

# Fiscal Year Ending March 2021 Financial Results Briefing

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Friday, June 11, 2021

PIOLAX, INC.

(Code: 5988)

Yukihiko Shimazu, President



# Contents

## Medium-Term Management Plan (FY21 to FY23)

- Vision
- Basic Policies
- Management Strategies
- Priority Measures and Initiatives

# Vision, Basic Policies, And Management Strategies

## Vision

**As a pioneer creating elasticity, widely contribute to industries and society.**

## Basic Policies

1. Reform existing businesses.
2. Take on the challenge of new/next-generation businesses.
3. Strength the management foundation.
4. Actively invest for the future.
5. Promote ESG-based management.

## Management Strategies

1. Product and customer strategy
2. Business strategy
3. Regional strategy
4. Growth investment strategy
5. Management capital strategy

## Growth Factors

### ■ Continued increase in global automobile production

Global automobile production forecast (Unit: 1 million cars)

2021	2022	2023	2030
84	86	92	105

### ■ Accelerated shift to EVs

- Strengthen R&D capabilities responding to rapid market expansion.
- Acquire orders for CASE-compliant products.

### ■ Investment in growth foundations

- Improve productivity through IoT and DX.
- Relocate global production.
- Develop domestic infrastructure.
- Promote automation and labor saving.

### ■ Discovery of new businesses

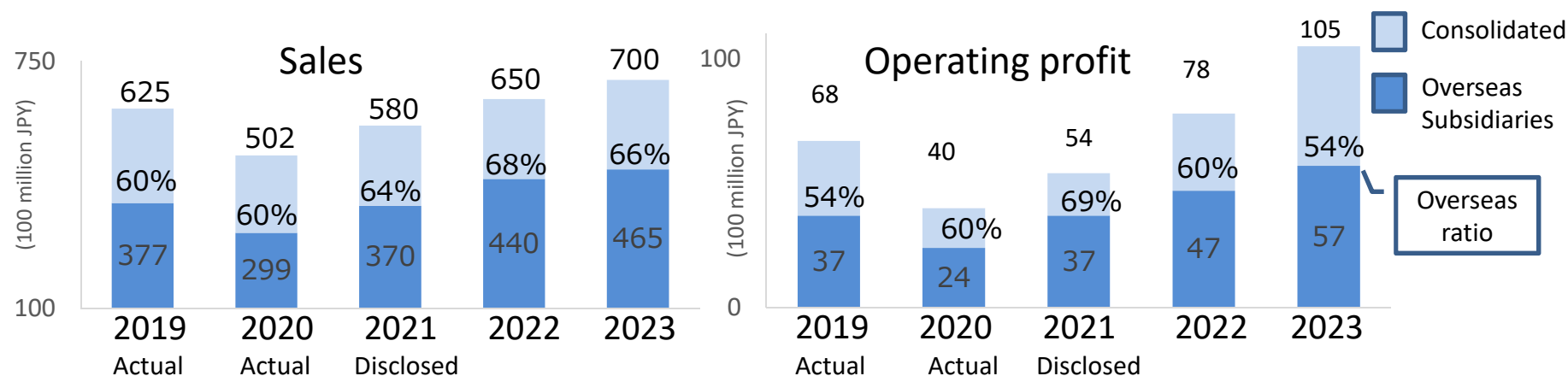
## Risk Factors

- Reduced production of major customers
- Decreased orders for existing Piolax products due to the shift to EVs
- Global economic downturn due to the COVID-19 crisis
- Material supply issues (Soaring procurement and purchase costs)
- Rising labor costs
- Turmoil in global logistics
- Trade conflicts between the U.S. and China
- Foreign exchange fluctuation

# Management Indicator 1

## FY23 Management Indicators

<b>Consolidated sales</b>	<b>70 billion JPY</b>	<b>Consolidated operating profit</b>	<b>10.5 billion JPY</b> <b>Operating profit ratio: 15%</b>
<b>Overseas subsidiaries</b>	<b>46.5 billion JPY</b> <b>Overseas ratio: 66%</b>	<b>Overseas subsidiaries</b>	<b>5.7 billion JPY</b> <b>Operating profit ratio: 12%</b>

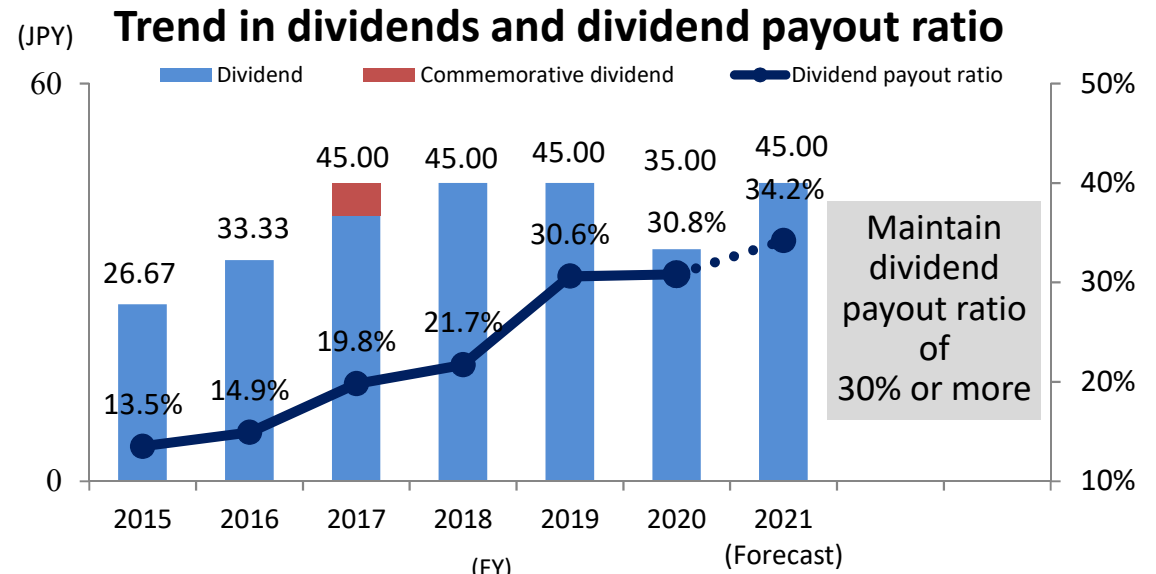
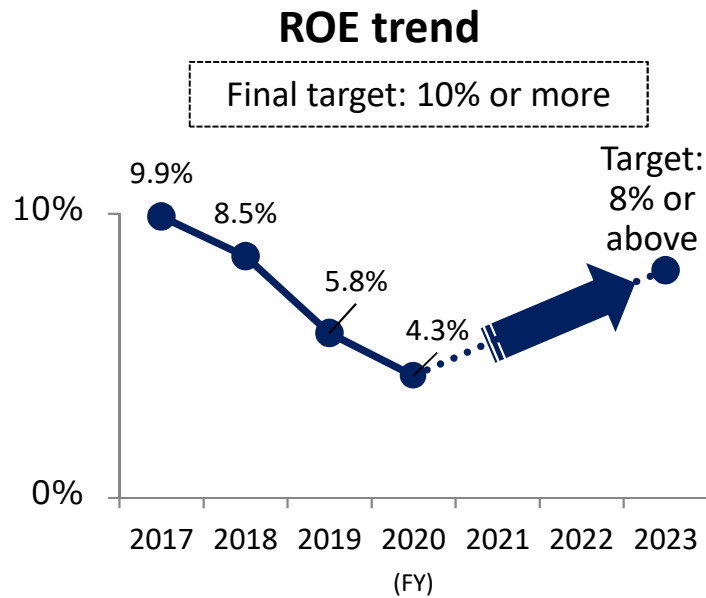


	2019 Actual	2020 Actual	2021 Disclosed	2022	2023	Growth Rate (2023/2019)
Sales	625	502	580	650	700	+12%
Operating profit	68	40	54	78	105	+54%
Operating profit ratio	10.9%	8.0%	9.3%	12.0%	15.0%	

\*1 USD = 105 JPY

# Management Indicator 2

FY23 Management Indicators	
ROE	8% or more (Final target: 10% or more)
Consolidated dividend payout ratio	30% or more



Note: Dividends have been adjusted to the value after the stock split (3-for-1 split of common stock) with Apr. 1, 2017 as the effective date.

# 1. Product And Customer Strategies

Aim for further growth by covering the anticipated decline in sales of existing products due to the shift to EVs by 2030.

## Priority Measures and Major Initiatives

- **Develop and win orders for CASE-compliant products.**  
Increase orders for new products.
- **Diversify customers and products.**  
Expand sales to Japanese and non-Japanese OEMs.  
Increase sales per vehicle.
- **Maximize a profit ratio by product.**
- **Realize global high quality.**

## FY23 Targets

- **Expand sales of CASE-compliant products.**  
**1 billion JPY** (FY30: 10 billion JPY)
- **Nissan sales ratio**  
39% (FY19) ⇒ **36%**
- **Non-Japanese OEM sales ratio**  
12% (FY19) ⇒ **15%**
- **Orders received per new vehicle**  
**+10%** (compared to current models)

# Initiatives for CASE-Compliant Products

- **FY21: Shift the focus from development to winning orders.**
- Orders are being secured for EVs to be launched in the future.
- Promote development and order-winning efforts through in-house projects.
- Continuously develop products focusing on technologies for both “metal and plastic” springs, which are our strengths.
- Actively invest in development while assessing the effects of investment.

## Piolax products equipped in current EVs

### Battery-related

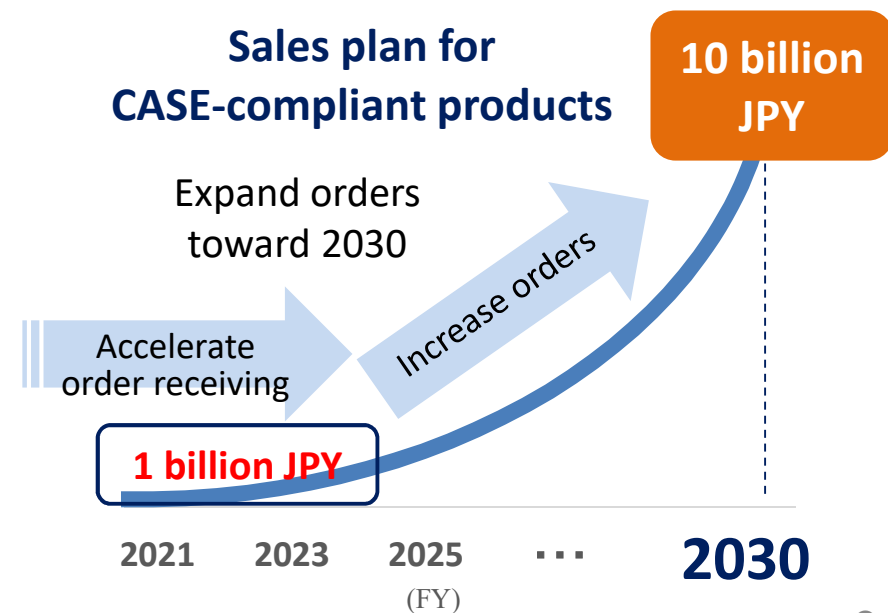


### Cover terminal



- Major points in the development of CASE-compliant products [Connectivity, electrification, weight saving, sensing, quietness, and movement]
- Jointly develop new products and systems with customers to expand business opportunities.
- Link to the early acquisition of orders for current development products.

## Sales plan for CASE-compliant products

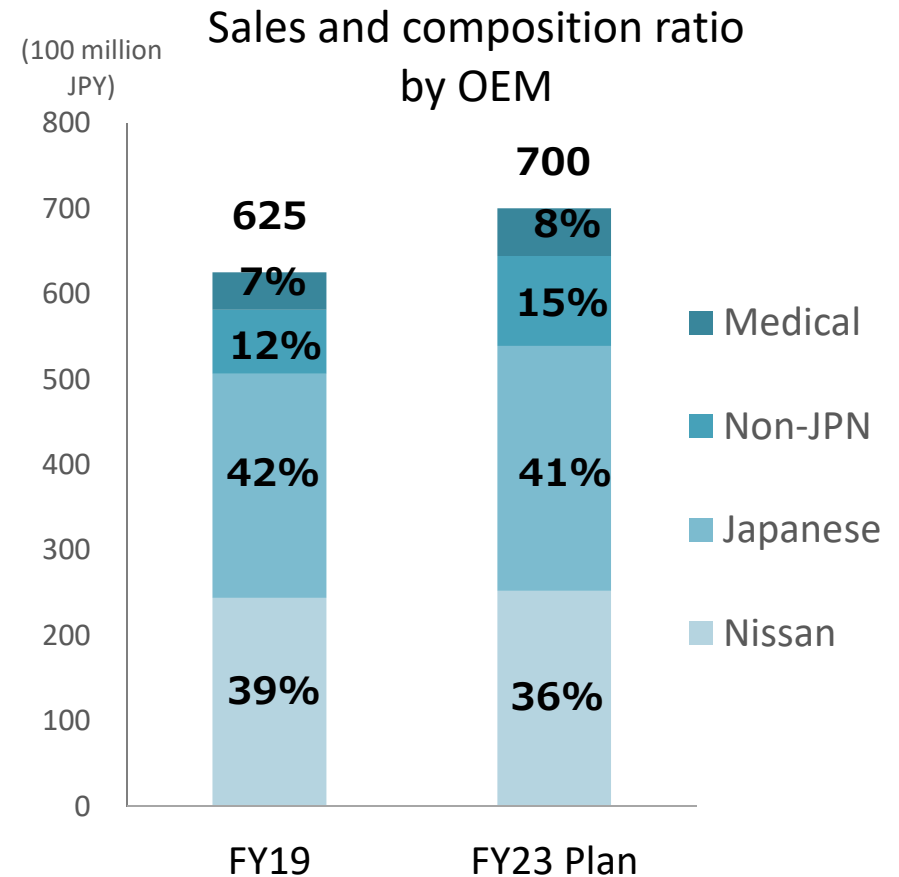




# Kakuhan to Japanese OEMs

Orders received per new vehicle:  
+10% compared to the current models

- Make proactive proposals in anticipation of customer needs.
- Propose parts made in combination with plastic and metal technologies, which are our strengths.
- Strengthen price competitiveness by utilizing global network.
- Develop and propose environmental-conscious parts.
- Reduce the Nissan sales ratio while raising Nissan sales to diversify customers.



# Kakuhan to Non-Japanese OEMs

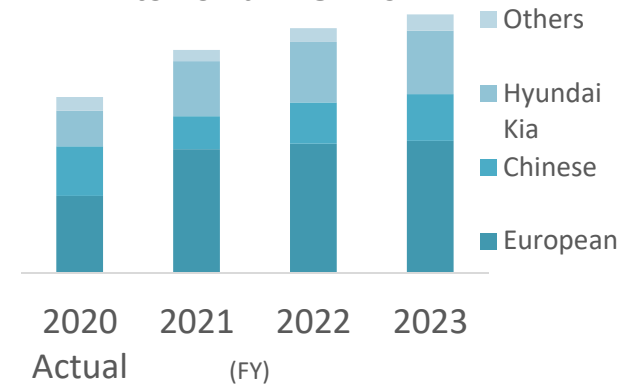
- FY20: Kakuhan slowed down due to the COVID-19 crisis, but recovered in the 2<sup>nd</sup> half.
- Strengthen group collaboration across overseas sites.
- Expand target products.  
O&C parts → **Fuel system parts**, powertrain parts, fastener parts

FY20: Won orders for the first time from Chinese OEMs for 2K fuel system parts that comply with environmental regulations. Currently promoting the parts in the U.S. and European markets.

- Target OEMs and major activities

Target OEM	Major Activity
U.S. Big 3	Mainly O&C parts ⇒ Enhance fuel system parts.
Chinese local	Promote powertrain parts and fuel system parts.
European	Target German OEMs and Renault.
Korean	Target Hyundai for fuel system parts.

Medium-term kakuhan plan to non-JPN OEMs



<FY23>

Non-JPN OEM sales ratio: 15%

Target fuel system parts for kakuhan



# Kakuhan of Existing Products

## Target Kakuhan Products

### 2K parts (Fuel system parts)

Respond to tightening overseas environmental regulations.

- Promote kakuhan in the Chinese market.
- Current production sites: Japan and Korea  
⇒ Expand production in the U.S. and China in the future

2K part with improved **fuel permeation prevention performance**

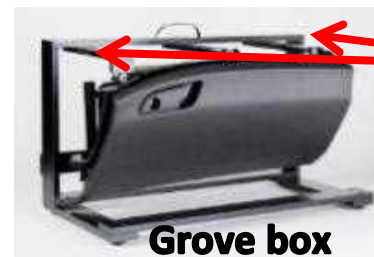


2K part developed by Piolax

### Spring cushion (O&C mechanism parts)

Aim for global sales expansion.

- Enhance merchantability of glove boxes with both latches and dampers.
- Promote kakuhan to European and Chinese OEMs.
- Aim for expanded adoption for EVs/HEVs with growing demand for cabin quietness.
- Expand production mainly in North America and China.



Grove box



Spring cushion

## 2. Business Strategy

Expand sales of the medical device business as business diversification.  
Aim to discover a profitable new business by FY30.

### Priority Measures and Major Initiatives

- **Expand the medical device business.**
  - Accelerate development of new products.
  - Expand sales in overseas markets.
  - Enhance the sales system in Japan in response to digitalization.
- **Discover a new business.**

Discover the third business.

### FY23 Targets

#### ■ Medical device business

<Sales>

FY19: 4.3 billion JPY ⇒ **5.6 billion JPY**

<Operating profit ratio>

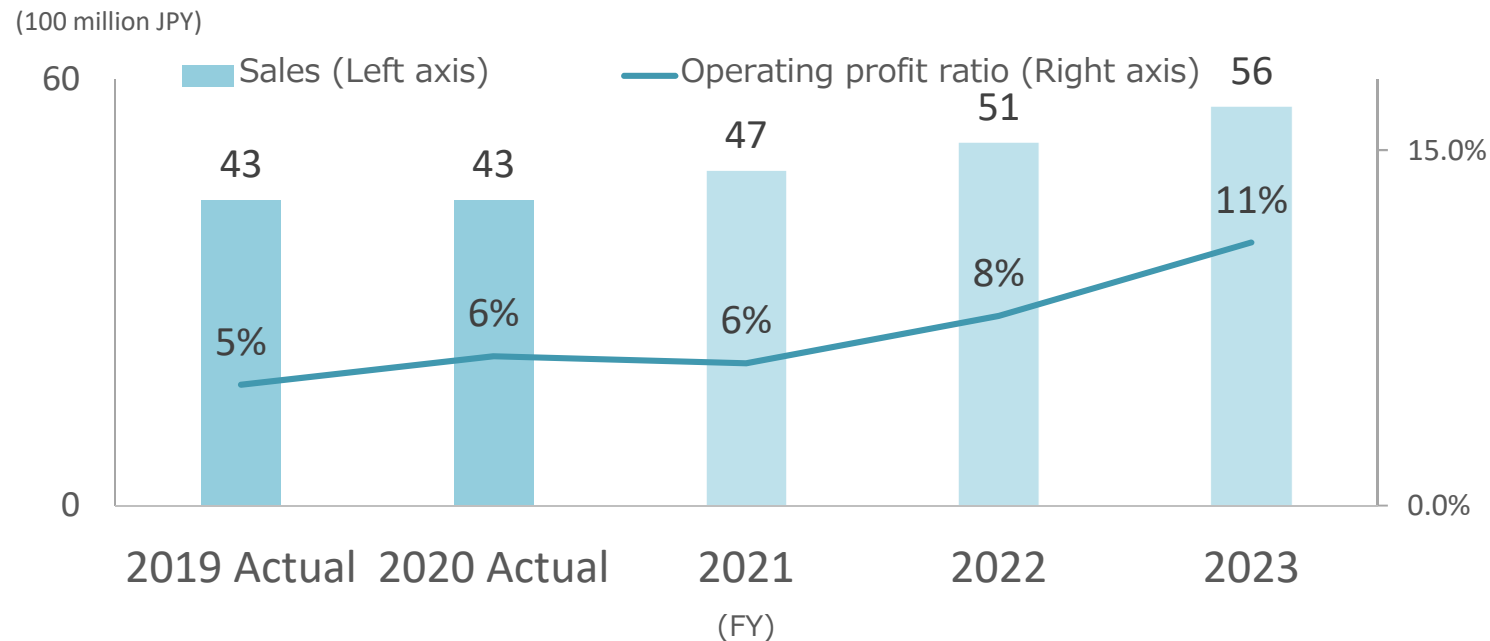
FY19: 5% ⇒ **10% or more**

<Consolidated sales ratio>

FY19: 7% ⇒ **8%**

# Medium-Term Management Plan for Medical Device Business 1

## Sales and operating profit ratio



1. Launch differentiated products to specific markets.  
(Differentiation strategy for specific markets)
2. Accelerate launching new products and strengthen new product lineup.
3. Strengthen business expansion overseas.
4. Digital shift ⇐ with/after COVID-19
5. Strengthen domestic sales network.

# Medium-Term Management Plan for Medical Device Business 2

## Specific Initiatives for the Medium-Term Management Plan

<p><b>1. Launch differentiated products to specific markets.</b> (Differentiation strategy for specific markets)</p>	<p><b>Develop and launch unmet-needs products</b>, focusing on specific areas in minimally-invasive treatment such as “catheter treatment for liver cancer” and “endoscopic biliopancreatic treatment”.</p>
<p><b>2. Accelerate launching new products and strengthen new product lineup.</b></p>	<p>In order to concentrate development resources on differentiated products, speedily enhance lineup of peripheral commodity products through <b>OEM supply from other companies, etc.</b></p>
<p><b>3. Strengthen business expansion overseas.</b></p>	<p>Gain market shares <b>in the Asia-Pacific region by the Piolax brand</b> and <b>in the U.S. and Europe by OEM brands</b>, focusing on catheter treatment products for liver cancer and guide wires for gastrointestinal endoscopes.</p>
<p><b>4. Digital shift</b></p>	<p>The digitalization of markets is progressing rapidly due to the COVID-19 crisis. Establish and operate <b>SFA (Sales Force Automation)</b> and <b>CRM (Customer Relationship Management)</b> within this fiscal year, and continuously implement promotional activities utilizing MA (Marketing Automation).</p>
<p><b>5. Strengthen domestic sales network.</b></p>	<p>Enhance the network of sales agents in each prefecture to collect and provide timely on-site information in normalized non-face-to-face sales activities.</p>

# Discovery of New Business

Promote the discovery of a new business that will become the third pillar following the automobile and medical businesses. Consider collaborative development with other industries by utilizing our "elasticity technologies".

## Development of "myoelectric prosthetic hand"

Trial production through collaboration with the University of Kitakyushu

### Aim of development

<Current product> Heavy and expensive



Too real and uncanny

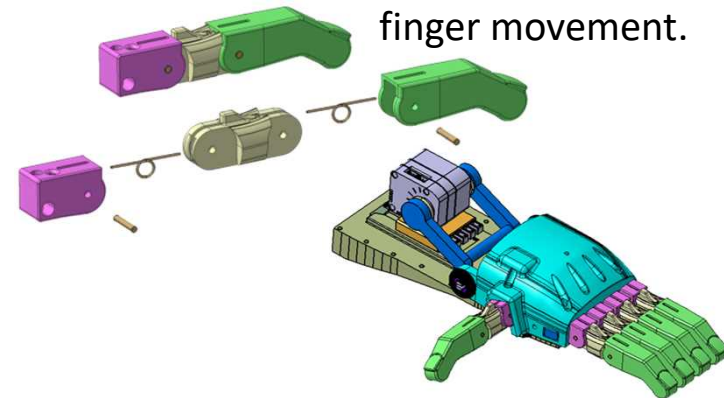


Cool but heavy and expensive



**Light, inexpensive, and cool prosthetic hand!**

<Concept>



Springs incorporated into the joints reproduce the finger movement.

<Prototype>

Carbon material provides rigidity while reducing weight.



## 3. Regional Strategy

Strengthen the globally efficient earning structure through regional strategy.

### Priority Measures and Major Initiatives

- **Expand sales of North American and Chinese sites.**  
Expand localization.  
Expand sales to U.S. Big 3 and Chinese OEMs.
- **Expand profitability of ASEAN sites.**  
Promote automation and labor saving.  
Strengthen ties within the region.
- **Consider strategies for European continent.**
- **Strengthen regional supervisory functions.**

### Fiscal 2023 Targets

- **Sales ratio of North American and Chinese sites**  
35% each of total overseas sales
- **Operating profit ratio of Asian sites (3 ASEAN sites + PK)**  
Over 25% of total overseas operating profit

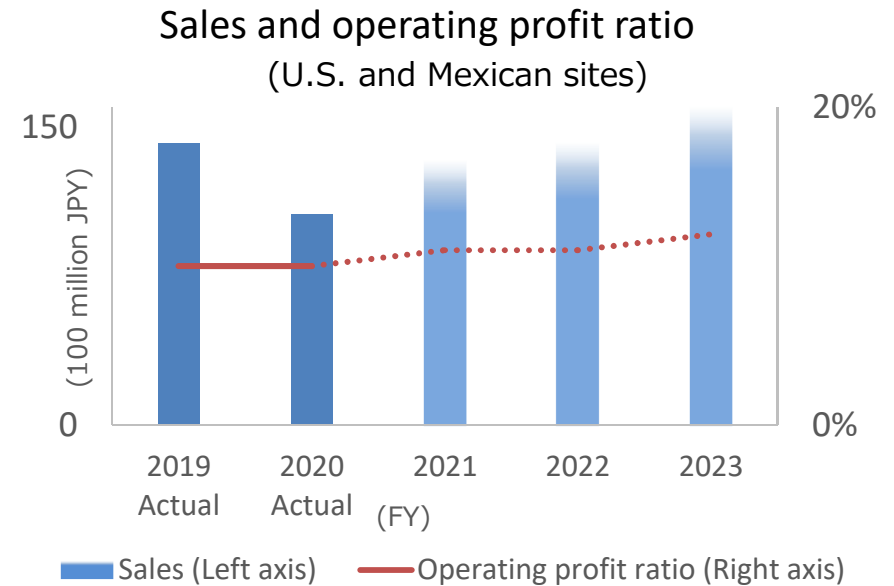


# Initiatives by North American Sites

## Promote localization and kakuhan to overseas OEMs.

### <U.S. and Mexican sites>

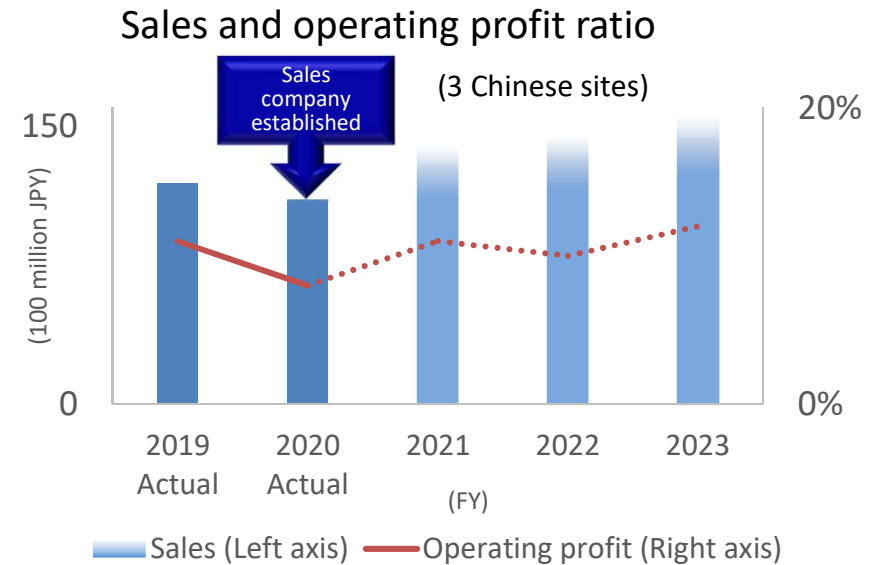
- Promote localization (Measures against trade conflicts between the U.S. and China).
  - Hose clamps, metal fasteners, fuel system parts
- Promote kakuhan (to non-Japanese OEMs).
  - U.S. Big 3
  - Hyundai (U.S.)
  - VW (Mexico)
- Expand production and improve productivity.
  - 2019: Enhanced production capacity through purchasing an adjacent land/building (PA Georgia)
  - Promote automation and labor saving.



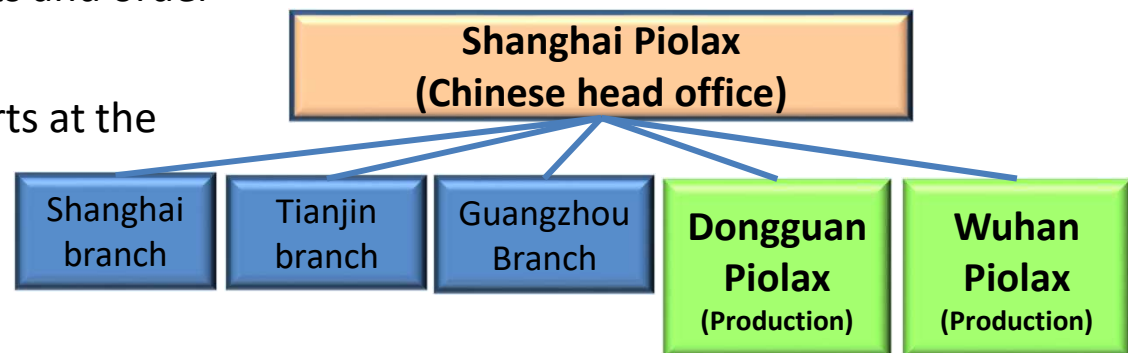
# Initiatives By Chinese Sites

## Strengthen the sales system.

- Enhance the sales system.
  - Improve the added value and enhance efficiency and governance of each division through supervisory functions.
  - Positioned Shanghai Piolax as a controlling company in December 2020.
- Strengthen kakuhan.
  - To European, U.S., Korean, and Chinese OEMs
- Develop businesses compliant with environmental regulations in China.
  - Promote kakuhan of fuel system parts and order winning for 2K parts.
- Started production of powertrain parts at the Wuhan Plant in 2020.
- Start production of 2K parts at the Wuhan Plant in FY22.



## New structure in China



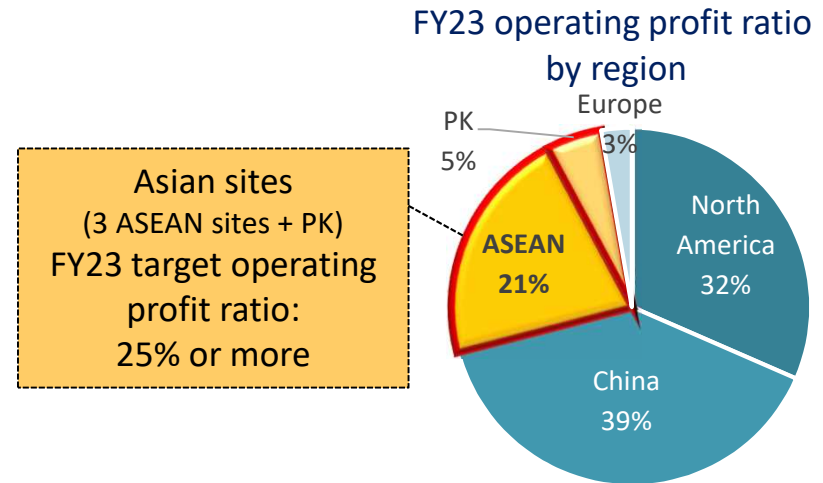
# Initiatives by ASEAN Sites

Improve optimization in the ASEAN region to enhance competitiveness.

## Cooperative initiatives by ASEAN sites

(Cooperation among 3 sites - PT, PI, and PD)

- Conduct activities for optimal production and specifications.
- Consider global purchasing in the region.
- Take measures for rationalization through system integration.
- Share machine automation technologies.



### <PT>

Center to promote kakuhan in the ASEAN region.

### <PI>

Continuously achieve profitability.

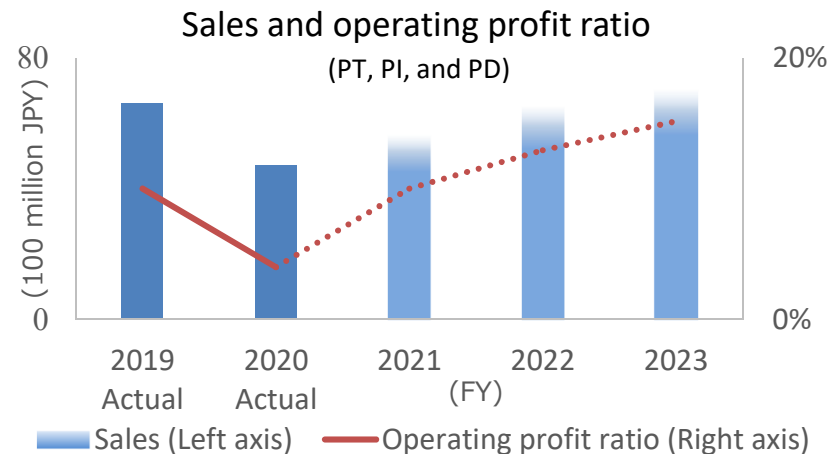
Expand sales of environmentally compliant parts.

### <PD>

Achieve profitability.

Promote automation and labor saving.

Kakuhan.



## 4. Growth Investment Strategy

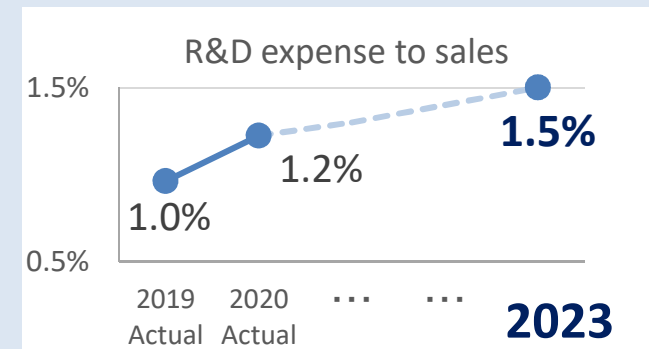
Accelerate investment in production and development to expand sales and investment in company-wide productivity improvement to secure profit.

### Priority Measures and Major Initiatives

- **Develop domestic infrastructure.**  
Construct the new Moka Plant.
- **Strengthen R&D investment.**  
Invest in CASE/new businesses.
- **Promote DX.**
  - Improve productivity of direct/indirect departments.

### FY23 Targets

- **Complete the 1<sup>st</sup> phase of construction of the new Moka Plant.**  
Investment in FY22 to F23: **Approx. 6 billion JPY**
- **R&D investment to sales: 1.5%**



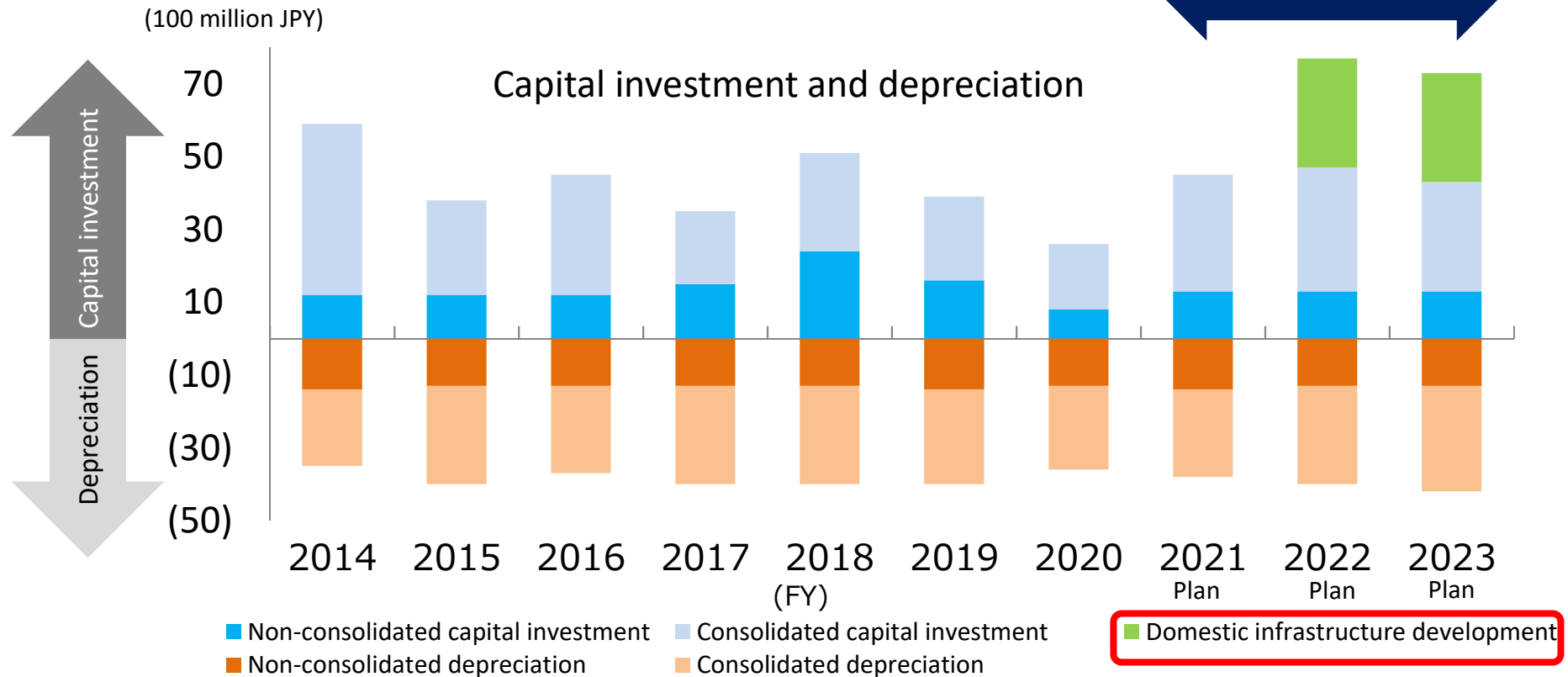
- **Company-wide productivity improvement: 10%**

# Capital Investment And Depreciation

## Capital investment for sustainable growth

- FY20: Restrained investment due to the COVID-19 crisis.
- FY21 onward: Introduce automated/labor-saving equipment globally.
- FY22 onward: Develop domestic infrastructure (new Moka Plant).

**Medium-term management plan**  
Total of 20 billion JPY



# Domestic Infrastructure Development

## 1. New Moka Plant

**[Expand mother functions and aim for the next-generation plant]**

- 2018: Purchased a land (approx. 33,000 m<sup>2</sup>) adjacent to the current plant.
- 2020: Suspended the plan due to the COVID-19 crisis.
- 2021: Resumed the project activity in earnest.

Total investment: Approx. 6 billion JPY (FY22-FY23)

**Target:**  
**200% productivity**  
**increase in 2030**

Site for the new Moka Plant



[Future plan]

2018	2019	2020	2021	2022	2023	2025	2030
Purchase an adjacent land	Select a CM firm Relocate some divisions Launch Moka General Office	Suspend	Develop a basic concept Start designing	Start construction	Full-scale relocation Start operation (1 <sup>st</sup> phase)	Operation (2 <sup>nd</sup> phase)	Operation (3 <sup>rd</sup> phase)

## 2. YTC (Yokohama Technical Center)

- August 2018: Relocated temporarily (in Hodogaya-ku, Yokohama).
  - 2020: Demolished the former YTC building.
  - 2020: Suspended the plan due to the COVID-19 crisis.
- Replan infrastructure development in the Yokohama region in view of “work style reform”, etc.

Former YTC site



# 5. Management Capital Strategy













## Priority Measures and Major Initiatives

- **Pursuit capital efficiency.**
  - Improve ROE and promote ROIC-based management.
- **Return profits to shareholders.**
  - Stable dividends
- **Promote ESG-based management.**
  - Take carbon neutral initiatives.
  - Promote work style reform.
  - Strengthen corporate governance.

## FY23 Targets

- **ROE: 8% or more**  
(Final target: 10% or more)
- **Consolidated dividend payout ratio:  
30% or more**

# Promotion of ESG-Based Management

Applicable Major SDGs	Materiality	Piolax ESG Vision 2030	Major Initiatives
<b>E</b>    	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Emission into the air</li> <li>• Waste</li> </ul>	Corporate activities aiming for a carbon-free society and a recycling-oriented society	<ul style="list-style-type: none"> <li>▪ Activities toward carbon neutral: reduction of greenhouse gas and energy consumption, etc.</li> </ul>
<b>S</b>    	<ul style="list-style-type: none"> <li>• Employment</li> <li>• Occupational health and safety</li> <li>• Diversity, equal opportunity</li> </ul>	Creation of a vibrant workplace where employees can work with a sense of security	<ul style="list-style-type: none"> <li>▪ Promotion of work style reform</li> <li>▪ Promotion of diversity</li> <li>▪ Respect for human rights</li> </ul>
<b>G</b>    	<ul style="list-style-type: none"> <li>• Compliance enhancement</li> <li>• Governance enhancement</li> </ul>	<ul style="list-style-type: none"> <li>▪ Fair and equitable transactions and improved trustworthy relationships</li> <li>▪ Stable organizational management by enhanced governance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Compliance with modified corporate governance</li> <li>▪ Enhanced compliance with risk management</li> </ul>

On January 21, 2021, Piolax received the highest “Eruboshi” certification (three stars) as an outstanding company based on the Act on Promotion of Women’s Participation and Advancement in the Workplace.

We will continuously make efforts to “expand the number of women in managerial positions” and “cultivate a workplace environment where anyone can work comfortably and play an active role”.





# Carbon Neutral Initiatives

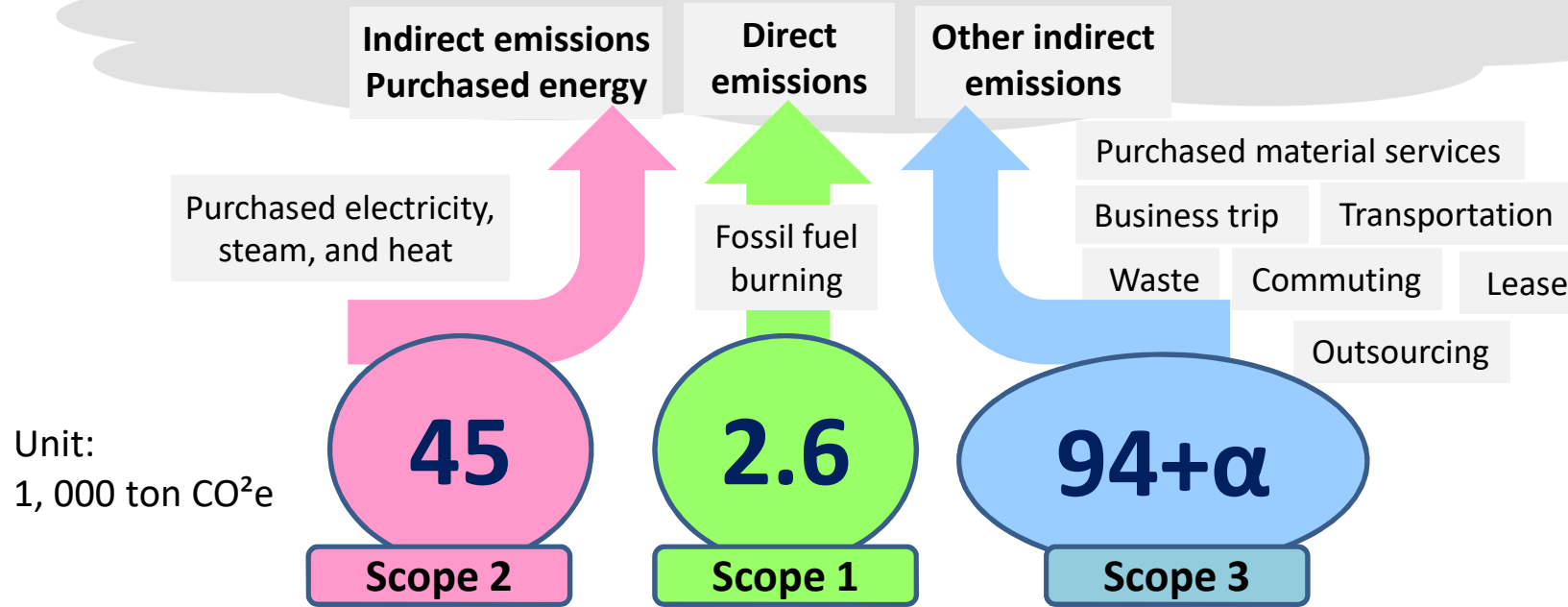
## Greenhouse gas emissions by the Piolax group (FY19)

### Scopes based on the GHG emission calculation standard

- /Scope 1: Direct emissions
- /Scope 3: Other indirect emissions ... Supply chain including transportation, etc.
- /Scope 2: Indirect emissions

Formulate a scenario for carbon neutral in FY21

### Impact on global warming



Unit:  
1,000 ton CO<sup>2</sup>e