Energy for a New Era

Financial Strategy and New Management Targets for FY 2025

JERA Co., Inc.

May, 2022

Financial Strategy

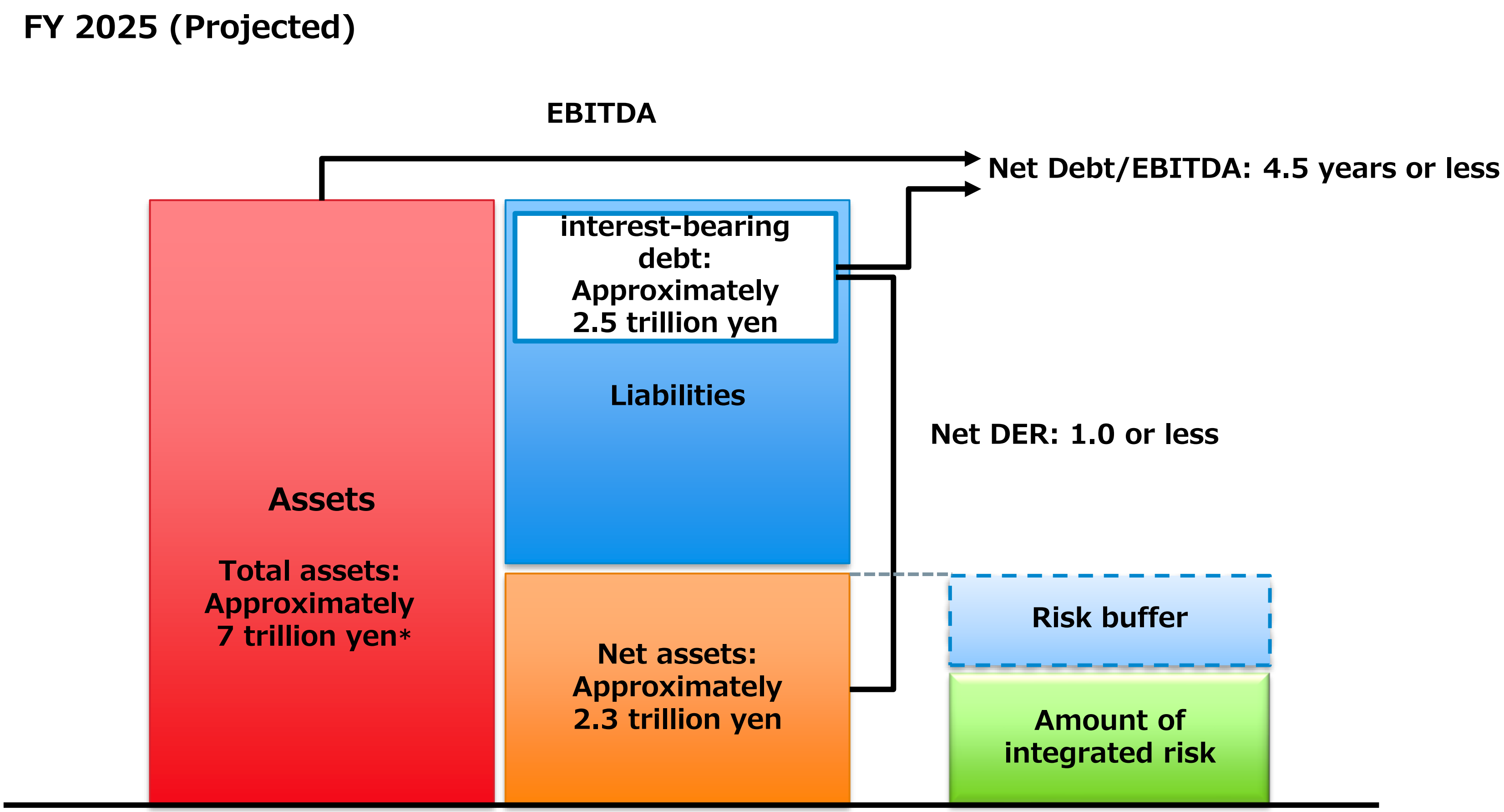
Financial Strategy

- Promote growth investments while maintaining financial soundness.
- Aim for a net debt-to-equity ratio (DER) of 1.0 or less to maintain financial soundness.
- Hold capital at a level that exceeds the amount of integrated risk.

		Current	FY 2025
Optimal capital structure / Balance sheet management	Safety	-	Net DER 1.0 times or less
	Ability to repay debt	-	Net Debt/EBITDA 4.5 years or less
	Credit ratings	A rating	A rating
	Risk capital	-	At a level that exceeds the amount of integrated risk
Capital allocation	Allocation of funds	-	Promote investments for sustainable growth
	Discipline	Ensure sufficient operating cash flow	

Financial Strategy: Balance Sheet Management

- Implement balance sheet management to maintain A credit rating
- Maintain net assets exceeding the amount of integrated risk

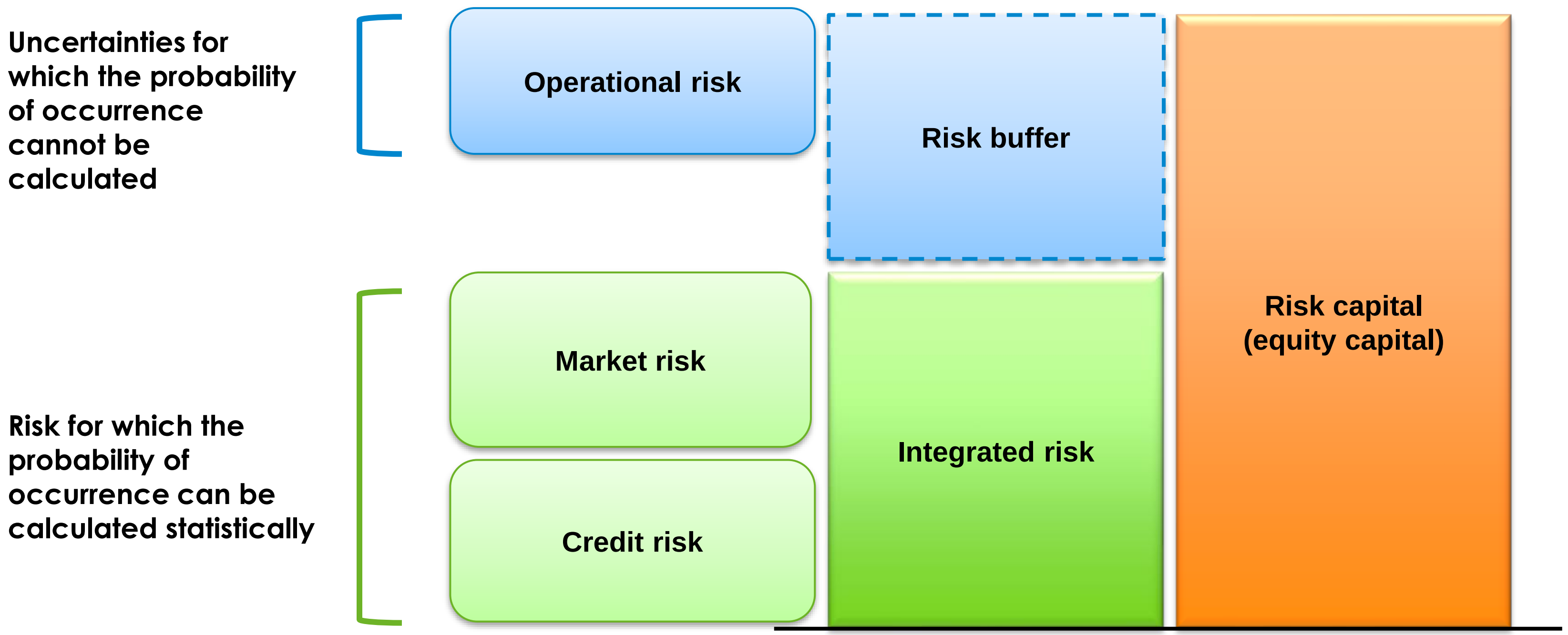


* Including 300 billion yen in cash and deposits.

Balance Between Risk Capital and Integrated Risk

- JERA defines three categories of risk: market risk, credit risk, and operational risk. The amount of integrated risk is quantified based on market risk and credit risk.
- The difference between the amount of integrated risk and risk capital is defined as a "risk buffer."
- JERA has a policy of maintaining a certain level of risk buffer in consideration of operational risk.

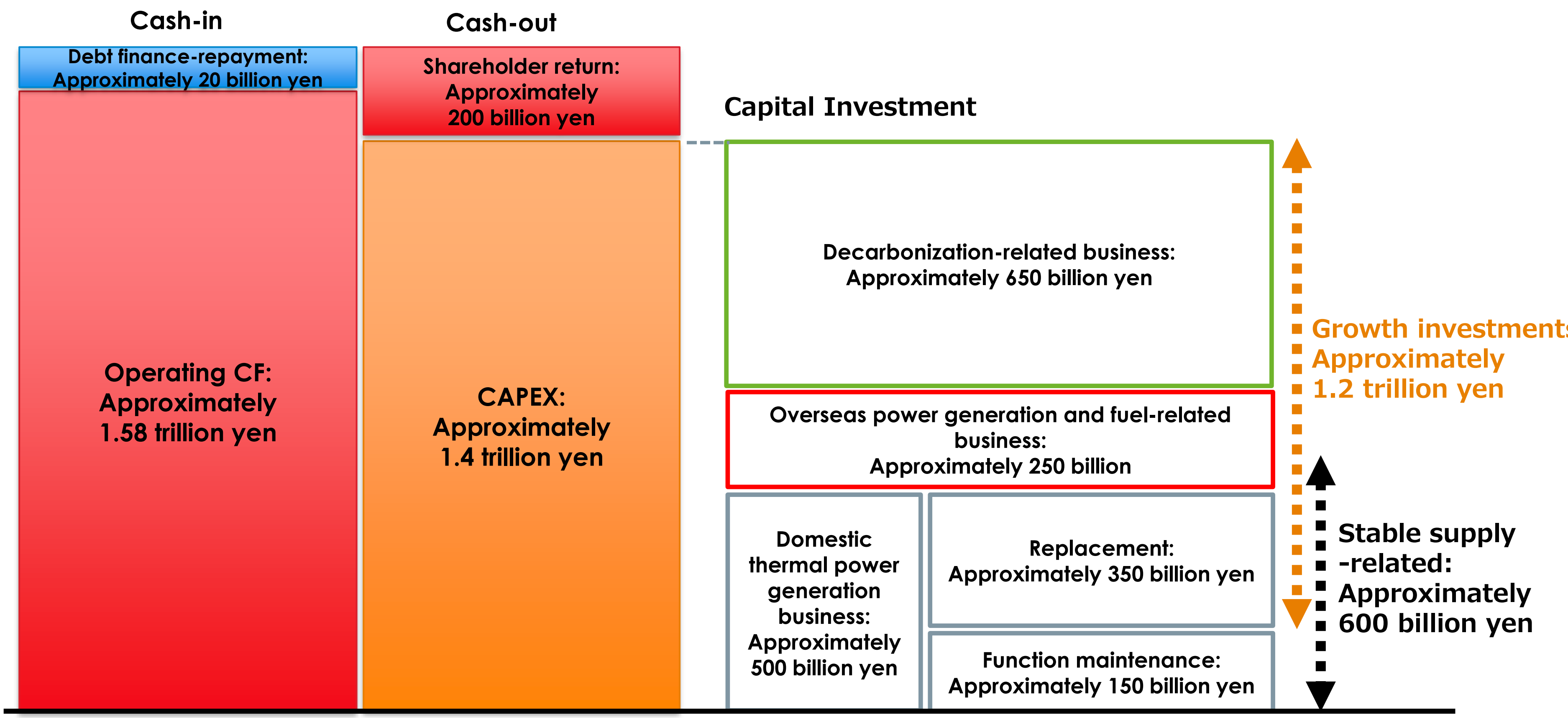
Integrated Risk Management



Financial Strategy: Capital Allocation

- Based on approximately 1.6 trillion yen of cash-in, mainly operating cash flow, from FY 2022 to FY 2025, JERA will allocate cash to growth investments with the aim of sustainable growth.
- Of its growth investments, JERA plans to allocate approximately 650 billion yen to decarbonization-related business and approximately 600 billion yen to areas related to stable supply.

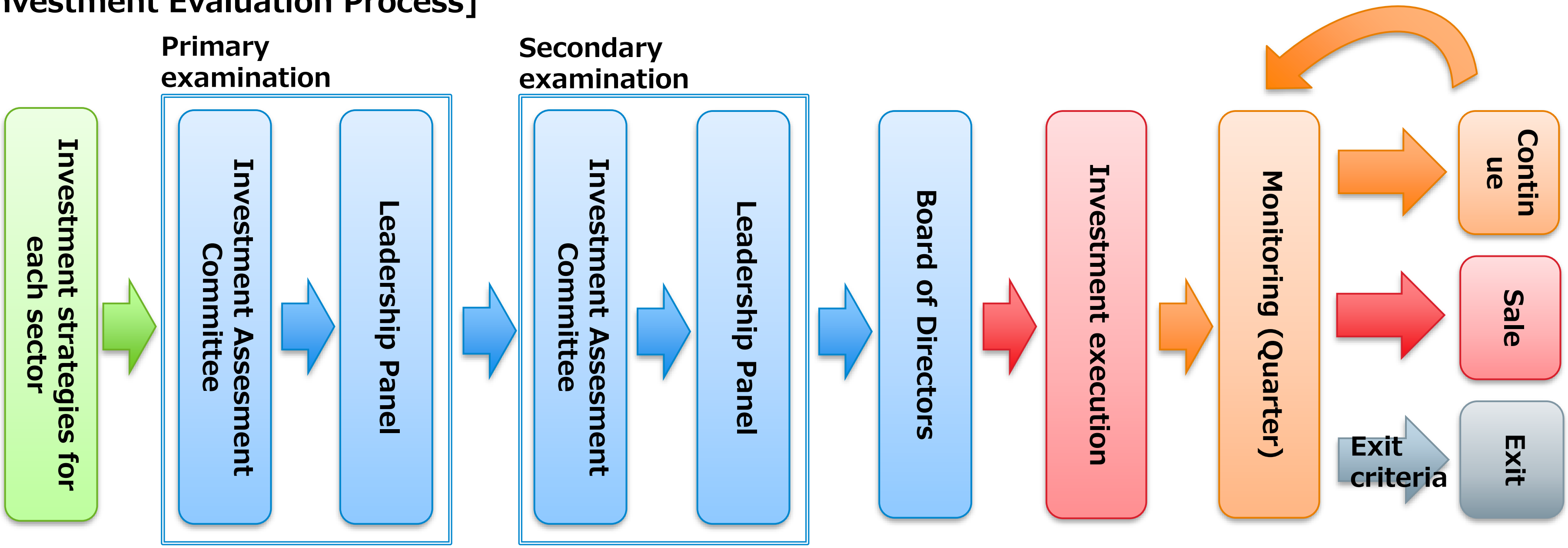
Capital Allocation



Rigorous investment evaluation process

- For business investment, after formulating investment strategies for each sector,we evaluate and manage risks appropriately through screening by the Investment Assessment Committee, which includes members who have experienced investment screening at financial institutions, etc., periodic monitoring, and establishment of exit criteria.
- In risk and return analysis, we use exceeding 200 guideline rates calculated for each country and business in which we invest, as targets to ensure the creation of corporate value.

[Investment Evaluation Process]



Items to be examined
- Consistency with the strategy
- Management resource constraint
- Risk-return analysis
- Negotiating policy

Items to be examined
- Risk-return analysis
- Company-wide financial impact

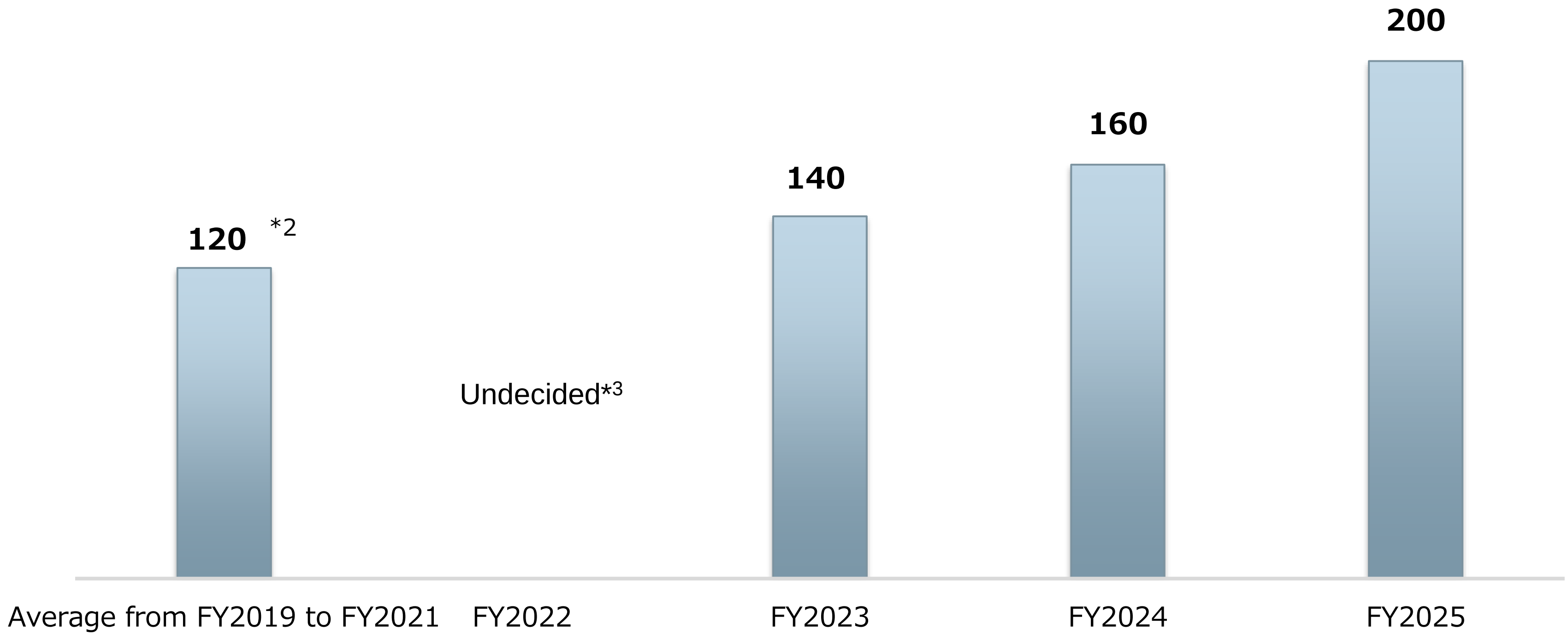
Main monitoring items
- Rate of return and cash flow
- Risk parameter

New Management Targets

Income and Expenditure Levels through FY 2025

■ JERA continues to aim for consolidated net income*1 of 200 billion yen in FY 2025.

Consolidated Net Income (Billion Yen)

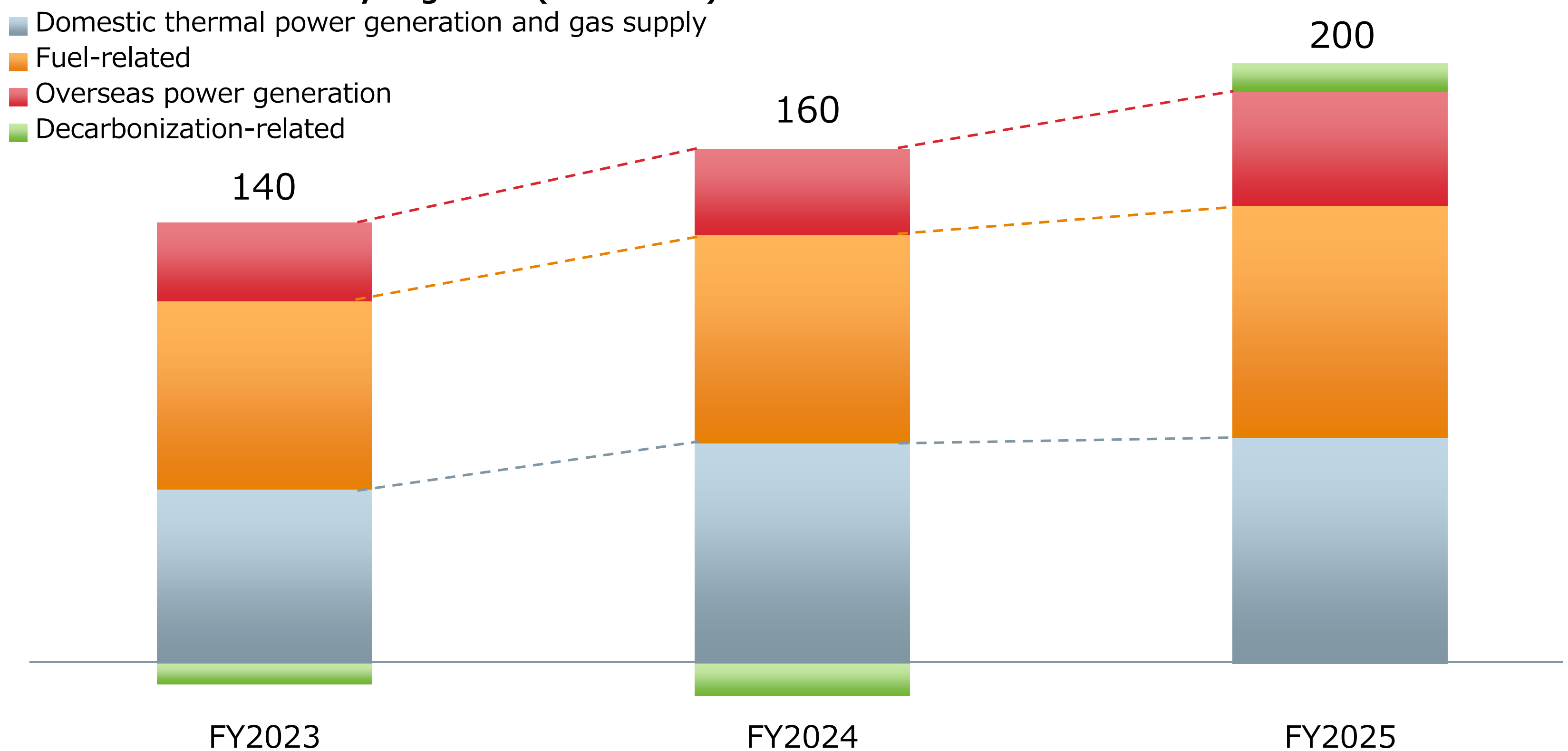


*1 The effect of the time lag in fuel cost adjustment system is excluded.
*2 One-time gains of approximately 120 billion yen from trading business in FY2021 are excluded.
*3 Undecided because it is not possible to reasonably calculate performance.
*4 The exchange rate presumed for calculation is approximately 110 JPY/USD on average from FY2023 to FY2025.

Income and Expenditure Levels by Segment

- Of the 200 billion yen in planned profits for FY 2025, approximately 80% will come from existing investments.
  - Domestic thermal power generation and gas supply business: The volume adjustment process for LNG has been completed, and profits are expected from highly efficient replacement power plants.
  - Fuel-related business: Expect to continue to earn profits from trading, upstream business, etc.
  - Overseas power generation business: The restructuring of low-competitiveness projects has been completed and profits are expected from the promotion of investment for transition in Asia.

Consolidated Net Income by Segment* (Billion Yen)



*The effect of the time lag in fuel cost adjustment system is excluded.

New Management Targets

- Establish management indicators for profitability, capital efficiency, growth potential, and financial soundness. Maximize corporate value by actively investing for growth while maintaining financial discipline.
- Implement management that is conscious of ROIC exceeding the cost of capital.

	Management indicator	Average from FY2019 to FY2021	Target value for FY 2025
Profitability	**Net income***	120 billion yen	200 billion yen
	EBITDA*	350 billion yen	500 billion yen
Capital efficiency	**ROIC***	Approximately 3.5%	Approximately 4.5%
	WACC	Approximately 3.0%	Approximately 3.5%
Growth potential	**Investment CF**	Cumulative total from FY2019 to FY2021: Approximately 1.2 trillion yen	Cumulative total from FY2022 to FY2025: Approximately 1.4 trillion yen
Financial soundness	**Net DER**	Approximately 1.0 times	1.0 times or less
	Net Debt / EBITDA*	Approximately 4.0 years	4.5 years or less
Reference	**Decarbonization investments**	Cumulative total from FY2019 to FY2021: Approximately 80 billion yen	Cumulative total from FY2022 to FY2025: Approximately 650 billion yen
	Ammonia co-firing	–	20% co-firing demonstration test completed
	Hydrogen co-firing	–	30% co-firing demonstration test completed
	ROE*	Approximately 7.0%	Approximately 9.0%

* The effect of the time lag in fuel cost adjustment system is excluded. One-time gains of approximately 120 billion yen from trading business in fiscal 2021 are excluded.

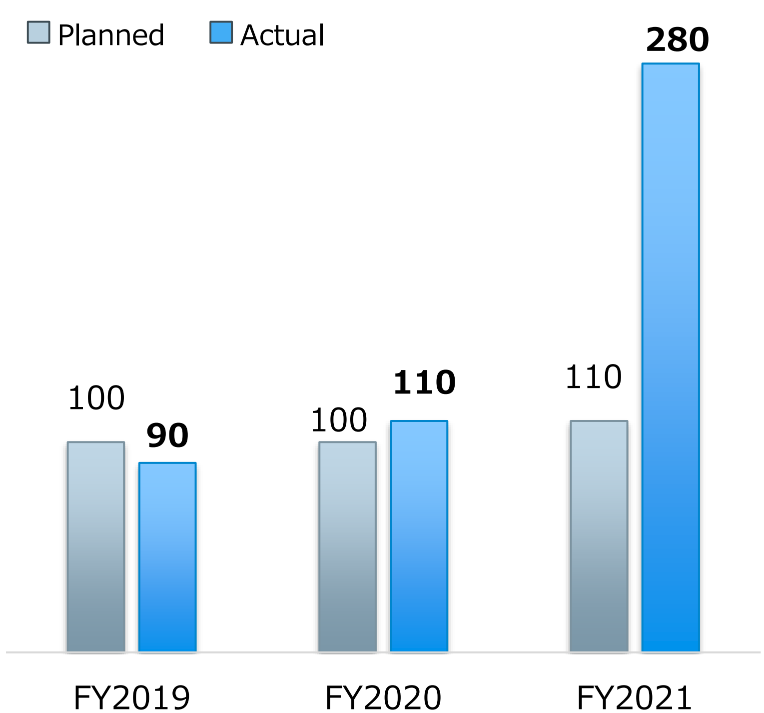
Reference:

Review of the Business Plan Announced in April 2019

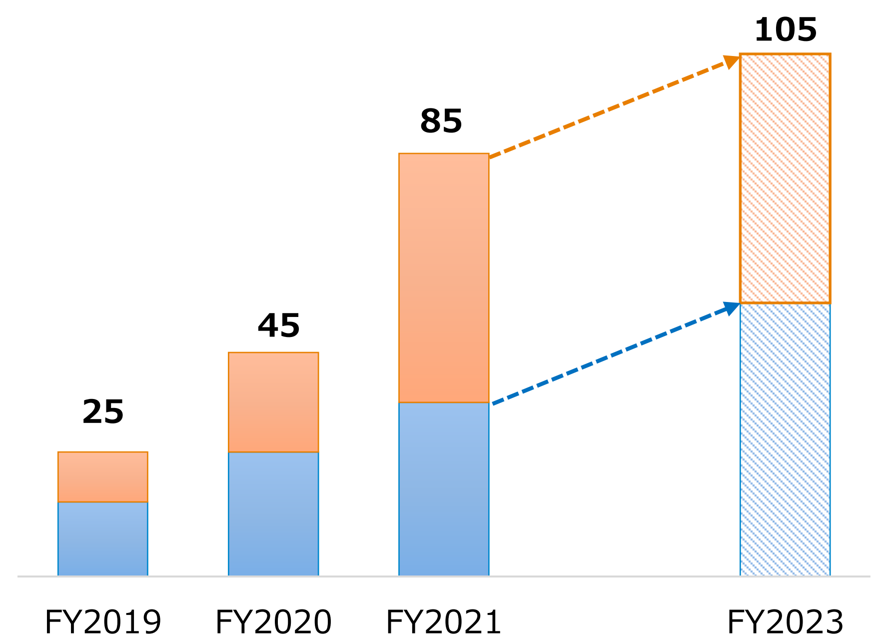
Review of the Business Plan: Income and Expenditure Level

- Consolidated net income*: Although the target was not achieved in FY 2019, it has since been exceeded.
- Synergy effects: Steady progress toward the goal of creating synergies of at least 100 billion yen per year within 5 years from integration.

Consolidated Net Income (Billion Yen)

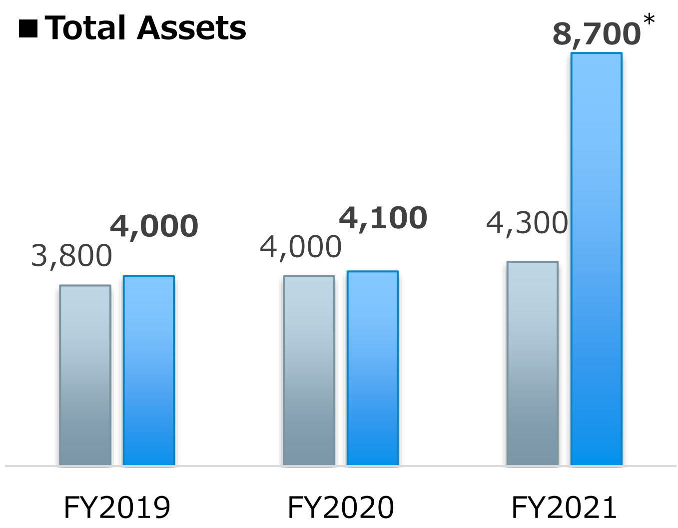


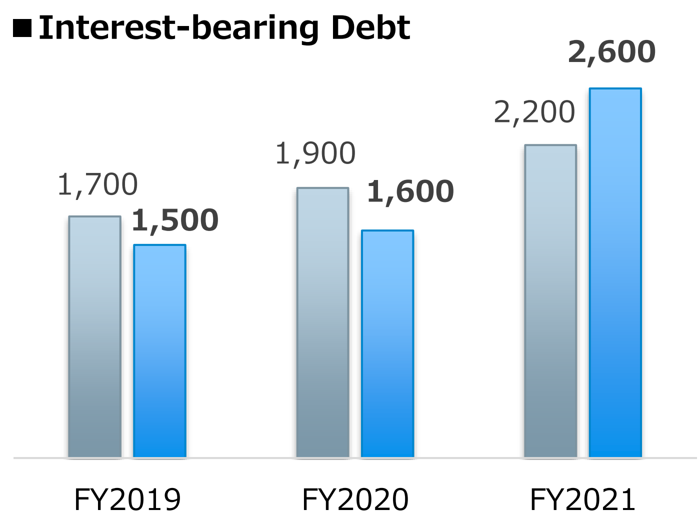
Synergy Effects (Billion Yen)

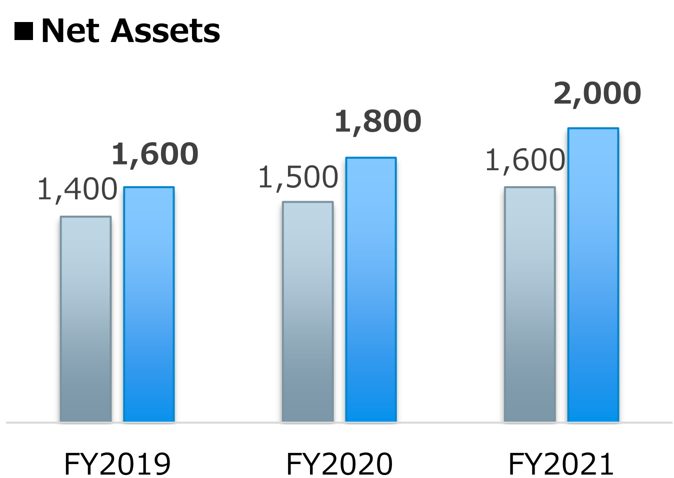


*The effect of the time lag in fuel cost adjustment system is excluded.

Review of the Business Plan: Status of Balance Sheet





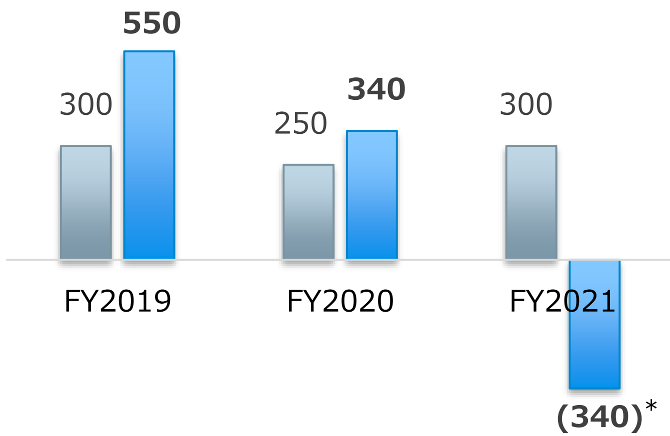


Unit: billion yen
Legend: Planned Actual

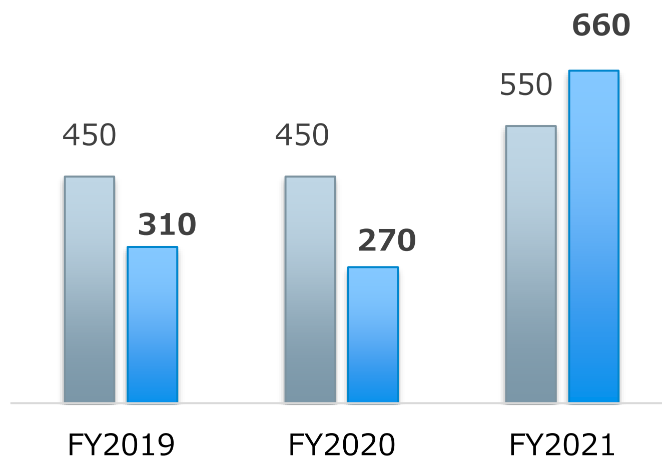
*Includes an increase of approximately 3 trillion yen due to "derivative securities" and "derivative obligations" at fuel trading subsidiary JERAGM.

Review of the Business Plan: Cash Flows

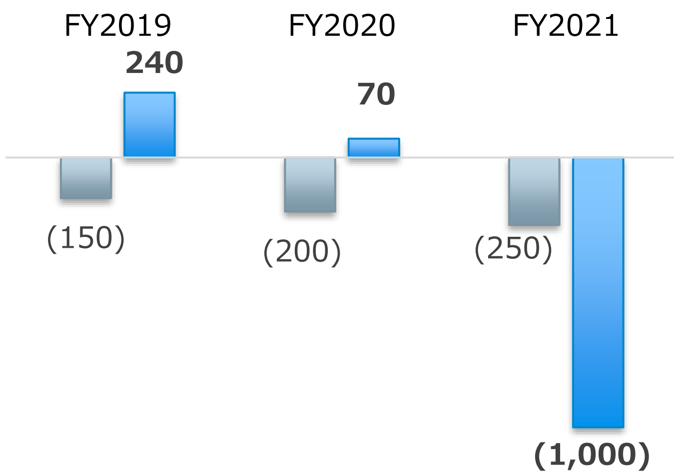
■ Operating Cash Flow



■ Investing Cash Flow



■ Free Cash Flow



Unit: billion yen
Legend: Planned Actual

*Includes temporary factors of approximately -650 billion yen such as a time-lag loss and an increase in margin requirements at JERAGM.

Review of the Business Plan: Progress on 2025 Targets

- Steady progress has been made in efforts to achieve the 2025 targets.

	Plan	Progress through FY 2021
Business development	• Develop domestic replacement: **7–9 GW (5 to 7 sites)** • LNG fleet: **Around 25 vessels** • Equity output of renewable energy: **5 GW**	• Develop domestic replacement: **Progress toward development of approximately 7 GW (5 sites)** • LNG fleet: **Around 20 vessels** • Equity output of renewable energy: **1.7 GW**
Optimisation	• LNG transaction volume: **Around 35 MTPA** • Optimization that takes advantage of LNG vessels • Profit through trading	• LNG transaction volume in FY 2021: **Around 37 MTPA** • Earned profits from use of LNG vessels and JERAGM's coal and LNG trading (JERAGM's LNG sales volume: Around 19 MTPA)
O&M	• Operation/maintenance of power plants: **equivalent to 80GW globally** • Reduce O&M cost by **20%** (vs. pre-integration TEPCO/Chubu) • Shorten the time needed for regular inspection: **-50%**	• Operation/maintenance of **70 GW** worth of power plants worldwide • **Efforts are underway to accelerate cost reduction by 20% (2023).** • Successful shortening of the regular inspection period through kaizen, etc.

Forward-Looking Statements

The information in this presentation may contain forward-looking statements. Forward-looking statements include statements relating to: (i) plans; (ii) business and management strategies; and (iii) performance forecasts, and are based on then-current data at the time of issuance of this document. Forward-looking statements involve risks and uncertainties including but not limited to economic conditions, competitive landscape, government laws and regulations, exchange rate and so on that could significantly affect the expected results, and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied herein.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements.