

## Investor Day 2022 Natural Gas and LNG Business Strategy: Q&A summary

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Date: December 2, 2022

Speaker: Toru Matsui, Representative Director, Executive Managing Officer

<Q1>

Volume of LNG trading has been increasing rapidly over the past three to four years. What is the background of this increase, and what is the outlook for the future?

<Matsui>

I think the biggest reason is the changes in the LNG industry. We participated in an LNG project in Abu Dhabi in the 1970s, and later in projects such as Western Australia, Qatar, and Sakhalin. Our conventional business model was to supply LNG as a fuel for thermal power generation in large quantities over a long period of time, based on customer commitments. Previously, the supply-demand balance had been adjusted by either supplying surplus LNG from each project as an option in the contract with the customer, or conversely, by reducing the supply volume to meet the customer's needs, under their contractual option. However, given the recent expansion of LNG demand, the increase in LNG supply projects on a global basis, as well as the increase in the number of LNG vessels, spot or short-term contracts for excess volumes are now partially adjusting the supply-demand balance. In line with this industry trend, there are more cases where we purchase LNG under our own name from projects in which we participate. In addition to projects in which we participate, we also have offtake contracts from third parties. Among these, one of the main reasons for the increase in our trading volume is the offtake agreement from the Cameron LNG project, in which we are participating.

<Q2>

As you move forward with energy transition, what kind of time frame do you envision for the transition from a business portfolio centered on LNG to new businesses such as ammonia and Carbon dioxide Capture and Storage (CCS)?

<Matsui>

We believe that natural gas and LNG will continue to play an important role in the global energy transition. It is difficult to specify a time frame, but I think that it will take place toward 2050. At the same time, low-carbon initiatives in the natural gas and LNG business are progressing, and we believe they will continue to be one of the most important energy sources. For example, there are moves to make LNG a cleaner energy source over its life cycle by capturing and storing CO<sub>2</sub> emitted from LNG plants, and measures are also being

taken on the LNG customer side to address CO<sub>2</sub> emissions during power generation.

In the area of ammonia, which I mentioned, there are already moves to use ammonia as a fuel for future power generation and marine transportation, and we therefore believe that demand for ammonia will increase during the energy transition. In the ammonia and CCS businesses, we intend to combine the knowledge we have accumulated in our core businesses of LNG and E&P with the unparalleled strength of our Chemicals segment, which has a 60% share of ammonia imports to Japan. Our policy is to promote our core businesses and new businesses in parallel, which we believe will lead to diversification of our business portfolio and enable us to respond to various changes in the environment.

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