

Q & A at the Energy Storage Business Briefing

Tokyo Century Corporation

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Q: What is your deployment target for the grid-scale energy storage business?

A: We aim to commence operation of approximately 600 MW by fiscal 2029. As of the end of September 2025, we have already decided on investments for approximately 400 MW. We are developing this business, targeting an internal rate of return (IRR) of 10% or higher.

Q: What is your business model?

A: We employ a "full merchant" model, which takes on market price fluctuation risks, rather than relying on stable income such as the Feed-in Tariff (FIT) system. We access three markets—the capacity market, the balancing market, and the wholesale market—and trade in the most profitable market at any given time. Diverging from the traditional finance-centric approach of leasing companies, we take a proactive lead in providing integrated services—from site identification to operation and management—with a strong emphasis on speed in decision-making and development.

Q: What are your key differentiators and competitive advantages over other companies?

A: We believe our advantages lie in speed and partnerships. In this business, securing land and grid connections are crucial. In addition to our ability to make decisions and develop projects swiftly and independently, we leverage our partner network—including EPC contractors and utility stakeholders—cultivated through our domestic solar power business since fiscal 2012. This enables us to secure sites and grid access effectively while maintaining cost control.

Q: Which market currently serves as your primary source of revenue?

A: Currently, the balancing market provides the most favorable market environment and our revenue is primarily driven by this market. Looking ahead, we aim to achieve optimal operation by utilizing AI to combine arbitrage in the wholesale market with the capacity market.

Q: Do you plan to bring aggregation functions in-house in the future?

A: Currently, we outsource operations to multiple aggregators to accumulate know-how from each company. We are also considering internalizing the aggregation business in the future.

Q: What is your outlook for the divestment strategy?

A: Although our basic policy is to retain these assets as we grow the business, we intend to respond flexibly to divestment opportunities while monitoring market conditions.

Q: What are the primary business risks?

A: We anticipate the following three primary business risks:

- **Regulatory Change Risks:** Potential failure to achieve projected revenues due to changes in electric power administrative rules
- **Supply Chain Risks:** Battery fire incidents, rising raw material prices, increased maintenance expenses, etc.
- **Market Price Fluctuation Risks:** A decline in market prices and narrowing spreads

Q: Is there a risk of lower price caps in the balancing market?

A: Our profitability targets are estimated conservatively. Even if the price cap is lowered, our projects are structured to remain viable, so we do not anticipate a significant impact.

Q: What is the level of difficulty for grid connection, and what is your strategy for addressing this?

A: Due to the rising demand for energy storage, applications for grid connection are surging. Consequently, response times from utilities are lengthening, and instances of higher contribution costs are rising. However, for the approximately 400 MW of projects in which we have decided to invest, we have largely secured the necessary grid connections and do not anticipate any significant issues at this time.

Q: What is your policy regarding technological innovations, such as all-solid-state batteries?

A: We believe lithium-ion batteries will maintain their superiority for the time being. However, we continuously monitor new technological trends and gather information through collaboration with our partners.