

FY2020

Financial Results Briefing for 2Q

The 97th period : Cumulative Second Quarter
(Apr. 1st, 2020-Sept. 30th, 2020)

October 30, 2020



PACIFIC INDUSTRIAL CO., LTD.

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Caution in handling this document

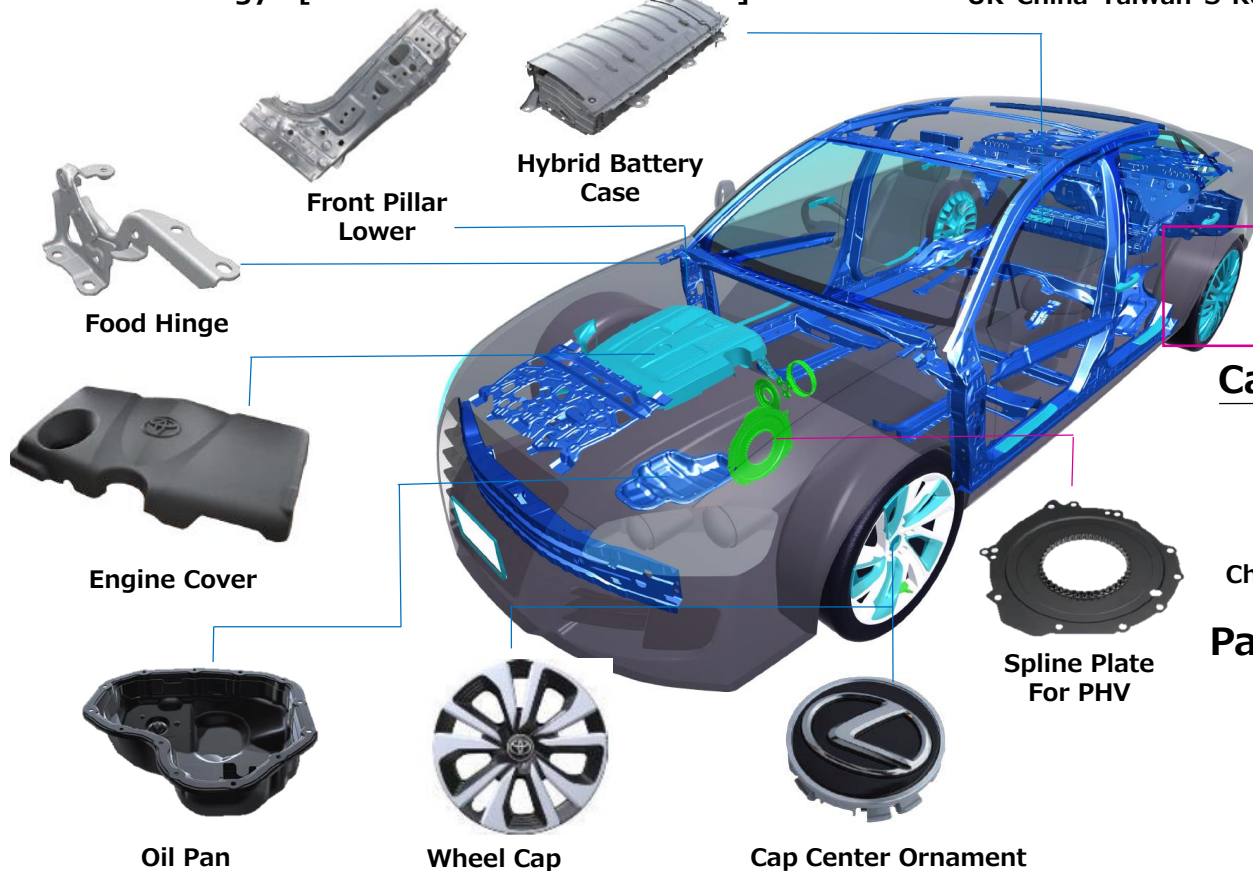
Future forecasts, including this document, were judged according to the current information. Actual financial results might be considerably different from the forecast mentioned here depending on the Japanese or international economic situation, business trends related to our company, and any risk or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

Outlines of Our Business and Main Products

Established in 1930, 90 years old in 2020

Stamping & Molding Products Business

We manufacture pressed products with ultra-high-tensile steel molding technology that achieves both weight reduction and high rigidity, and resin products that 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 with multiple world top market share products, TPMS products, which are systems for monitoring tire pressure, and forging products, for which demand continues to increase worldwide. 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



Outlines of Our Group Companies ^{4/31}

We Do Business at 8 Domestic Plants and 18 Consolidated Subsidiaries in 8 Countries

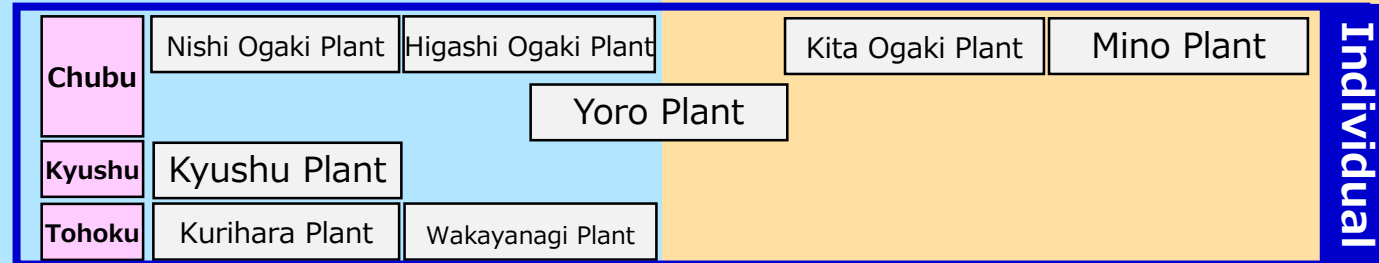
JCR rated
A-(Stable)

Stamping & Molding Business

Valve Products Business

Others

Japan



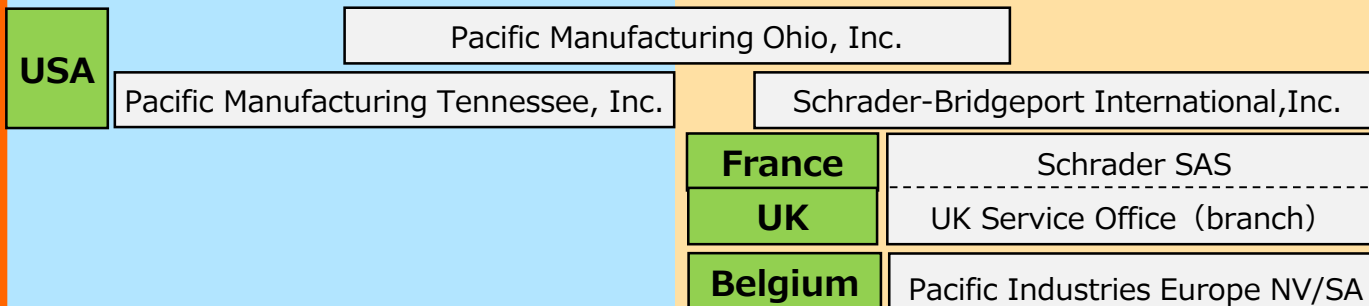
Individual

Domestic Consolidated Subsidiaries

PI System Co., Ltd.

Taiheiyo Sangyo Co., Ltd.

Europe & America

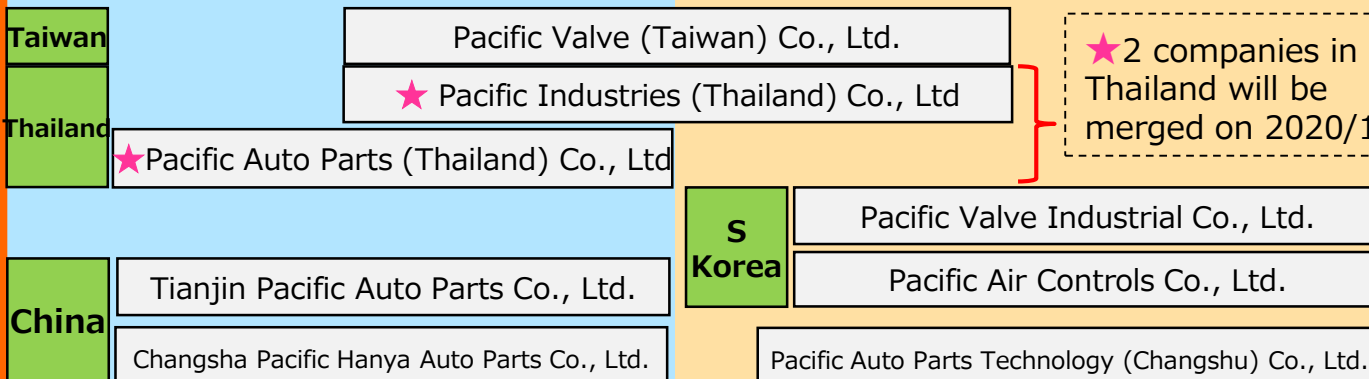


Holding Companies etc.

Pacific Industries USA Inc.

August France Holding Company SAS

Asia



★ 2 companies in Thailand will be merged on 2020/11/2

Consolidated

Pacific Industries China Corporation

Japan
(Equity Method Affiliated Company)

PEC Holdings Co., Ltd.

Management in Covid-19 Pandemic

Measures against Covid-19 and gaining a foothold

- Thorough infection prevention
- Global countermeasures and cooperating with society, family, and local community
- Streamlined by cost/fixed cost reduction, using Web meetings, reforming the way of job process
- Maintaining production system, supply chain, and employment
- Production recovery, fund management

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1-1 2Q Consolidated Results

Became profitable in 2Q and cumulative due to improvement efforts and sales recovery

(million yen,%)

	Last 2Q Cumulative	2Q Cumulative						Year-on-year rate	
		7/29 Previous forecast	1Q results	2Q results	Cumulative results	Last forecast rate		Gain&Loss	%change
						Gain&Loss	%change		
Sales	Record High 32,765	58,500	23,838	40,989	64,827	6,327	+10.8	△17,937	△21.7
Operating Income	Record High 4,683 5.7%	△1,600 △2.7%	△2,249 △9.4%	3,111 7.6%	862 1.3%	2,462	—	△3,820	△81.6
Ordinary Income	4,935 6.0%	△1,000 △1.7%	△1,784 △7.5%	3,098 7.6%	1,313 2.0%	2,313	—	△3,622	△73.4
2Q Net Income	3,473 4.2%	△1,000 △1.7%	△1,299 △5.5%	2,242 5.5%	942 1.5%	1,942	—	△2,531	△72.9

✓Sales

Sales recovered from the significantly decreased sales forecast

✓Operating Income

+2.4 billion yen compared to the previous forecast due to improvement efforts and sales recovery

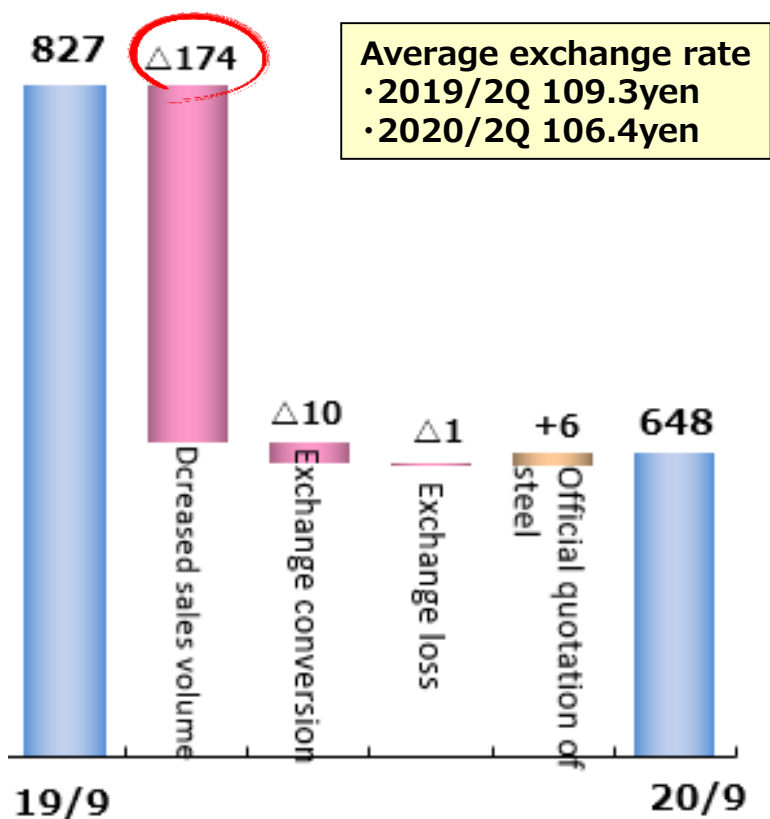
1-2 2Q Consolidated Causes of Fluctuation in Sales & Income

Despite a significant decrease in sales due to the impact of Covid-19, we reported a surplus by improving and reducing costs.

«FY2020 2Q vs FY2019 2Q»

Sales Δ 17.9 billion yen

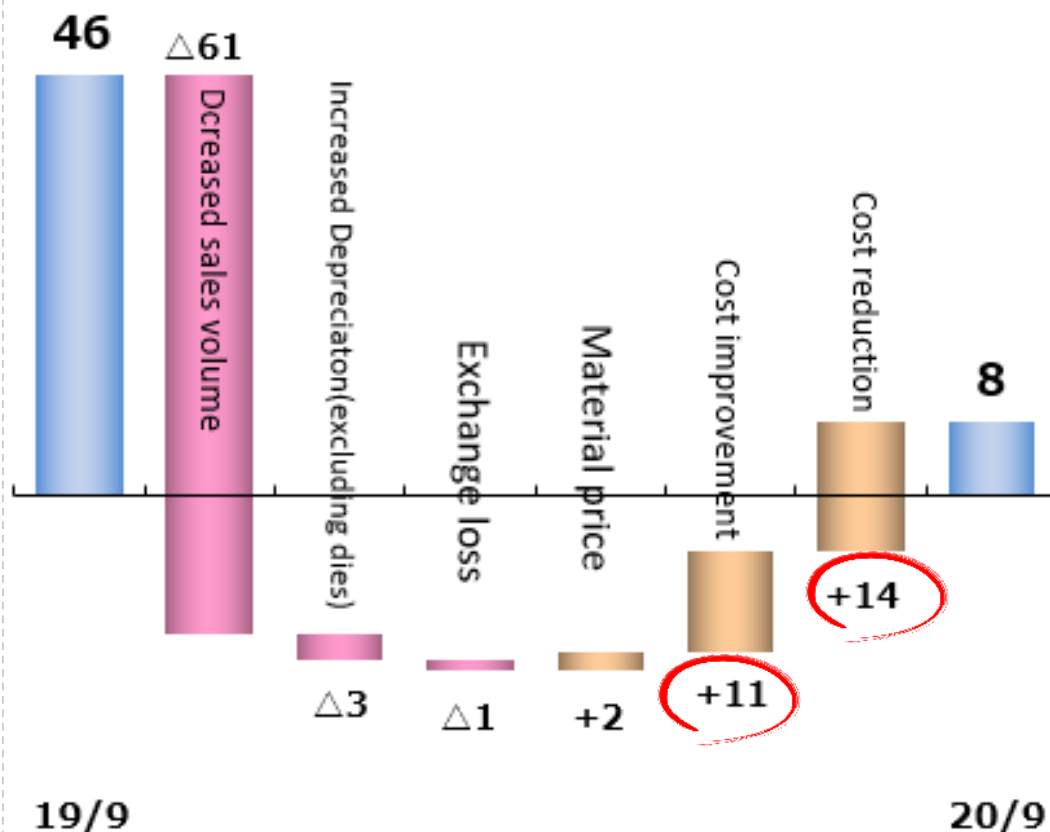
unit : 100 million yen



«FY2020 2Q vs FY2019 2Q»

Operating Income Δ 3.8 billion yen

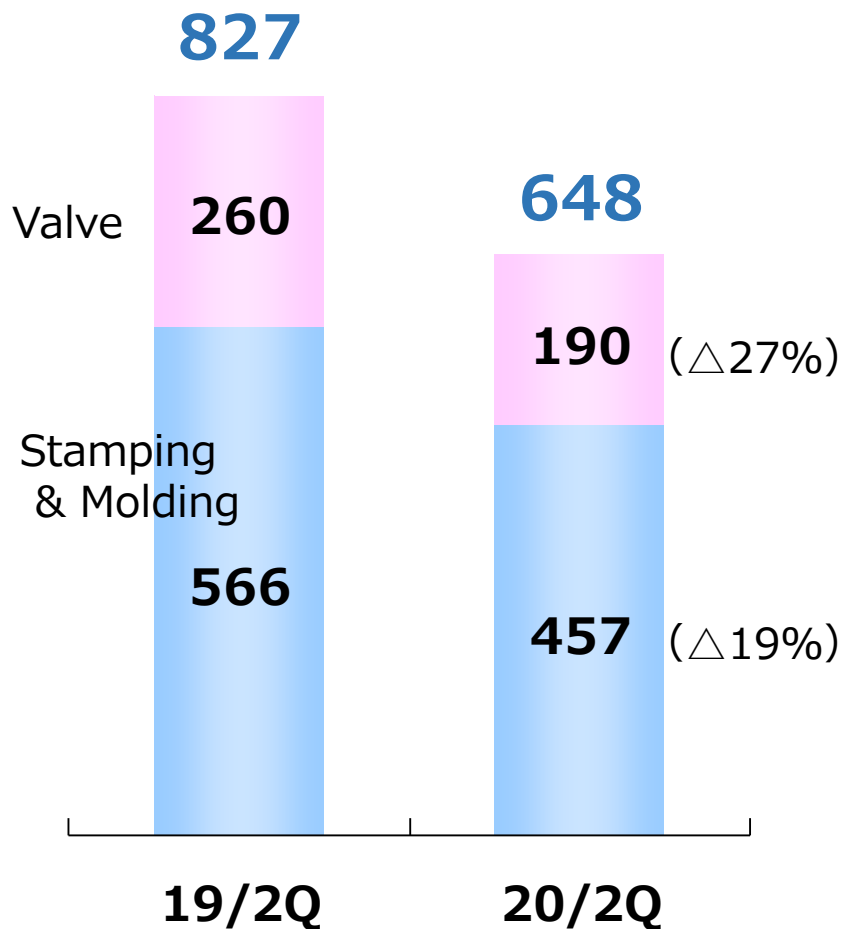
unit:100 million yen



1-3 2Q Consolidated Business Segments

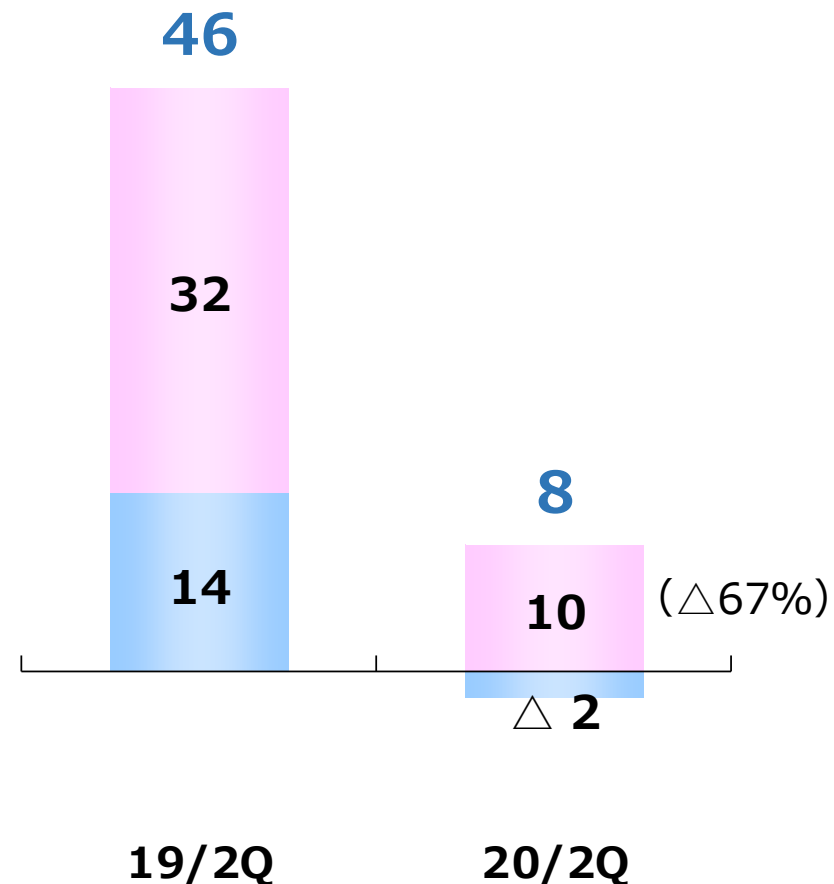
The valve business reported a surplus, and the degree of deficit in the stamping & molding business decreased.

«Sales»



«Operating Income»

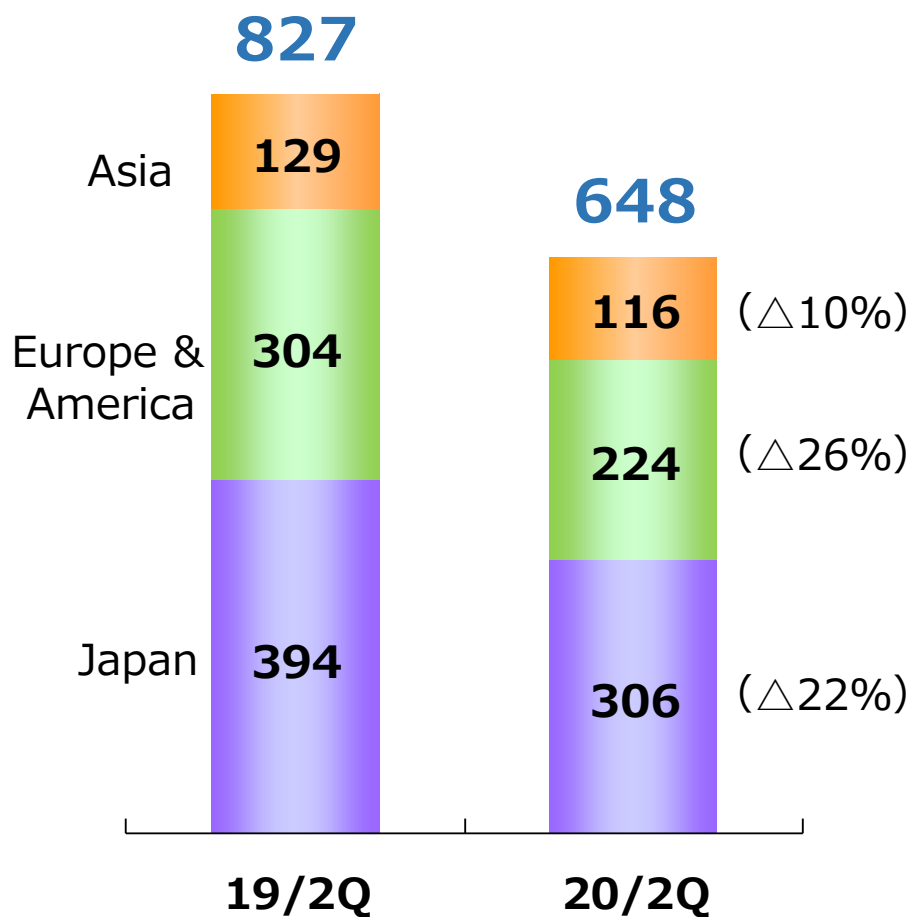
(100 million yen)



1-4 2Q Consolidated Regional Segment

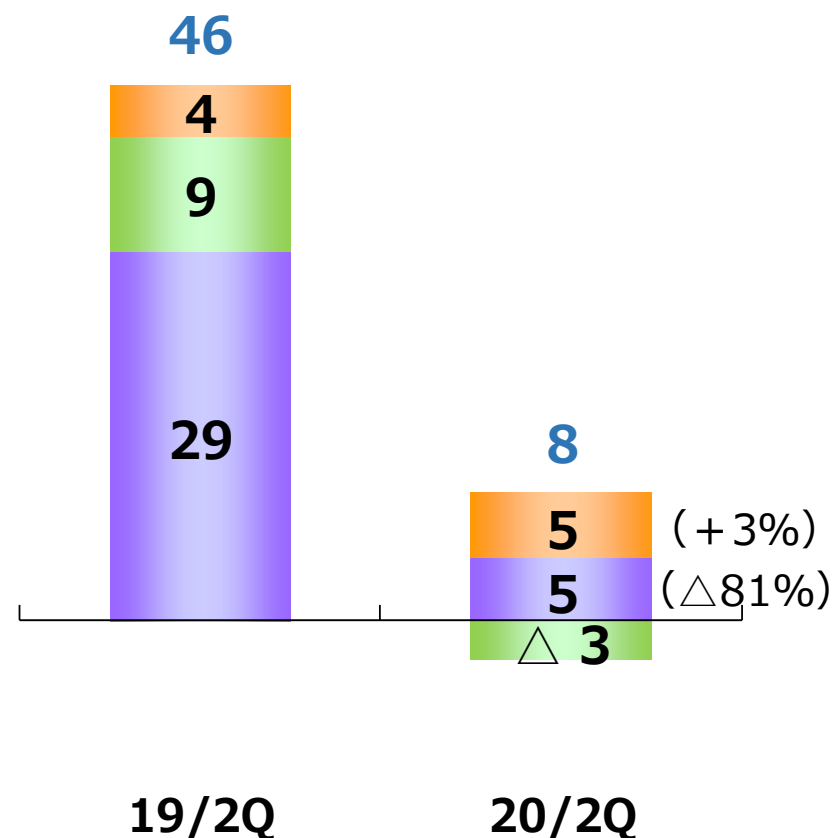
Japan and Asia reported a surplus, and the degree of deficit in Europe & America decreased

«Sales»



«Operating Income»

(100 million yen)



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2-1 Full FY Consolidated Financial Forecast

FY2020 results are expected to be in the black after 2Q

	'2019 Result	'2020 Previous Forecast	FY2020			Previous Forecast Rat		Year-on-year	
			First Half Result	Second Half Forecast	Full year Forecast	Gain&Loss	%change	Gain&Loss	%change
Sales	Record High 165,969	135,000	64,827	80,173	145,000	10,000	7.4%	△20,969	△12.6%
Operating income	Record High 10,511	2,000	862	5,138	6,000	4,000	200.0%	△4,511	△42.9%
Oedary Income	11,130	3,000	1,313	5,187	6,500	3,500	116.7%	△4,630	△41.6%
(2Q)Current Net Income	7,256	2,000	942	3,558	4,500	2,500	125.0%	△2,756	△38.0%
Sales Operating Income Ratio	6.3%	1.5%	1.3%	6.4%	4.1%	2.6%		△2.2%	
R O E	7.5%	2.0%	1.9%	7.2%	4.5%	2.5%		△3.0%	
R O A (Operating Income base)	5.2%	1.0%	0.8%	4.9%	2.9%	1.9%		△2.3%	
Net Assets per Share	(円) 1,614	1,622	1,613	1,661	1,661	39	2.4%	47	2.9%

✓Sales

Sales in the second half is on the upswing

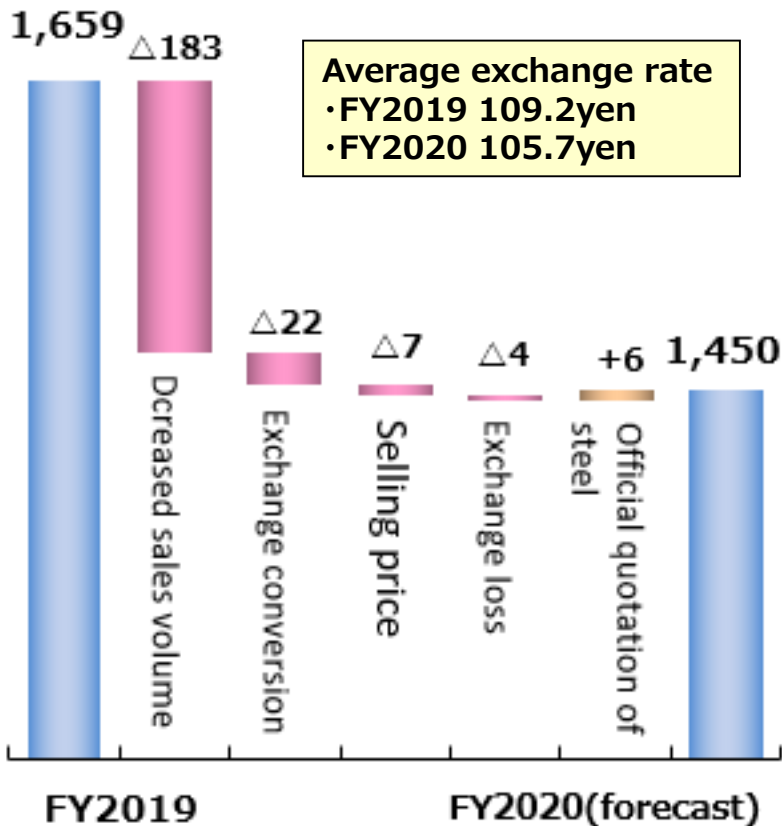
✓Operating Income

+4 billion yen compared to the previous forecast due to the continuous improvement and sales recovery

Efforts to improve and sales recovery reported a surplus

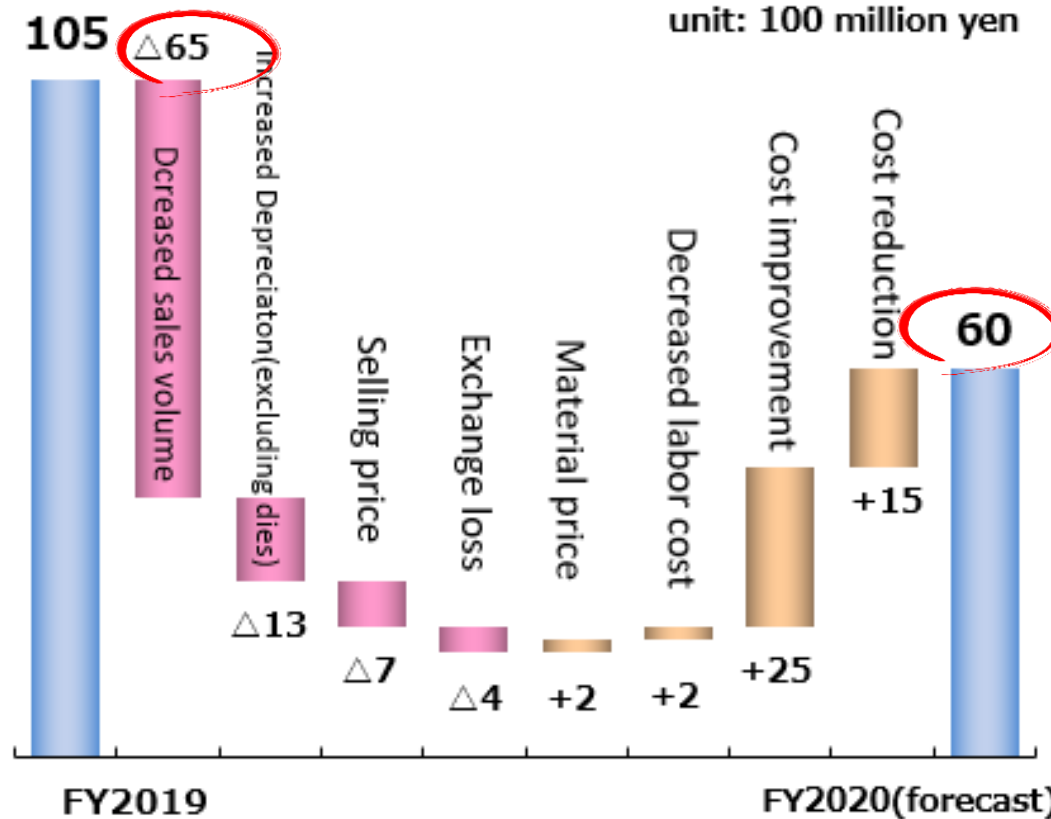
«FY2020 forecast vs FY2019»
Sales ▲20.9billion yen

unit: 100 million yen



«FY2020 forecast vs FY2019»
Operating Income ▲4.5billion yen

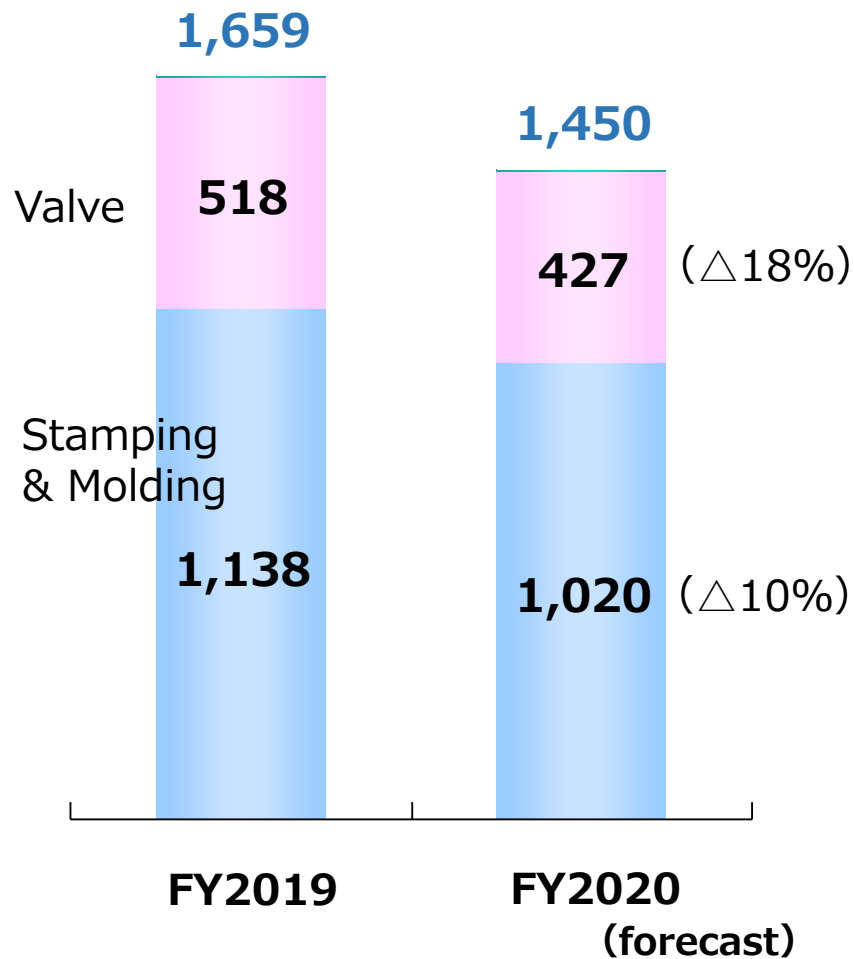
unit: 100 million yen



2-3 Full year Consolidated Business Segment

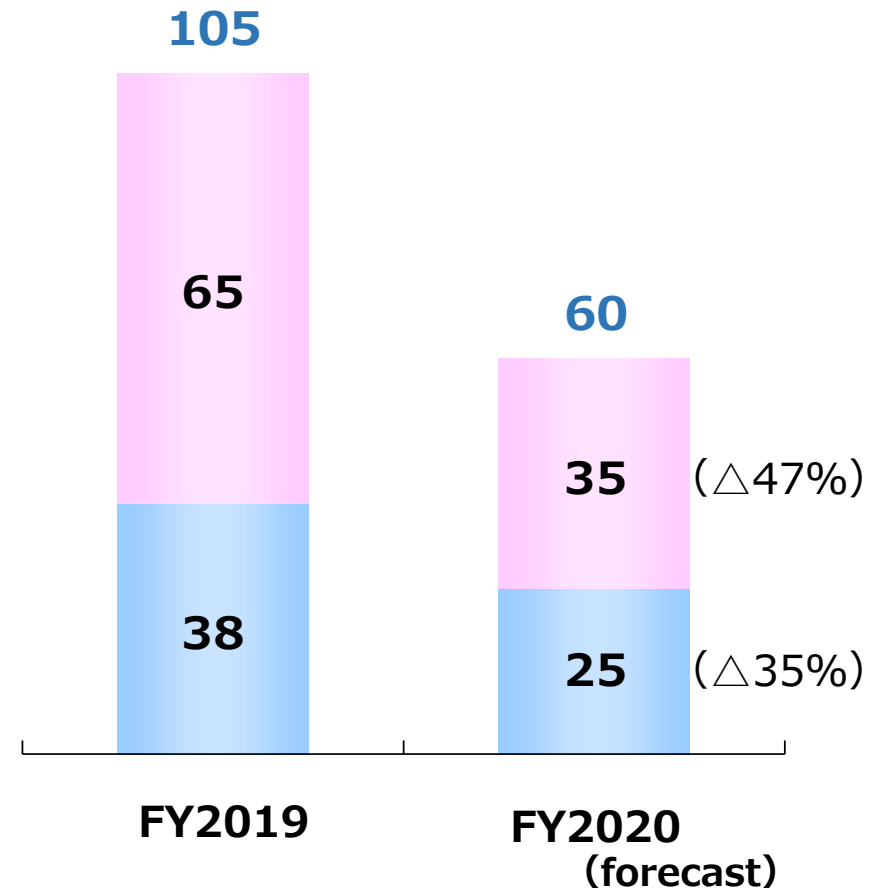
Both businesses are expected to be in the black, although sales and profits will decrease

«Sales»



«Operating Income»

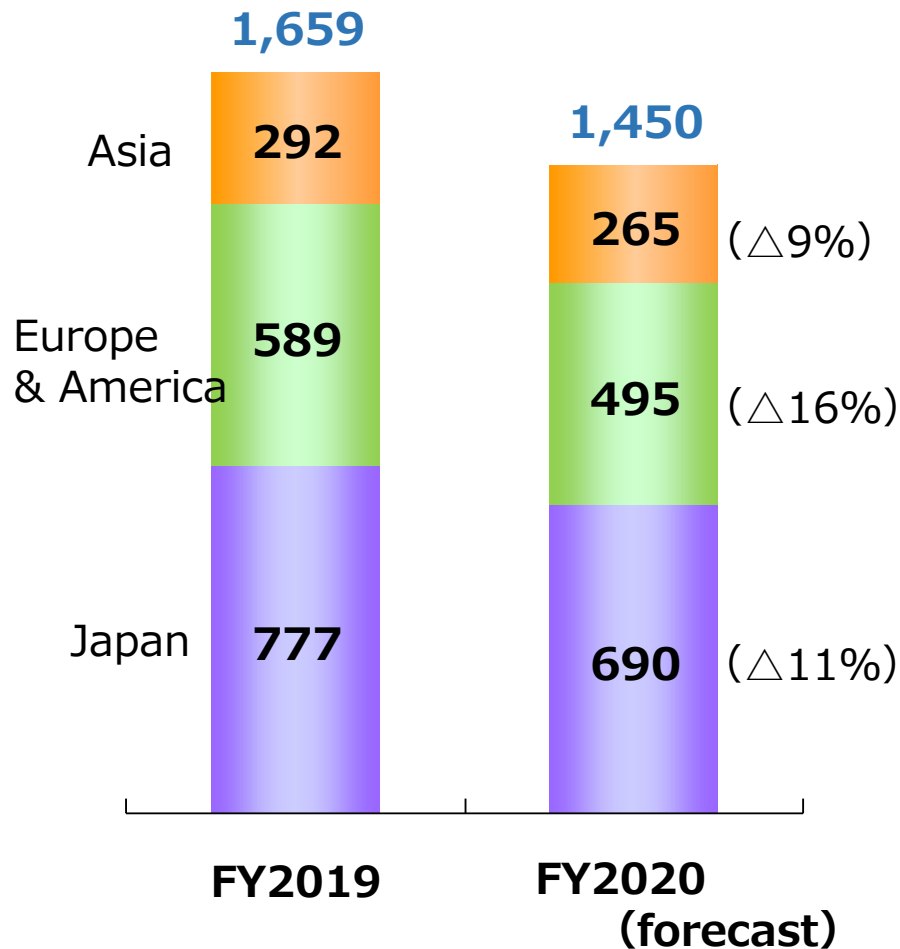
(100 million yen)



2-4 Full year Consolidated Regional Segment

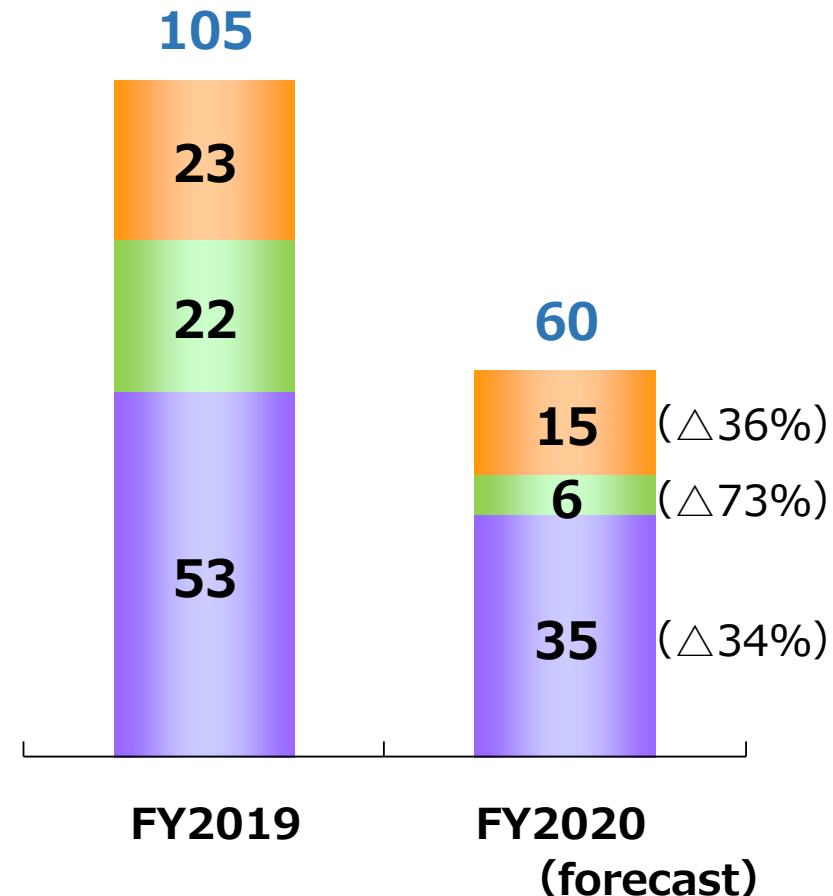
Both businesses are expected to be in the black, although sales and profits in Japan, Europe, America and Asia will decrease

«Sales»



«Operating Income»

(100 million yen)

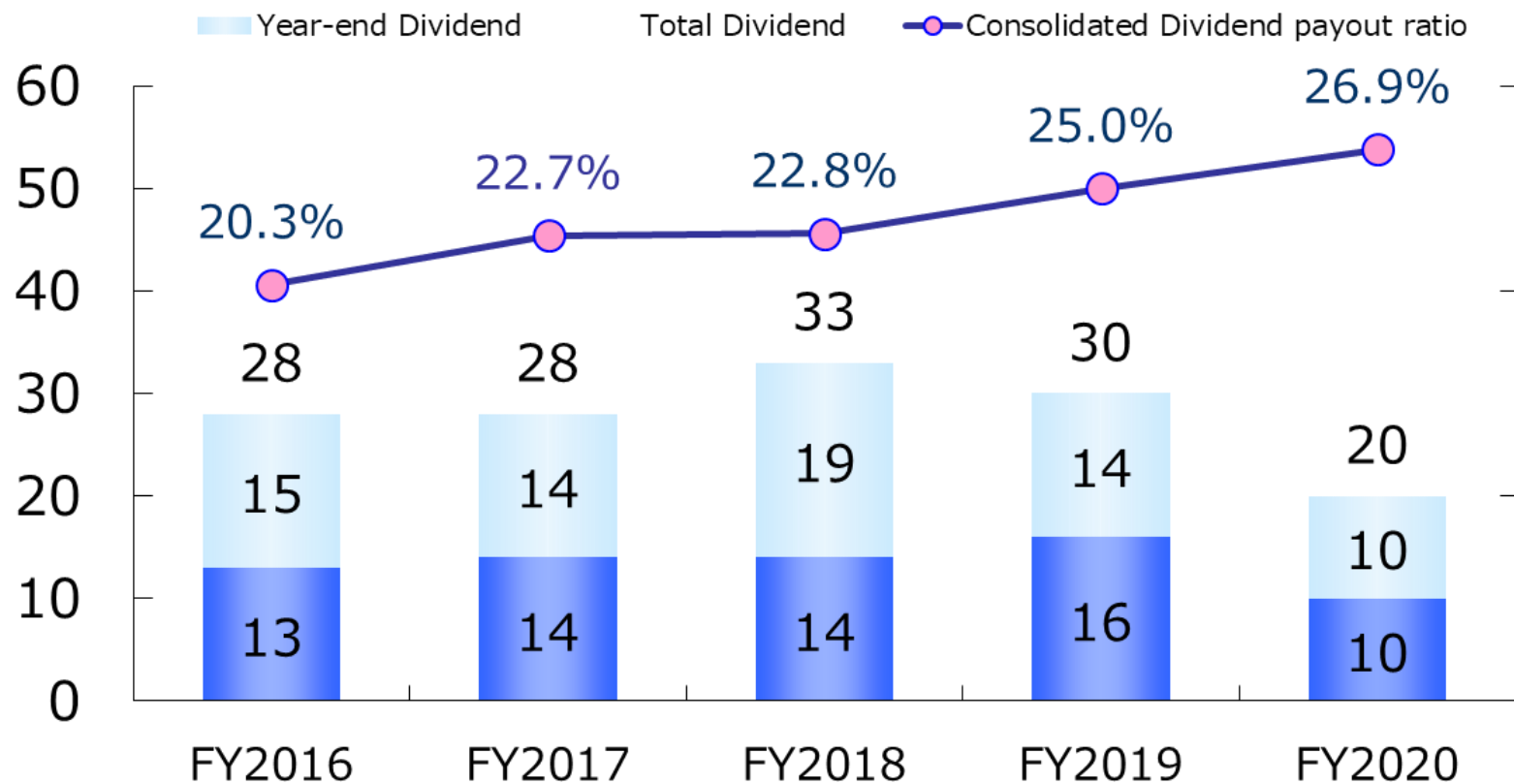


2-5 Returns for Stockholders

Paid 10 yen as an interim dividend

■ Annual Dividend

FY2020 plan Annual : 20yen (Mid-term : 10yen Term end : 10yen)

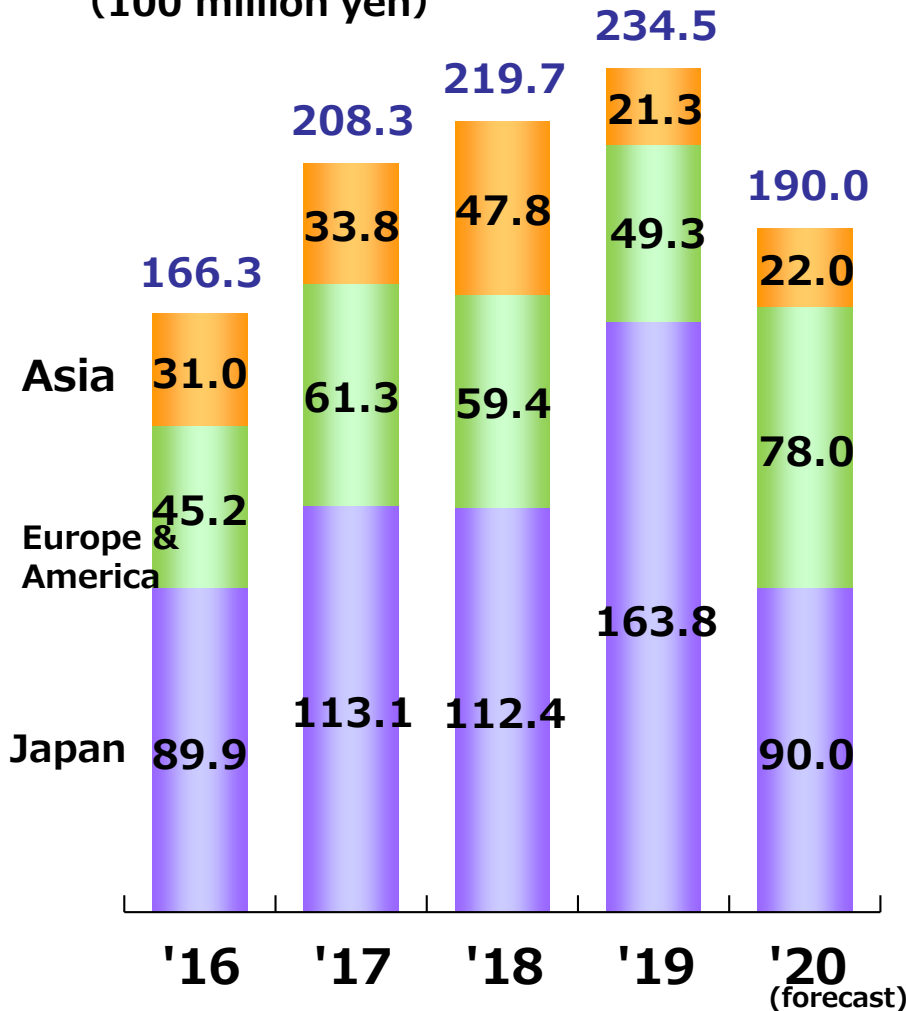


2-6 Consolidated Capital Investment/Depreciation

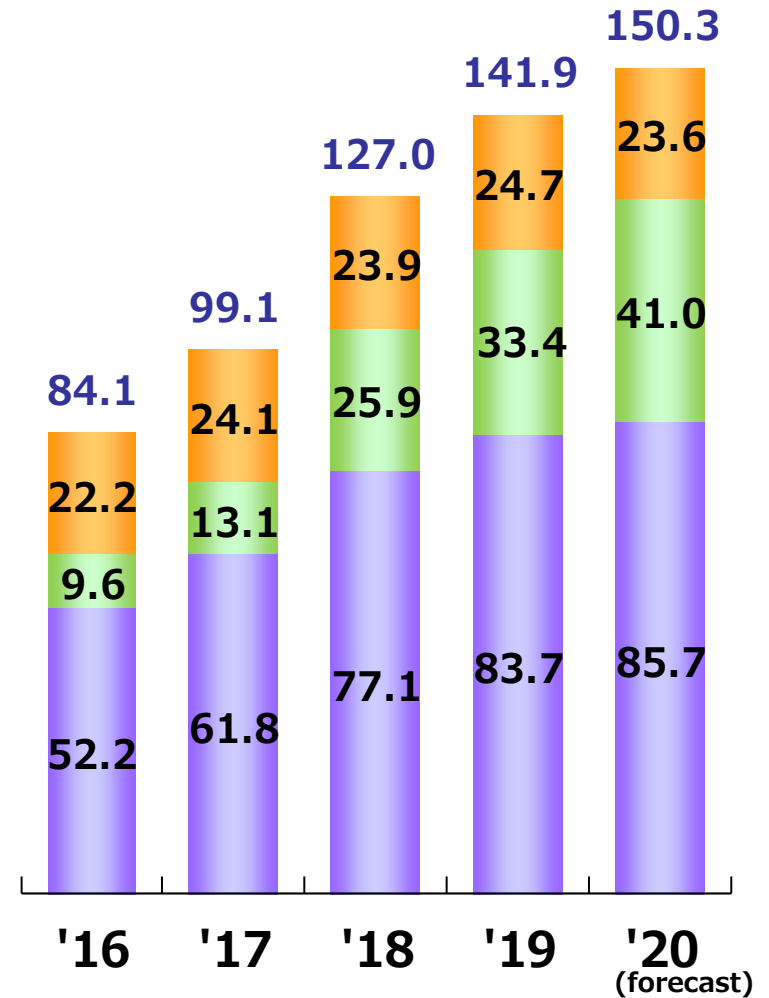
Carefully selected capital investment

« Capital Investment »

(100 million yen)

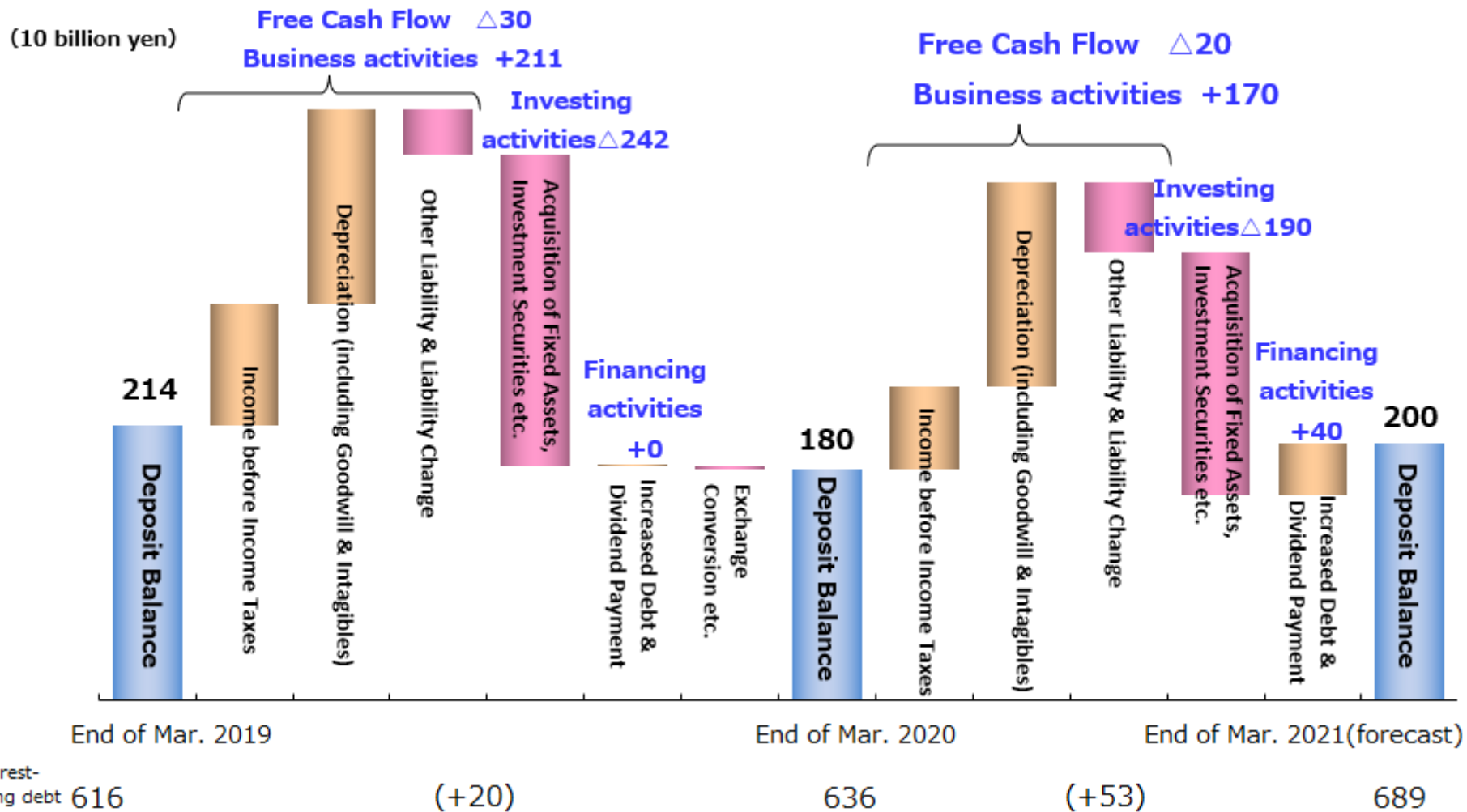


« Depreciation »



2-7 Consolidated Cash Flow

Secure necessary funds, continue investment



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3-1 Sustainability Management

Building sustainable society and working on SDGs

Long-term Vision PACIFIC GLOCAL VISION

4 pillars of Sustainability Management

Fostering trust with stakeholders

Solving social and customer issues through products

Minimizing environmental load

Respect and success of human resources

15 Materialities

Promotion of manufacturing that helps solve social issues

Mid-term Management Plan "OCEAN-22"

Stamping & Molding Business

Contributes to weight reduction, safety, and improvement of environmental performance of automobiles.
Active development of sound/vibration-proof products that contribute to EV conversion

Valve & TPMS Business

Maintaining a stable supply of core car products that are indispensable for infrastructure
Development of TPMS variations that contribute to safety and the environment

New Business

Development of products and services in new fields that can contribute to society

3-2 Sustainability Management

Identifying 4 pillars of Sustainability and 15 Materialities

Pacific Glocal Vision :

A truly GLOCAL company that is worthy of stakeholders' trust, rooted in communities and able to co-exist and co-develop with them

■ Fostering trust with stakeholders

- Corporate ethics and compliance
 - Responsible procurement
 - Improvement in customer satisfaction
 - Local community development
- Donation of PCR test car



Pacific Glocal Vision :

A company that leverages its core technology and continuously provides new business, new products and new 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 environment-conscious product



3-3 Sustainability Management

Identifying 4 pillars of Sustainability and 15 Materialities

Pacific Glocal Vision :

A company that leverages its core technology and continuously provides new business, new products and new technologies toward a sustainable society

■ Minimizing environmental load

- Mitigation of the climate change and adaptation
- Sustainable resources use
- Conservation of water resources

カテゴリー	マテリアリティ	目標の概要	2025年目標	2030年目標
環境負荷の削減	気候変動の緩和 および適応	<ul style="list-style-type: none"> ※温室効果ガス削減 ※再生可能エネルギーの活用 ※気候変動リスクの管理 ※気候変動リスクの管理 	35%削減 CO2当量	ゼロ
資源の有効利用	資源の有効利用	<ul style="list-style-type: none"> ※エネルギー効率の向上 ※廃棄物の削減 ※再生可能エネルギーの活用 ※デジタルトランスフォーメーション 	目標60%削減 CO2当量	ゼロ
水資源の保全	水資源の保全	<ul style="list-style-type: none"> ※水資源の持続可能な利用 ※水資源の保護 ※水資源の再生 ※水資源の循環 	目標30%削減 CO2当量	適正利用 水資源

PACIFIC Environment Challenge 2050



Pacific Glocal Vision :

A company that values employees' new ideas and challenges and ensures they feel the harmonious balance between work and life

■ Respect and success of human resources

- Respect for human rights
- Stable employment and decent work
- The safety and the health of employees
- Development of human resources and Cultivation of culture we can challenge
- Diversity and inclusion



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4-1 Changes in the External Environment and Mid-term Effort

Speed up strategic efforts

【once in a century transformation】

- CASE
- Progress in mobility society

【Societal Demand】

- SDGs
- ESG

Changes have been accelerated due to the impact of Covid-19

Market needs : Improvement of safety, environmental, and comfort performance

Our Policy

Technology development and base maintenance to meet industry trends and customer needs
Acceleration of development of new technologies, new materials, and new construction methods

Weight saving

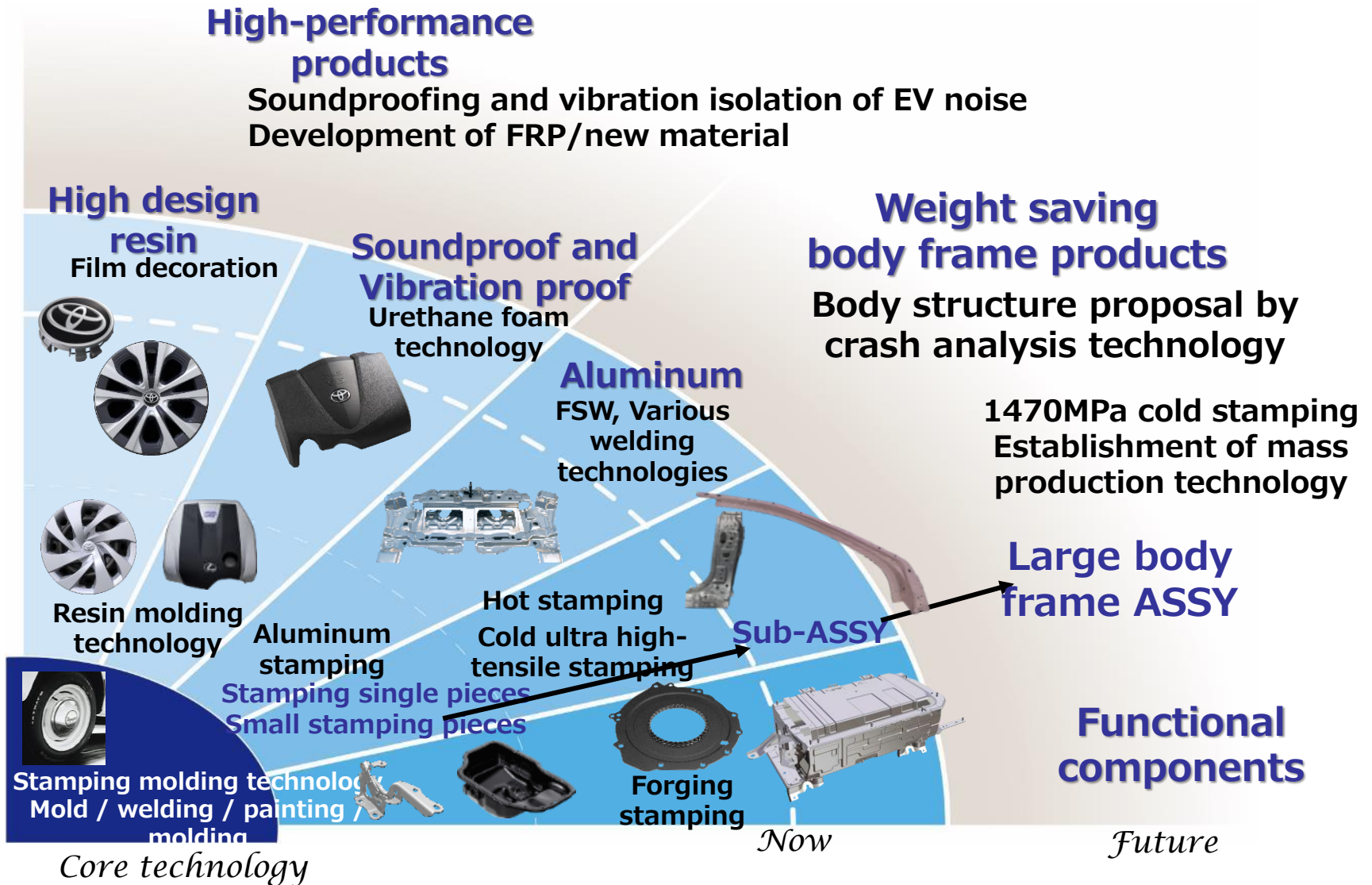
**Sound/
Vibration proof**

EV

**New fields/
New products**

4-2 Expansion of Stamping & Molding Technologies

Weight saving, Crash analysis, Soundproof and Vibration proof



4-3 Evolution to be a body shell manufacturer

Structural proposal and Assembly area expansion

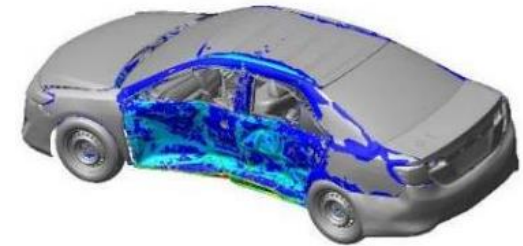
■ Strengthening body frame stamping products

Deepening of ultra-high-tensile stamping molding technology
→Further expanding the cold-molding areas .

Deepening of crash analysis technology
→Proposal of the optimum structure of the body

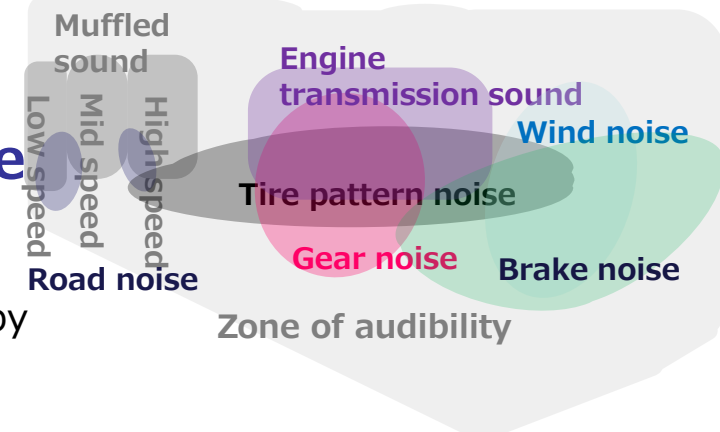
Expansion from small assemblies to medium-sized areas

→Received an order for large body frame ASSY components



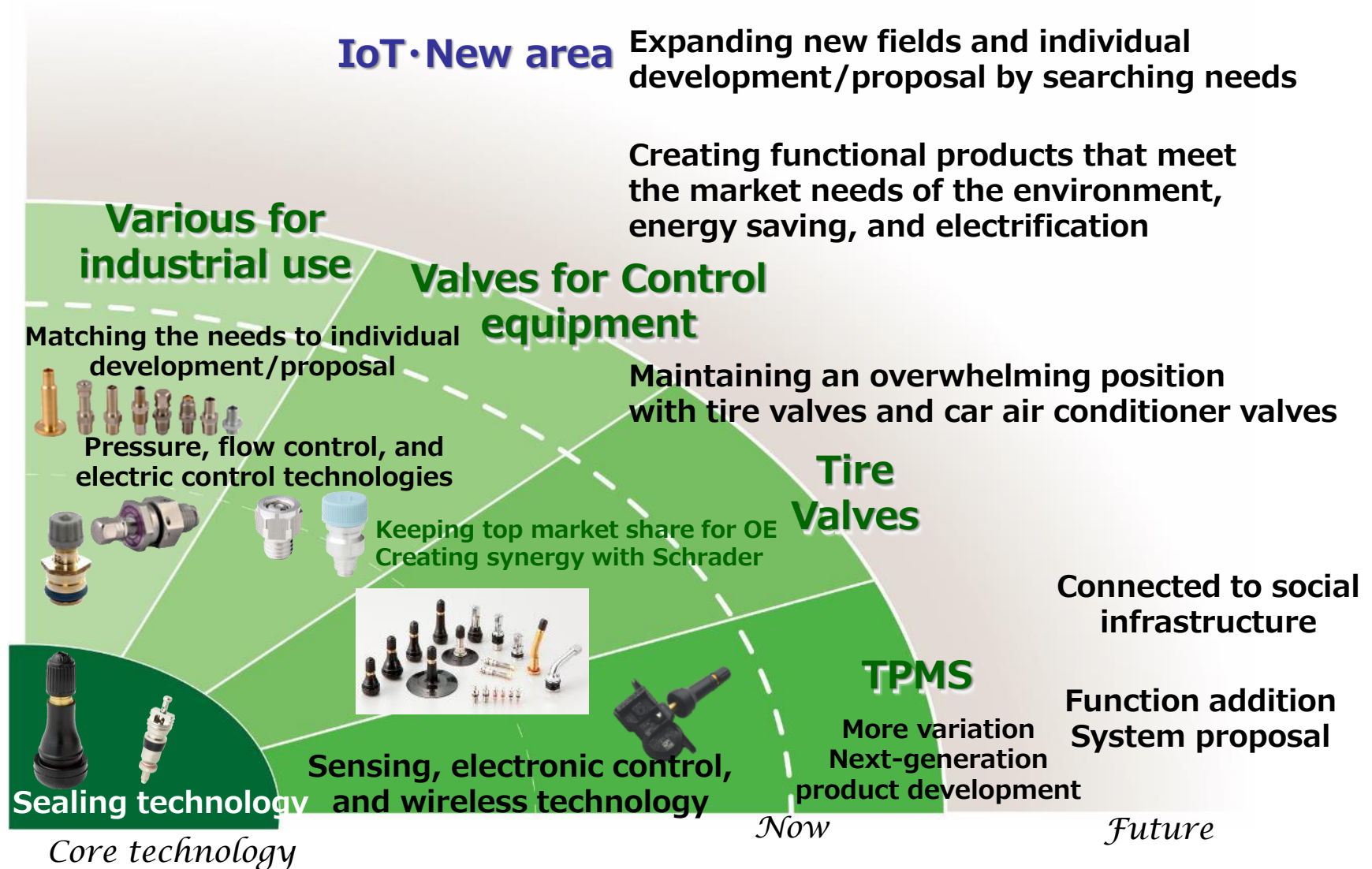
■ Sound/Vibration proof against EV noise

- Expanding needs due to EV and European noise regulations
- Deepening urethane foam technology and expanding areas by developing new materials



4-4 Expansion of Valve Technologies

Sealing/Controlling technology



4-5 As a Manufacturer Specializing in Valves

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

■ Development of a heat-pump 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

■ Sales expansion for TPMS/Valve products

- Products for after market go on sale

North America: Nov. 2020~



Product name

Flex-Sens[®]

■ Creating synergy with Schrader

- Strengthening manufacturing in quality, cost, productivity, etc.
- Collaboration for new products development and mutual sales

Aim to be a World's Top Valve Manufacturer as SCHRADER PACIFIC

Production
Sharing production know-how

Development
Fusion technologies

Sales

Sales-promotion to mutual Customers

SCHRADER PACIFIC
Advanced Valves

4-6 Technology Development in New Fields

Applying sensing and Wireless technology to Solution development

■ Applying monitoring & wireless technologies to the new product development

《 Applied areas 》

Environmental monitoring demand



Food production & transportation process



Frozen food



Refrigerated container



Medical goods transportation



Trucks



Medical goods /specimen



The livestock industry



■ Applying sensing technologies to safe/secure product development

- Charging cables with temperature monitoring for forklifts
- Server monitoring systems for data centers



4-7 Sustainability Report

■ Issued on Oct. 28th after enriching the contents and changing the name



- Materiality identification process
- Environment vision
- Globalizing information disclosure
- Enriching non-financial information

<https://www.pacific-ind.co.jp/csr/report/>



思いをこめて、あしたをつくる

Passion in Creating Tomorrow