

**Q&A at the Business Segment IR Meeting on the
Domestic Offshore Wind Power Generation Business**

1. **Date:** Thursday, March 30, 2023, 13:30 to 15:00
2. **Presenters:** Yuji Okafuji: Division COO, Power Solution Group Energy Service Solution Div.
Shunichi Tanaka: President and CEO, Mitsubishi Corporation Offshore Wind Ltd.
Tatsuhiko Terada: General Manager, Investor Relations Dept.

Questions and Answers

Q. Could you provide further information on general trends and outlook—not limited to MC’s own projects—of profitability and construction cost of offshore wind power?

A.

- Competition in the offshore wind power industry tends to be intense, however, suppliers’ innovation, such as larger scale turbines, has also been brisk. As for our domestic offshore wind power projects, they initially planned to install 12.6 MW wind turbines, but the latest plans utilizes 13 MW units.
- The history of Europe shows, intense competition has lowered supply costs. In addition, it also implies regulatory changes such as the feed-in premium (FIP) scheme, may contribute to cost decline.

Q. Is there any sign which may impair the profitability of MC’s offshore wind power projects?

A.

- We are executing every project with our internal criteria of profitability for each project.

Q. How has the change of the construction cost impacted the profitability of the three domestic projects, which were awarded in December 2021? I understand there have been efforts to reduce costs by increasing the size of turbines, while the costs increased due to the Russian invasion of Ukraine.

A.

- The construction costs have increased and fluctuated due to the tightened supply and weaker yen. However, we planned those projects with sufficient risk buffers, which are also included on other similar projects. Improved turbine performance is also expected to bring upside. At this moment, we haven’t identified any significant issues on their profitability.

Q. What exactly makes MC competitive and differentiates it from other competitors, such as the ability to predict wind conditions or to control costs?

A.

- One of the main factors is that we acquired expertise from the European market earlier than other competitors.

- Generally speaking, when we plan projects, costs increase as safety buffers are considered in various parts. (And this is not limited to offshore wind projects.) However, as project knowledge is accumulated, safety buffers can be decreased (as risks are visualized), which increases price competitiveness. MC had been working with Eneco, a Dutch integrated energy company, for a long time before we acquired it. MC has been able to bring European technologies and expertise to Japan. We recognize that identifying risks contributes to our competitiveness.

Q. Regarding the second round (upcoming bidding process of domestic offshore wind power projects), it seems that bidders would be unable to take advantage of economies of scale due to new restrictions. Can MC ensure an advantage over the competition even with these conditions?

A.

- Bigger scale would provide the benefits of synergistic effects and it might bring us some advantages. However, MC estimates project profitability on a stand-alone basis, excluding any synergistic effects. Thus, we don't see decline in our competitiveness.

Q. The first round (existing three domestic projects) was where MC demonstrated its strength since the bidding framework had allotted a large portion to the price factors. After the first round, the assessment framework for the second and subsequent rounds has changed. Does MC have any strength even under the new framework?

A.

- Let me answer from a general viewpoint, rather than our bidding strategies. MC is currently working with partners on various ambitious objectives applying technology developed in Europe. Three existing projects are currently undergoing engineering and related work, like survey and construction preparation, that provide further knowledge day by day. These have been taking us where competitors cannot catch up easily.
- Furthermore, it should be noted that the evaluation criteria of the first round consisted of quantitative (50%) and qualitative (50%), and we got high scores in the qualitative evaluation as well as the quantitative evaluation. We are executing our regional contribution plans which made our qualitative score high. Through our activities on regional contribution, we are accumulating know-how regarding ways of co-working with local stakeholders, contribution to local society, and creating the future. The evaluation criteria of these points has not changed, so we believe that actual expertise and experiences will give us a tremendous advantage if we participate in future biddings, wherever a municipality is.

Q. What timeline do you expect for the introduction of floating offshore wind power in Japan? Does MC have any advantages if floating offshore wind power becomes mainstream?

A.

- We don't see notable progress relating to floating offshore wind. However, it is assumed that offshore wind power in Japan will have to introduce floating projects in the future due to the limited area suitable for bottom-fixed projects.
- We understand that the Japanese government has started to prepare for coordination with stakeholders, including issues related to Japan's exclusive economic zone.
- On the other hand, we recognize there are technical challenges related to introducing floating offshore wind. As floating projects are affected by hydrographic and meteorological conditions, it would be difficult to simply introduce the proven floaters from Europe to Japan considering swells in the Pacific ocean and conditions in the Sea of Japan.
- Since there are many potential technologies, it is necessary to select the most commercially viable technology through demonstrations. This process takes time and resources, so we believe that government support will be important from the viewpoint of next-generation power sources.

Q. You mentioned that you will leverage knowledge gained in Europe, and that you are also accumulating knowledge in Japan. What are some of the issues unique to Japan compared with other countries for offshore wind power, such as ocean currents and typhoons?

A.

- Hydrographic and weather conditions can be challenges. Typhoons are major factors. There are certifications called "Class T" which certify durability of a turbine design for typhoons.
- Also, Japan has fewer ocean areas with good seabed conditions, like those of the North Sea with its shallow water and sandy seabed.
- However, we feel that the institutional differences between Japan and Europe are even more significant than hydrographic and weather conditions. For example, in the Netherlands, a centralized model is well established. Under the centralized model, the government takes the lead in gathering and publishing seabed and wind condition data. Developers then utilize this data as the basis for their project design development. As a result, this limits the scope of developers' responsibility to the processes that follow data collection.
- If a centralized model is quickly established in Japan, it will be a foundation for accelerating the expansion of domestic offshore wind. Although the auction timing is still under consideration, the Japanese government announced that a centralized model would be introduced through JOGMEC for three projects in Hokkaido. We expect centralized models to gradually spread in Japan.

Q. Will MC's ability to retain such data as that on conditions off the coast of Akita serve as a strength for the Company?

A.

- Yes, it will. We believe this will be one of the various strengths that MC offers.

Q. I would like to ask about slide 5, "Mitsubishi Corporation / The MC Group's Electric Power Business." I understand that as of December 31, 2022, you had 2.71 GW of renewable energy capacity in operation, for a total of 3.67 GW when including projects under construction. Please tell us the scale of offshore wind power capacity in operation and under construction. In addition, you have set a target of 6.6 GW of renewable energy generation capacity by FY2030, but how much do you plan to increase offshore wind power as part of that?

A.

- Offshore wind currently accounts for about 20% of our renewable power capacity in operation and about 10% of our renewable energy capacity under construction. We plan to increase them targeting 2030. [Answer that we promised to provide later.]
- In order to achieve the target of 6.6 GW of renewable power capacity in 2030, we aim to achieve a well-balanced portfolio in Japan, Europe and North America. In terms of simply dividing the target, capacity in Japan will come to 2.2 GW, which is one rough indication. To achieve it, we aim to build a well-balanced portfolio of offshore wind and others.

Q. Under the "Develop to Sell" business model, how do you decide when and which asset to be sold in the offshore wind power generation business? What are the criteria for selling a project?

A.

- It's not that we have a particular "Develop to Sell" policy specifically designed for the offshore wind generation business. Overlooking our portfolio across our group's business, including but not limited to renewable power, we aim for more growth by replacing assets we developed or acquired as needed and appropriate. We are not limited to holding assets we have developed or acquired. We regard the offshore wind power generation business as one of these assets.