

# Dialogue Between Outside Directors and Investors

In May 2024, we held a small meeting between our Outside Directors and investors. Approximately 40 institutional investors and analysts attended the meeting online to have a discussion with Outside Director John Buchanan and Outside Director and Audit & Supervisory Committee Member Kimiko Oga about topics such as Medium-Term Management Plan 2024–2026. Here we present the main questions asked by the investors and the answers from the Outside Directors.

## Currently, the J-POWER Group's business covers a wide range of areas, so what are your thoughts regarding the selection of a business portfolio for the future?

**Director Buchanan:** I acknowledge that the Company are making investments in a wide range of fields because it is difficult at present to clearly ascertain which technologies will become central to efforts to realize carbon neutrality in the future. We think that the timing for making judgements on which fields we should be focusing on will come in the next year or two, in accordance with developments such as the establishment of CCS and carbon pricing systems. As a company aiming to realize the business portfolio and business model transitions outlined in our Medium-Term Management Plan, future-oriented investment is extremely important, so we should be investing carefully in projects that offer investment value.

**Director Oga:** The Company has positioned the period of 2024 to 2026 as a time of transition in its business portfolio and business model in the Medium-Term Management Plan, and I acknowledge that it demonstrates a stronger approach that goes beyond the thermal power sector to encompass the transformation of the Company's entire business structure. I am aware that the recent global business environment, including the supply-side situation and geopolitical risk, has become extremely uncertain, so I am not sure if we can make a hasty decision on the areas we should focus on. Therefore, I expect the Company to think very carefully over the next year or two and arrive on a certain direction.

## As Outside Directors, what are your views on the Ohma Nuclear Power Plant Project?

**Director Buchanan:** The Ohma Nuclear Power Plant Project is a large-scale investment and I recognize that the fact it has yet to start operation is a serious issue. However, once operation does start, it will not only contribute to the Company's profits, but also play an extremely important role in Japan's overall nuclear power policy. In this way, it remains an important project.

## While the capital markets and companies have different requirements in terms of timeframes concerning shareholder returns, what do you think of the Company's approach and the content of discussions at Board of Directors meetings concerning this topic?

**Director Buchanan:** I think the approach of increasing shareholder returns is the correct one. At Board of Directors meetings, a variety of opinions are exchanged regarding shareholder returns, including share buy-backs, and these discussions are ongoing. The Company is addressing situations such as the deregulation of the electric power market, a transition in power generation methods, and concerns regarding resource prices driven by rising international tensions, so I think at present, we should be increasing shareholder returns by raising dividends.

## From the perspective of an Outside Director, are there any issues concerning the J-POWER Board of Directors?

**Director Oga:** I think there are firm silos in place when it comes to awareness concerning different forms of power generation, such as thermal and hydroelectric, and different fields. An overall strategy cannot be created by just combining the individual strategies of each organization, so I think there is room for improvements to be made in order to realize business model transition. Additionally, I always suggest that we should be creating business opportunities by making greater use of IT and other digital technologies and by combining data and power generation.

**Director Buchanan:** I think one area for improvement is that our organizational structure is a little rigid, but the atmosphere at Board of Directors meetings is heading in a good direction. Compared to when I was first appointed as an Outside Director, it is easier now to speak more freely with Inside Directors through opportunities such as exchanges of opinions, and discussions have become more dynamic.

## After the Meeting

**Director Buchanan:** This small meeting gave me the opportunity to hear the opinions and concerns of investors and analysts. One of the important roles of an Outside Director is to ensure a third-party perspective is reflected in discussions of the Board of Directors, and through today's interactions with investors, I was able to get a clearer understanding of how the Company's approaches and behaviors are being received externally.

**Director Oga:** It was extremely valuable to hear the direct opinions of investors and analysts regarding the Medium-Term Management Plan, which outlines the path to reducing CO<sub>2</sub> emissions from thermal power and the future direction of our business portfolio. They understood that capital policy for the power business, which is based on returns from long-term investment, is both important and challenging, but asserted that it is important for us to take an approach that meets the expectations of shareholders in the short to medium term as well. I want to focus on this as well as working toward carbon neutrality and practicing thorough governance.



Outside Director John Buchanan (left) and Outside Director and Audit & Supervisory Committee Member Kimiko Oga (right)