

PILOT CORPORATION

2022-2024

Medium-Term Management Plan Progress
(2023)

Tasks to Be Addressed

The PILOT Group formulated the 2022–2024 Medium-Term Management Plan to realize our 2030 Vision based on our purpose—Our Creations Inspire Creativity. Having positioned 2022–2024 as the three years for “Reform and Challenge,” we will speedily implement the five basic strategies stated below and push forward initiatives for achieving the 2024 goals set respectively for the strategies as well as the managerial index and financial indicators.

Purpose

Our Creations Inspire Creativity

2030
Vision

We support the act of writing around the world and at the same time support society and culture in fields other than writing.

No. 1 Brand in the global writing instrument market

Expand overseas business and maintain domestic share

Grow with non-writing instrument businesses as the second pillar

Sales composition ratio 25%

Offer value to the environment, society, and employees

Contribution to the creation of a sustainable earth and society

2022–2024
Medium-Term
Management Plan

Five basic
strategies

Build the foundation for 2030 Vision
– Three years for “Reform and Challenge”

(1) Further strengthen functions for business expansion

(2) Set to work on capital and business alliances and new business concept

(3) Strengthen the overall group governance system

(4) Integrate sustainability and the Medium-Term Management Plan

(5) Formulate and implement long-term design of human resources

Guiding Principles

Three forces in balance with each other

Shared joys and shared sorrows

Overcoming difficulties

One step, one day

A very sincere approach

Basic Strategy 1: Further Strengthen Functions for Business Expansion

2024 Goal:

Toward 2030, we will drive forward to strengthening marketing and R&D functions, building supply chains, and strengthening sales channels and distribution in stages

2023 Initiatives

	2024 Target	2023 Progress
Marketing, R&D	Strengthen product planning and sales promotion activities that reflect customer needs of respective countries and regions	<ul style="list-style-type: none"> • Developed human resources to strengthen product managers • Globally expanded the marketing team (set up a new Global Marketing department) • Enhanced "International Meeting" and shared information with major sales subsidiaries in each country and region • Exhibited at Virtual Market 2023 Summer and Winter
	Strengthen functions of research and development	<ul style="list-style-type: none"> • Created new development themes for non-writing instruments • Examined coexistence and co-prosperity for analog and digital technologies
Procurement, production	Reallocate domestic production bases to enhance BCP measures and production facilities	<ul style="list-style-type: none"> • Developed an optimum production structure, production goals, and investment plan in light of supply chain risk analyses, stable supply, BCP, and other aspects • Planned the dispersion of production processes across factories as a countermeasure to production risks, with the plan being implemented step by step • Introduced a headquarters for the production department, consolidated the materials procurement department • Planned and examined the details of the reconstruction of factories • Collected information on parts procurement for overseas production
	Preparation for expansion of overseas production	
Distribution, sales	Implement strategies for every domestic channel	<ul style="list-style-type: none"> • Facilitated a shift to optimum operating and sales structures for each channel • Promoted the use of sales support systems
	Enhance sales network in every country	<ul style="list-style-type: none"> • Started operation of a sales and manufacturing subsidiary in India • Established a sales subsidiary in Indonesia • Turned an Indonesian manufacturing joint venture into a wholly-owned subsidiary

Basic Strategy 2: Capital and Business Alliances and New Business Concept

2024 Goal:

- Actively consider and implement capital and business alliances with other companies for business expansion
- Increase market shares of the existing products and expand new item range, and create a new business concept from a medium- to long-term perspective

2023 Initiatives



Status after capital and business alliance with Mark's Inc.

- Opened its flagship store MARK'STYLE AZABUDAI HILLS in Azabudai Hills in November 2023
- Planned mutual collaboration sales between PILOT and Mark's Inc.—between materials “to write” and “to be written”
- Launched collaboration products
- Conducted personnel exchanges to understand each other's culture

Rolling out PILOT's unique strengths

- Reorganized its technologies in the IP landscape
- Searched and studied on seeds that can leverage PILOT's unique technologies
- Examined development themes according to social needs
- Launched a new penmanship course for writing own names

Establishing new “Future Creation Office”

- Established a new Future Creations Office as a team dedicated to creating businesses that will become the second pillar of PILOT's business in July 2023

Basic Strategy 3: Strengthen Overall Group Governance System

2024 Goal:

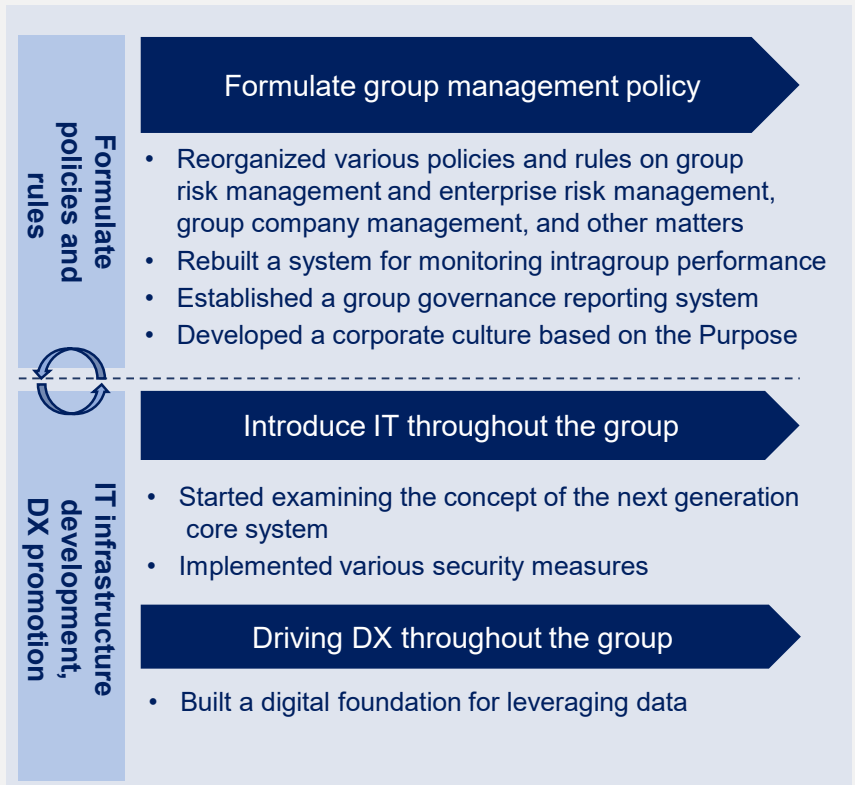
- Shift to a Company with Audit and Supervisory Committee in 2022 to strengthen the supervisory function of the Board of Directors and enable swift decision-making
- Also, build a solid group governance structure and accelerate initiatives for accomplishing 2030 Vision

2023 Initiatives

Shift to a Company with Audit and Supervisory Committee



Build and operate a group governance system



Basic Strategy 4: Integrate Sustainability and Medium-Term Management Plan

2024 Goal:

Incorporate crucial sustainability issues into the Medium-Term Management Plan and work on solutions to accomplish our vision to contribute to economic value as well as the environment, society and employees

2023 Initiatives

Initiatives for solving crucial sustainability issues

For global environment

- Offered limited editions of ballpoint pens that use reclaimed resin collected through a program for recycling used pens
- Disclosed information based on TCFD recommendations
- Set and disclose Scope 1 and 2 emissions reduction targets
- Set and disclose water and waste reduction targets

For society

- Handling the execution of agreements based on procurement policy and guidelines for suppliers
- Provided environmental education (visiting schools for classes)
- Co-sponsored the LIMITS HS-tournament 2023 for high school creators

For employees

- Launched global leadership training (experience of working overseas) and experiential training in different departments
- Continued running employee satisfaction surveys
- Held meetings for the management and employees to have dialogue to facilitate awareness of the Purpose
- Started sustainability penetration activities by using distributed guidebooks and streamed movies

Business foundation

- Enhanced disclosure on PILOT's website
- Reorganized internal rules (e.g., group governance, enterprise risk, risk management)
- Enhanced Audit Department and established Materials Procurement Department
- Continued providing internal training on cybersecurity, etc.

Basic Strategy 5: Formulate and Implement Long-Term Design of Human Resource

2024 Goal:

Formulate a long-term design of human resources with a focus on 2030 and advance human resource development and strengthening of organization, as well as enhancement of diversity and specialty by utilizing external human resources. At the same time, develop unified organizational culture involving all the employees

2023 Initiatives

- **Formulate a long-term design of human resources**

Developing a long-term design of human resources (HR strategies) that reflects recommendations by a meeting consisting of younger employees, or bearers of the future, which discusses the concept of human resources for the future

- **Develop human resources, strengthen organization**

Provided training, including global leadership training and experiential training in different departments

Carried out a competency assessment of head office employees and encouraged self-development using correspondence courses

Promoted education and training with training expenses per employee of:

FY2023 94,000 yen (FY2024 target: 80,000 yen) (FY2022 58,900 yen)

- **Enhance diversity and specialty by utilizing external human resources**

Augmented expertise by hiring new graduates and mid-career professionals from a diverse pool of candidates, regardless of nationality and gender

FY2023 New graduates hired: 54, mid-career professionals hired: 39 (including 1 foreign national) (Target number for FY2024 mid-career hires: 50)

(FY2022 New graduates hired: 29, mid-career professionals hired: 20 (including 4 foreign nationals))

- **Develop unified organizational culture involving all the employees**

Promoted active participation by women

Share of women in managerial positions: 8.3% in 2023 (9.9% in 2022) *Comparison as of July

Encouraged the taking of childcare leave

Rate of taking childcare leave in FY2023: 100% for women, 50% for men (100% for women, 50% for men in FY2022)

Promoted the taking of paid leave, proper management of working hours, and diverse and flexible workstyles; and introduced mechanisms for active communication

- **Implement the employee satisfaction survey**

Total satisfaction rate: 69.6% (target: 75% or higher) (FY2022 rate: 69.0%)

Tasks we have to address include achieving proper organization and people deployment, conducting personnel evaluation appropriately, creating an environment where it is easy to ask for advice, coordinating with other departments, and enabling diverse employees to demonstrate their ability.

We will continue with the measures stated above.

2024 Managerial Index and Financial Indicators

Financial KGIs	2024 target consolidated net sales	118.0 billion yen (105.0 billion yen in writing instrument business and 13.0 billion yen in non-writing instrument business)
	2023 result	1,185 billion yen (106,2 billion yen in writing instrument business and 12.3 billion yen in non-writing instrument business)
	2024 target operating margin ratio	Ensure 18% or more
	2023 result	16.0%
	2024 target ROE	Maintain and improve the current revenue base and stably secure 12% or more in a medium-to long term
	2023 result	11.1%
Financial indicators	Investment for growth by 2024	With a resource of internal reserves of approx. 30.0 billion yen, we will actively allocate investment over “human resource development and investment,” “existing business fields,” “growing and new business fields,” “capital and business alliances,” etc.
	Progress by 2023	In 2022–2023, we invested 0.7 billion yen in human resource development, 24.0 billion yen in business fields (4.0 billion yen in R&D, 16.9 billion yen in CAPEX, 3.1 billion yen in overseas group companies) and 1.0 billion yen in capital and business alliances. We made investments associated with enhancing global human resource development and hiring mid-career talent, R&D that leverages PILOT’s technologies, augmenting production facilities for writing instruments including BCP measures, setting up a manufacturing and sales subsidiary in India and a sales subsidiary in Indonesia, and making a manufacturing subsidiary a wholly-owned one in Indonesia.
	2024 target Shareholder return policy	Achieve stable growth in dividends and aim for payout ratio of 30% or more
	2023 result	Continuously increased dividends while maintaining the principle of paying stable dividends Annual dividend: 100 yen (up 10 yen), payout ratio: 28.9%