

Strategy for Climate Change

Financial Information Based on Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

The Mitsubishi Electric Group has expressed its support for the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures). In line with these recommendations, the Group discloses relevant information on climate change.

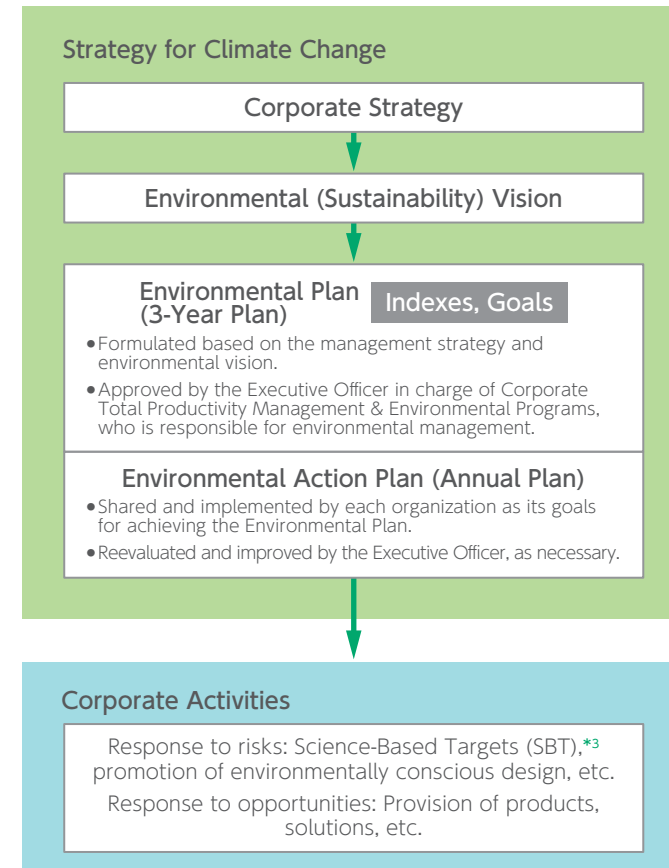
Strategy

The Mitsubishi Electric Group positions CSR as the foundation of corporate management based on its Purpose*1 and Our Values.*2 By doing so, the Group aims to become a company that is valued by its activities for resolving social issues, that is, an entity worthy of the trust and satisfaction of stakeholders that include society, customers, shareholders and employees.

Our management strategy is to “provide integrated solutions to address diversifying social challenges in the four fields of Life, Industry, Infrastructure and Mobility, uniting all the capabilities in and outside the Group. For this purpose, we will enhance the business foundation we have fostered over the past 100 years and further transform our business models.” The Mitsubishi Electric Group will pursue value creation for addressing social challenges that come from climate change, and contribute to achieving the 17 worldwide goals of the SDGs through all corporate activities by seeking sustainable growth. Furthermore, Environmental Sustainability Vision 2050 was established in 2019, and positions environmental contribution an even greater corporate priority and stipulates its initiatives in solving environmental issues.

The Group formulates a three-year Environmental Plan as an integral goal based on the corporate strategy and environmental vision for initiatives toward environmental issues including climate change. The plan sets out quantitative targets to be achieved, and the Executive Officer in charge of Corporate Total Productivity Management & Environmental Programs, who is responsible for environmental management, formulates the plan and shares it with each group organization. Each organization implements its own Environmental Action Plan (annual plan) based on the Environmental Plan.

The results of business execution are reviewed by the Executive Officer in charge of Corporate Total Productivity Management & Environmental Programs, and each organization reviews the Environmental Plan (three-year plan) and its Environmental Action Plan (annual plan) as necessary.



*1 The Mitsubishi Electric Group’s Purpose is to contribute to the realization of a vibrant and sustainable society through continuous technological innovation and ceaseless creativity.

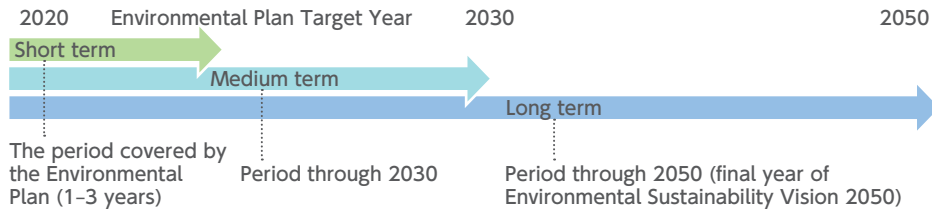
*2 Trust: We develop relationships based on strong mutual trust with all stakeholders including society, customers, shareholders, suppliers, and employees working together.
 Quality: We ensure the satisfaction of society and customers by providing products and services of the best quality.
 Technology: We provide society with new value by enhancing technology and onsite capabilities.
 Ethics and Compliance: We act with high ethical standards and comply with laws and social norms.
 Humanity: We prioritize health and safety, promote diversity, and respect personalities and human rights.
 Environment: We strive to protect and improve the global environment, doing so in harmony with nature.
 Society: We contribute to the development of a better society as a corporate citizen.

*3 Science-Based Targets: Targets to reduce greenhouse gas (GHG) emissions in line with the latest climate science necessary to meet the goals of the Paris Agreement.

Overview of Risk and Opportunity Assessment through Scenario Analysis

Through scenario analysis, we assess the corporate activities of the Group in terms of risks and opportunities.

The assessment is made based on two scenarios: a scenario to keep the increase in the global average temperature to below 2°C above pre-industrial levels (2°C scenario*1) and a scenario in case the temperature rises nearly 4°C as a result of continuing the conventional global warming countermeasures (4°C scenario*2). The period covered by the scenario analysis is up to 2050, and the periods are classified as shown below.



*1 Applied the IEA 450 scenario, etc. *2 Applied the IPCC RCP 8.5 scenario, etc.

Climate-Related Risks and Responses by the Mitsubishi Electric Group

Climate-related risks can be broadly divided into risks associated with the transition to a decarbonized society (hereinafter referred to as "transition risks") and risks associated with the physical impacts of global warming (hereinafter referred to as "physical risks"). These risks can result in increased expenses (for production, internal administration, financing, etc.), decreased revenues, and lower stock prices.

If the 2°C scenario progresses, social demand for reducing greenhouse gas emissions is expected to grow, raw material costs are expected to rise due to changes in the energy demand and supply balance, and the amount of generated power by renewable energy sources is expected to increase, in the transition to a decarbonized society. As a result of efforts to realize such a society, the likelihood of transition risks arising from the tightening of laws and regulations on greenhouse gas emissions and an increase in the burden of technological development will be relatively high (compared to physical risks).

If the 4°C scenario progresses, there is expected to be a significant increase in the frequency and severity of heavy rains and floods and a chronic rise in temperature. Physical risks such as the suspension of operations and disruption of the supply chain due to disaster will be relatively high (compared to transition risks).

In response to these risks, the Mitsubishi Electric Group implements initiatives as shown in following table.

Examples of Climate-Related Risks and Responses by the Mitsubishi Electric Group

Risks	Examples of the Group's Initiatives
Transition Risks	
Policy and Legal Risks (Short to Long-Term) <ul style="list-style-type: none"> • Increase in carbon pricing • Strengthened obligation of emission reports • Orders and regulations for existing products and services by relevant authorities • Litigation 	<ul style="list-style-type: none"> • Reduction of GHG*3 emissions through promotion of environmental plans and setting and taking initiative on science based targets, • Promotion of environmentally conscious design (global warming, resource conservation, recyclability, hazardous substances, packaging) • Capital investment related to environmental activities, including energy saving and global warming countermeasures • Implementation of supply chain management (formulation and implementation of green procurement standards) • Reporting of Scope 1, 2 and 3 emissions and implementation of third-party certification • Acquisition and maintenance of ISO 14001 certification • Confirmation of legal compliance through environmental audits • Disclosure of initiatives related to climate change and other environmental issues
Technology Risks (Medium to Long-Term) <ul style="list-style-type: none"> • Replacement of existing products and services with low-emission alternatives • Failed investment in new technologies • Cost of transition to low-emission technologies 	<ul style="list-style-type: none"> • Development of new technologies through R&D investment • Implementation of intellectual property activities • Mobile capital investment mainly in growth driving businesses • Capital investment related to environmental activities, including energy saving and global warming countermeasures
Market Risks (Medium to Long-Term) <ul style="list-style-type: none"> • Changes in customer behavior • Uncertainty in market signals • Rise in raw material costs 	<ul style="list-style-type: none"> • Promotion of environmentally conscious design • Capital investment related to environmental activities, including energy saving and global warming countermeasures • Market research and feedback on product development
Reputation Risks (Medium to Long-Term) <ul style="list-style-type: none"> • Changes in consumer preferences • Criticisms of the industrial sector • Increased concerns among stakeholders, or negative feedback from them 	<ul style="list-style-type: none"> • Reduction of GHG emissions through promotion of environmental plans and setting and taking initiative on science based targets, Capital investment related to environmental activities, including energy saving and global warming countermeasures • Promotion of environmentally conscious design • Response to environmental risk management • Implementation of natural environment conservation activities, including the protection of local biodiversity • Disclosure of initiatives related to climate change and other environmental issues
Physical Risks	
Acute Risks (Short to Long-Term) Increased severity of extreme weather such as heavy rains and floods	<ul style="list-style-type: none"> • Formulation and periodic review of BCPs*4 • Implementation of supply chain management (formulation and implementation of green procurement standards, decentralization of production sites by purchasing from multiple companies, etc.)
Chronic Risks (Medium to Long-Term) Changes in precipitation patterns and extreme variations in weather patterns	<ul style="list-style-type: none"> • A certain amount of investment every year in environmental activities, including initiatives against climate change • Reduction of GHG emissions through promotion of environmental plans and setting and taking initiative on science based targets

*3 Greenhouse gas *4 Business continuity plan

For example, even if laws and regulations strengthen the curtailment of greenhouse gases under the 2°C scenario, the Group can mitigate the impacts of such a regulatory move, as it is already working to reduce its emissions through promotion of an Environmental Plan and setting and taking initiative on science based targets. Similarly, the impact of rising raw material costs can be mitigated by further promoting environmentally conscious design that is already being implemented toward addressing global warming, resources conservation, and improved recyclability. We also invest in facilities for environmental activities, including energy saving and other measures to combat global warming, and in the research and development of new technologies in a well-balanced manner from the short, medium, and long term perspectives.

Against physical risks such as flooding under the 4°C scenario, we have formulated a BCP (business continuity plan) and review it once a year while moving ahead with the decentralization of production sites. We are also taking steps to prevent production problems in the supply chain, such as by purchasing from multiple companies and having our suppliers operate multiple production plants.

Climate-Related Opportunities and Initiatives by the Mitsubishi Electric Group

As the 2°C or 4°C scenario progresses, social issues arising from climate change are expected to become more apparent.

For example, if the 2°C scenario progresses, an increase in power generation by renewable energy is projected. The Mitsubishi Electric Group is capable of contributing to addressing needs for effective use of electricity and system stabilization that stem from such expansion of renewable energy and the decentralization of power sources, by providing large energy storage systems, smart medium- and low-voltage direct current distribution network systems, and distributed power source operation systems / virtual power plant (VPP) systems.

If the 4°C scenario progresses, frequent heavy rain and floods are expected. Using observation satellites, the Group is able to enhance the monitoring of meteorological phenomena and the global environment, assess disaster situations, and contribute to disaster prevention.

As shown in the following table, the Mitsubishi Electric Group has a wide range of businesses. Our strength is our ability to provide a wide range of products, services, and solutions that contribute to solving social issues arising from climate change. Through our solutions to these social issues, we believe we have the opportunity for short to long term sustainable growth.

Please refer to the section on “Initiatives that Contribute to Addressing Social Issues” in the “Mitsubishi Electric Group CSR Report” for details on the activities of each business.

Examples of Climate-Related Opportunities and Initiatives by the Mitsubishi Electric Group

Social Issues (Opportunities)	Examples of the Group's Initiatives
Resource Efficiency	
<ul style="list-style-type: none"> Use of more efficient modes of transport (modal shift) Use of more efficient and resource-saving production and distribution processes Promotion of recycling Relocation to a more efficient building Reduction in water usage and consumption 	<ul style="list-style-type: none"> Development of products suitable for resource conservation, such as thinner materials and smaller tubes Promotion of plastic recycling Energy conservation and reduction of operation costs for buildings as a whole through ZEB (net Zero Energy Building), etc. Development of coordinated control technology for in-building mobility and facilities Provision of systems for water distribution management, water storage and discharge through dam management, and water intake management for agricultural water Promotion of reclaimed water use by ozonizers Strengthening of products and solutions that support e-F@ctory*1 Promotion of a modal shift through the transportation systems business Development of products and technologies that contribute to autonomous driving Localization of production and sales bases
Energy Source	
<ul style="list-style-type: none"> Use of lower-emission energy sources Use of new technologies Shift toward decentralized energy generation 	<ul style="list-style-type: none"> Effective use of electricity and response to needs for system stabilization accompanying the expansion of renewable energy and decentralization of power sources <ul style="list-style-type: none"> Large energy storage systems Smart medium voltage DC distribution network system D-SMiree*2 Distributed power supply system/VPP system
Products and Services	
<ul style="list-style-type: none"> Development and/or expansion of low emission goods and services Development of new products or services through R&D and innovation Ability to diversify business activities Shift in consumer preferences 	<ul style="list-style-type: none"> Development of energy-saving products optimized for local climate conditions and needs Development of innovative new products such as the Misola,*3 a lighting fixture that creates the illusion of a deep blue sky and natural light in indoor spaces. Improvement of the energy efficiency of railway vehicles and effective utilization of regenerative electric power from braking Demonstration of ZEB-related technologies, including the construction of demonstration facilities Development of the EcoMBR*4 filtration membrane cleaning system for water treatment Provision of smart meters Development and supply of energy conservation equipment that facilitates the measurement of energy consumption and the collection and analysis of energy consumption data Global supply of high-efficiency equipment, including electric power train systems Development and supply of low-loss SiC devices Establishment of the Business Innovation Group Localization of production and sales sites Balanced promotion of short-, medium- and long-term research and development
Resilience	
<ul style="list-style-type: none"> Participation in renewable energy programs and adoption of energy efficiency measures Resource substitutes/diversification 	<ul style="list-style-type: none"> Effective use of electricity and response to needs for system stabilization accompanying the expansion of renewable energy and decentralization of power sources Contribution to preventing global warming by using observation satellites, strengthening the monitoring of meteorological phenomena and the global environment, understanding of disaster situations, and promoting disaster prevention Meteorological radar system Field Edge® image-based water level measurement device Provision of BCP solutions, such as data centers, teleworking, and video conferencing services

*1 <https://www.MitsubishiElectric.com/fa/sols/index.html>

*2 https://www.MitsubishiElectric.com/en/sustainability/csr/management/social_contributions/energy/index.html

*3 <https://www.MitsubishiElectric.co.jp/ldg/ja/lighting/products/fixture/misola/index.html> (in Japanese)

*4 <https://www.MitsubishiElectric.com/en/about/rd/research/highlights/energy/mbr.html>

As a result of this assessment of climate-related risks and opportunities and our initiatives toward them, the Mitsubishi Electric Group can be said to have resilience against such risks under both the 2°C and the 4°C scenarios and the opportunity for sustainable growth through the solving of social issues arising from climate change.*1

*1 This conclusion is based on the scenario, and the future outlook may differ.

Management System Governance System

As a company with functions such as a Nomination Committee, etc., we aim to achieve sustainable growth by improving management agility and transparency and strengthening management oversight functions. Our basic policy is to build and improve a system that can accurately meet the expectations of stakeholders, including society, customers, shareholders, and employees, and further enhance our corporate value.

A salient characteristic of Mitsubishi Electric’s management structure is that the roles of the Chairman of the Board, who heads the supervisory function, and the President & CEO, who is the head of all executive officers, are clearly separated. Additionally, neither is included among the members of the Nomination and Compensation Committee. Our company’s corporate governance is made more effective by clearly separating the supervisory and executive functions.

The Board of Directors is comprised of twelve members, including five outside directors (one is a woman). The members execute their duties based on the objectives and authority specified by the Companies Act. At the same time, the executive officers are delegated the authority to make decisions on all business operations, except for matters listed in the items of Article 416, Paragraphs 1 and 4 of the Companies Act, to provide advice to and supervise Mitsubishi Electric’s management from an objective perspective.

The executive officers, including the officer in charge of production systems, who are responsible for promoting environmental management, are delegated by the Board of Directors to make decisions and execute business operations within the scope of their responsibilities in accordance with the objective and authority stipulated in the Companies Act. The Executive Officers’ Meeting, comprised of all executive officers, deliberates and makes decisions on important matters.

The compensation scheme for executive officers places importance on the realization of management policies and incentives to improve performance, and pays out a fixed amount of compensation and retirement benefits upon their resignation, in addition to a performance-linked compensation. The basic policy specifies that the compensation is to “increase awareness of contributing to improving business performance over the medium to long-term and increasing corporate value.”

Identifying, Evaluating, and Managing Risks and Opportunities and Incorporating Them into Business Activities

The Environmental Management System (EMS) is integrally operated by the Mitsubishi Electric Group as a whole, with all organizations within the Group (business groups, head office management divisions, Corporate Human Resources Division, factories, and affiliated companies) working to achieve the Group’s three-year environmental plan as a common goal. Each

organization identifies and assesses risks and opportunities related to its environment, including climate-related risks, and reflects them in its own EMP (Environmental Management Plan).

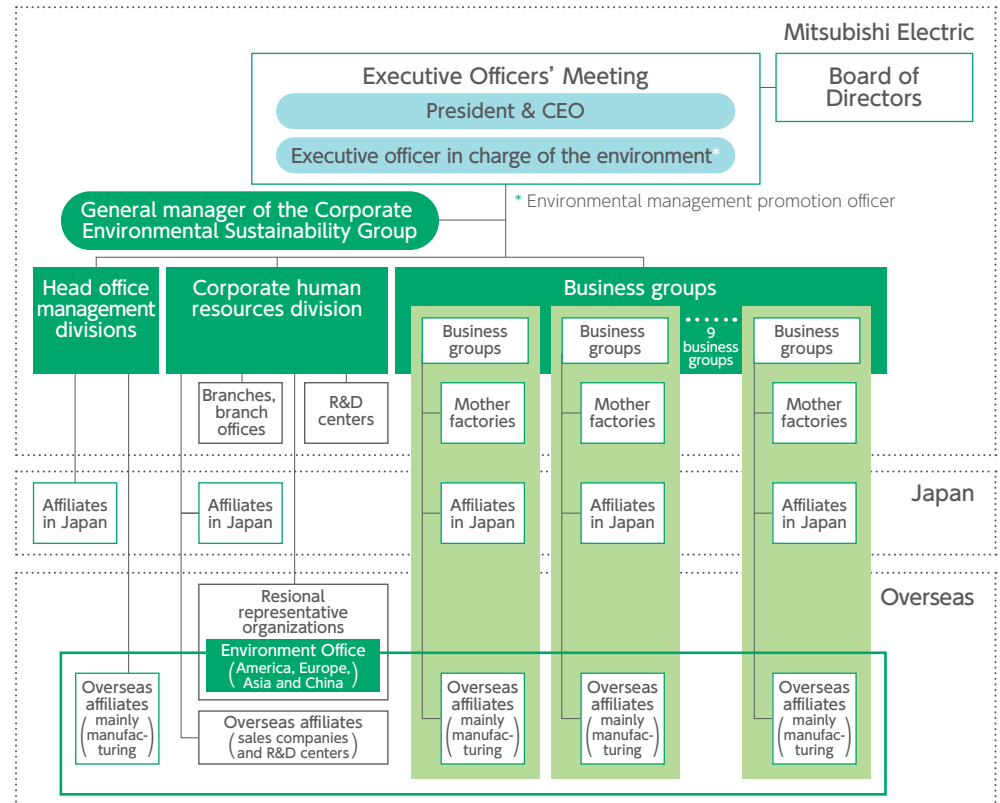
Business groups, head office management divisions, and the Corporate Human Resources Division direct and manage the activities of their organizations, their branch offices, factories, and affiliated companies based on the EMP.

Each organization has an Environmental Promotion Manager who manages and supervises the EMP, its performance, and environmental performance within the scope of his/her management and supervision.

The Environment Office, as a regional organization in the regional representative organization for the Americas, Europe, Asia, and China, supports the development of Group-wide measures and the activities of all affiliated companies in the region under its management.

The progress of the EMP in each division is reported to the Corporate Environmental Sustainability Group, which identifies and assesses company-wide risks and opportunities based on the reports and reviews the Environmental Plan and EMPs as necessary.

Environmental Governance and Risk Management System



Climate Change Indicators and Goals

The Mitsubishi Electric Group's Environmental Plan

The Mitsubishi Electric Group has formulated an Environmental Plan every three years since 1993, setting specific action targets. The current 9th Environmental Plan (fiscal year 2019 to 2021 (1st April 2018 through 31st March 2021)) sets forth indexes and targets for reduction of CO₂ emissions from production, reduction of CO₂ emissions from product usage, effective utilization of resources, effective use of water, continuation of the “Mitsubishi Electric Outdoor Classroom” and “Satoyama Woodland Preservation Project,” and biodiversity conservation at business sites, in line with the goals of “Creating a Low-Carbon Society,” “Creating a Recycling-Based Society” and “Ensuring Harmony with Nature” that are specified in Environmental Vision 2021.

→For more information, see “Overview of Environmental Consideration and Progress of the 9th Environmental Plan” on page 17.

Calculating and Identifying Greenhouse Gas Emissions along the Value Chain

The Mitsubishi Electric Group calculates and tracks greenhouse gas emissions (Scope 1, Scope 2 and Scope 3) in its value chain. For calculation and assessment, we refer to the GHG Protocol and the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain published by Japan’s Ministry of the Environment.

→For more information on greenhouse gas emissions in the value chain, see “Reducing Greenhouse Gases Emitted in the Value Chain” on page 41.

Science Based Targets

The Mitsubishi Electric Group has set the following greenhouse gas reduction targets and has been approved by the Science Based Targets initiative in January 2020.

- Scope 1 and Scope 2: Mitsubishi Electric commits to reduce total Scopes 1 and 2 GHG emissions by 18% by 2030, compared to the base year of fiscal 2017.
- Scope 3, *1, *2: Mitsubishi Electric commits to reduce total Scope 3 GHG emissions by 15% by 2030, compared to the base year of fiscal 2019.

*1 The scope of third-party certification in Scope 3 includes Category 1 (purchased goods and services), Category 6 (business travel), Category 7 (employee commuting), and Category 11 (use of sold products).

*2 Scope 3 covers Category 11 (use of sold products).

We will continue to disclose our progress of the targets.

Implementation of Third-Party Certification

The Mitsubishi Electric Group has set targets for its greenhouse gas emissions (Scopes 1, 2 and 3) and amount of water used and discharged. They have been certified by a third party in compliance with ISO 14064-3 to ensure reliability of the data.

→For details, please refer to the Verification Statement.

https://www.MitsubishiElectric.co.jp/corporate/environment/disclosure/tpv/pdf/tpv_2020_e.pdf