# FY2022 Third Quarter Financial Results Briefing

**The 99th period : Apr. 1st, 2022- Dec.. 31st, 2022**

February 2, 2023

**PACIFIC INDUSTRIAL CO., LTD.**

（No Explains）

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Cautionary Statement with Respect to Forward-Looking Statements

These materials contain forward-looking statements that reflect our current expectations. These forward-looking statements are not guarantees of future performance. It involves any risk depending on the Japanese or international economic situation, business trends related to our company, fluctuation of exchange rates and other factors. It may cause our actual performance to be materially different from any future results announced.



（No Explains）

## 1-1 Q3 Consolidated Financial Summary

### Increase in sales and reached a record high, decrease in income due to higher costs of materials, etc.

(100 millions of yen, %)

| | FY2021 Q3 Cumulative Result | FY2022 Q3 Cumulative Result | YoY rate Gain&Loss | % Change |
|---|---|---|---|---|
| Sales | 1,200 | Record High **1,434** | +233 | +19.5 |
| Operating Income | Record High 77 | **56** | △20 | △26.9 |
| Operating Income Ratio | 6.5% | **4.0%** | △2.5P | − |
| Ordinary Income | Record High 100 | **85** | △15 | △15.1 |
| Ordinary Income Ratio | 8.4% | **5.9%** | △2.5P | − |
| Net income attributable to owners parent | Record High 74 | **62** | △12 | △16.2 |
| Quarterly Net Income margin | 6.2% | **4.3%** | △1.9P | − |
| Average exchange rate (U.S. dollars) | ¥110.9 | **¥135.4** | ¥24.5 | − |

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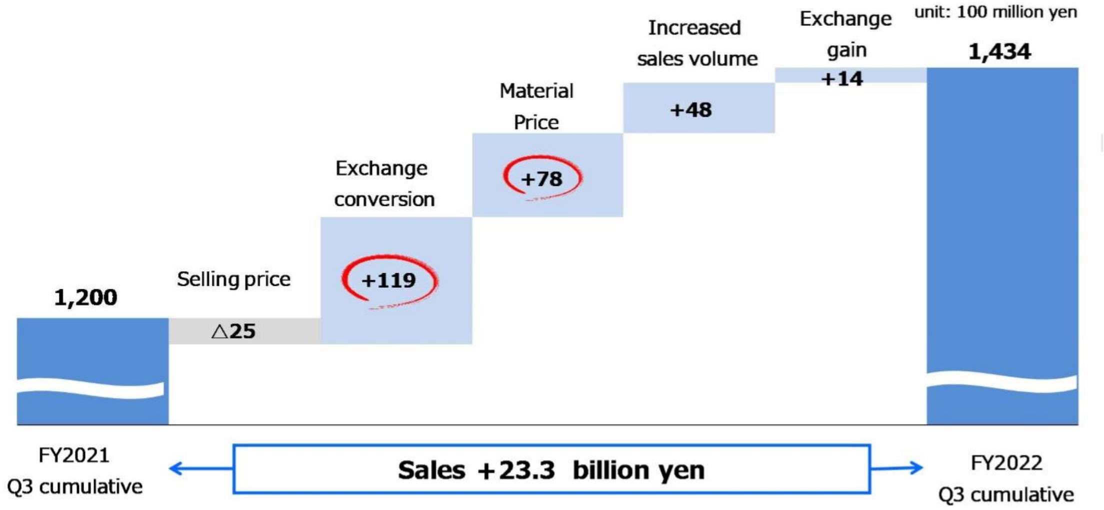
In the past Q3, due to the prolonged effects of the semiconductor supply shortage that has been continuing since last year, domestic automobile production bottomed out in October and has recovered to a certain extent since November, but it did not reach the recovery production that we had previously expected.

Consolidated net sales of the Group were JPY143.4 billion, operating income was JPY5.6 billion, ordinary income was JPY8.5 billion, and net income for the quarter was JPY6.2 billion.

## 1-2 Q3 Analysis of Consolidated Sales

**Record high sales for Q3 due to yen depreciation, rising steel prices and recovery of overseas production**

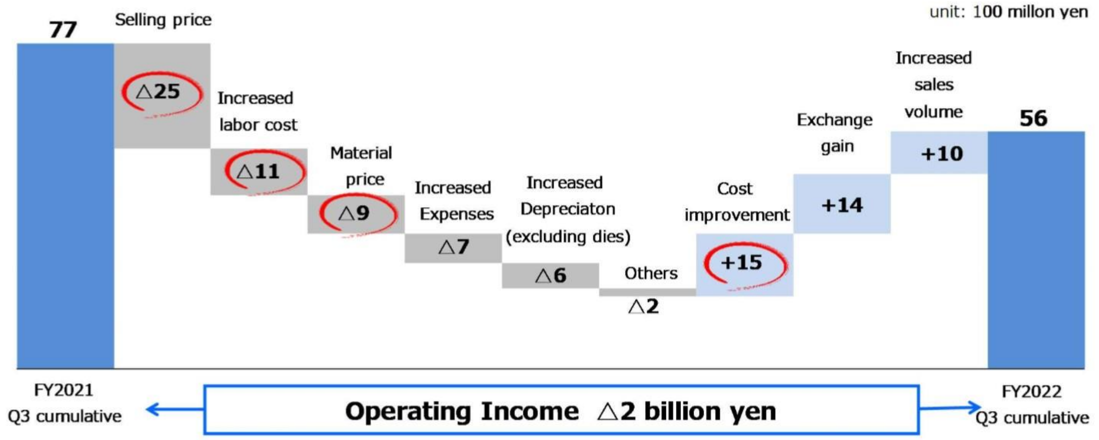





Despite a decrease in sales due to the impact of selling prices, net sales for Q3 cumulatively totaled JPY143.4 billion, due to foreign currency conversion resulting from a weaker yen, the impact of material prices following increases in the price of stamped steel and other materials, and an increase in the volume of materials due to a recovery in production overseas.

## 1-3 Q3 Analysis of Consolidated Operating Income

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






Operating income for Q3 was JPY5.6 billion due to the impact of selling prices, increased cost burdens such as labor costs resulting from changes in production plans, and the significant impact of increased expenses due to higher material and energy prices.

# 1-4 Financial Results by business segments

## Sales increased and income decreased for both segments

(100 million yen,%)

| | Sales | | | | Operating Income | | | |
|---|---|---|---|---|---|---|---|---|
| | 21/Q3 Cumulative Result | **22/Q3 Cumulative Result** | YoY rate Gain&Loss | %Change | 21/Q3 Cumulative Result | **22/Q3 Cumulative Result** | YoY rate Gain&Loss | %Change |
| **Stamping & Molding** | 829 | **1,027** | +197 | +23.8 | 32 | **20** | △12 | △37.8 |
| Operating Income Ratio | | | | | 3.9% | **2.0%** | △1.9P | |
| **Valves** | 369 | **405** | +36 | +9.8 | 45 | **36** | △9 | △19.9 |
| Operating Income Ratio | | | | | 12.2% | **8.9%** | △3.3P | |



Net sales of the stamping and molding business were JPY102.7 billion due to the impact of yen depreciation, material prices, and increased product volume, and operating income was JPY2 billion due to increased expenses, labor costs, and other factors at the US stamping site.

Net sales in the valve business were JPY40.5 billion due to the significant impact of yen depreciation, and operating income was JPY3.6 billion despite our efforts to promote price pass-through to compensate for higher material and other costs.

## 1-5 Financial Results by Region

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

(100 million yen,%)

| | Sales | | | | Operating Income | | | |
|---|---|---|---|---|---|---|---|---|
| | 21/Q3 Cumulative results | **22/Q3 Cumulative results** | YoY Rate Gain&Loss | %Change | 21/3Q Cumulative results | **22/3Q Cumulative results** | YoY Rate Gain&Loss | %Change |
| **Japan** | 507 | **553** | +45 | +9.0 | 46 | **35** | △10 | △23.2 |
| Operating Income Ratio | | | | | 9.2% | **6.5%** | △2.7P | |
| **Europe & America** | 455 | **559** | +103 | +22.8 | 8 | **△13** | △21 | - |
| Operating Income Ratio | | | | | 1.9% | **△2.3%** | △4.2P | |
| **Asia** | 237 | **321** | +84 | +35.5 | 22 | **29** | +7 | +31.5 |
| Operating Income Ratio | | | | | 9.5% | **9.2%** | △0.3P | |



Sales in Japan amounted to JPY55.3 billion, mainly due to the impact of material prices. Operating income was JPY3.5 billion due to cost increases in materials and energy prices.

Net sales in Europe and North America were JPY55.9 billion, partly due to the effect of foreign currency conversion resulting from the weaker yen, and operating income was a loss of JPY1.3 billion due to increased material, labor, and other costs.

Net sales in Asia were JPY32.1 billion and operating income was JPY2.9 billion due to an increase in sales volume.

## 2-1 FY2022 Forecast Summary

**We have left the financial forecast unchanged from that announced on October 26. Sales are expected to reach a record high.**

(100 million yen,%)

| | FY2021 | FY2022 | YonY rate | |
|---|---|---|---|---|
| | Result | Forecast 10/26 | Gain&Loss | %Change |
| Sales | 1,644 | **1,850** | +205 | 12.5% |
| Operating Income | 107 | **85** | △22 | △21.0% |
| Operating Income Ratio | 6.5% | **4.6%** | △1.9P | – |
| Ordinary Income | 146 | **115** | △31 | △21.3% |
| Ordinary Income Ratio | 8.9% | **6.2%** | △2.7P | – |
| *1 Current Net Income | 98 | **83** | △15 | △15.3% |
| R O E | 8.1% | **6.2%** | △1.9P | – |
| R O A (Operating income basis) | 4.6% | **3.4%** | △1.2P | – |
| Net Assets per Share | ¥2,138 | **¥2,316** | ¥178 | 8.3% |
| *2 Average exchange rate (US dollars) | ¥112.1 | **¥134.4** | ¥22.3 | – |

*1 Current net income is the current net income attributable to the parent company shareholders.
*2 The assumption of the exchange rate for the fourth quarter onward has been revised from the previous forecast of 140 yen/$ announced on Oct. 26th to the current forecast of 130 yen/$.



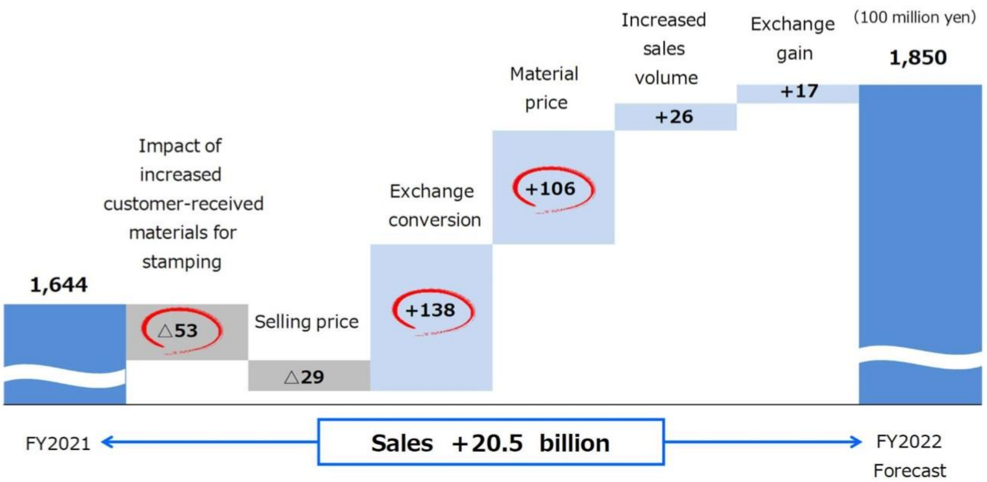
Based on Q3 results and customer production plans for Q4, the earnings forecast remains unchanged. Although production in Q3 did not reach the previously anticipated level, we assume that we will move into recovery production from February onward.

We forecast net sales of JPY185 billion, operating income of JPY8.5 billion, ordinary income of JPY11.5 billion, and net income of JPY8.3 billion.

The exchange rate for Q4 is assumed to be JPY130 to the dollar. The exchange rate sensitivity is JPY100 million per JPY1 per year.

# 2-2 Analysis of FY2022 Forecasts: Consolidated Sales

**Sales are expected to reach a record high due to the impact of yen depreciation, rising steel prices and recovery of overseas production.**

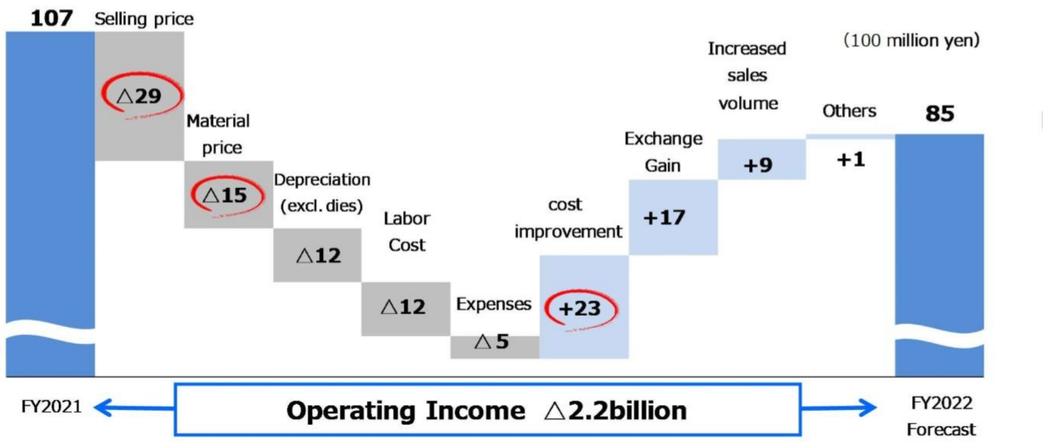





Full-year net sales are expected to be JPY185 billion due to an increase in net sales resulting from foreign currency conversion due to yen depreciation and the impact of material prices, despite a decrease in net sales due to the shift to supply and demand of stamping parts for a fee, which will be applied from Q4, and lower selling prices.

## 2-3 Analysis of FY2022 Forecasts: Operating Income

### Income decreased due to lower selling prices and higher costs despite efforts to profit improvements






Although operating income for the full year is expected to increase due to higher material prices and costs associated with rising energy costs, we will strive to improve profitability by passing on prices, minimizing losses, and other measures to ensure profitability.

# 2-4 Forecast by Business Segments

## Sales increased and income decreased for both segments

(100 million yen,%)

| | Sales | | | | Operating Income | | | |
|---|---|---|---|---|---|---|---|---|
| | FY2021 Result | **FY2022 Forecast** | YoY Rate Gain&Loss | YoY Rate %Change | FY2021 Result | FY2022 Forecast | YoY Rate Gain&Loss | YoY Rate %Change |
| **Stamping & Molding** | 1,142 | **1,323** | +180 | +15.8 | 49 | **43** | △6 | △12.7 |
| (The Impact of increased customer-received materials for stamping) | | * **(△53)** | | | | | | |
| Operating Income Ratio | | | | | 4.3% | **3.3%** | △1.0P | |
| **Valves** | 499 | **526** | +26 | +5.2 | 58 | **43** | △15 | △26.2 |
| Operating Income Ratio | | | | | 11.7% | **8.2%** | △3.5P | |

* FY2022 Sales will be expected decrease 5.3billion since FY2022 Q4 due to the impact of increased customer-received materials for stamping. No impact on income.



Net sales for the stamping and molding business are projected at JPY132.3 billion and operating income at JPY4.3 billion, reflecting an estimated JPY5.3 billion decrease in sales due to the change to receiving stamping parts for a fee.

The valve business is projected to generate JPY52.6 billion in net sales and JPY4.3 billion in operating income.

## 2-5 Forecast by Region

**Sales expected to increase and income decrease in Japan, Europe, and America.**
**Sales and income expected to increase in Asia**

(100 million yen,%)

| | Sales | | | | Operating Income | | | |
|---|---|---|---|---|---|---|---|---|
| | FY2021 Result | FY2022 Forecast | YoY Rate Gain&Loss | YoY Rate %Change | FY2021 Result | FY2022 Forecast | YoY Rate Gain&Loss | YoY Rate %Change |
| **Japan** | 687 | **699** | +11 | +1.6 | 61 | **50** | △11 | △18.7 |
| (The Impact of increased customer-received materials for stamping) | | * **(△53)** | | | | | | |
| Operating Income Ratio | | | | | 8.9% | **7.2%** | △1.7P | |
| **Europe & America** | 612 | **734** | +121 | +19.8 | 13 | **△5** | △18 | - |
| Operating Income Ratio | | | | | 2.2% | **△0.7%** | △2.9P | |
| **Asia** | 344 | **417** | +72 | +21.0 | 31 | **36** | +4 | +13.7 |
| Operating Income Ratio | | | | | 9.2% | **8.6%** | △0.6P | |

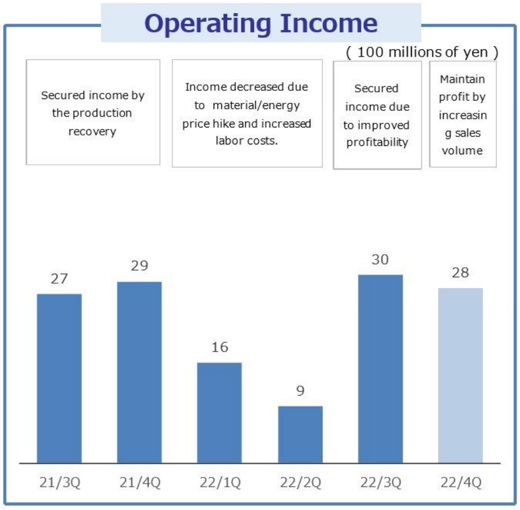
* FY2022 Sales will be expected decrease 5.3 billion since FY2022 Q4 due to the impact of increased customer-received materials for stamping.
No impact on income.



The forecast for Japan is JPY69.9 billion in sales and JPY5 billion in operating income; for Europe and North America, JPY73.4 billion in sales and JPY0.5 billion in operating income loss; and for Asia, JPY41.7 billion in sales and JPY3.6 billion in operating income.

## 2-6 Quarterly performance trends

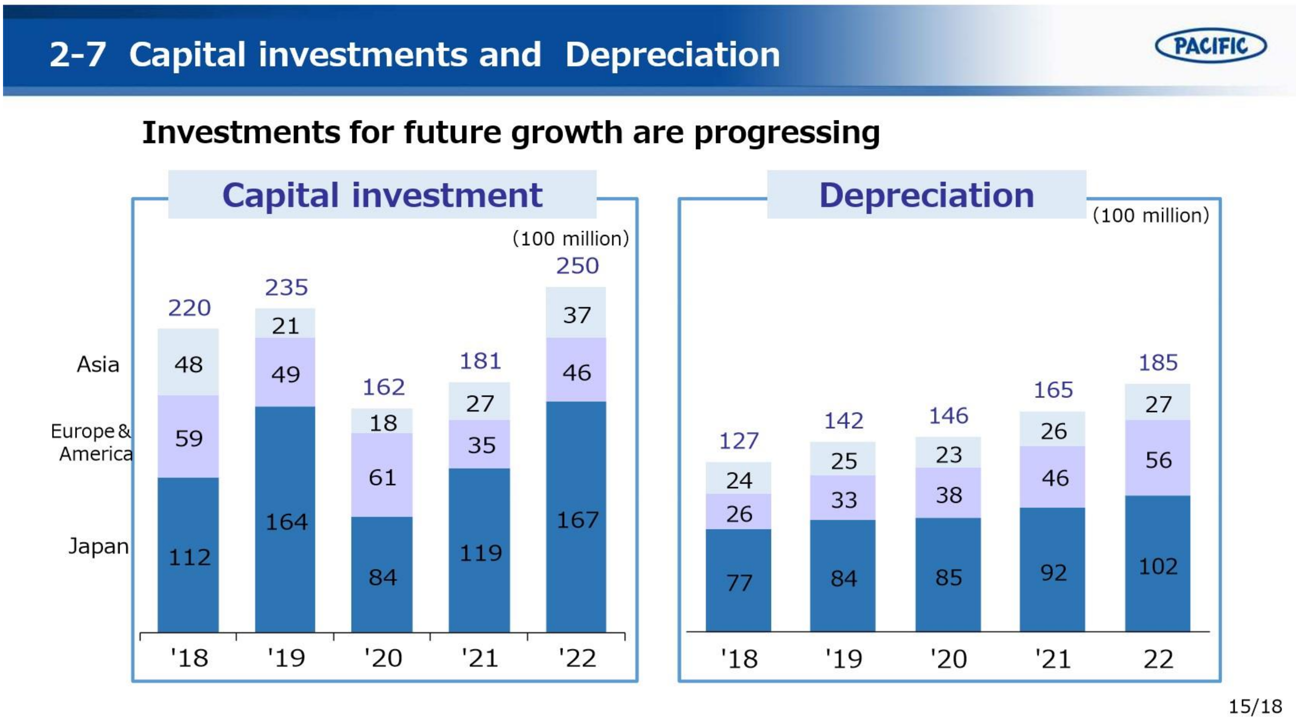
**Secured income in Q3 due to profit improvement**
**Income is expected to be maintained in 4Q due to increased sales volume**




Although semiconductor supply shortages affected Q3 of the current fiscal year, sales were higher than Q2 due in part to the weaker yen. Profits also exceeded Q2 as we continued to improve profitability.

In Q4, we assume a recovery production and sales volume will increase, but sales will apparently decrease due to the shift to paid receipt of stamped steel products. We will continue our efforts to improve profitability and minimize losses.




In addition to the usual production preparations for the launch of new products, capital investments are being made for future growth, including the construction of a new plant in the Ogaki area and the introduction of stamping and welding equipment to increase production in Japan, the US, and China.

Capital expenditures are expected to be JPY25 billion, and depreciation and amortization expenses are expected to be JPY18.5 billion, an increase of JPY2 billion from the previous year. The previous forecast was for capital investment of JPY30 billion, but this will be reduced by JPY5 billion from the previous forecast due to the postponement of some payments for the construction of the new plant to FY2023.

The start-up date of the new plant is in line with the original plan. We will strengthen our competitiveness by increasing production capacity in preparation for an increase in orders from customers, as well as investing in a more efficient production system.


We are promoting initiatives to enhance our corporate value, such as strengthening our ability to make proposals to customers in existing businesses, contributing to solving social issues with new products, and becoming carbon neutral.

For the new Prius launched last month, we received a project award in the cost category for our contribution to cost reduction through our structural proposal. We will continue to promote the strengthening of our proposal capabilities by identifying customer needs in each of our businesses.

In the new field of products, a high-spec model of e-WAVES, a multi-sensing logger that has been on sale since the year before last, was announced on January 31. Responding to the needs of the pharmaceutical industry, this product covers a wide temperature range from -200 to 100 degrees Celsius and improves quality control of cell storage and transport by real-time monitoring, thereby contributing to the development of the regenerative medicine field. We plan to start sales in April of this year and will work with Iwatani Corporation to expand sales.

We are also promoting activities to become carbon neutral on a global basis. We introduced solar power generation at our factory in Thailand last year, and we are expanding the system at our domestic factories as well. As a result, the percentage of renewable energy used has increased to 30% domestically and 13% globally. We will continue our efforts to achieve our 2030 target of a global 20% renewable energy utilization rate.

## 2-9 Initiatives for the next term

### ■Changes in the Business Environment, Risks and Opportunities

- As a result of resolving the semiconductor supply shortage, shift to recovery production
- Raw material and energy price hikes continue
- Changes in monetary policy by the Bank of Japan / There are concerns that the North American economy will slow down
- Demand for new products expands due to progress for electrification in the mobility field

### ■Future Initiatives

- Securing profits during recovery production and strengthening profit structure
- Expand existing businesses by seizing electrification business opportunities
- Accelerate development in non-automotive fields and discover new businesses
- Formulation and promotion of a new medium-term management plan for medium- to long-term growth and value creation



In the next fiscal year, the supply shortage of semiconductors is expected to be resolved and the company will move toward recovery production. On the other hand, the external environment is uncertain due to soaring costs of raw materials, energy, etc., caused by the global inflationary trend, changes in monetary policy, and concerns of an economic slowdown in the US.

Current efforts include the automation of production sites using AI and IoT and the streamlining of office work through digitalization, which will continue to strengthen the company's structure and shorten lead times.

As for initiatives related to electrification, development of new products and orders for such products are progressing, and we will continue to identify customer needs.

We are working to capture new business opportunities while strengthening our development system in areas other than the automotive field.

There is much work to be done to achieve sustainable growth, but we are formulating a new medium-term management plan while envisioning the ideal state of the company for 2050 and 2030. Details will be explained at the announcement of year-end financial results in April.