Hokkaido Electric Power Green/Transition Finance Framework

August 2025

1. Introduction

The Hokkaido Electric Power Company Group (hereinafter referred to as “HEPCO Group”), in light of the changes in the business environment surrounding the Group, has developed the “HEPCO Group Management Vision 2035” as a vision for achieving strong growth alongside Hokkaido by the year 2035, which was announced in March 2025.

Taking the opportunity presented by the formulation of the new management vision, HEPCO Group has updated its environmental goals to follow domestic and international policy developments. Accordingly, the Group has revised its Green/Transition Finance Framework to integrate these goals into financing initiatives.

（1）HEPCO Group’s Management Philosophy

HEPCO Group with deep roots in Hokkaido, has adopted the corporate slogan “Light up your future” and fulfills its role as a responsible energy supplier, supporting both the economy of Hokkaido and the daily lives of its customers.

Even as the business environment continues to change, the Group has committed to transform itself for further business growth along with the realization of a sustainable society, while continuing to pursue an approach to bolster the local economy and communities in Hokkaido.

The Group aspires to create Hokkaido into a globally recognized, attractive and proud region, enriching the lives of its people in collaboration with the local community.

（2）About the Green/Transition Finance Framework

HEPCO Group is making a deliberate attempt to achieve “carbon neutrality across all energies” in Hokkaido by 2050. Previously, the Group has set an environmental goal of reducing CO_2 emissions from its power generation by more than 50% compared to FY2014[1] levels, which equates to a reduction of over 10 million tons of CO_2 annually by FY2031.

In March 2025, HEPCO Group announced its “HEPCO Group Management Vision 2035,” which includes updated environmental targets:

- Reduce HEPCO Group’s supply chain GHG emissions (Scope 1+2+3) by 46% by FY2031 and 60% by FY2036 compared to FY2014 levels.
- Contribute to emissions reductions of 1.5 million tons by FY2031 and 2.5 million tons by FY2036 through initiatives such as renewable energy development, customer support for decarbonization, and electrification using heat pump systems powered by renewable air energy (avoided emissions).

The new environmental targets not only expand the scope to include all emissions associated with the Group’s business activities but also aims to contribute to reduction in emissions across society as a whole.

This framework defines Green Finance and Transition Finance, illustrating the Use of Proceeds as well as Transition-Linked Finance (which specifies Sustainability Performance Targets). Through these financing methods, the Group aims to establish a financial foundation for achieving its environmental goals and realizing carbon neutrality by 2050, while enhancing sustainable corporate value.

The framework is formulated in accordance with the following principles and guidelines:

- Green Bond Principles 2025 (ICMA)
- Green Loan Principles 2025 (LMA, APLMA, LSTA)
- Sustainability-Linked Bond Principles 2024 (ICMA)
- Sustainability-Linked Loan Principles 2025 (LMA, APLMA, LSTA)
- Green Bond and Sustainability-Linked Bond Guidelines 2024 (Japan’s Ministry of the Environment)
- Green Loan and Sustainability-Linked Loan Guidelines 2024 (Japan’s Ministry of the Environment)
- Climate Transition Finance Handbook 2023 (ICMA)
- Basic Guidelines for Climate Transition Finance 2025 (Japan’s Financial Services Agency, Ministry of Economy, Trade and Industry, and Ministry of the Environment)

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1 Unless otherwise specifically noted, "FY2014" means that the fiscal year ending March 31, 2014. Other fiscal years are referred to in a corresponding manner

2． Disclosure Based on the Climate Transition Finance Handbook

（1）Climate Transition Strategy and Governance

■HEPCO Group Management Vision 2035

Since the Group announced HEPCO Group Management Vision 2030 in 2020, the business environment in which the Group operates has seen considerable changes, which are expected to drive an increase in electricity demand over the medium- and long-term. Drivers behind these changes include Japan's 2050 Carbon Neutral Declaration issued in response to growing momentum for climate change measures, moves to positioning the green transformation (GX), which aims to simultaneously achieve stable energy supply, economic growth, and decarbonization as Japan's national strategy. In turn, this fosters a digital transformation (DX), including the widespread application of generative AI.

It is in this context that HEPCO Group continues to manage its operations based in Hokkaido, and support the realization and further development of a sustainable society. In reaffirming this unwavering commitment and codifying it as its new management philosophy, in which the Group has laid out its HEPCO Group Management Vision 2035. It is the ideal to which the Group aspires to embody this by the year 2035, enabling the Group to achieve robust growth collectively with the Hokkaido region.

The environmental targets under the 2035 vision include:

- Reduce HEPCO Group's supply chain GHG emissions (Scope 1+2+3) by 46% by FY2031 and 60% by FY2036 compared to FY2014 levels.
- Contribute to a 1.5 million-ton reduction in emissions by FY2031 and 2.5 million-ton reduction by FY2036 by promoting electrification with heat pumps utilizing air heat, which is a renewable energy source, energy-saving proposals, customer support for decarbonization, and its renewable energy development business (Avoided Emissions).
- Achieve renewable energy development targets (gross): over 1,000MW by FY2031 (over 300MW (net)) and over 3,000MW by FY2036 (over 1,000MW (net)).

HEPCO Group will fully utilize nuclear and renewable energies, which are carbon-free power sources, to achieve carbon neutrality.

One of the most critical elements in this effort is the restart of the Tomari Nuclear Power Station, which serves as a carbon-free baseload power source. For Japan, as a country lacking in natural resources and with a low self-sufficient energy rate, it is essential to assure safety(S) while simultaneously ensuring energy security, economic efficiency, and environmental sustainability(3E)from the perspective of "S+3E,", the Japanese energy policy framework. Nuclear power, which ensures stable fuel supply,

long-term price stability, and does not emit CO_2 during power generation, must be fully utilized. After all the units of Tomari Nuclear Power Station return to service, the Group estimates that the ratio of non-fossil power sources to the Group's total power generation will increase from 10% in FY2014 to approximately 80-90%, due to the reduction of fossil power sources resulting from the decommissioning of aging thermal power plants.

Additionally, for renewable energy sources such as wind and solar power, the Group has the development targets to achieve a scale of over 1,000MW by FY 2031 (over 300MW (net)) and over 3,000MW by FY 2036 (over 1,000MW(net)).

Variable renewable energy sources may experience sudden fluctuations in output or may not generate power for extended periods due to weather-related fluctuations. As a result, the balancing capacity provided by thermal and other traditional power sources is essential to stabilize supply. During the transition period, while continuing to utilize thermal power generated from fossil fuels, the Group aims to decarbonize thermal power and will proceed to review converting to carbon-free fuels such as hydrogen, ammonia, introducing CCUS, and implementing other measures.

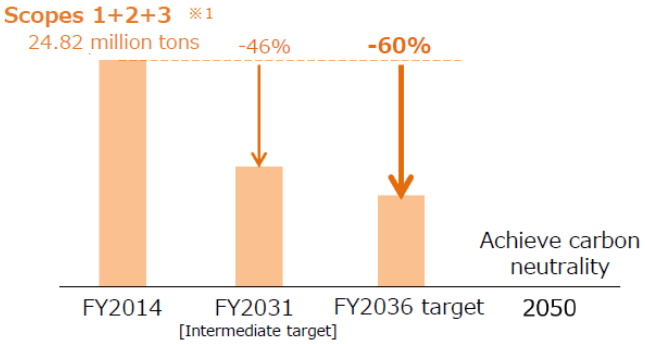
2050 Carbon Neutrality Goals

HEPCO Group will further deepen its efforts outlined in its management vision and do its utmost as the Group takes on the challenge of achieving carbon neutrality across all energies in Hokkaido by the year 2050.

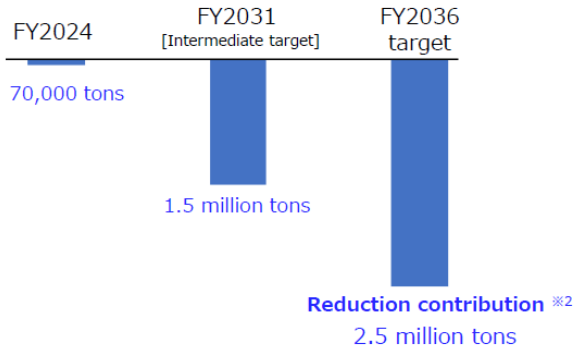
To be carbon neutral by 2050, the Group must not only thoroughly conserve energy, but also transition from CO_2-emitting fossil fuels to decarbonized electric power and other carbon-free fuels such as hydrogen and ammonia. In Hokkaido, where the climate is vast, cold, and snowy, decarbonizing energy use for heating and transportation presents a significant challenge. One of the key options for addressing this challenge is electrification using decarbonized power sources. The Group has not only implemented supply-side initiatives that make use of carbon-free fuels and decarbonized power sources, but also introduced demand-side initiatives including customer support for decarbonization, proposals for energy savings, and the promotion of electrification through heat pump systems utilizing renewable energy such as air heat. These efforts underscore the Group's commitment to having all energy sources in Hokkaido be carbon neutral by 2050.

1. Vision of the HEPCO Group

Reduction in greenhouse gas emissions



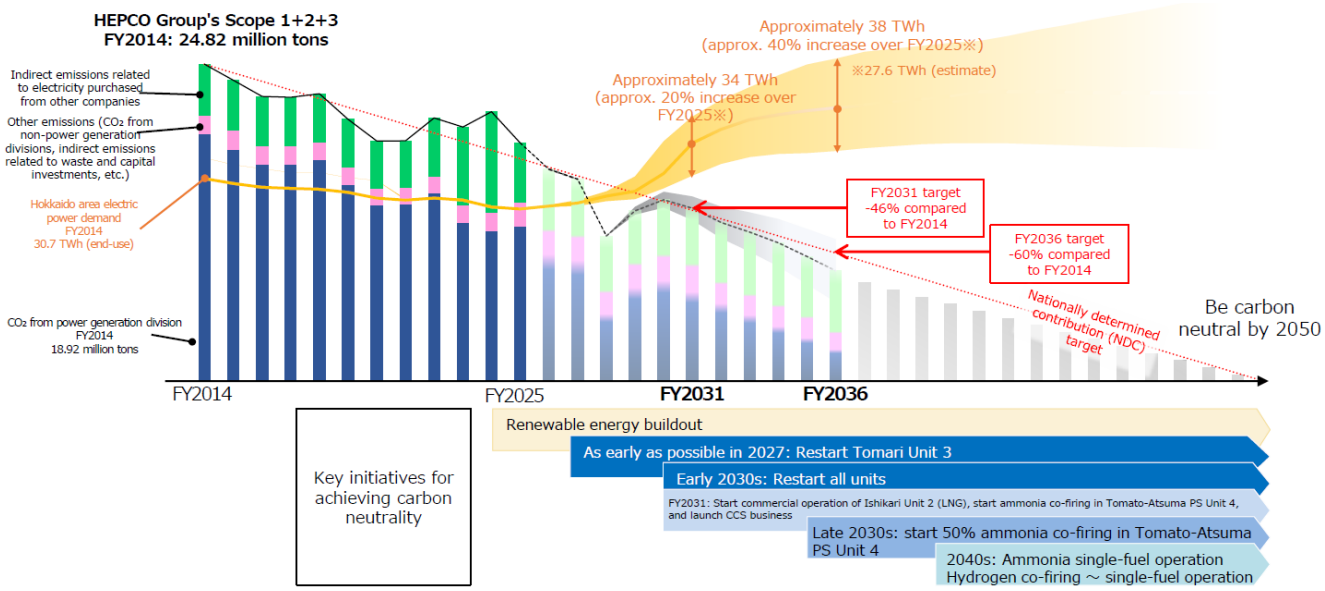
Contribution to achieving carbon neutrality



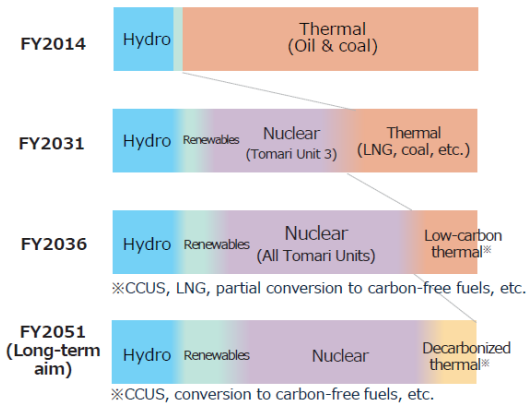
※1:
Scope 1: Direct emissions from HEPCO Group business sites (mainly thermal power plants).
Scope 2: Indirect emissions associated with use of electricity, heat, etc. that HEPCO Group receives as a user.
Scope 3: Other indirect emissions (mainly indirect emissions associated with electricity purchased from other companies)

※2: The difference in greenhouse gas emissions between conventional products and services (baseline) and new products and services, quantifying the contribution to mitigating climate change (impact) across society with products and services.

2. Transition Plan Toward Carbon Neutrality



Power Mix of HEPCO Group's Power Generation Division (Illustration) [Power Generation Ratios]



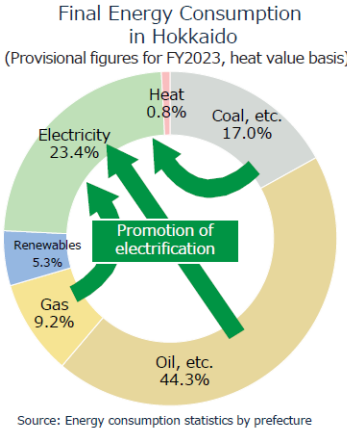
Orientation of Initiatives

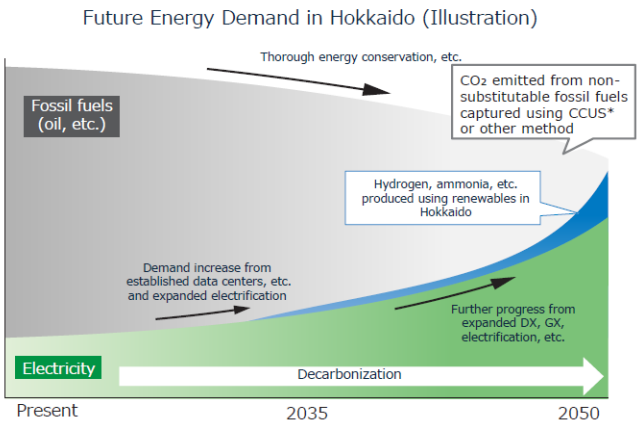
Nuclear Power
- Pursue the world's highest level of safety
- Restart Tomari NPS Unit 3 as early as possible in 2027 and all units by the first half of the 2030 decade
- Safely and stably operate units after restart, raise capacity factors, and operate long-term

Renewable Energies (including Hydropower)
- Based on coexistence with local communities, build out wind, geothermal, and other renewable energies with the aim of developing over 3000 MW on a gross development basis by FY2036
- Increase hydropower output with new construction and repowering
- Also engage in renewable energy-related businesses, such as operation and maintenance of other companies' renewable energy power plants and outsourcing of maintenance and management

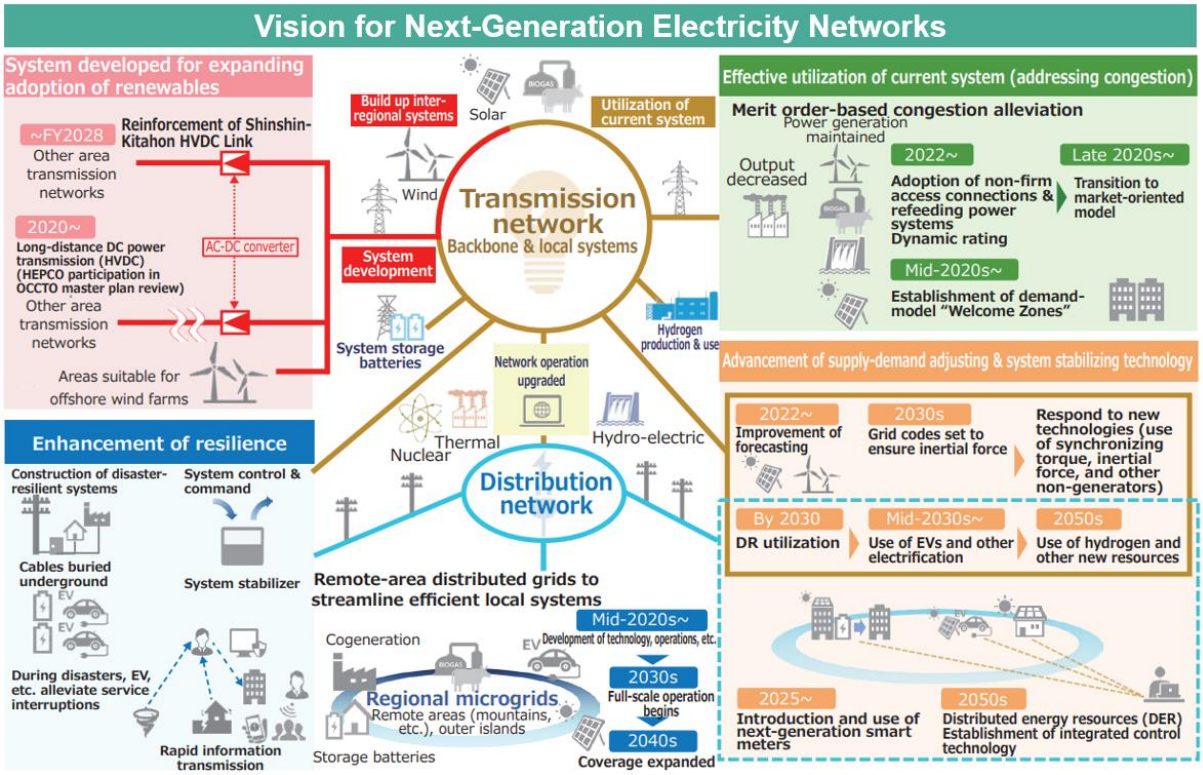
Thermal Power
- Suspend or decommission aging thermal power plants, including coal-fired plants with low efficiency
- Utilize LNG to transition
- Convert to carbon-free fuels (hydrogen, ammonia, etc.)
- Capture, actively utilize, and store CO2 (CCUS)

3. Image of Carbon Neutrality in Hokkaido





※_ CCUS stands for Carbon dioxide Capture, Utilization and Storage, a new technology that captures emitted CO_2 and either stores it deep underground or effectively utilizes it.



4. Tomari Nuclear Power Station

In response to the Great East Japan Earthquake and the Tokyo Electric Power Company Fukushima Daiichi Nuclear Power Plant accident in March 2011, safety regulations for nuclear power plants in Japan have been significantly strengthened, and compliance with the new regulatory requirements is necessary for restart of the plants. Tomari Power Station had Units 1, 2, and 3 go offline for regular inspections in April 2011, August 2011, and May 2012, respectively.

Although Units 1 through 3 are still offline, they are currently undergoing review by the Nuclear Regulation Authority to determine their compliance with the new regulatory requirements, with the aim of restarting the plant. For Unit 3, the Group received permission to amend reactor license in July 2025 and is continuing to address the review procedures related to the “application for authorization of construction plan” and other required permits.

The Group will take the lessons learned and experiences endured during the accident at Fukushima Daiichi Nuclear Power Station, the Hokkaido Eastern Iburi Earthquake, and other natural disasters. Additionally, the Group will apply the advice and opinions from research institutes, third-party organizations, community residents, and customers as well as collect, assess and utilize risk information to rigorously evaluate and improve its own activities. These efforts reflect the Group’s tireless commitment not only to sincerely comply with regulatory reviews and enhance safety but also to achieve world-class excellence in safety, with the ultimate goal of making Tomari a power plant that people can trust.

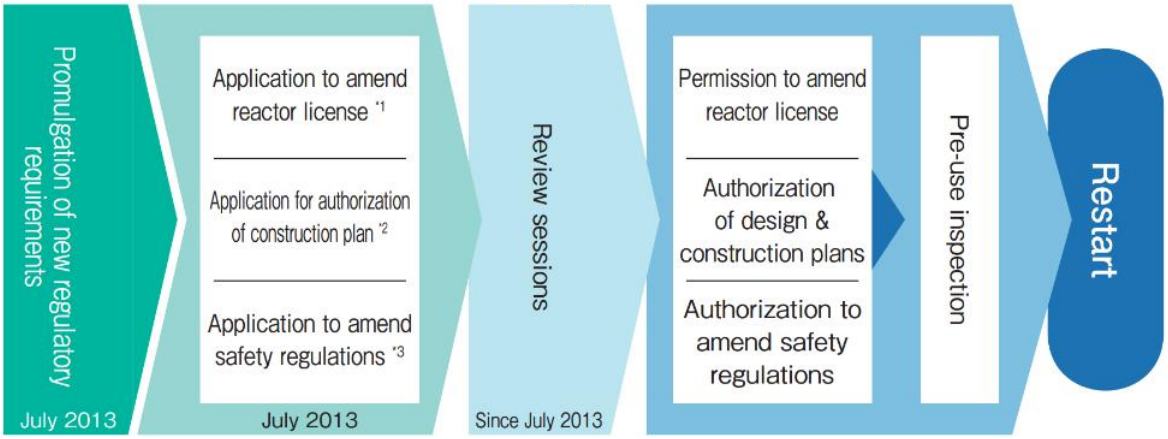
For Japan, as a country lacking in natural resources, nuclear power plays a significant role due to its excellent balance of the “3E”—ensuring energy security, economic efficiency, and environmental sustainability—and its importance will remain unchanged in the future.

With safety as the top priority, the Group will work toward the early restart of the Tomari Nuclear Power Station and effectively utilize it to achieve carbon neutrality.

Overview of the Tomari Nuclear Power Station

Unit	Unit 1	Unit 2	Unit 3
Location	Horikappu Village, Oaza, Tomari Village, Furuu District, Hokkaido, Japan		
Capacity	579,000 kW	579,000 kW	912,000 kW
Type	Pressurized Water Reactor (PWR)		
Start of Commercial Operation	June 1989	April 1991	December 2009

Steps of the new regulatory requirement compliance review



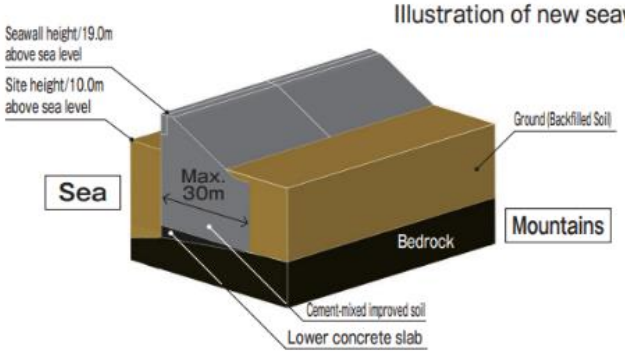
*1 Assessment of effectiveness of basic design policy and measures as relates to severe accident or similar event response

*2 Description of detailed design of facilities and other equipment necessary for measures for severe accident or similar event response that are based upon permission to amend the reactor license (ex. pump specifications and number of units)

*3 Procedures for operating and managing facilities as well as a system of measures for severe accident or similar event response

In response to the new regulatory requirements, on March 28 2024, at Tomari Nuclear Power Station, the Group commenced construction of the new seawall, designed to counter potential tsunami strikes. The Group conducted a comprehensive study on the installation of the seawall. Subsequently, during the February 2024 review meeting with the Nuclear Regulation Authority to examine compliance with the new regulatory requirements, the Group explained the policy governing the seawall's design and the results of an assessment of its structural viability, leading to the finalization of its basic structure. The new seawall will stand 19.0 meters above sea level. A bedrock-supported structure has been adopted, offering a high level of safety as it is directly supported by the solid bedrock beneath the structure.

Illustration of new seawall installation & structure



5. Thermal Power Generation Business

In pursuit of its target to reduce supply chain GHG emissions by 46% by 2031 compared to FY2014 levels and achieve carbon neutrality by 2050, HEPCO Group will proceed to suspend or decommission aging and inefficient thermal power plants, while ensuring a stable supply of electric power. The Group will also take on the challenge of decarbonizing thermal power by converting to hydrogen and ammonia for fuel and the adopting CCUS technology.

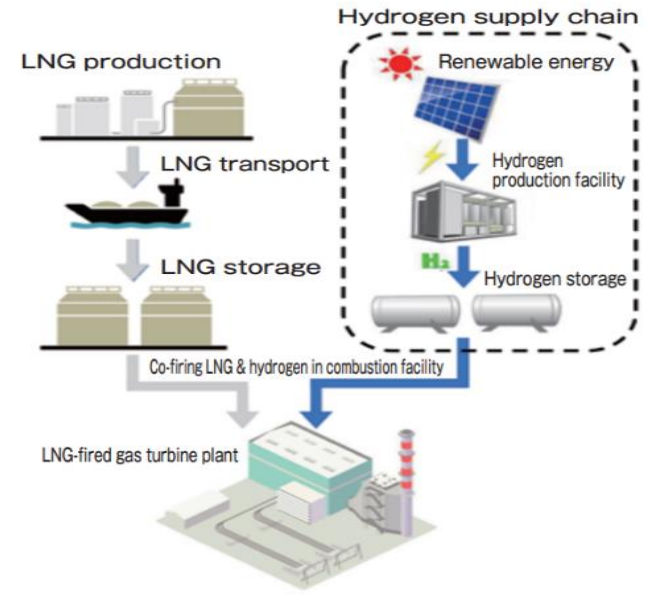
Efforts to Decarbonize Ishikariwan Shinko Power Station

Ishikariwan Shinko Power Station uses LNG, which emits less CO_2 during combustion compared to coal or oil, thereby contributing to the reduction of CO_2 emissions over the course of the Group's journey to carbon neutrality by 2050. Additionally, due to its high output adjustment capability, Ishikariwan Shinko Power Station serves as an invaluable balancing capacity facility. Therefore, to ensure the station's continued use in the future, the Group aim to achieve carbon neutrality by leveraging hydrogen-based technologies.

Hydrogen is a viable fuel for decarbonizing the Group's current LNG-fired thermal power as it contains no carbon, does not emit CO_2 during combustion, and has a combustion speed that is similar to LNG.

HEPCO Group made a successful bid for construction of Units 2 and 3 at Ishikariwan Shinko Power Station through the long-term decarbonization auctions held in FY2024 and 2025. This new unit will operate solely on LNG when it becomes operational in FY2031. The Group is advancing consideration of hydrogen combustion, transportation and storage technologies with the goal of utilizing hydrogen (conversion rate of 20-50%) in the early 2040s. Moreover, the Group is committed to the challenge of transitioning to hydrogen exclusively in combustion by the end of the 2040s.

Illustration of hydrogen co-firing at Ishikariwan Shinko Power Station



Management System

HEPCO Group has established the Environment Committee, chaired by the President, to discuss climate change measures and other critical environmental initiatives. Based on the discussions of this committee, key environmental measures are deliberated to the Executive Committee, which consists of the President and other executive officers. Important matters are submitted to the Board of Directors for approval as necessary before implementation.

（2）Business Model Environmental Materiality

■Transition Strategy Based on Scenario Analysis

HEPCO Group recognizes that addressing climate change issues is directly linked to corporate management. Based on the TCFD framework, the Group conducts analysis and disclosure of climate-related risks and opportunities. In examining the risks and opportunities, the Group refers to the IEA (International Energy Agency) 1.5° C scenario and the IPCC (Intergovernmental Panel on Climate Change) 4° C scenario.

Under the 1.5° C scenario, global efforts focus on low-carbon and decarbonization strategies, prioritizing decarbonization of the energy supply and promoting electrification and energy efficiency on the demand side. This aligns with HEPCO Group's initiatives to achieve carbon neutrality from both supply and demand perspectives. On the other hand, under the 4° C scenario, the Group recognizes the potential for physical risks arising from intensified and frequent natural disasters such as typhoons and snowstorms, as well as changes in weather patterns.

The importance of non-fossil power sources, such as nuclear power and renewable energy, which contribute to energy security and offer significant decarbonization effects is increasing. Hokkaido, characterized by its cold, snowy climate and dispersed urban areas across a vast region, requires substantial energy for heating and transportation and has a high dependency on petroleum-based energy. To achieve carbon neutrality in Hokkaido, transitioning from petroleum-based energy demand to electrification and utilizing hydrogen and ammonia produced from renewable energy sources within the region are critical steps that also represent future opportunities.

The population of Hokkaido has been declining since 1998, and national research institutions expect this trend to continue. However, with the potential of Hokkaido as a suitable location for renewable energy generation projects, plans for digital industries such as next-generation semiconductor factories and large-scale data centers are underway, and significant growth in electricity demand within the region is projected in the medium to long term.

Specific measures to reduce GHG emissions include the early restart of the Tomari Nuclear Power Station with safety as the top priority, expansion of renewable energy adoption, utilization of LNG as a transition fuel, adoption of hydrogen and ammonia, and consideration of CCUS (Carbon Capture, Utilization, and Storage). In addition to reducing Scope 1 emissions through decarbonization of power sources, efforts will be made to suppress and reduce emissions from purchased electricity from other companies (Category 3), which accounts for a large portion of Scope 3 emissions, through procurement of renewable energy.

The Group will appropriately revise its strategy based on future developments in climate change responses and changes to the assumptions of the referenced scenarios.

Materiality

Recognizing its capability to contribute to the development of Hokkaido, HEPCO Group has identified three key management themes: (1) “Realization of GX for Hokkaido’s Growth,” (2) “Challenge of Creating New Value,” and (3) “Robust Business Foundation for Sustainable Growth” to support these initiatives. By advancing efforts aligned with these management themes, the Group aims to achieve both business growth and the development of Hokkaido.

The Group has defined these three management themes and their directions as “Material Issues for HEPCO Group (Materiality)”. Promoting initiatives from the perspective of sustainability, including ESG, will also enable the Group to contribute to the achievement of relevant UN SDGs.

HEPCO Group Management Agenda toward 2035

HEPCO Group's Business Growth and Hokkaido's Development

Realization of GX for Hokkaido’s Growth

To contribute to digital industries clustering in Hokkaido, we will steadily improve the power infrastructure in anticipation of greater demand as well as buildout of renewable energies, and take up the challenge to decarbonize energy.

Challenge of Creating New Value

To contribute to the promotion of industry in Hokkaido and resolution of regional issues, we will also take up the challenge of developing non-energy businesses while maintaining our focus on the energy business.

Robust Business Foundation for Sustainable Growth

We will bolster our business foundation so that we may move forward to transform our operations and take up challenges, including those listed above.

Task	Subtask (key work)	Relevant SDGs
Realization of GX for Hokkaido’s Growth	Growing Power Demand and Stable Supply Plan including Renewable Energy	
	Energy Decarbonization	
Challenge of Creating New Value	Value Expansion and Creation for Customers	
	Value Creation through Business Co-creation	
Robust Business Foundation for Sustainable Growth	Kaizen & DX Application to Transform Businesses	
	Promote human capital management	
	Exercise thorough compliance and risk management	
	Enhance corporate governance	

SUSTAINABLE DEVELOPMENT GOALS Sustainable Development Goals (SDGs): Adopted at the UN Summit in September 2015, declaring 17 goals relating to poverty, hunger, energy, climate change, and other areas to be achieved by 2030

（3）Climate Transition Strategy to be Science-based Including Targets and Pathways

HEPCO Group's transition strategy aligns with Japan's Basic Policy for the Realization of GX, GX2040 Vision, the 7th Basic Energy Plan, the NDC (Nationally Determined Contributions) under the Paris Agreement, and the Transition Roadmap for Power Sector. Therefore, the Group's transition strategy is scientifically grounded, reflecting the policies aimed at achieving Japan's 2050 carbon neutrality target and the objectives of the Paris Agreement.

The Group, under the HEPCO Group Management Vision 2035, has decided to actively address the prevention of global warming by managing all emissions associated with its business activities. To demonstrate its commitment, the Group has adopted "the Group's supply chain GHG emissions (Scope 1+2+3)" as a new target. As part of the Group's new environmental targets, the Group aims to achieve a reduction of 46% by FY2031 and 60% by FY 2036 compared to FY2014 levels. These environmental targets are aligned with Japan's NDC, which is consistent with the objectives of the Paris Agreement.

The 7th Basic Energy Plan assumes that the ratio of non-fossil power sources will be approximately 60-70% by FY2041. HEPCO Group's power generation mix is projected to consist of 20-30% renewable energy (including hydroelectric power) and 60-70% nuclear power by FY2036, exceeding the national assumptions both in timing and ratio of non-fossil power sources.

Additionally, as an environmental target, the Group aims to "contribute to emissions reductions of 1.5 million tons by FY2031 and 2.5 million tons by FY2036 through renewable energy development projects, customer support for decarbonization, energy-saving proposals, and promotion of electrification using heat pump systems powered by renewable air energy." Even as electricity demand increases, the Group will ambitiously contribute to mitigating climate change impacts across society through its products and services.

（4）Implementation Transparency

In the HEPCO Group Management Vision 2035, the Group has established management goals to invest a total of ¥400 billion in carbon-neutral-related projects, including renewable energy generation by FY2036. Development targets for renewable energy include achieving a scale of over 1,000MW by FY2031 (over 300MW (net)) and over 3,000MW by FY2036 (over 1,000MW (net)). Furthermore, the Group plans to invest ¥250 billion by FY2036 in next-generation energy technologies such as hydrogen, ammonia, and CCUS, which are expected to play a critical role in achieving carbon neutrality. While aiming for the early restart of the Tomari Nuclear Power Station with safety as the top priority, the Group will continue to enhance operational efficiency prior to the restart and secure profits while advancing carbon neutrality initiatives.

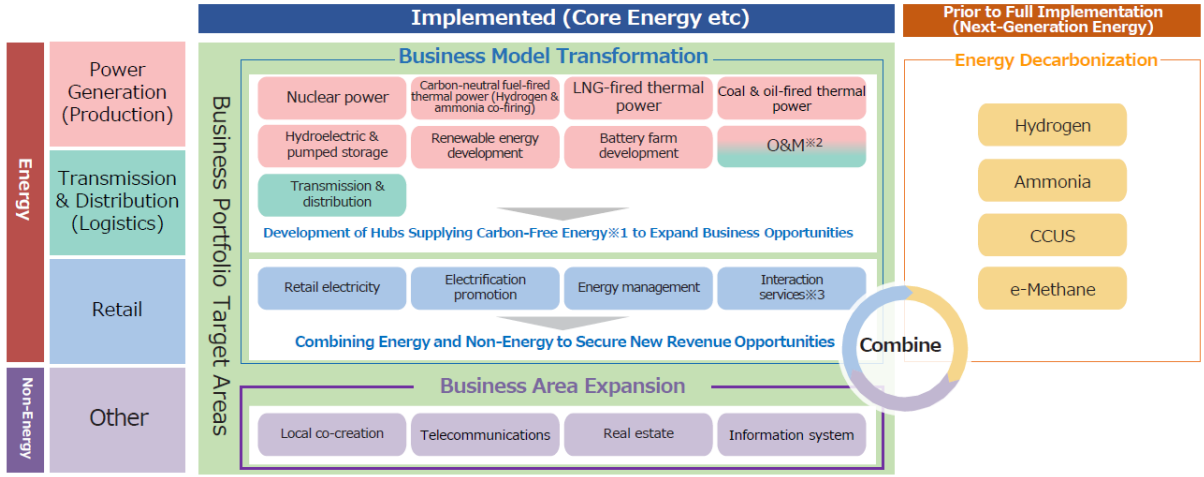
In addition, the Group will transform business models in existing business areas and expand into non-energy fields. While ensuring stable power supply and achieving carbon neutrality, the Group will allocate management resources to maximize company-wide ROIC through selective focus and reduce company-wide WACC through diversified investments, aiming for sustainable growth.

In implementing the investment plan, the company takes into account a Just Transition and DNSH (Do No Significant Harm) approach, promoting sustainable economic activities in both environmental and social aspects.

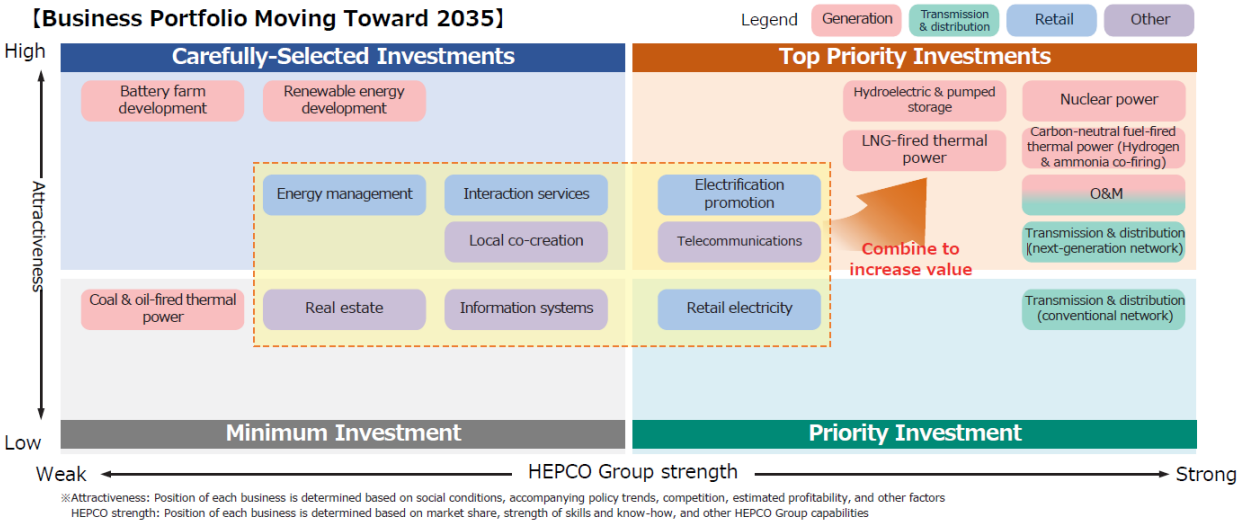
	Before restart of Tomari NPS Unit3	FY2031	FY2036
Electricity sales (retail)	29 TWh +		33 TWh +
Reduction in GHG emissions	Compared to FY2014: -46%		Compared to FY2014: -60%
Contribution to GHG reduction	1.5 million tons		2.5 million tons
CN-related investment	About 400 billon yen (cumulative FY2026～FY2036)		
Renewable energy target (gross)	1,000 MW+ ※300 MW+ net		3,000 MW+ ※1,000 MW+ net
Ordinary income	40 billon yen +	70 billon yen + ※	90 billon yen + ※
ROIC (WACC)	3.0% + (about 2.2%)		3.5% + (about 2.4%)
ROE	8% +		
Capital ratio	20% +		25% + (Future target: 30%)
Debt-to-EBITDA ratio	About 11		8 or lower
Dividends (annual) Dividend on Equity (DOE)	Stable dividend using a guideline of 2% DOE (Until Tomari NPS Unit 3 is restarted, we will aim for a 2% DOE and make a comprehensive determination while being mindful to rebuild our financial foundation.)		
Next-generation energy investment	About 250 billon yen (cumulative FY2026～FY2036)		
Human capital investment (added value/personnel expenditures)	—		Compared to FY2025: about 1.5 times
DX investment	About 30 billon yen (cumulative FY2026～FY2036)		

※Profit targets reflect the impact of planned rate cut following the restart of Tomari NPS

[Business Domains of the HEPCO Group Toward 2035]



※1 Business model for actively investing to leverage Hokkaido's carbon-free energy so that it may be supplied not just throughout Hokkaido, but also Japan (we anticipate supplying not just electric power, but next-generation energies also throughout Japan in the future)
※2 O&M: Abbreviation for "Operation & Maintenance"
※3 Interaction services: Businesses integrally providing a variety of products and services not limited to the energy sector



※Attractiveness: Position of each business is determined based on social conditions, accompanying policy trends, competition, estimated profitability, and other factors
HEPCO strength: Position of each business is determined based on market share, strength of skills and know-how, and other HEPCO Group capabilities

3． Use of Proceeds: Green/Transition Finance

（1） Use of Proceeds

Funds raised through Green/Transition Finance will be allocated to new investments and refinancing for projects that meet the following eligible criteria ("Eligible Projects"). For refinancing, the funds will be allocated to the projects that incurred expenses or investments within 36 months prior to the execution date of the finance (look-back period).

1. Green Projects

Eligible Criteria	Project Overview
Renewable Energy	·Development, construction, operation, and renovation of renewable energy sources (hydropower, solar, geothermal, wind, biomass) ·Introduction and development, construction, operation, and renovation of battery storage facilities
Nuclear Power Generation	·Investments in safety measures necessary for the restart of the existing nuclear power plants (efforts to enhance safety to comply with the new regulatory requirements, etc.) · Investments and expenditures necessary for the operation, refurbishment, and continued use of the existing nuclear power plants
Promotion of Electrification and Energy Efficiency	·Various investments related to the promotion of electrification and energy efficiency (e.g., promotion of electrification, introduction of energy-saving equipment, solar power generation, battery storage, utilization of hydrogen through fuel cells, expansion of CO2-free tariff menus, introduction and infrastructure development for EVs and FCVs, utilization of hydrogen in the transportation sector, etc.)
Transmission and Distribution Business	·Development and enhancement of transmission and distribution networks to expand the introduction of renewable energy (including inter-regional connection lines)※

2. Transition Projects

In addition to “1. Green Projects”, the following projects:

Eligible Criteria	Project Overview
Hydrogen and Ammonia Production and Utilization	·Establishment of supply chains for hydrogen production and utilization ·Establishment of supply chains for ammonia production and utilization
Thermal Power Generation and CCUS	·Decommissioning of inefficient thermal power plants · Construction of high-efficiency LNG thermal power plants ·Utilization of hydrogen, ammonia, and biomass · Research, development, demonstration, and implementation of CCUS (Carbon Capture, Utilization, and Storage)

*The projects mentioned above are currently categorized as transition projects; however, advancements in technology or the establishment of evaluation criteria in the future may lead to their classification as green projects.

Eligible projects will take into account potential negative environmental and social impacts. In accordance with the project implementation procedures, within each of the Group’s established companies , the company will ensure that required facility certifications, permits, environmental assessments, and other environmental impact evaluation activities are appropriately conducted for the targeted facilities and projects in the relevant countries, regions, and municipalities.

The company’s nuclear power plants will be restarted after passing the compatibility review for the new regulatory requirements conducted by the Nuclear Regulation Authority and obtaining the understanding of local governments and related stakeholders. Additionally, regarding the high-level radioactive waste generated from spent the operation of spent fuel at nuclear power plants, in accordance with the Specified Radioactive Waste Final Disposal Act and related regulations, it will be stored and cooled as vitrified waste in aboveground facilities before being disposed of in deep stable bedrock (geological disposal). The Nuclear Waste Management Organization of Japan (NUMO), which has been authorized by the state in accordance with the law and related regulations, takes care of such disposal projects.

Regarding the construction of thermal power plants, the Group will target plants that utilize Best Available Technology (BAT) and anticipate decarbonization by 2050.

（2） Evaluation and Selection Process for Projects

Eligible projects for the use of proceeds will be evaluated and selected by the department aggregating each business operation, based on the eligibility criteria and requirements outlined in (1). The finance department then will then confirm that the selected projects meet the eligibility criteria and requirements. After that, the projects go through the appropriate internal processes and are approved by the executive officer authorized to oversee funding activities.

（3） Management of Proceeds

Funds raised through Green/Transition Finance will be managed quarterly by the finance department using internal management systems and dedicated ledgers. The total amount allocated to eligible projects will be monitored to ensure it does not fall below the amount raised through the finance. Any unallocated funds will be managed in cash or cash equivalents.

（4） Reporting

Until the full allocation of proceeds raised through Green/Transition Finance, the allocation of the proceeds and environmental impacts (as defined by the company) will be disclosed annually through the "HEPCO Group Report" or the company's website, within the bounds of confidentiality and reasonable feasibility. In the case of loans, such information will be disclosed to lenders.

Additionally, if there are significant changes in the allocation of the proceeds or environmental impacts during the finance period, such changes will be disclosed.

1. Allocation Report
   - Amount of allocated funds
   - Balance of unallocated funds
   - Approximate amount (or percentage) of proceeds allocated for refinancing

2. Impact Report

Eligible Criteria	Examples of Impact Report
Renewable Energy	· Installed capacity by type of renewable energy (MW) · Annual CO_2 emission reductions by type of renewable energy (t-CO_2/year)
Other Power Generation-Related Projects	· Project overview · Installed capacity by type or individual facility (MW) · Annual CO_2 emission reductions by type or individual facility (t-CO_2/year)
Non-Power Generation Projects	· Project overview · Annual CO_2 emission reductions (t-CO_2/year), if measurable

4. Transition-Linked Finance

(1) Selection of KPI and Calibration of Sustainability Performance Targets (SPTs)

The company establishes the following KPI and SPTs for the execution of transition-linked finance.

Additionally, the company may set incremental SPTs that take into account the financing period separately from the SPTs below. In such cases, these incremental SPTs will be disclosed in bond offering documents or loan contracts at the time of financing execution.

KPI
Greenhouse gas emissions from the HEPCO Group's supply chain (Scope 1+2+3)

SPT
Reduction in HEPCO Group's supply chain emissions (Scope 1+2+3): - 46% reduction by FY2031 compared to FY2014 - 60% reduction by FY2036 compared to FY2014

For the company, as a key energy supplier, climate change (GHG emissions and energy) is the most material sustainability theme. Among these, the HEPCO Group's supply chain emissions (Scope 1+2+3) serve as a core KPI for the Group's efforts to achieve carbon neutrality by 2050. This KPI is calculated quantitatively and continuously. The baseline year and the actual results for the most recent three years are as follows:

Fiscal Year	FY2014	FY2024	FY2023	FY2024
Emissions (million tons)	24.82	21.44	21.01	21.30

SPT aligns with Japan's ambitious goals for carbon neutrality by 2050, which include a 46% reduction in GHG emissions by FY2031 (compared to FY2014) and a 60% reduction by FY2036 (compared to FY2014). These targets are set at an ambitious level.

The company's efforts to reduce GHG emissions are medium- and long-term initiatives. Additionally, fluctuations in the amount of electricity generated and received may occur due to electricity supply and demand conditions. As a result, the Group's supply chain GHG emissions may fluctuate year by year rather than decrease in a linear fashion due to variations in the company's electricity generation volume caused by supply and demand conditions, as well as the need to carefully address measures from the perspective of ensuring a stable electricity supply. For this reason, the company does not set annual SPTs. However, milestone SPTs may be established separately for each financing, the company may establish incremental SPTs separately, taking into account the financing period.

If significant changes occur in the setting of SPTs, the company will consider resetting SPTs with equal or greater ambition, based on external evaluations from third-party organizations.

（2）Characteristics of Bonds and Loans

Transition-linked finance executed under this framework will have financial and structural characteristics that vary depending on the achievement of SPTs. For each financing execution, the company will discuss and set the following items based on internal processes and disclose them in bond offering documents or loan contracts:

- SPT values (including milestone SPTs)
- SPT observation dates and method of assessment
- Specific financial and structural characteristics* and their details
  *This includes, but not limited to, step-up or step-down in interest rates, or donations to organizations aimed at environmental conservation activities, among others.

（3）Reporting

Progress and achievement of KPIs and SPTs will be disclosed in the “HEPCO Group Report” or on the company’s website. For loans, disclosures will be made to lenders.

（4）Verification

Progress and achievement of KPIs and SPTs will be verified by an external organization at least once a year during the period from the execution of transition-linked finance to the completion of repayment. Verification results will be disclosed in the “HEPCO Group Report” or on the company’s website. For loans, disclosures will be made to lenders. Verification details will also be disclosed in bond offering documents or loan contracts at the time of financing execution.