

Summary of Q&As at Investors Meeting for FY2023

Date and Time: 14:00 - 15:30 (JST) on Tuesday, May 17, 2024
 Format: Hybrid In-Person and Online Format
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[FY2023 results]

Question	Answer
What is the internal assessment of sluggish profit excl. time lag for domestic thermal power generation and gas segment in FY2023 due to coal price fall?	<ul style="list-style-type: none"> • In the first half of the year, a sharp price decline reduced the competitiveness of coal procured in advance, pushed down the profit, but in the second half of the year, prices settled down and the impact becomes small. In addition, the competitiveness of LNG procurement improved due to lower LNG spot prices. As a result, the profit increased by about 35.0 billion yen from the second quarter of FY2023, and it became out of the red. • We keep striving to reduce the impact of fuel prices on profit and loss through hedging, including price-fixing transactions. Optimal methods, such as reviewing hedging methods and price-fixing ratios, will be considered continuously.

[JERA Growth Strategy to Realize 2035 Vision, Financial Strategy and Financial Target Levels Targeted for by 2035]

Question	Answer
How will be the FY2035 profitability target “350 billion yen” achieved in the growth strategy?	<ul style="list-style-type: none"> • Excluding the impact of the fire accident at Taketoyo thermal power station, we currently have the foundation to achieve our FY2025 target. • The remaining 150 billion yen will be achieved by increasing profitability. For examples, (1) by trading and flexibly utilizing assets throughout the value chain in the “LNG” and “Hydrogen & Ammonia” business areas, and (2) by reducing costs through O&M. <p>In the renewable energy business area, synergies will be pursued not only in power generation but also as a means of using green hydrogen/ammonia to increase profitability. By doing so, we ultimately achieve the goal.</p>

<p>To what extent do you need to have your own assets in the supply chain for each of the three areas in the growth strategy: “LNG”, “Renewables”, and “Hydrogen & Ammonia”?</p>	<ul style="list-style-type: none"> • In the “LNG” and “Hydrogen & Ammonia” business areas, asset ownership enables us to control prices and gain flexibility in destinations. Therefore, it will be necessary for us to obtain information to a certain extent on the producers' side by investment when we develop new LNG contracts or new upstream hydrogen and ammonia projects. • The return on the assets of renewable energy themselves is not so great, so there is no need for us to be obsessed with asset ownership as long as we can control O&M and earn optimal profits.
<p>Please tell your impression of national support in utilization of “Hydrogen & Ammonia”.</p>	<ul style="list-style-type: none"> • The bill to promote a hydrogen society, which compensates for the value difference between hydrogen & LNG, and ammonia & coal, is a great help for reducing our business risks. • We expect that more support policies will be followed until the business case in the market is established.
<p>How is domestic thermal power generation and gas segment positioned in the FY2035 target?</p>	<ul style="list-style-type: none"> • Thermal power remains important in our business to continue appropriate investment in the renewable energy area. • It is necessary to make efforts in increasing the value of thermal power generation by creating new product menus, etc., and aim to maintain the value at the current level at least.
<p>Please tell more detail in the investment strategy of the financial target levels by 2035.</p>	<ul style="list-style-type: none"> • The basic policy for the time being is to focus on investments in LNG until around 2030, and after 2030 to concentrate on investments in “Hydrogen & Ammonia”.
<p>How is your fundraising carried out to realize the investment strategy for FY2035?</p>	<ul style="list-style-type: none"> • In order to execute our disciplined growth strategy, a variety of financing options is in our mind. The cumulative ¥5.5 trillion investment cash flow can be done from our cumulative ¥5.5 trillion operating cash flow in our plan.
<p>Why will be the ROE target for FY2025 maintained to FY2035?</p>	<ul style="list-style-type: none"> • 9% ROE is the level to secure a positive equity spread (ROE - cost of shareholders' equity) in our recognition. • Our ROE target exceeds “8%” indicated in the Ito Report and the “cost of shareholders' equity” level that we consider. We will review a suitable ROE level by continuing to increase our profitability.

Why is the capital efficiency target ROIC–WACC spread for FY2035?	<ul style="list-style-type: none"> In light of the increasing uncertainty in the outlook of the financial environment, as well as the long-term period to FY2035, we decided to disclose the target in the spread to indicate that we aim to generate a return in excess of 150 bps of the WACC under any environment.
Why should rating A be targeted?	<ul style="list-style-type: none"> Our goal is to solve the world's energy challenges by simultaneously achieving “Stability”, “Affordability”, and “Sustainability”. However, achieving this goal will be significantly affected by political and economic situations, resource prices, technological innovations, and regulatory trends. Financial soundness is important for us to be able to carry out our business smoothly even in such an uncertain environment. We aim to maintain an A rating by all rating agencies.
Who is JERA’s competitors? What are unique points of JERA?	<ul style="list-style-type: none"> We offer solutions combining LNG, renewable energy, and LCF on the global scale. In addition to the origin in the electric power industry, we have 3 functions of O&M, optimization, and business development. There is no other company in the world like us and we believe that this is JERA's uniqueness and strength.

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 by 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.