

Pacific Industrial Co. History

海原へ

Into the OCEAN

1. Prologue: Sailing out into the Pacific of the World

Pacific Industrial Co., Ltd. (hereafter referred to as Pacific Industrial or Pacific) was founded on August 8, 1930, in Ogaki City, Gifu Prefecture, Japan, determined to achieve domestic production of valve cores for automobile tires. In those days, most automobile parts were imported, and the domestic production of automobiles was only 450 units per year. The founder Soichi Ogawa, who predicted that automobiles would overtake horse-drawn carriages not far in the future, was only 29 years old at the time.

Soichi was born the youngest of four children in an old-established family in Okoshi-cho, Nakashima-gun (present-day Ichinomiya City), Aichi Prefecture, Japan. He was adopted by his father's cousin Sokichi Ogawa who lived in Ogaki City. Soichi attended Aichi First Middle School (present-day Asahigaoka High School). After graduating from middle school, he went to Tokyo and attended a training institute operated by the Japan National Railways Corporation, which was under the jurisdiction of the Transportation Administrative Authorities, and was eventually employed by the Nagoya Bureau of the National Railways. However, he resigned from his position in two short years saying that he was not fit for a public servant.

Soichi, who was then looking for an opportunity to start a business, had a clear picture of what he wanted; something that no one else had ever tried, something that had a good future, something that did not require a large capital investment, and something that was low-priced but consumable so that its unending demand would bring a stable profit. He clearly showed his mettle wanting to venture into something unique. A friend of his adoptive father, who was then a Member of the Prefectural Assembly, came and told him that there was an engineer in Nagoya who was capable of developing a "valve-inside" (presently-called valve core) used in automobile tires, but did not have enough capital to commercialize it, and asked him if he wanted to go into business together.

After meeting the engineer and looking into the future prospects of business, Soichi decided to start a company.

Financially, he asked his older brother Kenichi Ogawa, who was in charge of the family business of woolen fabrics production, to invest in the new project. Later, Kenichi became the first president of the company. It was started with a capital of 5,000 yen and 10 employees. At this time, the Japanese economy was suffering the shocks of the Great Depression and Japanese automobile makers such as Toyota and Nissan did not even exist.

The valve core, to which Soichi paid particular attention, is a small part which maintains the air pressure of a tire at the center of an air valve through which air is pumped into the tire. It is an expendable item. Since one automobile usually carries five tires including a spare, five valve cores are needed for one automobile. Judging from the socio-economic situation, Soichi was confident that the automobile industry had a great future.

Soichi liked the word "Pacific," after which he named his company. It had a nice tone and visually its spelling was well-balanced. The word was easily recognized by foreigners, and Soichi felt it would be an attractive name throughout the world if the company grew. Like a small brook becoming a large river and finally flowing into the great Pacific Ocean, it was Soichi's ambition to expand his company large enough to do business on a global scale.

Aiming for "Global Pacific," the third president Tetsuya Ogawa expanded into production of pressed auto parts in addition to the original production of valve parts. When President Tetsuya Ogawa was asked where abouts the river that started with a brook in Ogaki was, he responded that it just entered Ise Bay just off the coast of Japan. The Pacific Ocean is enormous with rough waves easily influenced by natural phenomena. A moment of success can be easily taken over by dangerous waves, thus it is necessary to be alert at all times. This was President Ogawa's self-admonition throughout his career as he put his dreams into practice.

Time passed and in 2018, the fifth president Shinya Ogawa, the oldest son of Tetsuya, bought out the valve division of Schrader, Pacific's rival for over many years, and made it a subsidiary of Pacific Industrial and further expanded its valve business.

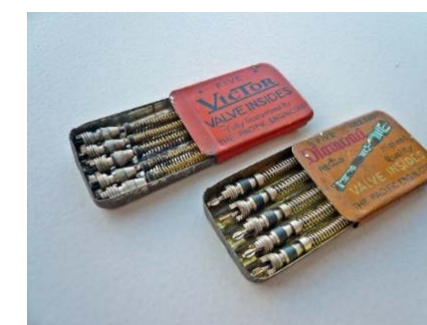
Pushing its scheme towards its 100th year anniversary, the company vigorously expands its operation looking for opportunities into the Pacific Ocean and beyond into the seven seas of the world. The voyage to expand the company goes on.



The ninth in the series of the "Biographical History of Gifu Business World" (*The Gifu Shinbun*) features Pacific Industrial Company Limited. The following articles will probe into the dreams of executives who expanded business operations worldwide starting from the founder who foresaw the future development of the automobile industry and developed ambitious new products.

Company Profile

Head Office Location:	Kyutoku-cho, Ogaki City, Gifu, Japan.
Domestic Operations:	8 Locations (2 subsidiaries & 1 affiliated companies)
Overseas Operations:	In 7 countries (16 subsidiaries)
Net Sales:	117.758 billion JPY (Consolidated FY 2018 ending in March, 2019)
Number of Employees:	4,400



A five-piece package of valve cores from the early days produced by Pacific Industrial.



The fifth president Shinya Ogawa envisioning the road to the achievement of a "century-old company" expanding beyond an ocean (At Pacific Industrial Head Office, Kyutoku-cho, Ogaki City, on November 2, 2018).

2. The Initial Stage: Between Two Hares, Three Years of Perseverance

The founder Soichi Ogawa set up the head office of the company at his home located in Goten-machi, Ogaki City, Gifu Prefecture, and had a seven-unit row house owned by his adoptive father Sokichi at Togawa-cho, Ogaki City, renovated and turned into a factory. This auto parts factory had a rather unique existence in Ogaki City, which had traditionally been a textile producing city. Since most people were not familiar with valve cores and did not know what was taking place in the factory, they often looked at it with curiosity. It had equipment typical of a small-scale factory such as lathes, rubber vulcanizing pans, and hand presses.

In those days, there were only two tire companies in Japan, Dunlop and Yokohama. Bridgestone was founded one year after the foundation of Pacific Industrial. Valve cores produced by the American forerunner Schrader were widely used at the time. It was some years later that the brand name "Pacific" of Pacific Industrial and "Schrader" became rivals.

The troubles that the company faced in its initial stage were far worse than what had been anticipated. There was no technical know-how to produce valve cores in Japan, and everything started by imitating imported products. The outlook of Pacific products was the same as those imported products, but they leaked air and so none of the finished products met market standards. The engineer whom Soichi relied on lost his confidence and left his job after a year or so.

However, Soichi did not give up. After about two years, he was finally able to come up with a product which he thought was a success and tried to sell it to a tire company. A British engineer of Dunlop Japan said, "Producing valve cores is far more difficult than producing clocks and watches because one cannot see the air and cannot pinpoint the problem." It was not easy to troubleshoot the exact point of the malfunction and where the leaks were coming from. At first, about half of the delivered goods were rejected and returned. The company was falling into financial difficulties with a heap of rejected products.

To be a reliable and marketable product, there should never be a leak in the valve core. Soichi realized that to avoid any rejection after delivery, products should be tested in the factory, and only those that passed the test should be shipped out. At first, he had female workers suck the valve core with their mouth and measured the air leaks with a stopwatch, but he had to stop this method of testing after the female workers started getting bloody lips. After a long period of trial and error, the company finally developed testing machines of its own to check air leakage and succeeded in standardizing the quality of its products.

In the initial stage, Soichi had to make an important decision as a pioneer of valve cores in Japan. At that time, the company was also producing automobile spark plugs used to ignite the compressed fuel/air mixture in the combustion chamber of an engine. The company bought the ceramic parts from technical experts in Nagoya, put them together with metal parts, and sold the finished products mostly to the taxi business. However, the company was unable to produce the plugs to uniform standards and received innumerable complaints. In order to solve the problem, a tremendous amount of capital investment was required. When Soichi's effort to market the product in Osaka failed, he decided to stop the production of spark plugs and had no regret whatsoever. As an old Japanese proverb says, "He who runs after two hares will catch neither," Soichi decided not to chase both hares and concentrated on the production of valve cores alone and moved forward.

The reason the company was able to continue in spite of financial difficulties was the wealth of the Ogawa family and the hard effort and persistence of Soichi and his workers. It took three years for the company to produce marketable products. Just as an old saying in Japan says, "Three years on a cold stone will make the stone warm," Soichi "sat" on the valve core for three years: Perseverance and patience brought good results. And finally in 1936, Soichi's foresight bore fruit: the company received an initial order for 50,000 valve cores from Dunlop Japan on the condition that Dunlop would supply the company with rubber for valve cores.



Young Soichi Ogawa, the founder of the company



Manufacturing scene of valve cores around the time of establishment. Female workers made them by hand.



A new factory building at the Head Office. A sign "Female Workers Wanted" can be seen below the name of the company. The factory was housed in a converted row house until then (1938).

3. The Inchworm Spirit: Monopolizing the Market with a Utility Model Right

The managerial motto of the founder and the second president Soichi Ogawa, who was highly competitive in spirit and an earnest researcher, was “the inchworm spirit,” the point being a slow but steady advance toward a goal step by step. Soichi explained this spirit to his workers every time he had a chance: An inchworm shrinks in order to stretch and move forward. It does not shrink backward or passively. The movement is always positive and advancing even when the worm is shrinking.

In the early days, most of the valve core sales were made in the repair market, and the number of sales was limited. The effort to sell the parts to tire manufacturers failed because most automobile parts were imported in those days, and tire parts (valve cores) were no exception: The market was dominated by parts provided by the American company Schrader.

Determined to develop a high-quality valve core, Soichi racked his brains and, in 1936, finally obtained a utility model right for the bridge he developed at the head of the valve core to stabilize the axis. The acquisition of the utility model right discouraged the appearance of new competitors and led to the monopolization by Pacific of the domestic market. Achieving the consistency of high-quality products, Pacific was able to get orders from Bridgestone in addition to Dunlop and Yokohama, and gradually was able to increase exports in the following years.

Soichi was always contemplating the expansion of his business by increasing production. He acquired a Tokyo valve maker Sakurai Auto Parts in 1941, with which he had business dealings. This merger made it possible for Pacific to integrate the production of tire valves and valve cores. As a result, both the quality and price of the product were stabilized, and the annual production of valve cores increased to 7 million units per year and tire valves to 500

thousand units per year.

After World War II, the production of trucks was authorized by the occupying Allied Powers in 1945 and passenger cars two years later. Having supplied Toyota with valves and valve cores since 1941, Pacific approached Toyota for the resumption of business, and in 1946 became an official supplier of valve cores, rivets, and fuses.

In 1946, Pacific also started the production of pressed auto parts. Although the demand for truck parts was stagnant because of deflation, the demand for passenger car pressed parts increased because of the appearance of exterior accessories such as wheel caps and side emblems. Pacific started supplying Toyota with these exterior accessories in 1949. The first Toyota passenger car sold after the War, the *1949 Toyopet SA*, had wheel caps produced by Pacific Industrial.

Although Soichi tried to expand his business always by taking one step ahead of others and looking at his own company on a global scale, there were times when he failed to achieve his goals: In 1943, there was a secret plan to build a plant in Manchuria (present-day northeastern China). Although Pacific exported 30 percent of its products, it was an overwhelming project for a small-sized business of 850-thousand-yen capital investment with 1-million-yen annual sales. Soichi visited the plant site many times and the process of land acquisition was taking place. However, by the time he flew to Manchuria, problems arose. Soichi had been counting on the cooperation of his classmate from Aichi First Middle School, who was at that time a high official of the South Manchuria Railway. After the war had intensified, he was no longer able to continue his project. Following an incident in which his life was endangered, he had to return home by boat. Thus ended his dreams in Manchuria.

The war also affected business management: The acute inflation after the war led the company to financial difficulties. Labor disputes for higher wages which started in 1948 led to a large-scale layoff in 1949, a dispute in the courts, a total layoff, and the shutdown of the factory. The

company went through a dark period of 2 years until 1950 when it reemployed some of the former workers and the factory reopened.



Female workers operating hand presses. A majority of workers were female in those days (1940s).



The Pacific Industrial's wheel cap on the first post-war passenger car the *Toyopet SA*.



Utility model right certificate recognizing the bridge of a valve core.

4. The Period of Post-War Confusion: Establishment of Trading Company Saves Pacific's Crisis

In the midst of the post-war confusion, Tetsuya Ogawa, who would later become the third president of Pacific Industrial, established a trading company called Pacific Commerce and Industry by making the sales division of Pacific Industrial independent. He was only 28 years old at that time. This new company was to save Pacific Industrial later when it faced a labor and financial crisis.

Tetsuya was a member of the Board of Directors at that time, but he held different ideas to the other members: He could not stand working in a company stagnating with labor problems. If problems were to continue in this way, then he would rather face problems of his own making, so he wished to try something out from the very start. By persuading the president and other members of the board who had been against his going independent, he succeeded in establishing a new company.

With his brother Masahisa, who was six years younger, and seven other trusted colleagues, Tetsuya became the president of a new company with a capital investment of 150 thousand yen. The company rented a room in a small building in Tokyo for its head office. He also rented half of a garage in front of Ogaki Station to make it into a sales office. When Masahisa became the fourth president of Pacific Industrial later, he would note his experience in Tokyo at the age of eighteen and his eagerness for success helped the company a great deal.

Pacific Commerce and Industry sold anything that could be sold: Not to mention auto parts produced by Pacific Industrial, it sold bicycle pedals that were developed immediately after the war, box wrenches, textiles, metals, and all sorts of daily goods. In those days, its parent company Pacific Industrial was in the midst of labor disputes, and it had to store all of its products in the trading company's warehouse to protect them from seizure by

labor unions. Of all the merchandise handled by the trading company, auto parts were the only items produced by Pacific Industrial, and the rest were produced by other makers. Tetsuya's major customer was Toyota and he sold everything he could sell.

In spite of the post-war confusion, Pacific Commerce and Industry increased the sales of pressed auto parts for Pacific Industrial and expanded its business operations. "I've had a hard time, but the satisfaction I get from doing what I want to do and overcoming difficulties is priceless," reminisced Tetsuya with a pleasing sense of fulfillment. It was the young spirit and vitality of the trading company that kept the confidence of customers in Pacific Industrial, which at one time had to shut down its factory.

However, good times did not continue. Automobile and tire makers started asking if the company was a manufacturer or a trading company, because it was customary for them to buy their parts only from manufacturers, and they demanded a clear-cut answer. In response to this demand, Tetsuya tried to build a factory under the name of Pacific Commerce and Industry, but he was unable to find appropriate land and he did not have enough capital.

After deliberation, Tetsuya decided to go back to Pacific Industrial, which he once left. Factories were already coming back on line, and his old post was still vacant because of the labor dispute. His new plan was to have Pacific Industrial absorb Pacific Commerce and Industry and start a new operation based on the merger. In May 1953, the absorption-type merger was completed on the conditions provided by Tetsuya that the operation of the factories be made more efficient and a new management plan to develop new products be adopted. By increasing the capital investment to 8 million yen and opening a sales branch in Tokyo, the newly born Pacific Industrial made its start.



A press machine of Pacific Industrial renewed after merger by acquisition with Pacific Commerce and Industry.



Tetsuya Ogawa around the time when he established Pacific Commerce and Industry.



Pacific Commerce and Industry created by making the sales division of Pacific Industrial independent. The company logo had a design with a globe behind the name PACIFIC to make it appealing to international markets.

5. Management with Dreams: Launching into Overseas Markets--Taiwan

Tetsuya Ogawa's operating principle was "Management with Dreams." By this, he did not mean the dreams that disappear when one wakes up, but his specific dream of expanding his business overseas.

Tetsuya had a chance to visit continental China on a school excursion when he was attending Chukyo Commercial School (present-day Chukyo University Senior High School) and was astounded at the vitality and the size of the country. This was when his dream to go out into the world and make something of himself developed.

In 1955, Tetsuya, who was vice-president of Pacific Industrial at that time, was selected as a member of the first delegation of the Japan Productivity Center, a non-profit and non-governmental organization serving both companies and labor unions. Members were dispatched to observe the operations of various factories and research institutions in the US and Europe. Shocked at the scale of operations, especially in US factories, Tetsuya immediately started the "Five-Year Plan for the Improvement of Production." He spent 380 million yen to purchase state-of-the-art machinery from Germany and the US and converted the South Ogaki Factory into a world-class level valve factory. This move was a stepping stone to later global expansion.

In 1959, Tetsuya visited Germany and England to inspect social trends and business management schemes. Whilst he was visiting these countries, Tetsuya felt there was a big move towards the motorization of society. He felt intuitively that expansion into pressed auto parts production was called for, and he made plans to build a new factory in the west of Ogaki and purchased 56 thousand square meters of land. By 1960, he had introduced large pressing machines along with electroplating and coating equipment to make integrated production possible. By this time, the production of

pressed auto parts was quadrupled.

Nevertheless, the original size of the land for the factory was only one-third of what was needed. As Tetsuya traveled through Europe, he kept sending home telegrams and letters to direct plans to enlarge factory operations and purchased more land after returning home. This became the basis for pressed parts production. Tetsuya reminisced, "It was an adventurous investment and was enough to make me tremble. It required calm judgment and courage."

With "GlobalPacific" as its slogan, Pacific Industrial had strived for the modernization of its management, and the time had come to break away from a family-operated business when it listed its stocks with the Second Section of the Nagoya Stock Exchange in 1962. The company hoped to raise funds by listing with a stock exchange and gain credibility in the market. Appearing on a TV program, Vice-President Tetsuya said, "It is important how a company raises funds," and "it is also important to build a firm foundation by having its employees become stockholders to make long-range development possible." In 1970, Pacific stocks were listed with the First Section of both the Tokyo Stock Exchange and the Nagoya Stock Exchange.

In 1967, Tetsuya Ogawa became the president at the age of forty-eight. At his inauguration speech, he shared his idea of world expansion to his 1,300 employees by saying, "Let the world be our customer, and let the company grow into a world-class company."

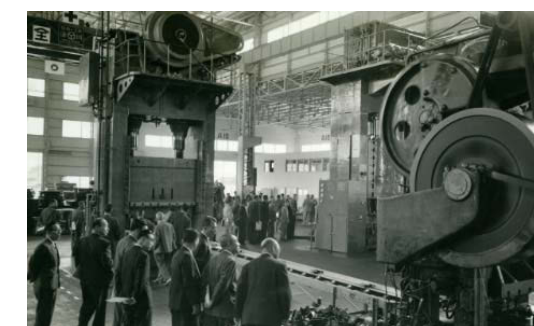
However, this expansion was not always so smooth: As mentioned earlier, the company had to give up the building of a factory in Manchuria because of the war, and furthermore, it also had to give up expansion into Taiwan in 1969 because the local production of the parts scheduled to be produced there was not authorized at that time.

In the early 1980s, the high exchange rate of the yen against the dollar and the end of the bubble economy turned the domestic production of valves not very profitable. Now was the right time to expand into Taiwan.

The country was the top-ranking producer of motorcycle tubes in the world, and to which forty percent of Pacific exports were made. The expansion to Taiwan became the top priority of the company.

In 1984, Pacific Industrial established its first overseas valve production base, Pacific Valve Taiwan Co., Ltd. under the joint venture with its Taiwan sales agent and started producing valve cores. Later, it started the production of pressed auto parts and now supplies Taiwanese subsidiaries of Toyota Motor Corporation. It has become one of the major auto parts manufacturers in Taiwan.

During Tetsuya's presidency, he accelerated overseas expansion by establishing production bases in Korea in 1987, in the US in 1988, and in Thailand in 1989.



Officials visiting the facility at the completion ceremony of Nishi Ogaki Plant equipped with modern equipment of integrated production from stamping and plating to painting



PACIFIC VALVE (TAIWAN) CO., LTD., our first advance into overseas markets in Taiwan (1984).



A sample of the stock certificate of Pacific Industrial that got listed on the Second Section of Nagoya Stock Exchange in 1962, and after that got listed on both the First Section of the Tokyo Stock Exchange and Nagoya Stock Exchange in 1970

6. The Diversification of Operations: Away from Automobile-dependent Industry

When the domestic and world economy were under extremely chaotic conditions following the Nixon Shock and the revaluation of the yen in 1971, the sales of automobile parts made up 75% of Pacific's total sales. By then, President Tetsuya Ogawa had already been contemplating the diversification of operations since relying on a single business segment would easily be affected by the fluctuation of the world economy. He felt the need for new options of moving away from automobile parts production and went into new businesses.

As the Japanese economy grew rapidly, there was a boom in leisure and entertainment industries, and in order to take advantage of this boom, a new company, Pacific Development, was established to run Yoro Country Club and Golf Course in 1972. Furthermore, in 1974, Pacific Sangyo Company was established to operate a gas service station and real estate business. Thus the diversification of operations brought Pacific Industry into the service sector.

In order to expand the housing equipment business, a new factory was built in Anjo City, Aichi Prefecture, in 1971 in cooperation with Toshiba Housing and the production of kitchen sinks started. Although the annual production reached 40 thousand units per year at one time, high competition in the market and the negative business growth forced the factory to shut down.

In the field of food service, Pacific obtained the patent license for toasted sandwich vending machines from Hess Corporation in Germany and created a vending machine of its own design in 1975. It was met with a large demand from automated drive-in restaurants and was treasured as a fashionable item at one time. Later the trend having been subsided, the production of the machine was terminated, but there are about fifteen of these machines still in service in the Kanto Region, and they are sometimes found in the media as curiosities from the past.

Japan's economy in the 1970s went into negative growth for the first time in the post-war era. The Oil Shock hit the automobile industry markedly, and the decline of automobile production affected the management of Pacific Industrial. Tetsuya saw this phenomenon in a somewhat different way: He said, "Although many people say the Oil Shock brought an end to the post-war rapid economic growth, I think Japan was hit by the Oil Shock when economic growth was hitting the ceiling." Thus, he had already been thinking of new strategies to combat times of slow economic growth. His strategy called for zero capital investment, zero increase of employees, and zero debt, which he called the "Three-zero Movement." He put this Three-zero Movement into practice for three years starting from 1974.

In 1977, Tetsuya started the 5-3-0 Plan. "Five" signified the five major products to become the pillars of the company, "three" signified bringing the sales of non-automobile products to 30 percent of total sales, and "zero" signified no new debt. This was a serious attempt to diversify operations. The five major products were valves, pressed parts, non-automobile related items such as housing supplies, food services, and mechatronic related products.

Having set the directions of the company by reading socio-economic indicators, Tetsuya made a new five-year plan in 1986 called the "Action 65." The company had five pillars with five major products, but not all of them were complete: Some were strong and reliable, but others were weak and unreliable. It was necessary to make the weak pillars stronger, and at the same time, to build some new ones. He still aimed at further diversification.

There was something in common among all the plans and movements Tetsuya had come up with: numbers and statistics. All the staff members shared the same information when they moved forward on plans and initiatives. When Tetsuya made his proposals, he was always clear and concrete. He always indicated his goals clearly with data. This was the proof of his sensitivity

toward figures and numbers, which at times turned on him.



Toasted sandwich vending machines being demonstrated at a vending machine fair, which were developed by the food service division (1975).



Kitchen sinks which were produced at the rate of 40 thousand units per year at one time at the Anjo factory by the housing equipment division from 1971.



Soichi Ogawa addressing guests at the opening ceremony of Yoro Country Club. Tetsuya Ogawa is shown on he left (1978).

7. Supporting Sports Activities: Passion for Softball Tennis

Many Japanese corporations support the sports activities of their own employees. In fact, almost all the top-class amateur athletes and teams that compete at the national level belong to companies. Since these athletes represent and symbolize their own company these corporate-supported sports are called “symbol sports” in Japan. Some corporations even recruit athletes for this purpose.

Pacific Industrial has supported the promotion of softball tennis for many years. Softball tennis is a sport of Japanese origin using a single-skinned soft tennis ball and rackets to match the ball. It was improvised in the late 1870s when lawn tennis was introduced from England to Japan because Japan did not have the materials or technology to produce high-quality hard tennis balls. It is also played in some Asian countries and areas such as Korea, Taiwan, China, and Mongolia today. The softball tennis teams from Pacific Industrial have been past champions.

The promotion of softball tennis as a “symbol sport” of Pacific is owed to the second president Soichi Ogawa, who was an ardent lover of the game. He even entered the annual National Athletic Meet, and later served as Vice-President of the National Softball Tennis Association. In 1965, when the National Athletic Meet was held in Gifu Prefecture, through his efforts Ogaki City hosted softball tennis games. This was possible because he was nationally known in this sport and, at the same time, was Vice-Chairman of the Ogaki Chamber of Commerce and Industry.

In the 1965 National Athletic Meet, Ogaki City hosted swimming in summer and cycling, gymnastics, softball tennis, rubber-ball baseball, and soccer in autumn. (Rubber-ball baseball is another game of Japanese origin using hard rubber balls instead of conventional leather balls.) At first, only three events were scheduled to take

place in the fall in Ogaki, but as a result of his limitless effort, rubber-ball baseball and soccer were added. Softball tennis was on the list from the beginning thanks to Soichi, who had been making contributions to the development of softball tennis in Gifu Prefecture.

Soichi started playing softball tennis when he was in Grade 4. His homeroom teacher liked the sport and taught him how to play it. He was a devoted player of the game and played in the national Athletics Meet in later years. “I liked the sense of speed in the play,” said Soichi and made it his sport for life by supporting young players in later years.

His enthusiasm for the promotion of softball tennis led him to adopt and support it as the “symbol sport” of the company. In 1987, a male team won the national championship in the All-Japan Corporate Tennis League, and a female team won the national championship in the same league three years later in 1990. All these achievements made Soichi extremely happy.

Soichi, who had moved on from Chairman of the company to Chairman Emeritus in 1989, passed away on July 30, 1990, after learning the female tennis team’s achievement in the national championship. That year, the day-time temperature exceeded 30 degrees Celsius every day after the rainy season was over in mid-July. He always said, “The reason I look young is because I have played tennis.” His body which had been built by playing tennis must have contributed to his longevity.

A corporate manager and a fine athlete who had been known by his nickname “Oga-So of Pacific,” and “Oga-So of tennis,” (“So” is short for “Soichi.”) left us only a few days before the celebration of the 60th anniversary of the company. He was 89 at the time. Since he was an honorary citizen of Ogaki City, his funeral was held jointly by the city and the company. Eiji Toyota, who was the Chairman of Toyota Motor Corporation attended the funeral and delivered a message of condolence.

After Soichi’s passing away, Tetsuya took over the position of the presidency of the Gifu Prefectural Softball

Tennis Association and hosted the 10th World Softball Tennis Championship in Gifu Prefecture in 1995.

After 1990, the company’s tennis teams floundered near the bottom of the league because the company did not actively recruit good players, but when a decision was made for Gifu Prefecture to host the National Athletic Meet again in 2012, expectations rose for the company to revive its teams, and Gifu Prefecture designated the company as a corporation with special training programs.

Softball tennis as a “symbol sport” of the company with the enthusiasm and spirit of Soichi, has been inherited by the employees. The female teams, which belong to the National League, won second place in the National Athletic Meet in Nagasaki held in 2014 and continue their activities to the present.



Soichi Ogawa holding his tennis racket with care between games (1923).



Soichi Ogawa (center) cutting the tape at the inauguration ceremony of all-weather tennis and volleyball courts (1980)



Male team of Pacific Industrial who won the national championship in the First All-Japan Corporate Tennis League (1987).



Female team that won the second place in the National Sports Festival in Nagasaki (2014).

8. The OGAWA Science and Technology Foundation: Continuing Contribution to Society

The OGAWA Science and Technology Foundation was established in 1985 by Soichi Ogawa, the founder of the company, with an initial fund of 100 million yen to promote the development in the fields of science and technology by assisting research activities. Soichi had devoted himself to the development of technology from the beginning believing that such activities are indispensable to a manufacturer of his kind. This spirit of social contribution held by Soichi has been inherited by succeeding generations and monetary assistance to research activities still goes on.

Soichi established the foundation with “the feeling of gratitude to the community and customers who have supported” him hoping “to make contributions to research activities that are socially meaningful and to the future development of science and technology.” The foundation has been supporting research institutions, universities, junior colleges, vocational schools, and high schools in Gifu Prefecture.

Research grants are given every year. For example, in 2018 the 33rd ceremony to present grants was held at Ogaki Forum Hotel on December 7, and presented a total of 16.45 million yen to 28 research activities. The total amount presented in the past 33 years amounts to 174.41 million yen supporting 434 research activities. These grants primed the pump and a number of great results have been reported.

At the presentation ceremony, the president of the board of trustees of the foundation Shinya Ogawa, also the president of Pacific Industrial, addressed the recipients by saying, “The automobile industry is faced with a pressing need for technological innovation that occurs once in a hundred years. There will be a drastic change in the process of manufacturing influenced by AI (artificial intelligence) and the IoT (internet of things).” Against this

background, “I hope you will pursue your research activities methodically and swiftly so that the results will make great contributions to the local community, Japan, and the world and one day will bring about results worthy of a Nobel Prize.”

Although the initial fund produced enough return from its financial management in the early days, it has become more and more difficult to manage the fund because of the low-interest policy in recent years. To get through the crisis, Soichi’s wife Hideko, who had inherited the spirit of “returning the favor to society,” donated to the foundation 400 thousand shares of the company stock, and the third president Tetsuya donated 600 thousand shares, making the total 1 million shares. Now the foundation has a solid financial base with dividends from these stocks and continues to support research activities.

Tetsuya Ogawa was awarded with the “Eiichi Shibusawa Prize” in 2012, which is given to business owners who have performed sound company activities and contributed to society. He had served the foundation as the president of the board of trustees and was a senior corporate advisor and Honorary Chairman of the company at the age of 92. On this memorable day, he said, “It is such an honor to receive the prize. I have already lived longer than Mr. Shibusawa, but I will watch my health and hope to contribute to society for many more years.”

Earlier in 1964 Soichi donated a Home for the Youth in Ogaki City, which was the first seminar and workshop house for young people in Japan, accommodating up to 65 people. Soichi donated this 110-million-yen building out of his pocket in memory of his oldest son who had died in a traffic accident. He also donated 40 million yen to Nihon Fukushi University Library also in memory of his son. This fund became the base for a new library building called Jisho-kan, which was named after Soichi’s son. He continued to give donations to the library, and in 1967 the library set up the “Ogawa Collection” in his honor. The library continues to serve the research activities of students and faculty members especially in the field of

welfare.

As well as the support for the advancement of science and technology, Pacific Industrial is actively involved in education, promotion of local development, and recovery and reconstruction. In the area of environmental protection, it has undertaken a *satoyama* project called “Pacific *Satoyama* Woodlands” since 2009 in the Kami-Ishizu district of Ogaki City. *Satoyama* is an area consisting of mountains, hills and woodlands adjacent to populated areas which requires special attention and care. Here, the company employees, their family members and local people work together to plant trees and build and maintain biotopes. The area also serves as a place for field education for the next generation by making them aware of the importance of environmental protection and biodiversity.

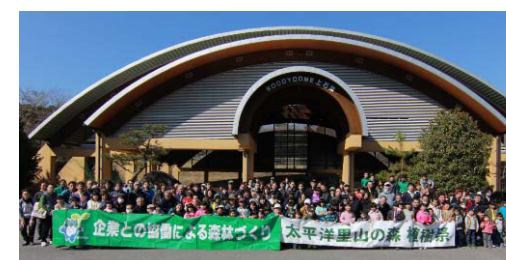
Pacific Industrial Company supports and contributes to activities closely related to the local community and professes to be a “good corporate citizen.” This spirit has been passed down from generation to generation since the establishment of the company.



Foundation Board President Shinya Ogawa (left) shaking hands with a researcher at the grant presentation ceremony of Ogawa Science and Technology Foundation. (At Ogaki Forum Hotel, Mangoku, Ogaki City on December 7, 2018)



Newly established Ogawa Collection in Japan Fukushi University Library donated by Soichi Ogawa (center) (1967)



Company employees and their families gathered at Pacific *Satoyama* Woodlands, the activities of which have been continuing since 2009.

9. A Next-Generation Valve: Accelerating Global Operations

Shinya Ogawa, who became the fifth president of the company at the age of 48 in 1966, was determined to make his company the world leader in valve production. To achieve his goal, he made particular efforts in the development of TPMS (Tire Pressure Monitoring System). Pacific was the first in Japan to develop this system and it was installed as standard equipment on the 2001 Toyota Lexus Coupé Soarer.

TPMS is a system that utilizes a sensor within a transmitter device that directly measures tire pressure and temperature, and sends that information wirelessly to a receiver device in the car notifying the driver of any irregularities. Pacific has always made efforts to develop new products with an added value, and the history of developing TPMS goes back to the 1960s, when a semiconductor pressure sensor was unheard of. In the early days, the system was mechanically operated. In the 1990s, when semiconductors became available at low cost, the development of pressure sensors accelerated.

TPMS came into the limelight in 2000, when the TREAD Act (Transportation Recall Enhancement, Accountability, and Documentation Act) was passed by the US Congress. The act came into being in response to many automobile accidents caused by tire bursts, and the act required TPMS be installed in 100% of all passenger cars and light trucks (under 10,000 lbs. Gross Vehicle Weight) sold in the United States. Suddenly a gigantic TPMS market appeared in the US with the sale of 1.6 million vehicles, each of which carrying at least four TPMS. Shinya viewed the compulsory installation of TPMS on US cars as a big chance to expand his business and made further efforts to improve the system. TPMS is a next-generation valve which even Soichi, who had succeeded in the domestic production of valve cores years ago, would have wished to develop if he had lived in this age.

In the early stages of discussion of the TREAD Act,

the National Highway Traffic Safety Administration was ready to allow indirect monitoring systems along with a direct monitoring system, but it accepted only the direct monitoring system in the end. This decision became a tailwind for Pacific, and the sales of TPMS rose rapidly. Thus, Shinya started to take firm and steady steps toward becoming the leading TPMS valve maker.

Following the US, similar laws were enacted in Europe in 2012 and then in Korea, Taiwan, and Russia. The 100-million-unit market in China is now also requiring the installation of the system in new cars starting from 2019. Pacific has been making prior investments in China for the production of the system since 2014. Now Pacific, the only Japan-based producer of TPMS, with manufacturing operations in three countries of Japan, the US and China is competing globally to win market shares.

In addition to valves, Pacific Industrial has two other major products; pressed auto parts and resin or plastic car components. The production of these items was started by Soichi and further expanded by Shinya, who is now accelerating their production globally. In 1999, pressed auto parts production was started in the US by Pacific to supply parts locally, and in 2005, in order to meet globally-linked orders, a production base was established in China.

Pacific also made efforts in reducing the weight of automobile parts in response to the demand for higher fuel efficiency and reducing the burden on the environment. In the production of pressed parts for the main frame of a car, adoption of ultra-high-tensile materials, which are lighter in weight and stronger than conventional steel, is rapidly in progress. Pacific uses two methods to make pressed products: cold press forming which presses steel plates at room temperature and hot-stamping to obtain strength by heating the materials up to 900 degrees Celsius and quickly cooling it off as it is being formed. Pacific is also strong in processing aluminum material, and large-scale aluminum processing equipment is in operation at Ogaki and Kyushu plants domestically, and internationally there

are similar facilities in the US, China, Thailand and Taiwan operations.

In the area of resin, filming technology allows for the production of wheel caps without plating. Shinya explained his policy guideline by saying, "I want to make our products available from plants as close as possible to our customers by establishing manufacturing operations worldwide." As a result, the total number of overseas operation bases for pressed auto parts business and valve business has increased from four at the time of his assumption of president office to sixteen in 2018.



Shinya Ogawa pushing the start button of TPMS, Tire Pressure Monitoring System, mass production line at Ogaki North Plant (2000)



TPMS transmitters developed domestically for the first time in Japan, now mass-produced ever since.



A TPMS transmitter mounted inside a tire.



Ohio, where Pacific's pressed auto parts production started for the first time in the US (1999).

10. A 100-Billion-Yen Corporation: Overcoming a Global Financial Crisis

The consolidated financial results for the fiscal year ending in March 2016 reported that the amount of net sales of Pacific Industrial exceeded 100 billion yen for the first time. During this period, the increase in automobile production of main customers in Japan, the US and China were all good. The net sales amounted to 106.886 billion yen, due to sales increases for 4 consecutive fiscal years, and at the same time operating income, ordinary income, and net income were all at record highs.

At a meeting reporting financial results Shinya Ogawa said in a serious tone of voice, "We finally joined the club of 100-billion-yen corporations; however, in order to maintain continuous growth, it is necessary to build and maintain a corporate character and structure worthy of a 100-year corporation and worthy of a 100-billion-yen corporation," and renewed his determination.

The overall business management of the company has been relatively good, are favorable, but there have been some ups and downs for business result figures. Shinya has also experienced some crises. As a result of the global financial crisis of 2008, the consolidated results of fiscal year ending in March 2009 reported an operating loss of 437 million yen, which was the first reported deficit since the listing of stocks with the Nagoya Stock Exchange in 1962. Knowing the whole world was facing economic crisis, Shinya said, "We are not the only one facing a crisis. It's a worldwide depression, and we should apply an emergency brake and stop for the time being." He put a stop to non-essential and non-urgent investments and minimized fixed expenses.

All the strategic investments were frozen for three years, and a policy of austerity was applied even to ballpoint pens across the company to reduce expenses thoroughly. Fortunately, the company had been making large-scale annual capital investments of 14 billion yen for the three years preceding the financial crisis of 2008, and

this aggressive move enabled the company to recover quickly: One year later the company was already reporting a profit.

Natural disasters are also a risk to management. At the time of the Great East Japan Earthquake on March 11, 2011, Shinya was in Taiwan on business. After seeing tsunami hitting the area live on TV, he caught the first plane the next morning and flew home. Pacific Industrial had just erected a plant in Kurihara City in Miyagi Prefecture, and it was damaged by the earthquake, which hit the area with a seismic intensity of 7 (Japanese scale of 10)※.

Countermeasures headquarters had already been set up at the head office by the time he returned. It took three days to establish the safety of all the employees, but fortunately, everyone was safe.

Then, it occurred to Shinya, "Will it be enough to take countermeasures only for our company and employees?" So he immediately made a phone call to Mayor Isamu Sato of Kurihara City and asked what supplies were needed. He took this action almost intuitively because the everyday practice of Toyota's production policy was "Supply precisely what is needed, when needed, and how much needed."

Shinya was quick to take action and first called Mayor Bin Ogawa of Ogaki city and asked if he could "borrow" the needed supplies, and secondly asked President Yoshitaka Taguchi of Seino Holdings, which has a transport company in Ogaki, if he could borrow trucks to deliver the supplies. Furthermore, in response to the request for some diesel oil from Kurihara City, Shinya asked Ibiden Industries, which operates gas service stations among many projects, to make available one tank truck to transport diesel. In addition to what was asked for, Ogaki City provided banners to indicate recovery support, and Seino Holdings provided truck drivers who were familiar with the geography of Eastern Japan.

Later, Ogaki City and Kurihara City signed the Agreement for Mutual Assistance at the Time of Natural

Disaster; which, without doubt, was an outcome of the support activities carried out by Pacific Industrial which became the bridge between the two cities. In another way, it was a great occasion to learn the importance of self-help, mutual-help, and public-help at a time of a large-scale natural disaster.

After the disaster, Pacific Industrial was able to buy the land which had been on a lease from Kurihara City, and the company became a true member of the local community. Based on this experience, Shinya says the lesson he has learned is, "To cope with a crisis, count the unexpected into the expected, be well trained at all times, and be ready to respond quickly to initial actions."



Shinya Ogawa (right) addressing the crew headed for Kurihara City, Miyagi Prefecture, where a Pacific plant is located, with relief supplies for the victims of the Great East Japan Earthquake (2011).



Employees at the Tennessee subsidiary plant, USA, which expanded its production by installing large-scale pressing machines. Over 45% of total sales took place overseas in this year



Shinya Ogawa (second from right facing) giving information on company performance to investors at the Nagoya Stock Exchange IR

11. Business Circle Activities: Revitalizing the Seino Area

Many entrepreneurs get actively involved in business circle activities. If one is the head of a leading corporation in a community, one would play an even larger role. Three of the past presidents of Pacific Industrial served as the Chairman of the Ogaki Chamber of Commerce and Industry and demonstrated their leadership. Soichi Ogawa became the fifth Chairman of the Chamber (1968-71), Tetsuya Ogawa became the ninth (1997-99), and Shinya Ogawa became the twelfth (2007-13) and served the community.

As soon as Soichi became the Chairman of the Chamber, he started reorganizing the internal structure. The reason he gave was, "If the structure is not in conformity with the times, we cannot hope for any development or improvement." He restructured sections of the Chamber which were the bases of day-to-day activities. The Textile Section was turned into the Textile and Commerce Section, the General Merchandise Section was turned into the Culture and Commerce Section, and the Tourism Section was turned into the Tourism and Service Section and each section was reinvigorated. As a chamber looking into the future, it established provisions for awarding the best worker of the year, opened a consulting center for part-time workers, and established committees for urban traffic and environmental pollution. Speaking on behalf of Soichi, Shinya says Soichi was born in Aichi Prefecture and came to Ogaki in Gifu Prefecture, where he made many friends and he was brought up by the people of various businesses, and the company grew with the help of the community. So he wanted to return the favor to the community.

When Tetsuya became the Chairman of the Chamber, he studied the relationship between the Chamber and the community first and established the principle of "an active Chamber and a secretariat in action." Specifically, he promoted measures to activate the inner

city, to computerize the office system, and to lay the foundations for the development of local industries. He also worked for the unification of the Seino Region, which consisted of Ogaki City and five counties at the time and recruited members throughout.

Shinya contributed in moving the Chamber office to a new location. The original Chamber building was getting old, and there was a debate whether it should be rebuilt at the same site or be moved to a new location when Shinya's father Tetsuya was the Chairman, but nothing was done. It would have cost billions of yen to build a new building in the center of the city. It was finally decided to utilize part of a new building instead of owning a whole building. There is a Chamber office now in Ogaki City Information Studio building, which is located in Softopia Japan, an industrial park in Ogaki City for IT related businesses.

Shinya aimed at a new-generation Chamber compatible with an IT society and promoted manufacturing based on the IT technology. He also helped to establish Ogaki Town Planning Co., Ltd., which sponsors various projects to reactivate the inner city.

Concerning business circle activities, Shinya comments, "You have to have a financially healthy business yourself to contribute to the community, and the company has to be capable of getting involved in community activities. Its employees living in the area should also be able to play the role of "corporate citizens" in the community.



Shinya is also heavily involved in Ogaki's women's softball club. The team Ogaki Minamo Softball Club is jointly supported by businesses in Ogaki. Pacific Industrial hires its players as full-time employees, supports the operation of the team, and has served as the first president of its supporters' association since 2013. The team was founded in 2010 in order to compete in the forthcoming national Athletes Meet held in Gifu Prefecture in 2012. The Gifu Method of running a sport team, in which eleven companies including Pacific Industrial in this case hire

members of the team as full-time employees, is drawing much attention nationwide.

In the last season, Ogaki Minamo played in Division 1 of Japan's Women's Softball League for the first time, and together with Toshihiko Tsutsumi, both the Chairman of the club team, who is also the Chairman of the Ogaki Chamber of Commerce and Industry, and Nihon Taisanbin Glass Bottle MFG. Co., Ltd., Shinya went to games and cheered the team. The team defense was good including the pitcher but the team was not able to score enough points in many games. Unfortunately, the team was demoted to Division 2 in the following season. The community hopes they can give enough support so that the team will be able to come back to Division 1 in 1 year.



Soichi Ogawa addressing participants at Ogaki Products Festival (1968)



Tetsuya Ogawa commending the event at SUINC 98 Seino (1988)



Shinya Ogawa (front right) and Toshihiko Tsutsumi (front center) cheering Ogaki Minamo in Division 1, Women's Softball Japan League at Nagoya Dome (March 31, 2018).



With Ogaki Minamo Softball Club team (2018)

12. Epilogue: Towards a Century-old Glocal Corporation

In August 2018, Pacific Industrial purchased its rival company Schrader, which had been producing valves for automotive uses and industrial machinery in the US and France. Through this strategic M&A (mergers and acquisitions) of Schrader Company and making it a subsidiary, Pacific Industrial has become the leading producer of tire valves and valve cores in the world. This is regarded as a big stepping stone to achieving a “one-hundred-year-old corporation.”

Schrader was founded in the US in 1844 as a producer and a dealer of brass parts. In 1990 it started producing tire valves and expanded its market overseas. Because of its high capabilities in research and development and its strong brand power, the company had previously been bought and sold by an auto-parts maker and an investment fund. In 2014 Schrader International was bought out by Sensata Technologies in the US.

Since the brand name Schrader is highly esteemed in the US and Europe, and the brand name Pacific is widely known in Japan and Asia, if this M&A succeeds, it will be possible to complete a quadrupolar system of production and sales in Japan, Asia, North America, and Europe. This was the picture Shinya had in mind.

It was in the summer of 2017 when a proposal for M&A came from Sensata. Each side organized a team of lawyers and accountants and negotiated for one year. Over twenty board of directors’ meetings were held on the Pacific Industrial side to discuss thoroughly the possibility of managing a company consisting of people of different cultural backgrounds until they were confident that they could. The total cost for the M&A including all the stocks of three companies in the group in the US and France and advisory costs amounted to approximately 20 billion yen.

Pacific and Schrader each had twenty-some percent of the world production of tire valves and valve cores, and they were in friendly rivalry with each other. Now with the M&A completed, a company controlling nearly 50 percent of the world share is born. Shinya believes taking the leadership in a particular industry will raise the value of a company. However, he confesses that if

Schrader had been bought out by another competing company, such a merger would have affected the business strategies of his company a great deal in the future.

It is ironic that when the founder of Pacific Industrial tried to produce valve cores domestically, he was only able to dream about the world-famous Schrader; but three generations later, Shinya is able to report to his grandfather Soichi and father Tetsuya of the buyout of Schrader by Pacific Industrial, which, without doubt, would make them happy.

For the 80th anniversary of the company, Pacific Industrial drew up a long-range vision. It specifies the company’s desire to contribute to the development of local communities as it expands globally. Named “Pacific Glocal Vision 2020,” it is regarded as a milestone on the road to the 100th anniversary in 2030.

In order to become a world-leading glocal (global and local) parts producer, specific action plans are summarized in the middle-range management plan “Ocean 20.” M&A with Schrader was one big step toward its realization. The plan had to be reworked when the 2020 combined net sales appeared to exceed the amount that had been projected, from 140 billion yen to 155 billion yen. As a commander at the head of the company, Shinya’s evaluation was that the cost of 20 billion yen spent to achieve the M&A with Schrader was an investment for the company to grow larger along with the synergy effect of the merger.

Envisioning “a century-old corporation,” Shinya comments, “There is no question that we strive for the 100th year of the company, but the 100th anniversary is only one year of our history. We should put all our efforts so that the company will continue to flourish into the second century based on the two areas of expertise, pressed parts and valves. Under the management philosophy “Management with Creativity and Openness,” the company values the concept of “Creating good products comes from creating good workers.” Human resources are the treasure of the company, and the company will develop human resources to increase the value of its treasure.



Subsidiary plant in France producing the “Schrader” brand products, which was purchased by Pacific on August 31, 2018.



With staffs of the subsidiary in France (2018)



The subsidiary producing “Schrader” brand in U.S.A.