Disclosure according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Support for TCFD recommendations and disclosure of information

About TCFD (overview)

TCFD is a task force established by the Financial Stability Board in 2015 to meet the requirements set at G20. The final report was published in June 2017. TCFD's statement recommends that companies focus on four key elements in the disclosure of information on their organizational operations to enable appropriate evaluation and ranking of their handling of climate change risks and opportunities.

Agreement with TCFD recommendations

AISIN Group agreed to TCFD recommendations in November 2019 and established a scenario analysis project that ran from December 2019 to March 2020.

Items recommended for disclosure by TCFD and AISIN Group's compliance

Governance

Recommended disclosure	Compliance
a) Overseeing the Board of Directors meetings on climate-related risks and opportunities	• Set priority issues for the SDGs, including climate change, through management meetings and Board of Directors meetings to accelerate sustainability management • Establish consolidated environmental policies and evaluate environmental initiatives under the supervision of the Board of Directors
b) Role of management in evaluation and management of climate-related risks and opportunities	

Strategies

Recommended disclosure	Compliance
a) Short-, medium- and long-term climate-related risks and opportunities identified by the organization	• Analysis of opportunities and transitional and physical risks accompanying climate change in the short- to medium-term • Building of company structure to promote the transition to a zero carbon society as a business • Analysis of transitional and physical risks based on definitions the TCFD recommendations
b) The impact of climate-related risks and opportunities on the business, strategies and financial plans of the organization	
c) Resilience in business strategies, taking into account different climate-related scenarios including the 2°C or lower scenario	

Risk management

Recommended disclosure	Compliance
a) Processes for identifying and evaluating climate-related risks	• Identify transitional and physical risks caused by climate change and build a framework for evaluation and management of risks • Identify these as major risks that impact AISIN Group and regularly monitor them through the Sustainability Conference, etc. • Reflect external evaluations such as CDPs and dialog with investors in our risk management
b) Organizational processes for managing climate-related risks	
c) Integrate identification, evaluation and management of climate-related risks into our risk management throughout our organization	

Indexes and targets

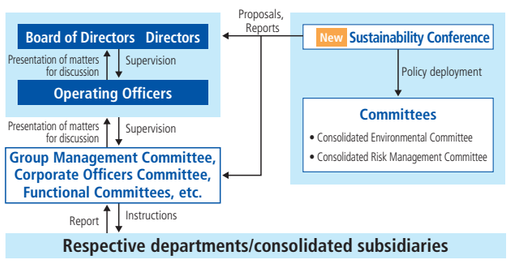
Recommended disclosure	Compliance
a) Disclose measurement standards used for evaluation of climate-related risks and opportunities according to our own strategies and risk management	**Targets for FY2031** • CO_2 emissions from production* Reduction of 35% or greater compared to FY2014 • Total CO_2 emissions in life cycle Reduction of 25% or greater compared to FY2014 **Monitoring indexes** • CO_2 emissions and energy in scope 1 (direct) and scope 2 (indirect) • Scope 3 **FY2020 results (t-CO_2)** • Scope 1: 631,705 • Scope 2: 2,187,302 • Scope 3: 14,514,337
b) Disclose GHG emissions and related risks for scopes 1, 2 and 3	
c) Targets used by the organization to manage climate-related risks and opportunities, and the performance of these	

*CO_2 emissions from production = Scope 1, 2

For more details on our climate change measures, refer to p.58-63 of our Integrated Report or our website.

Governance

- AISIN Group recognizes that climate action is an important management strategy. Initiatives to prevent global warming are discussed at our management meetings and Board of Directors meetings, and this issue has been selected as a priority issue to be tackled by AISIN Group according to the SDGs.
- To achieve the vision for the future outlined in TCFD recommendations, we are proposing and discussing plans for medium- to long-term environmental initiatives at meetings of the Consolidated Environmental Committee. These are decided at management meetings and reported to the Board of Directors.



Strategies

Scenario analysis and setting of targets and scenarios

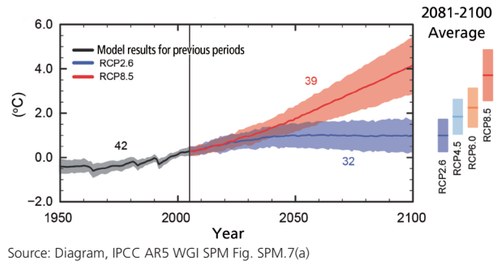
- AISIN Group has always met the diversifying needs of the automotive industry with advanced technology, but with the biggest period of change in 100 years and the threat of large-scale disasters caused by climate change, we are facing our biggest challenges ever.
- To overcome this period of change and assess whether we can achieve sustainable growth, we have analyzed scenarios using TCFD based on the perspectives we are anticipating from our stakeholders.

Analysis and setting of scenarios

We conducted a global analysis of all of our businesses to confirm the overall impact on AISIN Group's businesses.

- A below 2°C scenario is expected as a result of the impact from a transitional perspective and a 4°C scenario is expected as a result of the impact from a physical perspective
- 2030 was set as the timeframe to assess short-, medium- and long-term perspectives, as this is the point at which the automotive industry is expected to transition to electrification

Global average change in temperature



Source: Diagram, IPCC AR5 WGI SPM Fig. SPM.7(a)

Scenarios	Below 2°C scenario	4°C scenario
Vision for society	Bold policies and technological innovation to achieve sustainable development • Introduction of carbon tax • Shift to electrification	Society in which climate change caused by global warming affects businesses • More severe flooding from heavy rains and typhoons
Reference scenarios	• SDS (IEA WEO2019) • B2DS (IEA ETP2017) • 30@30 (IEA EV Outlook30@30)	• RCP8.5 (IPCC AR5)

Anticipated concerns of stakeholders

Transitional

(1) Low evaluation of carbon efficiency, easily affected by carbon tax

(2) Internal combustion engines are still widely used, industry will need to adapt rapidly to electrification

Physical

(3) Impact on continuity of production by disruption of supply chains as a result of natural disasters

Identification of risks and opportunities

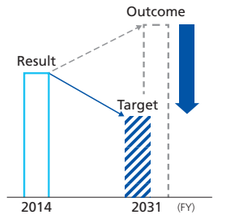
We identified all anticipated risks and opportunities, including points other than the anticipated concerns of our stakeholders, and conducted a detailed analysis of three risks that are of particular concern.

		Impact on procurement	Impact on direct operations	Impact on demand for products and services
Risks and opportunities in below 2°C scenario	Policies, laws and regulations	• Increase in raw material procurement costs as cost increases faced by suppliers due to the carbon tax are passed on • Costs associated with support for selection of suppliers and zero carbon initiatives	Focal point 1 • **Additional energy costs with the introduction of carbon tax policies** • Costs for additional hard and soft measures to eliminate carbon from production processes	Focal point 2 • **While the promotion of electrification increases demand for electric vehicle products, it also decreases demand for products for vehicles with an internal combustion engine** Focal point 1 • **Demand differs depending on whether customers comply with zero carbon requirements** • Increase in demand for environmentally friendly ENE-FARM household fuel cells (SOFC) and gas heat pump air-conditioners
	Technology			
	Market			
	Reputation			
Risks and opportunities in 4°C scenario	Acute	• Disruption of supply chains as a result of larger and more frequent weather disasters (heavy rains, typhoons, etc.) • With a rise in sea levels and average temperatures and the depletion of usable marine resources in communities, key supplier sites that we have traded with thus far will struggle to stay in business	Focal point 3 • **Temporary suspensions of business as a result of larger and more frequent weather disasters (heavy rains, typhoons, etc.)** • Increase in health risks for employees and air conditioning costs due to increases in average temperatures • Difficulty staying in business due to depletion of usable marine resources in communities	• Increase in demand for high-resilience ENE-FARM household fuel cells (SOFC) and gas heat pump air-conditioners
	Chronic			

Results of scenario analysis (details)

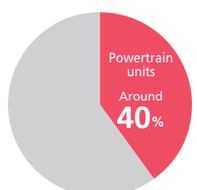
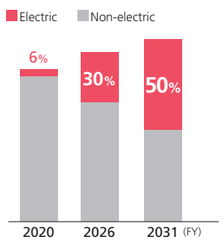
Focal point 1 Introduction of carbon tax, increasing call for zero carbon by our customers

Below 2°C scenario × impact on direct operations, below 2°C scenario × impact on demand for products and services

Risks/opportunities	Prerequisites	Measures	Impact/evaluation
• Possibility of carbon tax due to future government regulations, etc. • Selection of products for procurement from the perspective of carbon efficiency in customers' production processes • Greater calls for reductions of emissions in scopes 1 and 2 by AISIN Group as automotive manufacturers are expected to set targets for the reduction of CO_2 throughout the life of products	• CO_2 emissions from production Outcome of 3,089,000t-CO_2 in sales plans for each site (until FY2026) and sales projections for each region (until FY2031) • Carbon prices ¥10,000/t-CO_2 based on SDS price in IEA WEO2019 in anticipation of 2°C scenario • There is a concern that our business will be threatened by the impact on sales of products with low carbon efficiency combined with high CO_2 emissions from production subject to carbon tax	• AISIN Group is working to reduce emissions by 35% compared to FY2014 by FY2031 • We are working toward a target of at least 25% renewable energy by FY2031 • We are considering new technology such as methanation and hydrogen technology, along with renewable energy procurement strategies Scenarios for reduction of CO_2 in production in FY2031.  Three pillars Daily improvements, innovation in production technology, renewable energy	• Improved carbon efficiency in future due to initiatives to reduce emissions • Attracting customer demand as a result of target setting and reduction of emissions

Focal point 2 While the promotion of electrification increases demand for electric vehicle products, it also decreases demand for products for vehicles with an internal combustion engine

Below 2°C scenario × impact on demand for products and services

Risks/opportunities	Prerequisites	Measures	Impact/evaluation
• Transition to a zero carbon society will increase demand associated for new products and services • Major shift to electric vehicles in the automotive industry • Shift from gasoline-powered vehicles (which require many products for internal combustion) to electric vehicles	• 50% electrification has been set as a target for FY2031, in anticipation of a larger shift than the ratio in IEA ETP B2DS • The new powertrain units accompanying electrification (automatic transmission, HV transmission, etc.) will account for 40% of AISIN Group's sales Proportion of AISIN Group's sales 	• We have decided to shift AISIN Group's business domain to CASE and are working on structural reforms • We introduced a virtual company system in 2017, and changed this to a company system from 2020 to maximize the value of the whole group's businesses	• As we adopt our company system within AISIN Group, we are working to adapt to electrification to ensure that sales continue to increase as electric vehicles are increasingly used Example: Powertrain Company 

Focal point 3 Temporary suspensions of business as a result of larger and more frequent weather disasters (heavy rains, typhoons, etc.)

4°C scenario × impact on direct operations

Risks/opportunities	Prerequisites	Measures	Impact/evaluation
• Larger and more frequent weather disasters • Concerns about opportunity losses and disaster recovery costs as a result of temporary suspensions of business after disasters	• Research on flood risks at production sites based on local government bodies' hazard maps **Flooding** (MLIT standard) Damage to river embankments as a result of area's highest class of rainfall in the last 200 years **Storm surges** (MLIT standard) Largest storm surges caused by typhoons the size of the Muroto Typhoon in 1934 • Potential for damage more severe than anticipated	• We are establishing measures to keep out deep water (prevent damage to the area in the event of flooding of this nature), steadily implementing these measures and working to strengthen them. *16 sites are considered to have a high risk of water damage (8 due to flooding and 8 due to storm surges)	• We identified sites with a high risk of water damage through surveys of the area. Measures to prevent opportunity losses have already been strengthened and we are working to strengthen them further.

*Overseas scenarios are being analyzed at present. We plan to report on these in the next fiscal year.

Future developments

Future developments based on scenario analysis

Through our scenario analysis, we have analyzed the impact of the risks we are facing, determined the scope of each risk and opportunity and put measures in place accordingly. The results will be reflected in our medium- to long-term strategies and targets in future. We are steadily carrying out the following measures to strengthen our resilience in the face of the impact on AISIN Group's products and services.

- Shift to products for electric vehicles (product development)
- Reduction of CO_2 emissions from production (Environmental Action Plans)

Medium- to long-term management strategies and targets according to the TCFD recommendations

	Implemented by	KPIs/targets for FY2031	
Electrification	Companies	Ratio of product sales in related areas	50% or greater
CO_2 emissions from production	Consolidated Environmental Committee	Reduction of emission (compared to FY2014)	Reduction of at least 35%

Message from Officer

Toshiyuki Mizushima

Executive Vice President, Member of the Board,
President of Consolidated Environmental Committee

Environmental conservation initiatives such as the prevention of global warming are a key point tackled in AISIN Group's management. In addition to setting priority issues regarding the SDGs, we have set targets and KPIs for fiscal year 2031 to promote specific activities.

Based on the environmental issues the world has faced thus far, we recognize the importance of building a sustainable society through the products and services we provide as a manufacturer to resolve worsening issues such as climate change, impact on water resources and plastic pollution in the seas.

As electric vehicles become mainstream around the world and electricity shifts to natural sources, we are conducting comprehensive evaluations of environmental risks and opportunities in future and presenting specific policies for group-wide initiatives.