

July 28th, 2023

**Pacific Industrial Co., Ltd.**

### **Briefing for Fiscal Year 2023 First Quarter Q & A**

#### 《Q1 Financial Results》

Q1 : How do you see Q1 result? I would like to know how good it was compared to the internal outlook.

A1 : In the Q1, mainly in Japan, the impact of semiconductor shortages has almost disappeared and the production volume has recovered at a high level. Both sales and profits improved significantly compared to our internal plan. Although we continued to have problems securing human resources in Japan and the United States, we were able to maintain relatively stable production and minimize losses.

Q2 : Were there any temporary factors that pushed up profits in Q1 results in each business segment?

A2 : There are no temporary profits or expenses in both the stamping and valve segments.

#### 《FY2023 Financial Forecast》

Q3 : How did you change Toyota's Japanese production volume assumptions in the revised annual outlook?

A3 : Our major sales regions are Japan, the United States and China. Compared to the previous forecast, production is expected to increase slightly less than 10% in Japan, slightly more than 5% in the USA, and decrease about 5% in China. Overall, the increase is slightly less than 5%.

Q4 : Compared to the previous forecast, annual sales will increase by 5 billion yen, and the impact of customer-received steel materials for stamping will increase by about 5 billion yen in a negative direction. Is the sales volume of 10 billion yen increasing?

A4 : Compared to the previous forecast, the negative impact of customer-received steel materials for stamping is increasing about 5 billion yen per year. The revised forecast for the full year includes an increase of over 7 billion yen in sales volume, a negative impact of over 5 billion yen due to the impact of customer-received steel materials for stamping, and an increase of over 2 billion yen due to foreign exchange conversion, for a total increase of 5 billion yen.

Q5 : Regarding the full-year plan, I think that under the current assumptions, profits could be built up a bit more. There is still a sense of uncertainty about the future, so please tell us if the full-year forecast is conservative.

A5: We have revised the plan this time by reflecting the portion of the Q1 results that exceeded the initial plan for the full year.

Q6 : What is the reason for the decrease in profit in Q2 compared to Q1?

A6: The Higashi-Ogaki Plant will start full-scale operations in the second half of 2023, and we expect to incur expenses for preparation for the partial start of operations in Q2. As in the previous forecast, we are assuming an exchange rate of 130 yen per dollar from Q2, which will reduce sales and profits compared to Q1. There are no other major variable factors.

Q7 : Other than changes in the external environment such as Toyota's volume and exchange rates, what is the likelihood that profits will be generated through the company's own efforts, such as improved profitability and price transfers?

A7 : The Tennessee site in the UA. is an area with high mobility of human resources. However, our organization has become more stable and we are now able to produce more calmly. Improvements are gradually showing results. There are no major model changes at this site this fiscal year, and we are able to focus on improvements such as human resource development and personnel retention, which will be a positive factor in the future.

《Cross-shareholdings》

Q8 : I would like to know about cross-shareholdings. Toyota mentioned at the last financial results briefing that it would consider dissolving cross-shareholdings. There seems to be some discussion among the group on how the shares should be held.

A8: We are proceeding with the reduction of cross-shareholdings in accordance with our plan.

《Progress in vehicle electrification》

Q9: Toyota's adoption of GIGACAST was announced. Please tell us about the way business is allocated within the group, how it will change with the BEV Company in the future, and how this will affect the Pacific Group's business, and what are the prospects for the future?

A9 : To date, we have focused on expanding sales to car manufacturers. We believe that the modularization of parts and the transfer of major core parts to Tier 1 manufacturers and mega-suppliers will progress further than ever before. Since we are expanding sales of products that utilize our core technologies, such as plastic moldings and valves, to Tier 1 manufacturers, the number of customers to whom we promote sales expansion is increasing. In addition, we are receiving an increasing number of inquiries from car manufacturers and mega-suppliers, and we feel that the BEV wave is in full swing. We are also developing products for BEVs, and we will continue to focus our efforts on this area. We would also like to be more involved in Toyota's BEV factory and would like more of our products to be adopted in BEVs. We will be active in this area as we obtain information. Regarding the adoption of GIGACAST, we analyze that it will have little direct impact on our business. The rapid increase in the number of BEVs will have little impact on our main products such as stampings, plastic moldings, valves, and TPMSs. Rather, we see the electrification of vehicles as a tailwind, and we are working to advance our technological development so that our customers will adopt our products.