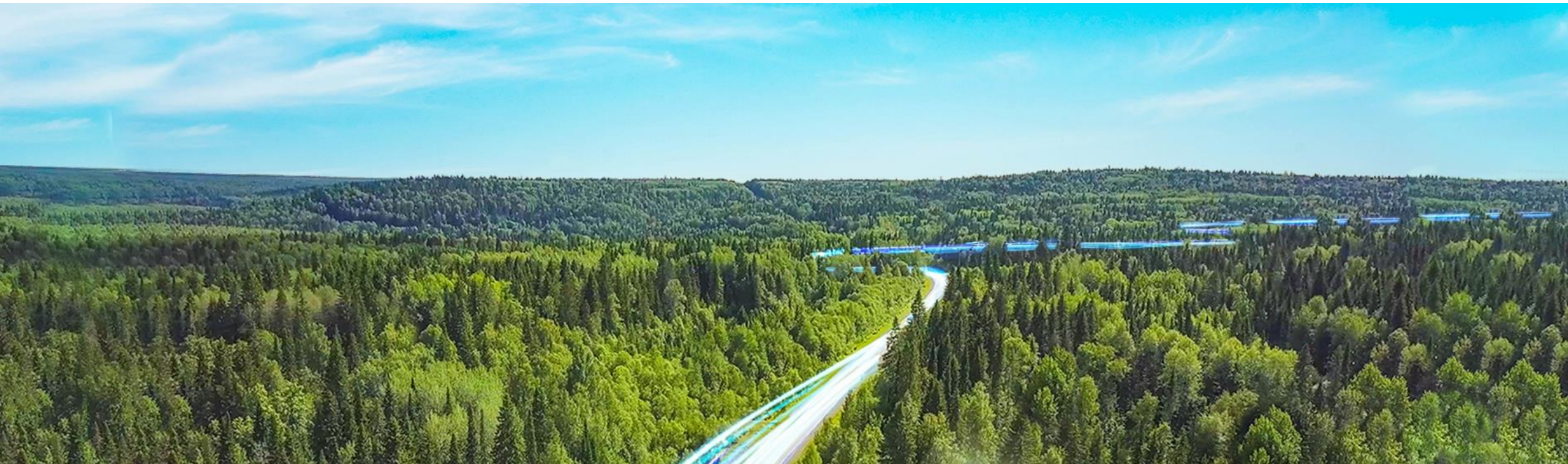


# Information disclosure based on TCFD recommendations

Sanden Group has expressed its endorsement for the TCFD (Task Force on Climate-related Financial Disclosures).

The recommendations of TCFD recommend initiatives and disclosure of information on governance, strategy, risk management, metrics and targets related to climate change-related risks and opportunities.

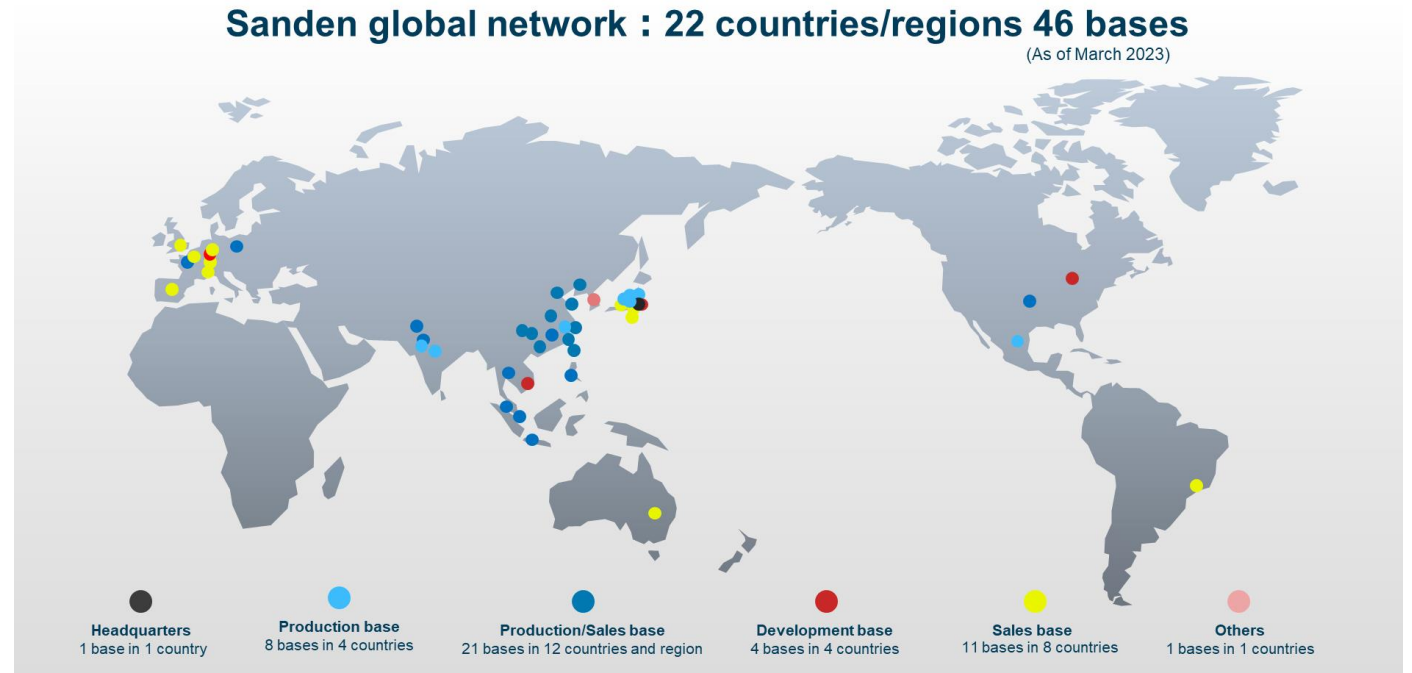
We disclose our climate change initiatives based on the TCFD recommendations as follows.



# Positioning of Climate Change Issues for Sanden

Sanden Group (hereafter we or our) operates worldwide in 22 countries/regions and 46 bases. Climate change is one of the significant social issues that we are facing as a global society.

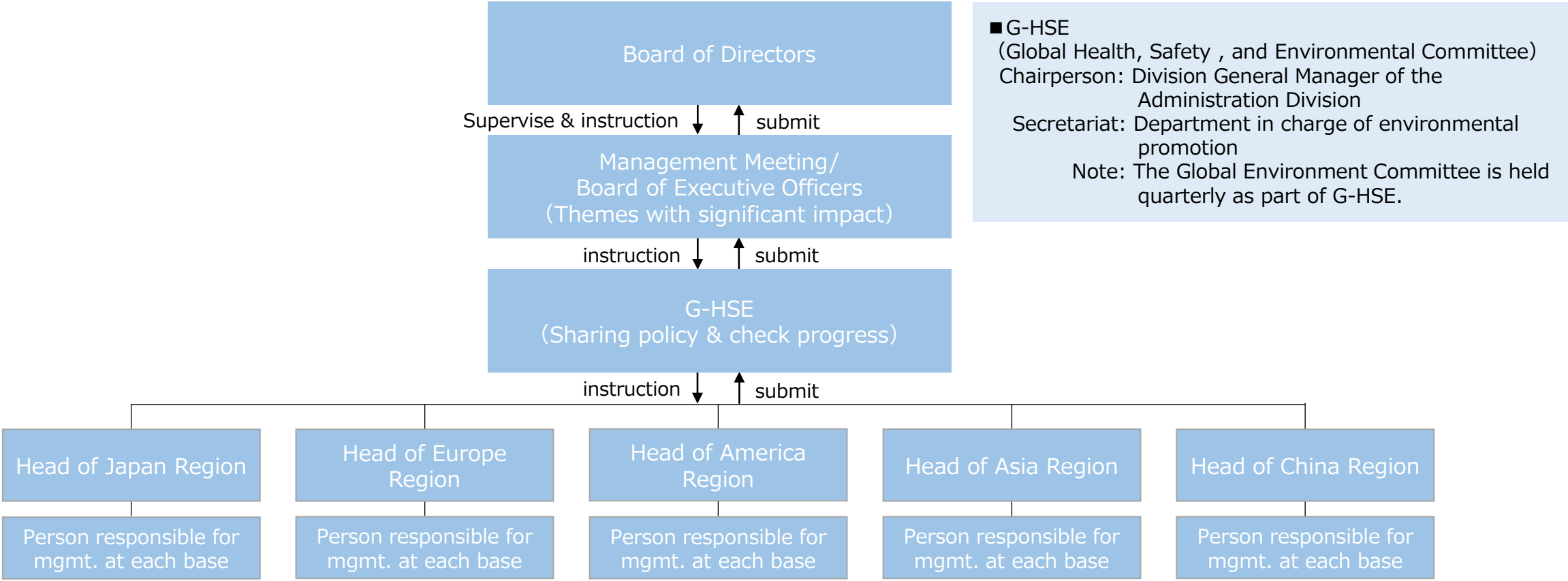
Climate change and other environmental challenges are becoming more severe around the world. In addition, Japan is also experiencing significant impacts from large-scale natural disasters caused by abnormal weather. Recognizing that a 4°C increase in global average temperature due to climate change will tremendously impact society, we believe it is vital to contribute to limiting the temperature increase to 1.5°C or less.



# Corporate Governance

The Global Environment Committee, which addresses and reviews climate change-related issues, is held quarterly as part of the Global Health, Safety, and Environmental Committee (G-HSE). Global Environment Committee conducts sharing policy and progress checks. By sharing company-wide policies, evaluating performance, and confirming the progress of measures, we clarify the scope of our responsibility for environmental issues, including climate change, and work to resolve them.

In addition, we established a system whereby topics discussed at the G-HSE that impact the business is reviewed by the Management Committee and reported to the Board of Directors.





## Identifying, Assessing, and Responding to Risks and Opportunities

We recognize that the risks and opportunities associated with climate change are among global society's most critical social issues. At G-HSE, we evaluate climate change risks and opportunities identified through each base using uniform company-wide criteria for "impact" and "possibility of occurrence."

We then match the hazards and significance of these risks with our medium- and long-term strategies and formulate response plans based on 1.5°C and 4°C scenario assumptions. In addition, significant risks that could have a material impact on management are discussed at the Management Meeting as needed, reported to the Board of Directors, and promptly addressed.

## Assessment of Risks & Opportunities Based on Scenarios

Risks & opportunities under the 1.5°C scenario were both quantitatively and qualitatively assessed in terms of the carbon tax burden, environmental regulations, other ESG measures in 2030 and 2050, and the impact of electrification by referring to the "NZE" scenario assumed in the IEA "World Energy Outlook" and the Global Electric Vehicle Outlook 2022.

Risks & opportunities under the 4°C scenario were quantitatively and qualitatively assessed by referring to the "STEPS" scenario assumed in the IEA "World Energy Outlook," and the "SSP5-8.5" scenario assumed in the IPCC 6th Assessment Report, including energy cost increases and impacts from weather disasters.

Scenario	1.5°C	4°C
Impacted Areas	<ul style="list-style-type: none"> <li>• Introduction of carbon tax</li> <li>• Strengthen environmental regulations</li> <li>• Strengthen other ESG measures</li> <li>• Electrification</li> </ul>	<ul style="list-style-type: none"> <li>• Rising fossil fuel prices</li> <li>• Increased flood damage from heavy rains/typhoons</li> <li>• Stress from heat</li> </ul>
Reference Scenario	NZE (WEO 2022) Global Electric Vehicle Outlook 2022	STEPS (WEO 2022) IPCC 6 <sup>th</sup> Report (SSP5-8.5)

# Risk Management

## Risk & Opportunity 1.5°C Scenario

※ ITMS : Integrated Thermal Management System

Scenario	Risk/Opportunity Category		Risk/Opportunity Factor	Impact on Business	Impact (Financial Impact) / Possibility of Occurrence	Countermeasure
1.5°C	Transition Risk	Policy, Regulation	Tighter GHG emission regulations	Cost increase risk due to introducing carbon tax  Cost increase due to investment in energy-saving equipment and increase in renewable energy ratio	Large / High	<ul style="list-style-type: none"> <li>Zero CO2 emissions by 2030 -Increase green power ratio by 10% every year -Achieve CN target by 2039 (Scope 1 &amp; 2)</li> <li>Watch for information on regulatory trends and efficient facilities and respond in a timely manner.</li> <li>Show our purchasing policy that we prioritize the companies with low GHG emissions and low carbon tax burden (thorough green supplier management)</li> <li>Educate and support suppliers on low GHG production and GHG calculation</li> <li>Calculate the increase in installation &amp; running costs from switching to renewable energy. Confirm future situation &amp; procure energy with lower costs.</li> </ul>
		Technology, Market	Response to electrification	Sales revenue decrease due to increase in R&D costs for vehicle electrification, lower sales of compressors for internal combustion engines and delayed response to accelerated shift to EVs	Large / High	<ul style="list-style-type: none"> <li>Promote acquisition of government grants</li> <li>Strengthen R&amp;D to respond to vehicle electrification Strengthening the system to meet the accelerated transition to ITMS and electric compressors to expand sales by differentiating from our competitors</li> </ul>
		Reputation	Request for ESG compliance	Risk of reputation damage due to perceived inadequate environmental response	Large / Medium	<ul style="list-style-type: none"> <li>Disclose information on environmental measures, incorporate low-carbon initiatives into the mid-term plan, and set targets with clearly stated milestones, and release them to the public.</li> <li>Seek procuring methods of renewable electricity, carbon neutral gas, recycled aluminum, etc. at low cost</li> <li>Promote recycling, use of carbon neutral raw materials</li> </ul>
	Opportunity	Product & Service	Development of low-CO2 products	Replacement with variable capacity compressors / Accelerate demand expansion for ITMS products	Large / High	<ul style="list-style-type: none"> <li>Promote replacement with variable capacity compressors</li> <li>Strengthen competitiveness of ITMS products</li> </ul>
			Vehicle Electrification	Expand needs for low-carbon products Expand needs for EC & ITMS	Large / High	<ul style="list-style-type: none"> <li>Efficient operations through selection &amp; concentration of products in line with vehicle electrification to generate profits</li> </ul>
			Strengthening of other environmental regulations	Sales increase due to accelerated demand for refrigerants with reduced environmental impact and increased demand for products compatible with natural refrigerants	Large / Medium	<ul style="list-style-type: none"> <li>Monitor regulatory/industry trends and environmental changes in each country and initiate product planning in a timely manner</li> <li>Conduct R&amp;D of products compatible with natural refrigerants</li> </ul>
		Market	Request for ESG compliance	Surviving customer selection of suppliers and being chosen by them leads to sustainable growth in corporate value.	Large / High	<ul style="list-style-type: none"> <li>Increase in the ratio of renewable energy use -Promote carbon neutral manufacturing -Promote consideration of renewable energy procurement in each country and region where manufacturing bases are located -Strengthen use of materials with low emissions throughout the supply chain, such as recycled aluminum</li> </ul>

# Risk Management

## Risk & Opportunity 4°C Scenario

Scenario	Risk/Opportunity Category		Risk/Opportunity Factor	Impact on Business	Impact (Financial Impact) / Possibility of Occurrence	Countermeasure
4 °C	Transition Risk	Market	Resource Constraints	Procurement cost increase for parts, raw materials, and energy due to rising fossil fuel prices	Large / High	<ul style="list-style-type: none"> <li>Material reduction used in products</li> <li>Fuel selection (natural energy conversion, etc.) and review of suppliers based on a comprehensive perspective</li> </ul>
	Physical Risk	Acute	Increasing intensity & frequency of disasters	Business, production, development, and other processes were suspended for a certain period of time due to a disaster, resulting in a decrease in sales.	Large / High	<ul style="list-style-type: none"> <li>Review of Business Continuity Plan (BCP) for each base</li> <li>Diversification of logistics risks and communalization of parts</li> </ul>
	Opportunity	Product & Service	Average temperature increase	Increased sales of AC due to growing demand for AC installation in small industrial machinery and other vehicles not conventionally equipped with AC	Medium / High	<ul style="list-style-type: none"> <li>Accelerate R&amp;D and bringing new products to the market of new small AC products and improve competitiveness</li> </ul>

# Strategy

In a 1.5°C scenario, GHG emissions and environmental regulations will be tightened due to increased global sustainability awareness. For the impact on our business, not only the reduction of GHG emissions but also the conversion to natural refrigerants will have a significant effect. According to scenarios by the IEA and other organizations, the electrification of automobiles in the new car market will be completed in the mid-2030s in major regions, based on the assumption of shifting to renewable energy sources for power generation. We, as a company, see this as an opportunity to respond to the shift towards vehicle electrification. Specific products include ITMS and Electric Compressors.

In a 4°C scenario, there is a risk of declining sales and rising costs due to the severity of disasters and tight fossil fuel supplies. However, there is potential for expanded sales opportunities from AC installation in the mid to long term due to the rise in average temperature.

Scenario	Anticipated World Situation	Current Efforts	Priority
Scenario in which the world succeeds in limiting temperature increase to less than 1.5°C	Reduction of environmental impact and development of energy-saving products through technological innovation	<ul style="list-style-type: none"> <li>Promote replacement with variable displacement compressors</li> </ul>	Medium
		<ul style="list-style-type: none"> <li>Accelerate R&amp;D of products compatible with vehicle electrification and natural refrigerants</li> </ul>	Medium
		<ul style="list-style-type: none"> <li>Increase the ratio of renewable energy use                             <ul style="list-style-type: none"> <li>-Promote carbon neutral manufacturing</li> <li>-Promote consideration of renewable energy procurement in each country and region where manufacturing bases are located.</li> <li>-Reinforcing the use of materials such as recycled aluminum and other materials with low emissions throughout the supply chain, and introduce them by switching to renewable energy, as well as calculating the increase in running costs and confirming the future situation to procure energy at a lower cost.</li> </ul> </li> </ul>	High
Scenario in which the world temperature increased 4°C	Frequent natural disasters due to global warming have caused soaring resource prices, and increased procurement costs for parts, raw materials, and energy	<ul style="list-style-type: none"> <li>Reduction of materials used in products</li> </ul>	Medium
		<ul style="list-style-type: none"> <li>Fuel selection (e.g., conversion to natural energy) and review suppliers based on a comprehensive perspective</li> </ul>	Medium
		<ul style="list-style-type: none"> <li>Review Business Continuity Plan (BCP) for each base, diversification of logistics risks and commonization of parts</li> </ul>	Medium
		<ul style="list-style-type: none"> <li>Accelerate new product R&amp;D and bring it to market to meet AC installation demands in response to rising temperatures and strengthen competitiveness</li> </ul>	Medium

# Metrics & Targets

## Environment Target

As we move toward a decarbonized society, we are working on environmental impact reduction targets in light of fuel consumption and emission regulations in response to climate change and social demand for electrification. In addition, we obtained SBT certification in October 2023, as our medium-term target by 2030 is followed the Science Based Targets (SBT) initiative scenario, which is scientifically based on the target of the Paris Agreement to limit the increase in global average temperature to 1.5°C above pre-industrial levels.

