



SUSTAINABILITY REPORT 2022

Passion in Creating Tomorrow



PACIFIC INDUSTRIAL CO., LTD.

BRAND SLOGAN

Passion in Creating Tomorrow

Pacific Industrial develops new businesses, new technologies and new products that add to safety, environmental performance and comfort. By doing so, we aspire to achieve sustainable growth as a company with a trusted reputation that meets the expectations of society. An expression of this aspiration is our Brand Slogan.

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

CORPORATE PHILOSOPHY

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

1. Endeavor to develop and enhance technologies and to supply high quality products in response to the needs of customers.
2. Value our employees as our essential family members and pledge to provide a place where they enjoy working and creating.
3. Continue to contribute to society, confirming our role in the world as an excellent company as well as an environmentally conscious company.

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Sustainability Report 2022 Editorial Policy

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

We are currently promoting sustainability management based on the sustainability-related material topics that we identified in 2020.

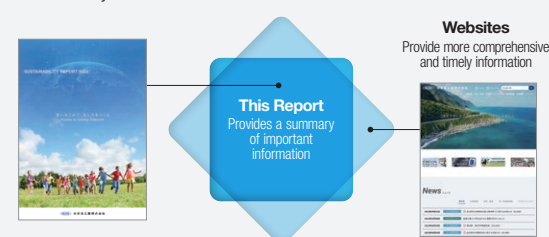
Our initiatives for the 15 identified material issues and the progress of KPIs is reported in this Sustainability Report 2022.

We look forward to hearing your candid opinions.

Other media

Websites

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



Securities Report

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

Period Covered in the Report:

From April 1, 2021 to March 31, 2022
(includes the latest information at the time of publication)

Boundary of the Report:

The Pacific Industrial Group

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

Publication Date:

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Guidelines Used as Reference:

GRI Standards
ISO26000
The International Integrated Reporting Framework
Final Report
Recommendations of the Task Force on Climate-related Financial Disclosures
Sustainability Accounting Standards Board
(Reference codes are attached to the relevant sections, including partial disclosures.)

Notes on outlook

This report contains forward-looking statements, including strategies, plans, targets, and other projections made based on currently available information. These forward-looking statements are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from those discussed in the forward-looking statements. Accordingly, there are no guarantees that the forward-looking statements contained in this report will prove to be accurate.

We will overcome turbulent times and create sustainable value by recognizing the importance of human resources that effect sustainability.

Under the brand slogan, “Passion in Creating Tomorrow,” Pacific Industrial Group is promoting sustainability management under the long-term vision PACIFIC GLOBAL VISION toward 2030, the 100th anniversary of our founding, and beyond.

Steadily Promoting Business in the Midst of Upheaval

As the transition to a mobility society accelerates, including CASE and electrification, the environment surrounding our Group is becoming increasingly severe and uncertain due to the spread of COVID-19, soaring resource prices and restrictions on the supply of parts and materials, as well as the situation in Ukraine.

Under these circumstances, our Group has worked to prevent infections, promoted cost improvements, built a production system to match order fluctuations, and secured personnel and parts. In addition, we have formulated the PACIFIC Environmental Challenge 2050 in light of social issues such as SDGs and carbon neutrality, and we are working to reduce CO2 emissions.

In the stamping business, we promoted development and sales of products for electrified vehicles, such as ultra-high tensile strength steel products using the cold press method that contribute to car body weight reduction, functional parts such as battery cases and those from forging presses, and molding products that contribute to wheel caps and sound and vibration insulation. In response to growing needs for lighter weight products, a new plant for stamping products is under construction adjacent to the Higashi Ogaki Plant in Ogaki City, Gifu Prefecture, with an eye toward carbon neutrality.

In the valve business, together with our Group company Schrader, we are developing tire valves, on which our company was founded, as well as Tire Pressure Monitoring System (TPMS), car air conditioning valves, and industrial valves. We are also focusing on developing control valves for heat-pump-type car air conditioners, which are expected to be increasingly used in electrified vehicles.

Initiatives Dedicated to Material Topics

In 2020, based on the SDGs (Sustainable Development Goals), we have identified our Group's key issues as material topics, and last year we formulated major initiatives and KPIs based on them.

The elements of the material topics, including human rights, human resources, the environment, and responsible procurement, are incorporated into our Group's “Code of Conduct” and “Supplier Sustainability Guidelines.” We are implementing specific initiatives with our suppliers in Japan and overseas, as well as promoting awareness through study sessions, the company newsletter, and e-mail magazine among other means.

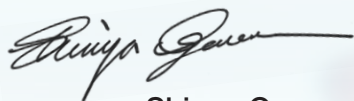
As for “solving social and customer issues through products,” we are working on cost reduction, weight reduction, and environmental impact reduction through LCA using our product and material development, construction methods, and production technologies. In recognition of these initiatives, we received 20 awards globally from our customers in fiscal 2021. As for new product development using existing technologies, following last year's release of “e-WAVES,” a multi-sensing logger for vaccine transportation and other applications, this June we launched “CAPSULE SENSE,” a cow body condition monitoring system that contributes to solving the problems of cattle farmers who are suffering serious labor shortages.

With regard to the urgent issue of “mitigation of and adaptation to climate change,” in May of last year, we endorsed the TCFD recommendations and worked to refine our analysis of the risks and opportunities that climate change poses to our Group while using scenario analysis techniques. In particular, regarding the introduction of renewable energy, we are actively promoting the installation of solar power generation systems at our domestic and overseas plants using PPA, working to achieve 100% renewable energy in the Kyushu and Tohoku regions, and continuing our initiatives to achieve a 20% renewable energy ratio by 2030.

More Active Roles for Diverse Human Resources

Regarding “respecting human resources and their active participation,” we are proceeding with human rights due diligence in accordance with our human rights policy, which was formulated in February of 2021. In addition, as part of our health initiatives, we were selected under the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program (large enterprise category).” Currently, we are establishing targets for the ratio of female managers and strengthening the recruitment of female employees to enable diverse human resources to play an active role. In the future, we will accelerate diversity and inclusion management by creating an environment in which everyone can demonstrate their individual characteristics, not only women, but also foreign nationals and mid-career employees, in a variety of situations. We will also promote education by rank and digital skill training to create an organization and culture in which diverse human resources can grow and create new value.

We appreciate your continued support.



Shinya Ogawa

President ,Member of the Board



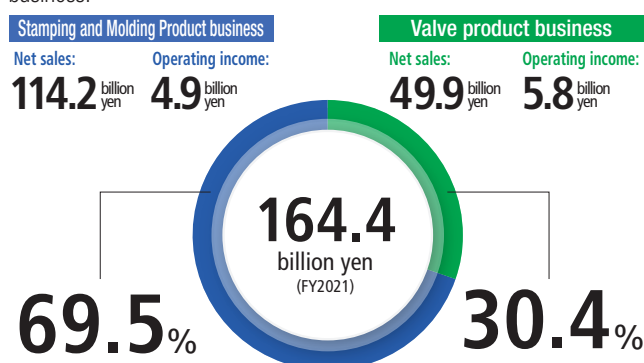
Pursuing “Glocal” Corporate Activities Under a Global Quadrilateral System

Company Profile

Name : Pacific Industrial Co., Ltd.
Head Office location : 100 Kyutoku-Cho, Ogaki City,
 Gifu Prefecture, 503-8603 Japan
 TEL 0584-91-1111 (main switchboard)
Established : August 8, 1930
President, Member of the Board : Shinya Ogawa
Capital stock : 7,316 million yen (As of March 31, 2022)
Number of employees : 1,988 (consolidated: 4,763)
Businesses : Manufacturing and sales of automotive parts
 and electronics parts
Stock Listings : Tokyo Stock Exchange Prime Market,
 Nagoya Stock Exchanges Premier Market
Security code : 7250

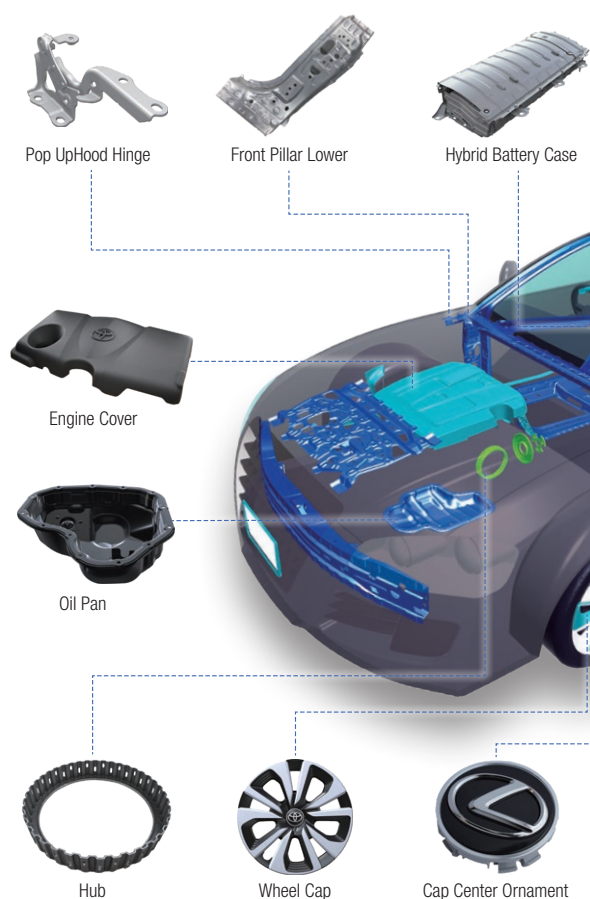
Overview by Business Segment

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



Main Products

Stamping and Molding Products



Tire Valve Products



Car Air Conditioner Products



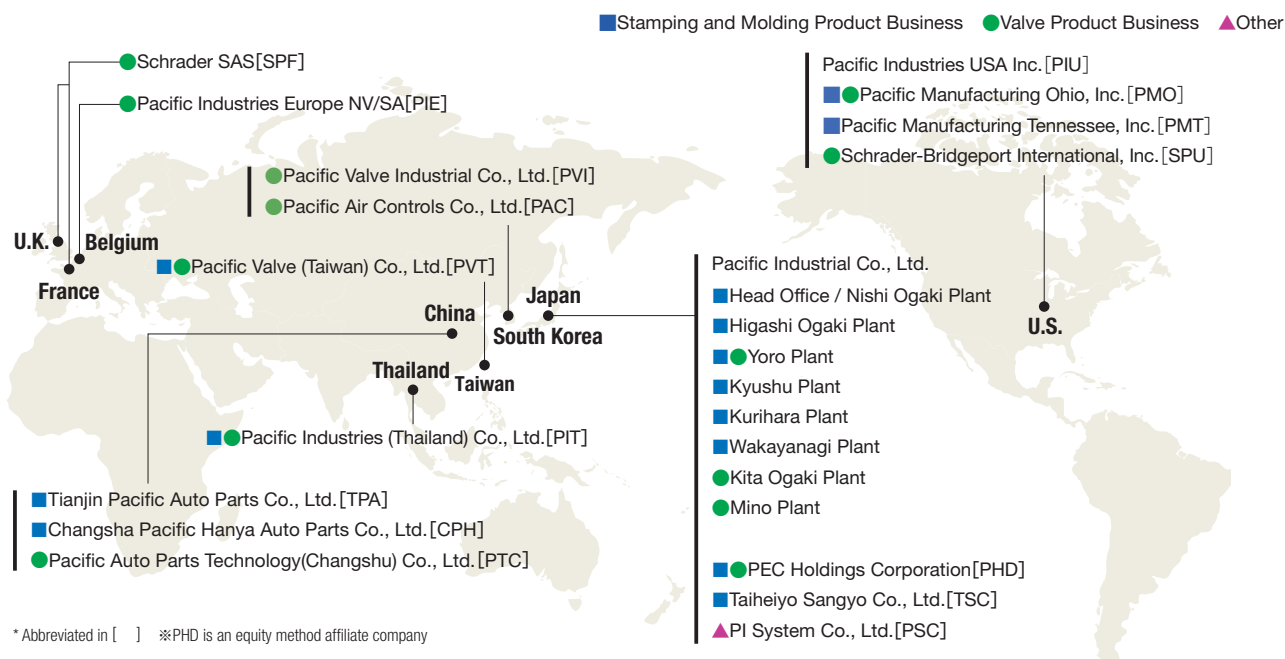
Fuel System Products



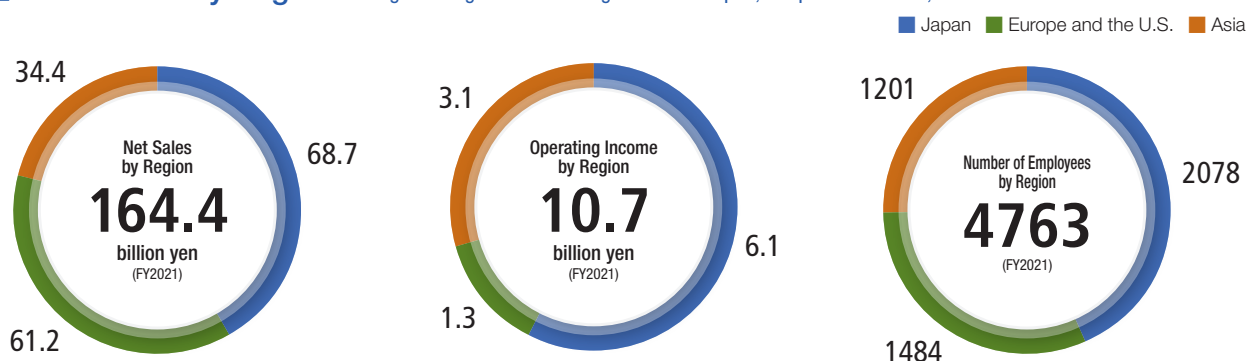
Non-auto Parts



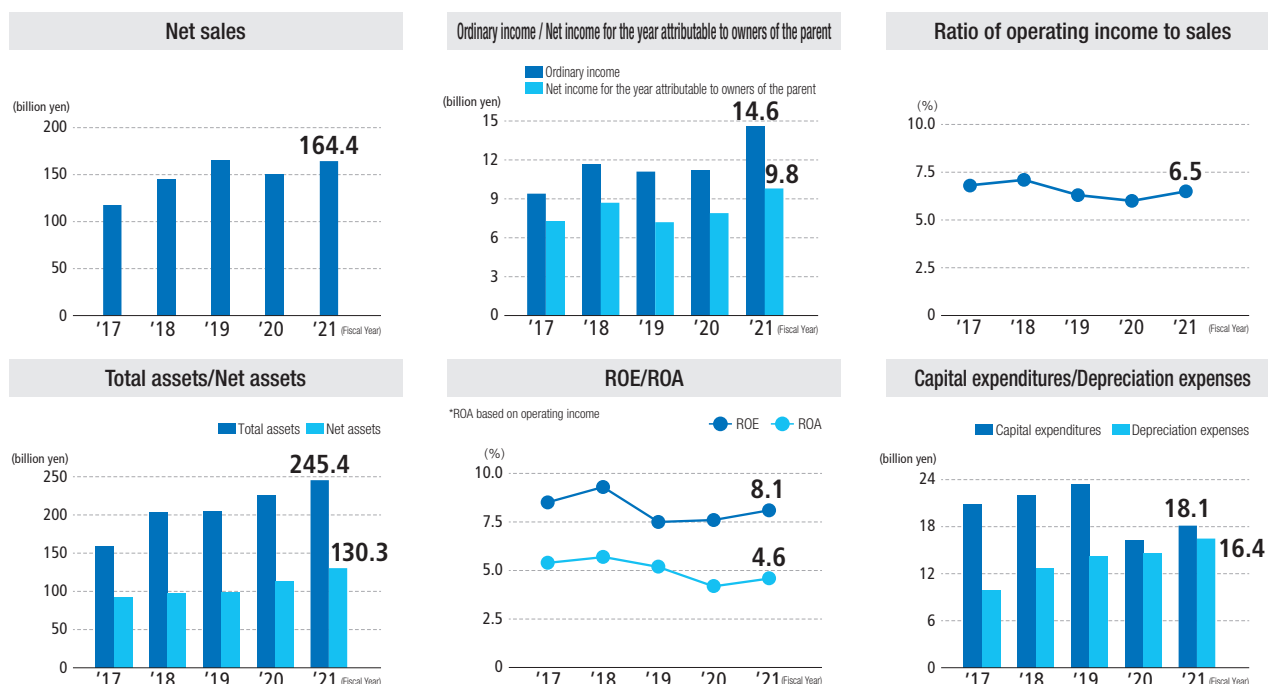
Global Network (13 companies in 8 countries outside Japan, 8 domestic bases and 4 companies in Japan)



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




Highlights of Consolidated Results



Promoting Innovation and Globalization

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.



1946/Aug.

Started doing business with Toyota Motor Company.

1954/Jul.

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

1957/Jul.

Introduced tubeless tire valves into the market.

1960/Nov.


Set up Nishi Ogaki Plant and expanded the stamping business.

1970/Aug.

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

1972/Nov.

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




Kita Ogaki Plant

1977/Sep.

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

1982/Sep.

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




Yoro Plant

1984/Jun.

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

1987/May

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



PACIFIC VALVE INDUSTRIAL CO., LTD.

1988/Jul.


Established PACIFIC INDUSTRIES USA INC. in the United States.

1989/Mar.

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

1990/Nov.

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



Higashi Ogaki Plant

1999/May

All the plants attained ISO 9001 Certification.

Founded by manufacturing valve cores

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



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



Started the stamping business

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



Toyopet wheel cap



Production of radiator grilles, etc.

Expanded plants and businesses in Japan

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









Nishi Ogaki Plant

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

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

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

2000	1999/Jul.	Established PACIFIC MANUFACTURING OHIO, INC. in the United States.		2005/Apr.	Established TIANJIN PACIFIC AUTO PARTS CO., LTD. in China.		2013/Nov.	Set up Wakayanagi Plant as a production plant for molding products.	
	2000/Oct.	All domestic plants attained ISO 14001 Certification.		2006/Dec.	Set up Kyushu Plant as a production plant for stamping and molding products.		2014/Jan.	Achieved cumulative global production of 100 million TPMS transmitters.	
	2000/Dec.	Began the production of TPMS transmitters.		2010/May	Set up Kurihara Plant as a production plant for stamping and molding products.		2014/Jul.	Established PACIFIC MANUFACTURING TENNESSEE, Inc. in the United States.	
	2002/Nov.	Achieved cumulative global production of 10 billion valve core units and 5 billion tire valve units.		2011/Nov.	Established CHANGSHA PACIFIC HANYA AUTO PARTS CO., LTD. in China.		2014/Jul.	Established PACIFIC AUTO PARTS TECHNOLOGY (CHANGSHU) CO., LTD. in China.	
2010	2004/Sep.	Established PACIFIC AIR CONTROLS CO., LTD. in South Korea.		2012/May	Established PACIFIC INDUSTRIES EUROPE NV/SA in Belgium.		2014/Nov.	Established PACIFIC AUTO PARTS (THAILAND) CO., LTD. in Thailand. * Integrated PIT in November 2020	
				2012/Jun.	Established PACIFIC INDUSTRIES CHINA CORPORATION in China. * Merger with TPA in August 2021		2018/Aug.	Acquired Schrader valve business in the U.S. and France	
							2020/Aug.	Celebrated our company's 90th anniversary	
							2020/Apr.	Moved to the Prime and Premier Market with a restructuring of the Tokyo and Nagoya Stock Exchanges market.	
2020									

Established first overseas base

We established PACIFIC VALVE (TAIWAN) CO., LTD. in Taiwan in 1984 as the first overseas base for our valve business. After that, we promoted globalization by expanding our bases into Korea, the United States, Thailand, China, Belgium and France.



PACIFIC VALVE (TAIWAN) CO., LTD.

Developed next generation valve TPMS

In 1999, we developed a TPMS transmitter as a next-generation valve for the IT age, which is a high value-added product made possible by combining the technologies we have accumulated over many years.

The use of TPMS became required by law in the United States and demand has expanded to grow into one of our core products.



TPMS transmitter

Acquired Schrader's valve business

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

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



Schrader SAS

People-oriented Management

Human resources are the most important management resource for a company, and fully utilizing their abilities is an indispensable condition for sustainable growth.

“Respecting human resources and their active participation” is one of our material topics for sustainable management. And Pacific Industrial considers what kind of human resources and organizational development we should aim for in the future.

We invited Ms. Taeko Utsugi, who is known for her many achievements in women's softball, to speak with President Ogawa based on her experience training players and building teams.

Philosophy Needed for Human Resource and Organizational Development

Ogawa: In Ogaki City, Gifu Prefecture, there is the Ogaki Minamo Softball Club, operated by 11 local companies, which has been active since this year in the East Division of the Japan Diamond Softball League, a Japanese women's softball league organization. As such, I have been friends with Ms. Utsugi for some time and asked her to participate in this discussion.

Utsugi: I started my athletic career 50 years ago at Unitika in Tarui. There is a long relationship with Pacific Industrial in Ogaki City and Tarui, as they are neighboring towns. Today I toured your plant for the first time. I realized that manufacturing requires a sense of

responsibility and accuracy in work, without accidents or mistakes, and that teamwork is the key to success.

Ogawa: Softball teams also have players with various personalities, don't they? What have you valued in leading a team as a manager over the years?

Utsugi: First is a team philosophy. At Hitachi Takasaki (now Bic Camera Takasaki), where I managed for the first time, the plant manager at the time told me about the company's philosophy and the purpose of establishing a softball team, and I set policies on what we would aim for and how we would overcome difficulties. I made sure the company understood this, communicated my ideas to the players, listened to each player's ideas, and shaped the slogan and rules as the team philosophy. A corporate sports team goes through good times

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

SHINYA OGAWA



and bad, so it is important to share the philosophy with players. It is also important to utilize and develop the players' strengths. That is why I kept close communication with the players and made personal cards and kept notebooks to understand their strengths and weaknesses, including their individual personalities and the environment in which they were raised. I adopted a concept of "everyone is a regular player," and I always made clear the division of roles and encouraged players to play to their strengths within the team.

Ogawa: As a manufacturing company, we value the idea that "manufacturing is about developing people," and we have carried on a philosophy of "Dreams and Challenges, Trust and Respect" since our founding. That led us to establishing the brand slogan "Passion in Creating Tomorrow." I agree with you on the importance of communicating clearly to employees about what we are aiming for and why certain things are necessary so they will understand what we are trying to achieve. Rather than doing a job because the president tells you to, what is needed now is value creation, where people act proactively based on their own philosophy.

I also value the idea that within the company as a team, "the post-process is the customer". It is important to be conscious of the value chain of receiving orders for products, design and development, production technology, procurement, manufacturing, quality assurance, and delivery from automobile manufacturers to end users. As a manager, I believe that to elicit proactive action from employees, I must provide an environment where they can work with peace of mind. You also put a lot of effort into creating an environment in which

players could devote themselves to softball.

Utsugi: I expressed gratitude to the companies that allowed us to play softball, worked hard to ensure employees liked and actively supported us, and I instructed the players to do the same. By doing that the employees began to protect the team, and receiving support from not only the company but also from the local Takasaki citizens was reassuring.

A softball team must of course thoroughly pursue victory, but when the players' efforts are conveyed through their daily practices, you can feel the morale of the employees rise as well. I felt there was more value there than just winning.

Building a Place Where Diverse Human Resources Can Play an Active Role

Ogawa: In corporate management, utilization of diverse human resources, including the promotion of women's activities, is a major issue. You became Japan's first female softball team manager 36 years ago, and you also managed the All-Japan team. Has the perception of female managers changed in the softball world?

Utsugi: It has. When I first became a manager, I felt prejudice and heavy headwinds because I was a woman. I was also slandered and attacked, especially after I started winning games. However, I didn't see any difference between men and women managers, and I had a strong desire to win and be the best. I took the slander as proof of recognition that I was good, and I worked positively to succeed. When I decided to become a manager, my father told me that a



Vice President and Captain
Japan Women's Softball League Organization

TAEKO UTSUGI

Profile

Born in 1953. She began playing softball in junior high school and joined Unitika Tarui in 1972 after graduating from high school. She participated in the 1974 World Championships. After retiring in 1985, she worked as a junior national team coach before becoming manager of Hitachi Takasaki (now Bic Camera Takasaki). In 1997, she was appointed manager of the Japanese national team and won a silver medal at the 2000 Sydney Olympics and a bronze medal at the 2004 Athens Olympics. She founded the NPO Softball Dream in 2011. In 2021 she was appointed Vice President and Captain of the Japan Women's Softball League Organization. She works to train young players and popularize the sport of softball, and has given numerous lectures and written a number of books.



manager must be a president and a janitor. That means being attentive to individual player's feelings and dealing with the relationships around them, including their families and the company, while maintaining an overall perspective and paying close attention to details, and then getting results. Thinking about things in this way, I have come to believe that it is important to know how to deal with each person's individuality and respect them as human beings, not based on attributes such as gender, age, race, nationality, or disability.

Ogawa: I understand. Japan has always been a hierarchical society that emphasizes hard work. However, once you go out into the world, lifestyles are different and Japanese values and common sense do not apply. Diversity is spreading everywhere and cannot be judged by a single standard. Our Group also has many sites where women are active at our overseas offices.

In Japan, laws have been enacted regarding the advancement of women, and employment of people with disabilities and the elderly, but I believe that simply following the law is insufficient and that companies should actively take the initiative in addressing these issues. We are also working toward a long-term goal of increasing the ratio of female managers. Firstly, however, we need to increase the number of women we hire when recruiting new graduates, and beginning this year we will aim to hire 20% women.

It is necessary to create a place where human resources with these various personalities can demonstrate their abilities. To achieve this, we must work to ensure that our workplace environments and conditions are conducive to support systems that cater to life stages such as childbirth and childcare, and encourage career advancement while balancing work and family life.

Utsugi: Whether in the corporate world or in sports, it is about understanding and respecting others and making it a place where all people can be active with their own thoughts and feelings. Asian women in particular tend to be reserved, but I would like them to show courage and confidence. If we can bring out the best in each other in this way, we can create a more open world.

Ogawa: In the past, corporate management emphasized high

efficiency through standardization and equalization, and tended to put people into molds as well. But nowadays we live in time when people are expected to develop strengths, compensate for their weaknesses, and make the most of their individuality. For example, a person with a disability may also have abilities superior to others. A good organization that is managed well is able to find and utilize such abilities.

It is said that the COVID-19 pandemic has made us a masked society and that our communication skills have deteriorated. Rather than forcing young people to conform to old-fashioned thinking, we are working with the awareness that we are nurturing human resources in advance for the future that will transcend the times. I believe that the openness you mentioned will manifest itself in various ways by approaching it in that way.

The Soil to Plant Dreams

Ogawa: In 1930, Soichi Ogawa, the founder of our company, had a dream to domestically produce valve cores used in automobile tires, and after challenging himself, he achieved this dream. This was not something he accomplished alone, but was made possible with the support of many people around him. As a result of the work of so many people, the company has grown, and our Groups' business has expanded by repeatedly drawing up the next dream, realizing it, and growing even further.

However, I think it is quite difficult to tell employees who have dreams to just realize them from nothing. The internal environment needs to be the "watering grounds" that employees need, that is, the soil in which to take on challenges.

Utsugi: It is a system and structure that supports the challenges of employees who have dreams. What kind of soil is it?

Ogawa: I believe that respect for human rights, and diversity and inclusion, are essential as the soil for such challenges. In addition to human rights due diligence, I think it is necessary to value awareness from daily communication. In terms of personnel systems, we have introduced an evaluation system that requires not only competence in work, but also the "compassion" required to become a manager. Recent initiatives include raising "psychological safety" in the workplace to create an environment where everyone can freely and openly express their opinions, making this known to managers, and expanding the scope of soil creation by launching our "Creating Tomorrow Project," in which each team can freely propose their own ideas to management in line with our brand slogan.

Utsugi: What kind of results have you seen from this creation of soil for taking on new challenges?

Ogawa: I feel that it is easier than before to generate proposals based on new ideas from within the company. From the viewpoint of products that can contribute to society, using monitoring functions such as pressure, temperature, and acceleration sensors cultivated in the automotive parts TPMS, we have released new products in completely new fields, such as "e-WAVES," which meets the needs of the food and medical industries, and "CAPSULE SENSE," a cow body condition monitoring system. These things are the result of our initiatives to

create the soil to take on challenges. We look beyond short-term perspectives and aim for sustainable growth while developing people and technology over the long term.

By the way, would your dream now be to revive softball as an event at the 2028 Los Angeles Olympics?

Utsugi: Yes, that is my biggest dream. The decision will be made in July or August of next year and, as a board member of the WBSC (World Baseball Softball Confederation), I am in the middle of various efforts to help make the sport an Olympic event. This is a major challenge for me at the moment, and I consider it a daily struggle.

Both as an active player and as a team manager, I always had a single-minded desire to win. I worked hard to achieve my dream of becoming the best, but I just couldn't get past second place. As the manager of the Japanese national team, as you know, we only won a silver medal in Sydney and a bronze in Athens. It's unfortunate that my dream did not come true, but looking back, I think that it was the driving force that kept me committed to softball.

And, while winning is no doubt important, I have come to feel great happiness in living a rewarding life with a broad dream of being useful to the world as I engage in activities that contribute to women's softball in Japan and in various other social contribution activities. That is how I feel every day.

Would you also tell me about your dream?

Ogawa: I want to further evolve this company by practicing "GLOCAL Management," which contributes to development on both the local and global stages, and create tomorrow together with our stakeholders in each region. To achieve this, we will need to develop human resources capable of delivering results with a greater sense of speed than ever before, and be willing to take on challenges while also utilizing outside resources. And we will need to do this in earnest.

Earlier, I mentioned our brand slogan, "Passion in Creating Tomorrow," which was created under the leadership of the vice president in order to inherit the past, while at the same time presenting our philosophy for the future in our own words. The importance of "purpose" has been increasingly discussed in recent years, and our brand slogan is our purpose. We will no longer repeat what we have done up to now and all move forward single-mindedly. Rather, while together looking in the same direction in line with our brand slogan, we will aim to grow as a company that realizes the aspirations of each and every employee. Our dream is to leave the realization of this idea for the next generation.

Sowing Seeds for the Future

Utsugi: I founded the non-profit organization Softball Dreams in 2011, with the initial objectives of our activities being to revive softball as an Olympic sport, support players' second career activities, and to make various social contributions through softball. However, at the same time, the Great East Japan Earthquake occurred and caused extensive damage in the Tohoku region and other areas, so we also started to support reconstruction efforts in the affected areas. As for social contributions, we are engaged in activities that contribute to the development of young people both in Japan and overseas, mainly by



holding softball classes for children to learn the joy of sports, which is something that also leads to human development and learning.

One of the most memorable initiatives was a visit to an African country. We cut the grass in an empty lot to make a field, gathered local instructors and children, and taught them to play softball with equipment we brought from Japan. We saw one child drinking muddy water and were worried, but when we warned him not to, he said, "I have to drink this to survive." I was shocked and it made me think about many things, including the huge differences between the lives of children there from those in Japan.

When I visited the same place again 10 years later, to my surprise, the child I saw drinking the muddy water had grown up and become a softball coach. I was moved to tears. They were still using the same bat as 10 years before and it was in bad shape, so they were happy when I gave them a new one. Because of these types of interactions in many different places, I received a large number of votes in the re-election of the WBSC Board of Directors I mentioned earlier. Individual activities will not immediately spread the popularity of softball or bring about a revival in the Olympics, but I feel that there is value in continuing to steadily "plant seeds."

Ogawa: That's a wonderful story. We are also working to build sustainable relationships with all our stakeholders, from carbon neutrality to encouraging our suppliers to become more sustainable and contribute to local communities. However, as you described, it is "planting seeds," and it will take time for such efforts to bear fruit. For our company to continue to exist in the world, I think it is necessary to continue doing this.

And I believe that our theme going forward is for each employee to work with an awareness of the relationship between themselves, the company, and society, and pass on to the next generation the future value that will be created through these relationships.

I gained a great deal of insight from you today, Ms. Utsugi.

Thank you very much.

Utsugi: Thank you very much. We look forward to your continued support for the development of softball.

BRAND SLOGAN

Passion in Creating Tomorrow

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

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Toward this ambition, Pacific Industrial will create the future with passion.

PACIFIC VALUES

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

Our Attitude



Principles of Conduct

To Remain as a Company Needed by Society, Now and Into the Future

Through the development of new businesses, new technologies, and new products that contribute to improving safety, environment, and comfort performance, we aspire to achieve sustainable growth as a company with trusted reputation that meets the expectations of society.

The "Principles of Conduct" are the tenets we follow in consideration of how we affect our stakeholders, and call for every member of the Pacific Industrial Group to act sensibly and with high ethical standards as members of global society.

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

Customers	We will work to consistently communicate with our customers and to provide environment-conscious, high-quality products and services that are trusted by, and satisfy, our customers.	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.
Shareholders	In order to garner trust and meet the expectations of our shareholders, we will place importance on bilateral communication and continuously strive to improve our corporate value by taking a long-term view.	Environment	We always recognize the importance of environmental conservation in all our business activities, comply with laws and regulations related to the environment, and actively engage in environmental conservation activities based on our "Environmental Policies."
Business Partners	Aiming at co-existence and co-prosperity based on mutual trust, we will respect our business partners and establish strong positive relationships with them on an equitable and fair basis.	Communities	In addition to contributing to the sustainable development of society through close partnership and cooperation with local communities, we also engage in social contribution activities (support for academics/culture/sports, participation in volunteer activities, international community contributions, etc.) to build bonds with local communities.

Long-Term Vision “PACIFIC GLOCAL VISION”

The automotive industry is undergoing a once-in-a-century period of major change, and is in the midst of fierce competition from technological innovations such as CASE and weight reduction, as well as the growth of emerging markets and the entry of different industries. 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 tackles the challenge of new value creation through manufacturing and clarifies the “aspired corporate image” as PACIFIC GLOCAL VISION by reviewing its long-term vision in pursuit of contribution to a sustainable society.

Aiming to be a 100-year company that continues to grow sustainably, and beyond, we are committed to taking on the challenge toward a new future

VISION

1

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

VISION

2

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

VISION

3

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

Mid-term management plan “OCEAN-22”

As an action plan to realize our long-term vision “PACIFIC GLOCAL VISION,” we are working toward the completion of the mid-term management plan “OCEAN-22,” which ends in FY2022.

As part of our growth strategy, in addition to providing high value-added products that contribute to automotive weight reduction, such as ultra-high tensile strength steel (UHTSS) products, and to improved safety and environmental performance such as increasing orders for TPMS, we are also developing soundproof covers for

electric compressors using urethane foam technology and control valves for heat pump type automotive air conditioners as an initiative toward electrification. Through these initiatives, we will solidify our manufacturing fundamentals and focus on strengthening our profit structure in preparation for the next great leap forward as well as developing human resources who will realize those changes, all while simultaneously improving upon our ESG (Environmental, Social, Governance) initiatives.

Priority initiatives

Trust

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

SUSTAINABLE DEVELOPMENT GOALS



Pacific Industrial Group's Value Creation Model

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

Social issues

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

Business model

Risk

- Business activities (global economic and geopolitical situation/customer dependent/development/price competition/quality/raw materials/information security)
- Finance
- Climate change
- Compliance
- Human rights and labor

Opportunity

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

Internal and external management resources

Financial capital

Sound and stable financial foundation

Manufactured capital

Production equipment, metallic moldies and manufacturing know-how

Intellectual capital

Development, evaluation and analysis technologies

Human capital

Global and domestic human resources

Social and relationship capital

Collaboration with stakeholders

Natural capital

Raw materials, energy and resources

Stamping and molding business

New business

Valve business

Management foundation

Management corporate function

Strength

Stamping and molding business

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

Valve business

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

New business

- Wireless communication, sensory, and AI technologies

The Pacific Industrial Group Way

Brand Slogan

Passion in Creating Tomorrow

PACIFIC GLOCAL VISION

Aspired corporate image

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

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

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

Sustainability management Four pillars

Solving social and customer issues
through products

Respecting human resources and
their active participation

Fostering trust with stakeholders

Minimizing environmental load

15
Material Topics

SUSTAINABLE
DEVELOPMENT
GOALS

Mid-term
Management Plan
OCEAN-22

**Trust
Innovation
Challenge**

PACIFIC VALUES

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

Highlights Related to Value Creation

Financial Highlights (FY2021)

Net sales / 164.4 billion yen

Operating income / 10.7 billion yen

ROA / 4.6%

Non-Financial Highlights

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

Products that solve social issues
→ p.29

Initiatives for Respecting Human
Rights → p.39

Recognized in “2022 Certified
Health & Productivity Management
Outstanding Organizations
Recognition Program (Large
Corporation Category)” → p.40

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

TCFD disclosure → p.35

Active Introduction of renewable
energies → p.38

KPI → p.19.20

Materiality of the Pacific Industrial Group

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

PACIFIC GLOBAL VISION

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

1 Fostering trust with stakeholders



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

Particularly relevant SDGs



PACIFIC GLOBAL VISION

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

2 Solving social and customer issues through products



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

Particularly relevant SDGs



3 Minimizing environmental load



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

Particularly relevant SDGs



PACIFIC GLOBAL VISION

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

4 Respecting human resources and their active participation



- ▶ Respect for human rights
- ▶ Stable employment and decent work environment
- ▶ The safety and health of employees
- ▶ Development of human resources and cultivation of culture that we can tackle new endeavors
- ▶ Diversity and inclusion

Particularly relevant SDGs



Communication with Stakeholders

How to communicate

Stakeholders	Principles of Conduct	Main Stakeholders	Communication Methods
Customers	We will work to consistently communicate with our customers and to provide environment-conscious, high-quality products and services that are trusted by, and satisfy, our customers.	Global car, tire, and automotive parts makers, product end users, new product customers, etc.	<ul style="list-style-type: none"> • Communication with customers in daily operations • Requests from customers • Participation in technical exhibitions and events in Japan and abroad • Commendations from customers (evaluation criteria and evaluation details)
Business Partners	Aiming at co-existence and co-prosperity based on mutual trust, we will respect our business partners and establish strong positive relationships with them on an equitable and fair basis.	Primary and upstream suppliers, etc., procured for global expansion	<ul style="list-style-type: none"> • Corporate policy briefing/Various subcommittees • Supported activities of the Pacific Global association • Supplier questionnaire • Practitioners' meeting • Ethics and complaint consultation desk, and independent consultation desks
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.	Approximately 4,763 employees at 24 bases in 9 countries worldwide, including 1,133 temporary employees and their families	<ul style="list-style-type: none"> • Dialogue with Labor-Management Council • Evaluation interview • Education and training • Health and Safety Committee • Ethics and complaint counseling services/independent counseling services, • The company newsletter (published monthly) • Stress check trend analysis
Shareholders/ Investors/ Financial institution	In order to garner trust and meet the expectations of our shareholders, we will place importance on bilateral communication and continuously strive to improve our corporate value by taking a long-term view.	5,949 shareholders (27 financial institutions, 36 financial instruments dealers, 117 other domestic corporations, 179 foreign corporations, etc., 5589 individuals and others), domestic and foreign individuals, institutional investors, financial institutions, etc.	<ul style="list-style-type: none"> • General Meeting of Shareholders • Financial results briefing • Briefing sessions for individual and institutional investors • ESG meeting • Information disclosure on our website
Communities	<p>Environment</p> <p>We always recognize the importance of environmental conservation in all our business activities, comply with laws and regulations related to the environment, and actively engage in environmental conservation activities based on our "Environmental Policies."</p> <p>Communities</p> <p>In addition to contributing to the sustainable development of society through close partnership and cooperation with local communities, we also engage in social contribution activities (support for academics/culture/sports, participation in volunteer activities, international community contributions, etc.) to build bonds with local communities.</p>	<p>Environment</p> <p>Natural environment in deployment areas and value chains (forests, rivers, oceans, atmosphere, soil, resources, etc.)</p> <p>Society</p> <p>24 bases in 9 countries around the world and, in particular, municipalities where our sites are located, and areas where employees live, etc.</p>	<p>Environment/ Communities</p> <p>Communication with local and global governments, regional round-table Meetings</p> <p>Communities</p> <ul style="list-style-type: none"> • Regional round-table Meetings • Impressions during the plant tour • Opinions during community contribution activities • Sports promotion • Travel to schools for education • Dialogue with NPOs

Sustainability Ratings and Endorsement



Sustainability Management Based on Materiality

Four Pillars	Materiality	Objective (Ideal State)	Major Initiatives (FY2022 Onward)
 Fostering trust with stakeholders	Corporate ethics and compliance	As a foundation for sustainability management, raise ethical standards of all employees as well as their pride in the company and their work, and fulfill our responsibilities to society.	Implementation and correction of "Code of Conduct" self-assessment, anti-corruption and compliance awareness and fraud prevention, implementation of awareness-raising and education at all levels, and dissemination of information through internal newsletters
	Responsible procurement	Work together throughout supply chains to address social issues such as human rights and environmental concerns.	Review, development, and dissemination of the "Supplier Sustainability Guidelines", supplier sustainability risk assessments, auditing and support for suppliers of concern, non-use of conflict mineral resources in supply chains, awareness-raising for suppliers on BCP, and parts procurement status surveys for overseas components
	Improvement in customer satisfaction	Increase customer trust in the long term by improving our quality and reputation for sustainability.	Extension of product life cycles by achieving high quality, reducing waste, and improving evaluation of EcoVadis and CDP, which has been requested by several customers
	Local community development	Contribute to attractive development of local communities, which are the foundation of our corporate activities, and strive for co-existence and co-prosperity with our stakeholders.	Support for fostering of the next generation in education, scientific research, manufacturing, etc.; biodiversity conservation activities; support for culture and sports such as Ogaki Minamo, FC Gifu, and soft tennis; promotion of global contributions to local communities; and formulation of plans for local support activities in times of disaster
 Solving social and customer issues through products	Contribution to a sustainable mobility society and prosperous living	Create products that contribute to the resolution of social issues in both existing and new areas, and contribute to society through our business.	Research and development of products that contribute to the next generation mobility society and prosperous life
	Improving mobility safety	Contribute to zero traffic deaths by improving automobile safety through our core businesses.	Reduction of the number of traffic deaths and injuries (Contributions through, for example, TPMS products that prevent accidents caused by insufficient air pressure and high-strength UHTSS products)
	Development of environment-conscious products	Create a virtuous cycle in which the more we sell, the more we help the earth, through development, design, and creation of new businesses that create value throughout the value chain.	Increase of sustainability by developing environment-conscious products and expanding sales (weight reduction, energy conservation, etc.), improving resource use efficiency, and introducing clean and environment-conscious technologies
 Minimizing environmental load	Mitigation of and adaptation to climate change	Strive to mitigate of and adapt to climate change, a major global issue that has a significant impact on our business.	Taking action to achieve the IPCC 1.5-degree or 2-degree target, reduction of energy use, introduction of renewable energy, participation in the CDP supply chain programs "Climate Change" and "Water"
	Sustainable resources use	Engage in manufacturing from the perspective of resource conservation and reuse, including the procurement of raw materials and product design, based on the demands of society and changing values.	Promotion of waste minimization and recycling
	Conservation of water resources	Consider effective use of water resources and biodiversity because of the increasing severity of floods and droughts worldwide, and growing concerns over water shortages.	Reduction of water consumption, and water quality monitoring and external disclosure
 Respecting human resources and their active participation	Respect for human rights	Place great importance on respect for humanity and fulfill our responsibility to respect human rights, as human rights issues are likely to be serious not only in Japan, but also in developing countries and suppliers.	Prevention of human rights violations by stakeholders
	Stable employment and decent work environment	Aim to improve both productivity and employee job satisfaction based on employment stability and fairness by realizing decent work and well-being (a state of physical, mental, and social well-being) and increasing employee engagement.	Ensuring of employment that enhances job satisfaction and lowering of employee turnover through employee engagement, appropriate evaluations, and having the right people in the right jobs, and creating a workplace that is flexible and easy to work in according to individual circumstances
	The safety and health of employees	Respect humanity and create an environment where employees can challenge themselves and maximize their abilities by focusing on the safety and health of our employees.	Elimination of occupational accidents, improvement of the working environment, and achievement of healthy workplaces through health management
	Development of human resources and cultivation of culture that we can tackle new endeavors	Hone our ability to thrive in a rapidly changing market environment and provide opportunities for employees to achieve self-fulfillment by developing human resources capable of taking on global challenges and foster a corporate culture conducive to such challenges.	Promotion of education by rank, and creation of a system and culture to evaluate challenges
	Diversity and inclusion	Revitalize the workplace, contribute to innovation, and reduce turnover by creating an environment and culture that is inclusive and allows people to demonstrate their abilities in accordance with their internal attributes, including individuality, strengths and weaknesses, health situation, personality, beliefs, and sexual orientation.	Creation of a workplace where everyone can work comfortably and provision of opportunities for women to play an active role

SDGs	KPI	Scope	Target FY	Target Value	Major Achievements in FY2021	page
12.8 16.5 and wholly-related	Implementation rate of "Code of Conduct" survey self-assessment	Group	2022	85%	<ul style="list-style-type: none"> Conducted employee questionnaires regarding our Code of Conduct, including 8 overseas companies. 73% of the Group conducted them Awareness-raising, education, deployment of internal newsletters and mail magazines on the SDGs to all levels Conducted third-party anti-corruption investigations 	p24
3.9 6.3 6.4 7.3 8.7 8.8 11.5 12.2 12.4 12.5 13.1–13.3	Company ratio (purchase amount base) for survey of supplier compliance with "Supplier Sustainability Guidelines"	Group	2025	80%	<ul style="list-style-type: none"> Implementation of deployment to suppliers and self-assessment based on "Supplier Sustainability Guidelines"(Non-consolidated, implemented at 80% or more. Average compliance rate 95%) Conducted SDGs-related study sessions for major suppliers Conflict minerals survey Discussion and provision of support regarding the COVID-19 pandemic "Declaration of Partnership Building"on April 2022 	p25
7.3 12.2 12.4 12.5 13.2 13.3	Number of recalls issued	Group	—	0 cases	<ul style="list-style-type: none"> 0 recalls (Group) 20 awards received from customers Promotion of START and SSA activities Maintained CDP scores and improved EcoVadis rating 	p26
4.5 4.7 10.2 11.5 17.16 17.17	Number of social contribution activities implemented	Group	2022	130 cases	<ul style="list-style-type: none"> Ongoing sponsorship and donations Ongoing mask production and distribution to communities Support for creating places for children Participation in the SDGs Exploratory Learning Program for high school students jointly organized by industry, academia, and government Ongoing researcher support from The OGAWA Science and Technology Foundation 129 social contribution activities (globally) 	p27
9.5 11.2 and individual judgment	Number of products developed that solve social issues	Group	2030	20 cases	<ul style="list-style-type: none"> Identify development projects for products that solve social-issues (8 projects: 2 launched, 6 in development) Launched "CAPSULE SENSE" Cattle body condition monitoring system 	p29
3.6	Ratio of UHTSS versus all stamping products	Group	2024	25%	<ul style="list-style-type: none"> Development and sales expansion of UHTSS sold stamping products Ratio of UHTSS versus all stamping products : 23.2% 	p30
	Number of TPMS products and TPMS valves sold	Group	2025	5-year total 600 million	<ul style="list-style-type: none"> Development of next-generation TPMS Sales expansion TPMS for the aftermarket and motorcycles Number of TPMS products and TPMS valves sold (FY2021) : 109 million 	
7.3 9.4 11.2 12.2 12.5 13.2 13.3	Sales ratio for electrified vehicle products	Group	2030	70%	<ul style="list-style-type: none"> Development of products for heat pump system Development of products for Toyota BEV"bZ4X" (wheel cap etc.) Sales ratio of products for electrified vehicles : 21.5% 	p31
7.2 7.3 13.1 13.2 13.3	CO ₂ emissions	Group	2030	50% reduction (Scope 1,2, compared to FY2019)	<ul style="list-style-type: none"> Received an 'A-' from CDP for our Leadership Level on Climate Change and was named to the Supplier Engagement 'Leaderboard' for the second year in a row Conducted scenario analysis based on TCFD Achieved 100% renewable electricity at three bases in Kurihara, Wakayanagi and Kyusyu plant on April 2022 CO₂ emissions as a group : 85.2kt (9.7% reduction compared to FY2019) 	p38
9.4 12.2 12.4 12.5	Amount of waste generated	Group	2030	Domestic 60% reduction Overseas 30% reduction (Compared to FY2019)	<ul style="list-style-type: none"> Transformed sludge into usable material at the Kurihara Plant and reduced waste plastic at the Higashi Ogaki Plant Amount of wastes as a group : 2,256t (36.9% reduction in Japan,24.2% reduction overseas compared to FY2019) 	p38
3.9 6.3 6.4	Amount of water used	Group	2030	Appropriate use	<ul style="list-style-type: none"> Reduce water consumption by operating our downsized ED-coat facilities Water usage as a group : 1,374 thousand m³ (21.2% reduction compared to FY2019) 	p38
5.1 8.7 8.8 10.2 10.3	Implementation rate of Human Rights Survey(SAQ)	Group	2022	85%	<ul style="list-style-type: none"> Implemented 73% of human rights surveys based on self-checks for the code of conduct (Group) Incorporation of human rights education into tiered education programs Enlightenment through company newsletter Education for our main business partners 	p39
8.5	Turnover rate	Pacific Industrial	2025	1.5% or less	<ul style="list-style-type: none"> Reduce the burden on employees by changing the start time of some plants Convert non-regular employees into regular employees (30 people) Turnover rate 2.5% 	p39
8.8	Lost-time injury frequency rate	Group	—	0	<ul style="list-style-type: none"> Promoting "TOP6"activities to prevent serious accidents Continuous implementation of rank-specific safety education Pacific Industrial Group Health Declaration and recognized in "2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large Corporation Category)" Lost time injury frequency rate : 0.24 (Group) 	p40
4.4 8.2	Training hours per employee	Pacific Industrial	2025	30hrs/person	<ul style="list-style-type: none"> Considering that the basis of human resource development is "where ability meets compassion", we completely reviewed the program as an effective education that allows you to acquire them in a well-balanced manner Adding new education to improve "psychological safety" Training hours per person : 26.3hrs (Pacific Industrial) 	p41
10.2 10.3 5.5 5b	Ratio of women in managerial positions	Pacific Industrial Group	2030	5% or over 14% or over	<ul style="list-style-type: none"> Strengthen target for ratio female hires(10%→20%). Result is 26% as of September 2022 Promoting male employees to take childcare leave Rate of females in management positions 9.9% as a group, 3.0% as a pacific industrial 	p41



for MANAGEMENT

Management

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

Board Members and Audit & Supervisory Board Members



Members of the Board (As of June 18, 2022)

from left front	from left back
Outside Board Member Masako Hayashi	Managing Officer, Member of the Board Terumi Noda
Outside Board Member Osamu Motojima	Managing Officer, Member of the Board Hisashi Kayukawa
Executive Vice President, Member of the Board Tetsushi Ogawa	Audit & Supervisory Board Member Makoto Yamamura
President, Member of the Board Shinya Ogawa	Audit & Supervisory Board Member Kazuya Kakishita
Outside Audit & Supervisory Board Member Ayao Sakakibara	
Outside Audit & Supervisory Board Member Tomoyuki Shinkai	

Basic Approach to Corporate Governance

Our Group makes it our basic policy to comply with our corporate governance code, and we believe that fulfilling our social responsibility while building strong relationships with our stakeholders will increase our corporate value.

To enhance the strategic nature of discussions and the mobility of decision-making, year by year we have reduced the number of directors and, since June 2021, management structure has been

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

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

Corporate Governance Framework

Efficiency in Business Execution

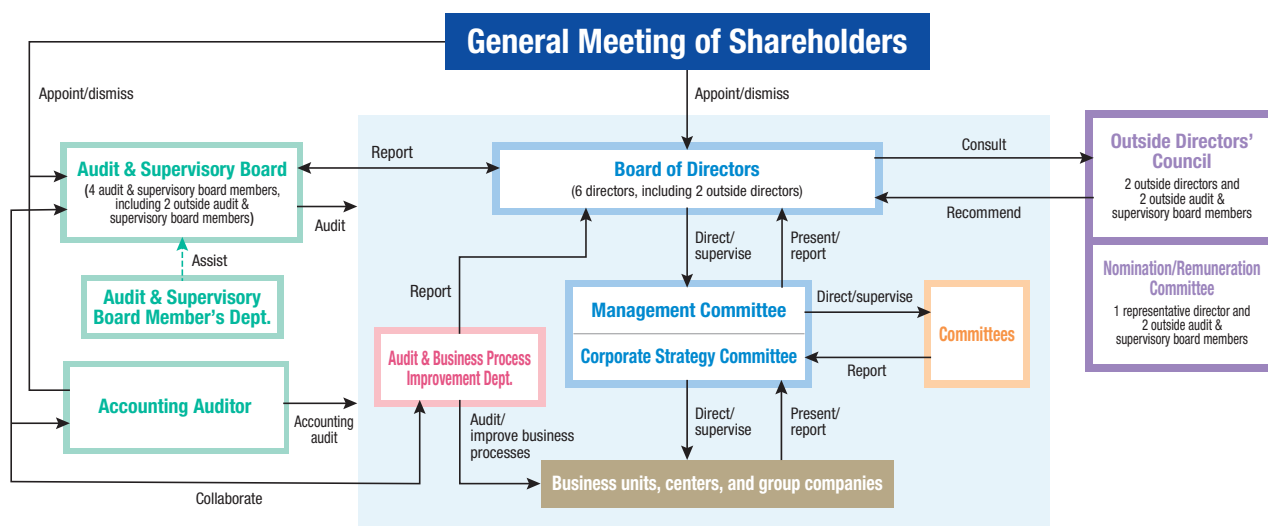
Our Group has adopted an executive officer system to separate the functions of the Board of Directors, which is responsible for management supervision, and executive officers, which are responsible for business execution.

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

Outside Director Support System

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

To give outside directors the opportunity to perform to the best of their ability, we provide advance explanations of matters up for discussion and the Outside Directors' Council, which consists of outside directors, meets monthly to exchange information and share recognition based on their independent and objective standpoints so that meaningful discussions can be held at Board of Directors meetings.



[Director Expertise and Experience]

■ Director Skill Matrix

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

Officer Remuneration

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

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

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

as indicators.

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

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

Internal Audit and Audit by Audit & Supervisory Board Members

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

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

These audit & supervisory board members hold meetings with representative directors, accounting auditors and the internal audit department on a regular basis or from time to time. 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 on a regular basis or from time to time.

The Audit & Business Process Improvement Dept., which is an internal audit department, conducts audits on internal operations, checks how internal controls are performed by each department, finds problems and makes recommendations for improving them, takes all possible measures to ensure that internal controls under the Financial Instruments and Exchange Act are audited properly, while making internal controls more effective by expanding the internal audit range to include other business operations.

Internal Control System

Based on its "Basic Policy of the Internal Control System," we endeavor to expand and strengthen our internal control systems across the entire Group, including business entities in Japan and overseas. Specifically, we review reports submitted by all departments, subsidiaries, and other entities implementing our internal control systems or conduct on-site inspections to ensure that our internal control systems, including the system for ensuring the adequacy of financial reporting and the compliance system, are

well-developed and utilized in an appropriate and efficient fashion. (We are remotely confirming for overseas entities due to the COVID-19 pandemic.)

As a result, the effectiveness of the company's internal control measures relating to financial reporting was determined to be effective, and unqualified opinions have been obtained from an auditing corporation stating that the internal control report with the record date of March 31, 2022 was adequate.

Sustainability Management

The Pacific Industrial Group aims to achieve SDGs and contribute to a sustainable society through Sustainability Management, which manages our business from a long-term perspective while giving consideration to the impact on our stakeholders. We will strategically promote sustainability management by identifying 15 material topics that we and our stakeholders feel are particularly relevant, and integrating them into our business activities.

Specifically, we formed the Sustainability Promotion Team, which is linked to the four identified pillars, and set targets for 15 material topics and implemented initiatives, qualitative and quantitative

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

Promotional System of Sustainability Management



Risk Management

In the situation where risks surrounding corporate management are increasingly diversified and becoming complex, the Pacific Industrial Group has established a risk management system to systematically implement risk mitigation measures. We identify management risks that management considers important, and implement countermeasures step by step from a long-term perspective.

With regard to risks related to daily operations, each department

continuously carries out activities to minimize the impact. For these risk reduction activities, we check and follow up on the progress of countermeasures at Risk management meeting to prevent risks from occurring and improve the level of risk management as a company-wide initiative. Management risks that the Group is working to reduce are described in the "Business Risks" section of the securities report, and are disclosed to stakeholders widely.

Information Security

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

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

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

Information Security Management Examination	45
IT Passport Examination	186
Systems Administrator Examination	145



for STAKEHOLDERS

Fostering trust with stakeholders

Highly relevant
SDGs

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

Corporate ethics and compliance

Fostering Strong Corporate Ethics

We believe that gaining the trust and sympathy of society requires each and every employee to have high ethical standards and to act with fairness and integrity. Based on this concept, the "Pacific Industrial Group Code of Conduct", which have been revised and updated since their initial publication in 2008, are distributed to all employees to raise awareness. Overseas, each group company operates its own country's action guideline that reflects the laws and customs of each country and region in the "Pacific Industrial Group Code of Conduct" and carry out compliance activities appropriate to each country and region.

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

Our Group also conducts questionnaires with each employee, including those of eight overseas companies, to determine the level of penetration of our "Code of Conduct", identify compliance issues, and to implement improvements for the quick resolution of problems and prevention of recurrence. Furthermore, to find and correct injustices and scandals that cannot be identified through

questionnaires, we have established an internal reporting system that allows employees to report and consult with us by e-mail, telephone, postal mail, or in writing. For example, we have introduced an independent consultation desk, which functions as a reporting system that is independent of management, with outside directors and full-time audit & supervisory board members as contact points. Compliance regulations stipulate maintaining confidentiality for whistleblowers and others seeking advice, as well as prohibition of prejudicial treatment on the grounds of reporting or consultation, making the system safe to use.

* FY2021

"Code of Conduct" self-assessment implementation rate	In Japan KPI	97%
	Group	73%
Ethics and complaints desk consultation count (Pacific Industrial)		9
Total serious compliance violations in Japan and overseas (Group)		0
Number of legal actions for anti-competitive behavior (Group) SASB TR-AP-520a.1		0

Anti-Corruption

As part of our basic anti-bribery and corruption policy, we have established "Basic Policy for Anti-Bribery and Corruption", such as conducting a survey on third parties such as business agents,

and educating and training our employees.

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

Promoting Business Continuity Management (BCM)

The Pacific Industrial Group has a Business Continuity Plan (BCP) to minimize damage giving top priority to human life, and continue or recover our operations at an early stage in the event of emergencies such as earthquakes, windstorms, floods, and infectious diseases. In addition, we periodically conduct awareness programs for disaster prevention by implementing companywide disaster-management drills, participating in local early stage firefighting competitions and taking other steps to continuously make improvements on our disaster prevention (BCM).

To help combat COVID-19, we developed Action Guidelines for the Prevention of COVID-19 Infections, which includes wearing masks, general hand sanitization, daily temperature checks, and avoiding the 3Cs: closed spaces, crowded places and close-contact settings, and are thoroughly implementing measures to prevent infectious diseases, such as raising awareness among employees. We also focus on preventing mass infections by adjusting shifts or work hours, introducing and encouraging telework and web conferencing, etc., and deploying disinfection kits to each site for use in an emergency.



Fire Fighting Drills

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-financial information on our company website etc. We held 86 meetings for analysts and institutional investors in FY2021, including holding quarterly financial results briefings (telephone conferences) and small meetings focused on ESG, and we also responded to requests for individual interviews (via the web and telephone). For individual investors, we promote a variety of IR activities, including distributing transcribed articles, issuing shareholder newsletters, distributing e-mail newsletters to registered users, holding our general meeting of shareholders on Saturdays and conducting potential shareholder questionnaire.

Transcribed articles for individual investors



Responsible procurement

For Fair Business Practices

In April 2022, we announced a “Declaration of Partnership Building” in support of the purpose of the “Council on Promoting Partnership Building for Cultivating the Future” in which the Cabinet Office and the Ministry of Economy, Trade and Industry participate. In accordance with this declaration, we aim to realize long-term co-existence and co-prosperity based on good partnerships with our suppliers. Our views are set out in our “Basic Procurement Policies,” which are available in the “Procurement” section of our website.

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

In addition, we were chosen by the Japan Chamber of Commerce and Industry as one of the “Twenty Cases of Co-existence and Co-prosperity Initiatives by Local SMEs and Large Enterprises!” in July 2020.



General meeting of the Pacific Global association

Initiatives with Suppliers



A session on cyber security

The Pacific Global Association consists of 36 of our major suppliers to strengthen our management base and improve our manufacturing capabilities. We jointly conduct plant tours, safety and quality improvement activities, and study sessions. In FY2021, amidst the COVID-19 pandemic, we worked to “level up” each company by way of web-based safety and quality workshops. This past August, the Sustainability Study Group held a session on SDGs and carbon neutrality, and confirmed respect for human rights and proper employment regarding technical interns.

In addition, we share and discuss information concerning management issues and countermeasures with our major suppliers through visits and web-based interviews, and work to inform them about public subsidies, grants related carbon neutrality, and other support information. Furthermore, we provide cyber security consultation and promote security measures with our suppliers.

Sustainability Procurement

We created our Supplier Sustainability Guidelines with the aim of promoting Sustainability throughout the supply chain to address social issues such as human rights issues, bad labor practices, environmental concerns, immoral behavior, and corruption. These guidelines were revised in 2021, and we ask our suppliers to further promote activities regarding compliance and anti-corruption, human rights and labor, the environment, quality and safety, information security, business continuity, and social contributions.

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

We have also issued the “Green Procurement Guidelines” to promote environment-conscious procurement practices for technologies and products.

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

In February 2022, we conducted training for our procurement staff on sustainable procurement (incl. importance and background of sustainability, CO₂ reduction in LCA, human rights issues, etc.) and the Subcontract Act (4 Obligations and 11 Prohibited Acts of Parent Business Operators). 77% of our procurement stakeholders

participated.

We conducted surveys with many of our suppliers, which in total account for 80% of our total domestic procurement quantity, to further inform them of the “Supplier Sustainability Guidelines” and confirm their compliance. The average compliance rate was about 95%.

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



Supplier Sustainability Guidelines



Green Procurement Guidelines

Improvement in customer satisfaction

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

The Pacific Industrial Group recognizes that human resource development is the very foundation of manufacturing. We are committed to passing on our manufacturing DNA and achieving cost reductions for further evolution. We base our manufacturing practices on the Toyota Production System, and take the “go and see for yourself” approach to implement Kaizen (improvement) initiatives at all production across the entire Group. Each of our sites conducts proactive initiatives, such as self-driven award systems to recognize quality improvement, or activities to transmit skills to our next generation of employees.

In FY2020 in the activities of the TPS-based projects conducted

improvements for each process for oil pans, one of our main products. Through this activity, we achieved cost reduction through thorough labor saving and quality improvement. From fiscal 2021, in wheel caps, one of our major molding production items, we have been promoting activities to reduce costs by improving volume, shortening lead time, and reducing material usage.

Overseas as well, our products have been highly evaluated in each country in terms of quality, cost, and delivery time, by Japanese manufacturers and overseas manufacturers alike. As a result of this global commitment to manufacturing, we received 20 global awards from our customers in FY2021.

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 addition, we continue to engage in the “START” project, the global quality improvement initiative to prevent future defects, and the Smart Standard Activity (SSA) to optimize quality standards by recognizing the gap between customer (end-user) needs and the

value provided. In 2021, SSA added “Closeness Activities,” in which Toyota Motor Corporation, our main customer, actively listen to the problems of our suppliers, and it has become a valuable pillar of our activities that has produced many positive results.

In addition, all our offices and plants in Japan obtained certification for ISO 9001, an international standard on quality management systems, strengthening our quality assurance system consistently applied throughout all stages from development to production. There were zero recalls throughout the globe for FY2021.

KPI SASB TR-AP-250a.1

Enhancing Customer Satisfaction

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

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

At the request of our customers, we participate in the CDP supplier program and were evaluated by EcoVadis, a global CSR evaluation organization for suppliers, and awarded the 2022 Silver Medal.

Awards from Customers (FY2021)

Awarded Company		Award Given By	Award	Type	Awarded Company		Award Given By	Award	Type
Japan	Pacific Industrial	Toyota Motor Corporation	Project Prize for Multi-material Lightweight Undercovers	Cost	USA	PMO	American Honda Motor	2020 Supplier Performance Award	Quality
Japan	Pacific Industrial	Kyukaikai of TOYOTA MOTOR KYUSHU, INC.	Quality Excellence Award	Quality	USA	PMO	Toyota Motor North America	Excellent VA Achievement Award	Cost
Japan	Pacific Industrial	Nissan Motor Co., Ltd.	Certificate of Quality Excellence	Quality	USA	PMO	Subaru of Indiana Automotive	SIA Excellent Performance Award (Supplier Excellence Award)	Quality
Japan	Pacific Industrial	Nikkan Kogyo Shimbun	Cho-monozukuri parts grand prize “Mobility-related components Award”	Quality	USA	PMT	Toyota Motor North America	89”B Launch Award	Overall
Japan	Pacific Industrial	Chubu Bureau of Economy, Trade & Industry Gift Invention Association	Director-General’s Award of 2021 Gift Inventions exhibition	Overall	USA	SPU	General Motors	2020 Supplier Quality Excellence Award	Quality
Japan	Pacific Industrial	Toyota Motor Corporation	Excellence Award for Environmental Promotion	Overall	Thailand	PIT	AIR SYSTEMS (THAILAND)	Best Delivery Award 2020	Overall
Japan	Pacific Industrial	Toyota Motor Corporation	Certificate of appreciation for VA activities	Cost	Thailand	PIT	Siam Toyota Manufacturing Co., Ltd.	“Bronze” certificated for Toyota 3Pillars Activities in PTW/PTK	Overall
Japan	Pacific Industrial	AINIS CORPORATION	Cost Excellence Award	Cost	China	TPA	GAC Toyota Motor Co., Ltd.	Excellent person for 2020 GAC quality improvement activity	Quality
Taiwan	PVT	Kuozui Motors	Cost Improvement Excellence Award	Cost	China	TPA	Sichuan FAW Toyota Motor Co., Ltd./FTCE	Quality Excellence Award	Quality
Taiwan	PVT	Kuozui Motors	SSA (Smart Standard Activity) Promotion Award	Quality	China	TPA	GAC Toyota Motor Co., Ltd.	Quality Cooperation Award	Quality

* PVT...Pacific Valve (Taiwan) Co., Ltd. PMO...Pacific Manufacturing Ohio, Inc. PMT...Pacific Manufacturing Tennessee, Inc. SPU...Schrader-Bridgeport International, Inc. PIT...Pacific Industries (Thailand) Co., Ltd. TPA...Tianjin Pacific Auto Parts Co., Ltd.

Local community development

Nurturing the Next Generation

Support for creating places for children



We provide ongoing support to citizen groups and other organizations that work to create places for children. Since fiscal 2021, we have donated a total of 2.5 million yen, as well as educational equipment, to the Ogaki City Council of Social Welfare and three other civic organizations to support children who will lead the next generation.

SDGs education for high school students

We participated in a joint industry, academia, and government learning program on the theme of the SDGs (three sessions in total) and exchanged opinions with third-year students at Ogaki Higashi High School. We also gave a lecture on carbon neutrality initiatives at the "Environmental SDGs Ogaki Future Lecture" for second-year students at Ogaki Technical High School.



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 FY2021, the foundation provided grants totaling 15.35 million yen to 23 research projects. (218.14 million yen in cumulative total)

Plant Tours

We invited local elementary school students for our plant, and designed the plant tour so that students will feel more familiar with cars and manufacturing.



Biodiversity

Global Environment Juku of Gifu

In collaboration with residents, industry, government, and academia, our employees give lectures on environmental issues to local elementary school students and their parents. We considered the effects of global warming and what we can do to reduce greenhouse gas emissions.



Pacific Satoyama Woodland



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

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. We continue to support this program so that people can observe living creatures in and around rivers, and thereby gain a deeper understanding of water quality preservation, environmental issues, and biodiversity.



Supporting Sports Promotion

Soft Tennis Teams

Our Soft Tennis Team has been given an enhanced designation by Gifu Prefecture, and both the men's and women's teams belong to the Japan Corporate Team League, the top league, and play in tournaments throughout Japan.

In addition, GIFUNITE was established in cooperation with 12 other teams based in Gifu Prefecture that are active in professional leagues and top leagues. We strive to promote sports by interacting with the local community, for example, by coaching at joint practices with Ogaki Technical High School.



Ogaki Minamo Softball Club



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

FC GIFU

As its top partner, the entire Group supports FC Gifu, which belongs to the J3 League. In July 2022, we held the Pacific Industrial Thanks Match, in which employees, their families, and parents and children of local youth groups enjoyed a game.



©Kaz Photography/FC GIFU

Support for disaster prevention and reconstruction

If a disaster occurs, the company considers things like the provision of its organizational capabilities, materials, equipment and technology, rescue activities by employees, and the opening of company-owned facilities as temporary shelters, and promotes activities to build disaster-resistant areas in cooperation with local communities. In 2021, we signed a disaster prevention agreement with Ogaki City in Gifu Prefecture, where our head office is located, so that local residents of Ogaki City can use the cafeteria at our head office if there is a shortage of disaster evacuation sites.



Contributing to Local Communities Globally

Traffic Safety Activities

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

We carried out traffic safety enlightenment activities in cooperation with the Ogaki Police Station and local governments, and received a letter of appreciation from Ogaki Police Station.



Donation Activities

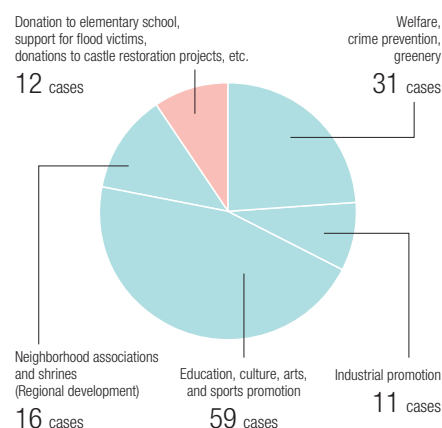
We make donations to support reconstruction and activities that contribute to the local community, including donations to areas affected by typhoons and floods, as well as anniversary projects for local high schools and universities. We also make donations to local governments.

Donation (thousands of yen)					(Fiscal year)
2017	2018	2019	2020	2021	
21,000	12,000	20,000	19,000	21,000	

Number of social contribution activities conducted

129 cases in FY2021 (Group) **KPI**

Domestic (117 cases) Overseas (12 cases)



Social Contribution Activities in Overseas Countries



Thailand
PIT



Donated a total of 50,000 baht (approx. 170,000 yen) to 10 local elementary schools



Worked with local aid organizations to help victims of flooding caused by heavy rains, donating a total of 100,000 baht (approx. 340,000 yen) in rice, tissue paper, and other items.



Donated 150 alcohol gel bottles to a local hospital



U.S.
PMO



Blood donation volunteer every 3 months. About 70 people participated in 2021



U.S.
PMT



Donated Christmas gifts for children based on their wishes.



South Korea
PAC



Made donations and provided daily necessities to children fighting serious diseases and children from disadvantaged families. Donated 1.2 million WON (about 1.2 million yen) in FY2021



France
SPF



Donated to the French cultural heritage site Château de Joux restoration project to contribute to the preservation of local cultural heritage. Along with SPF, we donated a total of 20,000 euros (approx. 2.5 million yen).



for VALUE CREATION

Solving social and customer issues through products

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

Concept of Technological Development

As we enter an era of great change in mobility, and against the backdrop of the growing importance of sustainability issues, we are accelerating the development of LCA and carbon-neutral technologies in the mobility field, which has been our main focus, and we are proposing products that consider the changing nature of mobility and taking on the challenge of new fields by utilizing our core technologies, in cooperation with external parties.

Mainly in the stamping and molding product business, we focus on ultra-high tensile strength steel (UHTSS) and aluminum products that contribute to weight reduction, and develop molding products to improve comfort performance, which is becoming increasingly important with the shift to electric power. In our valve business, while creating synergy with Schrader, we are accelerating development to expand our TPMS business domain, as well as product development for electrified vehicles by

leveraging our core technologies, such as sensing and fluid control technologies.

In addition to investing in the development of these mainstay products, we are also actively taking on the challenge of developing new businesses that anticipate social and customer issues by utilizing sensing technology and other technologies with a view to expanding our business domain over the long term.

Whereas in our stamping business, where we continue to improve upon our advanced structural analysis technology, participate in mobility development from further upstream stages, and accumulate knowhow for manufacturing, we are also focusing on original product development in the molding, valve, TPMS, as well as new businesses, and are actively pursuing patents, aiming to create societal and customer value.

Contribution to a Sustainable Mobility Society and Prosperous Living

Actively developing products that contribute to solving social issues

We are actively developing new products for areas other than the mobility field that contribute to solving social issues by leveraging our core technologies as part of our contribution to the SDGs through our business. Two products have already been launched and are being marketed, and another six products are under development. We will continue to synchronize the sustainability of society with the sustainability of the company by actively developing products that focus on social issues such as the SDGs.



e-WAVES

Products that solve social issues

	Progress	Products and Services	Targets for solving social issues	Highly relevant SDGs
1	Launched	e-WAVES	<ul style="list-style-type: none"> Appropriate management of pharmaceuticals and foodstuffs CO₂ reduction through smart logistics Reduction of quality problems and waste loss 	2 Food Loss 3 Vaccination 13 CO ₂ reduction
2	Launched	CAPSULE SENSE	<ul style="list-style-type: none"> Improved decent work environment and productivity for producers Use of limited resources and labor Reduced environmental impact per cow by shortening the fattening period 	2 Feed reduction 8 Decent work 13 Climate Change
3	In development	Products for Disasters	<ul style="list-style-type: none"> Solving problems during disasters Improve resilience to disasters 	11 Sustainable cities and communities 12 Reuse etc.
4	In development	Urethane recycled product	<ul style="list-style-type: none"> Contribute to the circularization of mobility 	12 Reuse etc.
5	In development	Devices for Disasters	<ul style="list-style-type: none"> Contributing to adaptation to climate change Improving resilience in the event of a disaster 	11 Sustainable cities and communities 13 Climate change adaptation etc.
6	In development	Devices for Mobility	<ul style="list-style-type: none"> Improve mobility safety 	3.3 Eradication of traffic accidents etc.
7	In development	Valves for Mobility	<ul style="list-style-type: none"> Improve mobility safety 	3.3 Eradication of traffic accidents etc.
8	In development	Self-care Products	<ul style="list-style-type: none"> Promoting health care in an aging society Reduction in medical expenses 	3 Improvement of healthy life expectancy/Medical cost reduction

A new product that reduces the workload of livestock producers and improves productivity.



The livestock industry is facing challenges in improving productivity and passing down technology due to large-scale management by a small number of people, aging managers, lack of successors, and other factors. To help solve this issue, we have newly developed "CAPSULE SENSE" using our sensing technology. Monitoring

conditions in the cow's stomach via sensors helps to prevent losses due to missed estrus, calving, and disease, and this will contribute to sustainable livestock production by reducing the burden on livestock producers. Increased efficiency will also contribute to reducing the environmental impact per animal.



Product features

Estrus, calving, disease, and drinking water all in one

By inserting this sensor into the stomach, **more information can be obtained with higher accuracy** than with neck or foot-mounted devices, and it can be used for both beef and dairy cattle.

Ideal for managing physical condition

Drinking water information **enables more detailed physical condition management** than ever before. It can also capture minor changes that may have been missed in the past.

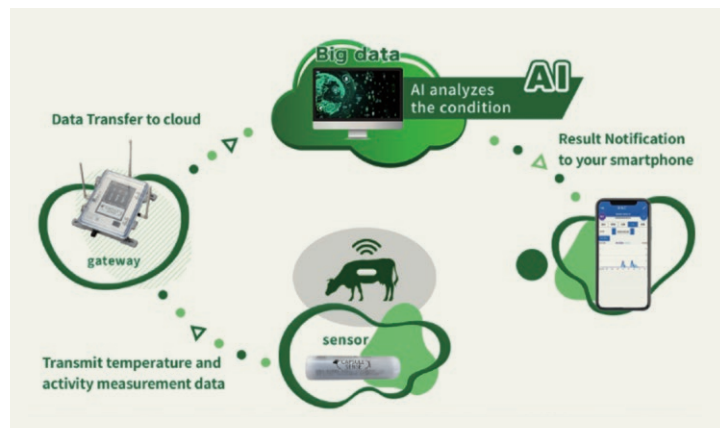
Early detection and treatment of illness

Fever from inflammatory reactions will not be missed, **minimizing economic losses** for farmers.

Maintenance-free

No maintenance is required for 5 years after being turned on, making it **economical to use for a long time without fear of contact failure or loss**.

System Overview



Improving Mobility Safety

TPMS Contributes to Mobility Safety and Fuel Efficiency

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



TPMS Transmitter

Our products contribute to improved mobility and pedestrian safety

Many of our mainstay stamping products are used in vehicles that require particular strength and rigidity to ensure driver safety.

This hinge is used to open and close the hood (bonnet) of an automobile.

It has the function of softening the impact of pedestrians in the event of a car accident.



Pop Up Hood Hinge



Reinforcement hood lock hook

This part, Reinforcement hood lock hook, is installed in Toyota's FCEV "MIRAI". To reduce the impact on a pedestrian's head in the event of an accident, we use friction stir welding (FSW) to change the thickness of the plate in one part, thus achieving both opposing performances of strength and softness.

Development of environment-conscious products

Products for Electrified Vehicles

Demand for control valves for heat pump type automotive air conditioners is increasing

Against the backdrop of the severe impacts of climate change, the global mobility market is rapidly shifting toward electrified vehicles. In particular, FCEVs and BEVs need to employ heat pump/air conditioners to reduce battery power consumption because they do not have a source of heat from the engine. Our Group is taking on the challenge of developing and expanding sales of new products for heat pumps and air conditioners in Japan, Europe, and the United States, utilizing technology we have cultivated in valves and control equipment, and positioning it as one of the next pillars of growth. This product is a collaborative project between Japan, France, and the U.S., promoting synergy creation from development to sales.



Expansion Valves for BEV

Comments from the companies

 Pacific Industrial (Japan)	 SPF (France)	 SPU (U.S.)
 <p>M.T. Valve Design Development Sect.2 Valve & TPMS Business Group</p>	 <p>J.L. EVTM Program Manager</p>	<div><p>R-D (left) Product Design Engineer Product Development.</p></div> <div><p>P-G (right) Senior Product Design Engineer Product Development.</p></div>
<p>We have succeeded in developing a control valve with a more precise structure using the technology and knowhow we cultivated in the air conditioner for home appliances, and will further develop this product to make it a new pillar of valve products for electrification.</p>	<p>SPF has continued to develop efficiently by sharing various technologies involving the elements with Pacific Industrial, and last year finally laid the foundation for future business with an emerging European automaker.</p>	<p>Attention is focused on SPU's support of the Interior Climate Control Standards Committee of SAE for over 20 years and the extensive capabilities and technical knowledge of the expansion valves developed and matured by Pacific Industrial.</p>

Wheel caps with weight reduction and improved aerodynamics

Our wheel caps have been used mainly for decorative purposes on steel wheels, but they are increasingly being used for aluminum wheels, including those for the Prius. Toyota's new BEV "bZ4X" features our wheel caps on large 18-inch aluminum wheels. By attaching wheel caps on top of lightweight designed aluminum wheels, both characteristics of "light weight" and "aerodynamic performance" (streamlining air flowing on the sides of the vehicle) are achieved, contributing to lower vehicle electricity costs.



Our wheel caps are adopted in the Toyota Motor BEV "bZ4X"

Urethane parts adopted in electrified vehicles

Our urethane parts have been used mainly for sound insulation against engine noise. In recognition of our track record in engines, our urethane parts have also been used to prevent noise from electric compressors used in car air-conditioning systems. The radiated sound frequency band differs between engines and electric compressors, so we have developed new materials for electric compressors, resulting in a product with high sound insulation performance that meets the needs of our customers.



Engineer's Comments



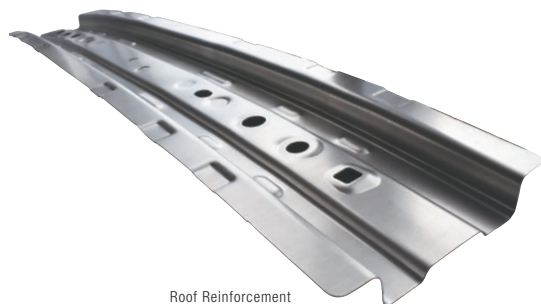
S.H.
Design
Development Sect.
Stamping & Plastic
Molding Business
Group

We have developed in-house equipment to measure the soundproofing performance of components, enabling us to propose optimal specifications before customers conduct their own performance evaluations. We intend to use this equipment in future product development to make proposals faster and better.

UHTSS / Cold Stamping Products

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

We are actively proposing replacing the hot stamping method, high CO₂ emissions during its production, with the cold stamping method using our accumulated knowhow and cutting-edge stamping technology.



Roof Reinforcement

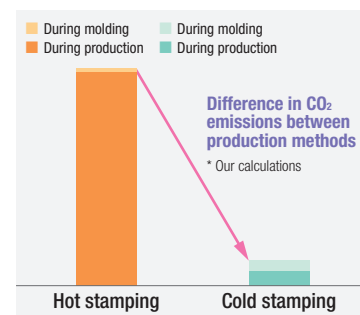
Engineer's Comments

M.K.
Simultaneous Engineering
Promotion Sect.,
Stamping & Plastic Molding
Business Group



The amount of spring back in the cold 1470 MPa material is extremely large, so the biggest challenge for the press forming of this product was how to control the spring back. After verification through CAE analysis* and test trials, we successfully reduced spring back by combining the new method with existing countermeasure technologies, and successfully controlled variations in product accuracy due to the materials.

* CAE analysis : An abbreviation for Computer Aided Engineering, which is simulation and analysis using a computer.



Stress Reverse® Forming*1

We collaborated with JFE Steel to commercialize a 1470 MPa ultra-high tensile strength material using the Stress Reverse® Forming by cold stamping method which contributes to the reduction of CO₂ emissions during manufacturing. In a large-scale project that began in 2016, a roof reinforcement which overcame many difficult problems such as spring back*2 during molding, was adopted for the new LEXUS NX.

*1 Stress Reverse® Forming is a registered trademark of JFE Steel Corporation.

*2 Spring back: A phenomenon in which the material returns to its original shape when it is removed from the die during press forming due to the property of high tensile strength steel being difficult to stretch or easily distorted, making it difficult to attain the desired shape.



Front pillar outer reinforcement that replaced from hot stamping to cold stamping method

Won an award from a customer for reduction in environmental impact of forged products.

We received the "2021 Cost Excellence Award" from our customer Aisin, for our carriers, which is a transmission part for Toyota's Land Cruiser and the North American vehicles, the Tundra and the Sequoia. The mold life was improved by reviewing the shape and structure, contributing to cost reduction, and the environmental aspect of the project was highly rated as it led to reductions in CO₂ emissions and liquid waste by eliminating the coating process.



Carrier

KPIs and monitoring indicators

Contribution to a sustainable mobility society and prosperous living

	FY2020	FY2021
Number of products developed that solve social issues	—	8
Number of patents	414	481
R&D expenses	1.91 billion yen	1.98 billion yen
Number of new themes developed	56	46

Improving mobility safety

	FY2020	FY2021
KPI Ratio of UHTSS versus all stamping products	18.5%	23.2%
KPI Number of TPMS products and TPMS valves sold	106 million	109 million

*Corrected figures for FY2020.

Development of environment-conscious products * Reference values are based on our calculations

	FY2020	FY2021
Percentage of products sold that are 100% recyclable or reusable*1	64.5%	67.3%
Total weight of recycled or remanufactured materials*2	16,616t (Pacific Industrial)	16,604t (Pacific Industrial)
Sales ratio of products for electrified vehicles (HEV, PHEV, BEV, FCEV) KPI	18.7%	21.5%

*1 Products made of steel, aluminum, recyclable resins, etc.

*2 Only as confirmed by the raw material manufacturers. Decreased due to an increase in raw material input while raw material manufacturers' recycling rates remained the same.

*3 Calculation method has been revised to make it as close to actual conditions as possible.

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

Global medium-sized car models (100,000 km/vehicle)	FY2021
Weight reduction through UHTSS (cold stamping)	Reduction of approx. 34 kg of CO ₂ CO ₂ reduction 13 thousand tons per applicable vehicle model

* Reference values calculated by us based on the ratio of gasoline vehicle and HEV sales in 2021. Last year, reductions were based on HEVs only, while this year's reductions include gasoline vehicles to be closer to actual conditions.



Minimizing environmental load

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



Environmental Philosophy

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



Environmental Policies

We accelerate environmental load reduction activities with the participation of all employees to achieve the PACIFIC Environmental Challenge 2050.

PACIFIC Environmental Challenge 2050

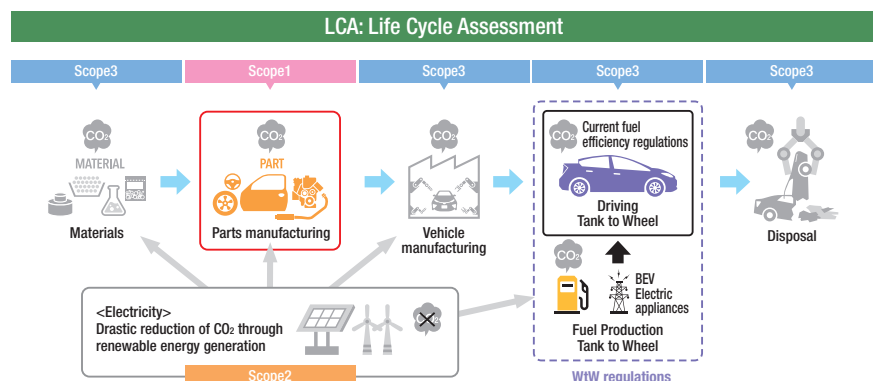
We recognize the need to understand and act on global environmental initiatives from a medium- to long-term perspective, and have established policies and targets up to 2050, and put forward targets to challenge.

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

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

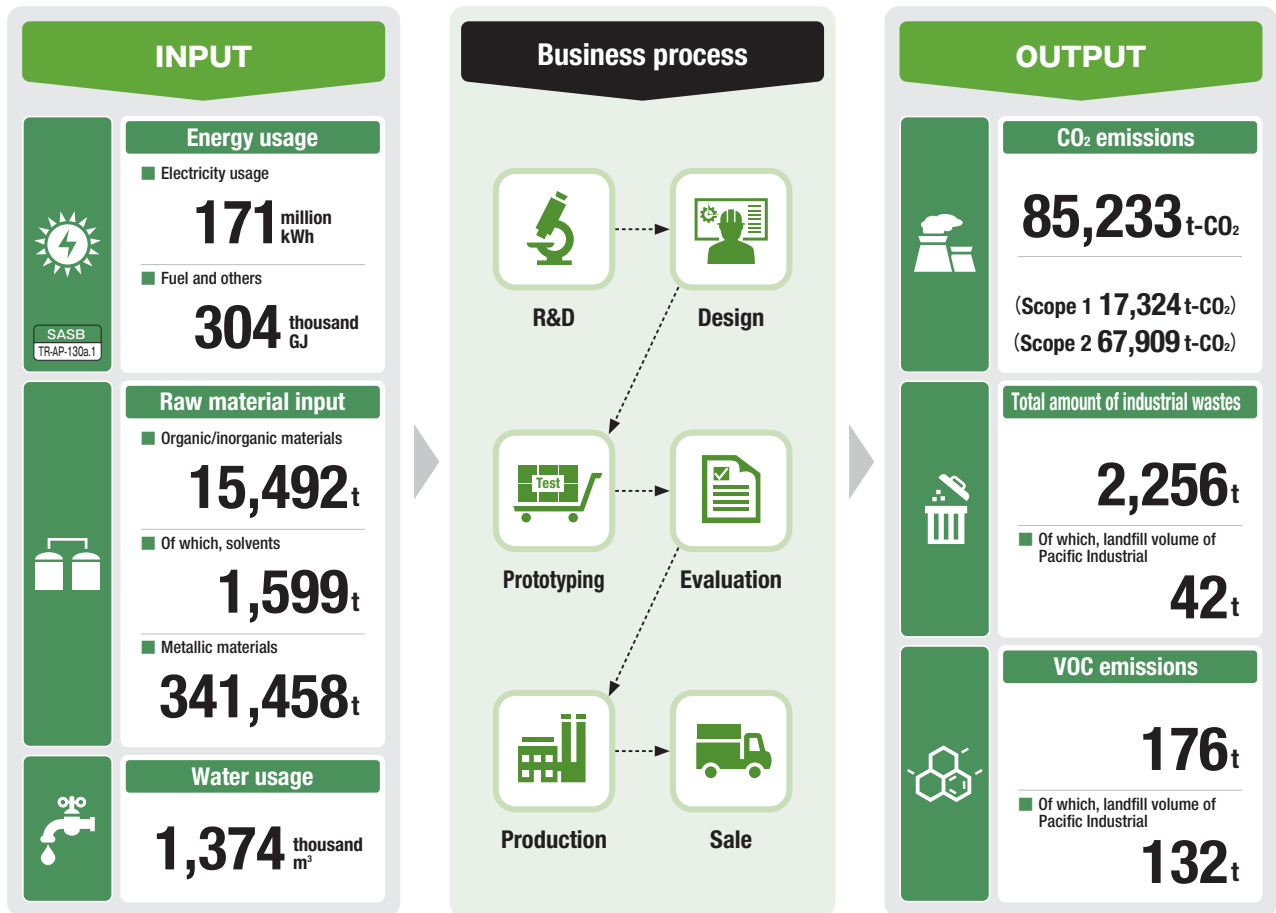
Reduce CO₂ emissions throughout the life cycle

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



Source: Prepared by us based on JAMA figures

Resource Usage and Emissions (Material Balance)



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

Status of ISO 14001 Certification

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



Environmental Communication

We invite residents living near our plants and government officials to our company office regularly to host social gatherings. We are also involved in educating the next generation through initiatives such as supporting the “Environmental SDGs Ogaki Future Lecture” for local high school students in collaboration with Ogaki City.



Environmental Targets for FY2022

	Direction of efforts	Targets
1	CO ₂ emissions	11% reduction (Group)
2	Amount of industrial wastes	39% reduction in Japan 7% reduction overseas
3	Water usage	Optimal usage (Group) 20% reduction

from FY2019
*Excluding TSC and PSC

Disclosure of climate change-related information under the TCFD

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



Governance

The Group has identified 15 material issues that are important for sustainability management, including "Mitigation of and adaptation to climate change" and categorized them into four themes. The "Mitigation of and adaptation to climate change" is led by the General Manager of the Safety and Environment Department, who works with the Corporate Planning Department to set KPIs and integrate them into business activities. Among the material topics, "Mitigation of and adaptation to climate change" is recognized as

the most important one. In addition to reporting and deliberating on the status and making decisions at the Sustainability Promotion Committee, attended by internal directors including the president, we discuss important issues individually at weekly Corporate Strategy Committee meetings, held four times a year. In addition, at least once a year, the Board of Directors deliberates on the status of sustainability activity reports and initiatives regarding risks and opportunities for climate change-related issues.

Strategy

Our Group's risks and opportunities related to climate change were identified in line with the 1.5°C and 4°C scenarios, and the risks and opportunities recognized to date were refined. Strategies related to

such risks and opportunities are developed mainly as "transition plans," "adaptation measures," and "development of environment-conscious products."

Risks and Opportunities / Scenario Analysis

		Significant risks and opportunities	Impact in a 1.5°C or less than 4°C scenario	Term	Impact level	Countermeasure	
Risks	Transition risks	Carbon pricing and soaring energy prices	With the spread of carbon pricing mainly in developed countries, carbon taxes, emission trading, carbon adjustment measures based on borders, etc., would have an impact of about 1.3 billion yen/year in 2030 and about 3.2 billion yen/year in 2050 in the 1.5°C scenario. Energy prices are also expected to soar when carbon prices are factored in, with energy payments expected to increase by about 1 billion yen/year in 2030 and 2.6 billion yen/year in 2050. (electricity, crude oil, natural gas)	Medium-and long term	High	Follow the "PACIFIC Environmental Challenge 2050" and work on the following · Promote energy conservation · Raise ICP (internal carbon pricing) · Replace fossil fuel (heavy oil, diesel oil, kerosene, natural gas) facilities with electricity-saving facilities · Understand and use next-generation energy (green hydrogen and methanation) trends. Introduction of renewable energy (solar power generation systems) · Purchase of CO ₂ -free electricity and renewable electricity certificates	Strategy 1
		Soaring raw material prices incl. steel, aluminum and resin	With the impact of decarbonization and intensifying competition for resources, raw material prices are expected to soar, with an impact of approximately 8.5 billion yen in 2030 under the less than 4°C scenario and 23.8 billion yen under the 1.5°C scenario. Furthermore, in 2050, the impact is expected to be limited to about 1 billion yen under the less than 4°C scenario, but about 14.4 billion yen under the 1.5°C scenario.	Short-and medium term	High	Follow the "PACIFIC Environmental Challenge 2050" and work on the following · Strengthen use of recycled materials, develop lightweight parts, and pass on any savings or increase in prices to customers	
		Decrease in orders for parts for internal combustion engines due to shift to EVs and FCEVs	Because of the worldwide shift to electrification by automakers and the decrease in the number of engine vehicles, sales of oil pans, engine covers, and products for engine vehicle transmissions are expected to decrease, causing a sales decrease of approximately 3.8 billion yen in fiscal 2030.	Medium-and long term	High	· Develop and expand sales of products for electrified vehicles	
	Physical risks	Operations shut down due to floods and storms caused by extreme weather conditions	The development of extreme weather conditions due to climate change has exposed some bases to storms and floods caused by heavy rainfall. For example, domestically, Nishi-Ogaki, Higashi-Ogaki, Yoro, and Kyushu, and overseas TPA, PTC, and PIT, are at risk of flooding and are expected to incur cumulative damages of approximately 3 to 9 billion yen through 2050 under the 1.5°C scenario and 6 to 18 billion yen through 2050 under the less than 4°C scenario. Regarding winds, in March 2022 the North American base PMT was hit by a tornado, which fortunately did not injure any employees, but caused damage to the building.	Medium-and long term	High	· Incorporate extreme weather countermeasures into BCPs for high-risk bases · Promoting Cooperation with Local Communities	Strategy 2
		Increase in heatstroke (Air conditioning cost increase)	Air conditioning systems need to be installed to prevent the effects of heat stroke from becoming more severe, and those costs are expected to increase by approximately 11 million yen/year in 2030 and 41 million yen/year in 2050 under the less than 4°C scenario.	Short-, medium-and long term	High	· Provision of air-conditioned clothing, promotion of factory insulation, introduction of air conditioners · Until the changeover is complete, outdoor workers are thoroughly educated and encouraged to report immediately if they begin feeling unwell	

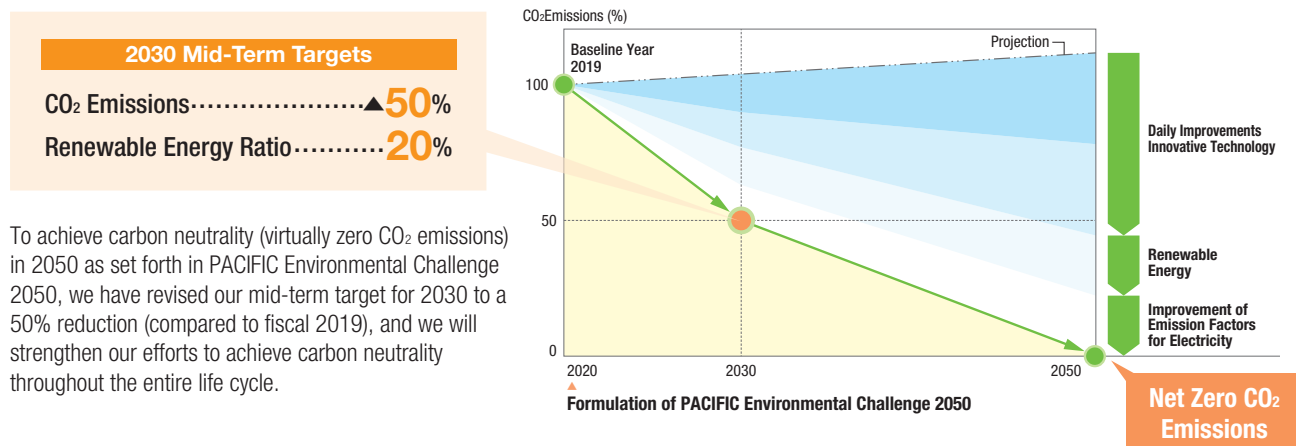
Strategy 1

Transition Plan

The Group recognizes that the impacts of the climate change transition will be extremely significant, including carbon pricing and customer requests to reduce CO₂ emissions. In 2020, we formulated the PACIFIC Environmental Challenge 2050, which aims to become carbon neutrality in 2050, and we are promoting CO₂ reduction

throughout the group. We have raised our 2030 target to 50% of the fiscal 2019 level (scopes 1 and 2), and are accelerating initiatives such as energy conservation, energy conversion, introduction of ICP, and introduction of renewable energy.

Transition Plan Our Plan to Achieve Carbon Neutrality by 2050



		Significant risks and opportunities	Impact (1.5°C and 4°C scenario)	Term	Impact level	Countermeasure	
Risks	Upstream	Flooding (and drought) caused by extreme weather shut down suppliers' operations	Suppliers in areas with low elevation, mainly in the Ogaki region, and around Tianjin and Changshu in China, and Chachoengsao province in Thailand, are considered to be at high risk of flooding. In addition, because water stress is high in Virginia in the U.S. and the vicinity of Tianjin in China, there is a possibility that suppliers' operations will be affected by water shortages.	Medium-and long term	Medium	<ul style="list-style-type: none"> Support for incorporation of measures against extreme weather into the BCP of high-risk suppliers Diversification of suppliers through local production 	Strategy 2
	Downstream	Failure to respond to customer requests or shutdowns at customers will affect order quantities	Major customers have requested CDP evaluations, reductions in CO ₂ emissions, and the like, and failure to respond to these requests could result in a loss of order opportunities in the worst-case scenario. Also, production activities may be disrupted if customers shut down operations due to windstorms or water stress.	Medium-and long term	High	<ul style="list-style-type: none"> CO₂ reduction by LCA Set reduction targets for Scope 1 and 2 and follow up Development of BCP 	
Opportunities	Products/ Service	Increased sales of press products that contribute to weight reduction. Increased sales of TPMS products that help improve fuel efficiency	Our businesses have many more products for which demand is expected to increase than those for which orders will decrease as a result of the shift to BEVs. With the electrification of automobiles, sales are expected to increase by about 20 billion yen/year in fiscal 2030, including ultra-high tensile strength components for mainstay products, battery cases, control valves for heat pump type automotive air conditioners, and other products for electrified vehicles.	Short-and medium term	High	<ul style="list-style-type: none"> Development of lightweight products, development of next-generation TPMS 	Strategy 3
		Increased orders for products for batteries, motors, and hydrogen piping due to the shift to EVs and FCEVs		Medium-and long term	High	<ul style="list-style-type: none"> Product development for FCEV/BEV (KPI) 	
	Market	Energy-saving cars were enacted into law, and the need for lighter weight increased. Increased sales of ultra-high tensile strength products		Short-and medium term	High	<ul style="list-style-type: none"> Development of lightweight products 	
	Resilience	High supply chain resilience to water risks	Our globally distributed production system makes it possible to supply products even if some production bases are shut down due to a disaster or other reasons. Our main production base is located in the Ogaki area, which has abundant water resources and is less susceptible to drought risk, even as drought risk is advancing worldwide.	Medium-and long term	High	<ul style="list-style-type: none"> Globally distributed production Supply chain decentralization in local production 	Strategy 2

* The impact amount is not a forecast but a reference to ensure management resilience. The above figures are our own calculations based on certain hypotheses and with reference to publicly available parameters, etc., and may differ significantly from the actual impact.

*Short-term :1~5years Mid-term: 6~10years Long-term:11years~

* Assumes annual growth rate of 1% until 2030 and flat growth after 2031 (however, annual growth rate of 3% until 2030 for raw materials only)

* Scenarios uses parameters from the IEA's World Energy Outlook's Net Zero Scenario (NZE) and STEPS scenarios for transition risk, and the IPCC's RCP2.6 and RCP8.5 scenarios for physical risk.

*Exchange rate assumption: JPY120/USD



Adaptation Plan

Our Group has production bases and supply chains around the world, and some regions may be affected by wind and flood damage due to the effects of extreme weather, high temperatures, etc., which will increase in the future.

To cope with this, we are promoting measures such as decentralization of production bases, multi-company purchasing, wind and flood damage countermeasures, incorporation into the BCP, supplier training, and heat stroke countermeasures.

In March 2022, a tornado occurred in the vicinity of PMT in North America, damaging part of the plant building (no casualties). Although damage was covered by property insurance, we are strengthening our countermeasures, including the establishment of evacuation shelters.



Damage caused by the tornado at the U.S. base



Development of environment-conscious products

Our Group recognizes two major impacts of climate change as business opportunities.

One is the reduction of CO₂ emissions throughout the product life cycle. Our ultra-high tensile strength products (our main products), lower CO₂ emissions during automobile use through weight reduction. Furthermore, the cold press method, which is our specialty, reduces CO₂ emissions during production to about one eighth that of hot stamping method. In addition to this, we are promoting the use of recycled materials and the manufacture of

recyclable products. The other is the development of products for electrified vehicles, which is advancing globally. We have determined that profits will be greater than losses from the transition to electrified vehicles, and recognize that there is great potential, particularly in control valve products for heat pumps for car air conditioners and soundproof covers for electric compressors, and we are aggressively developing these products.

Risk Management

We identify sustainability material topics related to our long-term vision and identify the risks associated with them. Of these, company-wide management-level risks are selected by the Corporate Strategy Committee meetings, which discusses and deliberates on implementation measures. We assess and manage significant risks across the organization, including those related to sustainability, such as climate change and social issues. In the unlikely event that such risks materialize, we will take prompt and appropriate measures to mitigate the impact. Climate-related risks and opportunities are identified and evaluated by the TCFD

promotion team, which consists of the executive officer in charge, the Corporate Planning Department, the General Affairs Department, and the Safety & Environment Department, and the results are reported to the Corporate Strategy Committee meetings. Issues such as carbon neutrality and electrification that are already recognized to have a significant impact are discussed by the Corporate Strategy Committee meetings and Board of Directors meetings as needed, incorporated into strategy, and countermeasures are planned and implemented.

Metrics and Targets

Transition Plan

- Reduce CO₂ emissions by 50% by FY2030
 - Reduce CO₂ emissions to net zero by FY2050. (PACIFIC Environmental Challenge 2050)
- * Scope 1+2, compared to FY2019

Adaptation

- Enhancing our own disaster countermeasures and brushing up our BCP
- Promote the following initiatives related to material topic “Climate change adaptation measures”
 - Support for business partner BCP formulation
 - Promote cooperation with local communities in times of disaster
 - Heat stroke prevention

Opportunities

- Set the following KPIs for materiality
 - Ratio of UHTSS versus all stamping products (25% in FY2024)
 - Percentage of sales for electrified vehicles (FY2030 70%)

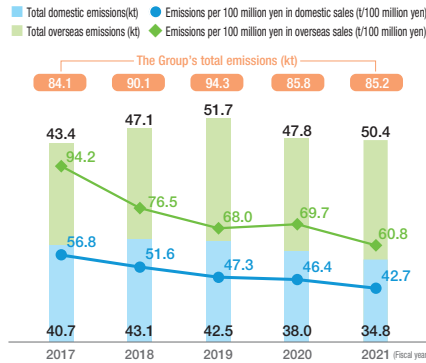
Mitigation of and adaptation to climate change

Reduction of CO₂ Emissions

With an eye on the 1.5°C scenario of the Paris Agreement adopted in 2015, the Pacific Industrial Group endeavors to reduce energy usage by pushing forward such activities as production technology development, facility upgrading, production process improvement, and daily activity improvement and introduction of renewable energy. In fiscal 2021, we worked to reduce CO₂ emissions by introducing solar power generation at the Kurihara Plant and by operating compressors more efficiently. Furthermore, in April 2022, we achieved 100% renewable electricity at three bases in Kyushu and Tohoku.



Changes in CO₂ emissions KPI



* We employ emission factors for the calculation of CO₂ emissions included in the List of Calculation Methods/Emission Factors for the Calculation, Report, and Publishing Systems published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry.

Scope 3

Classification	Strategy	CO ₂ emissions (t-CO ₂)
		Domestic (Pacific Industrial)
Upstream	1 Purchased goods and services	410,404
	2 Capital goods	40,870
	3 Fuel and energy-related activities not included in Scope 1 or 2	6,357
	4 Transportation and distribution (upstream)	6,515
	5 Wastes generated in operations	417
	6 Business travel	195
	7 Employee commuting	2,281
Downstream	9 Transportation and distribution (downstream)	8,501
	12 End-of-life treatment of sold products	1,631
Scope 3		477,171

*The Scope 3 figures were calculated based on the emission intensity database for calculating greenhouse gas emissions and other emissions by organizations throughout the supply chain (Ver. 3.2) published by the Ministry of the Environment.

Deployed Renewable Energy Capacity by Site

Base	Solar power generation capacity (kW)
Nishi Ogaki Plant	200
Higashi Ogaki Plant	500
Kyushu Plant	300
Kurihara Plant	800
Kita Ogaki Plant	469
Mino Plant	100
Yoro Plant	100
Domestic	2,469
PVI	100
PVT	84
Overseas	184
Global	2,653

Renewable energy introduction ratio 8.9% (incl. CO₂ free electricity as of 2022)

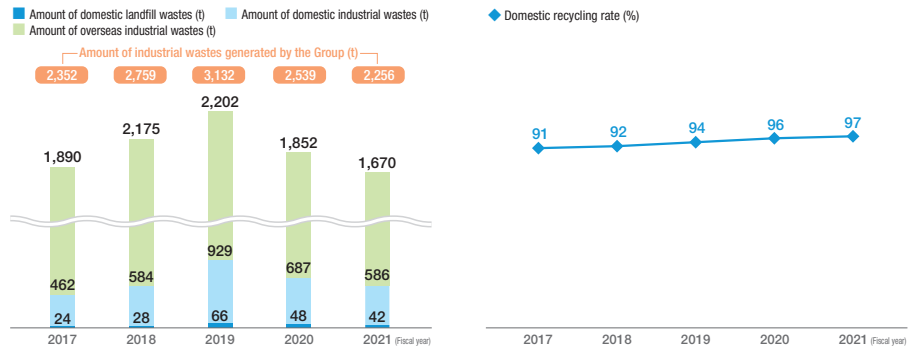
SASB TR-AP-130a.1

Sustainable resources use

The Pacific Industrial Group is pushing forward resource recycling by reducing industrial waste generation through defect reduction activities in the manufacturing process and by recycling materials, primarily waste rubber and resin. In FY2021, we worked mainly on transforming sludge into usable material at the Kurihara Plant and reducing waste plastic at the Higashi Ogaki Plant.

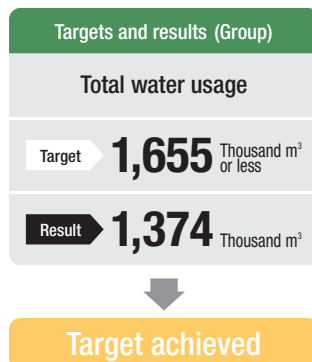


Industrial waste-related trends KPI SASB TR-AP-150a.1

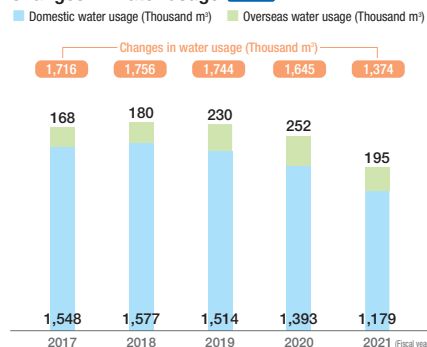


Conservation of water resources

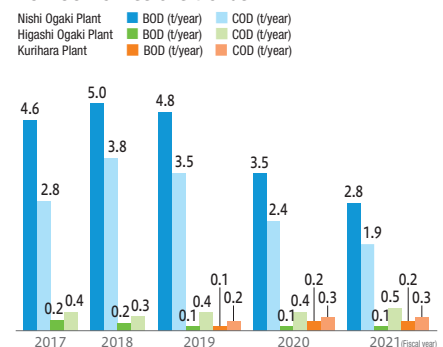
The Pacific Industrial Group actively manages and reduces water usage to be in line with regional circumstances, encourages water recycling, and endeavors toward efficient water consumption and its preservation. In fiscal 2021, we reduced water usage through full-scale operation of downsized ED coating equipment. We will continue to work to control wastewater quality and preserve the quality of normal water, and promote activities to conserve biodiversity, including maintaining the ecosystems in river source and watershed areas.



Changes in water usage KPI



BOD-COD emissions trends



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



for EMPLOYEES

Respecting human resources and their active participation

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

Respect for human rights

Human Rights Policy Formulation

In recent years, the importance of corporate efforts to address human rights issues as a social requirement is growing. We consider human rights to be a core issue for sustainability management and created the “Pacific Industrial Group Human Rights Policy” in February 2021. Under this policy, all employees will act with high ethical standards and integrity as sensible members of the global community, and the entire Group will work together to promote initiatives that respect human rights.

Implementation of Human Rights Surveys

Through human rights due diligence mechanisms, our Group strives to identify and either prevent or mitigate negative impacts on human rights. These mechanisms include the regular monitoring of the implementation status of our “Code of Conduct” and “Supplier Sustainability Guidelines”. Based on the results of a questionnaire conducted in fiscal 2020 for our Group in Japan, including our company, in accordance with the Code of Conduct, we conducted a questionnaire survey in fiscal 2021 with a strengthened section on harassment, and worked to resolve problematic harassment cases.

Since then, we have conducted questionnaires for all employees at overseas business entities the same way as we do in Japan, and in the future, we will raise awareness during morning meetings and use opinion boxes to collect opinions and issues from employees and take measures to address them.

Education • Engagement

Upon the development of our “Human Rights Policy”, in order to raise awareness of human rights within the Group and to put into practice the creation of a corporate culture of respect for human rights, we conduct awareness-raising and educational activities to promote proper understanding of those rights and ensure that information is shared throughout the company. Specifically, we will incorporate human rights education into stratified education programs, create a foreign language version of the policy and ensure that it is thoroughly disseminated to overseas business subsidiaries, and expand it to related business partners. We hold study sessions and opinion exchange meetings by human rights lawyers and NGOs to promote human rights due diligence. We also created a special feature article on human rights in the company newsletter distributed to all employees to promote understanding of the importance of human rights.



Study sessions and exchanges of opinions with experts and NGOs

Stable Employment and Decent Work Environment

Improving Employee Engagement

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

Decent work Environment

Creating a decent work environment will improve employee job satisfaction and engagement with the company, which will lead to a higher retention rate. We are actively working to improve the working environment in our offices and plants and to review various systems. Flexible working styles, such as promoting the taking of annual paid leave, reducing long working hours, changing some working hours, shortening working hours, staggered working hours, and flextime systems to support both childcare and nursing care is also introduced.

In addition, since good human relationships are important for a decent work environment, we have a workplace senior system that assigns younger senior employees to new employees, pre-training for managers and supervisors at the company to which they are assigned, and regular interviews. We are developing human resources while confirming the physical and mental health of each employee. We also hold regular informal gatherings where

management and employees can freely talk about their thoughts and feelings about their work, as well as any problems they face, and strive to create an open workplace.

Converting non-regular employees into regular employees

We regularly evaluate non-permanent temporary and contract employees and make them permanent employees if they have the qualifications. In fiscal 2021, we hired 30 full-time employees company-wide.

Work-Life Balance

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



The safety and health of employees

Building a Safe and Secure Workplace

Based on the principle of safety first, in accordance with the occupational health and safety management system, we promote safety management initiatives centered on human resource development, equipment safety measures, and workplace development to provide a healthy, safe, and secure workplace for employees.

In addition, a Health and Safety Committee has been established to investigate and deliberate on basic measures to prevent worker hazards and health problems, and labor and management work together to address these issues.

Health and safety risks are assessed at each workplace and prioritized to promote activities to reduce risks.



Safety training for new employees

Human Resource Development

In order to become a company that is strict about safety, we use the Safety-dojos, facilities for safety education, in the Study Hall as a base for technical education. We also conduct safety experience education, risk assessment education, and hazard prediction training for employees at each level to improve their ability to recognize danger as part of our efforts to increase risk sensitivity. We provide the same training for temporary employees as we do for regular employees to help improve their sensitivity to hazards. In safety activities with our suppliers, we hold safety study sessions to mutually improve the level of safety, and we also conduct safety training using our safety dojos.

We are also promoting the establishment and expansion of safety dojos to provide extensive safety education even at remote plants.

Equipment Safety Measures

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

Providing Proper Work Environments

We are working toward providing decent work environments by introducing air-conditioned clothing and systematically making progress on converting plant lighting to LEDs.

Health Management Initiatives

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

In March 2022, in recognition of our health management efforts, we were recognized in "2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large Corporation Category)" jointly sponsored by the Ministry of Economy, Trade and Industry and the Japan Health Council.

We will continue to engage in health activities that are tailored to each employee and in measures that improve the physical and mental health of employees and their families.

<Pacific Industrial Group Health Declaration>

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

September 2021

Shinya Ogawa

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

Activity Status and Targets

Item	2018	2019	2020	2021	2022 (Target)
Health checkup implementation rate	100%	100%	100%	100%	100%
Reexamination implementation rate among symptomatic patients	85.3%	82.6%	77.0%	79.0%	85%
Stress check implementation rate	98.9%	97.2%	98.9%	98.8%	100%



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

Basic Approach and Policy for Human Resources Education

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

Strengthen Education at Each Level

In April 2021, we conducted a complete review of our new education program and restructured it into an effective education system that nurtures people. For our staff, we have expanded training for management and supervisory positions, introduced problem solving for new employees, for technical staff, Toyota Production System (TPS) practical leader education, training systematized on safety, quality, productivity and improve humanity that newly incorporated. In FY2022, we plan to expand the content of our existing harassment education by adding new education to improve psychological safety, and to create a safer and more productive workplace where employees can work safely and with peace of mind.

Improving Work Methods

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



TPS practice leader education

Diversity and Inclusion

Policies and Initiatives

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



Promotion of Women's Activities

We believe that the further advancement of women is essential for the sustainable growth of a company and the strengthening of corporate competitiveness. Regarding the percentage of female staff hires, we are working to increase the percentage of female hires each year to at least 20% (strengthened from 10%), and the percentage of female hires scheduled to join the company in 2023 is 26% (as of September 2022). In addition, we support male employees taking childcare leave based on the belief that male employees' participation in childcare is necessary to promote women's success. We provide access to accumulated paid leave for

income reduction concerns and assistance for couples with no income, and interviews and explains procedures to long-term employees. We are also focusing on activities to promote understanding of the system, such as introducing examples of cases where employees have taken maternity/paternity leave in the company newsletter and informing male employees who have a new child of the system via the management system. In fiscal 2021, 15% of male employees took childcare leave, and 73% took maternity leave. (non-consolidated)

Dialogue with Labor Unions

Status of Dialogue between Labor and Management

Our company and the Pacific Industrial Workers Union strive to maintain and strengthen sound labor-management relations, respecting differences in positions and perspectives, and aiming for the sustainable development of the company through mutual trust. Regular monthly labor-management council meetings are held between strategic officers, including the president, and union officers to confirm the status of overtime and paid leave utilization, and we actively report and exchange opinions on employment stability, working conditions, health and safety, and the status of

production and sales activities between labor and management to promote labor-management harmony. In addition, labor-management roundtable meetings and production committee meetings are held in each business division. These meetings are forums for communication to ascertain the status of safety measures and other measures that have been put into practice, discussing issues for the betterment of the company, and consulting on any problems.

	Scope	2017	2018	2019	2020	2021(FY)
Number of employees (regular) (persons)	Group	3,622	4,390	4,806	4,797	4,763
Male (persons)	Group	–	–	–	3,796	3,844
Female (persons)	Group	–	–	–	1,001	919
Number of employees (Non-regular) (persons)	Group	732	1,148	1,193	970	1,133
Number of employees (regular) By region						
Japan (persons)	Group	–	–	2,016	2,075	2,078
Europe/North America (persons)	Group	–	–	1,556	1,529	1,484
Asia (persons)	Group	–	–	1,234	1,193	1,201
Average age (age)	Pacific Industrial	–	40.2	39.9	40.2	40.6
Male (age)	Pacific Industrial	–	40.1	39.7	39.8	40.3
Female (age)	Pacific Industrial	–	41.7	42.1	43.9	44.0
Average length of service (years)	Pacific Industrial	–	14.4	13.8	13.8	13.7
Male (years)	Pacific Industrial	–	14.2	13.6	13.4	13.3
Female (years)	Pacific Industrial	–	16.5	16.4	17.8	18.5
Respect for Human Rights						
Implementation rate of Human Rights Survey (SAQ) (%) KPI	Group	–	–	–	40.9	73.3
Stable Employment and Decent Work Environments						
Turnover rate (%) ^{*1} KPI	Pacific Industrial	1.8	2.0	2.2	2.1	2.5
Childcare leave recipients : Male (persons)	Pacific Industrial	2	3	1	7	13
: Female (persons)	Pacific Industrial	6	8	7	5	3
Ratio of employees using parental leave system : male (%)	Pacific Industrial	–	–	–	12.1	15.3
: female (%)	Pacific Industrial	100	100	100	100	100
Achievement rate of annual paid leave acquisition target per employee (%) ^{*2}	Pacific Industrial	78.3	95.8	98.4	99.3	100.0
Monthly overtime hours worked per employee (hours)	Pacific Industrial	34.2	35.3	32.8	20.9	22.8
Employees with medical insurance (persons)	Group	–	–	–	4,651	4,243
Employees in employee stock ownership plan (persons)	Group	–	–	–	1,531	1,634
Employees using flextime system (persons)	Group	–	–	–	858	825
The Safety and Health of Employees						
Lost time injury frequency rate (%) ^{*3 *4 *5}	Group	0.41	0.57	0.49	0.35	0.24
	Pacific Industrial	0.45	0.81	0.73	0.40	0.40
	Nationwide manufacturing industry	1.02	1.2	1.2	1.21	1.31
	Nationwide transportation machinery and equipment manufacturing	0.43	0.54	0.5	0.48	0.45
Lost time injury severity rate (%) ^{*4 *5 *6}	Group	0.02	0.04	0.01	0.00	0.01
	Pacific Industrial	0.04	0.06	0.01	0.01	0.03
	Nationwide manufacturing industry	0.08	0.10	0.10	0.10	0.06
	Nationwide transportation machinery and equipment manufacturing	0.03	0.05	0.04	0.04	0.03
Number of fatal accidents (cases)	Pacific Industrial	0	0	0	0	0
	Group	0	0	0	0	0
Rate of occupational sick leave frequency (included in lost time injury frequency rate)	Pacific Industrial	0.00	0.00	0.00	0.00	0.00
	Group	0.00	0.00	0.00	0.00	0.00
Employees on mental health leave (persons)	Pacific Industrial	–	–	–	7	15
Development of human resources and Cultivation of culture that we can tackle new endeavors						
Training hours per person (hours) ^{*7} KPI	Pacific Industrial	–	–	–	23.9	26.3
Rate of employees receiving regular job and career development assessments (%)	Pacific Industrial	–	–	–	98.7	99.3
Rate of employees trained in career or skills development (%)	Pacific Industrial	–	–	–	42	35
Diversity and Inclusion						
Rate of females in management positions (%) ^{*8}	Pacific Industrial	2.3	3.1	3.0	3.1	3.0
	Group	7	7	9.6	10.3	9.9
Rate of female supervisors in administrative and technical positions (%) ^{*8}	Pacific Industrial	12.3	11.2	11.1	11.5	11.6
	Group	20.1	19.2	19.8	22.6	23.7
Rate of foreign nationals in director positions (%) ^{*9}	Group	–	–	–	–	17.9
Rate of foreign nationals in management positions (%)	Pacific Industrial	–	–	–	0.0	0.0
	Group	–	–	–	46.5	43.4
Rate of mid-career employees in management positions (%)	Pacific Industrial	–	–	–	20.9	22.4
	Group	–	–	–	58.8	47.8
Number of non-regular employees made regular employees (persons)	Pacific Industrial	16	59	30	29	30
Rate of mid-career hires as full-time workers (%)	Pacific Industrial	–	75.0	44.0	28.0	47.4
Rate of employees with disabilities (%) ^{*10}	Pacific Industrial	2.27	2.32	2.10	2.16	2.31
Reemployment of seniors (persons)	Pacific Industrial	66	82	93	105	122
Other						
Rate of employees with labor union membership (%)	Pacific Industrial	–	–	–	86	86
	Group	–	–	–	47	46

Notes:

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

*2 Yearly acquisition target is 12 days

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

*4 Including temporary and dispatched employees

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

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

*7 Excluding OJT

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

*9 Counted as one person if concurrently employed

*10 As of June each year

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	FY2020	FY2021	FY2021
(Assets)			
Current Assets			
Cash and time deposits	28,332	27,014	220,726
Trade notes and accounts receivable	24,027	—	—
Notes receivable	—	1,495	12,220
Accounts receivable	—	28,503	232,892
Merchandise and finished goods	6,969	7,834	64,016
Work in process	4,383	6,209	50,737
Raw materials and supplies	4,148	6,429	52,528
Other accounts receivable	3,113	4,164	34,027
Other current assets	614	859	7,020
Allowance for doubtful accounts	(133)	(159)	(1,306)
Total current assets	71,456	82,351	672,864
Noncurrent Assets			
Property, plant and equipment			
Buildings and structures	28,781	30,218	246,899
Machinery and vehicles	48,227	47,797	390,534
Tools, furniture, and fixtures	5,816	2,140	17,487
Land	10,089	10,456	85,438
Lease assets	1,104	1,036	8,468
Construction in progress	7,963	12,699	103,765
Total property, plant and equipment	101,983	104,348	852,594
Intangible fixed assets	12,640	12,063	98,567
Investments and other assets			
Investments in securities	32,497	38,473	314,354
Long-term loans	60	43	359
Deferred tax assets	259	433	3,537
Net defined benefit assets	5,903	6,791	55,491
Other investments and other assets	732	940	7,688
Allowance for doubtful accounts	(3)	(8)	(66)
Total Investments and other assets	39,450	46,675	381,364
Fixed assets	154,075	163,087	1,332,526
Total Assets	225,531	245,439	2,005,390

	Millions of yen		Thousands of U.S. dollars
	FY2020	FY2021	FY2021
(Liabilities)			
Current Liabilities			
Trade notes and accounts payable	12,005	13,189	107,763
Electronically recorded obligations - operating	7,566	8,095	66,145
Short-term borrowings	4,188	1,015	8,293
Current portion of long-term borrowings	9,614	5,986	48,916
Other accounts payable	5,057	4,387	35,849
Accrued expenses	2,502	2,536	20,724
Income taxes payable	2,404	3,234	26,428
Consumption taxes payable	679	491	4,015
Deposits received	172	191	1,562
Allowance for bonuses	1,536	1,671	13,656
Notes concerning installations	19	85	695
Other current liabilities	2,127	4,025	32,891
Total current liabilities	47,874	44,910	366,942
Noncurrent Liabilities			
Long-term borrowings	52,480	55,099	450,192
Deferred tax liabilities	10,388	11,455	93,595
Provision for directors retirement benefit	161	160	1,309
Net defined benefit liabilities	716	610	4,991
Other noncurrent liabilities	1,401	2,821	23,053
Total noncurrent liabilities	65,148	70,146	573,142
Total liabilities	113,023	115,056	940,084
(Net Assets)			
Shareholders' Equity			
Capital stock	7,316	7,316	59,784
Capital surplus	7,643	7,683	62,776
Retained earnings	79,964	87,470	714,686
Treasury stock at cost	(224)	(205)	(1,677)
Valuation and translation adjustment	94,700	102,265	835,569
Valuation and Translation Adjustment			
Valuation difference on available securities	14,893	18,284	149,394
Foreign currency translation adjustments	1,135	7,602	62,116
Remeasurement of defined benefit plan	985	1,381	11,291
Total valuation and translation adjustment	17,013	27,268	222,802
Subscription rights to shares	141	97	796
Minority interests	652	751	6,136
Total net assets	112,508	130,382	1,065,305
Total Liabilities and Net Assets	225,531	245,439	2,005,390

The U.S. dollar amounts in the consolidated balance sheets were converted from Japanese yen amounts at the rate of ¥122.39 to U.S. \$1, the rate of exchange as of March 31, 2022.

Consolidated Statements of Income

Consolidated Statements of Income	Millions of yen	Thousands of U.S. dollars	
	FY2020	FY2021	FY2021
Net Sales	150,408	164,472	1,454,992
Cost of sales	129,280	141,002	1,247,371
Gross Profit	21,127	23,469	207,620
Selling, general and administrative expenses	12,152	12,712	112,461
Operating Income	8,974	10,756	95,159
Non-Operating Income			
Interest income	36	46	408
Dividend income	625	733	6,487
Equity in earnings of affiliated companies	772	1,069	9,462
Foreign exchange gain	627	1,192	10,550
Subsidy income	18	589	5,210
Other non-operating income	584	611	5,412
Non-operating income	2,665	4,242	37,532
Non-Operating Expenses			
Interest expense	365	334	2,955
Other non-operating expense	55	49	438
Non-operating expenses	421	383	3,393
Ordinary Income	11,218	14,615	129,298
Extraordinary Income			
Gains on sale of fixed assets	162	810	7,172
Settlement money	802	—	—
Extraordinary losses	965	810	7,172
Income Before Income Taxes and Minority Interests	10,253	13,805	122,125
Income taxes-current	2,326	5,005	44,280
Income taxes-deferred	(52)	(1,068)	(9,452)
Income taxes	2,273	3,937	34,828
Net Income	7,979	9,868	87,297
Profit (Loss) attributable to non-controlling interests	(3)	64	574
Profit attributable to owners of parent	7,982	9,803	86,722

Consolidated Statements of Comprehensive Income

Consolidated Statements of Comprehensive Income	Millions of yen	Thousands of U.S. dollars	
	FY2020	FY2021	FY2021
Net Income	7,979	9,868	87,297
Other Comprehensive Income			
Unrealized gains on available-for-sale securities	4,180	3,389	27,695
Foreign currency translation adjustments	2,381	6,401	52,304
Remeasurements of defined benefit plans	1,161	396	3,239
Share of other comprehensive income of associates accounted for using the equity method	(9)	103	844
Total other comprehensive income	7,713	10,291	84,084
Comprehensive Income	15,693	20,159	171,381
Comprehensive income attributable to:			
Owners of the parent	15,659	20,057	170,487
Comprehensive income attributable to non-controlling interests	33	101	894

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 ¥113.04 to U.S. \$1, the average exchange rate of FY2021.

State of Shares

(As of March 31, 2022)

Number of shares the Company is authorized to issue	90,000,000
Number of shares already issued	61,312,896
Number of shareholders	5,949

Principal Shareholders (top 10)

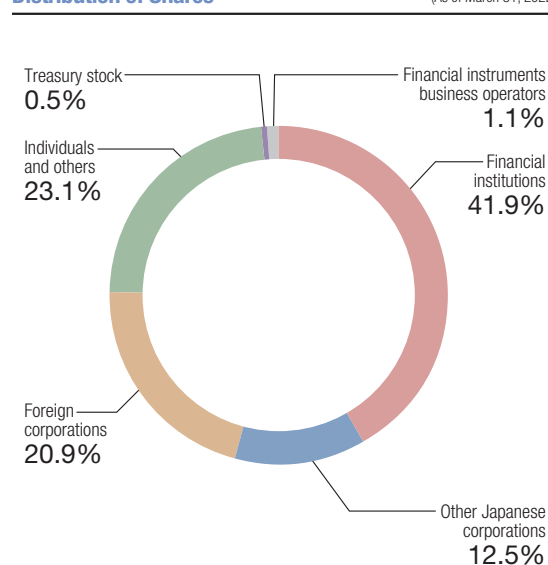
(As of March 31, 2022)

Shareholder name	Number of shares held (thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,925	9.70
Custody Bank of Japan, Ltd (Trust Account)	4,505	7.38
MUFG Bank Ltd.	2,679	4.38
Ogaki Kyoritsu Bank, Ltd.	2,671	4.37
The Juroku Bank, Ltd.	2,619	4.29
Nippon Life Insurance Company	2,359	3.86
The Dai-ichi Mutual Life Insurance Company	2,349	3.84
NORTHERN TRUST CO. (AVFC) RE HCR00	2,244	3.67
Employee stock ownership of Pacific Industrial Co., Ltd.	2,194	3.59
PEC Holdings Corporation	1,987	3.25

(Note) The shareholding ratio, excluding treasury stock (283,593 shares), is rounded to two decimal places.

Distribution of Shares

(As of March 31, 2022)



We acquired 952,900 in treasury stock from May through Aug. in 2022

Summary of Major Management Data

For the year

	2016	2017	2018	2019	2020	Millions of yen FY2021	Thousands of U.S. dollars FY2021
Net sales ^{*1}	103,669	117,758	145,030	165,969	150,408	164,472	1,454,992
Operating income ^{*1}	8,662	8,063	10,307	10,511	8,974	10,756	95,159
Ratio of operating income to sales (%)	8.4	6.8	7.1	6.3	6.0	6.5	6.5
Ordinary income ^{*1}	9,957	9,485	11,767	11,130	11,218	14,615	129,298
Ratio of ordinary income to sales (%)	9.6	8.1	8.1	6.7	7.5	8.9	8.9
Net income for the year attributable to owners of the parent ^{*1}	7,524	7,393	8,730	7,256	7,982	9,803	86,722
Ratio of net income to sales (%)	7.3	6.3	6.0	4.4	5.3	6.0	6.0
EBITDA ^{*1} ^{*2}	18,557	19,407	25,200	26,355	26,113	31,618	279,709
Capital expenditures	16,633	20,832	21,970	23,451	16,244	18,133	148,164
Depreciation expenses ^{*1}	8,414	9,919	12,704	14,192	14,565	16,487	145,856
R&D expenses ^{*1}	1,004	1,112	1,478	1,943	1,911	1,981	17,532

At year end

	2016	2017	2018	2019	2020	Millions of yen FY2021	Thousands of U.S. dollars FY2021
Total assets	140,869	158,858	203,831	204,280	225,531	245,439	2,005,390
Net assets	84,266	91,913	97,075	98,422	112,508	130,382	1,065,305
Equity ratio (%)	59.2	57.2	47.0	47.8	49.5	52.8	52.8

Cash flows

	2016	2017	2018	2019	2020	Millions of yen FY2021	Thousands of U.S. dollars FY2021
Cash flows from operating activities ^{*1}	14,381	17,944	18,941	21,190	26,988	18,317	162,041
Cash flows from investing activities ^{*1}	(16,420)	(22,229)	(40,595)	(24,270)	(18,509)	(17,189)	(152,066)
Cash flows from financing activities ^{*1}	246	5,239	29,231	90	808	(4,059)	(35,908)
Free cash flow ^{*1}	(2,039)	(4,284)	(21,653)	(3,080)	8,479	1,127	9,975

Per share data

	2016	2017	2018	2019	2020	Yen FY2021	Thousands of U.S. dollars FY2021
Net assets (BPS)	1,404.98	1,508.95	1,590.09	1,614.01	1,846.06	2,138.23	17.47
Net income (EPS) ^{*1}	138.08	123.53	144.80	120.12	131.95	161.86	1.43
Cash dividends	28.00	28.00	33.00	30.00	33.00	41.00	0.33

Major management indicators

	2016	2017	2018	2019	2020	FY2021
Total assets turnover ratio	0.77	0.78	0.80	0.81	0.67	0.70
ROA/Return on assets (%) ^{*2}	6.4	5.4	5.7	5.2	4.2	4.6
ROE/Return on equity (%) ^{*2}	9.7	8.5	9.3	7.5	7.6	8.1

ESG data

	2016	2017	2018	2019	2020	FY2021
CO ₂ emissions (kt) ^{*3}	79	84	90	94	86	85
Industrial wastes (t) ^{*3}	2,055	2,352	2,759	3,132	2,539	2,256
Water usage (thousand m ³) ^{*3}	1,583	1,716	1,756	1,744	1,645	1,374
Ratio of women in management positions (%) ^{*4}	6.8	7.0	7.0	9.6	10.3	9.9
Lost time injury frequency rate	0.69	0.41	0.57	0.49	0.35	0.24
Number of employees	3,511	3,622	4,390	4,806	4,797	4,763

Notes:

^{*1} U.S. dollar amounts presented are calculated at the exchange rate as of March 31, 2022 with Japanese yen amounts to U.S. dollar amounts at ¥122.39 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 ¥113.04 to US\$1.00.

^{*2} Calculation formulas for indices

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

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

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

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

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

Third-party Opinion

This year's Sustainability Report, as in the past, conveyed Pacific Industrial's commitment to the idea that "manufacturing is about developing people."

The message from the President talks about the sincere commitment to material topics, such as "Solving social and customer issues through products" and "Mitigation of and adaptation to climate change." Among other things, it expresses a strong commitment to "Respecting human resources and their active participation," with a strong determination to "create an environment that allows individuals to demonstrate their unique characteristics."

The company's commitment to valuing human resources is clearly demonstrated in the top management dialogue with Ms. Taeko Utsugi, Vice President and Captain of the Japan Women's Softball League Organization, titled "People-oriented Management." In the dialogue, President Ogawa repeatedly emphasizes the importance of "each employee's" efforts, and talks about aiming to "grow as a company that realizes the aspirations of each and every employee" and to have "each employee to work with an awareness of the relationship between themselves, the company, and society, and pass on to the next generation the future value that will be created through these relationships."

"e-WAVES," which is introduced in "Solving social and customer issues through products," utilizes sensing technology that has been cultivated to measure temperature, humidity, position, impact, atmospheric pressure, and illuminance in real time with six sensors, and the product supports the proper management and transportation of pharmaceuticals and food products by recording them. Also, CAPSULE SENSE, which also utilizes sensing technology, is a product that enables livestock producers to reduce labor and improve productivity by monitoring the condition of cattle. All of these products were developed to solve social issues by applying the technologies

Yoshimi Aoki
President

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.



cultivated in the automobile-related field to other fields, and were created because employees are "aware of the relationship between themselves, the company, and society." There are several other products under development to solve social issues, clearly demonstrating that each employee is "aware of the relationship between themselves, the company, and society" and are actively involved in the development of new products outside of the mainstay automotive field.

Following this, the "Development of environment-conscious products" page in the automotive-related field, which is Pacific Industrial's main field, is a very interesting report describing the thoughts of the employees who developed the products. I felt that the commitment of each and every employee who promotes these initiatives is reflected in the real work to achieve sustainability. In the same way, why not communicate in the future as to how each employee feels about the initiatives for other material topics as well?

Three years have passed since moving from a CSR report to a Sustainability Report. The identified 15 material topics and KPIs that measure the progress of initiatives have made it easier to see how progress is being made to achieve sustainability. In addition, by conveying the thoughts of employees who are promoting the initiatives in the Sustainability Report, I believe sympathy and support can be gathered from stakeholders. We hope that empathy and endorsements will help Pacific Industrial and the Group as a whole to further advance sustainability initiatives in the future.

Response to

Third-party Opinion

Thank you very much for your valuable opinions. Our Group is committed to becoming carbon neutrality by 2050, and in addition to promoting decarbonization initiatives throughout the supply chain, we are focusing on the development of products for electrified vehicles, including lightweight, sound and vibration insulation, and thermal management products, in anticipation of an electrified mobility society.

In addition to the mobility field, the company is also taking on challenges in new fields, such as the development of CAPSULE SENSE, which applies core technologies to solve issues faced by livestock farmers, and we are working to solve social issues through business. Going forward, human resources that can take on these various challenges with passion will be of utmost importance. We will continue to create opportunities for diverse human resources to play an active role and promote sustainability management with the aim of becoming a company that can "create value," and that is trusted and needed by society.



Tetsushi Ogawa
Executive Vice President
Member of the Board

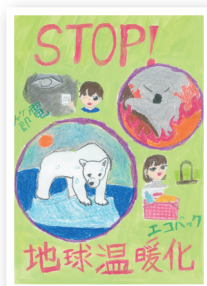
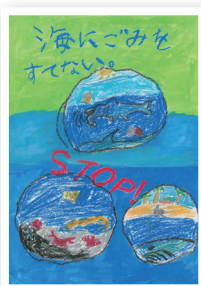
For Tomorrow, With Nature

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

What can we do to protect our precious planet?

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

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



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