

August 28, 2006

Sojitz Cororation

Sojitz to Enter Into Emission Trading Business

Promotion of Business to Reduce Greenhouse Gas Emissions through Methane Collection Jointly with Leading Chinese Coal Company

Sojitz Corporation has reached an agreement with Yankuang Guizhou Nenghua Co. (Guizhou Province), which is under the umbrella of leading Chinese coal company YANKUANG GROUP CO (Shandong Province), and which has been a business partner of Sojitz for 20 years, to cooperate in the areas of export and sales of coal produced from a Guizhou Province coal mine that is being developed by Yankuang Guizhou Nenghua Co., and to promote a joint study concerning the businesses of the comprehensive utilization of methane gas emitted by the mine and the Clean Development Mechanism (CDM).

Yankuang Guizhou Nenghua Co., in collaboration with a local power company and others in Guizhou Province, has undertaken the development of multiple coal mines and the development of power plant business. The subject coal mine consists of nine mine lots and has total coal reserves of about 7 billion tons, with an annual production capacity of about 18 million tons. Production has already started in one mine lot, and is scheduled to be undertaken at a total of four mine lots at the mine (annual production capacity of about 5 million tons) by July 2008.

A high level of methane gas lies trapped in the coal seams of the subject mine. The total amount of methane gas emitted from the nine mine lots, which are subject to development, is estimated to be about 306 million m³ a year (average 838,000 m³ a day). Such amount is equivalent to about 600,000 tons per year in terms of carbon dioxide levels.

Based on the agreement reached, Sojitz and Yankuang Guizhou Nenghua Co. will examine methane gas safety measures (explosion/suffocation), which methane gas is to be produced from the coal mine, consider ways to make effective use of methane

gas such as for in-house power generation, which power will be used for coal production. The two companies will also undertake a joint study on methane collection methods. The companies will establish a joint venture within the year 2006 in order to promote the comprehensive utilization of methane gas and the CDM business, and will thus enter into the emission trading business.

Emission Trading is a mechanism that is used to achieve the targets set by the Kyoto Protocol for reducing the emissions of greenhouse gases such as carbon dioxide and methane gas. Through the subject business, the Sojitz group will set as its goal to achieve a CO₂ reduction of about 600,000 tons per year by 2012, and will also bear a part in the export and sale of the coal to be produced from the subject coal mine.

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