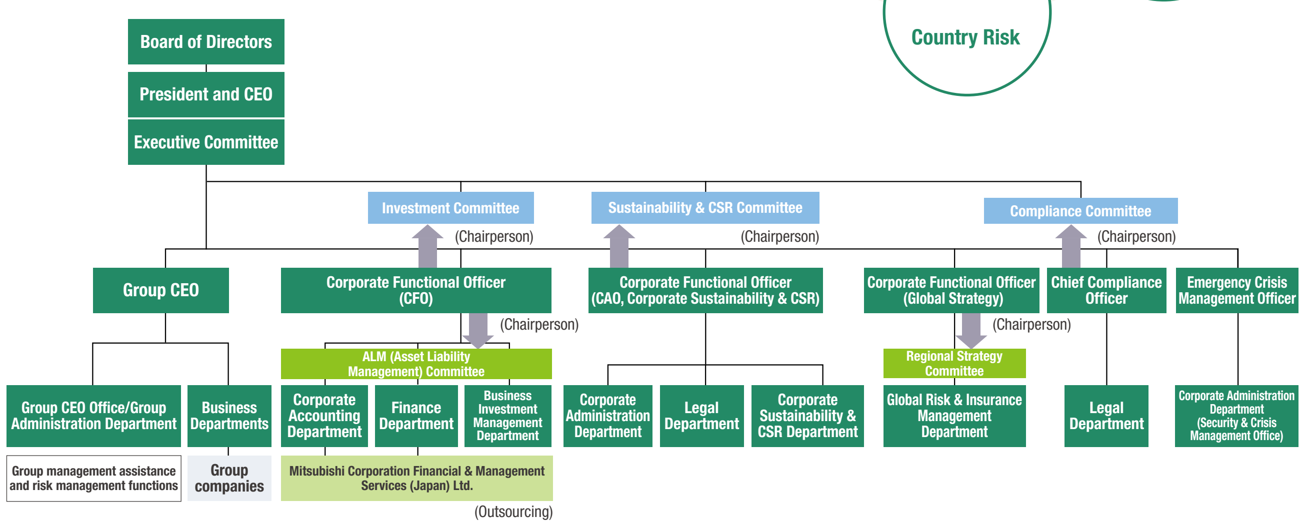
The MC Group's Risk Management Framework

As the MC Group expands its diverse range of businesses globally, it faces a variety of risks. To maintain our financial soundness and improve our sustainable corporate value, it is crucial that we appropriately manage and respond to various risks. This section explains the MC Group's Risk Management Framework and related response measures.

The Diverse Risks Surrounding the Company

Risk Management Framework and Organization Model

Business Groups and dedicated corporate departments that deal with specific risks collaborate on the development of operations and management frameworks that enable appropriate response to risk.



Supervising organization	Matters for supervision
Business Investment Management Department	Business investment risk (investment asset evaluation systems, new business investment, actions involving existing subsidiaries and affiliates, actions by subsidiaries and affiliates)
Global Risk & Insurance Management Department	Country risk
Corporate Accounting Department (Risk Management Team)	Credit risk and market risk (rating systems, accrual (other than foreign exchange accrual), granting loans/guaranty, acquisition/disposal of non-affiliated investments, acquisition/disposal of fixed assets)
Mitsubishi Corporation Financial & Management Services (Japan) Ltd.	Credit risk (contracts, transaction credits, deposition, payment extension)
Finance Department	Market risk (foreign exchange risk, interest rate risk, stock price risk, etc.)
Legal Department	Compliance risk (litigation/government investigations, laws and regulations, scandals/compliance issues)
Corporate Sustainability & CSR Department	Climate risk, etc.
Corporate Administration Department (Security & Crisis Management Office)	Risk of natural disasters, etc. (risks related to employee safety, including natural disasters, terrorism, new infectious diseases, and business continuity risks)

Note: The above list excludes those items that are related to major risks and those that are explained separately.

1 Responding to Market Risk

MC broadly divides market risk into four types: commodity market risk, foreign exchange risk, interest rate risk and stock price risk. This section explains the impact of these risks on our business as well as our status in managing these risks.

Financial Impacts of Commodity Market Conditions/Exchange Rates/Interest Rates/Stock Price Risks

- The impacts on MC from specific market fluctuations are shown in the table on the right. Commodity market risks are also reflected in metallurgical coal, affecting the profit and loss of Mitsubishi Development Pty Ltd (MDP), an MC subsidiary.
- With regard to stock price risk, MC holds marketable stocks with a market value of approximately 1.03 trillion yen, and bears stock price fluctuation risk accordingly. The above amount includes a valuation gain of approximately 270 billion yen, and there is a risk that this valuation gain could decrease depending on stock price movements.

	Fiscal year ending March 31, 2022 Assumptions behind results forecasts	Profit and loss impact on the fiscal year ending March 31, 2022 results forecast
Exchange rate (yen/US$)	108.00	±1.5 billion yen (±1 yen/US$) per year
Oil price (Dubai) (US$/BBL)	54 (April-September 2021: 57)	±2.5 billion yen (±1 US$/BBL) per year*1
Copper ore (US$/MT) (US¢/lb)	7,826 [355]	±1.3 billion yen (±100 US$/MT) per year*2 ±2.8 billion yen (±10 US¢/lb) per year
Yen interest rate (%) TIBOR 3M	0.10	The impact of rising interest rates is largely offset by profits on transactions and investments. If interest rates rise sharply, however, profit and loss will be temporarily affected.
US dollar interest rate (%) LIBOR 3M	0.30	

*1 Taking into account effects on MC's performance from factors including differences in accounting periods of consolidated companies and the time lag before oil prices are reflected in LNG selling prices, the oil price shown is from six months earlier (October–September average for the whole year). However, as there are impacts not only from oil price fluctuations, but also from factors such as dividend payout ratios, foreign exchange rates and production/sales volumes, the profit impact is not determined by oil prices alone.

*2 However, as there are impacts not only from copper price fluctuations but also from factors such as ore grade, production/operational status and reinvestment plans, the profit impact is not determined by copper prices alone.

Response to Foreign Exchange Risk

- MC conducts foreign currency-denominated settlements in import/export and trade transactions with foreign countries, resulting in exposure to the risk of exchange rate fluctuations. In response, we employ hedging measures such as forward exchange contracts. However, there is no guarantee that MC can fully avoid foreign exchange risk.
- In addition, hedging is used as required for some foreign currency-denominated investments to companies that are included in the consolidation. However, there is a risk that other investments will make reductions in equity capital due to exchange differences on translating foreign companies.

Response to Interest Rate Risk

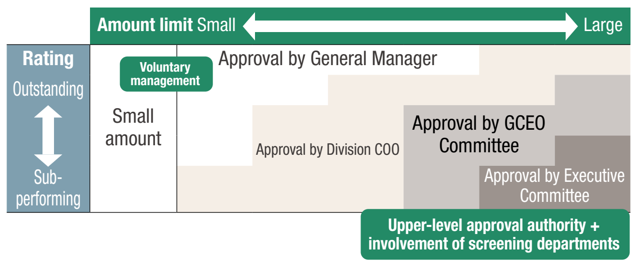
- A significant proportion of the interest-bearing liabilities held by MC corresponds to trade receivables and loans exposed to the effects of interest rate fluctuations. While the interest burden will increase if interest rates rise, income gained from these assets will also increase, offsetting the risk of interest rate fluctuations.
- However, if interest rates rise rapidly, the interest burden could increase beforehand, temporarily impairing MC's business performance.

2 Responding to Credit Risk

- MC sets upper limits on credit extended to third parties in order to manage the contract and credit risk involved in transaction credit, loans/guarantees and investments in unlisted companies. In addition, each business partner is assigned a business partner rating based on an in-house rating system.
- We designate business partners that have a significant impact on the Company as targets for priority management, and regularly monitor our guidelines on risk money (limit), returns, credit protection, etc.

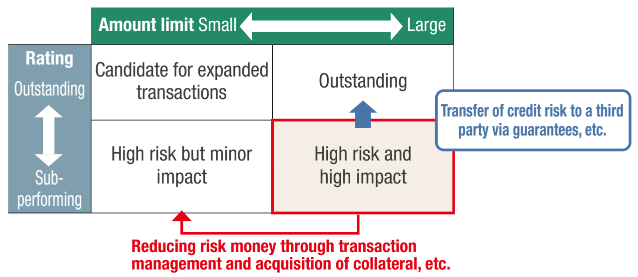
Individual Project Approval Authority

- Approval authority is categorized according to amount limits and ratings.



Approach to Credit Risk Management

- Estimating appropriate credit costs and promoting improvements in the quality of loans through a reserve system that uses ratings.

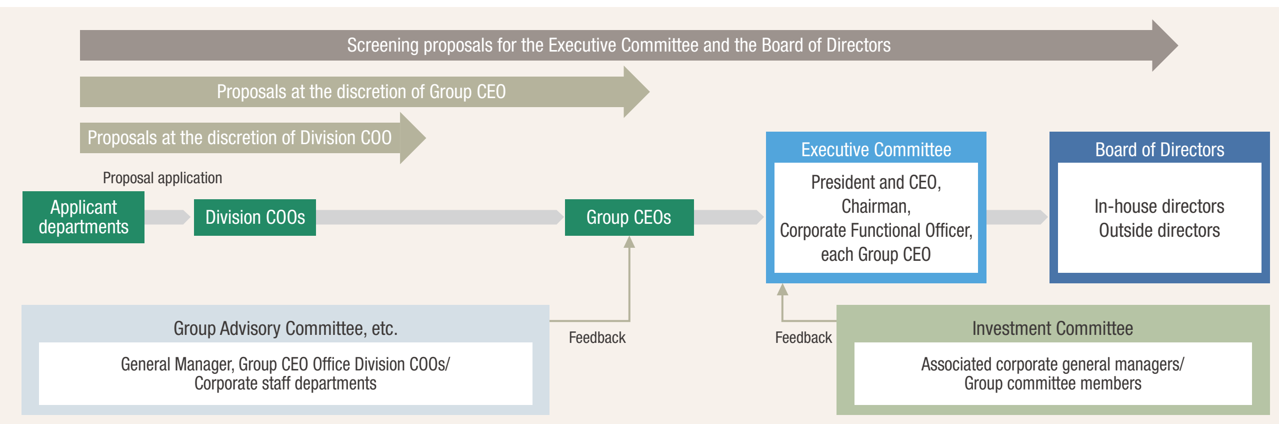


❸ Responding to Business Investment Risk

To manage business investment risk properly, MC has established a screening process to review and make decisions on new, existing, re-profiling and each other type of projects.

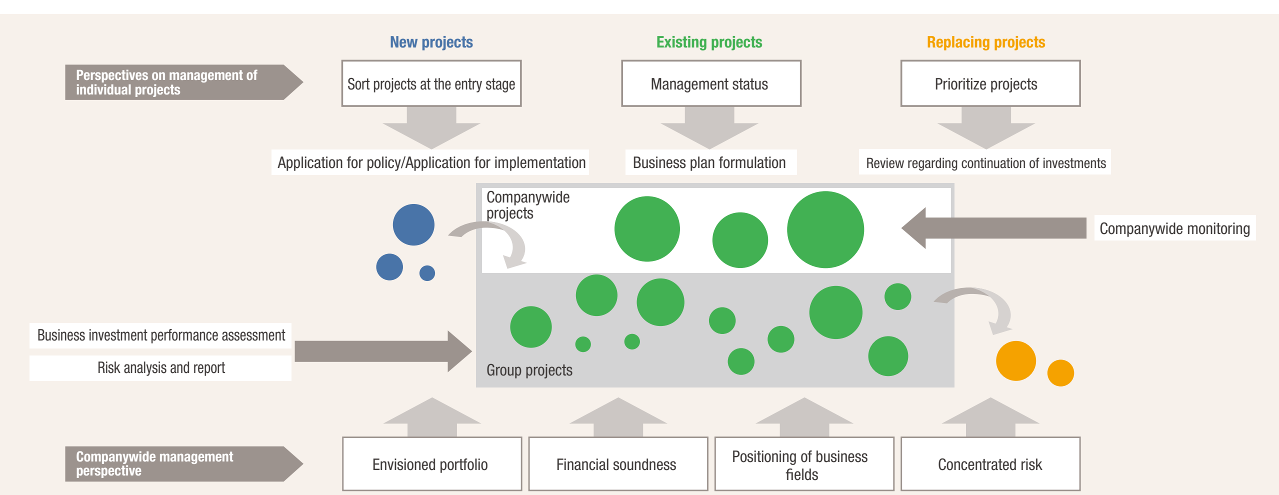
Management of individual projects	New projects	Application for policy/ Application for implementation	Narrow down new investment and finance proposals by comprehensively evaluating quantitative aspects in terms of the invested capital and its return determined on the basis of the characteristics of each business, in addition to evaluation of qualitative aspects, including consistency with the business strategy of each Business Group, as well as risk locations and countermeasures
	Existing projects	Business plan formulation	Once a year, review subsidiaries and affiliates' management issues and initiatives as well as MC's functions and business life cycle
	Replacement projects	Review regarding continuation of investments	Conduct qualitative and quantitative evaluations of new investment and finance proposals based on the priority order of Business Group strategies and promote a healthy business metabolism

Screening process for proposals



MC delegates authority according to the financial scale of each Business Group, while the Investment Committee discusses all new investment and finance proposals as well as sales and withdrawal proposals prior to deliberation by the Executive Committee and the Board of Directors. The Corporate Functional Officer (CFO) serves as the chairman of the Investment Committee. To make full use of the knowledge of each Business Group and the expert viewpoints of each corporate department, the Company selects representatives from among associated corporate general managers and within each Business Group to serve as committee members and comprehensively consider proposals, including non-financial aspects.

Companywide management	Overall portfolio	Business investment performance assessment/ Risk analysis and report	Analysis results on the risk/return of business investments, companywide risks and risk tolerance are reported to the managers, and the risk report is utilized to ascertain the overall status of the businesses and determine policies for capital allocation.
	Companywide monitoring	Business plan formulation	Business plans for select subsidiaries and affiliates are reported to the Executive Committee. This information is used in processes that promote business growth and value creation, including the monitoring of business management effectiveness, and the discussion of medium- to long-term growth strategies.



❹ Responding to Country Risk

MC has established a Regional Strategy Committee and a country risk countermeasure structure to properly assess and manage country risk. We also enact appropriate risk hedging measures, such as insuring projects.

Regional Strategy Committee

- The Regional Strategy Committee is chaired by the Corporate Functional Officer (Global Strategy). Its responsibilities include assessing the risk situation in various countries, establishing and managing the country risk countermeasure system, and evaluating individual projects.

Chairperson	Corporate Functional Officer (Global Strategy)
Members	General Manager, Audit & Supervisory Board Members Office; General Manager, Global Risk & Insurance Management Department; related corporate general managers; Business Group CEO Office general managers, etc.

Country Risk Countermeasure System

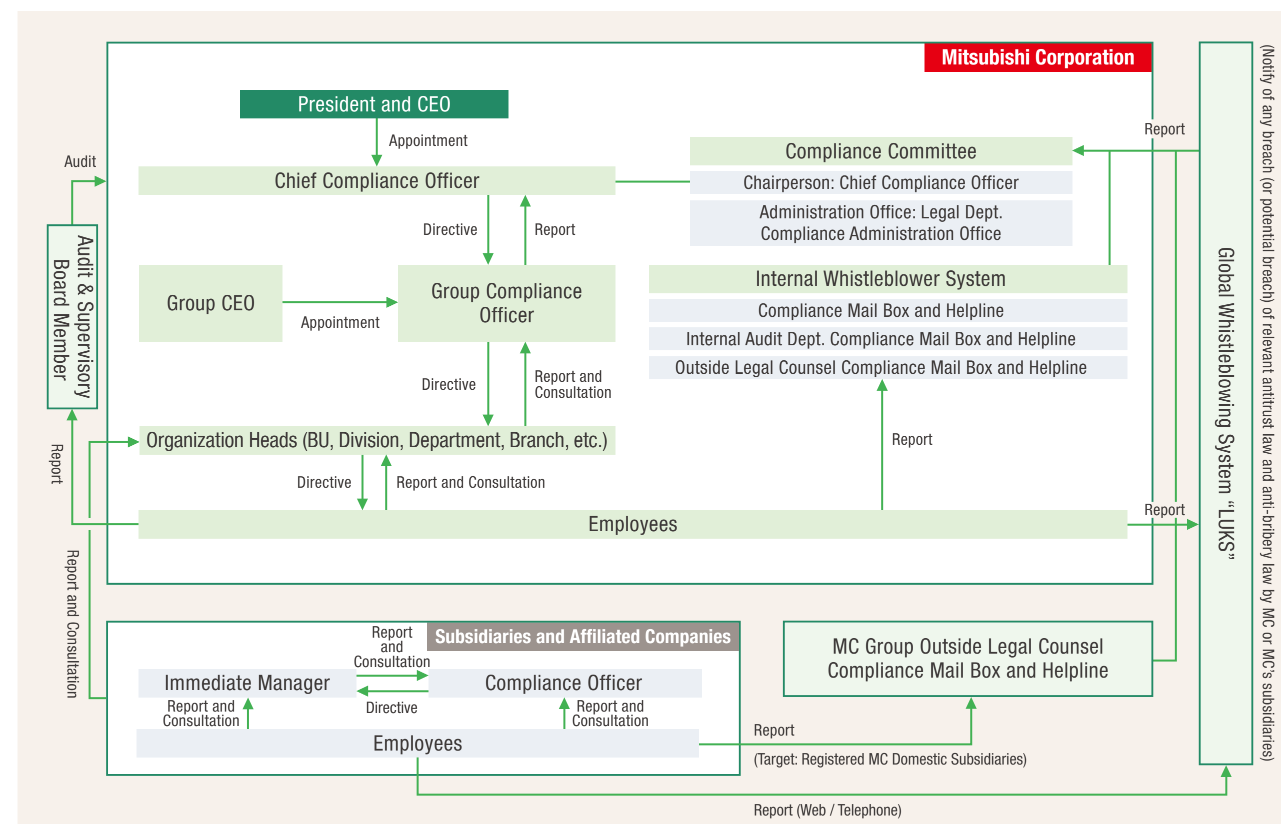
- Under the country risk countermeasure system, MC controls the accumulation of risk through methods such as setting categories and ceilings based on the credit ratings of each country.
- In addition to risk management through the country risk countermeasure system, MC closely monitors the impact of global economic trends and shifts in international affairs on the political and economic situation of each country in order to flexibly respond to risks based on the current international situation.

❺ Responding to Compliance Risks

Based on internal rules and regulations related to compliance, MC has established a Compliance Framework and provides support for a Compliance Risk Management Framework on a consolidated basis. Compliance-related measures are enacted through discussions by the Compliance Committee, and these measures are reported to the Board of Directors annually in June.

MC has also set up various whistleblowing helplines and is working to detect and prevent compliance issues at an early stage.

Compliance Framework



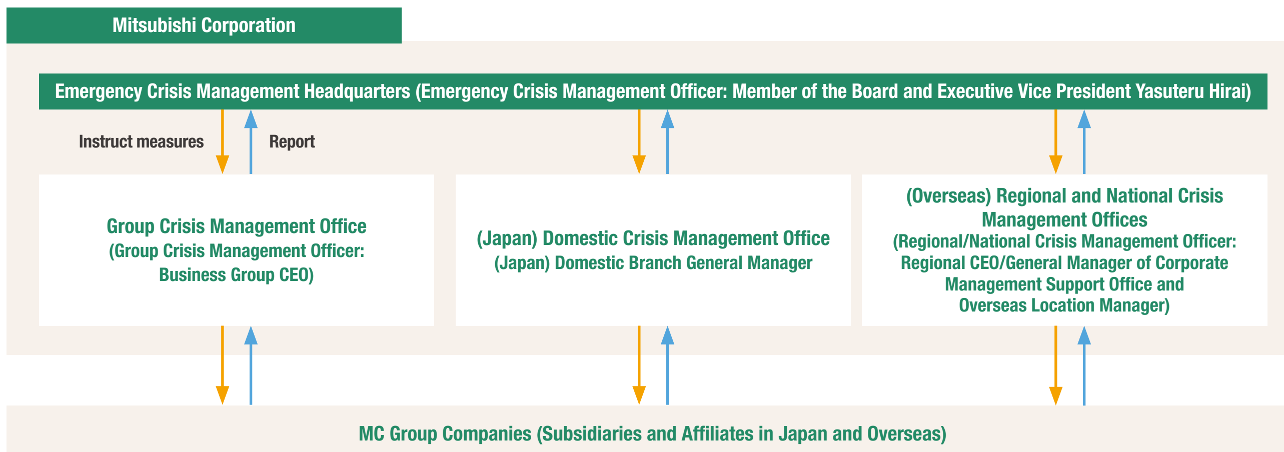
02 Management Platform Supporting Value Creation

6 Responding to Risks from Natural Disasters and Other Types of Disasters

Crisis management on a consolidated basis/business continuity management (BCM)

Crisis Management Structure on a Consolidated Basis

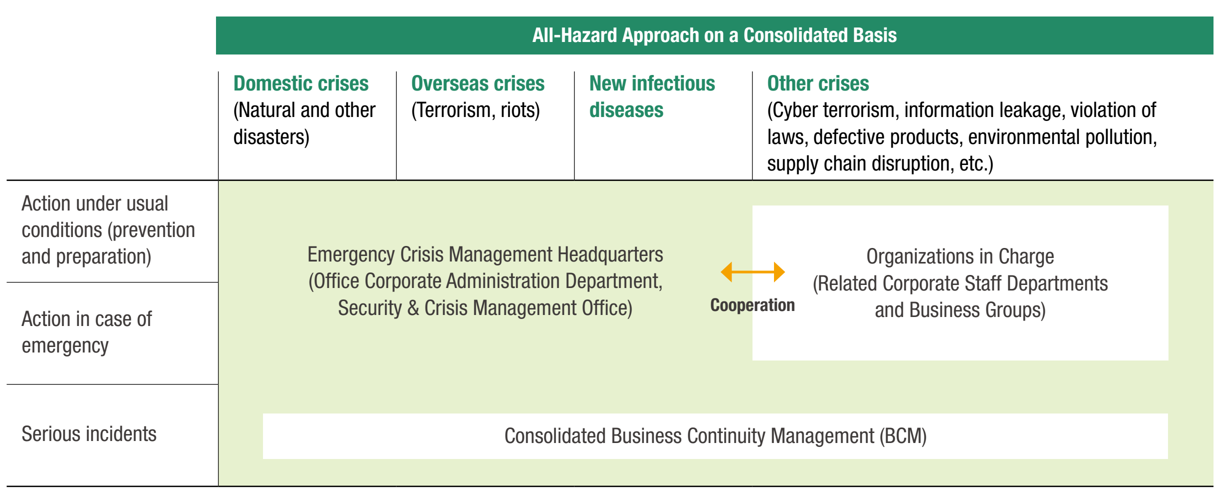
MC has built up a structure for securing the lives and safety of employees and their families as we respond on a consolidated basis to all crises that impact our profit and business continuity (all-hazard approach) by linking together each Business Group and Regional and National Crisis Management Offices under the management and supervision of the Emergency Crisis Management Officer.



All-Hazard Approach

Based on the all-hazard approach, MC has built up an internal structure that anticipates all kinds of risks, such as major natural disasters, acts of terrorism, riots, new infectious diseases, supply chain disruptions, legal transgressions, and cyber incidents, etc. Under usual conditions, we build up and establish various crisis management measures and structures needed in the event that a crisis does occur, so that we can ensure the safety and ascertain the status of all concerned as part of our initial response, and then act promptly to maintain and recover the infrastructure necessary for business continuity.

In particular, in the event of a serious incident impacting the lives and safety of our employees, as well as continuity of critical business operations, we will respond under the companywide direction of the Emergency Crisis Management Officer, while moving forward with our consolidated business continuity management (BCM) process established for major crises.

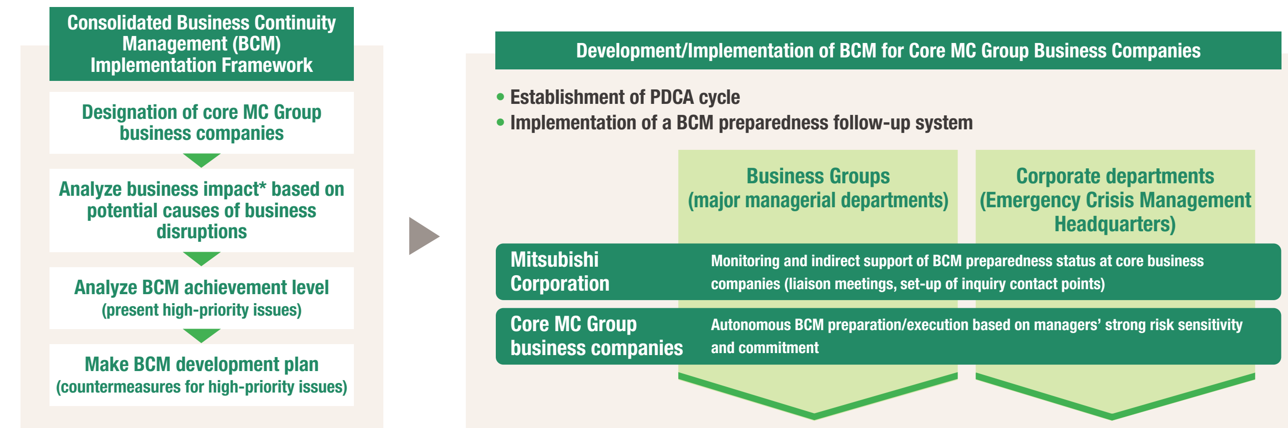


Note: While companywide action to deal with serious incidents shall be taken under the direction of the Emergency Crisis Management Officers, compliance-related incidents shall be dealt with under the direction of the Chief Compliance Officers.

Business Continuity Management (BCM) on a Consolidated Basis

In 2018, MC adopted "business continuity management (BCM)" for its core business companies (selected from among MC Group companies) to establish and strengthen our consolidated framework designed to equip us with the business continuity capabilities needed to respond appropriately to major crisis situations.

BCM refers to the comprehensive management and implementation of a continuous PDCA cycle, including the formulation of a first response and business continuity plan (BCP) based on risk/impact analysis of each crisis, the establishment of appropriate systems, and education/training. It takes into account the specific local conditions operational circumstances and business characteristics of operational companies.



*** Business impact analysis framework**

We conduct analyses of the "cause incidents" that disrupt core operations and trigger "result incidents," while taking into consideration the characteristics of operations at each company.

- Cause incidents: Natural disasters, infectious diseases, technology-related, external incidents, internal faults, legal issues, third-party related
- Result incidents: Human resources (death/unconfirmed safety, inability to report/commute to work), physical resources (damage of manufacturing/distribution or other facilities), supply chains (disruption of distribution channels, disruption of material/fuel supply), information (breakdown of IT systems or damage to electronic data, data manipulation/alteration, information leakage), reputation (product or service quality issues, environmental problems, administrative penalties), money (suspension of cash withdrawals, suspension of remittance or payments)

Specific Crisis Response Measures and Identifying Future Issues

Q What is the status of your COVID-19 response?

Governments around the world are implementing a variety of COVID-19 countermeasures, including vaccination programs. Despite these efforts, the disease remains a major threat to the lives and safety of our employees, as well as our business continuity, due to the emergence of new COVID-19 variants. From the early stages of the global COVID-19 pandemic, we have been promptly implementing necessary countermeasures with the aim of safeguarding employees from infection, preventing the spread of the virus and appropriately ensuring business continuity. The Emergency Crisis Management Headquarters, in which industrial physicians participate, is spearheading these endeavors. In Japan we have introduced teleworking, implemented thorough infection prevention measures at business sites, limited business travel and group dining and taken other actions in response to infection trends and requests from both national and local governments. At our overseas business sites, we have assessed the status of the pandemic and local medical services in each country and taken appropriate actions, including to promptly ensure the shift to teleworking, and the evacuation of employees and their families. We strive to appropriately secure business continuity by making decisions on when employees should return to each country based on careful assessments of the safety in each area.

Q How will MC respond to worsening security situations in overseas countries?

MC has built a global crisis management structure centered on the companywide Emergency Crisis Management Headquarters. In the event of an emergency, this structure will work with the relevant regional organizations and offices to monitor the situation and implement any measures necessary to verify and ensure the safety of all MC employees and their families as well as local staff, in cooperation with the Japanese government and its overseas diplomatic missions.

Under normal circumstances, we are constantly working with the relevant regional organizations and offices to prepare for emergencies on a consolidated basis by both monitoring the political and security situation and carrying out various actions, such as regular inspections of safety measures, BCP development and training exercises.

Yasuteru Hirai
Emergency Crisis Management Officer
Member of the Board,
Executive Vice President

Q What do you see as your future priorities in terms of risk management and BCM?

MC faces an increasingly diverse range of risks in its business environment, including COVID-19, worsening security situations in overseas countries and cyber incidents. We must continually strengthen our ability to respond to all types of risks. We will further strengthen and enhance our business continuity preparedness at the consolidated level based on an all-hazard approach to apply the lessons learned and experience gained from each crisis.

7 Responding to Climate Risk

Policy

Climate change is one of the key issues for management to address as MC strives to achieve sustainable growth. MC makes full use of its knowledge of the energy industry as well as its core strengths—collective capabilities, foresight and execution skills—to implement initiatives that transcend industries. MC will contribute toward the achievement of international goals such as those expressed through the SDGs and the Paris Agreement by working closely with each company in the MC Group and collaborating with a wide range of stakeholders, including governments, companies and industry associations.

Furthermore, as we recognize the importance of climate-related financial disclosures, we support the TCFD*, which has proposed disclosure guidelines, and we are working to enhance the disclosure of information in accordance with those guidelines.

*Task Force on Climate-related Financial Disclosures. This task force established by the Financial Stability Board (FSB) proposes items that companies should disclose to markets. The General Manager of MC's Corporate Sustainability & CSR Department is a member of this task force.

Governance

As an important management issue, the Executive Committee determines the basic policies and other important matters regarding climate change, and reports these to the Board of Directors. In addition to seeking advice and recommendations from the external experts of the Sustainability Advisory Committee, the Sustainability & CSR Committee discusses matters thoroughly before they are brought to the Executive Committee.

Discussions focus on policies regarding climate change, such as climate-related initiatives through business and policies for addressing the TCFD. Other important matters such as methods to evaluate climate risks and opportunities (including scenario analysis) and greenhouse gas reduction targets (including the status of reductions) are also discussed.

Initiatives to Date

- **2016** Start of discussions on the resilience of MC's business to climate change
- **2017** Formulation of policies to address climate change
- **2018** Creation of a road map to respond to the TCFD
- **2019** Start of detailed discussions on analyzing climate risks and opportunities
- **2020** Continued analysis of transition risks and opportunities; Begin comprehensive analysis of physical risks

Climate-Related Governance Framework

	Role	Frequency
Board of Directors	Supervises MC's climate-related actions and initiatives	Convenes approx. twice per year
Executive Committee	Makes decisions regarding MC's basic policy on climate change as well as important matters pertaining to climate change	Convenes approx. twice per year
Sustainability & CSR Committee (reports directly to the Executive Committee)	Deliberates on MC's basic policy on climate change and important matters therein, and reports findings to the Executive Committee	Convenes approx. twice per year
Sustainability Advisory Committee	Offers advice and recommendations regarding MC's basic policy on climate change and important matters therein	Convenes approx. twice per year
Officer in Charge	Corporate Functional Officer (Corporate Sustainability & CSR)	
Department in Charge	Corporate Sustainability & CSR Department	

Reference **Please refer to pages 46–51 for information on MC's Sustainability Promotion Framework.**

Risk Management

Key climate risks and opportunities are assessed through internal and external surveys which are then evaluated and identified by the Sustainability & CSR Committee in which all Business Group CEOs participate in discussions.

These risks and opportunities are managed under the above Governance Framework.

1. **Survey** — Sustainability survey (of subsidiaries and affiliates); Research on external trends
2. **Evaluation and Identification** — Evaluation and identification of key business risks and opportunities by the Sustainability & CSR Committee
3. **Management** — Manage individual projects through screening process for investment and loan proposals

Strategies

Transition Risks and Opportunities

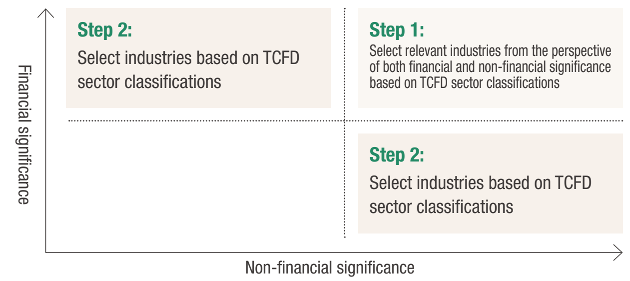
Process for Determining Projects to be Monitored

STEP 1 Selecting Climate Scenarios

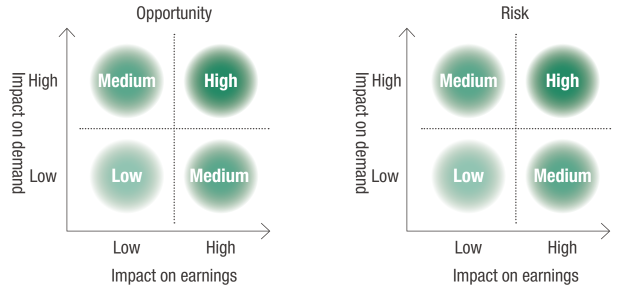
MC references 2°C climate scenarios set out by the International Energy Agency (IEA) and other organizations (World Energy Outlook Sustainable Development Scenario, Energy Technology Perspectives Sustainable Development Scenario, etc.).

MC is currently in consideration to conduct analysis using the 1.5°C scenario, based on the premise that decarbonization will proceed further than the 2°C scenario, and this will be considered going forward.

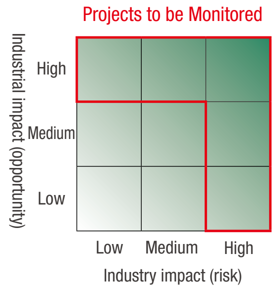
STEP 2 Identifying Businesses Most Affected by Climate Change



STEP 3 Identifying Risks and Opportunities



STEP 4 Determining Projects to be Monitored



Major Opportunities
- Power generation (renewable energy)
- Copper

Major Risks
- Power generation (fossil fuels)
- Metallurgical coal
- Natural gas
- Automobiles (passenger cars, pickup trucks)
- Ships

Reference **Please refer to the Sustainability Website for details:** https://mitsubishicorp.disclosure.site/en/themes/113#915

Policies and Initiatives Based on Scenario Analysis

The policies and initiatives based on the results of scenario analyses for the projects to be monitored (high risk) as determined by the above process are as follows.

*Scenarios are based on past data and are not forecasts. Instead, they are virtual models based on possible outcomes with high levels of uncertainty. The scenarios and business environment written here represent MC's understanding of the main scenarios disclosed by international organizations such as the International Energy Agency (IEA), and do not represent MC's medium- to long-term outlook.

Power Generation (Fossil Fuels)

As the global trend toward carbon reduction/decarbonization becomes more pronounced, MC recognizes that the resulting decline in cost competitiveness due to restrictions and tighter regulations on fossil fuel-based power generation businesses could make it difficult to withdraw from existing projects in the future.

Accordingly, MC has disclosed specific policies in relation to coal-fired power generation businesses. In the gas-fired power generation business as well, by conducting a risk analysis based on the impacts of climate change, MC aims to achieve a 100% non-fossil power generation portfolio by 2050.

***Policy on Coal-Fired Power Generation Businesses (IPP and EPC)**

Independent Power Producer (IPP) Business for Coal-Fired Power Generation

- As of April 2020, MC's coal-fired power generation capacity (for businesses in which MC serves the role of Independent Power Producer, or "IPP"), including projects under development and construction, is approximately 2.2 GW on an equity share basis (roughly 20% of MC's total capacity as of the same date).
- MC has adopted a policy to reduce its equity share to approximately one-third by 2030 (compared to 2020 levels) by not entering into any new coal-fired power generation businesses, with the Vung Ang II project in Vietnam being the last, and to exit all existing coal-fired power generation projects by 2050. Furthermore, we will work to reduce CO_2 emissions in our thermal power generation business by taking steps such as converting to alternative fuel sources. We will subsequently aim to achieve a 100% non-fossil power generation portfolio by 2050 by 1) decarbonizing our thermal power generation business by switching to zero-emission thermal power and 2) further expanding our renewable energy business.

Engineering, Procurement and Construction (EPC) Business for Coal-Fired Power Plants

- MC will not enter into any new EPC businesses for coal-fired power plants, with the Quang Trach 1 project in Vietnam being the last. However, MC will continue to provide after-sales services for installed plants in cases such as when MC has a contractual obligation with the relevant power generation company, or when it is requested to do so by the power generation company or equipment manufacturer.
- MC will continue additional construction work and equipment replacement to reduce the environmental impact of existing coal-fired power plants, while assessing the effectiveness of such measures, as an initiative linked to the transition to a low-carbon/decarbonized society.

Metallurgical Coal

MC recognizes its metallurgical coal business will be affected by a number of factors in the future, including the growing use of new steel production techniques with reduced greenhouse gas emissions, as well as the electric furnace method. Introduction of carbon pricing will also affect our metallurgical coal business. However, MC expects to maintain its advantage to a certain extent due to the increase in need for high-grade metallurgical coal against the backdrop of increased efficiency in steelmaking using the blast furnace method. MC will continuously monitor and analyze issues including the progress of new technologies (new steelmaking methods, CCUS), electric furnaces and national policies, which could have an impact on metallurgical coal demand, and work to strengthen the competitiveness of its metallurgical coal assets. At the same time, MC will work to reduce greenhouse gas emissions throughout the entire metallurgical coal value chain.

Natural Gas

While global demand for natural gas is expected to start declining after 2030, demand in the Asia-Pacific region is predicted to increase significantly through to 2040. By carefully selecting highly cost-competitive projects, MC expects to maintain a competitive advantage in its natural gas business. As the transition to a low-carbon/decarbonized society continues, MC has positioned natural gas as a vital energy source and intends to expand its revenue base in this area by reinforcing the foundations of its existing operations, while also developing demand in emerging markets, with a particular emphasis on Asia. At the same time, MC will continue to monitor international policy developments, such as the introduction of carbon taxes, which could be a factor that affects business profitability. MC will also continue to pay close attention to technological developments, such as CCUS, and work to implement and consider initiatives transitioning to carbon-neutral natural gas in various fields.

Automobiles (passenger cars, pickup trucks)

While MC anticipates modest growth in overall demand for automobiles, automobile ownership and running costs are also expected to rise as manufacturers come under increasing pressure from tax and regulation systems related to the environment. There is also likely to be an accelerating shift toward electric vehicles (EVs), however, the pace of that shift differs depending on the income level, infrastructure conditions and energy/industrial policies of each country. In the ASEAN region, which MC has positioned as a key market, the demand for automobile internal combustion engines is still high for the time being. MC will continue to be deeply involved in that region at each stage of the value chain, including production, distribution, financing, and after-sales services, as well as work to encourage the adoption of EVs, while also closely monitoring trends in tax systems and policies in each country in which it operates. MC will also maintain the sustainability of its businesses by helping to address societal issues through its mobility service business, as well as by further strengthening its functions and community-based networks built up over many years.

Ships

The transition to next-generation energy sources, such as biofuels, hydrogen and ammonia, is expected to accelerate in response to the tightening of existing regulations and the introduction of new rules. However, because the full-scale global switch to new fuels and development of the necessary supply infrastructure will likely only begin to accelerate after 2030, the cost borne by MC for the replacement of existing vessels is expected to be very limited. There is also limited risk to MC since the additional costs associated with the fuel required for operation is expected to remain incumbent on the shipper/operator. By developing and introducing advanced vessels, MC will make its business more sustainable and add value to the coastal shipping industry.

Reference **Please refer to our Sustainability Website for more information about the scenario analyses, including the results of the analyses for the other projects to be monitored:** https://mitsubishicorp.disclosure.site/en/themes/113#915

Incorporation into Business Strategy

The five businesses discussed above are seen as having high transition risks. MC takes these risks into consideration and reflects them in its business strategies.

Reference **Please refer to the Sustainability Website for information about our low-carbon/decarbonization business:** https://mitsubishicorp.disclosure.site/en/themes/113#919

Physical Risks

Physical climate risks (e.g., floods, droughts and water shortages, sea temperature and sea-level rises) could affect the operations of some of the MC Group's businesses. Countermeasures are being implemented at the business level, taking into account the characteristics of each business. Specifically, MC is taking the following actions for its metallurgical coal, copper and salmon farming businesses, which are considered to have particularly high exposure to physical climate risks among MC's businesses.

Selected businesses	Physical risks	Measures against physical risks
Metallurgical coal business	Storm surge and flooding	Factoring in sea-level rises due to climate change and cyclones, latest port infrastructure has been designed assuming a one in a thousand-year occurrence of high waves. For coal mines, water storage levels are monitored and balanced to meet water demand while having storage capacity to provide resistance to flooding. Further enhancement to provide resilience to flooding includes installation of flood levees and pipes between the mines, as well as additional excess water discharge infrastructure and installation of extensive dewatering pumps.
Copper business	Water shortages and droughts	MC is making efforts to reduce its dependency on freshwater intakes from rivers or groundwater supplies through measures such as investing in desalination plants and improving water reuse efficiency.
Salmon farming business	Rising sea temperatures	To manage the risk of rising sea temperatures, MC 1) monitors water temperature and quality data, 2) conducts operations in areas that are more resilient to rises in sea temperature, and 3) conducts research about measures to deal with problems associated with rising sea temperature, such as diseases.

In order to comprehensively understand the potential physical risks that climate change poses to the MC Group's business, MC has started an assessment based on the following process. MC will disclose the results of the assessment upon completion.

Process

MC has a large global portfolio of companies with diverse and widespread assets. To determine which of the MC Group's assets are potentially most exposed to the physical impacts of climate change, MC is undertaking the following systematic process:

Completed

Phase 0
Identification of material assets

Determination of MC Group assets that are material to the operational performance of MC by:
1. Identifying subsidiaries/affiliates that have the greatest potential to have a material financial impact on MC; and
2. Having each subsidiary/affiliate identified under 1 above nominate assets that are material to their business

Phase 1
Screening

Identifying high-risk assets that should be analyzed in Phase 2, and scoring each asset's potential exposure to climate hazards through 2030.

Assets: 74 assets across 38 MC subsidiaries/affiliates located in 13 countries, identified in Phase 0	**Climate hazards:** Coastal flooding, stormwater flooding, wildfires, extreme heat, tropical cyclones, water stress
Scenarios: RCP 8.5 scenario*1	**Time horizons:** 2030

*1 Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathway (RCP) 8.5 scenario.

Phase 2
Detailed Analysis

Detailed analysis of each asset's potential exposure to physical climate hazards with highest scores in Phase 1 (high-risk assets) through 2080, based on observational data, climate model projections and information such as previously experienced impacts due to physical climate hazards.

Assets: 18 assets located in 8 countries that were identified as having high exposure to climate hazards through screening process in Phase 1	**Climate hazards:** Coastal flooding, stormwater flooding, wildfires, extreme heat, tropical cyclones, water stress
Scenarios: RCP 8.5 scenario, RCP 4.5 scenario*2	**Time horizons:** 2030, 2050, 2080

For each asset, each climate hazard is rated by considering the probability that the climate hazard will occur, the magnitude of the hazard's impact on the asset and the likelihood of the impact occurring and are ranked on a 5-level color scale (red, orange, yellow, green and gray), which indicates the priority for action in developing adaptation strategies.

*2 IPCC's RCP 4.5 scenario

In progress

Phase 3
Consideration of Improvement Plans

Based on the results of this assessment, MC will evaluate existing adaptation/resilience measures already in place and consider improvement plans as necessary.

Incorporation into Business Strategy

The above assessment will allow MC to identify assets that are most exposed to climate hazards and will enable MC to prioritize adaptation measures and incorporate them into business strategy.

Reference **Please refer to the Sustainability Website for details on the assessment process:** https://mitsubishicorp.disclosure.site/en/themes/113#915

Metrics and Targets

MC has set the following climate-related targets to capitalize on opportunities and mitigate risks on a consolidated basis.

Aim to double renewable power generation capacity by the fiscal year ending March 2031 compared to the fiscal year ended March 2020.

Aim to reduce existing thermal power capacity and switch to zero-emission thermal power, targeting 100% non-fossil ratio in MC's power generation business by 2050

MC has set a target of reducing greenhouse gas emissions per unit of total assets*3 by 25% by 2030*4, however MC is currently considering a review of this goal in order to reinforce its low-carbon/decarbonization efforts.

*3 The total assets used for per unit calculations are different from the total assets reported in MC's financial reports.
*4 Compared with levels in the fiscal year ended March 31, 2017. Consolidated greenhouse gas emissions (parent company plus subsidiaries).

MC's response to CDP Climate Change can be viewed via this link https://mitsubishicorp.disclosure.site/en/themes/134