

To Create New Value

Mid to Long-Term Business Plan

Beyond the OCEAN

Mid-term Business Plan

NEXUS - 26

To be the company needed in
the age of VUCA



PACIFIC INDUSTRIAL CO., LTD.

May 10, 2023

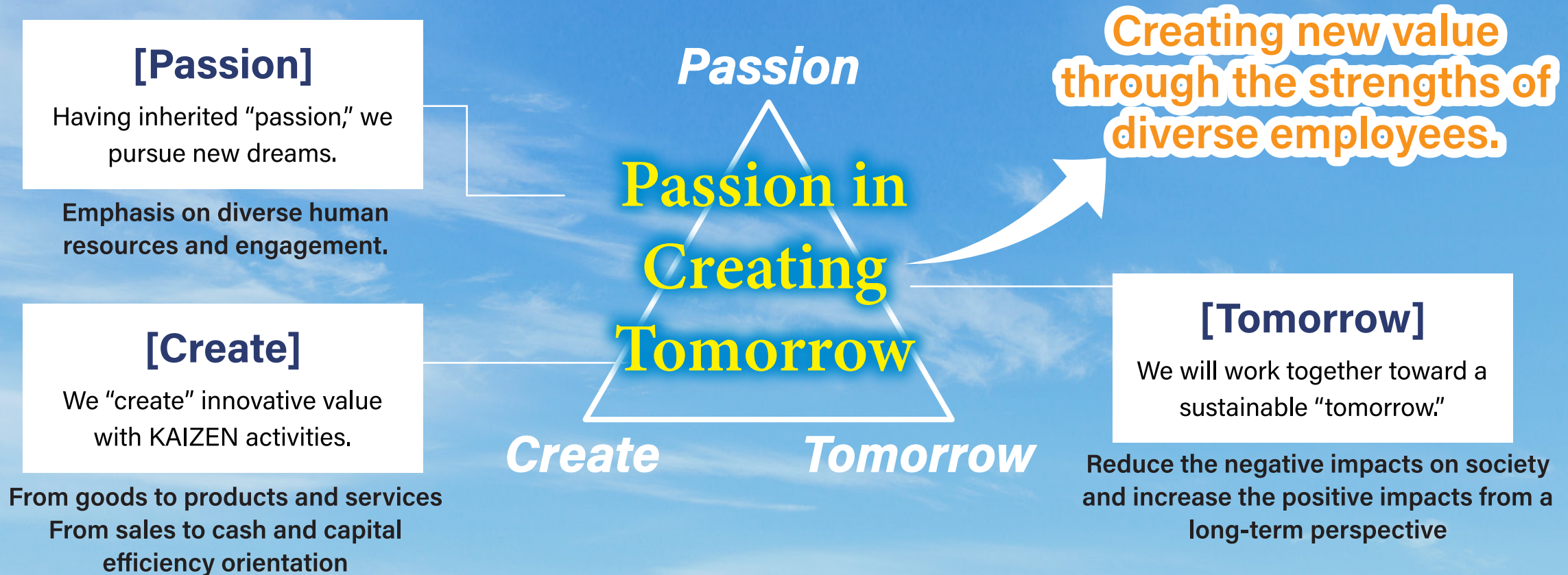


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Passion in Creating Tomorrow

Mid to Long-Term Business Plan
Beyond the OCEAN

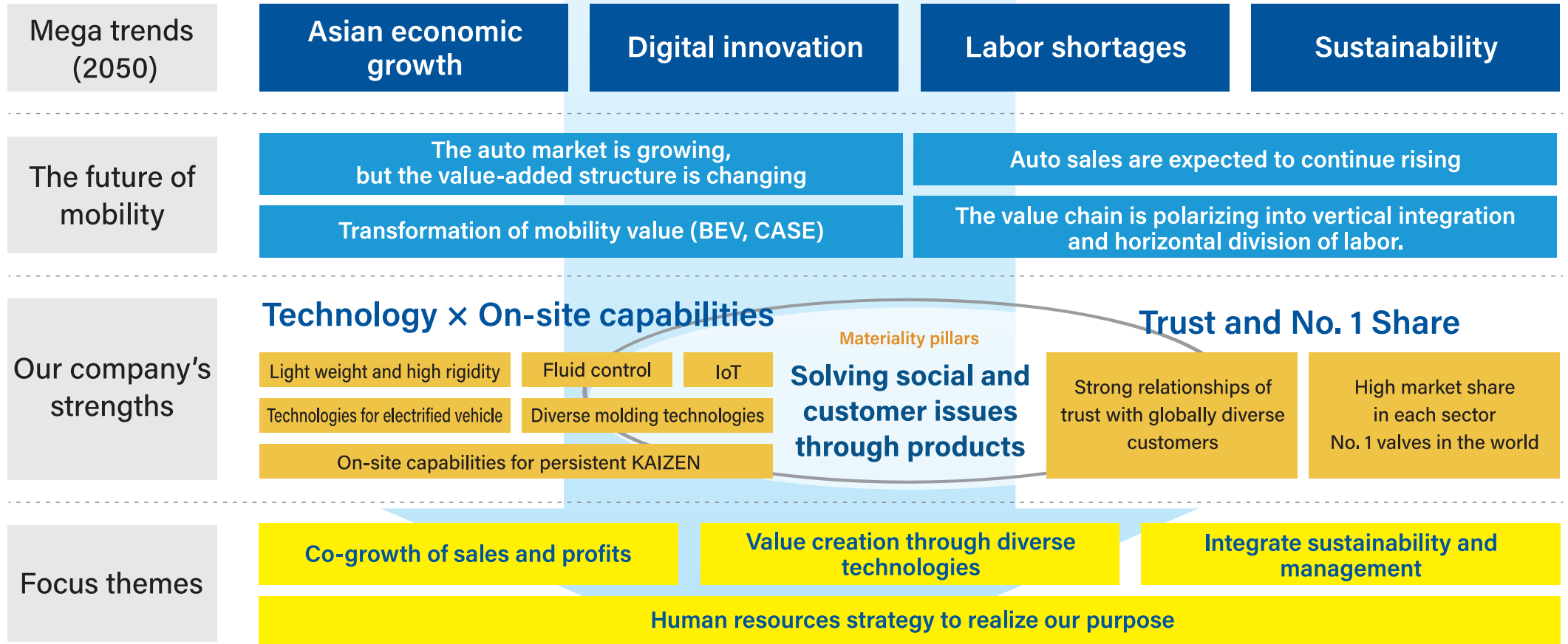
From Brand Slogan to “Purpose”

The significance of our existence is to create new value through the active participation of our diverse workforce

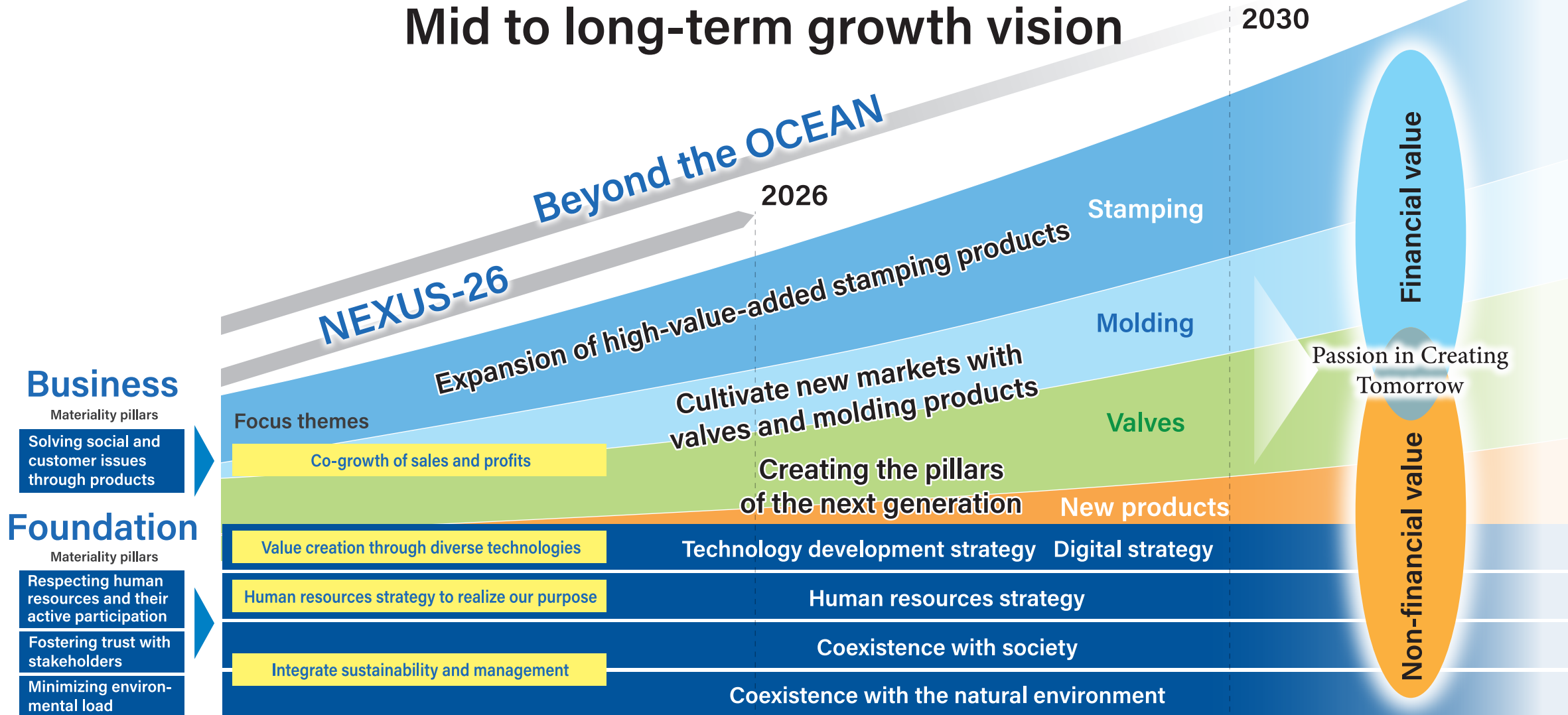


Mid to long-term business plan concept

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



Mid to long-term growth vision



Increase resilience

Become a company that continues to grow despite 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

P23
Human
resources
strategy
→

Expansion of business areas

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

P12 -
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
- Conduct constructive dialogue with shareholders and investors

P27
→

Appropriate financial level

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

P14
Financial
strategy
→

Risk management

Integrated view of risks and opportunities globally, and implement PDCA cycles

Management targets

Develop financial and non-financial (business and sustainability) value targets

Financial value targets

Improve capital efficiency and achieve sustainable growth

	FY2022 results	FY2026 targets	FY2030 targets
<u>Sales</u>	191.2 billion yen	210 billion yen	Sustained growth
<u>Ratio of operating income to sales</u>	4.9%	7% or more	10% or more
<u>ROE</u>	7.0%	8% or more	10% or more

Non-financial value targets

Business value targets

Solve social and customer issues through products

		FY2026 targets	FY2030 targets
Main business	Sales ratio for electrified vehicles (our company estimation)	50%	70%
New business	Number of new products and services launched (from FY2023)	15 cases	35 cases

Sustainability value targets

Empower employees to achieve sustainable growth

		FY2026 targets	FY2030 targets
Human capital	Employee engagement	Establish medium- and long-term targets after first survey implementation in FY2023	
Natural capital	CO ₂ emissions	30% reduction	50% reduction
(Scope 1, 2, group compared to fiscal 2019)			

Sustainability materiality (Important issues)

PDCA cycles in conjunction with material topics directly related to management targets.

Fostering trust with stakeholders

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

Particularly relevant SDGs



Solving social and customer issues through products

Contribution to a sustainable mobility society and prosperous living

[Management target]
Number of new products and services launched

Improving mobility safety
Development of environment-conscious products

[Management target]
Sales ratio for electrified vehicles

Particularly relevant SDGs



Minimizing environmental load

Mitigation of and adaptation to climate change

[Management targets]
CO₂ emissions

Sustainable resources use
Conservation of water resources

Particularly relevant SDGs



Respecting human resources and their active participation

[Management target]
Employee engagement

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

Particularly relevant SDGs





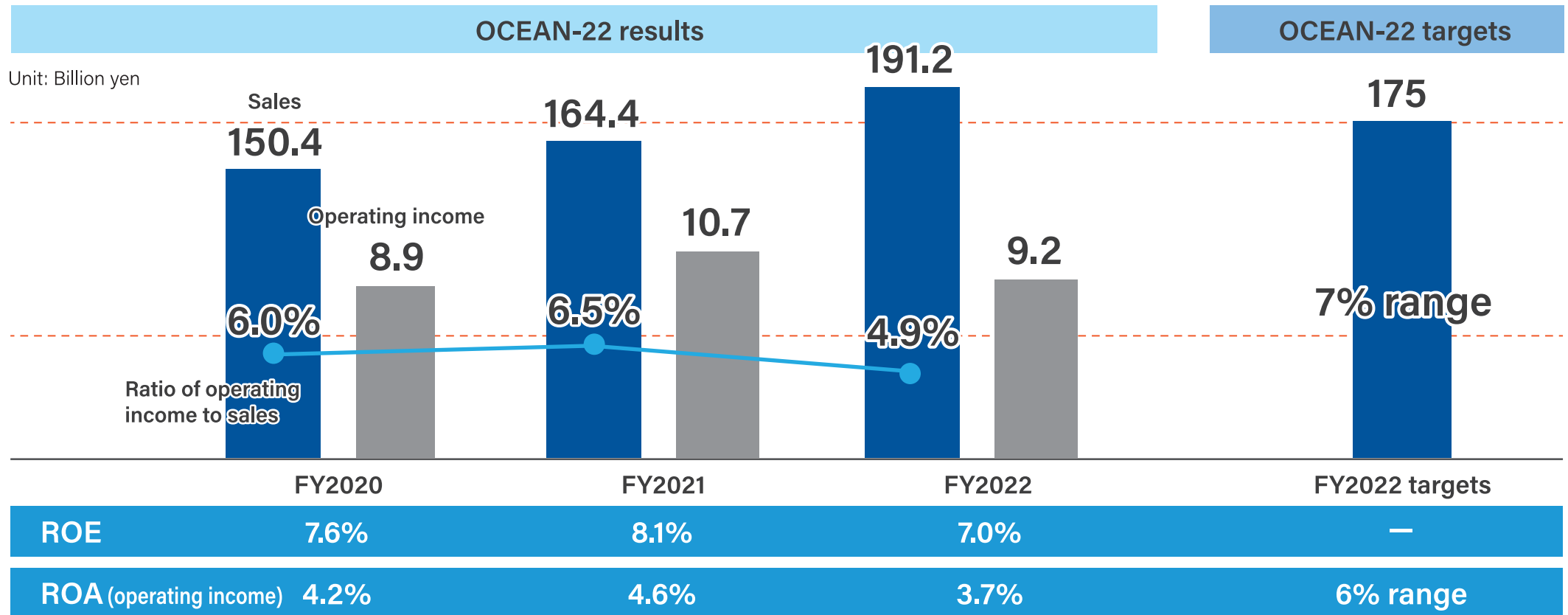
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OCEAN-22 Review

Sales achieved the target, but the ratio of operating income to sales and ROA did not.



Operating income 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 overcome “challenges” to achieve 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 material topics identification• “PACIFIC Environmental Challenge 2050” formulated• Improved external evaluation of EcoVadis, CDP, etc.• Human rights policy formulation• Certified as a Health and productivity Organization
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 next-generation 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		

Vision by business for 2030 and 2026

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

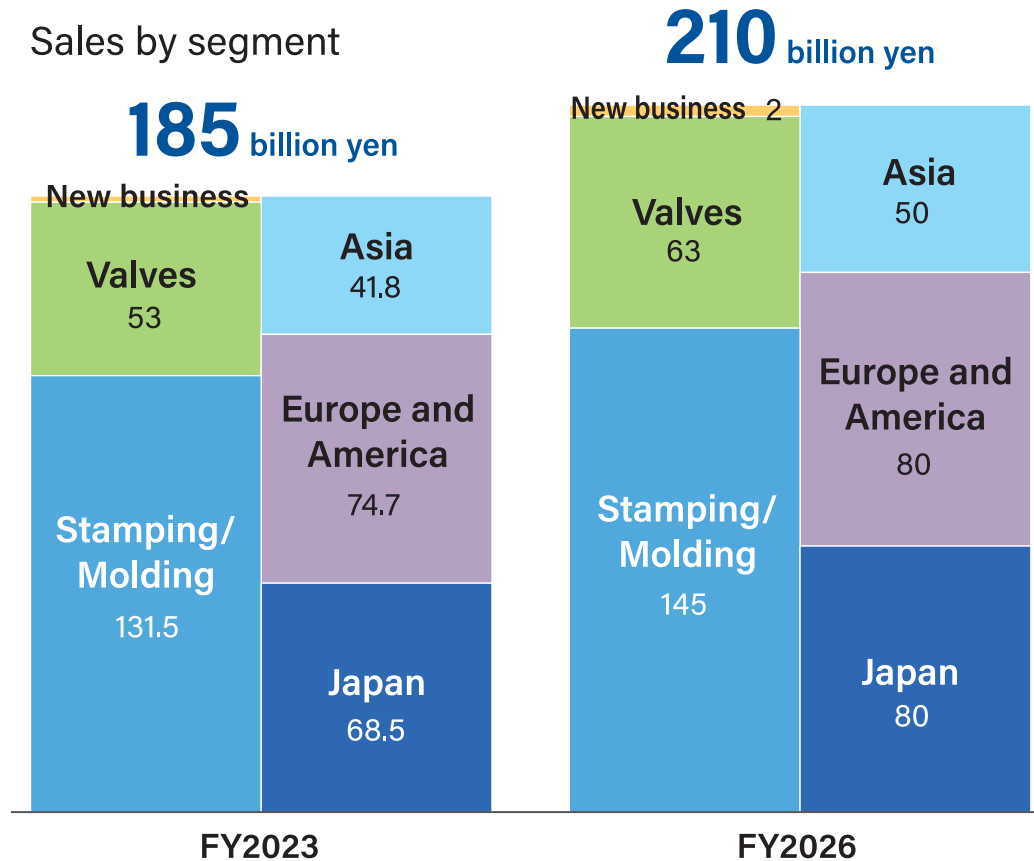
	FY2026	Sales and profit growth image Compared to FY2022	FY2030	Sales and profit growth image Compared to FY2026
Stamping	<ul style="list-style-type: none"> Product creation that contributed to decarbonization Improve manufacturing and technological capabilities Production technology innovation Establish a solid business base 	Sales  Profit 	<ul style="list-style-type: none"> Becoming a high-value-added business of choice in a decarbonized age Establish cost competitiveness to surpass other companies through innovation in production technology 	Sales  Profit 
Molding	<ul style="list-style-type: none"> Expand into new areas with soundproofing, vibration-proofing and decorating 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 soundproofing, vibration-proofing and new decorating 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 pillars of business with products for electrified vehicles 	Sales  Profit 
New products	<ul style="list-style-type: none"> Explore new business areas following logistics and animal husbandry Deepen existing areas 	Sales  Profit 	<ul style="list-style-type: none"> Become 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%  Level out

Sales targets by segment

Growth in each business and region

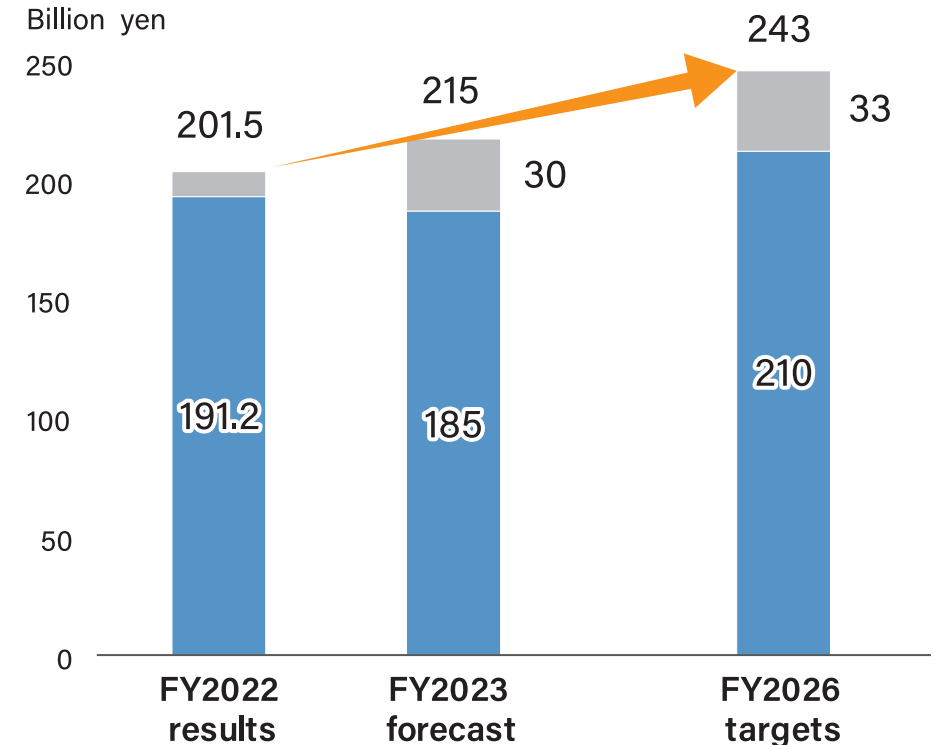
Sales by segment



At pre-change levels, the average annual growth rate over four years is 5%

Sales trend

■ Sales ■ Revenue recognition adjustment



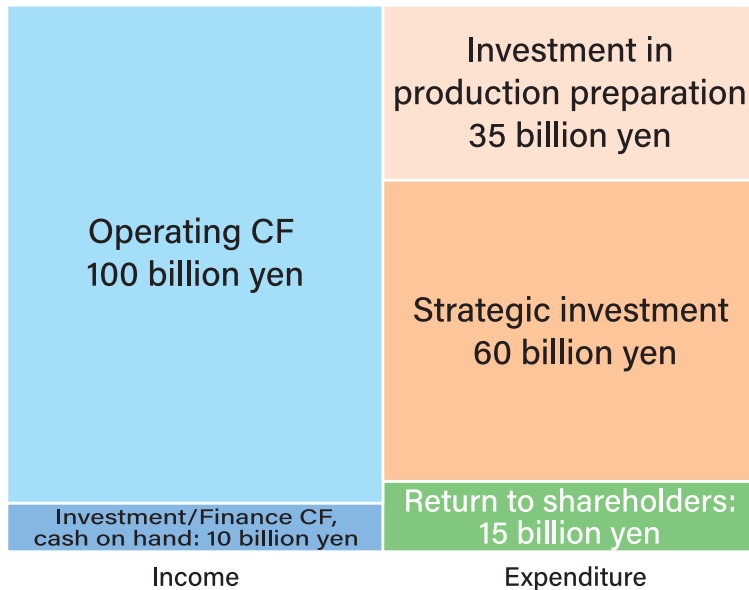
Financial strategy

Making bold growth investments for 2030 with awareness of capital costs

Financial policy

- Make strategic investments and shareholder returns using the operating CF generated, and any temporary shortfalls will be covered by borrowings
- Aim for **ROE of 8% or more in FY2026 and 10% or more in FY2030** by implementing investments with an awareness of capital efficiency
⇒ Aim to increase corporate value and improve PBR

FY2023 to FY2026 Cumulative cash allocation



*Investment CF is a reduction in cross-shareholdings

Investment Policy

- **Aggressive strategic investment for future business growth**
Strategic investment items: New stamping plant and increased capacity, new electric expansion valve line, increased capacity in molding products, etc.
- New investments made with **awareness of cost capital** to improve capital efficiency
- Ascertain the need for cross-shareholdings and reduce them

Shareholder Return Policy

- **Continue to pay stable dividends** and set a **dividend payout ratio target of 30%**
- **Implement share buybacks flexibly**

Stamping business strategy

Contribute to decarbonization and safety by honing development and production technology capabilities

What we aim to be by 2030

- To survive in the era of decarbonization, we will become a **“proposal-based technology group”** and create high added value
- Establish **cost competitiveness to surpass other companies** through innovation in production technology and smart factories

Stamping Sales Target

2022 ▶ 2026
129 ▶ 155 billion yen
CAGR 4.7%

(Before the change in revenue
recognition standards)

NEXUS -26 Focus Themes

1. Create products for decarbonization

- Expand the cold stamping technology sector
- Increase sales of lightweight products
- Expand sales of parts for electrified vehicles
- Create plants with reduced environmental impact

POINT

2. Improve Monozukuri and technological capabilities

- Evolution of next-generation high-tensile stamping technology
- Advance development of joining technology
- Reinforcement of structural analysis and autobody structure proposal capabilities

3. Establish a solid business base

- Manpower saving with equipment and transportation automation
- Build manufacturing lines using AI
- Domestic and overseas base restructuring
- Increase efficiency through smart factories
- Development of multi-skilled human resources



Stamping business strategy POINT

New state-of-the-art global mother factory for sustainable value creation



- Personnel: **250**
- Site area: approx. **80,000** m², total floor area: approx. **43,000** m² (plant)
- Total investment: **30** billion yen (including welfare building, machinery building, and R&D building)
Stamping machines: **6** (3500 t transfer and others)
Welding machines: **30** (including self-service equipment and self-transport)

Expanding sales and profits

Expand sales and increase production of bodyshell parts (ultra high-tensile/aluminum) and battery products, and improve profitability through automation and higher efficiency

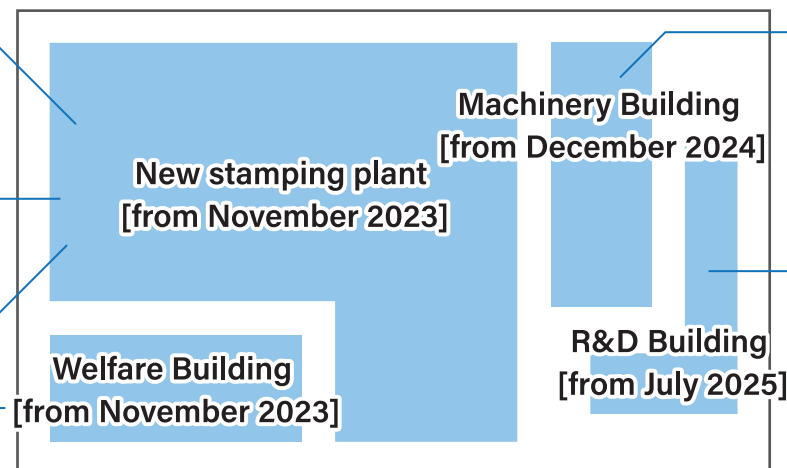
Initiatives for CN

Innovation and installation of high-efficiency equipment, renewable energy use

Creating a decent work environment

In-plant air-conditioning, improved heavy lifting work (introduction of automated equipment and AGVs)

Plant layout



Die innovations

Data management and faster delivery
Heavy simulation use
Die production capacity expansion

Strengthen development capabilities

Improve environment for molding products development
Building a co-creation space

Molding business strategy

Develop new markets globally with soundproofing, vibration-proofing, and decorating technologies

What we aim to be by 2030

- **New market creation** by applying soundproofing, vibration-proofing and new decorating technologies
- Shift to a **circular economy**

Molding sales target

2022 ▶ 2026
18 ▶ 25 billion yen
CAGR 8.6%

NEXUS -26 Focus Themes

1. New products and new businesses with sound and vibration-proofing technology established

POINT

- Accelerating the development of new products for electrified vehicles (Urethane foam products, etc.)
- Expand sales to new customers (For mega suppliers)
- Expansion beyond the automotive sector

2. Developing decorating technology and cultivating global customers

POINT

- Increase sales of wheel caps and ornaments to new customers (focus on ASEAN/India markets)
- Expand global production capacity (North America/Asia)

3. Strengthen ability to develop materials

- Urethane material, paint-less material, high-performance resin
- Enhancement of CAE evaluation environment
- Develop multi-materials and recycled materials



Molding business strategy POINT

Promote development of new products for electrified vehicles and expand sales globally to new customers

Our company's strengths and achievements

- Sound and vibration-proof technologies accumulated via engine covers
- Design from material formulation to match the sound range of the noise
- Experience working with both complete vehicle manufacturers and primary suppliers
- Enhancement of prototype evaluation functions at the R&D Center
- No. 1 market share in Japan and reliability for wheel caps
- Film decorating technology available for automobile exteriors
- Integrated internal structure from planning to design to production

Business opportunities

- Growing demand for BEV and PHEV as the market expands (Sound and vibration-proofing, aerodynamic performance improvement)

Market size assumption

[Market Size in FY2030]
Soundproof cover 20 to 30 billion yen
*Our company's estimates

Compressor cover

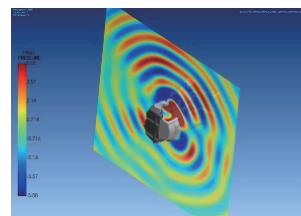


Sound visualization by acoustic analysis and optimal cover shape proposal

Aerodynamic wheel cap



Adopted by TOYOTA/bZ4X, etc.



Valve business strategy

Build a new growth pillar by developing high-value-added products for electrified vehicle

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

Valve sales target

2022 ▶ 2026
54.2 ▶ 63 billion yen
CAGR 3.8%

NEXUS -26 Focus Themes

1. Develop new products and technologies with an eye toward vehicle electrification

POINT

- Establishment of thermal management products utilizing sealing technology
- Smart product development using wireless communication technology
- Anticipate market needs on a global basis and promote advanced development



2. Strengthen revenue base by improving efficiency of existing businesses

- Reorganize global locations and development according to market trends
- Establishment of a systems through DX and automation
- Promote new customer development for TPMS



Valve business strategy POINT

Develop products for thermal management systems and expand lineups to provide high added value

Our company's strengths and achievements

- No.1 market share for tire valves and car air conditioner valves, high quality and reliability
- Received order for electric expansion valves for BEVs from a major system manufacturer, mass production to start in May 2023.
- Global customer coverage through mutual cooperation among three development bases in Japan, France, and the U.S.
- Promoted development of water valves for battery cooling systems and expanded lineup of valves for thermal management.

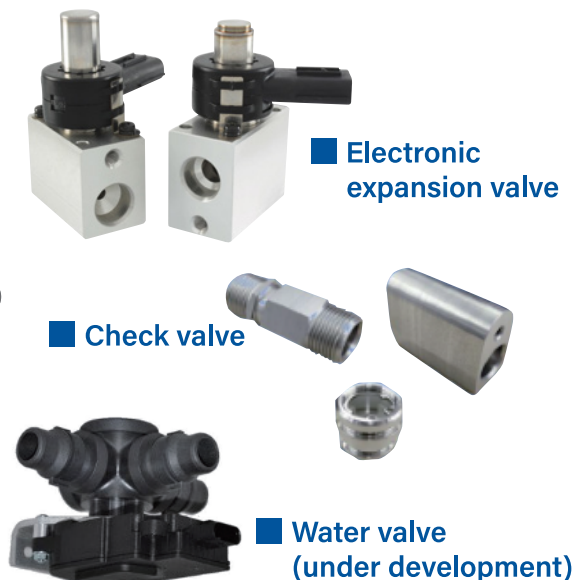
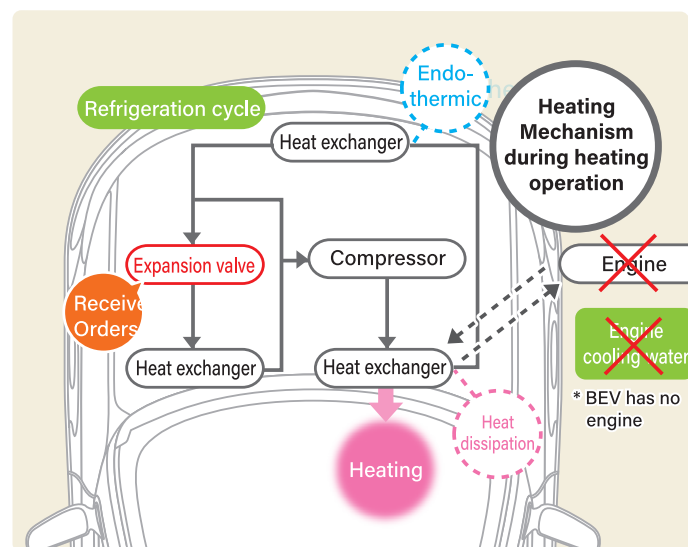
Business opportunities

- Growing demand for BEV and PHEV as the market expands

Market size assumption

[Market Size in FY2030]
Heat pump refrigerant valve
100 billion yen
Battery cooling water valve
140 billion yen

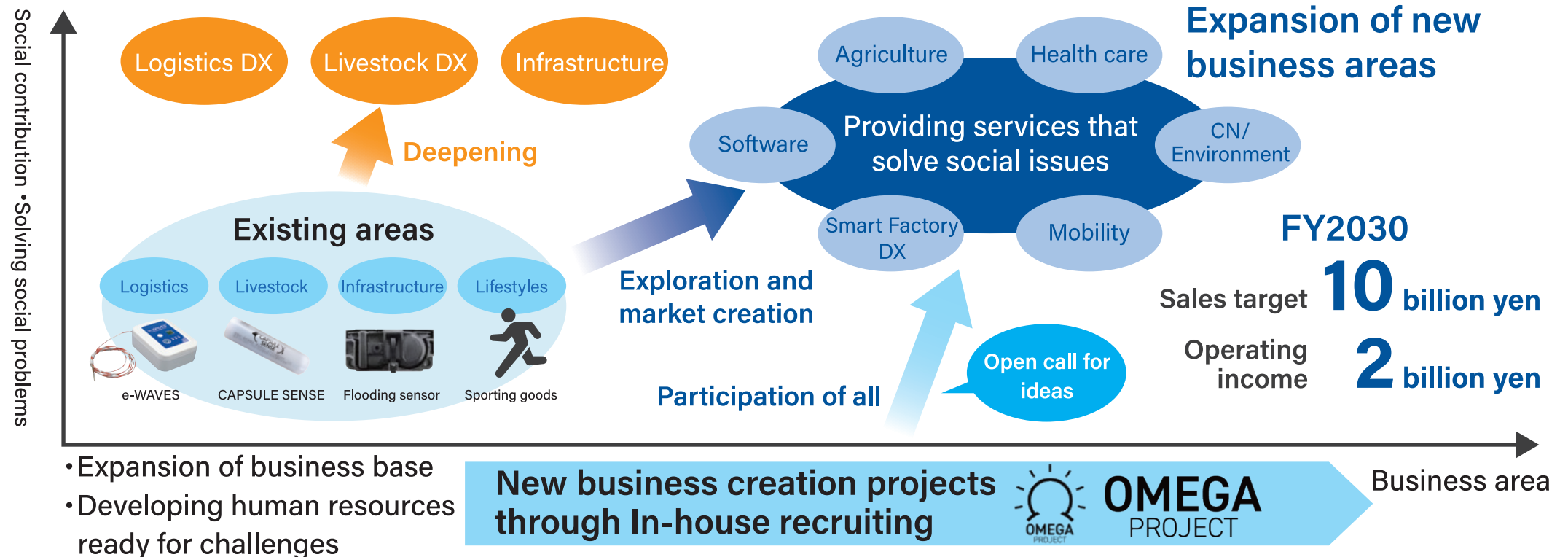
*Our company's estimates



New product development

Developing IoT products and systems that contribute to solving social issues

What we aim to be by 2030 **Wireless, apps, cloud, AI and Big Data usage data business to new business pillars**

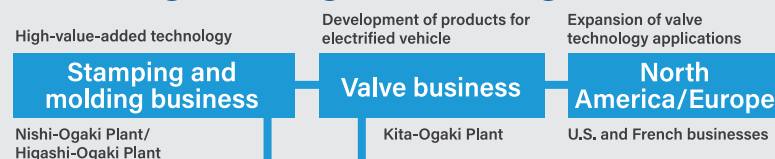


Technology development strategy

(1) Deepen the diverse core technologies of existing businesses and create new value

(2) Improve the development environment and accelerate the creation of new businesses

● Cooperation among businesses and strengthening technological development

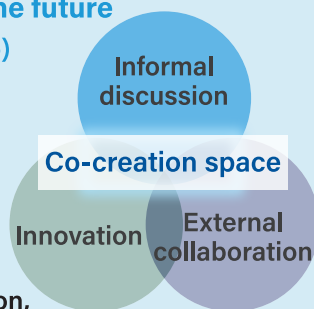


New business

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 work into one building



Improve
environment for
development

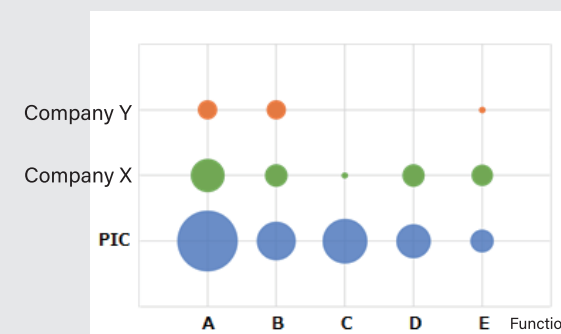
IP strategy

Strategic
investment in
technology
development

Investment in
new business
development

● IP strategy

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



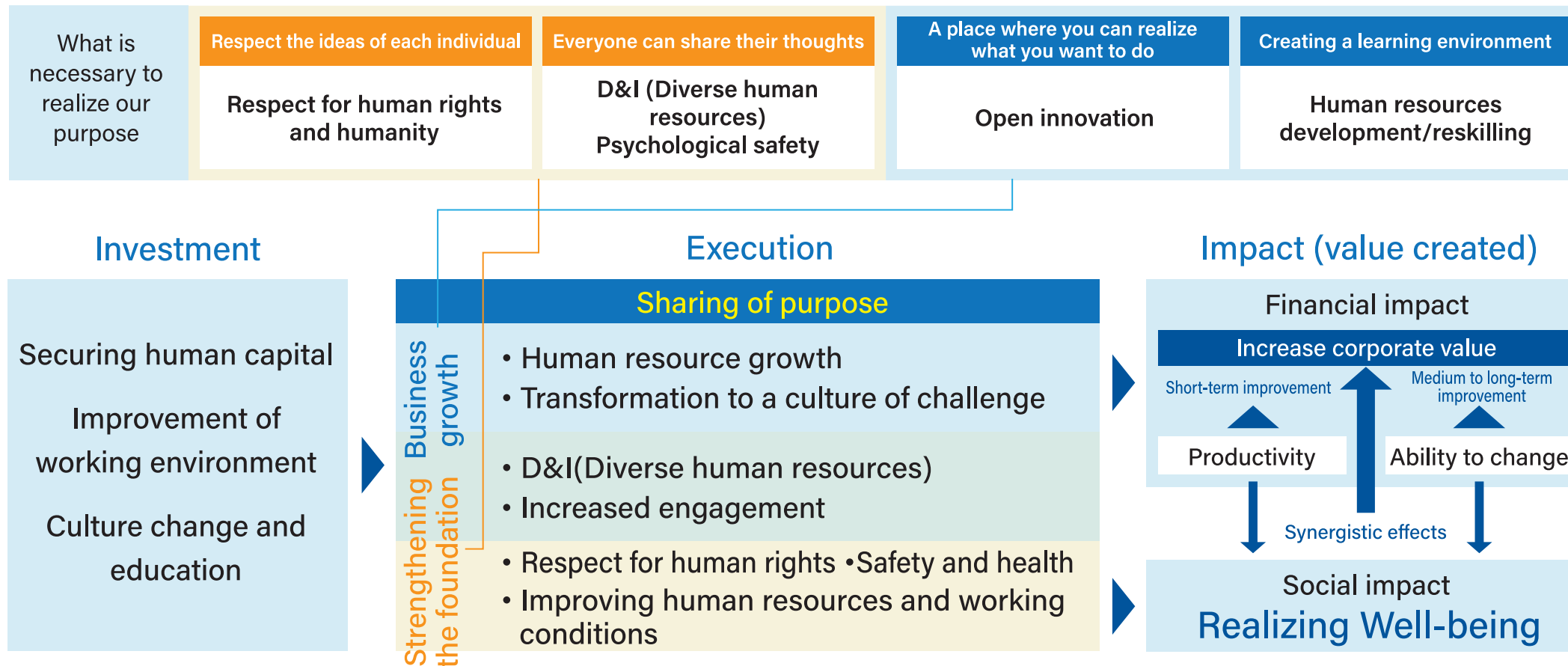
Assessment of the value of the Group's intellectual property holdings.
Promote intellectual property activities by confirming compatibility
with business strategies and solutions to social issues

Respecting human resources and their active participation (human resources strategy)

Become a company where all workers have their "passion," can play an active role, and realize our purpose.

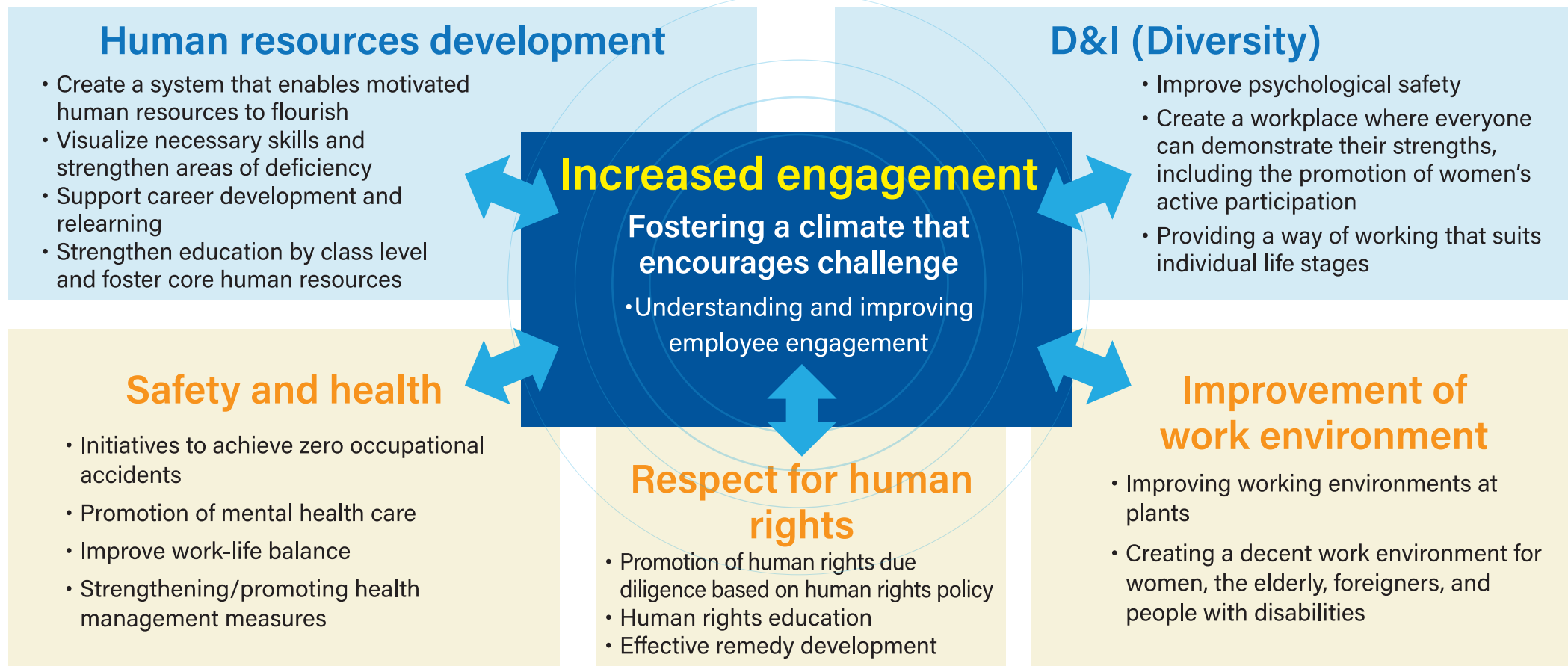
Materiality

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



Respecting human resources and their active participation (human resources strategy)

Integrated approach to key issues with “employee engagement” at the core



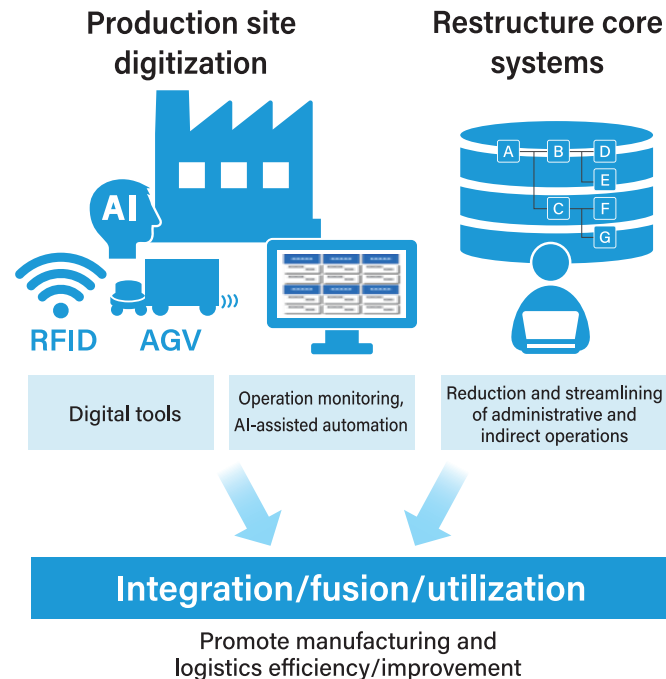
Digital strategy

Leverage data and digital technology to transform business processes

What we aim to be by 2030 **Realization of smart factories**

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

DX/Digitization



DX human resources development

Raise digital literacy for all employees

Company-wide DX human resources training and tier specific development

DX professional human resources

- Possession of professional skills
- Assign to specialized departments to promote planning

DX planning human resources

- Operational digitalization driven
- Place in each department

DX user human resources

- Daily use of digital tools
- Staff, supervisory class

DX entry-level human resources

- Understanding the necessity and importance of DX
- For all employees

Putting the right DX human resources in the right places

Cybersecurity







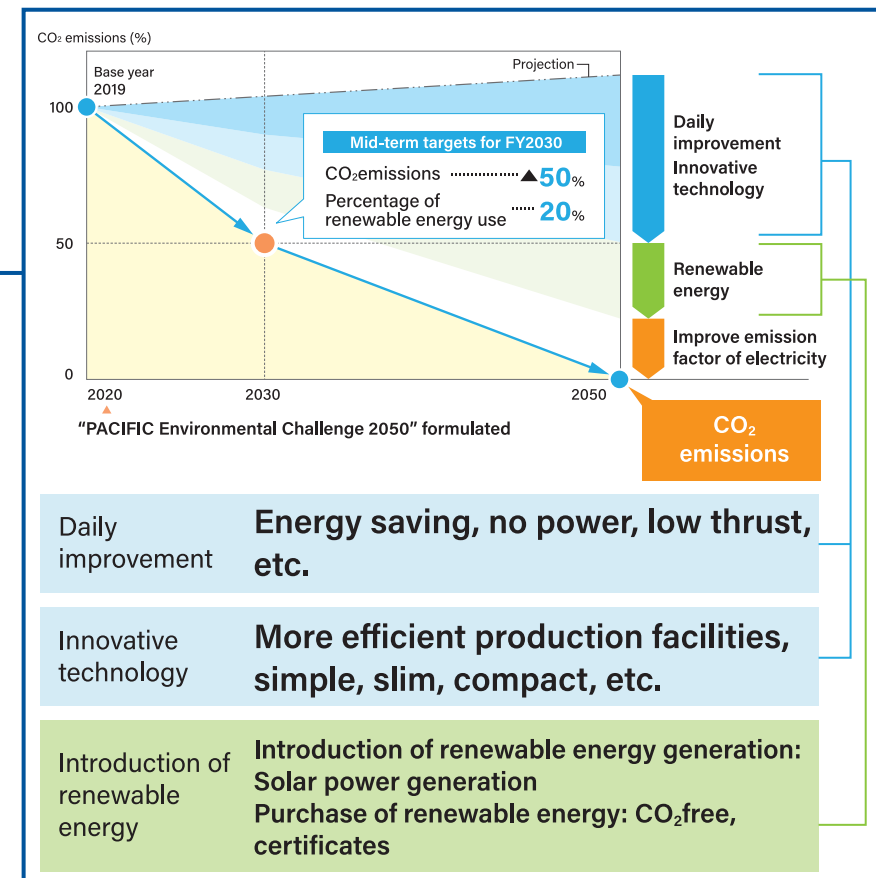
- 24 hours 365 days monitoring system installed (Reduce risk globally)
- Improve/maintain IT literacy
- Development of emergency response/recovery systems
- Support for supply chain cybersecurity measures

Minimizing environmental load

Embody and boldly tackle the plan to achieve the PACIFIC Environmental Challenge targets.

PACIFIC Environmental Challenge 2050

SDGs	Materiality	Direction of initiatives	Medium to long-term target: KPI	
 	Mitigation of and adaptation to climate change	Reducing CO ₂ emissions to build a decarbonized society <ul style="list-style-type: none"> Development of production technology/Renewal of equipment Production process improvement Daily improvement activities Introduction of renewable energy 	CO ₂ emissions (Scope 1, 2)	FY2030 targets 50% reduction Compared to FY2019 Net Zero
	Sustainable resources use	Aim for sustainable business by accelerating the use of recyclable resources <ul style="list-style-type: none"> Development of production technology/Renewal of equipment Daily improvement activities Defect reduction activities Material recycling 	Reduction of waste emissions	FY2030 targets 30% reduction Compared to FY2019 Minimization
	Conservation of water resources	Minimize water consumption and reduce the risk of water contamination in accordance with local conditions. <ul style="list-style-type: none"> Development of production technology/Renewal of equipment Activities to reduce daily water use Promotion of water reuse Change to surface treatment specifications 	Reduce water usage	FY2030 targets Proper usage FY2050 targets Minimization Usage according to local circumstances



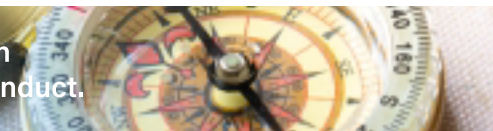
*Regarding domestic waste emissions, material recycling and waste disposal at some sites were not included in the disclosed data, so the FY2030 domestic emission targets were revised.

Fostering trust with stakeholders

“Trust” enhances long-term competitiveness and fosters the significance of our existence.

Corporate ethics and compliance

To proactively respond to policies and social demands, and to create trust with stakeholders, we will work to share our purpose and adhere to our Code of Conduct.



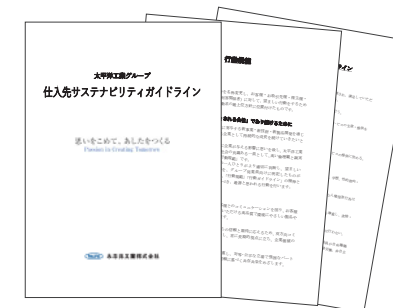
Improvement customer satisfaction

In addition to basic requirements such as QCD, we will build long-term partnerships to meet customer needs, including social and environmental value.



Responsible procurement

Sustainability due diligence mechanisms are in place to reduce negative social and environmental impacts.



Dialogue with investors and shareholders

As a good partner in management, we aim to enhance dialogue and information disclosure to improve corporate value over the long term.



Local community development

We co-create the happiness and development of people in regions domestically and abroad, and together promote sustainable regional development.



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