

Investor Day 2021 Q&A

【Date】 June 8, 2021

【Speaker】 Toru Matsui, Managing Officer, Chief Operating Officer of Energy Business Unit I;

Chief Operating Officer of Energy Solutions Business Unit

【Moderator】 Masaya Inamuro, General Manager of IR Division

<Q1>

How do you see the quantitative contribution towards 2030 regarding hydrogen and ammonia? Please make a qualitative explanation if you are not able to provide figures. In addition, would Japanese market be your target or do you intend to gain revenue globally in this business area?

<Matsui>

I must admit that it is difficult to make a clear explanation on quantitative forecast of 2030, thus let me respond to your question from a strategic perspective. We are looking at hydrogen and ammonia business in three separate timeframes, short-term, mid-term and long-term, and in terms of the region, it is not limited to Japan but we will be making a global approach. For the short-term, we are focusing on local generation/consumption type of business in regions where system to run such business is developed. For example, we have invested in First Element Fuel which has the largest hydrogen station network in California, U.S. Our intention is to deepen the knowledge of hydrogen and establish network in the region. For the mid-term, we believe that hydrogen for industrial use will be a certain stream of profit. We, for example, are looking into the potential for hydrogen supply to mining machineries, by utilizing our comprehensive strength. For the long-term, we are looking at fuel ammonia and hydrogen for power generation use, and are conducting proof of concept and feasibility study of production business of blue hydrogen/ammonia and green hydrogen/ammonia. We believe that power generation is a domain where we are able to greatly leverage our strength, and therefore we have a strong commitment and focus on such initiative in a long-term basis.

<Q2>

I understood the initiatives and direction of Energy Solutions Business Unit going forward, but would like you to explain more on how those initiatives will link to quantitative contribution. You have shown the profit forecast in the Investor Day held last year, as 10 billion yen in 2025 and 20 billion yen in 2030. Especially for the 10 billion yen in 2025, would you please explain about what businesses will contribute to achieve that number?

<Matsui>

First of all, we are continuously aiming to achieve the quantitative forecast set forth in the Investor Day held last year, through our initiatives that we can see now. Meanwhile, we believe that new opportunities may arise to expand our businesses more than we can now expect, as we move our initiatives forward. Therefore, we will not necessarily stick to that number and will always have a spirit to pursue even greater height.

We recognize that renewable power generation will be accelerated in the short-term, thus expect that renewable power generation business including distributed power will be the ones to firstly make profit contribution. Next comes the solution business of low carbon such as biofuel business that we are working on with Lanzatech. Lastly, we are foreseeing the electrification of transportation sector represented by automobiles in the global trend of low carbonization and decarbonization, therefore believe that New Downstream related businesses such as renewable power generation and its connection with EV and battery utilization, will follow to make profit contribution.

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