Climate Change

Materiality
Contributing to Decarbonized Societies

Our Approach

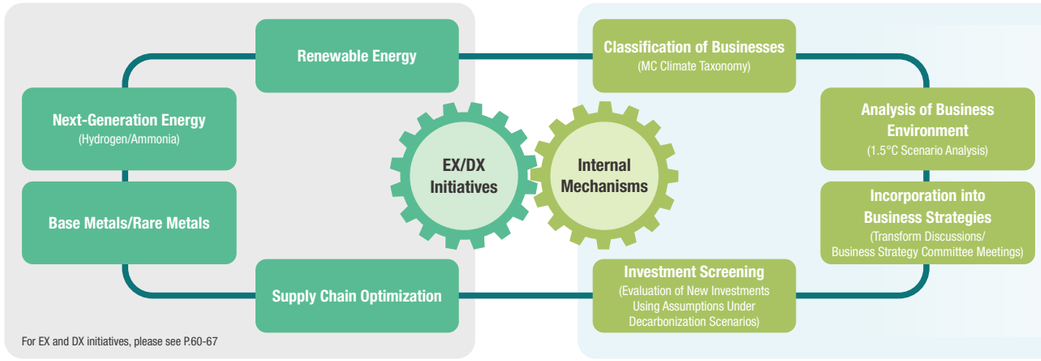
At MC, we believe that while climate change poses significant business risks, it also presents us with new business opportunities for innovation, disruption, and growth. Accordingly, MC has set “Contributing to Decarbonized Societies” as one of its material issues as we strive to achieve sustainable growth.

In shifting to a decarbonized society, it is necessary to formulate specific policies that take into account the actual conditions (energy and power mix, geographical conditions and constraints, stage of economic development, population, etc.) that differ from country to country and region to region, and to steadily implement them one by one. Through our global network of offices, subsidiaries and Group Companies, we work with a wide range of stakeholders around the world each day in developing our business.

MC will promote the decarbonization and reinforcement of its portfolio to create MC Shared Value (MCSV). We will achieve this through various EX- and DX-related initiatives, the growth strategy under Midterm Corporate Strategy 2024, and the internal mechanisms to realize a Carbon-Neutral Society, which were also announced in Midterm Corporate Strategy 2024.

Reference

MC expressed its support for TCFD recommendations in 2018 and is promoting disclosures in line with its guidelines. See below for an overview of our response to the TCFD recommendations.
https://mitsubishicorp.disclosure.site/pdf/themes_161/mc_tcfd_2023_en.pdf

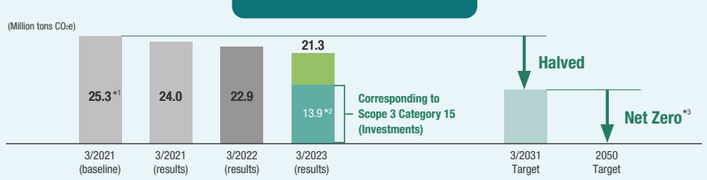


For EX and DX initiatives, please see P.60-67

Roadmap to a Carbon-Neutral Society

In October 2021, MC formulated its Roadmap to a Carbon-Neutral Society in which we declared our goal of halving GHG emissions by FY2030 from a FY2020 baseline and achieving net zero emissions by 2050. We are currently working toward achieving these goals. As an active player in a variety of industries including resources and energy, we have formulated a number of goals and action plans, including to invest 2 trillion yen in EX-related initiatives by FY2030, in order to fulfill our responsibility to provide a stable supply of energy while striving to achieve a carbon-neutral society.

GHG Emissions Reduction Targets



*1 The above figures represent the Scope 1 and Scope 2 emissions of MC and its consolidated companies, including affiliates, based on the GHG Protocol’s equity share approach. Furthermore, base year figures include emissions from thermal power generation and natural gas projects, which comprises (i) assumed peak emissions from pre-operational committed projects and (ii) projected full-capacity emissions for partially operational projects.
*2 13.9 million tons would be equivalent to Scope 3 Category 15 (Investments) under the GHG Protocol’s financial control approach.
*3 Any residual emissions, after reduction efforts have been made, will be neutralized using internationally-accepted offsetting methods including carbon removal. The specific reduction plan and measures for the GHG emissions reduction targets will be adjusted as required in line with progress of technological developments, economic viability, and policy/institutional support.

Other Targets to Achieve a Carbon-Neutral Society

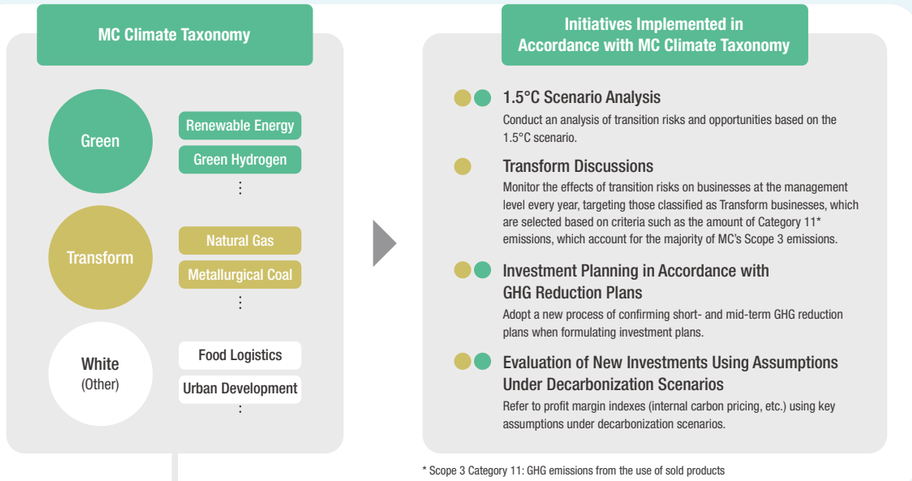
- **Non-Fossil % in Power Generation Business:**
  Aim to reduce existing thermal power capacity and switch to zero-emission thermal power, targeting 100% non-fossil by 2050.
- **Renewable Energy Power Generation Capacity:**
  Doubling MC’s renewable energy power generation capacity compared to FY2019 levels by FY2030.

Introducing Mechanisms for Simultaneously Decarbonizing and Reinforcing Our Portfolio

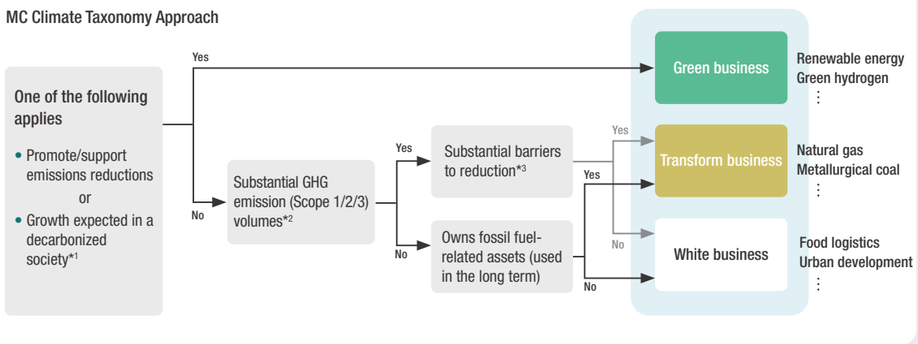
In order to achieve the GHG reduction targets, outlined in “The Roadmap to a Carbon-Neutral Society,” we have introduced mechanisms for simultaneously decarbonizing and reinforcing our portfolio in Midterm Corporate Strategy 2024.

The basis for this mechanism is our “MC Climate Taxonomy,” a new business classification system implemented in FY2022. MC Climate Taxonomy, which covers all of our approximately 130 business units, classifies each into 3 categories: Green (businesses with significant climate-related transition opportunities), Transform (businesses with significant climate-related transition risks), and White (Other).

For businesses classified as Green or Transform, appropriate governance and risk management systems have been adopted to carry out evaluations using assumptions under decarbonization scenarios when screening individual investment proposals, confirm GHG reduction plans when formulating investment plans, and confirm that our business is aligned with a 2050 net zero scenario in terms of both individual projects and companywide business strategy. Please see the next page for the current progress of FY2022 initiatives.



* Scope 3 Category 11: GHG emissions from the use of sold products



*1 Businesses where demand in 2050 under the 2°C scenario will increase by 20% or more compared to the current business
*2 We first identified industries with high GHG emissions based on the EU Taxonomy. All other businesses are also classified into this category if they have exceptionally high emissions compared to other industries, based on internal Scope 1 data and external Scope 3 Category 11 data.
*3 Determined based on Scope 1 and Scope 3 Category 11 emissions

FY2022 Initiatives to Address Climate Change

Governance Process

MC's basic policy on climate change and important matters therein are deliberated and decided upon by the Executive Committee. As stipulated in the regulations governing MC's Board of Directors, the Executive Committee reports its findings regularly to the Board of Directors. This governance system enables the Board of Directors to provide appropriate oversight.

In FY2022, the content and frequency of deliberations by the Board of Directors on sustainability-related measures was expanded.

The Board of Directors	Supervises MC's climate-related actions and initiatives	Convenes approx. three times a year
Executive Committee	Makes decisions regarding MC's basic policy on climate change/Makes decisions regarding important matters pertaining to climate change	Convenes approx. twice a year
Sustainability & CSR Committee (reports directly to Executive Committee)	Deliberates MC's basic policy on climate change and important matters therein, and reports findings to the Executive Committee	Convenes approx. twice a 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	Kenji Kobayashi (Senior Vice President, Corporate Functional Officer, CSEO)	
Department in Charge	Sustainability Department	

Example of a Specific Matter Discussed: Policy for Sustainability-Related Measures and Activities (July 2022 and January 2023 regular meetings of the Board of Directors)

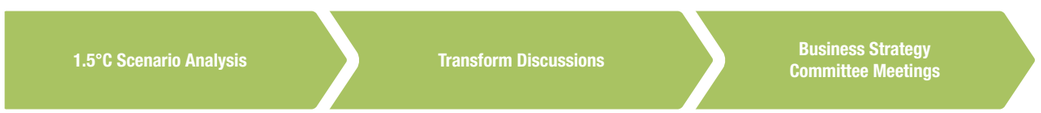
> The Board of Directors mainly discussed the disclosure policy for Scope 3 Category 11 Emissions (Use of Sold Products). The Independent Directors and Independent Audit & Supervisory Board Members (the "Independent Members of the Board") agreed to the disclosure of MC's Scope 3 Category 11 emissions in a highly transparent manner, even though internationally unified calculation methods have yet to be established, and commented on the importance of working toward decarbonization at the societal level by leveraging MC's collective capabilities to address societal challenges.

Progress on Internal Mechanisms

Incorporating 1.5°C Scenario Analysis into Strategy

In FY2022, MC collaborated with a third-party organization to create a customized 1.5°C scenario while aligning key assumptions with the International Energy Agency's Net Zero Emissions by 2050 Scenario (IEA NZE) wherever possible, thus allowing for a detailed level of granularity on topics like demand by region and product. Based on this scenario, MC then conducted and disclosed the results of a detailed scenario analysis for three businesses: Natural Gas/LNG, Metallurgical Coal, and Renewable Energy, which includes quantitative aspects that take into account factors such as the specific characteristics of MC's businesses and regional strategy.

After identifying climate change-related risks and understanding the current status and trends in the Natural Gas/LNG and Metallurgical Coal businesses (which were subject to the same 1.5°C scenario analysis), MC then held "Transform Discussions" to deliberate the impact of those risks on business strategy. Furthermore, through the subsequent meetings of the Business Strategy Committee, the results of these Transform Discussions were utilized to advance deliberations and develop business strategies that take into account the relevant climate change risks.



Evaluation of New Investments Using Assumptions Under Decarbonization Scenarios

Since August 2022, when screening new investment proposals for "Transform" and "Green" businesses, which MC identifies as having significant climate change transition risks and opportunities*, MC has been conducting profitability assessments using key assumptions (internal carbon pricing, etc.) under the 1.5°C scenario. The results of these assessments are referred to in making investment decisions.

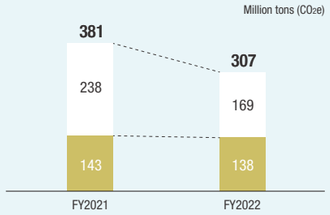
* Risks/opportunities faced by businesses if climate action progresses and the world transitions to one in which the global average temperature increase is limited to 2°C or 1.5°C above pre-industrial levels

Disclosure of New Metrics

Scope 3 Category 11 Emissions (Use of Sold Products)

Based on dialogues with stakeholders, MC has considered the management and disclosure of Scope 3 emissions of particularly large emissions categories. For MC, that is Scope 3 Category 11 emissions (Use of Sold Products), and we have started to disclose this figure from FY2022 (FY2021 results were disclosed in February 2023, FY2022 results were disclosed in July 2023). Since Scope 3 emissions, including Category 11, are generated by other companies, MC will need to work with a wide range of partners throughout its supply chains to tackle the societal challenge of reducing Scope 3 emissions. MC will address this challenge through its Integrated EX/DX initiatives (e.g., development and supply of renewable and next-generation energy, next-generation climate technology investments through Breakthrough Energy Catalyst, etc.) and will collaborate with various stakeholders to achieve the decarbonization of societal and economic activities.

MC Climate Taxonomy



Business Group

Thousand tons (CO_2e)

Business Group	FY2021	FY2022	Main businesses responsible for Scope 3 category 11 emissions
Natural Gas	111,410	116,006	Natural gas production and liquefaction Natural gas and LNG trading
Industrial Materials	896	993	
Chemicals Solution	41,299	46,403	Petrochemical products trading
Mineral Resources	94,072	96,593	Metallurgical coal production Mineral resources trading
Industrial Infrastructure	88,470	2,436	
Automotive & Mobility	30,093	32,747	Automobile sales
Food Industry	1,431	1,617	
Consumer Industry	4,360	4,065	
Power Solution	8,982	5,729	
Urban Development	241	350	
Total	**381,254**	**306,939**	

Disclosure of Avoided Emissions

At the end of February 2023, MC disclosed avoided emissions as a quantitative indicator of progress made under the EX Strategy. This represents the quantified contribution to the reduction of GHG emissions achieved by providing low-emission products or services compared to how much would be emitted if those products and services were not provided. They indicate the degree of contribution MC is making to GHG emissions reductions as well as the extent to which we are able to capture business opportunities in the transition to a decarbonized society. While continuing to foster relationships with our partners, customers, and other stakeholders, based on the goal of addressing societal challenges and creating MCSV through our business, we will continue to vigorously promote our EX Strategy, co-create businesses that generate avoided emissions, and contribute to the realization of a carbon-neutral society.