

**Condensed Transcript of Q&A Session
for Sojitz IR Day 2025 (December 8, 2025)**

Growth Strategy of the Energy Solutions & Healthcare Division

Speaker

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Questioner 1:

Q: How do you plan to address the matter of low CROIC of the division going forward? The CROIC target for Next Stage is 6%, which is also lower than other divisions. To what extent can this be raised?

A: As a specific change in the revenue structure of large-scale PPP infrastructure projects, the approach will shift from partnerships with lead developers to acting as a lead developer under Capella. This will enable larger revenue scale, more diversified revenue opportunities, and earlier capture of returns.

Roles and revenue opportunities will arise at various stages, including project formation, construction management, asset management during operations, and asset sales. As a result, IRR and CROIC exceeding previous levels are expected. In recent cases, IRR has reached 20%, and the average CROIC has exceeded 10%.

In addition, for certain projects, revenue is also generated through fund management by attracting investor capital.

Q: Compared to other divisions, the division uses more assets, resulting in a larger total asset base. Could you explain how you plan to build up assets for the Next Stage?

A: Capella was not included in the original plan for the Medium-term Management Plan 2026. However, we have committed nearly JPY 50.0 billion to existing projects under this initiative and anticipate an additional investment of around JPY 100.0 billion for projects expected to be awarded over the next three years.

At the same time, we believe it is appropriate to view this as a rotation of assets as we plan to sell certain projects.

Going forward, we will assess the expected pipeline of projects and the overall asset size of Capella, and determine the extent of expansion including human resource allocation while consulting with management and considering the company-wide situation.

Questioner 2:

Q: The bid success rate is high at 51%. What factors contribute to this high success rate compared to competitors?

A: In the Australian PPP market, the structure consists of two leading companies and several mid-sized firms, making a win rate of around 30–40% typical. Capella, however, excels through strong cost competitiveness, effective coordination with stakeholders such as banks and construction companies, and skillful relationship management. Additionally, Capella enhances its competitiveness by structuring efficient financing solutions. This includes optimizing repayment terms and interest conditions to design financing structures that meet client requirements.

Furthermore, its strong track record plays a critical role. Without proven experience, companies often fail at the qualification stage, but Capella's history builds trust that it will deliver reliably during contract execution.

Q: How is rising labor cost affecting profitability in your U.S. and Australian operations?

A: Australian PPP projects are structured in a way that is not affected by labor costs. In contrast, U.S. projects have seen an increase in engineering labor costs. We are working to pass these additional costs on to clients. The impact on this fiscal year's results is not significant. However, going forward, the extent to which these costs can be passed on will depend on relationships with clients.

Questioner 3:

Q: The Energy Solutions & Healthcare Division is planning JPY 30.0 billion in profit this fiscal year. How much of that will come from energy solutions businesses?

You mentioned a target of JPY 20.0 billion for the energy solutions businesses going forward. How much of that is already visible?

Additionally, what are your plans for further investments in areas where you have already invested?

A: At this stage, the combined net profit of individual companies, excluding the power generation business, is expected to be around JPY 10.0 billion.

Regarding additional investments, there is a reasonable pipeline of projects, and further investments in the U.S. and Australia are possible. However, acquisition prices have been trending upward recently, particularly in the data center sector, where valuations have risen significantly.

We aim to proceed cautiously without overextending, focusing preferably on opportunities arising from personal relationships rather than those appearing on the open market. While avoiding overpriced investments, we will strive to remain aggressive yet prudent in identifying opportunities and executing investments.

Q: Around JPY 10.0 billion in combined net profit of individual companies this fiscal year is expected, but what timeframe do you envision for reaching the JPY 20.0 billion level? Could you explain how Sojitz is involved in data center-related businesses?

A: Businesses in which we have already invested are expected to generate JPY 15.0 – 16.0 billion in combined net profit of individual companies within three to four years. To reach JPY 20.0 billion, excluding the power generation business, an additional JPY 5.0 billion will be required. This will involve not only organic growth in existing businesses but also further investments. Including these factors, we believe achieving the JPY 20.0 billion level within the next three to four years is reasonably attainable.

Regarding involvement in data centers, for example, Climatech Group Holdings Pty Ltd, an HVAC-related business in Australia, is performing strongly, partly because of its expertise in data center-related business. Similarly, Freestate Electric, LLC in the U.S. is benefiting from capturing demand in the data center sector.

That said, this is a field with ongoing debate, and we must consider the possibility of data center construction peaking in the future. Both companies' management teams aim to maintain a balanced portfolio and avoid excessive dependence on data center-related businesses. We share this view and continue to discuss these matters with the management.