



Scenario Analysis of the Corporate and Individual Auto Leasing Business

Scenario Analysis Details (by Process)

Risk Severity Assessment

Risks and Opportunities in the Automobility Business (corporate and individual auto leasing)

Only items assessed and identified as having a significant impact on business are shown below.

Items (Risks and Opportunities)	Expected Impact on Business	
	Risks	Opportunities
National carbon emissions targets and policies Energy saving policy	<ul style="list-style-type: none"> Number of domestic vehicles could decrease due to the introduction of a carbon tax, travel restrictions under energy conservation regulations, and promotion of alternative transportation modes Further shift to EVs may result in lower-priced used gasoline and diesel vehicles 	<ul style="list-style-type: none"> Regulations and subsidies could encourage replacement with newer vehicles and increase demand for new vehicle leases Demand for used EVs may increase and prices for used EVs may rise after lease expires
Changes in customer behavior	<ul style="list-style-type: none"> Increased environmental awareness among customers may reduce demand for gasoline and diesel vehicles 	<ul style="list-style-type: none"> Increased environmental awareness among customers could strengthen demand for EV leasing
Products and services	<ul style="list-style-type: none"> Widespread use of EVs, which have fewer parts than gasoline and diesel vehicles, may reduce maintenance revenues 	<ul style="list-style-type: none"> Shift to EVs could generate new earnings opportunities, such as recharging services and businesses for second-life EV batteries Earnings opportunities could increase by handling diverse vehicles such as battery-replaceable EVs or those powered by either fuel cells or hydrogen engines
Intensified extreme weather	<ul style="list-style-type: none"> Heavy rainfall and flooding may cause vehicle production delays and damage leased vehicles 	—

Scenario Group Definition

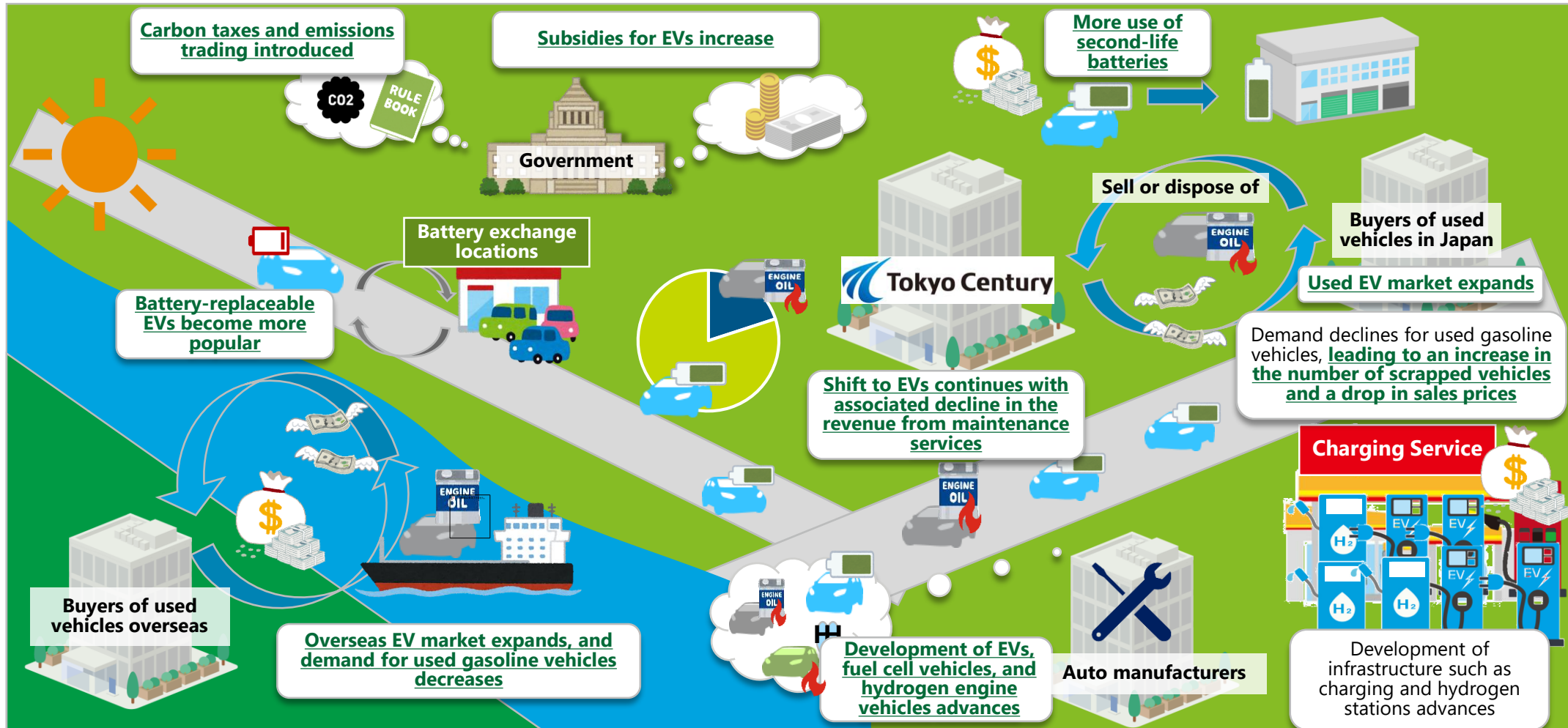
Data from the “Survey on Tax Revenue Simulation, etc. Concerning the Automobile-Related Taxation System” (March 2021)*¹ and the Global EV Outlook 2021*² report were used as parameters to calculate business impact in the scenario. analysis.

Climate Change Scenarios	4°C Scenario	1.5°C Scenario
Sources of data used for impact calculations	“Survey on Tax Revenue Simulation, etc. Concerning the Automobile-Related Taxation System”	Global EV Outlook 2021
Scenario world view (Image of future society)	Leasing demand for vehicles with emission reduction features, including higher fuel efficiency, gradually grows	Tighter regulations and more subsidies on GHG emissions boost both the number of EVs leased and the demand for EV peripheral services
Main parameters	<ul style="list-style-type: none"> • Number of vehicles owned in Japan (2040) • Percentage of EVs in new vehicle sales (2040), etc. 	

*1 A research report prepared by the Tokyo Metropolitan Government as a reference for planning future automobile-related taxation systems, including simulated future trends in automobile-related tax revenues.

*2 An International Energy Agency report that provides policymakers with the latest trends in global electric mobility as well as other information related to the creation of a policy framework for promoting EVs.

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■ Business Impact Assessment

In order to evaluate the impact of climate change on the Automobility Business (corporate and individual auto leasing), the impact on operating income in 2040 was calculated using data from the Tokyo Metropolitan Government's "Tax Revenue Simulation and Other Studies on Automobile-Related Taxation Systems" (equivalent to the 4°C scenario) and the IEA's Global EV Outlook 2021 report (equivalent to the 1.5°C scenario). Operating income before the 2040 scenario projection was estimated based on the growth rate of operating income in the current business plan and by considering the government policy of banning the sale of gasoline and diesel vehicles by 2035.

4°C Scenario

Insurance coverage limits the impact of flood damage to leased vehicles from intensified natural disasters, and the impact of vehicle procurement delays due to supply chain disruptions is expected to be minor. On the other hand, the operating income of the Automobility Business (corporate and individual auto leasing) is expected to increase slightly from before the scenario projection because the ownership ratio of gasoline and diesel vehicles with higher maintenance revenues than EVs will slightly increase.

1.5°C Scenario

Operating income in the Automobility Business (corporate and individual auto leasing) after the projected scenario is expected to be lower than that before the projected scenario, mainly due to a decrease in the ownership ratio of gasoline and diesel vehicles with higher maintenance revenues compared to EVs. However, profit is expected to remain at a reasonable level through aggressive efforts in new businesses, such as recharging services and businesses for second-life batteries, in line with the shift to EVs.

The scenario analysis results show that the impact of climate change on the Automobility Business (corporate and individual auto leasing) will be limited. Drawing from these results, we will continue to pursue sustainable growth by strengthening our resilience to climate change and leveraging business opportunities.

■ Definition of Countermeasures

Given the results of analysis for our corporate and individual auto leasing business, we will pursue the following initiatives (countermeasures).

Issues	Major Ongoing Initiatives (as of January 2023)	Initiatives (Countermeasures) for Future Consideration
Shift to EVs	<ul style="list-style-type: none"> ✓ Promote the introduction of EVs to customers, such as by providing EVs to the NTT Group, which has declared EV100 ✓ Propose BCP measures to use EVs as emergency power sources in the event of a natural disaster ✓ Accumulate know-how on EV leasing by starting to handle EV taxis, EV buses, and electric micro-mobility ✓ Strengthen the value chain to provide EV-related services <ul style="list-style-type: none"> • Form a capital and business alliance with MIRAI-LABO Co., Ltd. (battery evaluation and reuse) • Form a capital and business alliance with PLUGO Inc. (recharging services) • Form a business alliance with Yanekara Co., Ltd. (energy management services) • Form a business alliance with The Kansai Electric Power Co., Inc. (stationary storage battery business) ✓ Provide EV package services such as EV body and charging management for municipalities in cooperation with the NTT Group ✓ Provide a support program for companies considering the introduction of EVs, in cooperation with Tokyo Gas Co., Ltd. ✓ Raise funds through the Sustainability Linked Loan 	<ul style="list-style-type: none"> ✓ Strengthen the value chain to launch new EV-related services for corporate and individual customers ✓ Establish an appropriate maintenance system for EVs ✓ Expand the use of preferential interest rates for procuring EVs through the issuance of green bonds
Sale of assets	<ul style="list-style-type: none"> ✓ Set the residual values after considering fluctuations in the price for used gasoline and diesel vehicles and the diversifying of prospective buyers ✓ Explore new businesses such as EV battery reuse 	<ul style="list-style-type: none"> ✓ Strengthen the monitoring of changes in the used vehicle market for gasoline, diesel, and electric vehicles and set appropriate residual values