

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

GRI 102-12, 15, 18, 29, 31, 201-2

Support for TCFD recommendations and disclosure of information

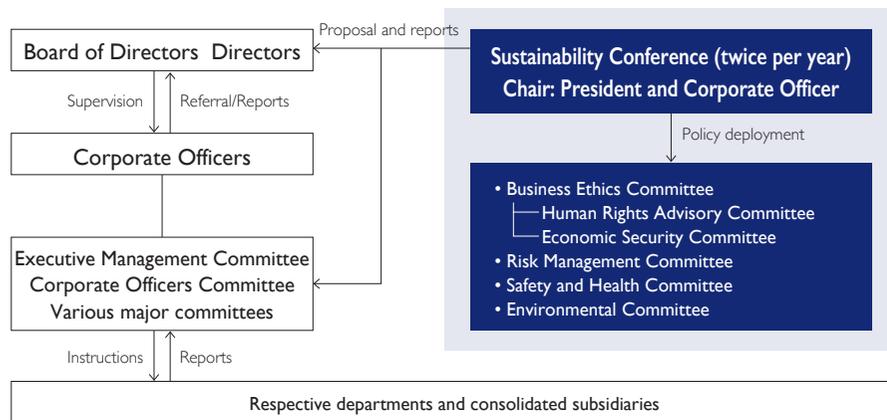
The TCFD is a task force established by the Financial Stability Board in 2015 to meet the requirements set at G20 (Group of 20). The final report was published in June 2017. The TCFD's statement recommends that companies focus on four key elements in the disclosure of information on their organizational operations to enable appropriate evaluation and ranking of their handling of climate change risks and opportunities.

Aisin agreed to TCFD recommendations in November 2019 and established a scenario analysis project.

Governance

Aisin 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 the AISIN Group.

To achieve the vision for the future outlined in TCFD recommendations, we will propose and discuss plans for medium- to long-term environmental initiatives at meetings of the Consolidated Environmental Committee. These will be decided at management meetings and reported to the Board of Directors.



Items recommended for disclosure by TCFD and Aisin's compliance

Governance

Recommended disclosure	Compliance
a) Overseeing the Board of Directors meetings on climate-related risks and opportunities	<ul style="list-style-type: none"> Discussed initiatives to prevent global warming at management meetings and Board of Directors meetings in recognition that climate action is an important management strategy, and selected this issue as a priority issue to be tackled by the AISIN Group The Board of Directors deliberates on important climate-related matters proposed and reported through the Sustainability Conference, the Environmental Committee, and the Carbon Neutral Promotion Committee, each of which is a climate-related meeting, and makes changes to business strategies and plans as necessary
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	<ul style="list-style-type: none"> Established the Carbon Neutral Promotion Center for the transition to a decarbonized society Analyze transitional and physical risks and opportunities associated with climate change based on the definitions suggested by the TCFD recommendations and discuss responses
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	<ul style="list-style-type: none"> Identify transitional and physical risks caused by climate change and build a framework for evaluation and management of risks Identify major risks that impact the AISIN Group and regularly monitor them through the Sustainability Conference, etc. Undergo external evaluations, such as CDPs and dialog with investors, and make changes as necessary
b) Organizational processes for managing climate-related risks	
c) Integration of 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	<p>FY2031 Targets</p> <ul style="list-style-type: none"> CO₂ emissions from production (Scopes 1 and 2): Reduction of 50% or more compared to FY2014 Total CO₂ emissions across product life cycles: Reduction of 25% or more compared to FY2020 <p>Indicators (FY2022 results)</p> <ul style="list-style-type: none"> Production CO₂ emissions: 2.565 million t-CO₂ (7.5% reduction compared to FY2014) Life cycle CO₂ emissions: 17.528 million t-CO₂ (1.8% reduction compared to FY2020)
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	

For more details on our climate change measures, refer to p.87 of AISIN Group Report 2022 or our website.

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Strategies

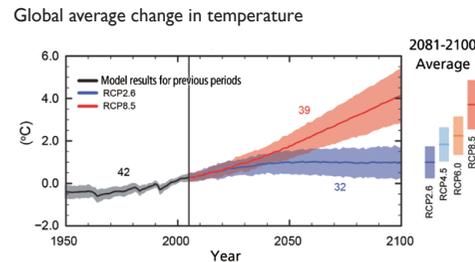
Scenario analysis and setting of targets and scenarios

The 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 the 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.
- As this is the point at which the automotive industry is expected to transition to electrification, 2030 was set as the timeframe to assess short-, medium- and long-term perspectives.



Scenario	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 scenario	• SDS(IEA WEO2019) • B2DS(IEA ETP2017) • 30@30(IEA EV Outlook30@30)	• RCP8.5(IPCC AR5)

Anticipated concerns of stakeholders

Transitional

- i Low evaluation of carbon efficiency, easily affected by carbon tax
- ii Internal combustion engines are still widely used, industry will need to adapt rapidly to electrification

Physical

- iii 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
<p>Risks and opportunities in below 2°C scenario</p> <ul style="list-style-type: none"> Policies, laws and regulations Technology Market Reputation 	<ul style="list-style-type: none"> 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 	<p>Focal point 1</p> <ul style="list-style-type: none"> Additional energy costs with the introduction of carbon tax policies Costs for additional hard and soft measures to eliminate carbon from production processes 	<p>Focal point 2</p> <ul style="list-style-type: none"> While the promotion of electrification increases demand for electric vehicle products, it also decreases demand for products for vehicles with an internal combustion engine <p>Focal point 1</p> <ul style="list-style-type: none"> 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
<p>Risks and opportunities in 4°C scenario</p> <ul style="list-style-type: none"> Acute Chronic 	<ul style="list-style-type: none"> 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 local water resources, key supplier sites that we have traded with thus far will struggle to stay in business. 	<p>Focal point 3</p> <ul style="list-style-type: none"> Temporary suspension 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 local water resources 	<ul style="list-style-type: none"> Increase in demand for high-resilience ENE-FARM household fuel cells (SOFC) and gas heat pump air-conditioners

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Risks and opportunities of climate change (details)

Category	Stage of impact	Impact on the AISIN Group	Term	Business/financial impact level	Response
			Short/ Medium/Long	High/Medium/ Low	
Transition risks	Procurement	Increase in procurement costs as cost increases faced by suppliers due to the switch to eco-friendly raw materials, carbon tax, etc. are passed on	Medium	Medium	<ul style="list-style-type: none"> Reduction of raw materials used through weight reduction at product design stage and material substitution Reduction of purchased raw materials through resource recycling Education of suppliers on decarbonization and support of their activities
	Direct operations	Additional energy costs with the introduction of policies on carbon tax, etc. and renewable energy	Medium	Medium	<ul style="list-style-type: none"> Promotion of energy-saving activities to minimize energy use Integrated management of renewable energy introduction based on the characteristics of each region
	Demand for products	While the promotion of electrification increases demand for electric vehicle products, it also decreases demand for gasoline-powered vehicle products	Medium	High	<ul style="list-style-type: none"> Shifting product mix toward electric vehicle products with the goal of increasing the sales ratio of such products to 50% by 2030 Enhancing sales of products that contribute to carbon neutrality through electrification of mobility and energy solutions with a wide range of products, including high-efficiency electric units, regenerative braking, thermal management and aerodynamics
Physical risks	Direct operations	Disruption of supply chains and temporary suspension of business as a result of larger and more frequent weather disasters (heavy rains, typhoons, floods, etc.)	Short	Low	<ul style="list-style-type: none"> Advancement of BCP for procurement logistics Identification of at-risk sites and regular monitoring Formulation and implementation of a flood control plan
Opportunities	Demand for products	Increased demand for Aisin's electric-unit-related products due to the promotion of electrification	Medium	High	<ul style="list-style-type: none"> Expansion of production capacity for related products
		Increased need to absorb emitted CO ₂ to achieve carbon neutrality	Medium	Medium	<ul style="list-style-type: none"> Activities toward the practical application of carbon-recycled concrete using Aisin's technologies Development of CO₂ recovery/utilization technology
		Expansion of renewable energy business	Medium	Medium	<ul style="list-style-type: none"> Development of lightweight Perovskite solar cells that can be installed anywhere
		Increased demand for energy-saving and low-carbon emission products	Medium	Medium	<ul style="list-style-type: none"> Further increase in efficiency and sales of ENE FARM household fuel cells (SOFC) that generate electricity and hot water

[Term]

Short: By 2025

Medium: By 2030

Long: By 2050

[Business/financial impact level]

Low: Low level of impact is expected

Medium: Medium level of impact is expected

High: High level of impact is expected

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Results of scenario analysis (details)

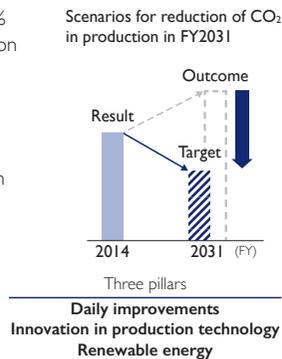
Focal point 1 Introduction of carbon tax, increasing call for zero carbon by our customers

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

- (1) Risks/opportunities**
- 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 as automotive manufacturers are expected to set targets for the reduction of CO₂ throughout the life of products

- (2) Prerequisites**
- CO₂ emissions from production: Outcome of 3,090,000t-CO₂ in sales plans for each site (until FY2026) and sales projections for each region (until FY2031)
 - Carbon prices: ¥10,000/t-CO₂ 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 CO₂ emissions from production subject to carbon tax

- (3) Measures**
- Aisin is working to reduce CO₂ emissions by 50% compared to FY2014, with the aim of being carbon neutral by FY2051.
 - 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.



- (4) Impact and evaluation**
- 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

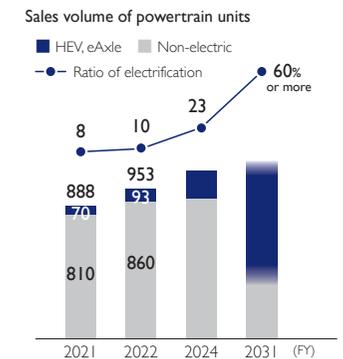
- (1) Risks/opportunities**
- Transition to a zero carbon society will increase demand associated with new products and services.
 - Major shift to electric vehicles in the automotive industry
 - Shift from gasoline-powered vehicles (which require many products for internal combustion) to electric vehicles

- (2) Prerequisites**
- 60% electrification has been set as a target for FY2031, in anticipation of a larger shift than the ratio in IEA ETP B2DS (projection for Aisin only).
 - The new powertrain units accompanying electrification (automatic transmission, hybrid transmission, etc.) will account for 40% of Aisin's sales (FY2022).



- (3) Measures**
- We have decided to shift Aisin's business domain to solution-oriented products, including CASE, and are working on structural reforms.
 - We changed to a company system from 2020 to maximize the value of the whole group's businesses.
 - A CESO (Chief Electric Strategy Officer) was appointed to accelerate our electrification initiatives, a key area of ours.

- (4) Impact and evaluation**
- Electrify 60% or more of our powertrain unit products by FY2031
 - Continuously grow sales outside of units (electronically controlled brakes, thermal management products, etc.)



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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

- (1) Risks/opportunities**
- Larger and more frequent weather disasters
 - Concerns about opportunity losses and disaster recovery costs as a result of temporary suspensions of business after disasters
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- (2) Prerequisites**
- Research on flood risks at production sites based on local government bodies' hazard maps
- Flooding** (MLIT standard)
Damage anticipated to river embankments as a result of area's highest class of rainfall in the coming 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
-
- (3) Measures**
- 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.
- * Sixteen sites are considered to have a high risk of water damage (8 due to flooding and 8 due to storm surges).
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- (4) Impact and evaluation**
- 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.

- **Shift to electric vehicle products (product development)**
- **Reduction of production CO₂ emissions (“Aisin Consolidated Environmental Action Plan”)**

Through steady implementation of the above, we will work to strengthen our resilience against the impact of demand for Aisin's products and services.

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

	Implemented by	KPIs/targets for FY2031	
Electric	Powertrain, Chassis and Vehicle Safety System	Ratio of product sales in related areas	50% or more
CO ₂ emissions from production	Consolidated Environmental Committee	Reduction of emissions (compared to FY2014)	Reduction of 50% or more