



# Financial Results Briefing for Q2 Year Ending March 2022

The 98th period : Cumulative Second Quarter  
(Apr. 1st, 2021- Sept. 30th, 2021)

October 29, 2021

**PACIFIC INDUSTRIAL CO., LTD.**

(No explains)

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### Caution in handling this document

Future forecasts, including this document, were judged according to the current information. Actual financial results might be considerably different from the forecast mentioned here depending on the Japanese or international economic situation, business trends related to our company, and any risk or indefinite factors involved in fluctuation of exchange rates.

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(No explains)

**Gaining a solid foothold GLOCALLY by preventing being infected and maintaining employment and our production system as a top priority**

**■ Changes in management environment**

- Covid-19 infection spread (fifth wave)
- Production fluctuations due to insufficient supply of semiconductors and parts
- steep rise in raw material prices

**■ Our efforts in Covid-19 pandemic**

- Improvement, cost/fixed cost reduction
- Training employees
- Use of employment adjustment subsidy
- Preventing infection of employees and their family
- Maintaining supply chain

**■ Future issues**

- Prolonged Covid-19 effect, preparation for the 6th wave
- Concerns about supply of semiconductors and parts, impact of power shortage in China
- Preparation of system for production fluctuation and recovery production

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Since last year, we have been working on various activities under the policy of solidifying our footing “GLOCALLY”, with a priority on preventing infection and maintaining employment and production.

In the first quarter, our business performance was strong, due in part to our cost improvement efforts to date and solid customer production. Amidst a changing business environment, including a significant reduction in production by customers due to the impact of parts supply by COVID-19 in Asia in September, we implemented thorough profit improvement activities, including measures for closure, cost reduction, and fixed cost reduction.

Although we will continue to be affected by the prolonged effects of COVID-19 and the power shortage in China, we will continue to strengthen our footing “GLOCALLY” to prepare the system for recovery production.

# 1-1 Q2 Consolidated Results



**Recovered from the previous year's performance in Covid-19.  
Due to customer production cuts in September, it did not reach previous forecast.**

(100 million yen, %)

	FY2020	FY2021		YoY rate		Forecast ratio	
	Q2 Cumulative Result	Q2 Cumulative forecast	Q2 Cumulative Result	Gain&Loss	% Change	Gain&Loss	% Change
Sales	648	830	784	+135	+21.0	△45	△5.5
Operating Income	8	65	Record High 50	+41	+482.6	△14	△22.7
Operating Income Ratio	1.3%	7.8%	6.4%	+5.1P	—	△1.4P	—
Ordinary Income	13	70	Record High 57	+44	+341.4	△12	△17.2
Ordinary Income Ratio	2.0%	8.4%	7.4%	+5.4P	—	△1.0P	—
Quarterly net income attributable to the parent company shareholders	9	50	Record High 43	+34	+364.9	△6	△12.4
Quarterly Net Income margin	1.5%	6.0%	5.6%	+4.1P	—	△0.4P	—
Average exchange rate (U.S. dollars)	¥106.4	¥110.2	¥109.9	+¥3.5	—	△¥0.3	—

※Revenue recognition accounting standards have been applied since FY2021. The amount of impact on sales is as follows. The impact on profits is minor.

Sales increased by 0.8 billion yen due to the collective recognition of mold cost collection, and decreased by 2.2 billion yen due to the offset display of sales of customer-received products and cost of sales.

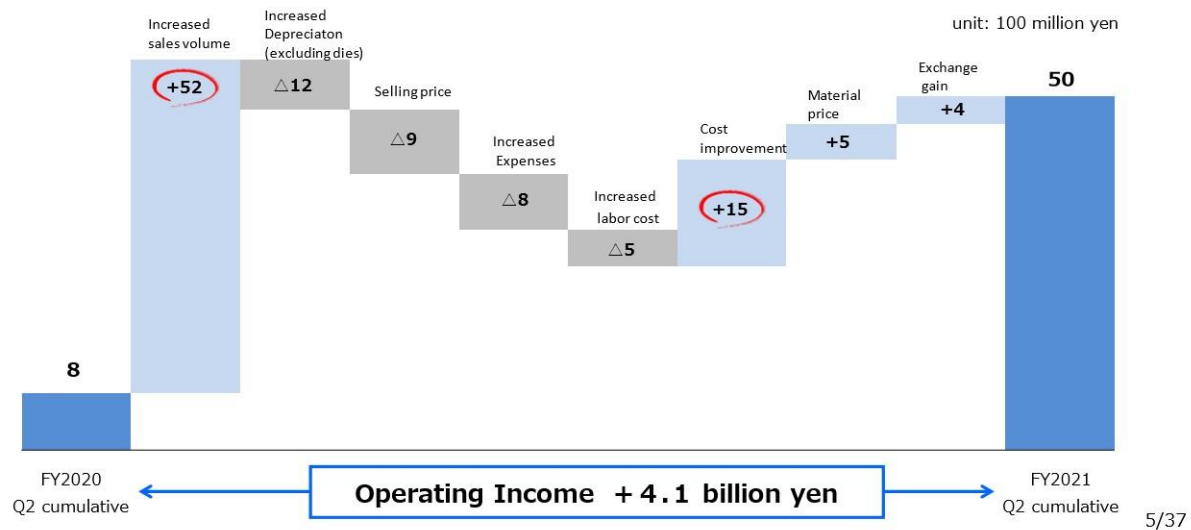
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In the second quarter of this fiscal year, our customers' automobile production has been strong globally, continuing from the first quarter. However, since mid-August, parts have been in short supply due to the expansion of COVID-19 in Southeast Asia, and production was significantly reduced in September, but production was strong throughout the 6 months.

The Group's net sales increased by 21% YoY to JPY78.4 billion but did not reach the forecast due to the production cutback in September. The adoption of the new revenue recognition standard had a negative impact of JPY1.3 billion compared to the previous standard.

As for profits, thanks to strong production and sales, improved profitability, and continued promotion of fixed cost reduction activities, operating income was JPY5 billion, ordinary income was JPY5.7 billion, and net income was JPY4.3 billion, all record highs for the second quarter. The effect of the adoption of the revenue recognition standard on earnings is minor.

## Achieved record high profits through sales recovery and cost improvement



In terms of factors behind the change in operating income, it increased significantly from JPY0.8 billion in the first half of the previous fiscal year to JPY5 billion, mainly due to a recovery in sales volume and cost improvements.

# 1-3 Q2 Consolidated Business Segments



## Sales and profits increased for stamping & molding and valves

(100 million yen,%)

	Sales				Operating Income			
	20/Q2 Cumulative Result	21/Q2 Cumulative Result	Gain&Loss	YoY rate %Change	20/2Q Cumulative Result	21/2Q Cumulative Result	Gain&Loss	YoY rate %Change
<b>Stamping &amp; Molding</b>	457	532	+75	+16.5	△2	16	+19	—
(The impact of application of revenue recognition)		(△14)						
Operating Income Ratio					△0.5%	3.1%	+3.6P	
<b>Valves</b>	190	250	+60	+31.5	10	33	+22	+212.2
(The impact of application of revenue recognition)		(0)						
Operating Income Ratio					5.7%	13.5%	+7.8P	

※Revenue recognition accounting standards have been applied since FY2021. The amount of impact on sales (included figures) is as follows.  
The impact on profits is minor.

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Sales in the Press and Plastics segment increased by JPY7.5 billion YoY to JPY53.2 billion, and operating income increased by JPY1.9 billion from a loss in the previous year to JPY1.6 billion. As a result of the application of the revenue recognition standard, net sales decreased by JPY1.4 billion from the previous standard. This was due to an increase of JPY0.7 billion from the impact of lump-sum recording of mold cost recovery and a decrease of JPY2.1 billion from the impact of offsetting display of sales and cost of sales of parts and materials supplied from customers.

Sales in the Valve business increased by JPY6 billion to JPY25 billion, and operating income increased by JPY2.2 billion to JPY3.3 billion. In the Valve Manufacturing business, the effect of the adoption of the revenue recognition standard was minor.

## 1-4 Q2 Consolidated Regional Segment



### Sales and profits increased in Japan, Europe, America, and Asia

(100 million yen, %)

	Sales				Operating Income			
	20/Q2 Cumulative Result	21/Q2 Cumulative Result	Gain&Loss	YoY rate %Change	20/Q2 Cumulative Result	21/Q2 Cumulative Result	Gain&Loss	YoY rate %Change
<b>Japan</b>	306	334	+27	+9.1	5	31	+25	+473.9
(The impact of application of revenue recognition)		(△13)						
Operating Income Ratio					1.8%	9.3%	+7.5P	
<b>Europe &amp; America</b>	224	297	+72	+32.4	△3	5	+8	—
Operating Income Ratio					△1.6%	1.8%	+3.4P	
<b>Asia</b>	116	151	+35	+30.0	5	13	+8	+158.7
Operating Income Ratio					4.3%	8.6%	+4.3P	

※Revenue recognition accounting standards have been applied since FY2021. The amount of impact on sales (included figures) is as follows.  
The impact on profits is minor.

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Both sales and profits increased due to the recovery in sales volume in all regions, including Japan, Europe, the United States, and Asia.

Sales in Japan increased JPY2.7 billion YoY to JPY33.4 billion, and operating income increased JPY2.5 billion to JPY3.1 billion. Sales in the US and Europe increased by JPY7.2 billion to JPY29.7 billion, and operating income increased by JPY0.8 billion to JPY0.5 billion. In Asia, sales increased by JPY3.5 billion to JPY15.1 billion and operating income increased by JPY0.8 billion to JPY1.3 billion.



## 2-1 Full Year Consolidated Financial Forecast



**Reviewed the full-year forecast by incorporating the latest information into the second-half forecast based on the 2Q cumulative results**

(100 million yen,%)

	FY2020	FY2021		YoY rate		Previous Forecast Rate	
	Result	Previous Forecast	Forecast this time	Gain&Loss	%Change	Gain&Loss	%Change
Sales	1,504	1,640	1,640	+135	9.0%	+0	0.0%
Operating Income	89	125	105	+15	17.0%	△20	△16.0%
Operating Income Ratio	6.0%	7.6%	6.4%	+0.4P	—	△1.2P	—
Ordinary Income	112	140	125	+12	11.4%	△15	△10.7%
Current Net Income	79	100	90	+10	12.8%	△10	△10.0%
R O E	7.6%	8.5%	7.7%	+0.1P	—	△0.8P	—
R O A (Operating income basis)	4.2%	5.4%	4.6%	+0.4P	—	△0.8P	—
Net Assts per Share	¥1,846	¥2,021	¥2,018	¥172	9.3%	△¥3	△0.1%
Average exchange rate (US dollars)	¥105.4	¥107.5	¥110.0	¥4.6	—	¥2.5	—

※Current net income is the current (quarterly) net income attributable to the parent company shareholders.

※Revenue recognition accounting standards have been applied since FY2021. The amount of impact on sales is as follows. The impact on profits is minor.

Sales will be increased by 0.7 billion yen due to the collective recognition of mold cost collection, and will be decreased by 4.9 billion yen due to the offset display of sales of customer-received products and cost of sales.

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We have revised our forecast for the full year by incorporating the current production and the latest production plans of our customers and other factors into the forecast for the second half of the year, based on the results of the first half of the second quarter.

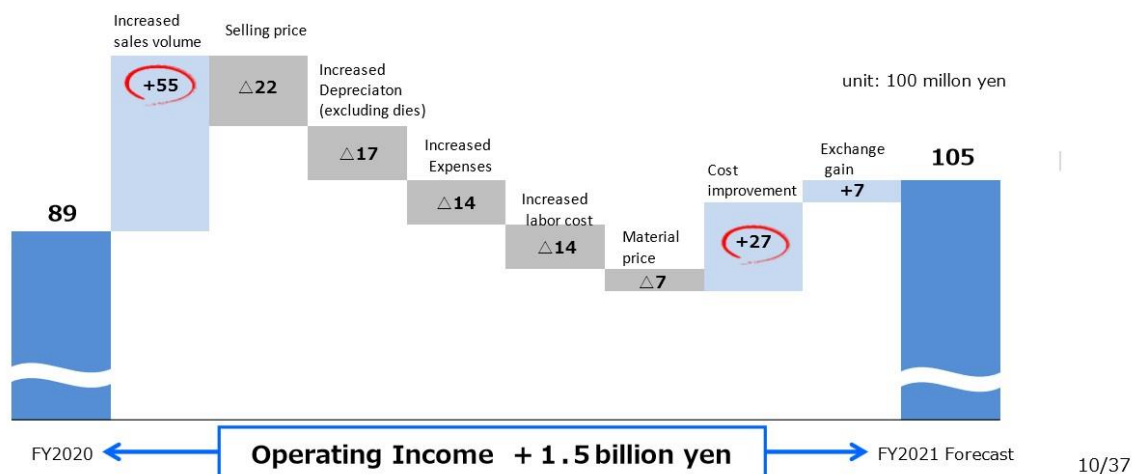
Net sales for the full year are expected to be JPY164 billion, an increase of JPY13.5 billion from the previous year. Although there is no change from the previous forecast, we expect to increase sales by the same amount in the second half of the year to offset the JPY4.5 billion decrease in sales in the first half.

The exchange rate assumption has been changed from JPY105 to JPY110 to USD1, and as a result of this change and the sharp rise in the materials market, there will be a change in the price of materials in the transaction price. Excluding the increase in revenue, sales volume is expected to decrease due to production cutbacks.

Operating income is expected to increase JPY1.5 billion YoY to JPY10.5 billion. Compared to the previous forecast, we expect a decrease of JPY2 billion due to the impact of production cutbacks.

As I mentioned earlier, we have set our exchange rate assumption at JPY110. Exchange rate sensitivity is JPY100 million per year.

**Sales are expected to recover. Expected to increase profits through continuous cost improvement**



We expect operating income for the full year to be JPY10.5 billion, an increase of JPY1.5 billion from the previous year.

Even in the midst of temporary production cuts by our customers, we flexibly changed our production system to avoid incurring extra labor and expenses. A recovery production is expected in the future. We will continue to focus on improving profitability so that we can maintain our supply chain and benefit from increased production.



## 2-3 Full Year Consolidated Business Segments



### Sales and profits are expected to increase for stamping & molding and valves

(100 million yen, %)

	Sales				Operating Income			
	FY2020 Result	FY2021 Forecast	YoY rate Gain&Loss %Change		FY2020 Result	FY2021 Forecast	YoY rate Gain&Loss %Change	
<b>Stamping &amp; Molding</b>	1,045	1,136	+90	+8.7	39	42	+2	+7.4
(The impact of application of revenue recognition)		(△42)						
Operating Income Ratio					3.7%	3.7%	+0.0P	
<b>Valves</b>	457	501	+43	+9.6	49	63	+13	+26.0
(The impact of application of revenue recognition)		(0)						
Operating Income Ratio					10.9%	12.6%	+1.7P	

※Revenue recognition accounting standards have been applied since FY2021. The amount of impact on sales (included figures) is as follows.  
The impact on profits is minor.

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Sales in the Press and Plastics business increased by JPY9 billion YoY to JPY113.6 billion. Operating income is expected to increase by JPY200 million to JPY4.2 billion.

Due to the impact of the adoption of the revenue recognition principle, net sales are expected to decrease by JPY4.2 billion. This includes an increase of JPY0.7 billion due to the impact of the lump-sum recording of mold cost recovery and a decrease of JPY4.9 billion due to the impact of the offsetting display of sales and cost of sales of parts and materials supplied from customers.

Sales in the Valve Manufacturing business are expected to increase by JPY4.3 billion YoY to JPY50.1 billion, and operating income is expected to increase by JPY1.3 billion to JPY6.3 billion. The impact of the adoption of the revenue recognition standard on the Valve Manufacturing business is minor.

## 2-4 Full Year Consolidated Regional Segment



**Sales and profits are expected to increase in Japan, Europe, America, and Asia**

(100 million yen,%)

	Sales				Operating Income			
	FY2020 Result	FY2021 Forecsat	YoY rate Gain&Loss %Change		FY2020 Result	FY2021 Forecsat	YoY rate Gain&Loss %Change	
<b>Japan</b>	702	718	+15	+2.2	51	63	+11	+21.7
(The impact of application of revenue recognition)		(△42)						
Operating Income Ratio					7.4%	8.8%	+1.4P	
<b>Europe &amp; America</b>	523	595	+71	+13.7	15	17	+1	+8.5
Operating Income Ratio					3.0%	2.9%	△0.1P	
<b>Asia</b>	277	327	+49	+17.7	18	24	+5	+26.3
Operating Income Ratio					6.8%	7.3%	+0.5P	

※Revenue recognition accounting standards have been applied since FY2021. The amount of impact on sales (included figures) is as follows.  
The impact on profits is minor.

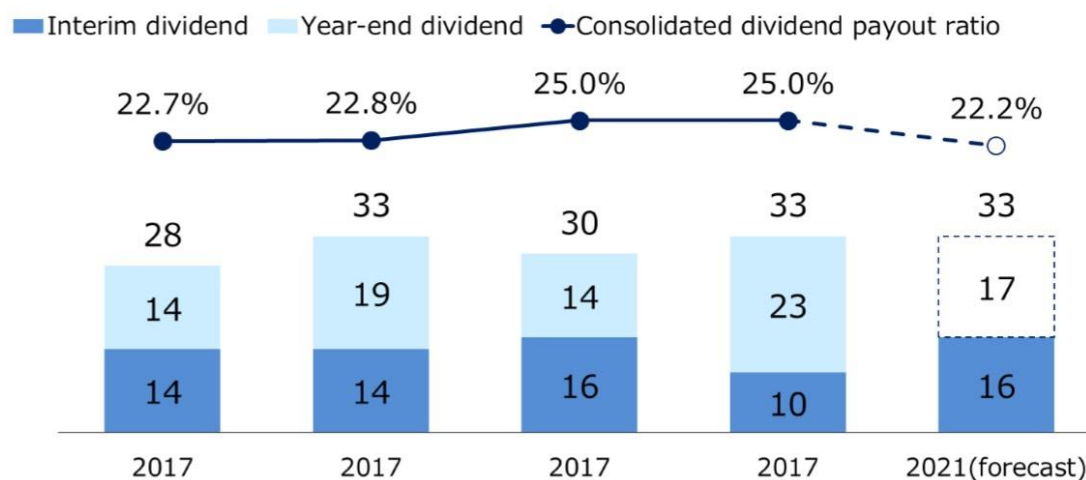
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Sales in Japan increased by JPY1.5 billion YoY to JPY71.8 billion, and operating income increased by JPY1.1 billion to JPY6.3 billion. Sales in the US and Europe increased by JPY7.1 billion to JPY59.5 billion, and operating income increased by JPY0.1 billion to JPY1.7 billion. Sales in Asia are expected to increase by JPY4.9 billion to JPY32.7 billion, and operating income is expected to increase by JPY0.5 billion to JPY2.4 billion.

## 2-5 Return to Stockholders



**The interim dividend is 16 yen as expected. The year-end dividend is expected to be 17 yen.**



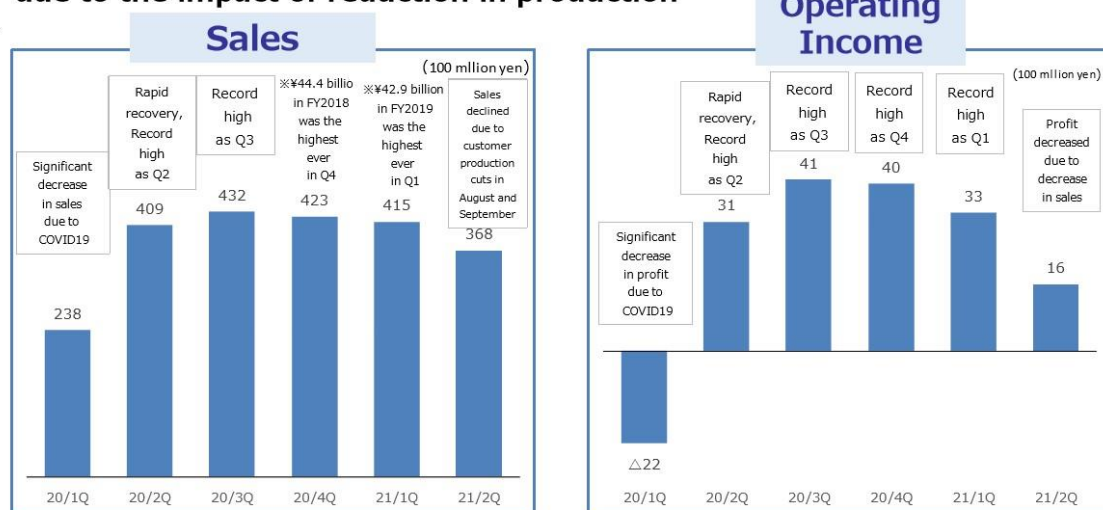
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We have decided to pay an interim dividend of JPY16 per share as previously forecasted. We expect to pay a year-end dividend of JPY17 and an annual dividend of JPY33 for the full year.

## 2-6 Quarterly Consolidated Financial Results



**Sales and profits declined in the second quarter of 2021 due to the impact of reduction in production**



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In the first quarter of the previous fiscal year, sales decreased significantly due to the impact of COVID-19, and we were in the red. However, since the second quarter, sales and operating income have increased each quarter and reached a new record high, thanks to the recovery of production and the improvement of our company's structure.

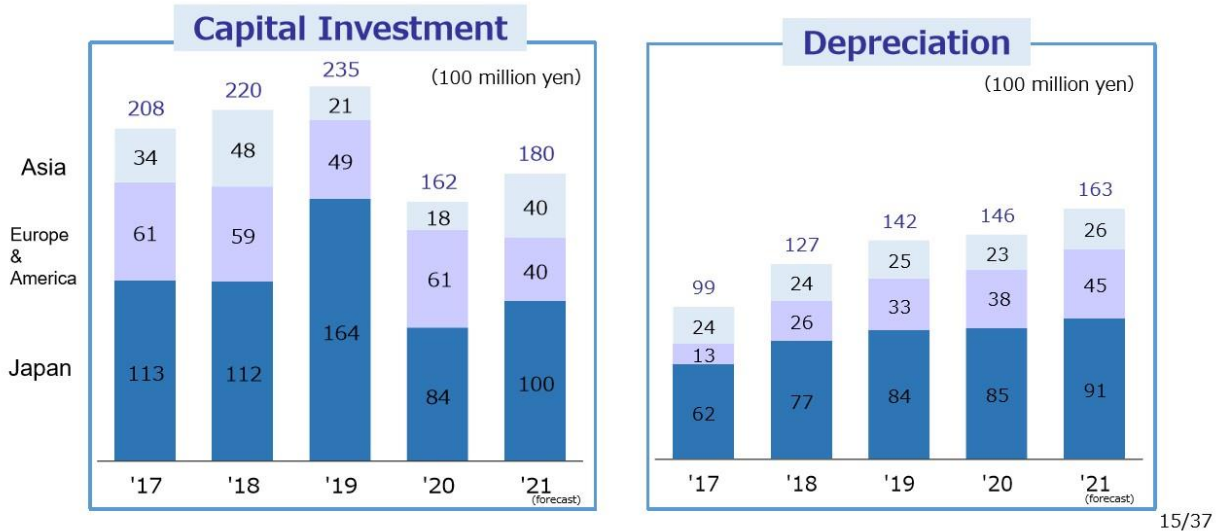
In the second quarter of the current fiscal year, both sales and profits will decrease due to a significant reduction in production caused by a shortage of customer's parts. Although production cuts are continuing in October, there are reports that the production cuts will weaken in November, and we can expect a recovery in production after that.

We will continue to work on improving our profitability by establishing a system that can flexibly respond to production fluctuations so that we can generate profits when production increases.

## 2-7 Consolidated Capital Investment & Depreciation



Prioritizing capital investment that has a large effect and that comes out quickly



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As in the previous fiscal year, we will continue to make necessary and effective investments in the current fiscal year. We plan to invest JPY18 billion in plant and equipment, and JPY16.3 billion in depreciation and amortization, an increase of JPY1.7 billion over the previous fiscal year.

In addition to preparing for production associated with the launch of new products, we are investing in plant expansion, the addition of large presses, and new TPMS lines at our 3 main bases in Japan, North America, and China.

In addition to increasing production capacity, we will also reorganize within the production division to build a more efficient production system to meet the needs of our customers.

This concludes the report on our business performance, and I will now explain our sustainability management and priority measures.

### 3-1 Pacific Group's Value Creation Model



Aiming to be a company needed by society as a group



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The automotive industry is in the midst of a once-in-a-century period of great change, and in addition to the structural transformation of automobiles represented by CASE, energy conservation, weight reduction, AI, and progress in IoT, there is an urgent need to address the issue of carbon neutrality.

We have put together a value creation model to sustainably improve our corporate value by focusing our management resources on our strengths against business opportunities and risks to address social issues.

In addition to the existing Stamping Press/Resin business and Valve business, we will promote sustainability management through the New Product business, in which the entire Group will strive together to create the future.



### 3-2 Approaches for to Address Changes in the External Environment and Social / Customer Issues



Shift to sustainability management and aim to be a company that grows sustainably

## PACIFIC GLOBAL VISION

[A revolution once in 100 years] ·CASE ·Progress in mobility society



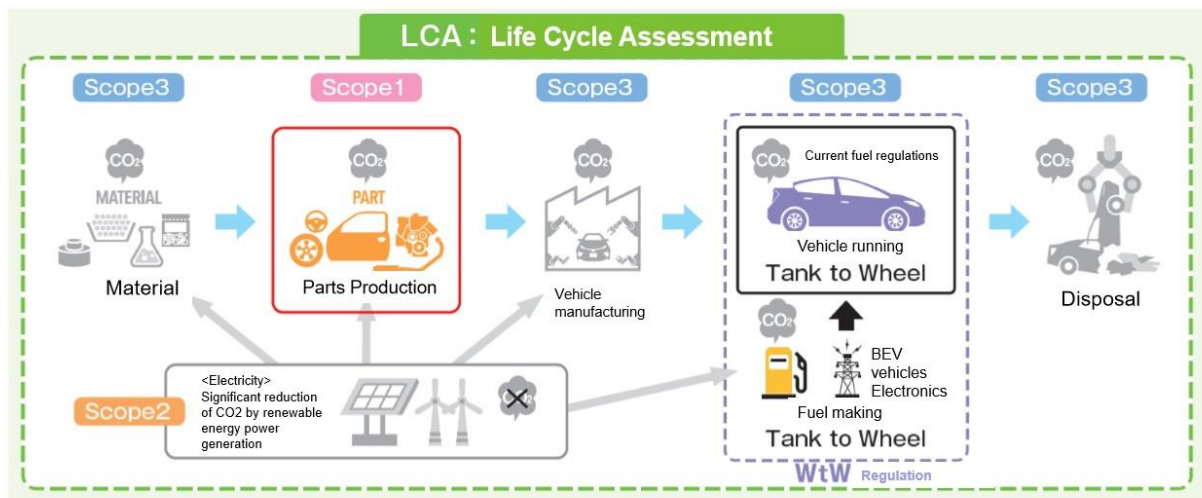
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In light of the changes in the external environment over the medium term, we will accelerate the development of new technologies, materials, and construction methods, and promote the development of bases under the medium-term management plan OCEAN-22.

In addition to meeting social demands such as carbon neutrality and the SDGs, we will speed up our efforts to create manufacturing and work systems using the digital transformation accelerated by the outbreak of COVID-19 and promote sustainability management.

### 3-3 Reduction of CO2 Emissions in the Life Cycle

Promote initiatives with an eye on purchasing, production, use, and disposal



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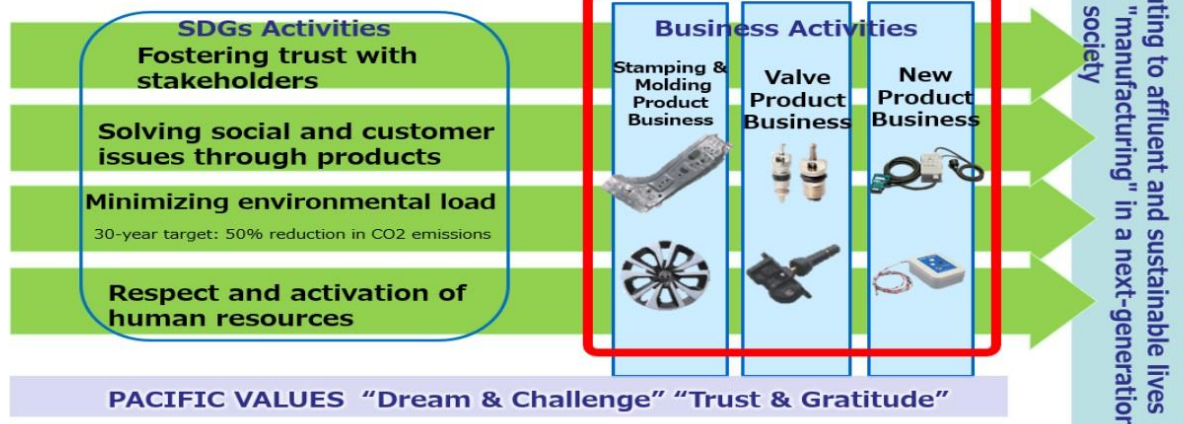
As a company that develops and produces parts, based on LCA, in the supply chain and work on Scope 1 in cooperation with suppliers in addition to our own development, production technology and production processes, and promote Scope 2 through the use of renewable energy.

### 3-4 Weave "OCEAN-22" as a Warp, "SDG Activities" as a Weft



## Passion in Creating Tomorrow PACIFIC GLOCAL VISION

### PACIFIC Environmental Challenge 2050 OCEAN-22



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To achieve this goal, under our long-term vision PACIFIC GLOCAL VISION, we will use the activities of presses and resins, valves, TPMS, and new businesses as the warp threads of our medium-term management plan OCEAN-22, and the 4 weft threads of the SDGs to contribute to the enrichment and sustainability of life in the next-generation mobility society. In this way, we hope to contribute to affluent and sustainable lifestyles in the next-generation mobility society through manufacturing.

## 3-5 Key Issues of Sustainability



### Identified 4 themes and 15 materialities related to long-term vision



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To promote sustainability management, we have identified 4 important themes and 15 materialities related to the PACIFIC GLOCAL VISION.

In the area of solving social and customer issues through our products, we will continue to develop environmentally friendly products and work to minimize our environmental impact by using resources in a sustainable manner in response to climate change.

We will strive for health management, create an environment that emphasizes respect for human rights, diversity, and inclusion, etc., and promote the respect and success of our human resources by valuing the new ideas and challenges of our employees.

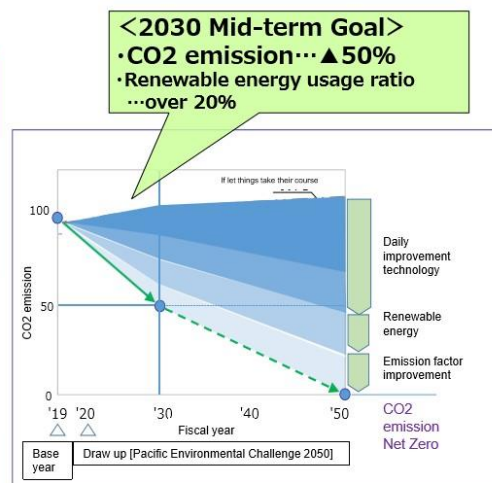
We will also share information on climate change with research institutes, local communities, business partners, etc., and work to build relationships of trust with our stakeholders to achieve sustainable growth.

### 3-6 "PACIFIC Environmental Challenge 2050"



Promote activities by setting milestones in efforts to minimize the environmental burden

	Materiality	SDGs	Item	Current Status (FY2019 Result)	2030 Goal	2050 Goal
Carbon neutrality	Climate change mitigation and adaptation	13 CLIMATE ACTION 7 AFFORDABLE AND CLEAN ENERGY	CO <sub>2</sub> emission	93.9(kt)	Compared to 2019 50% reduction	Net zero
Minimize environmental load	Sustainable use of resources	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Waste emission	3,132(t)	Compared to FY2019 Japan Reduce by 60% Overseas Reduce by 30%	Minimize
	Conservation of water resources	6 CLEAN WATER AND SANITATION	Water usage	1,744 (km <sup>3</sup> )	Proper use	Minimize



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We have formulated PACIFIC Environmental Challenge 2050 in order to minimize our environmental impact.

Our goal for 2050 is to achieve net zero CO<sub>2</sub> emissions, minimize waste emissions, and minimize water consumption, and our mid-term goal for 2030 is to reduce CO<sub>2</sub> emissions by 50%.

We would like to proceed with daily improvements, innovative technologies, use of renewable energy, and improvement of emission factors, considering future increases based on 2019.



## 3-7 Efforts Toward Carbon Neutrality



Identify energy reduction measures from three perspectives and aim to achieve CO2 emission reduction targets

Energy saving through daily improvement activities	<ul style="list-style-type: none"> <li>•Productivity improvement based on Toyota Production System</li> <li>•Repairing air leaks and steam leaks</li> </ul>
Energy saving by developing production equipment and introducing high-efficiency equipment	<ul style="list-style-type: none"> <li>•Introduction of high-efficiency equipment when updating equipment etc.</li> <li>•LED lighting</li> <li>•Urban gasification of boiler heavy oil</li> </ul>
Use of renewable energy	<ul style="list-style-type: none"> <li>•Planned introduction of solar power (already introduced in 6 domestic bases, 1 overseas base )</li> </ul>

### Introducing ICP(Internal Carbon Pricing)\*1

•"ICP amount depending on the expected power consumption of the equipment and the amount of CO2 emitted" was visualized as an additional running cost. Operated as one of the criteria for investment decisions.

\*1 A mechanism to promote low-carbon investment and measures at carbon prices set by companies

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In our daily improvement activities, we will go back to the basics of manufacturing to find air leaks and other small energy wastes, and work on improving CO2 emissions as well as maintaining and improving safety, quality, and productivity.

We improve and innovate our internal infrastructure by introducing high-efficiency equipment when upgrading facilities, using LEDs, and converting heavy oil to city gas.

As for the use of renewable energy, we will promote the introduction of solar power generation systems on a global basis.

To implement the plan with a sense of speed, we have introduced ICP ( Internal Carbon Pricing), which will be used as 1 of the criteria for our decision making, to promote the reduction of CO2 emissions.

I will explain the solutions to social and customer issues through our products in the section on OCEAN-22 business initiatives later in this report.



#### Prioritize respect for human rights and promote health management

##### Human Rights Policy

Pacific group policy, principle of management and operation

1. Basic policy
2. Understanding, evaluating and preventing human rights risks
3. Relief
4. Training
5. Regular review/ improvement

Human rights due diligence and relief



"Code of conduct"

"Supplier CSR Guidelines"

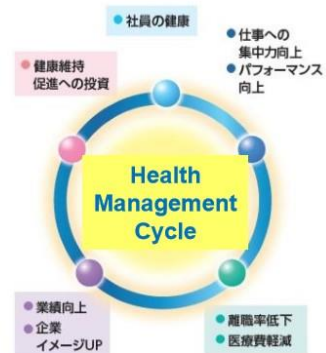
##### Declaration of Health

**A virtuous cycle where you can work vigorously and grow your company through healthy management!**

Pacific Group Declaration of Health

We consider the health and safety of our employees as the starting point of "manufacturing," and strive to maintain and improve the physical and mental health of our employees and their families and create a comfortable working environment for the sustainable growth of the company and its employees. In order to "create tomorrow with all our thoughts" in our brand slogan, we declare that we will value new ideas and challenges, and we will strive to create a company where we can feel the harmony between work and life, and work soundly and lively.

Sept.2021



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As a manufacturing company, we have been working on the basis that manufacturing is a human resource development. We will also continue to respect and promote the activities of our human resources.

Regarding human rights, we formulated a human rights policy in February this year, and are working on action guidelines and supplier CSR guidelines, which we are rolling out to our employees and suppliers in Japan and overseas.

In addition, we consider it an important management resource that our employees can work in good health, and we have been working on work-life balance since 2005. In 2006, we registered our business as part of the Declaration for the Creation of a Healthy Workplace promoted by the Gifu Labor Bureau, and we are continuing to promote the mental and physical health of our employees.

In September 2021, we reiterated the Pacific Industrial Group Health Declaration and made it even clearer, and we have been working to create a healthy and safe workplace so that our employees can work vigorously.

## 3-9 Fostering Trust with Stakeholders



**Promote coexistence and co-prosperity efforts based on mutual trust and active information disclosure**

### Development of policy system that will be the basis of activities

- Standard of conduct, Code of conduct  
Revision of supplier CSR guidelines, global expansion
- Training and compliance check

### Community support in Covid-19 pandemic

- 90-year anniversary project:  
\* Donation of PCR test car to Gifu-pref.
- \* Production of masks: Distributed masks to employees, suppliers, and communities.
- 30-year anniv. of Thai subsidiary: Donated "ambulance" with a partner



### Sustainability information disclosure



• Issued Sustainability report 2021

<https://www.pacific-ind.co.jp/csr/report/>

• CDP Climate Change Assessment  
Acquisition of leadership level "A-"  
Supplier engagement evaluation  
"Leaderboard" elected



• Support for TCFD, promote integration and information disclosure into climate change impact strategies

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Regarding fostering trust with stakeholders, we are making efforts to become a company that can coexist and prosper with the trust of our stakeholders, including employees, suppliers, customers, shareholders, and local communities.

We have also organized our sustainability management initiatives and KPIs related to materiality, and are promoting initiatives throughout the supply chain, including the development of a policy system that will serve as the foundation for all activities, the dissemination of education, and the dissemination of guidelines to employees and suppliers.

These efforts are being strongly promoted as information disclosure on our website and in our Sustainability Report and have been highly evaluated by external evaluation organizations such as CDP.

In May, we also expressed our support for the TCFD, an international proposal for climate change-related information disclosure. In line with the framework of the recommendations, we will continue to disclose our governance, strategy, risk management, metrics and targets based on the risks and opportunities that climate change presents to our business.

Last year, to mark the 90th anniversary of our company's founding, we donated a PCR inspection car to Gifu Prefecture and an ambulance to a local hospital in Thailand. We have also built a new mask production line and continue to distribute and donate masks to employees, suppliers, and local communities.

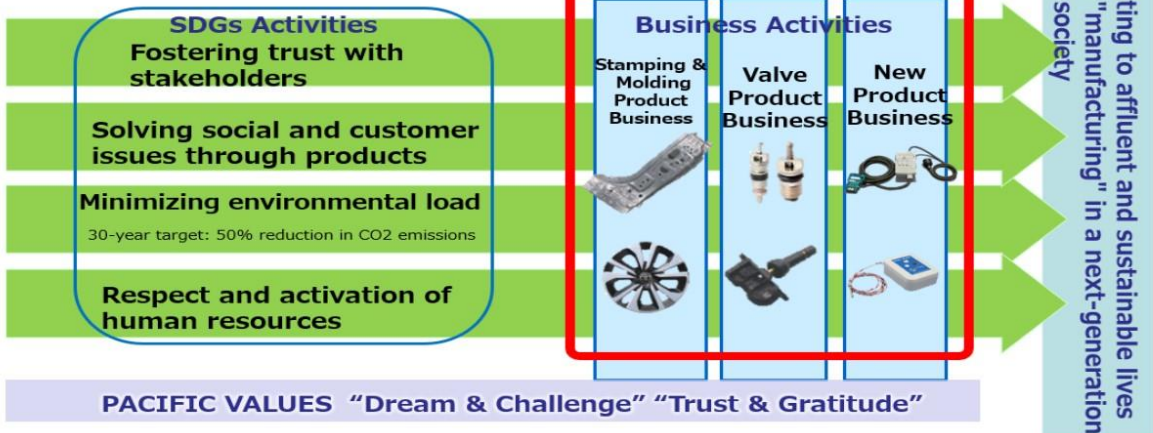
We will continue to value our relationship of trust with our stakeholders and contribute to the development of the community and society.

### 3-10 Weave "OCEAN-22" as a Warp, "SDG Activities" as a Weft



## Passion in Creating Tomorrow PACIFIC GLOBAL VISION

### PACIFIC Environmental Challenge 2050 OCEAN-22



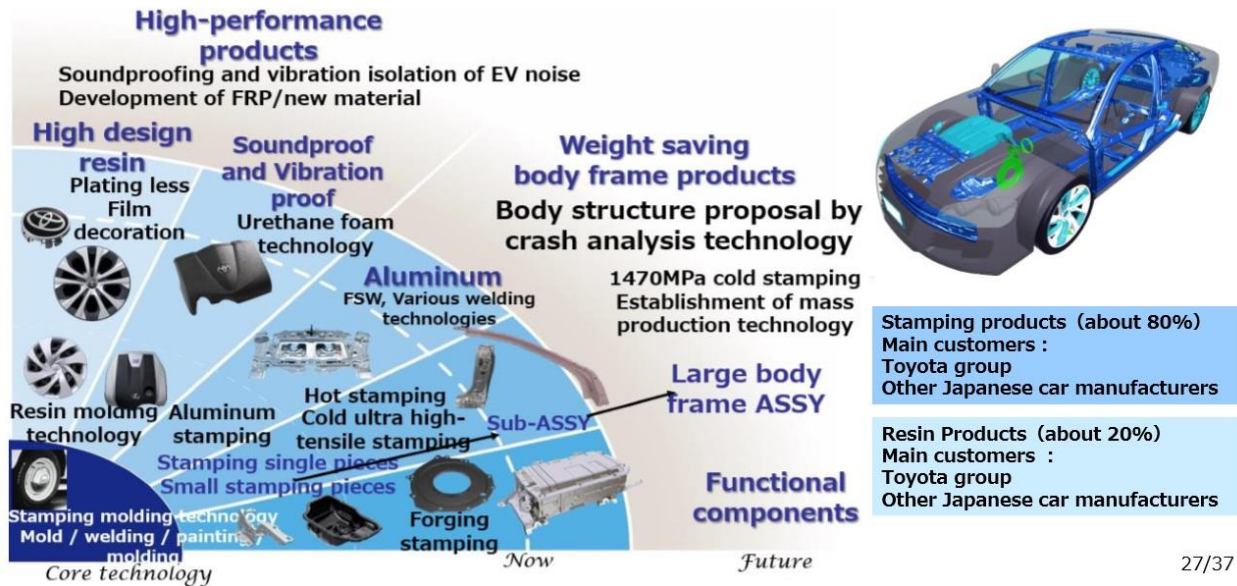
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I would now like to explain how we are solving social and customer issues through our products, along with our initiatives in the Press & Plastics business, Valve Products business, and New Products business in OCEAN-22, our medium-term management plan which is the vertical thread of our sustainability management.

### 3-11 Business Areas of Stamping & Molding Technologies



We supply body frame parts that ensure the strength and rigidity of the car body, high-design and high-performance resin parts, etc.



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The Press and Resin business accounts for 70% of our company's sales.

Our presses are used for body frame parts that form the framework of automobiles, and functional parts such as trunk hinges and battery cases, and our main customers are the Toyota Group.

Our resin products include wheel caps, center ornaments, engine covers, gas pedals, and other interior and exterior parts. Our products are supplied to many Japanese manufacturers, including the Toyota Group, Honda, Suzuki, Daihatsu, and Subaru, and we have a high market share.



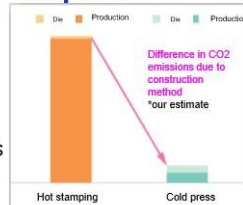
### 3-12 Ultra High Tensile Strategy: Priority Measures



**Body structure analysis technology contributes to collision safety and weight reduction of the vehicle body**

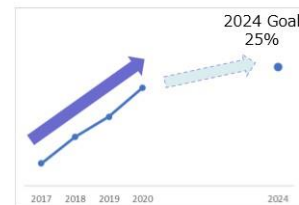
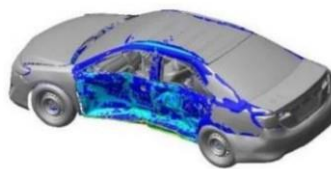
#### Expanding the area of stamping frame parts

- Promoted proposal of switching from hot to cold
- Developed 1470MPa material cold molding & mass-production technology
- Expansion of large body frame assembly parts



#### Strengthening structure analysis and making effective proposals

- Collision analysis / molding analysis / evaluation
- Expansion of analysis model, improvement of accuracy
- Optimal proposal for body structure



(KPI) Changes in sales ratio of ultra-high-tensile products to stamping products

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In light of the shift to electric vehicles, reducing vehicle weight and improving collision safety and fuel efficiency are major issues in the design of vehicle body frames, and there is a growing demand to reduce vehicle weight while reducing CO2 emissions during parts production.

We see this as a growth opportunity and are accelerating the development of related products.

From the standpoint of LCA and carbon neutrality, we will strategically promote technological development with a focus on cold super hi-ten processing, which uses less energy during parts production. To expand the processing area, we are actively promoting proposals to replace hot stamping with cold stamping.

In addition, we will actively promote structural proposals as subassemblies by evolving our structural analysis and evaluation technologies and shifting to the cold press method, which has a lower environmental impact, as well as optimizing body design, including collision safety, and reducing costs. In addition, we will aim to expand our business domain by optimizing body design, including collision safety, and reducing costs.

### 3-13 Resin Technology Strategy : Priority Measures



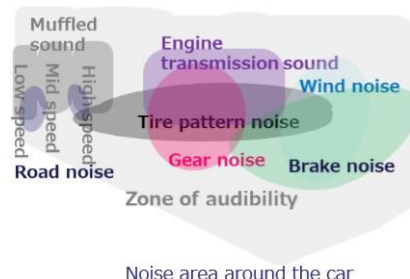
Development of EV noise countermeasure products utilizing soundproofing and vibration-proofing technology  
Strengthen competitiveness with eco-friendly film decoration technology



All urethane engine cover

#### Urethane foam molding technology

Feature :  
Both weight reduction and soundproofing performance are achieved.  
Needs will increase with the introduction of EVs.  
Promote the development of noise suppression products.



Center ornament

#### Film decoration ornament

Feature :  
100% recyclable by plating-less processing by film insert molding.  
Both cost reduction and design are achieved.



Aluminum wheel

Resin decorative parts



Aluminum wheel

Wheel cap

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#### Wheel decoration parts

Feature : Attached to aluminum wheels to improve aerodynamic performance and design

In the Resins business, we have expanded our lineup of all-urethane engine cover products by developing urethane foam materials with improved NV performance, and we are strengthening our competitiveness by reducing weight and cost and improving functionality.

In addition, with the shift to electric vehicles, the need for noise prevention against new types of noise, such as motor noise, will further increase. We will develop new materials such as polyurethane foam through functional analysis of noise prevention and meet new needs including construction methods and product design.

The film decoration technology developed by our company and adopted for the first time for automobile exterior panels, is an environmentally friendly product that does not require plating and is 100% recyclable.

In addition, we are developing wheel caps that not only contribute to the design, but also to the weight reduction of aluminum wheels and improve aerodynamic characteristics.

Our products have been adopted by many Japanese manufacturers using our overseas bases. We are also making approaches to overseas automakers to expand our business.



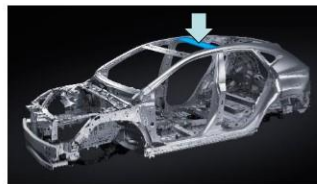
## 3-14 New Product Topics



**Strategically develop new technologies and products, and promote adoption and mass production in sequence**

### **Adopted cold pressed parts of 1470MPa material**

- Adopted for roof center reinforcement for Lexus NX
- 22% lighter than before
- Promoted proposals to expand application to other vehicle types



Weight reduction contributes to lowering the height of the center of gravity and improving steering stability



Roof center reinforcement

### **Adopted GFRP engine undercover**

- World's first adoption for SUVs
- 76% lighter than before
- Received a project award from Toyota
- Received "the Mobility Related Parts Award" in [Super Manufacturing Parts Award] by Nikkan Kogyo Shimbun



Contributes to excellent running performance by protecting the lower part of the body off-road



GFRP Engine under cover

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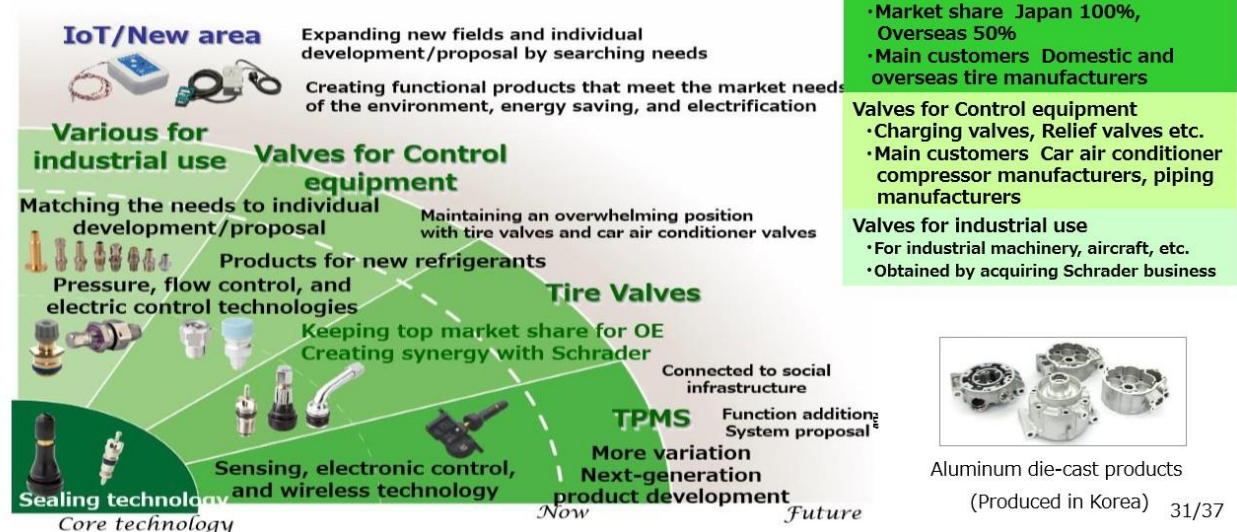
As a result of these efforts, ultra-high tensile strength cold-pressed parts made of 1,470 megapascal material have been used for the first time in the roof center reinforcement of Toyota vehicles, and mass production is scheduled to begin for vehicles releasing this fall.

In the Plastics business, we developed an engine undercover using GFRP, Glass Fiber Reinforced Plastic, which excels in strength and weight reduction, and adopted it for the new Land Cruiser. It was adopted for the first time in the world for SUVs, and while ensuring excellent running performance at the bottom of the body on off-road vehicles, it achieved a significant weight reduction of 76% compared to the conventional model, and received a project commendation from Toyota Motor Corporation.

### 3-15 Business and Technology Areas of Valve Products



Develops and manufactures various valves using the fluid sealing technology cultivated in the valve core, the founding product, as the core technology.



In the Valve Products business, we provide products that utilize fluid sealing technology, including valve cores and tire valves, which are our founding products, as well as valves for car air conditioners, industrial valves, and TPMS.

We have a 100% share of the tire valve market in Japan and 50% overseas. We have a 50% share of the global market for charge valves for car air conditioners and an 80% share of the global market for relief valves, securing a high market share for our niche products.

With the acquisition of Schrader Valve business in 2018, we have also integrated industrial and aircraft valves into our product lineup.

With the addition of the Schrader brand, which is strong in the US and European markets, to the PACIFIC brand, which is strong in the Japanese and Asian markets, we have customers in 4 regions around the world and are expanding our development, production, and sales system.

### 3-16 Development and Sales Expansion of Control Valves for Electrification



**Accelerate the development of control valves for heat pump car air conditioners for the progress of electrification**

#### Changes in market needs

Changes in power train  
De-engine / motor drive



Insufficient heat source  
for heaters



**Heat-pump  
air conditioners**



Electric expansion  
valve for BEV

- Increased needs for control valves such as electric expansion valves due to the shift to heat pump car air conditioners
- Delivered Prototype to local customers and promoted evaluation

#### Development/Sales system

- Accelerated development with 3 bases in Japan, US and Europe
- Understand customer needs in each region, create synergies for development and sales, and promote global sales expansion



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In the area of the Valve business, we see carbon neutrality and electrification as growth opportunities and are developing new products.

In particular, due to changes in the powertrain associated with electrification, the exhaust heat from the engine will no longer be available and there will be a shortage of heat sources for heating, so car air conditioners will shift to heat pump systems.

We are developing multifunctional electric expansion valves and new control valves by utilizing the technology of heat pump systems for home appliances.

In cooperation with Schrader's bases in France and the US, we would like to speed up development and improve efficiency, which will lead to a global sales structure.

## 3-17 Technology development in new fields



Promoted new product development and new business development including solutions by utilizing core technology



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TPMS monitors tire pressure, temperature, and G-force during driving, and transmits the data wirelessly to notify the driver of a loss of air pressure, thereby promoting driving safety and preventing fuel consumption deterioration.

In recent years, the demand for condition monitoring has been increasing, and we are developing related IoT products based on the core technology of TPMS with implemented AI according to the product.

Most recently, HACCP regulations have been strengthened for product management in the supply chain transportation process, and GDP guidelines have been introduced for pharmaceuticals to ensure quality in the distribution process.

In the livestock industry, there is a growing demand for various types of monitoring, such as individual management needs to improve productivity.

We will continue to develop not only hardware, but also solutions using AI, IoT, and ICT.



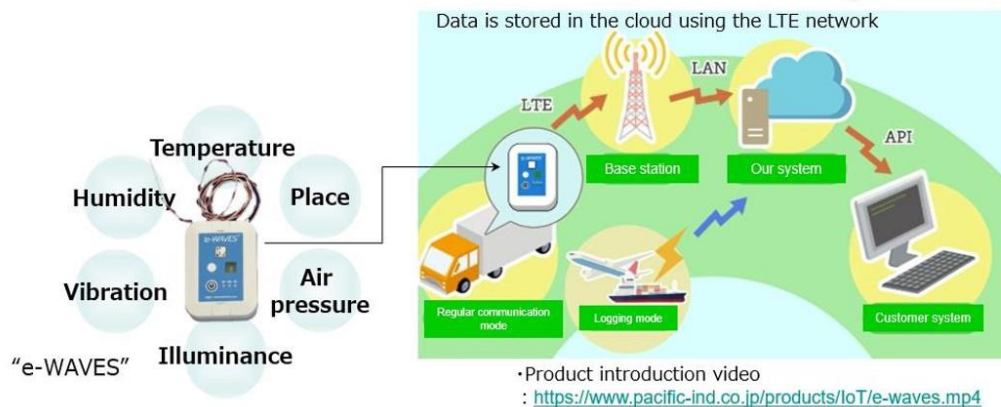
## 3-18 New Product Applying Sensing Technology



Providing new value for logistics solutions

### “e-WAVES” , the multi sensing logger

- It can sense temperature, humidity, vibration, position, barometric pressure, and illuminance
- It checks the status of food and drug transportation in real time



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Using the core technology of TPMS, we launched e-WAVES, a multi-sensing logger that can monitor the status of the transportation process, in April.

The system enables real-time monitoring of conditions during transportation, and is used for quality control of foodstuffs, pharmaceuticals, and vaccines that need to be transported and stored at low temperatures.

As vaccination is progressing across the country, several municipalities in Gifu and Aichi prefectures have adopted our system. We will continue to develop, provide, and deploy this product to provide new value to future logistics solutions.

## 4-1 Constructed a New Plant in Higashi-Ogaki Plant



Established a global mother plant with an eye on carbon neutrality, strengthening cost competitiveness in the medium to long term

**Increased production of ultra-high-tensile stamping products for electric vehicles**

**Incorporated measures for carbon neutrality**

- A plant that pursues manufacturing efficiency
- A plant where employees can work lively

Place : Ogaki-city, Gifu-ken

Production item : Stamping products for automobiles

Land Space : 80,000m<sup>2</sup>

Floor Space : 43,000m<sup>2</sup> (Stamping-Welding Plant)

Investment amount : 13 billion yen

Beginning of construction on : Nov. 2021

Start of operation : mid-2023



New factory exterior image

**Aiming to reduce CO2 by 50% compared to conventional plants**

- Plant building specifications
- Plant driving force
- High efficiency equipment
- Logistics system
- Renewable energy

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A new press welding plant will be constructed in Ogaki City, adjacent to the current Higashi Ogaki Plant. The site has already been acquired, and construction will begin in November of this year, with the aim of starting operations in mid-2023. The total floor area is 43,000 square meters, and the investment is approximately JPY13 billion.

We had been expanding our overseas bases to meet the growing demand for ultra-high-tensile processing. In the years to come, demand for electric vehicles is expected to grow further, and we will strive to respond to the increased production of products centered on ultra-high-tensile processing in response to the growing need for lighter weight.

In addition, as a global mother factory, we will pursue efficiency manufacturing, incorporate innovations to achieve carbon neutrality, and strive to create a workplace environment where employees can work with enthusiasm.

To achieve our target of 50% CO2 emissions for FY2030, we will work to reduce CO2 emissions by upgrading the specifications of our factories and buildings, switching the energy used for electricity and power in our factories, and introducing high-efficiency production equipment. We also aim to reduce CO2 emissions by 50% compared to conventional plants by introducing solar power generation and other measures.

There will be no impact on the current fiscal year's business results due to these plans.

In addition, we have published the Sustainability Report 2021, and we disclose information about these issues on our website.



We would also like to announce that we have resolved to select the Prime Market and apply to the Tokyo Stock Exchange for the transition to the new market classification of the Tokyo Stock Exchange scheduled for April 2022.

We will continue to strategically focus on these measures to create a better tomorrow, with the goal of becoming a 100-year company.