Financial Results Briefing for FY2024 Q1

The 101st period : Apr. 1st, 2024- Jun. 30st, 2024

Jul. 25, 2024

PACIFIC INDUSTRIAL CO., LTD.

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Contents

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1-1 Q1 Consolidated Financial Summary

Sales reached record highs due to the impact of the weak yen, but operating income falls due to lack of growth in sales volume.

(100 millions of yen, %)

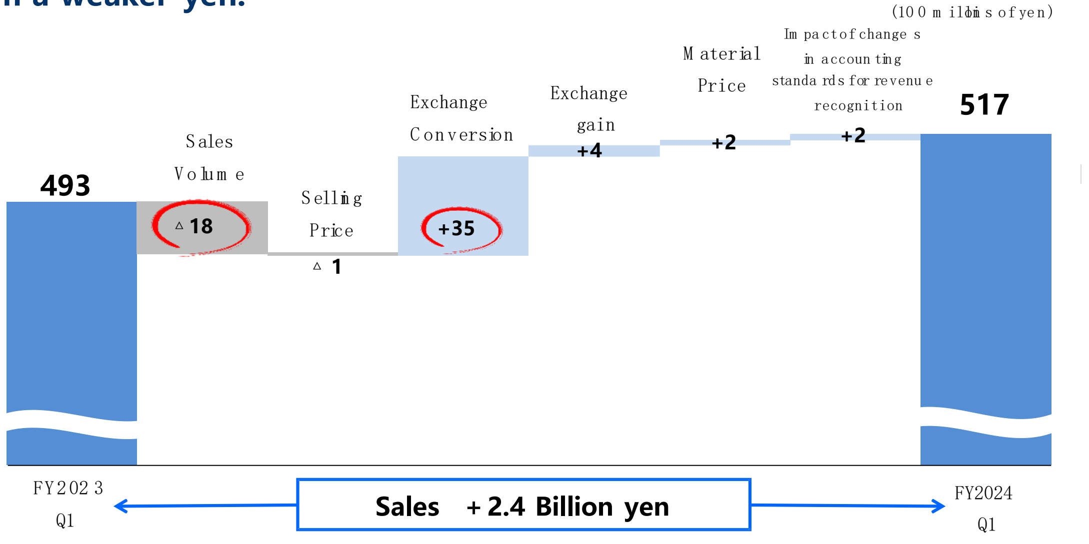
	FY2023 Q4 Results	FY2024 Q1 Results	YoY rate Gain&Loss	YoY rate % Change
Sales	493	Record High 517	+24	+4.9
Operating Income	31	27	△3	△11.7
Operating Income Ratio	6.4%	5.4%	△1.0P	–
Ordinary Income	52	51	△1	△2.2
Ordinary Income Ratio	10.7%	9.9%	△0.8P	–
Net income attributable to owners parent	39	Record High 42	+2	+7.3
Net Income margin	8.0%	8.2%	+0.2P	–
Average exchange rate (U.S. dollars)	¥135.7	¥154.6	¥18.9	–

As for the business environment in Q1, sales volume declined compared to the previous year, mainly due to the impact of a partial suspension of domestic production by a major customer. On the other hand, the yen continued to weaken against the US dollar.

The Group's sales increased 4% YoY, reaching JPY51.7 billion, a record high for Q1. Operating income decreased JPY0.3 billion YoY to JPY2.7 billion. Ordinary income was JPY5.1 billion, the same level as the previous year, mainly due to foreign exchange gains from the weaker yen. Net income increased JPY200 million from the previous year to a record high of JPY4.2 billion.

1-2 Analysis of Consolidated Results : Sales

Sales reached record highs due to foreign exchange conversions resulting from a weaker yen.

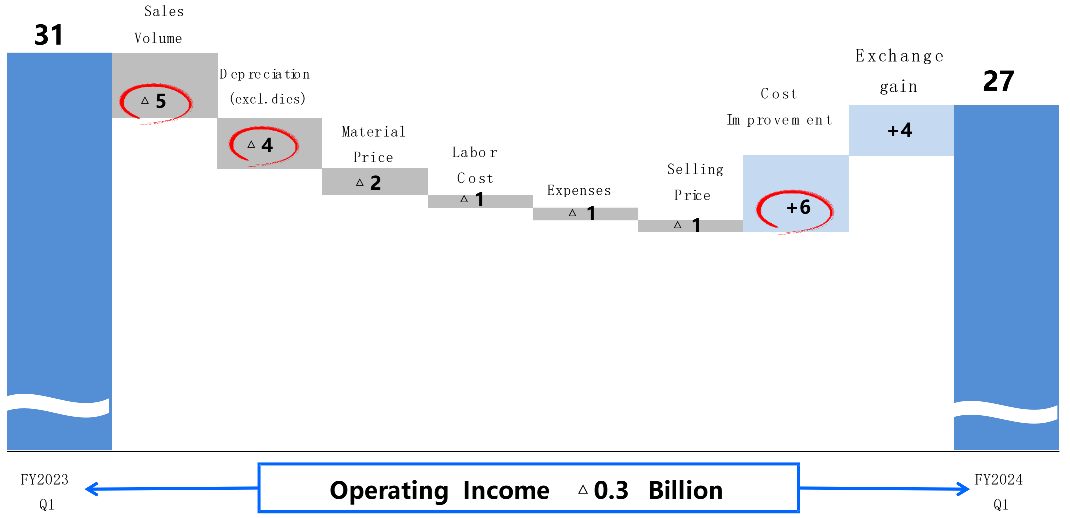


Net sales increased JPY2.4 billion YoY to JPY51.7 billion, mainly due to a positive impact of foreign exchange rates resulting from the continued depreciation of the yen, despite the negative impact of sales volume decrease due to lower production output by customers.

1-3 Analysis of Consolidated Results : Operating Income

Profit down due to lower sales volumes and higher costs

(100 millions of yen)



Operating income decreased by JPY0.3 billion from the previous year to JPY2.7 billion due to the significant negative impact of increased depreciation costs and material price hikes, in addition to the decrease in sales volume.

1-4 Consolidated Results by Business Segments

In the stamping and plastic molding business, sales up and income down.
In the valve business, sales and income up.

(100 million yen, %)

	Sales				Operating Income			
	23/Q1 Result	24/Q1 Result	YoY Rate Gain&Loss	YoY Rate %Change	23/Q1 Result	24/Q1 Result	YoY Rate Gain&Loss	YoY Rate %Change
Stamping & Plastic Molding *1	353	373	+20	+5.7	22	14	△7	△33.8
Operating Income Ratio					6.3%	4.0%	△2.3P	
Valves *2	139	143	+4	+3.0	9	13	+4	+45.9
Operating Income Ratio					6.5%	9.2%	+2.7P	

<Analysis>

*1 Sales increased due to the weak yen, but income decreased due to a decrease in volume and an increase in depreciation expenses.

*2 Sales increased due to weaker yen and income increased due to reduced depreciation expenses.

In the stamping & plastic molding business, sales increased 5% YoY to JPY37.3 billion due to the impact of yen depreciation, despite a decrease in sales volume. Operating income decreased by JPY0.7 billion to JPY1.4 billion, mainly due to a decrease in volume and an increase in depreciation expenses.

In the valves business, sales increased 3% to JPY14.3 billion due to weaker yen, and operating income increased JPY0.4 billion to JPY1.3 billion due mainly to the decrease in depreciation expense, despite a decrease in sales volume.

1-5 Consolidated Results by Region

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Sales and income down in Japan, sales and income up in Europe and the U.S of America, sales and income down in Asia.

(100 millions of yen,%)

	Sales				Operating Income			
	23/Q1 Result	24/Q1 Result	YoY Rate Gain&Loss	YoY Rate %Change	23/Q1 Result	24/Q1 Result	YoY Rate Gain&Loss	YoY Rate %Change
Japan *1	167	162	△5	△3.1	16	8	△7	△47.1
Operating Income Ratio					9.6%	5.2%	△4.4P	
Europe & America *2	225	271	+45	+20.2	8	13	+5	+66.8
Operating Income Ratio					3.6%	5.0%	+1.4P	
Asia *3	99	83	△16	△16.1	5	4	△1	△19.6
Operating Income Ratio					5.7%	5.4%	△0.3P	

<Analysis>

*1 Sales decreased due to a decrease in sales volume, and income decreased due to sales volume down and an increase in depreciation expenses.

*2 Sales increased due to the weak yen and sales volume up, and income increased due to sales volume up and a decrease in depreciation expenses.

*3 Sales and income decreased due to a sales volume down.

Sales in Japan decreased 3% YoY to JPY16.2 billion due to lower production volume of vehicle. Operating income decreased by JPY0.7 billion to JPY0.8 billion due to decreased sales volume and increased depreciation cost.

Sales in Europe & America increased 20% to JPY27.1 billion due to the weak yen and steady automobile production. Operating income increased by JPY0.5 billion to JPY1.3 billion due to increased volume and decreased depreciation cost.

Sales in Asia declined 16% to JPY8.3 billion, mainly due to lower production in China. Operating income decreased by JPY0.1 billion to JPY0.4 billion due to decreased sales volume.

2-1 Full Year Forecast FY2024

Forecasts have been revised upwards in light of 1Q results and changes in the external environment.

（100 millions of yen, %）

	FY2023 Full Year Results	FY2024 Full Year Forecast Previous on 25th Apr.	FY2024 Full Year Forecast Latest	YonY Full Year Gain&Loss	YonY Full Year %Change	Diff. from Previous Forecast Full Year Gain&Loss	Diff. from Previous Forecast Full Year %Change
Sales	2,073	2,000	2,010	△63	△3.1%	+10	0.5%
Operating Income	144	110	115	△29	△20.4%	+5	4.5%
Operating Income Ratio	7.0%	5.5%	5.7%	△1.3P	―	+0.2P	―
Ordinary Income	188	130	145	△43	△23.0%	+15	11.5%
Current Net Income *	169	100	110	△59	△35.2%	+10	10.0%
ROE	11.2%	6.0%	6.5%	△4.7P	―	+0.5P	―
ROA (Operating income basis)	5.3%	3.7%	3.9%	△1.4P	―	+0.2P	―
Net Assets per Share	¥2,840	¥2,895	¥3,025	¥185	6.5%	¥130	4.5%
Average exchange rate (US dollars)	¥144.2	¥145.0	¥151.1	¥6.9	―	¥6.1	―

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

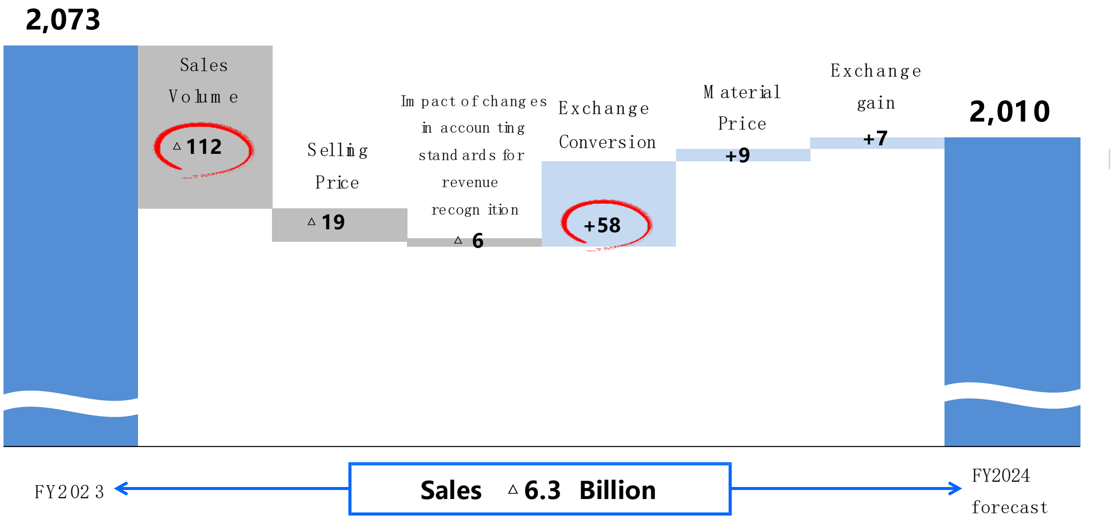
Based on the Q1 results and changes in the external environment, including customers' production plans, we have upwardly revised our full-year forecasts. Compared to the previous plan announced on April 25, we raised sales forecast by JPY1 billion to JPY201 billion. Forecast for operating income is raised by JPY0.5 billion to JPY11.5 billion. Forecast for ordinary income is raised by JPY1.5 billion to JPY14.5 billion, partly due to foreign exchange effects. Net income is revised up by JPY1 billion to JPY11 billion.

The forecasted exchange rate is JPY150 to the US dollar from Q2 onwards. The exchange rate sensitivity is JPY0.1 billion per year, per yen.

2-2 Analysis of FY2024 Forecasts: Sales

Decreased in sales due to lower sales volumes.

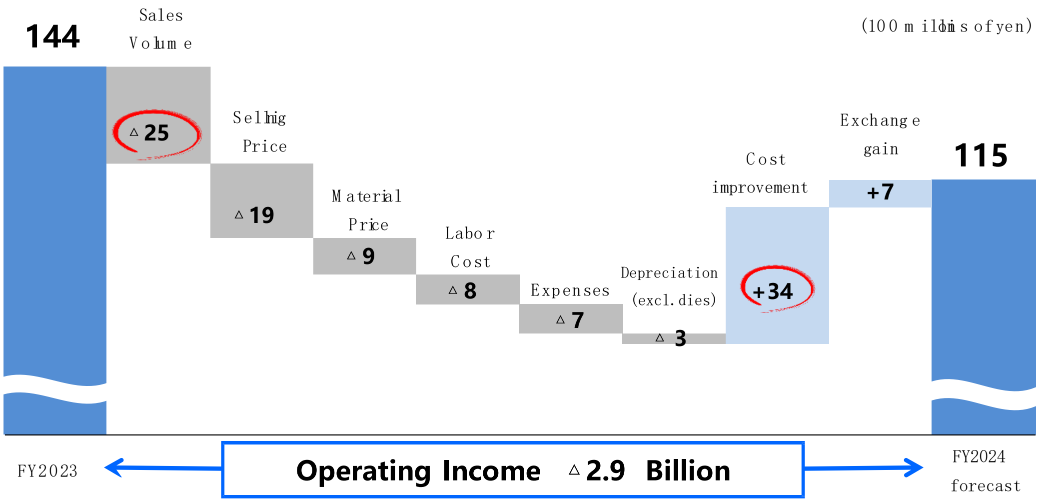
（100 millions of yen）



For the full year, we forecast net sales of JPY201 billion, down JPY6.3 billion from JPY207.3 billion in the previous year, due to lower sales of dies and molds, lower volume in China, and lower sales prices.

2-3 Analysis of FY2024 Forecasts : Operating Income

Lower sales volumes and higher costs are recovered through cost improvements.



Operating income for the full year is projected at JPY11.5 billion due to the negative impact of lower sales volume, price revisions, material price hikes, and increased labor costs.

2-4 Consolidated forecasts by Segments

Stamping and plastic molding business expect lower sales and income, while valves business expects flat YoY.

(100 millions of yen, %)

	Sales				Operating Income			
	FY2023 Result	FY2024 Forecast	YonY Gain&Loss	YonY %Change	FY2023 Result	FY2024 Forecast	YonY Gain&Loss	YonY %Change
Stamping & Plastic Molding *1	1,499	1,436	△63	△4.2	103	70	△33	△32.7
Operating Income Ratio					6.9%	4.9%	△2.0P	
Valves *2	571	570	△1	△0.3	41	45	+3	+9.3
Operating Income Ratio					7.2%	7.9%	+0.7P	

<Analysis>

*1 Sales decrease due to sales volume down, income decrease due sales volume down and increase in depreciation expenses.

*2 Sales expects to be flat YoY due to sales volume down and yen depreciation, and income increase due to decrease in depreciation.

Sales in the stamping & plastic molding business is expected to be JPY143.6 billion due to a decrease in overseas sales volume. Operating income is projected to decrease by JPY3.3 billion to JPY7 billion due to a decrease in sales volume and an increase in depreciation expenses.

Net sales of the valves business are projected to be JPY57 billion, the same level as the previous year, due to the assumed exchange rate of JPY150 for Q2 and beyond, although the sales volume is expected to decrease. Operating income is projected to increase by JPY0.3 billion to JPY4.5 billion due to a decrease in depreciation expenses.

2-5 Consolidated Forecast by Region

In Japan, sales up and income down. In Europe and the U.S.A., sales and income down. In Asia, sales down and income expected to be flat YoY.

（100 millions of yen, %）

	Sales				Operating Income			
	FY2023 Results	FY2024 Forecast	YonY Gain&Loss	YonY %Change	FY2023 Results	FY2024 Forecast	YonY Gain&Loss	YonY %Change
Japan *1	679	696	+16	+2.5	62	48	△14	△23.2
Operating Income Ratio					9.2%	6.9%	△2.3P	
Europe&America *2	969	944	△25	△2.7	43	35	△8	△18.9
Operating Income Ratio					4.4%	3.7%	△0.7P	
Asia *3	424	370	△54	△12.8	26	27	+0	+0.2
Operating Income Ratio					6.4%	7.3%	+0.9P	

<Analysis>

*1 Sales increase due to sales volume up, but income decrease due to increase in labor cost, expenses and depreciation
*2 Sales decrease due to dies and molds sales down, and income decrease due to sales volume down and higher labor costs
*3 Sales decrease due to lower volume in China, income expected to be flatYoY due to lower volume and depreciation expenses.

Sales in Japan is expected to be JPY69.6 billion due to an increase in shipment volume. Operating income is projected to decrease by JPY1.4 billion to JPY4.8 billion, mainly due to increases in labor cost, expenses, and depreciation cost.

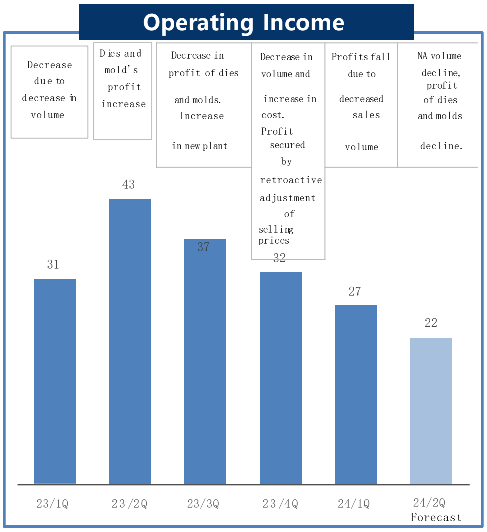
Sales in Europe & America is expected to be JPY94.4 billion due to lower sales of dies and molds. Operating income is projected to decrease by JPY0.8 billion to JPY3.5 billion due to decreased sales volume and increased labor costs.

Sales in Asia are expected to be JPY37 billion, assuming lower volume in China. Operating income is projected to be JPY2.7 billion, the same level as the previous year, due to a decrease in depreciation expenses, despite a decrease in sales volume.

2-6 Quarterly Consolidated Financial Results

Decrease in profit from 2023,Q4 due to partial shutdown of a customer's production line, etc.

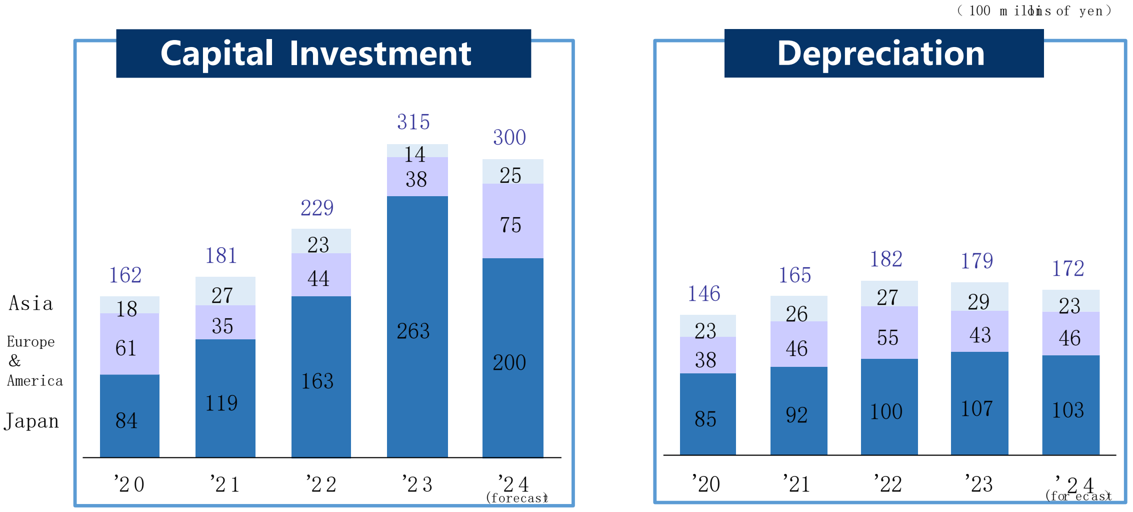
(100 millions of yen)



The new plant for stamping business has been in full-scale operation since Q3 of last year, and profits have been declining due to the associated increase in preparation and depreciation costs. From Q4 last year through Q2 of the current fiscal year, sales volume is expected to decline due to a partial shutdown of a customer's production line, resulting in lower sales and profit.

2-7 Capital Investments and Depreciation

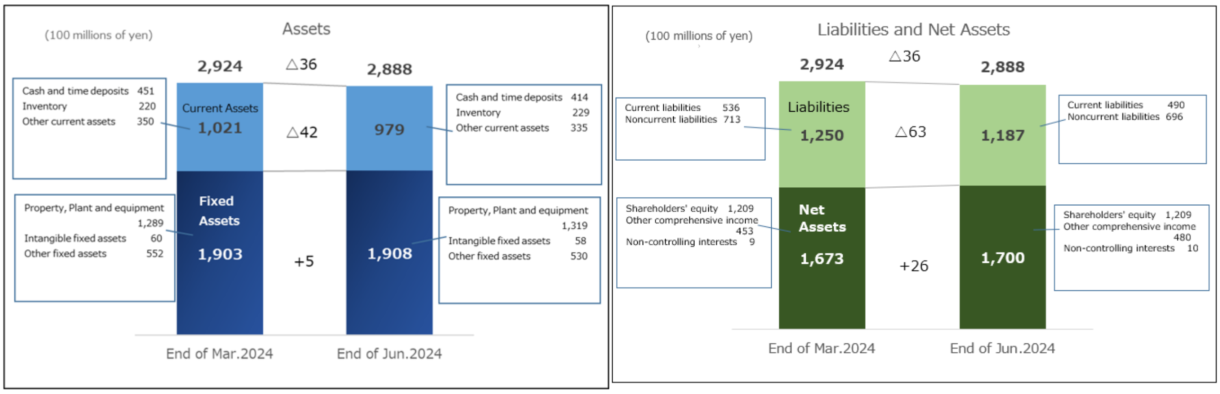
Investing in new valve plant, die factory, development center, etc. for future growth.



We are making growth-oriented capital investments for the future, in addition to normal investments such as for production preparation and enhancement. In FY2024, we plan to make a capital investment of JPY30 billion, including investment in the construction of a new valve plant, die factory, and development center.

2-8 Consolidated Balance Sheet

We are gradually selling off our cross-shareholdings, aiming to keep them at 20% or less of our net assets. As of the end of the first quarter, they had fallen to 19.9%, including deemed shares.



Total assets in the consolidated balance sheet decreased by JPY3.6 billion at the end of June 2024 compared to the balance at the end of March 2024. In addition, the Company plans to gradually unwind cross-shareholdings, and sold JPY15.8 billion-equivalent shares in the last fiscal year.

The balance of holdings, including deemed shares, decreased from 22.7% of net assets at the end of the previous fiscal year to 19.9% at the end of Q1 this year.

Topics: Plant Investment

Promoting plant construction to grow stamping and valve businesses

Completion of building for dies making

Reorganized the die factory in response to the expansion of the stamping business. Increased die production capacity and strengthened development of ultra-high tensile strength stamping methods.

Location: On-site of the Higashi-Ogaki plant (Ogaki, Gifu)

Prod. Line: Dies for Metal stamping
Total floor area: 5,700 ㎡ approx.
Investment amount: JPY 3.1Billion approx.
Start of operation: Nov. 2024

New valve plant under construction

Increasing production capacity of valves for electrified vehicles in light of long-term market expansion

Location: On-site of the Kita-Ogaki plant (Godo, Anpachi, Gifu)

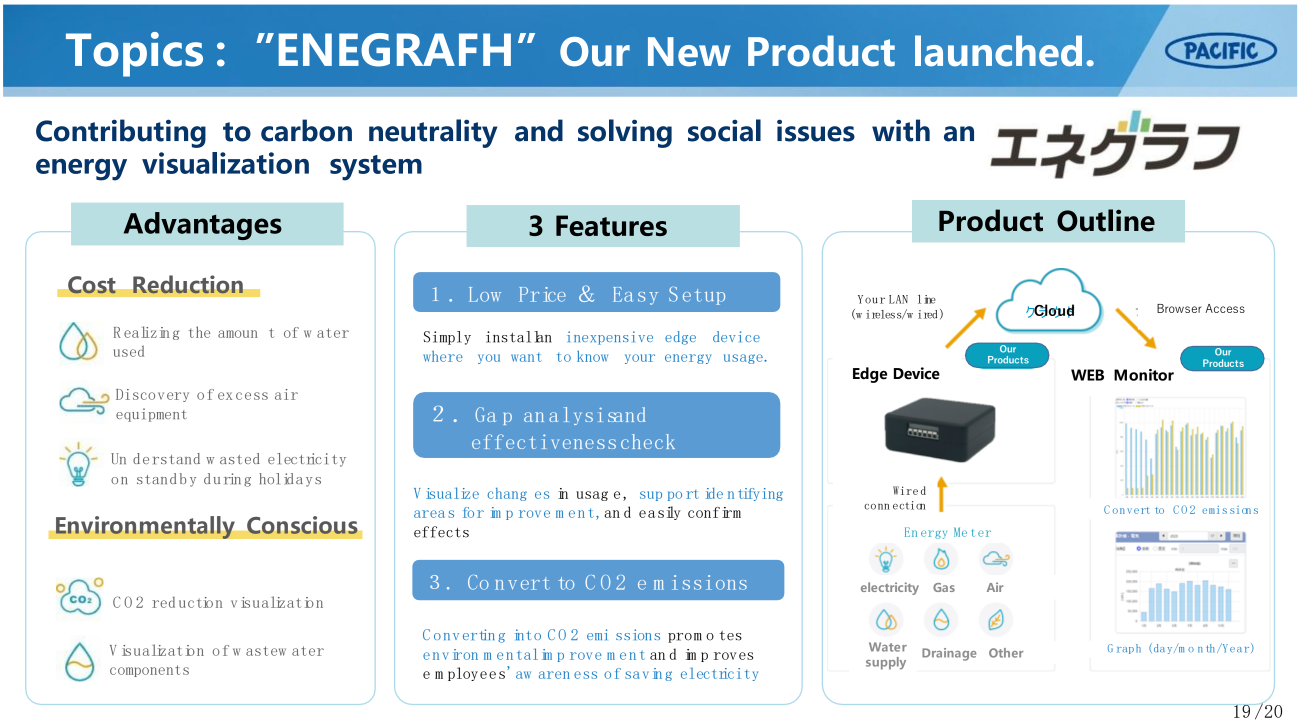
Prod. Line: Valve products for electrified vehicles, etc.
Total floor area: 14,900 ㎡ approx.
Investment amount: JPY 4.5Billion approx.
Start of operation: Mar. 2025

Both for the stamping and valves business, we are promoting plant constructions for growth.

In the stamping business, in order to expand business with ultra-high tensile strength method, we have completed the construction of a new die factory on the Higashi-Ogaki plant site in January and operations will begin in November. We are in the process of introducing a high-speed machining center and a large tryout-stamping machine to enhance our die manufacturing capacity and development of engineering method, especially for ultra-high-tensile strength stamping method.

In the valve business, we are constructing a plant to produce valves for electrified vehicles in order to increase production capacity and strengthen competitiveness in anticipation of market expansion associated with electrification. Electronic expansion valves for thermal management systems are currently being produced for battery cooling, and their adoption is expected to increase for PHEVs as well.

Our electronic expansion valves are compact and lightweight compared to other companies' products, and we can also develop modules that combine our other mainstay products, such as check valves and charge valves, to flexibly meet customer needs, which will lead to increased adoption.



We have developed and launched ENEGRAPH in May, an edge device that collects usage data from meters and a web system. It collects usage data from production facilities that use electricity, gas, air, and water, and visualize them in real time through the cloud.

It costs only JPY20,000 per device, and it can be easily installed, making it possible to visualize energy usage without a large and expensive system. It helps customers activities for energy-saving, cost reduction, and CO2 emissions reduction.

We will continue to promote the development of products to solve the issues faced by customers and society, thereby enhance our corporate value. We appreciate your continued support.