

Materiality

Identifying nine material issues for realizing our MVV

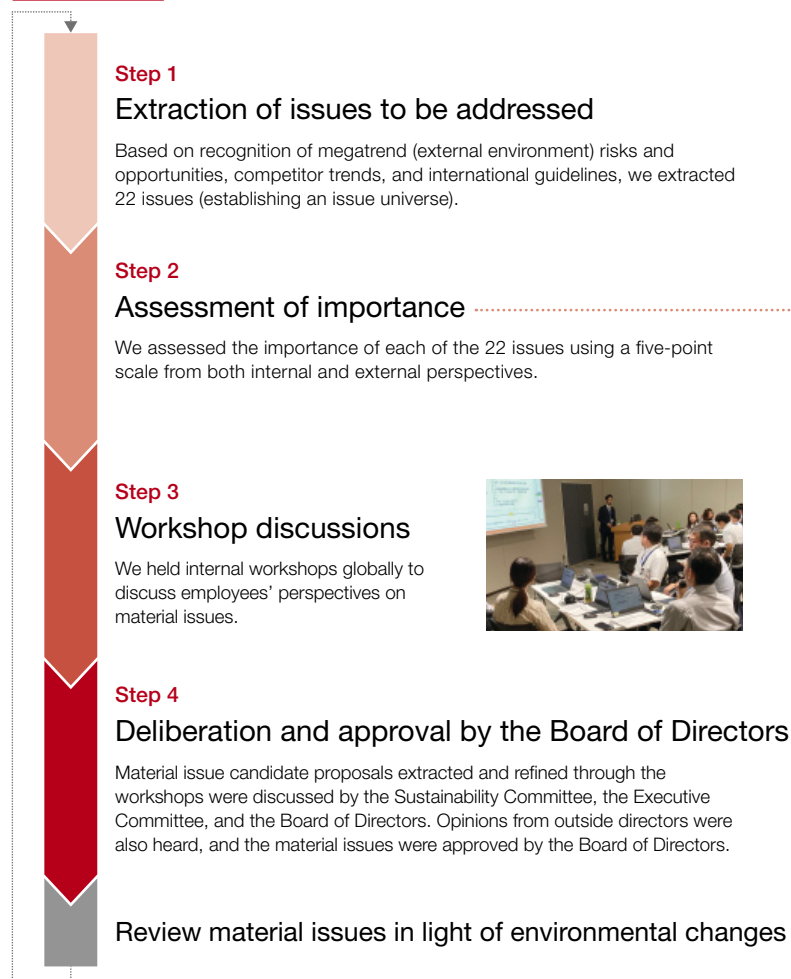
Aiming for sustainable corporate growth and to contribute to a sustainable society and enriched lives for people, we have identified nine material issues across five domains—“technology,” “society,” “global environment,” “human capital,” and “governance”—and are promoting initiatives that contribute to sustainability and are aligned with these material issues across the group.



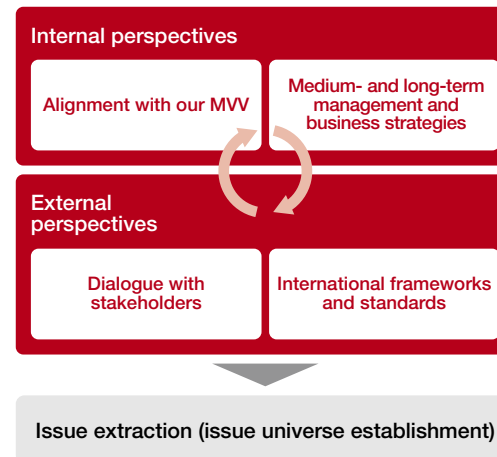
Identifying material issues starting from recognizing megatrend risks and opportunities

We established an issue universe starting from recognizing megatrend risks and opportunities. Based on assessments of importance from internal and external perspectives and workshop discussions, we narrowed down the material issue candidates. Following deliberation and approval by the Board of Directors, we identified nine material issues for sustainable growth.

Identification Process



Importance assessment methodology



Assessment from internal perspectives

Employee surveys (of approximately 9,000 people globally) and interviews with management-level members

Assessment from external perspectives

Interviews and surveys with external stakeholders

Groups targeted for interviews and surveys

- Shareholders
- Sustainability organizations
- Financial institutions
- Local communities
- Academic institutions
- Customers

Opinions from external stakeholders (excerpts)

When selecting material issues, it is essential to accurately capture trends in environmental constraints and prioritize feasible measures, while maintaining a stance that avoids excessive adaptation that could undermine business activities. From that perspective, contributing to a recycling-oriented society requires a broad spectrum of measures, technologies, and supplier engagement—from product design to institutional framework design. We regard this as a domain uniquely suited to your company's strengths. Business activities that prioritize this material issue are likely to gain social consensus and trust.

Sustainable Management Promotion Organization

Technological developments that were pursued in the past without sufficient consideration of their environmental impact have contributed to current climate change and global warming. This is why there is a strong demand for environmentally friendly technological development. Contributing to a decarbonized society is a key sustainability issue for global companies, and as a company that manufactures and sells mobility-related parts globally, we expect your company to further contribute by incorporating diverse perspectives and leveraging your international network and advanced technological capabilities to take a comprehensive approach to the entire value chain.

Institute of Fluid Science, Tohoku University

One of the challenges facing our town is the high level of greenhouse gas emissions from transportation (automobiles). Based on this, we believe that contributing to a decarbonized society throughout the product life cycle is your company's most important sustainability issue, and our town has high expectations for your efforts to reduce greenhouse gas emissions through advanced mobility technologies.

Takanezawa Town, Tochigi Prefecture

Setting medium-term KPIs for each of the nine material issues

Based on each material issue, we have defined, from medium- and long-term perspectives, the “Vision for 2030” for the Astemo Group and set strategic KPIs. The Sustainability Committee and the Executive Committee monitor and follow up on our progress. Through initiatives addressing our material issues, we will realize our vision for the entire group and create new environmental and social value.

Material issues	Vision for 2030	KPIs	FY2024 results	FY2025 targets	FY2026 targets	FY2027 targets	2030- targets
Contribute to a decarbonized society through actions that lead by example and advanced technological innovations	<ul style="list-style-type: none"> Reduce Scope 1 and 2 emissions by 80% and Scope 3 emissions by 25% by 2030, and achieve carbon neutrality across the entire value chain (Scope 1, 2, and 3) by 2050 Develop and supply products with low environmental impact using advanced technologies 	Scope 1 and 2 GHG emissions from production (compared to FY2021)	-52%	-53%	-58%	-63%	-80%
		Sales ratio of electrification-related products	11.5%	13%	13%	18%	Over 25%
Contribute to a sustainable recycling-oriented society and a society harmonized with nature	<ul style="list-style-type: none"> Utilize sustainable materials (recycled and environmentally friendly materials) and supply products with maximized circular design Effectively utilize waste and water resources 	Waste effective utilization rate	Managed using indicators based on the Hitachi Group's Environmental Action Plan	78.1%	80.5%	82.9%	90.0%
		Total waste generation reduction rate (compared to FY2021)		-8.90%	-8.92%	-8.94%	-9.0%
		Total water usage reduction rate (compared to FY2021)		-2.5%	-2.6%	-2.7%	-3.0%
Develop Astemo's advanced technologies and provide solutions to realize safety and freedom in mobility	<ul style="list-style-type: none"> Contribute to society by providing mobility solutions using advanced technologies Supply products equipped with advanced technologies through DX and AI Increase to 10%* the development of DX human resources who lead and promote development of Astemo's advanced technologies and improved operational efficiency. 	Sales ratio of SDV-related products	To strengthen future competitiveness, we will aim for a sales ratio of over 10%. (The target for FY2024 has already been achieved.)				Approximately 20%
Create new value through DX and AI, and take proactive measures against the risks		Ratio of DX human resources leading and promoting DX*	0.4%	1%	3%	5%	10%

* Proportion of employees in indirect departments

Materiality | Vision and KPIs

Material issues	Vision for 2030	KPIs	FY2024 results	FY2025 targets	FY2026 targets	FY2027 targets	2030- targets
Respect human rights and contribute to local communities	<ul style="list-style-type: none"> Respect human rights, and establish a system that minimizes human rights risks as much as possible. Gain recognition as a good corporate citizen in the local communities in which we operate. 	Human rights due diligence implementation	Preparing for implementation	Implementation of due diligence pilot	Implementation of due diligence	Implementation of due diligence	Implementation of due diligence and following up
		Number of CSR activities	2,275 activities	2,300 activities	Consider effective indicators to enhance collaborative value with local communities		
Create a sustainable and resilient supply chain trusted by society	<ul style="list-style-type: none"> Establish a system that minimizes supply chain risks as much as possible. Achieve a robust network that contributes to sustainable economic and social activities. 	Implementation of human rights and environmental due diligence for suppliers	Developing an execution plan	Implementation of supplier research	Implementation of due diligence pilot	Implementation of due diligence	Implementation of due diligence and following up
Enhance the value of human capital as a source of the company's growth and competitiveness	<ul style="list-style-type: none"> Through a strong, values-driven Astemo culture, became a company of choice for people passionate about providing the world's best mobility solutions. 	Positive response rate in global employee engagement survey	66%	68%	70%	72%	79%
Create a working environment where employee health, safety, and well-being are prioritized	<ul style="list-style-type: none"> Ensure that each employee experiences well-being in a safe and healthy work environment. 	Number of occupational accidents Frequency (TRIFR)	94 0.111	Improvement compared to previous fiscal year			Achieve leading level Zero
		Employee well-being indicators	78.5 points	Improvement compared to previous fiscal year			10% improvement (compared to FY2024)
Strengthen corporate governance and ensure compliance	<ul style="list-style-type: none"> Be widely recognized as a transparent company trusted by stakeholders. 	Number of major law and regulation violations	0 violations	0 violations			0 violations

Sustainability Promotion Structure

Sustainability Committee established to drive group-wide initiatives

Newly created Sustainability Committee led by the CSuO

Astemo established the Sustainability Committee in October 2024 to drive group-wide sustainability initiatives and generate integrated environmental, social, and economic value. The committee is chaired by the Chief Sustainability Officer (CSuO), with executives responsible for environmental, social, and other sustainability issues participating as members. In principle, the committee meets once per quarter; in FY2024, it convened twice.

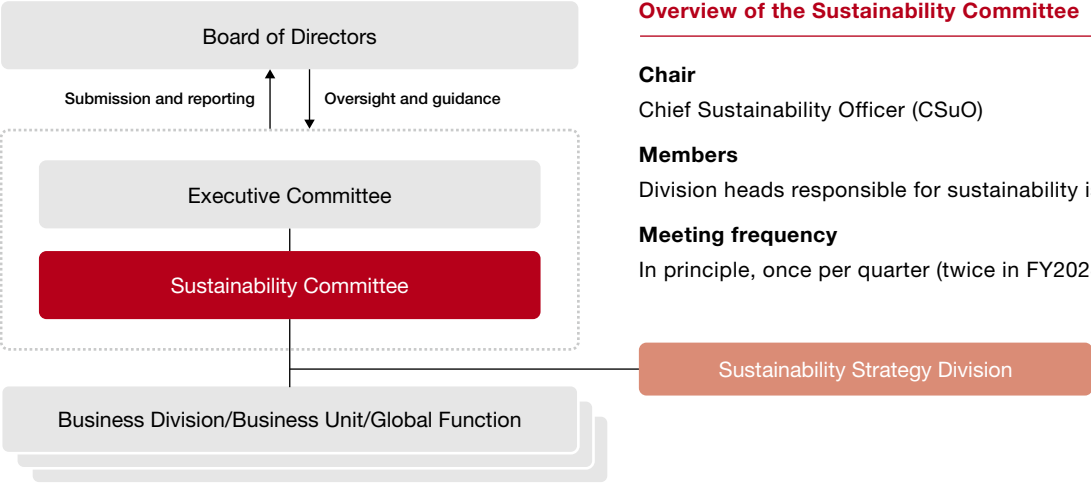
The committee is responsible for formulating group-wide sustainability policies and strategies, monitoring the latest domestic and international sustainability trends, and overseeing initiatives by each business division and global function based on material issues. In addition, the committee reviews the resources required to advance each initiative and discusses the disclosure of information to internal and external stakeholders. Key topics discussed by the committee are submitted to and reported at the Executive Committee and the Board of Directors as appropriate, where they receive oversight and guidance from the Board.

The Astemo Group has also established the Sustainability Strategy Group.

This Group serves as the secretariat for the Sustainability Committee, supporting its operations while also overseeing and assisting with specific initiatives aligned with the group-wide sustainability policies and strategies.

The Astemo Group, centered on the Sustainability Committee, is steadily implementing plan-do-check-act (PDCA) cycles for each initiative to continuously strengthen its sustainability management.

Sustainability promotion structure



Key discussion topics of the Sustainability Committee

Timing	Discussion topics
December 2024 (First meeting of FY2024)	<ul style="list-style-type: none">Materiality and sustainability promotion structureKPIs and action plans based on materiality
February 2025 (Second meeting of FY2024)	<ul style="list-style-type: none">KPIs related to carbon neutrality and the circular economyAction plans on cross-organizational themes, including environment, human rights, supply chain, human capital, and information disclosure
May 2025 (First meeting of FY2025)	<ul style="list-style-type: none">Promotion structure for circular economy activitiesPolicy for preparing the sustainability reportApproach to ESG ratings and evaluation agencies
August 2025 (Second meeting of FY2025)	<ul style="list-style-type: none">Strengthening carbon neutrality initiativesReview of the human rights policyResponse to European regulations