

Overall structure of GX based on TCFD classification

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Musashi Group considers addressing climate change as an important issue in its sustainability management.

By addressing climate change not only through our corporate activities but also through our products and services, we will "contribute to the realization of a prosperous global society where people and the environment are in harmony." In addition, in August 2021, our company expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to further communicate with stakeholders. We are working to expand our disclosure information through our company events and our website.

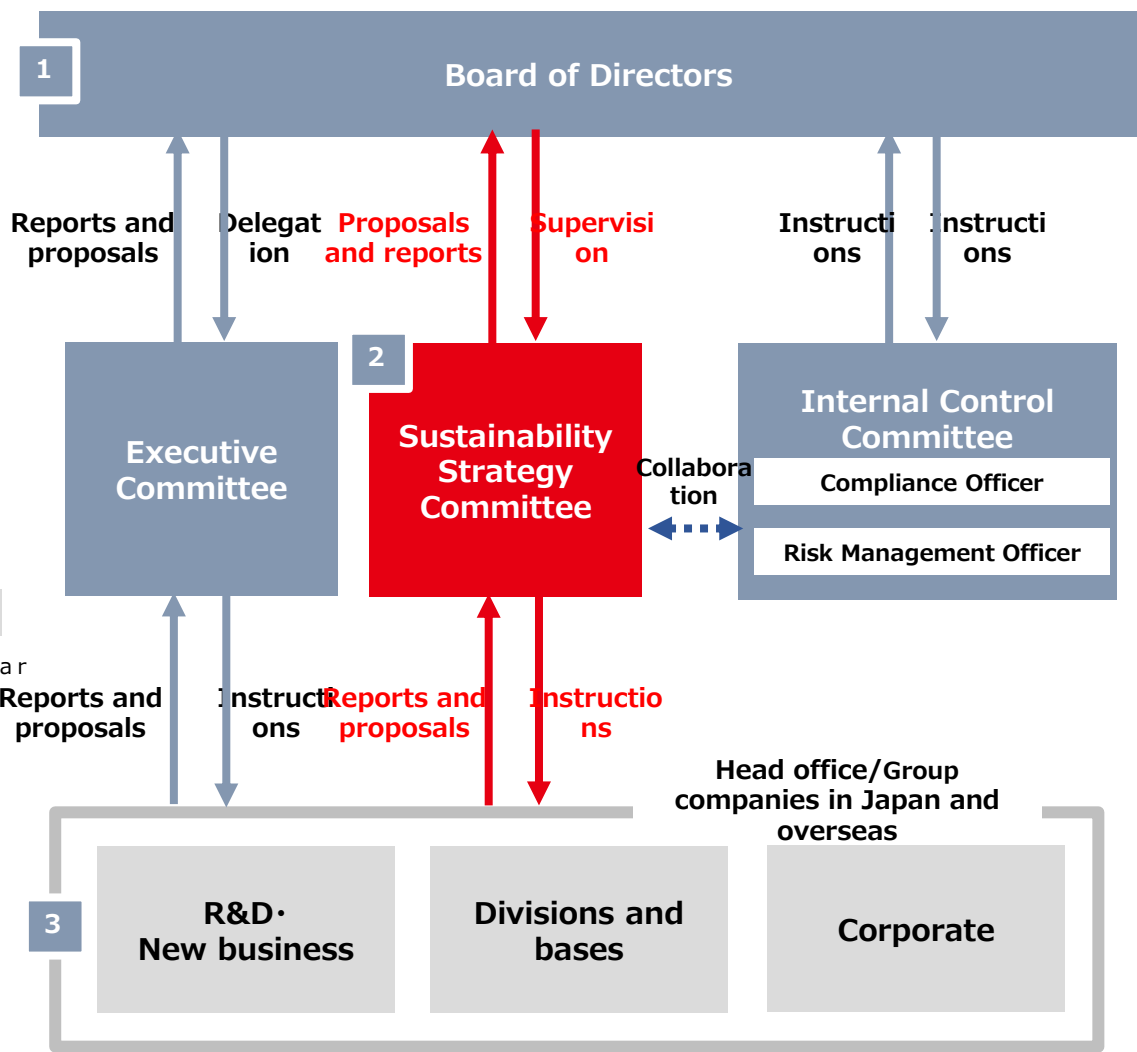
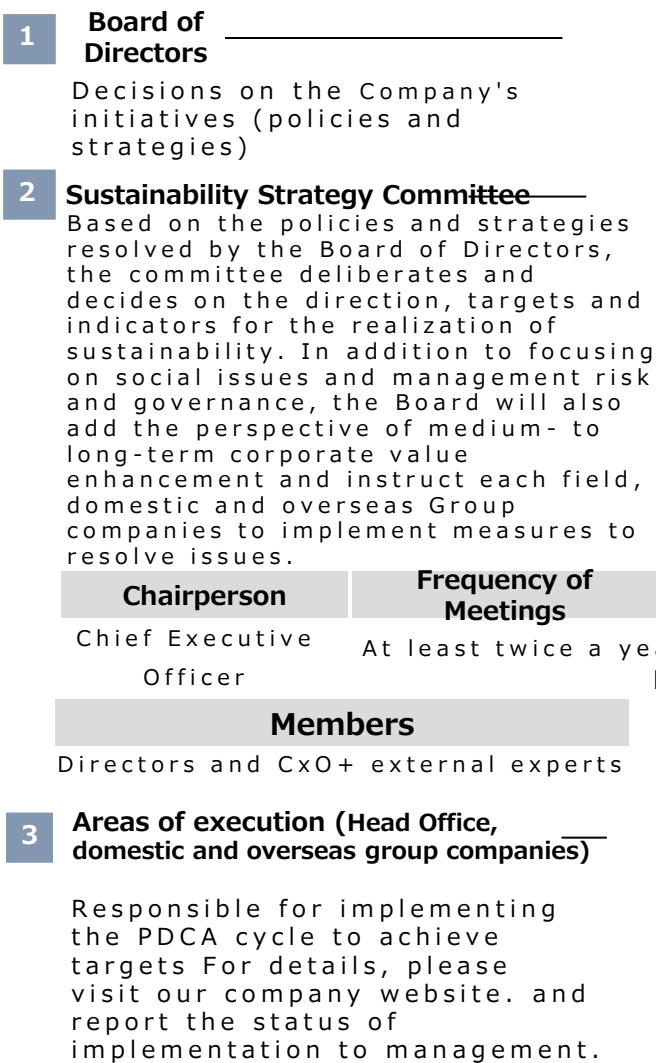
[Governance]	Sustainability Strategy Conference		
[Goals]	Milestones 2030, Green Operations 100 (2038), Carbon Neutral 2050		
[Strategy]	<div><div>Create</div><div>Green Products</div><ul style="list-style-type: none">▪ Creation of products that can contribute to CO2 reduction▪ Providing products with natural +α and services</div>	<div><div>Use</div><div>Green Operations</div><ul style="list-style-type: none">▪ Energy Efficiency and minimization of consumption▪ Production using renewable energy in all processes</div>	<div><div>Connect</div><div>Green Communication</div><ul style="list-style-type: none">▪ All activities with Carbon neutrality▪ Commitment to local communities and society</div>
[Risk Management]	→ It follows to the company-wide "risk management" system.		

■ Governance

Our company is strengthening its corporate governance system to reflect its efforts to address climate change in management. By clarifying roles and responsibilities within the organization, domestic and overseas groups and related areas are responsible for implementing measures to achieve targets. At the same time, management oversees the situation.

■ Risk management

Our company has established a company-wide risk management system that covers all risks related to corporate activities and activities, and identifies, evaluates, and monitors risks, including those related to climate change. In particular, climate change-related risks (physical risks) are selected as serious risks for business continuity, and the BCP Committee formulates a business continuity plan and regularly conducts education and training. With regard to rapidly changing risks, we strive to minimize risks by actively incorporating social issues and reflecting the opinions of stakeholders and outside directors.



Risks and opportunities

By understanding the impact of climate change on business and analyzing the risks and opportunities, we aim to minimize risks and create new value.
We promote initiatives that lead to sustainable business growth.

Climate change risks		Possible risks	Opportunities	Musashi initiatives	
Transition risks	Policy and legal regulations	Progress in pricing CO2 emissions Mandatory reporting of CO2 emissions Existing products and services Stronger emissions regulations	Introduction and expansion of carbon and environmental taxes in each country Stricter disclosure of life-cycle CO2 Strengthening environmental regulations for the automobile industry	Promotion of energy conservation and production efficiency, introduction of new technologies Promotion of carbon neutrality involving suppliers *1 Common	Musashi formulated Green Operation 100. Thorough energy conservation and efficiency improvement Promotion of conversion to renewable energy including in-house power generation. Proposed phased understanding of CO2 emissions throughout the life cycle *2 Common
	Technology	Replacement of Existing Products and Services Replacement of Low-Carbon Technologies Upfront Costs of Transition to Low-Carbon Technologies Failure to Invest in New Low-Carbon Technologies	Decrease in Sales due to Product Nonconformities Due to EV Transition Increase in Legacy Costs due to Requirements Nonconformities Due to EV Transition Nonconformities Due to Changes in International Rules and Industry Standards	(※1) Development of low-carbon products and services and creation of new businesses Optimization of existing product functions that are compatible with EV adoption Development of new products and services Evolution of existing technologies that are compatible with EV adoption Creation of new businesses by introducing new technologies	(※2) Expansion of EV products by exploring and deepening existing technologies Strengthening competitiveness by pursuing core technology "transmission function optimization" Development of next-generation electric drive units and expansion of business Provision of L & S products that realize compact, lightweight, and low/constant friction Utilizing the world's No.1 two-wheel transmission technology Development and expansion of two-wheel EV units Creating synergies through active CVC activities and partnerships Development of solutions using HSC to promote greening of energy
	Market	Changes in customer and consumer awareness and behavior Rising raw material costs	Loss of orders due to non-compliance with requirements, manufacturer layout Rising energy and materials due to environmental added value	*1 Common Process improvement incorporating the 3Rs Development through collaboration with suppliers	*2 Common Active promotion of the 3Rs and strengthening of waste management. Process innovation by changing materials and introducing new technologies
	Reputation	Changes in environmental awareness of customers and consumers Increasing criticism of the industry Increasing concern and criticism from stakeholders	Efforts to achieve carbon neutrality Suspension of transactions due to insufficient disclosure Withdrawal of investments and decline in stock prices Loss of corporate value due to falsification of disclosure information	Strengthening engagement through efforts across the supply chain Strengthening engagement through buy-in and participation in initiatives Strengthening governance	Addressing environmental and social issues, including climate change, through buy-in and CDP participation in TCFD Building and promoting systems
Physical risk	Acute	Severe extreme weather events such as typhoons and floods	Risk of damage to employees during commuting Suspension of production due to damage to plants and equipment Suspension of production and shipments due to supply chain disruption	Proactive introduction of remote work Strengthening BCP measures (alternative production, common infrastructure, etc.) Optimization of logistics processes Development of resilience-related businesses	Promotion of digitalization of operations by training DX human resources Development of business continuity plans and implementation of regular education and training by the BCP Committee Promotion of green strategies to "connect" society and Musashi through green technologies
	Chronic depression	Changes in water patterns Extreme changes in weather patterns Rise in sea level Rise in average temperature	Reduction and suspension of production due to water restriction due to drought Decrease in vehicle sales affected by GDP due to rapid cool summers and warm winters Decrease in areas where production activities can be conducted Decrease in work performance and occurrence of industrial accidents due to work in harsh environments	Strengthening improvement activities for water conservation Building a flexible production system Accelerating production line automation through the use of digital transformation Improving employee satisfaction through improving the workplace environment	Water quality management and reducing water consumption Designing highly efficient and flexible production lines by leveraging the strengths of Musashi's manufacturing capabilities: development, integrated production, and on-site capabilities Introduction of automated solutions using AI technology and establishment and promotion of systems for healthy management