Financial Results Briefing for FY2024 Q2

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

Nov. 1, 2024

PACIFIC INDUSTRIAL CO., LTD.

Passion

思いをこめて、
あしたを
つくる

Create Tomorrow

Contents

Cautionary Statement with Respect to Forward-Looking Statements

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.

1-1 Consolidated Financial Summary

Due to a decrease in sales volume, both sales and operating income decreased.

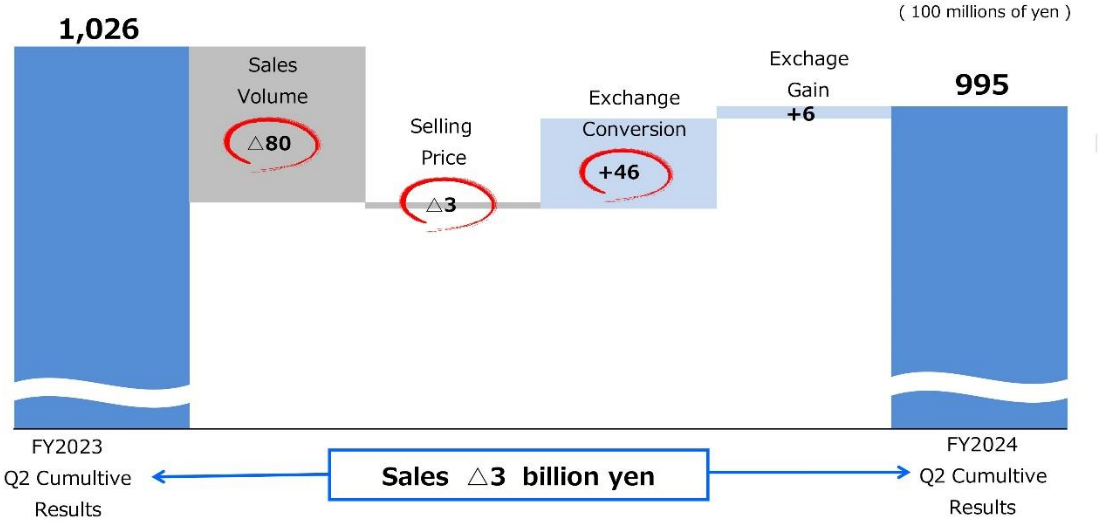
(100 millions of yen, %)

	FY2023	FY2024		YoY rate		Diff. from Forecast	
	23/2Q Cumulative Result	24/2Q Cumulative Forecast on 25Jul.	**24/2Q Cumulative Result**	Gain&Loss	% Change	Gain&Loss	% Change
Sales	1,026	990	**995**	△30	△3.0	+5	+0.6
Operating Income	74	50	**49**	△25	△34.6	△0	△2.0
Operating Income Ratio	7.3%	5.1%	**4.9%**	△2.4P	–	△0.2P	–
Ordinary Income	103	70	**64**	△38	△37.3	△5	△7.4
Ordinary Income Ratio	10.1%	7.1%	**6.5%**	△3.6P	–	△0.6P	–
Net income attributable to owners parent	75	55	**53**	△22	△29.3	△1	△3.1
Quarterly Net Income margin	7.3%	5.6%	**5.4%**	△1.9P	–	△0.2P	–
Average exchange rate (USDJPY)	139.9	152.3	**153.9**	14	–	1.6	–

For H1 of FY2024, our group reported sales of JPY99.5 billion, operating income of JPY4.9 billion, ordinary income of JPY6.4 billion, and net income of JPY5.3 billion.

1-2 Analysis of Consolidated Results : Sales

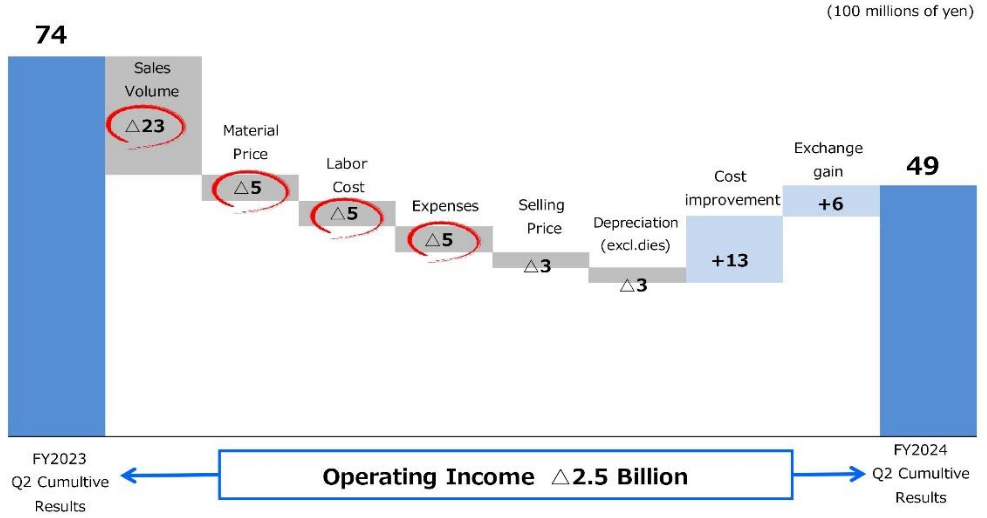
Sales decreased due to a decline in sales volume.



Sales decreased due to the suspension of production of some vehicles in Japan and the US, a decrease in sales volume resulting from lower sales of new vehicle dies and molds, and sales price revisions overseas. This means the reduced sales offset the positive impact of exchange rate differences and other factors resulting from the yen's depreciation.

1-3 Analysis of Consolidated Results : Operating Income

Profit decreased due to a decline in sales volume, rising material costs, and increased labor cost and expenses.



Operating income decreased mainly due to these negative factors: on the sales side, such as a decrease in sales volume and selling prices; and on the cost of sales side, the impact of material prices, including higher prices for brass and other materials and higher import prices for ICs for TPMS due to the weak yen and strong euro, as well as increased labor and expenses associated with the operation of the new stamping plant.

1-4 Consolidated Results by Business Segments

Stamping and plastic molding business decreased in both sales and income.
For valves, sales remained flat YonY, with an increase in profits.

(100 millions of yen, %)

	Sales				Operating Income			
	FY2023	**FY2024**	YonY		FY2023	**FY2024**	YonY	
	Q2 Cumultive Results	**Q2 Cumultive Results**	Gain&Loss	%Change	Q2 Cumultive Results	**Q2 Cumultive Results**	Gain&Loss	%Change
Stamping & Plastic Molding *1	741	**711**	△29	△4.0	55	**22**	△32	△58.8
Operating Income Ratio					7.5%	**3.2%**	△4.3P	
Valves *2	284	**283**	△0	△0.3	19	**26**	+7	+36.0
Operating Income Ratio					6.9%	**9.4%**	+2.5P	

<Analysis>

*1 Sales decreased due to a decline in volume, and profits decreased due to the decline in volume and increased depreciation expenses.

*2 Despite the decrease in volume, sales remained flat YonY due to yen depreciation, with profits increasing due to reduced depreciation expenses.

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In the stamping and plastic molding business, sales decreased to JPY71.1 billion due to a decline in sales volume. Operating income decreased due to the decline in volume and increased depreciation expenses, resulting in JPY2.2 billion.

For valves business, sales were JPY28.3 billion, the same level as the previous year, due to the effect of yen depreciation, despite the decrease in volume. On the other hand, operating income increased to JPY2.6 billion, mainly due to reduced depreciation expenses.

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			
	FY2023	**FY2024**	YonY		FY2023	**FY2024**	YonY	
	Q2 Cumultive Results	**Q2 Cumultive Results**	Gain&Loss	%Change	Q2 Cumultive Results	**Q2 Cumultive Results**	Gain&Loss	%Change
Japan *1	341	**333**	△8	△2.6	38	**20**	△17	△46.5
Operating Income Ratio					11.2%	**6.2%**	△5.0P	
Europe&America *2	473	**488**	+15	+3.2	15	**16**	+1	+6.7
Operating Income Ratio					3.2%	**3.3%**	+0.1P	
Asia *3	211	**173**	△37	△17.6	14	**9**	△4	△30.6
Operating Income Ratio					6.7%	**5.6%**	△1.1P	

<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 income increased due to a decrease in depreciation expenses.
*3 Sales and income decreased due to a sales volume down.

In Japan, sales decreased to JPY33.3 billion due to reduced sales volume. Operating income was JPY2 billion, down 46.5% YoY, mainly due to sales volume down and an increase in depreciation expenses.

Sales in Europe and the US totaled JPY48.8 billion due to the weak yen. Operating income was JPY1.6 billion, up 6.7% YoY, mainly due to a decrease in depreciation expenses.

Sales in Asia declined by 17.6% YoY to JPY17.3 billion due to lower sales volume. This resulted in decreased operating income of JPY0.9 billion, down 30.6% YoY.

2-1 Full Year Forecast FY2024

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Forecasts have been revised in light of 1st half results and changes in the external environment.

(100 millions of yen, %)

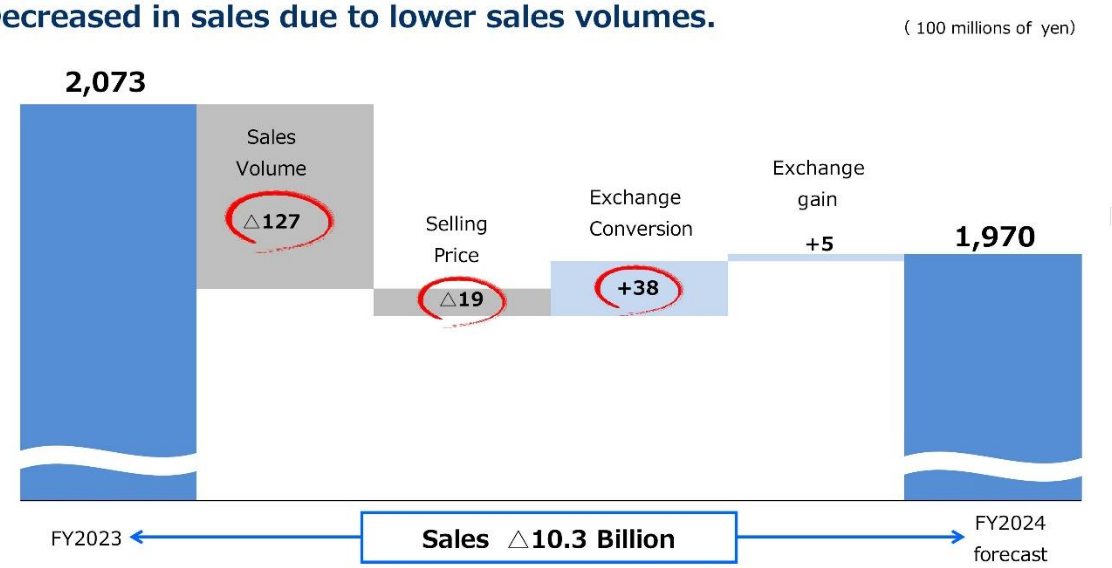
	FY2023	FY2024		YonY		Diff. from Previous Forecast	
	Full Year	Full Year Forecast		Full Year		Full Year	
	Results	Previous on 25th Jul.	Latest	Gain&Loss	%Change	Gain&Loss	%Change
Sales	2,073	2,010	**1,970**	△103	△5.0%	△40	△2.0%
Operating Income	144	115	**110**	△34	△23.9%	△5	△4.3%
Operating Income Ratio	7.0%	5.7%	**5.6%**	△1.4P	–	△0.1P	–
Ordinary Income	188	145	**135**	△53	△28.3%	△10	△6.9%
Current Net Income *1	169	110	**105**	△64	△38.1%	△5	△4.5%
R O E	11.2%	6.5%	**6.4%**	△4.8P	–	△0.1P	–
R O A (Operating income basis)	5.3%	3.9%	**3.8%**	△1.5P	–	△0.1P	–
Net Assets per Share(JPY)	2,840	3,025	**2,850**	+10	0.4%	△ 175	△5.8%
Average exchange rate (USDJPY)	144.2	151.1	*2 **149.4**	+5	–	△ 1.7	–

*1 Current net income is the current net income attributable to the parent company shareholders.
*2 We have revised the assumed exchange rate from the previously announced 150 yen/USD on July 25th to the current forecast of 145 yen/USD from the third quarter onwards.

We have revised our full-year forecasts. Forecasts were revised to sales of JPY197 billion, operating income of JPY11 billion, ordinary income of JPY13.5 billion, and current net income of JPY10.5 billion. Meanwhile, after Q3, the assumed exchange rate has been revised from JPY150 vs. USD1 to JPY145 vs. USD1. The annual foreign exchange rate sensitivity is JPY100 million per one yen.

2-2 Analysis of FY2024 Forecasts: Sales

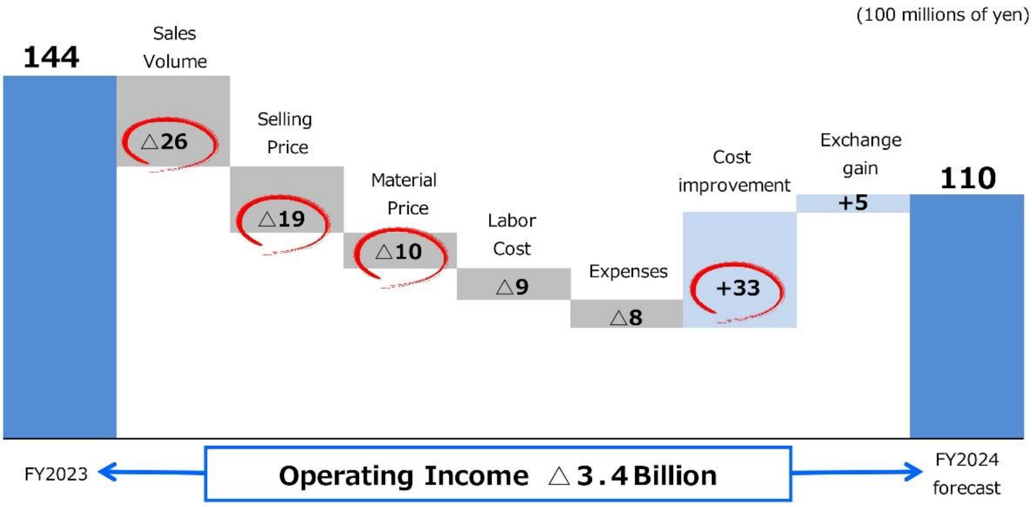
Decreased in sales due to lower sales volumes.



Although there are positive effects such as foreign currency translation differences due to the yen's depreciation, full-year sales are expected to decrease due to a decline in production volume, a decrease in sales volume due to lower dies and mold sales, and sales price revisions in overseas markets.

2-3 Analysis of FY2024 Forecasts : Operating Income

Lower sales volumes, negative impact on pricing and higher costs are recovered through cost improvements.



Operating income for the full year is expected to decrease due to negative factors on the sales side (i.e. decreases in sales volume and sales prices) and on the cost of sales side (i.e. the impact of material prices, including an increase in the price of brass materials and an increase in the import price of ICs for TPMS due to the weak yen and strong euro, and an increase in labor costs and expenses associated with the start of operations at the new stamping plant).

2-4 Consolidated forecasts by Segments

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Stamping and plastic molding business expects lower sales and income, while valve business expects sales down and income up.

(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	**1,411**	△88	△5.9	103	**65**	△38	△37.5
Operating Income Ratio					6.9%	**4.6%**	△2.3P	
Valves *2	571	**556**	△15	△2.7	41	**45**	+3	+9.2
Operating Income Ratio					7.2%	**8.1%**	+0.9P	

<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 down due to sales volume decrease, and income increase due to decrease in depreciation.

As for the full-year forecast by segments, the stamping and plastic molding business expects lower sales and income: sales of JPY141.1 billion and operating income of JPY6.5 billion, due to lower sales volume and an increase in depreciation expenses.

In the valve business, sales are expected to be JPY55.6 billion due to a decrease in sales volume. Operating income is projected at JPY4.5 billion due to a decrease in depreciation expenses.

2-5 Consolidated Forecast by Region

Sales remain flat YonY and income down in Japan. In Europe and the U.S.of America, 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	**670**	△9	△1.4	62	**42**	△20	△32.8
Operating Income Ratio					9.2%	**6.3%**	△2.9P	
Europe&America *2	969	**932**	△37	△3.9	43	**36**	△7	△16.5
Operating Income Ratio					4.4%	**3.9%**	△0.5P	
Asia *3	424	**368**	△56	△13.3	26	**25**	△1	△7.2
Operating Income Ratio					6.4%	**6.8%**	+0.4P	

<Analysis>

*1 Sales remain flat YonY 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 flat YoY due to lower volume and depreciation expenses.

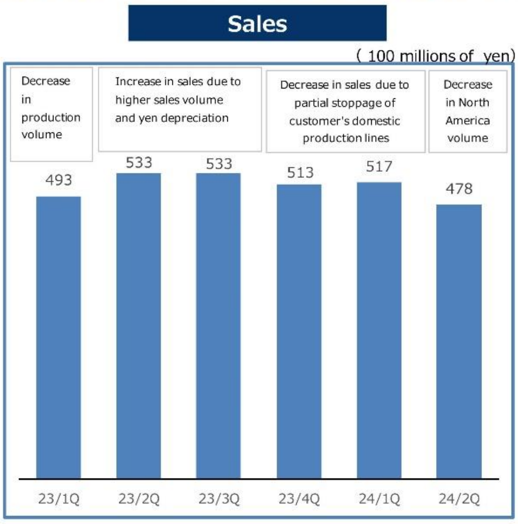
Sales in Japan are expected to remain flat YoY at JPY67 billion. Operating income is projected at JPY4.2 billion, mainly due to increases in labor cost, expenses, and depreciation.

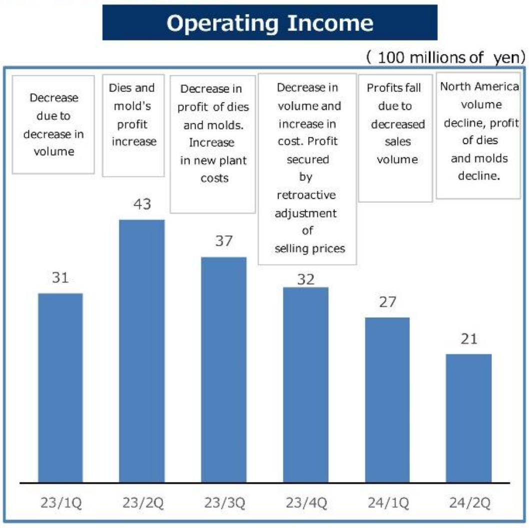
Sales in Europe and the US are projected to be JPY93.2 billion, due to reduced sales of dies and molds. Operating income is projected at JPY3.6 billion due to lower sales volume and higher labor costs.

In Asia, sales are projected to be JPY36.8 billion due to lower volume. Operating income is projected at JPY2.5 billion, despite the decrease in volume, due to lower depreciation expenses.

2-6 Quarterly Consolidated Financial Results

Decrease in profits due to partial suspension of customer's vehicle production and a decline in sales of dies and molds.

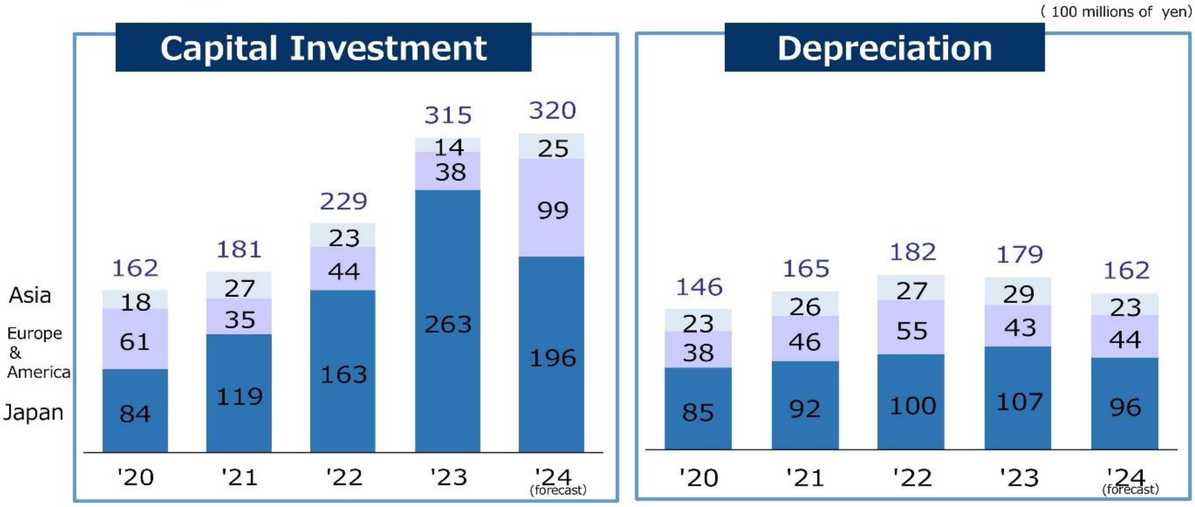




Since Q4 of last fiscal year, profits have decreased due to partial suspension of customer's vehicle production and a decline in sales volume. The decline was particularly large in Q1 and Q2 of FY2024 due to a combination of vehicle production stoppages in Japan and the US, as well as a decline in sales of dies and molds.

2-7 Capital Investments and Depreciation

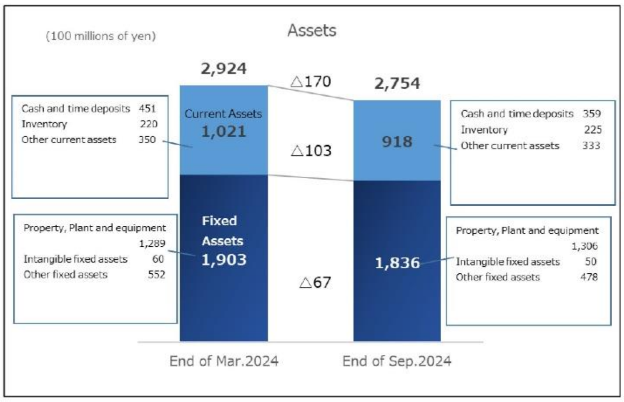
Investing in die factory, new valve plant, and development center, etc. for future growth.

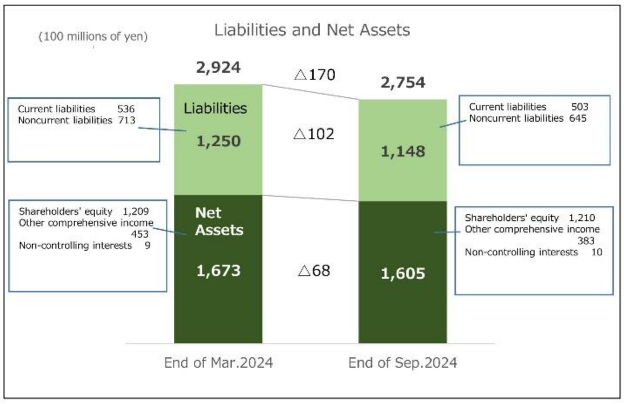


Capital investments are made for future growth in addition to normal investments in production preparation, improvement, and renewal. In FY2024, we plan to make a capital investment of JPY32 billion, including investments in the construction of a new die factory, a new valve plant, and a development center in Japan, and in the construction of a new plant to increase stamping production capacity in the US.

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 Sep., they had fallen to 16.8%, including deemed shares.





Regarding the consolidated balance sheet, total assets decreased by JPY17 billion as of September 30, 2024 compared to March 31, 2024. The balance of cross-shareholdings, including deemed shares, as a percentage of net assets decreased from 22.7% as of March 31, 2024 to 16.8% as of September 30, 2024.

3-1 Progress on the "NEXUS-26" of the Mid-Term Business Plan

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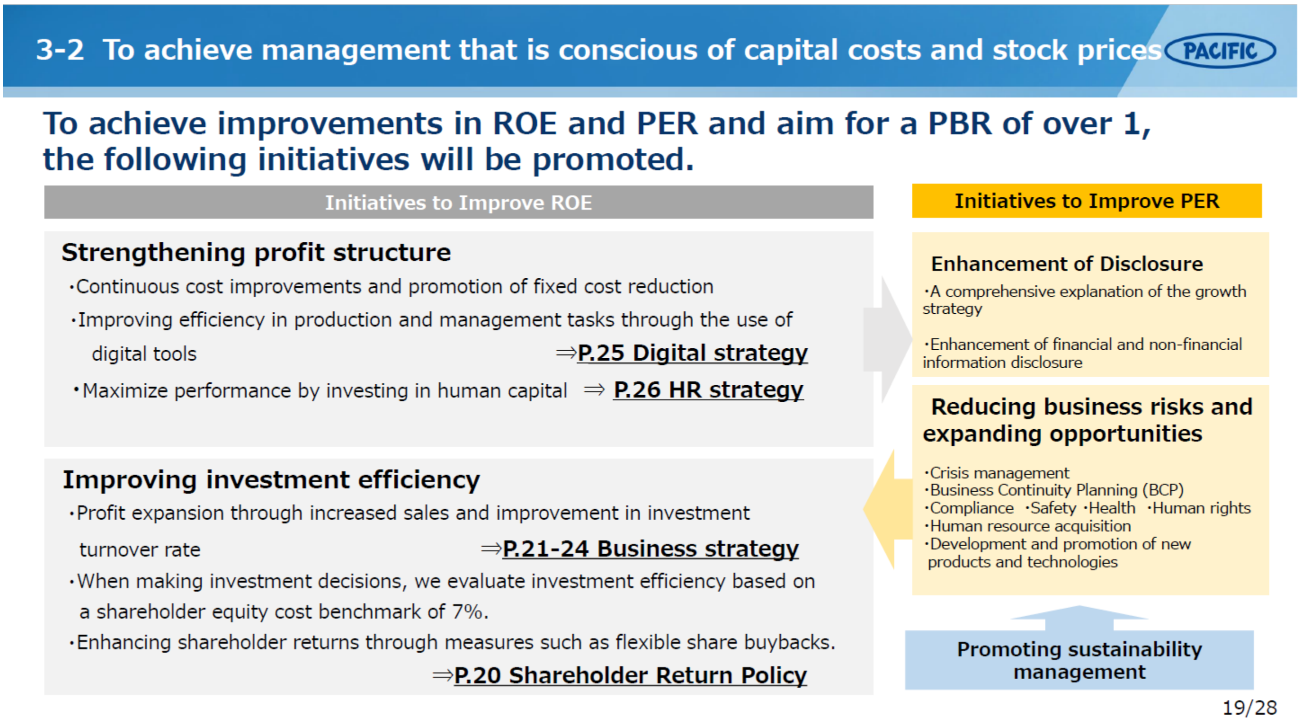
We are promoting initiatives to enhance financial and non-financial value in line with our plan. Progress is steady towards achieving our targets for FY2026.

Financial value targets	FY2022 Result	FY2023 Result	FY2024 Forecast	FY2026 Target
Sales (Billion yen)	191.2	207.3	197	210
Ratio of operating income to sales	4.9%	7.0%	5.6%	7% or more
ROE	7.0%	11.2%	6.4%	8% or more

Non-financial Value targets	FY2022 Result	FY2023 Result	FY2026 Target
Sales ratio for electrified vehicles	29.1%	34.1%	50%
No. of new product and services launched	1 case	7 cases	15 cases (Accumulated from FY2023)
Employee engagement Positive assessment rate	-	First survey implementation 48.2%	60%
CO2 Emissions (Scope 1 and 2, group, compared to FY2019)	18.4% reduction	20.3% reduction	30% reduction

Under NEXUS-26, financial and non-financial value targets are set to be achieved by FY2026, which is the final year of the plan. Progress on each of these targets is shown here on page 18. As I explained earlier in our full-year forecast, we are making good progress toward achieving our goals, although sales and profits will once decline in FY2024.



With regard to efforts to realize management that is conscious of cost of capital and stock price, we aim to achieve a P/B ratio of over 1 by improving ROE and P/E ratio. To improve ROE, we believe it is first important to strengthen the earnings structure and foundation of the business.

In addition, we believe it is necessary to improve investment and capital efficiency. In addition to improving investment turnover by promoting sales expansion in each business, we verify the cost of capital as a criterion when making investment decisions. Moreover, in order to enhance capital efficiency, the Company will implement flexible share repurchases and enhance shareholder returns.

In order to improve P/E ratio, we will explain each business strategy in IR and enhance disclosure of financial and non-financial aspects, including digital and human resource strategies, so that our growth strategy can be fully understood. We aim to reduce business risks and expand opportunities by promoting sustainability management.

3-3 Shareholder Return Policy

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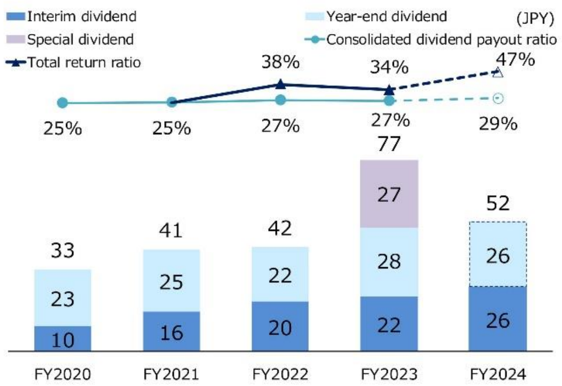
Enhance shareholder returns with a dividend payout benchmark of 30% and flexible share buybacks.

<Trends in Dividends per Share, Dividend Payout Ratio, and Total Shareholder Return Ratio>



<Dividend>

・Based on a dividend payout ratio of 30%, we will implement stable and continuous dividends.

<Share buybacks>

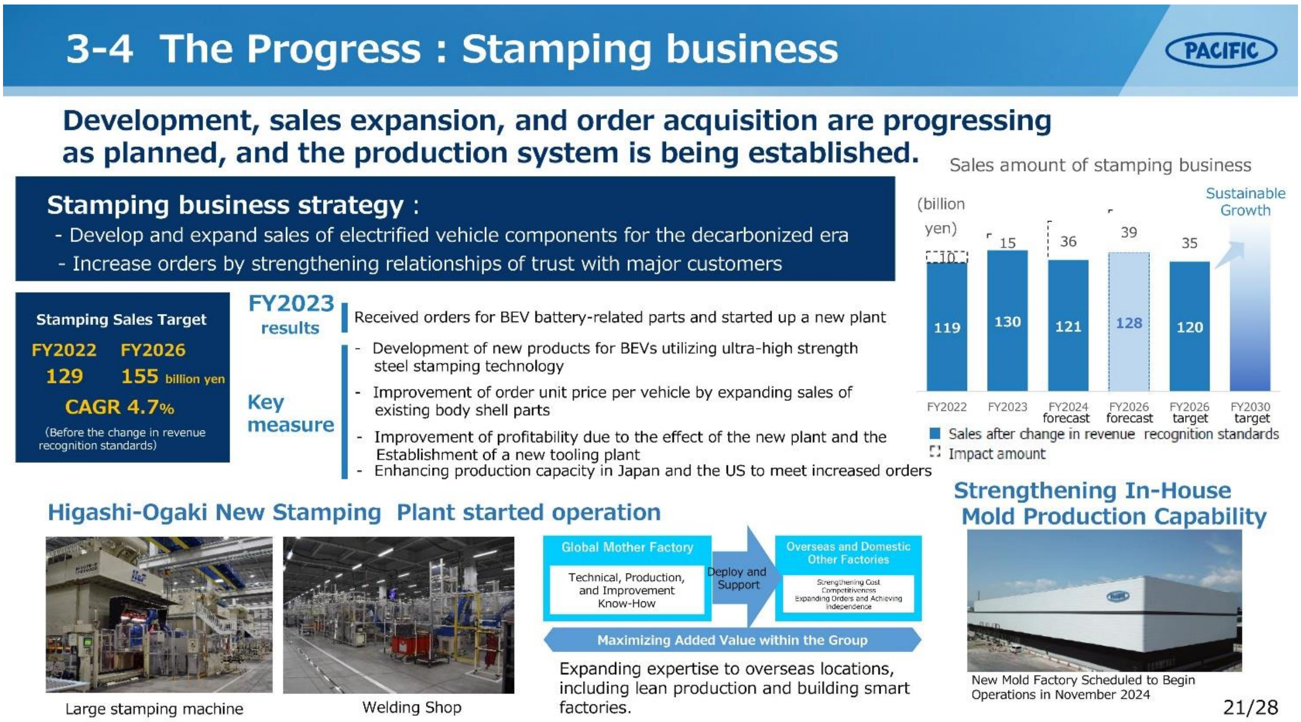
・Purpose : Improve shareholder returns and capital efficiency, implement flexible capital policy

【 FYI 】
20 Billion yen /FY2024
13 Billion yen /FY2023
10 Billion yen /FY2022

The Company's shareholder return policy is to enhance returns to shareholders by setting the dividend payout ratio at a standard of 30% and, in addition, implementing flexible share buybacks.

The annual dividend for FY2024 is planned to be JPY52, an increase of JPY2 from last year's ordinary dividend of JPY50, excluding last year's special dividend, thus providing a stable and continuous dividend.

Meanwhile, the Company conducted a share buyback of JPY2 billion in the current fiscal year for the purpose of returning profits to shareholders, improving capital efficiency, and implementing a flexible capital policy.

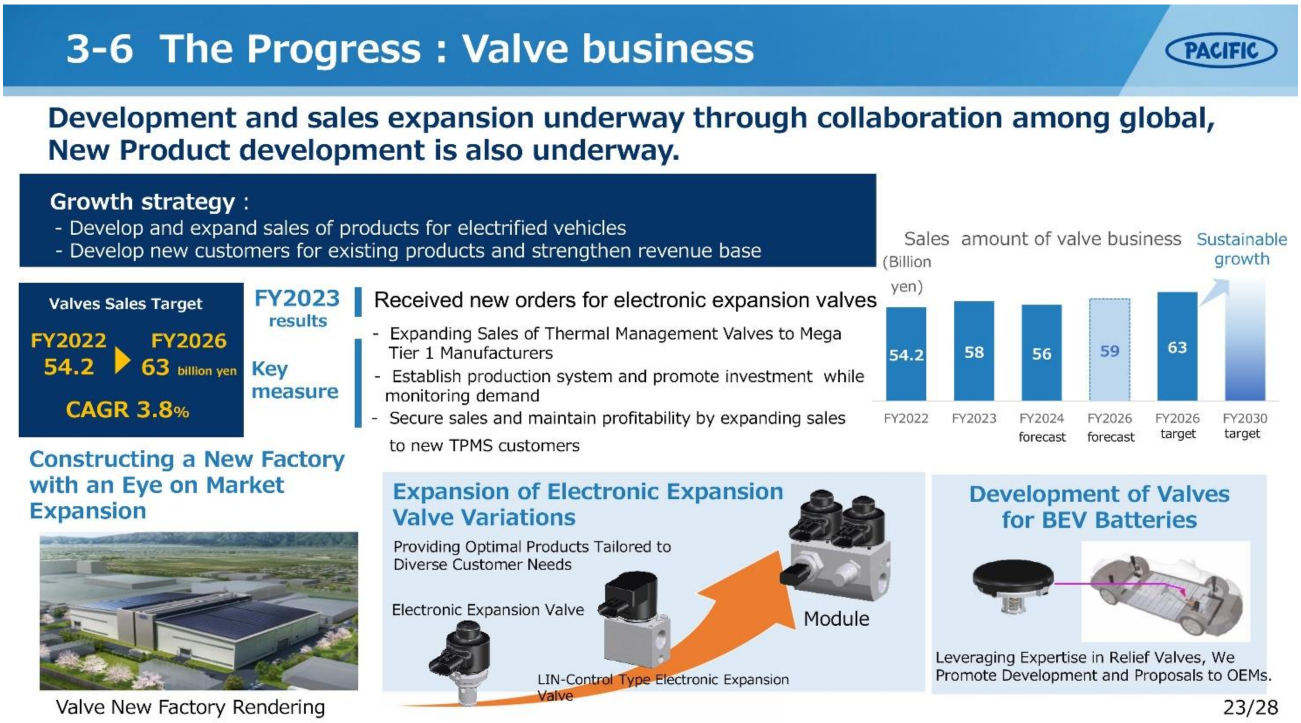


In the stamping business, development of technologies and products and sales expansion are progressing steadily, and we are promoting the establishment of a production system to increase sales. In addition, we are expanding orders for new products for electric cars that utilize ultra-high strength steel stamping technology and by expanding sales of existing stamping parts.

The new stamping plant, which was launched last year, will gradually increase its operating rate and is expected to contribute to profits in H2 of the next fiscal year. In addition, as a global mother factory, we will maximize added value for the Group by horizontally deploying our know-how.

New orders in the US are also increasing, and we plan to increase production capacity by building a plant and installing stamping machines.

In the plastic molding business, product development and sales expansion for battery EVs are progressing, and we are working to build a production system to increase the volume of products. We will continue to increase production capacity in each region to meet demand, while also keeping an eye on future battery EV trends. In addition, at the development center scheduled to start operation next year, we will speed up the development process by integrating prototyping and evaluation under the theme of co-creation space. We are strengthening our soundproofing and decoration technologies to enhance our competitiveness.

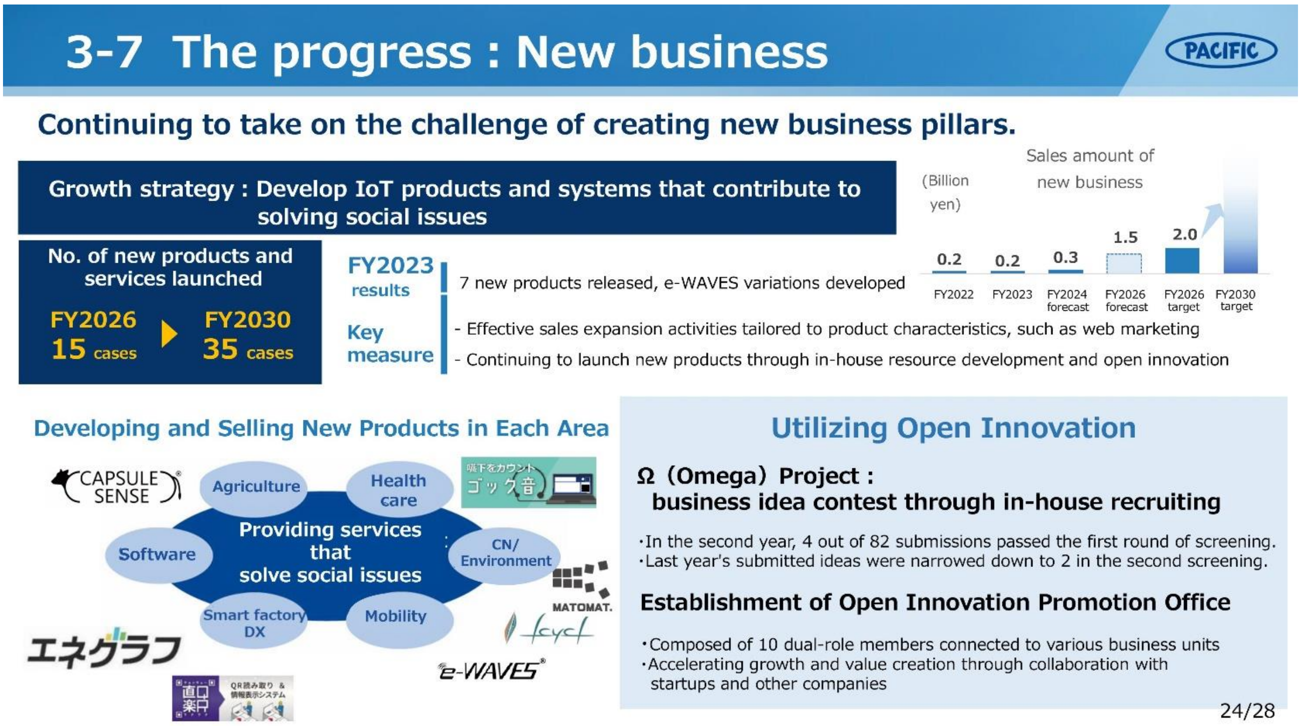


In the valve business, we are developing and expanding sales of valves for electric vehicles, including valves for thermal management systems and electronic expansion valves.

In anticipation of market expansion associated with future electrification, we are building a factory to produce valves for electrified vehicles in order to expand our business and strengthen our competitiveness.

In terms of future business development of electronic expansion valves, we are developing variations by developing products suited to detailed control specifications, and since it is possible to develop modules that combine multiple valves in a complex manner, we hope to expand adoption by responding flexibly to customer needs.

In addition, as a new valve product for battery EVs—which are expected to grow over the medium to long term—we are developing a relief valve for battery packs to quickly release excessive pressure when gas is generated in a battery pack. We are developing this product by leveraging our expertise in relief valves for automotive air-conditioner refrigerants, for which we boast an 80% global market share, and relief valves for hydrogen, and will make proposals to OEMs in order to expand their adoption.

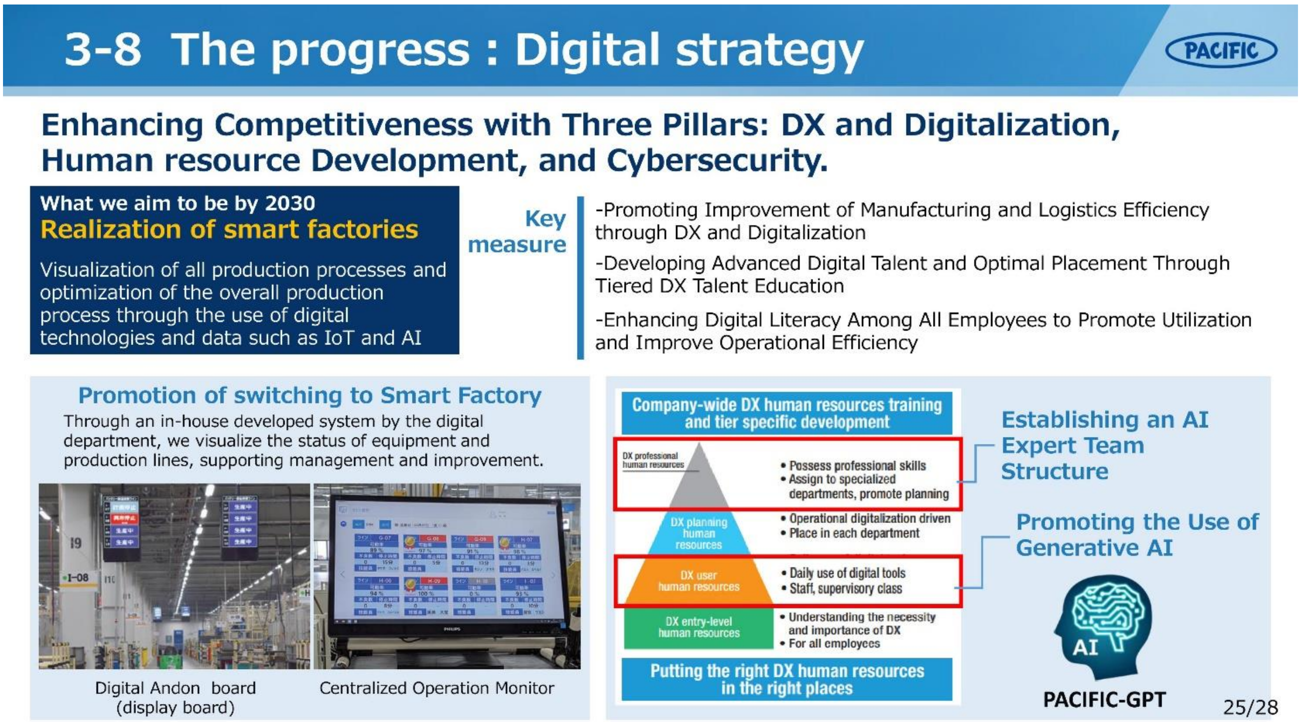


In our new business, we are developing a variety of products with new ideas based on business axes that are tied to solving social issues in order to create pillars outside the mobility area.

For products released to date, we are working to increase sales through web marketing and other sales expansion activities tailored to product characteristics.

While promoting development using in-house resources, we are also promoting the use of open innovation. We are promoting initiatives to speedily commercialize new ideas through new business creation projects, which are open to internal applicants, and the establishment of a new organization aimed at creating value through collaborative creation with external parties.

We will continue to take on new business challenges.

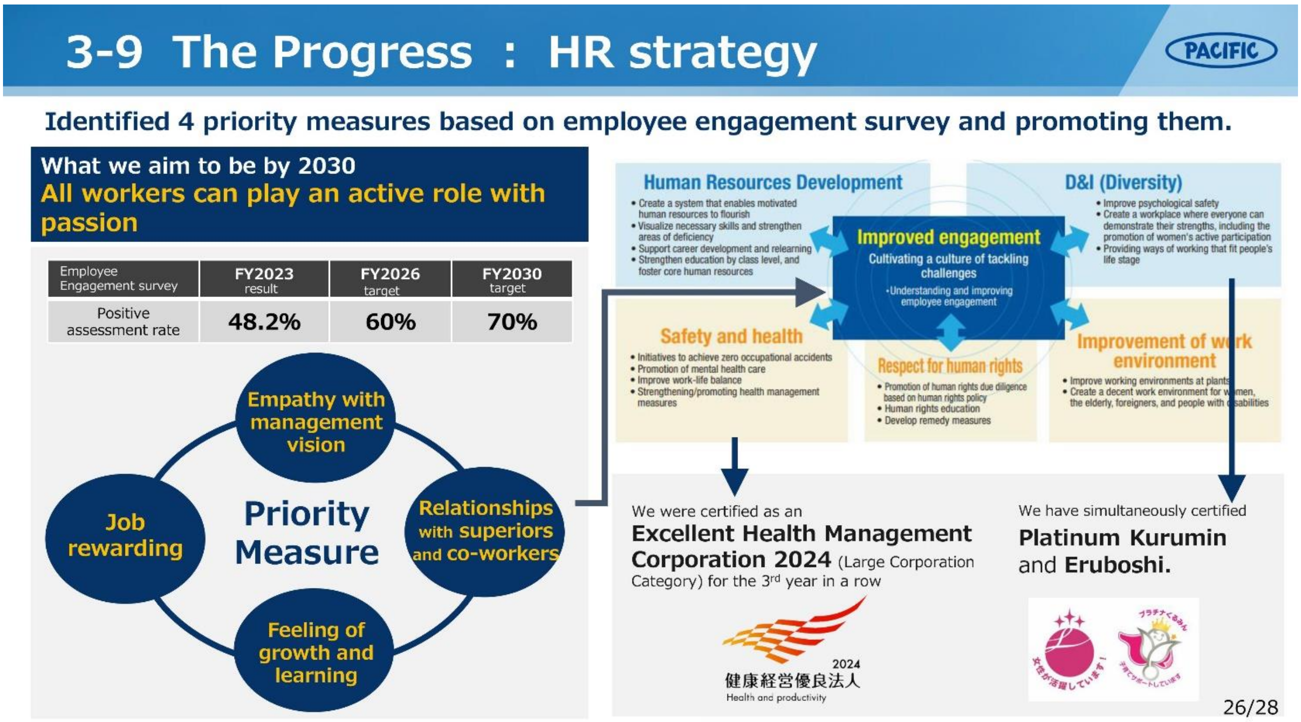


The digital strategy is to enhance competitiveness with three pillars, which are DX and digitalization, human resource development, and cybersecurity. In addition to the smart factory, the Company is working to improve the efficiency of its internal operations, including manufacturing, logistics, and administrative staff operations.

At the new stamping plant, which started operation last year, an in-house developed system by the digital department visualizes the operation status of production equipment and lines and is used for on-site improvements.

We are also developing tiered DX talent education throughout the Company. By raising the level of digital literacy and promoting the use of digital technology, we are working to improve the efficiency of our operations.

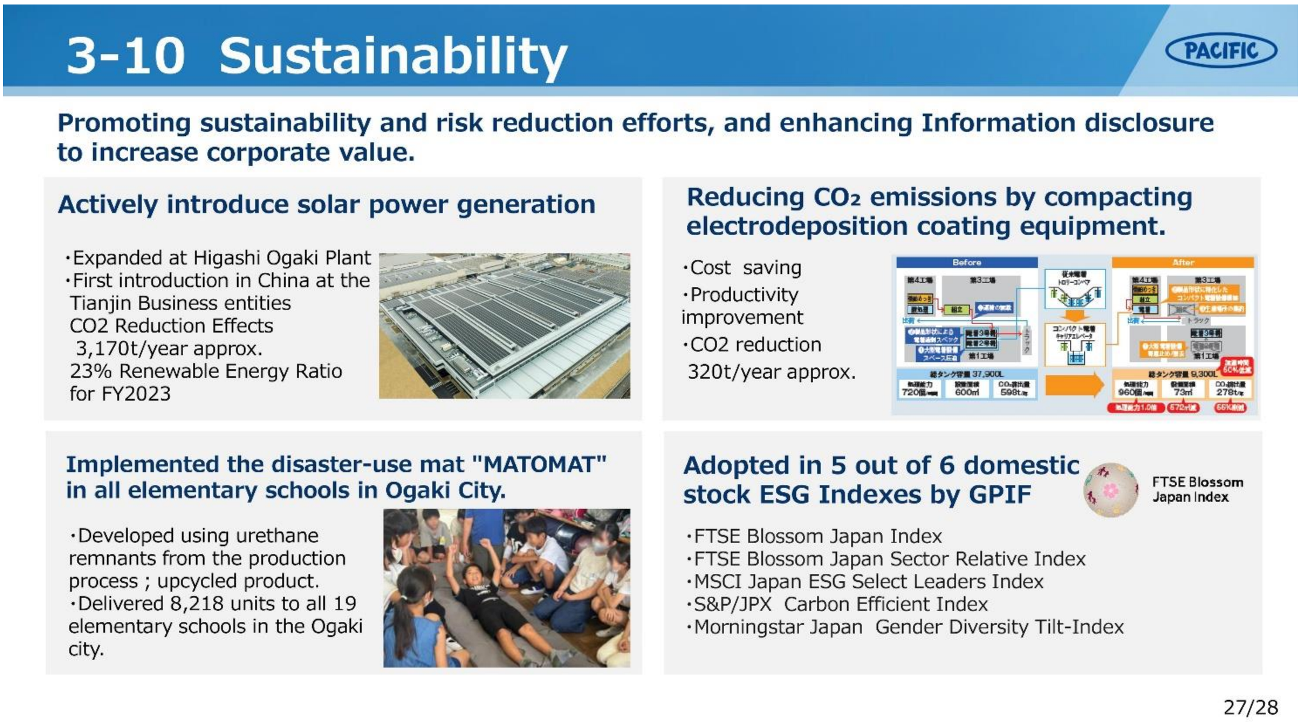
Furthermore, by establishing an AI expert team system, in which AI engineers within the Company are organized into a single team that transcends divisions, we are working to promote improvements by helping to solve problems within the Group and to promote the use of AI in new businesses and other areas, thereby contributing to the creation of value.



We believe that our human resources strategy is an important initiative to realize our purpose.

Using the positive response rate from the employee engagement survey that we have conducted since last year as an indicator, we aim to achieve 60% in FY2026 and 70% in FY2030, compared to 48.2% in FY2023 actual results.

We have themed four key initiatives to improve employee engagement company-wide. Encouraging empathy with management vision, building trusting relationships with superiors and co-workers, being able to feel own job as rewarding, and feeling of growth and learning. By promoting these four key initiatives, we hope to create a positive cycle of increased employee engagement, business growth, and increased corporate value.



To enhance corporate value, we promote sustainability initiatives, reduce business risks, and enhance information disclosure.

We have established KPIs and disclosed information on four sustainability themes: building trust with stakeholders, solving social and customer issues through our products, minimizing environmental impact, and respecting and promoting human resources. Specific measures taken include the active introduction of solar power generation aimed at achieving carbon neutrality, reducing CO2 emissions, and upcycling urethane product scrap materials.

In recognition of these sustainability and ESG initiatives and disclosures, our initiatives are adopted in five out of six domestic stock ESG indexes by GPIF.

We will continue to pursue our purpose, “Passion in Creating Tomorrow,” and promote sustainability management to enhance our corporate value.