

2023

Creating Tomorrow Report

Integrated Report

Passion in Creating Tomorrow



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 expressed the mental attitude 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.21, 35 ↘

Fostering trust with stakeholders

P.53 ↘

Respecting human resources and their active participation

P.27, 41 ↘

Minimizing environmental load

P.49 ↘

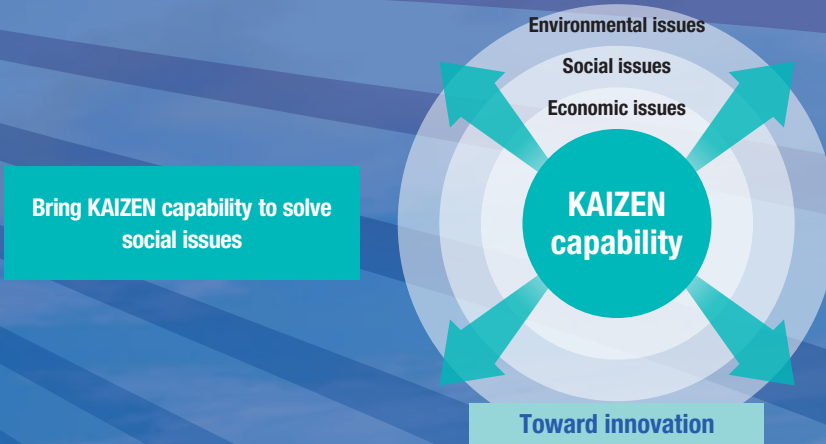
Passion

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 have prepared a new "Creating Tomorrow Report" for our company's value-creating community.



I am Tetsushi Ogawa, president of Pacific Industrial since April 1, 2023. It is my great pleasure to work with you all.

The world is in a situation of uncertainty referred to as VUCA, structural changes in the automotive industry, such as CASE, are accelerating, and sustainability and DX are becoming extremely important.

Against this backdrop, we have incorporated our company's social raison d'être and our vision, based on a backcasting perspective, into our PURPOSE, our mid-to-long-term business plan Beyond the OCEAN, and our mid-term business plan NEXUS-26, which we announced in April 2023.

Regarding these ideas and initiatives, we decided to issue the Creating Tomorrow Report as an integrated report from this year in order to inform our stakeholders on how we are creating value in the short, medium, and long term.

As the title suggests, the report expresses our group's PURPOSE of "Passion in Creating Tomorrow."

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

I appreciate your continued support.

A handwritten signature in black ink that reads "Tetsushi Ogawa". The signature is fluid and cursive.

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 decided to 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. Previous Sustainability Report 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.

Contents

Company Profile

- 1 PURPOSE and Pacific Values
- 3 Message from the President and Editorial Policy
- 4 Contents
- 5 Pacific Industrial Group Concept Structure
- 7 Overview of Pacific Industrial Group
- 9 History of Pacific Industrial Group
- 11 Financial and Non-Financial Summaries

Value Creation Story

13

Message from the President

Creating a Company where Everyone Can Achieve their Own PURPOSE



17 Market Environment, Risks and Opportunities

18 Materiality of the Pacific Industrial Group

19 Pacific Industrial Group's Value Creation Model

21 Special Feature: From the Frontline of Value Creation

Episode01

Ultra-high tensile, combining economic value with environmental value

Episode02

Plastic molding products emerging as a pillar of growth in the Electrified Vehicles era

Episode03

Supporting thermal management essential for Electrified Vehicles

Episode04

Development of TPMS compact general-purpose line

Episode05

Launch of Ω(Omega) Project to create new value

Episode06

PURPOSE and Engagement

Mid-to-long-term Business Plan

29 To Create New Value Develop a mid-to-long-term management vision and plan

30 Mid-to-long-term Business Plan Beyond the OCEAN

33 Mid-term Business Plan NEXUS-26

35 Business strategy:

Stamping and plastic molding product business
Valve product business
New business

40 Business base:

Manufacturing capability
HR strategy
Technology strategy
Digital strategy
Minimizing environmental load
Fostering trust with stakeholders
Financial strategy

Governance and Finance

57

Outside director discussions

Harmony for realizing our PURPOSE



59 Corporate governance

63 11-year summary of key financial indicators

65 Stock information

66 Glossary

Media Information

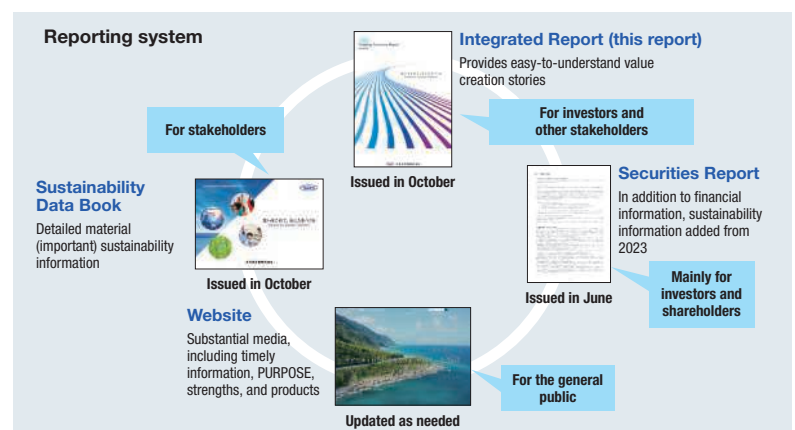
- Period covered: April 1, 2022 to March 31, 2023 (Published once a year. Some information is current at the time of publication)
- Scope: The Pacific Industrial Group
(In principle, the company and its consolidated subsidiaries. If disclosed data goes beyond this, its scope is stated separately.)
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TEL: +81-584-93-0110 FAX: +81-584-93-0112

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

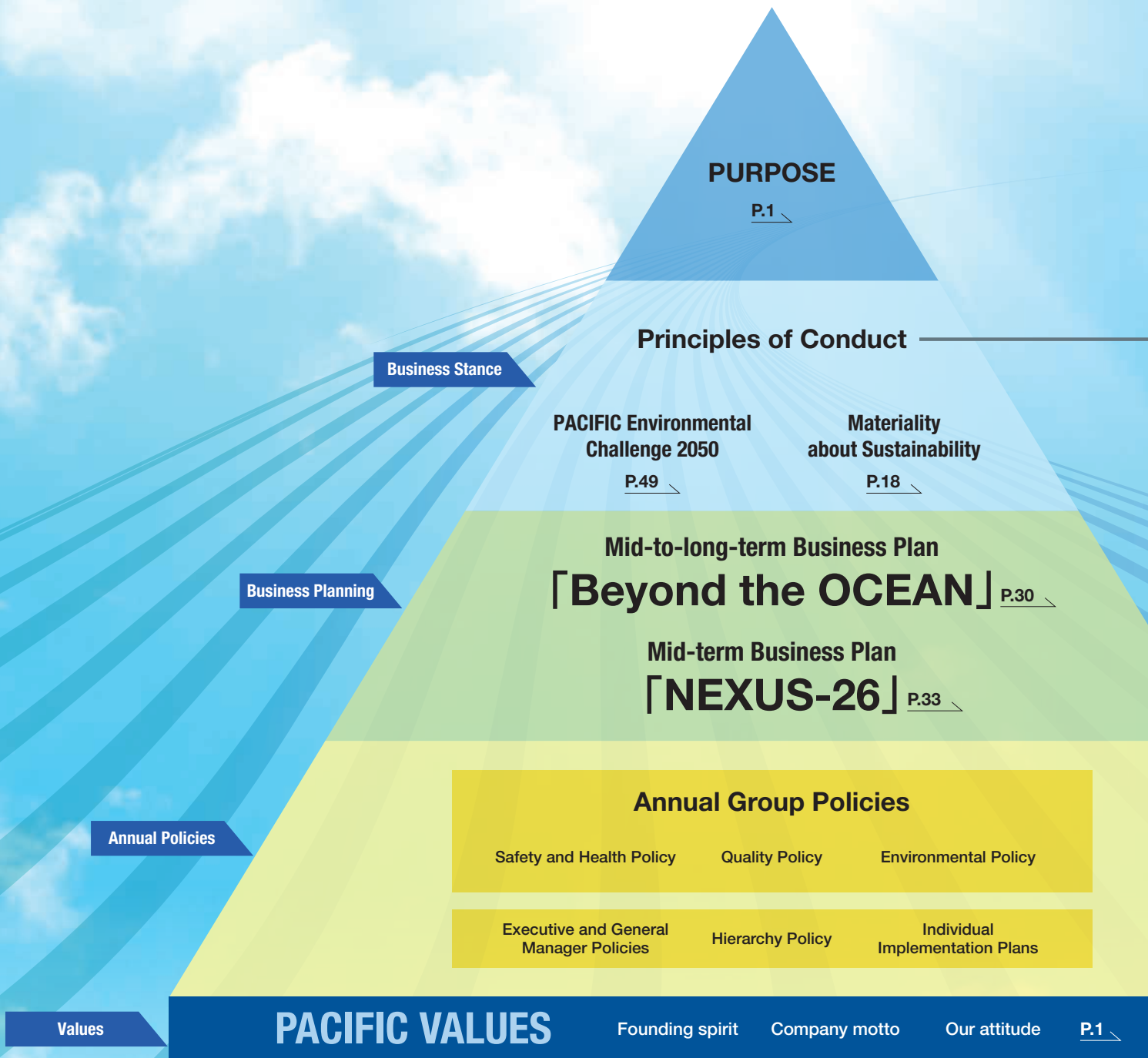
This report contains forward-looking statements, including strategies, plans, targets, and other projections made based on currently available information. These forward-looking statements are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from 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 environment-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	Personal Information Protection Policy	Information Security Policy	For business partners Pacific Group Basic Procurement Policies
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Guidelines

Code of Conduct
Earthquake Action Guidelines

Supplier Sustainability Guidelines
Green Procurement Guidelines



Please find each policy online.



Pursuing Global Corporate Activities Under a Global Quadrilateral System

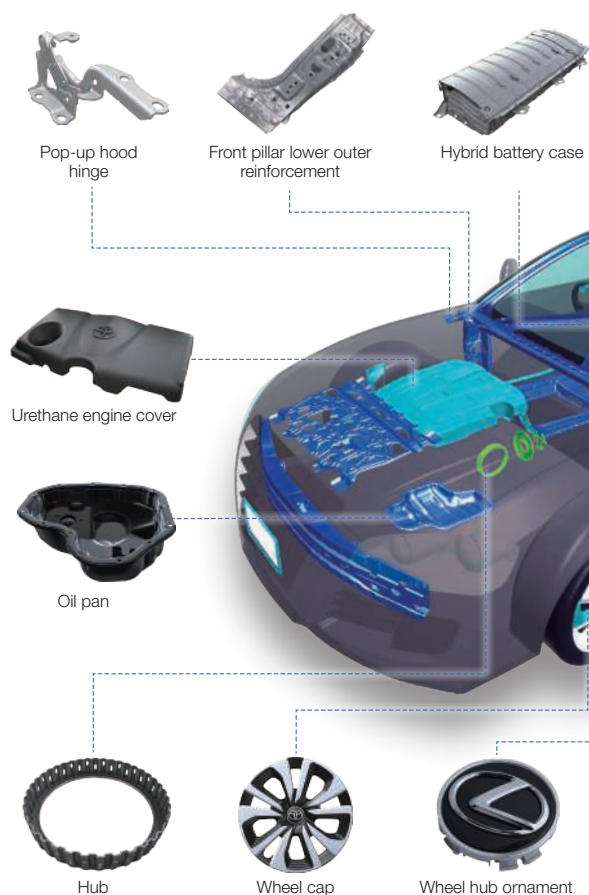
Company Profile

Name	: Pacific Industrial Co., Ltd.	No. of employees	: 2,105 (Consolidated : 4,797)
Head Office location	: 100 Kyutoku-Cho, Ogaki City, Gifu Prefecture, 503-8603 Japan	Business	: Development, manufacture and sales of automotive parts and electronics parts
	: TEL +81-584-91-1111 (main switchboard)	Stock listing	: Tokyo Stock Exchange Prime Market Nagoya Stock Exchange Premier Market
Established	: August 8, 1930	Security code	: 7250
President, Member of the Board	: Tetsushi Ogawa		
Capital stock	: 7,316 million yen (as of March 31, 2023)		

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 decorative technology and sound and vibration insulation 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 pressure products. We also manufacture valves for aircraft, industrial machinery, and the energy industry.



Car air conditioner-related



For combustion

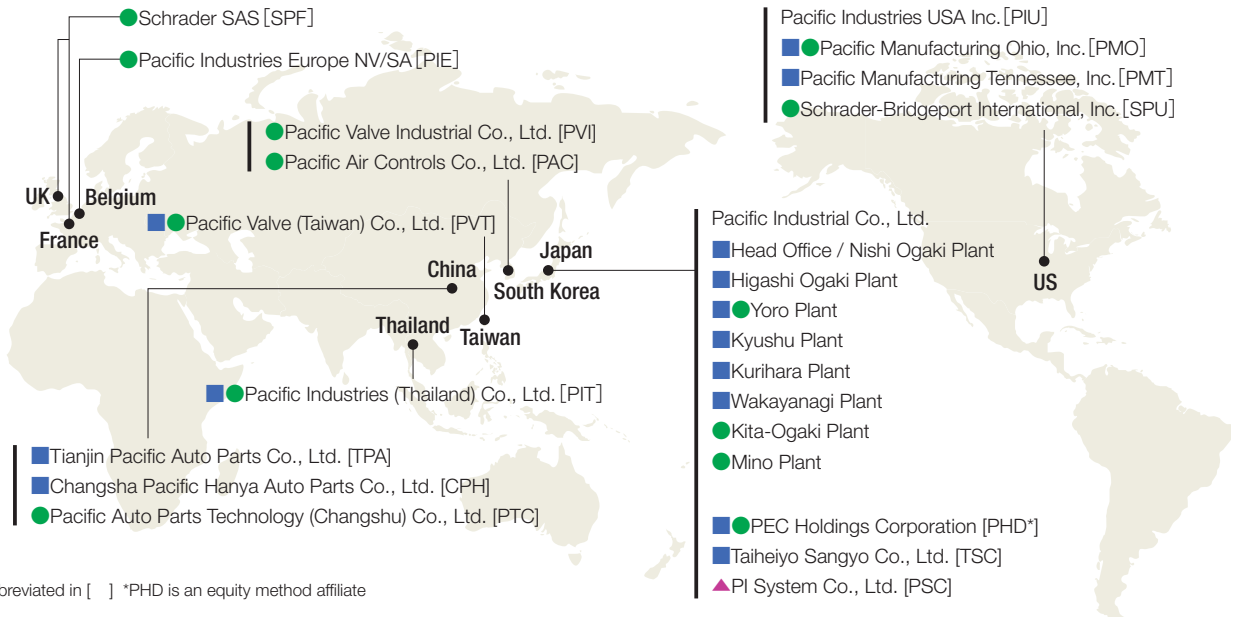


Non-auto parts

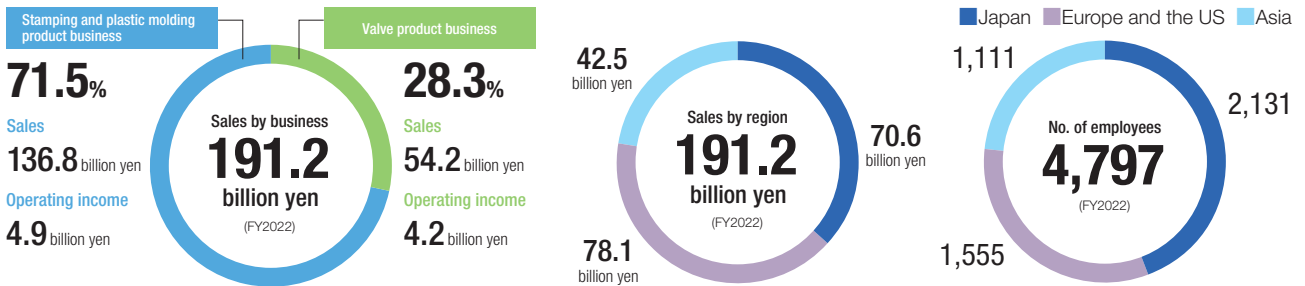


Global Network

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



Main Data



Main external recognition, endorsements, and participating organizations and initiatives

External recognition



FTSE Blossom Japan Index



FTSE Blossom Japan Sector Relative Index



Declarations and endorsements



Participating organizations

Japan Business Federation

Japan Auto Parts Industries Association (JAPIA)

History of Pacific Industrial Group

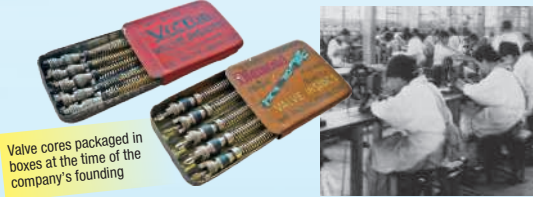
The company was founded in 1930 has continued to provide a variety acquisition of the valve business of the

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



Valve cores packaged in boxes at the time of the company's founding

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

Aug. 1946 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 Shoko, 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



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."



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.

- 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.

- 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 Hanya 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 **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

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**

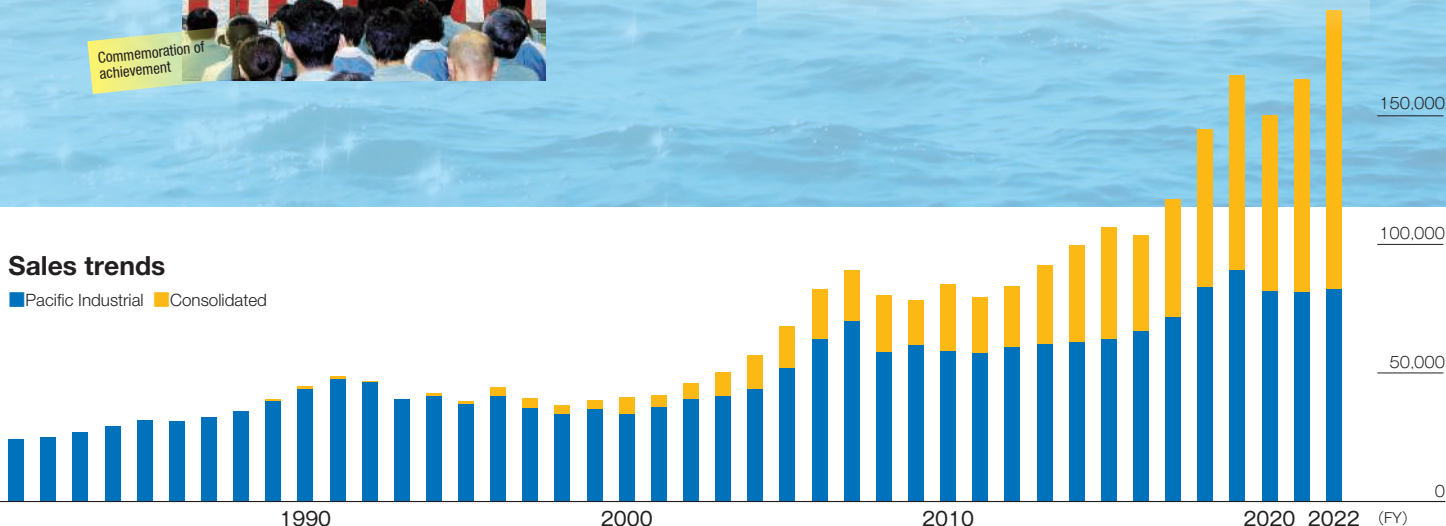
Apr. 2023 Developing a vision for tomorrow

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.

(Millions of yen)
200,000

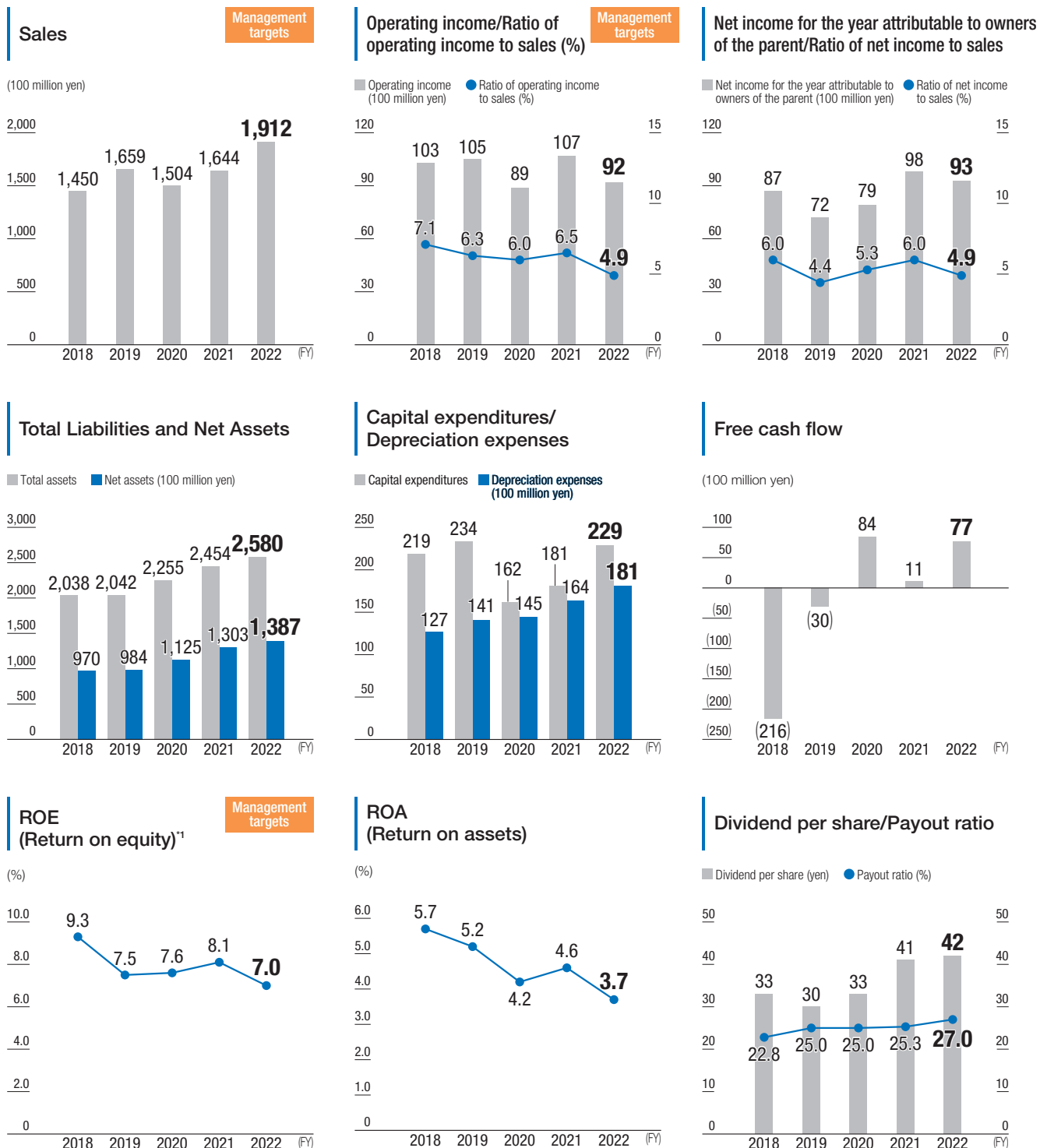
Sales trends

■ Pacific Industrial ■ Consolidated



Financial and Non-Financial Summaries

Financial



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

*2 Aggregation method is under review.

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

*4 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.

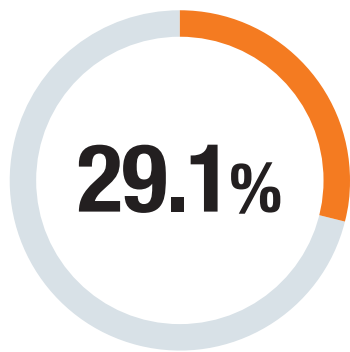
*5 Domestic material recycling and waste disposal at some sites were not included in the disclosed data, so figures were revised retroactively.

*6 OJT is not included.

Non-financial

Sales ratio for electrified vehicle products²

Management targets



No. of new products and services launched

Management targets

1 case
“Capsule Sense”

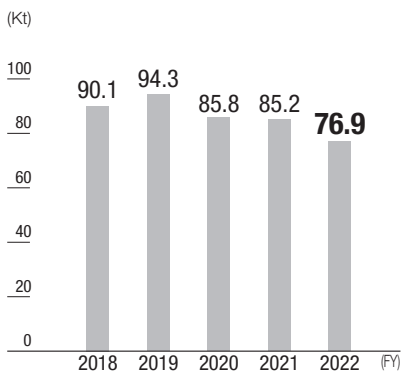
Company ratio (purchase amount base) for survey of supplier compliance with “Supplier Sustainability Guidelines” (Pacific Industrial)

KPI

80% or more

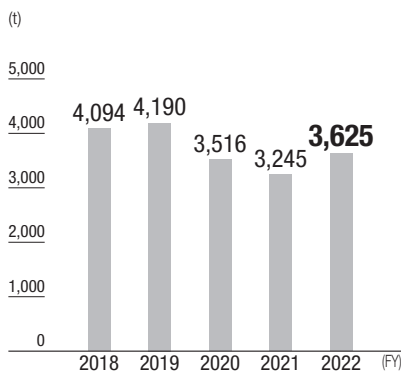
CO₂ emissions^{3, 4}

Management targets



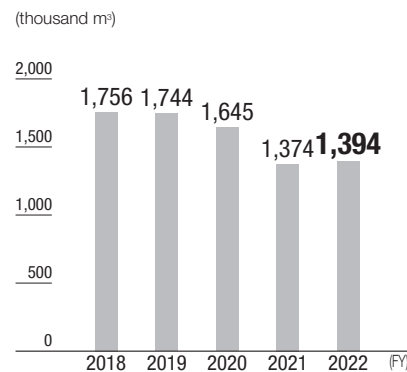
Amount of Waste generated^{3, 5}

KPI



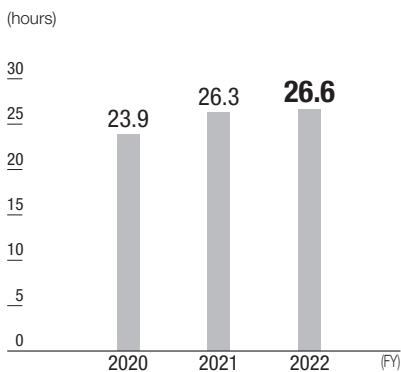
Amount of Water used³

KPI



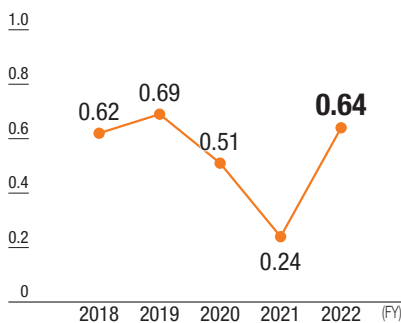
Training hours per employee⁶ (Pacific Industrial)

KPI



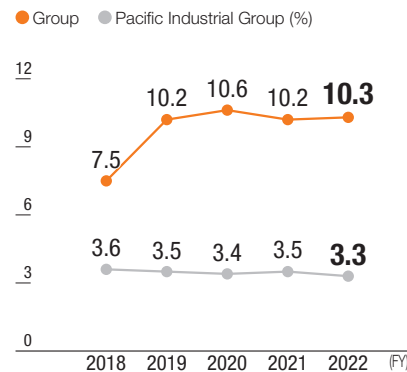
Lost-time injury frequency rate⁷

KPI



Rate of females in management positions⁸

KPI



*7 Due to an error in the aggregation method, the figures for FY 2018-2020 have been revised.

*8 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). The calculation method was partially revised based on the disclosure of the Sustainability Report 2022 to change the definition of "management" from executives plus qualified persons to only executives. Accordingly, historical figures have been retroactively adjusted. PIT Rayong and SPF/SPU have been covered since FY2018 and 2019, respectively.



▶ **Creating a
Company where
Everyone Can
Achieve their Own
PURPOSE**

Tetsushi Ogawa

Tetsushi Ogawa
President, Member of the Board

We will continue to advance and change, step by step, toward our vision with the "spirit of the inchworm"

With the automotive industry undergoing a once-in-a-century transformation, including rapid electrification, I took over the baton of management on April 1, 2023.

In formulating our latest mid-to-long-term business plan and mid-term business plan, we have spent nearly a year refining them, not from the top down, but by gathering feedback from all departments, including our overseas business entities. Our experience has taught us that those working close to the front line, whether in manufacturing, with customers, or in development, know the issues and solutions best. Therefore, senior management should firmly present an overall vision, but then individual employees should proactively realize their own PURPOSE and create new value. I believe that valuing such an approach to managerial will bring us closer to achieving the company's PURPOSE.

Even before becoming president, I always valued our company's DNA, including the words and ideas of our predecessors, when making major decisions. In particular, I was struck by the idea of the "spirit of the inchworm" described by our founder, who had foresight about the automotive industry and boldly took on the challenge of developing valve cores, which were said to be "more difficult than making a precision watch." At a time when the company was struggling to expand its valve core business, he would explain to his employees from time to time, "The reason why an inchworm contracts is so that it can then expand." The spirit of the inchworm expresses the value of moving steadily forward, step by step, toward one's goal, rather than becoming lost amid rapid growth, and is upheld within the Pacific Values, a set of important values shared throughout the company, as its founding spirit.

Our company's history spanning more than 90 years, guided by this spirit of the inchworm, has not always been a smooth one. In 2011, the unprecedented and catastrophic Great East Japan Earthquake struck, and we were faced with a crisis with an uncertain future. However, there were many lessons to be learned from our desperate efforts to survive, such as the importance of working cross-functionally to get everyone united and looking forward in difficult times, and the fact that "crisis awareness starting in normal times" provides the energy for improvement.

However, the sense of urgency can be forgotten once the danger has passed. Especially in times of uncertainty, I believe we need to

create a culture of continuous change, in which employees think for themselves and challenge themselves with new ideas.

Ever since I became president, I have continued the practice of visiting workplaces and conversing with employees so that I can think and act together with them. I usually wear work clothes, and I have my desk positioned in the middle of the floor where the employees are, with another table next to it for meetings. I hold a meeting as soon as something comes up, and I try to act on good opinions immediately.

Many issues need to be addressed not only on the shop floor but also in other departments. Staff department employees are also asked to continuously improve operations, and they attend debriefings for a one-on-one dialogue with me. I value this approach and will go on cultivating a culture of "continuous change" while recognizing issues in the field from the same perspective.

Each employee thinks about their own PURPOSE with passion

Another thing I always keep in mind is being sincere with everyone involved with the company. Our company will celebrate its 100th anniversary in 2030, but what will determine its survival? Looking back on our history, I believe that more than our technological prowess and business performance, it is our attitude toward everyone involved in the company, our stakeholders, that has been the key to our success.

First and foremost, we care about our employees. Leadership styles vary from person to person, but as I said at the beginning, once I set out the company's big vision, my top priority has been to listen to the employees who are closer to the front line, and to create an environment in which they can carry out whatever it is they want and need to do.

Then we will contribute to the development of local communities by proposing products that meet customers' needs and resolve social and customer issues. Through these repeated efforts, we will come to be recognized as a company needed by society, and even in times of crisis, our employees will pull together and work as one, and our business partners, local communities, and shareholders will support us.

Together with our employees, we have put this idea, and our aspirations for the company, into the words, "Passion in Creating Tomorrow," defined as our PURPOSE. Our aim is for each of us to show passion and exercise our individual strengths, and to create new value for a sustainable tomorrow.

In addition to our company's PURPOSE, we get each employee to



think about their own personal PURPOSE. The company's PURPOSE is based on valuing the passion of individuals, so the aim of this project is to make that PURPOSE feel more personal. To do this, employees are asked to think about their own personal PURPOSE and to recognize the significance of their everyday work, and they are supported by the company and others around them. We get them to write their personal PURPOSE in their PACIFIC POLICIES booklet so that they can look back on it from time to time.

Aiming for mid-to-long-term growth through a high-value-added strategy for electrification

Based on the PURPOSE, we formulated a mid-to-long-term business plan, Beyond the OCEAN, starting in FY2023 and extending through FY2030, and its mid-term milestone in the form of a mid-term business plan, NEXUS-26, running through FY2026. In light of long-term changes in our external environment, the content has been refined from a backcasting perspective, taking into account the views and thoughts expressed by 88 teams across all departments.

Leveraging our core strengths of "technical and field capabilities" and "trust and No.1 market share," we will tackle the long-term themes of "growing both sales and profits," "creating value through diverse technologies," and "integrating sustainability and management." The foundation of this is our "Human resources strategy to realize our PURPOSE." The most important aspect of the PURPOSE I mentioned before is to have a diverse workforce. I believe that making the most of diverse personalities will enhance the vitality of every individual and create a new place for value creation.

The pillars of our business strategy to support mid-to-long-term growth are the expansion of high-value-added stamping products and the development of new markets in the valve and plastic molding

business. Our products are also necessary parts for battery electric vehicles (BEVs), and we believe that by utilizing our core technologies, we can contribute to the evolution of BEVs by providing high value-added products and services.

For example, in the case of stamping products, we aim to become a "proposal-based technology group" that will survive the decarbonization era by expanding sales of our ultra-high tensile products, which reduce the weight of car bodies and help to lower electricity costs, and by expanding the range of our specialty cold press method, which emits less CO₂ during production than conventional methods.

In plastic molding products, we will strengthen our product field and expand global sales by utilizing our soundproofing, vibration-proofing, and decorative technologies. In valve products, we will enhance cost competitiveness and promote high-quality manufacturing of TPMS and control valves for heat pump type car air conditioners, which reduce battery power consumption. The presence of Schrader, who we acquired in 2018, has been significant, and we are working together, including sharing technical and market information, and taking the opportunity to develop new customers globally and expand sales to emerging automakers.

We are also challenging ourselves in areas other than the mobility field, and our vision is to build the pillars of the next generation from scratch, through data business that solves social issues utilizing wireless, apps, the cloud, AI, and big data.

In this way, digital technology is becoming increasingly important in new business development and internal operational efficiency, and in 2022, we integrated the business of our subsidiaries responsible for information systems. Bringing our highly specialized personnel together on the same floor or manufacturing site to work on improvements is leading to speedier, more digitally-enabled new business creation and business innovation, and plays a driving role in our digital strategy.

Through these mid-to-long-term strategies, we have set some challenging financial targets: sales of 210 billion yen, an operating margin of at least 7%, and an ROE of at least 8% by FY2026, and an operating margin and ROE of at least 10% by FY2030. Although the negative impact of electrification is minimal, I think we have been able to consider these targets with a sense of urgency even in normal times, as we can only survive by continuing to challenge ourselves. We are also working to resolve social and customer issues through our products, setting business value targets of a 50% sales ratio for electrified vehicles in FY2026 and 70% in FY2030, and 15 new product or service launches in FY2026 and 35 in FY2030.

New value creation is always done by people

Our new plant located next to Higashi Ogaki Plant will play a major role in realizing these strategies and goals and creating new value. The 30 billion yen investment is a big one, but we decided to build the new plant as a strategic investment for the future, based on the increasing number of inquiries from customers for stamping products for electrified vehicles, and on concerns raised by employees about the existing plant. In addition to increasing stamping equipment and automating welding lines, we are also investing in decarbonization through the introduction of solar panels and the use of highly insulated structures.

In addition, we want to create a work environment in which individuals can exercise their strengths. We also pay attention to workplace design and layout to create a comfortable working space.

We have positioned this as a "global mother plant" that can extend its knowhow to our other plants. It will be a driver of growth, but it is the individual employees who put their soul into their workplace. Increasing the engagement of employees, who are the main players, is what will determine the success or failure of the plant, and we will continue to work to enable employees to play a proactive role.

The stamping plant is set to launch in November 2023, the machining building is scheduled to increase die and mold manufacturing capacity from December 2024, and the R&D building is due to start operating in 2025 with the aim of enhancing our ability to develop new plastic molding components and IoT related products.

The Ω (Omega) Project was launched to develop new business, and is a symbolic project to utilize employee initiative. In the past, new product development has involved the steady efforts of specialized departments to create new products, such as e-WAVES and Capsule Sense. This project, however, is an open call for proposals, and any employee can get involved in new business creation if they are motivated, even if they do not have a specific business idea.

This was made possible by a proposal from our technology development department, which received over 100 applications in the

first round. The intention is also to foster a more proactive attitude among employees, and to promote cross-functional collaboration to form teams across departments. We have established stages toward commercialization, such as hypothesis building and hypothesis testing, but even if we do not reach commercialization, I see this as a way to foster a culture of taking on challenges. This should contribute to our long-term corporate value through revitalization of our daily operations and strengthening of cooperation with other divisions, as well as innovation and the creation of new businesses that will become the new pillars of our company.

Equal and frank dialogue with employees and investors

With regard to the integration of sustainability and management, which is one of the basic strategies of our mid-to-long-term business plan, it is important to contribute to sustainability through our products. Through our mainstay products, such as ultra high-tensile products and TPMS, I believe we have helped to improve safety and fuel efficiency, but we are also accelerating the development of products for electrified vehicles, whose market share is growing on the back of decarbonization.

In addition, we have set "Sustainability Value Targets" for our management targets. As a manufacturing industry, we continue to focus on minimizing our environmental load, especially by reducing CO₂ emissions, and the most important aspect of this has been setting employee engagement as a management goal in order to empower our employees and achieve sustainable growth. Employee engagement is central to the seven themes of our human resources strategy, and I believe that by enhancing it, measures that lead to business growth will be improved and vitality will increase, which will in turn lead to a virtuous cycle of further enhanced employee engagement.

The key to this is to raise psychological safety and create a workplace where everyone can say and practice what they think. For example, we are focusing on creating a space where employees can freely express their feelings, such as regular discussions between executives and young employees where they can all voice their daily concerns and thoughts. As for the newly announced PURPOSE, mid-to-long-term business plan, and mid-term business plan, the important part is after their formulation, when we hold a series of executive-led briefings to deepen employees' understanding. I believe we should allow enough time for these ideas to sink in.

In my interactions with investors to date, I think I have always tried to communicate my thoughts frankly and constructively, and I intend to continue doing so willingly in my own words. We will continue to strive to be a company that provides long-term value to all those involved with us. We look forward to your continued guidance and support going forward.

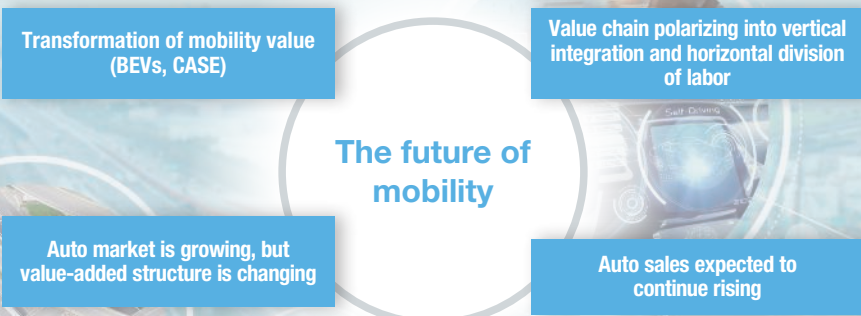
Market Environment, Risks and Opportunities

In formulating our mid-to-long-term business plan, we have taken a backcasting perspective, based on the long-term social changes expected by 2050, in order to identify the issues our company will face. We have also considered market changes expected by 2030, and believe that our business activities will be impacted by things such as the transformation of mobility value, worsening of sustainability issues, and advancements in digital technology.

Market environment awareness



The future of mobility



Risks and Opportunities

We endeavor to identify and mitigate management risks that also involve sustainability issues. Specific details are provided in the Annual Securities Report. We have identified the following opportunities, including electrification and the transition to carbon neutrality. Risks and opportunities related to climate change are disclosed in accordance with the TCFD.

Risks
Business activity risks
Finance risks
Climate change risks
Human rights risks
Compliance risks
HR and labor risks

Opportunities
Stricter safety and environmental regulations
Growth of the automobile market
Automobile restructuring
Application of AI and IoT
Energy saving / weight reduction
Carbon neutrality

Materiality of the Pacific Industrial Group

* KPIs related to this materiality are indicated with **KPI**

The Pacific Industrial Group as a whole aims to realize a sustainable society by organizing the 15 key issues (materiality) that we think will significantly impact our company and its stakeholders into four pillars, identifying which SDG themes to focus on, and then working to achieve each specific goal.

The non-financial value targets of our mid-to-long-term business plan, Beyond the OCEAN, are related to this materiality, and we have set particularly important indicators as management targets. Refer to the Sustainability Data Book 2023 for the process of materiality identification.

1 Fostering trust with stakeholders



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

Particularly relevant SDGs



2 Solving social and customer issues through products



- Contribution to a sustainable mobility society and prosperous living

Management targets

No. of new products and services launched

- Improving mobility safety

- Development of environment-conscious products

Management targets

Sales ratio for electrified vehicle products

Particularly relevant SDGs



3 Minimizing environmental load



- Mitigation of and adaptation to climate change

Management targets CO₂ emissions

- Sustainable resources use
- Conservation of water resources

Particularly relevant SDGs



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

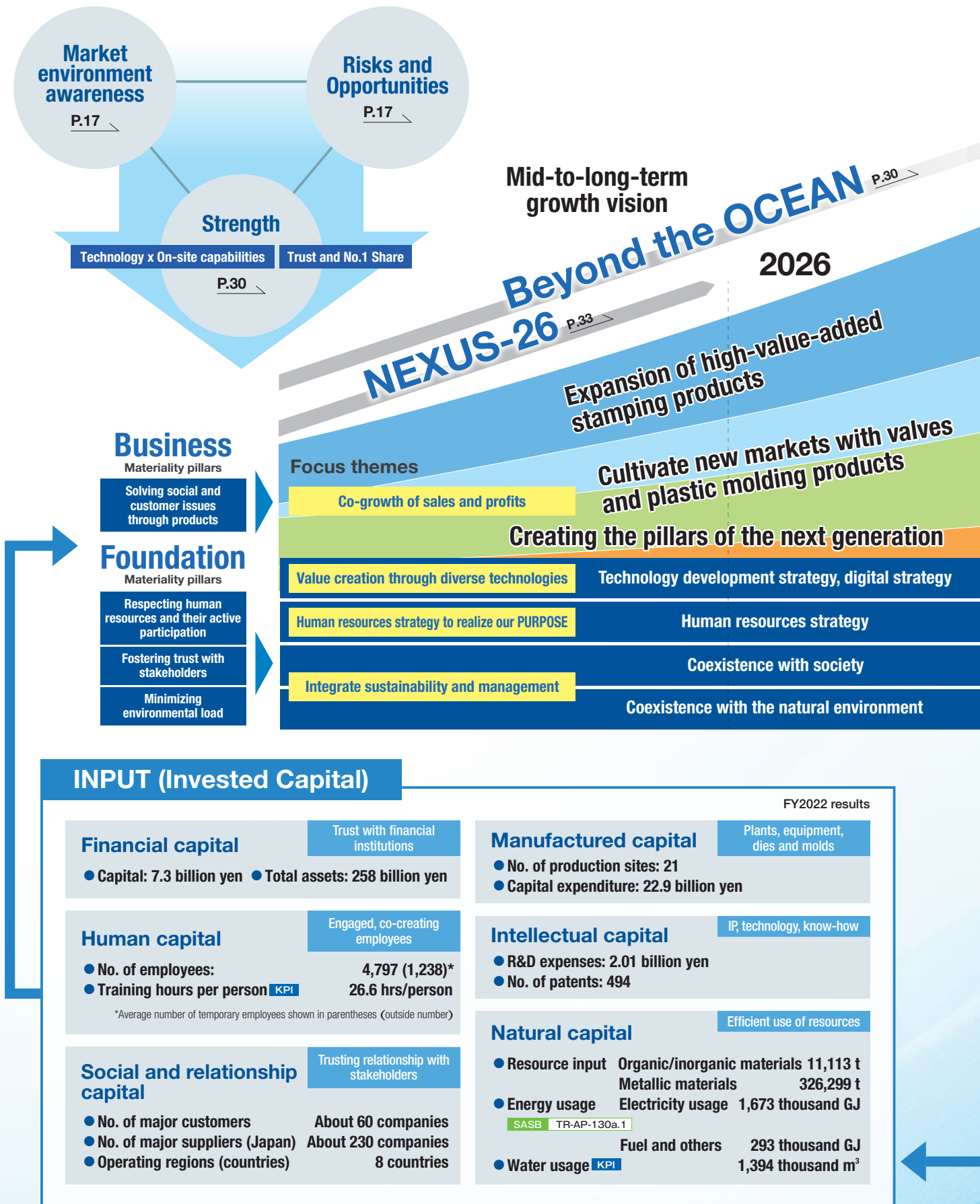
Management targets

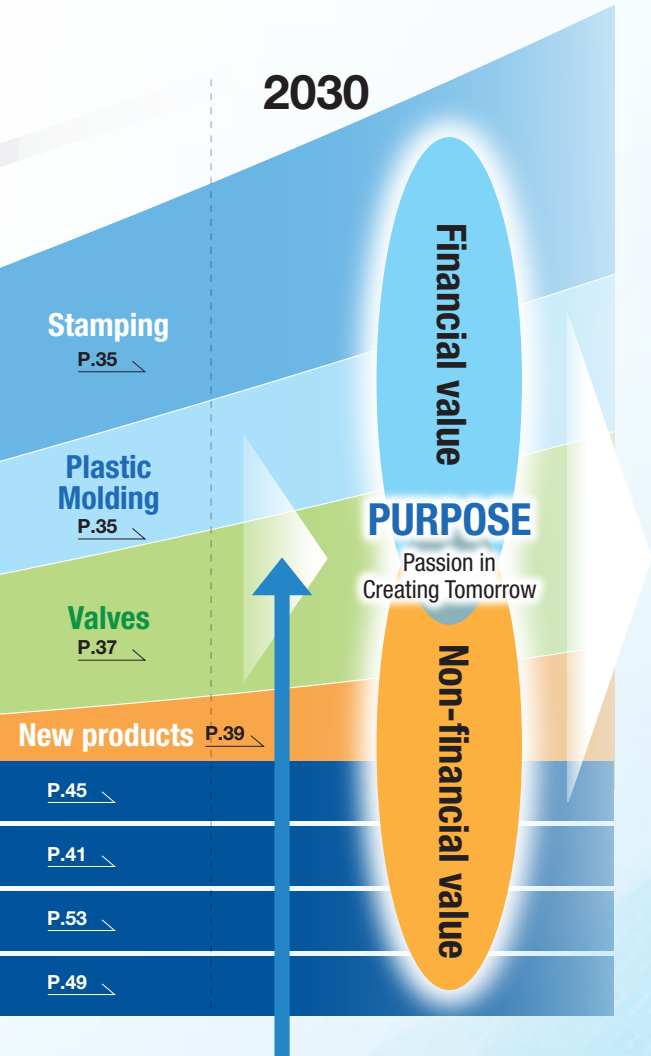
Employee engagement

Particularly relevant SDGs



Pacific Industrial Group's Value Creation Model





OUTCOME (Created Value)

FY2022 results

Financial value

Achieving co-growth of sales and profits, provide appropriate returns

Management targets	Sales	191.2 billion yen
Management targets	Ratio of operating income to sales	4.9%
Management targets	ROE	7.0%

Value created by technology and products

Solving social and customer issues through products

Resolving social and customer issues through safety, security, comfort, reduction of environmental impact, creation of social value, etc.

Management targets	Sales ratio for electrified vehicles	29.1%
KPI	Ratio of UHTSS versus all stamping products	24.9%
KPI	No. of TPMS products and TPMS valves sold	106 million
Management targets	No. of new products and services launched	1 case

Value to employees

Respecting human resources and their active participation

Improve employee well-being

Management targets	Employee engagement	Under measurement
KPI	Implementation rate of Human Rights Survey(SAQ)	43%
KPI	Lost-time injury frequency rate	0.64
KPI	Rate of females in management positions	Group 10.3% Pacific Industrial 3.3%

Value to stakeholders

Fostering trust with stakeholders

Coexist and be happy with stakeholders

KPI	Implementation rate of Code of Conduct survey self-assessment	43%
KPI	No. of recalls issued	0
KPI	Company ratio (purchase amount base) for survey of supplier compliance with "Supplier Sustainability Guidelines" (Pacific Industrial)	80% or more
KPI	No. of social contribution activities implemented	112

Value to the natural environment

Minimizing environmental load

Conducting projects to pass on natural environmental riches to future generations

Management targets	CO ₂ emission reduction ratio (compared to FY2019)	18.4% reduction
KPI	Waste emission reduction ratio (compared to FY2019)	13.5% reduction
KPI	Water usage reduction ratio (compared to FY2019)	20.1% reduction

*Refer to the Sustainability Data Book 2023 for details on materiality based KPIs and initiatives.

OUTPUT (Products)

Stamping and plastic molding products



Valves and TPMS products



IoT products




Value cycle

Ultra-high-tensile strength steel, environmental value

Our company's analysis technology is essential for proposing products that achieve both the low silhouette and the seat-to-ceiling height of the new Prius. In the development stage, we analyze the cross section of a vehicle to determine whether it meets customer performance requirements, and verify whether there are any stamping forming failures using forming CAE analysis*. In addition, we worked with our customers to create the optimal shapes for three types of roofs - normal, panoramic, and solar - with good quality for a reasonable cost and with consideration for the overall productivity of the manufacturing process. In recognition of these results, we received the Project Prize from Toyota Motor Corporation.

*CAE analysis
Stands for Computer Aided Engineering, which is simulation and analysis using a computer.



In addition to this product, our products are installed in the locations shown with .

Creating a side impact analysis model has enabled in-house evaluation of vehicle crash performance.

I.H., Design Development Sect., Stamping & Plastic Molding Business Group



We aim to further improve customer satisfaction by making customer proposals in the early stages of vehicle development, enhancing the analysis environment, and facilitating teamwork.

M.Y., Simultaneous Engineering Promotion Sect, Stamping & Plastic Molding Business Group



PRIUS

We gave careful explanations and proposals to satisfy both customer needs and our molding requirements.

A.M., Simultaneous Engineering Promotion Sect, Stamping & Plastic Molding Business Group



In order to achieve the target shape, CAE analysis was done to examine the stamping direction and method.

H.T., Simultaneous Engineering Promotion Sect, Stamping & Plastic Molding Business Group



combining economic value with



We are promoting product development that contributes to decarbonization through improved mobility safety and weight reduction, by making stamping products for body frames as thin as possible while increasing their strength. In particular, we are actively proposing the replacement of the hot stamping method with the cold stamping method, which is our specialty, as it is superior to the hot stamping method in that it can reduce CO₂ emissions during production to about 1/8 (according to our own calculations.) In addition, we have further advanced our structural analysis technology and are participating in projects from the initial stage of vehicle development. By proposing various solutions, we have achieved an optimal structure for individual skeletal units that achieves both weight reduction and high rigidity, thereby contributing to our customers and gaining their trust. Through these activities, we have received many orders for major body parts for Toyota's new Crown and Prius models.



We suggested additional shapes to customers. It was difficult to find the optimum placement for both soundproof and vibration-proof performance.

S.N., Simultaneous Engineering Promotion Sect, Stamping & Plastic Molding Business Group



We examined shapes enabling quality assurance and adopted a method to suppress springback*.

M.K., Simultaneous Engineering Promotion Sect, Stamping & Plastic Molding Business Group

*Spring-back
The phenomenon of a high-tensile strength material returning to its original shape when released from a mold during stamping forming due to that material's hard-to-stretch but easy-to-bend characteristics.

CROWN



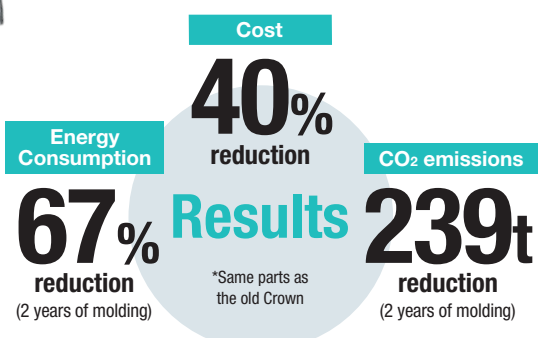
We worked to reduce springback and accuracy variations, optimize mold stiffness, and stabilize transport.

T.A., Industrial Machinery Section, Stamping & Plastic Molding Business Group



We created products from cold-rolled steel materials with low CO₂ emissions. This has become a technology we can be proud of while contributing to the SDGs.

Y.T., Simultaneous Engineering Promotion Sect, Stamping & Plastic Molding Business Group



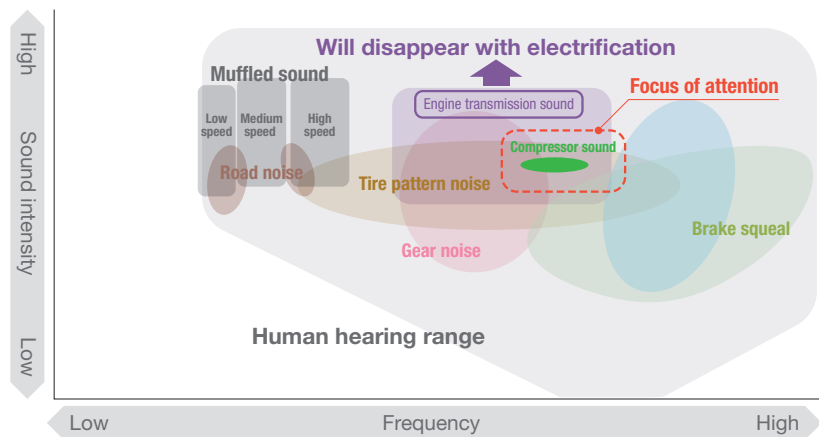
With the new Crown, we succeeded in switching to cold-stamping ultra-high-tensile strength steel in skeletal parts, which used to be made by the hot stamping method. High fracture strength is required from the viewpoint of collision safety, and there are many shape restrictions and high precision requirements for vehicle design and driver visibility. Until now, the hot stamp method was thought to be the only way to manufacture these parts, but we proposed a new, different method from the early stage of vehicle development. Thanks to the enthusiasm and teamwork of our engineers, mass production was realized. In recognition of these results, we received the Project Prize from Toyota Motor Corporation.

Plastic Molding Products Emerging as Pillar of Growth in the Electrified Vehicles Era

With the progress of vehicle electrification, noise from compressors, etc., previously masked by engine noise, is now compromising comfort, and so noise reduction measures are required. In addition, there is a rapidly growing need to improve electric efficiency in place of the fuel economy previously demanded of gasoline-powered vehicles, and weight reduction and aerodynamic performance that contribute to the improved electric efficiency are being looked at closely. We are enhancing soundproofing and vibration-proofing, aerodynamic control, and decorative technologies, which are the strengths of our plastic molding business, and increasing their use in Electrified Vehicles. We are also strengthening sales expansion to a wide variety of customers, including mega-suppliers and overseas companies.

New soundproofing needs emerge in Electrified Vehicles

Our urethane parts have been used mainly for sound insulation against engine noise. They have also been adopted in electric compressors, thanks to the development of a new material effective in reducing noise from electric compressors, as well as to our extensive track record in engines.

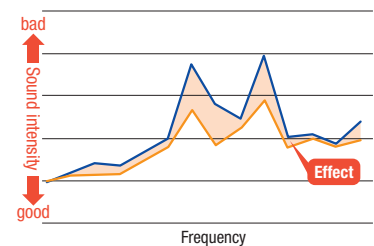


High soundproofing effect achieved

Target Value
3.0dB
or greater sound proofing effect

Result
3.5dB
or greater sound proofing effect

*Results with our measuring equipment



The newly developed product can be attached to the compressor using the claw shape set on the main body. This eliminates the need for fastening with peripheral components, enabling a wider range of applications with different compressor shapes. In order to achieve a shape that will not fall off even when subjected to a severe vibration load or external impact, we were able to conduct an efficient study utilizing acoustic CAE analysis and 3D printers to eliminate the need for prototypes.

S.K., Design Development Sect., Stamping & Plastic Molding Business Group



NV evaluation device

*The above measurements are done with a separate dedicated device

1 Global sales expansion
(especially in ASEAN regions)

2 New customer development
(especially mega suppliers)



Toyota bZ4X



Rim design revealing unique plastic molding

Achieve both weight reduction and aerodynamic performance, and improve electric efficiency with KAIZEN activities.



The bZ4X wheel caps are painted in two colors with a smaller ratio of silver surface, creating a high-quality, aluminum wheel-like design. Thin silver surfaces spreading radially create a sense of detachment from the outside, making the diameter of the wheels look larger by a foot's length. The outer rims of the wheels have fine ribs that can only be achieved with plastic, giving the black surface an expressive look.

T.N., Design Office, Stamping & Plastic Molding Business Group

Our wheel caps have been mainly used as decorative plastic molding products on steel wheels, but they are increasingly being adopted on aluminum wheels, including those for the Prius. Toyota's new BEV bZ4X features our wheel caps on its large 18-inch aluminum wheels.

The light weight and aerodynamic performance of wheels (rectification of air flowing along the sides of a vehicle) have conflicting characteristics. Since the mass of an aluminum wheel tends to increase when the wheel alone satisfies aerodynamic performance, combining our wheel caps with lightweight aluminum wheels achieves both of these conflicting characteristics, helping to improve the vehicle's electric cost.

Episode 03

Supporting thermal management essential for Electrified Vehicles



Materiality

- Improving mobility safety
- Development of environment-conscious products

Business value targets in Beyond the OCEAN

Sales ratio for electrified vehicles **FY2022 29%** ▶ **FY2030 70%**

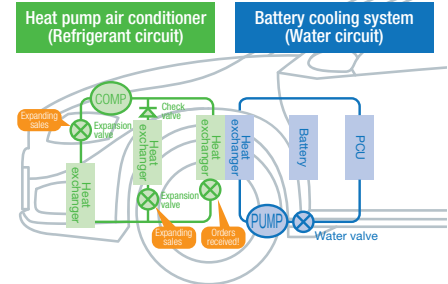


Against the backdrop of the severe impacts of climate change, the global mobility market is rapidly shifting toward electrification. In 10-15 years, our major market is projected to be mostly electrified vehicles. We have set a management target of 70% of sales for electrified vehicles in FY2030, and are promoting the development and sales expansion of products for electrified vehicles as a key measure. Within this context, we are particularly focused on electric expansion valves that contribute to the field of thermal management, where market expansion is expected.

Thermal management and expansion valves

BEVs require a heat management system not only for heating and cooling the interior, but also for temperature control of batteries and other components, which is why more efficient heat pump air conditioners are being adopted. Electric expansion valves play an important role in controlling the refrigerant in the system.

System diagram



Mass production of electronic expansion valves started!



World's smallest class compact and lightweight design

For the first time, our expansion valves used for battery cooling have been adopted by customers, and mass production started in May of 2023. Our products are compact and lightweight, yet offer both the features and quality that meet customer needs. In mass production, we strive for high precision, high productivity, and minimum cost by focusing on automation, machining points, and the flow of the line.



Electric expansion valve production line

Creating synergy through collaboration among the world's three major regions

Europe

Developing and proposing a diverse product lineup to a wide range of customers



Japan

Overseeing the development of core technologies such as valve technology and electronic technology, and expanding globally

US

Leveraging Japanese and European technologies, from awareness activities to customer acquisition



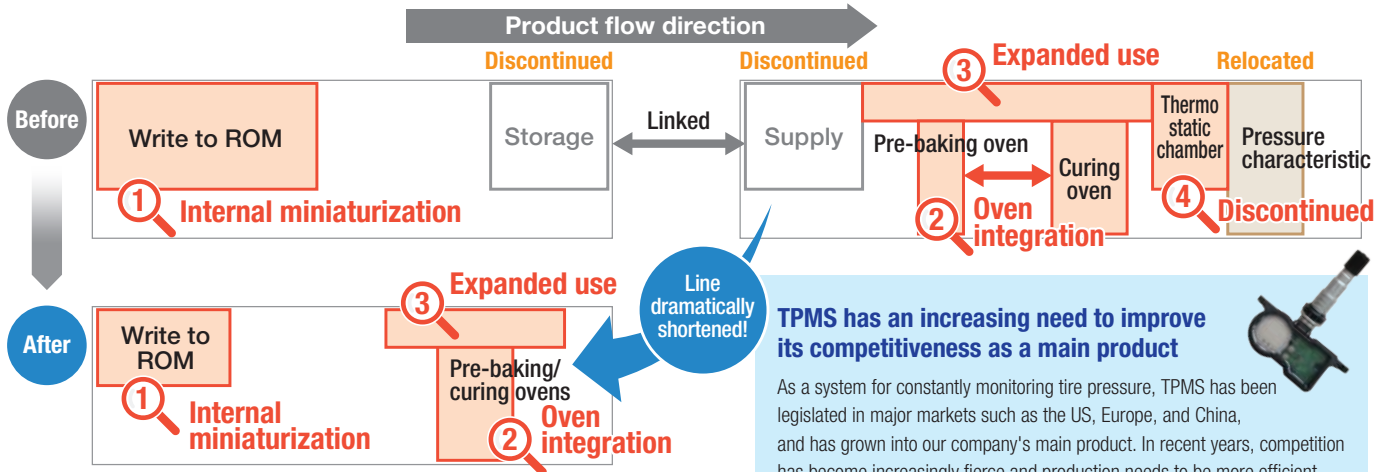
Episode 04

Development of the TPMS compact general-purpose line

Materiality

- Improving mobility safety
- Development of environment-conscious products

Based on our long-standing aim to be the top TPMS manufacturing company and desire to innovate our production line to contribute to cost reduction, the Valve & TPMS Business Group has developed a compact general-purpose line by combining the wisdom and ingenuity of team members with inspiration and ideas that are not simply an extension of the existing line. The new line has cut costs by 50%, reduced space by 51%, maintained current capacity, achieved general-purpose use, and reduced CO₂ emissions by 42%.



TPMS has an increasing need to improve its competitiveness as a main product

As a system for constantly monitoring tire pressure, TPMS has been legislated in major markets such as the US, Europe, and China, and has grown into our company's main product. In recent years, competition has become increasingly fierce and production needs to be more efficient, so we have been making efforts accordingly.

POINT 1 Downsizing by in-house production of equipment

Three units - a substrate feeder, ROM writer, and substrate divider - have been manufactured in-house to reduce their size.
Y.K., TPMS Production Engineering Group, Valve & TPMS Business Group



POINT 2 Oven integration

The pre-baking oven1 and curing oven2 were combined into one instead of making them bigger.
T.N., TPMS Production Engineering Group, Valve & TPMS Business Group



Notes 1. Pre-baking oven: For preheating 2. Curing oven: For hardening potting material

POINT 3 Making facilities general-purpose

Workpiece transfer chucks and work receiving jigs have been improved and made general-purpose. We have also conducted preliminary evaluations using a 3D printer.
Y.K., KAIZEN Team 1, TPMS Production Engineering Group, Valve & TPMS Business Group



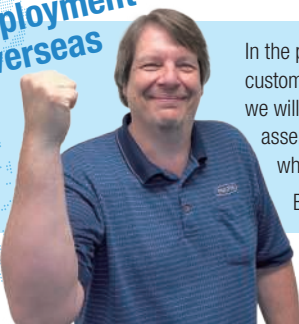
POINT 4 Discontinuation of thermostatic chamber

The elimination of a thermostatic chamber used for cooling workpieces from high to ambient temperature was achieved by relocating the inspection machine that inspects pressure at ambient temperature to the post-process and allowing workpieces to cool naturally.
T.H., TPMS Production Engineering Group, Valve & TPMS Business Group



Deployment Overseas

In the production of our G-type TPMS for North American customers, we currently have a two-line system, but from FY2024 we will be able to build a three-line system in our existing assembly room by making the lines more compact, which will also expand our business scale.
B.B., PMO



Launching our E-type and G-type compact general-purpose lines has greatly reduced lead times and secured more space than conventional facilities, which has helped us a great deal.
W.Y., PTC



Episode 05

To Creation of New Value Ω Project Launched



In the process of formulating our new mid-term business plan, the challenge of new fields and the use of human resources through our Purpose were raised, leading to the launch of a new business development project based on a spontaneous proposal from our technology development department. Recalling the spirit of our company's founder, who boldly took on the challenge of producing valve cores from the earliest days of the domestic automobile market, we called the project "Omega," evoking the "spirit of the inchworm" espoused by our founder, a reference to the shape of the omega character "Ω". With support from management, more than 100 employees responded to an open invitation, and the creation of a culture of challenge based on our Purpose was set in motion.



Through projects to create things that people wish existed in the world, we want to develop products with needs and value that people can really relate to.

M.T., Valve Production Engineering Group
Valve & TPMS Business Group

Comments from participants



I felt as if unknown possibilities had opened up, bringing us closer to solving major social issues that had never been tackled before through collective knowledge.

Y.E., Corporate Planning Department,
Corporate Planning Center

Business value targets
No. of new products and services launched
(from FY2023)

FY2026 targets
15 cases

FY2030 targets
35 cases



Logo signifying the Spirit of the Inchworm and our aim for the ultimate.

POINT 1

Fusion of top-down and bottom-up



The president fully backs the project which started with employees' passion

POINT 2

Many participants in open invitation

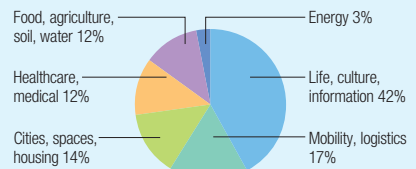
Results of submissions

Relative to target
156%

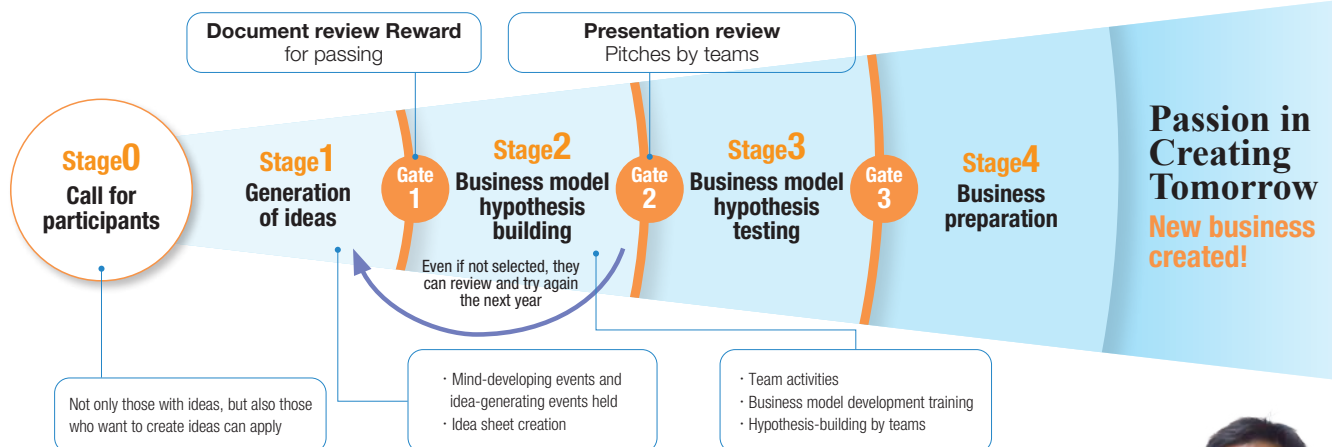
No. of participants
106

POINT 3

Themes that capture growth markets



*Classified according to "136 Promising Growth Areas in 2030 to Create the Future" by Astamuse Co., Ltd.



From now on, it will be more important than ever not to be satisfied with our existing skills and technologies, but to think about what we can do to resolve social issues and to evolve in line with changes in our environment. In this project, many colleagues who share this belief got together of their own accord. Although the project has only just started, I want to move forward one step at a time with my colleagues, create new value and new businesses, and bring a smile to people around the world.

Project leader: K.K., Product Planning Group, Valve & TPMS Business Group



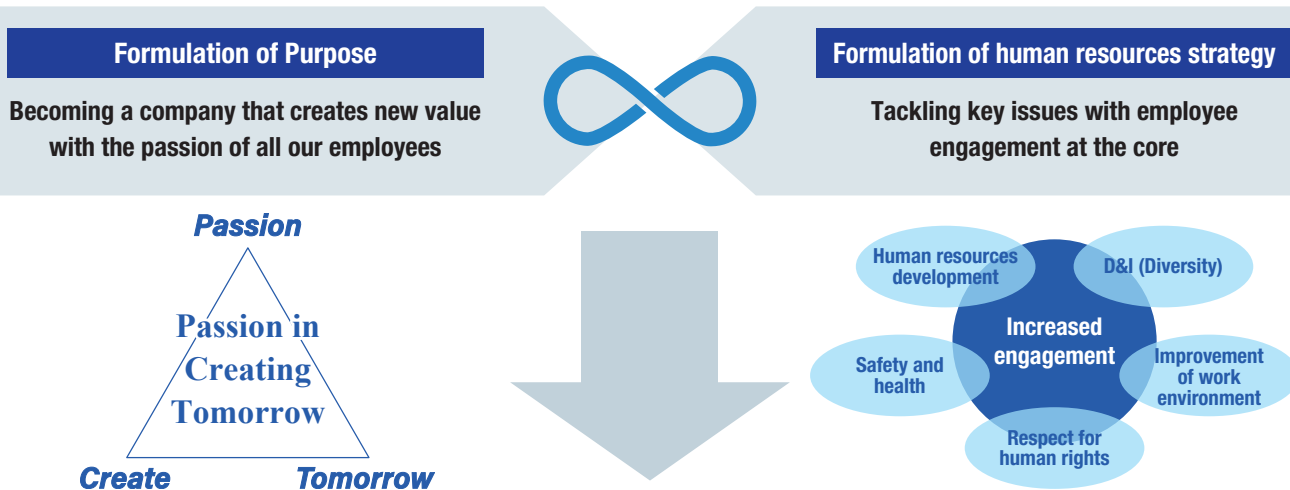
Episode 06

PURPOSE and Engagement



In the spring of 2023, the Group established its PURPOSE and announced its mid-to-long-term business plan and mid-term business plan, including a human resources strategy. This human resources strategy reaffirms the company's raison d'être and promotes efforts to ensure that our human resources, who are the mainstay of our PURPOSE, play an active role. Through such efforts, we will give shape to our PURPOSE.

PURPOSE and Strategy development



Efforts to bring PURPOSE and strategy to life



To Creation of New Value

The formulation of a mid-to-long-term business vision and plan

Mid-to-long-term Business Plan

Mid-term Business Plan

Beyond the OCEAN × **NEXUS-26**

Under the harsh and unpredictable business environment known as VUCA, we have formulated a new mid-to-long-term business plan, Beyond the OCEAN, not by just updating our mid-term business plan as in the past, but by adopting a back-casting perspective based on our long-term vision and considering the opinions of all divisions, including global operations. Beyond the OCEAN was compiled based on the three perspectives of "PURPOSE" to pursue any environmental changes, "long-term strategy" to grasp environmental changes and make our moves, and "resilience" to adapt even if the environment turns out differently than expected. As a mid-term milestone, our mid-term business plan, NEXUS-26, covers the four-year period through FY2026 and includes the concepts of "connecting values," "connecting with bonds," and "group management." We hope to continue to create new value through Beyond the OCEAN and NEXUS-26.

**To be a company
that is needed in the VUCA era**

PURPOSE

that will be pursued
no matter what environmental
changes occur.

Beyond the OCEAN

Long-term strategy

to grasp environmental
changes and make
strategic moves.

Resilience

that can be applied even
when the environment is
different from
what is expected.

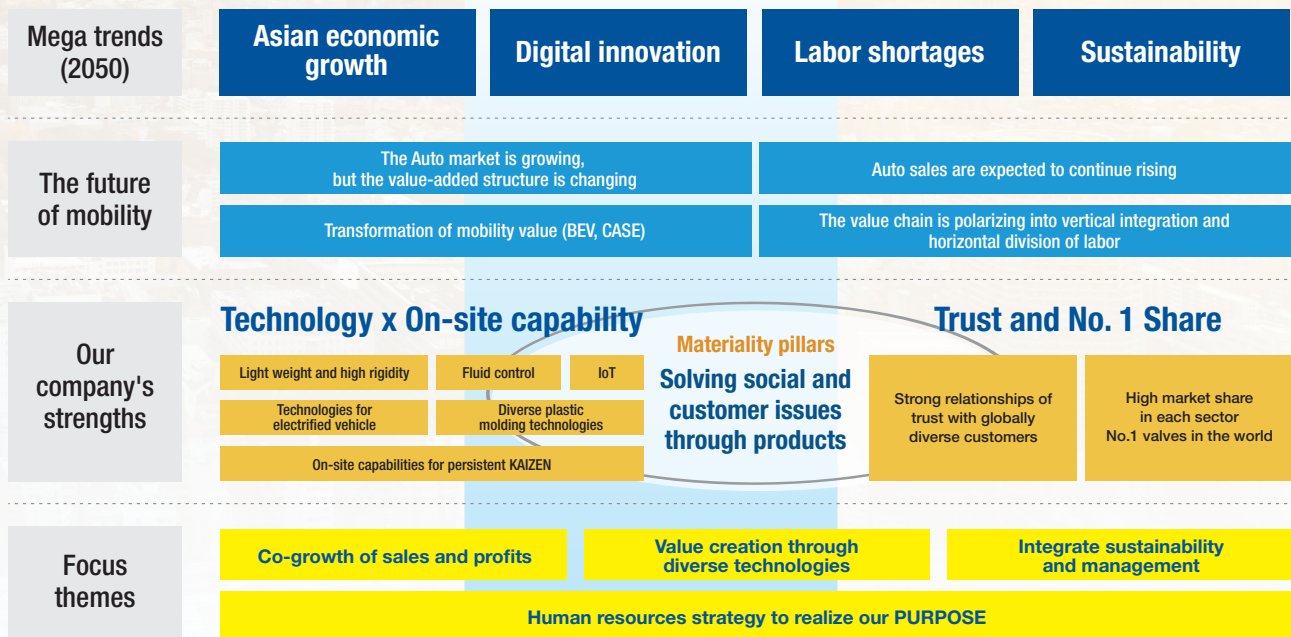
Mid- to-long-term Business Plan

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 technologies," 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



Mid- to-long-term Business Plan **Beyond the OCEAN**

From Manufacturing to Value Creation

Envisioning our mid-to-long-term growth, we will first enhance our “foundation”. It is important to recognize the links between our company, society, the environment, and our business in order to prevent negative impacts and create positive value. The key to this is our employees. Through our “Human resources strategy to realize our PURPOSE,” we will empower our employees and create value through our diverse technologies, thereby maximizing our business strategy to achieve “Co-growth in sales and profits”.

Our business strategy is to further enhance the profitability of our core stamping business by reducing weight and introducing high-value-added products into the electrified vehicles sector, and to deepen ties with key customers. In the valve business and plastic molding business, we will utilize our sealing, soundproofing and vibration-proofing technologies to boldly develop the electrified vehicles market with not only car manufacturers but also mega-suppliers. We will also actively take on challenges outside the mobility field, leveraging our core technologies to build the pillars of the next generation from scratch through products that solve social issues.

Through these mid- to-long-term strategies, we will be able to create value in both financial and non-financial sectors. They are also consistent with our materiality about sustainability and are integrated into our management objectives.

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. The current long-term strategy 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

Becoming a company that continues to grow through adversity by improving its ability to adapt to any environmental change

Diverse human resources are active

- Improve ability to adapt to environmental change
- Challenging spirit for change
- Creating an environment where everyone can be active

P41
Human resources strategy

Expansion of business sectors

- Diversification of customers and products in the mobility sector
- Creating new businesses that solve social problems

P35~
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

P53

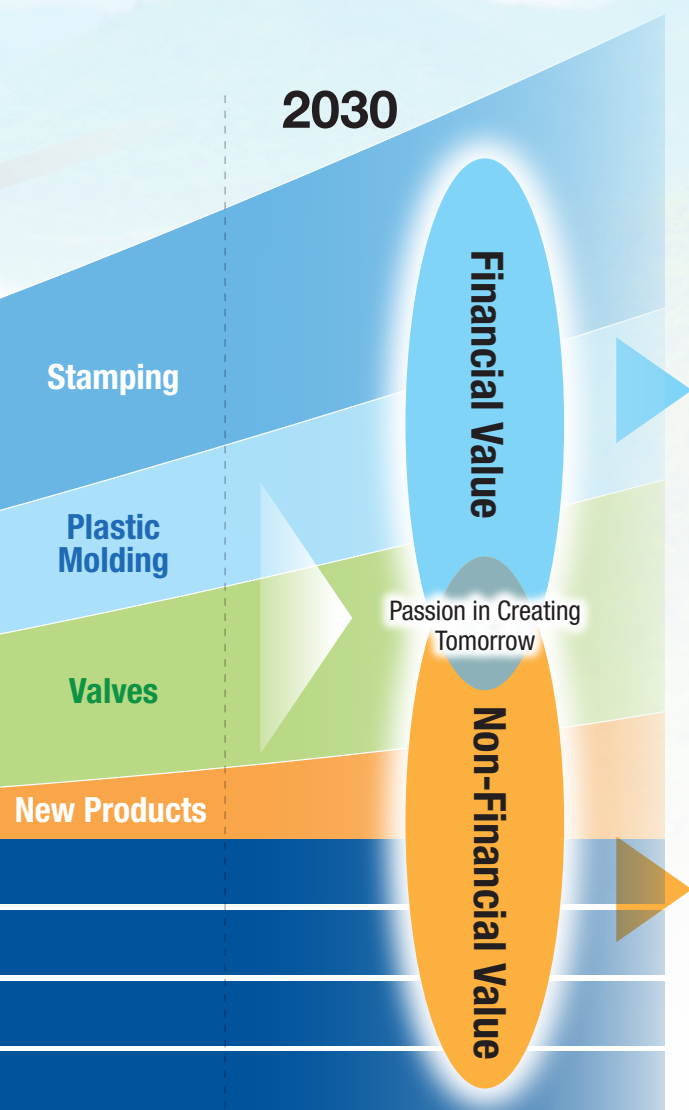
Appropriate financial level

- Financial position to withstand major change
- Improve efficiency by being aware of the cost of capital even for growth investments

P55
Financial strategy

Risk management

Comprehensively view risks and opportunities globally and implement PDCA cycles



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	FY2030 targets
		50%	70%
New business	No. of new products and services launched (from FY2023)	FY2026 targets	FY2030 targets
		15 cases	35 cases

Sustainability value targets

Empower employees to achieve sustainable growth

Human capital	Employee engagement	FY2026 targets	FY2030 targets
		Establish mid- and long-term targets after first survey implementation in FY2023	
Natural capital	CO ₂ emissions	30% reduction	50% reduction
		(Scope 1 and 2, group, compared to FY2019)	

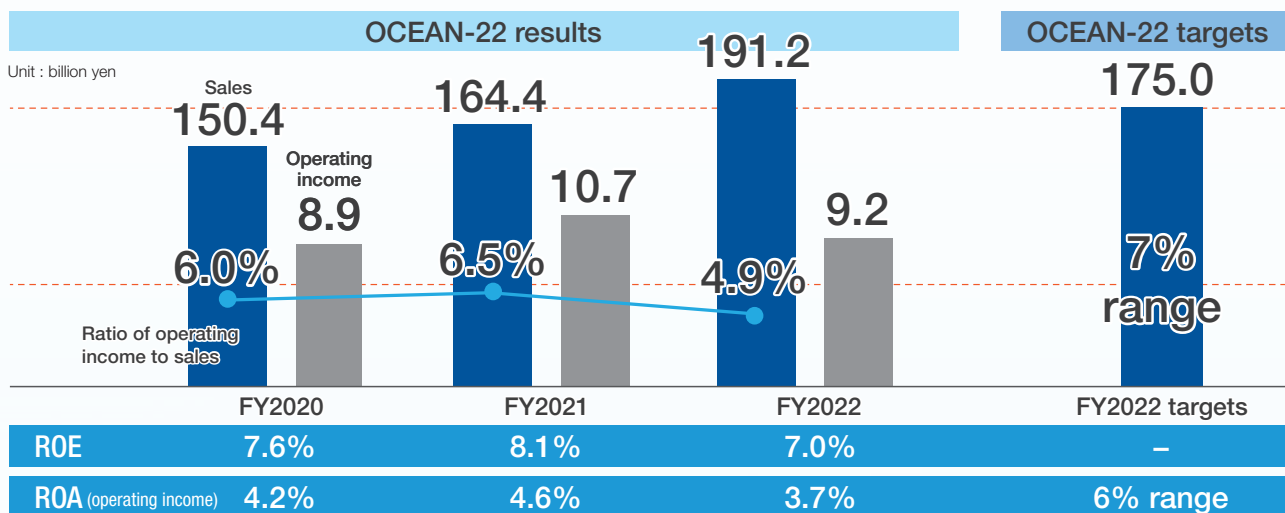
Mid-term Business Plan

NEXUS-26

As a result of our previous mid-term business plan, OCEAN-22, our business performance steadily improved in a challenging environment, and we made progress in cold-stamping ultra-high-tensile strength steel technology, electrification technology, and new business development. We have also been actively engaged in sustainability management, for which we have achieved a certain level of recognition. The challenge is to increase our profitability and capital efficiency and, to this end, to combine different technologies and improve our competitiveness. It is also important to integrate sustainability into our strategy, and to become a company in which diverse human resources play an active role and people can grow. The four focus themes outlined in our mid-to-long-term business plan are linked to resolving these mid-term issues.

Review of OCEAN-22

Sales targets were achieved but operating income to sales and ROA targets were not



Ratio of operating income to sales and ROA targets were not achieved due to production fluctuations and material price hikes caused by the impact of Covid-19 and semiconductor shortages.

OCEAN-22 review and NEXUS-26 positioning

Steadily overcoming challenges and achieving sustainable growth

OCEAN-22 Results and Challenges

	Business aspect	Foundation aspect
Results	<ul style="list-style-type: none"> Achievement of record-high sales and profits in FY2021, despite a challenging environment, due to on-site capabilities to withstand production fluctuations, etc. Establishment and expansion of cold-stamping ultra-high-tensile strength steel technology and mass production Evolution of technological development toward vehicle electrification Launch of new products using core technologies 	<ul style="list-style-type: none"> Sustainability and materiality topics identification PACIFIC Environmental Challenge 2050 formulated Improved external evaluation of EcoVadis, CDP, etc. Human rights policy formulation Certified as an excellent health management corporation
Challenges	<ul style="list-style-type: none"> Increase profit margins and capital efficiency Fusion of technologies across business lines 	<ul style="list-style-type: none"> Integrate sustainability and management strategy Promoting diversity and fostering the next-generation of human resources

NEXUS-26 Focus Themes

Focus themes	Co-growth of sales and profits	Value creation through diverse technologies	Integrate sustainability and management
	Human resources strategy to realize our PURPOSE		

We have organized our business-specific aims into four themes. Regarding stamping, on the basis of 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, vibration-proofing, and decorative technologies 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

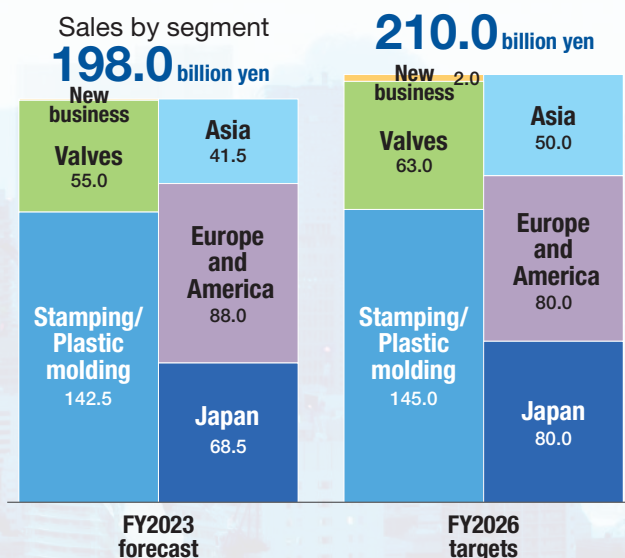
	FY2026	Sales and profit growth image compared to FY2022	FY2030	Sales and profit growth image compared to FY2026
Stamping	<ul style="list-style-type: none"> Product creation that contributes to decarbonization Improved manufacturing and technical capabilities Production technology innovation Establishment of solid business base 	Sales ↑ Profit ↑	<ul style="list-style-type: none"> Becoming a high-value-added business chosen in the decarbonization age Establish cost competitiveness surpass other companies through innovation in production technology 	Sales ↑ Profit ↑
Plastic molding	<ul style="list-style-type: none"> Expansion into new areas with soundproofing, vibration-proofing, and decorative technologies Develop new customers globally Strengthen ability to develop materials and products that meet customer needs 	Sales ↑ Profit ↑	<ul style="list-style-type: none"> New market creation by applying sound-proofing, vibration-proofing, and decorative technologies Shift to a circular economy 	Sales ↑ Profit ↑
Valves TPMS	<ul style="list-style-type: none"> Develop and provide smart products with an eye toward vehicle electrification Combine technologies to continuously plan and propose high-function, high-value-added products 	Sales ↑ Profit →	<ul style="list-style-type: none"> To a development-oriented business that provides functions with high technology Create new pillar of business with products for electrified vehicles 	Sales ↑ Profit ↑
New products	<ul style="list-style-type: none"> Explore new business areas following the logistics and livestock industries Exploitation of existing areas 	Sales ↑ Profit ↑	<ul style="list-style-type: none"> Becoming a company that can solve social issues through IoT products and systems Make data business a pillar of new business 	Sales ↑ Profit ↑

↑ 10% or more
 ↗ Less than 10%
 → Flat

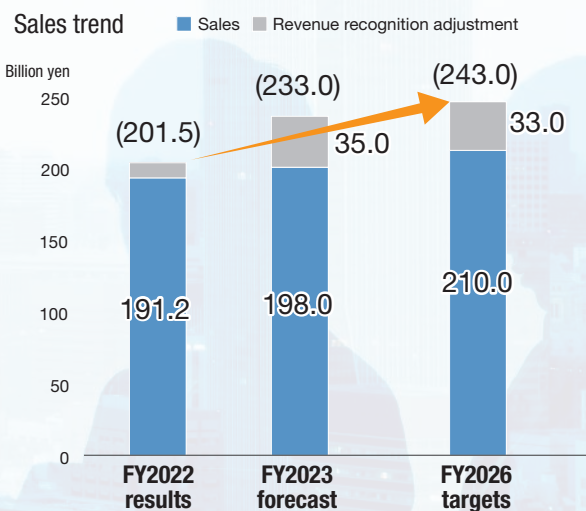
Sales targets by segment

*The fiscal year 2023 forecast reflects the full-year business forecast as of the announcement of the second quarter financial results for the year ending March 2024.

Growth in each business and region



At the standard before change in revenue recognition criteria, average annual growth rate over 4 years is 5%

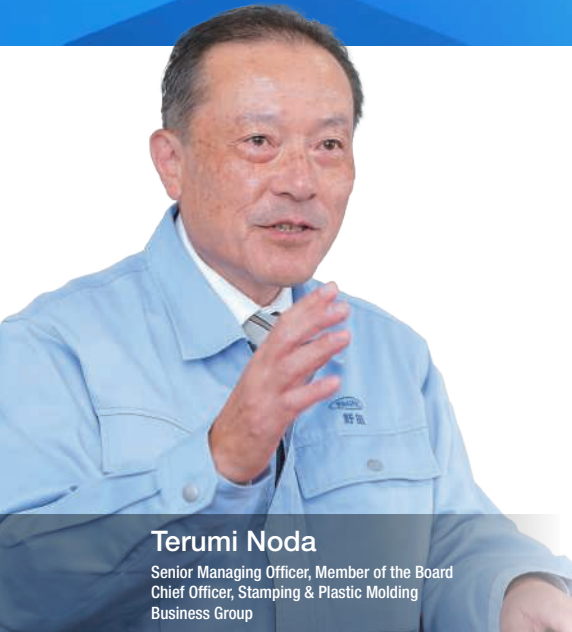


Business strategy

Stamping and plastic molding product business

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 sound and vibration insulation technology.



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

Growth strategy

As a "proposal-based technology group," we will expand our high-value-added products globally.

The strength of our stamping business is our ultra-high-tensile strength steel technology, which can contribute to decarbonization by reducing weight. We will also upgrade our vehicle body structural and collision analysis technologies and, as a proposal-based technology group able to contribute from the early stages of vehicle development, expand our high-value-added products on a global scale.

In addition to increasing added value, an important issue is strengthening cost competitiveness. The new stamping facility at the Higashi Ogaki Plant, which is scheduled to start operation in fall 2023, will also provide an advantage in terms of cost reduction. In our shift to smart factories that will dramatically improve employee comfort and productivity, we have positioned this as our global mother factory, from which we will extend our accumulated experience and technologies to other bases both in Japan and overseas. In particular, we will focus on measures to strengthen our profitability, including the localization of overseas bases where there is potential for growth. In addition, to improve the competitiveness of the entire supply chain, we will work closely with suppliers to further enhance a sense of unity and to strengthen their structure through KAIZEN activities.

Our plastic molding business is relatively capital-efficient, and in our new mid-term business plan, we positioned it as a growth business that can expand sales to a variety of customers. Leveraging our strengths in sound proofing, vibration-proofing, and decorative technologies, we will accelerate the development of new products and the expansion of sales to new customers. We will strengthen development of plastic materials and products based on decarbonization and a circular economy, simultaneously expanding new sales to mega-suppliers globally, including the US, ASEAN, and India.

The most important factor for achieving these things is human resources. We are working to create a workplace with enhanced psychological safety so that all employees, who are the future of the company, can face new challenges and engage in KAIZEN activities such as cost, safety, and environment on their own initiative. We will continue to create such a corporate culture to enhance employee engagement and profitability.

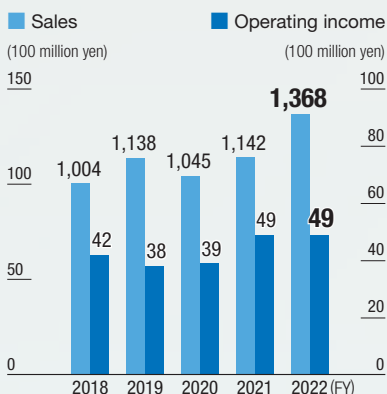
What we aim to be by 2030

Stamping

- To survive in the era of decarbonization, we will become a "proposal-based technology group" and create high added value

Plastic molding

- Establish cost competitiveness to surpass other companies through innovation in production
- New market creation applying soundproofing, vibration-proofing, and decorative technologies
- Shift to a circular economy



Overview of year ending March 31, 2023

Overall sales in this segment totaled 136,806 million yen (up 19.7% year on year) due to the impact of currency conversion resulting from depreciation of the yen and fluctuations in raw material prices. By region, Japan accounted for 55,622 million yen (up 4.3%), Europe and the US for 52,964 million yen (up 34.7%), and Asia for 28,220 million yen (up 30.5%), with overseas sales accounting for 59%. In terms of profit, our base in Tennessee, USA was particularly affected by fluctuations in production volume due to the semiconductor shortage, decreased profitability due to increased labor turnover, and higher costs due to soaring prices for energy and other materials. However, operating income was 4,977 million yen (up 1.1% year on year) due to an increase in sales volume resulting from a recovery in production volume at bases in Japan, Europe, the U.S., and Asia, as well as improved profitability resulting from stabilized production from stabilized production and cost improvement.



Materiality

- Improving mobility safety
- Development of Environment-conscious products

Focus themes Creating value with our cold stamping and body structure analysis proposals

Our group specializes in the cold stamping method, which can reduce CO₂ emissions to about 1/8th of the hot stamping method (according to our own calculations). We also participate in the development of our customers' vehicles from the early design stages, exploring their issues and needs with the aim of creating work with high added value.

Utilizing our body structure analysis technology, we actively propose optimal body structures, such as by switching to the cold stamping method, reducing weight, and reducing the number of parts. We will promote weight reduction proposals while maintaining collision safety, so that we can lower our environmental impact but also achieve safety and secure.



Cold stamping process

Focus themes Switching to smart factories and automation

We are promoting labor saving and productivity improvement by switching to smart factories and automation, and have positioned the new stamping facility at the Higashi Ogaki Plant as a model plant. We have introduced automatic guided vehicles, or AGVs, and are promoting the networking of production facilities and transport equipment. Using a real-time production performance collection system and visualization of infrastructure and energy, we can take immediate action in the event of an anomaly, dramatically improving facility mobility. In addition, the use of AI cameras in the inspection process and image recognition technology for visual inspections has greatly contributed to the improvement of quality and productivity.

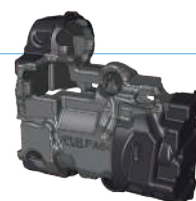


Inspection using AI

Focus themes Developing new markets with soundproofing, vibration-proofing, and decorative technologies

Focusing on new sources of noise previously hidden by engine noise, we have succeeded in mass-producing soundproof covers for electric compressors by utilizing our expertise acquired through the development of soundproof covers for engines.

We are also focusing on the need for better aerodynamics to improve electric power costs, and are strengthening the development of aerodynamic wheel caps, which are already in mass production.



Soundproof cover for electric compressor



Aerodynamic wheel cap

Topics



New stamping facility opened at Higashi Ogaki Plant

Personnel	250
Site area	Approx. 92,000m ²
Total floor area	48,000m ² (plant)
Total investment	30 billion yen (including welfare building, machinery building, and R&D building) Stamping machines: 6 (3,500t transfer and others) Welding machines: 30 (including automatic equipment and AGVs)

In addition to increasing the stamping facilities and automating the welding lines, the plant has responded to the demands of the times by introducing renewable energy and improving the work environment. In addition, we are going to construct a new machinery building to enhance cost competitiveness and shorten lead times for cold-stamping ultra-high-tensile strength steel and large component molds, and to expand our in-house technology and skills. We will also build an R&D building that will strongly promote the development of new plastic and IoT-related products. By combining these functions, it will serve as a global mother factory that shapes "new value creation" and is responsible for sustained sales and profit growth.

Business strategy

Valve product business

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.



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

Growth strategy

Our mission is to become a development-based business, pioneering the field of thermal management.

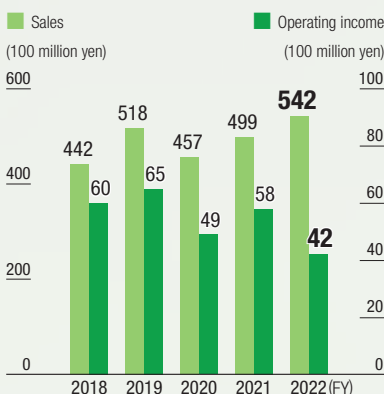
The automotive industry is going through a major transformation in the form of electrification toward carbon neutrality. Amid these changing times and market trends, the difference between growth and failure will be how well we can turn this change into an opportunity.

In the Valve and TPMS business, we have always designed original products, and are developing the business of providing product functions and their technologies to customers. Going forward, our mission is to be a development-based business that proposes new products and new technologies. We believe it is important to continue to propose functions and unparalleled value that fully satisfy our customers. In particular, we are determined to grow our products for thermal management systems around batteries, which are the most important parts of BEVs, as the next pillar of our business. As well as utilizing the basic technology of conventional valves, our major strengths are experience in TPMS and electronic components, and mass production technology. We will apply them by integrating them into valves in the thermal management field to provide new functional products.

At the same time, it is important that we secure revenue from our existing businesses. In our valve business, which supplies tire valves and valve cores worldwide, we have some facilities that are already more than 50 years old, but maintenance and upgrades by our skilled personnel keep them running as well as new facilities, which contributes to our capital efficiency. Our production lines are full of such knowhow and ingenuity, sometimes earning high praise from customers who visit us. We will continue to streamline our existing businesses and strengthen our competitiveness by further promoting efficiency and automation, not only in these historic plants, but also at production sites for new products and with new production lines, and with non-sales and other administrative staff, through knowhow and ingenuity while making full use of digital technology. Allocating the resources generated by these efforts to develop new product areas, such as thermal management valves, we aim to achieve sustainable growth by both strengthening the competitiveness of existing products and developing new products.

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, 2023

Sales in this entire segment totaled 54,207 million yen (up 8.4% year-on-year) due to the impact of currency conversion etc. resulting from depreciation of the yen. By region, Japan accounted for 14,771 million yen (down 3.0%), Europe and the US for 25,153 million yen (up 14.7%), and Asia for 14,283 million yen (up 11.3%), with overseas sales accounting for 73%. In terms of profit, despite activities to pass on prices to customers in order to cover cost increases caused by soaring prices of raw materials, energy, and other materials, we were unable to recover all of these cost increases, resulting in operating income of 4,258 million yen (down 26.9% year on year).



Materiality

- Improving mobility safety
- Development of Environment-conscious products

Focus themes Thermal management

For thermal management valves, we estimate that the market in 2030 will be more than 100 billion yen for expansion valves for refrigerants alone, and around 250 to 300 billion yen including peripheral valve components. We are aiming for at least a 10% share of the market for electric expansion valves for refrigerants by 2030, equivalent to sales of 10 billion yen. We also aim to achieve growth by acquiring peripheral valves, and will strategically develop and expand their sales. We will develop and expand sales of all thermal management valves not only in Japan, but also in France and the US, where we acquired Schrader in 2018. Making full use of our Japanese resources as well as Schrader's development and sales resources, we will work together as a team, contributing to the spread of electrification in the global market through timely proposals and development that promptly meet customer needs in each region.



Expansion valves for BEVs

Focus themes Valve & TPMS strategy

With our valves and TPMS products, which already have a high market share, we will expand sales to new markets and customers by leveraging our strengths of overwhelming quality and advanced technology. TPMS was developed mainly for our Japanese customers, but we aim to expand our business by quickly adopting the latest trends in Europe, the US, and China and, with a view to expanding into the data business, by strengthening our product capabilities and making market-leading proposals from the perspective of solving social issues.



New G-Type TPMS

Focus themes Strengthening of revenue base

Previously, the strength of our valve business was our integrated production system, in which everything from materials was processed in-house, and the rate of in-house production was almost 100%.

In recent years, soaring material and energy prices have put pressure on our earnings. In the short term, we are aiming to improve profitability through rigorous streamlining, such as improving material yields through a review of production methods, and automating inspection processes using AI. For long-term strategy, material innovation is necessary. As a leading valve manufacturer, we will take the initiative in this effort.



US TPMS production line

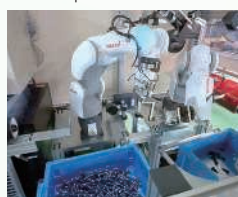
Topics

Evolution of automated inspection process has achieved 50% labor saving to date

Conventional: Visual inspection



Robot inspection



In preparation for the risk of future worker shortages, we are promoting labor-saving activities through automation based on the concept of automating human functions.

In the inspection process, a combination of robots, AI, and 3D cameras has enabled the construction of a versatile robot inspection machine suitable for small quantity, large variety products, which was not possible by automation using previous dedicated equipment. On our valve-related product lines, many robot inspection machines and automated inspection lines are in operation, achieving an overall 50% labor saving in the inspection process, which, together with a switch to more creative work, will add further value.

Materiality

- Contribution to a sustainable mobility society and prosperous living

Business strategy New business

Business overview

Our new businesses continue to take on various challenges, utilizing our core technologies to build long-term pillars of our company's business in areas other than mobility.



Isao Takeshita

Director, Technology Planning Center
Deputy Director, Corporate Planning Center

Growth strategy

We will grow together with our wonderful colleagues, despite the hardships we face, and move on to the next phase of Pacific Industrial's development.

As a company that continues to grow even in the VUCA era, the role of new business is to create the next new pillar of our operations. I feel this is a dream job for me, to work on new business and create new value that contributes to solving social issues, while increasing competitiveness in existing business centered on mobility. Through this challenge, we aim to create a virtuous cycle in which workers can grow and realize their aspirations, and as a result, the company can grow, too.

We have set high goals by 2030, but there are no shortcuts in this endeavor, as the challenge is in a field where we have no experience. We are steadily expanding our sales channels from scratch, even for new products already launched. We will also use the Ω Project to come up with some freethinking ideas first, and then invest resources, including external collaboration, into those with the highest potential for commercialization. The key will be to use AI to analyze data obtained from devices and turn it into a data business.

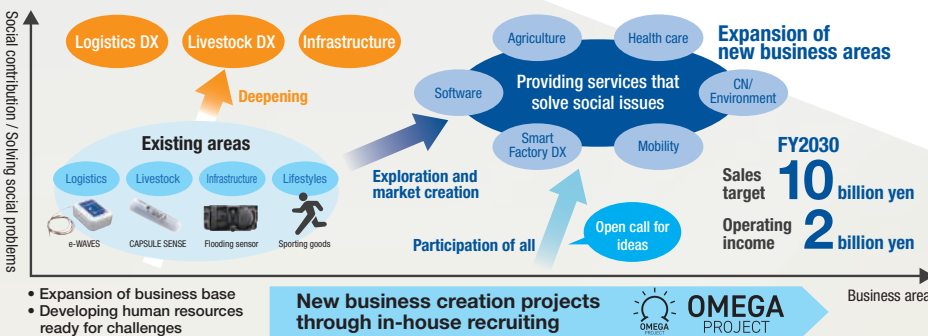
With NEXUS-26, we will focus on creating a corporate culture in which valuing challenges and continuing to change is the norm. In my day to day work, I am greatly impressed by each person's high level of skills, new ideas, spirit of challenge, and

strength and hard work. I want to grow together with my wonderful colleagues, despite any hardships we face, and move on to the next phase of Pacific Industrial's development. We will always work in the spirit of tomorrow rather than today, and I hope that as a result we can easily exceed our goals.

My Purpose

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

Vision for 2030: Utilize wireless communication, apps, the cloud, AI, and big data to **make the data business a pillar of our new business**



CAPSULE SENSE physical health monitoring system for cattle launched

We developed CAPSULE SENSE using TPMS technology to monitor conditions in the stomach of cattle, and we launched it in June 2022. By replacing humans in the monitoring of individual cows and preventing losses due to overlooking estrus, calving, and disease, this system is contributing to more sustainable livestock production in which livestock farmers worried about labor shortages can relax more, thereby driving a new business field.



Evolution of e-WAVES multi-sensing logger

Our e-WAVES multi-sensing logger, launched in 2021, won the Nippon Brand Award at the Cho Monozukuri Parts Awards in October 2022. In June 2023, we launched an advanced high-spec model (LTE 2), which is ideal for regenerative medicine products, and will expand sales to the regenerative medicine field, where market growth is predicted.



Business base

Manufacturing capability

Materiality

- Improvement in customer satisfaction

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 14 global awards from our customers in FY2022.

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

KAIZEN initiatives in the plastic molding business

In the plastic molding business, we are conducting self-research activities to reduce the cost of wheel caps. Our activity policy is to assign targets based on the cost structure of wheel caps, and promote improvements from the perspectives of labor productivity, material productivity, and equipment productivity.

01 KAIZEN on two molding/coating integrated lines, reduced the number of people from 2 to 1

Y.T., Manufacturing Section 24, Stamping & Plastic Molding Business Group



02 Reduction of paint waste by extending paint consumption time, visualizing required quantities, and improving paint usage

N.N., Manufacturing Section 23, Stamping & Plastic Molding Business Group



03 Successful workforce savings of 1 person/shift utilizing AGV

T.A., Logistics Section 2, Stamping & Plastic Molding Business Group



04 Reduction of cleaning thinner by jig coating

N.M., Engineer's Office No.2, Stamping & Plastic Molding Business Group



All together, even overseas

CPH/China



Promoting launch of new products linked to Japan and North America!

PIT/Thailand

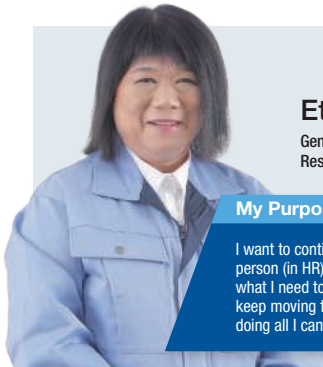


Defect rate down 81% over 1.5 years after learning thoroughly from the mother factory!

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 Department.

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)

In order to realize our Purpose, "passion in creating tomorrow," we believe that we need to be a company where diverse employees can play an active role with passion. To this end, we will work in tandem to address the challenge of infrastructure enhancement measures such as improving human resources and working conditions, respect for human rights, and safety and health, as well as business growth measures such as human resource growth and the transformation to a culture of challenge.

We believe that improving engagement is particularly important in order to effectively promote such infrastructure enhancement

and business growth. For this reason, we will make efforts to continuously measure and enhance employee engagement.

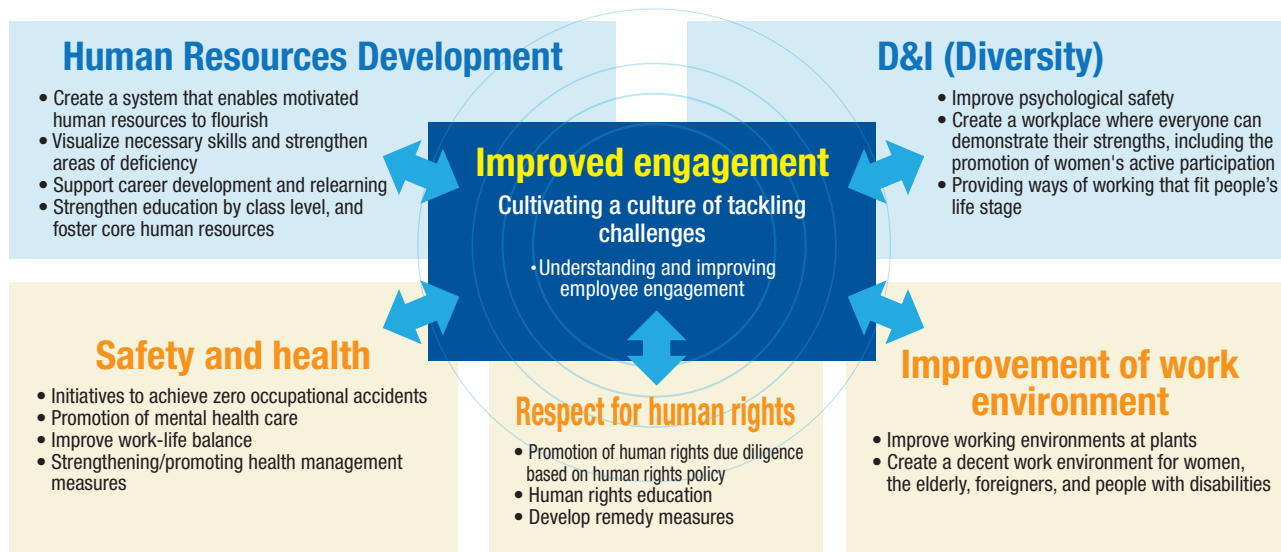
At the same time, we will emphasize diversity and inclusion and recognize individual differences in gender, nationality, disability, and age, as well as different attributes such as individuality, strengths and weaknesses, health condition, personality, beliefs, and sexual orientation, in order to create a psychological safe work environment where everyone can realize their full potential.

Through these efforts, we hope to create synergy between employee well-being and increased corporate value.



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	FY2018	FY2019	FY2020	FY2021	FY2022
Implementation rate of Human Rights Survey ^{*1}	KPI %	Group	—	—	40	73	43
Turnover rate ^{*2}	KPI %	Pacific Industrial	2.0	2.2	2.1	2.5	2.5
Lost-time injury frequency rate ^{*3, *4, *5, *6}	KPI	Group	0.62	0.69	0.51	0.24	0.64
Training hours per employee ^{*7}	KPI Hours	Pacific Industrial	—	—	23.9	26.3	26.6
Ratio of women in managerial positions ^{*8}	KPI %	Group	7.5	10.2	10.6	10.2	10.3
		Pacific Industrial	3.6	3.5	3.4	3.5	3.3

Notes

- *1. The denominator for FY2020 and FY2021 does not include French and US subsidiaries. The denominator for FY2022 is all Group employees.
- *2. Employees who retire for personal reasons Excluding those of retirement age. Full-time 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. Source: Ministry of Health, Labour and Welfare, "Survey of Occupational Accident Trends (Calendar Year)"
- *6. Group figures for FY2018-2020 have been revised due to an error in the aggregation method.
- *7. Excluding OJT
- *8. 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). From the disclosures in the Sustainability Report 2022, the calculation was revised based on a new definition of "management" to mean executives only, instead of executives plus qualified persons. SPF and SPU are included from FY2019.

Human Resource Growth

Materiality

- Development of human resources and cultivation of culture that we can tackle new endeavors

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.

After a complete review of our education system in April 2021, we redesigned a new education system that is more effective in improving ability and compassion or resourcefulness. For our staff, we have expanded education for managers and supervisors and introduced problem-solving training for younger employees. For our technical staff, our new programs include Toyota Production System (TPS) leader training, systematized safety, quality, and productivity training, and education to improve resourcefulness. In FY2022, we added psychological safety education to our existing harassment education.





Materiality

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

Cultivation of culture that we can tackle new endeavors

The Group believes that in promoting human capital management, the most important factor is how to increase engagement.

To that end, we have decided to first conduct an engagement survey. We hope this will help us to understand the company's strengths and potential challenges, and to promote measures for improvement.

The results of the survey will not only be used to resolve structural issues company-wide (such as the design of various systems), but will also be disclosed to employees for use in resolving individual issues in workplaces, such as through open discussions to increase engagement in each department and group, and effective measures will be implemented with a sense of urgency.



I feel very pleased and satisfied to be involved in such an important project to improve engagement. I hope to plan and implement effective initiatives that will make our employees prouder than ever to be a part of Pacific Industrial and enjoy working with enthusiasm. I will work together with my team members so that I can also grow through the project activities.

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

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 FY2023 was 32% (Pacific Industrial). Our goal is to have 14% or more of the Group's total management positions filled by women by FY2030.



Promoting the creation of a decent work environment for women

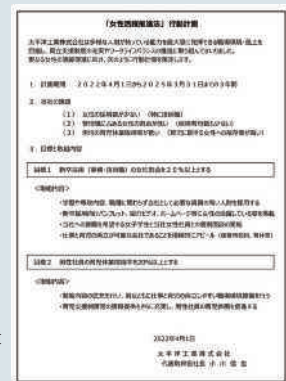
We have continuously received Kurumin certification for being a company that supports parenting by promoting the creation of a workplace culture where women who have taken maternity or childcare leave can return to work with peace of mind and continue their careers. (2008, 2011, 2016, 2020)



Interview before returning from childcare leave



Action plan for the Act on the Promotion of Women's Participation and Advancement in the Workplace submitted to MHLW



Materiality

- Respect for human rights

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 FY2022, we have continued our efforts to resolve issues regarding harassment cases by conducting a human rights questionnaire to which we added a significant number of harassment items to the Code of Conduct self-check.

In addition, continuing from the previous year, we are working to spread awareness of respect for human rights through human rights education in the form of e-learning aimed at creating a culture of respect for human rights within the Group.

In October and December 2022, with the support of the Japanese government, we deepened our learning by participating in training at the Business and Human Rights Academy conducted by the United Nations Development Programme (UNDP).



Participating in UNDP human rights training and interacting with experts

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 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 2023, we were certified as an Excellent Health Management Corporation 2023 (Large Corporation Category) for the second year in a row, in recognition of our lifestyle-related disease measures, mental health measures, consultations with public health nurses and industrial physicians, and support for compatibility.



Materiality

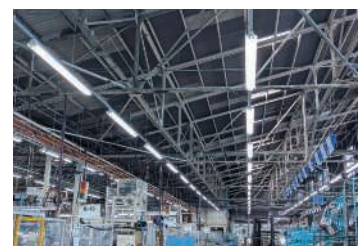
- Stable employment and decent work environment

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 actively working to improve the working environment in our offices and plants and to review various systems.

Specifically, we have moved the start time of our Kyushu and Tohoku plants from 6:00 to 7:10 as a measure to reduce the physical burden on plant workers, provided air-conditioned clothing as a measure against summer heat, and improved lighting in the plants by switching to LED lighting as part of our efforts to improve work efficiency and safety.

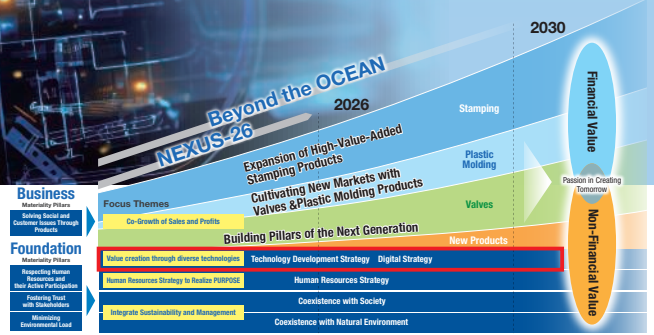
In addition, we have set a target of 12 days of paid leave taken per year, and are working to ensure this target is achieved. The average target achievement rate in FY2022 for union members was 100% for the second consecutive year.



Conversion to LED lighting in plants

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 consider 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.



Yoshinari Naito
General Manager, Research & Development Department

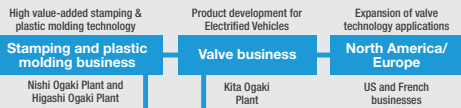
My Purpose

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
R&D Center construction (July 2025)



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



Development environment improvements

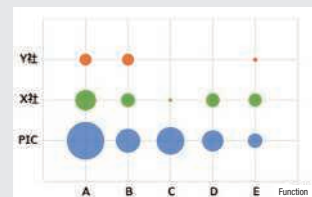
IP strategy

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

R&D Center

Our technology development strategy is based on the two axes of "deepen the diverse core technologies of existing businesses and create new value" and "improve the development environment and accelerate the creation of new businesses" while collaborating in the development of existing and new businesses.

In July 2025, the R&D Center on the Higashi Ogaki Plant site will go into operation, working under the theme of "co-creation space" to realize integrated R&D of development and production technologies and the creation of new businesses in the future. The R&D Center will accelerate co-creation activities by integrating prototyping, evaluation, and office work into one

building. Specifically, we will expand our prototyping and evaluation facilities to further accelerate the development of sound and vibration isolation technologies, set up a lively environment for planning, sales, and technical personnel to create new businesses in the IoT area, and expand innovation opportunities to refine value creation ideas.

While sharing our Purpose with employees, we will foster a culture in which human resources can grow and take on challenges, and establish an environment in which a diverse range of human resources can play an active role.

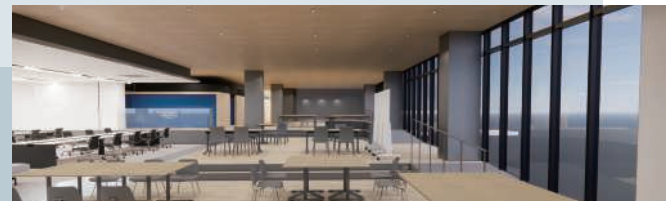
PICK
UP

Images of R&D Center



Exterior view of R&D Center

Soundproofing and vibration-proofing 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 R&D 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 workers can play an active role with passion. We need to secure, train, co-create, and challenge diverse human resources who will drive our business.

In 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,

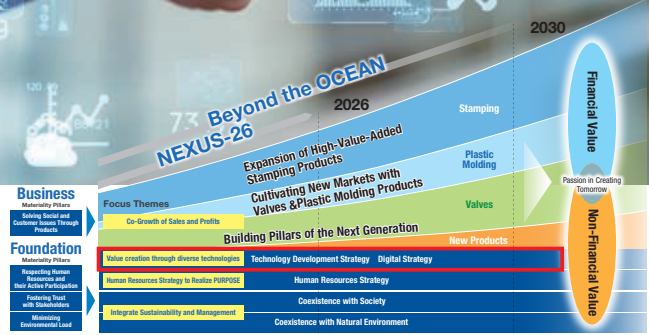
AI, and big data, one of our main pillars. We will secure and train highly specialized personnel who can take on challenges in a wide range of businesses.

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 work. To this end, we will continue to develop our own abilities to meet the expectations and needs of society and our customers and demonstrate our value as professionals in our respective fields, promoting the creation of new value through co-creation with our strong organizational capability.

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 Department

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

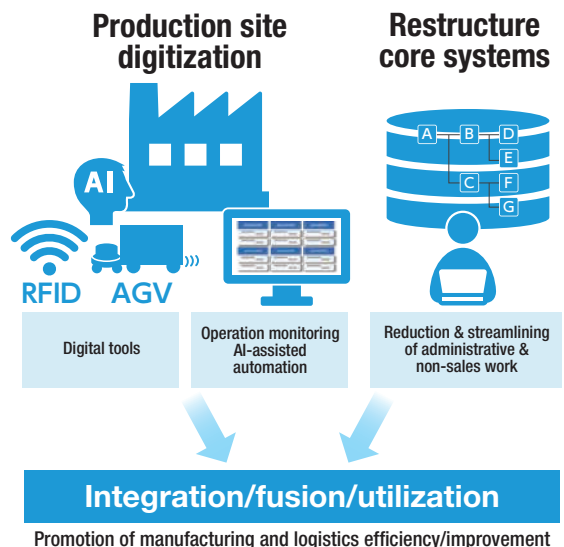
What we aim to be by 2030

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

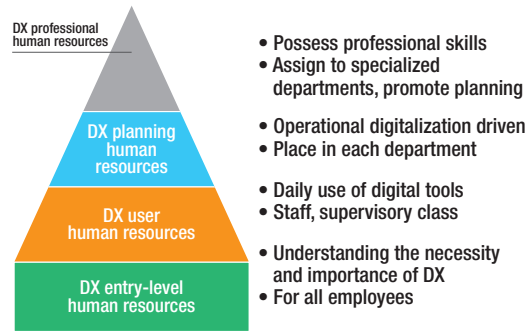
We have defined four levels of human resources required for DX and digitization.

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.



Digital improvement example:Improvement of incorrect item verification system

In our logistics department, we have developed an incorrect item checking system using a kanban system and handheld terminals that can check for any errors in the items to be collected. We added types of kanbans that can be handled by this incorrect item checking system, enabling automatic switching of checking conditions and checking by actual item numbers, thereby improving the operational efficiency of collectors and increasing the accuracy of incorrect item checking.

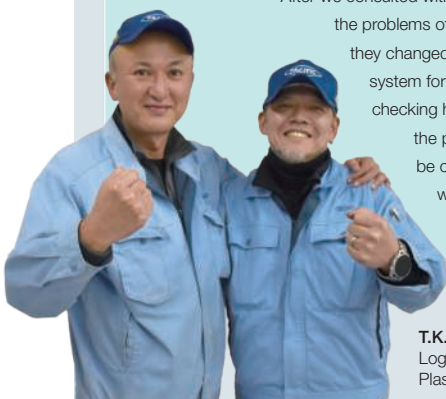


QR codes are added to supplier kanbans and photo files are digitized. Products are checked against the photos and key points of displayed images and then shipped.



Users

After we consulted with the digital department about the problems of logistics in kanban checking, they changed the incorrect item verification system for us. The workability of kanban checking has been improved, leading to the prevention of errors in items to be collected. Through this activity, we were also able to learn how QR codes work.



T.K. & S.H.,
Logistics Section 1, Stamping & Plastic Molding Business Group

Developers

In this initiative, I had several opportunities to meet with the logistics department, and was able to consider what form would be best based on what I heard there. I feel that this improvement was made possible because I was able to talk with them directly and learn about the actual sites where they were using the system.



T.S.,
Digitalization Promotion Section, 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

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

*Regarding domestic waste emissions, material recycling and waste disposal at some sites were not included in the disclosed data, so the FY2030 domestic emission targets were revised.

Mitigation of and adaptation to climate change

Materiality

- 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 FY2022, we continued to steadily improve energy conservation and introduced renewable energy in Japan and overseas, including the installation of solar power generation facilities, and our Thai subsidiary achieved zero-carbon emissions for electric energy.

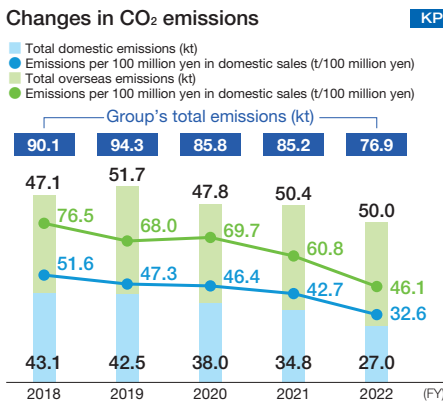
Targets and results (Group)

Total CO₂ emissions

Target 84.0 kt or less

Result 76.9 kt

Target achieved



Scope 3

Type	Category	CO ₂ emissions (t-CO ₂)
Upstream	1 Purchased goods and services	413,131
	2 Capital goods	56,011
	3 Fuel and energy-related activities not included in Scope 1 or 2	5,006
	4 Transportation and distribution (upstream)	6,224
	5 Waste generated in operations	1,276
	6 Business travel	270
	7 Employee commuting	2,444
Downstream	9 Transportation and distribution (downstream)	8,150
	12 End-of-life treatment of sold products	1,565
Scope 3		494,077

Deployed Renewable Energy Capacity by Site

Base	Solar power generation capacity (kW)
Nishi Ogaki Plant	200
Higashi Ogaki Plant	1,154
Kyushu Plant	300
Kurihara Plant	800
Kita Ogaki Plant	469
Mino Plant	100
Yoro Plant	746
Domestic	3,769
PVI	100
PVT	84
PIT	1,073
Overseas	1,257
Global	5,026

Renewable energy introduction ratio 12.1%

SASB TR-AP-130a.1

* 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.

* 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. 3.2) published by the Ministry of the Environment.

Materiality

- Sustainable resources use

Sustainable resources use

The Pacific Industrial Group is pushing forward 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 FY2022, we promoted material recycling of plastic waste mainly at the Wakayanagi Plant.

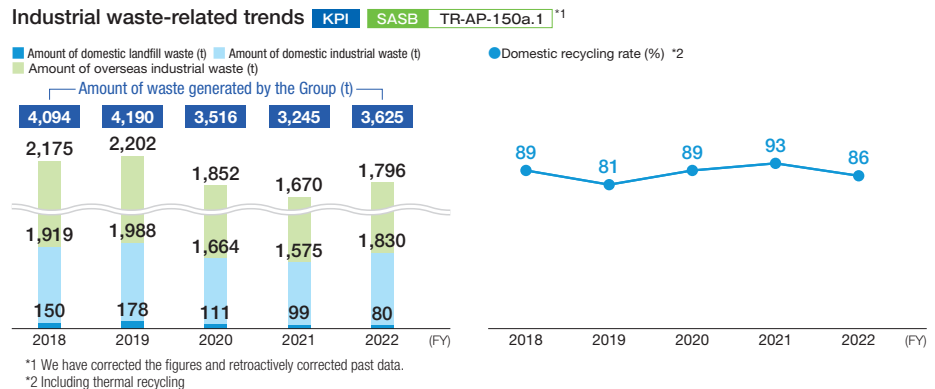
Targets and results (Group)

Total amount of waste

Target 3,510 t or less

Result 3,625 t

Target not reached



*1 We have corrected the figures and retroactively corrected past data.
*2 Including thermal recycling

Materiality

- Conservation of water resources

Conservation of water resources

The Pacific Industrial Group manages and reduces water usage in accordance with local conditions, promotes water recycling, makes effective use of water resources, and works to protect water resources. In FY2022, we reduced our annual water consumption by 10,000 m³, mainly by reducing wash water on the electrodeposition coating (E-coat) and plating lines at the Nishi Ogaki and Higashi Ogaki Plants.

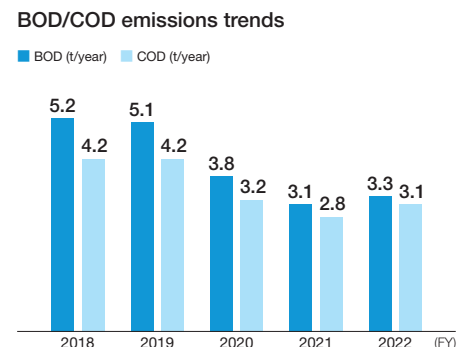
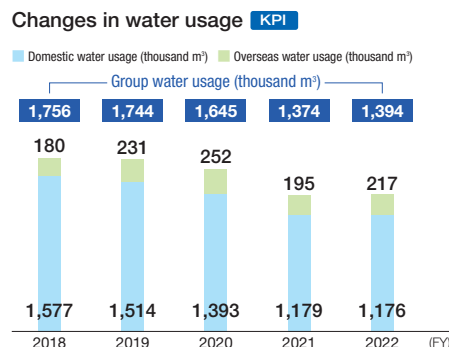
Targets and results (Group)

Total water usage

Target 1,382 thousand m³ or less

Result 1,394 thousand m³

Target not reached



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

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

Disclosure of climate-related information under the TCFD

*For details, refer to the Sustainability Data Book 2023

Materiality

- Mitigation of and adaptation to climate change

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, at least once a year, 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 TCFD promotion 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
Transi-tion risks	Carbon pricing and soaring energy prices	Through PACIFIC Environmental Challenge 2050, we will: <ul style="list-style-type: none"> •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 CO₂-free electricity and renewable electricity certificates 	<ul style="list-style-type: none"> • Reduce CO₂ emissions by 30% by FY2026 (management targets of our mid-to-long-term business plan Beyond the OCEAN) • Reduce CO₂ emissions by 50% by FY2030 (management targets of our mid-to-long-term business plan Beyond the OCEAN) • Achieve net-zero CO₂ emissions by FY205 (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: <ul style="list-style-type: none"> •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 for parts for internal combustion engines due to shift to BEVs and FCEVs	<ul style="list-style-type: none"> •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	<ul style="list-style-type: none"> •Strengthen sustainability management and actively disclose information. (New FTSE Blossom Japan Index in 2023) 	
Physical risks	Operations shut down due to floods and storms caused by extreme weather conditions	<ul style="list-style-type: none"> •Incorporate extreme weather countermeasures into BCP for high-risk bases •Promote cooperation with local communities 	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> •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	<ul style="list-style-type: none"> •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	<ul style="list-style-type: none"> •CO₂ reduction by LCA •Set reduction targets for Scope 1 and 2 and follow up •Perform maintenance on our BCP 	
Opportu-nities	Increased sales of stamping products that contribute to weight reduction. Increased sales of TPMS products that help improve fuel efficiency.	<ul style="list-style-type: none"> •Develop lightweight products, develop next-generation TPMS 	<ul style="list-style-type: none"> • 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%)
	Increased orders received for batteries, motors, molding products, and thermal management products due to shift to BEVs and FCEVs	<ul style="list-style-type: none"> •Develop products for BEVs and FCEVs (KPIs) 	
	Energy-saving cars enacted into law, increased need for weight reduction. Increased sales of UHTSS products	<ul style="list-style-type: none"> •Develop lightweight products 	
	High supply chain resilience to water risks	<ul style="list-style-type: none"> •Globally distributed production •Supply chain decentralization in local production 	

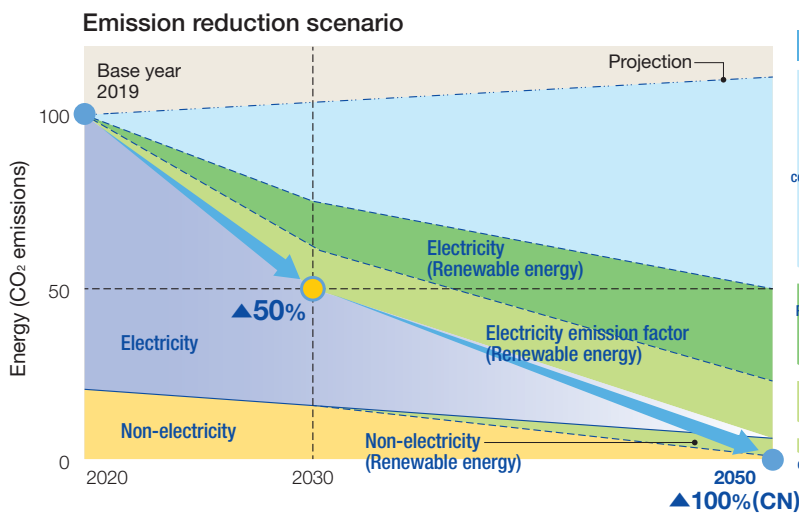
Transition Measures

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.



Energy reduction composition

- Energy conservation**
 - Existing equipment ... Energy conservation and daily improvement activities
 - Installation and renewal of equipment
 - By process
 - Welding
 - Lighting LEDs, AC
 - Stamping/Plastic processing
- Renewable energy**
 - Electricity : Solar power generation (on-site PPA), renewable energy certificate, purchase of CO₂-free electricity
 - Heavy oil : Fuel replacement with LNG gas
 - Gas : Purchase of CN gas
- Emission factor**
- Non-electricity**
- Carbon offset**
 - Direct CO₂ reduction by offset CO₂ capture through forest-derived and other credits

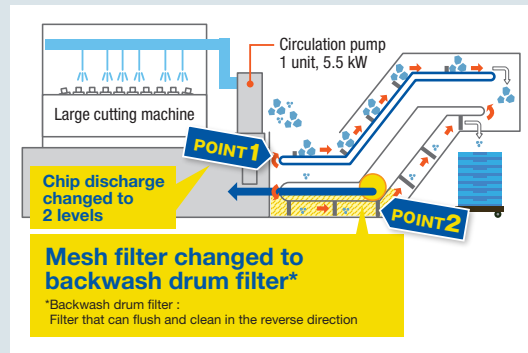


Daily improvements on site



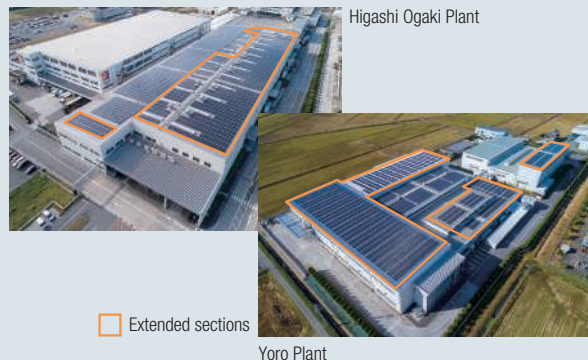
In the course of implementing measures to reduce chip conveyor clogging and human-hours for cleaning filters, which had been an issue, zero clogging and zero cleaning human-hours were achieved by changing the chip conveyor's separation method. The number of pumps was reduced by a total of four, leading to a 50% reduction in energy used (from 24 kWh to 12 kWh; CO₂ reduction of 27.4 t/year).

K.H.,
Valve Production Engineering Section, Valve & TPMS Business Group



Active introduction of renewable energy

Solar power generation equipment has been introduced at the Kurihara Plant and expanded to the Higashi Ogaki and Yoro Plants. We have switched our electricity purchased from outside sources to renewable energy-derived electricity, and have switched to 100% renewable electricity at three of our domestic plants (Kurihara Plant, Wakayanagi Plant, and Kyushu Plant). Overseas, both plants of our Thai subsidiary, Pacific Industries (Thailand) Co., Ltd., switched to 100% renewable energy through the introduction of solar power generation facilities and the purchase of renewable energy certificates. The ratio of renewable energy to electricity used in FY2022 has been 12%.



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 Department

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

Materiality
Corporate ethics and compliance

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.

		*FY2022
Implementation rate of Code of Conduct survey self-assessment	Domestic	93%
	Group* KPI	43%
Ethics and complaints desk consultation count (Pacific Industrial)		14 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

*The denominator was changed to the total number of employees in the Group

Materiality
Responsible procurement

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. (FY2022 results: About 95% average compliance rate)

Regarding compliance with the Subcontract Act, since August 2022, 569 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.

Materiality
Local community development

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 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, biodiversity

activities, etc.) to build bonds with local communities.

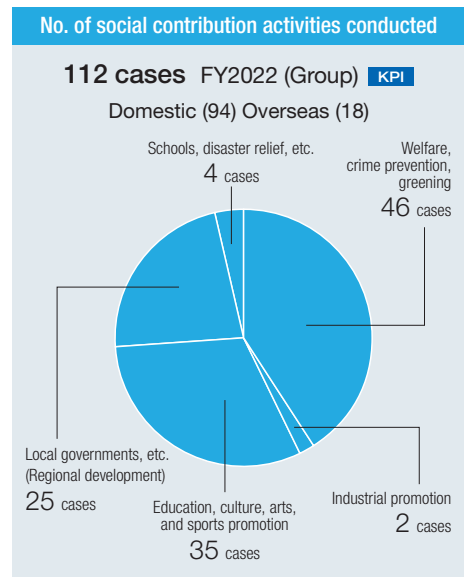
We conducted a total of 112 activities in fiscal 2022. For the first time in Japan, we introduced our own products and conducted an awareness campaign on tire pressure checks. Overseas, we conducted numerous social and environmental activities, particularly in Thailand.



Tire pressure check awareness campaign



Donation to school near Wellgrow Base, Thailand



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 74 meetings for analysts and institutional investors in FY2022, including quarterly financial results briefings (telephone conferences) and requested individual interviews (online, telephone, or face to face), ESG-themed meetings, and so on. For overseas investors,

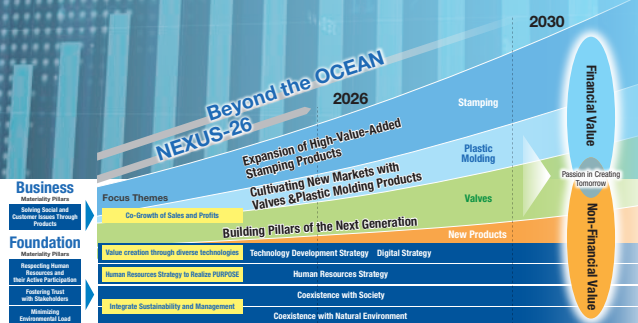
English translations of financial results briefings, presentation scripts, etc. are posted on our website.

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

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
General Manager, Accounting Department

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 Policy

- 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 implementing investments with an eye on capital efficiency

Looking Back on OCEAN-22 and Ahead to NEXUS-26

In our mid-term business plan OCEAN-22, ending in FY2022, we aimed for an ratio of operating income to sales of round 7% and ROA on an operating income basis of around 6%. However, we fell short of these targets due to the impact of the Covid-19 pandemic, production fluctuations caused by semiconductor shortages, and soaring material prices.

In terms of cash flow, despite the impact of the pandemic, we have also worked to strengthen our business structure, thereby generating stable cash flow from operating activities (operating CF) and investing for mid-to-long-term growth.

NEXUS-26, announced in April 2023, identifies the co-growth of sales and profits as a key theme. We have set targets of 7% or more for ratio of operating income to sales and 8% or more for ROE in FY2026, and we will boldly implement growth investment toward 2030, while remaining conscious of the cost of capital. We are also focusing on the theme of "Human resources strategy to realize our PURPOSE." One of our management goals is to improve employee engagement. We will also promote investment in human capital to maximize employee performance and improve profitability by improving the environment, such as new plants and R&D centers, and by developing a reskilling system.

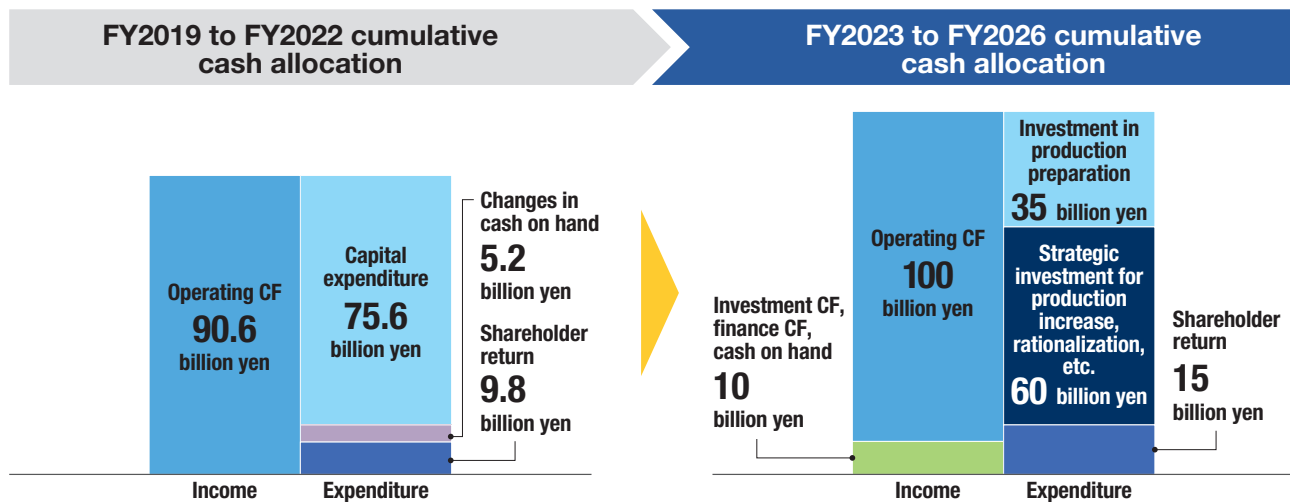
Strengthening Earnings Structure and Increasing Capital Efficiency

To achieve our ROE target, 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, which will then lead to higher ROE for the Group.

$$\text{ROE} = \frac{\text{Net Income}}{\text{Equity capital}} = \frac{\text{Net Income}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Total assets}} \times \frac{\text{Total assets}}{\text{Equity capital}}$$

Strengthening profit structure
Improving investment efficiency and reducing unnecessary assets
Balance sheet management

Image of cash allocation



Cash Allocation

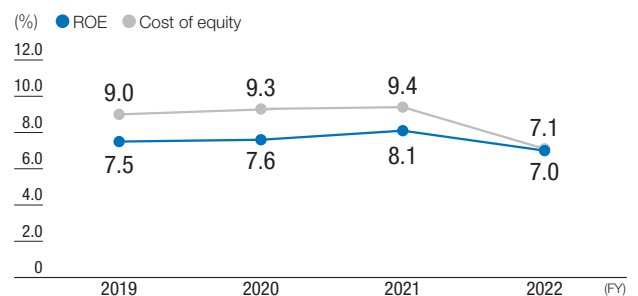
To fund investments for sustainable growth and shareholder returns, we will continue to utilize operating CF as a basic policy, and utilize external capital as necessary to improve capital efficiency.. We will work to maintain financial soundness by managing our balance sheets with a equity ratio of 50% as a rough target, so that we can seize growth opportunities and raise funds flexibly when necessary.

Approach to Investment

Looking ahead to the progress of electrification, our Group is aggressively pursuing strategic investments to meet market needs by utilizing our core technologies. At our new stamping plant at Higashi Ogaki Plant, we have made a major investment of 30 billion yen.

When making decisions on new investments, we are aware of the 7% cost of capital, and aim to improve profitability and achieve our ROE target by verifying investment efficiency using investment yield and payback period as indicators.

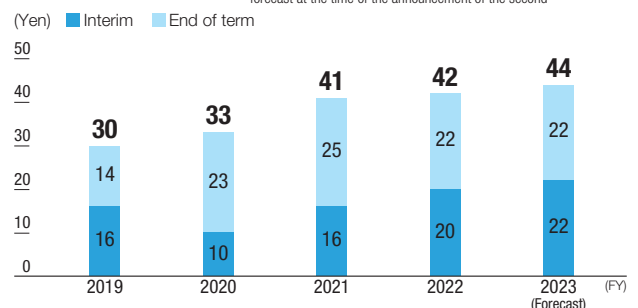
ROE/Cost of Equity



Approach to Shareholder Returns

Recognizing that returning profits to shareholders is one of the most important management objectives, we will pay stable and continuous dividends with a target payout ratio of 30%. Share buybacks will be carried out flexibly based on cash flow conditions, stock prices, and other factors to enhance shareholder returns.

Dividends



*The fiscal year 2023 forecast reflects the full-year performance forecast at the time of the announcement of the second

Reduction in Cross-Shareholdings

We believe it is necessary to reduce cross-shareholdings in order to improve capital efficiency. In FY2022, we sold eight issues. We will set the standard for the amount of cross-shareholdings on the balance sheet as a percentage of net assets at 20% or less, as we continue to systematically reduce these holdings by selling them in order of priority, taking into account the necessity of holding them and the importance of the transaction.

FY	2019	2020	2021	2022
Net income (100 million yen)	72	79	98	93
Total dividends (100 million yen)	18	20	25	25
Share buybacks (100 million yen)	0	0	0	10
Total return ratio (%) *	25.2	25.2	25.5	37.9

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



Outside Board Member
Osamu Motojima

Outside Board Member
Masako Hayashi

Chairman, Member of the Board
Shinya Ogawa

3-way discussion
Outside Board Members
×
Chairman

Harmony to Achieve our Purpose.

Board of Directors and Corporate Governance

What is the role of an outside board member, and what is the state of governance in our company?

Motojima: In a nutshell, my role is to fulfill a duty of care as a good manager, which I strive to do every day. Our Board of Directors is open and transparent. This is an achievement that our chairpersons have built up over many years.

Hayashi: I just took up this new position in June 2022. Having been involved in the running of schools for many years and been in charge of many public duties, I was initially worried about how I would be able to engage in corporate management. However, with everyone's guidance and the environment provided for me, I have become able to make use of my own knowledge.

Ogawa: Mr. Motojima is an international scientist who was also Director-General of the ITER project on nuclear fusion. As Vice President of Gifu University, Ms. Hayashi has been actively involved in promoting gender equality and environmental issues, and has worked on work-life balance.

Hayashi: I never hesitate to ask questions or consult with Mr. Motojima about his technical background. It's a fresh and exciting learning opportunity for me.

Motojima: I am essentially an experimenter, but I have always been interested in manufacturing too. I understand the importance of Japan's manufacturing industry.

Ogawa: We make every effort to ensure that the outside officers fully understand the agenda of the Board of Directors meetings in advance.

Hayashi: The materials are easy to follow, with new information always clearly organized and easy to understand. In addition, we are provided with both good and bad information without delay, making it easy to ask questions. This may sound elementary, but it is very important for carrying out our mission.

Motojima: Of course, people read through the materials in advance, but about an hour is also spent before each board meeting explaining the proposals. This has been going on since the current president was vice president, but it allows us to check any questions in advance, which is very effective. These various preparations and considerations in advance lead to frank and in-depth discussions during the board meetings. I believe, therefore, that the corporate governance system is functioning.

Ogawa: Not only do you provide us with your in-depth knowledge of the topics presented in the skills matrix, but you are invited to discuss them freely beyond your area of expertise.

Hayashi: I think the ideal relationship is one in which people can stimulate each other outside their areas of expertise, and occasionally overcome their own preconceptions. It is a relationship of mutual



encouragement, based on each person's knowledge and experience. It is pure harmony. In terms of diversity, it is important to pay attention not only to quantification but also to qualitative aspects. Diversity is meaningful only when knowledge outside of one's field of expertise is added.

Motojima: I am not the type to hold back, so I always try to express my frank opinions, even in different fields. I frequently visit the site and ask questions from different perspectives, which sometimes surprises people, but expressing my opinions at the actual manufacturing site is my *raison d'être*. I also take a particularly hard look at the safety aspect. If something were to happen, it would have a huge impact on individuals, the company, and society.



Mid-to-long-term Business Plan “Beyond the OCEAN” and Mid-term Business Plan “NEXUS-26”

— In April, our Purpose and our new mid-to-long-term business plan were announced. What do you think are the key points?

Motojima: In terms of financial value, I think it is all about growing revenue. Non-financial value is an indication of the realization of Purpose value. Companies also have a lot of value that cannot be evaluated solely in terms of money. The most important element here is human resources. We must further visualize the diverse value held by Pacific Industrial. Strategically speaking, it would be good to get a clearer picture of what to do overseas, keeping a certain balance with domestic operations. Human resource development is also important here.

Hayashi: I think that stating non-financial value is very meaningful. We have taken a firm stance of focusing on new issues arising from social change, linking them to the transformation of our business model, and nurturing new seeds of business. The key was the use of “Passion in creating tomorrow” as our Purpose, a phrase that may seem romantic at first glance, but that embodies what we want to be, rather than ending up as an abstraction.

Ogawa: As a manufacturing company, our basic prerequisite is to coexist with society while minimizing our environmental load through decarbonization and resource recycling. Every one of us is highly motivated, and we are focused on ensuring that the company grows along with our individual growth.

Hayashi: One of the things I have high hopes for is the Ω project. This is an initiative to develop technologies and create new businesses through internal recruitment, the aim being to build a hypothetical

business model and commercialize it. In the three months from April to June, 94 idea sheets were submitted.

Motojima: This is similar to an internal venture. More than 95% of ventures fail, but the Ω Project should have a higher probability of success than ordinary ventures because our company guarantees the risk.

Hayashi: Some ideas were suggested by teams of people with different abilities, experiences, and fields of expertise. Since there are also solid screening standards, I think this is an opportunity to commercialize and create future value that is accepted by society.

Ogawa: I hope that young people will take a more future-oriented approach, looking beyond their current boundaries. This was my feeling as I passed the baton to the new president. The result was our Purpose, which has led to the Ω Project.

Motojima: Everything is starting to move in a linked way. It would be nice to see the introduction of a product that is attractive enough to build a new plant. I look forward to new products that utilize existing technologies, such as car air conditioner control valves for thermal management systems.

— It is important to create a system that allows diverse human resources to flourish.

Ogawa: I have been using the term “glocal” for 30 years, but now we need people who can contribute at both global and local levels.

Hayashi: Both the planet and the society in which we live are changing drastically. Amid ongoing globalization and diversification of values, it is essential to raise the level of individualistic and diverse human resources as well as to develop a leadership team. A company cannot grow unless its individuals grow too. Environmental issues such as carbon neutrality cannot be solved unless individuals and companies develop in harmony with society.

Motojima: Western companies have an arrangement using documents called job descriptions. They report whose instructions have been received and what goals are being pursued. An organization that is doing well can communicate instructions from above and suggestions from below. We also need to speed up our business and aim to become a company that can contribute to society.

Ogawa: We will conduct our business activities with, at the core of our management, a commitment to human capital management with passion, including improved psychological safety and engagement. Thank you very much for your valuable opinions today.



Corporate Governance

Board Members and Audit & Supervisory Board Members



Members of the Board (as of June 17, 2023)

Board Members

- | | | | |
|--|-------------------------|--|-----------------------|
| 1 Chairman,
Member of the Board | Shinya Ogawa | 4 Senior Managing Officer,
Member of the Board | Terumi Noda |
| 2 President,
Member of the Board | Tetsushi Ogawa | 5 Outside Board Member | Osamu Motojima |
| 3 Senior Managing Officer,
Member of the Board | Hisashi Kayukawa | 6 Outside Board Member | Masako Hayashi |

Audit & Supervisory Board Members

- | | |
|---|-------------------------|
| 7 Audit & Supervisory
Board Member | Makoto Yamamura |
| 8 Audit & Supervisory
Board Member | Kazuya Kakishita |
| 9 Outside Audit & Supervisory
Board Member | Ayao Sakakibara |
| 10 Outside Audit & Supervisory
Board Member | Tomoyuki Shinkai |

Skill Matrix

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

and cross-cultural affairs.

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 directors are selected based on a balance of these factors.

	Name	Management/ Governance	Manufacturing/ Human Resource Development	R&D/ Technology	Finance/ Accounting	Legal/ Risk Management	International Experience	Sales and Procurement
Board Members	Shinya Ogawa	●	●		●	●	●	●
	Tetsushi Ogawa	●	●	●	●		●	●
	Hisashi Kayukawa	●	●	●	●			
	Terumi Noda	●	●		●		●	●
Outside Board Member	Osamu Motojima	●	●	●		●	●	
	Masako Hayashi	●	●				●	

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,

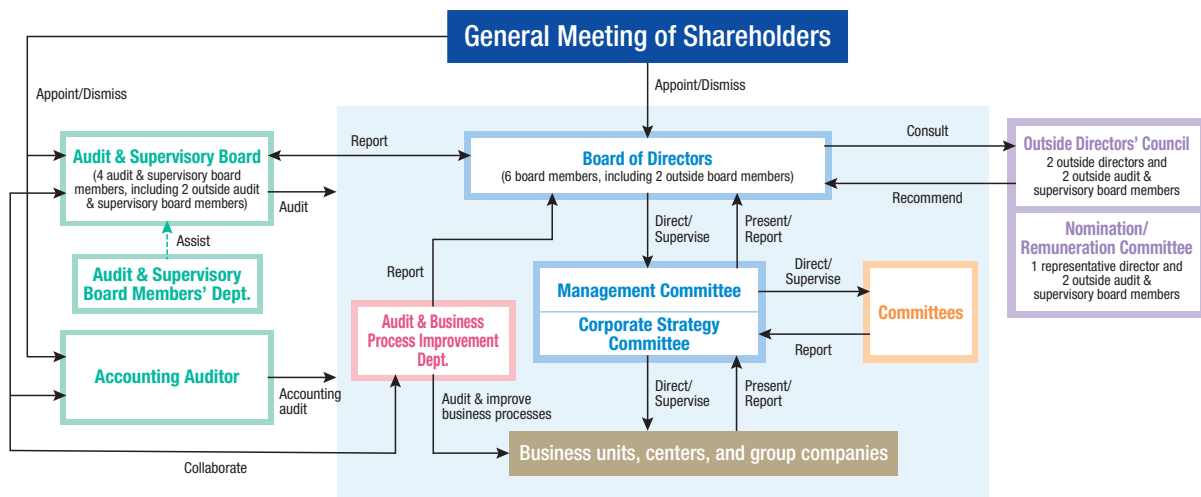
our mid-term business plan, NEXUS-26.

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 ensure the rights and equality of shareholders, collaborate appropriately with stakeholders other than shareholders, ensure appropriate information disclosure and transparency, fulfill the roles and responsibilities of the Board of Directors appropriately, and conduct constructive dialogue with shareholders.

We believe that fulfilling our company's social responsibility while building strong relationships with our stakeholders will

increase our corporate value. To enhance the strategic nature of discussions and the mobility of decision-making, since June 2021, our management structure has been such that independent outside directors account for at least one-third of the board. We are also implementing initiatives to improve governance, such as establishing a Nomination & Remuneration Committee made up of a majority of outside board members, electing board members with greater gender awareness, and reducing cross-shareholdings. There is one female on the Board of Directors, which is 16.6% of the total number of directors.



As for our management and administrative organizations, in addition to legal bodies such as the General Meeting of Shareholders, Board of Directors, Audit & Supervisory Board, and Accounting Auditors, our Corporate Strategy Committee and Management Committee deliberate and review important management issues, management strategies, etc. We have also introduced an executive officer system, which separates management supervisory functions from business execution functions to clarify roles and responsibilities and expedite decision-making. The Board of Directors is positioned as the body that decides basic management policies and supervises the execution of business operations. It appoints two outside board members. The term of office for board members is one year and the number of board members is set at six to enable the company to respond flexibly to changes in the business environment.

For outside board members, there is a system for them to exchange information and share understanding at regular meetings of the Council of Outside Directors with the outside audit & supervisory board members, so that they can fulfill their roles and responsibilities in the management decision-making process. In particular, the appointment and remuneration of board members are determined by the Board of Directors after consulting with and receiving reports from the Nomination & Remuneration Committee, which is composed of a majority of outside board members. As Pacific Industrial Co., Ltd. is a company with the audit & supervisory board, four audit & supervisory board members, including two outside audit & supervisory board members, collaborate closely with the internal audit department and conduct an efficient audit to ensure the adequacy of our business operations.

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, management, 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: 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.

■ Activity in FY2022

No. of times held : 2

■ Committee composition

Outside Board Member	Osamu Motojima (Chairperson)
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

Board Member Remuneration

Under our remuneration system, remuneration for board members 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 ordinary income to sales and consolidated return on equity as indicators.

In addition, we provide remuneration to targeted board

members 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. Outside board members and audit & supervisory 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 Board Members and Internal Audits

The audit & supervisory board is composed of a total of four members, two full-time auditors and two outside auditors. A staffed Audit & Supervisory Board Members' Dept. has been established to assist them.

The full-time audit & supervisory board members receive audit reports etc. from the internal audit department and give instructions to the internal audit department on audit policies, important audit items, etc. as necessary. The outside audit & supervisory board members give advice at meetings with the Board of Directors, etc. using their expertise as lawyers or certified accountants. Audit & supervisory board 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.

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.

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

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, 2023 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 company-wide 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 a Business Continuity Plan (BCP) to minimize damage giving top priority to human life, and continue or recover our operations at an early stage in the event of emergencies such as earthquakes, windstorms, floods, and infectious diseases. In addition, we regularly conduct programs to improve disaster prevention awareness and skills, such as companywide disaster drills and participation in local initial firefighting competitions, as part of our continuous efforts to improve our disaster control measures (BCM).

In response to the Covid-19 pandemic from 2020 to 2022,

we implemented thorough measures to prevent infection in the form of Action Guidelines for the Prevention of Covid-19, which included wearing masks, frequent hand sanitization, daily physical checks and temperature checks, and avoiding the "3 Cs", according to the level of infection.

Also, the measures we have taken for preventing mass infection, such as simultaneously implemented split operations, introduction of remote work including web conferencing, and deployment of sanitizing kits at all sites, are valuable experiences and systems that will be very effective in any future pandemic.

11-year Summary of Key Financial Indicators

	FY	2012	2013	2014	2015	2016
For the year						
Net Sales ^{*1}		83,700	91,976	99,952	106,886	103,669
Operating income ^{*1}		4,340	5,500	6,962	7,869	8,662
Ratio of operating income to sales (%)		5.2	6.0	7.0	7.4	8.4
Ordinary income ^{*1}		5,372	7,062	8,691	9,013	9,957
Ratio of ordinary income to sales (%)		6.4	7.7	8.7	8.4	9.6
Net income for the year attributable to owners of the parent ^{*1}		2,807	4,587	6,714	7,114	7,524
Ratio of net income to sales (%)		3.4	5.0	6.7	6.7	7.3
EBITDA ^{*1 *2}		11,520	14,205	13,657	17,030	18,557
Capital expenditures		7,820	11,168	15,390	11,988	16,633
Depreciation expenses ^{*1}		6,564	6,996	6,637	8,003	8,414
R&D expenses ^{*1}		647	735	905	943	1,004
At year end						
Total assets		96,976	116,562	133,694	129,954	140,869
Net assets		50,969	60,648	75,459	73,244	84,266
Equity ratio (%)		49.6	49.5	55.5	55.7	59.2
Cash flows						
Cash flows from operating activities ^{*1}		9,934	10,689	11,130	15,211	14,381
Cash flows from investing activities ^{*1}		(7,405)	(10,749)	(15,370)	(12,754)	(16,420)
Cash flows from financing activities ^{*1}		(3,195)	5,515	(1,812)	(236)	246
Free cash flow ^{*1}		2,529	(60)	(4,240)	2,456	(2,039)
Per share data						
Net assets per share (BPS)		900.89	1,079.42	1,385.19	1,339.62	1,404.98
Net income per share (EPS) ^{*1}		52.57	85.80	125.47	132.42	138.08
Dividends		11	16	24	26	28
Major management indicators						
Total assets turnover		0.89	0.86	0.80	0.81	0.77
ROA/Return on assets ^{*2} (%)		4.6	5.2	5.6	6.0	6.4
ROE/Return on equity ^{*2} (%)		6.4	8.7	10.2	9.7	9.7

Notes : *1 US dollar amounts shown are calculated from Japanese yen using the exchange rate as of March 31, 2023, which was 133.53 yen to the dollar. However, those marked "**1" are calculated using the average exchange rate during the fiscal year for FY2022, which was 136.00 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) + Impairment 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.

Unit: million yen						Unit: US \$1,000
2017	2018	2019	2020	2021	2022	2022
117,758	145,030	165,969	150,408	164,472	191,254	1,406,281
8,063	10,307	10,511	8,974	10,756	9,298	68,374
6.8	7.1	6.3	6.0	6.5	4.9	4.9
9,485	11,767	11,130	11,218	14,615	13,209	97,128
8.1	8.1	6.7	7.5	8.9	6.9	6.9
7,393	8,730	7,256	7,982	9,803	9,301	68,396
6.3	6.0	4.4	5.3	6.0	4.9	4.9
19,407	25,200	26,355	26,113	31,618	32,661	240,161
20,832	21,970	23,451	16,244	18,133	22,936	171,770
9,919	12,704	14,192	14,565	16,487	18,195	133,787
1,112	1,478	1,943	1,911	1,981	2,013	14,802
158,858	203,831	204,280	225,531	245,439	258,058	1,932,585
91,913	97,075	98,422	112,508	130,382	138,721	1,038,875
57.2	47.0	47.8	49.5	52.8	53.4	53.4
17,944	18,941	21,190	26,988	18,317	24,129	177,423
(22,229)	(40,595)	(24,270)	(18,509)	(17,189)	(16,428)	(120,795)
5,239	29,231	90	808	(4,059)	(3,509)	(25,803)
(4,284)	(21,653)	(3,080)	8,479	1,127	7,701	56,628
1,508.95	1,590.09	1,614.01	1,846.06	2,138.23	2,309.07	17.29
123.53	144.80	120.12	131.95	161.86	155.33	1.14
28	33	30	33	41	42	0.31
0.79	0.80	0.81	0.70	0.70	0.76	0.76
5.4	5.7	5.2	4.2	4.6	3.7	3.7
8.5	9.3	7.5	7.6	8.1	7.0	7.0

Stock Information (As of March 31, 2023)

State of Shares

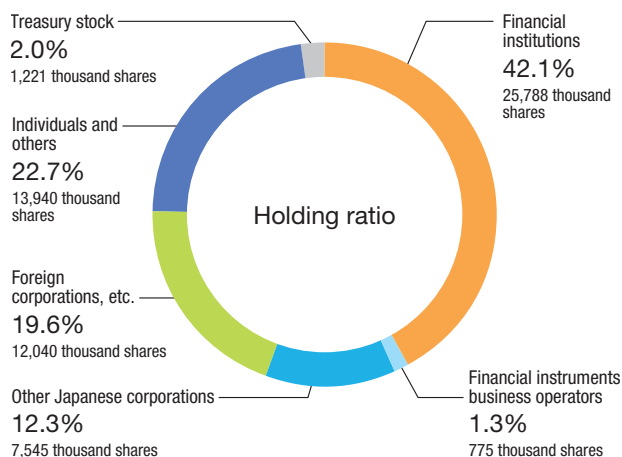
No. of shares company is authorized to issue	90,000,000
No. of shares already issued	61,312,896
No. of shareholders	6,165

Major Shareholders

Shareholder name	No. of shares held (1,000 shares)	Shareholding ratio (%)*
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,943	9.89
Custody Bank of Japan, Ltd. (Trust Account)	4,933	8.20
MUFG Bank Ltd.	2,679	4.45
Ogaki Kyoritsu Bank, Ltd.	2,671	4.44
The Juroku Bank, Ltd.	2,619	4.35
Nippon Life Insurance Company	2,359	3.92
The Dai-ichi Life Insurance Company, Limited	2,349	3.90
Employee stock ownership of Pacific Industrial Co., Ltd.	2,312	3.84
PEC Holdings Corporation	1,987	3.30
SSBTC CLIENT OMNIBUS ACCOUNT	1,983	3.30

*Investment ratio excludes the 1,221,847 shares of treasury stock.

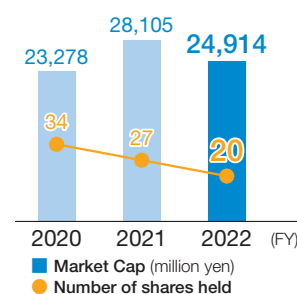
Distribution by Owner



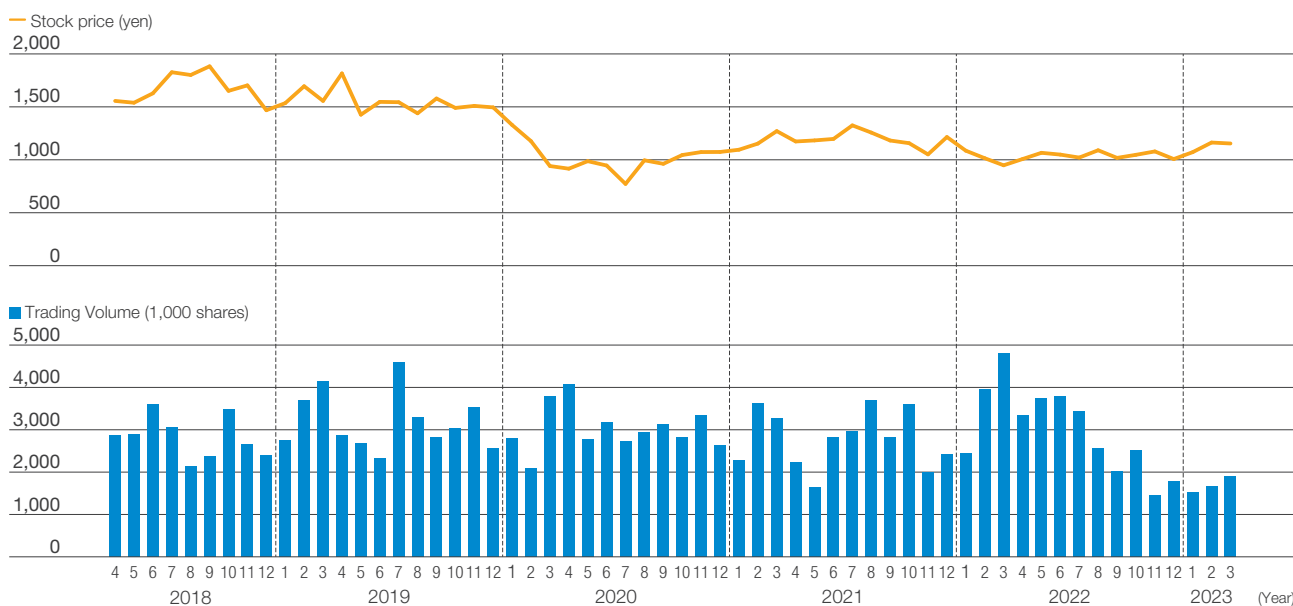
No. of stocks held by us for purposes other than pure investment, and total amount shown on balance sheet

No. of shares	51 (of which, 20 listed shares)
Consolidated balance sheets Total amount recorded	25,545 million yen (of which, 24,914 million yen listed shares)

Changes in listed stocks held for purposes other than pure investment (year-end)



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.



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