



INTEGRATED REPORT 2023



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.

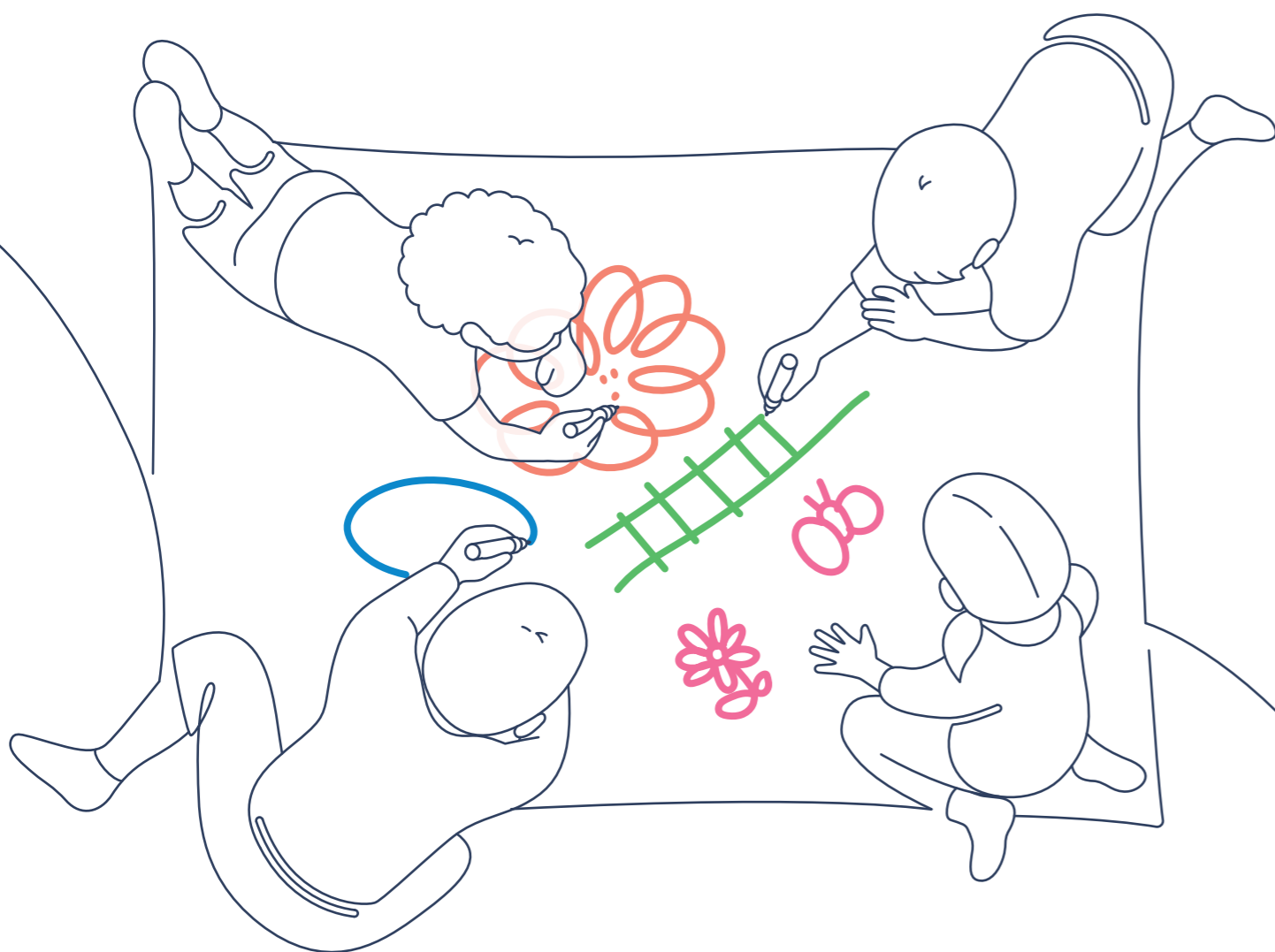


Behind PILOT's Purpose

The business environment surrounding the Group requires us to respond to rapid changes such as the digitization of writing instruments worldwide and the diversification of consumer purchasing channels, in addition to implementing measures against various risks in the supply chain and resolving social issues.

To respond to these changes appropriately and advance its business, the Group has redefined its raison d'être and established the Purpose to serve as an unwavering management aspiration, and we have formulated a mid-to-long-term vision and plans based on the Purpose.

Going forward, we will share this Purpose with all stakeholders, including our employees around the world, and strive to achieve sustainable growth for the Group and contribute to solving environmental and social problems.



Namiki Manufacturing Co., Ltd., the predecessor of PILOT Corporation, was established in Taisho 7 (1918) by Masao Wada and Ryosuke Namiki. Since then, while continuing with our business, we have adopted the ideals of these two men as our management guidelines and have established five principles of "San-Sha-Tei-Ritsu," "U-Ki-Wa-Sei-Shin," "Nan-Kan-Top-Pa," "Ichi-Nichi-Is-Shin," and "Shi-Sei-Shin-Ken" as the guiding principles for the company.

When the company was founded, Japan was rapidly modernizing to catch up with developed Western countries. For the two founders, business was not simply a means to pursue profits; it was about demonstrating their capabilities as Japanese people to the world by producing high-quality products that could be used worldwide. At the same time, it was also about contributing to the nation and society through corporate activities. This is what we call "Corporate Social Responsibility" today, and this aspiration is still passed down to every employee through the five guiding principles of PILOT Corporation.



• San-Sha-Tei-Ritsu : Three forces in balance with each other

A ding is an ancient Chinese three-legged bronze cauldron. Knowing that a ding is unstable and of no use if one leg is too long or short, the Company's founders applied the same logic to business, recognizing that transactions between the consumer, seller, and producer would be unsustainable if only one of them stands to gain or lose. Today, PILOT continues to ensure a balanced relationship between partners and all other stakeholders when pursuing business.

• U-Ki-Wa-Sei-Shin : Shared joys and shared sorrows

The Company's founders understood that working toward a goal could cause hardships, but that accomplishing a goal is a genuine source of joy. Therefore, they believed that everyone in the Company should share successes and sacrifices together in a spirit of solidarity, and work in unison to make the business thrive in cooperation with business partners. This principle is reflected by PILOT's former trademark, a lifesaver or ring buoy, representing the "unsinkable" desire for sound, stable operations.

• Nan-Kan-Top-Pa : Overcoming difficulties

This principle is rooted in an experience of one of the Company's founders, Ryosuke Namiki. In his youth, he worked as an engineer onboard a ship that encountered an unusually violent storm at sea. The crew struggled for two days and nights to keep the ship afloat. Miraculously, everyone overcame the situation and survived by banding together. In the same way, the Company has faced many trials since its founding; every time, the employees demonstrated a collective will to overcome difficulties, get through any crisis, and ensure that the business continues to grow vigorously.

Our other founder, Masao Wada, who also had experience as a ship's captain, commissioned master painter Ichiro Shirakawa, an artist at the Tokyo School of Fine Arts, to create a painting of a young Namiki when he and the crew were shipwrecked, to convey the attitude when facing difficulties to all employees who were on the same ship called "the company." Since then, every time we faced business challenges, all employees demonstrated this spirit of overcoming difficulties, and the company has continued to grow strong and resilient.

• Ichi-Nichi-Is-Shin : One step, one day

The Company's founders aspired to become maritime pilots in their youth, and to encourage themselves to achieve that goal, they often reminded each other to always work hard because as long as some progress is made every day, even at a slow pace, the day will come when they come out on top. Indeed, they chose *pilot* as the name for the Company's inaugural product, a fountain pen with a gold nib - the first of its kind made in Japan - and later as the Company name. This principle expresses how being consistent and steadfast is essential for a business to grow, while warning against conceit and procrastination.

• Shi-Sei-Shin-Ken : Highly sincere approach

This principle expresses the founders' conviction that nothing is impossible, regardless of the task, as long as it is approached earnestly and in good faith. Conversely, the principle implies that any plan, no matter how good or ingenious, cannot be completed without devotion and serious effort. Since the Company's founding, the principle of conducting business in good faith has been consistently handed down as a "torch," demonstrating PILOT's approach to customer satisfaction, which starts with putting the customer first at every stage, from research and development through to manufacturing and sales.

Target period

The document primarily covers FY 2023 (January 1 to December 31, 2023), but it also contains the latest information at the time of publication wherever possible.

Target organization

PILOT Corporation and consolidated subsidiaries

Editorial policy

This integrated report has been published to cultivate a better understanding of PILOT Group's initiatives and how they are transforming the company's business portfolio to sustainably increase its corporate value.

The report begins by introducing our value creation story, including our value creation process, based on the Group's Purpose, messages from top management, PILOT's strengths, and other such points. It also provides financial information based on specific management strategies, as well as non-financial information, such as our relationship with society and the environment through our business activities and the governance system that helps to improve our corporate value. In compiling this report, we have referred to the International Integrated Reporting Framework proposed by the International Integrated Reporting Council (IIRC) and the Guidance for Collaborative Value Creation proposed by the Ministry of Economy, Trade and Industry.

Note that financial initiatives and data are generally presented on a consolidated basis. However, for this fiscal year, non-financial initiatives and data are presented on a parent basis unless they can be presented on a consolidated basis. We plan to expand them to a consolidated basis from next fiscal year.

Caution regarding forecasts

The performance forecasts and future projections in this integrated report are predicted by the company based on the currently available information and contain inherent potential risks, uncertainties, and other factors. Therefore, note that the actual performance may differ significantly from the forecast due to changes in various factors.



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The company, which began by manufacturing fountain pens, continued to take on ideas and technology for over 100 years since its founding to create many innovative products that have never existed before to support the act of writing in the world. We will continue to encourage the act of writing around the world with our writing instruments, and based on our group's Purpose "Our Creations Inspire Creativity," we will support people, society, and culture in other fields as well while using the technology developed from making writing instruments to forge our path for the next 100 years.

[Business]

1916
Ryosuke Namiki created the first 14-carat gold fountain pen nib to be made entirely in Japan



Ryosuke Namiki Masao Wada

1918
With Masao Wada's cooperation, Ryosuke Namiki established Namiki Manufacturing Co., Ltd. and commenced the manufacture and sale of fountain pens



1938
The company name was changed to The Pilot Pen Co., Ltd.

1960
Established Mizuho Kiko Co., Ltd. for manufacture of mechanical pencils and other products and in the same year, the name of the company was changed to The Pilot Kiko Co., Ltd.

1972
Commenced manufacture and sales of precious metals and jewelry products



1948
Opened Hiratsuka Plant on former Naval Explosive Ammunition Storage site



1950
Established The Pilot Ink Co., Ltd. (formerly Nagoya Ink Plant)

1964
Commenced manufacture of stainless steel tips for ballpoint pens with outstanding wear-resistance and expanded the market share
Using carbon paper technology approved by the Ministry of Posts and Telecommunications, Pilot Kiko focused on the future prospects of the computer market and commenced the manufacture and sale of printer ribbons

1975
Established The Pilot Precision Co., Ltd. (changed the name from The Pilot Kiko Co., Ltd.)

1978
Developed ultra-precision ceramic pipes used in automobile parts and various sensor parts, and commenced a ceramic business

1978
Opened the Iseaki and Higashimatsuyama Plants (renamed Higashimatsuyama Office in 1988)



1989
Company renamed PILOT Corporation

1994
Established Pilot Logitem Co., Ltd.

2002
Established Pilot Group Holdings Corporation through stock transfer and became its wholly-owned subsidiary

2008
Merged with The Pilot Precision Co., Ltd.

2009
Opened Shonan R&D Center and established Pilot Printex Co., Ltd.

Sales (consolidated)

808 (2000)

659 (1990)

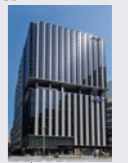
Sales (parent)

469 (2010)

693 (2010)

2018
Celebrated the 100th anniversary of foundation

2019
New headquarters building completed



2023
Mark's Group Holdings Co., Ltd. became a subsidiary

2021
Inherited the Toy Department from The Pilot Ink Co., Ltd.

1,185 (2023)

792 (2023)

900

600

300

0

(100 million yen)



[Products]

1918
Launched the Pilot Pen with a 14-carat gold pen nib attached to a wooden barrel



1930
Developed high quality blue black ink
Acquired patent in five countries: Japan, U.K., U.S., France and the Netherlands



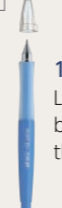
1955
Developed a dual-core pen nib and launched Pilot Super, which gained popularity both domestically and internationally for its delicate writing performance and innovative design



1971
Developed technologies such as the stainless steel deep drawing technology, side cutting method and external cutting method, and launched the unique fountain pen Myu 701, which uses the end of the barrel as the nib



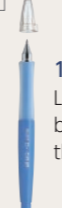
1991
Launched Dr. Grip, an oil-based ink ballpoint pen that reduces strain on the neck, shoulders, and arm



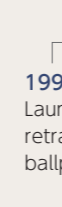
1992
Launched the baby doll Mellchan



1994
Launched the Hi-TEC-C 0.3 mm micro fine rollerball pen



1997
Launched the retractable gel ink ballpoint pen G-2



1977
Launched 2+1, the world's first multifunctional writing instrument to combine the three functions of a black ballpoint pen, a red ballpoint pen, and a mechanical pencil



Launched the eco-friendly Eco Mate product series made from recycled food trays, plant scraps, and recycled paper from milk cartons



2006
Launched the FriXion series ballpoint pens with ink that disappeared when rubbed



2006
Consolidated the Eco Mate series under the BEGREEN brand, which was already successful in the European market where environmental regulations are strict



2008
Launched Acroball, a low-viscosity oil-based ink ballpoint pen that writes smoothly



2012
Launched Juice, a retractable ballpoint pen with water-based pigment gel ink



2016
Launched Juice up, a retractable gel ink ballpoint pen which uses new pigment ink and a newly developed tip called Synergy Tip that is ideal for fine writing



2013
Launched Kakuno, a simple and easy-to-use fountain pen for beginners



2019
Launched the Shunpitsu brush pen, which is filled with the newly developed quick-drying ink that dries down in one second



Birth of the 100% made-in-Japan fountain pen showcased proudly to the world

The founders, Ryosuke Namiki and Masao Wada, who became pioneers in the industry, succeeded in developing a completely made-in-Japan fountain pen, which could be proudly showcased to the world.

Pilot fountain pens which were highly acclaimed worldwide

The company's high quality was highly praised overseas, and in 1938, the company name was changed to The Pilot Pen Co., Ltd.

From a fountain pen manufacturer to a comprehensive writing instruments manufacturer

The sales channels of Pilot's ballpoint pens, maker pens, mechanical pencils, and other writing instruments with excellent quality and performance have expanded from Japan to all over the world.

Developing original, best-selling products and becoming a 100-year-old company

The technical and development capabilities cultivated over Pilot's long history have continued to blossom into Pilot's unique new writing instruments. Pilot's achievements have greatly expanded with products such as the Dr. Grip pens with a thick barrel to reduce strain on the neck, shoulders, and arms, and the FriXion pens that have ink that is erasable by rubbing.

Next 100 years

We will continue to manufacture products from our customer's point of view and deliver the highest level of satisfaction to our users.

We will pursue purpose-driven management and achieve global growth by expanding our writing instrument business and creating new businesses.



Shu Itoh

Director & Chairman

Fumio Fujisaki

Representative Director & President

Shu Itoh

Director & Chairman

I became President in 2017 and I have been working on various events related to our 100th anniversary in 2018, as well as strengthening our management foundation and enhancing corporate value, including the establishment of the Group's Purpose "Our Creations Inspire Creativity" in 2022. When we established our Purpose, we had a great many discussions involving our employees about what is necessary to become a company that could sustainably grow for the next 100 years. Since then, we have been promoting purpose-driven management, with everyone working together to increase our value and contribute to society.

Looking back over the past few years, we have implemented corporate reforms at a considerable speed. However, given the speed at which the world is changing, we need to accelerate even further. The new President, Mr. Fujisaki has the same opinion on this.

2024 is the final year of our three-year Medium-Term Management Plan. We need to formulate our next Medium-Term Management Plan while properly finishing the goals outlined in the current plan. I wanted the next generation to take the lead in formulating and implementing this management plan, so I have decided to hand over the management at this juncture. From now on, as a Director & Chairman, I will oversee overall management and provide full support to Mr. Fujisaki, and the rest of the management team.

Group Purpose "Our Creations Inspire Creativity"

The 100th anniversary is not a goal, but a milestone for the next 100 years of our development. We believe that true development means transforming ourselves in response to the changing times while respecting the spirit and traditions of our founding. With this in mind, we reviewed the Company's value on the occasion of our 100th anniversary and decided to pursue purpose-driven management.

Prior to formulating the Purpose, we conducted a survey of our employees and received many opinions. Although their opinions were varied, a common theme was the feeling that "the value of writing" and "bringing prosperity to people's lives" were important. As the world becomes more and more convenient with digitalization and AI, our debate on what value we can offer has intensified, and we reached to the point, "What is the value of being human?" We realized that it is our ability to create, and finally arrived at our Purpose of "Our Creations Inspire Creativity." Based on this Purpose, we hope to play a role in connecting people with creativity and contribute to the realization of a spiritually rich society.

As part of our efforts to instill the Purpose within the company, we first held general meetings of employees, workshops for managers, and executive caravans in various locations. By providing repeated opportunities for a direct exchange of opinions among all employees, even employees who were initially confused by the unfamiliar words began to say that "the atmosphere within the company has changed." We will continue to work towards growing the organization and providing better products and services by allowing every employee to act autonomously while absorbing the Purpose as something that is related to them.

Fumio Fujisaki

Representative Director & President

My name is Fumio Fujisaki, and I have assumed the position of the Representative Director & President as of March 28, 2024. Since I joined the Company (formerly The Pilot Pen Co., Ltd.) in 1984, I have been mainly involved in management and overseas business. Throughout my career, I have held positions such as General Manager of the Corporate Planning Department, General Manager of the International Sales Division, CEO of Pilot Corporation of Europe S.A.S. , and Director of the Company. Thanks to the various measures implemented by Mr. Itoh in the current Medium-Term Management Plan, we have made steady progress in laying the foundation for our future growth. I recognize that my role is to further advance this progress.

Social trends are changing at an even faster pace and we need to improve speed of our management accordingly. To achieve this, it is important to build a system that speeds up decision-making and execution and to transform the company into one where every employee can make their own decisions, take actions, and challenge themselves. A company cannot grow without the growth of its personnel. While preserving our 100-year tradition, I want to establish a cycle of creating even higher value and create a creative environment that fosters the growth of our personnel.

We live in an age where the future is uncertain, which is precisely why we must explore possibilities and take on new challenges. As the leader of the PILOT Group, I will create and expand our business with greater speed than ever before and work to maximize our corporate value.

2030 Vision and Progress of the Medium-Term Management Plan

Based on our Purpose, we have back-cast our mid- to long-term policies from the perspective of how we want to be in the future and defined it as our 2030 Vision. Our goal is to support the art of writing around the world and at the same time support people, society and culture in fields other than writing. We have set the following three goals to link this vision to our mid-to-long-term management plan.

- 1) No. 1 Brand in the global writing instrument market
~ Expand overseas business and maintain domestic share
- 2) Grow with non-writing instrument businesses as the second pillar
~Sales composition ratio 25%
- 3) Offer value to the environment, society, and employees
~Contribution to the creation of a sustainable earth and society

The sales composition ratio of 25% of the non-writing instruments business is a testament to our desire to provide new value to people around the world by creating new businesses.

We position our 2022-2024 Medium-Term Management Plan as "three years of Reform and Challenge" and we are implementing the plan to accomplish our 2030 Vision. The year 2024 is the final year to complete the plan. Our initiatives are based on five basic strategies, including further strengthening the functionality of the value chain for business expansion, forming capital and business alliances with other companies, working on new business concept from a mid-to-long-term perspective, and formulating and implementing the long-term design of human resources centered on diversity and expertise. Over the past two years, we have made steady progress by taking on challenging initiatives to build a foundation for growth.

Aiming to Become No. 1 Brand in the Global Writing Instruments Market

To become the No. 1 brand in the global writing instruments market, it is important that our employees think about what they can do from a global perspective and act accordingly. To that end, we have established a new department called the Global Marketing Division. The term "marketing" has been unified to "global marketing" throughout the company, and we are planning to expand both personnel and functionalities.

However, "global marketing" is an all-encompassing term. Market requirements and characteristics differ greatly from country to country and region to region. Therefore, we are reviewing our area divisions to take a closer look at each market, strategically honing cooperation between international sales, development, production, and distribution, and focusing on developing promising markets in addition to digging deeper into our key markets.

Until now, we have focused our business activities mainly on the Americas, Europe, and China. Since we have already gained a certain market share in these markets, we are now turning our attention to countries and regions that will become our fourth and fifth pillars. We have already begun to expand into India and ASEAN countries. We are also focusing on the Middle East, Central and South America, and Africa as promising future markets.

As we shift from a market strategy focused on developed countries to one that includes developing countries as well, we will review the expansion of our regional offices and also consider establishing representative offices and independent local subsidiaries. In addition, the importance of human resource training is further increasing as the demand for community-based activities is greater than before. It is a challenging task to blend into the local community and conduct business amidst different lifestyles, values, and business practices. This is why we believe that it also leads to the personal growth of the person in charge.



Further, developing new products is extremely important to create new value in the traditional industry of writing instruments, and we have had major hit products such as the FriXion released in Japan in 2007 and the G-2 released in the United States in 1997. To further strengthen our product development capabilities, we will continue to increase our staff, make investments, and do our utmost to launch promising new products in the coming fiscal year.

Typically, there are two approaches for developing a new product. One is to apply our technical resources. The other is to take cues from the market and take advantage of the trends in technological innovations, such as digital technology. To create new ideas, we need to increase our antenna sensitivity and improve our connections with society. We want to strengthen our product development capabilities by broadening our horizons and ideas, not just keeping the considerations inside the company and not being bound by existing concepts, but by taking advantage of the flexible thinking of the younger generation.

Growing the Non-writing Instruments Business to Become the Second Pillar

We are promoting a wide range of initiatives in our non-writing instruments business to achieve a 25% sales composition ratio.

With regards to the toy business, as the interest of our main customer base is shifting to digital products, games, and trading cards, we are planning to develop new products, including using ideas such as digitizing our main characters Mellchan, Captain Duck, and others. We also intend to expand our toy business not only in Japan but also overseas.

So far, we have been expanding our supply of ceramics for optical fiber and automotive flow sensors. We expect the ceramic parts used in semiconductor manufacturing equipment to become a new pillar of our business in the future. Although demand has temporarily declined due to geopolitical factors, we expect that demand for semiconductors will recover from next year as the international situation improves. We believe that there is great potential for growth as the range of applications grows.

In terms of gelling technology, we are using our proprietary technologies and intellectual property, such as ink gelling and pigment dispersion, to uncover demand in the industrial sector.

We are most excited about our chromic technology. This technology changes objects by external stimuli, and Metamo Ink, which changes with heat, has already been successfully commercialized. We are also looking to create new demand by identifying target fields where we can take advantage of our wide range of technological variations, such as UV light-induced changes.

Regarding capital and business alliances, we have made a good start by making Mark's Group Holdings a Group company in FY2023. By combining our strengths with those of Mark's, we are working to develop unique products with excellent design. As for the selection of partners, we will create and nurture new businesses by valuing our meetings

and establishing win-win relationships with companies and organizations in a wide range of industries.

Towards the Formulation of the Next Medium-Term Management Plan

The main theme of this year, the final year of the Medium-Term Management Plan, is the formulation of the next Medium-Term Management Plan (2025-2027) in addition to settling the numerical targets. We had hoped to create a "structure that could meet the challenges" before launching the new Medium-Term Management Plan, and we feel that, during the past two years, we have almost reached the level we had hoped for.

To raise the stage from "creating a foundation for growth" to "implementing the plan," we held a workshop called the "Future Design Program" for executives before formulating the plan to share the direction regarding "Thoughts on PILOT's future design." As a result of five rounds of discussions, we were able to foster a sense of unity among the management team once again and reaffirm the "importance of human resources" for the future.

Valuing people is not just about improving their treatment. It is about giving each employee the opportunity and responsibility to fully demonstrate their abilities and encouraging growth through experience, including failures and setbacks. It is the role of management to create and encourage such an environment. In the next Medium-Term Management Plan, we will focus on creating an environment in which employees can feel their personal growth and work with excitement.

Human Resource Growth as a Force for Organizational Change

An organization can change in any way depending on its people. For example, even if our company is no longer in the writing instruments business 30 years in the future, as long as we have the right human resources, we will be able to take on the challenges of new businesses and growth industries. We can also draw up our business portfolio in that direction and make our management viable for the mid-to-long term.

As the social environment is undergoing major changes, it would be risky for a company with over 100 years of history to remain unchanged. With this sense of urgency, we have been working on human resource development and corporate culture reform, but we need to accelerate this pace going forward. People who can take on new challenges are not afraid of the unprecedented, rather they are contenders who find the uncertainty of what lies ahead to be exciting. Your intuition will be sharpened by thinking while acting, and you can proceed with your business with new and different ideas than before. We are promoting the development of our human resources with this vision in mind.

Additionally, we are also striving to share our Purpose and vision to further grow the organization. We are implementing a more powerful "management by all" approach by bringing



the management team closer to the people on the ground with new ideas. We are also going ahead with digitization, which not only supports efficient organizational management but also supports the expression of individual creativity. In this way, we aim to sustainably increase our corporate value while maintaining a good balance between our human resources and organizational strengths.

As a Company that Contributes to a Sustainable Society

While each company may define sustainability differently, our fundamental idea is to fulfill our social responsibility through our own sustainable growth. From this perspective, we place importance on our Business Continuity Plan (BCP), with particular emphasis on our supply chain. To ensure that production and distribution do not stop even in the event of a disaster, we have implemented measures such as using multiple raw material suppliers and logistics routes. In addition, we are also strengthening disaster prevention systems for plant buildings, production lines, and power infrastructure.

To address environmental issues, we are working to reduce the environmental impact of various aspects of our business activities. Some of our plant buildings are equipped with solar power generation systems, and in addition, we not only manufacture products considering resource conservation but also strive to make effective use of resources in packaging and packaging materials. In addition to promoting the 3Rs (Reduce, Reuse, Recycle) for the plastic raw materials used in the production process, we are working to increase our recycling rate by installing plastic collection boxes.

As a company that promotes purpose-driven management, we will contribute to the realization of a sustainable society by placing our Purpose "Our Creations Inspire Creativity" at the heart of our management to become a valuable company for all stakeholders, including customers, business partners, and investors. We look forward to your continued support, cooperation, and patronage.

Message from the Senior Managing Executive Officer (Finance)

Although business performance in FY2023 was on a recovery trend following the end of the COVID-19 pandemic, revenue increased but profit decreased due to rising global raw material costs and other factors. During FY2024, we expect both revenue and profit to increase as the business environment is improving both domestically and internationally. In our overseas business, in addition to the traditional markets of Europe, the United States, and China, we are actively investing in growth to diversify our markets, including India and ASEAN countries. As for shareholder returns, we will strive to improve shareholder value from a mid-to-long-term perspective and focus on dialog with capital markets.

Masakazu Shirakawa
Representative Director &
Senior Managing Executive Officer



Role as a Financial Officer

I joined (former) The Pilot Pen Co., Ltd. in 1980, and after two years of experience in sales, I was assigned to the Finance Section of the Administration Department. Since then, I have worked in the accounting field for about 40 years, including more than 10 years overseas in London and Hamburg. During that time, I was also involved in formulating Medium-Term Management Plans in the Corporate Planning Department.

As a financial officer, I am always aware of the importance of cash flow. If you have sufficient liquid funds on hand and no major capital needs, the company's management can run smoothly. Our company achieved zero debt in FY2022, which has been a goal of mine since I joined the company. It is important to maintain a financial structure that is not affected by the external environment. To make investments that contribute to future growth while maintaining freedom in decision-making, as the person in charge of finance, I am keenly aware of the balance between income and expenditure, and I strive to strictly procure, use, and manage funds.

Review of FY2023 Business Performance

During the COVID-19 pandemic that began in early 2020, we were unable to carry out aggressive business activities, which was an aspect that kept our expenses low. During the Medium-Term Management Plan period from 2022, expenses increased due to the relaxation of COVID-19-related regulations, but sales also grew significantly. In particular, FY2022 saw the best results in terms of both sales and profits since the company was founded.

In FY2023, we achieved record-high consolidated net sales of 118.59 billion yen (105.1% year-on-year), exceeding the previous fiscal year, thanks to the solid performance in the writing instruments business in Japan and the Americas, as well as the weak yen. On the other hand, profits decreased due to higher raw material and other costs resulting from persistently high prices, the impact of the economic slowdown, and an increase in total expenses such as labor costs, resulting in a consolidated operating income of 19,003 million yen (89.4% year-on-year) and net income attributable to owners of the parent of

13,661 million yen (86.6% year-on-year).

One of the reasons for the decrease in profit was the inability to pass on prices commensurate with the rise in raw material costs. It is difficult to raise the prices of stationery products, unlike food and other products which are essential to daily life. However, an appropriate increase in prices is important for improving profits and raising wages. We believe that effective measures must be taken in the future.

We have started reviewing the details for the next Medium-Term Management Plan scheduled to be implemented in FY2025, and we will continue to take on the challenge of realizing our 2030 Vision while placing more emphasis on profitability.

FY2024 Financial KGI

In addition to the sales mentioned above, we have set an operating margin and ROE as our targets for FY2024 as financial KGI. Our target for the operating margin is 18% or higher, but we fell short of this target at 16.0% in FY2023. We do not consider this to be a bad financial figure, but we intend to continue making efforts toward improvement as we have set a target of securing 18% or higher, in addition to further strengthening our financial position.

As for ROE, the actual ROE for FY2023 was 11.1%, compared to the target of 12% or higher. Incidentally, the Ministry of Economy, Trade and Industry's "Ito Report" sets the ROE target level to 8%, but we have set our target at a higher level. This is partly because the Chinese market was doing quite well when we were drafting the plan. We will strive to maintain and improve our revenue base to steadily secure an ROE of 12% or higher.

Although it is not included in our financial KGI, we understand that the capital adequacy ratio is important for maintaining sound management. The actual result for FY2023 was 78.3%. We believe that we have been able to maintain a sound financial base that enables stable management in the face of unforeseen circumstances while making aggressive capital investments.

FY2024 Business Outlook

As for the FY2024 business outlook, we expect an increase in domestic revenue due to the recovery of inbound and novelty demand and the full-year sales contribution of Mark's, which joined the Group in FY2023. We have set our consolidated net sales forecast at 121 billion yen because price hikes are subsiding in overseas markets and sales increase in each region can be expected due to aggressive sales promotion. Regarding the fluctuations in operating income, we expect an increase in depreciation costs, labor costs, and other expenses as we continue to invest in growth and research and development. However, we will strive to secure our initial forecast.

Regarding our overseas business, considering that the Chinese market, which had been strong until 2022, has declined due to the real estate recession and sluggish student demand, we are moving forward with a shift to a multi-polar system, that includes India, ASEAN countries, and Latin America, where growth is expected. Our general policy is to expand the market by implementing appropriate measures based on an assessment of the characteristics of each area, such as shifting from a system in which sales are consigned to local agencies to a direct sales system by establishing our own subsidiaries. In the future, we are also considering developing markets in the Middle East and African countries. In addition, as a measure against foreign exchange risk, among the wide range of currencies we handle, we plan to hedge primarily against the key currencies of the U.S. dollar, euro, and yuan, mainly through forward exchange contracts.

Growth Investments to Realize the 2030 Vision

In 2030 Vision, which defines the Group's vision for the future, we have set the goal of achieving the No.1 brand in the global writing instruments market by expanding our overseas business and maintaining our domestic market share while growing our non-writing instruments business as the second pillar of our operations and achieving a sales composition ratio of 25%. To achieve this vision, we are steadily moving forward with plans to make growth investments using 30 billion yen of internal reserves over the three years of the current Medium-Term Management Plan.

In the two years to FY2023, we invested 700 million yen in human resource development, 24 billion yen in existing and new business areas (4 billion yen in R&D, 16.9 billion yen in capital investment including BCP measures, and 3.1 billion yen in overseas group companies), established a manufacturing and sales subsidiary in India and a sales subsidiary in Indonesia, and made investments to make the Indonesian manufacturing subsidiary a wholly owned subsidiary. In FY2024, we will continue to allocate investments appropriately, focusing on "human resources development and investment," "strengthening existing

business areas," "entering into growth and new business areas," and "capital and business alliances."

In the field of human resources, in addition to aggressive recruitment activities for both new graduates and mid-career professionals, we will strive to create a rewarding work environment and improve our employees' treatment by increasing wages. At the same time, to nurture global human resources, we will focus on investing in education to enhance human capital, such as by expanding global leadership training and study abroad training programs.

In the business domain, to develop a production system that achieves both production capacity improvement and BCP compliance, we are planning to invest in enhancing the production capacity at existing plants, such as the Hiratsuka and Isesaki plants, and invest in establishing bases in global markets. In 2022, the Company acquired a portion of the stock of the stationery manufacturer Mark's Group and made it a subsidiary. We will continue to create new synergies in business expansion and human resource development by forming capital and business alliances through M&A as necessary.

To Our Stakeholders

Our shareholder return policy is based on the principle of maintaining stable dividends, and we aim to achieve a dividend payout ratio of 30% or higher by continuously increasing dividends. The annual dividend for FY2023 was 100 yen per share (dividend payout ratio of 28.9%), an increase for the eighth consecutive year. For FY2024, we also expect to achieve an annual dividend forecast of 106 yen per share (dividend payout ratio of 29.9%), an increase of 6 yen. We will also flexibly acquire treasury stock from the viewpoint of capital efficiency, financial soundness, corporate value improvement, and shareholder returns. In FY2024, we will proceed with share buybacks of up to 4 billion yen and 1 million shares.

Regarding our dialogue with the capital market, we intend to further enhance our proactive information disclosure and communication with investors and other stakeholders to ensure that they understand our basic policies and initiatives for the future. We believe that listening carefully to the voices of those outside the company and correctly communicating our own ideas will promote the growth of our human resources and organization, which in turn will contribute to a sustainable society. As part of our new IR activities, we held a financial results briefing for institutional investors at the end of February 2024. Fujisaki, who was soon to become president, also attended the briefing and exchanged opinions with everyone. Going forward, we will continue our efforts to create various opportunities to meet with you. We look forward to your continued support.

In March 2022, we established our 2030 Vision to determine our group's long-term direction by backcasting from what we want to achieve in the future based on our 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.

Just as we have done over the past 100 years, we will continue to support the act of writing around the world with our writing instruments over the next 100 years. By utilizing the technology derived from writing that has been cultivated over the past 100 years, we will respond to major trends in the external environment and support people, society, and culture in areas other than writing instruments as well.

No.1 Brand in the global writing instrument market

Expand overseas business and maintain domestic share

Expand the market share of existing products and offer new value through capital and business alliances and new business concept
Firmly maintain and expand the business in Japan and overseas by strengthening marketing functions, building a global supply chain, and developing sales and distribution channels

Grow with the non-writing instrument businesses as the second pillar

Sales composition ratio 25%

Existing business: Expansion of the toy and industrial materials businesses
New businesses: Creating new value by leveraging writing technologies
Synergy between writing and neighboring fields
Synergy between writing and life stage

Offer value to the environment, society, and employees

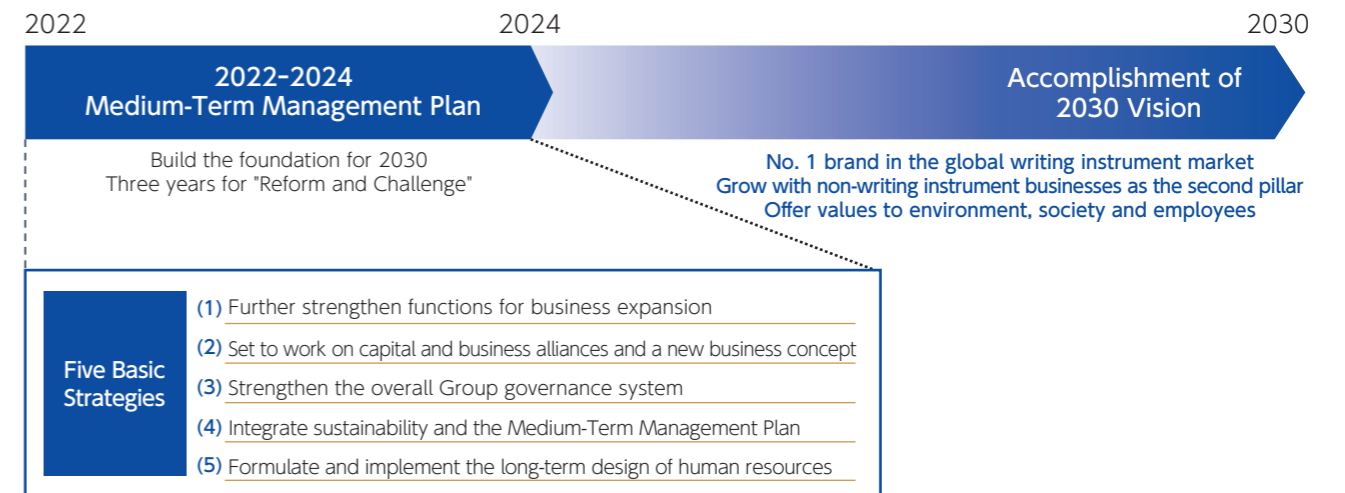
Contribution to the creation of a sustainable earth and society

Solve environmental issues through products and services
Contribute to creating social and cultural value
Create a workplace environment where employees can work with good mental and physical health

Based on our Purpose "Our Creations Inspire Creativity," our group has formulated the 2022-2024 Medium-Term Management Plan to realize our 2030 Vision. We have assigned 2022 to 2024 as three years of "Reform and Challenge" and will promptly execute the five basic strategies mentioned below in order to achieve the 2024 target for each of the basic strategies, and to continue to work towards achieving the managerial index and financial indicators.

Positioning of 2022-2024 Medium-Term Management Plan

Positioning of 2022-2024 Medium-Term Management Plan and the Five Basic Strategies



Managerial Index and Financial Indicators

Financial KGI	2024 targets consolidated net sales	118 billion yen (105 billion yen in the writing instrument business and 13 billion yen in the non-writing instrument business)
	2023 result	118.5 billion yen (106.2 billion yen in the writing instrument business and 12.3 billion yen in the non-writing instrument business)
	2024 targets Operating margin ratio	Ensure 18% or more
	2023 result	16.0%
Financial Indicators	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%
	Investment for growth by 2024	With a resource of internal reserves of approx. 30 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 700 million yen in human resources development, 24 billion yen in business fields (4 billion yen in research and development, 16.9 billion yen in capital investment, 3.1 billion yen in investment in overseas group companies), and 1 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 wholly-owned in Indonesia
Financial Indicators	2024 target shareholder return policy	Achieve stable growth in dividends and aim for a payout ratio of 30% or more
	2023 result	Continuously increased dividends while maintaining the principle of paying stable dividends Annual dividend: 100 yen (up to 10 yen), payout ratio: 28.9%

Five Basic Strategies

(1) Further strengthen functions for business expansion

[2024 Goal]

Toward 2030, we will move ahead with strengthening marketing and R&D functions, building supply chains, and strengthening sales channels and distribution in stages.

2023 Initiatives

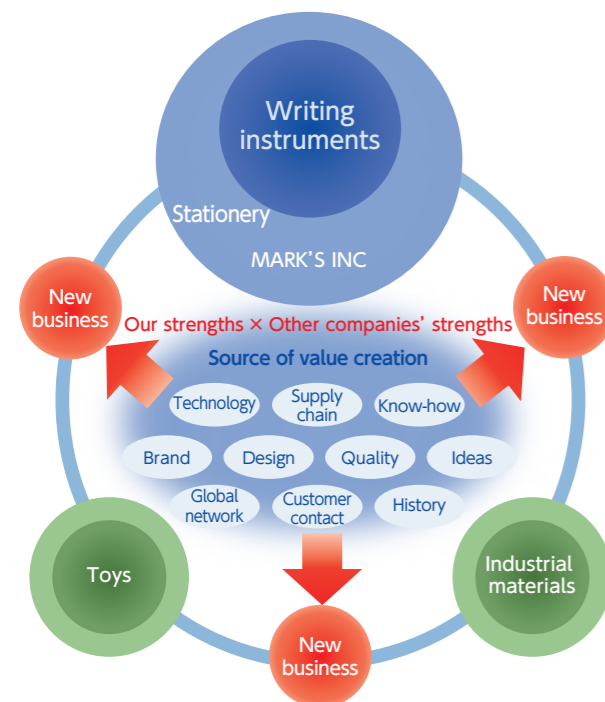
	2024 Target	2023 Progress
Marketing, R&D	Strengthen product planning and sales promotion activities that reflect customer needs of respective countries and regions	<ul style="list-style-type: none"> Developed human resources to strengthen product managers Globally expanded the marketing team (set up a new Global Marketing Division) 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 plants to address production risks, with the plan being implemented step by step Introduced a headquarters for the production department, consolidated the materials procurement department
	Preparation for expansion of overseas production	<ul style="list-style-type: none"> Planned and examined the details of the reconstruction of plants Collected information on parts procurement for 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 the 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 subsidiary into a wholly owned subsidiary

(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 the market shares of existing products and expand the 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'S 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 seeds that can leverage PILOT's unique technologies
- Examined development themes according to social needs
- Launched a new penmanship course for writing one's own name

Establishing a new Future Creations 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

(3) Strengthen the overall Group governance system

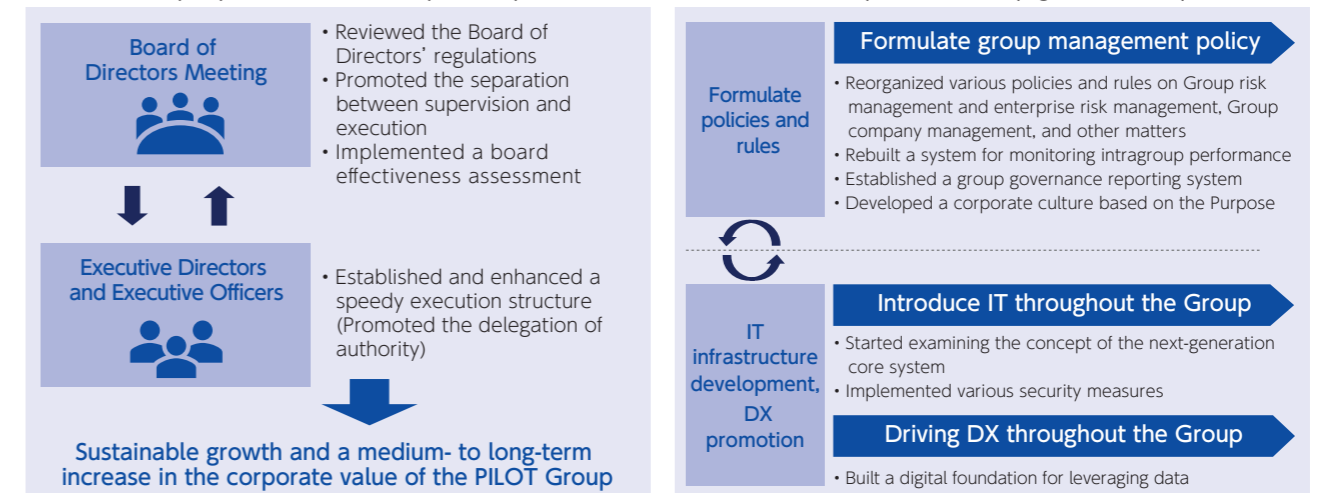
[2024 Goal]

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



(4) Integrate sustainability and the 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

Note: For the 2023 initiatives for Basic Strategy (4), please see P. 32.

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

[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 a unified organizational culture involving all employees

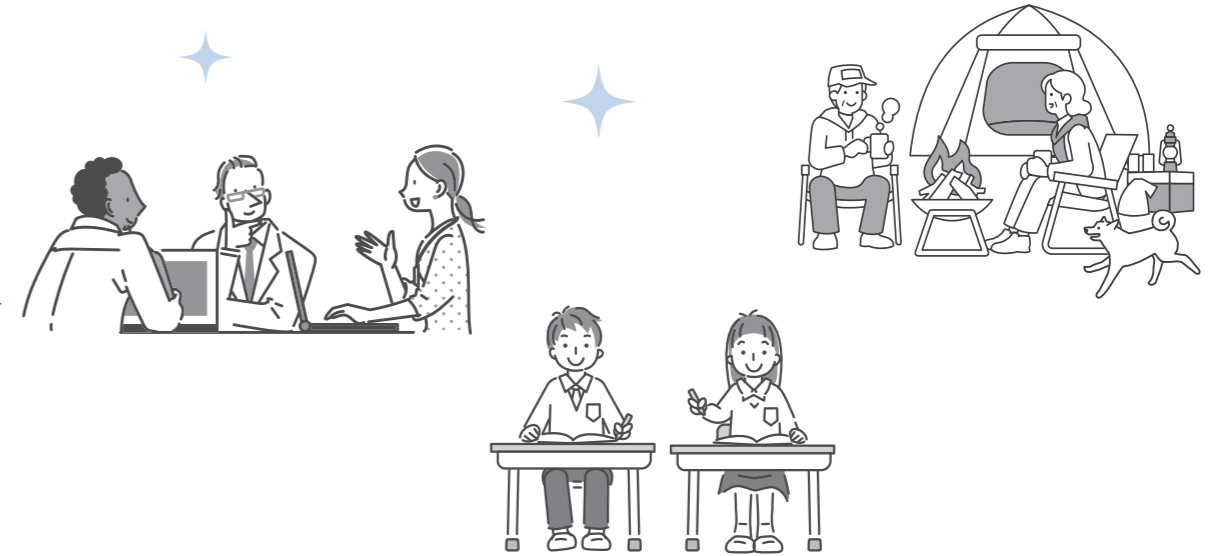
2023 Initiatives

- Formulate a long-term design of human resources**
Developed a long-term design of human resources (HR strategies) that reflects recommendations by a meeting consisting of younger employees, key players in the future, which discusses the concept of human resources for the future
- Develop human resources, strengthen the organization**
Provided training, including global leadership training and experiential training in different departments
Carried out a competency assessment of head office employees and encouraged personal 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 midcareer 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 evaluations 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.

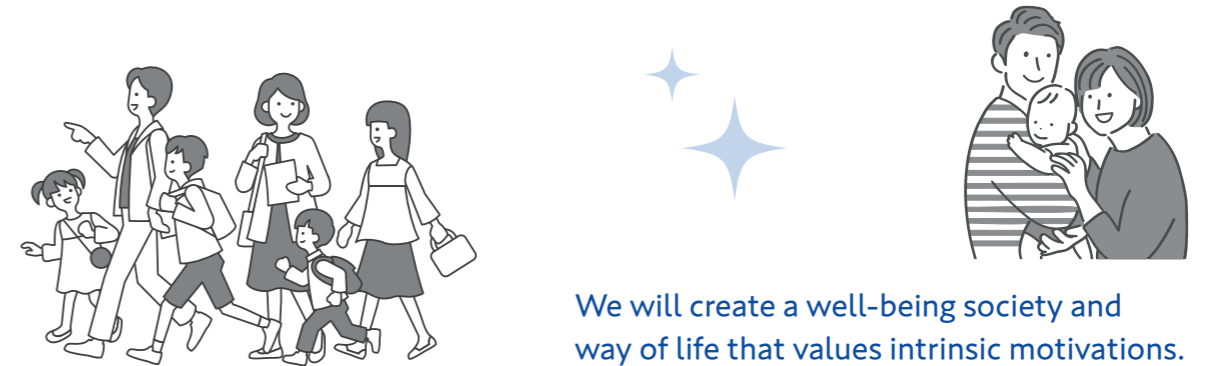
Value Creation Process

To appropriately respond to the changes in the surrounding business environment and move forward with management, the Group has redefined its raison d'être, and in 2022, established the Purpose "Our Creations Inspire Creativity" to serve as an unwavering management aspiration.

For over 100 years, our group has supported people around the world to think, record, draw, communicate, and pass on things through writing, which is part of creativity, by making and selling writing instruments. In the future, based on our Purpose "Our Creations Inspire Creativity," we will continue to create new value not only in the field of writing, but also in areas other than writing, by providing services, experiences, and innovation, going beyond products and manufacturing.



Our Creations Inspire Creativity



We will create a well-being society and way of life that values intrinsic motivations.



2030 Vision
Offer value to the environment, society, and employees
 ☆Expressing the global need for environmentally friendly products
 ☆Creating and providing a place where people can grow

Taking on various social issues and risks around the world as opportunities for change
 ☆Response to exchange rate fluctuations, geopolitical factors, soaring resource prices, chemical substance regulations, as well as climate change, digitalization, etc.

We held five workshops from September 2023 with all 15 Executive Officers to envision PILOT's future.

■ Comprehensive overview of the entire company

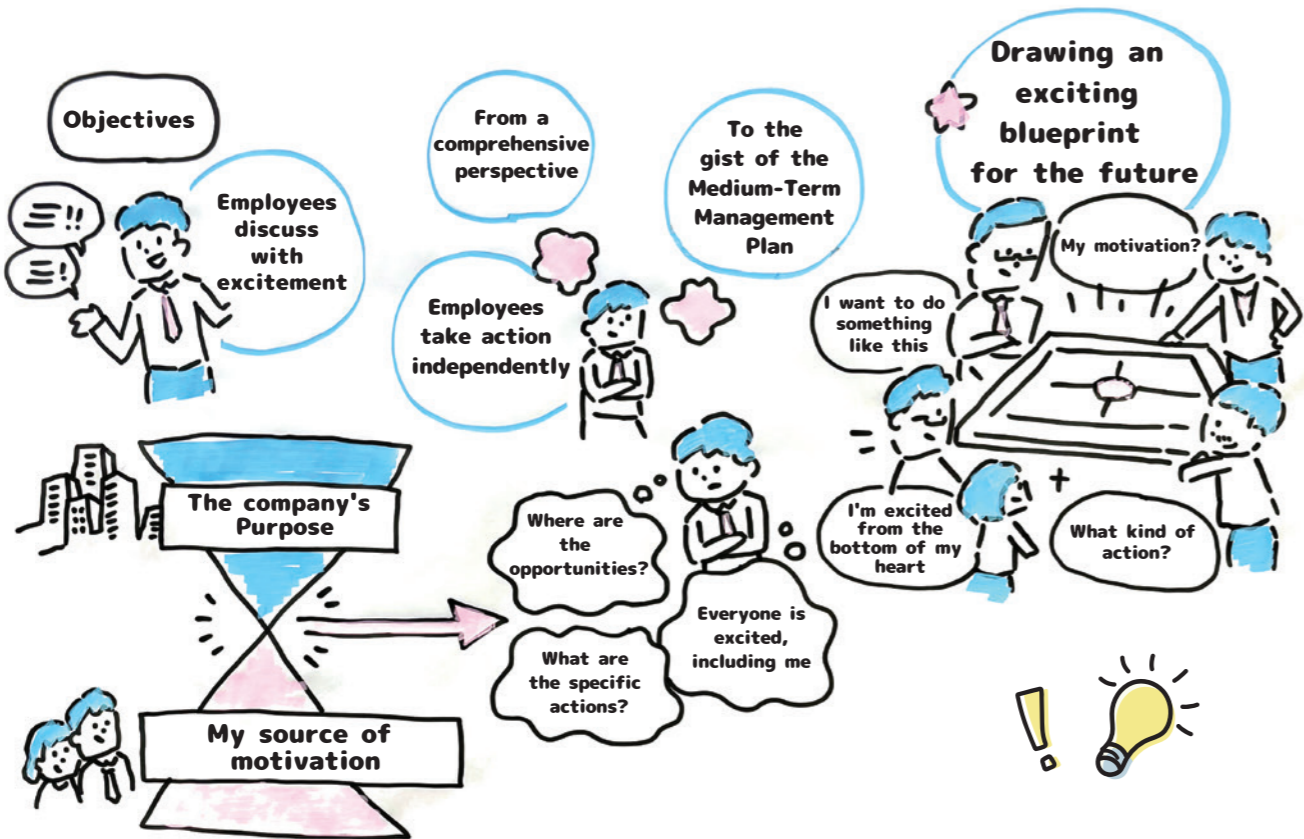
We have established our Purpose "Our Creations Inspire Creativity," and we are promoting group management. To practice speedy management in a rapidly changing environment, Executive Officers need to share the big-picture perspective necessary for decision-making. We decided to conduct this workshop to gain a comprehensive view of what the future should look like from an integrated perspective that encompasses "business," "employees," "environment," "society," and "governance" and to get a bird's eye view of the entire company.

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.

■ Discussions to enhance the resolution of "creativity"

In the workshop, we raised the resolution of "creativity" in the Purpose through input from various experts and work with specialists. We also reflected on ourselves, listened to the thoughts and ideas of other executives, and repeatedly discussed "people" and "creativity."



■ A Common Desire to "Create a Place Where People Can Grow"

It became apparent through the workshop that all Executive Officers had the common desire to "create a place where people can grow." We will create such a "place" where people can realize what they want to do at their own discretion, a "place" where they can interact with people outside the company and be inspired, a "place" that affirms and raises the creativity of the employees and draws out the potential of those who gather there. As a result, "people" grow, and new "things" and "services" will be born from this personal growth. PILOT, which connects people with creativity, will continue to create new competitiveness and value for the future by repeating this cycle of "creating a place" -> "personal growth of people" -> "creating goods and services." In terms of social issues, we must create value by "creating a well-being-focused lifestyle that values the determination that springs from within a person," so that people can live lively. In this workshop, we were able to draw a course towards such a future, a future that is befitting of PILOT.

■ Foundation of Our Medium-Term Management Plan, etc.

In the process of drawing up this future while proposing various unique proposals, the Executive Officers shared the perspective necessary for making management decisions, and a sense of unity was further fostered among them. We will refine this "Future Design" plan while incorporating the opinions of our employees. It will serve as a unifying force for effective global governance and together with our Purpose, it will serve as the foundation for our Medium-Term Management Plan and other ideas.





We are developing something in Japan that can be used worldwide. Inheriting the vision of our founder, PILOT has always been committed to self-sufficiently creating value that does not exist in the world. The strength of our technology comes from a culture of developing people who are not bound by common sense or custom, and who are willing to try and continue to take on challenges without fear of failure.

Toshio Araki

Director & Managing Executive Officer
(In charge of Production, Technology,
Development, Intellectual Property and Quality Control)

PILOT's Technology Creates Value Not Found Anywhere Else

About a century ago, the founder of PILOT had a big vision: "Develop something in Japan that can be used worldwide and that we can be proud of." PILOT's technology has been refined based on this vision. Engineers at PILOT are always looking to create value that does not exist anywhere else in the world. It is not about making a product that is a little better than before, but about challenging ourselves to create unprecedented value that can be acceptable worldwide and that we can be proud of. This is at the root of our passion.

A certain amount of pain is indispensable in all technological development. Developing any technology, no matter what the challenge, is only achieved through repeated experimentation and verification, and through repeated setbacks. For example, with our ballpoint pen Hi-TEC-C, we aimed to create the world's smallest ball diameter, and with our mechanical pencil lead graphite, we aimed to develop a smooth, dark lead that was hard to break. We achieved both aims.

What is important in this type of technological development is to understand what our customers really want and match it with what we want to create. In this way, PILOT is constantly pursuing unprecedented performance and quality, and pursuing value that has not yet been seen by the world.

User Feedback is the First Step Toward Creating New Value

To deliver the performance and quality that customers truly demand, PILOT has been building new markets with innovative technologies and products.

It all started with the invention of automatic ink-feeding mechanism and large-capacity ink tanks to replace self-filling fountain pens, which had previously required complicated ink changes. This has also been a catalyst for our dramatic development in overseas markets. Furthermore, we have developed a number of products offering new value from the customer's perspective, such as capless fountain pens made with stainless steel deep drawing technology, the Myu fountain pen with nib and barrel integrated, ultra-fine ballpoint pens with pipe tips,

water-based ballpoint pens with large-capacity ink tanks, and pen core technology that supports markers, which are long-lasting, easy-to-write, and leak-proof. In particular, we are proud to say that FriXion, which was launched in 2006 and became synonymous with erasable ballpoint pens, is a typical example of a product that has never existed before and has further exceeded market expectations. The Shunpitsu pen, released in 2019, became a huge hit as a quick-drying brush pen that dries ink in one second. If ink dries quickly, it does not stain your hands or paper. This new function has gained a high level of support from people of all ages, including those who have avoided using a brush pen. Since its launch, the product lineup has also expanded, and this product has grown to become one of PILOT's most popular products.

Fortunately, our customers and business partners have told us that they expect us to do something new and that they constantly look forward to our invention of new technologies and products. We always must meet the expectations of our customers and business partners and keep in mind that we have to go beyond that.

Pursuing Basic Technology While Continuing to Innovate

In order to produce writing tools, we have pursued fundamental technologies in the fields of materials, processing, ink, and decoration.

In the area of materials, we are working on the development of alloy pens such as gold pens, special pens (stainless steel pens), and pen points, as well as stainless steel materials for ballpoint pen tips that are resistant to wear. In terms of processing, we have developed balls for pen points, slitters for pen tips, deep drawing and cutting of stainless steel, etc. In the area of ink, we have focused on technological development and synthesis technologies in areas such as dispersion, rust prevention, prevention from decay, lubrication, wetting, microcapsules, and chromic. In the area of decoration, we have introduced the *makie* technique early on, which uses lacquer, a traditional Japanese craft material. In this way, we should hone our basic technology, overcome any defects, and reflect it further in applied technology. Through this repetition, PILOT's technology has continued to develop. Examples include blue-black ink, which suppresses ink deposition and



Shunpitsu pen (light ink)



FriXion Synergy Knock

prevents rust on the nib of the pen, and plastic carbon paper, which was developed based on ink blending and solvent coating technologies. Plastic carbon paper has been further developed into computer ribbons. In addition, extrusion molding and firing technologies have led to the development of fine ceramics with fine shapes.

In addition to this cycle of basic and applied technological development, I believe it is important to occasionally incorporate modern technological innovations. This has led to concrete solutions, such as enabling us to handle small-lot production by switching from metal molds to laser processing for engraving. We also see the potential for new development by utilizing evolving analytical technologies and measuring devices.

I believe that it is important for us to consider how to utilize technology, which is one of the means of creating value.

An Integrated Production System That Puts Customer Satisfaction First

We have a self-sufficient culture in which all processes from development to production are completed in-house. With fountain pens, for example, we have made full use of our proprietary processing technology such as alloys that are used to make gold pens or the balls used to make pen points, enabling us to achieve integrated production. In addition, we devise and manufacture our own tools, parts, jigs, machines, and measuring instruments for inspection, which are used for processing and assembly. To reduce usage and manufacturing defects and malfunctions, we also continue to make improvements for taking care of our

products after they are released to the market. By integrating the development, production, and technology in such a unified manner, we are able to create even better products, leading to customer satisfaction. We believe that having such an integrated production system is our uniqueness and strength.

Creating New Value Through a Company-Wide Optimized Development System

The development system of our group, which used to be divided into the Hiratsuka Plant, Isesaki Plant, and Pilot Ink, has been integrated and is now operating as a Shonan R&D Center. This has accelerated the sharing of information with each other, making it possible to develop products more optimally for the entire Company, which has led to value creation that makes use of each area of expertise.

In terms of future prospects, we will study again the starting point of PILOT and summarize its strengths and weaknesses to use it for future development. We also aim to further open up the possibilities of writing instrument technology by considering the development of writing and non-writing instruments in parallel.

In addition, by introducing IP Landscape for intellectual property, we have begun new initiatives such as activities that utilize intellectual property information in management strategies by quickly detecting trends in various industries and discovering possibilities for developing our own unique technologies.

Going forward, we will continue to overcome obstacles with wisdom and teamwork to realize our 2030 Vision, creating high-quality, high-value-added products without stopping to come up with innovative ideas and take on new technological challenges. We will aim for sustainable growth based on our solid fundamental technologies, our applied technological capabilities to realize groundbreaking ideas, our unique self-reliance, and the spirit of overcoming difficulties, which are also part of the guiding principles of PILOT Corporation.



Shonan R&D Center



The strength of our domestic sales comes from our unique direct sales system. Sales representatives communicate directly with dealers to support sales floor revitalization. As a comprehensive manufacturer of writing instruments, we will achieve sustainable growth while responding to changes in the market environment through sales activities that leverage our integrated manufacturing and sales operations.

Junichi Hojo
Executive Officer
General Manager,
Domestic Sales Division



Our strength in overseas sales comes from our integrated local activities. The basis is to walk the market on foot and build trust with local business partners. We cover markets in more than 190 countries and regions, mainly in the Americas, Europe, and Asia, and aim to become the No. 1 brand in the global writing instrument market by 2030.

Mashiho Kojo
Executive Officer
General Manager,
International Sales Division



Unique Direct Sales System in Cooperation with Dealers

Based on the U-Ki-Wa-Sei-Shin (Shared joys and shared sorrows) set forth in the guiding principles of PILOT Corporation, we aim to grow together with our business partners by sharing sorrows and joys with them. Based on this belief, we launched the membership organization Premium Members in 2009 to connect our business partners, stationery specialty stores. Together with our business partners, we are working to realize a better and richer life for people by offering products and services that can meet diverse needs as well as plans to support the development of areas that have been hit by natural disasters. We also operate a direct sales system in Japan that does not involve wholesalers. This is our unique strength. Our sales staff in Japan places importance on direct dialogue with dealers, and we also conduct demonstration sales at our stores. What does the customer want? We even sense the atmosphere and signs of change in the field, and feed this information back to each department within the Company. This firsthand information and direct knowledge is utilized in the development of our products and the improvement of our services.

Demonstrating Our Comprehensive Strengths as a Stationery Manufacturer

One of our strengths in sales is that we are a stationery manufacturer that handles not only writing instruments, but also materials to be written on and items used to store things. In the domestic sales team, we take advantage of our wide range of products to support the creation of sales areas that get customers to want to use our products. We aim to expand our market share by offering a wide range of products, and seek to contribute to enriching our customers' lifestyles with our new concept of developing high value-added sales areas that cater to diversifying needs and lifestyles. In addition, when it comes to gift and novelty products, we are able to complete everything from name printing to distribution within the Group, which allows us to demonstrate strengths that other companies do not have, such as short delivery times and prompt, meticulous customer service. This experience and know-how accumulated within the company also contributes to improving our market competitiveness.

Challenges to Further Strengthen Sales Capabilities

In order to realize our 2030 Vision, we are responding to changes in the market environment and promoting reforms such as channel-specific sales strategies and creating an organization that integrates sales and sales promotion. For example, for large-scale mass retailers, our sales staff is involved in everything from sales negotiations to creating sales floors, proposing promotional plans, thereby accurately responding to the mass retailer's vision and requests. We are also expanding our sales channels to mail-order and e-commerce to make it easier for customers to purchase our products. It is also important to listen to the voices of users as well as dealers. We plan to increase opportunities to interact with users through activities such as Customer Center, "Pen Doctor" who are in charge of repairs, and plant tours where visitors can experience the production process up close. While communicating our philosophy and commitment to pen manufacturing, we also believe that the voices of our users will also lead to changes in the Company.

Turning Change into Strength and Working to Continuously Improve Corporate Value

In the domestic market, where the number of stationery specialty stores is decreasing and channels are becoming more diverse, market-in product proposals that are based on the customer's perspective are more important than ever before. In particular, lifestyles and ways of buying things have changed dramatically since the COVID-19 pandemic. In domestic sales as well, we must develop new markets based on new ideas, without being bound by conventional values and rules of thumb. In the future, it will be important for not only sales but also marketing, product planning, development, and production teams to work as one to solve problems. To this end, it will be important to enhance cooperation among departments and develop human resources. As a domestic sales representative, we need to deepen our relationship of trust with dealers while keeping an eye on changes in the business environment, and create a system to deliver more valuable products. I am convinced that continuing such efforts will contribute to local communities and society, and ultimately enhance our corporate value.

Aiming for Overseas Business Since the Company's Founding

As our founder was a sailor, our Company has been oriented toward overseas business since its foundation. The driving force behind this is a strong desire to create and sell products that we can be proud of around the world, and contribute to promoting trade in Japan. At that time, Japan was in a situation where foreign ships would come to Japan loaded with cargo but return empty, and the founder was determined to do something about it. The market development spirit cultivated at that time is still passed down as DNA to each and every employee. After it was founded in the 1920s, the Company opened branches in New York, Shanghai, and London, and a representative office in Singapore. After World War II, in the 1950s, the Company expanded into Brazil, India, and Myanmar, and from the 1970s, it expanded its base of operations to Europe and the United States. In the 2000s, the Company launched wholly owned subsidiaries in China and India. Today, we have sales subsidiaries in 18 major countries and distributors in many countries and regions, covering more than 190 countries and regions around the world. Consolidated sales in the writing instruments business now account for about 70% of the Company's total sales in North and South America, Europe, and Asia.

Walk the Market on Your Own Feet and Integrate with the Local Community

We conduct sales activities that are closely aligned with the regional characteristics and culture of each country. Different countries and regions have different market environments. In some countries mass retailers dominate, in other regions there are many small stores, and in some markets online sales are strong. The overseas sales team is constantly making efforts and devising ways to build an optimal sales network tailored to the characteristics of each region. The important thing is to walk the market with our own feet and get a firsthand feel of the local characteristics of each region. The first priority is to think about what kind of support the dealership needs and to establish roots in the local community. For example, when we go on business trips, we work with not only young employees but also senior employees. This is partly for risk management, but

we also place importance on learning from the veterans who have blended into the local community to work there, and passing on the DNA of the PILOT.

Bond of Trust with Our Partner Is Our Greatest Strength

We have adopted a one-distributor-per-country system, and have established a sales network that is close to the local area, without relying on trading companies. In the overseas sales team, we are focusing on deepening our bonds with local employees and distributors and creating an environment where they can fully demonstrate their capabilities. By continuing these efforts, we have been able to instill in the market a sense of trust in PILOT's technical capabilities and quality. This is a strength that other companies cannot easily imitate. We would like to continue to focus on product development based on the concept of local co-creation by identifying market needs, such as FriXion, a ballpoint pen that enables users to write, erase, and rewrite with one pen. It is inspired by the custom of French students to erase what they have written with a pen.

Developing Human Resources and Building an Organization for Sustainable Growth

What should the International Sales Division do to realize the 2030 Vision? Our goal is to become the No. 1 brand in the global writing instrument market. As for market initiatives, we will maintain and expand our presence by digging deeper in the mature markets of Europe and North America, while actively investing for growth in India, ASEAN, and China, where there is great potential demand. Education needs are growing, especially in emerging countries, and we can expect demand for value-added writing instruments such as PILOT. In addition, we plan to develop markets in Latin America, the Middle East, and Africa in the future. In order to achieve these major goals, it is essential to develop human resources and an organization that can respond to changes in the environment. We will promote diversity and inclusion by actively recruiting career human resources and non-Japanese employees, bringing in new ideas, while encouraging change from within.



In order to achieve sustainable growth in the global market, from the perspective of strengthening our business through human capital, we are working to develop global human resources who can play an active role in the world, promote innovation through diversity of human resources, and improve employee engagement.

Kazuhiko Yokoyama
 Director & Senior Executive Officer
 (In charge of Human Resources,
 General Affairs, Public Relations and IR)



Human Resource Strategy Toward Our Vision of Where We Want to Be in 2030

We believe that one of the most important elements for the sustainable growth of our group is human capital. In our 2030 Vision, we set the goal of "Offer value to the environment, society, and employees," and to create an environment where people can work in a healthy way both physically and mentally, and where diverse human resources can demonstrate their creativity and individuality while inheriting traditions and techniques, and feel pride and pleasure in their work.

In 2022, a cross-departmental Future Human Resources Vision Meeting was held, led by young employees, to discuss the human resources, organization, and work style necessary to realize the 2030 Vision. Based on the proposals made at the meeting, the PILOT Group Human Resource Strategy was established to achieve two goals: "No. 1 brand in the global writing instrument market" and "Grow with non-writing instrument businesses as the second pillar." We aim to continuously improve sustainable corporate value by (1) acquiring diverse human resources, (2) developing highly autonomous and creative human resources who can play an active role in the world, (3) improving employee engagement, and (4) creating an environment where employees can work in a healthy manner both physically and mentally.

Cultivating Global Human Resources Capable of Working Around the World

We have set being the "No. 1 brand in the global writing instrument market" as a goal of our 2030 Vision. In addition, the current overseas sales ratio, including sales other than the writing instruments business, is 75% or more. For this reason, we believe that the key point of our human resources strategy is the development of autonomous and creative human resources who can play an active role on the world stage.

As part of our system design for global human resources development, we established the Global Leadership Development Training Program in 2023 to cultivate both the ability to work with diverse people and a spirit of challenge. Specifically, there is the Challenge-oriented Experience Program, in which participants carry out multiple

missions in short periods of time in emerging Asian countries, and the Overseas Work Experience Program, in which participants go to emerging countries as members of NGOs or social enterprise organizations and take on the challenge of solving social issues in English language.

Global human resources are required not only to improve their foreign language skills, but also to understand different cultures and to communicate and collaborate with a diverse range of people. Only when we are able to do this can we be considered a full-fledged global human resource. To achieve this, it is an important step to understand the culture of our own country, and then to understand other cultures and local customs.

Through global leadership development training and other programs, participants will gain experience in areas such as breaking out of their shell, working independently, taking on the challenge of solving problems in a short period of time and collaborating with a diverse range of people, thereby improving their global mindset. It is also necessary for them to return to their respective workplaces and improve their ability to take action, take the initiative, cooperate and be proactive. We want our employees to grow into human resources who can work not only in Japan, but also to have a global perspective and the ability to directly interact with overseas business partners and people from all over the world.

Increasing the Diversity of Our Human Resources and Promoting Innovation

Currently, we are actively recruiting new graduates and career-oriented employees in order to increase human capital and manpower. In 2023, our actual number of career hires was 39 and new graduate hires was 54, and in our 2024 plan, we plan to hire 50 career hires and 46 new graduates.

In particular, with regard to career hires, we are systematically hiring mainly for engineering and development positions to eliminate imbalances in our personnel structure and to pass on skills and technologies. In addition, based on the belief that diversity of human resources is essential to raise the level of innovation throughout the Company, we hire people regardless of gender or nationality, and have been continuously hiring foreign nationals since 2021.

Human Resource Development in the Development Division

In order to create exciting and attractive products that can be used by people all over the world, we seek to develop the human resources in the development division not only through specialized development-related seminars but also by conducting various seminars and training programs, including product manager training and language training. In addition, through joint research with university laboratories across the country, we are working to raise awareness while incorporating new knowledge. At the same time, we conduct correspondence courses for our educational trainers to improve their coaching skills. We hope to foster many creative human resources who have a mindset of always being open to new technologies, a broad perspective, and flexible ideas, without ever settling for existing technologies.

Acquisition of Highly Specialized Human Resources

For more specialized work, we are also promoting mid-career hiring in order to recruit people who can contribute immediately. We hope that highly specialized human resources can serve as role models for other employees, which will also lead to the revitalization of the workplace. By raising the level of expertise in each business, we can more effectively expand our operations in the global writing instruments market as well as the non-writing instruments business. In addition, by allocating diverse human resources, we hope that this will serve as an opportunity for the reskilling of other employees, thereby increasing added value and productivity, and contributing to the growth of the organization.

Permeation of Purpose and Improved Employee Satisfaction

We have been promoting the internal penetration of the Purpose "Our Creations Inspire Creativity," which has been implemented since 2022 with an emphasis on each employee thinking of this Purpose as their Own issue (*Jibungoto*). As a positive impact of this, we have heard comments such as, "we realized that our dreams and objectives are connected to our Purpose whenever we find our products at dealers or when we see users using them." I feel that there is a steady increase in the number of people who feel that their actions based on the concept of Own issue (*Jibungoto*) lead to company results.

We have also seen good results in a survey of our employees regarding their understanding of our management policy. A high percentage of employees responded that they "agree with the direction management is heading," "the company's business is useful to society," and "the company is pro-actively working on compliance." Incidentally, since 2022, we have been holding an Executive Caravan in which all employees and directors of the company engage in dialogue. We have received many questions and opinions not only about our own division, but also about the direction of management, which has once again reminded us of the high level of interest.

Establishing a Process for Cultivating and Managing Successor Candidates

As part of our efforts to cultivate management personnel, we are reviewing the Succession Plan operation process. In addition to formulating human resource requirements for the next president and directors through the incorporation of the Purpose and 2030 Vision, and interviewing directors, we discussed topics from how to formulate human resource pools to assessment methods, training procedures, and organizational decision-making methods, and specifically revised the skill matrix, succession process, appointment/dismissal criteria, and nomination policy.

Executive succession, the promotion of diversity and inclusion (D&I), and the formulation of the human resources pools have already been put into operation.

Toward Further Raising the Level of Human Capital

As one measure towards the sustainable growth of the Group, we are working to support the autonomous growth of each employee towards the career they want to pursue. First of all, we have started experiential training in different departments for newly appointed managers in 2023, to help them build personal connections and broaden their horizons through work experience in other departments. We plan to continue this program in the future.

We have also created a PILOT Job Guide that introduces the work content and sense of satisfaction of each department. This is part of our efforts to create an environment in which employees can broaden their horizons and design their own careers by learning what kind of work each department specifically does and what makes the departments appealing. We believe that exposure to the work of other departments, which we do not usually come into contact with, will have a positive impact on the way we work in our own departments.

We also intend to further strengthen D&I by hiring highly specialized career professionals, providing training for female managers, and enhancing our training programs.



Global leadership development training



Experiential training in different departments

Domestic Sales

Junichi Hojo

Executive Officer
General Manager, Domestic Sales Division

Sales in FY2023 have been steadily recovering mainly due to the resurgence of purchasing behavior associated with the recovery of human mobility. On the other hand, the market has seen a decline in demand for writing instruments associated with changes in work and learning styles, digitalization, and other factors. As a result, reaching pre-pandemic levels has become more challenging.

Over the past year, we have focused on selling new product offerings and limited edition items such as FriXion Waai, THE Dr.GRIP, and Juice Circus Series. These products have been designed to meet consumer needs and align with their lifestyles. We have also started conducting transactions through some online sales channels.

Looking ahead to FY2024, we will leverage the experience we gained from the COVID-19 pandemic and aim to expand sales through value-added sales and service activities, rather than simply selling products. Specifically, we will hold in-store workshops and other events to increase opportunities for consumers to engage with attractive products and create exciting experiences to pique their interest. In addition, in line with the recovery in human mobility, we will actively engage in proposing novelties and other activities, particularly for companies with a strong performance and local governments that actively promote well-being. Furthermore, internally, we aim to improve profitability by streamlining operations and optimizing the number of sales personnel by using sales support tools.

As our mid-term goal, we aim not only to achieve the sales budget, but also to improve employee satisfaction. We have established a new organization to foster a corporate culture in which sales staff can leverage their autonomy to devise and implement measures to increase the

market share and market competitiveness of our products. Meanwhile, in order to strengthen our sales capabilities over medium to long term, we will formulate and implement a Sales Training Program to develop human resources that have the adaptability to change and enhance their individual value. We will also promote work style reforms in response to digitization, and actively invest human capital in developing new customers and new business models. The current Medium-Term Management Plan, which aims to lay the foundation for the next stage of growth, is progressing with a high likelihood of being fully achieved.

Additionally, we are strengthening our commitment to sustainability. Our environmentally friendly writing instruments made from marine plastic waste and biomass plastic are receiving high interest from customers who create novelty items.



FriXion Waai



Acroball T Series Biomass Plastic

their needs. We will utilize the findings in new product developments and improving our services.

In addition, in order to protect the market share of our existing products, we provide a stable supply of mainstay products such as the FriXion series and gel ink ballpoint pens. For each category and brand, we aim to attract new users, popularize our products and expand sales by implementing promotions and offering collaborative products and limited edition products that utilize external intellectual property content.

Recent topics include reviewing and strengthening the product lineup of our erasable writing instruments, the FriXion series. In November 2022, we released an

International Sales

Mashiho Kojo

Executive Officer
General Manager, International Sales Division

Before the COVID-19 pandemic, our three major overseas markets - the U.S., China, and Europe - were all growing steadily. However, due to factors such as increased remote work during the pandemic, the demand for writing instruments temporarily decreased. Nevertheless, demand is recovering in many countries, and with the impact of a weaker yen, we achieved record sales revenue in FY2023.

As for the three major markets, in the U.S., there was a consumption shift to cheaper products, including those made in India and other countries, as a response to inflation. We were able to increase the market share of G-2 by implementing aggressive promotional strategies through integrated production and sales efforts. China faced challenges due to the real estate recession and an increase in unemployment. In Europe, products such as FriXion Ball, which are positioned at the high end of the market, struggled due to the impact of rising prices led by international conflicts; however, we are taking appropriate countermeasures for each market. Meanwhile, direct exports to countries and regions other than the three major market generally progressed smoothly.

For FY2024, we plan to stimulate consumption of our products in the U.S., China, and Europe. We also plan to enhance sales promotion and strengthen production capabilities in other countries and regions. First, in the U.S., we will aim to expand the G-2 market share by continuing to invest in the advertising and promotion of G-2 while maintaining appropriate inventory management. In addition, we will focus on expanding sales of FriXion Ball Clicker* to establish it as our second pillar product. In China, we will increase the number of retail store accounts and improve our store occupancy rate to drive the growth.

In Europe, we will promote the growth in B2B and B2C

business through environmentally friendly products, improvements in distribution functions, and the enhancement of our proprietary platform. We will also work to expand new businesses in India, where integrated manufacturing and sales operations started in 2022, as well as in ASEAN, where we are in the process of shifting to self-owned and operated business development.

In terms of strengthening our medium to long term sales capabilities, there are three key factors: products, organization, and human resources. Regarding products, we will focus not only on expanding sales of leading and existing products, but also on developing market-in products that are rooted in each country and region. To achieve this, we must look into the organization. We will increase the number of local offices to better understand and respond to the needs of each market more precisely. We have divided our overseas operations into four blocs, including the Americas, Europe, Asia, and Africa, so that we can effectively execute the management strategy of the headquarters. As for human resources, we have assigned experienced leaders to each of the four blocs, entrusting them with the planning and execution of growth strategies, and the training of mid-career and young employees who will play a crucial role in our future.

With regard to sustainability initiatives, we are preparing new environmentally friendly products to be manufactured at Pilot Corporation of Europe (PCE) in Europe. We are also developing technologies to acquire environmental labels as part of our response to the European market.

*Product name of FriXion Ball Knock in overseas market



PPIN Pte. Ltd./India

Global Marketing

Atsushi Hasegawa

Executive Officer
General Manager, Global Marketing Division

The writing instrument business operates in a business environment where market globalization and the diversification of user needs are expected to continue. We will continue to listen to the voices of users and conduct ongoing research to understand the market and

upgraded version, FriXion Ball Knock Zone, and in October 2023, FriXion Waai, targeting the school-going female population. Then, in February 2024, we launched FriXion Synergy Knock, equipped with our proprietary Synergy Tip technology, which enables improved smoothness in writing performance. This product will provide new value to business people, who are the main users of FriXion.

As part of our initiatives to promote sustainability, we launched environmentally friendly products such as the Acroball T Series Biomass Plastic, an oil-based ballpoint pen that uses biomass plastic as part of the main body material, the erasable ballpoint pen FriXion Ball Knock 05 Biomass Plastic (February 2022), and the erasable

highlighter pen FriXion Light Biomass Plastic (January 2023). In addition, we have started using paper materials, which are considered to have a lower environmental impact, for the packaging of some of our new products. We are also reviewing the specifications of the packaging materials of other products to reduce the amount of plastic used. We will also continue to explore and develop new materials that can be used for environmentally friendly products.



FriXion Ball Knock Zone



Toys

Yasuhiro Shimizu

General Manager, Toy Department

Global sales in FY2023 declined slightly from the previous year due to a drop in consumer sentiment caused by recessions in Europe and China. By region, sales in Japan have continued to increase every year since 2020, the year of the COVID-19 pandemic. In particular, the Mellchan series has performed well, and sales have grown by 18% or more compared to 2019, the pre-pandemic period. In addition, the new Pocket Mellchan launched in 2021 is gradually expanding its recognition and customer base, and expectations for the Mellchan series in the market are rising even further. On the other hand, in terms of overseas figures, we have not yet recovered to the pre-pandemic level. This is due to the significant impact of rising prices in Europe and China, the delay in economic recovery, and a reluctance by consumers to make purchases due to uncertainty about the future.

Under these circumstances, in our medium-to-long-term plan toward 2030, we aim to expand the core fan base and attract a wider range of users by further enriching the doll series as a whole, including Pocket Mellchan launched in 2021, with a new worldview and diversity of products in Japan, where the doll series is performing well.

Overseas, we will switch development in Asia from OEM to PILOT brand sales, and strengthen promotions to expand sales.

In other product groups, we will strengthen our marketing and product development capabilities, develop new categories with new products utilizing chromic and other new technologies, and expand sales further in

domestic as well as overseas markets.

Regarding human resources, we are promoting marketing education by utilizing external training programs in order to strengthen our planning and development capabilities. In addition, we are fostering an organization in which diverse human resources can play an active role, and creating a comfortable working environment, aiming for product planning that can respond not only to the Japanese market but also to the global market.

Finally, with regard to the promotion of sustainability, we have already begun reducing plastic use by switching to environmentally friendly paper packaging material. While continuing to pursue this initiative, we will also consider and implement measures to reuse our main products.



Pocket Mellchan



Captain Duck

Ceramics, Jewelry, and Other New Products

Junichi Iwami

General Manager, Innovative Solutions Department

IS stands for Innovative Solutions, and was renamed from the Industrial Materials Sales Department in July 2023 to reflect our commitment to finding new solutions for our customers, regardless of whether they are products or services.

The Innovative Solutions Department handles ceramics, jewelry, and other new commercial products.

In ceramics, we are planning to increase personnel and equipment in response to anticipated demand for semiconductor manufacturing equipment, and are continuing prototyping to acquire the next generation of products that are developed. In addition, we aim to consolidate the buildings in the Hiratsuka Plant in 2025, establish an efficient production system, and establish a system that can provide stable supply.

As part of our medium-to-long-term strategy, we will actively broaden market awareness in order to achieve a stable expansion of our ceramics business. For example, we will start market research targeting patents, collaborate with the Japan Fine Ceramics Association and other related companies, and exhibit for the first time at an exhibition in the United States in 2023 and at an exhibition in Germany in 2024.

In the jewelry business, we aim to expand the pure platinum + forging category, mainly in the Pilot Bridal, aiming to achieve the No. 1 sales in the genre. To achieve this, we will continue to share information, etc. with our dealers and use social media and other means to raise awareness among users who are considering purchasing the product.

For other new commercial products, we are working on

dispersion and gelation prototypes in collaboration with the Shonan R&D Center, our development division. For the utilization of thermochromic and other technologies, we are collaborating with other divisions to realize new value creation themes.

Our most recent initiatives include development of a new channel for online tool sales with Gel Chalk, and also promoting the introduction of our products through home center material routes and pro shops. In addition, we are considering the development of writing instruments for craftsmen in the construction industry.

In August 2023, we launched Dr. Grip Digital for Wacom and are expanding into the digital field, creating opportunities for new experiences, such as events combining analog and digital technologies at large stationery specialty stores in the Tokyo metropolitan area.



Fine Ceramics



Marriage ring

Stationery and Mark's Products

Shinya Saimu

Executive Officer

Deputy General Manager, Domestic Sales Division
Representative Director, Mark's Group Holdings, Inc.

Regarding the performance of MARK'S, INC., which became a group company in 2023 and which deals with designer stationery including planners, and notebooks, it has seen sales of its main products, diaries and planners grow as the market recovered after the COVID-19 pandemic. In particular, sales to lifestyle specialty stores, our main

clients, have recovered. Mark's-owned stores also performed well due to rising inbound demand.

In November, MARK'SSTYLE Azabudai Hills opened in conjunction with the opening of the Azabudai Hills large-scale complex. It is the first store directly managed by Mark's in collaboration with PILOT. It houses a PILOT corner selling the Namiki Maki-e fountain pen in a design gift store where customers can find high-quality stationery and sundries that Mark's is known for, and is well received by many customers.

New products such as EDiT x Acro500 and FriXion Stamp were launched as collaborative products of the two companies, and joint promotion was conducted with Mark's corner at the exhibitions and business meetings held by PILOT, which was well received by many visitors.

In FY2024, we will continue to develop our stationery

business mainly through Mark's. We will strengthen our standard diary products, introduce new peripheral miscellaneous products such as the Mesh Collection, further promote collaboration projects between the two companies, and strengthen sales of Mark's products through PILOT's sales channels.

We will also steadily advance product planning and sales channel development in overseas markets in the future.



EDiT Notebook



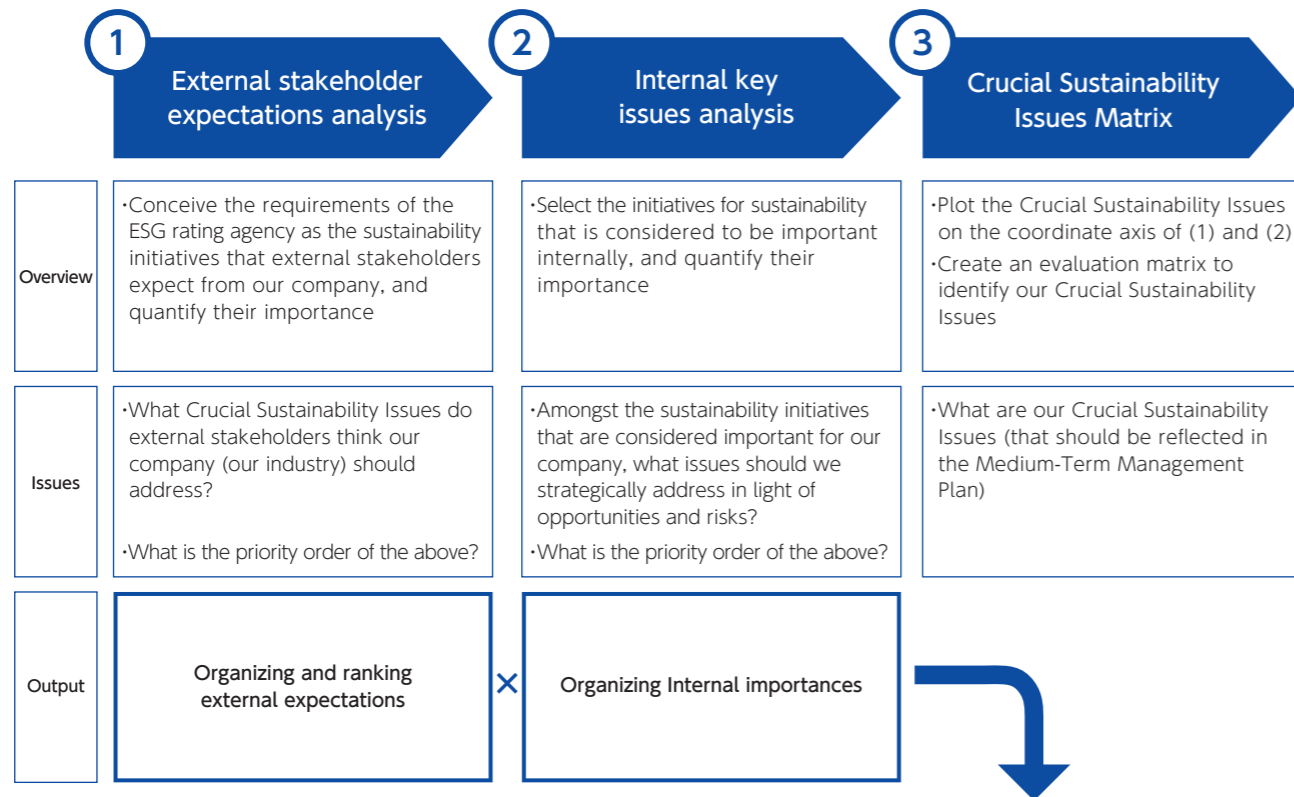
MARK'SSTYLE Azabudai Hills

Crucial Sustainability Issues

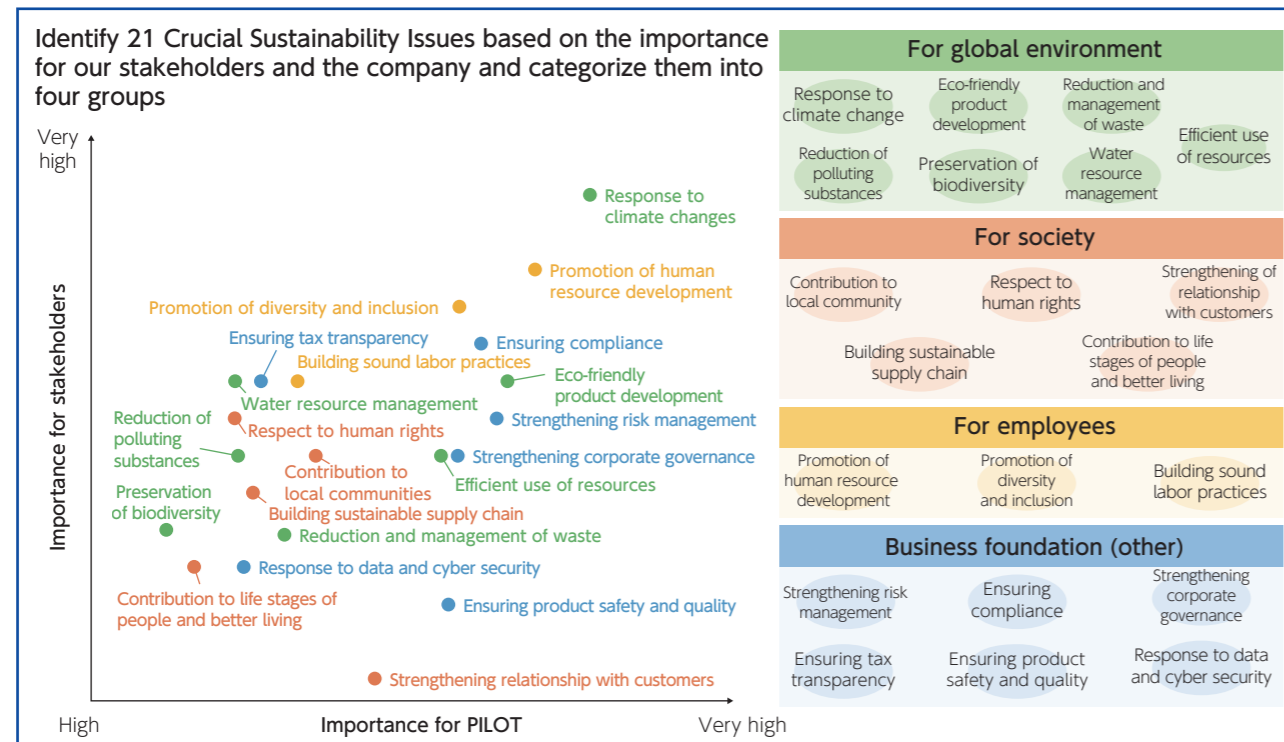
To contribute to the realization of our long term direction, 2030 Vision, we identified our Crucial Sustainability Issues (materiality) and incorporates them into our Medium-Term Management Plan to work toward their resolution. Through this approach, we aim to achieve both economic value and contributions to the environment, society, and employees, thereby contributing to the realization of a sustainable society.

Process for Identifying Crucial Sustainability Issues

In order to reflect the perspective of sustainability in the Medium-Term Management Plan, we identify the key issues that external stakeholders expect from us, as well as the key issues that we consider important internally. By finding the intersections between these issues, we identify our own Crucial Sustainability Issues.



Crucial Sustainability Issues Matrix



Progress on Crucial Sustainability Issues

Our Aim in 2030

		<Relevant SDGs>
For global environment	·Continuing to reduce the negative environmental impact through business activities and working proactively to solve them ·Contributing to solving environmental issues through products and services friendly to the global environment and being recognized as a company required by society	7, 11, 12, 13, 14
For society	·Respecting the human rights and diversity of all people involved with PILOT and continue to have appropriate relationships with stakeholders ·Contributing to creating social and cultural value by drawing closer to people's daily lives and realizing better lives and prosperity through products and services that address diverse needs	4, 5, 8
For employees	·Have created a workplace environment where employees can work in good mental and physical health. There is a diversity in human resources who take pride and feel joy in working with us as they inherit the traditions and technologies and demonstrate their creativity and individuality ·Human resources who can think and act autonomously and offer value are actively participating through our unique human resource development and appropriate evaluation system	10, 12
Business foundation	·Continuing to take on challenges by flexibly responding to changes in the social environment, making swift and responsible decisions having built a management foundation that enables sustainable growth ·Have won the trust of the stakeholders by developing a better corporate culture as individual employees, put the Corporate Philosophy into practice and pursue a customer first attitude	8, 10, 12, 16, 17

2023 Initiatives

<Initiatives for resolving Crucial Sustainability Issues>

For global environment	·Limited release of ballpoint pens made from resin collected through used pen recycling programs ·Information disclosure based on the TCFD recommendations ·Setting and disclosing reduction targets for Scope 1 and 2 emissions ·Setting and disclosing reduction targets for water and waste
For society	·Informing employees about PILOT Group's Sustainable Procurement Policy and Procurement Guidelines for suppliers, and arrangements for signing an agreement ·Conducting environmental studies (Visiting schools) ·Sponsoring the "Writing is Important" project to communicate the significance of writing
For employees	·Starting global leadership development training (overseas experience) and experiential training in different departments ·Continuously conducting employee satisfaction surveys ·Conducting interactions between managerial staff and employees for the promotion of our Purpose ·Starting sustainability promotion activities, handing out a guidebook, broadcasting videos and conducting quizzes
Business foundation	·Reorganizing regulations (Group governance, administrative risks, risk management, etc.) ·The recently established Sustainability Promotion Group and Future Creations Office ·Strengthening the Audit Department and establishing the Procurement Department ·Continuously conducting in-house training for cyber-security

Message from the Senior Executive Officer (Sustainability)

The PILOT Group has started efforts by consolidating information on the various sustainability activities it was conducting throughout the Group. In the future, the Group will continue to work on resolving various sustainability issues from a global perspective through its business activities under the Purpose "Our Creations Inspire Creativity."

Katsuji Hatano

Director & Senior Executive Officer,
General Manager,
Corporate Planning Department
(In charge of Sustainability)



PILOT Group's Vision for 2030

The Group has identified Crucial Sustainability Issues in the 2022–2024 Medium-Term Management Plan, and has set specific targets for initiatives to resolve these issues. The Group's vision for 2030 has been classified into four categories: "For global environment," "For society," "For employees," and "Business foundation," and specific targets have been set for each category. (See page 32 for details.)

Establishment of a Department to Promote Sustainability Activities with the PILOT Group as a Whole

In July 2023, we established the Sustainability Promotion Group within the Corporate Planning Department to realize "Integrate Sustainability and the Medium-Term Management Plan," one of the goals of the 2022–2024 Medium-Term Management Plan. It plays a leading role in promoting sustainability in the PILOT Group by collecting and disclosing sustainability information internally and externally, and educating employees on sustainability so that the PILOT Group can come together and promote sustainability initiatives.

Response to Climate Change and Sustainability Information Disclosure

The Group has identified "Response to climate change" as one of the Crucial Sustainability Issues in the 2022–2024 Medium-Term Management Plan. In March 2023, the Group expressed its support for the TCFD recommendations, disclosed information based on the TCFD recommendations and is working on climate change countermeasures.

In addition, we will continuously enhance our information disclosure by starting to respond to ESG assessment organizations such as CDP and FTSE, and contribute to the realization of a decarbonized society in cooperation with various stakeholders.

Development of Environmentally Friendly Products

Based on the PILOT Group's Environmental Policy, we are developing environmentally friendly products. From the product planning stage, we are conscious of recycling-oriented manufacturing, and from a global perspective, we are manufacturing products that not only comply with the environmental laws and regulations of each country, but also aim to minimize the environmental impact. We have been actively promoting the development of refillable products such as refillable inks, and we are promoting refillable lead and ink cartridge type products. We will continue to review single-use products and work to reduce the amount of waste generated.

As an example of a product that uses materials that can contribute to reducing our environmental impact, we are developing Super Grip G Ocean Plastic, which is made of resin recycled from marine plastic waste, and we are also working to improve our mass-production technology for recycled materials.

Activities to Teach Children the Importance of Writing

From April 2023, we are co-sponsoring the project The Importance of Writing, a class program offered by the Japan Culture Education Propulsion Mechanism to explain the importance and significance of writing to elementary school students. This project is an unprecedented educational program that systematizes writing itself with the aim of creating opportunities for elementary school students to rethink the importance and significance of writing. We hope that this project will create opportunities for many children to learn the importance of writing and help them discover the joy and charm of handwriting. In line with our Purpose "Our Creations Inspire Creativity," we will continue to provide opportunities for the joy of learning and cultural experiences, and support the power of creativity of children who will lead the future through this sponsorship and other activities.

Expanding Internal Penetration

In order for sustainability to permeate the Company, it is important for each and every employee to think of sustainability as their own issue (*Jibungoto*) and change their behavior. Therefore, we believe it is important to foster a corporate culture based on the Group Purpose.

As part of our efforts to permeate the Purpose, we have continued to carry out permeation activities in Japan through direct dialogue from management to each employee, as we did in 2022. We have also created and distributed a Purpose Notebook to employees to deepen their understanding about Purpose. We have also started activities to spread the word to Group companies, including overseas companies, and will continue these efforts.

In addition, as a specific measure to promote sustainability within the company, we created and distributed the PILOT Group Sustainability Guidebook. We carry out activities aimed at raising awareness of sustainability, such as conducting comprehension tests and distributing videos on our sustainability efforts. We take time to roll them out internally to ensure a steady, step-by-step understanding of the issue.

Building Human Capital and a Sustainable Supply Chain

The Group considers human capital as one of the key elements for its sustainable growth. For that reason, in our 2030 Vision, we have set forth "offer value to the environment, society, and employees." We aim to create an environment where people can work in good health, both physically and mentally, where diverse human resources can demonstrate their creativity and individuality while inheriting traditions and techniques, and feel pride and joy in their work.

In addition, we have identified "building a sustainable supply chain" as one of the Crucial Sustainability Issues, and we have made the PILOT Group Sustainable Procurement Policy and the PILOT Group Sustainable Procurement Guidelines one of our basic management policies in order to work together with our suppliers to build a sustainable supply chain. By implementing procurement activities based on these policies and guidelines, we are working to resolve environmental and social issues in the supply chain.

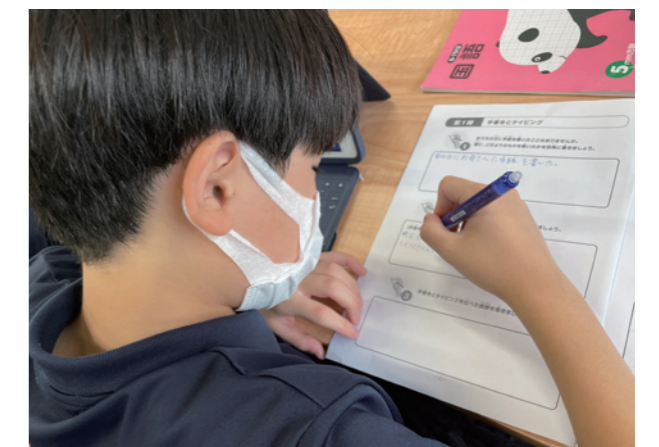
Promoting a Strong Group Governance System

In order to build a solid group governance system, the Group shifted to a Company with Audit and Supervisory Committee in 2022. To strengthen the supervisory function of the Board of Directors and accelerate decision-making, the Group has revised the rules of the Board of Directors, promoted the separation of supervision and execution, and evaluated the effectiveness of the Board of Directors. We are also reorganizing various rules and regulations, such as Group risk management, business

risk management, and Group company management.

With regard to the disclosure of governance information, this Integrated Report was published for the first time, and we responded to the disclosure of securities reports, corporate governance reports, etc., in which sustainability-related matters were added. We plan to expand the scope of disclosure of the integrated report to include major overseas group companies in the future.

The Group believes that the development of its core business of writing instruments itself contributes to society through education and culture, and that strengthening the global development of this business is the contribution to social issues. In addition, we recognize the importance of addressing various sustainability issues from a global perspective through our business activities in response to current social and environmental changes.



The Importance of Writing Project

Environmental Initiatives

PILOT and the Group recognize the importance of working to help resolve environmental issues from a global perspective through our business activities. We will help to bring about a sustainable society while reducing the environmental impact of all aspects of our business operations.

Basic Policy and Environmental Management System

The PILOT Group Environmental Policy

Toward the realization of a sustainable society, we have established a PILOT Group Environmental Policy to reduce the impact on the environment in all aspects of our corporate activities, including product planning, design, production, and sales.

By acting in accordance with this policy, our group's executives and employees will contribute to the realization of a sustainable society.

1. We will manufacture environmentally friendly products.
2. We will comply with environmental laws and regulations, as well as other requirements accepted by our group.
3. We will strive to use energy efficiently, lessen the amount used, and reduce greenhouse gas emissions.
4. We will reduce the amount of waste we generate.
5. We will promote the effective use of limited resources through reduce, reuse, and recycle.
6. We will reduce water usage through more efficient use of limited water resources.
7. We will conduct our business activities with consideration for the natural environment and strive to lessen our impact on biodiversity.
8. We will promote environmental education and awareness while striving to improve the understanding of our employees.

Environmental Management

The PILOT Group Environmental Policy aims for the executives and employees of the Group to actively contribute to solving environmental issues by acting in accordance with this policy.

In addition to working to reduce greenhouse gas emissions by reducing energy consumption through energy saving activities and efficient energy use, we will contribute to protecting the global environment and realizing a recycling-oriented society, developing products and services that help to reduce our environmental impact.

Our group's major Japan domestic production plants (Isesaki Plant, Hiratsuka Plant, Tsu Plant and Togo Plant of The Pilot Ink Co., Ltd., PILOT FINE TECH Co., Ltd.) have received ISO 14001 certification, the international standard, and have set up and operate an environmental management system. Pilot Corporation of Europe has not only acquired ISO 14001 certification, but also EMAS certification, which is the EU's environmental management system. Currently, 50% of our globally managed production sites in the Group are ISO 14001 and/or EMAS certified.

At all of our group's production sites, there were zero violations of environmental laws and regulations in 2022 and 2023, and no fines or costs were incurred in response to those violations. There were also zero accidents affecting the environment outside the plants and offices.

Sustainable Procurement

All companies need to promote initiatives that fully consider their environmental and social impact on the entire supply chain to help bring about a sustainable society. We have formulated the PILOT Group Sustainable Procurement Policy to build a sustainable supply chain in cooperation with suppliers. Based on this policy, we have also formulated the PILOT Group Sustainable Procurement Guidelines, which summarize the items that we would like all our suppliers to comply with.

We help to resolve environmental and social issues in the supply chain through procurement based on this policy and set of guidelines.

The Group has identified "building a sustainable supply chain" as one of the Crucial Sustainability Issues and will strengthen our initiatives for this Purpose.

Going forward, we will inform our suppliers about the PILOT Group Sustainable Procurement Policy and PILOT Group Sustainable Procurement Guidelines, then ask for their cooperation. At the same time, we will strive to grasp and manage sustainability risks related to procuring raw materials for our group, as we promote responsible procurement.

New Establishment of Procurement Department

In light of the increasing importance of the material procurement role in a rapidly changing global situation as well as the increasing complexity of responding to environmental issues, we established the Procurement Department in 2023.

[Objectives]

Centralizing the Procurement Departments of the domestic Hiratsuka and Isesaki Plants to create synergies

- (1) Rapidly responding to risks in the supply chain
- (2) Systematically developing adaptive human resources (procurer)
- (3) Achieving quantitative cost reductions
- (4) Optimizing personnel

[Future Initiatives]

- (1) Understanding risks (geopolitics, environmental laws and regulations) in the supply chain
- (2) Investigating procurement supply chains for all production bases worldwide
- (3) Improving efficiency of procurement operations (use of DX and AI)

PILOT Group Sustainable Procurement Policy and Guidelines
Please check the following website.
https://www.pilot.co.jp/company/english/ir/sustainability/pdf/PILOT_Group_Sustainable_Procurement_Policy.pdf
https://www.pilot.co.jp/company/english/ir/sustainability/pdf/PILOT_Group_Sustainable_Procurement_Guidelines.pdf

Preservation of Resources and Biodiversity

Waste Reduction and the Effective Use of Resources

As the global population increases and economies grow, concerns have arisen over environmental pollution and resource depletion due to the increased amount of waste. We recognize the importance of waste reduction and are working to use resources more efficiently through reuse and recycling programs.

The PILOT Group has identified "reduction and management of waste" and "efficient use of resources" as Crucial Sustainability Issues. We are working to minimize the environmental impact of all aspects of our corporate operations in production processes and other areas.

In our Japan domestic business operations, we have set targets for waste reduction and the effective use of resources, and we have set up initiatives to achieve these targets. We also plan to roll out these initiatives throughout the entire Group.

Waste reduction targets

Target indicators	Target values (target year, reduction level, etc.)		Base year
	Short-term targets (2023, 2024)	Medium- to long-term targets (2030)	
Industrial waste discharged per unit of non-consolidated sales	2% YoY reduction	10% reduction from base year (1% YoY reduction from 2025)	2021

One way we promote the more efficient use of resources is to disassemble and separate materials from products that are returned in the course of doing business, and then using, as effectively as possible, those materials that have value. In the European market, we switched to paper packaging for eco-friendly products, and in the Japanese market, we are starting to use paper packaging and FSC-certified paper for new products.

Targets for effective resource use

Target indicators	Target values (2023, 2024)
Recycle rate of returned and discarded writing instruments	50% or more

(Note) Coverage: Hiratsuka Plant

Amount of waste generated, recycled, or put in landfill over the past three years

Main categories	Subcategories	Results		
		2021	2022	2023
Overall amount	Amount generated	1,015	1,078	998
	Amount recycled	711	753	690
	Amount going to landfills	304	325	308
General waste	Amount generated	76	93	87
	Amount recycled	46	46	61
	Amount going to landfills	30	47	26
Industrial waste	Amount generated	913	924	878
	Amount recycled	644	652	609
	Amount going to landfills	269	272	269
Specially managed industrial waste	Amount generated	26	61	33
	Amount recycled	21	55	20
	Amount going to landfills	5	6	13

(Notes) 1. Data coverage: Domestic PILOT Corporation operations
2. Recycled amount includes thermal recycling (energy recovery).
3. Numbers are rounded down, so the totals might not match the sum of the figures.

Water Resource Management

The Group has identified "water resource management" as a Crucial Sustainability Issue. In addition to promoting the efficient use of a limited water supply by making this issue known to employees and working to reduce the amount of water used in business activities, we intend to improve the efficiency of water use by setting and managing the appropriate amount of water used during production. We contribute to the creation of a society where water can be used sustainably throughout the supply chain.

Water intake reduction target

Target indicators	Target values (target year, reduction level, etc.)		Base year
	Short-term targets (2023, 2024)	Medium- to long-term targets (2030)	
Water intake per unit of non-consolidated sales	1% reduction from base year	10% reduction from base year	2019

(Note) Taking 2019 as our base year, we have set a reduction target for water intake per unit of non-consolidated sales and are working towards achieving them.

Water intake and wastewater over past three years

	Results		
	2021	2022	2023
Total water intake (thousands m ³)	94	89	82
Supplied (municipal)	92	87	80
From wells	2	2	2
Total wastewater (thousands m ³)	94	88	81
Sewer system	42	42	39
Rivers	52	46	42
Total BOD output (ton)	1	1	2

(Notes) 1. Data coverage: PILOT Corporation's domestic operations
2. Numbers are rounded down, so totals might not match the sum of the figures.

Pollution Prevention

Based on the PILOT Group Environmental Policy, the Group complies with environmental laws, regulations, ordinances, and other requirements in all aspects of corporate operations, including production, and we strive to prevent pollution of the air, the soil, and water.

In fiscal 2023, we kept pollutants below the standards set by laws and ordinances at our domestic production plants (Isesaki Plant, Hiratsuka Plant).

Conservation of Biodiversity

The PILOT Group has identified "Conservation of biodiversity" as a Crucial Sustainability Issues. We are reducing the impact on biodiversity and the environment from all parts of our business operations, including product planning, design, production, and sales.

Plastic resource recycling is an environmental issue close to the PILOT Group business, and we recognize that urgent action is necessary in terms of the impact on marine biodiversity and ecosystems.

The Group is working to minimize its plastic use, to reuse and recycle used plastic, and to reduce the amount of plastic waste.

Initiatives Through Business Activities

We believe that protecting the environment and working towards a recycling-oriented society are our major responsibilities as a manufacturer. Our group is actively developing products and providing services that can contribute to reducing the environmental impact. We are also working to reduce waste, promote the reuse of resources and making effective use of limited resources by implementing reduce, reuse, and recycle through initiatives such as developing products using materials recycled from marine plastic waste.

Super Grip G Ocean Plastic

In 2020, we launched an initiative to reduce marine plastic waste and microplastics by manufacturing and selling ballpoint pens with oil-based ink that are made of resin recycled from marine plastic waste collected by external partner company* in Japan. Recycled plastic from the ocean is used for part of the main body and recycled materials are also used for other parts, achieving a recycled material rate of 70% or more, excluding replaceable parts. We will increase the use of recycled materials derived from marine plastic waste, promote their distribution and collection, and cooperate in reducing marine plastic waste.

* The Japanese subsidiary of an American social enterprise founded by a university student in 2001. Based on the philosophy of "throwing away the concept of throwing away," we have developed businesses in over 20 countries around the world. We collect materials that were conventionally considered difficult to recycle and recycle them into a variety of products.



Toner Cartridge Recycling

Since 1995, we have been collecting used toner cartridges, replacing drums, and refilling toner through our recycling service in Japan.

By having more people use toner cartridges that have been recycled to strict quality and environmental standards, we promote the reduction of CO₂ emissions and plastic waste. Instead of continuing to consume the Earth's limited resources, we intend to circulate them in a sustainable way. Although more than half of the European and US toner markets are using recycled products, the diffusion rate of recycled toner in Japan is still around 23%. We will continue to promote recycled toner use as part of our initiatives to reduce the burden on the environment.



Ballpoint Pens Made from Plant-derived Biomass Plastic

Since 2022, we have been manufacturing and selling writing instruments that incorporate biomass plastic, which is made from plant-derived organic resources, excluding fossil resources such as petroleum.

Carbon dioxide (CO₂) is emitted when plastics are incinerated, but unlike petroleum-derived plastics, the corn and wheat used in biomass plastic absorb CO₂ during their growth. Since CO₂ has already been absorbed, the use of biomass plastic slows the increase of CO₂ in the atmosphere (carbon neutral). Therefore, we expect biomass plastic to contribute to the prevention of global warming and to reduce dependence on fossil-based resources.

Henceforth, to curb global warming, we will promote initiatives starting with what we can do through our business operations.



Used Pen Recycling Program

We are implementing a program to collect and recycle used writing instruments, aiming to reduce the environmental impact and help realize a recycling-oriented society. The collected writing instruments are disassembled at a partner plant and recycled into each material. In 2023, we succeeded in commercializing a pen that uses collected recycling materials as some of its parts. We are also working on upcycling using the remaining collected material.

The program has now expanded to collection points at approximately 500 retail stores, local governments, and schools across the country, and collection and recycling activities at schools include recycling experiences where collected items are disassembled and classified, as well as cooperation in classes for environmental studies and research activities.



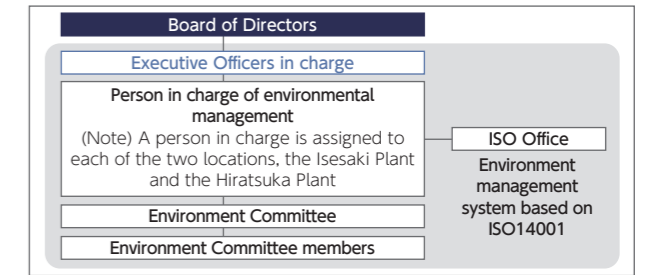
See here for details about initiatives towards environmental conservation.
<https://www.pilot.co.jp/company/english/ir/sustainability/environment/conservation.html>

The Group has identified "response to climate change" as one of the Crucial Sustainability Issues, and is working on measures to address climate change. Based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we have analyzed the impact of climate change-related risks and opportunities on our company.

Governance

We are building and operating an environmental management system based on the international standard ISO14001 at our major domestic production bases. Under the leadership of the Executive Officer in charge, we are promoting environmental initiatives, including climate change, at each site. The progress of initiatives concerning climate change is regularly reported to the Board of Directors along with the progress of the Medium-Term Management Plan including the Crucial Sustainability Issues.

Climate change-related governance system diagram



Strategies

a. Identifying climate change-related risks and opportunities, and conducting scenario analysis

We collected information on examples given in the TCFD recommendations and climate change-related risks and opportunities in the writing instrument industry, and identified these risks and opportunities for our Company. Of the identified risks and opportunities, we assessed their importance on two axes: possibility of occurrence and impact on business. Following are the risks and opportunities evaluated as highly important. On the time axis considered when organizing risks and opportunities, short term: 0 to 1 year, medium term: 1 to 3 years, long term: 3 years or more.

Additionally, in order to consider the impact of climate change-related risks and opportunities on our business, we conducted a scenario analysis targeting our domestic writing instruments business. The target year for the analysis is 2030 in conjunction with our group's 2030 Vision. For the analysis, we set two scenarios: a "decarbonized society scenario (average temperature rise of 1.5°C to 2°C compared to pre-industrial revolution)" and a "society-as-usual scenario (average temperature rise of 4°C)." In setting the image of society for each scenario, we referred to megatrend reports on social trends from 2030 onwards and the temperature rise scenarios of the IPCC (Intergovernmental Panel on Climate Change).

See here for "Assumptions for Scenario Analysis."
https://pilot.co.jp/company/ir/csr/pdf/TCFD_disclosure.pdf

<Important risks related to climate change>

[Legend] ●: Applicable, -: Not applicable

Item	Major category	Medium category	NO.	Minor category	Time axis	Impact on business	Scenarios of high importance	
							Decarbonized society	Society-as-usual
Transition risks	Political and legal risks		1	Introduction of carbon tax, strengthening tax on fuel and energy	Medium term to long term	<ul style="list-style-type: none"> Increased operating costs due to carbon tax and strengthened tax on fuel and energy Increased raw material costs due to carbon tax and other taxes being imposed on business partners Decreasing profits if increased operating costs cannot be passed on to product prices 	●	-
			2	Strengthened and stricter legal regulations, such as the strengthened obligation to report emissions	Medium term to long term	<ul style="list-style-type: none"> Increased costs associated with new capital investments and restructuring of production bases for complying with stricter legal regulations, such as the strengthening of the obligation to report emissions Rising raw material costs due to restrictions on the use of raw materials such as resins and packaging materials made from fossil fuels, and switching to environmentally friendly raw materials Rising prices due to increased demand for renewable electricity and carbon credits (increased operating costs) 	●	-
	Market risks		3	Changes in behavior of customers, etc. in the market	Short term to long term	<ul style="list-style-type: none"> With increased interest in sustainability, changes in lifestyles and technological development, the need for products that take sustainability into consideration is increasing, as is the use of electronic devices instead of paper, resulting in a decrease in sales of traditional writing instruments. Increased R&D costs of environment-friendly products Due to the growing interest in sustainability, product prices and other factors that were previously considered market signals have changed, and market analysis based on conventional interpretations is no longer valid, leading to increased marketing costs and costs associated with rebuilding sales networks. 	●	-
			4	Increasing raw material costs	Short term to long term	<ul style="list-style-type: none"> Increased raw material costs for fossil fuel-based resins and packaging materials Increased raw material costs due to increased demand for environmentally friendly raw materials (bioplastics, etc.) 	●	-
Physical risks	Acute risks		5	Intensified natural disasters such as typhoons and floods	Short term to long term	<ul style="list-style-type: none"> Damage to plant equipment, etc., reduction in assets, and decrease in sales due to intensifying typhoons, heavy rains, and floods In particular, production bases near rivers are at increased risk of flooding, and the above damages are expected. Supply chains are disrupted due to intensifying typhoons, heavy rains, and floods, production volume is reduced due to shortages of raw materials and procured goods, product delivery is delayed, and sales are reduced. Cutting off of lifelines (electricity, gas, water, Internet, etc.) and losses for employees (decreased sales due to business closures and lost business opportunities) due to intensifying typhoons, heavy rains, and floods 	●	●
			6	Changing precipitation patterns	Long term	<ul style="list-style-type: none"> Flooding at production bases due to the increased frequency of sudden rains. This will make it difficult to continue operations, and the cost of recovery will increase. Additionally, it will be necessary to relocate in the long term, and the cost of relocation will increase. 	-	●
	Chronic risks		7	Rising average temperature	Long term	<ul style="list-style-type: none"> Energy costs increase due to the need to maintain an appropriate working environment and manage equipment and products. In addition, as a countermeasure, investment in air conditioning equipment will increase. Increase in health hazards such as heat stroke and infectious diseases, and decrease in production efficiency in summer 	-	●



<Important opportunities related to climate change>

[Legend] ●: Applicable, -: Not applicable

Item	NO.	Minor category	Time axis	Impact on business	Scenarios of high importance	
					Decarbonized society	Society -as-usual
Opportunities	8	Expanding development and implementation of environmentally friendly products and services	Short term to long term	•Increased opportunities for joint development of environmentally friendly products and services with business partners and other stakeholders	●	-
				•Maintaining or expanding market share by expanding development and sales of environmentally friendly products		
	9	Expanding circular economy	Short term to long term	•Increased opportunities for pen recycling and other programs in collaboration with business partners and schools, etc.	●	-
				•Consumers' sustainable behavior is being encouraged, and in writing instruments, there is increased demand for durable and long-lasting products and repair services instead of disposable products. •Increased demand for products that are easily recyclable or products that use scrap wood and recycled materials with the expansion of the circular economy		
10	Changing consumer preferences	Short term to long term	•Increased sustainability orientation among consumers, and increased demand for environmentally friendly products and services, leading to increased sales	●	-	
			•Increased understanding of the shift from excessive packaging to simple packaging among consumers, leading to reduced packaging costs •By promoting business activities aimed at realizing a carbon-free society, we have gained recognition from consumers and other stakeholders, and our sales have increased.			
11	Enhancing BCP	Short term to long term	•We have established a system that allows us to continue operations even in emergencies such as disasters, reducing the risk of losing business opportunities due to interruptions to operations.	●	●	
			•Improvement in the workplace environment through repairs to building and equipment, leading to improved employee safety and productivity. The risk of damages to assets in the event of disasters has also decreased			
			•By diversifying raw material suppliers, we can reduce the risk of supply chain disruptions in the event of a disaster and the risk of losing business opportunities.			

b. Measures to address climate-related risks and opportunities

We considered countermeasures for highly significant climate-related risks and opportunities identified through scenario analysis. We intend to promote and manage countermeasures to reduce risks and capture business opportunities.

<Measures to address climate-related risks>

NO.	Minor category	Countermeasures
1	Introduction of carbon tax, strengthening tax on fuel and energy	•Establishing greenhouse gas emission reduction targets and considering and implementing measures to reduce emissions
		•Use of renewable energy (procurement of renewable energy, installation of solar panels, conversion of business vehicles to EVs in conjunction with procurement of renewable energy power, etc.)
		•Reduction of raw material usage (promotion of recycling at production sites, changes in design specifications, etc.)
		•Strengthening procurement functions (appealing to suppliers using the PILOT Group Sustainable Procurement Policy Agreement, etc.)
		•Continuous energy-saving activities (LED ceiling lighting, switching to energy-saving equipment)
2	Strengthened and stricter legal regulations, such as a more stringent obligation to report emissions	•Maintaining and improving compliance with environmental laws and regulations in the ISO14001 environmental management systems
		•Strengthening procurement functions (appealing to suppliers using the PILOT Group Sustainable Procurement Policy Agreement, etc.)
		•Promoting plastic-free packaging materials and promotional goods
		•Continuous energy-saving activities (LED ceiling lighting, switching to energy-saving equipment)
3	Changes in behavior of customers, etc. in the market	•Collaboration with other companies (combination of analog and digital)
		•Strengthening development capabilities for environmentally friendly products such as the BEGREEN series and Super Grip G Ocean Plastic
		•Enhancing after-sales services (such as providing repair services for writing instruments)
		•Building new consumer contact points
4	Increasing raw material costs	•Improving the value added to products
		•Collaborating with suppliers
		•Review of products, packaging materials, and promotional materials, including raw materials
5	Intensified natural disasters such as typhoons and floods	•Establishing a business continuity plan, including a review of the Business Risk Management Regulations and the accompanying detailed rules and manuals
		•Establishing disaster prevention infrastructure and building a supply chain based on BCP
		•Building an optimal production system from the perspective of BCP, etc.
6	Changing precipitation patterns	•Establishing a business continuity plan, including a review of the Business Risk Management Regulations and the accompanying detailed rules and manuals
		•Establishing disaster prevention infrastructure and building a supply chain based on BCP
7	Rising average temperature	•Continuous energy-saving activities (switching to energy-saving equipment)
		•Improving employee working environment (environmental considerations with revisions in dress code)
		•Improving the facility infrastructure

<Measures to address climate-related opportunities>

NO.	Minor category	Countermeasures
8	Expanding the development and implementation of environmentally friendly products and services	•Providing recycling-oriented products and services by grasping and analyzing consumer purchasing behavior
		•Strengthening development capabilities for environmentally friendly products such as the BEGREEN series and Super Grip G Ocean Plastic
		•Enhancing after-sales services (such as providing repair services for writing instruments)
9	Expanding the circular economy	•Utilizing recycled resources (initiatives such as establishing a used pen recycling system that makes a significant contribution)
		•Providing recycling-oriented products and services by grasping and analyzing consumer purchasing behavior
		•Enhancing after-sales services (such as providing repair services for writing instruments)
10	Changing consumer preferences	•Providing recycling-oriented products and services by grasping and analyzing consumer purchasing behavior
		•Enhancing after-sales services (such as providing repair services for writing instruments)
11	Enhancing BCP	•Improving employee safety and productivity by regularly reviewing BCP
		•Establishing disaster prevention infrastructure and building a supply chain based on BCP

Risk Management

In accordance with the Business Risk Management Regulations and the attached detailed rules and manuals, we monitor the risk situation across the organization and respond to risks related to important management issues.

In addition, we review internal rules such as related detailed rules and manuals as necessary, and strive to build and maintain a system that can thoroughly manage crises and encourage more ethical behavior by informing employees. We will continue to promote overall sustainability initiatives, including those related to climate change.

Indicators and Targets

a. Reduction targets for greenhouse gas emissions

In February 2023, as a climate change-related target, we established new greenhouse gas emission reduction targets for fiscal year 2030, with the approval of the Board of Directors. The scope of the target covers all of our domestic bases.

Short-term target	Reducing Scope 1 and 2 emissions per unit of sales by at least 1% year-on-year in 2023 and 2024
Medium-to-long-term target	Reducing Scope 1 and 2 emissions (total) by 25% by 2030 compared to fiscal year 2021

b. Actual results for greenhouse gas emissions (Scope 1, 2 and 3)

(Note) Scope 1: Direct greenhouse gas emissions from the use of fuels, etc. by the company Scope 2: Indirect greenhouse gas emissions from the use of electricity and heat purchased by the company Scope 3: Indirect emissions other than scopes 1 and 2 (emissions by other companies related to the activities of the business)

<Energy consumption and greenhouse gas emissions> (2021 to 2023)

	2021	2022	2023
Energy consumption			
City gas (1,000 m ³)	164	84	37
LP gas (ton)	231	244	250
Gasoline (1,000 kl)	0	0	0
Kerosene (1,000 kl)	0	0	0
Diesel (1,000 kl)	0	0	0
Electricity (MWh)	29,520	28,982	28,844
Greenhouse gas emissions (t-CO ₂)			
Total emissions (Scope 1 + 2)	14,524	14,488	12,515
Scope 1	1,467	1,269	1,074
Scope 2	13,057	13,218	11,440
Intensity of emissions (t-CO ₂ /million yen)			
Emissions per sales unit	0.194	0.168	0.158

(Note) Data scope: Domestic bases of PILOT Corporation

[Scope 3 emissions (2023)]

Category	Scope (*Uncalculated or non-applicable category)	Emissions (t-CO ₂)
Scope 3 total		185,988
1 Purchased products and services	Procured items such as raw materials and consumable goods	170,164
2 Capital goods	Purchase and increase of fixed assets	10,246
3 Fuel and energy activities not included in Scope 1 and 2	Upstream process of procured fuel and electricity	2,253
4 Transportation and distribution (upstream)	Of the logistics from our company to sales stores, etc., the logistics for which the company bears the costs	1,316
5 Waste generated from business	Outside-company transportation and processing of waste generated at production sites	78
6 Business trips	*Related to business but not yet calculated	-
7 Employee conveyance	Employee conveyance to domestic bases	785
8 Leased assets (upstream)	*Already calculated for Scope 1 and 2	-
9 Transportation, distribution (downstream)	*Related to business but not yet calculated	-
10 Processing of sold products	*Sales ratio is limited, and determined not to be applicable to our company	-
11 Use of sold products	*Sales ratio is limited, and determined not to be applicable to our company	-
12 Disposal of sold products	Major products sold, packaging materials for shipping, and service items	1,146
13 Leased assets (downstream)	*Determined as not applicable since this business is not being conducted	-
14 Franchise	*Determined as not applicable since this business is not being conducted	-
15 Investment	*Determined as not applicable since this is not the main business	-

(Note) Data scope: Domestic bases of PILOT Corporation. The calculation method is to multiply the activity data for each category by the intensity of emissions to calculate emissions.

Social Initiatives

PILOT and the PILOT Group believe that it is our corporate social responsibility to improve value and contribute to the development of a sustainable society through our business activities. We will keep working to maintain and improve the environment and society, recognizing that our business activities are only possible when people in society can live with peace of mind.

Quality Improvements, With Customers

PILOT Group Quality Policy

As part of the activities to put its Corporate Philosophy into practice, the Group has established the following Quality Policy to improve the quality of all activities from planning, development, design, procurement, production, sales and logistics to after-sales support, and to contribute to the realization of affluent lifestyles through manufacturing from the viewpoint of our customers.

- We listen to the voices of our customers and apply their various needs in the manufacture of our products.**
The quality required by our customers changes with the passage of time and varies in each country and region where the products are used. The Group manufactures a variety of products to respond to the voices and various needs of our customers.
- We provide products and services that impress our customers and respond to their trust.**
The quality the Group aims for is an attractive quality that gains the trust of many customers who will keep coming back once they have tried our products. We strive to provide products and services of high quality that will impress our customers.
- We strive to maintain and enhance quality through continuous improvement.**
The Group is committed to activities for quality maintenance and improvement to establish a system for providing high-quality, high-added-value products that satisfy our customers.

QC Office

We have established a QC Office that can provide a quality overview of the entire group, and we carry out the following tasks. Defect information from other plants (including The Pilot Ink Co., Ltd.) is shared, which leads to the prevention of defects.

Main duties of the QC Office

- Auditing the production process of each plant from a different perspective than the plant itself
- Approaching the product planning and development stage from the customer's perspective and utilizing this in new product development
- Providing quality training to employees
- Checking the quality status of overseas plants
- Conducting quality audits of partner plants
- Regularly holding a quality audit committee chaired by the quality executive and consisting of members from planning, development, production, and the Customer Center

Ballpoint Pen Refill Search Site

In April 2023, we launched a ballpoint pen refill search site to make it easier for customers to find ballpoint pen refills. Our aim is to increase customer satisfaction by improving the distinguishability and searchability of refills. Ballpoint pen refills reuse the pen body and only the ink needs to be replaced, making it an environmentally friendly system that reduces waste compared to disposable ballpoint pens.

Customer Center

In Japan, we are setting up Customer Service Groups as one initiative to promote customer satisfaction, allowing us to respond to individual customer's feedback and inquiries. The opinions and views we receive are shared among divisions and are used to improve quality and service as well as to develop new products.

With Employees

Recruiting Diverse Employees and Promoting Their Participation

We have published an action plan based on the Act on the Promotion of Women's Active Engagement in Professional Life. One of our targets is "50% female recruitment among overall recruitment." We are promoting the active participation of women by creating recruitment plans and renovating workplaces.

We actively recruit diverse new graduates and career professionals, irrespective of gender. In addition, in order to secure talented human resources in the face of a declining labor force due to the declining birthrate and aging population, we established a new reinstatement system for retirees and revised the retirement and reemployment system in 2023.

In addition, we continue to employ people with disabilities, and in 2023 we achieved employment rates that exceed the statutory employment rate.

Recruitment results and targets

Indicators	Results		2024 Targets
	2022	2023	
Proportion of female recruits (%)	46.0	45.2	50
Number of foreign recruits (persons)	4	1	1
Number of career hires (persons)	20	39	50

(Note) Scope: Domestic bases of PILOT Corporation

Achieving Work-life Balance

We introduced several ways of working, such as flextime, a discretionary work system, and remote working to create an environment where diverse employees can maximize their abilities and always play an active role.

We also pro-actively publicize various childcare systems and encourage employees to take childcare leave, regardless of gender, in order to create an environment in which all employees can work comfortably.

In addition to providing various leave systems, in recent years we have introduced a system for taking paid leave by the hour. We encourage employees to take paid leave, allowing them to achieve a work-life balance.

Rate of taking parental leaves

		2021	2022	2023
Male	Target (persons)	20	18	12
	Leave takers (persons)	2	9	6
	Rate of taking leave (%)	10	50	50
Female	Target (persons)	2	7	2
	Leave takers (persons)	2	7	2
	Rate of taking leave (%)	100	100	100

(Note) Scope: Domestic bases of PILOT Corporation

Rate of taking paid leave

	2021	2022	2023
Rate of taking paid leave (%)	58.9	65.2	70.8

(Note) Scope: Domestic bases of PILOT Corporation

Health Management

The PILOT Group is committed to creating a safe and comfortable working environment with consideration for the health of employees, and is continually improving our efforts.

Stress checks

At PILOT, there are stress checks of all employees during regular health checkups and we provide consultations with industrial physicians for any employee who asks.

Initiatives to promote health

In cooperation with the PILOT Health Insurance Association, which is in charge of health insurance, we are working to improve the health of Group employees in Japan through walking campaigns and other activities.

Safety and Health

We set up safety and health committees at major business sites in Japan so that the Company and employees can work together to create a safe, comfortable working environment. The Hiratsuka Plant was recognized for many years of safe operation by receiving an incentive award from the Kanagawa Labor Bureau.

Prevention of Harassment

Our Company has established Rules for Preventing Harassment with the aim of creating a comfortable working environment, and stipulates matters that employees must comply with in order to prevent power harassment, sexual harassment, and harassment related to pregnancy, childbirth, and childcare leave in the workplace.

Human Rights Policy

One initiative to protect the human rights of every PILOT and PILOT Group employee and to improve the workplace environment is setting up whistleblower and internal audit systems.

The Pilot Group Human Rights Policy ▶
https://www.pilot.co.jp/company/english/ir/sustainability/pdf/PILOT_Group_Human_Rights_Policy.pdf

Internal Reporting System

The internal reporting system is a system aimed at the prevention and early detection of scandals, such as compliance issues that violate laws, Company rules and codes of conduct, or corporate ethics and the social responsibilities that companies should fulfill, improving the Company's ability to cleanse itself, and ensuring social trust.

Our Company has set up and operates three systems for receiving reports or consultations from employees: an internal system, an external system, and an Audit and Supervisory Committee system.

With Shareholders and Investors

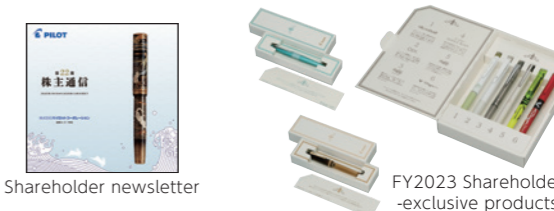
Timely Disclosure of IR Information

PILOT will disclose information timely and properly following the guidelines in the Financial Instruments and Exchange Act and the timely disclosure rules of the Tokyo Stock Exchange, where the Company is listed. In addition, if information is considered useful for deepening understanding of the Company, we will also disclose this timely and properly, even if no laws, regulations, or timely disclosure rules apply.

Disclosure Policy ▶
<https://www.pilot.co.jp/company/english/ir/management/policy.html>

Communication Tools

In order to further deepen our shareholders' understanding of our company, we issue a shareholder newsletter twice a year. Additionally, to allow shareholders to experience the high quality of our products, we provide shareholder benefits such as our products, mainly new products, and shareholder-exclusive products, depending on the number of shares held.



Approach to Shareholder Returns

Our Company aims to achieve sustainable growth and improve our corporate value. Our basic policy is to maintain a sufficient level of shareholders' equity necessary to capture business opportunities in a timely and reliable manner. We will allocate internal reserves to growth investments such as developing and investing in human resources, strengthening existing business areas, entering growth and new business areas, and forming capital and business alliances. Further, since overseas sales account for a high proportion of our consolidated sales, profits may fluctuate significantly due to the effects of exchange rates and economic trends. Since it is considered undesirable to immediately reflect fluctuations in earnings in profit distribution, our basic policy is to continue to pay stable dividends after carefully examining the impact of external factors, while aiming for a dividend payout ratio of 30% or more by 2024 as an appropriate level of return. The Company has been increasing its dividends for eight consecutive years since 2016, providing very stable dividends.

Annual dividends and dividend payout ratio (consolidated)

	2020	2021	2022	2023
Annual dividends (yen)	55.00	60.00	90.00	100.00
Dividend payout ratio (consolidated) (%)	21.8	16.6	22.5	28.9

PILOT Corporation and the PILOT Group believe that it is our social responsibility as a corporation to contribute to the development of a sustainable society by seeking to increase our corporate value through business activities.

To achieve sustainable growth and increase our corporate value, we will improve the objectivity and transparency of management and strive to strengthen and improve our corporate governance system to be more effective, from the perspectives of our shareholders, customers, employees, and the local community.

Basic Policy and System

Based on our Purpose, "Our Creations Inspire Creativity," the PILOT Group aspires to support writing around the world, while supporting people, society, and culture in areas other than writing through the practice of our five guiding principles, which encompass our founding spirit and serve as our principles of conduct. We are determined to improve the objectivity and transparency of our management, pass down the traditions and skills we have gathered, and respond to the changing times and the environment, while developing a more effective corporate governance system. Our new corporate governance system—while being strengthened and improved—incorporates, in our management, feedback from our shareholders, customers, employees, and people in local communities

around the world. To further strengthen these initiatives, we have chosen to adopt a Company with Audit and Supervisory Committee as our organizational governance structure.

Corporate Attributes

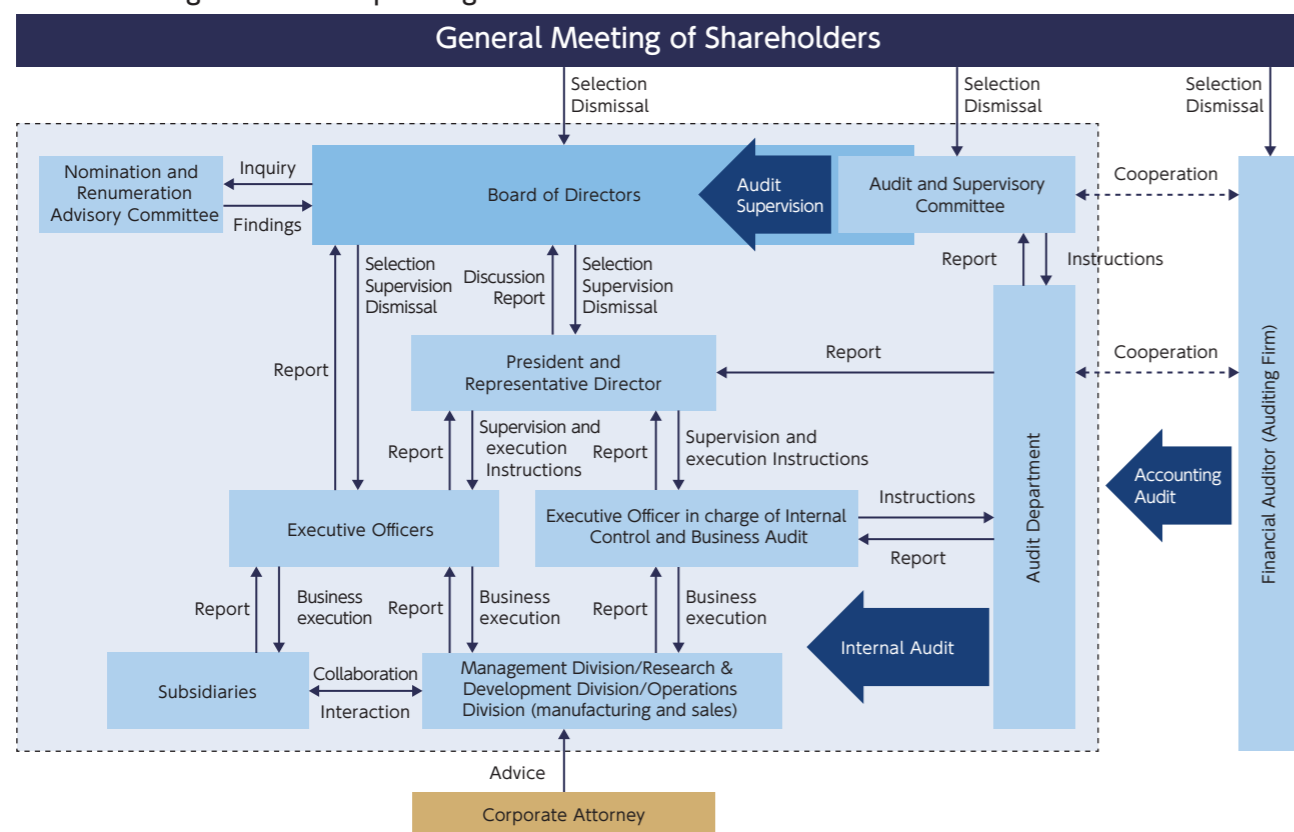
Listed stock exchanges and market segment	Tokyo Prime
Fiscal year-end	December
Business Sector	Other products
Number of employees (consolidated) as of the end of the previous fiscal year	1,000 or more
Net sales (consolidated) for the previous fiscal year	100 billion yen or more, but less than 1 trillion yen
Number of consolidated subsidiaries as of the end of the previous fiscal year	10 companies or more, but less than 50 companies

Corporate Governance Structure

The PILOT Group has established a system of audits and supervision by the Audit and Supervisory Committee and has developed a governance structure with more objectivity and transparency through a Board of Directors that has management oversight. The Audit and Supervisory Committee is diverse; there are Outside Directors. As well, this committee audits and supervises the Board of Directors. Executive Directors and Executive Officers make

quick, responsible decisions and execute their duties under the authority delegated to them by the Board of Directors, with supervision and execution separated from each other. In addition, a Nomination and Remuneration Advisory Committee has been established as a voluntary advisory body to the Board of Directors and reports to the Board of Directors.

Schematic diagram of the corporate governance structure



Organizational Structure

1. Board of Directors

The Board of Directors, consisting of 13 members including five independent Outside Directors, deliberates on and decides important issues related to the Company's management as well as supervises overall management including business execution, guided by the Rules of the Board of Directors. By delegating authority to Directors within the scope of laws and regulations, the Board of Directors clarifies the roles for supervision and business execution and accelerates decision-making. This structure enables the Board of Directors to focus more on discussions of highly important issues such as basic management policies and strategies.

2. Audit and Supervisory Committee

The Audit and Supervisory Committee consists of three members, including two independent Outside Directors, one of whom is a full-time Audit and Supervisory Committee Member. The Audit and Supervisory Committee has established a system to ensure independence and effectiveness guided by the Rules of the Audit and Supervisory Committee and related internal rules and receives audit reports from the Financial Auditor. The Audit and Supervisory Committee also audits and supervises decision-making by the Board of Directors and the execution of duties by Directors through organizational audits in cooperation with the Internal Audit Department, by attending meetings of the Board of Directors and other important meetings, by investigating the state of operations and assets, and by exercising authority over the selection and dismissal of the Financial Auditor as well as audit fees.

3. Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee, the majority of whose members are independent Outside Directors, has been established as an advisory body to the Board of Directors. The Committee ensures accountability by strengthening the independence and objectivity of the Board of Directors over the nomination and remuneration of senior management and Directors. The Committee is chaired by an independent Outside Director, ensuring its complete independence.

4. Financial Auditor

PILOT has appointed ARK LLC as the Financial Auditor for auditing the accounts.

5. Business Execution Structure

Executive Officer System

PILOT has adopted an Executive Officer System to clearly separate management oversight from business execution and to ensure efficient, swift business execution.

Executive Management Committee

PILOT has established an Executive Management Committee as a deliberative body for making decisions on important issues for business execution. Consisting of Directors who concurrently serve as Executive Officers and Executive Officers in charge of business execution, the Committee's deliberations contribute to more efficient and rapid decision-making.

Internal Audits

The Audit Department was established to conduct internal audits and to evaluate the effectiveness of internal control over financial reporting of the entire PILOT Group.

General Managers' Meetings

General managers' meetings, attended by Directors who concurrently serve as Executive Officers, Executive Officers, and the General Managers of each division, help to coordinate and communicate opinions on issues concerning overall management and to share awareness of the current state and other subjects.

Remuneration for Executives, etc.

Executive Remuneration System

From the fiscal year ended December 2021, in addition to reviewing the content of year-end remuneration, the Company has introduced stock-based remuneration to share a sense of profit with shareholders and to motivate executives to achieve their goals over the medium to long term. As per the Company's basic policy, the basic remuneration shall be calculated based on the remuneration standard table for executives according to their duties and responsibilities. In addition, the year-end remuneration is linked to the Company's business performance and is determined by a

resolution of the Board of Directors after consultation with the Nomination and Remuneration Advisory Committee within the limit of remuneration decided at the General Meeting of Shareholders. The stock-based remuneration shall be determined according to the provisions of the Share Issuance Regulations within the limit of the amount of remuneration and the number of shares decided at the General Meeting of Shareholders. Given their roles and independence, Outside Directors and Directors who are members of the Audit and Supervisory Committee receive only basic remuneration.

Basic remuneration and performance-linked remuneration

(Unit: 100 million yen)

Fiscal year	Year-end remuneration		Stock-based remuneration			
	Consolidated ordinary income		Consolidated net sales		Consolidated operating income	
	Target value	Actual value	Target value	Actual value	Target value	Actual value
Fiscal year ended December 2023	230	208	1,150	1,185	220	190

Total amount of remuneration, etc. for each executive category, total amount by remuneration type, etc., and number of eligible executives

Executive category	Total amount of remuneration (million yen)	Total amount by remuneration type, etc. (million yen)			Number of eligible executives (persons)
		Basic remuneration	Year-end remuneration	Stock-based remuneration	
Directors(excluding Audit and Supervisory Committee Members and Outside Directors)	264	201	39	23	7
Audit and Supervisory Committee Members (excluding Outside Directors)	34	34	—	—	2
Outside Executives	42	42	—	—	6

Implementation Status of Measures Related to Shareholders and Other Stakeholders

1. Status of measures to invigorate the General Meeting of Shareholders and facilitate the exercise of voting rights
2. Status of IR activities
3. Status of efforts to respect the position of stakeholders

Status of specific initiatives▶“Corporate Governance Report 2023” <https://ssl4.eir-parts.net/doc/7846/tdnet/2418002/00.pdf>

Internal Control System

Internal Control System: Basic Approach and Current State

PILOT’s Basic Policy on Internal Controls, adopted by the Board of Directors as a system to ensure the effectiveness of its operations, is outlined on our website.

This Policy resolved by the Board of Directors is continually reviewed in response to changes in the business environment and other factors.

Outline of Basic Policy▶
https://www.pilot.co.jp/company/english/ir/sustainability/governance/internal_control_system.html

Current State of Establishing a System to Help Eliminate Antisocial Forces

1. The PILOT Group Code of Conduct requires that the Company does not have any involvement with any antisocial forces that threaten the social order or the sound activities of the Company, responds resolutely and systematically when receiving unreasonable demands, and has no relations with antisocial forces.
2. The Company has designated the General Affairs Department as the department in charge of overseeing countermeasures against antisocial forces and is in contact with the Tokyo Metropolitan Police Department. The Company also gathers information on antisocial forces through regular information exchanges with local police stations.

Basic Compliance Provisions

Grounded in the fundamental management philosophy of *San-Sha-Tei-Ritsu*: Three forces in balance with each other, one of PILOT’s guiding principles, the Company established the PILOT Group Code of Conduct as a common code of conduct within all of the PILOT Group, ensuring that compliance is prioritized in all actions by familiarizing all officers and employees with the conduct that should be taken.

Systems to Promote Compliance

The Company and its main subsidiaries in Japan promote routine compliance, led by the compliance promotion leader in each division under the supervision of the compliance officer.

Further, the other subsidiaries in Japan and overseas adhere to the company’s basic principle on internal control systems to promote and encourage compliance with the suitable details and methods tailored to each circumstance.

Compliance Training

The Compliance Promotion Division of the Company issues an annual Compliance Guide to educate compliance promotion leaders and to raise awareness of compliance among employees.

Further, the PILOT Group provides education and training on the laws, regulations, and internal rules to be complied with in order to ensure employees have the knowledge of compliance necessary for business operations.

Internal Reporting System

The PILOT Group has introduced an internal reporting system for the prevention and early detection of misconduct, including acts of noncompliance with laws, regulations, internal rules and the codes of conduct, corporate ethics, and corporate social responsibility, and to improve the Company’s ability to eliminate internal issues and ensure public trust.

The Company has established three contact points for internal reporting: an internal hotline, an external hotline, and a hotline to the Audit and Supervisory Committee.

Risk Management

Rules and Other Systems for Managing the Risk of Losses

The Company responds to the risks associated with important management issues, such as the management risks defined in the Enterprise Risk Management Provisions (including but not limited to compliance, environment, disaster, quality, stock buyouts, information

security, etc.) based on the Provisions and attached rules, etc.

In addition, the Company prepares, revises, and distributes information on these rules and other company rules and conducts employee training, as necessary.

Risk Management System

PILOT monitors potential risks across the organization and responds to important management issues following the Enterprise Risk Management Provisions and the bylaws and manuals required for these regulations.

Further, the Company revises company rules in the bylaws and manuals, as needed, to create and maintain a system that is understood by PILOT employees so that it can manage crises as well as improve morale.

Information Security

Recognizing the importance of management, we will protect information assets (information itself and devices such as computers and recording media) from threats such

as unauthorized access, information leaks, and system disasters, and strive to improve information security to build a healthy and prosperous communication community.

Information security details▶https://www.pilot.co.jp/company/env/info_security_policy

Directors' Skill Matrix

To establish an effective corporate governance system for sustainable growth, we appoint directors with extensive business experience and a wide range of highly specialized skills and knowledge. The skills matrix expected of our directors is as follows.

[Legend] ●:Skills to be particularly expected, ○:Expected skills

Name	Position in the Company	Long-term strategic thinking	Sustainability	Human Resource Management	Global Management	Marketing /Sale	Manufacturing, Engineering, Development, Intellectual Property	DX / IT	Risk Management	Group Governance
Fumio Fujisaki	Representative Director&President	●	●	●	●	●	●	●	●	●
Masakazu Shirakawa	Representative Director	●	●	●	●	○		○	●	●
Shu Itoh	Director	○	○	○	○	○	○	○	○	○
Toshio Araki	Director	●	●	●			●		●	●
Kazuhiko Yokoyama	Director	●		●	○	○	○	○	●	
Katsuji Hatano	Director	●	●	○		○			○	●
Takeshi Kodaira	Director	●	○			●	○	●	○	
Shinzo Masuda	Outside Director	●		○		○			●	●
Masanobu Muramatsu	Outside Director	●			○				●	●
Misuzu Shibata	Outside Director	●	○	○					●	●
Yoshihiro Saimura	Director / Audit and Supervisory Committee Member				○				●	●
Toshizo Kamiyama	Outside Directors / Audit and Supervisory Committee Member				○				●	●
Tsugukiyo Fujita	Outside Directors / Audit and Supervisory Committee Member		○						●	●

Note: The above list describes the areas in which each person has demonstrated their expertise based on their experience, etc., and does not represent all of their knowledge.

Director and Auditor



Fumio Fujisaki
Representative Director&President
 Number of shares held: 11,100
 Apr. 1984 Joined The Pilot Pen Co., Ltd.
 Sep. 2011 General Manager, Corporate Planning Department
 Mar. 2015 Executive Officer
 Mar. 2019 Senior Executive Officer
 Mar. 2022 Director & Senior Executive Officer
 Mar. 2024 Representative Director & President (current position)



Masakazu Shirakawa
Representative Director
 Number of shares held: 3,900
 Apr. 1980 Joined The Pilot Pen Co., Ltd.
 Apr. 2004 General Manager, Accounting & Finance Department
 Mar. 2011 Executive Officer
 Mar. 2017 Director & Senior Executive Officer
 Mar. 2019 Director & Managing Executive Officer
 Mar. 2021 Representative Director & Senior Managing Executive Officer (current position)



Shu Itoh
Director
 Number of shares held: 12,400
 Apr. 1979 Joined The Pilot Pen Co., Ltd.
 Jul. 2005 General Manager, International Sales Department 1
 Mar. 2007 Executive Officer
 Mar. 2009 Director
 Mar. 2017 Representative Director & President
 Mar. 2024 Director & Chairman (current position)



Yoshihiro Saimura
Director / Audit and Supervisory Committee Member
 Number of shares held: 12,900
 Apr. 1983 Joined The Pilot Pen Co., Ltd.
 Jul. 2011 General Manager, Accounting & Finance Department
 Mar. 2020 Audit & Supervisory Board Member
 Mar. 2022 Director (Full-time Audit and Supervisory Committee Member) (current position)



Toshizo Kamiyama
Outside Director / Audit and Supervisory Committee Member
 Number of shares held: 300
 Apr. 2001 Registered Certified Public Accountant
 Nov. 2010 Registered Certified Tax Accountant
 Nov. 2010 Representative Partner, Kamiyama Accounting, Certified Public Tax Accountant (current position)
 Mar. 2020 Outside Audit & Supervisory Board Member
 Mar. 2022 Outside Director (Audit and Supervisory Committee Member) (current position)



Tsugukiyo Fujita
Outside Director / Audit and Supervisory Committee Member
 Number of shares held: 300
 Apr. 2000 Registered Attorney
 Apr. 2000 Attorney at Nagatacho Law Office (current position)
 Mar. 2022 Outside Director (Audit and Supervisory Committee Member) (current position)



Toshio Araki
Director
 Number of shares held: 15,800
 Apr. 1980 Joined The Pilot Ink Co., Ltd.
 Jul. 2009 General Manager, Technology Department, The Pilot Ink Co., Ltd.
 Mar. 2013 Director, The Pilot Ink Co., Ltd.
 Mar. 2016 Representative Director & President, The Pilot Ink Co., Ltd.
 Mar. 2016 Senior Executive Officer
 Mar. 2022 Director & Managing Executive Officer (current position)



Kazuhiko Yokoyama
Director
 Number of shares held: 10,700
 Apr. 1983 Joined The Pilot Pen Co., Ltd.
 Apr. 2004 General Manager, Tohoku Branch Office
 Mar. 2015 Executive Officer
 Mar. 2021 Director & Senior Executive Officer (current position)



Katsuji Hatano
Director
 Number of shares held: 6,900
 Apr. 1984 Joined The Pilot Pen Co., Ltd.
 Jul. 2011 General Manager, Planning & Operations Department
 Mar. 2015 Executive Officer
 Mar. 2023 Director & Senior Executive Officer
 General Manager, Corporate Planning Department (current position)



Takeshi Kodaira
Director
 Number of shares held: 4,300
 Apr. 1985 Joined The Pilot Pen Co., Ltd.
 Mar. 2015 General Manager, Manufacturing Department, Hiratsuka Office
 Mar. 2015 Executive Officer
 Mar. 2022 Director & Senior Executive Officer (current position)

(Notes) ·Director Misuzu Shibata's name on the family register is Misuzu Koyama.
 ·PILOT has introduced an Executive Officer System. There are 10 executives who do not concurrently serve as directors.

Audit and Supervisory Committee

	All members (persons)	Full-time members (persons)	Internal Directors (persons)	Outside Directors (persons)	Committee Chairman (Chairperson)
Audit & Supervisory Committee	3	1	1	2	Internal Directors

Nomination and Remuneration Advisory Committee

	Name of Committee	All members (persons)	Full-time members (persons)	Internal Directors (persons)	Outside Directors (persons)	Outside experts (persons)	Others (persons)	Committee Chairman (Chairperson)
Voluntary committee equivalent to the Nomination Committee	Nomination and Remuneration Advisory Committee	3	0	1	2	0	0	Outside Directors
Voluntary committee equivalent to the Remuneration Committee	Nomination and Remuneration Advisory Committee	3	0	1	2	0	0	Outside Directors

Reason for Appointment

Shinzo Masuda	Using his extensive experience and insights in marketing and other areas in the private sector, Shinzo Masuda has provided us with appropriate advice since he was appointed as an Outside Director in 2017. We expect that he will continue to use his experience and wide-ranging insights in the private sector and make efforts mainly to strengthen the supervisory function of overall management.
Masanobu Muramatsu	Using his expertise as a certified public accountant and corporate auditor for business corporations, etc., Masanobu Muramatsu has provided us with appropriate advice since he was appointed as an Outside Director in 2020 and as an Outside Director (Audit and Supervisory Committee Member) of the Company in 2022. We expect that he will continue to use his expertise as a certified public accountant and make efforts to strengthen the supervisory function of overall management mainly from an accounting perspective.
Misuzu Shibata	As an attorney at law and an Outside Director of a business corporation, Misuzu Shibata has given us appropriate advice since her appointment as an Outside Director in 2023 using her wealth of knowledge, experience, and extensive insights. In addition, we expect that she will continue to contribute to strengthening the supervisory function of the Board of Directors and ensuring transparency, and we also expect that she will continue to use her professional knowledge as an attorney to help strengthen the supervisory function of overall management, mainly from a legal perspective.
Toshizo Kamiyama	In addition to his expertise as a certified public accountant, certified tax accountant, and corporate auditor for business corporations, Toshizo Kamiyama also has experience in international accounting practices. Since his appointment as an Outside Audit & Supervisory Board Member of the Company in 2020 and as an Outside Director (Audit and Supervisory Committee Member) of the Company in 2022, he has been appropriately performing his duties as a director of the Company with his extensive insights, and we expect him to continue to use his professional knowledge as a certified public accountant and tax accountant and make efforts to strengthen the supervisory function of overall management and conflicts of interest, primarily from a tax and accounting perspective.
Tsugukiyo Fujita	Tsugukiyo Fujita has abundant experience and deep insights as a legal expert. Since he was appointed as an Outside Director (Audit and Supervisory Committee Member) of the Company in 2022, he has appropriately performed his duties as a Director of the Company with his extensive insights, and we expect that he will continue to use his professional knowledge as a lawyer and make efforts to strengthen the supervisory functions of overall management and conflict of interest mainly from a legal perspective.



Shinzo Masuda
Outside Director
 Number of shares held: 1,100
 Apr. 1979 Joined Dentsu Inc.
 Jan. 1996 General Manager, Sales Department 16, Dentsu Inc.
 Jul. 2008 General Manager, Sales Department 15, Dentsu Inc.
 Jul. 2013 Audit & Supervisory Board Member, Dentsu Tech Inc.
 Apr. 2016 Special Advisor to Kanko Inc.
 Mar. 2017 Outside Director (current position)



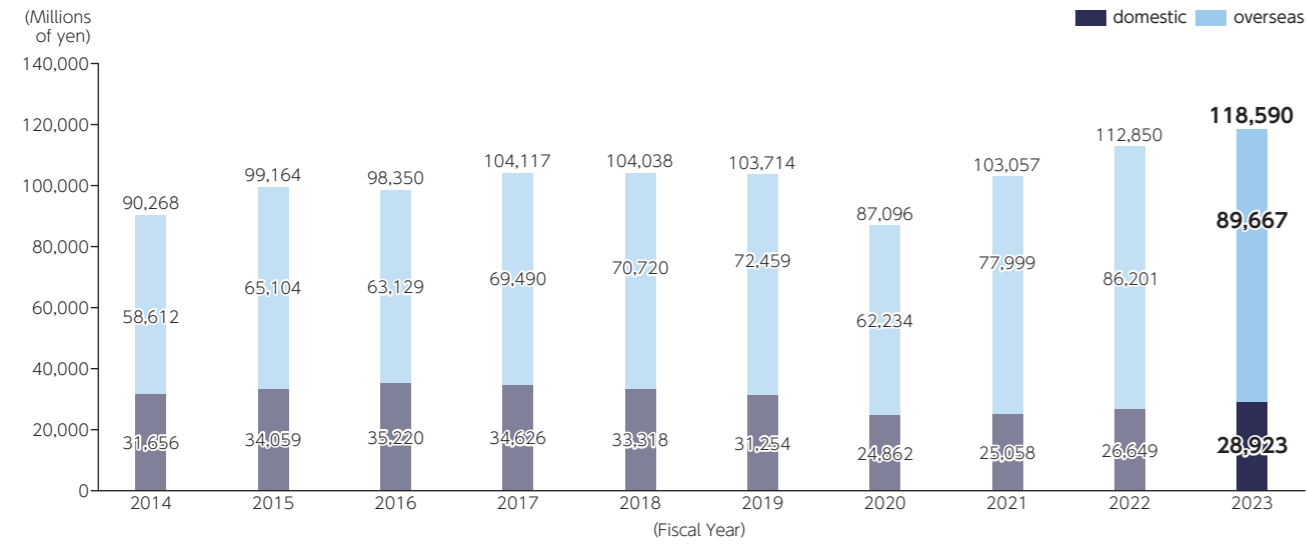
Masanobu Muramatsu
Outside Director
 Number of shares held: 800
 Mar. 1983 Registered Certified Public Accountant
 Nov. 1989 Registered Certified Tax Accountant
 Nov. 2012 Representative Partner, GYOSEI Certified Public Tax & Accountants' Co.
 Mar. 2020 Outside Director
 Mar. 2022 Outside Director (Audit and Supervisory Committee member)
 Mar. 2024 Outside Director (current position)



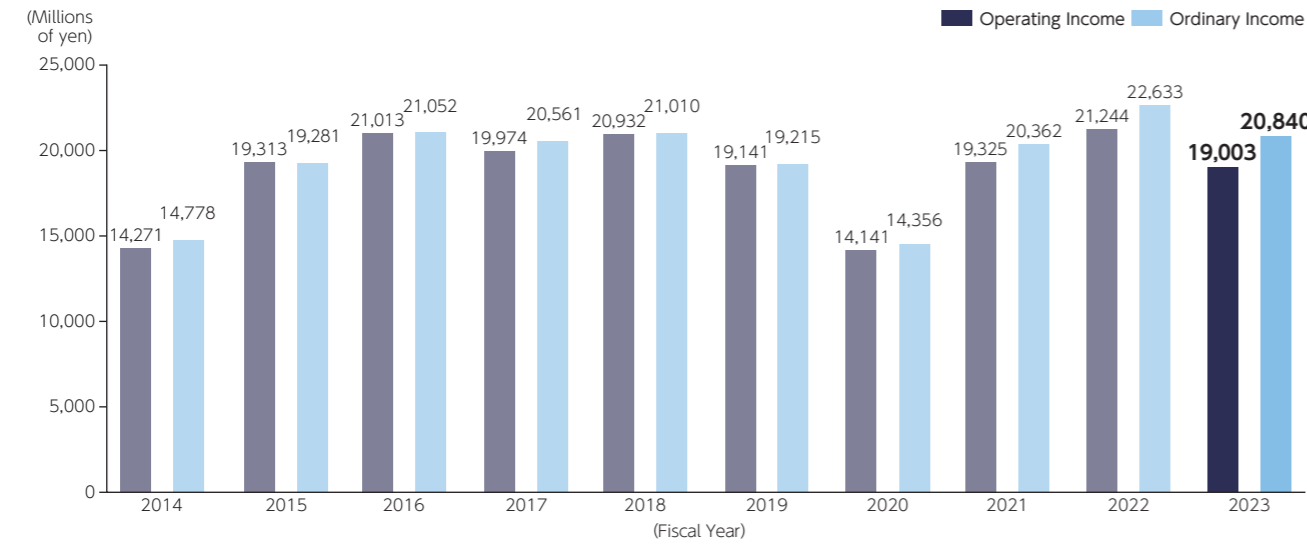
Misuzu Shibata
Outside Director
 Number of shares held: —
 Oct. 2000 Registered Attorney
 Nov. 2001 Attorney, NS Law Office (current position)
 Oct. 2007 Assistant Manager, Financial System Stabilization Management Office, General Affairs Group, Supervision Bureau, Financial Services Agency
 Apr. 2017 Civil Defense Instructor, Legal Research and Training Institute
 Mar. 2023 Outside Director (current position)

Financial Highlights (Consolidated)

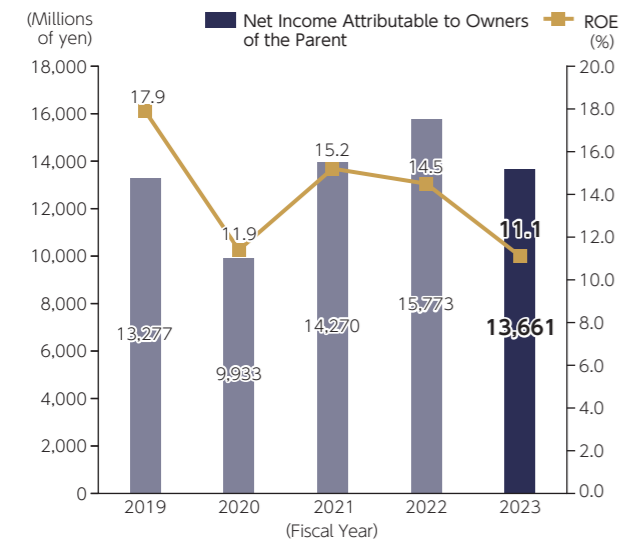
Sales (domestic and overseas)



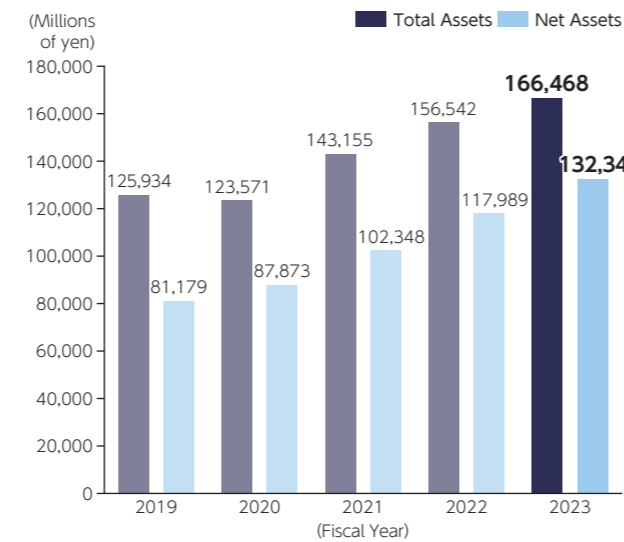
Operating Income / Ordinary Income



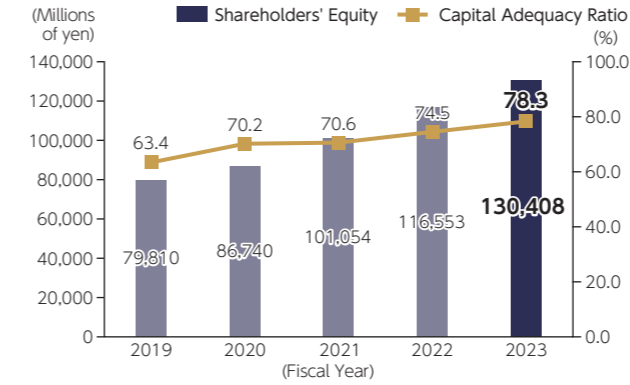
Net Income Attributable to Owners of the Parent / ROE



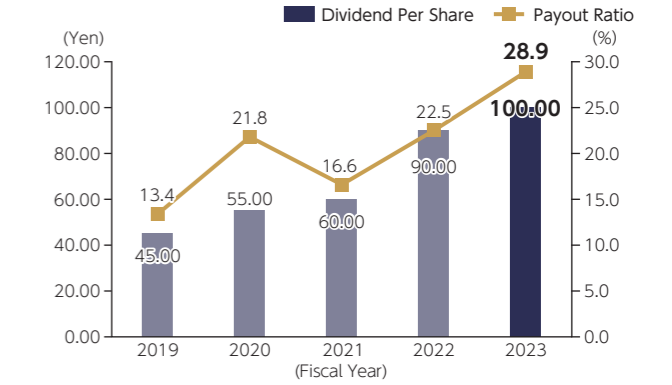
Total Assets / Net Assets



Shareholders' Equity / Capital Adequacy Ratio

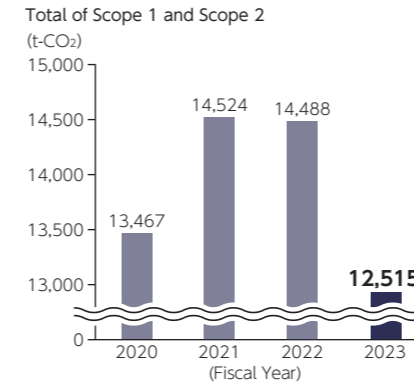


Dividend Per Share / Payout Ratio

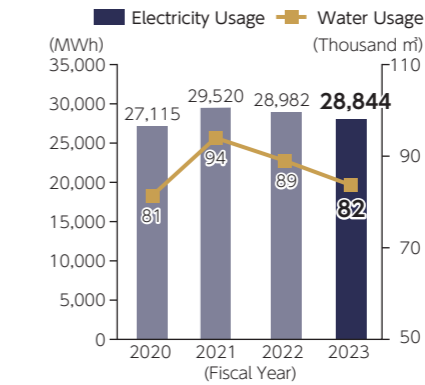


Non-Financial Highlights (parent)

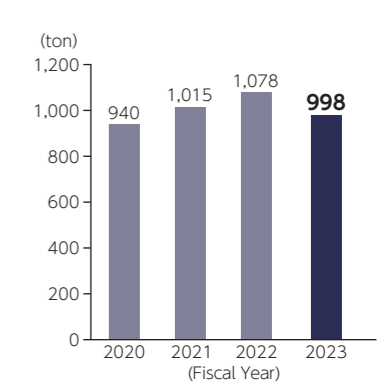
Greenhouse Gas Emissions



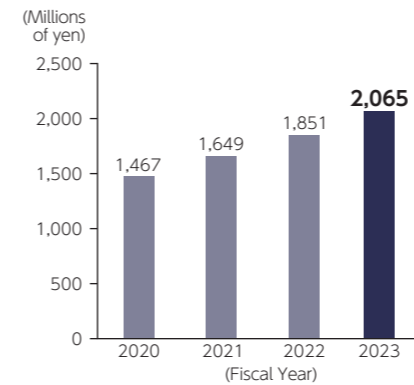
Electricity and Water Usage



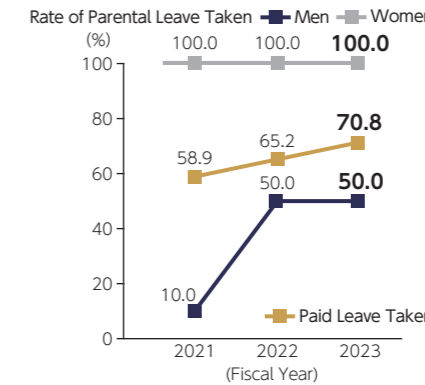
Waste Emissions



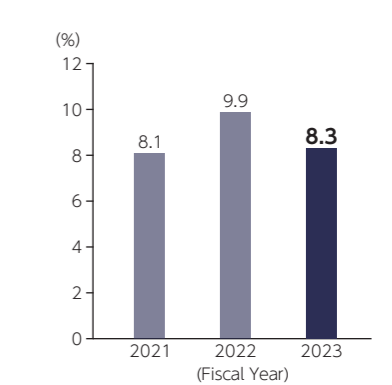
Research and Development Expenses



Rate of Parental Leave / Paid Leave Taken



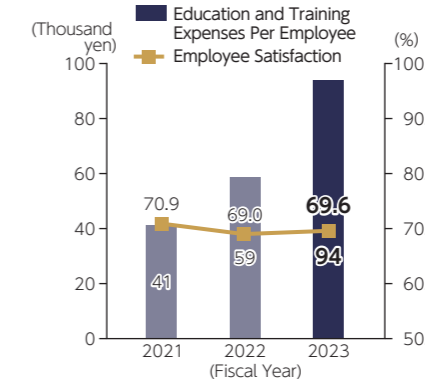
Ratio of Female Managers



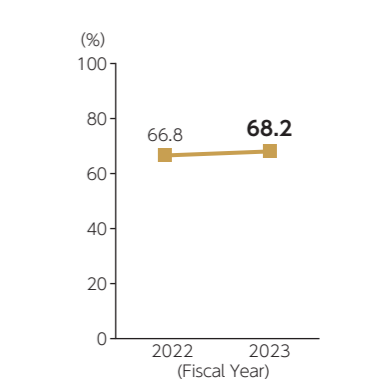
Career Recruitment



Education and Training Expenses Per Employee / Employee Satisfaction



Wage Difference between Men and Women



11-Year Major Consolidated Financial Data

Account	(Unit)	2013	2014	2015	2016
Net sales	Millions of yen	82,564	90,268	99,164	98,350
Ordinary income	Millions of yen	9,501	14,778	19,281	21,052
Net income attributable to owners of the parent	Millions of yen	5,453	8,928	12,009	14,454
Including interests	Millions of yen	9,378	10,513	9,164	13,707
Net assets	Millions of yen	47,011	57,469	65,386	78,309
Total assets	Millions of yen	88,431	97,953	102,699	114,775
Net assets per share	Yen	994.98	1,216.69	1,386.51	1,651.06
Net income per share	Yen	117.78	192.57	258.81	309.86
Equity ratio	%	52.1	57.6	62.7	67.3
Return on equity	%	13.2	17.4	19.9	20.4
Price earnings ratio	Times	15.3	18.0	19.3	15.6
Cash flows from operating activities	Millions of yen	10,590	12,107	14,195	9,752
Cash flows from investing activities	Millions of yen	△2,569	△2,182	△4,027	△3,208
Cash flows from financing activities	Millions of yen	△5,539	△5,729	△4,451	1,174
Cash and cash equivalents at end of year	Millions of yen	10,919	14,959	20,279	28,127
Dividend	Yen	1,515.00	30.00	31.00	22.00
Dividend payout ratio	%	12.7	7.8	8.1	7.1

2017	2018	2019	2020	2021	2022	2023 (Fiscal Year)
104,117	104,038	103,714	87,096	103,057	112,850	118,590
20,561	21,010	19,215	14,356	20,362	22,633	20,840
15,497	14,589	13,277	9,933	14,270	15,773	13,661
16,288	11,274	13,197	9,118	16,773	18,417	17,993
59,972	69,688	81,179	87,873	102,348	117,989	132,345
111,964	115,065	125,934	123,571	143,155	156,542	166,468
1,485.64	1,732.42	2,023.41	2,199.11	2,562.01	2,954.51	3,305.72
361.72	369.87	336.62	251.84	361.81	399.86	346.31
52.3	59.4	63.4	70.2	70.6	74.5	78.3
22.8	23.0	17.9	11.9	15.2	14.5	11.1
15.0	14.4	13.1	11.5	12.2	12.0	12.1
17,875	14,116	15,189	15,137	19,815	13,753	10,175
△5,642	△2,920	△5,481	△4,461	△3,598	△5,350	△10,707
△19,739	△6,866	△2,089	△5,397	△7,965	△8,370	△7,380
20,461	24,785	32,488	37,724	45,844	45,444	38,329
32.00	40.00	45.00	55.00	60.00	90.00	100.00
8.8	10.8	13.4	21.8	16.6	22.5	28.9

(Notes) 1. On July 1, 2013, the Company executed a 100-for-1 stock split of shares for common stock. Further, on July 1, 2015, the Company implemented a stock split with a ratio of 2 shares per common share. Net assets per share and net income per share are calculated on the assumption that these stock splits were made at the beginning of 2013.
 2. The significant decrease in net assets and the significant drop in the equity ratio in 2017 resulted from the acquisition of treasury stock, etc.
 3. Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) and others are applied from the beginning of 2019, and the key management indicators for 2018 are the indicators defined after retroactive application of the said accounting standards.
 4. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and others are effective from the beginning of 2022, and the key management indicators from 2022 are the indicators defined after retroactive application of the said accounting standards.

Trade name, Headquarters Location, etc.

Corporate name	PILOT CORPORATION	Operation	January 27, 1918
Headquarters	6-21, Kyobashi 2-Chome, Chuo-ku, Tokyo, 104-8304 Japan	Foundation	January 4, 2002
Telephone	+81-3-3538-3700	Capital stock	2,340,728,000 yen
		Number of employees	1,056



Domestic Offices

Headquarters	Headquarters	2-6-21 Kyobashi, Chuo-ku, Tokyo
Branches/Sales Offices	Stationery Sales Department (East Japan)	
	Eastern Branch 1	2-6-21 Kyobashi, Chuo-ku, Tokyo
	Eastern Branch 2	2-6-21 Kyobashi, Chuo-ku, Tokyo
	Kanagawa Sales Office	3-8-8 Ogi-cho, Naka-ku, Yokohama City, Kanagawa Prefecture
	Shizuoka Sales Office	Kannai First Building 1F 3-14-4 Mabuchi, Suruga-ku, Shizuoka City, Shizuoka Prefecture
		Shinsei Building 2F
	Eastern Branch 3	1-40, Takahana-cho, Omiya-ku, Saitama-shi, Saitama Prefecture
		PRS Building 3F
	Hokkaido Sales Office	de AUNE Sapporo 3F, 4-1-7 Kitarokujo Higashi, Higashi-ku, Sapporo, Hokkaido
		4-18-15 Yamatomachi, Wakabayashi-ku, Sendai-shi, Miyagi Prefecture
Tohoku Branch	3-10-17 Meieki, Nishi-ku, Nagoya City, Aichi, Prefecture	
Chukyo Branch	IT Meieki Bldg. 2, 3F	
Stationery Sales Department (West Japan)	Western Branch 1	2-4-26 Mitejima, Nishiyodogawa-ku, Osaka-shi, Osaka
	Western Branch 2	2-4-26 Mitejima, Nishiyodogawa-ku, Osaka-shi, Osaka
	Chugoku Sales Office	2-3-8 Tokaichimachi, Naka-ku, Hiroshima City, Hiroshima Prefecture
	Shikoku Sales Office	4-8-11 Sanbancho, Matsuyama City, Ehime Prefecture
	Kyushu Branch	AIG Matsuyama Building 3F 3-1-10, Hakataeki-Minami, Hakata-ku, Fukuoka-shi, Fukuoka Prefecture
Okinawa Sales Office	Urban Center Hakata 3F 2-7-15 Matsuyama, Naha City, Okinawa Prefecture	
Toy Department		2-6-21 Kyobashi, Chuo-ku, Tokyo
Innovative Solutions Department		1-4-3 Nishiyawata, Hiratsuka-shi, Kanagawa Prefecture

Plants		
Isesaki Plant		1744-2 Naganumamachi, Isesaki-shi, Gunma Prefecture
Isesaki Factory 2		1577-1 Shimohasu-cho, Isesaki-shi, Gunma Prefecture
Higashimatsuyama Plant		Isesaki South 3rd Industrial Park 25-8 Oaza Miyako, Namegawamachi, Hiki-gun, Saitama Prefecture
Hiratsuka Plant		Higashimatsuyama Industrial Park 1-4-3 Nishiyawata, Hiratsuka-shi, Kanagawa Prefecture
Major Affiliated Companies		
The Pilot Ink Co., Ltd.		3-17 Midori-cho, Showa-ku, Nagoya-shi, Aichi Prefecture
Pilot Logitem Co., Ltd.		1-4-3 Nishiyawata, Hiratsuka-shi, Kanagawa Prefecture
		Pilot Corporation Hiratsuka Office
Pilot Printex Co., Ltd.		1-4-3 Nishiyawata, Hiratsuka-shi, Kanagawa Prefecture
		Pilot Corporation Hiratsuka Office
MARK'S INC.		1-4-24 Taishido, Setagaya-ku, Tokyo Hagito Building 3F/6F

Overseas Offices

Sales and Production Sites	
Pilot Corporation of America/USA	
Pilot Pen de Mexico S. de R.L. de C.V./Mexico	
Pilot Pen Do Brasil S/A./Brazil	
Pilot Pen Petersburg Ltd./Russia	
Pilot Nordic AB/Sweden	
The Pilot Pen Company (U.K.) Ltd./UK	
Pilot Pen (Deutschland) GmbH/Germany	
Pilot Corporation of Europe S.A.S./France	
Pilot Pen France S.A.S./France	
Nykor Pilot Pen Italia S.R.L./Italy	
Pilot Pen South Africa (Pty) Ltd./South Africa	
PPIN Pte.Ltd./India	
The Pilot Pen (Taiwan) Co., Ltd./Taiwan	
Pilot Pen (Shenzhen) Co., Ltd./China	
Pilot Pen Co., (Hong Kong) Ltd./Hong Kong	
Pilot Pen (Malaysia) SDN. BHD./Malaysia	
Pilot Pen (S) Pte.Ltd./Singapore	
PT. Pilot Pen Indonesia/Indonesia	
PT. Pilot Pen Marketing Indonesia/Indonesia	
Pilot Pen Australia Pty.Ltd./Australia	



Stock Information

Status of Shares

Total number of authorized shares:	180,000,000
Total number of shares issued:	41,814,400
Number of shareholders:	17,101

Capital Structure

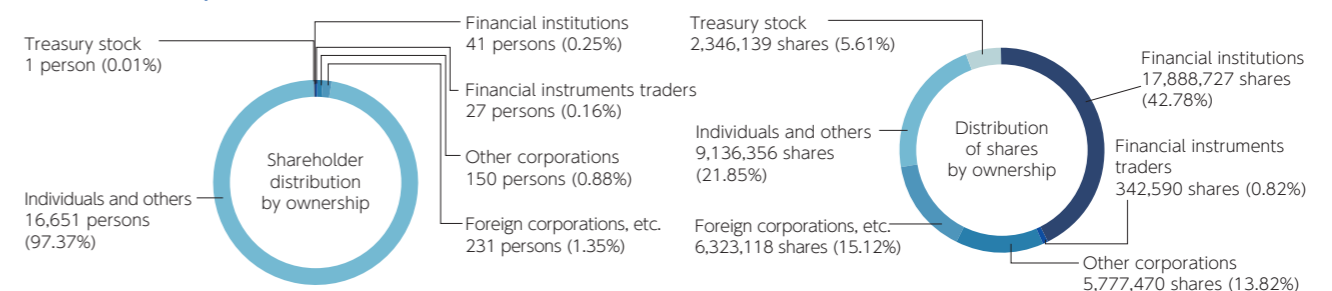
Foreign shareholding ratio	10% or more, less than 20%
Presence of controlling shareholders (excluding the parent company)	—
Presence of a parent company	None

As of December 31, 2023

Name of shareholder	Number of shares held (shares)	Voting rights ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,028,500	10.20
Custody Bank of Japan, Ltd. (Trust Account)	2,776,300	7.03
MUFG Bank, Ltd.	1,718,600	4.35
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	1,602,000	4.05
Asahi Mutual Life Insurance Company	1,134,000	2.87
Mitsubishi UFJ Trust and Banking Corporation	1,100,400	2.78
Shochiku Co., Ltd.	972,000	2.46
KOREA SECURITIES DEPOSITORY-SHINHAN INVESTMENT	956,000	2.42
The Dai-ichi Life Insurance Company, Limited	900,000	2.28
PILOT Group Employee Stockholding Association	867,100	2.19

(Notes) 1. The Company holds 2,346,139 treasury shares that are excluded from the above list of major shareholders. Treasury stock does not include the 18,827 shares of the Company's stock held by the Executive Remuneration BIP Trust.
2. Voting rights ratio is calculated excluding treasury stock (2,346,139 shares).

Distribution by Owner



Stock Price Trends (5 Years)

