Financial Results Briefing for Q1 Year Ending March 2023

The 99th period : Cumulative First Quarter

(Apr. 1st, 2022-Jun. 30th, 2022)

July 27, 2022

PACIFIC INDUSTRIAL CO., LTD.

(No Explains)

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Caution in handling this document

Future forecasts, including this document, were judged according to the current information. Actual financial results might be considerably different from the forecast mentioned here depending on the Japanese or international economic situation, business trends related to our company, and any risk or indefinite factors involved in fluctuation of exchange rates.

(No Explains)

1-1 Q1 Consolidated Results

Record highest were achieved for sales and net income due to foreign exchange gains from yen depreciation despite decrease in sales volume due to lower automobile production

(100 million yen,%)

	FY2021 Q1 Result	FY2022 Q1 Result	YoY rate Gain&Loss	YoY rate %Change
Sales	415	Record High 444	+29	+7.1
Operating Income	33	16	△16	△50.6
Operating Income Ratio	8.1%	3.7%	△4.4P	–
Ordinary Income	38	38	△0	△0.8
Ordinary Income Ratio	9.4%	8.7%	△0.7P	–
Net income for the year attributable to owners of the parent	28	Record High 29	+0	+0.7
Ratio of net income to sales(%)	7.0%	6.5%	△0.5P	–
Average exchange rate (US dollars)	¥109.9	¥125.9	¥16.0	–

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In Q1 of this fiscal year, our production was significantly reduced compared to the same quarter of the previous year due to the impact of the lockdown in Shanghai and the shortage of semiconductors, but due to the depreciation of the yen, the Group's sales increased 7.1% over the same quarter of the previous year and reached JPY44.4 billion, a record high for a single quarter.

The profits decreased due to lower sales volume, the impact of higher material prices, and soaring energy costs, despite ongoing efforts to improve profitability and reduce fixed costs.

The operating income was JPY1.6 billion, down 50% from the same period of the previous year, and the ordinary income was JPY3.8 billion, the same level as the same period of the previous year due to foreign exchange gains from the weaker yen, and the net income for the quarter was JPY2.9 billion, up slightly from the previous year and a record high for a single quarter.

1-2 Causes of Fluctuation in Consolidated Net Sales

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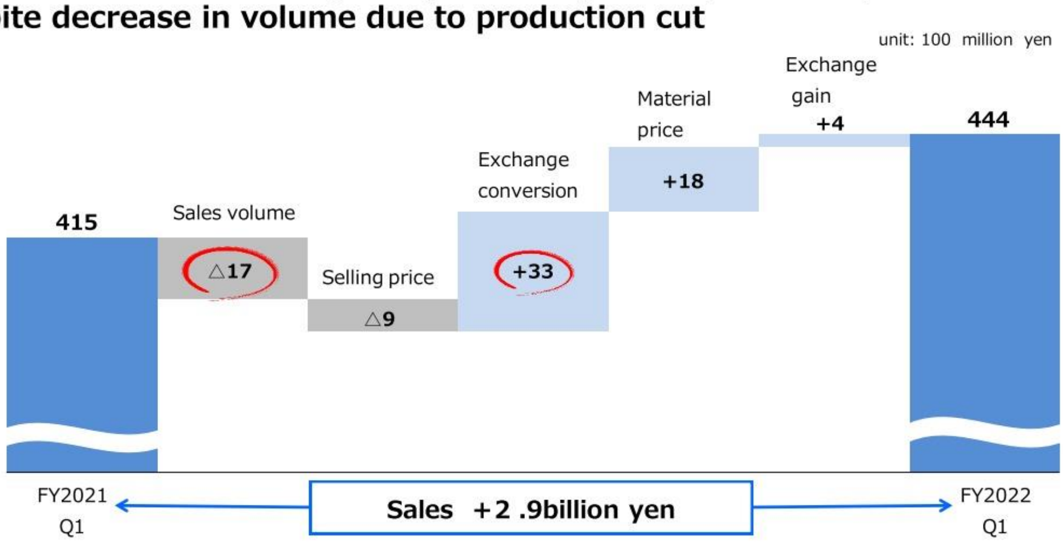
Sales reached a record high in Q1 due to yen's depreciation, despite decrease in volume due to production cut



Sales increased by JPY2.9 billion from JPY41.5 billion in Q1 of the previous year, mainly due to JPY3.3 billion of positive exchange differences from the yen depreciation, despite a JPY1.7 billion negative impact mainly due to a decrease in sales volume.

1-3 Causes of Fluctuation in Consolidated Operating Income

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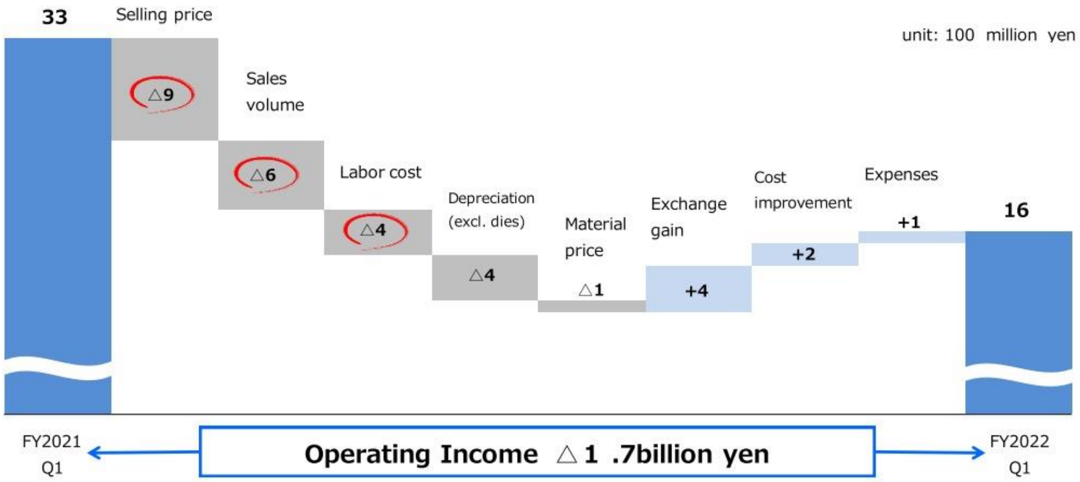
Profitability improvement efforts continued, but operating income decreased due to lower volume and labor cost for production fluctuations.



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The operating income decreased by JPY1.7 billion from JPY3.3 billion in Q1 of the previous year, mainly due to sales price revisions, a decrease in physical distribution, an increase in materials prices, and labor cost impacts to maintain employment during the production reduction.

1-4 Q1 Consolidated Business Segments

Sales up of both stamping&molding and valves due to foreign exchange gains, but income decreased due to cost increase caused by production fluctuation and energy and material price hikes.

(100 million yen,%)

	Sales				Operating Income			
	21/Q1	22/Q1	YoY rate		21/Q1	22/Q1	YoY rate	
	Result	Result	Gain&Loss	%Change	Result	Result	Gain&Loss	%Change
Stamping & Molding	283	310	+26	+9.5	15	4	△10	△70.1
Operating Income Ratio					5.4%	1.5%	△3.9P	
Valves	131	133	+2	+1.7	18	11	△6	△36.8
Operating Income Ratio					14.2%	8.8%	△5.4P	

In the stamping & molding business, the sales increased 9.5% YoY to JPY31 billion and the operating income decreased JPY1 billion to JPY0.4 billion due to the impact of the yen depreciation, despite a decrease in physical distribution caused by the lower production volume.

In the valve business, the sales increased 1.7% to JPY13.3 billion and the operating income decreased by JPY0.6 billion to JPY1.1 billion due to the impact of the yen depreciation, despite a decrease in the physical distribution like in the stamping & molding business.

1-5 Q1 Consolidated Regional Segment

Sales and income down in Japan due to lower production volume.
Sales up and income down in Europe, in the U.S. and Asia

(100 million yen,%)

	Sales				Operating Income			
	21/Q1 Result	22/Q1 Result	YoY rate Gain&Loss	YoY rate %Change	21/Q1 Result	22/Q1 Result	YoY rate Gain&Loss	YoY rate %Change
Japan	175	162	△13	△7.6	18	8	△10	△56.3
Operating Income Ratio					10.6%	5.0%	△5.6P	
Europe & America	161	183	+22	+13.7	6	1	△4	△74.9
Operating Income Ratio					4.1%	0.9%	△3.2P	
Asia	77	98	+20	+26.6	8	7	△0	△11.9
Operating Income Ratio					10.7%	7.4%	△3.3P	

Sales in Japan decreased 7.6% to JPY16.2 billion and operating income decreased JPY1 billion to JPY0.8 billion; sales in Europe and North America increased 13% to JPY18.3 billion and operating income decreased JPY0.4 billion to JPY0.1 billion; and sales in Asia increased 26% to JPY9.8 billion and operating income was flat YoY at JPY0.7 billion.

2-1 Full Year Consolidated Financial Forecast

Based on the Q1 results and changes in external environment, full-year forecast have been revised.

(100 million yen,%)

	FY2021	FY2022		YoY rate		Previous (Apr.27) Forecast Rate	
	Full Year	Full Year Forecast		Full Year		Full Year	
	Result	Forecast as of April 27	Forecast latest	Gain&Loss	%Change	Gain&Loss	%Change
Sales	1,644	1,780	1,780	+135	8.2%	+0	0.0%
Operating Income	107	125	105	△2	△2.4%	△20	△16.0%
Operating Income Ratio	6.5%	7.0%	5.9%	△0.6P	−	△1.1P	−
Ordinary Income	146	140	135	△11	△7.6%	△5	△3.6%
Current Net Income	98	100	95	△3	△3.1%	△5	△5.0%
R O E	8.1%	7.5%	7.0%	△1.1P	−	△0.5P	−
R O A (Operating income basis)	4.6%	5.0%	4.2%	△0.4P	−	△0.8P	−
Net Assts per Share	¥2,138	¥2,254	¥2,370	¥232	10.9%	¥116	5.1%
Average exchange rate (US dollars)	¥112.1	¥120.0	¥129.0	¥16.9	−	¥9.0	−

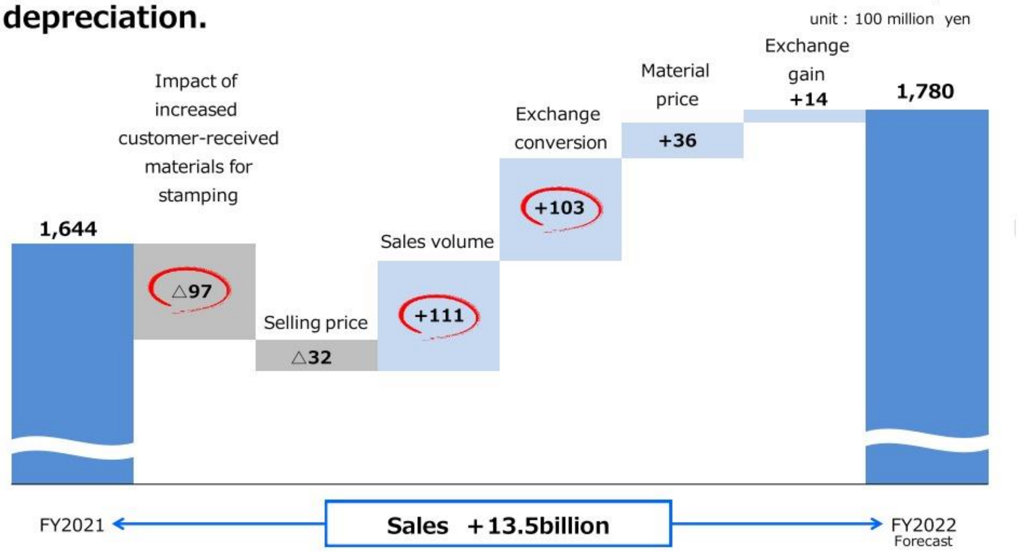
* Current Net income is profit attributable to owners of parent for the current period.

We have revised our forecast based on the Q1 results and the uncertain external environments, including our customers' production plans, semiconductor shortages, the impact from COVID-19, and the impact of the situation in Ukraine on the economy.

For the full year, there is no revision to sales, but the operating income is revised downward by 16% from JPY12.5 billion to JPY10.5 billion. We reduce the percentage for a decrease in ordinary income and net income to 3.6% and 5%, respectively, partly due to the positive impact of the foreign exchange rate.

The forecast exchange rate has been changed from JPY120 to JPY130 to the dollar after Q2. The exchange rate sensitivity is JPY100 million if the yen depreciates by JPY1.

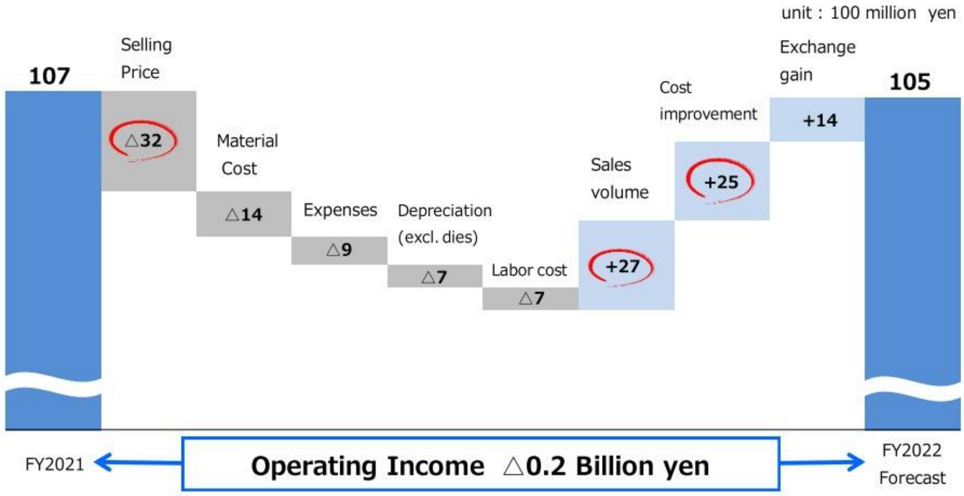
Expect increase in sales due to increase in sales volume and impact of yen depreciation.



For the full year, we forecast sales of JPY178 billion, up by JPY13.5 billion from JPY164.4 billion in the previous year, due to an increase in sales volume of JPY11.1 billion, a JPY10.3 billion increase in foreign currency translation made by the yen depreciation, a JPY1.4 billion increase in foreign exchange gains, and a JPY9.7 billion decrease in sales due to the impact of increased customer-received materials for stamping.

2-3 Causes of Fluctuation in Full Year Consolidated Operating Income

Operating income is expected to decrease due to material price hikes despite recovery in sales volume; focus on continuous profit improvement



Operating income for the full year is expected to increase by JPY2.7 billion due to increasing physical volume and by JPY2.5 billion due to cost improvement, but is projected to decrease by JPY0.2 billion from the previous year to JPY10.5 billion due to the negative impact of selling prices and raw materials prices.

We will continue to focus on improving profitability while controlling increases in labor costs and expenses caused by production fluctuations.

2-4 Full Year Consolidated Business Segments

Sales and operating income are expected to increase for stamping and molding, Valve sales are expected to increase, while its operating income is expected to decrease.

(100 million yen,%)

	Sales				Operating Income			
	FY2021 Result	FY2022 Forecast	YoY Rate Gain&Loss	YoY Rate %Change	FY2021 Result	FY2022 Forecast	YoY Rate Gain&Loss	YoY Rate %Change
Stamping & Molding	1,142	1,235	+92	+8.1	49	57	+7	+15.8
(The Impact of increased customer-received materials for stamping)		* (△97)						
Operating Income Ratio					4.3%	4.6%	+0.3P	
Valves	499	542	+42	+8.4	58	48	△10	△17.7
Operating Income Ratio					11.7%	8.9%	△2.8P	

* FY2022 Sales will be expected decrease 9.7 billion since FY2022 Q3 due to the impact of increased customer-received materials for stamping. No impact on income.

Sales for the stamping & molding business are projected to increase 8.1% YoY to JPY123.5 billion, and operating income is projected to increase JPY0.7 billion to JPY5.7 billion.

Sales in the valve business are projected to increase 8.4% YoY to JPY54.2 billion, while operating income is expected to decrease by JPY1 billion to JPY4.8 billion.

2-5 Full Year in Consolidated Regional Segment

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Sales and operating income are expected to decrease in Japan, while expected to increase in Europe, the U.S., and Asia.

(100 million yen,%)

	Sales				Operating Income			
	FY2021 Result	FY2022 Forecast	YoY Rate Gain&Loss	YoY Rate %Change	FY2021 Result	FY2022 Forecast	YoY Rate Gain&Loss	YoY Rate %Change
Japan	687	648	△39	△5.8	61	49	△12	△20.3
(The Impact of increased customer-received materials for stamping)		* (△97)						
Operating Income Ratio					8.9%	7.6%	△1.3P	
Europe & America	612	707	+94	+15.4	13	21	+7	+52.6
Operating Income Ratio					2.2%	3.0%	+0.8P	
Asia	344	425	+80	+23.4	31	33	+1	+4.2
Operating Income Ratio					9.2%	7.8%	△1.4P	

* FY2022 Sales will be expected decrease 9.7 billion since FY2022 Q3 due to the impact of increased customer-received materials for stamping
No impact on income.

In Japan, we forecast sales of JPY64.8 billion, down 5.8% from the previous year, and operating income of JPY4.9 billion, down JPY1.2 billion. In Europe and North America, we forecast sales of JPY70.7 billion, up 15%, and operating income of JPY2.1 billion, up JPY0.7 billion. In Asia, we forecast sales of JPY42.5 billion, up 23%, and operating income of JPY3.3 billion, up JPY0.1 billion.

2-6 Quarterly Consolidated Financial Results

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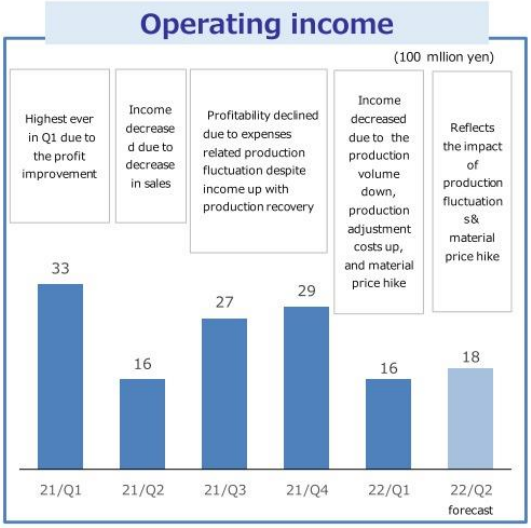
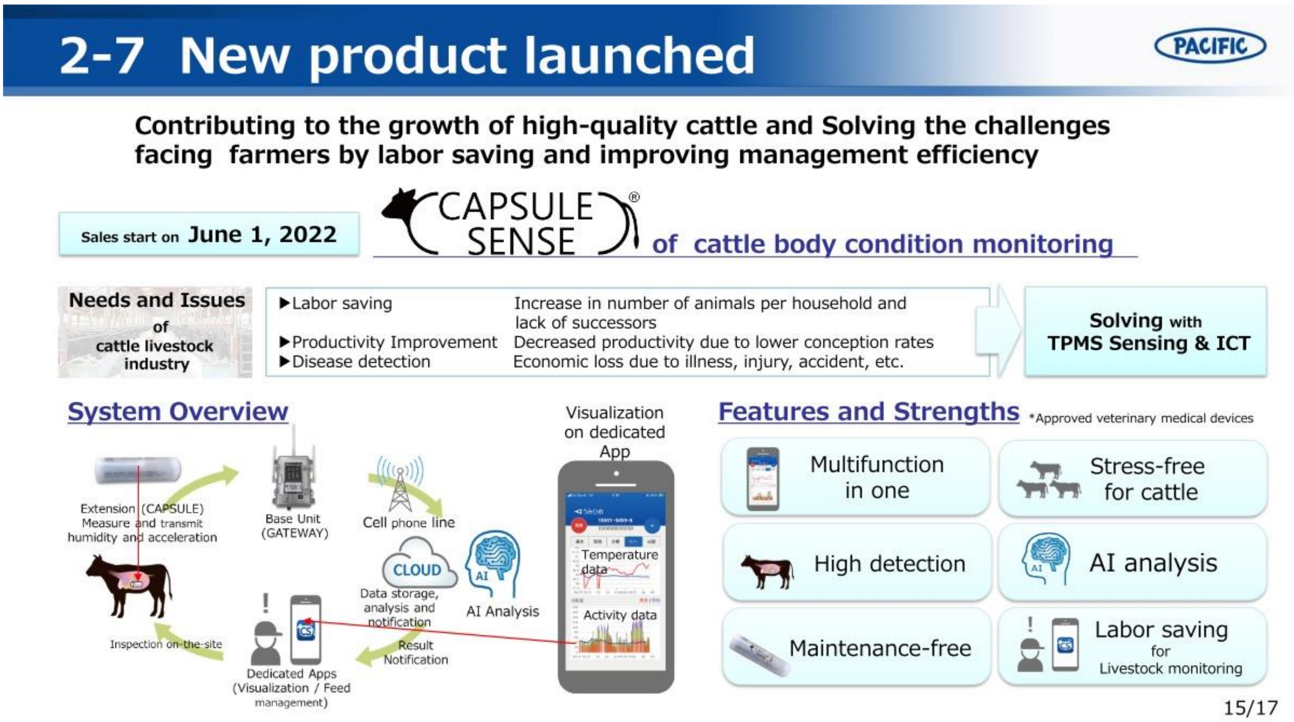
Profitability declined due to cost increases caused by volume fluctuations and material price hikes, but continue to improve profitability and minimize losses.



As in FY2021, for FY2022 we will continue our efforts to improve profitability and minimize losses, since we expect materials and energy costs to soar and production to fluctuate.



On June 1, we launched CAPSULE SENSE, a cattle body condition monitoring system, as a new product that will help solve social issues.

The challenges the livestock industry are facing include an increase in the number of animals per household, a lack of successors, declining productivity due to lower fertility rates, and economic losses due to disease.

To solve these problems for farmers, we have developed a new product, CAPSULE SENSE, a cattle body condition monitoring system developed by combining our sensing and AI analysis technologies. A capsule is put into the stomach of cattle, and by using our TPMS technology, sensing data is collected and analyzed to detect signs of changes in the cattle's body condition.

The advantage of our product lies in its high detection capability using temperature and acceleration sensors, and its ability to detect estrus, parturition, and disease with only a single product. In addition, because it stays in the stomach, it is less burdensome to cattle and less likely to break down than products that are fixed on the body, and therefore does not require maintenance.

The product has been well received in the six-month monitoring test, and we will continue to expand sales throughout Japan so that even more farmers can use the product in the future.

3 Focus for This Term

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■Result of Q1

- Semiconductor shortage
- Production fluctuations due to the impact of the Shanghai lockdown, etc.
- Secured profit by controlling expenses and other costs

■Full year forecast

- Production is expected to recover from September onward.
- Concerns about production fluctuations due to supply shortages in semiconductors, etc.

■Future Initiatives

- Prepare for production recovery and **maximize the effect of production increase**
- **Launched a new product** based on sensing technology
- **Continue activities to grow** existing and new business

Looking back over Q1, there were repeated production fluctuations caused by the shortage of semiconductors and the impact of the Shanghai lockdown, as well as cost increases due to higher materials prices and soaring energy prices, but we were able to control labor costs, expenses, and other costs through our past experience with COVID-19 and as a result still secured a profit.

From Q2 onward, although the impacts of shortages in the supply of semiconductors and other components still linger, we assume that the worst will be reached in August and that the recovery trend will begin from September onward. Although the external environment remains uncertain, we will maintain the strengthened profit structure and a system resilient to production fluctuations, and we will improve systems to maximize the effects of physical volume when it recovers.

In addition, for activities for future growth in existing businesses, we are progressing on a steady basis by developing products and receiving orders for batteries and EV-related products. We will continue our efforts to develop and expand sales, including new products in non-automotive fields such as those introduced before.