

SHOEI CO., LTD. Financial Results Briefing for the Fiscal Year Ended September 30, 2023

December 7, 2023





Financial Results for the Fiscal Year Ended September 30, 2023 P. 2



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Growth Strategies P. 25

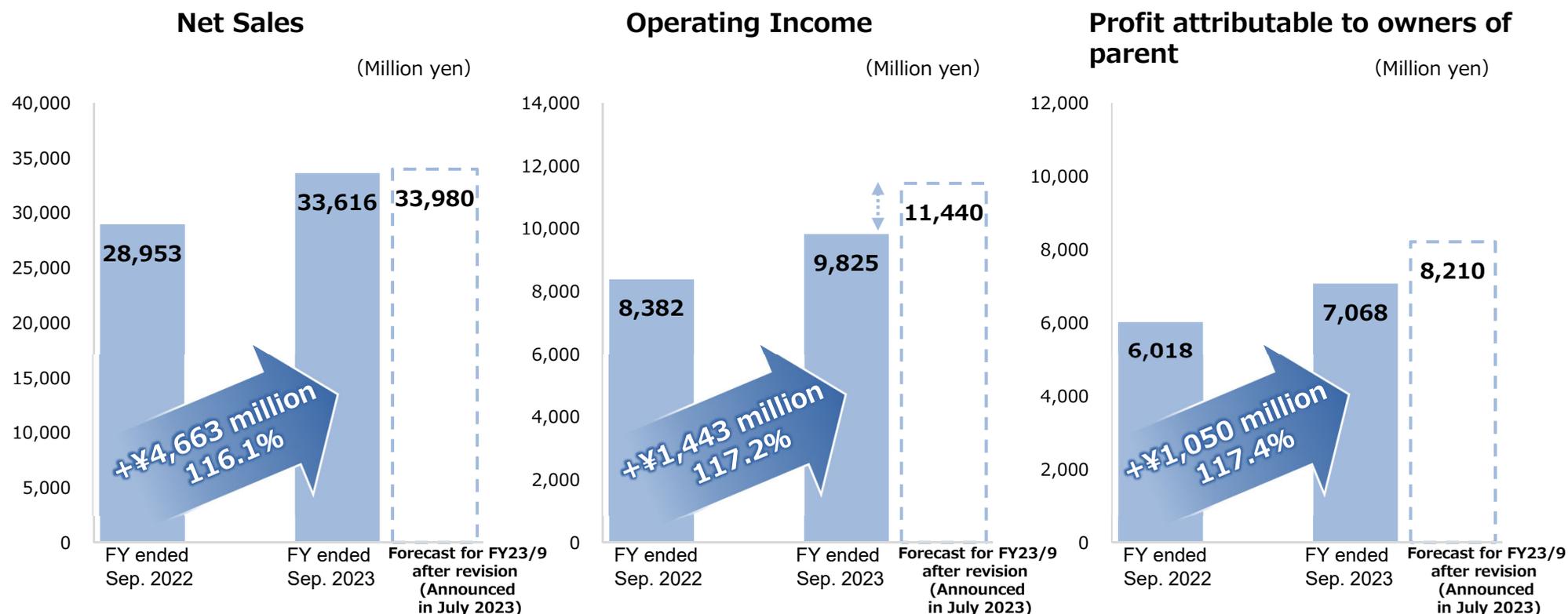
I. Financial Results for the Fiscal Year Ended September 30, 2023



(1) Financial Highlights (Consolidated)



Net Sales/Operating Income/Profit attributable to owners of parent



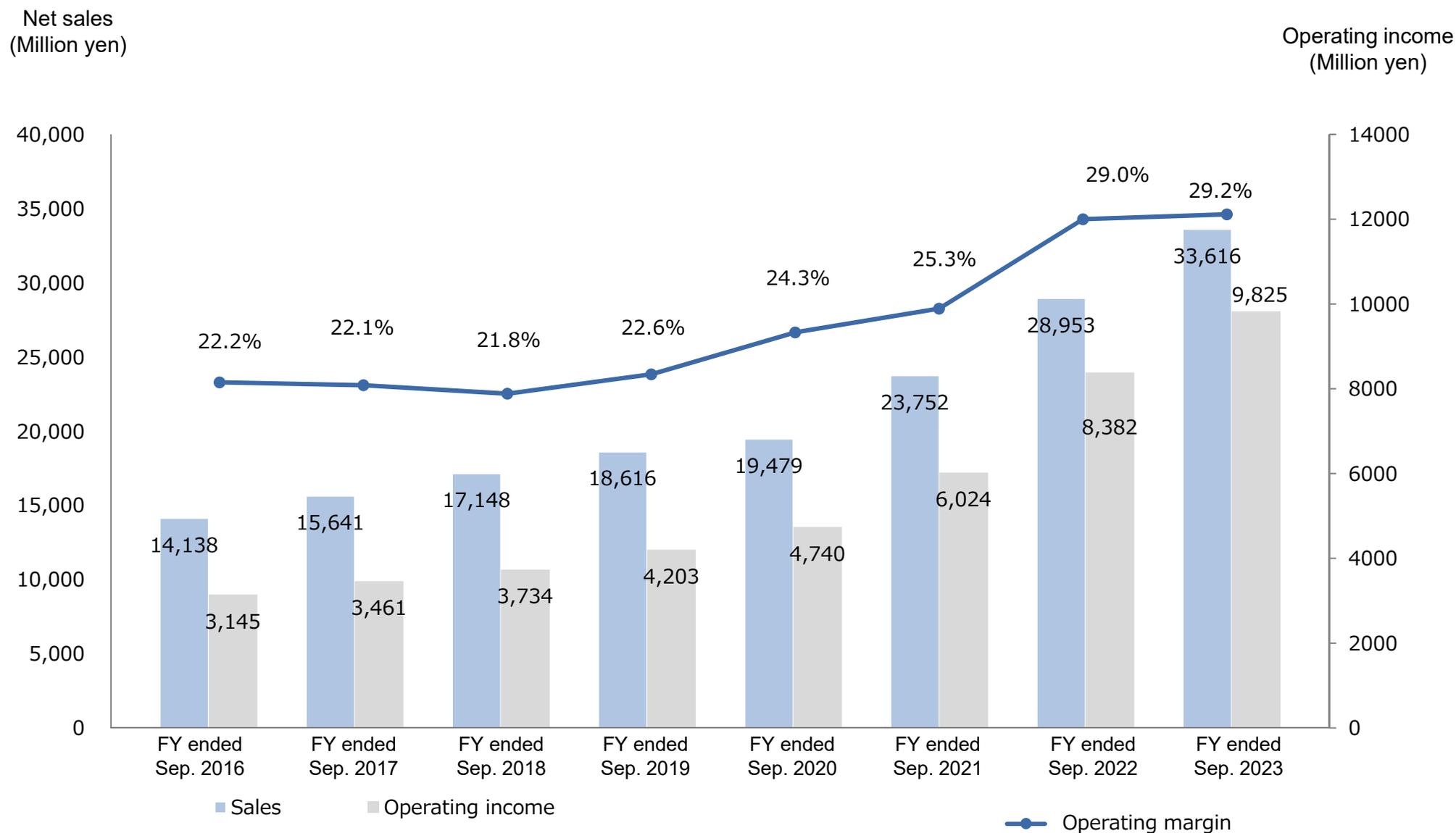
*Average foreign exchange rates for the term (the ended of the FY Sep. 2023) US\$/JPY=139.57, EUR/JPY=157.60
Overseas subsidiary conversion rates (end of June 2023) US\$/JPY=144.99, EUR/JPY=157.60

ROE 29.1% ▶ 28.3%

Differences in operating income from the previous year and from the revised forecast

- **1,443 million yen increase YoY:** Notwithstanding higher raw material costs, unit price increases (price hikes, new product launches, etc.) and the depreciation of the yen made a significant contribution.
- **1,615 million yen less than the revised forecast:** The principal factors are, compared to the revised forecast, a significant increase in the elimination of unrealized income due to an increase in inventories at European subsidiaries (attributable to lower sales linked to bad weather and other factors, and a slowdown in the pace of inventory disposal due to the discovery that sales of old standard products are still possible after January), and because of the weaker yen, among other factors, a greater-than-expected rise in raw material prices, and the difference from the estimated amount of consolidated eliminations, etc. attributable to insufficient system integration (currently being corrected).

(2) Trends of Consolidated Business Results



(3) Market Environment and Topics in the Fiscal Year Ended September 30, 2023



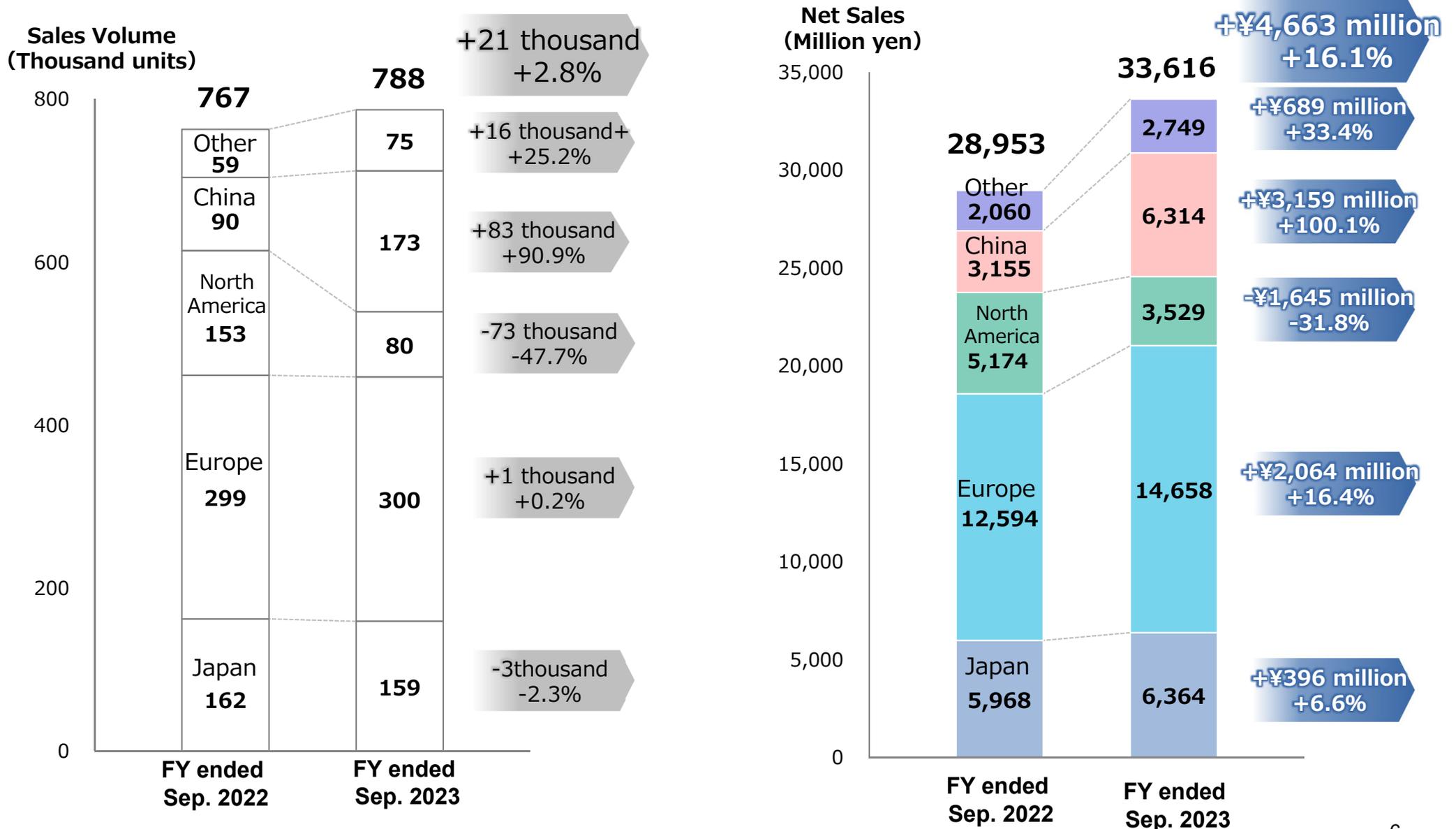
Key points of the financial results for the fiscal year ended September 30, 2023

- (1) In the first half of the fiscal year under review, two-wheeled passenger cars continued to enjoy high popularity as a means of transportation and leisure that avoided the Three Cs amid the COVID-19 pandemic. However, this uptick slowed under the post-COVID conditions of the second half of the year, and with the sense of the global economic situation beginning to hit a ceiling, compounded by poor weather in Europe, the former momentum began to wane. Nevertheless, the company generally enjoyed favorable sales throughout the fiscal year under review, driven by a strong first half. In addition, net sales grew 16.1% year on year, reflecting higher unit prices due to across-the-board price increases implemented in the first half of the year and the launch of new products, as well as the weakening of the yen.
- (2) By region, in the North American market sales volume declined 47.7% year on year due to falling demand in the fiscal year under review and distributors making inventory adjustments after expanding inventory during strong sales of the previous year. Meanwhile sales volume in China increased significantly, up 90.1% year on year, reflecting continued strong demand amid with the impact of the delayed timing of orders placed by local distributors, which took place in the fiscal year before last, having bottomed out.
- (3) As a result of efforts to deal with increased production at both plants in response to higher demand and the build-up of inventory at European subsidiaries, the number of units produced increased 5.6% year on year to 840,000.
- (4) Despite increases in raw material prices at other costs, operating income increased 17.2% year on year due to a strong increase in sales volume and higher unit prices.

(4) Consolidated Sales Volume and Net Sales by Region



Consolidated Sales Volume and Net Sales by Region



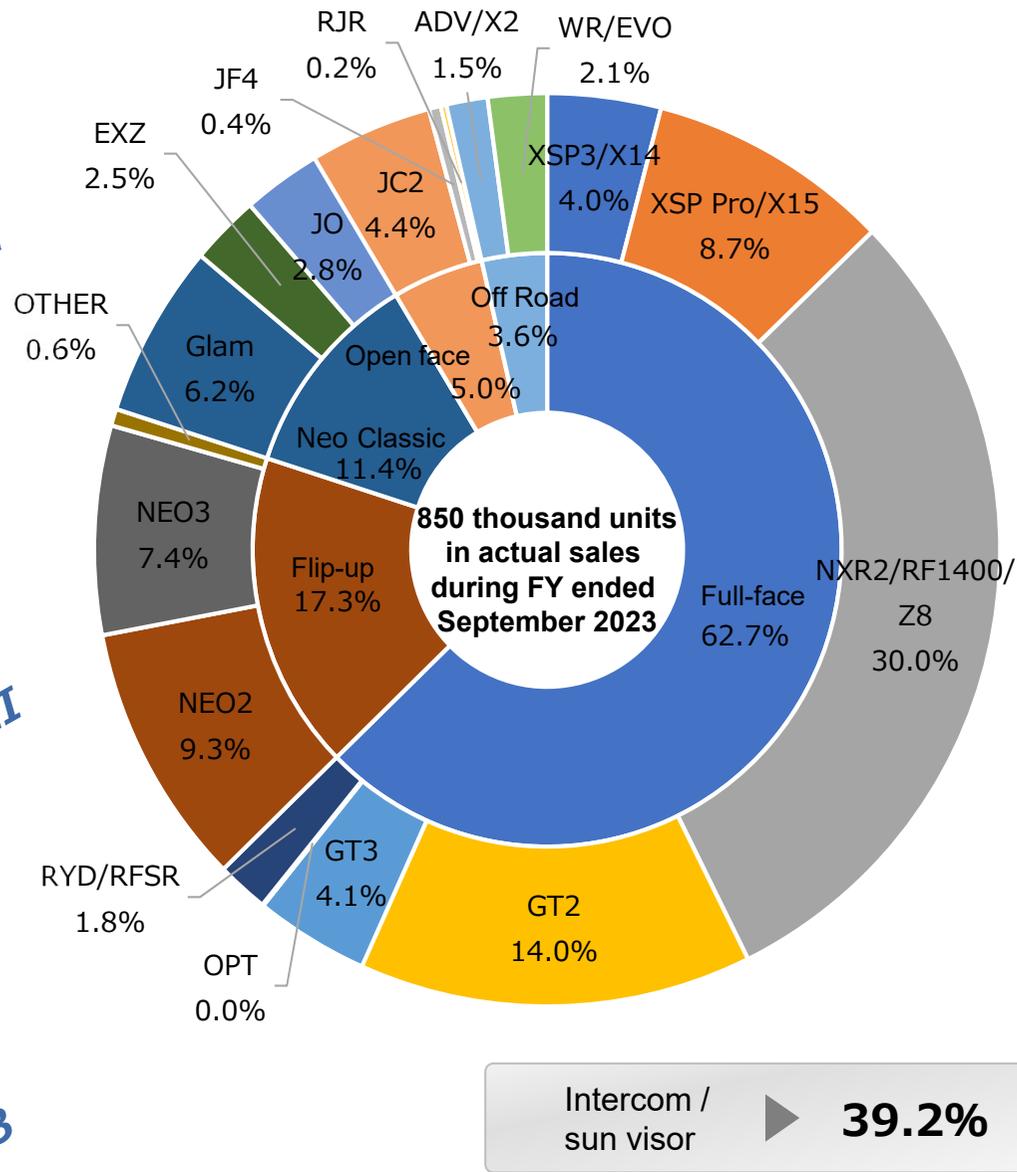
(5) Market Environment and Topics in the Fiscal Year Ended September 30, 2023 (Region)



Regional strategies

Europe	While the number of units sold slowed slightly in the second half of the fiscal year under review in part due to poor weather, for the full year results on par with the previous year were maintained. In addition to price increases and the effects of new products, the weakening yen also had a part in driving net sales up 16.4% year on year. However, excessive inventory accumulated at European subsidiaries, rising by 70,000 units year on year.
North America	The number of units sold declined 47.7% year on year, due to a fall in demand from the previous fiscal year and distributors making inventory adjustments after expanding inventory during the previous fiscal year. However, the fall in net sales was limited to 31.8% over the same period due to price hikes and the weakening yen.
Asia	In the Chinese market, sales volume rose 90.1% year on year, reflecting continued brisk sales and the impact of the delayed timing of orders placed by local distributors, which took place in the fiscal year before last, having bottomed out. However, shipments declined significantly in September due to the time taken to acquire certification for revised standards. South Korea, Hong Kong and Southeast Asia also showed steady growth. Net sales increased at a higher rate than sales volume in each region due to price increases.
Japan	The number of units sold declined slightly but remained at a high level. Net sales rose 6.6% year on year, reflecting strong sales of the new X-15 product and an increase in unit prices.

(6) Sales by model



(7) Market Environment and Topics in the Fiscal Year Ended September 30, 2023 (New Product)



- Launch of NEOTEC 3 and GT-Air 3 as new leading models in September 2023

NEOTEC 3



Europe

Launch: September 2023

RRP: EUR 669.00-769.00 (incl. tax)

Japan

Launch: Dec. 2023 – Apr. 2024

RRP: JPY 72,000-80,000 (incl. tax)

North America

Launch: Around Spring 2024

RRP: TBD

GT-Air 3



Europe

Launch: September 2023

RRP: EUR 599.00-729.00

Japan

Launch: Apr. 2024 – TBD

RRP: TBD

North America

Launch: Around Autumn 2024

RRP: TBD

(8) Market Environment and Topics in the Fiscal Year Ended September 30, 2023 (New Grafic)



Popular new graphic model

Glamster NEIGHBORHOOD X
DSC



GT-Air II APERTURE



X-Fifteen MARQUEZ
MOTEGI 4



Z-8 IDEOGRAPH

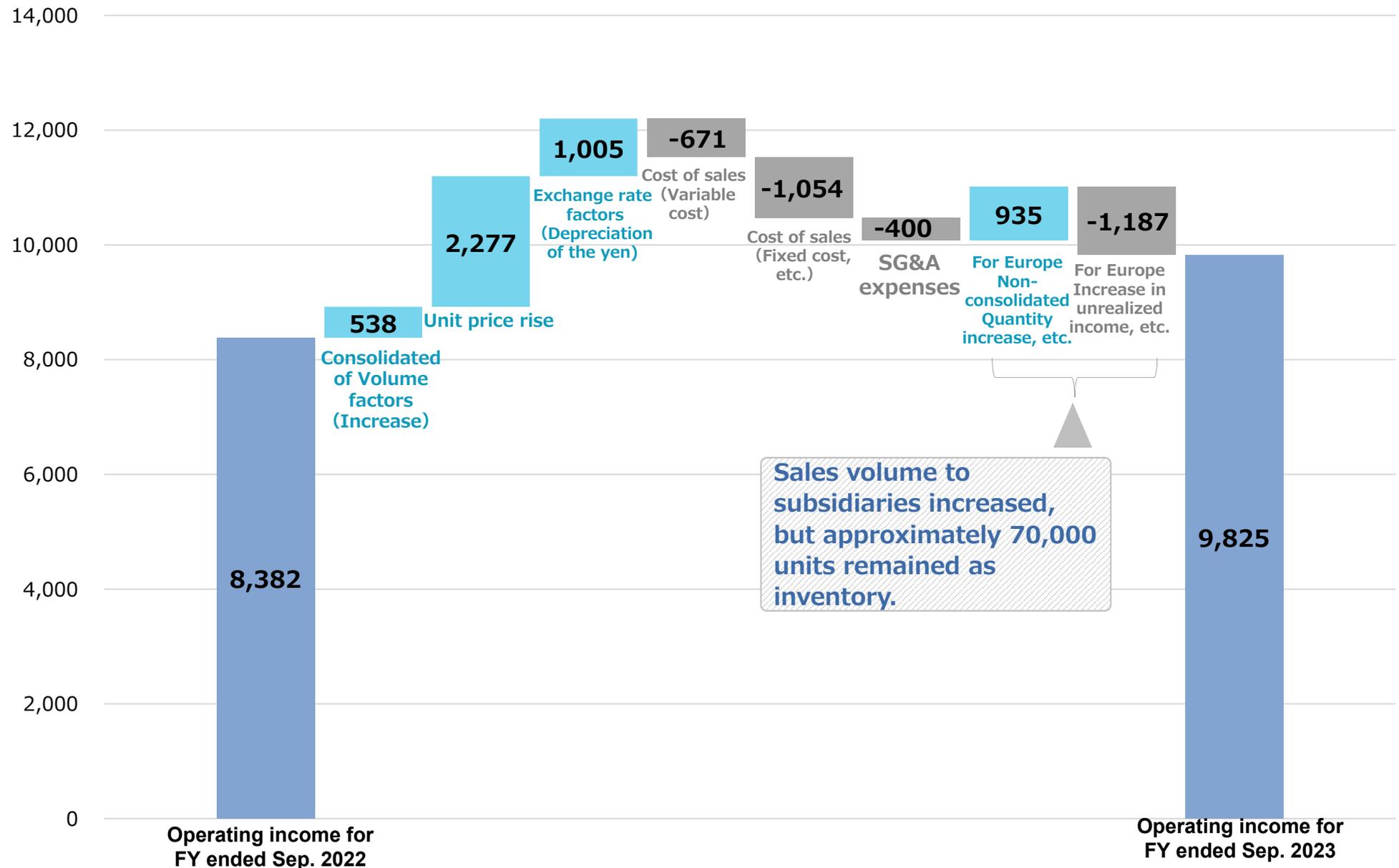


Product Strategy

(9) Variance Analysis of Operating Income (Actual)



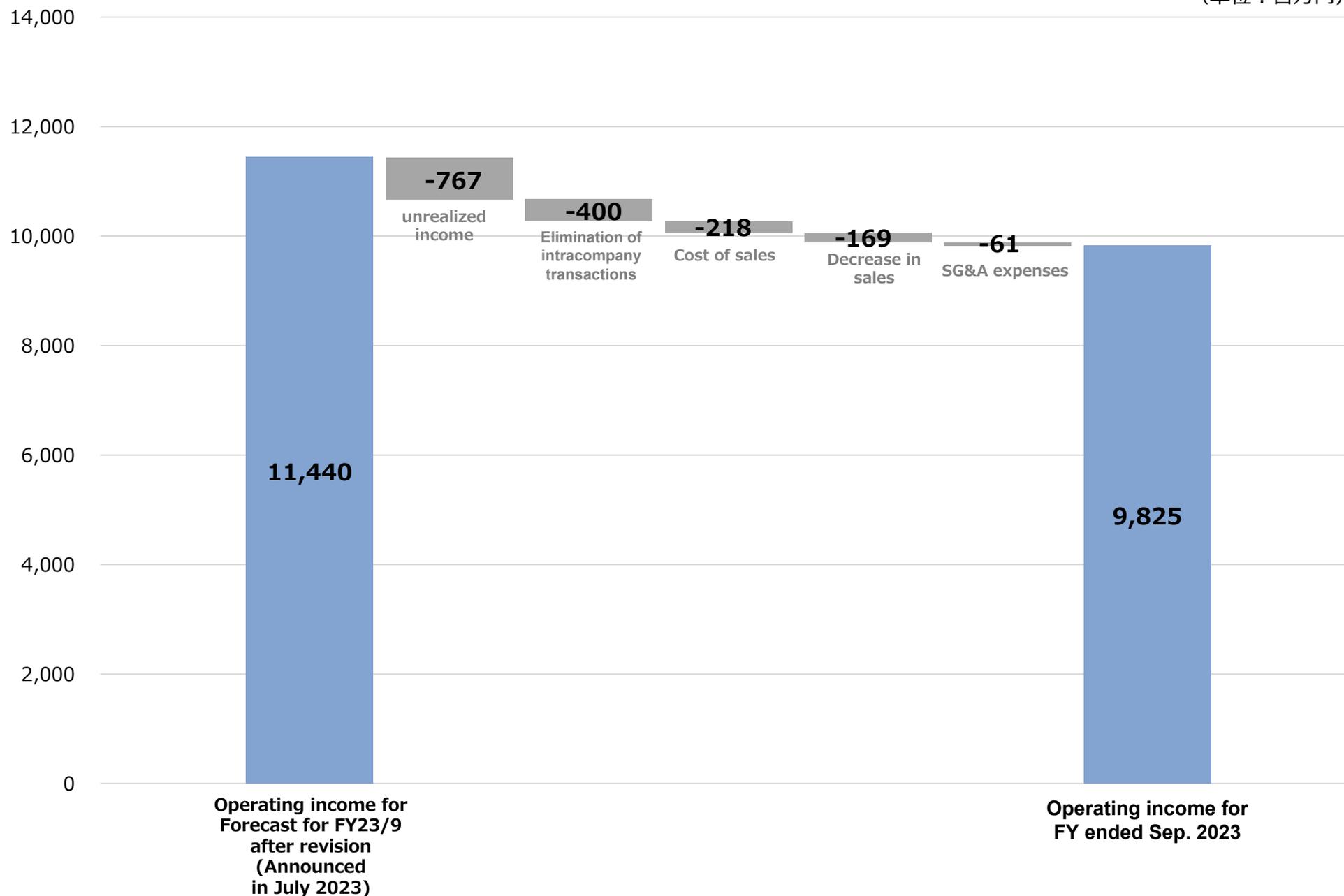
(Unit: Million yen)



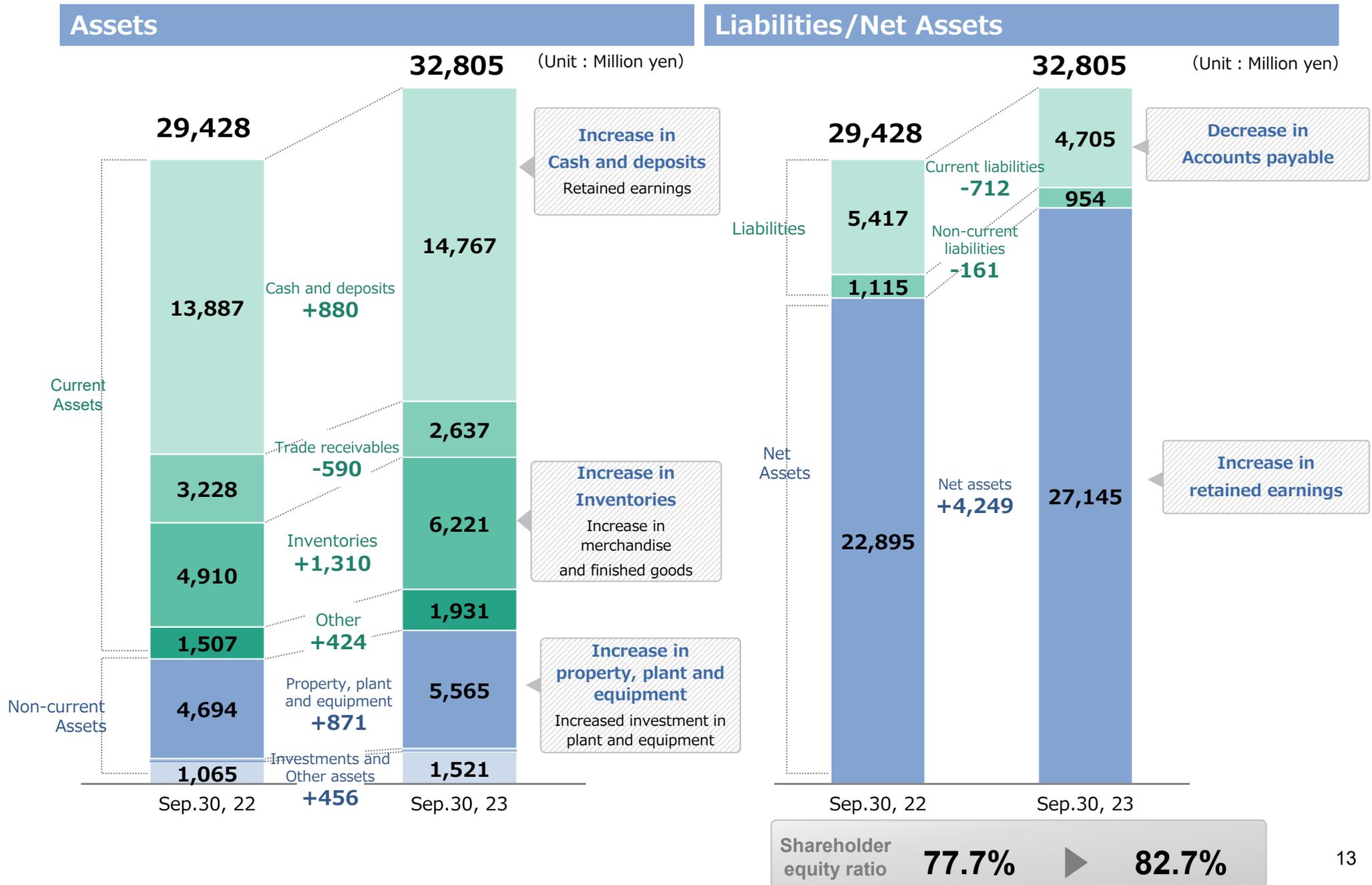
(10)Variance Analysis of Operating Income (Actual / Forecast for FY23/9 after revision)



(単位：百万円)



(11) Consolidated Balance Sheets



II. Forecasts for the Fiscal Year Ending September 30, 2024

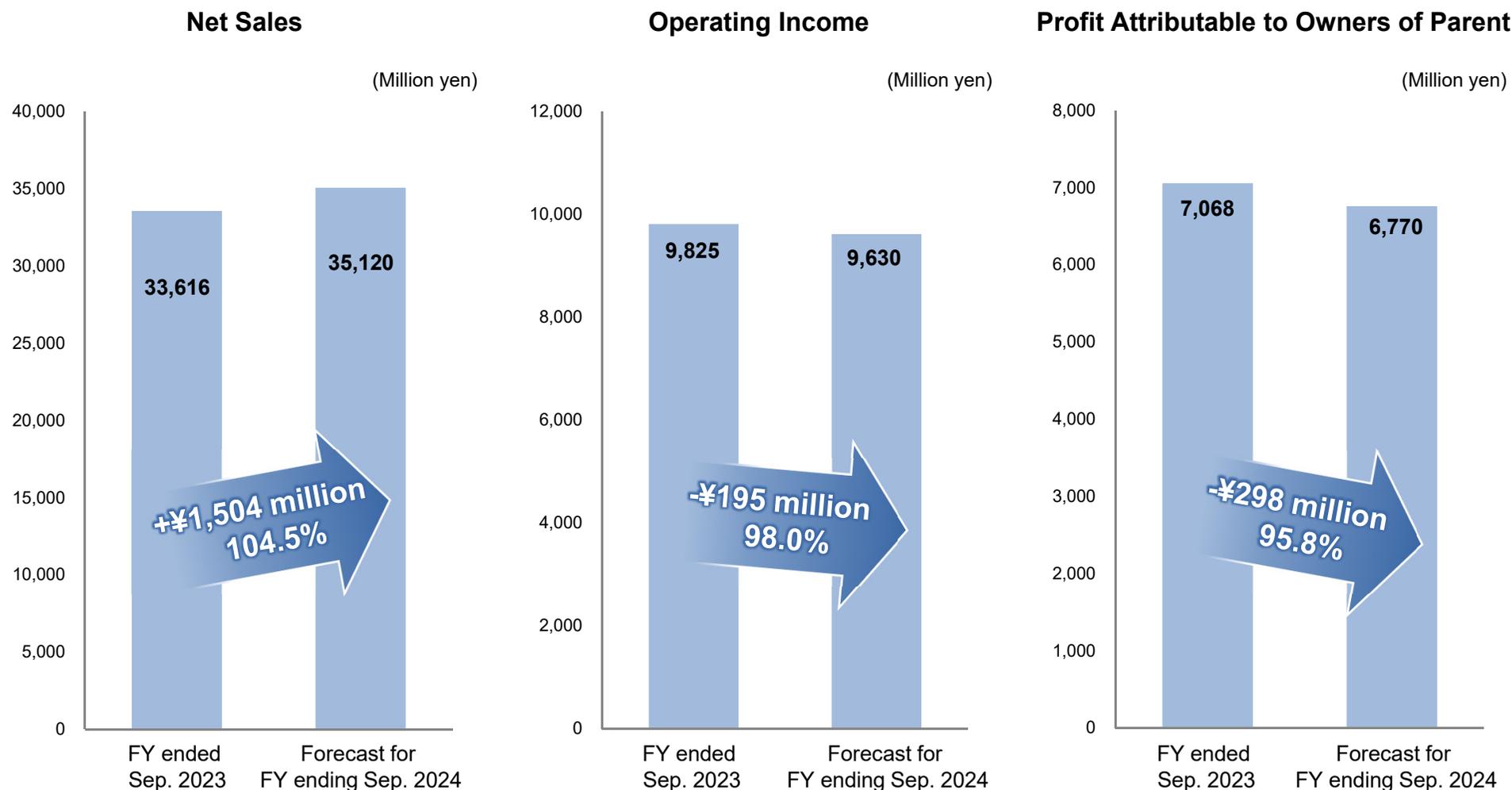


1. Result Forecasts for FY ending September 2024



(1) Sales and Profit Forecasts

Net Sales/Operating Income/Profit Attributable to Owners of Parent



Average foreign exchange rates for the term (the Forecasts of the FY ending Sep. 2024) US\$/JPY=140.00, EUR/JPY=150.00

Overseas subsidiary conversion rates (end of June 2023) US\$/JPY=140.00, EUR/JPY=150.00

Foreign exchange rate sensitivity

US\$: 31.6
EUR: 84.7

US\$: 18.4
EUR: 51.9

US\$: 12.9
EUR: 36.2

*Estimated impacts of a one yen-fall of the yen against US\$ or EUR.
We do not provide any guarantee of results.

1. Result Forecasts for FY ending September 2024

(2) Key Factors Affecting Forecasts for the Fiscal Year Ending September 30, 2024



Key Factors Affecting Forecasts for the Fiscal Year Ending September 30, 2024

- (1) The number of units produced is expected to decline 14.9% year on year to 720,000 due to a decline in orders from European subsidiaries and China. Up until the previous fiscal year, the number of days worked on holidays was around 25 days, but this fiscal year we will reduce this number to zero, while incorporating some of the work that had been outsourced.
- (2) Consolidated number of units sold in Europe is projected to decrease 5.1% year on year. Despite poor business sentiment, sales at European subsidiaries are expanded to rise slightly year on year, in part from the effects of new models (NEOTEC 3, GT-Air 3) released in September. Sales to regular distributors will decline year on year, in part due to inventory adjustments by local distributors.
- (3) In the Chinese market, sales to China will decline in the first quarter due to the time taken to acquire certification under new regulations amid poor market conditions and a sense of excess inventory in distribution, but the certification of leading models is now complete, and sales are expected to recover from December onwards. Over the full year, we expect it will take time for market conditions to recover, but as weight restrictions will be relaxed with the new regulations and the number of newly released models will also increase, including X-15 graphics, the decline in number of units sold for the full year is expected to be limited to 16.4% year on year.
- (4) We expect to offset increased costs and SG&A expenses from reduced production volume with the launch of new products and the effects of steady price increases from the previous fiscal year, limiting the fall in consolidated operating income to 2% year on year.
- (5) Expected exchange at 1 US\$ = 140 JPY, 1 EUR = 150 JPY

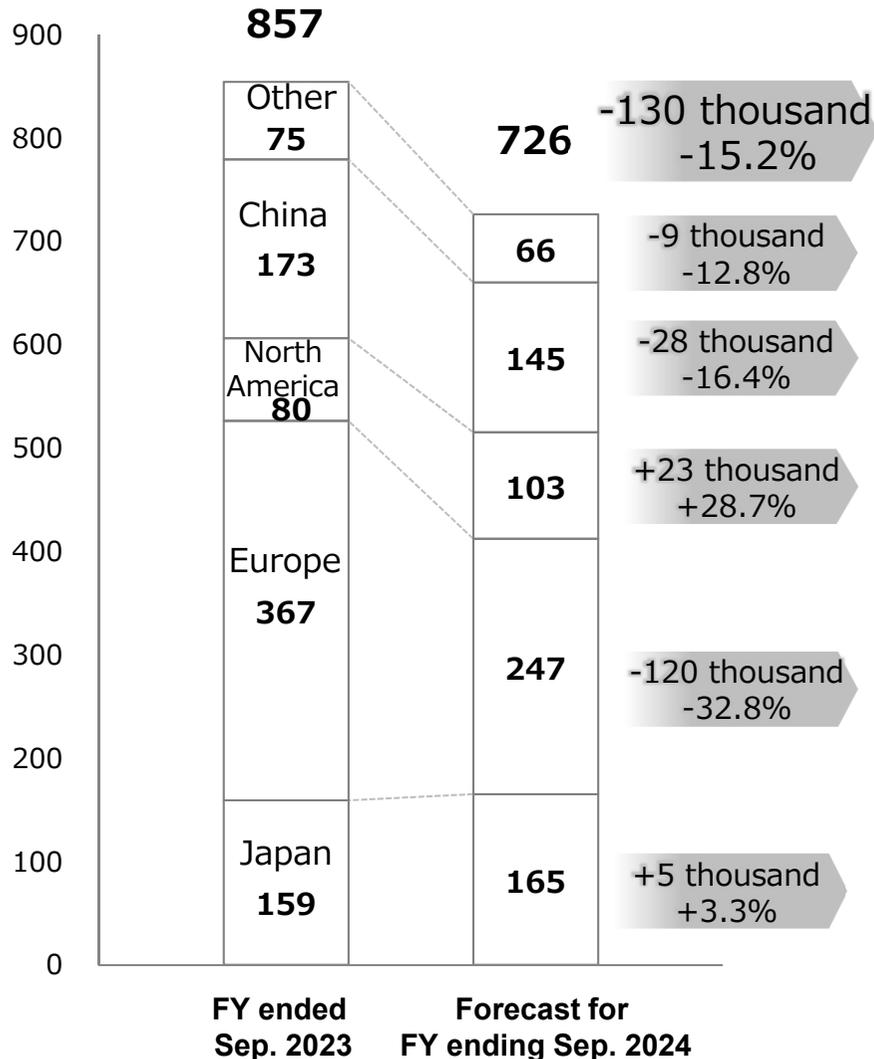
1. Result Forecasts for FY ending September 2024

(3) Sales Volume and Net Sales by Region

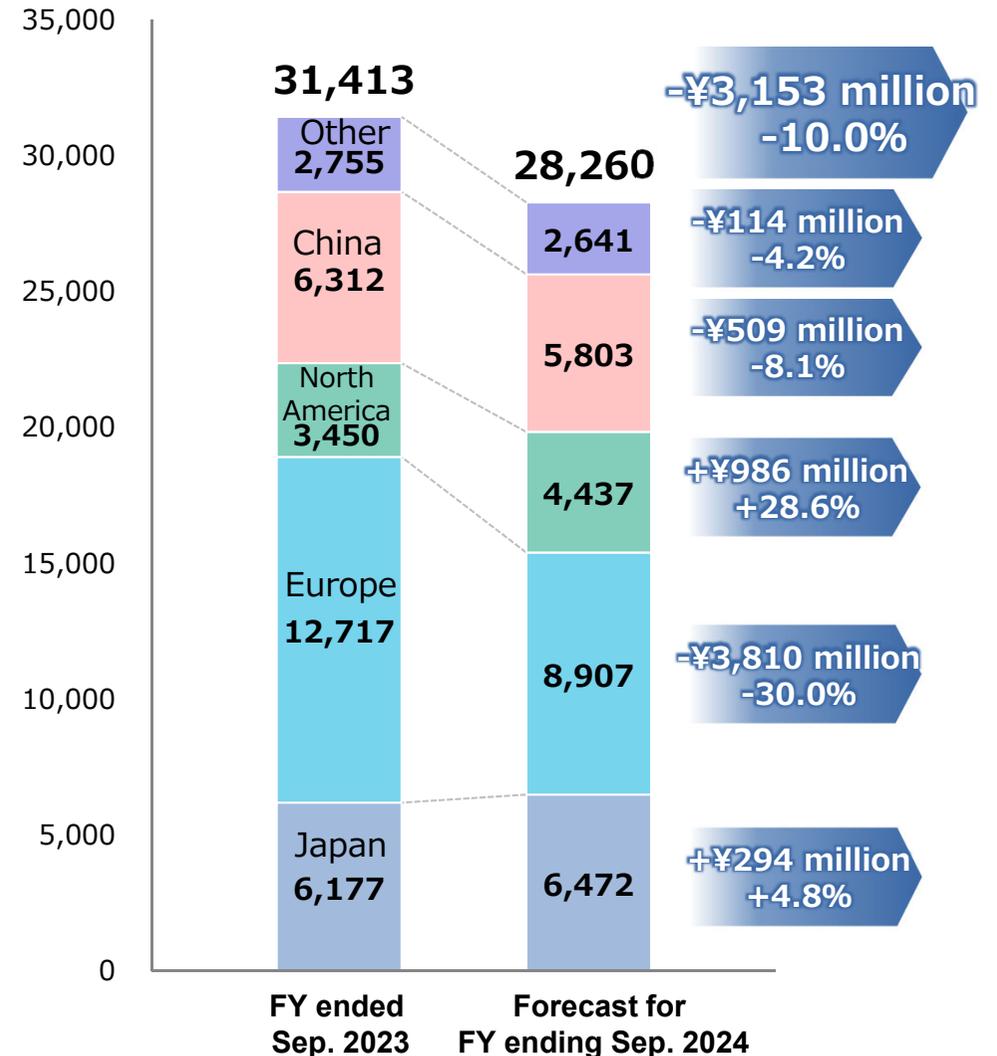


Sales Volume and Net Sales by Region

Sales Volume
(Thousand units)



Net Sales
(Million yen)

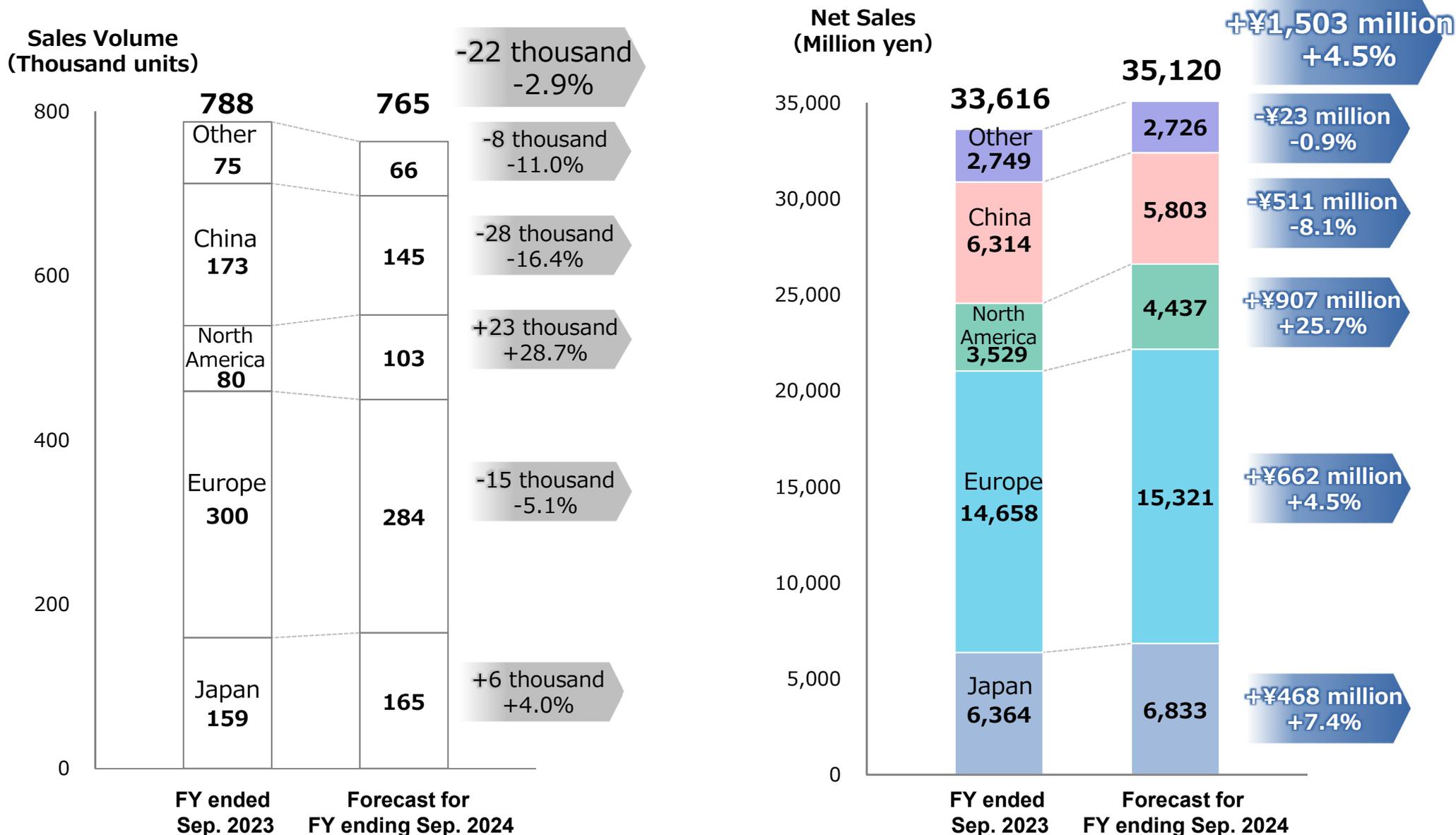


1. Result Forecasts for FY ending September 2024

(4) Consolidated Sales Volume and Net Sales by Region



Consolidated Sales Volume and Net Sales by Region

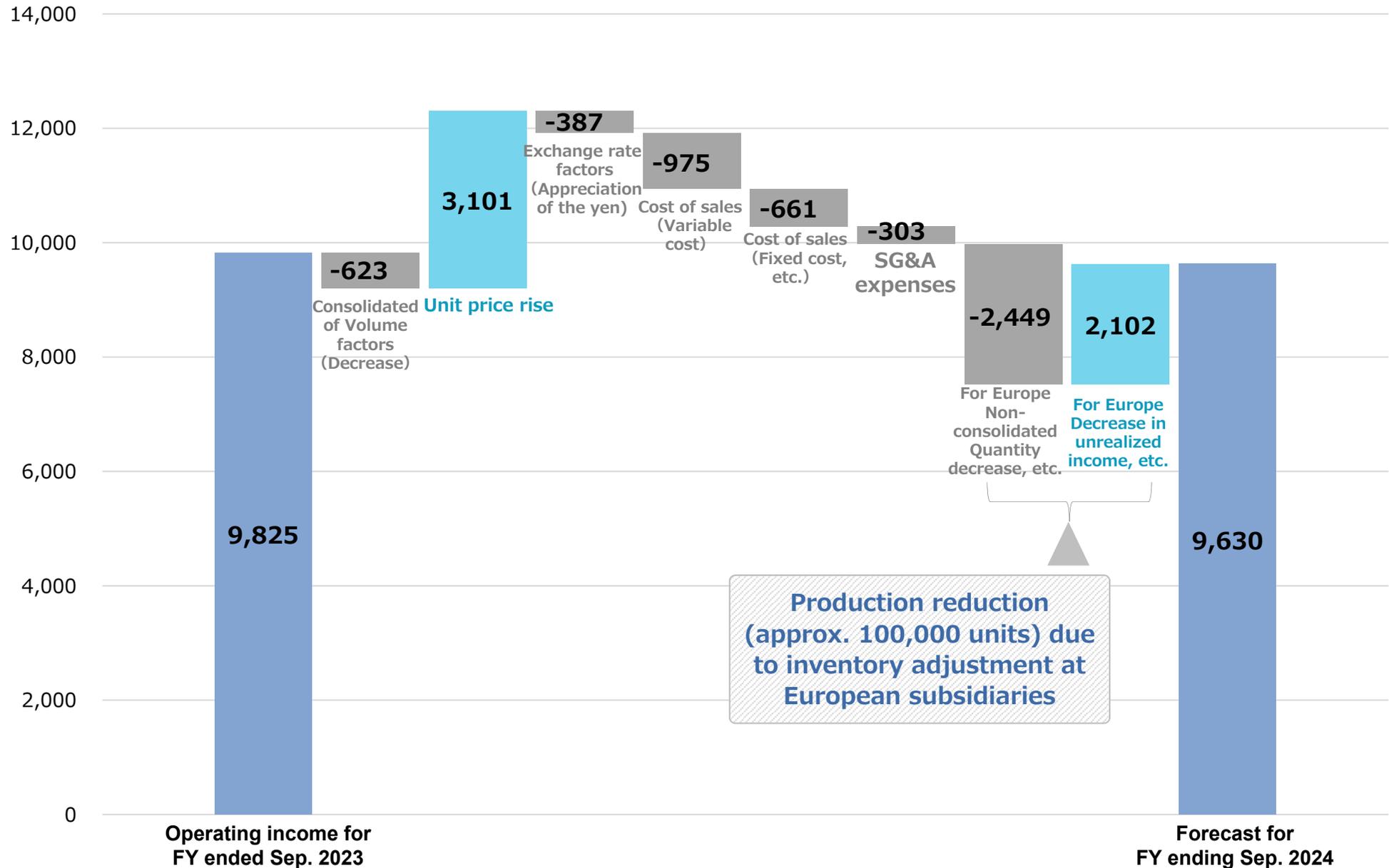


1. Result Forecasts for FY ending September 2024

(5) Variance Analysis of Operating Income(Forecast)



(Unit: Million yen)



(6)Market Environment and Topics in the Fiscal Year Ending September 30, 2024



Regional strategies

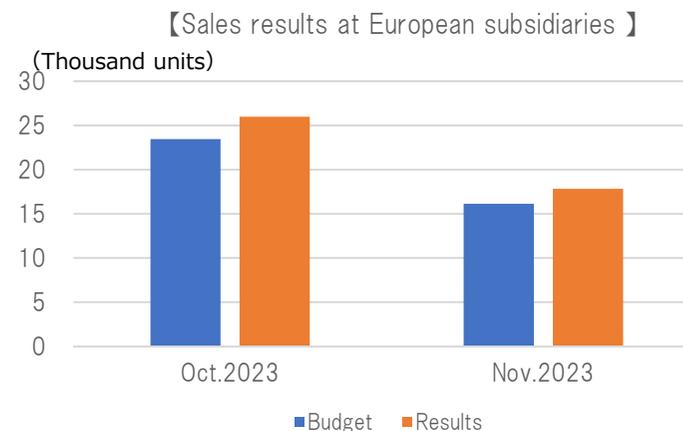
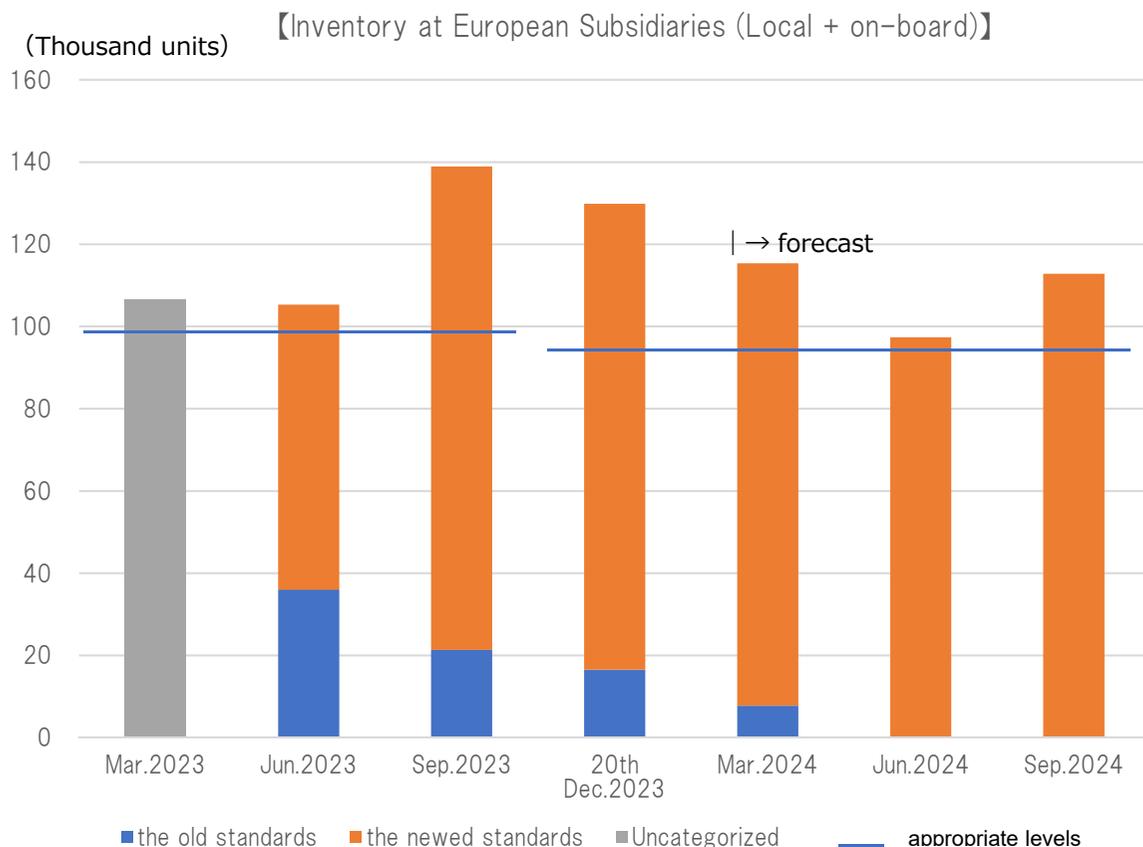
Europe	We will steadily launch new models that comply with new standards and appropriately sell through ECE05 inventory based on the old standards. Additionally, regarding the excess inventory at European subsidiaries, by pursuing the above sales as planned while restricting order placements, we expect inventory to recover to appropriate levels.
North America	In the United States, we expect demand to recover from the previous fiscal year amid weakening fears of a recession. Amid weak sales in other regions, we will increase sales by dealing with models that are selling well in North America.
Asia	We will work with SHOEI Shanghai, our marketing and research firm, on further efforts to accurately monitor demand trends in China and secure orders for new models and popular models.
Japan	In developed countries, we are seeing that the growth in demand due to the COVID-19 pandemic will not be a short-lived phenomenon, but we will continue to monitor demand trends closely and strive to maintain solid levels. In October we opened the fifth satellite shop (SHOEI Gallery) in Fukuoka.



(7) Inventory at European Subsidiaries

Inventory at European Subsidiaries (Local + on-board)

- Inventory at European subsidiaries (local and on-board) will be adjusted to appropriate levels up to the end of June 2024 after peaking at the end of September 2023. We also expect to sell through stock of products based on the old standards by the end of June 2024.
- Sales results at European subsidiaries from October to November 2023 were largely in line with expectations, and inventory as of the end of November 2023 was decreasing on schedule.

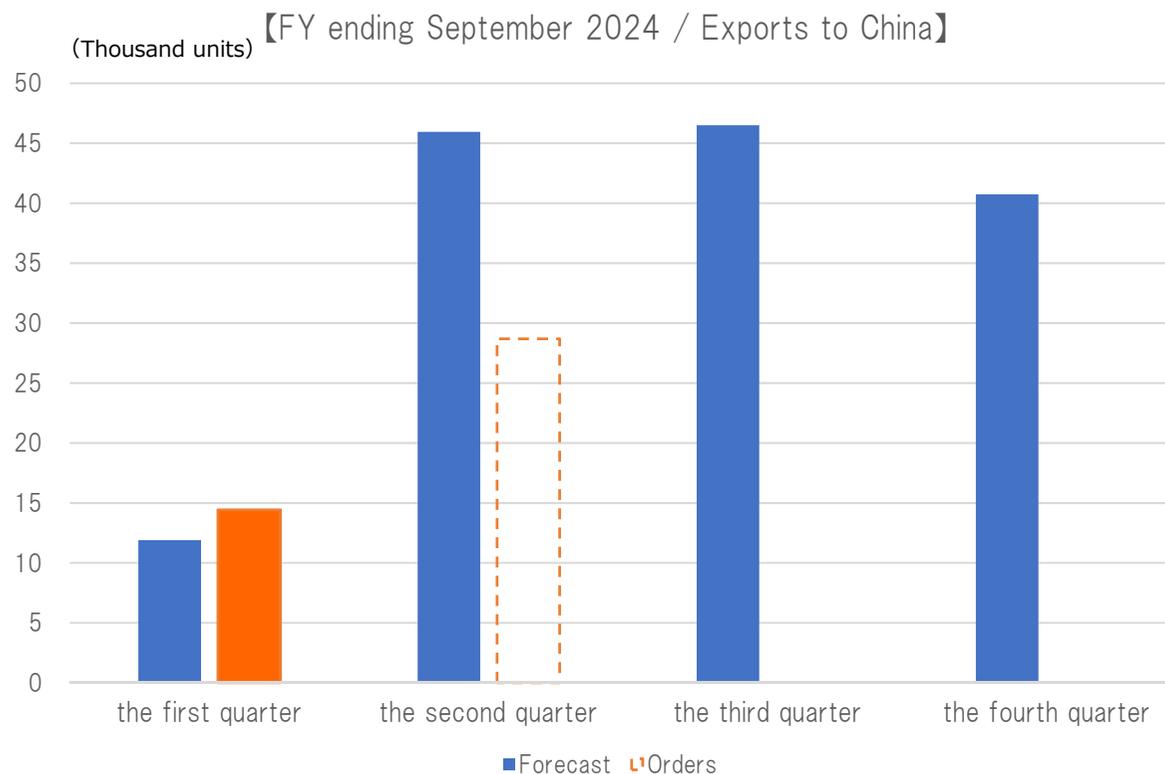




(8) Exports to China

Exports to China and order status

- Regarding exports to China for the fiscal year ending September 2024, we will start exporting products compliant with the new standards from December 2023. We forecast stable sales from the second quarter thereafter.
- Considering the actual status of orders, we expect that exports will proceed as planned in the first quarter. Similarly for exports in the second quarter, orders from Chinese distributors up to December 2023 already account for two-thirds of forecast sales, and we expect to be largely within forecast levels once orders come in in January 2024.



(9) Market environment and topics (products) for FY ending September 2024

September 2024



Product Strategy

- Worldwide rollout of the new two leading models
 - (1)NEOTEC series (17.1% of total sales)
 - (2)GT-Air series (18.1% of total sales)
- New entry into helmets for BMX competition
 - Scheduled to start sales in FY ending September 2024
 - Expected investments totaling approximately 100 million yen
 - Starting in the Japanese market with plan to launch in European markets as well
 - Aiming for net sales of 200 million yen and gross profit of 100 million yen three years later



NEOTEC 3



GT-Air 3



BMX image

BMX racing scenery



2. Capital Strategy

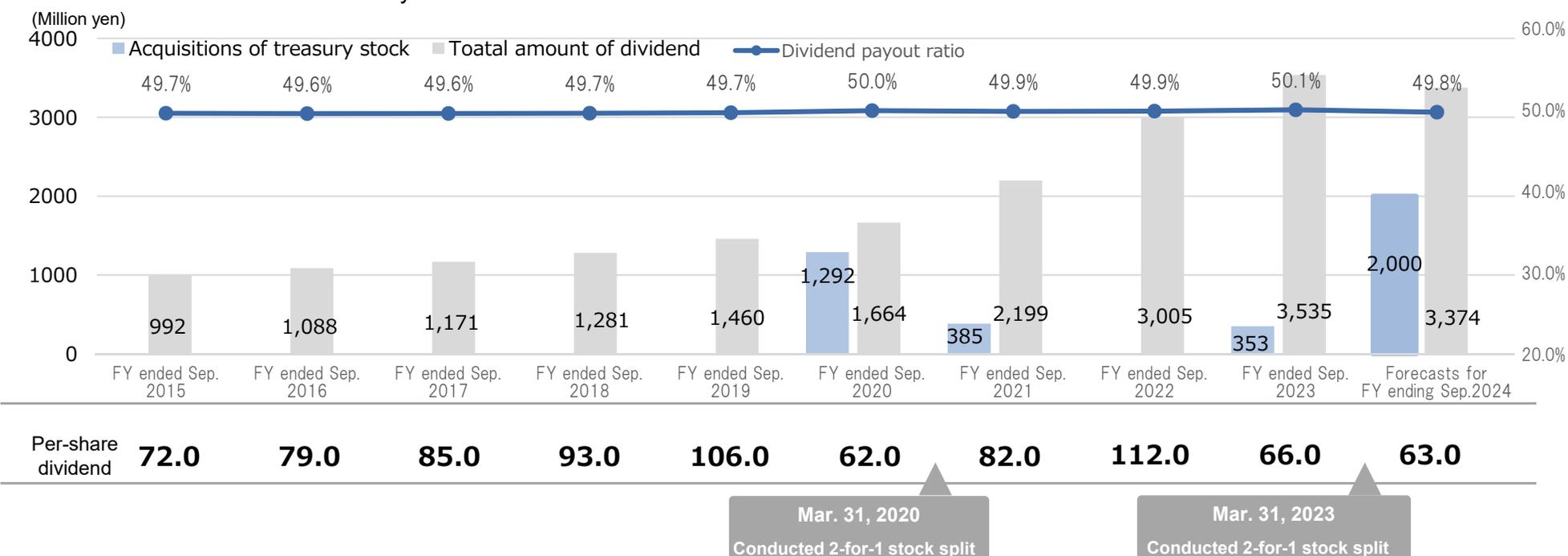


Basic Policy

- The Company regards the return of profits to shareholders as an important management issue and has a basic policy of distributing profits in proportion to business performance with a consolidated dividend payout ratio of around 50%. The Company has its basic policy, under which the flexible capital policies are implemented in response to changes in the business environment in order to improve capital efficiency and enhance shareholder returns.

Trend of dividend payout ratio and acquisition of treasury stock

- We will maintain a dividend payout ratio of 50%, and in November 2023 announced and implemented the acquisition of treasury stock up to 1.2 million shares and 2 billion yen



株主優待

- Our sales promotional items or a voucher for preferential discount that can be used only at our directly managed stores (20% discount at new Kyoto and Fukuoka stores, 15% discount at existing stores)



III. Growth Strategies



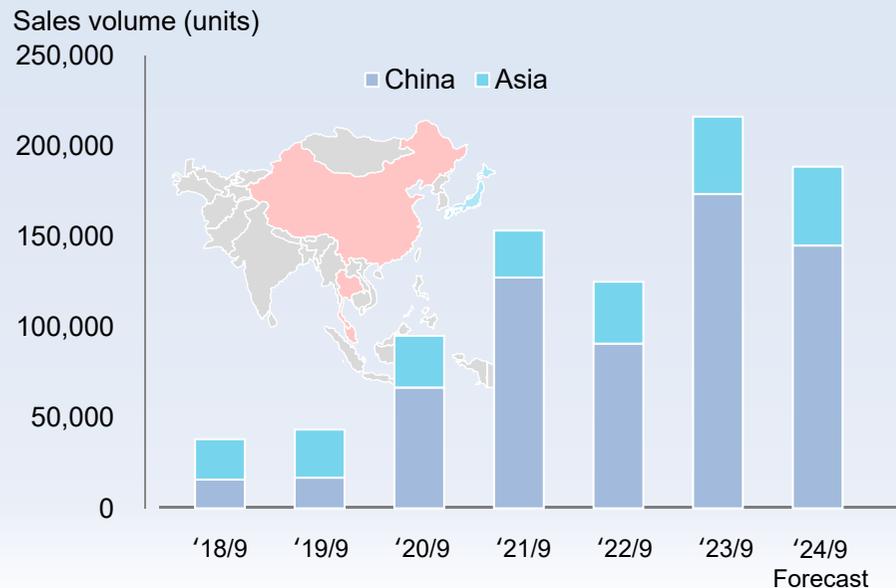
1. Sales strategy



- Strengthen sales and expand promotional activities with a focus on Asia and China, where rider population growth and a bike boom driven by the younger generation is expected in the future

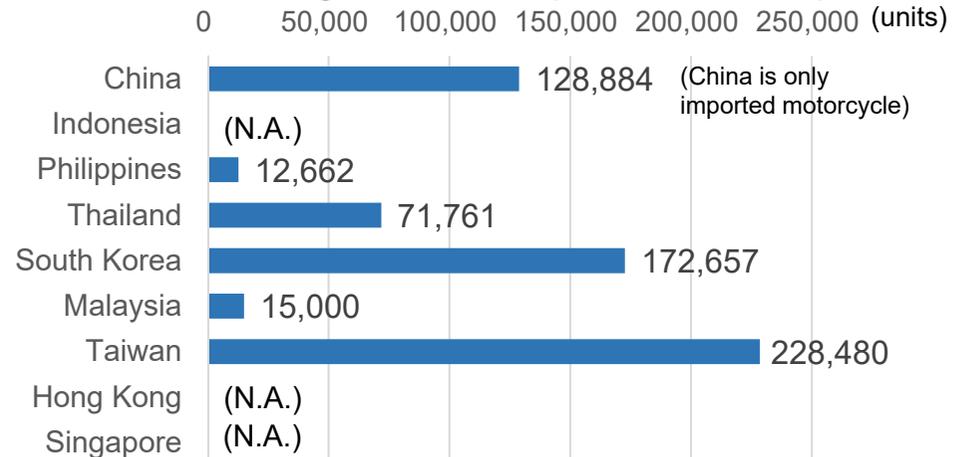
Increase of sales in Asia

Trend of sales volume in Asia market



Overview of Asia market

Sales volume of large motorbikes (more than 250cc) in 2022



(Source) SHOEI estimates based on statistical data of each country

Promote sales in Asia (develop sales hubs)



- We aim to quickly establish a sales structure in the Thai market and demonstrate marketing functions in the ASEAN market



- August 2019 SHOEI ASIA CO., LTD. Established (Thailand)
- Sept. 2022 Acquisition of the Thailand Industrial Standards approval



- We will enhance the gathering of information on demand trends in the Chinese market, leading to product development and marketing that reflects the Chinese market

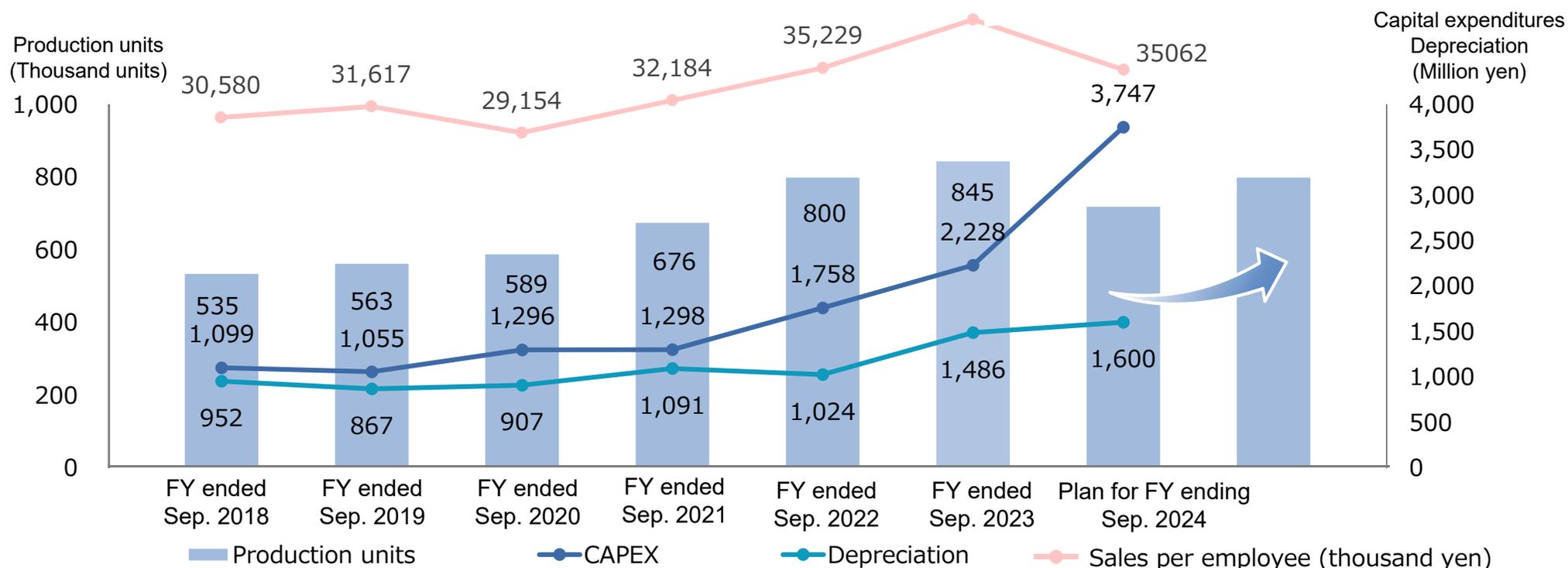


- June 2021 SHOEI (SHANGHAI) CO., LTD. Established (Preparing offices)
- April 2022 One general manager and one local staff member will be hired for the office, the opening of which was delayed due to the impact of the COVID-19 pandemic.
- March 2023 One local staff member be hired

2. Production Strategy



- We are a *Kaizen*-oriented company and put *Genchigenbutsu*, the underlying concept that emphasizes the importance of frontline operations, into practice. In other words, we will make capital investments speedily to respond to an increase in the volume of sales after we actually recognize demand instead of making them based on estimates and wishful thinking. We take it for granted that there will be risks of a downturn as a result of the end of the COVID-19 pandemic and riders becoming older and therefore consider it appropriate to deal with this risk in a discreet way.
- Production targets for FY2024/9: 720,000



The production system in the future

- In light of declining orders in the fiscal year ending September 2024, we will change our protection structure flexibly, such as reducing work on holidays to zero while incorporating some of the work that had been outsourced. We will also improve production efficiency and promote individual skill improvements.
- While development of the new site for the Ibaraki Plant will be completed and handed over in February 2024, decisions regarding what will be transferred to the new site and what facilities should be expanded will be determined after carefully considering future demand trends. At this stage, we expect to transfer warehouse functions and expand processes that improve added value at the existing Ibaraki Plant.

3. Introduction of PPA (solar power generation)



Background behind the introduction

- From February 2022, the company has implemented various measures under a policy of swiftly taking action suitable to each company's condition at Environmental Action Meetings led by the president. We recently decided to introduce PPA (solar power generation) as part of those efforts, and will move forward with implementation.

Overview

- At the Ibaraki and Iwate plants, we plan to install and begin operations using electricity generated from solar power based on a PPA model* from May 2024. Through this initiative, we expect to reduce annual CO2 emissions by approximately 267 tons, and raise the renewable energy utilization rate at both plants from the current approx. 13% to around 19%.

* PPA is short for "Power Purchase Agreement." A PPA model is a business model where a PPA operator installs solar power generating equipment on the premises, rooftops, etc. of an electricity consumer free of charge and then sells the generated electricity to that consumer.

- The electricity generated through the PPA model will account for roughly 7% of power consumption at both plants. Compared with current electricity rates, the unit price for the purchase of electricity under this model represents a decrease of around 40%, and is expected to result in cost savings of almost 8 million yen a year.

【Ibaraki Plant (The yellow circles indicate the planned locations for solar panel installation)】



【Iwate Plant (as described on the left)】



4. ESG Management

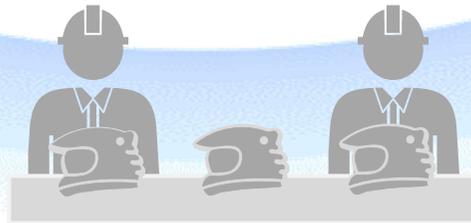


Environment

Preventing global warming

- Ascertaining what suits SHOEI and promptly promote what we can
 - All employees of head office commute by public transportation.
 - Company cars will gradually be replaced with hybrid vehicles.
 - The two plants have already installed EV charging equipment, and are replacing employees' private cars with eco-friendly vehicles for commuting.
 - Improve green efficiency of power purchased for plant production (currently approx. 13%)
 - Decision to introduce solar power generation (PPA)
- Promote spread of bikes with little CO2 emissions

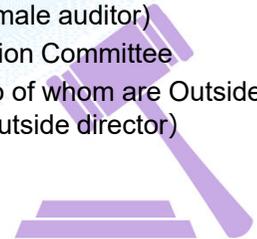
Rich imagination and a product quality to be proud of



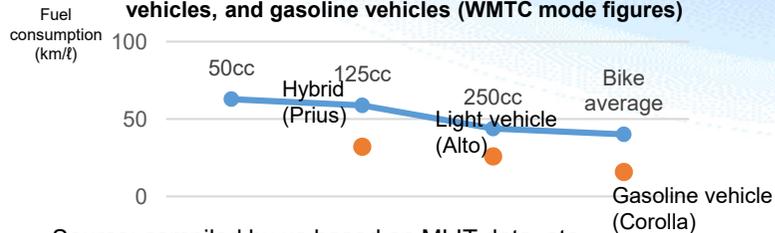
Governance

Corporate governance and compliance

- Respond to required governance items when moving to the prime market
- Appropriately respond to revised CGC
- Board of Directors (planned)
 - Six Directors in total, two of whom are Outside Directors (including one female director)
- Auditors and Board of Auditors
 - Three Auditors in total, two of whom are Outside Auditors (including one female auditor)
- Nomination and Remuneration Committee
 - Three Director in total, two of whom are Outside Directors (chaired by an outside director)



Comparison of fuel consumption between bikes, hybrid vehicles, and gasoline vehicles (WMTC mode figures)



Source: compiled by us based on MLIT data, etc.

Society - Contributing to social issues through business activities

Harmony with local communities

- 100 million yen each donated to Inashiki City (Ibaraki) and Ichinoseki City (Iwate) in our own version of the hometown tax donation program
- Donating tax for hometown assistance



Giving back to employees

- Employee salary increase by 4% for the 8th term in a row
- Giving more back to our employees by creating a system for granting restricted stock



Development and contribution of safety technology

- Promotion of the safety and health of consumers through the development of safe and comfortable helmets and business activities



Appendix: Company Profile



1. Company Profile



Company Name	SHOEI Co., Ltd.
Head Office	1-31-7 Taito, Taito-ku Tokyo
Established on	March 17, 1959
Business description	Manufacture and sale of motorcycle helmets and other helmets for government and other public offices (for the Ministry of Defense and the National Police Agency)
Net Sales	33,616 million yen (Consolidated/Fiscal year ended September 30, 2023)
Ordinary Income	9,858 million yen (Consolidated/Fiscal year ended September 30, 2023)
Profit Attributable to Owners of Parent	7,068 million yen (Consolidated/Fiscal year ended September 30, 2023)
Paid-up Capital	1,421 million yen (Consolidated/as of September 30, 2023)
Number of Employees	836* (Consolidated/as of September 30, 2023) <small>* Including 267 contract and part-time workers</small>
Securities Code	7839 Tokyo Stock Exchange, Prime Market

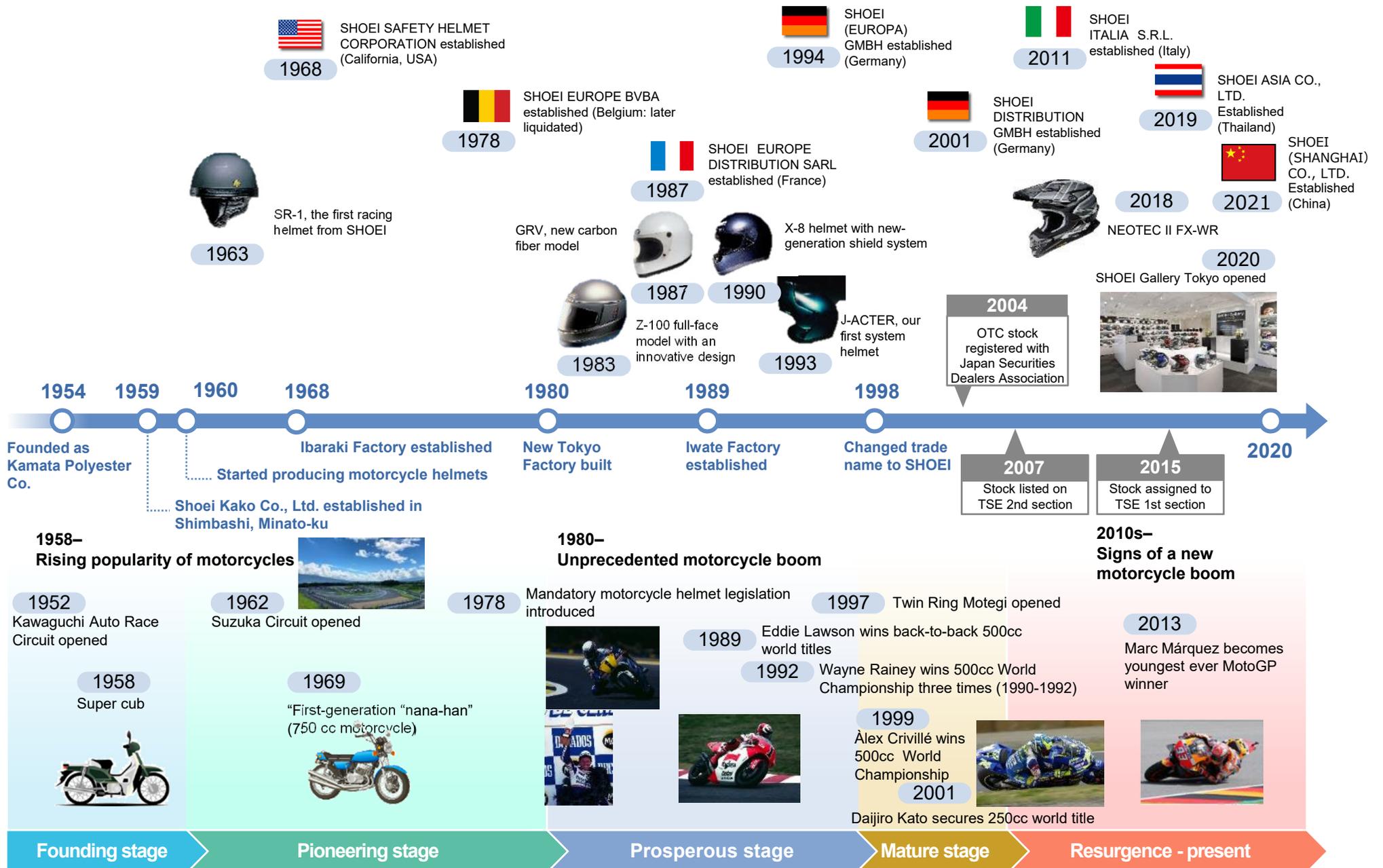
2. Business Description



- We manufacture mainly motorcycle helmets as well as some other helmets for aircraft and armored vehicles.
- Our sales network encompasses more than 60 countries extending from Japan to Europe, North and South America, Oceania and Asia. We command the largest share of the premium helmet market in most countries.



3. History

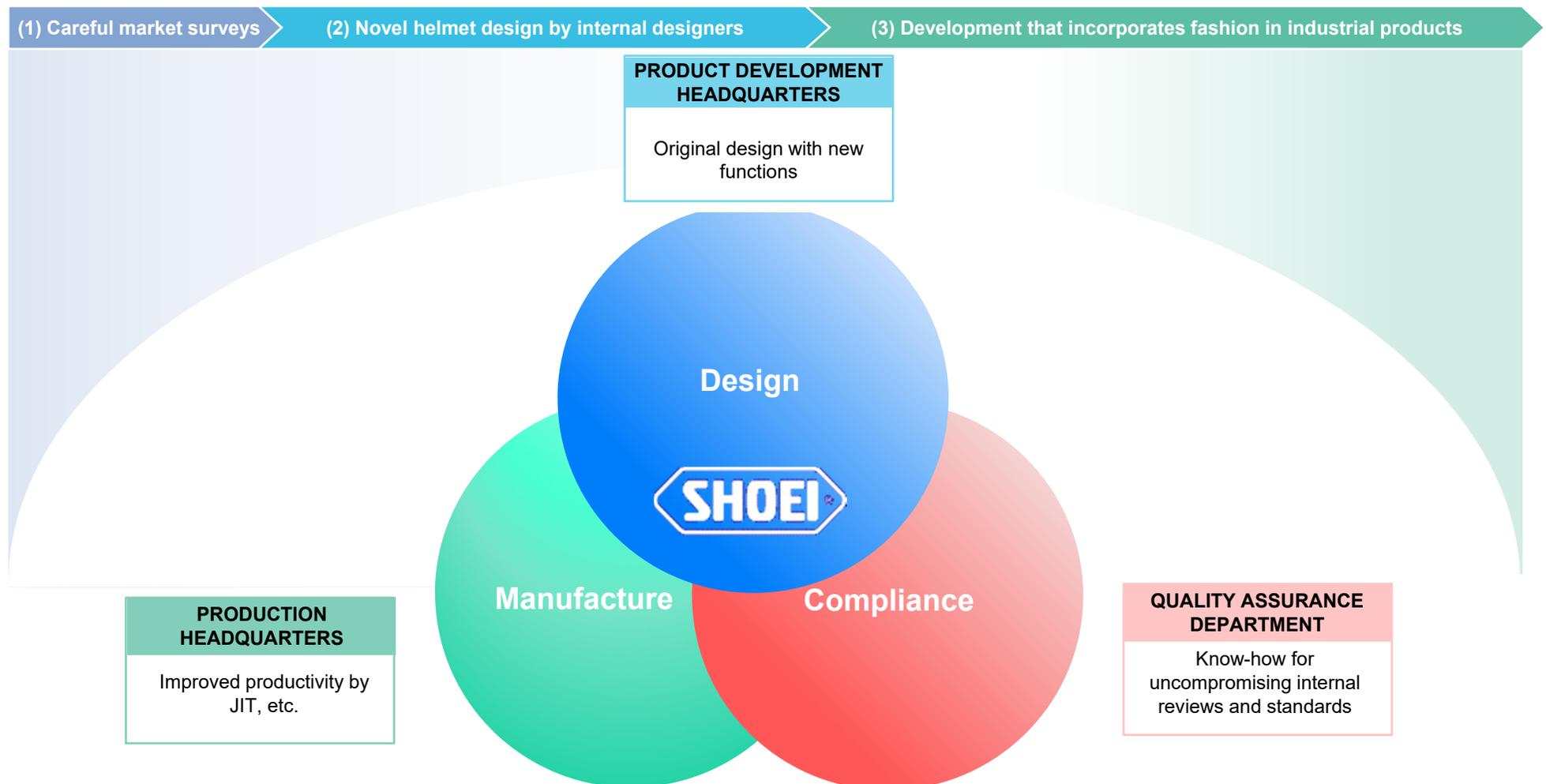


4. SHOEI's strengths



Maintaining Made in Japan with the twin axes of high added value and rational production

- Resilience that skillfully combines the three elements indispensable to premium helmet production, which have mutual trade-offs
- Integrated production systems at our two plants in Japan, with flexible systems to enable production at either plant
- Maintaining superiority as well as strengthening information management to keep high technologies and expertise confidential



Business Concept

Quality & Value

Management Policies

- 1 Commit to ensuring business continuity in the long term through a sound financial position
- 2 Compete with “Made in Japan” products
- 3 Listen to consumer feedback

Management Strategies

- 1 Production Strategy
- 2 Sales strategy
- 3 Brand strategy
- 4 ESG management

6. Global Network



Iwate Factory



Head Office



Ibaraki Factory

7. Premium helmet market size and SHOEI share by region

- Motorcycle helmets which offer the ultimate in cool appearance, safety and functionality
- Premium helmets which are favored by the world's top racers and which meet the demanding requirements of riders in more than 50 countries around the globe
- Commands a 60% share of the global premium helmets market and market leader in most countries and regions
- Synonym for high quality and safety - SHOEI's helmets are the pride and status symbol of riders who wear them

Boasts more than 60% share of global premium helmets market

Global premium helmets market

Approx. 80 bn yen*



* Based on SHOEI estimates

