

Business Environment to 2050

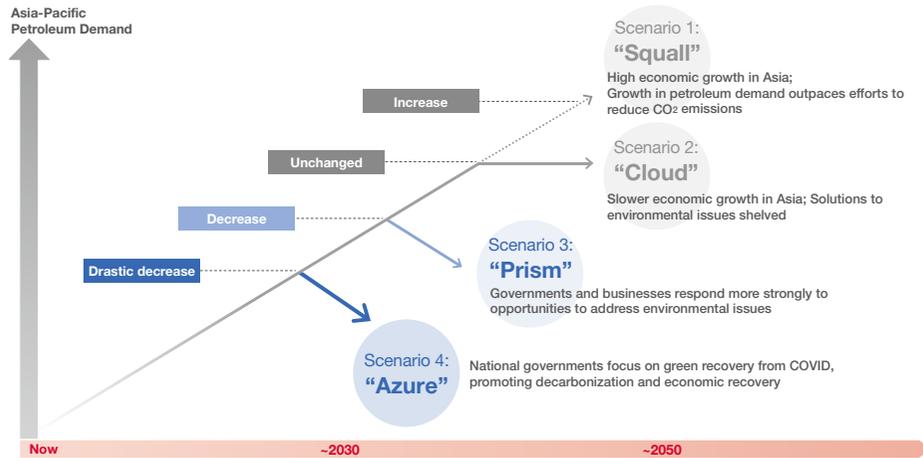
Long-term Business Environment Assumptions toward 2050

Due to the pandemic, Idemitsu's mainstay petroleum business is currently suffering from a decline in demand. Global petroleum demand in 2020 declined a record nine million barrels per day year on year. In addition, resource prices grew increasingly volatile as they were affected by excess financial assets due to global monetary easing aimed at spurring economic recovery.

However, the global decarbonization trend is rapidly advancing. For example, the European Union aims to implement initiatives for a green recovery by simultaneously achieving an economic recovery from the pandemic and a structural shift to green energy. In the United States, too, the new government significantly changed federal policies on climate change measures, rejoined the Paris Agreement, and set a target of reducing CO₂ 50-52% by 2030 compared to 2005. Declaring its intention to achieve carbon neutrality by 2050, Japan raised its reduction target for 2030 from 26% to 46%.

With its mainstay business centered on fossil fuels, Idemitsu revised its Medium-term Management Plan to ensure the Company remains sustainable into the future and demonstrates strong resilience to environmental changes. When formulating the previous 2019 Medium-term Management Plan, we used the "Prism" scenario for our assumptions. However, the "Prism" scenario does not allow for the achievement of the 2°C goal of the Paris Agreement. Given that decarbonization trends are currently gaining significant steam around the world, we are now proceeding with a strong recognition of the possibility of the "Azure" scenario, which does allow for the achievement of said goal. Under the "Azure" scenario, various countries cooperate to take action and begin shifting the structure of their energy systems to contain the global temperature rise to below 2°C. In this scenario, for example, assuming that fossil fuel use within the Asian Pacific region peaks in 2025, Japan's domestic fossil fuel demand compared to 2019 can be expected to decrease 30% by 2030, 60% by 2040, and 80% by 2050.

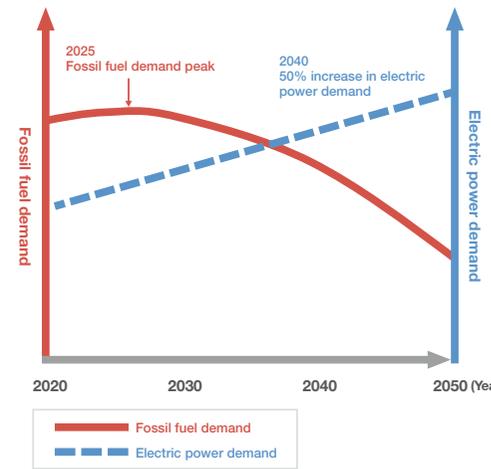
Long-term energy business environment scenarios toward 2050



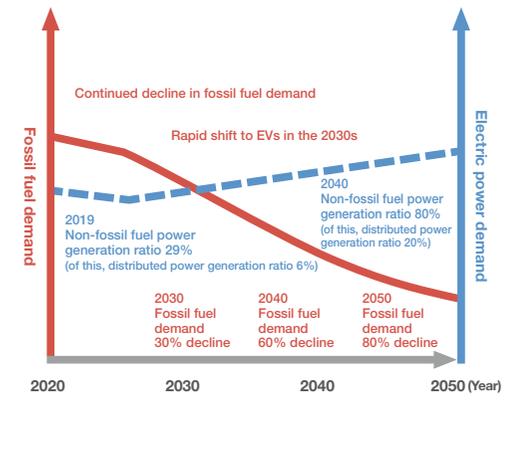
The projected business environment in scenario 4 is unique to Idemitsu. Other organizations' projections that are similar to each scenario are as follows.

- "Squall": International Energy Agency (IEA), Current Policy Scenario
- "Cloud": IEA, Stated Policy Scenario
- "Prism": IEA, lies between the Stated Policy Scenario and Sustainable Development Scenario
- "Azure": IEA, Sustainable Development Scenario

Long-term Energy Demand Forecast (Asia Pacific Region)

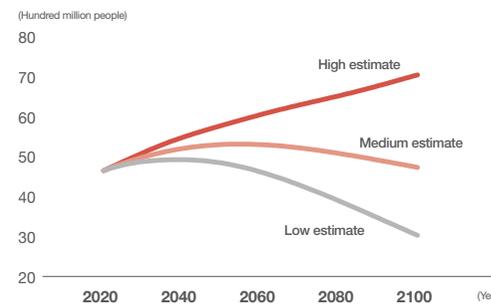


Long-term Energy Demand Forecast (Japan)



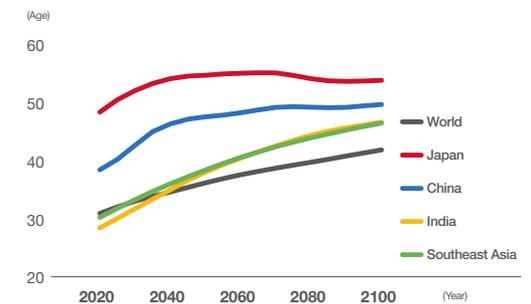
As for long-term business environment assumptions, looking at macro trends such as demographics, there are differences in the prediction models for Asian populations. Over the long term, there will be many variables, including an expected decrease in the global birthrate because of the current state of economic deterioration. However, regarding median age forecasts for various countries, while the timelines differ among countries and regions, rapid aging is expected across the board.

Population Predictions for Asia



Source: United Nations "World Population Prospects"

Predicted Median Age in Various Countries at the Medium Estimate



Even in projections with less clarity than those above, the global trends of decarbonization and aging societies are expected to continue on a steady track.

Idemitsu is therefore focused on steadily promoting initiatives to solve social issues that will become more prominent in the future while increasing its corporate resilience. Specifically, we recognize our responsibility to be ensuring a stable energy supply and helping solve social issues and have thus established being "Your Reliable Partner for a Brighter Future" as our 2030 vision. We will continue promoting a portfolio shift for 2050, including toward the decarbonization of our businesses, regional revitalization, and digital transformation.