

Disclosure Based on TCFD Recommendations

MITSUI & CO., LTD.

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This material contains statements (including figures) regarding Mitsui's corporate strategies, objectives, and views of future developments that are forward-looking in nature and are not simply reiterations of historical facts. You should be aware that a number of known or unknown risks, uncertainties and other factors could lead to outcomes that differ materially from those presented in such forward-looking statements. These risks, uncertainties and other factors referred to above include, but are not limited to, those contained in Mitsui's latest Annual Securities Report and Quarterly Securities Report, and Mitsui undertakes no obligation to publicly update or revise any forward-looking statements. These statements are presented to inform stakeholders of the views of Mitsui's management but should not be relied on solely in making investment and other decisions. Mitsui cannot be held liable for any damages arising as a result of use of this material.

Disclosure Based on TCFD Recommendations

Disclosure Policy

In December 2018, Mitsui declared its support for the Task Force on Climate-related Financial Disclosures (TCFD). In accordance with the recommendations of the TCFD and as a responsible company operating globally, we actively promote information disclosure with an awareness of stakeholder demands.

Governance

Governance System for Climate Change Response

We have positioned addressing climate change as a key management issue. Basic management policy, business activities, and corporate policies and strategies that concern climate change are planned developed, and advised on by the Sustainability Committee, an organization under the Corporate Management Committee.

The Sustainability Committee is structured so that its activities are appropriately supervised by the Board of Directors, and matters discussed by the Sustainability Committee are regularly discussed and reported to the Corporate Management Committee and the Board of Directors. During the fiscal year ended March 31, 2023, agenda items related to the Company's response to climate change were discussed and reported on at Board of Directors meetings, including sustainability promotion results and plans, the evaluation method for executive compensation, and the medium-term management plan. In addition, board members, including directors, auditors, and external directors, held free discussions on the theme of climate change response, creating a forum for active discussion on the topic.



Sustainability Committee

Officer in Charge	Makoto Sato (Representative Director, Senior Executive Managing Officer, Chief Strategy Officer (CSO), Chairperson of the Sustainability Committee)
Administrative Office	Corporate Sustainability Div., Corporate Planning & Strategy Div.

Climate Change-Related Discussions

There were 14 major climate change-related discussions by the Sustainability Committee over the past three years.

FY Mar/2021	FY Mar/2022	FY Mar/2023
<ul style="list-style-type: none"> • Discussion on establishment of GHG-related targets • Discussion on climate change scenario analyses • Report on investigations into GHG emissions • Progress reports and discussions on the progress of initiatives such as the internal carbon pricing system and building of a GHG emissions database 	<ul style="list-style-type: none"> • Free discussion and report on roadmap for achieving long-term GHG targets • Report on development of GHG reduction contribution calculation tools • Free discussion on introduction of ESG assessment in executive remuneration • Report on climate change/ review of internal systems and policies, and deliberations on future response policy, including internal carbon pricing 	<ul style="list-style-type: none"> • Report on Expanding Climate Change Disclosures under the TCFD • Deliberations on ESG-linked Officers' Remuneration/Climate Change Assessment Items • Report on External Environment and the Challenges Facing Mitsui & Co. in Relation to Climate • Report on Progress with Scope 3 and Scenario Analyses • Report on Materials of the Investor Day "Path to Green Transformation" presentation • Free Discussion and Deliberations on Update and Further Utilization of Internal Carbon Pricing

Sustainability Advisory Board

We have established the Sustainability Advisory Board (formerly the Environmental and Societal Advisory Committee), a group comprising external experts in societal and environmental topics such as climate change. The Sustainability Committee uses information and advice from Sustainability Advisory Board members in their deliberations. In fiscal year ended March 2023, the Committee held a meeting to discuss climate change initiatives.

Please refer to the links below for more information on Mitsui's Sustainability Management Framework and the activities of the Sustainability Committee.

[Our Approach to Sustainability: Sustainability Governance and Oversight](#)

[Our Approach to Sustainability: Sustainability Committee](#)

[Our Approach to Sustainability: Sustainability Advisory Board](#)

Reflecting Climate Change Responses in the Executive Remuneration Plan

The company decided to introduce a new performance-linked restricted stock remuneration plan from the fiscal year ended March 2023, which was approved at the Ordinary General Meeting of Shareholders on June 22, 2022. The remuneration plan has been introduced to incentivize the company to fulfill our social responsibilities and to continuously improve our medium-to long-term performance and corporate value. As one of the management evaluation indicators, ESG elements, including our response to climate change are included. For more information, please see "4. Corporate Information, 4. Corporate Governance, (4) Remuneration of Directors and Audit & Supervisory Board Members" in the Annual Securities Report for the fiscal year ended March 31, 2022.

[Annual Securities Report for the fiscal year ended March 31, 2023 \(PDF 9.48MB\)](#)

Strategy

Scenario Analysis Policy and Process

Since declaring our support for the TCFD recommendations in December 2018, we have been engaged in a step-by-step scenario analysis process to enhance the resilience of our strategy by responding flexibly to changes in the global business environment. Traditionally, business units have analyzed risks, countermeasures, quantitative impact, etc. for their selected businesses and discussed them at the Sustainability Committee; however, in response to its growing importance, we have integrated scenario analysis into the formulation process for the business plan starting the fiscal year ending March 31, 2023. By incorporating scenario analysis into the business planning process, which is approved by the Board of Directors after reporting and deliberation by the Corporate Management Committee, the results of scenario analysis are confirmed and deliberated by management and reflected in the business plan and business portfolio strategy.

Selected Scenarios

We are conducting scenario analysis in short- (0-1 year), medium- (1-10 years), and long-term (10-30 years) timeframes up to the year 2050. We conduct scenario analysis of transition risks*¹ and opportunities with reference to the scenarios set out in the World Energy Outlook (WEO) published by the (International Energy Agency) IEA. In addition, with reference to the RCP (Representative Concentration Pathway) used by the IPCC (Intergovernmental Panel on Climate Change), Mitsui has conducted analysis of investment assets above a certain value by surveying the impact of physical risks*² based on natural disasters that have occurred over the last five years.

*1 "Transition risks" refer to risks caused by changes in policy/legal regulations, technology development, market trends, market evaluation, etc.

*2 "Physical risks" refer to the risk of physical damage caused by increases in natural disasters and abnormal weather arising from climate change.

- IEA Stated Policies Scenario (STEPS): Scenario that reflects the current policy targets of each country
- IEA Announced Pledges Scenario (APS): Scenario that assumes all of the government's announced pledges are implemented
- IEA Net Zero Emissions by 2050 Scenario (NZE): Scenario for achieving the goal of limiting global warming to less than 1.5°C compared to pre-Industrial Revolution level
- IPCC RCP 8.5 scenario: Scenario in which the world's average temperature rises by around 4.0°C by 2100

Major Risks and Opportunities Associated with Climate Change

Mitsui is engaged in a wide range of business in countries and regions around the world, and we view the diverse risks and opportunities presented by climate change as important factors that we must consider when formulating our business strategies. We are identifying the short-, mid-, and long-term risks and opportunities that accompany climate change, and we review them periodically. We also review each segment in response to changes in the macroenvironment and trends, and adjustments in our business portfolio, along with other changes in the internal and external environment, and reflect them in our business strategy in a timely manner.

Transition Risks	Policy and Legal Risks	<ul style="list-style-type: none"> • Shift to the use of decarbonized energy due to various national and regional policies (changes in energy and power mix) • Government-imposed restrictions on greenhouse gas emissions, with carbon taxes and cap-and-trade emissions-credit schemes
	Technology Risks	<ul style="list-style-type: none"> • Changes in supply and demand in markets for existing commodities and services or the obsolescence of existing production equipment and facilities accompanying the introduction of new technologies geared toward climate change or the development and dissemination of alternative products
	Market Risks	<ul style="list-style-type: none"> • Changes in demand for fossil fuel-related products and services and deterioration in value of Mitsui's ownership interests • Fund procurement risks due to the adoption of decarbonization policies by financial institutions and insurance companies
Physical Risks	Acute Risks	<ul style="list-style-type: none"> • Interruption of the operations of project companies in Australia and the United States, etc., due to cyclones and hurricanes
	Chronic Risks	<ul style="list-style-type: none"> • Impact of global warming on agricultural and marine products or impediments to operations accompanying rising sea levels

Further, for each of our segments we have analyzed the internal and external environment and identified risks and opportunities.

Segment	Risks	Opportunities
Mineral & Metal Resources	<ul style="list-style-type: none"> • Decrease in demand for raw materials (iron ore, metallurgical coal) due to increase in Electrical Arc Furnace usage in anticipation of efforts to reduce GHG • Increase in the cost of environmental measures and carbon taxes • Increase in the difficulty for obtaining environmental permits 	<ul style="list-style-type: none"> • Expansion of recycling businesses in response to circular economy • Increase in demand for raw materials for secondary batteries, copper, and aluminum accompanying the spread of vehicle electrification
Energy	<ul style="list-style-type: none"> • Decrease in demand for fossil fuel • Increase in the cost of environmental measures 	<ul style="list-style-type: none"> • Expansion of market for LNG and gas businesses that have a relatively low environmental impact • Expansion of CCS/CCUS* business • Expansion of market for biofuel, hydrogen/ammonia fuel, and other next-generation energy • Expansion of business for Energy Solutions Business, including emissions credits and energy management businesses
Machinery & Infrastructure	<ul style="list-style-type: none"> • Change in the social conditions surrounding coal-fired thermal power businesses • Change in the supply and demand of existing businesses accompanying the creation of new technologies and new markets • Impact of geopolitical risks and extreme weather on cargo transportation volumes 	<ul style="list-style-type: none"> • Development of renewable energy generation businesses • Increase in demand for power trading and grid stabilization services that help address rising power system volatility • Circular economy and Expansion of ZEV (Zero Emission Vehicle) business • Expansion of business related to the shipping business using next-generation fuels
Chemicals	<ul style="list-style-type: none"> • Change in demand for fossil fuel-derived chemicals • Change in industrial structures due to strengthening of environmental restrictions 	<ul style="list-style-type: none"> • Expansion of recycling business in anticipation of a recycling-based society • Increase in demand for biochemicals and energy-saving materials • Increase in demand for forests as a source of absorption and emission credit businesses

Segment	Risks	Opportunities
Iron & Steel Products	<ul style="list-style-type: none"> Decrease in demand for materials and drilling equipment for the energy sector 	<ul style="list-style-type: none"> Reform of steel production, processing and supply chains responding to decarbonized society Increase in demand for maintenance businesses to contribute to extending life of infrastructure Increase in demand for lighter vehicles and highly efficient motors accompanying spread of electric vehicles
Lifestyle	<ul style="list-style-type: none"> Change in food-producing regions accompanying global warming, etc. Impact on supply chains of extreme weather 	<ul style="list-style-type: none"> Rising need for securing food resources and securing stable food supplies
Innovation & Corporate Development	<ul style="list-style-type: none"> Reduction hedging demand for fossil fuel-related commodities 	<ul style="list-style-type: none"> Increase in demand for asset management business targeting natural capital and energy transition assets Increase in hedging demand for commodity trading contributing to a sustainable society

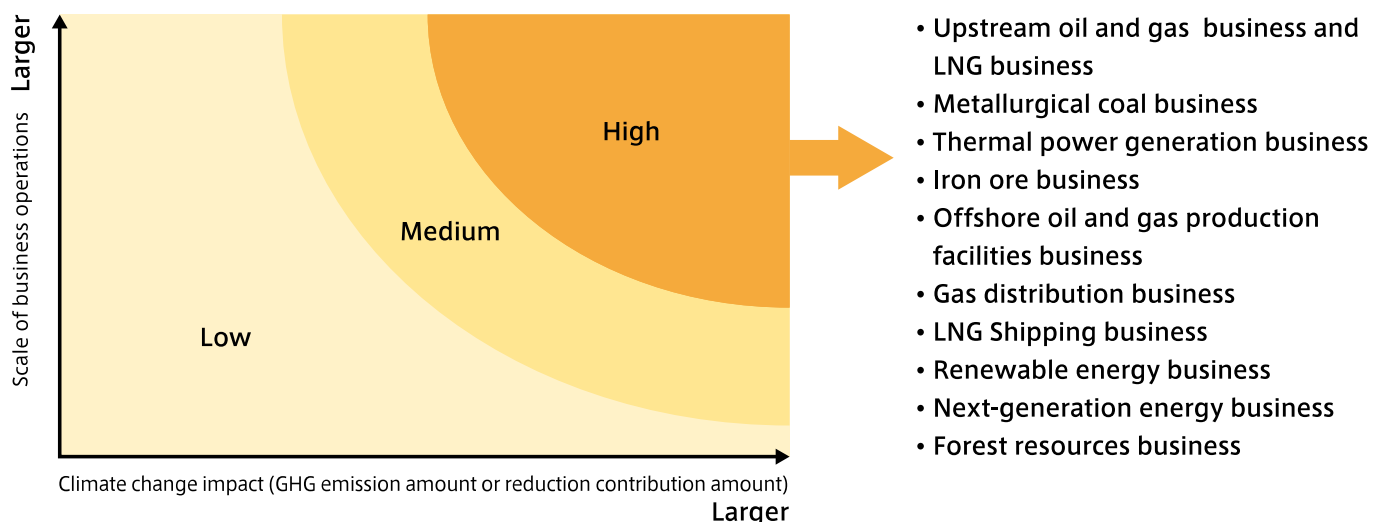
* CCS = Carbon Capture and Storage; CCUS = Carbon Capture, Utilization and Storage

Transition Risk Assessments

We use multiple climate change scenarios for the selected business to assess the impact of transition risks on financial planning and business strategies, and use the results to investigate necessary countermeasures.

Selection of Business for Scenario Analyses

In consideration of scale of business operations and climate change impact, upon categorizing business as "high", "medium" or "low" priority, we have selected "high" priority business as targets for scenario analyses.



Results of Scenario Analysis

The results of scenario analysis for the ten businesses selected for this study are shown below. The scenarios referred to in the scenario analysis are organized into Current and Transition Scenarios as follows.

- **Current Scenario:** A scenario in which current climate related initiatives of each country are maintained, demand (mainly in emerging countries) for fossil fuels and other resources that emit GHGs remains to a certain extent, and business practices which could impact climate change continue (STEPS, etc.).
- **Transition Scenario:** A scenario in which there is a slowdown in demand for fossil fuels and other resources that emit GHGs, and a rapid increase in demand for renewable energy and other resources, as a result of the international development of advanced initiatives and systems to address climate change as well as a shift towards energy conservation and electrification driven by widespread decarbonization and technological innovation (APS, NZE, etc.).

The impact of the Current Scenario and the Transition Scenarios on the selected businesses from the present day to 2050 is shown in the following three levels. In addition, for the Upstream Oil and Gas Business and LNG Business, Metallurgical Coal Business, and Thermal Power Generation Business, which we have judged to be particularly important in terms of scale of business operations and climate change impact, we have analyzed the impact on net income for the fiscal years ending March 2030, 2040, and 2050 and presented them in three levels based on our assumed base case, taking into account our understanding of the business environment and various scenarios. The analysis is based on internal carbon pricing, and pricing is set with reference to definitions and prices published by external organizations such as the IEA, taking into account factors such as the country/region of the subject assets, and time frame. The 2°C scenario is equivalent to approximately \$1-\$200/ton for developed countries and approximately \$0-\$200/ton for other regions over the period to 2050. For the 1.5°C scenario, prices are generally \$1-\$250/ton for developed countries and \$0-\$200/ton for other regions.

Impacts on the Selected Businesses



: Positive impact on business



: No change or slight impact on business



: Negative impact on business

Quantitative Impact on the Selected Businesses

Large: -USD300 million or more

Medium: -USD100million or more but less than -USD300 million

Small: -less than USD100 million

Upstream Oil and Gas Business and LNG Business

Awareness of Business Environment Under Each Scenario	Impact on Businesses Based on Awareness of Business Environment			Countermeasures
<p>Current Scenario (STEPS, etc.) Growth in oil demand is expected to gradually slow, with demand peaking in the mid-2030s and then leveling off toward 2050. Demand for natural gas is expected to grow steadily for the power and industrial sectors in emerging Asian countries, centered on China and India.</p> <p>Transition Scenario (2°C equivalent/APS, etc.) Oil demand is expected to decline by half through to 2050 amid progress towards decarbonization, mainly through electrification of the transportation sector in developed countries. Natural gas demand is expected to remain firm for the next 5 to 10 years as a substitute for coal-fired power generation. By 2050, however, demand is expected to decline to about two-thirds, centered on the power generation sector, due to the spread of renewable energies. Meanwhile, new demand for hydrogen feedstock and other applications is expected to grow over the long term.</p> <p>Transition Scenario (1.5°C /NZE, etc.) Although global demand for natural gas is expected to gradually decline after 2025 and halve between 2030 and 2050, its importance as a raw material for hydrogen is expected to rise together with the global trend toward decarbonization. Meanwhile, oil demand is expected to decline sharply after 2030, falling to about a quarter of current demand by 2050.</p>	<p>Current Scenario (STEPS, etc.)</p> 	<p>Transition Scenario (2°C equivalent/APS, etc.)</p> 	<p>Transition Scenario (1.5°C /NZE, etc.)</p> 	<p>In our Energy segment, we are promoting continued efforts in the energy supply business, focusing on gas and LNG businesses with relatively low GHG emissions for the purpose of providing a stable supply base for sustainable growth around the world. Accordingly, in order to enhance our risk tolerance to sudden changes in supply and demand trends, we will continue to work on improving asset value, including strengthening the competitiveness of existing business assets, reducing GHG emissions, and decarbonization initiatives, while considering the global energy and geopolitical situation.</p> <p>Particularly for new projects, we will carefully select highly competitive projects, taking into account potential future carbon costs including policy changes and the introduction of carbon taxes in each country, and build a well-balanced portfolio of business assets, including implementing timely asset recycling. While contributing to the low-carbon and decarbonization of the entire value chain, we will continue to work on upstream development of natural gas, which is a transition energy and can be used as a feedstock for next-generation fuels, and to increase our liquefaction capacity. Utilizing our upstream business knowhow, and while paying attention to technological development trends and regulatory reforms in each country, we aim to realize the early commercialization of our CCS/CCUS business and geothermal business, along with our hydrogen and ammonia business, leveraging our gas upstream assets and our existing customer network.</p>
<p>While faced with the dual challenge of needing to expand quantity and improve quality, renewable energy will steadily expand, and fossil fuels will remain indispensable as a primary energy source for the time being. Although oil demand is expected to peak and then remain flat or decline in all scenarios, the impact is limited due to the expected increase in the ratio of gas production in our overall crude oil and gas equity production in the future. Natural gas is an important transition energy source with relatively low environmental impact and a realistic solution to meet growing demand while addressing climate change challenges. Although we expect strong demand for LNG/natural gas particularly in Asia in the medium term under both Transition Scenarios, there is a risk that the value of upstream assets will be impacted if demand declines under the Transition Scenario (1.5°C). Therefore, ongoing verification and monitoring of demand trends and their impact on our business is necessary.</p>				

Impact on net income and assumptions in Transition Scenarios					
2°C equivalent/APS, etc.			1.5°C/NZE, etc.		
FY Mar/2030 Small	FY Mar/2040 Small	FY Mar/2050 Small	FY Mar/2030 Large	FY Mar/2040 Large	FY Mar/2050 Medium

In our analysis of the Transition Scenarios in the Upstream Oil and Gas Business and LNG Business, we assume that the supply-demand balance will be reflected in commodity prices over the medium to long term due to the highly marketable nature of the commodities, and we analyze our assets with reference to the IEA World Energy Outlook (APS scenario/NZE scenario) and other market outlooks, with a focus on the downward resilience of our assets to commodity prices.

In this analysis, we assume that we will continue to hold our assets until the end of production, since the main purpose of this analysis is to assess the impact on our existing business.

Metallurgical Coal Business

Awareness of Business Environment Under Each Scenario	Impact on Businesses Based on Awareness of Business Environment			Countermeasures
<p>Current Scenario (STEPS, etc.) In developed countries, demand is expected to gradually decline from the 2030s against a backdrop of declining crude steel production and lower blast furnace ratios due to utilization of ferrous scrap, while demand in India and Southeast Asia is expected to grow from the late 2020s onward due to addition of blast furnaces in the region. Global demand for metallurgical coal is expected to increase moderately from current levels through to 2050. The supply of metallurgical coal is expected to remain flat over the medium to long term as increases in new projects and other factors will be offset by the termination of existing mines, resulting in a tightening of the supply-demand balance.</p> <p>Transition Scenario (2°C : SDS, etc.) Demand for metallurgical coal is expected to remain flat over the medium to long term and remain at current levels in 2050, due to further acceleration in the use of ferrous scrap and alternative raw materials in developed countries, as also expected in the Current Scenario.</p>	<p>Current Scenario (STEPS, etc.)</p> <p>➔</p>	<p>Transition Scenario (2°C equivalent/APS, etc.)</p> <p>➘</p>	<p>Transition Scenario (1.5°C/NZE, etc.)</p> <p>➘</p>	<p>As demand for metallurgical coal is expected to remain strong over the medium to long term, we will strive to improve the quality of our assets while maintaining stable supplies to customers. We will closely monitor changes in the external environment, and strengthen our efforts such as utilizing the methane gas produced and shifting to alternative fuels and raw materials, with a view to realize a decarbonized society together with our business partners.</p>
	<p>Under the Current Scenario, demand for metallurgical coal is expected to remain flat or increase slightly, and the competitiveness of our assets will be maintained, and therefore business profitability is expected to remain strong.</p> <p>Under the Transition Scenarios (2°C equivalent/APS, etc., 1.5°C/NZE, etc.), new projects and expansion plans are expected to slow down on the supply side in response to declining demand, resulting in a decline in the volume of supplied. Although our assets will remain competitive, there is expected to be an increase in costs relating to the introduction of emission reduction technology, environmental compliance, and financing.</p> <p>Continuous close attention must be paid to the business impact that these costs have on metallurgical coal prices, along with the business impact of policies and policy trends in each country.</p> <p>Additionally, we are no longer adding to our assets that only produce thermal coal.</p>			

On the supply side, countries are stepping up their efforts to address climate change, making it more difficult to obtain development permits and financing for new projects or expansion plans. As a result, supply is expected to decrease, and the supply-demand balance may become even tighter.

Transition Scenario (1.5°C /NZE, etc.)
 Greater demand for decarbonization is expected to drive a shift towards more efficient steel use, and both crude steel production and metallurgical coal demand are expected to decline further compared to the other scenarios.
 New projects or expansion plans may be more difficult to implement under the Transition Scenario (1.5°C), resulting in a decline in supply and a further tightening of the supply-demand balance.

Impact on net income and assumptions in Transition Scenarios

2°C equivalent/APS, etc.			1.5°C /NZE, etc.		
FY Mar/2030 Large	FY Mar/2040 Small	FY Mar/2050 Small	FY Mar/2030 Large	FY Mar/2040 Small	FY Mar/2050 Small

In our analysis of the Transition Scenarios in the Metallurgical Coal Business, supply, demand, and commodity prices of steelmaking raw materials are analyzed with reference to the IEA World Energy Outlook (APS scenario/NZE scenario) and other outlooks, as well as trends toward carbon neutrality by consumers. The carbon cost of GHG emissions from the business is also taken into account. Since the main purpose of this analysis is to determine the impact on the existing business, it is assumed that the existing business will continue to be held until the end of mining operations.

Thermal Power Generation Business




Awareness of Business Environment Under Each Scenario	Impact on Businesses Based on Awareness of Business Environment			Countermeasures
<p>Current Scenario (STEPS, etc.) Fossil fuel-based power generation will gradually decline over the long term, particularly in developed countries. Meanwhile, demand for new power plants is expected to continue in the medium term in some emerging countries where electricity demand will continue to grow and where renewable energy alone is not sufficient to meet supply needs.</p> <p>Transition Scenario (2°C equivalent/APS, etc.) Fossil fuel-based power generation is expected to decline at a faster rate in the medium to long term than under the Current Scenario, particularly in developed countries. Although developed countries are shifting to renewable energy sources, a certain amount of coal-fired power generation demand is expected in emerging countries even as late as 2050. In addition, demand for gas-fired power generation as a transition energy source is expected to continue over the medium to long term in both developed and emerging countries.</p> <p>Transition Scenario (1.5°C /NZE, etc.) Electricity demand is expected to increase significantly in the medium to long term against the backdrop of rapid progress in decarbonization trends, with demand increasing by 50% in 2050 compared to the Current Scenario. Compared to the 2°C equivalent/APS, etc. scenario, fossil fuel-based electricity generation is expected to decline at a faster rate, and by 2050, power plants with decarbonization facilities such as CCUS will become mainstream. The share of renewable energy is expected to further increase, with renewable energy, mainly wind and solar, supplying the majority of electricity demand.</p>	<p>Current Scenario (STEPS, etc.)</p> 	<p>Transition Scenario (2°C equivalent/APS, etc.)</p> 	<p>Transition Scenario (1.5°C /NZE, etc.)</p> 	<p>Amid the global trend towards low carbon and decarbonization, we will work to transform our power generation portfolio and improve quality in accordance with changes in the environment. Specifically, we intend to reduce our coal-fired thermal power footprint from our power generation capacity over the medium to long term, while increasing the ratio of renewable energy in our power generation portfolio, including hydroelectric power, to over 30% by 2030, and continue with the transformation of our power generation portfolio as necessary to achieve net zero by 2050.</p> <p>In addition, as a responsible power producer, we will continue to examine ways to improve the efficiency of our existing thermal power assets, including utilizing CCUS, ammonia co-firing, and other technologies.</p> <p>We will consider new gas-fired power projects, taking into account the need for gas-fired power as a transition energy source in accordance with each scenario, as well as potential future carbon costs the power supply mix, and electricity demand outlook for each region.</p>
<p>The impact of changes in the external environment on our existing business is limited, as most of our power asset portfolio is based on long-term power purchase agreements—in which consideration is paid for the generation capacity rather than for generated volume. However, under the Transition Scenarios, the global trend towards decarbonization will rapidly accelerate, which may affect the business viability of some assets after power purchase agreements expire, and therefore ongoing verification and monitoring of stranded asset risks is required.</p>				

Impact on net income and assumptions in Transition Scenarios




2°C equivalent/APS, etc.			1.5°C/NZE, etc.		
FY Mar/2030 Small	FY Mar/2040 Small	FY Mar/2050 Small	FY Mar/2030 Small	FY Mar/2040 Small	FY Mar/2050 Small

In analyzing the Transition Risk Scenarios, we calculate the impact by assuming that carbon costs will be passed on to off-takers in accordance with the PPA provisions during the terms of long-term power purchase agreements (PPA), and that we will review our holding policy for assets that remain in the red after the PPA ends and carbon costs are reflected. In addition, the sale of some assets based on the recycling strategy for thermal power generation assets is also factored into the analysis.




Iron Ore Business

Awareness of Business Environment Under Each Scenario	Impact on Businesses Based on Awareness of Business Environment			Countermeasures
<p>Current Scenario (STEPS, etc.) Although crude steel production in China, the world's largest producer, is expected to decline in the future, this is expected to be offset by increased production in India and Southeast Asia. We predict that global crude steel production will remain steady over the medium to long term.</p> <p>Transition Scenario (2°C : SDS, etc.) With higher rates of use of electric furnaces, and an increase in production of direct-reduced iron, which mainly uses high-grade ore, we expect an increase in demand for high-grade ore, and a corresponding increase in premiums and discounts for high-grade iron ore/low-grade iron ore.</p> <p>Transition Scenario (1.5°C/NZE, etc.) In response to the growing demand for a shift to low carbon, the use of scrap iron and direct-reduced iron is expected to further expand, and crude steel production itself is expected to decrease due to more efficient steel use. Iron ore demand is expected to decrease compared to the Transition Scenario (2°C equivalent/APS, etc.).</p>	<p>Current Scenario (STEPS, etc.)</p> 	<p>Transition Scenario (2°C equivalent/APS, etc.)</p> 	<p>Transition Scenario (1.5°C/NZE, etc.)</p> 	<p>For the foreseeable future, we will work to strengthen the competitiveness of our assets while providing stable iron ore supplies to customers, and continue to closely monitor the rate at which electric furnace production methods spread as a means of low-carbon and decarbonization in the steel industry, and the speed of change regarding new steelmaking technologies. In addition, we will strengthen efforts towards realizing a decarbonized society together with our business partners, while closely monitoring changes in the external environment.</p>
	<p>Although crude steel production is expected to be affected by a peak-out in China in the mid-2020s, India and Southeast Asia are expected to offset the decline in China. Crude steel production and iron ore demand are expected to remain steady over the medium to long term under both the Current and Transition Scenario (2°C equivalent/APS, etc.). Under the Transition Scenario (1.5°C/NZE, etc.), iron ore demand is expected to decline relative to other scenarios. The Transition Scenario (2°C equivalent/APS, etc.) incorporates an increase in premiums and discounts for high-grade and low-grade ore, but the impact on overall earnings will be limited. A similar trend is expected under the Transition Scenario (1.5°C/NZE, etc.), however downward pressure on iron ore prices and profitability is expected due to lower demand. The business impact of policies and policy trends in each country will need to be continuously examined.</p>			




Offshore Oil and Gas Production Facilities Business

Awareness of Business Environment Under Each Scenario	Impact on Businesses Based on Awareness of Business Environment			Countermeasures
<p>Current Scenario (STEPS, etc.) Demand for new production facilities will decline over the medium to long term in line with a slowdown in oil demand growth; however, the timeline of this will differ by region.</p> <p>Transition Scenario (2°C : SDS, etc.) Oil demand will decline earlier than under the Current Scenario due to the promotion of electrification in developed countries, dropping by half through to 2050. As a result, demand for new production facilities is expected to decline faster than under the Current Scenario.</p> <p>Transition Scenario (1.5°C /NZE, etc.) Oil demand is expected to decline sharply after 2030, and fall to about a quarter of the current level by 2050. With the rapid decline in demand, crude oil prices are expected to fall to about half by 2030 and one-quarter by 2050, compared to the Current Scenario. As a result, demand for new production facilities is expected to decline more than under the Transition Scenario (2°C equivalent/APS, etc.).</p>	<p>Current Scenario (STEPS, etc.)</p> 	<p>Transition Scenario (2°C equivalent/APS, etc.)</p> 	<p>Transition Scenario (1.5°C /NZE, etc.)</p> 	<p>Considering the scenario of declining demand in the medium to long term, we will work to transform our businesses into a field where we can utilize the expertise we have accumulated from our existing business (e.g., floating offshore wind power).</p>
<p>Many of our projects related to offshore oil and gas production facilities, such as FPSO facilities and drillships, that continue beyond 2030, are based on committed long-term use by customers under long-term contracts. Therefore, the impact of the Current and Transition Scenarios on existing businesses is expected to be limited. However, under the Transition Scenario (1.5°C /NZE, etc.), a significant decline in oil demand and oil prices beyond 2030 may impact the continuity of production activities of energy companies, and will require continuous verification and monitoring of the impact on business.</p>				

Gas Distribution Business

Awareness of Business Environment Under Each Scenario	Impact on Businesses Based on Awareness of Business Environment			Countermeasures
<p>Current Scenario (STEPS, etc.) Natural gas demand is expected to increase steadily in line with rising gas demand in emerging countries.</p> <p>Transition Scenario (2°C : SDS, etc.) Natural gas demand is expected to remain firm for the next 5-10 years due to its use as a substitute for coal-fired power generation, however through to 2050, demand is expected to fall to about two-thirds, with the majority of this reduction in the power generation sector, due to the spread of renewable energy. In emerging countries, gas demand is expected to increase, but grow at a slower pace than under the Current Scenario.</p> <p>Transition Scenario (1.5°C /NZE, etc.) Global natural gas demand is expected to gradually decline after 2025 and halve from 2030 to 2050. Oil demand is also expected to decline sharply after 2030, falling to about a quarter of current demand by 2050.</p>	<p>Current Scenario (STEPS, etc.)</p> 	<p>Transition Scenario (2°C equivalent/APS, etc.)</p> 	<p>Transition Scenario (1.5°C /NZE, etc.)</p> 	<p>We will continue to work on improving asset value, including decarbonization initiatives such as biogas utilization and GHG emissions reduction. For new projects, we are working in consideration of potential future carbon costs.</p>
<p>Our gas distribution businesses located in emerging countries are granted exclusive long term concession rights in each of the concession areas. Under the Current and Transition Scenarios (2°C equivalent/APS), in which gas demand in emerging countries is expected to increase in the medium to long term, the impact on existing businesses is expected to be limited. Under the Transition Scenario (1.5°C /NZE, etc.), demand for gas is expected to decline in emerging countries due to a decrease in associated gas production resulting from a decline in oil production, and a rapid increase in the share of renewable energy in the power generation sector, potentially impacting business revenues due to lower gas distribution volumes.</p>				




LNG Shipping Business

Awareness of Business Environment Under Each Scenario	Impact on Businesses Based on Awareness of Business Environment			Countermeasures
<p>Current Scenario (STEPS, etc.) Demand for natural gas is expected to grow steadily over the long term for use in the power and industrial sectors in emerging Asian countries, and therefore, demand for operation of ships for natural gas is expected to increase.</p> <p>Transition Scenario (2°C : SDS, etc.) Demand for natural gas is expected to continue in the medium to long term as a substitute for coal-fired thermal power generation, and demand for operation of ships is expected to increase through to 2050.</p> <p>Transition Scenario (1.5°C /NZE, etc.) Natural gas demand is expected to decline after the mid-2020s due to global decarbonization, and demand for ship operations is expected to decline through to 2050.</p>	<p>Current Scenario (STEPS, etc.)</p> 	<p>Transition Scenario (2°C equivalent/ APS, etc.)</p> 	<p>Transition Scenario (1.5°C /NZE, etc.)</p> 	<p>With consideration for medium- and long-term supply and demand and price trends, we will strive to maintain and improve the profitability of individual businesses, as well as working to ensure stable and streamlined operations, and at the same time identify and capture growth opportunities in new businesses including next-generation fuel tankers and new fuel carriers.</p>
<p>In the LNG shipping business, most of the recent projects have secured earnings based on long-term contracts. Therefore, in all scenarios, the impact on the Company's earnings will be limited in the near term. However, under the Transition Scenario (1.5°C /NZE, etc.), there is a risk that the value of assets will be impacted after the end of long-term chartering, as demand is expected to decline toward 2050, and the impact on our business requires close monitoring.</p>				

Renewable Energy Business

Awareness of Business Environment Under Each Scenario	Impact on Businesses Based on Awareness of Business Environment			Countermeasures
<p>Current Scenario (STEPS, etc.) Demand is expected to increase substantially over the medium to long term in response to low carbon and decarbonization trends and energy security.</p> <p>Transition Scenario (2°C : SDS, etc.) Demand is expected to increase substantially at a faster rate than in the Current Scenario. Electrification and other factors, especially in developed countries such as the U.S. and Australia, will drive demand growth, and by 2050 the majority of electricity demand is expected to be met by renewable energy sources.</p> <p>Transition Scenario (1.5°C /NZE, etc.) Rapid progress in the global low carbon and decarbonization trend is expected to drive the spread of electrification, and electricity demand will rise significantly in the medium to long term, increasing by 50% in 2050 compared to the Current Scenario. The share of renewable energy is expected to further increase compared to the Transition Scenario (2°C equivalent/APS, etc.), with the majority of electricity demand expected to come from renewable energy sources, mainly wind and solar, by 2050. Continued large-scale investments will be required for the promotion of renewable energy, and demand is also expected to increase for power grid reinforcement, storage batteries, demand response, etc., to ensure the stability of power networks in each region.</p>	<p>Current Scenario (STEPS, etc.)</p> 	<p>Transition Scenario (2°C equivalent/APS, etc.)</p> 	<p>Transition Scenario (1.5°C /NZE, etc.)</p> 	<p>In line with the global trend towards decarbonization, we will work to transform and improve the quality of our power generation asset portfolio in response to the changing environment. Specifically, in order to raise the ratio of renewable energy in our power generation portfolio to over 30% by 2030, we will engage in large-scale renewable energy projects including solar power, onshore wind power, and offshore wind power, as well as local production for local consumption type distributed renewable energy projects, to meet local demand.</p> <p>In addition, in view of the potential for intensified competition among operators, we will aim to capture added value by establishing a renewable energy business cluster, leveraging our comprehensive strengths to engage in peripheral fields including the production and sale of green hydrogen, ammonia, and methanol using renewable energy, clean energy sales, EV infrastructure, and offshore wind power infrastructure.</p>

Next-Generation Energy Business

Awareness of Business Environment Under Each Scenario	Impact on Businesses Based on Awareness of Business Environment			Countermeasures
<p>Current Scenario (STEPS, etc.) Demand for biofuels and other next-generation energy is expected to continue to grow strongly over the medium to long term, mainly as a replacement for liquid fossil fuels.</p> <p>Transition Scenario (2°C : SDS, etc.) Demand for biofuels is expected to grow rapidly in the medium term, and while the growth rate will slow over the long term, demand for biofuels for aviation and marine transportation is expected to continue to expand. Hydrogen and fuel ammonia are expected to grow, replacing natural gas in the medium to long term.</p> <p>Transition Scenario (1.5°C /NZE, etc.) Demand for biofuels will grow more than the Transition Scenario (2°C) in the medium term, but will then plateau. However, demand for aviation and shipping applications is expected to grow steadily over the medium to long term. Under the Transition Scenario (1.5°C / NZE, etc.), hydrogen and fuel ammonia demand is expected to grow much faster than under the Transition Scenario (2°C equivalent/APS, etc.) through to 2050.</p>	<p>Current Scenario (STEPS, etc.)</p> 	<p>Transition Scenario (2°C equivalent/ APS, etc.)</p> 	<p>Transition Scenario (1.5°C /NZE, etc.)</p> 	<p>In the biofuel business, which is expected to be the center of demand in the medium term, we are working to expand our business leveraging the technology and expertise of our existing investees, after assessing the potential environmental impact. In addition, we are moving forward with initiatives in hydrogen and fuel ammonia, geothermal power generation projects, and other areas, which we view as realistic solutions for realizing a decarbonized society, and we expect to be in great demand in the long term. While these areas are expected to become next-generation alternative energy sources, further technological innovation is necessary for full-scale expansion. Accordingly, we have formed a specialized in-house team and are accelerating these efforts.</p>

Forest Resources Business

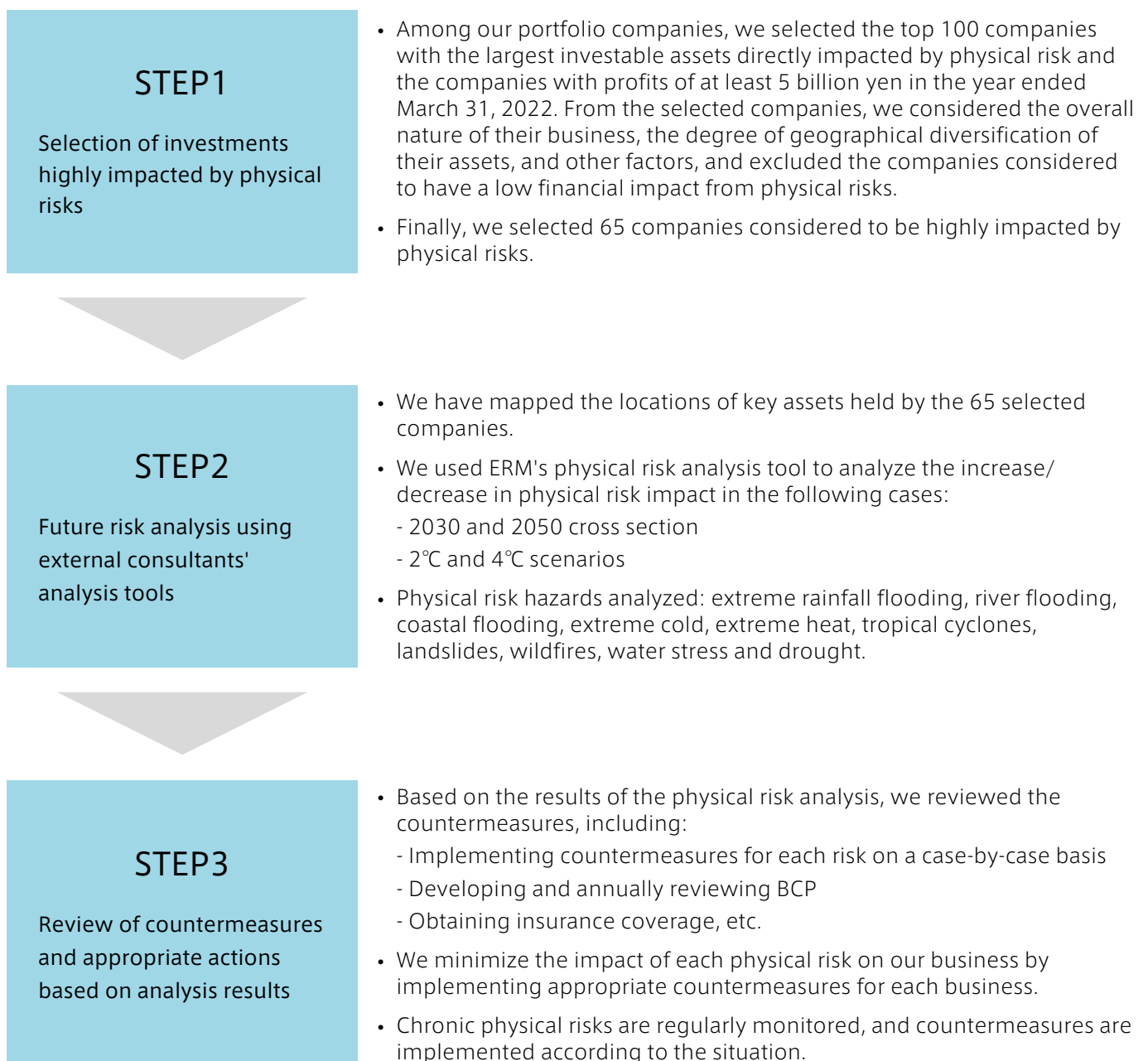
Awareness of Business Environment Under Each Scenario	Impact on Businesses Based on Awareness of Business Environment			Countermeasures
<p>Current Scenario (STEPS, etc.) Demand for forest resources (timber, woodchips, etc.) is expected to grow steadily in line with global population growth, and expansion in housing and paper markets in emerging countries, especially in Asia. Additionally, the value of forest resources, mainly plantation timber, is expected to increase due to the tightening of natural forest protection policies and logging regulations in each country.</p> <p>Transition Scenario (2°C : SDS, etc.) As in the Current Scenario, demand for forest resources such as woodchips, which are used as a raw material for housing materials and paper, is expected to increase steadily. In addition, heightened interest in the CO2 absorption capabilities of forest resources and their characteristics as renewable natural materials is expected to result in growth in the market for forest-based emission credits, an increase in the price of emission credits, and an expansion of the market for high value-added wood-derived products such as bio-chemicals.</p> <p>Transition Scenario (1.5°C /NZE, etc.) Carbon prices in developed countries are expected to increase by a factor of 1.5 compared to the Transition Scenario (2°C equivalent/APS, etc.), as CO2 emission reduction initiatives are strengthened, and the market for forest-based emission credits is expected to expand, emission credit prices are expected to rise, and the market for wood-based high-value-added products such as bio-chemicals is expected to expand.</p>	<p>Current Scenario (STEPS, etc.)</p> 	<p>Transition Scenario (2°C equivalent/APS, etc.)</p> 	<p>Transition Scenario (1.5°C /NZE, etc.)</p> 	<p>We will expand our forest resources business by accumulating assets based on profitability and risk to serve as a foundation for the creation of environmental value and industrial solutions to social issues. We will aim to maximize the value of forest resources not only by expanding paper and housing applications and emission credit creation, but also by developing new needs for timber materials.</p>
<p>Under the Current Scenario, an increase in demand is expected for forest resources, especially timber, as renewable and natural materials that contribute to climate change response. Under the Transition Scenario, demand for emissions trading is expected to increase and the price of emission credits is expected to rise, and biochemicals derived from forest resources are expected to be effectively utilized, which we expect will boost profitability.</p>				

Physical Risk Assessments

We operate a wide range of businesses in various countries and regions, which may be affected by the manifestation of physical risks if climate change causes an increase in extreme weather events.

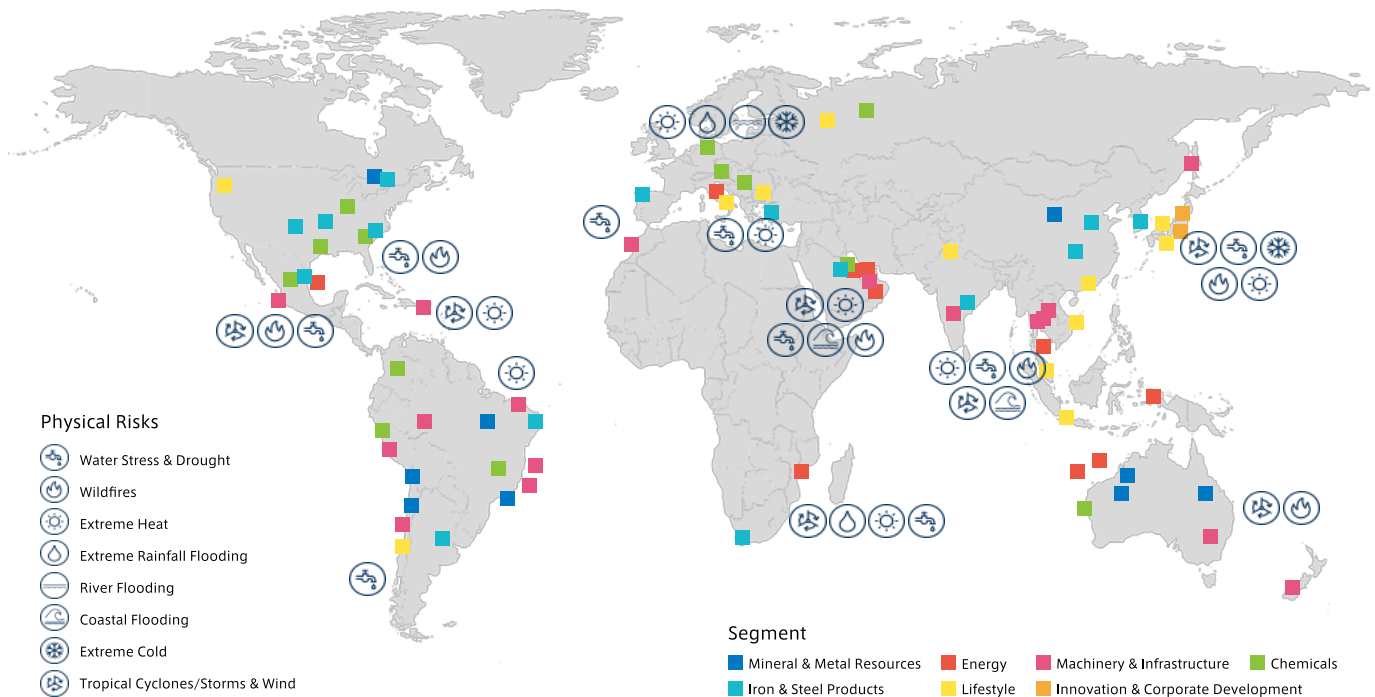
Accordingly, when we invest in new businesses, in order to ensure appropriate risk management, we conduct physical risk analysis while taking advice from outside experts as necessary. We also review the effectiveness of countermeasures onsite at each business after making an investment.

In the event that physical risks materialize, while placing the highest priority on protecting human lives, we have established crisis management policies for business continuity that take into consideration coexistence with local communities. We have also taken measures to mitigate and adapt to risks, such as obtaining insurance coverage, securing multiple suppliers, enhancing our facilities. We will continue to assess the adequacy of our risk management measures on a regular basis. To review the appropriateness of our current risk response, we utilized an analysis tool developed by ERM, an environmental consulting firm, to analyze the impact of physical risks on our portfolio companies in the future, as follows.



Analysis Results

The location of the main assets of the selected investments and the physical risks of the 4°C scenario in 2030 are as follows.



Summary of Major Physical Risks Affecting the Company under the 4°C Scenario, and Measures to Address Them

The results of our analysis indicate that the four physical risk hazards that will have a particularly significant impact on the Company in 2030 and 2050 under the 4°C scenario are extreme heat, wildfires, water stress & drought, and tropical cyclones. The number of companies at high risk of extreme heat will be approximately 80% of the 65 companies analyzed in 2050. With regard to risk of wildfire and water stress/drought, nearly half of the companies analyzed will be at high risk in 2050, and the number of companies at high risk of wildfires will approximately double. Many companies are currently at high risk of tropical cyclones, and although there will only be a small increase in the number of companies at high risk, there is concern that the frequency and magnitude of their occurrence will make damage more severe. A summary of each physical risk hazard and the measures to address them are shown below, with the risk level determined by the number of companies at high physical risk.

■ 4 companies or less ■ 5-14 companies ■ 15-24 companies ■ 25-34 companies ■ 35 companies or more

	Risk level			Risk overview	Countermeasures
	Current	2030	2050		
Extreme heat	■	■	■	<ul style="list-style-type: none"> • Increased risk of prolonged periods of extreme heat over any given year. • Increased risk of adverse effects of heat on employee health and safety, reduced labor productivity, and increased operating costs due to damage to equipment. 	<ul style="list-style-type: none"> • Implementation of revisions to working methods during periods of extreme heat, such as working earlier in the morning. • Installation of more efficient cooling systems. • Regular equipment inspections.
Wildfires	■	■	■	<ul style="list-style-type: none"> • Increased risk of contract default due to disruption of logistics network, damage to facilities, or reputational risks as a result of wildfires. 	<ul style="list-style-type: none"> • Formulation of emergency response plans. • Consideration and securing of alternative transportation routes. • Implementation of facility protection measures, such as burying treated water pipes and using flame retardant paint.
Water stress & drought	■	■	■	<ul style="list-style-type: none"> • Risk of increased water stress and water use restrictions in some areas. • Risk of higher water procurement costs from reduced productivity and alternative water sourcing if water use is restricted. 	<ul style="list-style-type: none"> • Formulation of water management strategies. • Establishment of water collection and storage facilities. • Consideration and securing of alternative transportation routes for water procurement.
Tropical cyclones	■	■	■	<ul style="list-style-type: none"> • In areas where tropical cyclones are currently frequent, there is a risk that they will become larger and occur even more frequently. • Risk of damage to infrastructure facilities caused by wind storms, and reduced revenues due to production stoppages caused by hazardous working conditions. 	<ul style="list-style-type: none"> • Surveying of facility systems for durability against high winds. • Ensuring backup power supplies. • Securing a location to evacuate equipment prone to coming loose in high winds. • Fixing of plywood over windows to protect them from damage caused by high winds.

	Risk level			Risk overview	Countermeasures
	Current	2030	2050		
Flooding	■	■	■	<ul style="list-style-type: none"> Increased risk of damage from flooding along coastal and river areas from heavy rains and rising sea levels due to greater depth of inundation. Specifically, revenue damage due to damage to facilities, contract default risk due to production delays and supply delays caused by the severance of supply and raw material procurement routes, and associated reputational risks. 	<ul style="list-style-type: none"> Installation of flood diversion barriers and other measures to protect manufacturing sites from flooding. Ensuring alternative modes of transportation. Training for on-site personnel and development of flood-specific evacuation plans. Establishment of weather forecast monitoring systems and early warning systems for flooding.

Risk Management

We identify company-wide material risks across organizational boundaries and implement a wide range of initiatives to hedge and control risks. For this purpose, Mitsui has established an integrated risk management system that centrally manages company-wide risks, through the Portfolio Management Committee under the Corporate Management Committee. Under the integrated risk management system, the Corporate Staff Divisions, which act as the secretariat, manage risks from a company-wide perspective. Material risks we assume include those related to the environment, society and governance, such as risks from climate change, compliance, and infectious disease, disasters, terrorism, etc. We position risks regarding climate change (physical and transition) in particular as second in importance only to business investment, geopolitical, and country risks and are taking corresponding measures. For details of our risk management structure, please refer to the following page.

[Risk Management](#)

For Mitsui & Co., which operates in countries and regions around the world, the policies of each country and region related to climate change have a significant impact on the profitability and sustainability of each of our businesses. We use the climate-change scenarios published by the IEA and other organizations when we analyze scenarios involving businesses that have significant impacts, to gain an understanding of business impacts both in terms of risk and opportunity, and when considering investment projects, M&A, and other business decisions, we determine business priorities and take these scenarios into account.

In conducting business, we have put in place a system to ensure that utmost consideration is given to the environment and society in projects at all stages, including at the launch of a new business, during operations, and even at the time of withdrawal from the business. Our Sustainability Committee discusses response policies and measures regarding environmental and social risks (including climate-change risk), then reports to the Corporate Management Committee and the Board of Directors, which then applies them following approval.

Metrics & Targets

GHG Reduction Targets

1. Scope 1 and 2, and Scope 3 Category 15 (Investments) of the Company and its consolidated subsidiaries (including un-incorporated joint ventures):
Formulating Mitsui's goal to achieve net-zero emissions as our Vision for 2050, and aiming to reduce GHG impact by 2030 to half of what it was in the fiscal year ended March 2020, as the path to achieve the above goal.
2. Scope 1 and 2 of the Company and its consolidated subsidiaries:
Halving GHG emissions by 2030 compared to the fiscal year ended March 2020.
3. The ratio of renewable energy in our power generation portfolio:
Raising the ratio of renewable energy to over 30% by 2030, to achieve our goal of halving our GHG impact by 2030.

Results

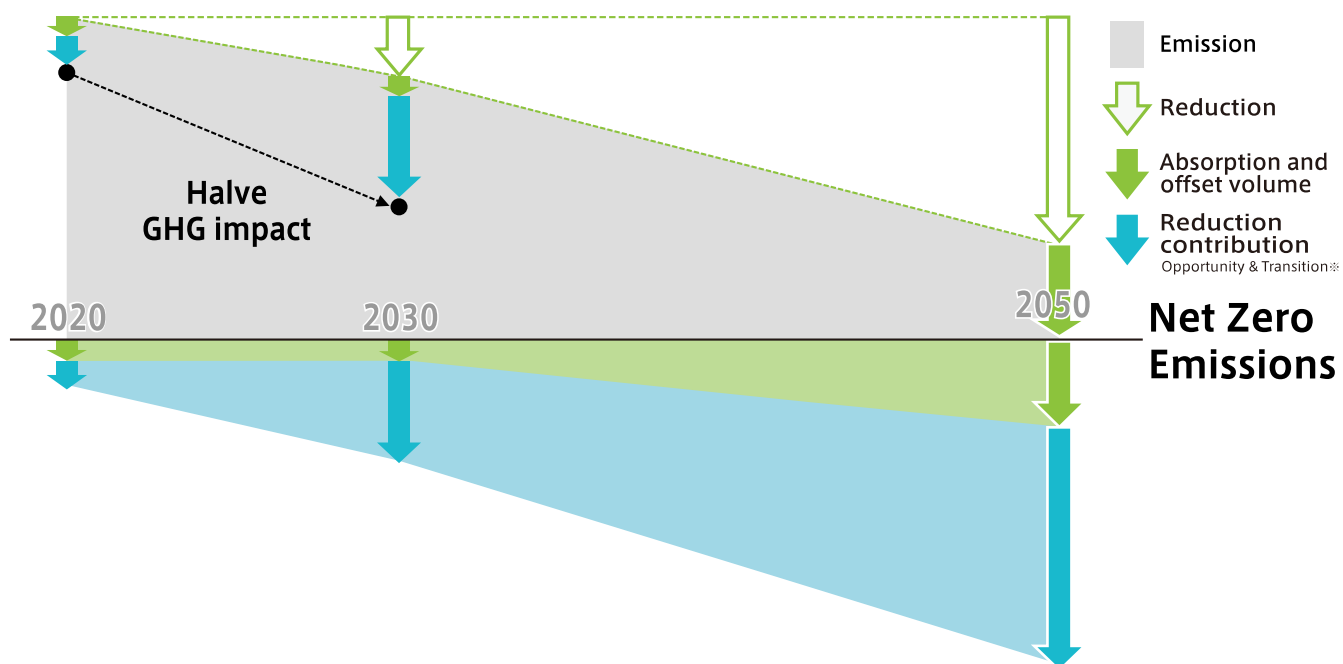
(Unit: Million t-CO₂e)

Targets (Metrics)	Scope	FY Mar/2020 (Base year)	FY Mar/2021	FY Mar/2022	FY Mar/2023	
1. Halve GHG (GHG impact)	Scope1/ Scope2/ Scope3 Category 15 (Investment)	34	37	38	34	
	Breakdown	GHG Emissions:	36	39	40	37
		Reduction contribution and absorption amount:	2	2	2	3
2. Halve GHG (GHG emissions)	Scope1/Scope2 of the Company and its consolidated subsidiaries (excluding un-incorporated JVs*)	0.8	0.6	0.6	0.6	
3. Increase ratio of renewable energy	Renewable energy as a percentage of total power generation capacity in our portfolio	14%	15%	15%	23%	

Breakdown of GHG Emissions by Business

(Unit: Million t-CO2e)

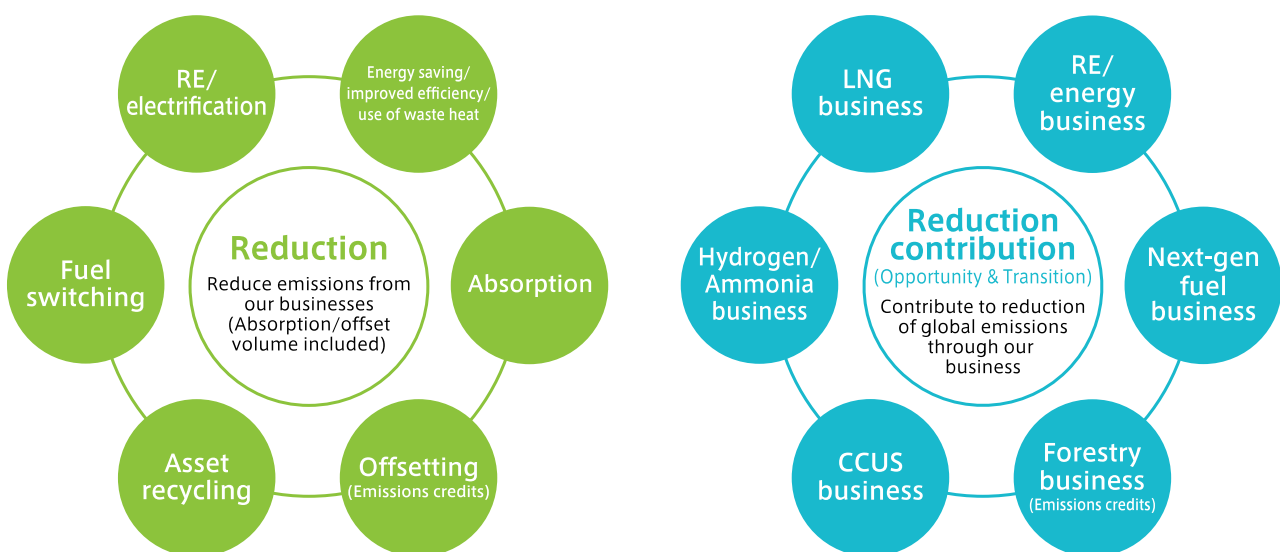
		FY Mar/2020 (Base year)	FY Mar/2021	FY Mar/2022	FY Mar/2023
Scope1+2	The Company and its consolidated subsidiaries	0.8	0.6	0.6	0.6
	Un-incorporated JVs	3	4	4	3
	Sub-total	4	4	4	3
Scope3 Category 15 (Investment)	Power generation	19	21	22	20
	Metal resources	8	8	8	7
	Energy	3	3	3	3
	Other	2	3	3	4
	Sub-total	32	35	36	34
Total		36	39	40	37



GHG impact refers to the amount of our emissions minus the amount of absorption and offset and the GHG emission reduction contribution amount we achieved through our business activities. We not only focus on reducing our own emissions, but also on contributing to the transition to a decarbonized society through our business activities. Going forward, we will accelerate our company-wide initiatives by setting specific goals, including our reduction contribution amount.

Net zero emissions in 2050 means to reduce our emissions to effectively zero by subtracting only the amount of absorption and offset from our emissions. The reduction contribution amount is not included in the 2050 target figures, though we will continue to actively contribute to GHG emissions reductions for society as a whole through our business.

We promote emission reduction (Reduction) and reduction contribution (Opportunity & Transition) in a variety of ways, taking advantage of the cross-industrial business structure that only a sogo shosha can offer.



Reduction Contribution/Absorption Amount

The Reduction contribution amount is a quantification from a life cycle assessment perspective of the amount of GHG emissions (Scope 1 and Scope 2) by third parties that were reduced and avoided by providing products and services that contribute to the reduction of GHG emissions in society through our business, compared to the amount that would have been emitted if existing products and services had been provided (baseline). The GHG emissions reduction contribution amount is calculated with reference to the guidelines of the WBCSD (World Business Council for Sustainable Development) and the Japan LCA Society, etc. However, since there are no unified calculation rules at this time, we will continue to review the calculation method and disclosure as appropriate, based on international discussions and industry trends. The actual result for FY Mar/2023 is 2,702 thousand tons in total (including Absorption Amount). The breakdown and calculation formula are as follows.

In calculating the reduction contribution amount, we use actual results and publicly available information to the extent possible, but in cases where it is difficult to obtain such information, we make our own assumptions and establish scenarios to the extent reasonable for our calculations.

Reduction Contribution Amount

Evaluation Target	FY Mar/2023	Baseline	Formula
Renewable Energy	2,163 thousand tons	Average energy mix of each country	<ul style="list-style-type: none"> Annual power generation (MWh) x emission factor (tCO₂e/MWh) x our investment ratio (%) Only the reduction contribution from the operation phase, which accounts for the majority of emissions, is calculated. Emission factors are based on GHG Protocol and International Energy Agency (IEA) Emissions Factors, etc. Assets in operation that have been sold to third parties after we invested in and developed them are also included in the actual results, as we consider them to be our contribution to the reduction. This accounts for 116 thousand tons of the actual results for FY Mar/2023
Emission Credits	284 thousand tons	Before project implementation	<ul style="list-style-type: none"> Annual emission credits generated* (tCO₂e) x our investment ratio (%) * Annual emission credits include emission credits sold to third parties. Emission credits used to offset our own GHG emissions are not included. * Includes the amount of emission credits generated through forestry projects (including those expected to be certified).
Next Generation Fuels	10 thousand tons	Before project implementation	<ul style="list-style-type: none"> {(GHG emissions over the life cycle of fossil fuels, etc., of which consumption is reduced by our next-generation fuel supply (tCO₂e)) - (GHG emissions over the life cycle of our next-generation fuel business (tCO₂e))} x our investment ratio (%) In cases where there is no significant difference from the life-cycle comparison or it is difficult to obtain a reasonable basis for calculation, the reduction contribution is calculated only for the fuel consumption stage for simplicity.

Absorption Amount

Evaluation Target	FY Mar/2023	Baseline	Formula
Forests	245 thousand tons	Before project implementation	<ul style="list-style-type: none"> Annual amount of CO₂ absorbed (tCO₂) x our investment ratio (%) We calculate the CO₂ absorbed by our forestry projects. Emission credits created through forestry projects are calculated as emission credits for the amount of reduction contribution.

Internal Carbon Pricing System

At Mitsui, we introduced the internal carbon pricing system in April 2020 for the purpose of improving the medium to long-term resilience of businesses emitting large volumes of GHG, and to encourage the development of projects that are effective at reducing our, and society's, GHG emissions. Regarding new business projects, in projects with potential risks or opportunities from GHG regulations, etc., we have added analysis of the potential impact of a 2°C and 1.5°C scenario to the project screening factors, as well as the adequacy of countermeasures in the event these risks are realized. We are also using the internal carbon pricing system to assess risks in existing projects. The pricing is based on definitions and prices published by the IEA and other external organizations, taking into account the location and time horizon of the assets, and over the period through 2050 we have applied prices generally in the \$1 to \$200/ton range for developed countries and \$0 to \$160/t for the rest of the world under the equivalent of the 2°C scenario, and the \$1 to \$250/ton range for developed countries and \$0 to \$200/ton for the rest of the world under the 1.5°C scenario.

Environmental ("Green") Business Assessment Working Group

As the transition towards a low-carbon or decarbonized society accelerates, we are working to reduce the GHG emissions from our operations while simultaneously engaging in business that contributes to reducing GHG for society. We aim to realize sustainable growth while helping to solve the challenges faced by society. For these reasons, we decided to establish the Environmental ("Green") Business Assessment Working Group, which launched on April 1, 2021. Its role is to carry out comprehensive evaluations as part of the screening process for new projects with the potential to turn climate change responses, such as the development of renewable energy, into opportunities. The evaluations include qualitative factors, such as the strategic significance of initiatives from ESG perspectives.

Other Environmental Indicators/Targets

Aside from our GHG reduction targets, the following environmental indicators and targets have been established and are being monitored on an ongoing basis.

Energy consumption:

- Reduce energy consumption intensity, and achieve 100% fossil-free energy use at the Head Office and ranches and offices in Japan, etc., of Mitsui & Co. (non-consolidated) by FY Mar/2030.

Water Resources:

- Reduce water consumption at the Head Office and branches and offices in Japan, etc., of Mitsui & Co. (non-consolidated) to less than the amount used in the previous fiscal year, and improve the efficiency of water use.

Pollution Prevention:

- Increase the waste recycling rate at buildings owned by Mitsui & Co. as a non-consolidated entity (Head Office, Osaka Office) to over 90% by FY Mar/2030.
- Reduce paper consumption at the Head Office and branches and offices in Japan, of Mitsui & Co. (non-consolidated) by 50% or more compared to FY Mar/2020 by FY Mar/2030.

For specific performance data, please refer to the following.

[Environmental Performance Data](#)