Disclosure Based on the TCFD Recommendations

Support for the TCFD Recommendations

With the issue of climate change growing increasingly serious, the Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD), which in 2017 announced its recommendations. These recommendations encourage companies to disclose information related to climate change so that investors can appropriately assess climate-related risks and opportunities.

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 TCFD Recommendations. Accordingly, we are analyzing the impact of climate change on our businesses and finances (scenario analysis). We will reflect the results of scenario analysis in our management strategies to enhance the resilience of our strategies and improve information disclosure in accordance with the TCFD Recommendations.

Governance

a. Board's oversight of climate-related risks and opportunities

We recognize "responding to climate change and energy issues" as an important management issue and have accordingly identified it as one of our materiality issues. The Board of Directors makes decisions on important matters related to environmental initiatives, including those related to climate change, and oversees their execution. The Board of Directors approved the "Environmental Vision 2050" and "Environmental Targets 2030," which were revised in FY2022, and these measures were announced.

Examples of climate change-related issues discussed or reported by the Board of Directors

- Endorsement of TCFD recommendations
- Disclosure in line with TCFD recommendations
- Declaration of intent to achieve carbon neutrality by 2050 and revision of Environmental Vision 2050
- Revision of Environmental Targets 2030

b. Management's role in assessing and managing climate-related risks and opportunities

To address climate change and energy issues, we have established the Sustainability Committee, chaired by the executive officer, president & CEO, who also holds top responsibility for initiatives related to climate change. The committee evaluates climate-related risks and opportunities, discusses response measures, and reviews progress and achievements in line with the Environmental Targets 2030. We have established the Carbon Neutrality Council under the Sustainability Committee. This council is chaired by the Executive Officer, Executive Vice President and consists of executives responsible for management strategy, products, manufacturing, procurement and logistics. This organization formulates medium- to long-term policies and goals based on the assessment of climate-related risks and opportunities, considering specific response measures in each area. These policies, goals, and their progresses are reported by the respective heads of each area at the Sustainability Committee for review and deliberation. The organization generally meets three times per year, and particularly important matters are deliberated and decided by the Board of Directors.

Please see P30 for details on the structure of promoting carbon neutrality.

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Strategy

a. Short-, medium- and long-term climate-related risks and opportunities the organization has identified

MITSUBISHI MOTORS considers climate-related risks and opportunities to be an important perspective in the formulation of our business strategy. We are identifying and evaluating short-, medium-, and long-term risks and opportunities, as well as analyzing the impact on our business based on multiple climate scenarios. We are also considering countermeasures in response to these risks and opportunities. As particularly high-impact migration risks, we identified the "strengthening of regulations for fuel economy/CO_2 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 electrified vehicles and new business opportunities.

Identified climate-related risks and opportunities

Type		Item	Assumed Impact on MITSUBISHI MOTOR'S Business Activities	Timing of the Impact*	Degree of impact
Transition risks	Policy and legal	Strengthening of regulations for fuel economy/CO_2 and zero-emission vehicles	・Increased development/procurement/production costs to comply with stricter regulations ・Increase in fines, credit purchase costs, and stakeholder litigation expenses due to non-fulfillment of regulations	Medium/long term	Large
		Introduction and expansion of carbon pricing	・An increasing tax burden on our 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
	Technology	Investment in new technologies	・Decline in the Company's competitiveness and market share due to delays in investment in electrification and other new technologies	Medium/long term	Medium
	Market	Changes in the energy mix	・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)	・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	・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 rating institutions and stakeholders	・Decline in our social image and share price	Short/medium term	Medium
Physical risks	Acute	Increasing frequency and intensity of meteorological disasters	・Damage to buildings, facilities, and vehicles in inventory 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	・Rising (energy) cost of air conditioning to maintain the work environment and employee health ・Difficulty in securing the water needed to manufacture automobiles due to depletion of water resources	Short/medium/long term	Small
		Rise in ocean levels	・Increased flooding and surge in the instance of storms due to rising sea levels, resulting in operational shutdowns at manufacturing facilities and increased investment in disaster countermeasures	Short/medium/long term	Medium
Opportunities	Products and services	Growing demand for electrified vehicles	・Expand sales of electrified vehicles by improving product capabilities and taking advantage of government and municipal measures to promote electrified vehicles ・Increase sales of electrified vehicles and V2X-related equipment/services in line with the growing value of electrified vehicles as energy infrastructure ・Boost sales of electrified 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 source	Advancement in energy technologies	・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.

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b. Impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning

With the vision of "creating a vibrant society by realizing the potential of mobility," MITSUBISHI MOTORS aims to enhance our corporate value over the long term by providing products with value that is unique to MITSUBISHI MOTORS through contributions to carbon neutrality and other efforts. As society-wide efforts to achieve carbon neutrality accelerate, we recognize that climate-related matters may affect our business, strategies, and financial plans, so we periodically review our strategies and plans as appropriate based on climate change risks and opportunities.

Impact on strategies and plans

Business area	Recognized impact	Incorporation into strategies and plans
Products and services	To realize a carbon-neutral society, various countries and regions are strengthening regulations for fuel economy/CO_2 and zero-emission vehicles. These will affect our product development, production and procurement strategies.	In 2020, we formulated the Environmental Targets 2030, which set the target of achieving a 40% reduction in CO_2 emissions from new vehicles (compared with FY2010 levels) and a target ratio of electrified vehicle sales of 50% by FY2030. In February 2023, we set a new target, raising our target ratio of electrified vehicle sales to 100% by FY2035. Meanwhile, in our mid-term business plan, "Challenge 2025" we set a target of introducing nine electrified vehicle models by FY2028.
Supply chain, value chain	In the automobile manufacturing and sales business, greenhouse gases such as CO_2 are emitted not only during the manufacture of products, but throughout the entire value chain. As climate change advances, the worldwide risk of increasingly frequent and severe occurrences, such as typhoons and floods, is mounting. If our supply chain or value chain is affected by such events, our plants' operations and sales could be affected.	We revised our Environmental Targets 2030 in February 2023, adding the procurement target of "promoting CO_2 reduction activities with major business partners," and the logistics target of "promoting CO_2 reduction activities in cooperation with transportation companies."
Investment in R&D	We are promoting investment in R&D to address increasingly stringent and new regulations for fuel economy/CO_2 and zero-emission vehicles in the countries and regions where we operate. These moves will affect our R&D costs for electrified vehicles and other products.	In our mid-term business plan, "Challenge 2025," we are budgeting ¥70.0 billion in R&D expenses related to electrification in FY2025. We have also earmarked ¥55.0 billion in capital expenditures related to electrification.
Adaptation and mitigation measures	Our business could be affected by countries and regions introducing or expanding carbon taxes and emissions trading systems, as well as by rising energy costs.	In 2020, we formulated the Environmental Targets 2030 and set the goal of reducing CO_2 emissions from our business activities "by 40% compared to FY2014." In February 2023, we raised this figure to "a reduction of 50% compared to FY2018," the SBT* target equivalent to a 1.5°C level.

*3 SBT: Short for Science Based Targets, which are greenhouse gas emission reduction targets set by companies consistent with the Paris Agreement levels

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c. Resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Based on climate scenarios and future information from organizations such as the International Energy Agency (IEA), the Intergovernmental Panel on Climate Change (IPCC), and the Network for Greening the Financial System (NGFS), MITSUBISHI MOTORS considered the "less than 2°C scenario*1," which assumes actions by society to avoid climate change as of 2030 and 2050. We also looked at a "growth scenario*2," which assumes national policies continue to grow more stringent. Under these scenarios, we examined the risks and opportunities, focusing on areas with significant impact on our business activities.

In FY2023, we conducted an analysis of not only the risks, but also the impact on our opportunities to expand our sales as a result of increased demand for electrified vehicles. We have expanded the scope of analysis to include overseas suppliers, and country- and region-specific scenario analysis is underway. The results of analysis related to the impact on our business of the associated risks and opportunities are as described below.

*1 Referenced the IEA's Announced Pledges Scenario (APS), the IPCC's "RCP4.5," the NGFS' "Net Zero 2050," etc.
*2 Referenced the IEA's Stated Policies Scenario (STEPS), the IPCC's "RCP8.5," the NGFS' "Current Policies," etc.

Impact of Risks and Opportunities on MITSUBISHI MOTORS' Business Activities

Scenario / Item		Risks/Opportunities		Impact on MITSUBISHI MOTORS' business	Key countermeasures
Less than 2°C	Strengthening of regulations for fuel economy/CO_2 and zero-emission vehicles	Risks	• Need for both developed countries and emerging markets to comply with stricter regulations • Increasing likelihood of noncompliance	• Higher development/procurement/production costs • Fines and credit purchase costs increase if regulations are not met	• Reduce costs by taking advantage of the alliance, such as by standardizing components • Promote electrification, including PHEV and EV • Promote new mobility businesses such as energy management using electrified vehicles and used batteries
		Opportunities	• Growing demand for electrified vehicles	• Increased sales of electrified vehicles and expansion of the value chain related to electrified vehicles	
	Introduction and expansion of carbon pricing	Risks	• Introduction and expansion of carbon taxes, causing carbon prices to rise	• Increased direct and indirect tax burdens and higher costs at the procurement, production and logistics stages	• Promote energy conservation activities and introduce renewable energy • Promote CO_2 reduction efforts in cooperation with suppliers
		Opportunities	• Promotion of energy-saving technologies • Increasing use of renewable energy	• Lower energy costs	
Growth	Increasing frequency and intensity of meteorological disasters (flooding, inundation)	Risks	• Increased possibility of factory damage and supply chain disruptions due to frequent and severe heavy rain and flooding	• Damage to production and development facilities • Lower earnings due to operational shutdowns due to damage to our own factories and suppliers	• Review BCP, assuming such factors as heavy rain and flooding • Promote risk mitigation initiatives in collaboration with suppliers
		Opportunities	• Greater demand for electrified vehicles, owing to growing need to secure emergency power sources	• Increased use of electrified vehicles that can help supply emergency power	• Reduce costs by taking advantage of the alliance, such as by standardizing components • Promote electrification of PHEV/EV • Promote new mobility businesses such as energy management using electrified vehicles and used batteries

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MITSUBISHI MOTORS' Response Measures Based on Risks and Opportunities

MITSUBISHI MOTORS will incorporate measures to address climate-related risks and opportunities into our Environmental Plan Package*1 and business strategies, which set forth the direction and goals of our environmental initiatives. In this way, we are promoting initiatives to reduce future risks, ensure sustainable business growth and enhance our resilience as a company.

On the product front, we will take our own plug-in hybrid electric vehicles (PHEV) and commercial electric vehicles in the Kei-car segment as a starting point, and leveraging the Allian's technologies. We will develop electrified vehicles*2 and promote fuel-efficient internal combustion vehicles, proactively introducing electrified vehicles that optimally meet customers' needs, taking into consideration the energy situation and infrastructure development status in each country and region. Working toward carbon neutrality is one of the key challenges stated in "Challenge 2025," our mid-term business plan. We will develop electrified vehicles and step up our efforts in the Alliance as we work toward the second phase of our plan to reinforce electrified vehicles (FY2026–2028). By FY2028, we plan to introduce nine electrified vehicle models. To date, we have introduced three: the "ASX PHEV/HEV models," the "COLT HEV model," and the "XPANDER/XPANDER CROSS HEV model."

In our business activities, we will seek to minimize energy use and transition to renewable sources of energy to reduce CO_2 emissions.

Across the supply chain, we will collaborate with business partners, related companies and organizations, and governments and municipalities to reduce CO_2 emissions at the production stage (through raw materials and parts) and in logistics (including products). We will also promote renewable energy and charging infrastructure, utilize carbon-neutral fuel and promote V2X*3.

We believe the spread of electrified vehicles represents a chance to do new business in the form of reuse of used batteries, energy management, and data business using vehicle driving and battery data, and in collaboration with our partners and municipalities we will grow a mobility business that contributes toward the realization of a carbon-neutral society, which represents a unique opportunity for us as an automotive maker, into a fourth pillar of revenue after vehicle sales, financing (leasing), and after sales*4.

*1 Please see page 23 for details on the Environmental Plan Package.
*2 Electrified vehicles: Battery-powered electric vehicles, plug-in hybrid electric vehicles (PHEV), and hybrid electric vehicles (HEV)
*3 V2X: A general term encompassing vehicle to home (V2H) and vehicle to grid (V2G), among others
*4 Please see page 34 for details on the mobility business.

Risk Management

a. Organization's processes for identifying and assessing climate-related risks

We have established a cross-functional team under the Sustainability Committee to conduct scenario analysis based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We have identified and assessed climate-related risks and opportunities that could affect our business, considering their potential occurrence and impact levels. We have incorporated goals and action plans for addressing climate-related risks and opportunities that have a particularly significant impact, and are monitoring progress through the Sustainability Committee.

b. Organization's processes for managing climate-related risks

The climate-related risks, opportunities, and corresponding measures identified by the Sustainability Committee have been assigned to responsible executives at the executive officer level. We have set KPI and are implementing a PDCA cycle. Additionally, reports on critical risks and opportunities requiring prompt action are provided to the Board of Directors, which decides on appropriate responses.

In FY2018, we identified material issues that we should address, involving various problems related to fields of the environment, society, and governance. We have positioned "responding to climate change and energy issues" as one of the most critical material issues, and we are stepping up our efforts in this regard across the Group.

c. How process of identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management

Risks affecting our business are managed throughout the Group and include risks related to the effects of climate change. In addition, the Internal Control Committee manages operational hazard risk, based on the annual "Companywide Risk Survey."

Please see P105 for our Group's risk management framework, including the Internal Control Committee.

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Metrics and Targets

a. Metrics used by the organization to assess climate- related risks and opportunities in line with its strategy and risk management process

MITSUBISHI MOTORS formulated the Environmental Plan Package in 2020. Through electrified vehicles and the increased use of renewable energy, we aim to become carbon neutral by 2050 and contribute to the realization of a society that is resilient to climate change. We also formulated the "Environmental Targets 2030," which clarifies specific initiatives to be achieved by 2030 in accordance with this vision. As major indices to be monitored and evaluated under "Action to Climate Change," we set a target for Scope 1 and 2*1 in the category of "CO_2 emissions from our business activities." We also set a target of reducing emissions under Scope 3*1, Category 11 (use of sold products), which accounts for around 70% of total emissions throughout our supply chain, as well as "reduction in CO_2 emissions from new vehicles" and "ratio of electrified vehicles sales."

In an effort to reinforce sustainable management, aimed at ensuring the Group's sustainable growth, in FY2022 we added ESG-related items to an index used to determine the medium- to long-term performance-linked compensation for executive officers. In relation to the environment, we introduced "CO_2 emissions from business activities" as an indicator to measure progress in addressing the escalating climate.

To move forward on efforts to reduce CO_2 emissions, we will introduce internal carbon pricing (¥18,000 per ton of CO_2) for domestic sites from FY2024, taking into account IEA and other international carbon prices. We will use this as one of the factors for consideration when making decisions on capital investment.

*1 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 (Such as emissions due to the use of sold products)

b. Scope 1, 2 and 3 GHG emissions and related risks

MITSUBISHI MOTORS calculates CO_2 emissions based on a GHG protocol. The table below shows actual CO_2 emissions in Scope 1, 2, and 3 for the period from FY2019 to FY2023.

To ensure our information is reliable and transparent, we have obtained independent third-party certification for our Scope 1 and 2 emissions. Please see P138 for details.

<Scope 1, 2 and 3 Emissions >

	Unit	FY2019	FY2020	FY2021	FY2022	FY2023
Scope1	x10^3 t-CO_2	110	80	92	95	96
Scope2	x10^3 t-CO_2	416	285	319	271	264
Scope3	x10^3 t-CO_2 eq	35,429	20,286	28,294	28,710	31,914
Total	x10^3 t-CO_2 eq	35,955	20,651	28,705	29,076	32,274

c. Targets used by the organization to manage climate-related risks and opportunities and performance against targets.

We are promoting a host of measures based on the Environmental Plan Package, which we formulated in 2020. We are developing electrified vehicles and technologies to improve fuel efficiency, introducing energy-saving equipment in production processes and using renewable energy in factories, offices and dealerships.

The Environmental Plan Package comprises the Environmental Policy, which incorporates our medium- to long-term perspective, 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 FY2030 in accordance with this vision. We have positioned the actions for climate change, resource circulation and pollution prevention as three environmental issues that we will directly address and have set specific targets for these themes.

As we position "action to climate change" as a topmost priority, in September 2022 we stated our aim of achieving carbon neutrality throughout the supply chain by 2050, and we revised the Environmental Vision 2050 accordingly. In March 2023, we announced revised Environmental Targets 2030 to serve as a milestone along the path to achieving carbon neutrality by 2050.

Major FY2030 Targets and Progress

Indicators	FY2030 Target	FY2035 Target	FY2023 Result
Average CO_2 emissions from new vehicles (Tank to Wheel, Compared to FY2010)	–40%		–17%
Ratio of electrified vehicles sales	50%	100%	15%
CO_2 emissions from business activities (Total Scope1 and 2, compared to FY2018)	–50%*2		–34%

*2 FY2018 emissions of 588 thousand t-CO_2 include emissions of 43 thousand t-CO_2 from certain equity-method associates.
In March 2023, we reviewed our targets in line with the latest perspectives on selecting companies subject to environmental management. After subtracting emissions from these equity-method associates, we revised our base figure to 545 thousand t-CO_2.