

Sustainability Report 2021

Passion in Creating Tomorrow



— BRAND SLOGAN —

Passion in Creating Tomorrow

Pacific Industrial develops new businesses, new technologies and new products that add to safety, environmental performance and comfort.

By doing so, we aspire to achieve sustainable growth as a company with a trusted reputation that meets the expectations of society. An expression of this aspiration is our Brand Slogan.

In preparation for an upcoming mobility society, we will develop into a manufacturer capable of offering a prosperous, safe and secure future and help to realize a sustainable society. Toward this ambition, Pacific Industrial will create the future with passion.

— CORPORATE PHILOSOPHY —

As a Global Manufacturer of Technology Components, We Will...

01

Endeavor to develop and enhance technologies and to supply high quality products in response to the needs of customers.

02

Value our employees as our essential family members and pledge to provide a place where they enjoy working and creating.

03

Continue to contribute to society, confirming our role in the world as an excellent company as well as an environmentally conscious company.

C O N T E N T S

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Sustainability Report 2021 Editorial Policy

Pacific Industrial Group has been publishing Sustainability Reports (former CSR Reports) since 2007 to promote and enhance dialogue with more of our stakeholders so as to build a sustainable society.

We are currently promoting sustainability management based on the sustainability-related material topics that we identified last year, and we have organized our concept into fifteen material topics classified under four key pillars.

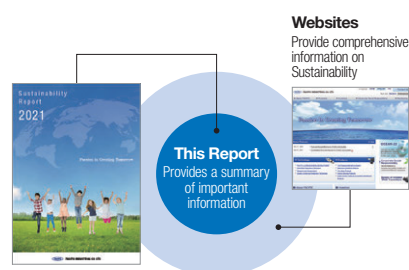
Additionally, in our Top-Level Discussion, Keisuke Takegahara of the Development Bank of Japan's Research Institute of Capital Formation, who advised us on material topics identification last year, gave us many valuable suggestions on how to manage sustainability, beginning with efforts to address climate change.

We look forward to hearing your candid opinions.

Other media

Websites

Websites provide comprehensive information related to sustainability, and discloses sustainability initiatives, figures, data and other details that could not be included in this Report as well as the latest information as necessary.



Securities Report

The Securities Report compiles corporate information, business segments, business result, stock information, risk-related information, financial information, and other information available at the end of the accounting period in accordance with the Financial Instruments and Exchange Act, and is disclosure material in which such information is described in full detail in paragraph format.

Period Covered in the Report:

From April 1, 2020 to March 31, 2021 (includes the latest information at the time of publication)

Boundary of the Report:

The Pacific Industrial Group

(In principle, the company and its consolidated subsidiaries. If disclosed data is different from it, the scope is described individually.)

Publication Date:

October 27, 2021

Publisher:

Pacific Industrial Co., Ltd.
Corporate Planning Department
Phone: +81-584-93-0110
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Guidelines Used as Reference:

GRI Standards (GRI)

The International Integrated Reporting Framework
ISO26000

Final Report

Recommendations of the Task Force on Climate-related Financial Disclosures

Sustainability Accounting Standards Board (Reference codes are attached to the relevant sections, including partial disclosures.)

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.

Our aim is to achieve sustainable growth together with society by incorporating climate change and other sustainability issues into our management.

The year 2020 marked our Group's 90th anniversary. Thinking forward to our 100-year anniversary in 2030, as well as to the "tomorrow" that exists further beyond, we have set forth our PACIFIC GLOBAL VISION and are passionately promoting sustainability management in order to make important contributions to a society that is capable of enduring.

Manufacturing That Takes Environmental Changes into Account

The automobile industry is in the midst of a once-in-a-century major transformation, and the transition to a mobility society, including CASE and electrification, is accelerating. In the midst of this, and in light of growing needs for weight reduction and the progress in digital technology, we are working to strengthen our competitiveness by mobilizing the collective strength of our Group under the medium-term management plan OCEAN-22.

In response to the spread of COVID-19, in fiscal year 2020 we globally implemented measures to prevent the infection of our employees, their families, and local communities while maintaining employment and supply chains, and built a production system tailored to fluctuations. At the same time, we thoroughly implemented profit improvement activities in the face of significant production cutbacks.

In the stamping business, we actively developed ultra-high tensile strength steel (UHTSS) and aluminum products that contribute to weight reduction, which is one of our strengths, and also expanded the scope of business into areas where needs are increasing in step with vehicle electrification, such as battery cases, functional parts such as those from forge presses, and plastic products that contribute to sound and vibration insulation.

In the valve business, together with Schrader we offer a wide variety of products, including tire valves, on which our company was founded, Tire Pressure

Monitoring Systems (TPMS), car air conditioner valves, and valves for industrial use. We are also responding to the needs of society and our customers by developing new products using sensor technology and technology that can be applied to new refrigerants for car air conditioners as an environmental preservation measure.

Accelerating Sustainability Management with a Focus on Carbon Neutrality

In response to expanding sustainability issues, such as climate change and human rights issues, last year we identified our "material topics," which are key issues for the Pacific Industrial Group to fulfill based on the Sustainable Development Goals (SDGs).

In order to effectively tackle these material topics, we organized and outlined each issue's ideal state, major initiatives, and KPIs, and we will continue to listen to our stakeholders to understand social and environmental issues and integrate them into our management.

A particularly urgent issue is "mitigation of and adaptation to climate change." In Pacific Environmental Challenge 2050, which we developed last year, we set long-term targets for decarbonization. However, following the government's announcement in April of this year of a 46% reduction target for 2030, the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) released in August reported the accelerating impact of climate change, making further efforts essential. In light of this, we are strengthening our efforts to achieve carbon neutrality, setting a reduction target of 50% compared to fiscal 2019 by

2030. To achieve this target, in addition to the accumulation of daily improvement activities, we are accelerating our efforts, such as introducing carbon pricing into capital investment decisions through internal carbon pricing and actively introducing renewable energy.

From Policies and Targets to Implementation

Aside from climate change, in February we announced our Human Rights Policy, and have begun to implement human rights due diligence, including in supply chains. Furthermore, we believe that the health of our employees is a prerequisite for their success and, to promote health management, we announced our Health Declaration in September, and are developing a foundation for human rights and human resources initiatives.

In this way, we have spent the past year sharing our policies and targets with our employees and stakeholders on important sustainability issues for our company. By implementing these measures going forward, we will weave the warp of the Group's business into the woof of sustainability, aiming to achieve sustainable growth together with society. We would like to ask for your continued guidance and support.



Shinya Ogawa

President, Member of the Board



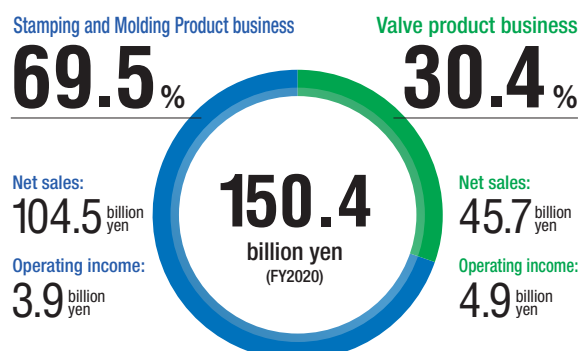
Pursuing “Glocal” Corporate Activities Under a Global Quadrilateral System

Company Profile

Name :	Pacific Industrial Co., Ltd.
Head Office location :	100 Kyutoku-Cho, Ogaki City, Gifu Prefecture, 503-8603 Japan TEL 0584-91-1111 (main switchboard)
Established :	August 8, 1930
President, Member of the Board:	Shinya Ogawa
Capital stock :	7,316 million yen (As of March 31, 2021)
Number of employees :	1,987 (consolidated: 4,797)
Businesses :	Manufacturing and sales of automotive parts and electronics parts
Stock Listings :	The Tokyo and Nagoya Stock Exchanges (1st sections)
Security code :	7250

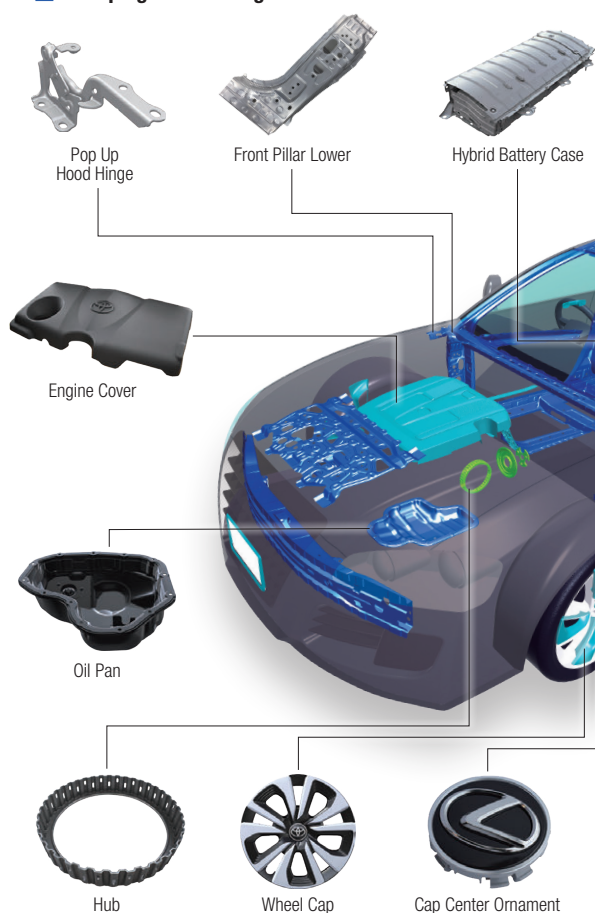
Overview by Business Segment

We operate in three main business segments: stamping and molding product business, valve product business, and other (information service) business.



Main Products

Stamping and Molding Products



Tire Valve Products



Car Air Conditioner Products

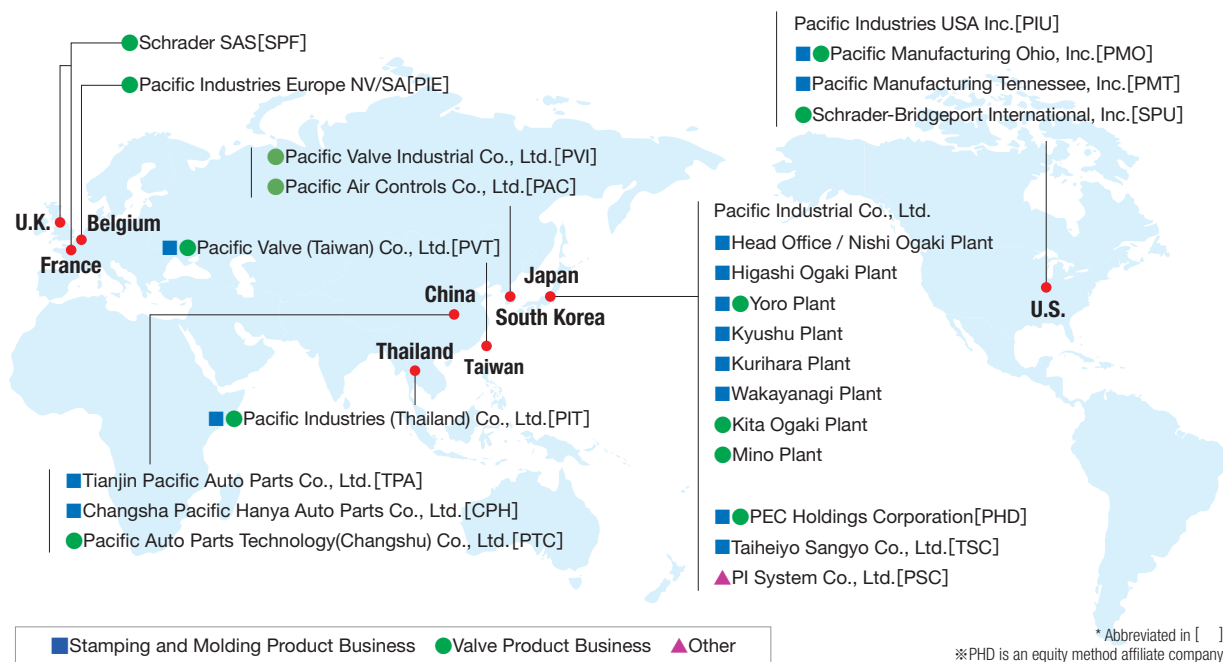


Fuel System Products



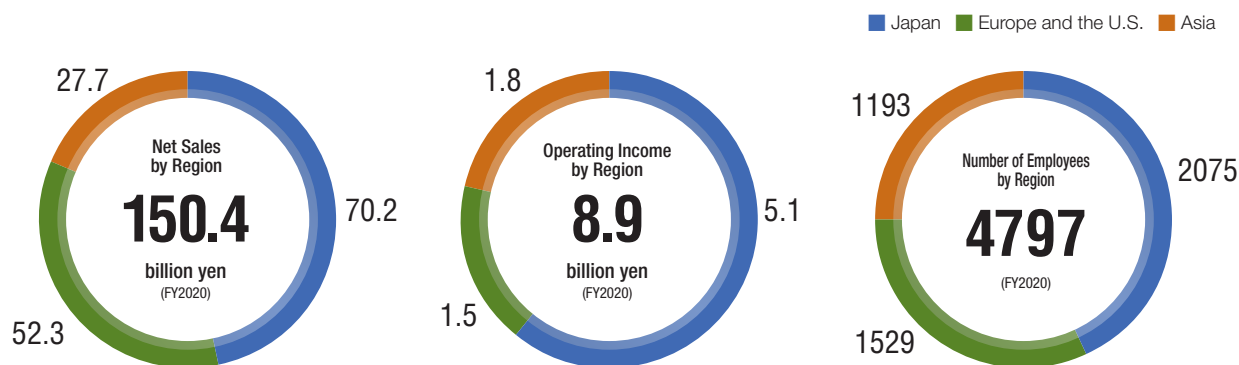
Non-auto Parts





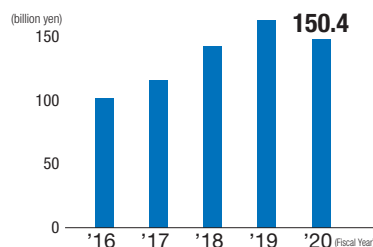
Overview by Region

Regional segments are categorized into Japan, Europe and the U.S., and Asia.

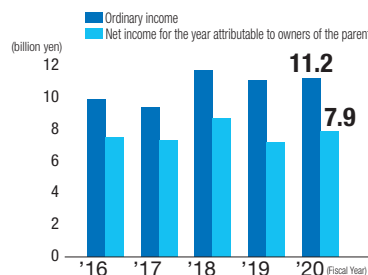


Highlights of Consolidated Results

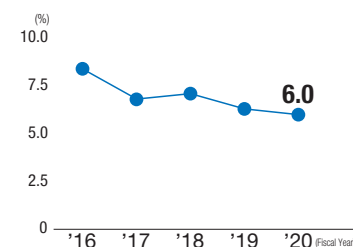
Net sales



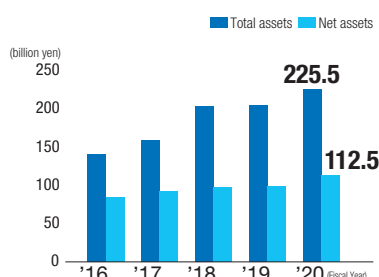
Ordinary income/Net income for the year attributable to owners of the parent



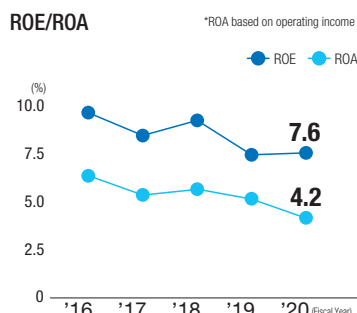
Ratio of operating income to sales



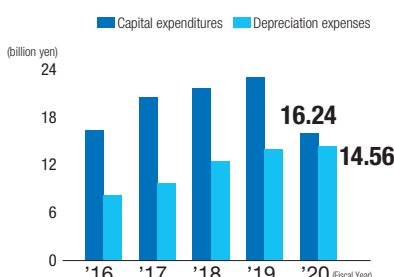
Total assets/Net assets



ROE/ROA



Capital expenditures/Depreciation expenses



Promoting Innovation and Globalization

1930

1930/Aug.

PACIFIC INDUSTRIAL CO. (unlimited partnership) was founded to manufacture valve cores for automobiles.



Valve cores packaged in boxes at the company's founding



1936/Aug.

Received rights to the utility model of the valve core

1938/Apr.

Reorganized into PACIFIC INDUSTRIAL CO., LTD. and constructed a new plant.



1940

1946/Aug.

Started doing business with Toyota Motor Company.

1950

1954/Jul.

Qualified as a manufacturer of valve core products under the Japan Industrial Standard.

1957/Jul.

Introduced tubeless tire valves into the market.

1960

1960/Nov.

Set up Nishi Ogaki Plant and expanded the stamping business.

1970/Aug.

Listed in the TOKYO and NAGOYA STOCK EXCHANGES, 1st Sections.

1972/Nov.

Set up Kita Ogaki Plant and expanded the tire valve business.



Kita Ogaki Plant

1977/Sep.

Set up Mino Plant as a plant specializing in the manufacturing of tire valves and valve cores.

1980

1982/Sep.

Set up Yoro Plant as a plant specializing in the manufacturing of dies and molds.



Yoro Plant

1990

1984/Jun.

Established PACIFIC VALVE (TAIWAN) CO., LTD. in Taiwan.

1987/May

Established PACIFIC VALVE INDUSTRIAL CO., LTD. in South Korea.



PACIFIC VALVE INDUSTRIAL CO., LTD.

1988/Jul.

Established PACIFIC INDUSTRIES USA INC. in the United States.

1989/Mar.

Established PACIFIC INDUSTRIES (THAILAND) CO., LTD. in Thailand.

1990/Nov.

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



Higashi Ogaki Plant

1999/May

All the plants attained ISO 9001 Certification.

Founded by manufacturing valve cores

The company was founded in 1930 with the challenge of developing automotive valve cores for the first time in Japan, and succeeded in producing valve cores* domestically, which was said to be "more difficult than making precision watches."



*Valve core is a component that maintains air pressure as a core of the valve through which air enters the tire.



Started the stamping business

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



Toyopet wheel cap



Production of radiator grilles, etc.

Expanded plants and businesses in Japan

Nishi Ogaki Plant was set up in 1960, with two more factories built in the 1970s to expand valve business. Established a foundation for future growth by expanding domestic factories and businesses, including the start of control device business in 1970, molding business in 1979, electronics business in 1981, and dies and molds business in 1982.



Nishi Ogaki Plant

In 2020 we celebrated our 90th anniversary. Established in 1930 with the aim of domestically producing automotive valves core, we have grown into a global company by developing the stamping and molding business, developing TPMS, and integrating the Schrader Group.

As we entered 2020 and COVID-19 spread around the world, we took on this challenge with the policy of “solidifying our foundations globally, with our first priority being preventing infections and maintaining employment and production.”

We will create the future with enthusiasm with the aim of realizing a sustainable society while leveraging the spirit and technology of “manufacturing” cultivated over many years.

2000

1999/Jul.

Established PACIFIC MANUFACTURING OHIO, INC. in the United States.



PACIFIC MANUFACTURING OHIO, INC.

2000/Oct.

All domestic plants attained ISO 14001 Certification.

2000/Dec.

Began the production of TPMS transmitters.

2002/Nov.

Achieved cumulative global production of 10 billion valve core units and 5 billion tire valve units.



Ceremony to celebrate the achievement of 10 billion valve core units and 5 billion tire valve units

2004/Sep.

Established PACIFIC AIR CONTROLS CO., LTD. in South Korea.

2010

2005/Apr.

Established TIANJIN PACIFIC AUTO PARTS CO., LTD. in China.



TIANJIN PACIFIC AUTO PARTS CO., LTD.

2006/Dec.

Set up Kyushu Plant as a production plant for stamping and molding products.



Kyushu Plant

2010/May

Set up Kurihara Plant as a production plant for stamping and molding products.

2011/Nov.

Established CHANGSHA PACIFIC HANYA AUTO PARTS CO., LTD. in China.

2012/May

Established PACIFIC INDUSTRIES EUROPE NV/SA in Belgium.

2012/Jun.

Established PACIFIC INDUSTRIES CHINA CORPORATION in China.

* Merger with TPA in August 2021

2020

2013/Nov.

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

2014/Jan.

Achieved cumulative global production of 100 million TPMS transmitters.



Ceremony to celebrate the achievement of total 100 million units of TPMS transmitters

2014/Jul.

Established PACIFIC MANUFACTURING TENNESSEE, Inc. in the United States.

2014/Jul.

Established PACIFIC AUTO PARTS TECHNOLOGY (CHANGSHU) CO., LTD. in China.

2014/Nov.

Established PACIFIC AUTO PARTS (THAILAND) CO., LTD. in Thailand.
* Integrated PIT in November 2020

2018/Aug.

Acquired Schrader valve business in the U.S. and France

2020/Aug.

Celebrated our company's 90th anniversary

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 Korea, the United States, Thailand, China, Belgium and France.



PACIFIC VALVE (TAIWAN) CO., LTD.

Developed next generation valve TPMS

In 1999, we developed a TPMS transmitter as a next-generation valve for the IT age, which is a high value-added product made possible by combining the technologies we have accumulated over many years. The use of TPMS became required by law in the United States and demand has expanded to grow into one of our core products.



TPMS clean room



TPMS transmitter

Acquired Schrader's valve business

We acquired Schrader valve business in the U.S. and France in August 2018.

Our global quadrilateral system with production and sales bases in Japan, Asia, North America and Europe was established.



SCHRADER-BRIDGEPORT INTERNATIONAL, INC.



SCHRADER SAS

BRAND SLOGAN

Passion in Creating Tomorrow

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By doing so, we aspire to achieve sustainable growth as a company with a trusted reputation that meets the expectations of society. An expression of this aspiration is our Brand Slogan.

In preparation for an upcoming mobility society, we will develop into a manufacturer capable of offering a prosperous, safe and secure future and help to realize a sustainable society. Toward this ambition, Pacific Industrial will create the future with passion.

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.

Our Attitude



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 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 global society.

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

Customers	We will work to consistently communicate with our customers and to provide environmentally friendly, high-quality products and services that are trusted by, and satisfy, our customers.
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.
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.
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.
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."
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.

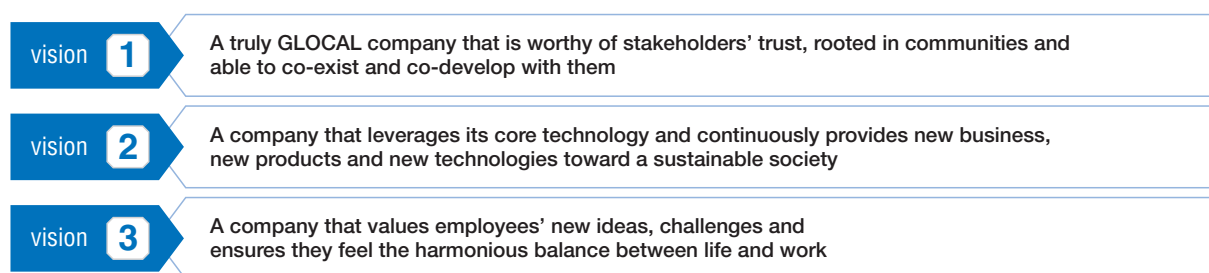
Long-Term Vision “PACIFIC GLOCAL VISION”

Pacific Industrial Group formulated our long-term “PACIFIC GLOCAL VISION 2020” in 2010, when we celebrated our company's 80th anniversary, to clarify the Group's dreams and mission.

The automobile industry is currently undergoing a once-in-a-century major transformation. Environmental and other social issues are becoming increasingly severe and necessitating companies taking steps to these social issues in good faith such as by setting up a robust governance system. Under such

circumstances, the Pacific Industrial Group has tackled the challenge of new value creation through manufacturing and clarified the “aspired corporate image” as PACIFIC GLOCAL VISION by reviewing its long-term vision in pursuit of contribution to a sustainable society in 2018.

Aiming to become a hundred-year company that achieves sustainable growth, we are committed to taking on the challenge toward a new future.



Mid-term management plan “OCEAN-22”

We have been promoting “OCEAN-22”, our mid-term management plan that serves as a concrete action plan to realize our long-term vision, “PACIFIC GLOCAL VISION”.

As part of our growth strategy, in the stamping and molding products business, we aim to provide high-value-added products, such as stamping of ultra-high tensile strength steel (UHTSS), that contribute to weight reduction and improvement of safety and environmental performance of automobiles. In the valve

business, we are aiming to expand synergies with Schrader, which we acquired in 2018, and to increase orders for TPMS. Through these initiatives, we will solidify our manufacturing fundamentals and focus on strengthening our profit structure in preparation for the next great leap forward as well as developing human resources who will realize those changes, all while simultaneously improving upon our ESG (Environmental, Social, Governance) initiatives.

Priority initiatives

Trust	Innovation	Challenge
<ul style="list-style-type: none"> Secure profitability and improve corporate value Strengthen governance and mitigate risks Enhance business through ESG management 	<ul style="list-style-type: none"> Realize development and technology innovations Innovate production technologies making use of AI and IoT Create highly efficient production lines through manufacturing reforms 	<ul style="list-style-type: none"> Realize GLOCAL management toward achievement of SDGs Promote diversity and develop next-generation human resources Foster a corporate culture where employees can take on challenges

SDG Initiatives

We believe that our mission is to contribute to the realization of a sustainable society. To achieve the Sustainable Development Goals (SDGs) advocated by the United Nations, we have identified the Group's important topics (materiality) regarding sustainability, defined SDG themes to focus on, and been working on sustainability management.



Pacific Industrial Group's Value Creation Model

A company that contributes to prosperous life and environment in next-generation mobility society through "monozukuri"

Social issues

- Climate change
- Depletion of resources
- Crisis of water resources
- Biodiversity
- Human rights issues
- Damage to health
- Population explosion and declining birthrate and aging population
- Traffic accidents

Business model

Risk

- Natural disasters and infectious diseases
- Declining birthrate and aging population
- Political and economic conditions in Japan and overseas
- Cyber security
- Intensifying global competition
- Securing and development of human resources
- Environmental challenges (climate change/resources/water)

Opportunity

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

Internal and external management resources



Stamping and molding business

- UHTSS forming technologies that enable weight reduction and high rigidity
- Electric vehicle (EV) technology, film insert molding technology, and noise and vibration (NV) performance control technology

Valve business

- Valve : Top share in the world and a global quadrilateral production and sales system
: Fluid control/motorized control technologies and a wide variety of product line-up
- TPMS : Technology for on-vehicle electrical equipment and overwhelming quality, as well as a global quadrilateral production and sales system

New business

- Wireless communication, sensory, and AI technologies

The Pacific Industrial Group Way

Brand Slogan

Passion in Creating Tomorrow

PACIFIC GLOCAL VISION

Aspired corporate image

A truly GLOCAL company that is worthy of stakeholders' trust,
rooted in communities and able to co-exist and co-develop with them

A company that leverages its core technology and continuously provides new business,
new products and new technologies toward a sustainable society

A company that values employees' new ideas, challenges and
ensures they feel the harmonious balance between life and work

Sustainability management Four pillars

Solving social and customer issues
through products

Respecting human resources and
their active participation

Fostering trust with stakeholders

Minimizing environmental load

15
Material Topics
SUSTAINABLE
DEVELOPMENT
GOALS

Mid-term
Management Plan
OCEAN-22

**Trust
Innovation
Challenge**

PACIFIC VALUES

**“Dreams and Challenges” and
“Trust and Respect”**

Highlights Related to Value Creation

Financial Highlights (FY2020)

Net sales / 150.4 billion yen

Operating income / 8.9 billion yen

ROA / 4.2%

Non-Financial Highlights

Many awards received from domestic
and overseas customers → p.26

Human Rights Policy Formulation
→ p.37

Health Declaration → p.38

Conducted Self-Assessment of Code of
Conduct and Supplier CSR Guidelines →
p.24.25

Drastic Waste Reduction → p.36

Creating Pacific Industrial's Approach to Sustainability Management

President, Member of the Board
Pacific Industrial Co., Ltd.

SHINYA OGAWA



How to Confront Climate Change

Ogawa: The Development Bank of Japan (DBJ) helped us when we expanded our Kurihara Plant in 2013. Thanks to your support, we now have more than 150 employees there, and our ties with Kurihara City, Miyagi Prefecture, where our plant is located, have been strong. Since then, you have helped us in so many ways, including an environmental rating assessment in 2018 and expert reviews on materiality identification last year.

Takegahara: Although we have endeavored to help Pacific Industrial in various ways

based on our understanding of the company's business and initiatives, in preparation for this dialogue, I learned more about the history of your company and had the opportunity to deepen my understanding of your products and visit a plant.

Ogawa: Thank you very much. As this is a dialogue on sustainability management, I hope to hear your advice for the future. In May, we endorsed the TCFD and began working on information disclosure in line with its framework.

Takegahara: The TCFD was originally intended to prevent financial institutions from holding assets that are excessively risky because of climate change by receiving information from their business partners and

managing it. Financial institutions expect the industries they do business with to maintain their business models, as that is the source of their earning power, and continue on a growth trajectory despite the major constraints, carbon neutrality, put on them. The TCFD is a framework to explore this.



Opinion exchange at the preliminary technical exhibition presentation

Sustainability issues, with climate change at the forefront, are becoming increasingly important. President Ogawa had a conversation about the Group's sustainability management with Mr. Keisuke Takegahara, Executive Fellow at Research Institute of Capital Formation, Development Bank of Japan, Inc., who reviewed our materiality identification last year and has a high level of knowledge about sustainability management, including the TCFD* and non-financial information disclosure. They provided numerous insights into the challenges faced in taking the next step and what we should cherish as a company.

*TCFD: Task Force on Climate-related Financial Disclosures. An international framework for understanding and disclosing the impact of climate change-related risks and opportunities on corporate strategy and finance.



Executive Fellow
Research Institute of Capital Formation
Development Bank of Japan, Inc.

KEISUKE TAKEGAHARA

Profile

In 1989, joined the Japan Development Bank (now Development Bank of Japan, Inc.). Assumed his current position after serving as Chief Representative in Frankfurt, Executive Officer, General Manager of Economic & Industrial Research Department, and Chief Manager of Sustainability Management Office, Corporate Planning & Coordination Department, among others. A leading expert on environmental finance in Japan, including the development of the DBJ Environmentally Rated Loan Program. Also held a number of public positions, including as a member of the planning committee of the TCFD Consortium, as a member of a study group on disclosure guidelines for non-financial information, and as a member of a study group for developing a roadmap to promote transition finance in the economic and industrial sectors.

Ogawa: In terms of the risk disclosure required by the TCFD, there is an example of Ogaki City in Gifu Prefecture, which is a city of abundant water and therefore there is an inherent flood risk. For some time, we have been working together with the government on measures such as improving drainage capacity and elevating facilities, but risks are increasing along with climate change. Going forward, we must think comprehensively and change our plants to ones that can continue to produce sustainably. On top of that, reducing CO₂ emissions is a major issue.

Takegahara: When we talk about climate change, the biggest point of contention is CO₂ reduction. However, if we look at

just Japan, our emissions changed little during the so-called lost 30 years. The target of carbon neutrality by 2050 is to reduce CO₂ emissions to zero in the next 30 years, which shows just how drastic a change is required. In the automobile industry, considering the overwhelming amount of CO₂ (Scope 3) emitted through use of automobiles, Pacific Industrial's role in contributing to reducing CO₂ emissions during automobile use through products that lead to weight reduction, such as ultra-high tensile strength steel (UHTSS), is significant. You have also introduced a number of other products that contribute to CO₂ reduction in addition to UHTSS products.

Ogawa: Yes. In particular, the automobile

industry is going through a once-in-a-century major transformation, including the shift to EVs, and we are actively developing products that use materials that reduce CO₂ emissions during use, such as the UHTSS. On the other hand, if we fail to comply with carbon neutrality, our customers will eventually stop buying our products. In light of the recent acceleration of global decarbonization, we decided to raise our targets for FY2030 from a 35% reduction to a 50% reduction compared to FY2019. We will invest in development from the perspective of contributing to decarbonization through life-cycle assessment (LCA) in manufacturing products, such as for weight reduction,

while aiming for decarbonization in production. Product development is related to our company's strategy, and so it is difficult to find the right balance. We are very grateful to have the DBJ as a partner in sincere discussions about this area.

Takegahara: A positive attitude is important in using LCA to capture the contribution made by products and to incorporate risks and opportunities into strategies. The TCFD can be a useful tool to discuss such strategies with financial institutions using a common grammar, and I hope you will utilize it. Financial institutions read and convey a variety of information to the market, such as the range of scenario analysis in order to be prepared for any uncertainty in the future, and the balance between risks and opportunities. With the revisions to the Corporate Governance Code, more companies than ever are beginning to disclose information as required by TCFD. In some cases, however, they get caught up in technical issues, such as the precise calculation of Scope 3, and lose sight of why they are doing it in the first place. Even with the UHTSS, it is insufficient that manufacturers produce good materials. But, with highly skilled manufacturers such as Pacific Industrial processing these materials into high performance parts, an impact can be made in reducing CO₂ emissions associated with automobile use. It is important to take the perspective of solving

these social issues and creating value as a company.

Ogawa: So, you mean developing a strategy on top of what has been done so far? To ensure we don't miss that chance, we must now think in terms of the span from 2030 to 2050.

Takegahara: With that perspective, there is no need to be swayed by future revisions to the TCFD. It is likely that disclosure of information on Scope 3 emissions will become mandatory. However, along with precision, it is important to use this information in strategy and show it as a strength. Looking back at the history of Pacific Industrial, there is a culture of quantifying non-financial value. I believe that the message will be strengthened by promoting visualization of eco-efficiency and the amount of environmental contribution, including from the perspective of manufacturing that integrates productivity, cost reduction, and CO₂ reduction.

The Pacific Industrial Value Creation Model

Takegahara: Recently, the term "Purpose Management" is often used, which places the social value a company aims to achieve as the top management priority. This is the philosophy and foundation that companies should get back to in case of an

emergency. In the case of Pacific Industrial, the brand slogan "Passion in Creating Tomorrow" is just that and quite profound.

Ogawa: That brand slogan was proposed by the vice president, and young employees took the lead in coming up with it. In fact, before that, we unraveled our 90-year history and the thoughts of our predecessors, and summarized them in the "Dreams and Challenges" and "Trust and Respect" in our "PACIFIC VALUES" attitude. Based on that, we developed a brand slogan to share globally and move

forward into the future.

Takegahara: The message of cherishing the thoughts of the past and predecessors, and creating "tomorrow" through manufacturing is very well conveyed. The value creation model is a good example of this. I also like how you have summarized the four pillars of sustainability management in the material topics ("Solving social and customer issues through products," "Respecting human resources and their active participation," "Fostering trust with stakeholders," and "Minimizing environmental load"). Currently, there is a global debate about the concept of materiality as to whether to consider "single materiality" as a factor that affects the sustainability of a business model, or "double materiality," which considers the impact on society to be also important. As one solution, the concept of "dynamic materiality" has emerged. This is when materiality is changed flexibly according to the social environment, rather than focusing on one or the other. The four pillars of Pacific Industrial's sustainability management are exquisite in their level of abstraction and can encompass a variety of elements. The 15 material topics also cover issues that need to be considered even more deeply going forward, such as "responsible procurement," "human rights," and "human capital," in a system that captures a wide range of factors that will affect business models in the future. With these elements and the brand slogan as a set, the story of growing together with technology, people, and trust becomes easily understood. I think this "value creation model" is very well thought out.

Ogawa: Thank you. We want to become a more resilient company by weaving business strategies and the SDGs into the warp and woof of our business, and by promoting sustainability management. It's not that we only focused on our own interests before, but going forward, in order to work with a more social view of the world, we aim to show our direction as a company with strategies and material topics, create human resources, and openly enhance ourselves. Based on our 90 years of history, we will take stock of these things and figure out what is lacking to form a strong 100-year-old company.

Takegahara: Yes, in particular, external





interest will increase in “aggressive materiality,” or in other words, “Solving social and customer issues through products.” When I look at the KPIs, I see the “number of products developed that contribute to the SDGs,” which is very innovative. If this is taken one stage further, I think it would lead to the question, “What impact is Pacific Industrial creating?” The term “impact” is not yet widely used, but it refers to the intended value provision to society through business. I get the impression from Pacific Industrial’s business that it is integrating product development and solving social issues by simultaneously pursuing improvements in safety, quality, and productivity, as well as reducing environmental load and costs.

Ogawa: I think some of them are the benefit of hindsight (laughs). However, in that sense, the recent initiatives based on material topics are a good opportunity for us to grow and be recognized by society.

Takegahara: You say hindsight, but my impression is that many companies are struggling to synchronize their business with social issues, for example by retrofitting the SDGs. In the case of Pacific Industrial, it is clear that efforts for growth have contributed to the creation of various value from the production stage to the usage stage, such as weight reduction, safety improvements, and reduction of environmental load. This



A Brief History of our 90 Years
“To the Sea”

may appear obvious to those involved who have practiced it, but it is one of the company’s major features.

After reading the summary of Pacific Industrial’s history, “To the Sea,” and then reading the Sustainability Report again, I understand the meaning of the report very well. While there are many value creation models that could be applied anywhere by changing the company name, I felt that Pacific Industrial has spun something different. Since its founding, the company has been committed to people, technology, and the community, and I believe this has led you to where you are today.

Ogawa: Our company was founded in

Ogaki, where water is abundant, Ibiden provided electricity, Ogaki Gas laid on gas, and the spinning industry developed. The fact that we had an industrial base from the beginning was very significant, and there is good cooperation among local industries. I heard that there was a time when industry would lend workers to each other when there were manpower shortages. The flow of that shared sense of history has also led to the Ogaki Minamo Softball Club, a local team that plays in the Japan Women’s Softball First Division League.



Takegahara: Finding companies with global operations that care so much about their local community is quite rare. Furthermore, I’m sure that there are many companies in the world that talk about GLOCAL, but few top executives are asked to talk about human capital and connect it to the community. I believe that such GLOCAL aspects relate to sustainability management.

Achieving the 2030 Long-Term Vision, SDGs, and Beyond

Takegahara: What do you think about your management vision in the future?

Ogawa: We have always focused on safety, quality, and cost. However, moving forward, as one of many colleagues facing solutions to social issues such as climate change, I would like to create a foundation for sustainable growth more than ever before. We also need to make it easier for the next generation to achieve even greater

heights, for one thing by leading those who are promoting carbon neutrality.

Takegahara: The year 2030, when Pacific Industrial celebrates its 100th anniversary, is coincidentally the target year for the SDGs. Up to the year 2030, it will be about transition from the status quo, and beyond that we will enter an era of innovation, for which there is no compass. Until now, companies have developed their business within the framework of laws and regulations. In the future, as symbolized by the term “planetary boundaries,” we will be required to confront global issues and, as such, it is said that the influence of the soft law seen in the Corporate Governance Code and the TCFD as international norms is growing. In a world of “comply or explain,” companies must ask themselves about the value in what they want to do.

I look forward to seeing you face an era without a compass, because you will be able to regain a clear vision by returning to the purpose of Pacific Industrial’s brand slogan, “Passion in Creating Tomorrow.”

Ogawa: I would like to say to the founder, “Thank you for establishing this company in 1930” (laughs). As a 100-year-old company, we will work firmly on SDGs initiatives and become a company that can innovate beyond them. Thank you so much for your time today.

Takegahara: It was my pleasure. Thank you.



Materiality of the Pacific Industrial Group

We have identified four pillar themes related to **our long-term vision, 15 material topics, and SDG themes** that we will focus on. Currently, the Pacific Industrial Group as a whole is aiming to realize sustainable society by setting specific targets and carrying out PDCA.

PACIFIC GLOCAL VISION

A truly GLOCAL company that is worthy of stakeholders' trust, rooted in communities and able to co-exist and co-develop with them

1. Fostering trust with stakeholders



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

Particularly relevant SDGs



PACIFIC GLOCAL VISION

A company that leverages its core technology and continuously provides new business, new products and new technologies toward a sustainable society

2. Solving social and customer issues through products



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

Particularly relevant SDGs



3. Minimizing environmental load



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

Particularly relevant SDGs



PACIFIC GLOCAL VISION

A company that values employees' new ideas, challenges and ensures they feel the harmonious balance between life and work

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

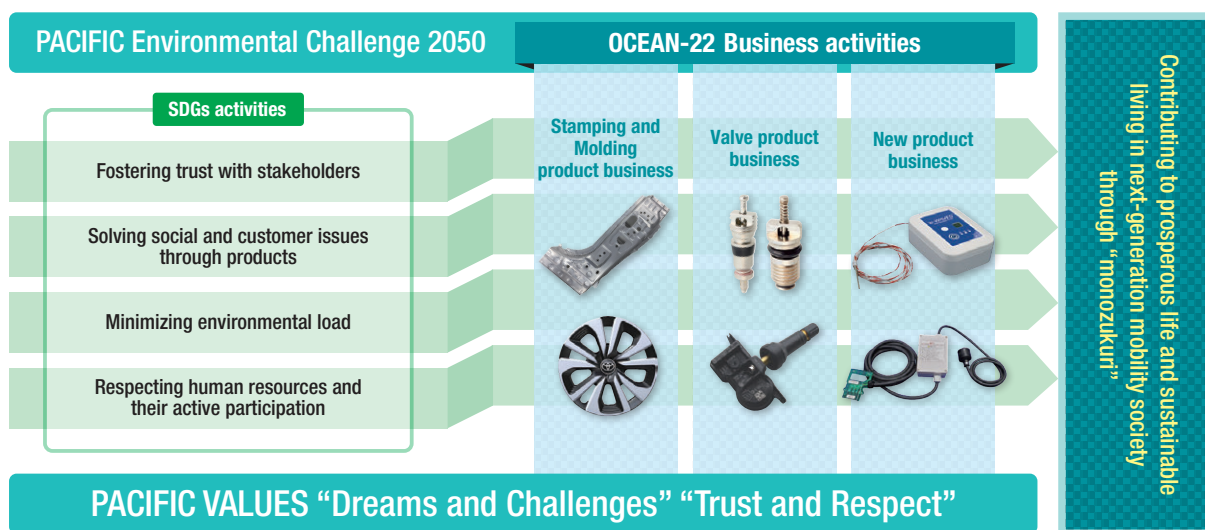
Particularly relevant SDGs



Weaving sustainability management into the warp and woof of our business with OCEAN-22 and the SDGs



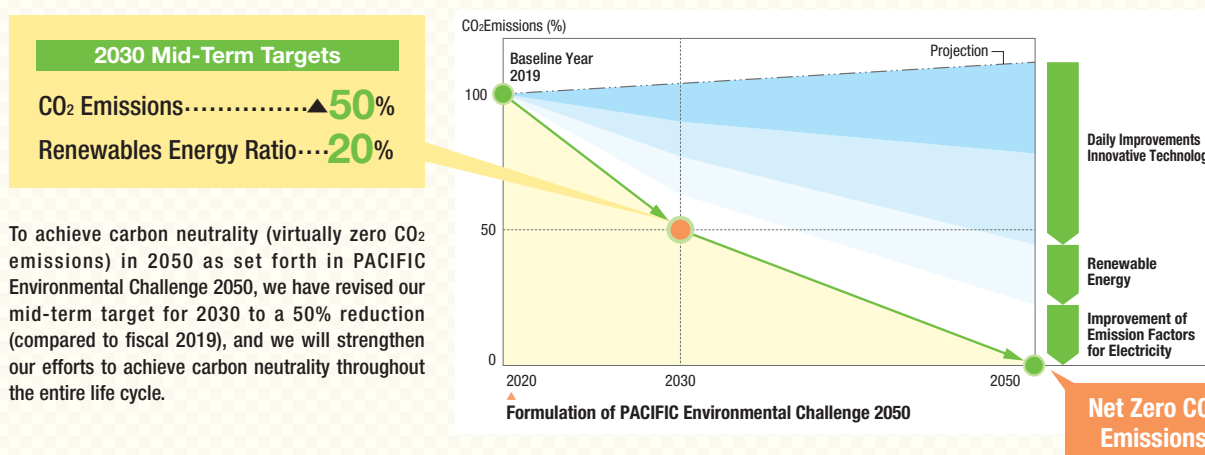
Passion in Creating Tomorrow PACIFIC GLOCAL VISION



Numerical Targets for PACIFIC Environmental Challenge 2050

	SDGs	Items	2030 Targets	2050 Targets
Mitigation of and adaptation to climate change	13 CLIMATE ACTION 7 AFFORDABLE AND CLEAN ENERGY	CO ₂ emissions	From 2019 50% reduction (scope 1.2)	Net Zero
Sustainable resources use	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Amount of industrial wastes	From 2019 60% reduction in Japan 30% reduction in overseas	Minimum usage
Conservation of water resources	6 CLEAN WATER AND SANITATION	Water usage	Optimal usage	Minimum usage

Our Plan to Achieve Carbon Neutrality by 2050



Sustainability Management Based on Materiality

Four Pillars	Materiality	Objective (Ideal State)	Major Initiatives (FY2021 Onward)
 Fostering trust with stakeholders	Corporate ethics and compliance	As a foundation for sustainability management, raise ethical standards of all employees as well as their pride in the company and their work, and fulfill our responsibilities to society.	Implementation and correction of "Code of Conduct" self-assessment, anti-corruption and compliance awareness and fraud prevention, implementation of awareness-raising and education at all levels, and dissemination of information through internal newsletters
	Responsible procurement	Work together throughout supply chains to address social issues such as human rights and environmental concerns.	Review, development, and dissemination of the "Supplier CSR Guidelines", supplier CSR risk assessments, auditing and support for suppliers of concern, non-use of conflict mineral resources in supply chains, awareness-raising for suppliers on BCP, and parts procurement status surveys for overseas components
	Improvement in customer satisfaction	Increase customer trust in the long term by improving our quality and reputation for sustainability.	Extension of product life cycles by achieving high quality, reducing waste, and improving evaluation of EcoVadis and CDP, which has been requested by several customers
	Local community development	Contribute to attractive development of local communities, which are the foundation of our corporate activities, and strive for co-existence and co-prosperity with our stakeholders.	Support for fostering of the next generation in education, scientific research, manufacturing, etc.; biodiversity conservation activities; support for culture and sports such as Ogaki Minamo, FC Gifu, and soft tennis; promotion of global contributions to local communities; and formulation of plans for local support activities in times of disaster
 Solving social and customer issues through products	Contribution to a sustainable mobility society and prosperous living	Create products that contribute to the resolution of social issues in both existing and new areas, and contribute to society through our business.	Research and development of products that contribute to the next generation mobility society and prosperous life
	Improving mobility safety	Contribute to zero traffic deaths by improving automobile safety through our core businesses.	Reduction of the number of traffic deaths and injuries (Contributions through, for example, TPMS products that prevent accidents caused by insufficient air pressure and high-strength UHTSS products)
	Development of environment-conscious products	Create a virtuous cycle in which the more we sell, the more we help the earth, through development, design, and creation of new businesses that create value throughout the value chain.	Increase of sustainability by developing environmentally friendly products and expanding sales (weight reduction, energy conservation, etc.), improving resource use efficiency, and introducing clean and environmentally friendly technologies
 Minimizing environmental load	Mitigation of and adaptation to climate change	Strive to mitigate of and adapt to climate change, a major global issue that has a significant impact on our business.	Taking action to achieve the IPCC 1.5-degree or 2-degree target, reduction of energy use, introduction of renewable energy, participation in the CDP supply chain programs "Climate Change" and "Water"
	Sustainable resources use	Engage in manufacturing from the perspective of resource conservation and reuse, including the procurement of raw materials and product design, based on the demands of society and changing values.	Promotion of waste minimization and recycling
	Conservation of water resources	Consider effective use of water resources and biodiversity because of the increasing severity of floods and droughts worldwide, and growing concerns over water shortages.	Reduction of water consumption, and water quality monitoring and external disclosure
 Respecting human resources and their active participation	Respect for human rights	Place great importance on respect for humanity and fulfill our responsibility to respect human rights, as human rights issues are likely to be serious not only in Japan, but also in developing countries and suppliers.	Prevention of human rights violations by stakeholders
	Stable employment and decent work environment	Aim to improve both productivity and employee job satisfaction based on employment stability and fairness by realizing decent work and well-being (a state of physical, mental, and social well-being) and increasing employee engagement.	Ensuring of employment that enhances job satisfaction and lowering of employee turnover through employee engagement, appropriate evaluations, and having the right people in the right jobs, and creating a workplace that is flexible and easy to work in according to individual circumstances
	The safety and health of employees	Respect humanity and create an environment where employees can challenge themselves and maximize their abilities by focusing on the safety and health of our employees.	Elimination of occupational accidents, improvement of the working environment, and achievement of healthy workplaces through health management
	Development of human resources and cultivation of culture that we can tackle new endeavors	Hone our ability to thrive in a rapidly changing market environment and provide opportunities for employees to achieve self-fulfillment by developing human resources capable of taking on global challenges and foster a corporate culture conducive to such challenges.	Promotion of education by rank, and creation of a system and culture to evaluate challenges
	Diversity and inclusion	Revitalize the workplace, contribute to innovation, and reduce turnover by creating an environment and culture that is inclusive and allows people to demonstrate their abilities in accordance with their internal attributes, including individuality, strengths and weaknesses, health situation, personality, beliefs, and sexual orientation.	Creation of a workplace where everyone can work comfortably and provision of opportunities for women to play an active role

SDGs	KPI	Scope	Target FY	Target Value	Major Achievements in FY2020	page
12.8 16.5 and wholly-related	Implementation rate of "Code of Conduct" survey self-assessment	Group	2021	100%	<ul style="list-style-type: none"> Revision of "Code of Conduct" and self-assessments at three domestic companies (98% implementation rate) Awareness-raising, education, and deployment of internal newsletters on the SDGs to all levels (implemented from September 2020) 	p24
3.9 6.3 6.4 7.3 8.7 8.8 11.5 12.2 12.4 12.5 13.1–13.3	Company ratio (purchase amount base) for survey of supplier compliance with "Supplier CSR Guidelines"	Pacific Industrial	2021	80%	<ul style="list-style-type: none"> Revision of "Supplier CSR Guidelines" and implementation of deployment to suppliers and self-assessment (Implemented by over 80% of companies. Average compliance rate 94%) Conflict minerals survey Discussion with suppliers and provision of support regarding the COVID-19 pandemic Selected in The Japan Chamber of Commerce and Industry's "Twenty Cases of Co-existence and Co-prosperity Initiatives by Local SMEs and Large Enterprises !" 	p25
7.3 12.2 12.4 12.5 13.2 13.3	Number of recalls issued	Group	—	0 cases	<ul style="list-style-type: none"> 0 recalls 14 awards received from customers (globally) Start of quality improvement project through START activities Initiatives to improve CDP and EcoVadis rating 	p26
4.5 4.7 10.2 11.5 17.16 17.17	Number of social contribution activities implemented	Group	2021	100 cases	<ul style="list-style-type: none"> Ongoing sponsorship and donations Ongoing mask production and distribution to communities Support for children's education NPOs Participation in the SDGs Exploratory Learning Program for high school students jointly organized by industry, academia, and government (FY2021) Ongoing researcher support from The OGAWA Science and Technology Foundation 97 social contribution activities (globally) 	p27
9.5 11.2 and individual judgment	Number of products developed relating to SDGs	Group	2021	Develop Standards	<ul style="list-style-type: none"> Development of new products that contribute to SDGs (e-WAVES, etc.) Research and development tied to SDGs (FY2021) 	p29
3.6	Ratio of UHTSS versus all stamping products	Group	2024	25%	<ul style="list-style-type: none"> Participation in development from upstream processes through advancement of structural analysis technology and increase in sales 	p29
	Number of TPMS products and TPMS valves sold	Group	2025	5-year total 600 million	<ul style="list-style-type: none"> Launch of products for the aftermarket and sales expansion of TPMS for motorcycles 	
7.3 9.4 11.2 12.2 12.5 13.2 13.3	Sales ratio for electrified vehicle products	Group	2030	70%	<ul style="list-style-type: none"> Expansion of sales of products for electrified vehicles, including adoption of products for FCEV "MIRAI" Expansion of sales of UHTSS products by cold stamping (CO₂ emissions are lower than the hot stamping method.) Acceleration of the development of products for electrified vehicles in the valve business 	p30
7.2 7.3 13.1 13.2 13.3	CO ₂ emissions	Group	2030	50% reduction (Scope 1,2, compared to FY2019)	<ul style="list-style-type: none"> Formulation of "PACIFIC Environmental Challenge 2050" long-term targets CDP assessment leadership level "A-" and supplier engagement assessment "Leader Board" selection Announcement of endorsement of TCFD (May 2021) 	p35
9.4 12.2 12.4 12.5	Amount of waste generated	Group	2030	Domestic 60% reduction Overseas 30% reduction (Compared to FY2019)	<ul style="list-style-type: none"> Formulation of "PACIFIC Environmental Challenge 2050" long-term targets Drastic reduction of waste by recycling sludge at the Kurihara Plant 	p36
3.9 6.3 6.4	Amount of water used	Group	2030	Appropriate use	<ul style="list-style-type: none"> Formulation of "PACIFIC Environmental Challenge 2050" long-term targets Conducted basic risk assessment and responded to CDP water 	p36
5.1 8.7 8.8 10.2 10.3	Coverage rate of human rights surveys (SAQ) (Number of offices)	Group	2021	100%	<ul style="list-style-type: none"> Formulation of "Human Rights Policy" and dissemination to employees Conducted human rights survey based on the "Code of Conduct" self-assessment Incorporation of human rights education into tiered education programs Implementation of e-learning Creation of foreign-language versions of the "Human Rights Policy", dissemination to overseas bases, and deployment to related business partners 	p37
8.5	Turnover rate	Pacific Industrial	2025	1.5% or less	<ul style="list-style-type: none"> Made preparations to analyze results of internal surveys conducted to understand progress and issues related to activities for improving employee awareness and satisfaction 	p37
8.8	Lost-time injury frequency rate	Group	—	0%	<ul style="list-style-type: none"> Implementation of various safety measures (reduction in disaster frequency rates) Introduction of air-conditioned clothing Systematic promotion of LED lighting Health Declaration (FY2021) 	p38
4.4 8.2	Training hours per employee	Pacific Industrial	2025	30 hrs/person	<ul style="list-style-type: none"> Development of a completely new education program to enable the acquisition of skills effectively in a well-balanced manner, in the belief that the foundation of human resource development is "where ability meets compassion" (Implemented from FY2021) 	p39
10.2 10.3 5.5 5b	Ratio of women in managerial positions	Pacific Industrial Group	2030	5% or over 14% or over	<ul style="list-style-type: none"> Sharing of issues related to diversity and inclusion, creation of policies (basic thought process) regarding those subjects, and formulation of targets for women's active participation Promotion of initiatives to increase the ratio of female employees (FY2021) 	p39



for MANAGEMENT

Management

The Pacific Industrial Group endeavors to continuously promote sustainability management by building a management structure that maintains and enhances the efficiency of management and the fairness and transparency of our corporate activities.

Board Members and Audit & Supervisory Board Members



Members of the Board (As of June 19, 2021)

(from left front)

Outside Board Member
Taeko Katagiri

Outside Board Member
Osamu Motojima

Executive Vice President, Member of the Board
Tetsushi Ogawa

President, Member of the Board
Shinya Ogawa

Outside Audit & Supervisory Board Member
Ayao Sakakibara

Outside Audit & Supervisory Board Member
Tomoyuki Shinkai

(from left back)

Managing Officer, Member of the Board
Terumi Noda

Managing Officer, Member of the Board
Hisashi Kayukawa

Audit & Supervisory Board Member
Makoto Yamamura

Audit & Supervisory Board Member
Kazuya Kakishita

Basic Approach to Corporate Governance

Our Group makes it our basic policy to comply with our corporate governance code, and we believe that fulfilling our 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, year by year we have reduced the number of directors and, since June 2021, management structure has been

such that independent outside directors account for more than one-third of the board.

We are also implementing initiatives to improve governance, such as establishing a Nomination and Remuneration Committee made up of a majority of outside directors, making our gender selection process more gender-conscious, and reducing cross-shareholdings.

Corporate Governance Framework

Efficiency in Business Execution

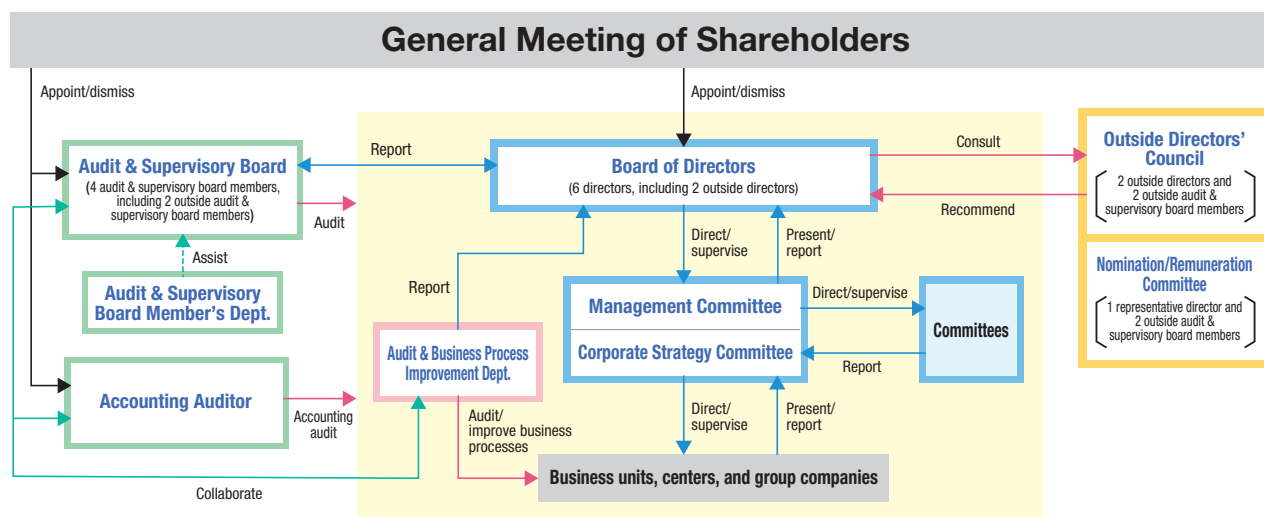
Our Group has adopted an executive officer system to separate the functions of the Board of Directors, which is responsible for management supervision, and executive officers, which are responsible for business execution.

We have established a Corporate Strategy Committee and a Management Committee to act as deliberative bodies for important matters related to business execution, striving to ensure efficient operation of the Board of Directors by thoroughly deliberating on matters prior to consulting the board.

Outside Director Support System

In order to ensure efficient management by our Board of Directors, our Group has established a support system for its outside directors.

To give outside directors the opportunity to perform to the best of their ability, we provide advance explanations of matters up for discussion and provide opportunities to discuss important corporate matters at the Outside Directors' Council so that meaningful discussions can be held at Board of Directors meetings.



■ Director Expertise and Experience

Director Skill Matrix

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

Officer Remuneration

To ensure objectivity and transparency for director remuneration, remuneration policies and systems are decided by the Board of Directors after consulting with the Nomination and Remuneration Committee, which is majority composed of outside directors.

Under our remuneration system, director remuneration consists of basic (fixed), performance-linked, and stock-based.

With respect to performance-linked remuneration, we have incorporated a medium to long-term perspective and have adopted consolidated ordinary income ratio and consolidated return on equity as indicators.

In addition to providing incentives for the sustainable enhancement of corporate value, eligible directors are remunerated by the grant of restricted stock to help promote further value sharing with shareholders.

Compensation for outside directors and audit & supervisory board members is set at a fixed base rate to ensure their objectivity and independence.

Internal Audit and Audit by Audit & Supervisory Board Members

The audit & supervisory board consists of four members in all, of which two are full-time audit & supervisory board members and the other two are outside audit & supervisory board members. A staffed Audit & Supervisory Board Member's Dept. is provided to assist them.

The full-time audit & supervisory board members receive audit reports from the internal audit department, and give the internal audit department instructions on audit policies and important audited items, if necessary. The outside audit & supervisory board members, who are lawyers or certified accountants, give expert advice at meetings with the board of directors.

These audit & supervisory board members hold regular meetings with representative directors, accounting auditors and the internal audit department, respectively. At these meetings, the participants

work in collaboration by exchanging opinions on the current state of management and problems that the company should address, sharing accounting audit report details and evidence to validate that information and aid effective implementation of internal audits, and other such collaborative activities.

The Audit & Business Process Improvement Dept., which is an internal audit department, conducts audits on internal operations, 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 its "Basic Policy of the Internal Control System," we endeavor to expand and strengthen our 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. (We are remotely confirming for overseas entities due to the COVID-19 pandemic.)

As a result, the effectiveness of the company's internal control measures relating to financial reporting was determined to be effective, and unqualified opinions have been obtained from an auditing corporation stating that the internal control report with the record date of March 31, 2021 was adequate.

Sustainability Management

The Pacific Industrial Group aims to achieve SDGs and contribute to a sustainable society through Sustainability Management, which manages our business from a long-term perspective while giving consideration to the impact on our stakeholders. We will strategically promote sustainability management by identifying 15 material topics that we and our stakeholders feel are particularly relevant, and integrating them into our business activities. Specifically, we will form the Sustainability Promotion Team, which is linked to the four identified pillars, and will set targets for 15 material topics and implement initiatives, qualitative and quantitative assessments, and

disclose information. Activities are overseen by the Sustainability Promotion Committee, and progress and issues are shared and improved at meetings the Promotion Committee, which will be held four times each year. At the same time, important matters are reported to the board of directors at least once a year, and consulted with the Management and Corporate Strategy Committees as appropriate to effectively promote efforts to address sustainability issues. Materiality will be reviewed as necessary in accordance with the status of achievement and changes in the business environment.

Promotional System of Sustainability Management



Risk Management

In the situation where risks surrounding corporate management are increasingly diversified and becoming complex, the Pacific Industrial Group has established a risk management system to systematically implement risk mitigation measures. Each department assumes potential risks that may occur in the future, and takes necessary measures, while those risks that are difficult to tackle in daily operation are addressed from a long-term perspective with an action plan formulated to take measures step by

step. For these risk reduction activities, we check and follow up on the progress of countermeasures at Corporate Strategy Committee and other meetings to prevent risks from occurring and improve the level of risk management as a company-wide initiative.

In addition, we have reviewed the description on "Risks in Business, etc." in our Securities Report and are disclosing information to our stakeholders widely on the risks that the Pacific Industrial Group assumes.

Information Security

We recognize the importance of enhancing information security across the entire Group, including our subsidiaries in and outside Japan, to prepare for the increasingly advanced and sophisticated cyberattacks, are making every effort to improve system countermeasures and operational rules. In addition, we continuously train and educate our employees to raise awareness to ensure that each and every employee is fully aware of this issue.

As a measure against COVID-19, we have built a telework environment, and expanded the use of web conferencing. We have also taken appropriate security measures for these initiatives.

Number of employees who passed IT-related national examinations (Pacific Industrial)

Information Security Management Examination	36
IT Passport Examination	185
Systems Administrator Examination	138



Fostering trust with stakeholders

The Pacific Industrial Group endeavors to deliver products and services that satisfy our customers, while building strong partnerships with business partners aiming at co-existence and co-prosperity based on mutual trust.



Highly relevant SDGs

Corporate ethics and compliance

Fostering Strong Corporate Ethics

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 have been revised and updated since their initial publication in 2008, are distributed to all employees to raise awareness. Overseas, all Group companies implement their own Code of Conduct reflecting local laws and customs, and carry out compliance activities appropriate to their country and region.

In the areas of raising awareness and education, in addition to training by job level and specialized training, we also provide various information to our employees on an ongoing basis, such as regular distribution of e-mail newsletters that cover familiar themes and provide in-depth explanations, in an effort to prevent fraud and misconduct.

Our Group also conducts questionnaires with each employee to determine the level of penetration of our “Code of Conduct”, identify compliance issues, and to implement improvements for the quick 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 and consult with us by e-mail, telephone, postal mail, or in writing. For example, we have introduced an independent consultation desk, which functions as a reporting system that is independent of the normal chain of command, with outside directors and full-time audit & supervisory board members as contact points. Compliance regulations stipulate maintaining confidentiality for whistleblowers and others seeking advice, as well as prohibition of prejudicial treatment on the grounds of reporting or consultation, making the system safe to use.

* FY2020

"Code of Conduct" self-assessment implementation rate (domestic) KPI	98%
Ethics and complaints desk consultation count (Pacific Industrial)	8
Total serious compliance violations in Japan and overseas (Group)	0
Number of legal actions for anti-competitive behavior (Group) SASB TR-AP-520a.1	0

Anti-Corruption

As part of our basic anti-bribery and corruption policy, we have established “Basic Policy for Anti-Bribery and Corruption”, such as conducting due diligence on third parties such as business agents, and educating and training our employees.

We have also developed Supplier CSR Guidelines to prevent bribery and corruption in the supply chain.

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 a large-scale disaster or other emergency. In addition, we periodically conduct awareness programs for disaster prevention by implementing companywide disaster-management drills, participating in local early stage firefighting competitions and taking other steps to continuously make improvements on our disaster prevention (BCM).

To help combat COVID-19, we developed Action Guidelines for the Prevention of COVID-19 Infections, which includes wearing masks, general hand sanitization, daily temperature checks, and avoiding

the 3Cs: closed spaces, crowded places and close-contact settings, and are thoroughly implementing measures to prevent infectious diseases, such as raising awareness among employees. We also focus on preventing mass infections by adjusting shifts or work hours, introducing and encouraging telework and web conferencing, etc., and deploying disinfection kits to each site for use in an emergency.

Sandbag drill

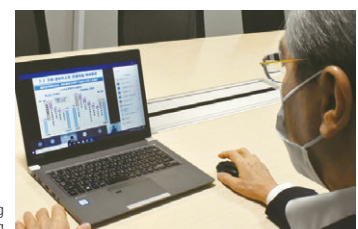


Appropriate and Timely Information Disclosure

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-material information on our company websites and via other media. We held 84 meetings for analysts and institutional investors in FY2020, including holding financial results briefings when the results were announced (telephone conferences), and we responded to requests for individual meetings (web conferences) and telephone interviews. For individual investors, we promote a variety of IR activities,

including issuing shareholder newsletters, distributing e-mail newsletters to registered users, and holding our general meeting of shareholders on Saturdays.

Financial results presentation meeting using Web conferencing



Responsible procurement

For Fair Business Practices

We aim to achieve long-term co-existence and co-prosperity based on good partnership in compliance with the Ministry of Economy, Trade and Industry's "Guidelines on the Promotion of Appropriate Subcontracting Transactions", to grow with our suppliers and ensure smooth implementation of our operations. Our views are set out in our "Basic Purchasing Policies," which are available in the "Purchasing Information" section of our website.

We also hold company policy briefings with our major suppliers twice a year to share and discuss our policies and business issues, and have an evaluation system and recognize suppliers that demonstrated outstanding performance by presenting them with awards once a year in our effort to strengthen our partnership with them.

In recognition of these efforts, we were chosen by the Japan Chamber of Commerce and Industry as one of the "Twenty Cases of

Co-existence and Co-prosperity Initiatives by Local SMEs and Large Enterprises!" in July 2020.



Company policy briefing

Initiatives with Suppliers



CSR study group on carbon neutrality

The Pacific Global Association consists of 36 of our major suppliers to strengthen our management base and improve our manufacturing capabilities. We jointly conduct plant tours, safety and quality improvement activities, and study sessions. In FY2020, amidst the COVID-19 pandemic, we worked to "level up" each company by way of web-based safety and quality workshops. This past August, the CSR Study Group held a session on SDGs and carbon neutrality, and confirmed respect for human rights and proper employment regarding technical interns.

In addition, we share and discuss information concerning management issues and countermeasures with our major suppliers through visits and web-based interviews, and work to inform them about public subsidies, grants, and other support information.

CSR Procurement

We created our Supplier CSR Guidelines with the aim of promoting CSR throughout the supply chain to address social issues such as human rights issues, bad labor practices, environmental concerns, immoral behavior, and corruption. These guidelines were revised in 2020, and we ask our suppliers to further promote activities regarding compliance and anti-corruption, human rights and labor, the environment, quality and safety, information security, business continuity, and social contributions.

We investigate environment-impacting substances delivered by our suppliers using JAMA/JAPIA Standard Material Datasheets.

We have also issued the "Green Procurement Guidelines" to promote environmentally friendly procurement practices for technologies and products.

As for conflict minerals, we investigate to the end of our supply chains using the Conflict Minerals Reporting Template (CMRT) and Cobalt Reporting Template (CRT) published by the Responsible Minerals Initiative (RMI) as research tools.

We conducted surveys with many of our suppliers, which in total account for 80% of our total domestic procurement quantity, to

further inform them of the Supplier CSR Guidelines and confirm their compliance. The average compliance rate was about 94%. **KPI**

Going forward, we will continue to work on building responsible procurement networks by asking our suppliers to improve on any issues that have become apparent, and by strengthening communication with them and providing them with support.



Supplier CSR Guidelines



Green Procurement Guidelines

Improvement in customer satisfaction

Aiming to Become a No.1 Manufacturer by “Manufacturing with Persistency”



The Pacific Industrial Group recognizes that human resource development is the very foundation of manufacturing. We are committed to passing on our manufacturing DNA and achieving

cost reductions for further evolution. We base our manufacturing practices on the Toyota Production System, and take the “go and see for yourself” approach to implement Kaizen (improvement) initiatives at all production across the entire Group. Each of our sites conducts proactive initiatives, such as self-driven award systems to

recognize quality improvement, or activities to transmit skills to our next generation of employees.

Last year, in the activities of the TPS-based projects conducted improvements for each process for oil pans, one of our main products. In this activity, we promoted cost reduction through thorough labor saving and quality improvement, and built a line of fewer employees that can be adaptable for future production fluctuation.

Overseas as well, our products have been highly evaluated in each country in terms of quality, cost, and delivery time, by Japanese manufacturers and overseas manufacturers alike. As a result of this global commitment to manufacturing, we received 14 global awards from our customers in FY2020. As of July of this year, we have received 12 awards.

Customers First, Quality First

We uphold Jikotei Kanketsu (defect-free process completion) as our basic principle to ensure that no defects are passed along to the next process and that our customers are satisfied with our products. To establish a quality assurance system that meets global standards, quality is built into all processes starting with the preliminary design and production stage.

At the request of our major customers, in FY2020 we launched the “START” project, a global quality improvement initiative to prevent future defects. In FY2020, we conducted our first self-assessment, submitted an action program for points to improve upon, and proceeded with improvement activities.

In addition, same as FY2019, each business division conducted an SSA (Smart Standard Activity: Activities to optimize quality and performance standards) to optimize quality standards, recognizing the gap between the needs of customers (end users) and the value provided.

In addition, all our offices and plants in Japan obtained certification for ISO 9001, an international standard on quality management systems, strengthening our quality assurance system consistently applied throughout all stages from development to production. There were zero recalls throughout the globe for FY2020.

KPI SASB TRAP-250a.1

Enhancing Customer Satisfaction

We make continuous improvements based on the information collected by our Sales Dept. and Quality Dept. from our customers, and enhance customer satisfaction so that we can meet the expectations and needs of our customers. We also hold technology exhibitions and give technical presentations in and outside Japan to introduce our new products, technologies and methods to our customers. SDGs and CO₂ reduction are issues of great interest to

our customers, and we are focusing on proposing products that contribute to those endeavors as well.

At the request of our customers, we participate in the CDP supplier program and were evaluated by EcoVadis, a global CSR evaluation organization for suppliers, and awarded the 2021 Bronze Medal.

Awards from Customers (FY2020)

Country	Site	Award Given By	Award	Type
Japan	Pacific Industrial	Toyota Motor Corporation Kinuura Plant	SSA Promotion Award	Quality
Japan	Pacific Industrial	METI	Global Niche Top 100	Overall
Japan	Pacific Industrial	Nissan Motor Co., Ltd. Tochigi Plant	2019 Supplier Award	Quality
Japan	Pacific Industrial	Nissan Motor Co., Ltd.	Certificate of Quality Excellence	Quality
Japan	Pacific Industrial	Toyota Motor Corporation	Selected as presenting company for Higashi Ogaki Plant's "Toyota Production System Study Group" for improvement activities for entire oil pan process chain.	Cost
Japan	Pacific Industrial	Gifu Prefecture, Gifu City, Gifu Invention Association	Minister of Education, Culture, Sports, Science and Technology Award, 2020 Gifu Invention Exhibition	Overall
Japan	Pacific Industrial	Toyota Motor Corporation	Cost Improvement Excellence Award	Cost

Country	Site	Award Given By	Award	Type
Japan	Pacific Industrial	Toyota Motor Corporation	Quality control activities Certificate of Appreciation	Quality
Taiwan	PVT	Kuozui Motors	SSA (Smart Standard Activity) Promotion Award	Quality
USA	SPU	American Honda Motor	2019 Supplier Performance Award	Quality
USA	SPU	General Motors	2019 Supplier Quality Excellence Award	Quality
Korea	PVI	General Motors	2019 Supplier Quality Excellence Award	Quality
Thailand	PIT	DAIHATSU ASIA TRADING (THAILAND)	Cost Performance Award 2019	Cost
China	PTC	GAC Toyota Motor Co., Ltd.	Cost Efforts Award	Cost

* PVT...Pacific Valve (Taiwan) Co., Ltd., SPU...Schrader-Bridgeport International, Inc., PVI...Pacific Valve Industrial Co., Ltd., PIT...Pacific Industries (Thailand) Co., Ltd., PTC...Pacific Auto Parts Technology (Changshu) Co., Ltd.

Local community development

Nurturing the Next Generation

Support Room for Tomorrow

We donated a total of 1,000,000 yen and food for disaster relief for the “Support Room for Tomorrow”, a citizens’ group working to support learning for children. Donations will be used to purchase educational materials and exercise equipment, and the food will be used for meal support and dietary education in anticipation of disasters.



SDG Exploratory Learning



We participated in a joint industry, academia, and government learning program on the theme of the SDGs (three sessions in total) and exchanged opinions with third-year students at Ogaki Higashi High School. We will continue to actively exchange opinions with local communities to help solve social issues.

The OGAWA Science and Technology Foundation

Established by the late Soichi Ogawa, the company founder, The OGAWA Science and Technology Foundation awards grants to researchers in universities, technical colleges, high schools, and other institutions in Gifu Prefecture each year to contribute to the promotion of science and technology and the development of local industries.

In FY2020, the foundation provided grants totaling 15.32 million yen to 24 research projects. (202.79 million yen in cumulative total)



Biodiversity

Global Environment Juku of Gifu

In collaboration with residents, industry, government, and academia, our employees give lectures on environmental issues to local elementary school students and their parents. We explained what we can do to prevent global warming and our forest activities in Pacific Satoyama Woodland.



Pacific Satoyama Woodland



In 2009, the Pacific Industry Group initiated various projects to learn about environmental conservation and a recycling-oriented society at the “Pacific Satoyama Woodland” in Kamiishizu-Cho, Ogaki City, Gifu Prefecture with our employees, their families and community residents. A total of 3,800 people participated in the projects with 1,665 trees planted to date.

Supporting Sports Promotion

Soft Tennis Teams



Pacific Industrial Soft Tennis Teams (Both men’s and women’s) are registered with the Japan Corporate Team League, the top league, and actively playing games in national competitions. In addition, we are striving to promote sports by volunteering to provide training to local elementary and junior high school students.

Ogaki Minamo Softball Club

Ogaki Minamo Softball Club is operated by 11 supporting companies including our company and local governments, and belongs to the Japan Women’s Softball League Organization. In addition, the President has been the Chairman of the “Ogaki Minamo Softball Club Support Association” since its establishment, and is making efforts to strengthen and develop the club.



Contributing to Local Communities Globally

Donation of a PCR Testing Car to Gifu Prefecture

In commemoration of the 90th anniversary of the founding, we donated a PCR testing car with patient transport functions to Gifu Prefecture. In addition, when COVID-19 infection spreads worldwide, we cooperate with each region globally and provide materials in short supply, such as masks for mutual support. In this way, we are actively contributing to local communities during COVID-19 pandemic. In addition, as a measure against infectious diseases, we donate the masks we produce to local communities, special needs schools, and social welfare corporations.



The PCR testing car with patient transport functions that was donated to Gifu Prefecture



Donation of masks we produced to local communities



U.S. PMO donated masks to nursing facilities for senior citizens' facilities and non-profit organizations.



In thanks for China CPH's donation of antibacterial tissue to Hunan Province, China, Hunan Province donated 80,000 masks to Ogaki City

Traffic Safety Activities

Traffic safety activities need to be considered and done not only with our employees, but also with their families, especially elementary school children and the elderly. We distributed traffic safety textbooks received from the Toyota Mobility Foundation to the children of our employees, company alumni, and elementary schools near each plant.



Donation Activities

We make donations to support reconstruction and activities that contribute to the local community, including donations to areas affected by typhoons and floods, as well as anniversary projects for local high schools and universities. We also make donations to local governments.

Donation (thousands of yen)					(Fiscal year)
2016	2017	2018	2019	2020	
22,000	21,000	12,000	20,000	19,000	

Social Contribution Activities in Overseas Countries



Donation of alcohol gel to a local hospital



Made donations and provided daily necessities to children fighting serious diseases and children from disadvantaged families



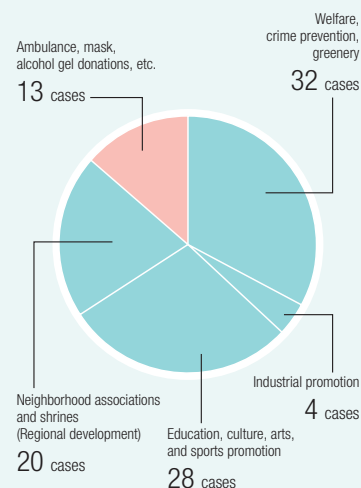
Volunteer community cleanup activities by employees

Donated an ambulance with a local partner to commemorate the 30th anniversary of PIT founding

Number of social contribution activities conducted

97 cases in FY2020 (global) **KPI**

Domestic (84 cases) Overseas (13 cases)





for VALUE CREATION

Solving social and customer issues through products

The Pacific Industrial Group will continue to develop products and businesses that contribute to solving social and environmental issues through the power of manufacturing based on our outstanding core technologies and accumulated skills.



Highly relevant SDGs

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.

Contribution to a Sustainable Mobility Society and Prosperous Living, and Improving Mobility Safety

TPMS Contributes to Mobility Safety and Fuel Efficiency

We are the only transmitter manufacturer in Japan that develops and produces Tire Pressure Monitoring System (TPMS), which monitors the air pressure and temperature inside tires and alerts the driver to abnormalities while driving. TPMS is an outgrowth of the tire valve, our founding product. By maintaining proper tire pressure, TPMS can prevent accidents, improve safety, and contribute to fuel efficiency. In Europe, America, and many other countries around the world, the use of these products is mandatory by law, and they contribute to society as our group's primary products. We are also working to expand further by developing transmitters for the aftermarket and for motorcycles.



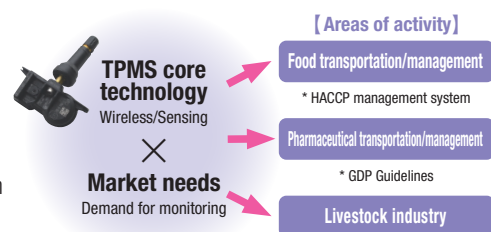
TPMS Transmitter

Contributing to Society through Development of New Products using TPMS Technology

We are accelerating new product development to solve problems in new areas of the logistics, food, pharmaceutical, and livestock industries by applying the wireless and sensing functions that are the core technologies of TPMS.

Launched in March 2021, our multi-sensing logger "e-WAVES" is a product equipped with six sensors, including ones for pressure and temperature, that can monitor in real time. The system is compliant with HACCP*1 management of food products and GDP*2 guidelines for pharmaceuticals. It contributes to the reduction of waste loss by visualizing transportation and management status, and aims to help solve social issues together with customers. This product is also used to control the temperature of COVID-19 vaccines during transportation and storage, contributing to the early control of the pandemic.

Development of products using our core technologies that solve social issues



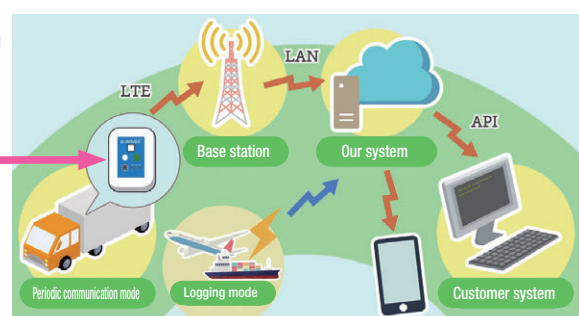
*1 HACCP (Hazard Analysis and Critical Control Point) ... Food sanitation standards for food and other business operators to monitor and control process from receiving raw materials to shipping and serving.

*2 GDP (Good Distribution Practice) ... International standards aimed at ensuring pharmaceutical product quality during transportation and storage.

Multi-sensing logger "e-WAVES"



Data is stored in the cloud using LTE networks and displayed on PCs and smartphones.



Environmentally Friendly Product Development

Vehicle Body Weight Reduction

Reducing vehicle weight leads to better fuel efficiency, which in turn contributes to carbon neutrality through CO₂ reduction. On the other hand, increasing vehicle body rigidity is necessary for safety. In addition to improving lightweight technology and manufacturing UHTSS stamping products that combine high strength with light weight, we are cultivating technology to process a wide variety of materials, including aluminum and GFRP* to contribute to weight reduction.

* GFRP(Glass Fiber Reinforced Plastics)

Reducing Weight with UHTSS Products

In addition to contributing to reducing CO₂ emissions during driving by reducing the vehicle body weight with thinner and stronger stamping products for car body frames, we are actively promoting development and proposals for carbon neutrality based on LCA*.

The hot stamping method, in which steel sheets are heated to 900°C for processing, emits about eight times as much CO₂ as the cold stamping method during production (according to our calculations). We are actively proposing replacing the hot stamping method with the cold stamping method using our accumulated knowhow and cutting-edge stamping technology.

We are also stepping up cold-stamping product development using UHTSS 1180MPa to 1470MPa, and are promoting even greater strength and lighter weight, such as the first use of these products in roof centers. In addition, we conduct structural analysis in-house to verify collision safety, and propose optimal body structures and cost reduction with the aim of expanding our business domain.

* LCA (Life Cycle Assessment) ... Considering the environmental impact of each stage from material procurement to production, use, and disposal.



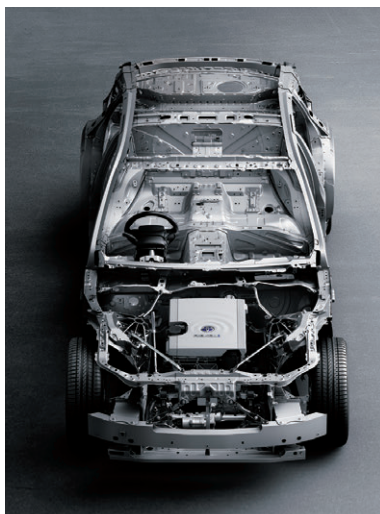
Development of Multi-material Lightweight Undercovers with GFRP

Undercovers are used under automobile engines to protect the engine and improve aerodynamic performance and noise reduction. Depending on the intended use of each vehicle, the material may be steel, aluminum, or resin, etc.

Focusing on GFRP's lighter weight, we developed a multi-material undercover in which steel is partially used, which was adopted for the new Land Cruiser. We received a "Project Prize" from Toyota Motor Corporation and Toyota Auto Body in 2021 for achieving a weight reduction of one-fifth of the conventional weight while maintaining high strength, cost control, and for contributing to CO₂ reduction through LCA.



Lightweight undercover made of multi-material using GFRP



MIRAI, a Toyota FCEV that uses many of our products

Products for Electrified Vehicles

With the shift to electrified vehicles such as HEVs, PHEVs, BEVs, and FCEVs*, which is proceeding against the backdrop of climate change and carbon neutrality, we are accelerating the development and sales of products for such vehicles.

Along with reducing the weight of our stamping products, for molding, we are developing new materials, construction methods, and product designs by enhancing our urethane foam technology to meet the needs for sound and vibration insulation against motor noise arose in response to the shift to electric power.



For valves, the new MIRAI uses a relief valve for hydrogen fuel, an important component that protects safety.

Additionally, as the shift to motors is progressing, we are applying the forging press method used for engines and transmissions to parts for BEV units to make them lighter and more precise, and we are developing elemental technology for e-axes, an area that is expected to grow.

* HEV...Hybrid electric vehicle, PHEV...Plug-in hybrid vehicle, BEV...Battery electric vehicle, FCEV...Fuel cell electric vehicle

Development of Control Valves for Heat Pump Systems

While engine-powered cars use exhaust heat to warm the interior, electrified cars, which do not have a heat source, are increasingly using heat pump air conditioners, an energy-saving technology that uses the temperature difference between the refrigerant and the outside air to reduce battery power consumption and extend driving range. With the technology cultivated through the development of refrigerant valves for air conditioners for home appliances, our bases in Japan, the U.S., and France are collaborating to strengthen the development of electric expansion valves that contribute to system efficiency, and we are working to make them a pillar of new products that will lead to carbon neutrality.



Electric expansion valves for BEVs

Recyclable Molding Products

Our wheel cap center ornaments for automobiles, which account for about 50% of Japan's market share, are made with a plating-free process by using film decoration and in-mold molding technologies, enabling 100% material recycling.

In FY2020, molding products using in-mold film contributed to design improvements for the Yaris Cross. We will continue to promote the development of recyclable products to maximize the value of resources for a recycling-oriented society.



100% recyclable center ornament

Molding products used in the Yaris Cross

KPIs and monitoring indicators (FY2020)

Contribution to a sustainable mobility society and prosperous living

Number of patents	414
R&D expenses	1.91 billion yen
Number of new themes developed	56

Improving mobility safety

Ratio of UHTSS products to total stamping products	KPI	20.6%
Number of TPMS products and TPMS valves sold	KPI	106 million

Environmentally friendly product development * Reference values are based on our calculations

Percentage of products sold that are 100% recyclable or reusable* ¹	64.5%	SASB TR-AP-440b.1
Total weight of recycled or remanufactured materials* ²	16,616t (Pacific Industrial)	SASB TR-AP-440b.2
Sales ratio of products for electrified vehicles (HEV, PHEV, BEV, FCEV)	KPI	21.9%

*¹ Products made of steel, aluminum, recyclable resins, etc.
*² Those having been confirmed with the raw material manufacturer only

Energy reduction during product use * Reference values are based on our calculations

Global medium-sized car models (100,000 km/vehicle)	
Weight reduction through UHTSS (cold stamping)	Reduction of approx. 27 kg of CO ₂





Minimizing environmental load

In keeping with our environmental philosophy, one of our corporate philosophies, the Pacific Industrial Group has established environmental policies and are taking actions for environmental conservation at all the stages of our corporate activity with the goal of becoming an excellent company that has earned the respect of society.







Highly relevant SDGs

	Environmental Philosophy	We shall actively partake in protection of the global environment, and strive to be a “credible high quality company” that is respected by society.
	Environmental Policies	We accelerate environmental load reduction activities with the participation of all employees to achieve the PACIFIC Environmental Challenge 2050.

PACIFIC Environmental Challenge 2050

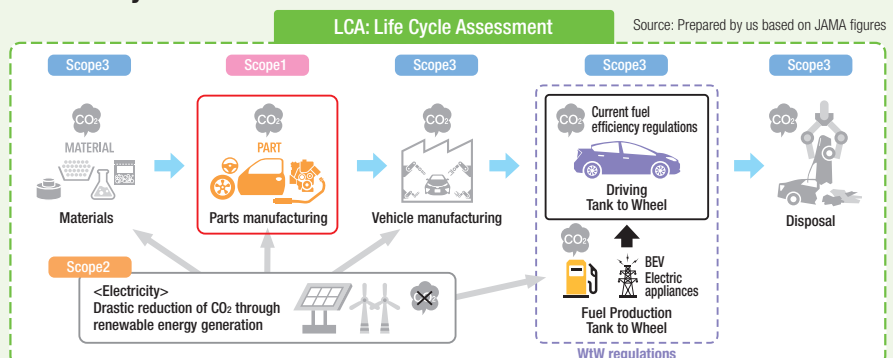
We recognize the need to understand and act on global environmental initiatives from a medium- to long-term perspective, and have established policies and targets up to 2050, and put forward targets to challenge.

As a company that conducts business on a global scale and benefits from the global environment, we will reduce the impact on the global environment as much as possible, and strive to mitigate and adapt to climate change so that future generations can live together with nature as we do now. We will work globally to realize a sustainable society.

SDGs	Materiality	Direction of efforts	Medium- to long-term targets: KPIs
<div> </div>	Mitigation of and adaptation to climate change	<div>Reduce CO₂ emissions toward building a carbon-free society</div> <div><ul style="list-style-type: none">■ Production technology development/facility upgrading■ Production process improvement■ Daily improvement activities■ Introduction of renewable energies</div>	<div>Reduction of CO₂ emissions (Scope 1,2)</div> <div><div><div>■ 2030 targets</div><div>50% reduction from FY2019</div></div><div><div>■ 2050 targets</div><div>Net Zero</div></div></div>
<div></div>	Sustainable resources use	<div>Accelerate the use of recycling resources in pursuit of sustainable operations</div> <div><ul style="list-style-type: none">■ Production technology development/facility upgrading■ Daily improvement activities■ Defect reduction activities■ Material recycling</div>	<div>Reduction of industrial wastes</div> <div><div><div>■ 2030 targets</div><div>60% reduction in Japan 30% reduction overseas from FY2019</div></div><div><div>■ 2050 targets</div><div>Minimum usage</div></div></div>
<div></div>	Conservation of water resources	<div>Seek to minimize water usage and reduce water contamination risk according to local circumstances</div> <div><ul style="list-style-type: none">■ Production technology development/facility upgrading■ Daily water usage reduction activities■ Promotion of water reuse■ Change of surface processing specifications</div>	<div>Reduction of water usage</div> <div><div><div>■ 2030 targets</div><div>Optimal usage</div></div><div><div>■ 2050 targets</div><div>Minimum usage Usage according to local circumstances</div></div></div>

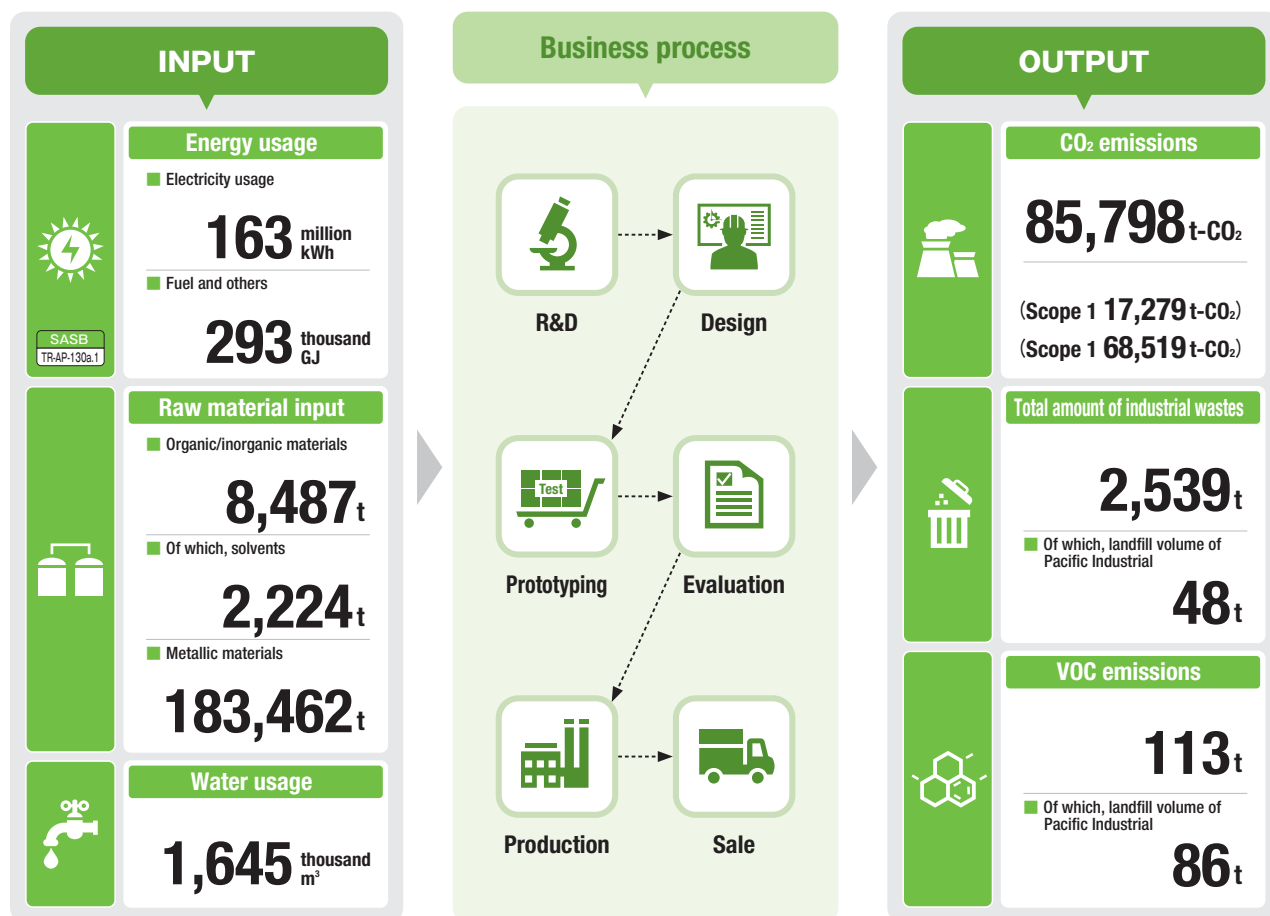
Reduce CO₂ emissions throughout the life cycle

We are promoting initiatives that cover all stages, from procurement and production to use and disposal, in order to reduce CO₂ emissions throughout the product lifecycle. In addition to energy conservation and the introduction of renewable energies in our own production, we are also working with our customers and suppliers to reduce CO₂ emissions, and on reducing CO₂ emissions during the use of our products by reducing their weight, etc.



Minimizing environmental load

Resource Usage and Emissions (Material Balance)



*Consolidated group (excluding TSC and PSC). Raw material inputs are non-consolidated figures.

Status of ISO 14001 Certification

The Pacific Industrial Group considers ISO 14001 certification to be an absolute requirement as a manufacturer and has actively sought to build and maintain an environment management system (EMS) since 2000 on a global scale. With the addition of PIT, which was certified in February 2021, 19 of our 20 sites have been certified (eight in Japan and 11 overseas), equating to a 95% acquisition rate.



Environmental Communication

We invite residents living near our plants and government officials to our company office regularly to host social gatherings. We introduce visitors to our initiatives dedicated to environmental friendliness, safety, and sustainability, and take them on a tour around our plants and environmental facilities. We hosted such tours at the Higashi Ogaki Plant in September 2021. In addition, we work to educate the next generation by giving lectures at universities and others on environmental efforts.



Environmental Targets for FY2021

	Direction of efforts	Targets
1	CO ₂ emissions	5% reduction (global)
2	Amount of industrial wastes	35% reduction in Japan 2% reduction overseas
3	Water usage	Optimal usage (global)

from FY2019

CO₂ Emission Reduction Topics

TOPICS

Energy conversion

Conversion of boiler fuel from heavy oil to city gas

At our Higashi Ogaki Plant, we replaced the steam boiler with a small, once-through high-efficiency boiler, making it possible to switch the fuel from heavy oil to city gas, which emits less CO₂. The annual reduction in CO₂ emissions will be approximately 680 tons.



Small once-through boiler installed at the Higashi Ogaki Plant

Energy conversion

Converting to extra high-voltage power

The Higashi Ogaki Plant originally received high-voltage power from an electric power company as well as produced its own electricity from an internal diesel-powered generator system. The introduction of special high-voltage power feeding system allowed us to shut down our conventional power generation system on a planned basis and cut fuel (heavy oil) consumption, enabling us to reduce CO₂ emissions. The annual reduction in CO₂ emissions will be approximately 1,000 tons.



Special high-voltage power receiving equipment at Higashi Ogaki Plant

Production technology

Energy saving by downsizing cationic electrodeposition coating (E-Coat) equipment

At our Nishi Ogaki Plant, by implementing improvements such as making coating hangers more universally adaptable, we were able to consolidate the production volume of two E-Coat lines for our stamping products into one and stop using one coating line entirely. We also deployed a fully integrated E-Coat line for small parts that incorporates processes from assembly up to and including final coating, reducing energy consumption and improving productivity. The annual reduction in CO₂ emissions will be approximately 320 tons.



Cationic electrodeposition coating equipment at Nishi Ogaki Plant

Renewable energy

Introduction of renewable energy

SASB
TR-AP-130a.1

To increase the proportion of renewable energy in our electricity consumption, we have introduced solar power generation at six plants in Japan and at one plant overseas. In FY2021, we are installing solar power generation systems at our Kurihara Plant in the Tohoku region in Japan and at PVT in Taiwan, and we expect to increase the ratio of renewable-to-total energy consumption from 1.2% in FY2020 to 1.6%. In addition, going forward we will actively promote the introduction of renewable energy and increase the ratio of renewable energy.



Solar panels at Higashi Ogaki Plant

Mitigation of and adaptation to climate change

We recognize that climate change is one of the most important issues facing society, and we have declared that we will be carbon neutral by 2050, reduce CO₂ emissions by 50% by 2030 (compared to FY2019, Scope 1 or 2), and are implementing group-wide initiatives to reduce CO₂ emissions. We also endorsed the TCFD in May 2021, and are working strategically to understand the risks and opportunities of climate change. In this report, we have organized our efforts to address climate change in line with the TCFD final recommendations.



Governance

We have identified 15 material topics that are important for sustainability management, including “Mitigation of and adaptation to climate change,” and categorized them into four themes. The “Mitigation of and adaptation to climate change” is led by the General Manager of the Safety and Environment Department, who works with the Corporate Planning Department to set KPIs and integrate them into business activities. Among the material topics, “Mitigation of and adaptation to climate change” is recognized as the most important one. In addition to reporting and deliberating on the status and making decisions at the Sustainability Promotion Committee, held four times a year (attended by internal directors including the president), we discuss important issues individually at 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 for climate change-related issues.

Risk Management

The materiality assessment of climate change is determined in consultation with the Corporate Strategy Committee and Board of Directors. Risks and opportunities are identified and evaluated by the Sustainability Promotion Committee and discussed at Corporate Strategy Committee meetings. Issues that are already recognized as having a significant impact, such as carbon neutrality and electrification, are discussed at Corporate Strategy Committee meetings and Board of Directors meetings as needed, they are incorporated into strategies, and then measures are formulated and implemented.

Strategies, Indicators and Targets

	Main “risks and opportunities”	Strategy	Indicators and Targets
Transition risks	<ul style="list-style-type: none"> Carbon pricing Requests from customers to reduce CO₂ emissions Decrease in sales of parts for internal combustion engine vehicles 	<ul style="list-style-type: none"> Set annual milestones and accelerate efforts to become carbon neutral. Promote energy conservation and fuel switching on a daily basis Planning for model plants for decarbonized production Proactive renewable energy introduction Introduction of ICP into capital investment decisions 	<ul style="list-style-type: none"> Reduce CO₂ emissions by 50% by FY2030 Reduce CO₂ emissions to net zero by FY2050. (PACIFIC Environmental Challenge 2050) * Scope 1+2, compared to FY2019
Physical risks	<ul style="list-style-type: none"> Floods Heatstroke Supply chain supply risks due to flooding, drought, etc. 	<ul style="list-style-type: none"> At our Thailand plant, which has experienced flooding, strengthen drainage capacity by increasing the diameter of drain pipes, etc., and collect and analyze information on global flooding risks. Establish a multi-company purchasing system and promote the incorporation of flood risk and other such concerns into our BCP, as major domestic suppliers are concentrated in Gifu and Aichi prefectures. Proactively introduce air conditioners and air-conditioned clothing, share temperature information, and take other meticulous precautions to combat heatstroke. 	<ul style="list-style-type: none"> Promote the following initiatives related to material topic “Climate change adaptation measures” Support for business partner BCP formulation Promote cooperation with local communities in times of disaster Heat stroke prevention
Opportunities	<ul style="list-style-type: none"> Increase in sales of lightweight products such as UHTSS products made by cold stamping (LCA contributes to CO₂ reduction) Increase in sales of products for EVs Improving resilience (against disasters) by enhancing BCP, including those of suppliers 	<ul style="list-style-type: none"> Demand for UHTSS products is increasing in line with the global need for safer and more fuel-efficient vehicles. In particular, we are strategically introducing and proposing the use of UHTSS products made by cold stamping, which is one of our strengths, because it can reduce CO₂ emissions during production to about 1/8 of that of the hot stamping method (according to our calculations). Strengthen development of products for EVs in the areas of stamping, molding, valves, TPMS, and forged products in anticipation of the rapidly expanding trend toward electrification of automobiles. 	<ul style="list-style-type: none"> Set the following KPIs for materiality Ratio of UHTSS products to total stamping products (25% in FY2024) Percentage of sales for electrified vehicles (FY2030 70%)

Received a high rating in the CDP survey

We responded as a supply chain to a survey by the CDP, an international NGO that evaluates the quality of climate change initiatives and disclosure, and in December 2020 we received an “A-” leadership level rating on climate change and, in February 2021, we were named to the “Leaderboard” for supplier engagement.



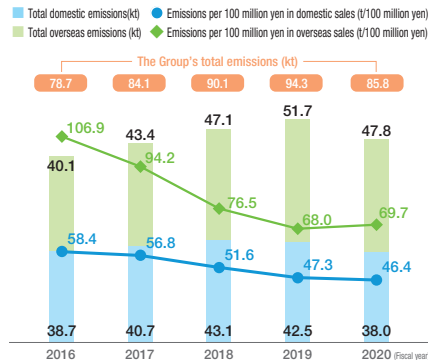
Reduction of CO₂ Emissions

With an eye on the 1.5°C scenario of the Paris Agreement adopted in 2015, the Pacific Industrial Group endeavors to reduce energy usage by pushing forward such activities as production technology development, facility upgrading, production process improvement, and daily activity improvement and introduction of renewable energies. In FY2020, we worked to reduce CO₂ emissions with the full-scale operation of our Higashi Ogaki Plant's special high-voltage power feeding system and the efficient operation of compressors.

Targets and results (Pacific Industrial)



Changes in CO₂ emissions **KPI**



* 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

Classification	Strategy	CO ₂ emissions (t-CO ₂)
		Domestic (Pacific Industrial)
Upstream	1 Purchased goods and services	460,875
	2 Capital goods	28,829
	3 Fuel and energy-related activities not included in Scope 1 or 2	6,445
	4 Transportation and delivery (upstream)	6,372
	5 Wastes generated in operations	470
	6 Business travel	200
	7 Employee commuting	2,410
Downstream	9 Transportation and delivery (downstream)	8,298
	12 End-of-life treatment of sold products	1,566
Scope 3		515,465

*The Scope 3 figures were calculated based on the emission intensity database for calculating greenhouse gas emissions and other emissions by organizations throughout the supply chain (Ver. 3.0) published by the Ministry of the Environment.

Deployed Renewable Energy Capacity by Site

Base	Solar power generation capacity (kW)
Nishi Ogaki Plant	200
Higashi Ogaki Plant	500
Kyushu Plant	300
Kita Ogaki Plant	469
Mino Plant	100
Yoro Plant	100
Domestic	1,669
South Korea PVI	100
Overseas	100
Global	1,769

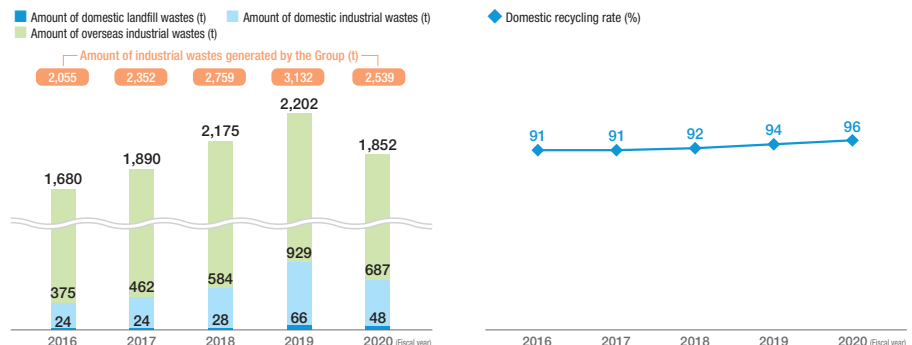
Sustainable resources use

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 resin. In FY2020, we worked mainly on transforming woodchips and sludge into usable material at the Kurihara Plant and reducing waste plastic at the Higashi Ogaki Plant.

Targets and results (Pacific Industrial)



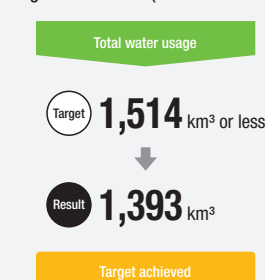
Industrial waste-related trends **KPI** **SASB** **TR-AP-150a.1**



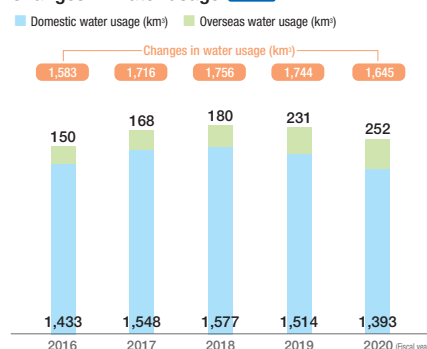
Conservation of water resources

The Pacific Industrial Group actively manages and reduces water usage to be in line with regional circumstances, encourages water recycling, and endeavors toward efficient water consumption and its preservation. In FY2020, we downsized our ED-coat facilities and reduced water consumption. We will continue to work to control wastewater quality and preserve the quality of normal water, and promote activities to conserve biodiversity, including maintaining the ecosystems in river source and watershed areas.

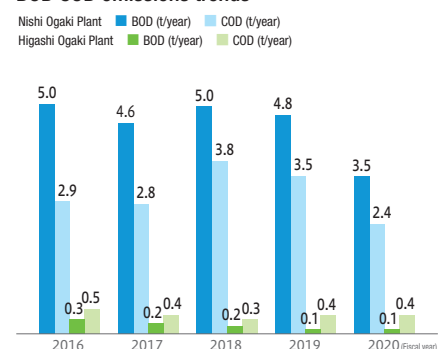
Targets and results (Pacific Industrial)



Changes in water usage **KPI**



BOD-COD emissions trends



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

* We have adjusted calculation method and some data points.



Respecting human resources and their active participation

From the perspective of respect for human rights and dignity, the Pacific Industrial Group 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.



Highly relevant SDGs

Respect for human rights

Human Rights Policy Formulation

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. Under this policy, all employees will act with high ethical standards and integrity as sensible members of the global community, and the entire Group will work together to promote initiatives that respect human rights.

Education

Upon the development of our “Human Rights Policy”, in order to raise awareness of human rights within the Group and to put into practice the creation of a corporate culture of respect for human rights, we conduct awareness-raising and educational activities to promote proper understanding of those rights and ensure that information is shared throughout the company. Specifically, in addition to incorporating human rights education into training programs for employees at each level of our company and conducting regular e-learning, we are creating versions of our policies in other languages and using them to ensure that our overseas bases are fully aware of them, as well as expanding them to related business partners. We also created a special feature article on human rights in the company newsletter distributed to all employees to promote understanding of the importance of human rights.



New employee training



Human rights feature in company newsletter

Implementation of Human Rights Surveys

Through human rights due diligence mechanisms, our Group strives to identify and either prevent or mitigate negative impacts on human rights. These mechanisms include the regular monitoring of the implementation status of our “Code of Conduct” and “Supplier CSR Guidelines”. Through questionnaires conducted in FY2020, we confirmed that there were no serious cases of human rights violations at our three domestic group companies or at our suppliers. Since then, we have conducted questionnaires for all employees at overseas business entities the same way as we do in Japan, and are working to improve human rights awareness.

Stable Employment and Decent Work Environment

Improving Employee Engagement

We believe that the key to continued value creation is the ease and satisfaction employees feel when fulfilling their roles. We therefore analyze the results of various surveys conducted within our company so that we can better understand the progress and challenges of efforts to improve employee awareness and satisfaction, and share issues with management and other employees in order to create a company and workplace that is cheerful and rewarding to work at while simultaneously exploring and implementing other measures to improve engagement.

Work-Life Balance

We are implementing a variety of measures to ensure that employees are able to feel satisfaction and personal growth at work, while living a fulfilling personal life. In addition to being awarded “Kurumin” certification as a company that supports childcare, we have set a target of having employees take 12 days of annual paid vacation and have been working to ensure that target is achieved. In April 2019, we introduced a work-interval system to guarantee the minimum hours away from work before coming in for the next day. We will remain committed to supporting our employees to maintain a balance between work and their personal commitments including childcare and nursing care, while fostering a work environment and corporate culture that encourages employees to use vacation time, maintain their health, and work vigorously.

Pacific Industrial was awarded with “Kurumin” certification logo, by the Ministry of Health, Labour and Welfare.



The safety and health of employees

Building a Safe and Secure Workplace

Based on the principle of safety first, 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.

Human Resource Development

In order to become a company that is strict about safety, we use the Study Hall as a base for technical education. We also conduct safety experience education, risk assessment education, and hazard prediction training for employees at each level to improve their ability to recognize danger as part of our efforts to increase risk sensitivity. We are also promoting the establishment and expansion of safety dojos to provide extensive safety education even at remote plants.

Equipment Safety Measures

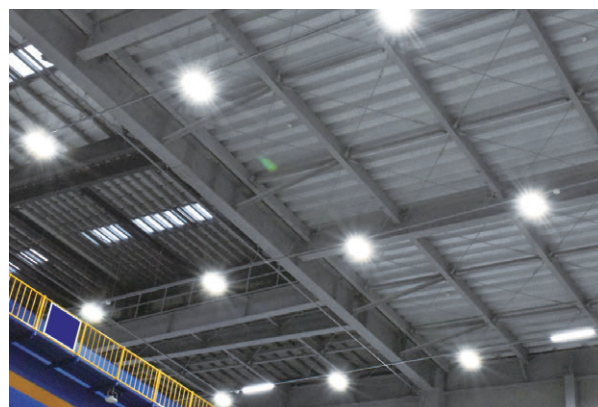
Focus items for the eradication of STOP6, which are the six key factors that can lead to major accidents, are incorporated into our daily activities, and we are working to establish and continue implementing those activities, clarify priorities, and promote countermeasures. We aim to create a safe workplace through risk eradication at the process and equipment design stage, and work risk assessments at the installation stage, for the safety of new equipment and lines.

Providing Proper Work Environments

We are working toward providing comfortable work environments by introducing air-conditioned clothing and systematically making progress on converting plant lighting to LEDs. Through changing to LED lighting, average brightness has improved by 140%, which has a positive impact on the work environment. As of the end of June 2021, 55% of the floor space of all plants in Japan have LED lighting installed, and CO₂ emissions have been reduced by 1,336 tons per year (cumulative total).



Education at the Safety Dojo



Improved work environments by switching to LED lighting

Health Management Initiatives

From 2005, we began efforts to promote work-life balance. In 2006, we became the first company to be registered as a "Hatsu Ratsu Workplace Creation Declaration" by the Gifu Labor Bureau, and since then we have been promoting the mental and physical health of our employees in a concrete and continuous manner. In recent years, with the declining birthrate, aging population, and health consciousness, the importance of health management is increasing. We are also placing importance on the health of our employees as the foundation for the success of our human resources. In September 2021, we stipulated our stance on this matter in the "Pacific Industrial Group Health Declaration." By running the cycle of health management, we will enhance the social value of employee health and connect this to improving our ability to create value.

<Pacific Industrial Group Health Declaration>

We consider the health and safety of our employees to be the starting point of "monozukuri", and we will work to maintain and improve the physical and mental health of our employees and their families, and create a comfortable work environment for the sustainable growth of the company and our employees. In order to achieve our brand slogan, "Passion in Creating Tomorrow," we declare that we value new ideas and challenges, and that we will strive to create a company where people can feel a sense of harmony between work and life, and work in a healthy and vigorous manner.

September 2021

Shinya Ogawa

President, Member of the Board Pacific Industrial Co., Ltd.

Activity Status and Targets

(FY/Pacific Industrial)

Item	2018	2019	2020	2021 (Target)
Health checkup implementation rate	100%	100%	100%	100%
Reexamination implementation rate among symptomatic patients	85.3%	82.6%	77.0%	85%
Stress check implementation rate	98.9%	97.2%	98.9%	100%

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

Basic Approach and Policy for Human Resources Education

With the intent to achieve our management strategy, and with an eye on the medium to long-term human resource development issues of raising up the baseline of the new generation of workers and the early development of leaders, we believe that the key to human resource development is “where ability meets compassion”. Therefore, in addition to providing education to improve skill, we also provide well-balanced, well-timed education opportunities to acquire both ability and compassion.

Strengthen Education at Each Level

In April 2021, we conducted a complete review of our new education program and restructured it into an effective education system that nurtures people. For our staff, we have expanded training for supervisory positions, introduced problem solving and Toyota Production System (TPS) training for new employees, systematized training on safety, quality, and productivity for technical staff, and incorporated training to improve compassion into the new program.

Improving Work Methods

Based on the idea that each and every employee can enhance their work productivity by being continuously involved in improvements and, as a result, enrich their personal lives as well, we are continuously promoting the improvement of work methods without being constrained by conventional methods.



Management training



TPS education

Diversity and Inclusion

Policies and Initiatives

We believe that by creating a work environment and corporate culture that is inclusive and allows employees to demonstrate their abilities in accordance with their internal attributes, including their individuality, strengths and weaknesses, health conditions, personality, beliefs, and sexual orientation, we can revitalize workplaces, contribute to innovation, and reduce employee turnover rate. To this end, we respect diversity and inclusion as one of our management strategies, and we are promoting various cross-functional initiatives within the company.



Promotion of Women's Activities

We believe that the further advancement of women is essential for the sustainable growth of a company and the strengthening of corporate competitiveness. We promote the hiring of capable human resources, regardless of gender, the creation of a work environment that allows employees to choose various work styles, and career education necessary for individual growth. We are working to increase the percentage of female university graduates hired each year to 10% or more. Our goal is to increase the ratio of female managers in the entire Group to 14% or more by FY2030.



Dialogue with Labor Unions

Status of Dialogue between Labor and Management

Our company and the Pacific Industrial Workers Union strive to maintain and strengthen sound labor-management relations, respecting differences in positions and perspectives, and aiming for the sustainable development of the company through mutual trust.

Monthly labor-management roundtables and councils are held to discuss issues such as employment stability, working conditions, safety and health, and production and sales activities, and to promote communication.

	Scope	2016	2017	2018	2019	2020(FY)
Basic Data						
Number of employees (regular) (persons)	Group	3,511	3,622	4,390	4,806	4,797
Male (persons)	Group	—	—	—	—	3,796
Female (persons)	Group	—	—	—	—	1,001
Non-regular (persons)	Group	549	732	1,148	1,193	970
By region						
Japan (persons)	Group	—	—	—	2,016	2,075
Europe/North America (persons)	Group	—	—	—	1,566	1,529
Asia (persons)	Group	—	—	—	1,234	1,193
Average age (age)	Pacific Industrial	—	—	40.2	39.9	40.2
Male (age)	Pacific Industrial	—	—	40.1	39.7	39.8
Female (age)	Pacific Industrial	—	—	41.7	42.1	43.9
Average length of service (years)	Pacific Industrial	—	—	14.4	13.8	13.8
Male (years)	Pacific Industrial	—	—	14.2	13.6	13.4
Female (years)	Pacific Industrial	—	—	16.5	16.4	17.8
Respect for Human Rights						
Coverage rate of human rights investigations (SAQ) (number of offices and plants) (%) KPI	Group	—	—	—	—	40.9
Participation rate in human rights education (%)	Pacific Industrial	—	—	—	—	98
Stable Employment and Decent Work Environments						
Turnover rate (%) ^{*1+3} KPI	Pacific Industrial	1.1	1.8	2.0	2.2	2.1
Childcare leave recipients : Male (persons)	Pacific Industrial	1	2	3	1	7
: Female (persons)	Pacific Industrial	9	6	8	7	5
Female employees taking parental leave and returning to work (%)	Pacific Industrial	100	100	100	100	100
Achievement rate of annual paid leave acquisition target per employee (%) ^{*2}	Pacific Industrial	100	78.3	95.8	98.4	99.3
Monthly overtime hours worked per employee (hours)	Pacific Industrial	32.6	34.2	35.3	32.8	20.9
Employees with medical insurance (persons)	Group	—	—	—	—	4,651
Employees in employee stock ownership plan (persons)	Group	—	—	—	—	1,531
Employees using flextime system (persons)	Group	—	—	—	—	858
The Safety and Health of Employees						
Lost time injury frequency rate (%) ^{*3 +4 +5 +9} KPI	Group	0.69	0.41	0.57	0.49	0.35
	Pacific Industrial	0	0.45	0.81	0.73	0.40
	Nationwide manufacturing industry	1.15	1.02	1.2	1.2	1.21
	Nationwide transportation machinery and equipment manufacturing	0.39	0.43	0.54	0.5	0.48
Lost time injury severity rate (%) ^{*4 +5 +6 +9}	Group	0.01	0.02	0.04	0.01	0.00
	Pacific Industrial	0	0.04	0.06	0.01	0.01
	Nationwide manufacturing industry	0.07	0.08	0.10	0.10	0.10
	Nationwide transportation machinery and equipment manufacturing	0.05	0.03	0.05	0.04	0.04
Employees on mental health leave (persons)	Pacific Industrial	—	—	—	—	7
Development of human resources and Cultivation of culture that we can tackle new endeavors						
Training hours per person (hours) ^{*7} KPI	Pacific Industrial	—	—	—	—	23.9
Rate of employees receiving regular job and career development assessments (%)	Pacific Industrial	—	—	—	—	98.7
Rate of employees trained in career or skills development (%)	Pacific Industrial	—	—	—	—	42
Diversity and Inclusion						
Rate of females in management positions (%) ^{*8} KPI	Pacific Industrial	2.3	2.3	3.1	3.0	3.1
	Group ^{*9}	6.8	7	7	9.6	10.3
Rate of female supervisors in administrative and technical positions (%) ^{*8}	Pacific Industrial	15.6	12.3	11.2	11.1	11.5
	Group ^{*9}	20.9	20.1	19.2	19.8	22.6
Rate of foreign nationals in management positions (%)	Pacific Industrial	—	—	—	—	0
	Group	—	—	—	—	46.5
Rate of mid-career employees in management positions (%)	Pacific Industrial	—	—	—	—	20.9
	Group	—	—	—	—	58.8
Rate of employees with disabilities (%)	Pacific Industrial ^{*10}	2.03	2.27	2.32	2.10	2.16
Reemployment of seniors (persons)	Pacific Industrial	64	66	82	93	105
Other						
Rate of employees with labor union membership (%)	Pacific Industrial	—	—	—	—	86
	Group	—	—	—	—	47

Notes:

*1 Retirees for personal reasons. Excluding retirement age. Regular employees.

*2 Yearly acquisition target is 12 days

*3 Number of fatalities and injuries due to occupational accidents (lost time injuries)÷total number of actual working hours x 1,000,000

*4 Including temporary and dispatched employees

*5 Source: Ministry of Health, Labour and Welfare, "Survey of Occupational Accident Trends (Calendar Year)"

*6 Total number of working days lost÷total number of actual working hours x 1,000

*7 Excluding OJT

*8 PAT is included from FY2018, SPF and SPU from FY2019

*9 Calculation method was revised, and some data corrected.

Consolidated Financial Statement (Summary)

Consolidated Balance Sheets

Consolidated Balance Sheets	Millions of yen	Thousands of U.S. dollars	
	FY2019	FY2020	FY2020
(Assets)			
Current Assets			
Cash and time deposits	18,315	28,332	255,915
Trade notes and accounts receivable	24,452	24,027	217,031
Merchandise and finished goods	6,522	6,969	62,952
Work in process	4,638	4,383	39,595
Raw materials and supplies	3,829	4,148	37,475
Other accounts receivable	2,701	3,113	28,121
Other current assets	673	614	5,547
Allowance for doubtful accounts	(74)	(133)	(1,201)
Total current assets	61,060	71,456	645,437
Noncurrent Assets			
Property, plant and equipment			
Buildings and structures	26,155	28,781	259,972
Machinery and vehicles	41,729	48,227	435,619
Tools, furniture, and fixtures	5,499	5,816	52,542
Land	9,884	10,089	91,138
Lease assets	1,219	1,104	9,978
Construction in progress	13,873	7,963	71,927
Total property, plant and equipment	98,361	101,983	921,178
Intangible fixed assets	13,682	12,640	114,180
Investments and other assets			
Investments in securities	25,796	32,497	293,533
Long-term loans	59	60	549
Deferred tax assets	248	259	2,345
Net defined benefit assets	4,251	5,903	53,327
Other investments and other assets	822	732	6,618
Allowance for doubtful accounts	(3)	(3)	(32)
Total Investments and other assets	31,175	39,450	356,342
Fixed assets	143,219	154,075	1,391,701
Total Assets	204,280	225,531	2,037,139

	Millions of yen	Thousands of U.S. dollars	
	FY2019	FY2020	FY2020
(Liabilities)			
Current Liabilities			
Trade notes and accounts payable	10,876	12,005	108,440
Electronically recorded obligations - operating	7,017	7,566	68,349
Short-term borrowings	4,720	4,188	37,835
Current portion of long-term borrowings	6,450	9,614	86,840
Other accounts payable	4,457	5,057	45,678
Accrued expenses	2,307	2,502	22,605
Income taxes payable	583	2,404	21,715
Consumption taxes payable	126	679	6,134
Deposits received	642	172	1,560
Allowance for bonuses	1,563	1,536	13,877
Allowance for bonuses to directors	57	—	—
Notes concerning installations	94	19	175
Other current liabilities	3,910	2,127	19,218
Total current liabilities	42,807	47,874	432,431
Noncurrent Liabilities			
Long-term borrowings	52,471	52,480	474,038
Deferred tax liabilities	8,126	10,388	93,835
Provision for directors retirement benefit	184	161	1,458
Net defined benefit liabilities	682	716	6,471
Other noncurrent liabilities	1,586	1,401	12,659
Total noncurrent liabilities	63,050	65,148	588,463
Total liabilities	105,858	113,023	1,020,894
(Net Assets)			
Shareholders' Equity			
Capital stock	7,316	7,316	66,090
Capital surplus	7,705	7,643	69,042
Retained earnings	73,443	79,964	722,286
Treasury stock at cost	(246)	(224)	(2,031)
Valuation and translation adjustment	88,220	94,700	855,388
Valuation and Translation Adjustment			
Valuation difference on available securities	10,653	14,893	134,526
Foreign currency translation adjustments	(1,139)	1,135	10,252
Remeasurement of defined benefit plan	(176)	985	8,902
Total valuation and translation adjustment	9,337	17,013	153,680
Subscription rights to shares	184	141	1,280
Minority interests	680	652	5,894
Total net assets	98,422	112,508	1,016,244
Total Liabilities and Net Assets	204,280	225,531	2,037,139

The U.S. dollar amounts in the consolidated balance sheets were converted from Japanese yen amounts at the rate of ¥110.71 to U.S. \$1, the rate of exchange as of March 31, 2021.

Consolidated Financial Statement (Summary)/ Stock Information

Consolidated Statements of Income

		Millions of yen	Thousands of U.S. dollars
	FY2019	FY2020	FY2020
Net Sales	165,969	150,408	1,419,748
Cost of sales	142,533	129,280	1,220,317
Gross Profit	23,436	21,127	199,430
Selling, general and administrative expenses	12,924	12,152	114,714
Operating Income	10,511	8,974	84,716
Non-Operating Income			
Interest income	87	36	349
Dividend income	639	625	5,906
Equity in earnings of affiliated companies	345	772	7,289
Foreign exchange gain	—	627	5,918
Other non-operating income	513	603	5,693
Non-operating income	1,586	2,665	25,157
Non-Operating Expenses			
Interest expense	321	365	3,453
Foreign exchange loss	568	—	—
Other non-operating expense	77	55	524
Non-operating expenses	967	421	3,978
Ordinary Income	11,130	11,218	105,895
Extraordinary Income			
Gains on sale of fixed assets	248	162	1,537
Impairment loss	1,334	—	—
Settlement money	—	802	7,576
Extraordinary losses	1,583	965	9,113
Income Before Income Taxes and Minority Interests	9,546	10,253	96,781
Income taxes-current	1,822	2,326	21,956
Income taxes-deferred	636	(52)	(494)
Income taxes	2,458	2,273	21,461
Net Income	7,088	7,979	75,319
Loss attributable to non-controlling interests	(168)	(3)	(32)
Profit attributable to owners of parent	7,256	7,982	75,352

Consolidated Statements of Comprehensive Income

		百万円	千米ドル
	FY2019	FY2020	FY2020
Net Income	7,088	7,979	75,319
Other Comprehensive Income			
Unrealized gains on available-for-sale securities	(847)	4,180	37,760
Foreign currency translation adjustments	(2,208)	2,381	21,509
Remeasurements of defined benefit plans	(607)	1,161	10,495
Share of other comprehensive income of associates accounted for using the equity method	40	(9)	(88)
Total other comprehensive income	(3,622)	7,713	69,677
Comprehensive Income	3,465	15,693	144,996
Comprehensive income attributable to:			
Owners of the parent	3,666	15,659	144,680
Comprehensive income attributable to non-controlling interests	(201)	33	316

The amounts in the consolidated statements of income and the consolidated statements of comprehensive income were converted from Japanese yen amounts at the rate of ¥105.94 to U.S. \$1, the average exchange rate of FY2020.

State of Shares

(As of March 31, 2021)

Number of shares the Company is authorized to issue	90,000,000
Number of shares already issued	61,312,896
Number of shareholders	4,254

Principal Shareholders (top 10)

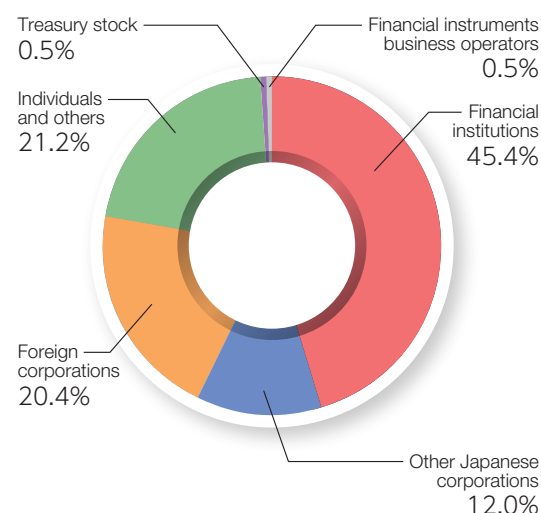
(As of March 31, 2021)

Shareholder name	Number of shares held (thousands of shares)	Shareholding ratio (%)
Custody Bank of Japan, Ltd (Trust Account)	5,640	9.25
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,589	5.88
MUFG Bank Ltd.	2,679	4.39
Ogaki Kyoritsu Bank, Ltd.	2,671	4.38
The Juroku Bank, Ltd.	2,619	4.29
Nippon Life Insurance Company	2,359	3.86
The Dai-ichi Mutual Life Insurance Company	2,349	3.85
Employee stock ownership of Pacific Industrial Co., Ltd.	2,084	3.41
PEC Holdings Corporation	1,987	3.25
Giken K. K.	1,891	3.10

(Note) The shareholding ratio, excluding treasury stock (348,993 shares), is rounded to two decimal places.

Distribution of Shares

(As of March 31, 2021)



Summary of Major Management Data

For the year

						Millions of yen	Thousands of U.S. dollars
	2015	2016	2017	2018	2019	FY2020	FY2020
Net sales ^{*1}	106,886	103,669	117,758	145,030	165,969	150,408	1,419,748
Operating income ^{*1}	7,869	8,662	8,063	10,307	10,511	8,974	84,716
Ratio of operating income to sales (%)	7.4	8.4	6.8	7.1	6.3	6.0	6.0
Ordinary income ^{*1}	9,013	9,957	9,485	11,767	11,130	11,218	105,895
Ratio of ordinary income to sales (%)	8.4	9.6	8.1	8.1	6.7	7.5	7.5
Net income for the year attributable to owners of the parent ^{*1}	7,114	7,524	7,393	8,730	7,256	7,982	75,352
Ratio of net income to sales (%)	6.7	7.3	6.3	6.0	4.4	5.3	5.3
EBITDA ^{*1 *2}	17,095	18,557	19,407	25,200	26,355	26,113	246,492
Capital expenditures	11,988	16,633	20,832	21,970	23,451	16,244	146,734
Depreciation expenses ^{*1}	8,003	8,414	9,919	12,704	14,192	14,565	137,492
R&D expenses ^{*1}	943	1,004	1,112	1,478	1,943	1,911	18,044

At year end

						Millions of yen	Thousands of U.S. dollars
	2015	2016	2017	2018	2019	FY2020	FY2020
Total assets	129,954	140,869	158,858	203,831	204,280	225,531	2,037,139
Net assets	73,244	84,266	91,913	97,075	98,422	112,508	1,016,244
Equity ratio (%)	55.7	59.2	57.2	47.0	47.8	49.5	49.5

Cash flows

						Millions of yen	Thousands of U.S. dollars
	2015	2016	2017	2018	2019	FY2020	FY2020
Cash flows from operating activities ^{*1}	15,211	14,381	17,944	18,941	21,190	26,988	254,753
Cash flows from investing activities ^{*1}	△12,754	△16,420	△22,229	△40,595	△24,270	△18,509	△174,717
Cash flows from financing activities ^{*1}	△236	246	5,239	29,231	90	808	7,632
Free cash flow ^{*1}	2,456	△2,039	△4,284	△21,653	△3,080	8,479	80,036

Per share data

						Yen	Thousands of U.S. dollars
	2015	2016	2017	2018	2019	FY2020	FY2020
Net assets (BPS)	1,339.62	1,404.98	1,508.95	1,590.09	1,614.01	1,846.06	16.67
Net income (EPS) ^{*1}	132.42	138.08	123.53	144.80	120.12	131.95	1.24
Cash dividends	26.00	28.00	28.00	33.00	30.00	33.0	0.29

Major operating ratio

	2015	2016	2017	2018	2019	FY2020
Total assets turnover ratio	0.81	0.77	0.78	0.80	0.81	0.70
ROA/Return on assets (%) ^{*2}	6.0	6.4	5.4	5.7	5.2	4.2
ROE/Return on equity (%) ^{*2}	9.7	9.7	8.5	9.3	7.5	7.6

ESG data

	2016	2017	2018	2019	FY2020
CO ₂ emissions (kt) ^{*3 *5}	79	84	90	94	86
Industrial wastes (t) ^{*3 *5}	2,055	2,352	2,759	3,132	2,539
Water usage (km ³) ^{*3}	1,583	1,716	1,756	1,744	1,645
Ratio of women in management positions (%) ^{*4 *5}	6.8	7.0	7.0	9.6	10.3
Lost time injury frequency rate ^{*5}	0.69	0.41	0.57	0.49	0.35
Number of employees	3,511	3,622	4,390	4,806	4,797

Notes:

^{*1} U.S. dollar amounts presented are calculated at the exchange rate as of March 31, 2021 with Japanese yen amounts to U.S. dollar amounts at ¥110.71 to US\$1.00. However, for those with a *1 mark, the amounts are calculated at the average rate during the fiscal year of Japanese yen amounts to U.S. dollar amounts at ¥105.94 to US\$1.00.

^{*2} Calculation formulas for indices

EBITDA = Net income before income tax, etc. + Interest expenses + Depreciation expenses (including Amortization of goodwill) + Impairment loss

ROA = Ordinary income / ((Total assets at the end of previous fiscal year + Total assets at the end of current fiscal year) / 2)

ROE = Net income of current fiscal year / ((Equity at the end of previous fiscal year + Equity at the end of current fiscal year) / 2)

^{*3} Figures for CO₂, industrial wastes and water usage are for the consolidated group excluding the three domestic subsidiaries.

^{*4} PAT and SPF/SPU have been covered since FY2018 and 2019, respectively.

^{*5} Calculation method was revised, and some data corrected.

Third-party Opinion

In this year's report, Pacific Industrial's commitment to promoting sustainability management is clearly stated in the top management message and throughout the report, and 15 material topics have been defined as important issues to be tackled based on the Sustainable Development Goals (SDGs). For each material topic, the objectives (ideal state), major initiatives, KPIs, and achievements are listed in a table, and the latter half of the report provides further details, showing the company's sincere attitude and enthusiasm in promoting sustainability management.

Among the 15 material topic initiatives, I would like to list four representative initiatives that make use of the ideas and strengths that Pacific Industrial has carefully cultivated over the years.

The first is "Contribution to a sustainable mobility society and prosperous living." Up to now, the company has utilized its advanced technological capabilities to develop products that realize CSR. Examples include TPMS, which monitors tire pressure to ensure safety, and ultra-high tensile strength steel (UHTSS) products, which contribute to the reduction of CO₂ emissions by reducing automobile weight. The development of the new product "e-WAVES" shows that products developed using these technologies are expanding into other fields as well and not limited to automobiles.

The second is "Responsible procurement." The objective (ideal state) here is to address sustainability issues, such as human rights and the environment, not only within the company itself but also throughout the supply chain. In 2020, as a result of these efforts, the company reported that it has reviewed its supplier CSR Guidelines, rolled them out to suppliers, and conducted self-assessments. Up to now, the company has clearly stated its purchasing policy, strived for fair trade, and built solid relationships of trust with suppliers by working together. As Mr. Takegahara of the Development Bank of Japan pointed out in the Top-Level Discussion, "Responsible procurement" based on such relationships

Yoshimi Aoki

President
OKB Research Institute Co., Ltd.

OKB Research Institute Co., Ltd.

A think tank of Ogaki Kyoritsu Bank, OKB Research Institute works with the bank to conduct surveys and research on the industrial and economic trends, lifestyles and cultures of the community, with the goal of promoting local industries, developing companies, and improving the livelihoods and cultures of local residents.



of trust will be required even more in the future.

Third is "Respect for human rights." This issue will be the focus of attention in the future. In October 2020, the Japanese government launched the National Action Plan on Business and Human Rights and is now implementing a series of measures to encourage companies to act in this area. I think the reason the company has been able to quickly adopt such trends is because it has always valued employees as human assets, and has "respect for human rights and dignity" as one of its corporate philosophies.

Fourth is "Mitigation of and adaptation to climate change." The company has always been committed to global environmental protection as one of its corporate philosophies, and has been working to reduce CO₂ and chemical substance emissions. This year, the company endorsed the TCFD as part of the materiality "Mitigation of and adaptation to climate change" initiative, and is working to disclose information on how it understands the risks and opportunities of climate change and how to incorporate them into business strategy. I hope that the company will further promote environmental initiatives as part of its business strategy.

For the above four materiality initiatives, I feel that the things Pacific Industrial has carefully cultivated up to now are being utilized. Furthermore, there is the thing that Pacific Industries has cherished. That is its desire to be "glocal," which means expanding business globally, while placing importance on business activities in each region (local).

I look forward to seeing the company further advance its sustainability management toward 2030, the 100th anniversary of its founding and the target year of the SDGs, while cherishing the idea of "glocal."

【 Response to Third-party Opinion 】

Thank you very much for your valuable opinions. Our Group has clarified the objectives and KPIs of our material topics and is promoting cross-functional initiatives.

The automotive industry is required to reduce CO₂ emissions through LCA in order to achieve carbon neutrality by 2050, and the Pacific Industrial Group and the entire supply chain, both in Japan and overseas, are determined to strengthen efforts toward decarbonization.

Furthermore, we will contribute to a sustainable mobility society and prosperous living by focusing on the development of products that lead to lighter weight and electrification of automobiles, as well as the development of sensing devices that use our core technologies.

Going forward, we will continue to work on solving social issues, promote sustainability management, and create new value to continue to be a company that is trusted and needed by society.



Tetsushi Ogawa
Executive Vice President
Member of the Board

For Tomorrow, With Nature



These drawings are posters drawn by Pacific Industrial Group employees' children.

What can we do to protect our precious planet?

The actions each and every one of us take now will change our children's tomorrow.

We hope that you will enjoy and appreciate the heartfelt messages expressed by the children through their drawings.

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