

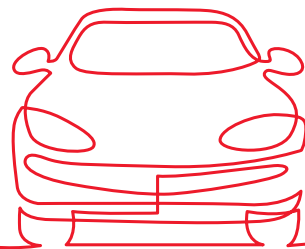
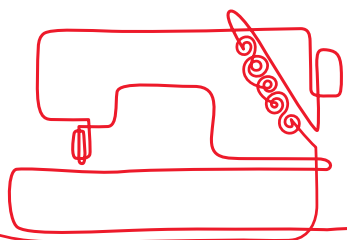


Securities Code: 6262 (TSE)

Mid-Term Management Plan

FY3/2025-FY3/2027 (April 2024-March 2027)

Beyond the Limits



PEGASUS CO., LTD.

1. Why PEGASUS

- Introduction
- Two Business Pillars
- Global Niche Differentiation Strategy
- Production Bases

2. Where We Are

- Business Environment
- Financial Performance
- Financial KPIs
- Progress of Key Measures

3. Growth Strategy & Priority Measures

- Basic Policies & Mid-Term Management Plan
- KPIs
- Business Portfolio
- Industrial Sewing Machine
- Automotive Parts
- PEGASUS Sustainability Plan
- Financial Strategy
- IR System

Corporate Philosophy



Through our people & technology, we strive to provide better Products, Service and Quality and make a positive contribution to the world of “social development”

Since its founding in 1914, PEGASUS has developed its businesses as a manufacturer of industrial chainstitch sewing machines with the group’s shared philosophy of “contributing to the development of clothing cultures around the world through our people and technology.”

Our operations have now expanded into automotive business field, in addition to clothing space, supporting people’s necessities in daily lives through providing die-casting parts for automobile industry which requires stringent quality standards including seat belt retractors and engine room related parts utilizing our precision metalworking technologies cultivated over the years.

In view of the business expansion into the automotive space, we changed our corporate name to PEGASUS CO., LTD. from the previous PEGASUS SEWING MACHINE MFG. CO., LTD. in April 2023.

Beyond the Limits

We decided to put up the slogan **“Beyond the Limits”** for this Mid-Term Management Plan.

In a rapidly changing world, it is important for us to receive “recognition” from our customers and we consider that as our mission. With that in mind, we will continue to strive to differentiate ourselves in three areas; products, service and quality, so we can go beyond our customers’ imagination, our own limitations, and common sense of society.



Shigemi Mima
Representative Director and President



Industrial sewing machine production



Automotive parts production

Industrial Sewing Machine

*Japan, China, and Vietnam

We manufacture and sell industrial sewing machines used for apparel production at sewing factories with a focus on chainstitching machines used mainly for knitted clothing.



- ✓ Sold in about 70 countries
- ✓ Manufacturing globally*
- ✓ 3,500+ types of sewing machines in product lineup

Characteristics & Strengths

We pride ourselves on the **world-leading technological capabilities** we have fostered over the years. We offer high precision machine types that reach **10,000 rpm**. We **address a wide range of needs for ever-evolving functional materials** such as highly elastic materials and thin but durable fiber materials.

Basic Policy

By thoroughly differentiating in the 3 areas of products, service and quality as well as creating and expanding our markets, we will establish a strong position in the industrial chainstitch sewing machine industry.

Automotive Parts

*China, Vietnam, and Mexico

We manufacture and sell automotive parts that require technological capabilities such as safety belt retractor (wind-up device) parts and other automobile parts.

- ✓ 4 production bases in 3 countries
- ✓ Manufacturing globally*
- ✓ Production capacity of over 100 mil units/year



Characteristics & Strengths

We **took advantage of our technological capabilities** nurtured through our industrial sewing machine business and **entered into the automobile industry that requires competitive production capability, quality, and cost**. We **provide high value-added products** with our precise processing technologies and global production network.

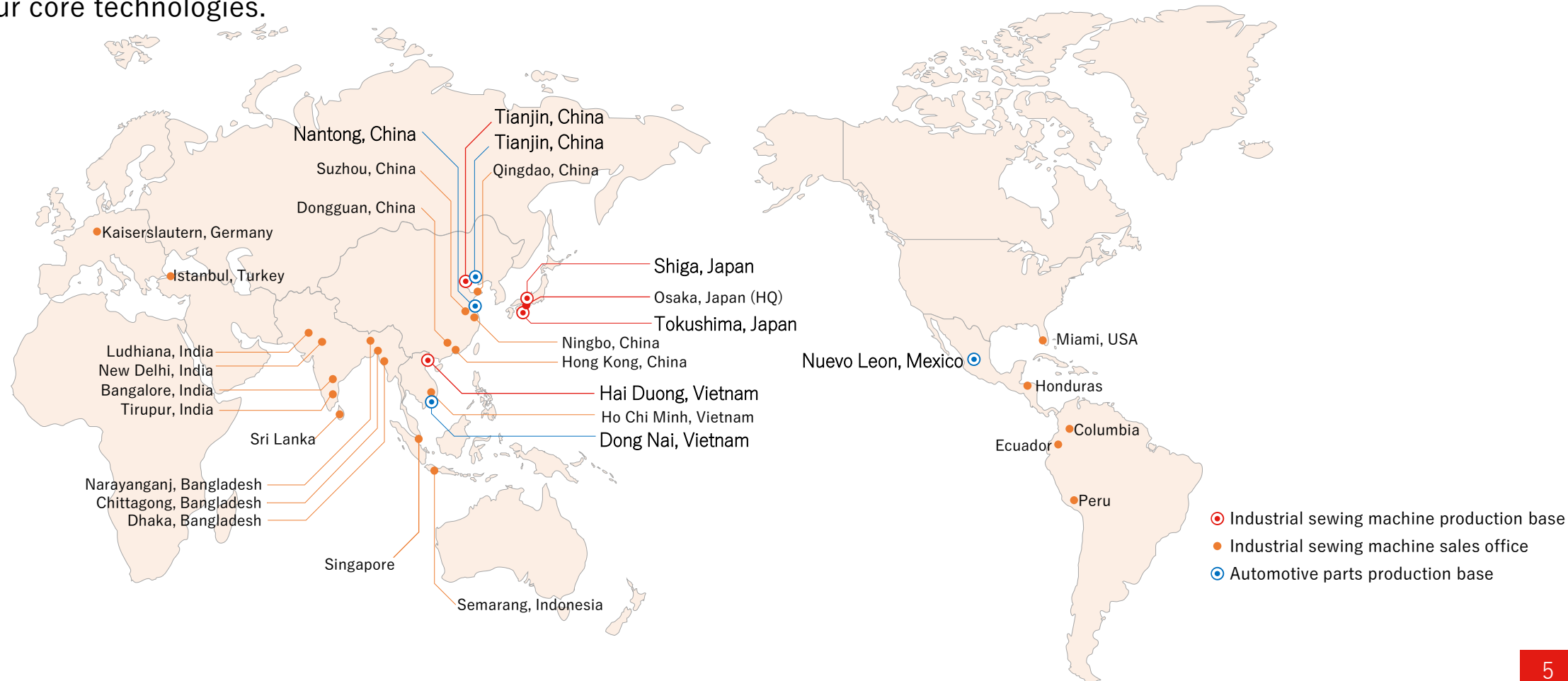
Basic Policy

By adding higher value to products and reinforcing sales and marketing, we will facilitate the expansion of our distribution channels.

Why PEGASUS: Global Niche Differentiation Strategy



- We have been actively investing in overseas markets and **expanding our sales and production bases globally** providing quality products and services that satisfy local needs **with a focus on niche products such as industrial chainstitch sewing machines** produced with our **world-leading technological capabilities**.
- In addition, we aim to build a stronger management foundation and to improve our corporate value through generating and expanding the markets we serve with our advanced technological capabilities and unique production processes through the pursuit of our core technologies.



Why PEGASUS: Production Bases



Shiga, Japan

Shiga, Japan

Established in October 1968
Mother factory producing high-end sewing machines and custom products
ISO9001:2015



Tokushima, Japan

Tokushima, Japan

Established in March 1962
Production of sewing machine parts, maintenance of processing equipment



Tianjin, China

Tianjin, China

Established in May 1985
Main production plant for sewing machines with R&D capabilities
ISO9001:2015/14001:2015/45001:2018

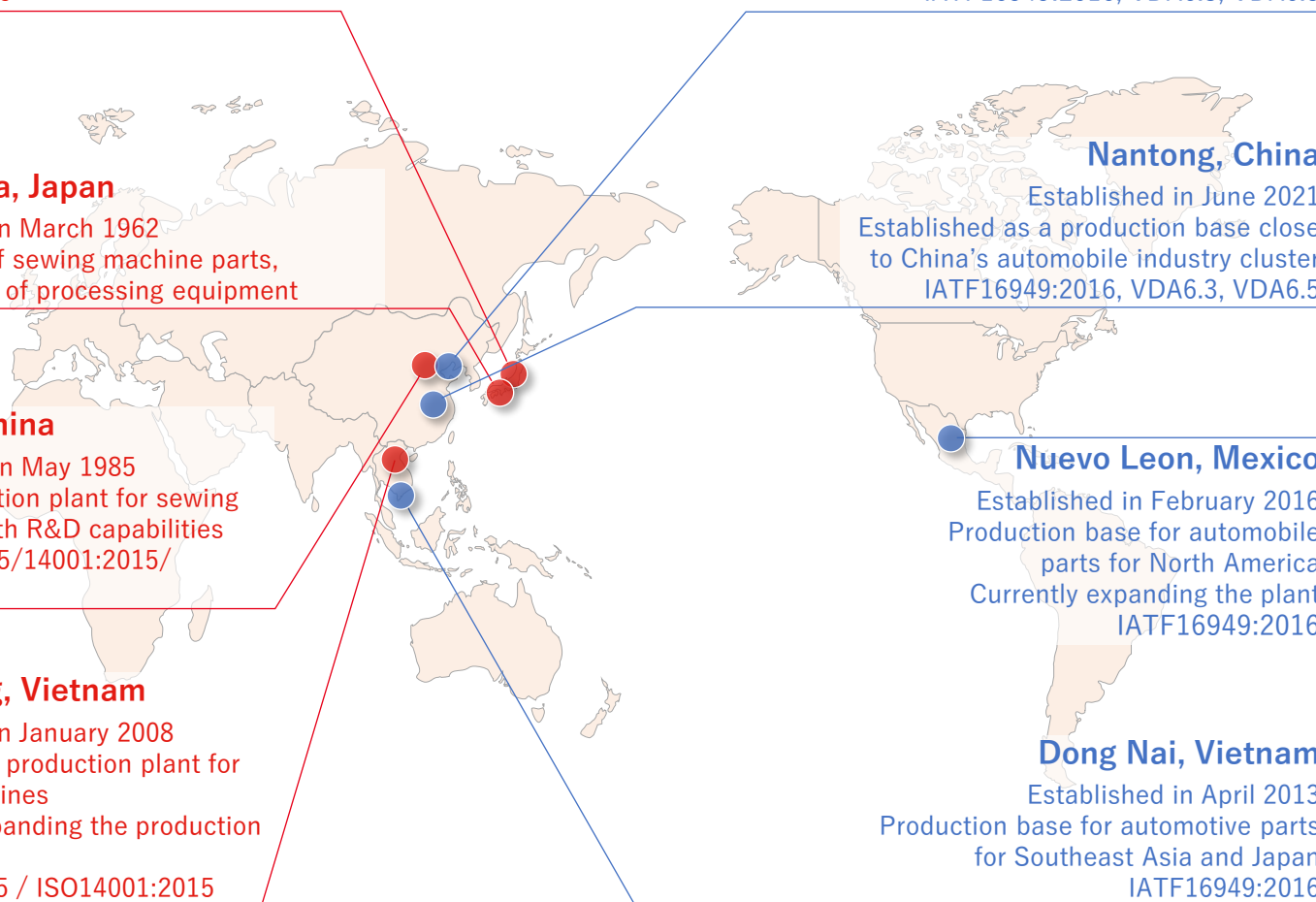


Hai Duong, Vietnam

Hai Duong, Vietnam

Established in January 2008
Second main production plant for sewing machines
Currently expanding the production capacity
ISO9001:2015 / ISO14001:2015

- Industrial Sewing Machine
- Automotive Parts



Tianjin, China

Established in January 2007
Founded jointly with Shimamoto Die casting Co., Ltd.
PEGASUS automotive parts business started from this location.
Production base for automobile parts for China and Europe
IATF16949:2016, VDA6.3, VDA6.5



Tianjin, China

Nantong, China

Established in June 2021
Established as a production base close to China's automobile industry cluster
IATF16949:2016, VDA6.3, VDA6.5



Nantong, China

Nuevo Leon, Mexico

Established in February 2016
Production base for automobile parts for North America
Currently expanding the plant
IATF16949:2016



Nuevo Leon, Mexico

Dong Nai, Vietnam

Established in April 2013
Production base for automotive parts for Southeast Asia and Japan
IATF16949:2016



Dong Nai, Vietnam

Industrial Sewing Machine

Impact from apparel consumer trend

- Cautious stance continues toward capital investments due to the issue of mass disposal of clothing and changes in consumer needs deriving from rising middle-income class

- ✓ Establish high-mix small-lot production system
- ✓ Develop products with balanced quality and pricing

Evolution and diversification in functional materials for fabrics

- Development of sewing machines suitable for fabric materials
- Compliance with sewing quality standards

- ✓ Strengthen mid to long term product development and basic research

Labor shortage issue in the sewing industry

- Shifting of leading production countries as a backdrop of soaring labor costs
- Lack of human resources with technical skills

- ✓ Reinforce labor-saving/deskilling products
- ✓ Respond to globalization of sewing factories

Automotive Parts

Geopolitical risks

- Continued instability in supply chain due to U.S.-China trade friction, unrest in the Middle East, and international logistics issues (Red Sea crisis, Panama Canal water shortage, etc.)

- ✓ Establish the position as a global supplier responding to the needs to procure parts in neighboring regions

Adapting to next-generation vehicle technology

- Increasing demands for precision die casting products for sensor components especially for EVs.

- ✓ Tap into new product demand with precision metalworking technologies cultivated through industrial sewing machine business
- ✓ Expand applicable product sizes from small items to medium-sized items

Rising labor costs and pricing pressure

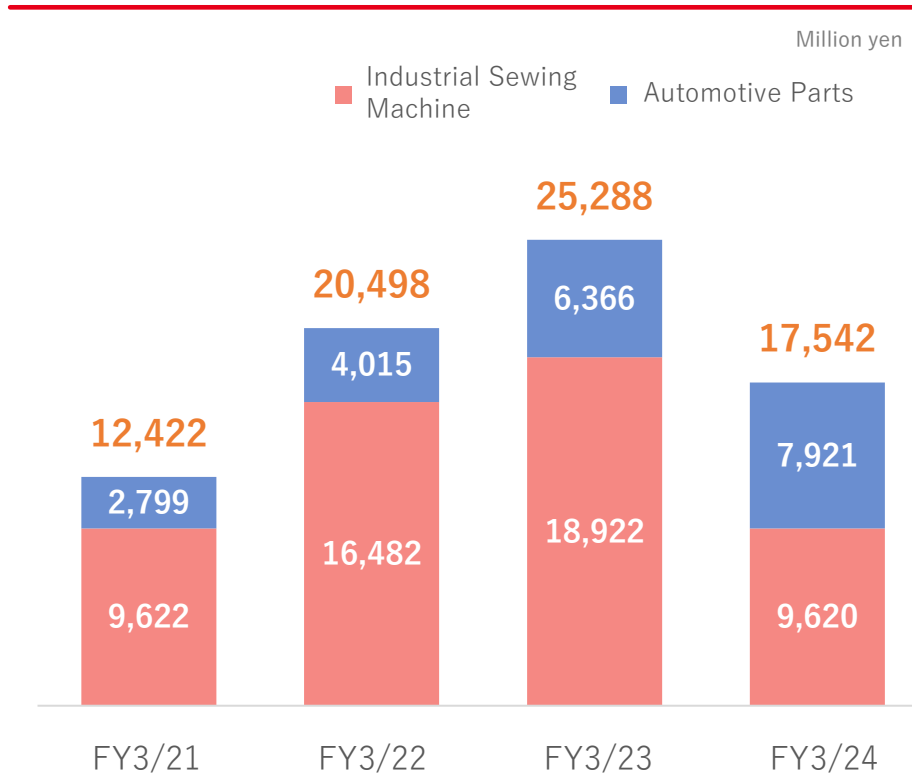
- Rising wages due to global inflation
- Cost reduction requests from customers and intensifying price competition with competitors

- ✓ Reduce costs (automation and labor saving in fabrication processes)

Reaffirm the risks in our business environment and execute upfront investment.

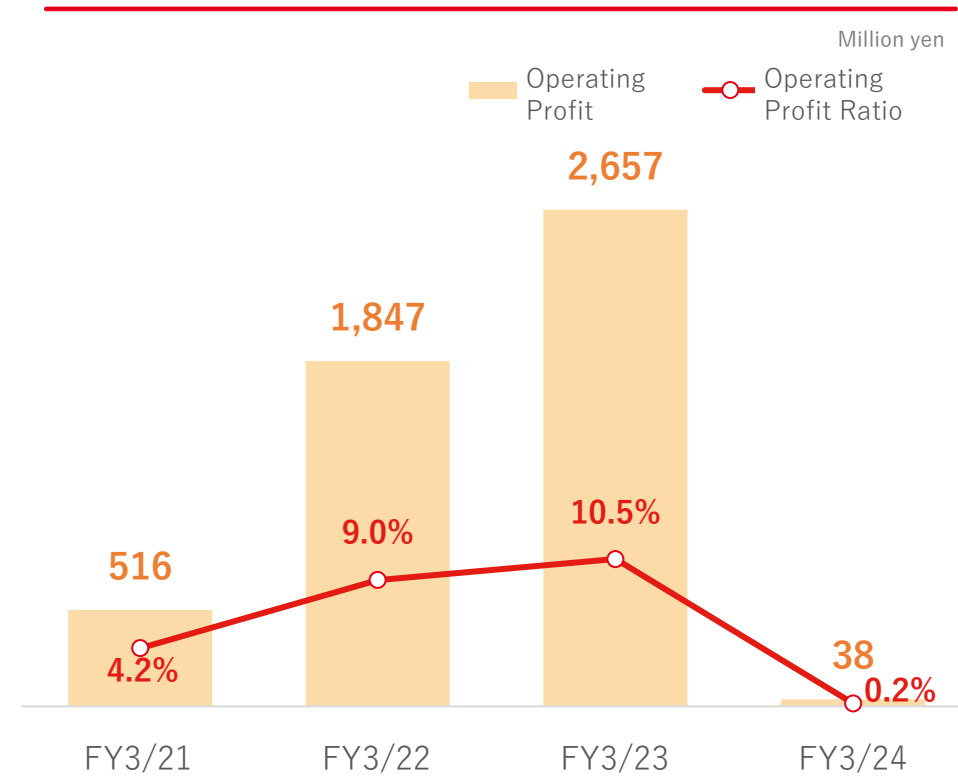
We aim for sustainable growth by grasping the business opportunities brought by changes surrounding our businesses.

Net Sales



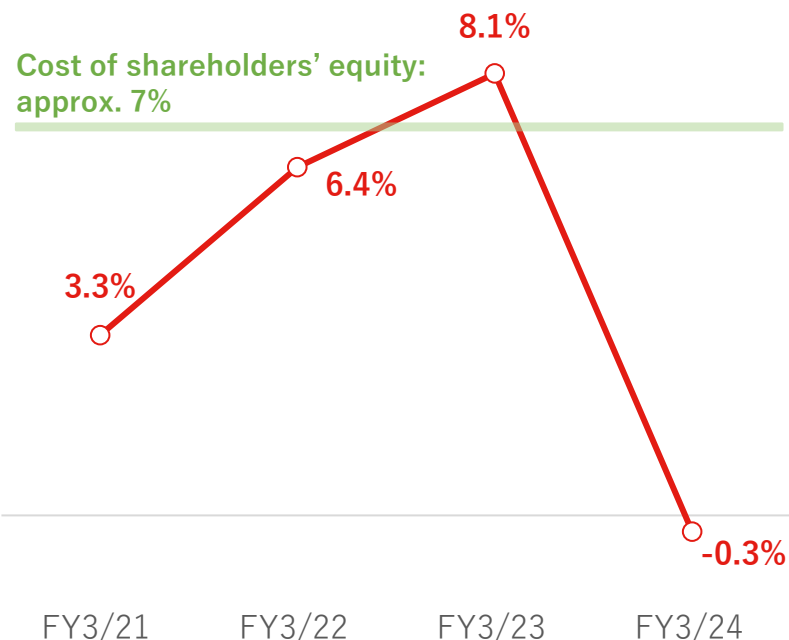
- Industrial sewing machine business saw demand recovery after the Covid-19 pandemic, but the demand peaked out in early 2023 and became sluggish in FY3/2024 due to backlash, which affected the sales revenue temporarily (currently in recovery trend).
- On the other hand, automotive parts business experienced good sales increase.

Operating Profit



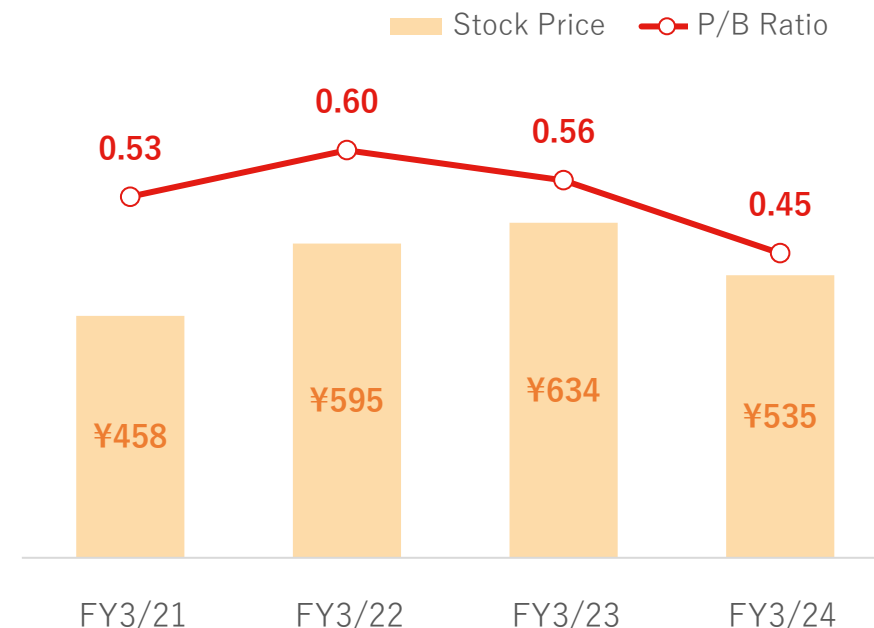
- The operating profits saw steady performance between FY3/2021 and FY3/2023.
- The total operating profit declined due to the decrease of net sales in the industrial sewing machine division in FY3/2024, however, we expect its recovery in FY3/2025 and onward with the market revival.

ROE



Our ROE has been struggling to go above the recognized cost of shareholders' equity (approx. 7%).

Stock Price and P/B Ratio



The level of the ROE required by the capital market (8.0% or above) has not been achieved leading to inadequate evaluation.

We will manage our business operation with the capital cost and share price in mind and be committed to improve corporate value and sustainable growth in mid to long run by implementing measure described in this Mid-Term Management Plan.

Where We Are: Progress of Key Measures



Industrial Sewing Machine Division

Key measures

Develop machine types supporting flexible manpower lines

Expand market share through improvement of existing models

Acquire new market by introducing strategic models

Strengthen production system to respond to order increase

Progress (review)

Developed multifunctional and electrical equipment integrated models

Renewal of design and functionality to make our products more competitive

Introduced price competitive models to tap into lower-end market where Chinese brands have high shares

Secured up to 4x production capacity by a new plant constructed in Vietnam (growth investment of approx. 2 billion yen) *In operation from April 2024



Automotive Parts Division

Reinforce production system toward acquiring new orders

Improve casting/machining technologies for better quality and additional cost reduction

Facilitate introduction of new technology

Expansion of Mexico plant and new plant construction in Nantong, China (growth investment of approx. 1.6 billion yen) and installed additional die casting machine

Labor cost reduction by automation of finishing process, complete prevention of defective products released outside of the company by installing camera inspection system, and shortened MC processing cycle by replacing tools (blades)

Realization of casting products previously considered difficult to produce by die casting by introduction of vacuum puller and push-in devices for special die casting process



Reinforcement of Management Foundation

Stronger governance system

Enhancement of human capital

Financial and capital policies

Achieved external officer ratio of more than 50% and female officer ratio 25% Appointment and Compensation Committee and Sustainability Committee established and in operation

Proactive recruitment of new graduates and career professionals and implementation of various education plans for human resource training and development Appointment of local staff to managerial and officer positions

Implementation of growth investments (active capital investments and overseas expansion) Stable return to shareholders

Beyond the Limits

We continue to strive to achieve differentiation in 3 areas (products, service and quality) and to exceed customers' imagination, our own limitations, and common sense of society by implementing growth strategy and priority measures described in this Mid-Term Management Plan to reach the targets: 30 billion yen in Net Sales and 3.2 billion yen in Operating Profit.

Sustainable growth of existing business
Further evolution through new business

Mid-Term Management Plan FY3/25-FY3/27

Net Sales **30** bn yen
Operating Profit **3.2** bn yen

Production Strategy
Reinforcement of equipment & optimization of production area

Market Strategy
Geographic expansion of sales & enhancement of customers

Product Strategy
Enrichment of product lineup

Issues to be addressed

Enhance production system

Strengthen product development capabilities and improve processing technologies

Promote sales of market penetration products

Implement financial and capital measures

March 2024

March 2027

Beyond

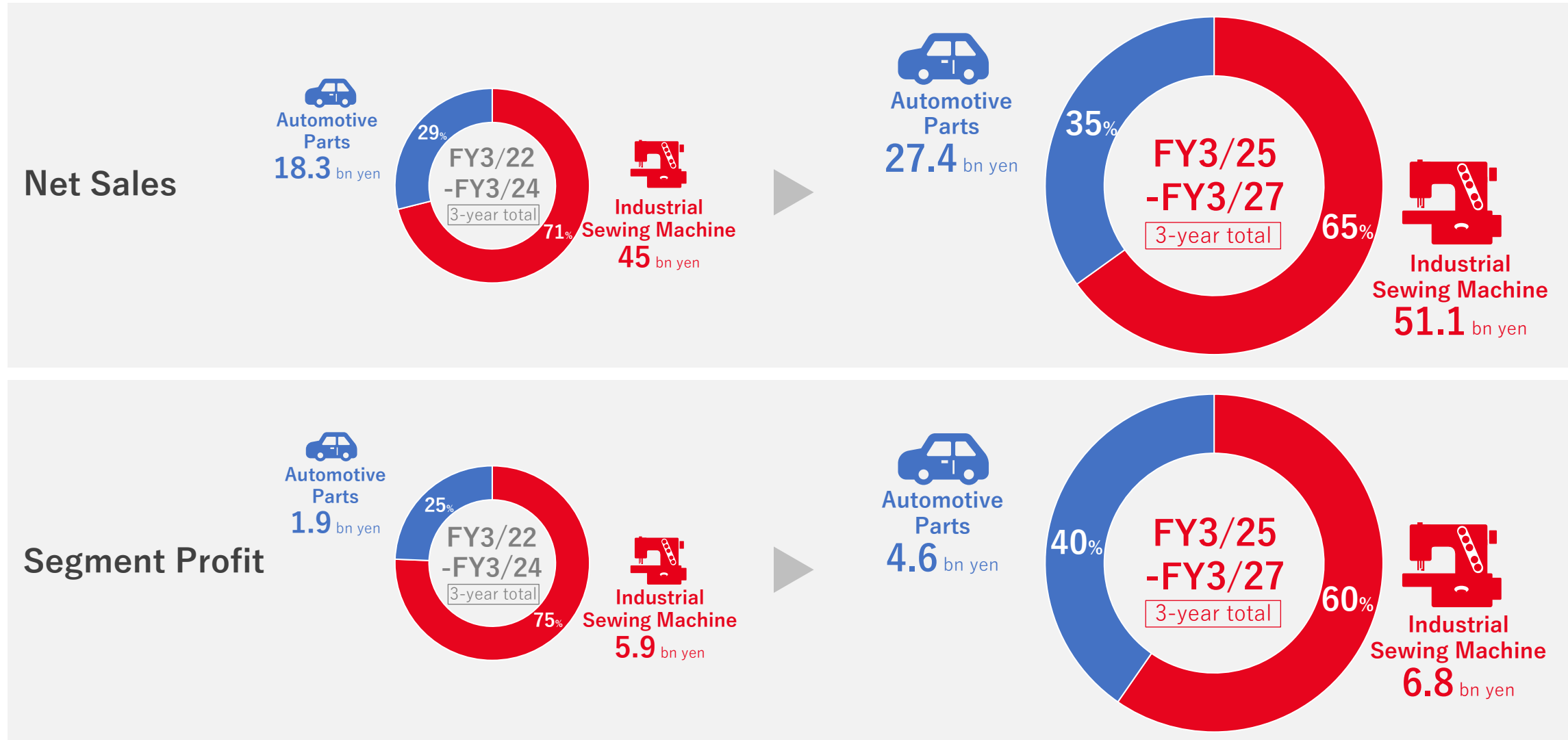
Improve corporate value
Execute growth strategy and priority measures

Sustainable growth
Further advancement

	FY3/2024 (actual)	FY3/2027 (target)	
Net Sales	17,542 mil yen	30,000 mil yen	<p>Execute growth strategy & priority measures</p> <p>▼</p> <p>Improve corporate value</p> <p>ROE 8%+</p> <p>(Cost of shareholders' equity: approx. 7%)</p> <p>Improve P/B ratio</p>
Operating Profit	38 mil yen	3,200 mil yen	
Operating Profit Ratio	0.2% ▶	10.5%	
ROE	-0.3%	8.6%	
Dividend Payout Ratio	-	30%+	

- We aim to **establish stable profit structure** by increasing the share of automotive parts in both net sales and profit.

Changes in Business Portfolio





Industrial Sewing Machine

FY3/2024
Net Sales **9.6** bn yen

FY3/2027
Net Sales **20** bn yen

Development of New Products

Priority Measures toward FY3/2027

- Development of labor-saving devices (User-friendly support)
- Development of motor integrated sewing machine
- Development of next generation sewing machine (digital control)
- Adaptation to sewing specifications addressing market needs
- Focusing on basic research on sewing and technologies

Stronger Production Structure

Priority Measures toward FY3/2027

- Full-scale operation of Vietnam plant and expansion of processing facilities
- Introduction of 24-hour production system
- Establishment of two major production bases with China
- Introduction of new processing equipment and expansion of production capacity
- High-mix, small-lot production system

Expansion of Distribution Network

Priority Measures toward FY3/2027

- New market development (10 countries in South America, Africa, etc.)
- Development of wholesale distributors (4 countries)
- Sales collaboration with JUKI Corporation
- Strategic introduction of popular models
- Improvement of existing models
- Expansion of product lineup with balanced quality and price



Automotive Parts

FY3/2024
Net Sales **7.9** bn yen



FY3/2027
Net Sales **10** bn yen

Establishment of Supply System

Priority Measures toward FY3/2027

- Substantial expansion of production facilities.
Establishment of stable supply system for China, North America, and Asia.
- Expansion into the EU region.
Examined establishment of new production base in the EU region to further strengthen local production and sales.
Detailed investigation of business environment etc. for the potential countries for expansion.

Technological Development

Priority Measures toward FY3/2027

- Enrichment of product lineup.
Experimenting new technologies and increasing the size of existing parts.
- Active promotion of automation and labor-saving.
Realizing stable quality, higher productivity, and cost reduction by automation of finishing processes etc.
- Improvement of mold design and manufacturing technologies.

Expansion of Distribution Network

Priority Measures toward FY3/2027

- Acquiring customers leveraging our strength with 4 production bases in 3 countries (sharing customer information).
- Supply chain optimization.
Production and sales expansion at locations closer to customers.
- Tap into Japanese and non-Japanese auto parts manufacturers at each location.

Since its founding, PEGASUS has strived to solve social issues through daily business activities based on our corporate philosophy: **“Through our people & technology, we strive to provide better Products, Service and Quality and make a positive contribution to the world of social development.”**

We formulate our basic business policy with consideration for the importance of sustainability of society and the global environment and will continue to strive to develop a sustainable society through the business activities based on the spirit of our corporate philosophy.

E

Environment

- We are installing solar panels on our production facilities and promoting effective use of rainwater at the headquarters building.



Solar power generation at Tianjin production facility

S

Social

- We are aiming for the female employee ratio of 35% and 15% for the ratio of women in managerial positions by 2030.



Facilitate further participation of female employees

G

Governance

- We enhance dialogue with various stakeholders from different angles including our business performance and policies.



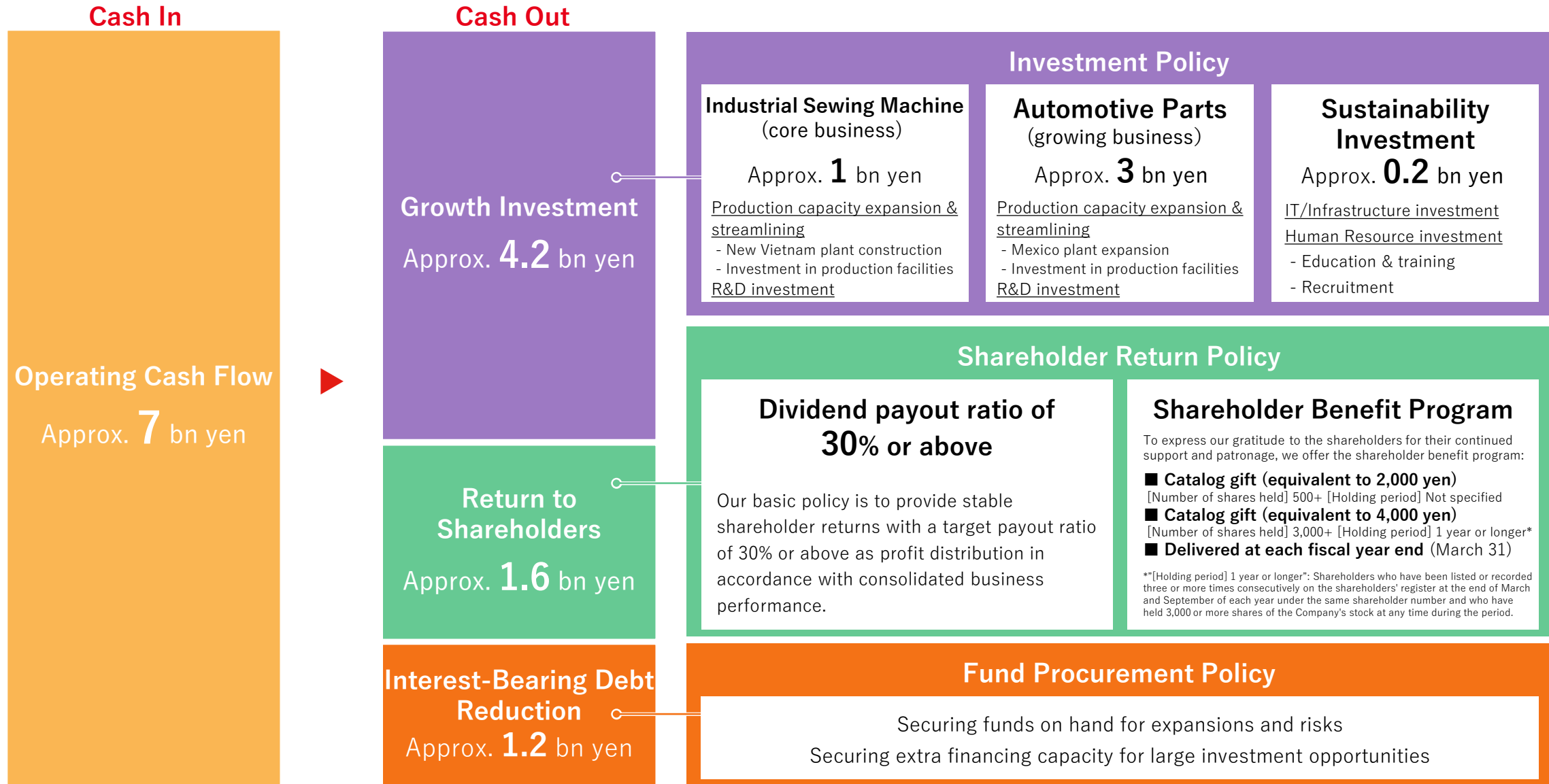
Enrich IR communication

	Issues tackled	Main activities
E (Environment)	Contribution to reducing environmental impacts	<ul style="list-style-type: none"> • Development of highly energy-efficient small motors • Development of a clean environment at die-cast production sites (installation of equipment that purifies wastewater and reduces air pollutants) • Saving resources by providing digital instruction manuals for sewing machines • Introduction of renewable energy and equipment with high environmental performance • Introduction of solar power generation equipment as part of carbon neutral initiative
S (Social)	Enhancement of human capital	<ul style="list-style-type: none"> • Appointment of local staff to managerial and officer positions at overseas subsidiaries • Improvement of operational efficiency by introducing remote work and using IT to promote diverse work styles • Sharing technology and knowledge with local staff at overseas subsidiaries • Active recruitment of new graduates and career professionals • Implementation of various educational plans for human resource training and development
	Contribution to improving the working environment	<ul style="list-style-type: none"> • Development of user-friendly products that are safe and easy for customers to use (improved usability has reduced the work of operators and improved quality and productivity) • Improvement of safety by introducing automatic carrying system at production facilities • Revitalization of the organization and improvement of productivity by introducing a refreshing time
G (Governance)	Reinforcement of corporate governance system	<ul style="list-style-type: none"> • External officer ratio of more than 50%, emphasis on female officer ratio (appointment of three directors and two auditors among independent external officers (three men and two women)) • Diversity of the Board of Directors (proactive appointment of those active in various fields to director and managerial positions regardless of nationality) • Increased communications with investors • Thorough financial strategy (cash allocation, equity ratio, etc.)

Future policies

Discussions are underway toward disclosure of non-financial information including responding to TCFD and disclosure of integrated reports. We will implement sustainable business to establish a sustainable business model and highly transparent relationships with stakeholders.

FY3/2025-FY3/2027 3-year total



Enrichment of information disclosure

Provide information:

- **Information disclosure in English** for overseas investors (earnings briefings, financial reports, convocation notices, other presentation materials, etc.)
- **Promote disclosure of non-financial information such as materialities related to sustainability**
- **Responding to climate change and promoting initiatives related to reduction and mitigation of environmental impact**

Dialogue with shareholders/investors

Increase communications:

- **50+ IR/SR meetings annually with the Representative Director and President etc. as the main speaker**
- **Dialogues regarding the topics** such as changes in business environment and our business model and strengths **reflecting the area of interest of the shareholders and investors**
- **Hold business briefings** per business segment



We aim to deepen our relationships with existing shareholders/investors and to facilitate investments from new shareholders/investors through our enhanced IR system.

**PEGASUS SEWING MACHINE MFG. CO., LTD. changed its corporate name
to “PEGASUS CO., LTD.” on April 1, 2023.**



<Notes regarding this document>

Financial results forecast and other forward-looking information contained in this document are based on information currently available to the Company as well as estimates on the economic environment and are therefore subject to a number of uncertainties. Actual results may differ from these forecasts due to a variety of factors.

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