FY2022 Business Unit IR Meeting

Infrastructure Business Unit Initiatives under SHIFT 2023 and Growth Strategy

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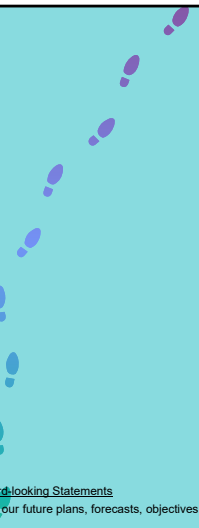
December 8, 2022



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My name is Honda. I look forward to working with you.
I will now begin the presentation of the Infrastructure business unit.

Contents

In the order of the table of contents, I will provide an overview of the unit and explain medium- to long-term goals, including quantitative plans, and growth strategies to achieve them.

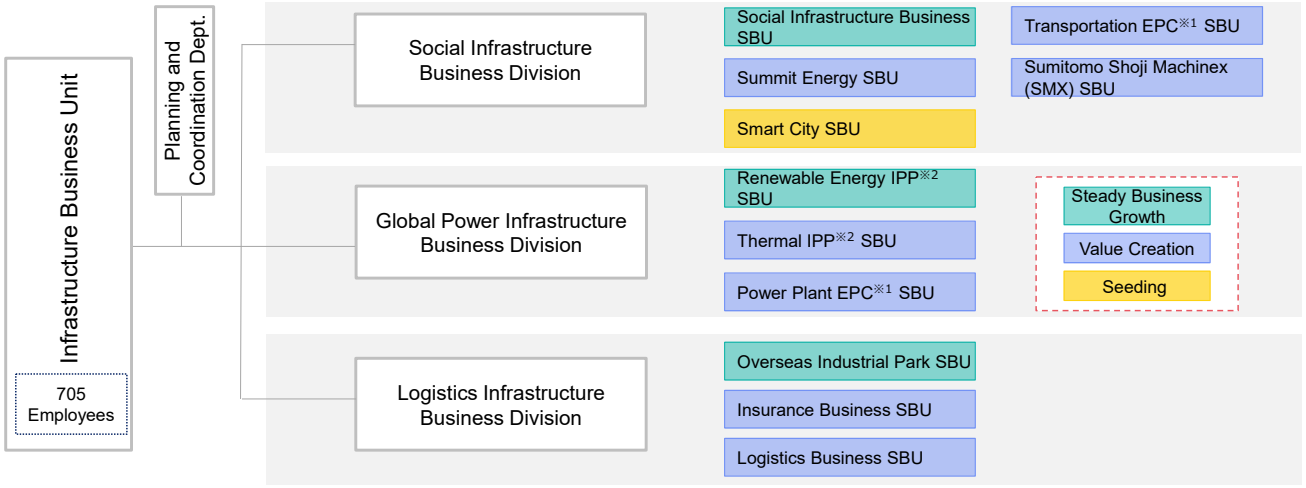
01

Overview of Business Unit

First, starting with an overview of the unit.

Overview of Business Unit

Organizational Structure（Organization Chart and SBUs）



※1 EPC: Engineering, Procurement, Construction

※2 IPP: Independent Power Producer

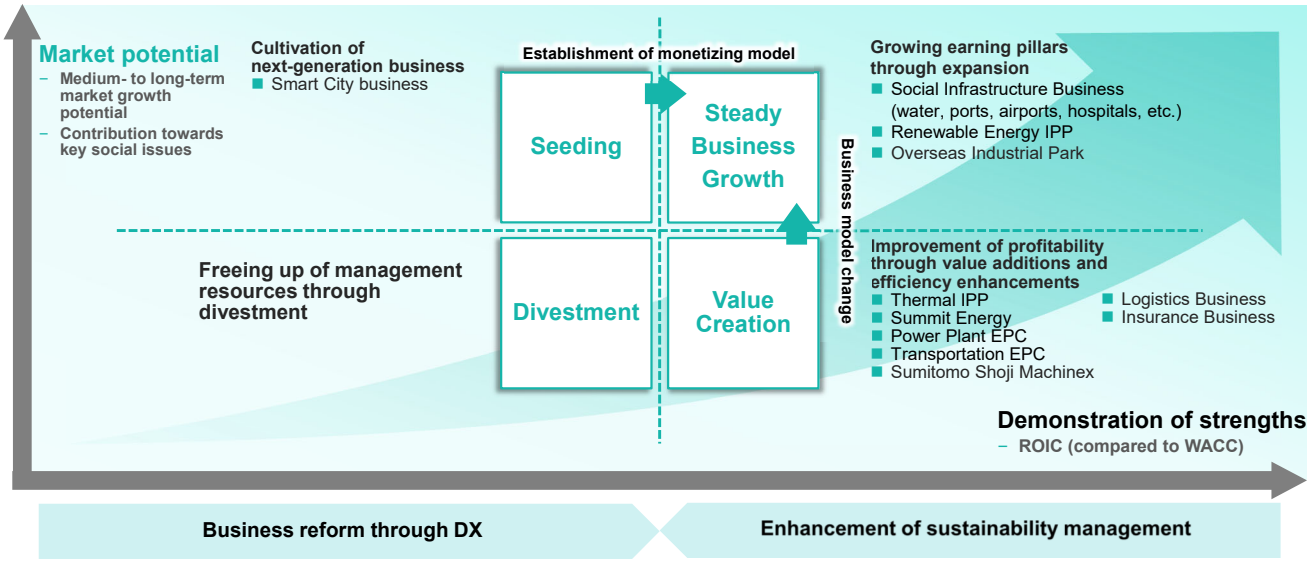
This shows an overview of our organization structure.

The unit consists of three business divisions, Social infrastructure, Global power infrastructure, and Logistics infrastructure, under which 11 strategic business units, so called SBUs, are organized.

For an overview of each business, please refer to the appendix starting on page 26 of the document.

Overview of Business Unit

SBU Growth Strategy Summary by four-strategic category



Page four shows the classification of the SBUs in the four strategic categories.
We have identified three areas where we will concentrate our resources for the time being: social infrastructure, the renewable energy power generation business, and overseas industrial parks.

For other SBUs, we will increase efficiency over the long-term contract execution period and increase revenue stability.

Smart-city development is positioned in the upper left seeding section, and we are working to build a revenue model as a social infrastructure that embodies the future way of life, incorporating various functions in the GX and DX fields.

02

Medium- and Long-Term Goals and Profit Plan

I will now explain our medium- to long-term goals and profit plan.

First, the long-term goals.

The first point is to build a stable revenue base and a sense of scale by taking advantage of the characteristics of the infrastructure business, which has a long business life and downside resilience.

The second point is our commitment to building a business portfolio that contributes to both the achievement of our 2050 carbon neutrality goal and social and economic development.

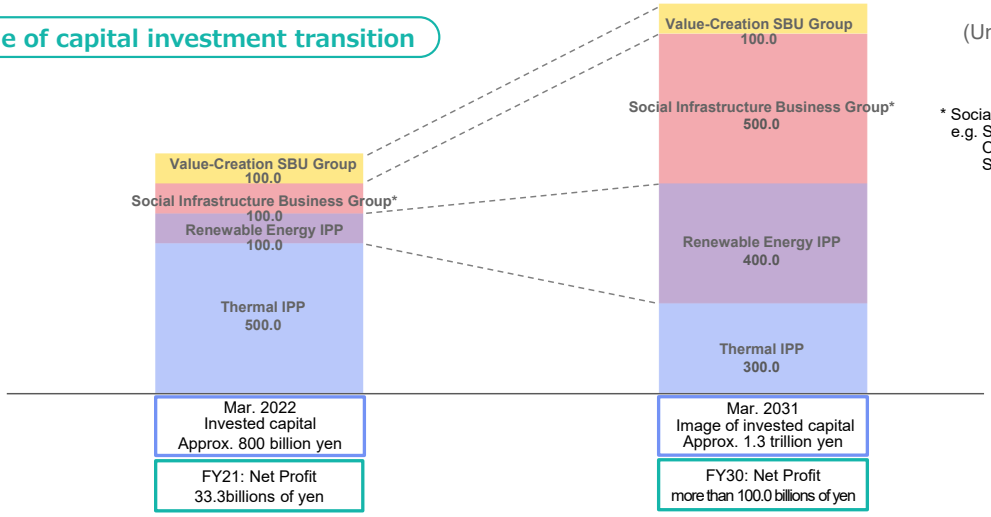
Medium- and Long-Term Goals and Profit Plan

Long-Term Goal: Image of a Stable Earnings Base with a Sense of Scale

- Building a stable earnings base with strong downward resistance by accumulating quality assets in business areas of focus.

Image of capital investment transition

(Unit: billions of yen)



* Social Infrastructure Business Group
e.g. Social Infrastructure,
Overseas Industrial Park,
Smart City, etc.

This section shows the stable revenue base with a sense of scale from the perspective of invested capital.

The bar graph on the left is as of March 2022. The current situation is that of the invested capital of JPY800 billion, JPY500 billion is for thermal power generation projects.

We will shit the composition of the bar graph as shown on the right in FY2030.
Capital invested in the thermal power generation business will decrease to the JPY300 billion level due to the expiration of contracts and reduction of interest-bearing liabilities.

On the other hand, we will grow capital invested in the social infrastructure business, which consists of the water business, ports, industrial parks, and smart cities, and in the renewable energy power generation business, aiming to realize invested capital of JPY1.3 trillion and net profit of JPY100 billion for the entire business unit.

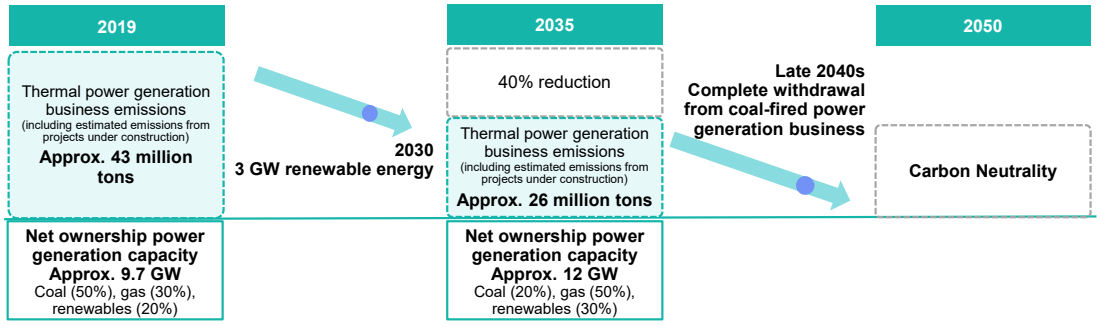
Medium- and Long-Term Goals and Profit Plan

Long-Term Goal :
Achieving Carbon Neutrality by 2050 - Business Unit's Commitment

- We will achieve low-carbonization in our power generation portfolio to realize a sustainable carbon-neutral society as well as contributing to development of local societies and economies.

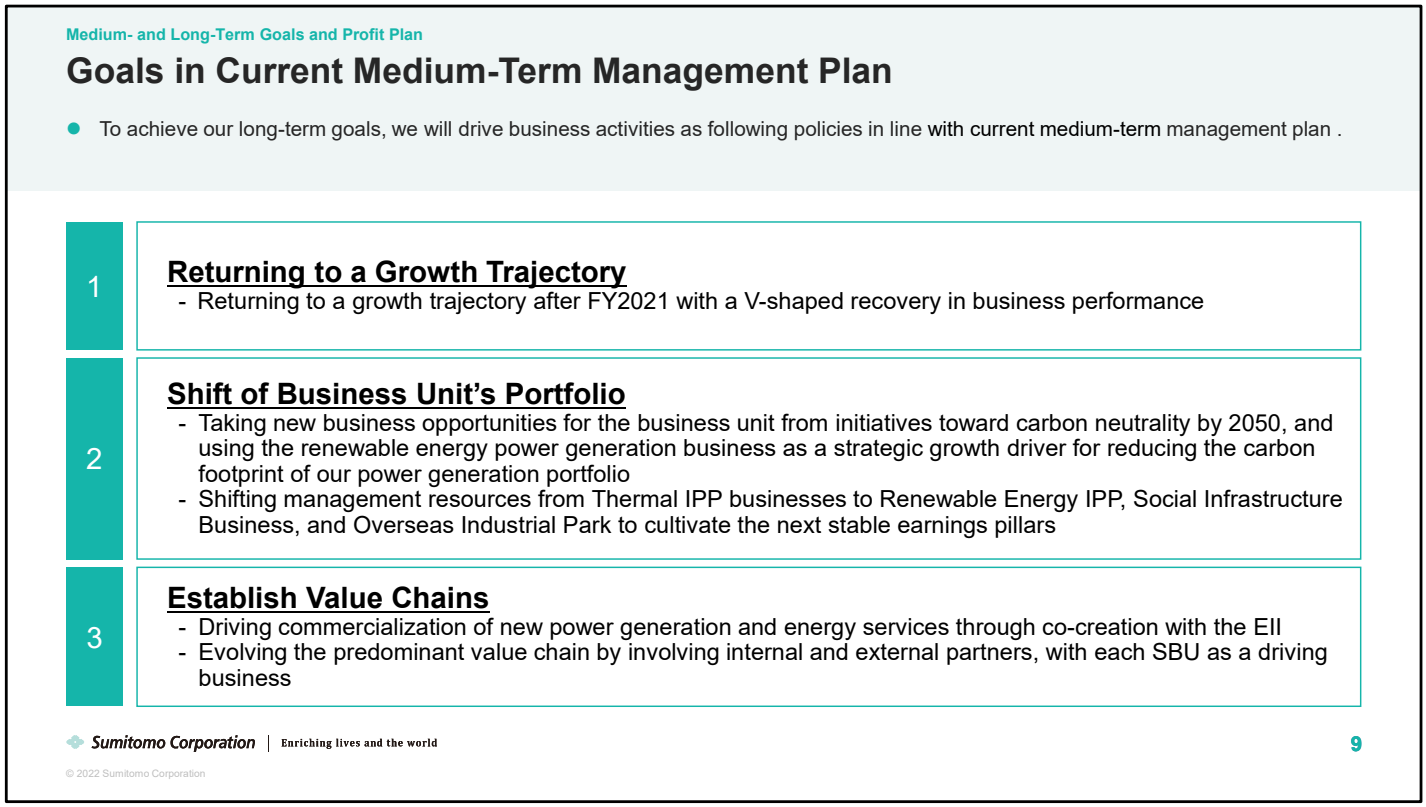
Roadmap to Carbon Neutrality by 2050

- We will not be involved in any new coal-fired power generation businesses neither IPP nor EPC. We will complete all projects and withdraw from the coal-fired thermal power generation business by the late 2040s.
- We will reduce CO_2 emissions from our power generation businesses by 40% or more by 2035 (of which a reduction of 60% or more of emissions from coal-fired power generation businesses).
- We will shift the balance of net ownership power generation capacity in our power generation portfolio from the recent position of coal (50%), gas (30%) and renewable energy (20%) to a new position of coal (20%), gas (50%) and renewable energy (30%) by 2035.
- We will expand our supply of renewable energy to 3 GW by 2030. （Aiming more than 5GW）



I will not go into the detail as this is a restatement of the points related to the power generation business that are in our company's road map toward achieving carbon neutrality in 2050.

However, as you can see in the fourth point in the middle column, we have newly added an upwardly revised target of 5GW or more for the scale of renewable energy generation in 2030, taking into account the scale of projects that are currently being undertaken.



This is the qualitative goal under the period of current medium-term management plan.

The first point is to return to a growth trajectory. In the previous medium-term management plan, we posted a large impairment loss and loss provision in the power generation business. And in the current medium-term management plan, the power generation IPP business is also performing solidly. The unit's performance has also been recovering significantly.

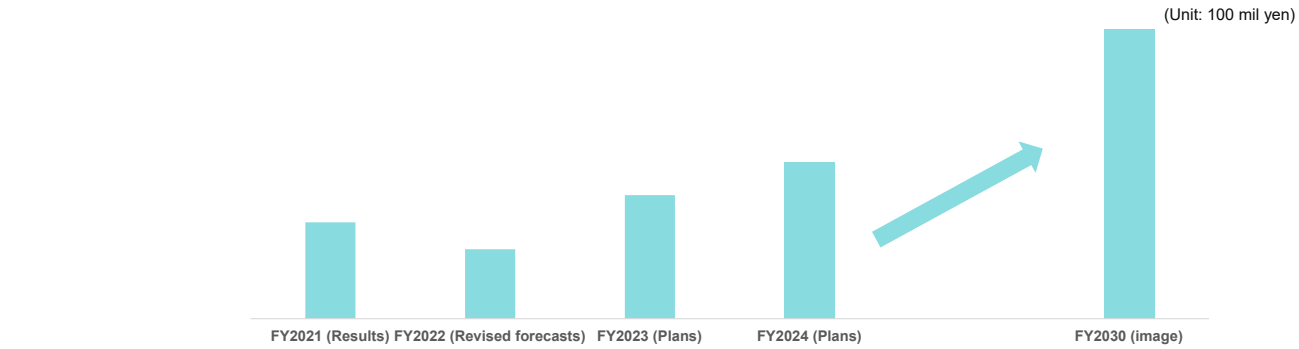
The second point is a shift in the business portfolio. Leveraging the unit's strengths in development of power resource and the power generation business, we will actively promote a shift to the development of renewable energy power sources, and through collaboration with EII and other internal and external partners, we will promote green business development in the midstream and downstream, starting with renewable energy sources. At the same time, we will invest management resources in the social infrastructure and overseas industrial park businesses and will hasten to develop them into stable revenue pillars for the future.

The third point is to strengthen the value chain. After reexamining how each SBU can function as part of the value chain development, we will aim to create an ecosystem that enhances business opportunities, profitability, and scale.

Medium- and Long-Term Goals and Profit Plan

Quantitative Targets

- Despite the current profit decrease due to the impact of soaring wholesale electricity market prices in Japan, we will achieve stable earnings with a sense of scale by restructuring the strategy of our business and achieving the unit's growth strategy.



Unit: billions of yen	FY2021 (Results)	FY2022 (Revised forecasts)	FY2023 (Plans)	FY2024 (Plans)	FY2030 (Image)
Profit for the period (attributable to owners of the parent)	33.3	24.0	43.0	54.0	More than 100.0

This is the unit's net profit transition.

For the current fiscal year, we have revised downward our initial forecast of JPY31 billion to JPY24 billion due to a significant profit decrease in domestic electric power retail business. In the electric power retail business, we are currently implementing various measures and expect to return to profitable next fiscal year and beyond.

The bar graph on the right side of the table shows a breakdown of the figure to achieve an net profit of JPY100 billion or more in FY2030, of which approximately 30% is revenue that can be continuously secured by existing projects until 2030.

The plan is to manage the shift of the unit's revenue pillar from the thermal power generation sector to the social infrastructure and renewable energy sectors without a significant drop in the level of revenue.

Medium- and Long-Term Goals and Profit Plan

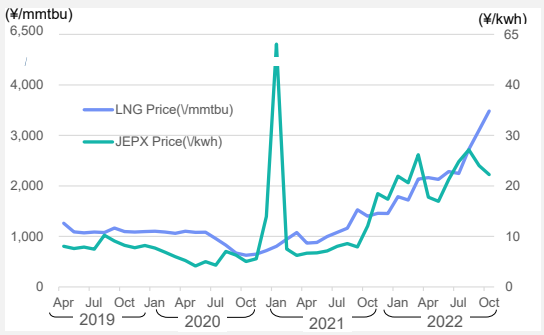
Summit Energy - Current Situation and Measures

Current Macro Environment

Wholesale electricity market prices continue to surge due to the following factors:

- Rising cost of power generation
  - High global fuel prices due to the situation in Russia and Ukraine
- Tight supply and demand
  - Increased demand due to weather conditions
  - Decreased supply due to suspensions of thermal power generation plant operation caused by earthquakes

<Reference>LNG and JEPX (Wholesale Electricity Market) Price Trends (yen/kwh)



Summit Energy - Current Situation

- Profits have consistently increased in the past (FY19: Record high as annual profit of 8.6 billion)
- Loss was posted in FY21 due to the impact of soaring JEPX prices and on fuel costs. A significant loss is expected in FY22, as severe market conditions are expected to continue in the second half of this fiscal year
- Have not been able to sufficiently pass on the higher fuel and electricity prices to customers during this period from a consumer protection perspective

Short-Term Measures

- Prevent further deterioration of business performance by reviewing existing contracts, passing on prices to customers, etc.

Long-Term Growth Strategy

- Serve as a connection in the development of the renewable energy value chain by enhancing supply and demand balancing and energy management capabilities

I would like to explain the status of our domestic electricity retail business, which I mentioned in the previous slide.

Summit Energy, who is doing this business, has long played a role in supporting the unit's performance, with cumulative profits of JPY34.5 billion from FY2010 to FY2020 and the highest profit of JPY8.6 billion in FY2019.
On the other hand, due to the drastic changes in the electricity market over the past two years, we recorded a small loss last fiscal year for the first time since the company's establishment.
Due to the further deterioration of market conditions since then, we currently expect a loss of about JPY15 billion for this fiscal year.

The market environment surrounding the company's business is described on the left side of this slide.
Due to the factors mentioned in the top left section of the slide, the situation is that, while procurement costs continue to rise, on the sales side, due to the point of view of consumer protection and according to contracts, this cannot be immediately passed on to end user.
As mentioned above, we expect to return to profitability next fiscal year as a result of the resolution of the aforementioned situation.

Summit Energy's measures based on these factors are listed in the lower right-hand corner of the slide.
As a long-term growth strategy, the company aims to further strengthen the supply-demand adjustment and energy management capabilities that it has developed and to play a role in the expansion and development of the renewable energy value chain as a well-balanced link between supply and demand.

03

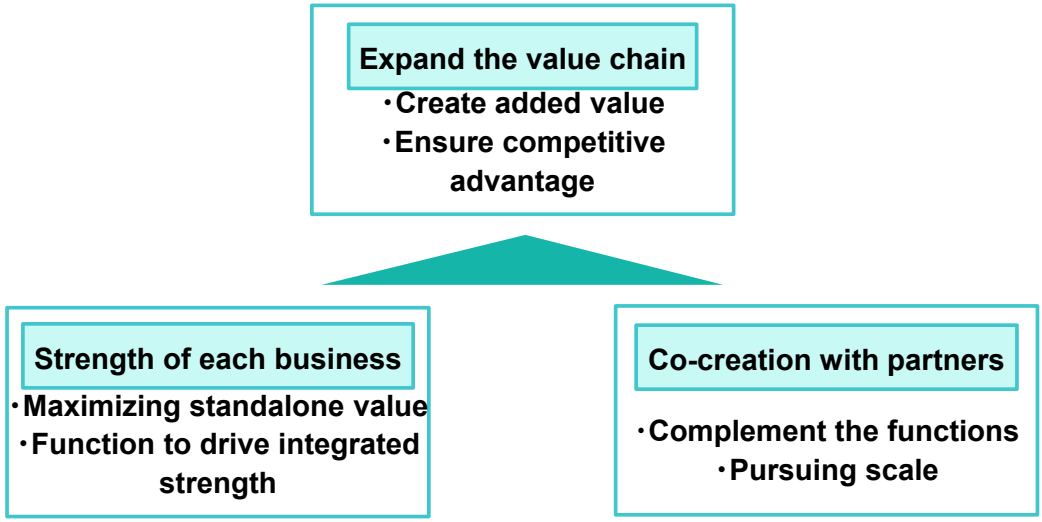
Growth Strategy

I will now explain the unit's growth strategy.

Growth Strategy

Growth Strategy to Achieve Long-Term Goals

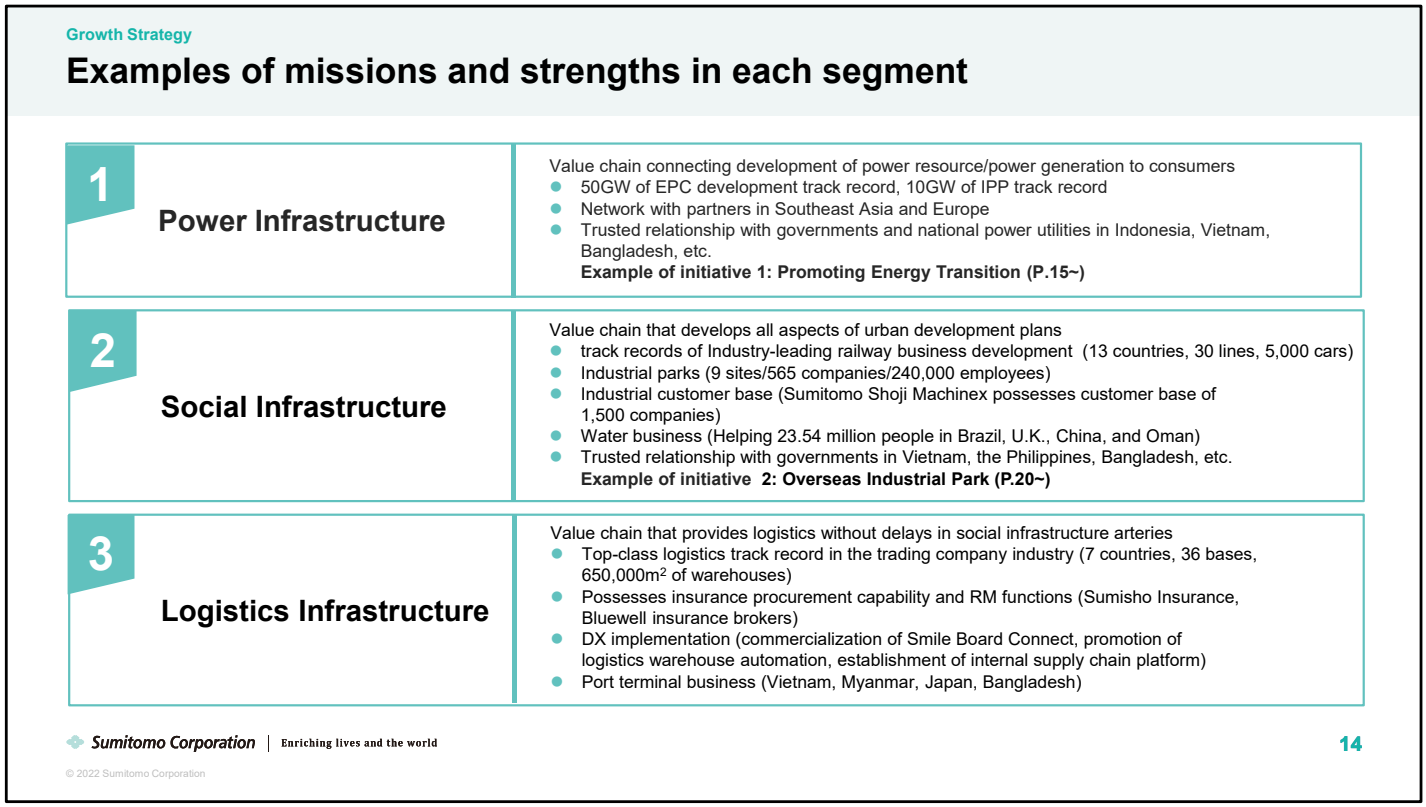
- Establish a predominant value chain and sustainable profit base by leveraging the existing strength and involving internal and external partners.



The unit pillar of its growth strategy is the development in the value chain and the redefinition of the roles of each business and function as this redefinition.

And through strengthening collaboration with internal and external partners with whom we have complementary and mutually beneficial relationships, we will pursue expansion of functionality and scale to form a sustainable portfolio with a sense of scale.

I will explain more specifically.



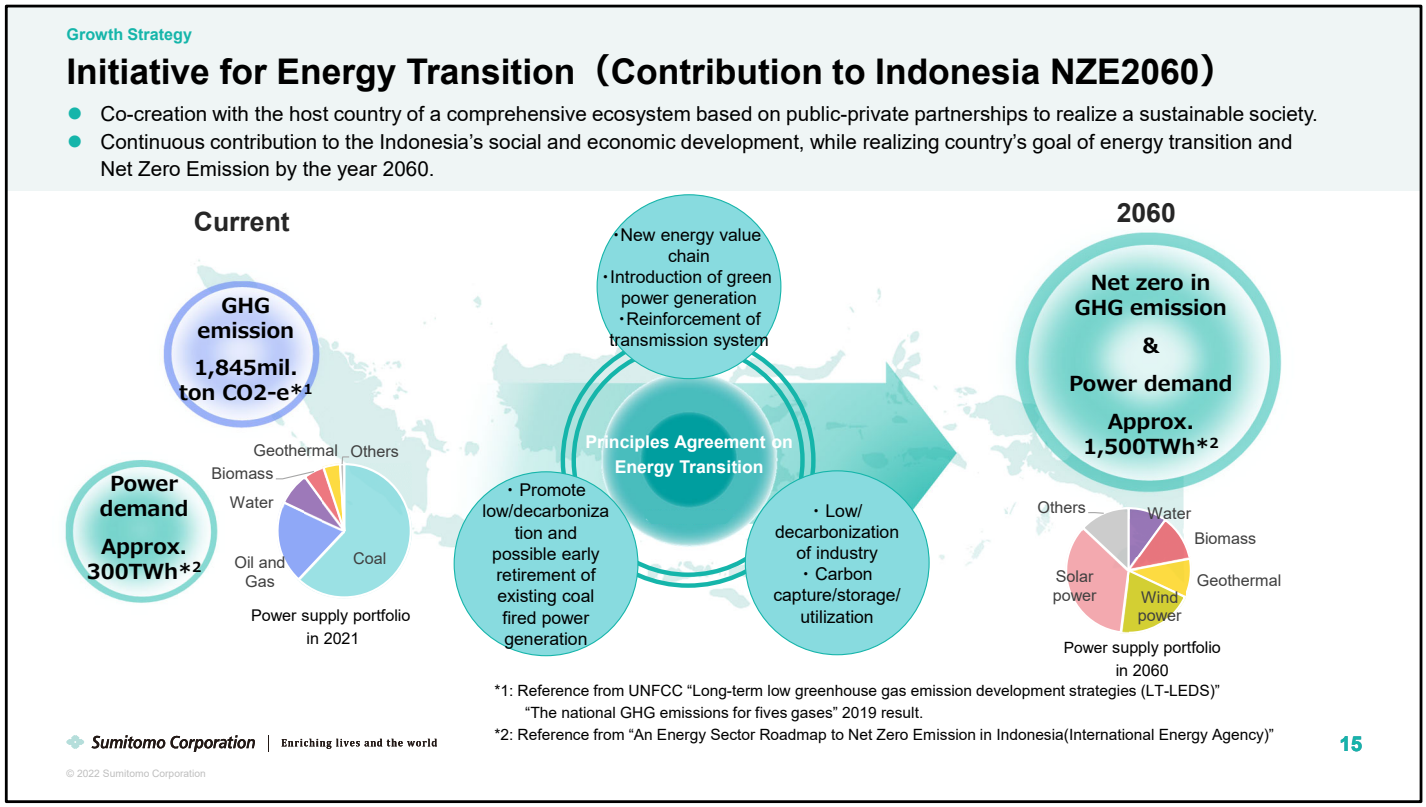
The mission of the power infrastructure field is to expand upstream businesses in the value chain from power resource development and generation to consumers.

The driving strengths are our extensive experience and network in EPC and IPP business, and our good relationships of trust at all levels of the public and private sectors with host countries such as Indonesia, Vietnam, and Bangladesh. As an actual example of electric power value chain development, I will later explain the energy transition concept in Indonesia.

The mission of the social infrastructure field is to build the core infrastructure that is indispensable for urban development and, on that foundation, to provide hardware, software, and various types of infrastructure that contribute to improving the quality of people's lives.
To achieve this, the driving businesses are core infrastructure businesses, such as railway transportation, airport terminals, overseas industrial parks, and water and wastewater, and based on these, service infrastructure, such as residences, commercial facilities, hospitals, data centers, and 5G base stations. As an example of value chain development in this area, we will follow up with an explanation of the growth strategy for industrial parks.

Our mission in the field of logistics infrastructure is to create an efficient supply chain.
Our strength lies in our global logistics capabilities and port business development, combined with our insurance procurement and risk management capabilities.

In this labor-intensive field, digitalization is a key differentiator, and in collaboration with each of the Company's trading unit and DX centers, the Company is pushing to improve supply chain efficiency by introducing blockchain, quantum computing, robotics, and other technologies.
At the same time, we are also working to reform the global fresh food distribution system by developing our own cold container transportation technology, thereby adding value and strengthening profitability.



From here, I will explain examples of our efforts to develop value chains in each field.
First of all, I would like to explain about the development of green electrical power resources in Indonesia and the promotion of energy transition starting from power generation projects.

While Indonesia has announced a plan to reduce its current greenhouse gas emissions of approximately 1.8 billion tons to net zero by 2060, electricity demand over the same period is expected to increase 5 times to 7 times due to economic development and population growth.

To achieve both of these goals, it will be essential to change Indonesia's overall power source mix while developing large-scale renewable and baseload power sources to replace existing coal-fired power plants.

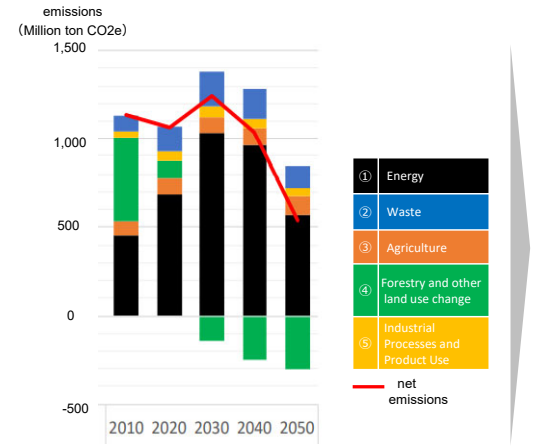
As a side event of the G20 meeting held in Bali last month, we signed a principles agreement with the state-owned power company to promote the development of electrical power resources for energy transition. Based on the long-term relationship of trust that we have cultivated with public and private institutions in Indonesia and the good relationship between Japan and Indonesia, we will contribute to the social and economic development of the country and the realization of a decarbonized society while leveraging our strengths.

Growth Strategy

Energy transition initiatives to realize local energy policies and decarbonization policies

- Design the energy transitions with governments to achieve host country's power plan and decarbonization and materialize them through time-phased actions.

Emission scenario up to 2050 toward carbon neutrality in 2060 by the Indonesian government*



*Referred from UNFCC "Long Term Strategy for Low Carbon and Climate Resilience 2050 (2021)" "Low Carbon Scenario Compatible with Paris Agreement target"

Field	Project	Progress	Address field
Low/decarbonization of thermal power generation	New energy mono-firing/mixed-firing	Studying the feasibility of the use of hydrogen and ammonia	①
	Early retirement of coal-fired power	Conclusion of Principles Agreement with PLN	①
Introduction of green power generation	Geothermal power	Under operation and development (negotiating with PLN)	①
	Solar power	Studying jointly with host country the feasibility of introducing renewable energy on remote islands	①
	Hydro power	Business development led by Japan	①
	Waste power generation	Utilization of Japanese OEM with high global market share	① ②
Reinforcement of transmission system	Submarine cable	Cooperation with the Super Grid Concept	①
	Introduction of storage batteries	Cultivating battery industry, consideration of installation on remote islands	①
	Energy management		①
new energy value chain	Green hydrogen/ammonia	Use of hydrogen and ammonia generated with renewable energy	① ⑤
	biofuel production	Biofuel production using agricultural residue	① ③
Carbon capture/storage/utilization	Utilization of forest resources	Forest protection and afforestation	④
	Carbon credit	Cooperation in developing a carbon credit market	④
	Introduction of CCUS/DAC		①
	methanation	Acceleration of demonstration	① ② ③ ④ ⑤
Low/decarbonization of industry	Green industrial park	Supplying green power to industrial parks, manufacturing green products	⑤

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In connection to this, this slide on page 16 describes our offering capabilities that can broadly contribute to energy transition beyond the power generation business.

In addition to the development of large-scale renewable energy baseload electrical power resources, there is an opportunity here to promote comprehensive measures, such as strengthening transmission lines connecting remote islands, utilizing new energy sources such as hydrogen and ammonia, absorbing and utilizing carbon from forests and other sources, and decarbonizing industry.

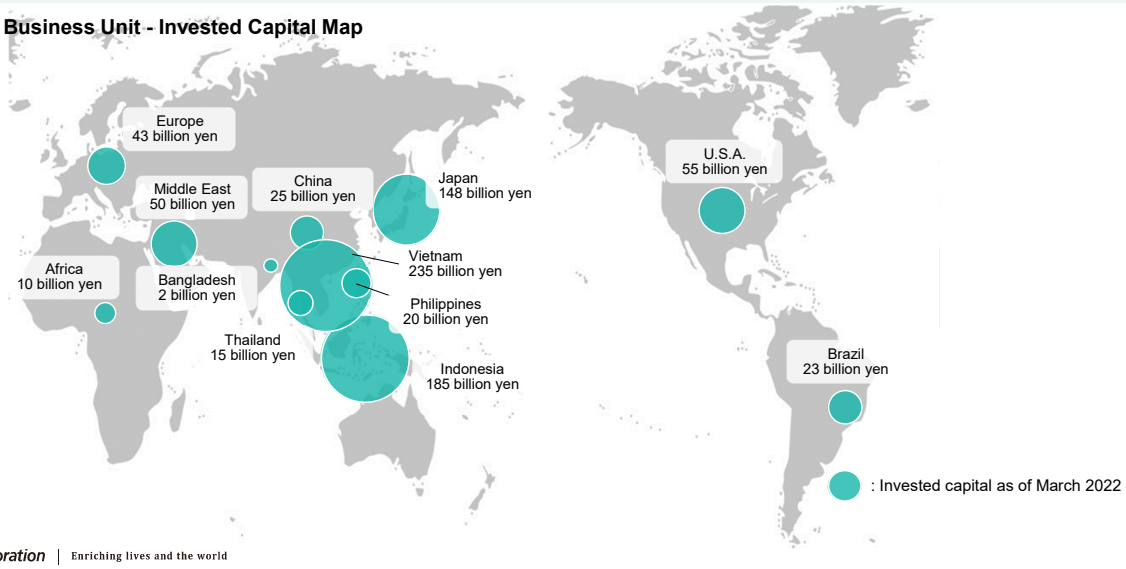
We intend to promote these items in collaboration with internal and external partners.

Growth Strategy

Our Areas of Strength

- Considering to take the same approach as we have in Indonesia for countries in which we have a presence and close relationships.
- Pursuing both "development of local communities and economies" and "achievement of CN globally"

Infrastructure Business Unit - Invested Capital Map



This chart shows the unit's global invested capital by region.

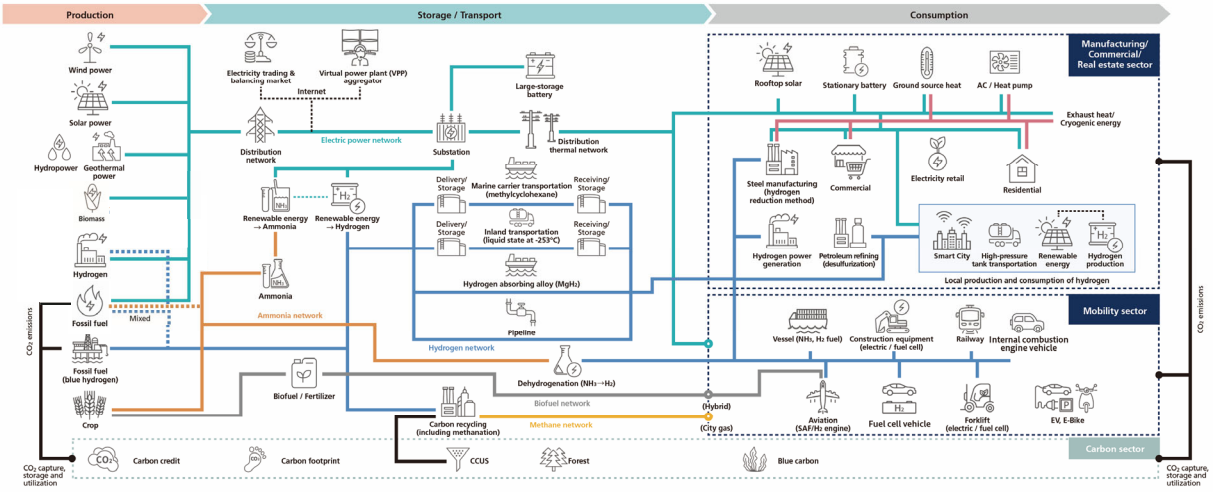
You can see our strength, i.e., our presence and track record in the regions, especially in the APAC region.

Taking into account the situation and policies of each country, we will develop businesses that can contribute to the economic development of local communities and to the achievement of global carbon neutrality, with prescriptions tailored to their specific circumstances.

Growth Strategy

Renewable Energy IPP SBU - Growth Strategy

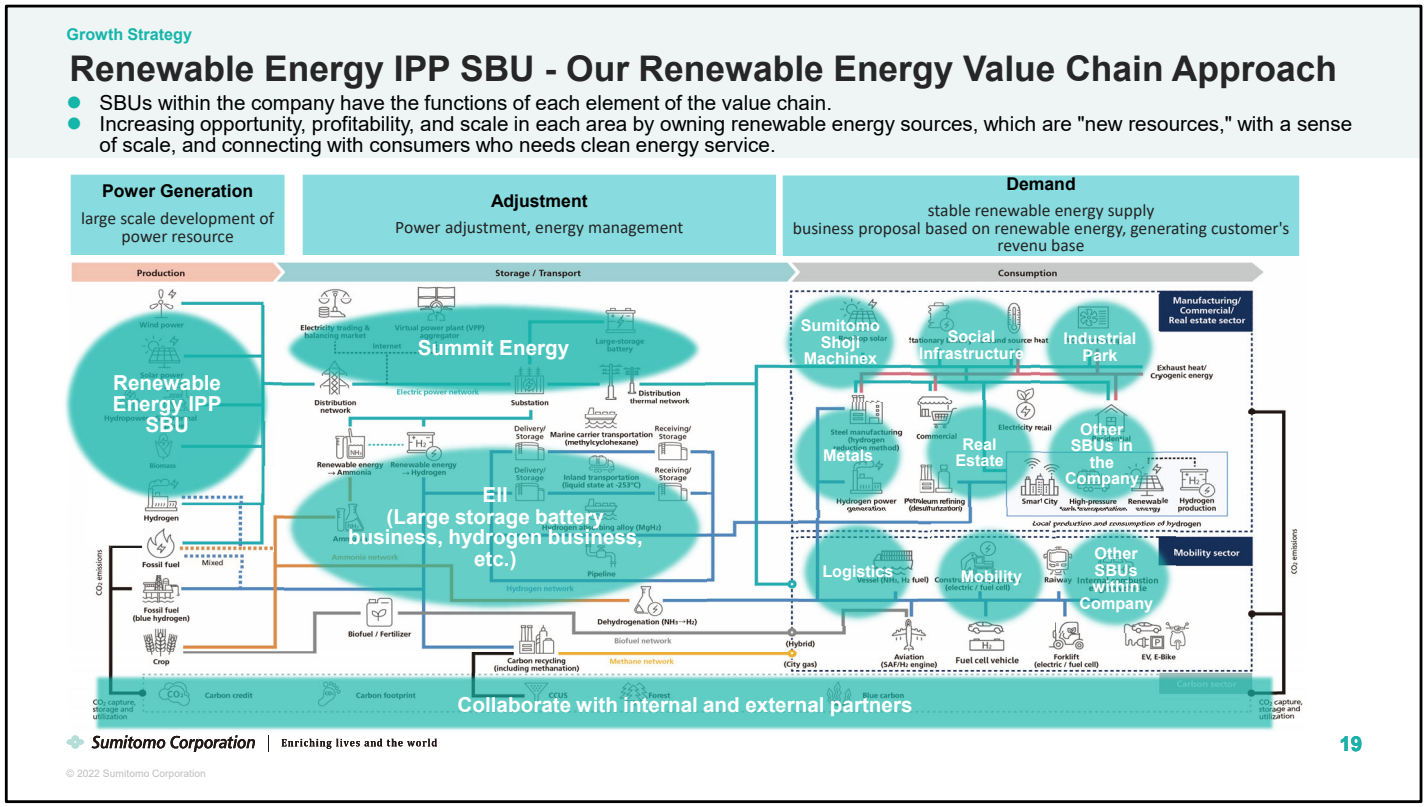
- In emerging markets, developing power sources in line with the host country's power and decarbonization plans
- In developed countries with mature markets, going beyond development and building a value chain through collaboration within the company as well as partners to secure and expand competitive renewable energy power sources and provide consumers who needs green power. In addition, aiming to provide clean energy services (hydrogen and other next-generation energy businesses, EV and other mobility businesses, etc.) to customers based on renewable energy power.



This is a bird's-eye view of the energy value chain, with a focus on renewable energy in the world, which has been prepared by EII.

The role of coal, oil, and natural gas as energy sources is about to be replaced by a new resource, renewable energy.

As an integrated trading company, we are involved in all areas of this renewable energy value chain, but this is not a conglomerate approach, and we intend to increase our profitability by assembling a variety of competitive options from this wide range of options.



Our unit and the domestic and international businesses within our company related to the renewable energy value chain are illustrated on this slide.

For example, in the Japanese market, the renewable energy power generation business has switched from the government's feed-in tariff, or FIT, system to the free market system, or FIP, and power generation companies must develop their own customers, making the function that estimates and adjusts electrical power demand and power production volume an important added value.

Downstream, a wide variety of demand based on renewable energy sources is increasing, and our strength lies in our ability to provide supply with a sense of scale and stability through upstream power sources and midstream coordination functions that can respond to this demand.

Summit Energy has already achieved green power supply to our buildings, rooftop solar business at overseas industrial parks, and EV-sharing business using customers' surplus renewable energy sources. We are collaborating with internal, external, and domestic partners to further expand the scale and functionality of our business to include mobility, zero-emission real estate, hydrogen, and other green energy services in general.

Growth Strategy

Overseas Industrial Park Introduction

- Currently developing and operating high-quality industrial parks in 6 countries 9 locations
- Has a platform of 565 highly relevant tenant companies and 240,000 employees

・Land sales and infrastructure supply business

・Green supply of solar power from roof-top solar panels at plants

・Manufacturing DX support for tenant companies

・Digital platform for employees at the parks

From this page, I will explain the growth strategy of our overseas industrial park business as a specific example of our initiatives.

The industrial park business involves the development, sale to tenants, and subsequent operation of industrial parks that serve as bases for manufacturing operations, primarily in emerging countries where industry is rapidly developing.

Growth Strategy

Strengths of Overseas Industrial Park SBU

1	**Assessment and development capabilities to design high-quality overseas industrial parks with a long-term perspective**	● All industrial parks we've developed in the past have sold out ● Many of clients who have purchased industrial parks that we have developed are repeaters or referral customers
2	**Ownership of platforms with a sense of scale**	● 9 sites/565 companies/240,000 employees ● Business creation for tenants and their employees
3	**Regional presence and development**	● Involved in design and development of legal systems for land selection, foreign investment regulations, etc. in Bangladesh, Myanmar, etc.

Please refer to this slide as it describes our differentiated strengths and scale in this field.

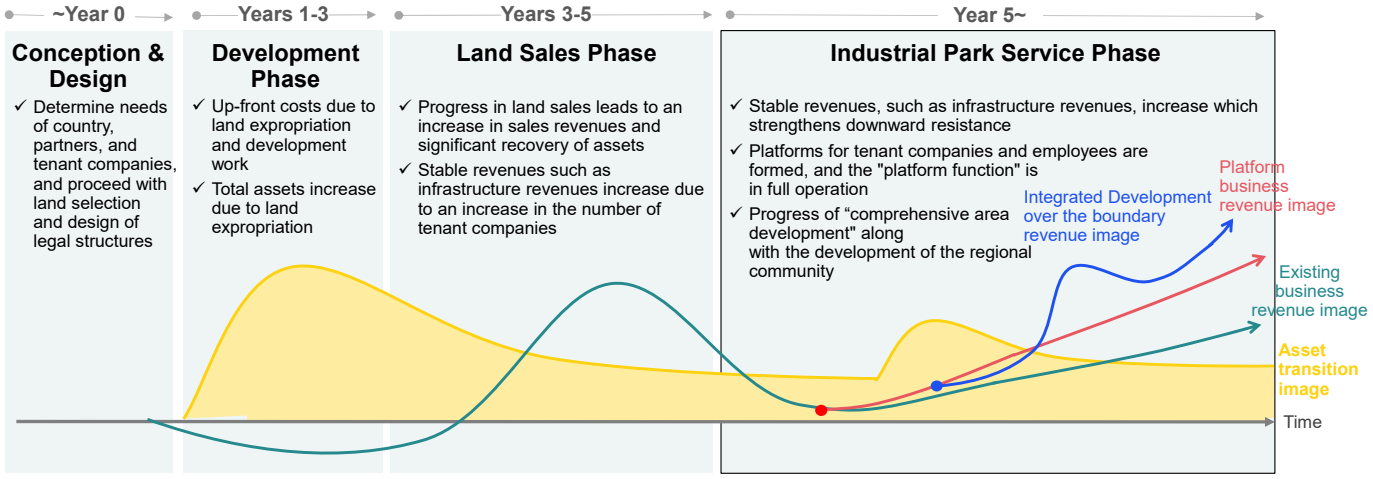
We are currently in the number one position among Japanese trading companies in the industrial park business, where we provide infrastructure for nearly 600 tenant companies and 240,000 employees of client companies in 9 overseas locations.

We will leverage this presence to expand our core business and develop peripheral businesses.

Growth Strategy

Profit Structure of Overseas Industrial Park Business

- Divided into a "development phase" in which up-front costs are incurred; a "land sales phase" in which funds are recovered through sales; and an "industrial park service phase" in which stable factory park operations are conducted
  - Existing business: Land sales business generates peak earnings, followed by infrastructure earnings such as electricity and water supply
  - Platform business: Businesses targeting tenant companies and employees (logistics, trade, rooftop solar, healthcare, finance, mobile apps, etc.)
  - Comprehensive area development: Commercial facility operation and residential development around the industrial park to capture growth of local communities



This page describes the revenue model of overseas industrial parks.

First, the development phase begins with land selection and design. During this period, development costs will be incurred upfront, and in parallel, assets will increase due to land expropriation.

Once the sales period begins, cash is collected and revenue from sales profits is realized.
Once sales are completed and the operation and service phase begins, the business phase will include stable revenues from infrastructure services through electricity and water supply, as well as business for tenant companies and employees.

As the industrial park and surrounding communities develop, opportunities will arise for comprehensive peripheral development, such as commercial and residential facilities.
We hope you understand that our current 9 industrial park businesses are developing in line with each phase of this life cycle.

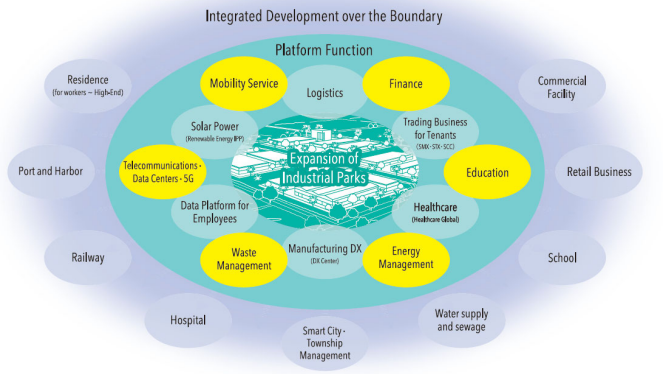
Growth Strategy

Three Pillars of Overseas Industrial Park SBU Growth Strategy

- Building an earnings base on three pillars: 1. Expansion of Industrial Parks; 2. utilization of platform function; and 3. Integrated Development over the Boundary
- Expanding the "Industrial Park Economic Zone" as an ecosystem that generates sustainable earnings by leveraging our strengths and collaborating with internal and external partners

What We Aim to Be in FY2030

- **Platform scale: 14 sites, 950 tenant companies, 350,000 employees**
- **Revenue scale: Net profit at the 10-billion-yen level**



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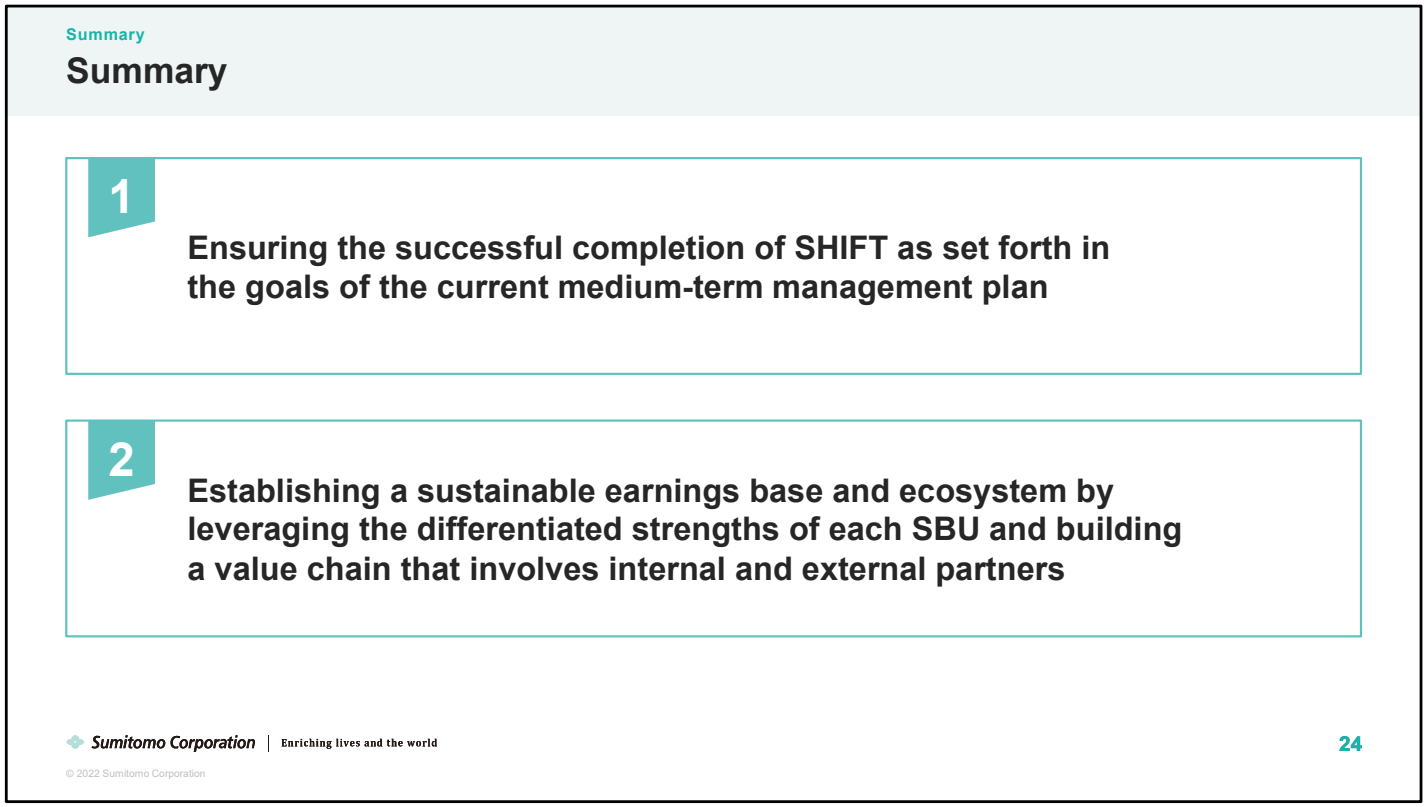
This page explains our growth strategy based on this life cycle.

In overseas industrial parks, we aim to expand revenue at three levels: existing operations, associated services within the park site, and expansion into integrated development in areas surrounding industrial parks.

Regarding platform utilization, logistics services for tenants, roof-top solar power business, DX support for manufactures, digital platforms for employees, and healthcare have already been implemented. In the future, a range of financing, mobility services, data center attraction, 5G implementation, or energy management services is planned to be developed within the industrial park area.

In the development of the surrounding area, together with leading local partners, we are considering commercial, residential, and school development, as well as township management, as part of our business offerings. With the overseas industrial park business as a driver, we will work with internal and external partners to expand this ecosystem.

The quantitative target for FY2030 is to increase the number of business locations to 14, to build up to 950 tenant companies and 350,000 employees, and to achieve JPY10 billion in net profit.



This concludes my explanation of the growth strategy for this unit, including specific examples.

Finally, I would like to reiterate and provide a summary of today's presentation.

The unit will promote the following two points to achieve its long-term goals.
The first point is the completion of SHIFT, which was set forth in the current medium-term management plan. The second point is to establish a sustainable revenue base and ecosystem by leveraging the strengths of each business, involving internal and external partners as drivers, and building a value chain.

Thank you very much for your attention.

[END]