Transition Plan

We are advancing initiatives to enhance corporate value under Medium-term Management Plan 2029. Our approach to climate change is embedded in the Plan's business portfolio management and investment policies and is pursued as an integral part of our overall management strategy.

This transition plan outlines the approach and key measures for addressing climate change that are incorporated into Medium-term Management Plan 2029, and it presents a pathway toward our net-zero vision for 2050 and the achievement of our 2030 greenhouse gas (GHG) emissions reduction targets. Rather than being a newly developed standalone plan, this transition plan brings together and systematically organizes the climate-related initiatives already incorporated into the Medium-term Management Plan 2029.

Since the adoption of the Sustainable Development Goals (SDGs) and the Paris Agreement at the United Nations, climate change and the increasing frequency and severity of natural disasters have become urgent global issues, and companies are expected to address these issues responsibly. Taking into account these societal expectations, we have set three decarbonization targets for 2030 in addition to our aim of achieving net zero by 2050.

1. GHG Impact[*1] reduction targets:
   For Scope 1 and 2, and Scope 3 Category 15 (Investments) of the Company (non-consolidated) and its consolidated subsidiaries, halve GHG Impact[*1] by 2030 compared to 34 million t-CO2e in the fiscal year ended March 31, 2020
2. Reduction targets for gross GHG emissions[*2]:
   For Scope 1 and 2, and Scope 3 Category 15 (Investments) of the Company (non-consolidated) and its consolidated subsidiaries, reduce GHG emissions by 30% in 2030 compared to 44 million t-CO2e*2 in the fiscal year ended March 31, 2020
3. Reduction targets for Scope 1 and 2 emissions[*3]:
   For Scope 1 and 2 of the Company (non-consolidated) and its consolidated subsidiaries (excluding unincorporated JVs[*4]), halve GHG emissions by 2030 compared to 0.8 million t-CO2e in the fiscal year ended March 31, 2020

＊1 Scope 1 and 2, and Scope 3 Category 15 (Investments) of the Company (non-consolidated) and its consolidated subsidiaries (including unincorporated JVs[*4]), minus the emissions absorbed and offset and the Reduction Contribution achieved through business activities.

＊2 Emissions in the baseline year (the fiscal year ended March 31, 2020) include GHG emissions of 36 million tCO2e and the 8 million t-CO2e which is expected to increase from standard operation of thermal power generation projects for which a final investment decision had been made.

＊3 If the reduction targets are not achieved despite advancing reduction efforts, we are considering various measures such as offsetting emissions through internationally recognized methods, including carbon removal (for example, through the utilization of emissions credits)

＊4 Un-inco JVs: Un-incorporated Joint Venture

This transition plan is aligned with the fundamental principles underpinning our sustainable management, including our Sustainability Policy, Environmental Policy, and Human Rights Policy, and sets out the specific actions we will take to achieve the targets outlined above. It is based on the external environment and key assumptions identified in the 1.5°C scenario analysis, taking into account our business characteristics, investment strategy, and recognized risks and opportunities.

Pathway to Net Zero by 2050

We have a diverse business portfolio covering Mineral & Metal Resources, Energy, Mobility, Digital & Infrastructure, Chemicals, Iron & Steel Products, Wellness Ecosystem, and Innovation & Corporate Development. To address climate change, we believe it is important not only to accumulate emissions reductions at the individual business level, but also to achieve both medium- to long-term decarbonization and corporate value enhancement through the transformation and enhancement of the overall portfolio. Based on this approach, our transition plan is built around two core pillars: Continuous review of our business portfolio and Investment to reduce GHG emissions in existing businesses.

■Continuous Review of Business Portfolio

Under Medium-term Management Plan 2029, we are promoting portfolio management that responds to changes in the business environment, aiming to enhance corporate value through both financial and non-financial value. Specifically, by utilizing funds generated through business activities and asset recycling, we plan to invest a total of approximately 1.65 trillion yen in three strategic growth initiatives: 690 billion yen for Global Energy Transformation 2.0, 180 billion yen for Wellness Ecosystem Creation 2.0, and 780 billion yen for Industrial Business Solutions 2.0. We will further enhance the quality of our portfolio through investments in climate-related opportunity businesses, including renewable energy, energy transition-related infrastructure, and next-generation technologies/ services, as well as through investments in growth areas that do not generate GHG emissions.

We have continuously reviewed our portfolio in line with our management strategy from multiple perspectives, including sustainability alongside profitability and growth. As a result, we have divested coal-fired power generation projects (Hezhou, Paiton) and gas-fired power generation projects (Ontario, Ras Laffan), contributing to reductions in GHG emissions since the base year of the fiscal year ended March 2020.

Going forward, we will continue to aim to achieve both corporate value enhancement and effective climate change response through our portfolio management based on Medium-term Management Plan 2029. When making investment decisions for individual projects, we conduct comprehensive evaluations using multiple indicators and methodologies from both financial sustainability and climate change perspectives, to confirm whether they contribute to the qualitative improvement of our portfolio.

Key indicators and methodologies include:

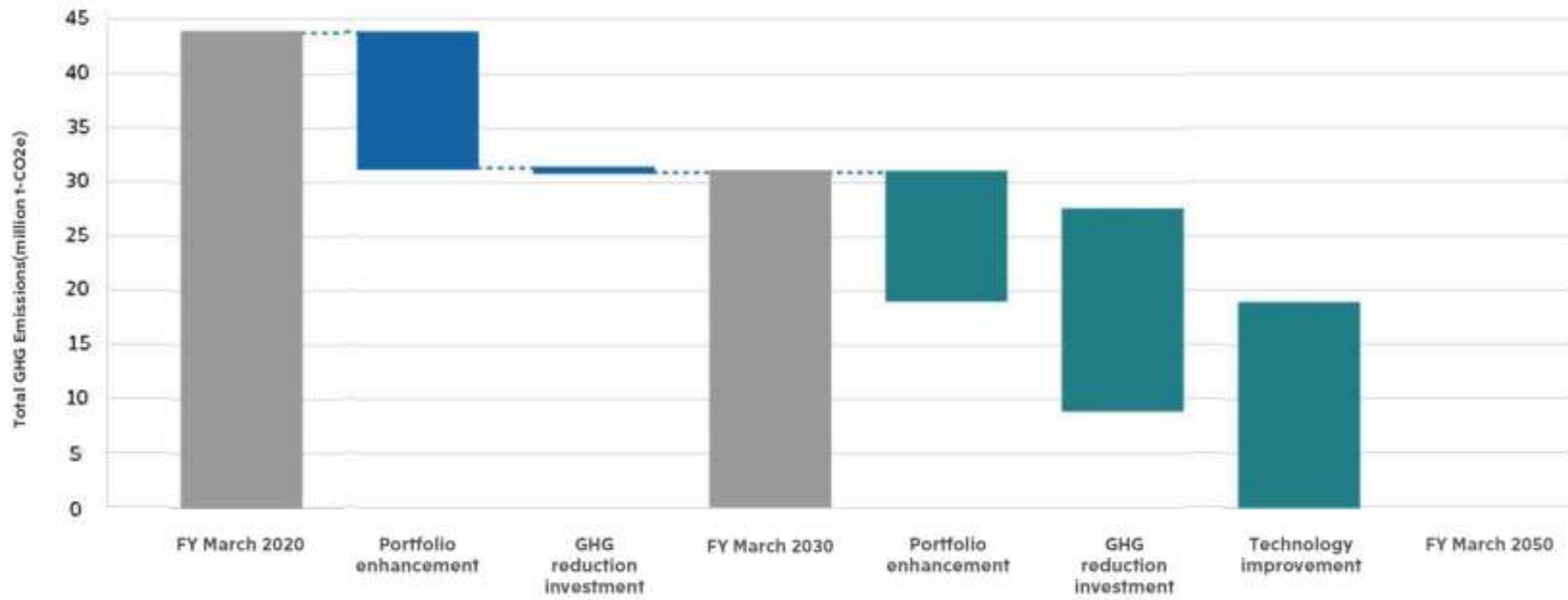
- Gross GHG emissions: Whether the project contributes to the gradual reduction of GHG emissions in terms of both gross emissions and carbon intensity

- Climate scenario analysis: Whether the project’s business model has sufficient climate resilience

■Investment to reduce GHG emissions in existing businesses

As illustrated in the below waterfall chart below for thermal power generation, mineral & metal resources, upstream oil & gas and LNG businesses, which account for the majority of our total emissions, our emissions reduction pathway assumes a combination of reduction achieved through portfolio reviews described above and additional reductions enabled by decarbonization investments. Each measure will be prioritized based on a comprehensive evaluation of investment efficiency and feasibility and implemented in stages.

Through these efforts, we aim to achieve both emissions reductions and the preservation of business value.



Portfolio Enhancement for Climate and Financial Value

We recognize climate change response not only as an environmental issue, but as a management issue which should be managed in an integrated manner with financial considerations. Accordingly, for the purpose of improving portfolio quality, we monitor the portfolio as a whole on a continuous basis using the following indicators and methods, alongside various financial indicators.

- Gross GHG emissions: Continuous monitoring of total emissions and carbon intensity per business

- Climate scenario analysis: Quantitative assessment of the impacts of regulatory changes and demand shifts using multiple climate scenarios

Execution of the Transition Plan

Our transition plan is formulated and managed in alignment with Medium-term Management Plan 2029 and its effectiveness is promoted through ongoing monitoring at the management level. By incorporating climate change perspectives into investment decision-making and business management processes and conducting regular reviews, we will make flexible revisions in response to changes in the business environment.