

Financial Results Briefing for the 2nd Quarter in FY2017

the 94th period: Total term of the second quarter
(Apr 1,2017-Sep 30,2017)

Nov 8, 2017

1. Company Profile
2. Financial Results for the 2nd quarter in FY2017
3. Financial Result Forecast for FY2017
4. New Medium-Term Management Plan(FY2018~FY2020)

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.

1-1 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

1-2 Group Companies Profiles

Our Business is Developed
At Domestic 8 Plants, 13 Overseas Subsidiaries in 6 Countries
(Domestic 2 Subsidiaries, 1 Equity Method Affiliated Company)

JCR
A-(Stable)

Stamping & Molding Business

Valve Products Business

Others

Individual

Chubu	Nishi Ogaki Plant	Kita Ogaki Plant
	Higashi Ogaki Plant	Mino Plant
	Yoro Plant	
Kyushu	Kyushu Plant	
Tohoku	Kurihara Plant	
	Wakayanagi Plant	

Consolidated

Taiwan	Pacific Valve (Taiwan) Co., Ltd.		Domestic Consolidated Subsidiaries
Thailand	Pacific Industries (Thailand) Co., Ltd.		PI System Co., Ltd.
USA	Pacific Manufacturing Ohio, Inc.		Holding Companies etc.
	Pacific Manufacturing Tennessee, Inc.		Pacific Industries USA Inc.
China	Tianjin Pacific Auto Parts Co., Ltd.	S Korea	Pacific Valve Industrial Co., Ltd.
	Changsha Pacific Hanya Auto Parts Co., Ltd.		Pacific Air Controls Co., Ltd.
Domestic	Taiheiyo Sangyo Co., Ltd.	China	Pacific Auto Parts Technology(Changshu)Co.,Ltd.
★ Thailand	Pacific Auto Parts (Thailand) Co., Ltd.	Belgium	Pacific Industries Europe NV/SA
			Japan (Equity Method Affiliated Company) PEC Holdings Co., Ltd.

1-3 Corporate Governance

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

■ Corporate Governance

- Following CG Code all 73 items

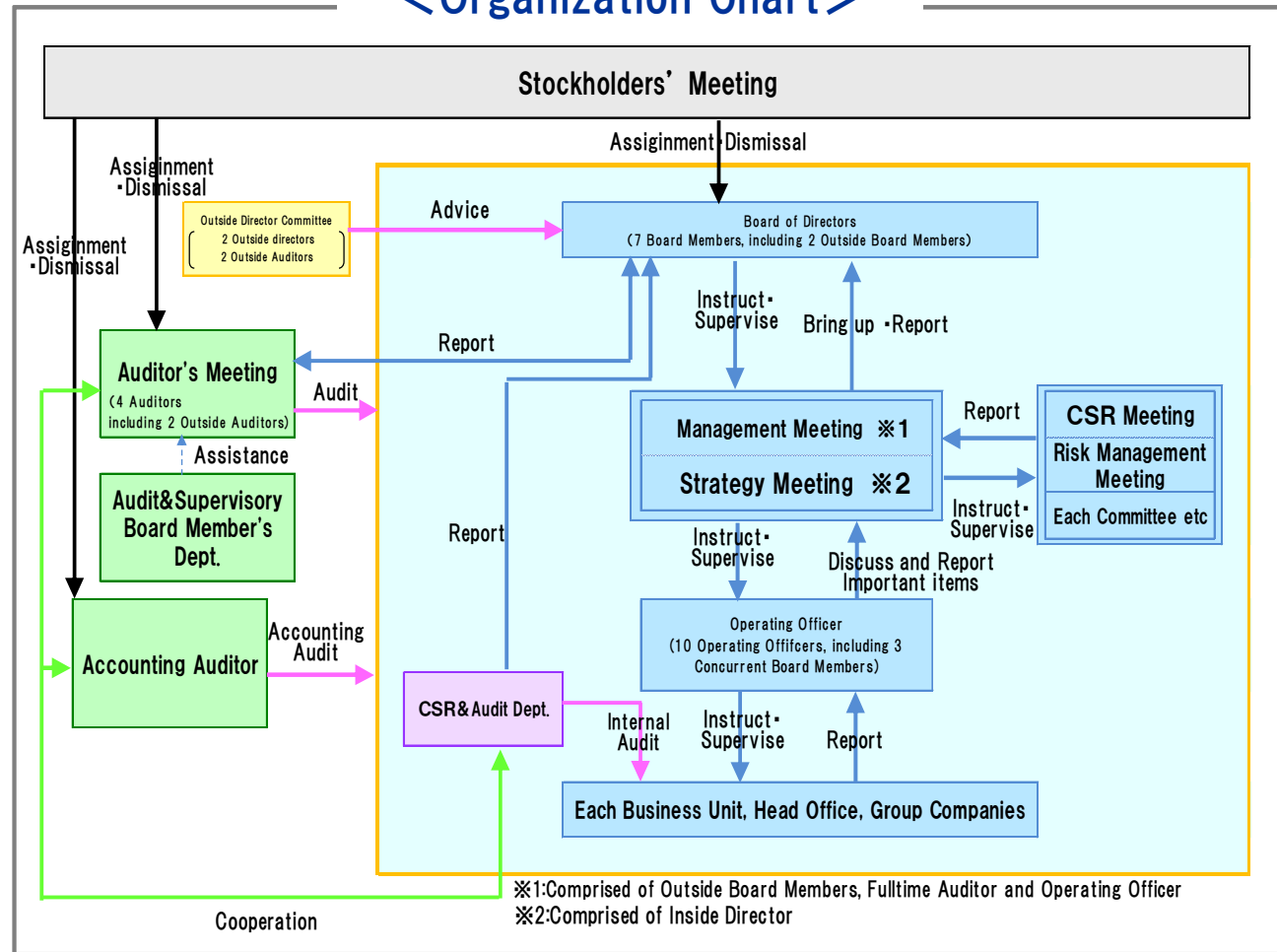
■ Internal Control

- Strengthening all subsidiaries' internal control
- Auditors and Internal Audit Divisions collaborate and secure appropriateness
- Exchange of opinions and sharing information with officers outside the company

■ Risk Control

- Promoting company-wide risk reduction action
- Setup the separate grievance desk
- Enhancing information security

<Organization Chart>

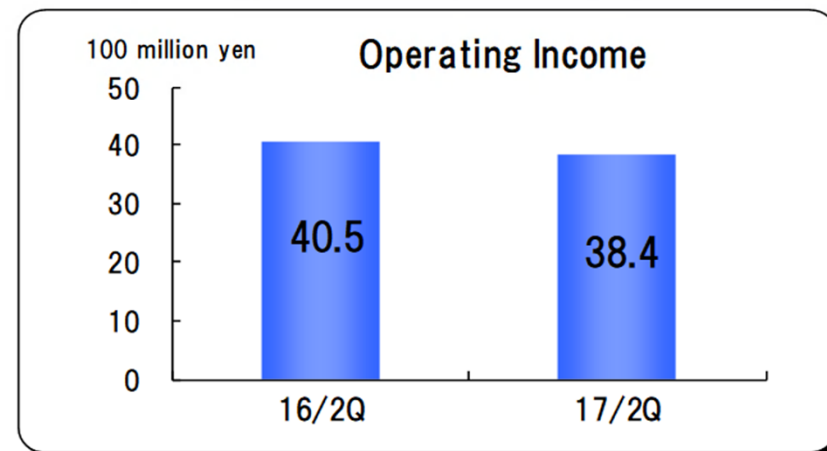
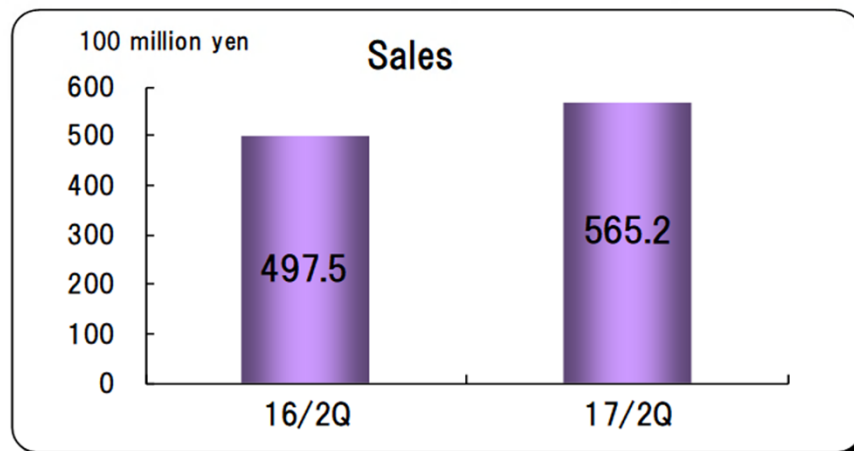


2-1 Consolidated Financial Result for 2Q

Sales, Ordinary Income, and Net Income for the quarter were Record-Breaking

(million yen%)

	Last 2Q	2Q				Last year term level		2Q Total
		4/27 Last forecast	Result	Last forecast level		Change	%change	
				Change	%change			
Sales	49,754	53,000	56,528	3,528	+6.7	6,773	+13.6	Increased sales for the first time in 2nd term Record High
Operating Income	4,056 8.2%	3,500 6.6%	3,846 6.8%	346	+9.9	△209	△5.2	Decreased income for the first time in 6th term
Ordinary Income	4,035 8.1%	4,000 7.5%	4,744 8.4%	744	+18.6	709	+17.6	Increased income for the first time in 2nd term Record High
Net Income for Quarter	3,094 6.2%	2,800 5.3%	3,405 6.0%	605	+21.6	311	+10.1	Increased income for the first time in 2nd term Record High



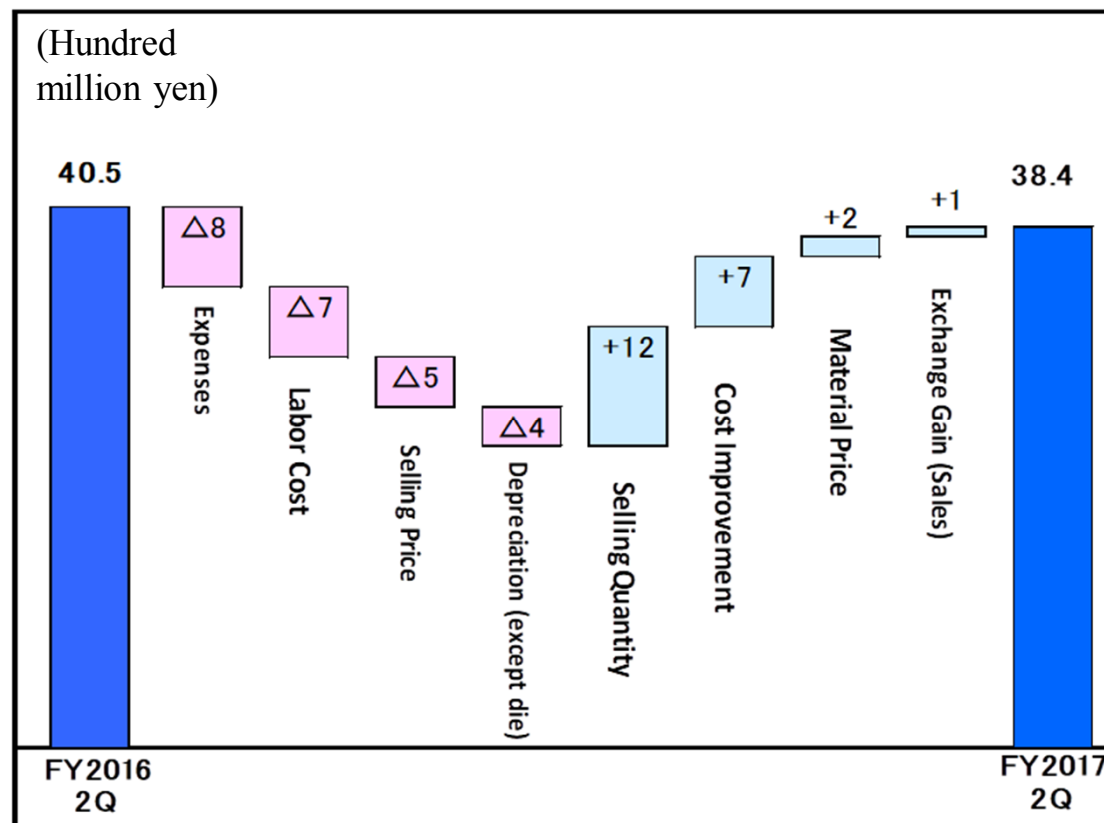
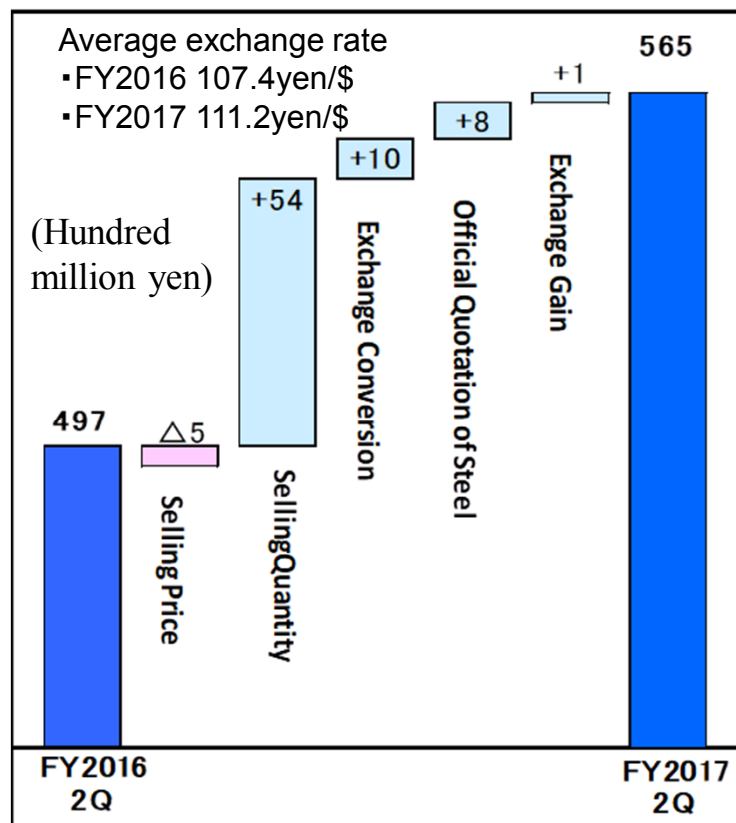
2-2 Causes of the Increase & Decrease in the Consolidated Income for the 2Q

6

Sales were increased, but Operating Income was a slight decrease

《2Q in FY2017 and 2Q in FY2016》
Sales +68

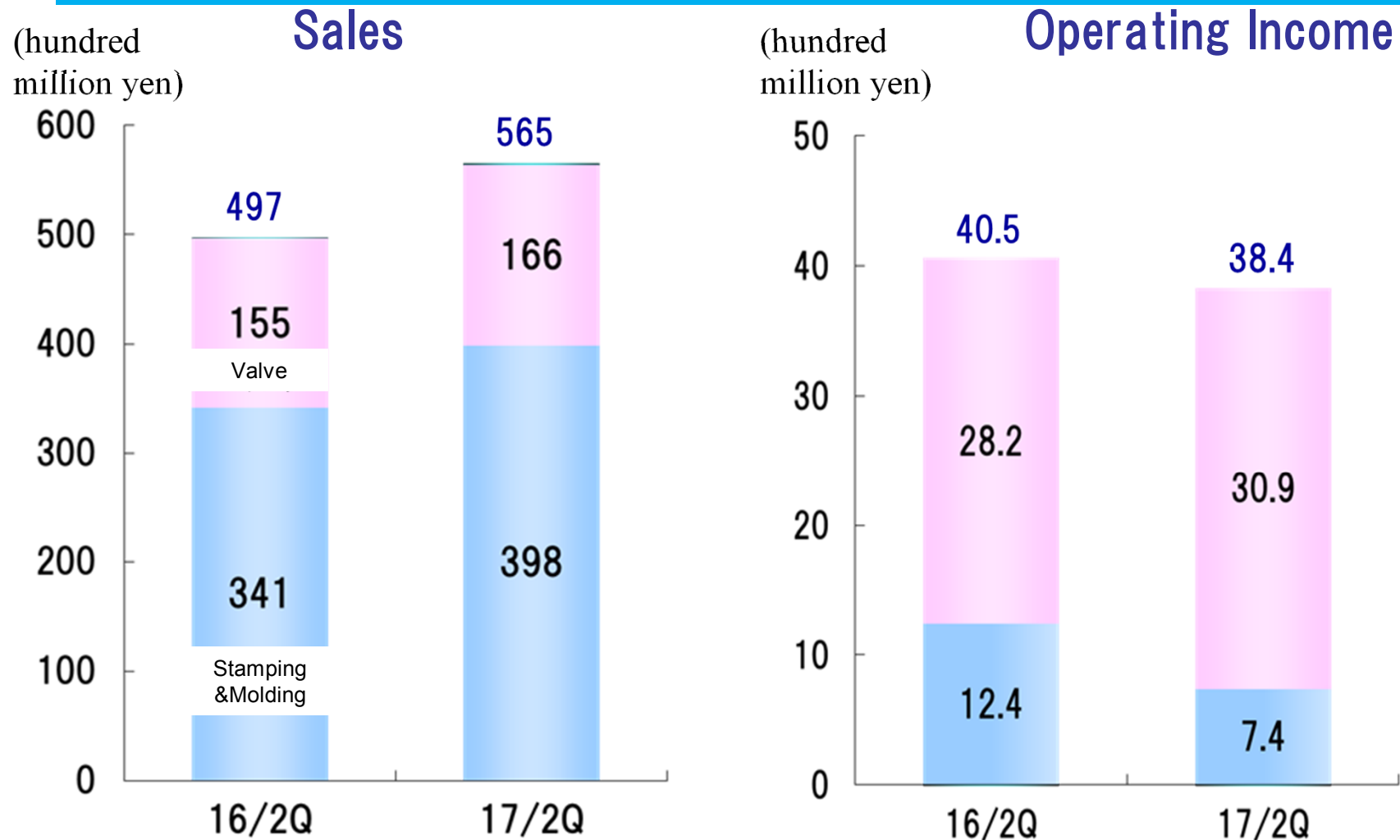
《2Q in FY2017 and 2Q in FY2016》
Operating Income Δ 2



2-3 Consolidated Business Segment for the 2Q

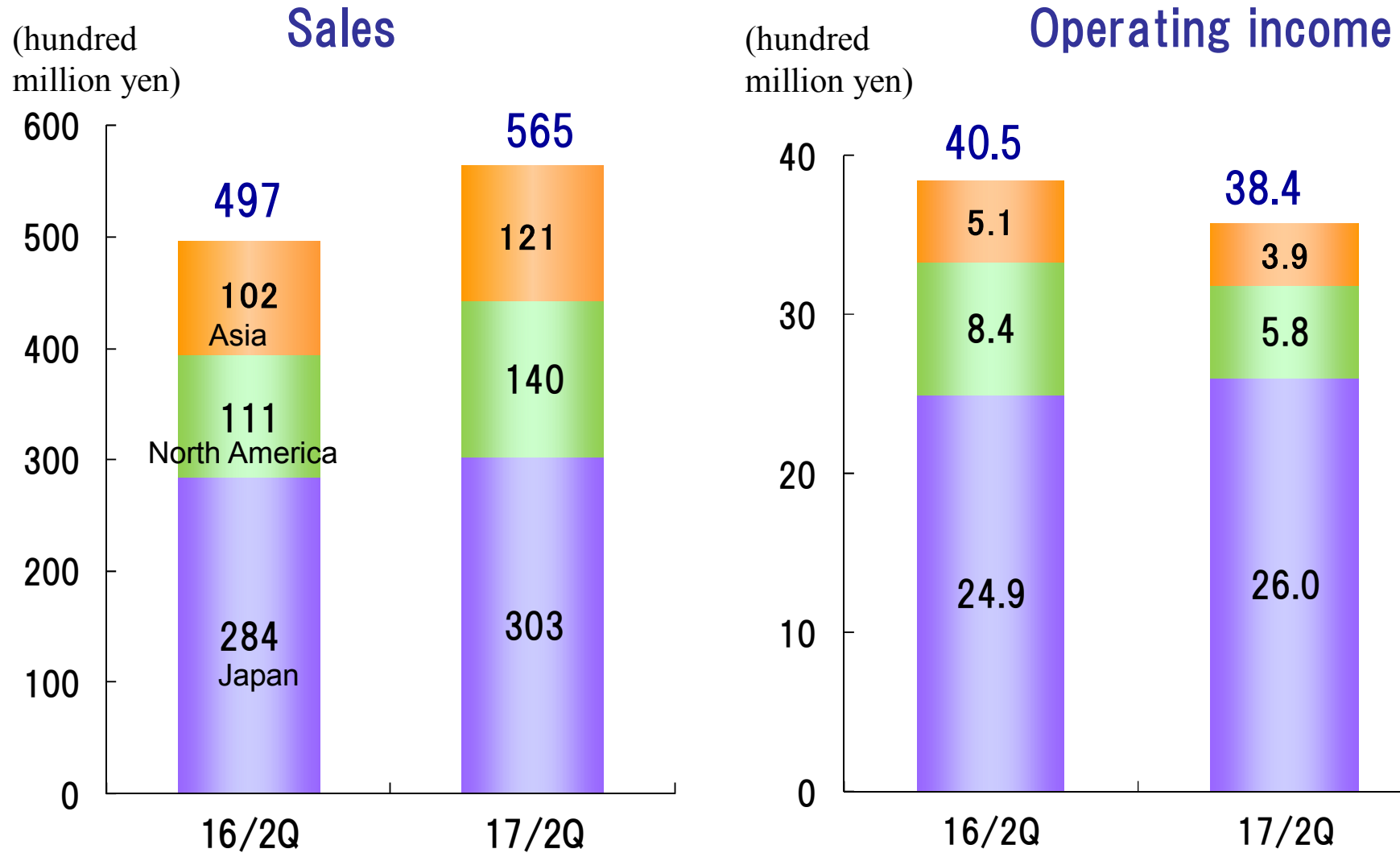
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Increase in income and decrease in profit in Stamping & Molding Business,
Increase in income and profit in Valve Business



2-4 Consolidated Regional Segment for 2Q

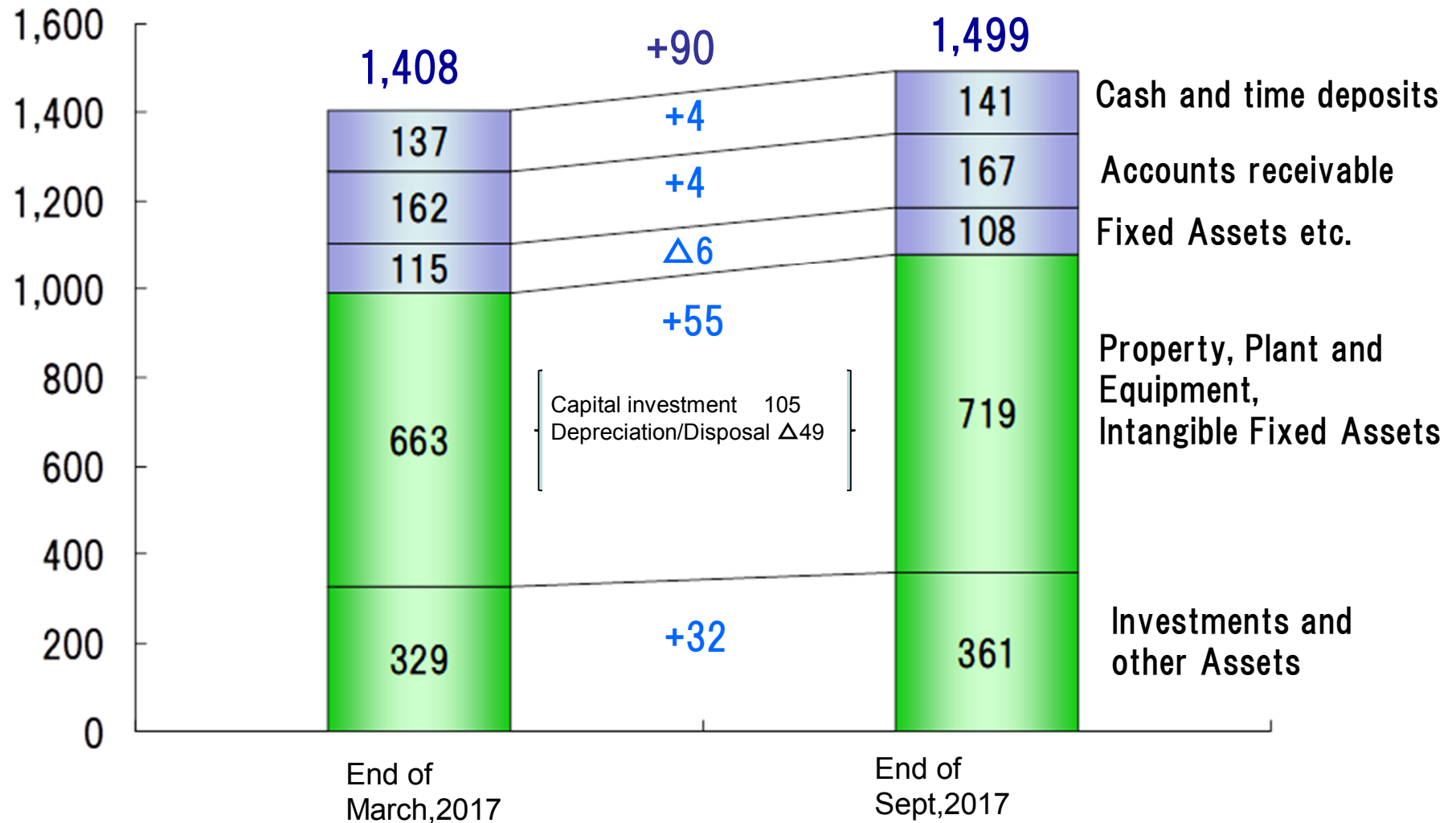
Increase in income and profit in Japan
Increase in income and decrease in profit in North America & Asia



2-5 Changes in Consolidated Total Assets for 2Q

Strategic Capital Investment Made Tangible Fixed Assets Increased

Hundred million yen



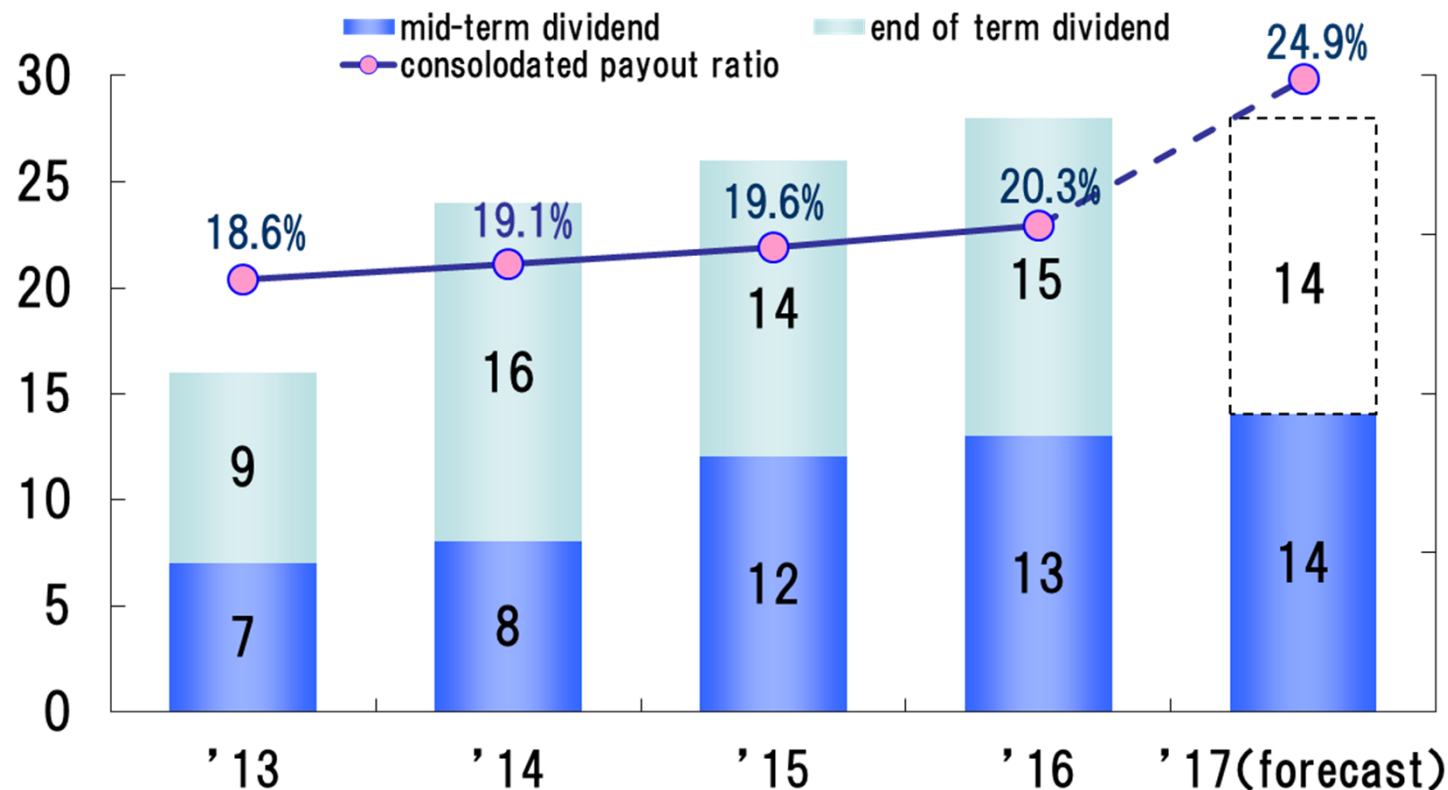
2-6 Return to Stockholders

As for interim dividend, 1 yen was increased
Annual dividend was same amount as the last term

Annual Dividends

FY2016 28yen (Middle of the year:13yen End of the year:15yen)

FY2017(forecast) 28yen (Middle of the year:14yen End of the year:14yen)

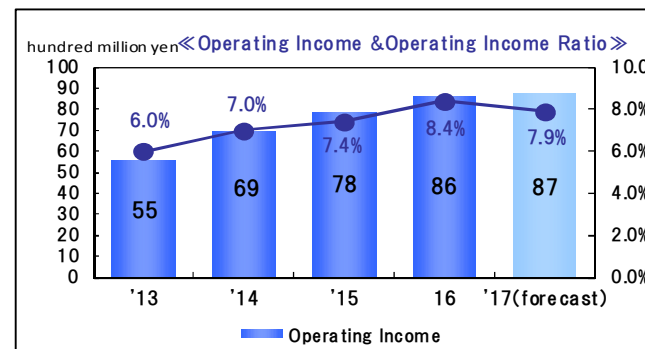
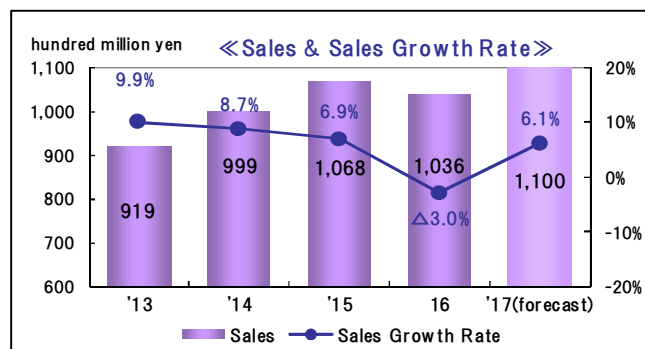


3-1 Consolidated Financial Forecast for Whole FY

Full Year Forecast is Deferred. Sales and Operating Income was Record High

[million yen]

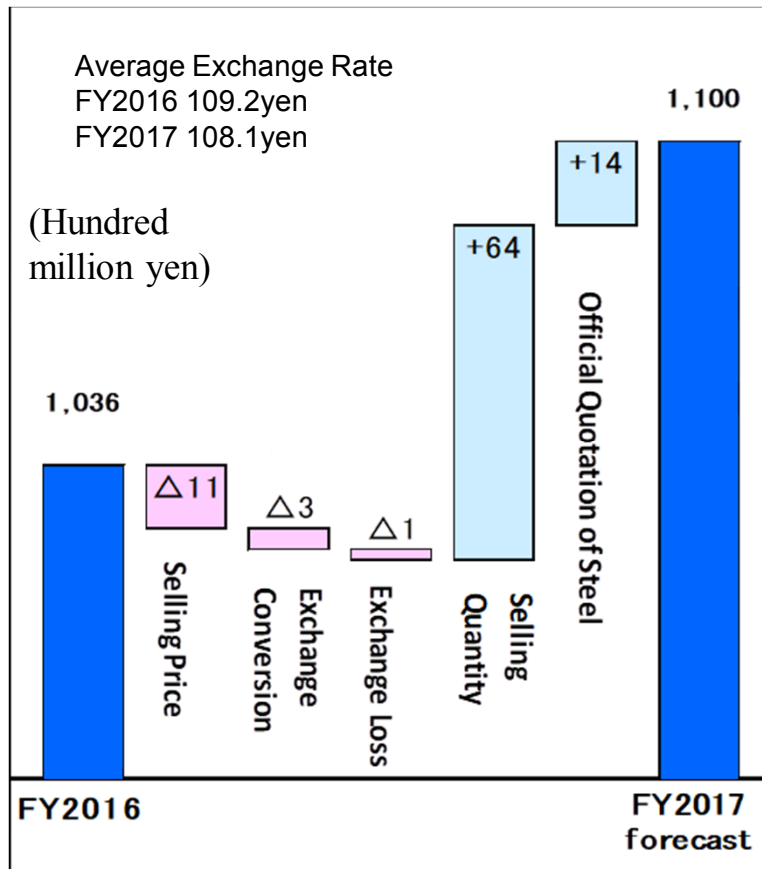
	2015	2016	2017 (4/27forecast)	2017 (forecast)	Last Forecast Level		Last year term level		Whole FY (forecast)
					Change	%change	Change	%change	
Sales	106,886	103,669	110,000	110,000	0	0.0%	6,331	6.1%	Increased income for the first time in 2nd term Record High
Operating Income	7,869	8,662	8,700	8,700	0	0.0%	38	0.4%	Increased income for the first time in 6th term Record High
Ordinary Income	9,013	9,957	9,500	9,500	0	0.0%	△457	△4.6%	Decreased income for the first time in 6th term
Current Net Income	7,114	7,524	6,700	6,700	0	0.0%	△824	△11.0%	Decreased income for the first time in 5th term
Operating Income on Sales	7.4%	8.4%	7.9%	7.9%	0.0%	/	△0.5%	/	/
ROE	9.7%	9.7%	7.8%	7.7%	△0.1%	/	△2.0%	/	/
ROA (Operating Income Base)	6.0%	6.4%	5.9%	5.9%	0.0%	/	△0.5%	/	/
Net Assets per Share (yen)	1,339	1,404	1,488	1,506	18	1.2%	102	7.3%	/



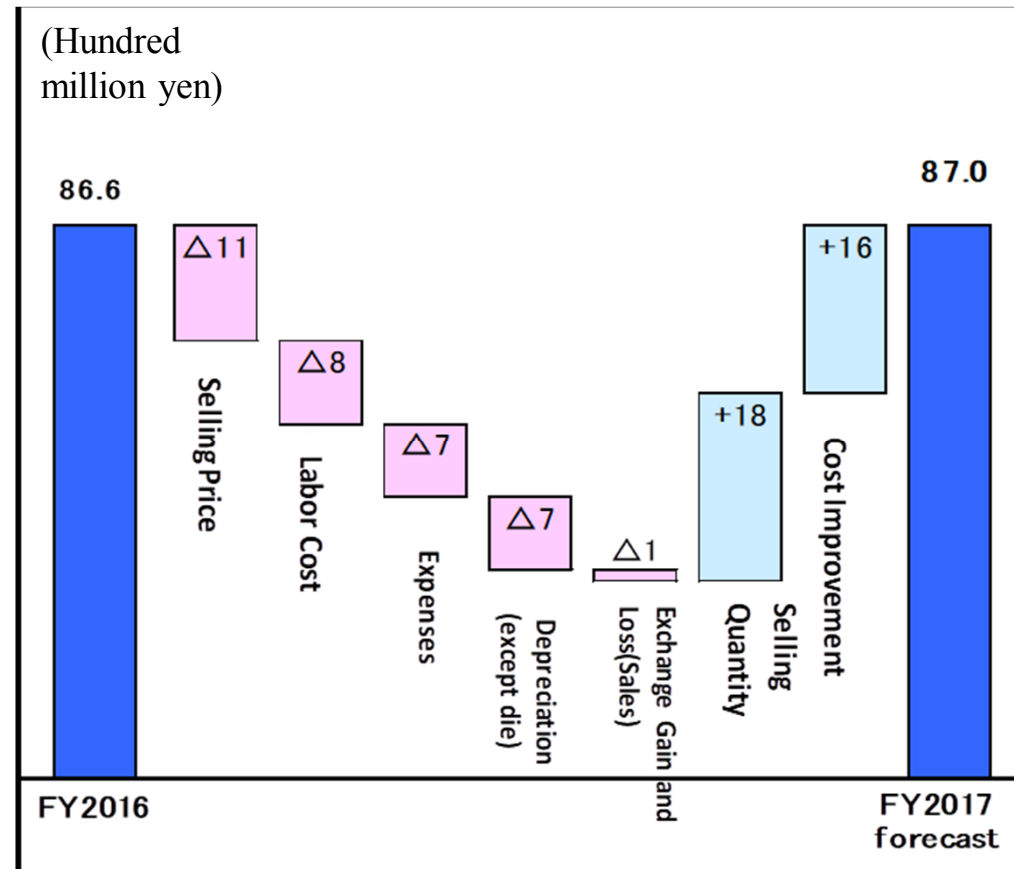
3-2 Cause of Increased/Decreased Operating Income for whole FY

Sales were Increased by Increased New Products
Operating Income is Forecasted as Flat

FY2017 Forecast and FY2016
Sales +63

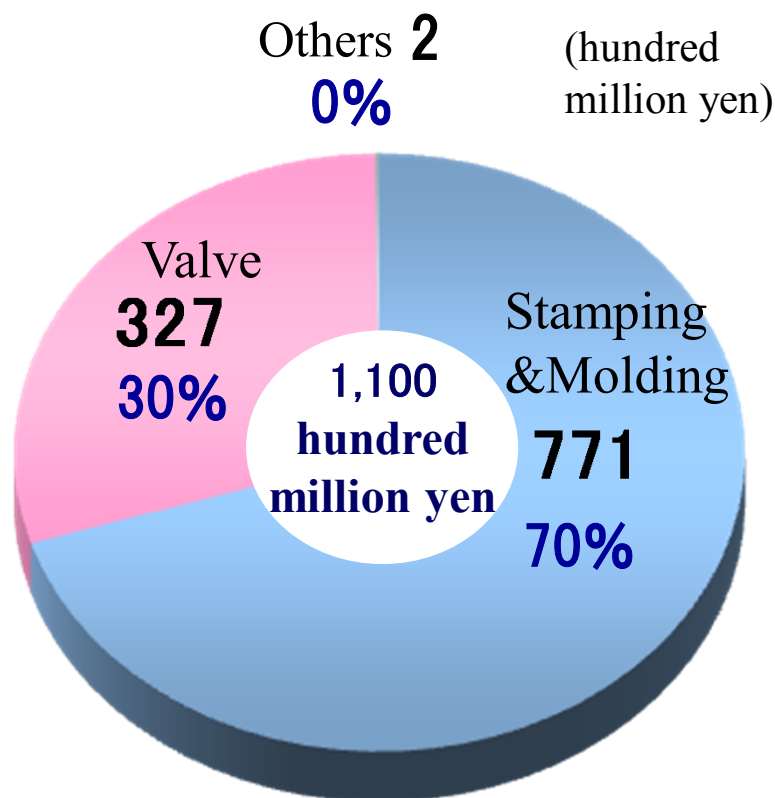


FY2017 Forecast and FY2016
Operating Income ±0

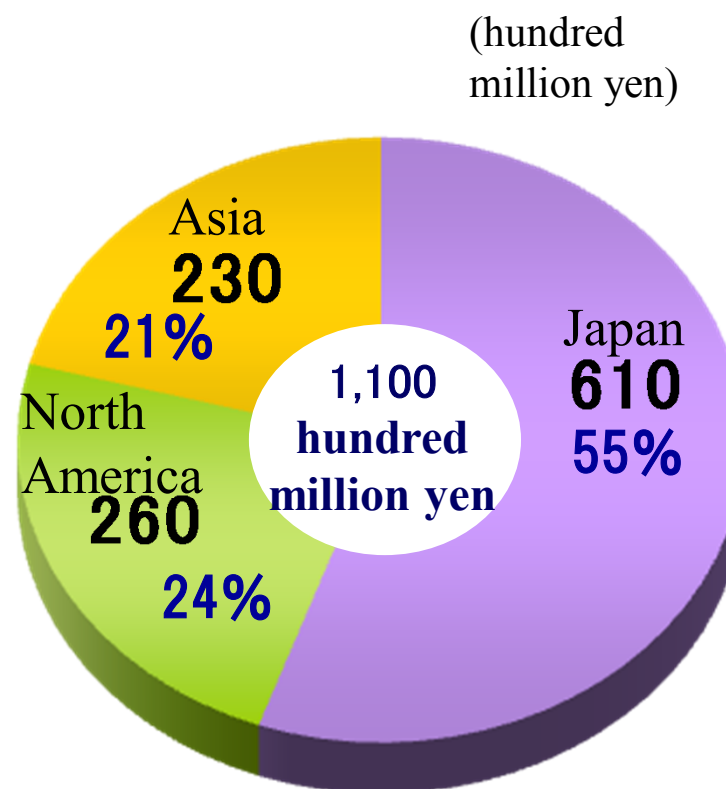


3-3 Consolidated Segment Forecast for FY2017

Sales by Business



Sales by Region

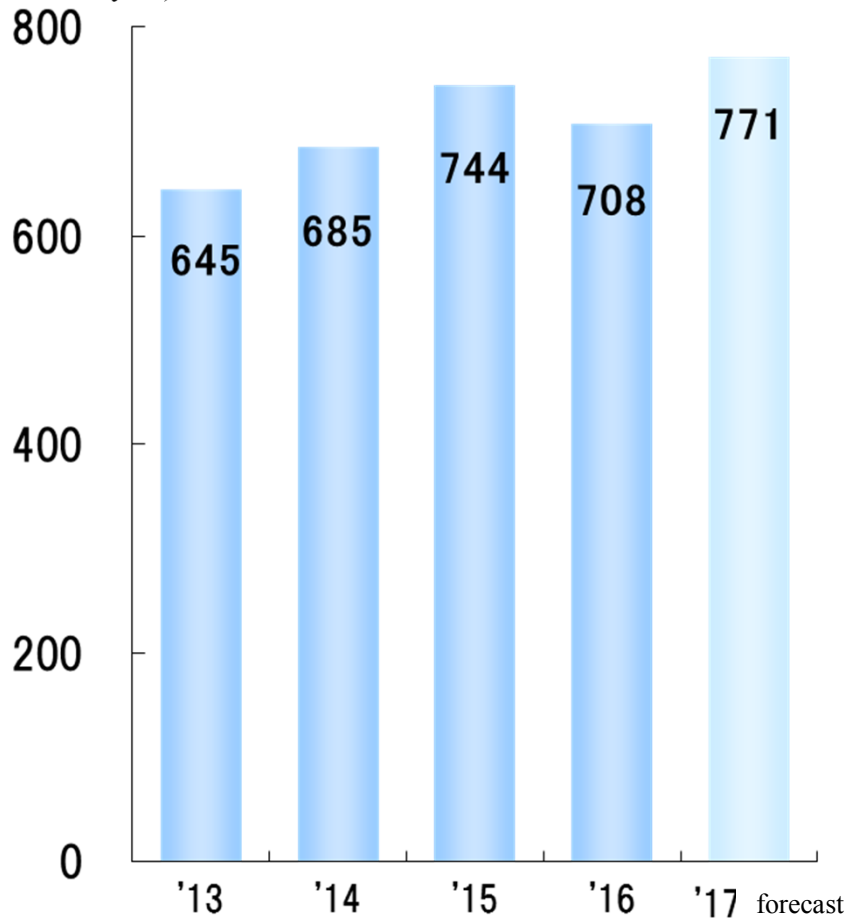


3-4 Business Segment: Stamping & Molding Business

Sales of New Products Contributed to Increased Income
Forecast of Increase in Profit by Improvement etc.

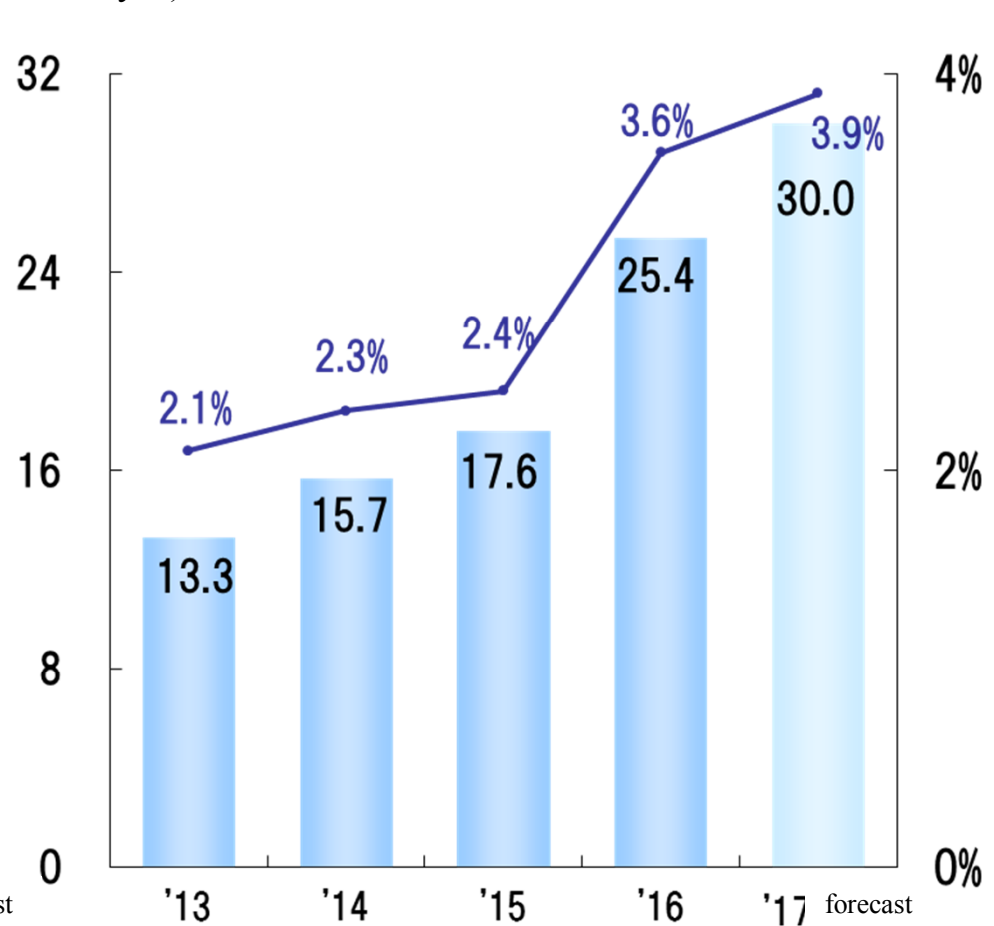
(Hundred million yen)

Sales



(Hundred million yen)

Operating Income

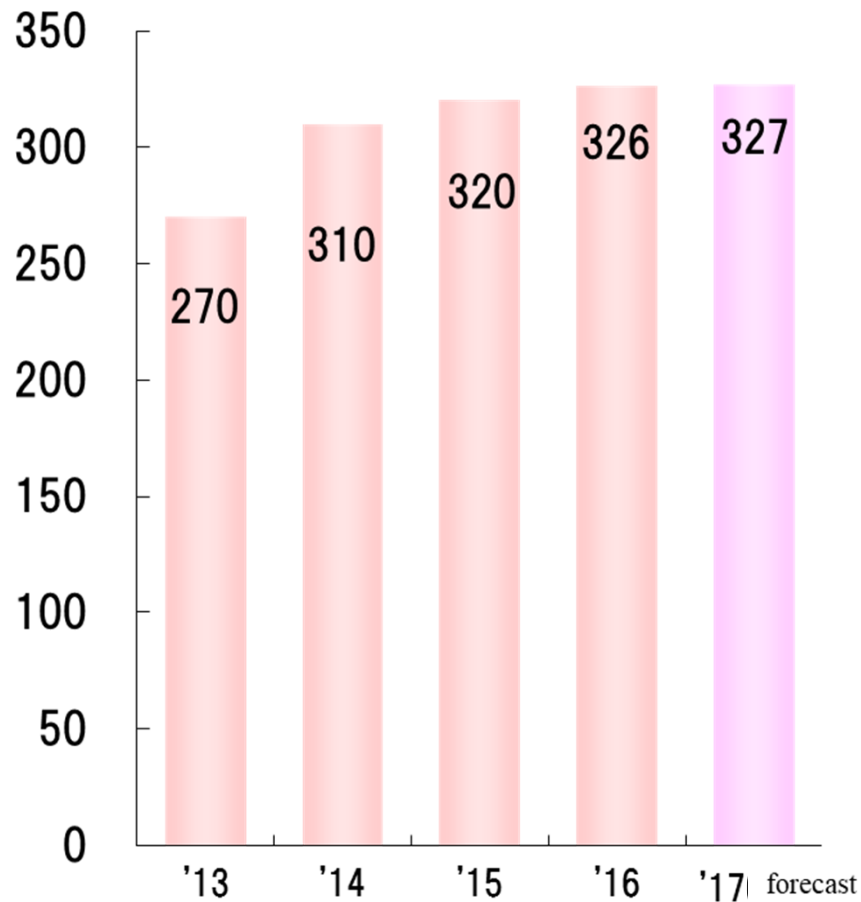


3-5 Business Segment: Valve Business

Sales will be the Same as the Previous Term
Decrease Profit Forecast

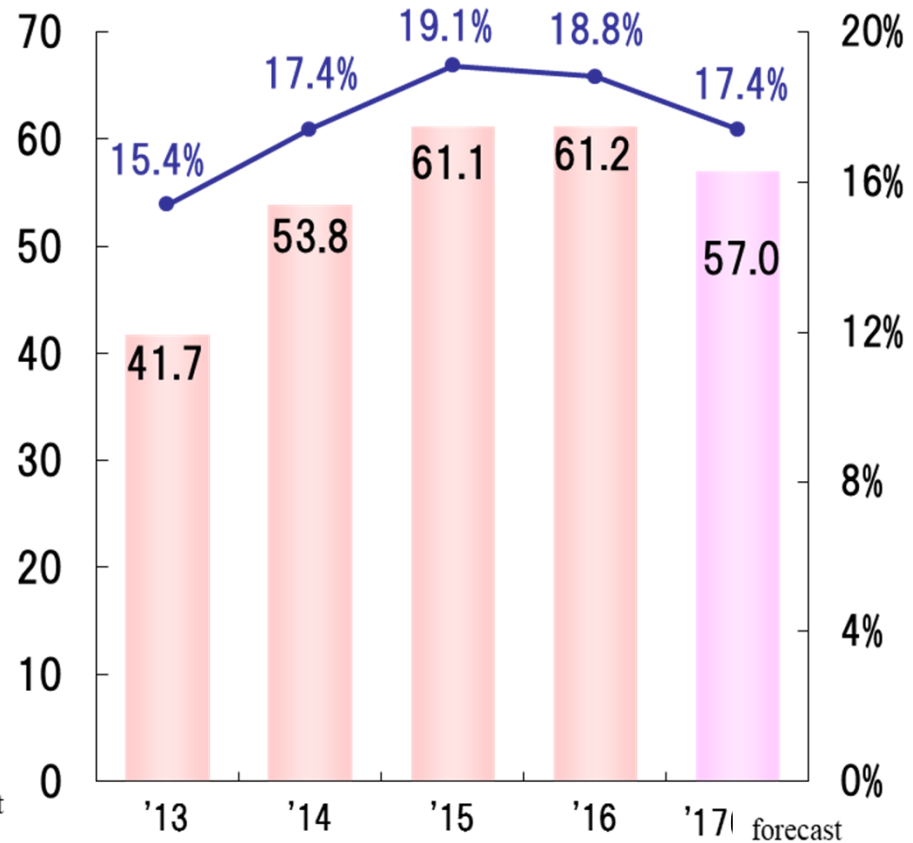
(Hundred million yen)

Sales



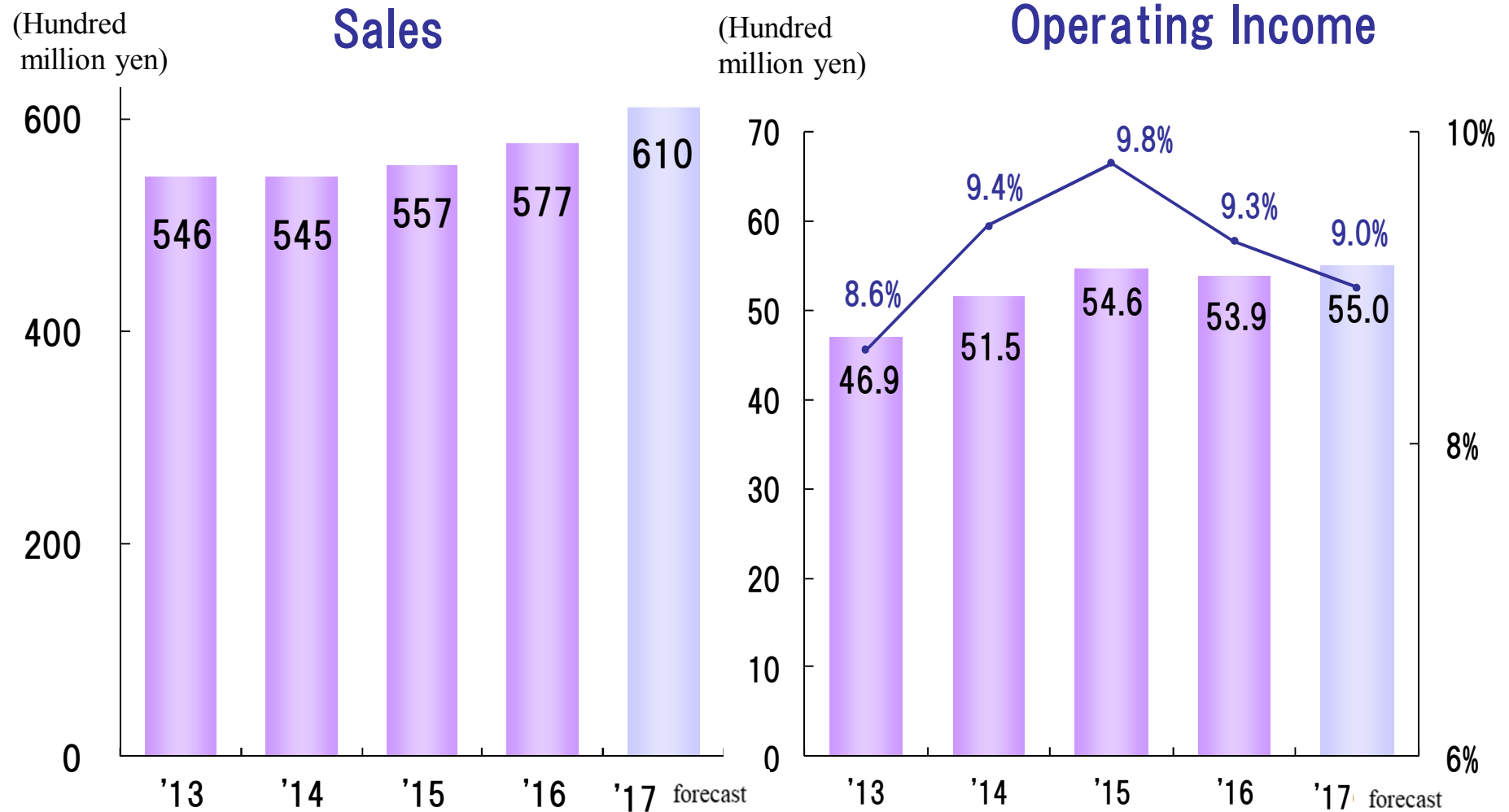
(Hundred million yen)

Operating Income



3-6 Regional Segment: Japan

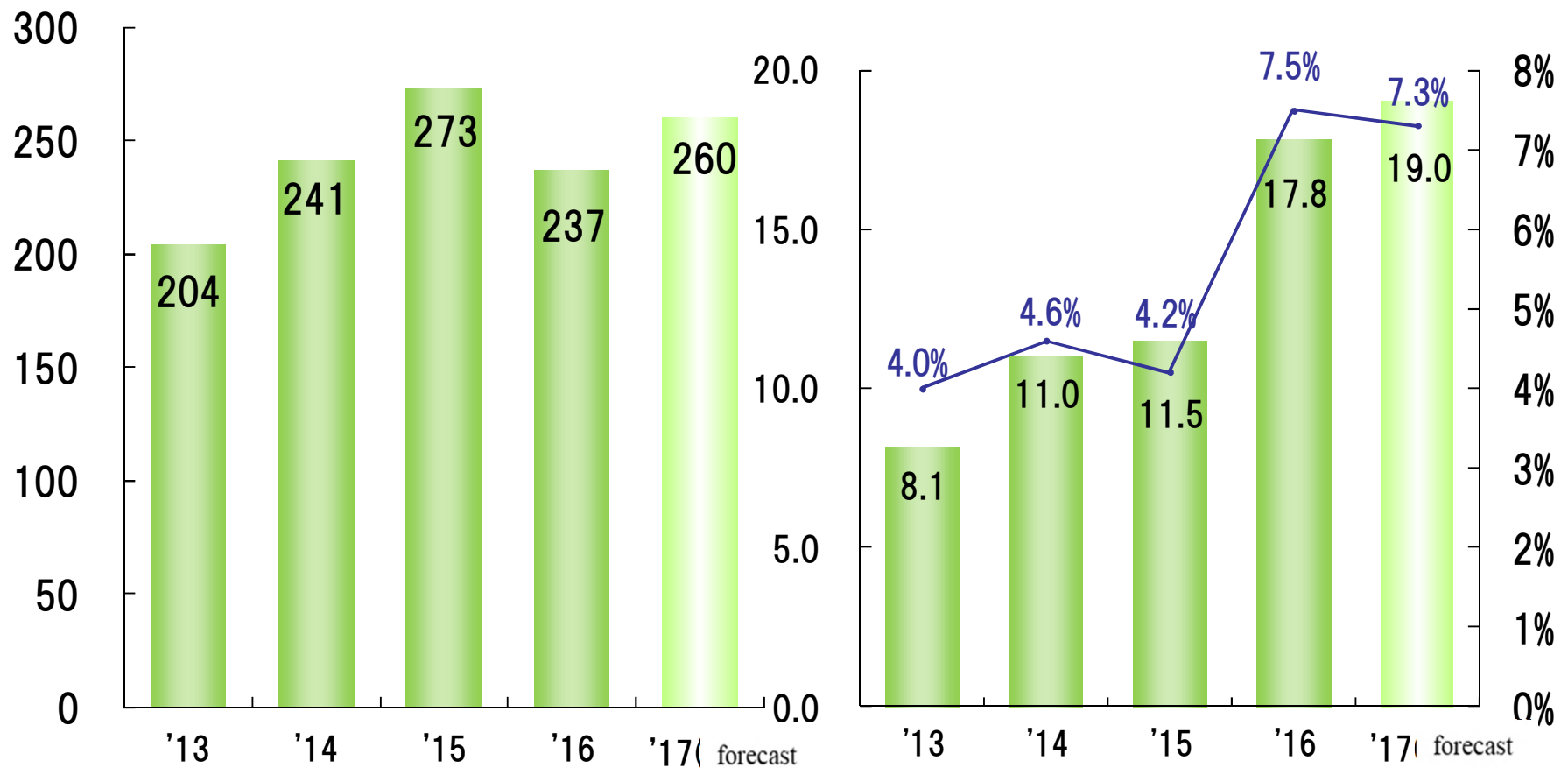
Increase Sales and Profit forecast due to increased sales of new Stamping Products



3-7 Regional Segment: North America

Increase Sales Forecast due to Increased Sales of New Products
Increase Profit due to Improvement

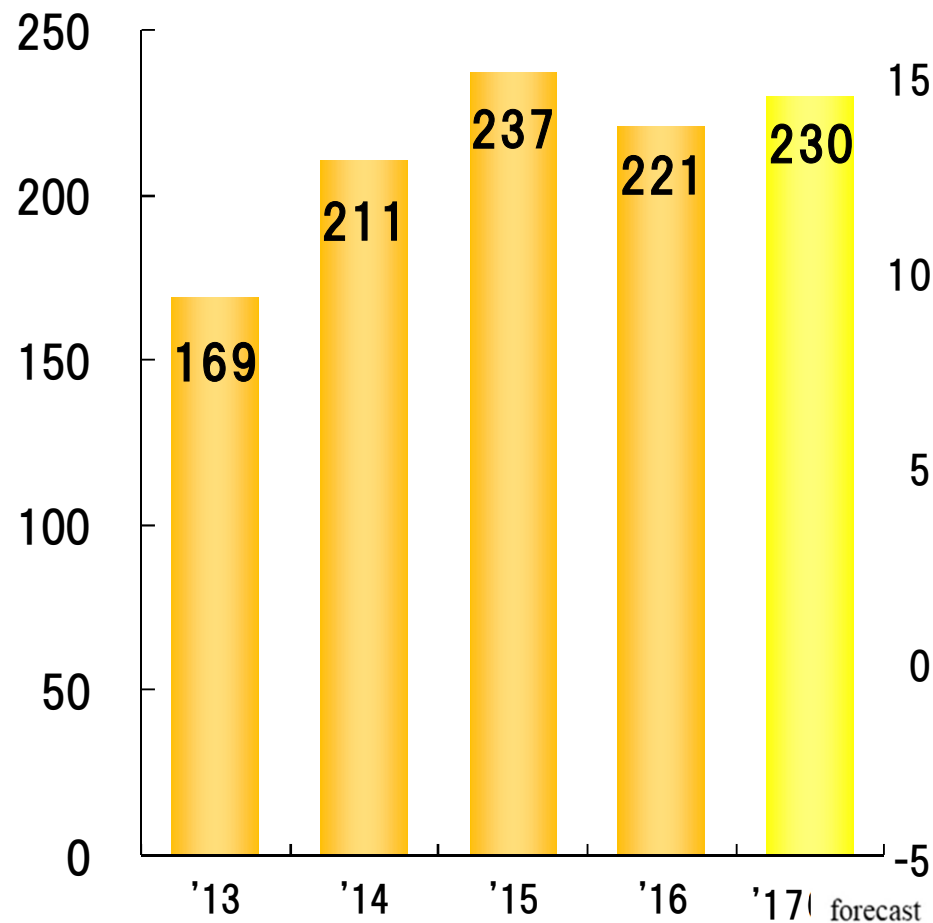
(Hundred million yen) **Sales** (Hundred million yen) **Operating Income**



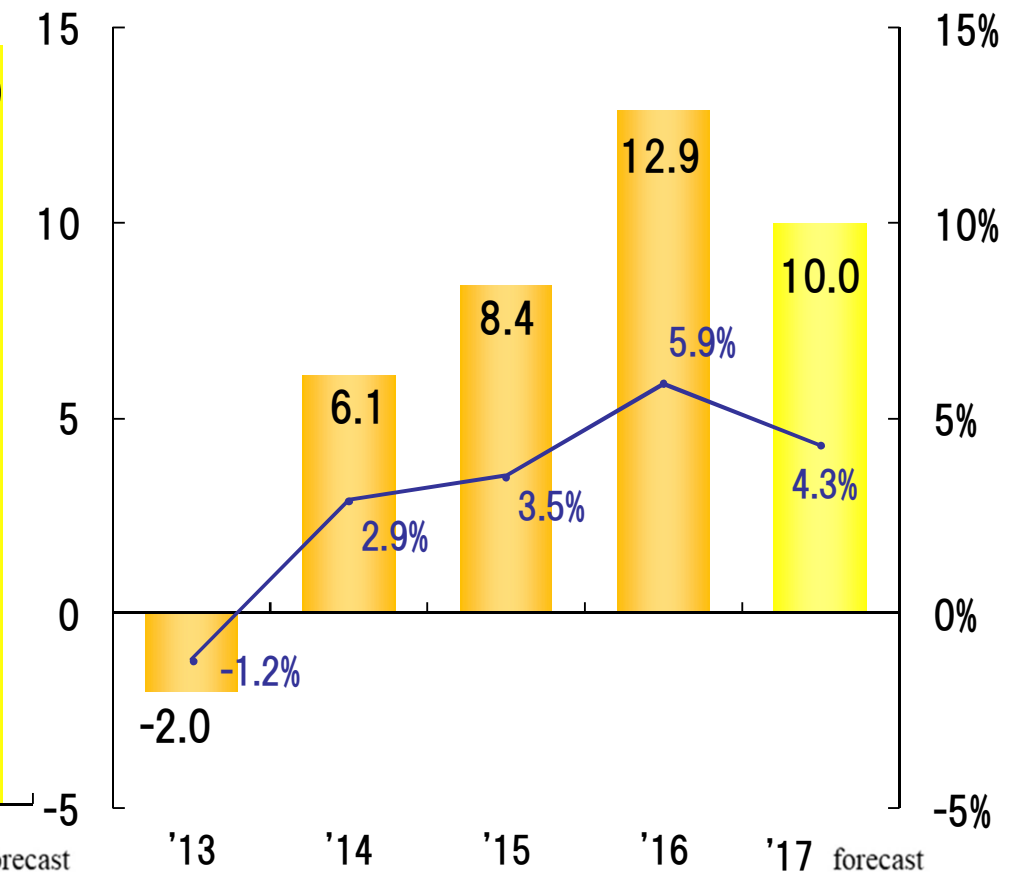
3-8 Regional Segment: Asia

Increase Income Forecast due to Increased Stamping, TPMS Business in China

(Hundred million yen) **Sales**

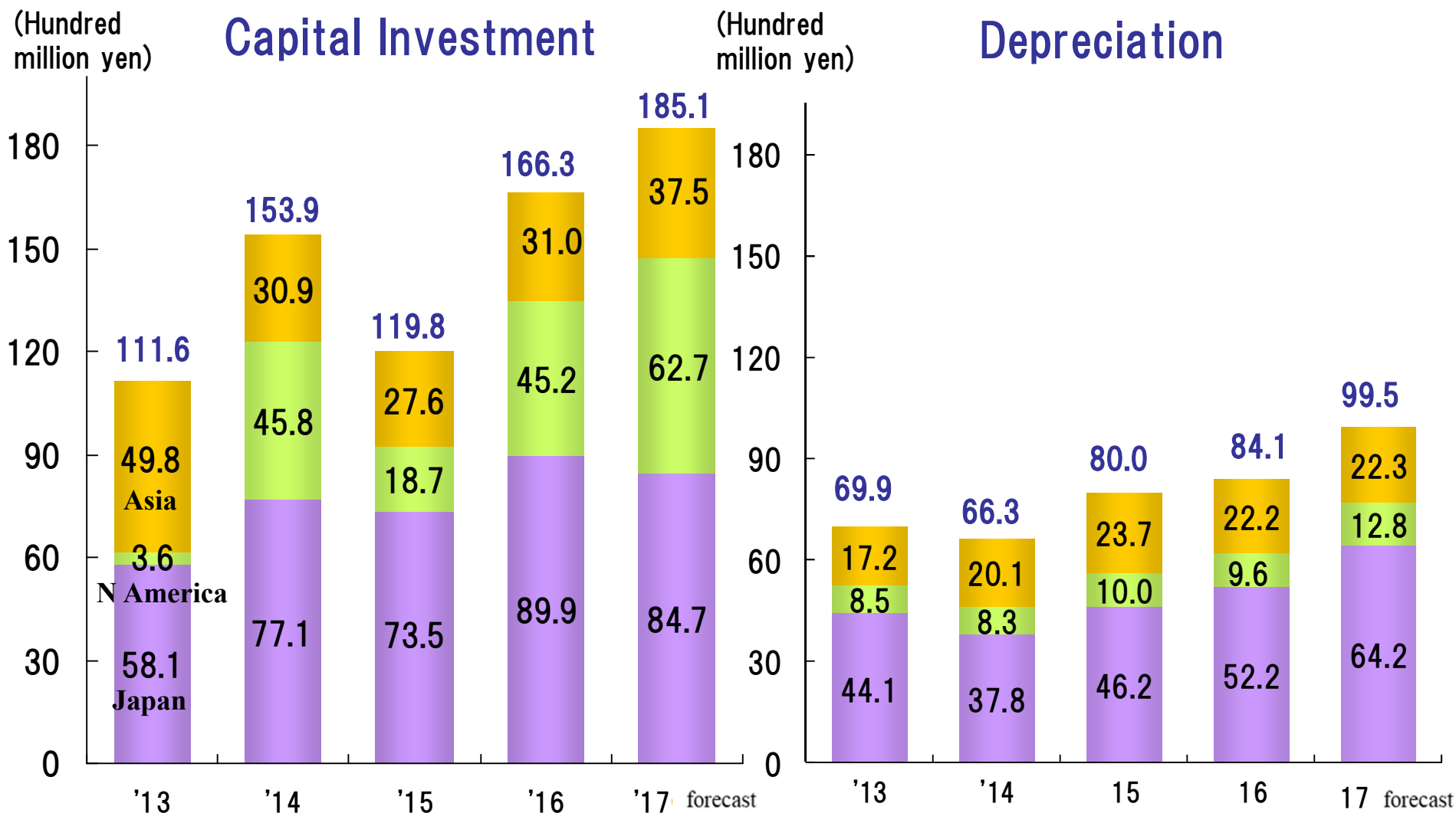


(Hundred million yen) **Operating Income**



3-9 Consolidated Capital Investment/Depreciation Forecast

Increase Investment/Depreciation Forecast due to Strategic Capital Investment



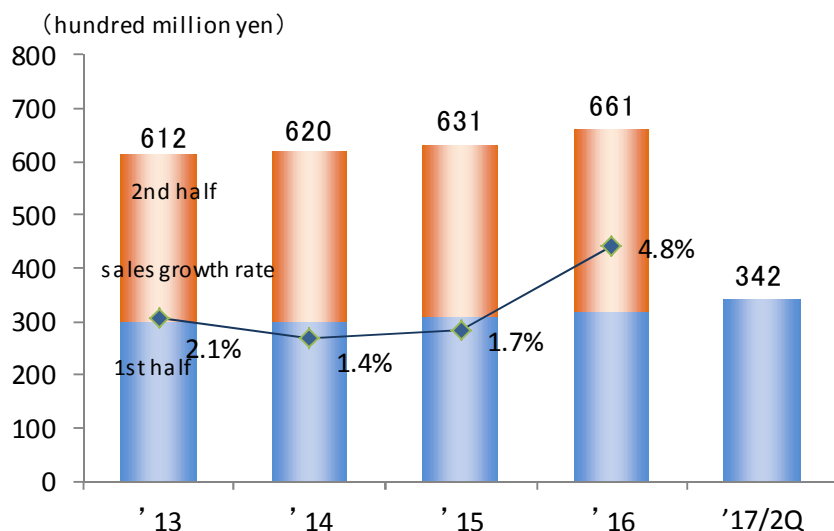
3-10 <Reference> Individual Financial Result

Increased Sales. Operating Income/Ordinary Income were Record-Breaking

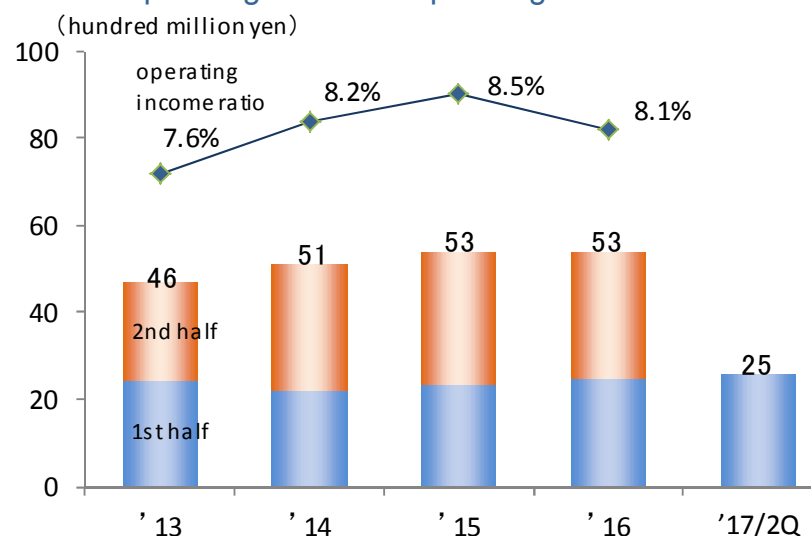
[million yen %]

	Last 2Q		2016 (Last Quarter)		2Q		Last year term level		2Q Total
	(Result)	Sales Ratio	(Result)	Sales Ratio	(Result)	Sales Ratio	Change	%change	
Sales	31,919	100%	66,168	100%	34,293	100%	2,374	7.4%	Increase in income for 3 terms in a row
Operating Income	2,488	7.8%	5,362	8.1%	2,574	7.5%	85	3.4%	Increase in profit for 3 terms in a row Record High
Ordinary Income	2,803	8.8%	6,987	10.6%	3,485	10.2%	681	24.3%	Increased profit for the first time in 2nd term Record High
Net Income for Quarter (this term)	2,373	7.4%	5,414	8.2%	2,543	7.4%	169	7.2%	Increased profit for the first time in 2nd term
Net Assets per Share (this term)	43.57	-	98.55	-	42.37	-	-1.2	-	

«Sales & Sales Growth Rate»



«Operating Income & operating Income Ratio»



4-1 "OCEAN-18" Status of Achievement

Found the way to achieve Sales/Profit Goals in FY

PACIFIC GLOBAL VISION 2020

- From "Consolidated management" to "Integrated management"
- Five "SHINKA"

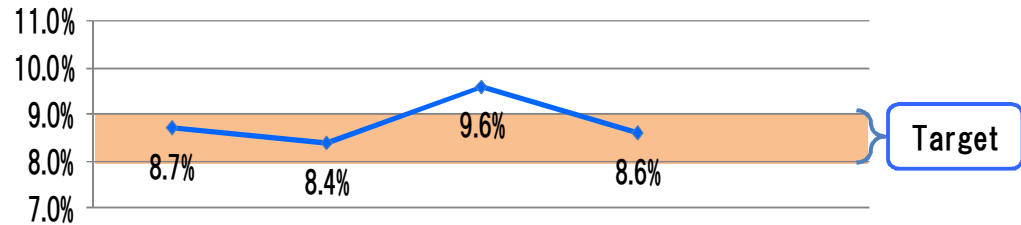


OCEAN-18 Goal

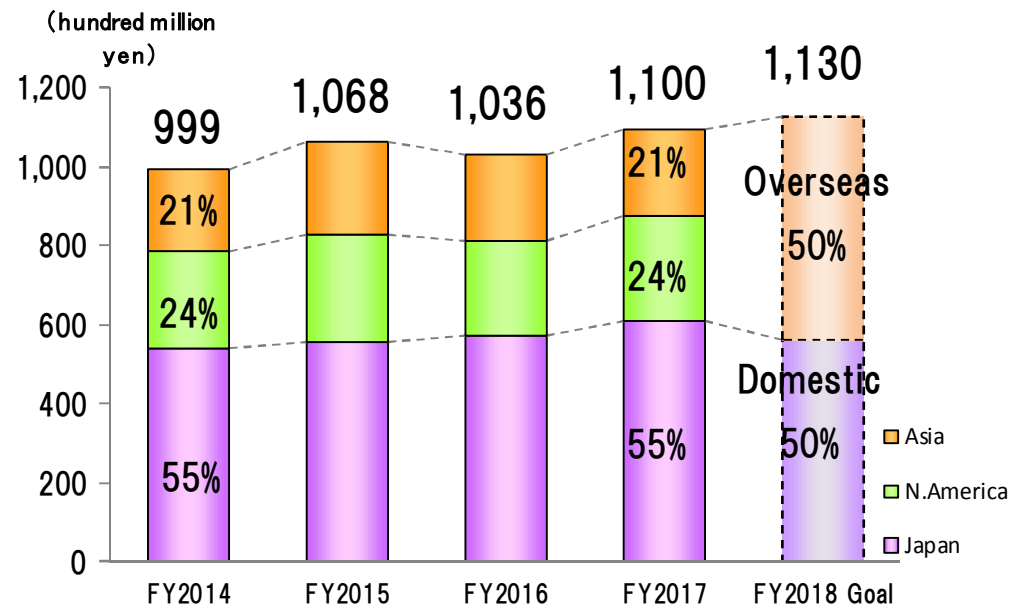
- Consolidated Sales : ¥ 113 billion
- Consolidated Ordinary Income Ratio : 8% range
- Overseas Sales Ratio : 50% or more
- Total Assets Turnover : 1.05 or more

FX105yen/\$

Ordinary income ratio



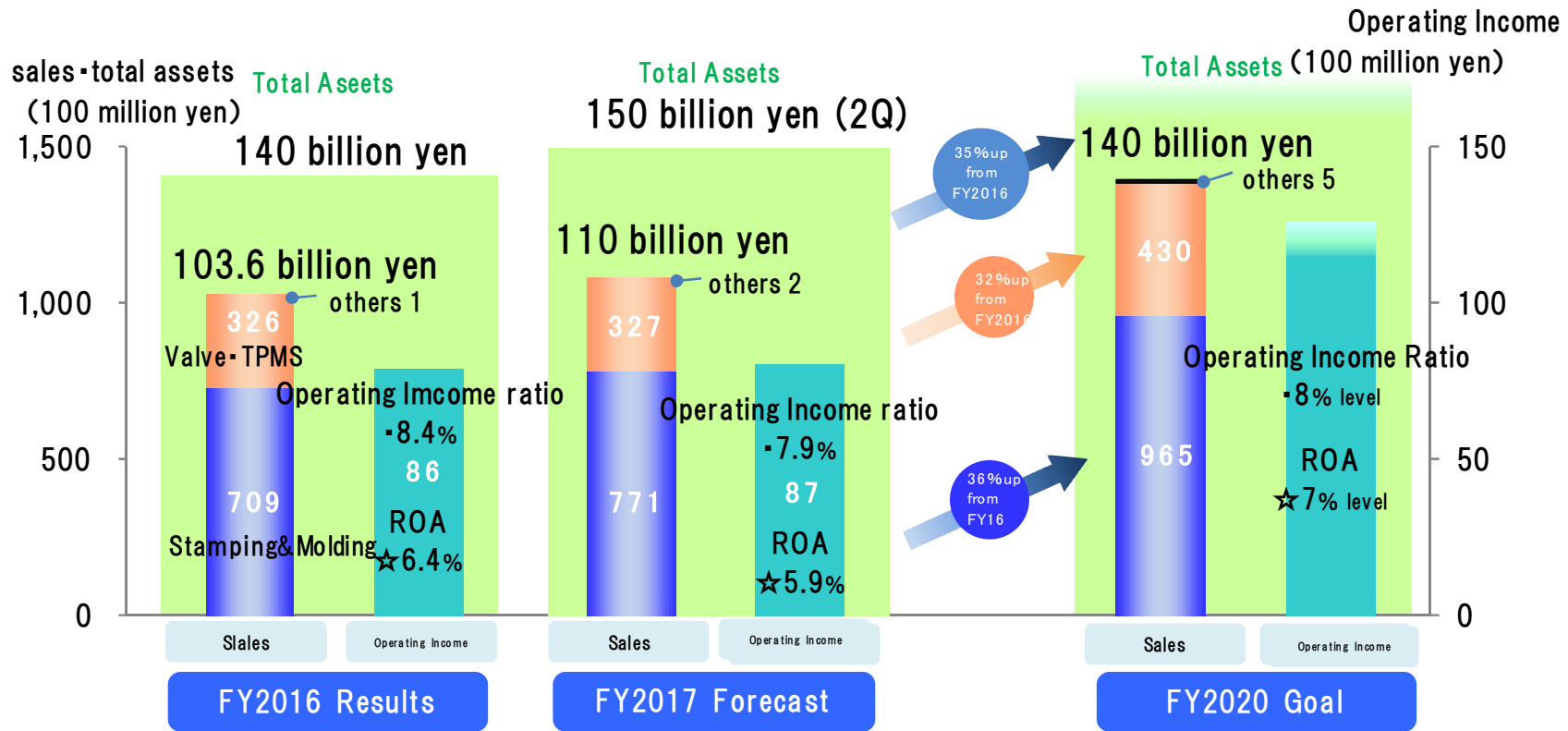
Consolidated Sales



4-2 New Mid-Term Business Plan “OCEAN-20”

Goal for FY2020

Consolidated Sales 140 billion yen	Consolidated Operating Income Ratio 8% Level	ROA (Operating Income) 7% Level
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4-3 External Environment Recognition

A Major Revolution Once in 100 Years

【Tightening of Regulations】

- Safety Regulation
- Environment Regulation

【Industry Trends】

- Expansion of the Market of Emerging Countries
- Entry of Different Industries
- Diversity of Technology
- Revolution of Manufacturing

Enhance Safe Performance, Environment Performance, and Comfort Performance

Electrification

Intelligence

Informatization

Weight saving

- PHV
- EV
- FCV

- AI
- Automatic Driving

- Connected
- IoT
- Big Data

- Make full use of iron
- NV Ability
- Multi Material

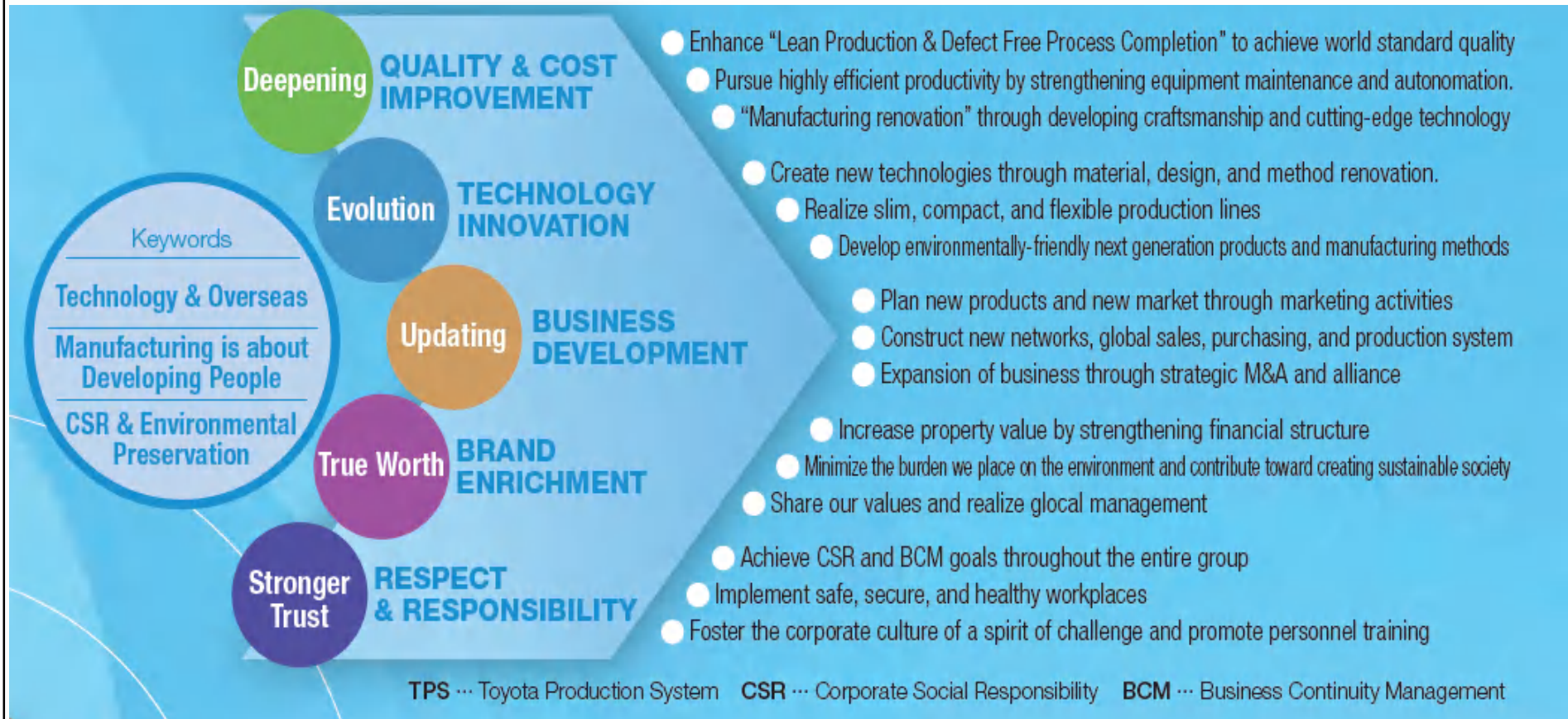
Harmony of Human and Vehicles

Our Policy

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

4-4 New Mid-Term Business Plan “OCEAN-20”²⁴

Aim for Top Class GLOCAL Auto-Parts Manufacturer



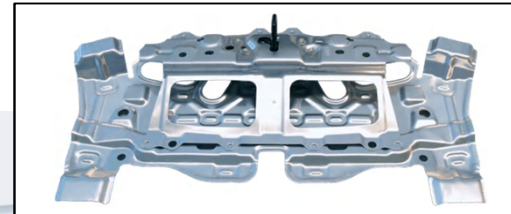
4-5 Our Technology adopted on New Camry

PACIFIC's Various Technology was Adopted



【Stamping】

Friction Stir Welding(FSW)
Aluminum Parts



【Stamping】

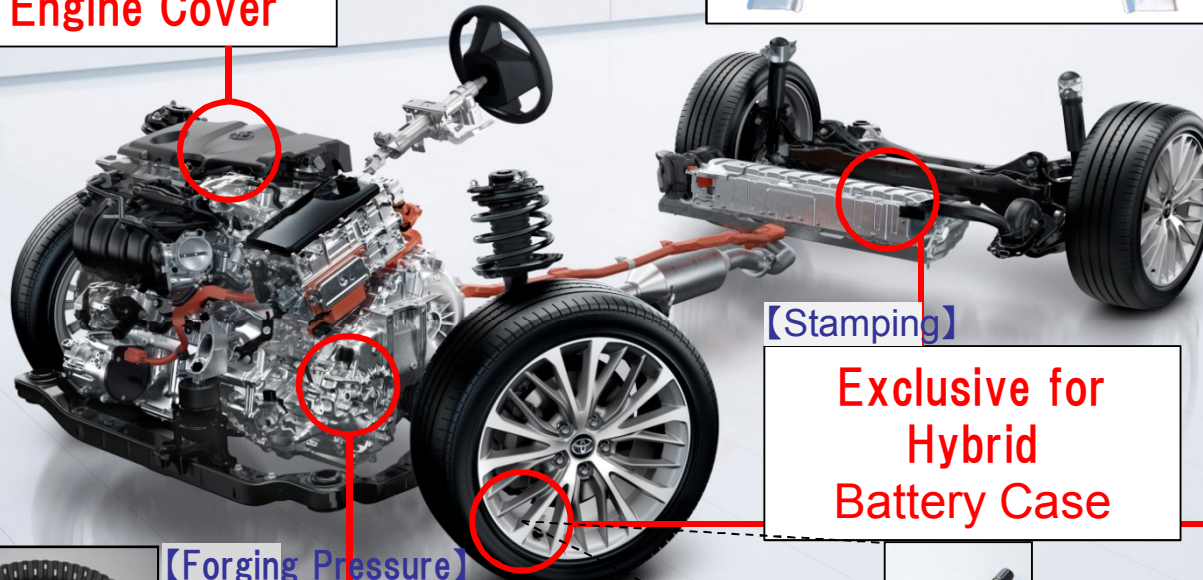
Cold Press Technology
Super High Tensile Steel Plate



Won "Camry Project Award"

【Molding】

All Urethane
Engine Cover



【Stamping】

Exclusive for
Hybrid
Battery Case

【TPMS】

TPMS

(Tire Pressure Monitoring System)



【Forging Pressure】

8th speed AT Hub
For Gasoline Car



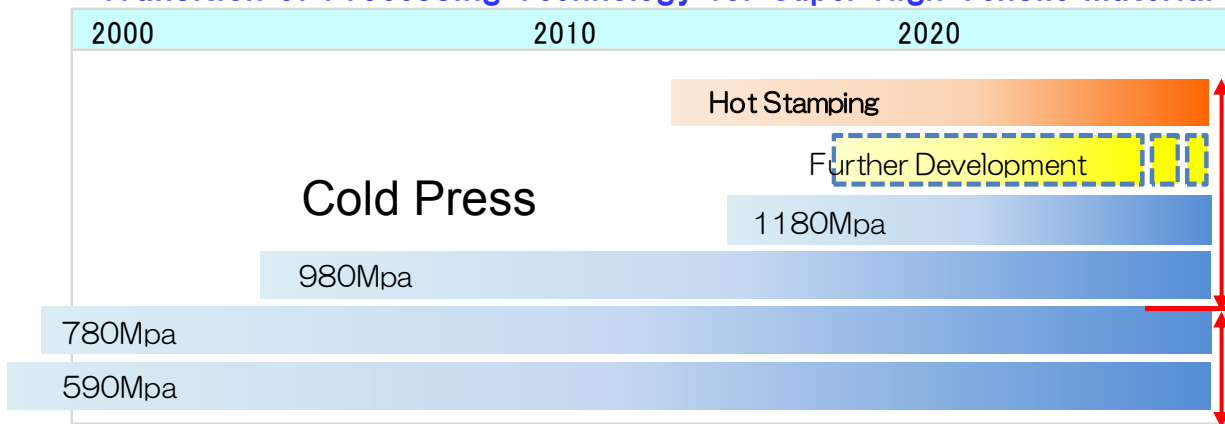
4-6 Technology Transition in Stamping Business

Technology Development particular about Weight Saving

Our Processing Technology

- Processing Technology of Cold Press for Super High Tensile Material, Hot Stamping, and Aluminum Material

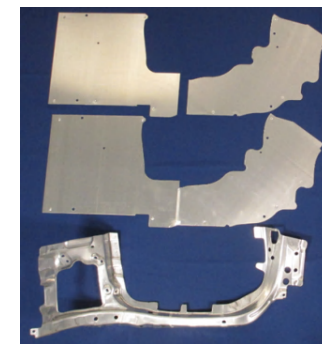
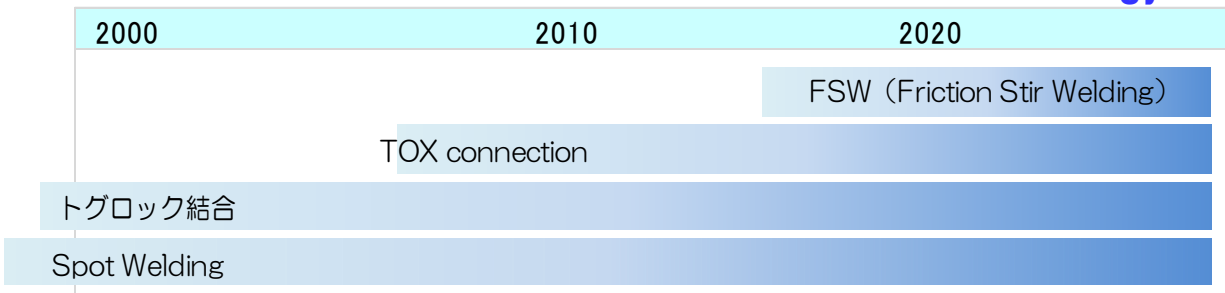
Transition of Processing Technology for Super High Tensile Material



Super High Tensile

High Tensile

Transition of Alminum Material Connection Technology

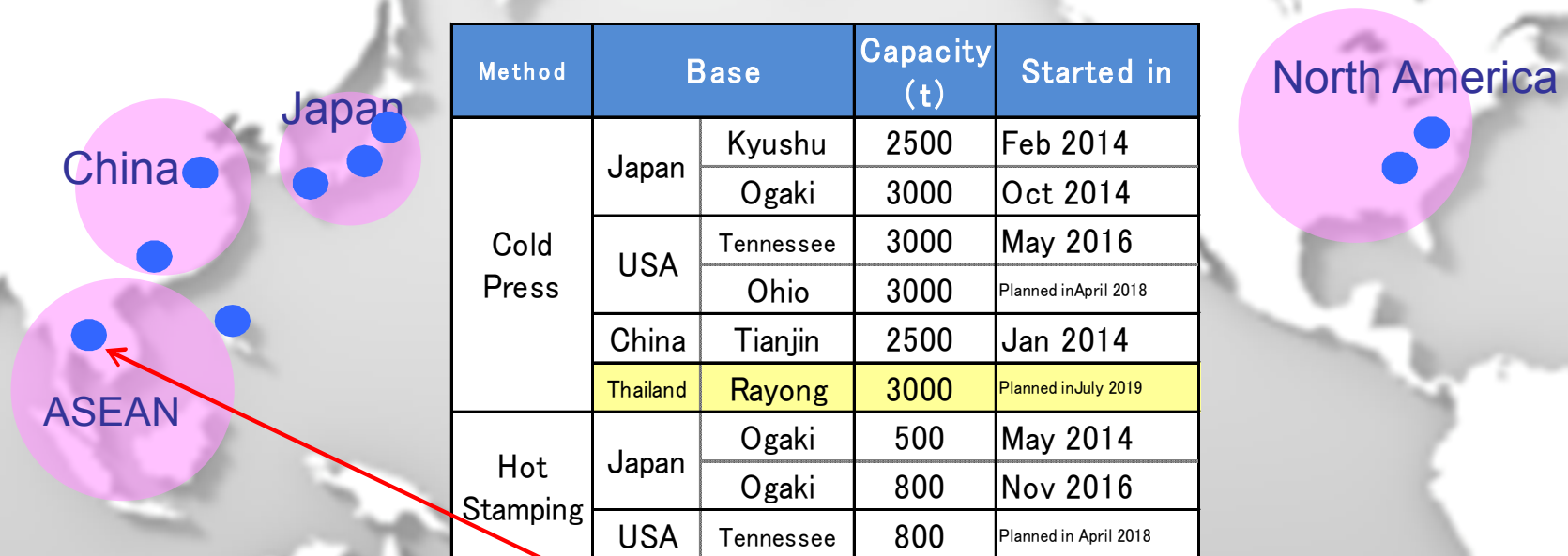


Friction Stir Welding(FSW)

4-7 Expanding Stamping Business

Established Super High Tensile Global Production System

- Established Production Base for Stamping Products in Thailand and Prepared Quadrupole system in Japan, North America, China, and ASEAN



Method	Base		Capacity (t)	Started in
Cold Press	Japan	Kyushu	2500	Feb 2014
		Ogaki	3000	Oct 2014
	USA	Tennessee	3000	May 2016
		Ohio	3000	Planned in April 2018
	China	Tianjin	2500	Jan 2014
	Thailand	Rayong	3000	Planned in July 2019
Hot Stamping	Japan	Ogaki	500	May 2014
		Ogaki	800	Nov 2016
	USA	Tennessee	800	Planned in April 2018

- Established Production Base for Stamping Products in Thailand
- Responded to localization needs in ASEAN

Trade Name: Pacific Auto Parts (Thailand) Co., Ltd
Address: Siam Green City, Tambol Pluakdaeng, Amphur Pluakdaeng, Rayong
Capital: 125 million Thai baht
Investment Ratio : Pacific Industrial 75%, Local Partners 25%
Established : November, 2014
Production Start: Middle of 2019

4-8 Expanding Molding Business

Weight Saving & Function Improvement By New material & New method

- **No.1 NV Function by Deepening Sound Proofing & Vibration Proofing Technology**
 - Increased adoption of Engine Cover and Insulator due to NV function improvement
 - Made a contribution to noise reducing and comfortability improving
 - Realized cost reduction and weight saving



All Urethane Engine Cover

- **Film and Decoration Technology**

- Development of alternative plating, deep drawing film
- Improvement of weight saving and aerodynamic performance by developing decoration piece
- Expansion of decoration variety to meet various needs

- **Processing Technology for New Material**

- Development of CFRP, new material and molding technology



Selectable Color Trim Wheel

4-9 Expansion of TPMS products

Development of New Products and Increase Capacity in China Base

■ Evolution of TPMS

- Evolved sensor technology and radio techniques
- Promoted weight saving, miniaturization, and prolonged life

■ Constructed Global Production & Sales System in Japan, North America, and China

- Sales Bases in Europe and South Korea
- Started to deliver to Automobile Makers in S. Korea in 2017

■ Capacity Increased in China Production Bases

- Producing 1 Line in Changshu, China
- Planned to increase 3 Lines in anticipation of legislation



Snap-in Type

■ Legislation trends in each region

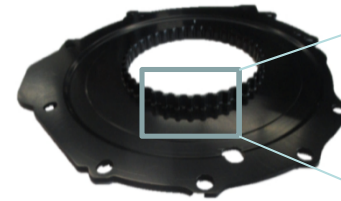
Region	Start of Lagislation
N.America	Oct. 2015
Europe	Nov. 2012
S.Korea	Jan. 2013
Taiwan	Nov. 2014
Russia	Jan. 2016
Middle East	2017 Model
China	Jan. 2019
Japan	undecided

4-10 Expansion of Forging Pressure Stamping, Die Casting Products

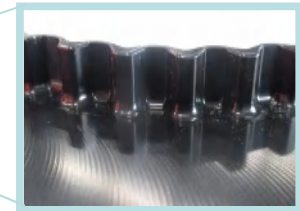
30

Received Manufacturing Part Grand Prix “Automobile Parts Award” in 2017

- Received in succession from 2016 the Toyota “Project Award”
- Our forging pressure technology was adopted to hybrid mechanism for PHV vehicle
- Realized “increase strength” and “weight saving”



Spline Plate for PHV



Tooth Form Molding

Increase Production Capacity for Aluminum Die cast Business in South Korea

- Constructed the Integrated production system for Compressor parts for car air conditioner
- Expanded items of engine auxiliary parts and motor-driven compressor



Compressor Parts for Car Air Conditioner

4-11 Utilizing IoT

Utilization of Sensing and Radio Techniques

- **Make full use of our technology acquired over the years and try IoT in equipment maintenance**
 - Digitalization of information on equipment maintenance, repair and failure
 - Put into use the technology that enables us to predict or diagnose equipment failure
- **Started Developing Smart Die with Gifu University**
 - Construction of IoT Platform for Die which collects information on changes of temperature and pressure within a die by sensing technology
 - Analyzing the collected data and developing the method for finding root cause of defects and control

4-12 Aim for 100-year Corporation

PACIFIC VALUES



Our Attitude



[Dreams and Challenges]

- Always have dreams (goal) and be adventurous with no fear
- Even you fail, take it as nourishment and keep pursuing the dream

[Trust and Respect]

- Cherish "Harmony" and put in the other person's shoe
- Cultivate corporate climate that everyone says thank you each other

Improving Corporate Value

