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## Consolidated Financial Results for the Nine Months Ended September 30, 2023 [Japanese GAAP]

November 7, 2023

Company name: PILOT CORPORATION  
 Stock exchange listing: Tokyo  
 Securities code: 7846  
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 Representative: Shu Itoh President and Representative Director  
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 Scheduled date of filing quarterly securities report: November 8, 2023  
 Scheduled date of commencing dividend payments: -  
 Availability of supplementary briefing material on quarterly financial results: Yes  
 Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down.)

### 1. Consolidated Financial Results for the Nine Months Ended September 30, 2023 (January 1, 2023 to September 30, 2023)

#### (1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30, 2023	88,251	4.9	14,826	(5.8)	17,305	(4.3)	11,988	(4.9)
September 30, 2022	84,106	11.1	15,737	7.8	18,079	17.9	12,603	19.2

(Note) Comprehensive income: Nine months ended September 30, 2023: ¥ 16,678 million [ (3.8)%]  
 Nine months ended September 30, 2022: ¥ 17,334 million [ 42.2%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2023	303.91	-
September 30, 2022	319.51	-

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	166,182	131,053	77.7
December 31, 2022	156,542	117,989	74.5

(Reference) Equity: As of September 30, 2023: ¥ 129,084 million  
 As of December 31, 2022: ¥ 116,553 million

### 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2022	-	40.00	-	50.00	90.00
Fiscal year ending December 31, 2023	-	50.00	-		
Fiscal year ending December 31, 2023 (Forecast)				50.00	100.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023(January 1, 2023 to December 31, 2023)  
(% indicates changes from the previous corresponding period.)

Full year	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	115,000	1.9	22,000	3.6	23,000	1.6	16,000	1.4	405.58

(Note) Revision to the financial results forecast announced most recently: No

\* Notes:

(1) Changes in significant subsidiaries during the nine months ended September 30, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

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

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

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

September 30, 2023: 41,814,400 shares

December 31, 2022: 41,814,400 shares

2) Total number of treasury shares at the end of the period:

September 30, 2023: 2,364,966 shares

December 31, 2022: 2,364,966 shares

3) Average number of shares outstanding during the period:

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

Nine months ended September 30, 2022: 39,447,317 shares

(Note) The number of shares of treasury stock at the end of the period includes the Company's shares held by the BIP (Board Incentive Plan) trust (As of September 30, 2023: 18,827 shares, As of December 31, 2022: 18,827 shares). In addition, these Company's shares are included in the treasury stock which is deducted from the number of shares outstanding when calculating the average number of shares during the period (As of September 30, 2023: 18,827 shares, As of September 30, 2022: 11,779 shares).

\* This quarterly financial result is not subjected to quarterly review by certified public accountants or auditing firms.

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

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

## 1. Management Discussion and Analysis

### (1) Result of Operations

During the nine months (January 1 to September 30, 2023) of the fiscal year under review, COVID-19 restrictions in Japan were removed, with the result that inbound tourists and events were increasingly freed from movement restrictions. Social and economic activities recovered almost to pre-COVID levels. Meanwhile, economies worldwide, including the Japanese economy, were affected by higher prices associated with rises in resource and energy prices caused by the prolonged invasion of Ukraine by Russia as well as changes in exchange rates resulting from global monetary tightening. Consequently, the economic outlook remained uncertain given sluggish consumption, among other factors.

In this economic environment, looking at the markets where Pilot Corporation ("the Company") and its consolidated subsidiaries ("the Group") operate, the Japan domestic market saw a steady increase in the number of inbound tourists and a rebound in consumer sentiment. Overseas, despite growth in emerging countries, demand in major markets in advanced countries remained relatively weak due to soaring prices. Meanwhile, the yen depreciated against the U.S. dollar and euro, respectively.

In this business environment, net sales for the nine months under review stood at 88,251 million yen, up 4.9% year on year (YoY). Net sales in Japan market came to 19,814 million yen, up 9.1% YoY. Net sales in overseas markets were 68,437 million yen, up 3.8% YoY. Looking at sales by business, net sales in the writing instruments business stood at 80,059 million yen, up 4.7% YoY. Net sales in the non-writing instruments business came to 8,192 million yen, up 7.4% YoY.

In terms of profit, the Group recorded operating profit of 14,826 million yen, down 5.8% YoY, and ordinary profit of 17,305 million yen, down 4.3% YoY. Profit attributable to owners of parent stood at 11,988 million yen, down 4.9% YoY.

Details of each segment are as follows.

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

Since the first three months of the fiscal year under review, the Company has changed the management system and reportable segments. Pilot Pen Australia Pty. Ltd., a consolidated subsidiary which was included in "Asia segment" is now included in "Europe segment." The year-on-year comparison and analyses are based on the segments after the change.

#### (Japan segment)

In the stationery business, in Japan, inbound and promotional giveaway demand recovered. Additionally, limited-edition products targeted at the customer and collaborative products with the apparel and the cosmetics brands gained attention. Sales of Mark's Group Holdings, Inc., which designs and manufactures design stationery such as diaries and notebooks, and which joined the Group in this fiscal year, also contributed to this business. Sales from exports grew, particularly in ASEAN countries such as the Philippines, and India.

In the toys business, sales of the Mell Chan doll series and our bath toys series, which are our mainstay products, declined, reflecting sluggish growth in the toy industry caused by soaring prices.

In the industrial materials and other businesses, the mainstay ceramics products in the industrial materials business struggled due to the slow semiconductor market conditions, but Mark's products contributed to sales in the other business.

A breakdown of net sales in this segment by major business is as follows: 22,799 million yen, up 15.0% YoY in the stationery business, 2,244 million yen, down 14.1% YoY in the toys business, and 2,182 million yen, up 37.2% YoY in the industrial materials and other businesses. In the stationery business, net sales of writing instruments stood at 20,237 million yen, up 13.9% YoY, and net sales of other stationery came to 2,562 million yen, a 24.3% increase YoY.

Profit declined due to a decrease in sales to subsidiaries and an increase in the cost of sales ratio associated with a decrease in production volume, as well as an increase in SG&A and other expenses resulting from aggressive advertising and human resource investments for future growth.

As a result, net sales to external customers in this segment stood at 27,226 million yen, up 13.3% YoY. Segment operating profit was 9,610 million yen, down 41.5% YoY.

#### (Americas segment)

In the Americas, sales of G-2, which maintains the top share in the gel ink roller ball pen market, and the FRIXION series remained strong in the U.S. market, while in the Brazilian market, sales, particularly of V BOARD MASTER whiteboard markers, continued to grow. In addition, the weaker yen had a positive impact on sales. However, profit decreased due to an increase in SG&A expenses such as labor and advertising costs caused by price hikes.

As a result, net sales to external customers in this segment totaled 27,022 million yen, up 10.3% YoY. Segment operating profit came to 628 million yen, down 21.9% YoY.

#### (Europe segment)

In Europe, the FRIXION series has been the mainstay of our business, but sales declined as market conditions remained sluggish due to soaring prices, despite the impact of the yen's depreciation. Profit decreased due to an increase in SG&A expenses, including labor costs.

As a result, net sales to external customers in this segment came to 19,051 million yen, down 5.8% YoY. Segment operating profit was 1,622 million yen, down 14.0% YoY.

#### (Asia segment)

In Asia, demand for fine writing instruments made in Japan is high, especially for the P-500 and Juice series of gel ink roller ball pens. In China, the market has taken time to recover, resulting in lower sales and profits in this segment, despite generally strong sales in other countries.

Consequently, net sales to external customers in this segment totaled 14,952 million yen, down 2.6% YoY. Segment operating profit stood at 749 million yen, down 20.6% YoY.

## (2) Financial Position

Total assets at the end of the nine months under review was 166,182 million yen, an increase of 9,639 million yen from the end of the previous fiscal year.

Current assets increased 4,477 million yen, to 111,083 million yen. Non-current assets increased 5,162 million yen, to 55,098 million yen.

In current assets, notes and accounts receivable - trade increased 1,889 million yen, and inventories (merchandise and finished goods, work in process and raw materials and supplies) rose 4,533 million yen. Meanwhile, cash and deposits decreased 2,123 million yen.

Liabilities decreased 3,423 million yen compared to the end of the previous fiscal year, to 35,129 million yen.

Current liabilities decreased 4,378 million yen, to 32,413 million yen. Non-current liabilities increased 955 million yen, to 2,715 million yen.

In current liabilities, notes and accounts payable - trade decreased 2,375 million yen, short-term borrowings decreased 2,221 million yen and income taxes payable decreased 3,615 million yen. Meanwhile, provision for bonuses and other increased 1,042 million yen and 2,224 million yen, respectively.

Net assets increased 13,063 million yen compared to the end of the previous fiscal year, to 131,053 million yen. Retained earnings and foreign currency translation adjustment increased 8,042 million yen and 3,804 million yen, respectively.

## (3) Description of Consolidated Results Forecast

The consolidated financial results forecast for the fiscal year ending December 31, 2023, announced on February 13, 2023, remains unchanged.

Quarterly Consolidated Financial Statements  
Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2022	As of September 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	46,128	44,005
Notes and accounts receivable - trade	22,738	24,628
Merchandise and finished goods	21,354	24,605
Work in process	6,922	8,006
Raw materials and supplies	4,558	4,757
Other	4,987	5,192
Allowance for doubtful accounts	(84)	(111)
Total current assets	106,606	111,083
Non-current assets		
Property, plant and equipment		
Buildings and structures	27,243	30,454
Accumulated depreciation	(14,956)	(15,946)
Buildings and structures, net	12,286	14,507
Machinery, equipment and vehicles	37,266	39,684
Accumulated depreciation	(31,579)	(32,864)
Machinery, equipment and vehicles, net	5,687	6,820
Other	20,221	21,067
Accumulated depreciation	(17,596)	(18,060)
Other, net	2,624	3,007
Land	7,549	7,641
Construction in progress	2,874	4,005
Total property, plant and equipment	31,023	35,983
Intangible assets		
Leasehold interests in land	5,355	5,355
Other	913	958
Total intangible assets	6,268	6,313
Investments and other assets		
Investment securities	5,728	6,301
Deferred tax assets	4,421	3,720
Retirement benefit asset	1,635	1,862
Other	891	949
Allowance for doubtful accounts	(32)	(32)
Total investments and other assets	12,643	12,802
Total non-current assets	49,936	55,098
Total assets	156,542	166,182

(Millions of yen)

	As of December 31, 2022	As of September 30, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	14,354	11,979
Short-term borrowings	4,441	2,220
Current portion of long-term borrowings	8	425
Accrued expenses	2,755	3,014
Income taxes payable	4,691	1,076
Provision for bonuses	665	1,707
Provision for bonuses for directors (and other officers)	77	46
Provision for environmental measures	266	187
Other	9,531	11,755
Total current liabilities	36,792	32,413
Non-current liabilities		
Long-term borrowings	16	599
Deferred tax liabilities	85	375
Provision for retirement benefits for directors (and other officers)	119	124
Provision for environmental measures	49	48
Provision for share awards for directors (and other officers)	24	41
Retirement benefit liability	670	739
Other	794	786
Total non-current liabilities	1,760	2,715
Total liabilities	38,552	35,129
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,340	2,340
Capital surplus	7,923	7,923
Retained earnings	119,401	127,443
Treasury shares	(10,858)	(10,858)
Total shareholders' equity	118,806	126,848
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	659	1,267
Foreign currency translation adjustment	(2,587)	1,216
Remeasurements of defined benefit plans	(324)	(248)
Total accumulated other comprehensive income	(2,252)	2,236
Non-controlling interests	1,436	1,968
Total net assets	117,989	131,053
<b>Total liabilities and net assets</b>	<b>156,542</b>	<b>166,182</b>

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

(Millions of yen)

	For the nine months ended September 30, 2022	For the nine months ended September 30, 2023
Net sales	84,106	88,251
Cost of sales	40,055	42,084
Gross profit	44,050	46,167
Selling, general and administrative expenses	28,312	31,340
Operating profit	15,737	14,826
Non-operating income		
Interest income	206	383
Dividend income	226	308
Foreign exchange gains	1,806	1,720
Other	206	272
Total non-operating income	2,445	2,685
Non-operating expenses		
Interest expenses	67	175
Other	36	31
Total non-operating expenses	104	206
Ordinary profit	18,079	17,305
Extraordinary income		
Gain on sale of non-current assets	17	47
Gain on sale of investment securities	-	273
Compensation income	-	197
Total extraordinary income	17	519
Extraordinary losses		
Loss on sale of non-current assets	0	0
Loss on retirement of non-current assets	43	143
Total extraordinary losses	44	144
Profit before income taxes	18,052	17,680
Income taxes	5,330	5,600
Profit	12,722	12,080
Profit attributable to non-controlling interests	118	91
Profit attributable to owners of parent	12,603	11,988



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

(Millions of yen)

	For the nine months ended September 30, 2022	For the nine months ended September 30, 2023
Profit	12,722	12,080
Other comprehensive income		
Valuation difference on available-for-sale securities	8	620
Foreign currency translation adjustment	4,719	3,901
Remeasurements of defined benefit plans, net of tax	(116)	76
Total other comprehensive income	4,611	4,598
Comprehensive income	17,334	16,678
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,084	16,477
Comprehensive income attributable to non-controlling interests	249	200