

Teleconference Q&A: Participation in Global Renewable Energy Company,
Mainstream Renewable Power

1. Date/time: 17:00-17:30, March 24, 2022 (Thu.)
2. Speakers: Kazumasa Nakai, Managing Officer, Chief Operating Officer, Infrastructure Projects Business Unit
Yukinobu Nakano, General Manager, Division III (South America), Infrastructure Projects Business Unit
Masaya Inamuro, General Manager, Investor Relations Division
3. Q&A:

[Speaker 1]

Q1: I believe that development capability is key for renewable energy projects to guarantee medium- to long-term returns. What is Mainstream's development capability and how does it differentiate from its competitors?

A1: The regulations for renewable energy projects differ from country to country. Mainstream selects countries where it can bid to secure land etc. at its own discretion and assigns appropriate personnel over there. The company's strengths and what differentiate it from its competitors are its ability to investigate wind conditions and secure land while making investments based on its global development standards, its ability to select and receive orders for profitable projects, and its track record of developing such projects.

Q2: How will this ¥77.0 bil investment contribute to business performance and what would be the timeframe thereof? Also, regarding valuation, can you explain about the EBITDA multiple which you considered, in comparison to other renewable energy projects?

A2: As this is not a brown asset, it will not immediately contribute to earnings. Mainstream is transforming itself from the traditional Develop and Sell (D&S) model to Build, Own, Operate (BOO) and currently in asset-building phase. We forecast that it will take some time before Mainstream contributes to earnings, but by accumulating high-quality assets it can secure the future profitability from renewable energy portfolio.

I cannot discuss valuation in detail but considering Mainstream's development plan, which included a 1.3 GW contract award for South African projects in the past and results from securing a license in Vietnam, we have judged that the combined contribution from each project will provide sufficient returns based on our investment criteria.

[Speaker 2]

Q3: Is my understanding correct that Mainstream's 6.5GW of generation capacity was from D&S model; and now onward it intends to hold on its assets after development and already has pipeline of 16.6GW in development phase?

A3: That's correct. Mainstream is in the process of transforming from D&S to BOO. Currently, it has 1.3 GW of assets under construction and 0.3 GW of assets in operation. In addition, they have 15 GW as pipeline projects under development with secured land, which makes a total of 16.6 GW that we can expect to gradually come into operation.

Q4: Would it be correct to understand that Mitsui's 27.5% stake in Mainstream's 16.6 GW of energy assets will be calculated as additional power generation capacity, allowing for the

renewable energy ratio to swiftly exceed 30%?

A4: As you say, theoretically, if all of the 16.6 GW is realized, the target ratio of more than 30% renewable energy can be achieved. However, please note that it assumes all of assets currently in development phase will be reached to construction or operation phase.

Q5: Mainstream's renewable energy business includes onshore wind power, offshore wind power, and solar power, but which is considered as its specialty? If all of the current pipeline projects are realized, which segment will be expanded the most?

A5: Mainstream's specialty is in all three, and it devises different approaches depending on the needs of the country and its regulations. It has experience in offshore wind power development in the UK and will continue to focus its efforts in that area. The current pipeline project portfolio is roughly split into one third each between onshore wind power, offshore wind power, and solar, but the ratio is subject to change depending on project implementation orders and portfolio adjustments.

[Speaker 3]

Q6: Will Mainstream serve as a platform for Mitsui's future efforts in renewable energy projects, or will you divide your efforts by region? If Mainstream is to serve as a platform, what would be the decisive factors thereof?

A6: Our general policy is to develop Mainstream globally as a platform for renewable energy initiatives. However, there are certain countries and regions where we have projects which are already in development phase, and we will make decisions about whether to continue working on them as Mitsui or as Mainstream, based on how we can utilize our capabilities to the best.

Q7: In terms of a ten-year growth scenario, will the required funds be borne in proportion to investment ratio of each shareholder?

A7: We expect that Mainstream will arrange project financing, bonds and so forth by itself in order to finance development using its own cash and credit capabilities, without further financial support from current shareholders.

[Speaker 4]

Q8: Am I correct to think that no further capital increase will be required from shareholders following this investment?

A8: We do not assume further capital injection in business plan.

Q9: In what ways could Mainstream's involvement change Mitsui's roadmap for halving GHG impact by 2030?

A9: Regarding the roadmap we presented for ESG Day, we cannot currently disclose any project specific figures such as the reduction amount that Mainstream is expected to individually contribute. However, its contributions will be a major part of the roadmap and should be considered as such.

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