

# **Financial Results Briefing for FY2019 Second Quarter**

**The 96<sup>th</sup> 2Q period  
(Apr. 1, 2019-Sept. 30, 2019)**

**Nov 22, 2019**



**PACIFIC INDUSTRIAL CO., LTD.**

# Contents

2

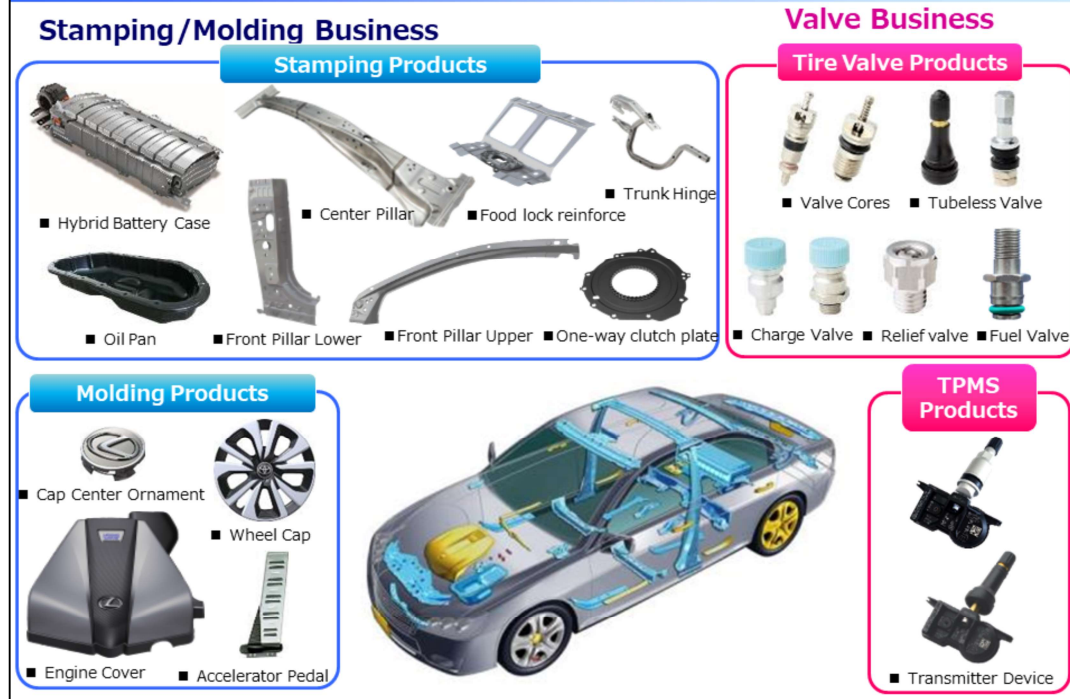
- 1. Company Profile**
- 2. Financial Results for FY2019 2Q**
- 3. Forecast for FY2019**
- 4. New Mid-Term Management Plan  
“OCEAN-22”**

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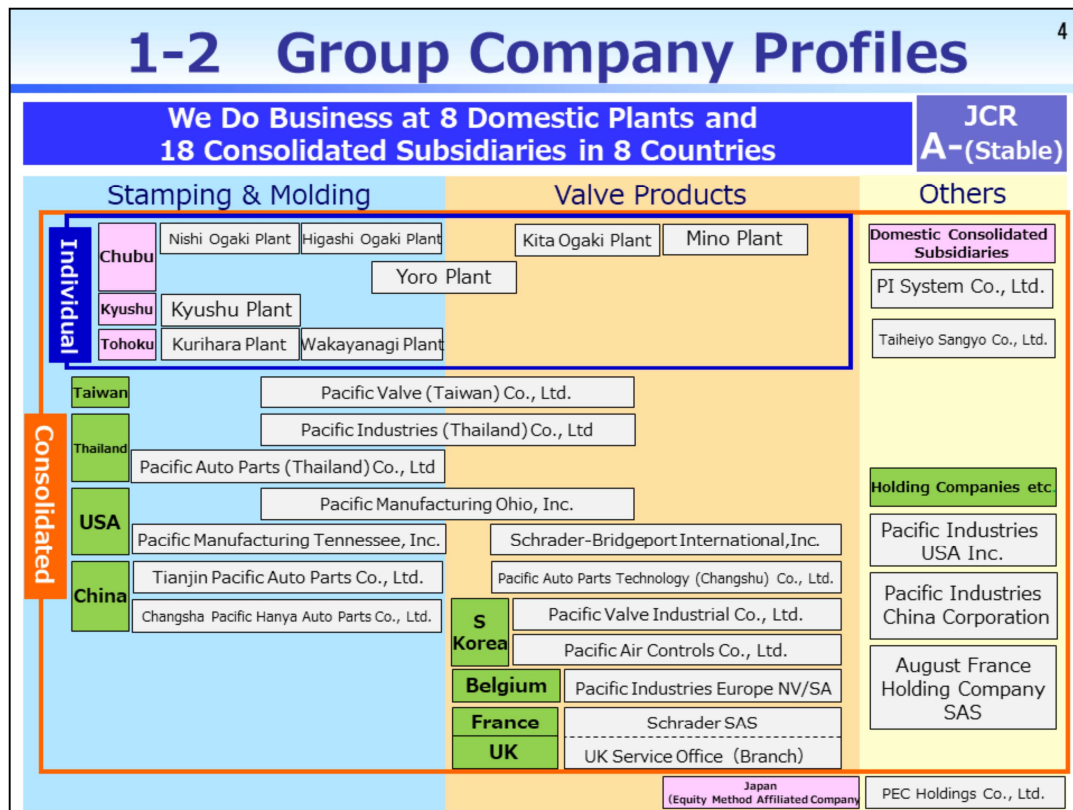
## 1-1 Main Business at Our Company

3



### <Our main business>

- We operate in main business segments: stamping and molding product business, valve product and TPMS business.
- In the tire valve market, our corporation's founding enterprise, we have been a specialized manufacturer with the world's top market share for a long time.
- Furthermore, we have acquired SCHRADER's valve business in 2018. We are the world's top market share in this field.



### <Our history>

- In 1930 Started business in valve core nationalization
- In 1962 Listed in the Second Section of the Tokyo Stock Exchange.
- In 1970 Listed in the First Section of the Tokyo Stock Exchange.
- Rating of Japan Credit Rating Agency(JDR) is “A-”(stable)

### Division Structure

“Stamping and Molding”, “Valves”, “Other”

#### Stamping and Molding

Accounts for about 70% of total sales.

Primarily working with Toyota group, but also Mitsubishi, Honda, and Suzuki.

Based in Taiwan, the US, China, and Thailand.

#### Valves Business

- Accounts for about 30% of total sales

Based in Taiwan, the US, China, South Korea, Thailand, and Belgium.

France and UK are added to our bases after acquisition of SCHRADER.

- We are the world’s top market share of Tire Valves.

# 1-3 Corporate Governance

5

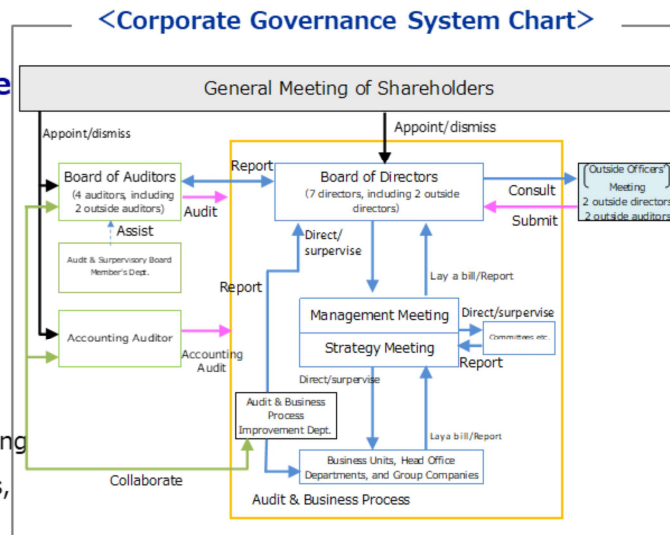
## Enhanced system with a revision of corporate governance code

### ■ Selection of a female Outside Directors

- Established the system to secure diversity of the board of directors

### ■ Enhanced Outside Officer's Meeting

- Establish a system for discussing and advising important matters, director nominations, remuneration, and other matters.



## <Corporate Governance>

We will conduct company management based on the stockholders' perspective and try to construct and maintain a clear corporate governance system.

For the "Corporate governance code", our basic policy is to follow all items.

- For our corporate governance system, we selected "a female outside director" on the general meeting of shareholders on June 15<sup>th</sup>, 2019. We will ensure transparency and fairness in the decision making process by adding more diversity for Board of Directors' decision making.

- We also strengthened the function of "Outside Officers' Meeting" and changed the system to discuss the selection of directors and their remunerations.

- We will expand, strengthen and improve essential internal control/internal audit continuously in order to improve "corporate governance" more.

# Contents

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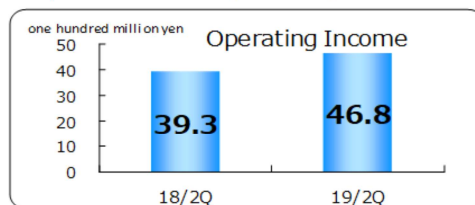
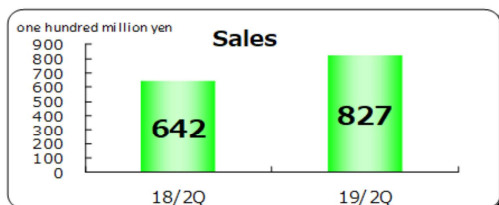
## 2-1 Consolidated Results(2Q) 7

### Record High: Sales ,Operating Income

(million yen %)

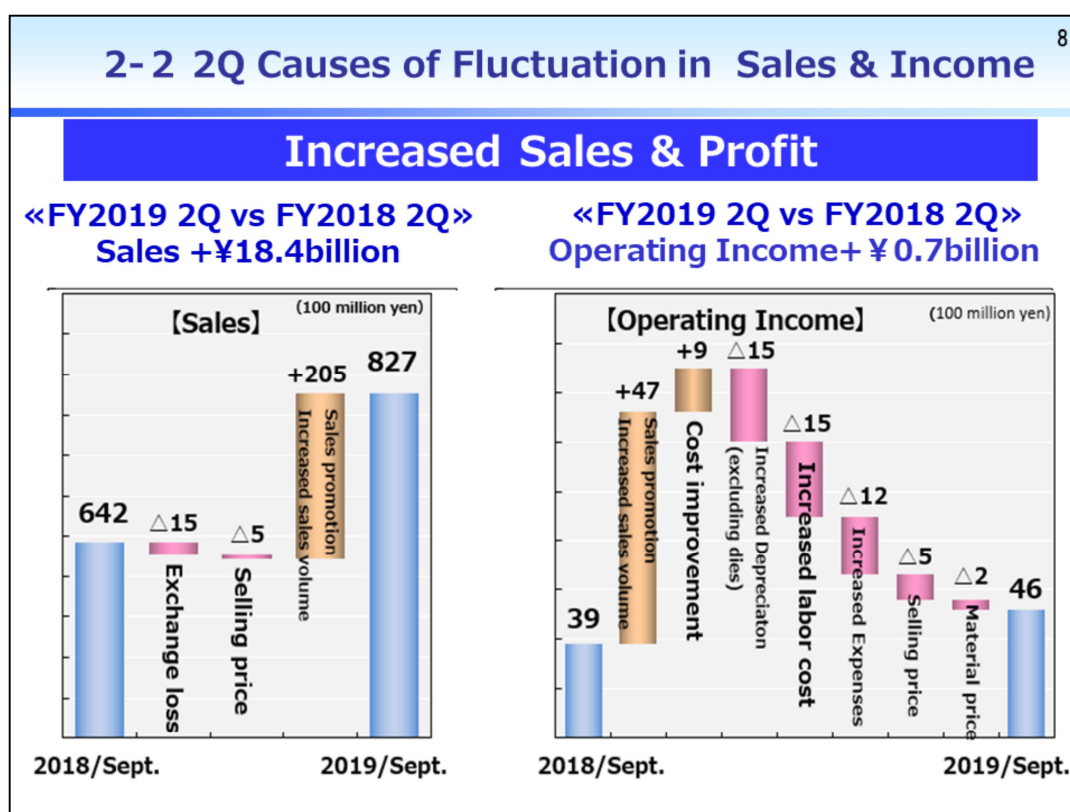
	Last 2Q *1	2Q		Last forecast rate		Year-on-year rate		
		4/25 Last Forecast	Results	Gain&Loss	%change	Gain&Loss	%change	
Sales	64,285	78,000	82,765	4,765	+6.1	18,479	+28.7	3 consecutive terms increase in sales <b>Record High</b>
Operating Income	3,933 6.1%	4,900 6.3%	4,683 5.7%	△217	△4.4	749	+19.1	2 consecutive terms increase in profit <b>Record High</b>
Ordinary Income	5,064 7.9%	5,400 6.9%	4,935 6.0%	△465	△8.6	△128	△2.5	Profit decreased for the first time in 3 terms
2Q Net Income	3,824 5.9%	3,800 4.9%	3,473 4.2%	△327	△8.6	△350	△9.2	Profit decreased for the first time in 3 terms

\*1 This is the amount after the revision due to finalization of provisional accounting for the September term in 2019.



### <Consolidated Financial Results2Q>

- Sales and operating profit are record highs.
- Our main customers' automobile production increased year-on-year in Japan and China, and remained at the same level as the previous year in the US and Europe.
- **Sales:**
  - Sales was ¥82.7 billion yen(+28.7% YoY) In addition to the acquisition of new products, due to the consolidation of SCHRADER acquired in August 2018.
- **Profit:**
  - Operating income reached a record high of 4.6 billion yen (+19.1% YoY) due to the increase in sales volume.
  - Ordinary income was 4.9 billion yen (▲2.5% YoY) mainly due to the impact of exchange rates.
  - We have factored in profits and losses from the acquisition of SCHRADER for the full year from this fiscal year. The “goodwill” fee was provisionally accounted for, but has been finalized at the end of March 2019.
  - In contrast to the figures announced on April 25, sales increased due to changes in the product mix, but profits increased due to an increase in labor costs and expenses associated with new launches, and a negative result due to fluctuations in material prices. Profits declined.



### <Causes of Fluctuation in Sales & Income for 2019 2Q>

#### Sales:

##### Positive Factors

- Increase in sales volume and new products including SCHRADER valve business ¥ 20.5 billion

#### Operating Income :

##### Negative Factors

- Increase in depreciation cost ▲¥1.5 billion
- Increase in labor costs ▲¥1.5 billion
- Increase in expense ▲¥1.2 billion
- Decrease in selling price ▲¥0.5 billion, Material price etc. ▲¥0.2 billion

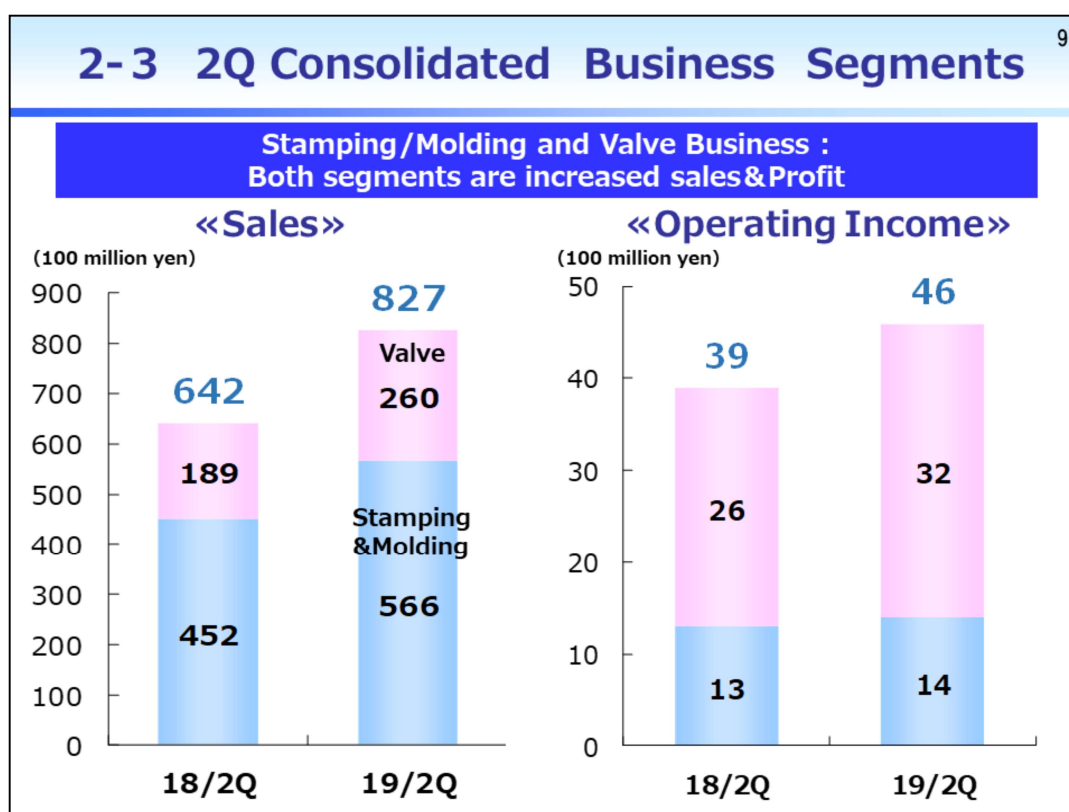
##### Positive Factors

- Increase in sales volume ¥4.7 billion, Cost improvement ¥0.9 billion

#### Exchange rate (vs. US dollar)

First half of the previous year: 109.70 yen

This first half: 109.30 yen



### <2Q Business Segment >

#### **[Stamping & Molding Business]**

**Sales:** ¥56.6 billion (+25.1% YoY)

• Even though sales decreased in China, new products in Japan and the United States contributed to a rise.

**Operating Income:** ¥1.4 billion (+ 9% YoY)

• Profit decreased due to decrease in sales volume in Asia, an increased depreciation due to strategic investments in the United States, and increased costs due to new launches.

• By increasing sales volume in Japan and cost improvements operating income was ¥1.4 billion (+ 9% YoY) overall.

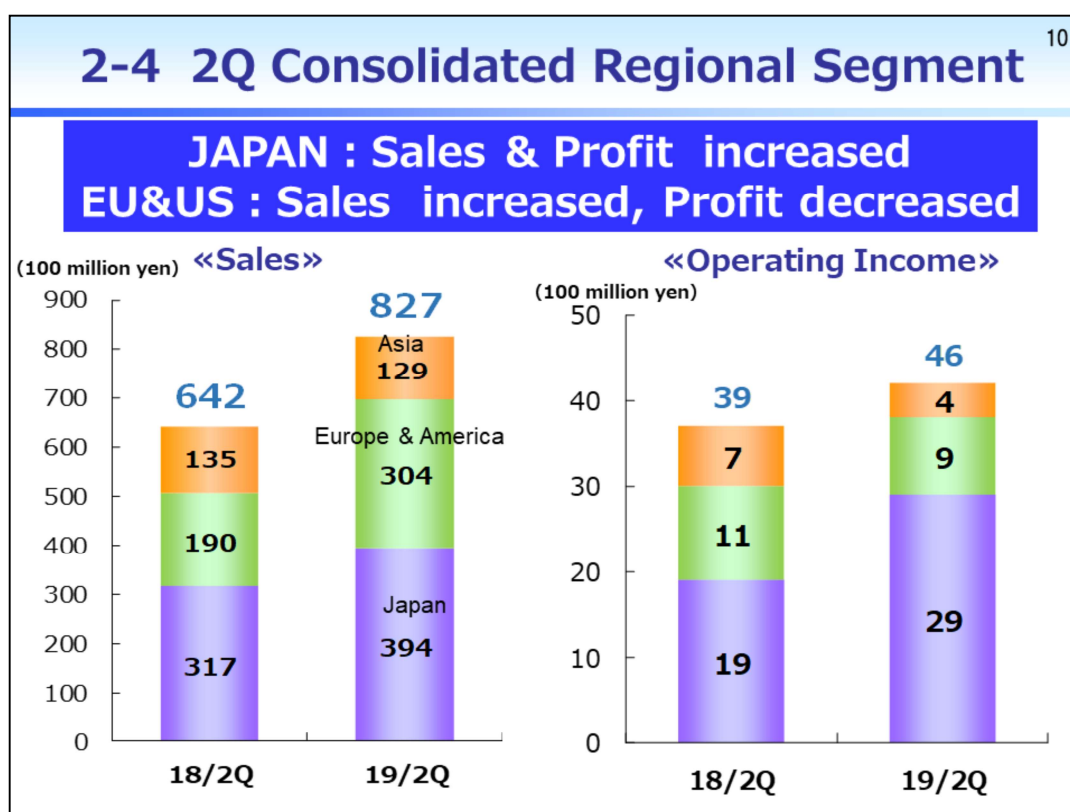
#### **[Valve Business]**

**Sales:**

• Sales rose to ¥ 26 billion(+37.7% YoY) due to an increase in sales volume of TPMS and SCHRADER's business.

**Operating Income:**

• Operating income rose to ¥3.2 billion(24.9% YoY) due to the consolidation of SCHRADER and a decrease in acquisition costs incurred previous term.



### <Consolidated Regional Segment>

#### 【Japan】

- Sales increased 24.2% to ¥39.4 billion due to an increase in sales volume of Stamping & Molding Business and TPMS.
- Operating income increased 50.1% to ¥ 2.9 billion due to an increase in sales volume and cost improvements despite an increase in depreciation expenses due to strategic investments.

#### 【Europe and America】

- Sales increased 59.9% to ¥30.4 billion due to the consolidation of SCHRADER and the acquisition of new products in Stamping & Molding business.
- Operating income decreased 14.2% to ¥0.9 billion despite an increase in sales volume, due to an increase in labor costs and expenses related to the launch of new products, and an increase in capital investment and amortization of "goodwill" .

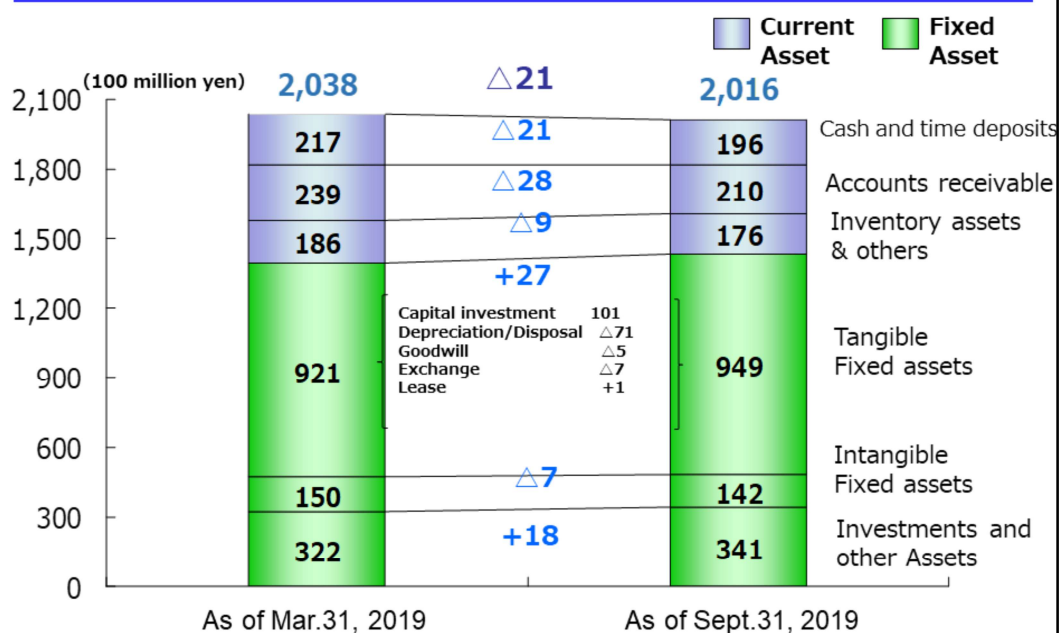
#### 【Asia】

- Sales decreased 4.5% to ¥12.9 billion due to a decrease in subsidiaries in Korea and China.
- Operating income decreased 32.6% to ¥0.4 billion due to a decrease in sales volume.

## 2-5 Consolidated Total Assets

11

**Current assets decreased Total assets decreased**



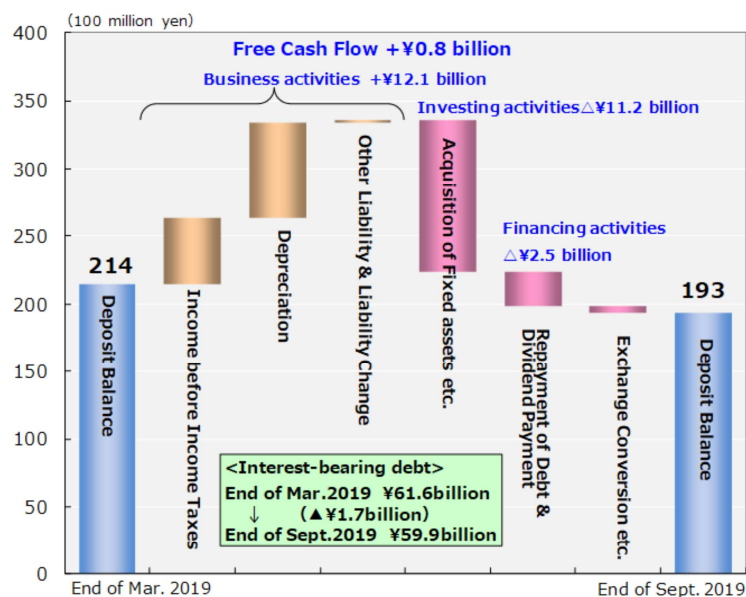
### <Consolidated total assets>

• Total assets at the end of the 2Q were ¥ 201.6 billion, a decrease of ¥ 2.1 billion from the end of the previous fiscal year.

• Fixed assets increased by ¥3.8 billion due to capital investment, etc., but current assets such as cash and accounts receivable decreased by ¥6.0 billion.

## 2-6 Consolidated Cash Flow

**Free cash flow amount to +¥0.8billion**



### <2Q Consolidated Cash Flow>

- Net cash provided by operating activities was ¥12.1 billion and cash used in investing activities was ¥11.2 billion.

As a result, free cash flow was plus ¥0.8 billion.

- As a result of expenditures of 2.5 billion yen for cash dividends and other financial activities, the balance of cash at the end of the second quarter decreased ¥ 2.1 billion to ¥19.3 billion.

- Interest-bearing debt decreased ¥1.7 billion to ¥59.9 billion.

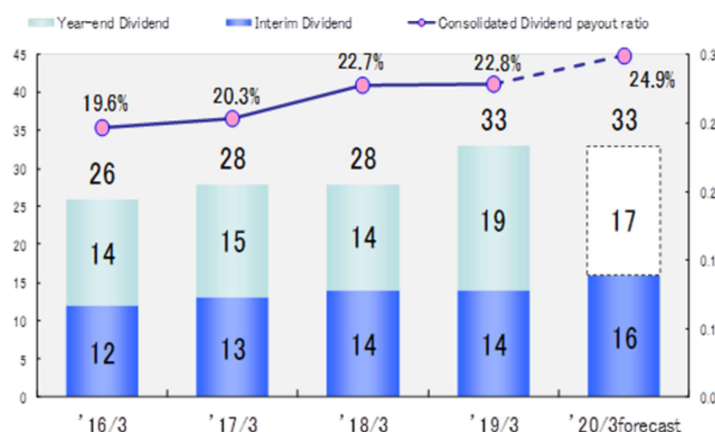
## 2-7 Returns for Stockholders

**Dividend will be the same as last FY**

### ■ Annual Dividend

**FY2018** Annual : ¥33 (Mid : ¥14 End : ¥19)

**FY2019 Forecast** Annual: ¥33 (Mid : ¥16 End : ¥17)



### <Returns for Stockholders>

• As for dividends, we have positioned return of profits to shareholders as an important management issue. Based on continuing stable dividends, we comprehensively judge performance and payout ratio, and pay dividends on surplus.

• The dividend for the first half was decided to be an ordinary dividend of ¥16 as planned initially.

• The year-end dividend will be ¥17, and the full-year dividend will be ¥33, the same as the previous fiscal year, with a consolidated payout ratio of 24.9%.

• In the future, we will aim for a dividend payout ratio of 30%.

# Contents

14

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## 3-1 Full FY Consolidated Financial Forecast <sup>15</sup>

### Change in full-year forest (Revise sales upward)

	2017	2018	2019 (4/25 Forecast)	2019 (Forecast this time)	Last forecast rate		Year-on-Year		Full FY (Forecast)
					Gain&Loss	%change	Gain&Loss	%change	
Sales	117,758	145,030	155,000	160,000	5,000	3.2%	14,970	10.3%	2 consecutive terms increase in sales Recording
Operating Income	8,063	10,307	10,000	10,000	0	0.0%	△307	△3.0%	Profit decreased for the first time in 2 terms
Ordinary Income	9,485	11,767	11,000	11,000	0	0.0%	△767	△6.5%	Profit decreased for the first time in 2 terms
Current Net Income	7,393	8,730	8,000	8,000	0	0.0%	△730	△8.4%	Profit decreased for the first time in 2 terms
Sales Operating Income Ratio	6.8%	7.1%	6.5%	6.3%	△0.2%		△0.8%		
R O E	8.5%	9.3%	8.1%	8.1%	0.0%		△1.2%		
R O A (Operating Income base)	5.4%	5.7%	4.8%	4.9%	0.1%		△0.8%		
Net Assets per Share	(yen) 1,508	(yen) 1,590	(yen) 1,666	(yen) 1,662	(yen) △4	-0.2%	(yen) 72	4.5%	

one hundred billion yen

«Sales & Sales Growth Rate»

	'15	'16	'17	'18	'19 (forecast)
Sales	1,068	1,036	1,177	1,450	1,600
Sales Growth Rate	6.9%	-3.0%	13.6%	23.2%	10.3%

one hundred billion yen

«Operating Income & Operating Income Ratio»

	'15	'16	'17	'18	'19 (forecast)
Operating Income	78.6	86.6	80.6	103.0	100.0
Operating Income Ratio	7.4%	8.4%	6.8%	7.1%	6.3%

### <Consolidated Financial Forecast>

#### Sales:

• Net sales are expected to be ¥ 160.0 billion, an increase of ¥ 5.0 billion from the previous announcement, an increase of 10.3% year-on-year, reflecting an increase of ¥ 4.7 billion from the forecast in the second quarter.

#### Profit:

• Each profit remains unchanged from the previously announced value.

• Operating income decreased 3.0% year on year to ¥10 billion, ordinary income decreased 6.5% to ¥11.0 billion, net income is expected to decline 8.4% to ¥8.0 billion.

• Sales and profit in 2nd Half are expected to be the same as previously announced.

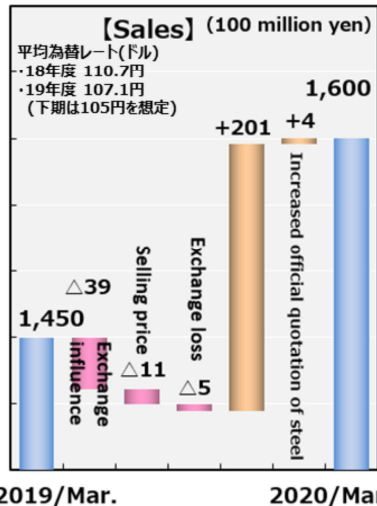
The decrease in profit due to the increase in new start-up costs in the first half will be recovered by improving labor costs and expenses.

- Second half exchange rate: 105 yen
- Exchange rate sensitivity : 100 million yen per year per 1 yen

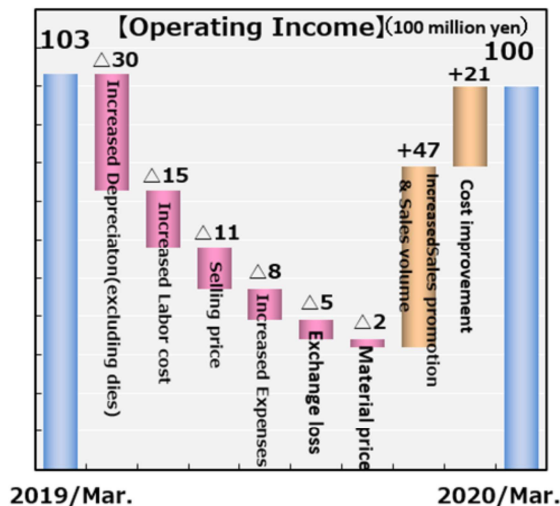
### 3-2 Full FY Causes of Fluctuation in Sales & Income <sup>16</sup>

#### Sales increase, Profit decrease due to Increase in depreciation

«2019Forecast vs 2018»  
Sales+¥14.9 billion



«2019Forecast vs 2018»  
Operating Income△¥0.3 billion



#### <Causes of Fluctuation in Sales & Income>

##### Sales :

- Expected to be ¥160 billion , increased sales for 3 consecutive years

##### **Positive factors:**

Sales expansion and sales volume increase as follows

- Increase in ultra high- tensile strength and aluminum products(¥10.5 billion)
- Consolidation impact of SCHRADER (¥ 8 billion)

##### **Negative factors:**

- Decrease in sales due to the effects of exchange rates and lower sales prices.

##### Operating income

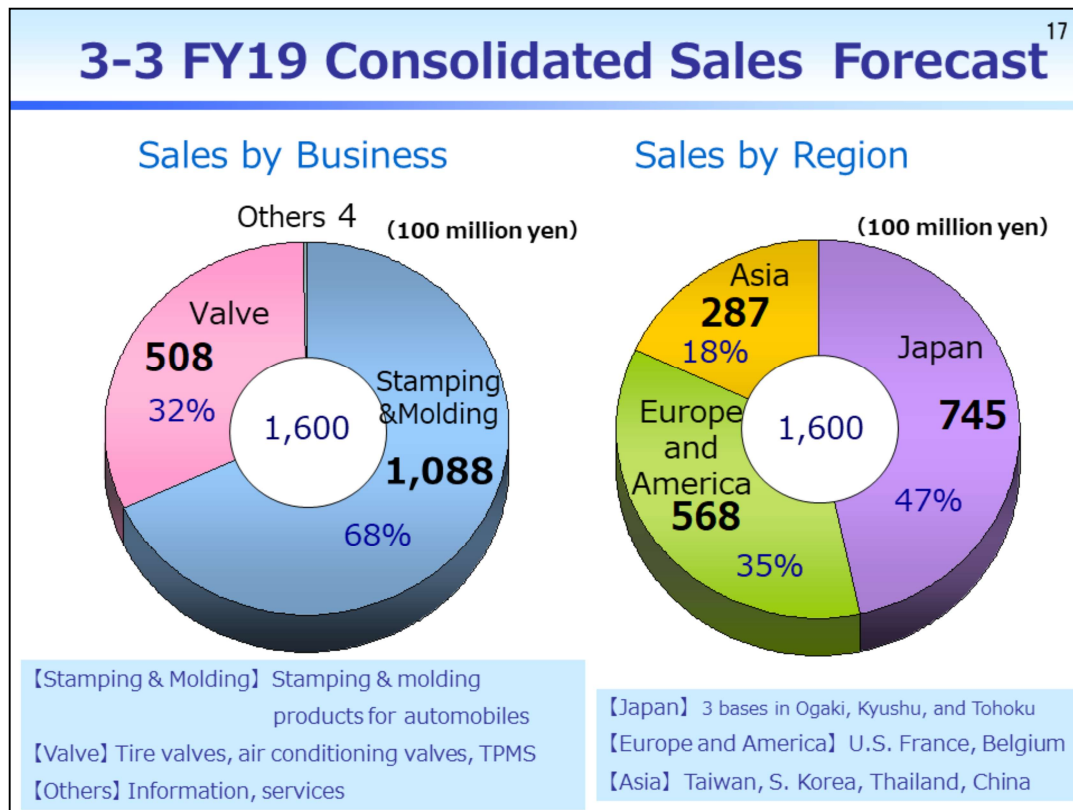
- Expected to decrease ¥ 0.3 billion to ¥ 10 billion

##### **Positive factors:**

- Sales expansion and sales increase ( ¥ 4.7 billion ) , cost improvement (¥2.1 billion)

##### **Negative factors:**

- Including depreciation of goodwill (¥0.5 billion), increase in depreciation expenses (¥3.0 billion).
- Increase in labor costs (¥1.5 billion), sales price decline (¥1.1 billion), increase in expenses (¥0.8 billion)



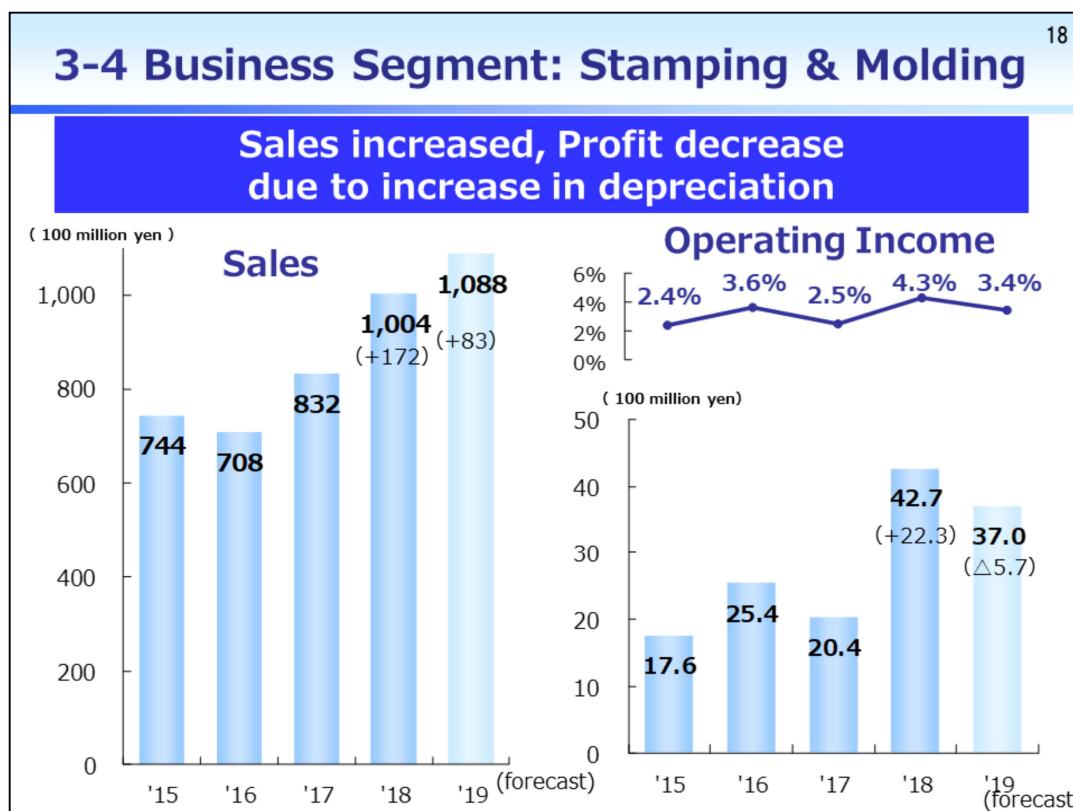
### <FY19 Forecast of Consolidated Business Segment >

#### **Business segment:**

- Stamping & Molding Business : ￥108.8 billion.
- The valve business : ￥50.8 billion.

#### **Segment by region**

- Japan : ￥74.5 billion
- Europe and the US : ￥56.8 billion
- Asia : ￥28.7 billion



### <Business Segment: Stamping & Molding Business >

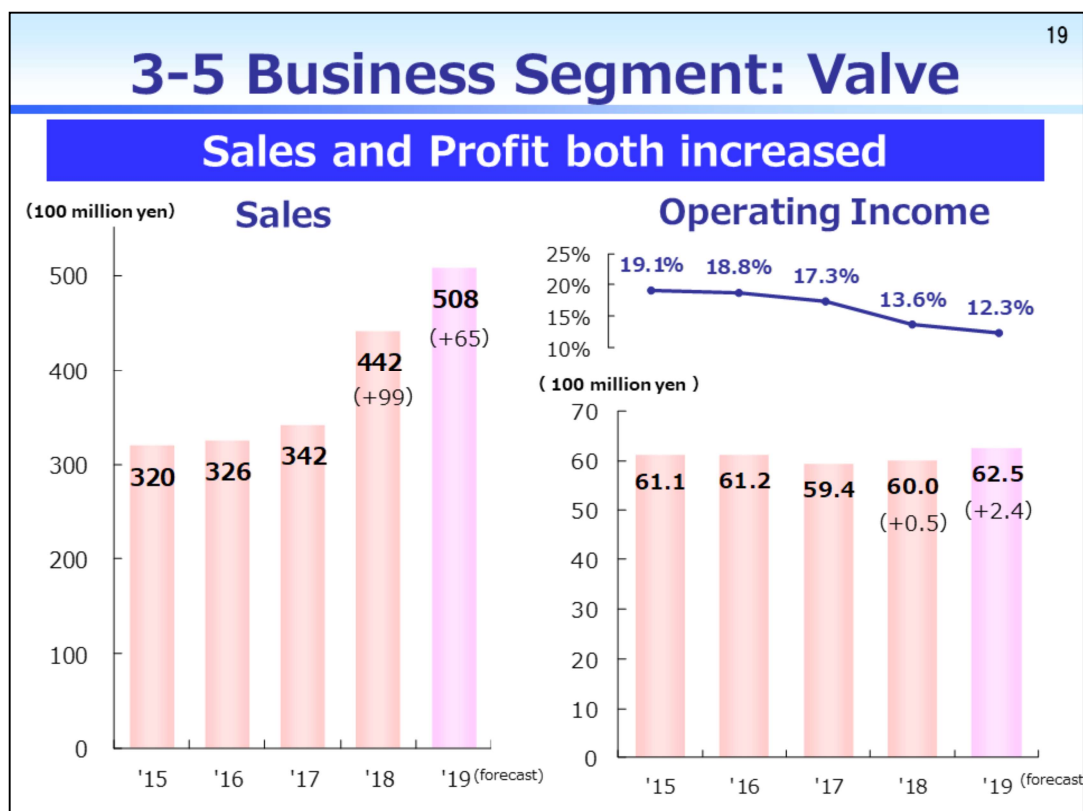
#### •FY2019 Forecast

#### Sales

- Due to increase in ultra high-tensile strength and aluminum products sales are expected to be ¥108.8 billion(+8.3%YoY).

#### Operating Income

- Operating income is expected to be ¥3.7 billion (▲13.5%YoY)
- Main Factors:
  - Increase in sales volume
  - Cost improvement
  - Increase in variable costs due to sales increase
  - Increase in depreciation
  - Starting-up cost for new products



### <Valve Business >

#### •FY2019 Forecast

#### Sales

Sales are expected to be ¥50.8 billion(+14.8%YoY)

It is mainly due to increase in SCHRADER 's sales (¥8billion)

#### Operating Income

•Operating income is expected to be ¥6.2 billion (+4.1%YoY)

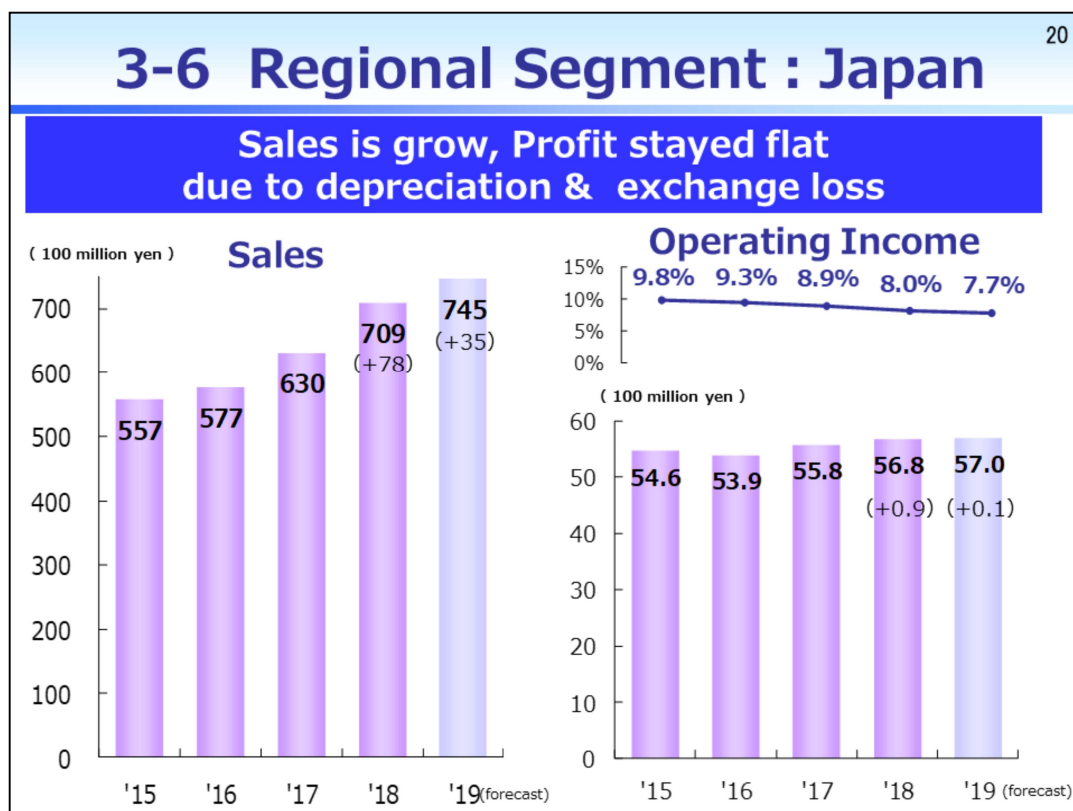
•Main Factors:

Increase in sales volume including SCHRADER

Increase in goodwill amortization

Decrease in sales price

Foreign exchange loss



### <Regional segment : Japan>

#### •FY2019 Forecast

#### Sales

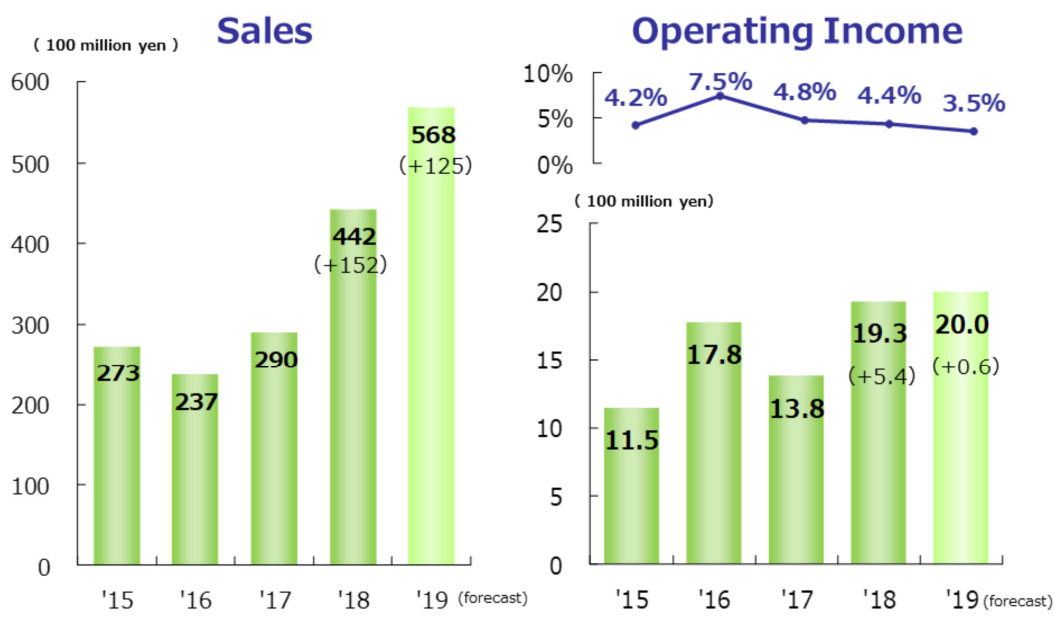
- Sales in Japan are expected to increase by 5.0% year-on-year to ¥ 74.5 billion,  
due to an increase in press and resin business.

#### Operating Income

- Operating income is expected to be ¥ 5.7 billion, the same level as the previous fiscal year.
- Main Factors:
  - Increases in sales volume
  - Cost improvements
  - Depreciation expenses increased
  - Sales prices fell
  - Foreign exchange loss etc.

### 3-7 Regional Segment: Europe and America

Sales Increased Due to Business Acquisition and Sales Promotion in Stamping & Molding Products. Profit Stayed Flat Due to the Increase in Depreciation



#### <Regional segment : Europe and America>

##### •FY2019 Forecast

##### Sales

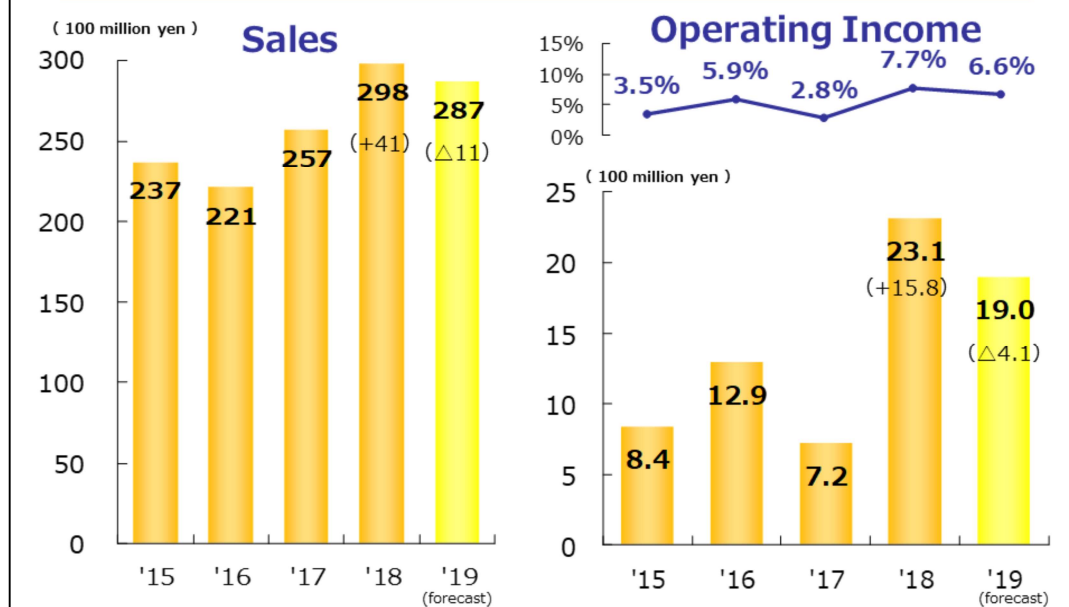
- Sales are expected to increase 28.4% year on year to ¥ 56.8 billion.
- In addition to SCHRADER consolidation, in the stamping business, increased sales due to increased capacity at Tennessee's subsidiary.

##### Operating Income

- Operating income is expected to be 2 billion yen, the same level as the previous year.
- Due to an increase in depreciation of “goodwill” and starting-up cost for new products, despite cost improvements and an increase in sales volume due to business acquisitions.

## 3-8 Regional Segment: Asia

Decreased Due to Foreign Exchange Losses & an Increase in Depreciation



### <Regional Segment : Asia>

#### •FY2019 Forecast

#### Sales

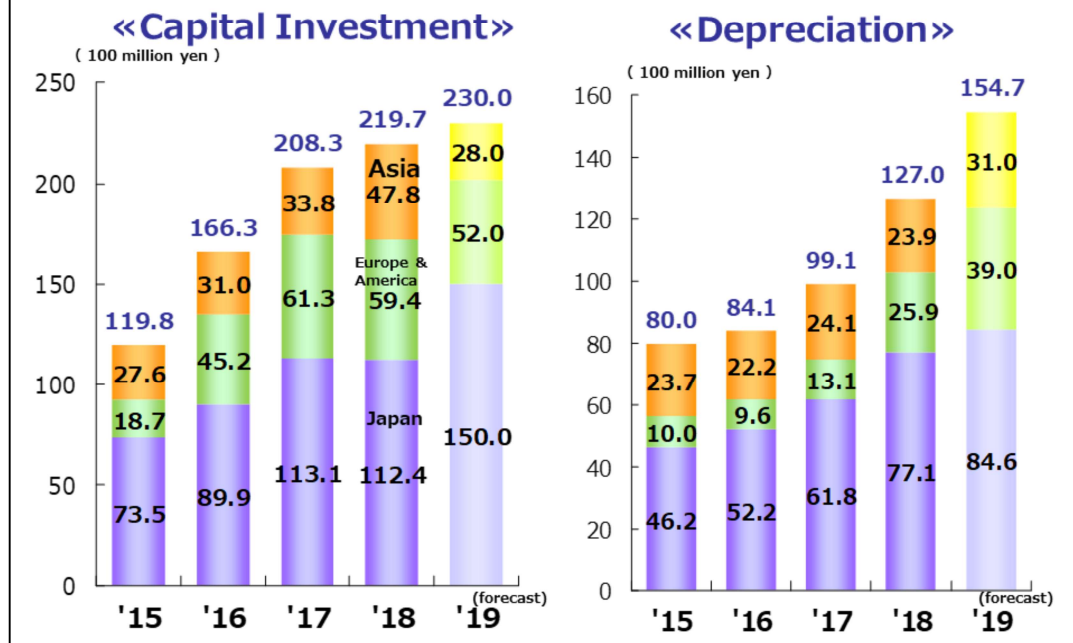
•Despite the increase in sales of TPMS products in China, sales are forecast to decrease 3.9% year on year to ¥ 28.7 billion due to the impact of automobile production in Taiwan and Korea.

#### Operating Income

•Operating income is expected to decline 17.7% to ¥ 1.9 billion due to foreign exchange losses and an increase in depreciation expenses associated with the start-up of a press business in Thailand.

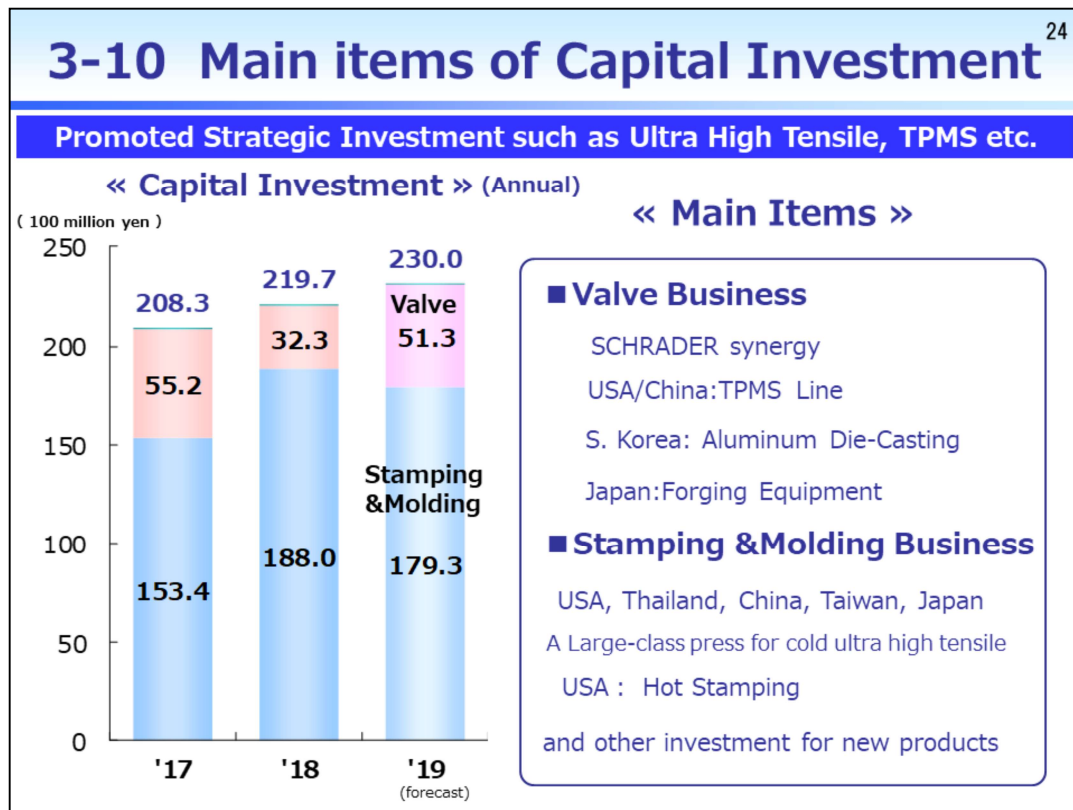
### 3-9 Consolidated Capital Investment/Depreciation <sup>23</sup>

#### Increased depreciation due to strategic capital investment



#### <Forecast of Capital Investment and depreciation>

- We have invested over ¥ 20 billion since FY 2017, and plan to invest ¥ 23 billion in FY 2019.
- Depreciation expenses are expected to increase to ¥ 15.4 billion due to high level capital investment.
- It is to be noted that the depreciation expense, amortization of "Goodwill" does not include.



### <Main items of Capital Investment by business>

#### Valve business

- Investment for synergy with SCHRADER
- Expanding new type of TPMS line in China and North America.
- Expanding the aluminum die-casting business in South Korea.
- Expanding the machines of forging for high-precision forming.

#### Stamping and Molding business

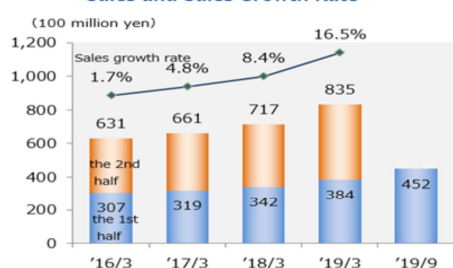
- Equipment large equipment units corresponding to cold ultra high tensile in the US ,Thailand, China, Taiwan, and Japan.
- Hot stamp equipment units in the US.

## 3-11 Individual Financial Results

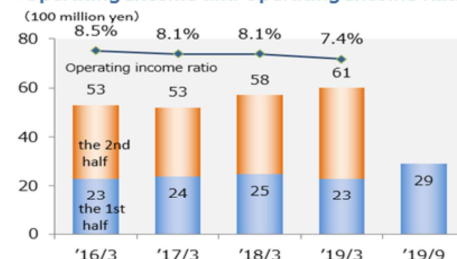
### Sales & Profits are record highs

	End of Sept. 2018		End of Mar. 2019		End of Sept. 2019 (Current Term)		Year-on-year rate		Cumulative 2Q
	(Results)	Sales Ratio	(Results)	Sales Ratio	(Results)	Sales Ratio	Gain&Loss	%change	
Sales	38,473	100.0%	83,562	100.0%	45,260	100.0%	6,787	17.6%	5 consecutive terms increase in sales <b>Record High</b>
Operating Income	2,370	6.2%	6,146	7.4%	2,910	6.4%	539	22.8%	Profit increased for the first time in 2 terms <b>Record High</b>
Ordinary Income	3,784	9.8%	7,871	9.4%	4,633	10.2%	849	22.4%	Profit increased in 3 consecutive terms <b>Record High</b>
2Q (Current term) Net Income	2,869	7.5%	5,895	7.1%	3,550	7.8%	680	23.7%	Profit increased in 3 consecutive terms <b>Record High</b>
Quarterly net income per share	47.26 (yen)		97.06 (yen)		58.36 (yen)		11.10 (yen)		—

«Sales and Sales Growth Rate »



«Operating Income and Operating Income Ratio »



### <Reference: 2Q Individual Financial Results>

#### Sales

Sales increased 17.6% year on year to ¥ 45.2 billion due to increased sales of press / resin and TPMS products.

#### Profit

Operating income was ¥ 2.9 billion, Ordinary income was ¥ 4.6 billion, and net income was ¥ 3.5 billion.

# Contents

26

1. Company Profile
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3. Forecast for FY2019
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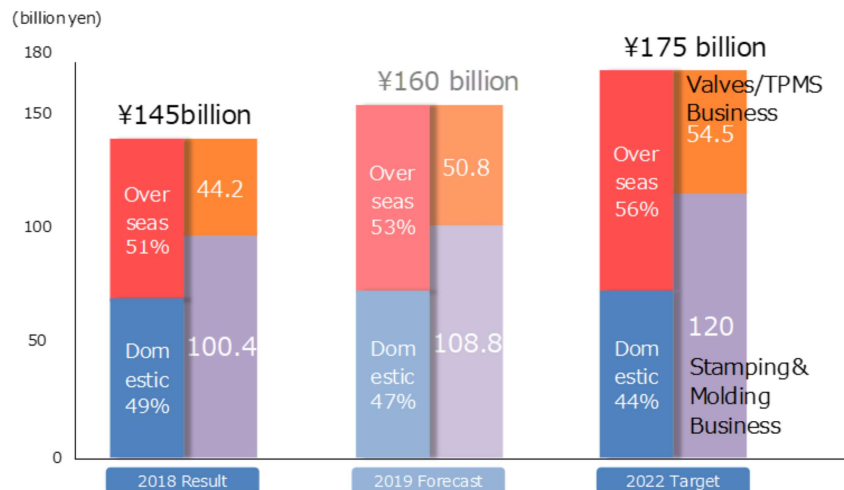
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## 4-1 New Mid-Term Plan “OCEAN-22” <sup>27</sup>

Focusing on making the foundation for the next leap

2018 Results			➡	2022 Target		
Consolidated Sales	Consolidated Operating Income Ratio	ROA (Operating Income)		Consolidated Sales	Consolidated Operating Income Ratio	ROA (Operating Income)
145billion	7.1%	5.7%		175billion	7% level	6% level



### <Mid-term Management Plan “OCEAN-22”>

We formulated “OCEAN-20,” our mid-term management plan that serves as a concrete action plan for our long-term vision “PACIFIC GLOCAL VISION 2020,” and have promoted the plan so far.

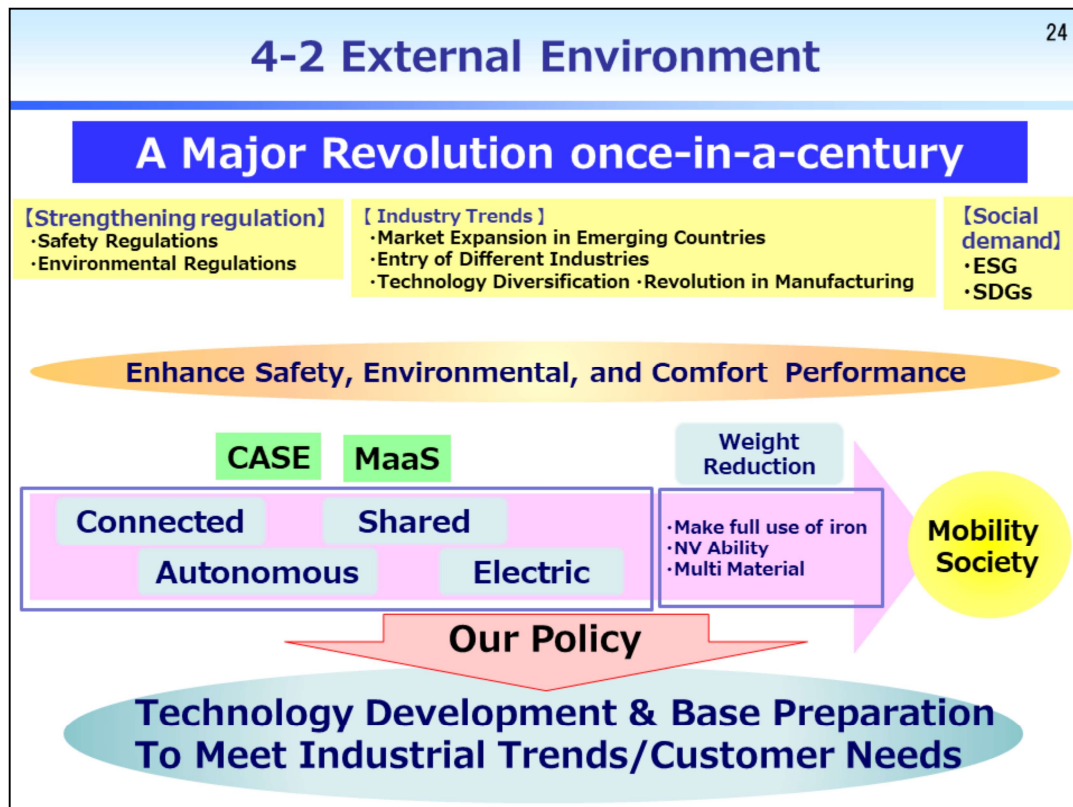
### FY2022 Targets

Consolidated sales : 175.0 billion yen

Consolidated operating income : 7% level

ROA (operating income) : 6% level

For the next leap forward, we will solidify our foundation for manufacturing by improve safety, quality and productivity, improve costs and reduce fixed costs, and strengthen manufacturing and human resources.



### <The environment surrounding our company>

In the automobile industry, weight reduction of “CASE” and “MaaS” is the key to competition between companies.

In addition to strengthening regulations such as safety regulations and environmental regulations, social issues such as “SDGs” and efforts for “ESG management” are also required.

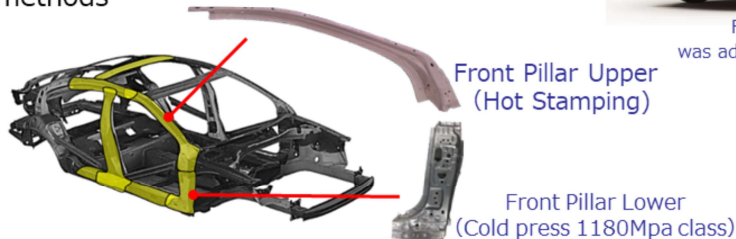
We will continue to develop technologies for improving safety performance, environmental performance, and comfort performance by utilizing our core technologies to meet customer needs and social demands, including weight reduction.

## 4-3 Development of Light-Weight Stamping Products<sup>29</sup>

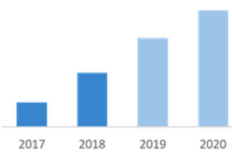
### Introduced Ultra High-tensile Automobile Frame Components in Pursuits of Environment/Safety

#### ■ Expanded adoption to products with complicated shape

• We have more ultra-high tensilized products with complicated shape through R&D for methods



Front Pillar Lower was adopted to Corolla sports



#### ■ Our Preparation Status of Ultra-high Tensile Production Equipment

	Japan			U.S.		China	Thailand	Taiwan
	Ogaki	Kyushu	Kurihara	Ohio	Tennessee	Tianjin	Rayong	Taichung
Cold Large-class Press	●	●	○	●	●	●	●	●
Hot Stamping	●				●			

●:Deployed ○:Deploying

• Expanded opportunity to receive order by preparing production equipment in a timely manner

### <Development of Light-weight Stamping Products>

• Our stamping products have deepened our technology to meet the need for weight reduction and collision safety improvement indispensable for next-generation automobiles.

• In particular, we are sticking to the cold press method, establishing technology to mold ultra high tensile materials, and adoption of 1180Mpa steel materials is expanding. We have developed the molding technology for 1180MPa material, that had been difficult to elaborate complex forms with cold stamp method for a long time, and we realized mass production of the front pillar lower for the first time in the world.

• In addition, we are making technologies in hand for hot stamps that mold steel materials by heating them at high temperatures. For products difficult to mold with cold press method, we suggest hot stamps to meet our customers' needs.

• Along with expanding adoption of ultra-high tensile material, we will deploy large-class stamping machines locally and globally, and prepare for supplying system sequentially.

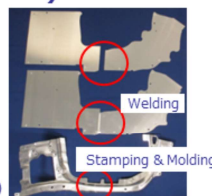
## 4-4 Development of a Method for Aluminum Weight-saving

### Contributed to Weight Reduction by Expanding the Use of Aluminum Stamping Products

#### ■ New Method for Weight Reduction (FSW)

- We have reduced weight and cost by stamping and molding aluminum materials of different sheet thickness after welding

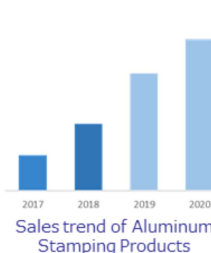
Friction Stir  
Welding (FSW)



Designated as "Green Asia International Strategic Comprehensive Special Zone" by Fukuoka Prefecture with the introduction of aluminum production facilities

#### ■ Weight reduction by replacing iron with aluminum

- Mass production of door frames with aluminum FSW, adopted for Lexus UX



### <Development of a Method for Aluminum Weight-saving>

- We have been developing our various welding techniques for aluminum material. Friction stir welding (FSW) has been highly evaluated by customers because it has improved material yield, reduced costs, and reduced weight.
- The Lexus UX released last year has adopted an aluminum frame using FSW for the door frame that requires high accuracy.
- In the future, our aluminum processing technology is expected to be adopted to many automobile components.

## Plastic Molding Products

## New materials and new methods improved function and weight reduction

### ■ Further Evolution of Resin film and Decorating Technology

- Weight reduction and recyclability (material recycling) realized by resin film decoration technology instead of plating
- Expansion of adoption at overseas bases including Thailand



Wheel center ornament  
using film decoration  
technology



Thailand VA Award

### ■ Improvement of Soundproofing/ Vibration Isolation by Improving NV Performance

- Urethane foam products by improving NV performance (※)
- Countermeasures for EV motor noise and European noise regulations



All urethane Engine cover

(※) NV performance: Reducing Noise Vibration

## <Offering Comfortable, High Environmental Performance Plastic Molding Products>

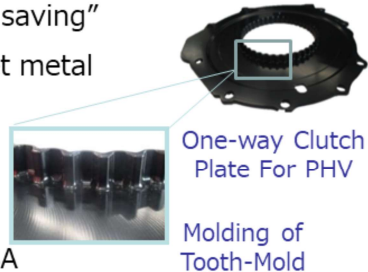
- Our resin film decoration technology has been highly evaluated by customers, including cost competitiveness, as an environmentally friendly technology that replaces plating, realizing weight reduction and improved recyclability.
- Overseas bases are also expanding sales, and the Thai base won the "VA Award" for the center ornament for aluminum wheels.
- We will continue to develop decorative variations to meet diverse needs in the future.
- We provide soundproof and vibration-proof products such as all-urethane engine covers and insulators for engines.
- In the future, the need for noise reduction and comfort is expected to increase due to the insulation of motor noise through EVs and the strengthening of regulations on outside noise. We will further improve performance by promoting urethane foam material development and production technology development.

## 4-6 Diversified Technologies in Forge Stamping and DC Business<sup>32</sup>

### Forge Stamping:

#### Composite Technology to Increase Strength and Reduce Weight

- Realized “Strengthening strength” and “weight saving” by plate forging technology that combines sheet metal forming and cold forging
- Expanded to adopt to new transmission components, etc.
- Established production system in Japan and USA



### Die Casting (DC): Weight Reduction and Development of the Variable Product Type (S. Korea Base)

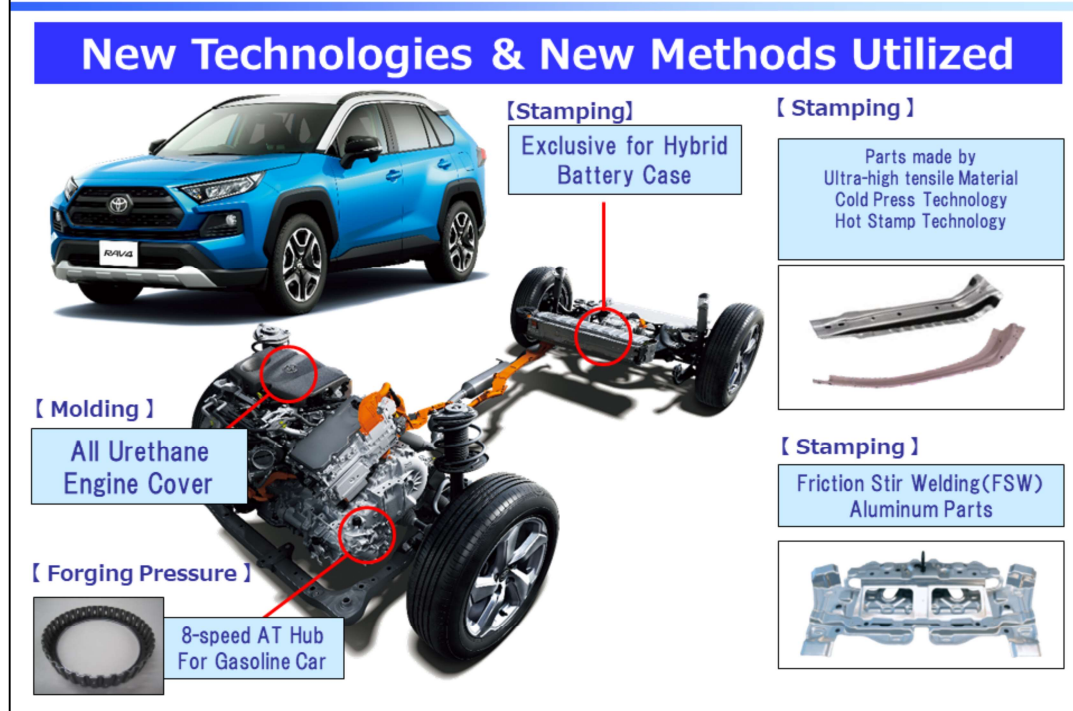
- Built an integrated manufacturing system for compressor parts for car air conditioners
- Expanded items to electric compressor parts and electric power steering parts



Compressor components for car air conditioners

## <Diversified Technologies in Forge Stamping and DC Business >

- Forge Stamping Business offers thin, lightweight products by using plate forming technology combining sheet metal forming productivity and high precision cold forging.
- The products are used in new transmission parts, etc., and expanding the range of use.
- We will continue to promote sales expansion to win orders for EV and HV parts.
- At the South Korea subsidiary, we have established an integrated production line that spans from die casting to cutting processing to meet our customers’ needs and our quality is highly evaluated by our customers.
- We will expand the number of order items and offer products of high quality, such as electric compressors, components for electric power steering, etc.



### <Our Stamping & Molding Products Adopted on New Cars (New RAV4) >

- Our technologies and products have been adopted to new RAV4: reduced weight stamping products such as ultra-high tensile and aluminum components, all-urethane engine cover, improved NV performance, forge stamping products with sheet forging technology etc.
- Our technology and products will continue to be adopted to new cars globally.

## 4-8 Expanding TPMS Products that Contribute to Safety and the Environment <sup>34</sup>

### Development of New Products and Increased Capacity in China

#### ■ Evolution of TPMS

- Minimized transmitter size and weight
- Valve parts are detachable and exchangeable

#### ■ Legislated in China

- 100% adoption in new cars from Jan 2019
- 100% adoption in existing cars from Jan 2020

#### ■ Construction of production system in Japan, the U.S., and China

- Established production system for the new type

#### ■ Supply of products for motorcycles

- Developed and mass produced TPMS for large motorcycles domestic and overseas customers.

#### ■ Development of products for aftermarket

- Promoted development targeted to aftermarket in N. America

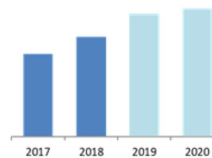


TPMS Type E



TPMS for motorcycles

(TPMS : Tire Pressure Monitoring System)



TPMS Sales Volume Forecast

#### ■ Legislation trends in each region

Region	Start of Legislation
N.America	Oct.2005
Europe	Nov.2012
S.Korea	Jan.2013
Taiwan	Nov. 2014
Russia	Jan.2016
GCC	2017 Model
China	Jan.2019
Japan	Undecided

### <Expansion of TPMS (Tire Pressure Monitoring System) Products that Contribute to Safety and the Environment>

• We have been mass producing TPMS transmitters since 1999. One of our strengths as the only manufacturer of transmitters in Japan is our ability to offer high quality products in an integrated production system that spans from design and R&D to full production.

• E-type TPMS, having started mass production last year, achieved becoming small and light-weight.

• In order to respond to the trend of legal regulations in China and other countries around the world, we are building a production system. Our supply system for TPMS type-E has been established in Japan, the US and China.

• We are preparing many different types of TPMS. As part of that, we have developed, mass produced and sold motorcycles to domestic/overseas customers.

• We are promoting the development of versatile aftermarket products with the North American market as the main target.

• We will continue to develop and propose high value-added products that meet diversifying needs.

## 4-9 Working For Synergy in Valve Business

35

### Incorporating each other's advantages and Creating Synergy Effect

#### ■ We've Established a System for Production and Sales in World's 4 Regions

- Acquired SCHRADER's valve business in Aug. 2018
- Unify SCHRADER brand and PACIFIC brand and refine our business
- Aim to be the world's best in Japan, the U.S., Europe and Asia



#### ■ Strengthen competitiveness in sales and technology development

- Market : Expand sales to new markets and new customers  
Complementary system for product lineup
- Technology : New product development,  
Product technology sharing,  
Method development utilizing  
unique technology,  
Standardization of parts,  
Cost reduction

【KAIZEN Activity】



### <Working For Synergy in Valve Business>

- We acquired SCHRADER valve business in August 2018 in order to secure growth and cost competitiveness of "valve business" that is our founding enterprise.
- This realized our production and sales system in the world's 4 regions: Japan, the U.S., Europe and Asia. We have secured our leading position in the valve industry by integrating the PACIFIC brand and the SCHRADER brand.
- We have started activities to create synergy right after the business acquisition.
- On the sales side, we will expand sales to new markets and new customers, and build a system to complement the product lineup.
- On a technical side, we will promote developing our new products and cost reduction by sharing our technologies and extending our strength.

## 4-10 Our Valves For Various Purposes

Promote development and sales expansion utilizing the Group's technical capabilities and sales channels



### <Our Valve Products for Various Purposes>

As an professional valve manufacturer, we have met customer needs in various areas, developed and delivered various valve products.

The acquisition of SCHRADER valve business enabled us to offer various products; valves for fuel system, valves for aircrafts, and industrial valves were added to our product lineup, in addition to conventional valves.

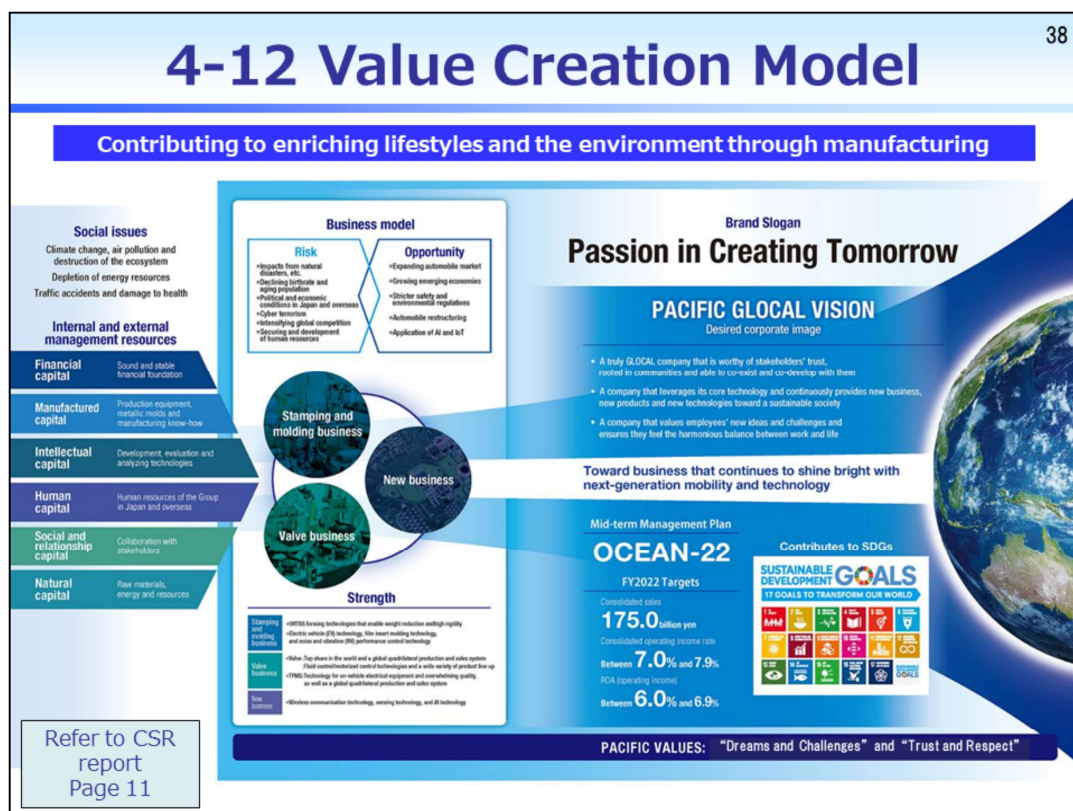
In the future, we will utilize the newly acquired bases and customer sales network to capture a wide range of needs and further expand the valve business.



### <Mid-term Management Plan “OCEAN-22”>

Key initiatives to achieve OCEAN-22

- The first is “Trust”. First, we will solidify the costs, create costs that are the essence of corporate value, increase profitability, and promote ESG management.
  
- The second is “Innovation”, which uses innovation in development and technology and AI / IoT to promote manufacturing reform.
  
- The third is “Challenge”, aiming for sustainable management by fostering next-generation human resources and fostering a corporate culture that can be challenged.



## <Value Creation Model>

• In light of social issues and internal and external business environments, we will promote the medium-term management plan "OCEAN-22" as a step to promote "PACIFIC GLOCAL VISION", and we will work on SDGs .

•As the foundation of our efforts, we will use "PACIFIC VALUES", which is a common value of the Group, and we will contribute to the next generation technology and mobility society through "Manufacturing".

## 4-13 Brand Slogan

39

### Passion in Creating Tomorrow

Pacific Industrial develops new businesses, new technologies and new products that add to safety, environmental and comfortability performance, in which way we aspire to realize sustainable growth as a company that is worthy of trust and meets the expectations of our society.

An expression of this aspiration is our new Brand Slogan.

In preparation for an upcoming mobility society, we will develop into a manufacturer capable of offering a prosperous, safe and secure future and help to achieve a sustainable society. Toward this ambition, Pacific Industrial will create the future with passion.

#### <Brand Slogan>

We formulated a new Brand Slogan to share the company's direction with shareholders.

"Passion in Creating Tomorrow."

In preparation for a mobility society, we aim to become indispensable for society and aspire to create a future society with passion.

