



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.

Contents



1. FY2023 Q2 Financial Performance
2. Financial Forecast (FY2023 Full Year)
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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	FY2023		YoY rate		Diff. from Forecast	
	22/ 2 Q Cumulative Result	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	-

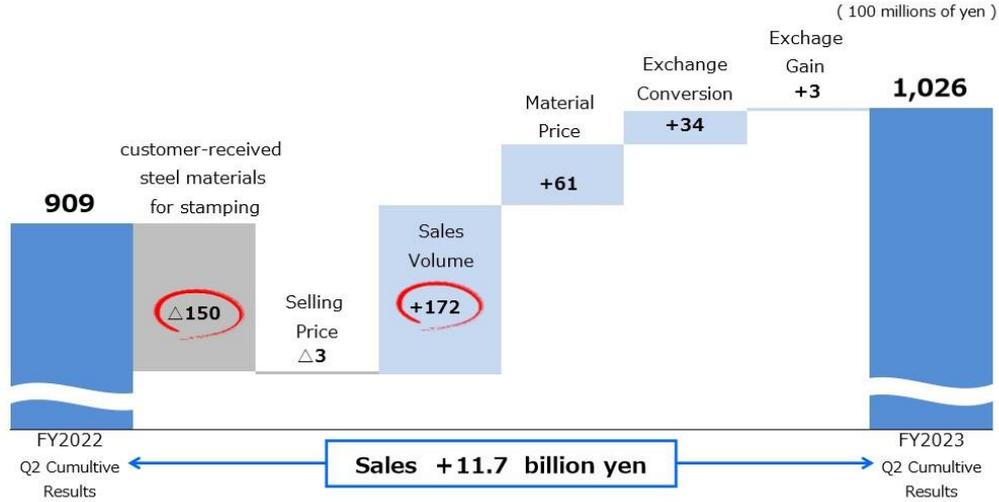
*Sales decrease since FY2022 Q4 due to expansion of offsetting range of sales and its cost; the impact of customer-received steel materials for stamping. As a result of this, fiscal 2023 2nd quarter cumulative results includes a 15 billion yen year-on-year decline in net sales. No impact on income.

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In Q2, net sales increased by 12% from the previous quarter to a record high of JPY102.6 billion, mainly due to an increase in sales volume resulting from the continuing recovery trend in automobile production and the exchange rate difference resulting from the depreciated Japanese yen.

As for profits, operating profit increased by 188% YoY to JPY7.4 billion due to the increase in sales volume as well as ongoing cost improvement and fixed cost reduction activities. Ordinary profit increased by JPY86% to JPY10.3 billion, and net profit increased by 82% to JPY7.5 billion, both record highs for the two-quarter cumulative period.

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.

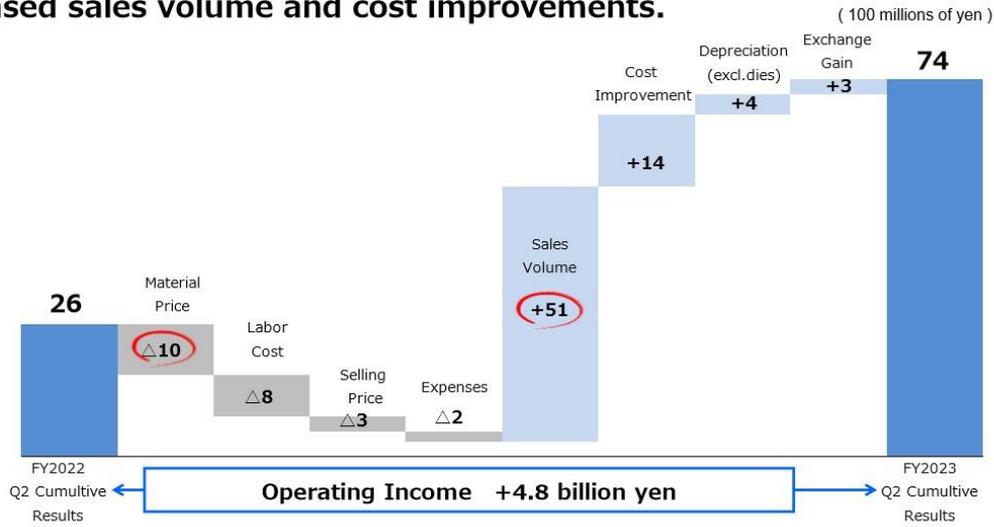


Net sales increased by JPY11.7 billion YoY to JPY102.6 billion, mainly due to an increase in sales volume and the positive impact of foreign exchange rates resulting from the continued depreciation of the Japanese yen, despite the negative impact of JPY15 billion resulting from the for-fee stamping steel procurement.

1-3 Analysis of Q2 Cumulative Results: Operating Income



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



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Operating profit increased by JPY4.8 billion from the same period last year to JPY7.4 billion due to the increase in sales volume and promotion of cost improvement, despite the negative effects of material price hikes and other factors and increased labor costs and expenses due to increased material volume.

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	YoY Rate Gain&Loss	YoY Rate %Change	22/Q2 Result	23/Q2 Result	YoY Rate Gain&Loss	YoY Rate %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.

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In the stamping and plastic molding business, net sales increased by 16% YoY to JPY74.1 billion, and operating profit rose JPY5.3 billion to JPY5.5 billion due to an increase in material volume.

In the valves business, sales increased by 5% to JPY28.4 billion due to the impact of depreciation, while operating profit decreased by JPY0.4 billion to JPY1.9 billion due to material price hikes, although the volume of products was on par with the previous year.

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 Result	23/Q2 Result	Gain&Loss	YoY Rate %Change	22/Q2 Result	23/Q2 Result	Gain&Loss	YoY Rate %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.

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Sales in Japan were flat YoY at JPY34.1 billion, with operating profit up JPY2.2 billion to JPY3.8 billion.

Sales in Europe and North America increased by 24% YoY to JPY47.3 billion, with operating profit up JPY1.8 billion to JPY1.5 billion.

Sales in Asia increased by 10% to JPY21.1 billion, with operating profit up JPY0.2 billion to JPY1.4 billion.

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		YoY rate		Diff. from 27th Jul.	
	Full Year Results	Full Year		Full Year		Full Year	
		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.

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Based on the results over the two quarters, as well as the changes in customers' production plans and other external environment shifts, we upwardly revised our full-year forecasts.

Compared to the numbers announced on July 27, sales were revised to add JPY8 billion to reach the total of JPY198 billion.

Operating profit was revised upward by JPY1.5 billion to JPY12 billion. Ordinary profit was revised upward by JPY1 billion to JPY15 billion, and net profit was revised upward by JPY1 billion to JPY10.5 billion.

The assumed exchange rate for H2 of the fiscal year has been changed from JPY130 to the US dollar to JPY140. The exchange rate sensitivity is JPY100 million per JPY1 per year.

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.



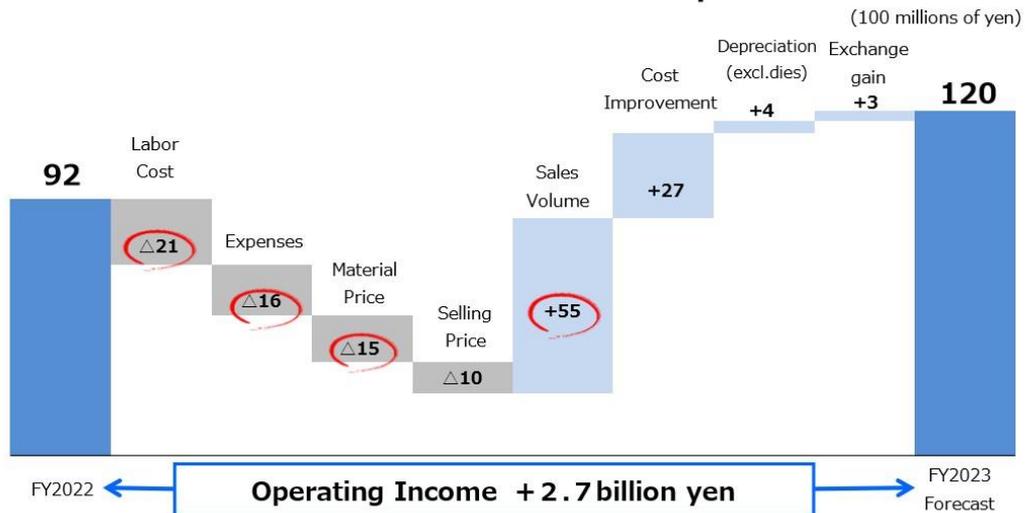
For the full year, we forecast net sales of JPY198 billion, up JPY6.7 billion from the JPY191.2 billion in the previous year, mainly due to a JPY20.7 billion increase in sales volume and a JPY7.5 billion increase in sales due to the impact of the price of materials, although we expect a JPY24.7 billion decrease in sales due to the production orders that include for-fee stamping steel procurement.

Please note that this JPY24.7 billion decrease as a result of the for-fee stamping steel procurement, the JPY7.5 billion increase in material prices, and the JPY3.9 billion increase in foreign currency exchange will have no impact on profit.

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.



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Operating profit for the full year is expected to be JPY12 billion, an increase of JPY5.5 billion due to increased volume and JPY2.7 billion due to cost improvement, despite the negative impact of labor, expenses, and material prices.

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	YoY Rate		FY2022 Result	FY2023 Forecast	YoY Rate	
			Gain&Loss	%Change			Gain&Loss	%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 has no impact on income.

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Net sales for the stamping and plastic molding business are projected to increase by 4% from the previous year to JPY142.5 billion, and operating profit is projected to increase by JPY3.4 billion to JPY8.4 billion due to an increase in sales volume.

We forecast net sales in the valves business of JPY55 billion, unchanged from the previous year, due to our assumption of JPY140 as the exchange rate applicable to H2, and an operating profit of JPY3.6 billion, down JPY0.6 billion, due to higher procurement prices of parts from overseas caused by the weakened Japanese yen and the assumption that material prices will continue to soar.

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	Gain&Loss	YoY Rate %Change	FY2022 Result	FY2023 Forecast	Gain&Loss	YoY Rate %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.

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We expect net sales in Japan to decrease by 3% from the previous year to JPY68.5 billion and operating profit to increase by JPY0.9 billion to JPY5.9 billion due to the positive effects from increased material volume, despite the negative effects from increased labor and expenses, soaring valve material prices, and the start of depreciation related to investments in plant construction in H2.

We forecast a 12% increase in sales in Europe and North America to JPY88 billion and a JPY2.9 billion increase in operating profit to JPY2.8 billion due to a recovery in sales volume and foreign currency exchange differences resulting from the depreciated Japanese yen.

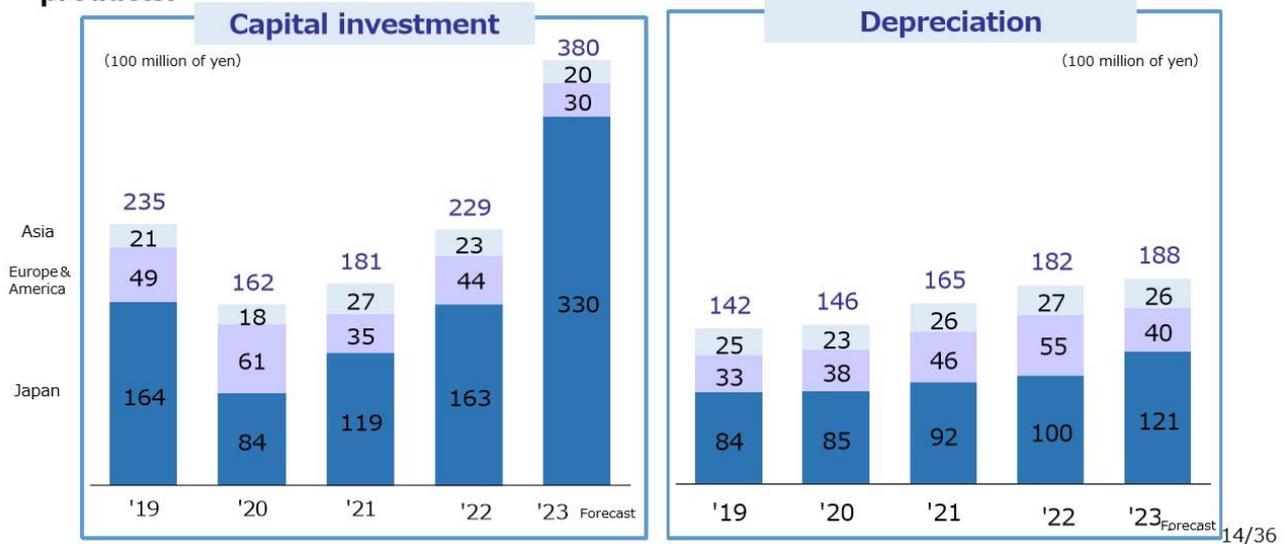
Effective from the current fiscal year, the amortization period for stamping machines owned by the US subsidiary has been revised from 7 years to 15 years. As a result of this change, depreciation and amortization expenses are expected to decrease by approximately JPY1.5 billion from the previous level.

In Asia, we forecast net sales of JPY41.5 billion, down 2%, and an operating profit of JPY2.6 billion, down JPY1 billion, assuming a decrease in sales volume in China.

2-6 Capital investments and Depreciation



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



In FY2023, we plan to invest JPY38 billion, including the construction of a new stamping plant in the Ogaki area and the preparation for the production of electric expansion valves for battery EVs.

In response to an increase in orders from customers, we will increase our production capacity and also invest in building a more efficient production system to strengthen our competitiveness.

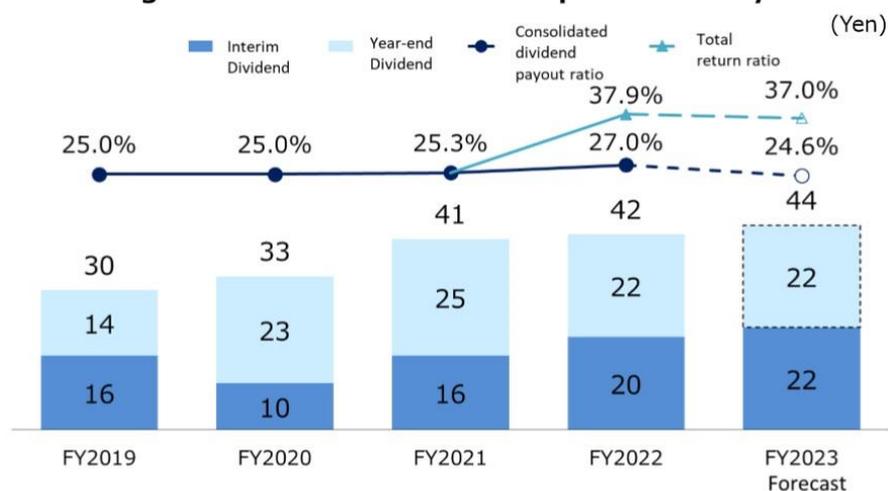
2-7 Shareholder Return



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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We revised our forecast for dividend considering the Q2 results and the full-year forecast.

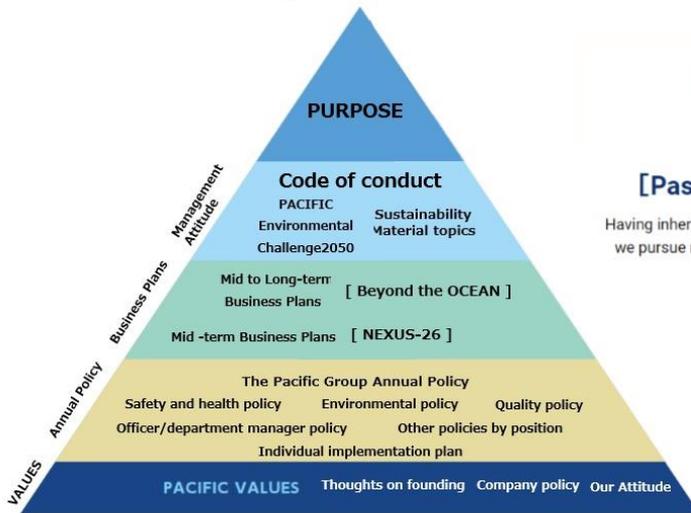
The interim dividend will be JPY22, an increase of JPY2 from the April announcement. The year-end dividend is expected to be JPY22, for a total annual dividend of JPY44.

The payout ratio for the full year is expected to be 24.6%, and the total return ratio is expected to be 37%, including the JPY1.2 billion sharebuyback implemented in April.

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

In April of this year, we announced our medium- to long-term management concept, Beyond the OCEAN, and our medium-term management plan, NEXUS-26. We positioned PURPOSE, which is Passion in Creating Tomorrow, as the axis of our management philosophy.

To drive diverse employees to demonstrate capabilities to create new value, along with the materiality of sustainability, we will share a comprehensively built management plan that is shared with all the divisions of the Group and reflected in policies and plans to be used by business units that engage in operations.

We will also promote sustainable management to attain PURPOSE while holding PACIFIC VALUES, which consists of the founding spirit, company motto, and our mind-set, as our underlying values.

3-2 Sustainability Material Topics



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



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The materiality of sustainability is connected to the three key words of PURPOSE and consists of four pillars and 15 key issues.

Related SDG themes are also identified and addressed. Of these, those themes that we consider particularly important and have a significant impact on corporate management are integrated with our management objectives and prioritized in our efforts.

In materiality through business, we have set the ratio of sales for electric vehicle uses as a goal that ties to the development of environmentally friendly products, which has a particularly high impact on our core business.

To create new value, we also set a target for the number of new products and services to be launched relating to a contribution to a sustainable mobility society and affluent lifestyles.

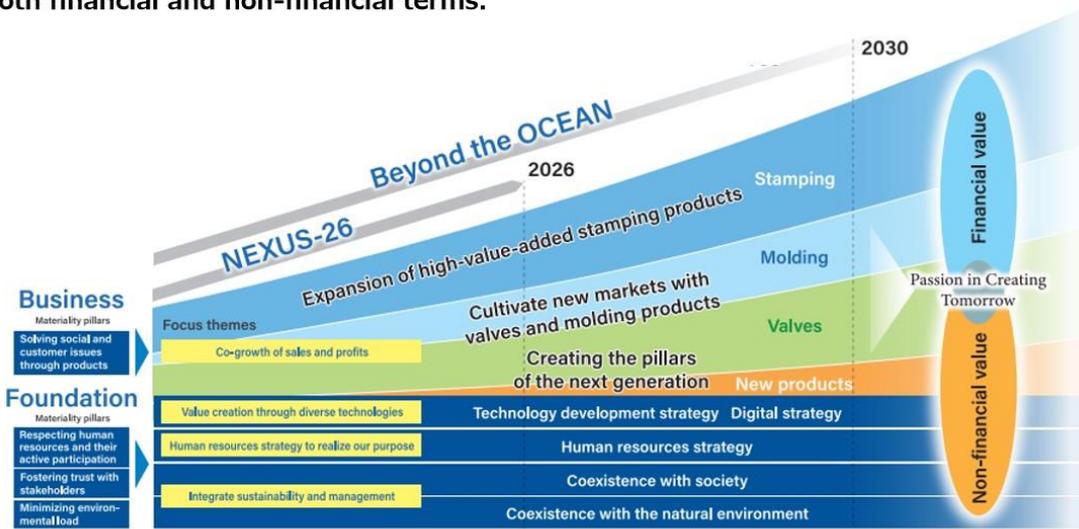
In addition, to minimize environmental impact, we are working to reduce CO₂ emissions as a management goal.

We are also promoting initiatives to improve employee engagement as a goal related to the respect and success of our human resources, which is important for us to become a company that creates tomorrow with passion.

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.



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The medium- to long-term growth vision envisioned in the Beyond the OCEAN medium- to long-term management concept and the NEXUS-26 Medium-term Management Plan is shown here.

By enhancing the foundation, we will create value in both financial and non-financial aspects by leveraging business strategies and connecting them as an integrated management strategy to attain PURPOSE.

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			
Sales	191.2 billion yen	210 billion yen	Sustained growth
Ratio of operating income to sales	4.9%	7% or more	10% or more
ROE	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	Sales ratio for electrified vehicles (our company estimation)	50%	70%
New business	Number of new products and services launched (from FY2023)	15 cases	35 cases
Sustainability value targets			
Empower employees to achieve sustainable growth			
Human capital	Employee engagement	Establish medium- and long-term targets after first survey implementation in FY2023	
Natural capital	CO ₂ emissions	30% reduction	50% reduction (Scope 1, 2, group compared to fiscal 2019)

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As for management goals, we have established goals based both on financial value and non-financial value.

Our financial value targets are JPY210 billion in sales, 7% in operating profit, and 8% in ROE for 2026 to achieve sustainable growth, profitability, and capital efficiency thereafter.

As for non-financial value targets, the value targets related to the business are to increase the percentage of sales for electric vehicles to 70% by 2030 and to launch 35 new products and services in new fields.

In addition, our sustainability value goals are to increase employee engagement and reduce the emission of CO₂.

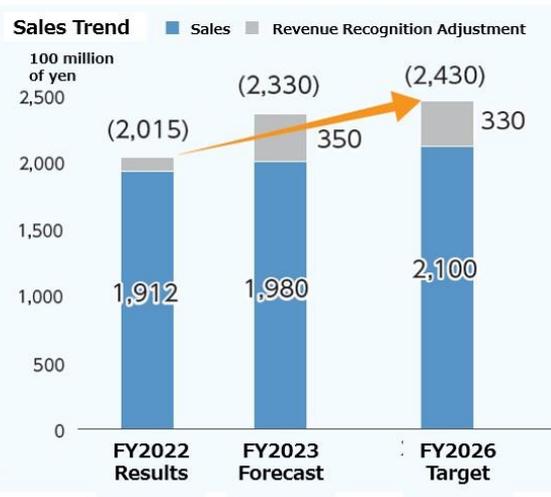
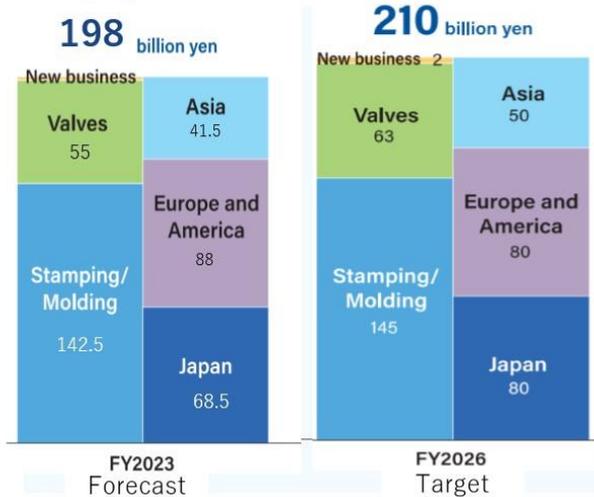
By advancing efforts toward these goals, we aim to achieve sustainable growth and the attainment of PURPOSE.

3-5 NEXUS-26 Target & Progress



Initiatives for mid to long-term growth are progressing smoothly

Sales by segment



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While we received a boost from strong automobile production and foreign exchange trends, efforts to develop and expand sales and other initiatives aimed at medium- to long-term growth, as well as efforts to improve profitability, are also making steady progress.

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



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In the stamping business, we are working to increase sales by expanding lightweight products for decarbonization and to improve profitability by strengthening cost competitiveness.

In particular, the cold stamping method, in which we excel, is superior to the hot stamping method in reducing CO₂ emissions during production, and we are promoting proposals to replace the hot stamping method with the cold stamping method.

In addition, we are also making proposals to our customers to expand the adoption of our ultra-high tensile strength technology in the battery peripheral area in battery EVs.

We will contribute to decarbonization and safety through the development of higher value-added technologies and products.

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.

- High rigidity, vehicle design,
- Achieves driver 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)



By further advancing our structural analysis technology for each skeleton unit and actively making proposals from the early stages of our customers' vehicle development projects, we can accomplish optimal structures that achieve both lightweight and high rigidity, thereby contributing to our customers and building relationships of trust.

Through these activities, we were able to win large orders to provide major body parts for the Crown and Prius models of Toyota Motor Corporation.

For example, the front pillar upper, which was adopted for the new Crown model last year, is a component that requires high rigidity from the viewpoint of collision safety and a long, narrow, complex shape and high precision for the vehicle design and driver's visibility. Until now, hot stamping has been the only manufacturing method available for these parts.

We have succeeded in cold stamping ultra-high tensile steel and achieved mass production through proactive proposals for cold stamping and preliminary studies, including CAE analysis, to identify issues and take countermeasures.

Many other car molds are also adopting ultra-high tensile steel, and we have mass-produced a cumulative total of more than 300 cold-formed ultra-high tensile steel products.

In addition to technological development, we aim to further expand our business in the future by utilizing the ultra-high tensile strength stamping facilities that we will establish globally.

3-8 New Stamping Plant completed



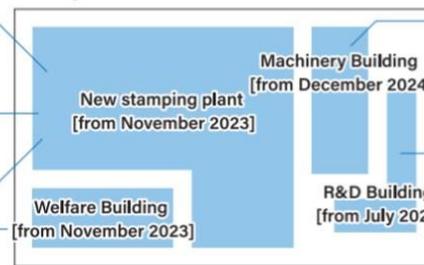
New state-of-the-art global mother factory established to realize sustainable value creation



- Personnel: **250**
- Site area: approx. 92,000m² total floor area: approx.48,000m² (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 bodysheII 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

In the stamping business, a particularly large strategic investment is the stamping plant built in the Higashi-Ogaki area.

Construction of a stamping factory and an employee welfare building has been completed by the end of October, and operations began sequentially in November.

The plant is equipped with enhanced stamping machinery, automated welding lines, renewable energy, and an improved working environment, enabling the facilities to match the demands of the modern world.

From next year onward, we will build an industrial machinery building to enhance the competitiveness of our stamping dies and a development center to strengthen our development capabilities for plastic molding and IoT and other products, thereby creating an environment for the achievement of sustainable value creation.

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

- 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

POINT

2. Developing decorating technology and cultivating global customers

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

POINT

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



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The plastic molding business is positioned as a growing business that can expand sales to a wide variety of customers because of its diverse strengths, including design and evaluation capabilities from material formulation, and an in-house integrated system **from planning and design to production**.

By applying our strengths in soundproofing and film decoration technologies, we will create new markets and strengthen our materials development capabilities, aiming for long-term growth and a shift to a circular economy.

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

In the plastic molding business, we are pushing forward with the development of new customers globally in response to new needs arising from the expansion of the electric vehicle market.

For example, motors and compressors of electric vehicles generate unique noises, and there is a growing need for soundproofing vehicles from such electric noises.

We would like to expand our business domain by meeting such needs because we have the technology to use the right material in the right part of the body and create the right shape, for example, by changing the density of the material depending on the sound range.

The soundproofing cover on the left side of the slide has already been adopted, and we will leverage our existing customer base to expand sales to automobile manufacturers and mega-suppliers in the future.

Recently, more and more aluminum wheels are also adopting wheel caps with the aim of both improving aerodynamic performance and reducing weight.

Even for models such as the Prius and bZ4X, which require particularly high fuel efficiency and electrical performance, we are responsible for everything from wheel cap design to production, contributing to the improvement of the vehicle's product appeal.

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

- 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

POINT



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



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The valves business offers valve products designed in-house and has the world's top market share for several products.

As a focus theme of the medium-term management plan, we intend to grow this business as a new business by introducing new products that utilize sealing technology, especially with a view to electrification.

In the TPMS business, we are also working to expand sales by aggressively proposing TPMS to new customers to increase the volume of products sold while promoting efforts to improve profitability.

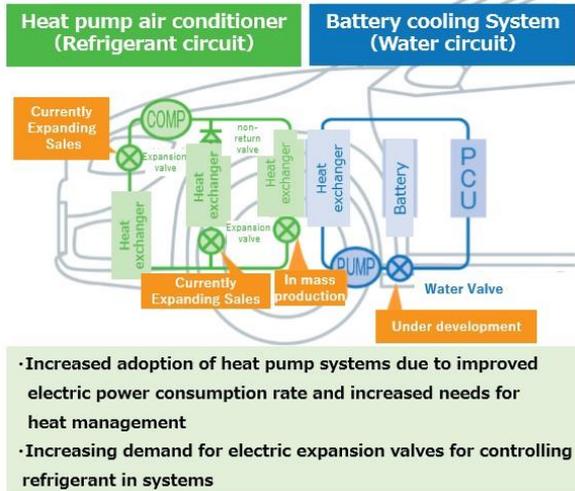
In addition, we are reforming existing businesses by optimizing production and development sites globally and improving productivity through digital innovation.

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



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



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The motorized expansion valve, a valve for thermal management systems, functions in a heat pump system to expand the refrigerant and bring it to a low temperature and low pressure.

The product we developed was adopted for battery cooling and production started in April. These products are compact, lightweight, and of high quality, satisfying the performance requirements of customers.

Since multiple other expansion valves and peripheral valves are also widely used in thermal management systems, the market is expected to expand, and we are continuing to develop and expand sales to increase their adoption.

We will also collaborate with the development and sales departments in the US and France to create a trilateral cooperative system for development and sales expansion in the three regions of the world to meet the growing needs of our customers on a global scale.

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



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

TPMS has expanded its business scale as the market has grown with legalization in various countries. However, because the market has expanded, price competition has been intensified, which presents a profitability improvement as a key challenge to overcome.

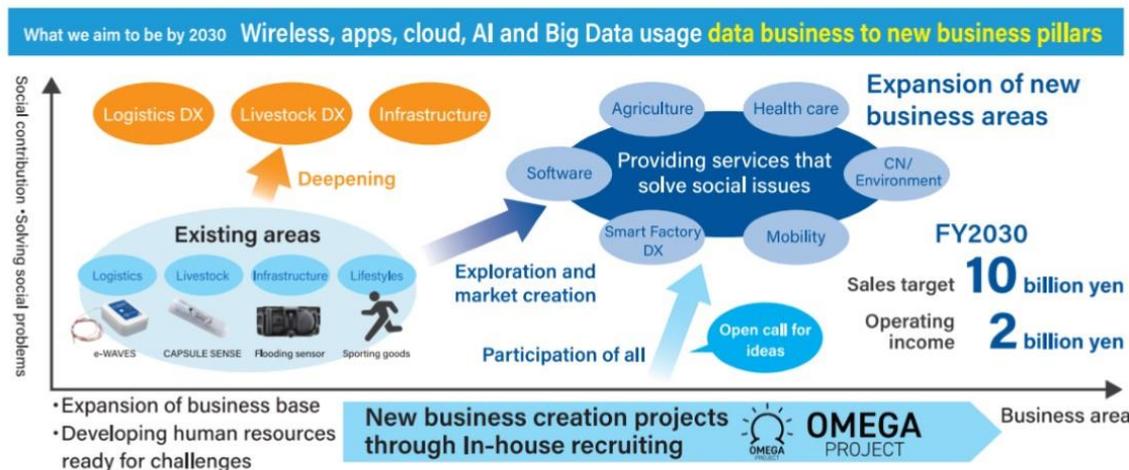
When installing equipment for the launch of a new type of product last year, we kept the same production capacity and versatility while reducing the capital investment to half that of the previous model and also reducing the space requirement to half. CO₂ emissions during production have also been reduced by 42%.

We will continue to strengthen our earning power by developing new customers that will expand our sales volume while also placing importance on steady and continuous improvement activities.

3-14 New Products development



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



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In the development of new products outside the mobility field, we continue to take on various challenges to create a pillar of our business over the long term.

As a goal for 2030, we would like to make the data business utilizing wireless, apps, cloud, AI, and big data the pillars of our new business.

We will broaden our business domain with a focus on businesses that contribute to society and solve social issues.

In the logistics, livestock, infrastructure, and lifestyle-related businesses that are already on the market, we will deepen these businesses by expanding our product lineup and improving their functions.

We also hope to solve social issues by creating products and services in completely new fields.

For this purpose, we launched a new business creation project called Omega Project, in which more than 100 people participated and nearly 100 ideas were submitted. Seven of these projects have advanced to the next step, and we are in the process of deepening our discussions on business creation.

By promoting these initiatives, we aim to achieve sales of JPY10 billion and an operating profit of JPY2 billion by 2030.

3-15 IoT Products to solving social issues



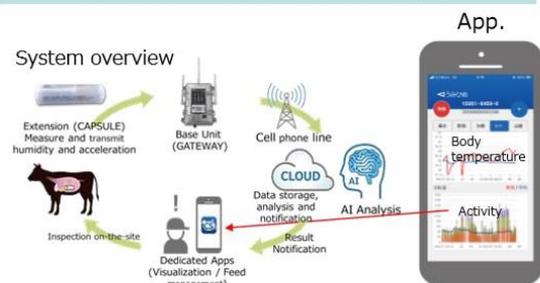
Promote functional improvement and sales expansion of new products and solutions

“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



- 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

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We will introduce products in new fields that we have commercialized so far. Both of these products utilize core technologies, such as sensing and wireless technologies developed for the TPMS business, including software.

“e-WAVES,” which can sense temperature, humidity, and other parameters, is used in a wide range of industries, including HACCP-compliant food transportation, transportation of vaccines and other pharmaceuticals, and regenerative medicine.

In January next year, we plan to sell a low-priced model with reduced functions and prices to expand sales, and we continue to expand our product lineup to meet the needs of a wide range of industries.

“CAPSULE SENSE,” a cow’s health monitoring system launched last year, measures temperature and acceleration in the stomach and monitors changes in the physical condition of cows in real-time. The product has been highly evaluated as a product that supports livestock farmers in improving productivity through IoT and contributes to issues, such as the reduction of burdens and the shortage of bearers of livestock.

In order to continue to serve a wide range of farmers, we are promoting sales expansion activities throughout Japan, from Hokkaido to Okinawa. In parallel, we are also working on development to improve performance and expand our product lineup, such as by improving algorithms to increase the accuracy of detecting changes in physical condition, thereby strengthening our product lineup.

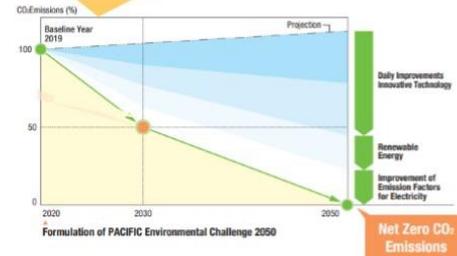
3-16 Minimizing environmental Load



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	50% Reduction Compared to FY2019	NetZero
	Sustainable resources use		Waste emissions	3,625(t) Japan▲11.8% Overseas▲7.9% Compared to FY2019	Japan 60% Reduction Overseas 30% Reduction Compared to FY2019	Minimization
Minimizing environmental Load	Conservation of water resources		Water Usage	1,394 (km ³) ▲20.1% Compared to FY2019	Proper Usage	Minimization

FY2030 Target
 CO₂emissions...▲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

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Minimizing environmental impact, one of the pillars of materiality, is an important issue for the manufacturing industry, and we are working on it as a long-term goal under the "PACIFIC Environmental Challenge 2050."

In particular, the reduction of CO₂ emissions is an important theme, and we have set this as a management goal and will accelerate our efforts with the introduction of daily improvements, innovative technologies, and renewable energy.

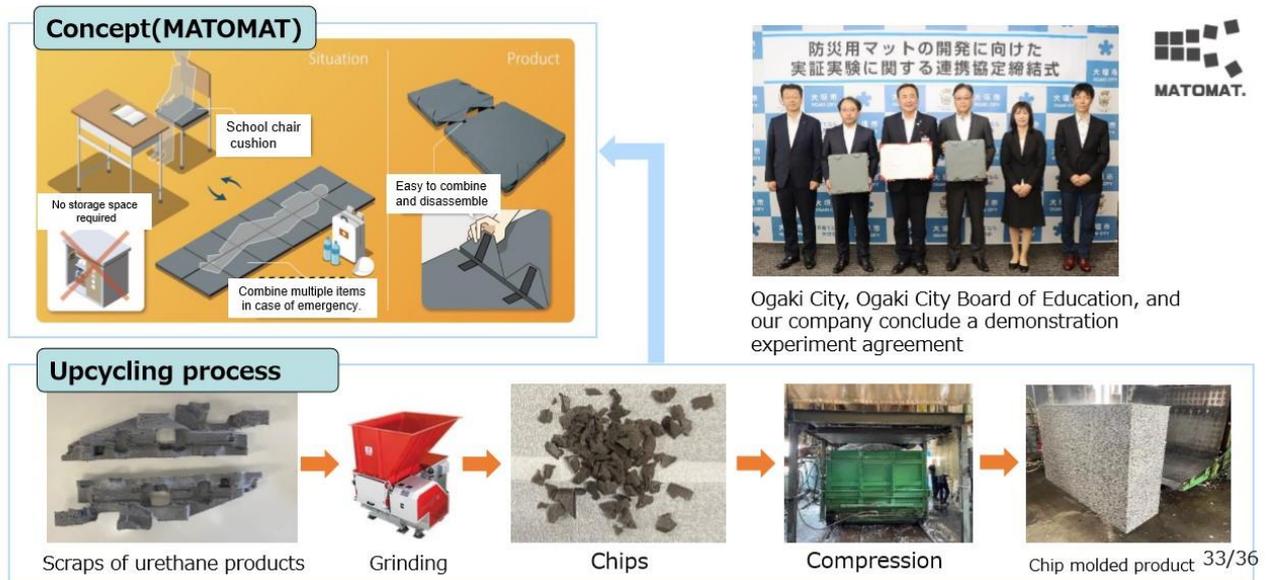
Regarding waste emissions reduction, we would like to shift to a recycling-oriented business to minimize waste emissions by 2050.

Regarding the conservation of water resources, we would like to reduce risk and contribute to the local community in a regionally appropriate manner at each location.

3-17 Circular economy initiatives: Emergency mats



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



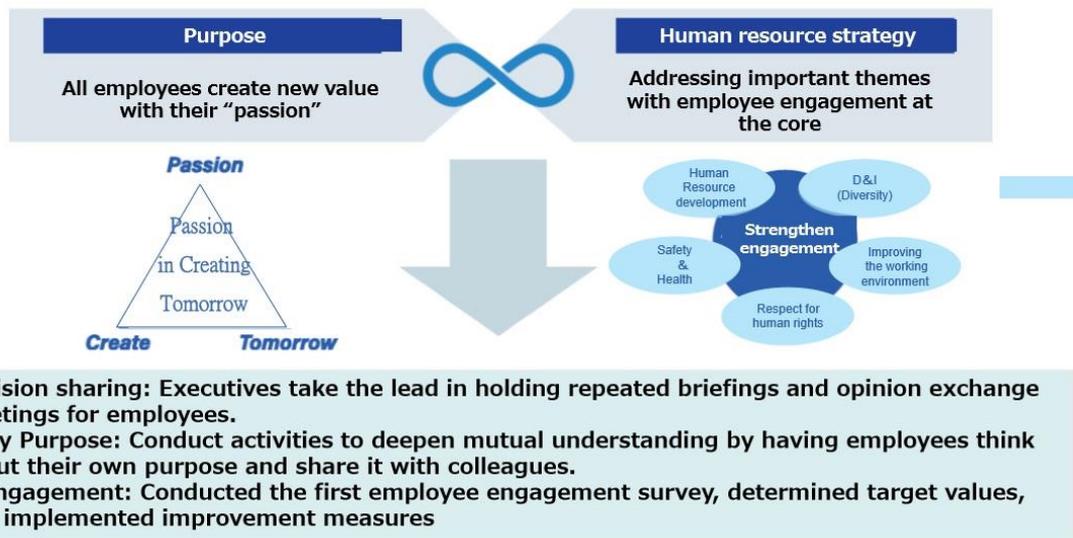
As part of our efforts to reduce waste and promote a circular economy, we have developed an upcycled disaster prevention mat that utilizes urethane product scraps generated during the production of plastic molding products.

Under normal circumstances, the product is used as a cushion for school chairs, but in an emergency where the school becomes an evacuation center, it can be used as a mat by connecting them, improving the living conditions inside the evacuation center. The beauty of this product is that it can be used regularly in schools, so it can be used to prepare for disasters even if you do not have special space for storage.

We believe that our products can contribute to solving social issues from the perspective of the local economy and social welfare, as materials processing and parts manufacturing are performed by local companies and assembly is performed at a nearby welfare workshop.

In cooperation with Ogaki City of Gifu Prefecture, we are conducting demonstration tests at elementary schools in the city, and we plan to commercialize the product next spring.

Drive purpose and strategy into actionable initiatives



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A human capital strategy is important to attain PURPOSE and create value for the business and sustainability.

Among these, employee engagement is at the heart of our human capital strategy, and we believe that enhancing this strategy will lead to a virtuous cycle of enhanced measures that lead to business growth and increased vitality, which will in turn increase engagement.

The key to this is to increase psychological safety and to create a workplace where everyone can say what they think and practice what they do. To achieve this, we not only conduct engagement surveys, but also hold briefings for employees and small opinion exchange meetings to share ideas about PURPOSE, the medium-term management plan, etc., and continue to plan and implement opportunities for each employee to honestly discuss what he or she thinks daily.

In addition, we are promoting initiatives, such as showing one's preparedness daily and improving mutual understanding through the sharing of My Purpose.

There is much to be gained from internal communication, and I intend to use it not only to improve the workplace environment, but also for future management by correctly understanding the thoughts of all employees.

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

Integrated report “Creating Tomorrow Report”



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

“Sustainability data book 2023”



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

We decided to publish the “Creating Tomorrow Report” as an integrated report starting this year to communicate our value creation through integrated thinking in line with our PURPOSE, mid- and long-term management concept, and medium-term management plan. As the name suggests, this report expresses our company's purview of creating tomorrow with all our hearts and minds.

In addition, the existing “Sustainability Report,” which describes the progress of our sustainability efforts, is disclosed on our website as the “Sustainability data book 2023.”

We hope you will take a look at it, as it is positioned as a communication tool to help you better understand our value creation and foster trust in both directions.

We will continue to pursue medium- and long-term growth and integrated efforts to solve customer and social issues, aiming to enhance corporate value.