

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 in ordinary profit in FY2026, while keeping in mind the level of ROIC required for the future.

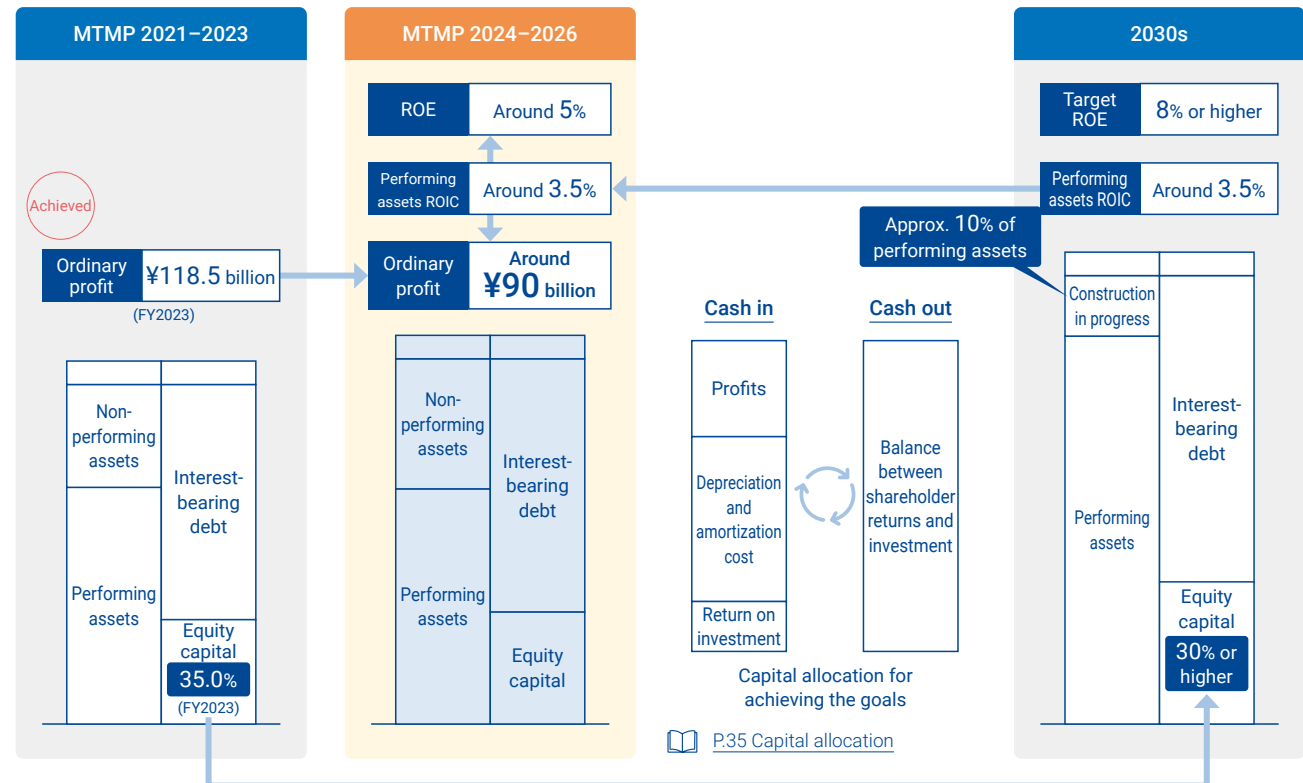
In the Medium-Term Management Plan ("MTMP") 2024–2026, we have set a management goal to achieve an ROE of 8% or higher in the 2030s, after the start of operation of the Ohma Nuclear Power Plant.

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 and 5%, respectively, as targets for the period covered by the MTMP.

We are not yet planning any significant 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 mid-thirty percent range 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.



Performing
assets
ROIC

NOPAT + Investment gain (loss) on equity method

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.

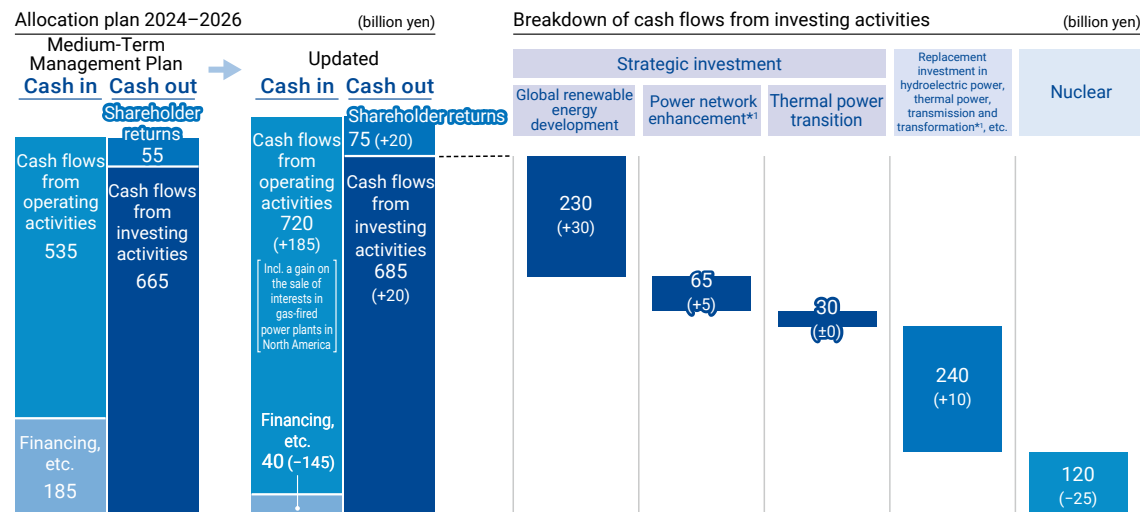
Financial Initiatives

Capital Allocation and Approach to Improving Capital Efficiency

We have disclosed information on the update of capital allocation and approach to improving capital efficiency in the “Approach to Improving Corporate Value” announced on May 9, 2025.

- ✓ We will endeavor to enhance strategic investment and shareholder returns, while curtailing financing, by utilizing operating cash flows improved primarily by a solidified balance sheet in the thermal power business and the sale of interests in gas-fired power plants in North America.

Capital allocation



*1 The transmission and transformation business is handled by J-POWER Transmission Network Co., Ltd.

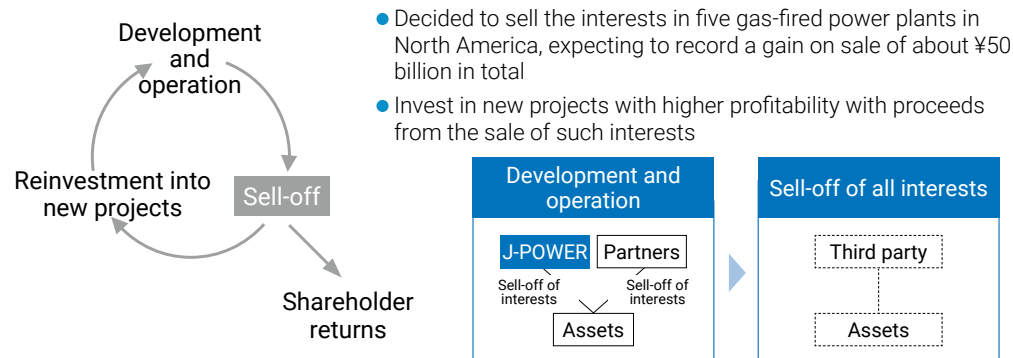
We have updated the three-year capital allocation plan announced in the Medium-Term Management Plan 2024–2026 in light of the financial results for FY2024, expected cash inflows mainly from the sale of interests in gas-fired power plants in North America, and progress of investment.

Cash flows from operating activities are expected to exceed the previous plan by around ¥185 billion for the three years due to the above-mentioned factors. Supported by such expectation, we will endeavor to enhance investment for growth and shareholder returns while curtailing financing.

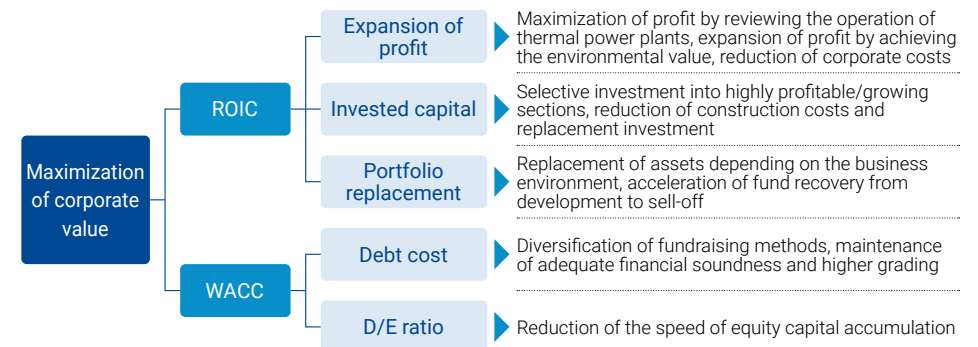
As to various investments, we are implementing and considering, among other measures, the postponement of the timing of making investment decisions, taking into account rising prices, effects of currency fluctuations, and other factors. Meanwhile, we have been flexibly making strategic investments, including the acquisition of an Australian renewable energy developer Genex Power Limited as a wholly-owned subsidiary in 2024, at the right timing. The updated cash flows from investing activities are expected to total ¥685 billion for the three years, exceeding the previous plan by ¥20 billion.

We are considering financing funds in excess of operating cash flows by using the Green/Transition Finance Framework.

Replacement of assets in our asset portfolio



Approach to maximizing ROIC-WACC spread

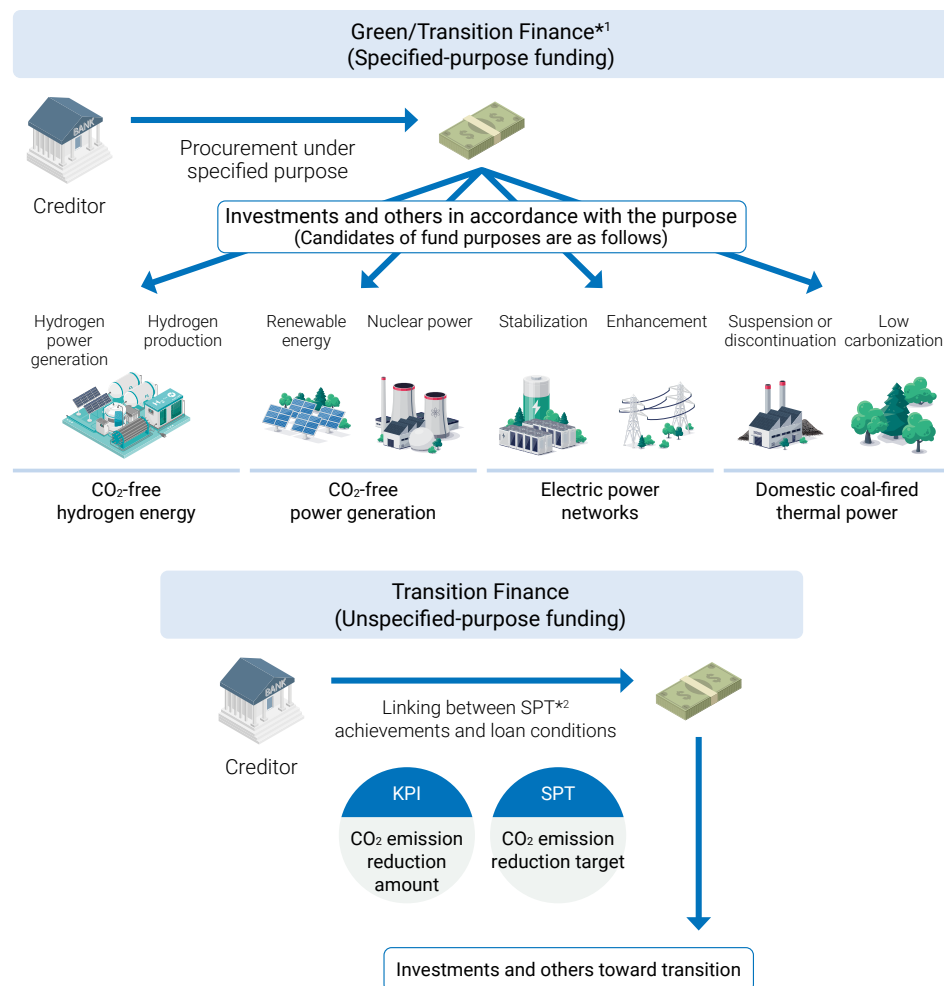


Financial Initiatives



Diversifying Methods of Fundraising toward Transition

We have formulated a new framework called "Green/Transition Finance Framework" for fundraising toward transition to a carbon-neutral society. This framework has been evaluated for its eligibility to various finance standards by a third-party evaluation organization called DNV BUSINESS ASSURANCE JAPAN.



Examples of transition-linked loan financing			
Date borrowed	Sep. 29, 2023	Sep. 29, 2023	Feb. 29, 2024
Borrowed amount of money	¥10.0 billion	¥10.0 billion	¥10.0 billion
Borrowing period	7 years	10 years	7 years
Creditor	Domestic financial institutions (joint financing)	Domestic financial institutions (joint financing)	Domestic financial institutions (joint financing)

Name and issue number of corporate bonds	The 89th issuance of unsecured corporate bonds of J-POWER (with inter-bond pari-passu clause) (Green Bond)
Maturity period	10 years
Amount issued	¥10.0 billion
Interest rate	1.121%/year
Issue price	¥100 per face value of ¥100
Date issued	Apr. 10, 2024

The fund-purpose, reporting, and environmental improvement effects related to Green Bonds issued in the past are posted on the Company's website:

<https://www.jpower.co.jp/sustainability/finance/> (available only in Japanese)

*1 Green Finance only applies to those accepted as eligible green projects.

*2 An abbreviation of Sustainability Performance Target, representing a target that should be achieved to fulfill KPI

Financial Initiatives

Shareholder Returns

We have updated the basic approach to shareholder returns in the “Approach to Improving Corporate Value” announced on May 9, 2025.

- ✓ In addition to our existing shareholder return policy of consistent dividend payments, we have introduced the concept of total payout ratio for the purpose of implementing flexible shareholder returns while maintaining consistent dividend payments.
- ✓ Based on the above policy, we decided to purchase treasury shares of ¥20.0 billion in total for the purpose of implementing shareholder returns with a target total payout ratio of 30% for profits earned during the period covered by the Medium-Term Management Plan 2024–2026.

Revision to the basic approach to shareholder returns

Before
the
revision

Strive to enhance stable and continuous return with 30% consolidated payout ratio as a guide, except for the short-term earnings variation factors, taking into consideration the profit level, earnings estimates, and financial conditions, etc.



After
the
revision

Strive to enhance stable and continuous return with 30% total payout ratio as a guide, taking into consideration the profit level, earnings estimates, and financial conditions, etc.



Continued
approach

During the period of the MTMP FY2024–2026, the minimum dividend is ¥100 per share.

*We plan to cancel the treasury shares to be acquired.

Share buyback

Decided to purchase treasury shares of ¥20.0 billion
by moving forward the decision on the total additional shareholder returns for the three-year period

Dividend only

FY2024
payout ratio | **19.8%**

Dividend ¥18.3 billion

Dividend + Share buyback

FY2024 total
payout ratio | **30.0%**

Dividend ¥18.3 billion
Share buyback ¥9.4 billion

Q&A

Q1: What is the reason behind switching from consolidated payout ratio to total payout ratio?

A1: We recognize that it is necessary to not only improve profits but also manage the balance sheet to a certain extent in order to improve capital efficiency. Accordingly, we have revised our shareholder return policy so that we can have an option of share buyback. In addition, in recent years, the balance between the Company's revenue and expenditure has become increasingly volatile due to the increased market sales ratio associated with the advancement of electricity system reforms, and fluctuations in international resources prices affected by, among other factors, international situations and economic trends. To implement shareholder returns according to such fluctuations in the Company's balance sheet, we have decided to combine share buyback, a flexible means of returning profits to shareholders, with dividend payments. We have kept unchanged the dividend of ¥100 per share as the lower limit during the period covered by the Medium-Term Management Plan.

Q2: What is the reason behind the decision on the purchase of treasury shares of ¥20.0 billion?

A2: We have decided to purchase treasury shares of ¥20.0 billion by moving forward the decision on the total additional shareholder returns for the three-year period, which was originally planned for the final fiscal year of the Medium-Term Management Plan, based on the fact that the financial results for FY2024 and earnings forecasts for FY2025 exceeded the initial forecasts, in light of the shareholder return policy with a total payout ratio of 30%.