Initiatives towards Climate Change

Support for the TCFD

Mabuchi Motor has expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosure ("TCFD"). Based on the TCFD recommendations, we will analyze the risks and opportunities that climate poses to our business, and by proactively disclosing information, we will build strong and long-term relationships of trust with all of our stakeholders and contribute to the realization of the sustainable society.

Governance

We recognize climate change and other environmental issues as one of our key management challenges. Basic policies on climate change issues and the environment as a whole are among the matters of major importance discussed and resolved by the Board of Directors. The Sustainability Committee, chaired by the President, promotes activities to address climate change and reduce environmental impact more broadly, clarifying the issues and goals and monitoring the impact of the activities on those goals. The Sustainability Committee comprises representatives from each relevant business unit and meets at least twice a year (five meetings took place in 2023) to investigate and discuss company-wide sustainability issues, including identification and assessment of risks and planning of countermeasures. A system is in place to ensure that the oversight provided and decisions made by the Board of Directors are appropriately integrated throughout the company by reporting the results of the Committee's deliberations to the Board of Directors.

Strategy

In order to identify risks and opportunities presented by climate change, we hypothesized a future world scenario by drawing on scenarios published by international organizations covering the entire value chain of our Group, across development, procurement, production, and supply of products and services, and examined the impact on the Group at two points in time: 2030 and 2050.

In terms of the financial impact on business based on the scenarios established, we examined mathematical models to calculate the impact on items that could be calculated, estimating the impact on income and expenditures in 2030 and 2050 for each item. In addition, the magnitude of the impact at a future point in time was considered by evaluating qualitatively the risks and opportunities that are difficult to assess quantitatively.

1.5°C scenario	4°C scenario
A scenario in which the global average temperature rise is limited to around 1.5°C by transitioning to a low-carbon global economy with the goal of achieving carbon neutrality by 2050. The rise in temperature is limited by developing low-carbon technologies to curb greenhouse gas emissions and enforcing strict laws and regulations, and taxation systems, to achieve carbon neutrality. Although the increasing frequency and scale of extreme weather events and other physical risks will be contained under this scenario, transition risks will increase with the change in social structure in the move toward decarbonization.	A scenario in which the earth's average temperature rises by 4°C or more by the end of this century compared to the earth's average temperature around the time of the Industrial Revolution, with initiatives to combat climate change remaining at their current level. While the direct physical risks posed by ever more extreme weather events such as windstorms, floods, and rising sea levels will increase, the impact of transition risks will be smaller, since this future world scenario does not envisage increased pressure on markets in the form of legal restrictions and taxation.

Reference: Intergovernmental Panel on Climate Change (IPCC) RCP8.5 / RCP2.6
International Energy Agency (IEA) STEPS/SDS/NZE2050

Under the 1.5°C scenario, although costs are expected to increase due to carbon pricing and higher energy prices, the automotive industry in particular and other industries more widely are expected to take more active steps toward carbon neutrality. Demand for electrification will grow, and we expect this growth to benefit the demand for the motors offered by our company. Under the 4°C scenario, the risk of greatest concern is increased losses due to direct damage from meteorological disasters and associated stoppages.

These analyses will provide the basis for specific measures that each business will consider and formulate to prepare for all possibilities in an uncertain future world. Going forward, we will conduct periodic analyses in light of various trends to review our evaluations and enhance both the quality and quantity of information disclosure.

Please refer to P.39-P.42 for specific details of measures already in progress.

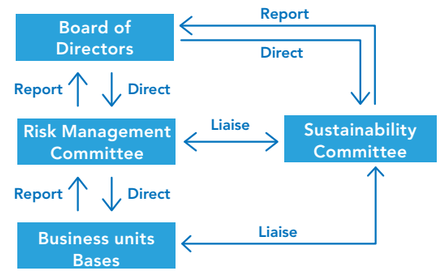
	Risks and opportunities	Possible factors	Possible events	Financial impact assessment 2030	Financial impact assessment 2050	Measures being implemented / measures to be considered
1.5°C scenario	Opportunities	Advancement of energy-saving and low-carbon technologies	● Increased order opportunities due to the transformation of demand for EVs and other motor vehicles ● Increased demand for motors due to the electrification of various industrial machinery	Large	Large	● Promote energy efficient production processes ● Create more compact and light weight motors ● Environmentally friendly product design
	Risks	Impact on raw material prices	● Impact on purchase costs due to raw material price increases or decreases caused by the addition of a carbon price to the product purchase price or changes in the supply-demand balance	Large	Large	● Promote green procurement ● Promote resources recycling
	Risks	Carbon pricing	● Increased costs due to new systems and regulations, such as the introduction of a carbon tax and emissions trading	Medium	Medium	● Set and promote CO_2 emission reduction targets ● Use renewable energy
4°C scenario	Risks	Impact on raw material prices	● Increased value of damage and losses following damage to facilities and fixtures and shutdown of operations as a result of meteorological disasters ● Fragmented supply chain and its impact on business continuit	Medium	Large	● Formulate and strengthen BCP ● Conduct emergency response drills
	Risks	Increasingly severe abnormal weather events	● Instability in raw material procurement due to acute and chronic impact of climate change	Medium	Large	● Consider and implement alternative and distributed procurement ● Promote appropriate ventory control and risk anagement
	Risks	Rise in average temperatures	● Increased operating costs, including higher air conditioning costs due to higher average temperatures	Medium	Medium	● Promote energy conservation ● Establish an environmental education system

Financial impact: Large: more than 1 billion yen; Medium: 100 million yen to less than 1 billion yen; Small: less than 100 million yen

Risk management

The Sustainability Committee identifies and assesses climate change risks and formulates countermeasures, which are reported to the Board of Directors and coordinated with the Risk Management Committee and the departments in charge. The Risk Management Committee, as part of the Group-wide risk management and assessment process, classifies risks that have a significant impact on management, including climate change risk, into two main categories: management issues faced when executing strategies in diverse business environments (strategic risks) and risks that may occur in the course of business operations (business operation risks). The risks are then evaluated based on the Group's definitions and reported to the Board of Directors.

A business unit in charge is assigned for each risk identified and assessed through these processes, and the business unit in charge formulates and manages countermeasures and action plans. Each business unit in charge reports the management implementation status and results to the Risk Management Committee, which then reassesses and corrects the risks.



Metrics and targets

In order to address climate change, which is an urgent issue for the international community, in addition to the mid-term goal of "reducing CO_2 emissions by 30% from the 2018 level by 2030," we have decided to promote activities to achieve carbon neutrality by 2050.

To this end, we are promoting measures to reduce CO_2 emissions, including the installation of solar power generation systems, the adoption of systems that recover and reuse waste heat, the use of renewable energy sources, and the use of energy-efficient production facilities.

For actual data on CO_2 emissions, please refer to ESG data (P.63 to P.64).