

Main Q&A at Results Briefing for FY2021 (Ended 3/2022)

Below are the main Q&A from the results briefing (held on May 25, 2022) for FY2021.

Q1. What action(s) have you taken to secure a margin as machinery and material prices soar?

- A1. In addition to such efforts as moving the timing of orders forward for machinery and materials, we are making preparations to request a contract-based inflation adjustment for plant construction work for municipalities.
- We are also working to control costs while discussing matters with customers, including VE proposals.

Q2. Have there been any changes in the demand environment for biomass power plants in response to soaring commodity prices or the FIT system?

- A2. Demand for small- to medium-sized biomass power plants, which are our specialty, currently remains robust. However, starting with certifications in FY2023, projects that are 2,000 kW or more will be transitioned to the FIP system. The burden of risk is heavier for power generation business operators under FIP, so we believe that careful judgment will be used for whether or not to utilize FIP. It is difficult to read how much demand there is for FIP right now, so we are closely monitoring the trend.

Q3. If long-term O&M accounts for 50% of the backlog of orders, would it be correct to say that the percentage of O&M within sales will increase going forward, thereby improving the earnings structure?

- A3. We believe that recurring revenue model businesses, including O&M, will be the future driver of growth for the Group. We hope to substantially increase it by steadily accumulating orders. In addition, by expanding recurring revenue model businesses, we will improve our earnings structure and solidify our earnings base.

Q4. What is your view of the competition within the domestic waste treatment plant market in recent years?

- A4. Competition is still fierce, but in the comprehensive evaluation method, we are working on improving comprehensive proposal capabilities combining price and non-price elements. In this, our bidding will include not just price but also non-price elements such as our technical

capabilities. We hope to differentiate ourselves from our competitors in this way and tie that into orders received.

Q5. Over the past three years or so, it seems that your approach to the stock market has become very aggressive. Did something prompt this? Or is there a background behind the change in your approach?

A5. We do not believe that our current stock price is necessarily high. We will continue to grow our business by focusing on recurring revenue model businesses and other initiatives and secure a stable earnings base. We hope our stock price will increase as we improve profitability.

Q6. What system is in place for maintenance of biomass power plants? Out of the projects for which you receive orders, how many do you provide maintenance for?

A6. We provide both single-year maintenance and long-term O&M. We receive orders for single-year maintenance and overhaul work from almost all of our customers. We have also received three orders for long-term O&M.

Q7. Why is the dividend being left as-is if you expect an increase in profit in FY2022?

A7. Our basic policy is to maintain stable dividends. We left the dividend as-is in FY2020 and FY2021 even though our results came in below our forecasts. This fiscal year, although we expect an increase in profit, there is a strong sense of uncertainty over the future, in part because of the situation in Ukraine, so we are leaving the annual dividend at 36 yen in the initial forecast.

Q8. A secondary market has been built for solar power generation, and we are seeing such activity as buying and selling of power plants. Is there a business opportunity for your company if similar developments take place in biomass power generation?

A8. We do not yet have a track record in that regard, but by owning power plants, there are plenty of ways for us to generate profits utilizing our operational know-how. Know-how, including that for procuring fuel, is required to ensure long-term, stable power plant operations. As such, we hope to thoroughly acquire this know-how in anticipation of future opportunities.

Q9. What are some examples of where fuel conversion could be implemented? Also, what ideas do you have for power plants post-FIT?

A9. One example of fuel conversion is to switch from boilers using fossil fuels such as petroleum and coal to boiler power generation equipment using solid fuel called RPF made from paper

and plastic.

Post-FIT, we believe that the power plants can still be used effectively even after 20 years of operations. We have not put together any specific ideas at this time as we will have to manage these plants according to the situation at the time, including social circumstances. We will engage in research while keeping an eye on social circumstances.

Q10. There are many agrarian countries in Asia, so I would think that there are business opportunities for biomass power generation. What are the business opportunities for your company in this regard?

A10. Demand for biomass power generation is increasing due in part to the boost provided by government policies, so we hope to thoroughly address this demand. We will start by expanding our business primarily in Thailand where we have a local subsidiary.

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