

Shizuoka Gas Co., Ltd.

Support for Entry into Energy Services Business in Southeast Asia

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YCP

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Background

Your company has set a goal in the “Shizuoka Gas Group 2030 Vision” to ensure the continuous growth of the city gas business while establishing new growth businesses, aiming for overseas business to account for 14% of consolidated ordinary profit in 2030. As one of the initiatives toward achieving this goal, your company positions the promotion of natural gas shift and advanced energy utilization in Southeast Asia as a strategic priority.

Your company intends to develop in the Southeast Asian market the energy service business that has been cultivated mainly in Shizuoka. For the launch of this overseas business, your company seeks to narrow down priority countries based on market research covering fundamental country information, industrial structures, and infrastructure development in each market, while assessing which types of energy services have higher demand, and then proceed with business development together with potential partners in the target countries.

As candidate countries for expansion into Southeast Asia, your company is considering two out of the following three: the Philippines, Vietnam, and Malaysia. Target customers include not only industrial users such as food and beverage, chemicals, paper, and data centers, but also commercial facilities and condominiums. The scope of potential energy services includes cogeneration systems, air-conditioning services utilizing carbon-free electricity, power supply services, energy services with added environmental value (carbon credits), boiler and air-conditioning leasing, and ESCO services. Your company needs to examine the appropriate business model based on customer energy service needs and determine with which partners and under what structure business development should be carried out.

Your company has not previously conducted a feasibility study related to energy service business across multiple overseas countries. Taking this opportunity, you are considering engaging an external consulting firm to conduct market research. Given our company’s experience in conducting related research and supporting market entry across Southeast Asian countries, you contacted us to explore the potential use of our services.

Objective

Based on the following research findings, your company positions the first step as narrowing down the two most suitable priority countries for market entry out of the Philippines, Vietnam, and Malaysia from the perspective of overall business environment

- Policies, trends, regulations, promotion measures, and infrastructure related to natural gas
- Cases of market entry by Japanese gas companies into energy service businesses
- Demand trends, supply trends, and price trends by energy type

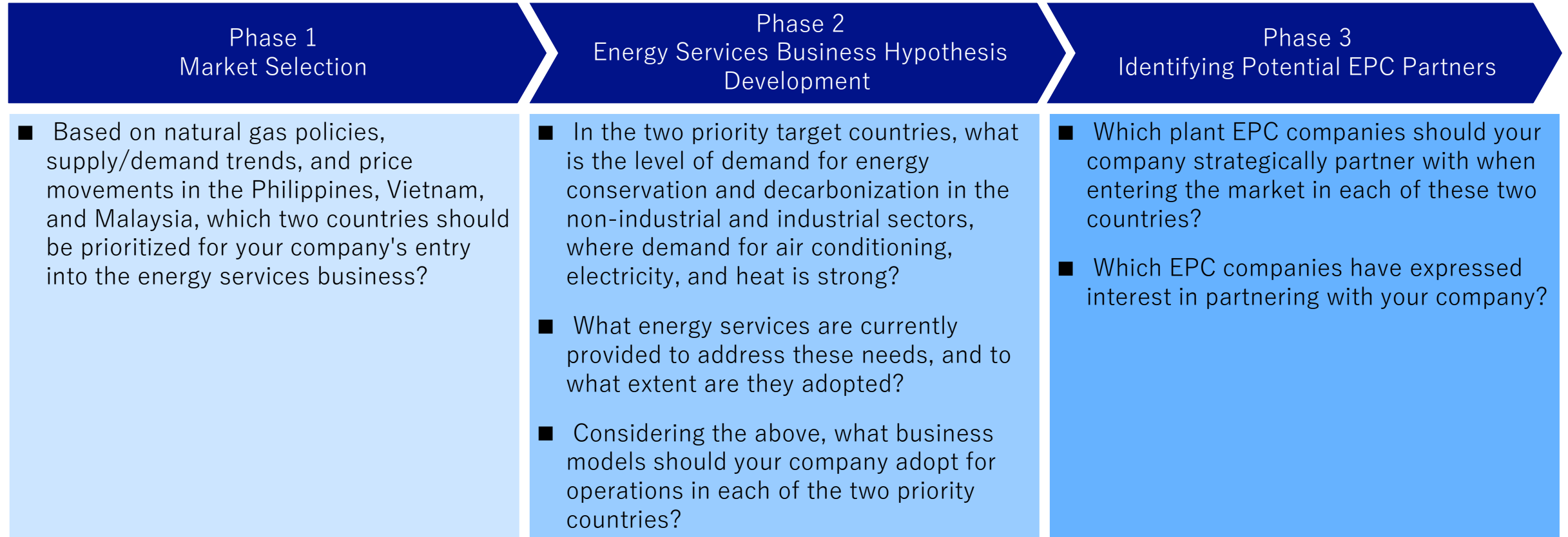
In the selected priority countries, your company seeks to understand customer needs for energy services and the status of existing service offerings, and to build business hypotheses on what business models should be adopted

- Energy saving and decarbonization needs among non industrial customer segments with high demand for air conditioning electricity and heat such as commercial facilities and condominiums
- Energy saving and decarbonization needs among industrial customer segments with high demand for air conditioning electricity and heat such as factories in food beverage chemicals paper and data centers and the share of boiler utilization
- Degree of penetration of currently available energy services including cogeneration systems air conditioning services utilizing carbon free electricity power supply services energy services with added environmental value such as carbon credits boiler and air conditioning leasing and ESCO services
- Status of natural gas infrastructure development in major domestic industrial parks
- Share manufacturing locations specifications and pricing of the top three boiler manufacturers in use

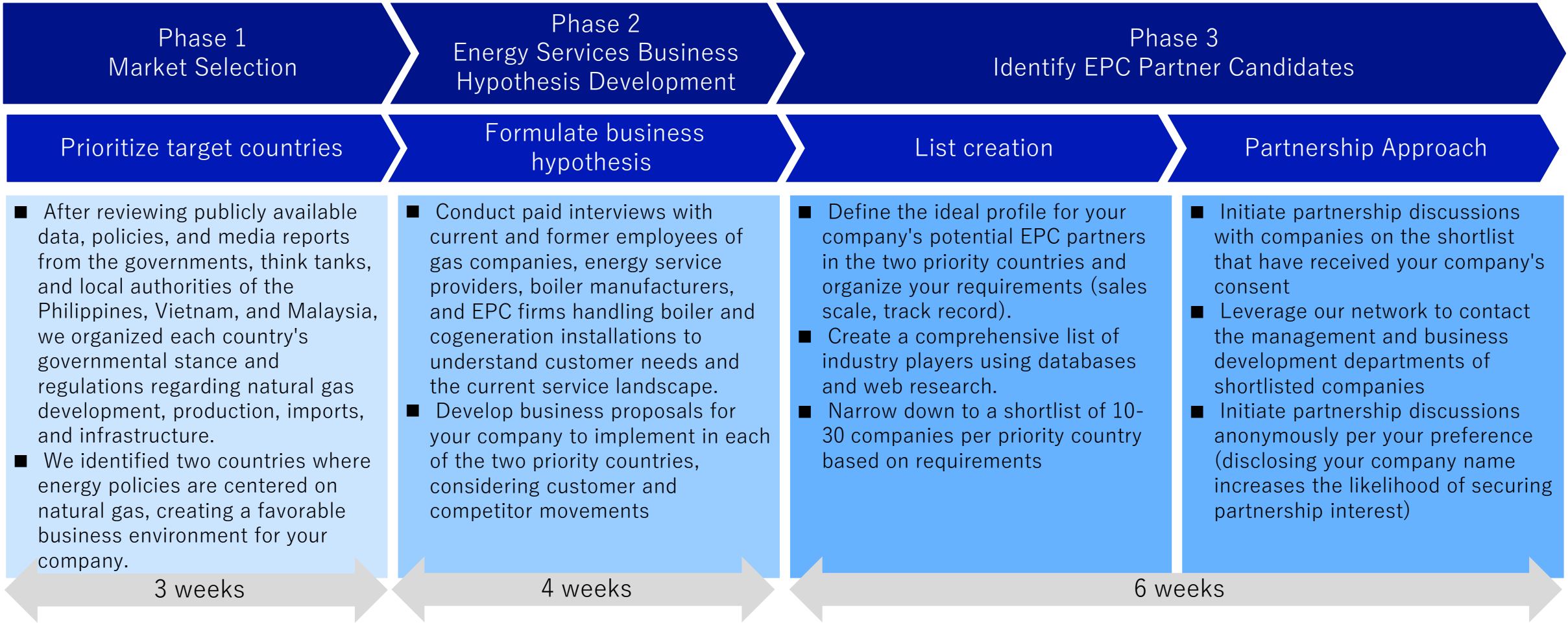
Your company also intends to identify potential plant EPC companies as strategic partners for the energy service business and determine the optimal collaboration structure for business development

- Creation of a long list of EPC companies with strong plant construction capabilities in the priority countries
- Research on company scale track record in energy service businesses and partnership interest regarding participation in energy service business development

Key Issues Regarding the Scope of Support



Support Scope Approach



Before conducting in-depth research on each country, narrow down the list of promising countries from the Philippines, Vietnam, and Malaysia to two countries based on fundamental information such as policy, market, and competitive environment.

Deliverables for Country Selection

- What is the government's stance and regulations regarding natural gas development, production, imports, and infrastructure?
- Is natural gas utilization being promoted through policy?

【Market】 Is it a market with high natural gas demand where your company can fully leverage its energy service strengths?

- Considering demand trends, supply trends, and price trends for different energy types (natural gas, coal, oil, etc.), is future demand for natural gas expected?

- Are many Japanese gas companies and other competitors entering the energy services business?

Stances and Regulations in F

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Prioritize Market Segments with Market Positioning Map

Plot total scores for all market segments to select the most promising market segment in the upper right quadrant for a deep-dive analysis in Phase 2

Market Positioning Map

Explanation of Axis

- Competitive Intensity Level (x-axis)**
 - Represents the intensity and strength of competitors in the market
 - Quantified based on criteria such as average pricing per unit, share of non-Chinese competitors, market fragmentation level, number of distributors and after-sales service providers
- Policy Service Fit (y-axis)**
 - Represents the degree to which the Kanadevia product aligns with customer requirements
 - Quantified based on criteria such as current product's coverage with similar technology, sourcing method, specifications & certification, sales channels, warranty & after-sales support
- Demand Size (z-axis)**
 - Represents the scale of market opportunity in terms of absolute demand (in units) in 2030
 - Quantified based on demand proxy and conversion factor for each market segment

Note: Bubble size represents 2030 demand in USD M; bubble positions are illustrative and will be finalized based on in-depth research during the project

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• Selecting two priority countries for entry based on fundamental info

Phase 2: Business Hypothesis Development

Based on the premise of implementing energy services in the two selected countries, define the business deployment approach by considering customer needs, competitor services and success factors, and the underlying business environment for your company.

Research points for formulating business hypotheses

What business model should your company adopt for its operations?

【Customers】
How strong is the demand for energy savings and decarbonization?

【Competitive Environment】 What energy services are being offered, and how widespread are they?

【Our Company】 Is the business environment conducive for your company to enter?

- What are the needs within the non-industrial segment (commercial facilities, apartment buildings, etc.)?
- What are the needs within the industrial sector (factories in food, beverage, chemical, paper industries, data centers, etc.)?
- What aspects of current services remain unmet?
- Are energy services (cogeneration systems, air conditioning services utilizing carbon-free electricity, power supply services, energy services with added environmental value (carbon credits), boiler/air conditioning leasing, ESCO) gaining traction?
- Which energy services are particularly emphasized and expanding?
- What types of players are leading the services?
- What are the success factors for such players?
- How many potential customers by industries are there in industrial sector in which area in the country?
- How many of those potential customers use boiler?
- What are the market shares, manufacturing locations, specifications, and prices of the top three boiler manufacturers used?
- Is there demand for bulk introduction of energy services (e.g., cogeneration) within industrial parks?

Deliverables for business hypothesis development

- Defining WHO, WHAT, and HOW
 - Within the non-industrial and industrial sectors, what customer segments exist, and which segments should be targeted?
 - What do these customers want? What services can your company provide to these target customers that leverage your unique strengths and cannot be easily replicated by competitors?
 - Which players will you partner with and how will you market the service to target customers?
- Is the anticipated future business scale potential large enough to justify your company's involvement?