

## Disclosure Based on TCFD Recommendations

The Task Force on Climate-Related Financial Disclosure (“TCFD”) was established in 2015 by the Financial Stability Board at the request of G20 to reduce the risk of financial market instability in connection with climate change. In June 2017, TCFD published certain policy recommendations to encourage the consideration of climate-related risks and opportunities in business and investment decisions, as well as to encourage climate-related financial disclosures.

Hino Motors, Ltd. (“Hino”) hereby announces that it is in agreement with TCFD’s policy recommendations and accordingly discloses the following information with respect thereto.

TCFD Recommendations require companies, etc. to disclose information on the following items: Governance, Strategy, Risk Management, and Metrics and Targets. Based on TCFD’s guidance on disclosure, Hino will conduct scenario analysis, identify climate-related risk that may affect its business activities, and disclose its efforts to address such considerations on an ongoing basis.

### Governance

Hino prioritizes resolving environmental issues, including those relating to climate-change, as one of its most important management goals.

Accordingly, the Hino Environment Committee, an overarching company-wide organization chaired by the President, discusses and reports on medium-and long-term environmental policies and short-term action plans, and incorporates these plans into corporate management. The subject matter and outcomes of a meeting of the Hino Environment Committee are reported to the Board of Directors and the Management Committee, etc.

#### <Hino’s Environmental Management System>

##### **Hino Global Environment Charter** <sup>\*1</sup> (formulated April 1993, revised February 2001)

The Hino Global Environment Charter formulates a basic approach to global environmental conservation through business activities and shares this approach with related companies.

##### **Hino Environmental Challenge 2050** <sup>\*1</sup> (established in October 2017)

Hino has declared its commitment to minimizing the environmental impact of its products and their distribution as its long-term environmental vision.

It sets out six challenges to be enacted by the Hino Group to address a variety of global environmental issues, including global warming, water shortages, resource depletion and the destruction of nature.

##### **Hino Environmental Milestone 2030** <sup>\*2</sup> (established in April 2021)

In order to achieve the long-term vision of the Hino Environment Challenge 2050, Hino has set itself mid-term milestones to 2030 as medium-term targets in addressing the six long-term priority challenges.

##### **2025 Environmental Initiative Plan** <sup>\*3</sup> (established in December 2021)

In order to achieve its long-term vision and mid-term milestones, Hino strives to resolve environmental issues by creating an action plan every five years and putting the plan-do-check-act method into action every year with an eye to continuous improvement.

<sup>\*1</sup> Hino Global Environment Charter and Hino Environmental Challenge 2050

([https://www.hino-global.com/corp/csr/backnumber/parts/pdf/2021/sr21\\_envmanagement.pdf#page=1](https://www.hino-global.com/corp/csr/backnumber/parts/pdf/2021/sr21_envmanagement.pdf#page=1))

<sup>\*2</sup> Hino Environmental Milestone 2030 ([https://www.hino-global.com/corp/csr/backnumber/parts/pdf/2021/sr21\\_envmanagement.pdf#page=2](https://www.hino-global.com/corp/csr/backnumber/parts/pdf/2021/sr21_envmanagement.pdf#page=2))

<sup>\*3</sup> 2025 Environmental Initiative Plan ([https://www.hino-global.com/corp/csr/backnumber/parts/pdf/2021/sr21\\_environment.pdf#page=1](https://www.hino-global.com/corp/csr/backnumber/parts/pdf/2021/sr21_environment.pdf#page=1))

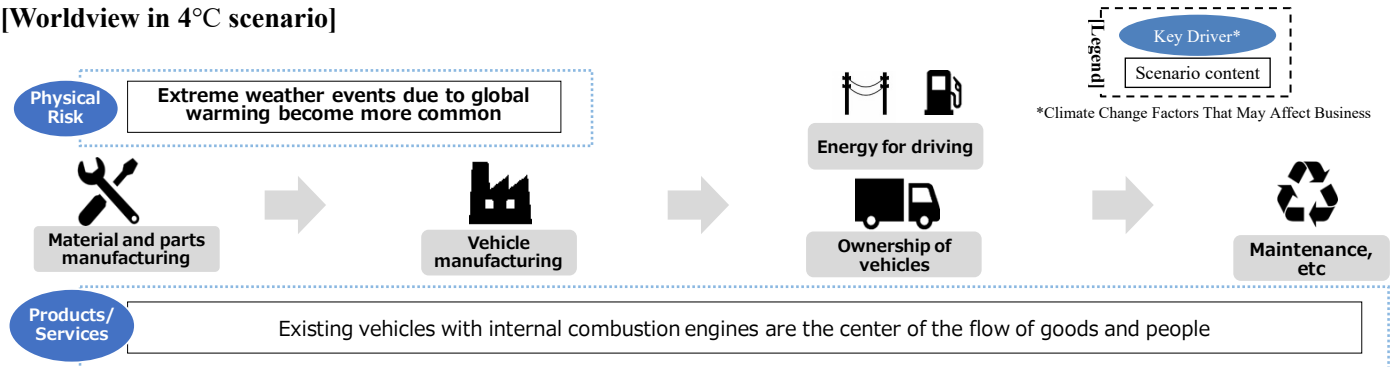
# Strategy

Taking into account scenarios published by the United Nations Intergovernmental Panel on Climate Change (“IPCC”) and the International Energy Agency (“IEA”), Hino examined two scenarios—the rise in the temperature is 4°C (the “4°C scenario”)<sup>1</sup> and “below 2°C” (the “2°C scenario”)<sup>2</sup>—and conducted impact analyses on the basis thereof.

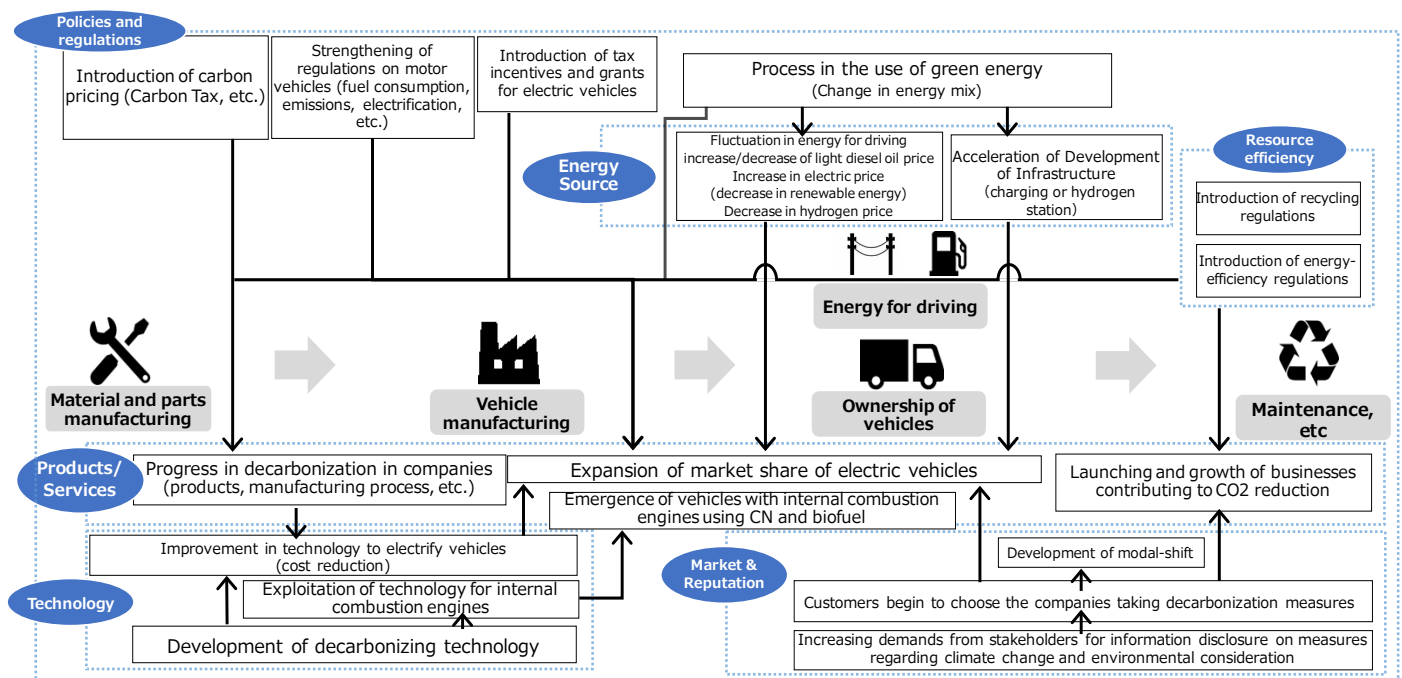
As a result, in the 4°C scenario, Hino assumes that extreme weather events will become more common, and physical risks such as droughts and floods, that could affect Hino’s business activities will increase as well.

On the other hand, in the 2°C scenario, Hino assumes that decarbonization of society will proceed as a result of active measures led by developed countries (e.g., strengthening of regulations on fuel consumption and emissions, and regulations on electrification of vehicles, etc.) and the number of eco-friendly vehicles will increase by electrification, etc. In the 2°C scenario, Hino believes that it needs primarily to address transition risks and opportunities.

## [Worldview in 4°C scenario]



## [Worldview in below 2°C scenario]



Hino identified the risks and opportunities to business activities of Hino in the scenarios above, analyzed the impact, and considered countermeasures with respect thereto, the details of which are as follows.

<sup>1</sup> 4°C scenario: The rise in temperature is around 4°C compared to pre-industrial level

<sup>2</sup> 2°C scenario: The rise in global average temperature was restricted to less than 2°C at the end of the 21st century compared to pre-industrial level

**[Physical risk] Risks associated with physical impacts such as disasters due to climate change**

Category	Major Risks	Major Opportunities	Countermeasure Plan	Above: Impact Below: Length of Time
<p><b>Physical</b></p> <p>Risks and opportunities including an increase in natural disasters</p>	<ul style="list-style-type: none"> <li>• <b>Business continuity risk</b> due to catastrophe and drought (damage on business offices, segmentation of supply chain)</li> <li>• <b>Higher costs for responding to catastrophes</b></li> </ul>	—	<ul style="list-style-type: none"> <li>• <b>Further strengthening BCP</b> assuming unstable weather (strengthening collaboration among business offices, considering measures based on disasters that occurred in the past, etc.)</li> <li>• Provision of <b>disaster response vehicles</b>, recovery of <b>vehicles affected by disasters</b></li> </ul>	<p><b>Medium-scale</b></p> <p>Long term</p>

**[Transition risks and opportunities] Risks and opportunities associated with the transition to a decarbonized society**

Category	Item	Major Risks	Major Opportunities	Countermeasure Plan	Above: Impact Below: Length of Time
<p><b>Transition</b></p> <p>Risks and opportunities associated with the transition to a decarbonized society</p>	<p><b>Policy and Legal</b></p>	<ul style="list-style-type: none"> <li>• Decline of profitability per vehicle due to <b>higher costs for development in compliance with regulations</b> on fuel consumption, emission, and electrification of vehicles</li> <li>• Delay in investment collection due to <b>lower needs for electrification in market</b></li> </ul>	<ul style="list-style-type: none"> <li>• Acquisition of sales opportunities as a result of <b>improvement in fuel efficiency and introduction of products in compliance with regulations into market</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Strategy for electrification of vehicles</b> in compliance with regulations and trends in infrastructure in each country</li> <li>• <b>Selection and concentration</b> based on market trends</li> <li>• <b>Building relationship</b> regardless of industry</li> </ul>	<p><b>Large-scale</b></p> <p>Short-medium term</p>
		<ul style="list-style-type: none"> <li>• (Associated with the transition to electrification of vehicles)</li> <li>• Sales decline due to <b>decrease in the portion of vehicles with internal combustion engines</b></li> </ul>	<ul style="list-style-type: none"> <li>• Acquisition of sales opportunities as a result of <b>introduction of environmentally friendly vehicles* into market</b></li> <li>• * electrified vehicles, carbon-neutral fuel vehicles<sup>(note)</sup></li> <li>• (note) vehicles with internal combustion engines using carbon-neutral fuel engines</li> </ul>	<ul style="list-style-type: none"> <li>• Development of optimal products based on energy cost and policies in each country (adjusting various power train) e.g. electrified vehicles, carbon-neutral fuel vehicles, hydrogen vehicles, etc.</li> </ul>	<p><b>Large-scale</b></p> <p>Medium term</p>
		<ul style="list-style-type: none"> <li>• Decline in revenue due to introduction of <b>carbon pricing</b> (increase in tax amount)</li> <li>• Increase in <b>cost of parts</b> (pass through of <b>carbon tax</b> to purchase costs)</li> </ul>	<ul style="list-style-type: none"> <li>• Decrease in tax amount due to <b>development of CO2 reduction</b>, and reduction of energy cost by <b>promoting energy saving</b> (promoting Hino Environmental Milestones 2030)</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of carbon emissions reduction target</li> <li>• Visualize the CO2 reduction effects</li> <li>• Consideration of [offsetting] transactions for reduction shortfall</li> </ul>	<p><b>Large-scale</b></p> <p>Short-medium term</p>
		<ul style="list-style-type: none"> <li>• <b>Increase in cost of using green energy</b></li> </ul>		<ul style="list-style-type: none"> <li>• <b>Improvement of energy efficiency and introduction of renewable energy</b> in order to realize carbon-neutral</li> <li>• <b>Reduction of energy cost</b> by promoting energy saving activities</li> </ul>	<p><b>Medium-scale</b></p> <p>Short-medium term</p>
	<p><b>Reputation</b></p>	<ul style="list-style-type: none"> <li>• Risk that Hino would not be chosen by stakeholders due to the <b>lack of information disclosure</b> regarding measures to address climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Cost reduction and improvement of corporate image as a result of <b>introduction of renewable energy, etc.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Introduction and expansion of <b>renewable energy</b></li> <li>• Further promoting <b>energy saving activities</b></li> <li>• <b>Proper disclosure</b> on measures to address climate change issues</li> <li>• <b>Participating in various international environmental initiatives</b></li> </ul>	<p><b>Medium-scale</b></p> <p>Short term</p>

Category	Item	Major Risks	Major Opportunities	Countermeasure Plan	Above: Impact Below: Length of Time
Transition  Risks and opportunities associated with the transition to a decarbonized society	Energy for Driving	<ul style="list-style-type: none"> <li>• Higher costs for development to expand fuel diversity (light diesel oil, electricity, hydrogen, and new fuel for internal combustion engine)</li> <li>• Delay in penetration of new kind of energy due to higher costs</li> </ul>	<ul style="list-style-type: none"> <li>• Acquisition of sales opportunities by improving fuel efficiency, introducing environmentally friendly vehicles, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Development of optimal products based on energy cost and policies in each country (adjusting various power train) e.g. electrified vehicles, carbon-neutral fuel vehicles, hydrogen engine vehicles, etc.</li> </ul>	<p><b>Large-scale</b></p> <p>Short-medium term</p>
	Technology	<ul style="list-style-type: none"> <li>• Higher costs for parts for electrification and necessity to securing the required quantity</li> <li>• Sales decline due to delay in development of environmentally friendly vehicles</li> </ul>	<ul style="list-style-type: none"> <li>• Leveraging existing internal combustion engine technology</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous cost reduction (including efficient development)</li> <li>• Development of environmentally friendly vehicles to meet customer needs</li> </ul>	<p><b>Medium-scale</b></p> <p>Short-medium term</p>
	Products/ Services	<ul style="list-style-type: none"> <li>• Sales Decline due to market entry from different industries</li> </ul>	<ul style="list-style-type: none"> <li>• Growth in revenue through new business for addressing environmental issues (CUBE-LINX, Next Logistics Japan)</li> </ul>	<ul style="list-style-type: none"> <li>• Commercialization of new business</li> </ul>	<p><b>Medium-scale</b></p> <p>Medium term</p>

The results of scenario analysis and the identification of risks and opportunities will be reflected in Hino's management strategy. Risks and opportunities related to the climate dramatically change from day to day. Hino will continue to flexibly adjust its response to changing risks and opportunities, while working to further enhance the content of information disclosure.

## Risk Management

In addition, Hino has established the Risk Management Committee as a companywide risk management system. The Risk Management Committee meets twice per year to identify, evaluate, select and manage risks, including those connected with environmental change, and reports the results of its meeting to the Board of Directors, Management Committee, etc. The Committee also regularly conducts risk assessments using a standardized guideline.

With respect to climate change-related risks specifically, each working group within the Hino Environment Committee will analyze, evaluate, and prioritize these risks on the basis of the foregoing scenario analysis to determine long-term and short-term measures to be taken and manage progress thereof. Material risks are regularly reported to the Hino Environment Committee.

## Metrics and Targets







The Hino Environmental Challenge 2050 provides metrics and targets on the basis of its six priority challenges (as set forth above). Each such challenge item aims to minimize environmental impact as much as possible.

The medium-term targets set forth in the Hino Environmental Milestone 2030 constitute intermediate goals towards the effectuation of Hino's six long-term targets. In addition, Hino formulates an Environmental Initiative Plan every five years, incorporates such plan into its annual action targets and promotes environmental activities on the basis thereof.

With respect to CO<sub>2</sub> emissions, Hino calculates its Scope 1, Scope 2 and Scope 3<sup>3</sup> emissions on the basis of the Greenhouse Gases (GHG) Reporting Guideline, using reported values and available data. Hino will continue to strengthen its control of the lifecycle of, and work to reduce, its CO<sub>2</sub> emissions.

<sup>3</sup> Scope 1 emissions are direct emissions of greenhouse gases by business operators themselves (burning fuels, industrial process), Scope 2 emissions are indirect emissions from the use of electricity, heat/steam supplied by other companies, and Scope 3 emissions are indirect emissions other than Scope 1 and Scope 2 emissions (emissions from other companies related to the activities of business operators).

<Hino Environmental Challenge 2050: Six Challenge Targets> \*Global Targets

Hino Environmental Challenge 2050	Hino Environmental Milestone 2030	2025 Environmental Initiative Plan
 Life Cycle Zero CO <sub>2</sub> Emissions Challenge	- 25% from 2013	- 12% from 2013
 New Vehicle Zero CO <sub>2</sub> Emissions Challenge	- 40% from 2013	- 15% from 2013
 Factory Zero CO <sub>2</sub> Emissions Challenge	- 40% from 2013	- 30% from 2013
 Challenge of Minimizing & Optimizing Water Usage	Quantity: Water saving & recycling while keeping regional characteristics in mind Quality: Throughgoing management based on our regions criteria	Use small amounts of water and return purified water to nature (implement initiatives for efficiently reducing water usage)
 Challenge of Achieving Zero Waste	- 30% from 2018	- 12% from 2018
 Challenge of Minimizing the Impact on Biodiversity	Realize facilities "that can coexist with nature"	Establish model factories that coexist in harmony with nature

<CO<sub>2</sub> emissions by Scope> [Unit: 10,000 tons/CO<sub>2</sub>]

	FY 2018	FY 2019	FY 2020	FY 2021
Scope 1	15	15	12	13
Scope 2	24	24	18	21
Scope 3	Currently under review, considering the impact of misconducts in engine certification			

Fiscal 2018-2020: Published in the Hino Sustainability Report; Fiscal 2021: In-house figures