

MITSUBISHI MOTORS' Materiality

Identifying and Reviewing Materiality

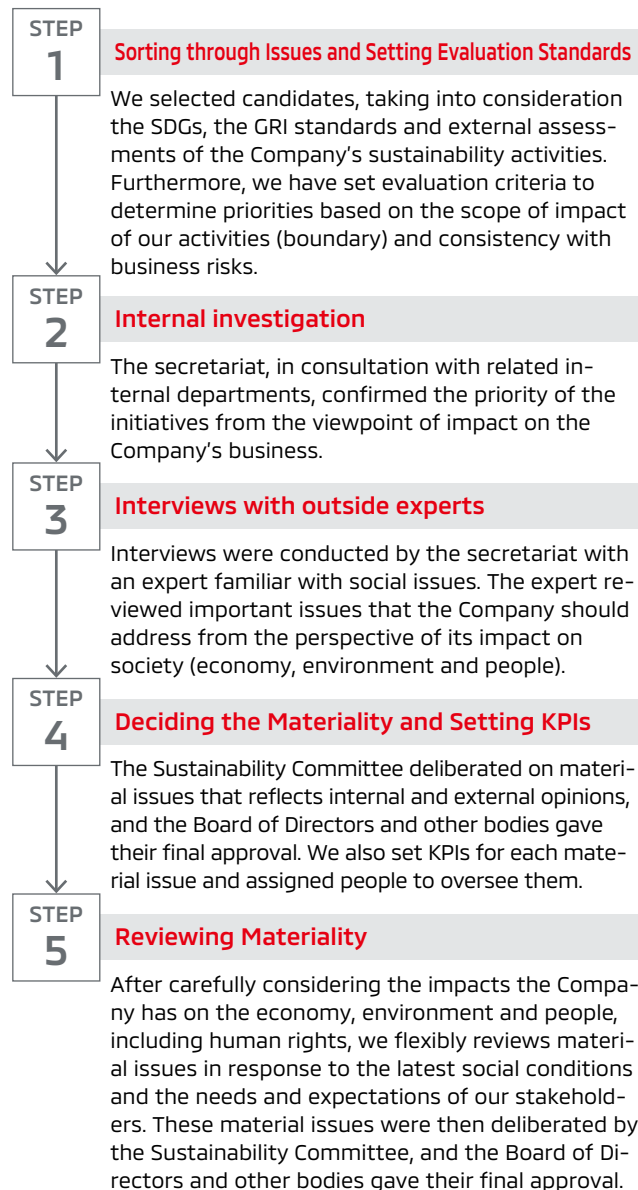
MITSUBISHI MOTORS, with recognition of importance of the United Nations Sustainable Development Goals (SDGs), identified material issues as the important issue that we should wrestle from various challenges in the fields of environment, social and governance in FY2018.

During the identification process, we conducted repeated examinations from the perspective of stakeholders' concern and impact on the Company, and held hearings with experts. After that, we repeated discussions about our material issues at the Sustainability Committee, and the decision was made at the Executive Committee.*

In recent years, social trends related to sustainability have changed substantially and rapidly. After carefully considering the impacts the Company has on the economy, environment and people, including human rights, we are flexibly reviewing and addressing material issues in response to the latest social conditions and the needs and expectations of our stakeholders.

* Determined by the Executive Committee in accordance with internal regulations as of 2018. From 2019 onwards, resolved by the Board of Directors and other bodies in accordance with changes in the internal regulations.

Process of Identification and Review



History of Materiality Identification and Review

FY2018	<ul style="list-style-type: none"> Identified materiality
FY2019	<ul style="list-style-type: none"> Formulated the Human Rights Policy
FY2020	<ul style="list-style-type: none"> Formulated the Environmental Plan Package Reviewed materiality (In light of the formulation and publication of the "Environmental Plan Package" and the new normal triggered by the spread of COVID-19, we have reviewed material issues relating to the "environment" and "people.")
FY2021	<ul style="list-style-type: none"> Expressed our support for the TCFD Recommendations
FY2022	<ul style="list-style-type: none"> Reviewed materiality (Recognizing that "employees are capital that support the Company's growth," we reviewed material issues related to people, given the need to enhance human capital investment.) Reviewed the Environmental Plan Package

The Materiality Identified



Reflecting Medium- to Long-term Perspectives when Setting Annual Targets Related to Materiality

MITSUBISHI MOTORS needs to reinforce its management base in order to respond to the various changes taking place in the automotive industry, look at the business environment from a long-term perspective, and respond to medium- to long-term risks and opportunities. To achieve these goals, we recognize the importance of setting annual targets on materiality initiatives from a medium- to long-term perspective.

Starting FY2021, we have been taking the following steps to set annual targets for individual materiality initiatives.

First, we took a long-term perspective, 2050 as our time horizon for responding to environmental issues we consider essential in order to conduct business activities. In the Environmental Policy, we particularly focused on climate change, resource circulation and pollution prevention. For other material issues, we looked ahead to 2030, which is the target year for the United Nations' Sustainable Development Goals (SDGs). We clarified the social issues (risks) the Company recognizes from a long-term perspective, as well as the effects (opportunities) that could be obtained by addressing these issues. After deliberating with the division general managers in charge of implementing the material issues, we clarified the direction of response.

Looking from the medium-term perspective, or three years into the future, we worked with the division general managers responsible for implementing the material issues to identify the external environment and stakeholders' needs and expectations. We then set medium-term action targets. The Sustainability Committee deliberated the medium- to long-term aspects of respective material issues, including risks and opportunities, as well as the appropriateness of the annual targets and indicators.

Starting FY2022, we have been reviewing the



medium to long-term aspects of each material issue and setting annual targets and indicators. We are progressing with our initiatives based on this review.

Through the process of formulating "Challenge 2025," the mid-term business plan we announced in March 2023, we reflected on the "15-Year Plan" we use for internal activities, looking ahead 15 years in the three areas of technology, regional communities, and the mobility business, and then created a long-term roadmap to get there. We believe the social issue of climate change will revolutionize the environment surrounding the automotive industry. To promote carbon neutrality as a means of addressing this global issue, in February 2023 we revised our Environmental Targets 2030. Specifically, we raised our FY2030 business activities CO₂ emissions reduction target by "- 50% compared with the FY2018 level," maintaining our current targets of "- 40% compared with the FY2010 level" for average CO₂ emissions from new vehicles and "50% by FY2030" for the electrified vehicles sales ratio. We also established the target of

"100% by FY2035" for the electrified vehicles sales ratio. To meet the revised Environmental Targets 2030 in FY2023, we have stepped up our measures that contribute to carbon neutrality and are considering the introduction of internal carbon pricing.

For details on the long-term roadmap, please refer to page 7 of this document on our website.

(WEB) https://www.mitsubishi-motors.com/content/dam/com/ir_en/pdf/financial/2023/230310-2.pdf?20230406

Environmental Targets 2030

Revised Targets

CO₂ emissions from business activities
(Total Emissions of Scope 1 and 2)
-40% → **-50%**
(Compared to FY2014) (compared to FY2018)

Added Targets

- Ratio of electrified vehicles sales 100% by FY2035
- Promoting CO₂ emission reduction activities through collaborations with suppliers/transporters in the fields of procurement and logistics
- Provision of energy management services utilizing electrified vehicles and used batteries

Materiality (Risks/Opportunities/Impacts)

	Materiality	Risks	Opportunities	Impacts
E	Responding to Climate Change and Energy Issues	<ul style="list-style-type: none"> Increasing fines and credit costs due to noncompliance with regulations, as well as technology development costs to comply with regulations due to stricter fuel efficiency, CO₂ emissions, and ZEV* regulations, etc. Increasing procurement costs for electricity and raw materials due to the introduction of carbon taxes and other carbon pricing measures. Damaging to plants due to more frequent and severe weather disasters and shutting down operations due to supply chain disruptions. 	<ul style="list-style-type: none"> Increasing sales by enhancing our lineup of electrified vehicles and other products that help reduce CO₂ emissions. Acquiring new demand for securing emergency power sources in the event of a weather-related disaster. 	<ul style="list-style-type: none"> Contribute to the realization of a society more resilient to climate change as we move toward net-zero CO₂ emissions through the growing proliferation of electrified vehicles and renewable energy.
	Resource Recycling Initiatives	<ul style="list-style-type: none"> Increasing raw material procurement costs due to resource constraints resulting from the depletion of natural resources such as rare metals. Increasing costs due to tighter regulations on the use of recycled materials, recycling, etc. and higher response costs. Declining in our social image due to delayed response to resource recycling. 	<ul style="list-style-type: none"> Stabilizing procurement costs by reducing our dependence on depleted resources. Reducing costs by using resources more efficiently and reusing waste. Improving competitiveness through 3R design and advanced recycling technologies. Increasing opportunities to utilize end-of-life batteries. Enhancing our image by appealing to our efforts to contribute toward a recycling-oriented society. 	<ul style="list-style-type: none"> Contribute to a resource-recycling-oriented society by minimizing input resources and maximizing resource efficiency.
	Prevention of Pollution	<ul style="list-style-type: none"> Increasing costs of managing environmentally hazardous substances due to stricter and expanded regulations resulting in increased damage to human health and loss of ecosystems. Paying lawsuits, fines or sanctions due to serious leaks involving air or water. Stopping parts procurement due to shutdown of operations in our suppliers due to environmental problems. Declining in our social image due to delays in complying with regulations. 	<ul style="list-style-type: none"> Reducing costs through more efficient management, including of the supply chain. Maintaining competitiveness by providing safe and secure products through enhanced management, including the supply chain. Improving our image through management based on voluntary standards that are stricter than regulations. 	<ul style="list-style-type: none"> Contribute toward a society free of environmental pollution by reducing the environmental impact of our products and the pollution resulting from our business activities.
	Conservation of Water Resources	<ul style="list-style-type: none"> Increasing instability in procurement and costs due to water shortages and water pollution. Shutting down operations and reducing revenues due to flooding and other damage caused by climate change. Increasing costs due to water withdrawal restrictions and stricter wastewater regulations. 	<ul style="list-style-type: none"> Reducing water stress impacts through reduced dependence on water resources. Reducing costs through reduced water consumption and increased reuse. 	<ul style="list-style-type: none"> Contribute to the reduction of water risks and conservation of water resources by addressing these issues in light of the impact of climate change, resource extraction, and environmental pollution on water resources (torrential rains, droughts, water pollution, water shortages, etc.)
	Preservation of Biodiversity	<ul style="list-style-type: none"> Increasing procurement costs and instability in procurement of resources due to environmental changes resulting from loss of ecosystems. Declining in our social image due to loss of ecosystems caused by land use in business operations. 	<ul style="list-style-type: none"> Avoiding the loss of ecosystems that could lead to environmental changes that raise the uncertainty and cost of procuring resources. Avoiding damage to our image by mitigating or restoring the impact on ecosystems caused by land use in the project. 	<ul style="list-style-type: none"> Contribute to the reduction of ecosystem loss by addressing these issues in light of the impact of climate change, resource extraction, and environmental pollution on ecosystems (e.g., species extinction and migration, reduction, and disappearance of habitats and habitat areas). Ensure implementation of conservation measures in harmony with regional biodiversity.

* Zero emission vehicles (ZEVs) are electric vehicles (EVs) and fuel cell vehicles that emit no exhaust gases. Automotive regulations in the US state of California state that for manufacturers that sell more than a certain number of units in the state, a certain percentage of those units must be ZEVs.

	Materiality	Risks	Opportunities	Impacts
S	Delivering Products which Help Prevent Traffic Accidents	<ul style="list-style-type: none"> Increasing in accidents due to aging drivers world-wide and rapid increase in car ownership in emerging markets. Frequent occurrence of fatal motorcycle accidents in ASEAN countries. 	<ul style="list-style-type: none"> Securing MITSUBISHI MOTORS' brand recognition and expand sales by introducing advanced technologies. Securing brand power and earnings through the development and introduction of anti-crash technologies for motorcycles for the ASEAN market. 	<ul style="list-style-type: none"> Contribute to the realization of a mobility society with zero traffic accidents through penetration and expansion of safety technologies.
	Improvement of Product, Sales and Service Quality	<ul style="list-style-type: none"> Causing quality problems due to product and sales/service quality. 	<ul style="list-style-type: none"> Enhancing loyalty and winning new customers by providing high-quality products, sales and services. 	<ul style="list-style-type: none"> Increase customer satisfaction by providing product quality and sales and service quality that exceeds customer expectations.
	Contribution to Local Economy through Business Activities	<ul style="list-style-type: none"> Increasing global investment in the ASEAN region, resulting in labor shortages and rising labor costs. Increasing intra-regional and income disparity due to economic development. 	<ul style="list-style-type: none"> Strengthening of the management base by developing human resources. Improving the work environment, productivity and efficiency through continuous capital investment. 	<ul style="list-style-type: none"> Develop and address issues in the regions where we do business and grow with them.
	Promoting diversity and inclusion, and enhancement of employee engagement	<ul style="list-style-type: none"> Concentrating human resources in companies with diversity and good working environments. Effecting poor communication on business. 	<ul style="list-style-type: none"> Securing talented human resources and creating value from diverse perspectives. Improving productivity by enhancing the quality of remote work. 	<ul style="list-style-type: none"> Enhance corporate value by building an organization in which diverse human resources can play an active role. Provide value by creating a comfortable work environment that further enhances productivity.
	Strengthening Human Resource Development	<ul style="list-style-type: none"> Decreasing productivity and weakening of the organization under working remotely. Decreasing competitiveness due to delayed adaptation to social and environmental changes. 	<ul style="list-style-type: none"> Improving productivity and organizational resilience. Enhancing competitiveness due to an increase in highly specialized personnel. 	<ul style="list-style-type: none"> Enhance corporate value by strengthening managers' management skills. Provide value by improving ability to respond flexibly to changes in the environment.
	Promoting Occupational Health and Safety	<ul style="list-style-type: none"> Decreasing our image and interruption of business continuity due to the occurrence of occupational accidents, increase in the number of patients with lifestyle-related diseases and mental illnesses, and other factors that impede the mental and physical health of employees. 	<ul style="list-style-type: none"> Ensuring of business stability by creating safe and secure workplaces and promoting physical and mental health. 	<ul style="list-style-type: none"> Increase engagement by providing an environment where each employee can work and play an active role in a rewarding, healthy and energetic manner, both physically and mentally.
	Achieving a Sustainable Supply Chain	<ul style="list-style-type: none"> Increasing production delays, stoppages, and costs due to supply chain disruptions caused by external factors. Reducing raw material procurement and decrease in corporate value due to delays in addressing social and environmental issues, including human rights violations in the supply chain. 	<ul style="list-style-type: none"> Securing an emergency procurement system by establishing a stable supply chain. Maintaining social credibility through responsible behavior throughout the supply chain, by respecting human rights and ensuring compliance. 	<ul style="list-style-type: none"> Enhance business continuity by strengthening the BCP* system in cooperation with industry associations and government. Reduce impact on human rights and the environment by promoting CSR throughout the supply chain through addressing conflict minerals and other issues related to human rights with suppliers.
G	Promoting Social Contribution Activities	<ul style="list-style-type: none"> Increasing number of large-scale disasters and environmental destruction due to extreme weather conditions, etc. Growing disparity and inequality due to economic development. Increasing traffic accidents. 	<ul style="list-style-type: none"> Supporting safe and secure lives by establishing a prompt support system in the event of a disaster. Contributing to communities' social development through ongoing activities that meet regional needs. Contributing to accident reduction by providing traffic safety awareness opportunities. 	<ul style="list-style-type: none"> Ensure the safety and security of community life. Develop local communities through the use of each employee's skills, know-how and products.
	Strengthening Governance and Ensuring Compliance	<ul style="list-style-type: none"> Increasing of social problems of corporate fraud. Increasing number of cyberattacks and other issues related to information leaks, as well as their increasing severity. Stopping business due to natural disasters or outbreaks of infectious diseases. 	<ul style="list-style-type: none"> Ensuring soundness and transparency by establishing a robust governance system, and earning society's trust. Ensuring safety and sustainability of corporate business through enhanced risk management. 	<ul style="list-style-type: none"> Ensure confidence in the Company by further strengthening governance, such as by ensuring compliance with laws and regulations, and the appropriateness and efficiency of business execution. Ensure confidence in the Company by properly identifying risks.

* BCP: Business continuity plan

Materiality (External Environment/Stakeholders' Needs and Expectations/Medium-Term Targets)

	Materiality	External Environment	Stakeholders' Needs and Expectations	Medium-Term Targets
E	Responding to Climate Change and Energy Issues	<ul style="list-style-type: none"> Declaration of carbon neutrality by more than 140 countries/regions by 2050. Increasing the 2030 target by major countries by triggering COP26 held in 2022 (United Kingdom). Various national governments considering or announcing lower CO₂ and higher fuel economy standards, making electrified vehicles mandatory, banning the sale of vehicles with internal combustion engines, strengthening regulations on life cycle assessments (LCA). Acceleration of global efforts to reduce CO₂ emissions with the release of the Sixth Assessment Report of the IPCC*¹ in March 2023. 	<ul style="list-style-type: none"> Increasing expectations for efforts to achieve carbon neutrality throughout the supply chain against a backdrop of growing demand for environmental considerations. Expanding ESG investment (promotion of transformation of corporate activities by investors.) 	<p>FY2030 targets:</p> <ul style="list-style-type: none"> Average CO₂ emissions from new vehicles: ~40% (Tank to Wheel, compared with FY2010) Electrified vehicles sales ratio: 50% (100% by FY2035) CO₂ emissions from business activities: ~50% (Scope 1 and 2 total emissions, compared with FY2018) Promoting CO₂ reduction activities with major suppliers. Promoting CO₂ reduction activities in cooperation with logistics companies. Providing energy management services utilizing electrified vehicles and used batteries. Implementing measures to adapt to climate change.
	Resource Recycling Initiatives	<ul style="list-style-type: none"> Expansion of the shift to a circular economy. Materialization of domestic and international waste problems (e.g., import restrictions in emerging countries). Strengthening of the EU Battery Directive (e.g., disclosure of the amount of recycled materials used). Expansion of marine pollution problems caused by plastics. 	<ul style="list-style-type: none"> Rising demand for environmental considerations. Expanding ESG investment (promotion of transformation of corporate activities by investors.) 	<ul style="list-style-type: none"> Promote the adoption of non-fossil based plastics. Achieving zero direct landfill waste (less than 0.5%). Reusing batteries used in electrified vehicles.
	Prevention of Pollution	<ul style="list-style-type: none"> Strengthening of Emission Regulations in Each Country and Region. Strengthening of regulations on chemical substances in each country and region. Strengthening of regulations on import/export of hazardous wastes (plastic wastes). 	<ul style="list-style-type: none"> Rising demand for environmental considerations. Expanding ESG investment (promotion of transformation of corporate activities by investors.) 	<ul style="list-style-type: none"> Complying with regulations on environmentally hazardous substances in products.
	Conservation of Water Resources	<ul style="list-style-type: none"> Worsening of global environmental changes and water shortages due to extreme phenomena associated with the progression of climate change. Worsening of water pollution due to population growth and urban development in emerging countries. Worsening of water pollution due to population growth and urban development in emerging countries. 	<ul style="list-style-type: none"> Rising demand for environmental considerations Expanding ESG investment (promotion of transformation of corporate activities by investors.) 	<ul style="list-style-type: none"> Promoting climate change countermeasures, resource recycling, and prevention of environmental pollution. Managing water consumption and monitoring of wastewater quality based on water risks at each production site.
	Preservation of Biodiversity	<ul style="list-style-type: none"> Enhancement of international conservation in accordance with an assessment report published in May 2019 by IPBES*². Adoption of the Kunming-Montreal Global Biodiversity Framework at the 15th Conference of the Parties to the Convention on Biological Diversity in December 2022. 	<ul style="list-style-type: none"> Rising demand for environmental considerations Expanding ESG investment (promotion of transformation of corporate activities by investors.) 	<ul style="list-style-type: none"> Promoting climate change countermeasures, resource recycling, and prevention of environmental pollution. Promoting community-based environmental initiatives.

*1 IPCC: Intergovernmental Panel on Climate Change

*2 IPBES: Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services

	Materiality	External Environment	Stakeholders' Needs and Expectations	Medium-Term Targets
S	Delivering Products which Help Prevent Traffic Accidents	<ul style="list-style-type: none"> Strengthening of traffic accident-related laws and regulations, government safety targets and safety performance evaluation standards. Introduction of safety standards and regulations for CASE and other advanced technologies. 	<ul style="list-style-type: none"> Customers: Increasing Expectations for Active Safety Technologies. Local communities: Providing a safe means of mobility for all people. 	<ul style="list-style-type: none"> Providing customers with safe, secure, and comfortable means of transportation by taking the lead in the environment. Developing accident reduction technologies suited to the ASEAN road traffic environment.
	Improvement of Product, Sales, and Service Quality	<ul style="list-style-type: none"> Diversification of customer needs in line with the increasing sophistication of vehicles (electrification/intelligence). Expansion of off-board functions of vehicles (connected/smart-phone linkage). 	<ul style="list-style-type: none"> Being satisfied with the quality of the product and all touch points with MITSUBISHI MOTORS. Business perspective: Maintaining and strengthening management to ensure compliance and to prevent loss of trust in terms of quality. 	<ul style="list-style-type: none"> Achieving top-level customer evaluations in our five ASEAN core markets (Thailand, Indonesia, the Philippines, Vietnam, and Malaysia), Australia, and the mother market of Japan.
	Contribution to Local Economy through Business Activities	<ul style="list-style-type: none"> In the ASEAN <ul style="list-style-type: none"> Promotion of initiatives toward a carbon-neutral society. Facilitation of imports and exports through expansion of the multi-FTA (Free Trade Agreement) network. Continued economic growth due to the demographic dividend. 	<ul style="list-style-type: none"> Developing the region by hiring, developing people, investing, transferring technology, exporting, protecting the environment and contributing to society. 	<ul style="list-style-type: none"> Developing our business with an emphasis on contribution to all stakeholders and society. Concentrating managing resources in the ASEAN region as a core business region.
	Promoting diversity and inclusion, and enhancement of employee engagement	<ul style="list-style-type: none"> Requirements for a comfortable work environment for a diverse workforce. 	<ul style="list-style-type: none"> Providing a fair working environment tailored to individual circumstances. Growing the business by securing excellent human resources. 	<ul style="list-style-type: none"> Developing a comfortable work environment in which diverse human resources can play an active role.
	Strengthening Human Resource Development	<ul style="list-style-type: none"> Lack of communication and isolation due to remote work. Rapid changes in the automotive industry (CASE, MaaS). 	<ul style="list-style-type: none"> Securing personnel who have strong management capabilities. Providing training that matches the environment and the times. 	<ul style="list-style-type: none"> Enhancing our information disclosure on human capital. Developing management and training capabilities. Establishing education policies tailored to the environment and generation.
	Promoting Occupational Health and Safety	<ul style="list-style-type: none"> Growth in the number of people suffering from mental illnesses and lifestyle-related diseases. 	<ul style="list-style-type: none"> Helping employees respond to environmental, age and lifestyle changes. Requiring business continuity. 	<ul style="list-style-type: none"> Preventing mental illnesses caused by environmental changes and maintaining employees' mental and physical health. Promoting company-wide health and safety management, supervision of health and safety related laws and regulations, and health management.
	Achieving a Sustainable Supply Chain	<ul style="list-style-type: none"> Rising awareness of human rights and environmental issues in the international community. Strong competition in EV battery and raw material procurement due to increasing electrification ratio. 	<ul style="list-style-type: none"> Expecting business continuity and enhanced trust. Achieving stable, ongoing procurement. 	<ul style="list-style-type: none"> Realizing stable and sustainable procurement through collaboration and coordination with suppliers. Realizing an increase in the value of mobility by strengthening the competitiveness of business partners' QCDD*.
G	Promoting Social Contribution Activities	<ul style="list-style-type: none"> Various global disasters such as heat waves, droughts, and floods caused by heavy rainfall due to extreme weather worldwide. 	<ul style="list-style-type: none"> Promoting initiatives to realize a carbon-neutral society in cooperation with local communities. Expecting emergency support in disaster and reconstruction support. 	<ul style="list-style-type: none"> Contributing to a sustainable society by each employee utilizing technologies, expertise, and products to meet the challenges of an increasingly diverse society. Providing support based on cooperation agreements in times of disaster and resolving social issues.
	Strengthening Governance and Ensuring Compliance	<ul style="list-style-type: none"> Revision of business-related laws and regulations. Business interruptions due to natural disasters or outbreaks of infectious diseases. Frequent information leaks and business interruptions due to cyberattacks and other issues. Occurrence of wars, terrorism, political unrest, or deterioration of public safety in our key markets. 	<ul style="list-style-type: none"> Expecting business continuity and enhanced trust. 	<ul style="list-style-type: none"> Maintaining a strong governance structure through effective and efficient operation of the internal control system. Preventing major incidents through strict compliance. Strengthening emergency response and internal information sharing when risks become apparent. Enhancing information collection and analysis, technical measures, and employee training related to cyber-attacks.

*QCDD: Quality, cost, delivery, and development