

CEO and COO Message

Turning Adaptability into Competitive Strength: Sustaining Lives and Industry While Pursuing Growth in an Age of Uncertainty



Hisahide Okuda

President, Director,
CEO and COO

Building a Business Structure Resilient to Uncertainty

Energy is an essential infrastructure that supports our everyday lives and industry. That is why, when rising geopolitical risks or natural disasters destabilize supply and prices, the impact is felt across society.

Spurred by two major oil crises, Japan has, over the decades, diversified both its power generation and fuel procurement sources. As a result, the country now has a well-balanced power mix combining LNG, coal, renewable energy, and nuclear power, and has built a resilient supply base capable of maintaining stable supply even amid the recent geopolitical tensions in the Middle East.

However, in today's world of growing uncertainty, maintaining stable supply alone is not enough. Geopolitical risks can trigger sharp fluctuations in fuel and electricity market prices, with the effects ultimately reaching households and industries through the price they pay for electricity. Beyond maintaining stable supply, energy companies have an important responsibility to strengthen resilience to price volatility.

Since its establishment in 2015, JERA has built an integrated value chain spanning upstream fuel development, procurement, transportation, trading, and power generation. Leveraging one of the world's largest LNG transaction volumes and global trading

capabilities, we have developed a business structure designed to enhance resilience amid uncertainty.

Upstream fuel operations and downstream power generation businesses respond differently to market conditions. For example, while rising fuel prices increase power generation costs, they can also create opportunities for the fuel business to generate higher earnings. This structure helps maintain the competitiveness of our power generation business even as fuel prices fluctuate, while generating profits across the entire value chain.

This means we can hedge risks across the value chain and help support more stable earnings even as the business environment changes.

At the same time, we leverage our fuel portfolio and trading capabilities to enhance fuel supply stability and resilience to price volatility. Specifically, we diversify LNG procurement across the US, Australia, the Middle East, and Asia, and we combine LNG linked to different price benchmarks to help reduce both supply risk and price volatility risk. We have also built a portfolio that combines an appropriate mix of long-term contracts, short-term contracts, and spot procurement to address seasonal fluctuations in LNG demand, while drawing on JERA Global Markets' trading capabilities to strengthen our ability to respond to an increasingly dynamic market environment.

Renewable energy, one focus of our growth strategy, is a domestically available energy source that reduces dependence on overseas supply and contributes to energy security. We are building a more stable supply base by combining renewable energy with lower-carbon thermal power, which can adjust quickly to demand fluctuations. Rather than relying on a single power source, we need to keep a diverse range of power-generation options available and combine them appropriately as the business landscape changes.

This approach can help address energy issues not only in Japan but around the world. Each country faces different geographic conditions, industrial structures, and geopolitical risks and therefore has different solutions and priorities for addressing the energy trilemma: achieving stability, affordability, and sustainability at the same time. Some countries need to prioritize meeting surging electricity demand, while others should prioritize energy security or decarbonization. Because the approaches and priorities vary by country, a diverse range of options is essential.

JERA has a broad range of power generation and fuel options at its disposal, including lower-carbon thermal power, renewable energy, LNG, and hydrogen and ammonia. By combining these to deliver optimal solutions tailored to each country's needs, we aim to capture growth opportunities in Japanese and global markets, enhancing our corporate value.

Precisely because this is an age of uncertainty, we must prepare for risks in normal times and retain the flexibility and adaptability to

respond as circumstances demand in a crisis.

JERA's strength lies in our ability to leverage our business portfolio, built through full-value-chain management, to provide the best options as the business environment changes. This adaptability is both a competitive advantage for JERA as a company and the foundation of the value we create for society.

By optimizing resource allocation and business operations in response to changes in the business landscape, we can generate stable cash flow and continue investing in the future. This investment helps to lay the foundation for our continued support of both livelihood and industry, while also enhancing JERA's corporate value over the medium to long term.

Turning Decarbonization into Industrial Competitiveness for the Next Era

While some argue that global momentum for decarbonization is waning, many countries are strategically shifting toward areas of decarbonization where they have a competitive advantage, sometimes deploying state capital to build competitive clean energy supply platforms.

The US, for example, continues to pursue low-carbon and decarbonization businesses in areas where it holds competitive strengths, including nuclear power, natural gas, carbon capture and storage (CCS), and blue hydrogen. It is also advancing next-generation nuclear power development as a national strategy through coordinated public- and private-sector efforts. While policy support for wind and solar

has been scaled back, onshore wind and solar projects continue to expand across the vast United States on their own economic merits.

China, meanwhile, is drawing on state capital and its overwhelming competitive advantage to build production capacity in solar power, onshore and offshore wind power, battery storage, and green hydrogen, while actively expanding exports to countries across Asia and beyond.

These developments show that decarbonization is not only an environmental policy for climate change mitigation but also an industrial policy that strengthens the non-price competitiveness of domestic industries. With global electricity demand surging, driven primarily by AI data centers and the semiconductor industry, countries capable of

supplying stable, lower-carbon energy can attract new industrial clusters and strengthen their competitive advantage in the coming era.

In Japan, too, decarbonization is a critical initiative that affects not only climate change mitigation but also future industrial competitiveness. However, geographic conditions, weather patterns, and disaster risks limit Japan's potential to deploy renewable energy compared with other countries. Japan also relies heavily on solar power, the output of which fluctuates significantly by season and time of day, making it difficult to support the power system with renewable energy alone.

Advancing decarbonization requires practical solutions tailored to each country's circumstances. In Japan, we believe the practical path to decarbonization is to combine renewable



energy, such as offshore wind and solar power, and battery storage with lower-carbon thermal power that can respond rapidly to fluctuations in supply and demand, while adjusting the pace in line with the business environment.

Like Japan, many countries around the world lack abundant energy resources and have limited potential to deploy renewable energy.

JERA aims to draw on the expertise we have developed in Japan by combining our full value chain with diverse power sources and fuels, providing decarbonization solutions tailored to each country's unique circumstances. We believe these efforts will help address the world's energy challenges while supporting JERA's sustainable growth and enhancing its corporate value.

Leading the Development of an Energy Supply System for the AI Era

Electricity demand from AI data centers and the semiconductor industry is surging worldwide. These industries are expected to help drive economic growth and industrial competitiveness, yet they require vast amounts of high-quality power. The inability to immediately secure sufficient generation capacity and transmission infrastructure to meet this demand has become a bottleneck influencing investment decisions.

In Japan, too, AI data centers and the semiconductor industry are strategically important to the country's international competitiveness. Without a rapid supply of high-quality power, Japan risks falling behind.

Rather than developing power sources on

the assumption of nationwide demand growth, as Japan did during its high-growth and bubble-economy eras, we now need a business model that can rapidly supply high-quality power to specific industries, primarily AI data centers and the semiconductor industry. If JERA can move early to provide such a model, it could represent a significant business opportunity not only in Japan but around the world.

Given the lead times required to build new generation capacity and the lengthening timelines for grid connections, supplying power rapidly is no easy task. As one example, JERA is exploring a new power supply model in which data centers are built on the sites of existing thermal power stations and supplied with electricity directly. Outside Japan, we aim to provide solutions that combine thermal power, renewable energy, and battery storage, tailored to regional characteristics and customer needs.

Rapid power supply also requires a business environment in which both energy users and suppliers can confidently move forward with new investment. JERA aims to take a leading role in these efforts, engaging with public- and private-sector stakeholders to help build sustainable supply infrastructure and strengthen industrial competitiveness.

By providing optimal solutions to meet surging electricity demand from new industries worldwide, we can contribute to society's development while supporting JERA's sustainable growth and enhancing its corporate value. JERA is moving quickly to capture these growth opportunities at home and abroad

and, as an energy provider, lead the development of the energy supply systems that will support new industries.

Creating New Possibilities, Guided by JERA Core Value

Adaptability in an era of uncertainty comes from people and organizations that anticipate change, think for themselves, and act accordingly.

JERA is transitioning to a group structure where professionals with diverse expertise take ownership of their respective business domains and create value. Across different business domains, countries, and regions, our Mission remains unchanged: "To provide cutting-edge solutions to the world's energy issues."

To ensure the JERA Group continues to take on challenges as one in pursuit of this Mission, we have established JERA Core Value as a shared guide for decisions and actions across the Group.

"Ownership to Serve Our Tomorrows: Step forward with ownership and give our best for the many tomorrows we serve." These words express our conviction that everything the JERA Group does should create value that supports the world of tomorrow. From major investment decisions to daily facility operations and the administrative work that supports them, we continually ask whether our work is truly contributing to a better future. If it falls short, we take the initiative to improve. Together, these individual actions help build a better society for generations to come.

"Fairness / Diversity / Openness / Respect & Safety: Be open to every difference. Act with fairness. Respect people, and protect safety." These principles underpin JERA's organizational strength. We aspire to be an organization where everyone is free to speak openly, regardless of position or affiliation: "Can we do this better? Is there a risk here? Is there a new possibility?" By bringing together diverse opinions and values, learning from one another, and reaching better answers together, we make JERA stronger and more resilient.

At JERA, we position JERA Core Value as the touchstone for daily decisions and actions. Through the accumulated efforts of each individual to serve the world of tomorrow, we aim to keep growing even in an age of uncertainty and remain an energy provider that society can trust.

Creating new value is not something we can accomplish overnight. Whatever short-term changes may come, we will stay the course with our sights set firmly on the long term.

