

Responding to the TCFD Recommendations

Recognizing the potential of climate change to present medium- to long-term risks and opportunities that affect its business domains, in July 2021 Mitsubishi Motors expressed its support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Accordingly, we are analyzing the impact of climate change on our businesses and finances (scenario analysis). Going forward, we will enhance our disclosure in line with the TCFD recommendations.



Governance

We have defined "responding to climate change and energy issues" as one of our materiality issues. The Sustainability Committee, which is chaired by the president (who is also the chief executive officer responsible for climate change issues) deliberates on the assessment of climate change risks, opportunities and response measures. The committee also confirms the state of progress and results under Environmental Targets 2030. This committee meets three times a year, in principle. Matters of particular importance and discussed by, reported to and supervised by the Board of Directors.

For details related to governance, please see the "Sustainability Management" and "Environmental Management" sections of our Sustainability Report:
<https://www.mitsubishi-motors.com/en/sustainability/report/>

Strategies

We consider climate change risks and opportunities to be an important perspective in the formulation of our business strategy. Upon our announcement that we were endorsing the TCFD recommendations, we established a cross-Company study team to identify and evaluate short-, medium- and long-term risks and opportunities, and to envision a society in 2030 based on multiple climate scenarios. In addition, we are analyzing the impact of risks and opportunities on our business and considering measures to deal with them.

Please see pages 28–30 for details.

Risk Management

The Sustainability Committee assesses and identifies climate change risks. One of the committee's members (who participates in discussion) is the head of the Internal Control Promotion Office, which oversees risk management for the entire Company.

We have established the Internal Control Committee, which is chaired by the president, to create risk control system for the entire company. Climate change risks identified by the Sustainability Committee are integrated into company-wide risk management by the Internal Control Committee, and are positioned as one of the priority risks to be addressed and managed appropriately.

For details related to risk management, please see the "Sustainability Management," "Internal Control" and "Risk Management" sections of our Sustainability Report:
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Indices and Targets

When formulating the Environmental Plan Package in 2020, we established the Environmental Vision 2050, which sets out our vision for society to be achieved by 2050 and directions for our initiatives; and the Environmental Targets 2030, which clarifies specific initiatives to be achieved by 2030 in accordance with this vision. Under "Action to Climate Change," which we positioned as a topmost issue, we have set a target of reducing emissions under Scope 3*, Category 11 (Use of sold products), which accounts for around 70% of total emissions throughout our supply chain: "a 40% reduction in CO₂ emissions from new vehicles (compared with fiscal 2010 levels)" and "EV sales ratio of 50%." For Scope 1 and 2*, we set the target of "a 40% reduction in CO₂ emissions from our business activities (compared with fiscal 2014 levels)." We set 2030 as our target date for these.

*Scope 1: A company's direct emissions (such as from burning fuel)

Scope 2: Indirect emissions, resulting from electricity, heat or steam provided by another company

Scope 3: Indirect emissions other than Scope 1 and Scope 2 (emissions from other companies and other sources related to the company's activities)

For details related to indices and targets, please see the "Environmental Plan Package" section of our Sustainability Report, as well as "Sales of Electric Vehicles (EVs)" and "Scope 1, 2 and 3 Emissions" in the section entitled "Environmental Data related to Products and Business Activities."

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Climate Change Risks and Opportunities

We identified and evaluated risks and opportunities that could affect Mitsubishi Motors' business activities, based on the timing of occurrence and degree of impact. As particularly high-impact migration risks, we identified the "strengthening of requirements for fuel economy/CO₂ and zero-emission vehicles" and the "introduction and expansion of carbon pricing." We identified "increasing frequency and intensity of meteorological disasters" as a physical risk. While these risks may affect our business in various ways, we recognize that responding appropriately to these risks will lead to greater sales of electric vehicles and new business opportunities.

Recognized Risks and Opportunities

Category		Item	Assumed Impact on the Company's Business Activities	Timing of the Impact*	Degree of impact
Migration risks	Policies and regulations	Strengthening of requirements for fuel economy/CO ₂ and zero-emission vehicles	<ul style="list-style-type: none"> Increased development/procurement/production costs to comply with stricter regulations Increase in fines and credit purchase costs due to non-fulfillment of regulations 	Medium/long term	Large
		Introduction and expansion of carbon pricing	<ul style="list-style-type: none"> An increasing tax burden on the Company's emissions due to the introduction and expansion of carbon taxes and other sorts of carbon pricing, as well as higher prices on carbon, and higher costs due to a price shift toward the procurement, production and logistics stages 	Medium/long term	Large
	Markets	Changes in the energy mix	<ul style="list-style-type: none"> Higher energy costs due to a rise in electricity prices resulting from the increased introduction of renewable energy and carbon-neutral sources of electricity, such as hydrogen 	Medium/long term	Medium
		Tight supply and demand for raw materials (rare metals)	<ul style="list-style-type: none"> Rise in the cost of raw materials (such as rare metals) and components due to growing demand for storage batteries 	Medium/long term	Medium
		Changes in user awareness and behavior	<ul style="list-style-type: none"> Decrease in sales volume due to the development of public transportation infrastructure and the proliferation of sharing in urban areas 	Medium/long term	Medium
Reputation	Increasingly stringent assessment by ESG institutions and stakeholders	<ul style="list-style-type: none"> Decline in the Company's social image and share price 	Short/medium term	Medium	
Physical risks	Acute	Increasing frequency and intensity of meteorological disasters	<ul style="list-style-type: none"> Damage to buildings and facilities caused by typhoons and torrential rains, and the suspension of operations at production facilities due to supply chain disruptions (delays in the supply of parts stemming from damage to suppliers and the disruption of transportation routes) 	Short/medium/long term	Large
	Chronic	Rise in average temperatures	<ul style="list-style-type: none"> Rising (energy) cost of air conditioning to maintain the work environment and employee health 	Short/medium/long term	Small
		Rise in ocean levels	<ul style="list-style-type: none"> Increased flooding and surge in the instance of storms due to rising sea levels, resulting in operational shut-downs at manufacturing facilities and increased investment in disaster countermeasures 	Short/medium/long term	Medium
Opportunities	Products and services	Growing demand for electric vehicles	<ul style="list-style-type: none"> Expand sales of electric vehicles by improving product capabilities and taking advantage of government and municipal measures to promote electric vehicles Increase sales of electric vehicles and V2X-related equipment/services in line with the growing value of electric vehicles as energy infrastructure Boost sales of electric vehicles that can help supply power in response to growing demand to securing sources of emergency power in times of disaster 	Medium/long term	Large
	Energy sources	Advancement in energy technologies	<ul style="list-style-type: none"> Reduce energy costs by promoting energy conservation activities and the introduction of renewable energy 	Medium/long term	Medium

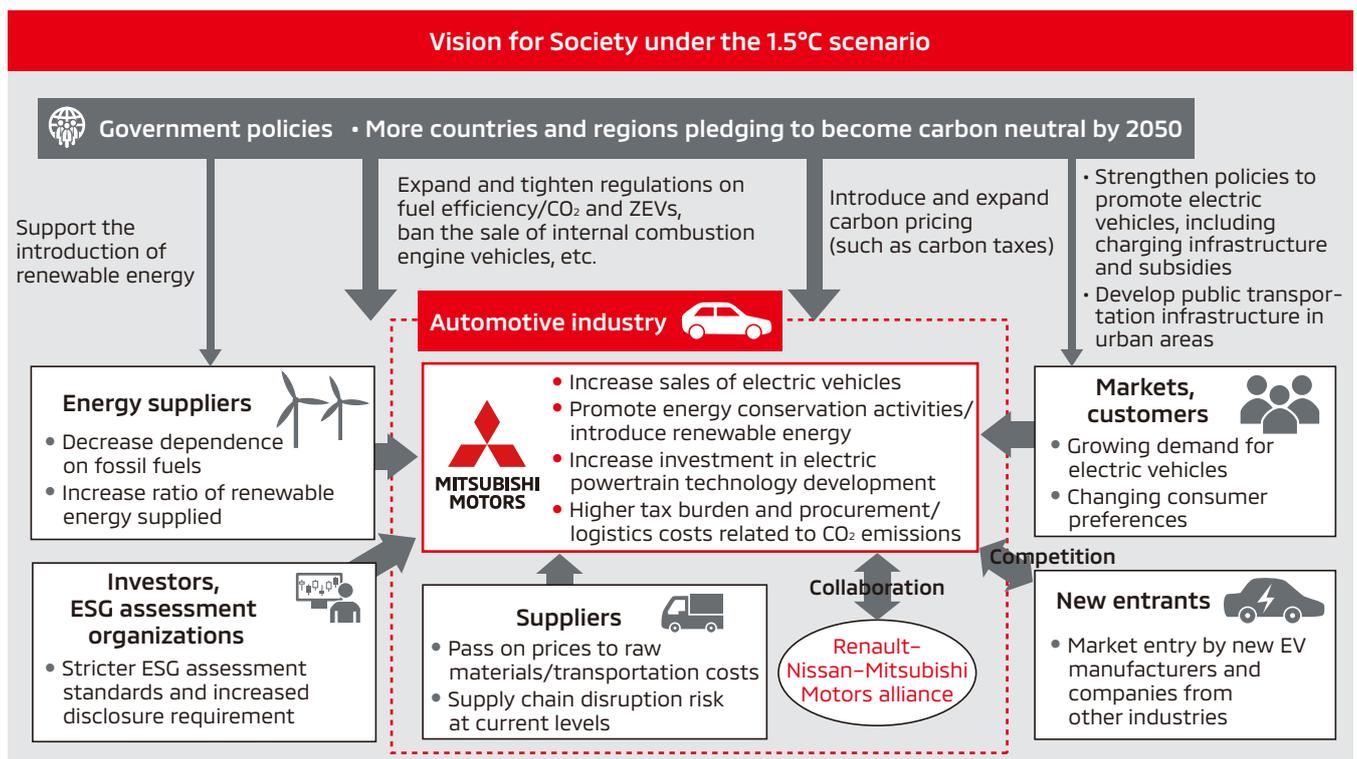
*: Timing of the impact

Short term: Up to three years; medium term: three to 10 years; long-term: more than 10 years. Some issues impacts have already occurred as a result of the recent international situation.

Visions for Society in 2030 Based on Multiple Climate Scenarios

To understand the future impact of climate change risks and opportunities on Mitsubishi Motors' business, we drew up three visions for society in 2030 based on climate scenarios and forecast information from the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC): a 4°C scenario, a 2°C scenario and a 1.5°C scenario.

	Main reference scenarios	Visions for society in 2030
4°C scenario	<ul style="list-style-type: none"> • IEA Stated Policies Scenario • IPCC RCP8.5/SSP5-8.5, RCP4.5/SSP2-4.5 scenarios 	While many developed countries are raising government targets and tightening policies and regulations, this tendency has not spread to emerging markets, and societies remain dependent on fossil fuels. As a result, global CO ₂ emissions have not been reduced, temperatures continue to rise, and weather disasters such as typhoons and torrential rains have become more frequent and severe over a wider area than at present. Regulations on fuel efficiency/CO ₂ , ZEVs, and other policies to promote electric vehicles, such as charging infrastructure and subsidies, have been introduced and strengthened only in certain countries and regions (urban areas), and electric vehicles have not been widely adopted, leaving the market dominated by internal combustion engine vehicles.
2°C scenario	<ul style="list-style-type: none"> • IEA Sustainable Development Scenario • IPCC RCP2.6/SSP1-2.6 	Both developed countries and emerging markets have raised government targets and strengthened policies and regulations based on the Paris Agreement. With the shift to renewable energy, global CO ₂ emissions are being reduced amid population and economic growth. Although the rise in temperatures has been controlled to some extent, weather disasters such as typhoons and torrential rains are occurring at current levels. Demand for electric vehicles is increasing due to a rise in the number of countries introducing and strengthening regulations on fuel efficiency/CO ₂ and ZEVs, as well as policies aimed at the popularization of electric vehicles in various countries. In addition, the number of countries and regions introducing carbon taxes and other carbon pricing measures is expanding, and carbon prices are rising.
1.5°C scenario	<ul style="list-style-type: none"> • IEA Net Zero Emissions by 2050 • IPCC SSP1-1.9 	An increasing number of countries and regions around the world have net-zero targets, as well as policies and regulations that go even further than under the 2°C scenario. The renewable energy ratio has increased significantly, and the expansion of hydrogen and other low-carbon power sources has greatly reduced dependence on fossil fuels. Although the rise in temperatures has been controlled to some extent, weather disasters such as typhoons and torrential rains are occurring at current levels. Regulations on fuel efficiency/CO ₂ and ZEVs and policies to promote electric vehicles have been further expanded and strengthened from the 2°C scenario, and demand for electric vehicles has increased significantly. In addition, carbon pricing has been rising in the countries and regions where it has been introduced, and the carbon price has increased even more than under the 2°C scenario. In addition, consumer behavior is undergoing a major transformation, including more ride-sharing in urban areas, use of public transportation, and more short-distance travel by bicycle and on foot.



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Impact of Risks and Opportunities on Mitsubishi Motors' Business Activities

We looked at risks and opportunities with regard to items that had a particularly high degree of impact under the 1.5°C scenario and 2°C scenario (under which "action to climate change" is being taken for society as a whole) and under the 4°C scenario (under which "action to climate change" is not being taken), considering the impact on the Company's business activities.

Scenario		Risk/opportunity	Assumed impact on the Company's business activities	Key countermeasures	
Item					
1.5°C/ 2°C	(1) Strengthening of requirements for fuel economy/CO ₂ and zero-emission vehicles	Risks	<ul style="list-style-type: none"> • Need for both developed countries and emerging markets to comply with stricter regulations • Increasing likelihood of non-compliance 	<ul style="list-style-type: none"> • Higher development/procurement/production costs • Fines and credit purchase costs increase if regulations are not met 	<ul style="list-style-type: none"> • Reduce costs by taking advantage of the alliance, such as by standardizing components • Promote electrification, including PHEVs and EVs
		Opportunities	<ul style="list-style-type: none"> • Growing demand for electric vehicles 	<ul style="list-style-type: none"> • Increased sales of electric vehicles and expansion of the value chain related to electric vehicles 	
	(2) Introduction and expansion of carbon pricing	Risks	<ul style="list-style-type: none"> • Introduction and expansion of carbon taxes, causing carbon prices to rise 	<ul style="list-style-type: none"> • Increased direct and indirect tax burdens and higher costs at the procurement, production and logistics stages 	<ul style="list-style-type: none"> • Promote energy conservation activities and introduce renewable energy
		Opportunities	<ul style="list-style-type: none"> • Promotion of energy-saving technologies • Increasing use of renewable energy 	<ul style="list-style-type: none"> • Lower energy costs 	
4°C	(3) Increasing frequency and intensity of meteorological disasters	Risks	<ul style="list-style-type: none"> • Increased possibility of factory damage and supply chain disruptions due to frequent and severe heavy rain and flooding 	<ul style="list-style-type: none"> • Damage to production and development facilities • Lower earnings due to operational shutdowns 	<ul style="list-style-type: none"> • Review BCP, assuming such factors as heavy rain and flooding • Consider and implement flood control measures (such as the installation of water-prevention panels) • Same as (1)
		Opportunities	<ul style="list-style-type: none"> • Greater demand for electric vehicles, owing to growing need to secure emergency power sources 	<ul style="list-style-type: none"> • Increased use of electric vehicles that can help supply emergency power 	

Our State of Response

We are promoting "action to climate change" based on the Environmental Plan Package. On the product front, in May 2021 we announced an update to "Small but Beautiful," our mid-term business plan. This update specified that we would offer electric models of all vehicles by 2030. We will proactively launch EVs, such as the all-new *Outlander* PHEV model and the *Eclipse Cross* PHEV model targeting mainly developed countries and regions that are enhancing their infrastructures and adopting more stringent regulations. Meanwhile, in emerging markets we plan to strengthen our competitiveness by providing products that are suited to regional requirements. We will promote electrification, focusing on our proprietary plug-in hybrid electric vehicles (PHEVs) and kei-car-segment commercial battery-powered electric vehicles (BEVs), while reducing costs through the standardization of components by leveraging the alliance. In business activities, we are working to reduce CO₂ emissions by promoting energy conservation efforts at each of our sites and introducing renewable energy. Through such moves, we will prepare ourselves for carbon taxes and other risks. At the same time, in preparation for frequent and severe meteorological disasters, we will formulate

and review business continuity plans (BCPs) based on hazard maps, taking into account the risk of flooding at individual sites. We will cooperate with governments and companies in various countries to promote energy management utilizing the batteries and power supply functions of BEVs and PHEVs, V2X*¹ and emergency power sources for use during meteorological disasters.

We will create a lineup of BEVs, PHEVs and hybrid electric vehicles (HEVs) that combines alliance technologies and our proprietary technologies in various options. As a result, we believe we can provide optimal solutions in terms of LCA*² that match uncertain future scenarios and mixes of energy sources that vary by country, region and time.

Meanwhile, based on the results of the scenario analysis conducted in fiscal 2021 and recent trends surrounding carbon neutrality by 2050, we recognize the need to formulate business strategies assuming the 1.5°C scenario and review the Environmental Targets 2030. We will consider how to respond to this situation, taking into account the situation in core ASEAN and other markets, while keeping an eye on future trends toward regulatory tightening and expansion.

*1: A general term encompassing vehicle to home (V2H) and vehicle to grid (V2G)

*2: LCA stands for life cycle assessment, which is a technique for calculating the environmental impact of a product from manufacturing to disposal.