



エネルギーを新しい時代へ

# Financial Strategy and Financial Target Levels Targeted for by 2035

## Appendix

**JERA Co., Inc.**

May 17, 2024

# Balance and Financial Standard Targets for FY2035

Achieve the financial structure evaluated highly by the capital market more than ever

- Set financial targets (KPIs) based on global peer standards

- Aim to achieve consolidated net income of 350 billion yen by FY2035, or sooner.



	Management Indicators	FY 2025 Target Values (Reference)	Target Levels by FY 2035
Profitability	Net Income *	<b>200 billion</b> yen	<b>350 billion</b> yen
	EBITDA*	<b>500 billion</b> yen	<b>700 billion</b> yen
Capital Efficiency	ROIC – WACC Spread*	ROIC <b>4.5%</b> WACC <b>3.5%</b>	<b>150bps</b> or more
Growth potential	Investment CF	FY2022 - FY2025 <b>1.4 trillion yen</b> (cumulative)	FY2024 – FY2035 <b>5 trillion yen</b> (cumulative)
Financial Soundness	Net DER	<b>1.0 times</b> or less	<b>0.5 times</b> or less
	Net Debt/EBITDA*	<b>4.5 years</b> or less	<b>2 years</b> or less
Reference	ROE*	Approx. <b>9.0%</b>	Approx. <b>9.0%</b>

\*Excludes the effect of fuel cost adjustment

# Financial Strategy – Capital Allocation -

## Aim to achieve sustainable growth through flexible investment allocation

- Flexible allocation of operating cash flow into the three strategic business areas (SP) of the growth strategy, while considering market environment, technological innovation and political trends
- Enabling sustainable growth shielded from environmental and political challenges



### Capital Allocation<sup>(1)</sup>

#### Cash-in



#### Cash-out



### Capital Investment

Promptly change investment allocation

**Example:** Built-in flexibility to change actual investment allocation in response to changing market conditions

#### LNG

**1–2 trillion** yen

#### Renewables

**1–2 trillion** yen

#### Hydrogen & Ammonia

**1–2 trillion** yen



### Target Scale by FY 2035

LNG Transaction Volume  
At least **35 million** tons

Cumulative Capacity Developed  
**20 GW<sup>(2)</sup>**

Hydrogen & Ammonia Transaction Volume Approx. **7 million** tons<sup>(3)</sup>

(1) Accumulated estimates for fiscal years 2024 through 2035

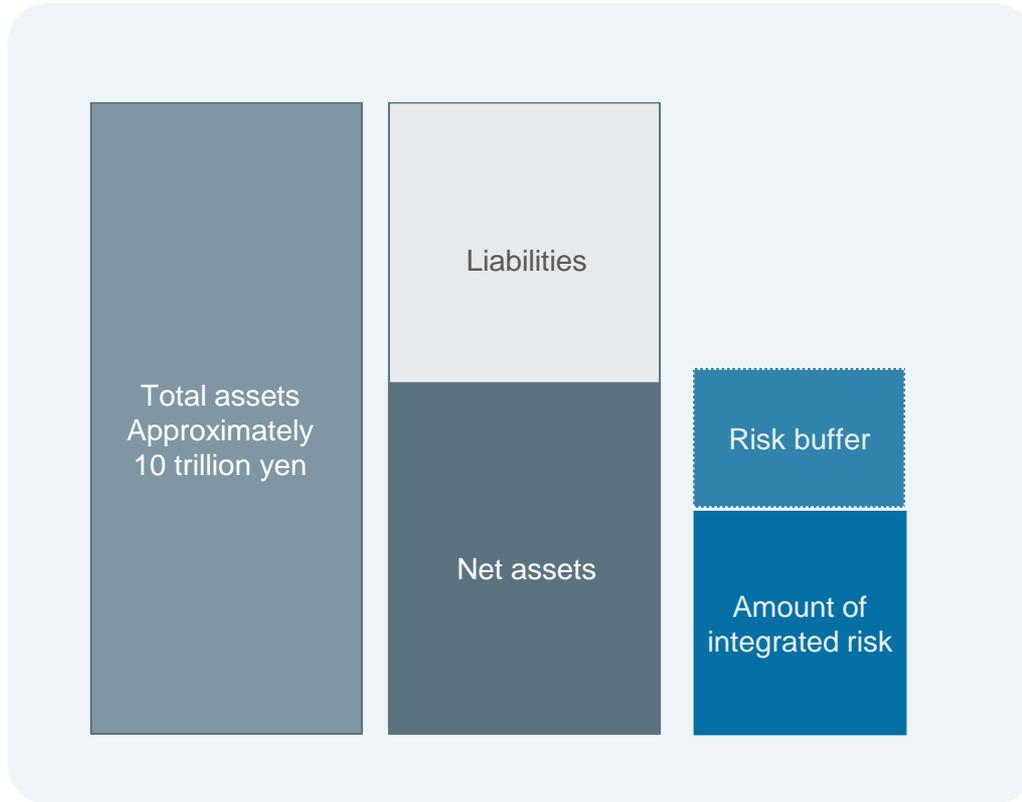
(2) Assumes disciplined investment decisions for high-quality projects while assessing market conditions

(3) Details of this initiative will be elaborated in stages based on policy and other assumptions. If assumptions are substantially changed, they will be reviewed.

# Financial Strategy - Balance Sheet Management -

Hold capital larger than the integrated risk amount and maintain a A credit rating

## Image of FY2035



## Balance Sheet Management Toward FY 2035

Credit ratings

**A**  
rating

Net DER

**0.5**  
Times or less

Net Debt / EBITDA

**2**  
years or less

\*JERA defines its risks into three categories: market risk, credit risk, and operational risk. The amount of integrated risk is quantified from 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 the existence of operational risk.

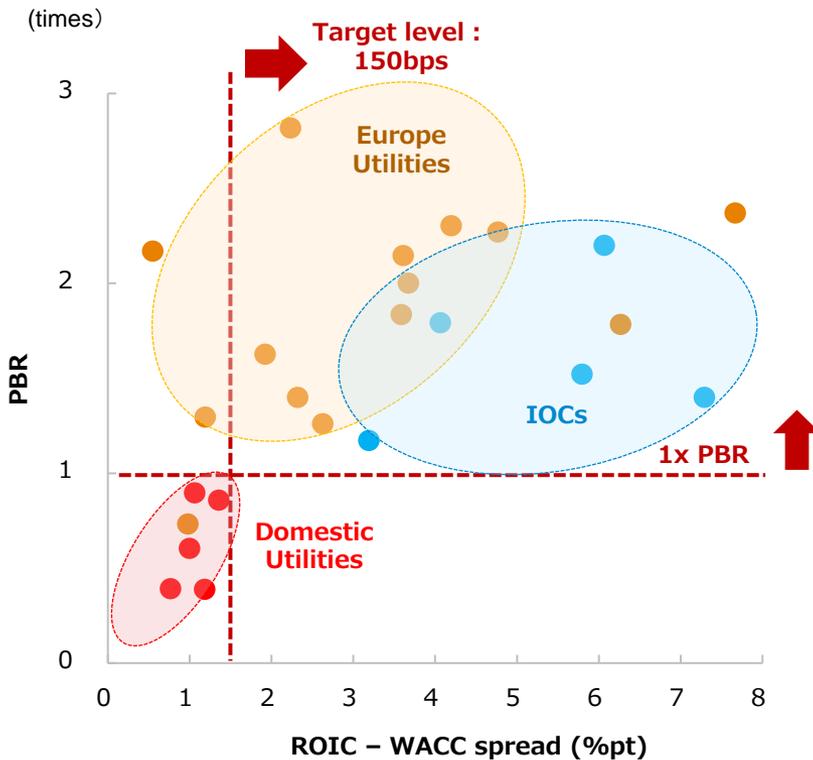
# Aimed Standards for Capital Efficiency and Financial Soundness

Establish financial KPIs that deliver capital efficiency and financial soundness to maintain a strong credit rating

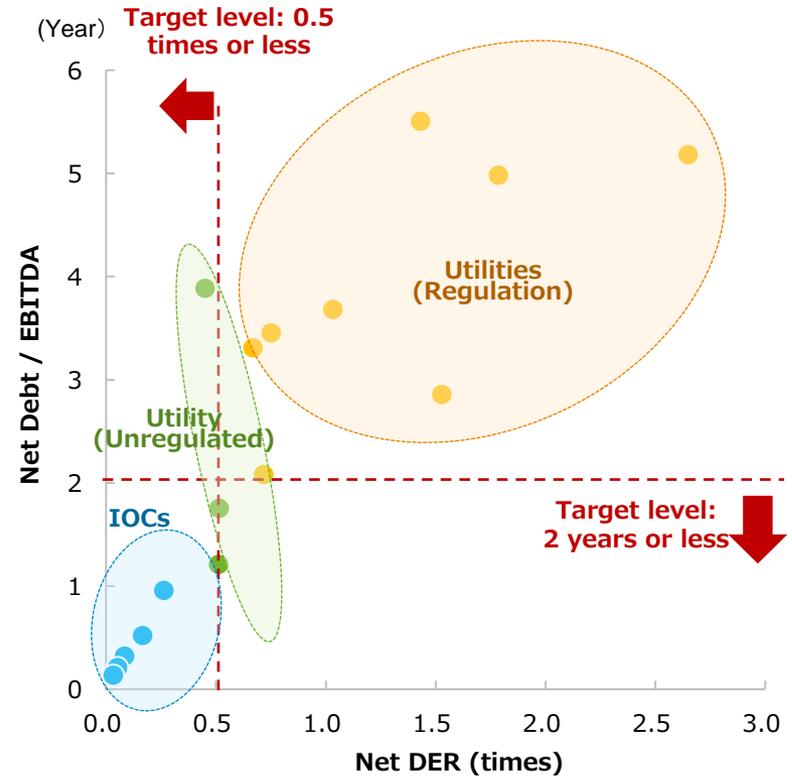
- ROIC-WACC spread must exceed 150bps to obtain a capital market valuation (PBR > 1)

- Aim for financial soundness comparable to that of non-regulated utilities in Europe

### ROIC-WACC spread



### Net DER and Net Debt/EBITDA

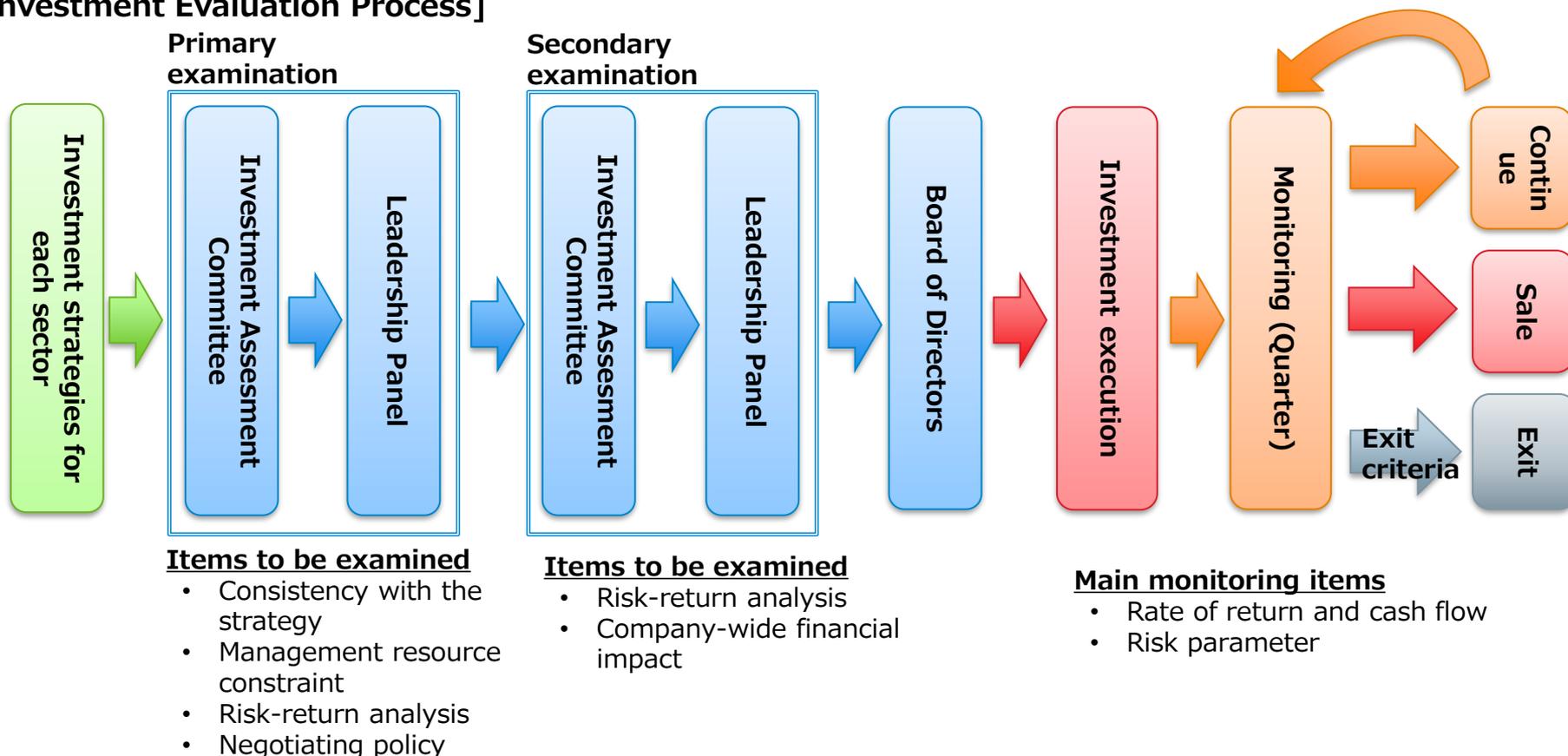


Note: This is made by JERA based on IR materials by other companies

# 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]

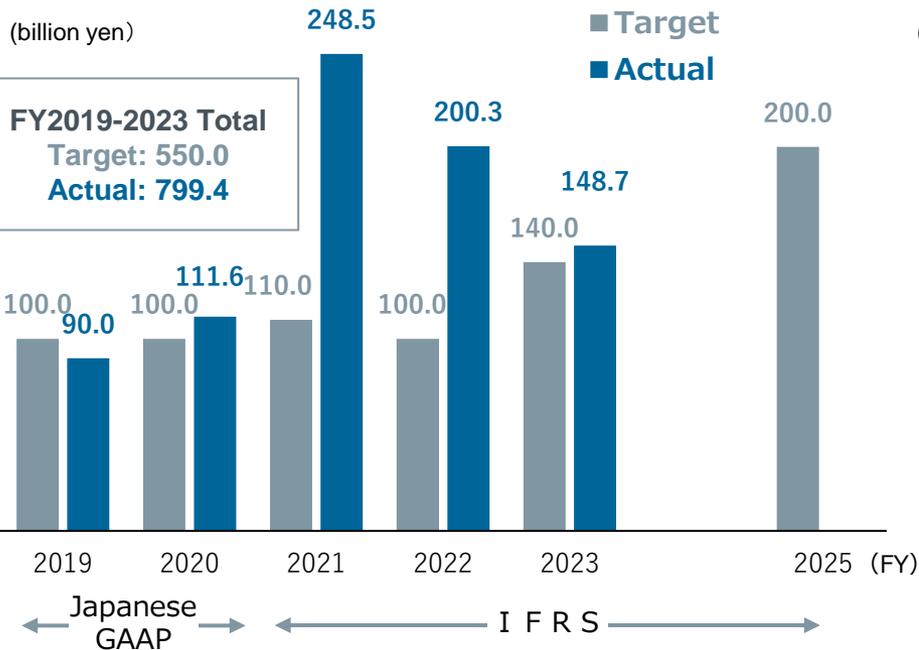


# Past Performance

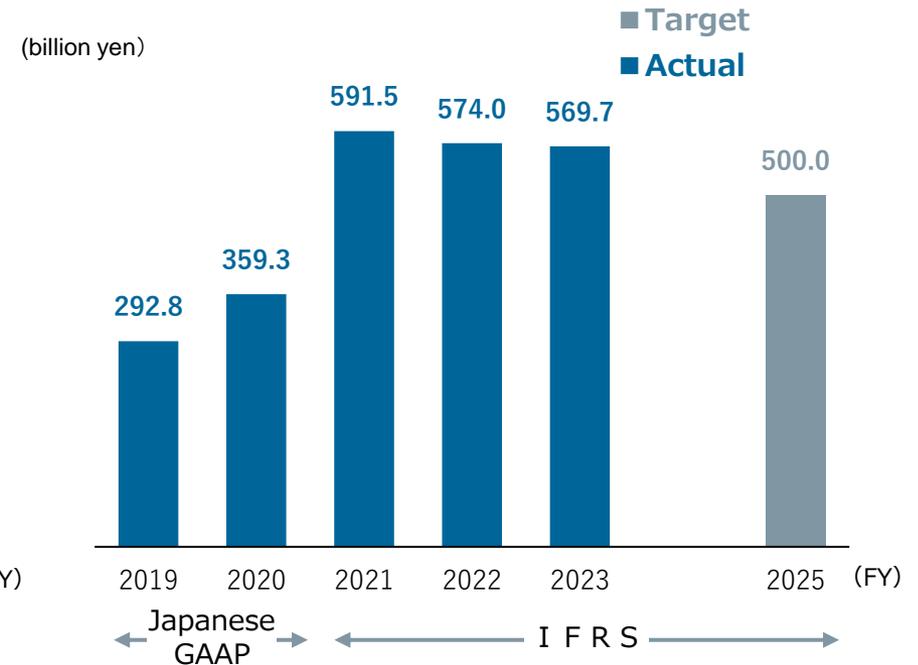
# Performance to Date (Profitability)

- More profit was earned than planned. When resources price spiked during FY21-22, earned profit significantly exceed the plan.
- EBITDA has exceeded FY2025 target.

## Net Income \*1



## EBITDA \*2



\*1 Profit excludes profit time lag

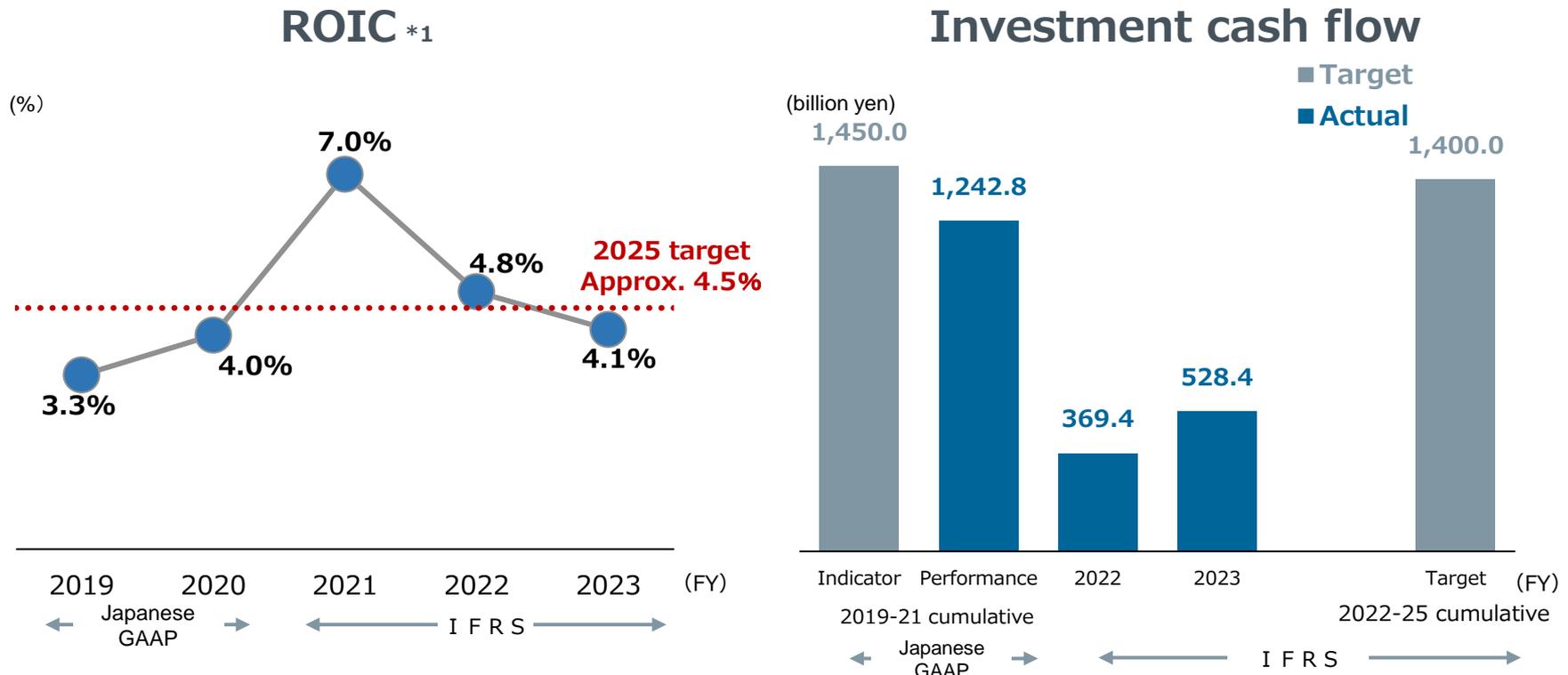
Profit targets are business plan figures published in April 2019 for FY2019-2021, figures published in October 2022 for FY2022, and new management target figures published in May 2022 for FY2023-2025

\*2 EBITDA = Pre-tax profit excluding profit time lag + depreciation & amortization + paid interest

EBITDA target is new performance indicator announced May 2022

# Performance to Date (Capital Efficiency, Growth Potential)

- Although ROIC varied from year to year, steady progress was made toward the FY25 target of around 4.5%.
- Investment CF was planned to be slightly less than 3 trillion yen over 7 years starting in 2019, and has been largely in line with the plan while maintaining a balance between growth and discipline.



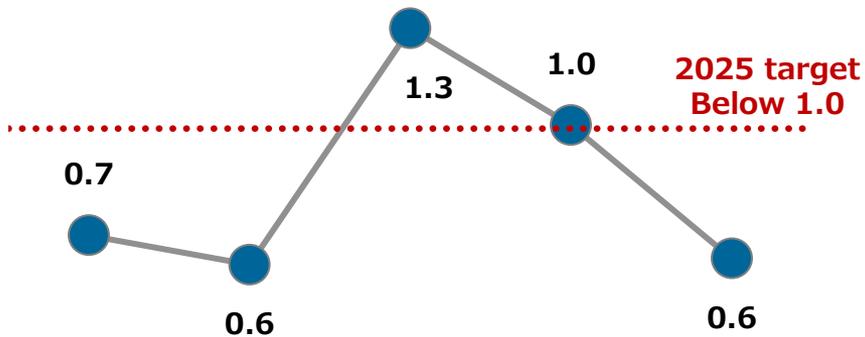
\*1  $ROIC = (\text{profit excluding profit time lag} + \text{interest paid} \times (1 - \text{effective tax rate})) / (\text{interest-bearing debt} + \text{shareholder's equity})$   
Interest-bearing debt and shareholder's equity are averages at start and end of term, while interest-bearing debt is net of cash excluding operating capital, effective tax rate is company effective tax rate (referencing values in securities report)

# Performance to Date (Financial Soundness)

- Net DER has been in the transition at a level that meets the FY25 target. However, we will continue to focus on financial soundness in preparation for rapid changes in the external environment.

## Net DER <sup>\*1</sup>

(x)

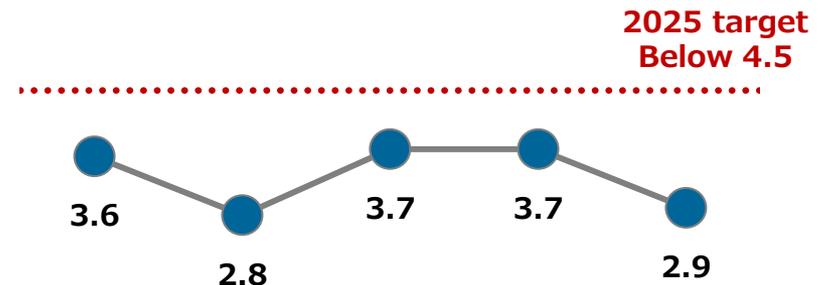


2019 2020 2021 2022 2023 (FY)

← Japanese GAAP → ← I F R S →

## Net Debt / EBITDA

(year)



2019 2020 2021 2022 2023 (FY)

← Japanese GAAP → ← I F R S →

\*1 Net DER = (interest-bearing debt - cash) / shareholder's equity  
 Shareholder's equity = Net Assets - Non-controlling interests