Financial Initiatives

Management Goals

- While the impact of climate change response on our business performance is unavoidable to a certain extent, we have set a future ROE target of 8% or higher.
- We aim to achieve our target of 90 billion yen in ordinary profit in FY2026, while keeping in mind the level of ROIC required for the future.

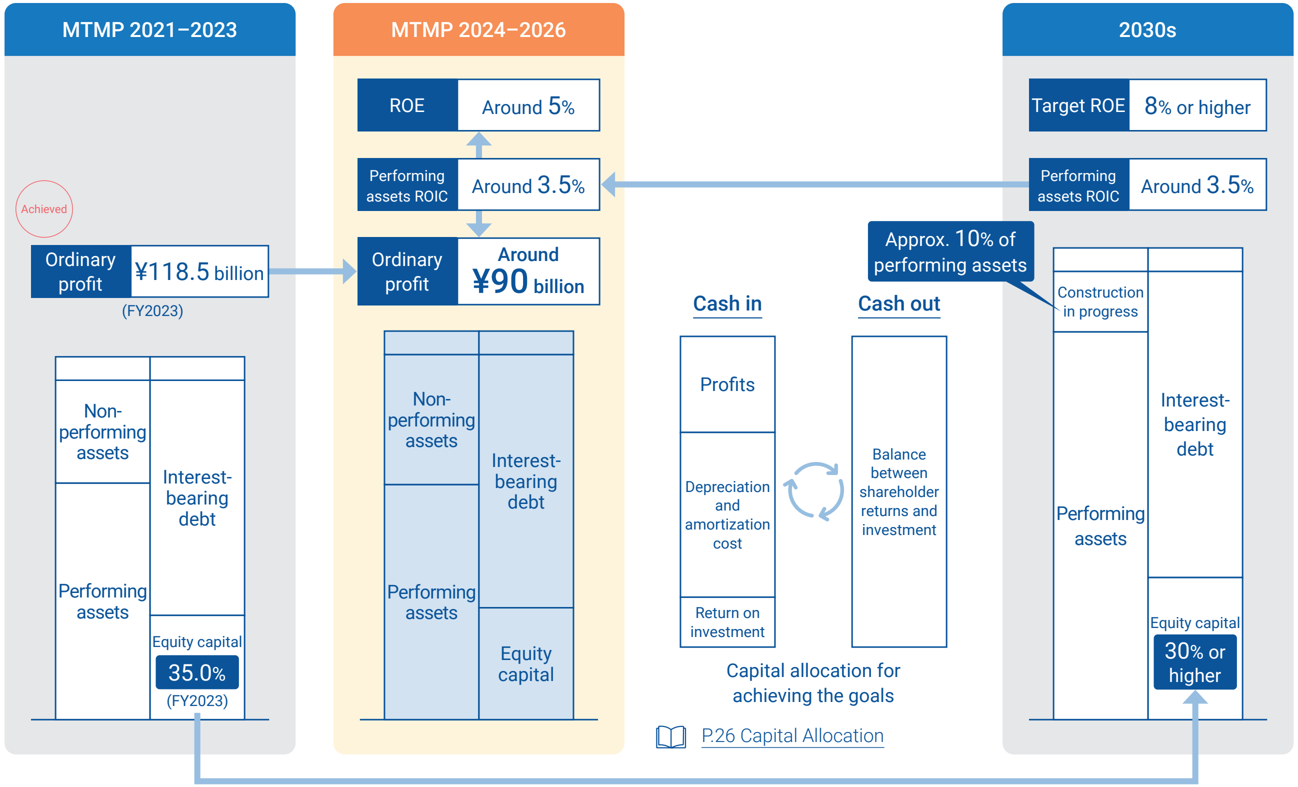
In the Medium-Term Management Plan ("MTMP") 2024–2026, we have set management goals to achieve an ROE of 8% or higher in the 2030s, after the start of operation of the Ohma Nuclear Power Plant.

The ratio of non-performing assets to performing assets (non-performing asset ratio) is expected to drop from the current 30% level to around 10% once the business portfolio transition, including operational start-up of the Ohma Nuclear Power Plant, will have made a certain progress. With this level of non-performing asset ratio, the ROIC of performing assets needed to achieve an ROE of 8% or higher is calculated to be around 3.5%.

Currently, electricity market prices are highly volatile due to resource price fluctuations and the massive introduction of renewable energy. Even under such circumstances, to achieve a performing assets ROIC of 3.5%, which is required in the 2030s, we have set target levels of ordinary profit and ROE for FY2026 at about 90 billion yen and 5%, respectively, as targets for the period covered by the MTMP.

We are not yet planning any reduction of equity capital, which is the denominator of ROE, because it is still difficult to foresee the absolute amounts of risk buffer and appropriate equity capital required for the Ohma nuclear power and thermal power transition at this stage. Meanwhile, we consider the equity ratio can be adjusted from the current 35% to about 30% as the required risk buffer is expected to decrease in the 2030s, when the aforementioned business portfolio transition will have made certain progress.

Under the MTMP 2024–2026, we will promote the transformation of our business and profit structure toward the 2030s, while practicing management that is conscious of capital efficiency.



P.26 Capital Allocation

$$\text{Performing assets ROIC} = \frac{\text{NOPAT + Investment gain (loss) on equity method}}{\text{Interest-bearing debt + Shareholders' equity − Non-performing assets}}$$

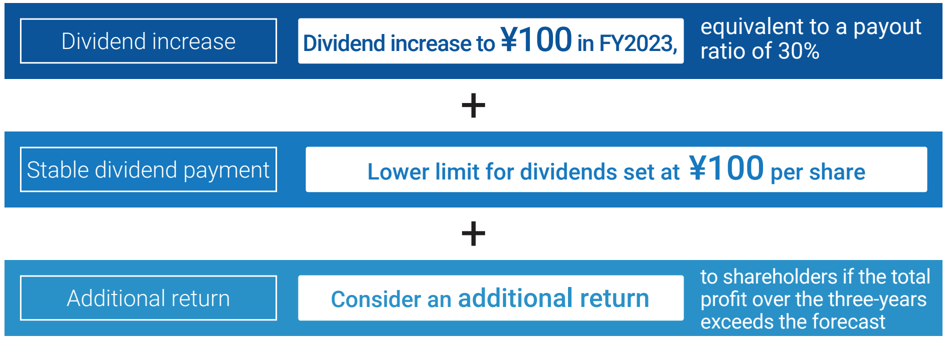
*1 NOPAT includes non-operating income/loss and extraordinary income/loss which can be directly charged to business departments.
*2 Non-performing assets = Construction in progress + Nuclear fuel, etc.

P.27 Interview with the Director in Charge of Accounting & Finance

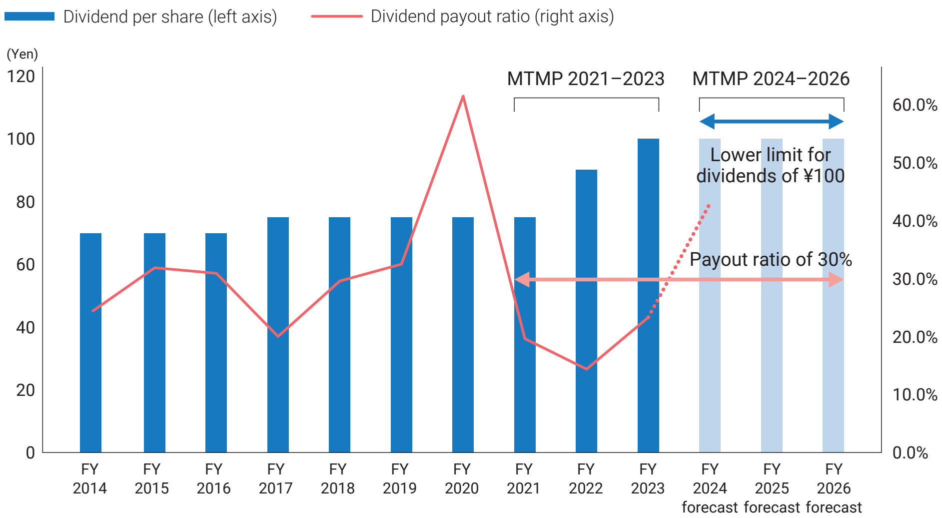
Financial Initiatives

Shareholder Returns

Basic approach to shareholder returns: J-POWER will work to improve consistent and ongoing returns to shareholders based on profit levels, earnings projections, and financial conditions, with a target consolidated dividend payout ratio of 30%, excluding factors causing short-term profit fluctuations.



Trends in dividend per share and dividend payout ratio



FAQ

Q What are the factors causing short-term profit fluctuations?

A They include foreign exchange valuation gains and losses recorded as non-operating profit and loss, among others.

Q What do you think are the reasons behind not achieving the targeted 30% consolidated payout ratio during the previous MTMP period?

A In response to the higher-than-forecast profits during the previous MTMP period, we increased dividends three times, from 75 to 100 yen per share, in line with the basic policy of stable and ongoing dividend payments. The Board of Directors discussed the capital market's demand for agile shareholder returns of one-time profits, and decided to consider an additional return of profits to shareholders under the new MTMP if profit exceeds the forecast.

Q On what basis will you increase dividend to 100 yen per share?

A We have set the dividend per share at 100 yen, an amount equivalent to a consolidated dividend payout ratio of 30%, using ordinary profit of 90 billion yen we achieved under the previous MTMP as a basis for calculation.

Q Could there be a change in the amount of dividends if profit exceeds or falls below the forecast significantly during the MTMP period?

A For the three years covered by the current MTMP, we have set 100 yen per share as the lower limit for dividends. We will consider increasing dividends if profit is expected to exceed the forecast on an ongoing basis, as our basic policy calls for stable and ongoing dividend payments.

Q What do you mean by the "total profit over the three years exceeding the forecast" in the consideration of an additional return of profits?

A We will consider an additional return of profits to shareholders when there are any factors contributing to achieving ordinary profit in excess of the 90 billion yen target, such as extraordinary profit and profits from coal mining arising from higher resource prices.

Q How will you make an additional profit return?

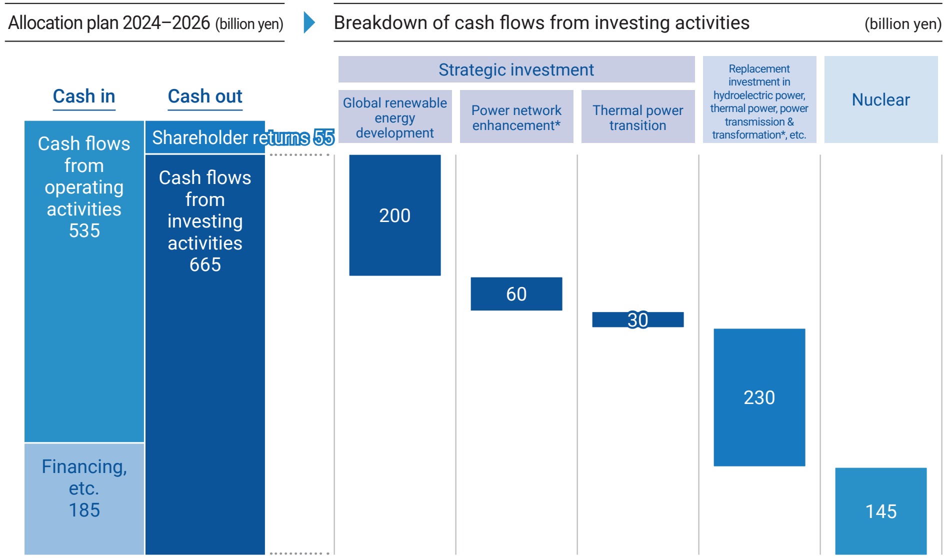
A We have not yet decided any specific method at this stage.

P.27 Interview with the Director in Charge of Accounting & Finance

Financial Initiatives

Capital Allocation

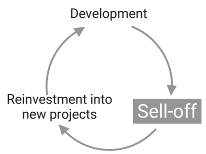
- ☑ We plan to make strategic investments of approximately 300 billion yen over three years, with an eye toward 700 billion yen of strategic investments by FY2030.
- ☑ We will prioritize investments in carbon-neutral assets at home and abroad to support sustainable growth, while considering financing efficiency and profitability.

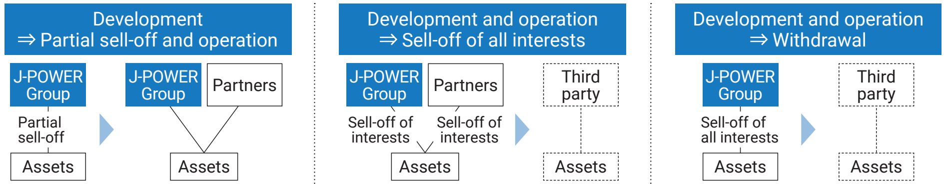


*The enhancement of the power network and the transmission and transformation business is handled by J-POWER Transmission Network Co., Ltd.

Efforts to improve capital efficiency

We are working to improve capital efficiency by not only holding assets for the long term, but also replacing our business portfolio as appropriate, for example, by selling assets and reinvesting in new projects using the proceeds from the sale. Through the introduction of return on invested capital (ROIC), we will also create a mechanism to measure capital efficiency for each business and take appropriate measures for improvement.





Jackson Generation Power Plant in the U.S.
- Sold partial interests in a developed gas-fired thermal power plant and acquired developer's profits.
- Actively involved in the operation of the plant after the partial sell-off.

Wharton Solar Project in the U.S.
- Sold all equity interests in solar power plants that have finished development and acquired developer's profits.

Three domestic thermal power projects (Ichihara, Shinko and Itoigawa), etc.
- Withdrew through the transfer of interests to third parties, taking into account the age of the facilities and potential for future business development.

In the MTMP 2024–2026, we disclosed our capital allocation for the three-year period.

Cash flows from investing activities are expected to total 665 billion yen over the three years, primarily financed by cash flows from operating activities. Of this amount, about 300 billion yen is planned to be allocated as part of the previously announced strategic investments of 700 billion yen through FY2030.

Of the strategic investments, we plan to invest 200 billion yen in the development of renewable energy in Japan and overseas. In addition to replacement and construction of new domestic onshore wind power facilities, we will actively invest in Hibikinada offshore wind power farm under construction in Hibikinada, Kitakyushu City, as well as in solar and hydroelectric power generation projects under development in Australia, the U.S., Southeast Asia, and other regions.

The investment of 60 billion yen for power network enhancement will be primarily allocated to construction of new facilities including the New Sakuma Frequency Converter Station, which is scheduled to start operation in FY2027.

In addition, we will make a strategic investment of 30 billion yen for thermal power transitions. This will be used for investments in the GENESIS Matsushima Plan, as well as in the study for the green hydrogen/ammonia production project.

Besides, we will invest 230 billion yen to upgrade existing facilities in an effort to ensure stable operations. For nuclear power, we intend to invest a total of 145 billion yen over the next three years, including costs for design and preparations for the resumption of construction, based on the assumption that we will proceed with the compliance review process and start safety enhancement work going forward.

We expect to allocate a total of 55 billion yen to shareholder returns over the three years, based on the lower limit for dividends of 100 yen per share.

We intend to finance funds in excess of operating cash flows by using the Green/Transition Finance Framework, as well as through cash inflows from asset replacements, mainly in the Overseas Business.

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P.53 Green/Transition Finance