

Financial Results Briefing for FY2017

the 94th period (Apr 1,2017-Mar 31,2018)

May 23, 2018

1. Company Profile
2. Financial Results for FY2017 and Forecast for FY2018
3. Medium-Term Management Plan (FY2018-FY2020)
4. Acquiring the Schrader Valves Business

Cautions for handling this document

Future forecast including this document was judged according to the information at the present time. The actual financial result might be considerably different to the forecast mentioned here depending on Japanese or international economic situation, business trend related to our company, and any risk or indefinite factors involved in fluctuation of exchange rate



PACIFIC INDUSTRIAL CO., LTD.

1. Company Profile

2. Financial Results for FY2017 and Forecast for FY2018
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4. Acquiring the Schrader Valves Business



PACIFIC INDUSTRIAL CO., LTD.

1-1 Main Business at Our Company

Stamping Products



■ Hybrid Battery Case



■ Center Pillar



■ Trunk Hinge



■ Oil Pan



■ FR Side Member



■ Plate Forging

Molding Products



■ Cap Center Ornament



■ Wheel Cap



■ Accelerator Pedal



■ Engine Cover

Tire Valve Products



■ Valve Cores



■ Tubeless Valve



■ Relief valve



■ Charge Valve

TPMS Products

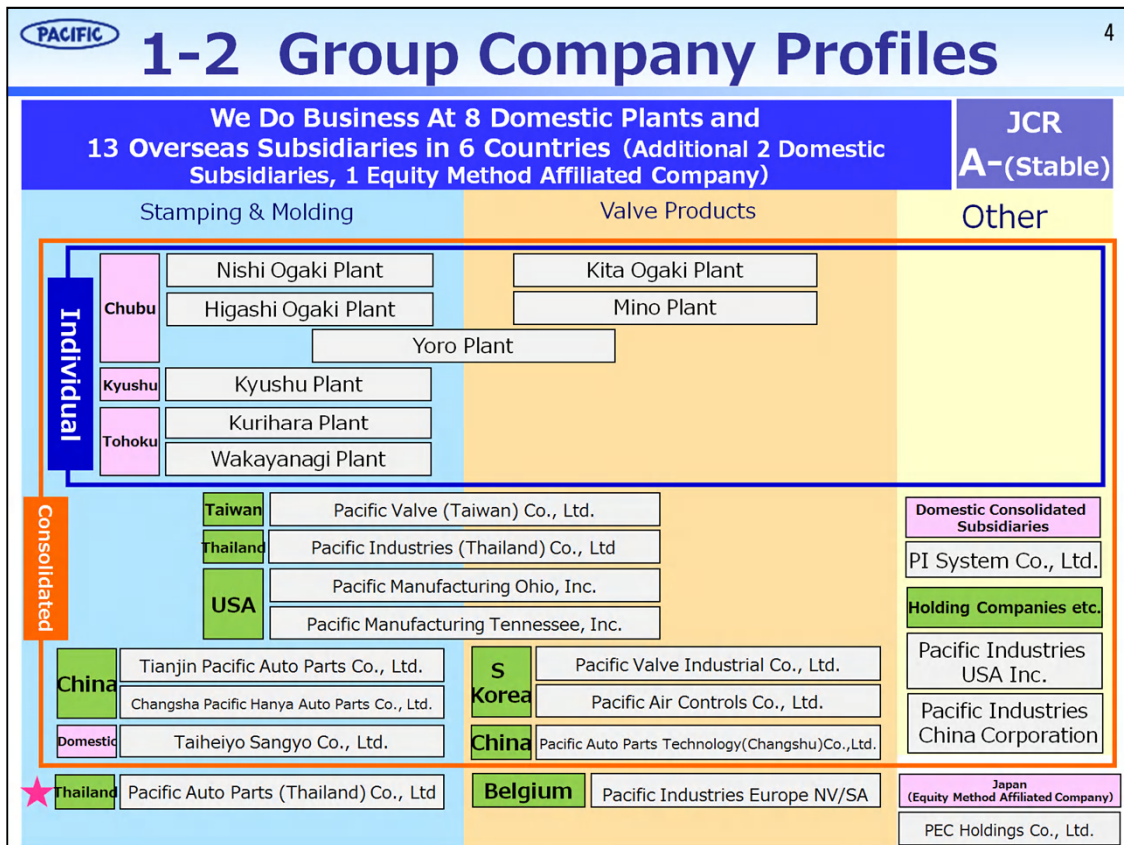


■ Transmitter Device



<Our main business>

- We sell stamping, molding, valve, and TPMS products.
- In the tire valve market, our corporation's founding enterprise, we are a specialized manufacturer with the world's top market share.



<Group Companies Profiles>

Our history

- In 1930 Started business in valve core nationalization
- In 1962 Listed in the Second Section of the Tokyo Stock Exchange.
- In 1970 Listed in the First Section of the Tokyo Stock Exchange.

Division Structure : "Stamping and Molding", "Valves", "Other"

Stamping and Molding

Accounts for about 70% of total sales

Primarily working with Toyota group, but also Mitsubishi, Honda, and Suzuki.

Based in Taiwan, the US, China, and Thailand

We established "Pacific Auto Parts(Thailand) Co., Ltd", our second base in Thailand, in order to meet the localization needs of of stamping and molding products for automobiles in the ASEAN region.

Valves business

Accounts for about 30% of total sales

Based in Taiwan, the US, China, South Korea, Thailand, and Belgium

1-3 Corporate Governance

**Enhance Our Corporate Value
by Raising Efficiency, Fairness, and Transparency of Management**

■ Corporate Governance

• Conform to all 73 CG Codes

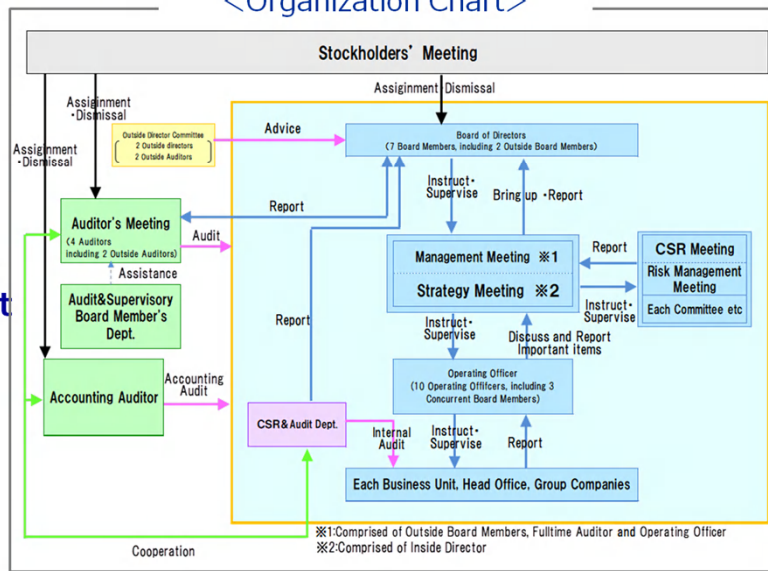
■ Internal Control

- Strengthen all subsidiaries' internal controls
- Auditors and Internal Audit Divisions collaborate and ensure proper conformance
- Exchange opinions and share information with officers outside the company

■ Risk Management

- Promote company-wide risk reduction activity
- Establish independent grievance desk
- Enhance information security

<Organization Chart>



<Corporate Governance>

We will conduct company management based on stockholders' perspective and try to construct and maintain a clear corporate governance system.

1. Company Profile
- 2. Financial Results for FY2017
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PACIFIC INDUSTRIAL CO., LTD.

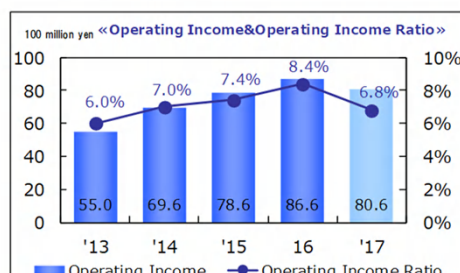
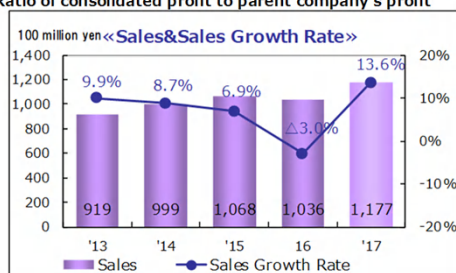
2-1 Consolidated Financial Results

[million yen]

	2016	2017							
		Feb 2018 Announced	Results	※2	Last year term level		Announced figure level		
					Gain&Loss	%change	Gain&Loss	%change	
Sales	103,669	114,000	Record High 117,758	1.6	14,088	13.6%	3,758	3.3%	
Operating Income	Record High 8,662	8,500	8,063	1.4	△598	△6.9%	△436	△5.1%	
Ordinary Income	Record High 9,957	9,700	9,485	1.3	△471	△4.7%	△214	△2.2%	
※1 Parent Company Current Net Income	Record High 7,524	6,900	7,393	1.4	△131	△1.7%	493	7.2%	
Operating Income on Sales	8.4%	7.5%	6.8%	/	△1.6%	/	△0.7%	/	
R O E	9.7%	—	8.5%	/	△1.2%	/	—	/	
R O A (Operating Income Base)	6.4%	—	5.4%	/	△1.0%	/	—	/	
Net Assets per Share (F1)	1,404	—	1,508	/	104	7.4%	—	/	

※1 It is the abbreviation of the official name: Net income attributable to parent company shareholders.

※2 Ratio of consolidated profit to parent company's profit



<Consolidated Financial Results >

•The number of automobile production steadily remained strong. in Japan and China. Decreased in the US.

Sales

Sales expansion contributed to the consolidated sales of ¥ 117.7; an increase of 13.6% from previous term. (It was a record high for the first time in 2 terms.)

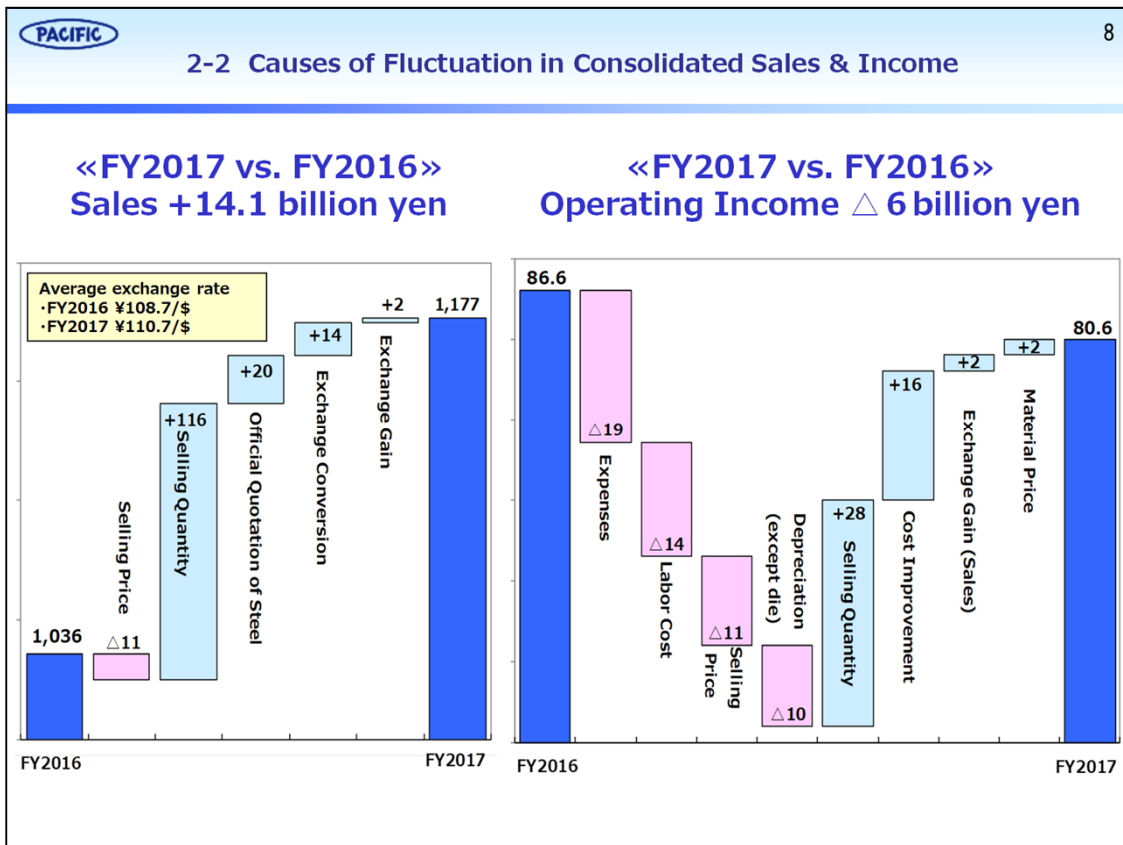
Income

Due to an increase in variable expenses, costs related to business acquisition, production preparation cost for the new products, and depreciation cost:

Operating Income・・・ ¥ 8 billion, 6.9% decrease from the previous term

Ordinary Income・・・ ¥ 9.4 billion, 4.7% decrease from the previous term

Current Net Income・・・¥ 7.3 billion, 1.7% decrease from the previous term



<Causes of Fluctuation in the Consolidated Sales & Income>

Sales in FY 2017 …The main causes of the increase and decrease are the following.

Negative Factor

Decrease of selling price ▲¥ 1.1 billion

Positive Factor

Increase of Selling quantity ¥ 11.6 billion, increase due to official quotation of material ¥2 billion.

Impact of exchange conversion of overseas sales ¥1.4 billion (Exchange ¥109→¥111)

Exchange gain ¥0.2 billion

Operating Income in FY2017 …The main causes of the increase and decrease are the following.

Negative Factor

Increase of cost ▲¥1.9 billion (including acquisition cost ▲¥0.4 billion)

Increase of labor cost ▲¥1.4 billion, decrease of selling price ▲¥1 billion

Increase of depreciation cost ▲¥1 billion

Positive Factor

Increase of selling quantity ¥2.8 billion, cost improvement ¥1.6 billion

Exchange gain ¥0.2 billion, Increase of material price ¥0.2 billion etc.

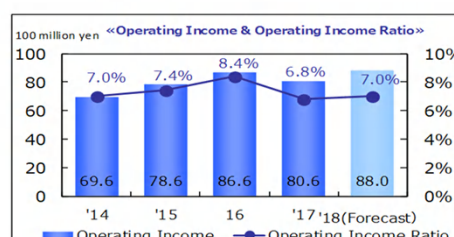
2-3 Consolidated Financial Forecast

☆Expected to update record high [million yen]

	FY2016	FY2017					FY2018				
		Results	※2	Last year term level		Forecast	※2	Last year term level			
				Gain&Loss	%change			Gain&Loss	%change		
Sales	103,669	Record High 117,758	1.6	14,088	13.6%	☆ 125,000	1.6	7,242	6.1%		
Operating Income	Record High 8,662	8,063	1.4	△598	△6.9%	☆ 8,800	1.7	737	9.1%		
Ordinary Income	Record High 9,957	9,485	1.3	△471	△4.7%	9,800	1.5	315	3.3%		
※1 Parent Company Current Net Income	Record High 7,524	7,393	1.4	△131	△1.7%	7,200	1.6	△193	△2.6%		
Operating Income on Sales	8.4%	6.8%		△1.6%		7.0%		0.2%			
ROE	9.7%	8.5%		△1.2%		7.7%		△0.8%			
ROA (Operating Income Base)	6.4%	5.4%		△1.0%		5.4%		0.0%			
Net Assets per Share (円)	1,404	1,508		104	7.4%	1,600		91	6.0%		

※1 It is the abbreviation of the official name: Net income attributable to parent company shareholders.

※2 Ratio of consolidated profit to parent company's profit



<Consolidated Financial Forecast >

Assumed Exchange Rate: ¥105/\$1

Consolidated Sales

Forecasted ¥125 billion, increase in income of 6.1% from the previous term due to the increase of selling quantity by extending business in Japan and the US.

Income

Current Net Income is ¥7.2 billion; 2.6% decrease in profit

Corporation tax etc. decreased approximately ¥300 million in FY2017 due to the impact of tax reform in the US.

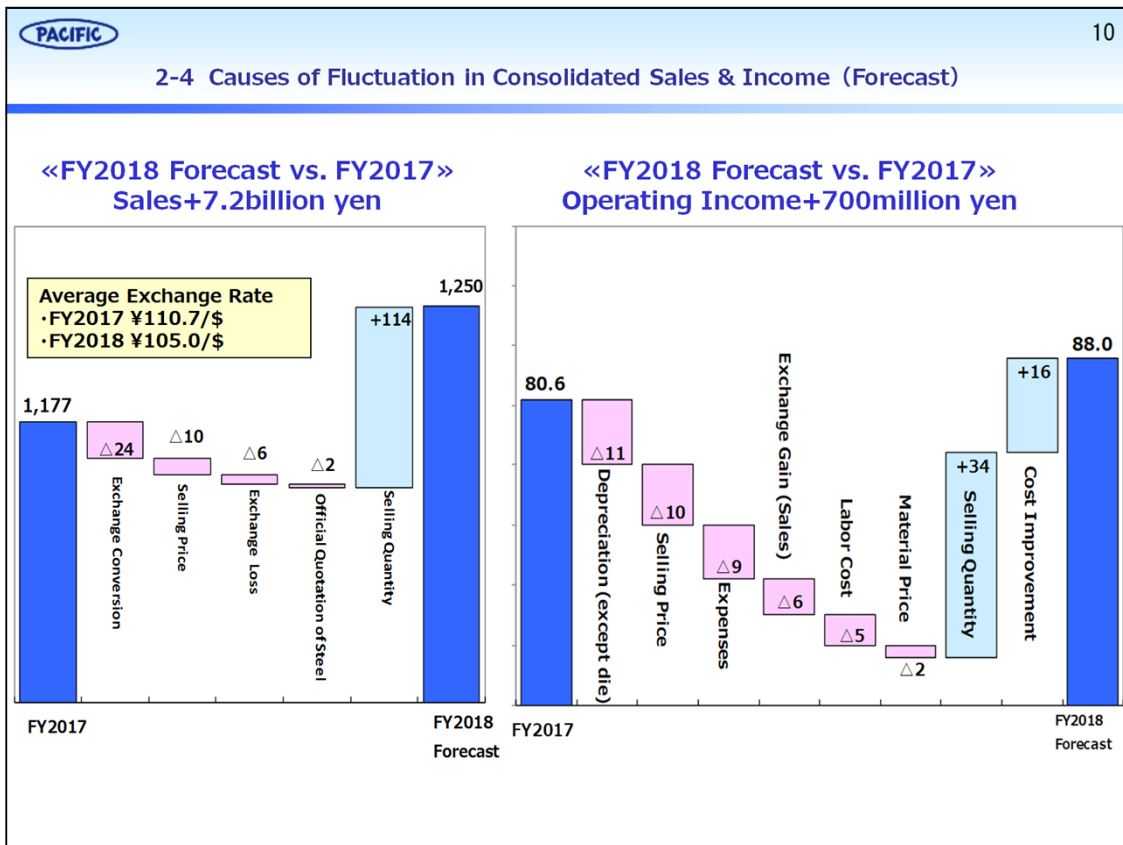
Current net income increased to the same amount and it resulted in decrease in profit.

ROE・ROA

Due to decrease in income and increase in net asset by aggressive capital investment,

•ROE 8.5→ 7.7% •ROA 5.4→ 5.4%

The acquisition's financial impact on sales and income will be included in financial results and the financial forecast for the 2nd quarter once the acquisition is realized.



<Causes of Fluctuation in Consolidated Sales & Income (Forecast) >

FY2018 Sales・・・The main causes of variance are the following:

Negative Factors

The impact on exchange conversion for overseas sales ▲¥2.4 billion,
decrease in selling price ▲¥1 billion

Exchange loss ▲¥0.6 billion, Official quotation of material ▲¥0.2 billion

Positive Factors

Increase in sales quantity ¥11.4 billion

FY 2018 Operating Income・・・The main causes of change are the following:

Negative Factors

Increase in depreciation ¥ 1.1 billion, decrease in sale price ¥1 billion

Increase in expenses ¥ 0.9 billion, exchange loss ¥0.6 billion

Increase in labor cost ¥0.5 billion, Increase in material price ¥0.2 billion

Positive Factors

Increase in selling quantity ¥3.4 billion, cost improvement ¥1.6 billion

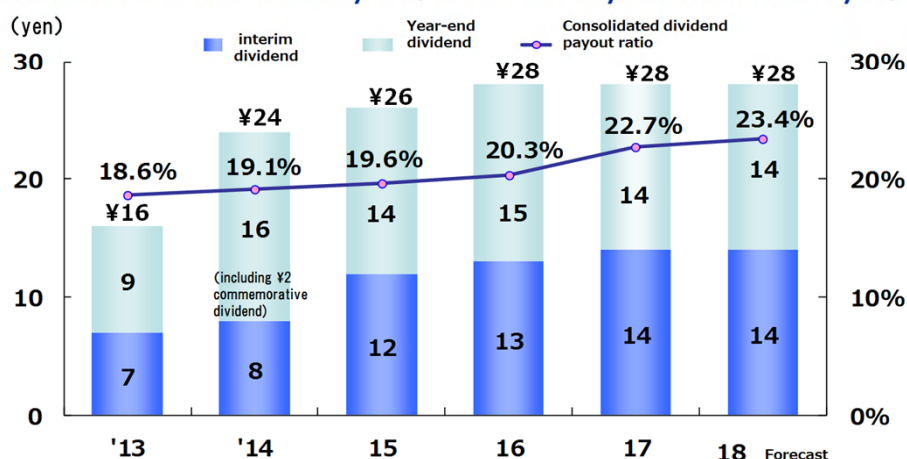
※Exchange sensitivity ¥0.1 billion per year

2-5 Returns for Stockholders

Dividend was same as last FY, but Payout Ratio increased

FY2017 Annual : 28yen (Mid-term : 14yen Term end : 14yen)

FY2018 Forecast Annual : 28yen (Mid-term : 14yen Term end : 14yen)



<Returns for Stockholders>

We are on track to declare continuous and stable dividends that reflect our business performance.

Total Dividends

FY2016 ¥1.6billion

FY2017 ¥1.69billion

FY2018 ¥1.7billion forecasted

Convertible Bonds

Of the ¥6 billion convertible bonds issued in March 2014, ¥5.953 billion will be converted by the end of March 2018, resulting in a remaining convertible bond balance of ¥47 million.

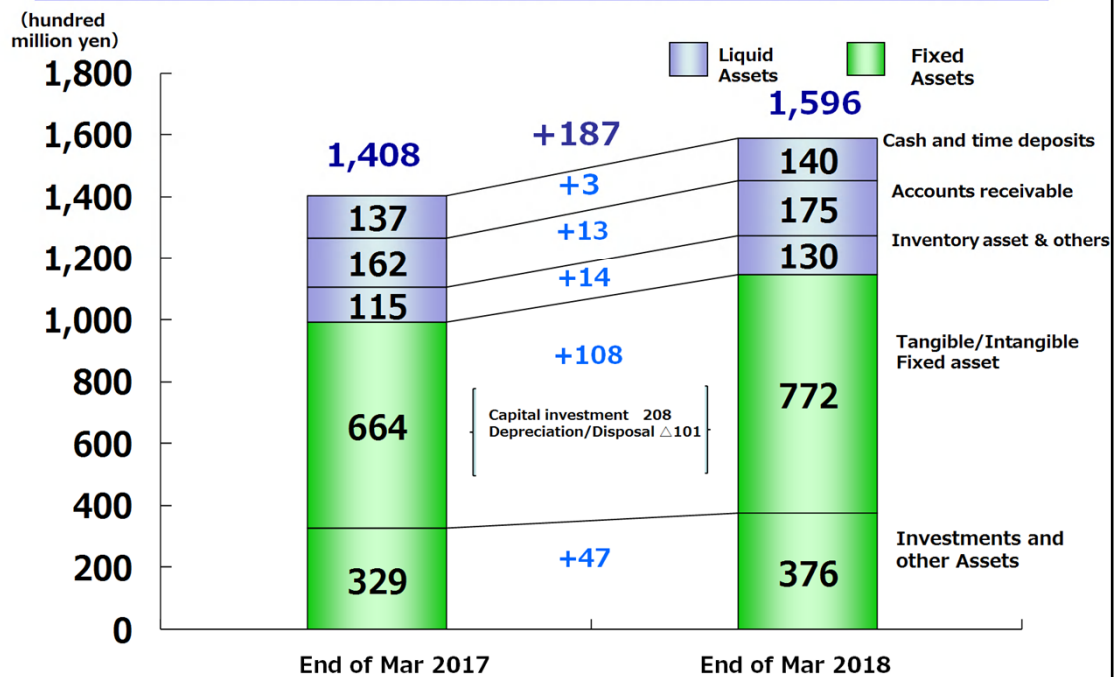
Time of maturity is March 19, 2019.

The capital was ¥7.2 billion; increased by ¥0.4 billion from the end of the last term.

The total number of issued shares was 61,268,000 shares.

2-6 Changes in Consolidated Total Assets

Strategic Capital Investment Made Tangible Fixed Assets Increase



<Consolidated Total Assets >

Total assets at the end of FY2017

It was ¥159.6 billion; increased by ¥18.7 billion from the previous term.

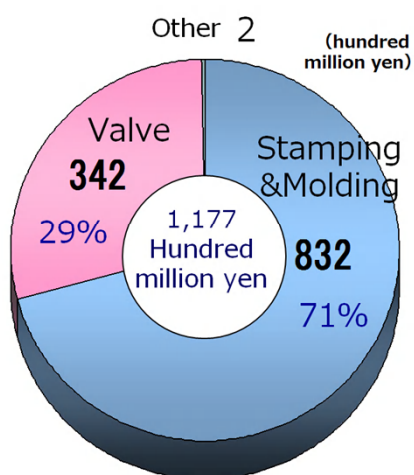
Main Increase Factors

“Tangible and intangible fixed assets” was increased by ¥10.8 billion due to aggressive capital investment

“Investments and other assets” was increased by ¥4.7 billion due to rising stock price in the Japanese market and other factors.

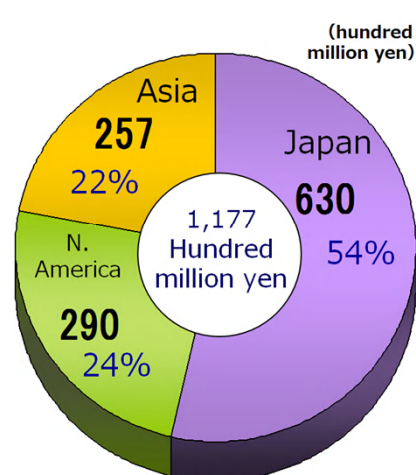
2-7 Consolidated Segments for FY2017

Sales by Business



[Stamping & Molding] Stamping & molding products for automobile
 [Valve] Tire valve, air conditioning valve, TPMS
 [Others] Information, services

Sales by Region



[Japan] 3 bases in Ogaki, Kyushu, and Tohoku
 [North America] the United States
 [Asia] Taiwan, S. Korea, Thailand, China

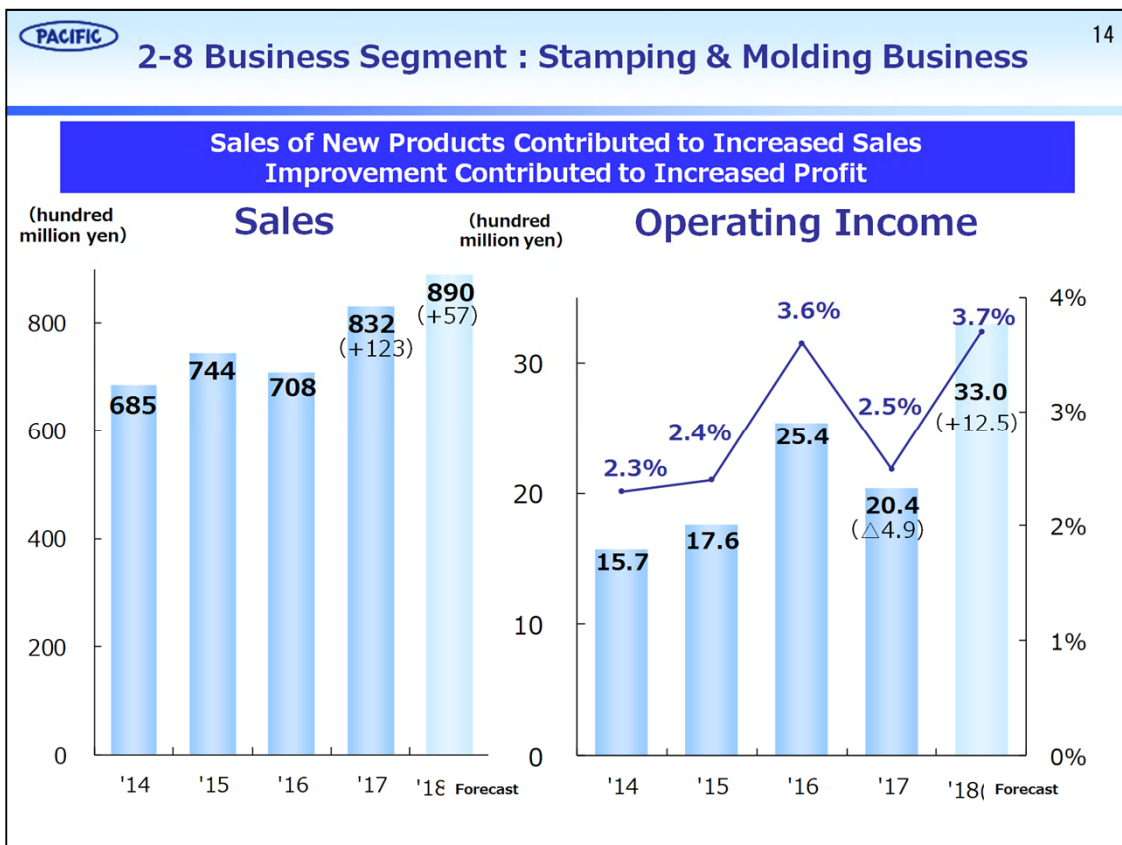
<FY2017 Sales Results by Segment>

Business Divisions

Stamping & Molding: ¥83.2 billion; 70% of the total.
 Valve Business: ¥34.2 billion; 30% of the total.

By Region

Japan ¥63 billion; 50% of the total
 North America ¥29 billion; 20% of the total
 Asia ¥25.7 billion; 20% of the total



<Business Segment : Stamping & Molding Business Result & Forecast>

Sales

•FY2017 Results

New products increased in Japan, Asia, and North America. It contributed to the increase in income by 17.4% from the previous term.

•FY2018 Forecast

Sales is forecasted to be flat in Asia but will increase in Japan and North America by extending business.

6.9% increase in income is forecasted from the previous term.

•FY2017 Results

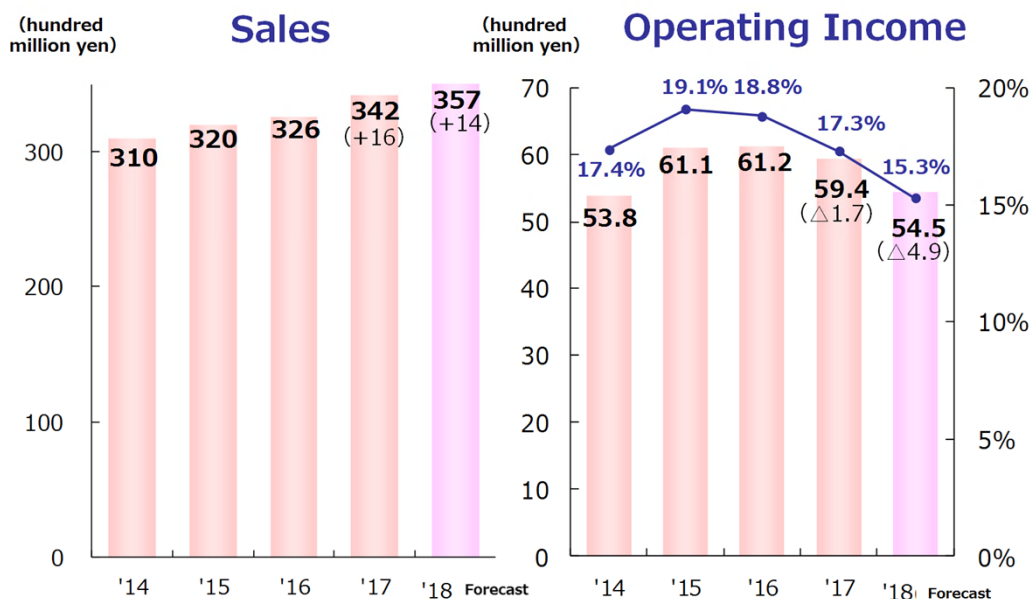
19.5% decrease in income due to the increased cost of launching new products and increased depreciation, even though selling quantity was increased and cost was improved.

•FY2018 Forecast

Operating Income is forecasted to increase by 61.2% due to the increase of selling quantity and cost improvement even though due to increased capital investment and depreciation, increased labor cost and expenses due to the increase of production quantity.

2-9 Business Segment : Valve Business

Sales Up, Profits Down



<Business Segment : Valve business Results & Forecast>

Sales

•FY2017 Results

Sales increased by 5.1% from the previous term due to increased selling quantity of control devices products and forging products, in addition to the impact of foreign currency conversion by depreciation of the yen.

•FY2018 Forecast

4.1% increase from the previous term is forecasted due to the increase of TPMS products and aluminum die cast in South Korea, even though sales will decrease due to an impact on exchange conversion.

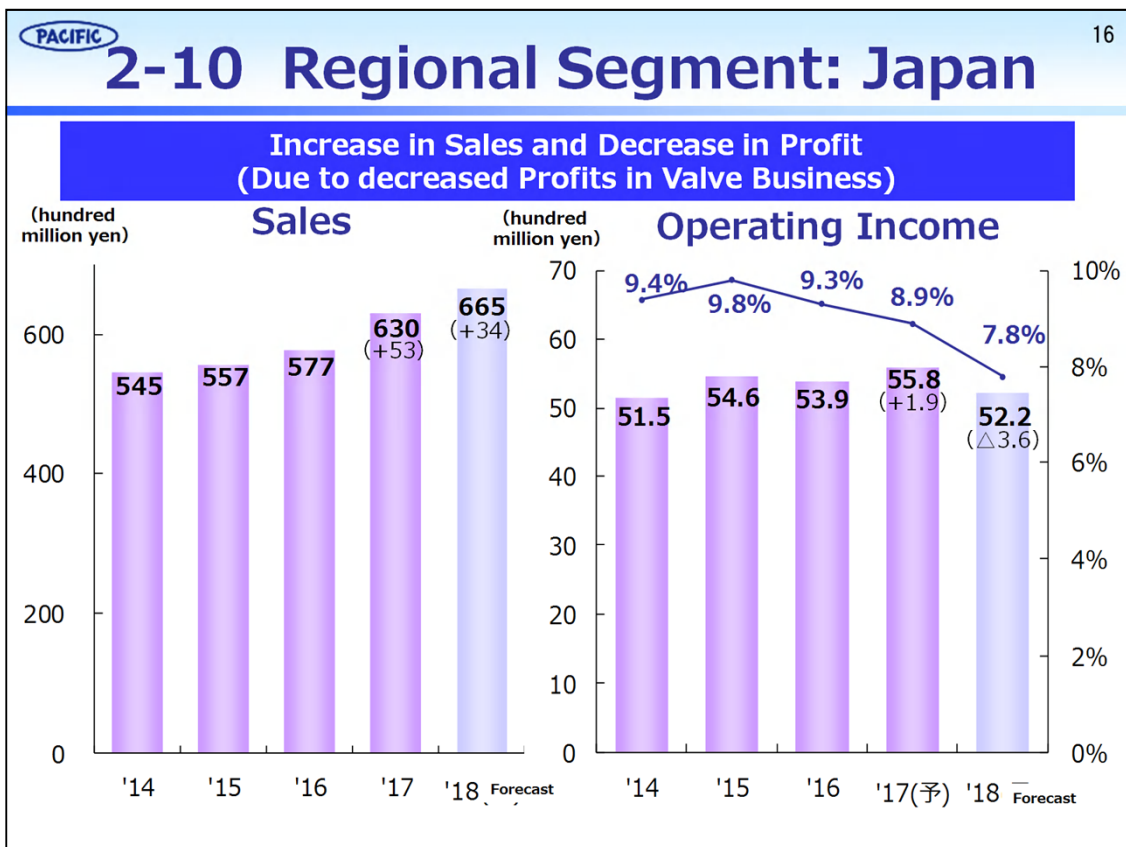
Operating Income

•FY2017 Results

Operating Income was decreased by 2.9% due to decreased selling price, soaring material unit price, increased depreciation and expenses, even though selling quantity increased, and there were exchange gain and cost improvement.

•FY2018 Forecast

8.3% decrease from the previous term due to the impact on exchange loss, decreased material price, and increase of depreciation.



<Regional Segment : Japan Results & Forecast>

Sales

•FY2017 Results

Sales were increased by 9.2% from the previous term; because domestic production of automobiles for our main customers steadily changed and due to expansion of new products.

•FY2018 Forecast

5.5% increase from the previous term is forecasted due to the expansion of business even though production of automobiles for our main customers will be at the level of the previous term.

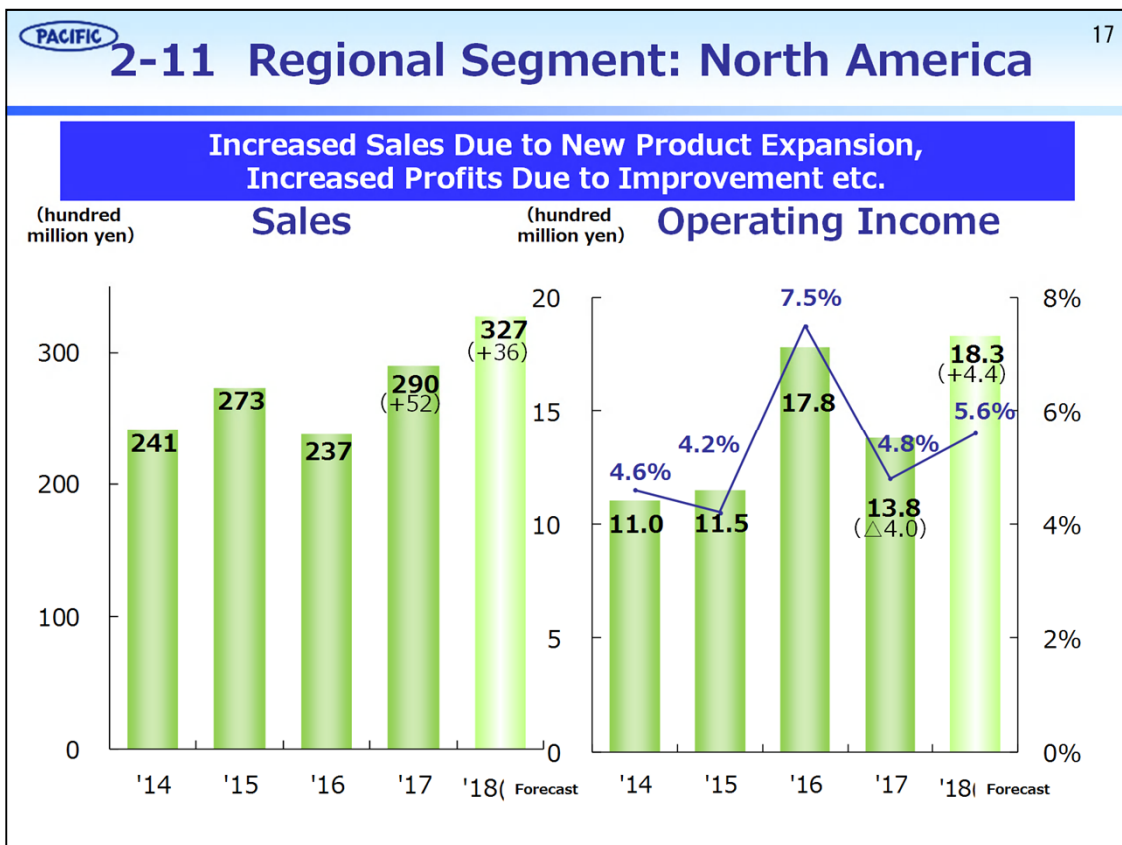
Operating Income

•FY2017 Results

Operating income was increased by 3.6% from the previous term due to increased selling quantity and cost improvement, even though there were increased labor cost and expenses, and increased depreciation for strategic capital investment.

•FY2018 Forecast

6.6% decrease from the previous term is forecasted due to the decrease in selling price, exchange loss, and increase in depreciation.



<Regional Segment : Europe and North America Results & Forecast>

Sales

•FY2017 Results

Sales were increased in 22.0% from the previous term due to the increased operation in Tennessee plant, the 2nd base in the US, in addition to increased selling price for the newly launched car

•FY2018 Forecast

12.8% increase from the previous term is forecasted due to the increase in selling quantity, even though sales will be decreased due to the impact on exchange conversion.

Operating Income

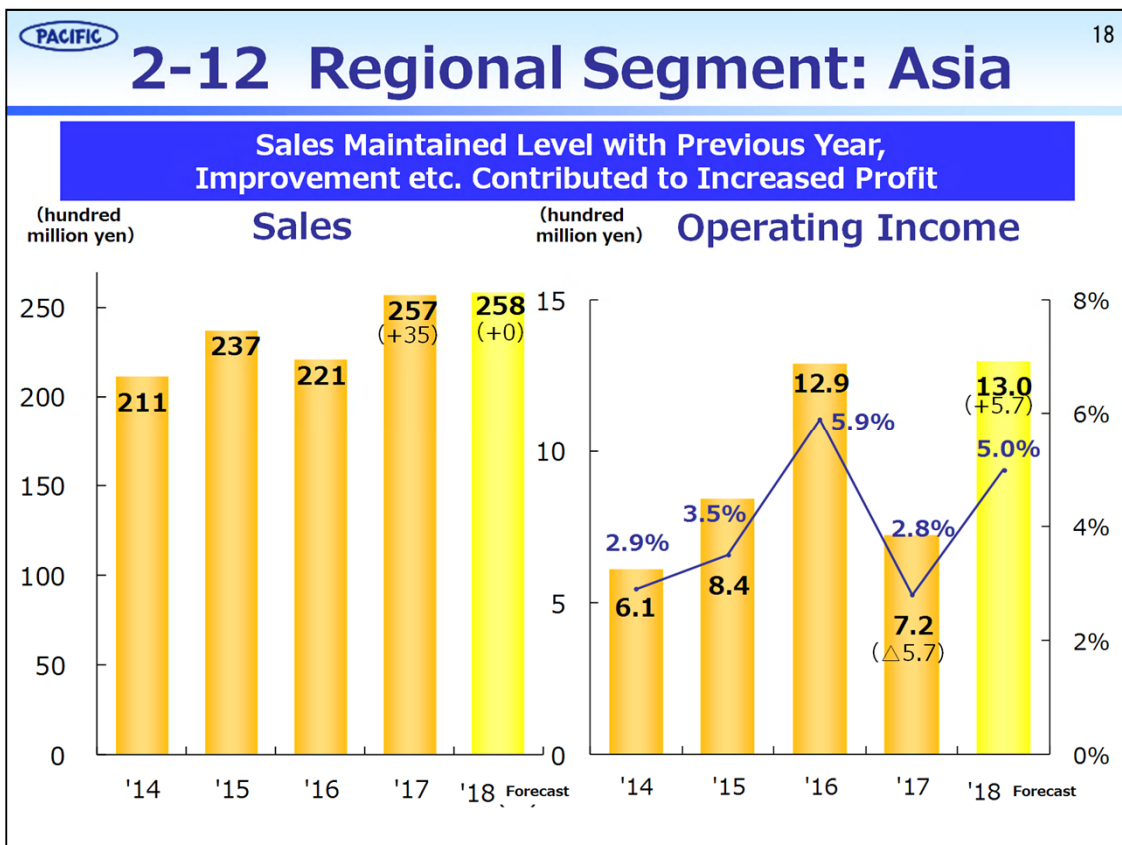
•FY2017 Results

Operating Income was decreased by 22.4% from the previous term due to increased cost of launching new models and depreciation for the investment to enhance productivity.

•FY2018 Forecast

32.2% increase from the previous term is forecasted due to the increase in selling quantity and cost improvement, even though there will be the increase of depreciation and labor cost and expenses due to the increase in production.

※The new subsidiary in Belgium will be included in consolidation in FY2018.



<Regional Segment : Asia Results & Forecast>

Sales

•FY2017 Results

Sales were increased by 16.0% from the previous term due to increased molding business in Thailand and aluminum die cast business in South Korea, in addition to increased stamping and TPMS business in China.

•FY2018 Forecast

Sales are forecasted to be at the level of the previous term due to the increase in TPMS and aluminum die cast products in China and South Korea, even though sales will decrease due to the impact on exchange conversion.

Operating Income

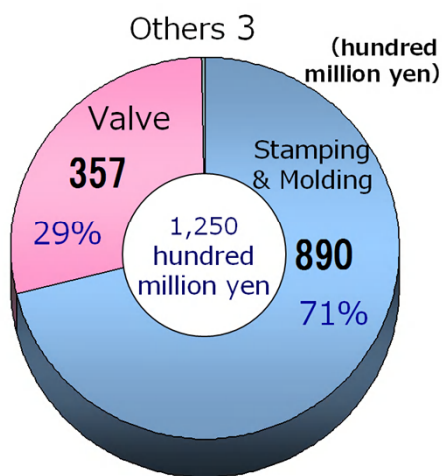
•FY2017 Results

Operating Income was decreased by 44.1% from the previous term due to increased cost of launching the new models and increased depreciation, even though selling quantity increased

•FY2018 Forecast

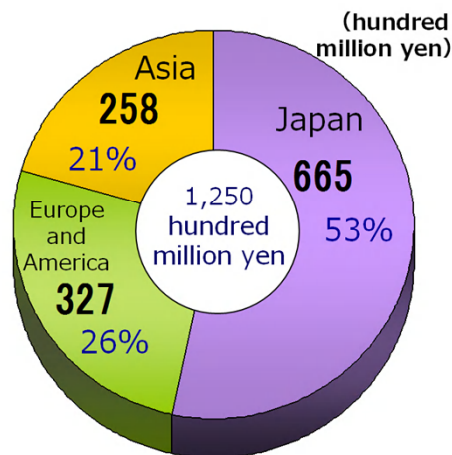
79.1% increase from the previous term is forecasted due to the increase in selling quantity and cost improvement.

Sales by Business



【Stamping & Molding】 Stamping & molding products for automobile
 【Valve】 Tire valve, air conditioning valve, TPMS
 【Others】 Information, services

Sales by Region



【Japan】 3 bases in Ogaki, Kyushu, and Tohoku
 【Europe and America】 US, Belgium
 【Asia】 Taiwan, S. Korea, Thailand, China

<FY2018 Sales Forecast by Segment >

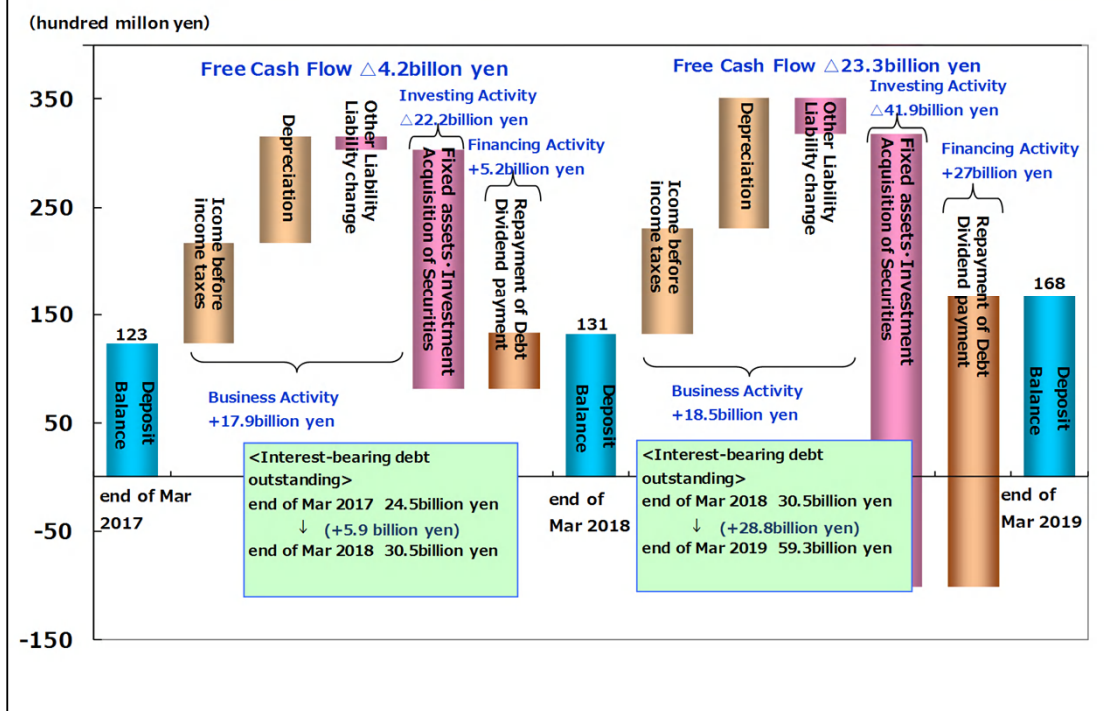
Business Divisions

Sales of Stamping and Molding ¥89 billion; 70% of the total
 Sales of Valve business ¥35.7 billion; 30% of the total

Regional Segment

Japan ¥66.5 billion; 50% of the total
 Europe and North America ¥32.7 billion; 30% of the total
 Asia ¥25.8 billion; 20% of the total

2-14 Consolidated Cash Flow Forecast



<Consolidated Cash Flow >

FY2017

Sales activity gained ¥17.9 billion in cash. Capital investment resulted in expense of ¥22.2 billion and minus of ¥4.2 billion in free cash flow.

Financial activity gained ¥5.2 billion. Cash flow at the end of March 2018 resulted in ¥13.1 billion; increased by ¥0.8 billion from the previous term.

Interest-bearing debt is ¥30.5 billion, including convertible bond.

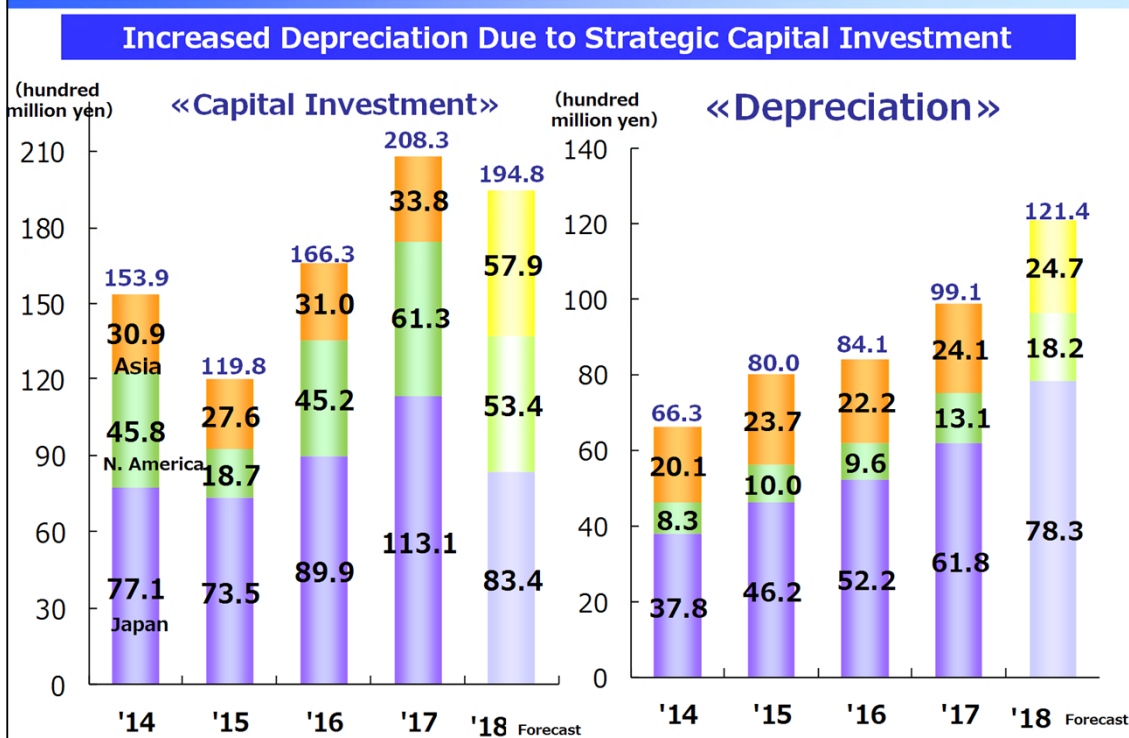
FY2018 Forecast

In forecast, sales activity will gain ¥18.5 billion in cash, capital investment will be ¥22.1 billion, acquisition of business will cost ¥19 billion, and the total expense will be ¥41.9 billion.

As a result, free cash flow will be ¥23.3 billion minus.

In forecast, financing activity will gain ¥27 billion, cash at the end of the period will be ¥16.8 billion, and interest-bearing debt will be ¥59.3 billion.

2-15 Consolidated Capital Investment/Depreciation Forecast



<Capital Investment and Depreciation>

Capital Investment

FY2017 Results ¥20.8 billion

In Stamping and molding business, we constructed ultra high tensile stamping processing line.

In Valve business, we invested in aluminum die cast business, forging products, and expansion of TPMS business in China.

FY2018 Forecast ¥19.4 billion

In Stamping and molding business, we will continue to add new ultra high tensile stamping processing lines in Japan, North America, and China etc.

For Valves, we will expand our processing lines in North America and China due to expanding TPMS regulations.

Depreciation

Due to high level capital investment:

FY2017 Results ¥9.9 billion (+17.9% from the previous term)

FY2018 Forecast ¥12.1billion (+22.4% from the previous term)

PACIFIC		2-16 <Reference> Individual Financial Results							22
		☆ Expected to update record high				[million yen]			
	FY2016	FY2017				FY2018			
		Results	Last year term level		Forecast	Last year term level			
			Gain&Loss	%change		Gain&Loss	%change		
Sales	66,168	Record High 71,715	5,547	8.4%	☆ 78,000	6,285	8.8%		
Operating Income	5,362	Record High 5,835	473	8.8%	5,200	△635	△10.9%		
Ordinary Income	6,987	Record High 7,210	223	3.2%	6,400	△810	△11.2%		
Net Income	5,414	5,284	△130	△2.4%	4,600	△684	△12.9%		
Dividend per Share	28	28	0	—	28	0	—		
Sales Operating Income Ratio	8.1%	8.1%	0.0%		6.7%	△1.4%			
R O E	9.2%	7.9%	△1.3%		6.5%	△1.4%			
R O A (Operating Income Base)	5.1%	5.1%	0.0%		4.3%	△0.8%			
Net Assets per Share (¥)	1,065	1,142	77	7.2%	1,190	48	4.2%		

100 million yen <<Sales&Sales Growth Rate>>

Year	Sales (100 million yen)	Sales Growth Rate (%)
'14	620	1.4%
'15	631	1.7%
'16	661	4.8%
'17	717	8.4%
'18 (Forecast)	780	8.8%

100 million yen <<Operating Income&Operating Income Rate>>

Year	Operating Income (100 million yen)	Operating Income Ratio (%)
'14	51.1	8.2%
'15	53.6	8.5%
'16	53.6	8.1%
'17	58.3	8.1%
'18 (Forecast)	52.0	6.7%

<Reference: Individual Financial Result>

Sales

•FY2017 Results

Sales were ¥71.7 billion; 8.4% increase from the previous term due to gaining new sales.

•FY2018 Forecast

Forecast shows that sales will gain ¥78 billion; 8.8% increase from the previous term due to the expansion of ultra high tensile stamping products, despite that fact that there will be decreases in selling price and exchange loss.

Income

•FY2017 Results

Operating income and net income increased due to the increase in selling quantity and cost improvement, even though there were decreases in selling price, increases in labor cost and expenses due to the increase in production quantity, and increased depreciation due to aggressive capital investment.

※Current net income was decreased because of extraordinary income in the previous term.

•FY2018 Forecast

Decrease in income is forecasted due to decrease in selling price and increase in depreciation.

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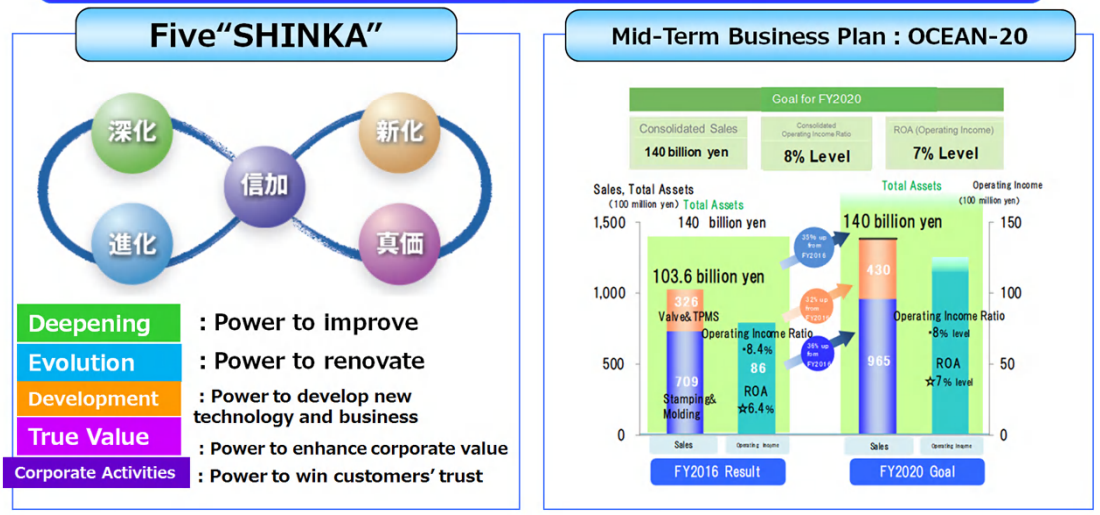


PACIFIC INDUSTRIAL CO., LTD.

3-1 PACIFIC GLOCAL VISION 2020

GLOCAL is a coined word which combines "GLOBAL" and "LOCAL". We hope to grow in the "global" arena, and at the same time, contribute to the development of each "local" community.

Aim to be a top-class GLOCAL manufacturer of technology components



<PACIFIC GLOCAL VISION 2020>

With the turning point of the 80th anniversary of our founding, and as a milestone toward our 100th anniversary, we established long-term vision plan named "PACIFIC GLOCAL VISION 2020".

In our long-term vision, "CSR" is positioned as the most important management assignment. We aim to evolve business structure through "5 SHINKA" and to become a top class GLOCAL manufacturer of technology components by enhancing corporate value through "fused management".

<Medium-Term Management Plan"OCEAN-20">

Consolidated sales target: **¥140 billion; 35% increase** from FY2016 results.

Stamping & molding business: **¥96.5 billion; 36% increase** from FY2016 results.

Valve/TPMS business: **¥43 billion; 32% increase** from FY2016 results

On the profit side, we use the consolidated operating income margin directly representing the profitability of our core business as an indicator and we will adhere to the present margin of 8% range as a target.

As for the efficiency of assets, we aim for a target of 7% by using ROA based on operating income as an indicator.

Revision of the medium-term management plan concerning "acquisition of Schrader valve business" will be disclosed when we announce the second quarter financial results.

3-2 External Environment Recognition

A Major Revolution Once in 100 Years

[Tightening of Regulations]

- Safety Regulations
- Environmental Regulations

[Industry Trends]

- Market Expansion in Emerging Countries
- Entry of Different Industries · Technology Diversification
- Revolution of Manufacturing

Enhance Safety, Environmental, and Comfort Performance

Electrification	Intelligence	Informatization	Weight Reduction
<ul style="list-style-type: none"> • PHV • EV • FCV 	<ul style="list-style-type: none"> • AI • Automatic Driving 	<ul style="list-style-type: none"> • Connected • IoT • Big Data 	<ul style="list-style-type: none"> • Make full use of iron • NV Ability • Multi Material

Harmony of Humans and Vehicles

Technology Development & Base Preparation Responding to Industrial Trends/Customer Needs

<The environment surrounding our company>

In the automobile industry, we are in the midst of a major revolution that occurs only once every 100 years due to evolving globalization and various paradigm shift, such as the expansion of emerging market, acceleration of overseas production transfer, transition to next generation cars, and entry from connected, IoT, AI, and different industries.

Safety and environmental regulations, among others, demand further improvement of safety performance, environmental performance, and comfort performance. Interconnectivity between people and cars will progress with electricization /intelligence / informationization. Furthermore, demand for weight reduction, which is quickly becoming a core requirement for good car production, continues to accelerate.

We will work on "OCEAN-20" in order to meet our customers' needs and these industry trends.

3-3 Initiatives to Satisfy Weight Reduction Needs

Light-weight stamping frame parts for vehicle weight reduction

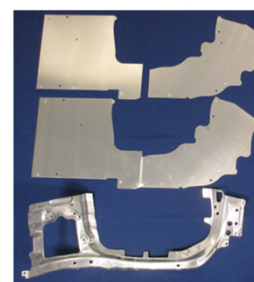
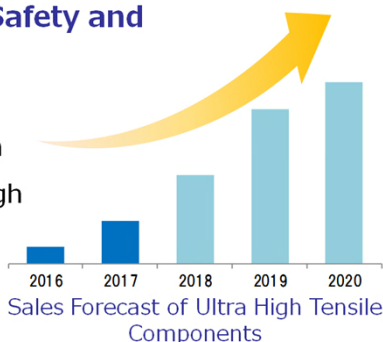


■ **New method for weight reduction (FSW)**

• Realized weight and cost reduction by stamping aluminum materials of different sheet thickness after fusing them

■ **Combining Collision Safety and Weight Reduction**

• R&D for new production methods to expand adoption capabilities, such as ultra-high tensile for complex-shaped components.



Friction Stir Welding (FSW)

<Technological development focused on weight reduction>

Our stamping products have deepened our technology to meet the need for lightweight body shells for improving fuel economy and crash safety needs

As for cold stamping, we established ultra high tensile material processing technology and are currently in mass production. We will further advance our R&D initiatives to expand our range of processable materials.

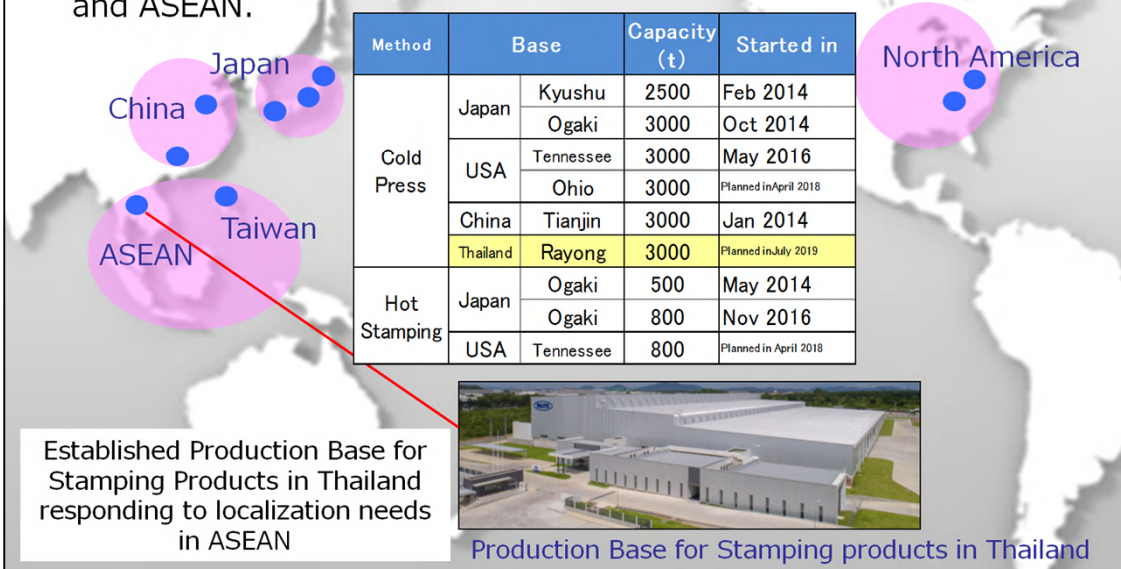
We are acquiring hot stamping technology, which heats the steel prior to forming it, and we are advancing equipment installation in order to meet our customers' needs.

We are also developing fusion technologies for aluminum. Our Friction Stir Welding (FSW) technology has received great praise.

3-4 Development of Ultra High Tensile Parts Supply System

Establishment of Production System to Satisfy Needs

•Planned introduction of large stamping machine established ultra high tensile parts supply system in Japan, North America, China and ASEAN.



<Ultra High Tensile Global Production System >

Domestically, we established tripolar system in Chubu, Tohoku, and Kyushu along with our main customers' production system.

Overseas, we have established two bases in the US, two bases in China, and one base in Taiwan. We have launched a new stamping site in Thailand and are proceeding to deploy equipment there.

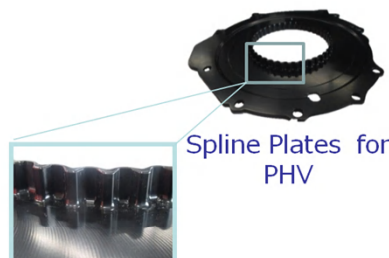
In Thailand, we already had existing business operations for tire valves and plastic automobile components. We have now launched established the new subsidiary, Pacific Auto Parts (Thailand) Co., Ltd. in order to meet the localization needs for stamping products for automobiles. Plant construction was completed last September.

Operation will start in June 2018 after preparing production equipment. We will deploy large-class stamping machines and aim to increase orders in the expanding ASEAN market.

3-5 Expansion of Forge Stamping/Plastic Molding Business

Forge Stamping : Started operating at 2nd Yoro Plant

- Adopted for hybrid mechanism/new style AT components. Expanded production capacity in line with expanding business.
- Completed expansion of 2nd Yoro plant and started operations.
- Promoted expansion of global production and customer diversification at Ohio base.



Spline Plates for PHV

Forming tooth profile

Plastic Molding : New Materials and Methods to Reduce Weight and Improve Function

- Developed engine cover comprised only of urethane by eliminating base material from conventional double-layer structure of base material and urethane.
- Improved weight and cost reduction, sound/vibration proofing, and pedestrian protection



All Urethane Engine Cover

<Expansion of Forging Stamping/Plastic Molding Business>

Forging Stamping Business

We offer thin and lightweight products that were impossible by conventional methods such as sintering and forging, using plate forming technology combining sheet metal forming productivity and high precision of cold forging.

Plastic Molding Business

As a result of anti-vibration urethane foaming technology, we developed an all-urethane engine cover which has improved weight saving, space efficiency, and further improved soundproofing performance.

From now on, we will promote material development and production technology development of urethane foam, further enhance soundproofing and vibration isolation performance, and realize world-class performance.

The demand for comfort of the vehicle is increasing more and more.

We believe that the need for quietness continues to be high, including the sound isolation of motor sound even as EV conversion progresses, and we will continue to propose products that utilize this technology.

3-6 Evolution and Expansion of TPMS products

Development of New Products and Increase Capacity in China

■ Evolution of TPMS (Development of type E)

- Developed and started mass production of new TPMS transmitter
- Minimized transmitter size and weight

■ Supplying to Car makers in S. Korea

- Started supplying in January, 2018

■ Legislated in China

- 100% adoption in new cars from Jan 2019, 100% adoption in existing cars from Jan 2020

■ Strengthened production in Japan, US, and China

- We enhanced production capacity, along with production/sales of new type and start of legislation in China



TPMS type E

■ Legislation trends in each region

Region	Start of Legislation
N.America	Oct. 2015
Europe	Nov. 2012
S.Korea	Jan. 2013
Taiwan	Nov. 2014
Russia	Jan. 2016
Middle East	2017 Model
China	Jan. 2019
Japan	undecided

<Evolution and Expansion of TPMS Products>

We are expecting further market expansion for TPMS (Tire Pressure Monitoring System). But first, some background explanation is in order.

We have been mass producing TPMS transmitters since 1999. Since then, we have met our customers' needs and developed more reliable products. As an exclusive TPMS transmitter manufacturer, in addition to our convention clamp-in type, we also offer easily attachable snap-in models.

One of our strengths as the only manufacturer of transmitters in Japan is our ability to offer high quality products in an integrated production system which spans from design and R&D to full production.

We have recently developed the E-type transmitter, which is small and light-weight TPMS, and have begun mass production.

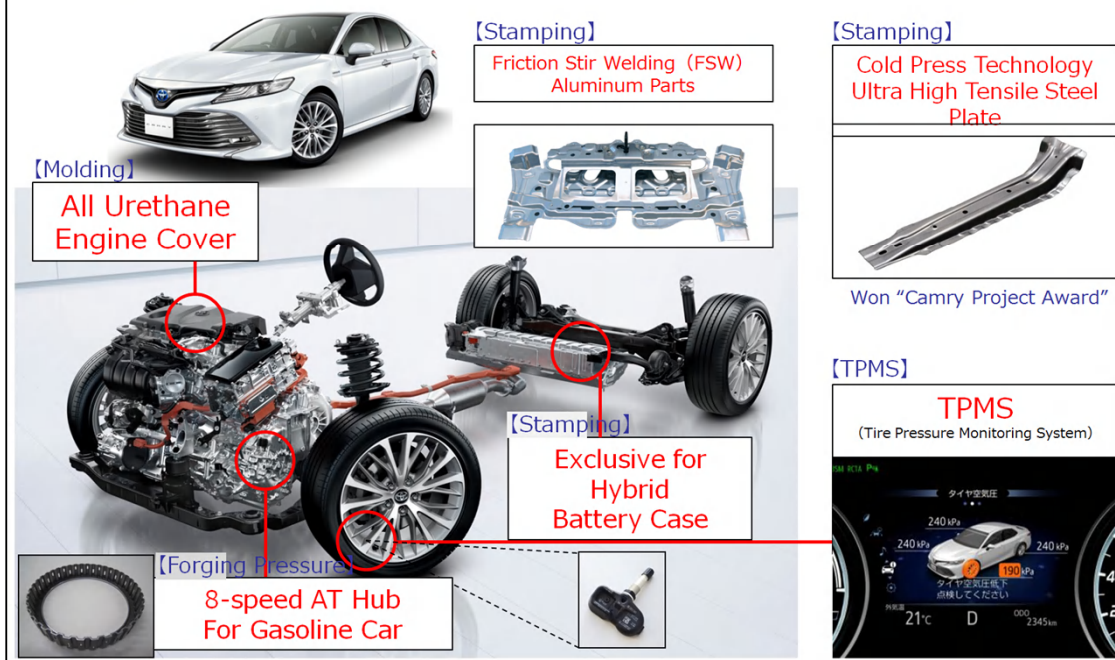
In order to achieve further functional improvement and design variations, we will continue to advance weight reduction and size minimization for future model generations.

In production and sales, we will establish a global system to comply with the flow of legal regulation in various countries around the world.

In China, legislation mandating TPMS installation on vehicles has officially passed. We are planning to increase our production capacity along with the increased demand.

3-7 Our Technology adopted on New Camry

Various PACIFIC Technology Utilized for Camry



<Our Technology Adopted on New Camry>

In Japan and the US, our various products and technology have been adopted on the new Camry launched last July, which was based on TNGA.

Our technology will gradually continue to be adopted by other car models throughout the globe.

Stamping Products

Ultra high tensile material of 1180Mpa level parts with cold stamping technology utilization, battery cases with battery cooling structure and insulation measures, and aluminum products with friction stir welding (FSW) are all products of ours which have been selected for adoption.

Plastic Products

All urethane engine cover has been adopted; its weight reduction, space efficiency and sound proofing was improved as a result of sound/vibration-proof urethane foaming technology.

TPMS Products

All are adopted standard on all cars for Japan, not only for North America.

Forging Pressure Products

They are adopted on 8th speed AT for gasoline-powered vehicle.

1. Company Profile
2. Financial Results for FY2017 and Forecast for FY2018
3. Medium-Term Management Plan
(FY2018-FY2020)
- 4. Acquiring the Schrader Valves Business**



PACIFIC INDUSTRIAL CO., LTD.

4-1 Outline of Acquiring the Business

Acquisition Target	US and French subsidiaries of Sensata Technologies Holding PLC, headquartered in UK; it operates manufacturing and sales of valves for automobiles, industrial machinery etc. Subsidiary in US : Schrader-Bridgeport International, Inc. Subsidiary in France : August France Holding Company SAS Schrader SAS
Acquisition Value	\$ 173 million (approximately ¥19.2 billion) ※1
Fundraising Methods	Planned to appropriate by bank loan
Future Schedule	Decision in a board meeting : May 22, 2018 Date of signing contract : May 22, 2018 Stock acquisition date : expected in July, 2018※2 ※2 : This case is expected to be completed after review by the FTC (Federal Trade Commission) based on the competition law applied in the United States, explanation to the local Works council of the French business, etc.

※1 : calculated as \$1=¥111.09 The actual acquisition value will be the amount after the price adjustment is made at a time of stock acquisition based on contract.

<Schrader Valve Business Acquisition Outline>

We are acquiring all the shares of the three Schrader Group, which has valve manufacturing and sales operations (excluding TPMS business) for automobiles and industrial machinery from Sensata Technologies Holding PLC based in the UK. We announced this decision on May 22, after signing the agreement through the resolution of our Board of Directors.

Subject Subsidiary

Schrader-Bridgeport International, Inc. in North America

August France Holding Company SAS in France

Schrader SAS (Subsidiary of August France Holding Company SAS)

Acquisition price was \$ 173 million; Converted into Japanese currency, it is about ¥19.2 billion.

It is to be appropriated by bank borrowing.

Total stock acquisition completion date is estimated in July 2018, assuming that necessary regulatory procedures, including FTC (US Federal Trade Commission) review in the US and explanation to the Works Council for employees of the French business as stipulated by law and regulation are completed without delay.

4-2 Acquisition Target Company Profile (US)

Name	Schrader-Bridgeport International, Inc.
Headquarter Location	Wilmington, DE, USA
Plant Location	Altavista, VA, USA
Date of the establishment	January 1985
Business Outline※	Valve manufacturing and sales business for automobiles, industrial machinery etc.
Net Sales※	\$ 100,541,000
Operating Income ※	\$ 14,085,000
Net Income※	\$ 11,035,000

※Fiscal year ended December 2017

In this matter, we will acquire the stock after a carve-out (business divestitures) of a part of Schrader-Bridgeport International, Inc. is done.

(The figure above is the financial figure before carve-out).

<Acquisition Target Company Profile (United States) >

Schrader-Bridgeport International Inc. in the United States is a leader in the valve business which is in Altavista, Virginia, celebrating its 100th anniversary. It is engaged in the development, manufacture and sales of automotive tire valves, fuel valves, and valves for aircraft and industrial equipment. Its sales are \$100 million.

4-3 Acquisition Target Company Profile (France)

Name	August France Holding Company SAS	Schrader SAS
Location	Pontarlier, France	
Date of the establishment	December 2012	December 1960
Business Outline	Holding company	Valve manufacturing and sales business for automobiles, industrial machinery etc.
Net Sales[※]	€ 91,949,000	
Operating Income[※]	€ 12,909,000	
Net Income[※]	€ 9,084,000	

※Fiscal year ended December 2017

In this matter, forms of transaction of Schrader SAS will change after stock acquisition.
(The figure above is the financial figure before the change of transaction form is made.)

<Acquisition Target Company Profile (France) >

Schrader SAS, under the control of August France Holding Company SAS in France, is located in Pontarje, Burgundy region, and occupies the leading position of tire valves and valve cores.

Its sales are € 91 million.

4-4 Business Acquisition Goals and Strategic Significance

**To Strengthen Our Business Base
in Response to a Revolutionary Period Once in 100 years**

Long-term Vision "PACIFIC GLOCAL VISION 2020"
Medium-term Management Plan "OCEAN-20"



Refine Valve Business (Founding Enterprise)

PACIFIC & SCHRADER = Leading Position

4 Global Regions : Markets & Bases
in Japan, US, Europe, and Asia



**Aim to be a Top-Class GLOCAL Manufacturer of
Technology Components**

<Business Acquisition Goals and Strategic Significance>

The automobile industry is now faced with a revolutionary period which occurs only once in 100 years, so strengthening our business foundation is an urgent issue.

We are implementing our action plan; the mid-term management plan "OCEAN-20", under our long-term vision "PACIFIC GLOCAL VISION 2020".

In order to secure growth potential and cost competitiveness, including in our initial valve enterprise and its related TPMS business, it is imperative that we not only continue our own in-company response activities, but also speed up integration of new business through business acquisition.

By doing this, the new SCHRADER brand will be added to our PACIFIC brand, and we will gain a leading position in the industry.

This also makes it possible to optimally utilize our operations in all four markets in Japan, North America, Europe and Asia.

We are sure that this will help to take a step to be "a Top-Class GLOCAL Manufacturer of Technology Components" and this will lead to enhance our corporate value and strengthen business bases.

4-5 Strategic Significance

PACIFIC & SCHRADER = Leading Position

Tire Valve, Valve Core	○	○	○
TPMS	○	—	○
Valve for Car Air Conditioning	○	○	○
Fuel Regulator Valve	—	○	○
Valve for Aerospace	—	○	○
Valve for Industrial Machineries	—	○	○

<Strategic Significance>

Integration of both brands enables our Valve business of tire valves, valve cores, and valves for car air conditioners to gain a strong position in production and sales.

As for TPMS also, it can enforce complementary relationship with valve business.

For fuel system valves, valves for aircraft and valves for industrial machinery, we can take the advanced SCHRADER business, and by combining these 2 brands, we can become a leading general manufacturer of valves.

4-6 Strategic Significance

4 Global Regions : Markets & Bases in Japan, US, Europe, and Asia

Production Base	PACIFIC Brand	SCHRADER Brand(Valve)	after the transaction	Valve	Stamping & Molding
Japan	○	△	○	○	○
US	○	○	○	○	○
Europe	△	○	○	○	△
Asia	○	△	○	○	○

<Strategic Significance>

PACIFIC brand, which is superior in Japan, the US, Belgium, China, South Korea, and Thailand.

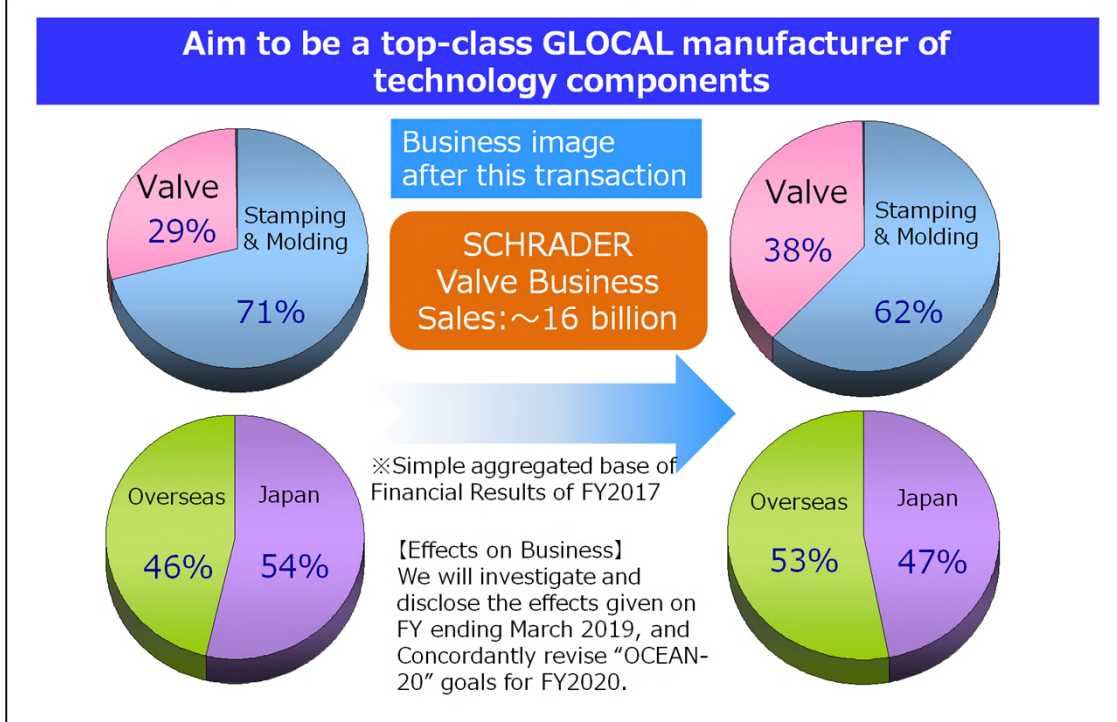
SCHRADER brand, which is superior in the US and France.

Once these 2 brands are merged, we will gain customers and markets in four leading market regions,

and prepare to develop and produce locally.

By this acquisition, we are expected to have overseas subsidiaries at 15 locations in 7 countries.

4-7 Strategic Significance



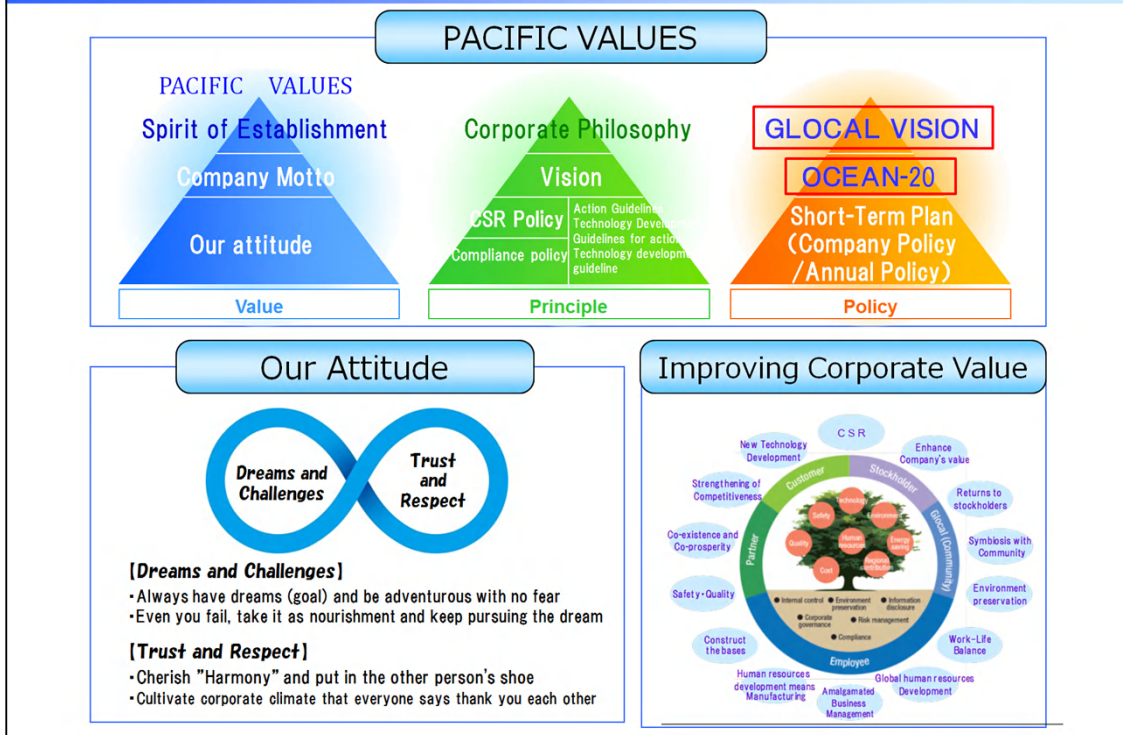
<Strategic Significance>

When we see this FY2017 results simply totaled, sales increased by 13%.
 Percentage of valve business in the entire company will be 38%.
 Overseas ratio will be 53%.

This will enable us to attain significant progress to becoming the “top-class GLOCAL manufacturer of technology components” that we want to be.

The impact of this action on our business as of the end of March 2019, as well as on our mid-term management plan “OCEAN-20” will be included in results for the 2nd quarter and business forecast after post-acquisition investigation is completed.

4-8 Aim for 100-year Corporation



<Aim for 100-year Corporation>

In 2015, on the 85th anniversary of foundation, we established "PACIFIC VALUES" as universal values of "Spirit of establishment", "Corporate philosophy", pioneers' hardship, and our history to look back over and share these with Pacific group.

We, the group employees, will share "attitude" and "value" such as "dreams and challenges" and "trust and respect", work along with safety, quality, environment, productivity etc., endeavor to create human resources who have an improvement mindset and promote business innovation.

Our company will celebrate 100 years of business in 2030. Our GLOCAL employees will share "PACIFIC VALUES", our common value, and offer safety, quality, productivity, R&D, and production engineering.

We will also promote social contribution and activities with good governance, and endeavor to enhance corporate value and strengthen our company foundation.