

Promoting

Sustainability Management

Point

- ◆ We have been contributing to solving environmental issues through our business activities and continue to evolve in response to social changes.
- ◆ We always maintain an awareness of respect for our employees, who form the foundation of our business activities, and we promote a workplace that is conscious of safety and health.
- ◆ Human resources are the key foundation for the realization of our Medium-term Management Plan and Management Principles, and are positioned as one of our most important management issues.
- ◆ We aim to create new value by building a good relationship of trust with each stakeholder in order to realize long-term improvement of corporate value.

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Chapter 3



Basic Approach

Disasters, food problems, and ecosystem changes caused by climate change have had a serious impact on nations around the world in recent years. As a company aiming to be a leader in environmental technologies, we will contribute to the fight against global climate change and fulfill our corporate social responsibility to help build a sustainable, recycling-based society.

In order to make our environmental efforts more efficient and systematic, we have been ISO 14001 certified since 1999 to ensure continuous improvement of our environmental performance and compliance with laws and regulations. We also endorse international initiatives and strive for transparent and appropriate disclosure of environmental information through the TCFD (Task Force on Climate-related Financial Disclosures) and the CDP (Carbon Disclosure Project).

Since 2023, we have participated in the GX League led by the Ministry of Economy, Trade and Industry, and have been working with other leading companies and related organizations to solve environmental issues.

Through these efforts, we will take firm steps toward building a sustainable future, fulfill our responsibilities as a company, and contribute to environmental protection and the creation of a sustainable society on a global scale.



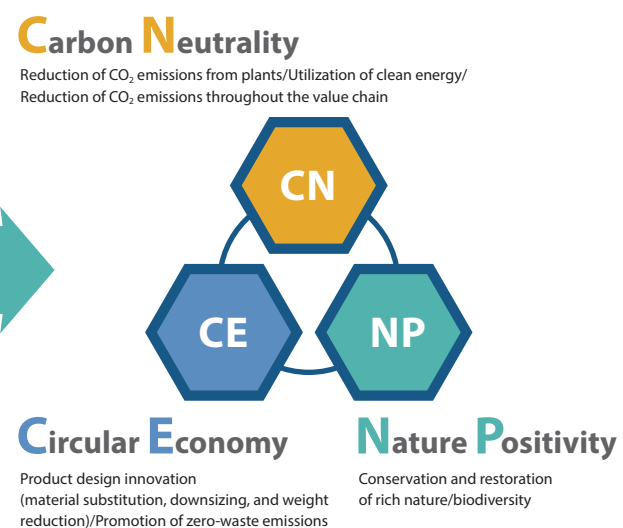
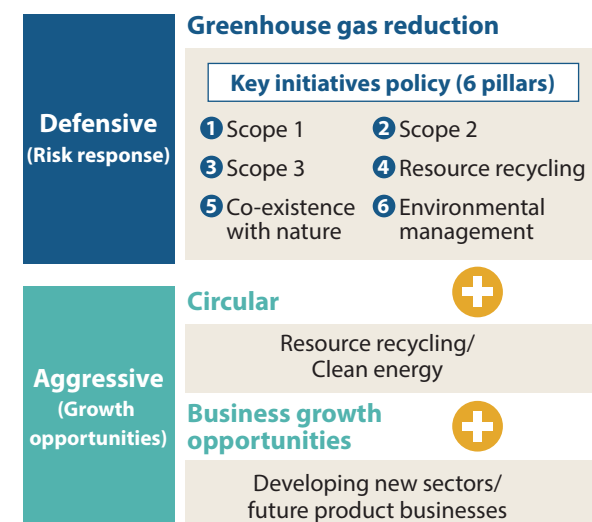
Yoshitomo Yamaga
Executive Officer
(In Charge of Carbon Neutrality Promotion)



Three Pillars of Activities

We have been steadily implementing “defensive (risk response)” measures such as greenhouse gas (GHG) reduction, waste reduction, coexistence with nature, and environmental management. We have also been creating “aggressive (growth opportunities)” measures such as the use of clean energy to reduce environmental impact and the creation of new businesses represented by hydrogen/electric mobility products. In order to respond to the recent rapid changes in

the external environment and to achieve greater efficiency in our efforts, we have restructured our existing framework of “defensive” and “aggressive” initiatives and positioned “carbon neutrality,” “circular economy,” and “nature positivity” as the three pillars of our environmental management. Based on these three pillars, we aim to build a sustainable society through close cooperation not only among ourselves but also among our partners throughout the value chain.



Carbon neutrality

Scope 1 & 2 Approach and roadmap

We aim to achieve virtually zero GHG emissions from our own production activities by 2050.

For Scope 1, we are continuously improving energy efficiency and reducing fuel consumption. In addition, when renewing facilities, we will promote electrification and hydrogenation to move away from fossil fuels.

For Scope 2, we are working to reduce electricity consumption through daily improvements and the introduction of innovative technologies in production lines and power equipment. We will also promote the shift to sustainable energy sources by expanding the use of renewable energy sources such as solar power and green power.

Future plans

Scope 1

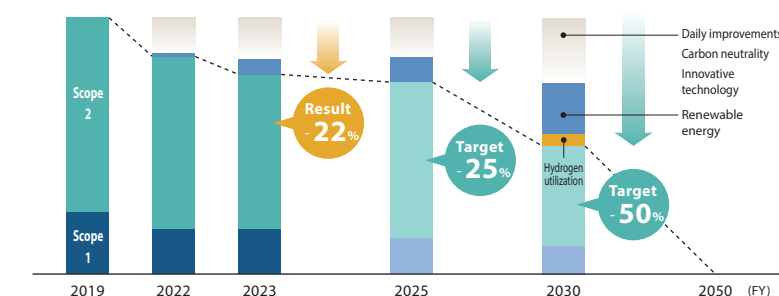
- Improve energy efficiency, switch to high-efficiency equipment
- Electrification of air conditioning equipment, production equipment, and in-house power generation equipment
- Hydrogenation of production facilities
- Utilization of carbon neutral fuels
- Consideration of CCUS

Scope 2

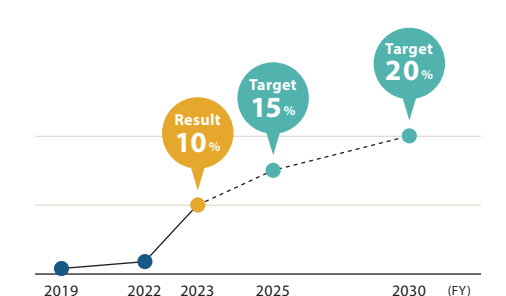
- Everyday improvement, carbon neutral innovation technology
- Expansion of renewable energy
- Utilization of ammonia hydrogen power generation

2019 2023 2025 2030 (FY)

CO₂ (Scope 1 & 2) Emissions KPI Page 74

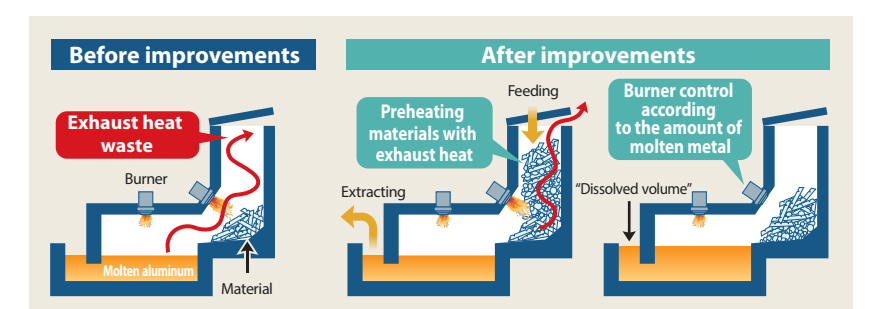


Ratio of renewable energy use



Improvement of energy efficiency

In the aluminum die-casting melting process, exhaust heat from the melting furnace is used to preheat materials. We also minimized the energy required for melting by controlling the output of the burner according to the amount of melting. We strive to improve energy efficiency through the effective use of exhaust heat and optimal burner output control.



Expansion of renewable energy

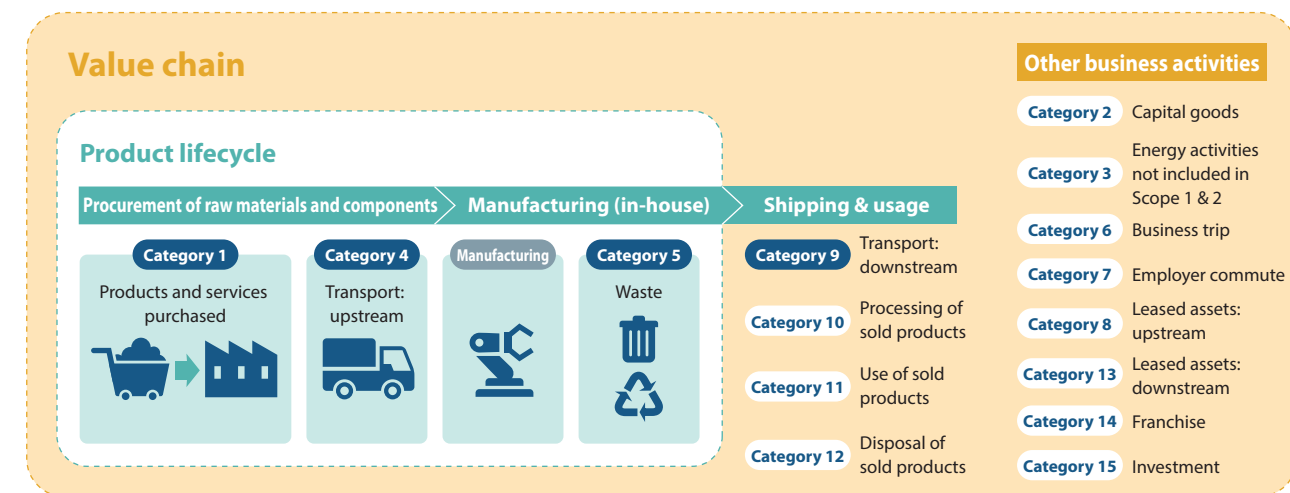
We have been systematically installing solar power generation in conjunction with the new construction of our buildings. In fiscal 2023, we introduced on-site solar power generation at two new sites (Hirose Technical Center and Czech Republic). Aisan Industry Czech s.r.o. (AIC) in the Czech Republic has installed approximately 1,600 kW of new solar panels on the roofs of its two plants. The amount of electricity generated is expected to be approximately 1,670 MWh per year, which will cover approximately 20% of the annual electricity consumption of AIC.

In the future, we plan to newly introduce solar power generation at P.T. Aisan Nasmoco Industri (ANI) in Indonesia and at Anjo Plant, and expand its implementation at Aisan (Foshan) Auto Parts Co., Ltd. (AFA) in China.



Scope 3 Approach and roadmap

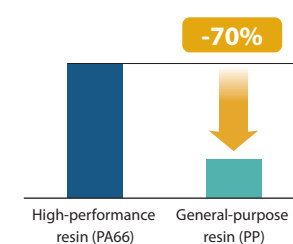
We will promote activities in GHG emissions reduction throughout the value chain (Categories 1-15), especially from a product life cycle (LCA) perspective (Categories 1, 4, 5, and 9). Specifically, we will strengthen collaboration with our customers and suppliers, expand the scope of MCK (Motto Carbon-neutral Kyoka, "Further Strengthening of Carbon Neutrality") activities to Scope 3, and engage in activities such as material replacement with low-CO₂ materials, joint transportation with customers and suppliers in logistics, minimization and recycling of production waste in business activities.



Expand use of low-CO₂ materials (general-purpose materials)

We are replacing high-performance materials, which have a large environmental impact, with low-CO₂ materials (general-purpose materials), with the aim of reducing environmental impact while fulfilling our responsibility to provide a stable supply of products. Until fiscal 2022, we focused our activities on specific products, and from fiscal 2023, we shifted our perspective from "products" to "materials" and expanded the scope of our activities for a more comprehensive approach. In general, high-performance resin materials have excellent performance, but their high environmental impact during the manufacturing process has been an issue. Switching to general-purpose resin materials not only reduces environmental impact (lower CO₂ emissions), but also contributes to improved recyclability and waste reduction.

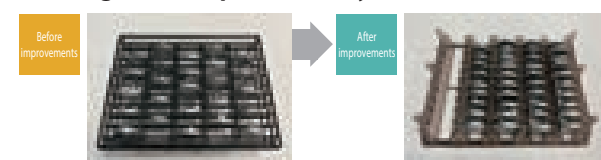
Comparison of CO₂ emissions of resin materials



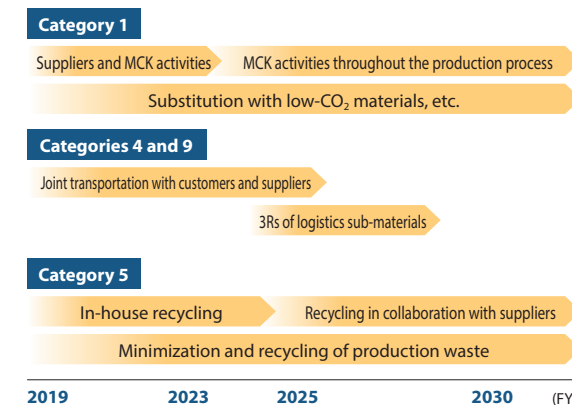
MCK activities in the entire production process

Through activities for providing support to suppliers, our Manufacturing Improvement and Logistics Planning members developed a tray that can be used for both cleaning and transportation to address our supplier's issues. The development of the dual-use tray has realized (1) a 50% reduction in cleaning energy (doubling the conventional capacity), (2) elimination of refilling work after cleaning, and (3) improved transportation efficiency through an increase in the number of boxes accommodated.

Cleaning and transportation tray



Future plans

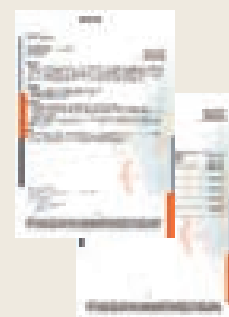


Improved reliability of environmental information disclosure

Third-party verification audit fiscal 2023

Target of verification (Scope)

- ◎ Scope 1, 2, 3; Categories 3, 6, and 7 (The Company and all of its consolidated subsidiaries)
- ◎ Scope 3 Category 5 (The Company and its consolidated subsidiaries in Japan)
- ◎ Water withdrawal (The Company (5 domestic locations))



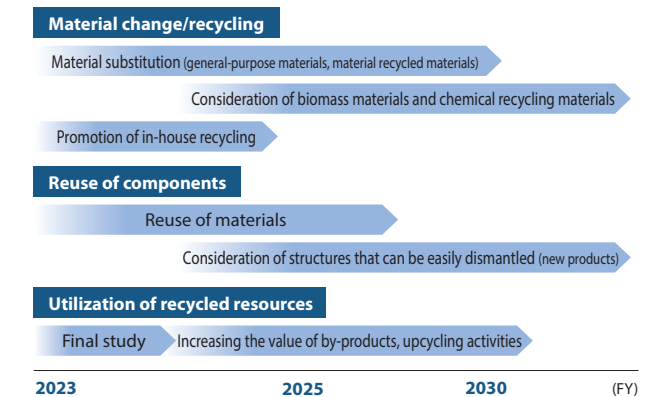
Circular Economy

Approach and roadmap

We view all materials, products, and waste as "resources" and promote the efficient use of resources throughout the product life cycle to ensure the sustainable use of limited resources. We have worked to further promote reuse and recycling, replace materials with recycled materials, and make effective use of by-products. Going forward, we will bring new perspectives to the initiative, including the use of biomass materials, consideration of structures that can be easily dismantled, and upcycling of by-products.

Circular Economy

Future plans

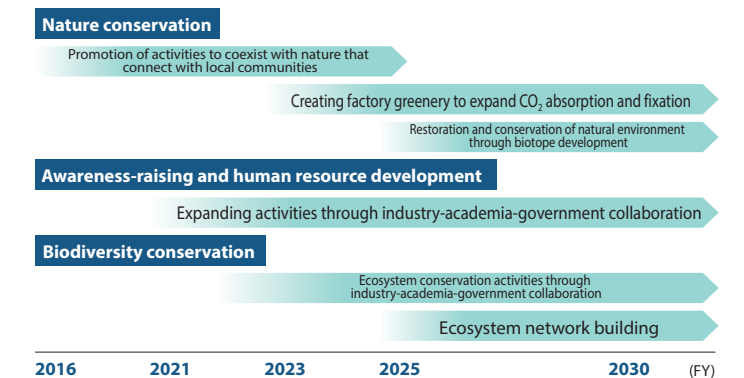


Nature Positivity

Approach and roadmap

As part of our commitment to nature positivity, we are working to contribute to the preservation of biodiversity through climate change countermeasures and the recycling of resources. To minimize the environmental impact on ecosystems, we promote the efficient use of water resources and work with local communities to implement environmental protection activities. Going forward, we will further strengthen collaboration between industry, academia, government, and local residents to conserve and restore the rich natural environment and biodiversity, and aim to be certified as a 30by30 nature symbiosis site by the Ministry of the Environment.

Future plans



Activities to coexist with nature that connect with local communities

In addition to greening activities on the plant premises, we have been planting mangroves and other trees outside the premises. In fiscal 2023, we conducted tree-planting activities at Aisan Auto Parts India Pvt. Ltd. (AAI) in India with elementary school children in the surrounding area. This initiative is a concrete demonstration of the principles of our VISION2030 "Beaming future is in our hands." Its activities communicate to children, the future leaders of our society, the importance of environmental conservation and our contribution to nature.



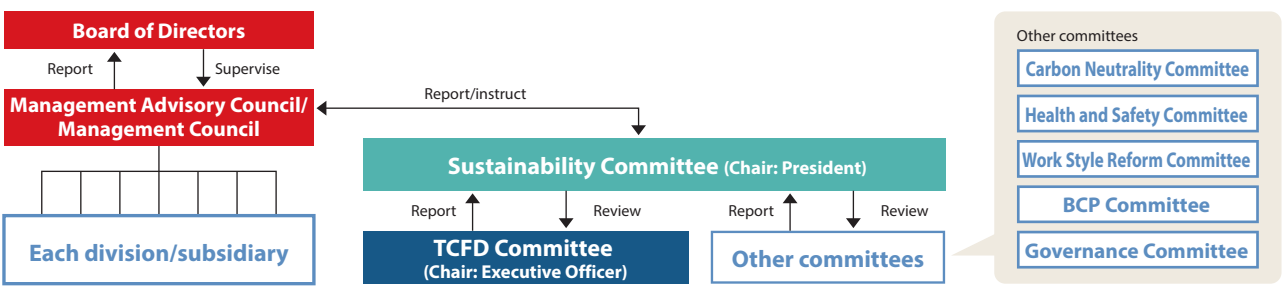
Tree planting activities at a local elementary school

Information Disclosure Based on the TCFD Recommendations

The Company Has Announced Its Support for the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and Will Expand the Scale of Information Disclosures to Them.

Governance

The Sustainability Committee, which is chaired by the President, verifies the direction and its appropriateness related to all issues concerning sustainability, including climate change. In addition, the TCFD Committee (meetings held at least once every three months), which is a subcommittee of the Sustainability Committee, formulates, executes, and manages plans related to the climate change issue.



Risk Management

The Sustainability Committee of the Aisan Group comprehensively manages risks, including climate change risks that may have a major impact on management as reported by the TCFD Committee, as well as other risks that also may have a major impact on management reported by other individual committees*. Risks reported by each committee are extracted, analyzed, and evaluated in consideration of their likelihood of occurrence and impact, then priority risks are selected and various measures for risk reduction are implemented by the department in charge.

The individual committees check the progress of various measures and the latest status of risks and report important matters to the Sustainability Committee. The Sustainability Committee provides direction and supervision regarding risk management based on these reports.

* Individual committees: Carbon Neutrality Committee, Health and Safety Committee, Work Style Reform Committee, BCP Committee, and Governance Committee

Indicators and Targets

At COP28, the need for urgent action to achieve the 1.5°C target, the peaking of emissions by 2025, and emission reductions for all gases and all sectors were specified, and environmental laws and regulations in Europe and other regions have been strengthened, making the need to reduce greenhouse gas emissions and contribute to the environment even greater than last year.

As an environmental company, the Aisan Group will promote the decarbonization of the global environment by responding to international initiatives for the disclosure and assessment of information on climate change countermeasures.

We are currently working to reduce greenhouse gas emissions throughout our supply chain by enhancing our efforts to improve manufacturing processes and reform technologies at the product manufacturing level, developing clean energy technologies using energy sources such as ammonia and hydrogen that contribute to decarbonization, and developing next-generation mobility products such as e-fuel/hydrogen engines and batteries. We will also promote collaborative efforts throughout the supply chain to reduce greenhouse gas emissions through resource recycling, including the 3Rs (Reduce the amount of waste, etc. generated, Reuse recycled resources, and Recycle) and the Renewable (biomassification, use of recycled materials, etc.) initiatives throughout the entire product lifecycle. Furthermore, we will reduce our environmental impact by collaborating with industry, academia, government, and local communities in environmental activities such as conservation and restoration of the natural environment and biodiversity of our business sites and surrounding areas, and development of human resources with an environmental focus.

Main target values for 2030 to become carbon neutral

Category	Item	Target
Reduction of CO ₂ emissions (Compared to FY2019)	(1) Scope 1 & 2	50% reduction
	(2) Scope 3	50% reduction* ¹
Clean energy technology utilization	Renewable energy	20%
	Energy creation	5%* ²
Resource recycling	Waste	Zero emission

*¹ Category and scope under consideration *² Self-sufficiency rate of energy other than renewable energy

For more information on the target values for the entire value chain, please scan the 2D code.

Strategy

Based on the social vision under multiple (1.5°C/2°C/4°C) scenarios*, risks and opportunities are arranged for fiscal 2050 in addition to fiscal 2030, to assess the financial impact in fiscal 2030, and measures to reduce risks and create opportunities are being taken.

* 1.5°C/2°C: NZE (Scenario to achieve global net zero emissions by 2050), APS (Scenario that reflects aspirations declared by ambitious countries)
4°C scenario: SSP 5–8.5 (Maximum emissions scenario without implementation of climate policy, under fossil fuel dependent development)

Risks/opportunities and response to climate change

Category		Details	Timescale	Impact level	Aisan Group's response	
Transition risk	Policy/Regulation	Greenhouse gas emissions regulations	Strengthened energy policies and increased manufacturing costs due to the use of renewable energy	Medium- to long-term	Medium	<ul style="list-style-type: none">● Thorough elimination of wastefulness● Global rollout of domestic improvement items
		Introduction of carbon tax	Increased production cost due to the implementation of carbon tax	Medium- to long-term	Medium	<ul style="list-style-type: none">● Improvement of energy efficiency● Introduction of renewable energy● Generation of clean energy by ammonia hydrogen power generation, etc.
			Increased procurement costs due to passing on of carbon tax to prices	Medium- to long-term	Medium	<ul style="list-style-type: none">● Adoption of low-CO₂ materials● Waste reduction and recycling● CO₂ improvement activities with suppliers
	Technology	Increased demand for low-carbon/ decarbonized products	Delay in recovering investment costs due to delay in transition in new areas	Medium- to long-term	Large	<ul style="list-style-type: none">● Business planning for future products that take environmental changes into account, and intensive input of resources
	Market	Shift in customers' sense of value	Decreased sales in engine parts due to the prevalence of battery electric vehicles (BEVs)* ¹	Medium- to long-term	Large	<ul style="list-style-type: none">● Business growth in new areas which contribute to decarbonization leveraging technologies and strengths
Physical risk	Reputation	Insufficient environmental initiatives and disclosures	Decline in corporate value and customer trust	Medium- to long-term	Medium	<ul style="list-style-type: none">● Improvement of the score by rating agency (CDP, etc.) thanks to the CO₂ reduction initiatives
	Acute	Frequent, severe, and prolonged natural disasters	Temporary production halt due to disrupted supply chain	Medium- to long-term	Medium	<ul style="list-style-type: none">● Further strengthening of BCP structure▶ Improvement of inventory management precision▶ Continuation of supply chain BCP
	Technology	Acceleration of electrification and industry restructuring	Increase in share of core products	Short- to medium-term	Large	<ul style="list-style-type: none">● Establish advantages over competitors▶ Switch to next-generation elite products▶ Strengthening of manufacturing (multi-assembly)
	Opportunity	Market	Expansion and development of low-carbon products	Increase in revenue of hydrogen supply units following the expanded application of hydrogen energy	Medium- to long-term	Medium
Increase in opportunities to enter markets for electrified products due to increase in electric vehicles (BEV/ PHEV/FCEV)* ¹				Medium- to long-term	Medium	<ul style="list-style-type: none">● Provision of lightweight, high-efficiency, and low-cost systems and components● Product development leveraging proprietary technologies● Establishment of a new plant to produce future products● Product development for compact mobility
Expanding business opportunities in new areas of carbon neutrality				Medium- to long-term	Medium	<ul style="list-style-type: none">● Research and development of new technologies and new areas▶ Components for ammonia supply system▶ Compact FC module
Growing demand for products that contribute to lower emissions				Medium- to long-term	Small	<ul style="list-style-type: none">● Development of products for vehicles applying existing technologies (FFV*² technology)▶ Products compatible with synthetic fuels/biofuels

[Timescale] Short-term: through 2025; Medium-term: through 2030; Long-term: through 2050
[Impact level] Impact on single-year operating profit: Large, 2.0 billion yen or more; Medium, 0.1 billion yen to less than 2.0 billion yen; Small, less than 0.1 billion yen
[Aisan Group's response] We have incorporated initiatives for mitigating risks and creating opportunities related to climate change in the Medium-term Management Plan announced in November 2022 and are promoting activities accordingly.
*¹ Assumption of the number of units is calculated based on the 2°C scenario *² FFV: Flexible-fuel vehicle

For more information on Aisan Group's response, please scan the 2D code.

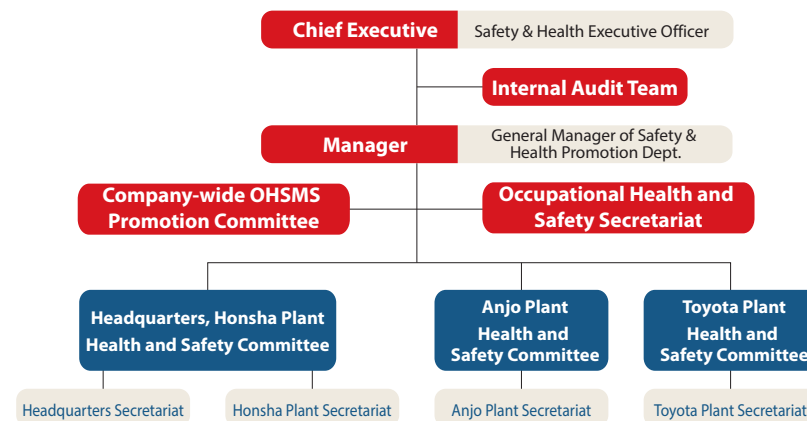
Initiatives for Health and Safety, and Health and Productivity Management

Occupational Health and Safety Philosophy

Health and safety form the lasting foundation of a business. Based on our recognition of our social responsibilities, we will all work together to create a safe, secure, and comfortable work environment following the basic principles of respect for humanity, health first, and safety first.

Promotion System

Based on the promotional system of the Occupational Health and Safety Management System “ISO 45001,” an international standard, certified in November 2021, we are rolling out activities in which each workplace takes the initiative.



Directions of the Initiatives

	Activity category	Initiatives
Workplace safety	Preventive activities	Creating a culture and people who can abide by the rules
	Continuation of ISO 45001 certification	Level up through management system operation
	Management of safety awareness indicators	Level up activities according to the level of safety awareness
	Legal compliance	Reinforcement of workplace self-management systems

Main initiatives of fiscal 2023

◆ All Aisan STOP6 activities

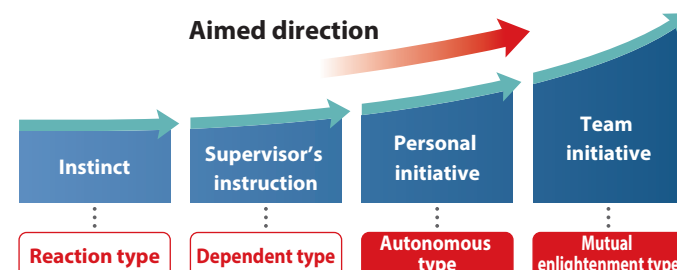
We were able to make significant progress in our efforts by identifying target operations, conducting risk assessments, and completing the development of procedures and training at all Group companies. Meanwhile, since activities and progress at each site vary, we will aim to strengthen collaboration and ensure that activities are fulfilled going forward.

◆ Establishment of the Health and Safety Day

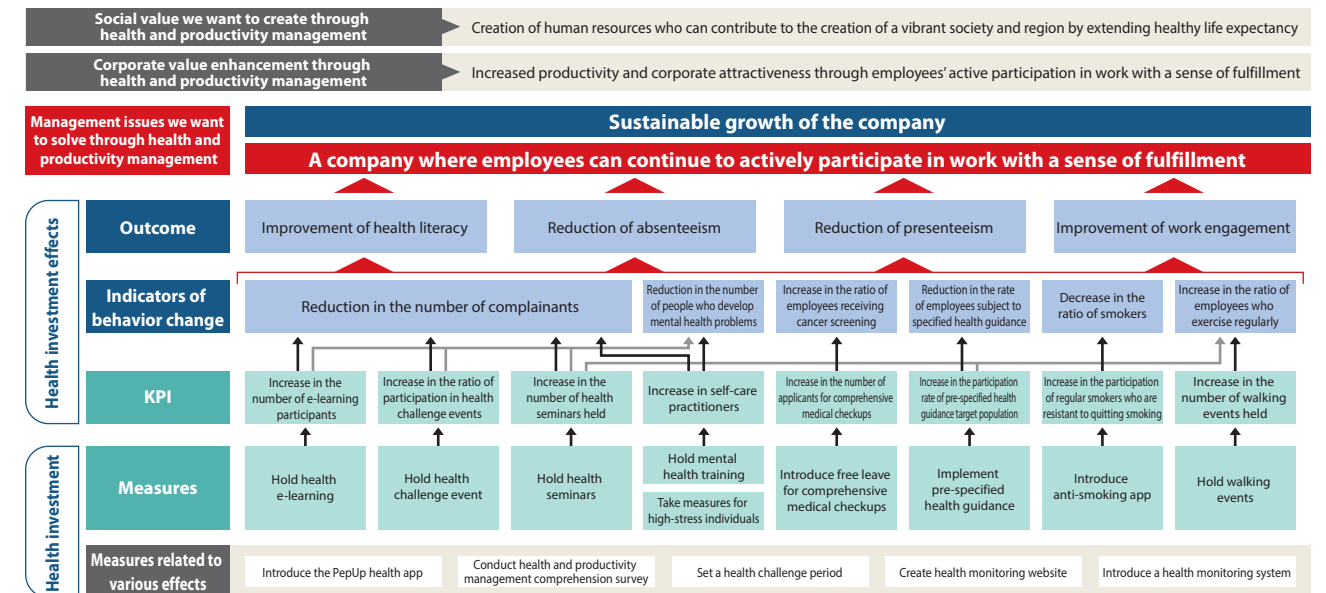
In order to make safety and health an ordinary and natural part of our corporate culture, we designated the days with a zero (0) in them as Health and Safety Day each month, and promoted voluntary activities by small groups. While some have praised the activities as a form of workplace communication, some workplaces have not yet established these activities. As such, we will work to provide tools and information to help them establish and stimulate these activities.

◆ Development of safety awareness indicators (visualization)

The Company decided to use a questionnaire to visualize the actual status of safety awareness (trends, issues, etc.) and to develop indicators of awareness levels in order to make more focused and effective efforts. Going forward, we will develop activities based on this reality to raise the level of awareness, leading to the creation of “mutually enlightening” people and culture.



Health and Productivity Management Strategy Map



Health and Productivity Management KPI

Health and productivity management KPI	FY2023 results	FY2025 target
Ratio of employees diagnosed with health problems that require further tests/treatment	35.9%	35%
Presenteeism	17.0%	15%
Absenteeism	Average number of days used for sickness allowance: 2.0 days	1.2 days
Work engagement	64.1%	65%

Health and productivity management indicators (excerpts)	FY2023 results	FY2025 target
Ratio of employees receiving comprehensive medical checkups	76.4%	90%
Ratio of employees receiving stress checks	94.7%	95%
Ratio of employees who exercise regularly	27.4%	30%
Ratio of smokers	24.0%	20%

Methods of measurement: * Presenteeism: SPQ (Single-Item Presenteeism, University of Tokyo, 1-item version)
 * Absenteeism: Total number of days used for sickness allowance system/Average number of days used per person
 * Work engagement: Ratio of employees who selected “high/normal” out of 4-level evaluation of “job satisfaction” in stress check item (including temporary employees for some items).

Main initiatives of fiscal 2023

◆ Selected as one of the 2024 Certified Health & Productivity Management Outstanding Organizations “White 500” and “Sports Yell Company 2024”

In 2018, the Company established the Health Declaration, and the Company, labor union, and healthcare union have worked together to promote health and productivity management and continue practical activities. As a result, we have been selected as one of the Health & Productivity Management Outstanding Organizations “White 500” for six consecutive years. Since fiscal 2020, when the ratio of employees who exercise regularly fell below 30% during the pandemic, we have begun to more actively encourage our employees to exercise. As a result of these activities, we were selected for the first time this year as a “Sports Yell Company 2024,” which annually recognizes companies that are actively engaged in the implementation of sports to improve the health of their employees.



◆ Declaration of smoking cessation

In May 2024, the president announced the Declaration of smoking cessation, aiming for a ratio of smokers of 20% or less by 2025, the fifth year since the total smoking ban on the premises was initiated. Declaring that we have entered the phase of support for smoking cessation from passive smoking prevention, we have introduced a full-scale online smoking cessation program, aiming to help employees stop smoking and quit smoking altogether.

◆ Promotion of comprehensive medical checkups

◎ Costs covered by the company and health insurance
 ◎ Introduction of leave for comprehensive medical checkups
 ◎ Cancer screening included in the basic course
 Provide an environment in which employees aged 35 and over can receive comprehensive medical checkups with peace of mind.

◆ Implementation of seminars by in-house public health nurses

Seminars are held monthly by in-house public health nurses, with content tailored to seasonal and employee needs, such as “how to read medical checkup results,” “measures against high blood pressure,” and “measures against heat stroke.”



We will Clarify the Challenges of Human Capital Management and Strive to Realize Our Vision.

Syozo Kai Chief Division Officer, HR Infrastructure Division

The automotive industry is facing a challenging environment of significant and rapid changes, such as tighter regulations in various countries to achieve carbon neutrality and the increasing electrification of cars. In addition, there is an even stronger demand for companies to address the SDGs as part of their corporate social responsibility.

The key to achieving our vision and Medium-term Management Plan is human resources, and the Company regards the enhancement of the value of human capital as one of our important management issues. Based on our management principles and sound and strong labor-management relations, we are implementing activities based on three pillars: cultural reform, human resource transformation, and participation of diverse human resources. The ultimate aim is to become a team and organization where human resources who learn, think, and boldly take on challenges autonomously can continue to grow together while mutually respecting and energizing each other.

The Medium-term Management Plan sets business policies of “strengthening of competitiveness and further growth of existing powertrain product business” and “business development in new areas that contribute to decarbonization leveraging technologies and strengths.” Based on these policies, we believe that it is imperative to train human resources to be skilled in software. We will also articulate the goals and challenges of human capital management, improve the level of our practices each year, and enhance the content of our disclosures.

Organizational chart and key activities



* MMK: "Motto Monozukuri Kyoka" (strengthening of manufacturing)

Aisan’s Ideal Human Resources and Culture

	Autonomous human resources that can take on challenges	A corporate culture where people mutually respect and energize each other	Software human resources
Previous issues	The results of the employee engagement survey revealed that while employees are honest and earnest in promoting their work and have a high intention to continue working, they tend to be passive and hang on to the company, hesitant to take the initiative in changing their ways.	While achieving the annual KPI targets and receiving evaluation certification from an external organization, the Company's focus on women's empowerment has been lagging behind in training female managers at production sites. As such, there is still a need to support early return to work after childcare or nursing care, and create an environment where employees can balance work and family life.	The traditional business areas have a large ratio of human resources with mechanical knowledge, and there is an urgent need to increase the number of software human resources needed for CASE. In addition, software-related business areas cover a wide range of sectors, and the challenge is to secure the number of people who can handle a wide variety of sectors.
Vision	In order to realize VISION2030 and the Medium-term Management Plan, we aim to develop human resources who can not only propose further evolution and enrichment of the existing powertrain product business, but also take the initiative to learn, think, take on challenges, and make proposals with respect to new business sectors that contribute to decarbonization.	In pursuit of creating new value in a rapidly changing society, we aim to create a culture, workplace, and people where each employee has strong aspirations and a sense of fulfillment, and where both the individual and the company can experience growth through vigorous and rewarding work.	As the value of cars changes with CASE and the services required for cars change, we will promote participation in the IT area with human resources who can break away from conventional business and transform their ideas, and promote a shift to software-centered business.

Towards Human Resource Transformation

In order to develop human resources that continue to take on the challenge of innovation, we actively invest in reskilling and upskilling. In fiscal 2023, we introduced on-demand learning tools and the learning management system Aisan Manabiba to support employees’ autonomous learning, and are preparing for the complete revision of the education system from a selective to an autonomous system, which we plan to implement in the future.

From April 2024, in order to build and strengthen the management structure, a new qualification, “executive position,” was established as a position that sits between the Executive Officer and executive management positions. This was designed to speed up decision-making in business execution. Going forward, in order to properly evaluate and develop employees who take on the challenges of transformation, we are also reviewing our personnel system, such as the compensation system of non-management positions, to ensure that they are in line with the modern environment.

Software human resource development program

Currently, we are working toward the goal of “training 100 software engineers in three years.” We have improved basic technical skills through practical education with the cooperation of external partners, resulting in the development of the abilities of newly graduated and career-hire engineers. In addition, 30% of engineers who transferred from mechanical engineering within the company have grown to a level where they can perform tasks autonomously. We are building up practical capabilities that are directly related to the diversification of mobility, as seen in our development achievements that include electric power control for electric carts and drive motor inverter control for compact mobility, which were developed with a view to adapting to actual business.

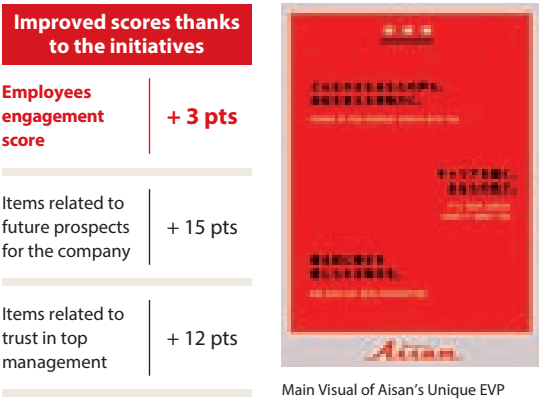
In our training going forward, we will strengthen the acquisition of skills suited to member competence, and repeat the PDCA cycle of training to strengthen weak points. We will also continue to have matured human resources serve as project leaders to bring together junior and external human resources so that they can produce greater results as a team.

Aisan Katariba

Aisan Katariba, a dialogue meeting between directors/executives and employees that has been ongoing since fiscal 2022, has been held more than 150 times with over 1,600 employees participating, and employee engagement has increased by 3 points. To ensure that the dialogue does not end there, we summarized the results of engagement and the thoughts of employees, and positioned the future human resources and culture reform measures as “creating a workplace and culture worth working in, which the company and employees want to create together,” rather than a one-way proposal from the company. This is brought together as Aisan’s unique EVP* that will be developed around this concept.

Going forward, we aim to transform ourselves into a dialogue-based organization offering a strong sense of security in terms of mental well-being, where diverse values can be mutually respected and beneficial, and we will continue working to enrich Aisan Katariba to help the culture of dialogue take root.

* EVP: Employee Value Proposition (value provided by a company to its employees)



Key KPIs and Main Initiatives

The three pillars	Main initiatives of FY2023	Target (KPI)
Cultural reform	● Implementation of dialogue meetings between management and employees (Aisan Katariba) ● Enhancement of opportunities for dialogue · Increase of the number of workplaces introducing 1-on-1	Employee engagement FY2023 FY2025 FY2030 Score 52 pts 55 pts 60 pts
Human resource transformation	● Introduction of online learning tools/ learning management tools ● Creation of a new executive position ● Introduction of an overseas pre-assignment system ● Introduction of performance evaluation for continuing employees (rehired employees)	Develop 100 software human resources (FY2025)
Participation of diverse human resources	● Enhanced education for executives at overseas bases · Short-term study abroad program · On-site training from Japan implemented ● Development of activities to recruit new graduates from overseas ● Introduction of the cafeteria plan (selective benefit program) ● Establishment of measures to support balancing work and family life · Relaxation of requirements for taking special leave (e.g., for infertility treatment) · Support for joint use of company-led daycare centers ● Implementation of activities for creating a lively workplace ● Kurumin certification	Number of female managers Total number of managers Ratio FY2023 FY2025 FY2030 5 6 10 498 498 498 1.0% 1.2% 2.0% Overseas based national staff executive positions (GM and higher) FY2023 FY2025 FY2030 Number of staff 17 21 30 Number of posts 33 33 37 Ratio of posts filled 53.6% 63.6% 80.0%

Participation of Diverse Human Resources (DEI/Human Rights)

Since the release of our Declaration on Diversity, which states that the promotion of DEI (Diversity, Equity & Inclusion) is a management strategy essential for the Company's sustainable growth, we have been working to create a workplace where people with diverse values can fully demonstrate their individuality and abilities, regardless of age, gender, nationality, disability, or time constraints, under the key message "mutually respect and energize each other."

In February 2024, an interim debriefing on the DEI promotion roadmap was held for department managers, providing an opportunity to reflect on the past and reaffirm that each department will have more autonomy in promoting the initiative in the future.

At the same time, we are working to build a strong human resource infrastructure for the entire Group, including overseas bases. We have set targets for the number of national staff members in executive positions at overseas bases, and are promoting clarification of executive candidates, a system of short-term study abroad programs to Japan, the establishment of a system of on-site training by supervisors, and education tailored to the needs of each base to welcome the candidates.



Main initiatives for participation of diverse human resources in fiscal 2023

◆ Empowering women

KPI Ratio of female managers **Page 58**

In order to improve our corporate structure to match the times and build a new corporate culture, we are reforming our work style from a new perspective.
We have positioned the empowerment of women as a priority issue, and have made continuous efforts such as career development training sessions for women, and exchange meetings with female group leaders.

◆ Support for balancing work and family life

KPI Male childcare leave acquisition rate **Page 74**

We are creating an environment where employees can continue to actively participate at work, and we support the work-life balance of all employees. We have invited outside experts to hold infertility treatment seminars, held Support Meeting for Employees on Parental Leave, and held management study sessions aimed at improving understanding of male employees taking childcare leave, among other ongoing initiatives. As a result, the male childcare leave acquisition rate reached 81.9%, up 7.9% from the previous year.



◆ Participation of persons with disabilities

KPI Employment rate of people with disabilities **Page 74**

We are building a company where employees can work "together and grow" with those who have disabilities.
1 Sharing problems, opinions, etc. that workplaces face
2 Knowledge acquisition and system development for working with people with disabilities
3 Developing the skills and improving motivation of people with disabilities
We have been working on the growth of people with disabilities based on these three pillars.

◆ Work style reform (active participation by all)

In April 2023, as part of the action reform phase of DEI promotion, we launched the D&I activities for creating a lively workplace, in which workplaces work as one team to solve workplace issues. We have been working to create time and methods to get to know our colleagues in the workplace, to identify and share tasks that have been delegated to specific employees, to create a system for cooperation, and to improve the nature of the work (eliminating or reviewing tasks to create time for the original work).



Main initiatives for Human Rights Policy in fiscal 2023

Recognizing that respecting the human rights of each and every individual is an important issue to be addressed in our Management Principles and Sustainability Fundamental Policy, we formulated and published our Human Rights Policy in August 2022. We encourage all of our business partners, including suppliers, to respect human rights based on this policy, and we are promoting efforts to respect human rights throughout our supply chain.

In December 2023, we invited rakugo master Unpei Hayashiya to give a lecture, as an opportunity to think about human rights in our everyday lives. In January 2024, we conducted a sustainability survey of suppliers for sustainable procurement. We are promoting visualization of issues and exchange of opinions on the initiatives of respect for human rights based on questionnaires through company visits.



◆ Opinion exchange meetings with suppliers

◆ Lectures on respect for human rights



Stakeholder Engagement

In order for the Company to conduct its business activities and achieve long-term, stable enhancement of corporate value, it is essential to build good relationships of trust with each stakeholder, including shareholders, investors, customers, suppliers, and local communities. We will listen sincerely to our stakeholders and communicate with them to create new value together, which will lead to the realization of sustainable growth.

	Basic approach	Expected results	Specific initiatives
Shareholders and Investors	We will strive to disclose timely, fair, and accurate information to shareholders and investors. We will actively engage in constructive dialogue with shareholders and investors to achieve sustainable growth and enhance corporate value.	◆ Appropriate disclosure of information on environmental changes ◆ Enhanced engagement	◆ General meetings of shareholders ◆ Briefings for securities analysts and institutional investors ◆ Information disclosure (corporate website, integrated reports, etc.)
Customers	We provide safe and secure, attractive products with our customer and quality as top priorities based on our Management Principles. We will identify customer needs and contribute with high value-added products that lead to carbon neutrality and vehicle safety and security.	◆ Improvement of product competitiveness of powertrain products ◆ Responsiveness to changes in mobility, such as electrification ◆ Enhanced response to carbon neutrality	◆ Product development that meets customer needs ◆ Promotion of future products and technologies ◆ Stable production and supply ◆ Quality improvement ◆ Cost reduction activities
Suppliers	We will build a relationship of trust with our suppliers by complying with laws and rules, conducting fair and equitable transactions, and acting in good faith. We work together with our suppliers on technological development and improvement activities, aiming for mutual development and growth.	◆ Sharing information on changes in the business environment ◆ Support for carbon neutrality ◆ Stable transactions based on a medium-term outlook	◆ Support for carbon neutral activities ◆ Support for cost reduction and quality improvement ◆ Sharing of procurement policies and activities ◆ Supply chain risk management
Employees	We value our employees as important assets. As such, we want to be a company where a diverse range of human resources can actively participate at work. We will provide an environment and take initiatives to enable each employee to demonstrate their abilities and create new value.	◆ Implementation of diverse work styles ◆ Promotion of diversity, equity and inclusion ◆ Promotion of DX to eliminate labor shortages	◆ Personnel system reform ◆ Restructuring of education system ◆ Enhanced engagement ◆ Enhance dialogue between labor and management ◆ Promotion of diverse work styles
Local communities	We strive to create a more affluent and comfortable living environment in the local communities that form the basis of our business activities and employees' daily lives. We will communicate our business and initiatives through activities that lead to solutions to local issues and build relationships of trust.	◆ Environmental preservation ◆ Regional revitalization ◆ Creation of new employment regulations	◆ Participation and sponsorship of community events ◆ Support for social welfare ◆ Support for local farmers ◆ Volunteer activities ◆ Corporate sports classes and courses
Natural environment	We will develop and provide products with low environmental impact to protect the global environment in the future. We will strive to reduce the environmental impact of our business activities and conserve the natural environment and biodiversity.	◆ Reduction of environmental impact ◆ Environmental preservation ◆ Addressing energy issues	◆ Environmental preservation activities (cleanups, tree planting) ◆ Participation and sponsorship of environmental events ◆ Support for biodiversity



Enhance opportunities for dialogue and reinforce communication of information

We will promote activities aimed at constructive dialogue as well as accurately communicating information in order to build long-term relationships of trust with our shareholders and investors.

We conduct plant tours and other events to communicate our business activities to shareholders in an easy-to-understand manner.

For securities analysts and institutional investors, we hold financial results briefings, Medium-term Management Plan briefings, investor visits by relevant executives, and individual interviews on a quarterly basis. We are also strengthening communication of information by shifting from semiannual to quarterly financial results briefings.

Opinions and assessments given through dialogue with shareholders and investors are reflected in our management strategies, and linked to our efforts to achieve sustainable growth and enhance corporate value over the medium to long term.



Target	Activities	
Shareholders	General meetings of shareholders Plant tours	
Securities analysts Institutional investors	Medium-term Management Plan and financial results briefings Individual interviews	Providing financial and IR information on our website
Overseas investors	Individual interviews	



Strengthening Relationships of Trust to Meet Car Manufacturers' Needs

The company is highly regarded for its "better car manufacturing" attitude through product supply and cost improvement in response to customer requests, as well as MMK (*Motto Monozukuri Kyoka*, "strengthening of manufacturing") activities to strengthen manufacturing and other collaboration with suppliers. We have received awards from car manufacturers around the world on a diverse range of themes, evolving into a stronger relationship of mutual trust.



Promote Carbon Neutrality throughout the Supply Chain

In fiscal 2023, we invited our suppliers for the first time to an in-house exhibition held once a year, to introduce our environmental activities to our employees. We will continue to share the mindset of promoting environmental measures throughout the supply chain and have opportunities to enrich mutual dialogue.



Introduction of the Selective Benefit Program

Against the backdrop of the diversification of employee lifestyles, including career-hire, we shifted our policy from the traditional "uniform benefits for all employees" to "benefits for each individual" and introduced a system of granting service points to employees and allowing them to choose the benefits that suit their lifestyles using their points.

This has allowed us to go beyond the traditional support for employees to acquire their own homes and promote benefit systems that cater to each employee's desired lifestyle, such as self-development, childcare support, and travel assistance.



Working Together on Community-based Activities

A cleanup activity was conducted at a developmental support center in Obu City, Aichi Prefecture, where the Company's headquarters is located. The facility in question was the site of a welfare and health fair, and was short of manpower to clean up before the event. With our employees taking over the cleaning duties, the event was held without a hitch.

We will catch up with local problems and conduct community-based social contribution activities.



Environmental Learning Activities with Local Communities

Employees at the Anjo Plant work with local high school students to grow roselle, a plant with high CO₂ absorption, on the plant grounds, and support the processing of the harvested roselle into herb tea and its sale. Employees' families also participate in the harvesting process, and high school students explain roselle's features and activities to them, providing an opportunity for employees and the local community to deepen their environmental awareness together.

