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# Consolidated Financial Results for the Nine Months Ended September 30, 2024 [Japanese GAAP]

November 6, 2024

Company name: PILOT CORPORATION
Listing: Tokyo
Securities code: 7846
URL: https://www.pilot.co.jp/
Representative: Fumio Fujisaki Representative Director and President
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Scheduled date to commence dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Nine Months Ended September 30, 2024 (January 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results (Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| Nine months ended | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| September 30, 2024 | 95,304 | 8.0 | 14,241 | (3.9) | 15,362 | (11.2) | 11,861 | (1.1) |
| September 30, 2023 | 88,251 | 4.9 | 14,826 | (5.8) | 17,305 | (4.3) | 11,988 | (4.9) |

(Note) Comprehensive income: Nine months ended September 30, 2024: ¥ 11,713 million [ (29.8) %]
Nine months ended September 30, 2023: ¥ 16,678 million [ (3.8) %]

| | Basic earnings per share | Diluted earnings per share |
|---|---|---|
| Nine months ended | Yen | Yen |
| September 30, 2024 | 302.33 | - |
| September 30, 2023 | 303.91 | - |

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio |
|---|---|---|---|
| As of | Millions of yen | Millions of yen | % |
| September 30, 2024 | 169,776 | 136,194 | 79.3 |
| December 31, 2023 | 166,468 | 132,345 | 78.3 |

(Reference) Equity: As of September 30, 2024: ¥ 134,566 million
As of December 31, 2023: ¥ 130,408 million

2. Dividends

| | Annual dividends | | | | |
|---|---|---|---|---|---|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended December 31, 2023 | - | 50.00 | - | 50.00 | 100.00 |
| Fiscal year ending December 31, 2024 | - | 53.00 | - | | |
| Fiscal year ending December 31, 2024 (Forecast) | | | | 53.00 | 106.00 |

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024(January 1, 2024 to December 31, 2024)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|---|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 126,000 | 6.2 | 18,000 | (5.3) | 20,000 | (4.0) | 14,000 | 2.5 | 358.29 |

(Note) Revision to the financial results forecast announced most recently: None

The Company resolved the purchase and cancellation of treasury shares at the Board of Directors' Meeting held on May 10, 2024. The impact of the purchase and cancellation was included in "Basic earnings per share"stated above.

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None
2) Changes in accounting policies due to other reasons: None
3) Changes in accounting estimates: None
4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2024: 41,814,400 shares
December 31, 2023: 41,814,400 shares

2) Number of treasury shares at the end of the period:

September 30, 2024: 3,154,809 shares
December 31, 2023: 2,364,966 shares

3) Average number of shares outstanding during the period:

Nine months ended September 30, 2024: 39,234,139 shares
Nine months ended September 30, 2023: 39,449,434 shares

(Note) The number of shares of treasury stock at the end of the period includes the Company's shares held by the BIP (Board Incentive Plan) trust (As of September 30, 2024: 18,827 shares, As of December 31, 2023: 18,827 shares). In addition, these Company's shares are included in the treasury stock which is deducted from the number of shares outstanding when calculating the average number of shares during the period (As of September 30, 2024: 18,827 shares, As of September 30, 2023: 18,827 shares).

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes(voluntary)

* Explanation for the appropriate use of performance forecast and other special notes

- The statements regarding forecast of financial results in this report are based on the information that is available to the Company, aswell as certain assumptions that are deemed to be reasonable by management. Therefore, there might be cases in which actual results differ materially from forecast values due to various factors.

1. Management Discussion and Analysis

(1) Result of Operations

During the nine months (January 1 to September 30, 2024) of the fiscal year under review, the economic environment in Japan saw a gradual recovery, although inflation caused personal consumption to stall. Overseas, although price hikes are subsiding, the outlook for the global economy remains uncertain given the impact of geopolitical risks, such as the protracted situation in Ukraine and the increasing tensions in the Middle East.

In this economic environment, Pilot Corporation ("the Company") and its consolidated subsidiaries ("the Group") benefited from continued firmness in the Japanese market for writing instrument. However, as in the previous fiscal year, demand remained weak in certain major markets. Meanwhile, personnel, depreciation, and other expenses increased as we stepped up investments for the future to achieve sustainable growth toward our "2030 Vision."

In this business environment, net sales for the nine months under review stood at 95,304 million yen, up 8.0% year on year (YoY). Net sales in the Japanese market came to 21,145 million yen, up 6.7% YoY. Net sales in overseas markets were 74,158 million yen, up 8.4% YoY. Looking at results by business based on our medium-term management plan, net sales in the writing instruments business stood at 86,451 million yen, up 8.0% YoY. Net sales in the non-writing instruments business came to 8,852 million yen, up 8.1% YoY.

In terms of profit, the Group recorded operating profit of 14,241 million yen, down 3.9% YoY, and ordinary profit of 15,362 million yen, down 11.2% YoY. Profit attributable to owners of parent stood at 11,861 million yen, down 1.1% YoY.

Details of each segment are as follows.

Segment operating profit is profit before the elimination of intersegment transactions.

From the third quarter of the current fiscal year, Pilot Pen (Malaysia) Sdn. Bhd., which had been affiliates not accounted for using equity method, was newly included in the consolidated financial statements due to the additional acquisition of its shares. September 30, 2024 is the deemed acquisition date, and only the balance sheet is consolidated during the nine months of the fiscal year under review.

(Japan segment)

In the stationery business, sales of the S20 series, which are popular among students, remained strong in Japan. In addition, Juice up, which are gel ink pens featuring our proprietary nib, Synergy Tip, has seen steady growth in sales and gained solid popularity. Mark's Group Holdings, Inc., which designs and manufactures stationery such as diaries and notebooks and which joined the Group in the last fiscal year, also contributed to sales. Exports sales have struggled due to prolonged inventory adjustments in some countries such as Saudi Arabia.

In the toys business, sales increased as the Mellchan doll and bath toys series, our mainstay products, performed well.

In industrial materials and other businesses, sales were increased thanks to the contribution of Mark's products, while sales of ceramics products, the mainstay of the industrial materials business, continued to decline as the semiconductor market is still recovering. Meanwhile, sales of jewelry business increased.

A breakdown of net sales in this segment by major business is as follows: 23,032 million yen, up 1.0% YoY in the stationery business, 2,453 million yen, up 9.3% YoY in the toys business, and 2,253 million yen, up 3.3% YoY in the industrial materials and other businesses. In the stationery business, net sales of writing instruments stood at 20,302

million yen, up 0.3% YoY, and net sales of other stationery came to 2,730 million yen, a 6.6% increase YoY.

As a result, net sales to external customers in this segment stood at 27,740 million yen, up 1.9% YoY. Segment operating profit was 9,990 million yen, up 4.0% YoY.

(Americas segment)

In the Americas, in the U.S., we benefited from increased orders for the back-to-school sales and our mainstay product G-2 continued to hold the top share in the gel ink roller ball pen market and remained strong. In addition, sales grew mainly on the strength of V Board Master whiteboard markers in the Brazilian market. The impact of the yen's depreciation also contributed to the increase in sales and profit in all segments.

As a result, net sales to external customers in this segment totaled 30,826 million yen, up 14.1% YoY. Segment operating profit came to 1,304 million yen, up 107.7% YoY.

(Europe segment)

In Europe, sales and profit increased although personal consumption has yet to fully recover. Sales of the FRIXION series, our core products in the European market, have recovered, and the yen’s depreciation also contributed.

As a result, net sales to external customers in this segment came to 21,167 million yen, up 11.1% YoY. Segment operating profit was 1,663 million yen, up 2.5% YoY.

(Asia segment)

In Asia, economic weakness has persisted in China. However, the Juice series of gel ink pens, our mainstay products in the Chinese market, generally performed well. The impact of the yen's depreciation also contributed to an increase in sales.

Meanwhile, operating profit decreased on higher SG&A expenses such as personnel and advertising expenses.

Consequently, net sales to external customers in this segment totaled 15,570 million yen, up 4.1% YoY. Segment operating profit stood at 275 million yen, down 63.2% YoY.

As a result of the above, total segment operating profit in each region increased to 13,234 million yen, up 5.0% YoY, but consolidated operating profit was 14,241 million yen, down 3.9% YoY. This is primarily attributable to the unrealized profit related to inventories, which resulted in a consolidation adjustment of 1,006 million yen (compared to 2,216 million yen in the same period in the previous fiscal year).

(2) Financial Position

Total assets at the end of the nine months under review were 169,776 million yen, an increase of 3,308 million yen from the end of the previous fiscal year.

Current assets decreased 1,732 million yen, to 105,405 million yen. This is primarily due to a decrease of 1,744 million yen in inventory, which consists of merchandise and finished goods, and work in process, as well as raw materials and supplies.

Non-current assets increased 5,040 million yen, to 64,371 million yen. Property, plant and equipment, and goodwill increased by 3,864 million yen, and 1,312 million yen, respectively.

Note that this goodwill was generated by additionally acquiring of shares in Pilot Pen (Malaysia) Sdn. Bhd.,

previously affiliates not accounted for using equity method, resulting in its inclusion within the consolidated financial statements from the third quarter of the current fiscal year.

Liabilities decreased 541 million yen compared to the end of the previous fiscal year, to 33,582 million yen.

Current liabilities decreased 283 million yen, to 31,283 million yen. This is primarily due to an increase of 1,043 million yen in provision for bonuses and a decrease of 1,338 million yen in short-term borrowings.

Non-current liabilities decreased 257 million yen, to 2,298 million yen. This is primarily due to a decrease of 261 million yen in long-term borrowings.

Net assets increased 3,849 million yen compared to the end of the previous fiscal year, to 136,194 million yen. This is primarily due to an increase of 787 million yen in retained earnings and treasury shares of 3,454 million yen acquired.

(3) Description of Consolidated Results Forecast

The consolidated financial results forecast for the fiscal year ending December 31, 2024, announced on August 7, 2024, remains unchanged.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Millions of yen)

| | As of December 31, 2023 | As of September 30, 2024 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 39,171 | 39,663 |
| Notes and accounts receivable - trade | 24,243 | 24,966 |
| Merchandise and finished goods | 24,222 | 22,465 |
| Work in process | 8,324 | 8,488 |
| Raw materials and supplies | 4,749 | 4,598 |
| Other | 6,512 | 5,324 |
| Allowance for doubtful accounts | (86) | (101) |
| Total current assets | 107,138 | 105,405 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 30,462 | 31,517 |
| Accumulated depreciation | (15,985) | (16,645) |
| Buildings and structures, net | 14,476 | 14,872 |
| Machinery, equipment and vehicles | 39,999 | 42,443 |
| Accumulated depreciation | (32,793) | (33,775) |
| Machinery, equipment and vehicles, net | 7,205 | 8,667 |
| Other | 21,199 | 21,092 |
| Accumulated depreciation | (18,211) | (18,111) |
| Other, net | 2,988 | 2,981 |
| Land | 7,608 | 7,483 |
| Construction in progress | 5,612 | 7,751 |
| Total property, plant and equipment | 37,891 | 41,756 |
| Intangible assets | | |
| Leasehold interests in land | 5,355 | 5,355 |
| Goodwill | - | 1,312 |
| Other | 973 | 1,050 |
| Total intangible assets | 6,328 | 7,718 |
| Investments and other assets | | |
| Investment securities | 7,860 | 7,821 |
| Deferred tax assets | 3,371 | 3,106 |
| Retirement benefit asset | 2,862 | 3,109 |
| Other | 1,047 | 891 |
| Allowance for doubtful accounts | (32) | (32) |
| Total investments and other assets | 15,109 | 14,896 |
| Total non-current assets | 59,330 | 64,371 |
| Total assets | 166,468 | 169,776 |

(Millions of yen)

| | As of December 31, 2023 | As of September 30, 2024 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 12,148 | 11,428 |
| Short-term borrowings | 1,728 | 390 |
| Current portion of long-term borrowings | 409 | 332 |
| Accrued expenses | 2,901 | 3,461 |
| Income taxes payable | 1,602 | 1,765 |
| Provision for bonuses | 718 | 1,762 |
| Provision for bonuses for directors (and other officers) | 65 | 40 |
| Provision for share awards for directors (and other officers) | - | 65 |
| Other | 11,992 | 12,038 |
| Total current liabilities | 31,567 | 31,283 |
| Non-current liabilities | | |
| Long-term borrowings | 494 | 233 |
| Deferred tax liabilities | 389 | 387 |
| Provision for retirement benefits for directors (and other officers) | 131 | 127 |
| Provision for environmental measures | 48 | - |
| Provision for share awards for directors (and other officers) | 47 | - |
| Retirement benefit liability | 720 | 761 |
| Other | 723 | 788 |
| Total non-current liabilities | 2,555 | 2,298 |
| Total liabilities | 34,123 | 33,582 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 2,340 | 2,340 |
| Capital surplus | 7,923 | 7,895 |
| Retained earnings | 129,116 | 136,923 |
| Treasury shares | (10,858) | (14,313) |
| Total shareholders' equity | 128,521 | 132,846 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,187 | 1,268 |
| Foreign currency translation adjustment | 276 | 141 |
| Remeasurements of defined benefit plans | 423 | 309 |
| Total accumulated other comprehensive income | 1,887 | 1,720 |
| Non-controlling interests | 1,936 | 1,627 |
| Total net assets | 132,345 | 136,194 |
| Total liabilities and net assets | 166,468 | 169,776 |

## Quarterly Consolidated Statements of Income and Comprehensive Income

### Quarterly Consolidated Statements of Income (For the nine months)

(Millions of yen)

| | For the nine months ended September 30, 2023 | For the nine months ended September 30, 2024 |
|---|---|---|
| Net sales | 88,251 | 95,304 |
| Cost of sales | 42,084 | 46,123 |
| Gross profit | 46,167 | 49,180 |
| Selling, general and administrative expenses | 31,340 | 34,938 |
| Operating profit | 14,826 | 14,241 |
| Non-operating income | | |
| Interest income | 383 | 483 |
| Dividend income | 308 | 545 |
| Foreign exchange gains | 1,720 | - |
| Other | 272 | 359 |
| Total non-operating income | 2,685 | 1,388 |
| Non-operating expenses | | |
| Interest expenses | 175 | 136 |
| Foreign exchange losses | - | 78 |
| Other | 31 | 52 |
| Total non-operating expenses | 206 | 267 |
| Ordinary profit | 17,305 | 15,362 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 47 | 70 |
| Gain on sale of investment securities | 273 | 343 |
| Gain on step acquisitions | - | 889 |
| Compensation income | 197 | - |
| Reversal of provision for environmental measures | - | 42 |
| Total extraordinary income | 519 | 1,347 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 0 | 1 |
| Loss on retirement of non-current assets | 143 | 38 |
| Impairment losses | - | 95 |
| Loss on disaster | - | 13 |
| Loss on sale of investment securities | - | 0 |
| Soil pollution expense | - | 45 |
| Total extraordinary losses | 144 | 195 |
| Profit before income taxes | 17,680 | 16,514 |
| Income taxes | 5,600 | 4,638 |
| Profit | 12,080 | 11,876 |
| Profit attributable to non-controlling interests | 91 | 14 |
| Profit attributable to owners of parent | 11,988 | 11,861 |

Quarterly Consolidated Statements of Comprehensive Income (For the nine months)

(Millions of yen)

| | For the nine months ended September 30, 2023 | For the nine months ended September 30, 2024 |
|---|---|---|
| Profit | 12,080 | 11,876 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 620 | 87 |
| Foreign currency translation adjustment | 3,901 | (135) |
| Remeasurements of defined benefit plans, net of tax | 76 | (114) |
| Total other comprehensive income | 4,598 | (162) |
| Comprehensive income | 16,678 | 11,713 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 16,477 | 11,694 |
| Comprehensive income attributable to non-controlling interests | 200 | 19 |