

Sustainability Report 2020

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.

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Sustainability Report 2020 Editorial Policy

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

This 2020 edition is an important report as a foundation for future initiatives together with the renovation of the sustainability management promotion system as it identifies materiality related to sustainability, presents specific processes and environmental challenge targets, and aims to globalize information disclosure.

Additionally, **this time we redefined the initiatives that we have been implementing as CSR activities from the perspective of pursuing social and corporate sustainability globally from a long-term management perspective, and changed the name of the report to Sustainability Report.**

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, 2019 to March 31, 2020 (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 28, 2020

Publisher:

Pacific Industrial Co., Ltd.
Corporate Planning Department
Phone: +81-584-93-0110
Fax: +81-584-93-0112

Guidelines Used as Reference:

GRI Standards (GRI)
The International Integrated Reporting Framework
ISO26000
Environmental Reporting Guidelines
2018 Edition (Ministry of the Environment)

In an Era Where Transformation is Critical, We Vow to Increase Our Societal Value

First of all, we would like to express our heartfelt condolences to those who passed away from COVID-19. We would also like to express our deepest gratitude to everyone who supports social infrastructures, including healthcare professionals.

Despite the impact of plant shutdowns and other factors, the Pacific Industrial Group has set infection prevention and maintaining employment, production, and supply chains as fundamental policies and has been solidifying our foundations by promoting work-style reforms by utilizing web conferences, cost improvements and cost reductions.

In addition, this year marked the 90th anniversary of our foundation. As part of our commemorative project, we donated a PCR testing car with patient transport functions to Gifu Prefecture, and began production of masks for distribution to employees and local communities.

Medium- to Long-term Policies and Growth Strategy

In light of our PACIFIC GLOCAL VISION, which looks ahead to 2030 which will mark the 100th anniversary of our company's foundation, we are advancing OCEAN-22, which is our mid-term management plan.

In terms of business environment, COVID-19 is expected to have prolonged impact.

In addition, the automobile industry is undergoing a once-in-a-century major transformation, and changes in the market are accelerating. Under these circumstances, we

believe there is significant potential for our business to make great contribution amid changes in mobile society with an emphasis placed on the environment and safety.

As for our growth strategy in the stamping business, we are aiming to increase orders and improve profitability by offering high-value-added products such as ultra-high tensile strength steel (UHTSS) stamping that contribute to weight reduction, safety, and improvement of environmental performance of automobiles, and by proposing optimal body design by enhancing structural analysis technologies.

In the valve business, we are aiming to strengthen synergies with Schrader which we acquired in 2018, and to increase orders for Tire Pressure Monitoring Systems (TPMS). We will also accelerate efforts to develop new products through the diversification of technologies and the integration of core technologies.

SDGs and Materiality

Under these circumstances, we discussed how the Pacific Industrial Group can fulfill its responsibilities and contribute to expanding sustainability issues, such as climate change and human rights issues described in the Sustainable Development Goals (SDGs), and established four pillars and challenges to be prioritized (materialities). By incorporating this materiality into our overall global business activities, we intend to increase our *raison d'être* (a purpose that justifies a thing's existence) and strengthen our sustainable

competitiveness.

As a first step in this process, we have set targets to challenge for 2050 to minimizing environmental load, which is one “pillar” issue which manufacturing businesses cannot ignore, and have set mid-term targets for 2030 as milestones.

In addition, we will promote sustainability management by actually taking actions aiming for “Fostering trust with stakeholders,” “Solving social and customer issues through products,” and “Respecting human resources and their active participation.”

Together with Stakeholders

Last but not least, we formulated our “Passion in Creating Tomorrow” brand slogan last year. We are passionate about being a company indispensable in the creation of future society, focusing our hearts and minds on next-generation mobility.

As we listen to the opinions of our stakeholders, we will strive to improve the quality of our corporate management, aiming to become a hundred-year company that continues sustainable growth globally, and to go further beyond. We would like to ask for your continued guidance and support.



Shinya Ogawa

President and Chief Executive Officer



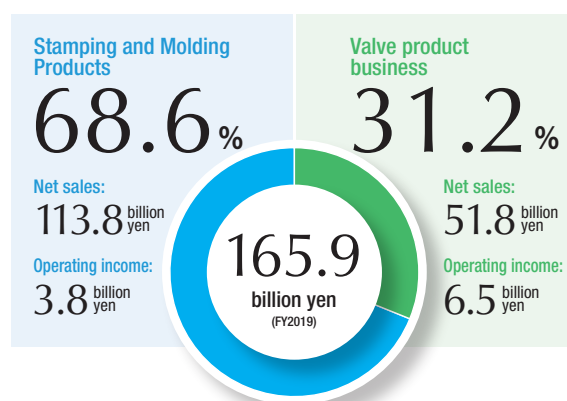
Pursuing “Glocal” Corporate Activities Under a Global Quadrilateral System

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 and CEO : Shinya Ogawa
Capital stock : 7,316 million yen (As of March 31, 2020)
Number of employees : 1,931 (consolidated: 4,806)
Businesses : Manufacturing and sales of automotive parts, electric
 appliance components, electronic devices and other
 products
Stock Listings : The Tokyo and Nagoya Stock Exchanges
 (1st sections)
Security code : 7250

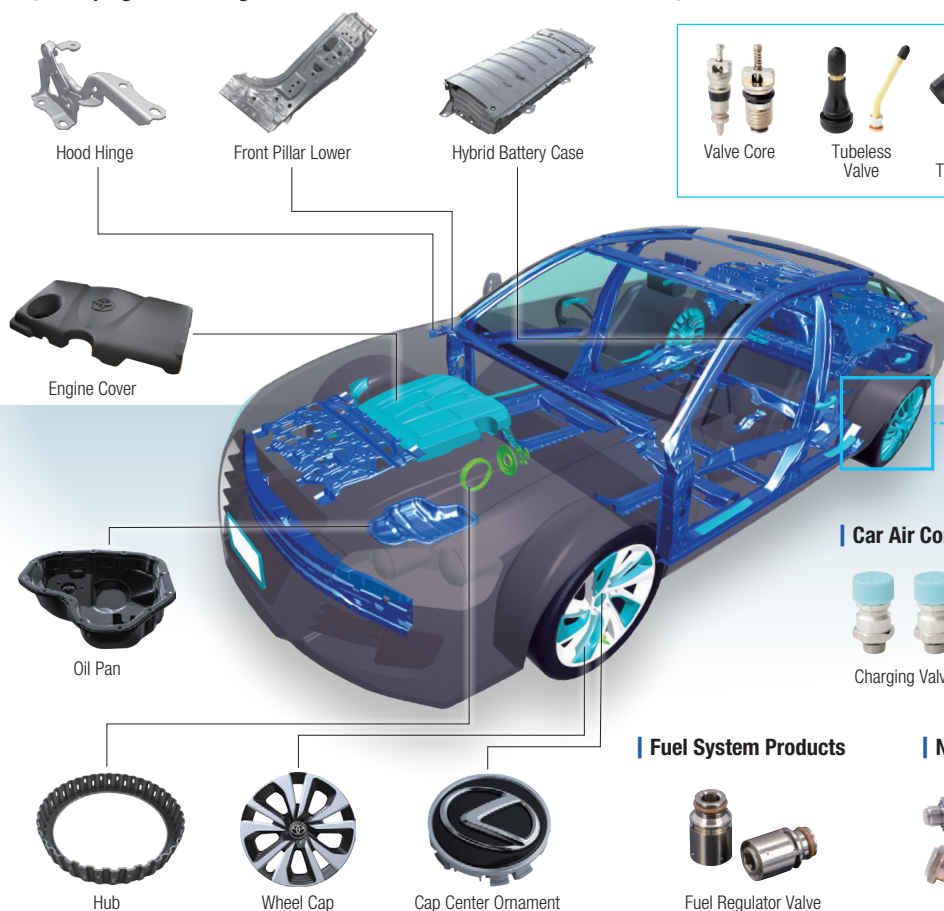
Overview by Business Segment

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



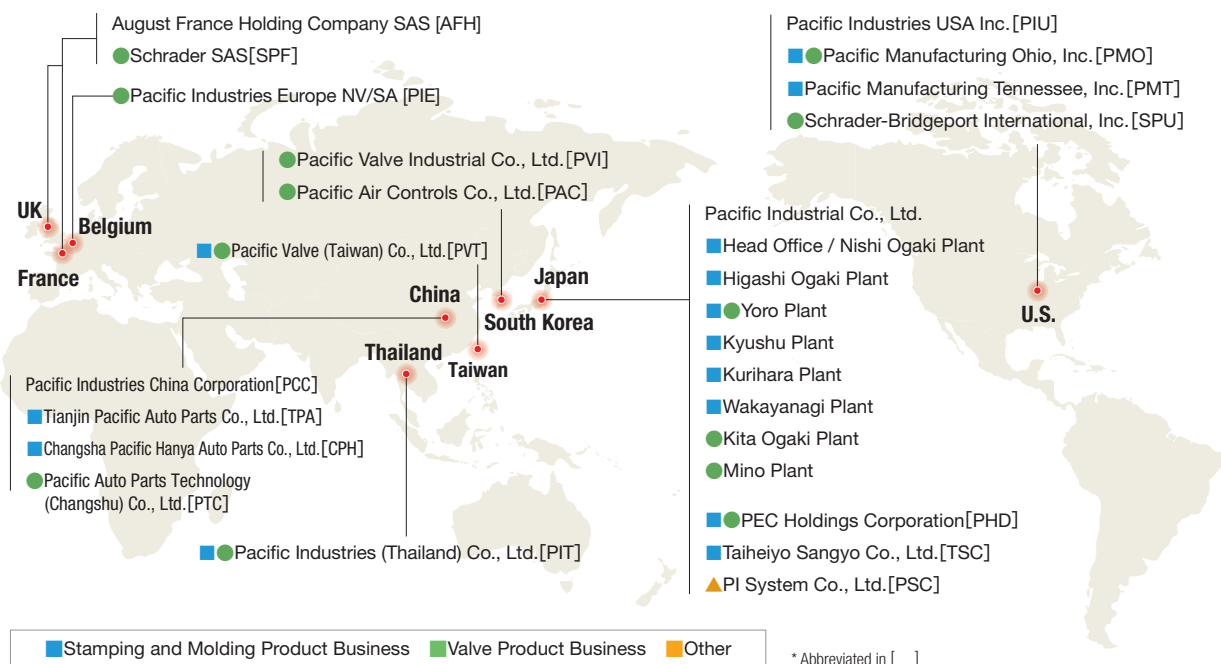
Fuel System Products



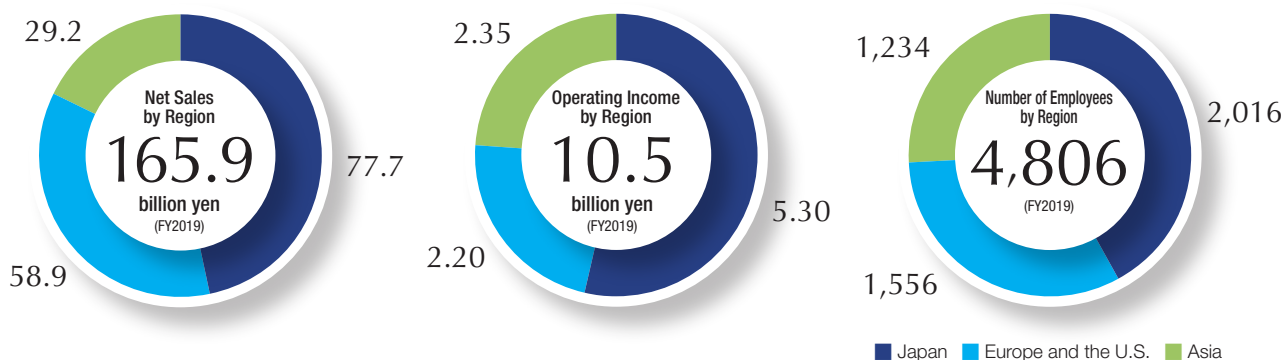
Non-auto Parts



Global Network (15 companies in 8 countries outside Japan, 8 domestic bases and 3 companies in Japan)

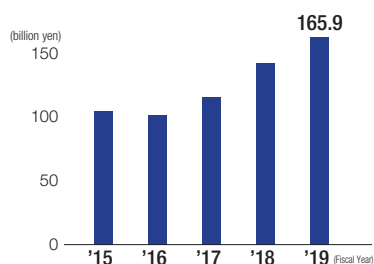


Overview by Region Regional segments are categorized into Japan, Europe and the U.S., and Asia.

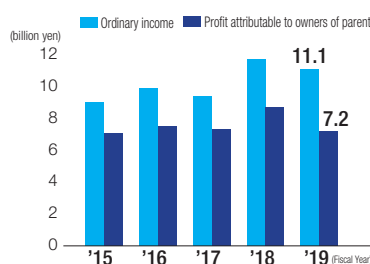


Highlights of Consolidated Results

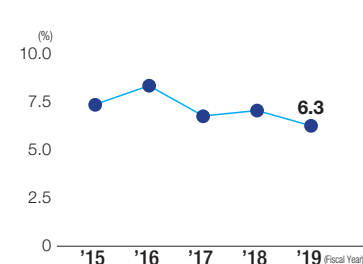
Net sales



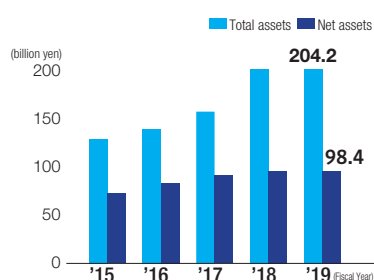
Ordinary income/Net income for the year attributable to owners of the parent



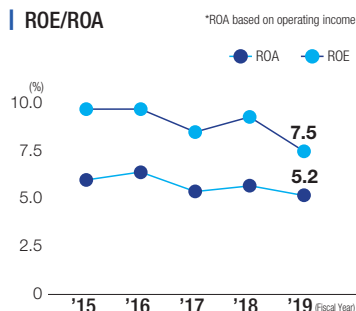
Ratio of operating income to sales



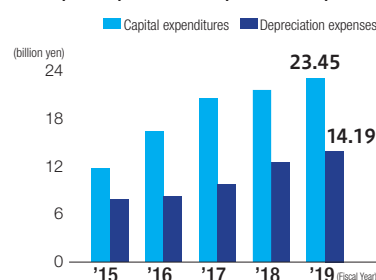
Total assets/Net assets



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

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

1984/Jun.

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

1987/May

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



PACIFIC VALVE (TAIWAN) CO., LTD.

1988/Jul.

Established PACIFIC INDUSTRIES USA INC. in the United States.

1989/Mar.

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

1990

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.

Soichi Ogawa, Founder

At age 29, Soichi Ogawa started a company with a capital provided by his older brother, who ran a woolen textile business in Ichinomiya City. Soichi took on the challenge of developing automotive valve cores, which at the time was said to be "more difficult than precision watch making," and succeeded in producing them domestically. A gifted entrepreneur, Soichi built the foundation for the company's future success.



What is a "valve core"?

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.

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.

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 cores units and 5 billion tire valves units

2004/Sep.

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

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.

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.

Integrated three Schrader Group companies.

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 integrated three Schrader Group companies in the United States 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

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.

PACIFIC VALUES



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.

Long-Term Vision PACIFIC GLOCAL VISION

Looking 10 years ahead, the long-term “PACIFIC GLOCAL VISION 2020” was drawn up in 2010, when we celebrated our 80th anniversary since the founding 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 “desired corporate image” as PACIFIC GLOCAL VISION by reviewing its long-term vision in pursuit of contribution to a sustainable society. Aiming to become a hundred-year company that achieves sustainable growth, we are committed to taking on the challenge toward a new future.

vision 1	A truly GLOCAL company that is worthy of stakeholders’ trust, rooted in communities and able to co-exist and co-develop with them
vision 2	A company that leverages its core technology and continuously provides new business, new products and new technologies toward a sustainable society
vision 3	A company that values employees’ new ideas, challenges and ensures they feel the harmonious balance between life and work.

□ Mid-term management plan “OCEAN-22”

In FY2019, the Pacific Industrial Group formulated and has been promoting “OCEAN-22”, our mid-term management plan that serves as a concrete action plan for our long-term vision, PACIFIC GLOCAL VISION.

The automobile industry is changing dramatically as a result of the growing popularity of next-generation mobility. Future actions we need to take to achieve further growth include further exploring and expanding our new products and technologies, acquiring new customers, expanding production bases overseas, enhancing our cost competitiveness, utilizing IT and accelerating business. Seeing these external changes as an opportunity, we will draw on our accumulated strengths and bring the full power of the entire Group together to improve our competitiveness.

As a growth strategy, in the stamping business, we are aiming to increase orders and improve profitability by offering 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, and by proposing optimal body design through enhancing structural analysis technologies. In the valve business, we are aiming to expand synergies with Schrader, which we acquired in 2018, and to increase orders for TPMS. We will also accelerate efforts to develop new products through the diversification of technologies and the integration of core technologies.

We will solidify our foundation for manufacturing, focusing on strengthening of the profitability in preparation for the next leap and development of human resources that drive the greater profitability, while at the same time reinforcing the environmental, social and governance (ESG) activities.

Fiscal year 2019 was the first year of our OCEAN-22 mid-term management plan, and we had made progress largely in line with the plan. However, from fiscal year 2020 onward, due to stagnant social and economic activities resulting from the spread of COVID-19, the outlook is becoming difficult. Based on our brand slogan, “Passion in Creating Tomorrow,” we will identify changes in the business environment following the corona crisis and newly recognized issues, and review our mid-term management plan in accordance with the degree of impact.

Priority initiatives

Trust	Innovation	Challenge
Secure profitability and improve corporate value	Realize development and technology innovations	Realize GLOCAL management toward achievement of SDGs
Strengthen governance and mitigate risks	Innovate production technologies making use of AI and IoT	Promote diversity and develop next-generation human resources
Enhance business through ESG management	Create highly efficient production lines through manufacturing reforms	Foster a corporate culture where employees can take on challenges

□ SDG Initiatives

The Pacific Industrial Group believes that our mission is to contribute to the realization of a sustainable society, and we have long positioned CSR and ESG as our most important management issues, and have been engaged in a variety of activities.

This time, we have reviewed the structure of our SDG activities based on the relationship between SDGs extracted last year and our business. Taking into account our values, risks and opportunities, impact on stakeholders and international level of disclosures, we have identified 15 materialities for sustainability management, structured them into four pillars associated with our long-term vision, and linked them to the goals of each highly relevant SDGs. In this structure we can contribute to SDGs by implementing these initiatives for materiality items.

As for minimizing environmental load, which we have been promoting ahead of others, we have set long-term targets for reducing CO₂ emissions, waste emissions, and water consumption, and have

begun efforts to achieve these targets. We will also contribute to the achievement of SDGs by setting long-term targets for the three other pillars, incorporating them into our business activities, and effectively working on them.



Pacific Industrial Group's Value Creation Model

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

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

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

Internal and external management resources



Strength

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's Vision

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
Materialities
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 (FY2019)

Net sales / 165.9 billion yen

Operating income / 10.5 billion yen

ROA / 7.5%

Non-Financial Highlights

Many awards received from domestic
and overseas customers → p. 27

The ratio of women taking childcare
leave and returning to the workplace:
100% for the 12th consecutive year
→ p.29

Support for the local community in
COVID-19 pandemic → p. 31

Formulation of long-term environmental
challenge targets → p.16

Identifying Sustainability Materialities*

* Important issues in the sustainability of the Pacific Industrial Group

Last year, the Pacific Industrial Group renovated our long-term vision into “PACIFIC GLOCAL VISION” as our future vision, and formulated our brand slogan. In order to realize our corporate values and vision, we have identified the Pacific Industrial Group’s important issues (materialities) regarding sustainability with 2030 as a benchmark. This is also highly relevant to SDGs, which are globally shared goals to be resolved by 2030.

Going forward, we will integrate these materialities into our business endeavors, and incorporate them into specific activities as sustainability management initiatives. In this way, we will refine our competitiveness as a glocal company, work on achieving SDGs on a company-wide basis, and enhance our existence value for the future.

Identification process

1

Setting prerequisites

After clarifying the conditions for materiality, we extract items from global standards related to sustainability, such as ISO26000 and GRI, and sort them into items that we believe are appropriate based on our business processes.

Prerequisites

- Themes related to Sustainability
- Ten years until 2030 in mind
- Consider importance including on a global basis

2

Importance Analysis

Analyze the importance of items identified in step one, both from the standpoint of the Pacific Industrial Group and from its stakeholders, and create a materiality matrix to be used for discussion.

Importance for the Pacific Industrial Group

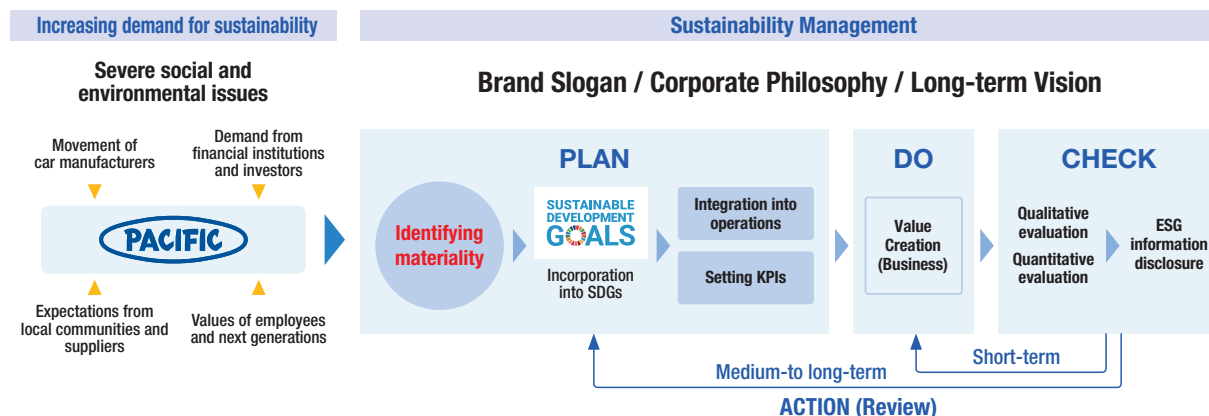
Values, financial opportunities and risks, and megatrends that we want to embrace based on our long-term vision, mid-term management plan, and CSR policies

Importance for stakeholders

Expectations and impacts from stakeholders, key international initiatives, etc. (UNGC*, OECD, SDGs, SASB*), and requirements from major rating agencies (CDP*, Development Bank of Japan, FTSE, EcoVadis, etc.)

* UNGC: United Nations Global Compact, SASB: Sustainability Accounting Standards Board, CDP: Carbon Disclosure Project

Positioning of Materiality in Sustainability Management



Expert Review



Keisuke Takegahara

Executive Officer
Development Bank of Japan, Inc.

I hope you will leverage this wealth of information to build and evolve a framework that conveys your uniqueness.

The time axis until 2030 seems to be short, but the positioning of materiality in sustainability management is clear and appropriate. It is the identification process that is noteworthy. It is the identification process that elaborately incorporates a variety of factors, including social issues, SDGs, and the impact of COVID-19. Therefore, it is desirable to disclose them in detail.

Looking ahead, we hope to draw on the wealth of information organized in the identification process to build and evolve frameworks so as to convey your uniqueness. From the viewpoint of materiality with institutional investors in mind, the theme of “solving social and customer issues

through products” is the most important “aggressive” materiality in discussing your growth strategy with social issues. In light of the impact of COVID-19 and the social importance of your company, which has products with a high market share both domestically and overseas, from the viewpoint of business continuity, I think that information on “response to natural disasters (BCM/BCP)” and “responsible procurement” is important. In addition, I would recommend gathering opinions of employees of the Schrader Group, which have become subsidiaries, and other overseas bases, and paying more attention to overseas stakeholders.



3

Discussions and Review

Discussion and Review of materiality based on materiality items of domestic and overseas car manufacturers and automotive parts manufacturers, as well as the future direction of technological development and the impact of the COVID-19.

Main revision points

- Consider the importance of “the safety and health of employees” “stable employment and decent work environment.” and “environment-conscious products.”

4

Expert Review

We have identified materiality related to sustainability. Accordingly, we asked a team of the Development Bank of Japan, which has a proven track record in advising ESG investment and corporate materiality, to evaluate the materiality formulation process and challenges. In particular, we were given advice from the perspective of long-term investors who have a strong need for information on sustainability, including ESG investment. We will make the best use of their opinions in our sustainability management in the future.

5

Approval and Decision

Final approval is given by the Board of Directors following discussions at the Corporate Strategy Committee. Briefings on materiality are provided for section managers and above in each division, with objectives shared. In the future, we will promote thorough dissemination in-house, establish KPIs, and carry out PDCA.



Introducing materiality via the company newsletter

Opinions from Outside Board Members



Osamu Motojima

Outside Board Member

I have repeatedly mentioned that strategic management based on the long-term vision (PGV) is necessary for the company at meetings of the Board of Directors and other occasions. I am very encouraged to see identification of materiality for advancing SDGs management, which is of particular importance in recent years, with the aim of realizing PGV, and to integrate them into an organic implementation plan. This is the path that you must take in order to gain deeper understanding and trust from all stakeholders, and I look forward to its steady promotion in the future.



Taeko Katagiri

Outside Board Member

In order to refine its competitiveness as a global company and increase its presence in the future, I feel it is clear that the company should be on the path to tackling key issues that have been identified based on the sustainable development goals or SDGs. In implementing the issues, I think it is important to promote further dissemination through cross-organizational cooperation within the company, and deepen dialogue with the outside with a clear awareness of who to communicate with. I look forward to further transformation in our values and behavior.

Materiality of the Pacific Industrial Group

We have identified four pillar themes related to **our long-term vision, 15 materialities, and SDG themes** that we will focus on. Going forward, the Pacific Industrial Group as a whole aims 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

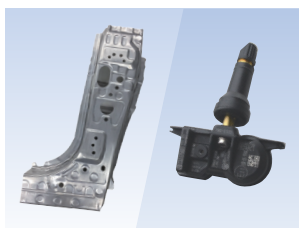
Particularly relevant SDGs



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



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 to challenge up to the year 2050.

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.

Mitigation of and adaptation to climate change

The world's Industrial society has set out to challenge rising world-wide temperatures by aiming at reducing the rising temperature of 2°C (maintaining at 1.5°C). By 2050 the formulated long-term plan challenges on the reduction of CO₂ gases among other greenhouse gases to zero. To help meet this goal, setting 2030 as a mid-term goal, every 5 years we will promote activities for production development with facility upgrades, production process improvement, daily improvement activities and the introduction of renewable energy. We will actively work towards building a decarbonized society to mitigate climate change.



CO₂ emissions

2030 Target from FY2019

35 % reduction

2050 Target

Zero

Sustainable resources use

Our business uses a large amount of resources in the process of manufacturing. In light of the changing demands and values of society, we will strive to manufacture products based on the premise of recovery and reuse of resources from procurement of raw materials and product design stage, and promote the reduction of industrial waste and the establishment of a sustainable recycling-oriented society.



Amount of industrial wastes

2030 Targets from FY2019

60 % reduction in Japan

30 % reduction overseas

2050 Target

Zero

Conservation of water resources

While damage from floods and droughts are becoming more serious worldwide as a result of climate change, concerns about water shortages due to reduced precipitation are growing. We will promote effective use of water resources by ascertaining water risks in line with regional circumstances, by reducing water consumption and promoting recycling. We will also promote businesses that take biodiversity into consideration, such as considering the ecosystem of upstream and basins.



Water usage

2030 Target

Optimal usage

2050 Target

Minimum usage

Usage according to local circumstances

Environment Team : Project Leader

Shinichi Sugiyama

General Manager of Safety & Environment Department

"Pacific Environmental Challenge 2050" has been designed to accelerate environmental activities from a long-term perspective based on a back casting approach after considering what we can do to achieve our SDG goals with the collective strengths of the Pacific Industrial Group. In order to achieve the targets of "Pacific Environmental Challenge 2050," we will promote activities that contribute to global environmental conservation from perspectives of both products and manufacturing, and take on the challenges of achieving both environmental benefits and business profits.



Confronting the Era of Infectious Disease

In 2020, COVID-19 began to spread around the world, and has changed our daily life and work.

In order to find hints to achieve our vision of the era with COVID-19, we invited Dr. Nobuo Murakami, a doctor who is an expert in infectious diseases, to discuss the health of employees and their families, and the role the company should play in the local community with Shinya Ogawa, President and CEO of Pacific Industrial.

Crisis Countermeasures Useful for Combating Infectious Diseases

Ogawa: Dr. Murakami, you were involved in the research and treatment of infectious diseases for many years as a professor at Gifu University. Since June 2020, you have been the Director of the Gifu Integrated Medical Examination Center where I have been serving as Chairman since 2014. Today, I would like to hear about measures we should take in the company and our relationship with local healthcare from the standpoint of an expert in infectious diseases.

Murakami: I have been working at the Gifu Integrated Medical Examination Center as a part-time physician for about 25 years. Until 2019, I worked with the Deputy Director of Gifu University Hospital to improve the safety of medical (patients) care and quality of medical treatment, and to train employees. Originally, my specialty was infectious disease control, and I wanted to work thoroughly on immunization. I took the plunge, and quit the university, partly thanks to the invitation from my former teacher.

Having received the opportunity as a second career at the Gifu Integrated Medical Examination Center, which specializes in health promotion and preventive medicine. It would be here where I could do what I wanted to do from here on.

Ogawa: In order to maintain and improve safety, quality, and productivity in the manufacturing industry, preventive maintenance, which means regular inspection, is important. Recently, we have been working to incorporate AI. People and machines have something in common, don't they? Amid the COVID-19 pandemic, you promptly produced DVDs for the member companies of the Center on measures to prevent infections. Member companies have expressed their gratitude for the quick response, saying it was a great help.

Murakami: It was March when I produced the DVDs, so I think the response was quick compared to other parts of Japan. I heard that Pacific Industrial has already been working toward measures against COVID-19 in January.

Ogawa: In our case, we have a subsidiary in Changsha City,

President and CEO
Pacific Industrial Co., Ltd.

Shinya Ogawa

Hunan Province in China, approximately 400 kilometers away from Wuhan City, Hubei Province, where COVID-19 was first discovered. As we also have business partners in Hubei Province, we were informed as early as in January that the outbreak of new viruses was becoming very serious. However, the details were not known at that time, so for the time being, we were only sending masks and other materials.

Murakami: The response in China was quick, wasn't it?

Ogawa: In February, the government instructed us to thoroughly measure the temperature of employees, wash their hands, wear masks, and maintain a distance between people for the operating conditions of the plant. Every day, unannounced inspections were conducted, and operations would be suspended if we failed inspections. Therefore, the site responded desperately with a sense of tension.

Murakami: In Japan, on February 4, as the Diamond Princess anchored off the shore of Yokohama, the news media started to widely feature it. Initially, some predicted that it would soon subside like SARS (Severe Acute Respiratory Syndrome) in 2002 and MERS (Middle East Respiratory Syndrome) in 2012 caused by the same coronaviruses. In fact, it was different. I have also been working as an industrial physician for companies, but the response by the manufacturing industry in particular was quick.

Ogawa: In March, we created the "Action Guidelines for the Prevention of COVID-19," and distributed them to all employees to thoroughly implement them. We have distributed translated versions in various languages to foreign dispatched employees, and asked them to take the same measures. When the first infected employee was found at a subsidiary in the U.S. in early April, we devised procedures for epidemic control and expanded these measures to plants in various countries. Ogaki, where the head office is located, is in an area frequently hit by storms

and floods, and the Nankai Trough Earthquake is expected to occur. Therefore, we have been formulating Business Continuity Plan (BCP) and Business Continuity Management (BCM). This time, I believe that we have been able to respond globally by making use of such experiences.

"Worry in an appropriate way"

Ogawa: From the perspective of an infectious disease prevention expert, how is the current situation?

Murakami: The viruses themselves change little by little. Those that are currently spreading domestically are somewhat different from those that originally came from China. Developing an effective and safe vaccine to prevent infections is likely to take time, but the important thing is to "prevent it with correct knowledge," that is, to "worry in an appropriate way."

Ogawa: What do you mean by "worry in an appropriate way?"

Murakami: First of all, the main characteristic of this virus is that it is contracted only through droplets and contact. Basically, infections through droplets and contact can be prevented with masks and by hand washing, respectively. As many clusters spread through droplets, the most important preventive measure is wearing masks. Be sure to wear masks when you go out. In addition, once your hands touch an inanimate surfaces where unspecified people may touch, be sure to wash your hands with soap and running water, or use alcoholic hand sanitizers, before you inadvertently touch your face with your hands. I tell students in the School of Medicine "if you cannot wash your hands, you should throw in the towel." The next important thing is to manage your own physical condition. In addition to daily temperature measurements, perform self-management to check your physical conditions, and make sure there are no symptoms. It has been found that even asymptomatic infected people can infect others with this virus, but the

Director of Gifu Integrated
Medical Examination Center
(General Incorporated Association)

Professor Emeritus at Gifu University

Nobuo Murakami

Profile

Born in Gifu City in 1958. After graduating from Gifu University School of Medicine in 1983, held positions such as physician at the 1st Department of Internal Medicine, Director of the Center For Nutrition Support and Infection Control, Deputy Director of Gifu University Hospital, Director of the Center for Regional Medicine, Professor at Gifu University School of Medicine and Deputy Head of Research Project Department of the Center for Collaborative Study with Community of Gifu University. Specialties include infectious diseases, healthcare-associated infection prevention, medical safety, respiratory organ and digestive organ. Favorite words: "Sense of appreciation for everything," "Listen carefully and sympathize" and "Information sharing"





infectivity is overwhelmingly greater in symptomatic people. If you have any subjective symptoms such as fever, common cold symptoms, general fatigue, or impaired taste or smell, be sure to be absent from the company or school, and rest at home. I would also like to ask business operators to give consideration to creating an atmosphere within companies or organizations in which they can surely take days off due to poor physical condition.

Ogawa: It's important to be considerate of each other, isn't it?

Murakami: Finally, it is important to take appropriate distance from people. Infection clusters easily occur when many people without masks gather in a situation called 3Cs: closed spaces, crowded places and close-contact settings. If masks are used without fail, it is almost safe even in a 3Cs condition. However, it is best not to be in a 3Cs situation. Therefore, if possible, you need to keep a two-meter distance from one another, and must wear a mask when talking to people.

Ogawa: We make sure to measure body temperature on a daily basis, wear masks, and wash hands. We also try to prevent people from being too close to each other by offering staggered/dispersed eating to combat infectious diseases. We do not use masks for single-person operations to prevent heat stroke.

Murakami: Such efforts are important. I attended the factory tour prior to this discussion, but in a large site where people can keep a distance from each other masks are not always necessary. However, you should always wear masks when talking to people during work or performing two-person jobs. In other words, always be aware of whether you are safe without wearing masks, and take care to prevent infections wisely.

To Eliminate All Prejudices

Ogawa: If a person close to you became infected, what kind of attitude would you have to take?

Murakami: The first thing to remember is that there are no people who want to be infected. Even if the test turned out to be positive, that person should not be considered guilty of getting infected. In other words, we can say that the person is a victim. In most cases, it is all right if the preventive measures just described are properly implemented. It is the prejudice that is the most worrisome, as seen in the attitude like saying, "Never come close to me."

Ogawa: As part of our work-style reforms, we are implementing harassment measures in addition to time management and taking paid leave. Not limited to illness, there may be prejudices that you do not notice. In addition to Japanese, people from various countries are working at our company. It is important for society in the future to recognize and accept people who have different cultures and ideas from their own.

Gifu Prefecture is calling for prevention of "COVID-19 Harassment" as part of the "all-Gifu" initiative.

Murakami: Even among healthcare professionals, I have heard that there may be a gap in relationships between the staff directly in charge of COVID-19 patients and others, depending on the hospital. There is also a prejudice that hospital staff members are naturally contaminated in their bodies because they have many opportunities to come into contact with COVID-19. In order to resolve these prejudices, I think it would be better to start by knowing what kind of work is conducted and how the entire workplace is made up of employees in different jobs. Earlier, when I had an opportunity to see the Study Hall at your educational facility, I heard that "all employees learn basic knowledge about manufacturing, such as safety and quality, and then learn about their own workplaces." This shows exactly what you are doing to know each other.

Ogawa: As corporate diversity progresses, understanding people's behaviors and thoughts will lead to interacting with people without prejudice, not limited to coronavirus. I think this point will be increasingly emphasized at every workplace in the future.

Murakami: If you have the correct knowledge of the points I mentioned earlier, such as how to prevent infections, then the worries of people should also be alleviated, leading to prevention of discrimination. The importance of understanding each other should not be limited to occasions of sickness.

What We Can Do for Local Health Care

Ogawa: Dr. Murakami and I are both members of the Council for Countermeasures against COVID-19 in Gifu Prefecture. What do you think of the response of Gifu Prefecture?

Murakami: Though there is only one university hospital in Gifu Prefecture, thanks to the fact that we have the cooperation of companies, the government, medical institutions and the business community, we have been managing to prevent infections unitedly. Specifically, in Gifu Prefecture, when somebody is infected, we identify the infection route by checking his or her action history, and ensure that all people concerned are hospitalized immediately. In this way, we have succeeded in containment to date. The PCR testing system is almost completed so that anybody in need of testing can be accepted whenever necessary.

Ogawa: I'm relieved to hear that. As we celebrated our 90th anniversary this year, we donated a PCR testing car with patient transport functions to Gifu Prefecture in September as part of our contribution to community healthcare.

Murakami: I'm very grateful for that. As of October 2020, there are nine PCR testing centers in Gifu Prefecture, and we believe that we can proceed with more efficient testing when clusters occur in specific regions.

Ogawa: In addition to the PCR testing car, we began production of non-woven fabric masks at our Kita Ogaki



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



The interview was held with an acrylic board set up to prevent infections

Plant in cooperation with the machinery manufacturers of our business partners. We will first distribute the masks to our employees, their families and group companies, and eventually to the hands of healthcare professionals and local residents.

Murakami: That is also very helpful. Even though the number of masks has considerably increased compared to the past, there will never be too much no matter how many you have at medical institutions.

Ogawa: We sent masks and other supplies to Hunan Province, China, in February, and the province sent 80,000 masks to Ogaki City in return. The COVID-19 pandemic has revealed separation in a variety of situations. However, considering such kind of international exchange, it makes me feel that there is also a positive aspect to deepen the bonds that connect our mind.



Mask manufacturing equipment and the produced mask

Toward an Era of Coexisting with Infectious Diseases

Murakami: Have you changed your way of working after taking measures to prevent infectious diseases?

Ogawa: We are working to maintain production by thoroughly implementing measures to prevent infections throughout the supply chain. However, due in part to a sharp decline in production, all employees feel a sense of urgency in responding to the situation by taking leaves and applying for employment adjustment subsidies, and the entire group is working together to accelerate improvement and reduce fixed costs. Domestic and overseas business trips are prohibited in principle, and we hold video teleconferences and web conferences to deal with the situation. With the use of the Internet I feel that the way we work has changed

dramatically, such as sending materials to the other party in advance so that we can immediately start reviewing the contents at the meeting. There is no time wasted to travel before and after the meeting, and operational efficiency has been improved. The automobile industry is also undergoing a once-in-a-century major transformation, and we believe this is a good opportunity to change the way we work.

Murakami: Academic societies related to medicine are also shifting to remote working. Thanks to this shift, for example, when I participate in an academic conference, I can participate in a large number of lectures in a short period of time because I no longer need to move around the venue. In the past, I had to move around the venue, so I was only able to attend a limited number of lectures. Another fact we cannot overlook is that infectious diseases other than COVID-19 are extremely reduced because people make sure to wear masks and wash hands in daily life.

Ogawa: In recent years, SDGs initiatives have been one of our top management priorities. We have also identified materiality issues related to sustainability, and set the goals to focus on. Looking at these again, I think it is important to work on what we have been doing in the past more systematically and share information with our stakeholders. I think that reforms we are working on today will become increasingly important in an era of coexisting with infectious diseases.

Murakami: Although hardships may continue for a while, I think that it is becoming gradually evident that business could be sufficiently carried out even while taking measures to combat infections. On the other hand, there are still issues regarding how to communicate with people. Pacific Industrial has been quick to take measures to prevent infectious diseases, and as one of the leading companies in the region, I look forward to seeing activities that will become a model case for other companies in the future.

Ogawa: Thank you very much. I wish you more success in regional medical care and maintenance of good health, and I would like to cooperate with you to strive for the development of the local community as well. In addition, I would like to express my heartfelt appreciation to all those involved in the healthcare industry.

Murakami: Thank you very much. I look forward to working with you more closely in the future.

Results of Sustainability Activities

Results of the sustainability activities implemented by the Pacific Industrial Group in FY2019 are reported on each stakeholder category.

(Include results from FY2020)

Foundation of Sustainability Management

- Formulated our brand slogan, the long-term vision "PACIFIC GLOBAL VISION," and the mid-term management plan "OCEAN-22"
- Identified four pillars of sustainability and 15 materialities
- Initiatives to disseminate and establish "PACIFIC VALUES," the Group's universal values (using the policy handbook and implementation of training)
- Strengthened the crisis management system and formulated "Action Guidelines" as a measure against COVID-19 (multiple languages)
- Conducted compliance training using e-learning programs (e.g., internal control, information security)
- Sent compliance newsletters for employees and compliance e-mail newsletters every month
- Held SDGs training
- Issued the CSR Report 2019 (in Japanese and English)
- Appointed female Outside Board Member Leaders



Future issues

In order to satisfy our brand slogan, long-term vision, and mid-term management plan, we will clarify the identified policies and targets for materiality, and promote sustainability management throughout the Group.

Customers

Communication methods

Activities to improve customer satisfaction on a daily basis, technology presentations and technology exhibitions in and outside Japan, participation in events, and disclosure of information on the website

- Participated in technology exhibitions in Japan and gave technical presentations outside Japan (technology exhibitions: twice in Japan and once outside Japan)
- Started operation of hot stamping line at Nishi Ogaki Plant (February 2020)
- Completed extension work at Kurihara Plant Second Factory (completed in February 2020)
- Completed installation of painting equipment at China CPH (completed in July 2020)
- Extension work at the U.S. PMT factory (slated to complete in November 2020)
- Capital expenditures for FY2019: 23.4 billion yen (up 1.4 billion yen year on year)
- Chosen as a presenting company of Toyota Production System Voluntary Study Group (cost reduction in the entire oil pan process)
- Awarded with SSA Promotion Award from Kinuura Plant of Toyota Motor Corporation
- Award with FY19 Tochigi Plant Supplier Award of Nissan Motor Co., Ltd.
- Overseas companies received awards from customers (See page 28 for details)
- Selected by the Ministry of Economy, Trade and Industry "Global Niche Top Companies Selection 100" in 2020 (Machinery and Processing Division) (See page 27 for details.)
- Strengthened our competitiveness and advanced synergies with Schrader's valve business



Future issues

We will accurately understand the needs of our customers and society, accelerate the development of new technologies and products that leverage our core technologies, take on the challenge of new technological domains, and aim to realize manufacturing that satisfies customers.

Business Partners

Communication methods

Daily purchasing activities, company policy briefings, the Pacific Global Association activities, awarding business partners, ethics and complaint consultation desks, and independent consultation desks

- Promoted CSR procurement
- Conducted investigations and follow-up on composition information using JAMA/JAPIA Standard Material Datasheet
- Supported activities of the Pacific Global Association
- Held company policy briefing sessions for principal business partners and presented awards to outstanding business partners to strengthen our partnership with them
- Conducting study meetings with principal business partners (cyber security countermeasures, visits to Nishi Ogaki Plant and the Study Hall)
- Shared measures against COVID-19 with and enhanced disaster-management measures of principal business partners
- 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!"



Future issues

We will work to promote fair transactions with business partners, strengthen the manufacturing capabilities, and invigorate sustainability activities, and work to co-exist and co-prosper through mutual trust.



Our main initiatives in FY2019 and targets for FY2020 are available on our website:
<https://www.pacific-ind.co.jp/csr/result/>

Employees

Communication methods

Labor-Management Council, education and training, ethics and complaint counseling services, independent counseling services, the company newsletter (published monthly), welfare events, various awards systems, and health promotion awareness activities

- Implementation of workplace revitalization training as part of efforts to create a friendly working environment
- Opened the Study Hall, an educational facility to improve skills of employees (within the site of Nishi Ogaki Plant)
- Introduced a work-interval system
- Achieved a 100% rate for women taking childcare leave and returning to the workplace for the 12th consecutive year (childcare leave taken by eight employees in FY2019 (including one man))
- Employment rate of persons with disability: 2.10%
- Continued to feature the "Workplace Harassment Course" in the company newsletter
- Held welfare events, sports games, and other programs for employees
- Received the Superintendent of Education Award from the Gifu Prefectural Board of Education as a company promoting "Support Group Gifu for Want to Work!"



Training to revitalize workplace



Barbeque event in the Tohoku region

Future issues

In addition to further advancing work style reforms, we will promote the development of human resources, and create an environment and system that enables employees to demonstrate their creativity and a spirit of challenge.

Shareholders

Communication methods

General Meeting of Shareholders, briefing sessions for individual investors, financial results briefing sessions and individual meetings for institutional investors, and information disclosure on our website

- An annual dividend of 30 yen (interim dividend of 16 yen and a year-end dividend of 14 yen) and a dividend payout ratio of 25.0%
- Implemented thorough measures against COVID-19 to hold the General Meeting of Shareholders
- Sent out the Notice of General Meeting of Shareholders three weeks before the meeting date, disclosed the notice on the company website before it was sent, and disclosed it on the company website in English
- Participated in IR Expo 2019 and held a large-scale briefing session at the event booth
- Maintained the Japan Credit Rating Agency, Ltd. (JCR) rating of "A-(stable)"
- Held financial results presentation meetings online and financial results briefing sessions through telephone conferences
- Implementation of IR initiatives, including small meetings and one-to-one meetings (FY2019:90 activities in total)



General Meeting of Shareholders



Notice of General Meeting of Shareholders

Future issues

We will enhance corporate value by promoting sustainability management and disclosing information in a timely, appropriate, and proactive manner, including risk information.

Communities

Communication methods

Risk communication, plant tours, exchanges with local residents' associations, community contribution activities, sports promotion, and outreach programs at educational institutions

- Donated a PCR testing car with patient transport functions to Gifu Prefecture (See page 31 for details)
- Thailand PIT donates an ambulance to a local hospital
- Provided donations and relief money, and educational, cultural, and sports-related assistance to schools in the community, local governments and other institutions in Japan and overseas
- Supported the FC Gifu soccer team, which plays in the J3 League, as a top partner
- Supported programs to foster future generations (science class, plant tours, industry-academia-government collaboration, internships, providing lecturers, etc.)
- Carried out volunteer clean-up activities around the company's factories and other areas in the communities in Japan and overseas
- Invited community members to the company for receptions and tours



Seminar for junior high school students



Plant tour for elementary school student in the community

Future issues

We will implement initiatives to support educational programs aimed at fostering future generations and to make contribution to local communities and volunteer programs, with the goal of becoming a company that is rooted in each community around the world and able to co-exist and co-develop.

Environment

Communication methods

Communication with local governments, regional round-table meetings, outreach programs at educational institutions (elementary schools, universities, etc.), and responses to CDP and other ESG survey institutes

- Formulated the long-term environmental challenge targets
- Responded to the CDP Supply Chain Program (Climate Change and Water)
- Calculated Scope 3 CO₂ emissions (in Japan)
- Operated photovoltaic power generation systems (generated 2.7% of all electricity used at plants in Japan)
- CO₂ reduction through promoting web conferences, etc.
- Accepted environmental posters to raise awareness of the importance of environmental conservation (a total of 36 posters were submitted in FY2019)
- Employees of Thailand PIT and their families planted mangrove trees
- Provided environmental workshops to local students



Mangrove tree planting activity (Thailand PIT)



Green power procurement

Future issues

We will understand and share the long-term environmental challenge targets throughout the Group, implement action plans to achieve them, and each and every employee will engage in environmental improvement activities with a high awareness of the environment.

Governance

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 20, 2020)

(from left back)	Managing Officer Terumi Noda	Managing Officer Hisashi Kayukawa	Senior Managing Officer Katsuya Suzuki	Audit & Supervisory Board Member Yasuhiko Fujii	Audit & Supervisory Board Member Makoto Yamamura	
(from left front)	Outside Board Member Taeko Katagiri	Outside Board Member Osamu Motojima	Executive Vice President Tetsushi Ogawa	President and CEO Shinya Ogawa	Outside Audit & Supervisory Board Member Ayao Sakakibara	Outside Audit & Supervisory Board Member Tomoyuki Shinkai

Basic Approach to Corporate Governance

We make it our basic policy to comply with our corporate governance code, and believe that fulfilling our social responsibility while building strong relationships with our stakeholders will increase our corporate value. We have implemented a variety of initiatives to improve corporate governance, including our participation in the Tokyo Stock Exchange electronic voting platform, the establishment of an independent counseling service offered by outside directors

independently from the management, holding an Outside Directors' Council meetings, appointing female outside directors and securing opportunities to obtain advice from outside directors in places other than legal meetings such as on-site inspections and directors' discussion meetings. We will continue to advance initiatives aimed at achieving sustainable growth and improving our corporate value over the medium- to long-term, so as to further strengthen our corporate governance.

Corporate Governance Framework

Board of Directors and Business Execution Bodies

In addition to the mandatory board of directors, the audit & supervisory board and other boards required by law, we hold Corporate Strategy Committee meetings, Management Committee meetings, and Outside Directors' Council meetings on a monthly basis to fully discuss issues before consulting the board of directors and to promptly address management issues. The introduction of our corporate officer system for the execution of operations has allowed us to expedite the decision-making

process and the execution of operations. Further, two outside directors partake in the decision-making process to invigorate discussion and ensure a rational decision-making process.

The audit & supervisory board is established as an audit system. Four audit & supervisory board members, including two outside audit & supervisory board members, work closely with the internal audit department to ensure appropriate operations.



Internal Audit and Audit by Audit & Supervisory Board Members

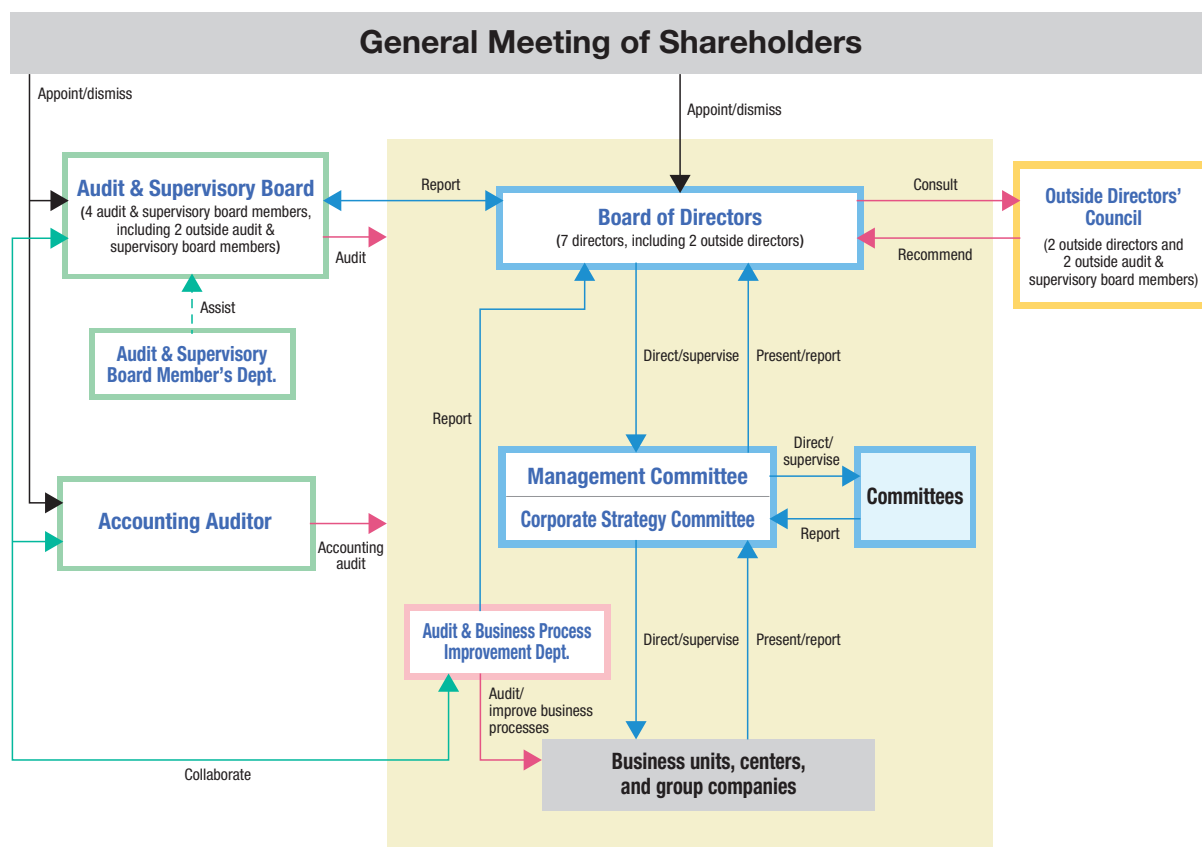
The audit & supervisory board consists of four members in all, of which two are full-time audit & supervisory board members and the other two are outside audit & supervisory board members. A staffed Audit & Supervisory Board Member's Dept. is provided to assist them.

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, with four members, 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 developed and operated in an appropriate and efficient fashion.

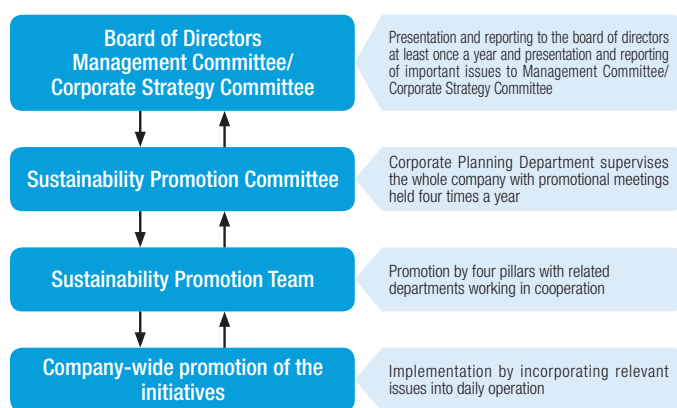
As a result, the effectiveness of the company's internal control measures relating to financial reporting was determined to be effective, and unqualified opinions have been obtained from an auditing corporation stating that the internal control report with the record date of March 31, 2020 was adequate.

Sustainability Management

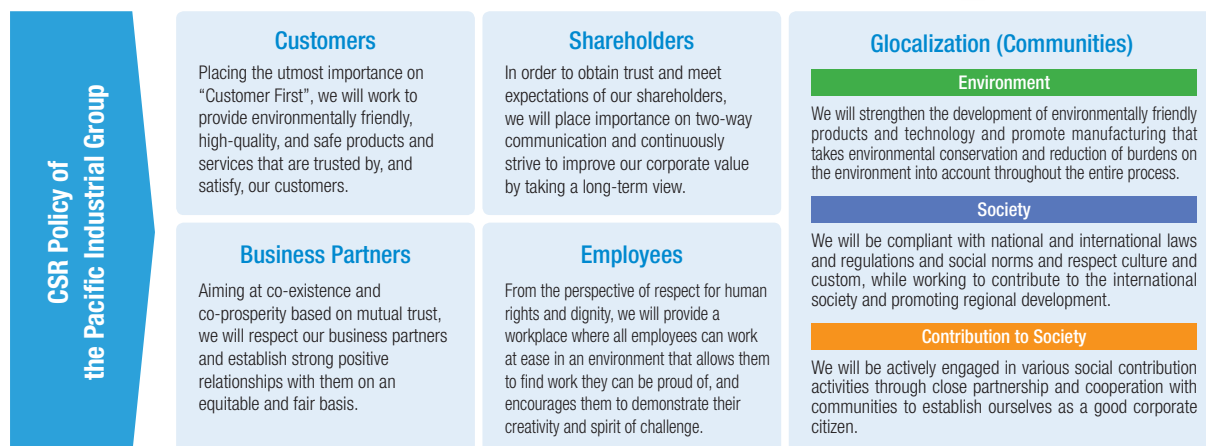
The Pacific Industrial Group aims to achieve SDGs and contribute to a sustainable society through Sustainability Management, which manages our business from a long-term perspective while giving consideration to the impact on our stakeholders. We will strategically promote sustainability management by identifying 15 materialities 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 materialities 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



CSR Policy



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.



Crisis management seminar for managers



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

Information Security Management Examination	37
IT Passport Examination	163
Systems Administrator Examination	137

Promoting Business Continuity Management (BCM)

The Pacific Industrial Group has established 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).

In response to COVID-19, we have formulated Action Guidelines, including wearing masks, general hand sanitization, daily temperature inspections, and avoiding 3Cs: closed spaces, crowded places and close-contact settings. We are thoroughly implementing measures to prevent infectious diseases, such as raising awareness among employees. We are also focusing on preventing collective infections by implementing split operations, introducing and recommending web conferences and other telework, and deploying sanitizing kits at each site just in case for emergency.



Reflection after disaster-management drill

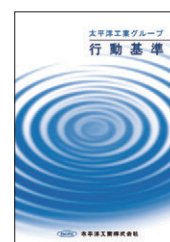
Compliance

The Pacific Industrial Group endeavors to conduct business activities in a fair and sincere manner. To this end, the Group has formulated the "Pacific Industrial Group Compliance Policy" and the "Pacific Industrial Group Code of Conduct" and shared the philosophy behind them with Group employees in and outside Japan. We distribute the "Pacific Industrial Group Code of Conduct" to all employees and ensure that they are thoroughly familiar with its content by such means as organizing a read-through at each worksite. The General Administration Dept. is responsible for promoting companywide compliance.

The department seeks to prevent improper conduct and scandals while introducing continuous improvements to promote and establish awareness of compliance. In addition to our rank-based and specialized training programs, we implement training using e-learning programs and other initiatives to raise awareness among employees in March of each year, our designated "compliance month." Further, all company employees receive the compliance newsletter which explains

compliance issues using familiar topics, and the compliance e-mail newsletter once a month. We also use the compliance bulletin board on our intranet to post educational materials and Q&As based on case scenarios, so as to improve employees' awareness of compliance issues.

In addition to our existing internal consulting service, in May 2016 we introduced an independent counseling service, which operates independently from the company's management. By doing so, we aim to enhance the independence of our compliance mechanisms and further increase protection for whistleblowers and others seeking advice. We keep their names confidential while ensuring that they are not given prejudicial treatment for making a report or an inquiry.



Pacific Industrial Group
Code of Conduct

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. Since May 2020, in addition to financial results briefing materials for analysts and institutional investors, we have been working to provide more stakeholders with information in a fair and impartial manner by promptly posting a copy of the content of the briefing (writing-up) and the content of the question and answer session in Japanese and English versions.

In 2020, many IR events were cancelled or curtailed in order to prevent the spread of COVID-19. We are promoting IR activities with an emphasis on dialogue, such as financial results presentation meetings through web conferences and financial results briefings at telephone conferences.



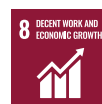
Financial results presentation meeting using Web conferencing



Customer-centered Approach and Collaboration with Suppliers

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 |



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



Joint training session and part of the improved process

We recognize 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 bases in and outside Japan.

In the activities of the Toyota Production System Voluntary Study Group, improvement activities were conducted through each process for oil pans, one of our main production items. 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.

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.

In 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 May 2020, the SSA Promotion Award was given from Toyota Motor Corporation’s Kinuura Plant in recognition of the achievements of the forming department, which provided an overwhelming number of proposals.

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.



Major members of forming and stamping that won SSA Promotion Award

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.

TOPICS

Selected as New Global Niche Top Company

In recognition of our large share in the tire valve, we were selected for 2020 Global Niche Top Companies Selection 100 by Ministry of Economy, Trade and Industry (METI), which awards companies highly competitive in the global market. Our tire valves account for approximately half of the global market, and we are able to mass produce high-quality products through a quality assurance system that can be used in integrated in-house production lines, from development, design and evaluation to production and inspection. In 2018, we integrated Schrader, which used to compete for the market share, to solidify our leading global market shares.



Tire valves with a large global share



TOPICS

Awards received from overseas customers



For Fair Business Practices

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

We also hold company policy briefing sessions to our principal business partners biannually to share and discuss our policies, operational targets, and issues. We have introduced an evaluation system for our principal business partners, and recognize suppliers that demonstrated outstanding performance by presenting them with awards once a year in our effort to strengthen our partnership with the suppliers.

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.



Awarding our business partners

Activities of the Pacific Glocal Association

The Pacific Glocal Association, consisting of our 36 principal business partners, was formed with the aim of building relationships of mutual trust, strengthening the management foundation and enhancing manufacturing capabilities. The company and the association jointly host a variety of events and programs including plant tours, safety and quality improvement activities and study groups. In FY2019, we held a lecture meeting on cyber security countermeasures with 28 people from our business partners and 27 employees of the company to increase the level of knowledge of each company about security measures based on criminal cases. In addition, participants visited the Study Hall and learned about safety and quality efforts.

As for countermeasures against COVID-19, we are working to disseminate information on support, such as government subsidies and grants in addition to sharing various measures.



Lecture meeting on cyber security countermeasures

CSR Procurement

In its effort to promote CSR throughout its supply chain, we continually undertake initiatives based on its Supplier CSR Guideline.

We conduct environmental substance investigations on deliveries from our suppliers using the JAMA/JAPIA Standard Material Datasheet. To investigate conflict materials, we trace back to the very end of the supply chain using a special survey form. We have also issued the Green Procurement Guidelines to promote practices for procurement of environmentally friendly technologies and products.

Our policies and initiatives to address the global issues of

human rights and child labor are summarized in our Supplier CSR Guideline.

In order to meet further social demands in the future, we will fulfill our corporate social responsibilities together with our business partners by adding clauses about responsible procurement of resources and raw materials, conservation of water resources, and information security to our Supplier CSR Guideline.



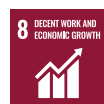
Green Procurement Guidelines



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



Promoting Human Resources Development

In keeping with the principle of “manufacturing is about developing people,” we endeavor to secure core personnel and develop the next generation of human resources. We not only focus on passing on our technologies and skills through on-the-job training, but also offer job- and rank-based education through the training programs. In 2019, we opened the Study Hall on the premises of the Nishi Ogaki Plant to learn more about safety, quality, and skills in a more practical manner. We are also devoting our efforts on education programs for nurturing talents

who have the skills to work overseas, including short-term overseas assignments, in-house and online English lessons and incentives for taking the TOEIC test. Our efforts to develop human resources extend across the entire group. To promote independence of our overseas companies, we conduct technical training in Japan for their local staff.



Training new employees

Promoting Work-life Balance

We aim to realize a work environment and corporate culture where employees can experience satisfaction and personal growth at work, while living a fulfilling personal life.

We offer childcare and nursing care benefits that go beyond what is required by law and ensure that our employees are familiar with them, while also providing other useful information. In recognition of our efforts to support employees with their childcare needs, we have been awarded the “Kurumin” certification three times in a row by the Minister of Health, Labour and Welfare.

With respect to paid leave, we have set a target of 12 days of annual paid vacation days per employee and are working to

achieve the target.

In addition, we introduced a work-interval system in April 2019 to ensure sufficient rest for fatigue recovery and maintenance of health for employees.

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 corporate culture that encourages employees to take vacations, maintain their health and work vigorously.

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



No. of Employees at Pacific Industrial

*As of March 31, 2020

	Men	Women	Total
Number of employees	1,761	170	1,931 (including 10 foreign nationals)
Average age	39.7	42.1	39.9
Average number of years worked	13.6	16.4	13.8

No. of Employees at the Pacific Industrial Group

*As of March 31, 2020

Employment status	Regular	4,806	By region	Japan	2,016
	Non-regular	1,193		Europe and the U.S.	1,556
	Total	5,999		Asia	1,234
				Total	4,806

Employee Composition

(Fiscal year)

			2015	2016	2017	2018	2019
Number of employees taking childcare leave	Women	Employees taking childcare leave	12	9	6	8	7
		Childcare leave/return to work rate	100%	100%	100%	100%	100%
	Men	Employees taking childcare leave	0	1	2	3	1
Employment rate of persons with disability			2.04%	2.03%	2.27%	2.32%	2.10%
Number of reemployment of seniors			62	64	66	82	93

*Pacific Industrial

Annual paid vacation per employee

(Fiscal year)

	2015	2016	2017	2018	2019
Target no. of days	12days	12days	12days	12days	12days
Target achievement rate	100.0%	100.0%	78.3%	95.8%	98.4%

*Pacific Industrial

Monthly overtime hours per employee

(Fiscal year)

	2015	2016	2017	2018	2019
Pacific Industrial	31.1	32.6	34.2	35.3	32.8

Turnover rate

(Fiscal year)

	2015	2016	2017	2018	2019
Pacific Industrial	2.0%	1.1%	1.8%	2.1%	2.2%

*Only covering retirees for personal reasons

Ratio of women in management/management-level positions

(Fiscal year)

		2015	2016	2017	2018	2019
Management positions	Pacific Industrial	2.1%	2.0%	2.0%	2.6%	2.6%
	Group	6.3%	6.4%	7.0%	7.1%	9.8%
Management-level positions	Pacific Industrial	15.1%	15.6%	12.3%	11.2%	11.1%
	Group	16.3%	17.0%	15.8%	15.1%	14.6%
Management / management-level positions	Pacific Industrial	8.1%	8.3%	6.9%	6.8%	6.9%
	Group	12.4%	12.9%	12.5%	12.1%	12.6%

*PAT and SPF/SPU have been included since FY2018 and FY2019, respectively.



Work-style Reform

Pacific Industrial promotes work-style reforms based on the belief that changing work styles toward productivity improvement is key to a real sense of engagement and growth as well as better personal life. Both employees and management undertake activities based on worksite initiatives through which we achieve concrete results from efforts including awareness raising and workplace improvement related to work styles.

A reform is all about each employee going through a change. Every employee will review their work, modify their approach,

and participate in all-out improvement efforts. This is how we will continue to foster an environment where all employees can thrive.

Number of case for improvement per employee and month * FY2019

	Target	Target achievement rate
Administrative/engineering	1	98.0%
Technical	1	95.6%

*Pacific Industrial

Building a Safe and Secure Workplace

We make it our first priority to ensure the safety of our employees. To provide a healthy, safe, and secure workplace for employees, we implement safety management initiatives centered on human resources and workplace development. As part of our continuous improvement efforts to eliminate workplace accidents, we work to reduce risks by identifying potential risks through risk assessment and addressing problems and issues that come to light on a priority basis. At the same time, we work to make improvement efforts focused on serious disaster prevention.

To foster safety skills, we are working on improving our employees' risk observation skills and alertness by returning to the basics and carrying out risk prediction activities.

To combat COVID-19, we worked to prevent infections by implementing measures, including the formulation of Action Guidelines, with a first priority on employee health.

Frequency rate of employees leaving due to industrial accident (number of employees on leave per one million hours of work time) (Fiscal year)

	2015	2016	2017	2018	2019
Group* ¹	0.87	0.69	0.47	0.57	0.49
Pacific Industrial* ¹	0.25	0.00	0.68	0.81	0.73
Nationwide manufacturing industry* ²	1.06	1.15	1.02	1.20	1.20
Nationwide transportation equipment manufacturing industry* ²	0.41	0.39	0.43	0.54	0.50

*1 Including contingent and temporary employees

*2 Source: Ministry of Health, Labour and Welfare, Survey on Industrial Accidents (calendar year)

Severity rate (number of days lost per 1,000 hours of work time) (Fiscal year)

	2015	2016	2017	2018	2019
Group* ¹	0.01	0.01	0.02	0.04	0.01
Pacific Industrial* ¹	0.01	0.00	0.04	0.06	0.01
Nationwide manufacturing industry* ²	0.06	0.07	0.08	0.10	0.10
Nationwide transportation equipment manufacturing industry* ²	0.03	0.05	0.03	0.05	0.04

Promoting Empowerment of Women

We recruit talented individuals regardless of their gender. We offer the education and training needed for our employees to perform operations and achieve individual growth, and support their career advancement. In addition, we develop an action plan identifying the issues that must be addressed by our company in accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace. Currently, we are working on various initiatives to increase the proportion of female recruits.

Going forward, we will remain committed to cultivating a work environment that offers employees a diverse range of work style options, while fostering women leaders and promoting further advancement of women.



Workshop on education at home for employees taking childcare leave

Promoting Diversity

In keeping with our belief that building an organization that enables employees of all backgrounds and abilities to thrive will help the company achieve growth, we strive to cultivate a work environment that respects people's individuality, values, cultures, traditions, history, and backgrounds, and allows all employees to flourish. In addition, we actively recruit foreign nationals, seniors and persons with disability and help them settle into the new job.



Akira Hirota received the 2019 President's Award from the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers in recognition of his ability to overcome disabilities and be active as an exemplary worker.

Akira Hirota

Engineering 1G, Manufacturing Dept. 1,
Valve & TPMS Business Group

For 14 years since joining the company, I have been mainly involved in product shipment operations. When I joined the company, I had a very hard time remembering the wide variety of products that I handled. To accurately deliver high-quality products to our customers, reliable work is required. I listened to the advice from my superiors and experienced workers at our workplace, and now I handle my job smoothly. As QC Circle leader, I'm also conducting workplace improvement activities, and I'm making positive efforts on a daily basis while feeling that I'm doing extremely rewarding jobs.

Social Contribution Activities

The Pacific Industrial Group endeavors to work with society for co-prosperity as a good corporate citizen, with the goal of becoming a “True Glocal Enterprise” trusted and counted on by communities and society. We promote activities rooted in the countries and communities that realize a prosperous society and contribute to sustainable development.

Highly relevant SDGs |



Nurturing the Next Generation

We undertake initiatives to support children, students and researchers who shoulder the responsibility of the next generation.

Summer Science Class



We held a science class for elementary school students in the community with our employees acting as instructors. Students learned about the mechanism of power generation and experienced wind power generation using a propeller made of plastic bottles and ran car models.

Plant Tours



We held plant tours for elementary school to high school students living in the communities at sites in Japan. We also designed our tours so that the students could be able to be more familiar with manufacturing and cars.

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.

Overseas Efforts to Support the Next Generation

A volunteer club of Pacific Industrial has visited and made donations to an orphanage in Cambodia since 2017, and helped conditioning of farmland and other activities to support independence of the children.



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 FY2019, the foundation provided grants totaling 13.05 million yen to 22 research projects. (187.47 million yen in cumulative total)



Contribution to Local Communities



Donated a PCR testing car with patient transport functions



President explaining to Governor Furuta at the presentation ceremony



Letter of appreciation was given from Governor Furuta

Donated PCR Testing Car with Patient Transport Functions 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 thanks for China CPH's donation of antibacterial tissue to Hunan Province, China, Hunan Province donated 80,000 masks to Ogaki City



U.S. PMO donated masks to nursing facilities for seniors and non-profit organizations.



Supporting Sports Promotion

We provide support with the aim of stimulating regional development and fostering young people.

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.

Social Contribution Activities in Overseas Countries

Thailand PIT



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



Donated stationery and sport goods to neighboring 10 elementary schools



Employees and their families, 110 in total, planted 300 mangrove trees

South Korea PAC



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

China TPA



Donated 10 meal warming equipment carts to local elementary and junior high school students

South Korea PVI



Volunteer activities once every three months (cleaning of care facilities for elderly people and welfare facilities for persons with disability, mural volunteer activities, etc.)

U.S. PMO



Blood donation volunteer every three months

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.

Made monetary donation to stricken areas of Typhoon Hagibis (Miyagi Prefecture)

Donation

(Fiscal year; millions of yen)

2015	2016	2017	2018	2019
11.06	22.11	21.65	12.23	20.20

*Pacific Industrial

We will contribute to SDGs as the secretariat of the Gifu Prefecture Branch of the Organization for Industrial, Spiritual and Cultural Advancement-International (OISCA).

We have been participating for many years in the activities of OISCA, a public interest incorporated foundation that mainly engages in rural development and environmental conservation activities. Since 2016, the President of the company has served as Chairman of the Gifu Prefecture Branch, and last November we held an exchange event with the Children's Forest Goodwill Ambassadors from Indonesia and Thailand. Since May 2020, we have taken over the secretariat of the Gifu Prefecture Branch, and will promote activities that can contribute to SDGs in the future.



Exchanges with four Children's Forest Goodwill Ambassadors



Practicing Environmental Management

In keeping with our environmental philosophy, one of our three corporate philosophies, we have established two environmental policies and are taking actions for environmental conservation at all the stages of our corporate activities with the goal of becoming an excellent company that is respected by 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 share observations and learnings concerning safety, health and the environment, and implement concrete all-out improvement activities on a continuous basis.

PACIFIC Environmental Challenge 2050

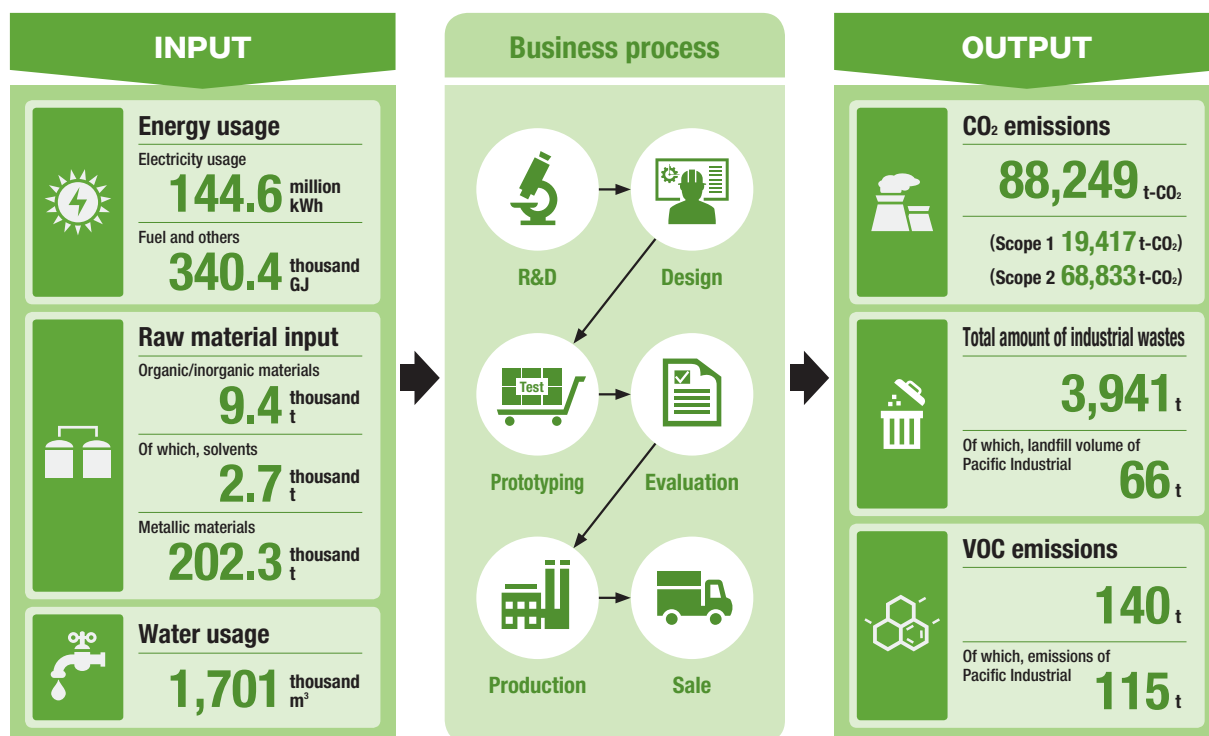
We recognize the need to understand and act on global environmental initiatives from a medium- to long-term perspective, and have established policies and targets up to 2050, and put forward targets to challenge.

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	
 	Mitigation of and adaptation to climate change	Reduce CO ₂ emissions toward building a carbon-free society	Reduction of CO ₂ emissions	
		<ul style="list-style-type: none"> ●Production technology development/facility upgrading ●Production process improvement ●Daily improvement activities ●Introduction of renewable energies 	2030 targets 35% reduction <small>from FY2019</small>	2050 targets Zero
	Sustainable resources use	Accelerate the use of recycling resources in pursuit of sustainable operations	Reduction of industrial wastes	
		<ul style="list-style-type: none"> ●Production technology development/facility upgrading ●Daily improvement activities ●Defect reduction activities ●Material recycling 	2030 targets 60% reduction in Japan 30% reduction overseas <small>from FY2019</small>	2050 targets Zero
	Conservation of water resources	Seek to minimize water usage and reduce water contamination risk according to local circumstances	Reduction of water usage	
		<ul style="list-style-type: none"> ●Production technology development/facility upgrading ●Daily water usage reduction activities ●Promotion of water reuse ●Change of surface processing specifications 	2030 targets Optimal usage	2050 targets Minimum usage <small>Usage according to local circumstances</small>



Resource Usage and Emissions (Material Balance)



*Consolidated group (excluding TSC and PSC)

Status of ISO 14001 Certification

Pacific Industrial considers ISO 14001 to be a requirement as a manufacturer, and actively seeks to build and maintain a global environment management system (EMS) for the entire group and each of its companies.

As for certified sites, 18 out of 20 bases, or 90 percent of the total, have been certified (eight in Japan and 10 in other countries).



External and Internal Environmental Audits

Along with third-party audits, we conduct internal audits and management reviews (top management inspections) to ensure proper operation and continuous improvement of environment management systems. In September 2017, we conducted a third-party renewal audit and a transition assessment for the FY2015 edition, and we received certification that we have met the requirements. In addition, internal audits are used as an important opportunity to openly engage in discussions and to offer opinions and proposals through mutual audits, so as to raise the overall level of environmental management.

Environmental Targets for FY2020

	Direction of efforts	Targets
1	Development of environmentally friendly products, manufacturing methods and technologies	25 or more developments
2	Reduction of CO ₂ emissions	49.1 t/100 million yen or less*
3	Reduction of industrial wastes	455 t or less
4	Reduction of VOC atmospheric emissions	115 t or less
5	Proper use of water resources in production activities	Maintain the status quo

*From this year onward, 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, to improve the accuracy of conversion.



Activities to Reduce Environmental Load

The Pacific Industrial Group has been stepping up efforts to achieve co-existence with nature and local communities, in addition to activities to reduce environmental load during production.

Highly relevant SDGs



*The Group's emission figures were obtained from the consolidated group companies other than domestic subsidiaries (TSC and PSC).



Reduction of CO₂ Emissions

Total emissions

Target: 40.6_{kt} → Result: 42.5_{kt}

Target not achieved

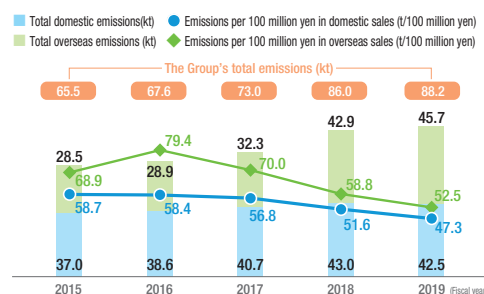
Emissions per 100 million yen in sales

Target: 49.9_{t/100 million yen} → Result: 47.3_{t/100 million yen}

Target achieved

With an eye on the 1.5°C scenario of the Paris Agreement adopted in 2015, we endeavor 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 FY2019, we started a special high-voltage power feeding system at East Ogaki Plant, and worked on other initiatives to cut CO₂ emissions as well, such as reducing defects in the production process, improving production efficiency, and replacing fluorescent lights with LEDs at plants. We have also been working to develop and produce environmentally conscious products, such as TPMS products (tire pressure monitoring systems) with greater fuel efficiency and UHTSS products, which are used as a lightweight solution.

Changes in CO₂ emissions



*From this year onward, 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, to improve the accuracy of conversion.

Scope 3

Classification	Category		CO ₂ emissions (t-CO ₂)
			Domestic (Pacific Industrial)
Upstream	1	Purchased goods and services	504,489
	2	Capital goods	56,503
	3	Fuel and energy-related activities not included in Scope 1 or 2	6,982
	4	Transportation and delivery (upstream)	6,969
	5	Wastes generated in operations	599
	6	Business travel	420
	7	Employee commuting	2,304
Downstream	9	Transportation and delivery (downstream)	9,041
	12	End-of-life treatment of sold products	1,689
Scope 3			588,996

*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.

"Risks" and "Opportunities" Related to Climate Change

The Pacific Industrial Group seeks to continuously monitor potential impacts on materiality (minimization of environmental load) that are considered highly important to our stakeholders and the Group, such as climate change and water, from a global viewpoint in terms of risk and opportunity.

Factors	Risks	Opportunities
Climate change	Increase in manufacturing costs due to higher energy prices arising from the introduction of a carbon tax and the tightening of environmental laws and regulations	Exclusion of the impact of a carbon tax through such efforts as productivity improvement, promotion of energy conservation and conversion to renewable energies
	Exclusion of environmentally unfriendly products from the market as customers grow more aware of the environment	Reduction in greenhouse gas emissions, supported by the development of lighter energy-saving parts, next-generation auto parts and environmentally friendly products, etc.
Preservation of water resources (Physical risk)	Suspension of operation/transportation due to lack of water, floods or other causes (impacts on production activities)	Continuous improvement of BCP and reinforcement of production and supplementation systems Cost reduction resulting from reduced usage of water
Compliance with laws and regulations	Loss of trust from local communities and customers, and even decrease in orders due to non-compliance with environmental and other laws and regulations and inadequate efforts for environmental preservation	Improvement in corporate value and brand power brought about by enhanced efforts to address environmental and climate change issues



Conservation of water resources

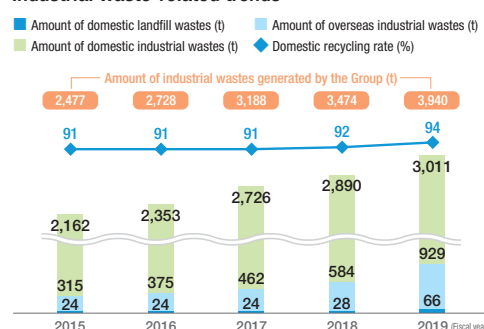
We are pushing forward resource recycling by reducing industrial waste generation through defect reduction activities in the manufacturing process and by recycling materials, primarily waste rubber and resin. In FY2019, we implemented activities to reduce defects in the production process through quality and performance standardization activities (SSA) for forming and stamping products and all urethane covers. As part of our effort to promote plant environment beautification, we refurbished the resource station at Nishi Ogaki Plant, which helped enhance employees' environmental manners. We also carried out activities to turn branches, leaves and woodchips cut off in cleanups at Kita Ogaki Plant into compost, and use it to increase greenery within the plant.

Total amount of industrial wastes

Target: 473_t → Result: 929.2_t

Target not achieved

Industrial waste-related trends



*The amount of industrial wastes started to increase in FY2019 as production has increased at Kurihara and Wakayanagi Plants.



Chemical Substance Management

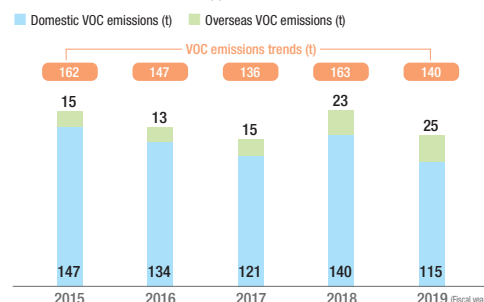
We endeavor to manage and reduce environmentally hazardous substances contained in raw materials and properly manage the chemical substances we use in the production process in accordance with the relevant laws and regulations in Japan and overseas. We have also been working to develop production technologies and improve production processes. In place of coating and gilding, we are working on in-mold electronic technology to develop and produce design products, such as ornaments, as well as products made with colored materials, such as all urethane covers. We conduct a substance survey each year for our business partners using the JAMA/JAPIA Standard Material Datasheet.

Emissions per 100 million yen in sales

Target: **118** t → Result: **115.1** t

Target achieved

VOC emissions trends (t)



Preservation of Water Resources

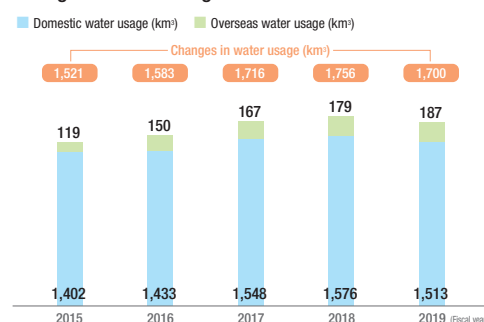
We encourage the management and reduction of water usage and the recycling of water according to local circumstances to promote effective use and preservation of water resources. We are also committed to controlling the quality of waste water and preserving the quality of water, and moving forward with biodiversity conservation activities, including the maintenance of ecosystems in river source and watershed areas. In place of coating and gilding methods that use a lot of water in the production process, we have been working to develop new decoration technologies that don't require water.

Total water usage

Maintain the status quo → Result: **1,513.8** km³

Target achieved

Changes in water usage



Initiatives for Biodiversity

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. Since then, we have continuously engaged in these projects. During the decade, a total of 3,800 people participated in the projects with 1,665 trees planted. Moreover, we support "Stonefly Watching," a water quality survey project conducted by an elementary school next to our head office and Nishi Ogaki Plant.



The Stonefly Watching conducted in June 2019 in a riverside area of the Kuisse River



Environmental Communication

We regularly invite residents living near our plants and government officials to our company office to host social gatherings. We introduce visitors to our initiatives dedicated to environmental friendliness, safety, and CSR, and take them on a tour around our plants and environmental facilities. We hosted such tours at Higashi Ogaki Plant in November 2018 and Yoro Plant in February 2019.

We also carry out next-generation environmental education programs, teaching the importance of environmental activities such as the Pacific Satoyama Woodland projects to local elementary students and giving lectures on environmental efforts at universities. We maintain active communication with local NGOs so that we can work together and provide education through joint activities as well as support for environmental conservation projects.

Green Power Procurement

Leveraging the green power promotion initiative driven by Ogaki City, Gifu Prefecture, we procure 30,000kWh of green electricity generated by the solar power systems through the city's green power certificate system.

Consolidated Balance Sheets

Consolidated Balance Sheets		Millions of yen	Thousands of U.S. dollars
	FY2018	FY2019	FY2019
(Assets)			
Current Assets			
Cash and time deposits	21,763	18,315	168,299
Trade notes and accounts receivable	23,949	24,452	224,684
Merchandise and finished goods	5,863	6,522	59,933
Work in process	5,393	4,638	42,620
Raw materials and supplies	3,414	3,829	35,186
Other accounts receivable	3,366	2,701	24,827
Other current assets	652	673	6,189
Allowance for doubtful accounts	(82)	(74)	(680)
Total current assets	64,320	61,060	561,061
Fixed Assets			
Property, plant and equipment			
Buildings and structures	23,332	26,155	240,330
Machinery and vehicles	37,002	41,729	383,434
Tools, furniture, and fixtures	7,605	5,499	50,531
Land	7,627	9,884	90,827
Lease asset	412	1,219	11,203
Construction in progress	16,197	13,873	127,479
Total property, plant and equipment	92,178	98,361	903,807
Intangible fixed assets	15,035	13,682	125,726
Investments and other assets			
Investments in securities	26,675	25,796	237,038
Long-term loans	64	59	547
Deferred tax assets	273	248	2,279
Net defined benefit asset	4,473	4,251	39,064
Other fixed assets	812	822	7,561
Allowance for doubtful accounts	(3)	(3)	(30)
Total Investments and other assets	32,296	31,175	286,460
Fixed assets	139,510	143,219	1,315,995
Total Assets	203,831	204,280	1,877,057

		Millions of yen	Thousands of U.S. dollars
	FY2018	FY2019	FY2019
(Liabilities)			
Current Liabilities			
Trade notes and accounts payable	10,626	10,876	99,944
Electronically recorded obligations - operating	8,447	7,017	64,480
Short-term borrowings	4,769	4,720	43,375
Current portion of long-term borrowings	5,285	6,450	59,269
Other accounts payable	6,509	4,457	40,957
Accrued expenses	2,163	2,307	21,199
Income taxes payable	1,924	583	5,359
Consumption taxes payable	111	126	1,162
Deposits received	784	642	5,900
Allowance for bonuses	1,615	1,563	14,362
Allowance for bonuses to directors	60	57	531
Notes concerning installations	127	94	866
Other current liabilities	2,727	3,910	35,927
Total current liabilities	45,151	42,807	393,339
Noncurrent Liabilities			
Long-term borrowings	51,529	52,471	482,142
Deferred tax liabilities	8,181	8,126	74,671
Provision for directors retirement benefit	191	184	1,696
Net defined benefit liabilities	648	682	6,268
Other noncurrent liabilities	1,052	1,586	14,574
Total noncurrent liabilities	61,604	63,050	579,352
Total liabilities	106,755	105,858	972,691
(Net Assets)			
Shareholders' Equity			
Capital stock	7,316	7,316	67,233
Capital surplus	7,626	7,705	70,806
Retained earnings	68,315	73,443	674,847
Treasury stock at cost	(285)	(246)	(2,261)
Valuation and translation adjustment	82,973	88,220	810,625
Valuation and Translation Adjustment			
Valuation difference on available securities	11,480	10,653	97,887
Foreign currency translation adjustments	1,015	(1,139)	(10,472)
Remeasurement of defined benefit plan	431	(176)	(1,619)
Total valuation and translation adjustment	12,927	9,337	85,794
Subscription rights to shares	274	184	1,691
Minority interests	900	680	6,254
Total net assets	97,075	98,422	904,365
Total Liabilities and Net Assets	203,831	204,280	1,877,057

The U.S. dollar amounts in the consolidated balance sheets were converted from Japanese yen amounts at the rate of ¥108.83 to U.S. \$1, the rate of exchange as of March 31, 2020.

Consolidated Statements of Income

Consolidated Statements of Income		Millions of yen	Thousands of U.S. dollars
	FY2018	FY2019	FY2019
Net Sales	145,030	165,969	1,523,356
Cost of sales	123,417	142,533	1,308,247
Gross Profit	21,612	23,436	215,109
Selling, general and administrative expenses	11,305	12,924	118,628
Operating Income	10,307	10,511	96,481
Non-Operating Income			
Interest income	90	87	803
Dividend income	624	639	5,870
Equity in earnings of affiliated companies	688	345	3,172
Foreign exchange gain	228	—	—
Other non-operating income	318	513	4,714
Non-operating income	1,950	1,586	14,561
Non-Operating Expenses			
Interest expense	260	321	2,950
Foreign exchange loss	—	568	5,218
Other non-operating expense	230	77	713
Non-operating expenses	490	967	8,882
Ordinary Income	11,767	11,130	102,160
Extraordinary Income			
Gains on sale of fixed assets	132	—	—
Extraordinary income	132	—	—
Extraordinary Losses			
Losses on sales and retirements of fixed assets	92	248	2,282
Impairment loss	—	1,334	12,252
Extraordinary losses	92	1,583	14,535
Income Before Income Taxes and Minority Interests	11,807	9,546	87,624
Income taxes-current	2,670	1,822	16,727
Income taxes-deferred	372	636	5,837
Income taxes	3,043	2,458	22,565
Net Income	8,764	7,088	65,059
Profit (loss) attributable to non-controlling interests	34	(168)	(1,545)
Profit attributable to owners of parent	8,730	7,256	66,604

Consolidated Statements of Comprehensive Income

Consolidated Statements of Comprehensive Income		Millions of yen	U.S. dollars
	FY2018	FY2019	FY2019
Net Income	8,764	7,088	65,059
Other Comprehensive Income			
Unrealized gains on available-for-sale securities	(1,245)	(847)	(7,783)
Foreign currency translation adjustments	(577)	(2,208)	(20,296)
Remeasurements of defined benefit plans	(153)	(607)	(5,585)
Share of other comprehensive income of associates accounted for using the equity method	(75)	40	376
Total other comprehensive income	(2,052)	(3,622)	(33,289)
Comprehensive Income	6,711	3,465	31,770
Comprehensive income attributable to:			
Owners of the parent	6,675	3,666	33,616
Comprehensive income attributable to non-controlling interests	35	(201)	(1,846)

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 ¥108.95 to U.S. \$1, the average exchange rate of FY2019.

State of Shares

(As of March 31, 2020)

Number of shares the Company is authorized to issue	90,000,000
Number of shares already issued	61,312,896
Number of shareholders	4,190

Principal Shareholders (top 10)

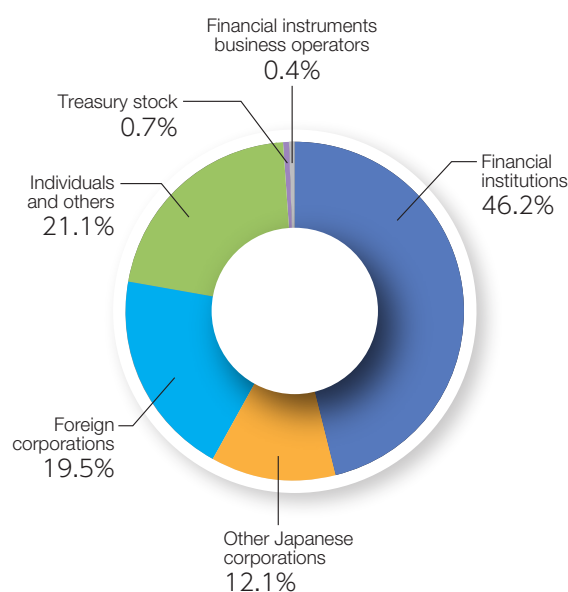
(As of March 31, 2020)

Shareholder name	Number of shares held (thousands of shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	6,174	10.14
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,416	5.61
MUFG Bank Ltd.	2,679	4.39
Ogaki Kyoritsu Bank, Ltd.	2,671	4.38
The Juroku Bank, Ltd.	2,619	4.30
Nippon Life Insurance Company	2,359	3.87
The Dai-ichi Mutual Life Insurance Company	2,349	3.85
Employee stock ownership of Pacific Industrial Co., Ltd.	2,001	3.28
PEC Holdings Corporation	1,987	3.26
Giken K. K.	1,891	3.10

(Note) The shareholding ratio, excluding treasury stock (419,803 shares), is rounded to two decimal places.

Distribution of Shares

(As of March 31, 2020)



For the year

						Millions of yen	Thousands of U.S. dollars
	2014	2015	2016	2017	2018	FY2019	FY2019
Net sales *1	¥99,952	¥106,886	¥103,669	¥117,758	¥145,030	¥165,969	1,523,356
Operating income *1	6,962	7,869	8,662	8,063	10,307	10,511	96,481
Ratio of operating income to sales (%)	7.0	7.4	8.4	6.8	7.1	6.3	6.3
Ordinary income *1	8,691	9,013	9,957	9,485	11,767	11,130	102,160
Ratio of ordinary income to sales (%)	8.7	8.4	9.6	8.1	8.1	6.7	6.7
Net income for the year attributable to owners of the parent *1	6,714	7,114	7,524	7,393	8,730	7,256	66,604
Ratio of net income to sales (%)	6.7	6.7	7.3	6.3	6.0	4.4	4.4
EBITDA *1 *2	15,320	17,095	18,557	19,407	25,200	26,355	241,900
Capital expenditures *1	15,390	11,988	16,633	20,832	21,970	23,451	215,490
Depreciation expenses *1	6,637	8,003	8,414	9,919	12,704	14,192	130,270
R&D expenses *1	905	943	1,004	1,112	1,478	1,943	17,834

At year end

						Millions of yen	Thousands of U.S. dollars
	2014	2015	2016	2017	2018	FY2019	FY2019
Total assets	133,694	129,954	140,869	158,858	203,831	204,280	1,877,057
Net assets	75,459	73,244	84,266	91,913	97,075	98,422	904,365
Equity ratio (%)	55.5	55.7	59.2	57.2	47.0	47.8	47.8

Cash flows

						Millions of yen	Thousands of U.S. dollars
	2014	2015	2016	2017	2018	FY2019	FY2019
Cash flows from operating activities *1	11,130	15,211	14,381	17,944	18,941	21,190	194,499
Cash flows from investing activities *1	(15,370)	(12,754)	(16,420)	(22,229)	(40,595)	(24,270)	(222,770)
Cash flows from financing activities *1	(1,812)	(236)	246	5,239	29,231	90	828
Free cash flow *1	(4,240)	2,456	(2,039)	(4,284)	(21,653)	(3,080)	(28,270)

Per share data

						yen	U.S. dollars
	2014	2015	2016	2017	2018	FY2019	FY2019
Net assets (BPS)	1,385.19	1,339.62	1,404.98	1,508.95	1,590.09	1,614.01	14.83
Net income (EPS)*1	125.47	132.42	138.08	123.53	144.80	120.12	1.10
Cash dividends	24.00	26.00	28.00	28.00	33.00	30.00	0.27

Major operating ratio

	2014	2015	2016	2017	2018	FY2019
Total assets turnover ratio	0.80	0.81	0.77	0.78	0.80	0.81
ROA/Return on assets (%) *2	5.6	6.0	6.4	5.4	5.7	5.2
ROE/Return on equity (%) *2	10.2	9.7	9.7	8.5	9.3	7.5

ESG data

	2015	2016	2017	2018	FY2019
CO ₂ emissions (kt) *3	65	67	73	86	88
Industrial wastes (t) *3	2,477	2,728	3,188	3,474	3,940
VOC emissions (t) *3	162	147	136	163	140
Ratio of women in management positions *4	6.3	6.4	7.0	7.1	9.8
Frequency rate of employees leaving due to industrial accident (%)	0.87	0.69	0.47	0.57	0.49
Number of employees	3,446	3,511	3,622	4,390	4,806

Notes:

*1 U.S. dollar amounts presented are calculated at the exchange rate as of March 31, 2020 with Japanese yen amounts to U.S. dollar amounts at ¥108.83 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 ¥108.95 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 VOC emissions are for the consolidated group excluding the three domestic subsidiaries.

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

Third-party Opinion

I would like to extend my congratulations on the 90th anniversary of Pacific Industrial's foundation.

Pacific Industrial has engaged in a range of corporate social responsibility (CSR) activities, including reduction of environmental burden, promotion of the use of diverse human resources, development of products that will contribute to the environment and society, and communication with stakeholders. To further evolve these activities this year, Pacific Industrial specified 15 materialities and included them in a newly issued Sustainability Report. This year is a milestone that marks the company's 90th anniversary.

Materiality means issues of particular importance for a company to realize a sustainable society. Identifying materiality makes it clear how the company can "fulfill its responsibility and contribute to climate change, human rights and other expanding sustainability problems." Pacific Industrial has organized the 15 identified materialities into the following four pillars: "Fostering trust with stakeholders," "Solving social and customer issues through products," "Minimizing environmental load," and "Respecting human resources and their active participation." These are all in concert with the company's long-term vision, the PACIFIC GLOCAL VISION.

Moreover, the sustainability report shows the relevance of materialities to the SDGs put forward by the United Nations, indicating that efforts based on materialities will contribute to the achievement of SDGs. The year 2030, which UN aims to achieve the SDGs, is also the year Pacific Industrial will celebrate its 100th anniversary. Aiming to become a hundred-year company that continues sustainable growth, Pacific Industrial has made efforts to resolve social and environmental issues in the course of its business activities. Linking those efforts with SDGs has made it clearer how the company can contribute to realizing a sustainable society (sustainability). In addition to the linkage of these efforts with SDGs, the compilation of them into the Sustainability Report based on the key word "sustainability" will help make them better known to the world.

This year, we have undergone an extraordinary situation of the spread of COVID-19. Amid the COVID-19 pandemic, we have been advised to keep social distance, which resulted in a situation where a diversity of connections have been severed. It was very impressive to me that in contrast to such severance, the special feature Top-level Discussion took up some



Yoshinori Goto

President
OKB Research Institute Co., Ltd.

OKB Research Institute Co., Ltd.
A think tank of Ogaki Kyoitsu 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.

connections that came about unexpectedly. For instance, there is a story about face masks and other supplies that Pacific Industrial sent to the Chinese province of Hunan, where its production base is located. In return, the province donated 80,000 masks to Ogaki City. I think such international connection was formed because Pacific Industrial operates as a glocal company. Pacific Industrial also donated a PCR testing car with patient transport functions to Gifu Prefecture, which I believe is an initiative suitable for your company that places importance on its connection with the local community. As unexpected effects brought about by the COVID-19 pandemic other than connections, the special feature points to a significant change in the ways of doing work, such as use of web conferences, which helped improve operational efficiency. It is an episode that indicates the positive stance of Pacific Industrial in dealing with the severe situations of the pandemic, taking them as a "good opportunity to change the way of working."

Going forward, Pacific Industrial will surely achieve progress in materiality-based efforts without making a stop even during the COVID-19 pandemic. In particular, the company is highly expected to achieve the challenging goals under one of the pillars of materiality, "Minimizing environmental load." There is also interesting data disclosed in relation to another pillar of materiality, "Respecting human resources and their active participation." The percentage of women in management / management-level position at the entire group including overseas subsidiaries is higher than at the head office alone. I hope that group companies will learn positive aspects with each other as members of a glocal company.

The Top Message shows Pacific Industrial's determination to "increase the significance of its existence and strive to strengthen its sustainable competitiveness" as a corporation by incorporating materiality into business operations. As symbolized by this message, this report indicates Pacific Industrial's firm resolve to regard materiality as the central issue of management. I will keep paying attention to the company's efforts toward becoming a hundred-year company that continues sustainable growth.

Response to Third-party Opinion

Thank you very much for your valuable opinions. The automotive industry is undergoing a once-in-a-century major transformation. With the traditional industrial structure undergoing drastic change, there is a sense of crisis about whether we can sustainably move forward with our stakeholders as a company needed by society. This time, we have identified four pillars and 15 materialities, and I believe we have clarified our desire to become a

company that contributes to prosperous lifestyles and the environment by manufacturing, and specific scenarios for initiatives in the next-generation mobility society. Our products and services, as well as our own existence, are committed to contributing to the resolution of social issues and the building of a sustainable society, and we intend to promote them together with our Pacific Industrial Group employees in and outside Japan.



Tetsushi Ogawa
Executive Vice President
Member of the Board

Our Wishes

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

What can we do to protect our precious planet?

To encourage families to engage in conversations and raise their awareness about the environment, we called employees to submit drawings by their children, and displayed them in the lobby of our company building. We hope that you will enjoy and appreciate the heartfelt messages expressed by the children through their drawings.

