

PILOT Corporation

2025–2027 Medium-Term
Management Plan
(Progress Made in FY2025)

Purpose of the PILOT Group

- We have defined the significance of existence of PILOT and established our Purpose as our steadfast management objective.
- Keeping in mind the idea reflected in this purpose, we will move forward with initiatives to achieve sustainable growth of the Group and address social issues, thus contributing to building a sustainable society.

Our Creations Inspire Creativity

We innovate for all who think, learn, play, create, communicate.

We generate original technology and great ideas so creativity can be freely unleashed.

We inspire joyful thinking and facilitate visionary experiences for everyone.



- The 2030 Vision, which we presented when we announced our 2022–2024 Medium-Term Management Plan remains unchanged.
- In the coming 100 years, we will continue to support the act of writing of people around the world with our writing instruments. We will also leverage our technologies derived from writing, which have been cultivated over the past 100 years, to respond to major changes in the external environment, with commitment to supporting society, and culture in fields other than writing instruments as well.

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

- **Expansion of overseas business**
- **Maintain share of domestic market**

Grow with non-writing instrument businesses as the second pillar

Sales composition ratio 25%
Expansion of toy and industrial materials businesses
Creating new value linked with the purpose

Offer value to the environment, society, and employees

Contribution to the creation of a sustainable earth and society

Management tasks to focus our efforts on

- We have established the following management tasks to focus our efforts on under the 2025–2027 Medium-Term Management Plan (hereafter, the “current Medium-Term Management Plan”).



Major Actions to Address Key Management Tasks

- We will take the following major actions under the current Medium-Term Management Plan to address key management tasks.

Management task		Major action	
(i)	Increasing the global market share of writing instrument business	<ul style="list-style-type: none"> Creating and launching new products with competitive edges Increasing sales by enhancing sales capabilities and launching products in growth markets, particularly in India and the ASEAN region Strengthening area strategy with a market-oriented approach 	
(ii)	Reinforcing the structure of non-writing instrument businesses	<ul style="list-style-type: none"> Toys: Increasing sales and expanding IP business in overseas markets Creating new value with the central role played by Future Creations Office Industrial materials: Production increase and sales expansion of ceramics, etc. 	
(iii)	Finding new alliance partners	<ul style="list-style-type: none"> Finding new partners by applying intellectual property landscaping 	
(iv) Driving sustainable management of the Group	i	Driving operational reforms from the viewpoint of total optimization	<ul style="list-style-type: none"> Introducing a new core system through operational reforms
	ii	Reinforcing the Group management structure and driving human resource development	<ul style="list-style-type: none"> Sophistication of collection and utilization of Group company information Stepping up investment in human resource development
	iii	Reforming the global supply chain of writing instrument business	<ul style="list-style-type: none"> Optimizing inventory levels at overseas sales bases

Overview of FY2025

■ Overview of FY2025

- In FY2025, net sales were below the initial forecast in each region and fell 6.6 billion yen short of the target. Operating margin and ROE were also below targets, mainly due to the failure to achieve the net sales target. However, we achieved a total payout ratio above the target level.
- For financial targets under the Medium-Term Management Plan, we changed the timeline for achieving them and revised targets for net sales, operating margin, and ROE for FY2026 and FY2027, reflecting demand trends in each region. Meanwhile, we revised the total payout ratio target upward to 70% or higher.

■ Summary of management tasks

Management task	Progress in FY2025	Initiatives for FY2026 and onward
Increasing the global market share of writing instrument business	<ul style="list-style-type: none"> • Sales were below the initial forecast in each region but were flat year on year. • Contributions to sales by new products with competitive edges Europe: FRIXION ball+ (plus) sold 2 million units Japan and China: KIRE-NA highlighter pen sold cumulative total of 10 million units since its launch 	<ul style="list-style-type: none"> • Implementing measures to strengthen gel ink ballpoint pens in the Americas and Europe • Developing and distributing products that are tailored to needs in India and the ASEAN region
Reinforcing the structure of non-writing instrument businesses	<ul style="list-style-type: none"> • Steady progress made in the IP business in the toy business • Expansion in the industrial materials businesses including ceramics 	<ul style="list-style-type: none"> • Continuing to strengthen the toy business in overseas markets and expand the IP business • Increasing ceramics production capacity
Driving sustainable management of the Group	<ul style="list-style-type: none"> • The implementation of the new core system progressed as planned through operational reforms. • Initiatives to instill the Purpose and share it within Group companies were launched to build a foundation for sustainable Group management. 	<ul style="list-style-type: none"> • Commencing operational reforms and human resource development in parallel to introduce a new core system that will begin operating in FY2028 • Continuing activities to instill the Purpose to maximize the Group's strength

Progress on Priority Measures (Management Task (1))

Management task (1)

Increasing the global market share of writing instrument business

• Initiatives taken in FY2025

Creating and launching new products with competitive edges

- In Europe, we launched competitive products in collaboration with an anime character (G-2, FRIXION, etc.) and collaborative version of environmentally friendly product, FRIXION ball+ (plus). In Europe and the U.S., we launched a product featuring a new barrel design. They contributed to an increase in brand awareness and the maintenance and expansion of sales in each region.
- In Japan and Asia, we launched the new KIRE-NA highlighter pen. We sold a cumulative total of 10 million units.



Premium carbon-fiber-style finish

Limited-edition G-2 product featuring a new barrel design



Collaboratively developed FRIXION ball+ (plus) products (Sold in Europe only)



KIRE-NA was awarded a grand prize in the Bunbouguyasan Taisho 2025 award program in Japan, in which winning products are selected by stationery stores.



Progress on Priority Measures (Management Task (1))

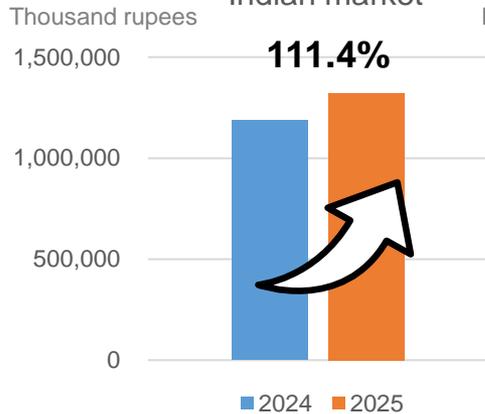
Management task (1)

Increasing the global market share of writing instrument business

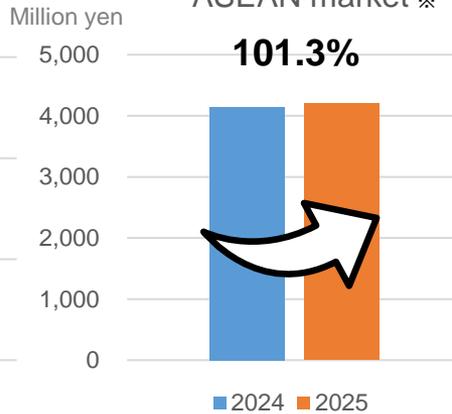
Increasing sales by enhancing sales capabilities and launching products in growth markets, particularly in India and the ASEAN

- In India, sales increased due to the steady achievement of initiatives to enhance sales capabilities that have continued since the management structure was reformed.
- In the ASEAN region, sales steadily increased, mainly due to the strong growth of V BOARD MASTER.
- We opened PILOT's first flagship store in India with the goal of increasing the awareness of our fountain pens, one of our strengths, and increasing their sales.

Indian market



ASEAN market ※



V BOARD MASTER



Key Product in the ASEAN market



Our flagship store in Gurugram, India

* Sales in the ASEAN region at our subsidiaries in Singapore, Malaysia, and Indonesia

Progress on Priority Measures (Management Task (1))

Management task (1)

Increasing the global market share of writing instrument business

Strengthening area strategy with a market-oriented approach

- We explored strategies and products concepts based on regional market characteristics and current conditions, as well as the development of products tailored to local needs in terms of features and pricing.

• Initiatives starting in FY2026

- U.S.: To further expand our top share in the gel ink ballpoint market, we will promote FRIXION, the second mainstay product, while increasing the market share of G-2, which is the first mainstay product.
- Europe: Strengthening product line of FRIXION, our mainstay product, to early elementary school children as our main target.
- China: Attracting e-commerce customers to brick-and-mortar stores to stimulate demand and encourage purchases
- India and ASEAN region: We will continue to focus on these regions. In particular, the demand for writing instruments is expected to increase in India, where the enrollment is rising. We will therefore advance local production and local sales of products which suit the characteristics of the local market. Our goal in FY2027 is to increase sales by 30% in India and 15% in ten countries of the ASEAN region from their respective levels in FY2024.
- We will continue to expand fountain pens. Fountain pen awareness increased due to the fountain pen events* held overseas, which resulted in 14.6% year-on-year growth of the fountain pen category globally in 2025.
* Events for making fans focused on fountain pens, including exhibitions and sales, demonstration of Maki-e art, and adjustments of fountain pens made by technicians (Pen Clinic)

Progress on Priority Measures (Management Task (2))

Management task (2)

Reinforcing the structure of non-writing instrument businesses

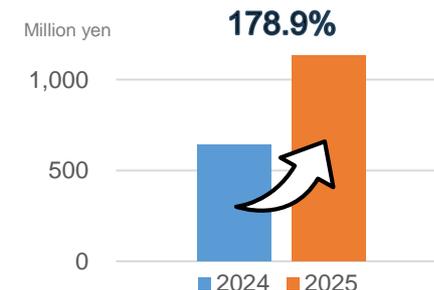
Toys: Increasing sales and expanding IP business in overseas markets

- We opened Mellchan Island, a dedicated event room, at Omocha Okoku (toy kingdom) leisure facilities. For Karuizawa Omocha Okoku, we established a special guest room named Mellchan Friendship Room at an adjacent hotel.
- We expanded the Mellchan and Ahiru taichou license business, and in FY2025, royalties increased by 78.9% year on year.



Mellchan Friendship Room at Hotel Green Plaza Karuizawa

Royalties



Creating new value with the central role played by Future Creations Office

- We launched the YUDANFU line of 100% wool clothing and items which includes stoles and neck warmers.
- We launched the Cotobable communication app that uses AR technology and virtual spaces to provide users with a new experience. It enables users to share handwritten messages that float in virtual spaces.
- We opened the future creation laboratory named PILABOT TOKYO. PILABOT TOKYO is a place for having new in-person experiences under the concept of freely trying various things.



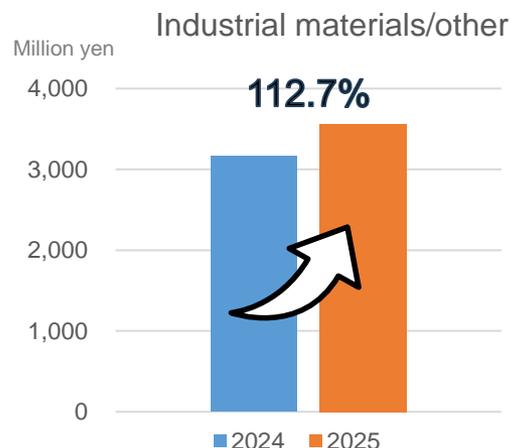
Progress on Priority Measures (Management Task (2))

Management task (2)

Reinforcing the structure of non-writing instrument businesses

Industrial materials: Production increase and sales expansion of ceramics, etc.

- Sales from the industrial materials/other business increased by 12.7% year on year.
- For ceramics as the mainstay in the industrial materials businesses, demand for semiconductors, measuring instruments, and other products has been trending toward a recovery. To expand the business in and after 2026, we prepared to reinforce the production system by starting to operate new facilities and streamlining factory layouts.
- Together with Wacom Co., Ltd., we have developed DIGIKAKU, which is designed for the creative integration of writing (kaku in Japanese) and digital technologies.
- We plan to operate DIGIKAKU as a new communication system at stores offering writing instruments.



(Note) Industrial materials/other includes jewelry, ceramics, and other products.

DIGIKAKU

Progress on Priority Measures (Management Task (3), (4)-1)

Management task (3)

Finding new alliance partners

Finding new partners by applying intellectual property landscaping

- We identified the technologies we possess.
- We leverage the IP landscape to develop products in new domains using the technologies we possess.
- We explored potential alliance partners.
- We developed the domains where we could create synergies with the current business.

Management task (4)-1

Driving operational reforms from the viewpoint of total optimization

Introducing a new core system through operational reforms

- In FY2025, we made steady progress toward the launch of ERP operation in Japan in FY2028.

FY2024

Initiatives in FY2025

FY2026 onward

Definition of ideal state

Definition of business requirements completed

Definition of system requirements for start of operation

Progress on Priority Measures (Management Task (4)-2, (4)-3)

Management task (4)-2

Reinforcing the Group management structure and driving human resource development

Sophistication of collection and utilization of Group company information

Stepping up investment in human resource development

- We monitored Group companies to check if they are using management resources appropriately.
- We took steps to instill the Purpose to entire group to maximize the Group's strength.
- We sought to recruit and develop qualified professionals (stepping up recruitment and bolstering development programs), who support the Group's growth, by increasing investment in the development of human resources.
- Through the promotion of DE&I, we developed a foundation that permits the active participation of diverse human resources (training and e-learning provided for employees including those of Group companies).

Management task (4)-3

Reforming the global supply chain of writing instrument business

Optimizing inventory levels at overseas sales bases

- For the G-2 gel ink ballpoint pen, our mainstay product in the U.S., we promoted to establish an inventory control system for Pilot Corporation of America.
- As of year-end 2025, G-2 inventory units at Pilot Corporation of America were reduced by over 20% compared with year-end 2024, achieving the targeted inventory level.

Capital Expenditure Status and Revision of the Plan

■ Capital expenditure status

- In 2025, capital expenditure was proceeded almost as planned.
- The Isesaki Plant rebuilding project, initially scheduled for FY2026, has been scaled down based on revised demand assumptions, with construction rescheduled to a three-year period from FY2027. As a result, capital expenditure and depreciation for the period of the current Medium-Term Management Plan decreased from the initial plan.
- The depreciation ratio is expected to remain around 5% in the period of the next Medium-Term Management Plan.

■ System investment status

- The creation of the new core system is progressing as planned.

Actual and planned capital expenditure, system investment, and depreciation

(Million yen)

	2025/12		2026/12		2027/12		Total	
	Plan	Results	Initial plan	After revision	Initial plan	After revision	Initial plan	After revision
Capital expenditure	7,500	7,856	17,000	10,000	20,500	8,500	45,000	25,737
System investment	0	0	1,800	No change	1,200	No change	3,000	No change
Depreciation (depreciation ratio)	6,400	6,407 (5.1%)	6,700	6,700 (5.0%)	7,400	6,900 (5.0%)	20,500	20,007

Financial Targets

■ FY2025 results

- In FY2025, net sales were below the initial forecast in each region and fell 6.6 billion yen short of the target.
- Operating margin and ROE were also below targets, mainly due to the failure to achieve the net sales target.

■ Revision of financial targets

- In light of demand trends in each region, we reviewed the target achievement schedule and revised net sales, operating margin, and ROE targets for FY2026 and FY2027. We will implement thorough initiatives to reduce and control costs, aiming to achieve our revised targets.
- We revised the total payout ratio target upward to 70% or higher.

	2025/12		2026/12		2027/12	
	Target	Results	Initial target	After revision	Initial target	After revision
Consolidated net sales (Million yen)	133,000	126,391	139,000	133,000	145,000	139,000
Operating margin (%)	13.5	13.2	15 or more	13.5 or more	16 or more	15 or more
ROE (%)	10.0	8.5	10 or more	10 or more	11 or more	10 or more
Total payout ratio (%)	50 or more	87.3	50 or more	70 or more	50 or more	70 or more

* Revision of assumed exchange rates

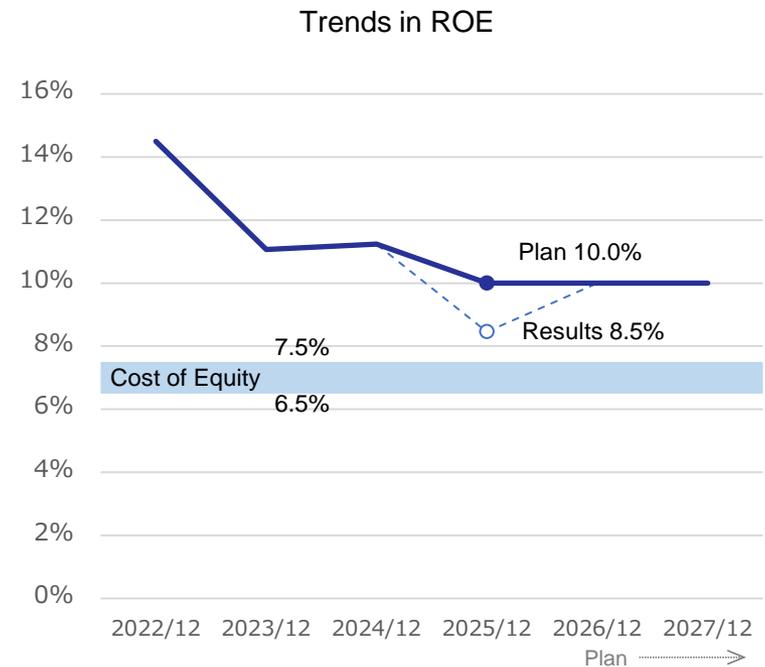
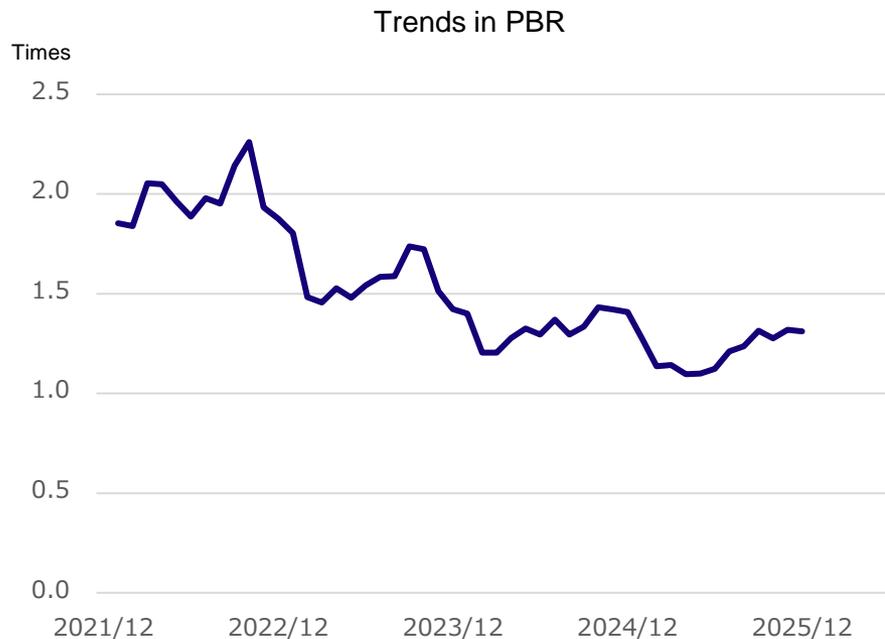
Initial plan: Exchange rate assumed for FY2025 and onward: 1 US dollar = 150 yen, 1 euro = 160 yen, 1 yuan = 21.4 yen

After revision: FY2026 and onward: 1 US dollar = 150 yen, 1 euro = 170 yen, 1 yuan = 21.4 yen)

* Exchange rates for FY2025 results: 1 US dollar = 149.61 yen, 1 euro = 169.19 yen, 1 yuan = 20.81 yen

Management that is Conscious of Cost of Capital and Stock Price (1/3)

- PBR basically remained between 1.1 and 1.3 in FY2025.
- Believing that we should maintain and improve the margin ratio even in a difficult earnings environment and operate efficiently, we have included a target operating margin and ROE as our financial targets again.
- We recognize our company's cost of equity to be 6.5-7.5%. We will advance initiatives, such as capital efficiency improvements, to expand the equity spread.



Recognition

- The earnings environment will remain challenging for the time being, with factors including a cost increase attributed to the continuation of relatively high capital expenditure in addition to rising labor costs for securing human resources globally and sluggish consumption demand in overseas markets.
- We recognize our company's cost of equity to be 6.5-7.5%.
- While ROE will remain above the cost of equity, the spread between them has become smaller, having made it essential to improve profitability and capital efficiency
- PBR basically remained between 1.1 and 1.3 in FY2025.
- Regarding the balance sheet, the level of cash and deposits has been higher, and the inventory turnover period has been longer, compared to the 2010s. A reform of global supply chain management is underway.

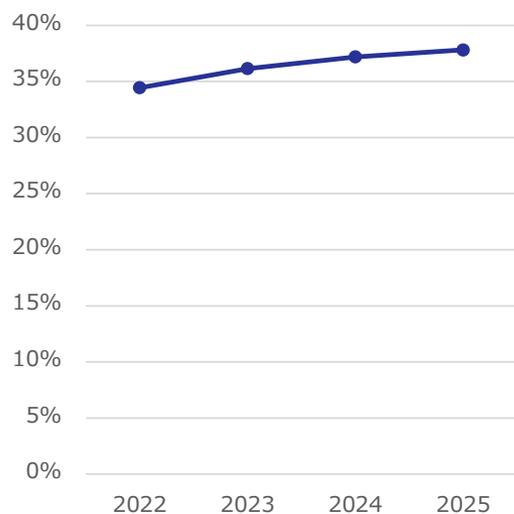
Policies

- To enhance shareholder returns, we have set a new target of the total payout ratio of 70% or higher.
- We will acquire treasury shares flexibly in response to changes in the business environment, for the purpose of improving capital efficiency.
- We will review the balance sheet with a focus on cash and deposits and inventories.

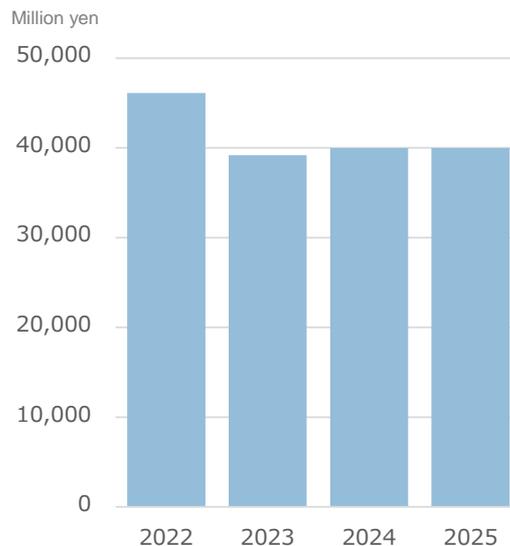
Initiatives

- We have set the targets for the FY2027, the final fiscal year of the current Medium-Term Management Plan as consolidated net sales of 139 billion yen, an operating margin of 15% or higher, and an ROE of 10% or higher.
- We will control SG&A expenses by focusing on our priority measures, with an upper limit of an SG&A ratio of 37%.
- We recognize that the appropriate level of cash and deposits is around 30 billion yen, and we will actively use our surplus funds to invest in growth for the future and to provide shareholder returns.
- With regard to inventories (stock), we will strive to lower the inventory levels with three overseas bases in the U.S., France, and China through supply chain reforms, by assuming levels before the COVID-19 pandemic (2019).

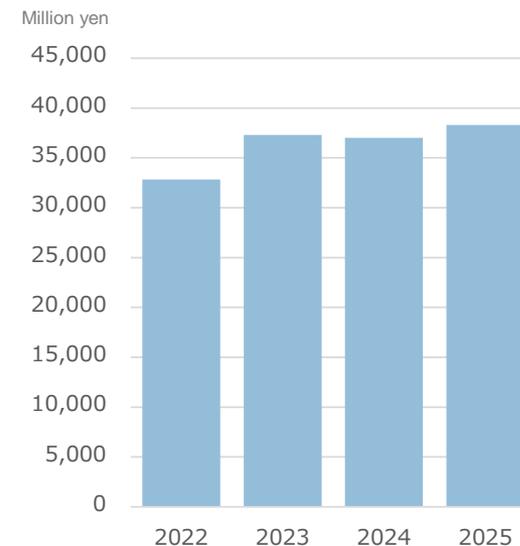
SG&A ratio



Cash and deposits

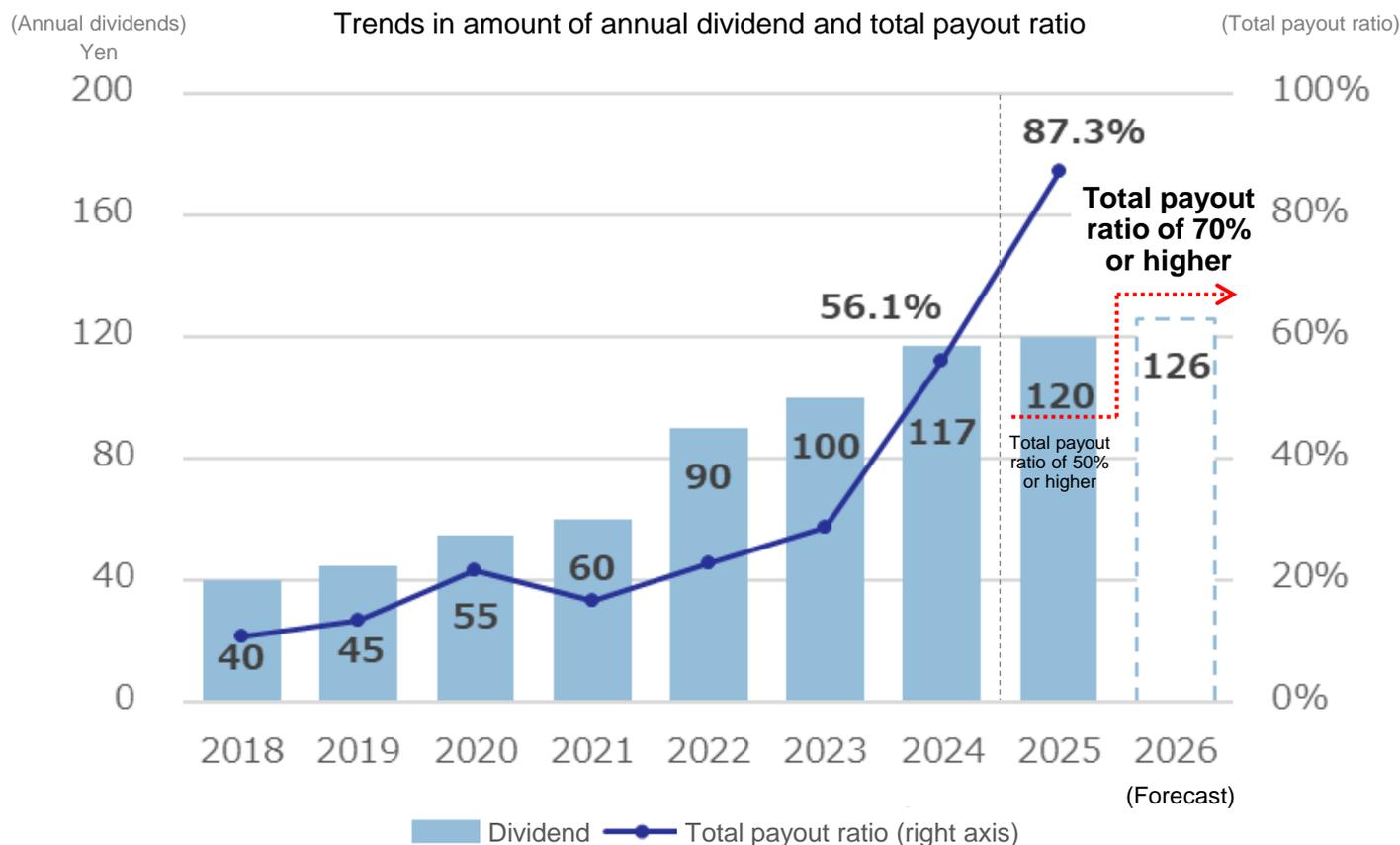


Inventories



Strengthening Shareholder Returns

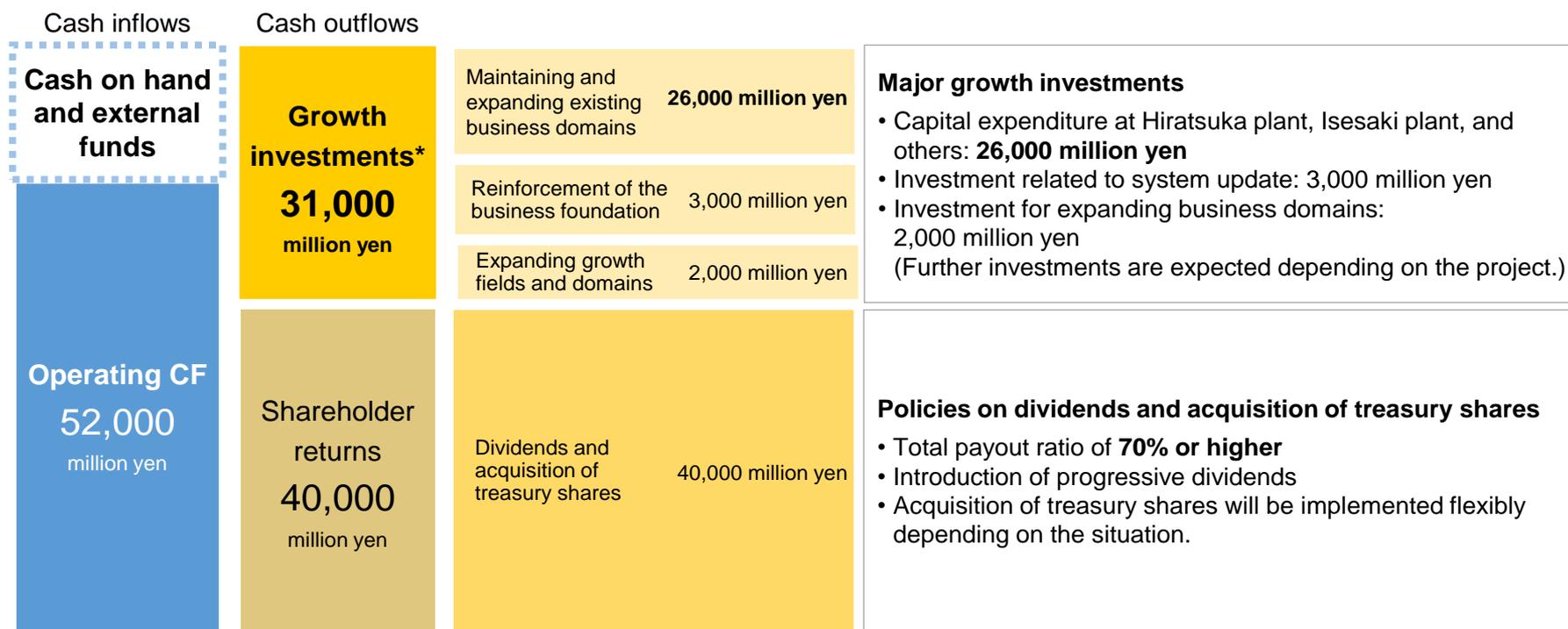
- While we targeted a total payout ratio of 50% or higher, it was 87.3% for FY2025, exceeding the target.
- We introduced progressive dividends in FY2025.
- To further increase shareholder returns, we revised our total payout ratio target for the period of the Medium-Term Management Plan upward from 50% or higher to 70% or higher.
- We will also acquire treasury shares flexibly in response to changes in the business environment, for the purpose of improving capital efficiency and increasing shareholder returns.



Cash Allocation

- Aiming to improve ROE, we will utilize external funds while considering financial soundness and the reduction of equity.
- We will scale down growth investments in response to the revision of the capital expenditure plan at the Isesaki Plant.
- We will continue to enhance shareholder return through the payment of dividends and the acquisition of treasury shares.

Cash allocation (2025-2027)



* Excluding human resource development and R&D expenses

Sustainability Initiatives

- Based on the 2030 Vision, the Group is endeavoring to achieve sustainable growth and create an environment which permits people to live life to the fullest and demonstrate their creativity, through its business activities. At the same time, we are addressing social issues and helping build a sustainable society.

Crucial issues	Theme/direction	Major initiatives taken in FY2025
Contributing to the creation of social and cultural value	Promotion of initiatives, collaborations, and co-sponsoring in the fields of culture and education	<ul style="list-style-type: none"> - We cosponsored the importance of handwriting project for promoting the significance of writing. - We conducted joint research with Tegaki Kachi Kenkyukai (a group studying the value of handwriting) that is hosted by the Consortium for Applied Neuroscience. - Cohosted Ink Your Inspiration, an essay competition in India.
Solving environmental issues through our products and services	Realization of a decarbonized society Environmentally friendly products	<ul style="list-style-type: none"> - We launched FRIXION ball+ (plus) in Europe. - We held PILOT Environmental Classes that 8,525 people participated in (cumulative total: 16,337) - We collected 5,222 kg of used writing instruments via the used pen recycling program. (cumulative total: more than 12 tons)
Developing workplace environment that enables work to be performed with good physical and mental health	Human resources development Employee health	<ul style="list-style-type: none"> - We were granted Eruboshi certification (third level) under the Act on Promotion of Women's Participation and Advancement in the Workplace. - We provided global leadership training. - We held Family Day, a workplace event employees' families are invited to attend. 
Building a sustainable management foundation	Creating various policies and systems Promoting collaboration within the Group and information strategies	<ul style="list-style-type: none"> - We established the PILOT Group Sustainability Policy. - We disclosed our ESG data, including data from our consolidated subsidiaries, on our website. - Pilot Corporation of Europe S.A. won an EcoVadis platinum medal, the highest sustainability rating. 



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