Achieving a Sustainable Supply Chain

Medium- to Long-Term Vision for Material Issues

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<th>Long Term</th>
<th>Risks</th>
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<th>Direction of Responses</th>
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|           | ● We could lose social credibility if we were to infringe on human rights in our procurement of raw materials and parts.  
           |       | ● Maintain social credibility through responsible behavior in the supply chain | ● CSR procurement (consideration on the ethics front) |

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<th>Medium Term</th>
<th>External Environment</th>
<th>Stakeholders’ Needs and Expectations</th>
<th>Medium-Term Targets</th>
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<td>● Growing awareness of human rights in international society</td>
<td>● Expectations of business continuity and enhanced trust</td>
<td>● Collaboration and communication with business partners</td>
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FY2020 Materiality Targets and Results

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<th>Details of Main Initiatives</th>
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| Reinforcement of CSR in the supply chain | ● Expansion of Supplier CSR Guidelines to MITSUBISHI MOTORS overseas production bases  
                                         | ● Support for supplier CSR evaluations by third-party organization | ● Promoting the purpose of Supplier CSR Guidelines  
                                         | ● Recommendation of supplier on CSR evaluations by third party organization | ● Rolled out Supplier CSR Guidelines via production bases in Thailand, Indonesia and the Philippines to their business partners  
                                         | ● Explained the purpose of third-party evaluations to business partners and commenced evaluations | ○ |

Basic Approach

In April 2018, MITSUBISHI MOTORS, Renault and Nissan established the APO (Alliance Purchasing Organization), a joint purchasing organization that integrates the three companies’ purchasing functions. This organization carries out its activities with the three shared pillars of trust, respect, and transparency as its basic principles. The alliance members are exchanging information on CSR activities in the supply chain, as well, and moving forward with these activities.

The Company and its overseas production bases conduct business directly with around 800 companies, including suppliers of raw materials and parts and business partners providing services, advertising and logistics. We recognize that the Company’s business activities have a significant impact on these companies, as well as on Tier 2 and other suppliers. All processes, from the procurement of raw materials to the manufacture of parts and products to the end delivery require responsible behavior that takes such factors as the environment and human rights into account.

To achieve sustainable growth throughout the supply chain, we work to remain at the industry lead in terms of quality, reinforce our cost competitiveness and promote local procurement. We also issue Supplier CSR Guidelines and work together with all our business partners on CSR initiatives.

To address one aspect of our CSR activities, the environment, we issue Green Procurement Guidelines and request that business partners comply with them. These two sets of guidelines are posted on Supplier Portal, which they can readily access. Company executives also address suppliers at Supplier Meeting and other times.
Aiming for collaborative initiatives with suppliers, we formulated its Supplier CSR Guidelines in 2010. Through these guidelines, we promote collaborative activities with our suppliers from the same point of view. The scope of these activities covers all domestic suppliers and their quality, while also including labor practices, environment management, and compliance. Also, having reestablished these guidelines in February 2019, we have specified the implementation of supplier CSR initiative evaluations by third party agencies and measures to be taken when compliance violations are discovered. We have also received Supplier Commitment. In FY2020, our overseas bases—Mitsubishi Motors Thailand (MMTh), Mitsubishi Motors Krama Yudha Indonesia (MMKI) and Mitsubishi Motors Philippines Corporation (MMPC) also conducted these activities, ensuring that suppliers of overseas production bases are also submitting Supplier Commitment.

PDF Supplier CSR Guidelines

Rollout of Green Procurement Guidelines

In its Green Procurement Guidelines, we ask business partners to acquire and renew external certifications of environment management systems, as well as to manage hazardous substances, promote the 3Rs (reduce, reuse and recycle), submit LCA data to allow us to understand the lifecycle environmental impact, reduce environmental impact in business activities, and reduce their environmental impact related to logistics.

In addition to Japan, we have introduced the Green Procurement Guidelines at overseas production bases, adjusting the guidelines to account for actual conditions in each country and operational details at each location. These companies are also applying the guidelines to their business partners.

We are considering revisions to the Green Procurement Guidelines in keeping with the Environmental Plan Package we formulated in October 2020.

PDF Green Procurement Guidelines

Collection of Materials and Hazardous Substance Data through IMDS

Applying the International Material Data System (IMDS), we ask business partners to disclose hazardous substance data, etc. regarding materials and parts based on the Green Procurement Guidelines. We also have our business partners construct their own internal management systems for hazardous substances.

Through these processes, we confirm compliance with use regulations regarding hazardous substances used in new vehicles and vehicles in ongoing production, and we confirm that their usage decreases.
Policies on Conflict Minerals

The "conflict minerals" (tin, tantalum, tungsten and gold) and cobalt produced in the Democratic Republic of the Congo and neighboring countries have become a source of funding for armed groups, resulting in serious violations of human rights.

In order to ensure that it is not complicit in human rights abuses through the procurement of these conflict minerals, our Supplier CSR Guidelines clearly state our policy of not using conflict minerals as raw materials, and we promote responsible procurement.

Establishing a Business Partner Helpline

As part of our efforts to adhere to the METI guidelines, we have established a Business Partner Helpline for the suppliers of our procurement division.

The helpline receives opinions and comments from business partners, quickly identifies compliance issues or concerns, such as legal or regulatory infractions or unfair practices in our procurement activities, and promptly rectifies them, striving to achieve even fairer business transactions.

Promoting Supply Chain Management

Enhancing CSR Activities in the Supply Chain through Third-Party Evaluations

In order to mutually confirm and promote CSR activities with suppliers, we will request statements of agreement for the Supplier CSR Guidelines, and, as an APO, regarding the evaluation of supplier CSR activities, we will start to use the same third-party evaluations as Renault-Nissan. In FY2020, we communicated with numerous business partners and had them undergo third-party evaluations. In fiscal 2019 and 2020, around 40% of business partners underwent third-party evaluations (on a purchase amount basis). We plan to increase this percentage in FY2021.

Based on the aforementioned evaluations, we promote improvements and ask business partners to undergo evaluations periodically. For business partners with low evaluation scores, we ask to formulate and implement improvement plans, and undergo periodic re-evaluation.

Working with Suppliers to Improve Quality

MITSUBISHI MOTORS regularly conducts quality audits and quality self-check guidance with its suppliers to improve quality along the entire supply chain.

In FY2020, we conducted process audits for 90 suppliers at 140 plants. Some of these audits were performed on a document-only basis, due to COVID-19. Improvements to issues pointed out during these audits were generally implemented by suppliers in three months or less. Quality self-checks were also conducted at 432 supplier plants. We will continue to improve communication and quality across the supply chain through these activities.

We periodically issue Supplier Score Card, which numerically represent suppliers’ quality results. We encourage suppliers to make improvements themselves and work with them on on-site improvements. Responsible procurement engineers conduct on-site visits of business partners with particularly low scores, jointly analyzing past defects, suggesting improvements and conducting activities in collaboration with suppliers. We cooperate on preventative activities to keep defective parts from being delivered and ensure we are able to provide new models with confidence.

Ensuring Knowledge of the Guidelines within the Company

As part of managing the Supplier CSR Guidelines, we take efforts to ensure that the guidelines are well-known within the company. As part of MITSUBISHI MOTORS procurement training, we conduct training for new employees (both entry-level employees and new midcareer employees), as well as training when employees are transferred.
Communicating with Suppliers
Providing suppliers with appropriate information and two-way communication is essential for proper supply chain management. At the end of every fiscal year, MITSUBISHI MOTORS holds Suppliers Meeting to make our policy for the next fiscal year well-known. In Japan, we help the MITSUBISHI MOTORS Cooperation Council, a voluntary organization of around 200 supplier companies, hold lectures and conduct research activities each year. Doing our best to maintain communications, in FY2020 these lectures were held online due to COVID-19.

Promotion of Localization
To optimize costs at overseas production bases, our basic policy is to source from local suppliers where possible, as long as such procurement is effective and the necessary technologies are in place.

For parts which are already locally procured, we also promote the local procurement of the components used within these parts, etc., to optimize costs.

We conduct advance audits of the systems and structures of new business partners, evaluating items such as their development capabilities, production capabilities, and quality management capabilities and issuing improvement instructions if necessary. We also provide support to local business partners by serving as a go-between with Japanese business partners, joint ventures with local business partners, technical partnerships, and the like. We work to contribute to local regions by creating local jobs and improving local technical capabilities.

Parts Procurement Ratios by Production Base (FY2020)

Initiatives for Business Continuity Plans in the Supply Chain
To reduce the risk of suspended manufacturing operations due to a shortage of parts during a large-scale natural disaster or a major outbreak of infectious disease, we formulate business continuity plans (BCPs) in the supply chain and takes measures that include finding alternative production for each supplier and part. In addition, we ask that our suppliers be registered in the damage status confirmation system, so that in the event of a natural disaster, the damage status of plants will be reported to us immediately.

We have created a special supplier map that enables us to better understand the status of damage and risk with regard to not only Tier 1 but also Tier 2 and other suppliers.