FY2023 Third Quarter Financial Results Briefing

The 100th period : Apr. 1st, 2023- Dec.31st, 2023

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Passion in Creating Tomorrow

Feb. 1st, 2024

PACIFIC INDUSTRIAL CO., LTD.

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Sales volume increased due to steady automobile production, and both sales and profits reached record highs

(100 millions of yen, %)

	FY2022 23/3Q Cumulative Result	FY2023 23/3Q Cumulative Result	YoY rate Gain&Loss	YoY rate % Change
Sales	1,434	Record High **1,559**	+125	+8.8
Operating Income	56	Record High **112**	+55	+97.5
Operating Income Ratio	4.0%	**7.2%**	+3.2P	–
Ordinary Income	85	Record High **143**	+58	+68.4
Ordinary Income Ratio	5.9%	**9.2%**	+3.3P	–
Net income attributable to owners parent	62	Record High **109**	+47	+75.9
Quarterly Net Income margin	4.3%	**7.0%**	+2.7P	–
Average exchange rate (U.S. dollars)	¥135.4	**¥143.2**	¥7.8	–

* Sales decrease since FY2022 Q4 due to expansion of offsetting range of sales and its cost; the impact of customer-received steel materials for stamping.
As a result of this, fiscal 2023 3rd quarter cumulative results includes a 22billion yen year-on-year decline in net sales. No impact on income.

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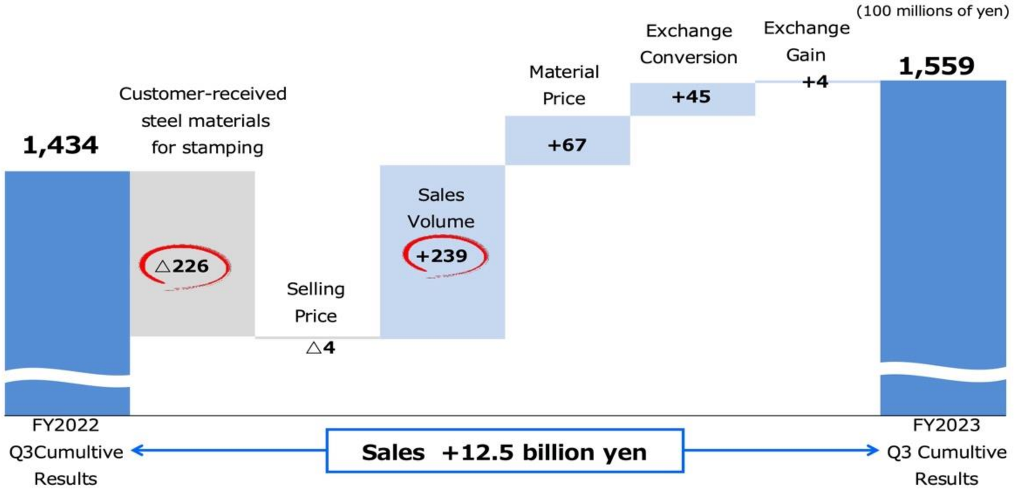
In Q3, net sales increased 8% YoY to a record high of JPY155.9 billion, mainly due to an increase in sales volume resulting from the continued recovery trend in automobile production and foreign currency translation gains resulting from the yen's depreciation.

As for profits, operating income increased 97% from the same period of the previous fiscal year to JPY11.2 billion due to an increase in sales volume as well as ongoing cost improvement and fixed cost reduction activities.

Ordinary income increased 68% to JPY14.3 billion and net income for the quarter was also up by 75% to JPY10.9 billion, both of which were record highs for the first nine months.

1-2 Analysis of Q3 Cumulative Results : Sales

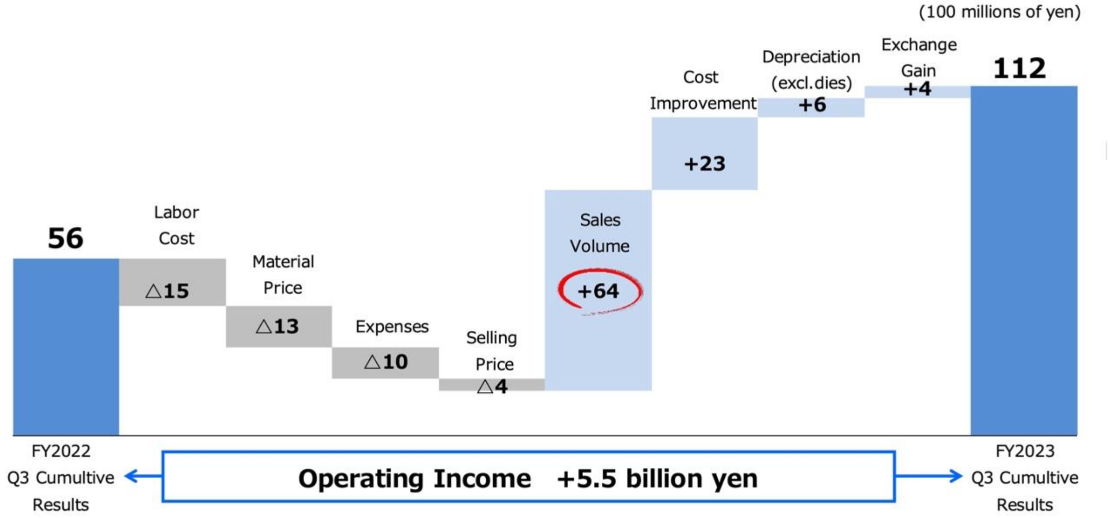
Record high for 3Q due to increase in sales volume more than decrease in sales due to the impact of customer-received steel materials for stamping.



Net sales increased JPY12.5 billion YoY to JPY155.9 billion, mainly due to an increase in sales volume and the positive impact of foreign exchange rates resulting from the continued depreciation of the yen, despite the negative impact of customer-received steel materials for stamping.

1-3 Analysis of Q3 Cumulative Results: Operating Income

Costs increased due to sales volume up. Record-high profit for Q3 due to increased sales volume and cost improvements.



Operating income increased JPY5.5 billion YoY to JPY11.2 billion, mainly due to an increase in sales volume and promotion of cost improvement, despite the negative impact of higher labor and expenses due to increased sales volume and soaring material prices.

1-4 Q3 Cumulative Results by Business Segments

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Sales and profits increased in the stamping and plastic molding business.
Sales of valves increased, but profits decreased.

(100 millions of yen,%)

	Sales				Operating Income			
	22/Q3 Result	**23/Q3 Result**	YoY Rate Gain&Loss	YoY Rate %Change	22/Q3 Result	**23/Q3 Result**	YoY Rate Gain&Loss	YoY Rate %Change
Stamping & Plastic Molding	1,027	**1,130**	+103	+10.1	20	**78**	+58	+286.5
(The Impact of increased customer-received materials for stamping)		※ **(△226)**						
Operating Income Ratio					2.0%	**7.0%**	+5.0P	
Valves	405	**427**	+21	+5.3	36	**33**	△2	△7.3
Operating Income Ratio					8.9%	**7.8%**	△1.1P	

*Sales decrease since FY2022 Q4 due to expansion of offsetting range of sales and its cost; the impact of customer-received steel materials for stamping. No impact on income.

In the stamping and plastic molding business, sales increased 10% YoY to JPY113 billion and operating income increased JPY5.8 billion to JPY7.8 billion, driven by an increased sales volume.

In the valves business, volume remained flat from the previous year, but sales increased by 5% to JPY42.7 billion due to the impact of the weaker yen. Operating income decreased by JPY0.2 billion to JPY3.3 billion due to the impact of soaring material prices sourced by overseas suppliers with the yen's depreciation as well as other input cost hike.

1-5 Q3 Cumulative Results by Region

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Sales and profits increased in Japan, Europe and America in real terms. Sales in Asia remained at the same level as the previous year, while income declined.

(100 millions of yen,%)

	Sales				Operating Income			
	22/Q3 Result	23/Q3 Result	YoY Rate Gain&Loss	YoY Rate %Change	22/Q3 Result	23/Q3 Result	YoY Rate Gain&Loss	YoY Rate %Change
Japan	553	**536**	△17	△3.1	35	**59**	+23	+65.1
(The Impact of increased customer-received materials for stamping)		* **(△226)**						
Operating Income Ratio					6.5%	**11.1%**	+4.6P	
Europe & America	559	**703**	+144	+25.8	△13	**25**	+38	-
Operating Income Ratio					△2.3%	**3.6%**	+5.9P	
Asia	321	**319**	△1	△0.4	29	**18**	△11	△37.9
Operating Income Ratio					9.2%	**5.8%**	△3.4P	

* Sales decrease since FY2022 Q4 due to expansion of offsetting range of sales and its cost; the impact of customer-received steel materials for stamping. No impact on income.

Sales in Japan decreased 3% YoY to JPY53.6 billion, and operating income increased JPY2.3 billion to JPY5.9 billion. Sales in Europe and America increased 25% to JPY70.3 billion, and operating income rose JPY3.8 billion to JPY2.5 billion. Sales in Asia were JPY31.9 billion, unchanged from the previous year, and operating income decreased JPY1.1 billion to JPY1.8 billion.

2-1 Full Year Financial Forecast

Revised the forecast upward to reflect the Q3 results, expecting record highs for both sales and profits.

(100 millions of yen, %)

	FY2022 Full Year Results	FY2023 Full Year Forecast on 26th Oct.	FY2023 Full Year Latest Forecast	YonY rate Full Year Gain&Loss	YonY rate Full Year %Change	Diff. from Previous Forecast Full Year Gain&Loss	Diff. from Previous Forecast Full Year %Change
Sales	1,912	1,980	**2,000** *2	+87	4.6%	+20	1.0%
Operating Income	92	120	**130**	+37	39.8%	+10	8.3%
Operating Income Ratio	4.9%	6.1%	**6.5%**	+1.6P	–	+0.4P	–
Ordinary Income	132	150	**160**	+27	21.1%	+10	6.7%
Ordinary Income Ratio	6.9%	7.6%	**8.0%**	+1.1P	–	+0.4P	–
Current Net Income *1	93	105	**115**	+21	23.6%	+10	9.5%
R O E	7.0%	7.1%	**7.8%**	+0.8P	–	+0.7P	–
R O A (Operating income basis)	3.7%	4.5%	**4.8%**	+1.1P	–	+0.3P	–
Net Assets per Share	2,309円	2,712円	**2,678円**	369円	16.0%	△34円	△1.2%
Average exchange rate (US dollars)	134.9円	140.0円	**142.2円**	7.3円	–	2.2円	–

*1 Current net income is the current net income attributable to the parent company shareholders.
*2 Sales decrease since FY2022 Q4 due to expansion of offsetting range of sales and its cost; the impact of steel material costs procured from customers. As a result of this, fiscal 2023 includes a 25 billion yen year-on-year decline in net sales. No impact on income.

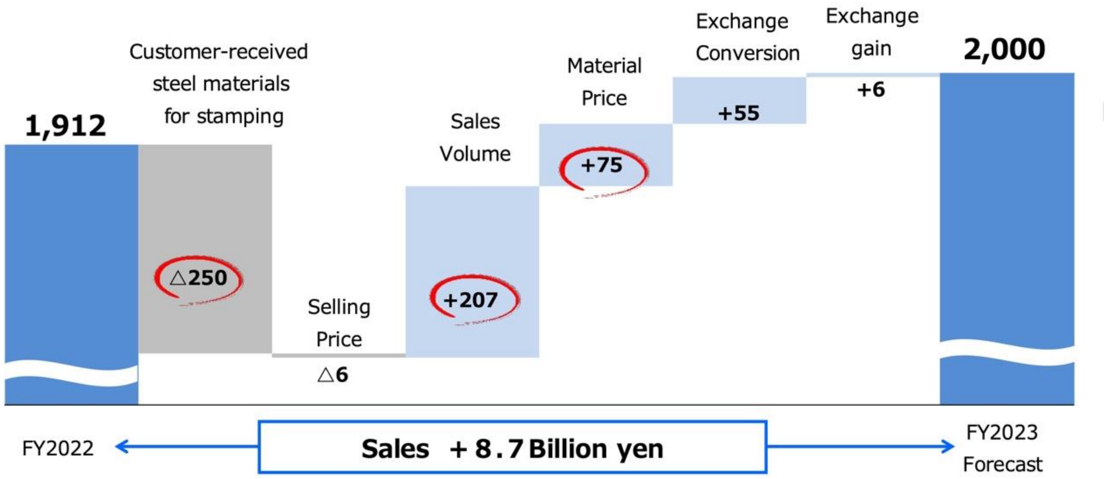
Based on the financial performance through Q3, we have upwardly revised our full-year forecasts. Compared to the figures announced on October 26, we are revising our forecasts to JPY200 billion in net sales, up JPY2 billion, and JPY13 billion in operating income, up JPY1 billion. Ordinary income is revised upward by JPY1 billion to JPY16 billion, and net income is revised upward by JPY1 billion to JPY11.5 billion.

The forecasted exchange rate is JPY140 to the dollar for Q4. The annualized currency sensitivity is JPY100 million per yen depreciation/appreciation.

2-2 Analysis of FY2023 Forecasts: Sales

The decrease in sales due to the impact of customer-received steel materials for stamping will be offset by the increase in sales volume, which is expected to reach a record high.

（100 millions of yen）



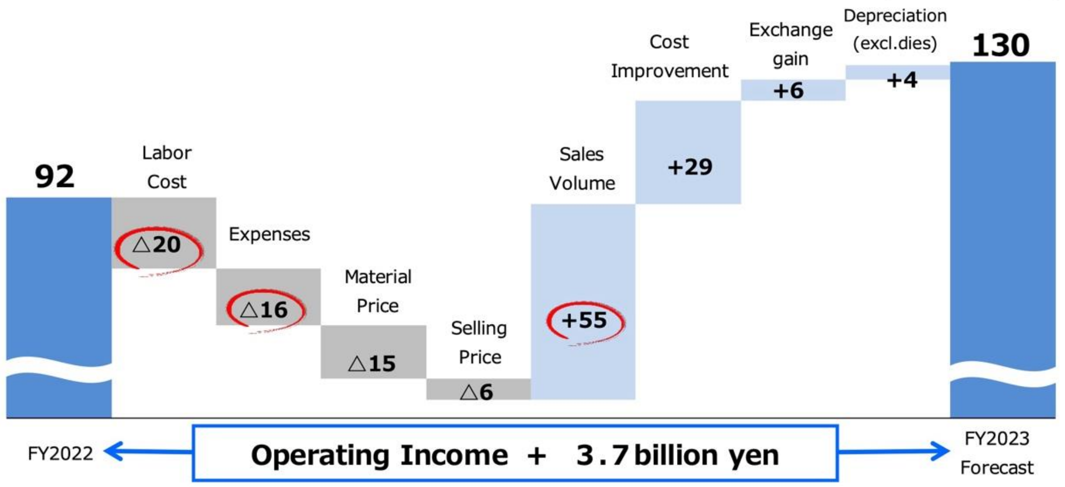
For the full year, we forecast net sales of JPY200 billion, up JPY8.7 billion from JPY191.2 billion in the previous year due to an increase in sales volume and other factors, despite the decrease in sales due to the shift to stamping steel procurement for a fee.

The changes in net sales include the JPY25 billion decrease as a result of the impact of customer-received steel materials for stamping, the JPY7.5 billion increase as a result of material prices and the JPY5.5 billion increase as a result of exchange conversion. These factors will have no impact on profit.

2-3 Analysis of FY2023 Forecasts : Operating Income

Costs increased due to sales volume up. Expected to reach record profits due to increased sales volume and continued improvements.

(100 millions of yen)



Operating income for the full year is projected at JPY13 billion, an increase of JPY3.7 billion from JPY9.2 billion in previous year due to increased sales volume and cost improvement, despite the negative impact of labor cost, expenses, and material prices.

2-4 Forecast by Business Segments

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The stamping and plastic molding business is expected to increase sales and profits, while the valve business is expected to see an increase in sales and a decrease in profits.

(100 million yen,%)

	Sales				Operating Income			
	FY2022 Result	FY2023 Forecast	YoY Rate Gain&Loss	YoY Rate %Change	FY2022 Result	FY2023 Forecast	YoY Rate Gain&Loss	YoY Rate %Change
Stamping & Plastic Molding	1,368	**1,448**	+79	+5.8	49	**92**	+42	+84.8
(The Impact of increased customer-received materials for stamping)	(△51)	*(△301)	(△250)					
Operating Income Ratio					3.6%	**6.4%**	+2.8P	
Valves	542	**550**	+7	+1.5	42	**38**	△4	△10.8
Operating Income Ratio					7.9%	**6.9%**	△1.0P	

*Sales decrease since FY2022 Q4 due to expansion of offsetting range of sales and its cost; the impact of customer-received steel materials for stamping. No impact on income.

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Sales for stamping and plastic molding business are projected to increase 5% YoY to JPY144.8 billion, and operating income is projected to increase JPY4.2 billion to JPY9.2 billion. Sales in the valves business are projected to be flat from previous year with JPY55 billion, while operating income is expected to decrease by JPY0.4 billion to JPY3.8 billion.

2-5 Forecast by Region

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Sales and profits are expected to increase in real terms in Japan, Europe and the America. Sales and profits are expected to decline in Asia.

(100 millions of yen,%)

	Sales				Operating Income			
	FY2022 Result	FY2023 Forecast	YoY Rate Gain&Loss	YoY Rate %Change	FY2022 Result	FY2023 Forecast	YoY Rate Gain&Loss	YoY Rate %Change
Japan	706	**685**	△21	△3.0	49	**63**	+13	+26.3
(The Impact of increased customer-received materials for stamping)	(△51)	* **(△301)**	(△250)					
Operating Income Ratio					7.1%	**9.2%**	+2.1P	
Europe & America	781	**900**	+118	+15.2	△1	**30**	+31	-
Operating Income Ratio					△0.2%	**3.3%**	+3.5P	
Asia	425	**415**	△10	△2.4	36	**28**	△8	△24.1
Operating Income Ratio					8.7%	**6.7%**	△2.0P	

* Sales decrease since FY2022 Q4 due to expansion of offsetting range of sales and its cost; the impact of customer-received steel materials for stamping. No impact on income.

Sales in Japan is expected to decrease 3% YoY to JPY68.5 billion, while operating income is expected to increase JPY1.3 billion to JPY6.3 billion.

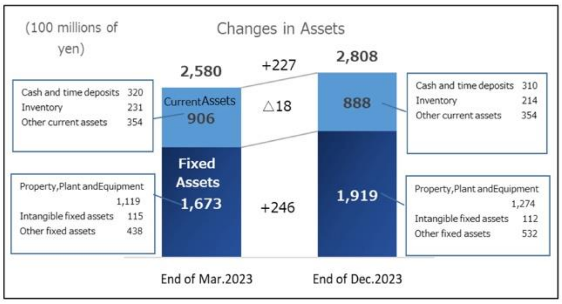
Sales in Europe and America are projected to increase 15% to JPY90 billion, and operating income is projected to increase JPY3.1 billion to JPY3 billion. Effective from the current fiscal year, the amortization period for stamping machines owned by the US subsidiary has been revised from 7 years to 15 years. As a result of this change, depreciation and amortization expenses are expected to decrease by approximately JPY1.6 billion from the previous level.

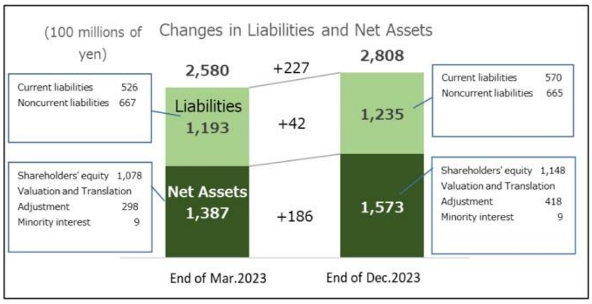
We forecast sales in Asia of JPY41.5 billion and operating income of JPY2.8 billion which is down by JPY800 million.

In FY2023, we plan to invest JPY38 billion, including construction of a new stamping plant in the Ogaki area and preparation for production of electric expansion valves for battery EVs. In response to an increase in orders from customers, we will increase our production capacity and also invest in building a more efficient production system to strengthen our competitiveness.

2-7 Consolidated balance sheet

Fixed assets increased due to investment in new stamping plants, etc., and market value evaluation of cross-shareholdings. Promote sequential sale of cross-shareholdings with a target of 20% or less of net assets.





＜ Main increase/decrease details ＞

Assets

- Property, plant and equipment +155
  (Investment in new stamping plants, etc.)
- Other fixed assets +93
  (Market value evaluation of held stocks)

Liabilities

- Trade payables, etc. +65
- Interest-bearing liabilities △48

Net Assets

- Quarterly net assets +109
- Retained earnings △26
- Valuation and translation adjustment +115

Compared to the level at the end of fiscal year ended in March 2023, total assets at the end of Q3 this year increased by JPY22.7 billion. The main factor was an increase in fixed assets due to investments in a new stamping plant and other facilities, as well as the mark-to-market valuation of strategic shareholdings. The Company will gradually sell its strategic shareholdings, aiming to hold no more than 20% of its net assets. In terms of the existing businesses, we are promoting initiatives to improve our competitiveness, such as strengthening our value propositions to customers and improving productivity.

2-8 Topics

Improve the competitiveness of existing businesses by strengthening customer proposal capabilities and improving productivity

Expand Stamping Business Orders

・Obtained many new orders by strengthening communication with customers and proposing activities that utilized ultra-high tensile strength technology
・Contributes to the establishment of a highly rigid body that achieves both collision performance and cost reduction

New Stamping Plant Operation Status

・Mass production of stamping products such as ultra high strength parts and HEV battery cases
・Efficient production line that follows the process flow
・Improve productivity by introducing automatic transport and AGV
・Improve the ease of working in plants and offices

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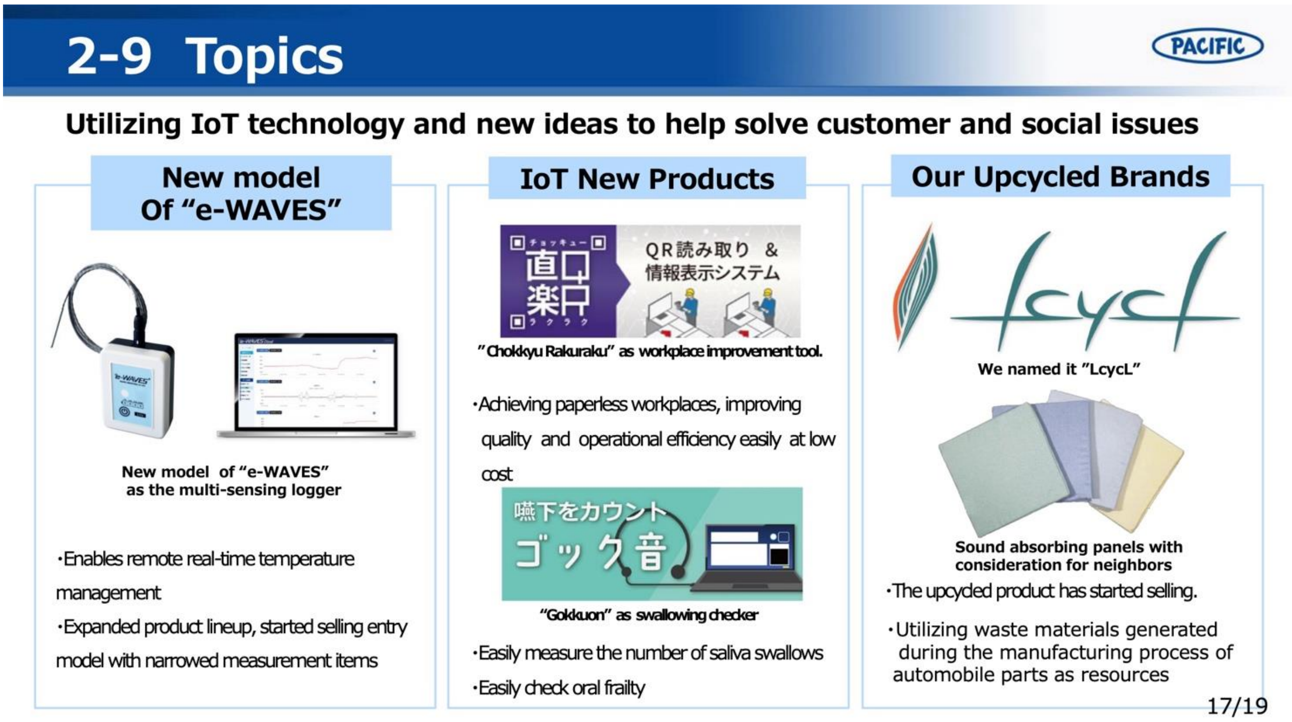
For Alphard and Vellfire, which underwent a model change last year, we received many new orders for the floor and battery area, etc., as a result of customers' appreciation of our ultra-high tensile strength technology, improved structural analysis technology, and aggressive proposal activities that we have cultivated over the years. Number of orders received has significantly increased by 260% compared to the previous model. We will continue to enhance our value propositions by identifying customer needs in each of our businesses.

The new stamping plant, which began full-scale operations in November, has completed the installation of six stamping machines and has started mass production of products such as ultra-high tensile strength components and battery cases for hybrid electric vehicles. In addition to the efficient production lines that follow the flow of the process, the factory pursues productivity through the introduction of robot-assisted automatic transfers and AGVs. We are also committed to creating a comfortable work environment that leads to increased engagement, such as air conditioning in our factories and adequate refreshment space.



In the new field, we are launching various products utilizing IoT technology and new ideas.

To make the e-WAVES multi-sensing logger available to a wide range of users, we have begun selling an entry-level model with limited functions and a low price.

Chokkyu Raku raku is a new product that takes advantage of IoT technology, which is a packaged version of our internal efficiency improvement tool we use at our manufacturing sites. The product can easily and inexpensively achieve paperless operations, improved quality, and increased operational efficiency at the worksite. The swallow-disorder checker Gokkuon is a product that easily measure the number of times saliva is swallowed, making it easy to check oral frailty.

LcycL, an upcycling brand launched in last December, utilizes waste materials generated in the manufacturing process of auto parts as resources. The brand name reflects our desire to respect the natural environment and contribute to a recycling-oriented society, and we will continue to develop environmentally friendly products and utilize recycled materials.

Through these products, we are expanding our capabilities outside the mobility field. Although it is a challenge to develop new sales channels, we feel that the culture of endeavoring to new areas is taking root as we continue to drive these initiatives and launch new products.

2-10 Activities for the next term

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Work to minimize risks and maximize opportunities due to changes in the business environment

■Changes, risks, and opportunities in the business environment

Risks	・Continued rise in raw material and energy prices ・Exchange rate fluctuations due to changes in Japan-U.S. Monetary policy, concerns about a slowdown in the North American economy
Opportunities	・Expanding demand for new products due to progress in vehicle electrification

■Activities in the future

Business	・Promote cost improvement and price pass-through, strengthen profit structure ・Expand existing business by seizing business opportunities in vehicle electrification ・Speed up development in non-automotive business and discover more new businesses
Finance	・Improving capital efficiency by improving investment efficiency and balance sheet improvement ・Improve PER and PBR by improving ROE and enriching IR

For FY2023, automobile production remained at high level throughout the year, and we expect the same situation to continue in the next fiscal year. On the other hand, the external environment is uncertain due to such factors as plateauing raw material prices and energy costs, exchange rate fluctuations caused by changes in monetary policy in Japan and the US, and concerns about an economic slowdown in the US.

For now, we continue our efforts to strengthen our earnings structure by improving the efficiency of production management operations through the use of digital tools, further promoting cost improvement and price pass-on including profitability improvement of overseas sites through the support team dispatched from Japan.

As for efforts related to electrification, new product development and order intake are in full earnest. This is not only products that are already made to order but also in all businesses of stamping, plastic, and valves.

We will continue to identify customer needs and work to expand existing businesses. In areas other than the mobility field, we will continue our activities to create and grow new businesses by strengthening our development structure and utilizing internal competition program for new business, open innovation, and other initiatives.

In response to the TSE's request, the Company will also promote the improvement of capital efficiency by increasing investment efficiency and improving the balance sheet. We will improve PER and PBR by achieving ROE of 8% or more in 2026 and 10% or more in 2030 as targeted in our mid-term management plan and by enhancing investor relations.

We will holistically promote these initiatives to achieve medium- and long-term growth and to solve issues for our customers and society, thereby enhancing our corporate value.