

Investor Day 2024 Global Energy Transition Q&A

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Speaker : Representative Director, Toru Matsui
Senior Executive Managing Officer

Q1: Initiatives to increase profit from electrification

I find the future profit projections on the final slide very compelling. Could you please explain what specific initiatives are being implemented related to electrification to achieve these profit increases?

Matsui: For electrification, we are considering various projects, particularly related to the shift towards electrification in mobility.

For example, in the EV sector, this includes investments related to materials for EV batteries and to materials for the vehicles themselves involved in EV manufacturing. Initiatives related to the electrification of mobility constitute a major portion of our efforts. For example, we have invested in Forsee Power for the EV battery pack business.

Q2: LNG as a real solution

LNG as a real solution was previously mentioned, which I think is very good phrasing. On the other hand, there are a many, including those involved in financial markets, who view fossil fuels negatively, which can sometimes impact our investment decisions too. In this context, could you share your thoughts on whether *LNG as a real solution* is a concept that is shared or valued by partners, such as energy majors, natural gas producing or consuming countries?

Matsui: First, let me explain the background behind our view of *LNG as a real solution*. There is no doubt that we must reduce GHG emissions and address climate change issues. Mitsui is also striving towards the goals of halving our GHG impact by 2030 and achieving net zero by 2050.

On the other hand, it is not possible for renewable energy to replace all energy sources in a single day, nor for GHG emissions to become zero overnight. Therefore, we believe that we must achieve a stable energy supply, reduce GHG emissions, and ensure economic efficiency, including for consumers, as well as the affordability of energy. We believe that LNG, as a fuel with relatively low GHG emissions during combustion, will continue to play an important role over the long term.

Addressing climate change issues is not about reducing fossil fuels, but about reducing the GHGs emitted from fossil fuels. We provide services such as CCS to customers using LNG, contributing to GHG reduction.

At the same time, regarding our investments in LNG projects, including the previously mentioned Ruwais LNG and the recently invested Tangguh LNG additional development, we are continuing our LNG business while also implementing GHG reduction measures in the LNG production process.

The concept of reducing GHG emissions across the value chain is shared with our partners, including oil-producing countries and energy majors. The fact that we are working on low-carbon LNG in the Ruwais LNG project with energy majors and oil-producing countries such as ADNOC, Shell, TotalEnergies, and bp reflects these shared values.

Q3: Expansion of business opportunities through GX League mandatory participation

Regarding decarbonization, the topic of mandatory participation of certain companies in Japan to the GX (green transformation) League (a platform initiated by Japan's Ministry of Economy, Trade and Industry to advance the country's efforts toward achieving carbon neutrality by 2050), has recently become a discussed topic. In this context, I have the impression that the importance of CCS as a practical solution, as well as its business opportunities, is significantly increasing.

There is a trend to implement CCS into existing projects, and this year, there was news that Mitsui signed lease contracts for access to the CO2 storage in Texas. Considering the technical aspects and regional utilization, as well as what is practical, could you please share your thoughts on whether the mandatory participation in the GX League will enhance business opportunities for Mitsui?

Matsui: Initiatives such as CCS and CCUS that utilize CO2 are indeed gaining attention as real solutions in the global shift towards decarbonization and lower carbon.

We also view GHG, rather than fossil fuels, as the main factor affecting climate change issues. We believe that CCS is a highly promising business area as an effective method to reduce GHG emissions. Therefore, we are initially prioritizing regions where there are regulatory advancements or substantial demand.

For example, the Acorn CCS project in the North Sea illustrates this point. In the UK, in a sense, CO2 already has a defined cost associated with it. Many GHG-emitting businesses are willing to pay for CCS services to avoid penalties for not reducing CO2 emissions, making the service viable.

In the US, although regulations are not yet as clear, AI and tech companies, which consume large amounts of electricity for data centers, are committed to using renewable energy.

Such regulatory and demand trends are already emerging at the corporate level in Europe and the US. Consequently, we anticipate significant demand for our CCS project in Texas and are pursuing it as a first mover.

In Japan, the GX League has started as an initiative to reduce CO2 emissions through proactive corporate efforts. By next year or the year after, there will likely be national movements to assign a numerical value to CO2 for reduction purposes.

We believe this trend will continue globally, eventually giving CO2 a market price. We expect demand for our Malaysia project from industries emitting CO2 in Japan, and many companies have already joined as partners for the Japanese capturing facilities. As we advance our global CCS business to manage our customers' CO2, we anticipate that such trends will accelerate in Japan as well.

Q4: Competitive edge in Global Energy Transition

In Global Energy Transition, we understand that many other trading companies and global firms are engaged in similar activities outside of LNG.

For example, in areas such as clean ammonia and CCS, where do you believe Mitsui has the most competitive advantage or edge? Which areas do you feel you will be able to achieve monetization quickly?

Matsui: We believe that our edge and primary advantage lie in our industrial connections as a global investment and trading company, deeply embedded across various industries.

For example, while we are engaged in CCS projects, we also have numerous connections with industries that need to store the CO2 they emit. A clear example is in Malaysia, where we can simultaneously manage CCS projects and aggregate CO2 from industries such as in the chemicals and power sectors.

Additionally, our strength is not only in launching projects or listening to the needs of customers who emit CO2 but also in connecting these elements comprehensively.

This applies not only to CCS projects but also to renewable energy generation. Our comprehensive capabilities come into play here as we invest in renewable energy projects. While there may be challenges in power generation, we also operate a power trading businesses, making it easy to find customers who have a demand for power.

In the US, we can create value in conducting vertically integrated businesses that combine renewable energy generation with power trading. We believe that this comprehensive capability and industrial connections are our competitive edge.

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