

Response to Climate Change

Under the corporate philosophy of “Reliability, Creativity, and Service,” the Aichi Tokei Denki Group positions the promotion of sustainability as the main axis of management in order to achieve sustainable development of society and create new corporate value for the Group. We are promoting efforts to address climate change issues in accordance with our “Basic Policy on Sustainability,” which clarifies this basic approach, and we are expanding the disclosure of climate-related information in line with the TCFD recommendations. In May 2023, recognizing that responding to climate change is one of our major management issues, we expressed our support for the final recommendations of the TCFD* (Task Force on Climate-related Financial Disclosure).

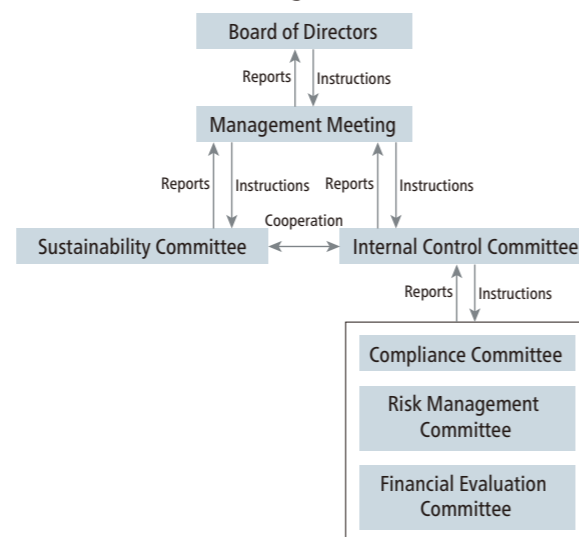


* TCFD (Task Force on Climate-related Financial Disclosures): An international initiative established by the Financial Stability Board (FSB) of the G20 in 2015, in order to enhance the disclosure of information concerning the financial impact of climate-related risks and opportunities.

Governance

In view of the importance of climate change issues and human capital management, the Group established the Sustainability Committee in May 2023 as a committee responsible for discussing sustainability issues, and reviews and deliberates on the formulation of basic policies, action plans, and performance reviews, including risks and opportunities for climate change issues. The Committee coordinates with the Risk Management Committee through the Internal Control Committee and important matters are reported to the Board of Directors (Chair: Chair of the Board of Directors) after deliberation at the Management Meeting, etc., and the status of response is monitored and supervised. In April 2022, we formulated the “Carbon Neutral Challenge 2050” with the approval of the President and representative director to work toward achieving carbon neutrality.

Governance Structure Diagram



Strategy

We conducted a climate change scenario analysis based on the TCFD recommendations, identified the climate change risks and opportunities of our main businesses, qualitatively assessed the impacts, and considered countermeasures.

Assumed Scenarios

1.5°C/2°C World Scenario	If strict measures are taken to combat global warming, the average annual temperature will rise by less than 1.5 degrees Celsius compared to the period of the Industrial Revolution.
4°C World Scenario	If we do not take measures to combat global warming that exceed the current situation, the average temperature will increase by 3.2 to 5.4 degrees Celsius compared to the period of the Industrial Revolution.

Source: Ministry of the Environment
<https://www.env.go.jp/content/000118155.pdf> (Japanese only)

Risk Management

Through scenario analysis in line with the TCFD recommendations, the relevant departments identified climate change-related risks and opportunities, evaluated the importance and impact on business, and formulated a risk response plan based on the degree of impact to the continuation of business, the likelihood of occurrence, and the timeline in which it is expected to become apparent. The Sustainability Committee formally approved these scenarios and monitors the progress of risk response on an annual basis and verifies the effectiveness of each response measure and revises it.

We recognize that climate change risks have a significant impact on our business activities, and we report the status of risk management to the company's leadership.

Impact of Climate Change Risks and Opportunities on Businesses and Countermeasures

Risks/ opportunities	Potential risks, opportunities	Impact degree	Timing of impact	Strategy (measures)
Migration risks	Response to the Government's Carbon Neutrality Statement	Large	Short term	<ul style="list-style-type: none">Strive to reduce energy consumption by updating to energy-efficient production facilitiesIntroduce carbon-free energy at the head office and main plant (head office and Okazaki Plant), and consider expanding to other production bases (achieve zero emissions by 2050)
	Concerns about increased burden due to carbon pricing (carbon taxes)	Small	Short term	<ul style="list-style-type: none">Reduce the impact of taxation on energy used in our own factories by advancing plans such as equipment renewal and expansion of carbon-free energy useIf price increases are transferred down the supply chain, based on the plan, promote cost reduction through product design improvement
	Soaring energy prices, transportation costs, and raw material procurement costs due to the promotion of renewable energy and carbon pricing	Medium	Short term	<ul style="list-style-type: none">Reduce energy consumption and improve production efficiency by upgrading to energy- and production-efficient facilitiesAim to reduce risks by reducing costs through improved product design
Physical risks	Shutdowns due to climate change (typhoons, heavy rains, floods, etc.), earthquakes, tsunamis, etc.	Large	Long term	<ul style="list-style-type: none">Conduct regular risk assessment revisions on an annual basisConsider physical damage reduction measures by revising flood protection boards and drainage routesFormulate a BCP for tsunami damage at the head office plant and continue training through simulations
	Chemical spills from damage to plants associated with climate change, earthquakes, and tsunamis	Small	Long term	<ul style="list-style-type: none">Properly maintain and manage facilities such as buildings and warehouses, storage facilities, etc., and perform regular repairs and updatesPrepare for emergencies by summarizing spill handling and communication methods, and conducting relevant staff training
	Concerns about procurement of parts and materials due to climate change, earthquakes, and tsunamis (supplier disaster)	Medium	Long term	<ul style="list-style-type: none">Promote the purchase of materials and purchased goods from multiple suppliers, and select business partners who can produce substitutes for outsourced goodsReturn to normal production status at an early stage by maintaining and utilizing manufacturing resource information
Opportunities	Increased needs for environmentally friendly products (existing products) due to growing awareness of carbon neutrality	Medium	-	<ul style="list-style-type: none">Strengthen the promotion and proposal sales of environmentally friendly products based on the policy direction of the government and local governmentsImprove favorability through carbon neutral initiatives and strategic public relations, and appeal to society and investors
	Increased needs for new products that contribute to carbon neutrality	Medium	-	<ul style="list-style-type: none">Reflect the strategy obtained through scenario analysis in the Medium-term Management Plan, sales/profit plan, and product planning/development plan

Indicators and Objectives

The Group has launched the Carbon Neutral Challenge 2050 in order to achieve carbon neutrality by 2050. Up to fiscal 2022, we promoted the use of renewable energy and

reduced the weight and size of our products, and we were able to reduce our fiscal 2022 CO₂ emissions by 61.9% compared to fiscal 2013.

Carbon Neutral Challenge 2050

Target 2050
We aim to realize a decarbonized society, that is, carbon neutrality, by 2050.

Action Plan

1. Reduction of greenhouse gas emissions	Reduce greenhouse gas emissions from energy sources in our business activities and contribute to carbon neutrality
2. Reduce the impact on the environment during the product lifecycle	<ul style="list-style-type: none">Reduce the impact on the environment at all stages of the product lifecyclePromote energy-saving and environmentally safe product designReduce emissions of environmentally harmful substances in production activities and save energy and resourcesProactively introduce DX that increases productivity and reduces environmental impact
3. Cooperation across the whole supply chain	Cooperate across the whole supply chain to promote greenhouse gas reduction efforts to realize a decarbonized society