

Financial Results

Briefing for Q2

Year Ending March 2023

The 99th period : Cumulative Second Quarter
(Apr. 1st, 2022- Sept. 30th, 2022)



November 1, 2022
PACIFIC INDUSTRIAL CO., LTD.

(No Explains)

Table

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Caution in handling this document

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

(No Explains)

■ Changes in management environment and Risks

- Insufficient supply of semiconductors etc.
- Production fluctuations due to the locked down
- Steep rise in raw material and energy prices
- Progress in yen depreciation

■ Results in the First Half

- Decrease in sales volume due to production fluctuations
- Promote cost improvement and cost reduction activities, etc.

■ Future Issues and Initiatives

- Prepare system for recovery production, maximize effect of increased production
- Continuing activities to grow existing and new businesses
- Develop a new mid-term management plan

3/25

In H1 of FY2022, there were cost increases due to repeated production fluctuations, material and energy price hikes, including semiconductor shortages and lockdown effects, but we have promoted cost reduction activities, including labor and expenses, based on our past experience with the corona disaster.

In H2, amid the situation in the weak yen phase, the impact of parts supply shortages, including semiconductors, is expected to continue. We assume that October will be the bottom and that the recovery plan will start from November onward.

Although the external environment remains uncertain, we will maintain the profit structure and system that has been strengthened to date to be resilient to production fluctuations, and we will put in place a system to maximize the effects of the volume of goods at the time of recovery.

We will also develop new business fields, expand sales, and formulate a new medium-term management plan.

1-1 Q2 Consolidated Results



Sales up, operating income down

(100 million yen, %)

	FY2021	FY2022		YoY rate		Forecast ratio	
	Q2 Cumulative Result	Q2 Cumulative forecast	Q2 Cumulative Result	Gain&Loss	% Change	Gain&Loss	% Change
Sales	784	890	Record High 909	+124	+15.9	+19	+2.1
Operating Income	Record High 50	35	26	△24	△48.2	△8	△25.7
Operating Income Ratio	6.4%	3.9%	2.9%	△3.5P	-	△1.0P	-
Ordinary Income	Record High 57	53	55	△2	△4.4	+2	+4.6
Ordinary Income Ratio	7.4%	6.0%	6.1%	△1.3P	-	+0.1P	-
Quarterly net income attributable to the parent company shareholders	Record High 43	38	41	△2	△5.7	+3	+8.7
Quarterly Net Income margin	5.6%	4.3%	4.5%	△1.1P	-	+0.2P	-
Average exchange rate (U.S. dollars)	¥109.9	¥128.0	¥129.8	+¥19.9	-	+¥1.8	-

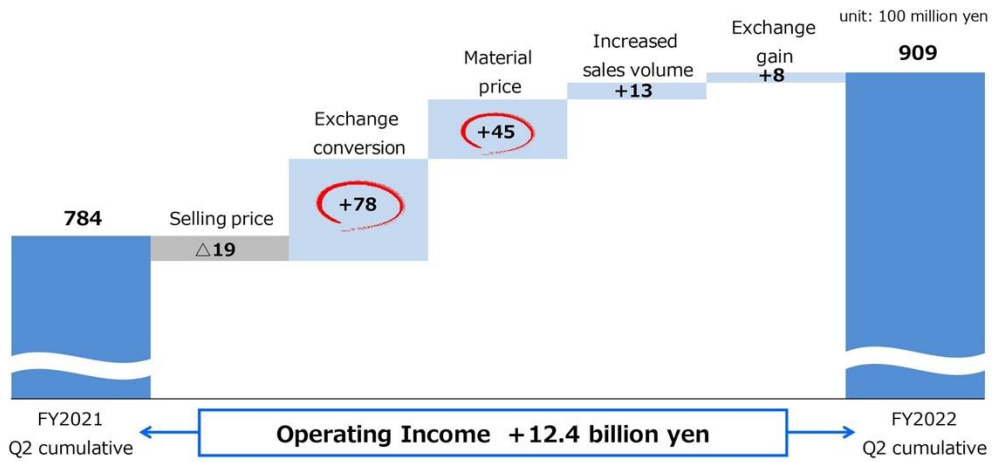
4/25

As mentioned earlier, automobile production volume remained at a low level due to the prolonged effects of the lockdown and semiconductor shortage, etc. However, net sales for Q2 increased 15% from the previous quarter to a record high of JPY90.9 billion due to exchange rate differences resulting from the rapid depreciation of the yen and the high price of stamped steel products.

As for profits, despite ongoing efforts to improve profitability and reduce fixed costs, operating income fell 48% YoY to JPY2.6 billion due to soaring energy and material prices and production responses.

Ordinary income decreased 4% to JPY5.5 billion due to foreign exchange gains resulting from yen depreciation, and net income decreased 5% to JPY4.1 billion.

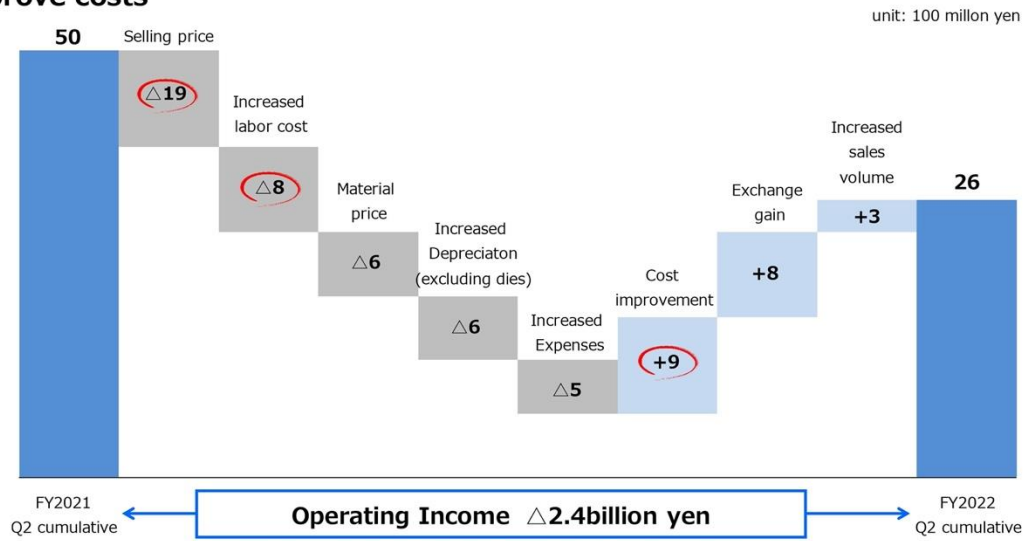
Record high sales for Q2 due to yen depreciation and rising steel prices



5/25

Net sales decreased by JPY1.9 billion mainly due to the impact of selling prices, but the weaker yen had a positive impact of JPY7.8 billion in terms of conversion. The increase was due to the impact of material prices following the rise in the price of stamped steel and other materials, which increased by JPY12.4 billion from JPY78.4 billion in Q2 of the previous fiscal year.

Income decreased due to lower selling prices and higher costs despite efforts to improve costs



6/25

Operating income decreased by JPY2.4 billion from JPY5 billion in the previous year to JPY2.6 billion, due largely to the impact of selling prices, increased cost burdens such as labor costs resulting from changes in production plans, and increased expenses resulting from higher material and energy prices.

1-4 Q2 Consolidated Business Segments



Sales increased and income decreased for stamping & molding and valves

(100 million yen,%)

	Sales				Operating Income			
	21/Q2 Cumulative Result	22/Q2 Cumulative Result	Gain&Loss	YoY rate %Change	21/Q2 Cumulative Result	22/Q2 Cumulative Result	Gain&Loss	YoY rate %Change
Stamping & Molding	532	638	+105	+19.9	16	1	△14	△88.5
Operating Income Ratio					3.1%	0.3%	△2.8P	
Valves	250	269	+19	+7.7	33	23	△9	△29.3
Operating Income Ratio					13.5%	8.8%	△4.7P	

7/25

Sales in the stamping & molding business increased 19% YoY to JPY63.8 billion due to the impact of yen depreciation. Operating income decreased by JPY1.4 billion to JPY0.1 billion due to an increase in expenses and labor costs. Sales in the valve business increased 7% to JPY26.9 billion, and operating income decreased JPY0.9 billion to JPY2.3 billion due to higher material prices.

1-5 Q2 Consolidated Regional Segment



Sales increased and income decreased in Japan, Europe, America, and Asia

(100 million yen,%)

	Sales				Operating Income			
	21/Q2 Cumulative Result	22/Q2 Cumulative Result	Gain&Loss	YoY rate %Change	21/Q2 Cumulative Result	22/Q2 Cumulative Result	Gain&Loss	YoY rate %Change
Japan	334	338	+4	+1.3	31	15	△15	△49.8
Operating Income Ratio					9.3%	4.6%	△4.7P	
Europe & America	297	379	+81	+27.3	5	△3	△8	△163.9
Operating Income Ratio					1.8%	△0.9%	△2.7P	
Asia	151	191	+39	+25.9	13	11	△1	△12.8
Operating Income Ratio					8.6%	6.0%	△2.6P	

8/25

Sales in Japan were JPY33.8 billion, unchanged from the same period of the previous year. Operating income decreased JPY1.5 billion to JPY1.5 billion.

Sales in Europe and North America increased 27% to JPY37.9 billion. Operating income decreased by JPY0.8 billion to a loss of JPY0.3 billion due to increased material and labor costs.

Sales in Asia increased 25% to JPY19.1 billion. Operating income decreased by JPY100 million to JPY1.1 billion.

2-1 Full Year Consolidated Financial Forecast



Based on the cumulative Q2 results, we have incorporated the latest information into the forecast for the second half and revised the full-year forecast.

(100 million yen, %)

	FY2021	FY2022		YoY rate		Previous Forecast Rate	
	Full Year Result	Forecast		Full Year		Full Year	
		Forecast 7/27	This time (updated)	Gain&Loss	%Change	Gain&Loss	%Change
Sales	1,644	1,780	1,850	+205	12.5%	+70	3.9%
Operating Income	107	105	85	△22	△21.0%	△20	△19.0%
Operating Income Ratio	6.5%	5.9%	4.6%	△1.9P	—	△1.3P	—
Ordinary Income	146	135	115	△31	△21.3%	△20	△14.8%
Current Net Income	98	95	83	△15	△15.3%	△12	△12.6%
R O E	8.1%	7.0%	6.1%	△2.0P	—	△0.9P	—
R O A (Operating income basis)	4.6%	4.2%	3.4%	△1.2P	—	△0.8P	—
Net Assts per Share	¥2,138	¥2,370	¥2,381	¥243	11.4%	¥11	0.5%
Average exchange rate (US dollars)	¥112.1	¥129.0	¥135.0	¥22.9	—	¥6.0	—

※Current net income is the current net income attributable to the parent company shareholders.

*The assumption of the exchange rate for the third quarter onward has been revised from the previous forecast of 130 yen/\$ announced on July 27 to the current forecast of 140 yen/\$.

10/25

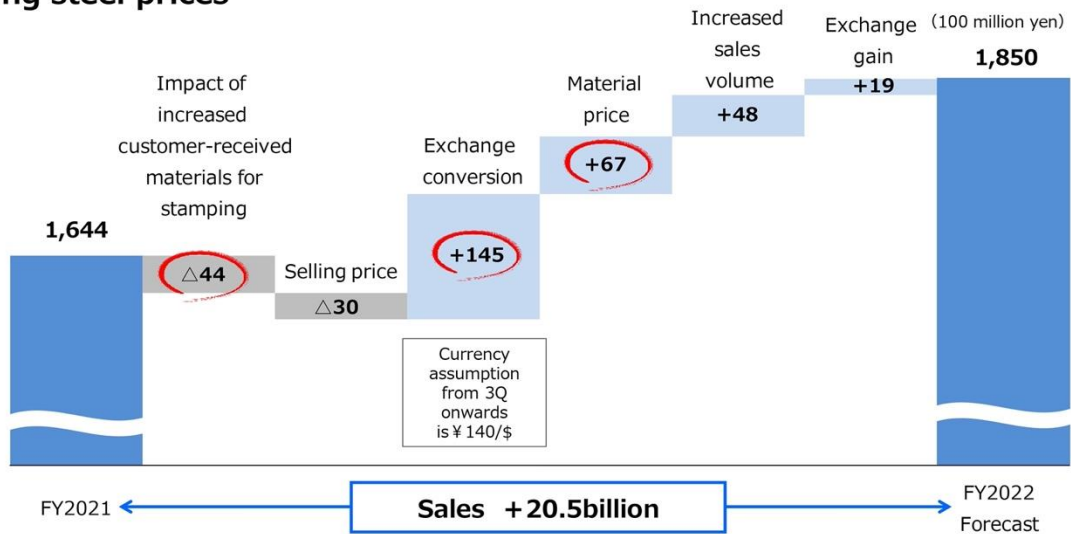
We have revised our forecast in light of the results of the two quarters and the uncertain external environment, including customers' production declines, semiconductor shortages, and the impact of the yen's depreciation.

Net sales are expected to increase 12% YoY to JPY185 billion, assuming a gradual recovery in sales volume and factoring in the impact of higher steel prices and yen depreciation on foreign currency translation.

Operating income is projected at JPY8.5 billion, down 21% from the previous year, with a profit margin of 4.6%.

The assumed exchange rate for H2 has been changed from JPY130 to JPY140, with an annual exchange sensitivity of JPY100 million per JPY1.

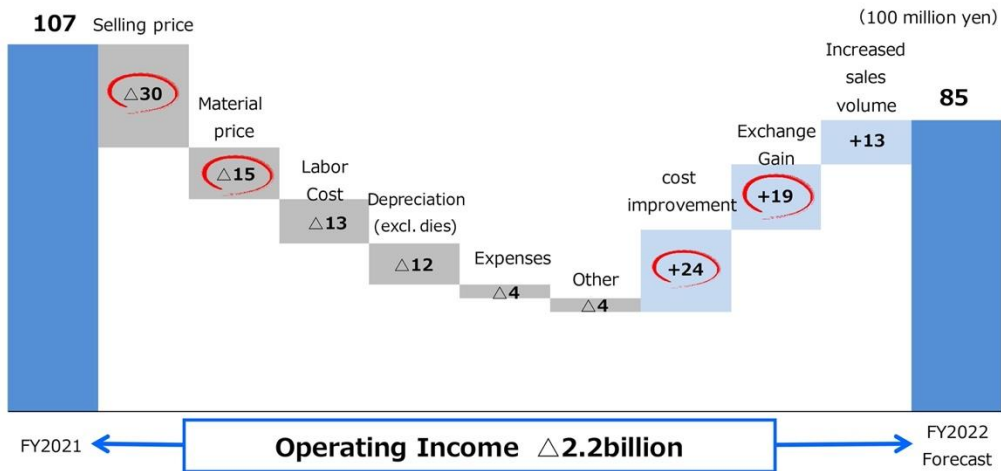
Sales are expected to increase due to the impact of yen depreciation and rising steel prices



11/25

We forecast full-year net sales of JPY185 billion, up JPY20.5 billion from JPY164.4 billion in the previous year, due to an increase in net sales resulting from the exchange rate difference caused by the weaker yen and the effect of the price of materials, despite a decrease in net sales due to the shift to receiving stamping parts for a fee and lower sales prices.

Efforts to improve costs are expected to be less effective due to changes in production volume, and incomes are expected to decline for the full year



12/25

Operating income for the full year is projected at JPY8.5 billion, a decrease of JPY2.2 billion from the previous year. Although material prices remain high, costs are increasing due to soaring energy prices and foreign exchange gains, we will strive to expand sales and improve cost of sales to secure profitability.

2-4 Full Year Consolidated Business Segments



Sales increased and income decreased for stamping & molding and valves

(100 million yen,%)

	Sales				Operating Income			
	FY2021 Result	FY2022 Forecast	YoY Rate		FY2021 Result	FY2022 Forecast	YoY Rate	
			Gain&Loss	%Change			Gain&Loss	%Change
Stamping & Molding	1,142	1,312	+169	+14.8	49	39	△10	△20.8
(The Impact of increased customer-received materials for stamping)		※ (△44)						
Operating Income Ratio					4.3%	3.0%	△1.3P	
Valves	499	535	+35	+7.0	58	46	△12	△21.1
Operating Income Ratio					11.7%	8.6%	△3.1P	

* FY2022 Sales will be expected decrease 4.4billion since FY2022 Q4 due to the impact of increased customer-received materials for stamping. No impact on income.

13/25

Sales in the stamping & molding business includes the JPY4.4 billion decrease due to the shift to paid-for stamping parts, and we forecast net sales of JPY131.2 billion, up 14 % from the previous year, and operating income of JPY3.9 billion, down 20%. Net sales for the valve business are projected to increase 7% from the previous year to JPY53.5 billion, while operating income is expected to decrease 21% to JPY4.6 billion due to higher material prices.

2-5 Full Year Consolidated Regional Segment



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

(100 million yen,%)

	Sales		Operating Income					
	FY2021 Result	FY2022 Forecast	YoY Rate		FY2021 Result	FY2022 Forecast	YoY Rate	
			Gain&Loss	%Change			Gain&Loss	%Change
Japan	687	690	+2	+0.3	61	38	△23	△38.2
(The Impact of increased customer-received materials for stamping)		※ (△44)						
Operating Income Ratio					8.9%	5.5%	△3.4P	
Europe & America	612	738	+125	+20.5	13	9	△4	△34.6
Operating Income Ratio					2.2%	1.2%	△1.0P	
Asia	344	422	+77	+22.5	31	37	+5	+16.8
Operating Income Ratio					9.2%	8.8%	△0.4P	

* FY2022 Sales will be expected decrease 4.4billion since FY2022 Q4 due to the impact of increased customer-received materials for stamping. No impact on income.

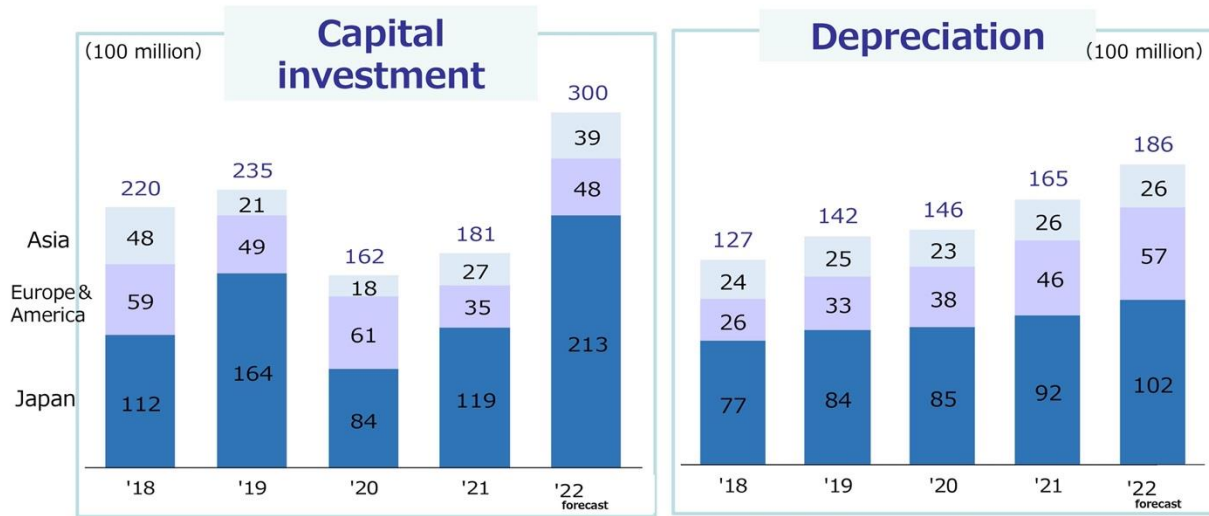
14/25

For Japan, we forecast net sales of JPY69 billion, unchanged from the previous year, and operating income of JPY3.8 billion, down 38%; for Europe and North America, we forecast net sales of JPY73.8 billion, up 20%, and operating income of JPY0.9 billion, down 34%; for Asia, we forecast net sales of JPY42.2 billion, up 22%, and operating income of JPY3.7 billion, up 16%.

2-6 Consolidated Capital investments and Depreciation



Investments for future growth are progressing as planned



15/25

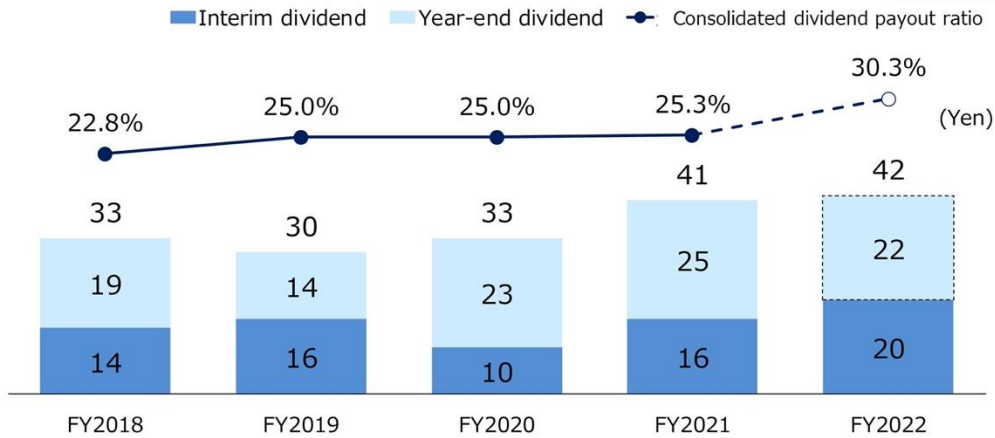
In FY2022, we expect to invest JPY30 billion. This is due to the construction of a new plant in the Ogaki area as the global mother plant aiming for carbon neutrality, accounting for JPY13 billion, and the introduction of stamping equipment to increase production in Japan, the US, and China, in addition to the usual production preparations associated with the launch of new products.

2-7 Return to Stockholders



Dividend forecast is 1 yen higher than the previous year, and the dividend payout ratio forecast is 30%

**A- (stable)
Long-term
Issuer Rating
at JCR**



※From May 2022 to August 2022, approximately 950,000 shares of treasury stock will be acquired (approximately 1 billion yen)

16/25

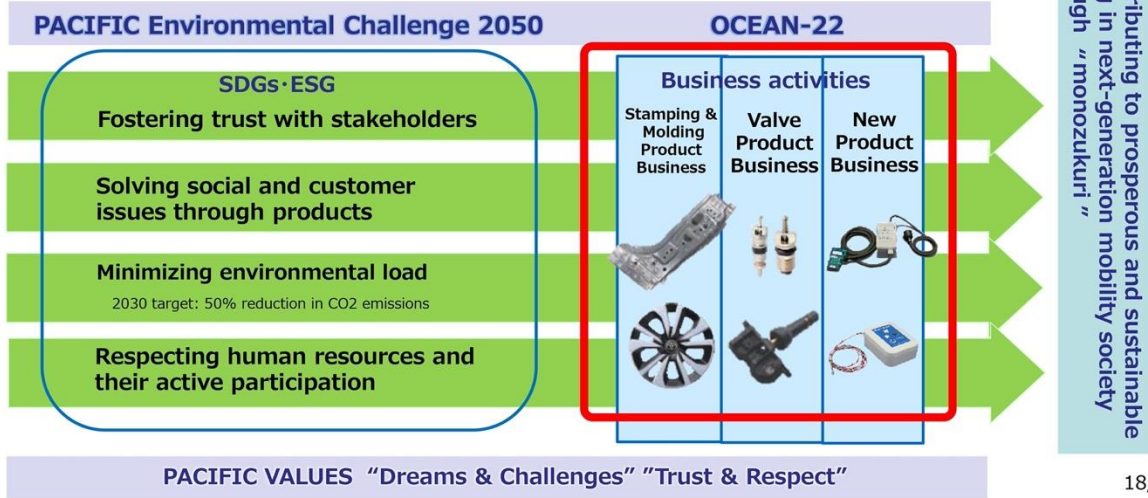
As for dividends, the interim dividend will be JPY20 per share as announced in April. The year-end dividend is forecast to be JPY22 per share, for a total annual dividend of JPY42 per share. The payout ratio for the full year will be 30.3%.

The JPY1 billion share buyback announced in May was completed as planned at the end of August. The issuer rating from Japan Credit Rating Agency, Inc. is A-minus. The above is an explanation of the earnings forecast.

3-1 Weave "OCEAN-22" as a Warp, SDGs as a Weft



Passion in Creating Tomorrow PACIFIC GLOBAL VISION

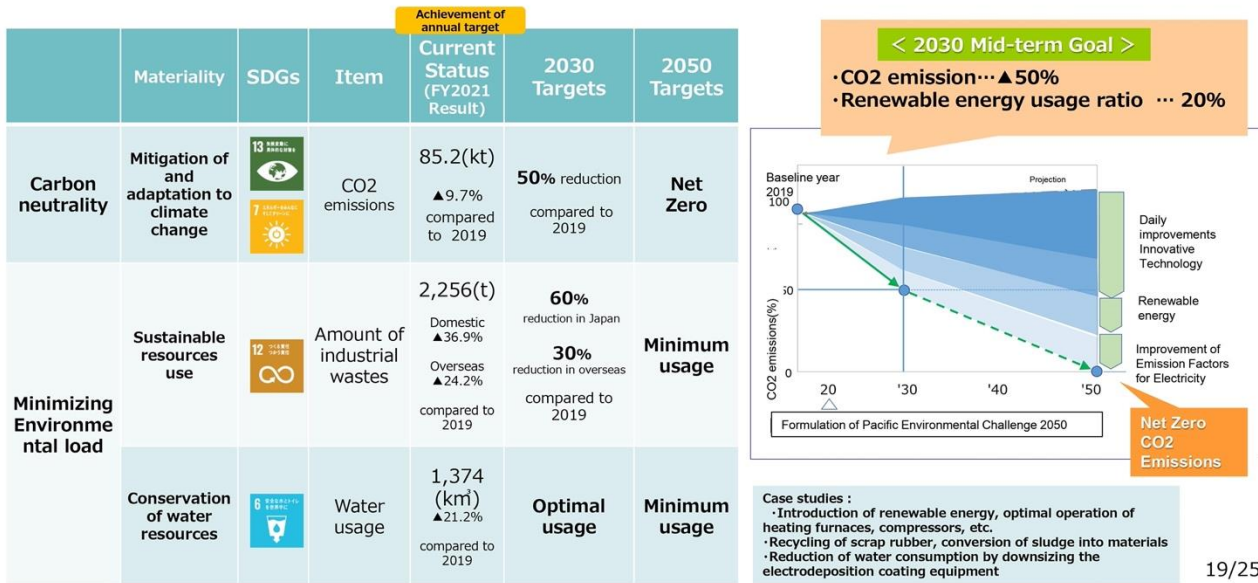


Based on our long-term vision, "PACIFIC GLOBAL VISION", we have woven the four themes of sustainability based on the concept of "OCEAN-22" stamping & molding, valve & TPMS, new business as the warp, and SDGs as the weft, and are working to become a company that contributes to affluent and sustainable living in the next-generation mobility society through monozukuri, or craftsmanship.

3-2 Efforts to minimize Environmental Load



Setting milestones and accelerate efforts in the “PACIFIC Environmental Challenge 2050”



19/25

We have formulated the PACIFIC Environmental Challenge 2050, which aims to be carbon neutral by 2050, and are making steady progress in our activities toward halving our CO2 emissions by 2030.

To reduce CO2 emissions, we are working to optimize facility operation as part of daily improvements, and to limit waste, we are promoting the recycling of scrap rubber.

Replaced hot stamping with cold stamping products of 1180MPa material

Received **Toyota Motor Corporation's New Crown Project Award**



FR PILLAR OUTER adopted in this project

- Realization of cold stamped ultra high tensile strength 1180MPa parts with long and difficult shapes
- Design optimization by CAE analysis, expansion of the stamped body shell parts
- Pillar products are narrow and difficult to form to improve visibility for drivers

Expansion of production bases in the U.S. and China

< Ohio, U.S.A. >



- Orders increased due to the shift to localization of battery product
- Improved productivity through building expansion and layout changes
- Production capacity increased by 10%

< Tianjin, China >



- Expansion due to increased production of electric vehicles by major customers
- Third large press machine installed, production capacity increased by 20%

20/25

As part of our efforts to solve issues for society and customers through our products, we are promoting weight reduction in our stamping business.

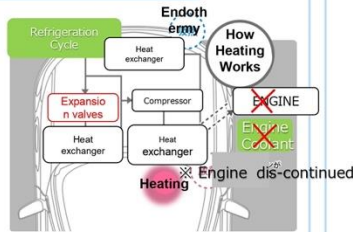
After evolving structural and CAE analysis, the front pillar made of cold stamping ultra-high tensile 1,180 mega pascal material was adopted for the new Crown and received a project commendation. We will continue to replace hot stamping.

Promote development and sales expansion of control valves and soundproofing urethane

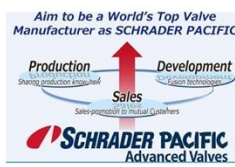
Control Valves for EV



Electric expansion valves for BEV



- For heat management systems Development and promotion of control valves
- Development completed of electric expansion valve for BEVs
- Promote sales expansion to OEMs and system manufacturers globally



Noise reduction cover for Electric Compressors

- Manufactured with Urethane form molding Techniques
- For new noise generating instead of engine sound
- Developing for adoption in EV noise reduction growing needs increasingly



Noise reduction cover For Electric Compressors

21/25

Development of electric expansion valves for thermal management systems in BEV vehicles has been completed and is being prepared for production. We will work with Schrader in the US and France to develop and expand sales of the technology to and mega Tier-1 and systems suppliers.

Another is the development of soundproof covers for BEVs, using sound and vibration isolation technology developed for engine covers. We have developed soundproofing covers for electric compressors of air conditioners and other products to meet new noise reduction needs by advancing urethane technology.

Promoting new product development utilizing core technologies

New product development that leads to solving social issues

TPMS core technology
Sensing Wireless

+
App·Cloud·A I

×

Market needs
demand for monitoring
Data Business

- With water ingress detection sensor
- Participation in demonstration experiments by the MLIT

“e-WAVES” , the multi sensing logger

Received **“Cho” Monozukuri Parts Grand Prize “Japan Brand Award” of 2022**

- High contribution to society, such as being used to transport vaccines
- Evaluated for high originality, versatility, convenience, and economy

Data is stored in the cloud using the LTE network

- Sensing temperature, humidity, collision, location, air-pressure and brightness
- Real-time confirmation of the transport status of pharmaceuticals and foodstuffs

Cattle body condition monitoring “CAPSULE SENSE”

- Launched from June 2022
- Direct measurement in cattle stomach
- Reduce monitoring burden with AI analysis

22/25

As a challenge in the non-automotive field, we will develop new products that can provide solutions by utilizing our core technologies such as sensing and wireless technologies cultivated in TPMS.

CAPSULE SENSE, cattle body condition monitoring system launched in June of this year, measures temperature, pressure, acceleration, and other parameters in the stomach of cattle, and has been developed as a product that can contribute to health management of estrus, calving, and disease, as well as reduce monitoring work.

In addition, e-WAVES, a multi-sensing logger that can be used for vaccine transportation and HACCP-compliant food transportation, received the 2022 "Cho" Monozukuri Award and the Japan Brand Award. We have been highly evaluated for our contribution to society and the originality of our products.

In addition, we are participating in various demonstration tests conducted by the Ministry of Land, Infrastructure, Transport and Tourism for flooding sensors, etc. We will continue to identify needs and develop products with the aim of solving social issues through our products.

Promoting carbon neutral initiatives and aiming to achieve CO2 emissions reduction targets

Use of renewable energy



Kurihara Plant with solar panels installed

- Sequential switch to renewable energy for purchased electricity at domestic plants
 - ⇒ Kyushu and Tohoku achieve 100% renewable electricity
- Introduced solar power generation at 7 domestic and 3 overseas plants

New higashi-ogaki plant



Appearance image of Higashi Ogaki Plant

- Enhancing press production capacity in anticipation of progress in electrification
- Global mother factory pursuing manufacturing efficiency
- Incorporation of measures for carbon neutrality
- Creating an environment where employees can work enthusiastically

23/25

We have already introduced solar power generation at seven plants in Japan and two plants overseas, and this year we plan to introduce a new 1,000-kilowatt solar power generation system in Thailand. In addition, the three plants in Kyushu and Tohoku have switched 100% of their electricity use to renewable energy, and the plants in the Chubu region are in the process of switching to renewable energy, aiming to achieve our target of 20% renewable energy use.

The new Higashi-Ogaki Plant, which is under construction, is well underway as a global mother plant, incorporating innovations for carbon neutrality from the plant construction stage, with the aim of improving manufacturing efficiency and creating a workplace environment where employees can work with vigor and enthusiasm.

Promoting based on the Group's key issue "Materiality"

Sustainability Initiatives and Disclosure

- <Respecting human resource and their active participation>
- Respect for human rights : Formulation of human rights policy/ Conducting Human Rights Surveys
 - Health management : Health Declaration, Safe and secure workplace culture
 - D&I, create a comfortable work environment , Human resource development, etc.

< Disclosure >

- Published of Sustainability Report
- Materiality progress and KPI reporting
- Enhancement of disclosure such as TCFD



Evaluation by External Organizations

- Selected for CDP's " Supplier Engagement Rating" Leaderboard for 2 Consecutive Years
- Awarded the " Silver Medal " in EcoVadis rating
- Selected for "FTSE Blossom Japan Sector Relative Index"
- Selected under the "2022 Certified Health & Productivity" (Large Corporate Sector)



FTSE Blossom Japan Sector Relative Index



At the end of September, we published our Sustainability Report 2022, which reports on the progress of our sustainability initiatives and KPIs. We are developing a fuller disclosure of the status of initiatives such as respect for human rights, health management, diversity and inclusion, and fair trade, as well as information disclosure based on the TCFD.

We have also received recognition for our efforts from external organizations and have been awarded a Leadership Level A minus in the CDP, Climate Change Assessment for two consecutive years, and a Leader Board in the Supplier Engagement Rating for two consecutive years, as well as a Silver Medal in the EcoVadis.

Although there are challenges in the external environment, such as the coronavirus disaster, the situation in Ukraine, and exchange rate fluctuations, we will continue to manage our operations flexibly to achieve OCEAN-22, which is the final year of the plan.

The year 2030 is also the year of the SDG goal and the 100th anniversary of our company's founding. Looking further ahead to 2050, while back-casting, we will announce our medium-term management plan, OCEAN-26, in April of next year. And we will continue to create tomorrow.