Financial Results Briefing for Q3 Year Ending March 2021

The 97th period : Cumulative Third Quarter

(Apr. 1st, 2020-Dec. 31st, 2020)

Feb 3, 2021

PACIFIC INDUSTRIAL CO., LTD.

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 explanation)

1-1 Q3 Consolidated Results

Record high for 3Q due to improvement efforts and sales recovery.

(million yen,%)

	Previous Q3		Q3		Year-on-year rate			
	Q3 results	Cumulative results	Q3 results	**Cumulative results**	Q3 results		Cumulative results	
					Gain&Loss	%change	Gain&Loss	%change
Sales	40,310	Record High 123,075	Record High 43,210	**108,038**	2,900	+7.2	△15,037	△12.2
Operating Income	2,115 5.2%	Record High 6,798 5.5%	Record High 4,101 9.5%	**4,963** 4.6%	1,985	+93.9	△1,835	△27.0
Ordinary Income	2,855 7.1%	Record High 7,791 6.3%	Record High 4,559 10.6%	**5,873** 5.4%	1,704	+59.7	△1,917	△24.6
Q3 Net Income	2,095 5.2%	Record High 5,568 4.5%	Record High 3,324 7.7%	**4,267** 3.9%	1,229	+58.7	△1,301	△23.4

✓Sales　Sales recovery in Q2 continues in 3Q. Record high for 3Q.

✓Operating Income　Record high for 3Q due to improvement efforts and sales recovery.

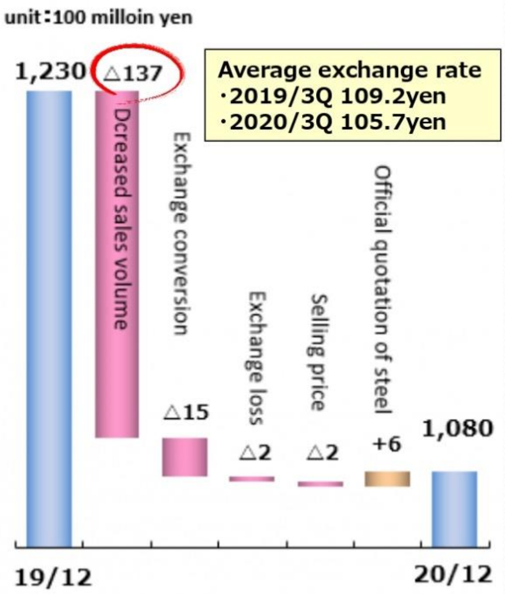
Automotive production by major customers fell sharply in Q1, due to the impact of the coronavirus. After experiencing recovery in Q2, Q3 has marked an increase YoY in Japan, China, and North America. Our Q3 results were record highs for both sales and profits, due to lower line of balance and an increase in sales, as a result of the profit improvement and fixed cost reduction activities that we have been pursuing since Q1.

Cumulative sales for the three quarters fell 12 points YoY, to JPY108 billion. Operating income declined by 27 points to JPY4.9 billion, greatly reducing the decline forecast in both sales and profits.

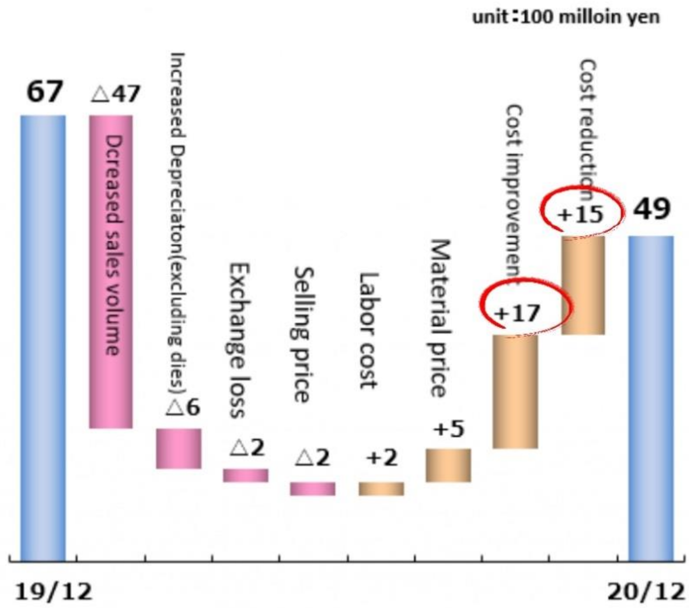
1-2 Q3 Causes of Fluctuation in Consolidated Sales & Income

Although sales decreased significantly due to the impact of Covid-19, the margin of decrease in profits was reduced by improvement and cost reduction.

«Q3 2020 vs Q3 2019» Sales△15 billion yen



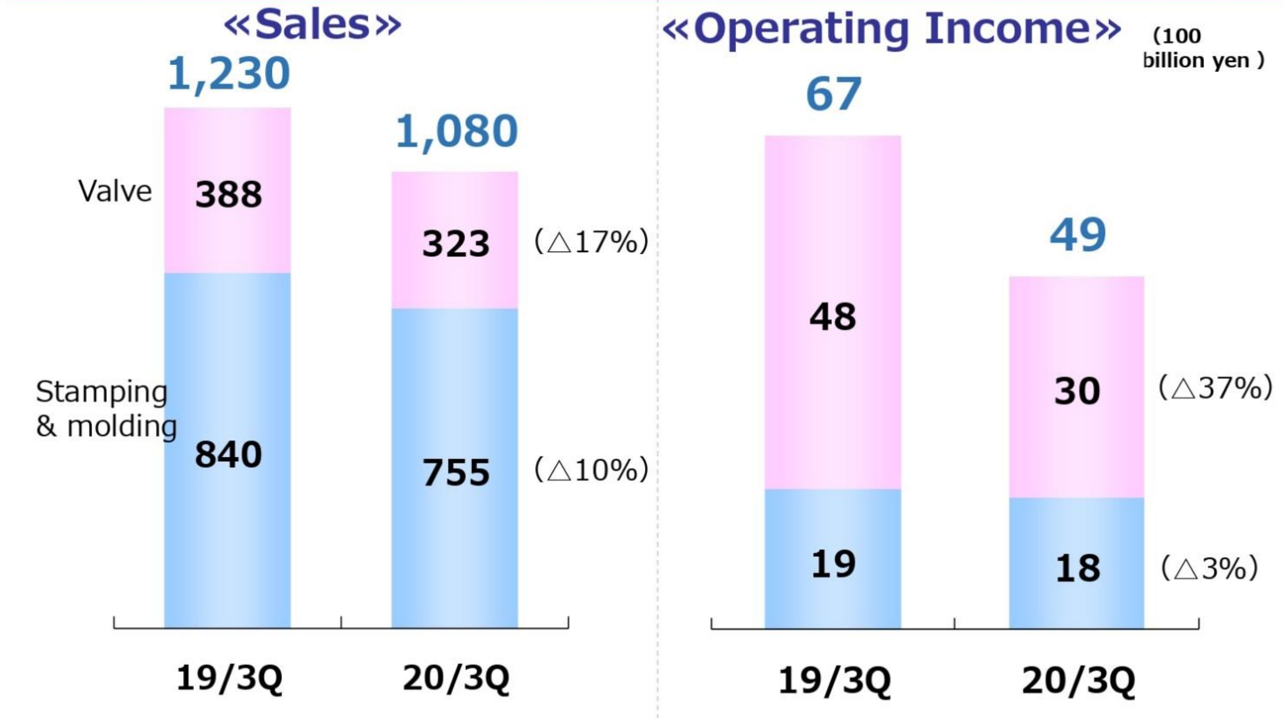
« Q3 2020 vs Q3 2019 » Operating Income△1.8 billion yen



Both consolidated net sales and operating income decreased, due to a decrease in sales volume caused by the impact of the coronavirus. Despite a decrease in the volume of our products, we have been improving costs and cutting expenses more than in the previous year, resulting in an effect of JPY3.2 billion.

1-3 Q3 Consolidated Business Segments

Profitability in Stamping & molding business moved into the black, and the margin of decrease in profits was reduced in valve business.



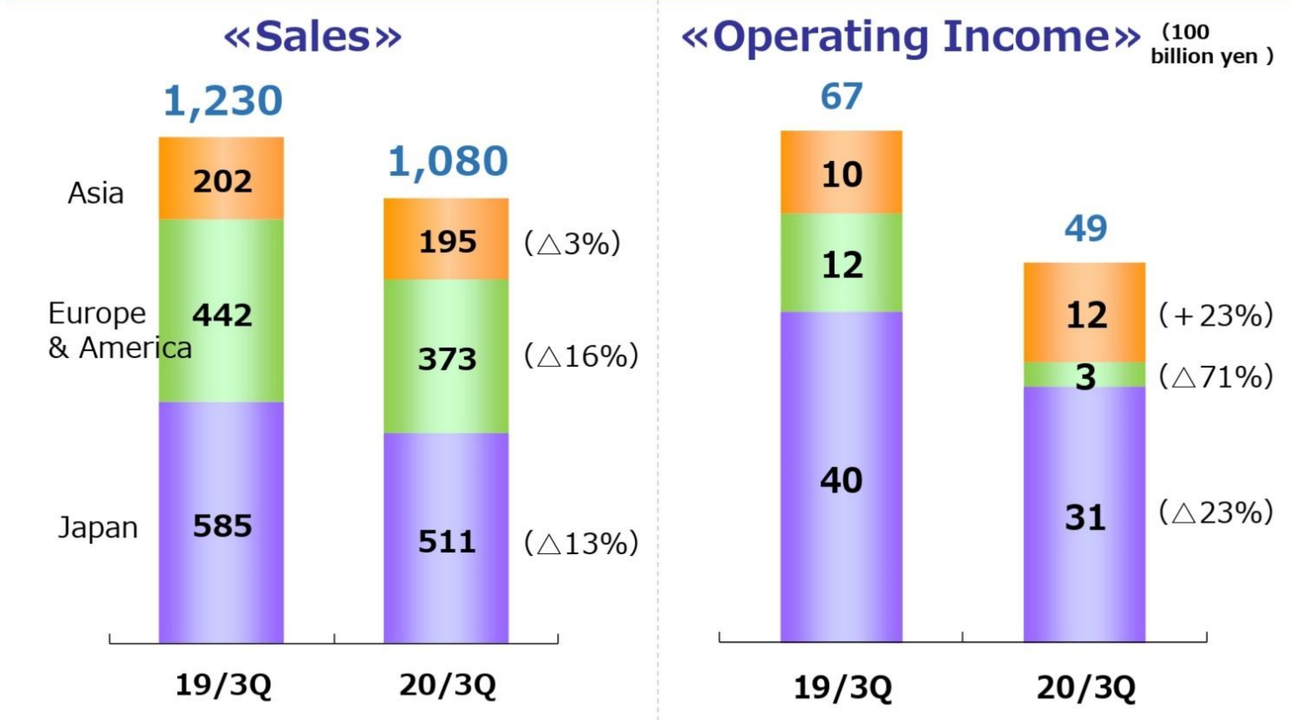
In the Press & Resin Business, following on from Q2, sales of Q3 also increased YoY. As a result, cumulative sales for Q3 decreased by 10 points YoY to JPY75.5 billion. Thanks in part to improved profitability and efforts to reduce fixed costs, operating income fell only by 3 points, to JPY1.8 billion, almost the same level as in the previous fiscal year.

In the Valve Business, sales and profits decreased from the same period of the previous fiscal year up to Q2, but sales and profits increased in Q3, due to transactions with several automobile manufacturers, parts manufacturers, and manufacturers of industrial equipment other than automobiles, as well as business development in Europe.

As a result, cumulative sales for Q3 fell only by 17 points YoY to JPY32.3 billion. Operating income decreased by 37 points to JPY3 billion.

1-4 Q3 Consolidated Regional Segment

Profit increased in Asia, profitability in Europe and America moved into the black, and the margin of decrease in profits was reduced in Japan



In each region, sales volumes recovered in Q3, but the impact from declines in automobile production on Q1 were significant. As a result, cumulative sales of Q3 declined in Japan, Europe, the US, and Asia.

I will explain the operating income.

In Asia, although sales decreased YoY, profits increased. This is due to higher-than-expected manufacturing recoveries and the launch of new model car in China and Taiwan, which have improved the profitability of our Chinese and Taiwanese entities. The US and Europe posted losses on a cumulative basis for Q2, while Q3 posted profits on a cumulative basis as both the Press and Resin and Valve Businesses recorded profits. This trend is expected to continue for Q4 as well.

In Japan, following Q2, production sales were strong for Q3, and the YoY decline forecast in cumulative Q3 was greatly reduced.

2-1 Full FY Consolidated Financial Forecast

Full-year forecast revised upward.
Recovered to 20% decrease from the previous quarter

	'2019 Result	2020 Previous Forecast	FY'2020 Q3 Cumulative result	FY'2020 Q4 Forecast	FY'2020 Full year Forecast	Previous Forecast Rate Gain&Loss	Previous Forecast Rate %change	Year-on-year Gain&Loss	Year-on-year %change
Sales	Record High 165,969	145,000	108,038	39,962	148,000	3,000	2.1%	△17,969	△10.8%
Operating income	Record High 10,511	6,000	4,963	2,537	7,500	1,500	25.0%	△3,011	△28.6%
Ordiary Income	11,130	6,500	5,873	2,627	8,500	2,000	30.8%	△2,630	△23.6%
(Q3)Current Net Income	7,256	4,500	4,267	1,733	6,000	1,500	33.3%	△1,256	△17.3%
Sales Operating Income Ratio	6.3%	4.1%	4.6%	6.3%	5.1%	1.0%		△1.2%	
R O E	7.5%	4.5%	–	–	6.0%	1.5%		△1.5%	
ROA (Operating Income base)	5.2%	2.9%	–	–	3.6%	0.7%		△1.6%	
Net Assets per Share	(yen) 1,614	1,661	1,686	1,714	1,714	53	3.2%	100	6.2%

✓Sales Assuming 4Q is still in the process of recovery

✓Operating Income Full-year increase of 1.5 billion yen from the previous forecast due to continuous improvement and sales recovery

We have decided to revise our full-year earnings forecast upward because we have achieved record-high results in Q3 and we assume that Q4 will continue to be on a recovery trend. Q3 results were generally firm, but the degree of recovery varies by region and clients.

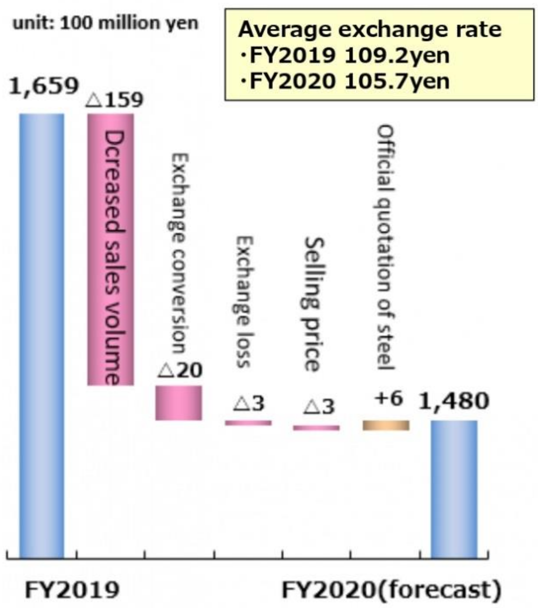
At present, it seems that the environment is extremely uncertain about the continuation of stable production and sales, as the coronavirus infection is not settling down on various parts of the world, such as Japan, Europe and North America. Therefore, we have forecasted the performance of Q4 based on the information available.

For the full fiscal year, we forecast net sales of JPY148 billion, an increase of JPY3 billion from the previous forecast, and operating income of JPY7.5 billion, an increase of JPY1.5 billion from the previous forecast.

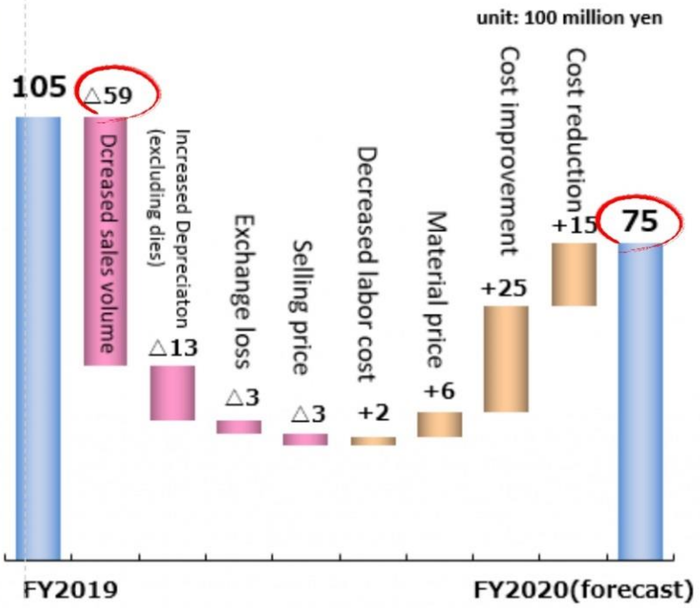
2-2 Full FY Causes of Fluctuation in Consolidated Sales & Income

Business performance recovers sharply due to improvement efforts and sales recovery

«2020 forecast vs 2019» Sales△17.9 billion yen



«2020 forecast vs 2019» Operating Income △3 billion yen

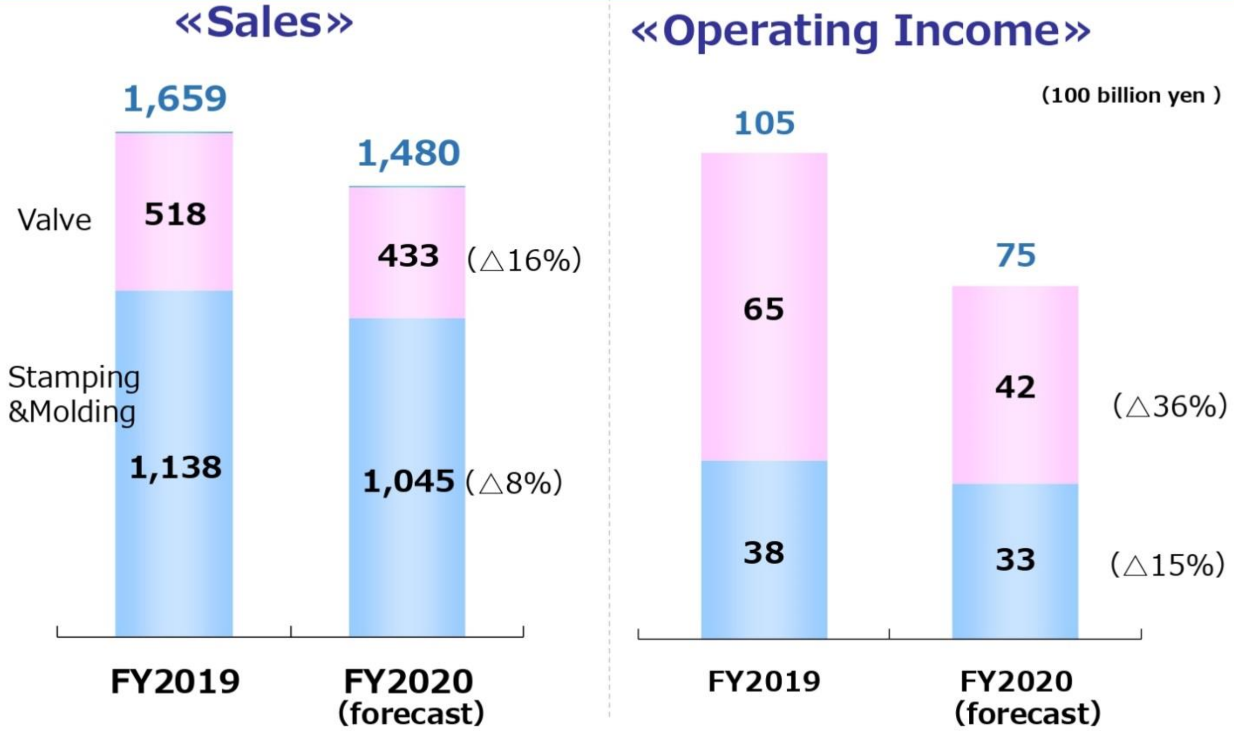


As in results of Q3, consolidated net sales and operating income both declined, due to a decrease in sales volume caused by the impact of the coronavirus, but we are continuing efforts to improve costs and reduce expenses more than in the previous year.

Assuming an exchange rate of JPY105 for Q4, the exchange sensitivity is JPY100 million per year for every JPY1.

2-3 Full FY Consolidated Business Segments

**Both businesses are expected to be profitable.
Reduced the margin of decrease in sales and profits**

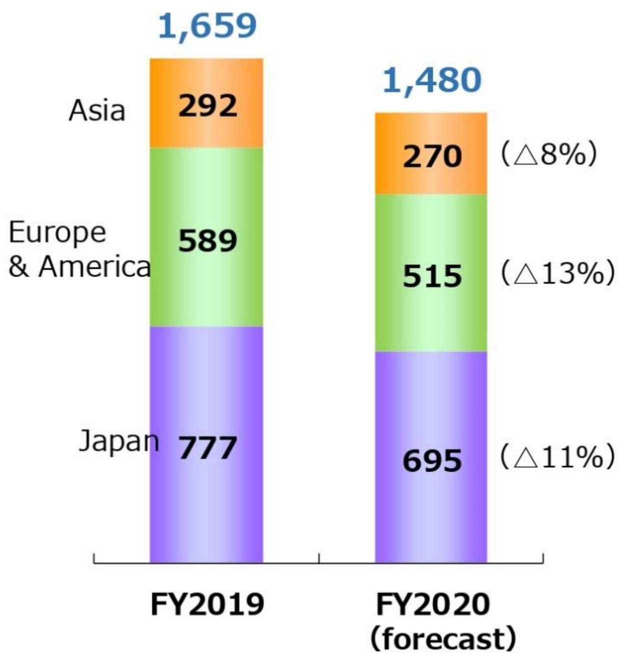


As I explained earlier, we assume that Q4 will continue to be on a recovery trend. We are also continuing Group-wide efforts to improve profitability and reduce fixed costs. As a result, the Press & Resin Business is expected to record net sales of JPY104.5 billion and operating income of JPY3.3 billion. Also, we forecast sales of JPY43.3 billion and operating income of JPY4.2 billion in the Valves Business.

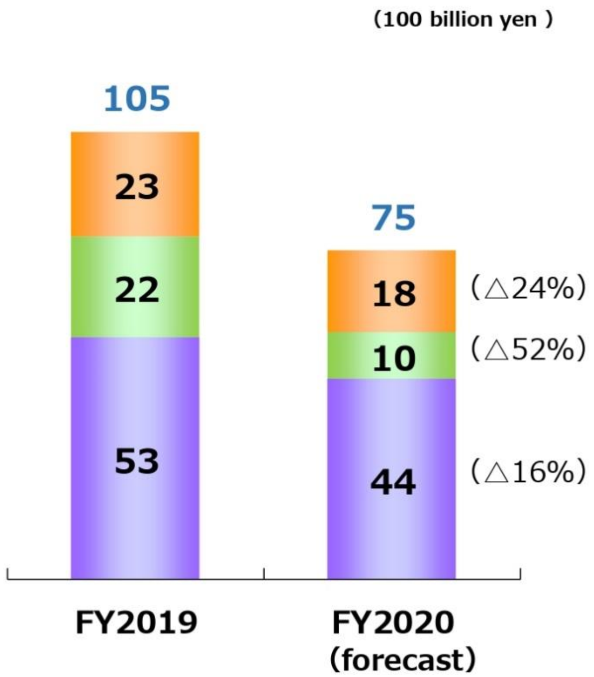
2-4 Full FY Consolidated Regional Segment

Margin of decrease in sales and profits was reduced from the previous forecast in Japan, Europe & America, and Asia

«Sales»



« Operating Income »



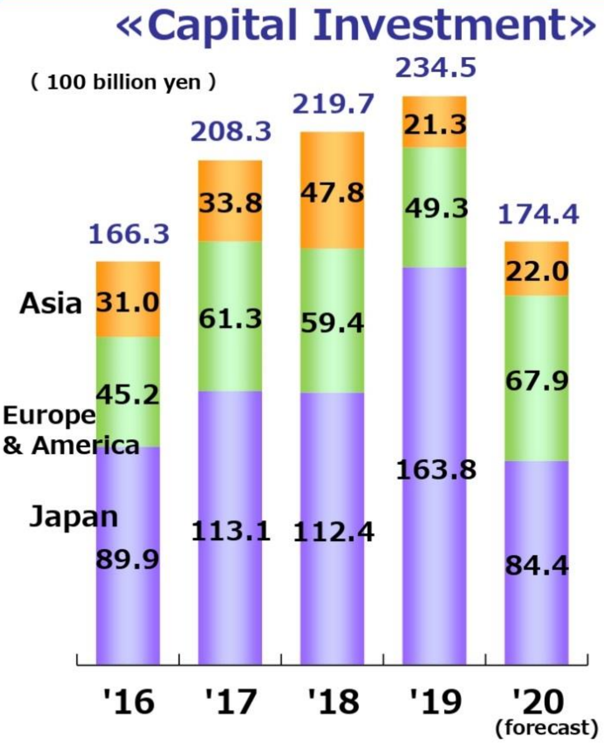
Sales in each region are expected to recover to a decline of approximately 10 points for the full fiscal year.

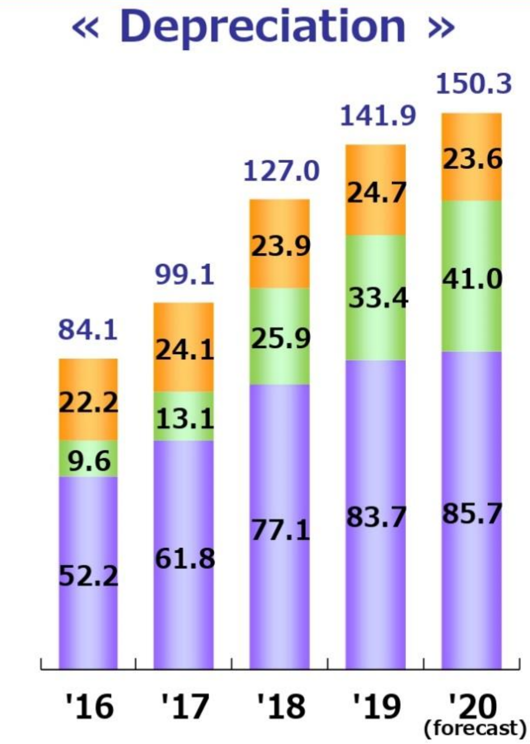
I will explain the operating income. In Asia, business in Q4 continues to be strong in China and Taiwan, but the business during Q4 of the previous years also performed well. As a result, earnings are expected to decline by about 20 points for the full fiscal year.

In the US and Europe, the recovery of Q3 is expected to continue for Q4, and the extent of the decline in profits for the full fiscal year is expected to be reduced for about 50 points. In Japan, we forecast a YoY increase in profits at Q4, and expect to reduce the extent of the decline in profits for the full fiscal year.

2-5 Consolidated Capital Investment/Depreciation

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





Capital expenditures for the fiscal year under review were reduced by approximately JPY1.6 billion from the previous forecast by identifying and implementing investments that is effective and essential at the same time. Even in the aftermath of the coronavirus crisis, we are continuing to invest in future growth. In addition to investing in production preparation such as press dies, in North America, we are investing in building extensions, hot stamps, and the introduction production lines for new type TPMS. In Japan, we are investing in large press machines, et cetera.

Depreciation and amortization is expected to increase by JPY900 million to JPY15 billion.

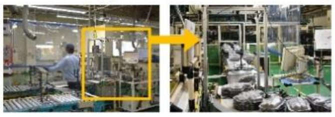
3-1 Achievement by Strengthening the Foundation

To become a company that continues to grow steadily by continuing steady efforts

■ Improving profitability by improving costs and reducing fixed costs

- Making use of web meeting, improving work style
- Utilization of IoT / AI at production sites and promotion of efficiency

Making use of Web meeting



Reducing handling part number recognition by AI

■ New product development applying TPMS core technology

- Multi sensing logger ··· It can check Temperature, humidity, position, acceleration, etc. during transportation, contributing to quality control of chemicals and foods.
- A thermo charging cable for electric forklifts

Multi sensing logger

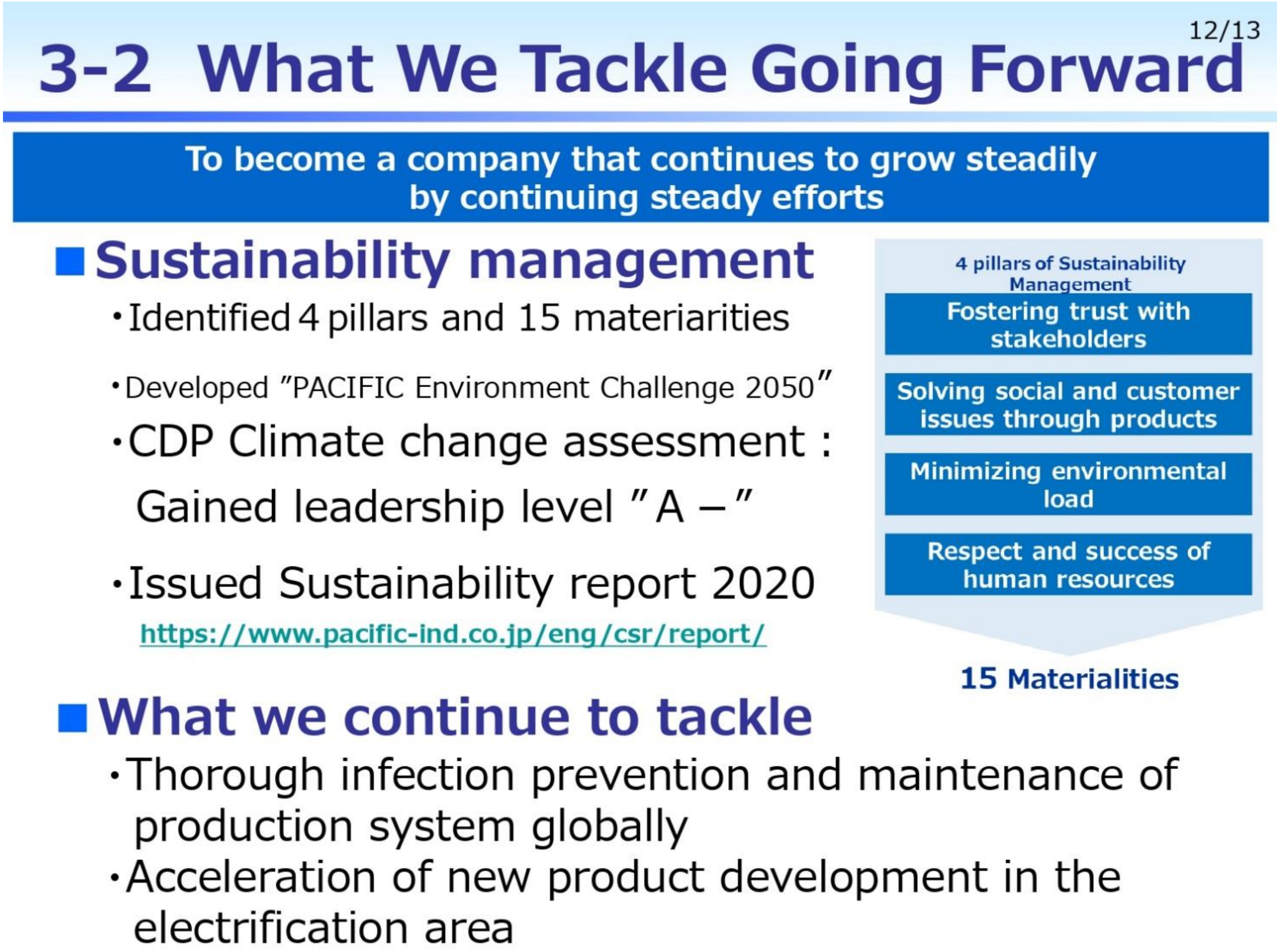
Thermo charging cable

In the first half of this fiscal year, automobile production volume declined due to the impact of the coronavirus, and in the second half, demand recovered more than expected and production fluctuations continued to be large. In this context, we are working to improve earnings with a sense of speed.

At production sites, we are working to improve efficiency through the use of IoT and AI technologies, such as reduction of handling by introducing image recognition at AI. Staff are reviewing communications using web conferencing, reducing losses through reducing travel times, and pursuing man-hours for one person in the office engineering division. At the same time, we are reducing overtime, cutting costs, and reviewing capital expenditures on a Company-wide basis.

In addition to such cost reductions and reductions in fixed costs, we are also developing new products with an eye on the future. We were also able to announce new products, such as multi-sensing loggers and thermo-charging cables for electric forklifts, which enable real-time status checks during transportation by applying TPMS's core technologies, such as radio technology and sensing technology.

Going forward, we will continue to allocate internal resources optimally and accelerate the development of new technologies and products, in order to grow in existing areas and sow seeds in new areas.



To tackle social issues and continue to be a company needed by society, we are working Group-wide to promote sustainable management based on SDGs. Last year, in conjunction with our long-term vision, we identified 15 materiality themes as four pillars and formulated the PACIFIC Environmental Challenge 2050 as a medium-to long-term target for minimizing environmental impact.

We have been continuously working to reduce our environmental impact, but we will strengthen our activities in order to meet our challenging targets.

In the area of manufacturing, we will challenge to build a system adopted to a recycling-oriented society, such as strive to reduce CO2 emissions by developing and introducing energy-saving facilities and improving processes, reduce waste by recycling materials, use water resources properly, and introduce renewable energy sources.

In addition, our activities to date have been highly evaluated, and in last year's CDP Climate Change Assessment, we received a leadership level of A minus.

Details of sustainable management can be found on our website in the Sustainability Report.

Going forward, production fluctuations are expected due to the impact of the coronavirus and worldwide concerns about the supply of semiconductors. We will strive to prevent infections globally and maintain our production system, while focusing on new domains and new product development, such as the electrification field based on core technologies. We will aim for sustainable growth by improving profitability at present and developing new products with an eye to the future.