Sojitz Corporation - Climate Change 2021

C0. Introduction

C0.1

(C0.1) Give a general description and introduction to your organization.

Sojitz Corporation was formed out the union of Nichimen Corporation and Nissho Iwai Corporation, both companies that boast incredibly long histories. For more than 150 years, our business has helped support the development of countless countries and regions. Today, the Sojitz Group consists of approximately 400 subsidiaries and affiliates located in Japan and throughout the world, developing wide-ranging general trading company operations in a multitude of countries and regions. As a general trading company, the Sojitz Group is engaged in a wide range of businesses globally, including buying, selling, importing, and exporting goods, manufacturing and selling products, providing services, and planning and coordinating projects, in Japan and overseas. The Group also invests in various sectors and conducts financing activities. The broad range of sectors in which Sojitz operates includes those related to automobiles, plants, energy, mineral resources, chemicals, foodstuff resources, agricultural and forestry resources, consumer goods, and industrial parks.

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Reporting year	April 1 2020	March 31 2021	No	<Not Applicable>

C0.3

(C0.3) Select the countries/areas for which you will be supplying data.

Argentina
Australia
Belgium
Brazil
Canada
China
France
Germany
India
Indonesia
Japan
Kenya
Malaysia
Mexico
Micronesia (Federated States of)
Myanmar
Netherlands
Nigeria
Panama
Philippines
Puerto Rico
Republic of Korea
Russian Federation
Singapore
Spain
Sri Lanka
Taiwan, Greater China
Thailand
Ukraine
United Arab Emirates
United Kingdom of Great Britain and Northern Ireland
United States of America
Venezuela (Bolivarian Republic of)
Viet Nam

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

JPY

C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Chief Executive Officer (CEO)	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	More frequently than quarterly

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	

C2. Risks and opportunities

C2.1

(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?

Yes

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.3a

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Emerging regulation	Carbon pricing mechanisms

Primary potential financial impact

Decreased asset value or asset useful life leading to write-offs, asset impairment or early retirement of existing assets

Climate risk type mapped to traditional financial services industry risk classification

<Not Applicable>

Company-specific description

・Among climate change risks, the impact of transition risk (market shrinkage) is large, and in our portfolio, there are important coal interests that we expect will be directly or indirectly affected by environmental regulations related to carbon dioxide emissions. ・Our company holds about millions ton of thermal coal and coking coal interests, mainly in Australia (such as the Gregory Crinum mine), and other regions such as Indonesia. ・We assume that in the future, climate change will cause our coal interests to be subject to environmental tax/carbon tax/emissions trading, increase rehabilitation costs, facilitate the spread of renewable energy and energy-saving technologies, alter countries' energy mixes and government policies, make renewable energy more price competitive, and push down the financial costs of loans and insurance. Countries

around the world may introduce more stringent environmental taxes and emissions trading schemes in line with international agreements. ・Of Sojitz's nine business units, one owns interests and conducts trading business in fossil fuels (coal), and the scale of the holdings and trading business of this unit may be affected in the long term.

Time horizon
Long-term

Likelihood
Likely

Magnitude of impact
High

Are you able to provide a potential financial impact figure?
Yes, an estimated range

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
30000000000

Potential financial impact figure – maximum (currency)
40000000000

Explanation of financial impact figure
If coal-fired power demand and coal prices continue to fall due to climate change, our company might, in the mid- to long-term, see the value of our coal mines decline or see them become impaired or stranded assets, which may lead to a decrease in trading-based revenue. We have been conducting scenario analysis since FY2018. In May 2021, we analyzed the value of assets held by our company assuming demand and price forecasts for multiple scenarios up to the year 2050, including the 1.5°C scenario and "Net Zero scenario." As a result, we confirmed that some thermal coal interest assets may deteriorate, but the impact is limited. In the event the 1.5°C scenario is realized, and all coal interests become stranded assets, maximum losses would be JPY 30 billion to JPY 40 billion.

Cost of response to risk
3002390

Description of response and explanation of cost calculation
As the global decarbonization trend accelerates, Sojitz is deepening internal discussions while listening to outside opinions through stakeholder dialogues, and on March 5th, 2021, Sojitz issued a press release on its decarbonization policy in order to hasten the decarbonization of Sojitz Group. Situation: As global warming garners more attention worldwide and the trend towards carbon neutrality accelerates, there is a need to shift away from simply using and supplying energy to doing so in an ecologically friendly manner. Amidst this transition, Sojitz faces the challenge of reducing its thermal coal assets which are liable to be impacted by this shift. Task: Initially, Sojitz established and announced a policy and strategy to reduce its thermal coal interests (approximately JPY 50 billion as of March 2019) to half or less by 2030, and not to acquire any new thermal coal interests in principle, but was faced with the issue of needing to respond to decarbonization trends in a more timely fashion. Action: To this end, Sojitz announced its decarbonization policy on March 5th, 2021, and set forth a strategic change to accelerate its reduction of thermal coal interests from half or less by 2030 to zero by 2030. Sojitz also held stakeholder dialogues to listen to outside opinions, conducted case studies in accordance with this policy, and also conducted scenario analysis. As a result of this analysis, it was determined that there is concern that some thermal coal assets held by the company may deteriorate. Result: In line with our policy of reducing our thermal coal assets, Sojitz sold its 10% stake in Moolarben Coal Mine, a thermal coal mine located in New South Wales, Australia, to a wholly owned subsidiary of project partner Yancoal Australia Ltd., for AUD 300 million in March 2020. As a result, Sojitz is making steady progress in reducing its thermal coal interests to zero by 2030. The cost of the scenario analysis in FY2021 to identify concerns about deterioration of some assets held by the company was JPY 3,002,390 (average annual salary of JPY 10,958,725 × 10 employees × 10 days). The total number of employees involved in the scenario analysis was 10, including Metals & Mineral Resources Division employees working on coal projects and Corporate Sustainability Office personnel.

Comment
News Release https://www.sojitz.com/en/news/2020/03/20200327.php

---

Identifier
Risk 2

Where in the value chain does the risk driver occur?
Direct operations

Risk type & Primary climate-related risk driver

Emerging regulation	Carbon pricing mechanisms

Primary potential financial impact
Decreased asset value or asset useful life leading to write-offs, asset impairment or early retirement of existing assets

Climate risk type mapped to traditional financial services industry risk classification
<Not Applicable>

Company-specific description
Among climate change risks, the impact of transition risks (rising carbon prices) is large, and in our portfolio, there are important power generation businesses that we expect will be directly or indirectly affected by environmental regulations related to carbon dioxide emissions. We have power generation projects in the US (such as Sojitz Birdsboro and Sojitz Kleen), Japan, Vietnam, Indonesia, Sri Lanka, Oman, Saudi Arabia, and Mexico, with the total power generated by our holdings reaching approximately 1,400 MW. We assume that in the future, climate change will cause our power generation businesses to be subject to environmental tax/carbon tax/emissions trading, increase rehabilitation costs, facilitate the spread of renewable energy and energy-saving technologies, alter countries' energy mixes and government policies, make renewable energy more price competitive, and push down the financial costs of loans and insurance. Furthermore, because of international agreements such as the Paris Agreement, Japan has set a 26% reduction target. (Breakdown: 4.1% in forest management and CFC restrictions, and 21.9% conversion from fossil fuels such as coal, natural gas, and oil to renewable energy and nuclear power plants) Sojitz's power generation business is an area that is susceptible to being impacted by carbon dioxide regulations. If the scope of environmental taxes expands due to carbon dioxide regulations and Sojitz must procure emission reduction credits on the market, Sojitz's costs will increase according to the carbon dioxide emissions of its offices, factories, and power generation facilities. These elevated costs may impact our profits.

Time horizon
Long-term

Likelihood

Likely

Magnitude of impact
High

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
5978340000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Sojitz's profits may be impacted if the scope of businesses subject to environmental tax expands, or if Sojitz is required to purchase emissions credits from the market. Our Group's total carbon dioxide emissions for FY2020 came to 1,000,000 tons (total of Scope 1 and Scope 2). In terms of the breakdown by country, 40% of emissions were in developed countries, while 60% of emissions were based in developing countries. We consider there to be a high likelihood that carbon credits will be imposed in developed countries first. In the event that we are required to purchase carbon credits for 40% of our emissions, using the unit price for carbon credits in 2025 given by the IEA World Energy Outlook's SD Scenario, costs could rise to JPY5,978,340,000 at USD 135/ton-CO2e. (1,000,000t-CO2×40%×USD 135×exchange rate110.71)

Cost of response to risk
3002390

Description of response and explanation of cost calculation
Sojitz is engaged in the power generation business as one of its core businesses. There are multiple methods of power generation including coal-fired and gas-fired power plants, but Sojitz has changed its strategy to meet the needs of the times. For example, in the past Sojitz was involved in coal-fired power generation business in China, but in recent years, companies have been required to reduce CO2 emissions as a measure to fight climate change. As a result, in consideration of business sustainability, Sojitz has changed tactics by adopting a policy of not owning any coal-fired power plants and present, nor in the future. Sojitz currently engages in gas-fired power generation in the US, the Middle East, and other regions, but we believe that scenario analysis is an essential tool in establishing our climate change strategy to ensure the sustainability of our business, and we spend money to conduct scenario analysis every year. =Case Study= Sojitz is engaged in power generation as one of our core businesses. As a trading company, power generation has relatively high CO2 emissions in our portfolio. Therefore, we have been taking measures to decarbonize our businesses, such as by setting a policy early on to not hold or undertake any new initiatives in the coal-fired power generation business. In response to rapidly advancing low-carbon and decarbonization trends worldwide, it is necessary to confirm the sustainability of our power generation businesses, which is one business area that is expected to greatly influence Sojitz Group's business activities, management strategies, and financial plans. We are performing various scenario analyses based on the assumptions of multiple scenarios for our power generation business. As a result of this scenario analysis, we were able to confirm that only a limited number of power plants are affected by carbon price and demand fluctuations, and even those affected are not expected to be financially impacted by asset degradation. As a result, we confirmed the safety of existing gas-fired power generation projects, and by making this a point of confirmation for any new projects, we are able to avoid the risk of carbon tax increases. =Cost of Analysis= The total cost of scenario analysis in FY2021 was JPY 3,002,390 (average annual salary of JPY 10,958,725 × 10 employees × 10 days).

Comment

Identifier
Risk 3

Where in the value chain does the risk driver occur?
Direct operations

Risk type & Primary climate-related risk driver

Chronic physical	Changes in precipitation patterns and extreme variability in weather patterns

Primary potential financial impact
Increased indirect (operating) costs

Climate risk type mapped to traditional financial services industry risk classification
<Not Applicable>

Company-specific description
From the perspective of physical risk, our business may be affected by water risks, such as water shortages, flood damage, and future precipitation changes due to climate change. As a general trading company, we have business bases and supply chains in more than 100 countries around the world, and we believe that our corporate activities could be significantly affected by such risks. Among the risks, in terms of water shortages, we have a paper manufacturing business in Vietnam and a mining business in Australia which may be affected by water shortages and for which water security is an important issue. Regarding flood damage, Sojitz has factories, offices, and other assets all over the world that may be impacted.

Time horizon
Medium-term

Likelihood
Unlikely

Magnitude of impact
High

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
191300000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure
The risk that could cause the greatest losses is not a water shortage, but flood damage which directly damages assets. Sojitz has factories, offices, and other assets around the world, and we have calculated that the maximum financial impact in the event of a total loss of assets from flood damage would be JPY 191.3 billion.

Cost of response to risk
3652908

Description of response and explanation of cost calculation
Various physical risks have become apparent worldwide, such as water shortages and flood damage due to climate change, and we have changed our strategy to build a company-wide system to address risk management, rather than doing so on an individual project basis. In order to understand the situation, we first confirmed the system for dealing with flood damage, etc., based on the instructions of external consultants and the Aqueduct risk management tool. S: With regards to physical risks such as flood damage, we have been confirming the risk status through environmental due diligence and other means during deliberations for each project, but recently, physical risks such as flood damage due to climate change have become more apparent worldwide. An actual incident occurred in which a Group company's fertilizer plant in Thailand suffered flood damage. T: It is therefore necessary to establish a company-wide risk management system, rather than address risk on an individual project basis. A: In order to clarify the appropriate response of all companies comprising the Group, we identified risks in terms of business-specific risks raised by external consultants and location-specific risks specified by the water risk analysis tool Aqueduct provided by the World Resources Institute. For water risks that are impacted by climate change such as flood damage, we conduct risk assessments by interviewing Group companies regarding their individual measures taken to address risks in order to verify the appropriateness of the Group's efforts to address risks. For example, according to Aqueduct, some areas in Queensland, Australia where we operate coal mines have been designated as water-stressed areas (areas subject to water shortages). We verified the status of our local subsidiary's response to the situation and confirmed that there are no problems due to the fact that the subsidiary has an agreement with the government to receive a priority supply of water. R: As a result of the risk assessments, we have confirmed that there are no problems with the measures taken by Group companies at their business sites, as well as with their response and reporting system to the head office in the event that a risk should materialize including the coal mine above-mentioned. =Management Cost Calculation Method= The annual cost of conducting water risk surveys is approximately JPY3,652,908 (average annual salary of JPY 10,958,725 × (2/12 months) × 2 employees).

Comment

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?
Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier
Opp1

Where in the value chain does the opportunity occur?
Direct operations

Opportunity type
Products and services

Primary climate-related opportunity driver
Development and/or expansion of low emission goods and services

Primary potential financial impact
Increased revenues resulting from increased demand for products and services

Company-specific description
We adopted the COP21 Paris Agreement in December 2015. Although the provisions do not contain any clear target for total CO2 emission reduction, they do state the goal of keeping the increase in global average temperature to well below 2 degree above pre-industrial levels and limit the temperature increase to 1.5 degree. In response to international decarbonization and low-carbon trends, governments of various countries are tightening CO2-related regulations, and companies are facing calls to use renewable energy. Therefore, companies will likely take steps to increase the ratio of renewable energy that they use. This will lead to more business opportunities for Sojitz's renewable energy business. Sojitz has worked for many years to accumulate relevant business expertise, such as choosing to join solar power projects overseas ahead of our competitors. In addition to Sojitz's 16 solar operating plants in all over the world (12 in Japan and 4 overseas) and 6 onshore wind power operating plants in Europe/US, we are also involved in a biomass power project in Japan, an onshore wind power project in Japan, an offshore wind power project in Taiwan and recently a new large scale solar photovoltaic project in Australia. Sojitz is using this expertise to increase the number of renewable energy-related businesses we operate around the world. In recent years, our company has continued to expand this segment laterally, growing to include not only solar/onshore wind power, but other businesses, such as an offshore wind power business.

Time horizon
Medium-term

Likelihood
Likely

Magnitude of impact
High

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
3200000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Beginning with the acquisition of a solar power plant in Germany, we are working in the renewable energy business by utilizing the knowledge cultivated through the development of 12 solar power projects in Japan, and through contributing to the environment, we are complying with the rapid global shift towards decarbonization. As demand for renewable energy is expected to increase in the future, sales are expected to rise as well. =Financial impact= The net profit of each renewable energy project company, including five Sojitz Mirai Power companies, was JPY 3.2 billion in FY2020.

Cost to realize opportunity
547936250

Strategy to realize opportunity and explanation of cost calculation
Situation: There is a need to transition to a decarbonized society in order to combat climate change. There is growing demand worldwide for a shift from thermal and nuclear power generation to renewable energy. Sojitz will use this as an opportunity to accelerate its efforts in the renewable energy business, which includes not only solar power, but also offshore wind power. Task: In order to adapt to this situation, it is necessary to accumulate high-quality operating assets to strengthen our renewable energy business, and to accumulate know-how to promote the offshore wind power business in Japan and other countries. Action: In 2019, Sojitz joined an offshore wind power generation project off the coast of Taiwan's Yunlin Prefecture, which has similar weather conditions to Japan. Sojitz has accumulated business knowhow over a long period of time, including from participation in overseas solar power projects before other trading companies. Sojitz, along with JXTG Nippon Oil & Energy Corporation, the Chugoku Electric Power Co., Inc., Chudenko Corporation, and Shikoku Electric Power Co., Inc., acquired a 27% stake in a Taiwanese offshore wind power generation company, Yunneng Wind Power Co. Ltd. (Sojitz's stake: 9.1%). This is Sojitz's first involvement in the power generation and offshore wind power business in Taiwan. Through its involvement in the Yunlin wind power project, Sojitz will accumulate know-how in everything from construction to windfarm operation, which we will then utilize for participation in future offshore wind power projects that are planned in Japan. The power plant is expected to have an output of 640,000 kilowatts and is expected to be begin operation by the end of 2021, when it is expected to become the largest offshore wind farm in Taiwan. Result: Sojitz has accumulated expertise in the offshore wind power business through this project, which will enable it to develop similar businesses in other regions. The project has also provided a foothold to accumulate high-quality operating assets to strengthen Sojitz's renewable energy business. ==Cost == Sojitz has incurred a cost of JPY 547,936,250 as personnel expenses from business division staff working on renewable energy business projects, which involve the Taiwan offshore wind power and other projects (50 employees working on renewable energy projects × average annual salary of JPY 10,958,725).

Comment

Identifier
Opp2

Where in the value chain does the opportunity occur?
Direct operations

Opportunity type
Products and services

Primary climate-related opportunity driver
Development and/or expansion of low emission goods and services

Primary potential financial impact
Increased revenues resulting from increased demand for products and services

Company-specific description
In terms of supply, the US has rapidly risen to prominence thanks to the shale gas revolution, while on the demand side, China, India, and other emerging countries in Asia are poised to lead future growth, and we predict their governments and business sectors will promote the rapid introduction of natural gas and LNG as these energy technologies are expected to support the transition to a decarbonized society due to the fact that they emit less CO2 than coal or oil. The history of Sojitz's LNG business stretches over roughly 50 years. We have built a track record since the 1970s, operating an integrated LNG business encompassing everything from gas field development to liquefaction, transport, and receiving. Through deep involvement with everything from construction to management of those projects centered on high-efficiency gas-fired power plants, we have accumulated new technologies and operations experience. We are also able to put together financing plans for these projects quickly, utilizing our worldwide network of excellent customers and government agencies and our business insight. We expect Sojitz to have even more business opportunities in the future, as demand increases for LNG-based power generation. Sojitz has already begun work on solid natural gas/LNG power generation projects in Indonesia, Sri Lanka, Bangladesh, Myanmar, Vietnam, and the US. We completed the closing of a natural gas power plant in the US and an LNG-to-Power project in Indonesia. We are developing other LNG-to-Power and natural gas power plants in Sri Lanka, Bangladesh, Myanmar, Vietnam, and the US, as well. Although the total power generation capacity of our natural gas and LNG-based generation projects has already met the Medium-Term Management Plan's target of more than 1,000 MW (including projects under construction), we plan to further expand operations through continued efforts.

Time horizon
Medium-term

Likelihood
Likely

Magnitude of impact
High

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
850000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
We have positioned gas-to-power as a core business area, as it is expected to grow into the pillar that supports increasing energy demand in emerging countries in Asia. In pursuit of greater follow-through and reproducibility for our gas-to-power businesses, we will maximize the synergy gained by merging the team which has handled our historically strong integrated LNG businesses with the team most skilled in PPP/PFI projects for gas-fired power plants. As LNG demand is expected to increase in the future, we forecast an increase in revenue. =Financial impact= The FY2020 net profit of LNG Japan Corporation, which is involved in LNG and related businesses, was JPY 1.7 billion, and the impact on Sojitz Group will be JPY 750 million based on Sojitz's stake in the company.

Cost to realize opportunity
2000000000

Strategy to realize opportunity and explanation of cost calculation
Situation: Governments and companies are expected to rapidly adopt natural gas and LNG, which have lower CO2 emissions than coal and oil, and are expected to be technologies that will support the transition period towards a decarbonized society. Task: Under these circumstances, carbon prices are expected to soar, and the challenge is to expand and strengthen the scope of our portfolio, not only in the gas power generation business using natural gas and LNG, which have higher CO2 emission efficiency, but also in peripheral businesses from upstream to downstream. Action: We successfully closed the Tangguh LNG Project in West Papua Province, Indonesia. This expansion project involves a consortium of Tangguh LNG companies, including LNG Japan Corporation, together with the operator BP (a major energy company based in the UK). With more than 15 Tcf (trillion cubic feet) of recoverable natural gas reserves in Tangguh, this project is expected to ensure a stable, long-term supply of LNG, as even 1 Tcf is enough to supply one million tons of LNG for 20 years. Result: In addition to the Tangguh LNG Terminal, in terms of recent achievements, we have already begun work on solid natural gas/LNG power generation projects in the US and SE Asian countries, and have completed closing some of them. We have also reached the closing stage for a US natural gas power generation project. In Indonesia, we have also achieved closing for the Tangguh LNG project. In this way, we will respond to the transition to a decarbonized society by actively working on gas-powered generation projects using natural gas and LNG, which have better CO2 emission efficiency. ==Cost== The cost of this Tangguh project and other LNG-related projects is about JPY 20 billion in business department personnel costs (staff members working on LNG-related projects and Total personnel expenses of affiliated subsidiaries). Supplement: We are undertaking the operation of the project through a contract with SKK Migas (the Indonesian government's Upstream Oil and Gas Special Regulatory Task Force). LNG Japan Corporation (a 50-50 joint venture between Sojitz Corporation and Sumitomo Corporation) owns a 7.35% stake in the project.

Comment

Identifier
Opp3

Where in the value chain does the opportunity occur?
Direct operations

Opportunity type
Products and services

Primary climate-related opportunity driver
Development and/or expansion of low emission goods and services

Primary potential financial impact
Increased revenues through access to new and emerging markets

Company-specific description
In response to the trend towards carbon reduction and decarbonization, governments around the world are enacting stricter CO2-related regulations, and companies are also expected to contribute to decarbonization. The logistics industry is also expected to accelerate its efforts to decarbonize, and electric delivery vehicles are one possible measure to reduce CO2 emissions. In the "Sustainability Challenge," Sojitz's long-term vision, we have set forth the challenge of realizing a decarbonized society through our business, and we believe that is essential to create new projects that are sustainable over the medium to long term while continuing our existing businesses. To this end, we have launched the "Hassojitz" (Sojitz + Ideas) Project in FY2019, in which we harness the power of ideas to realize new businesses, and young employees selected through internal recruitment are taking the lead in creating businesses for the future in 2050. In the Hassojitz Project, we have focused on the growing demand for electric vehicles (EVs) as an opportunity for the transition to a decarbonized society brought about by climate change. The first investment project that has launched as a result of the Hassojitz Project is a business alliance to support the creation of businesses using EVs, as described below. In December 2020, Sojitz entered into a capital and business alliance with ASF Co., Ltd., a start-up company which develops, manufactures, and supplies EVs and provides battery-leasing services. In June 2021, Sojitz served as lead investor in a new third-party allotment of shares to be conducted by ASF, thereby strengthening the capital relationship.

Time horizon
Medium-term

Likelihood
Likely

Magnitude of impact
High

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
35000000000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
In order to reduce CO2 emissions associated with global warming and to combat air pollution in urban areas, countries around the world are regulating plug-in hybrid vehicles (PHEVs) in addition to conventional gasoline and diesel vehicles. Especially in Europe, which has taken some of the strongest environmental measures in the world, there is a growing movement to eliminate gasoline and diesel vehicles. Gasoline vehicles are expected to be banned in major countries such as Germany, the UK, and France between 2030 and 2040, and according to a survey, EVs (including battery electric vehicles (BEVs), hybrid electric vehicles (HEVs), PHEVs, and mild hybrid electric vehicles (MHEVs)) will account for about 30% of new vehicle sales around the world in 2025, and are expected to surpass the combined market share of gasoline and diesel vehicles to capture a 51% share by 2030. ==Financial Impact== There were approximately 390,000 new light-duty freight vehicles for "last mile" transportation sold in 2020, and Sojitz is aiming to acquire a 5% share of this market in 2030, which is expected to result in sales totaling JPY 35 billion.

Cost to realize opportunity
32876175

Strategy to realize opportunity and explanation of cost calculation
S:In response to the trend toward decarbonization and carbon reduction, companies are called on to reduce their CO2 emissions. In addition to Scope 1 and 2 emissions, it is necessary to accelerate the reduction of Scope 3, which is CO2 emissions from supply chains. T:In the "Sustainability Challenge," Sojitz's long-term vision, we have set a goal of achieving decarbonization by 2050, and our goal in the medium in long term is to create new businesses that are sustainable while working to achieve a decarbonized society. A:In FY2019, Sojitz launched the "Hassojitz" (Sojitz + Ideas) project, in which we harness the power of ideas to realize new businesses, and young employees selected through internal recruitment are taking the lead in creating businesses for the future in 2050. In the Hassojitz Project, we have focused on the growing

demand for electric vehicles (EVs) as an opportunity for the transition to a decarbonized society brought about by climate change. R:After consideration, in December 2020, Sojitz entered into a capital and business alliance with ASF Co., Ltd., a start-up company which develops, manufactures, and supplies EVs and provides battery-leasing services. In June 2021, Sojitz served as lead investor in a new third-party allotment of shares to be conducted by ASF, thereby strengthening the capital relationship. Sojitz will also promote “Green EV Infrastructure” business (EV infrastructure business using clean electricity produced from renewable energy). In June 2020, ASF signed a basic agreement with XX Co., Ltd., a major Japanese delivery company, to start joint development of small EVs (test vehicles), and has been pursuing joint development and demonstration tests of small commercial EVs specifically for logistics companies. Through third-party allotment of new shares, ASF will begin full-scale development of commercial EVs geared towards mass production. XX Co., Ltd. Is expected to start deliveries using EVs developed by ASF in September 2022, and if it replaces all its vehicles with EVs, XX Co., Ltd.’s overall CO2 emissions are expected to decrease by 10% over FY2019. ==Costs of bringing this opportunity to fruition== 15 employees involved in the Hassojitz Project who worked on this EV business project × average annual salary of JPY 10,958,725 = JPY 32,876,175.

Comment

C3. Business Strategy

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization’s strategy and/or financial planning?

Yes, and we have developed a low-carbon transition plan

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

Absolute target

C4.1a

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

Target reference number
Abs 1

Year target was set
2021

Target coverage
Business activity

Scope(s) (or Scope 3 category)
Scope 1+2 (location-based)

Base year
2018

Covered emissions in base year (metric tons CO2e)
736069

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)
100

Target year
2030

Targeted reduction from base year (%)
60

Covered emissions in target year (metric tons CO2e) [auto-calculated]
294427.6

Covered emissions in reporting year (metric tons CO2e)
799227

% of target achieved [auto-calculated]
-14.300742638711

Target status in reporting year
New

Is this a science-based target?
Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

Target ambition
1.5°C aligned

Please explain (including target coverage)
In terms of science-based targets (SBT), while an annual reduction in thermal coal assets of 2.5% or more is necessary to achieve the “well below 2℃” scenario, Sojitz has set its goal to reduce thermal coal assets to zero by 2050, with 2018 as the benchmark year. Sojitz aims to reduce assets by 3.125% annually over this 32-year period, exceeding SBT standards. The increase in our emissions between FY2018 and this reporting year is primarily due to an increase in our overall production volume.

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?
Other climate-related target(s)

C4.2b

(C4.2b) Provide details of any other climate-related targets, including methane reduction targets.

Target reference number
Oth 1

Year target was set
2021

Target coverage
Company-wide

Target type: absolute or intensity
Absolute

Target type: category & Metric (target numerator if reporting an intensity target)

Fossil fuel reduction target	Other, please specify (We reduce thermal coal interests to half or less by 2025 and zero by 2030.)

Target denominator (intensity targets only)
<Not Applicable>

Base year
2018

Figure or percentage in base year
100

Target year
2030

Figure or percentage in target year
0

Figure or percentage in reporting year
40

% of target achieved [auto-calculated]
60

Target status in reporting year
New

Is this target part of an emissions target?
No. The above emission targets are for Scope 1 and 2, and this target is for Scope 3.

Is this target part of an overarching initiative?
No, it's not part of an overarching initiative

Please explain (including target coverage)
Using 2018 as the base year, reduce thermal coal interest assets to half or less by 2025 and to zero by 2030. Target deadline moved to earlier date from the previously announced goal of thermal coal interests to half of less by 2030.

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.
Yes

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Initiative category & Initiative type

Low-carbon energy generation	Solar PV

Estimated annual CO2e savings (metric tonnes CO2e)
1.96

Scope(s)
Scope 2 (location-based)

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
50362

Investment required (unit currency – as specified in C0.4)
0

Payback period
No payback

Estimated lifetime of the initiative
1-2 years

Comment
Our consolidated subsidiary produces renewable energy.

C5. Emissions methodology

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.
Japan Ministry of the Environment, Law Concerning the Promotion of the Measures to Cope with Global Warming, Superceded by Revision of the Act on Promotion of Global Warming Countermeasures (2005 Amendment)
The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)
705806.515

Start date
<Not Applicable>

End date
<Not Applicable>

Comment

C6.2

(C6.2) Describe your organization's approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based
We are reporting a Scope 2, location-based figure

Scope 2, market-based
We have operations where we are able to access electricity supplier emission factors or residual emissions factors, but are unable to report a Scope 2, market-based figure

Comment

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?

Reporting year

Scope 2, location-based
206283.172

Scope 2, market-based (if applicable)
<Not Applicable>

Start date
<Not Applicable>

End date
<Not Applicable>

Comment

C6.5

(C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status
Relevant, calculated

Metric tonnes CO2e
21184.181

Emissions calculation methodology
Amount of paper used in FY2020 (pages A4): 9,374,000 Total weight: 9,374,000 x 4g (weight of one page A4) =37,496,000g Specific consumption coefficient used: CFP Standards Database Ver.101 B-JP309005 – printing-grade uncoated paper (raw material acquisition-> pulping -> papermaking -> drying -> packaging): 1.77kg/CO2 e-kg 37,496kg ÷ 1.77 =21,184t-CO2e

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
We calcurated the figure above by ourselves.

Capital goods

Evaluation status
Relevant, calculated

Metric tonnes CO2e
5609.76

Emissions calculation methodology
Specific consumption coefficient used: SC-DB Ver. 3.0 Table 6/Emissions per price of capital goods 24-000 real estate Emissions per price of capital goods: 3.77t-CO2eq/JPY 1 million Amount spent acquiring new domestic buildings: JPY 1,488 million x 3.77t-CO2 = 5,609.760t-CO2

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
We calcurated the figure above by ourselves.

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status
Relevant, calculated

Metric tonnes CO2e
177

Emissions calculation methodology
Sojitz's non-consolidated electricity use for FY2020: 2,598,718kWh Specific consumption coefficient used: SC-DB Ver. 3.0 Table 7/Emissions per unit of fuel purchased – electricity 0.0682kgCO2E/kWh 2,598,718kWh x 0.0682 = 177t-CO2

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
We calcurated the figure above by ourselves.

Upstream transportation and distribution

Evaluation status
Relevant, calculated

Metric tonnes CO2e
5540

Emissions calculation methodology
Total CO2 emissions attributable to logistics and distribution in FY2020:9,847 t-CO2 Our company transportation upstream and downstream ratio is 6:4. 9,847t-CO2×60%=5,540t-CO2

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
We calcurated the figure above by ourselves.

Waste generated in operations

Evaluation status
Relevant, calculated

Metric tonnes CO2e
4.187

Emissions calculation methodology
Amount of general industrial waste (FY2020): 110.480t Specific consumption coefficient used: CFP Standards Database Ver. 101 B-JP309005-incineration (general waste) (including landfill management and leachate treatment) 0.0379kg/CO2e-kg 110,480 x 0.0379 = 4,187kg-CO2 =4.187t-CO2

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
We calcurated the figure above by ourselves.

Business travel

Evaluation status
Relevant, calculated

Metric tonnes CO2e
33

Emissions calculation methodology
CO2 Emissions Resulting from BusinessTrips Overseas:33t-CO2 *As described in our third-party assessment

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
We calcurated the figure above by ourselves.

Employee commuting

Evaluation status
Relevant, calculated

Metric tonnes CO2e
722.222

Emissions calculation methodology
"※Emission factors used To calculate emission factors, we use emission units from the ""Emissions Unit Values for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain,"" published by the Ministry of Economy, Trade, and Industry and the Ministry of the Environment. Bus：25,790,650yen Train：324,055,250yen (25,790,650×0.00471085811938121)+(324,055,250×0.00185377701736778)=722,222.268kg =722t-CO2"

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
We calcurated the figure above by ourselves.

Upstream leased assets

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
The emissions in this category is not applicable because Sojitz does not have upstream leased assets.

Downstream transportation and distribution

Evaluation status
Relevant, calculated

Metric tonnes CO2e
4307

Emissions calculation methodology
Total CO2 emissions attributable to logistics and distribution in FY2020:9,847 t-CO2 Our company transportation upstream and downstream ratio is 6:4. 9,847t-CO2×40%=4,307t-CO2

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
We calcurated the figure above by ourselves.

Processing of sold products

Evaluation status
Relevant, calculated

Metric tonnes CO2e
887510

Emissions calculation methodology
Sojitz's woodchip sales volume in FY2020: 887,510 tons CO2 emissions factor: 8,315t of CO2 emissions from paper manufacturing processes / 5,847,000 tons of woodchip input = 0.001422097 (The coefficient is calculated based on the raw materials and CO2 emissions from manufacturing listed on the website of a major Japanese paper manufacturer.)

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
We calcurated the figure above by ourselves.

Use of sold products

Evaluation status
Relevant, calculated

Metric tonnes CO2e
37050000

Emissions calculation methodology
当社石炭炭鉱権益にて保有する一般炭を取引先で使用した場合に発生するCO2 = 年間販売量15,000,000トン×排出係数2.47* *2.47=(emission factor for thermal coal2.33 + coking coal 2.61) /2

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
We calcurated the figure above by ourselves.

End of life treatment of sold products

Evaluation status
Relevant, calculated

Metric tonnes CO2e
505

Emissions calculation methodology
66,260 cars x 0.847t (scrap produced in disposing of one car) x 0.009tCO2e/t = 505t

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
We calcurated the figure above by ourselves.

Downstream leased assets

Evaluation status
Relevant, calculated

Metric tonnes CO2e
15762.21

Emissions calculation methodology
82,959m2 (rental business facility) x 0.190t-CO2/m2 x 1 year =15,762.21t-CO2

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
We calcurated the figure above by ourselves.

Franchises

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
We do not have any franchises.

Other (upstream)

Evaluation status

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain

Other (downstream)

Evaluation status

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure
5.692e-7

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
912089.69

Metric denominator
unit total revenue

Metric denominator: Unit total
1602485000000

Scope 2 figure used
Location-based

% change from previous year
4

Direction of change
Decreased

Reason for change
While sales increased in the Foods & Agriculture Business Division, which has low CO2 emissions, overall CO2 emissions decreased due to lower sales and reduced thermal power plant operations in the Chemicals Division, which has high CO2 emissions. In addition, company-wide efforts were made to reduce CO2 emissions.

C7. Emissions breakdowns

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?
Decreased

C8. Energy

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	Yes
Consumption of purchased or acquired steam	Yes
Consumption of purchased or acquired cooling	Yes
Generation of electricity, heat, steam, or cooling	Yes

C8.2a

(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	Unable to confirm heating value	0	3274864	3274864
Consumption of purchased or acquired electricity	<Not Applicable>	569	730012	730581
Consumption of purchased or acquired heat	<Not Applicable>	0	1243	1243
Consumption of purchased or acquired steam	<Not Applicable>	0	326718	326718
Consumption of purchased or acquired cooling	<Not Applicable>	0	2	2
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	12	<Not Applicable>	12
Total energy consumption	<Not Applicable>	581	4332838	4333420

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?

Yes, our customers

Yes, other partners in the value chain

C15. Signoff

C-FI

(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	Masayoshi Fujimoto (President , CEO)	Chief Executive Officer (CEO)

Submit your response

In which language are you submitting your response?

English

Please confirm below

I have read and accept the applicable Terms