

Context

Medium and Long-Term Strategy

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Understanding the External Environment

The Increasing Importance of Energy Security

Mounting Challenges in Energy Resource Procurement

The energy landscape has undergone dramatic upheaval in recent years as reliable energy resource procurement has taken on greater importance to ensure a stable energy supply in times of peace and those of strife.

Europe had been dependent on Russia for natural gas and other energy resources but has been hurrying to secure alternative energy sources, including coal, since Russia's invasion of Ukraine in February 2022. This has resulted in a temporary global spike in natural gas and coal prices, making economical and flexible procurement even more challenging than before. As Japan also relies heavily on foreign energy sources, the unstable international situation represents a significant risk to reliable energy procurement for the country.

Furthermore, while more economically challenged nations in Asia will see increasing demand for electric power as their economies and populations grow, the sharp rise in resource prices will present a challenge as they work to secure their energy supplies.

In Pursuit of Stable Electricity Supply

Expanded efforts to introduce renewable energy can be expected when examined from the perspective of improving upon energy self-sufficiency. However, while Europe has abundant renewable energy sources—most notably wind power—as well as an extensive power grid connecting the continent and a high degree of connectedness between countries, Japan and other countries in the Asia-Pacific region face limitations in terms of sunlight and wind conditions, as well as coverage and connectivity issues in the regional power grid.

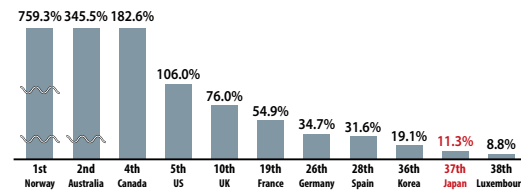
Nuclear power plants have not returned to operation since the Great East Japan Earthquake, and the offshore earthquake near Fukushima in March 2022 damaged thermal power plants along the Pacific coast. As a result, Japan is now facing an energy crunch.

Within the S+3E framework (Safety + Energy Security, Economic Efficiency, and Environmental Compatibility) that forms the core of Japan's energy policy, pressing issues include stable energy resource procurement for ensuring secure electricity supplies, as well as the creation of the requisite power supply facilities.

*Prepared based on the following reference materials:

- "Energy White Paper 2023," Agency for Natural Resources and Energy
- "International Strategy to Achieve Carbon Neutrality, Document 3," METI Industrial Science and Technology Policy and Environment Bureau, Agency for Natural Resources and Energy. The 4th Joint Meeting of the Subcommittee for the Promotion of Green Transformation, Industrial Technology and Environment Subcommittee of the Industrial Structure Council, and the Subcommittee for the Study of Next Generation Energy Supply and Demand Structure for Carbon Neutrality in 2050, Basic Policy Subcommittee of the Advisory Committee on Natural Resources and Energy (https://www.meti.go.jp/shingikai/sankoshin/sangyo_gijutsu/green_transformation/004.html) (Japanese)

Comparison of Primary Energy Self-sufficiency Rates of Major Countries (2020)



Source: Prepared based on "Japan's Energy: 10 Questions for Understanding the Current Energy Situation, in FY2022 version," Agency for Natural Resources and Energy website (https://www.data.jma.go.jp/cpdinfo/temp/list/an_wld.html) (Japanese)

Developments Toward Accelerating Decarbonization

The State of Global Warming

The IPCC Sixth Assessment Report, released in August 2021, stated for the first time that it is beyond doubt that not only is global warming occurring, but that it is being caused by human influence.

The report further states that the global average temperature relative to pre-industrial levels is on track to increase by 1.5°C by 2040, and unless greenhouse gas emissions are significantly reduced in the next few decades, it will exceed 2°C within the 21st century. Additionally, it reported that as global warming continues to progress, the frequency and intensity of extreme weather events will increase, indicating that for every 0.5°C rise in global warming, there will be a marked increase in the severity and frequency of extreme temperatures (including heat waves), heavy rainfall, and drought in some regions. The world has already seen climbing average temperatures, melting snow and ice, torrential rains, and rising sea levels. In 2022, many parts of Europe experienced record-high temperatures, while Hurricane Ian cost North America 112.9 billion US dollars in economic damage. Japan is no exception, with notable events like the 2020 Kyushu floods and large typhoons, including Typhoon No.14 in 2022.

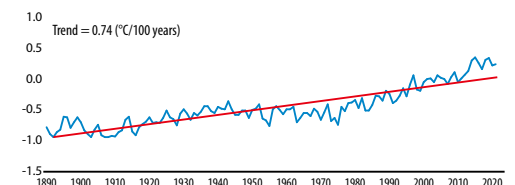
The Essential Commitment to Decarbonization

The movement toward becoming a decarbonized society is accelerating on a global scale. At the 2015 Paris Climate Conference (COP21), the Paris Agreement was adopted as an international framework for reducing greenhouse gas emissions after 2020, including setting climate goals of 2°C and 1.5°C. Investment and legislation for achieving a decarbonized society continue to progress at the national level, particularly in Europe and the US. Moreover, with the increasing demand for energy, primarily in Asia, the push to move away from coal and toward renewable energy and gas transition is gaining traction. In October 2021, Japan also set a target to reduce greenhouse gas emissions by 46% by FY 2030 compared to the FY 2013 levels. In light of this movement away from carbon, a commitment to decarbonization has become essential for businesses operating on a global scale.

*Prepared based on the following reference materials:

- Provisional translation of the Summary for Policy Makers of the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report Working Group 1, Ministry of Education, Culture, Sports, Science and Technology / Japan Meteorological Agency. (Japanese)
- "Annual Report on the Environment, the Sound Material-Cycle Society and Biodiversity in Japan 2023," Ministry of the Environment. (Japanese)
- "Framework from 2020: Paris Agreement," Ministry of Foreign Affairs website (https://www.mofa.go.jp/ic/ch/page1we_000102.html)

Annual Global Average Temperature Anomalies (deviation from 1991–2020 average)



Source: Prepared based on "Annual Anomalies of Global Average Surface Temperature," Japan Meteorological Agency. (Japanese)

Mid- to Long-Term Strategy Overview

Essential Mid- to Long-Term Strategies for Achieving Our Mission and Vision

Since the Russian invasion of Ukraine, global energy flows have been reshaped, and energy security has taken on greater importance. However, the need to address climate change remains as pressing as ever. Both stable supply and decarbonization must be addressed simultaneously and without delay.

We believe that renewable energies are being introduced to the maximum degree and that LNG will continue to play a key role as a transitional energy source to supplement any shortcomings encountered during the process.

We pledge our support for the spread of renewable energy while ensuring stable supply with the world's largest and most innovative LNG value chains.

Furthermore, technological innovation will also be indispensable for achieving zero emissions, as current technologies struggle to realize this goal. We will increasingly focus on technological innovation in areas including the decarbonization of thermal power generation and the digital transformation of business.

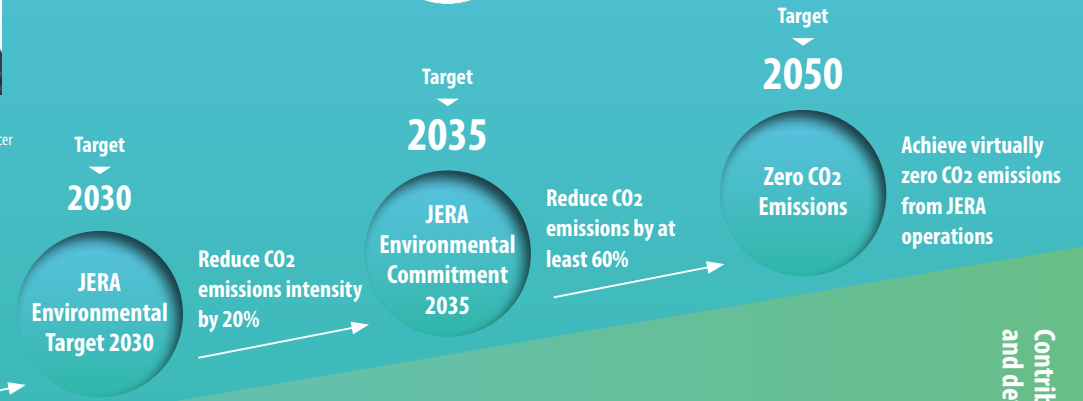
Each country and region will require its own unique solutions, even when facing similar energy challenges. We are committed to contributing to sound growth and development of the world by offering diverse solutions and building close relationships with customers and business partners across all regions.



Junya Tawa
Senior Managing Executive Officer
Chief Strategy Officer (CSO)



To provide cutting edge solutions to the world's energy issues



Contributing to sound growth and development of the world

JERA's Current Position

In 2019, we concluded our business integration and formulated our business plans. Three years later, in 2022, we announced our financial strategy and new management goals to reflect changes in the business environment. We are committed to making steady progress toward achieving these plans.

	FY2022 Actual Results	FY2025 Target
Financial Strategy and Management Goals (2022)	Net profit (excluding time lag)	200.3 billion yen
	EBITDA	574 billion yen
	ROIC	4.4%
	Credit rating	A rating
Business Plan (2019)	Net debt-to-equity ratio	1.01
	Renewable energy development output (cumulative)	2.5 GW
	Synergies (initial FY2023 target: 100 billion yen)	120 billion yen
		-

	2020s	2030s	2040s
Roadmap to zero-emissions thermal power	Ammonia	Full-scale operation at a conversion rate of 20%	Full-scale operation at a conversion rate of 50%
	Hydrogen	30% of demonstration tests completed	Full-scale operation



To scale up its clean energy platform of renewables and low greenhouse gas thermal power, sparking sustainable development in Asia and around the world.

JERA Zero CO₂ Emissions 2050

Committed to Achieving Zero CO₂ Emissions across Domestic and Overseas Operations

JERA Zero CO₂ Emissions 2050

- ▶ JERA's mission is to provide cutting edge solutions to the world's energy issues.
- ▶ We are taking on the challenge of achieving net-zero CO₂ emissions in Japan and around the world in hopes of creating a more sustainable society for us all.

* JERA Zero CO₂ Emissions 2050 is premised on steady advances in decarbonization technology, economic viability, and consistency with government policy. We are developing its own decarbonization technologies and taking the initiative to ensure economic viability.

Three Approaches of JERA Zero CO₂ Emissions 2050

1

Combining Complementarity Renewable Energy with Zero-CO₂ Emission Thermal Power

We will achieve its vision through a combination of renewable energy and zero CO₂ emission thermal power generation. The adoption of renewable energy is supported by thermal power capable of generating electricity regardless of natural conditions. JERA will promote the adoption of greener fuels and pursue thermal power that does not emit CO₂ during power generation.

2

Establishment of Country and Region-Specific Roadmaps

We will achieve zero CO₂ emissions by establishing roadmaps that chart optimal solutions for each country and region. Since the energy situation varies by country and region, with different solutions available based on the feasibility of renewable energy options and the presence of pipelines and transmission lines, we will work with stakeholders to establish country and region-specific roadmaps. We have already developed a roadmap for our business in Japan, which we will extend to other countries and regions.

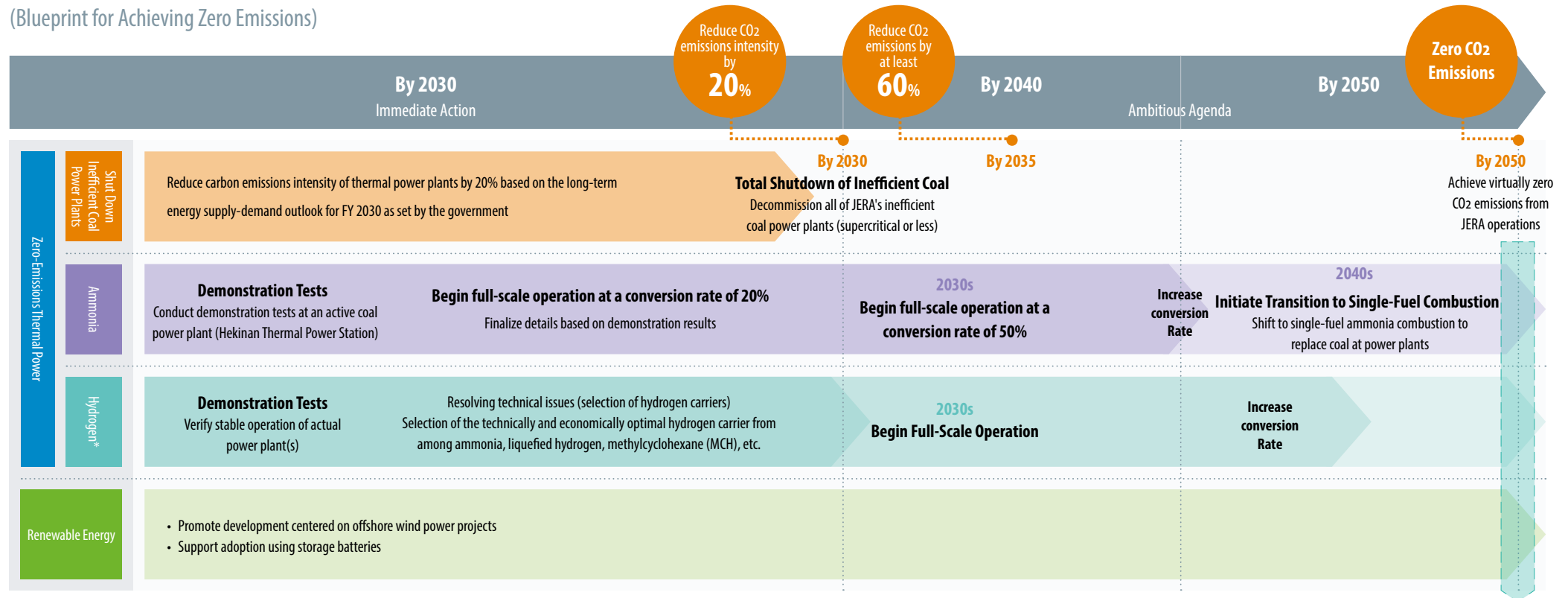
3

Ensuring Smart Transitions

We will achieve zero CO₂ emissions through our smart transition strategy, which combines innovative and viable technologies available when adoption decisions are made. This approach will lower technical risk and facilitate a transition to a green society.

JERA Zero CO₂ Emissions 2050 Roadmap for Its Business in Japan

(Blueprint for Achieving Zero Emissions)



This roadmap will evolve incrementally, adapting to changes in government policy and other relevant conditions, and will be revised as needed.

*We are also considering the use of CO₂-free LNG.

By 2050, CO₂ emissions from power plants still using fossil fuels will be offset using technologies like CO₂-free LNG

JERA Environmental Target 2030

JERA is actively working to reduce CO₂ emissions. For domestic operations, we will achieve the following by FY2030:

- Decommission all inefficient coal power plants (supercritical or less) and conduct demonstration tests of conversion to ammonia at high-efficiency (ultra-supercritical) coal power plants.
- Promote the development of renewable energy centered on offshore wind power projects and work to further improve the efficiency of LNG thermal power generation.
- Reduce carbon emissions intensity of thermal power plants by 20% based on the long-term energy supply-demand outlook for FY 2030 as set by the government.

JERA Environmental Target 2035

JERA aims to reduce CO₂ emissions from domestic operations relative to FY2013 by at least 60% by FY2035 through the following initiatives:

- Strive to develop and adopt renewable energy in Japan, given expanded adoption under the national government's 2050 carbon-neutral policy.
- Commit to reducing carbon emissions intensity from thermal power generation by promoting hydrogen and ammonia conversion.

"JERA Zero CO₂ Emissions 2050 for Its Business in Japan" and the "JERA Environmental Targets" are premised on steady advances in decarbonization technology, economic rationality, policy consistency, and the business climate under which these goals will be realized.

These targets have been formulated in alignment with Japan's greenhouse gas reduction goals and long-term strategy, both of which were established with an eye towards realizing the global ambition set forth in the Paris Agreement—that of limiting the global average temperature increase to as close to 1.5°C above pre-industrial levels as possible.

Zero-Emissions Thermal Power

Plan for Ammonia and Hydrogen Introduction

In FY2023, we plan to start demonstration tests in which we convert 20% of the existing fuel mix to ammonia at Hekinan Thermal Power Station Unit 4. We will increase the ammonia component to at least 50% by FY2028 and conduct more demonstration tests with the aim of making high-ammonia mixes (50%+) commercially viable in the early 2030s. Converting 20% of the fuel in a 1 million kW coal-fired power plant with ammonia will reduce annual CO₂ emissions by approximately 1 million tons (calculated based on the Central Research Institute of Electric Power Industry's "Comprehensive Assessment of Life Cycle CO₂ Emissions from Power Generation Technologies in Japan").

We also plan to conduct demonstration tests in which we convert (by volume) 30% of the existing fuel mix to hydrogen at our gas turbine-type LNG-fired thermal power plants in the 2020s to make hydrogen mix commercially viable in the mid-2030s.

Message from Outside Expert



Takeo Kikkawa
President, International
University of Japan

Pioneering Zero-Emissions Thermal Power to Save the Planet

Renewable energy, mainly solar and wind, will play a prominent role in making carbon neutrality a reality. Such variable power sources rely on—and are at the mercy of—the sun and the wind, necessitating some form of backup mechanism. Initially, battery storage is expected to fulfill that backup role; however, this would come with the caveat of heavy reliance on China for raw material procurement. Consequently, thermal power generation must serve as a backup, even though employing conventional power plants that release carbon dioxide would be contrary to our goals of achieving carbon neutrality. This underscores the need for zero-emissions thermal power, which utilizes ammonia or hydrogen as fuel without emitting carbon dioxide. In other words, it is essential to have renewable energy and zero-emissions thermal power work in tandem to achieve carbon neutrality.

JERA is the global leader pioneering the transition to zero-emissions thermal power. With the breakthroughs in ammonia demonstration testing at Hekinan Thermal Power Station, JERA is embarking on a grand challenge to save our planet.

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Progress of Ammonia Demonstration Tests at Hekinan Thermal Power Station

Since FY2021, we have been collaborating with IHI Corporation to initiate actual demonstration tests* at Hekinan Thermal Power Station Unit 4 (Hekinan City, Aichi Prefecture, Japan).

For these tests, a receiving facility will be installed at the coal unloading berth, and liquid ammonia unloaded from an ammonia transport will be transported via a pipeline to an ammonia tank. From there, the liquid ammonia will be regasified for combustion in the ammonia burners installed at Unit 4. To date (as of August 2023), the installation of such ammonia facilities as ammonia burners, tanks, and regasifiers has progressed as planned.

The power plant has been using ammonia to remove NO_x from exhaust gas since commencing operations. As ammonia is also used in large quantities as fuel, we will implement adequate safety measures and seek understanding from the local residents as we proceed.

* Implemented under "Development of Technologies for Carbon Recycling and Next-Generation Thermal Power Generation / Research, Development and Demonstration of Technologies for Ammonia Converting Thermal Power Generation" subsidized by the New Energy and Industrial Technology Development Organization (NEDO)
NEDO is a national research and development agency.



Kenji Takahashi
General Manager,
Decarbonization Promotion
Section, Planning Division



Construction Progressing on Ammonia Demonstration Test Facility at Hekinan Thermal Power Station

Zero-Emissions Thermal Power

Promoting and Expanding Green Fuels by Leveraging the Strengths of the Full LNG Value Chain

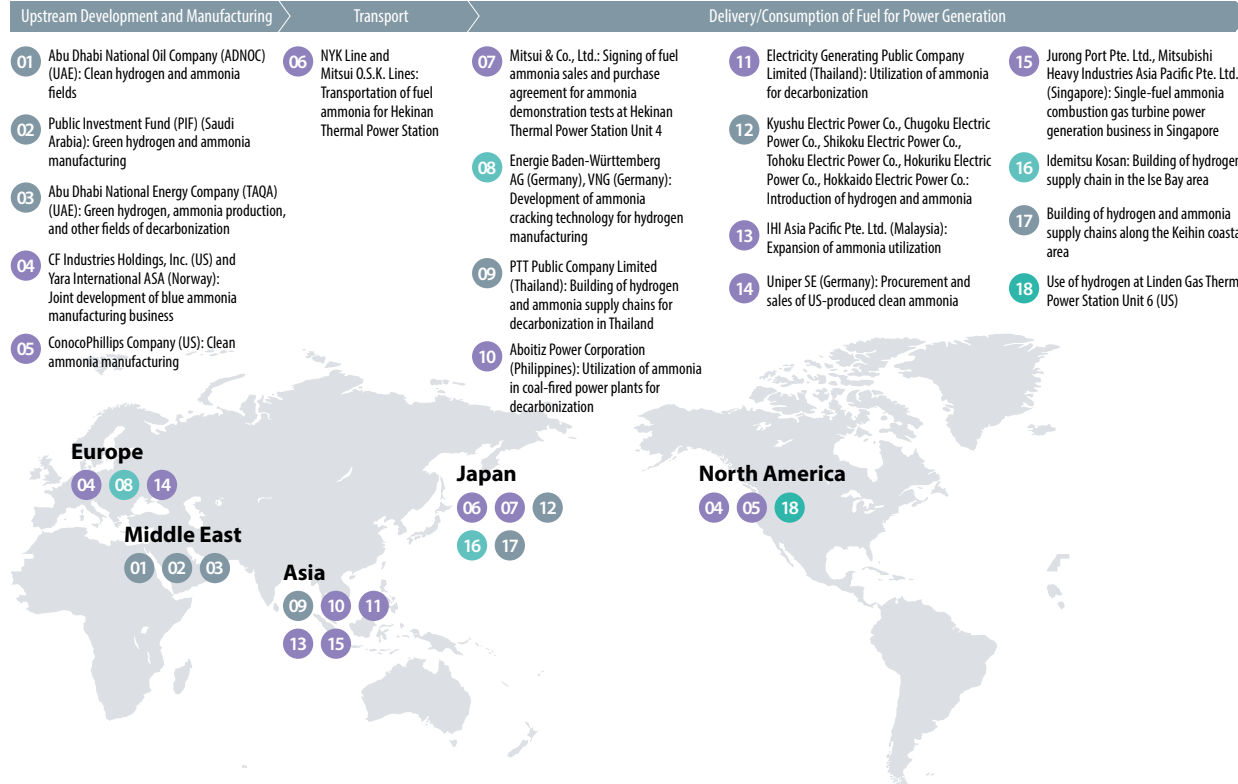
Building robust supply chains is essential to promote clean hydrogen and ammonia usage. In collaboration with leading corporate partners in Japan and overseas, we are steadily advancing initiatives for tangible clean hydrogen and ammonia development, as well as technology innovation projects, leveraging expertise from the successful establishment of a solid revenue base and experience with LNG value chain spanning upstream fuel development, transportation, storage, power generation, and sales.

In Asia, where zero emission is a common goal, we are using our knowledge and technology to establish a decarbonization roadmap with key partners in each country and are exploring solutions that take characteristics into account specific to each region and country, including the use of hydrogen and ammonia.

Our commitment to resolving global decarbonization and energy issues is demonstrated through our development of hydrogen and ammonia supply chains both in Japan and globally and through our ambitious expansion into business areas that envision the sale of green fuel for applications beyond power generation.

Collaboration with Companies Abroad to Build Robust Hydrogen and Ammonia Supply Chains

Hydrogen Ammonia Hydrogen/Ammonia



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Hydrogen Power Generation Initiatives

We are promoting hydrogen power generation initiatives in Japan and abroad. In Japan, we are utilizing NEDO's Green Innovation Fund Projects to explore demonstration tests for hydrogen power generation. At our thermal power plants, we aim to convert (by volume) 30% of LNG fuel to hydrogen and evaluate factors such as operational and environmental characteristics. We have been conducting business feasibility studies since FY2021, and based on the results, we plan to proceed with practical demonstration tests. Overseas, we have finished modifying the gas turbine for hydrogen use at Linden Gas Thermal Power Station Unit 6 in the US (fuel: natural gas), in which we have invested through our US subsidiary. The plant is now capable of mixed combustion with up to 40% hydrogen (by volume), using hydrogen supplied from an adjacent oil refinery.

Since the use of hydrogen power generation in Japan requires the development of hydrogen carrier technology for economically rational hydrogen pricing and marine transportation, we are working on developing new catalysts for high-efficiency, low-cost hydrocracking of ammonia, a hydrogen carrier that can be transported and stored at low cost.*

We will continue our efforts to resolve the challenges surrounding the use of hydrogen energy. Furthermore, by promoting the earlier use of hydrogen where it is readily available, we aspire to accumulate technological capability and experience deployable across our domestic and overseas power generation businesses.

*Implemented under NEDO's "Development of Technologies for Building a Competitive Hydrogen Supply Chain"



Hydrogen Power-enabled Linden Gas Thermal Power Station Unit 6 (US)

Renewable Energy Business

Our renewable energy business has played a pivotal role in the JERA Zero CO₂ Emissions 2050 initiative, and we have strategically enhanced our offerings to include offshore wind, onshore wind, solar, and battery storage projects on a global scale. Moving forward, we aim to establish a glocal system that efficiently leverages the insights and technologies we have consolidated within our European renewable energy organization for projects in various regions. And we are committed to further expanding this renewable energy business by capitalizing on our strength in providing multifaceted options such as LNG, hydrogen, and ammonia.

Strengthening Our Renewable Energy Initiatives

Until now, our renewable energy business was a collaborative effort between the JERA headquarters and our development teams across various regions, but there were challenges to coordination between regions. In some cases, knowledge and talent within the JERA Group were dispersed across the globe, which meant there were instances when we could not capitalize on potential synergies.

To further accelerate our renewable energy business, we have established a glocal system by forming a group of professionals stationed at our renewable energy hub in Europe, which will be responsible for project development, construction, and operations. This structure will allow us to leverage global insights and talent across local project development across different regions.

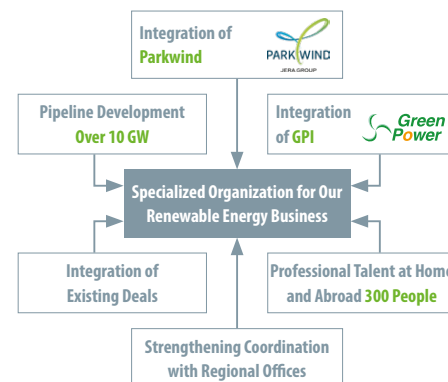
Specifically, we have already begun to consolidate our renewable energy business under the umbrella of our UK company, JERA Green, bringing together Parkwind and Green Power Investment (hereinafter "GPI"), which were acquired in 2023. Additionally, we will promote the commercialization of a development pipeline exceeding 10 GW by integrating existing renewable energy projects in Japan and overseas with a global team of 300 specialized professionals.

This structure will strengthen cooperation among our offices in regions around the world, allowing us to efficiently utilize valuable management resources that were previously scattered within our group. Moreover, it promises the potential for synergy among different technologies and businesses, such as offshore and onshore wind, solar, and battery storage, which will balance the adoption and deployment of global renewable energy standards with local perspectives in legislative frameworks, supply chain formation, and community coexistence strategies.

Moving forward, we are committed to further expanding our renewable energy business on both domestic and international fronts. By strengthening collaboration with our other businesses in LNG, hydrogen, and ammonia, we aim to enhance the competitiveness of our renewable energy business. JERA stands unique in its capability to offer multifaceted options and is well poised to elevate its position in the competitive landscape of renewable energy.

Structure of Future Initiatives

Consolidating our renewable energy business under a specialized organization and establishing a glocal framework



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Acquisition of Major Renewable Energy Companies in Europe and Japan

As a key move toward establishing a glocal system, we acquired Parkwind, a leading offshore wind power operator in Belgium, in July 2023. Not only does Parkwind have a culture that closely aligns with ours, but the company also boasts a proven track record in Europe, the global leader in offshore wind power. We plan to leverage their diverse talent and advanced expertise in our strategic regions, starting with Japan.

Furthermore, in August 2023, in partnership with NTT Anode Energy Corporation, we acquired Green Power Investment Corporation (GPI), a renewable energy operator in Japan. This acquisition aims to strengthen our business development in our home market of Japan. In particular, since many domestic offshore wind projects are slated to commence operations around 2030, involvement in GPI's projects allows us to accumulate experience that we believe will be significantly beneficial for our future domestic projects.



Courtesy of GPI

Message from the Parkwind Co-CEOs



Eric Antoons
François Van Leeuw
Parkwind Co-CEOs

We strongly believe that the new partnership between JERA and Parkwind comes at a pivotal moment for our renewable energy business, and we couldn't be more excited about the opportunities it brings. Together, we commit to driving innovation and sustainability forward. It became clear during our first conversations with the JERA teams that our shared vision aligns perfectly, and we are excited about the expertise and fresh perspective you bring. By combining JERA and Parkwind's exceptional resources, knowledge, and experience, we anticipate significant growth and success. We look forward to open communication and fruitful cooperation on this remarkable journey. Through our partnership, we will create a greener, more sustainable world for generations to come.

Renewable Energy Business

Message from the Managing Executive Officer



Nathalie Oosterlinck
Managing Executive Officer
Head of the Global Renewable Energy Division

As part of our renewables strategy, we have completed two large M&A (mergers and acquisitions) deals in 2023 to assemble a strong and capable offshore wind team. Going forward, we will work to leverage this talent and experience to strengthen our onshore renewable energy sector and create synergies between the two. In addition, we will further enhance the competitiveness of our renewable energy business by leveraging the strengths of our full value chain and combining them with our other businesses, such as LNG, hydrogen, and ammonia.

Moreover, we are committed to further enhancing the competitiveness of our renewable energy business by leveraging the strength of our full value chain and integrating it with our other businesses, such as LNG, hydrogen, and ammonia.

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Initiatives in Taiwan

We are focused on accumulating insights in Taiwan, a pioneer in offshore wind power in Asia. In doing so, we aim to extend our operations to other regions, such as Japan, which share similar weather and marine conditions. In 2019, we participated in the Formosa 1 project, Asia's first large-scale offshore wind project, and subsequently took the lead as the largest shareholder in Formosa 2 from its initial construction phase.

During the construction of Formosa 2, we navigated unique challenges as a Japanese company, which included project delays and escalating costs due to the COVID-19 pandemic, but we were able to hold a completion ceremony in May 2023, attended by Taiwan's President Tsai Ing-wen (pictured below). The valuable experience and knowledge gained from both projects will be utilized for future business endeavors.



Courtesy of Formosa 2 Wind Power Co., Ltd. (Unauthorized use prohibited)

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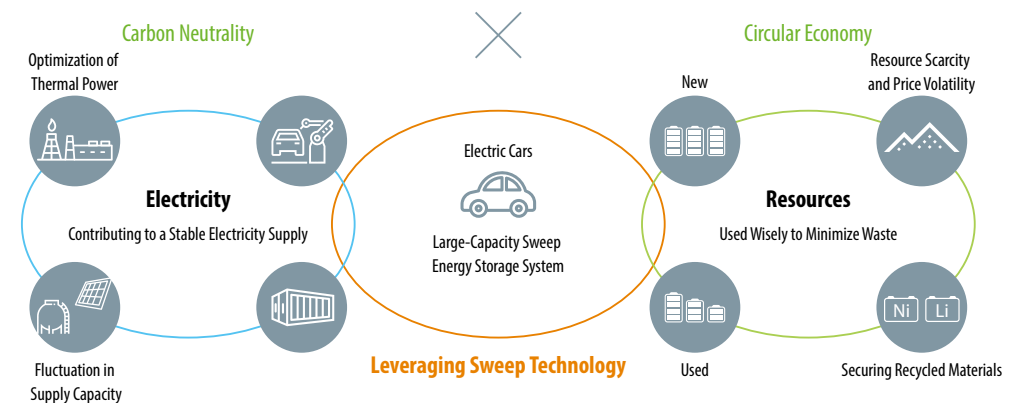
Intellectual Property for Zero Emission: Large-Capacity Sweep Energy Storage System

As we see more renewable energy sources introduced to reduce CO₂ emissions and achieve carbon neutrality, battery storage is expected to experience a rise in demand as a stabilizer in energy supply and demand. Furthermore, given the limited reserves of resources such as cobalt and lithium, which are required for manufacturing storage batteries, it is essential to promote environmentally friendly practices, such as putting reclaimed electric car batteries to good use. In light of such conditions, since 2018, together with Toyota Motor Corporation, we have continuously investigated establishing technologies for battery reuse, resulting in the development of a large-capacity sweep storage system (pending national and international patents) that can fully utilize the capacity of a mixed array of batteries, regardless of their level of degradation. Moreover, we possess a high-voltage pulse technology (pending domestic and international patents) as a low-environmental-impact recycling technique for batteries, enabling us to achieve a reduction in CO₂ emissions associated with battery use throughout its lifecycle.

We are committed to contributing to the circular economy and taking on challenges to address new social issues using the intellectual property generated in our efforts toward carbon neutrality.



Large-capacity sweep energy storage system that uses electric car batteries



Message from the CFO



Kazuo Sakairi
Corporate Vice President,
Managing Executive Officer, Director,
and Chief Financial Officer (CFO)

My Commitment to Enhancing Corporate Value as CFO

Significant shifts are taking place in the electric power industry that is changing the business landscape around JERA. The manifestation of geopolitical risks has brought to the fore the vital importance of ensuring a stable electricity supply, and there has also been a rising sense of crisis regarding climate change as abnormal weather events occur around the world, accelerating a global movement toward decarbonization. Given these dynamics, along with the importance of fulfilling our mission and vision, FY2022 made us acutely aware that navigating a course for the company has grown increasingly difficult from year to year. I would therefore like to raise two points that I think will help in making good decisions on management issues under these circumstances.

The first is that the scope of responsibilities of the CFO is expanding and diversifying as our operations continue to grow around the world.

Prior to joining JERA as CFO in April 2019, I served as an advisor to financial institutions and an independent M&A advisory firm, working on the establishment of governance structures and decision-making processes in M&A and integration, not only for Japanese businesses but also for foreign companies. Throughout my career, I've come to understand that the CFO of a global company should be more than just an expert in finance and accounting. They must also act as a strategic aide to the CEO or even as a representative, engaging with stakeholders both inside and outside the company to enhance its corporate value.

Since its establishment, we have aimed to become a global company rooted in Japan that can compete on an even footing with the world's leading energy companies. In the four years or so since I joined JERA, we have accelerated efforts to realize this global strategy, investing in Asian companies, upstream assets overseas, and startups on the west coast of the United States and in Germany; we have also acquired a large European renewable energy company. In Singapore, we own a two-thirds stake in one of the world's largest trading companies, which specializes in asset-backed trading, through a joint venture with EDF Trading, a subsidiary of the prominent French electricity company EDF. This is part of our commitment to ensuring a stable electricity supply for Japan. Furthermore, we have established a skills matrix for essential management personnel. Aligned with this, we have recruited numerous professionals from diverse sectors and fields internationally to fill positions—including as outside directors, executive officers, and senior executives. Through this process, it has become clear that the role of CFO at JERA covers a broader spectrum of responsibilities in the context of being a global company. I am deeply attuned to this evolving CFO role and committed to spearheading our company's value enhancement.

The second point is in regard to the need to strengthen our human resources and organizational capabilities.

Enhancing corporate value and implementing the CFO's role, as I discussed earlier, are not things I can accomplish entirely on my own. To compete globally, it is essential that we assemble teams of personnel who bring vitality and diversity and are equipped with the necessary skills and experience. Moreover, I believe it is crucial to transform our organizational structure. We must eliminate the vertically divided way of working and foster a flat, open working environment where teams can freely collaborate and generate synergies to exceed their expectations.

Based on this belief, I have explicitly set a vision for Financial and Accounting where I call upon the nearly 160 talented individuals in the JERA

Message from the CFO

headquarters' Finance and Accounting to aspire to become professionals who can be held in high regard by the diverse stakeholders that surround us, both inside and outside the company. This ambition is clearly articulated in the department's two-fold mission: One, to communicate with internal and external stakeholders and provide financial and accounting intelligence to support management in making strategic decisions; and two, to play a role in corporate governance from the liability side (the right side of the balance sheet), contributing to the enhancement of corporate value. In more tangible terms, we aim to protect JERA against damage to corporate value and instead contribute to decisions that boost its value. We aim to do this through a sustainable management foundation, a management compass, and spokesperson proposals. We also emphasize to our personnel the value of relationships with colleagues internally and stakeholders externally. By actively listening to the information and feedback they offer and leveraging our financial and accounting expertise, we can maximize the potential of our people and the organization.

To maximize our potential in Finance and Accounting, it is essential to foster an organizational culture that values diversity and allows every person, from employees to corporate officers, to use their abilities to the fullest. In addition to transfers from the shareholder companies, the Finance and Accounting actively recruits professionals regardless of nationality or gender. As of July 1, 2023, mid-career hires account for about 60% of the nearly 160 members in the Finance and Accounting at JERA headquarters. Apart from personnel at headquarters, around 90 individuals handle finance and accounting roles abroad, predominantly at JERA Americas, JERA Australia, and the recently acquired Parkwind. This includes approximately 10 individuals who were dispatched from our headquarters. This initiative is part of our regular practice of sending mid-level and younger staff eager to embrace new challenges to our overseas sites, subsidiaries, and investees for the chance to gain a broad range of experience. Moreover, the gender ratio for the entire Finance and Accounting, combining headquarters and overseas sites, is just over 30% (just under 20% at



Personnel from JERA Americas' Finance and Accounting Department

headquarters). We will continue to actively recruit female employees for managerial roles and strive to increase the gender ratio, which currently stands at slightly over 20% (about 10% at the headquarters). Alongside these endeavors, we plan to establish several international project teams to function across borders, aiming to unite and integrate them as One Team.

As Global CFO, I place great importance on these two points, striving to propel growth and development for the JERA Group. At the same time, I aim for management that consistently takes into account the cost of capital to maximize corporate value.

Review of FY2022 and Progress on Management Targets

In April 2019, we set a target of 200 billion yen in consolidated net profit by FY2025 (excluding time lag), and in May 2022, we also established new management targets for profitability, capital efficiency, growth potential, and financial health with the aim of achieving disciplined growth and maximizing corporate value. While our progress toward these targets is on track overall, we will continue to pursue a range of initiatives and make every effort to meet these targets.

Consolidated Net Profit

In FY2022, gains emerged despite setbacks from the fire incident at the Freeport LNG terminal affecting LNG spot procurement and from recognizing estimated liabilities. The gains can be attributed to the expansion of JERA Global Markets' (JERAGM) transactions primarily in Europe amidst the unstable fuel market situation stemming from the Russia-Ukraine situation, securing a consolidated net profit of 200.3 billion yen (excluding time lag).

We view the profit boost from JERAGM as a temporary gain. Though we anticipate such transient gains to diminish starting FY2023, we remain committed to reaching our FY2025 target of a consolidated net profit of 200 billion yen.

Synergies

In line with the business plan we unveiled in April 2019, which called for the creation of synergies exceeding 100 billion yen annually within five years (by FY2025) following the integration of our existing thermal power generation and other businesses, we were able to generate 120 billion yen in synergies as of FY2022, one year ahead of our initial target. Four years have passed since the completion of the asset and business integration of our shareholder companies. We have now completed the post-merger integration (PMI) and have transitioned to the phase of implementing the management targets declared in 2022.

Balance Sheet Management

Total Assets

Our total assets have reached a high level due to the impact of the market value of unsettled balances in transactions, which, in

Message from the CFO

the context of JERAGM's fuel quantity adjustments, are recorded as derivative receivables and payables. Continued monitoring is warranted because subsequent changes in resource prices may cause the amount to fluctuate widely.

Interest-Bearing Liabilities and Net Assets

In FY2022, due to the effects of surging resource prices and the increased demand for operational capital resulting from spot procurement to ensure a stable electricity supply, we had to secure a large amount of financing to be used until our operating cash flow recovers. Besides primarily focusing on short-term loans and issuing corporate bonds, we also pursued diversified financing methods such as issuing transition loans and foreign currency-denominated corporate bonds. As a result, we believe we were able to enhance our future fundraising base and diversify our procurement markets.

On the other hand, while we had set a target of reducing net DER to 1.0 or less by 2025, interest-bearing debt increased to 3.5 trillion yen by the end of September 2022, causing the net DER to deteriorate to 1.66. Given the instability in the fuel market and the anticipated risk of prolongation, we issued hybrid corporate bonds worth 96.5 billion yen in December 2022 and secured a perpetual subordinated loan of 200 billion yen in March 2023 to improve our net DER. Subsequently, with conditions improving in the fuel market and operating cash flow on a recovery trajectory, our net DER improved to 1.01 as of March 31, 2023. Additionally, our ROIC, which represents capital efficiency, stood at 4.4% for FY2022, approaching our target for FY2025.



Personnel working in corporate finance to secure and diversify funding

	Performance indicators	FY2022	FY2025 target
Profitability	Net profit*	200.3 billion yen	200 billion yen
	EBITDA*	574 billion yen	500 billion yen
Capital efficiency	ROIC*	4.4%	Approx. 4.5%
	WACC	—	Approx. 3.5%
Growth potential	CFI	369.4 billion yen	Cumulative total for FY2022–2025: approx. 1,400 billion yen
Financial health	Net debt-to-equity ratio	1.01x	1.0x or lower
	Net debt-to-EBITDA ratio*	3.7 years	4.5 years or less

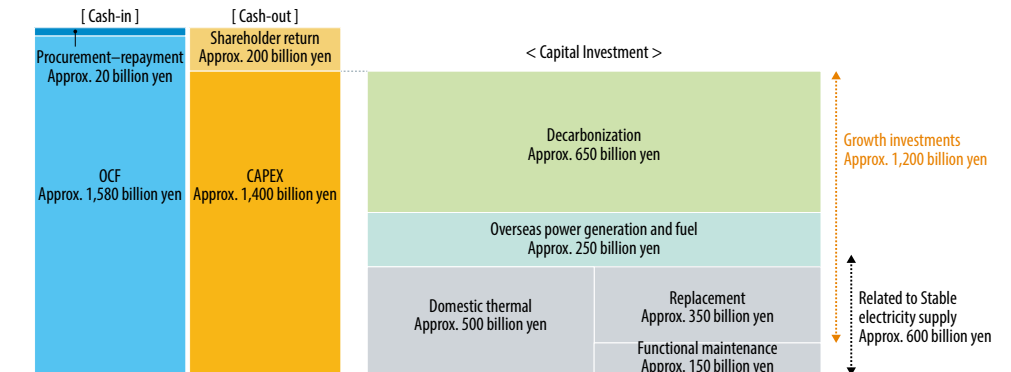
*Excluding time lags after fuel cost adjustments

Capital Allocation

In FY2022, the cash flow situation changed significantly between the first and second half of the year. In the first half of FY2022, operating cash flow deteriorated significantly due to an increase in the loss from the time lag caused by soaring resource prices and other factors, resulting in a negative free cash flow of approximately 900 billion yen. In the second half of FY2022, operating cash flow improved to about 450 billion yen for the full year due to better fuel market conditions, resulting in a final positive free cash flow of about 80 billion yen.

At the time of our strategy and target announcement in May 2022, we planned to actively allocate about 1.4 trillion yen to CAPEX over a total of four years from FY2022 to FY2025, with a cash flow of 1.6 trillion yen, primarily from operating cash flow. Most recently, we have been actively pursuing initiatives aimed at growth as well as decarbonization, including the acquisition of Parkwind, a leading offshore wind power generation company in Belgium, and the decision to invest in GPI, a renewable energy power generation company in Japan. We have a history of basing investments on the premise of maintaining a sound financial base, and we believe that the effective functioning of our financial strategy targets played a role in these investments. At present, we believe that both operating cash flow and CAPEX are generally in line with the plan announced in May 2022.

Capital Allocation



Toward the Realization of Medium- and Long-Term Strategies

The progress we are making toward reaching our targets is generally on track, though we must stay alert to changes in the business environment. We will announce our next growth targets when we are more certain of achieving them, but in line with our medium-to-long-term strategy, we intend to continuously invest for growth post-2025, mainly in the areas of renewable energy, hydrogen, and ammonia. Given the expected demand for capital to ensure robust growth, we will steadily increase our profitability and create a cycle that leads from investment to growth and then to further investment. We will continue to review our financial strategy for FY2025 and beyond, and as CFO, I will do everything I can to facilitate the steady strengthening of our financial base to support growth investments, aiming to further enhance corporate value.