

# Financial Results Briefing for the 1<sup>st</sup> Half of FY2022

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Friday, December 9, 2022

PIOLAX, INC.

(Code: 5988)

Yukihiko Shimazu, President



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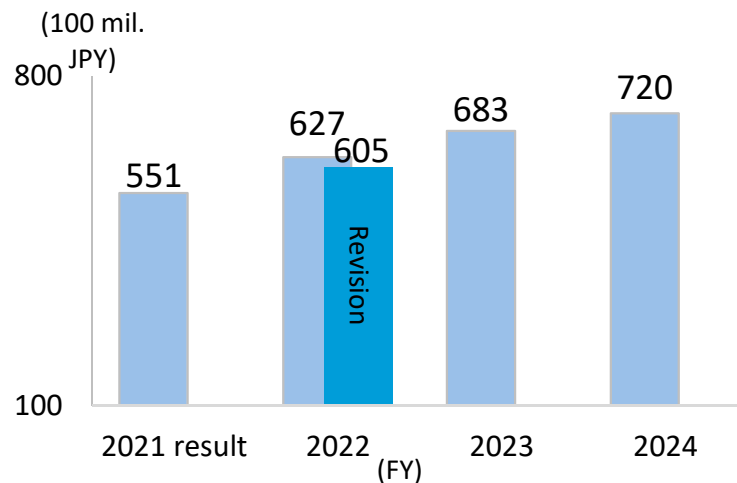
- Seiichi Sato, President of Piolax Medical Devices, INC.

# Progress of Medium-Term Management Plan

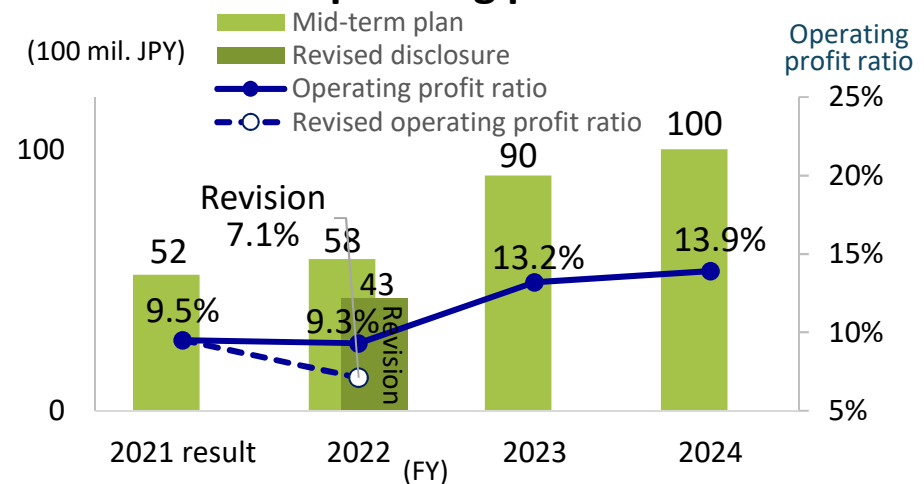
# Management Indicators - 1

## Progress of medium-term management plan (FY22-FY24)

### Sales



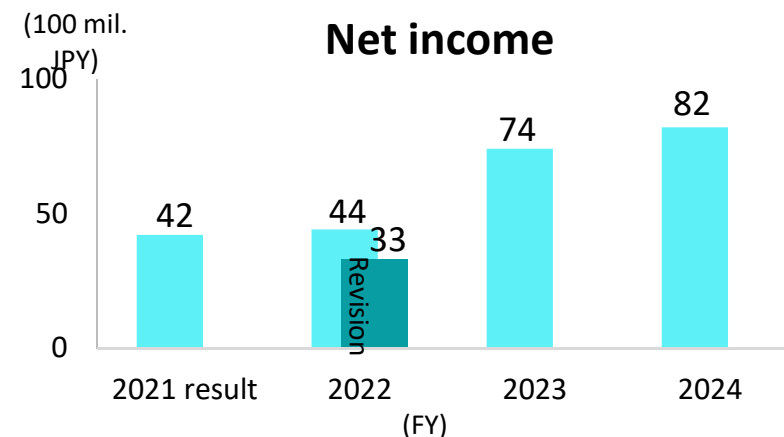
### Operating profit



### Revised disclosure on November 9, 2022

Customer production was lower than originally planned. Although there was a foreign exchange gain, the increase in energy costs in addition to the conventional three major risks (semiconductor supply concerns, material supply issues and price hikes, and soaring logistics costs) had an impact.

### Net income

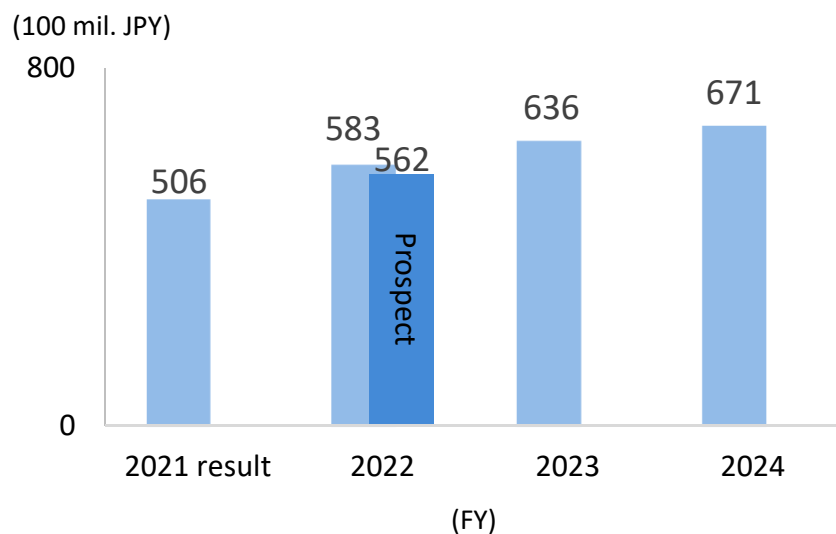


# Management Indicators - 2: by Segment

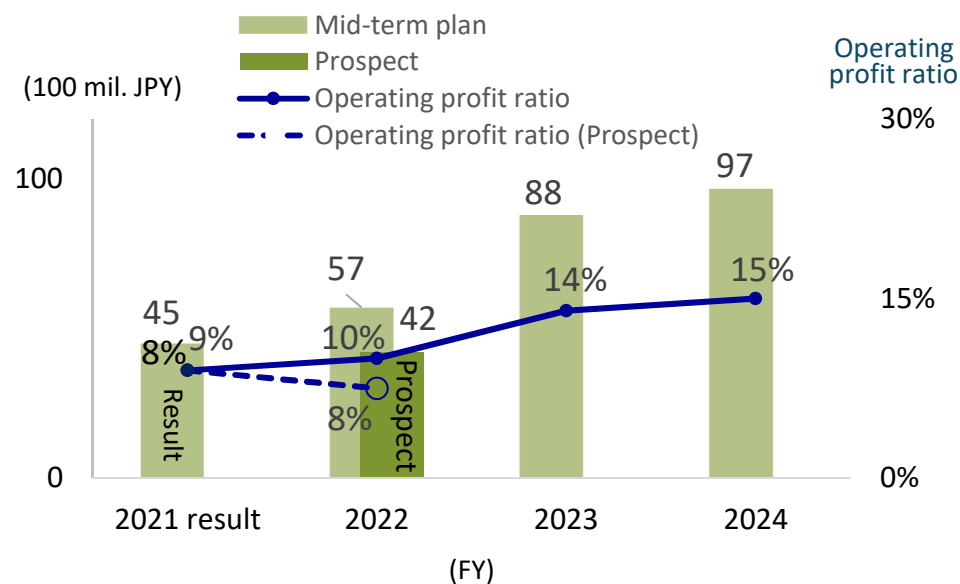
## Medium-term management plan for automobile-related business

- Reason for downward revision: Decrease in automobile production.
- 2nd half: Recovery expected due to recovery in customers' production.  
Further streamlining.

### Sales



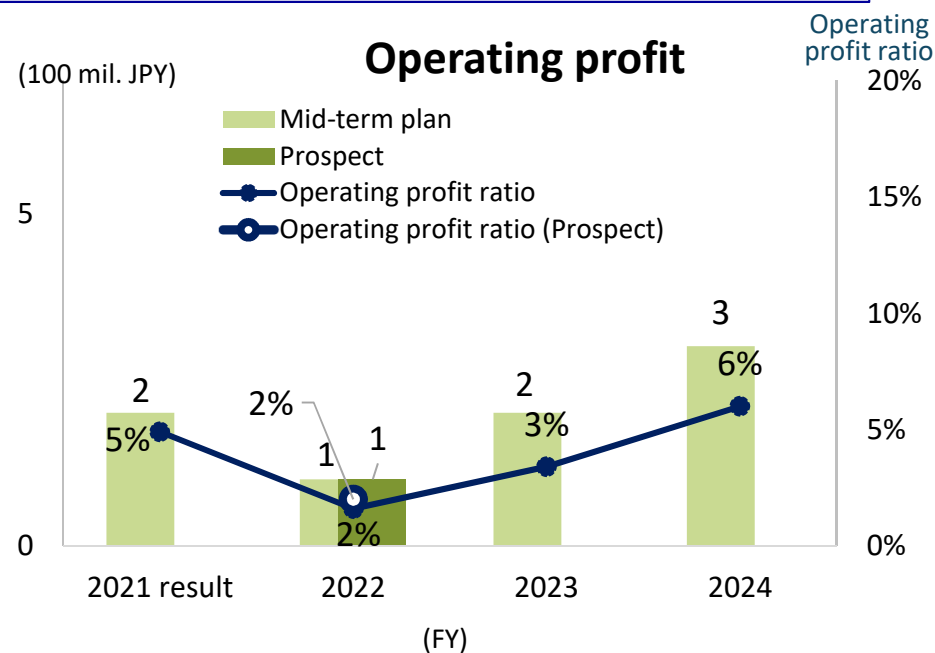
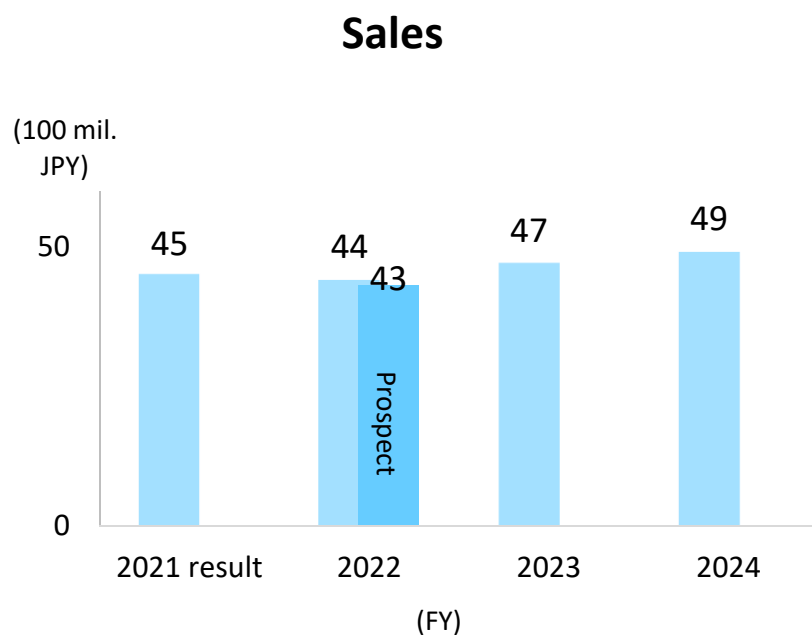
### Operating profit



# Management Indicators - 2: by Segment

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

- Compared to the plan, sales will slightly decrease but operating profit will increase.
- Details are explained in the “current status and outlook of medical device business.”



# Progress of Management Strategy: Automotive - 1

| Management strategy and priority issue  | Medium-term management plan  | Status in FY22   |
|---|--|--|
| <b>1. Product and customer strategy</b> <ul style="list-style-type: none"> <li>• Develop CASE parts and receive orders</li> <li>• Diversify customers and products</li> <li>• Maximize profit margin for each product</li> <li>• Achieve global high quality</li> </ul>   | Accelerate response to CASE  | e-Products Development Dept. dedicated to CASE set up in April             |
|   | Non-Japanese OEM sales ratio in FY24: <b>16%</b>   | 1 <sup>st</sup> half of FY22: 14%  |
|   | Improve per-car sales for new models in FY24: <b>+10%</b> (from FY21)  | As of 1 <sup>st</sup> half of FY22: +30% for 7 major models                |
|   | Improve quality by the new QA system   | The new system launched in April   |
| <b>2. Business strategy</b> <ul style="list-style-type: none"> <li>• Discover new businesses</li> </ul>   | Develop new businesses other than automotive and medical device  | MIRAI Business Dept. to discover the third business pillar set up in April |
| <b>3. Regional strategy</b> <ul style="list-style-type: none"> <li>• Expand sales in North America and China</li> <li>• Expand profitability in ASEAN</li> <li>• Examine strategies for Continental Europe</li> <li>• Strengthen regional management functions</li> </ul> | Expand sales in North America (U.S. and Mexico) and China<br>Their sales ratio among overseas bases in FY24: <b>35% each</b> | FY22 prospect<br>N.A.: 37%. China: 35%                                     |
|   | New strategy for Europe: Sales expansion with <b>German OEMs</b>   | Dusseldorf Representative Office opened in February                        |
|   | Improve earning power of ASEAN and India bases<br>Operating profit ratio in FY24: <b>15%</b>                                 | FY22 prospect: 9%  |

# Progress of Management Strategy: Automotive - 2

| Management strategy and priority issue  | Medium-term management plan   | Status in FY22   |
|---|---|--|
| <b>4. Growth investment strategy</b> <ul style="list-style-type: none"> <li>▪ Develop infrastructure in Japan</li> <li>▪ Strengthen R&amp;D investment</li> <li>▪ Promote DX</li> </ul>           | New Moka Plant<br>FY23: Phase 1 construction completed, and operation started.<br>FY24: Phase 2 construction launched.  | Full-scale construction started in December  |
|   | Strengthen investing in CASE/new businesses<br>Ratio of R&D expenses to sales in FY24: 1.5%   | Acceleration of developing CASE products<br>1 <sup>st</sup> half of FY22: 1.4%   |
| <b>5. Management capital strategy</b> <ul style="list-style-type: none"> <li>▪ Pursuit capital efficiency</li> <li>▪ Return profits to shareholders</li> <li>▪ Promote ESG management.</li> </ul> | <b>Dividend payout ratio: 100%</b>  | 1 <sup>st</sup> half of FY22: 100%   |
|   | Promote ESG targets <ul style="list-style-type: none"> <li>▪ Promote measures toward carbon neutrality</li> <li>▪ Improve TCFD disclosure</li> <li>▪ Promote diversity</li> <li>▪ Enhance governance</li> </ul> | <ul style="list-style-type: none"> <li>• Sustainability report issued in November</li> <li>• TCFD-related activities started in overseas bases</li> <li>• Human Assets Policy established</li> </ul> |

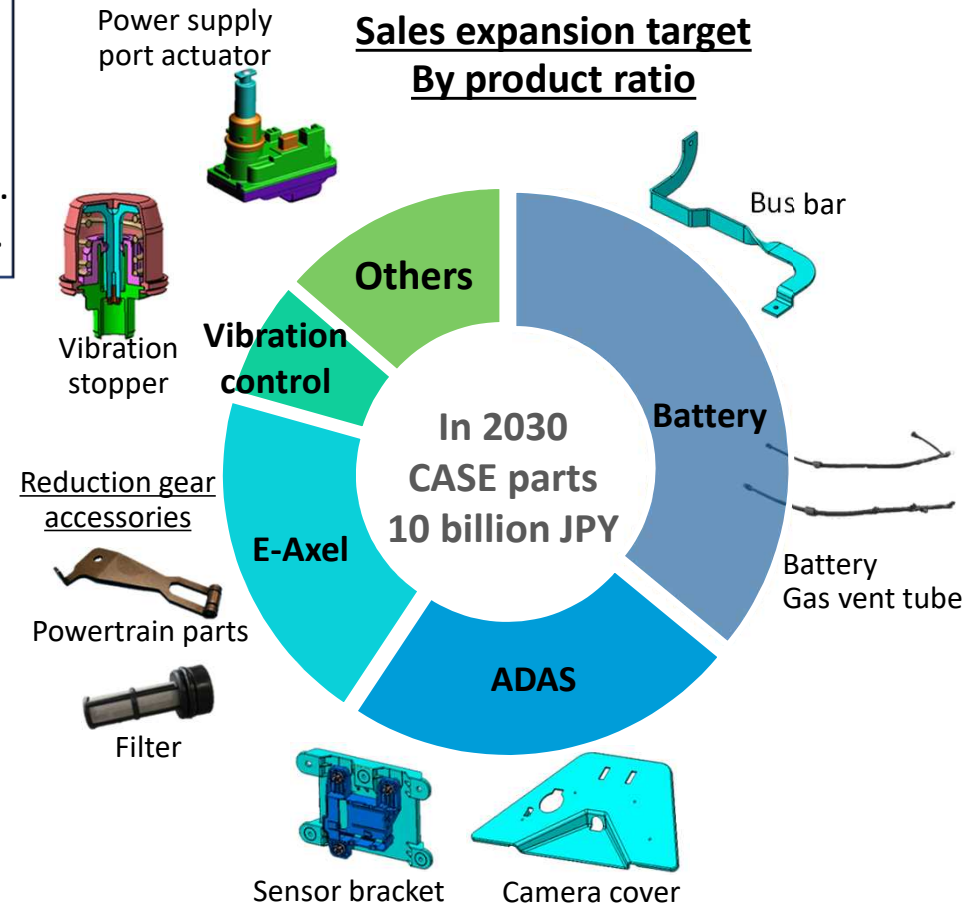
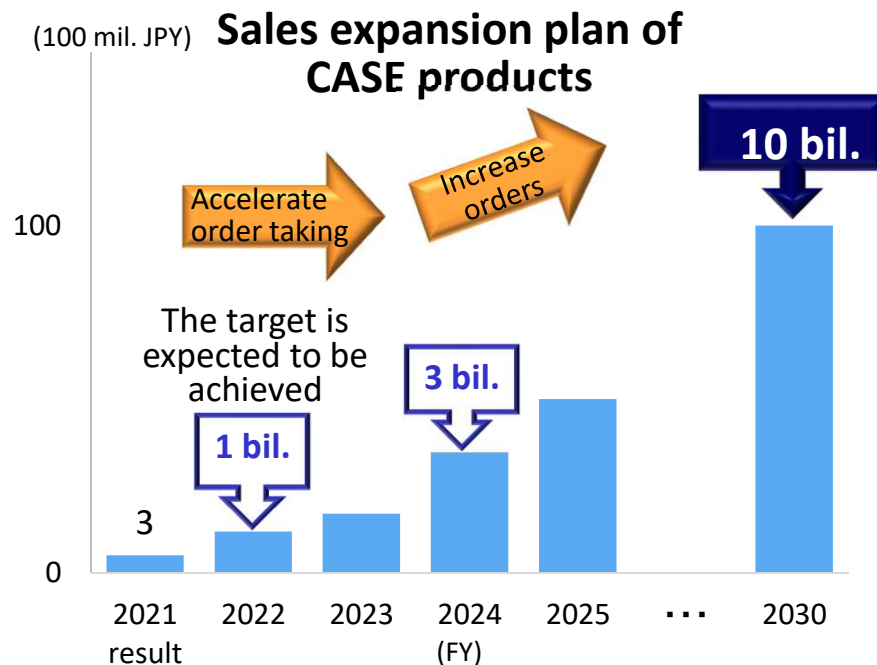


# Acceleration of Developing CASE Products

**“e-Products Development Dept. dedicated to CASE set up (April 2022)”**

## 【Efforts in FY22】

- Order wins progress, achieving the target of 1<sup>st</sup> half of FY22. The full-year target is expected to be achieved.
- Relations with new customers are being enhanced.
- Production at the new Moka Plant will be planned.



# Diversification of Customers and Products

## Targets in FY24

- Ratio of sales with non-Japanese OEMs: 16%
- Per-car sales for new model: +10% (from FY21)

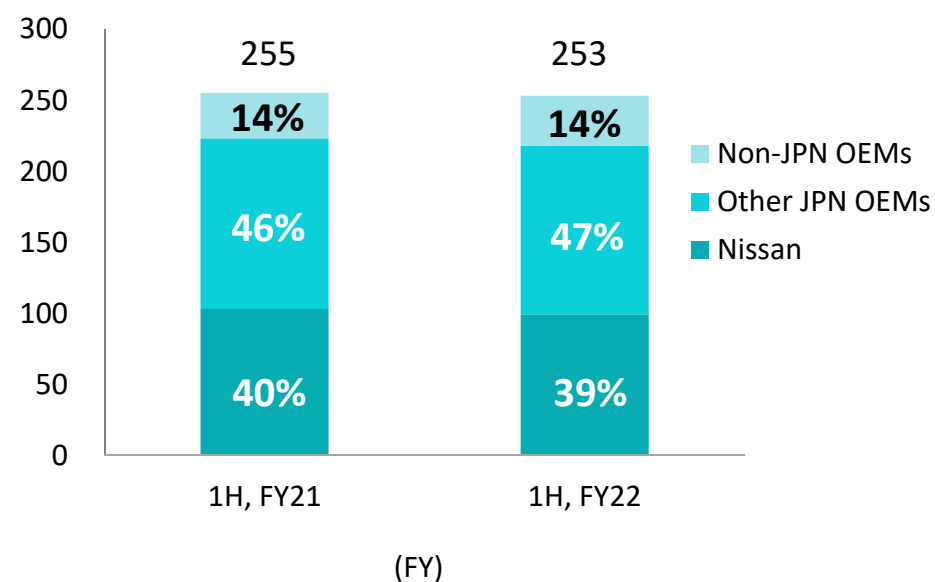
## Per-car sales increase for 7 major new models of Japanese OEMs

(In Japan, as of 1<sup>st</sup> half of FY22)

|         | Growth rate |
|---------|-------------|
| Model A | +53%        |
| Model B | +14%        |
| Model C | -16%        |
| Model D | +17%        |
| Model E | +25%        |
| Model F | +80%        |
| Model G | +37%        |
| Average | +30%        |

## Sales and the ratio by OEM

(100 bil. JPY)



# Capital Investment and Depreciation

Capital investment for future leap forward  
mainly in domestic infrastructure development

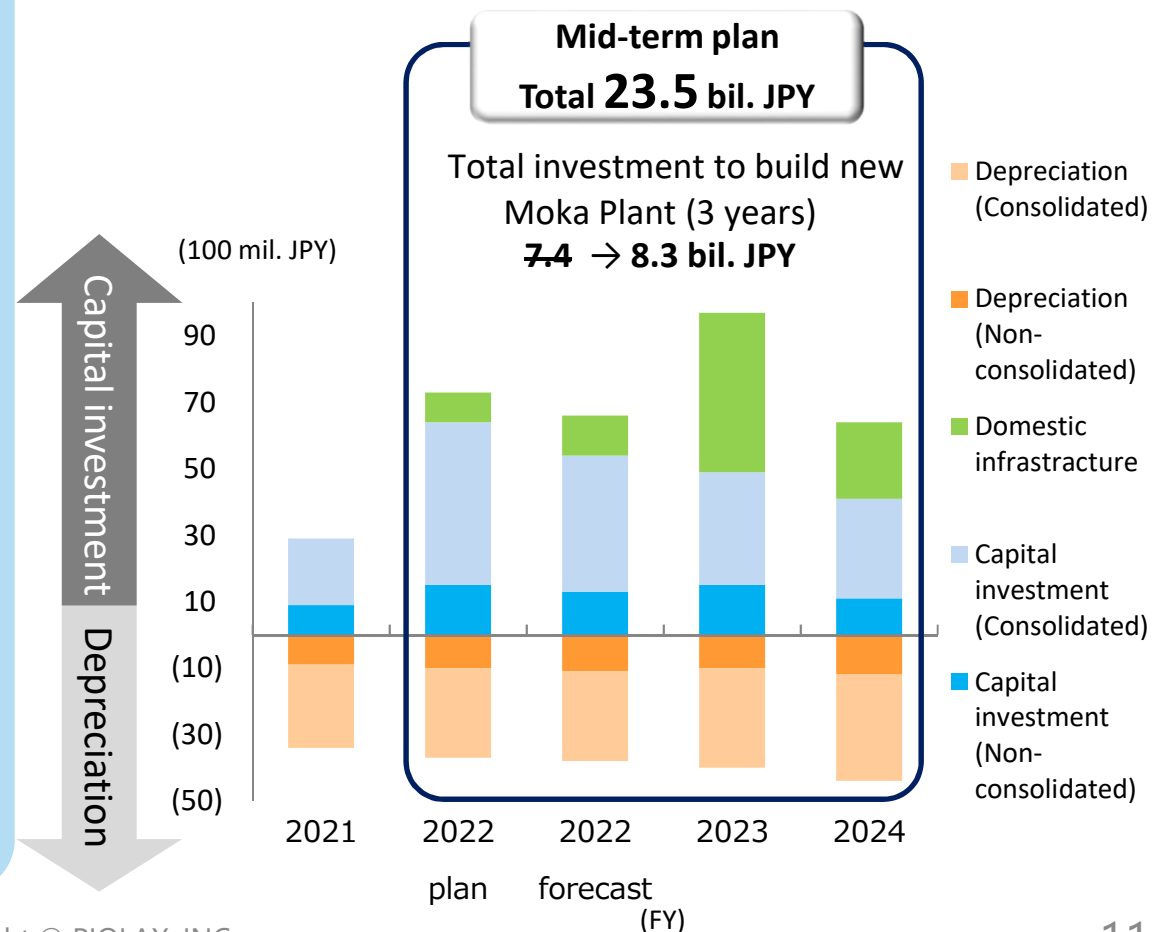
【FY22】

- Full-scale start of constructing new Moka Plant
- Introduction of automated/labor-saving equipment

【FY23 and after】

- Operation of new Moka Plant
- Renewal plan of Yokohama area
- Introduction of eco-friendly equipment
- Increase in construction cost of new Moka plant due to additional equipment and rising material prices, etc.

## Capital investment and depreciation



# Initiatives in Overseas Sites

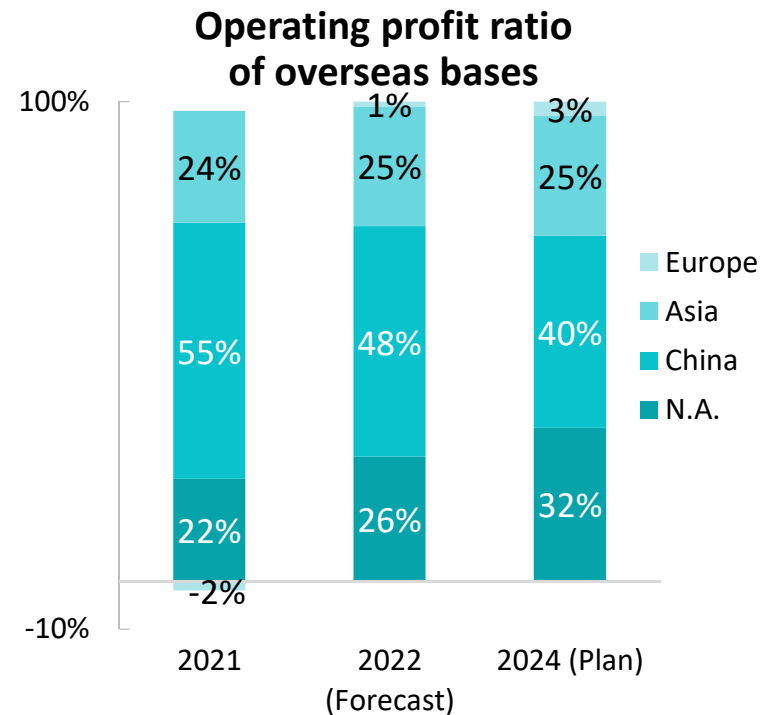
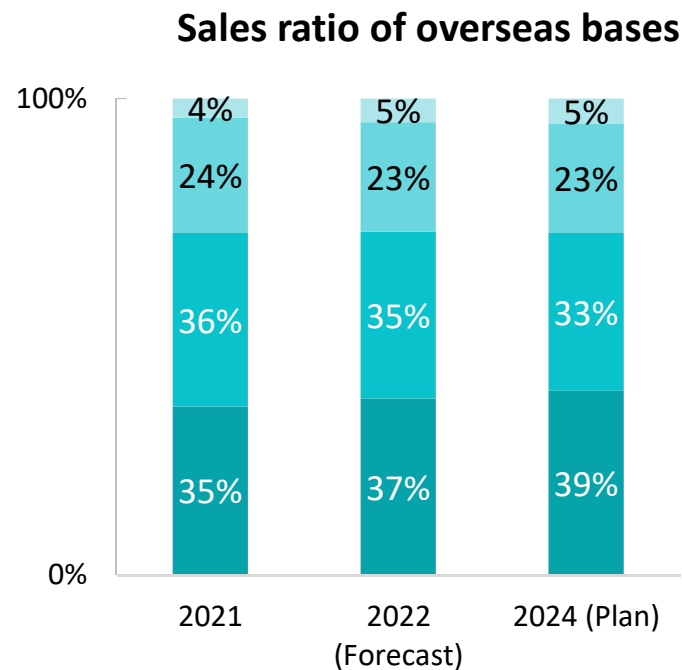
## Targets in FY24

### ■ Sales expansion with local OEMs in North America (U.S. and Mexico) and China

Sales ratio among overseas bases: 35% each for North America and China

### ■ Improve earning power of ASEAN and India bases

Operating profit ratio 15%



# Strategies for Continental Europe

## German Representative Office

Open: February 2022

Place: Dusseldorf, Germany

Role: Information gathering and market research in Europe

- The Representative Office is established as a foothold for Continental Europe strategies.
- Aim to win orders for CASE and EV-related products as well as automotive interior parts, which are our main products.
- Promote sales with European OEMs, especially German OEMs.
- Study reallocation of production system in Europe.



October 2022: exhibited for the first time at the IZB (auto parts trade show) in Germany



Exhibit: battery-related parts

# Infrastructure Development in Japan - 1

## Infrastructure development for future growth

### 1. New Moka Plant construction project

#### Construction of phases 1 and 2

- Start of construction: December 2022
- Full-scale operation: FY23 planned
- Investment (FY22-FY24):  
7.4 → 8.3 bil. JPY.  
Increase due to additional equipment  
and material price hikes

#### Future schedule

FY24: Start of phase 2 construction  
FY26: Start of operation (2nd stage)  
FY30: Start of operation (3rd stage)

#### <Next-generation plant> Global Mother Plant

- Introduction of next-generation equipment  
and molding lines
- Automated lines through AI and IOT  
technologies
- Efficient production through DX
- Target: 200% increase in productivity in FY30
- Initiatives for carbon neutrality



Ground-breaking ceremony  
on Nov. 24, 2022





# Infrastructure Development in Japan - 2

## 2. Yokohama area renewal project

- Re-plan infrastructure development for the entire Yokohama area (Head Office and Yokohama Technical Center).
- Due to the aging of the building, the Head Office was relocated in March 2022, and the demolition of the building has started since October 2022.
- In light of the status of work style reform, the company will actively utilize telecommuting and free address system, and aim to improve productivity in indirect divisions through infrastructure development.



Demolition of former Head Office building  
(Iwai-cho, Yokohama)

# Capital Policy

Review in May 2022

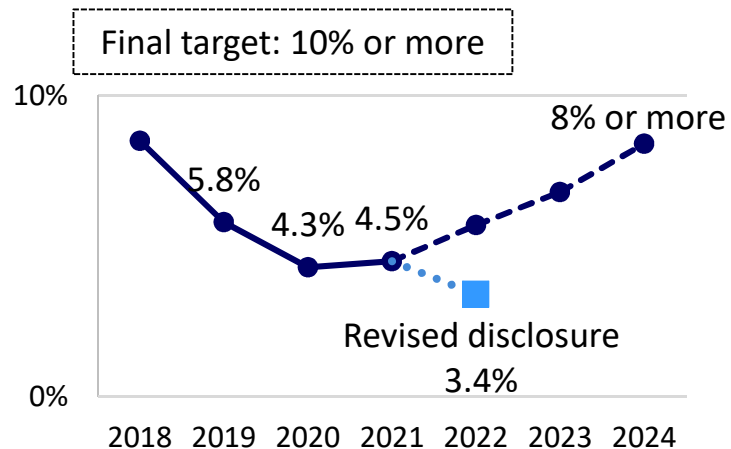
## Capital policy for FY22-FY24

- Curtail the buildup of equity capital.
- 100% dividend payout ratio
- Agile share repurchase/retirement

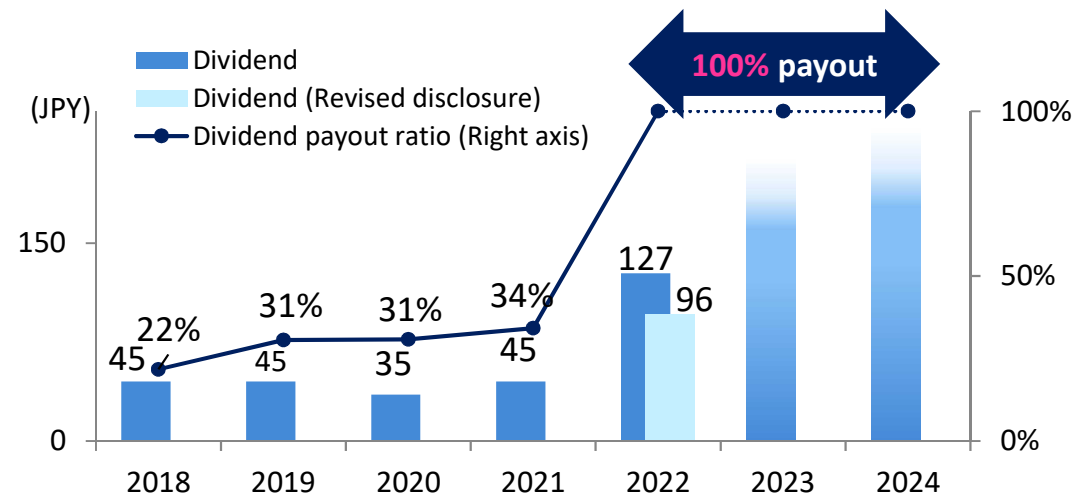
## Dividend

|                                | Previous forecast | Revised disclosure in Nov. |
|--------------------------------|-------------------|----------------------------|
| End of 2 <sup>nd</sup> quarter | 60.00 yen         | 43.00 yen                  |
| Term end                       | 67.00 yen         | 54.00 yen                  |
| Full year                      | 127.00 yen        | 97.00 yen                  |

## ROE trend



## Dividend and dividend payout ratio





# Promotion of ESG Management - 1

## Corporate activities aiming for carbon-free and recycling-oriented society (Piolax ESG Vision 2030)

### Initiatives for climate change

#### March 2022

- Endorse TCFD Recommendations.
- Disclose information on TCFD.
- Disclose roadmap to carbon neutrality.

#### FY2022

- Enhance disclosure of information on TCFD (including overseas bases).
- Promote concrete measures toward carbon neutrality.



### Initiatives for renewable energy

- Promote solar panels in Japan and abroad.
- Add solar panels in the U.K. in FY22.
- Introduce renewable energy at the new Moka Plant.



# Promotion of ESG Management - 2

## Creating a safe and vibrant workplace (Piolax ESG Vision 2030)

### Enhance human assets development

FY22

- Establish Human Assets Policy.
- Expand education system.



Develop human assets contributing to the development of the company.

### Initiatives for diversity

|                                     | FY21 result | FY22 target |
|-------------------------------------|-------------|-------------|
| Rate of female managers             | 3.5%        | 4% min.     |
| Rate of female new graduate hires   | 27.2%       | 30% min.    |
| Rate of employees with disabilities | 2.24%       | 2.3% min.   |

### Initiatives for health management

Introduce a monthly quick stress check in FY22 for mental health.

Monitor mental and physical health and job satisfaction (work engagement).

First time certified as Excellent Health Management Corporation 2022 (Large Corporate Division)



# Current Status and Outlook of Medical Device Business

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Friday, December 9, 2022

**PIOLAX MEDICAL DEVICES, INC.**

Seiichi Sato, President

# Summary

- **FY22 1H Results and Full-Year Forecasts**
- **Our expertise**
- **Business topics**
- **New measures responding to COVID-19**
- **Progress of medium-term plan (FY22-FY24)**

# FY22 1H Results and Full-Year Forecasts

(Unit: 1 mil. JPY)

|                  | 1H budget | 1H result | Achievement | Previous year result | Growth |
|------------------|-----------|-----------|-------------|----------------------|--------|
| Sales            | 2,134     | 2,150     | 101%        | 2,292                | -6%    |
| Operating profit | -37       | 100       | 267%        | 201                  | -50%   |

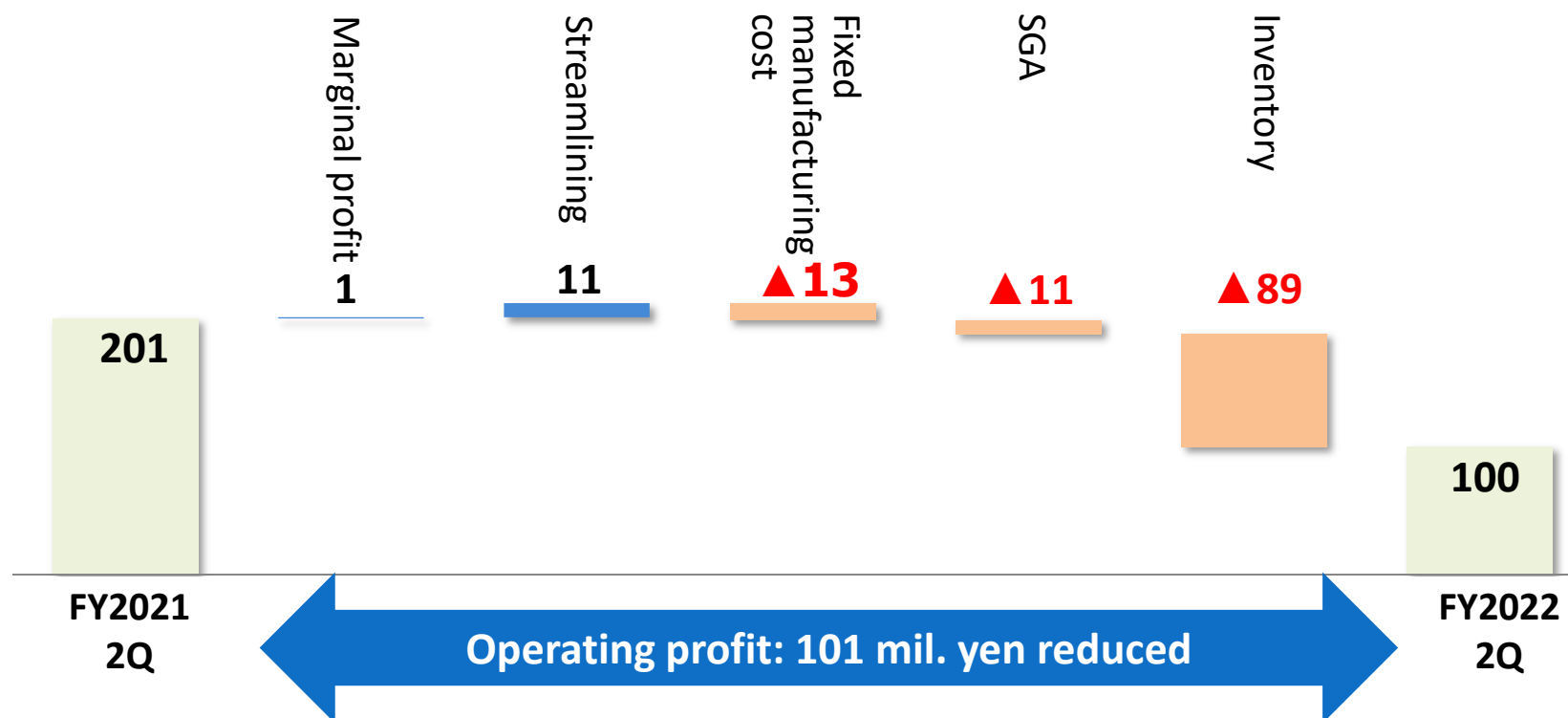
(Unit: 1 mil. JPY)

| FY22 budget | FY22 forecast | Achievement |
|-------------|---------------|-------------|
| 4,356       | 4,323         | 99%         |
| 70          | 105           | 150%        |

\* The impact of the revised insurance reimbursement price is -50 million yen/year compared to last year's sales.

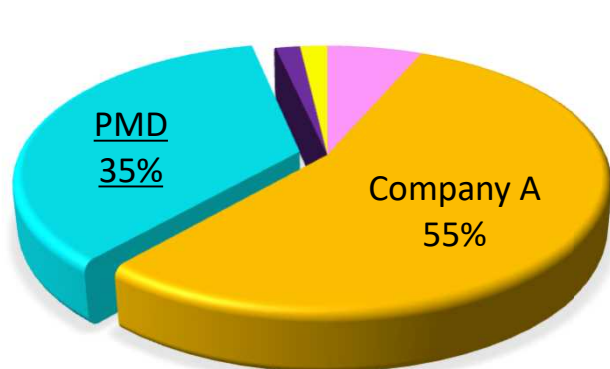
## Analysis of operating profit (against the previous year)

(Unit: 1 mil. JPY)

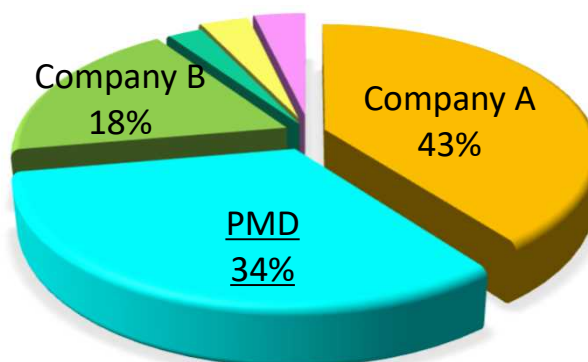


# Our Expertise: Therapeutic Guidewires

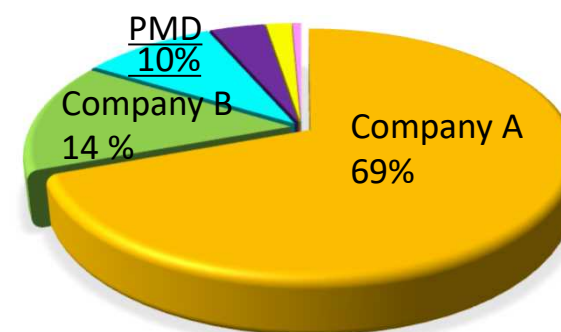
- ☆ **Plan and develop guidewires (GW) for various types of minimally invasive treatments**
  - ✓ Have excellent processing know-how of Ni-Ti alloy used for the core of guidewires.
  - ✓ Have surface treatment technologies such as "[hydrophilic coating](#)" and "[fluoroplastic coating](#)".



**Urologic endoscopy**  
**GW: 35%**



**Digestive endoscopy**  
**GW: 34%**



**Intravascular**  
**(abdominal) GW: 10%**

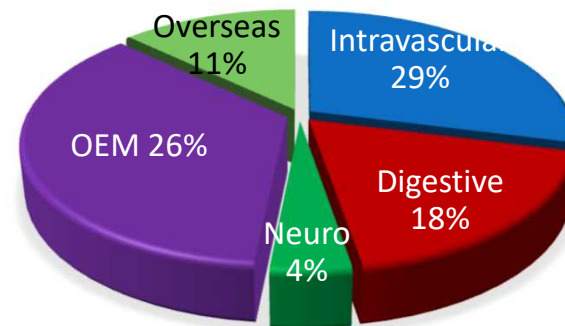
\* PMD = PIOLAX MEDICAL DEVICES, INC.

\* Ref.: In-house estimates based on Yano Research Institute's FY2021 edition and R&D's Biliary and Pancreatic Medical Yearbook FY2020 forecast data.

# Business Topics (FY22)

| Product line                          | Negative aspect  | Positive aspect  |
|---------------------------------------|--|--|
| Intravascular treatment devices       | <ul style="list-style-type: none"> <li>■ Decreased number of patients undergoing catheterization for liver cancer, partly due to the impact of new drugs.</li> <li>■ Voluntary recall of certain products due to mislabeling.</li> </ul> | <ul style="list-style-type: none"> <li>■ Increased use of micro coils for vascular embolization in terms of cost and usability.</li> </ul>   |
| Digestive endoscopy treatment devices | <ul style="list-style-type: none"> <li>■ Decrease in sales of mainstay guidewires due to production cutbacks caused by parts supply shortage affected by COVID-19.</li> </ul>  | <ul style="list-style-type: none"> <li>■ Bile duct biopsy support catheter "EndoSheather" (unique product) sells well</li> </ul>   |
| Neurosurgical cranial devices         | <ul style="list-style-type: none"> <li>■ Decrease in sales due to lower number of surgeries affected by COVID-19.</li> </ul>   |  |
| OEM (Japan) and export                |  | <ul style="list-style-type: none"> <li>■ Increase in sales due to special demand from supply concerns affected by COVID-19.</li> <li>■ Sales increase due to the approval of liver cancer catheter treatment devices in China</li> </ul> |

《 Sales composition forecast for FY22 》



# New Measures Responding to COVID-19

## 《Impact of COVID-19》

- Prolonged product shortages and delays in new product launches due to unstable parts procurement.
- Regulation of visits to medical facilities, decrease in the number of outpatients, and extended surgeries.
- Reduced opportunities for business meetings with physicians due to web-based academic and research conferences.

## 《New measures》

- Establish customer relationship management (CRM) and sales force automation (SFA) systems through Salesforce. Implement multifaceted marketing and sales strategies and activities through marketing automation (MA).
- Strategically strengthen OEM sales to accelerate sales promotion speed.

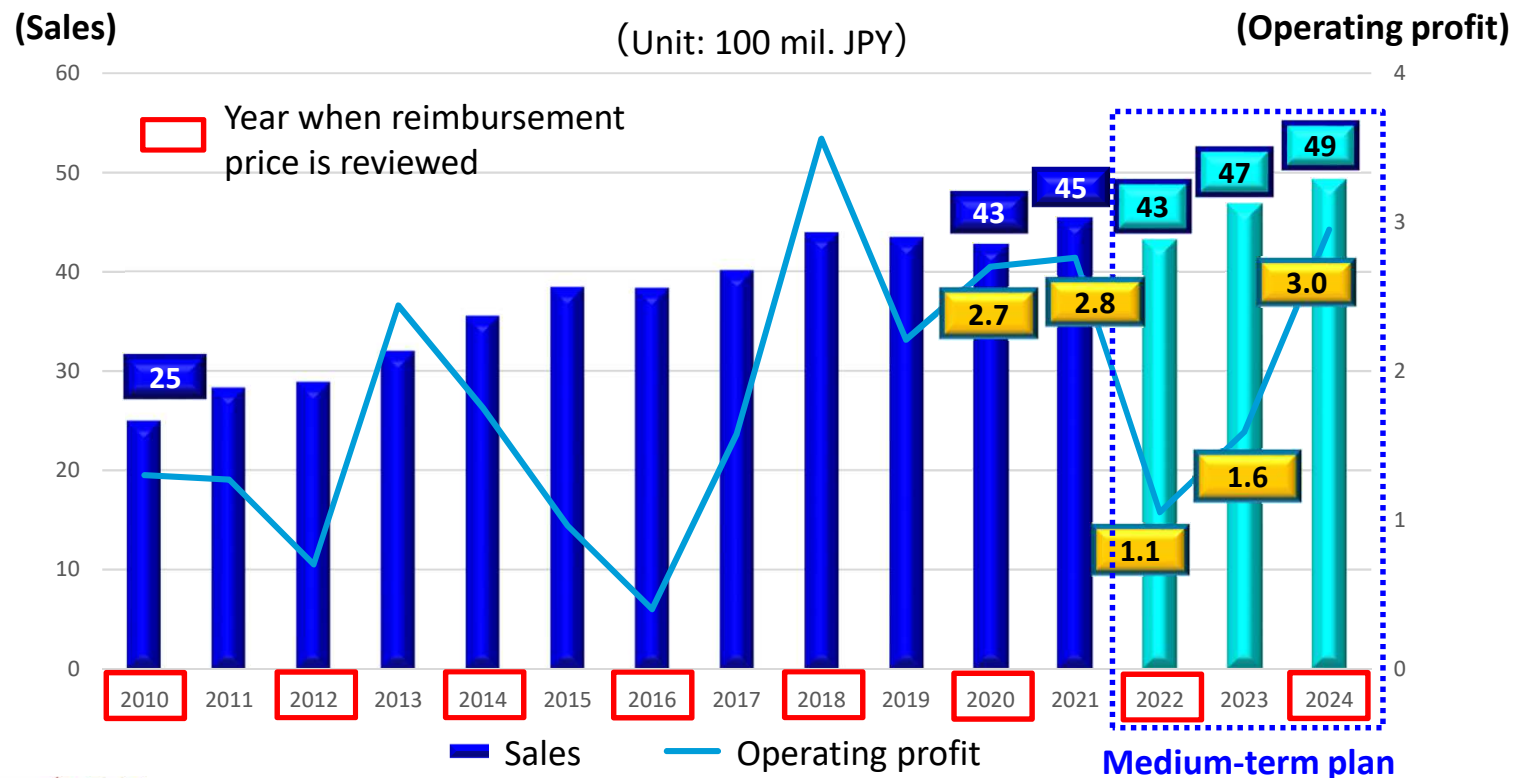
## 《Progress of candidate new products》

| Area          | Product                          | Market launch | Delay     |
|---------------|----------------------------------|---------------|-----------|
| Intravascular | Emulsion Connector (for export)  | Jun. 2022     | Jan. 2023 |
|               | 4 parts including micro catheter | FY24          | No        |
| Endoscopy     | EndoSelector2 guide wire (OEM)   | Sep. 2022     | Mar. 2023 |
|               | Dual Master HR025 guide wire     | Aug. 2022     | May 2023  |
|               | Seek Master 025 guide wire       | Apr. 2023     | No        |
| Neurosurgical | Titanium plate (Skull)           | Jan. 2023     | No        |
| Total         | 9 items                          |               |           |



# Medium-Term Plan (2022-2024)

1. Introduce differentiated products to specific markets (Differentiation strategies for specific markets)
2. Speed up the launch of new products and strengthen new product lineups
3. Strengthen overseas expansion (complying with regulations in each country)
4. Strengthen domestic sales network
5. Digital shift responding to the COVID-19



# Vision



**We will standardize procedures and  
provide patient-friendly medical devices  
to solve medical issues.**

# PIOLAX MEDICAL DEVICES, INC.

## Mission

**“Smiles for patients around the world”**

**Thank you for your attention**

# Notes on 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.**

