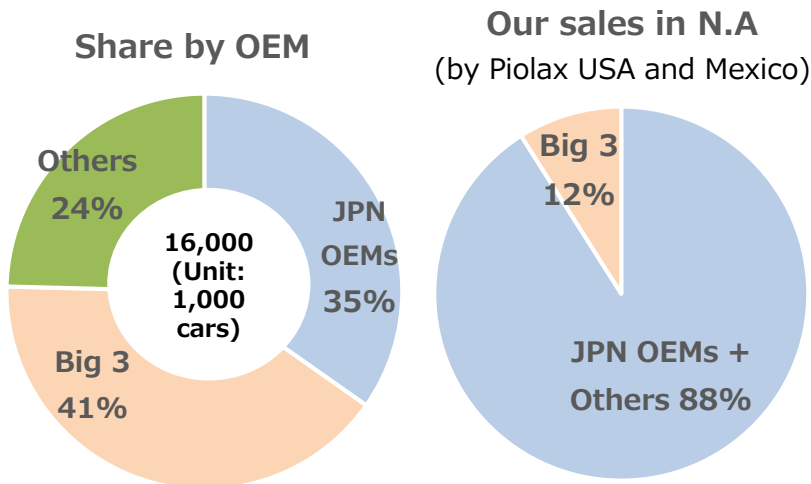
- Strengthen and promote customer and regional strategies.
(Business Development Dept. is newly established.)

North America: customer portfolio

Diversify customer portfolio by strengthening sales to Big 3

[Market environment in N.A.]

■ Share by OEM and our sales composition



(Our sales with Big 3 is not big compared with their market share in North America.)

■ Additional tariff policies

- Simulate impacts on our revenue and take measures.
- Consider relocation of our production bases in North America and Mexico.

Business strategy

1. Expand the ratio of sales to Big 3

- Review and enhance system (sales and development).
- Consider a sales scheme for models made in South America.
- Products
 - Sell existing products to other models.

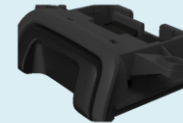


Damper



Spring cushion

- Enter new fields with value-added products.



Console latch



ADAS Bracket

2. Review and strengthen production system in line with the external environment

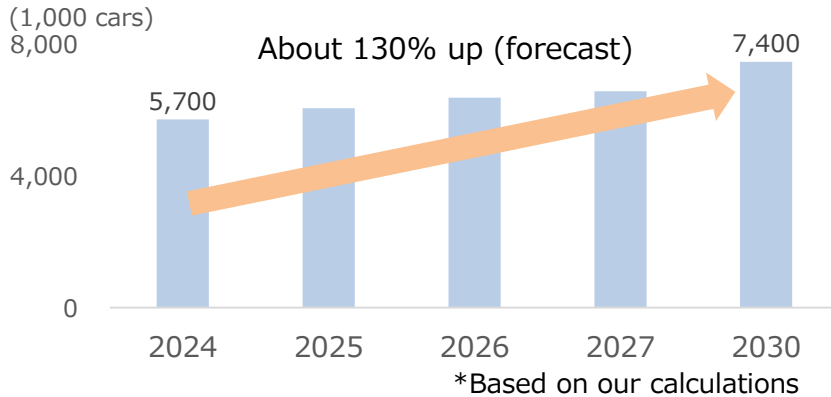
- USA: Improve productivity through labor-saving and automation.
- Mexico: Increase production capacity and improve production technology.

India: Following a growing market

Aggressive investment in the growing Indian market

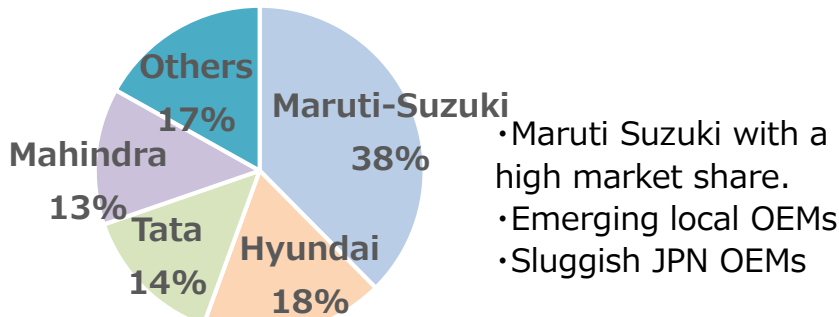
[Market environment in India]

■ Production volume



- A significant increase in production volume is expected.

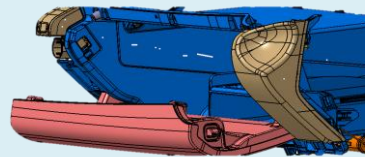
■ Market share by OEM



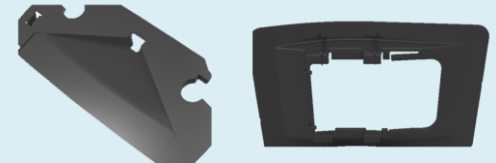
Business strategy

1. Diversify our customer portfolio in the growing market

- Reinforce sales system to Maruti Suzuki.
- Increase sales to local OEMs (e.g. Tata, Mahindra & Mahindra).
- Further expand sales for motorcycles.
- Increase sales by introducing larger products.



Glove box body



ADAS bracket

2. Build up production as the market grows

- Increase production capacity with the second plant.
- Reinforce R&D system (for existing products and advanced development).

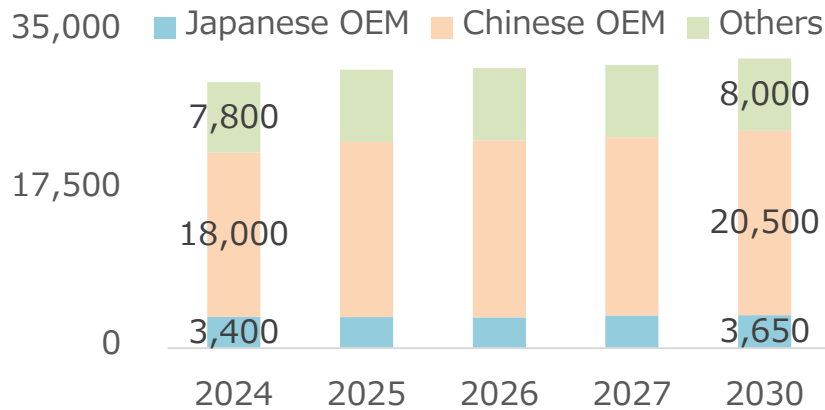
China: Diversify customer portfolio

Enhance sales to Chinese OEMs

[Market environment in China]

■ Production volume

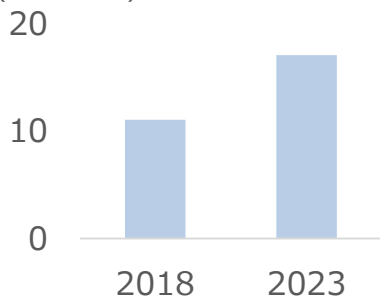
(1,000 cars)



*Based on our calculations

■ Our sales to Chinese OEMs

(¥ 100 mil.)

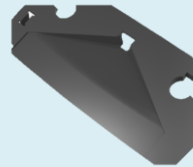


- Growth: 150% or more (exceeding the market growth rate)
- Providing both plastic and metal parts

Business strategy

1. Reinforce sales to Chinese OEMs

- Set up a system so that everything from designing to production will complete in China to secure speed and flexibility.
- Focus on profitable products.
- Reduce costs by using local materials.



ADAS bracket



PHEV-related parts



Snap ring

2. Promptly establish a system to ensure profitability

- Reallocate production by product group to improve productivity.
- Reduce costs by consolidating administration and quality functions.

MEDICAL DEVICE BUSINESS STRATEGY



Medical Device Business Strategy

Advance from a niche strategy to a global niche strategy

Business strategy

1. Strategic sales by leveraging strengths of four main products

- Promote sales by expanding customer portfolio
- Guidewires: Global expansion
- Coils: Entering new fields
- Stents: Develop unique products
- Catheters: Synergistic effect with guidewires

2. Enhance production and development systems

- Strengthen development capabilities to meet sophisticated quality requirements
- Establish a development system to promptly comply with strict and complex laws and regulations.

[Efforts for product development]

■ Up to now

Development focused on niche markets in Japan and generic products

■ Gastrointestinal guidewires in Japan: about 6 billion yen/year
(Aging society, but decreasing population)

■ Top-class production volume of gastrointestinal guidewires in Japan

- Small market
- Short product life cycle

Future

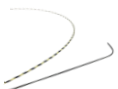
Development of unique products that can be sold in niche markets overseas

■ Overseas market of gastrointestinal guidewires is 8 to 9 times larger than Japan.

■ Aim for the top share in Japan

- Large market
- Long product life cycle

Four main products



Guidewires



Coils



Stents



Catheters

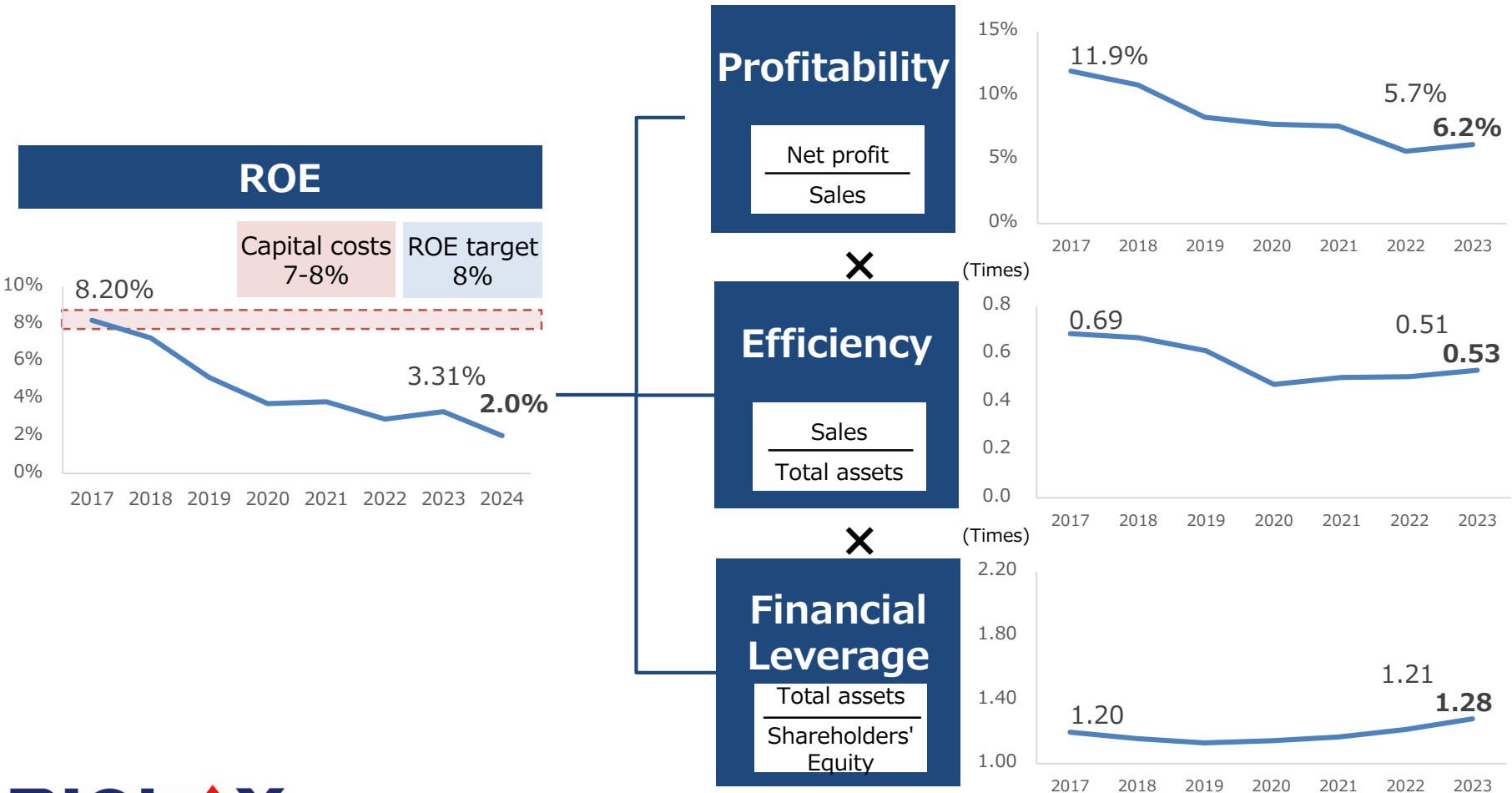
In the markets where we do business,
Japan is leading.

➔ We can develop the business globally.

CAPITAL POLICY

ROE Analysis

All three elements remain at low levels. To hasten improvement of "profitability," we will review our business growth strategy. For "efficiency" and "financial leverage," we will review our capital structure.



Capital policy decided

Toward transforming our capital structure, we will implement the following measures to improve capital efficiency and increase corporate value.

No.	item	Contents
1	Total share buybacks over three years: 30 billion yen	Purchase 30 billion yen of our own shares over three years (10 billion yen a year). In the first year, we purchased our shares worth 10 billion yen from November 8, 2024. This will be continued in the next two years.
2	Maintain dividend of 92 yen or more for three years	Until the fiscal year ending March 2027, maintain annual dividend per share at 92 yen or more (based on the initial dividend forecast for FY24).
3	Amendment to the basic business alliance agreement with Saga Tekkohsho Co., Ltd.	The basic business alliance agreement with Saga Tekkohsho Co., Ltd was amended. We sold part of its shares so that the company is excluded from our equity method affiliates.

Introduction of stock-based compensation for employees is being considered.

Shareholder returns

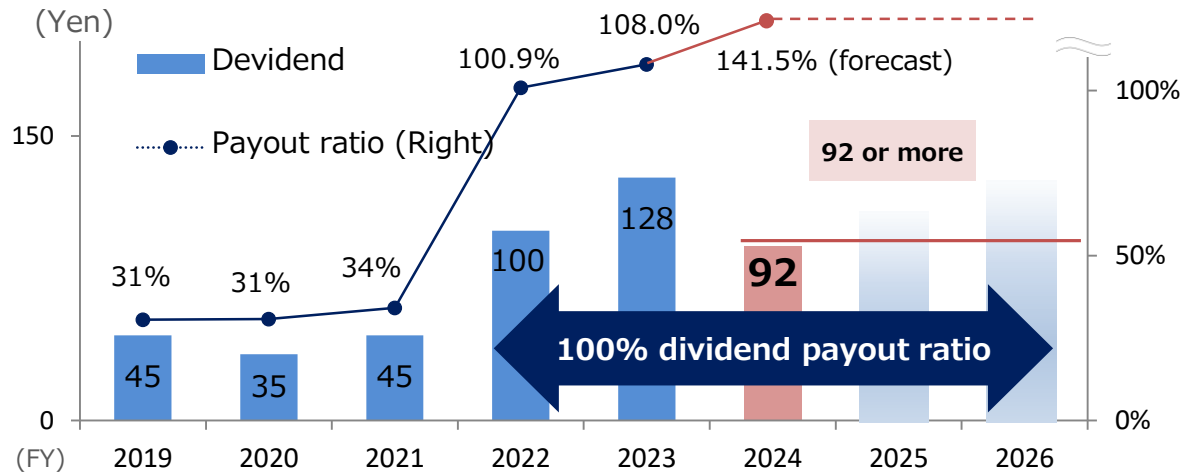
1. Share buyback: 30 billion yen over three years

Overview of the first share buyback

- 1) Acquisition amount and number of shares: 10 billion yen or 6 million shares (maximum)
- 2) Method: Purchasing from the market
- 3) Period: From November 8, 2024 to November 7, 2025 (continued thereafter)

2) Annual dividend: 92 yen or more for three years

Until FY26 ending March 2027, annual dividend per share will be maintained at 92 yen or more based on the initial dividend forecast for FY24. The consolidated dividend payout ratio for FY24 is expected to be 141.5%.

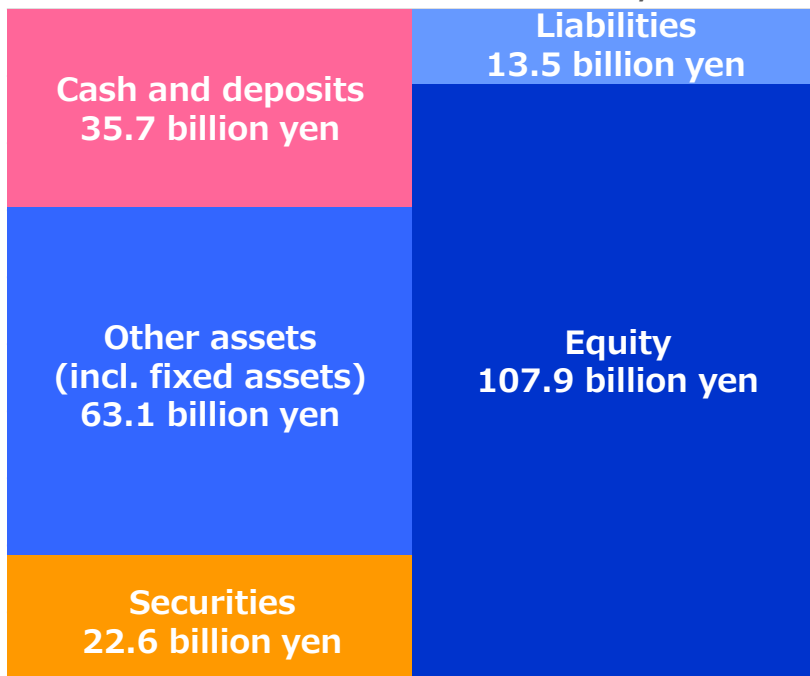


* The interim dividend for FY23 includes commemorative dividend of 10 yen for the 90th anniversary of the Company's founding.

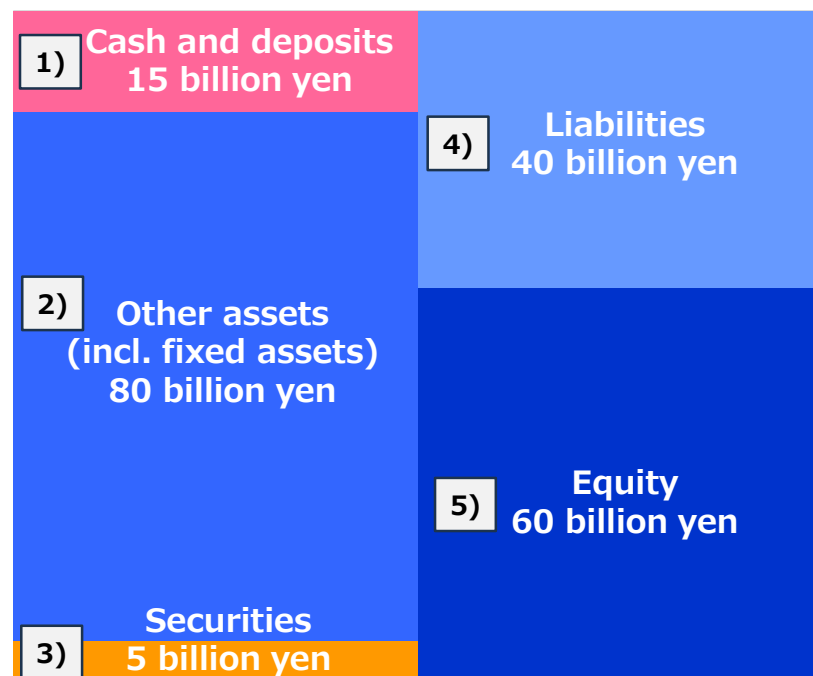
Capital structure after measures

We amended the basic business alliance agreement with Saga Tekkohsho and sold part of its shares so that the company has been excluded from our equity method affiliates (below 20%). While continuing investments for growth, we will purchase our own shares worth of 30 billion yen to secure adequate capital ratio of 60%.

Balance sheet as of March 31, 2024



After the measures



- 1) Cash and deposits - Part of them were used for shareholder returns.
- 2) Other assets - Increase in capital assets, etc. for growth investment
- 3) Securities - Decrease due to partial sale of shares of Saga Tekkohsho

- 4) Liabilities - Increase in interest-bearing liabilities through use of financial leverage
- 5) Equity - Decrease due to acquiring our own shares of 30 billion yen, paying dividends, and selling part of shares of Saga Tekkohsho

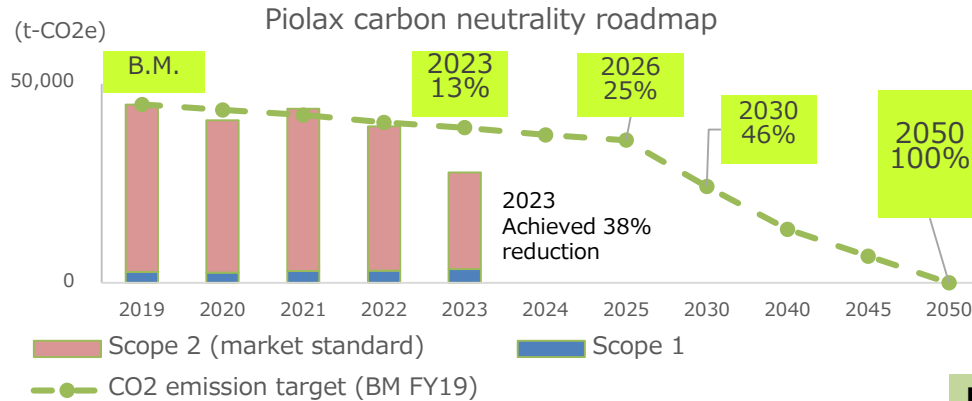
SUSTAINABILITY INITIATIVES

Sustainability initiatives

Carbon neutrality (CN) in FY23: -46% (from FY19)

FY23: Introduce 100% renewable energy at Moka and Fuji Plants and Piolax Medical Devices.

FY24: Include overseas subsidiaries in our roadmap.



E

Diversity

	FY23	FY30 Target
Percentage of female managers	5.2%	20% or more
Gender wage differential (regular workers)	81.0%*	Eliminate the differential
Percentage of male employees taking childcare leave	60.0%	Further improvement

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

Certified for "Eruboshi," "Kurumin," and "Excellent Health Management Corporation Group in 2023"



S

Strengthening governance

- 2016: Shift to a company with Audit and Supervisory Committee
- 2019: Establish Nominating and Compensation Advisory Committee
- 2020: Assign a female director for the first time
- 2022: Increase the number of outside directors (3 to 4) (Female directors from 1 to 2)
- 2023: Review the executive compensation system. Introduce a performance-linked factor → Expanded to executive officers

Structure of the Board

(after the shareholders' meeting in June 2024)

- 1) Female directors: 22% (2 people out of 9)
- 2) Outside directors: 44% (4 people out of 9)

Target
30% or more
Majority

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

G

We are working to achieve our ESG Vision 2030

Precautions for handling this document

The forward-looking statements regarding our company in this document are based on information currently available to us.

Please note that they are only projections at this time containing risks and uncertainties, and actual results may differ significantly from the projections.

