

Initiatives to Address Climate Change and Other External Environmental Issues That May Pose Management Risks and Offer Opportunities

We formulated the AIDA Environmental Policy in order to advance our environmental protection activities. In our Medium-Term Management Plan, the vision statement “We will contribute to society as a global leading company by protecting the environment, reducing energy consumption, and developing technologies” expresses our commitment to achieving further growth while reducing our environmental impact and developing products with superior environmental and energy-saving performance. To ensure business continuity and achieve sustainable growth, we will strive to understand the risks and opportunities associated with climate change and other environmental issues, and to disclose information based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

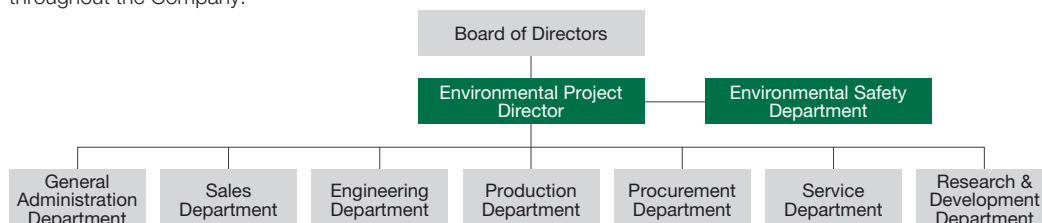
Governance

◆ Environmental Policy

Recognizing that protecting the earth’s environment is one of the most important goals shared by all mankind, as AIDA ENGINEERING, LTD., rises to the challenge of attaining “a harmony between people and technology” that creates a people-friendly environment as it pursues original technologies in the metalforming field, it will establish and implement a workplace environment where environmental protections will be incorporated into the engineering, manufacturing, and sales activities for its presses, automation equipment, and auxiliary equipment.

◆ Environmental Management Organization (Simplified Diagram)

Our Environmental Management Organization is led by the Company’s President and includes members appointed by each department. This organization advances efficient environmental protection activities throughout the Company.



- 1 We will work to reduce its environmental footprint by continuously improving its environmental management systems, and we will also promote environmental management activities by revising its environmental-related targets and goals.
- 2 We will strive to protect the environment and strictly adhere to any other requirements stipulated by laws, regulations, and accepted practices.
- 3 In order to proactively prevent the destruction and pollution of the natural environment to the extent that it is technologically and economically feasible, we will promote the following and will strive to reduce the burden being placed on the earth’s environment.
 - (1) Promote resource and energy conservation.
 - (2) Eliminate waste products and promote recycling.
 - (3) Minimize the release of harmful substances. Additionally, move towards the use of substances that present minimal harm.
 - (4) Painstakingly manage buildings, equipment, and processes, etc., that could possibly have an adverse effect on the environment.
 - (5) Implement oil leakage countermeasures (even in drop-size increments) to prevent water and soil contamination.
- 4 We will strive to ensure that all employees understand this Environmental Policy and have a heightened environmental awareness, and work towards the practical implementation of environmental improvements and protections. Moreover, we will also inform participating business partners of this Environmental Policy and ask for their understanding and cooperation in implementing environmental improvements and protections.

Strategy

◆ Potential Risks

<Physical Risks>

- Extreme weather events such as floods or natural disasters could disrupt our product manufacturing operations and our supply chain, which could impact our revenue and require major outlays to bring our manufacturing equipment back online.

<Transitional Risks>

- Stricter energy efficiency regulations that apply to our products and services could result in the loss of sales opportunities if our engineering and development responses were inadequate.
- Higher taxes stemming from the introduction of environmental and carbon taxes and the resulting higher product costs could impact revenue.
- Alternative materials required for the electrification and weight reduction of automobiles could increase our R&D expenses related to these alternative materials, which could affect profitability.
- Revised assessments of the Company due to its attitude toward climate change, etc. could lead to a decrease in corporate value.

◆ Opportunities

- The introduction of energy-saving equipment and more efficient usage of energy in production activities could lead to cost reductions and improve product competitiveness.
- As we continue to develop product technologies in response to the electrification and weight reduction of automobiles, it could lead to the development of highly competitive products that deliver better energy efficiency and productivity, which would enhance our product competitiveness.
- Our ability to respond quickly to natural disasters and other calamities (by bringing machines back online and delivering consumables) using our robust service system could enhance our service response and improve trust, which could lead to more sales opportunities.

Risk Management

To address risks related to management strategies, the involved departments are analyzing the risks and reviewing countermeasures, and such items are discussed as necessary in Board of Directors meetings and Management Council meetings. We have identified climate change as one of the most critical risks for the entire company, and we plan to develop countermeasures and disclose information about physical risks and transitional risks related to laws, regulations, and markets, etc., as necessary.

■ Indicators and Targets

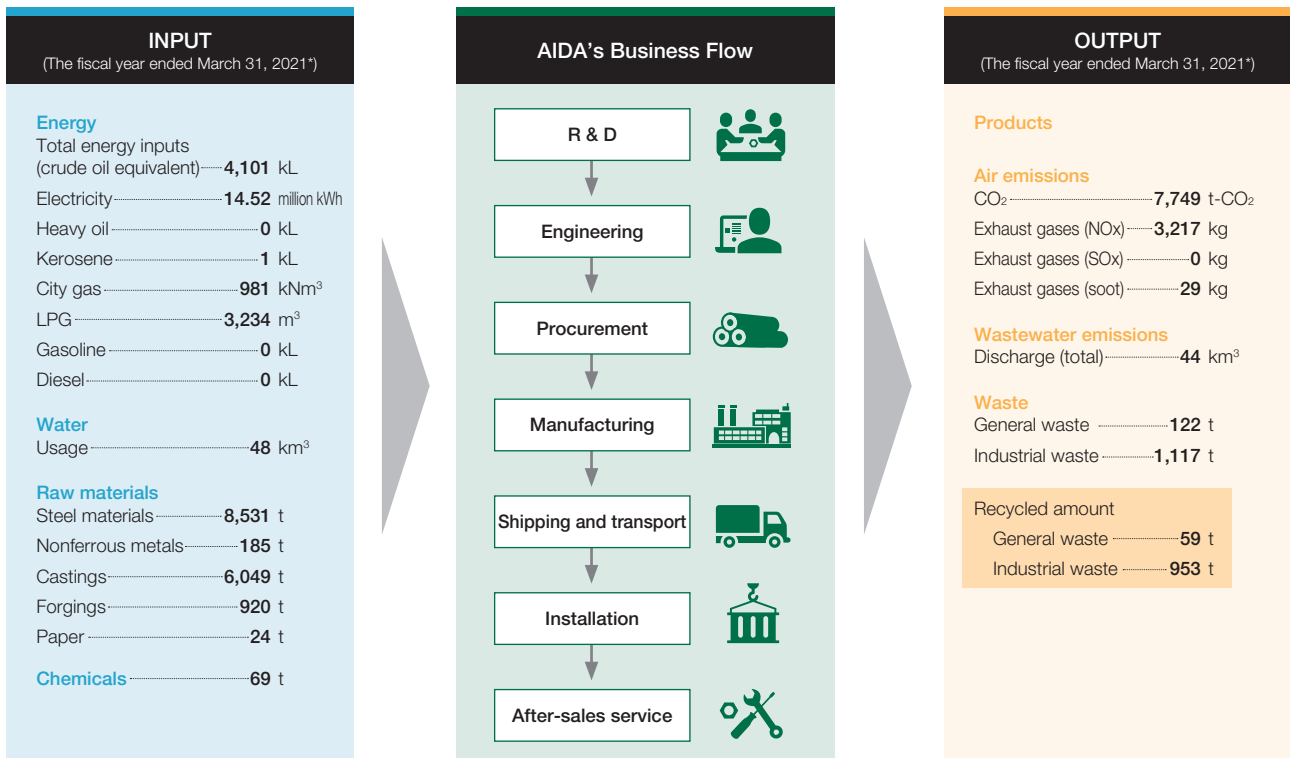
Based on our environmental policy, we have set environmental targets that take into consideration laws, regulations, and other requirements as well as factors that can significantly affect the environment. We also strive to ensure compliance with laws and regulations, to improve our environmental protection efforts, and to develop environmentally friendly products.

Environmental Objectives	Targets for the Fiscal Year Ended March 31, 2021	Results for the Fiscal Year Ended March 31, 2021
Promote the recycling of waste materials and control waste generation (promote recycling and reuse)	<ul style="list-style-type: none"> Emissions* target Sagamihara: 1,600 tons or less Hakusan: 110 tons or less Industrial waste recycling ratio Sagamihara: 86% or higher Hakusan: 85% or higher 	<ul style="list-style-type: none"> Total emissions Sagamihara: 1,145 tons; target achieved Hakusan: 94 tons; target achieved Industrial waste recycling rate Sagamihara: 87%; target achieved Hakusan: 65%; target not achieved
Promote energy conservation	<ul style="list-style-type: none"> Total energy usage (crude oil equivalent) Sagamihara: 4,500 kL or below, Hakusan: 300 kL or below CO₂ emissions (unit conversion coefficient) Sagamihara: 37 tons CO₂/¥100 million (production volume) or lower Hakusan: 12 tons CO₂/¥100 million (net sales) or lower 	<ul style="list-style-type: none"> Total energy usage (crude oil equivalent)* Sagamihara: 3,837 kL, Hakusan: 264 kL; target achieved CO₂ emissions Sagamihara: 32 tons CO₂/¥100 million (production volume); target achieved Hakusan: 12 tons CO₂/¥100 million (net sales); target achieved

* Emissions: Total emissions of general waste and industrial waste * Sagamihara's scope of analysis: Sagami Plant, Tsukui Plant, and Shimokuzawa Plant

* We received the highest "S Class" rating under the Business Operator Class-Based Assessment System administered by the Agency for Natural Resources and Energy within the Ministry of Economy, Trade and Industry.

◆ Material balance



* Environmental impact of AIDA production processes for the fiscal year ended March 31, 2021 (all figures are rounded off)
Scope of analysis: AIDA ENGINEERING, LTD. (Sagami Plant, Tsukui Plant, Shimokuzawa Plant, and Hakusan Plant)

◆ Future Initiatives to Protect the Environment

Environmental Objective	Items to Address/Issues to Consider	
Promote energy conservation	<ul style="list-style-type: none"> Reduce energy consumption by upgrading existing facilities Expand solar power generation systems at our factories and look at introducing wind power 	7 AFFORDABLE AND CLEAN ENERGY
Reduce CO ₂ emissions and recycle waste materials	<ul style="list-style-type: none"> Help address climate change and achieve the SDGs through the use of carbon-neutral liquified natural gas in high-efficiency gas cogeneration systems 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Develop environmentally friendly products	<ul style="list-style-type: none"> Develop and provide new products that support the efforts of manufacturers to reduce their environmental impact 	11 SUSTAINABLE CITIES AND COMMUNITIES
Improve environmental protection efforts	<ul style="list-style-type: none"> Introduce environmentally friendly processes and auxiliary equipment (e.g., continuing to use LED lighting) Reduce the use of chemical substances that fall under the purview of the Pollutant Release and Transfer Register 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Comply with laws and regulations governing air pollution, water quality, noise, etc.	<ul style="list-style-type: none"> Maintain processes and auxiliary equipment within regulatory limits and review even further enhancements 	13 CLIMATE ACTION
		15 LIFE ON LAND