May. 8th, 2025

Pacific Industrial Co., Ltd.

Briefing for Fiscal Year 2024 Q & A

《2025 Full year Forecast》

Q1: Please explain the assumed production volume for the financial forecast in the Stamping and plastic molding business for the next term.

A1: We have aligned our financial forecast with the production volume outlook provided by Toyota Motor Corporation.

Q2: Please explain the background where the FY 2025 financial forecast for the Stamping and plastic molding business shows a decrease in sales compared to the previous year, yet an increase in operating profit.

A2: In FY 2024, production was reduced in the first half due to certification issues. However, if production proceeds as planned throughout FY 2025, we expect a stable business environment, which can lead to profitability. Additionally, our internal improvement initiatives are progressing smoothly, the new plant of Higashi-Ogaki plant is becoming fully operational, and sales per vehicle are increasing due to model changes in FY 2025, all contributing to profit growth.

Q3: Regarding the factors contributing to the fluctuation in operating income for FY2025, the sales price factor shows a positive change YoY. Please explain whether Toyota Motor Corporation plans to conduct regular price revisions as usual in FY2025, which were restrained last year. Additionally, for models that are scheduled for model changes, please provide more details on whether there will be any changes in sales prices compared to the current models.

A3: As for sales prices, as in FY2024, we expect to pass on increased costs due to rising labor costs and other factors in FY2025, so when combined with regular price revisions, we expect a net positive result. In addition, the sales price per vehicle for BEVs, which is scheduled to be remodeled this year, is also higher than that of the current model.

Q4: Please explain the factors behind the strong operating profit of the Valve business in FY2024 and the reasons for the projected significant decrease in FY2025.

A4: In FY2024 Q4, operating profit temporarily increased due to the pass-through of IC price hikes to certain customers. For FY2025, the change in the product mix of TPMS, with a further shift towards the low-margin G type, is a factor for the decrease in profits. While the E type, which has been the mainstay, accounted for about half of sales in FY2024, sales are expected to decrease to about 20% in FY2025 as the shift progresses. This change in product composition is reflected in our financial forecast.

Q5: There have been discussions that the next type after G-type in the TPMS for the Valve business would have improved profitability; how has this been factored into the full-year FY 2025 forecast?

A5: Although the introduction of the next type is progressing, the G-type remains mainstream in FY 2025, resulting in limited impact on profitability. From FY 2027 onwards, an increase in the newer types is anticipated, leading to improvements. The Electric expansion valve, expected to see increased adoption in BEVs and PHEVs, is also expected to grow gradually in volume post-FY 2027. Although the Valve business faces challenges in FY 2025 due to product mix changes and depreciation expenses from new plants, the Stamping and plastic molding business is expected to show a profit-increase trend, leading to no significant decrease in the company-wide results.

《Impact of U.S. Tariff Policy》

Q6: Please explain how U.S. Tariff policy impacts financial results.

A6: From this March to April, while the financial impact on steel, aluminum, bolts, and nuts is limited, our company is affected by some additional tariffs. Instead of shouldering the tariff impact entirely, we plan to negotiate with our clients at the appropriate times. Moreover, rather than merely observing developments, we intend to implement possible measures, such as exporting components stocked in Japan, like semiconductors, to the U.S. before additional tariffs are applied.

Q7: Regarding the impact of tariffs, there were explanations that some parts are being exported from Japan to the U.S. Are these directly supplied to U.S. car manufacturers from Japan, or are they first exported to your U.S. subsidiary and then distributed to U.S. customers?

A7: We export from Japan to our U.S. subsidiary and then deliver to various customers.

Q8: Please explain the current situation of local and overseas procurement at our U.S. subsidiary regarding material sourcing.

A8: At our U.S. subsidiary, materials like pressed steel are basically procured locally. For the Valve business, we import valve components such as TPMS ICs and components. For the Stamping business, some parts like bolts and nuts are purchased from Japanese manufacturers and trading companies in U.S. Some of them are imported from Japan.

Q9: Are there any considerations for revising the supply chain or production bases?

A9: Reviewing production bases requires new buildings and land to establish a certain production capacity, which takes substantial time, making drastic changes difficult. We also recognize various risks, such as securing labor and high labor costs in the U.S.

Q10: There has been news that Toyota Motor Corporation might bear the cost of additional tariffs for suppliers; can we consider that there is almost no direct impact of tariff policy on you?

A10: While we have not received any explicit comments from our major customer, Toyota Motor Corporation. Regarding tariff burdens, considering the increase in labor costs due to wage hikes since last year, the stance of supporting suppliers during fuel price surges and the COVID-19 pandemic, as well as comments from other companies in media reports, we think there is a possibility that Toyota Motor Corporation may bear supplier's additional tariff cost. We aim to take possible avoidance measures to minimize the impact and focus calmly on delivering high-quality products consistently.