

2024

Creating Tomorrow Report

Passion in Creating Tomorrow

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 **PACIFIC INDUSTRIAL CO., LTD.**

PURPOSE

Passion

Passion in Creating Tomorrow

Create

Tomorrow

PACIFIC VALUES

The “PACIFIC VALUES” represent the universal values shared by members of the Pacific Industrial Group. We express the mindset that we want to cherish with the words “Dreams and Challenges” and “Trust and Respect,” with a focus on the company history and the ideas of our founder and predecessors, including the top management, as embodied in the founding spirit and the company motto.

Dreams and Challenges

- We always have a dream (a goal) and face challenges without fear of failure.
- Even if we fail, we use it to feed our next dream, and continue to pursue that dream.

Trust and Respect

- We value harmony and always try to think from the other person's point of view.
- We create a culture in which the words “thank you” come naturally.

Four pillars of materiality about sustainability

Solving social and customer issues through products

[P.23, 37](#)

Fostering trust with stakeholders

[P.51](#)

Respecting human resources and their active participation

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Minimizing environmental load

[P.47](#)

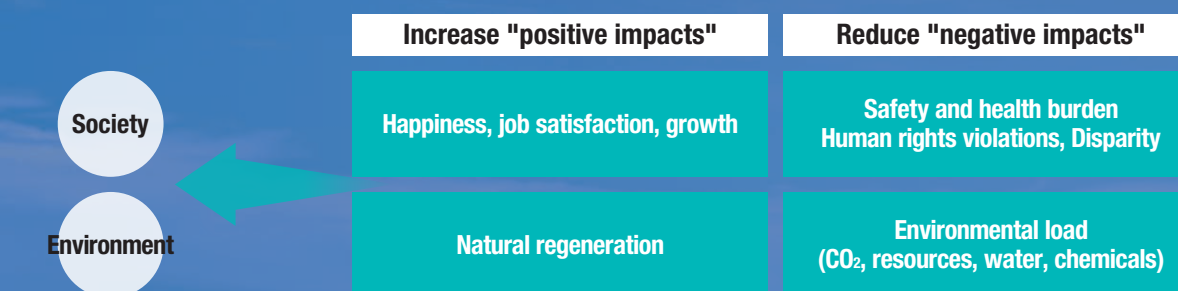
Passion Having inherited **passion**, we pursue new dreams.



Create We **create** definite value with our KAIZEN capability.



Tomorrow We will work together toward a sustainable **tomorrow**.



We will create new values based on the “Aspiration to be a company that continues to change and is needed by society.”



In April 2023, as I took over the position of President and Member of the Board, we announced our PURPOSE, mid-to-long-term business plan “Beyond the OCEAN,” and our mid-term business plan “NEXUS-26.” It has already been more than a year since we started as new Pacific Industrial Co., Ltd., making timeless efforts day by day.

We are working on our business based on this mid-to-long-term business plan and mid-term business plan with the “Aspiration to be a company that continues to change and is needed by society.” But in order to continue to create new values and survive in a severe market environment, it is essential to link our business with the infrastructure that supports it, and our financial value with the non-financial value that is the premise for that value.

We have been publishing this “Creating Tomorrow Report” as the Integrated Report since last year. And in it, based on such awareness of issues we are faced with, we present our vision of The Pacific Industrial Group Way, how we will get there, and what we will do to achieve it. We also report on our approach to sustainable value creation, while clarifying the link to our value creation model.

I hope that not only investors but also a wide range of stakeholders will read this report and, as members of our value-creating community, give us their frank opinions.

I would appreciate your continued support.

Tetsushi Ogawa

Tetsushi Ogawa
President, Member of the Board

Editorial Policy

The Pacific Industrial Group has been publishing Sustainability Reports (previously called CSR Reports) since 2007 to enhance dialogue with more of our stakeholders toward building a sustainable society.

From 2023, in line with our group’s PURPOSE, mid-to-long-term business plan, and mid-term business plan, we issue an integrated report that communicates our creation of value through integrated thinking.

We view this report as a tool to foster understanding of our value creation, conduct dialogue, and build trust among our stakeholders, including investors and other financial capital providers, as well as our employees, who play a key role in creating value for our company.

The report focuses on important information in line with our mid-to-long-term business plan and mid-term business plan. Disclosures explaining the progress of our sustainability materiality for stakeholders are separately available on the website as the Sustainability Data Book.

We look forward to hearing the candid opinions of all our stakeholders.

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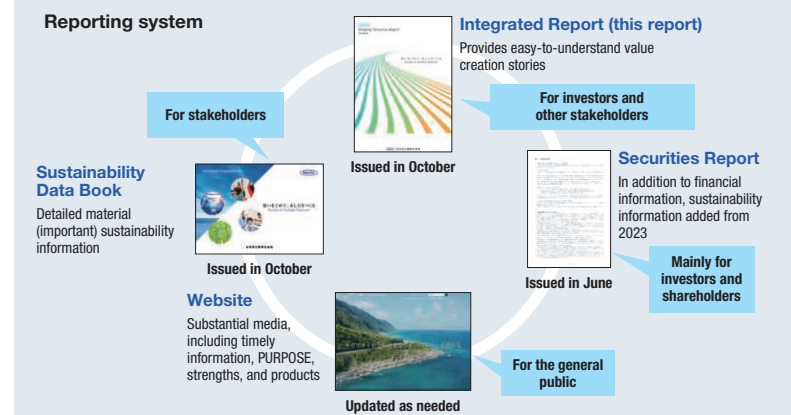
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Reference Guidelines

- IFRS Foundation “International Integrated Reporting Framework”
- ISO26000 • SASB Standards
- GRI Standards (Content Index provided in Sustainability Data Book)
- TCFD (Task Force on Climate-Related Financial Disclosure) recommendations Final Report
- METI “Guidance for Collaborative Value Creation 2.0”
- METI “Ito Report on Human Capital Management 2.0”

Notes on outlook

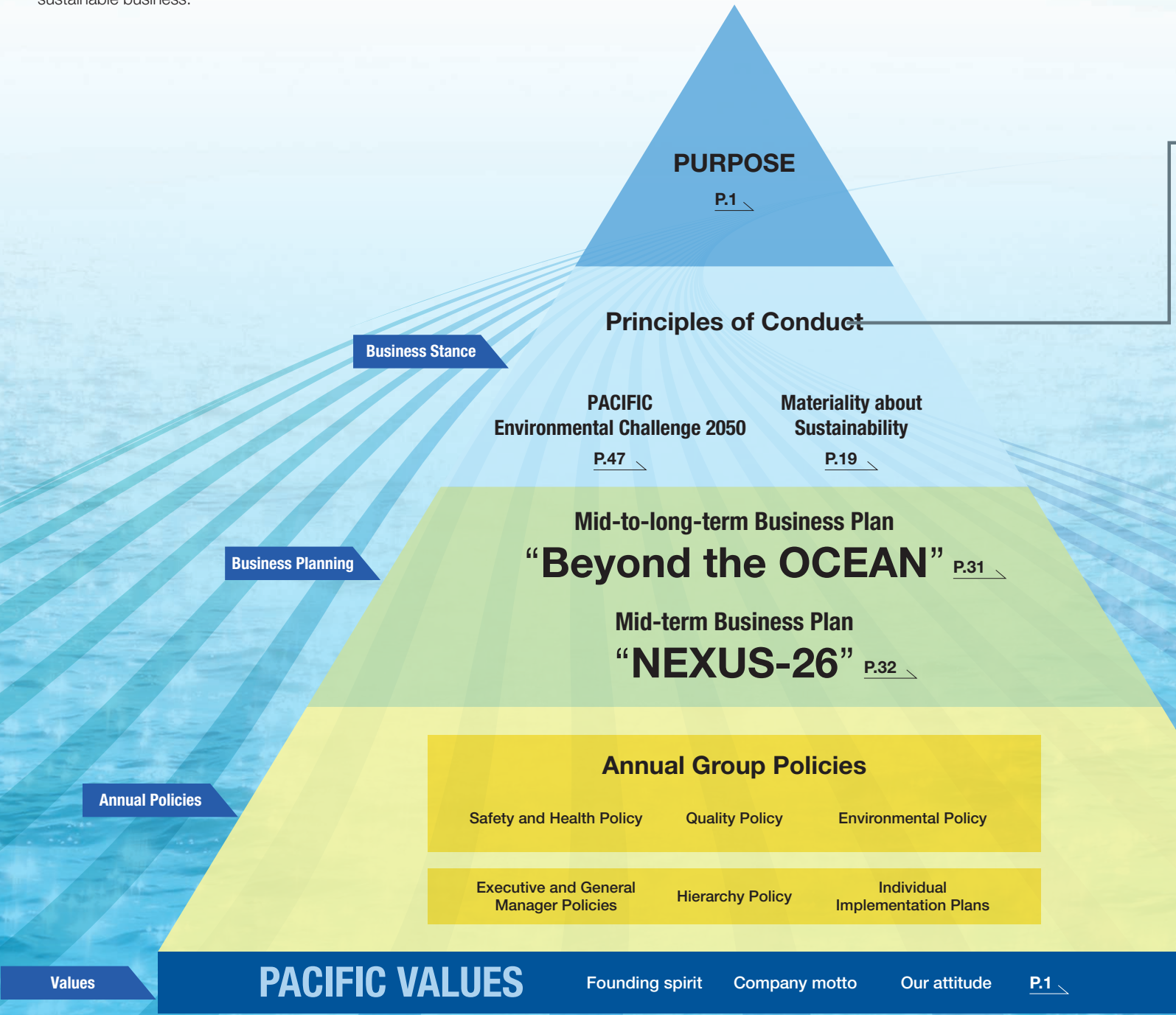
This report contains forward-looking statements, including strategies, plans, targets, and other projections made based on currently available information. These forward-looking statements are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from those discussed in the forward-looking statements. Accordingly, there are no guarantees that the forward-looking statements contained in this report will prove to be accurate.



Pacific Industrial Group Concept Structure

In April 2023, our group announced our mid-to-long-term business plan Beyond the OCEAN and our mid-term business plan NEXUS-26. In line with these, we positioned our PURPOSE, “Passion in Creating Tomorrow,” at the core of our business. The principles of behavior for realizing this PURPOSE are shared throughout our group as the Principles of Conduct, and the specific guidelines of conduct shared as the Code of Conduct. In addition, the spirit of our Corporate Philosophy adopted up to now is consistent with the intent behind our PURPOSE, and has therefore been developmentally integrated into our PURPOSE. Our group’s core values are called the Pacific Values, consisting of our founding spirit, company motto, and mindset.

To realize these, we have incorporated them into our annual group policies and the policies of each department to carry out sustainable business.



Philosophies by Theme

Quality Philosophy

Environmental Philosophy

Principles of Conduct

To Remain as a Company Needed by Society, Now and Into the Future

Through the development of new businesses, new technologies, and new products that contribute to improving safety, environment, and comfort performance, we aspire to achieve sustainable growth as a company with a trusted reputation that meets the expectations of society. The Principles of Conduct are the tenets we follow in consideration of how we affect our stakeholders, and call for every member of the Pacific Industrial Group to act sensibly and with high ethical standards as members of a global society.

Based on the Principles of Conduct, the Code of Conduct clearly defines for our employees the concrete judgment standards by which they shall make appropriate decisions and properly conduct themselves. Reflecting on the spirit of the Principles of Conduct and Code of Conduct, we shall act in the way we believe to be best based on our own conscience.

Customers	We will work to consistently communicate with our customers and to provide environmentally-conscious, high-quality products and services that are trusted by, and satisfy, our customers.	Employees	From the perspective of respect for human rights and dignity, we will provide a workplace where all employees can work at ease in an environment that allows them to find work they can be proud of and encourages them to demonstrate their creativity and spirit of challenge.
Shareholders	In order to garner trust and meet the expectations of our shareholders, we will place importance on bilateral communication and continuously strive to improve our corporate value by taking a long-term view.	Environment	We always recognize the importance of environmental conservation in all our business activities, comply with laws and regulations related to the environment, and actively engage in environmental conservation activities based on our “Environmental Policies.”
Business Partners	Aiming at co-existence and co-prosperity based on mutual trust, we will respect our business partners and establish strong positive relationships with them on an equitable and fair basis.	Communities	In addition to contributing to the sustainable development of society through close partnership and cooperation with local communities, we also engage in social contribution activities (support for academics/culture/sports, participation in volunteer activities, international community contributions, etc.) to build bonds with local communities.

Basic Policies

Human Rights Policy

Concept of Human Resources Strategy (Environmental Improvement Policy)
Human Resource Development Policy

Basic Policy for Anti-Bribery and Corruption

Basic Policy on Personal Information Protection

Basic Policy on Information Security

For business partners
Pacific Group Basic Procurement Policies

Guidelines

Code of Conduct

Earthquake Action Guidelines

Supplier Sustainability Guidelines

Green Procurement Guidelines



Pursuing Global Corporate Activities Under a Global Quadrilateral System

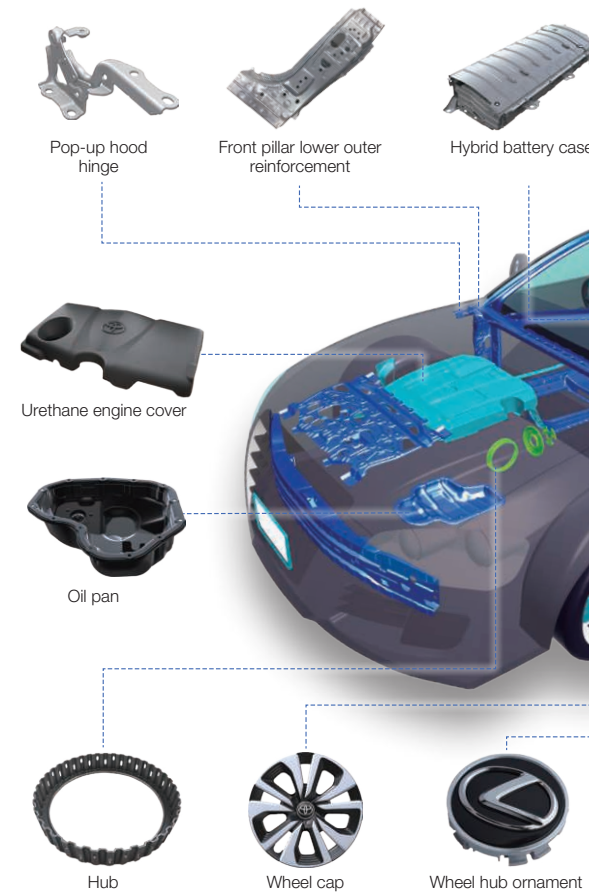
Company Profile

Name	: Pacific Industrial Co., Ltd.	No.of employees	: 2,162 (Consolidated: 4,966)
Head Office location	: 100 Kyutoku-Cho, Ogaki City, Gifu Prefecture, 503-8603 Japan	Business	: Development, manufacture and sales of automotive parts and electronics parts
Established	: August 8, 1930	Stock listing	: Tokyo Stock Exchange Prime Market Nagoya Stock Exchange Premier Market
President, Member of the Board	: Tetsushi Ogawa	Security code	: 7250
Capital stock	: 7,316 million yen (as of March 31,2024)		

Main Products

Stamping and Plastic Molding Products

For automotive body frames, we produce stamped products made of ultra-high tensile materials that are both lightweight and strong, as well as plastic molding products that span a variety of fields, including soundproofing technology and decorative technology.



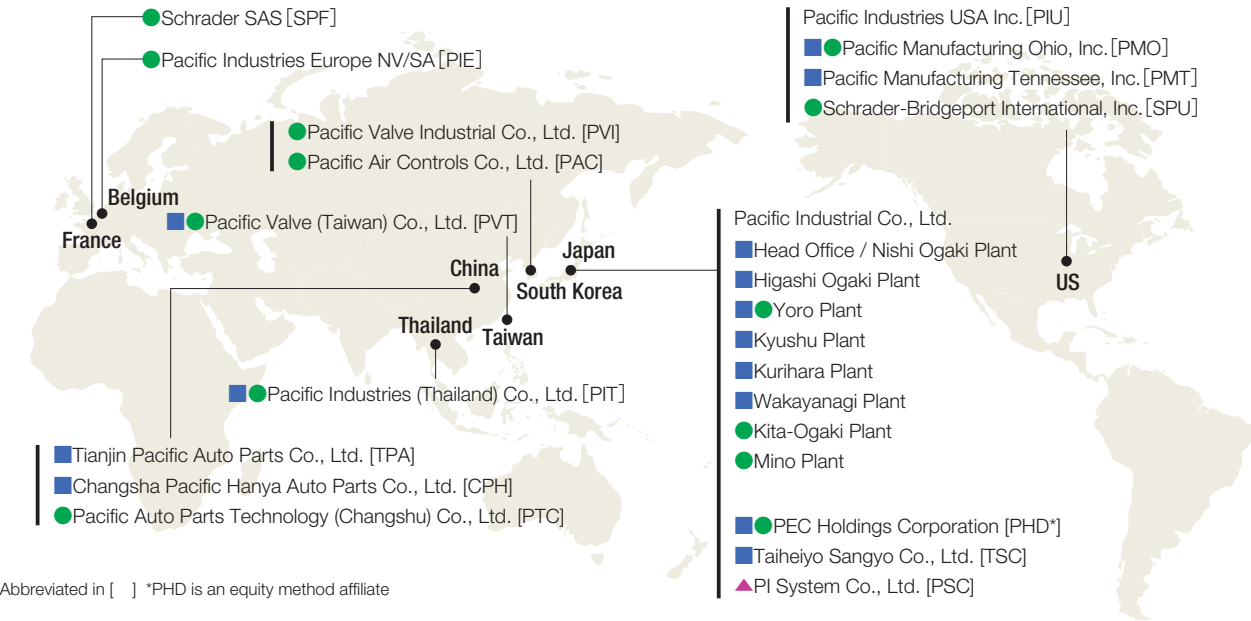
Tire Valve Products

These include valve products, several of which have the top global market share, TPMS (tire pressure monitoring system), which is legally required to be installed in various countries around the world, and forging products. We also manufacture valves for aircraft, industrial machinery, and the energy industry.

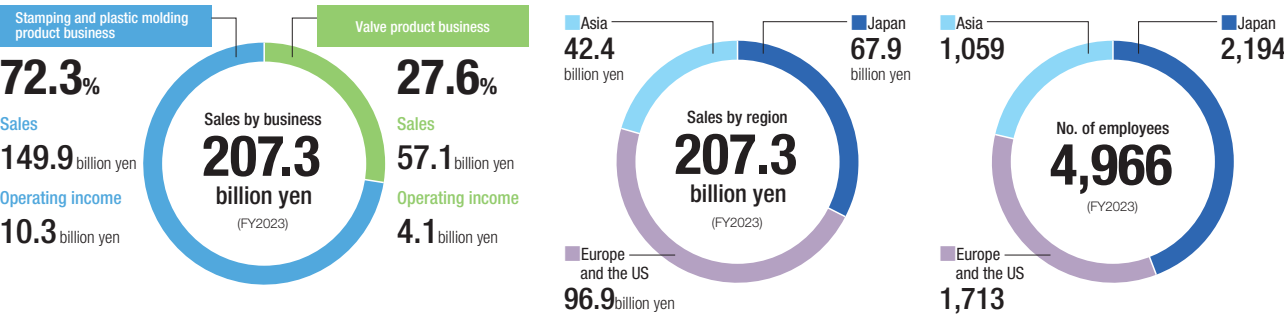


Global Network

(13 companies in 7 countries outside Japan, 8 bases at 4 companies in Japan)



Main Data



Main External Recognition, Endorsements, and Participating Organizations and Initiatives

External recognition (* As of September 20, 2024)

EcoVadis
Bronze medal

CDP
DISCLOSURE INSIGHT ACTION
A- for climate change, B for water resources

S&P/JPX Carbon Efficient Index

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

TCFD
TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

パートナーシップ構築宣言

Keidanren Initiative for Biodiversity

30by30

Japan Business Federation

Japan Auto Parts Industries Association (JAPIA)

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History of Pacific Industrial Group

The company was founded in 1930 has continued to provide a variety acquisition of the valve business of the

with the aim of continuing to provide a variety of value through domestically made valve cores for automobiles, and of value through the stamping and plastic molding business, the development and production of TPMS, and the Schrader Group.

Turning Point 1

Aug. 1930 Founded by manufacturing valve cores

Established in 1930 as the first company in Japan to develop valve cores for automobiles. The company succeeded in domestic production of valve cores, said to be "more difficult than making a precision watch..."

Aug. 1930 Pacific Industrial Co. (unlimited company) was founded to manufacture valve cores for automobiles



Aug. 1930 Received rights to a utility model for valve cores

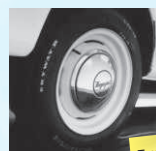
Apr. 1938 Reorganized into Pacific Industrial Co., Ltd. and constructed a new plant



Turning Point 2

1949 Started stamping business

We became a partner factory for Toyota Motor Corp. in 1946 and launched our stamping business in 1949. We delivered the wheel caps for Toyopet, the first passenger car after World War II. Production of radiator grilles, oil pans, trunk hinges, etc. followed in succession.



Toyopet wheel cap



Radiator grilles

Sep. 1947 While Pacific Industries was facing difficulties due to postwar labor disputes, Pacific Commerce and Industry, established by Tetsuya Ogawa, who later became the third president, grew and increased its orders, later merging with Pacific Industrial Co., Ltd.

Turning Point 3

1960~ Expanded plants and businesses in Japan

The Nishi Ogaki Plant was set up in 1960, with two more factories built in the 1970s to expand the valve business. A foundation for future growth was established by expanding domestic factories and businesses, including the start of the control device business in 1970, the plastic molding business in 1979, the electronics business in 1981, and the stamping die and mold business in 1982.

Nov. 1960 Set up the Nishi Ogaki Plant and expanded the stamping business

Aug. 1970 Listed in the Tokyo and Nagoya Stock Exchanges, 1st Sections

Nov. 1972 Set up the Kita Ogaki Plant in November 1972 and the Mino Plant in September 1977 to expand the valve business



Kita Ogaki Plant

Sep. 1982 Set up the Yoro Plant specializing in the manufacturing of stamping dies and molds

Turning Point 4

1970~1980s Implemented diversified management

We worked on new fields such as housing equipment, food equipment, and mechatronics, including a 5-3-0 plan aimed at achieving 30% sales in non-automotive fields. Subsequently, the technology from the mechatronics business led to TPMS and IoT products.

Turning Point 5

Jun. 1984 Established first overseas base

We established Pacific Valve (Taiwan) Co., Ltd. in Taiwan in 1984 as the first overseas base for our valve business. After that, we promoted globalization by expanding our bases into South Korea, the US, Thailand, China, Belgium, and France.

May. 1987 Established Pacific Valve Industrial Co., Ltd. in South Korea

Jul. 1988 Established Pacific Industries USA Inc. in the US

Mar. 1989 Established Pacific Industries (Thailand) Co., Ltd. in Thailand

Nov. 1990 Set up the Higashi Ogaki Plant as a plant specializing in the manufacturing of plastic molding products

Jul. 1999 Established Pacific Manufacturing Ohio, Inc. in the US



US: Pacific Manufacturing Ohio, Inc.

Turning Point 6

Dec. 2000 Began the production of TPMS transmitters

We developed a TPMS transmitter in 1999. When the TREAD Act was passed in the US in Nov. 2000, TPMS became mandatory, sales increased, and it grew to become a core product.



TPMS transmitter production line



TPMS transmitter

Nov. 2002 Global production totals 10 billion valve cores, 5 billion tire valves achieved



Commemoration of achievement

Sep. 2004 Established Pacific Air Controls Co., Ltd. in South Korea

Apr. 2005 Established Tianjin Pacific Auto Parts Co., Ltd. in China

Dec. 2006 Set up the Kyushu Plant as a production plant for stamping and plastic molding products

May. 2010 Set up the Kurihara Plant as a production plant for stamping and plastic molding products

Nov. 2011 Established Changsha Pacific Hanyu Auto Parts Co., Ltd. in China

May. 2012 Established Pacific Industries Europe NV/SA in Belgium

Nov. 2013 Set up the Wakayanagi Plant as a production plant for molding products

Jan. 2014 Achieved cumulative global production of 100 million TPMS transmitters

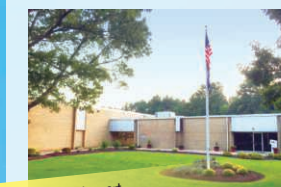
Jul. 2014 Established Pacific Manufacturing Tennessee, Inc. in the US

Jul. 2014 Established Pacific Auto Parts Technology (Changshu) Co., Ltd. in China

Turning Point 7

Aug. 2018 Acquisition of Schrader's valve business

We Acquired Schrader's valve business in the US and France. We built a global quadrilateral system with production and sales bases in Japan, Asia, North America, and Europe.



Schrader-Bridgeport International, Inc.



Schrader SAS

Turning Point 8

Apr. 2023 Developing a vision for tomorrow

Tetsushi Ogawa appointed president. We formulated our PURPOSE, our mid-to-long-term business plan Beyond the OCEAN, and our mid-term business plan NEXUS -26.

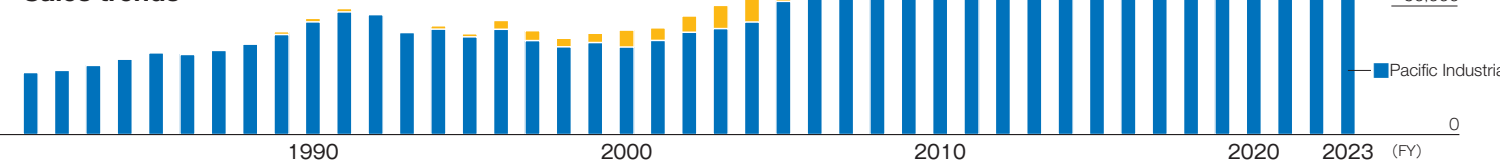


Founding spirit
"The Spirit of the Inchworm"
Founder
Soichi Ogawa

The management philosophy that founder Soichi Ogawa, who was competitive and passionate about research, took to heart was the "spirit of the inchworm." The idea was to keep moving forward step by step toward one's goal. Explaining this spirit to his employees, Soichi said, "At each opportunity, the inchworm contracts so that it can then extend its body. This contraction is neither backward nor passive. It only contracts in a way that it can then move forward in a new way."

1938 1940 1950 1960 1970 1980

Sales trends



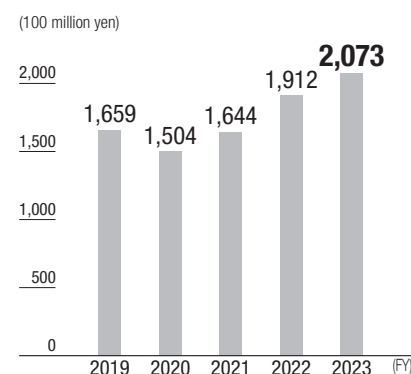


Financial and Non-Financial Summaries

Financial

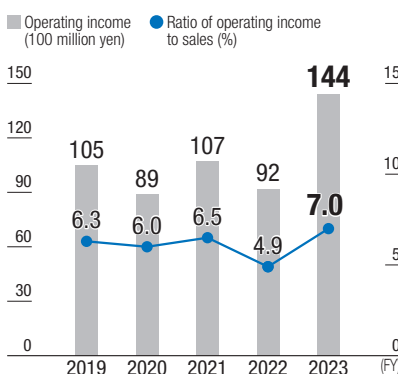
Sales

Management targets

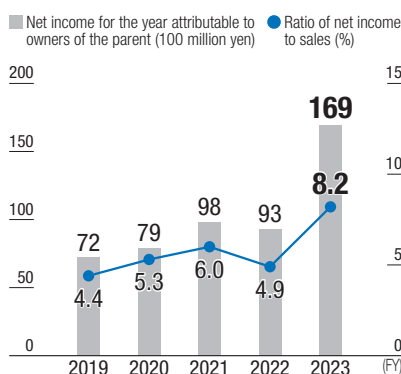


Operating income/Ratio of operating income to sales (%)

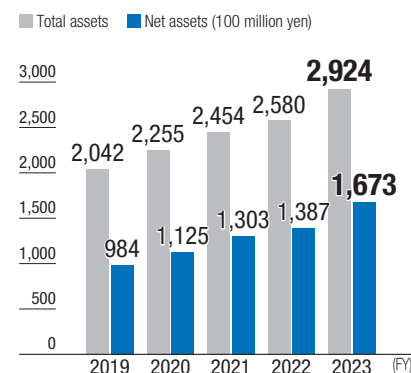
Management targets



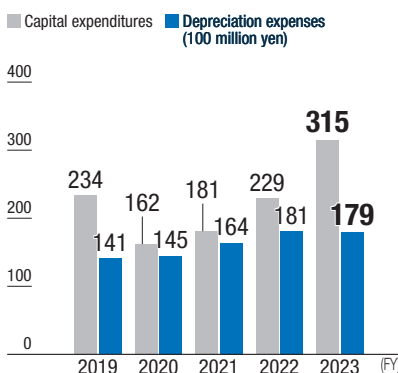
Net income for the year attributable to owners of the parent/Ratio of net income to sales



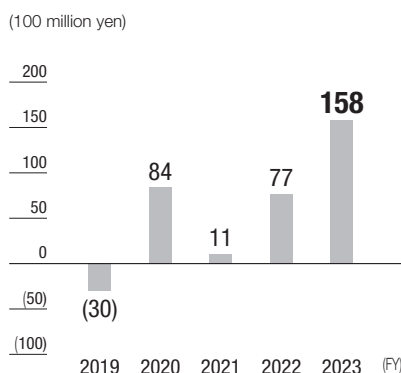
Total assets and Net Assets



Capital expenditures/Depreciation expenses

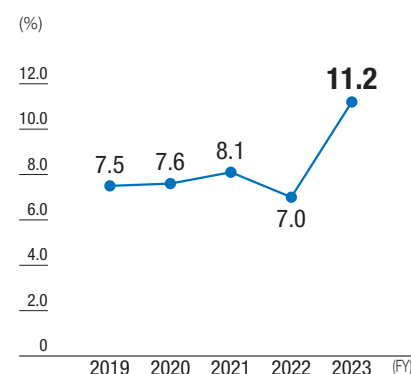


Free cash flow

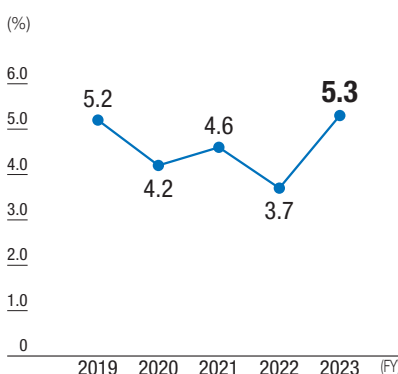


ROE (Return on equity)^{*1}

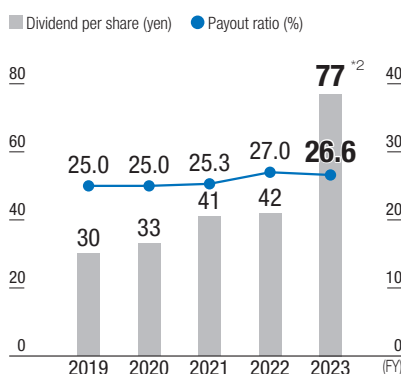
Management targets



ROA (Return on assets)



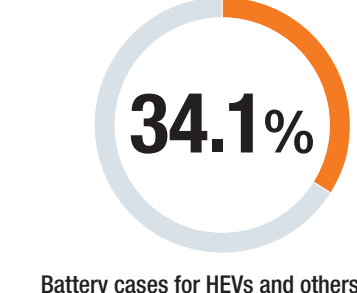
Dividend per share/Payout ratio



Non-financial

Sales ratio for electrified vehicle products^{*3}

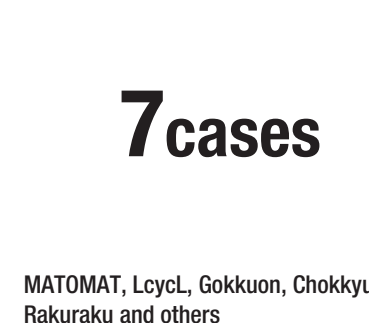
Management targets



Battery cases for HEVs and others

No. of new products and services launched

Management targets



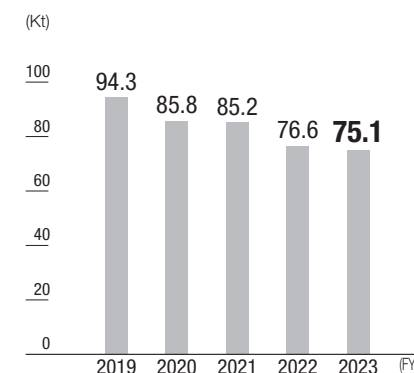
Positive response rate for employee engagement^{*4}

Management targets



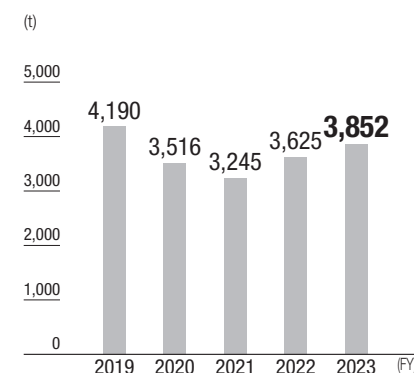
CO₂ emissions^{*5, *6, *7}

Management targets



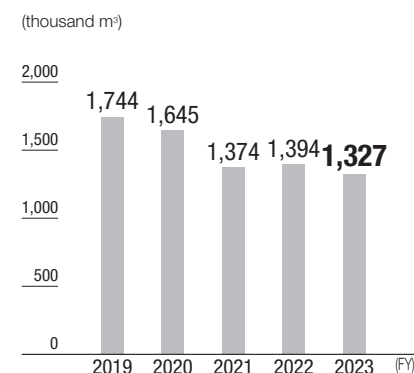
Amount of Waste generated^{*5}

KPI



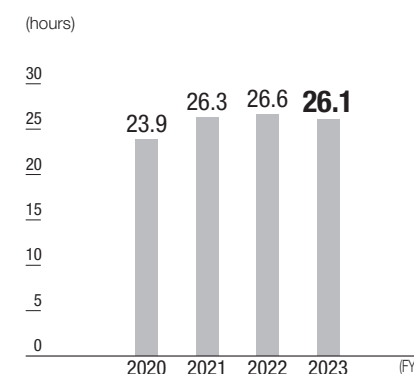
Amount of Water used^{*5}

KPI



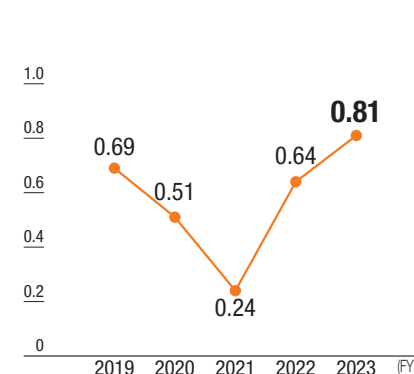
Training hours per employee^{*8} (Pacific Industrial)

KPI



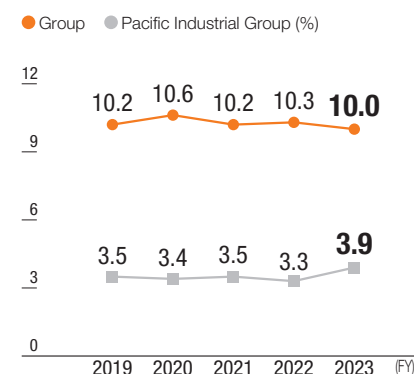
Lost-time injury frequency rate^{*9}

KPI



Rate of females in management positions^{*10}

KPI



Notes : *1 ROE = Net income / [(Previous year-end equity + Current year-end equity) / 2]

*2 FY2023 includes a special dividend of 27 yen per share.

*3 Estimated figures that are not actual performance values.

*4 On a scale of one to five, the top two scales to which positive responses were given are considered "positive responses" and counted.

*5 Figures for CO₂, industrial waste, and water usage are for the consolidated group excluding domestic subsidiaries.

*6 We employ emission factors for the calculation of CO₂ emissions included in the List of Calculation Methods/Emission Factors for the Calculation, Report, and Publishing Systems published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry.

*7 To improve the reliability of its CO₂ emissions data, the Group has undergone third-party verification by SGS Japan Inc. CO₂ emissions for FY2022 were verified by a third party in January 2024, and the figures have been revised accordingly. We plan to update the data for FY2023 in "ESG data" (https://www.pacific-ind.co.jp/sustainability/esg_data/) on our website after third-party verification is completed. For details on the scope of calculation, please refer to "CO₂ emissions" and its notes in "ESG data" on our website.

*8 OJT is not included.

*9 No. of fatalities/injuries due to occupational accidents (lost time injuries) / Total no. of actual working hours x 1,000,000. Including temporary and contract employees.

*10 Calculated in accordance with the provisions of the Act on the Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015).



Tetsushi Ogawa
Tetsushi Ogawa
President, Member of the Board

Lounge of the welfare building at the Higashi Ogaki Plant

1 A year of tackling challenges after taking over the presidency

The key is to quickly and correctly understand the information and scale out

In April 2023, I took over the role of president. It felt as though my position changed while I was constantly on the move, yet stepping into the role of president didn't compel me to forcibly change anything out of a sense of undue pressure. I have long been going around our various manufacturing front lines while thoughtfully considering the interests of stakeholders and the company as a whole, persistently striving to improve areas that need improvement. However, recognizing that external perceptions may change, I am managing the company with a heightened sense of responsibility, and I am more conscientious about how I allocate my time.

Information is now easier to gather, but I am especially careful to

build a flat relationship where everyone feels comfortable to express their opinions.

In a rapidly changing market environment where speed determines fates, quickly grasping accurate information is crucial. Moreover, rather than just waiting for information, I actively visit our plants and continue to engage directly with the people involved. By conversing with them, I can understand their true thoughts and gather detailed information that I need. Quick decision-making and prompt initiation of actions steadily enhance the quality of our managerial decisions.

Another important factor is sharing of best practices. There are many cases of good improvements. As we have many similar facilities, the results will be 20 to 30 times better if we scale out one improvement to 20 to 30 facilities. For example, at PIT; Thailand business entity, middle-level employees have formed a cross-departmental support team to facilitate horizontal collaboration and share case studies, which has accelerated improvements. By

expanding this to other sites, one case of improvement, one person's improvement, will spread as an improvement of the organization.

These initiatives are easier to communicate from the perspective of company-wide optimization now that I am President. When I talk to people at various sites, I can see how their thoughts are connected and what needs to be done. The word "NEXUS" in the mid-term business plan means "to connect," and it is important to connect all workplaces, which in turn will connect to society and customer value.

Review of FY2023 results and forecast for the next fiscal year

FY2023 was a record year for earnings, due in part to a recovery in customer production as the semiconductor shortage was resolved, along with the impact of exchange rates and ongoing efforts to improve cost.

On the other hand, soaring raw material prices, labor shortages, and heightened geopolitical risks made it difficult to steer the company. It was a very busy year for us, as we continued to invest actively in the future, including launching new plants and new businesses, but we were able to do what we needed to do with the cooperation of our employees and business partners. In particular, in the improvement activities for plastic molding products in the Toyota Production System Voluntary Study Group, which we have been working on since FY2021, many improvements have been made mainly in the molding and coating processes, and cost reductions toward the goal of becoming No. 1 in terms of competitiveness are progressing steadily.

In the fiscal year 2024, we face a challenging environment overall, with production adjustments by major customers, a decline in dies and mold sales due to fewer model changes, and currency fluctuations. However, our long-term investment projects are steadily progressing. Thanks to everyone's support, the new Higashi Ogaki plant has started up smoothly, and we anticipate achieving profitability by the fiscal year 2025. Nevertheless, while we have established the necessary environment with new equipment and DX implementation, the important thing is to instill it with spirit.

We aim to enhance employee engagement so that our employees can work positively with passion, and as a company, we wish to communicate more proactively. Work is challenging, but since our efforts should lead to happiness for both society and the workers, we'll all work together to transform our company into one that fulfills this vision.

Psychological safety in order to become a "company that continues to change"

The market environment and industry structure are changing rapidly. In such an unpredictable environment, repeatedly engaging in trial and error and continuously making changes as we go enhances our adaptability to change. For this reason, it is crucial to increase the number of talented individuals who can challenge new things with a forward-looking, long-term perspective, rather than relying too heavily on past experiences.

This is what we mean by a "company that continues to change." To this end, we are in the process of enhancing psychological safety and creating a climate in which anyone can easily make constructive suggestions. In order to demonstrate "Passion," as stated in our PURPOSE, we are required to acknowledge the existence and value of all people with passion and listen to what they have to say. This is the foundation for continuing to change. Last year, we formulated a human capital strategy based on our PURPOSE and Materiality. As described below, we have set employee engagement as a management target, while sharing our vision and improving the work environment, which are essential for the company's survival.



2 Challenges and actions to be taken by each business to achieve “NEXUS-26”

To increase the sales ratio for electrified vehicles

Our company has set a management goal to increase the sales ratio of electrified vehicles, which includes a strategy to boost overall sales from electrified vehicles ranging from HEVs to BEVs. As customer sales of HEVs grow, our sales for electrified vehicles also increase, but we are also developing products that are uniquely ours for BEVs by leveraging our core technologies.

For example, the electric expansion valve for thermal management, which we have already begun producing, utilizes the electronic and sealing technologies we have developed through our work with valves and TPMS. Additionally, we are venturing into products for batteries, leveraging our cold press technology.



In the stamping business, we assume that the impact of gigacasting replacing steel with aluminum for stamping products will be centered on underbody products, and we recognize that the direct impact on our main product lines will be limited.

In preparation for intensifying competition, including upper bodies, we will build a lean* production system, further brush up our structural analysis and cold stamping technology, and make use of our large stamping facilities to offer high-value-added proposals, thereby improving our competitiveness to meet customer needs and increasing our profitability in this field.

The plastic molding business is a growing business with good investment efficiency that enables us to expand sales with relatively low capital investment.

Leveraging our soundproofing and decorative technologies, we are expanding customer base with an integrated system from design to

production as our strength, which leads to steady sales growth. In particular, we are focusing on expanding our business to the ASEAN peripheral regions based on PIT;Thailand business entity. We will also focus on expanding sales of wheel caps that contribute to improved aerodynamic performance, which are also attracting attention for their effectiveness in improving electric efficiency.

Main issues in the valve business and new business expansion

In the valve business, TPMS is facing profitability challenges as competition intensifies and the market switches to lower-priced models. However, we are developing the next cost-competitive type of TPMS and will strive to recover profitability by introducing new products from FY2025 onward.

The company has also begun production of electric expanding valves used in thermal management systems for BEVs, and our new plant is scheduled to begin operations in March 2025.

In addition to the advantages of this product, such as its small size and light weight, we are also developing modules that combine multiple components, and we intend to actively engage in the development and order-taking of related products to make this one of our core fields.

In our new business initiatives, we successfully launched seven projects in the fiscal year 2023. The “Q(Omega) Project”, aimed at generating new business opportunities, received 74 applicants this year. This initiative has also served as a catalyst for discovering new talents within the company and recognizing the

possibilities of our inherited technologies. While we are dedicated to the development of new products, we are steadily advancing development and exploration efforts, fostering cross-departmental collaboration to achieve outcomes as quickly as possible.

In August 2024, we also launched the Open Innovation Promotion Section and began working with startups and other organizations to promote collaboration and cooperation. By promoting these multifaceted initiatives, we hope to expand the possibilities for creating new values that have never been seen before.

Approach to mid-term business performance

As a result of these efforts, the fiscal year 2024 may serve as a plateau, but we anticipate gradual recovery in profitability from the fiscal year 2025 onwards. In the stamping/plastic molding businesses

in particular, we expect customers’ production plans to be at a high level, and the volume of new orders is also growing steadily.

For the new valve plant for thermal management systems in the valve business, we assume that sales will grow around 2026 to 2027. This, together with the replacement of TPMS with a new model and earnings from new businesses, will generally lead to a mid-term earnings recovery, although the timing of each will differ. We believe that we are able to achieve the “NEXUS-26” targets.

3 To remain a company needed by society

The foundation of sustainability is trust

With regard to sustainability, we have been receiving increasing demands from customers and regulators, and we have been revising our materiality and conducting sustainability due diligence across divisions. The important thing is to put ourselves in the shoes of our stakeholders, understand their thoughts, and humbly try to assess the impact. To avoid becoming complacent, we need to understand the trends in the world and the implications of demands, and to deepen our relationship of trust through dialogue.

For our sustainability value target of reducing CO₂ emissions, we are introducing high-efficiency air conditioning, promoting electrification, installing automated equipment, and installing new and additional solar power generation systems in Japan and overseas.

Another goal, employee engagement, is the cornerstone of our human capital strategy based on our PURPOSE, and given the first survey in FY2023 and internal discussions, we set a positive response rate target in April. The initial rate was 48.2%, which we aim to increase to 60% by FY2026 and to 70% by FY2030. We are approaching this target under the four themes of empathy with the management vision, relationships with supervisors and colleagues, feeling of growth and learning, and job satisfaction. I feel that My Purpose is gradually becoming more widespread among employees. We believe that when employees work while valuing their own thoughts and feelings, it will lead to “employee engagement” and the realization of a company where everyone can demonstrate his/her ability and play an active role.

“Bad News First” is important for quality control

With the recent spate of quality problems in the automotive industry, we have been working to strengthen our quality control system with a sense of urgency. Specifically, all divisions are thoroughly enforcing standards that extend to work procedures, while promoting quality improvement activities, training of certified inspectors, and activities to prevent quality problems from occurring. Psychological safety is also important here, and we are stepping up our “Bad News First” awareness-raising activity.

When signs of problems are detected in daily operations, they can be resolved quickly by reporting them before they become larger problems. This also relates to the quality of our work, and we are working to create a workplace environment in which employees feel comfortable asking for advice. We also foster a culture that encourages a positive approach so that employees do not take on issues by themselves.

Governance is about frank dialogue

Following approval at the Annual General Meeting of Shareholders in June 2024, the company transitioned to a company with an Audit and Supervisory Committee. This is intended to strengthen corporate governance, with Audit & Supervisory Committee Members having voting rights on the Board of Directors, which Corporate Auditors did not have, and also assuming the role of management supervision. What is important is whether we can have discussions based on the accurate awareness of our challenges from various perspectives, in light of the opinions of independent parties. To this end, it is essential for us to exchange opinions openly with each other, and I myself listen carefully to the opinions of others and express my thoughts honestly. We believe that our Outside Board Members frankly tell us what needs to be communicated, and we receive many new insights from them.

Working to become a “company needed by society”

A company that is needed by society is first and foremost a company that its employees want to work for. Are we a company where employees as well as the company are able to grow, and where social issues are solved? Of course it is important to generate profits, but we also want to remain a virtuous company. I believe that we have survived since our establishment until today because we have steadily fostered trust with our stakeholders. That will always stay the same, so our goal is not to do something eccentric, but to become a company where everyone is committed to “Passion in Creating Tomorrow.”

We are responsible for supplying our products over the long term, and a company can only contribute to society if it survives. We want to continue to create valuable products that are needed by our customers. We hope to pass the baton on to the next generation, taking social and environmental sustainability into consideration as a premise.

We hope that investors will gain a better understanding of us. We will listen sincerely to the opinions of our investors and work to ensure that they will support us over the long term. To this end, we will proactively engage in information-sharing and dialogue.

We look forward to your continued guidance and support going forward.

*It refers to a trimmed down production system where waste in the manufacturing process is thoroughly eliminated. It was conceived during the study on the Toyota Production System in the United States in the latter half of the 20th century.

Strengths of the Pacific Industrial Group

The Pacific Industrial Group has technological strengths in each of its mainstay products, stamping, plastic molding, valves, and TPMS, and with the KAIZEN capability of the frontline supporting these strengths, the Group is pioneering products for electrified vehicles and boldly taking up the challenge of developing new products. These efforts has led to trusting relationships with global customers and a high market share.

Technology × On-site Capabilities

Weight reduction and high strength



We excel in the production of ultra-high-tensile strength steel products that combine the high strength of stamping products for car body frames that protect passengers and weight reduction that contributes to improved fuel efficiency. We actively propose the cold stamping method, which has less CO₂ emissions during production than the hot stamping method.

Diverse molding technologies

We have an integrated production system for plastic molding products, from planning/design to prototyping/mass production. The growth of the plastic molding business is driven by soundproofing technology that responds to the need for countermeasures against noise generated by the shift to electrification, and aerodynamic control and decorative technology that enhances design while reducing environmental impact.



Soundproofing technologies

Decorating technologies

Sealing technologies × Rubber technologies



In valve cores that control the air pressure of tires, one of the company's founding products, we compound rubber in-house and use advanced sealing technology to mass-produce high-quality products, thereby enhancing automobile safety.

IoT

We have wireless/sensing technologies developed thanks to TPMS that is equipped with sensors and batteries that can last for a long time even under the harsh environment in tires. We develop new products utilizing these core technologies.



TPMS core technology
Wireless/Sensing

Market needs
Demand for monitoring

Food transportation/management
*HACCP management system

Pharmaceutical transportation/management
*GDP Guidelines

Livestock industry

Technologies for electrified vehicles

In addition to battery cases for HEVs, which have been one of our main products, we have also entered into the market of BEV batteries. We will also develop and mass-produce various valve products for thermal management systems, which will be important for electrified vehicles, and actively respond to the ever-increasing demand for electrified vehicle parts.



On-site capabilities for persistent KAIZEN

We promote "monozukuri" (manufacturing) based on the Toyota Production System and have fostered a proactive KAIZEN culture by implementing KAIZEN (improvement) initiatives across the Group, taking the Genchi Genbutsu Gennin ("go and see for yourself") approach, and by adopting an award system. This has created a foundation for our quality and cost competitiveness.



Trust and No. 1 Share

Strong relationships of trust with global customers

The Pacific Industrial Group has production and sales bases in four major regions around the world and enjoys the high trust of global automakers and mega-suppliers through group management that promotes the sharing of information and know-how as well as the exchange of human resources.



Valves with No. 1 global market share in each field

The Pacific Industrial Group has the top share of the valve core/tire valve market with 100% of the domestic market and 50% of the global market (according to our calculations), and also has several other top-share products.

Tubeless valves for tires



About **50%** of global market share

*Our calculations

Relief valves for car air-conditioners



About **80%** of global market share

*Our calculations

Risks and Opportunities

Based on the market environment and the strengths of the Pacific Industrial Group, we recognize that a variety of growth opportunities exist. At the same time, the market environment is becoming increasingly uncertain, and we are aware of various risks. We are committed to sustainable management by quickly identifying risks and opportunities.

	Opportunities
 <div>① Stricter safety and environmental regulations</div>	We have technologies and facilities on a global scale to achieve the high level of safety required for automobile bodies. We also see the need for weight reduction due to stricter fuel efficiency regulations as a tailwind.
<div>② Growth of the automobile market</div>	Globally, we recognize that the automobile market will continue to grow, and we see this as a growth opportunity for the Group, whose mainstay products are those for automobiles.
<div>③ Automobile restructuring</div>	Regarding the impact of electrification, we are actively developing new products related to batteries, compressors, and thermal management systems, as we gain more new products from them than products related to internal combustion engines.
<div>④ Application of AI and IoT</div>	In the midst of digital innovation, including AI, we have transferred employees of our IT subsidiary to our own digital division to develop AI and products using digital technology in-house, and promote KAIZEN (improvement) initiatives within the company.
<div>⑤ Energy saving / weight reduction</div>	Amid the trend toward decarbonization and electrification, we are seeing an increase in orders for our mainstay stamping products, especially ultra-high-tensile strength steel products that contribute to improved fuel and electric efficiency through weight reduction.
<div>⑥ Carbon neutrality</div>	In order to help reduce CO ₂ emissions during production, in October 2020, we declared our goal of achieving virtually zero CO ₂ emissions (Scope 1.2) by 2050, and we are actively working to introduce energy-saving equipment and renewable energy.

	Risks
 <div>① World economic situation and global development</div>	* The following is a list of major risks that could have a negative impact on the Group's performance and financial position and a supplementary explanation of those risks. For details of countermeasures to each risk and other information, please refer to "3 Business Risks" in "Section 2. Business Conditions" in "Part I. Corporate Information" of the 100th Annual Securities Report posted on the website. Unexpected changes in laws and regulations, taxation, import/export, or other regulations, or political or social turmoil such as war, terrorism, or infectious diseases, may force the Group to curtail production and sales activities.
<div>② Relationship with customers</div>	The Group is highly dependent on specific customers, including Toyota Motor Corporation, with automotive parts accounting for the majority of its consolidated sales.
<div>③ Price competition</div>	If the Group is unable to maintain price competitiveness and product superiority due to severe price competition with competitors in Japan and overseas, soaring raw material prices, and other factors, demand for its products may decline.
<div>④ Development of new products and new technologies</div>	In the automotive industry, if the Group is unable to keep pace with rapid technological advances and changing market needs and thus fails to continuously develop attractive new products, the future growth and profitability may decline.
<div>⑤ Procurement of raw materials</div>	If raw material prices rise and the Group is unable to absorb such increase or pass it on to selling prices, or if it becomes difficult to secure the necessary volume for production, manufacturing costs may increase and sales revenues may decline.
<div>⑥ Product quality control</div>	Product quality defects that lead to a large-scale recall or product liability claims could result in substantial costs, a decline in sales, and loss of orders due to a decline in the Group's trust.
<div>⑦ Compliance</div>	In addition to the possibility of becoming a party to legal proceedings in various countries, the discovery of a serious compliance violation could lead to a suspension of operations by regulatory authorities or supervisory agencies or a loss of public trust, which could result in a decline in sales.
<div>⑧ Securing of safety and health</div>	With production facilities of all sizes, there is a risk of serious industrial accidents.
<div>⑨ Securing and development of human resources</div>	There is a possibility that the acquisition and training of human resources will not proceed as planned.
<div>⑩ Information security</div>	The temporary interruption of business activities due to information system failures or information leaks may cause a loss of trust in the Group.
<div>⑪ Intellectual property management</div>	Failure to properly manage intellectual property, such as infringement of intellectual property rights or unexpected claims of infringement by third parties, may result in economic loss and loss of trust.
<div>⑫ Foreign exchange, interest rates and securities</div>	Exchange rates and interest rates may fluctuate and the prices of shares held may decline.
<div>⑬ Impact of disasters</div>	Business activities of the company and its supply chain may be affected by large-scale earthquakes, wind and flood disasters such as torrential rains and river flooding, accidents such as fires and explosions, and the spread of infectious diseases.
<div>⑭ Impact of climate change</div>	The introduction of carbon pricing, the shift to renewable energy, increased manufacturing costs due to a surge in raw material prices, and the inability to respond appropriately to changes in market and customer needs could undermine competitiveness and corporate value.
<div>⑮ Human rights</div>	Failure to take appropriate action throughout the value chain to address human rights issues such as forced labor, child labor, and harassment could lead to suspension of business with customers, administrative penalties, and loss of public trust.



Stakeholders and Materiality

The PURPOSE of the Pacific Industrial Group is to create tomorrow with passion as a company that is needed by society. In order to achieve this, it is essential to create values while taking into consideration the impact on all those involved. Therefore, based on our communication with stakeholders through our business activities, we identify materiality by understanding important expectations and impacts. Our attitude toward our stakeholders is clearly stated in our Principles of Conduct, which are the highest level of our conduct guidelines.

Stakeholders	Principles of Conduct	Main Stakeholders	Communication Methods
Customers	We will work to consistently communicate with our customers and to provide environmentally-conscious, high-quality products and services that are trusted by, and satisfy, our customers.	Global car makers, tire makers, automotive parts makers, product end users, customers of new products, etc.	•Communication with customers in daily operations •Requests from customers •Participation in technical exhibitions and events in Japan and abroad •Commendations from customers (evaluation criteria and evaluation details)
Shareholders, Investors, Financial Institutions	In order to garner trust and meet the expectations of our shareholders, we will place importance on bilateral communication and continuously strive to improve our corporate value by taking a long-term view.	10,047 shareholders (23 financial institutions, 36 financial instruments dealers, 152 other domestic corporations, 195 foreign corporations, etc., 9,641 individuals and others)	•General meeting of shareholders •Briefing sessions for individual and institutional investors •Financial results briefing •ESG meeting •Information disclosure on our website
Business Partners	Aiming at co-existence and co-prosperity based on mutual trust, we will respect our business partners and establish strong positive relationships with them on an equitable and fair basis.	From primary to upstream suppliers, etc., that are procuring for our global operations	•Corporate policy briefing/ Practitioners' meeting •Activities with main suppliers •Supplier questionnaire •Ethics and complaint consultation counter, independent consultation counter
Employees	From the perspective of respect for human rights and dignity, we will provide a workplace where all employees can work at ease in an environment that allows them to find work they can be proud of and encourages them to demonstrate their creativity and spirit of challenge.	6,171 employees at 24 bases in 9 countries worldwide, including 1,205 non-regular employees and their families	•Dialogue with labor union •Evaluation interview •Education and training •Health and Safety Committee •Ethics and complaint consultation counter, independent consultation counter •Company newsletter (issued monthly) •Stress check trend analysis •Employee engagement survey
Environment	We always recognize the importance of environmental conservation in all our business activities, comply with laws and regulations related to the environment, and actively engage in environmental conservation activities based on our "Environmental Policies."	Natural environment in deployment areas and value chains (forests, rivers, oceans, atmosphere, soil, resources, etc.)	•Communication with local and global governments, regional round-table meetings
Communities	In addition to contributing to the sustainable development of society through close partnership and cooperation with local communities, we also engage in social contribution activities (support for academics/ culture/sports, participation in volunteer activities, international community contributions, etc.) to build bonds with local communities.	24 bases in 9 countries around the world, and especially municipalities where bases are located. Also, areas where employees live, etc.	•Regional round-table meetings •Impressions during plant tours •Opinions during community contribution activities •Sports promotion •Travel to schools for education •Dialogue with NPOs

Based on the SDGs (Sustainable Development Goals), in 2020, the Pacific Industrial Group identified the Group's material issues related to sustainability (materiality) with 2030 as the time axis, decided four pillar themes, 15 types of materiality, and SDG themes to focus on, and defined The Pacific Industrial Group Way and KPIs for each to implement initiatives. Refer to the "Sustainability Data Book 2024" for details of the process to identify materiality and materiality-based initiatives.

In our mid-term business plan "Beyond the OCEAN," which we announced in April 2023, we have selected materiality themes that are considered to be particularly important and have a large impact on corporate value as our management targets (non-financial value targets).

We are in the process of revising our materiality in light of recent developments in various sustainability-related disclosure standards, the impact on our stakeholders, and changes in the market environment.

Materiality of the Pacific Industrial Group

1

Fostering trust with stakeholders



- Corporate ethics and compliance
- Responsible procurement
- Improvement in customer satisfaction
- Local community development

Particularly relevant SDGs

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

2

Solving social and customer issues through products



- Contribution to a sustainable mobility society and prosperous living
- Improving mobility safety
- Development of environment-conscious products

Management targets

No. of new products and services launched

Management targets

Sales ratio for electrified vehicle products

Particularly relevant SDGs

3 GOOD HEALTH AND WELL-BEING

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

17 PARTNERSHIPS FOR THE GOALS

3

Minimizing environmental load



- Mitigation of and adaptation to climate change
- Sustainable resources use
- Conservation of water resources

Management targets CO₂ emissions

Particularly relevant SDGs

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

17 PARTNERSHIPS FOR THE GOALS

4

Respecting human resources and their active participation



- Respect for human rights
- Stable employment and decent work environment
- The safety and health of employees
- Development of human resources and cultivation of culture that we can tackle new endeavors
- Diversity and inclusion

Management targets Employee engagement

Particularly relevant SDGs

4 QUALITY EDUCATION

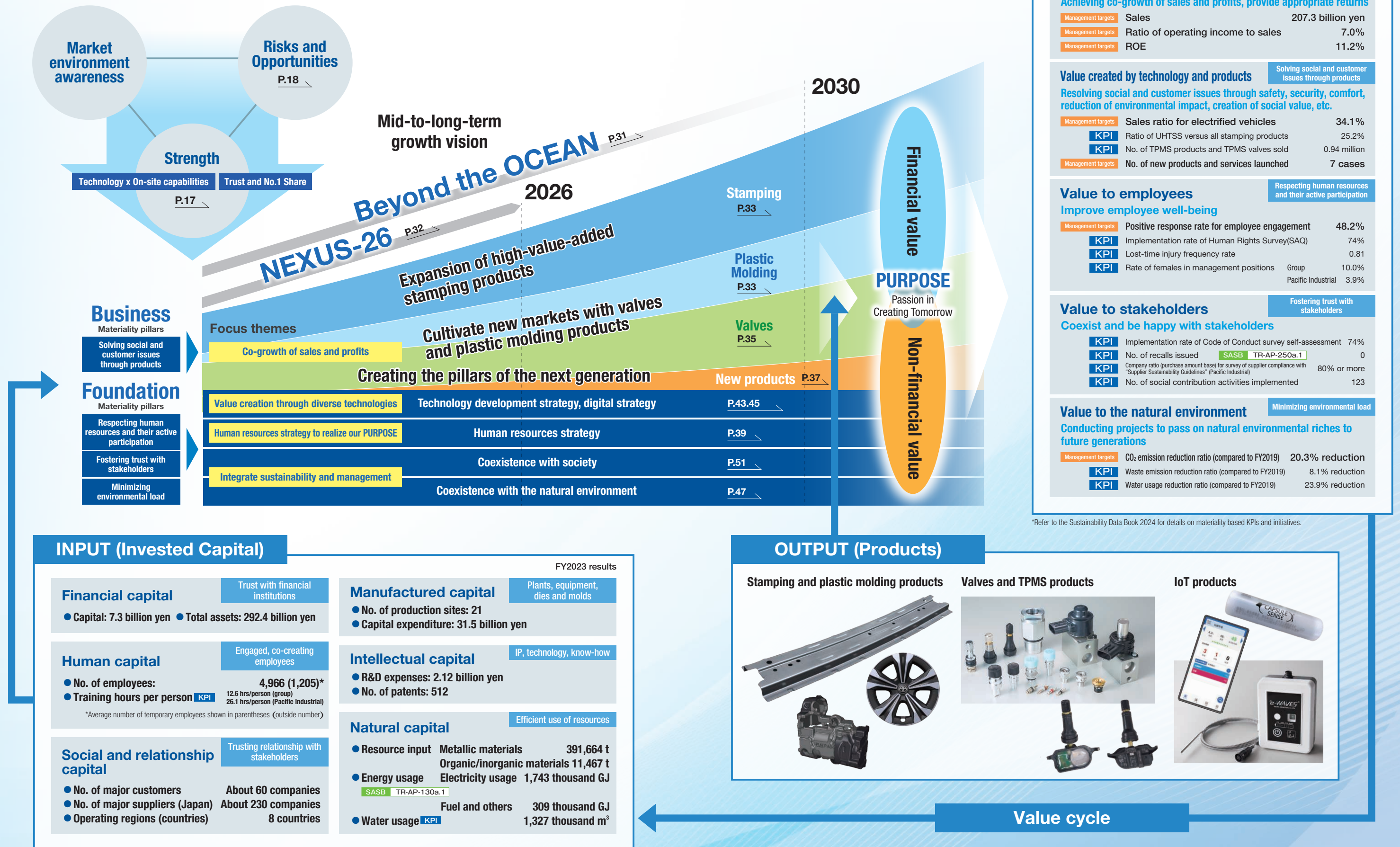
5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

17 PARTNERSHIPS FOR THE GOALS

Pacific Industrial Group's Value Creation Model



Stamping Business Strategy to Capture the Wave of Electrification

Materiality

- Improving mobility safety
- Development of environment-conscious products

[Glossary]

Lean: This refers to a trimmed down production system where waste in the manufacturing process is thoroughly eliminated. It was conceived during the study on the Toyota Production System in the United States in the latter half of the 20th century.

Front pillar: A pillar-shaped stamped structural components located at the front side of the vehicle's front door that plays a key role in offering protection during head-on collisions.

Roof center reinforcements: Long, thin structural parts used along the center of the vehicle's roof panel for structural integrity of the cabin.

Gigacasting: The Process and structure to replace multiple stamped parts with large one-piece aluminum castings

The demand for weight reduction is on the rise due to vehicles becoming heavier as electrification advances, creating the need to reduce energy consumption while driving. We continue to supply stamped products in line with the needs of society and our customers thanks to our cold ultra high-tensile strength steel production methods that generate less CO₂ emissions during manufacturing than conventional methods. We will also enhance the orders we receive for battery-related products. The basis of these efforts shall be the new Higashi-Ogaki Plant, which began operating. The aim is to improve our streamlined production capabilities resilient against production fluctuations, and enhance our manufacturing strength globally.

Point
1

Expanding 1470 MPa material use with cold stamping expertise

Among our lineup of cold-stamped products, we are especially renowned for manufacturing front pillars and roof center reinforcements, which are large body frame parts that are difficult to form. For the central roof reinforcements, in particular we use 1470 MPa material, which offers the highest level of strength and mass produce these parts for a wide variety of vehicle models. To customers during the early evaluation phase, we offer weight reduction and inexpensive structure solutions in a timely manner using our in-house database of materials, sheet thicknesses, and cross-sections that satisfy the collision performance demanded by each vehicle model.

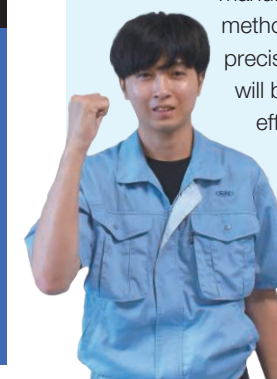
Point
2

The impact of gigacasting is limited

In recent years, gigacasting, the process and structure to replace multiple stamped parts with large one-piece aluminum castings, has seen a rise in popularity. However, gigacasting is mainly used for parts underneath the front and rear of a vehicle, and that is why we believe its impact on our business of upper structural parts is limited. We do, however, anticipate that competition will intensify due to other stamping manufacturers, which are affected by the impact of gigacasting on undercarriage parts, entering the market for upper body parts. Thus, we are strengthening our competitiveness through proposal capabilities, analytical technology, and human resource development.

Development of battery case products for electrified vehicles

We are also working on developing battery parts for not only HEVs but also PHEVs and BEVs, with an eye on the diverse possibilities in the power units of electrified vehicles. Based on our cold stamping technologies cultivated in body part manufacturing, we have developed a new methods to achieve high strength and high precision, which are vital for battery parts that will be used in electrified vehicles. These efforts prepare us for what will be a market of increasing demand in the years to come.

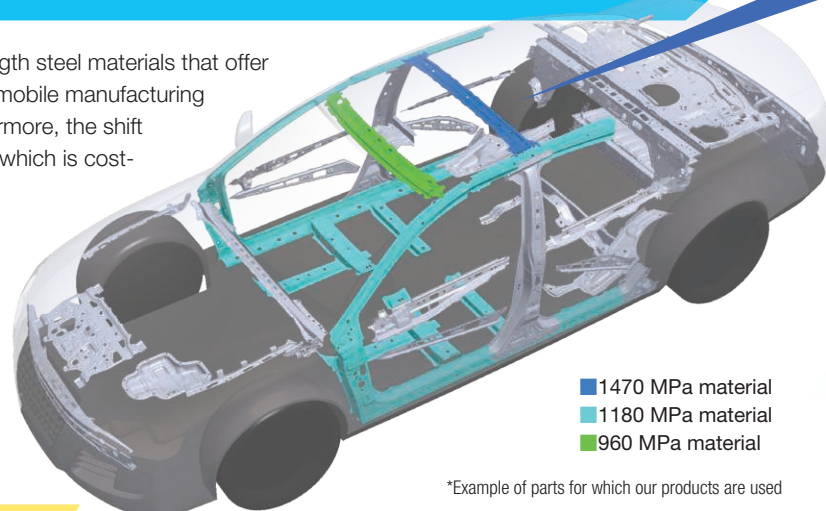


K.R.
Stamping Development Dept.
Stamping & Plastic Molding Business Group

Now received orders for enhanced, cold-stamped 1470 MPa ultra high-tensile strength steel!

In recent years, the demand for ultra high-tensile strength steel materials that offer both weight reduction and safety is on the rise in automobile manufacturing as a whole, including heavy electrified vehicles. Furthermore, the shift toward cold-stamped ultra high-tensile strength steel, which is cost-effective and produces minimal CO₂ emissions during manufacturing, is accelerating as demand for advanced forming technologies grows. We are seeing a steady rise in order numbers as a result.

We wish to capture the market demand for ultra high-tensile strength steel by making continuous improvements and advancing our efficient manufacturing using large stamping equipment, which we deploy globally.



■ 1470 MPa material
■ 1180 MPa material
■ 960 MPa material

*Example of parts for which our products are used

Getting the new Higashi-Ogaki Plant fully up and running

The new Higashi-Ogaki Plant will launch as our global mother plant to support the foundations of our competitiveness through lean production, building a smart factory, and collaborating with our Development Center. New Higashi-Ogaki Plant will aim to share technology, production, and improvement know-how with our other domestic and overseas bases to maximize the added value of the Pacific Industrial Group as a whole.

Global mother plant

Technology/production/
improvement know-how

Sharing/support

Other overseas/domestic plants

Enhanced cost competitiveness
Order expansion independence...

Maximizing additional value of Group

O.K.
Manufacturing Dept. 2
Stamping & Plastic Molding
Business Group



Lean production

To create a decent work environment for employees, we have incorporated air conditioning, LED lighting, and greater natural lighting, etc., in our plants. We have also made break areas brighter and more spacious to relax, and facilitated communication with other departments. Our plants have equipped technologies such as automated guided vehicles (AGV), automated welding equipment, and stamping material transportation robotics, with the aim of improving efficiency and lean plant operations.



Shift to smart factories

We deploy digital tools to visualize the state of various facilities and production lines to help manage and improve our manufacturing sites. Our environmental managing system visualizes energy (electricity, gas, water, etc.) usage in real time and promotes energy conservation. In the future, we will undertake a digital transformation (DX) of logistics and conservation efforts to achieve more reliable smart factories.



Centralized operation monitoring

Enhanced in-house production capabilities of dies

We will enhance our die manufacturing capability by introducing high-speed machining equipment and ensure efficient die production through the introduction of large try-out stamping machine and the optimization of process layouts. We will work together with the adjacent Development Center to accelerate the development of new production methods and new machining technologies.



Growth Strategy for Plastic molding Business

: Expanding Sales with Core Technologies

The Pacific Industrial Group has made plastic molding products as one of the pillars of our growth strategy. Our plastic molding products are based on our two core technologies of soundproofing and decoration. Our soundproofing technology utilizes compressors for electrified vehicles and our decorative technology leverages aerodynamic wheel caps. We will enhance our development capabilities at our Development Center to be newly launched in July 2025 and strive to broaden our sales by focusing on the two key elements of customer segments and regional markets.

Development for electrified vehicles

Continuing to advance our development efforts for electrified vehicles

With the progress of vehicle electrification, measures are now needed to tackle noise from compressors and the like that was previously masked by engine sound. In addition, as the focus shifts from fuel economy demanded in gasoline vehicles to electric cost efficiency, there's a growing demand for improved aerodynamics to help improve electric cost efficiency. We are stepping up the use of compressor soundproofing covers and aerodynamic wheel caps to meet these customer needs.

N.K.
Plastic Molding Engineering Dept.
Stamping & Plastic Molding Business Group

Wheel caps for bZ4X, a BEV manufactured by Toyota Motor Corporation



We have supplied wheel caps for the very first Prius right up to today's fifth generation model.

Materiality
- Development of environment-conscious products

Non-automobile products

Electrification needs

Creating new products & business by establishing soundproofing technology

Soundproofing technology

- New urethane foam material
- Anechoic room that enables measuring actual vehicles

Development Center

- Inkjet printing that enables small lot production
- Deployment of aerodynamic measuring devices
- Paint-free products that reduce the burden on the environment
- Paint coating simulation

Overseas sales promotion

Decorative technology

Advancing decorative technology and diversifying our customer base throughout the world

Expansion of production bases

Expansion of lineup of existing products

Expansion of customer base

Enhanced development capabilities of plastic molding products

Technology and Development

Material & method development



At our Development Center to be established newly, in order to further improve our soundproofing and decorative technology capabilities, we will enhance our lineup of prototyping and assessment facilities to enable us to advance co-creation activities through bringing together engineers under one roof.

Expanding overseas sales

We have suggested the best possible regions for production by leveraging our leading core technologies and global network, meeting the needs of all kinds of overseas customers, particularly in ASEAN and North America. We are also paying close attention to electrification trends in the automobile market in India, which is a market that is expected to grow in the coming years. We will pitch our soundproofing and decorative technologies to a wide range of overseas customers.

Y.R.

Plastic Molding Engineering Dept. Stamping & Plastic Molding Business Group

Strategy for Soundproofing Technology

To accelerate the development of soundproofing products focused on soundproofing covers for compressors, we will focus on material development by leveraging advanced acoustic analysis and utilizing machinery for urethane foam prototyping, which we plan to install at our Development Center. Going forward, we will look to scale up performance measuring of well-established products and set up an environment in which we can measure performance on actual vehicles.

2023	2024	2025	2026	2027	2028	2029	2030
(1) Establishing measuring of housed part performance		Establishment of a Development Center					
(2) Use of acoustic CAE							
		(3) Greater material development Accelerating the development of materials by introducing urethane foam prototype production machinery					
			(4) Measuring the performance of parts on actual vehicles Improved product solutions				

Strategy for Decorative Technology

To accelerate the development of aerodynamic wheel caps, we will work to enhance the performance forecasting of wheel caps through deploying aerodynamic measuring equipment and utilizing CAE. In addition, to meet the needs of highly complex high-gloss coating, which is very challenging, we will utilize prototype coating booths that we are set to set up in our Development Center to facilitate the evolution of coating technologies.

2023	2024	2025	2026	2027	2028	2029	2030
(1) Next-level decorative technologies		Establishment of a Development Center					
		(1) Next-level decorative technologies Advance coating technologies by introducing prototype coating booths					
		(2) Aerodynamic measuring device enhancement Proposing optimal specifications					
		(3) Forecasting product performance Improved product solutions/no prototyping necessary					

Products for Thermal Management Systems Launching of Full-Scale Production and Further Rollout

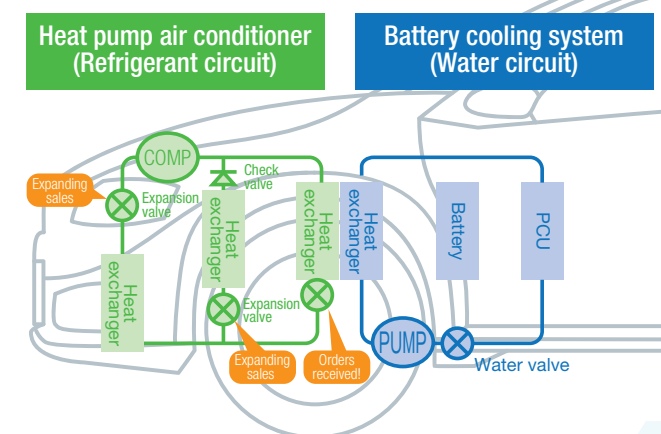
Our Sealing Technologies and Fluid Control Technologies Have Brought to Life Possibly the World's Smallest Onboard Electric Expanding Valve

We have technological assets from domestic expanding valves that we have developed and mass produced since the 1980s. By combining these assets with sealing technologies and fluid control technology for automotive valve products, including valve cores, we have developed and mass produced onboard electric expanding valves for thermal management systems, which have seen a rise in demand in electrified vehicles. Our electric expanding valve is more compact and lightweight compared to our competitors' products and boasts good responsiveness*.

Using this as a springboard, we will focus on our management resources to advance the development and sales efforts of all kinds of products.

*Responsiveness: Little lag in opening and closing operations in response to control signals.

System diagram



New Kita-Ogaki Plant to be fully up and running in March 2025



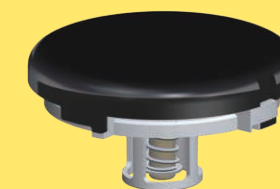
We are constructing a new plant to manufacture various valve products for the thermal management systems of electrified vehicles. In constructing this new plant, we are committed to mastering the fundamentals of manufacturing while actively reducing our CO₂ emissions through the implementation of high-efficiency facilities and solar power generation systems

Location: On the premises of the Kita-Ogaki Plant (Godo-cho, Anpachi-gun, Gifu Prefecture)
Production items: Various valve products for electrified vehicles, etc.
Total floor area: Approx. 14,900 m²
Investment amount: Approx. 4.5 billion yen
Launch of operations: March 2025

Materiality

- Improving mobility safety
- Development of environment-conscious products

HOT TOPIC!



Relief valves (safety valves) for the battery packs of electrified vehicles

Battery packs used in electrified vehicles need to have the pressure inside released quickly so that the pressure does not reach an excessive level when gas is produced as a result of the battery overheating. Leveraging our track record of developing and mass producing relief valves (safety valves) such as for refrigerant and hydrogen applications, we develop relief valves for battery packs and pitch them to OEMs.

- Features**
- (1) Heat and high-flow gas are safely emitted from the battery pack
 - (2) Thin valve structure (easy to install)

How valves for thermal management systems have grown



We are increasing the lineup of electric expanding valves that we develop and are pushing ourselves to take on new challenges every day. We aim to grasp the needs of our customers as quickly as possible and scale this business

S.T.
Product Planning & Development Dept.
Valve & TPMS Business Group

Electric expanding valve



We develop two types of electric expanding valves: a type powered by a control board mounted on the vehicle, as well as a LIN-controlled type that, through in-vehicle network communication (LIN), enables power and fault detection using an integrated control board.

LIN control-type electric expanding valve



Module



Not stopping at individual electric expanding valves, we also develop modules that are made by combining multiple products from our lineup such as check valves and charge valves. This enables us to provide products that meet various control specifications and tailor-make products customized according to each customer's needs.

We deliver the optimal solutions for building highly reliable systems according to diverse applications and requirements.

In a collaboration between our teams in Japan and Europe, we are promoting development in line with the needs of both parties.

As for electric expanding valves, we focus on compact models tailored to system requirements in Japan. While at our France base, we prioritize medium-to-large models suited for general applications. By sharing development resources, we aim to efficiently create optimal solutions that meet the unique needs of each customer.

Especially in Europe, as some of our clients are actively pushing the adoption of carbon dioxide, which has a lower greenhouse effect than conventional CFC substitutes, as a refrigerant for car air conditioning systems, we are also advancing the development of a valve for carbon dioxide applications used at higher pressures.

We are developing and pitching multi-way valves for water circuits used in battery cooling.

I am proud to lead an ambitious team of engineers that gives its all to develop thermal management systems for next-generation BEVs. My team members work with passion in advancing the development of products that will benefit optimal thermal management. We tackle work with a desire to not only satisfy the needs of the current BEV market but also to develop innovative products.

B.G. SPF R&D Director

Lineup of products offered by SPF, a French company that develops and produces products tailored to customer needs in Europe



New Business

Energy Visualization Solution

"Enegraph" is Strongly Supporting Manufacturers!

The reduction of energy consumption such as electricity and water is a major issue for manufacturers. "Enegraph" was developed by incorporating feedback gathered during a year-long trial at eight domestic plants, with continuous improvements made throughout the process. Enegraph is a new service that not only reduces the burden on the environment but generates all kinds of value, including helping to prevent unexpected equipment failures through data analysis. Enegraph is perfect for facilitating decarbonization efforts as it is inexpensive and can be easily introduced, starting from just one terminal. We began direct sales of Enegraph in May 2024.

エネグラフ

Three advantages over similar products

Visualize a wide range of environmental data

Enables measuring various data

Low cost and easy to set up

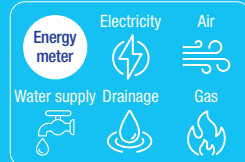
Standard cost

- ◆ Edge device unit 20,000 yen (tax not included)
- ◆ Monthly cloud usage fee 500 yen (tax not included) (for each edge device terminal)

Also supports CO₂ conversion

Meeting rising Scope 3 needs

Product Outline



Edge device provided by Pacific Industrial

You can connect the device to all kinds of meters that you want to visualize the data of as long as you have an analog or pulse output!



Online interface provided by Pacific Industrial



Comments from developers

Enegraph is a system that was built by taking into account feedback we received from our manufacturing sites. For example, we devised a way to easily ascertain the overall energy usage amount by adopting an aggregation function for unit conversion and grouping of data obtained from various sensors.

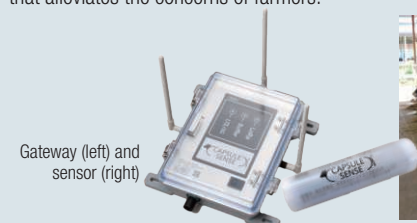
We also reduced the burden on manufacturing sites by improving the abnormality detection logic and improving the notification precision. In over a year, we have made improvements while incorporating the needs of those on the front line, pursuing perfection when it comes to user-friendliness and convenience. We hope that we will be able to contribute to decarbonization efforts and initiatives to reduce the burden on the environment and costs at a wide range of manufacturers.

T.T. New Business Development Dept. Business Development Center



"CAPSULE SENSE" wins the "Monozukuri Seimei Bunmei Kiko's Chairperson's Award at Cho Monozukuri Parts Awards"

"CAPSULE SENSE," which is manufactured and sold by us, won the "Monozukuri Seimei Bunmei Kiko's Chairperson's Award" at the 2023 Cho Monozukuri Parts Awards. "CAPSULE SENSE" applies TPMS technology to monitor the conditions within the stomachs of cattle and notify the livestock owners of signs of estrus, calving, and diseases. Capsule Sense contributes to improved productivity and sustainable livestock that alleviates the concerns of farmers.



Release of "LTE Lite": A new "e-WAVES" model

In January 2024, we released "LTE Lite," a new model from the "e-WAVES" series of multi-sensing data loggers. As the entry-level model, we limited the number of components compared to the existing product and reduced the cost and functionality to enable easy and advanced temperature management. In 2023, high-spec model "LTE2" was also released. We will aim for further widespread popularity and increased sales through offering a variety of products to meet diverse needs.



Materiality

- Development of environment-conscious products
- Contribution to a sustainable mobility society and prosperous living

Improving Employee Engagement with Four Priority Themes

To achieve our PURPOSE of "Passion in Creating Tomorrow," we are committed to improving employee engagement led by our human resources strategy. Based on the results of our first employee engagement survey conducted in 2023, we set clear targets to improve engagement in April 2024 and are undertaking efforts based on the following four priority themes.

Positive response rate target for employee engagement (Pacific Industrial)

48.2%
FY2023 (result)

60%
FY2026 (target)

70%
FY2030 (target)

We will achieve ambitious targets!

Share the company's vision and top management's beliefs

We are working hard to share our management vision through efforts such as holding small group discussions on the vision with directors (using the Integrated Report), developing one's own "My Purpose," and introducing sustainability training in the training for promoted employees. There are also now many opportunities for managers in each department to discuss and share their own passion in line with the top management vision.



Share the leadership vision

Build trust with supervisors and colleagues to increase psychological safety

We are fleshing out training with a focus on psychological safety, as well as strengthening collaboration with labor unions to facilitate sharing concerns through interdepartmental discussions. Moving forward, we aim to promote these efforts through e-learning as well, working to build a more open workplace.



Relationships with supervisors and colleagues

Priority Action Items

Building an environment that enables work-life balance and career challenges

Promoting the establishment of a decent work environment, we have obtained "Platinum Kurumin" Certification and "Eruboshi" Certification. We will enhance the flexibility and convenience of our flex system by removing the core time requirement. Furthermore, we will foster a culture that encourages taking on new challenges, such as the implementation of the Ω (Omega) Project to generate new business.



Job satisfaction

Sense of growth and learning

A real sense of growth and learning

We are further enhancing training while adopting training time per staff member as a KPI. In fiscal 2023, we improved our lineup of online learning materials to establish an environment where personnel ambitious to learn could study more at their prerogative while utilizing the training at each level. We will continue initiatives to develop human resources, an area that continues to change in line with shifts in the business environment.

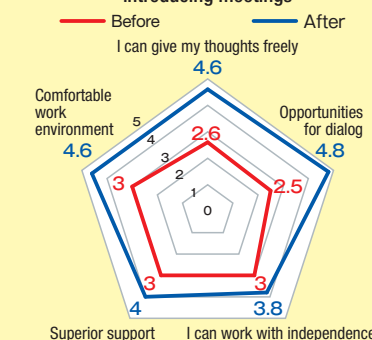


Employees voluntarily implement measures to improve "employee engagement"

At the Mino Plant, employees actively suggested improvements to our morning meeting to increase employee engagement. We are transforming regular one-way meetings into open discussions of workplace issues by setting guidelines such as "no negative or critical comments" and "always respond to the speaker's remarks" to improve psychological safety. Employee engagement has improved significantly.



Employee engagement before and after introducing meetings



Problem-solving speed has increased dramatically.



H.M. Manufacturing Dept.2 Valve & TPMS Business Group

Mid-to-long-term Business Policy

Under the dynamic and challenging business environment known as VUCA, where the future is unpredictable, instead of updating the mid-term business plan as in the past, we've adopted the backcasting perspective from the long-term business plan, and in line with the opinions of all divisions, including global operations, formulated the mid to long-term business plan "Beyond the OCEAN" and the mid-term business plan "NEXUS-26" as its milestones.

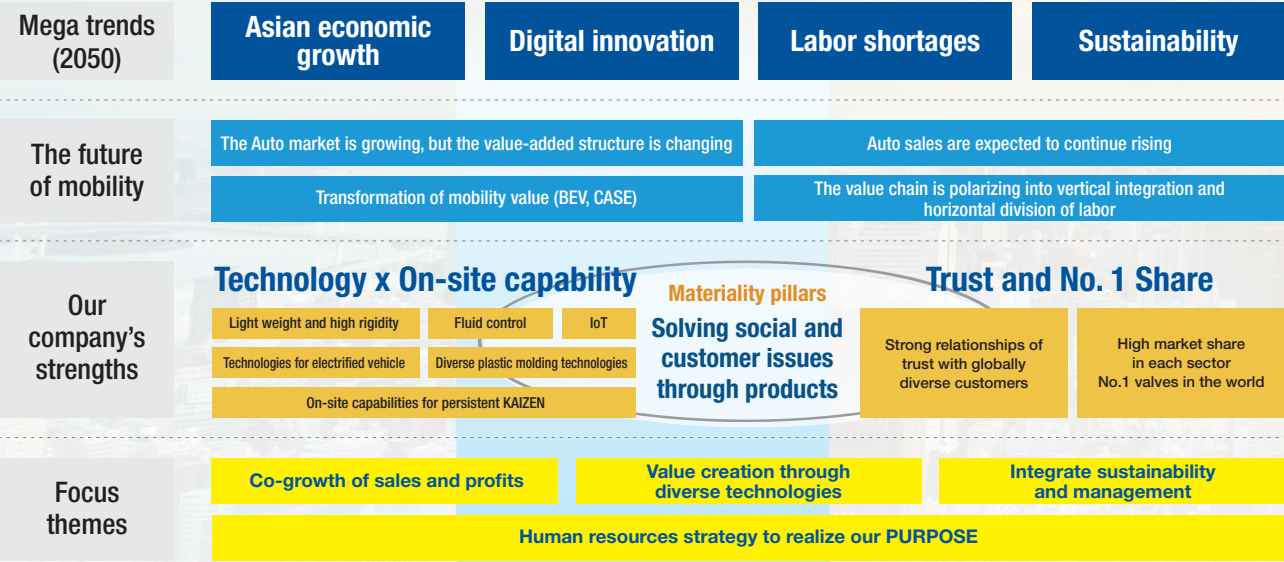
Mid-to-long-term Business Plan

Beyond the OCEAN

In order to survive amidst the long-term changes in the external environment and changes in mobility, we need to fully utilize our core strengths of "Technology and On-site capability" and "Trust and No. 1 market share." To this end, our "Human resources strategy to realize our PURPOSE" is extremely important so that those working with us can play active roles and take on the challenge of "creating new value." Based on this, we have identified the long-term key themes of "Co-growth of sales and profits," "Value creation through diverse technology," and "Integrate sustainability and management."

Mid-to-long-term business plan concept

Toward sustainable growth in the face of a drastically changing market environment while leveraging the strengths of our human resources



After reviewing the first survey that we conducted in fiscal 2023, we established a new management target for "employee engagement" in April 2024.

Financial value targets

Improve capital efficiency and achieve sustainable growth			
	FY2022 results	FY2026 targets	FY2030 targets
Sales	191.2 billion yen	210.0 billion yen	Sustained growth
Ratio of operating income to sales	4.9 %	7 % or more	10 % or more
ROE	7.0 %	8 % or more	10 % or more

Non-financial value targets

Business value targets			
Solve social and customer issues through products			
Main business	Sales ratio for electrified vehicles (Our calculations)	FY2026 targets 50%	FY2030 targets 70%
New business	No. of new products and services launched (from FY2023)	15cases	35cases
Sustainability value targets			
Empower employees to achieve sustainable growth			
Human capital	Employee engagement	FY2026 targets 60% or more (Positive response rate, Pacific Industrial)	FY2030 targets 70% or more
Natural capital	CO2 emissions	30% reduction (Scope 1 and 2, group, compared to FY2019)	50% reduction

The market environment is changing dramatically, and the market environment and growth scenario may not be as anticipated. To survive in these times, we recognize the importance of resilience, which enables us to flexibly overcome any changes in the environment. Mid-to-long-term business policy incorporates elements such as utilizing diverse human resources, expanding business sectors, fostering trust with stakeholders, and applying appropriate financial standards, all of which lead to resilience. We will also pursue a new era of risk management, in which we quickly recognize risks and opportunities, overcome weaknesses and bolster strengths, and manage things in an integrated manner.

Increase resilience

Diverse human resources are active

Improve ability to adapt to environmental change

Challenging spirit for change

Creating an environment where everyone can be active

P39 Human resources strategy

Expansion of business sectors

Diversification of customers and products in the mobility sector

Creating new businesses that solve social problems

P33 Business strategy

Fostering trust with stakeholders

Colleagues who share and enhance a common purpose

Business partners who can co-exist and prosper while helping each other

Have a constructive dialogue with shareholders and investors

P51

Appropriate financial level

Financial position to withstand major change

Improve efficiency by being aware of the cost of capital even for growth investments

P53 Financial strategy

Risk management

Comprehensively view risks and opportunities globally and implement PDCA cycles

Mid-term Business Plan

NEXUS-26

Growth in each business and region

Sales by segment

210.0 billion yen

New business 2.0

Valves 63.0

Asia 50.0

Europe and America 80.0

Stamping/Plastic molding 145.0

Japan 80.0

FY2026 targets

We have organized the Pacific Industrial Group Way for each business into four themes as part of "NEXUS-26." Regarding stamping, on the basis of on our strength in the field to withstand production fluctuations, we will increase sales and profits by expanding sales and adding value, through body structure proposals based on our contribution to decarbonization, such as reducing weight and cutting CO2 emissions during production. In plastic molding, we will leverage our strengths in soundproofing and decorative technology to strengthen sales to new customers, and aim for sustainable growth by developing materials and products based on the circular economy.

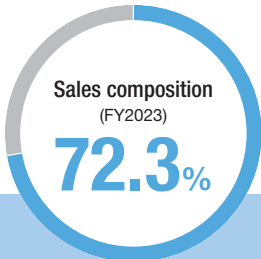
In valves and TPMS, we will aim for development-based business that generates high added value by leveraging our strengths in wireless communication technology and high quality, while creating a new pillar for our business in products for electrified vehicles. As for new products, we will upgrade and expand our products launched so far, while strengthening our search for new fields, with the aim of nurturing the data business to solve social issues and become a pillar of our business.

Vision by business for FY2030 and FY2026

Drawing up a long-term vision and formulating specific mid-term measures

	FY2026		FY2030	
Stamping	Product creation that contributes to decarbonization	Sales and profit growth image compared to FY2022	Becoming a high-value-added business chosen in the decarbonization age	Sales and profit growth image compared to FY2026
	Improved manufacturing and technical capabilities	Sales Profit	Establish cost competitiveness surpass other companies through innovation in production technology	Sales Profit
Plastic molding	Expansion into new areas with soundproofing, and decorative technology	Sales Profit	New market creation by applying sound-proofing and decorative technology	Sales Profit
	Develop new customers globally	Sales Profit	Shift to a circular economy	Sales Profit
	Strengthen ability to develop materials and products that meet customer needs	Sales Profit		Sales Profit
Valves TPMS	Develop and provide smart products with an eye toward vehicle electrification	Sales Profit	To a development-oriented business that provides functions with high technology	Sales Profit
	Combine technologies to continuously plan and propose high-function, high-value-added products	Sales Profit	Create new pillar of business with products for electrified vehicles	Sales Profit
New products	Explore new business areas following the logistics and livestock industries	Sales Profit	Becoming a company that can solve social issues through IoT products and systems	Sales Profit
	Exploitation of existing areas	Sales Profit	Make data business a pillar of new business	Sales Profit

10% or more Less than 10% Flat



Business Strategy

Stamping and Plastic Molding Product Business



Terumi Noda

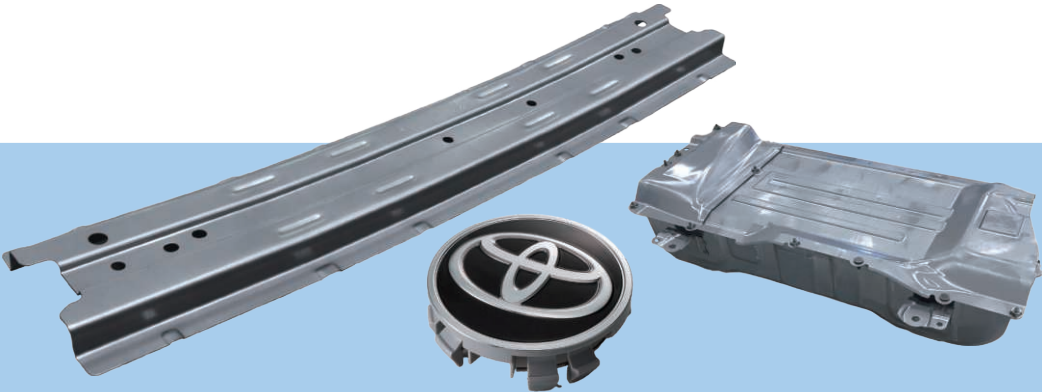
Senior Managing Officer, Member of the Board
Chief Officer, Stamping & Plastic Molding Business Group

My Purpose

We protect employees and their families and contribute to the local community and society through maximizing business profits

Business Overview

For automotive body frames, we produce stamping products made of ultra-high-tensile materials that are both lightweight and strong, as well as plastic molding products that span a variety of fields, including decorative technology and soundproofing technology.



Materiality

- Improving mobility safety
- Development of environment-conscious products

Growth strategy

We will continue to hone the technology that needed by our customer and cost competitiveness, taking the great transformation of the automotive industry as an opportunity and will boldly advance our operations.

In addition to continuously enhancing the technologies our customers need and strengthening our cost competitiveness, we aim to remain a supplier to our customers.

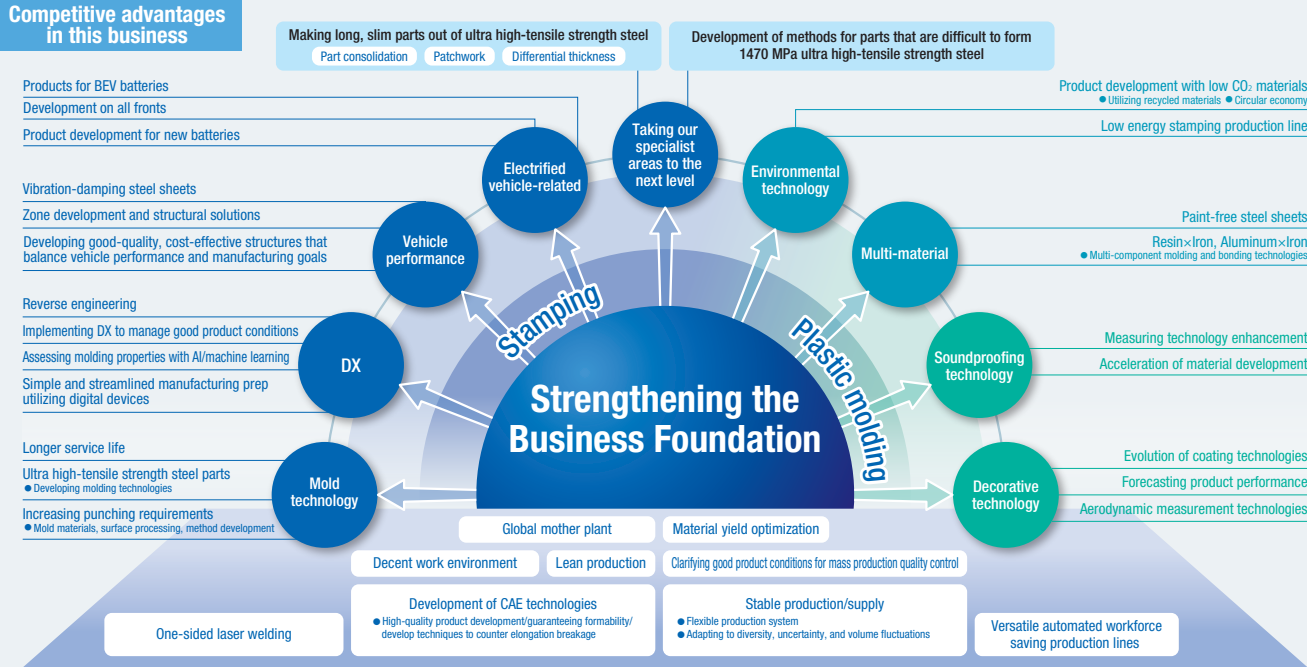
In our core stamping business, we will leverage our ultra high-tensile strength steel forming technologies, which support the growing demand for vehicle electrification, weight reduction, and decarbonization, to actively expand our lineup of structural solutions. These solutions balance both advanced body structure analysis with cost reduction strategies, enhancing our profitability.

Our plastic molding business will develop new products for electrified vehicles such as compressor covers. It will also open up new business areas beyond the automobile sector by leveraging our strengths in soundproofing technologies, which utilize the unique properties of urethane materials, as well as decorative technologies that contribute to improved aerodynamics and weight reduction. In order to further advance these core technologies, at our Development Center scheduled to be built in 2025, we will establish a framework that covers everything from developing resin materials to assessing performance, developing prototypes, and developing techniques with an eye on the circular economy.

The Higashi-Ogaki Plant completed in 2023 as our global mother plant is progressively advancing the automation of production equipment, automation of product transportation, and its transformation into a smart factory by through undertaking a digital transformation (DX). Our production technologies and manufacturing practices will join forces as we strive to enhance our cost competitiveness by pursuing greater production efficiency, deploying these methods to our bases all over the world, and working to improve our global sales channels and profitability.

With an eye on the advancement of electrification, we see the major transformation in the global automotive industry as a business opportunity. Therefore, going forward, we will boldly continue to expand existing facilities and establish new ones in our stamping and plastic molding businesses.

Competitive advantages in this business



In terms of the competitiveness of our stamping business, we have improved on what makes us great by enhancing the development of forming technologies for ultra high-tensile strength steel parts, which is a forte of ours. By controlling the stress generated during the stamping process, we have successfully addressed dimensional precision defects, a common challenge with ultra high-tensile strength steel materials. In 2021, Toyota first adopted our 1470 MPa materials in the roof center reinforcements of its Lexus NX, and since then we have continued to receive orders for various vehicle models, contributing significantly to the weight reduction of Toyota and Lexus vehicles.

We are currently working on strengthening our foundation so that we can pitch a wide range of ultra high-tensile strength steel materials for body structure components that are difficult to form, and deliver stable production and supply at mass production. Our primary focus is enhancing our forming CAE analysis technology. By reverse engineering feedback from our mass production track record and die adjustment histories, we will verify the accuracy of our CAE and advance the technology one step at a time. We aim to dramatically improve the quality of the first article by leveraging CAE to ensure formability and precision before starting die production and exploring virtual countermeasures.

We anticipate vehicle structures will also undergo a large-scale transformation with the likes of gigacasted materials, extruded aluminum, and multi-materials. To enable greater sales for such new structures, we will utilize the collision CAE analysis that we have been working on, together with our cool ultra high-tensile strength steel machining technologies, to offer vehicle and battery frame structures that achieve a balance of vehicle performance, weight reduction, and low cost.

As for the competitiveness of our plastic molding business, we will use the following technologies to replace metal parts with resin components to make parts lighter: soundproofing technologies

featuring high sound-absorption polyurethane materials, decorative technologies that enhance aerodynamics and reduce weight to improve fuel and electric efficiency, and multi-material sheet stamping technology using high-strength GFRP and GMT. Our soundproofing technologies have shifted away from traditional engine noise to focusing on the electric compressor and e-axle, which have become new sound sources due to the electrification of vehicles. We develop and commercialize soundproofing covers with sound-absorption characteristics tailored to the frequencies produced. As for our decorative technologies, we will establish an integrated in-house framework from design to production. This will advance the development and commercialization of decorative wheel products that emphasize the weight reduction and aerodynamic improvement of large-diameter aluminum wheels, which are becoming increasingly mainstream. In addition to producing aerodynamic undercovers, we will continue to develop multi-material sheet stamping technology to establish the multi-materialization of vehicles. At our Development Center to be built in 2025, we will establish a framework that covers everything from developing materials for plastic molding products to evaluating performance, developing prototypes, and techniques.

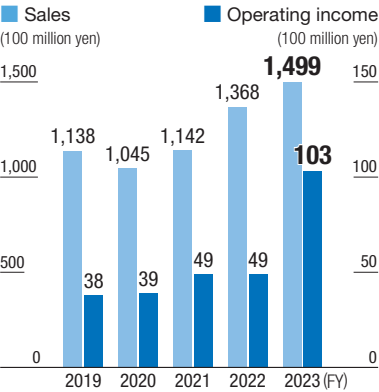
Stress: The force induced on to an object when applying force
Roof center reinforcements: Long, thin structural parts used along the center of the vehicle's roof panel for structural integrity of the cabin structure.
CAE analysis technology (Computer Aided Engineering): Stands for Computer Aided Engineering, which is simulation and analysis using a computer.
Reverse engineering: A technique for analyzing adjusted stamping molds to enable high-quality product machining through advanced skills, and for acquiring and accumulating detailed know-how.
First article: The first product made as a result of producing a mold.
Gigacasting: The Process and structure to replace multiple stamped parts with large one-piece aluminum castings
Extruded material: A metal material made by extruding metal from a die.
GFRP: Glass-Fiber-Reinforced Plastics
GMT: Glass Mat reinforced Thermoplastics. GMT is a resin material that offers an excellent balance between strength and molding properties.

What we aim to be by 2030

Stamping

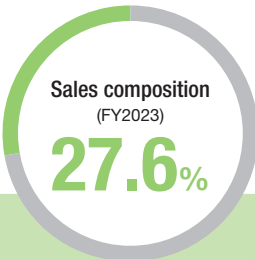
- To survive in the era of decarbonization, we will become a “proposal-based technology group” and create high added value
- Establish cost competitiveness to surpass other companies through innovation in production
- New market creation applying soundproofing, and decorative technology
- Shift to a circular economy

Plastic molding



Overview of year ending March 31, 2024

Overall sales in this segment totaled 149,952 million yen (up 9.6% year on year) mainly due to an increase in sales volume and the impact of currency conversion resulting from deprecation of the yen. Profit-wise, operating income totaled 10.393 billion yen (up 108.8% year on year) due to factors like an increase in sales volume and cost improvements.



Business Strategy

Valve Product Business



Hisashi Kayukawa
Senior Managing Officer, Member of the Board
Chief Officer, Valve & TPMS Business Group

My Purpose

Deliver good work (functionality and quality) with combined knowledge and strength

Business Overview

These include valve products, several of which have the top global market share, TPMS (tire pressure monitoring system), which is legally required to be installed in various countries around the world, and forging products. We also manufacture valves for aircraft, industrial machinery, and the energy industry.

Growth strategy

Our mission is to transform our development-based business, growing with the thermal management sector at the core of our success

The market for electrified vehicles and BEVs is on the rise in response to climate change. To improve our competitiveness and reliability as a company, timely delivery of technologies and products in line with this trend is essential.

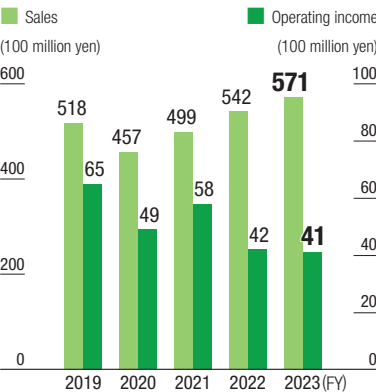
We are focusing our efforts on developing products for thermal management systems which are key to electrification. By doing so we will improve energy efficiency and help realize carbon neutrality. Especially in the field of electric expansion valves, which are essential for heat pump systems, we have established the most compact and ultra-lightweight technology, achieved both performance and cost, and realized mass production. Spurred on by this success, we plan to begin construction of a new plant to develop electric expanding valves into a growing business. In the electronic technologies field, we are leveraging our expertise in developing and mass-producing onboard electronic components developed with TPMS to establish optimal valve control technology. By integrating this technology with high-performance valves, which are key devices in the thermal management space, we will modularize exclusive functions that leverage our strengths, creating new product value.

The development of thermal management valves presents various valve needs such as those for fluid switching valves and check valves in addition to electric expanding valves. This field is positioned as a pillar of our next-generation business. We aim to provide a lineup of new technologies and products, grow the business, and diversify all while ensuring revenue from our existing businesses.

Meanwhile, as a part of efforts to enhance the foundation of our existing businesses and our market competitiveness, we have focused on streamlining and increasing the efficiency of our existing businesses, while advancing digitalization through automation of inspections using net shape practices and AI. We have undertaken efforts that pay particular attention to minimizing loss as much as possible and saving workforce. Through team activities, we use expertise and creativity to drastically reform objectives and values with regards to work practices to advance efficiency and automation in our business. As a result, we aim to assign created resources to new product areas and achieve sustainable growth that balances greater market competitiveness and new technology development.

What we aim to be by 2030

- Realize speedy and development-oriented business development anticipating market needs
- Establish a new business pillar with products for thermal management systems for electrified vehicles



Overview of year ending March 31, 2024

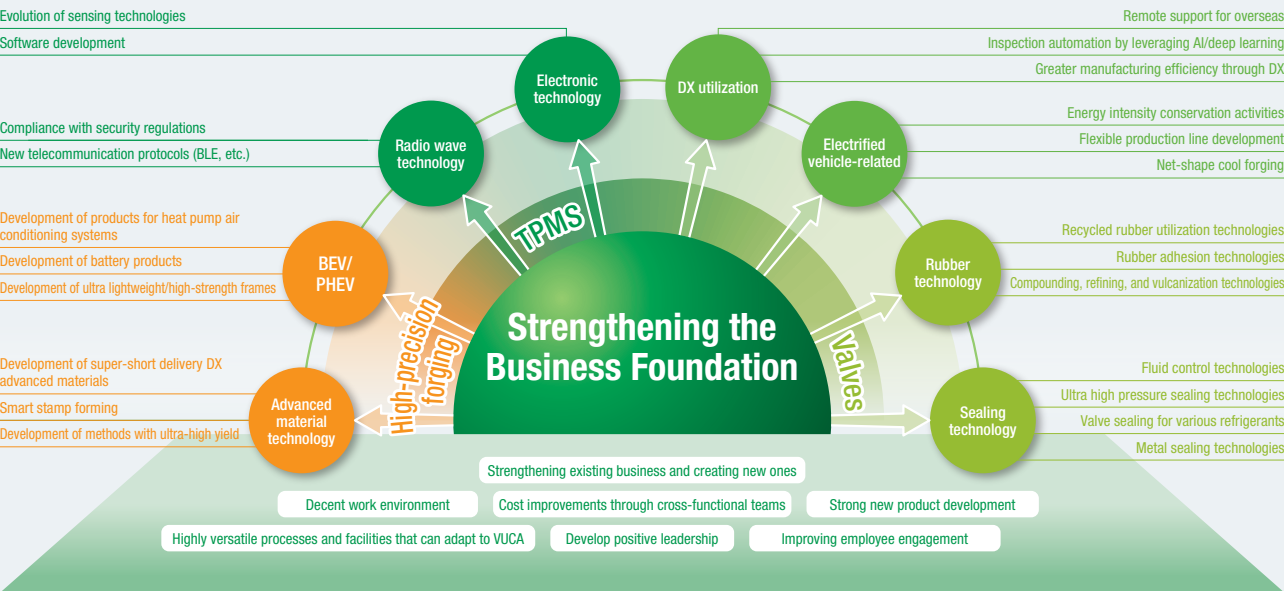
Sales in this entire segment totaled 57.15 billion yen (up 5.4% year-on-year) due to the impact of currency conversion resulting from depreciation of the yen. In terms of profit, factors like currency exchange profits, revenue enhancement, and cost pass-through covered the negative impact of the rise in component procurement costs from overseas due to the depreciation of the yen and surging material costs. As a result, operating income totaled 4.118 billion yen (down 3.3% year-on-year), which is about the same as last year.



Materiality

- Improving mobility safety
- Development of environment-conscious products

Competitive advantages in this business



The competitiveness of our valve business lies in accumulating technologies such as "sealing technologies" and "rubber technologies". The company's strength lies in the development of proprietary rubber compounding technology and establishing a production system, and we are currently developing new product to meet the demand for higher speed. In response to the growing market of electrified vehicles, in the car air conditioning system field, we have developed electric expanding valves for thermal management systems and began production of compact, lighter electric expanding valves. Our new plant will be fully operational in 2025. Also, we use electronic technologies developed in our TPMS business to develop electric expanding valves with onboard network communication (LIN) specifications, and pitch the modulization of air conditioner parts to our customers. Productionwise, we minimize the use of materials with our cold forging technologies and make production more efficient while saving workforce through the use of AI-driven automatic inspection technologies. We will continue to achieve both high quality and cost competitiveness.

Familiar with the harsh environment inside tires, the competitiveness of our TPMS business lies in our "sensing technologies" and "wireless communication technologies." Pressure, temperature, and acceleration sensors are fitted with a highly reliable integrated circuit (IC), which was developed especially for TPMS. Wireless communication from inside the tire uses high power transmission and low energy consumption technology to achieve approximately a seven-year service life with a single coin battery. It is also compliant with radio laws all over the world. We undertake production on an automatic assembly line and ensure traceability by managing all test samples with a unique ID. This helps us to ensure quality control in ppm units at our production bases in Japan and the

rest of the world. In the medium term, it is essential that we promote the transition to the highly cost competitive H-Type. In the long term, we will aim to strengthen our product capabilities and expand our business by swiftly incorporating global trends, considering data business opportunities, and addressing social issues.

The competitiveness of our forging business lies in composite molding of sheet metal and forged metal that allows for the precise control over the thickness of various metal materials. By forming the basic shape of the component with sheet metal and then combining this with forging techniques, it is possible to pitch high-yield, weight reduction, high-strength, and high-precision methods to our customers in line with their needs.

In our advanced materials molding business, we leverage our ability to provide a wide variety of solutions to deliver high-precision, cost-effective components that are also environmentally friendly. We are building our track record of new parts for BEVs by increasing our customer satisfaction with parts built into the ICE reducer. We offer cost reduction and smooth mass production by shortening development time and digitizing without rework, from high-precision mold analysis to structural analysis.

LIN (Local Interconnect Network): A network protocol used mainly for communication between components onboard modern vehicles.
Cold forging technologies: Technologies to machine metal at high pressure in a room temperature environment.
ppm (parts per million): A unit to measure the number of defects in a process or product out of one million opportunities.
Advanced materials: A material to which heat or force is applied before shaping it close to its final form.
ICE: Internal Combustion Engine



Isao Takeshita
Chief Officer, Business Development Center
Deputy Chief Officer, Corporate Planning Center

My Purpose
We protect employees and their families and contribute to the local community and society through maximizing business profits

Growth strategy We will cultivate an open-minded corporate culture and transform ideas into tangible results and performance

As a company that continues to grow, the role of our Business Development Center is to produce new pillar businesses. While hints for said businesses lie within various social issues, our value as a company could increase further depending on the solutions we come up with.

As achievements to date, we have developed and sold the products such as “CAPSULE SENSE,” which monitors the health of cattle, and “e-WAVES,” which contributes to improving the quality of logistics. In May 2024, we developed and launched sales of “Enegraph,” a system that constantly measures energy used to help ascertain and reduce CO₂ emission levels. We will continue to add and improve the functions of each product that we have sold. We will implement various promotional activities to convey the strengths of our products and increase awareness of them so that they become major products in their respective markets.

As an initiative to create businesses from free-thinking ideas to give birth to innovative products and services, we are undertaking the “Ω (Omega) Project,” a contest that solicits ideas from employees. In this project, we pull together a wide range of ideas, assess and verify them at each stage, and create something that offers a lot of value. Also, as a new initiative, we set up an Open Innovation Promotion Section. This team aims to speed up business development, acquire knowledge and technologies from other companies and collaborate with said companies, and achieve short delivery and low-cost development. The team’s mission is to deepen communication with external companies, explore various growth possibilities, and tie all this in to producing results.

We are confident that we will deliver bigger results going forward by having a strong desire to create and develop new value and undertaking activities with this in mind.

Launched sales of “MATOMAT”: A disaster relief mat

We have begun sales of “MATOMAT,” a disaster relief mat, made by upcycling urethane tips left over from manufacturing soundproofing products such as engine covers. The mat can be used as a cushion for school chairs in everyday life, and in case of a disaster, several sheets can be joined together to function as an emergency mat. When we developed MATOMAT, we entered an agreement with the Ogaki City Board of Education in Gifu Prefecture to determine their needs and conducted a trial of the product in schools. As for the production of the mat, we collaborated with a local partner company and a welfare office. It is a product produced as a result of a partnership between the public and private sectors and the local community.

We are developing our own brand “LcycL” of upcycled products that utilize scrap and waste wood to contribute to the realization of a recycling-oriented society.



Our “Ω (Omega) Project” to generate new business has entered its second year

In fiscal 2023, we launched the “Ω (Omega) Project,” a project to create new businesses by soliciting ideas in-house. We accessed the many ideas collected from employees from such viewpoints as marketability, growth potential, and social contribution, with the aim of turning ideas that passed the screening into fully fledged businesses. The seven business ideas that passed the primary screening last fiscal year were narrowed down to two in the secondary screening.

We are now at the stage of verifying their hypothetical business model. In fiscal 2024, of the 82 ideas gathered from over 70 participants, four projects passed the primary screening and will move on to building a fleshed out theoretical business model.

By holding this project every year, we will embed a “culture of continuing to undertake new challenges,” and build a corporate framework to develop new business and create new value.



Business Foundation

Manufacturing Capability

Manufacturing through relentless KAIZEN

In our Group, we recognize that human resource development is the foundation of manufacturing, and we base our manufacturing practices on the Toyota Production System, taking the Genchi Genbutsu Gennin (“go and see for yourself”) approach to implement KAIZEN (improvement) initiatives Groupwide.

Since FY2021, our Toyota Production System Voluntary Study Group has been working on KAIZEN initiatives for plastic molding products, mainly wheel caps, which are one of our main products.

As a result of this global commitment to manufacturing, we received 15 global awards from our customers in FY2023.

Responsibility for quality

We uphold the basic principle of Jikotei Kanketsu (defect-free process completion) so that no defects are passed along to the post-process and our customers are satisfied with our products. To establish a global-standard quality assurance system, we build quality into each process from the design and production preparation stages.

Nine companies in Japan and overseas have acquired ISO 9001 certification, the international standard for quality management systems, and nine companies in Japan and overseas have acquired IATF 16949 certification.

Enhancing customer satisfaction

We make continuous improvements based on the information collected by our Sales Dept. and Quality Dept. from our customers, and enhance CS (customer satisfaction) so that we can meet the expectations and needs of our customers. We also hold technology exhibitions and technical presentations in Japan and overseas to introduce our new products, technologies, and construction methods to our customers. We also put a lot of effort into proposing products that contribute to the SDGs, which are of great interest to our customers, and to CO₂ reduction with a view to carbon neutrality.

PICK UP

Building a foundation for quality

We see the quality problems of automobile manufacturers in recent years as a matter that directly affects us, and that is why we identified possible issues. While quality is achieved by following the rules, if the foundation (culture) in which the rules should continue to be adhered is weak, it will quickly lead to regression. Therefore, improving the engagement of all employees is key to facilitating this.

We strive to build a foundation in which all employees work with “passion” while communicating with others in the workplace and between departments.

In particular, the Stamping & Plastic Molding Business Group strives to prevent the release of defects. It does this by promoting efforts such as “integrated quality improvement activities,” “trend management,” and “special supplier support activities.” Specifically, in the area of stamping formability, we have launched an initiative to undertake process design from the manufacturing preparation stage to reliably ensure “forming with a high degree of freedom.” In fiscal 2024, we will also work to raise the bar of our inspection capabilities by establishing a new “Inspector Master Certification Program,” expanding the class of instructors, and maintaining the proficiency level of inspectors at all of our plants.

Based on “ensuring psychological safety” in order to cultivate a “Bad News First” culture, we will strive to maintain a workplace environment that encourages open communication and makes it easy for employees to seek advice. We will promote related efforts in the belief that good relationships with other people and having a workplace environment where employees can work with peace of mind combine to create a solid foundation for quality.

Bad News First

- ◎皆さんの職場で、危険行為、設備故障、品質不良など異常があったら、すぐに上司に報告しましょう。
- ◎迅速な報告が、会社やお客様に与える影響を最小化します。

言ってくれてありがとうございます！



PACIFIC 太平洋工業株式会社
プレス・樹脂事業本部



Business Foundation

Human Resources Strategy

Our human resources strategy is the strategy for realizing our PURPOSE, and is a concrete measure of how our employees create value as human capital. It is also the foundation of our mid-to-long-term business plan, which we will steadily implement in order to become a company where everyone can have “passion in creating tomorrow.”



Etsuko Nawata
General Manager,
Human Resources Dept.

My Purpose

I want to continue to be a dependable person (in HR). I will keep thinking about what I need to do to achieve this, and keep moving forward with the mindset of doing all I can.

What we aim to be by 2030

All workers can play an active role with passion

- Respecting everyone's ideas and allowing them to express their thoughts
- An environment where people can achieve what they want to do and learn
- An integrated approach to key issues with "employee engagement" at the core

Human Resources Strategy

Approach to Human Resources Strategy (Environmental Development Policy)

We aim to be a company where a diverse range of employees can play an active role in achieving our group's PURPOSE of “Passion in Creating Tomorrow.” To this end, we will take two main measures.

The first is to improve infrastructure. This includes respecting human rights and providing a pleasant work conditions, in order to maximize human resources and improve the work environment. Specifically, we will take steps to prevent harassment, encourage teamwork, and prioritize health and safety for employees.

The second is business growth. This means promoting the

growth of our human resources and provide skill development and career support. In addition, we will promote the transformation of our corporate culture to one that encourages challenge.

By taking these two steps, we aim to increase engagement. We will continuously measure and improve our employee engagement. We will also emphasize diversity and inclusion, recognizing the differences among all people and creating a psychologically safe work environment where everyone can fulfill their potential. In this way, we aim to enhance the well-being of our employees and the value of our company.



The goal of our human resources strategy is to “be a company in which all workers have passion and can play an active role,” as expressed in our PURPOSE, “Passion in Creating Tomorrow.” To this end, we need to understand and enhance employee engagement to cultivate a culture of tackling challenges. We believe that cultivating a culture of tackling challenges will create

a virtuous cycle, in which building a foundation of respect for human rights, safety and health, and improvement of the working environment, and strengthening measures that lead to business growth, such as human resources development and diversity and inclusion, will further enhance employee engagement.



Item	Unit	Scope	FY2019	FY2020	FY2021	FY2022	FY2023
Positive response rate for employee engagement ^{*1}	%	Pacific Industrial	—	—	—	—	48.2
Implementation rate of Human Rights Survey ^{*2}	%	Group	—	40	73	43	74
Lost-time injury frequency rate ^{*3, *4}	KPI	Group	0.69	0.51	0.24	0.64	0.81
Training hours per employee ^{*5}	Hours	Group	—	—	—	—	12.6
		Pacific Industrial	—	23.9	26.3	26.6	26.1
Rate of females in managerial positions ^{*6}	%	Group	10.2	10.6	10.2	10.3	10.0
		Pacific Industrial	3.5	3.4	3.5	3.3	3.9

^{*1} On a scale of one to five, the top two scales to which positive responses were given are considered “positive responses” and counted.
^{*2} FY2020 and FY2021 do not include PMO, PMT, SPU, and SPF. The denominator for FY2022 is all Group employees.
^{*3} No. of fatalities/injuries due to occupational accidents (lost time injuries) / Total no. of actual working hours x 1,000,000
^{*4} Including temporary and contract employees
^{*5} Excluding OJT
^{*6} Calculated in accordance with the provisions of the Act on the Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015). SPF and SPU are included from FY2019.

Development of Human Resources and Cultivation of Culture That We Can Tackle New Endeavors

Materiality

- Development of human resources and cultivation of culture that we can tackle new endeavors
- Stable employment and decent work environment

Human Resources Development Policy

Our Group is committed to cultivating motivated personnel who can think and act on their own initiative so that every employee can have “passion in creating tomorrow.” In particular, we need people who can perform globally, people who play a central role, people who set high goals and take on challenges, and people who can solve problems to achieve a sustainable society. We will visualize the skills and number of people required for this, and systematically strengthen any areas that are lacking. In addition, we will actively provide education to enhance the resourcefulness they will need in order to achieve work results as a team. For everyone to be able to grow and fulfill their potential, we will provide learning opportunities and career support to help them develop individuality and characteristics regardless of their gender, nationality, age, work style, etc.

In fiscal 2023, we began offering online learning materials so that “anyone” can learn “anytime, anywhere.” For employees we particularly need to support in their development, such as new hires and recently promoted employees, we have selected courses tailored to their specific level. This allows them to actively acquire essential skills and knowledge during work hours. In addition, we have made it easier for employees who are eager to learn to advance their studies by offering generous

company subsidies for tuition fees and starting courses on a quarterly basis. Such efforts continue to help embed a mindset where continuous learning is the norm.



Our PURPOSE of “Passion in Creating Tomorrow” strives for employees to each have their own passions, demonstrate their abilities, and create new value in order to build a sustainable future. To achieve this target, it is essential that we improve employee engagement. In November 2023, we conducted our

first engagement survey and formulated management targets based on the result. Going forward, we will focus on four priority initiatives to become a company where everyone can demonstrate their abilities with vigor and vitality.



Employees continuing to learn on their own is an important element in the growth of both employees and the company. We provide resources for “anyone” to learn “anytime, anywhere.” to support our employees’ growth and development. Specifically, we have introduced a program where employees can choose from a wide range of courses on general business skills, such as leadership and marketing, to find the ones that best suit them. We have also introduced a program that allows employees to casually improve their English skills during their spare time. This allows employees to learn new skills and utilize them in new challenges. Since the introduction of these programs in 2023, many employees have chosen to use them. In this way, by giving our all to assist the continuous growth of our employees, we aim to encourage employees to actively challenge themselves while improving engagement.

F.Y., Project Leader, Human Resources Dept.

Materiality

- Diversity and inclusion

Diversity and Inclusion

We believe that creating an environment and culture that is inclusive and allows employees to fulfill their potential according to their internal attributes, including individuality, strengths and weaknesses, health, personality, beliefs, sexual orientation, and nationality, will revitalize workplaces, contribute to innovation, and reduce employee turnover. To this end, we respect diversity and inclusion as one of our management strategies, and are promoting various cross-functional initiatives within the company.

In particular, we believe that the further advancement of women is essential for a company’s sustainable growth and

competitiveness, and are therefore hiring capable human resources regardless of gender, creating a work environment that allows diverse work styles, and promoting career education necessary for individual growth. We are working to increase the ratio of female staff hires to 20% or more per year (up from 10%), and the ratio of female hires among new graduate hires in FY2024 was 17% (Pacific Industrial). Our goal is to have 14% or more of the Group’s total management positions filled by women by FY2030.

PICK
UP

Promoting the creation of a decent work environment for women

We are promoting the development of programs and support for compatibility fostering a positive workplace culture so that female employees can continue their career after taking maternity and/or childcare leave. In July 2024, we received “Platinum Kurumin” Certification from the Minister of Health, Labour and Welfare as a company recognized for “taking efforts to balance work and childcare.”

Also, in June 2024, we obtained the highest level of the “Eruboshi Certification,” Level 3, as a company that strives to promote women’s participation and advancement in the workplace. We met all five assessment requirements, which are: (1) Recruitment, (2) Continuous employment, (3) Working hours and work style, (4) Ratio of management positions, and (5) Diverse career paths.



Respect for Human Rights

In recent years, the importance of corporate efforts to address human rights issues as a social requirement is growing. We consider human rights to be a core issue for sustainability management and created the Pacific Industrial Group Human Rights Policy in February 2021.

Based on this Pacific Industrial Group Human Rights Policy, our Group strives to identify and either prevent or mitigate negative impacts on human rights through human rights due diligence mechanisms. These mechanisms include the regular monitoring of the implementation status of our Code of Conduct and Supplier Sustainability Guidelines.

In fiscal 2023, following on from the previous year, we continued human rights education through e-learning. In addition, we provided harassment training for newly promoted

Materiality

• Respect for Human Rights

managers and supervisors, conducted a Code of Conduct self-assessment survey focusing primarily on harassment, and then implemented initiatives based on the results.

In fiscal 2024, in line with our materiality revision, we have carried out engagement with our stakeholders as part of human rights due diligence. This is an initiative to identify and organize human rights risks throughout the value chain in working teams, and to carry out engagement with our stakeholders (labor unions, women, people with disabilities, foreign persons, temporary workers, suppliers) to further supplement this. Based on the outcomes of these efforts, we will identify human rights risks and strive to revise our Human Rights Policy and prevent human rights infringements.

Materiality

• The safety and health of employees

The Safety and Health of Employees

Based on the principle of safety first, in accordance with the occupational health and safety management system, we promote safety management initiatives centered on human resource development, equipment safety measures, and workplace development to provide a healthy, safe, and secure workplace for employees.

In addition, a Health and Safety Committee has been established to investigate and deliberate on basic measures to prevent worker hazards and health problems, and labor and management work together to address these issues.

Health and safety risks are assessed at each workplace and prioritized to promote activities to reduce risks.

In fiscal 2023, as an employee safety initiative, we enhanced our risk assessments and safety training. We expanded the training scope from 43 persons last year to 206 persons this year. We also conduct safety training for all temporary staff when joining. We will further strengthen these efforts to achieve zero work accidents.

In 2005, we launched our “work-life balance” initiative, and since becoming the first workplace to be registered with the Gifu Labor Bureau’s “Declaration for Creating a Happy Workplace” in 2006, we have been promoting the mental and physical health of

our employees in specific and continuous ways. With the recent aging of society and declining birthrate and increasing health consciousness, the importance of health management is growing. We also place importance on employee health, which is the foundation for the success of our human resources, as clearly stated in the Pacific Industrial Group Health Declaration, and we are continuously conducting health management.

In March 2024, we were certified as an Excellent Health Management Corporation 2024 (Large Corporation Category) for the third year in succession, in recognition of our lifestyle-related disease measures, mental health measures, and support for returning to work and support for compatibility.



New employee training



2024
健康経営優良法人
Health and productivity

Materiality

• Stable employment and decent work environment

Improvement of Work Environment

Creating a decent work environment will improve employee job satisfaction and engagement, which will lead to a higher retention rate.

We are introducing air-conditioned clothing, switching to LED lighting, and reducing the physical workload through process improvements to establish a decent work environment.

In addition, we have expanded the workplace senior system, which assigns younger senior employees to new hires in the technical field as well as the staff field. In pre-training for

managers and supervisors at their assigned sites, we also provide personnel development while checking mental and physical health through regular interviews and the like. We also strive to create a workplace with a high level of psychological safety by holding regular informal discussions where employees can talk freely to management about their thoughts and feelings on their work, as well as any problems they face. We also conduct psychological safety training for newly appointed managers and supervisors.

Business Foundation

Technology Strategy

Our technology strategy is the cornerstone of “value creation through diverse technologies,” which is the focus of Beyond the OCEAN, and we will utilize our core technologies to aggressively invest resources in the expansion of existing businesses and the creation of new businesses.



Concept of Technological Development

As we enter an era of great change in mobility, and against the backdrop of the growing importance of sustainability issues, we are accelerating the development of LCA and carbon-neutral technologies in the mobility field, which has been our main focus, and we are proposing products that predict the changing nature of mobility and taking on the challenge of new fields by utilizing our core technologies, in cooperation with external parties.

Mainly in the stamping and molding product business, we focus on ultra-high tensile strength steel (UHTSS) and aluminum products that contribute to weight reduction, and develop molding products to improve comfort performance, which is becoming increasingly important with the shift to electric power. In our valve business, while creating synergy with Schrader, we are accelerating development to expand our TPMS business domain, as well as

product development for electrified vehicles by leveraging our core technologies, such as sensing and fluid control technologies.

In addition to investing in the development of these mainstay products, we are also actively taking on the challenge of developing new businesses that anticipate social and customer issues by utilizing sensing technology and other technologies with a view to expanding our business domain over the long term.

Whereas in our stamping business, where we continue to improve upon our advanced structural analysis technology, participate in mobility development from further upstream stages, and accumulate knowhow for manufacturing, we are also focusing on original product development in the molding, valve, TPMS, as well as new businesses, and are actively pursuing patents, aiming to create societal and customer value.

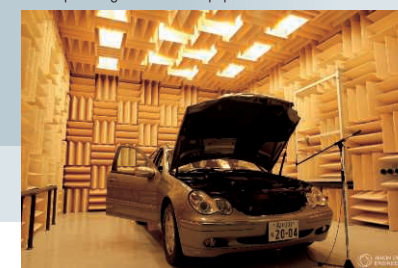
PICK UP

Images of Development Center



Exterior view of Development Center

Soundproofing evaluation equipment



Innovation area

IP Strategy

Our IP strategy is to promote IP analysis, human resource development, and system development in order to create effective IP that will lead to the creation of new value, thereby strengthening the IP management capabilities of the entire Group.

In terms of IP activities, our main focus will be on the creation of new businesses, while at the same time promoting IP protection and assurance activities, etc. to ensure the competitiveness of existing businesses. Our Intellectual Property Department will actively disseminate effective IP information and patent information analysis results for new value creation to

departments in new business development and priority development. By analyzing and evaluating the value of IP held by the Group, confirming its compatibility with business strategy and its ability to resolve social issues, and deploying information to the technology sector in a timely manner, we will be able to acquire valuable IP rights to ensure the competitiveness of new businesses.

The Development Center's development environment, investment in new business development, and intellectual property strategy will combine to promote business growth that can contribute to society through high added value.

Developing Human Resources Involved in Technology Development

As stated in our PURPOSE, “Passion in Creating Tomorrow,” we believe that fostering human resources for development is an essential mission in order to become a company where all employees can play an active role with passion. We need to secure, train, co-create, and challenge diverse human resources that will drive our business.

In the existing business, we will promote the development of human resources capable of driving electrification, digital transformation, and globalization to survive this period of change in the automotive industry. In new business, our vision for 2030 is to make the data business, utilizing wireless, apps, the cloud,

AI, and big data, one of our main pillars. We will secure and train highly specialized personnel who can take on challenges in a wide range of businesses.

As values become increasingly diverse, it is important for individual employees to have their own purpose, to define their own sense of fulfillment in work, and to realize it through their work. To this end, we will continue to develop our own abilities to meet the expectations and needs of society and our customers, demonstrate our value as professionals in our respective fields, promoting the creation of new value through co-creation with our strong organizational capabilities.

Yoshinari Naito

Senior General Manager,
New Business Development Dept.

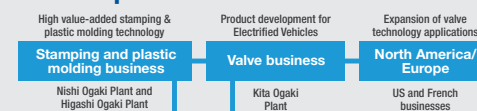
My Purpose

I will build and develop an organization and human resources capable of continuously proposing plans for 2030

What we aim to be by 2030

- Deepen the diverse core technologies of existing businesses and create new value
- Improve the development environment and accelerate the creation of new businesses

Strengthening collaboration and technology development in each business



New business

Integrated R&D and production technology and creation of new businesses in the future

Development Center construction (July 2025)



Accelerate co-creation by consolidating prototyping, evaluation, and office work into one building



Development environment improvements

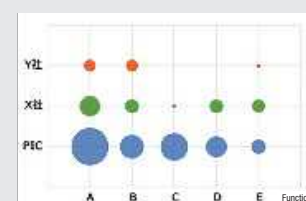
IP strategy

Strategic investment in technology development

Investment in new business development

IP Strategy

- Strengthen outreach activities of information to create new value
- Strategic acquisition of intellectual property rights to ensure competitiveness in new businesses



Assess the value of the Group's IP holdings. Promote IP activities by confirming business strategy compatibility and ability to resolve social issues

Business Foundation

Digital Strategy

Our digital strategy is essential for creating value in both financial and non-financial terms by leveraging rapidly developing digital technologies such as AI and IoT to connect both software and hardware elements. We will enhance our competitiveness through three pillars: DX and digitization, human resource development, and cybersecurity.



Basic Concept of Digital Promotion

By utilizing effective technologies from IoT, AI, robotics, and other advanced technologies to digitize and automate all processes, we will improve productivity and quality, shorten lead times, increase energy efficiency, and improve ease of work through data collection, analysis, and utilization.

It is important to strengthen human resources and infrastructure security, which are the foundation for achieving these goals. Therefore, we will focus on providing and nurturing opportunities for employees to learn digital

technology, as well as improve the digital literacy and technological capabilities of all employees, introduce robust security measures, and constantly build and maintain a robust digital infrastructure system.

These activities will be promoted under the supervision and control of Japan in communication with our global offices, thereby strengthening our competitiveness in the global market.



Tsunekata Morishima
General Manager,
Digital Technology Management Dept.

My Purpose

I care about my family and am deeply grateful to my company and my job that allow me to support them, and I actively promote reform and proposals based on new ideas, not bound by conventional methods and ways of thinking

What we aim to be by 2030

Realization of smart factories

Visualization of all production processes and optimization of the overall production process through the use of digital technologies and data such as IoT and AI

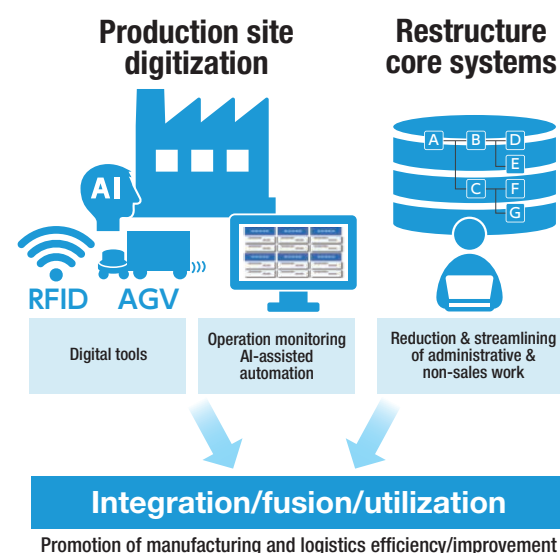
DX / Digitization

At production sites, all digital tools such as sensors, IoT technology, and AI are used appropriately to visualize and digitize the production process, leading to early detection and improvement of problems and improving productivity and quality.

In technology and development, we will utilize 3D data and improve CAE analysis to shorten lead times for production preparation, and reduce losses.

In administrative and non-sales work, we will reconstruct complex core systems and promote more efficient and paperless operations.

The integration and utilization of these three elements will lead to increased efficiency and accelerated improvements at our manufacturing and logistics sites.



DX Human Resources Development

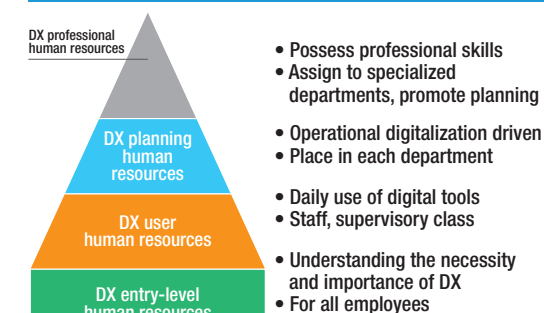
We have defined four levels of human resources required for DX and digitization.

In addition to developing human resources to lead DX and those with highly specialized skills, we will provide DX literacy education to all employees and promote company-wide activities that treat DX as a personal matter.

As educational tools, we will utilize not only e-learning and internal and external group training, but also a web education system to provide employees with opportunities to learn the latest courses and a wide range of topics at any time, in our efforts to develop human resources.

Raise digital literacy of all employees

Company-wide DX human resources training and tier specific development



Putting the right DX human resources in the right places

Cybersecurity

Based on our Group's IT Regulations, we have established a global information security promotion system and established a Basic Information Security Policy, and we are working together Groupwide to systematically and continuously enhance information security. With our consolidated subsidiaries in Japan and overseas, we hold monthly IT meetings with each subsidiary to share information on countermeasures and develop policies for improving security levels and awareness throughout the Group.

In defending against external threats, we analyze vulnerabilities such as unauthorized access and information

leaks, and continually reinforce our risk countermeasures, such as by installing next-generation antivirus software, having security monitoring by external experts 24 hours a day, 365 days a year, and implementing multilayered protection using multiple security systems.

To ensure that each and every employee is informed, we continuously enlighten, educate and train all our IT users in Japan and overseas through monthly e-learning and targeted attack email drills, thereby improving IT literacy and minimizing cyber risk.

PICK UP

Digital improvement example: Performance-data-collecting systems, centralized operation monitoring, digital Andon

We developed a proprietary system that collects data on the state of production at plants in real-time, displays aggregated information on a large monitor, showing the current status of each production line (e.g., normal operation or unexpected stoppage), as well as metrics specific to each production line such as operational availability, downtime, and defect count. We will use this data to accelerate improvements and build production lines that never stop. We will improve our market competitiveness by advancing efforts to scale use of this system for maintenance purposes and roll it out to other plants.



Digital add-on to immediately notify operation status

Users

The deployment of our digital tools has been well received by technicians too, making it easier to ascertain the state of production lines by being able to check the current state and past problems in real-time. We aim to continue using these digital tools to build "production lines that never stop" as a united team.



K.H.
Manufacturing Department 2
Stamping & Plastic Molding
Business Group

Developers

This initiative was made up of various systems that collect and visualize data from facilities. The relationships between each system were complex and very challenging, but we overcame them through teamwork. I hope we can continue to contribute to improving manufacturing sites as a team.



O.H. (left)
F.N. (center)
H.T. (right)
Digital Technology Management
Department
Corporate Planning Center

Business Foundation

Minimizing Environmental Load

As a manufacturing company, natural capital is the foundation of our business, and minimizing environmental load is a major challenge. In order to realize the goals set forth in the PACIFIC Environmental Challenge 2050, we will work to reduce CO₂ emissions, recycle resources, and conserve water resources from a long-term perspective.

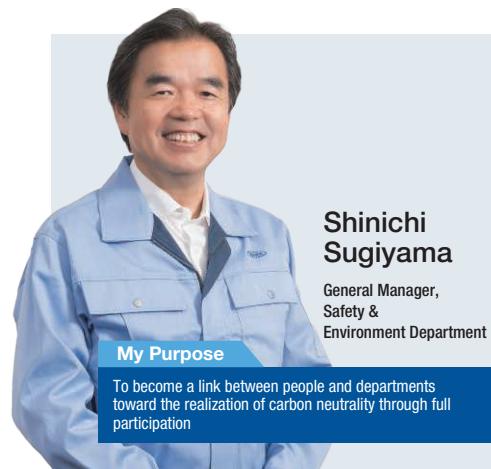


Environmental Philosophy

We will strive to conserve the global environment and continue to be the good company that society expects us to be.

Environmental Policy

We accelerate environmental load reduction activities with the participation of all employees to achieve the PACIFIC Environmental Challenge 2050.



Shinichi Sugiyama
General Manager,
Safety &
Environment Department

My Purpose

To become a link between people and departments toward the realization of carbon neutrality through full participation

What we aim to be by 2030

Addressing the challenge of realizing “passion in creating tomorrow” envisioned by the Pacific Industrial Group from two perspectives

- Based on PACIFIC Environmental Challenge 2050, achieve targets in the three areas of CO₂ emissions, waste, and water consumption to reduce the impact on the global environment, with 2030 as the milestone year
- Implement improvement activities in all business areas from the perspective of products, plants, suppliers, employees, and management

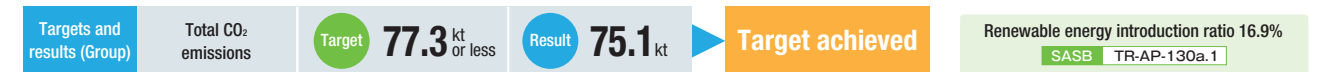
PACIFIC Environmental Challenge 2050

SDGs	Materiality	Direction of initiatives	Mid-to-long-term targets : KPIs	
 	Mitigation of and adaptation to climate change	Reduce CO ₂ emissions toward building a carbon-free society	CO ₂ emission reduction (Scope 1, 2)	
		<ul style="list-style-type: none"> Production technology development/facility upgrading Production process improvement Daily improvement activities Introduction of renewable energies 	FY2030 targets 50% reduction from FY2019	FY2050 targets Net Zero
	Sustainable resources use	Accelerate the use of recycling resources in pursuit of sustainable operations	Reduction of waste emissions	
		<ul style="list-style-type: none"> Production technology development/facility upgrading Daily improvement activities Defect reduction activities Material recycling 	FY2030 targets 30% reduction from FY2019	FY2050 targets Minimization
	Conservation of water resources	Seek to minimize water usage and reduce water contamination risk according to local circumstances	Reduction of water usage	
		<ul style="list-style-type: none"> Production technology development/facility upgrading Daily water usage reduction activities Promotion of water reuse Change of surface treatment specifications 	FY2030 targets Proper usage	FY2050 targets Minimization Usage according to local circumstances

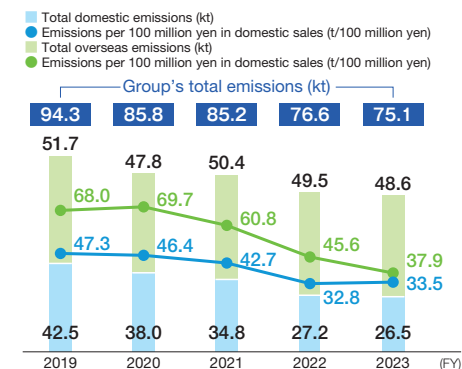
Mitigation of and Adaptation to Climate Change

Reduction of CO₂ Emissions

With an eye on the 1.5°C scenario of the Paris Agreement adopted in 2015, the Pacific Industrial Group is working to reduce energy consumption by pushing forward such activities as production technology development, facility upgrades, production process improvements, daily improvement activities, and the introduction of renewable energy. In fiscal 2023, we continued to steadily improve energy conservation and introduced renewable energy in Japan and overseas, including the installation of solar power generation facilities. Our business in Thailand achieved zero-carbon emissions for electrical energy and our business in China introduced solar power generation facilities for the first time.



Changes in CO₂ emissions^{*1,2} KPI



Scope 3^{*3}

Type	Category	CO ₂ emissions (t-CO ₂)
		Group
Upstream	1 Purchased goods and services	839,223
	2 Capital goods	108,431
	3 Fuel and energy-related activities not included in Scope 1 or 2	13,796
	4 Transportation and distribution (upstream)	16,853
	5 Waste generated in operations	2,664
	6 Business travel	644
	7 Employee commuting	4,069
Downstream	9 Transportation and distribution (downstream)	22,006
	12 End-of-life treatment of sold products	4,028
Scope 3		1,011,714

Deployed Renewable Energy Capacity by Site

Base	Solar power generation capacity (kW)
Nishi Ogaki Plant	200
Higashi Ogaki Plant	4,556
Kyushu Plant	300
Kurihara Plant	800
Kita Ogaki Plant	469
Mino Plant	100
Yoro Plant	746
Domestic	7,171
PVI	100
PVT	84
PIT	1,073
TPA	2,852
Overseas	4,109
Global	11,280

^{*1} We employ emission factors for the calculation of CO₂ emissions included in the List of Calculation Methods/Emission Factors for the Calculation, Reporting, and Publishing Systems published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry.
^{*2} As a result of receiving a third-party verification by SGS Japan Inc., we have corrected our figures for fiscal 2022. Figures for fiscal 2023 will be published in the revised edition on our website after the figures have been verified.
^{*3} Scope 3 figures are calculated based on “The emission intensity database for calculating greenhouse gas emissions and other emissions by organizations throughout the supply chain (Ver. 3.4)” published by the Ministry of the Environment.

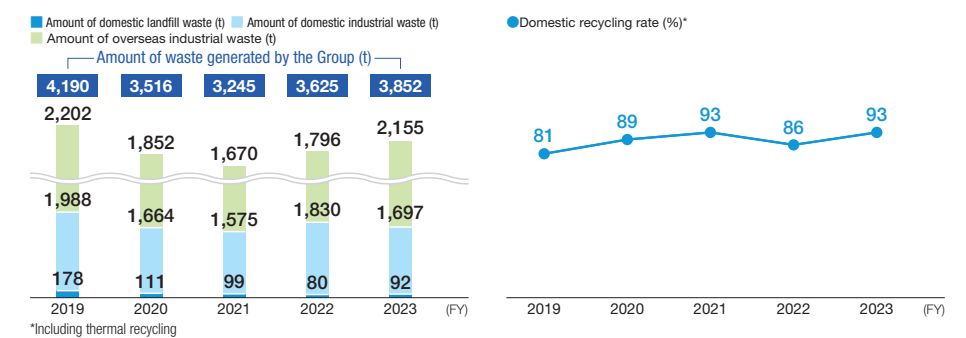
Sustainable Resources Use

The Pacific Industrial Group is advancing resource recycling by reducing industrial waste generation through defect reduction activities in the manufacturing process and by recycling materials, primarily waste rubber and plastic. In fiscal 2023, we advanced efforts to monetize our resin purging materials at the Higashi Ogaki Plant.

Targets and results (Group)



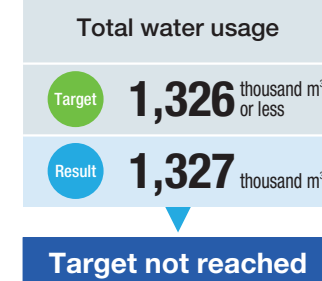
Industrial waste-related trends KPI SASB TR-AP-150a.1



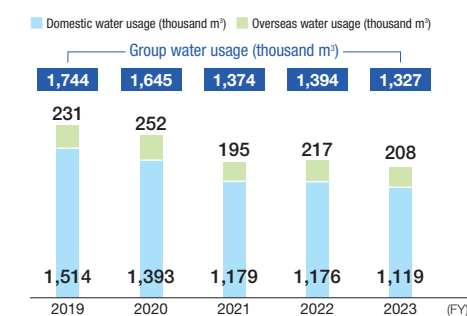
Conservation of Water Resources

The Pacific Industrial Group manages and reduces water consumption in accordance with local conditions, promotes water recycling, makes effective use of water resources, and works to protect water resources. In fiscal 2023, we will establish a wastewater treatment plant in conjunction with the expansion of the new Higashi Ogaki Plant. We ensure that we comply with laws and regulations with consideration for the local environments around our plants.

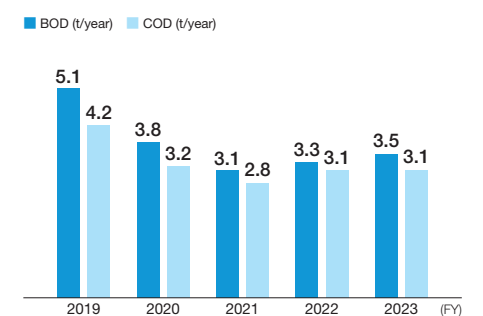
Targets and results (Group)



Changes in water usage KPI



BOD/COD emissions trends



^{*} Emission figures are totals calculated from data from all in-group companies apart from domestic subsidiaries (TSC and PSC).

^{*} Total of Nishi Ogaki, Higashi Ogaki, Kita Ogaki and Kurihara Plants in Japan

Disclosure of Climate-Related Information Under the TCFD

*For details, refer to the Sustainability Data Book 2024

Governance

Our Group has identified 15 material issues that are important for sustainability management, including “Mitigation of and adaptation to climate change,” and categorized them into four pillars. Materiality related initiatives are pursued by defining the ideal state and the KPIs. Important issues are discussed at individual weekly Corporate Strategy Committee meetings as required, and particularly important issues are discussed by the Board of Directors. Recognizing that “mitigation of and adaptation to climate change” is the top priority issue in materiality, we report, deliberate, and make decisions as required at the quarterly Sustainability Promotion Committee meetings (attended by internal directors, including the president). Important issues are discussed individually at the weekly Corporate Strategy Committee meetings. In addition, the Board of Directors deliberates on the status of sustainability activity reports and initiatives regarding risks and opportunities related to climate change matters.

Risk Management

We identify sustainability material topics and use them to identify risks. Of these, company-wide management-level risk is addressed by the Risk Management Committee, which selects risk items and discusses and deliberates on countermeasures. The Risk Management Committee assesses and manages significant risks across the organization, including themes related to sustainability such as climate change and social issues. In the event that such risks materialize, the committee takes prompt and appropriate measures to mitigate the impact.

Climate-related risks and opportunities are identified and assessed by the Sustainability Working Team, and the results are presented to the Corporate Strategy Committee. Issues such as carbon neutrality and electrification, which are already recognized as having a significant impact, are discussed by the Corporate Strategy Committee and Board of Directors as required, incorporated into strategy, and countermeasures are planned and implemented.

Strategy, Indicators and Targets

	Significant risks and opportunities	Countermeasures	Metrics and Targets
Transition risks	Carbon pricing and soaring energy prices	Through PACIFIC Environmental Challenge 2050, we will: •Promote energy conservation and make use of ICP (internal carbon price) •Replace fossil fuels (heavy oil, diesel oil, kerosene, natural gas) facilities with power-saving facilities •Understand and utilize trends in next-generation energy (green hydrogen and methanation) •Introduce renewable energy (solar power generation system) •Purchase CO ₂ -free electricity and renewable electricity certificates	• Reduce CO ₂ emissions by 30% by FY2026 (management targets of our mid-to-long-term business plan Beyond the OCEAN) • Reduce CO ₂ emissions by 50% by FY2030 (management targets of our mid-to-long-term business plan Beyond the OCEAN) • Achieve net-zero CO ₂ emissions by FY2050 (PACIFIC Environmental Challenge 2050) *Scope 1+2, compared to FY2019
	Soaring raw material prices (incl. steel, aluminum, and resin)	Through PACIFIC Environmental Challenge 2050, we will: •Reinforce the use of recycled materials, upgrade our recycling technology for plastic molding products, and utilize synthetic rubber waste •Develop lightweight parts and transfer price to customers	
	Decrease in received orders due to shift to BEVs and FCEVs	•Develop and expand sales of products for Electrified Vehicles	
	Exclusion from investment targets due to worsening sustainability assessment by institutional investors and sustainability research companies	•Strengthen sustainability management and actively disclose information. (New MSCI NIHONKABU ESG SELECT LEADERS INDEX in2024)	
Physical risks	Operations shut down due to floods and storms caused by extreme weather conditions	•Incorporate extreme weather countermeasures into BCP for high-risk bases •Promote cooperation with local communities	• Enhance our own disaster countermeasures and brush up our BCP • Promote the following initiatives related to the material topic “climate change adaptation measures” · Support BCP formulation for business partners · Promote cooperation with local communities in the event of a disaster · Heat stroke prevention
	Increase in heat stroke (increasing air conditioning costs)	•Provide air-conditioned clothing, promote plant insulation and install air conditioners •Ensure full awareness until the switchover is complete or for outdoor workers	
	Suppliers' operations shut down due to flooding (or drought) caused by extreme weather	•Support the inclusion of extreme weather countermeasures in the BCP of high-risk suppliers •Diversify suppliers by local production	
	Order quantities impacted by customer shutdowns or inability to respond to customer requests	•CO ₂ reduction by LCA •Set reduction targets for Scope 1 and 2 and follow up •Perform maintenance on our BCP	
Opportunities	Increased sales of stamping products that contribute to weight reduction. Increased sales of TPMS products that help improve fuel efficiency.	•Develop lightweight products, develop next-generation TPMS	
	Increased orders received for batteries, motors, molding products, and thermal management products due to shift to BEVs and FCEVs	•Develop sales ratio for electrified vehicle products (Management Targets)	• Set the following KPIs for materiality · Ratio of UHTSS versus all stamping products (25% in FY2024) · Percentage of sales for electrified vehicles (FY2026 50%, FY2030 70%)
	Energy-saving cars enacted into law, increased need for weight reduction. Increased sales of UHTSS products	•Develop lightweight products	
	High supply chain resilience to water risks	•Globally distributed production •Supply chain decentralization in local production	

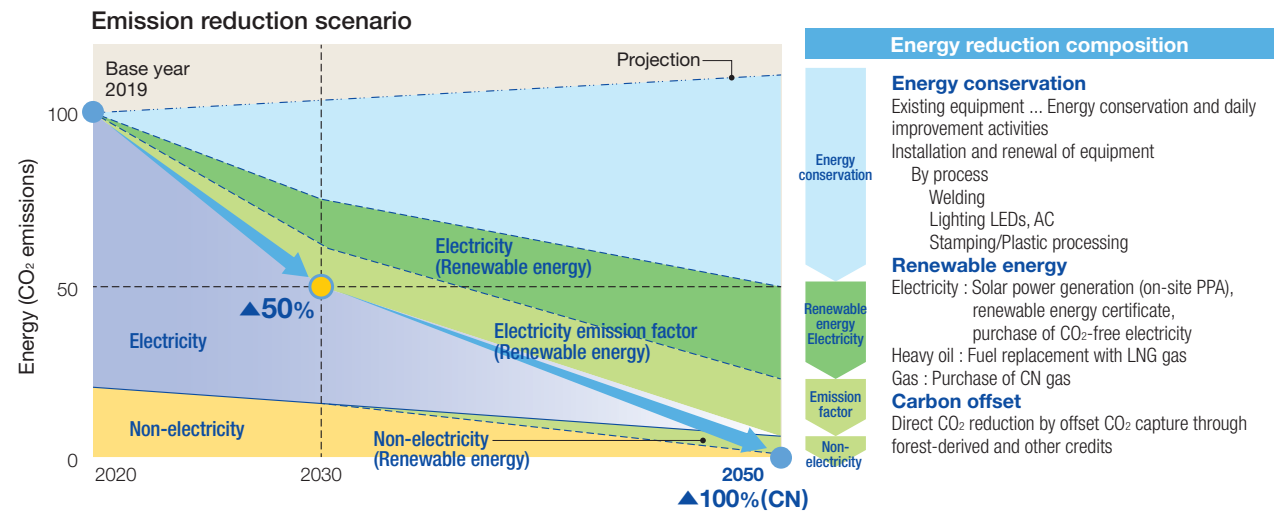
Transition Measures

The Group recognizes that the impacts of the climate change transition will be extremely significant, including carbon pricing and customer requests to reduce CO₂ emissions. In 2020, we formulated the PACIFIC Environmental Challenge 2050, which aims for carbon neutrality in 2050, and we are promoting CO₂ reduction throughout the group. In 2021, we raised our 2030 target to 50% of the FY2019 level (Scope 1 and 2), and are accelerating initiatives such as energy conservation, energy conversion, raising the ICP (internal carbon price), and introducing renewable energy.

Transition Plan Our Plan to Achieve Carbon Neutrality by FY2050

Mid-term targets for FY2030	
CO ₂ emissions	△ 50 %
Percentage of renewable energy use	20 %

To achieve carbon neutrality (virtually zero CO₂ emissions) in 2050 as set forth in PACIFIC Environmental Challenge 2050, we have revised our mid-term target for 2030 to a 50% reduction (compared to FY2019), and we will strengthen our efforts to achieve carbon neutrality throughout the entire life cycle of products.



PICK UP

Reduced CO₂ emissions by making electrodeposition coating (E-coat) facilities more compact

We worked on upgrading the electrodeposition coating (E-coat) facilities for hood hinges at the Nishi Ogaki Plant with a focus on reducing CO₂ emissions. By doing so, we were able to ensure extra space within the plant, reduce unnecessary transportation, and introduce energy-efficient equipment. This not only helped reduce costs and improve productivity but also contributed to the reduction of CO₂ emissions. This initiative won the “Outstanding Achievement Award” in the carbon neutrality category from Shatai Kyowakai, an organization made up of Toyota Auto Body’s suppliers.

Challenges

- (1) Space restricted by two large e-coating machines that were over 30 years old
- (2) Existing e-coating facilities had excessive specifications for the small hood hinge products
- (3) The hood hinge manufacturing process was far away, resulting in inefficient transportation

Improvements

- (1) Eliminated and removed the two old e-coating machines
- (2) Introduced compact e-coating facilities specializing in the product shapes
- (3) Consolidated the production locations of the hood hinge manufacturing process and abolished fixed platform truck transportation

Before

Plant #4: Galvanizing, Acid treatment, Assembly
Plant #3: Assembly
Plant #1: E-coating machine #3, E-coating machine #2
Conventional e-coat trolley conveyor
Compact e-coat carrier elevator

Overall tank capacity: 37,900 L
Processing capacity: 720pcs/hour
Installation area: 600m²
CO₂ emissions: 598t/year

After

Plant #4: Galvanizing, Assembly, E-coating
Plant #3: Assembly
Plant #1: E-coating machine #3
Truck

Overall tank capacity: 9,300 L
Processing capacity: 960pcs/hour
Installation area: 73m²
CO₂ emissions: 278t/year

130% increase in processing capacity | 527m² reduction | 55% reduction

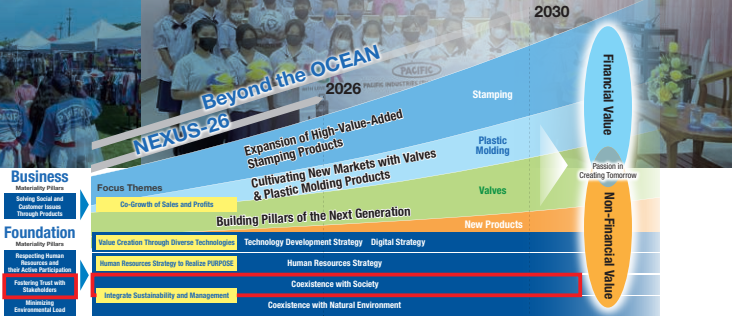
“Creating Tomorrow” by significantly reducing CO₂ emissions may not be as difficult as it seems.

Y.K.
Manufacturing Department. 1
Stamping & Plastic
Molding Business
Group

Business Foundation

Fostering Trust with Stakeholders

Fostering trust with all our stakeholders is the cornerstone of our business and essential for long-term corporate growth. Our Group will promote dialogue and initiatives aimed at coexistence and co-prosperity with our stakeholders.



Takahisa Hayashi
Senior General Manager,
General Administration Dept.

My Purpose
I work on creating an environment where all employees can work with peace of mind, and on developing personnel who can act on their own both in normal times and in emergencies

What we aim to be by 2030

- Build mutual understanding and the necessary cooperation and support systems by gaining the trust of all stakeholders, including customers, business partners, shareholders, local communities, employees and their families
- Build strong bonds with local communities in each country or region where we conduct our global business activities, by working in close partnership and cooperation with those local communities, contributing to their sustainable development, and engaging in a variety of social contribution activities

Corporate Ethics and Compliance

We believe that gaining the trust and sympathy of society requires each and every employee to have high ethical standards and to act with fairness and integrity. Based on this concept, the Pacific Industrial Group Code of Conduct, which has been revised and updated since its initial publication in 2008, is distributed to all employees to raise awareness. Overseas, Group companies operate their own country's code of conduct that reflects the laws and customs of that country or region, in addition to the Pacific Industrial Group Code of Conduct, and conduct compliance activities appropriate to that country or region.

Our Group conducts questionnaires with employees, including those of overseas companies, to determine the level of penetration of our Code of Conduct, identify compliance issues, and to implement improvements for the quick detection and resolution of problems and prevention of recurrence. Furthermore, to find and correct injustices and scandals that cannot be identified through questionnaires, we have established an internal reporting system that allows employees to report or consult with us by e-mail, telephone, postal mail, or in writing.

In 2020, as part of our basic anti-bribery and anti-corruption measures, we developed anti-corruption rules by establishing a Basic Policy for Anti-Bribery and Anti-Corruption and

incorporating it into the terms of contracts with third parties such as business agents, as well as raising awareness and educating employees.

We have also developed Supplier Sustainability Guidelines for our suppliers to prevent bribery and corruption in the supply chain.

*FY2023		
Implementation rate of Code of Conduct survey self-assessment	Domestic	99%
	Group KPI	74%
Ethics and complaints desk consultation count (Pacific Industrial)		7 cases
Total serious compliance violations in Japan and overseas(Group)		0 cases
Number of legal actions for anti-competitive behavior (Group) SASB TR-AP-520a.1		0 cases

Materiality

Corporate ethics and compliance

Responsible Procurement

We have established Supplier Sustainability Guidelines to promote sustainability throughout the supply chain. We ask our suppliers to promote activities addressing issues such as compliance and anti-corruption, human rights and labor, the environment, quality and safety, information security, business continuity, and social contribution.

We also conduct questionnaire surveys (self-checks) with suppliers who in total account for 80% or more of our total domestic procurement quantity, to further inform them of the Supplier Sustainability Guidelines and confirm their compliance. The average compliance rate domestically was about 94% (FY2023 figure), and at our overseas subsidiaries (7 out of 11),

Materiality

Responsible procurement

the average compliance rate was 93% (FY2022 figure). Regarding compliance with the Subcontract Act, since August 2022, 611 managers and related staff throughout the company, including procurement departments, have taken part in Proper Trade Training: Subcontract Act Basics, an online training course run by METI.

In addition, the Pacific Glocal Association, organized by 35 of our major suppliers, voluntarily holds study sessions on safety and quality improvement activities, SDGs, carbon neutrality, cybersecurity, etc., with the aim of strengthening our management base and increasing our manufacturing capabilities.

Local Community Development

Contributing to local communities is essential for the development of the regions where we operate and for us to grow together.

In addition to contributing to the sustainable development of local communities through close partnership and cooperation, we engage in a variety of community engagement activities (such as academic, cultural, sports, volunteer support and participation, international community support, biodiversity activities) to build bonds with the local communities.

Materiality

Local community development

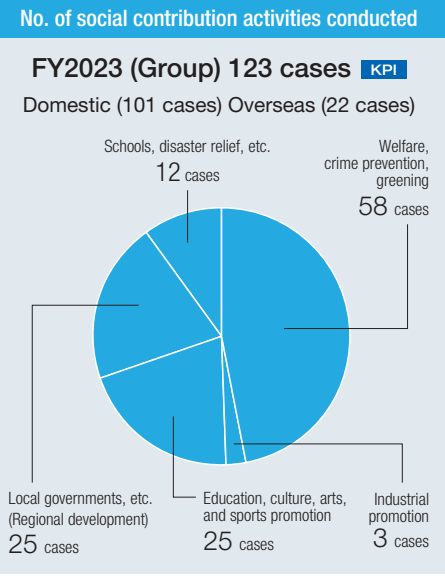
We conducted a total of 123 activities in fiscal FY2023. As part of domestic efforts to educate about biodiversity, we held a workshop for employees and their families to interact with all things wood at the Gifu Mokyukan in Gifu City. PIT in Thailand actively engaged in social contribution and environmental conservation activities such as planting mangrove trees and donating supplies to an elementary school.



Wood education workshop event at Gifu Mokyukan



PIT (Thailand)
Gifting of supplies to elementary school



Dialogue with Investors

In addition to disclosing our corporate and financial information in an appropriate and timely manner to ensure greater transparency, we work to proactively disclose non-financial information on our company website etc. We held 89 meetings for analysts and institutional investors in FY2023, including quarterly financial results briefings and requested individual interviews (online, telephone, or face to face), ESG-themed meetings, and so on. For overseas investors, English translations

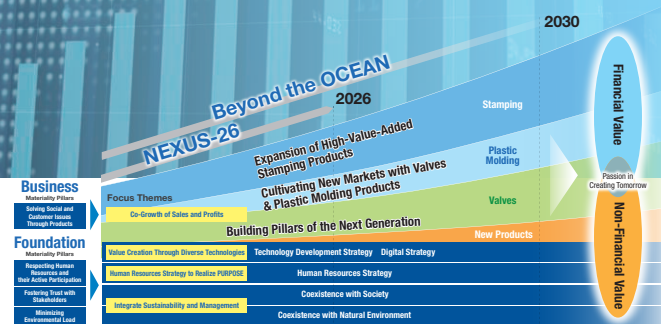
of financial results briefings, presentation scripts, etc. are posted on our website.

For individual investors, we promote a variety of IR activities, including distributing transcribed articles, issuing interim shareholder newsletters, distributing e-mail newsletters to registered users, and holding our general meeting of shareholders on Saturdays.

Business Foundation

Financial Strategy

In order to achieve co-growth of sales and profits and the ROE targets set forth in Beyond the OCEAN, we will raise capital efficiency, invest for future business growth, and develop highly profitable businesses. We will then create a good cycle in which a portion of the resulting profits is steadily returned to shareholders.



Satoshi Watanabe

Senior General Manager,
Accounting Dept.

My Purpose

The Result of Our Work=
Attitude×Effort×Ability (The result is obtained
by multiplication, not addition)

What we aim to be by 2030

- To accomplish Beyond the OCEAN, maintain an optimal balance between financial soundness and shareholder returns in order to actively invest in growth opportunities and flexibly raise funds when needed
- Maximize corporate value by aiming for a PBR of 1x and achieving a ROE of 10% or more

Financial Policies

- Make strategic investments and shareholder returns using the operating CF generated, and cover any temporary shortfalls by borrowing
- Aim for ROE of 8% or more in FY2026 and 10% or more in FY2030 by increasing profit with investments with an eye on capital efficiency, and by promoting balance sheet management

Progress of Mid-term Business Plan NEXUS-26

The NEXUS-26, announced in April 2023, focuses on the central theme of co-growth of sales and profits. As a milestone toward our long-term goals of FY2030, we have set targets of net sales of 210 billion yen, operating margin of 7% or higher, and ROE of 8% or higher by 2026, and are initiating efforts to achieve these targets.

In FY2023, the first year of the mid-term business plan, we were able to execute large-scale investment projects generally as planned, production remained stable, and we conclude that we achieved a high level of profitability. We believe that the second year, FY2024, will be a leveling-off year, affected by changes in external factors such as customer production trends and exchange rate fluctuations, but our strategic direction will remain the same and we will continue to aggressively invest and develop in line with our plan for future business growth.

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

We will position ROE as an important management indicator and promote initiatives aimed at improving mid-to-long-term corporate value. To achieve a PBR of 1x or more, we will not only improve return on capital by increasing ROE, but also improve PER, which represents the market's expectation for growth in the future. In addition to enhancing IR, dialogue, and disclosure, we will reduce the cost of capital by managing and minimizing business risks through the promotion of sustainability management.

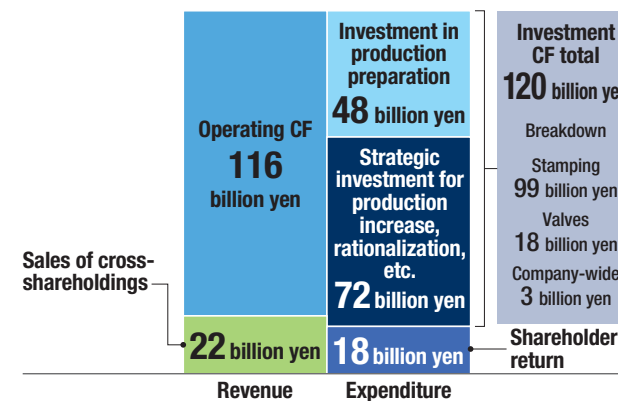
Strengthening Earnings Structure and Improve Capital Efficiency

While we will pursue both business and financial strategies to achieve our ROE target, we believe it important to strengthen our earnings structure and improve asset efficiency on the business side. We have set KPIs for sales, costs and other items by business, and are working to strengthen our profit structure by streamlining production and administrative operations through the use of digital tools, and reducing costs.

To improve asset efficiency and cash acquisition capacity, we will improve ROA, cashflow, and return on capital investment by business, dispose of idle equipment, and reduce inventories and low-return assets, which will then lead to higher ROE for the Group.

Cash Allocation Chart

FY2023 to FY2026 cumulative cash allocation



Main Investment Items

- Stamping** Construction of stamping plant and installation of equipment to increase capacity, expansion of molding plant and installation of equipment to increase capacity, construction of new die plant, enhancement of stamping and molding capacity at bases in North America, expansion of overseas plastic molding bases
- Valves** Construction of valve plant and installation of equipment for electrified vehicles
- Company-wide** Construction of Development Center

Cash Allocation and Targeted Balance Sheet Structure

To fund investments for sustainable growth and dividends, we will basically use sustainable operating CF, and we also use external capital as necessary to improve capital efficiency as needed. In order to ensure that we do not miss growth opportunities and that we can raise funds flexibly when necessary, we also place importance on the credit ratings by the external organization (Japan Credit Rating Agency, Ltd., or JCR). We will manage our balance sheet with a aim for equity ratio electrified vehicles of 60% in order to maintain our current rating of A-, while controlling excessive increases in equity capital by strengthening shareholder returns, and will work to improve capital efficiency and maintain financial soundness.

Approach to Investment

To meet the increasing market needs toward the progress of electrification and enhance production capacity for products for EVs in the stamping, molding, and valve businesses, our Group is aggressively pursuing growth investments. When making decisions on new investments, we are aware of the cost of capital, and aim to improve capital efficiency by examining investment efficiency using investment yield, return on investment, and WACC as indicators when implementing capital expenditure to increase capacity.

We are also promoting human capital investments to improve employee engagement. The new stamping plant, which began operation in November 2023, has a design, layout, and air conditioning units to create a comfortable working environment. We aim to improve profitability and achieve mid-to-long term growth through the construction of a Development Center, reskilling, and other measures to improve employee performance.

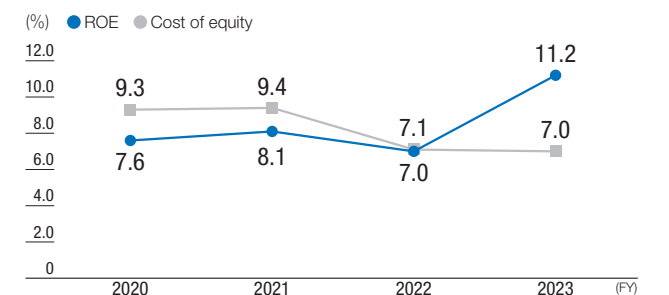
Approach to Shareholder Returns

Recognizing that returning profits to shareholders is one of the most important management objectives, we pay stable and continuous dividends. The target payout ratio is 30%, and the payout ratio for the fiscal year ended March 31, 2024, was 26.6%. We have a policy of flexibly implementing share buybacks, and are working to enhance shareholder returns by acquiring 1.2 billion yen in the fiscal year ending March 31, 2024, and 2.0 billion yen in the fiscal year ending March 31, 2025.

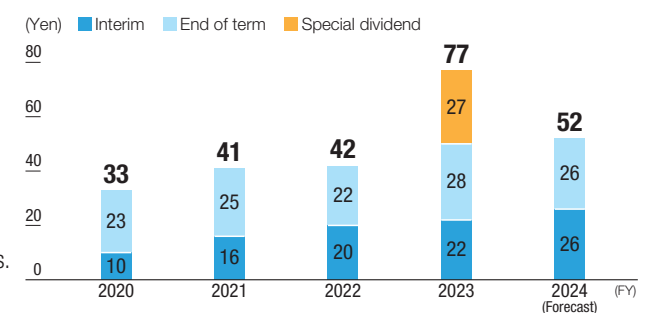
Reduction in Cross-Shareholdings

We believe it is necessary to reduce cross-shareholdings in order to improve capital efficiency. In FY2023, we sold three issues. We will continue to sell issues to stabilize the amount of cross-shareholdings including deemed holdings on the balance sheet as a percentage of net assets at stably 20% or less by FY2026 and continue to decrease cross-shareholdings thereafter.

ROE/Cost of Equity



Dividends



FY	2020	2021	2022	2023
Net income (100 million yen)	79	98	93	169
Total dividends (100 million yen)	20	25	25	45
Payout ratio (%)	25.0	25.3	27.0	26.6
Share buybacks (100 million yen)	0	0	10	12
Total return ratio (%) *	25.2	25.5	37.9	34.3

*Total return ratio = (Total dividends + Share buybacks) / Net income



Message from Outside Board Members

Upon approval at the Annual General Meeting of Shareholders in June 2024, the company has transitioned to a company with an Audit and Supervisory Committee and started a new corporate governance structure. Here, once again, we asked our outside board members to give their opinions on our management and corporate governance with respect to each of these topics.

A Year of the Company Headed by New President Tetsushi Ogawa



Osamu Motojima
Outside Board Member
Audit and Supervisory Committee Member
(Chairperson of the Council of Outside Directors)

Former President Shinya Ogawa assumed the position of Chairman last April, and President Tetsushi Ogawa's service began. The Executives are also being rejuvenated, which means that decisions can be made more quickly from a new perspective in response to changes in the business environment, and I expect that large-scale capital investments and product development investments will be made more actively than ever before. I also expect the president to proactively put forth his policies in a manner that is well visible to stakeholders.

Under the new structure, both sales and profit for FY2023 reached record highs. However, the market is undergoing rapid structural change, and in the medium to long term, it is inevitable that the company will have to take the helm in the face of digital innovation and sustainability. In particular, for decarbonization, an LCA perspective that includes not only production, but also material production, procurement, use, and disposal is required. I hope that the company strengthens its efforts with its members working together across organizational boundaries and in conjunction with the Circular Economy, which is deeply related to decarbonization. The key to LCA is cooperation with suppliers, and although the issue of ensuring proper transactions has been raised in Japan, strengthening trust from a partner's perspective will contribute to improving management capabilities.

In these times, I am very encouraged by the President's active efforts to foster a culture of challenge, such as by focusing on communication with employees to develop new products and promoting the Ω (Omega) Project. In Japan, there have been cases where companies with good, original ideas have been hesitant to commercialize them and develop them into businesses by developing their own sales channels, thus losing out to the competition. I hope that the company will boldly take on new business challenges while sharpening its global perspective and adequately hedging risks, with their eyes wide open to the world at large.

Now, the way I work and my responsibilities have changed dramatically with the addition of my new responsibilities as an Audit & Supervisory Committee member starting in June of this year. There is more information and more decisions to be made. In this sense, we believe that the company will certainly change as a result of deeper deliberations by the Board of Directors. As an outside board member and an Audit & Supervisory Committee member, I am ready to fulfill my responsibilities based on my duty of care as a good manager and contribute to the development of the company.

Points in Evaluation and Future Challenges for Human Resource Strategy



Masako Hayashi
Outside Board Member

Pacific Industrial has formulated a human resources strategy along with the mid-to-long-term business plan for 2023, and has also set an "employee engagement" target for 2024. We are also actively striving to create a work environment and culture where diverse human resources can thrive, encouraging employees to actively raise children, building relationships among employees who are the driving force behind their work, and providing learning opportunities for the next generation. In addition, the company has taken the initiative to establish a system whereby employees that allows employees to work temporarily upon request, even while on childcare leave, and employees can take special leave for infertility treatment on an hourly basis for up to 8 hours per month. Our proactive efforts in health management are also highly recognized.

A key issue for the future will be to improve employee engagement so that they can experience satisfaction and growth in their work. One effective way to achieve this is to strengthen a systematic system, such as the Ω (Omega) Project, in which members from different positions and departments gather to combine their knowledge and experience, discuss company-wide topics, and put them into practice.

Diversity and inclusion are also extremely important from the perspective of countermeasures against serious labor shortages and the need to create innovation. With the possibility that the Corporate Governance Code will call for 30% of board members to be female by 2027, we will need to be prepared to move closer to achieving this goal. At the same time, we expect to increase opportunities for female employees in the business development field, where diverse ideas and planning skills are pivotal. We believe that the most urgent issue is to seriously consider what constitutes a decent work environment for everyone is and realize it, viewing all attributes, not just those of women, as individualities.

From the perspective of human resources development, personnel exchanges and staffing systems between the head office and overseas group companies are also effective in improving engagement. We expect to improve our human resources capability to tackle challenges actively by establishing a system that provides motivated employees with opportunities for self-improvement. We hope to work together more globally in the future to create a tomorrow for Pacific Industrial, that is trusted in the global marketplace.

Transition to a Company with Audit and Supervisory Committee and the Role of Outside Board Members



Tomoyuki Shinkai
Outside Board Member
Audit and Supervisory Committee Member

I was appointed as an outside board member and an Audit & Supervisory Committee member in conjunction with the transition to a company with an Audit & Supervisory Committee pursuant to a resolution passed by the General Meeting of Shareholders in June 2024. As a member of the Board, I have a voting right at board meetings and make business decisions. I am determined to do my best. While I was required, as an Outside Audit & Supervisory Board member, to exercise an independent supervisory function over the Board of Directors, I will now have the responsibility as a member of the Board to make decisions together with other board members, beyond the supervisory function of the Board of Directors.

I believe that balancing the functions of a board member and an Audit & Supervisory Committee member poses a challenge to the external independence in the audit function, but if I think more positively, I am certain that demonstrating an independent spirit and fulfilling the role of an Audit & Supervisory Committee member as an outside board member will strengthen the corporate governance of the company.

On the other hand, I believe that I have been given a difficult but rewarding role to participate in discussions at a deeper level, to make judgments, and to exercise supervision skills in order to ensure the proper functioning of the Board of Directors while maintaining an independent spirit in the future.

In particular, with regard to "management that is conscious of cost of capital and stock price," which has been increasingly demanded in recent years, I believe that it is important to foster growth expectations as well as to improve capital efficiency. To do so, we need to further clarify our long-term growth strategy and integrate the financial and non-financial aspects of our business. As an accounting professional, I would like to proactively make suggestions at this historic juncture.

Lastly, in being appointed as an outside board member and an Audit & Supervisory Committee member, I am determined to make every effort to live up to the trust placed in me by the shareholders.

Determination to Take up the New Position and Ensure Further Growth of the Company



Kan Kakiuchi
Outside Board Member
Audit and Supervisory Committee Member

I was newly appointed as one of the outside board members who are Audit & Supervisory Committee members upon the company's transition to a company with an Audit & Supervisory Committee, which is expected to be a major milestone in further enhancing the corporate governance system of the company. Through serious and open exchange of opinions with other Audit & Supervisory Committee members, I have already begun to work toward the establishment of an ideal corporate governance system and to determine what specific changes should be made in auditing practices.

The company's firm position in the industry and, more broadly, the good reputation and trust of society as a whole, are backed by our long history and superior technological capabilities, as well as by our management's approach and practice of emphasizing dialogue with stakeholders and valuing employees in particular, and our willingness to play a role as a member of the local community. I feel a strong empathy, respect, and deep affinity for this corporate culture.

The "Spirit of the inchworm" (steady progress step by step) has been passed down as the company's founding spirit. I understand this to mean that we will shrink when we should be looking for opportunities and when we should be saving our strength, and stretch out to the fullest when the opportunity arrives. We expect that the business environment surrounding the company, including the automotive industry, will change dramatically in the future due to technological innovation and the increasing need for greater consideration of the global environment. In these times of change, there may come a point in the future when the inchworm must stretch itself bigger, further, and possibly in a different direction than it has ever gone before.

At these milestones, large and small, I will use my knowledge, experience, and sense of balance as an attorney to express my opinions openly from the perspective of compliance and other issues, and will fully perform the duties entrusted to me as an outside board member.

In response to Messages from Outside Board Members



Shinya Ogawa
Chairman,
Member of the Board

There was a significant point of change for the company. It includes the change of our President, the development of the mid-to-long term business plan, Beyond the OCEAN, and mid-term business plan, NEXUS-26, the publication of the Integrated Report in 2023, and the transition to a company with an Audit and Supervisory Committee in 2024.

The automotive industry is undergoing a once-in-a-century transformation, and management must recognize the risks and opportunities for the mobility society and take into account the Group's value creation model. We will also work on business and technology strategies, ensuring human resource development through improved engagement, promote DX, minimize environmental load, improve capital efficiency, and foster trust with stakeholders while playing a role as part of a supply chain.

Outside board members of the company provided valuable comments on such phase. We will achieve this through discussions at the Board of Directors and other meeting bodies in the course of business execution.

Each and every one of our members including employees at overseas bases is committed to awareness and action based on our PURPOSE "Passion in Creating Tomorrow."

Corporate Governance

Board Members and Audit & Supervisory Committee Members



- Board Members**

 - 1 Shinya Ogawa** Chairman, Member of the Board
 - 2 Tetsushi Ogawa** President, Member of the Board
 - 3 Hisashi Kayukawa** Senior Managing Officer, Member of the Board
 - 4 Terumi Noda** Senior Managing Officer, Member of the Board
 - 5 Masako Hayashi** Outside Board Member
- Audit & Supervisory Committee Members**

 - 6 Akihiko Murakami** Member of the Board, Full-time Audit and Supervisory Committee Member
 - 7 Osamu Motojima** Outside Board Member, Audit and Supervisory Committee Member
 - 8 Tomoyuki Shinkai** Outside Board Member, Audit and Supervisory Committee Member
 - 9 Kan Kakiuchi** Outside Board Member, Audit and Supervisory Committee Member

Skill Matrix

We believe that knowledge and experience in the following areas are important: management and governance to raise corporate value, human resources strategy and manufacturing to realize our PURPOSE, development and technology to drive new value creation, sales and procurement, international experience, and

environment and energy. We also consider it necessary to have expertise in risk management, legal affairs, and finance and accounting in order to strengthen our management foundation, and our board members are selected based on a balance of these factors.

	Name	Management/ Governance	Manufacturing/ Human Resource Development	R&D/ Technology	Environment/ Energy	Finance/ Accounting	Legal/ Risk Management	International Experience	Sales and Procurement
Member of the Board	Shinya Ogawa	●	●			●	●	●	●
	Tetsushi Ogawa	●	●	●		●		●	
	Hisashi Kayukawa	●	●	●	●	●			
	Terumi Noda	●	●			●		●	●
Outside Board Member	Masako Hayashi	●	●					●	
Member of the Board, Audit and Supervisory Committee Member	Akihiko Murakami	●	●			●		●	●
Outside Board Member, Audit and Supervisory Committee Member	Osamu Motojima	●	●	●	●		●	●	
	Tomoyuki Shinkai	●				●			
	Kan Kakiuchi	●					●		

Basic Approach to Corporate Governance

In April 2023, we set “Passion in Creating Tomorrow” as our PURPOSE. At the same time, taking a backcasting perspective from our long-term vision, we formulated our mid-to-long-term business plan Beyond the OCEAN and, as a mid-term milestone, our mid-term business plan, NEXUS-26.

Furthermore, to realize these goals and achieve the SDGs (Sustainable Development Goals), we are promoting sustainability management Groupwide.

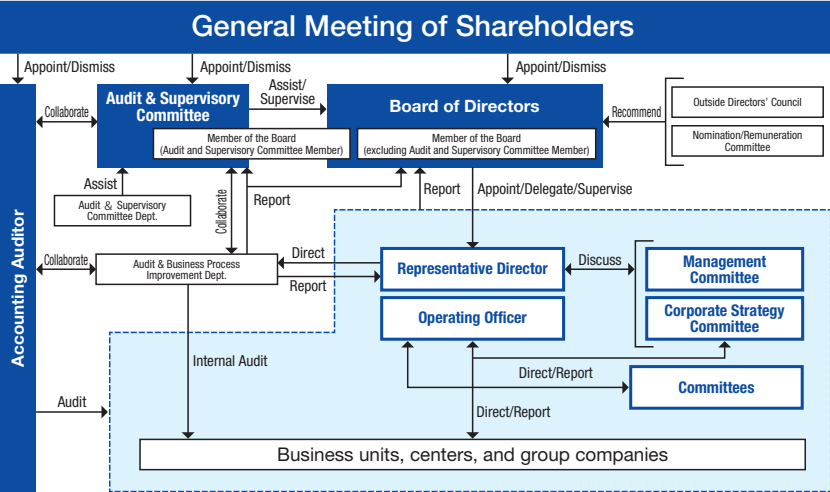
As a foundation for this, we believe it is important to comply

with laws and regulations as well as their spirit, and to practice fair and transparent management, and so we are working to strengthen our corporate governance to meet our stakeholders’ expectations. Specifically, we will 1. ensure the rights and equality of shareholders, 2. collaborate appropriately with stakeholders other than shareholders, 3. ensure appropriate information disclosure and transparency, 4. fulfill the roles and responsibilities of the Board of Directors appropriately, and 5. conduct constructive dialogue with shareholders.

Overview of the Corporate Governance System and Reasons for Adopting the System

Upon approval at the 100th Annual General Meeting of Shareholders held on June 15, 2024, the company has transitioned from a “company with a Board of Corporate Auditors” to a “company with an Audit and Supervisory Committee” for the purpose of strengthening the supervisory function of the Board of Directors and further enhancing the corporate governance system by making Audit & Supervisory Committee members, who are responsible for auditing the execution of duties by board members, members of the Board of Directors. The Board of Directors places importance on fairness, objectivity, and transparency, and has appointed four Outside

Board Members who are independent of the company. The Outside board members provide a variety of advice and recommendations on the overall management of the company. The Audit & Supervisory Committee, which audits and supervises the execution of duties by board members, consists of four members, including three outside board members. The company has established a system to ensure that audits by the Audit & Supervisory Committee are conducted effectively by attending major meetings and regularly exchanging opinions with board members who are not Audit & Supervisory Committee members.



Akihiko Murakami

Member of the Board, Full-time Audit and Supervisory Committee Member

With the aim of further enhancing its corporate governance structure, the company has transitioned to a “Company with an Audit and Supervisory Committee.” As a full-time Audit and Supervisory Committee member, I will see things from the perspective of the frontline, listen widely and carefully, and work with stakeholders with belief and integrity to achieve sound and sustainable growth and strengthen corporate governance on a global scale.

[Board Members and Board of Directors]

The Board of Directors, consisting of all board members, meets once a month in principle to make optimal decisions for the entire company and all group companies, and to supervise the execution of duties by board members. Board members who are not Audit & Supervisory Committee members, with the exception of the Representative Director and outside board members, serve concurrently as Executive Officers in order to practice business execution on their own.

[Audit & Supervisory Committee Members and Audit & Supervisory Committee]

The Audit & Supervisory Committee, which consists of all board members who are Audit & Supervisory Committee members,

meets once a month in principle to audit the execution of duties by board members who are not Audit & Supervisory Committee members from the viewpoint of legality and validity.

[Nomination & Remuneration Committee]

The Nomination & Remuneration Committee meets twice a year in principle to ensure the objectivity and transparency of the company’s management through deliberation and confirmation of personnel matters and the compensation of board members, and reports to the Board of Directors on proposals to be submitted to the General Meeting of Shareholders concerning the appointment and dismissal of candidates for board members, including outside board members.

Evaluation of the Effectiveness of the Board of Directors

We have conducted the following analysis and evaluation of the Board of Directors in order to improve its effectiveness.

(1) Analysis and evaluation

After conducting a questionnaire on the composition, operation, agenda, etc. of the Board of Directors, we compile opinions and recommendations on the background and causes of recognized issues and the direction for improvement, and report them to the Board of Directors for discussion.

Evaluation method: Self-evaluation by questionnaire

Evaluation target: All board members including outside board members

Evaluation items:

- (1) size and composition of the Board of Directors,
- (2) operation of the Board of Directors,
- (3) agenda of the Board of Directors, and
- (4) support system for the Board of Directors

Corporate Governance

(2) Summary of Results

It is our assessment that the size, composition, agenda content, and other items of the Board of Directors are generally appropriate, and that its effectiveness is ensured. In the other hand, we have identified additional issues in securing sufficient time for deliberation on important topics and in providing

information to outside board members. In order to further improve the effectiveness of the Board, we will work on improvements, such as securing more time for deliberation on important themes in management strategy, and providing more information to outside board members to stimulate more effective discussions.

Nomination & Remuneration Committee

We have established a Nomination & Remuneration Committee to ensure fairness and transparency in the nomination of board members and the determination of their remuneration. A majority of the members of the Nomination & Remuneration Committee are independent outside board members. The Board of Directors makes decisions on the nomination and remuneration of board members and executive officers, respecting the opinions of the Nomination & Remuneration Committee.

■ Board Member Selection Criteria and Procedures

The committee considers factors such as the previous year’s performance, diversity, and necessary skills, and reports its deliberations to the Board of Directors.

Board Member Remuneration

Under our remuneration system, remuneration for board members and corporate officers is composed of basic remuneration (fixed amount), performance-linked remuneration, and stock-based remuneration. With respect to performance-linked remuneration, we have incorporated a mid-to-long-term perspective and adopted consolidated ratio of operating income to sales and consolidated return on equity as indicators. From FY2023, we have incorporated sustainability indicators such as employee engagement improvement, climate change, resource recycling, and water resource conservation into individual

■ Activity in FY2023

No. of times held : 2

■ Committee composition

Outside Board Member	Osamu Motojima (Chairman)
Outside Board Member	Masako Hayashi
Chairman, Member of the Board	Shinya Ogawa

■ Content of deliberations

- Election of board member candidates
- Review of performance-linked remuneration system
- Evaluation of the Effectiveness of the Board of Directors

performance review items to enhance the effectiveness of sustainability management.

In addition, we provide remuneration to targeted board members and corporate officers for the grant of restricted stock, as an incentive to improve our corporate value over the medium to long term, as well as to promote further value sharing with shareholders. Non-executive board members are only paid the basic remuneration (fixed amount) because they are responsible for supervising and auditing management in an independent capacity.

Audits by Audit & Supervisory Committee Members and Internal Audits

In June 2024, the company transitioned to a company with an Audit & Supervisory Committee in order to strengthen the supervisory function of the Board of Directors and further enhance the corporate governance system. The Audit & Supervisory Committee is composed of a total of four members, one full-time Audit & Supervisory Committee member and three outside Audit & Supervisory Committee members. A staffed Audit & Supervisory Committee Members’ Office has been established

to assist them. The Audit & Supervisory Committee receives audit reports etc. from the Internal Audit Department and gives instructions to the Internal Audit Department on audit policies, priority audit items, etc. as necessary. The outside Audit & Supervisory Committee members provide advice at meetings with the Board of Directors, etc. using their expertise as professors of universities and professional institutions, lawyers, or certified public accountants.

Audit & supervisory committee members regularly communicate with accounting auditors in order to confirm the appropriateness of accounting audits and share the results of operational audits. In addition, they regularly exchange opinions with representative directors, accounting auditors, and the internal audit department on issues to be addressed by the company, risks surrounding the company, important audit issues, etc., in order to ensure the effectiveness of audits.

Internal Control System

Based on our Basic Policy on Internal Control Systems, we endeavor to expand and strengthen internal control systems across the entire Group, including business entities in Japan and overseas. Specifically, we review reports submitted by all departments, subsidiaries, and other entities implementing our internal control systems or conduct on-site inspections to ensure that our internal control systems, including the system for

The Audit & Business Process Improvement Dept., which is our internal audit department, conducts internal audits, checks how internal controls are performed by each department, finds problems and makes recommendations for improving them, takes all possible measures to ensure that internal controls under the Financial Instruments and Exchange Act are audited properly, while making internal controls more effective by expanding the internal audit range to include other business operations.

ensuring the adequacy of financial reporting and the compliance system, are well-developed and utilized in an appropriate and efficient fashion. As a result, we have determined that the internal control relating to financial reporting is effective, and have obtained the unqualified opinion of an audit corporation that the internal control report dated March 31, 2024 was adequate.

Sustainability Management

Our group has identified 15 material topics that are material to sustainability management and divided them into four pillars: “Fostering trust with stakeholders,” “Solving social and customer issues through products,” “Minimizing environmental load,” and “Respecting human resources and their active participation.” Materiality related initiatives are pursued by defining the ideal state and KPIs. Material issues are discussed individually at weekly Corporate Strategy Committee meetings as required, and particularly important issues are discussed by the Board of Directors. Progress is

reported in our annual Sustainability Data Book and on our website. Among the material topics, the most important is “mitigation of and adaptation to climate change,” and the entire Group is addressing this with the long-term goals of PACIFIC Environmental Challenge 2050. Regarding one of the themes covering four material topics, “respecting human resources and their active participation,” five material topics are all related to our human resources strategy, which is linked to our PURPOSE, and our human resources strategy is developed through discussions that include board members.

Risk Management

In situations where risks surrounding corporate management are becoming increasingly diversified and complex, the Pacific Industrial Group has established a risk management system to systematically implement risk mitigation measures. We identify management risks that management considers important, and implement countermeasures step by step from a long-term perspective. Risk identification is based on sustainability-related materiality. With regard to risks related to daily operations, each

department continuously carries out activities to minimize impact. These risk reduction activities are undertaken as a companywide initiative to prevent risk occurrence and raise risk management levels, such as by checking and following up on the progress of countermeasures at risk management meetings. The management risks to be reduced by the Group are described in the Business-related Risks in our Annual Securities Report to widely disclose information to our stakeholders.

Promoting Business Continuity Management (BCM)

The Pacific Industrial Group has established a Business Continuity Plan (BCP) and specific action plans to minimize damage while giving top priority to human life, and to continue or recover our operations in the event of emergencies such as earthquakes, high winds, floods, and infectious diseases. In

addition, we regularly conduct programs to improve disaster prevention awareness and skills, such as company-wide disaster drills and participation in local initial firefighting competitions, and properly promote business continuity management (BCM) to improve the effectiveness of BCP.



11-year Summary of Key Financial Indicators

		Unit: million yen											Unit: US \$1,000
	FY	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2023
For the year													
Net Sales ^{*1}		91,976	99,952	106,886	103,669	117,758	145,030	165,969	150,408	164,472	191,254	207,348	1,426,941
Operating income ^{*1}		5,500	6,962	7,869	8,662	8,063	10,307	10,511	8,974	10,756	9,298	14,456	99,485
Ratio of operating income to sales (%)		6.0	7.0	7.4	8.4	6.8	7.1	6.3	6.0	6.5	4.9	7.0	7.0
Ordinary income ^{*1}		7,062	8,691	9,013	9,957	9,485	11,767	11,130	11,218	14,615	13,209	18,836	129,626
Ratio of ordinary income to sales (%)		7.7	8.7	8.4	9.6	8.1	8.1	6.7	7.5	8.9	6.9	9.1	9.1
Net income for the year attributable to owners of the parent ^{*1}		4,587	6,714	7,114	7,524	7,393	8,730	7,256	7,982	9,803	9,301	16,974	116,817
Ratio of net income to sales (%)		5.0	6.7	6.7	7.3	6.3	6.0	4.4	5.3	6.0	4.9	8.2	8.2
EBITDA ^{*1 *2}		14,205	13,657	17,030	18,557	19,407	25,200	26,355	26,113	31,618	32,661	37,947	261,150
Capital expenditures		11,168	15,390	11,988	16,633	20,832	21,970	23,451	16,244	18,133	22,936	31,520	208,180
Depreciation expenses ^{*1}		6,996	6,637	8,003	8,414	9,919	12,704	14,192	14,565	16,487	18,195	17,913	123,279
R&D expenses ^{*1}		735	905	943	1,004	1,112	1,478	1,943	1,911	1,981	2,013	2,122	14,606
At year end													
Total assets		116,562	133,694	129,954	140,869	158,858	203,831	204,280	225,531	245,439	258,058	292,455	1,931,547
Net assets		60,648	75,459	73,244	84,266	91,913	97,075	98,422	112,508	130,382	138,721	167,397	1,105,588
Equity ratio (%)		49.5	55.5	55.7	59.2	57.2	47.0	47.8	49.5	52.8	53.4	56.9	56.9
Cash flows													
Cash flows from operating activities ^{*1}		10,689	11,130	15,211	14,381	17,944	18,941	21,190	26,988	18,317	24,129	35,381	243,488
Cash flows from investing activities ^{*1}		(10,749)	(15,370)	(12,754)	(16,420)	(22,229)	(40,595)	(24,270)	(18,509)	(17,189)	(16,428)	(19,577)	(134,729)
Cash flows from financing activities ^{*1}		5,515	(1,812)	(236)	246	5,239	29,231	90	808	(4,059)	(3,509)	(4,660)	(32,072)
Free cash flow ^{*1}		(60)	(4,240)	2,456	(2,039)	(4,284)	(21,653)	(3,080)	8,479	1,127	7,701	15,803	108,759
Per share data													
Net assets per share (BPS)		1,079.42	1,385.19	1,339.62	1,404.98	1,508.95	1,590.09	1,614.01	1,846.06	2,138.23	2,309.07	2,840.12	18.75
Net income per share (EPS) ^{*1}		85.80	125.47	132.42	138.08	123.53	144.80	120.12	131.95	161.86	155.33	289.48	1.99
Dividends		16	24	26	28	28	33	30	33	41	42	77	0.50
Major management indicators													
Total assets turnover		0.86	0.80	0.81	0.77	0.79	0.80	0.81	0.70	0.70	0.76	0.75	0.75
ROA/Return on assets ^{*2} (%)		5.2	5.6	6.0	6.4	5.4	5.7	5.2	4.2	4.6	3.7	5.3	5.3
ROE/Return on equity ^{*2} (%)		8.7	10.2	9.7	9.7	8.5	9.3	7.5	7.6	8.1	7.0	11.2	11.2

Notes : *1 US dollar amounts shown are calculated from Japanese yen using the exchange rate as of March 31, 2024, which was 151.41 yen to the dollar.
However, those marked “*1” are calculated using the average exchange rate during the fiscal year for FY2023, which was 145.31 yen to the dollar.
*2 Calculation formulas for indices
EBITDA = Profit (loss) before income taxes and non controlling interests + Interest expense + Depreciation expenses (incl. amortization of goodwill) + Extraordinary income (loss)
ROA = Operating income / ((Total assets at end of previous period + Total assets at end of current period) / 2)
ROE = Net income / ((Equity capital at end of previous period + Equity capital at end of current period) / 2)
*3 The “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) has been applied since FY2018, and the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and others have been applied since FY2021. Key management indicators etc. for each applicable fiscal year and thereafter are the indicators etc. after application of the relevant accounting standards, etc.

Stock Information

(As of March 31, 2024)

State of Shares

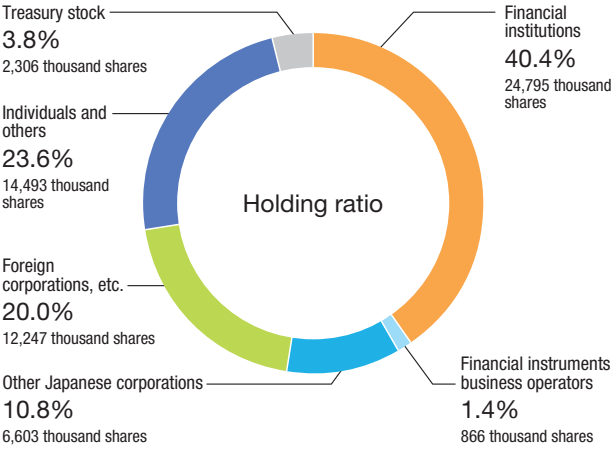
No. of shares company is authorized to issue	90,000,000
No. of shares already issued	61,312,896
No. of shareholders	10,048

Major Shareholders

Shareholder name	No. of shares held (1,000 shares)	Shareholding ratio (%)*
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,624	11.22
Custody Bank of Japan, Ltd. (Trust Account)	3,162	5.35
MUFG Bank Ltd.	2,679	4.54
Ogaki Kyoritsu Bank, Ltd.	2,671	4.52
The Juroku Bank, Ltd.	2,619	4.44
Nippon Life Insurance Company	2,359	3.99
The Dai-ichi Life Insurance Company, Limited	2,349	3.98
Employee stock ownership of Pacific Industrial Co., Ltd.	2,305	3.90
SSBTC CLIENT OMNIBUS ACCOUNT	2,145	3.63
PEC Holdings Corporation	1,987	3.36

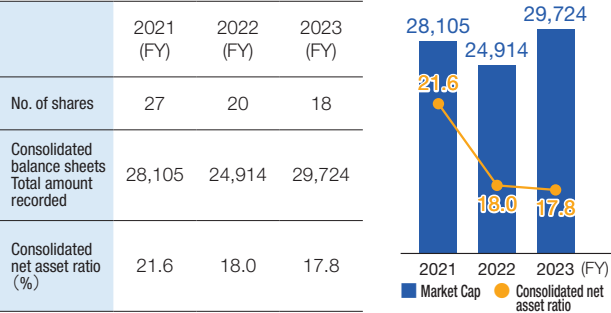
*Investment ratio excludes the 2,306,322 shares of treasury stock.

Distribution by Owner

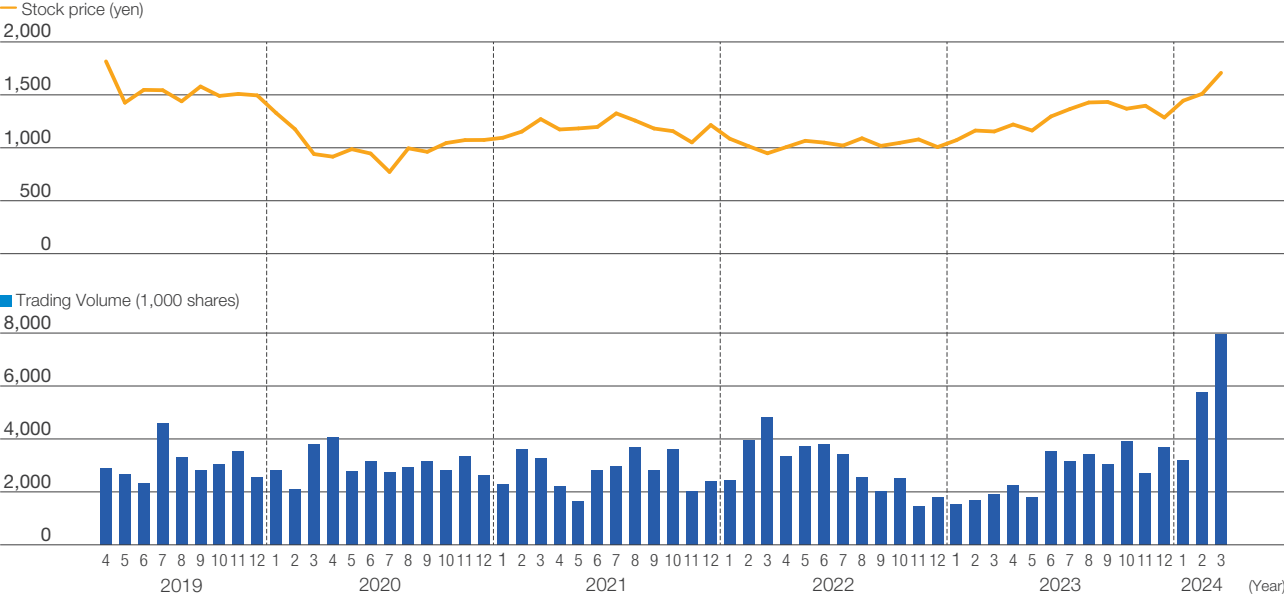


Cross-shareholdings (listed stocks) (consolidated basis)

Consolidated net asset ratio of listed stocks held for purposes other than pure investment



Trends in stock price and trading volume



Glossary

Type of Electrified Vehicle

- BEV:**
Battery Electric Vehicle
- PHEV:**
Plug-in Hybrid Electric Vehicle
- HEV:**
Hybrid Electric Vehicle
- FCEV:**
Fuel Cell Electric Vehicle

Anti-Corruption:

The prevention of the use of entrusted power for personal gain.

Carbon Neutrality (CN):

Balancing greenhouse gas emissions and absorption.

Circular Economy:

Resources are recycled to be able to maintain sustainability, rather than the conventional linear (one-way) utilization of resources. It often includes the transformation of business model or social system.

Cold stamping:

A process that allows molding of materials at room temperature by a stamping machine. Molding with UHTSS is difficult and requires advanced technical skills, but it is highly productive and uses less electricity than hot stamping.

Compliance:

Acting not only in compliance with laws and regulations, but also appropriately as a public institution of society.

Corporate Governance:

A system or mechanism to supervise a company to ensure that it is being operated efficiently and in compliance with laws and regulations based on the interests of shareholders and other stakeholders.

Cost of Capital:

The cost for a company to raise capital to operate its business, which the company's profits must exceed.

Diversity and Inclusion:

Diversity is the state in which various people come together. Inclusion is the state in which each person can play an active role without anyone being left behind.

Due Diligence:

Sustainability due diligence and human rights due diligence refer to a series of processes by which a company identifies, prevents, mitigates, corrects, monitors, tracks, and reports any risks to ensure that is not negatively impacting the environment or society.

DX (Digital Transformation):

Transformation through the use of digital technology to generate new products, services, and business models and create new value both internally and externally.

Employee Engagement:

This refers to each employee's willingness to understand and identify with the strategy and goals of the company and workplace, and to actively contribute his or her own abilities.

Hot stamping:

A process in which a material is heated and then rapidly cooled during molding. It offers greater freedom in molding and enables the molding of complex shapes, but is less productive and consumes more electricity.

Impact:

Impact on the environment and society. Value is created by reducing negative impacts and increasing positive impacts.

Internal Control:

This means ensuring the reliability of financial statements, improving the efficiency of business operations, promoting legal compliance, preventing fraud, and conducting management and monitoring based on standards and procedures.

KPI:

Key performance indicator. An important indicator for achieving a goal.

Materiality:

Material (important) topics. They must be identified through an appropriate process and factored into the strategy, based on their impact on stakeholders and the environment, and on the company's own risks and opportunities.

Mitigation of and Adaptation to Climate Change:

Mitigation to limit climate change, and adaptation in preparation for damage from climate change. CO₂ reduction is mitigation and disaster countermeasures are adaptation. They must both be done as a set.

Physical risks:

The risks associated with climate change, such as extreme weather, flooding, drought, and heat waves.

Psychological Safety:

The state of being able to speak and act freely with a sense of security.

PURPOSE:

The reason why a company exists in society. Its North Star, a guidepost anytime, anywhere.

Resilience:

Quick and flexible adaptation to environmental changes, and flexible recovery.

Scope 1, 2, 3:

The classification of CO₂ Emissions. Mainly, Scope 1 includes emissions generated by the company itself, Scope 2 includes emissions generated in the production of electricity used by the company, and Scope 3 includes indirect emissions generated outside the company, such as in the production of raw materials or the use and disposal of its products.

Sealing Technology:

Fluid control technology, the core technology of our valve products, which mainly controls the sealing and venting of gases.

Smart Factory:

A factory that uses digital technology to enable more efficient production.

Stakeholders:

Parties with a vested interest in a company. All those who influence, or may possibly influence, the activities of that company. Employees, customers, suppliers, shareholders, financial institutions, local communities, etc. It may also include the natural environment.

Sustainability:

Achieving one's own happiness without spoiling the happiness of future generations and people around the world.

TCFD:

Task Force on Climate-related Financial Disclosures. Global disclosure standard for disclosing how climate change affects a company's finances.

The Spirit of the Inchworm:

The management philosophy of our founder Soichi Ogawa. "The inchworm contracts so that it can then extend its body," a phrase that illustrates our forward-looking entrepreneurial spirit.

TPMS:

Tire Pressure Monitoring System. Our flagship product that constantly monitors tires for air leaks and alerts the driver to any irregularity.

Transition Plan:

Measures to address climate change transition risks.

Transition Risk:

Risk associated with moves made in policy, markets, or technology to mitigate against climate change. For example, taxes on CO₂ emissions, customer demand for decarbonization, rapid changes to the electrified vehicle market.

UHTSS:

Ultra High Tensile Strength Steel. Steel with a tensile strength of 980 MPa or more.

VUCA:

Stands for Volatility, Uncertainty, Complexity, and Ambiguity. Expresses the uncertainty of the future.

Well-being:

The state of being physically, mentally, and socially content. Happiness. A good way to be.