



PACIFIC INDUSTRIAL CO., LTD.

CORPORATE
SOCIAL
RESPONSIBILITY

CSR Report 2019



Brand Slogan

Passion in Creating Tomorrow

Pacific Industrial develops new businesses, new technologies and new products that add to safety, environmental and comfortability performance, in which way we aspire to realize sustainable growth as a company that is worthy of trust and meets the expectations of our society.

An expression of this aspiration is our new 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 achieve 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.

CONTENTS

Introduction

Brand Slogan/Corporate Philosophy	01
Contents	02

Top Message

Introduction of the Pacific Industrial Group

History	05
Overview	07
Vision	09
Value Creation Model	11



Special
Feature

1	Top-level Discussion	
	Aiming to Become a Hundred-year Company	13
	“Passion in Creating Tomorrow”	

Special
Feature

2	Strengthening Global Structure	
	Create Synergy Through Integration of	17
	Schrader and Pacific	

Special
Feature

3	Manufacturing Practices in Consideration	
	of Safety and Environment Based on United	19
	Efforts Mounted by Engineers	

Management

Results of CSR Activities	21
Governance	23



Economic Reports

Customer-centered Approach and Collaboration with Suppliers	27
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Social Reports

Working with Employees	29
Social Contribution Activities	31

Environmental Reports

Practicing Environmental Management	33
Harmony and Communication with the Global Environment	35



Third-party Opinion

	36
--	----

Financial Highlights

Consolidated Financial Statement (Summary)	37
Summary of Key Results	39



Company and Stock Information	40
--------------------------------------	-----------

CSR Report 2019 Editorial Policy

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

The 2019 edition, which is the 13th issue, is compiled as a digest edition (booklet) to maximize readership among our stakeholders and is edited to include important information with a focus on special features, while websites are used to comprehensively disclose information. We look forward to hearing your candid opinions about it.

Other media

■ Websites

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



■ 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, 2018 to March 31, 2019
(includes the latest information at the time of publication)

Boundary of the Report:

Pacific Industrial Co., Ltd. and some Pacific Industrial Group companies

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Sustainability Reporting (2012 Edition)
GRI Standards

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

This fall, Pacific Industrial Group drafted its new long-term vision, the “PACIFIC GLOCAL VISION,” which sets out three specific visions as our “desired corporate image.” Realizing these visions entails a variety of issues, and one of them is the Sustainable Development Goals (SDGs). In this regard, we will identify the materiality by checking our business activities against the 17 goals, and integrate the SDGs into our management strategies and business plans in the future.

At the same time, in order to achieve the long-term vision, we performed rolling planning of our existing mid-term management plan to formulate a new mid-term management plan “OCEAN-22,” which serves as our concrete action plan. The new plan will encourage us to leverage our accumulated strengths and become more competitive, and to focus our energy on environmental, social and governance (ESG) initiatives and thereby promote sustainable management.

The Pacific Industrial Group made three Schrader Group companies its subsidiaries in August 2018 to strengthen its valve business. The acquisition has actualized our global quadrilateral system with development, production, and sales bases in Japan, Asia, North America and Europe, helping to establish a leading position in the valve industry worldwide. We are working to generate greater synergies and create new value by mutually respecting and sharing each other’s technologies and know-how developed over the years.

In the stamping and molding product business, another pillar of our operations, we

have made strategic up-front investment to enhance the production system on a global basis by introducing cold stamping and hot stamping equipment for processing ultra-high tensile strength steel (UHTSS). At the same time, we are focusing our efforts on development of aluminum material forming technologies and noise reduction and vibration proofing technologies, whereby providing high value-added products that contribute to the automobile weight reduction as well as to safety, environmental and comfortability performance.

The automobile-related industry is undergoing a once-in-a-century major transformation. In such a situation, keys to the competition between companies lie in the “connected, autonomous, shared, and electric (CASE)” areas and “Mobility as a Service (MaaS).” The Pacific Industrial Group as a whole will accelerate technology development in preparation for next-generation mobility, enhance our corporate value, further strengthen our business foundation, and thereby achieve sustainable growth.

It goes without saying that sustainable growth essentially requires the development of human resources. Pacific Industrial now has 16 overseas production bases in seven countries and is becoming more global. Under such circumstances, we intend to devote ourselves to business operations while sharing common values by establishing “Our Attitude” expressed by the “Dreams and Challenges” and “Trust and Respect” slogans set out in our “PACIFIC VALUES,” the universal values of the Pacific Industrial Group, throughout the entire Group.

And based on our philosophy that “manufacturing is about developing people,” we are making continuous efforts to cultivate the next generation of human resources, a critical component to maintain outstanding field capabilities, across the entire Group. As part of these efforts, we opened a Study Hall in the premises of Nishi Ogaki Plant. Here, experienced employees provide education to younger employees to pass down Pacific Industrial’s technologies established over the years and employees learn about safety and quality in more concrete and practical ways. Accordingly, the Study Hall is aimed at serving as a starting point for establishing the Pacific brand.

Last but not least, we formulated a new Brand Slogan “Passion in Creating Tomorrow.” In preparation for a mobility society, we aim to become indispensable for society and aspire to create a future society with passion.

To remain a hundred-year company that is worthy of trust, meets the expectations of our society, achieves sustainable growth, and to go further beyond, Pacific Industrial will endeavor to enhance the quality of its corporate management, while further improving relationships with its stakeholders. We would like to ask for your continued guidance and support.



Shinya Ogawa

President and Chief Executive Officer



Promoting Innovation and Globalization

The history of our company is traced back to 1930, when Soichi Ogawa, the company founder, recognized the potential of the automobile industry and started producing automotive valve cores in Japan. His company thereafter ventured into the development and production of stamping and molding products for automobiles, resin products, electronic control device products, and Tire Pressure Monitoring Systems (TPMS). While solidifying its management foundation, the company expanded into overseas markets and continued to grow.

Our recent achievements include its acquisition of three Schrader Group companies, which manufacture and sell valves for use in automobiles, industrial machinery, and other applications in August 2018 with the goal of expanding the company's valve business.

We will endeavor to develop methods and technologies that pursue environmental performance, safety and comfort by making the best use of the spirit and technology of manufacturing cultivated over many years, and achieve further growth as we move toward the 100th anniversary of the company's founding in 2030.

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.



1941 | Mar

Acquired Sakurai Jidosha Koki K.K. through absorption-type merger and began producing tire valves.

1946 | Aug

Started doing business with Toyota Motor Corp.

1953 | May

Acquired Pacific Shoko K.K. through absorption-type merger.

1954 | Jul

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

1957 | Jul

Introduced tubeless tire valves into the market.



Tubeless valve

Tube valve



Toyopet wheel cap

1970 | Aug

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

1970 | Dec

Received TOYOTA SUPERIOR QUALITY CONTROL AWARD from Toyota Motor Corp.

1972 | Nov

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

1974 | Dec

Established TAIHEIYO SANGYO CO., LTD.

1977 | Sep

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



Kita Ogaki Plant

1980

1982 | Sep

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

1984 | Jun

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

1987 | May

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

1987 | Dec

Established PI SYSTEM CO., LTD.

1988 | Jul

Established PACIFIC INDUSTRIES USA INC. in the United States.

1989 | Mar

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



PACIFIC VALVE (TAIWAN) CO., LTD.

1930

1940

1950

1960

1970

1960 | Nov

Set up Nishi Ogaki Plant and expanded the stamping business.

1961 | Jan

Established PACIFIC ENGINEERING CO., LTD.



Nishi Ogaki Plant

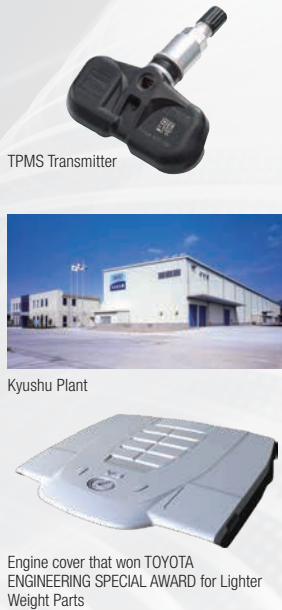


Soichi Ogawa, Founder

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.



TPMS Transmitter

Kyushu Plant

Engine cover that won TOYOTA ENGINEERING SPECIAL AWARD for Lighter Weight Parts

2000 | Oct

All domestic plants attained prestigious 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.

2004 | Sep

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

2005 | Apr

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

2006 | Dec

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

2007 | Feb

Received TOYOTA ENGINEERING SPECIAL AWARD for Lighter Weight Parts from Toyota Motor Corp. (Engine cover)

2017 | Oct

Established OCEAN-20, Pacific Industrial's mid-term management plan.

2018 | Aug

Acquired three Schrader Group companies.



SCHRADER SAS

2015

2010

2000

1990

1990 | Nov

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

1996 | Oct

Received EXCELLENT AWARD FOR TOTAL PRODUCTIVE MAINTENANCE from Japan Institute of Plant Maintenance.

1997 | Jan

Completed PACIFIC TERA HOUSE.

1998 | Jan

Received TOYOTA ENGINEERING DEVELOPMENT AWARD from Toyota Motor Corp. (In-mold Decoration)

1998 | Jun

Received PRIME MINISTER'S AWARD for the excellent tree-planting activities in its factory for better environment (Kita Ogaki Plant).

1999 | May

All the plants attained prestigious ISO 9001 Certification.

1999 | Jul

Established PACIFIC MANUFACTURING OHIO INC. as a subsidiary of PACIFIC INDUSTRIES USA INC.



Higashi Ogaki Plant



Received PRIME MINISTER'S AWARD for the excellent tree planting activities



PACIFIC MANUFACTURING OHIO, INC.

2010 | Feb

Received TOYOTA SUPERIOR QUALITY CONTROL AWARD from Toyota Motor Corp.

2010 | May

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

2010 | Nov

Established PACIFIC GLOCAL VISION 2020, Pacific Industrial's long-term vision.

2011 | Nov

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

2012 | Feb

Received TOYOTA TECHNOLOGY & DEVELOPMENT AWARD and PART STANDARDIZATION AWARD from Toyota Motor Corp. (Double-tank oil pan and Wheel hub ornament).

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.

2014 | Jul

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

2014 | Jul

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

2014 | Oct

Established PACIFIC AUTO PARTS (THAILAND) CO., LTD. in Thailand.



Kurihara Plant

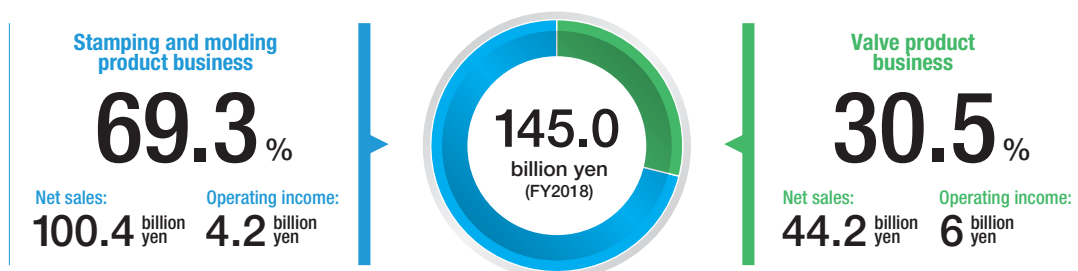


PACIFIC AUTO PARTS (THAILAND) CO., LTD.

Pursuing “Glocal” Corporate Activities Under a Global Quadrilateral System

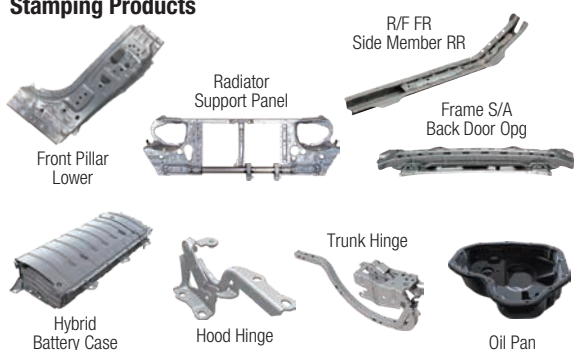
Overview by Business Segment

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



Products

Stamping Products



Valve Products



Molding Products



TPMS Products

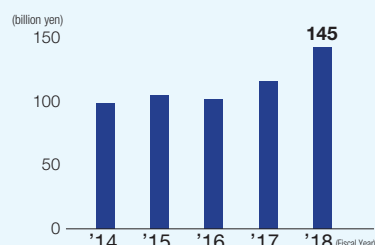


Formed Products

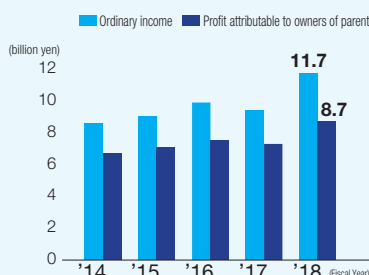


Highlights of Consolidated Results

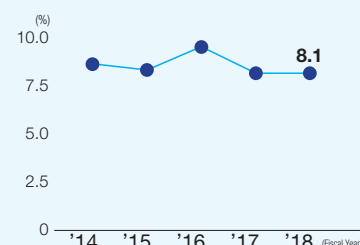
Net sales



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



Ratio of ordinary profit to sales

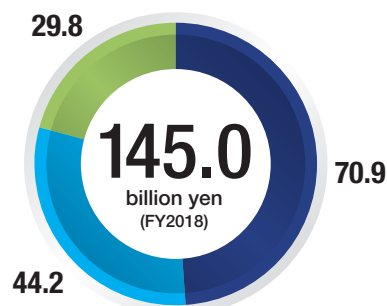


Overview by Region

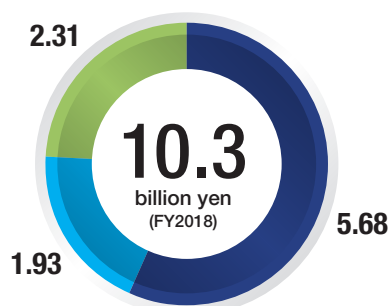
Regional segments are categorized into Japan, Europe and the U.S., and Asia.

■ Japan ■ Europe and the U.S. ■ Asia

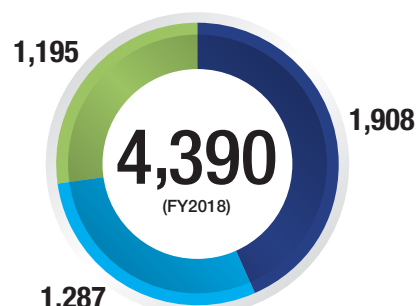
Net Sales by Region



Operating Income by Region

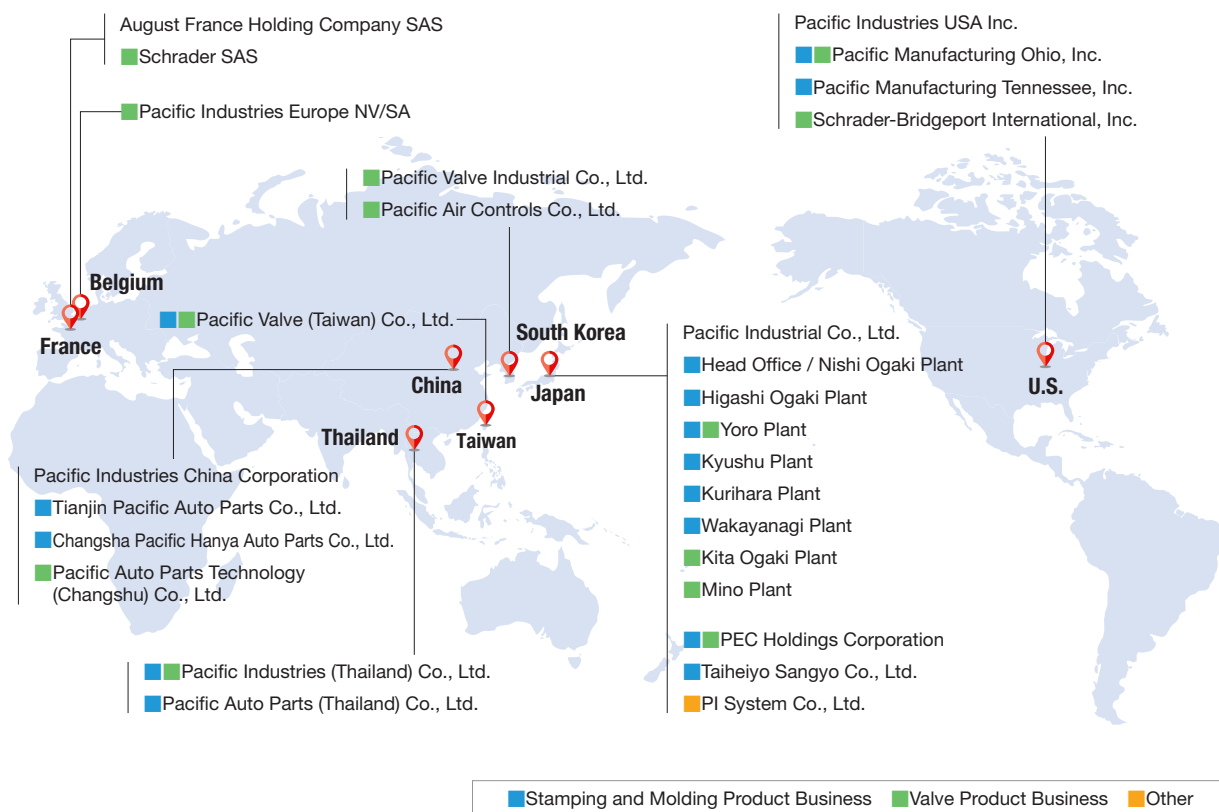


Number of Employees by Region

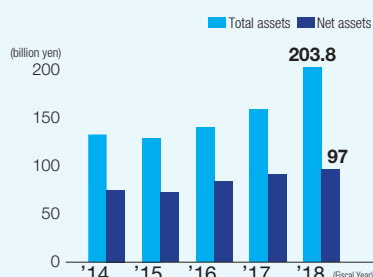


Global Network

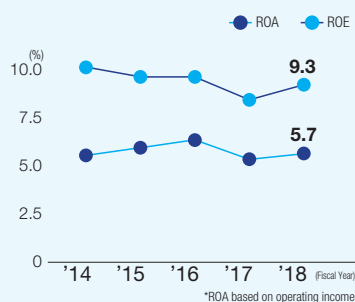
(16 companies in 7 countries outside Japan, 8 domestic bases and 3 companies in Japan)



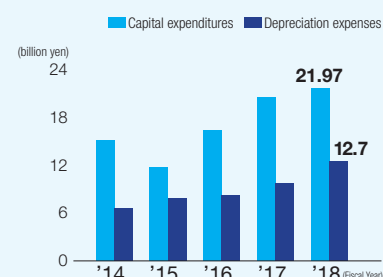
Total assets/Net assets



ROE/ROA



Capital expenditures/Depreciation expenses



BRAND SLOGAN

Passion in Creating Tomorrow

Pacific Industrial develops new businesses, new technologies and new products that add to safety, environmental and comfortability performance, in which way we aspire to realize sustainable growth as a company that is worthy of trust and meets the expectations of our society.

An expression of this aspiration is our new 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 achieve a sustainable society. Toward this ambition, Pacific Industrial will create the future with passion.

PACIFIC VALUES

The "PACIFIC VALUES" represent the universal values shared by members of the Pacific Industrial Group. We expressed the mental attitude that we want to cherish with the words "Dreams and Challenges" and "Trust and Respect," with a focus on the company history and the ideas of our founder and predecessors, including the top management, as embodied in the founding spirit and the company motto.

Our Attitude



Long Term Vision PACIFIC GLOCAL VISION

Looking 10 years ahead, the long-term vision "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" 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 and challenges and ensures they feel the harmonious balance between work and life

Mid-term Management Plan “OCEAN-22”

We formulated “OCEAN-20,” our mid-term management plan that serves as a concrete action plan for our long-term vision “PACIFIC GLOCAL VISION 2020,” and have promoted the plan so far. Our efforts related to the plan include turning three Schrader Group companies into our subsidiaries in August 2018 and revising the targeted values in the “OCEAN-20” in November of the same year. Thanks to these exercises, we came to have good prospects for achieving the consolidated sales target a year ahead of schedule, and therefore executed rolling planning of the existing mid-term management plan to formulate the “OCEAN-22.”

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, securing production bases overseas, and enhancing our cost competitiveness. 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.

In addition, under the “OCEAN-22,” we will solidify our foundation for manufacturing as a policy during the leveling-off phase, 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.

FY2022 Targets

Consolidated sales

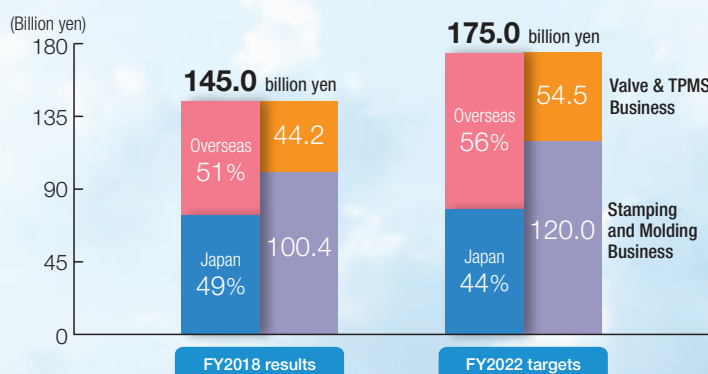
175.0 billion yen

Consolidated operating income rate

Between 7.0% and 7.9%

ROA (operating income)

Between 6.0% and 6.9%



Priority initiatives

Trust

- ▶ Secure profitability and improve corporate value
- ▶ Strengthen governance and mitigate risks
- ▶ Enhance business through ESG management

Innovation

- ▶ Realize development and technology innovations
- ▶ Innovate production technologies making use of AI and IoT
- ▶ Create highly efficient production lines through manufacturing reforms

Challenge

- ▶ Realize GLOCAL management toward achievement of SDGs
- ▶ Promote diversity and develop next-generation human resources
- ▶ Foster a corporate culture where employees can take on challenges

SDG initiatives

We have emphasized CSR as a most vital management issue and worked on various activities. Our very mission is to help establish a better society, an idea consistent with the “sustainable society” advocated by the United Nations’ Sustainable Development Goals (SDGs). Recently, we checked our business activities against the 17 SDGs and related 169 targets with advice from experts and identified activities that correspond to such goals and targets. Going forward, we will establish strategies based on the SDGs, a globally common agenda.

SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



Value Creation Model of Pacific Industrial

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

Social issues

Climate change, air pollution and destruction of the ecosystem
Depletion of energy resources
Traffic accidents and damage to health

Internal and external management resources

Financial capital

Sound and stable financial foundation

Manufactured capital

Production equipment, metallic molds and manufacturing know-how

Intellectual capital

Development, evaluation and analyzing technologies

Human capital

Human resources of the Group in Japan and overseas

Social and relationship capital

Collaboration with stakeholders

Natural capital

Raw materials, energy and resources

Business model

Risk

- Impacts from natural disasters, etc.
- Declining birthrate and aging population
- Political and economic conditions in Japan and overseas
- Cyber terrorism
- Intensifying global competition
- Securing and development of human resources

Opportunity

- Expanding automobile market
- Growing emerging economies
- Stricter safety and environmental regulations
- Automobile restructuring
- Application of AI and IoT

Stamping and molding business

New business

Valve business

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 technology, sensing technology, and AI technology

Brand Slogan

Passion in Creating Tomorrow

PACIFIC GLOCAL VISION

Desired 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 and challenges and ensures they feel the harmonious balance between work and life

Toward business that continues to shine bright with next-generation mobility and technology

Mid-term Management Plan

OCEAN-22

FY2022 Targets

Consolidated sales

175.0 billion yen

Consolidated operating income rate

Between **7.0%** and **7.9%**

ROA (operating income)

Between **6.0%** and **6.9%**

Contributes to SDGs

SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



PACIFIC VALUES: “Dreams and Challenges” and “Trust and Respect”

Aiming to Become a Hundred-year Company “Passion in Creating Tomorrow”

There are two prominent local media companies in Gifu Prefecture, where Pacific Industrial is based: Gifu Shimbun has issued “hometown newspapers” since the Meiji era (1868-1912); and Gifu Broadcasting System bears the nickname “Gifu Chan” and is loved by citizens of Gifu Prefecture. These two local media outlets were long operated by Mr. Mikio Sugiyama, Chief Advisor to Gifu Shimbun, who is the guest in this section speaking with Shinya Ogawa, President and CEO of Pacific Industrial, on a variety of topics including Pacific Industrial seen from a perspective of local media, future challenges lying ahead of a company striving to thrive for a century, and SDG initiatives.



Shinya Ogawa

President and CEO
Pacific Industrial Co., Ltd.

Mikio Sugiyama

Chief Advisor
Gifu Shimbun

Contributions to local communities are in Pacific Industrial's DNA

Ogawa: Chief Advisor Sugiyama served as an Outside Audit & Supervisory Board Member of Pacific Industrial for 15 years from 1989. I am glad to see you doing so well and full of energy.

Sugiyama: Yes, I miss those days. My relationship with Pacific Industrial started just 60 years ago, when I visited the head office to see the founder Mr. Soichi Ogawa. When I was an Outside Audit & Supervisory Board Member, I really learned a lot through my duties. Particularly, a management philosophy I learned from then President and CEO Tetsuya Ogawa still sticks in my mind and has been one fundamental building block of my management method. He took a hands-on approach where he listened to everyone's voice, applied rational management by accepting talented human resources and assigning the most appropriate people to the most appropriate jobs, and took up challenges to work on new things. Honestly, his vitality amazed me. He was not only pursuing profits but also committed to making social contributions through the development of the next generation and promotion of sports and local culture. Given the continued relationship with the three generations in the family including you (Soichi, Tetsuya, and Shinya Ogawa), I feel a strong sense of connection.

Ogawa: I currently serve as an Outside Director of Gifu Broadcasting System, and this has been an opportunity for me to learn a lot about differences in media and the manufacturing business, roles of media, and other matters. In addition, you have successively held positions as officer at various associations in Gifu Prefecture. When I joined a community activity held by one of the associations, you taught me that "there is more to business than just profits."

Sugiyama: Gifu Shimbun presents Gifu Shimbun Awards in February every year to those who contributed to the development of our hometown Gifu Prefecture in recognition of their achievements in the fields of academics, industries, economics, social business, culture, and so on. Although we have held the Awards 69 times, there have been no other cases like Pacific Industrial that three generations in one family all received the award. I believe all of you demonstrated outstanding leadership as economic and cultural experts representing Gifu Prefecture.

Ogawa: I was honored to receive the Gifu Shimbun Award for fiscal year 2018 in the industry category. I accepted this award not only on my own behalf, but on behalf of employees and many other stakeholders. I am grateful for their support. My grandfather Soichi adopted the "inchworm spirit" in his management philosophy to advocate steady and diligent advancement to be made at all times. My father Tetsuya set the philosophy of "dream-inspiring management" and took on challenges to realize visionary management. And I am striving for the realization of "GLOCAL management" rooted firmly in each country and region where we operate, with a view to a hundred-year company that achieves sustainable growth.

Sugiyama: I heard that The OGAWA Science and Technology Foundation, established in 1985 for the purpose of advancing science and technology and developing local industries, gives grants to researchers at universities, technical colleges and other institutions in Gifu Prefecture every year to support their academic studies. I hope that the Foundation, which has a long history of more than 30 years as the first science and technology foundation in Gifu Prefecture, continues to engage in these truly fantastic initiatives in the future too. Your company is also environmentally conscious, as shows the "Pacific Satoyama Woodland" projects run jointly with Gifu Prefecture and Ogaki City. In addition, Pacific Industrial has provided support for promotion of softball and other sports including soft tennis, the company's symbol sport. I highly appreciate not only its business activities but also the great contribution to the regional development that Pacific Industrial has made.

Expectations toward local media

Ogawa: I am grateful that Pacific Industrial was featured in the Special Feature articles, the "Series of Biographies of Gifu Business Leaders," in the economy section of the Gifu Shimbun morning edition in December 2018. The article series titled "To Ocean" summarized the history of Pacific Industrial since its founding up to present in 12 installments and were very easy to understand, attracting interest from the communities, business partners and many other people.

Sugiyama: The "Series of Biographies of Gifu Business Leaders" is a series of Special Feature articles that chiefly digs into the history of Gifu-based companies. The series has featured about 10 companies so far. This is one of the representative roles that we local media companies should play, and at the same time, helps to promote the industries in Gifu Prefecture.

Ogawa: The series features diverse companies across different industries in Gifu Prefecture, offering new discoveries and insight. After the articles were published, we compiled them into a pamphlet titled "To Ocean" with the help of Gifu Shimbun, and distributed the pamphlets to employees, their families and other stakeholders. The pamphlet gave our employees a good opportunity to learn about the ideas and management decisions of top management in each epoch as well as the history of our company. I believe that recognizing the history of Pacific Industrial gets you taking the first step as our employee. As such, I ask new graduates to read this pamphlet in an effort to let them learn from and absorb precious experiences of their seniors.



"To Ocean,"
the compiled articles from
the Series of Biographies of
Gifu Business Leaders

Sugiyama: I am very honored if this Special Feature contributed to your company in some way in this era of diversification of media when the phenomenon of decreasing young readers is posing a serious issue.

Ogawa: The “Series of Biographies of Gifu Business Leaders” articles also introduced soft tennis, Pacific Industrial’s symbol sport, and the Ogaki Minamo Softball Club as part of our sports supporting activities.

Sugiyama: Last year, Ogaki Minamo’s League 1 opening game was held in the Nagoya Dome and Gifu Broadcasting System had the game live telecast in areas outside Gifu Prefecture for the first time, an effort that attracted considerable attention. In my opinion, the role played by local media is to be a “chronicler of history and a witness of the times.” We bring news that is closely connected with local communities and disseminate it to citizens of Gifu Prefecture. I am convinced that this is what local media companies should do and that this is the social contribution that Gifu Shimbun and Gifu Broadcasting System make. We will continue to provide community-based information for our hometown, Gifu Prefecture.

The symbol of the start to the second act in glocalization: The acquisition of Schrader

Sugiyama: Pacific Industrial completed the acquisition of Schrader in August 2018, am I right? When I served as an Outside Audit & Supervisory Board Member at your company, I was often informed of matters concerning Schrader, which I remember was always on your radar and a focus of your attention.

Ogawa: When my grandfather founded our company, Japan was supplied with valve cores made by Schrader. The German manufacturer was always the goal of our company: We respect their advanced technology and cutting-edge initiatives, and our company dreamed of catching up with and overtaking Schrader.

Sugiyama: That very same Schrader has become a member of the Pacific Industrial Group. Now that a year has passed since the acquisition, how do you see the business with Schrader in the future?

Ogawa: We are currently working to integrate the best of both companies to generate synergies. Schrader operates

in Europe and the United States and the Pacific Industrial Group operates in Japan and other Asian countries, which means we are very complementary to each other. Based on an understanding of each other’s advantages, we focus on combining the strengths of the two brands. Staff members at local sites of both companies actively have hands-on interchanges with each other and often hold video teleconferences to share information. With the global quadrilateral system in place, we will pursue our dream to become the world’s leading company in all aspects including technology, quality and service.

Sugiyama: I understand that Pacific Industrial has more than 50% overseas sales exposure now. How do you plan to promote global management in the future?

Ogawa: Currently, we have 16 overseas production bases in seven countries. We have instilled manufacturing approaches that are unique to Pacific Industrial that help local employees at the overseas production bases operate more autonomously. On the other hand, respect should be afforded to Schrader, which has a long history of more than 120 years. We will continue to advance our talks, review the ways of shifting the entire Group to glocalization, and accelerate the shift to achieve results. I am confident that the second act of our glocalization has finally started.

Sugiyama: The automobile industry is said to be undergoing a once-in-a-century major transformation, with the global competition becoming more severe. What measures do you take for survival?

Ogawa: In the automobile industry, technology development such as “CASE” and “MaaS” is a pressing task. In this respect, Pacific Industrial is committed to developing technology for vehicle body weight reduction to improve safety, environmental and comfortability performance, while speeding up its technology development in preparation for next-generation mobility. We stay ahead of the curve in promoting technology development related to the UHTSS cold stamping technology and aluminum material processing technology, which are strengths of Pacific Industrial, and we are reinforcing our production capacity and expanding production bases in Japan and overseas. In addition, we will also aim to improve performance of the tire pressure monitoring system (TPMS), which is the next-generation valve, and work on AI and IoT as well. Through measures taken under the mid-term management plan “OCEAN-22,” Pacific Industrial will ensure that all of these mentioned above will pay off without failure.

Work-style reforms and “manufacturing is about developing people” principle

Sugiyama: Looking at domestic issues, the work-style reform has been a trending topic these days. In general, we in the media industry have irregular working hours. In order to allow for more diversified work styles, we propose options to employees to push forward with different work styles including the introduction of shorter working hours





and the area-limited employee system. By accepting many diversified human resources, we intend to build up a workplace environment where employees can inspire each other, improve themselves, and work for longer periods of time.

Ogawa: We manufacturers are no exception in this issue. Appropriate working hours will lead to better work-life balance, and better private life will refresh employees, so that they can work energetically. As the labor shortage is becoming more serious, I keenly realize that the development of people is more significant and critical than ever. For the purpose of passing down technologies and skills and enhancing manufacturing capabilities, in August 2019 we established the Study Hall, an educational facility for learning about safety, quality, and skills.

Sugiyama: I visited the Study Hall just before this discussion. The facility allows for holistic internal education: This venue allows employees to have first-hand experience of the importance of safety and learn the structure and operation procedure of equipment using the real one. With the Study Hall, you can provide education to deepen understanding and improve skills of employees through both classroom lectures and practical lessons. I find it excellent.

Ogawa: We offer classroom lectures and practical lessons on a set of basic skills to develop human resources who will lead the next-generation manufacturing and to further solidify our business foundation. We are planning to set up Study Halls in overseas production bases as well. Hopefully, this initiative, among others, will serve as the base for evolving our own technologies. We can buy equipment and just push the button to use it, but not people. I intend to make special efforts to touch the button in the mind of each and every one of our employees.

Brand Slogan to guide the way to become a hundred-year company

Sugiyama: I feel that the goal of corporate executives in the future would not be how much profits they earn but what they spend the profits on. As you know, companies' non-financial information is drawing more and more attention.

Ogawa: To ensure companies' sustainable growth,

environmental, social, and governance (ESG) factors and initiatives toward the Sustainable Development Goals (SDGs) advocated by the United Nations have become indicators for company evaluation. Pacific Industrial also started initiatives related to the SDGs and conducted a logic analysis on a wide range of activities of the Pacific Industrial Group to identify areas conducive to the SDGs. Results of the analysis showed that activities we have normally carried out can actually contribute to the achievement of the SDGs in many ways. Going forward, it is important to formulate SDGs-based business strategies and provide relevant information to stakeholders.

Sugiyama: ESG and SDGs have become key words of the times. The media industry also sees it as a matter of great interest. The SDGs are set to be achieved by 2030, which coincidentally marks our 100th anniversary. I believe that Pacific Industrial has the ability to bring innovation to our technology and create brand new things by drawing on the technologies cultivated so far. The SDGs should be the pivotal theme of development going forward, and hopefully, Pacific Industrial will capture social issues and needs and promote development and manufacturing practices that lead to the benefit for society at large by harnessing ideas and the passion of each and every one of you.

Ogawa: We have our eyes on becoming a hundred-year company, but that is not our goal. In order to achieve sustainable growth, we recently upgraded our long-term vision and formulated the Brand Slogan "Passion in Creating Tomorrow." While "Dreams and Challenges" and "Trust and Respect" set out in the "PACIFIC VALUES" are the universal values shared by members of the Pacific Industrial Group, the Brand Slogan represents what we at the Group should strive for, or the ideal. Each and every one of us will take up the challenge of creating new value with passion toward the realization of a prosperous, safe and secure future. Integrating the SDGs into management, we will reinforce our business in the hope of contributing to the development of a sustainable society.

Sugiyama: So the voyage in the vast Pacific Ocean goes on into a new future and new challenges. I hope for the further advancement of Pacific Industrial as a citizen of Gifu Prefecture and as a member of the local media.

Mikio Sugiyama

Chief Advisor, Gifu Shimbun

Profile

Born on July 31, 1927, in Gifu Prefecture. Joined Gifu Times (currently Gifu Shimbun) in April 1954. Assumed the positions of Representative Director and President of Gifu Nichi Nichi Shimbun and Representative Director and President of Gifu Broadcasting System, Inc. in February 1971. The companies provide locally rooted regional information through the media mix of the only local newspaper company in Gifu Prefecture and Gifu Broadcasting System (Gifu Chan), which provides broadcasting services within the prefectural boundary. He is known as a presenter in Gifu Chan's *Showa Garakuta Gekijo* program. He has received a number of awards and recognitions, including an honorary citizen of Hangzhou City, China; Brazilian order of cultural merit Bandeirantes medal; Medal with Blue Ribbon; The Order of the Rising Sun, Gold Rays with Neck Ribbon (Third Class); and Gifu Honorary Citizen Award.



Create Synergy

Through Integration of Schrader and Pacific

One year has passed since three Schrader Group companies became subsidiaries of Pacific Industrial in August 2018. During this period, we have taken in the best of both groups to bring about integration and innovation in the valve business and the consequent synergy generation. While promoting the interchange between Schrader and Pacific, we are working to integrate the two brands so that the M&A strategy does not end up in a mere addition of sales and can produce such results as the quality and productivity improvement, cost reduction, technology development and sales channel expansion.

Specifically, synergies could mean: improved mold maintenance work; labor saving and productivity improvement by such means as the standardization; quality improvement through introduction of automatic inspection machines of Pacific Industrial; lower defect rates and disposal expenses; sales expansion of fuel regulator valves; and generation of reduced-cost items by cost comparison. In pursuit of these and other synergies, we are working to attain the effects from both the manufacturing area and the sales expansion and development area.

We will further pursue new product development and sales expansion by making use of the technological capabilities and the sales channels of each other, bring together the equipment and intellectual and human assets, and thereby promote the generation of synergies at an early stage.



Schrader-Bridgeport International, Inc. (United States)



Ms. Jesse Queener received an award commending her 50 years of service



Schrader-Bridgeport International, Inc. received the "2018 Large Business of the Year" award from the Altavista Area Chamber Of Commerce



Kaizen initiatives at worksites



Achieved zero industrial accidents for one million hours in March 2019 through the steady and diligent "near miss prevention activity" and other activities, with the zero industrial accident hours still counting

* Activities to verify incidents that may cause a serious disaster or accident and implement countermeasures



The United States
Alta Vista



Number of employees

260

Major production item

- Tire valve
- Valve core
- Control device parts for air conditioner
- Parts for industrial machinery

Employee's voice

Hugh Hendrix

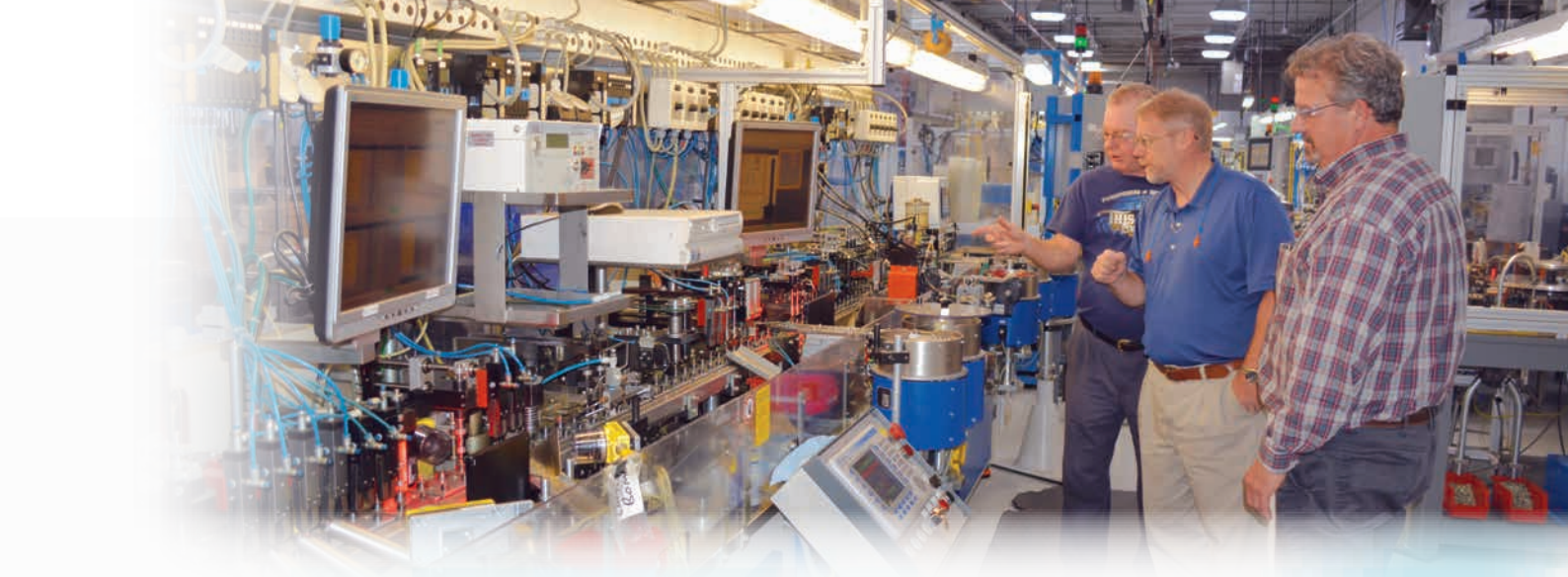
[Department] Quality Assurance Dept.
[Title] Manager

Learnings and thoughts from the training at Pacific Industrial

The recent training I received at Pacific Industrial in Japan was truly meaningful in that I could understand the differences and similarities between Pacific and Schrader. We both operate in the same market, but Pacific Industrial engages in mass production in a smaller number of product types while we engage in small-volume production in a larger number of product types. This means that Pacific Industrial's customers have different demands from our customers' demands. I also recognized the difference in production and inspection methods.

I felt that both had advantages and disadvantages in the respective ways, and in order to generate greater synergies in the future, we should have an opportunity to hold discussions between production bases in the level playing field, proactively share technologies and provide information.

Through this M&A and subsequent communications we had, I felt that Pacific Industrial is a very sincere company. Going forward as well, I hope that we can appreciate the importance of communication, recognize advantages of each other even more, deepen understanding over time, and build relationship based on mutual respect and appreciation.



Schrader SAS (France)

 Pontarlier
France



Number of employees

400

Major production item

- Tire valve
- Valve core
- Snap-in/clamp-in valve for TPMS



Celebrated the 120th anniversary in 2018 and held a commemorative event

Kaizen initiatives undertaken by each team, section, and department on a daily and weekly basis



Promoted sales expansion by participating in an exhibition held in Italy



Implemented technology exchange related to hydrogen technologies (Japan, South Korea, and France)



Entered into a partnership with École Nationale Supérieure de Mécanique et des Microtechniques (ENSMM) in Besançon to strengthen the know-how in possession

Employee's voice

Jean-Luc Carmantrand

[Department] Manufacturing Dept.
[Title] Industrial Manager

Thoughts on the occasion of the Schrader-Pacific first anniversary

This M&A has provided an excellent opportunity for us to conduct comparative verification of products and production processes of each of us who have previously been in competition with each other for a long time. In-depth exchange of opinions has taken place on matters such as production, quality and safety in particular, leading to a number of Kaizen projects at Schrader-Pacific, and a synergy of cost reduction is beginning to grow.

A successful project requires an understanding of the essence of the project and close communications. However, we have completely different cultures and environments in which we grow up. French cannot be Japanese, and vice versa. Nevertheless, we have a common goal of creating a wonderful future by combining the strengths of the both companies. Various communication efforts have been promoted during this past one year, such as training in Japan and stationing of Japanese staff in France, enabling us to foster a sense of unity at an early stage. This is a result of faithful, transparent, and easy-to-understand communications. Going forward, I believe that opinions of everyone will be respected and result in the establishment of a strong collaborative system based on mutual trust.



Manufacturing Practices in Consideration of Safety and Environment Based on United Efforts Mounted by Engineers

As an automobile parts manufacturer, Pacific Industrial promotes manufacturing that pursues the environment and safety required of automobiles to realize a sustainable society, and at the same time, works to study and improve processing methods and manufacturing processes to develop high-value products catering to customers.

Development of Standard Center Ornaments for Aluminum Wheels

Center ornaments for aluminum wheels are decorative parts that indicate the brand mark seen from the side of a vehicle, and protect the center hub of the wheel.

The ornaments used in Toyota brand cars as a standard were previously composed of separate parts from the automobile main body to make the emblem look three-dimensional. In-mold decoration and formation^{*1} has limitations in the applicability to the three-dimensional form. However, shadow printing as well as forming technology that enables the printing pattern to be placed precisely to the product position made it possible for the emblem and the automobile main body to be unified without impairing the appearance as compared with the conventional products. This allowed us to reduce the number of parts and processes required for assembly and thereby to achieve significant results in terms of VA.^{*2}



^{*1} A method to decorate patterns printed on films on products in the forming process of molding

^{*2} VA: An abbreviation for value analysis. Its purpose is to understand the value of a product or service based on the relationship of "value" = "functionality and quality" / "cost" and maximize value (by calculating the minimum cost to achieve required functionality).

TOPICS

Received 2018 Superior VA Award

Pacific Industrial received the 2018 Superior VA Award from Toyota Motor Corporation in February 2019 in recognition that this development had significant results in the VA. The method is introduced globally at overseas production bases as well, and the production base in Thailand where these products are produced received the 2018 VA Award in March 2019 from TOYOTA DAIHATSU ENGINEERING & MANUFACTURING CO., LTD.



Certificate of commendation from Toyota Motor Corporation



Commemorative plaque received by Thailand PIT

Employee's voice

In charge of design

In charge of engineering

In charge of production
technology

Takeshi Miwa
Hiroataka Terai
Shingo Yamaguchi

The idea of unifying the emblem with the automobile main body has not previously been employed due to the degraded appearance caused by method limitations.

The recent success was owing to the idea of using the shadow printing, repeated production of prototypes, and the consequent creative method to make it look three-dimensional.

Our department is made up of design, engineering, and production technology functions. People in charge of these functions generate and share their ideas from different perspectives so that we can develop better products. We will continue the development and improvement in order to respond to customers' requirements at a minimum cost, delivering results that exceed their expectations.





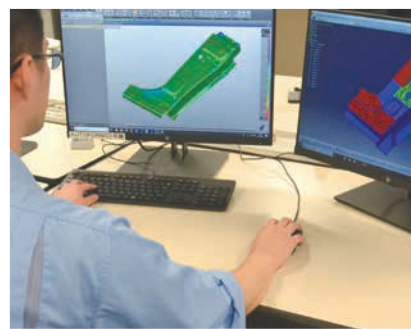
Pacific Industrial's front pillar lower outer is used in COROLLA SPORT.

Use of UHTSS in the front pillar lower outer

A front pillar lower outer, a part that makes up the main body of an automobile and is placed between the engine room and the cabin, plays a crucial role in protecting passengers at the time of a forward collision. In recent years, automobiles are required to have better fuel efficiency to reduce CO₂ emissions and achieve higher safety performance to protect passengers in the event of a collision. In this context, a growing number of parts are using UHTSS that enables both weight reduction of automobile main bodies and an increase in the strength.

UHTSS has previously been used for straight parts because of the difficulty of forming. However, Pacific Industrial recently succeeded in developing a new method by making use of computer aided engineering (CAE) analysis and the UHTSS forming technologies accumulated so far in an aim to apply the method to curvilinear or curved-surface front pillar lowerouters.

This success enabled us to produce lighter front pillar lowerouters (an approximately 10% reduction as compared with previous models) and deliver higher safety performance at the time of a collision.



CAE analysis of developed products



Employee's voice

In charge of
CAE analysis

In charge of
engineering

In charge of mold
development

Takeshi Yamada

Takayuki Hirose

Takahiro Yamada

We had to overcome a number of issues when making long, boot-shaped front pillar lowerouters from UHTSS, and it was a very tough journey. We repeated CAE analysis to verify the formability and overcame those issues before successfully creating this boot-shaped form. New issues also arose from the validation process of mass production using molds, but we could get over those issues by utilizing the accumulated UHTSS technologies and the experience.

We are committed to taking up the challenge of working on hard-to-form parts so that we can contribute to the weight reduction and the safety improvement.



Results of CSR Activities

Results of the CSR initiatives implemented by the Pacific Industrial Group in FY2018 are reported for each stakeholder category.

(Include results from FY2019)

CSR that serves as foundation



"PACIFIC VALUES" Special Feature article in a company newsletter



CSR Report (English version)

- ▶ Formulated the Brand Slogan, the new vision "PACIFIC GLOBAL VISION," and the new mid-term management plan "OCEAN-22"
- ▶ Initiatives to disseminate and establish "PACIFIC VALUES," the Group's universal values (using the policy handbook and transmitting information via the company newsletter on an ongoing basis)
- ▶ Compliance with all 78 items of the Corporate Governance Code
- ▶ Conducted compliance training using e-learning programs (e.g., internal control, information security)
- ▶ Issued compliance newsletters for employees once a month, and sent compliance e-mail newsletters twice a month
- ▶ Held a crisis management seminar
- ▶ Held an SDG seminar
- ▶ Issued the CSR Report 2018 (in Japanese and English)
- ▶ Ensured the diversity of the board of directors
- ▶ Issued "To Ocean," the Series of Biographies of Gifu Business Leaders

Future issues

We will understand and share the Brand Slogan, the new vision, and the mid-term management plan among the entire Group and examine and implement the action plan to achieve them

Customers



The large press machine installed at Nishi Ogaki Plant



Technology exhibition

- ▶ Participated in technology exhibitions in Japan and gave technical presentations outside Japan (technology exhibitions: twice in Japan and once outside Japan)
- ▶ Thailand PAT plant started operation and mass production
- ▶ Restructuring of Nishi Ogaki Plant (extension of the plant and installation of a large press machine)
- ▶ Started extension work at Kurihara Plant (slated to complete in February 2020)
- ▶ U.S. PMT started mass production of hot stamping products
- ▶ Capital expenditures for FY2018: 21.9 billion yen (up 1.1 billion yen year on year)
- ▶ Received 2018 Superior VA Award from Toyota Motor Corporation for our VA development of standard ornaments
- ▶ China CPH, Thailand PIT, and Taiwan PVT received awards from their customers (see Page 28 for more details)
- ▶ Strengthened our competitiveness by acquiring Schrader's valve business (acquisition completed in August 2018)

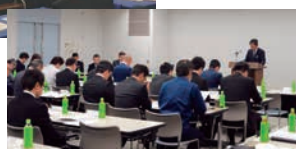
Future issues

We will promote development of technologies and products that can meet the needs of customers and society making use of the core technology of Pacific Industrial, and at the same time, gain the trust of customers through our quality-focused manufacturing

Business Partners



Company policy briefing session for principal business partners



General assembly of Pacific Global Association

- ▶ Promoted CSR procurement
- ▶ Conducted substance investigations using the JAMA/JAPIA Standard Material Datasheet and requested submissions
- ▶ 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
- ▶ Enhanced disaster-management measures of principal business partners
- ▶ Started new business (sales of AQUA BMES)

Future issues

We will work to promote fair transactions with business partners, strengthen the manufacturing capabilities, invigorate the CSR activities, and thereby build relationships in which we and the business partners can both grow



Employees



Welfare event

Barbecue event in the Tohoku region



- ▶ Promoted activities aimed at improving the work environment through the Committee for Work-style Reform
- ▶ 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 for the 11th consecutive year (childcare leave taken by 11 employees in FY2018 (including three men))
- ▶ Achieved the legally required employment rate of persons with disability for the sixth consecutive year at 2.32%
- ▶ Continued to feature the "Workplace Harassment Course" in the company newsletter
- ▶ Held welfare events, sports games, and other programs for employees

Future issues

We will drive work-style reforms through promotion of work-life balance and diversity and establish an environment and mechanisms where employees are able to demonstrate their creativity and spirit of challenge

Stockholders



Premium briefing session at Nagoya Stock Exchange IR Expo

Notice of General Meeting of Shareholders



- ▶ An annual dividend of 33 yen (an interim dividend of 14 yen and a year-end dividend of 19 yen) and a payment ratio of 22.8%
- ▶ Held the General Meeting of Shareholders on a Saturday, and hosted a reception with stockholders
- ▶ 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 translated it into English (and disclosed on the company website)
- ▶ Participated in Nagoya Stock Exchange IR Expo and held a premium briefing session at the event booth
- ▶ Maintained the Japan Credit Rating Agency (JCR) rating of "A-(stable)"
- ▶ Implemented IR initiatives, including financial results briefing sessions (held biannually), "small meetings," and one-to-one meetings (103 activities in total)

Future issues

We will promote management in consideration of environment, society, and governance (ESG) and appropriate disclosure of financial and non-financial information and thereby work to increase corporate value

Communities



Plant tour for local elementary school students

- ▶ Provided donations 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 J2 League, as an official partner
- ▶ Supported programs to foster future generations (science class, plant tours, industry-academia-government collaboration, internships, environmental workshops, 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

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



Environmental workshop at a local university



Mangrove planting activity (Thailand PIT)

- ▶ An activity commemorating the 10th anniversary of "Pacific Satoyama Woodland" (commemorative tree planting, health checkup of trees, environment quiz and various workshop) Held once in FY2018 with 300 participants
- ▶ Developed 33 environmentally friendly products, methodologies and technologies aimed at achieving reductions in CO₂ emissions, weight, environmentally hazardous substances, industrial waste, etc. (achieved the target of 25 developments)
- ▶ Operated photovoltaic power generation systems (generated 5% of all electricity used at plants in Japan)
- ▶ Accepted environmental posters to raise awareness of the importance of environmental conservation in Japan and overseas (a total of 36 posters were submitted in FY2018)
- ▶ Employees of Thailand PIT and their families planted mangrove trees
- ▶ Provided environmental workshops to local students

Future issues

We will encourage each and every employee to become deeply conscious of the environment and to take on activities to improve the environment through their daily operations, and establish a mechanism that enables a grasp of the proper use of water resources in their production activities.

The Pacific Industrial Group endeavors to continuously promote CSR 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



Board Members and Audit & Supervisory Board Members

From left front

Outside Board Member
Taeko Katagiri

Outside Board Member
Osamu Motojima

Executive Vice President
Takayuki Ishizuka

President & CEO
Shinya Ogawa

Outside Audit &
Supervisory Board Member
Katsuhiro Takahashi

Outside Audit &
Supervisory Board Member
Ayao Sakakibara

From left back

Managing Officer
Terumi Noda

Managing Officer
Hisashi Kayukawa

Senior Managing Officer
Katsuya Suzuki

Executive Vice President
Tetsushi Ogawa

Audit &
Supervisory Board Member
Hiroshi Nagata

Audit &
Supervisory Board Member
Yasuhiko Fujii

Members of the Board
(As of June 15, 2019)

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, the formation of a council consisting of outside directors and outside audit & supervisory board members, and strengthening of the supervising function through the appointment of a female outside director. 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

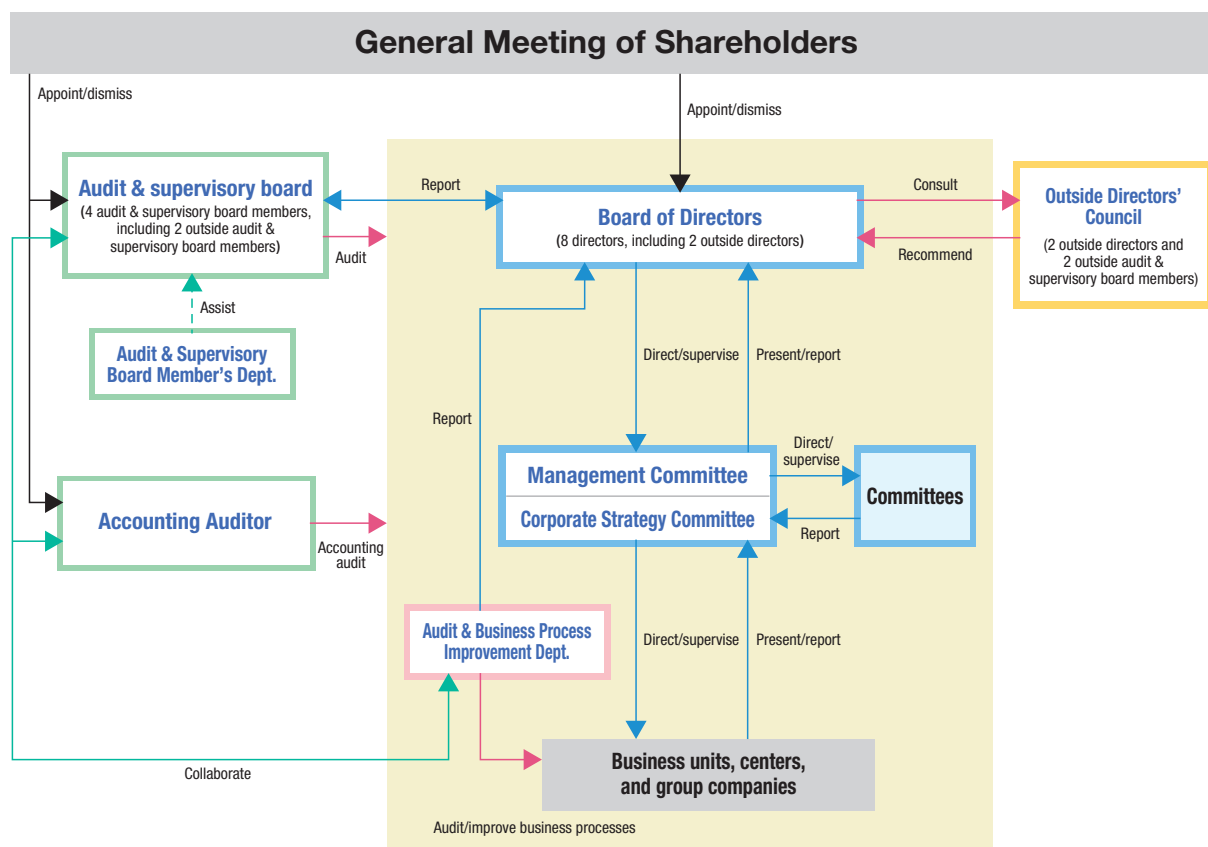
The audit & supervisory board consists of four members in all, of which two are full-time audit & supervisory board members and the other two are outside audit & supervisory board members. A staffed Audit & Supervisory Board Member's Dept. is provided to assist them.

The full-time audit & supervisory board members participate in important meetings, such as the board of directors meetings and management meetings, 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 certified accountants or lawyers, 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 five 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, 2019 was adequate.

Corporate Social Responsibility (CSR) Management

The Pacific Industrial Group believes that CSR is the keystone of management for honorable business operations that can be trusted and counted on by society. Through our activities in all regions and countries, we aim to become a "True Glocal Enterprise" that positively contributes to the continuous

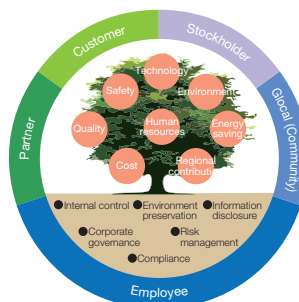
development of society.

To preserve harmony between the economy, environment, and society, we place great importance on open and fair communication as well as creating a win-win relationship with all of our stakeholders.

CSR Promotion System Chart



CSR Philosophy



Amid many risks and dangers, we try to earn the trust and expectations of our stakeholders as a true global company. To this purpose, we have established the core elements of compliance, risk management, and corporate governance within all of our business activities.

Stakeholder Management

CSR Policy

Customers

Placing the utmost importance on "Customer First", we will work to provide environmentally friendly, high-quality, and safe products and services that are trusted by, and satisfy, our customers.

Business Partners

Aiming at co-existence and coprosperity based on mutual trust, we will respect our business partners and establish strong positive relationships with them on an equitable and fair basis.

Stockholders

In order to obtain trust and meet expectations of our stockholders, we will place importance on two-way communication and continuously strive to improve our corporate value by taking a long-term view.

Employees

From the perspective of respect for human rights and dignity, we will provide a workplace where all employees can work at ease in an environment that allows them to find work they can be proud of, and encourages them to demonstrate their creativity and spirit of challenge.

Glocalization (Communities)

Environment

We will strengthen the development of environmentally friendly products and technology and promote manufacturing that takes environmental conservation and reduction of burdens on the environment into account throughout the entire process.

Society

We will be compliant with national and international laws and regulations and social norms and respect culture and custom, while working to contribute to the international society and promoting regional development.

Society

We will be actively engaged in various social contribution activities through close partnership and cooperation with communities to establish ourselves as a good corporate citizen.

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 against serious risks that threaten our business continuity, and are systematically implementing risk mitigation measures. Each department assumes potential risks that may occur in the future and takes necessary measures, while the Risk Management Committee reviews and follows up on the progress of the measures. In these and other ways, we take companywide initiatives to prevent risks while enhancing risk management levels.



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. We carry out a variety of initiatives based on our IT regulations. We confirm the direction of our initiatives through the Corporate Strategy Committee meetings and work to make improvements on our security system measures and rules on a continuous basis in collaboration with internal control and risk management departments. In addition, we continuously train and educate our employees to raise awareness and ensure that each and every employee is thoroughly informed of the rules and measures related to information security.

Number of employees who passed IT-related national examinations

Information Security Management Examination	34
IT Passport Examination	156
Systems Administrator Examination	137



■ Promoting Business Continuity Management (BCM)

The Pacific Industrial Group has established a business continuity plan (BCP) to minimize damage and continue or recover our operations at an early stage in the event of a large-scale disaster or other emergency. In addition to conducting companywide disaster-management drills, we have designated the 11th of

each month as the “Pacific Industrial Disaster Prevention Day” and periodically conduct awareness programs for disaster prevention and take other steps to verify the effectiveness of the BCP and continuously make improvements on our disaster prevention BCM.



Emergency drill using power generators



Rescue drill using automatic external defibrillators (AEDs)



Firefighting 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.

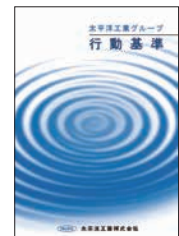
In addition to our rank-based and specialized training programs, we implement training using e-learning programs and other initiatives to raise awareness among employees in March of each year, our designated “compliance month.” Further, all company employees receive the compliance newsletter which explains compliance issues using familiar topics once a month, and the compliance e-mail newsletter twice 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.



Compliance newsletter



Pacific Industrial Group Code of Conduct

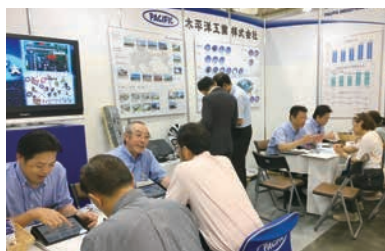
■ Appropriate and Timely Information Disclosure

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. We hold financial results briefings to analysts and institutional investors and respond to their requests for one-to-one meetings

and teleconferences. For individual investors, we participate in the Nagoya Stock Exchange IR Expo every year and provide face-to-face explanations, distribute e-mail magazines to subscribers, and hold the General Meeting of Shareholders on Saturdays to maximize attendance. In this way, we promote IR activities with an emphasis on dialogue.



General Meeting of Shareholders



Nagoya Stock Exchange IR Expo 2019



Financial results briefing



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

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



Glocal Manufacturing Convention

We recognize that human resources 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 (improvements) initiatives at our production bases. Examples of improvements that led to major achievements, including those from overseas locations, are reported and shared at the annual “Glocal Manufacturing Convention.”

In FY2018, we undertook “work-style improvement initiatives” for our administrative staff to achieve greater operational efficiency, and management-level staff in our manufacturing departments implemented the Floor Management Display Systems (FMDS) to enhance their management capabilities aiming to achieve manufacturing operations that allow us to meet the needs of our customers.

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 August 2019, we opened the Study Hall and set up the Quality Training Hall to develop next-generation human resources in the manufacturing field. There, we are working to improve quality by increasing concrete knowledge on quality through such ways as learning from past defects and learning about processes at customers’ plants (downstream processes).



ISO 9001 Certification

In addition, all our offices and plants in Japan obtained certification for ISO 9001, an international standard on quality management system, further strengthening our quality assurance system consistently applied throughout all stages from development to production.



A study session in the Study Hall

Enhancing Customer Satisfaction

We periodically conduct a customer satisfaction survey based on the information collected by our Sales Dept. and Quality Dept. from our customers. We use the results to make continuous improvements and enhance customer satisfaction, so that we can meet the expectations and needs of our customers. We also hold many technology exhibitions and give technical presentations in and outside Japan to introduce our new products, technologies and methods to our customers.



Technical presentation in Thailand



Technology exhibition



Topics

Awards received from overseas customers

Changsha Pacific Hanya Auto Parts Co., Ltd. (China)

Excellent Service Award (Received in December 2018)

Received an award from GAC Mitsubishi Motors Co., Ltd. to which Changsha Pacific Hanya Auto Parts supplies press products in recognition of its outstanding overall corporate attitude including parts supply and sales capabilities and excellent communication.



Pacific Industries (Thailand) Co., Ltd.

2018 New Q-Award (Received in November 2018)

Received an award from Auto Alliance (Thailand) Co., Ltd. in recognition of the continued zero complaints Pacific Industries (Thailand) achieved and its quality assurance system adequate enough to meet the customer requirements.



Pacific Valve (Taiwan) Co., Ltd.

Excellent Quality Award (Received in March 2019)

Received an award from Honda Taiwan Motor Co., Ltd. in recognition of Pacific Valve's (Taiwan) records of zero defects in the products it supplied during the period from January to December 2018.



For Fair Business Practices

We aim to achieve long-term coexistence and co-prosperity based good partnership 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 suppliers biannually to share and discuss our policies, operational targets, and issues. We have introduced an evaluation system to the Pacific Glocal Association, which consists of our principal suppliers, 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.



Awarding our suppliers

Activities of the Pacific Glocal Association

The Pacific Glocal Association, consisting of our 36 principal suppliers, 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 FY2018, we participated in an experiential education program related to disaster prevention at the Kyoto City Disaster Prevention Center to raise the awareness of the subject.

Program for experiencing fire fighting



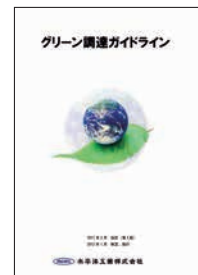
CSR Procurement

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.



Green Procurement Guidelines



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.

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. 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 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 that employees get sufficient rest for fatigue recovery and health.

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 “Kurumin” certification logo, by the Ministry of Health, Labour and Welfare.



Voice of employees who took childcare leave

Manufacturing Sec. 9,
Manufacturing Dept. 5
Stamping & Molding
Business Group

Naoto Chiba



My wife and I have a double-income household, and when I have to go to work early in the morning or late at night, she manages everything related to childcare and household chores. As she was giving birth to our third child, I wanted her to rest as much as possible after the childbirth and talked about it to my manager, who gave me this compassionate advice, “Why don’t you take a childcare leave?” So I decided to take the leave for two months. This gave me a very peaceful time with my family and got me even more motivated to work hard for supporting my family.

Manufacturing Sec. 1,
Manufacturing Dept. 1
Stamping & Molding
Business Group

Ryo Mizuno



I took a childcare leave for one and a half months when my third child was born. I proactively did the household chores and took care of our children every day during the leave, but it was harder than I had imagined. I well understood how much burden and troubles my wife was dealing with in everyday life, and felt more grateful for her. I will continue to balance my work and life and make family commitments to the extent possible.

No. of Employees at Pacific Industrial *As of March 31, 2019

	Men	Women	Total
Number of employees	1,655	166 (including 4 managers)	1,821
Average age	40.1	41.7	40.2
Average number of years worked	14.2 years	16.5 years	14.4 years

Employee Composition

		FY2014	FY2015	FY2016	FY2017	FY2018
Number of employees taking childcare leave	Women	8	12	9	6	8
	Childcare leave/return to work rate	100%	100%	100%	100%	100%
Proportion of disabled persons hired	Men	0	0	1	2	3
	Employees taking childcare leave	2.04%	2.03%	2.03%	2.27%	2.32%
Number of retired workers rehired		55	62	64	66	82

Annual paid vacation per employee

	FY2014	FY2015	FY2016	FY2017	FY2018
Target no. of days	10 days	12 days	12 days	12 days	12 days
Target achievement rate	97.2%	100%	100.0%	100.0%	95.8%

*All numerical values shown are based on non-consolidated data



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.



Committee for Work-style Reform

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

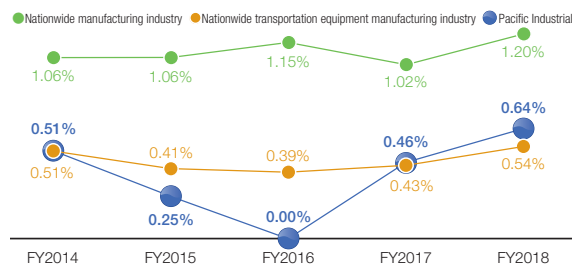
In keeping with our belief that building an organization that enables employees of all backgrounds and abilities to thrive will help the company achieve growth, we strive to cultivate a work environment that respects people's individuality, values, cultures, traditions, history, and backgrounds, and 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.

Building a Safe and Secure Workplace by Sharing of Observations and Improvements by Each Other

We make it our first priority to ensure the safety of our employees. To provide a healthful, 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.

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



Topics

Opening of the Study Hall

The Study Hall was opened at the Nishi Ogaki Plant in August 2019 with the aim of improving skills and developing human resources. It is comprised of three training halls under the respective themes of safety, quality, and skills, and is a facility where experienced employees provide education on basic skills (through classroom lectures and practical lessons), problem solving and hands-on safety experience. Educational programs are being implemented in phases mainly to employees in the technical fields with the aim of building a strong business foundation by developing human resources who will lead the next-generation manufacturing.



Opening ceremony of the Study Hall



Space for training using actual vehicles and engines

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.

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 wind power generation and experienced power generation using a propeller made of plastic bottles and ran car models using the electricity generated.



Summer science class

Plant Tours



Higashi Ogaki Plant: Inviting elementary school students for a plant tour



France SPF: Open house for college students



U.S. PMO: Plant tour for boy scouts

We held plant tours for local children at sites in Japan and overseas. We design our tours so that they can feel more familiar with manufacturing and cars.

Overseas Efforts to Support the Next Generation

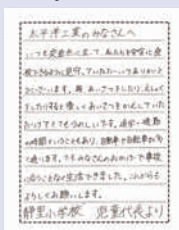


A volunteer club of Pacific Industrial visited and made donations to an orphanage in Cambodia in November 2018, and helped conditioning of farmland and other activities to support independence of the children.

Activity to Watch over Local Elementary School Students

Guards at Nishi Ogaki Plant watch over elementary school students walking to school at an intersection near the plant every morning. They received a letter of gratitude for the activity from the students.

Letter of gratitude from students



Ensuring safety at a crosswalk

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 FY2018, the foundation provided grants totaling 16.45 million yen to 28 research projects (174.41 million yen in cumulative total).



The OGAWA Science and Technology Foundation grants presentation ceremony



Supporting Sports Promotion

We provide various types of support for organizations ranging from local junior sports associations to a professional sport team with the aim of stimulating regional development and fostering young people.



Support for Ogaki Minamo Softball Club



Pacific Industrial Soft Tennis Teams (Both men's and women's teams are registered with the Japan Corporate Team League.)
 Soft Tennis Team website (in Japanese): <https://www.pacific-ind.co.jp/tennis/>



Sponsored a championship in which the Ogaki Junior Football Club participated (November 2018)



Pacific Industrial Community Appreciation Match by FC Gifu, a soccer team playing in the J2 League (March 2019)

© Kaz Photography/FC Gifu

Social Contribution Activities in Overseas Countries

Our overseas subsidiaries are also undertaking various social contribution activities.

Thailand PIT



Donated stationery and sport goods to neighboring 13 elementary schools



Employees and their families, 140 people in total, planted 300 mangrove trees

U.S. PMO



Supported the Red Nose* activity
 *A charity to donate proceeds from sales of red nose to children across the country

France SPF



Female employees participated in a local running event in support of the Pink Ribbon Campaign to raise awareness of breast cancer

South Korea PAC



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

South Korea PVI



Volunteer activities undertaken once in every three months (weeding, cleaning of care facilities for elderly people and welfare facilities for persons with disabilities in the community)

Supporting Activities to Promote Community

Jumangoku Festival



We actively participate in local events to contribute to regional development and collaboration

Donation Activities

In FY2018, the Pacific Industrial Group donated to a variety of initiatives and projects dedicated to recovery efforts and environmental conservation. We made donations to areas affected by flooding and to anniversary events of local high schools and universities. We also supported the Japanese black pine planting project along the shoreline in the areas that suffered massive damage from the Great East Japan Earthquake and tsunami.

In keeping with our environmental philosophy, one of our three management 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 a “credible high quality company” that is respected by society.



We shall actively partake in protection of the global environment, and strive to be a “credible high quality company” that is respected by society.



We share observations and learnings concerning safety, health and the environment, and implement concrete all-out improvement activities on a continuous basis.

Environmental Targets for FY2019

		Target
1	Development of environmentally friendly new technologies and manufacturing methods	25 or more developments in FY2019
2	Reduction of CO ₂ emissions	Reduction of CO ₂ emissions (t/100 million yen) by 4% to 38.1 t/100 million yen in FY2019 compared to FY2018
3	Reduction of industrial wastes (excluding wastes processed through “material recycling”)	Reduction of industrial wastes by 20% to 473 t in FY2019 compared to FY2018
4	Reduction of VOC emissions	Reduction of VOC emissions by 20% to 118 t in FY2019 compared to FY2018
5	Proper use of water resources in production activities	Work to reduce water consumption through daily improvement activities and determine the reduction plan and the numerical targets starting from the second half

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, including group companies.



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.

Topics

Launch of AQUA BMES, sterilization equipment for industrial oily water

Pacific Industrial started sales of AQUA BMES, the sterilization equipment for water-soluble cutting oil, industrial washing water and cooling water used in the plants. The sterilization makes the exchanging cycle of oil and water longer thanks to the effects of anti-spoilage and reduction of offensive odor, helping an effective use of resources.





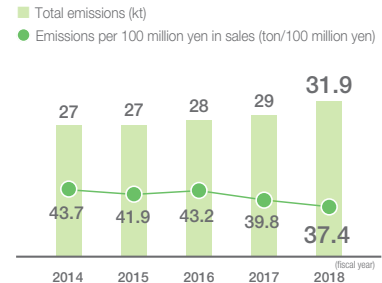
Reduction of CO₂ Emissions

In accordance with the Paris Agreement adopted in 2015, we have been promoting power saving by reviewing our energy sources and converting to energy-saving equipment. While we did not meet our target for emissions in FY2018, we made improvements in energy consumption by repairing air and steam leakages in our plants, shifting to LEDs for plant lighting and increasing efficiency in the manufacturing work. In addition, we are pushing forward with the development of products that use aluminum materials and light, highly rigid UHTSS as we see the weight reduction of our products as a priority issue in contributing to reduction of CO₂ emissions through the improved fuel efficiency of automobiles.



UHTSS product development

Changes in CO₂ emissions



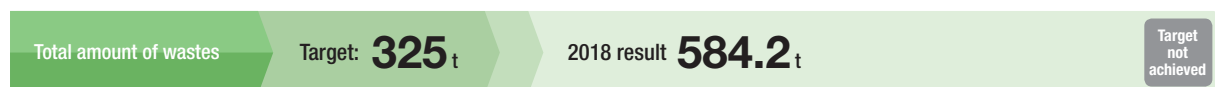
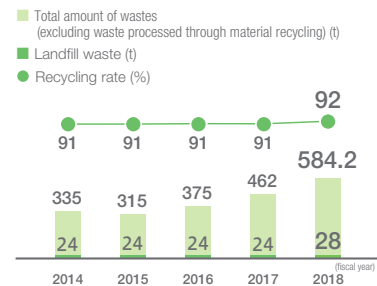
Reduction of Industrial Waste

We strive to reduce landfill waste by reducing the amount of waste and recycling the waste such as waste rubber, plastics and other materials into raw materials. We previously sold oil-containing chips generated at the time of cutting aluminum products. This practice was improved in FY2018 with the installation of a special machine that makes the chips into briquettes (compressed blocks of chips), a process allowing us to squeeze out and collect the oil at the time of compression. By doing so, we are now able to collect and reuse the oil in the amount of about 8,000 L/month in our plants, reducing new oil purchase and contributing to resource recycling.



Chips made into briquettes

Waste-related trends



Chemical Substance Management

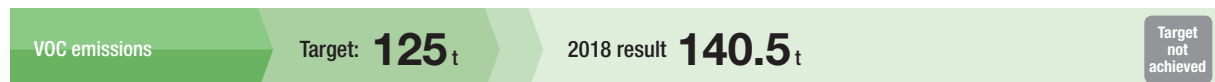
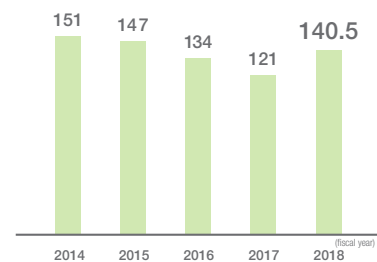
We endeavor to manage and reduce environmentally hazardous substances contained in raw materials and properly manage the chemical substances we use in the production process in accordance with the relevant laws and regulations in Japan and overseas. While we did not meet our target for the reduction of VOC emissions in FY2018, we are working to improve our production processes, develop alternative technologies, switch to high solid paints, and develop paint-free products.

We conduct substance investigations for our suppliers each year using the JAMA/JAPIA Standard Material Datasheet.



Paint-free product: Urethane engine cover

VOC emissions trends (t)



To advance our goal of living in harmony with the environment and the community, the Pacific Industrial Group undertakes initiatives for the conservation of biodiversity and promotes environmental communication.



► Our Environmental Initiatives

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

Initiatives for Biodiversity



A group photo of the participants of a Pacific Satoyama Woodland event

Pacific Satoyama Woodland Projects

The Pacific Industrial Group signed the “Agreement on Building Forests in Collaboration with Companies” with Ogaki City, Gifu Prefecture in 2009. Since then, we have continuously worked with our employees, their families and community residents on a variety of projects to learn about the environmental conservation and a recycling-oriented society in Pacific Satoyama Woodland located in Kamiishizu-Cho in Ogaki City. We held a 10th anniversary commemorative event in March 2019 and planted trees. During the decade, a total of 3,800 people participated in the projects with 1,665 trees planted. We plan to work on more activities to promote an understanding of biodiversity.

Activities in March 2019 (300 participants)

Description of activities	• Tree planting commemorating 10th anniversary of the activities
	• Health checkup of trees to check the growth and the health status of seedlings
	• True or false quiz with the theme of the environment
	• Wooden photo frame crafting



Tree planting commemorating 10th anniversary of the Pacific Satoyama Woodland Projects



Wooden photo frame crafting

Stonefly Watching

We support “Stonefly Watching,” a water quality survey project conducted by an elementary school next to our head office and Nishi Ogaki Plant. The project aims to help students raise awareness of environmental conservation by collecting and observing creatures living in rivers nearby and recognizing the



Observing creatures caught in a river

status of such rivers. Our employees joined and studied with the students, and presented them with plastic sheets featuring photos from an encyclopedia of living creatures.

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.

Additionally, staff from the department in charge of environmental management visits local junior high schools and universities to conduct an outreach program as our next-generation environmental education.



Explaining the plant during a social gathering at Higashi Ogaki Plant



Social gathering with community residents at Yoro Plant

Green Power Procurement

We procure green power as part of our collaboration with Ogaki City, Gifu Prefecture, through the city’s initiative to promote the use of green electricity. The city buys electricity generated by residential solar power systems, which is then procured by local businesses, thereby achieving the local production and consumption of energy. In March 2019, we purchased 30,000 kWh of green electricity. Through this activity we aim to help spread photovoltaic power generation and achieve a harmony between corporate activities and the environment.



Purchasing green electricity

Third-party Opinion

Pacific Industrial, which will celebrate its 100th anniversary in 2030, is working on various initiatives to create a new future with the aim of becoming a hundred-year company that achieves sustainable growth, is worthy of trust and meets the expectations of society. Pacific Industrial's aspirations and actions toward such a future are mentioned in the Top Message section and other parts of this CSR Report.

During this fiscal year, Pacific Industrial formulated the new Brand Slogan "Passion in Creating Tomorrow" with the aim of becoming "a hundred-year company that achieves sustainable growth." At the same time, Pacific Industrial identified the concrete three "desired corporate images" in its new long-term vision, which will be pursued under the PACIFIC VALUES "Dreams and Challenges" and "Trust and Respect," the universal values shared by members of the Pacific Industrial Group. In addition, Pacific Industrial came to have good prospects for achieving the targets set in its mid-term management plan which were to be achieved by 2020, and so the company has set new targets to be achieved by 2022. This early achievement of the targets is another example of Pacific Industrial's strong aspirations and actions to become a hundred-year company.

Key among the initiatives to become a hundred-year company is further enhancement of "GLOCAL management." The Top-level Discussion with Mr. Mikio Sugiyama, Chief Advisor to Gifu Shimbun, and the CSR result reports stated in the latter half of this Report reveals how hard the Pacific Industrial Group companies, which now extend across the globe, have been working to take root in their respective countries and regions.

Pacific Industrial's GLOCAL management has entered the second act through the acquisition of the three Schrader Group companies carried out last year. The specific initiatives to generate synergies after the acquisition of the three companies are reported in Special Feature 2 "Strengthening Global Structure."



Yoshinori Goto

President
OKB Research Institute Co., Ltd.

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

Schrader has been a model and a goal for Pacific Industrial since its founding. Its joining the Pacific Industrial Group has turned this former competitor into a partner that works on generation of synergies together. This is a significant change that deserves the opening of the second act of GLOCAL management. Now, Pacific Industrial is required to improve the management quality to adapt to the change.

Various synergies have been generated in production and sales so far, such as improvement of work of the valve business, labor saving and productivity improvement through standardization, quality improvement, and product sales channel expansion, by incorporating the best of the both companies.

Furthermore, Special Feature 2 reports on initiatives at the two Schrader Group companies in the United States and France as well as the voice of their employees. The initiatives taken to generate synergies through the interchange and the human resources development point to a corporate attitude typical of Pacific Industrial: It values human resources and endeavors to have its group companies around the world take root locally in their respective regions.

On the other hand, this Report also describes that Pacific Industrial goes on with its domestic initiatives to realize a safe, secure and environmentally friendly automobile society by making use of its technological capabilities.

Hopefully, each of the group companies around the world will put the GLOCAL management into practice under the new Brand Slogan with a view to "a hundred-year company that achieves sustainable growth" such that SDG initiatives and other CSR activities worthy of a hundred-year company will make steady progress across the entire Group in the future.

Response to Third-party Opinion



Tetsushi Ogawa
Executive Vice President
Member of the Board

I would like to thank Mr. Goto for his valuable opinion and advice on our CSR initiatives. Pacific Industrial started issuing the English version of the CSR Report in addition to the Japanese version last year in order to fulfill our disclosure responsibility as a global company towards a broader range of stakeholders. As such, we have been working on more complete disclosure of financial and non-financial information.

This fiscal year, we saw significant changes as we formulated the new Brand Slogan "Passion in Creating Tomorrow" and conducted rolling planning of our medium- to long-term visions. Currently, the automobile industry is said to be undergoing a once-in-a-century major transformation, and the global competition for survival is becoming more intensified. We formulated this Brand Slogan because we felt the real necessity not only for us to work on various issues with an even greater sense of crisis

but also for all of the members of the Pacific Industrial Group to be of one mind. Sharing this mind among all of the Group members, we are determined to create the future with passion as a manufacturing company that achieves sustainable growth.

As mentioned in this Report, Schrader Group companies that became our subsidiaries last year have been working to generate synergies by promoting interchange with Pacific Industrial. Amid rapid globalization, human resources development will be of most importance for a company to grow. We will make a group-wide effort to continuously develop the next-generation human resources based on the belief that "manufacturing is about developing people."

In addition, we will drive our strategies in the future based on the SDGs, a globally common agenda, and thereby achieve sustainability management.

Consolidated Financial Statement (Summary)

Consolidated Balance Sheets	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2018	FY2018
(Assets)			
Current Assets			
Cash and time deposits	14,081	21,763	196,083
Trade notes and accounts receivable	17,592	23,949	215,777
Merchandise and finished goods	3,897	5,863	52,833
Work in process	3,597	5,393	48,593
Raw materials and supplies	2,040	3,414	30,760
Other accounts receivable	2,483	3,366	30,329
Other current assets	235	652	5,881
Allowance for doubtful accounts	△ 41	△ 82	△ 740
Total current assets	43,887	64,320	579,518
Fixed Assets			
Property, plant and equipment			
Buildings and structures	19,943	23,332	210,222
Machinery and vehicles	27,724	37,002	333,387
Tools, furniture, and fixtures	5,763	7,605	68,524
Land	5,886	7,627	68,724
Lease asset	377	412	3,712
Construction in progress	16,620	16,197	145,937
Total property, plant and equipment	76,315	92,178	830,509
Intangible fixed assets	936	15,035	135,470
Investments and other assets			
Investments in securities	28,659	26,675	240,340
Long-term loans	3,464	64	579
Deferred tax assets	280	273	2,465
Net defined benefit asset	4,343	4,473	40,309
Other fixed assets	975	812	7,322
Allowance for doubtful accounts	△ 3	△ 3	△ 31
Total Investments and other assets	37,718	32,296	290,985
Fixed assets	114,970	139,510	1,256,965
Total Assets	158,858	203,831	1,836,484

	Millions of yen		Thousands of U.S. dollars
	FY2017	FY2018	FY2018
(Liabilities)			
Current Liabilities			
Trade notes and accounts payable	7,951	10,626	95,742
Electronically recorded obligations - operating	7,655	8,447	76,105
Short-term borrowings	4,021	4,769	42,970
Current portion of long-term borrowings	4,582	5,285	47,618
Other accounts payable	4,661	6,509	58,646
Accrued expenses	1,122	2,163	19,493
Income taxes payable	991	1,924	17,336
Consumption taxes payable	231	111	1,006
Deposits received	330	784	7,068
Allowance for bonuses	1,460	1,615	14,554
Allowance for bonuses to directors	48	60	541
Notes concerning installations	122	127	1,147
Other current liabilities	4,353	2,727	24,575
Total current liabilities	37,534	45,151	406,806
Noncurrent Liabilities			
Long-term borrowings	21,804	51,529	464,274
Deferred tax liabilities	6,397	8,181	73,712
Provision for directors retirement benefit	206	191	1,725
Net defined benefit liabilities	303	648	5,845
Other noncurrent liabilities	697	1,052	9,486
Total noncurrent liabilities	29,410	61,604	555,043
Total liabilities	66,945	106,755	961,850
(Net Assets)			
Shareholders' Equity			
Capital stock	7,296	7,316	65,924
Capital surplus	7,606	7,626	68,709
Retained earnings	61,340	68,315	615,513
Treasury stock at cost	△ 284	△ 285	△ 2,572
Valuation and translation adjustment	75,958	82,973	747,575
Valuation and Translation Adjustment			
Valuation difference on available securities	12,768	11,480	103,434
Foreign currency translation adjustments	1,627	1,015	9,147
Remeasurement of defined benefit plan	585	431	3,889
Total valuation and translation adjustment	14,981	12,927	116,471
Subscription rights to shares	232	274	2,474
Minority interests	740	900	8,112
Total net assets	91,913	97,075	874,633
Total Liabilities and Net Assets	158,858	203,831	1,836,484

The U.S. dollar amounts in the consolidated balance sheets were converted from Japanese yen amounts at the rate of ¥110.7 to U.S. \$1, the rate of exchange as of March 31, 2018.

Consolidated Statements of Income

		Millions of yen	Thousands of U.S. dollars
	FY2017	FY2018	FY2018
Net Sales	117,758	145,030	1,305,754
Cost of sales	100,675	123,417	1,111,167
Gross Profit	17,082	21,612	194,587
Selling, general and administrative expenses	9,019	11,305	101,784
Operating Income	8,063	10,307	92,802
Non-Operating Income			
Interest income	137	90	812
Dividend income	662	624	5,626
Equity in earnings of affiliated companies	616	688	6,199
Foreign exchange gain	–	228	2,056
Other non-operating income	291	318	2,868
Non-operating income	1,707	1,950	17,563
Non-Operating Expenses			
Interest expense	229	260	2,345
Commission fee	2	190	1,715
Foreign exchange loss	33	–	–
Other non-operating expense	19	39	356
Non-operating expenses	284	490	4,417
Ordinary Income	9,485	11,767	105,948
Extraordinary Income			
Gains on sale of fixed assets	–	132	1,191
Extraordinary income	–	132	1,191
Extraordinary Losses			
Losses on sales and retirements of fixed assets	227	92	836
Extraordinary losses	227	92	836
Income Before Income Taxes and Minority Interests	9,258	11,807	106,303
Income taxes-current	1,902	2,670	24,047
Income taxes-deferred	△ 73	372	3,350
Income taxes	1,829	3,043	27,397
Net Income	7,429	8,764	78,906
Profit attributable to non-controlling interests	36	34	306
Profit attributable to owners of parent	7,393	8,730	78,600

Consolidated Statements of Comprehensive Income

		Millions of yen	Thousands of U.S. dollars
	FY2017	FY2018	FY2018
Net Income	7,429	8,764	78,906
Other comprehensive Income			
Unrealized gains on available-for-sale securities	1,307	△ 1,245	△ 11,225
Foreign currency translation adjustments	△ 401	△ 577	△ 5,205
Remeasurements of defined benefit plans	209	△ 153	△ 1,381
Share of other comprehensive income of associates accounted for using the equity method	△ 7	△ 75	△ 680
Total other comprehensive income	1,108	△ 2,052	△ 18,493
Comprehensive Income	8,537	6,711	60,413
Comprehensive income attributable to:			
Owners of the parent	8,477	6,675	60,093
Comprehensive income attributable to non-controlling interests	60	35	320

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 ¥111.07 to U.S. \$1, the average exchange rate of FY2018.

Summary of Key Results

For the year

						Millions of yen	Thousands of U.S. dollars
	2013	2014	2015	2016	2017	FY2018	FY2018
Net sales *1	¥91,976	¥99,952	¥106,886	¥103,669	¥117,758	¥145,030	1,305,754
Operating income *1	5,500	6,962	7,869	8,662	8,063	10,307	92,802
Ratio of operating profit to sales (%)	6.0	7.0	7.4	8.4	6.8	7.1	7.1
Ordinary income *1	7,062	8,691	9,013	9,957	9,485	11,767	105,948
Ratio of ordinary profit to sales (%)	7.7	8.7	8.4	9.6	8.1	8.1	8.1
Net income for the year attributable to owners of the parent *1	4,587	6,714	7,114	7,524	7,393	8,730	78,600
Ratio of net income to sales (%)	5.0	6.7	6.7	7.3	6.3	6.0	6.0
EBITDA *1 *2	14,205	13,657	17,030	18,557	19,407	24,772	223,033
Capital expenditures *1	11,168	15,390	11,988	16,633	20,832	21,970	197,954
Depreciation expenses *1	6,996	6,637	8,003	8,414	9,919	12,704	114,384
R&D expenses *1	735	905	943	1,004	1,112	1,478	13,310

At year end

						Millions of yen	Thousands of U.S. dollars
	2013	2014	2015	2016	2017	FY2018	FY2018
Total assets	116,562	133,694	129,954	140,869	158,858	203,831	1,836,484
Net assets	60,648	75,459	73,244	84,266	91,913	97,075	874,633
Equity ratio (%)	49.5	55.5	55.7	59.2	57.2	47.0	47.0

Cash flows

						Millions of yen	Thousands of U.S. dollars
	2013	2014	2015	2016	2017	FY2018	FY2018
Cash flows from operating activities *1	10,689	11,130	15,211	14,381	17,944	18,941	170,535
Cash flows from investing activities *1	(10,749)	(15,370)	(12,754)	(16,420)	(22,229)	(40,595)	(365,492)
Cash flows from financing activities *1	5,515	(1,812)	(236)	246	5,239	29,231	263,178
Free cash flow *1	(60)	(4,240)	2,456	(2,039)	(4,284)	¥21,653	(194,956)

Per share data

						Millions of yen	Thousands of U.S. dollars
	2013	2014	2015	2016	2017	FY2018	FY2018
Net assets (BPS)	1,079.42	1,385.19	1,339.62	1,404.98	1,508.95	1,590.09	14.32
Net income (EPS)	85.80	125.47	132.42	138.08	123.53	144.80	1.30
Cash dividends	16.00	24.00	26.00	28.00	28.00	33.00	0.29

Major operating ratio

	2013	2014	2015	2016	2017	FY2018
Total assets turnover ratio	0.86	0.80	0.81	0.77	0.78	0.80
ROA/Return on assets (%) *2	5.2	5.6	6.0	6.4	5.4	5.7
ROE/Return on equity (%) *2	8.7	10.2	9.7	9.7	8.5	9.3

ESG data

	2013	2014	2015	2016	2017	FY2018
CO ₂ emissions (kt) *3	26	27	27	28	29	31
Waste generation (t) *3	429	335	315	375	462	584
VOC emissions (t) *3	156	151	147	134	121	140
Number of people taking childcare leave *3	10	8	12	10	8	11
Frequency rate of employees leaving due to industrial accident (%) *3	0.51	0.51	0.25	0	0.46	0.64
Number of employees	3,264	3,418	3,446	3,511	3,622	4,390

Notes:

*1 U.S. dollar amounts presented are calculated at the exchange rate as of March 31, 2019 with Japanese yen amounts to U.S. dollar amounts at ¥110.99 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 ¥110.07 to US\$1.00.

*2 Calculation formulas for each indices

EBITDA = Net income before income tax, etc. + Interest expenses + Depreciation expenses

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 The emission rate figures of CO₂, waste products, VOC, number of people taking childcare leave, and frequency rate of employees leaving due to industrial accident only represent those of domestic locations (excluding affiliates).

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
Capital stock:	7,296 million yen (As of March 31, 2018)
Number of employees:	1,687 (consolidated: 3,622)
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

Group Companies

JAPAN	Taiheiyo Sangyo Co., Ltd. PI System Co., Ltd. PEC Holdings Corporation
U.S.A.	Pacific Industries USA Inc. Pacific Manufacturing Ohio, Inc. Pacific Manufacturing Tennessee, Inc. Schrader-Bridgeport International, Inc.
Taiwan	Pacific Valve (Taiwan) Co., Ltd.
South Korea	Pacific Valve Industrial Co., Ltd. Pacific Air Controls Co., Ltd.
Thailand	Pacific Industries (Thailand) Co., Ltd. Pacific Auto Parts (Thailand) Co., Ltd.
China	Pacific Industries China Corporation Tianjin Pacific Auto Parts Co., Ltd. Changsha Pacific Hanya Auto Parts Co., Ltd. Pacific Auto Parts Technology (Changshu) Co., Ltd.
Belgium	Pacific Industries Europe NV/SA
France	August France Holding Company SAS Schrader SAS

State of Shares

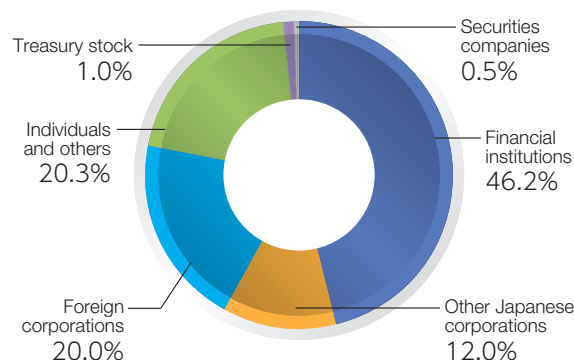
Number of shares the Company is authorized to issue	90,000,000
Number of shares already issued	61,312,896
Number of shareholders	3,684

Principal Shareholders (top 10)

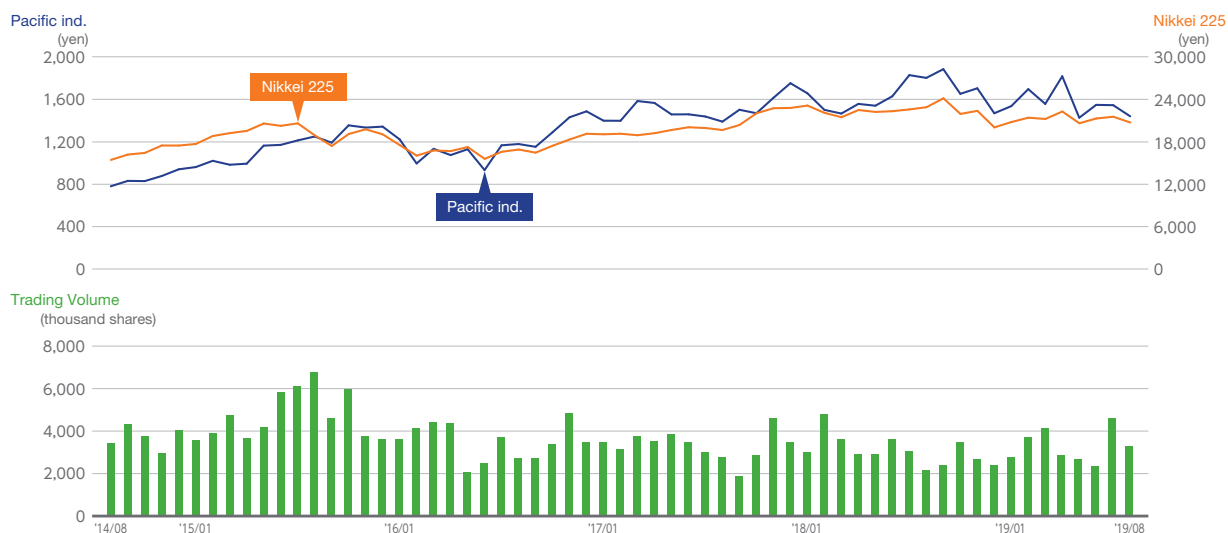
Shareholder name	Number of shares held (thousands of shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	6,591	10.84
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,791	4.59
MUFG Bank Ltd.	2,679	4.40
Ogaki Kyoritsu Bank, Ltd.	2,671	4.39
The Juroku Bank, Ltd.	2,619	4.31
Nippon Life Insurance Company	2,359	3.88
The Dai-ichi Mutual Life Insurance Company	2,349	3.86
PEC Holdings Corporation	1,987	3.27
Employee stock ownership of Pacific Industrial Co., Ltd.	1,927	3.17
Giken K. K.	1,891	3.11

(Note) The shareholding ratio, excluding treasury stock (552,422 shares), is rounded to two decimal places.

Distribution of Shares



Stock Price



MEMO

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MEMO

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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 at each site 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.

