

**PROMOTION OF ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS – SFDR PRE-CONTRACTUAL DISCLOSURE**

Product Name: Canadian Solar Infrastructure Fund, Inc.  
 Legal Entity Identifier: 353800VD8MHXRH4U3J38

*Canadian Solar Infrastructure Fund, Inc. (“CSIF”) promotes environmental or social characteristics, but does not have as its objective a sustainable investment within the meaning of Article 9(1) of Regulation (EU) 2019/2088 (“SFDR”). CSIF has no employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan and relies on Canadian Solar Asset Management K.K. (the “Asset Manager”), to manage and operate the projects in CSIF’s portfolio. CSIF and the Asset Manager are hereinafter referred to collectively as “we”, “us” or “our” unless noted otherwise.*

<b>Does this financial product have a sustainable investment objective?</b>	
<input type="checkbox"/> <b>Yes</b>	<input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b> : __%  <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of __% of sustainable investments  <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> with a social objective
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b> : __%	<input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>

***What environmental and/or social (“E/S”) characteristics are promoted by CSIF?***

The Asset Manager serves as the asset manager of CSIF, which invests primarily in solar power generation facilities in Japan. Canadian Solar Project K.K. (“CSP”) is a developer of photovoltaic (“PV”) projects, the sponsor of CSIF and parent of the Asset Manager. In its effort to build a sustainable society and preserve the global environment, the Asset Manager, together with CSP, conducts its asset management business with a particular focus on the environment. In addition, the Asset Manager recognizes that consideration of social and governance characteristics in its asset management operations is important for a growing number of investors and fund managers in Japan and overseas. Accordingly, proactive disclosure of CSIF’s and the Asset Manager’s ESG-related initiatives is increasingly important, and the Asset Manager became a signatory to the United Nations Principles for Responsible Investment (“UN PRI”) in August 2019, incorporating UN PRI into our ESG policy.

We are committed to promoting environmental and social characteristics through CSIF’s investment in solar power and other renewable energy power generation facilities in accordance with the following policies.

- *Reduction of CO<sub>2</sub> emissions.* We believe CSIF’s solar power generation facilities contribute to reduction of CO<sub>2</sub> emissions and mitigation of environmental destruction as they generate power from solar

irradiation, a renewable and clean energy source. As of May 31, 2023, we owned 25 solar power generation facilities in Japan, which were estimated to have the effect of reducing CO<sub>2</sub> emissions by 31,754,137 kg for the five months ended May 31, 2023. We estimate the effect of reducing CO<sub>2</sub> emissions through CSIF's solar power generation by using adjusted emissions coefficient published by the Ministry of Environment of Japan. We update this information on our website every month at <https://www.canadiansolarinfra.com/en/ir/index.html>.

- *Contribution to local communities.* The Asset Manager makes effort to establish sustainable long-term relationships with local municipalities, landowners and communities. To achieve this target, we endeavor to ensure that CSIF's solar power generation facilities will not cause damage to the health and well-being of people in the neighborhoods or negatively impact the local communities through due diligence. In addition, we engage local community activities, including the following;
  - The Asset Manager and CSP collectively donated to the government of Marumori-machi, where CS Marumori-machi Power Plant is located, after it was severely hit by Typhoon Hagibis in October 2019.
  - In September 2022, we sponsored the 15th Xavier's Way Walking Tournament held in Hiji-machi, Hayamizu-gun, Oita Prefecture, where a CSIF's power plant is located, and employees of the Asset Manager also participated in the Tournament. Participants walk along the path said to have been walked by Francis Xavier, with the goal of improving their health and increasing their understanding of the local history.
  - In May 2023, we sponsored the 38th KAREI festival held in Hiji-machi, Hayamizu-gun, Oita Prefecture. The KAREI festival celebrates a local fish, which is a specialty product of Hiji-machi, and includes various events intended to attract tourists, contributing to revitalization of the local community's economy.
- *Training for employees.* We have established a training curriculum we call "CSI University" with CSI referring to Canadian Solar Inc., the parent of CSP, to support each employee's acquisition of skills and knowledge with respect to various components of our business. CSI University supports our mission to bring solar power into every household and create a better and cleaner Earth for future generations, and our vision of becoming a global solar solution expert that works with our partners to create a bright future, while promoting innovation, integrity, efficiency, teamwork, and entrepreneurship as our core values. CSI University, available online to the Asset Manager's employees, provides opportunities to acquire practical knowledge and study cases on a variety of topics, including development and disposal of power plants, storage battery technologies, EPC (engineering, procurement and construction) and asset management of power plants. In addition, the Asset Manager holds internal study sessions regularly as a part of its employee training program covering matters related to infrastructure asset management by inviting specialists from the "Canadian Solar Group", a global group of companies that are subsidiaries and affiliates of Canadian Solar Inc., including the Asset Manager, and other third parties.
- *Establishing a comfortable workplace environment:* The Canadian Solar Group, to which the Asset Manager and CSP belong, aims to conduct its business without prejudice, including based on gender, nationality, age and appearance, and to maintain a workplace free from discrimination. Consistent with this aim, approximately half of the Asset Manager's employees are women. In addition, the Canadian Solar Group seeks to improve its employees' health, labor management, crisis management, and other working conditions by conducting employee satisfaction surveys at least once every two years and making necessary changes to address issues raised in the surveys as well as by offering stress checks and education regarding harassment to its employees. For the avoidance of doubt, CSIF is not a consolidated entity of the Canadian Solar Group, but the Asset Manager is a consolidated entity of the Canadian Solar Group, bound by the Canadian Solar Group's policy.

***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by CSIF?***

CSIF's portfolio has continuously expanded since we commenced operations in May 2017. As of May 31, 2023, CSIF's portfolio consisted of 25 solar power generation facilities with a total installed capacity of 183.9MW per year. For the five months ended May 31, 2023, CSIF's 25 solar power generation facilities were estimated to have the effect of reducing CO<sub>2</sub> emissions by 31,754,137 kg. We believe that the installed capacity and estimated reductions in CO<sub>2</sub> emissions are the best indicators to measure the attainment of the environmental characteristics promoted by CSIF.

We use the following indicators to supplement the above-mentioned indicators:

- *UN PRI*. In August 2019, the Asset Manager became a signatory to the UN PRI. The Asset Manager regularly reports the Asset Manager's and CSIF's ESG-related activities, such as our achievement in reduction of CO<sub>2</sub> emissions, in accordance with UN PRI, and its next report will be made by September 2023.
- *Green Finance Framework*. In October 2017, we received an evaluation of Green 1 (g1/m1) from Japan Credit Rating Agency, Ltd. ("JCR") under JCR's green finance evaluation of our green finance framework ("Green Finance Framework"), which was used to conduct debt financing at the time of CSIF's initial public offering on the Tokyo Stock Exchange. In May 2020, our Green Finance Framework acquired an overall evaluation of Green 1(F) (g1(F)/m1(F)) under JCR's evaluation, an improvement from the initial evaluation at the time of CSIF's initial public offering in 2017. On January 26, 2021, we issued our first green bond (Green 1) under our Green Finance Framework to expand our investor base. A summary of JCR's evaluation of our Green Finance Framework is as follows:

- Evaluation Phase 1: Greenness Evaluation

Proceeds are used for green projects that contribute to decarbonization through renewable energy, with a high environmental improvement effect. When acquiring a solar power generation facility, the Asset Manager's Financial Planning Department, Acquisition Department and Asset Management Department review the facility's expected negative environmental and social impact after receiving a technical assessment report from a third party. If there is a material risk, the Asset Manager implements countermeasures. JCR concluded that it is highly unlikely that any negative impact will exceed the environmental improvement effect. As a result, JCR assigned "g1 (F)", the highest grade, on the use of proceeds component of our Green Finance Framework.

- Evaluation Phase 2: Management, Operations and Transparency Evaluation

We have established eligibility criteria and selection processes for green projects, and the proceeds from financing under our Green Finance Framework are allocated to eligible projects promptly. We disclose the funding allocation status and KPIs to track environmental improvement. JCR concluded that we have established an appropriate management and operation framework for green finance and practice a high degree of transparency, and assigned "m1 (F)", the highest grade, on the management, operation and transparency components of our Green Finance Framework.

In addition, we monitor the use of proceeds for the funds raised under our Green Finance Framework and disclose the status.

- *Transparency of fund management*. Projects eligible for green finance are selected in advance, and the Financial Planning Department of the Asset Manager monitors allocation of funds raised. Any withdrawal of funds from a bank account managed under our Green Finance Framework is subject to approval of the Chief Financial Officer and the Chief Executive Officer of the Asset Manager.

Account activities are subject to internal approvals and external audits. Funds are maintained in the form of cash or cash equivalents, and disbursement from accounts is disclosed as necessary.

- *Reporting structure.* Details of disbursement from accounts managed under our Green Finance Framework are disclosed as appropriate on our website on a regular basis. We also disclose the allocation of procured funds to projects eligible for green finance and the rules on disbursement and repayment of funds borrowed from financial institutions on a timely basis on our website and through other media and in our financial presentation materials and asset management reports. On a monthly basis, we disclose on our website (<https://www.canadiansolarinfra.com/en/ir/index.html>) information on environmental improvement effects, including the solar power generation output and the amount of estimated reduction in CO<sub>2</sub> emissions.
- *Audit structure.* The Chief Compliance Officer of the Asset Manager conducts an internal audit, prepares an internal audit report, and reports to the Representative Director, the Board of Directors and the Compliance Committee. An external audit is performed once every six months.

- ✓ ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable.

- ✓ ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable.

## **Principle adverse impacts**

### ***Does CSIF consider principal adverse impacts on sustainability factors?***

Yes, we consider principal adverse impacts on sustainability factors. We collect on an ongoing basis select information on CSIF's existing portfolio regarding the principal adverse impact indicators, including exposure to fossil fuels through investment assets, exposure to energy-inefficient investment assets, energy consumption intensity. We aim to manage the risk connected to principal adverse impacts from CSIF's investment decisions in several ways, including general screening criteria and due diligence. We also invest only in projects that have no significant environmental risks by conducting significant due diligence review prior to each acquisition. The Asset Manager investigates the environmental and geological conditions of each project to determine the possibility of environmental hazardous substances and land pollution in part based on environmental reports. Based on the reviews, we believe the possibility that soil contamination exists at the solar energy projects we intend to acquire is low. We do not invest in a project with a possibility of environmental hazardous substances or land pollution unless appropriate measures are taken under applicable laws and we confirm that any such environmental issue has no adverse impact on the soil and the solar project.

- *Exposure to fossil fuels through assets.* Because CSIF's entire portfolio constitutes solar energy projects, none of CSIF's investments is involved in the extraction, storage, transport or manufacture of fossil fuels. In addition, we principally consume energy generated from CSIF's solar energy projects. Accordingly, we believe that we do no significant harm with respect to the fossil fuels factor.
- *Exposure to energy-inefficient investment assets.* Because CSIF's entire portfolio constitutes solar energy projects, and we primarily consume energy generated from CSIF's solar energy projects for their operations, drawing minimal amount of energy from other energy sources, none of CSIF's

investments is in energy-inefficient assets. Accordingly, we believe that we do no significant harm with respect to the energy efficiency factor.

- *Energy consumption intensity.* The energy consumption intensity of CSIF's projects was 0.416 kWh per square meter in 2022 and 0.210 kWh per square meter in 2021. As all of the projects in CSIF's portfolio are solar power generation facilities and we principally consume energy generated from CSIF's projects, the amount of energy we draw from other energy sources is minimal. At each of CSIF's projects that uses extra-high voltage power, a chief electrical engineer is stationed and promotes energy saving. In addition, we purchase and use retail electricity generated from renewable sources at some of CSIF's solar power generation facilities. Accordingly, we believe that we do no significant harm to the energy consumption factor.
- *Waste production in operations.* Waste produced in our operation of solar power generation facilities is composed of modules, and mounting rack system. When disposing of modules, we generally look to recycle unused modules by collecting modules to be disposed until they reach the minimum amount that recycling companies accept. When disposing of mounting rack system and its components, we recycle aluminum and other materials that are clearly recyclable. To the extent possible, we first look to recycle other materials that are not clearly recyclable before discarding them. We encourage operation and management ("O&M") contractors to understand our policy above and aim for efficient recycling while taking into account transportation and storage costs.

We consider, both at the entity-level (i.e., the Asset Manager) and at the fund-level (i.e., CSIF), principal adverse impacts of CSIF's investment decisions on sustainability factors. Under the Act on Investment Trusts and Investment Corporations of Japan, we are prohibited from having any employees and are required to outsource asset management to a third party. Accordingly, as discussed in detail elsewhere, any consideration at the fund-level of principal adverse impacts of CSIF's investment decisions on sustainability is principally conducted by the Asset Manager, subject to approval of CSIF's Board of Directors. In addition to the Asset Manager's contractual obligations to us under the asset management agreement, the Financial Instruments and Exchange Act of Japan provides that the Asset Manager owes us a fiduciary duty in conducting its activities, including making investment decisions informed by sustainability considerations.

We believe that investment decisions that negatively affect climate or other environment-related resources, or have negative implications for society, can have a significant impact on risk and value creation for CSIF's unitholders. To this end, we consider the principal adverse impacts of CSIF's investment decisions on the above sustainability factors throughout all major steps of the investment decision and management process throughout the lifecycle of the facilities in CSIF's portfolio.

## **Investment Strategy**

### ***What investment strategy does CSIF follow?***

CSIF invests directly or indirectly through trust beneficiary interests in real estate. Therefore, due diligence (including the assessment of good governance practices) in relation to investee companies is not applicable. The investment and due diligence policies as described below are related to real estate and real estate-related assets.

- *Investment in clean energy.* CSIF invests in solar power generation facilities that contribute to (1) reduction of CO<sub>2</sub> emissions and (2) mitigation of environmental destruction, either directly or indirectly, as well as in clean energy power stations with no resource waste and a high probability of improving the environment.

- *Identifying risks before acquisition.* Before acquiring a solar power generation facility, the Asset Manager's departments with relevant expertise review its potential negative impact on environmental and social factors aspects after obtaining a soil contamination report, structural integrity report and technical due diligence report produced by a third party. If a facility is deemed to carry a material risk, the Asset Manager implements appropriate countermeasures so that any negative impact is unlikely to exceed the environmental improvement effect.
  - *Establishing socially responsible investment selection process:* As part of due diligence review, the Asset Manager confirms that the solar power generation facility will (1) not damage the health of people in the neighborhood or negatively impact the local municipality, and (2) not result in engagement of forced labor in the supply chain or in its development. In addition, if a negative environmental impact has been identified, we adopt countermeasures to eliminate factors causing the impact with assistance from internal and external specialists. In addition, acquisition of a solar power generation facility from a related party is subject to review and approval by the Asset Manager's Compliance Committee.
  - *Monitoring decision-making process.* The Asset Manager has established internal rules such as rules on segregation of duties, rules on authority, committee rules, and compliance rules to clarify the decision-making process for important matters related to asset management of the CSIF and to monitor legal compliance in the process. For each of real estate research, acquisition, operation and management, and other operations, objective operational procedures are established to manage risks.
- ✓ ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental and social characteristics promoted by CSIF?***

Under CSIF's articles of incorporation, CSIF is required to maintain a portfolio at least 90% of which constitutes solar power generation facilities, including trust beneficiary interests therein, and no more than 10% of which may constitute other renewable energy generation facilities (in each case based on acquisition price). We consider both solar power generation facilities and other renewable energy generation facilities as aligned with E/S characteristics.

We aim to maintain stable cash flow and earnings mainly by investing in renewable energy power generation facilities and related real estate.

- ✓ ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Before investing in a solar power generation facility or another asset, we conduct economic, physical and legal due diligence review, including review of negative environmental and social impact, such as soil contamination and seismic risk. We also verify that the facility would not pose any health hazard to nearby residents, and that there would be no negative impact on the local government or any violation of workers' rights.

- ✓ ***What is the policy to assess good governance practices of investee companies?***

The Asset Manager monitors operators, O&M companies, and other service providers, and in general reviews, once a year, the status of the outsourced operations.

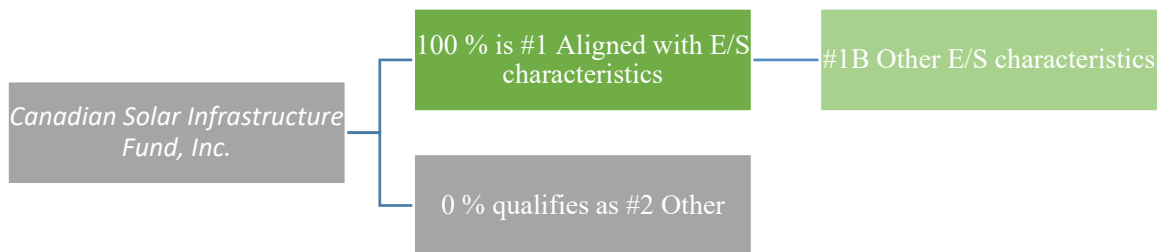
With respect to any acquisition or disposition, the Asset Manager's Acquisition Department prepares a proposal for the Chief Compliance Officer's review, and following the Chief Compliance Officer's approval, the Investment Management Committee deliberates on and approves the proposal.

Any acquisition or disposition of assets between CSIF and an interested party as defined in our Related Parties Transaction Rules is subject to the resolution of the Asset Manager’s Board of Directors if the transaction amount is 5 billion yen or more. Such a transaction proposal is also subject to approval of CSIF’s Board of Directors.

## Asset Allocation

### *What is the asset allocation planned for CSIF?*

As of May 31, 2023, 100% of the projects in CSIF’s portfolio based on acquisition price were solar power generation facilities (25 solar power generation facilities with a total installed capacity of 183.9MW per year), which we believe are all aligned with E/S characteristics. Under CSIF’s articles of incorporation, CSIF is required to maintain a portfolio at least 90% of which constitutes solar power generation facilities and trust beneficiary interests in renewable energy generation facilities, and no more than 10% of which may constitute other renewable energy generation facilities (in each case based on acquisition price). We aim to retain the current allocation of investments aligned with E/S characteristics.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

### ✓ *How does the use of derivatives attain the environmental or social characteristics promoted by CSIF?*

Not applicable.

### *To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?*

Not applicable.

### ✓ *Does CSIF invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?*

Not applicable. CSIF does not invest in real estate assets involved in fossil gas and/or nuclear energy-related activities.

- ✓ *What is the minimum share of investments in transitional and enabling activities?*

Not applicable.

*What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?*

Not applicable.

*What is the minimum share of socially sustainable investments?*

Not applicable.

*What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?*

Not applicable.

*What is the minimum share of socially sustainable investments?*

Not applicable.

*What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?*

As noted above, under CSIF’s articles of incorporation, CSIF is required to maintain a portfolio entirely consisting of solar power generation facilities and other renewable energy generation facilities and do not have any investments included under “other”.

#### **Index as Reference Benchmark**

*Is a specific index designated as a reference benchmark to determine whether CSIF is aligned with the environmental and/or social characteristics that it promotes?*

Not applicable. CSIF does not have a specific index has been designated as reference benchmark to determine whether CSIF is aligned with the environmental and/or social characteristics that it promotes.

- ✓ *How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by CSIF?*

Not applicable.

- ✓ *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*

Not applicable.

- ✓ *How does the designated index differ from a relevant broad market index?*

Not applicable.



✓ *Where can the methodology used for the calculation of the designated index be found?*

Not applicable.

### **More Product-specific Information**

*Where can I find more product specific information online?*

More product-specific information can be found on the website:  
<https://www.canadiansolarinfra.com/en/esg/index.html>

### **Note Regarding the EU Taxonomy Regulation**

As set out above, we promote certain environmental characteristics.

The Asset Manager is required, under Regulation (EU) 2020/852 (the “EU Taxonomy Regulation”), to disclose whether its assets are aligned with the environmental objectives formulated in the EU Taxonomy regulation. The EU Taxonomy Regulation is to be complemented by technical standards and screening criteria which are currently developed. The technical screening criteria for the first two environmental objectives (climate change mitigation and climate change adaptation) were adopted in December 2021. They apply as of January 1, 2022.

CSIF invests in economic activities that are eligible under the EU Taxonomy Regulation in respect of climate change mitigation and/or climate change adaptation. This means that screening criteria for these investments have been or will be developed. The Asset Manager expressly states that in view of the fact that the regulations are still under development or have only recently been adopted and the fact that, as a result thereof, data on alignment of CSIF’s investments with these environmental objectives and climate related goals in line with the EU Taxonomy Regulation are not sufficiently available, the Asset Manager is not currently in a position to disclose on an accurate and reliable basis to what extent CSIF’s investments technically qualify as Taxonomy-aligned or “environmentally sustainable” within the specific meaning of the EU Taxonomy Regulation. CSIF’s investments may have a positive contribution to these environmental objectives and may therefore eventually be considered Taxonomy-aligned, but at this stage, the Asset Manager is required to state that there is no minimum proportion of CSIF’s investments that qualify as such.

The Asset Manager further states that the “do no significant harm” principle applies only to those investments underlying the financial product that takes into account the EU criteria for environmentally sustainable economic activities. The investments underlying the other portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

## **INTEGRATION OF SUSTAINABILITY RISKS IN THE INVESTMENT DECISIONS, AND THE IMPACT OF SUCH RISKS ON THE RETURNS OF CSIF (SFDR ARTICLE 6 DISCLOSURE)**

We consider, both at the entity-level (i.e., the Asset Manager) and at the fund-level (i.e., CSIF), principal adverse impacts of CSIF's investment decisions on sustainability factors. Under the Act on Investment Trusts and Investment Corporations of Japan, we are prohibited from having any employees and are required to outsource asset management to a third party. Accordingly, as discussed in detail elsewhere, any consideration at the fund-level of principal adverse impacts of CSIF's investment decisions on sustainability is principally conducted by the Asset Manager, subject to approval of CSIF's Board of Directors. In addition to the Asset Manager's contractual obligations to us under the asset management agreement, the Financial Instruments and Exchange Act of Japan provides that the Asset Manager owes us a fiduciary duty in conducting its activities, including making investment decisions informed by sustainability considerations.

For example, in CSIF's projects, the Asset Manager has investigated and complied with the necessary permits and approvals for the construction of solar power generation facilities. In addition, the Asset Manager consults with local residents to ensure that the use of the land by the projects will not be detrimental to the lives of local residents.

### **Physical risks**

The assets in which we invest are exposed to physical climate risks, which can materialize through, for example, floods, storms, heat and limited access to natural resources, which in turn can cause the value of CSIF's assets to decline. The following risks are particularly relevant for us.

- *Flood risk:* Although we are subject to a flood risk, we assess such risk to be low because most of CSIF's solar power plants are located away from rivers and coasts. We appoint an O&M contractor capable of properly inspecting and maintaining renewable energy generation facilities, and maintain a system to minimize damage, with the assistance of O&M contractors, in the event of an accident or disaster. We identify and assess any flood risk as part of due diligence process when acquiring a new renewable energy generation facility.
- *Storm risk:* Although we are subject to a storm risk, we assess such risk to be low because its effect is limited due to our Group's 24-hour, 365-days-a-year monitoring system that ensures prompt response in the event of a disaster. In addition, the Group inspects power plant facilities, ground and drainage equipment, and the surrounding environment to be prepared for potential disasters, and maintains power plant facilities so that they are disaster-resistant. We appoint an O&M contractor capable of properly inspecting and maintaining renewable energy generation facilities, and maintain a system to minimize damage, with the assistance of O&M contractors, in the event of an accident or disaster. We identify and assess any storm risk as part of due diligence process when acquiring a new renewable energy generation facility.

### **Transition risks**

- *Strict environmental impact assessment:* We are subject to a medium-level environmental impact assessment risk, because stricter environmental impact assessments will increase construction costs due to increased compliance costs. For example, a typical construction period may become longer or we may lose certain development opportunities. We intend to address this risk by ensuring, based on periodic review, that our internal rules and due diligence checklist as well as our disclosure practice are in line with the most up-to-date standards, and by obtaining environmental impact assessments from third-party experts.
- *Decrease in electricity sales:* Significant growth in solar power generation under the Feed-in Tariff (FIT) system may result in output curtailment, thereby reducing the amount of electricity we sell. To

address this risk, we have been upgrading our system to gain better remote control over electricity supply. In addition, we will consider use of storage batteries to store and sell electricity under the Feed-in Premium (FIP) system, although revision to the current regulatory framework is needed to make that possible.

- *Decrease in demand for electric power due to population decline:* We are subject to a medium-level risk that demand for electric power will decrease due to declining population. To address this risk, we will consider measures to reach new markets for electricity with demand that is not being met and to cultivate new business partners to enter into corporate power purchase agreements.
- *Decrease in demand for electric power due to decline of the materials industry:* We are subject to a medium-level risk that demand for electric power will decrease as a result of a decline in materials industry, which is a significant user of electric power. To address this risk, we will consider measures to reach new markets for electricity with demand that is not being met.
- *Shrinking commercial market:* We are subject to a medium-level risk that the business user market will shrink due to spread of distributed energy (e.g., residential rooftop solar panels, BTM storage batteries, and electric vehicles). To address this risk, we will consider measures to reach new markets with demand for electricity that is not being met.