

Financial Results Briefing for FY2020

The 97th period : (Apr. 1st, 2020-Mar. 31st, 2021)

April 30, 2021



PACIFIC INDUSTRIAL CO., LTD.

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Caution in handling this document

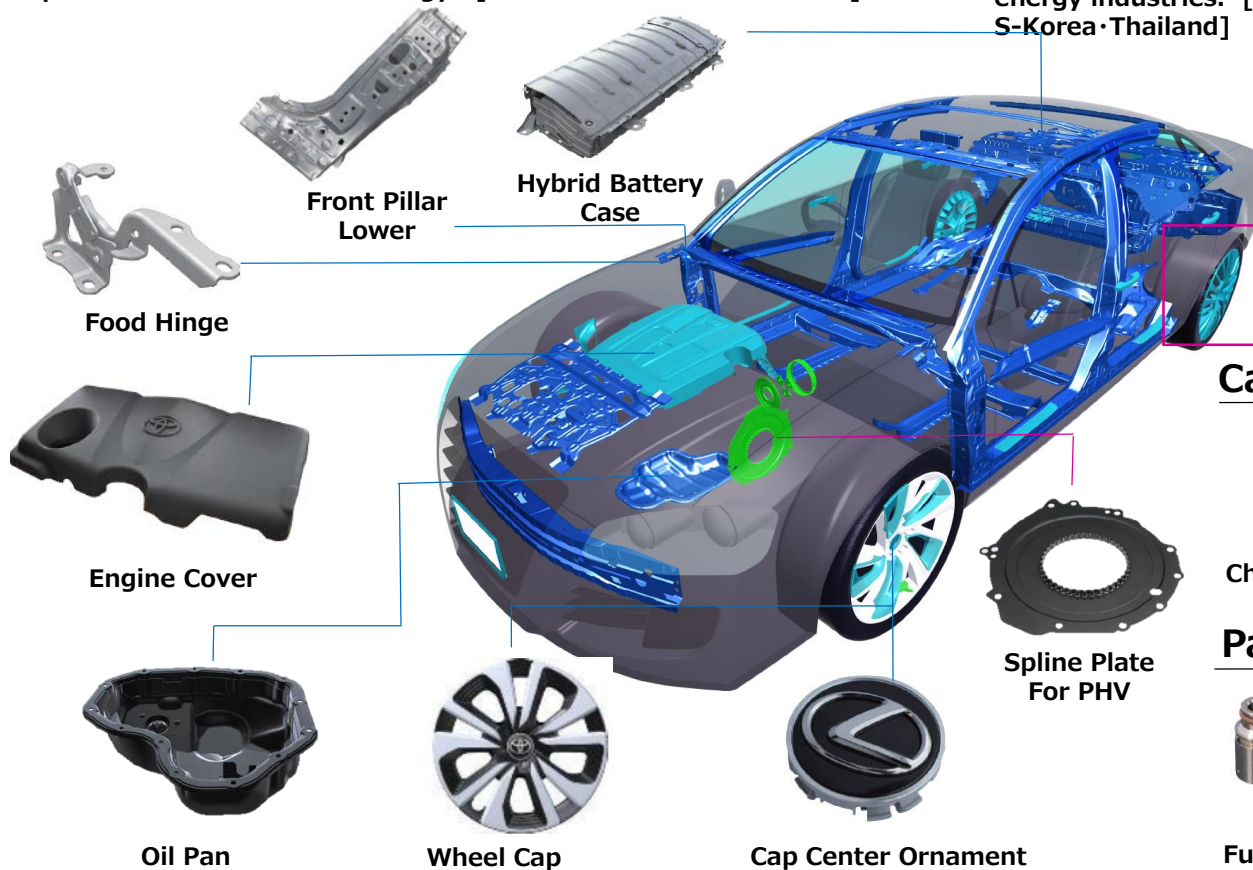
Future forecasts, including this document, were judged according to the current information. Actual financial results might be considerably different from the forecast mentioned here depending on the Japanese or international economic situation, business trends related to our company, and any risk or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

An Outline of Our Business and Main Products

Founded in 1930, Ranked as "A-Stable",
8 Plants in Japan, 17 Companies in 8 Countries

Stamping & Molding Products Business

We manufacture stamping products, which have the molding technology of ultra-high-tensile material that achieves both weight reduction and high rigidity, and resin products, which provide a variety of products with film decoration technology and NV performance control technology. [USA·China·Taiwan·Thailand]



Valve Products Business

It consists of valve products that have multiple top share products in the world, TPMS products for tire pressure monitoring systems that are in increasing demand worldwide, and forging products. We also manufacture valves for the aircraft, industrial machinery and energy industries. [USA·France·Belgium·UK·China·Taiwan·S-Korea·Thailand]

Tire Valve Related



Car Air Conditioner Related



Parts for other than Automobiles



Looking Back on FY2020

Gaining a Solid Foothold GLOCALly by Preventing Being Infected and Maintaining Employment and Our Production System as a Top Priority

In Covid-19 pandemic: Shut down

- Infection prevention: Employee/family/regional cooperation
- Supply chain: Secure employment and maintain production system
- Cost reduction/Fixed cost reduction/Web utilization
→ Q1 deficit turned into surplus in the first half,
full-year recovery

New problems :

- Production fluctuations due to concerns about material and semiconductor supply
- Prolonged impact on COVID-19, the fourth wave

1-1 Consolidated Results

Profit is recorded even in the COVID-19 pandemic due to profit improvement and fixed cost reduction activities

(million yen, %)

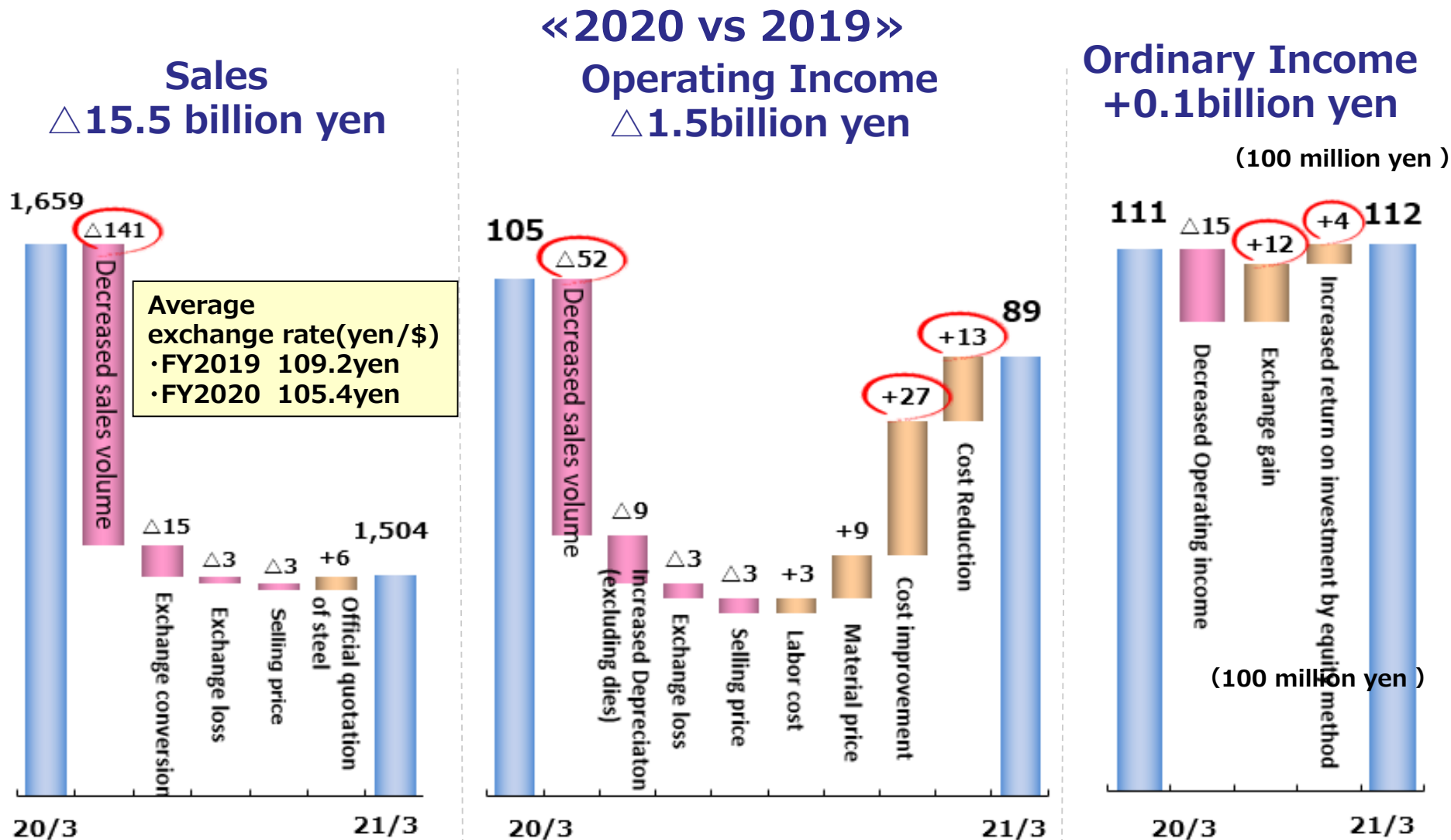
	2019		2020		Year-on-year rate			
	Q4 Result	Full year Result	Q4 Result	Full year Result	Q4 Result		Full year Result	
					Gain&Loss	%change	Gain&Loss	%change
Sales	42,893	Record High 165,969	42,369	150,408	△524	△1.2	△15,561	△9.4
Operating Income	3,712 8.7%	Record High 10,511 6.3%	Record High 4,011 9.5%	8,974 6.0%	298	+8.0	△1,536	△14.6
Ordinary Income	3,339 7.8%	11,130 6.7%	Record High 5,345 12.6%	11,218 7.5%	2,006	+60.1	88	+0.8
Current Net Income	1,687 3.9%	7,256 4.4%	Record High 3,715 8.8%	7,982 5.3%	2,027	+120.2	726	+10.0

※Current Net income is a current net income attributable to owners of the parent company.

- ✓Sales Sales recovery after Q2 continued in Q4, almost the same as the same period of the previous year.
For a full year, it was little less than 10 percent due to a large effect of reduced production in Q1.
- ✓Operating Income Through improvement efforts, we have transformed into a business structure that makes profits even when production is reduced.
Record high profit for 4Q. Profit margin also improved.(Same level as Q3)

1-2 Consolidated Sales & Profit Increase/Decrease Factors

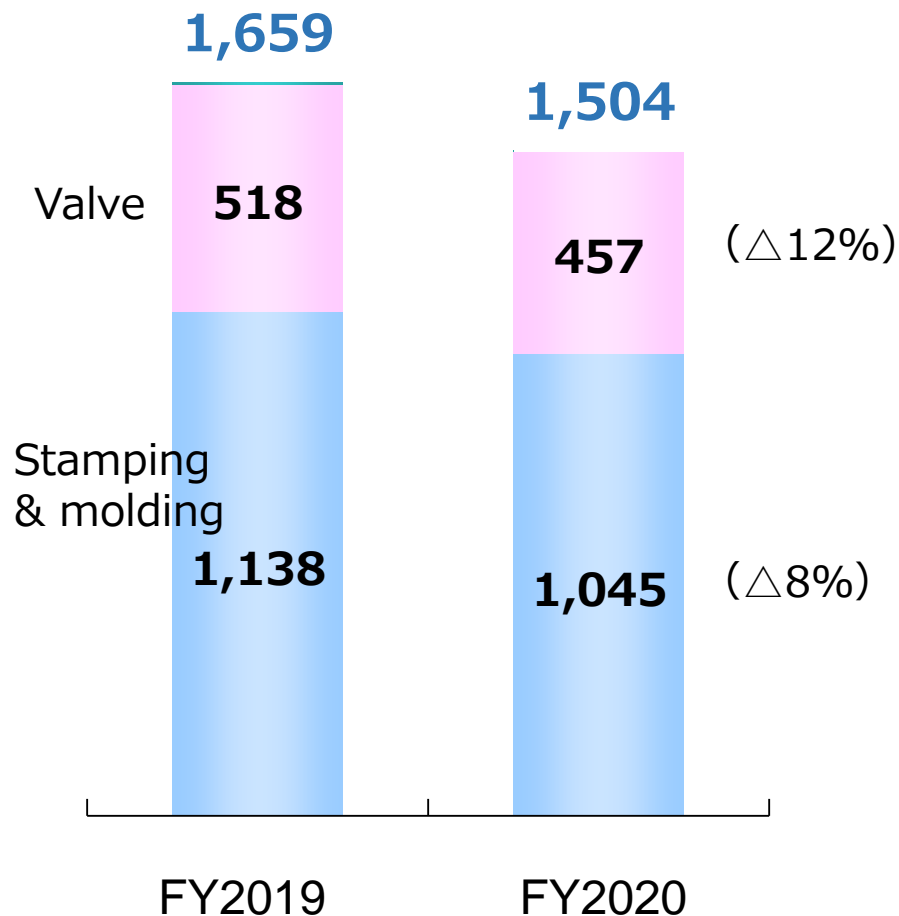
Sales declined significantly due to the impact of COVID-19, but profit decline was reduced by improvement and cost reduction



1-3 Consolidated Business Segments

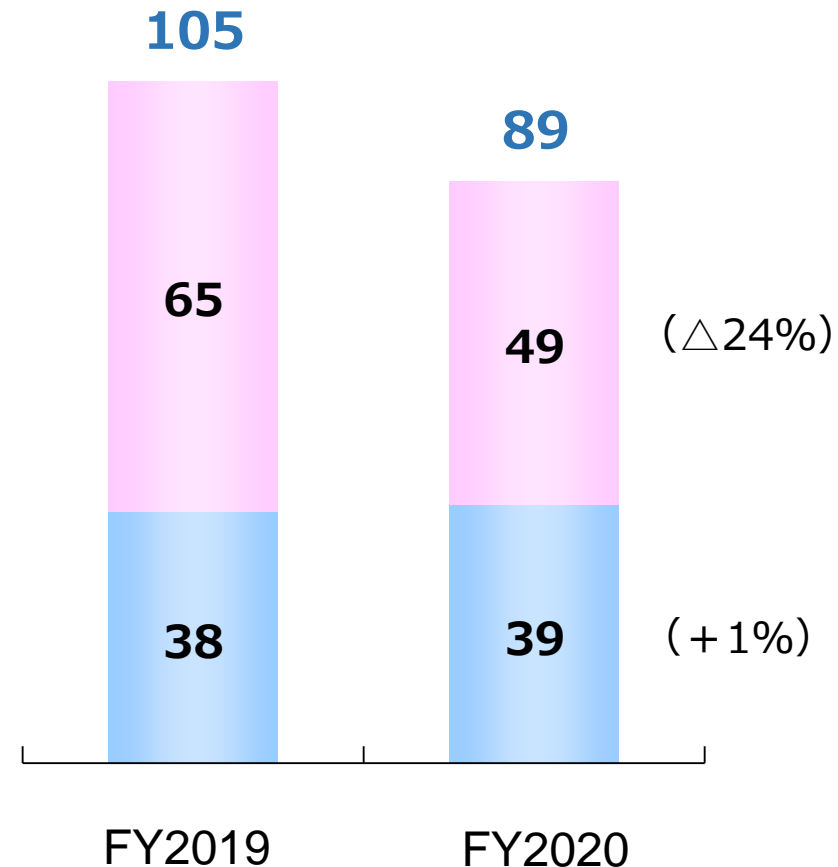
Sales of stamping & molding decreased, but profits increased.
Sales & profits of valves decreased.

«Sales»



« Operating Income »

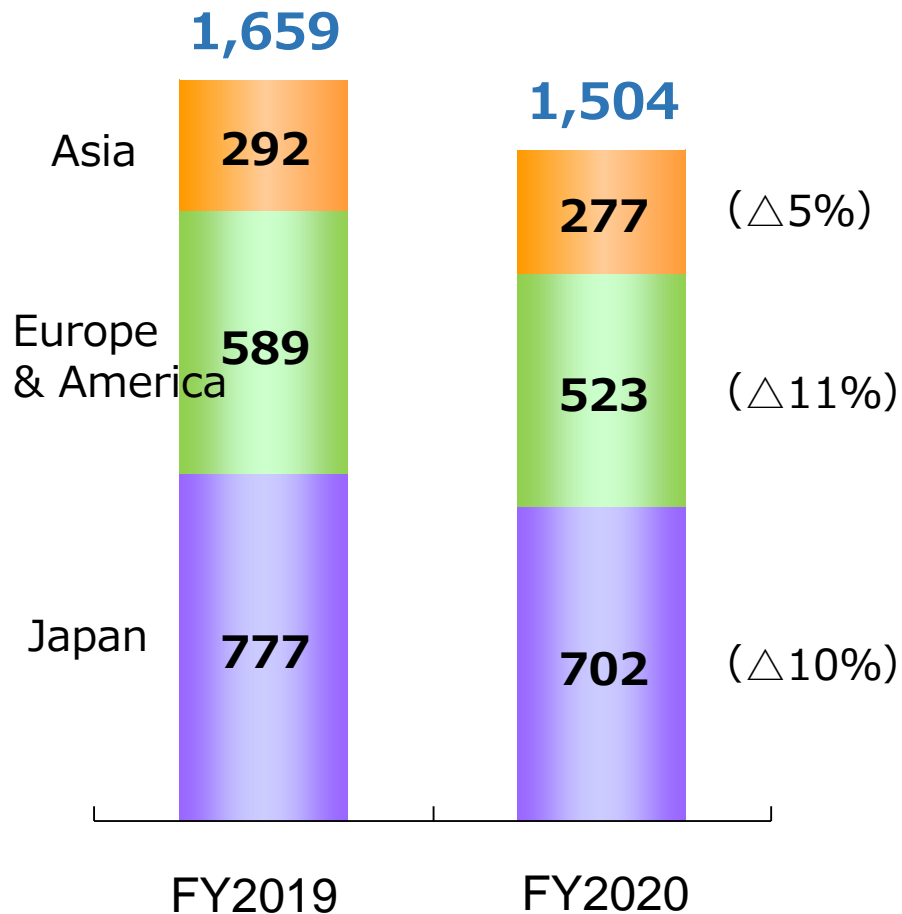
(100 million yen)



1-4 Consolidated Regional Segment

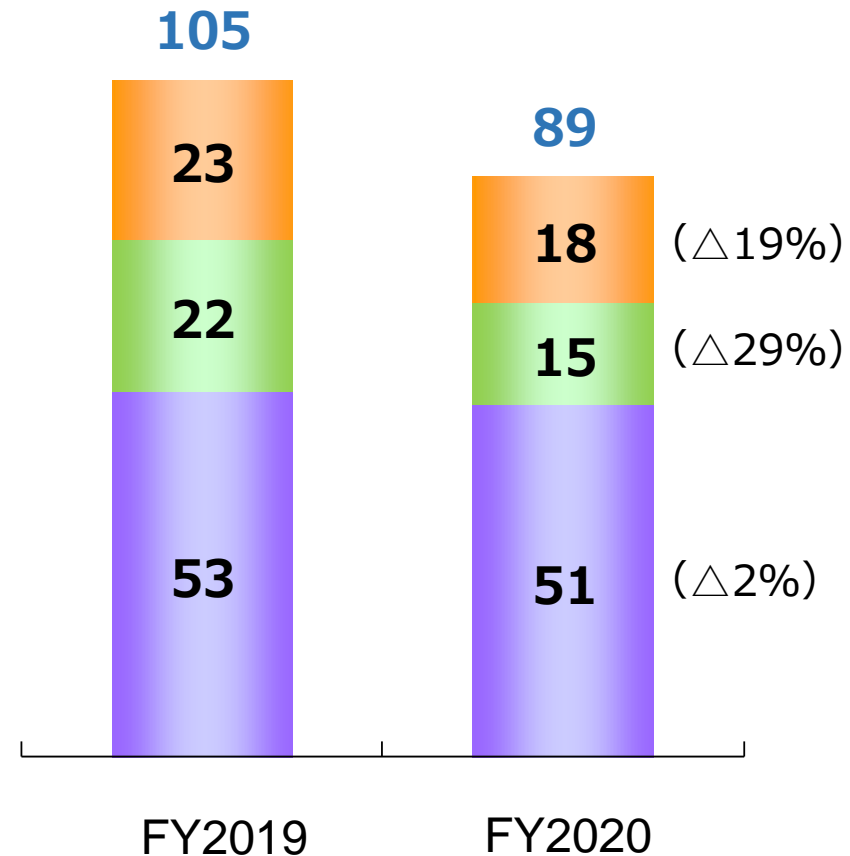
It returned to profitability in the first half and increased profits in the second half. Japan's profits are almost the same as the previous term

«Sales»



«Operating Income»

(100 million yen)



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2-1 Next Term Consolidated Financial Forecast

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Assuming that in the midst of the risk of COVID-19 and parts procurement, business performance will gradually increase toward the end of the fiscal year

(million yen, %)

	2020		2021		Year-on-year rate			
	Q2 Year to Date Result	Full year Result	Q2 Year to Date Forecast	Full year Forecast	Q2 Year to Date Result		Full year	
					Gain&Loss	%change	Gain&Loss	%change
Sales	64,827	150,408	77,500	156,000	12,673	19.5%	5,592	3.7%
Operating Income	862	8,974	4,000	9,500	3,138	364.0%	526	5.9%
Ordinary Income	1,313	11,218	4,800	11,500	3,487	265.6%	282	2.5%
Current Net Income	942	7,982	3,300	8,000	2,358	250.3%	18	0.2%
Operating Profit Margin	1.3%	6.0%	5.2%	6.1%	3.9%	/	0.1%	/
R O E	—	7.6%	—	7.0%	—	/	△0.6%	/
R O A (Operating Income Base)	—	4.2%	—	4.1%	—	/	△0.1%	/
Net Assts per Share	—	(yen) 1,846	—	1,938	—	/	92	5.0%

※Current Net Income is a current (quarter) net income attributable to owners of the parent company.

※By applying Accounting Standard for Revenue Recognition, affects Sales and Cost of sales

(Impact in 2021: Sales decreased by 53 million yen)

✓Sales Calculated based on available information such as customer production plans, etc.

✓Operating Income Expected to increase profits by continuing improvement and recovering sales

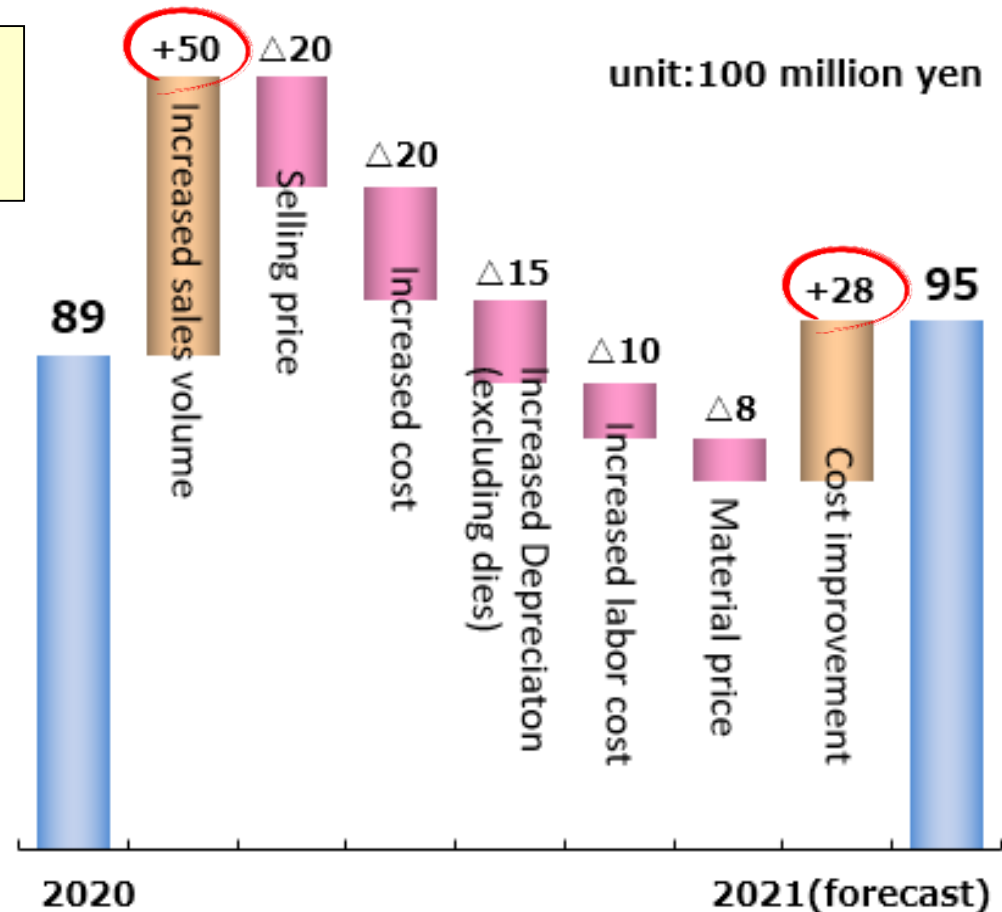
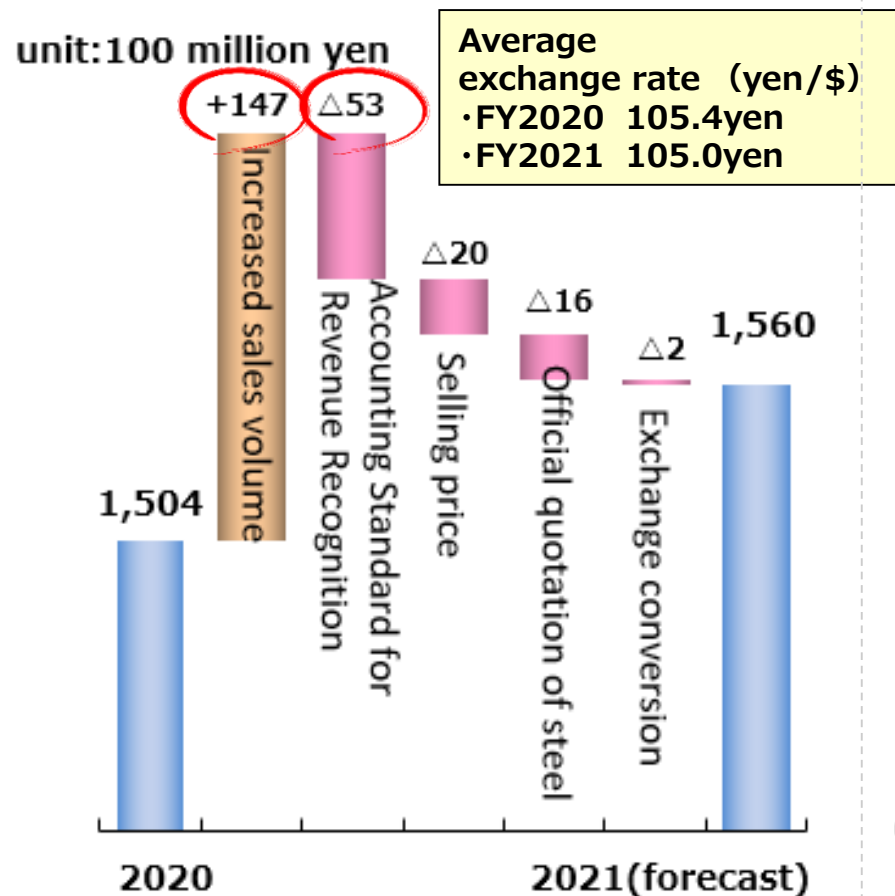
2-2 Next Term Causes of Fluctuation in Consolidated Sales & Income

Sales are expected to recover.

Apparent sales decrease due to application of accounting standards

«2021 Forecast vs 2020»
Sales + 5.5 billion yen

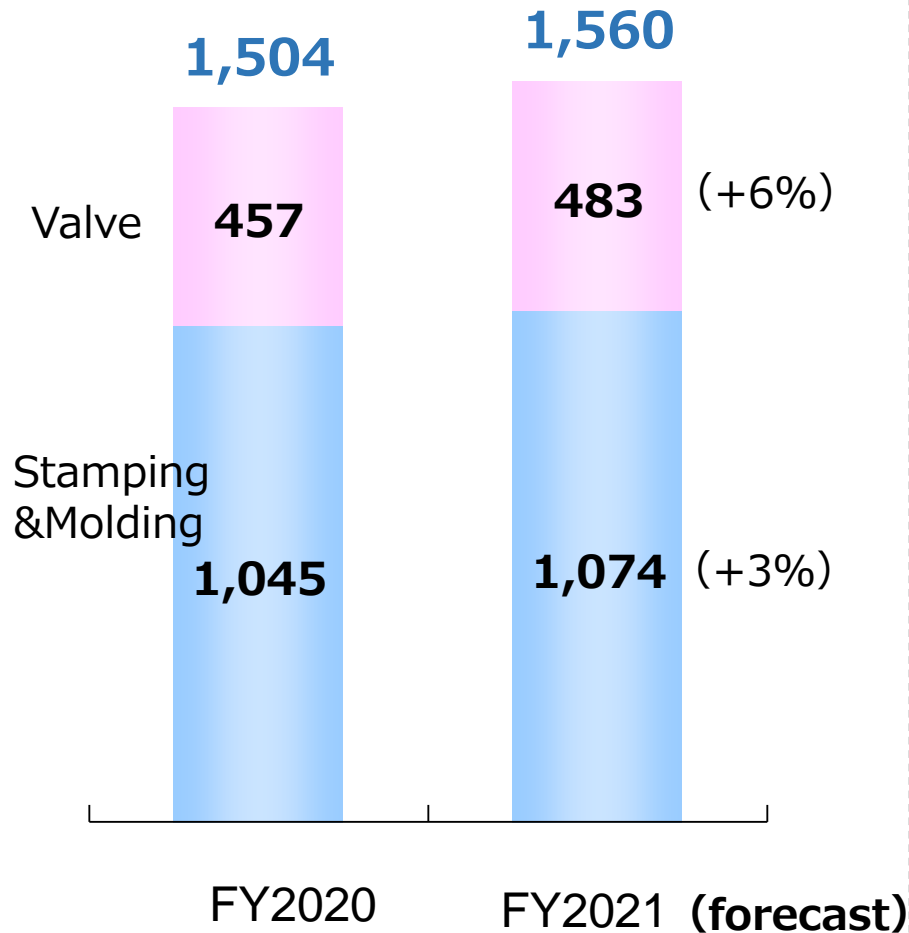
«2021 Forecast vs 2020»
Operating Income +0.5 billion yen



2-3 Next Term Consolidated Business Segments 12/34

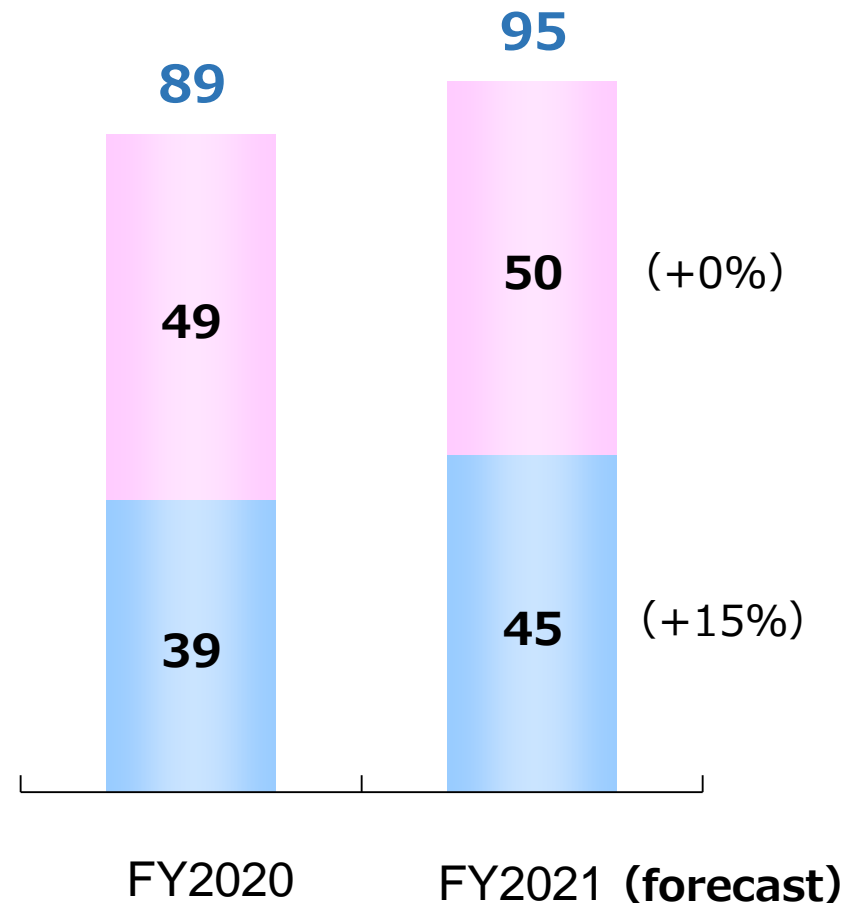
Both businesses are expected to be profitable

«Sales»



« Operating Income »

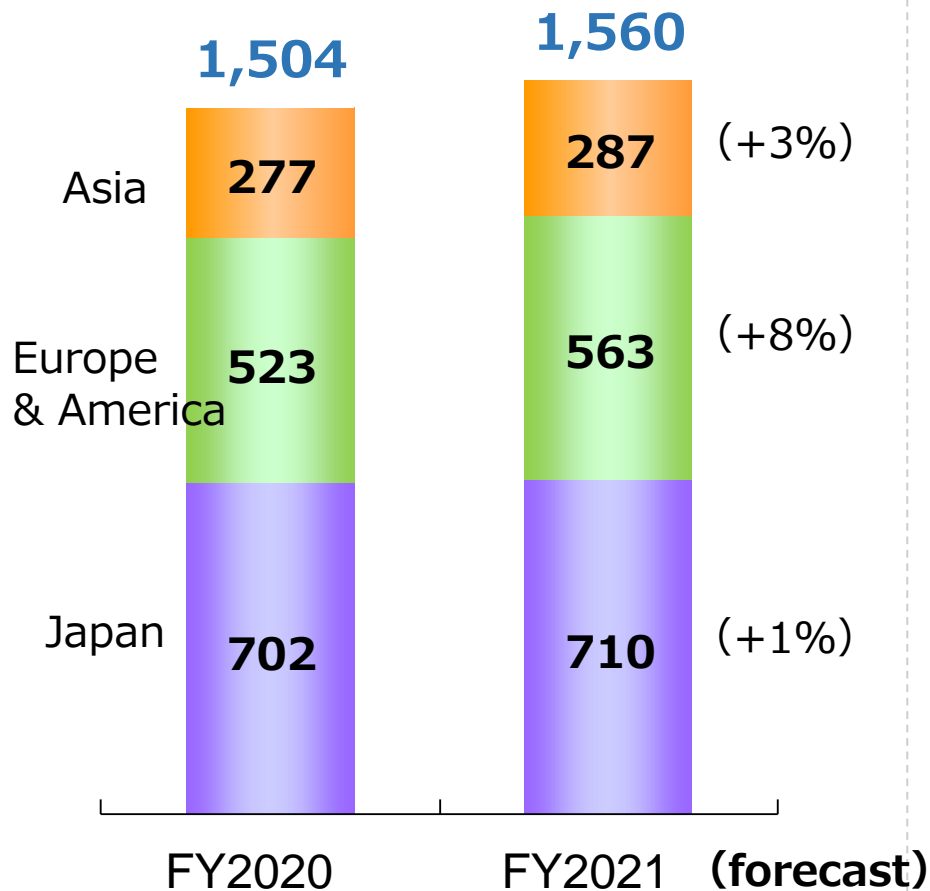
(100 million yen)



2-4 Next Term Consolidated Regional Segment

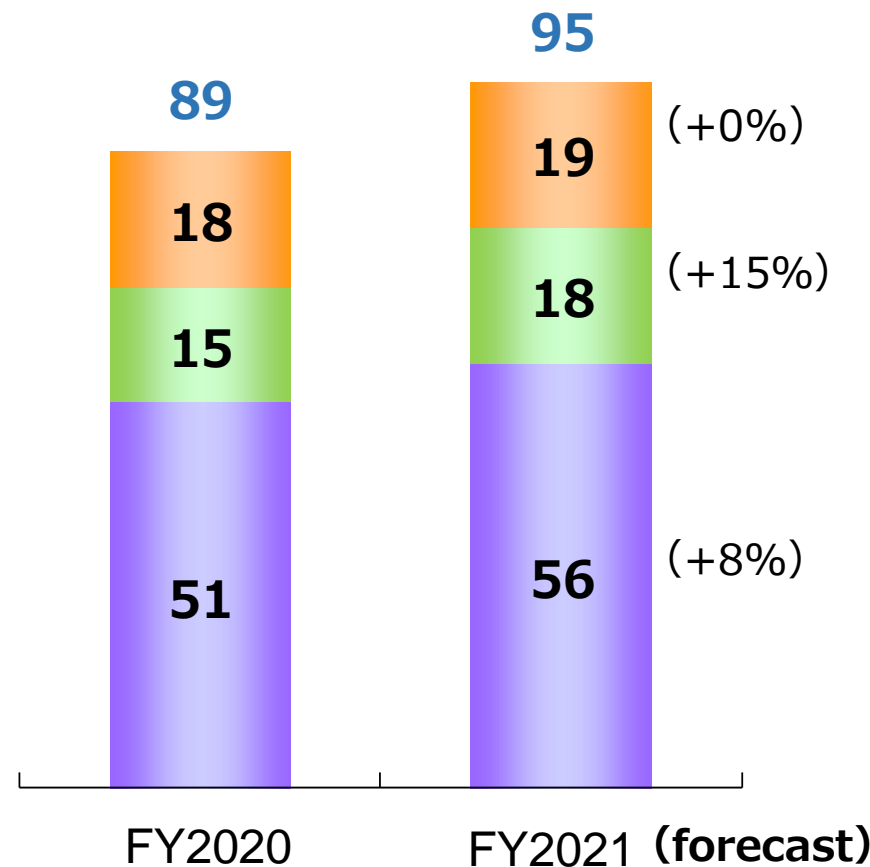
Japan, Europe & America and Asia
are expected to be profitable

«Sales»



« Operating Income »

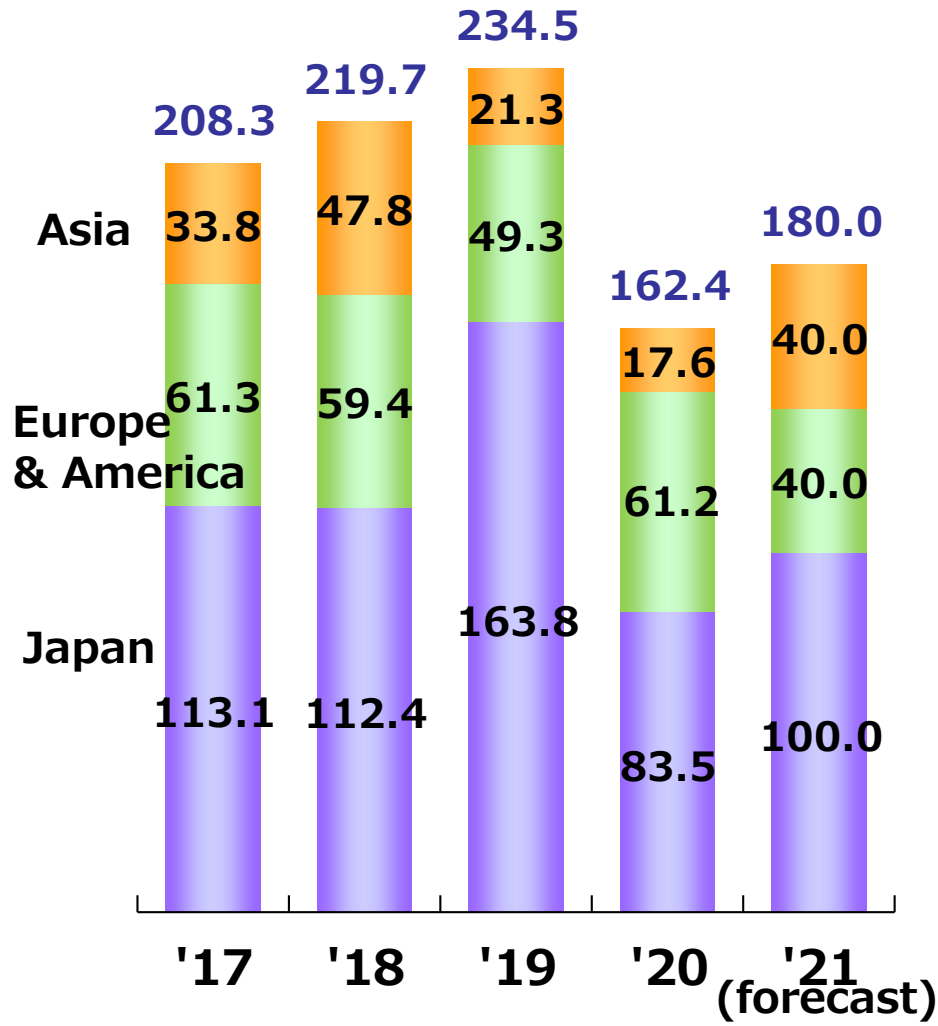
(100 million yen)



2-5 Consolidated Capital Investment/Depreciation

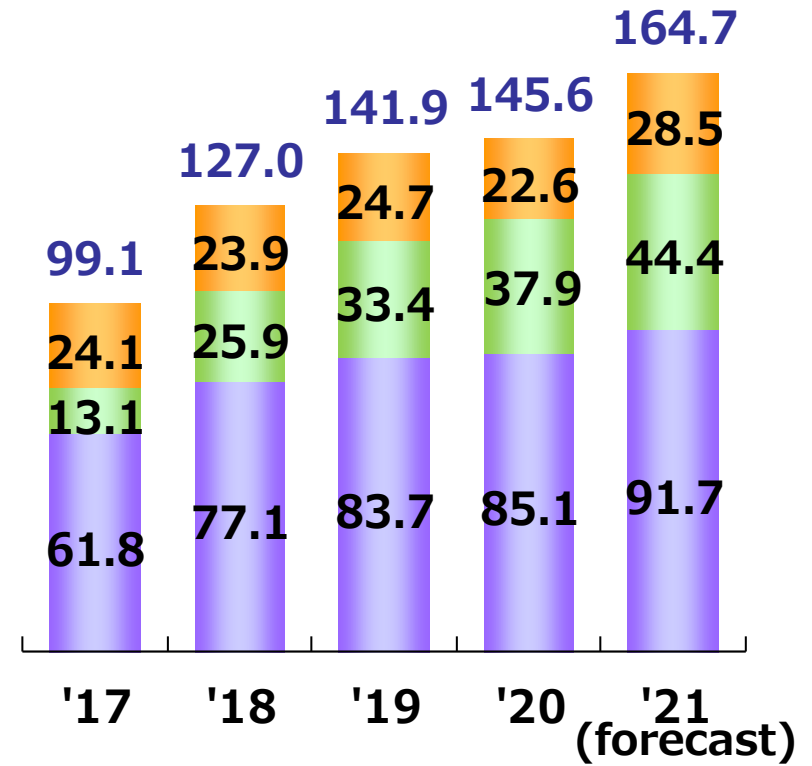
Prioritized capital investment that has a large effect and that comes out quickly

« Capital Investment »



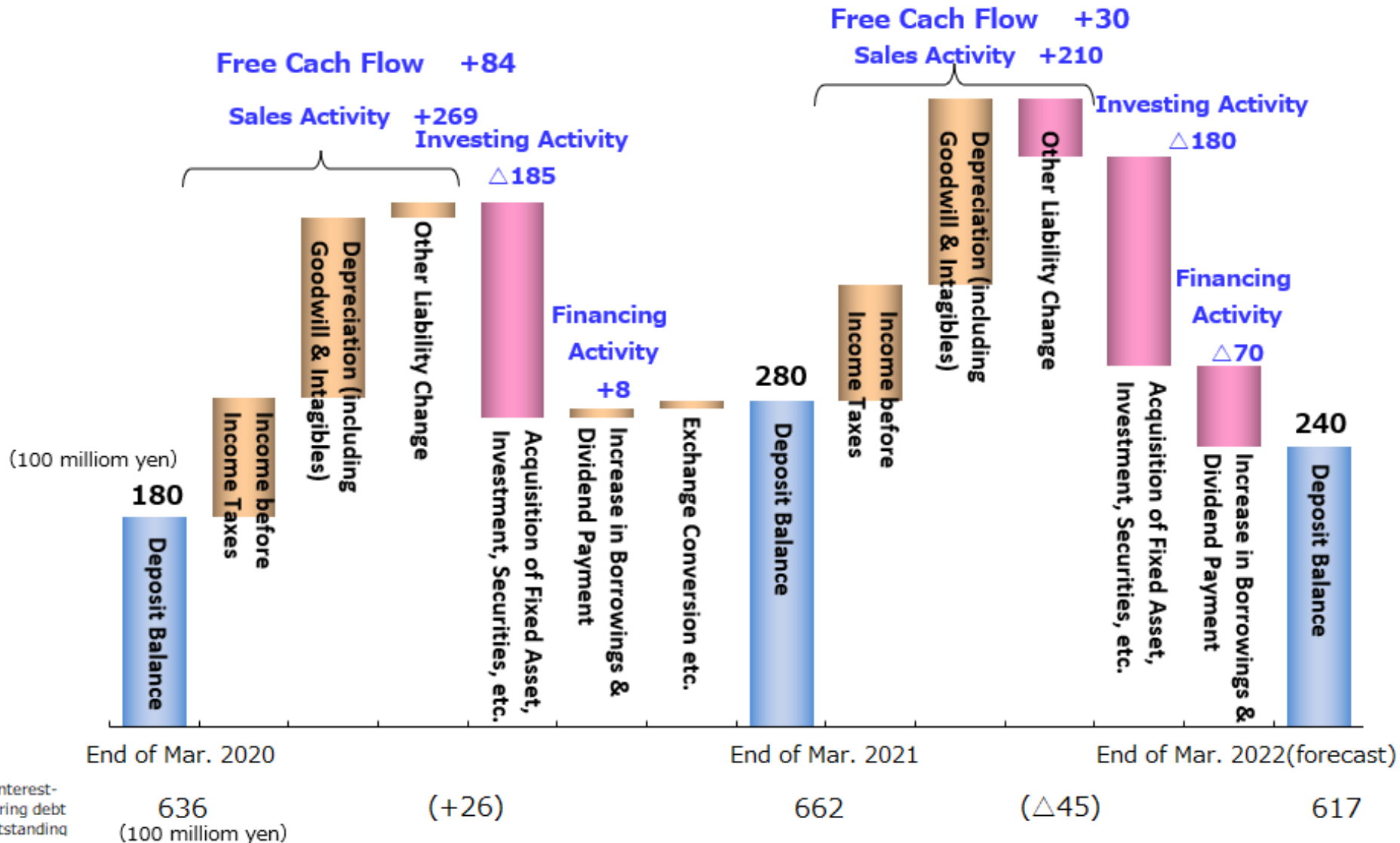
« Depreciation »

(100 million yen)



2-6 Consolidated Cash Flow

Strengthen fund management for the entire group



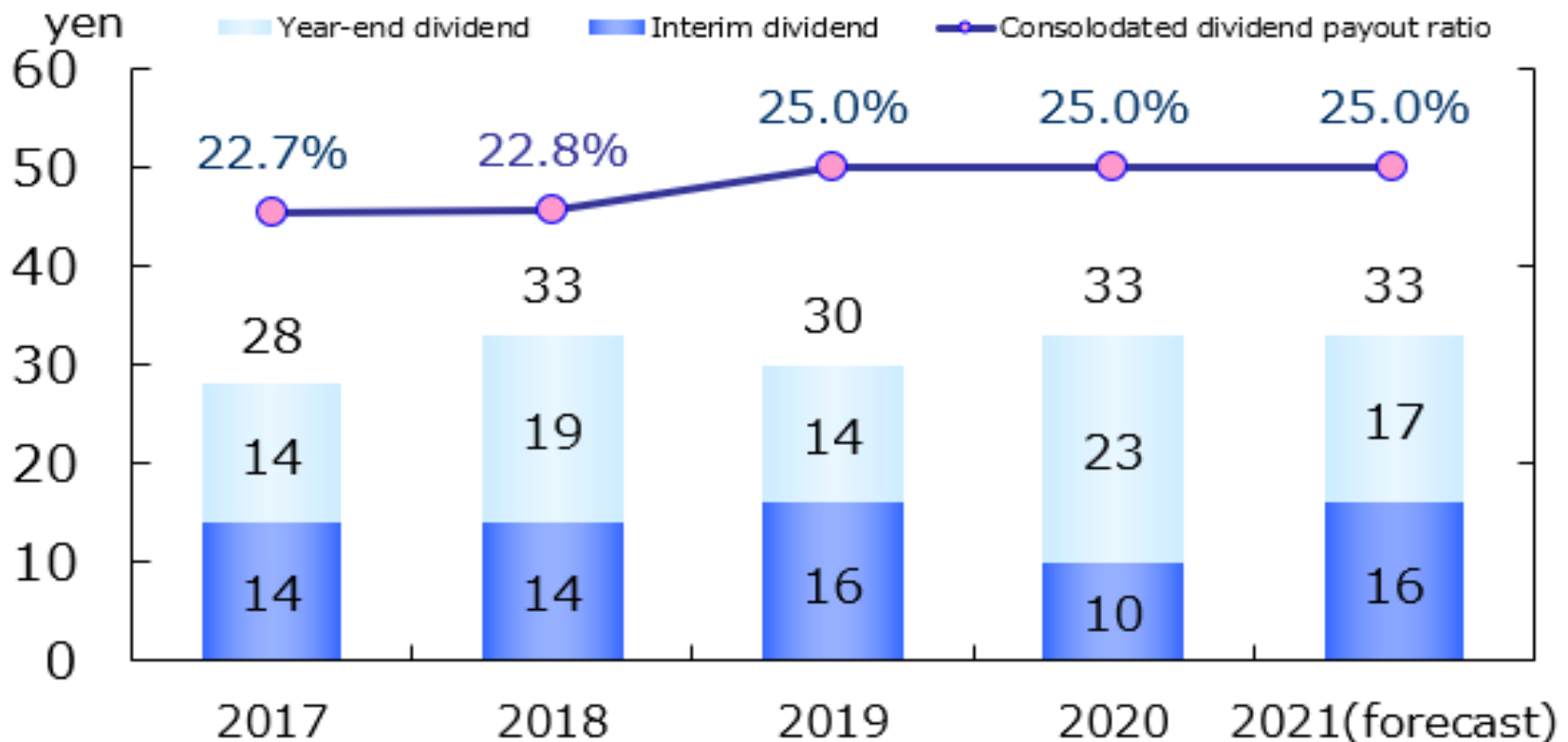
2-7 Returns for Stockholders

Maintaining stable dividends even in COVID-19 pandemic

Annual Dividend

FY2020 Annual : 33 yen (mid-term : 16 yen, Term end : 23 yen)

FY2021 Plan Annual : 33 yen (mid-term : 16 yen, Term end : 17 yen)



※Transferred dividends of surplus to resolution of the board of directors

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3-1 Approaches for Changes in the External Environment

Shift to sustainability management

PACIFIC GLOCAL VISION

【A revolution once in 100 years】 ·CASE ·Progress in mobility society

【OCEAN-22】

Accelerate the development of technologies, bases, new technologies, new materials, and new manufacturing methods that meet industry trends and customer needs

Weight saving

Sound/
Vibration proof

EV

New fields/
New products

Increasing social demands such as carbon neutral and SDGs

Impact of COVID19 Speeding up DX etc.

Sustainability Management

3-2 Sustainability Management



Passion in Creating Tomorrow PACIFIC GLOCAL VISION

PACIFIC Environmental Challenge 2050 OCEAN-22

SDGs Activities
Fostering trust with stakeholders

Solving social and customer issues through products

Minimizing environmental load
2030 target: 35% reduction in CO2 emissions

Respect and activation of human resources

Business Activities

Stamping & Molding Product Business



Valve Product Business



New Product Business



Contributing to prosperous and sustainable lives through "manufacturing" in a next-generation mobility society

PACIFIC VALUES "Dreams & Challenges" "Trust & Respect"

3-3 Business Areas of Stamping & Molding Technologies

Evolution of vehicle body weight reduction and noise analysis technology for electrification



High-performance products

Soundproofing and vibration isolation of EV noise
Development of FRP/new material

High design resin

Plating less
Film decoration



Resin molding technology



Soundproof and Vibration proof

Urethane foam technology



Weight saving body frame products

Body structure proposal by crash analysis technology

1470MPa cold stamping
Establishment of mass production technology

Aluminum
FSW, Various welding technologies



Aluminum stamping

Hot stamping
Cold ultra high-tensile stamping



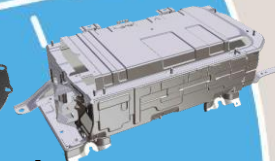
Sub-ASSY

Large body frame ASSY

Stamping single pieces
Small stamping pieces



Forging stamping



Functional components

Stamping molding technology
Dies/welding/painting / molding

Core technology

Now

Future

3-4 Evolution to be a body shell manufacturer

Area expansion and deepening of structural analysis



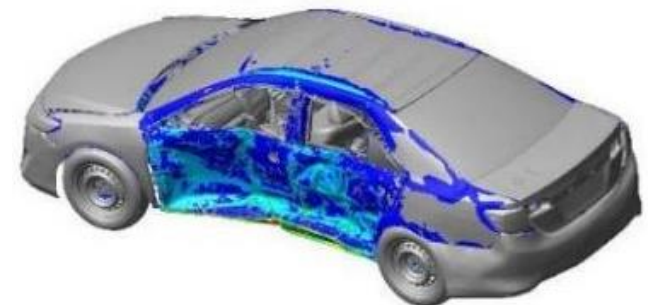
■ Expanding the area of body frame stamping products

- Development of 1470MPa material cold molding / mass production technology
- Expansion of large body frame ASSY products



■ Deepening of crash analysis technology

- Expansion of analysis model, improvement of accuracy
- Proposal of the optimum structure of vehicle body



3-5 Reinforcement of functional resin parts

Area expansion to meet the needs for noise control measures



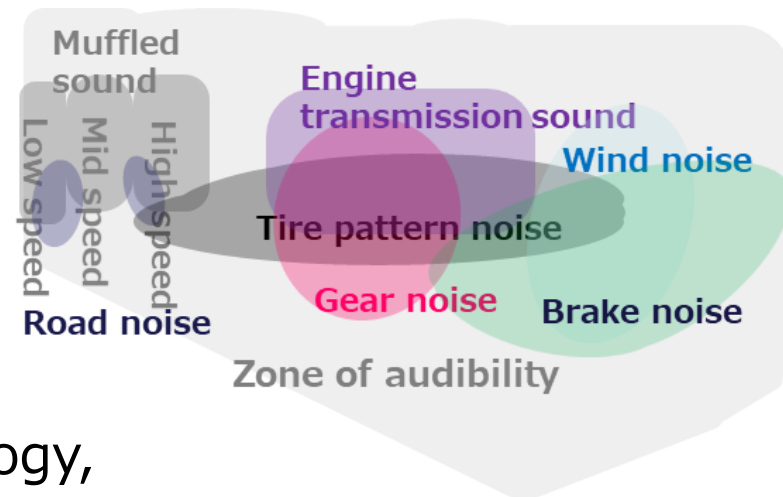
■ Expansion of urethane foam products

- Improved comfort by improving NV performance
- Expand sales by reducing costs and strengthening competitiveness



■ Sound/Vibration proof against EV noise

- Analysis of Motorized noise of car and functional development
- Deepening urethane foam technology, developing new materials



3-6 Business Areas of Valve/TPMS

Evolution of Sealing/Controlling technologies



IoT/New area



Expanding new fields and individual development/proposal by searching needs

Creating functional products that meet the market needs of the environment, energy saving, and electrification

Various for industrial use

Matching the needs to individual development/proposal



Pressure, flow control, and electric control technologies

Valves for Control equipment

Products for new refrigerants



Keeping top market share for OE
Creating synergy with Schrader

Maintaining an overwhelming position with tire valves and car air conditioner valves

Tire Valves

Connected to social infrastructure



Sensing, electronic control, and wireless technology

TPMS

More variation
Next-generation product development

Function addition
System proposal



Sealing technology

Core technology

Now

Future

3-7 Accumulation of our Valve Technologies

Strengthening collaboration with Schrader

■ Development of a car air conditioner valves for EVs



Changes in power train

Insufficient heat source
for heaters

Heat-pump
air conditioners

→ Control valve required for transition to heat pump air conditioner

- Speed up development with 3 bases in Japan, US and Europe

→ To create synergies for development



■ Variation development of TPMS products

- Development of aftermarket products in Europe and the United States
- Development and deployment of TPMS for large commercial vehicles and motorcycles



Product name

Flex-Sens[®]

3-8 Technology Development in New Fields

Solution technology development

■ Applying monitoring & wireless technologies to the new product development



《 Applied areas 》

Food production & transportation process

※HACCP management method



Frozen food



Refrigerated container

Medical goods transportation

※GDP Guideline



Trucks



Medical goods /specimen

The livestock industry



Industrial arena



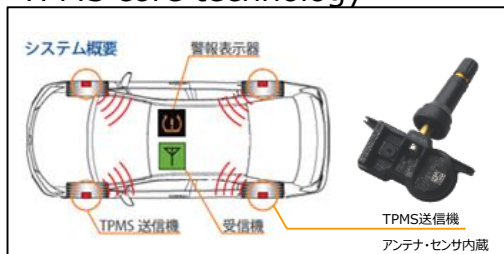
Data center



Electrical forklift

Status monitoring demand

TPMS core technology



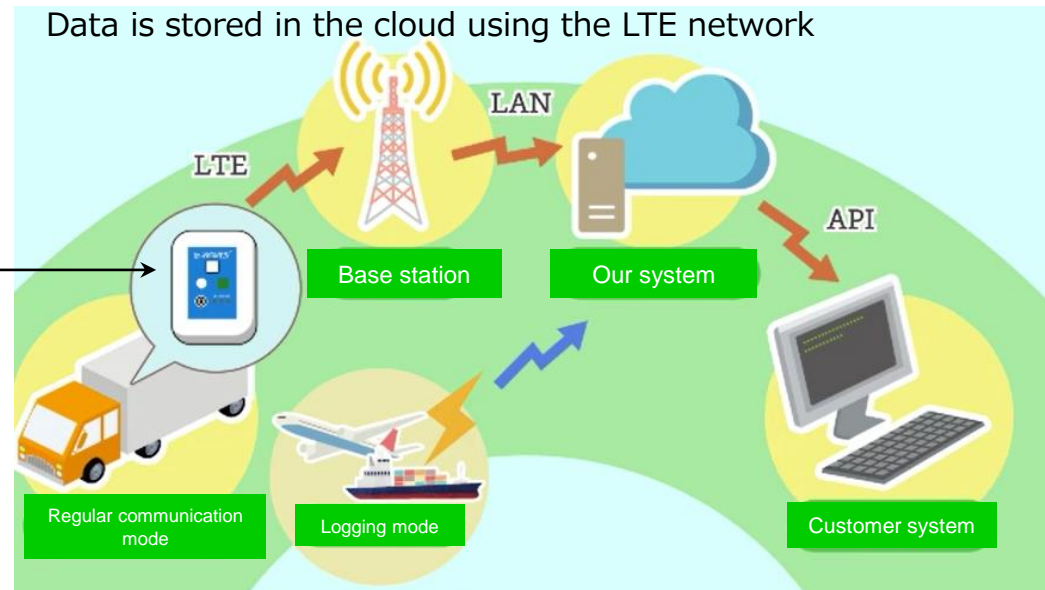
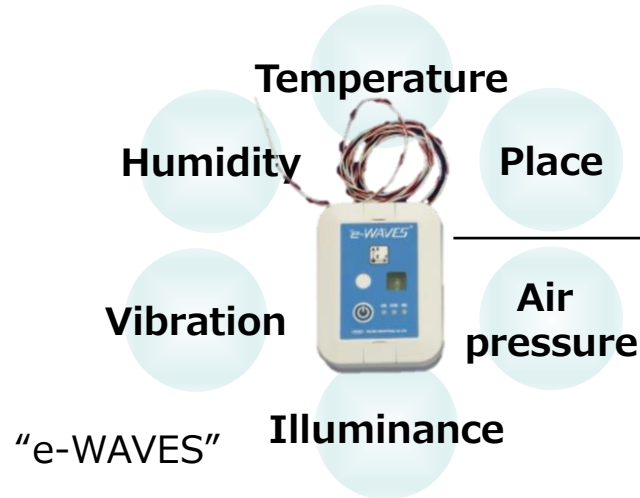
3-9 New product development that contributes to prosperous living

Product development applying TPMS core technology

Started selling "e-WAVES", the multi sensing logger



- Ensuring quality during transportation at low temperatures
- Started delivery to major transportation companies



- Product introduction video
: <https://www.pacific-ind.co.jp/products/loT/e-waves.mp4>

Applying sensing technologies to safe/secure product development

- A thermo charging cable for electric forklifts
- Server error monitoring system for data centers



charging cable



Server error monitoring system

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4-1 Sustainability Management



Passion in Creating Tomorrow PACIFIC GLOCAL VISION

PACIFIC Environmental Challenge 2050 OCEAN-22

SDGs Activities
Fostering trust with stakeholders

Solving social and customer issues through products

Minimizing environmental load
2030 target: 35% reduction in CO2 emissions

Respect and activation of human resources

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New Product Business



Contributing to prosperous and sustainable lives through "manufacturing" in a next-generation mobility society

PACIFIC VALUES "Dreams & Challenges" "Trust & Respect"

4-2 Key Issues of Sustainability

Four themes related to visions and SDGs

Vision : A company that continues to provide new businesses, new products, and new technologies by utilizing its core technologies toward a sustainable society

■ Solving social and customer issues through products

Contribution to a sustainable mobility society and prosperous living
Improving mobility safety
Development of environmentally friendly products



■ Minimization of environmental load

Climate change mitigation and adaptation
Sustainable use of resources
Conservation of water resources

PACIFIC
Environmental
Challenge
2050



Vision : A true GLOCAL company that is trusted by stakeholders, rooted in the local community, and can coexist and develop

■ Fostering trust with stakeholders

Corporate ethics and compliance
Responsible procurement
Improvement of customer satisfaction
Local community development



Vision : A company that values new ideas and challenges of employees and allows them to feel the harmony between work and life

■ Respect and activation of human resources




Respect for human rights
Stable employment and a comfortable workplace
Employee safety and health
Fostering human resources and fostering a culture where people can take on challenges
Diversity & Inclusion



4-3 Minimization of Environmental Load

Aim for Carbon Neutral by "PACIFIC Environmental Challenge 2050"

■ Milestones to 2050

	SDGs	Items	Current status (Result in FY2019)	2030 Goal	2050 Goal
Climate change mitigation and adaptation		CO2 emission	93.9(kt)	Compared to 2019 35% reduction	Zero
Sustainable use of resources		Waste emissions	3,132(t)	Compared to 2019 60% reduction in Japan 30% reduction in overseas	Zero
Conservation of water resources		Water usage	1,744(km ³)	Proper use	Minimized

4-4 Efforts Toward Carbon Neutrality

Examples of environmental load reduction

■ Introducing renewable energy at domestic and overseas bases



- Solar power generation has been introduced at 6 domestic bases and 1 overseas base
- Tohoku / Taiwan: Plan to introduce using PPA



**CO2emission
Reduced
350t/year**

■ CO2 reduction by switching power supply sources, etc.

- Special high-voltage power reception / switching to city gas
- Reduce the amount of heavy oil used and reduce CO2 emissions



**CO2emission
Reduced
1,400t/year**

■ Promotion of energy-saving measures in the production process

- Introduction of new manufacturing methods and new equipment, improvement of quality and productivity, reduction of loss and disposal
- Construction of model plant, roll out to other plants

4-5 Respect and activation of human resources

Manufacturing is about developing people

■ Respect for human rights

- Formulated a human rights policy for the group in 2021
- Promotion of initiatives including the supply chain

■ Human resource development

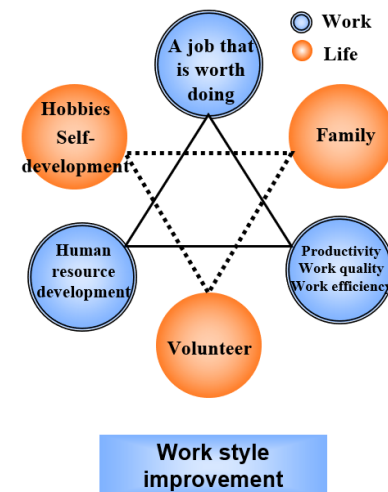
- Opened a learning center to strengthen safety, quality, and skill education
- Global human resource development and implementation of rank-based training

■ Creating a comfortable workplace

- Creating a safe and secure workplace culture
- Promotion of work-life balance



Training at the learning center



4-6 Initiatives to Information Disclosure

Trusted sustainability management

■ Sustainability information Disclosure

- Issued Sustainability report 2020
<https://www.pacific-ind.co.jp/csr/report/>
- Disclosure of various information on the Web
- CDP Climate Change Assessment :
Acquired Leadership level “ A – ”

Selected as "Leaderboard" for Supplier Engagement Evaluation



■ Initiatives to support TCFD

- Promote integration of climate change impact strategies and information disclosure

4-7 Fostering trust with stakeholders

Globally contributing to local society



- Donation of masks, etc. to regions expanding into China (Feb.2020)
- Donation of "PCR inspection car" to Gifu prefecture (Sept. 2020)
- 30 years since the establishment of Thai subsidiary: Donation of "ambulance" with our partner (July. 2020)
- Newly established mask production line : distributed to employees, suppliers, and local regions (Sept. 2020)



Donation of PCR test car



Ambulance donation



Mask production line



思いをこめて、あしたをつくる

Passion in Creating Tomorrow

(FYI) Outlines of our Group Companies

We Do Business at 8 Domestic Plants and 17 Consolidated Subsidiaries in 8 Countries

JCR Rated as
A-(Stable)

Stamping & Molding Business

Valve Products Business

Others

Japan

Individual

Domestic Consolidated Subsidiaries

PI System Co., Ltd.

Taiheiyo Sangyo Co., Ltd.

Holding Companies etc

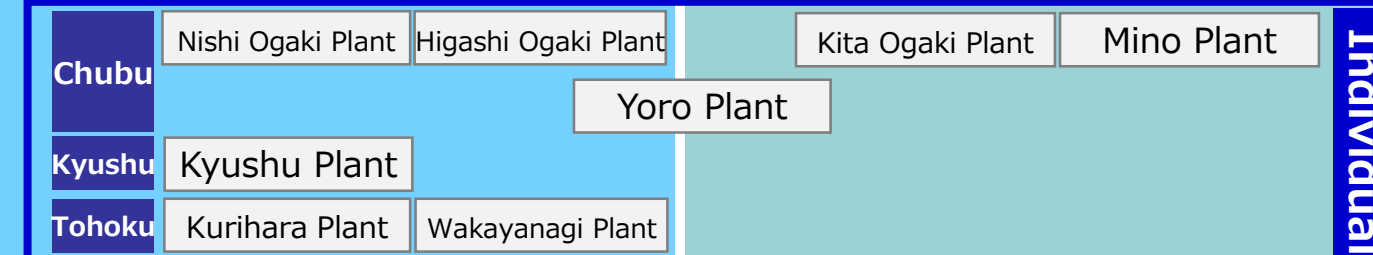
Pacific Industries USA Inc.

August France Holding Company SAS

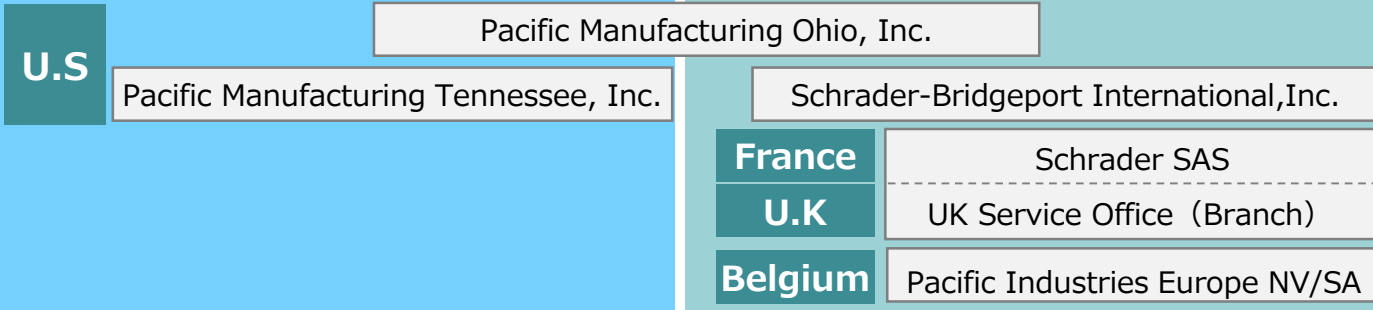
Consolidated

Pacific Industries China Corporation

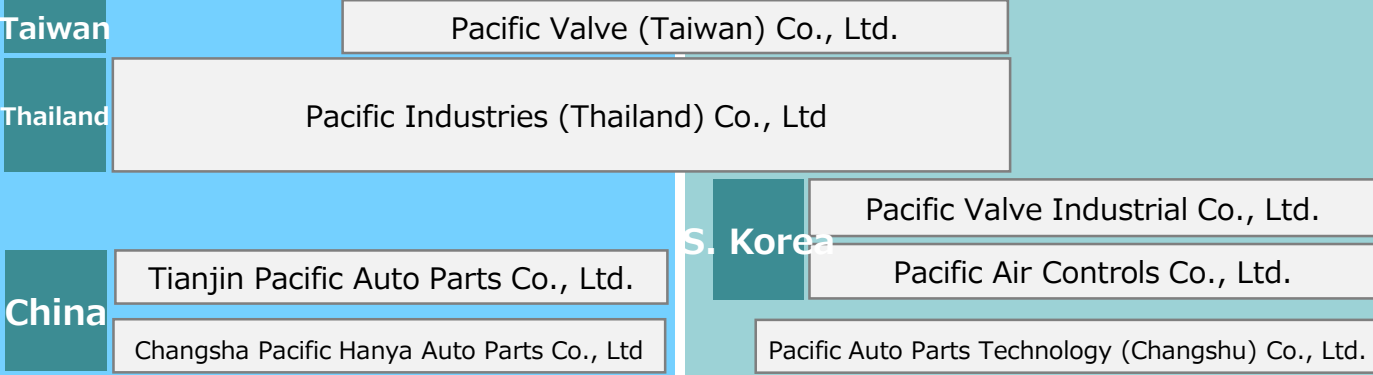
PEC Holdings Co., Ltd



Europe & America



Asia



Japan (Equity Method Affiliated Company)

(FYI) Profit improvement case

Thorough on-site improvement, quality improvement activities, and fixed cost reduction activities

■ Creating a competitive process even when production is reduced

- Shortened lead time, Inventory reduction, Space saving, Personnel reduction
- Reduction of defect rate through process, Utilization of IoT / AI



On-site improvement

■ Quality improvement activities in collaboration with customers

- Reconfirming end-user needs and product usage
- Proposal to improve issues, discussing with customers to optimize quality standards



Received an award from a customer

■ Fixed cost reduction

- Improvement of work style, review of work by cross-function
- Immediate measures by utilizing Web meeting