



FY2023 Second Quarter Financial Results Briefing

The 100th period : Apr. 1st, 2023- Sep.30th, 2023

思いをこめて、あしたをつくる

Passion in Creating Tomorrow

Nov. 6th, 2023

PACIFIC INDUSTRIAL CO., LTD.

- 1 . FY2023 Q2 Financial Performance**
- 2 . Financial Forecast (FY2023 Full Year)**
- 3 . Medium-term initiatives**

Cautionary Statement with Respect to Forward-Looking Statements

These materials contain forward-looking statements that reflect our current expectations. These forward-looking statements are not guarantees of future performance. It involves any risk depending on the Japanese or international economic situation, business trends related to our company, fluctuation of exchange rates and other factors. It may cause our actual performance to be materially different from any future results announced.

1-1 Q2 Consolidated Financial Summary



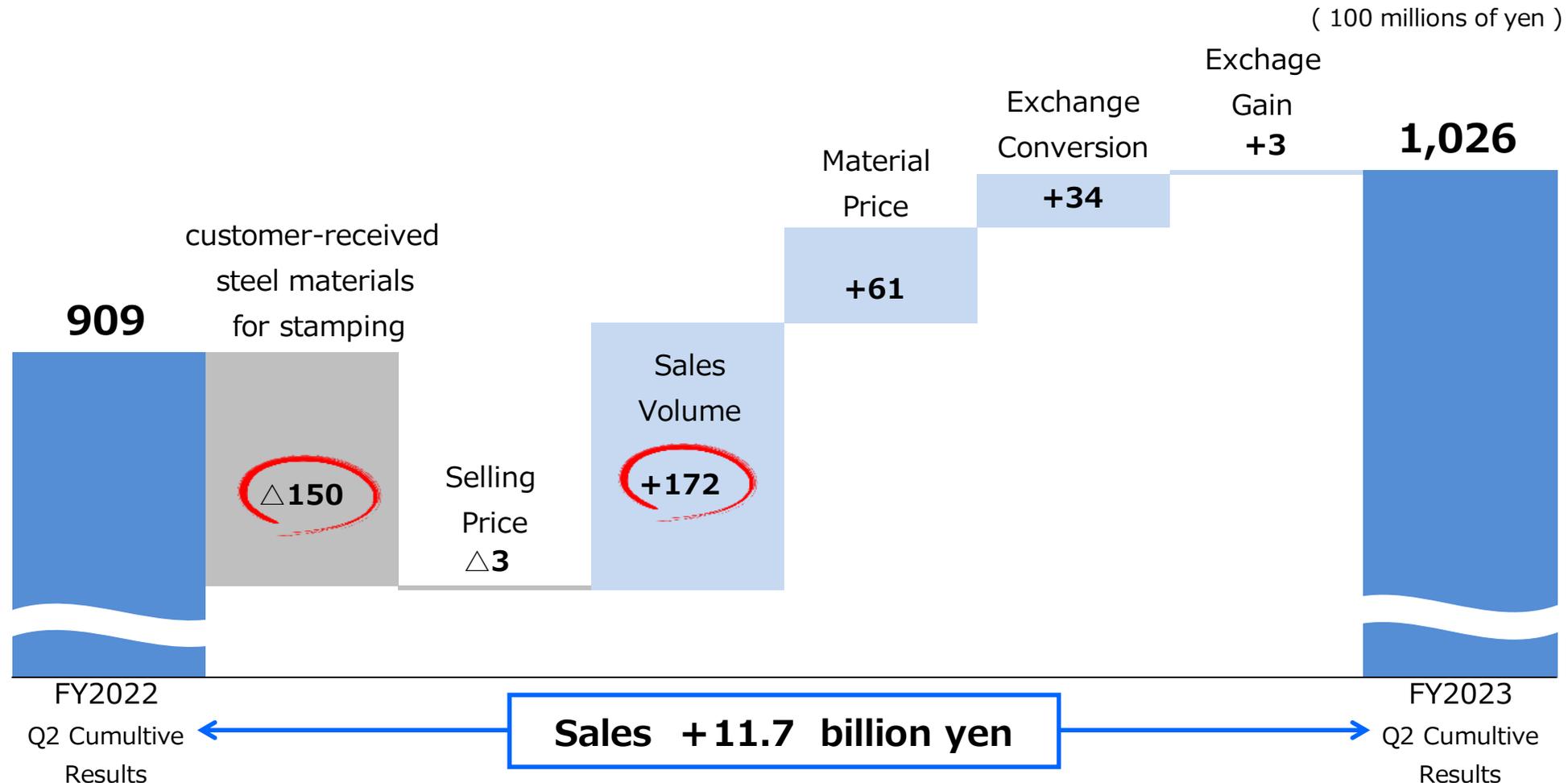
Record highest were achieved for sales, ordinary and net income due to increase in higher automobile production.

(100 millions of yen, %)

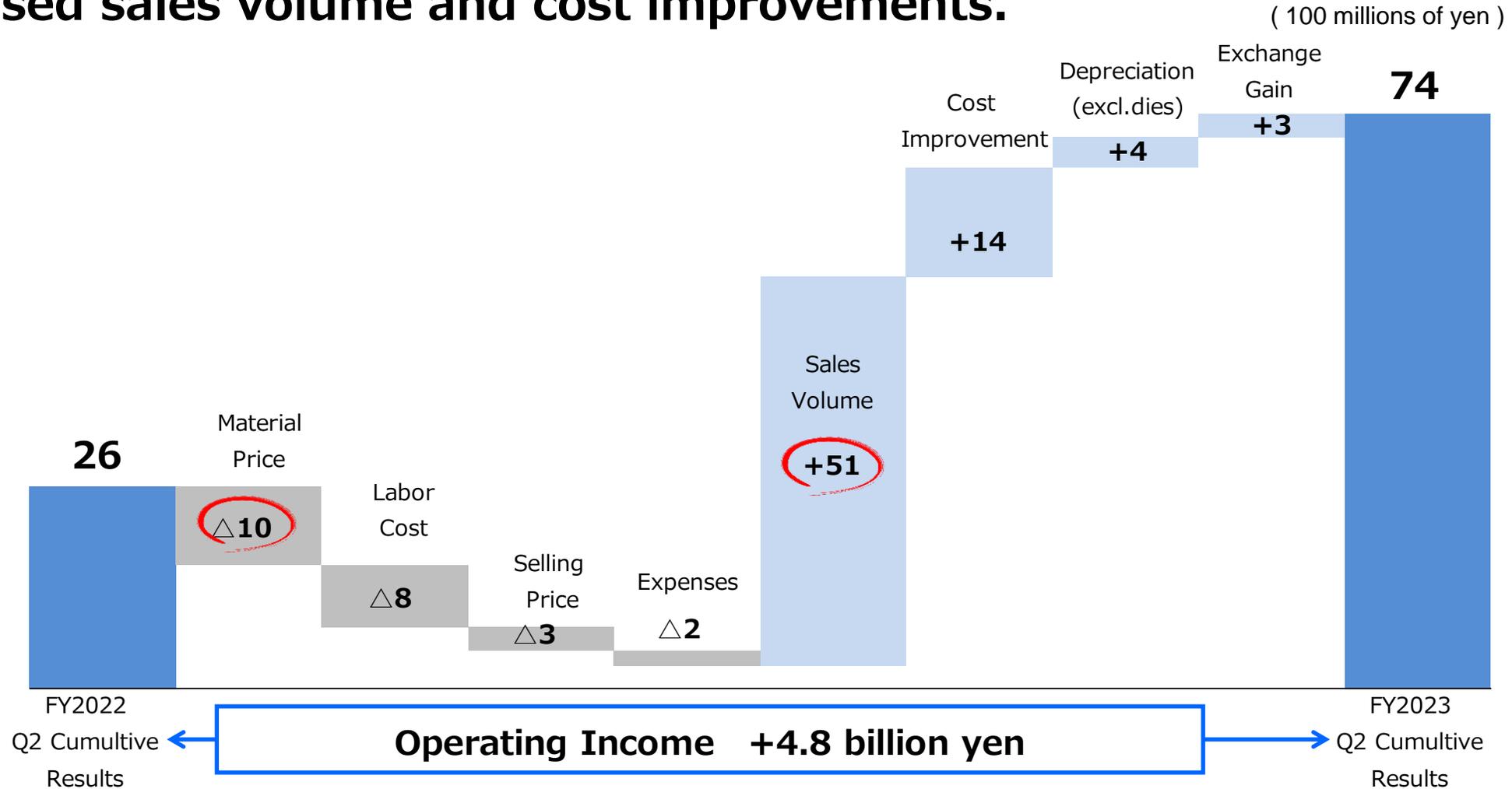
	FY2022 22/2 Q Cumulative Result	FY2023		YoY rate		Diff. from Forecast	
		23/2 Q Cumulative Forecast on 27Jul.	23/2 Q Cumulative Result	Gain&Loss	% Change	Gain&Loss	% Change
Sales	909	975	Record High 1,026	+117	+12.9	+51	+5.3
Operating Income	26	55	Record High 74	+48	+188.0	+19	+36.3
Operating Income Ratio	2.9%	5.6%	7.3%	+4.4P	-	+1.7P	-
Ordinary Income	55	78	Record High 103	+47	+86.4	+25	+32.5
Ordinary Income Ratio	6.1%	8.0%	10.1%	+4.0P	-	+2.1P	-
Net income attributable to owners parent	41	50	Record High 75	+33	+82.3	+25	+50.6
Quarterly Net Income margin	4.5%	5.1%	7.3%	+2.8P	-	+2.2P	-
Average exchange rate (U.S. dollars)	¥129.8	¥132.8	¥139.9	¥10.1	-	¥7.1	-

*Sales decrease since FY2022 Q4 due to expansion of offsetting range of sales and its cost; the impact of customer-received steel materials for stamping. As a result of this, fiscal 2023 2nd quarter cumulative results includes a 15 billion yen year-on-year decline in net sales. No impact on income.

Record high for 2Q due to increase in sales volume more than decrease in sales due to the impact of customer-received steel materials for stamping.



Costs increased due to sales volume up. Record-high profit for Q2 due to increased sales volume and cost improvements.



1-4 Q2 Cumulative Results by Business Segments



Sales and profits increased in the stamping and plastic molding business due to increased sales volume. Sales of valves increased due to exchange conversion, but profits decreased due to increased costs due to high material prices.

(100 millions of yen,%)

	Sales				Operating Income			
	22/Q2 Result	23/Q2 Result	Gain&Loss	YoY %Change	22/Q2 Result	23/Q2 Result	Gain&Loss	YoY %Change
Stamping & Plastic Molding	638	741	+103	+16.2	1	55	+53	-
(The Impact of increased customer-received materials for stamping)		* (△150)						
Operating Income Ratio					0.3%	7.5%	+7.2P	
Valves	269	284	+14	+5.3	23	19	△4	△18.3
Operating Income Ratio					8.8%	6.9%	△1.9P	

*Sales decrease since FY2022 Q4 due to expansion of offsetting range of sales and its cost; the impact of customer-received steel materials for stamping. No impact on income.

1-5 Q2 Cumulative Results by Region



Sales and profits increased due to increased sales volume in Japan, Europe, America, and Asia.

(100 millions of yen,%)

	Sales				Operating Income			
	22/Q2	23/Q2	YoY Rate		22/Q2	23/Q2	YoY Rate	
	Result	Result	Gain&Loss	%Change	Result	Result	Gain&Loss	%Change
Japan	338	341	+3	+0.9	15	38	+22	+145.1
(The Impact of increased customer-received materials for stamping)		※ (△150)						
Operating Income Ratio					4.6%	11.2%	+6.6P	
Europe & America	379	473	+94	+24.9	△3	15	+18	-
Operating Income Ratio					△0.9%	3.2%	+4.1P	
Asia	191	211	+19	+10.4	11	14	+2	+22.6
Operating Income Ratio					6.0%	6.7%	+0.7P	

Sales decrease since FY2022 Q4 due to expansion of offsetting range of sales and its cost; the impact of customer-received steel materials for stamping. No impact on income.

- 1 . FY2023 Q2 Financial Performance
- 2 . Financial Forecast (FY2023 Full Year)**
- 3 . Medium-term initiatives

2-1 Full Year Financial Forecast



Revised the forecast upward to reflect the 2Q results and latest information, expecting record highs for both sales and profits.

(100 millions of yen, %)

	FY2022	FY2023		YonY rate		Diff. from 27th Jul.	
	Full Year	Full Year		Full Year		Full Year	
	Results	Forecast on 27th Jul.	Latest Forecast	Gain&Loss	%Change	Gain&Loss	%Change
Sales	1,912	1,900	1,980	*3 +67	3.5%	+80	4.2%
Operating Income	92	105	120	+27	29.1%	+15	14.3%
Operating Income Ratio	4.9%	5.5%	6.1%	+1.2P	—	+0.6P	—
Ordinary Income	132	140	150	+17	13.6%	+10	7.1%
Current Net Income *1	93	95	105	+11	12.9%	+10	10.5%
R O E	7.0%	6.6%	7.1%	+0.1P	—	+0.5P	—
R O A (Operating income basis)	3.7%	3.9%	4.5%	+0.8P	—	+0.6P	—
Net Assets per Share	¥2,309	¥2,590	¥2,712	¥403	17.5%	¥122	4.7%
Average exchange rate (US dollars)	¥134.9	¥131.4	*2 ¥140.0	¥5.1	—	¥8.6	—

*1 Current net income is the current net income attributable to the parent company shareholders.

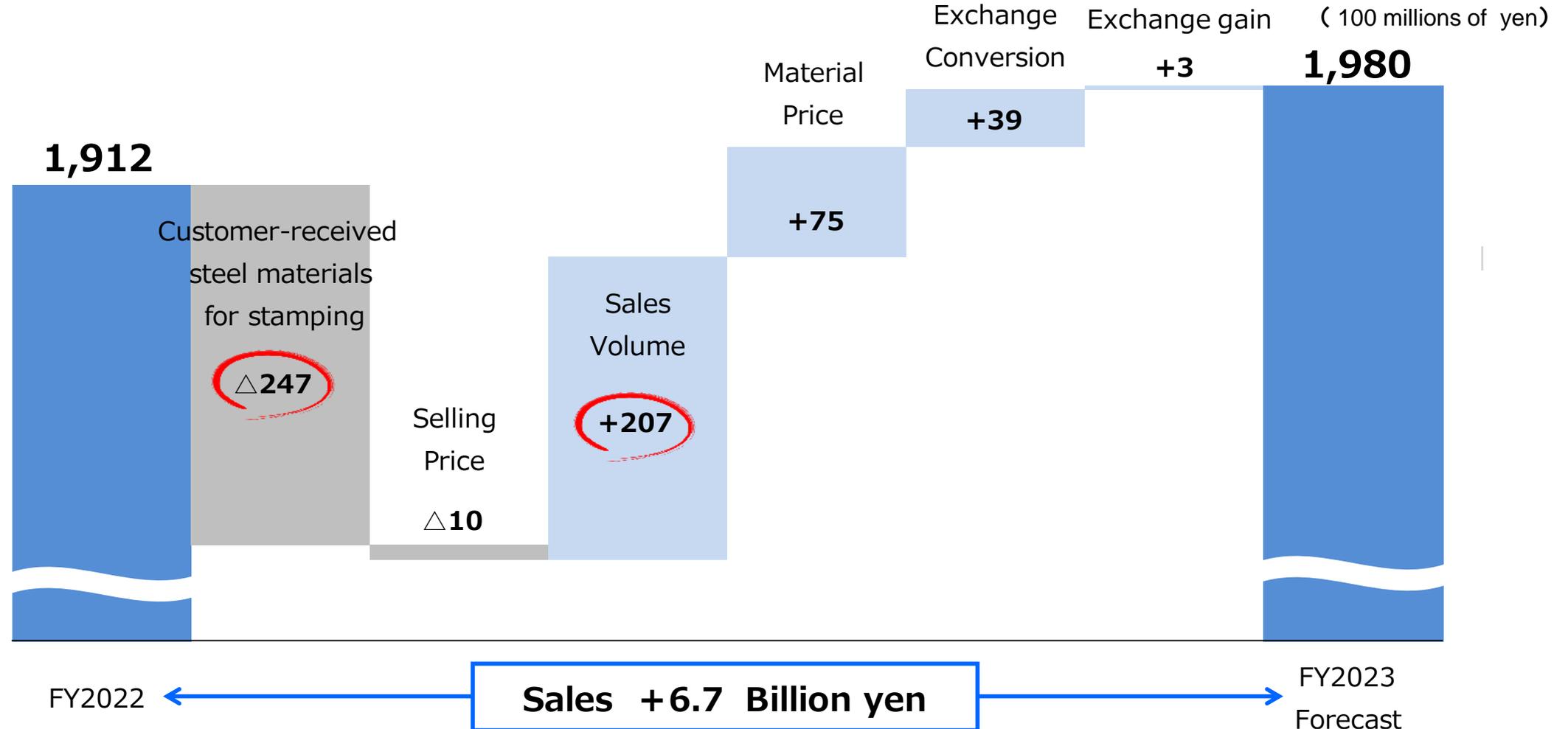
*2 Reconsidered exchange rate assumptions from the third quarter onwards. The current forecast has been revised to 140 yen to the dollar, from the previous announced price of 130 yen to the dollar on July 27.

*3 Sales decrease since FY2022 Q4 due to expansion of offsetting range of sales and its cost; the impact of steel material costs procured from customers. As a result of this, fiscal 2023 includes a 24.7 billion yen year-on-year decline in net sales. No impact on income.

2-2 Analysis of FY2023 Forecasts: Consolidated Sales



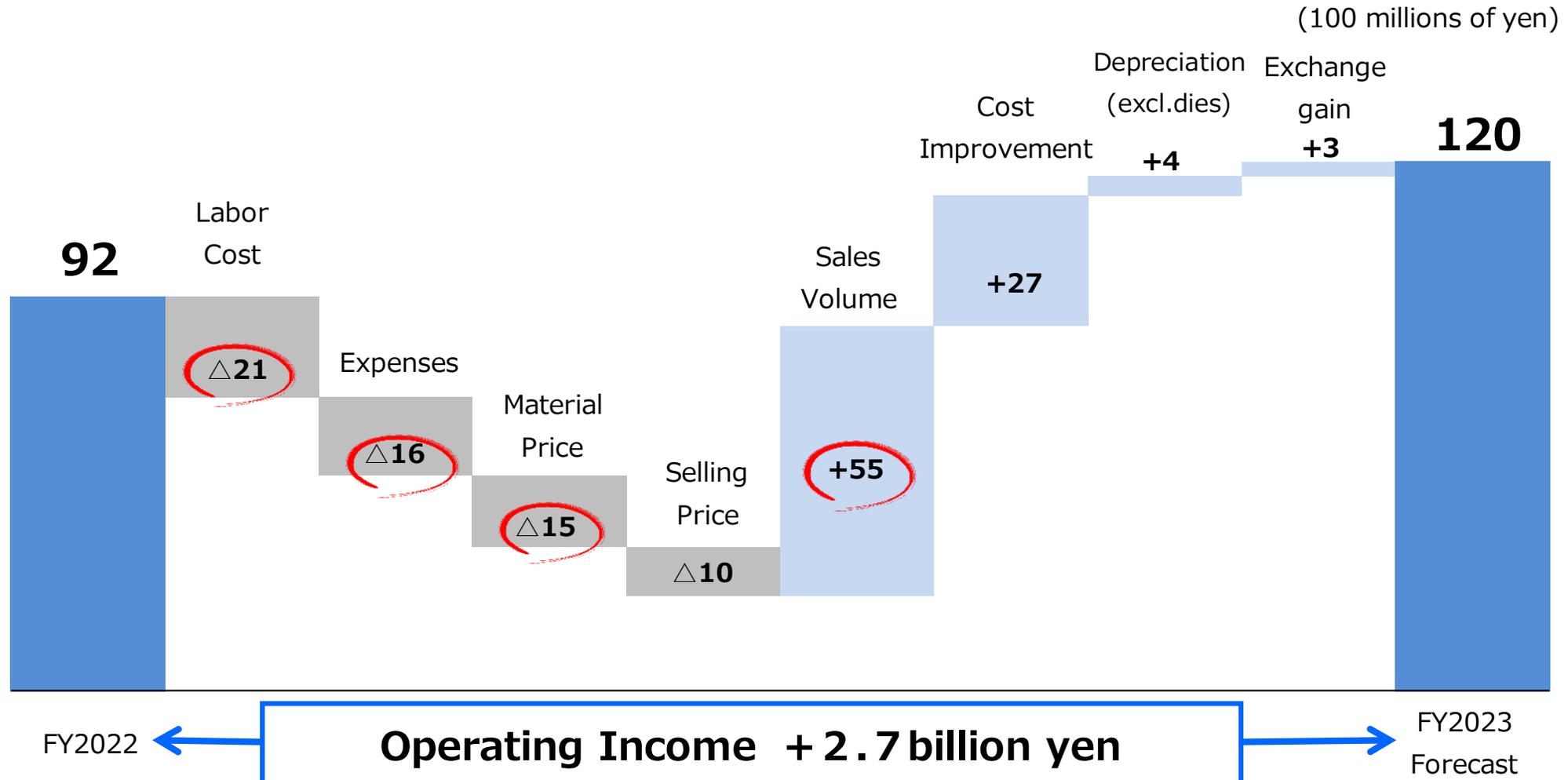
The decrease in sales due to the impact of customer-received steel materials for stamping will be offset by the increase in sales volume, which is expected to reach a record high.



2-3 Analysis of FY2023 Forecasts: Operating Income



Costs increased due to sales volume up. Expected to reach record profits due to increased sales volume and continued improvements.



2-4 Forecast by Business Segments



The stamping and plastic molding business is expected to increase sales and profits due to an increase in sales volume, while the valve business is expected to see an increase in sales and a decrease in profits.

(100 million yen,%)

	Sales				Operating Income			
	FY2022 Result	FY2023 Forecast	Gain&Loss	YoY Rate %Change	FY2022 Result	FY2023 Forecast	Gain&Loss	YoY Rate %Change
Stamping & Plastic Molding	1,368	* 1,425	+56	+4.2	49	84	+34	+68.7
(The Impact of increased customer-received materials for stamping)	(△51)	(△ 298)	(△247)					
Operating Income Ratio					3.6%	5.9%	+2.3P	
Valves	542	550	+7	+1.5	42	36	△6	△15.5
Operating Income Ratio					7.9%	6.5%	△1.4P	

*Sales decrease since FY2022 Q4 due to expansion of offsetting range of sales and its cost; the impact of customer-received steel materials for stamping. No impact on income.

2-5 Forecast by Region



Sales and profits are expected to increase substantially in Japan, Europe and the America, while sales and profits are expected to decline in Asia.

(100 millions of yen,%)

	Sales				Operating Income			
	FY2022 Result	FY2023 Forecast	YoY Rate		FY2022 Result	FY2023 Forecast	YoY Rate	
			Gain&Loss	%Change			Gain&Loss	%Change
Japan	706	685	△21	△3.0	49	59	+9	+18.2
(The Impact of increased customer-received materials for stamping)	(△51)	* (△298)	(△247)					
Operating Income Ratio					7.1%	8.6%	+1.5P	
Europe & America	781	880	+98	+12.7	△1	28	+29	-
Operating Income Ratio					△0.2%	3.2%	+3.4P	
Asia	425	415	△10	△2.4	36	26	△10	△29.5
Operating Income Ratio					8.7%	6.3%	△2.4P	

* Sales decrease since FY2022 Q4 due to expansion of offsetting range of sales and its cost; the impact of customer-received steel materials for stamping. No impact on income.

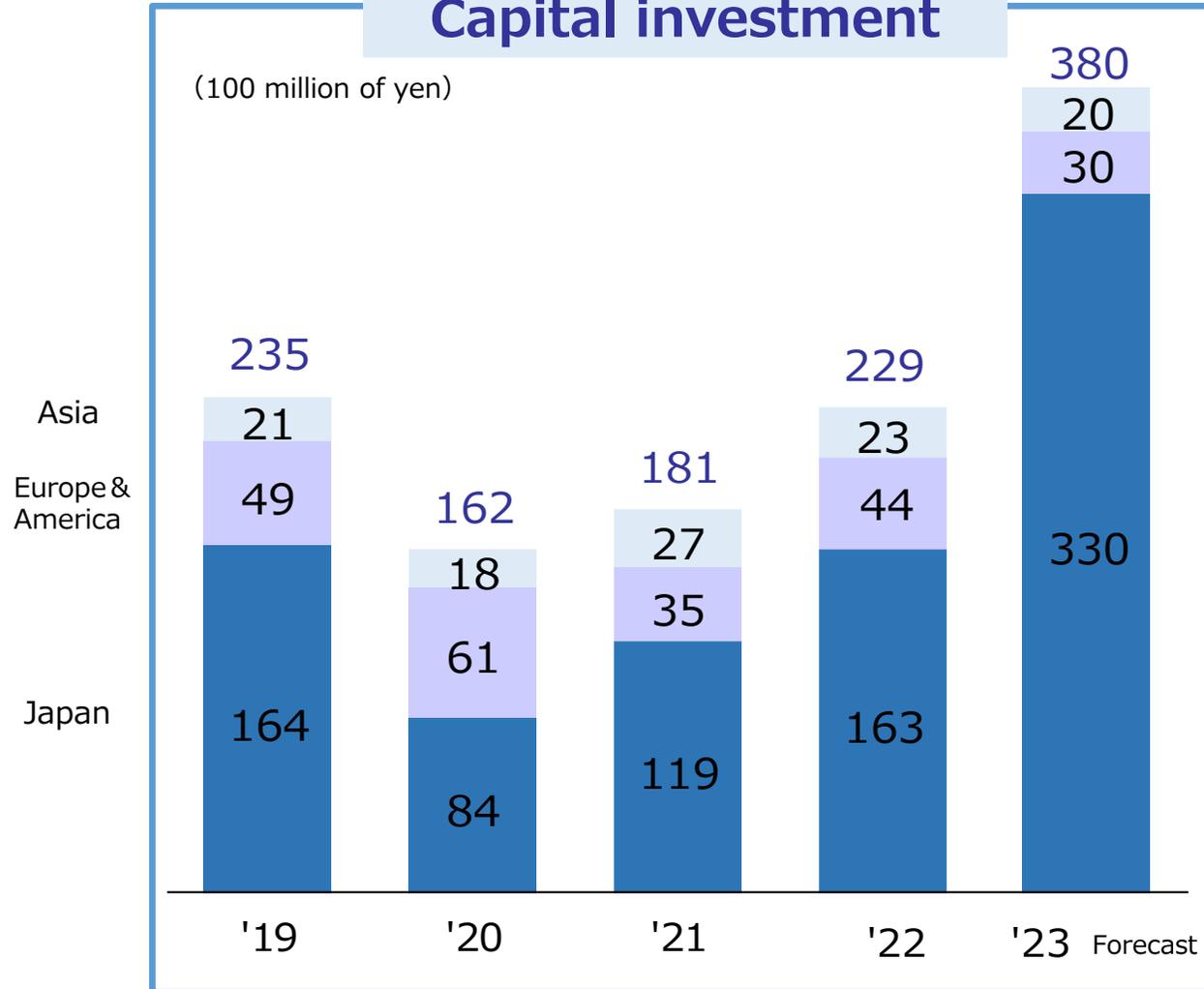
2-6 Capital investments and Depreciation



Aggressive investment in new stamping plants and production lines for new valve products.

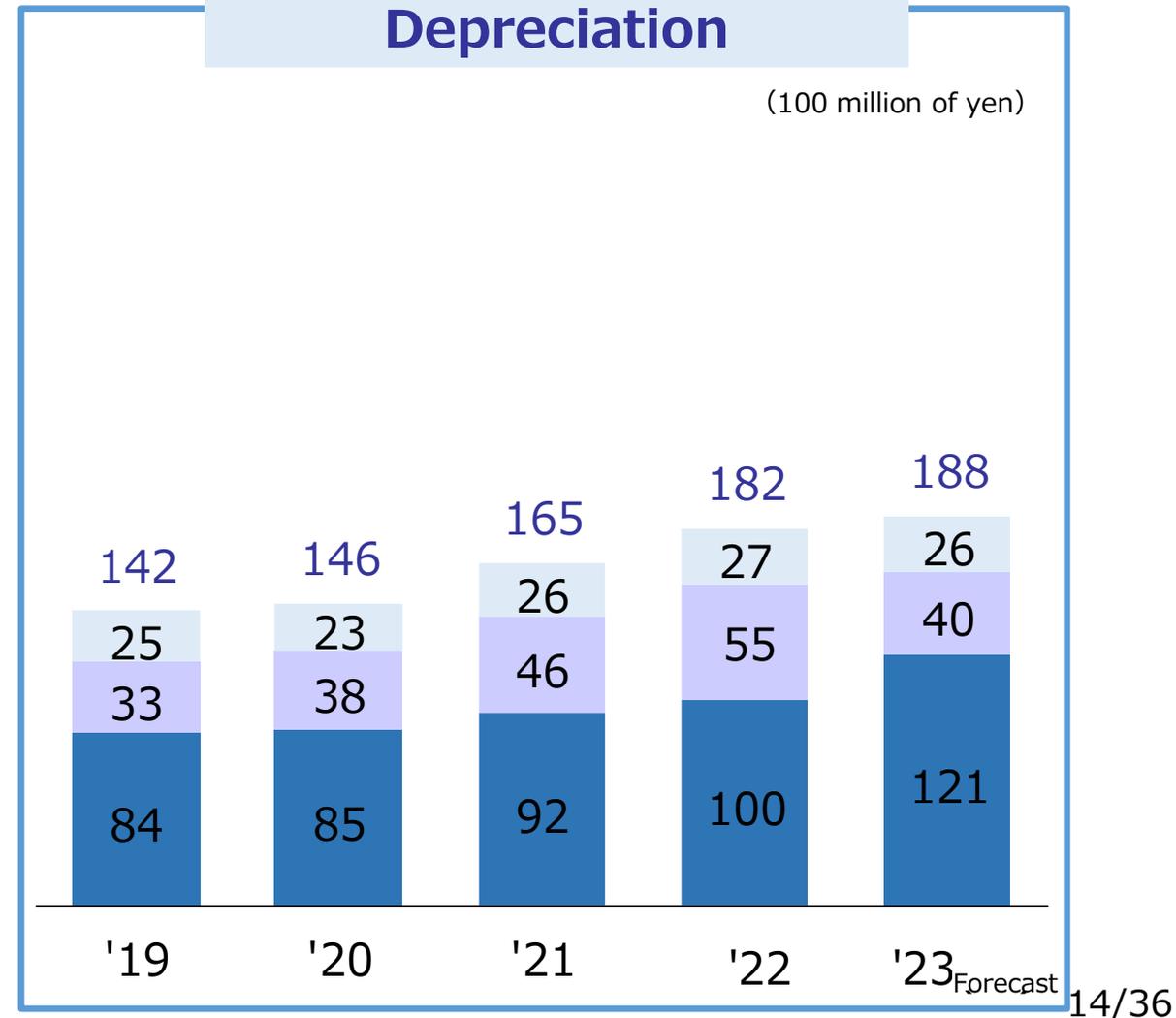
Capital investment

(100 million of yen)



Depreciation

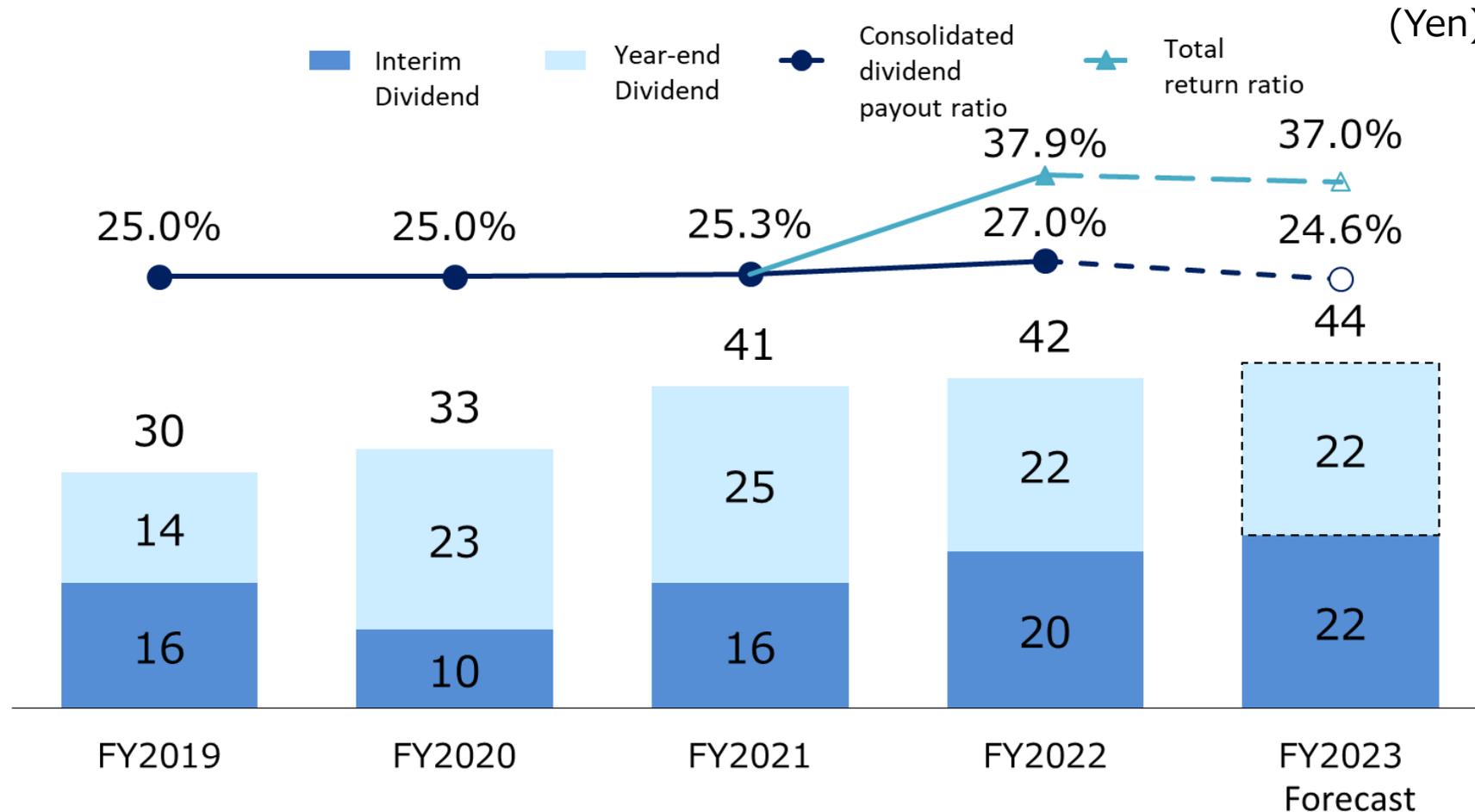
(100 million of yen)



2-7 Shareholder Return

Dividend forecast revised in consideration of Q2 consolidated results and full-year forecast. Accomplished share buyback in April with the aim of increasing shareholder returns and capital efficiency.

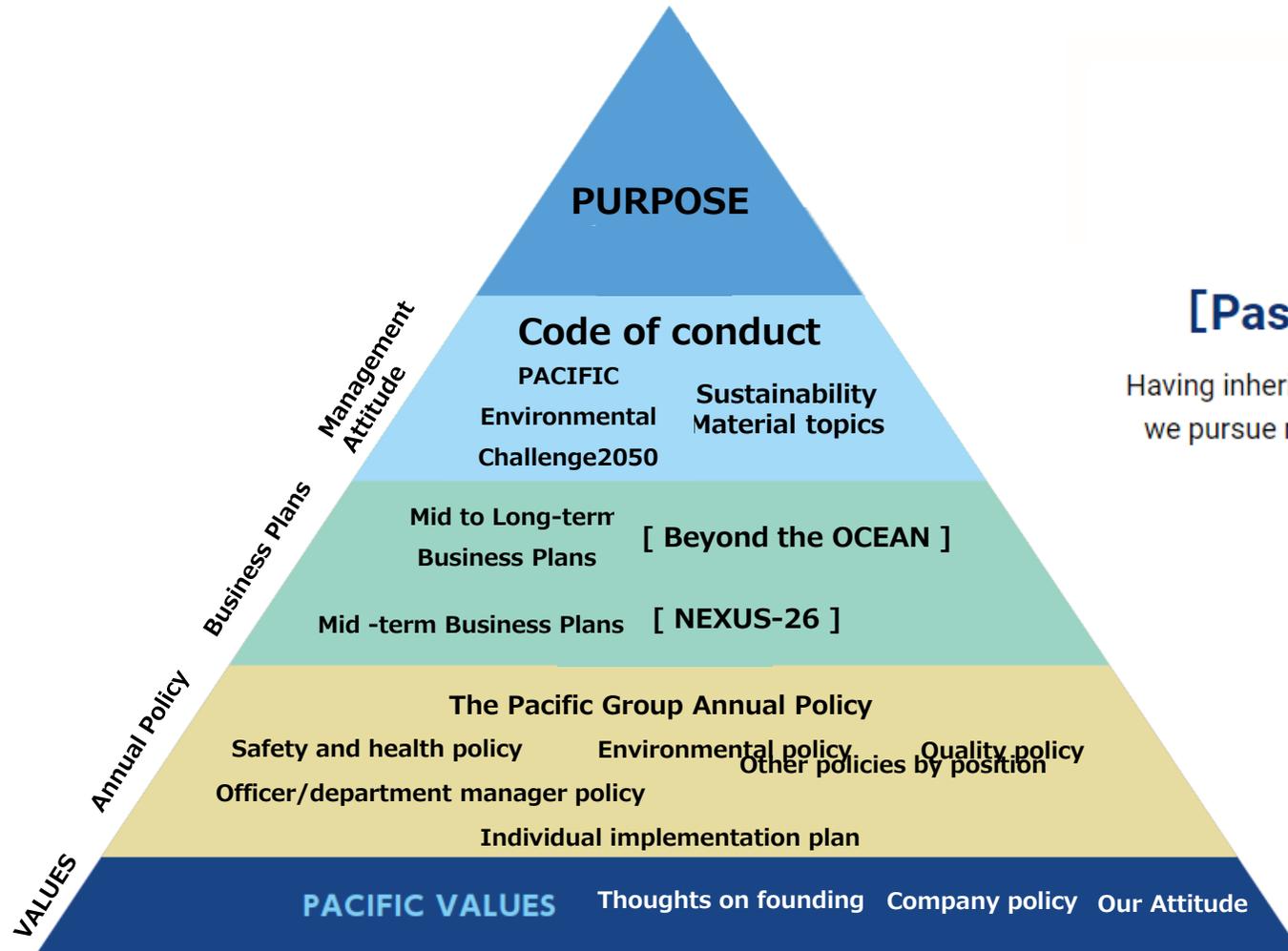
Japan Credit Rating Institute
Long-term issuer rating
A-Stable



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3-1 Philosophy System

In order to realize our purpose, we incorporate it into each policy and carry out sustainable management.



Passion in Creating Tomorrow

[Passion]

Having inherited "passion," we pursue new dreams.

[Create]

We "create" innovative value with KAIZEN activity.

[Tomorrow]

We will work together toward a sustainable "tomorrow."

Diverse employees demonstrate their strengths and create new value

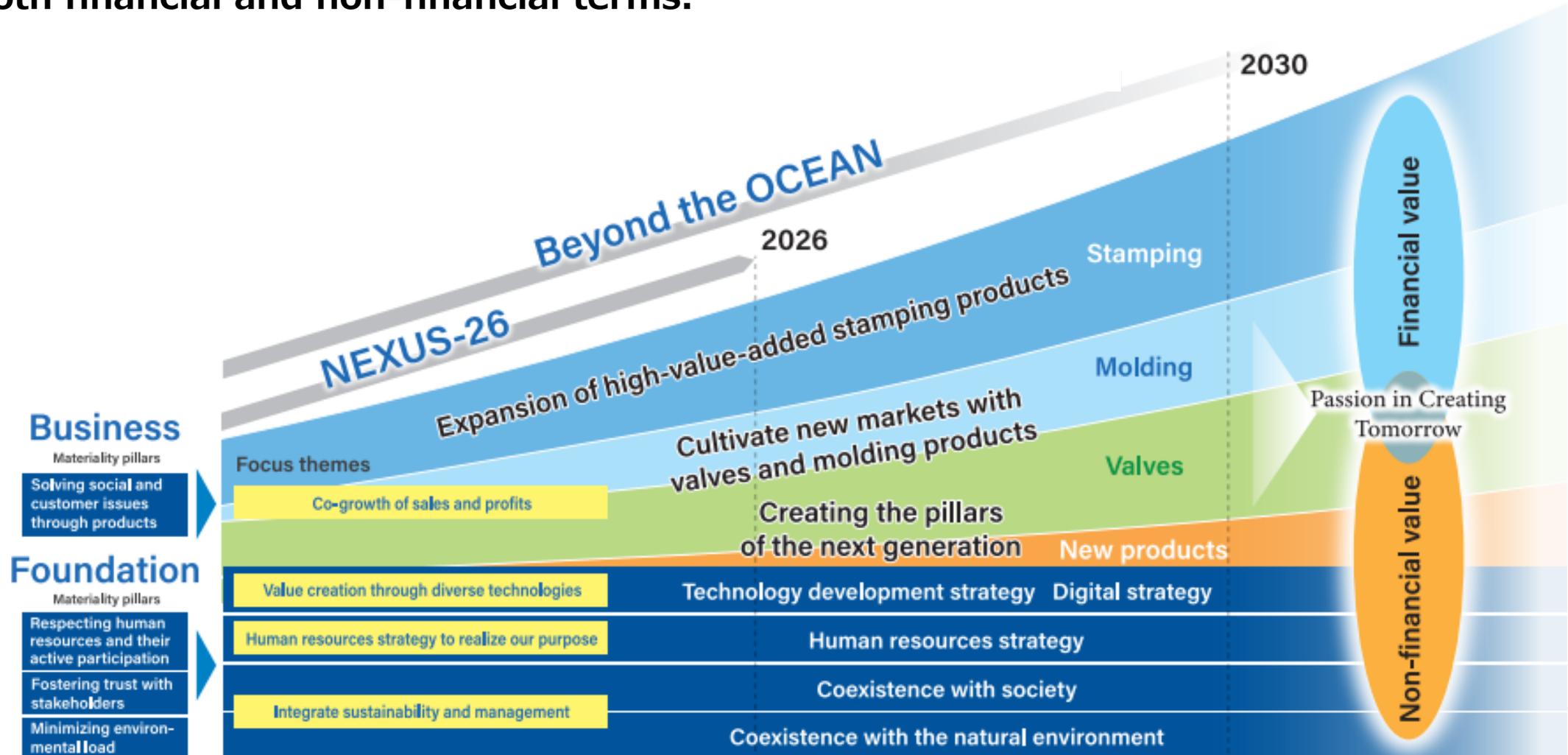
3-2 Sustainability Material Topics

Integrate management targets and materiality, raise priorities and promote initiatives.

<p>Fostering trust with stakeholders</p> <p>Corporate ethics and compliance Responsible procurement Improvement customer satisfaction Local community development</p> <p>Particularly relevant SDGs</p>	<p>Solving social and customer issues through products</p> <p>Contribution to a sustainable mobility society and prosperous living</p> <p>[Management target] Number of new products and services launched</p> <p>Improving mobility safety Development of environment-conscious products</p> <p>[Management target] Sales ratio for electrified vehicles</p> <p>Particularly relevant SDGs</p>	<p>Minimizing environmental load</p> <p>Mitigation of and adaptation to climate change</p> <p>[Management targets] CO₂ emissions</p> <p>Sustainable resources use Conservation of water resources</p> <p>Particularly relevant SDGs</p>	<p>Respecting human resources and their active participation</p> <p>[Management target] Employee engagement</p> <p>Respect for human rights Stable employment and decent work environment The safety and health of employees Development of human resources and cultivation of culture that we can tackle new endeavors Diversity and inclusion</p> <p>Particularly relevant SDGs</p>
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3-3 Mid to long-term growth vision

By strengthening our foundation, we will leverage our business strategies and create value in both financial and non-financial terms.



3-4 Management Targets



Aiming to realize sustainable growth and purpose through financial value targets and non-financial (business/sustainability) value targets.

Financial value targets

	FY2022 results	FY2026 targets	FY2030 targets
Improve capital efficiency and achieve sustainable growth			
<u>Sales</u>	191.2 billion yen	210 billion yen	Sustained growth
<u>Ratio of operating income to sales</u>	4.9%	7% or more	10% or more
<u>ROE</u>	7.0%	8% or more	10% or more

Non-financial value targets

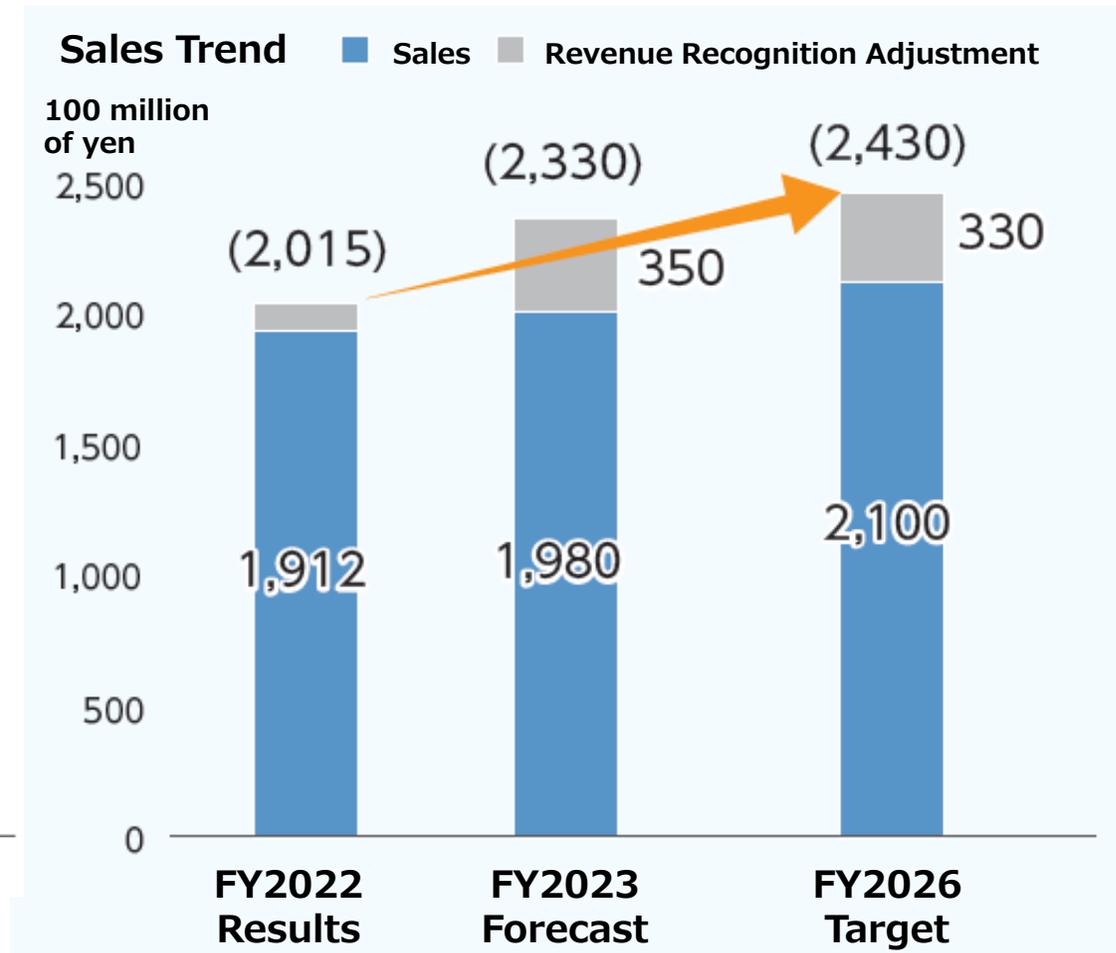
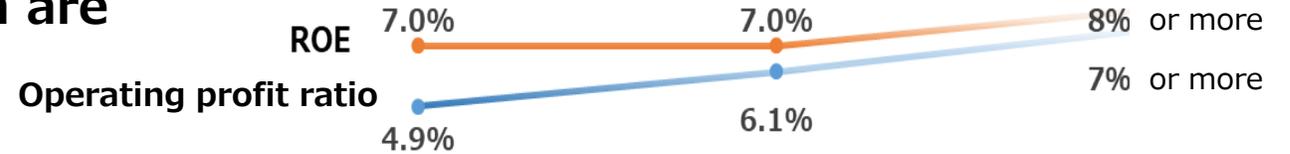
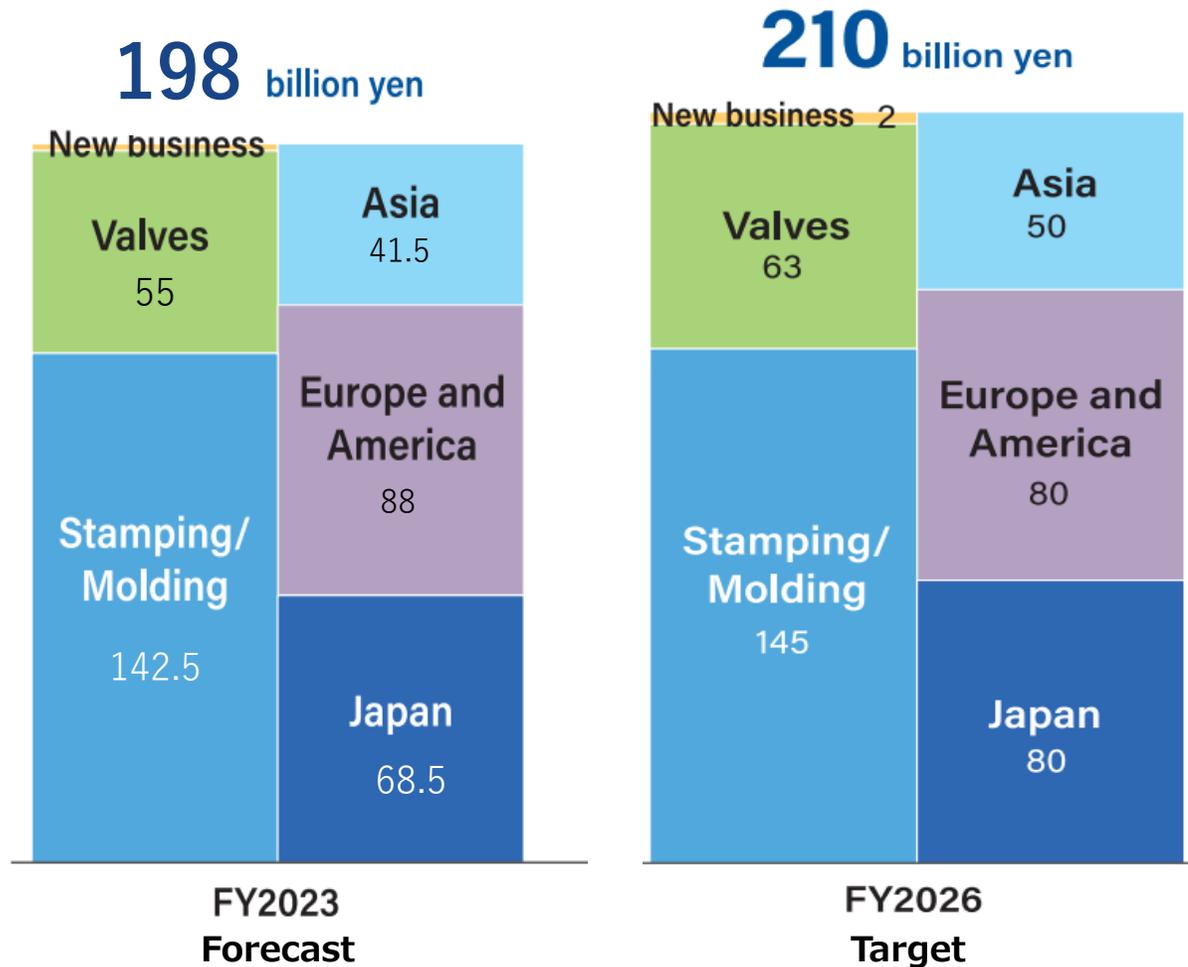
		FY2026 targets	FY2030 targets
Business value targets			
Solve social and customer issues through products			
Main business	<u>Sales ratio for electrified vehicles</u> (our company estimation)	50%	70%
New business	<u>Number of new products and services launched</u> (from FY2023)	15 cases	35 cases
Sustainability value targets			
Empower employees to achieve sustainable growth			
Human capital	<u>Employee engagement</u>	Establish medium- and long-term targets after first survey implementation in FY2023	
Natural capital	<u>CO₂ emissions</u>	30% reduction	50% reduction
(Scope 1, 2, group compared to fiscal 2019)			

3-5 NEXUS-26 Target & Progress



Initiatives for mid to long-term growth are progressing smoothly.

Sales by segment



3-6 Stamping Business Strategy



We will improve our development and production technology capabilities and contribute to decarbonization and improved safety. Improve profitability by creating high added value and being cost competitive.

What we aim to be by 2030

- To survive in the era of decarbonization, we will become a **“proposal-based technology group”** and create high added value
- Establish **cost competitiveness to surpass other companies** through innovation in production technology and smart factories

Stamping Sales Target

2022 ▶ 2026
129 ▶ 155 billion yen
CAGR 4.7%
(Before the change in revenue recognition standards)

NEXUS -26 Focus Themes

1. Create products for decarbonization

- Expand the cold stamping technology sector
- Increase sales of lightweight products
- Expand sales of parts for electrified vehicles
- Create plants with reduced environmental impact

POINT

2. Improve Monozukuri and technological capabilities

- Evolution of next-generation high-tensile stamping technology
- Advance development of joining technology
- Reinforcement of structural analysis and autobody structure proposal capabilities

3. Establish a solid business base

- Manpower saving with equipment and transportation automation
- Build manufacturing lines using AI
- Domestic and overseas base restructuring
- Increase efficiency through smart factories
- Development of multi-skilled human resources



3-7 Replacement of hot stamped products with cold stamping

Build trusting relationships with customers through advanced structural analysis technology and proactive proposals.

Our 1470MPa cold ultra-high tensile strength parts are used in the new Prius.

- Optimal shape considering productivity of the entire manufacturing process
- Win a project award of Toyota Motors



Roof center reinforcement made of 1470MPa material



Succeeded in achieving 1180MPa cold super high tensile strength with the new crown.

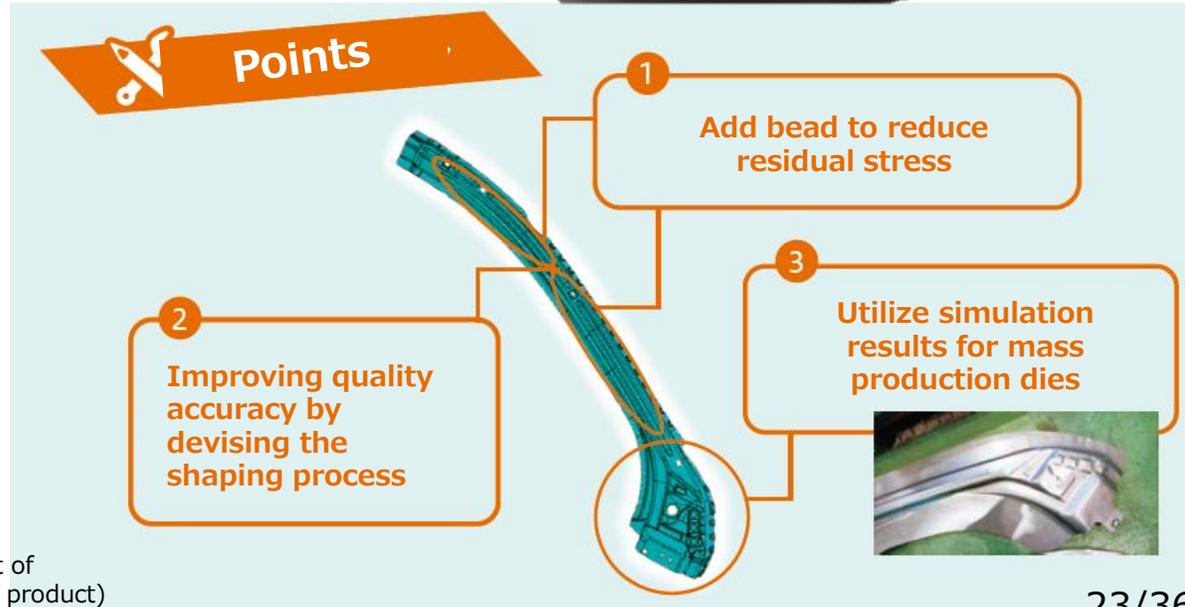
- Achieves High rigidity and better vehicle design for driver's visibility
- Win a project award of Toyota Motors



Cost Reduction
40%

Resource saving
67%

CO2 Emission
239t Reduction



*Compared to the same part of the old crown (hot stamped product)

3-8 New Stamping Plant completed

New state-of-the-art global mother factory established to realize sustainable value creation.



- Personnel: **250**
- Site area: approx. **92,000 m²** total floor area: approx. **48,000 m²** (plant)
- Total investment: **30 billion yen** (including welfare building, machinery building, and R&D building)
Stamping machines: **6** (3500 t transfer and others)
Welding machines: **30** (including self-service equipment and self-transport)

Expanding sales and profits

Expand sales and increase production of bodyshell parts (ultra high-tensile/aluminum) and battery products, and improve profitability through automation and higher efficiency

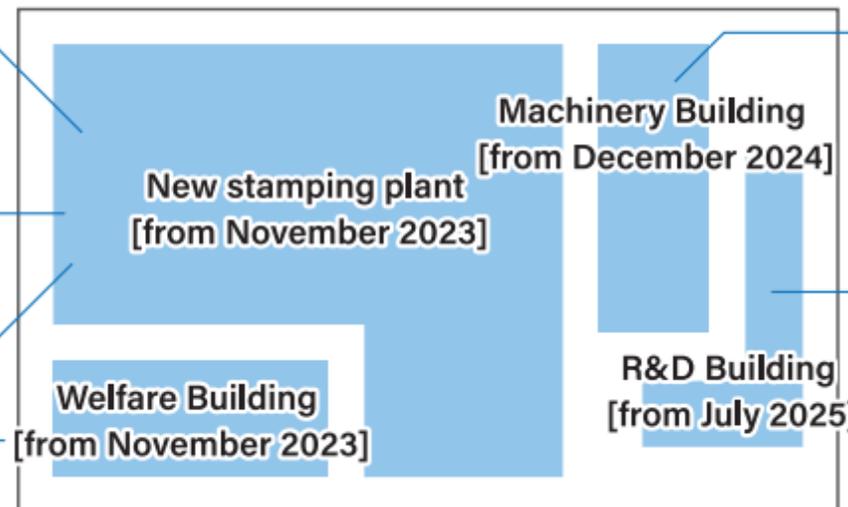
Initiatives for CN

Innovation and installation of high-efficiency equipment, renewable energy use

Creating a decent work environment

In-plant air-conditioning, improved heavy lifting work (introduction of automated equipment and AGVs)

Plant layout



Die innovations

Data management and faster delivery
Heavy simulation use
Die production capacity expansion

Strengthen development capabilities

Improve environment for molding products development
Building a co-creation space

3-9 Molding Business Strategy



Leverage our strengths to create new markets globally and strengthen our highly competitive plastic molding business.

What we aim to be by 2030

- **New market creation** by applying soundproofing, vibration-proofing and new decorating technologies
- Shift to a **circular economy**

Molding sales target

2022 ▶ 2026
18 ▶ 25 billion yen
CAGR 8.6%

NEXUS -26 Focus Themes

1. New products and new businesses with sound and vibration-proofing technology established

POINT

- Accelerating the development of new products for electrified vehicles (Urethane foam products, etc.)
- Expand sales to new customers (For mega suppliers)
- Expansion beyond the automotive sector

2. Developing decorating technology and cultivating global customers

POINT

- Increase sales of wheel caps and ornaments to new customers (focus on ASEAN/India markets)
- Expand global production capacity (North America/Asia)

3. Strengthen ability to develop materials

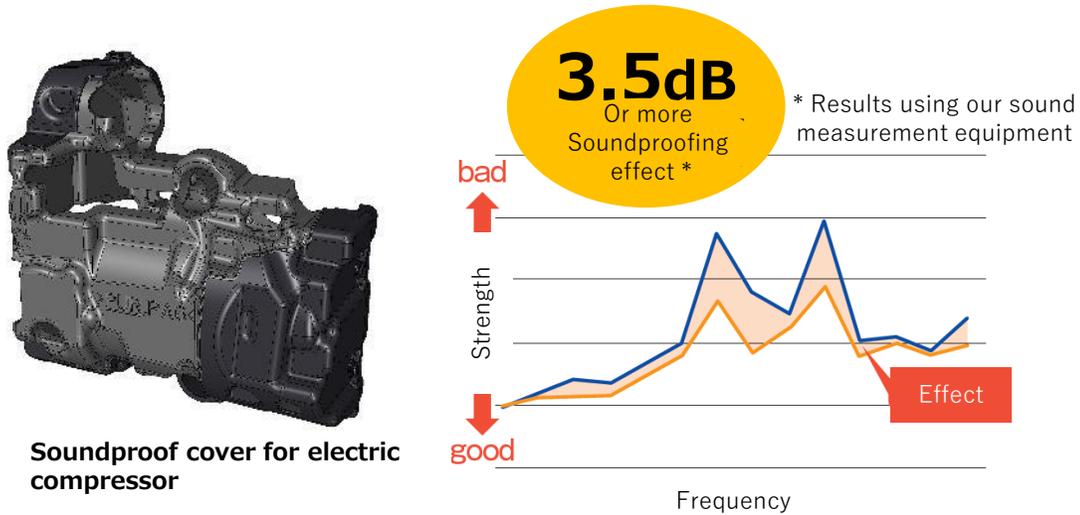
- Urethane material, paint-less material, high-performance resin
- Enhancement of CAE evaluation environment
- Develop multi-materials and recycled materials



3-10 Plastic molding products that meet new needs for electrified vehicles

Improving our strengths in soundproofing and aerodynamic control technologies and promoting their adoption in electrified vehicles globally.

Soundproof cover in mass production

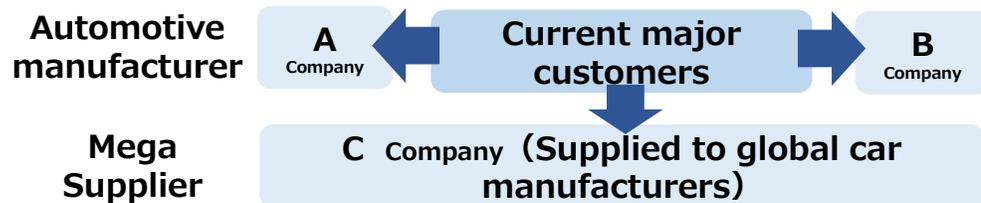


Aerodynamic cap for aluminum wheels

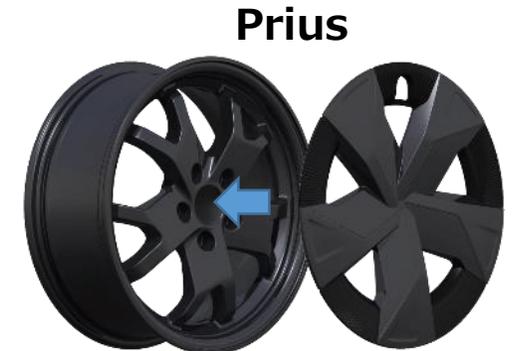


Achieves both “light weight” and “improved aerodynamic performance” and also improves electric power consumption rate.

Promote sales expansion to new customers



Aluminum wheels Our Products



Aluminum wheels Our Products

3-11 Valve Business Strategy

Building a new pillar of growth by developing high value-added products for electrified vehicles.

What we aim to be by 2030

- Realize speedy and development-oriented business development anticipating market needs
- Establish a new business pillar with products for thermal management systems for electrified vehicles

Valve sales target

2022 ▶ 2026
54.2 ▶ 63 billion yen
CAGR 3.8%

NEXUS -26 Focus Themes

1. Develop new products and technologies with an eye toward vehicle electrification

POINT

- Establishment of thermal management products utilizing sealing technology
- Smart product development using wireless communication technology
- Anticipate market needs on a global basis and promote advanced development



2. Strengthen revenue base by improving efficiency of existing businesses

- Reorganize global locations and development according to market trends
- Establishment of a systems through DX and automation
- Promote new customer development for TPMS



3-12 Valves for thermal management systems

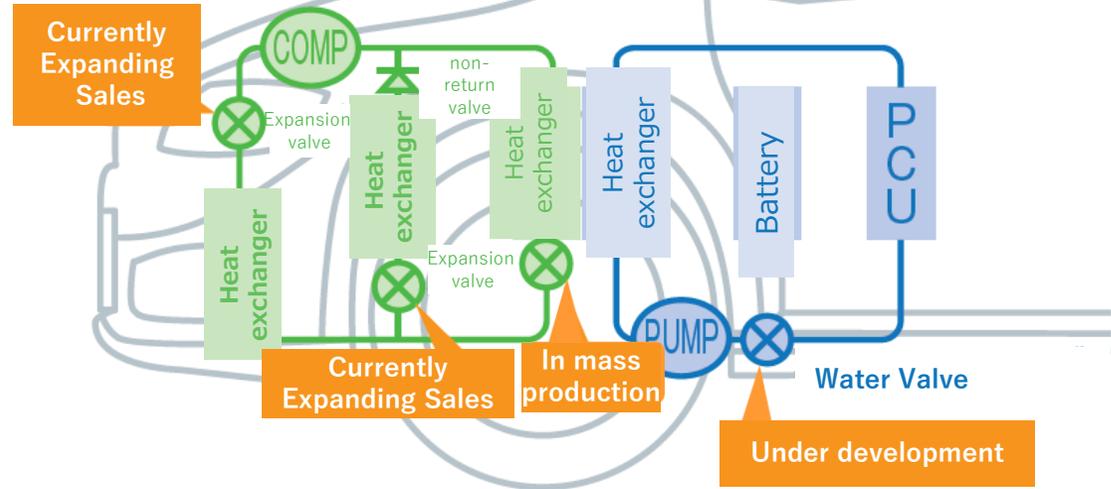


Started mass production of electric expansion valves for BEVs, promoted development and sales expansion and lineup expansion.

Thermal management systems

Heat pump air conditioner
(Refrigerant circuit)

Battery cooling System
(Water circuit)



- Increased adoption of heat pump systems due to improved electric power consumption rate and increased needs for thermal management
- Increasing demand for electric expansion valves for controlling refrigerant in systems

Mass production of electric expansion valves



World's smallest class compact and lightweight design combines both functionality and quality

Focusing on automation, processing points, and flow lines, pursuing high precision, high productivity, and lowest cost

Promote development and sales expansion in a world-wide trilateral system

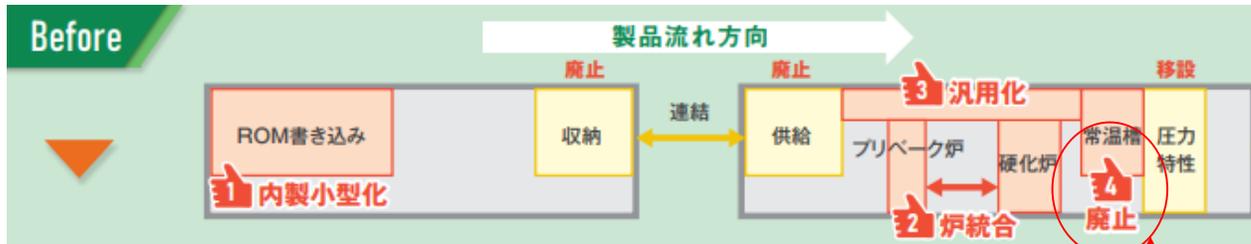


3-13 Compact general-purpose TPMS production line



Improved the production line for our main product TPMS.

Capital investment amount is 1/2. Uses 1/2 space. Achieved 42% reduction in CO2 emissions.



Achieving goals while maintaining production capacity

1. Miniaturization through in-house production



We produce three pieces of equipment in-house, including the board feeder, and downsize them.

2. Integration of two furnaces



Improved process layout and control, integrated furnace.

3. General-purpose equipment



Product transport jigs and receiving jigs have been improved and made more versatile.

4. Abolition of room temperature bath

Moved the room temperature inspection process to a later stage. Cool the product naturally



Horizontal expansion to overseas bases

China : Changshu

Apr.2022 : E type production started
Oct.2022 : G type production started

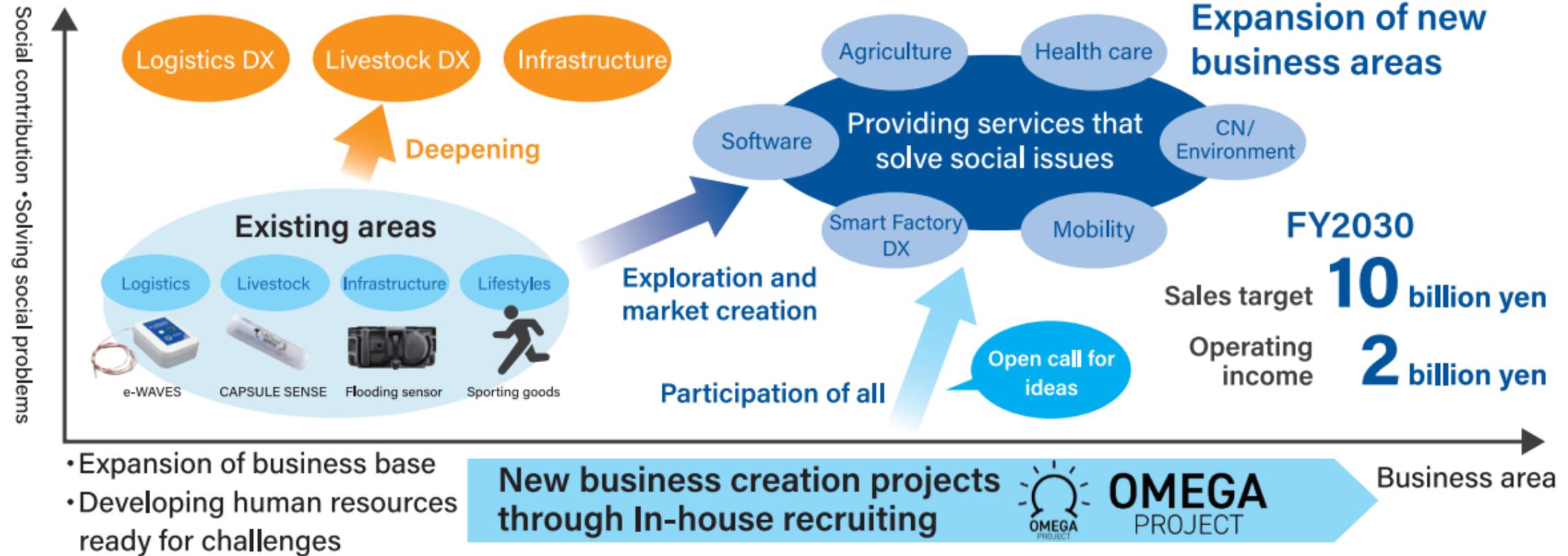
USA : Ohio

May.2023 : G type production started

3-14 New Products development

Developing IoT products and systems that contribute to solving social issues and aim to achieve goals.

What we aim to be by 2030 Wireless, apps, cloud, AI and Big Data usage **data business to new business pillars**



- Expansion of business base
- Developing human resources ready for challenges

Promote functional improvement and sales expansion of new products and solutions.

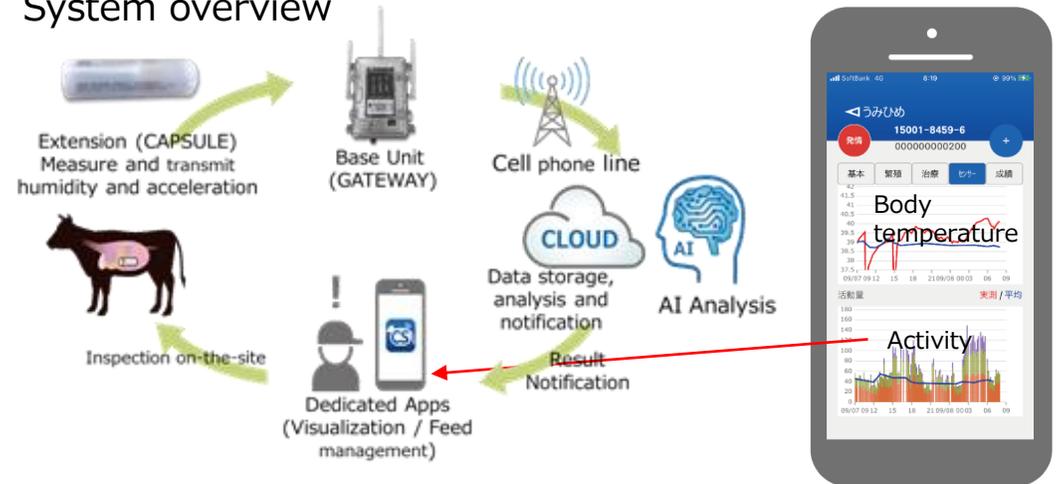
“e-WAVES” Multi Sensing Logger



- Real-time logistics management with 6 sensors such as temperature and humidity
- Meets a wide range of industry needs for food, pharmaceutical and regenerative medicine
- Low-priced model will be launched in Jan. 2024.

“CAPSULE SENSE” Cattle body condition monitoring

System overview



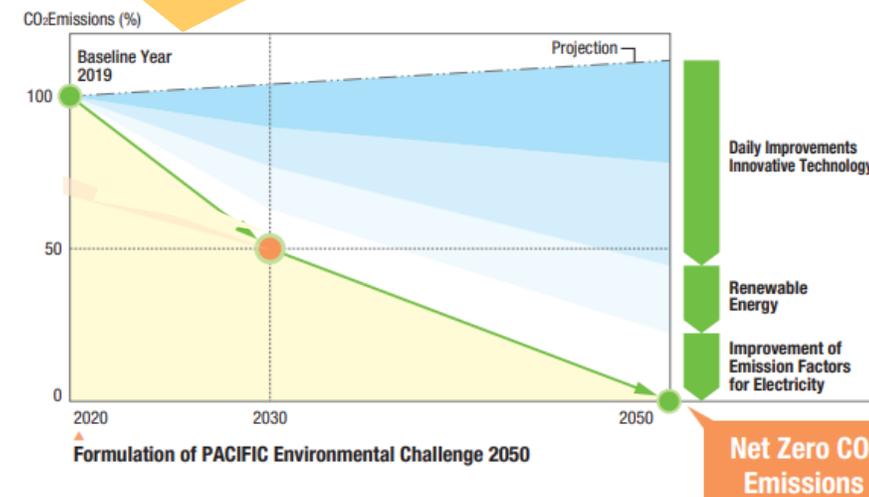
- Monitoring the physical condition of cattles using temperature and acceleration sensors
- Supporting productivity improvement with IoT for future livestock farming
- Promoting sales expansion activities in various regions and development aimed at improving performance

3-16 Efforts to Minimize Environmental Impact

•Setting milestones and promoting activities under “PACIFIC Environmental Challenge 2050.”

	Material Topic	SDGs	Item	Current Status (FY2022)	FY2030 Target	FY2050 Target
Carbon Neutral	Mitigation and adaptation to climate change	 	CO ₂ emission	76.1(kt) ▲19.3% Compared to FY2019	Compared to FY2019	NetZero
Minimize Environmental Load	Sustainable resources use		Waste emissions	3,625(t) Japan ▲11.8% Overseas ▲7.9% Compared to FY2019	Japan 60% Overseas 30% Reduction Compared to FY2019	Minimum Usage
	Conservation of water resources		Water Usage	1,394 (km ³) ▲20.1% Compared to FY2019	Proper Usage	Minimum Usage

FY2030 Target
 CO₂ emissions····▲50%
 Renewable energy usage ratio····20%



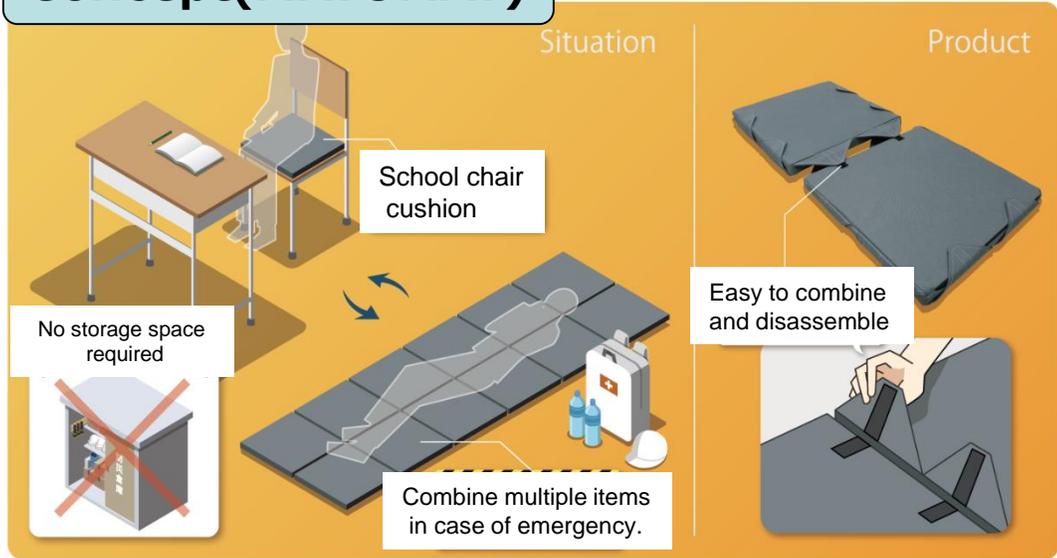
Examples of initiatives :

- Zero carbon electrical energy at Thailand subsidiary
- Turning waste plastic into material at the Wakayanagi Plant
- Reducing water usage by downsizing electrocoating equipment

3-17 Circular economy initiatives: Emergency mats

Practical use of upcycled waste products in collaboration with local companies and welfare workshops.

Concept(MATOMAT)



Ogaki City, Ogaki City Board of Education, and our company conclude a demonstration experiment agreement

Upcycling process



Scrap urethane products

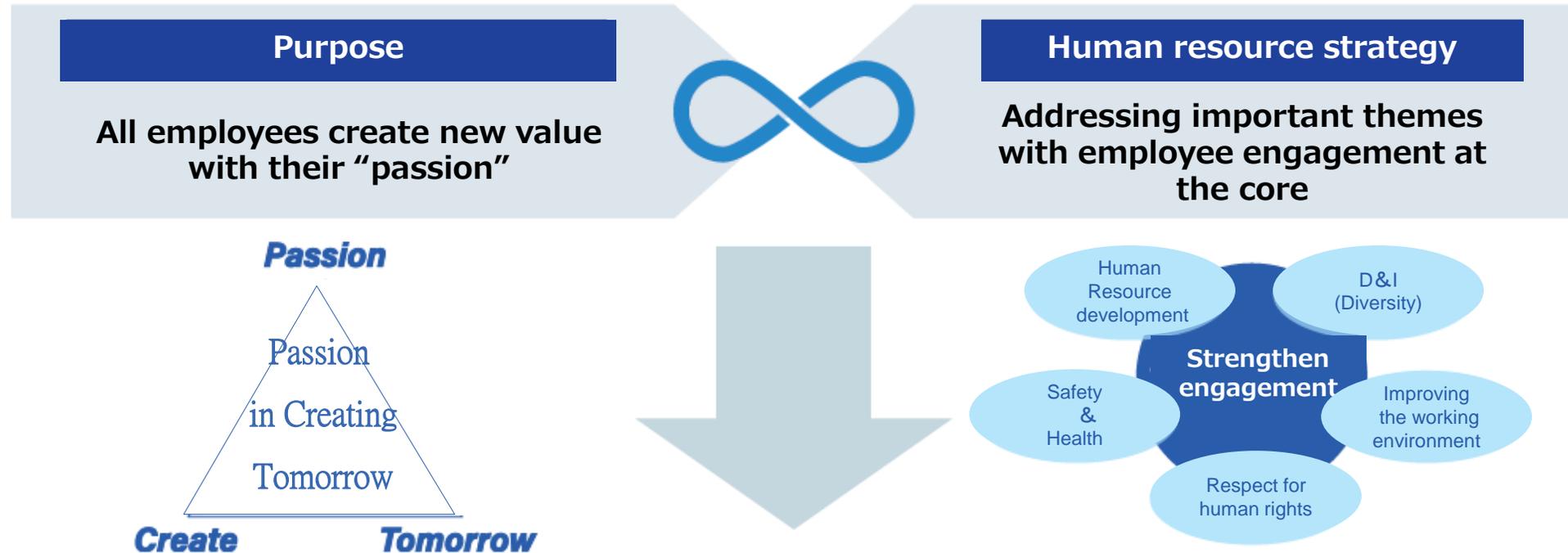
Grinding

Chips

Compression

Chip molded product

Drive purpose and strategy into actionable initiatives.



- **Vision sharing:** Executives take the lead in holding repeated briefings and opinion exchange meetings for employees.
- **My Purpose :** Conduct activities to deepen mutual understanding by having employees think about their own purpose and share it with colleagues.
- **Engagement :** Conducted the first employee engagement survey, determined target values, and implemented improvement measures

Evolving the “Sustainability Report” and disclosing our value creation story through integrated thinking.

Integrated report “Creating Tomorrow Report”



“Sustainability data book 2023”



<https://www.pacific-ind.co.jp/sustainability/sr/>

<https://www.pacific-ind.co.jp/investor/ctr/>



思いをこめて、あしたをつくる

Passion in Creating Tomorrow