HEPCO Group Report 2025

INTEGRATED REPORT 2025

北海道電力

https://www.hepco.co.jp/english/

Editorial Policy

The HEPCO Group Report is an integrated report structured to systematically present shareholders, investors, and other stakeholders with news about HEPCO Group's business activities as well as both financial and non-financial information and data, including from ESG perspectives.
With the aim of providing an understandable and easy-to-read report, we will continue to strive to improve our reporting so that we may sustainably enhance corporate value and provide our stakeholders with the information they need.

Tool Map

	Report	Online
Financial Information	■ Financial Statements	■ To Our Shareholders and Investors https://www.hepco.co.jp/english/ir/index.html
Financial Information	■ Integrated Report 	■ Data Downloads (Factbook) https://www.hepco.co.jp/english/ir/datadownloads.html
Non-Financial Information	■ Corporate Governance Report	■ Environmental, Social & Governance (ESG Information) https://www.hepco.co.jp/english/ir/esg.html

Notes on Forward-Looking Statements

Future plans, forecasts and other outlooks published in this report are based on currently available information and involve potential risks and uncertainties. They do not constitute any guarantee of future performance.
Accordingly, changes in a variety of factors may lead to variations in actual performance, business conditions, and other expectations that differ from those anticipated in this report.

Period Covered

FY2025 (April 1, 2024~March 31, 2025)
Information is included about activities and other operations from April 2025.

Organization

HEPCO Group's 14 companies
https://www.hepco.co.jp/corporate/company/group/group.html

Integrated Report Inquiries

2, Higashi 1-chome, Odori, Chuo-ku, Sapporo, Hokkaido 060-8677, Japan
Investor Relations Group, Corporate Planning Department, Hokkaido Electric Power Co., Inc.
Tel: 011-251-1111

Online Inquiries

Rainbow Post
https://www.hepco.co.jp/mailpost/mailpost.html

CONTENTS

Key HEPCO Group Report 2025 Points

①Optimized Overall Structure

Maintaining the approach adopted in previous years, the report focuses on key topics that address investors' questions and concerns yet in a concise format. Highlights are presented of earnings, ESG metrics as well as other financial and non-financial data with directions to more comprehensive data available on our website and other sources.

P87-90 TCFD･TNFD
P91-92 Financial & Stock Information

②HEPCO Group Management Vision 2035

To assist readers in gaining a better understanding of our new vision announced in March 2025, this report provides additional explanations as well as the rationale behind initiatives and clarifications of key terms.

P13-24 VALUE CREATION STORY
P25-38 Management Targets & Model

③Revised Descriptions of HEPCO Businesses

In line with our new business portfolio, features and activities of our main businesses are presented as quantitatively and concisely as possible along with more in-depth explanations of key topics.

P39-52 Power Generation
P53-56 Power Transmission & Distribution Business
P57-58 Retail Electricity Business

Business Foundation Hokkaido's Potential

	Area	Population	GDP (2021)	Temperature*1	Rainfall
Hokkaido	83,424㎢	5.04 million	~180 billion USD*2	9.2℃ (Sapporo)	1,146mm (Sapporo)
Japan	377,975㎢	123.8 million	5,039.1 billion USD	15.8℃ (Tokyo)	1,598mm (Tokyo)
US	9,833,517㎢	336.5 million	23,681.1 billion USD	13.5℃ (New York)	1,149mm (New York)
UK	243,000㎢	68.27 million	3,144 billion USD	11.8℃ (London)	633mm (London)
Hong Kong	1,110㎢	7.4 million	368.9 billion USD	23℃	2,359mm
Singapore	720㎢	5.64 million	436.5 billion USD	27.8℃	2,123mm

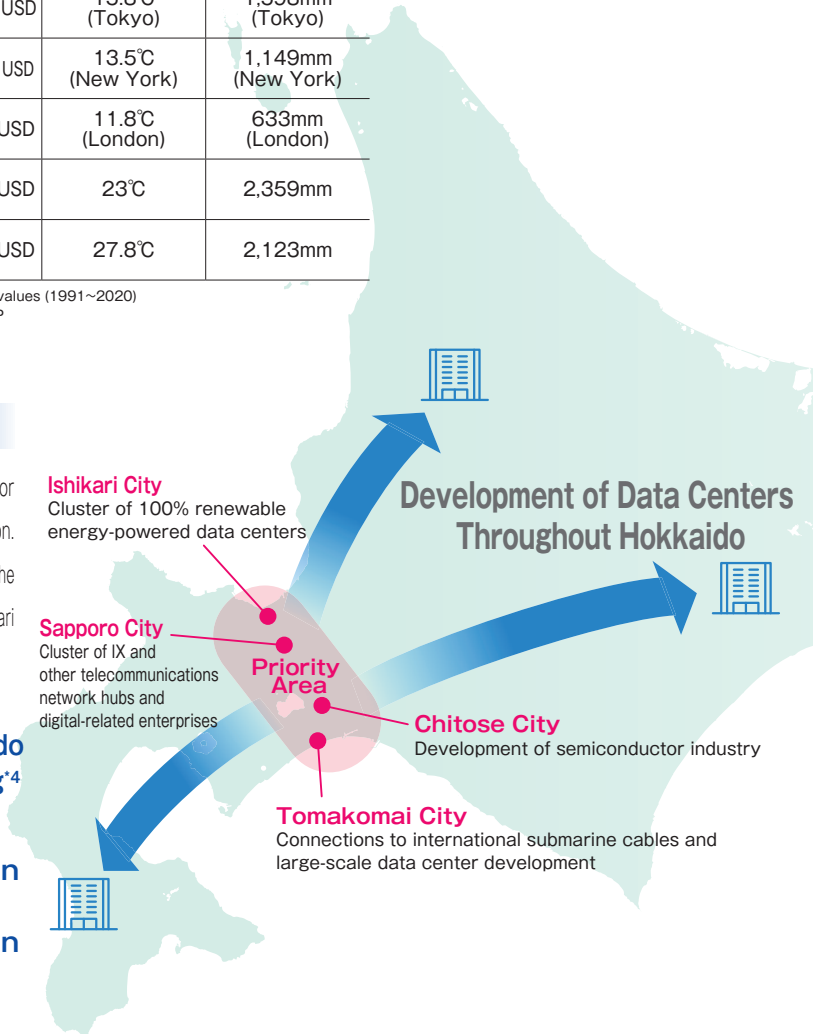
*1 Japan Meteorological Agency's simple average of location-specific monthly values (1991~2020)
*2 HEPCO provisional calculation based on IMF statistics for Japan's 2021 GDP

Hub for Digital Industries

- Construction is moving forward to build next generation semiconductor plants and affiliated industries are also expected to cluster in the region.
- The Hokkaido government is promoting data center development throughout the region. A strategy has been rolled out designating the belt connecting Ishikari City and Tomakomai City as a priority zone for data center investment. *3

Economic effect of establishing Hokkaido as a hub for semiconductor manufacturing*4

Primary plant production & investment ·· ¥10.1 trillion
Primary & secondary plant production & investment · ¥18.8 trillion
(14-year cumulative total from FY2024)



*3 "Research Group on Localized Power Demand Growth and Power Transmission and Distribution Networks" Electricity and Gas Market Surveillance Commission
*4 "Simulation of the ripple effect on the Hokkaido economy due to the location of Rapidus Co., Ltd." ANIC

Hub for Supplying Carbon-Free Energy

Renewable energy share of total power generation (2024)

Provisional calculation based on OCCTO's "Aggregation of Electricity Supply Plans for FY 2025"

Hokkaido 42% Japan 24%

Hokkaido's share of Japan's renewable energy potential

Provisional calculation by HEPCO based on data from the Ministry of the Environment's Renewable Energy Potential System (REPOS)

Onshore wind power 51% Solar 25% Small/medium-scale hydroelectric power 10%

Nuclear power station restarts

Tomari Unit 3 (912MW) : As soon as possible in 2027
Tomari Units 1 & 2 (1,158MW): Early 2030s

Food Supply Hub

Food self-sufficiency rate

"2021 Food Self-Sufficiency Rate Trends by Prefecture (Calorie Basis)," Ministry of Agriculture, Forestry and Fisheries

Hokkaido 223% Japan 38%

Premier Tourist Destination

Prefecture attractiveness ranking

"Prefecture Attractiveness Ranking 2025," Brand Research Institute

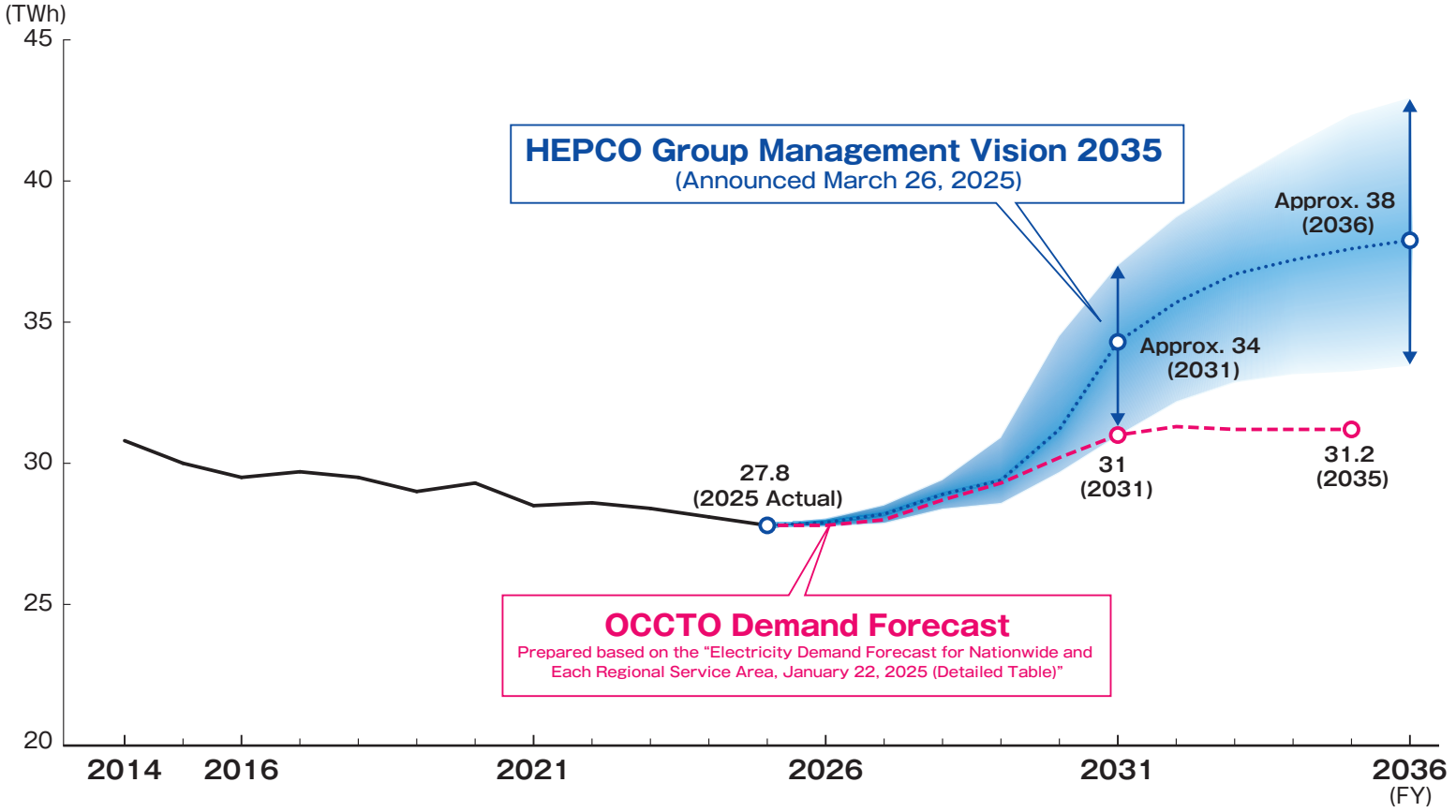
Ranked # 1 17 consecutive years

Inbound tourism ranking by prefecture

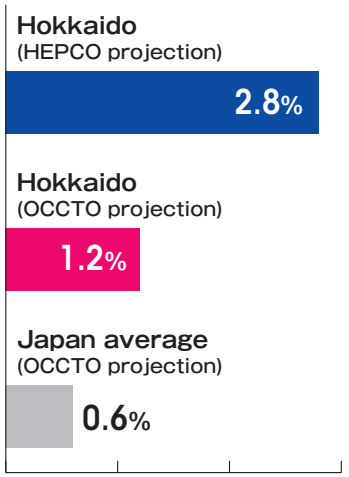
"2024 Annual Overnight Travel Statistics Survey Results," Japan Tourism Agency

Ranked # 4 9.65 million overnight stays

Electricity Demand Growth and Initiatives for Ensuring Supply Capacity in the Hokkaido Area



Average Electricity Demand Growth Rate



*OCCTO projections prepared based on the "Electricity Demand Forecast for Nationwide and Each Regional Service Area (FY2026) Table 3."
HEPCO projection period: 2024-2035;
OCCTO projection period: 2024-2034

Reference

Estimated electricity demand from operation of a 100MW hyperscale data center

Approx. 0.9TWh =100MW×8,760h
(365 days × 24h)

Nuclear Power Station	Tomari Units 1 & 2	To be restarted in early 2030s
	Tomari Unit 3	To be restarted as early as possible in 2027
LNG-Fired Power Station	Ishikariwan Shinko Unit 1	Operation commenced in February 2019
	Ishikariwan Shinko Unit 2	Construction to start in May 2027 / Operation scheduled to commence in FY2031
	Ishikariwan Shinko Unit 3	Construction to start in May 2030 / Operation scheduled to commence in FY2034

HEPCO at a Glance

ROA
3.5%

ROIC
3.1%

ROE
18.1%

FY2025

Shareholders' equity
¥391.9 billion

Interest-bearing debt
¥1,424.8 billion

Shareholders' equity ratio
17.5%

Debt-to-EBITDA ratio
9.5x

End of FY2025

Dividend payout ratio
6.5%

DOE
1.3%

FY2025

R&I Issuer Rating
Published on August 6, 2025
A+
[Stable outlook]

JCR Long-Term Issuer Rating
Published on July 29, 2025
AA-
[Stable outlook]

S&P Long-Term Issuer Rating
Published on April 24, 2025
BBB+
[Stable outlook]

HEPCO Group	Hokkaido Electric Power Co., Inc. (HD)	Hokkaido Electric Power Network Co., Inc. (NW)	Other
	Power generation & retail electricity businesses	General transmission & distribution and remote island power generation businesses	Diverse businesses spanning electrical & telecommunications construction, real estate, and comprehensive construction consulting, etc.
Employees (consolidated) 9,165	Employees 2,302	Employees 2,703	Employees 4,160
Total assets (consolidated)* ¥2,244.0 billion	Segment assets ¥2,054.1 billion	Segment assets ¥804.6 billion	Segment assets ¥181.0 billion
Operating Revenue (consolidated)* ¥902.0 billion	Operating Revenue ¥788.0 billion	Operating Revenue ¥321.1 billion	Operating Revenue ¥153.9 billion
Ordinary income (consolidated)* ¥64.0 billion	Segment income ¥53.6 billion	Segment income ¥1.1 billion	Segment income ¥12.1 billion

*Including intersegment eliminations

FY2025 Performance

Major Supply Facilities (As of March 31, 2025 and FY2025)

Power Generation Facilities (Hokkaido Electric Power Co., Inc. and Hokkaido Electric Power Network Co., Inc.)

		Maximum Output (kW)		Power Generated (GWh)
			Percentage in Hokkaido*	
Hydroelectric	53 plants	1,639,935	80%	2,992
Thermal	12 plants	4,634,600	72%	16,167
Nuclear power	1 plant	2,070,000	100%	–
New energies, etc.	3 plants	58,000	3%	117

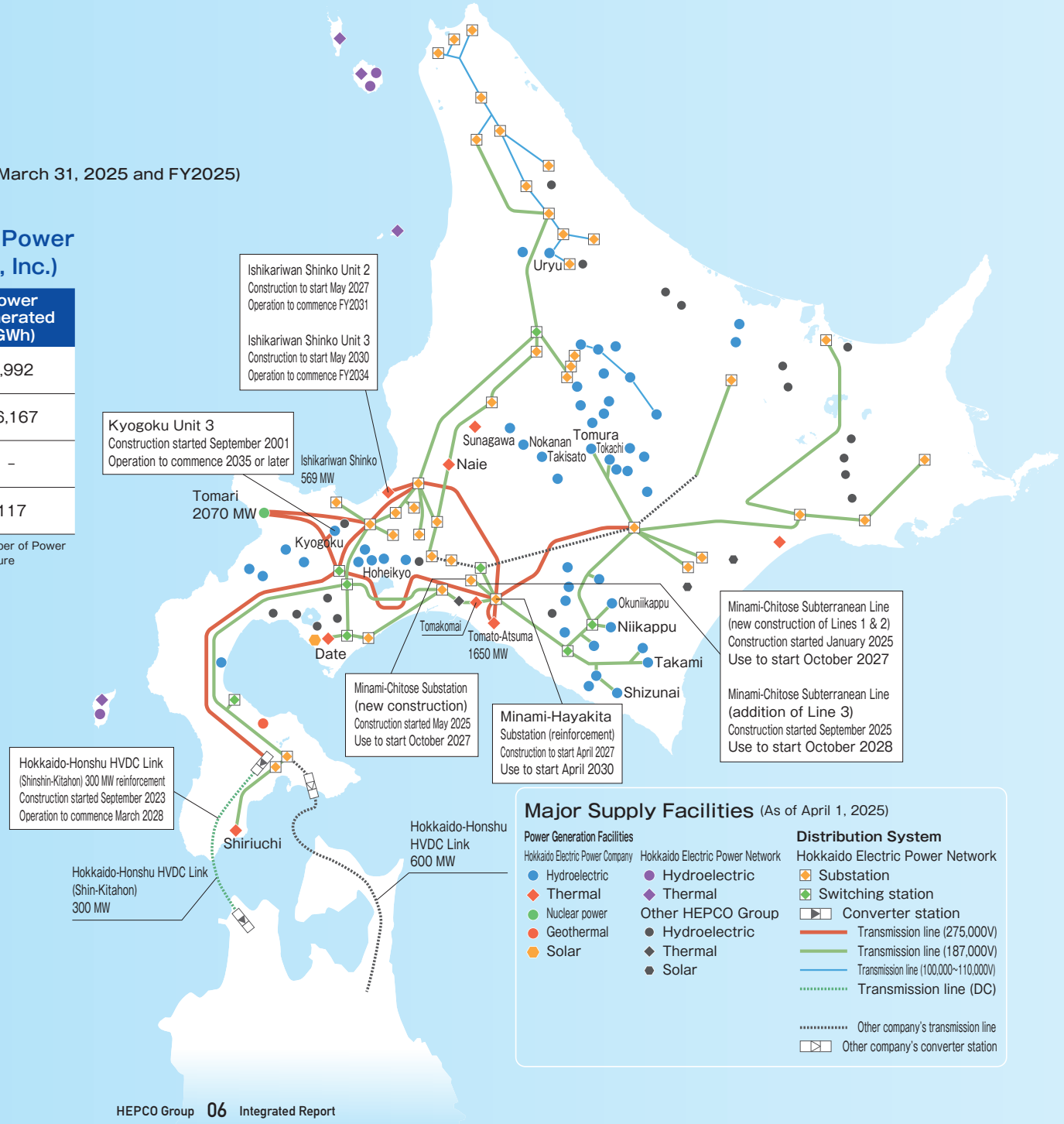
*Prepared by HEPCO based on the Agency for Natural Resources and Energy Statistical Table 1-(1) Number of Power Plants and Output of Electric Power Operators and 1-(2) Number of Power Plants and Output by Prefecture

Transmission & Distribution Facilities (Hokkaido Electric Power Network Co., Inc.)

	Length
Transmission lines	8,417km
Distribution lines	68,430km

Sales Performance (Hokkaido Electric Power Co., Inc.)

	Electricity sales	Hokkaido's share
Low-voltage customers	9,569GWh	79.0%
High-voltage & extra high-voltage customers	13,160GWh	84.0%



President's Message

HEPCO President's Conversation with Energy Sector Analyst

Daiwa Securities Co. Ltd.
Senior Analyst (Energy & Utilities)
Syusaku Nishikawa

In 2008, joined Daiwa Securities Group as a Japanese equity analyst. In 2013, began covering the energy sector. Currently tracks more than 30 Japanese companies.

Representative Director & Chief Executive Officer
Susumu Saito

Carbon Neutrality and Growing Demand to Pave the Future for Hokkaido and HEPCO

Vision 2035: Aggressive Approach Pursuing Both Shareholder Return & Growth

Syusaku Nishikawa ("Nishikawa"): Many investors in utilities focus heavily on shareholder returns, particularly dividends. In the HEPCO Group Management Vision 2035 announced this past March, you set a DOE [Dividend on Equity] target of 2%. What was your intention or thinking behind this objective?

President Susumu Saito ("Saito"): Vision 2035 was developed to lay out a clear growth trajectory, so the question of how to approach shareholder returns, particularly dividends, was something that we grappled with to a significant extent. In the near term, we must prioritize growth investments and retained earnings, but even as we maintain that course, we'll be making dividend payouts more predictable. Our aim is to expand through continued growth investment while, at the same time, achieving profit targets and building equity. This will ultimately enable us to increase dividends based on DOE as well. We want to grow our company and dividends, which will meet the expectations of both investors focused on capital appreciation as well as those seeking stable dividends.

Nishikawa: The DOE target comes with the stipulation that "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." Yet, right after HEPCO announced Vision 2035, the April earnings release projected FY2026 dividends to be near the target level. So, that seems to have been the thinking behind the forecast.

The electricity business has an extremely long investment-to-return cycle—seeds are planted that won't bear fruit for 10 or 15 years. This makes it difficult to evaluate power companies on growth potential alone. In my opinion, it's crucial to balance both dividends and growth.

Saito: Indeed, although we find ourselves in an era of uncertainty, what matters most is maintaining trust with shareholders, customers, and other stakeholders, while firmly staying the course. We must also respond quickly to changes in the business environment. Taking into account the Japanese government's GX2040 Vision and other factors, we're systematically augmenting our power infrastructure in anticipation of rising demand and renewable energy expansion, while also advancing energy decarbonization. This will naturally require substantial capital investment.

Nishikawa: One thing that surprised me about your investment plan was the scale compared to previous levels.

Saito: Hokkaido has been presented with a once-in-a-generation opportunity. To capitalize on this moment and drive HEPCO Group businesses toward growth, the challenge that we will take up is to 'realize GX for the development of Hokkaido' and 'create new value,' as outlined in Vision 2035. Our aim is to first make the necessary investments in safety measures and other enhancements at Tomari Nuclear Power Station to enable units to be restarted and boost profits. As we do that, we will establish hubs supplying carbon-free energy, thereby expanding the business opportunities available. What's more, as we position ourselves for the coming energy decarbonization, we will plant the seeds for future growth with investments in next-generation energy technologies not yet deployed commercially.

Nishikawa: So, your greatest opportunity lies in the anticipated increase in electricity demand across Hokkaido?

Saito: Exactly. Data centers consume enormous amounts of electricity for cooling and operations. Hokkaido's cool climate reduces that energy consumption. The restart of Tomari Nuclear Power Station and anticipated expansion of offshore wind power and other renewables will increase available carbon-free power in the Hokkaido area, the ideal location for data centers and semiconductor factories. Still, additional power generation capacity sourced from Ishikariwan Shinko Unit 2 and other power plants is essential in addition to network development and reinforcement in order to attract these companies and facilities.

From a cash flow perspective, as operating cash flow grows on profits in the near term, investment cash flow will expand even more thanks to the significant rise in capital investment. This means we'll likely need financing at levels we have never sought previously.

Nishikawa: Electricity demand in the Hokkaido area will increase, but not all retail operators will benefit equally from that growth. In that respect, the level of growth in HEPCO's retail electricity sales toward target is forecast to be the same rate as growth in future Hokkaido area demand, meaning you're anticipating that HEPCO is set to capture all future retail demand increases. That's an extremely aggressive stance. What do you think your prospects are for success?

Saito: Some might call our target quite ambitious in that we're setting out to acquire all large-scale demand growth. The business environment is relentlessly competitive, that is for sure. However, we're confident only Hokkaido Electric Power can balance both stable supply and carbon neutrality over the long term for data centers, semiconductor manufacturers, and other clientele. We're strengthening our retail operations and capabilities, methodically laying the groundwork to ensure we are able to provide optimal energy solutions without delay as customers' businesses grow and their needs evolve.

Restarting Nuclear Plants Stabilizes Energy Supply and Facilitates Carbon Neutrality

Nishikawa: Restarting Tomari is a major facet of Vision 2035. The 7th Strategic Energy Plan approved by the Cabinet in February 2025 takes a pragmatic approach. To balance a stable energy supply with carbon neutrality, Japan will make use of all available technologies, including nuclear power. Against that backdrop, your proclaimed target of restarting Unit 3 as early as possible in 2027 and Units 1 and 2 in the early 2030s is very significant.

Saito: Thank you. We had extensive internal deliberations about publicly committing to a restart timeline. Nuclear power, a stable carbon-free energy source, is indispensable for ensuring Hokkaido's long-term energy security and achieving 2050 carbon neutrality. It's challenging to predict when the reactors will be restarted as the Nuclear Regulation Authority reviews the power station to ensure compliance with the new safety requirements. Yet, we recognize that announcing a concrete timeline is crucial for giving companies confidence to invest in Hokkaido.

Nishikawa: How have local residents reacted to the explicit restart timeline?

Saito: We're hearing a range of opinions. Of course, some residents are cautious when it comes to nuclear safety and necessity, while there's also considerable anticipation that the restart will bring electricity rates down. For the reactors to restart, it's vital that Hokkaido residents understand not only the safety measures at Tomari Nuclear Power Station but also why the reactors need to be restarted. We're committed to providing thorough explanations in briefing sessions and through other channels.

To continue making substantial investments in nuclear power, our cash flow will remain constrained for the time being. However, the restart will significantly boost operating cash flow and improve free cash flow, creating a virtuous cycle eventually where we will be able to simultaneously deliver shareholder returns and fund growth investments.

Growth Strategy Identifies Investment Areas and Focuses on Strengths

Saito: With Vision 2035, we constructed a business portfolio designed to navigate the dramatically shifting management environment where electricity demand is surging, carbon neutrality initiatives advancing, and other changes taking place. Incorporating Product Portfolio Management (PPM) analysis principles, we've categorized our businesses into four investment tiers: Top Priority Investments, Priority Investments, Carefully-Selected Investments, and Minimum Investments. While taking into account our position in the respective markets, we will allocate resources from the perspectives of maximizing company-wide ROIC through selection and concentration, as well as reducing company-wide WACC through diversified investment. Each individual investment decision must deliver returns, but we're also determining when we should make these investments and whether they are sustainable.

This business portfolio ranks nuclear power as a top priority investment, while renewable energy development—despite its market attractiveness—is set low as a carefully-selected investment due to our current competitive positioning. This is our current stance, which we will review going forward. What is your impression, Mr. Nishikawa?

Nishikawa: I think situating nuclear power in the upper-right quadrant as a top priority investment should resonate strongly in equity markets. Leveraging nuclear power can only be done by a select group of energy players with the proven track record and experience. This is an area where HEPCO clearly can leverage its strengths. I believe the Japanese government's nuclear commitment in the 7th Strategic Energy Plan will provide a tailwind, reinforcing your stance.

On the other hand, to put it bluntly, precisely because this is a period of high-demand when substantial investment is needed that I think you could have pushed 'selection and concentration' more emphatically as concerns your business domains and capital allocation. In areas that are not very attractive where you lack a competitive advantage, I think you not only have to limit investment to the minimum, but also take steps to reduce your involvement in such areas. Even in attractive sectors where you are able to exploit your strengths, it is my sense that there will be more demands on HEPCO to take advantage of capital markets whether that be for self-funding projects, working with partners including financial institutions to provide funding, or leveraging debt.

Saito: As you point out, we didn't go far enough in some areas. We'll take stock of what drives earnings and where our true competitive advantages lie even throughout the HEPCO Group, an aspect which Vision 2035 does not fully illuminate.

Nishikawa: I'm looking forward to that. Identifying core strengths is very important. The business portfolio mentions "combine to increase value." I think the proper path for a listed company is to proactively pursue opportunities where your current strengths apply rather than passively waiting for synergies to emerge.

On the positive side, it is my impression that categorizing renewable energy development as a Carefully-Selected Investment aligns with market demands. The attractiveness of renewable energy development in the Hokkaido area is and will remain high, I believe. Nevertheless, you have shown your desire to think flexibly when it comes to where that investment funding is procured.

Saito: We have set a goal of developing renewable energy to produce at least 3 million kW by FY2036. We'll maximize our strategic alliances to achieve this goal as we resolve challenges to secure suitable sites and overcome other hurdles.

The path to carbon neutrality encompasses diverse renewable energy technologies, such as solar, offshore wind, hydrogen, ammonia, and CCS with many of these still in the transition phase. We're preparing multiple scenarios, discerning which technologies will dominate while also harnessing government programs and other systems.

In terms of procuring financing as well, we're actively pursuing green bonds, transition bonds, and other ESG instruments to meet the needs of investors seeking solutions to environmental and climate change issues.

Nishikawa: Since Trump's second term began, the direction of policies addressing CO_2 reduction and carbon neutrality has shifted. Equity markets are also reflecting that sentiment. Nevertheless, the trajectory toward addressing global warming and the environment has not come to a halt, the pace has only slowed. That's all.

My sense is that Vision 2035's business portfolios convey HEPCO's determination to clearly communicate the company's strategic direction to stakeholders and, with their understanding and support, accomplish goals set out.

Saito: That resonance may be due to the extensive and broad-ranging process of dialoguing with employees, outside directors, institutional investors, analysts, and others over the course of seeking diverse inputs. The result has been increased calls for collaboration and co-creation. My dream is for Hokkaido to drive Japan's global competitiveness, and this ambition would be satisfied if HEPCO Group played a central role in that transformation. We're pursuing this approach in communication with a range of people as we begin with smaller-scale projects.

Personally, I wanted to show more commitment, but some internally cautioned that "if we show too much of our hand, we'll be completely exposed."

Nishikawa: As the energy industry becomes less and less regulated, your business model will eventually be copied should others be able to imitate it once it is revealed. HEPCO Group would do best to pursue what's inimitable, in other words what only the HEPCO Group has the capability to deliver. HEPCO Group is already an indispensable part of Hokkaido. So, given your share of regional GDP, you should be more profitable. Contributing to the economic growth of Hokkaido and earning an appropriate return are two sides of the same coin. I hope you continue forging ahead as an essential partner for Hokkaido.

Saito: I appreciate your insight. Our strength comes from having our business foundation in Hokkaido. We hope to remain a trusted partner that people will call when they need help. On the other hand, our management environment is experiencing considerable change unfolding dramatically. Simply continuing to do and think as we have always done will make it more difficult for us to keep doing what we thought was the natural way of conducting business. We must continuously adapt our thinking and actions to changes in the business environment. To instill this mindset in each and every employee, we're emphasizing 'transformation' in our management philosophy, a revision made in conjunction with the development of Vision 2035.

I'm convinced that we will never relent in our drive to continuously transform so that we may always fulfill our responsibility as an energy provider, thereby delivering new value to our customers and communities, and, with Hokkaido as our foundation, we will be able to support its further development and realize a sustainable society.

Photo taken at HEPCO Group's HOTnet Co-Creation Space Akallabo
https://www.hotnet.co.jp/

HEPCO Group

Value Creation Process

To drive business growth and realize a sustainable society, HEPCO Group will pursue management that maintains our foundation of Hokkaido and leverage the power of transformation to create the future of energy and new value.

Management Philosophy

INPUTS (Management Resources)

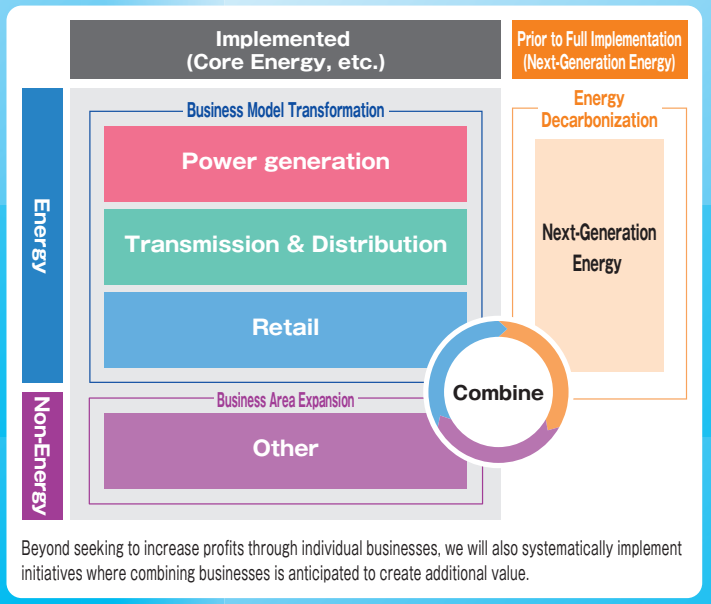
To Sustainably Enhance Corporate Value

HEPCO Group's New Management Philosophy

Manufacturing Capital	Power generation facilities: Total output 8,690 MW Transmission line length: 8,417 km; distribution line length: 68,430 km
Human Capital	Employees: 9,165 Engineering personnel: Approx. 70% (HD & NW)
Intellectual Capital	Patents, etc. held: 227 Technology and experience relating to power generation development, maintenance, and operation, as well as power supply Know-how relating to ZEB, ESP, and other energy solutions suited to cold snowy regions
Social & Relational Capital	Emergency partnership agreements entered into: 179 comprising all municipalities in Hokkaido (HD & NW) Registered business partners (material procurement): Approx. 2,500 companies (HD & NW)
Financial Capital	Capital ¥114.2 billion | Cash ¥156.3 billion | Interest-bearing debt ¥1,424.8 billion
Natural Capital	Fuel consumption (FY2025) ■Coal: 4,116,000 tons ■Heavy oil: 262,000 kl ■Light oil: 15,000 kl ■LNG: 433,000 tons ■Nuclear fuel material consumed: 0 kg Rich nature with high renewable energy potential ■Wind: Good conditions and long coastline Potential: 1,680.3TWh (approx. 60 times Hokkaido demand of 28.2TWh) ■Solar: Vast land area blessed with abundant sunlight Potential: 437.7TWh (approx. 16 times Hokkaido demand of 28.2TWh) *Prepared by HEPCO using data provided by the Ministry of the Environment's Renewable Energy Potential System

*Quantitative data not specifically dated is as of the end of FY2025
*HD: Hokkaido Electric Power NW: Hokkaido Electric Power Network

Business Operations



Beyond seeking to increase profits through individual businesses, we will also systematically implement initiatives where combining businesses is anticipated to create additional value.

Reinforcement of corporate governance upholding transparent, fair, prompt and decisive decision-making

OUTPUT (Performance)

Products Services

Electric power demand in Hokkaido
27.8TWh

Electricity sales
Retail sales: 22.8TWh
Wholesale sales: 10.7TWh

Financial Performance

Operating revenue
¥902 billion

Ordinary income
¥64 billion

Free cash flow
¥34.8 billion

Social & Environmental Effects

Greenhouse Gas (GHG) Emissions
22.16 million t-CO_2

Industrial waste
703,000 t

OUTCOMES (Value Creation)

Communities & Customers

- Supporting the livelihoods of our customers and the economy and building a sustainable society
- Serving as a responsible energy provider to ensure a stable electricity supply
- Engaging in co-creation of new value with our stakeholders to contribute to sustainable growth and find solutions to regional challenges

Shareholders & Investors

- ROE 18.1%
- ROIC 3.1%
- DOE 1.3%
- Dividends
  Per share of common stock
  ¥20 annually
  Total dividend payments ¥4.1 billion
- Interest expenses (amount paid to creditors)
  ¥10.3 billion

Employees

- Safe and motivating work environment
  (Work-related injury frequency 0.56)
- Health Management "White 500" Organization
  (6th consecutive year) (HD & NW)
- Promoting work-style reforms
  (Rate of annual paid leave taken: 85.5%) (HD & NW)

Environment

- Reduction in CO_2 2.66 million tons (compared to FY2014 level)
  *Total for Scopes 1+2+3
- Industrial waste recycling rate 89.1%

Vision

Light up your future.

HEPCO will fulfill our core responsibility of supplying energy and support the sustainable development of Hokkaido.

Management Vision
2035
(Announced March 2025)
P15～38

Carbon Neutral
2050
P18～20

*Quantitative data not specifically dated is as of the end of FY2025
*HD: Hokkaido Electric Power NW: Hokkaido Electric Power Network (if not indicated, numbers are consolidated figures)

VALUE CREATION STORY

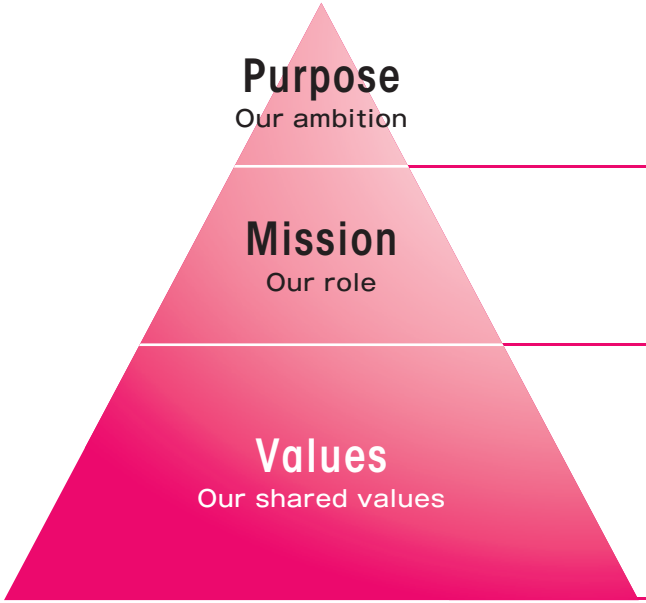
Management Philosophy & Vision

HEPCO Group's New Management Philosophy

In March 2025, we set out a new management philosophy in conjunction with the announcement of HEPCO Group Management Vision 2035.

HEPCO Group has historically upheld a management philosophy mandating three principles—respect for humanity, contributions to local communities, and efficient management—and maintained the foundation of our business operations in Hokkaido.

Since our previous vision was developed, the business landscape has continually evolved. GX industries are establishing operations in Hokkaido, driving expectations of growth in demand for electricity over the medium- to long-term. Amid this transformation, we remain committed to advancing our Hokkaido-centric business model while continuing to innovate in a manner that propels further HEPCO Group business growth and contributes to a sustainable society.



Purpose
Our ambition

Light up your future

Together with local communities, HEPCO Group will continue to ensure Hokkaido stays an attractive region that people are proud to share with the world and enrich the lives of people who call Hokkaido home.

Mission
Our role

Create the future of energy and new value by transformation

We will never relent in our drive to continuously transform so that we always fulfill our responsibility as an energy provider. We will deliver new value to our customers and communities, and, with Hokkaido as our foundation, we will support its further development and realize a sustainable society.

Values
Our shared values

Challenge

We will aim to grow further and surpass everyone's expectations as we continue to enthusiastically take up challenges.

Co-creation

With our roots in Hokkaido, we will collaborate with communities, companies, local governments, and everyone in the region to harness ingenuity and create our future together.

Trust

We will live up to the trust placed in us by always acting with integrity and fairness and taking even better care of our stakeholders while respecting the diversity of values.

Toward a Management Philosophy & Vision that Each and Every Employee Can Own

Prior to Announcement

We conducted multiple dialogues with employees and HEPCO Group companies to formulate a management philosophy and vision that incorporates their opinions and values.

Dialogues Conducted with Employees and HEPCO Group Companies

Date held	Approach	Employees/HEPCO Group Companies	Topic
July 2024	Exchange of opinions with business divisions	Management and mid-level employees in HEPCO and Hokkaido Electric Power Network business divisions (14 departments/offices)	Opinions exchanged on the theme of the HEPCO Group's ambition (purpose)
October 2024	Survey of employees	All employees of HEPCO and Hokkaido Electric Power Network (voluntary response; 696 responses)	Survey conducted over company intranet regarding "motivation for joining the company," "work satisfaction," etc.
November 2024	Exchange of opinions with Group companies	Presidents and planning department managers of Group companies (total of 12 companies)	Opinions exchanged between President and Group company presidents, as well as the Corporate Planning Department manager and Group companies' planning department managers
July, September & December 2024	Roundtable discussion with younger employees	Company employees mainly in their 20s~30s (6 people per session; 18 people total)	Opinions exchanged between President and younger employees on the themes of "HEPCO Power," "Human Resource Development and Skill Enhancement," and "Regional Co-creation"

REF Results of Employee Survey (Sample)

Q. What gives you a sense of fulfillment or joy?	I feel fulfillment or joy in steadily carrying out routine tasks and protecting the stable supply of electricity and other aspects of daily life	35%
	I feel fulfillment or joy in new challenges such as business transformation, refining technology, and planning or operating new businesses	32%
	I feel fulfillment or joy in generating high profits in the businesses or work I am involved in	15%
	I feel fulfillment or joy in interacting with people through dialogue with customers and regional activities	12%
	I don't feel fulfillment or joy in my work	2%
	Other	4%

After Announcement

The management philosophy and vision will only be meaningful once embedded in the organizational culture. To imbue these, we are implementing the following initiatives to engage employees.

Direct messages from the President to employees

The President personally communicates the ideas underscoring our new management philosophy and vision.

Briefing sessions for field offices

To promote a better understanding of our direction by all employees, we are holding briefing sessions at all 24 Hokkaido Electric Power and Hokkaido Electric Power Network offices.

Distribution of guidance material for employees

Guidance materials will supplement the new management philosophy and vision, explain how they were developed, and provide other commentary.

VALUE CREATION STORY

Society in 2050

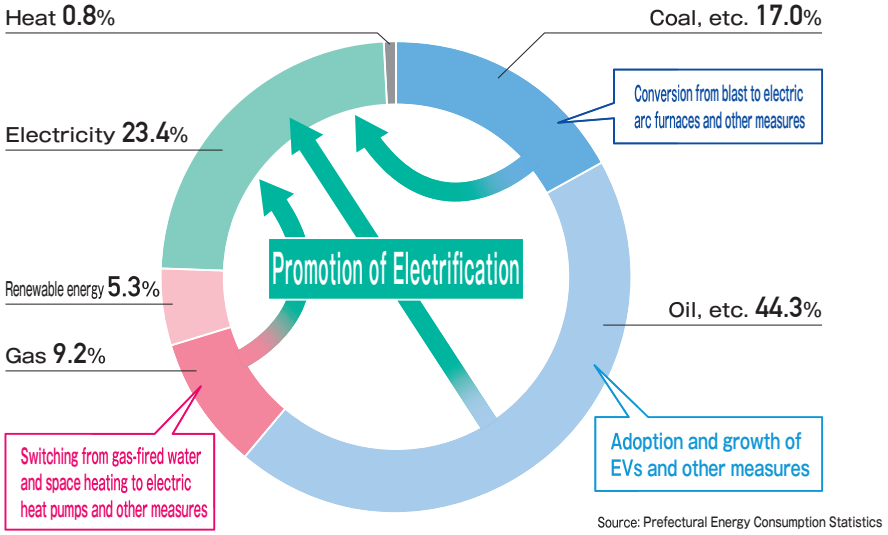
Although it is difficult to accurately predict the future, climate change measures compatible with economic growth along with the application of AI, robots and other digital technologies will most likely drive changes in society so that by around the year 2050 there will be an embrace of diversity that includes not just national, generational, and gender differences, but also coexistence with AI and other technologies, in addition to achieving carbon neutrality (CN). We foresee such a sustainable and prosperous society realized not just through actions taken by national and local governments, corporations, but even each one of us as individuals. HEPCO Group will contribute to our society in a variety of sectors, of which energy is just one.

To achieve carbon neutrality by 2050 (Future Energy Demand)

To be carbon neutral by 2050, not only do we need to meticulously conserve energy, but also shift from CO_2-emitting fossil fuels to decarbonized electric power and other carbon-free fuels such as hydrogen and ammonia. For Hokkaido, with its vast and cold snowy climate, decarbonizing the energy used for heating and transportation is a major challenge, and one of the key options for achieving this is electrification sourced from decarbonized power. HEPCO Group has not only implemented supply-side initiatives that make use of carbon-free fuels and decarbonized power sources, but also furthered demand-side initiatives with the promotion of electrification and energy savings, including zero energy buildings (ZEB)*. These efforts help us to maximize our commitment to having all energy in Hokkaido be carbon neutral by 2050.

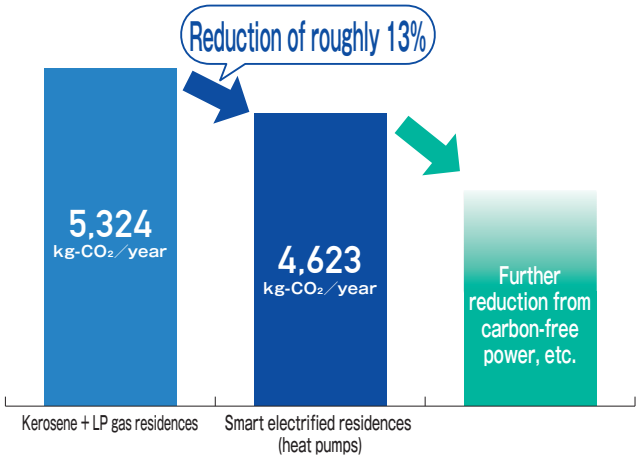
*ZEB: Net Zero Energy Building, which is a structure designed to keep annual primary energy that the building consumes to zero, while maintaining a comfortable indoor environment.

Final Energy Consumption in Hokkaido (Provisional figures for FY2023, heat value basis)



Source: Prefectural Energy Consumption Statistics

Reduction in CO_2 from Converting to Smart Electrified Residences



<Provisional calculation conditions>

109.3m² 2-story 3LDK detached wood house in Sapporo, average thermal transmission coefficient (UA value) 0.29W/ m²K, family of 4, designed for outside temperature of -10°C, room temperature set at 22°C, type 1 ventilation system (heat recovery rate 58.8%)

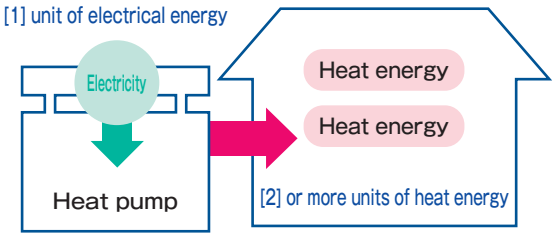
- Smart electrified residence (8,689kWh/year), hot water: EcoCute; heating: central hot water heating system with air-source heat pump; cooking: IH cooking heater; other lighting, etc.
- Kerosene + LP gas residence: hot water & heating (kerosene): Eco Feel (1,384L/year); cooking (LP gas): gas cooking appliances (37.0 m³ /year); other lighting, etc. (3,113kWh/year)

<CO_2 emission factor>

Electricity: 0.532kg-CO_2/kWh (actual figure for Hokkaido Electric Power Company in FY2024)
LP gas: 6.0kg-CO_2/m³ (Japan LP Gas Association)
Kerosene: 2.49kg-CO_2/L ("List of Calorific Values and Carbon Dioxide Emission Coefficients by Fuel Type," Ministry of Environment)

How Heat Pumps Work

Heat pump systems used in EcoCute, air conditioners, and other products consume [1] unit of electrical energy to extract more heat energy from the air than [1] unit, generating [2] or more units of heat energy.



Aiming to be Carbon Neutral by 2050(Partially revised in March 2025 in conjunction with drafting of HEPCO Group Management Vision 2035)

HEPCO Group Vision

HEPCO Group will do our utmost as we take on the challenge of achieving carbon neutrality across all energies in Hokkaido by the year 2050.

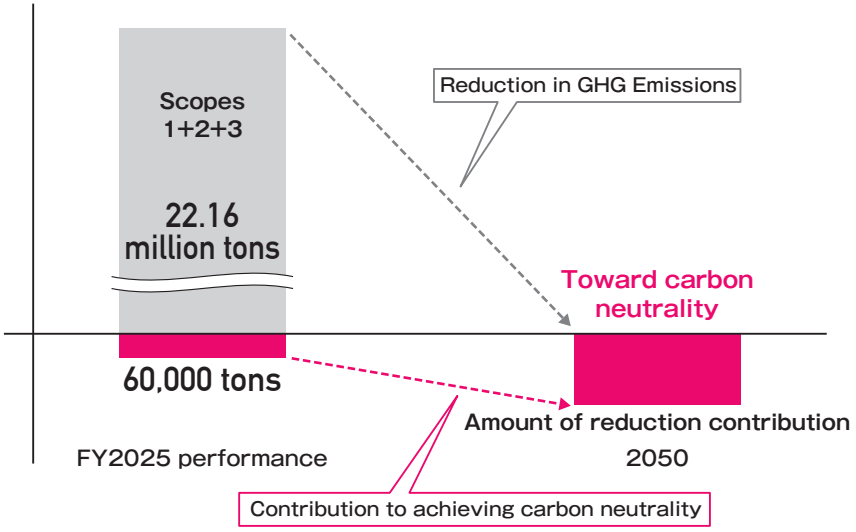
HEPCO Group expanded the scope of greenhouse gases subject to reduction from 'power generation division CO_2 emissions' to 'supply chain emissions (Scope 1 + 2 + 3),' with the aim of being carbon neutral by 2050.

We will contribute to society-wide emissions reductions by promoting electrification with heat pumps harnessing air thermal energy, a renewable energy source, as well as energy-saving proposals, customer support for decarbonization, and our renewable energy development business.

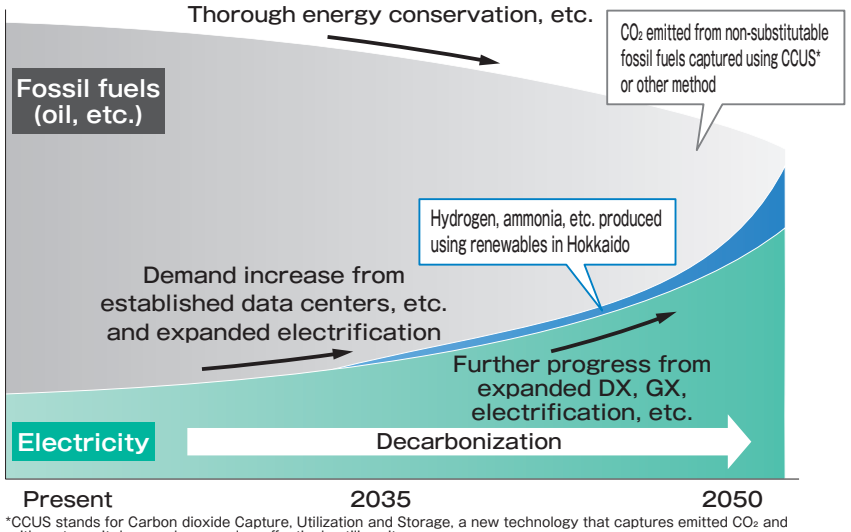
Hokkaido's future energy demand is projected to grow over the medium- to long-term, driven by digital industry facilities, including next-generation semiconductor fabs and data centers, locating in the region.

To achieve carbon neutrality by 2050, we are promoting the transition from CO_2-emitting fossil fuels to carbon-free electricity (electrification) and carbon-free fuels such as hydrogen and ammonia, alongside rigorous energy conservation.

HEPCO Group's Reduction in Greenhouse Gas Emissions and Contribution to Achieving Carbon Neutrality(Illustration)



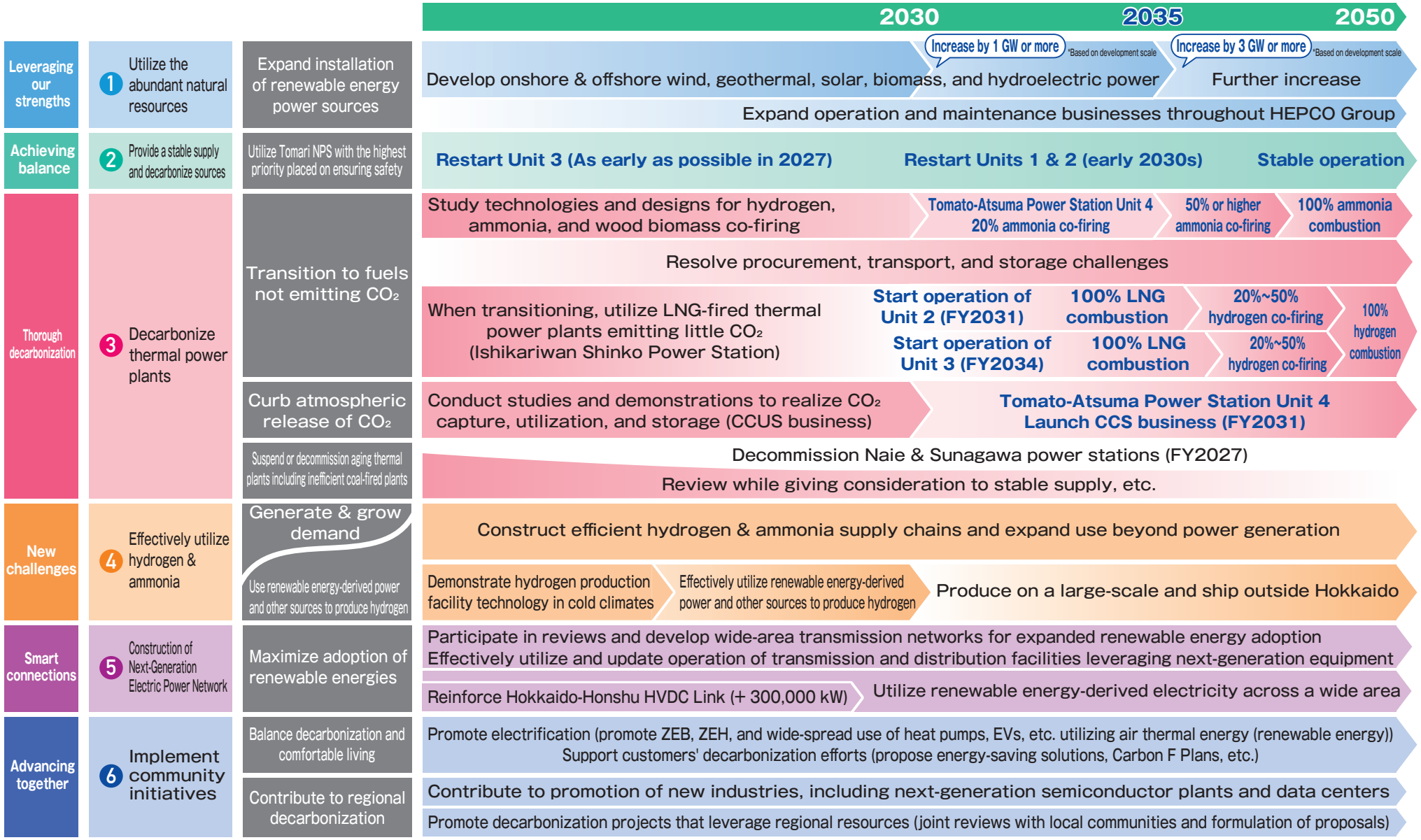
Future Energy Demand in Hokkaido(Illustration)



*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.

Roadmap to Carbon Neutrality by 2050

As we follow our Roadmap to Carbon Neutrality by 2050, we will mobilize all available means, including the use of innovative technologies and implementation of initiatives with local communities in addition to expanding renewable energy installations as well as utilizing Tomari NPS and other efforts.



Blue lettering indicates concrete steps since HEPCO Group Report 2024.

VALUE CREATION STORY

Society in 2035

So that a sustainable and prosperous society and lifestyle may be realized by around the year 2050, continuous progress is needed over the next 10 years to address the increasing importance of climate change measures and economic security.
In addition, over the next decade, the impact of Japan's declining population and aging society will take on increasing prominence, potentially disrupting daily life.
We believe solutions can be found to these social challenges by stably supplying energy, the foundation for a digital society, as well as making progress in decarbonization and applying AI, robots, and other digital technologies more extensively throughout society.
HEPCO Group will contribute to realizing the vision of society in the year 2035 as we leverage Hokkaido's potential to solve such challenges.

Anticipated Social Issues & Changes to the Social Structure

Climate Change

- Although progress is being made on initiatives to reduce greenhouse gas emissions in countries around the world, these are still insufficient on the whole.

Global average temperature

High likelihood that, over the next five years, the global average temperature will temporarily exceed the 1.5℃ target set by the Paris Agreement*1

Global Community

- Economic security taking on greater importance
- Global population growth and other factors make it even more important to raise self-sufficiency rates for food, water, energy, etc.

World population (estimate) *2

2024 8.2 billion ▶ 2035 8.9 billion

Demographics

- Society is aging and there are fewer children
- Depopulation decreasing regional vitality

Working-age population percentage *3

Hokkaido: 2025 56.5% ▶ 2035 54.4%
Japan: 2025 59.3% ▶ 2035 57.6%

Livelihood

- Labor shortages and other factors pose a challenge for maintaining electricity, communications, water, healthcare, and other public services and social infrastructure

Hokkaido's Development Potential P22

×

HEPCO Group's contribution P59,60

Society in 2035 (Challenges Resolved)

Progress in decarbonization premised on a secure and stable supply

Hokkaido's value rises (as hub for supplying food and carbon-free energy)

Clustering of digital industries in Hokkaido increases demand for energy and revitalizes the region

Progress made in efforts to resolve challenges local communities face, such as labor shortages

*1 On June 5, 2024, the World Meteorological Organization (WMO) indicated an 80% probability that the global annual average temperature will temporarily exceed 1.5℃ over pre-industrial levels in at least one of the next five years.
*2 Cited from the "World Population Prospects: The 2024 Revision," Statistics Bureau, Ministry of Internal Affairs and Communications
*3 Cited from "Population Projections for Japan by Region: 2023 Estimates," National Institute of Population and Social Security Research

Hokkaido's Development Potential

Japan's GX policy*1 defines a course of action aimed at achieving a stable energy supply, decarbonizing power sources, as well as utilizing decarbonization-related technologies along with AI and other digital technologies to bolster economic growth and strengthen Japan's global industrial competitiveness. The policy also emphasizes the importance of local production and consumption of clean energy on a large-scale.

Hokkaido anticipates digital industries will cluster in the region as carbon-free power expands in line with the principle of watt-bit integration*2. Powerful tailwinds are furthering development of the region.

With its abundant nature and vast land, Hokkaido has the potential to be a hub supplying not only food, but also carbon-free energy throughout Japan, a country which relies mostly on resource imports. This will make a significant contribution to enhancing Japan's sustainability. Hokkaido's sustainability may also serve as a tourism resource, making the region even more attractive globally.

- Construction of next generation semiconductor plants is currently underway, and affiliated industries are expected to gather in the area.
- Hokkaido is promoting the establishment of data centers across the region in anticipation of AI application and DX advances. Strategic initiatives are being promoted to attract companies to the priority area for data centers, which is the belt extending from Ishikari City on the Japan Sea side to Tomakomai City on the Pacific side*4.

- Renewable energy accounts for over 40%*3 of the electric power generated in the Hokkaido area.
- The restart of Tomari Nuclear Power Station and buildout of offshore wind power and other renewable energies are expected to expand carbon-free electric power.

- With its abundant agriculture, forestry and fishery resources, Hokkaido has contributed to improving Japan's food self-sufficiency rate. As smart agriculture and other digital technologies are adopted and applied, the sustainability of these industries will be enhanced, enabling Hokkaido to continue to fulfill its important role.
- The region's magnificent nature, powder snow, hot springs, and other tourism resources are very popular among tourists from both Japan and around the world.

*1 GX2040 Vision, etc. *2 Approach integrating power grids and communication infrastructure
*3 Ratio of power (kWh) generated in FY2024 *4 Documents from the "Study Group on Locational Electricity Demand Increase and Transmission & Distributions Networks"

TOPICS What is GX Policy?

- GX policy is Japan's national green transformation strategy to shift from fossil fuel-centric economic, social, and industrial structures that have been in place since the Industrial Revolution to a clean energy-centric system. The policy aims to simultaneously achieve energy security, economic growth, and emission reduction to comprehensively transform the country's entire economic and social system. To realize this green transformation, the Japanese government is aiming to mobilize over ¥150 trillion in combined public-private investment over 10 years, and advance ¥20 trillion in investment incentives through GX Economic Transition Bonds.
- In February 2025, amid rising investment uncertainty from geopolitical tensions and increasing demand for electricity driven by GX and DX progress, the government established GX2040 Vision to present a long-term roadmap for enhancing GX investment predictability. Key aspects of this roadmap include pursuing the development of new industrial zones and expanding carbon-free power generation capacity, both of which take into consideration regional disparities in decarbonized energy resources, as well as adopting growth-oriented carbon pricing mechanisms such as emissions trading systems.

VALUE CREATION STORY

HEPCO Group Management Agenda Toward 2035

To contribute to realizing the vision of society in the year 2035, HEPCO Group will spur efforts to take up the 'Challenge of Realizing GX to Drive Hokkaido's Development' and 'Challenge of Creating New Value' as well as strive to 'Reinforce HEPCO's Business Foundation for Sustainable Growth,' which establishes the foundation for addressing these challenges and transforming our businesses. We have made these three points our management themes as we move toward 2035 on the recognition that HEPCO Group has the capability to contribute to Hokkaido's development. HEPCO Group will continue to actively transform our business and take up these challenges to both grow our group businesses and develop Hokkaido.

HEPCO Group's Business Growth and Hokkaido's Development

Challenge of Realizing GX to Drive Hokkaido's Development

To contribute to digital industries clustering in Hokkaido, we will steadily improve the power infrastructure in anticipation of greater demand as well as build out 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.

Reinforce HEPCO's Business Foundation for Sustainable Growth

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

Material Issues for HEPCO Group (Materiality)

HEPCO Group has identified the three management themes outlined in HEPCO Group Management Vision 2035 as our material issues we must address, and advance initiatives to further develop Hokkaido and build a sustainable society.

Task	Subtask (Key Work)	Concrete Initiatives
Challenge of Realizing GX to Drive Hokkaido's Development	Stable electricity supply in anticipation of demand growth and expanded renewable energy installation	■ Restart Tomari NPS as soon as possible ■ Construct Ishikariwan Shinko Power Station Units 2 & 3 ■ Construct next-generation electric power network
	Energy Decarbonization	■ Decarbonize power sources and expand installation of renewables ■ Effectively utilize hydrogen, ammonia, and other carbon-free fuels
Challenge of Creating New Value	Value expansion and creation for customers	■ Provide CN solutions and other services that help customers resolve issues
	Value creation through business co-creation	■ Engage in agriculture, forestry, fisheries, and other Hokkaido core industries
Reinforce HEPCO's Business Foundation for Sustainable Growth	Kaizen & DX application to transform businesses	■ Steadily promote Kaizen projects ■ Create higher added-value by utilizing AI and other digital technologies
	Promote human capital management	■ Develop personnel empowered to innovate and adapt ■ Promote diversity, inclusion, and health management
	Thorough compliance and risk management	■ Foster a corporate culture of thoroughly practicing compliance ■ Promote respect for human rights of stakeholders both inside and outside the company
	Enhancement of corporate governance	■ Proactively communicate with stakeholders in a manner that follows the Corporate Governance Code and other standards

Process for Identifying Materialities

STEP1
Along with looking back to examine previous management initiatives, identify points necessary for promoting management with the aim of achieving sustainable growth.

STEP2
Consolidate HEPCO Group priorities (materialities) based upon the points identified.

STEP3
The Executive Committee, which is comprised of executive officers, deliberates management policies, including priorities (materialities), and exchanges views with outside directors.

STEP4
The Board of Directors sets management policy, including priorities (materialities).

SUSTAINABLY ENHANCING CORPORATE VALUE

HEPCO Group Management Targets

	2024 Performance (Reference)	Before restart of Tomari NPS Unit 3	FY2031	FY2036
Electricity sales (retail)	22.7 TWh	29 TWh +		33 TWh +
Reduction in GHG emissions	−12%*1	Compared to FY2014: −46%		Compared to FY2014: −60%
Contribution to GHG reduction	0.06 million tons	1.5 million tons		2.5 million tons
CN-related investment	¥6.5 billion	About ¥400 billion (cumulative FY2026~FY2036)		
Renewable energy target (gross)	42 MW	1,000 MW+ (300 MW+ net)		3,000 MW+ (1,000 MW+ net)
Ordinary income	¥64.0 billion	¥40 billion +	¥70 billion + *2	¥90 billion + *2
ROIC (WACC)	3.1%	3.0% + (about 2.2%)		3.5% + (about 2.4%)
ROE	18.1%	8% +		
Capital ratio	17.5%	20% +		25% + (Future target: 30%)
Debt-to-EBITDA Ratio	9.5	About 11		8 or lower
Dividends (annual) [Dividend on Equity (DOE)]	¥20 per share (1.3%)	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	¥6.3 billion	About ¥250 billion (cumulative FY2026~FY2036)		
Human capital investment (added value/personnel expenditures)	1.0 times	-		Compared to FY2025: about 1.5 times
DX investment	¥2.3 billion	About ¥30 billion (cumulative FY2026~FY2036)		

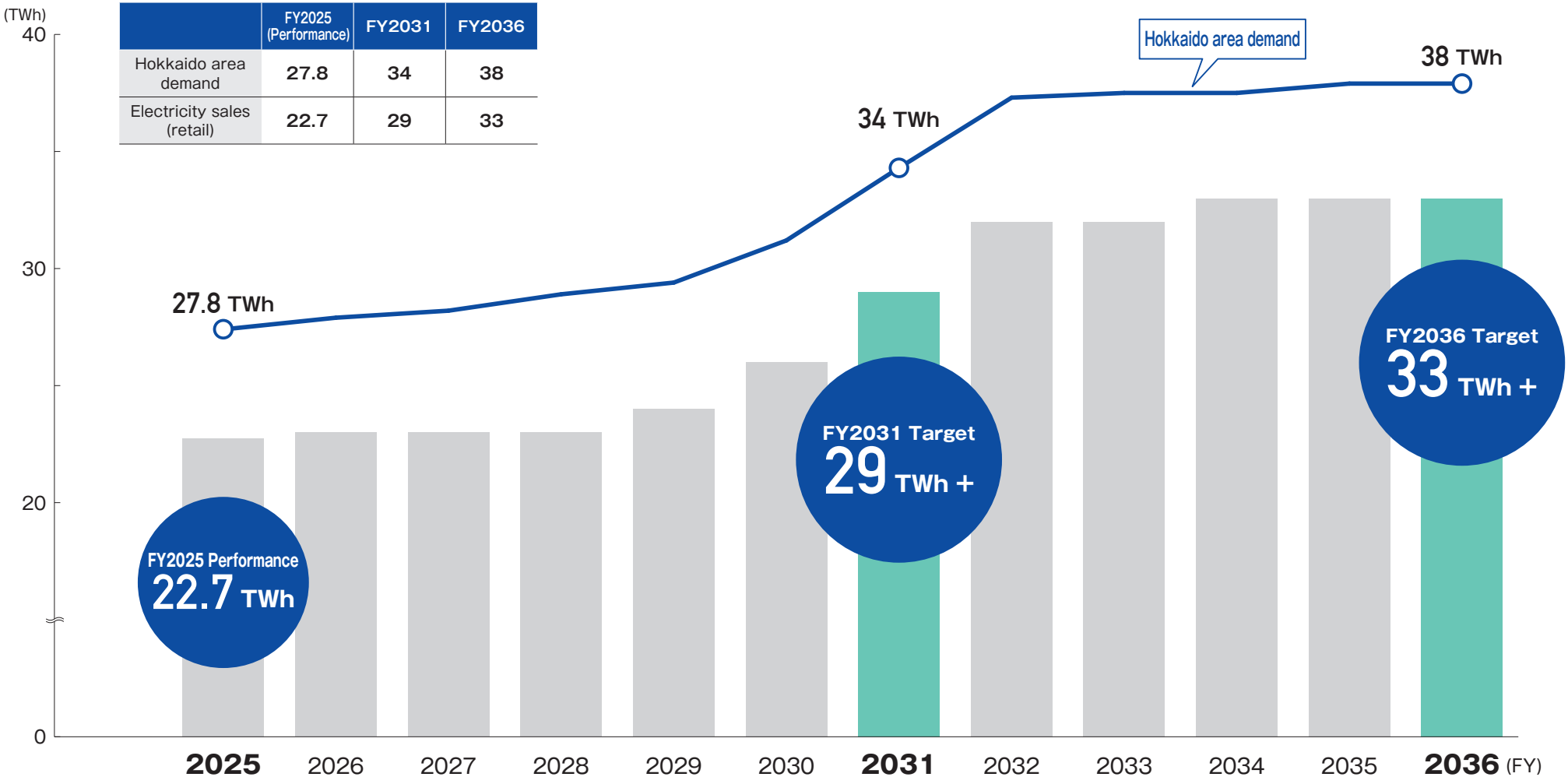
*1 Preliminary figure *2 Profit targets reflect the impact of planned rate cut following the restart of Tomari NPS

HEPCO Group Electricity Sales (Retail)

HEPCO Group aims to increase retail electricity sales by making sure that we take advantage of business opportunities presented as next-generation semiconductor plants and large data centers establish operations in Hokkaido. Our aim is to capture all of this large-scale demand as companies establish themselves in Hokkaido.

(TWh)

	FY2025 (Performance)	FY2031	FY2036
Hokkaido area demand	27.8	34	38
Electricity sales (retail)	22.7	29	33



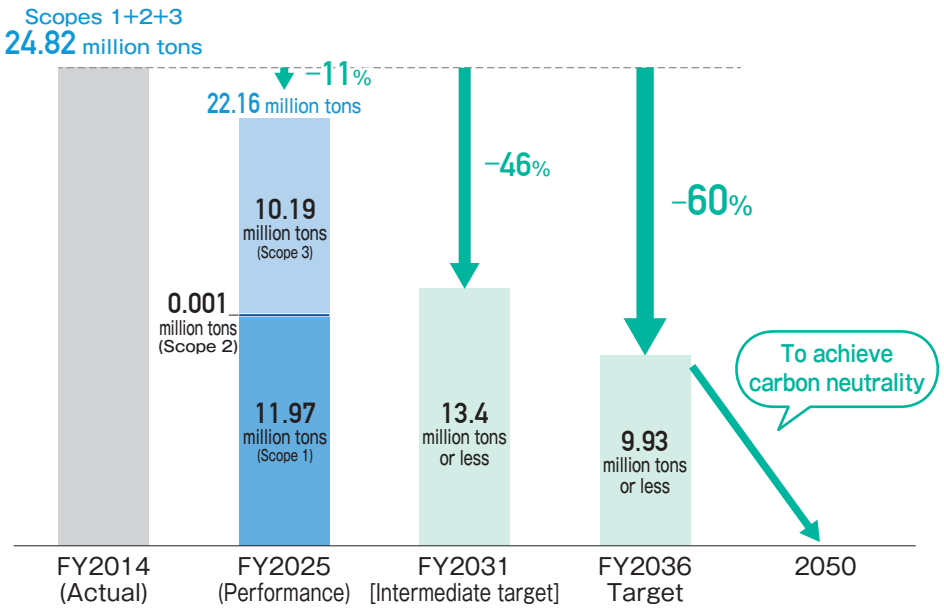
※The above figures are current estimates provided by HEPCO

HEPCO Group Environmental Targets

Reduction in Greenhouse Gas Emissions

To combat climate change, HEPCO tracks and manages all emissions from our business activities toward the set aim of reducing emissions across our entire supply chain.

We will rise to the challenge of achieving a 46% reduction compared to FY2014 levels in supply chain emissions (Scopes 1+2+3) throughout the HEPCO Group by FY2031 and 60% by FY2036.



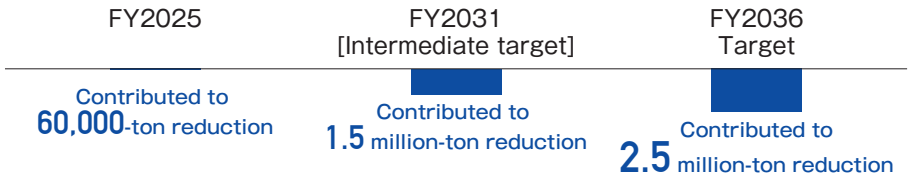
*1: Scope 1: Direct emissions from HEPCO Group business sites (mainly thermal power plants).
Scope 2: Indirect emissions associated with use of electricity, heat, etc. that HEPCO Group receives as a user.
Scope 3: Other indirect emissions (mainly indirect emissions associated with electricity purchased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

Contribution to Achieving Carbon Neutrality

We will contribute to a 1.5 million-ton reduction in emissions by FY2031 and a 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 our renewable energy development business.

Examples of Emission Reductions

Renewable Energy Development	Reduction in emissions throughout society with participation in projects developing renewable energy sources (wind, geothermal, solar, biomass, etc.)	
Electrification	Residential	(Existing buildings) Switch from kerosene or LPG equipment to high-efficiency heat pump
		(New construction) Promotion of ZEH & ZEH-M, and introduction of high-efficiency heat pumps
	Commercial & Industrial	(Existing structures) Switch heating sources for air conditioning and hot water from heavy oil A to electrification
		(New construction) Promotion of ZEB, and introduction of high-efficiency heat pumps
Energy Conservation	Reduction in energy consumption from ZEB consulting	

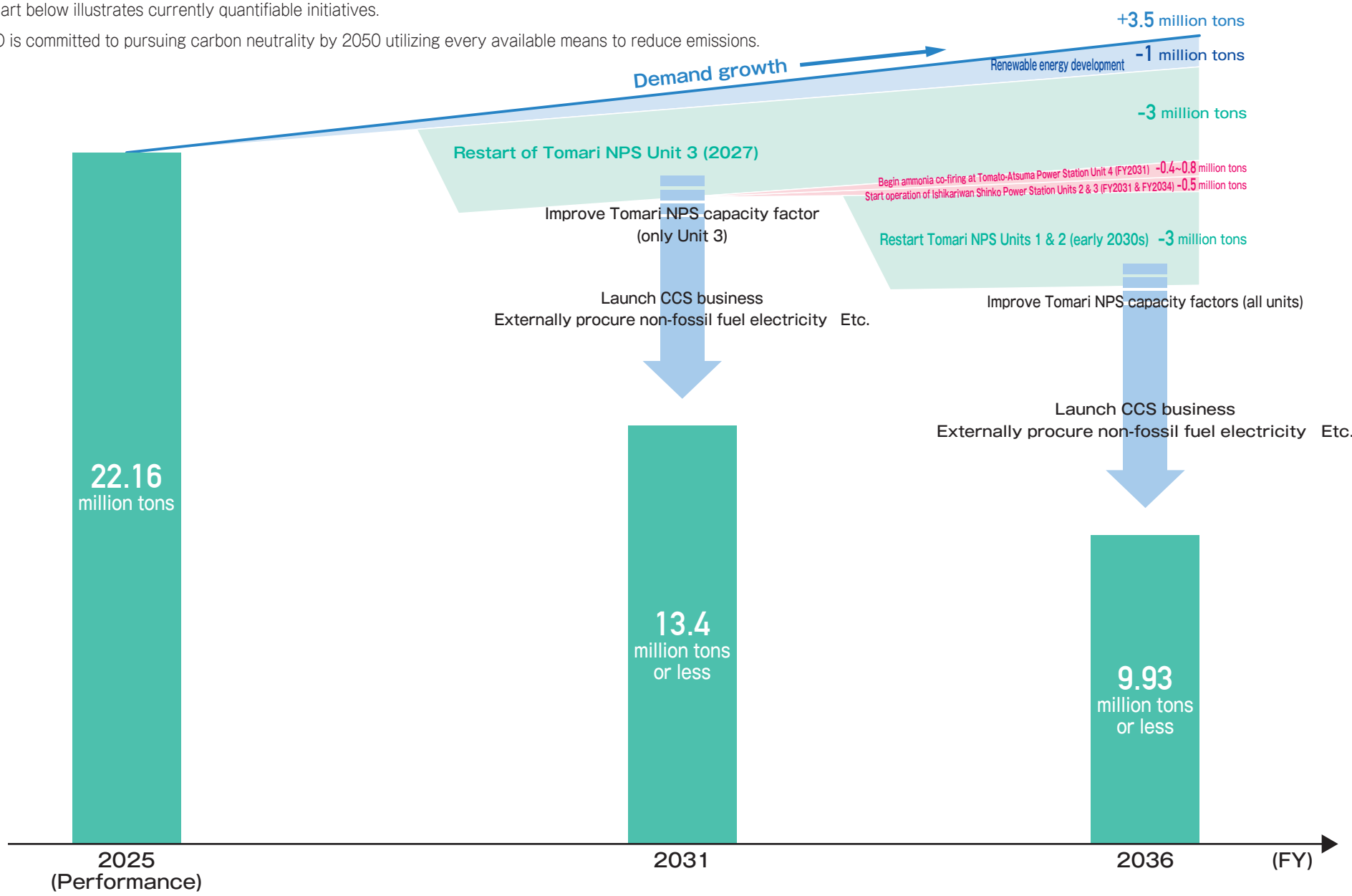


Path to Achieving Environmental Targets (Illustration)

We will pursue a systematic transition shifting to decarbonization to achieve our environmental targets.

The chart below illustrates currently quantifiable initiatives.

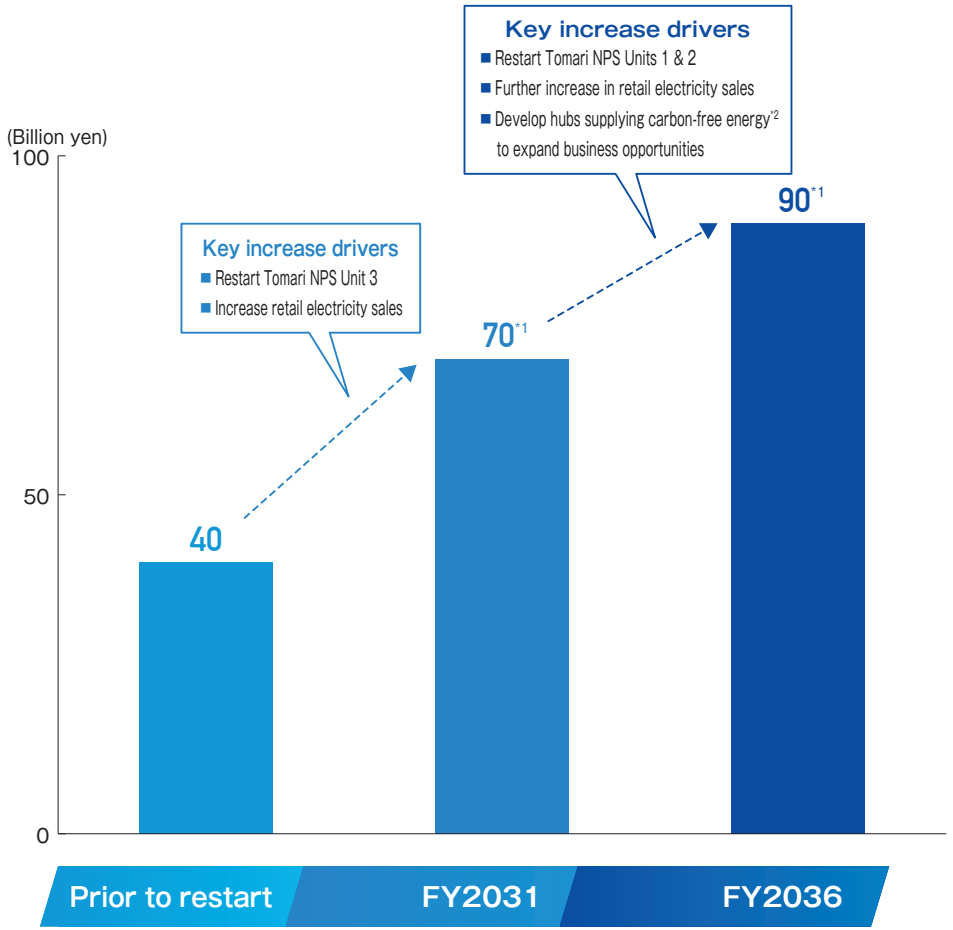
HEPCO is committed to pursuing carbon neutrality by 2050 utilizing every available means to reduce emissions.



Ordinary Income

In addition to improving revenue following the restart of all Tomari Nuclear Power Station units, HEPCO Group will steadily increase profits as business opportunities expand thanks to the establishment of hubs supplying carbon-free energy, expanding our products and services, and increasing retail electricity sales as we make sure to build on environmental changes such as carbon neutrality advances and the increase in demand for electric power in the Hokkaido area.

Change in Ordinary Income

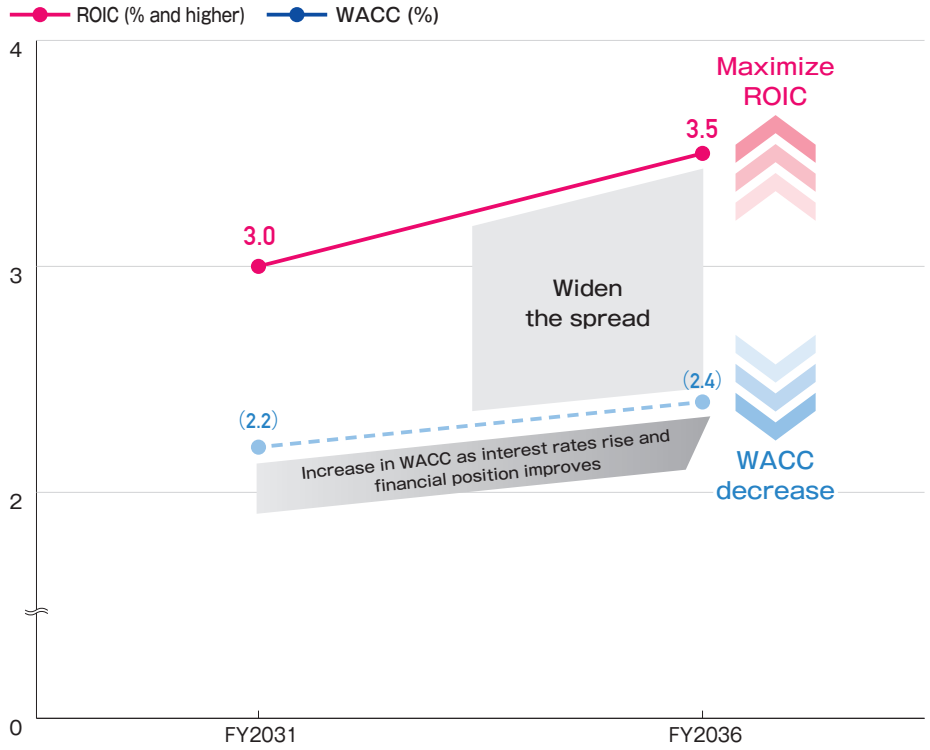


*1 Profit targets reflect the planned rate cut following the restart of Tomari NPS
*2 Business model for actively investing to leverage Hokkaido's carbon-free energy so that it may be supplied not just in Hokkaido, but also throughout Japan

ROIC (WACC)·ROE

We will manage our business portfolio to bolster investment in high-profit businesses, and improve ROIC to 3.5% or higher by further increasing the profitability of our businesses. This will enable us to continue assuring appropriate equity capital and maintain an ROE of 8% or higher.

Change in ROIC (WACC)



ROE

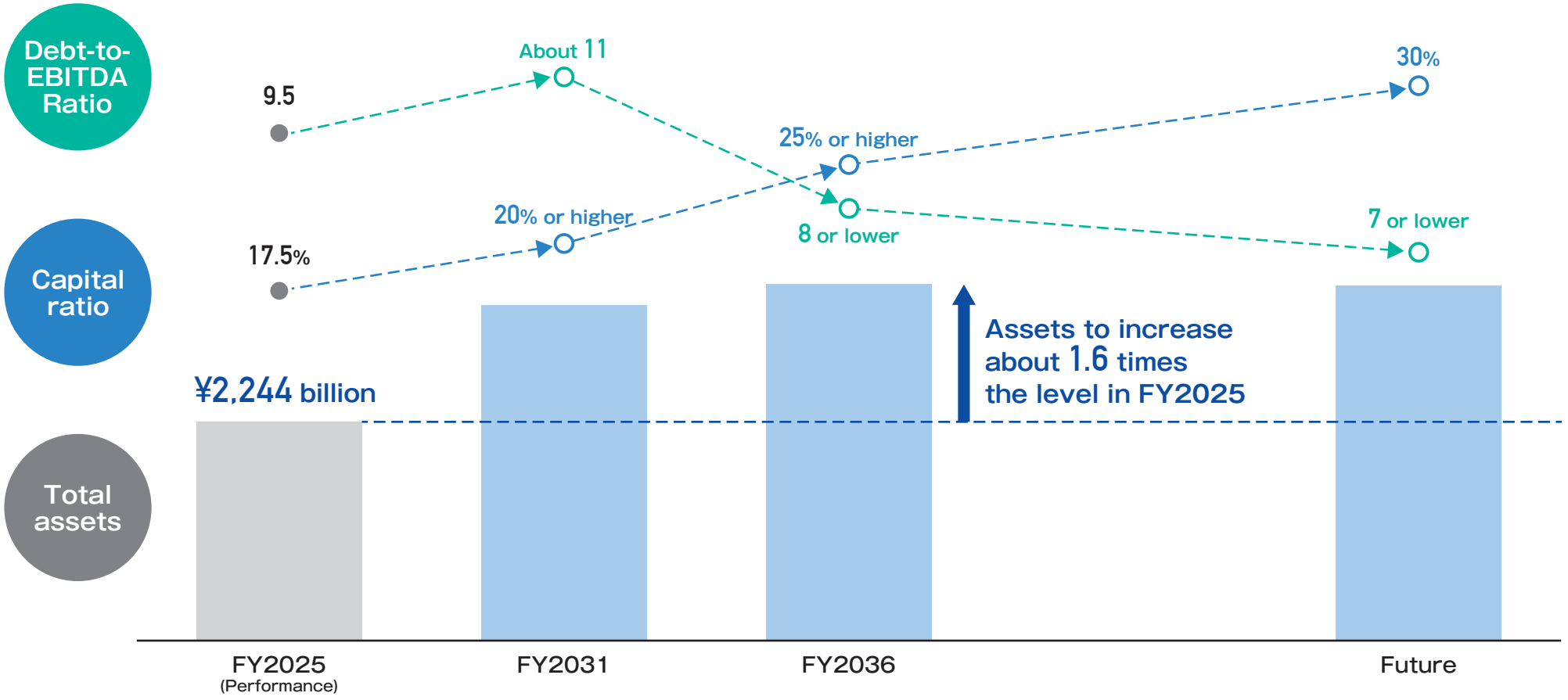
Capital Ratio & Debt-to-EBITDA Ratio

Even as our investments and assets grow, we will strive to rebuild equity capital and improve our financial standing by achieving the profit targets listed earlier.

Our goal is to increase the capital ratio to 25% or higher by the end of FY2036 and reach 30% from the standpoint of achieving greater financial soundness and utilizing financial leverage.

Initially, as our investments expand, interest-bearing debt will increase, but we will aim to keep the debt-to-EBITDA ratio to 8 or lower by improving profits at a rate greater than the increase in interest-bearing debt.

Change in Capital Ratio and Debt-to-EBITDA Ratio



Shareholder Return Policy

Previously, HEPCO Group determined how profits were distributed by comprehensively considering our medium- to long-term business environment, financial circumstances, and other factors, and basing such decisions on maintaining a stable dividend. Going forward, we will continue to maintain a policy of stable dividends and introduce the Dividend on Equity Ratio (DOE) to enhance shareholder return predictability.

Previous Shareholder Return Policy

Stable Dividend

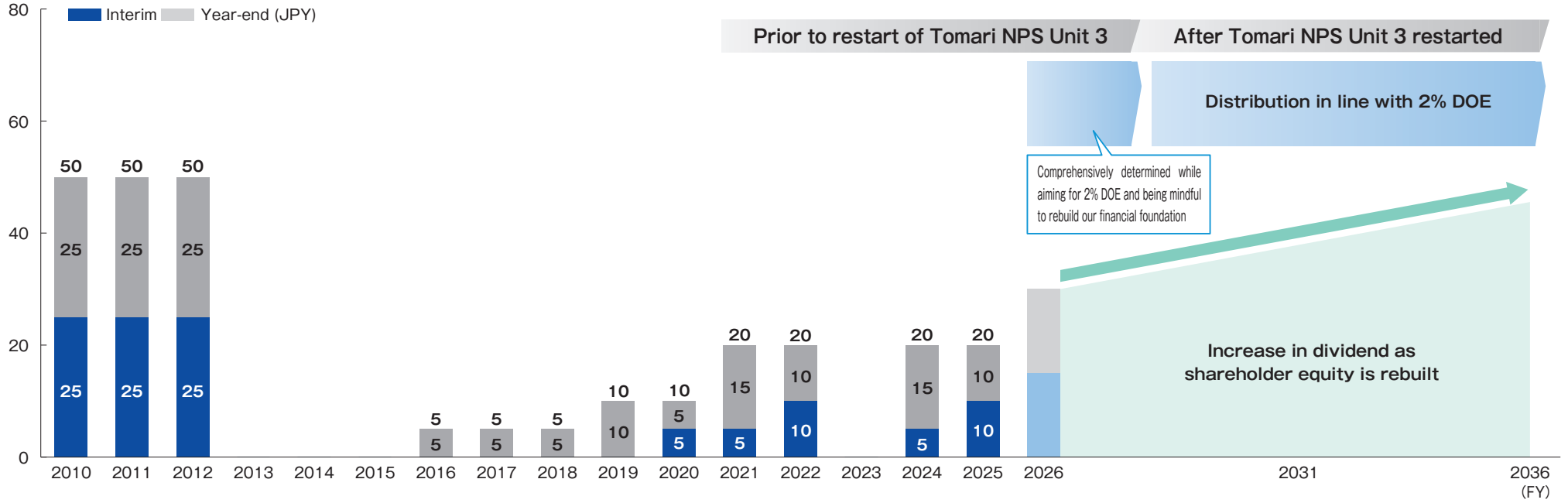
In our previous vision, we stated: "We aim to return more profits to shareholders to meet their expectations while endeavoring to restore equity capital."

New Shareholder Return Policy

Stable Dividend with 2% DOE Guideline

We will introduce DOE to enhance shareholder return predictability.
Until Tomari NPS Unit 3 is restarted, we will aim for 2% DOE and make a comprehensive determination while being mindful to rebuild our financial foundation.

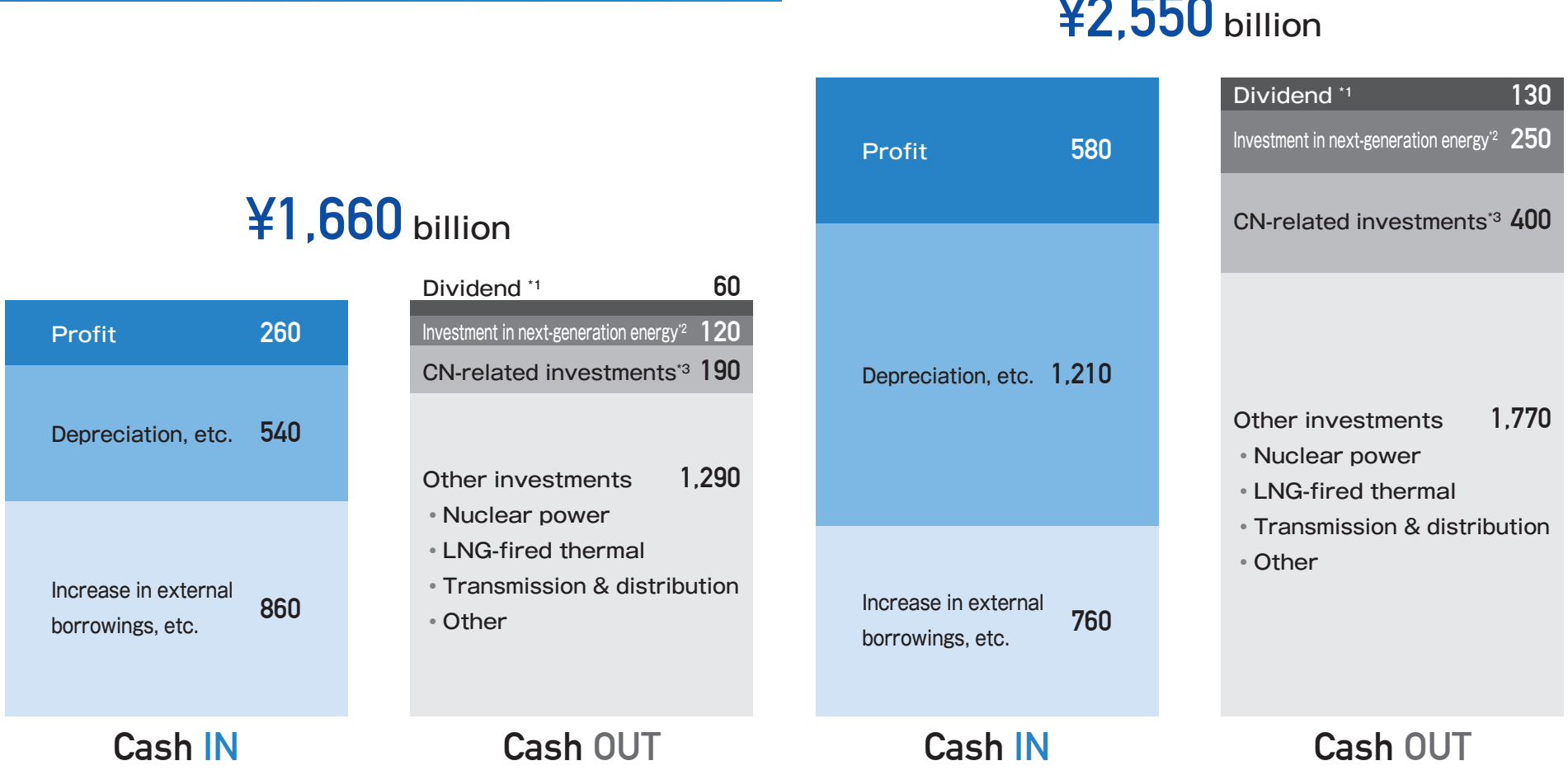
Change in Common Stock Dividend



REF Capital Allocation

2025 – 35 Cumulative (11 Years)

2025 – 30 Cumulative (6 Years)



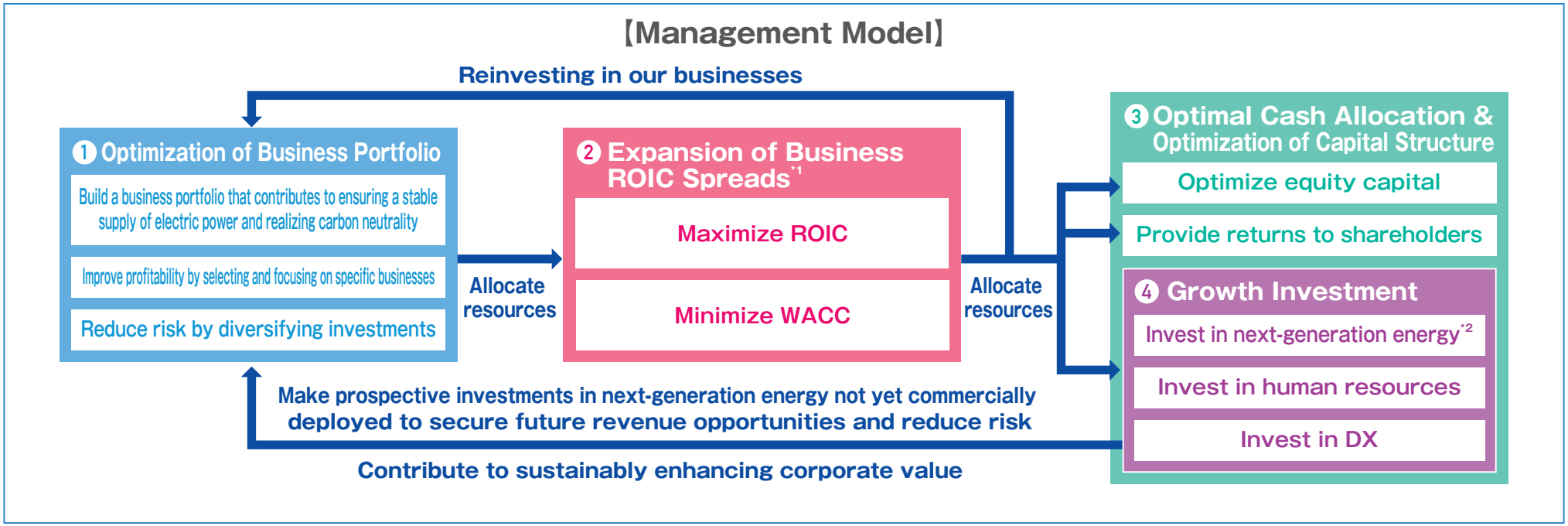
*1 Dividend: Calculated at 2% DOE for common stock and according to the current Articles of Incorporation for preferred stock.
*2 Next-generation energy investment: Investment in hydrogen, ammonia, CCUS, e-methane, etc.
*3 CN-related investment: Investment in hydroelectric power (including pumped storage) business, carbon-neutral thermal power business, renewable energy development business, storage battery development business, and decarbonization-related transmission & distribution business

SUSTAINABLY ENHANCING CORPORATE VALUE

HEPCO Group Management Model

Sustainable Corporate Value Enhancement Measures

Addressing the three management agendas outlined on p. 23 will enable HEPCO Group to contribute to perfecting the vision of society in the year 2035.
At the same time, we will also achieve a 'sustainable enhancement of our corporate value' by addressing measures to ①optimize our business portfolio, ②expand the ROIC spread for each business, ③optimally allocate cash and optimize our capital structure, and ④invest in growth.



Realize actual enhancement of corporate value

*1 ROIC spread: ROIC (Return On Invested Capital) - WACC
*2 Next-generation energy investments: Investments in hydrogen, ammonia, CCUS, e-methane, etc. (next-generation energies will be incorporated into our business portfolio when the project is expected to monetize)

Sustainable Corporate Value Enhancement Measures and Management Targets

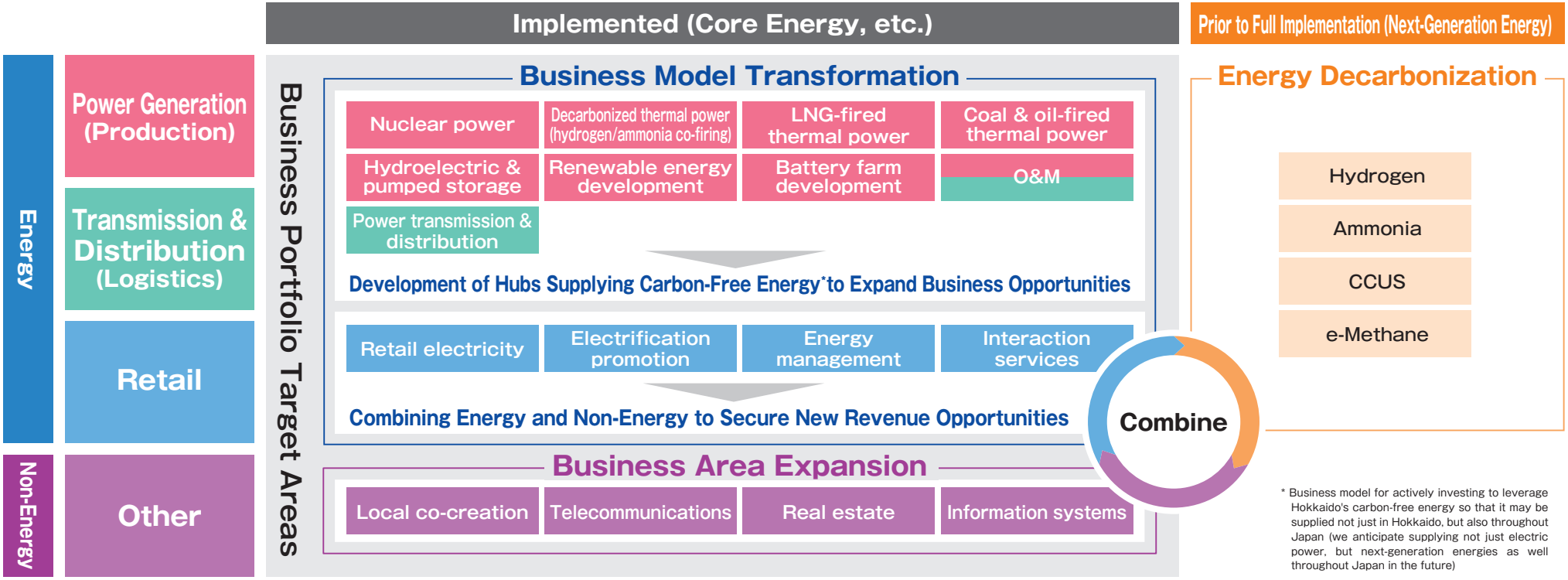
To achieve specific measures, HEPCO Group will set relevant management targets and advance initiatives while maintaining a strong awareness of what exactly we are seeking to achieve.

Measure	Overview	Relevant Management Targets
① Optimization of Business Portfolio	■ **Build a business portfolio with the flexibility to adapt to a dramatically-changing business environment** where demand for electric power may increase and progress move forward on initiatives to achieve carbon neutrality	■ Electricity sales (retail) ■ Reduction in GHG emissions ■ Contribution to GHG reduction ■ CN-related investment*1 ■ Renewable energy targets
	■ Select and focus on specific businesses to increase the ratio of investments in businesses with high capital efficiency and **maximize ROIC company-wide** ■ Diversify investments to offset business risks and **reduce WACC company-wide**	■ Ordinary income ■ ROIC (WACC) ■ ROE
② Expansion of Business ROIC Spreads	■ Optimize our business portfolio to ensure proper investment and allocation of human resources in each business unit ■ In addition, **promote initiatives to maximize ROIC and minimize WACC for each business unit so as to expand ROIC spread** and continually generate cash	
③ Optimal Cash Allocation & Optimization of Capital Structure	■ To ensure a balance between sustainable growth and maintaining financial health, **prioritize allocation of cash generated using measures ① and ② to grow investments** in next-generation energy and **optimize equity capital, and continue to provide a stable dividend as before to enhance shareholder return predictability**. ■ As we scale our business, increased investment will boost interest-bearing debt, but measures ① and ② will **ensure our earning capacity is commensurate with the increase in that debt**	■ Capital ratio ■ Debt-to-EBITDA ratio*2 ■ DOE (Dividend on Equity)
④ Growth Investment	■ Based on measure ③, **invest in next-generation energy not yet commercially deployed** in anticipation of future energy decarbonization, and **strengthen our management foundation with investments in human capital, DX**, and other assets that presuppose enhanced productivity	■ Next-generation energy investment ■ Human capital investment (added value*3/personnel expenses) ■ DX investment

*1 CN-related investment: Investments in hydroelectric power (including pumped storage) business, carbon-neutral thermal power business, renewable energy development business, battery farm development business, and decarbonization-related transmission & distribution business
*2 Debt-to-EBITDA ratio: Metric indicating a company's debt repayment capacity (calculated using interest-bearing debt divided by EBITDA (operating profit + depreciation, etc.))
*3 Added Value: Calculated using personnel expenses + depreciation + interest payments + rent + taxes and public dues + ordinary income

HEPCO Group's Business Domains Moving Toward 2035

To optimize our business portfolio, we have divided our group businesses into "Energy (Generation, Transmission & Distribution, and Retail) /Non-Energy" and "Implemented (Core Energy, etc.) /Prior to Full Implementation (Next-Generation Energy)."

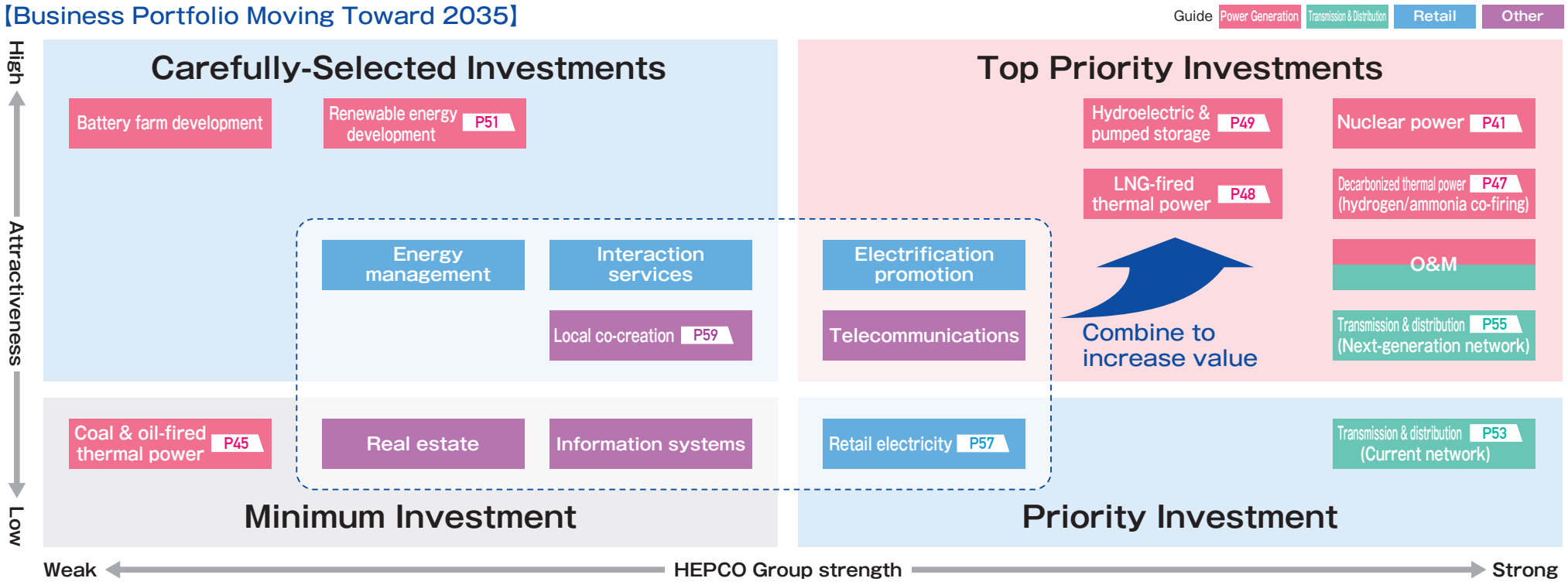


Business Domain & Business		Description (Particulars, Key Locations, etc.)
Power Generation / Transmission & Distribution	O&M	■ Operation & maintenance services for third party-owned power generation as well as transmission and transformation
Retail	Energy Management	■ Diverse services and solutions for efficient energy use, including ESP (Energy Service Provider), provision of renewable energy value (PPA), and ERAB (Energy Resource Aggregation Business)
	Interaction Services	■ Creation of new value by integrating a variety of products and services including internet services, healthcare, and sales of Hokkaido products in addition to city gas sales
Other	Local Co-Creation	■ Contributing to the development of primary industries and other businesses as well as the resolution of social issues

Business Domain & Business		Description (Particulars, Key Locations, etc.)
Next-Generation Energy	Hydrogen	■ Hydrogen production and sales
	Ammonia	■ Ammonia production and sales
	CCUS	■ CO_2 emissions curbed by separating and collecting CO_2 emitted from power plants, chemical factories, etc. from other gases, then storing it deep underground and utilizing it
	e-Methane	■ Methane produced through synthesis (methanation) of green hydrogen and CO_2, which is then marketed as fuel

Business Portfolio Optimization

【Business Portfolio Moving Toward 2035】



Portfolio Evaluation Axes and Investment Framework

Reference Axis		Elements Considered
Vertical Axis	External Factors Business attractiveness	Political & social conditions (strength of policy support, etc.)
		Competitive conditions (strength of competitors)
		Profitability
Horizontal Axis	Internal Factors HEPCO Group strengths	Market share
		Inimitability
		Price competitiveness

Domains

Carefully-Selected Investments
Domains where HEPCO Group lacks competitiveness due to factors such as recent entry so the investments are carefully selected and directed by identifying opportunities to expand market share and improve profitability

Top Priority Investments
Domain where top priority is given to directing investments as business growth and profitability improvement are anticipated

Combine to increase value
Multiple products and services tailored to specific needs are combined to provide integrated solutions, enhancing the value HEPCO Group provides to customers

Domain where investments are basically limited, except where bundling is expected to enhance value
Minimum Investment

Domain where priority is given to directing investments second only to the top priority investments as competitiveness will be maintained in the market so stable revenue is expected
Priority Investment

Expansion of Business ROIC Spreads

In line with the business models set out below, we will promote those businesses to which resources (investment and personnel) have been allocated in accordance with our optimized business portfolio, and strive to widen the ROIC spread for each business by improving operating profit margin, enhancing invested capital turnover, as well as mitigating business risk.

Energy

Power Generation (Production)

■ Taking into account that, in addition to ensuring stable supply, **the conventional value of energy as electricity (kWh) will be sought out as well as its value in providing supply (kW) and balancing (ΔkW) capacities along with its non-fossil value** when looking forward to establishing hubs supplying carbon-free energy, HEPCO Group will expand and stabilize revenue by **leveraging the value provided by each power source plus the GX-related programs and markets corresponding to that source.**

Transmission & Distribution (Logistics)

■ **HEPCO Group will make steady grid enhancements to include regional grid reinforcement and long-range HVDC transmission aimed at accommodating the influx of large-scale demand and building out renewable energies** so as to expand and stabilize revenue **under the revenue cap system and nation-wide adjustment scheme**.

Retail

■ Against the backdrop of the greatest potential for renewable energy in Japan, **plans are being made to establish next-generation semiconductor plants and data centers** in Hokkaido, and the Japanese government has also indicated its intention to promote **local production and local consumption of carbon-free energies**. HEPCO Group will take advantage of such retail business opportunities and **work to attract industry to the area, which will increase electricity sales** and grow revenue.

Non-Energy

Other

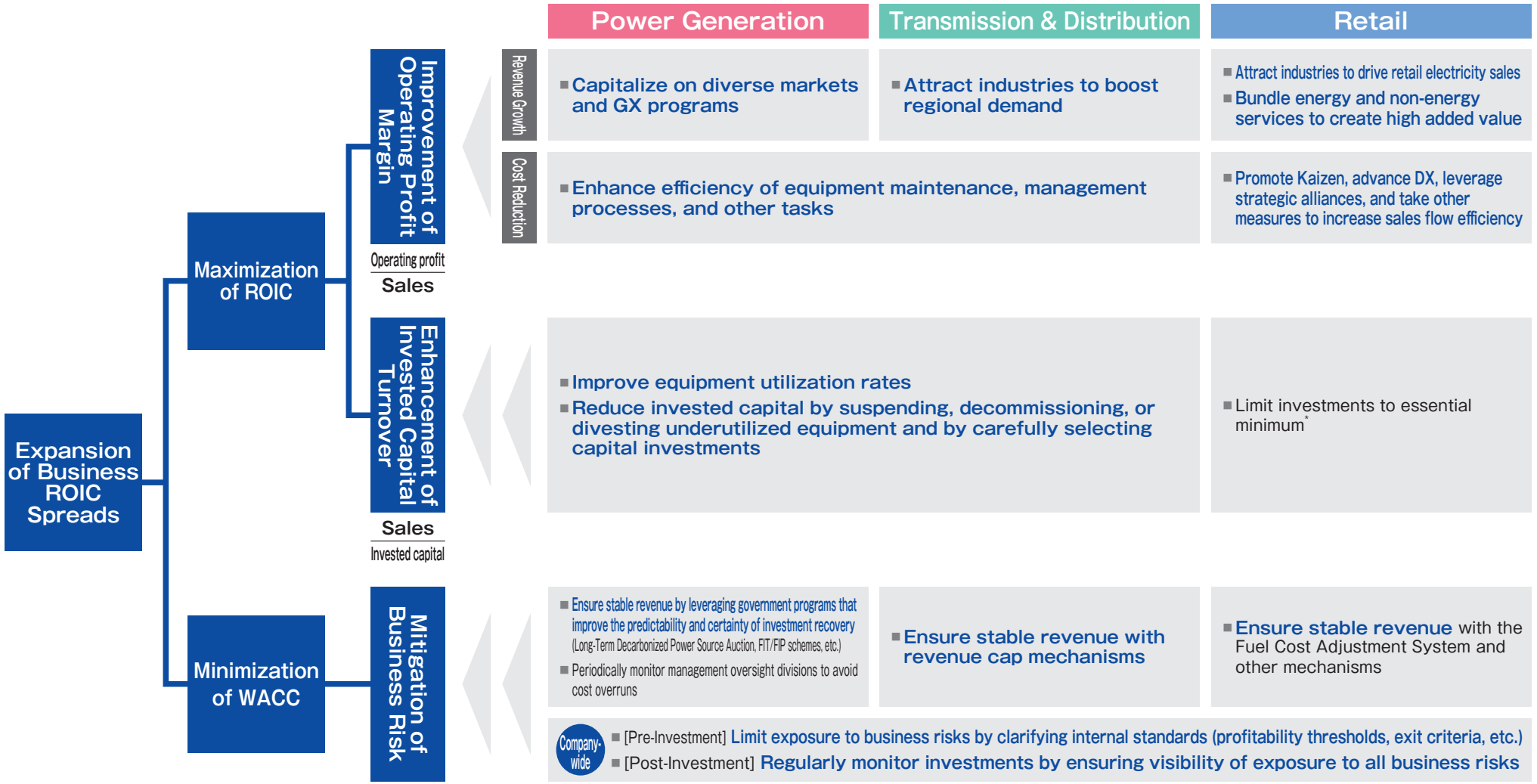
■ In non-energy businesses, **we see opportunities where we are able to make use of Hokkaido's strengths and potential as well as resolve challenges local communities face so that we may create new value** and secure revenue.

■ In addition, **combining energy and non-energy to generate greater added value will strengthen our bonds with customers, enable us to capture new earning opportunities, and expand our share of the retail electricity business, growing revenue**.

REF Next-Generation Energy

■ **As a next-generation energy first mover**, HEPCO Group is investing in hydrogen, ammonia, CCUS, e-methane, and other opportunities so that **we may capture future business opportunities as we acquire insight and know-how gained through early entry into these businesses in furtherance of our aim of securing revenue**.

Business-Specific Initiatives to Expand ROIC Spreads



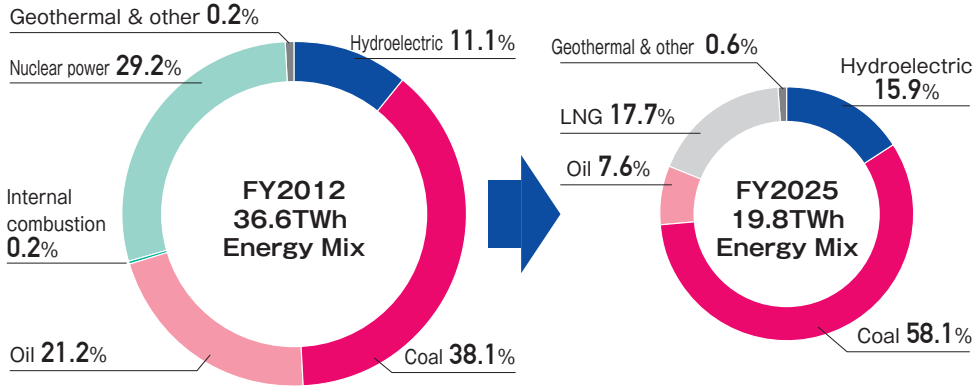
*To improve ROIC in low capital-intensive retail business, we will focus on increasing the operating profit margin.

SUSTAINABLY ENHANCING CORPORATE VALUE

Power Generation

In our power generation business, we are pursuing the following initiatives to ensure sufficient supply capacity to meet the increase in power demand, to decarbonize power sources, and to maintain the balancing capacity essential for expanding renewable installations.

- Early restart of Tomari NPS currently in long-term shutdown
- Further expansion of hydroelectric power and other renewables, as well as replacing or partially updating aging hydroelectric plants
- Suspension or decommissioning of aging thermal plants, including inefficient coal-fired units
- Preparations for commencing operation of Ishikariwan Shinko Power Station Unit 2 in FY2031 and Unit 3 in FY2034
- Evaluations aimed at applying decarbonization technologies to coal-fired power plants

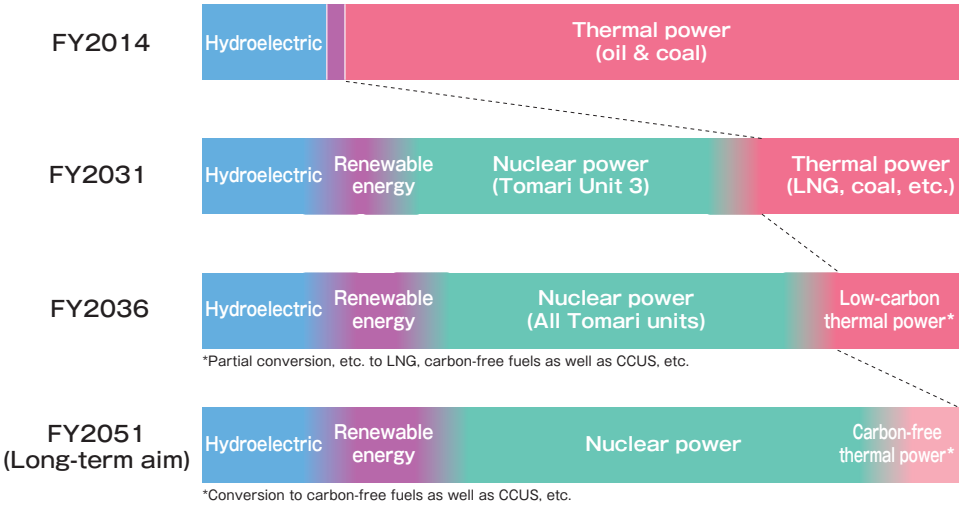


Strategic Direction

Nuclear Power Generation	■ Pursue world-class excellence in safety ■ Restart Tomari NPS Unit 3 as early as possible in 2027, and restart all units in the first half of the 2030s ■ Safely and stably operate the units, improve the utilization rates, and operate them long-term after restart
Renewable Energy (incl. Hydroelectric)	■ Expand adoption of wind, geothermal, and other renewables in coexistence with local communities toward the target of developing 3,000 MW or more by FY2036 ■ Increase hydroelectric output with new installations and repowering existing facilities ■ Expand renewable-related businesses, such as providing O&M for renewable power plants owned by other companies
Thermal Power	■ Suspend and decommission aging thermal plants, including inefficient coal-fired units ■ Utilize LNG as a transitional fuel ■ Transition to carbon-free fuels (hydrogen, ammonia, etc.) ■ Engage in CCUS (Carbon Capture, Utilization, and Storage)

HEPCO Group Power Generation Division's Power Source Composition

[Ratio of Power Generated]



Plans for Major Power Sources

HEPCO(As of September 2025)

	Power Station	Output (MW)	Construction Start Date	Date Operation Commenced or Decommissioned
Under Construction	Kyogoku Unit 3 (Closed-loop pumped-storage hydropower)	200	September 2001	FY2036 or later
Preparing for Construction	Ishikariwan Shinko Unit 2 (LNG-fired thermal)	569.4	May 2027	FY2031
	Ishikariwan Shinko Unit 3 (LNG-fired thermal)	569.4	May 2030	FY2034
Set for Decommissioning POINT 2	Naie Units 1 & 2 (Coal-fired thermal)	-350 (-175 x 2 units)	—	March 2027 (to be decommissioned)
	Sunagawa Units 3 & 4 (Coal-fired thermal)	-250 (-125 x 2 units)	—	March 2027 (to be decommissioned)
	Onbetsu Units 1 & 2 (Oil-fired thermal)	-148 (-74 x 2 units)	—	Pending (decommissioning)

POINT 1

POINT 1 Development of Ishikariwan Shinko Power Station (LNG-Fired Thermal Power)

Having taken into account projected demand increases in the Hokkaido area, we determined it necessary to move up the start dates for operating Ishikariwan Shinko Units 2 and 3. So, we secured a successful bid in the first long-term decarbonization power source auction with operation of Unit 2 set to start in FY2031 and Unit 3 in FY2034.

POINT 2 Suspension & Decommissioning of Aging Thermal Power Facilities

■ **Naie Power Station Units 1 & 2 (Coal-fired thermal) and Sunagawa Power Station Units 3 & 4 (Coal-fired thermal)**

⇨As the facilities have also aged significantly, the units require major equipment upgrades to continue to operate stably, so we plan to decommission them at the end of March 2027.

■ **Onbetsu Power Station Units 1 & 2 (Oil-fired thermal)**

⇨Decommissioning date to be determined. No specific date has yet been set for decommissioning. The decision is under review with consideration given to electricity demand and supply projections, the timeline for restarting Tomari NPS, as well as the operational status and age profile of other thermal power plants.

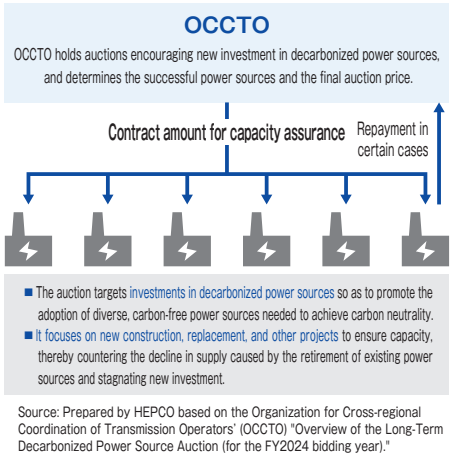
TOPICS What Is the Long-Term Decarbonized Power Auction?

The Long-Term Decarbonized Power Auction was launched in FY2024. It is a competitive bidding system that was established to incentivize new private investment in carbon-free power generation. In principle, winning projects receive payments to cover fixed capacity costs for 20 years, providing long-term revenue certainty to support recovery of the substantial upfront capital investments. However, the system mandates the return of approximately 90% of revenues from wholesale and non-fossil fuel as well as other markets.

The following chart shows the results of HEPCO's long-term decarbonized power auction bids.

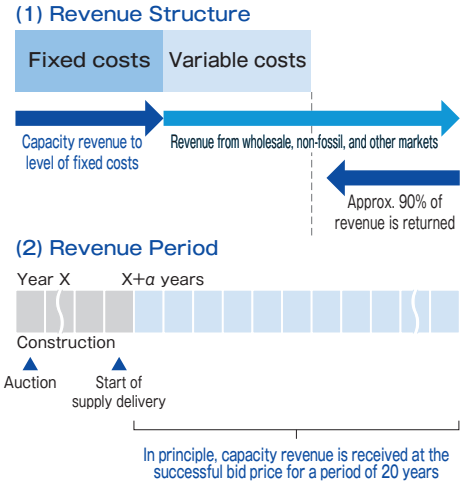
Bid Year (FY)	Power Station	Description	Awarded Capacity	Operation Start Date
FY2024	Ishikariwan-Shinko Unit 2	100% LNG-fired (utilize hydrogen and other carbon-free fuel combustion in the future in proceeding to decarbonize unit)	551,217kW	Scheduled for FY2031
	Tomato-Atsuma Unit 4	20% ammonia co-fired [20% heat ratio converted from coal]	132,200kW	Scheduled for FY2031
FY2025	Tomari Unit 3	Investing in safety measures for current nuclear power unit	902,107kW	Scheduled for FY2028
	Ishikariwan-Shinko Unit 3	100% LNG-fired (utilize hydrogen and other carbon-free fuel combustion in the future in proceeding to decarbonize unit)	551,217kW	Scheduled for FY2034

Mechanism for Ensuring Supply Capacity with Long-Term Decarbonized Power Auction

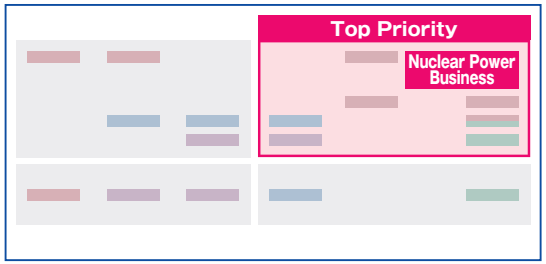


Source: Prepared by HEPCO based on the Organization for Cross-regional Coordination of Transmission Operators' (OCCTO) "Overview of the Long-Term Decarbonized Power Source Auction (for the FY2024 bidding year)."

Illustration of Successful Bidders' Revenue



HEPCO's Business Portfolio



Nuclear Power Business

Nuclear Power Generation Features

- No CO_2 emitted during generation
- Large-scale baseload power source
- Per kWh cost competitive with other power sources

HEPCO's Status

- Tomari NPS's operating period is relatively short compared to most Japanese nuclear plants (Unit 3 is the newest)
- All Tomari NPS units shutdown since 2012. Time is required for the units to undergo review examining compliance with the new regulatory requirements in order to restart and construction is needed to erect a new seawall along with other safety measures.

Future Initiatives

- Work is steadily proceeding on safety measures, including a new seawall, as well as the review examining Tomari NPS Unit 3's compliance with new regulatory requirements so that the unit may be restarted as early as possible in 2027.
- Restart of Tomari NPS Units 1 & 2 will proceed in the early 2030s.
- To ensure safety, the policy followed is to install facility offsite for loading and unloading fuel and other cargo.
- A challenge faced due to the extended shutdown is the increase in personnel without plant operation experience and a shortage of those possessing such experience, so the maintenance and enhancement of employee technical capabilities is being promoted ahead of restart.

INPUTS (HEPCO)

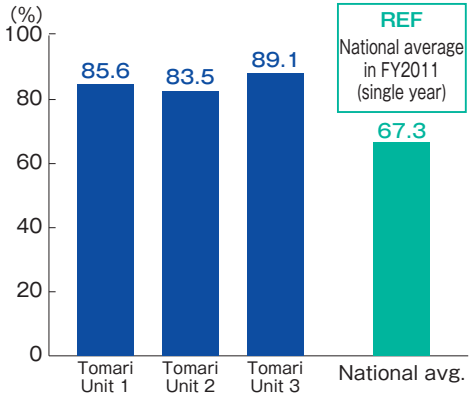
Rated electrical output ··· **2,070 MW**
(all 3 Tomari units)

Number of employees ····· **631***
(611 men, 20 women, and 1 foreign national; average years of service: 17.8)
*As of July 1, 2025. Total comprising the Nuclear Power Internal Audit Office, Nuclear Power Administration Division, Tomari Nuclear Power Office, and Tomari NPS.

Book value ····· **¥275.7 billion**
*Including nuclear fuel.

OUTPUTS (HEPCO)

Previous Capacity Factors
(Cumulative through End of FY2011)



* Prepared by HEPCO based on the Japan Atomic Industrial Forum's "Operating Performance of Japan's Nuclear Power Stations."

Restart Benefits (70% Capacity Factor)

	Unit 3	All Units
Electricity generated (TWh)	5.1	11.6
CO_2 reduction effect (1,000 t)	3,000	6,000

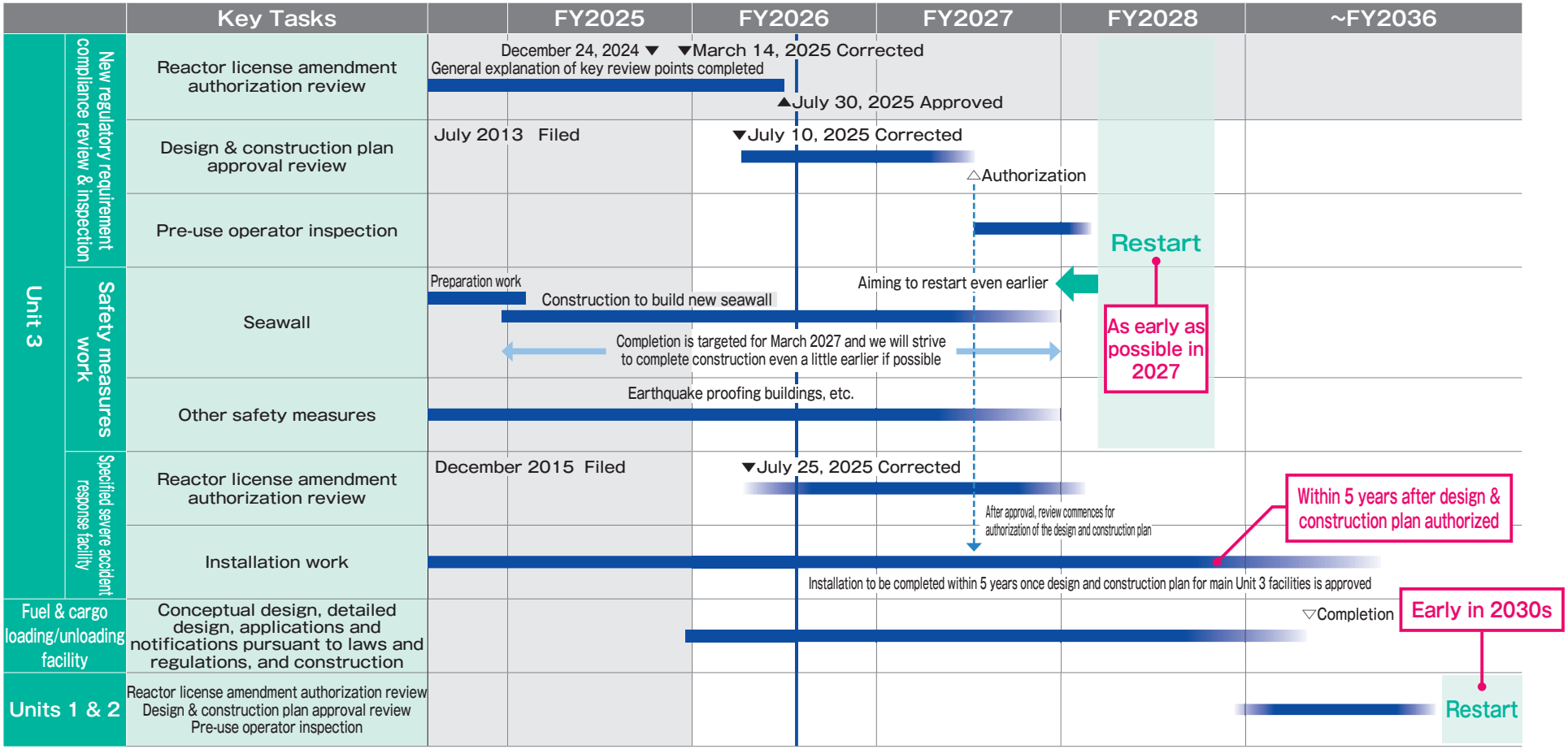
Fuel & Radioactive Waste

Spent fuel and radioactive waste resulting from plant operations is appropriately stored and managed.

More information about radioactive waste is available here
https://www.hepco.co.jp/energy/atomic/explanation/radioactive_waste_about.html

Initiatives for Restarting Tomari NPS

We received authorization to amend the Tomari NPS Unit 3 reactor license on July 30, 2025. Moving forward, we will marshal our collective strengths for the design and construction plan approval review and pre-use operator inspection so as to restart Unit 3 as early as possible in 2027.
With the aim of restarting Tomari NPS Units 1 and 2 soon, we are advancing preparations for correcting and otherwise perfecting the application for amendment of the reactor license, and will restart these units in the first half of the 2030s decade.
The specified severe accident response facility will be completely installed within five years once the design and construction plan for the main Tomari NPS Unit 3 facilities is approved.

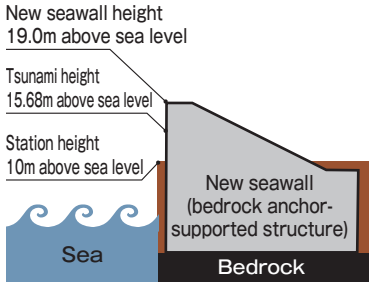


Installation of New Seawall

We started construction on a new seawall as a measure to protect Tomari NPS against tsunamis in March 2024. Work is on track with the aim of completing the seawall by March 2027.

Seawall-Related Construction	FY2023	FY2024	FY2025	FY2026	FY2027
Preparation work	Transport earth and sand, set up facility for producing cement-mixed improved soil, etc. ▲Nov		▼Jun		
Installation work			Retaining wall ▲Mar ▼Dec Excavation ▲Oct	Pour concrete & cement-mixed improved soil ▲Mar	

Structure & Installation of New Seawall



Construction Progress
(June 2025 Photo)

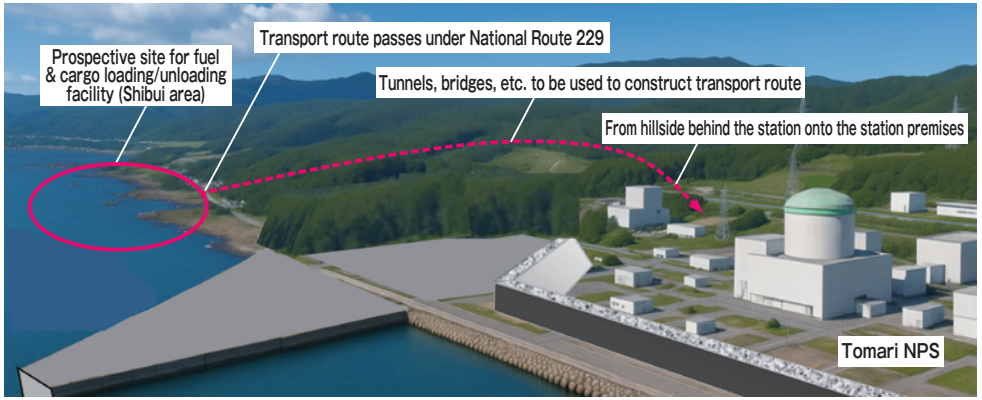
Review of Offsite Fuel & Cargo Loading/Unloading Facility

An issue arose during the compliance review where measures would need to be addressed to prevent fuel and other cargo transport ships from drifting. A tsunami could cause fuel and other cargo transport ships anchored at the Tomari NPS port to drift, damaging the seawall and other tsunami protection facilities. Our policy for a preventive measure ensuring safety in such a situation is not to allow such ships to enter the Tomari NPS port, and establish a facility for fuel and cargo loading and unloading outside of the power station.

Specifically, from the perspective of facilitating safe fuel transport, we are advancing a design detailing plans to establish a facility for loading and unloading fuel and other cargo in Tomari Village, and construct a special road connecting the facility and Tomari NPS. As we move forward, we will proceed to work out the detailed design, perform the procedures for applications, notifications, etc. pursuant to laws and regulations, and strive to complete construction as early as possible.

Review of Fuel & Cargo Loading/ Unloading Facility	FY2025	FY2026 or later
Conceptual design	Location, transport route, etc.	
Detailed design		Location, transport route, etc.
Application & notification pursuant to laws/regulations	Consultations with relevant ministries, etc.	
Construction		Construction of port, transport route, etc.

Illustration of Fuel & Cargo Loading/Unloading Facility



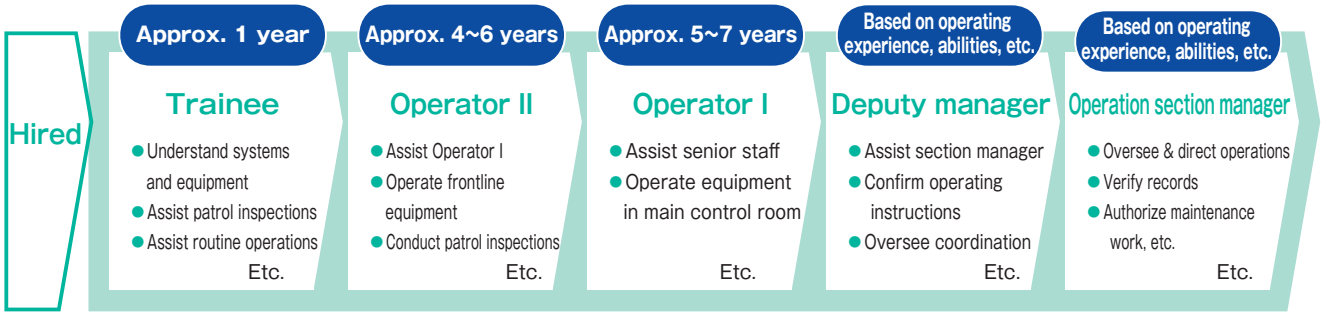
Initiatives for Maintaining and Transferring Engineering Skills

As the shutdown of Tomari NPS is prolonged, the number of employees without any experience in operating a nuclear power station increases each year. This poses a challenge of how to continue to provide practical training that makes up for a lack of operational experience as well as training and education in which our veteran employees pass down their engineering skills to the younger generation. We are working to maintain and transfer the engineering competency that our employees require through continuing training and education in preparation for restarting the power station.

Need for Long-Term Systematic Personnel Training

So that the power station may continue to operate safely, it is crucial that the operators and maintenance personnel manning the front lines possess the high-level awareness as well as superior knowledge and skills required for ensuring nuclear safety. To that end, a long-term systematic program that provides continuing education and training is required to develop nuclear power personnel and ensure they possess the required competencies.

Illustration of Operator Training Process

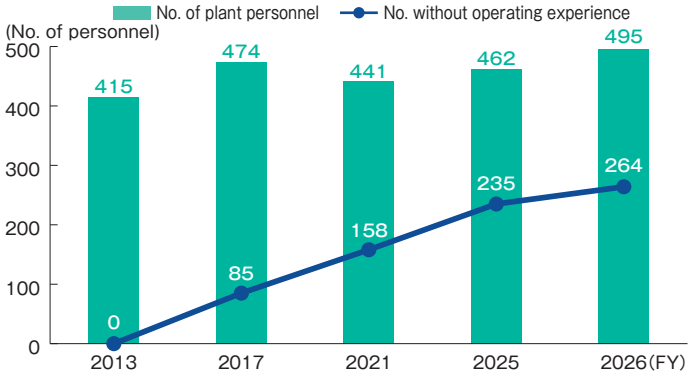


Increase in Personnel Lacking Operating Experience

Operation of HEPCO's Tomari NPS has been shut down for more than 10 years since May 2012.

As of April FY2026, 264 of the 495 Tomari NPS personnel, or approximately 53.3%, do not have any operating experience.

No. of Employees Without Plant Operating Experience



Specific Personnel Training Initiatives

Training focused on practical scenarios

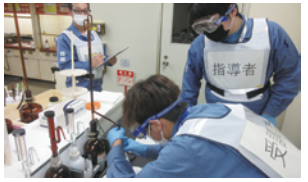
For young operators without operational experience, we have implemented initiatives to enhance their ability to detect abnormalities in the field. We have incorporated "Training for Improving Field Abnormality Detection Capabilities" in which trainees patrol training facilities where abnormalities are simulated before they actually go on site so that they may quickly detect abnormalities. In addition, we are continuously working to maintain and improve our operators' skills with continuing simulator training that simulates a range of events from minor equipment failures to severe accidents.

Training to improve field abnormality detection capabilities

Simulator training

Passing down skills to the younger generation

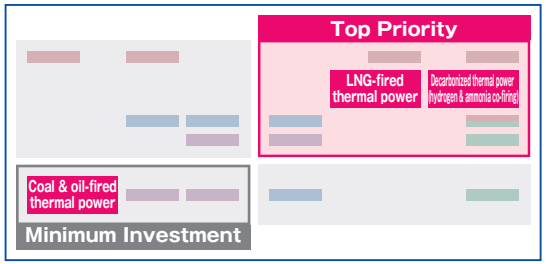
We are passing on engineering competencies by enabling younger maintenance personnel to experience a series of tasks from design through installation and adjustment so that our experienced personnel may continue to convey to them a working knowledge of these processes. Also, managers and other supervisors are able to observe and provide advice during the sessions where instructors are mentoring younger employees. When conducted repeatedly, such measures also improve instruction methods, which contributes to our efforts to maximize the effect that training has on our younger employees.



Technical instruction for younger employees

Thermal Power Business (Decarbonized, LNG, Coal & Oil-Fired)

HEPCO's Business Portfolio



Thermal Power Generation Features

- As thermal power emits CO_2 during the power generation process, efforts are required to eliminate or lower carbon. (Emission intensity ranks coal > oil > LNG)
- In addition to supply capacity, thermal power plays a role in adjusting capacity due to its high load-followability.

HEPCO's Status

- HEPCO has many aging thermal plants, including inefficient coal-fired plants.
- We need to construct and expand facilities to meet the increase in demand for electricity.

Future Initiatives

- We will systematically proceed to suspend and decommission aging thermal plants, including inefficient coal-fired ones, as we assess future supply and demand.
- We will newly construct and expand LNG-fired power stations emitting relatively low levels of CO_2.
- We will aim to decarbonize thermal power by 2050 by converting coal-fired plants to ammonia and utilize CCUS as well as converting LNG-fired plants to types of hydrogen fuel.

INPUTS (HEPCO)

Power Generation Capacity of Key Thermal Powers (End of FY2025)

	Number of Stations	Output (MW)	FY2025 Fuel Consumption (1,000 t or kl)
LNG	1	569.4	440
Oil	3	1,650	450
Coal	3	2,250	4,090

Number of Employees ····· 428*

(412 men, 16 women, and 1 foreign national; average years of service: 16.6)

*As of July 1, 2025. Total for the Next Generation Energy Department and thermal power stations.

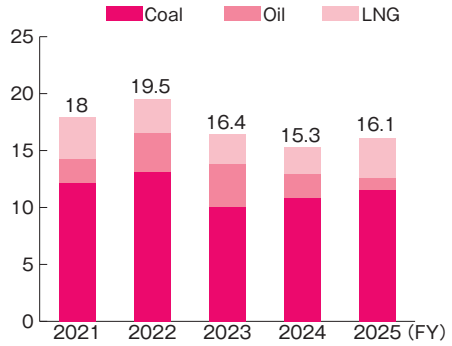
Book value ····· ¥160.4 billion

OUTPUTS (HEPCO)

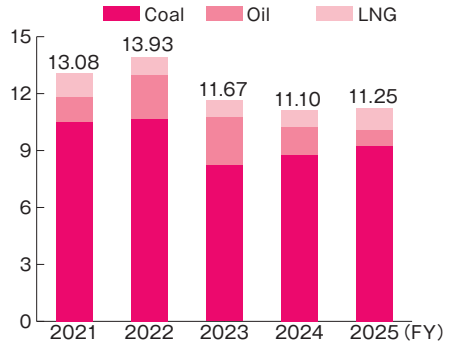
Thermal power generated (FY2025) 16.1 TWh

CO_2 Emissions (FY2025) 11.25 million tons

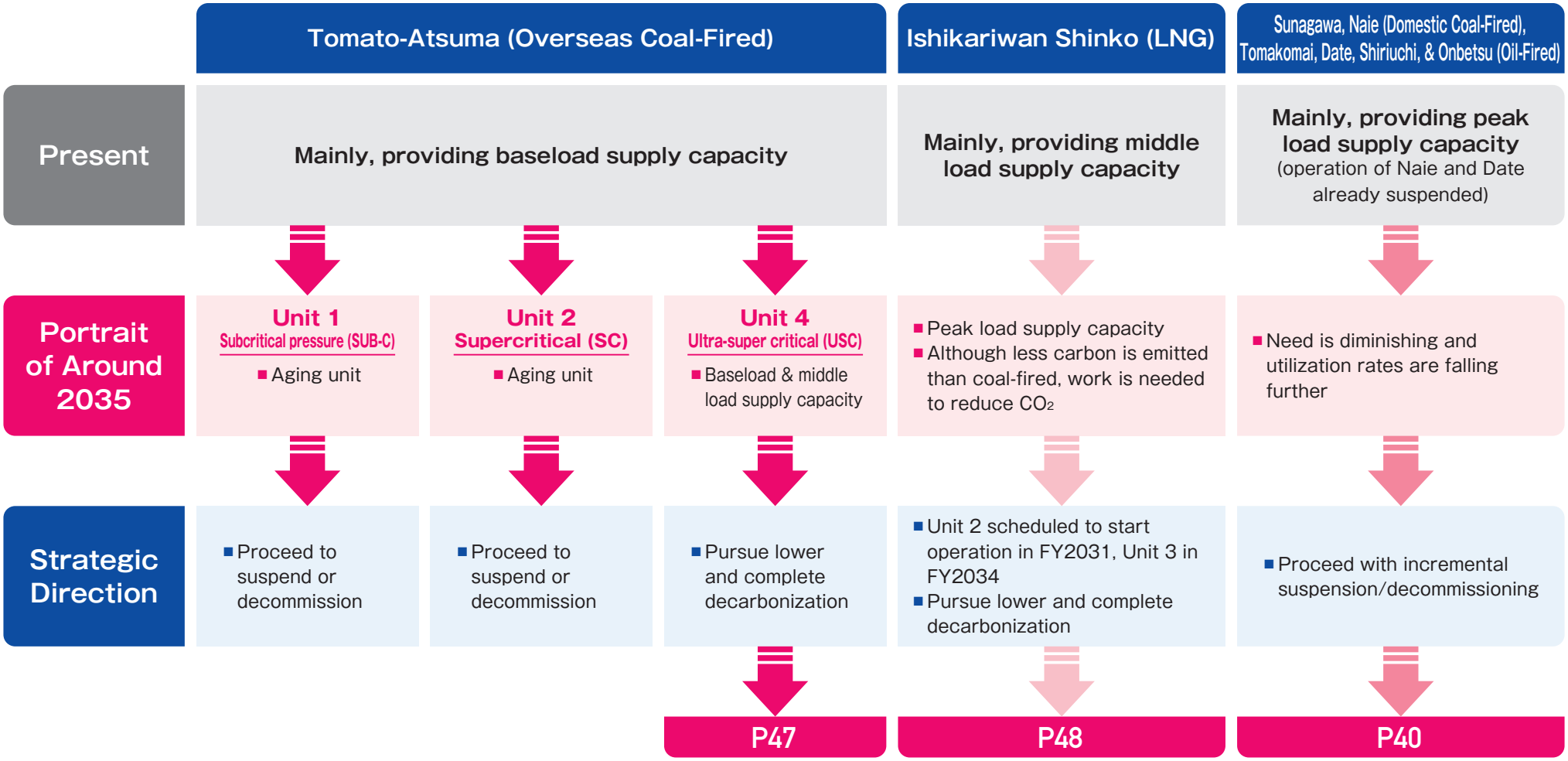
Change in Thermal Power Generated (TWh)



Change in CO_2 Emissions (million tons)

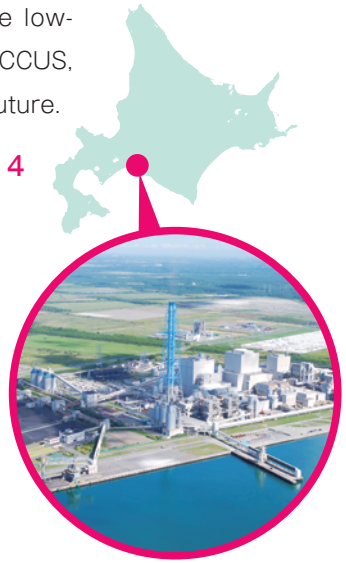


HEPCO Power Stations: Status & Strategic Direction



Decarbonization of Tomato-Atsuma Power Station Unit 4 (Overseas Coal)

Tomato-Atsuma Power Station Unit 4 will advance low-carbonization through utilization of fuel ammonia and CCUS, etc. with the aim of achieving carbon neutrality in the future.



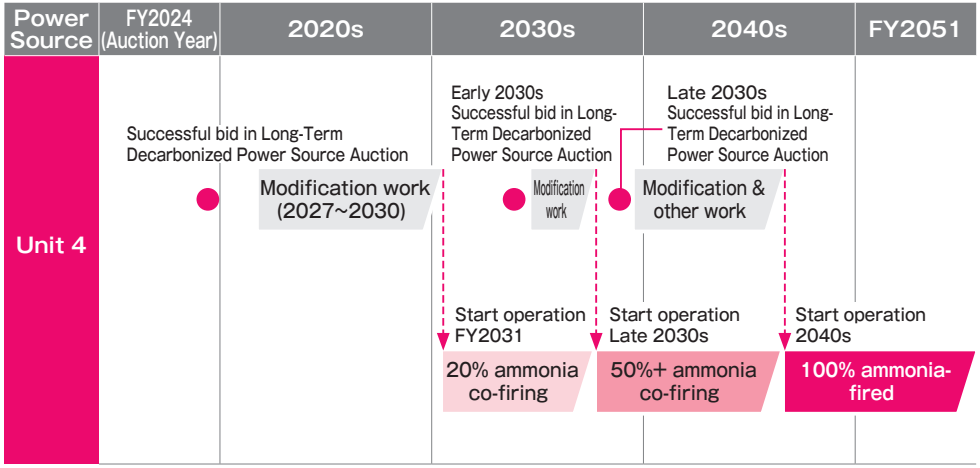
Overview of Tomato-Atsuma Power Station Unit 4

Output (MW)	Unit	Unit Output (MW)	Power Generation Method	Fuel Used
1,650	1	350	Steam	Coal
	2	600		
	4	700		

Unit 4 Features

- Unit producing the largest output among HEPCO thermal power stations
- Industry leading capability to modify output among coal-fired thermal plants in Japan

Roadmap to Decarbonization of Unit 4



Specific Direction

【Fuel Ammonia】

- Not only does ammonia not contain carbon or emit CO_2 during combustion, but its combustion speed approximates that of coal, making it a viable fuel for decarbonizing our current coal-fired power plants.

→

- With the aim of implementing 100% ammonia-fired operation in the 2040s, we are examining a 20% conversion to ammonia by FY2031 and a 50%+ conversion in the late 2030s.

【CCUS】

- Carbon Capture, Utilization and Storage (CCUS) encompasses a low-carbon technology Carbon Capture and Storage (CCS), which separates and captures CO_2 in exhaust gases emitted from power plants, factory boilers, and other such facilities for storage deep underground, and Carbon Capture & Utilization (CCU), which converts the CO_2 into synthetic fuels and other applications.
- The Tomakomai region where Tomato-Atsuma Power Station is located possesses the potential for underground CO_2 storage, and has welcomed companies that are taking on the challenge of producing synthetic fuel from CO_2.

→

- Study ahead of business launch by 2030

【Biomass Fuel】

- Biomass fuel is a proven low-carbon fuel that many coal-fired power plants have already adopted.

→

- We are planning co-firing tests (black pellet co-firing rate: 10wt%*) during 2025 as we consider its applicability in power stations based on test results and black pellet supply stability.

*wt% (weight percent): unit expressing the percentage by mass

Decarbonization of Ishikariwan Shinko (LNG)

In addition to hydrogen not containing carbon or emitting CO_2 during combustion, its combustion speed approximates LNG, so our aim is to convert the fuel used at Ishikariwan Shinko to hydrogen in order to make it carbon neutral.

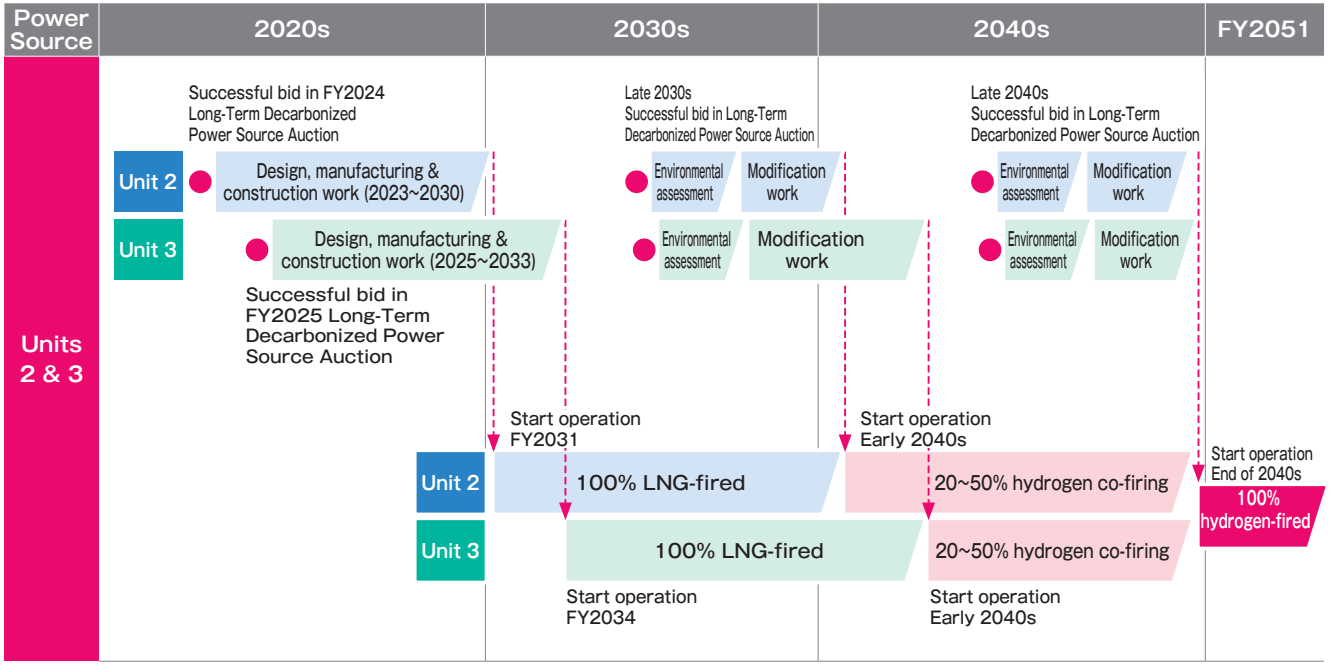
Overview

Output (MW)	Unit	Unit Output (MW)	Power Generation Method	Fuel Used	Operation Start Date
1,708.2	1	569.4	Combined-cycle	LNG	February 2019
	2	569.4			Scheduled for FY2031
	3	569.4			Scheduled for FY2034

Features

- Most advanced power station among HEPCO's thermal power plants
- Industry-leading power generation efficiency among LNG-fired thermal power stations in Japan

Roadmap to Decarbonization of Units 2 & 3



Specific Direction

【Unit 1】

- We will aim to decarbonize Unit 1 by 2050, and consider equipment modifications and other conversion work in the future.

【Unit 2】

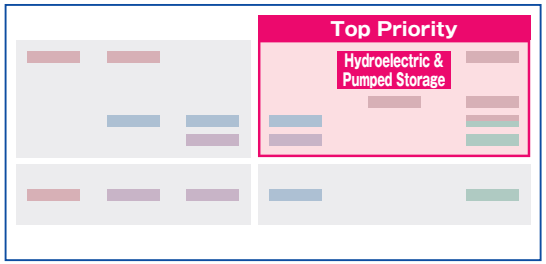
- Operation (100% LNG-fired) to start in FY2031
- Hydrogen to be utilized in early 2040s (20~50% conversion rate)
- 100% hydrogen-fired by the end of 2040s

【Unit 3】

- Operation (100% LNG-fired) to start in FY2034
- Hydrogen to be utilized in early 2040s (20~50% conversion rate)
- 100% hydrogen-fired by the end of 2040s

Hydroelectric & Pumped Storage

HEPCO's Business Portfolio



Hydroelectric Power Generation Features

- Hydroelectric does not require fuel for generation. No CO_2 is emitted during the power generation process.
- Hydroelectric uses established technology and is a highly-reliable power source. Stable power generation is feasible.
- Pumped-storage power stations serve as "batteries" storing surplus electricity as potential energy from water. Recently, pumped-storage power stations have increased in importance as power sources for balancing fluctuations in solar, wind and other renewable power output.

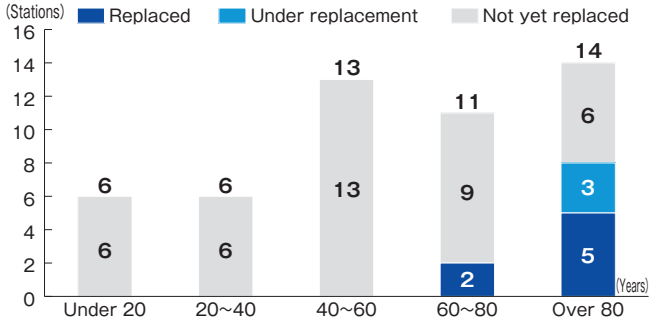
HEPCO's Status

- HEPCO owns dam, pumped and other types of power generation facilities conforming to Hokkaido's topography.
- New development will be difficult going forward
- Many hydroelectric power stations are aging

Future Initiatives

- In addition to providing baseload and peak capacity as always, changes have occurred in the role hydroelectric and pumped-storage power stations play in its capacity to balance supply and demand.
- To maximize the effective use of our precious water resources, we will replace, partially update, and make other modifications to aging hydroelectric power stations.

Age of Power Stations



INPUTS (HEPCO)

Hydroelectric Power Generation Capacity

	Number of Stations	Output [kW]
Dam Reservoir (pumped storage type)	12 (2)	593,120 (400,000)
Dam-Conduit Hybrid	20	496,720
Conduit	17	149,680
Pumped-Storage	1	400,000
Total	50	1,639,520

More detailed information available here
https://www.hepco.co.jp/energy/water_power/index.html

Number of Employees ····· 258*
(253 men, 5 women, and 0 foreign nationals; average years of service: 17.6)
*As of July 1, 2025. Total for the Hydropower Department, Hydropower Centers, Moiwayama Power Station Replacement Construction Office, and Kamikawa Power Station Replacement Construction Office

Book value ····· ¥187.1 billion

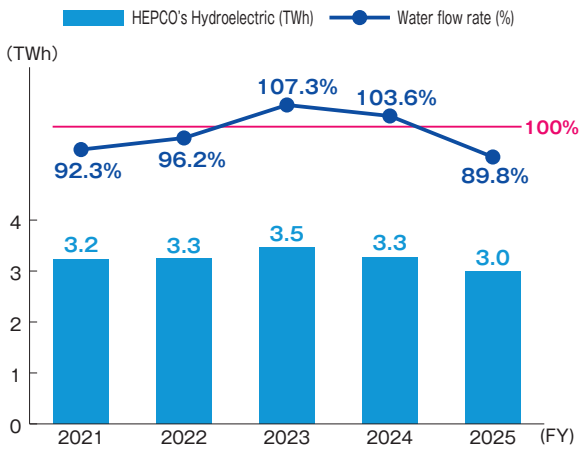
OUTPUTS (HEPCO)

Power Generated (FY2025)

3 TWh

Hydroelectric power accounts for approximately 16% (in FY2025) of the power generated by HEPCO and provides a stable source.

Change Over Past 5 Years



Initiatives for Maximizing Hydroelectric Power Generation

Aging Management: Replacement and Component Updating

Hydroelectric power generation is clean renewable energy that is an essential power source for achieving carbon neutrality. That is why we have strived to stably operate these facilities as we perform daily maintenance and repairs, large-scale repairs and partial updates every 10 to 20 years, and large-scale renovation (replacement) and other work when equipment has significantly deteriorated after 60+ years have passed. In conjunction with this approach, we are endeavoring to increase output and the power generated with the adoption of new technologies and effective use of untapped energy resources. We are steadily advancing these efforts while also making use of the FIT scheme and alliances with other companies. We are working to maintain and secure this stable power source for the future.

List of Replacement Projects (As of September 30, 2025)

	Power Station
Completed	Chubetsu-kawa
	Yubetsu-kawa
	Kanbetsu
	Makunbetsu
	Eoroshi
	Shikaribetsu
	Sounkyo

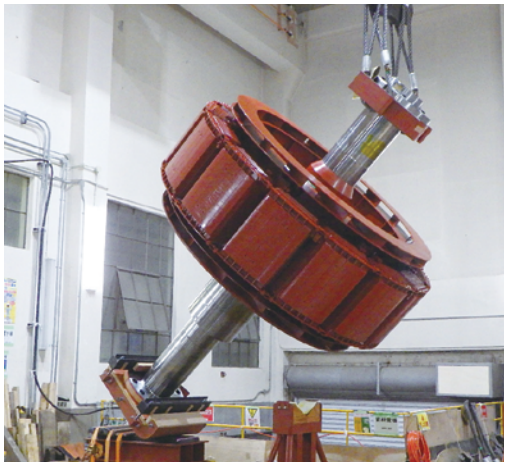
	Power Station
Under Construction	Kamikawa
	Moiwa
	Konbu
Planning Stage	Shibinai

More specific data and other information available here

https://www.hepco.co.jp/energy/water_power/development_improvement.html

【Makunbetsu Power Station Replacement Project】

Work started December 2022 and commercial operation began January 2025
Max. output: 18,000 kW



Generator rotor replaced

Turbine runner installed

TOPICS Pumped-Storage Power Stations Contribute to Greater Adoption of Renewable Energies

HEPCO Group has three pumped-storage power stations with a total capacity of 800,000kW. These serve as balancing power sources to maximize the effective use of renewable energy.

Of these, the Kyogoku Power Station (output: 400,000kW) has adopted a state-of-the-art variable-speed pumped-storage power generation system. Because this station has the capability to respond quickly, using both power generation and pumped storage, to fluctuations in solar, wind, and other power generation output, it is an essential part of our efforts to install renewable energies in Hokkaido.

List of HEPCO-Owned Pumped-Storage Power Stations
(As of September 30, 2025)

Power Station	Type	Output (MW)
Kyogoku	Closed-loop pumped-storage	400
Niikappu	Open-loop pumped-storage	200
Takami	Open-loop pumped-storage	200

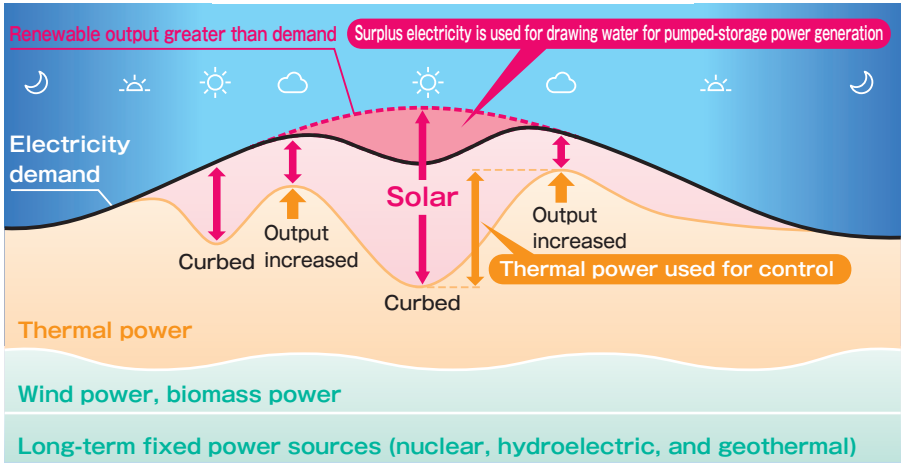
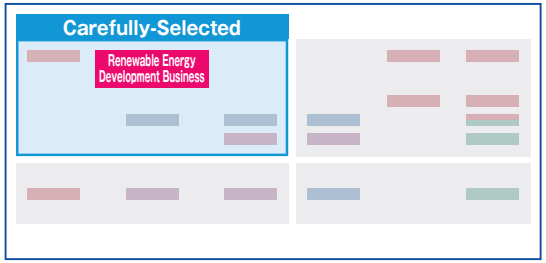


Illustration of Electric Power Demand & Supply

*Prepared by HEPCO based on "Saving the Day in a Power Crunch! The Role of Pumped Storage Hydropower," Agency for Natural Resources and Energy.

Renewable Energy Development Business

HEPCO's Business Portfolio



Renewable Energy Features

- Renewable energy uses non-depleting natural energy resources, so it does not emit CO_2 during power generation.

*Biomass is defined as a renewable energy because the CO_2 emitted during combustion and the CO_2 absorbed by plants during growth offset each other, so the CO_2 concentration in the atmosphere does not increase.

- The amount of power generated is not constant as it depends on the weather and time of day.

HEPCO's Status

- HEPCO's renewable energy share is 3% (on a kW basis as of March 31, 2025).

Future Initiatives

- Offshore wind power: Projects under consideration in 5 zones under the Act on Promoting the Utilization of Sea Areas for the Development of Marine Renewable Energy Power Generation Facilities. The Planning Stage Environmental Impact Statement for the Hiyama offshore site was submitted in November 2024.
- Onshore Wind: Projects at three sites are under consideration. Wind conditions are being observed at several other locations.
- Geothermal: Surveys studying geothermal potential are currently underway for projects being studied.
- Solar: New development is underway mainly leveraging off-site PPA schemes.

INPUTS (HEPCO)

Portfolio Assets (As of March 31, 2025)

	Number of Stations	Output: MW (equity share basis)
Geothermal	2	27 (26)
Solar	23	39 (23)
Total	25	66 (49)

Number of Employees ····· 38*

(32 men, 6 women, and 0 foreign nationals; average years of service: 12.3)

*As of July 1, 2025. Total for the Renewable Energy Development Department.

Book Value ····· ¥4.5 billion

OUTPUTS (HEPCO)

Power Generated (FY2025) 0.14 TWh (0.12 TWh on an equity share basis)

Solar 0.04 TWh (0.03 TWh on an equity share basis)

Geothermal 0.1 TWh (0.09 TWh on an equity share basis)

Renewable Energy Development Promotion

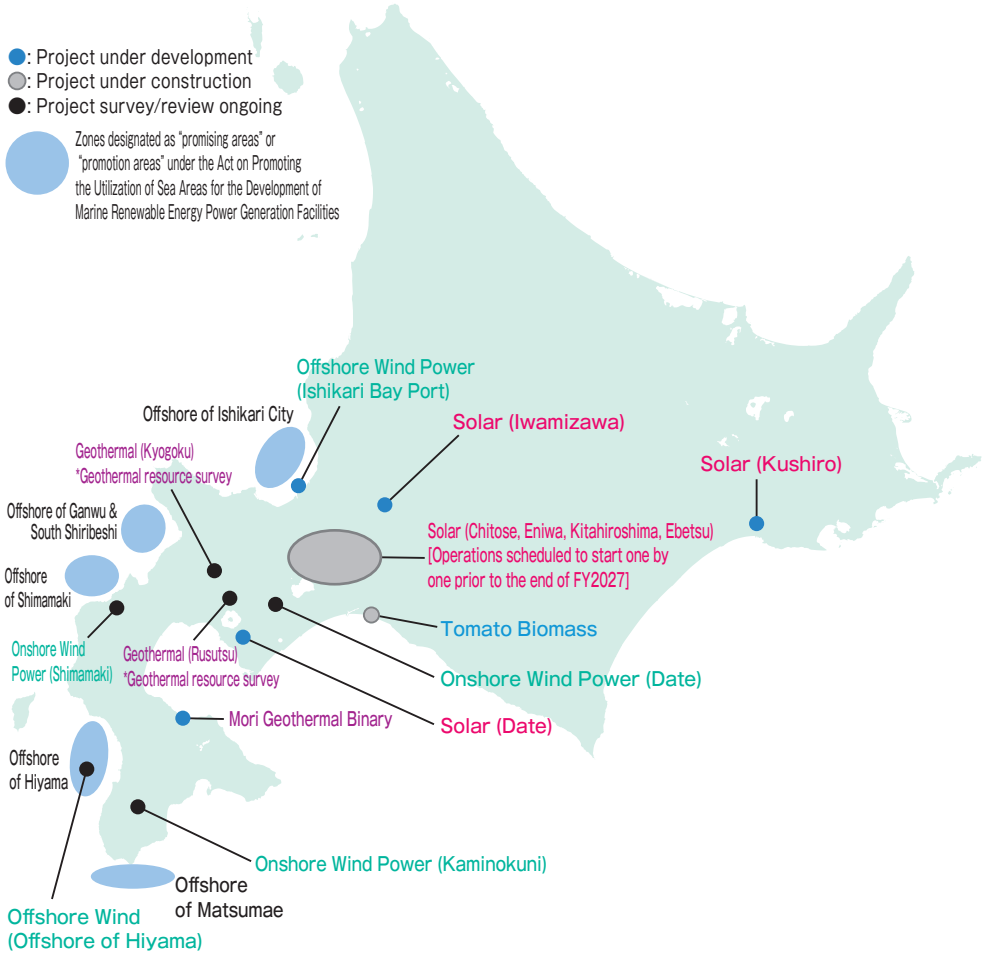
In cooperation with alliance companies and other enterprises, we are promoting specific initiatives to form projects in the aim of early monetization, including site surveys and dialogues with local stakeholders.

Wind Power

	Zone	Act on Promoting the Utilization of Sea Areas for the Development of Marine Renewable Energy Power Generation Facilities	Development Status (As of September 30, 2025)	
Offshore	Offshore of Ishikari City	Promising zone	Port	Output: 112MW; partial project interest acquired in September 2025
			General	Partnership agreement concluded with GPI
	Offshore of Ganwu & South Shiribeshi	Promising zone	–	
	Offshore of Shimamaki	Promising zone	–	
	Offshore of Hiyama	Promotion zone	Planning Stage Environmental Impact Statement submitted November 2024	
	Offshore of Matsumae	Promotion zone	–	
Onshore	Date City	–	Development potential reviewed since FY2024	
	Kaminokuni Town	–	Planning Stage Environmental Impact Statement submitted December 2024	
	Shimamaki Village	–	Planning Stage Environmental Impact Statement examined in September 2025	

Geothermal, Solar & Biomass

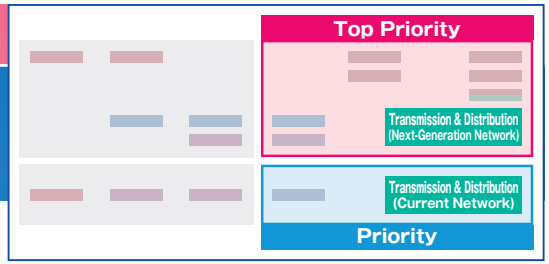
	Site	Development Status (As of September 30, 2025)
Geothermal	Mori Town	■ Mori Power Station (output: 25MW); operation commenced in 1982 ■ Mori Binary Power Station (output: 2MW); operation commenced in 2023
	Kyogoku Town	■ Survey of power generation resources since FY2023
	Rusutsu Village	■ Survey of power generation resources since FY2025
Solar	Chitose City & other locations	■ HAREBARE LLC established July 2023 ■ Solar farm developed for offsite PPA
Biomass	Tomakomai City	■ Tomatoh Biomass Power Station (output: 50MW); under construction (long-term reliability of power generation facility currently being verified)



SUSTAINABLY ENHANCING CORPORATE VALUE

Power Transmission & Distribution Business

HEPCO's Business Portfolio



Power Transmission & Distribution Business Features

- Since April 2020, the transmission and distribution business has been administered by Hokkaido Electric Power Network, a wholly-owned subsidiary, so as to enhance its neutrality.
- The general transmission and distribution business in the Hokkaido area is operated under a license from the national government.
- Basically, the business is a stable operation as costs are recoverable under the revenue cap program.

Hokkaido Electric Power Network's Status

- Demand for electricity in the Hokkaido area has trended downward since FY2012 due to the impact of energy conservation and savings measures along with other effects since the Great East Japan Earthquake. However, the new drive to construct and expand data centers, semiconductor factories, and other such facilities has raised expectations that demand will increase going forward.
- Renewable energy installations are also anticipated to multiply in the Hokkaido area with its abundant potential for renewables.

Future Initiatives

- We will further initiatives aimed at constructing a next-generation power network that ensures our capability to deliver over the medium- and long-term, including appropriately accommodating future trends where enterprises enter Hokkaido and boost demand on a large-scale. P54
- We have been pursuing projects that reinforce the Shinshin-Kitahon HVDC Line between Hokkaido and Honshu to spur wide-area power trading, boost resilience, and further expand the adoption of renewables. P55
- Under the revenue cap system, we will ensure that the requisite investment secured is consistent with greater cost efficiency to stabilize business operations. P56

INPUTS (Hokkaido Electric Power Network)

Total Assets (End of FY2025) ····· **¥800.4 billion**

Capital Expenditures (Past 5 Years)

FY	2021	2022	2023	2024	2025
Capital Expenditure (Billion Yen)	31.7	39.1	40.9	46.2	66.8

Number of Employees ····· **2,853***
(2,613 men, 240 women, and 2 foreign nationals; average years of service: 20.9)
*As of July 1, 2025. Total for Hokkaido Electric Power Network.

Book Value ····· **¥800.4 billion**

OUTPUTS (Hokkaido Electric Power Network)

FY2025 Performance

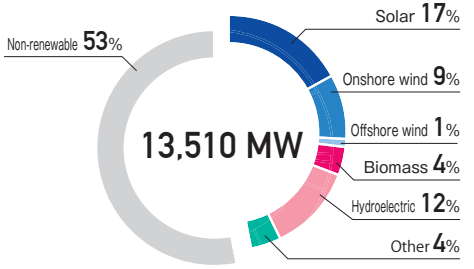
Area Demand ····· **27.8 TWh**

Segment Income (Ordinary Income) ·· **¥1.1 billion**

Change over Past 5 Years

FY	2021	2022	2023	2024	2025
Area Demand (TWh)	28.6	28.6	28.5	28.2	27.8
Segment Income (Billion Yen)	1.2	−4.4	−3.3	10.6	1.1

Ratio of Renewable Energy Connections to Power Generation Facility Capacity in Hokkaido (as of end of March 2025)



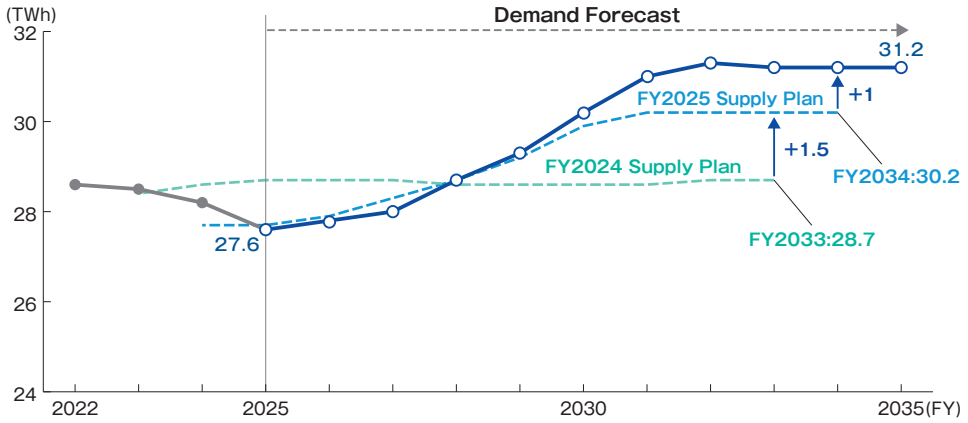
Source:Partially edited citation from the Hokkaido Electric Power Network website

Accommodating Demand Growth over Medium and Long-Term

Hokkaido Area Demand

The Organization for Cross-regional Coordination of Transmission Operators (OCCTO) published the following projection on January 22, 2025

Note: Hokkaido area demand forecasts in Management Vision 2035 are based on data that HEPCO gathered in its capacity as a retail electricity operator and may differ from OCCTO's demand growth projection.



*Created by Hokkaido Electric Power Network based on demand projections for Japan and specific service areas (FY2026) (released by the Organization for Cross- regional Coordination of Transmission Operators, Japan on January 22, 2025)

		FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
		Estimated Result	Projected									
[Maximum Demand] (MW)		[5,010] (0)	[5,020] (-10)	[5,030] (-50)	[5,130] (-20)	[5,170] (-20)	[5,290] (+30)	[5,390] (+100)	[5,400] (+110)	[5,390] (+100)	[5,390] (+110)	[5,380]
Area Electricity Demand (TWh)		**27.6** (-0.1)	**27.8** (-0.1)	**28.0** (-0.3)	**28.7** (-0.1)	**29.3** (+0.1)	**30.2** (+0.3)	**31.0** (+0.8)	**31.3** (+1)	**31.2** (+1)	**31.2** (+1)	**31.2**
Reposted	Residential, etc.	12.1	12.1	11.9	11.9	11.8	11.7	11.6	11.5	11.4	11.3	11.3
	Commercial	7.8	7.8	7.9	7.9	8.0	8.0	8.0	8.1	8.1	8.1	8.1
	Industrial	7.7	7.9	8.2	8.9	9.5	10.5	11.4	11.7	11.7	11.8	11.8

*Figures in parentheses indicate the increase or decrease from last year's published projections.

Facility Formation Approach to Meet New Demand

Hokkaido Electric Power Network is promoting initiatives to facilitate the construction of a next-generation power network to deliver over the medium- and long-term as well as appropriately accommodate future trends where data centers and semiconductor factories set up facilities generating large-scale demand.

We will also continue to strive to promote decarbonization by developing the grid to provide the capacity making possible the introduction and expansion of renewable energy as well as strengthening resilience to avoid large-scale and long-duration power outages.

Planned Capital Investment to Meet New Demand

To accommodate the influx of large-scale demand in central Hokkaido and other areas, we have oriented our approach toward forming efficient facilities and systematically building a transmission network so that we can deliver the electric power customers demand when they need it, while keeping our transmission rates inexpensive.

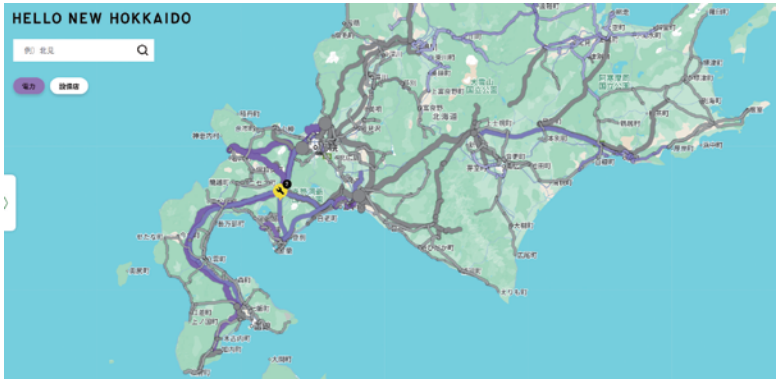
The Eniwa-Chitose area, in particular, is expected to see new semiconductor factories and other facilities established, so we are advancing projects to reinforce backbone systems (Minami-Chitose Underground Line, Minami-Chitose Substation, etc.)

Project	Construction period	
	Start	Start of Operation
Minami-Chitose Underground Line (new construction)	2025.1	2027.10
Minami-Chitose Underground Line (extension)	2025.9	2028.10
Minami-Chitose Substation (new construction)	2025.5	2027.10
Minami-Hayakita Substation (expansion)	2027.4	2030.4

Source: "FY2026 Supply Plan Notification" (announced by Hokkaido Electric Power Network on March 28, 2025)

Publication of Demand-Side Welcome Zone Map

In March 2025, we published the Welcome Zone Map, detailing grid locations, demand-side available capacity, and other information. We will continue to enhance the map to better serve companies considering moving their facilities into the region.



http://hello.hepco.co.jp/map/?v=es

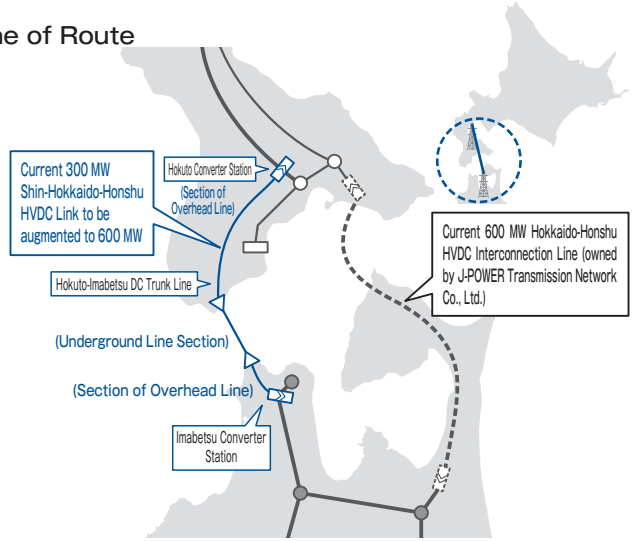
*Supply capacities are estimates current at the time of publication. For more information, please contact Hokkaido Electric Power Network and make use of preliminary studies examining supply-side connections.

Development & Enhancement of New Interconnections (Hokkaido~Honshu)

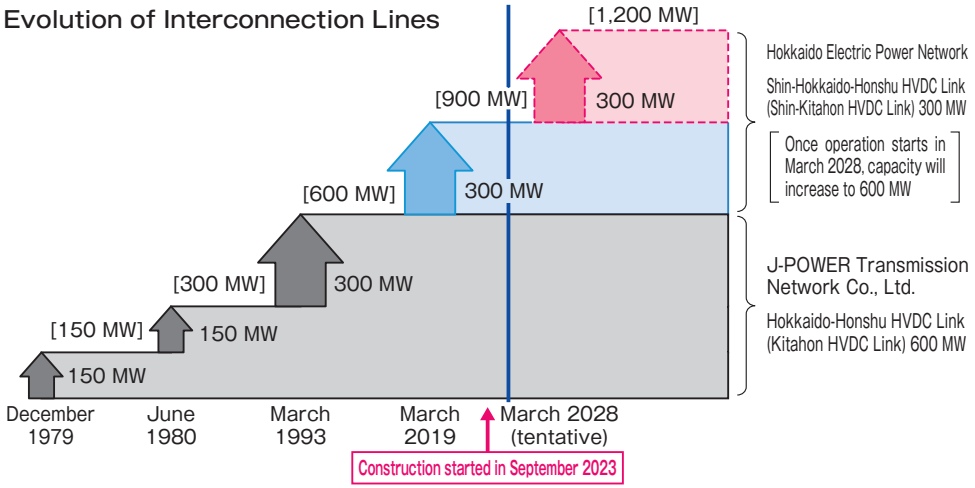
Reinforcement of Hokkaido-Honshu HVDC Link (Shinshin-Kitahon)

Along the same route as the current Shin-Hokkaido-Honshu HVDC Link, we are advancing a project to reinforce the interconnection line with 300 MW with the aim of placing the link into operation in March 2028. Once operation begins, it is expected that renewable energy adoption will grow further, resilience strengthened, and wide-area power trading will pick up.

Outline of Route



Evolution of Interconnection Lines



Plan to Develop Hokkaido-Honshu HVDC Link (Japan Sea Route)

Together with the Japanese government and OCCTO, we are considering a new HVDC link (2,000 MW) between Hokkaido and Honshu not only to maximize Hokkaido's renewable energy potential, but also to contribute to realizing carbon neutrality and strengthening resilience.

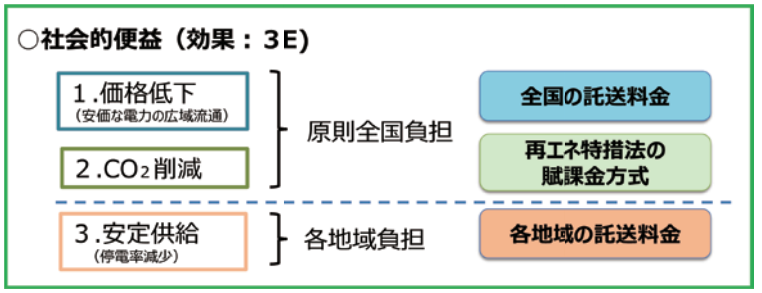
Due to the unprecedented scale of this project in Japan and its enormous cost, four companies--Hokkaido Electric Power Network, Tohoku Electric Power Network, Tokyo Electric Power Grid, and J-POWER Transmission Network--have teamed up to study the implementation plan (proposal).

April 3, 2024	OCCTO determined basic requirements that serve as the outline for the proposed expansion
October 30	OCCTO began soliciting implementation proposals and project developers
December 23	Four companies jointly submitted a letter of intent to apply to submit an implementation proposal
January 15, 2025	Four companies presented to Wide-Area Grid Development Committee terms attached to an expression of intent to apply
February 26	OCCTO determines that the four companies are qualified operators
December 26	Deadline for submission of implementation proposal (Tentative)
End of FY Target	Decision (scheduled) on Wide-Area Grid Development Plan

Approach to Recovery of Wide-Area System Development Costs

When developing wide-area systems including enhancing inter-regional interconnection lines for expanding renewable energy installations, we believe establishing institutional frameworks is important so that areas that offer high potential for renewable energy do not carry a disproportionate weight of the reinforcement costs.

The Energy Resiliency Act, which was amended in 2020, established a mechanism so that the costs for wide-area system development will be shared nationwide through renewable energy surcharges under pursuant to the Renewable Energy Special Measures Act, wheeling charges imposed nationwide, and other levies (National Adjustment Scheme).



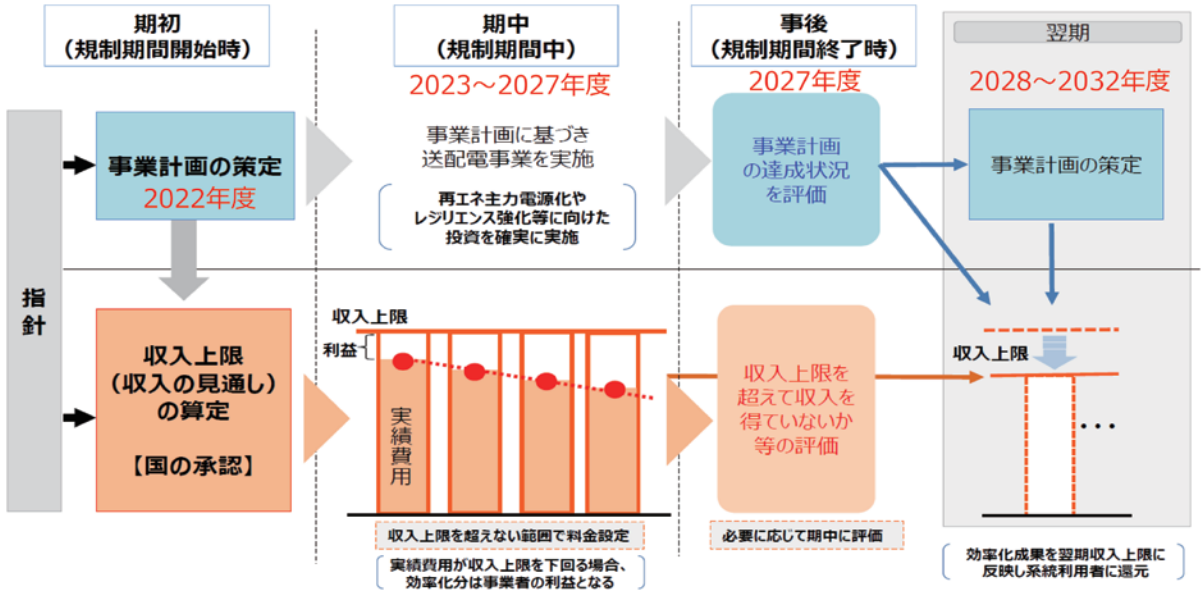
Source: Excerpt from documentation distributed at the 49th session of the Agency for Natural Resources and Energy Subcommittee on Mass Introduction of Renewable Energy and Next-Generation Electricity Networks.

Wheeling Charge (Revenue Cap) System

Introduction of Revenue Cap System

The new wheeling charge (revenue cap) system was introduced in April 2023 to enable general power transmission and distribution companies to secure the necessary investment while enhancing cost efficiency, in addition to making renewable energy a core power source and increasing resilience.

Overview of Revenue Cap System



Source: Adapted from documentation distributed at the 10th Session of the Rate System Expert Working Group under the Electricity and Gas Market Surveillance Commission

Challenges Arising Since System Launch

① Divergence between business plan and actual results (decrease in wheeling rate revenue as electricity demand has decreased)

Forecasts indicate that financial performance will weaken during the 1st regulatory period (FY2024~2028) due to lower than anticipated demand for electricity, including for low-voltage residential use.

② Impact of escalation not permitted to be included in costs

The current system does not permit rate costs to be reflected in expected changes (escalation) in consumer prices, employee income, and other factors arising during the period. This is one cause leading to a deterioration in revenue.

③ Response to expanding demand for funding

In the Hokkaido area, not only does aging transmission and distribution equipment need to be updated, but renewable energies are being adopted and expanded. In recent years, a series of next-generation semiconductor factories and data centers drafted plans to locate facilities in the Hokkaido area. In order to appropriately respond to these market movements and make capital investments, funding on an unprecedented scale needs to be procured.

Our Response to These Challenges

① Wheeling rate revision (effective October FY2026)

Wheeling rate revenue is projected to fall approximately ¥26 billion below the level initially planned, so rates will be revised effective October 2025 to resolve this revenue shortfall.

② Systemic measures to address escalation impact

In a national council (Rate System Expert Working Group), consideration has been given to reflecting escalation impacts in the revenue cap system in light of the impact inflation has had recently on prices.

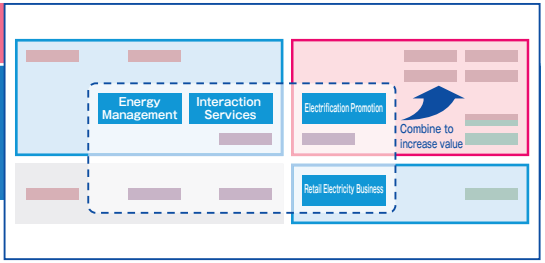
③ Systemic measures to address the impact on procuring funds

Consideration is being given to measures to facilitate funding procurement for general transmission and distribution operators as well as focusing on expanding the scope of assets under construction that form the basis for calculating business remuneration, as well as the ability to recover part of the cost of developing inter-regional interconnection lines and intra-regional grids above a certain scale prior to operation commencing without having to deduct these costs from wheeling rate revenue.

SUSTAINABLY ENHANCING CORPORATE VALUE

Retail Electricity Business

HEPCO's Business Portfolio



Retail Electricity Business Features

- Fully competitive retail market since April 2016
- Non-discriminatory wholesale power selling makes differentiation difficult to achieve in terms of power procurement

HEPCO's Status

- Competitive advantage driven by our capability to offer solutions, including those other than electricity
- Medium- to long-term electricity demand forecast in Hokkaido now shows an increase

Business Strategy

Marketing Expansion

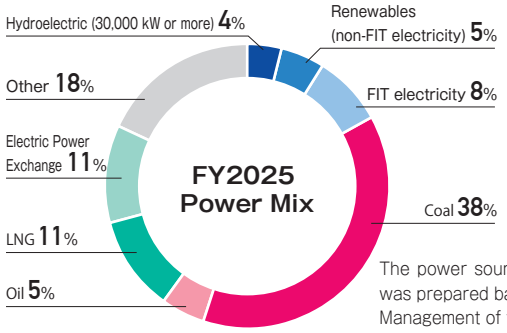
- Enhance bundled sales with other services and marketing measures leveraging alliances
- Utilize customer contact to develop and expand non-energy businesses

Provision of Services Meeting Customer Needs for Carbon Neutrality, etc.

- Offer RE100-compliant electricity rate plans
- Help customers conserve energy and reduce CO_2 emissions with smart electrification promotions, ZEB (Net Zero Energy Building) consulting, etc.

INPUTS (HEPCO)

Power Source Mix and CO_2 Emissions Factor of HEPCO's Retail Electricity Business (FY2025)



CO_2 Emission Factor*
0.518
* Value after CO_2 credit adjustment

The power source mix shown in the graph at left was prepared based on the "Guidelines Concerning Management of the Electricity Retail Business."

Number of Employees ····· **346***
(262 men, 84 women, and 0 foreign nationals; average years of service: 20.0)
*As of July 1, 2025. Total for Value Creation & Marketing Development Department, General Sales Offices, Sales Offices, and Metropolitan Area Sales Department

OUTPUTS (HEPCO)

FY2025 Achievements

Share ····· **81.7** % of Hokkaido

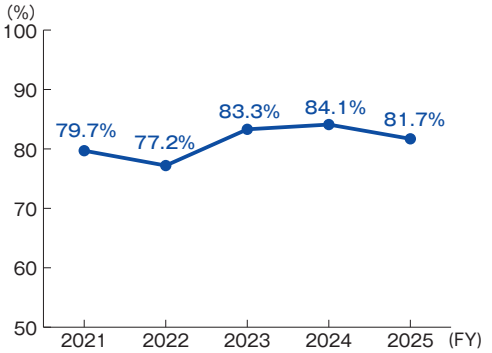
Retail Electricity Sales · **22.7** TWh

Number of Sales Accounts with Electricity Rate Plans* Providing Environmental Value ·· **832**

Smart Electrification Adoption Rate ····· **7** % in Hokkaido

*Plans utilizing Non-Fossil Certificates to effectively achieve 100% renewable electricity and zero CO_2 emissions.

Share of Retail Electricity Sales in Hokkaido



*Total for low-, high-, and extra high-voltage customers.

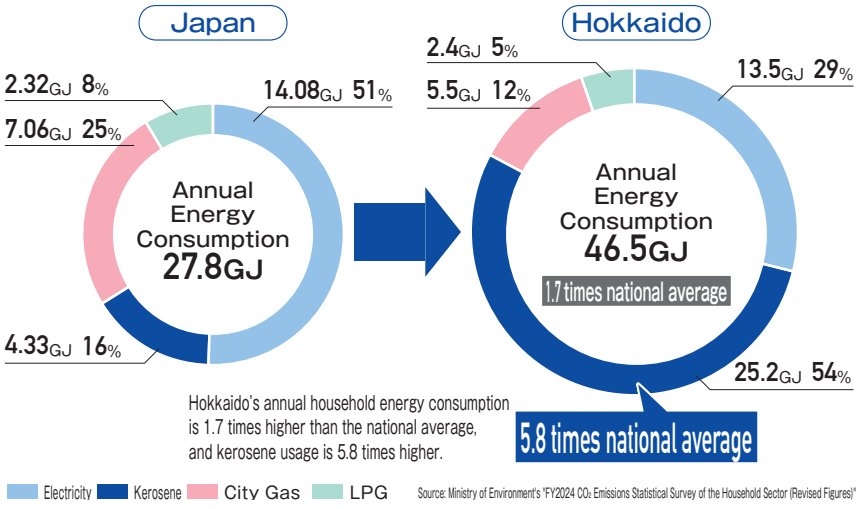
Smart Electrification Proposals Contributing to Carbon Neutrality

Hokkaido's Electrification Potential

Hokkaido is a cold snowy region. Municipalities are scattered across this vast region, which accounts for 20% of Japan's land area. Because the region's population is distributed across a wide area, Hokkaido is highly-dependent on petroleum-based energy sources, such as kerosene for heating and gasoline for vehicles used to get around. Average greenhouse gas emissions from both the household and transportation sectors are higher than the nation as a whole.

HEPCO Group is advancing decarbonization on the energy demand side by supporting our customers' efforts to decarbonize along with proposing ZEB/ZEH and heat pumps utilizing air heat (renewable energy), and promoting greater use of electric vehicles.

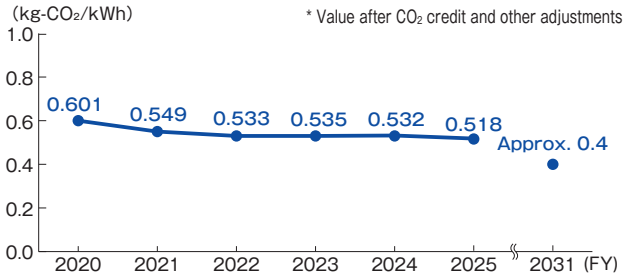
Annual Household Energy Consumption by Type (FY2024)



Source: Ministry of Environment's "FY2024 CO_2 Emissions Statistical Survey of the Household Sector (Revised Figures)"

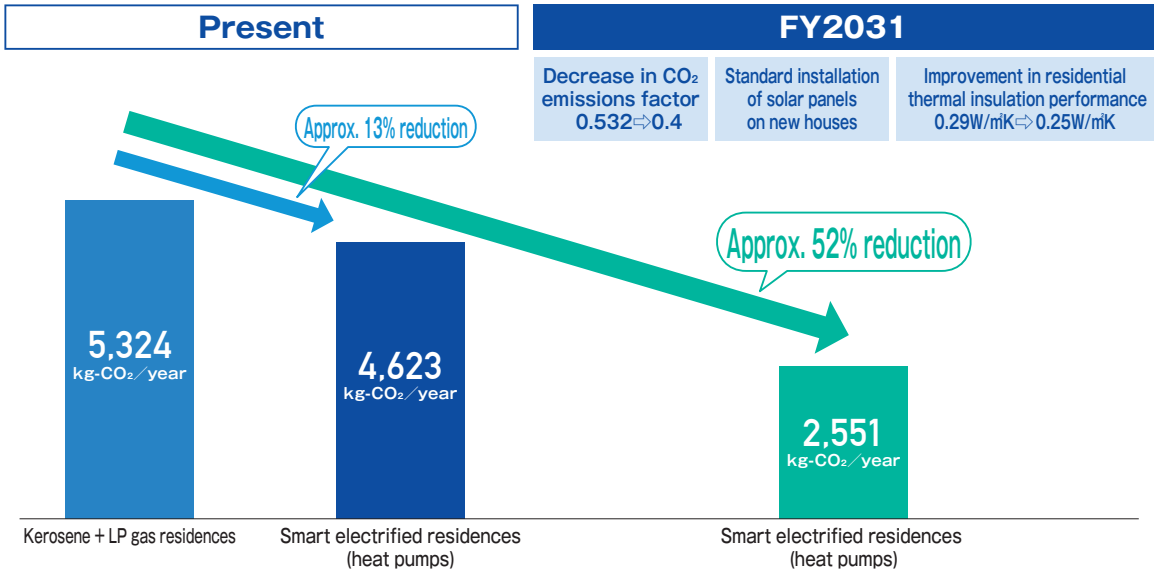
CO_2 Emissions Factor at Environmental Target Achievement

When achieving environmental targets set in the HEPCO Group Management Vision 2035, the CO_2 emission factor for our retail electricity business is estimated to be around 0.4 in FY2031, and further decrease once all Tomari NPS units are restarted by FY2036.



CO_2 emissions factors are calculated in accordance with the Act on Promotion of Global Warming Countermeasures.

CO_2 Reduction Effect from Converting to Smart Electrification



<Calculation Conditions>

【 Present 】

2-story 3LDK wood residence in Sapporo, 109.3 m^2, average thermal transmission coefficient (UA value) 0.29W/ m^2 K, family of 4, designed for outside temperature of -10℃, room temperature set at 22℃, type 1 ventilation system (heat recovery rate 58.8%)

- Smart electrified residence (8,689kWh/year), hot water: EcoCute; heating: central heating using air-source heat pump; cooking: IH cooking heater; other lighting, etc.
- Kerosene + LP gas residences: hot water & heating (kerosene): Eco Feel (1,384L/year); cooking (LP gas): gas cooking appliances (37.0 m^3/year); other lighting, etc. (3,113kWh/year)

<CO_2 Emission Factor>

Electricity: 0.532kg-CO_2/kWh (actual figure for Hokkaido Electric Power Company in FY2024)
LP gas: 6.0kg-CO_2/ m^3 (Japan LP Gas Association)
Kerosene: 2.49kg-CO_2/L (Ministry of Environment "List of Calorific Values and Carbon Dioxide Emission Coefficients by Fuel Type")

【 FY2031 】

2-story 3LDK wood residence in Sapporo, 109.3 m^2, average thermal transmission coefficient (UA value) 0.29W/ m^2 K, family of 4, designed for outside temperature of -10℃, room temperature set at 22℃, type 1 ventilation system (heat recovery rate 58.8%), 6.75kW solar power system (south orientation, 10° tilt)

- Smart electrified residence (6,377kWh/year), hot water: EcoCute; heating: central heating using air-source heat pump; cooking: IH cooking heater; other lighting, etc.
- Kerosene + LP gas residences: hot water & heating (kerosene): Eco Feel (1,234L/year); cooking (LP gas): gas cooking appliances (37.0 m^3/year); other lighting, etc. (1,816kWh/year)

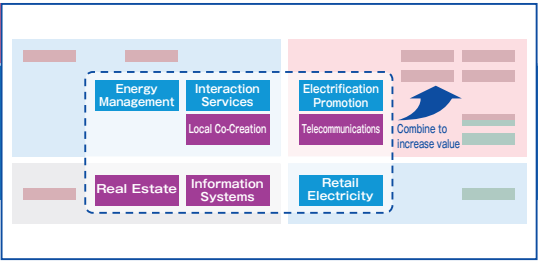
<CO_2 Emission Factor>

Electricity: 0.400kg-CO_2/kWh (Hokkaido Electric Power Company estimate for FY2031)

SUSTAINABLY ENHANCING CORPORATE VALUE

Value Creation through Business Co-creation

HEPCO's Business Portfolio



To contribute to Hokkaido's sustainable development, we will create new value while contributing solutions to resolve challenges with co-creation initiatives, including those for non-energy fields. To realize this approach, we will fully understand not only the strengths and potential that Hokkaido possesses, but also the challenges that local communities face so that we are able to identify business opportunities in that context.

Business Opportunities

Hokkaido's Strengths and Potential (Examples)

- Renewable energy potential
- Vast forest area
- Fertile farmland
- Diverse tourism resources
- Abundant marine resources

Local Community Challenges (Examples)

- Further population decline and aging society
- Decline in public and livelihood services
- Impairment of primary industry infrastructure (Lack of successors, etc.)
- Worsening logistics problems
- Impact of climate change (Changes in harvest, catch volumes, etc.)
- Widening regional disparities

Energy management expertise, regional networks, community trust, & financial capacity

HEPCO Capabilities
Business foundation and technological capabilities developed over many years

×

Alliance Partners
Technologies & know-how

Technologies & know-how beyond the electricity business

Creation of New Value (Vision and Initiatives)

Local Community Development

- Develop communities by utilizing nature, food, culture, history, and other local resources

Further Strengthening of Key Industries, etc.

- Realize sustainable next-generation agriculture, forestry, and fisheries
- Create higher value-added products in the food industry through improved branding and encouraging the sixth industrialization
- Develop tourism-related industries leveraging Hokkaido's nature, food, and culture
- Create new industries originating in Hokkaido

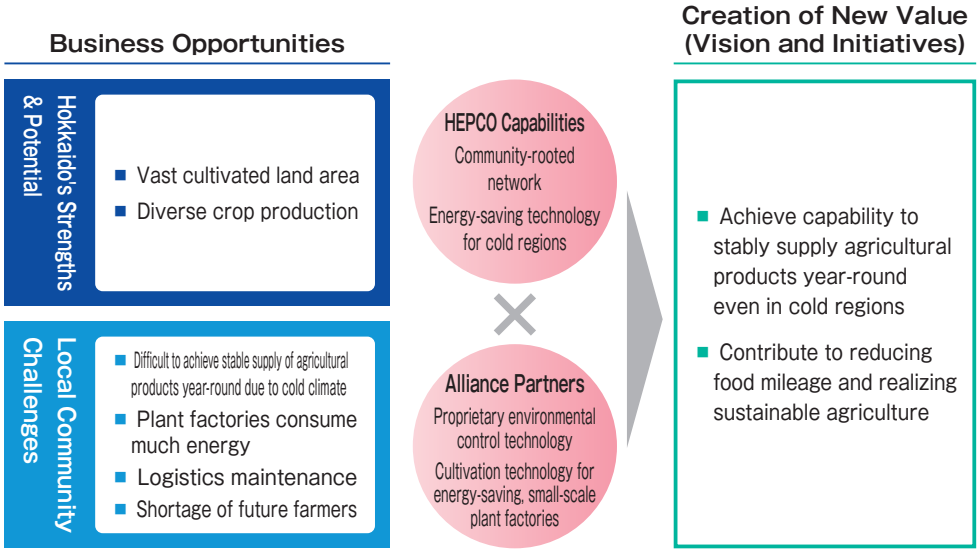
Development of affluent lifestyles

- Realize healthy and vibrant living through the provision of attractive and convenient public and living services
- Establish circular systems by promoting resource recycling, etc.

Operation of Small-Scale Plant Factory with Energy-Saving Indoor Farming System

Agriculture, Hokkaido's core industry, faces not only a shortage of workers due to population decline and aging, but also an insufficient supply of leafy vegetables in winter and other issues. Challenges have also emerged in maintaining logistics.

In collaboration with Plants Laboratory Inc., we operate an energy-saving small-scale plant factory in the Niseko area. The factory utilizes Plants Laboratory's PUTPANEL, a patented lightweight heat-shielding panel technology. With our alliance partner's environmental control and water-saving cultivation technology, the factory stably produces leafy vegetables year-round. It has earned high environmental recognition for reducing food mileage through local production for local consumption.



Plant factory in Niseko area

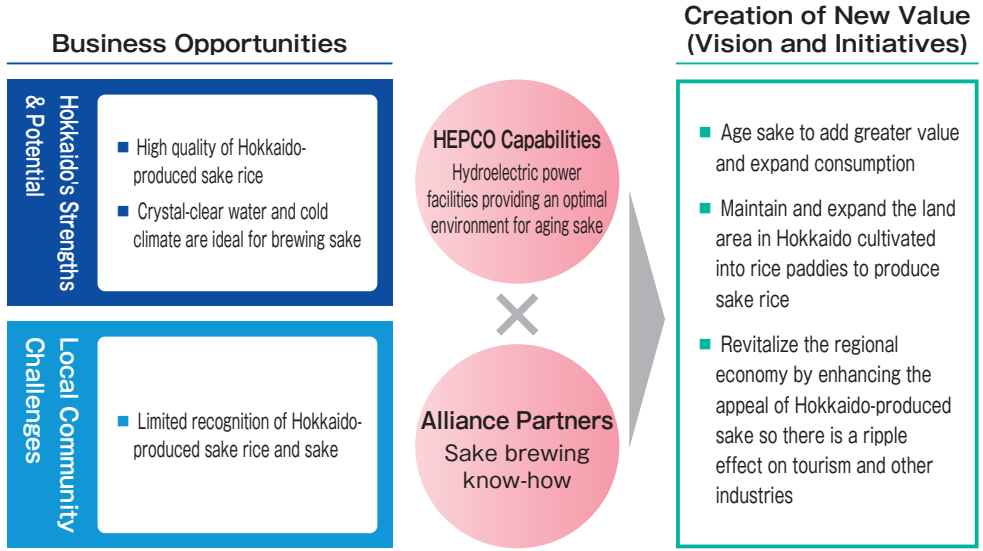
*More information about this initiative available here
https://www.hepco.co.jp/info/2023/1252301_1972.html

Initiatives Adding Greater Value to Sake with Sake Rice Produced in Hokkaido

Although Hokkaido is blessed with an environment suitable for sake brewing, the volume of sake shipments is only about 1% of all shipments nationwide. Improving the lack of recognition of Hokkaido's sake rice and sake is a challenge the region faces.

With Kamikawa Taisetsu Sake Brewery whose aim is to encourage sixth-sector industrialization and revitalize the region, we launched a demonstration project in October 2024 that makes use of tunnels in our hydroelectric power facilities to age the sake and increase the value added.

The aim of both Kamikawa Taisetsu Sake Brewery and HEPCO is to leverage this demonstration project to enhance both the name recognition and added value gained from using sake brewed from Hokkaido-produced sake rice as well as expand consumption and boost the appeal of local sake in the hope that this will have a ripple effect on tourism.



Workers bringing sake into a hydroelectric power facility tunnel

How sake is stored inside tunnels

*More information about this initiative available here
https://www.hepco.co.jp/info/2024/1252614_2023.html

SUSTAINABLY ENHANCING CORPORATE VALUE

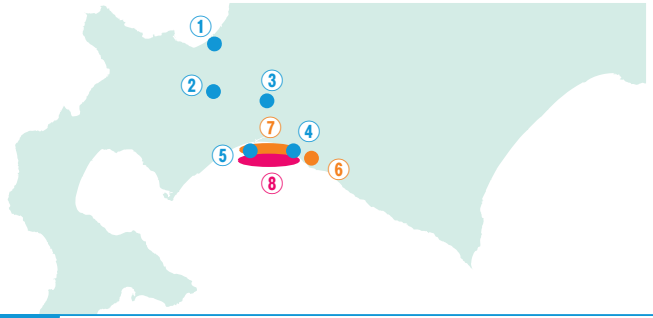
Energy Decarbonization

Hydrogen, Ammonia, and CCUS Initiatives (as of March 2025)

Hydrogen and ammonia, which do not emit CO_2 during combustion, are expected to serve as energy sources that will play an important role in achieving carbon neutrality. In addition to power generation, these carbon-free fuels are utilized in the industrial and transportation sectors as well as raw materials for e-methane* and other alternatives, and sectors where electrification poses significant challenges.

HEPCO Group is advancing initiatives to make use of hydrogen, ammonia and CCUS so that we may contribute to decarbonizing energy in Japan from our base in Hokkaido and also grow our businesses.

*Methane is a synthetic fuel applying CCUS. It is manufactured using decarbonized hydrogen and CO_2 as raw materials.



Hydrogen
- ① Ishikariwan Shinko Power Station (fuel converted to hydrogen)
- ② Sapporo City (participation in project to utilize hydrogen in decarbonization-leading areas)
- ③ Chitose area (green hydrogen supply)
- ④ Land adjacent to Tomato-Atsuma Power Station (operation of hydrogen production facility)
- ⑤ Western Tomakomai region (construction of hydrogen supply chain)

Ammonia
- ⑥ Tomato-Atsuma Power Station (fuel converted to ammonia)
- ⑦ Tomakomai area (construction of ammonia supply chain)

CCUS
- ⑧ Tomakomai area (CO_2 capture, active utilization, and storage)

*The above projects are HEPCO's current initiatives and include proposals regarding which official launch decisions have yet to be made.

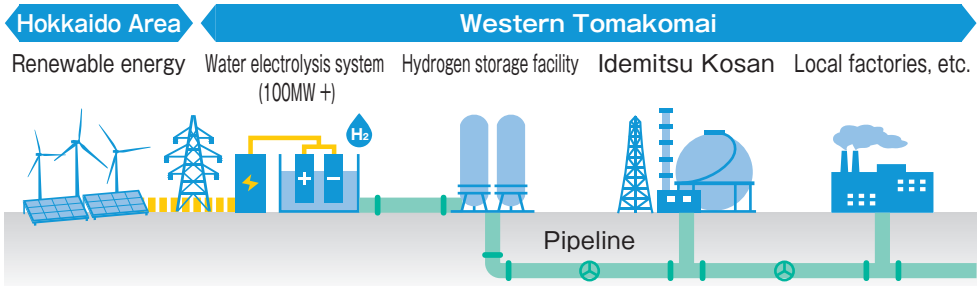
Hydrogen

Construction of Supply Chain for Supplying Green Hydrogen

In partnership with other companies, we are jointly considering building a supply chain to supply green hydrogen, which utilizes Hokkaido's abundant renewable energy.

In the Tomakomai area, review began in February 2024 with the aim of constructing Japan's largest-class electrolyzer facility (100 MW-class) that will produce 10,000+ tons of green hydrogen annually by FY2031 for delivery to factories and other such facilities in the region.

Illustration of Domestic Green Hydrogen Supply Chain in Hokkaido (Tomakomai)



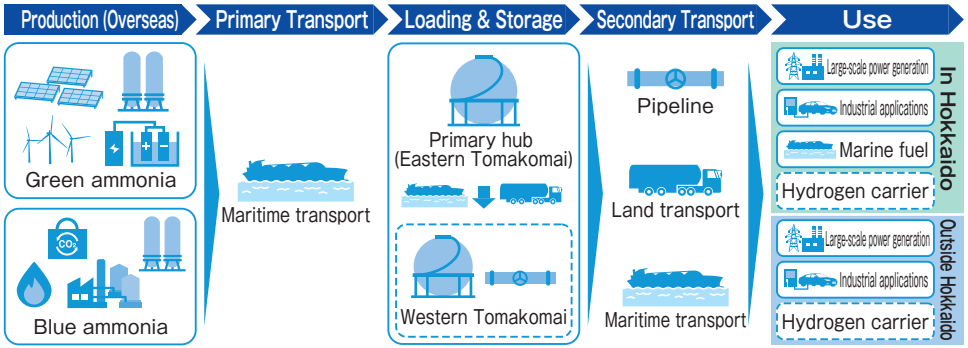
Ammonia

Construction of Supply Chain for Ammonia Utilization and Application

Since April 2024, six companies—HEPCO, Hokkaido Mitsui Chemicals Inc., IHI Corporation, Marubeni Corporation, Mitsui & Co., Ltd., and Tomakomai Port Development Co., Ltd.—have been jointly considering construction of an ammonia supply chain based in Hokkaido's Tomakomai area.

In June 2024, the six companies launched a study to examine the feasibility of an ammonia supply hub in the Tomakomai area. Currently, while a detailed design is being worked out, the government is reviewing support for any difference in price compared to existing fuels as well as support for developing the hub.

The aim of situating the ammonia supply hub in the Tomakomai area is to construct an ammonia supply chain covering not only Hokkaido but also northern Japan region, beginning in FY2031.



CCUS

CCUS in Tomakomai Area

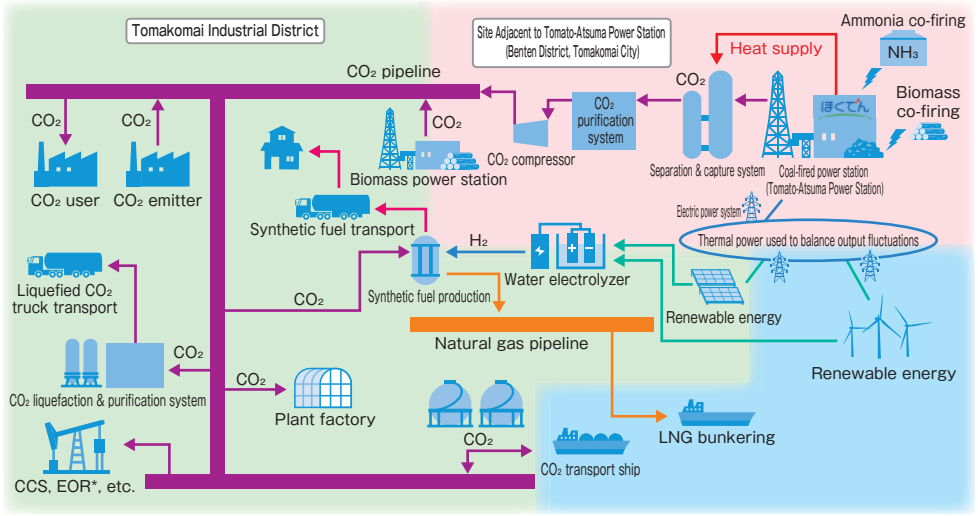
Looking ahead to applying CCUS technology in the Tomakomai area where Tomato-Atsuma Power Station is situated, we have been advancing a joint study together with our partners, Idemitsu Kosan Co., Ltd. and Japan Petroleum Exploration Co., Ltd. (JAPEX), since January 2023.

In September 2023, we initiated a study examining the feasibility of employing such technology in the Tomakomai area. We are currently considering the detailed design and business scheme necessary for CO_2 separation & capture, transport, and storage. We are considering a facility to separate and capture CO_2 from Tomato-Atsuma Unit 4.

Although our aim is to launch a pioneering CCS project by 2030, we also have our eye on the possibility of expanding the hub & cluster CCUS business* as well as curbing CO_2 emitted by other industries.

*Hub & cluster CCUS business: Combination of CCS that not only captures and stores CO_2 emitted from one source and CCUS that covers many emission sources in a region and effectively utilizes that CO_2 so as to further trim emissions from the region.

Illustration of CCUS in the Tomakomai Area



*Enhanced Oil Recovery: Technology that injects CO_2 into oil fields and other spaces to improve the rate of crude oil recovery

ROBUST BUSINESS FOUNDATION FOR SUSTAINABLE GROWTH

Kaizen & Digital Transformation Driving Business Transformation

Recognizing that Kaizen and DX are forces driving transformation, we are resolutely rolling out both of these tools to bolster the foundation supporting and facilitating our transformation. We are confident these initiatives will lead to sustainable growth and transform our businesses.

Business Transformation & Sustainable Growth

Total Cost Reduction Effect* ¥47.7billion (For FY2019 thru 2025)

*Aggregate effect of initiatives implemented by HEPCO and Hokkaido Electric Power Network

Kaizen

- We will repeatedly implement Kaizen to visualize business processes so they are depicted chronologically and thoroughly eliminate waste so as to enhance productivity
- In so doing, we will ascertain the nature of the work and understand the value that we produce, a practice that will facilitate business transformation

Apply insight gained through Kaizen to reassess business processes in order to facilitate a digital transformation

Synergistic Integration

Utilize digital technologies as a means for enhancing productivity

DX

- Grasp and make use of necessary information in real-time and engage in decision-making and business activities that place an even greater emphasis on data (data-driven management), and passionately promote DX by combining digital technologies with HEPCO Group strengths and business opportunities to foster even greater added value and the creation of new business value

Cumulative Effect* ¥21billion (For FY2022 thru 2025)

*Cumulative cost reductions and revenue growth over five years once implemented

Implementation Framework Fostering Kaizen Mindset

Initiatives Fostering Kaizen Mindset

- To enhance individual initiative to undertake Kaizen, promote Kaizen activities through continuous training and encouraging employees to have successful experiences
- Hold Kaizen President Advisory Meetings where HEPCO's President directly mentors department Kaizen projects
- Select executive-designated projects that target matters having a substantial impact on management where management issues are aptly comprehended
- Hold the Kaizen Grand Prix to recognize excellent Kaizen projects as good practice examples and encourage transformation in all HEPCO Group employees' awareness and engagement in their work
- Since FY2020, Kaizen-related elements have been added to personnel evaluations

HEPCO's Promotion Framework

- CKO* (Chief Kaizen Officer) *CKO:Chief Kaizen Officer
- Kaizen Promotion Office* *Proposes and supports Kaizen activities
- Department Kaizen General Managers* *Concurrent with Kaizen Promotion Office
- Departments & offices
- Field offices

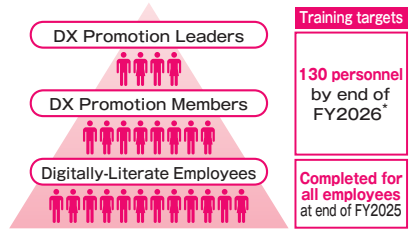
Implementation Framework Talent Development

Personnel Training Policy

We will implement the following initiatives to expand DX initiatives and maximize their effect by transforming both the work and mindset of all employees

- Raise the minimum level of digital literacy of all employees, and develop and implement a systematic training curriculum commensurate with each level
- Develop DX promotion leaders as part of a specialized human resource development program that defines the profiles of personnel actively promoting DX promotion into 5 different types
- Beginning in FY2026, add DX-related elements to personnel evaluations

*More information about our initiatives is available here.
https://www.hepco.co.jp/info/info2023/pdf/231121.pdf



* Because part of the curriculum for DX promotion leaders and members anticipates an application system, only a total number has been set for the training target.

Personnel Type	Group-Wide Personnel	Specialists
	Digitally-Literate Employees	DX Strategists DX Consultants DX Technologists DX Data Scientists DX Experience Architects

ROBUST BUSINESS FOUNDATION FOR SUSTAINABLE GROWTH

Thorough Efficiency Enhancement

Cost Reduction Initiatives

The HEPCO Committee Promoting a Stronger Management Foundation oversees the promotion of Kaizen activities and DX utilization. We are advancing initiatives to reduce material and equipment procurement costs. These efforts complement each other, enabling us to maximize efficiency enhancements and cost reduction effects.

HEPCO Committee Promoting a Stronger Management Foundation

Sets the direction for addressing challenges

Integrates results

Efficiency Enhancement and Cost Reduction Initiatives

Kaizen and DX Promotion

Business transformation where work processes are reviewed to improve productivity and utilize digital technologies

Mutually complementary for maximizing effect

Reduction of Materials and Equipment Procurement Costs

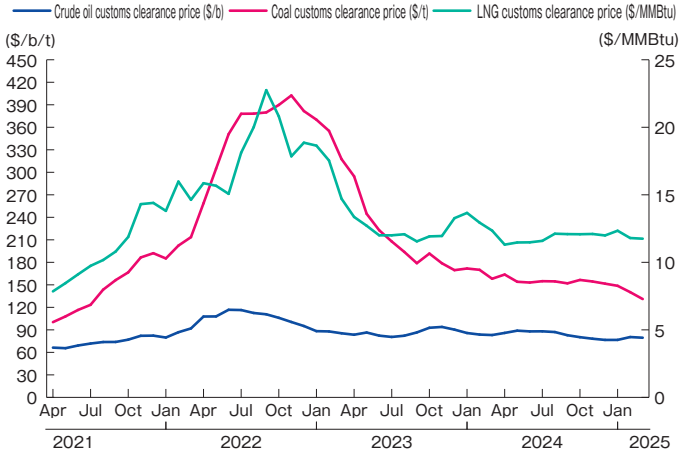
- Bolster capabilities to negotiate prices and diversify order placement system
- Consider cost reduction measures with involvement of Procurement Department starting from the stage where project plans are set (upstream procurement activities)

*For more information about these initiatives, see P63

Flexible and Low-Cost Market-Based Fuel Procurement

The range of energy prices has fluctuated significantly due to geopolitical risks springing from the situations in Ukraine and the Middle East as well as rapid exchange rate fluctuations and other factors.

Fuel Price Trends



When procuring fuel, we do everything we can to ensure stability and maximize profits through the pursuit of optimization achieved also with trading along with diversifying contracts, something we have been striving to do for some time now, so that we may flexibly respond to fluctuations in fuel and electricity prices and fuel requirements.

Monitor market conditions to optimize fuel procurement

Flexibly procure inexpensive fuel

Closely monitor and respond to market conditions

Fluctuations in fuel & electricity prices and fuel requirements

- **Contract diversification**
  Broaden range of suppliers, select contract periods (vary contract start times) and method for determining price (selection of fixed price or market-linked price)
- **Trading**
  Resell to other companies, utilize swaps, derivative transactions, etc.

ROBUST BUSINESS FOUNDATION FOR SUSTAINABLE GROWTH

Promotion of Human Capital Management

The personnel development and environment enhancement initiatives set out in the HEPCO Group Human Capital Strategy bolster employee growth and endeavors, and create a corporate culture that produces new value while reinforcing current values, thereby enhancing our business value.

HEPCO Group Human Capital Strategy (Two basic concepts)

Concept 1 | Development of Our Personnel

Develop our personnel so they acquire the necessary skills and have the initiative to take up challenges and adapt

Concept 2 | Development of Our Environment

Create an environment where our diverse personnel recognize and accept each other in addition to thriving as they find satisfaction in their jobs and growth

Five Perspectives for Achieving Basic Concepts

- Perspective 1 Providing support for enhancing HEPCO Capabilities*1 as well as taking up challenges and adapting P65
- Perspective 2 Building our human resources portfolio P66
- Perspective 3 Promoting diversity and inclusion P67
- Perspective 4 Supporting flexible work styles P67
- Perspective 5 Promoting health management P68

Human Capital Strategy Goal

Create a corporate culture that produces new value while enhancing current value*2

Corporate Value Enhancement

Sustainable business growth and contribution to the realization of a sustainable society

*1 HEPCO Capabilities: HEPCO Capabilities refer to the abilities demonstrated using our collective strength derived from technical expertise and know-how as well as a sense of responsibility and mission for providing a stable supply of electric power that we have honed through the electric power business.
*2 Current value refers to current work and services engaged in by each and every employee as well as related rules, technologies, and expertise.

Perspective 1

Support for Enhancing HEPCO Capabilities and Taking up Challenges & Adapting

Support for Acquiring and Maintaining Necessary Skills

We offer an extensive range of educational opportunities that fuel each employee's ambition to take up challenges and desire for change, supporting their self-directed growth. With measures such as expanded training aimed at stimulating young employees' growth and career formation desires as well as the introduction of online learning services available to all employees, we promote employees' self-directed learning and link that to enhancing HEPCO's capabilities.

Support for Career Self-Development

In response to the increasing employee need for career development, we introduced a new course in September 2025 to facilitate self-directed career formation into our internal recruitment system, the purpose of which is the strategic and priority placement of human resources.

Review of Evaluation and Compensation System

In FY2026, we reviewed our evaluation and compensation system for managers (executive positions). In addition to better reflecting in their compensation when high targets and results are achieved, we conducted a multi-faceted evaluation aimed at further enhancing the objectivity, acceptance, and fairness of personnel evaluations. We will seek to stimulate their desire to take up challenges and gain a greater sense of worth from their work, promoting further revitalization and fostering in our employees the desire to make the most of their abilities.

Perspective 2

Building Our Human Resources Portfolio

Strengthening Recruitment Initiatives

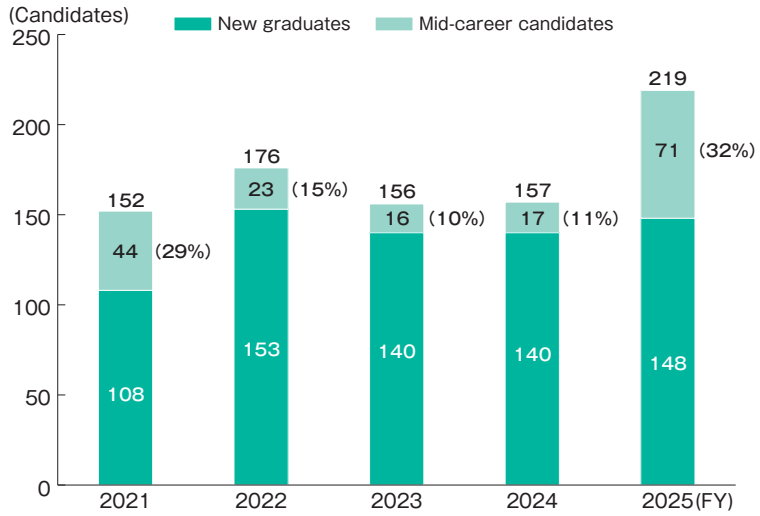
Starting in FY2025 (target: new graduates set to enter the workforce in April 2026), we deployed recruitment ambassadors to help recruit engineering candidates from among students in their last year of university. By arranging opportunities for students to speak one-on-one with HEPCO employees other than recruitment staff, we are fostering a better understanding and increasing the attractiveness of our business.

*This program started in FY2024 for administrative staff (target: new April 2025 hires)

In March 2025, we introduced the Re-application Special Pass System for mid-career hires. Any new graduate who reapplies within three years after declining a HEPCO offer of employment will be given preferential treatment in the hiring process and have only one interview instead of the regular three.

These initiatives will lead to the recruitment of a greater diversity of human resources.

Candidates hired



Development of Management Talent

We set up the following two new management development tracks in July 2024 to strengthen our managerial pipeline

■ Business Acumen Training

FY2025 18 participants

Training provided in analyzing financial statements, interpreting performance metrics, decision-making training based on strategic thinking, etc.

■ Next-Generation Leadership Program

FY2025 20 participants

Participants gain an understanding of the qualities and skills required for next-generation leaders, as well as learn how to view and approach matters from a management perspective.

In 2025, we also established a new secondment program for training at other companies and enterprises, and started to recruit candidates for such placement. Secondment to venture companies and organizations taking on social challenges has the effect enabling participants to strengthen their innovation capabilities, acquire new know-how and knowledge, and improve their frame of reference.

Next-generation leaders presenting their reports to management

Perspective 3

Promotion of Diversity & Inclusion

Promoting Advancement of Women

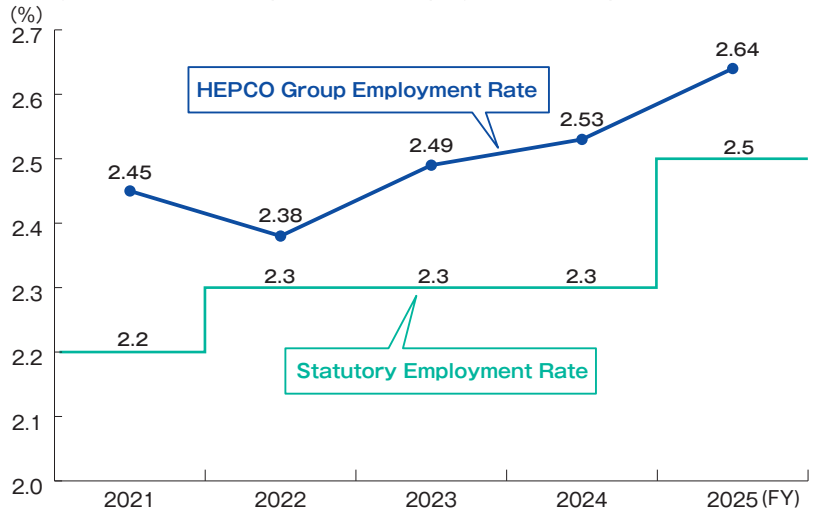
Item	Target (FY2024~2026)	FY2021	FY2022	FY2023	FY2024	FY2025
% of Women Hires	13% or more *1	11.2%	13.8%	16.2%	11.0%	15.9%
No. of Women Managers	21 or more *2	14	14	15	15	15
% of Male Employees Taking Childcare Leave	30% or more *3	9.4%	20.1%	24.1%	33.6%	47.0%

*1 Raise women's share of total hires (including mid-career hires) to at least 13% by March 31, 2026.
*2 Increase the number of female managers (assistant manager and higher) to at least 21 (1.5× FY2023 baseline) by March 31, 2026.
*3 Have at least 30% of eligible male employees take parental leave by March 31, 2026.

Empowering People with Disabilities

HEPCO Group provides a place of employment where persons with disabilities can thrive and we are working to expand the scope of these occupations, both of which are grounded in our commitment to "promote the employment of persons with disabilities as well as achieve the statutory employment rate."

Changes in HEPCO Group's Rate of Employment of People with Disabilities

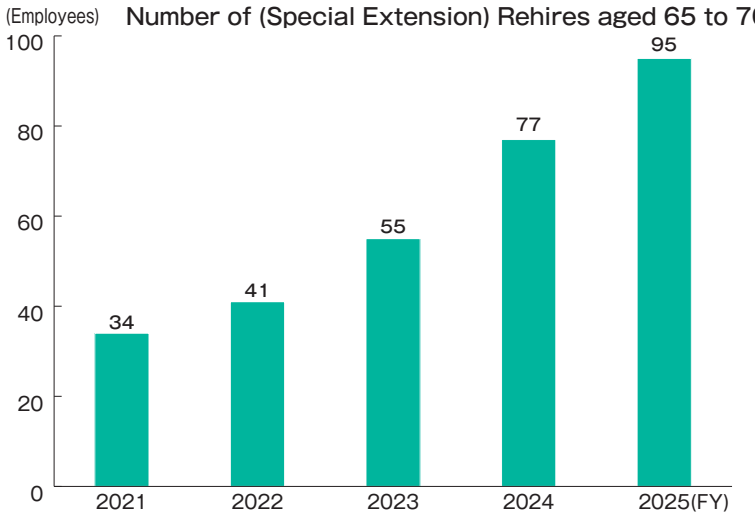


Reassessment of Senior Employment Policy

In accord with the purpose and particulars mandated under the Act on Stabilization of Employment of Elderly Persons and the upcoming changes in population age composition, we introduced in April 2013 a universal re-employment system that employs, in principle, all eligible employees through age 65. Among other enhancements to this system, we introduced a special system in April 2018 to extend employment until age 70 ("special extension") for those employees possessing high-level skills and having the ability to support technical and skill transfer to younger employees.

Moreover, as part of the initiatives set forth in the HEPCO Group Human Capital Strategy, in April 2026, we will raise the retirement age from 60 to 65 years old and introduce re-employment system for those aged 65 to 70.

Number of (Special Extension) Rehires aged 65 to 70



Perspective 4

Support for Flexible Work Styles

Expansion of Work Style Options

We are creating flexible work environments that enable each and every employee to demonstrate their abilities to the fullest potential.

2021	■ Expanded work-from-home eligibility, frequency, etc. ■ Introduced shortened working hours for self-medical treatment
2022	■ Expanded conditions for taking hourly leave ■ Extended eligibility periods for shortened working hours for childcare, accumulated leave for "child rearing", and child nursing leave
2023	■ Launched "natural business style"
2024	■ Introduced leave system for accompanying spouse's job relocation ■ Renamed menstrual leave "F-Wellness Leave" and relaxed the requirements so that leave may be taken in half-day increments
2025	■ Expanded the eligibility for child nursing leave ■ Expanded eligibility for the Shift Work System, which permits employees to adjust their daily working hours *In addition to easing commuting during pregnancy, eligibility was expanded to include childcare, family nursing care, travel for employees on assignment alone to return to their primary residence or parents' home, and other circumstances

Perspective 5

Promoting Health Management (Safety & Health Initiatives)

Promoting Safety Activities to Eliminate Workplace Accidents

We have rolled out activities sharing with everyone involved in our business that safety is the highest priority, and are striving to have every employee take part in our occupational safety and health activities.

	FY2021	FY2022	FY2023	FY2024	FY2025
Number of work-related accidents (requiring 1 or more days off work)	1	2	4	5	6
Work-related accident frequency*1	0.09	0.18	0.37	0.47	0.56
(industry average)*2	(0.75)	(0.67)	(0.62)	(0.57)	(0.58)

*1 The frequency of work-related accidents represents the frequency of accidents occurring and indicates the number of fatalities or injuries requiring one day or more leave of absence per 1 million working hours.
*2 Figures in parentheses indicate the average for the electricity, gas, heat supply, and water utility industries

18 cases of lost-time injuries occurred over 5 years (6 of which involved 4 days or more of absence qualifying for workers' compensation insurance benefits). Injuries are relatively more frequent among employees in their 20s to early 30s and those 50 and older. Lack of experience and overconfidence due to familiarity with procedures are factors behind these higher figures. We share recurrence prevention measures company-wide and strive to prevent similar and like injuries.

Safety & Health Promotion System

HEPCO Group established the Central Industrial Safety & Health Committee at our Head Office. This committee drafts company-wide safety and health activity priority policies as well as measures to prevent work-related accidents from happening again. All workplaces take into consideration these group-wide policies and measures in the activities that they launch on their own. Continuous improvements are made by applying the PDCA method.

Promoting Safety Together with Partner Companies

We established the Relevant Work Safety Council, which is comprised of our construction departments, contractors, and other concerned units. This council works to prevent accidents by discussing occupational accident and traffic accident prevention measures, conducting site safety patrols, as well as holding safety workshops and informal discussions.

Joint HEPCO and contractor on-site safety patrol

Promoting Health Enhancement Activities

We practice health management, a management pillar that promotes the creation of an environment where our employees thrive in their work and enjoy good health. We have rolled out programs for our employees and their families that promote health measures enabling everyone to lead a fulfilling life and find job satisfaction. We also seek to contribute to better health in our communities through initiatives such as those supporting health management for partner companies.

Safety & Health Promotion System

The executive officer responsible for health management presides over the Health Management Promotion Committee. This committee reviews measures that take into account the views of our employees, health insurance association, and labor union. Relevant matters are reported and coordinated in management meetings and sessions of other boards and committees.

Health & Productivity Management KPIs (FY2025 Survey)

With the goal of creating a good working environment, we have set indicators measuring our health management in relation to targets that include work engagement, presenteeism, and absenteeism so that we may verify the effectiveness of and improve our health measures.

Metric		Score	Initial Target
Work Engagement (Index indicating the status of employees' voluntary behavior and positive emotional involvement as they perform their work)	3-item average	2.49	3.00
	(Vitality: 2.30, Enthusiasm: 2.72, Devotion: 2.45)		—
Presenteeism (Index measuring decline in productivity due to health issues)		73.6 (%)	80.0 (%)
Absenteeism (Index revealing work absences due to health issues)		3.29 (days)	1.50 (days)

Identifying Challenges & Making Improvements

Toward the goal of reducing the risk posed by lifestyle-related illnesses which are a factor leading to a decline in productivity, we have held company-wide walk rallies along with other events. Although these efforts have shown improvement in encouraging employees to exercise appropriately and regularly, the percentage of our employees with a BMI above 25%, which is closely related to lifestyle and habits, still remains high at around 30% of our workforce. Beyond fitness measures, we implement a broad range of wellness initiatives addressing nutrition and alcohol consumption to improve BMI. We look at how many employees are participating and not participating in these programs as part of our efforts to verify their outcome.

Chronological Comparison of Health Measures & Data

	FY2023	FY2024	FY2025
Appropriate Exercise Habits	29.9%	31.3%	33.7%
Percentage of Employees with BMI≥ 25.0	29.8%	30.0%	31.0%
Employees Participating in Walk Rallies	83.8%	83.0%	83.0%

TOPICS

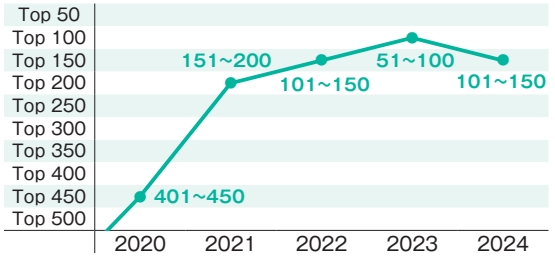
Recognized as Health & Productivity Management Outstanding Organization (White 500) for Sixth Consecutive Year

HEPCO was recognized as a Health & Productivity Management Outstanding Organization (White 500) for the sixth consecutive year. This recognition is awarded by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi after evaluating various health management initiatives.

2025 健康経営優良法人 KENKO Investment for Health 大規模法人部門 ホワイト500

"Health and Productivity Management" is a registered trademark of the Nonprofit Organization Kenkokeiei.

Annual Evaluations (Ranking) in Health Management Surveys



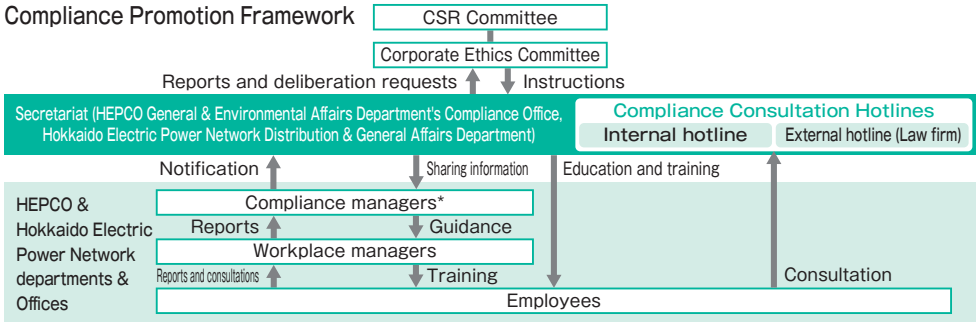
ROBUST BUSINESS FOUNDATION FOR SUSTAINABLE GROWTH

Thorough Compliance & Risk Management

Compliance Promotion Framework

Corporate Ethics Committee, chaired by HEPCO's President, meets quarterly to decisively address compliance violations and facilitate the implementation of effective measures to prevent any such recurrence.

Compliance Promotion Framework



*108 compliance managers as of March 31, 2025

Overview of Corporate Ethics Committee

	HEPCO	Hokkaido Electric Power Network	Other
Members	President (Chair) Executive Vice President Executive Officer Responsible for Personnel & Labor Relations Department Executive Officer Responsible for Compliance	President Executive Vice President Executive Officer Responsible for Compliance	Outside experts HEPCO Labor Union Headquarters Executive Chairman
Observers	Audit & Supervisory Committee Member (Standing)	Standing Auditor	
Secretariat	Business Ethics Office, General & Environmental Affairs Department	Distribution & General Affairs Department	
Matters for Deliberation	Measures to address non-compliance incidents, response protocols for compliance-related consultations, etc.		
Sessions & Timing (FY2025)	4 (April, August, November, and January)		

Compliance Consultation Hotlines

A framework for compliance consultation hotlines is in place to handle consultations about compliance violations or other infractions by employees in the workplace as well as on or off the job. This system is able to gather a broad range of information about compliance violations.

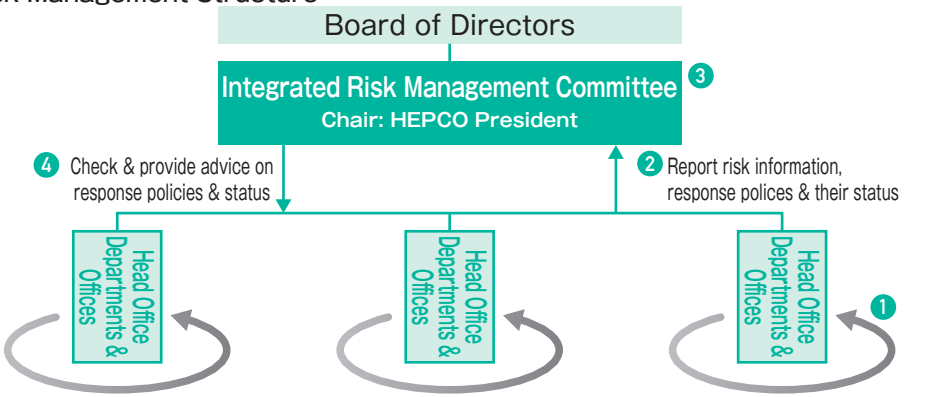
Number of Compliance Consultation Hotline Inquiries (Incl. Anonymous Inquiries)

FY2023	FY2024	FY2025
42	37	34

Risk Management Structure

Pursuant to our Integrated Risk Management Regulations, we have established a company-wide integrated risk management framework and implement initiatives to reduce risks.

Risk Management Structure



Management Cycle

Information Security

Basic Information Security Policy

HEPCO and Hokkaido Electric Power Network (collectively as "HEPCO") promote secure information security initiatives so that electric power is stably supplied. To counter the increasing threat in recent years of a cyberattack, we promote information security management predicated on the PDCA cycle as we also work to maintain and raise the level of our information security operations.

Information Security Management System

HEPCO's system for managing information security is arranged so that the Executive Officer in charge of Information and Communications serves as the Information Security Supervisory Manager and the Information Systems & Telecommunications Department as the Information Security Supervisory Office. In each of HEPCO's Head Office departments and offices as well as our business offices, an information security manager is appointed to spearhead information security management, and there are also information security workplace managers who promote initiatives in each workplace.

Cyberattack Countermeasures

As a key infrastructure enterprise engaged in the electricity business, HEPCO recognizes the extent to which cyberattacks pose a major threat, and we have implemented the following initiatives in accordance with relevant laws, regulations, company rules and other standards.

①Management and Operational Measures (Organizational and Personal Security Control Measures)

Information security rules and other internal regulations have been developed. Thorough guidance is provided about information management, including measures (implemented annually), to train and keep employees and information security workplace managers fully aware of information security. Prohibitions are also in place on the use of external storage media in principle, along with management of registers detailing the status of recording media controls.

So that we may detect cyberattacks early and respond rapidly, we have our Security Operation Center (SOC)*1 conduct security surveillance (24 hours x 365 days/year) and Computer Security Incident Response Team (CSIRT)*2 collect and distribute security-related information as well as respond to incidents. In addition, a regular part of our training operations includes exercises where we assume a cyberattack is underway so that we may identify issues to be resolved and improve the level of our response.

*1 SOC: Security Operation Center
*2 CSIRT: Computer Security Incident Response Team

②Physical and Technical Security Control Measures to Counter Artificial System Breaches

HEPCO has adopted appropriate safeguards to prevent system intrusions, attacks on systems, destruction or alteration of critical data, as well as information leaks and breaches.

③Preparations to Counter External Threats

Along with prohibiting the use of USB drives in principle, we are ready to counter external threats seeking to exploit vulnerabilities. We have mechanisms in place that restrict viewing of external websites, monitor cloud services, and check for viruses in email attachments sent from outside the company so that we may keep our systems and data safe against external attacks.

Group-Wide Information Security Initiatives

HEPCO has put in place an information security management system for the entire HEPCO Group. We formulate plans and promote information security measures that serve as the standard throughout our entire group.

In addition, we established the HEPCO Group Information Security Policy so that information security is maintained and augmented throughout our entire group. Group companies uniformly and reliably implement information security measures. They also adopt a variety of security control measures based upon the group-wide policy.

In addition, HEPCO has supported group companies in developing action plans to reinforce information security within their companies. Initiatives developed as part of the PDCA cycle are implemented in conjunction with efforts to raise the level of information security across the entire HEPCO Group.

TOPICS

Enhancing Group-Wide Information Security Measures in Response to Supply Chain Risks

Taking into account situations where cyberattacks are frequently directed at HEPCO via business partners, group companies, and other enterprises along the supply chain, HEPCO Group is unified in our efforts to strengthen information security measures by implementing the following initiatives.

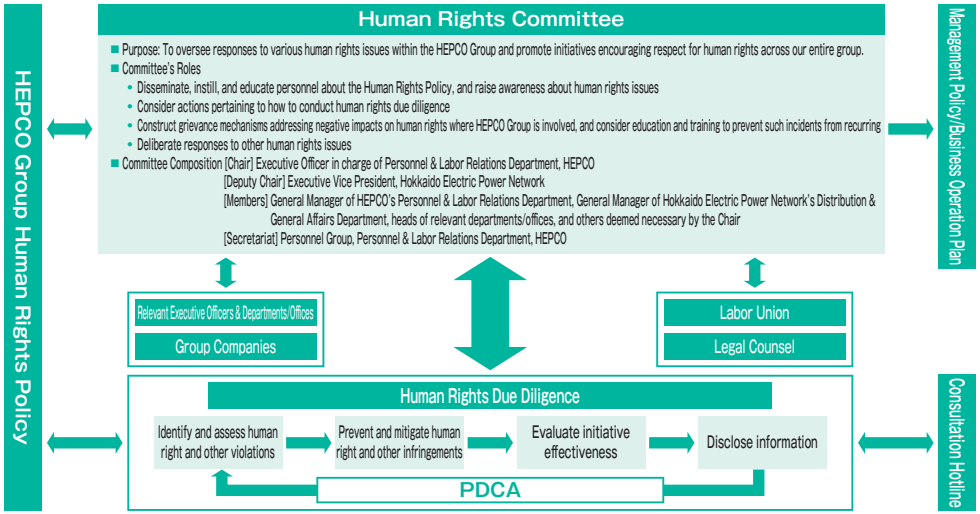
- Establish a rapid-response framework that enables the swift sharing of information security threats and vulnerabilities across all Group companies.
- Provide regular training programs for all HEPCO and Group employees, that includes e-learning modules and drills designed to simulate targeted email attacks.
- In cooperation with external security experts, engage in initial response and communication drills involving relevant parties.

Human Rights Due Diligence Initiatives

Human Rights Policy : https://www.hepco.co.jp/corporate/human_rights/respect/

Structure Promoting Respect for Human Rights

HEPCO Group respects the human rights of everyone involved in our group's business activities. We promote human rights due diligence initiatives pursuant to the HEPCO Group Human Rights Policy ("Human Rights Policy").



Key FY2025 Initiatives

Survey conducted of HEPCO & Hokkaido Electric Power Network ("Group Headquarters"), group companies, and business partners in order to identify and assess human rights-related risks.

The findings evaluated the risk of human rights infringement as "low" across all priority criteria including severity and likelihood of occurrence. Accordingly, no material human rights risks were identified.

Date(s)	Target	Initiative(s)
July 2024	Group Headquarters employees	Harassment survey conducted
August~September, December	Group Headquarters employees	Working hours survey conducted
October	Group Headquarters employees	Human rights training conducted
November	Group company employees	Human rights training conducted
February 2025	Group Headquarters divisions, business partners	Questionnaire survey conducted
March	Group companies	Questionnaire survey conducted
	Group Headquarters management	Harassment prevention training conducted
	Human Rights Committee	Human rights initiatives reported and reviewed, and basic policy on customer harassment formulated

Key FY2026 Initiatives

①Dissemination and Education of Human Rights Policy　Ongoing since FY2025

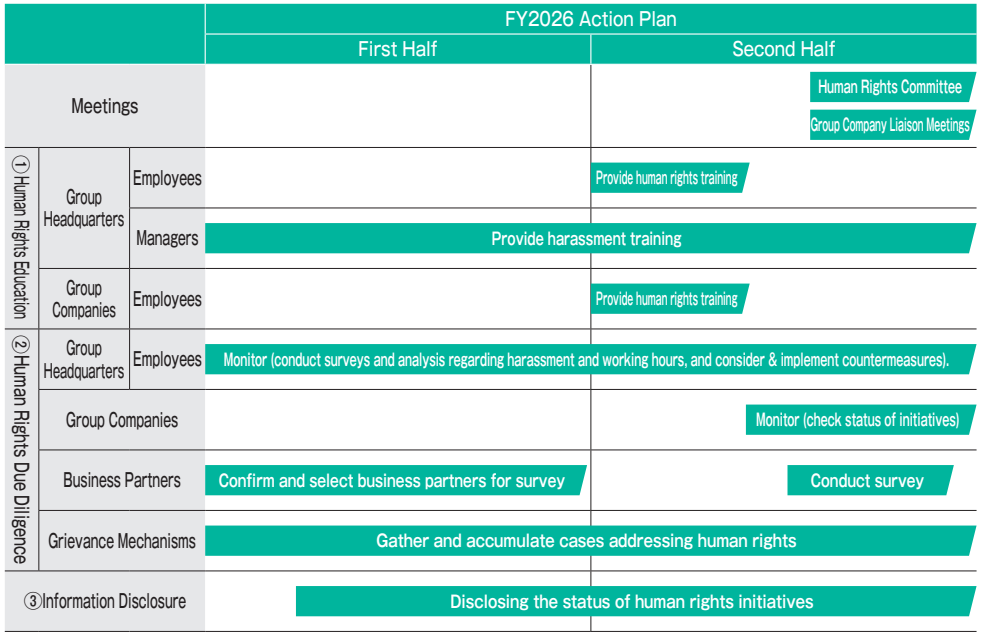
We will strive to thoroughly instill our Human Rights Policy and raise awareness among HEPCO and HEPCO Group employees regarding human rights issues through education and training provided at Group Headquarters and companies.

②Human Rights Due Diligence　Ongoing since FY2025

We will conduct surveys and interviews of Group Headquarters & group companies as well as business partners, and implement other initiatives. Based on the FY2025 survey results, we will reassess our activities to improve them and ensure more effective initiatives are implemented.

③Information Disclosure　New

We will disclose the status of our human rights due diligence initiatives on our website in June 2025.



Initiatives Promoting Compliance with Conduct Regulations

Following revision of the Electricity Business Act in April 2020, HEPCO spun off our power transmission and distribution business into a separate entity, Hokkaido Electric Power Network. Hokkaido Electric Power Network and other general electricity transmission and distribution utilities are required to be neutral and fair toward all power generation and retail operators. Consequently, the Electricity Business Act stipulates specific prohibitions applicable to general electricity transmission and distribution utilities, such as banning discriminatory treatment between group companies and other power generation and retail operators, as well as acts impeding competition.

Initiatives at Hokkaido Electric Power

HEPCO established internal regulations stipulating that employees must not request Hokkaido Electric Power Network to use or provide information for unauthorized purposes or engage in discriminatory treatment. HEPCO has also conducted self-inspections of the status of compliance with these conduct regulations and had management monitor compliance. In light of the business improvement recommendation received from the Electricity and Gas Market Surveillance Commission (see below), HEPCO is providing training focused on conduct regulations and has fundamentally reviewed the specific items comprising our self-inspections and monitoring. The company is also working to strengthen the compliance framework by establishing a Conduct Regulation Compliance Committee and constructing a mechanism to incorporate the opinions of external experts.

Initiatives at Hokkaido Electric Power Network

Hokkaido Electric Power Network established internal regulations defining prohibited acts, including misappropriation of information and discriminatory treatment. In addition to conducting annual inspections regarding the status of regulatory compliance at all workplaces, the company has established a Conduct Regulation Compliance Committee to ensure compliance with evaluations and recommendations from external experts. In addition, taking into account the business improvement recommendation received from the Electricity and Gas Market Surveillance Commission (see below), Hokkaido Electric Power Network established an organization dedicated to conduct regulation compliance to strengthen the internal control system. The company is also committed to enhancing information management, including adopting information-sharing tools specifically designed for Hokkaido Electric Power Network.

TOPICS

Report on Business Improvement Recommendation Issued by the Electricity and Gas Market Surveillance Commission

Overview of Incident

Employees of HEPCO's power generation division accessed materials that also contained information potentially classified as non-public that was prepared by Hokkaido Electric Power Network. They used this information for power generation operations, including the consideration of new power generation facility construction and preparation of materials for decision-makers to consult. In addition, deficiencies were identified at Hokkaido Electric Power Network in the setting of access privileges for systems it administers as well as inadequate control of information-sharing tools. This enabled HEPCO employees to view non-public information. Actual instances of such viewing were confirmed and deficiencies were found in the system for controlling paper documentation. On July 23, 2025, the Electricity and Gas Market Surveillance Commission issued a business improvement recommendation to both HEPCO and Hokkaido Electric Power Network. Subsequently, on August 22, 2025, the companies submitted a report responding to the recommendation.

Initiatives to Prevent Recurrence

Recurrence Prevention Measures at HEPCO

1. HEPCO will strive to transform employee mindsets, improve understanding, and foster a healthy corporate culture through messages communicated by the President, training implemented that is specifically focused on conduct regulations, and other measures.
2. HEPCO will strengthen information coordination and management frameworks by separating HEPCO and Hokkaido Electric Power Network servers and constructing mechanisms to prevent the viewing of non-public information.
3. HEPCO will maintain and strengthen checks and countermeasures by establishing a Conduct Regulation Compliance Committee, constructing mechanisms to reflect the opinions of external and other experts, and bolstering self-inspections and monitoring.
4. HEPCO will reinforce safety controls on contractors by identifying those requiring safety controls and establishing confidentiality agreements that include compliance with conduct regulations.

Recurrence Prevention Measures at Hokkaido Electric Power Network

1. Hokkaido Electric Power Network will strengthen internal controls, including establishing a specialized organization dedicated to compliance with conduct regulations.
2. Hokkaido Electric Power Network will reform employee mindsets through messages communicated by the President, instructions issued by executive officers, formulation of guidelines for communication with HEPCO employees, and enhanced education and training specifically focused on conduct regulations, as well as other measures.
3. Hokkaido Electric Power Network will improve employees' level of understanding of conduct regulations by enhancing internal websites describing these regulations as well as education and training.
4. Hokkaido Electric Power Network will implement appropriate and effective measures based on extracted and evaluated risks and monitoring specifically focused on conduct regulations.
5. Hokkaido Electric Power Network will ensure thorough information management by setting appropriate access privileges to and managing data of systems and information-sharing tools handling non-public information, as well as by maintaining rules for managing paper documents.
6. Hokkaido Electric Power Network will reinforce safety management measures on contractors handling non-public information by supporting these contractors in constructing conduct regulation training systems and concluding comprehensive confidentiality agreements.

Disciplinary Action Taken Against the Parties Involved

Having taken this business improvement recommendation with the utmost seriousness, HEPCO and Hokkaido Electric Power Network took the following disciplinary actions against the executive officers involved so that the responsibility for managing business execution is clearly delineated.

HEPCO	Salaries of three individuals reduced and two severely reprimanded

*More information available here
https://www.hepco.co.jp/info/2025/__icsFiles/afieldfile/2025/08/22/250822.pdf

Hokkaido Electric Power Network	Salaries of three individuals reduced

*More information available here
https://www.hepco.co.jp/network/info/2025/__icsFiles/afieldfile/2025/08/22/250822_2.pdf

ROBUST BUSINESS FOUNDATION FOR SUSTAINABLE GROWTH

Enhance Corporate Governance

Tripartite Discussion on HEPCO Governance

Outside Director
Takeshi Yoshikawa

Outside Director and Audit & Supervisory Committee Member
Mitsuko Ukai

Outside Director and Audit & Supervisory Committee Member
Iwao Takeuchi

Leveraging Critical Perspectives of Outside Directors to Enhance Board Effectiveness and Fortify Corporate Governance

What is your assessment of HEPCO Group Management Vision 2035?

Takeuchi: What left a very strong impression on me during discussions with directors was President Saito's intense focus on 'transformation.' Enterprises need to continually transform. Without that, vitality wanes, and enterprises will most likely stagnate and decline. While the power industry has changed since deregulation, it is still oriented toward the culture of stability. President Saito senses a crisis coming—a realization that we cannot survive without breaking from that culture. I highly commend top management for pushing HEPCO toward transformation. I believe the company will genuinely transform as we move forward.

Ukai: As Mr. Takeuchi says, I also felt President Saito's resolve to seek a new path forward. While his emphasis on transformation is striking, he also emphasized 'challenge,' stating he will create an environment where employees take up challenges just as board members must do. This year is the inaugural year for putting Management Vision 2035 into practice. I am watching with high expectations to see exactly how HEPCO will embrace these challenges.

Yoshikawa: I find it outstanding that Management Vision 2035 incorporates so many perspectives focusing on Hokkaido and the local region. As a Hokkaido resident myself, I understand very well the sentiment of local people who speak of HEPCO using the honorific

"-san" for affection. To honor that trust, HEPCO is committed to 'sincere and fair' conduct as outlined in the values of our new management philosophy. We are also striving to co-create the future with the local community. HEPCO is currently at a critical juncture of ascending to a new growth stage, and I am grateful for the opportunity to be involved as an outside director at such an important time.

Ukai: Hokkaido holds immense potential. In an attempt to draw out that potential, HEPCO is trying to provide support in areas other than electricity, rather than just standing at the forefront. This stance is truly commendable.

Takeuchi: I understand and commend HEPCO's serious commitment to the integrated development of Hokkaido's economy. Considering the group's economic and social standing in the region, this is work the company absolutely should undertake. However, HEPCO also has its core business. It cannot simply justify every action as being "in the interest of Hokkaido." There must be checks and balances. The role of outside directors is to provide that external oversight to ensure a balanced approach.

How do you view HEPCO's governance?

Yoshikawa: HEPCO's governance structure may be arranged into three tiers: an internal control system, Enterprise Risk Management or ERM which is a company-wide risk management system, and the overarching corporate governance framework. HEPCO strives earnestly to implement each, and these tiers are functioning, I believe. However, they currently operate somewhat as silos without much integration. If these tiers can be tied together to work more systematically, governance will function even more effectively.

Takeuchi: I agree completely. There is no resistance to disclosure, and inquiries are met with sincerity, so, technically, governance does function.

However, in April of this year, we received a collection of reports based on the provisions of the Electricity Business Act. About one month later, HEPCO announced its investigation findings and recurrence prevention measures, yet I felt analysis of the root cause was insufficient. We must move beyond symptomatic treatment and consider the corporate culture itself—questioning, for instance, whether cost reduction was prioritized over security—to identify the true causes behind what happened.

Yoshikawa: Mr. Takeuchi is correct. Following the business improvement recommendation, executive management drafted a business improvement plan based on discussions by the Board of Directors and other entities, which was submitted to the administrative agency. However, we as outside directors must monitor execution of this plan and determine how to eliminate root causes also found in past scandals. Only by doing so can we restore the corporate value damaged by this incident. We need

to dig deep and work relentlessly to uncover the true underlying issues.

Ukai: HEPCO has a history of learning from bitter experiences. Following the 2018 blackout caused by the Hokkaido Eastern Iburi Earthquake, the company compiled specific measures that needed to be addressed into an Action Plan, and established a committee, which included outside officers like myself, to verify its implementation. We worked diligently for three years. I trust that the response to this recent incident will also not end with merely filing a report, but involve systematic and structural responses.

Yoshikawa: The most regrettable issue of this incident is that the lessons learned from previous similar cases and scandals—both at HEPCO and other companies—were not taken to heart and failed to serve as a deterrent. We need to fundamentally review risk management and internal control mechanisms related to conduct regulations. I want to emphasize this point most strongly to ensure it is not forgotten.

What initiatives are needed to further enhance Board effectiveness?

Ukai: The Board has become a forum for genuine deliberation, not only are we outside directors free to speak, but the Chairman and President actively solicit our views. Having served since 2018, I feel the Board's effectiveness has improved significantly compared to when I first took office.

Nevertheless, the current challenge, however, is the sheer volume of agenda items. We are now debating whether the current agenda setting method is fine as it is. In fact, we have reached the point where outside directors are starting to propose agenda items based on themes we wish to discuss.

Takeuchi: It is very significant that we have moved beyond mechanically addressing items on the agenda to the point where we deliberate topics that we ourselves recognize as being at issue.

However, the ultimate test of the Board's effectiveness is whether we can say "NO" to questionable management decisions. I am committed to fulfilling my role with the resolve to stand firm and say "NO" whenever necessary.

Yoshikawa: As an Outside Director, I find it very interesting and meaningful to visit worksites and talk with younger employees. A mentor in the legal field taught me that "judgment detached from the frontline is dangerous." Although we are in a different sector, Board discussions must never become disconnected from the reality of the front lines.

As outside directors, what will be your primary focus going forward?

Ukai: My focus is on restarting Tomari Nuclear Power Station and initiatives to be implemented after that. HEPCO has spent over a decade constructing safe facilities. With the authorization for changes to the Unit 3 reactor installation that was received this July and successful passing of the safety review, we now have a realistic prospect of restarting operations. However, we must never forget the peace of mind of Hokkaido residents is the prerequisite for this. Post-restart initiatives, such as ensuring safe operation and readiness to respond to any disaster, are critical.

I intend to closely watch management's decisions in this area and provide appropriate counsel.

Takeuchi: If I must choose one area, my focus is on human capital development. We need to establish a new management style and a virtuous cycle where top management trains middle management, who in turn inspire and elevate the younger generation. The human resources division is considering various mechanisms to achieve this, and I intend to keep my eye on their progress and offer my assistance.

Yoshikawa: My role is also to support the smooth implementation of initiatives as you both have mentioned. Even a small leak can have a tremendous impact on the entire organization if mishandled. I intend to focus my efforts on nipping such potential issues before they escalate.

Message from HEPCO's Newly Appointed Outside Director

Leveraging My Experience as a Researcher to Tackle Mounting Challenges

Outside Director and Audit & Supervisory Committee Member
Toshifumi Igarashi
Professor Emeritus & Visiting Professor, Graduate School of Engineering, Hokkaido University

My Career and Experience

After completing my master's course, I worked at the Central Research Institute of Electric Power Industry (CRIEPI). The office was in Abiko City, Chiba Prefecture, and my main duties were geological and groundwater surveys and their evaluation as concerns radioactive waste disposal and coal ash landfill disposal. I was also engaged in the environmental impact assessments for construction of hydroelectric power plants in Sabigawa (Tochigi Prefecture) and Kyogoku (Hokkaido). During my 18-year tenure, I also had the experience of working at the Electric Power Research Institute (EPRI) in the United States for 3 months and the Swedish Nuclear Fuel and Waste Management Company (SKB) for 2 years. In the US, I conducted research on evaluating the behavior of trace elements in coal ash underground, and in Sweden, I researched the evaluation of groundwater flow in bedrock and geochemical environments. The experiences of working both in Japan and overseas proved useful in my later education and research at university. After returning to Hokkaido University in 2001, although groundwater was originally my specialty, it overlapped with enforcement of the Soil Contamination Countermeasures Act. Before I knew it, I was a soil specialist with my research focusing on assessing the environmental impact of residual construction soil and measures to counter hazardous elements contained in that soil. Together with maintenance of high-standard roads and Shinkansen construction in Hokkaido, I have conducted surveys and assessments throughout Hokkaido. As soil and groundwater contamination attracted greater attention not only in Japan but also globally, I expanded my work and research to Indonesia, Vietnam, Cambodia and other Southeast Asian countries, as well as Zambia, Mozambique, and other African nations. During that time, I mentored many international students, some of whom are now university faculty in Bolivia, Philippines, Indonesia, Laos, and Cambodia. I served as President of Asahikawa College (National Institute of Technology) for three years starting in 2022 where I focused on school management while suppressing the temptation to return to fieldwork.

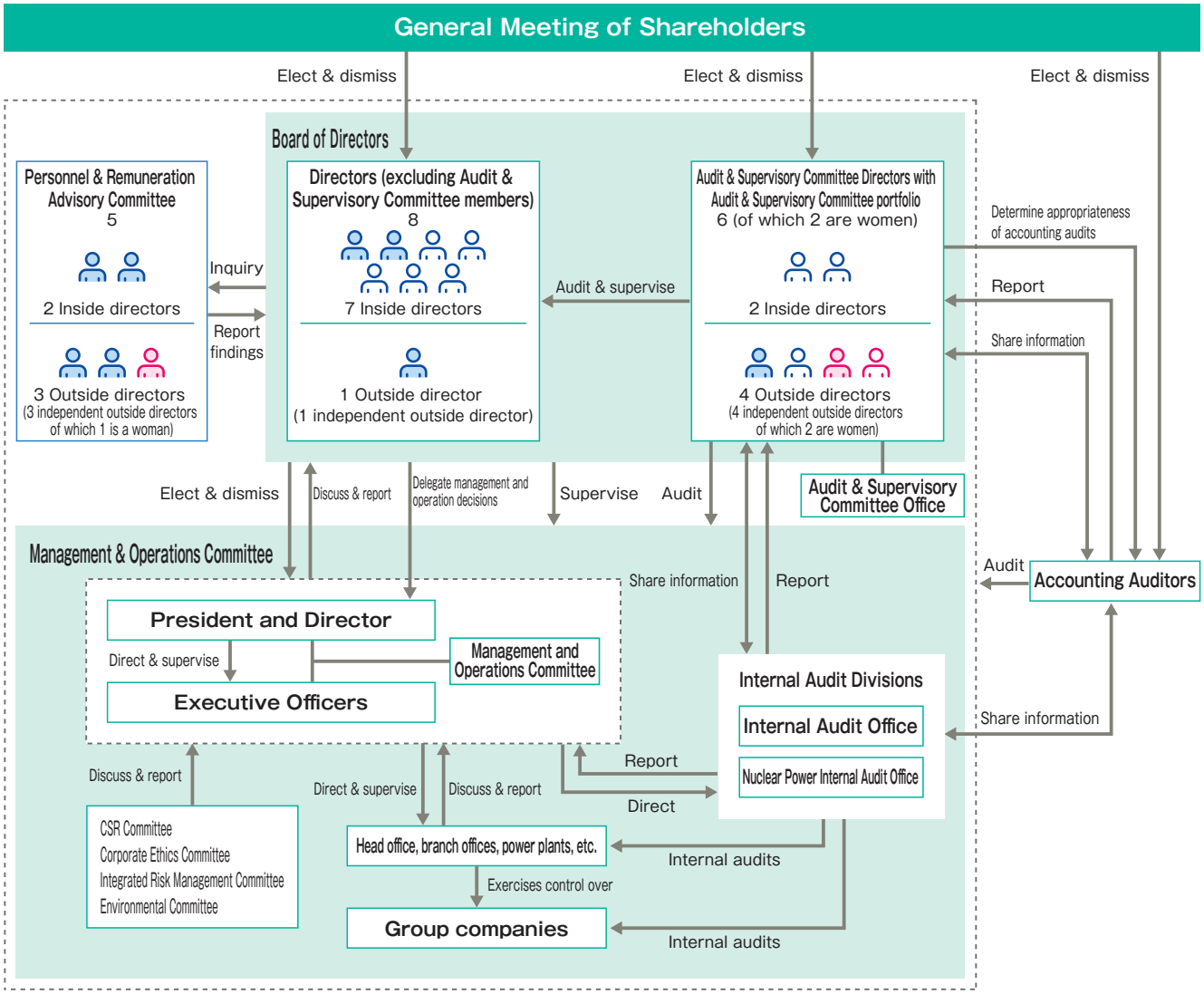
Having majored in sanitary engineering and water treatment technology as a student, acquired geological and groundwater evaluation skills at CRIEPI, and researched soil contamination and mine wastewater measures as a professor, I believe that, although my knowledge may be superficial, I have made full use of my knowledge of civil engineering, especially tunnel engineering, geology & groundwater, resource engineering, environmental engineering, and other subjects, and applied this to social implementation. I hope that someday I will be able to contribute even a little to Hokkaido Electric Power or the electric power business.

Future Priorities for Hokkaido Electric Power

Before I returned to academia, the prevailing view was that Hokkaido's power supply could be secured primarily through nuclear power and supplemented by the Kyogoku Hydroelectric Power Station. Following the accident in Fukushima, the tide shifted away from excessive reliance on nuclear power. In recent years, the trend has been to actively utilize renewable energy for decarbonization. Societal demands change with the times. I believe Hokkaido Electric Power must be a company that evolves to respond to these changing demands.

Currently, HEPCO and the electric power business face intense public scrutiny. This is due not only to the fact that we provide indispensable infrastructure, but also the highly public nature of the business. We face a mountain of difficult challenges, including the restart of nuclear power plants, treatment and disposal of radioactive waste, and reduction of carbon dioxide emissions. To pave a path for solution, I would like to untangle complex issues through dialogues with employees working on the front lines. As a member of the Audit & Supervisory Committee, I hope to solve these challenges together with everyone, while understanding the perspective of those being audited. Having worked at universities and technical colleges where external evaluations began with JABEE accreditation (Japan Accreditation Board for Engineering Education (JABEE) to examine and accredit "educational programs to develop engineers" from perspectives such as knowledge and ability necessary for engineers and required standards of society), I was constantly on the side being audited for institution-specific certification evaluation among others, so I would like to make use of that experience.

Corporate Governance Structure (As of July 2025)



Board Member (Man)
Board Member (Woman)
Board Member with Personnel & Remuneration Advisory Committee Portfolio (Man)
Board Member with Personnel & Remuneration Advisory Committee Portfolio (Woman)

Corporate Governance Structure Chart (As of June 27, 2025)

Institutional Design	Company with Audit & Supervisory Committee
Directors	14 (of which 5 are independent outside directors)
Chairman of the Board	Yutaka Fujii
Audit & Supervisory Committee Members	6 (of which 4 are independent outside directors)
Executive Officer System Adopted	Yes
Voluntary Board Advisory Committee	Personnel & Remuneration Advisory Committee established
Accounting Auditor	Ernst & Young ShinNihon LLC
Corporate Governance Report	https://www.hepco.co.jp/corporate/management/pdf/corporategovernance_report.pdf

Reasons for Transition to Company with Audit & Supervisory Committee (June 2022)

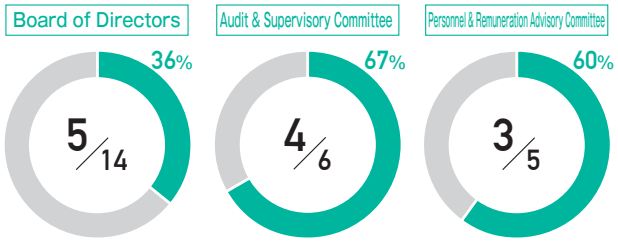
- To respond promptly and agilely to important business challenges in a significantly changing business environment
- To further enhance the transparency of the Board of Directors' decision-making and effectiveness of its management oversight

Board of Directors Maintains Good Balance & Diversity of Knowledge, Experience and Abilities

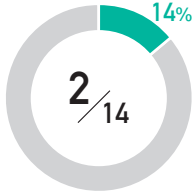
The foundation of HEPCO Group's Board of Directors is its composition, encompassing an array of specializations and career experiences, so that management challenges may be appropriately and promptly addressed.

In addition, so that outside views are incorporated into the Board's discussions and reflected in management, outside directors have been appointed. Outside directors have been selected who have management experience acquired at other companies in an effort to enhance corporate value. The Directors' Skill Matrix illustrates the specialized knowledge and other attributes that the Board of Directors should possess as well as the balance of those attributes among the members.

Percentage of Outside Directors on the Board of Directors & Committees (As of July 2025)



Percentage of Women Directors on Board of Directors (As of July 2025)



Directors' Skill Matrix

Name	Gender	Position		Knowledge & Experience Expected of Directors						
				Corporate Management & Management Strategy	Sales	Business Development	Technology and R&D	Legal Affairs	Finance & Accounting	ESG
Yutaka Fujii	Male	Chairman of the Board		●		●				●
Susumu Saito	Male	Representative director President		●	●	●				
Masahiro Ueno	Male	Executive Vice President		●			●		●	
Tsuyoshi Kobayashi	Male	Executive Vice President		●	●				●	
Kazuhiko Katsuumi	Male	Executive Officer				●	●			●
Hiroshi Tsuchida	Male	Executive Officer				●		●		●
Akito Niinuma	Male	Executive Officer			●	●				●
Takeshi Yoshikawa	Male	Director	Outside / independent / Attorney					●	●	●
Hiroshi Oono	Male	Director, Audit & Supervisory Committee (Standing)		●	●			●		
Yuichi Tomaki	Male	Director, Audit & Supervisory Committee (Standing)		●			●			●
Noriko Narita	Female	Director and Audit & Supervisory Committee Member	Outside / independent / Attorney					●	●	●
Iwao Takeuchi	Male	Director and Audit & Supervisory Committee Member	Outside / independent / Corporate management experience	●		●			●	
Mitsuko Ukai	Female	Director and Audit & Supervisory Committee Member	Outside / independent / Academic			●	●			●
Toshifumi Igarashi	Male	Director and Audit & Supervisory Committee Member	Outside / independent / Academic			●	●			●

*Up to three fields of expertise and experience are listed for each individual. The above is not a complete list of all of the expertise and experience possessed by each individual.
* "Business development" includes IT and digital transformation-related expertise.
* "Technology & research and development" includes specialized knowledge contributing to the stable supply of electric power as well as that relating to carbon neutrality.
*Reasons for outside director appointments are provided in the Corporate Governance Report.

Assessment of Board of Directors' Effectiveness

The following evaluation was conducted of the effectiveness of Board of Directors' meetings held in FY2025, the results of which were subsequently reported to and deliberated by the Board of Directors

Overview of Effectiveness Assessment

Assessment Scope	Meetings of the HEPCO Board of Directors held from April 2024 through February 2025 (Total of 14 sessions; includes written resolutions and reports)
Conducted by	14 (of which 5 are independent outside directors)
Chairman of the Board	Yutaka Fujii
Method	Questionnaire survey
Items Assessed	Number and composition of the Board of Directors, operation of the Board of Directors, systems supporting the Board of Directors, agenda of the Board of Directors (from the perspectives of strengthening supervisory functions and specializing on strategy), and other items (general corporate governance)

Assessment Results

FY2025 Initiatives

Building on the results of the FY2024 effectiveness evaluation, the following initiatives were implemented that contributed to enhancing governance:

- **Discussions about the Board of Directors composition**
- **Formulation of a new group management vision reflecting changes in the business environment**
- **Deliberations on structures and initiatives for enhancing group governance**
- **Holding facility tours and dialogues with younger employees to facilitate a better understanding by outside directors of HEPCO's current status**

Effectiveness Assessment Conducted

A survey was conducted of all directors that focused on elements such as the composition, operations, agenda, and support structure for the Board of Directors overseeing a company with audit & supervisory committee. In May of this year, the Board of Directors exchanged views on the assessment of its effectiveness and challenges faced.

Assessment Results

The assessment confirmed that the effectiveness of the Board is generally ensured as evidenced by the active exchange of opinions and thorough deliberations facilitated by discussions at meetings of the Management and Operations Committee and preliminary briefings for outside directors to explain agenda items.

Furthermore, the assessment confirmed that, amid the rapidly changing business environment, **work will continue on constructing an optimal governance structure for HEPCO** in order to further enhance our strategic focus, balance the dual goals of stable supply and decarbonization as the electric power business transforms while accurately addressing regional social challenges to deliver results.

Policy Initiatives for FY2026

In FY2026, from the standpoint of further elevating the supervisory function and strategic capabilities of the Board of Directors, **discussions will be expanded to address Board composition, appropriate risk-taking in investment projects in the development of new businesses, enhancement of group governance (including the group audit framework), and other important matters.**

In addition, as Hokkaido attracts great attention from all over the world from the standpoint of serving as a supply hub for decarbonized energy and a cluster for digital industries, the Board will hold ongoing discussions on management themes that facilitate both the business growth of the HEPCO Group and the development of Hokkaido.

On the operational front, the Board will distribute meeting materials earlier to facilitate more meaningful discussions and further enhance the provision of management information to outside directors.

The Board will also proactively engage with capital markets, including providing opportunities for outside directors to dialogue with market participants.

Management & Operations

POINT Adoption of Executive Officer System

A system of executive officers has been adopted and the Board of Directors delegates to individual directors partial authority for key management operations, thereby strengthening the Board of Directors' oversight functions and expediting operational execution.

Status of Executive Officers

	Number	Roles
Executive Officers	12	Clarify distinction between directors' supervisory and executive functions, thereby strengthening the functions for executing business operations
Operating Officers	15	Assist executive officers in executing business operations

Audit & supervise

POINT Construction of Highly-Effective Audit Framework

The Audit and Supervisory Committee receives reports from accounting auditors, internal audit department, and others regarding material audit matters stipulated by laws, the Articles of Incorporation, and internal regulations, and subsequently conducts deliberations and issues resolutions. In addition, a full-time staff of seven is assigned to support the work of the Audit & Supervisory Committee members.

The efficiency and effectiveness of audit work has been enhanced through close cooperation between the accounting auditors and internal audit divisions.

Directors Concurrently Serving as Executive Officers with Special Titles　Outside Directors

	Management and Operations Committee	Board of Directors	Audit & Supervisory Committee
Members	Susumu Saito (Chair), Masahiro Ueno, Tsuyoshi Kobayashi, Kazuhiko Katsuumi, Hiroshi Tsuchida, Akito Niinuma, Hiroyuki Suzuki, Satoshi Takada, Takeshi Makino, Shinichi Kimoto, Mizuya Matsumura, Akira Takahashi	Yutaka Fujii (Chairman), Susumu Saito, Masahiro Ueno, Tsuyoshi Kobayashi, Kazuhiko Katsuumi, Hiroshi Tsuchida, Akito Niinuma, Takeshi Yoshikawa, Hiroshi Oono, Yuichi Tomaki, Noriko Narita, Iwao Takeuchi, Mitsuko Ukai, Toshifumi Igarashi	Hiroshi Oono (standing), Yuichi Tomaki (standing), Noriko Narita, Iwao Takeuchi, Mitsuko Ukai, Toshifumi Igarashi
Sessions	50 (FY2025)	14 (FY2025)	14 (FY2025)
% of All Directors Present	90.4% (Sessions held in FY2025)	96.8% (Sessions held in FY2025)	97.6% (Sessions held in FY2025)
Purpose & Authority	■ Deliberate on group-wide management policies, plans, and material matters concerning business execution	■ Make decisions on material business execution matters as stipulated by laws and regulations, the Articles of Incorporation, and internal regulations ■ Supervise directors' execution of duties by receiving reports from them on the status of their performance of duties *Certain material business execution decisions are delegated to directors	■ Audit execution of duties by directors (excluding Audit & Supervisory Committee members) ■ Determine the Audit & Supervisory Committee's official opinions regarding directors' appointment, dismissal, and remuneration (excluding Audit & Supervisory Committee members) ■ Conduct deliberations and make resolutions regarding material audit matters stipulated by laws and regulations, the Articles of Incorporation, and internal regulations, based on reports from the Accounting Auditor and internal audit departments

Personnel & Remuneration

HEPCO's Personnel & Remuneration Advisory Committee has three independent outside directors among its five members. Having a majority of independent outside directors safeguards the committee's independence. The committee is appropriately involved and offers advice on the determination of candidates to serve as directors as well as those with Audit and Supervisory Committee portfolio, the appointment and dismissal of senior management, the determination of director remuneration, and other matters, thereby ensuring objectivity and transparency in decision-making procedures.

Since the committee's establishment in FY2017, all members have attended 100% of the meetings held.

Personnel & Remuneration Advisory Committee Outside Directors

Members	Yutaka Fujii (Chairman),Susumu Saito, Takeshi Yoshikawa , Mitsuko Ukai , Toshifumi Igarashi
Sessions	1 (FY2025)
% of All Directors Present	100% (FY2025)
Purpose & Authority	Provide appropriate counsel and advice on the selection of director candidates, appointment and dismissal of senior management, determination of director remuneration, and other key matters.

Nomination of Candidates for Director with Audit & Supervisory Committee Portfolio

Policy

- Potential candidates are considered based on their character, insight, capabilities, and other attributes to ensure they are able to appropriately address diverse management challenges.
- Individuals judged to be the most qualified to serve as directors or directors with Audit & Supervisory Committee portfolio are selected as candidates.

Procedure

Representative director
Based on the aforementioned policy, the Representative Director recommends candidates for director and director with Audit & Supervisory Committee portfolio positions.

Personnel & Remuneration Advisory Committee
The Personnel & Remuneration Advisory Committee, of which independent outside directors constitute a majority, deliberates the Representative Director's recommendation.

Board of Directors
After thorough deliberation, the Board of Directors determines the final candidates and submits the proposal to the General Meeting of Shareholders.

General Meeting of Shareholders
The General Meeting of Shareholders elects the directors and directors with Audit & Supervisory Committee portfolio via an ordinary resolution.

Appointment and Dismissal of Senior Management

Policy & Procedure

The Board of Directors appropriately appoints and dismisses senior management after deliberations by the Personnel & Remuneration Advisory Committee, of which independent outside directors constitute a majority, that take into consideration performance and other evaluations.

Compensation Structure for Directors

Total Amount of Remuneration, etc. for Each Corporate Officer Category, Total Amount of Remuneration, etc. by Type, and Number of Eligible Corporate Officers (FY2025)

Category	Total Remuneration, etc. (Million yen)	Total Amount of Remuneration, etc. by Type					
		Monetary Compensation				Non-Monetary Compensation	
		Base Compensation		Bonus (Short-Term Performance-Linked Compensation)		Stock Compensation (Medium- to Long-Term Performance-Linked Compensation)	
		Number of Recipients (Persons)	Amount Paid (Million yen)	Number of Recipients (Persons)	Amount Paid (Million yen)	Number of Recipients (Persons)	Amount Paid (Million yen)
Directors (Excluding directors with Audit & Supervisory Committee portfolio and outside directors)	329	10	282	–	–	8	47
Directors with Audit & Supervisory Committee portfolio (Excluding outside directors)	60	3	60	–	–	–	–
Outside officers	41	6	41	–	–	–	–

(Notes) 1. The chart includes three directors and one director with Audit & Supervisory Committee portfolio who retired as of the close of the 100th Ordinary General Meeting of Shareholders held on June 26, 2024, and one director who retired on March 1, 2025.
2. It was determined that no bonuses would be paid this business year.
3. The maximum remuneration amounts set by resolution of the 98th Ordinary General Meeting of Shareholders held on June 28, 2022 are as follows:
Directors (Excluding directors with Audit & Supervisory Committee portfolio) Not to exceed ¥34 million per month (of which ¥4 million per month is set for outside directors)
Directors with Audit & Supervisory Committee portfolio Not to exceed ¥10 million per month
The number of directors (excluding those with Audit & Supervisory Committee portfolio) at the close of the ordinary general meeting of shareholders is 9 (of which 1 is an outside director), and the number of directors with Audit & Supervisory Committee portfolio is 6 (of which 4 are outside directors).
4. At the 98th Annual General Meeting of Shareholders held on June 28, 2022, it was resolved that stock compensation (medium- to long-term performance-linked compensation) would be separate from monthly compensation with a maximum of 86,000 total points allocated annually to directors. At the conclusion of this Annual General Meeting of Shareholders, there were eight directors (excluding outside directors). To raise awareness of contributions made toward improving performance over the medium- and long-term as well as enhancing corporate value, the performance indicators used are dividends to shareholders and the status of achieving the ¥23 billion consolidated ordinary income per year, which is the profit target set out in the HEPCO Group Management Vision 2030. In addition, the compensation amount is stated as expenses recorded for the current business year.
Actual results for the key performance indicators for the current fiscal year are as follows:
·Consolidated ordinary income: ¥64 billion
·Dividend: ¥20 per share
Note that of the dividend (amount per share of common stock) of ¥20, the year-end dividend amount of ¥10 is a matter to be determined by resolution of the Ordinary General Meeting of Shareholders scheduled for June 26, 2025.

Procedure for Determining Compensation

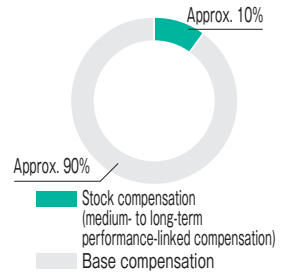
	General Meeting of Shareholders	Personnel & Remuneration Advisory Committee	Board of Directors
Base compensation	Determines by resolution the maximum compensation	Deliberates individual payment amounts after taking into account each director's responsibilities and achievements, medium- to long-term performance outlooks, fiscal year performance, the public nature of the electric power utility business, and other factors.	Determines individual payment amounts based on the Personnel & Remuneration Advisory Committee's deliberations within the compensation limit approved by the General Meeting of Shareholders. (Authority for specific decisions is delegated to the Chairman and President.)
Performance-linked compensation: Bonus (short-term performance-linked compensation)	Determines by resolution the total amount each time a bonus is paid	Deliberates the propriety of payments and individual payment amounts after comprehensively taking into account fiscal year performance particulars without relying on specific indicators.	Determines individual payment amounts based on the Personnel & Remuneration Advisory Committee's deliberations within the compensation limit approved by the General Meeting of Shareholders. (Authority for specific decisions is delegated to the Chairman and President.)
Performance-linked compensation: Stock compensation (medium- to long-term performance-linked compensation)	Determines by resolution the compensation limit for performance-linked stock compensation	Deliberates the number of points to be granted to individuals, taking into account the Corporate Officers' Stock Benefit Regulations, fiscal year performance, and other factors.	Determines the number of points to be granted to each individual based on the Personnel & Remuneration Advisory Committee's deliberations as indicated. The number of points is determined in accordance with the Corporate Officers' Stock Benefit Regulations.

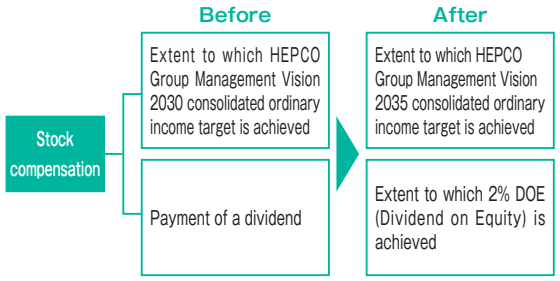
*The ratio of the base compensation and stock compensation (medium- to long-term performance linked compensation) paid is 9:1 at the time of target achievement, and, if a bonus (short-term performance-linked compensation) is paid, the percentage that accounts for among total remuneration is determined after comprehensively taking into account duties, performance, and other factors.
*Stock compensation (medium- to long-term performance linked compensation) is calculated using the total number of points awarded for each business year of the individual's term of service with one share of the company's common stock per point conferred as part of a stock benefit trust system at the time of retirement.

TOPICS

Revision of Corporate Officers' Stock Benefit Regulations Based on Revised Management Vision

In conjunction with the revisions made to the HEPCO Group Management Vision 2035, we are revising the performance indicators taken into account when determining the number of points (shares) granted under the stock compensation plan (medium- to long-term performance-linked compensation).





Board of Directors (As of July 1, 2025)

Chairman of the Board

Yutaka Fujii (Date of Birth: April 19, 1956)

April 1981	Joined HEPCO
June 2015	Director & Executive Officer, HEPCO
June 2016	Executive Vice President & Director, HEPCO
April 2018	Executive Vice President & Director, HEPCO and President, Power Network Company
June 2019	President & Director, HEPCO
June 2022	Representative Director and President, HEPCO
June 2023	Chairman of the Board, HEPCO (present position)

Representative Director
Chief Executive Officer

Susumu Saito (Date of Birth: January 23, 1961)

Director, Nuclear Power Promotion Division

April 1983	Joined HEPCO
June 2015	Director, Tomato-Atsuma Power Station, HEPCO
July 2017	Operating Officer and Director, Tomato-Atsuma Power Station, HEPCO
June 2019	Operating Officer and General Manager, Thermal Power Department, HEPCO
July 2019	Executive Officer and General Manager, Thermal Power Department, HEPCO
June 2021	Director & Executive Officer, HEPCO
June 2023	Representative Director and Chief Executive Officer, HEPCO (present position)

Representative Director
Executive Vice President

Masahiro Ueno (Date of Birth: December 13, 1960)

Acting Director, Nuclear Power Promotion Division
Responsible for Internal Audit Office, Corporate Planning Department, and Research & Development Department

April 1983	Joined HEPCO
July 2011	Director, Hakodate General Power Network Center, HEPCO
June 2014	General Manager, Engineering Department, HEPCO
June 2016	Operating Officer and General Manager, Corporate Planning Department, HEPCO
April 2018	Senior Operating Officer and General Manager, Corporate Planning Department, HEPCO
June 2019	Director & Executive Officer, HEPCO
June 2023	Representative Director and Executive Vice President, HEPCO (present position)

Representative Director
Executive Vice President

Tsuyoshi Kobayashi (Date of Birth: September 19, 1961)

Acting Director, Nuclear Power Promotion Division
Responsible for Secretary Office, Accounting & Finance Department, Procurement Department, and Compliance

April 1984	Joined HEPCO
June 2015	General Manager, Corporate Planning Department, HEPCO
June 2017	General Manager, Accounting & Finance Department, HEPCO
July 2017	Operating Officer and General Manager, Accounting & Finance Department, HEPCO
June 2020	Director & Executive Officer, HEPCO
June 2024	Representative Director and Executive Vice President, HEPCO (present position)

Director
Executive Officer

Kazuhiko Katsuumi (Date of Birth: January 11, 1963)

Deputy Director, Nuclear Power Promotion Division, and Director, Nuclear Power Administration Division

April 1987	Joined HEPCO
August 2015	General Manager, Nuclear Power Department, HEPCO
July 2017	Operating Officer and General Manager, Nuclear Power Department, HEPCO
June 2021	Operating Officer, and Director, Tomari Nuclear Power Office, HEPCO
July 2021	Executive Officer, and Director, Tomari Nuclear Power Office, HEPCO
June 2023	Director and Executive Officer, HEPCO (present position)

Director
Executive Officer

Hiroshi Tsuchida (Date of Birth: March 31, 1962)

Deputy Director, Nuclear Power Promotion Division
Responsible for Personnel & Labor Relations Department, Public Relations Department, General & Environmental Affairs Department

April 1985	Joined HEPCO
June 2016	Manager, Business Ethics Office, General Affairs Department, HEPCO
June 2019	Manager, Obihiro Branch Office, HEPCO
April 2020	Manager, Obihiro Branch Office, Hokkaido Electric Power Network Co., Inc.
July 2020	Operating Officer and Manager, Obihiro Branch Office, HEPCO (resigned June 2021)
June 2021	Operating Officer and Manager, Secretary Office, HEPCO
June 2024	Director & Executive Officer, HEPCO (present position)

Director
Executive Officer

Akito Niinuma (Date of Birth: November 16, 1961)

Deputy Director, Nuclear Power Promotion Division
Responsible for Value Creation & Marketing Development Department and Metropolitan Area Sales Department

April 1985	Joined HEPCO
June 2016	General Manager, Sales Department, Sapporo Branch Office, HEPCO
April 2018	Manager, Hokkaido East Branch Office
July 2019	Operating Officer and Manager, Hokkaido East Branch Office
June 2021	Operating Officer and General Manager, Sales Promotion Department
June 2024	Executive Officer, HEPCO
June 2025	Director and Executive Officer, HEPCO (present position)

Outside Directors

Takeshi Yoshikawa (Date of Birth: November 18, 1956)

April 1987	Licensed Attorney and Member, Sapporo Bar Association
April 1989	Transferred registration to Kushiro Bar Association
April 1991	Transferred registration to Sapporo Bar Association (current)
June 2007	Outside Auditor, NTT DoCoMo Hokkaido, Inc. (resigned June 2008)
April 2012	Member, Sapporo Fixed Asset Evaluation Examination Committee
May 2015	Chair, Sapporo Fixed Asset Evaluation Examination Committee (resigned March 2018)
June 2024	Director, HEPCO (present position)

Directors and Audit & Supervisory Committee Members (As of July 1, 2025)

Director
Audit & Supervisory Committee Member (Standing)
Hiroshi Oono (Date of Birth: April 5, 1960)

April	1984	Joined HEPCO
April	2009	General Manager, Sales Department, Kushiro Branch Office, HEPCO
December	2011	Manager, Business Ethics Office, General Affairs Department, HEPCO
June	2016	Manager, Kitami Branch Office, HEPCO
April	2018	Operating Officer and Manager, Sapporo Branch Office, Power Network Company (resigned March 2020)
April	2020	Operating Officer and Manager, Sapporo Branch Office, Hokkaido Electric Power Network Co., Inc. (resigned June 2020)
June	2020	Corporate Auditor, HEPCO
June	2021	Standing Corporate Auditor, HEPCO
June	2022	Director and Audit & Supervisory Committee Member, HEPCO (present position)

Director
Audit & Supervisory Committee Member (Standing)
Yuichi Tomaki (Date of Birth: January 18, 1963)

April	1987	Joined HEPCO
April	2017	General Manager, Distribution & Corporate Planning Department, HEPCO
April	2018	General Manager, Distribution & Corporate Planning Department, Power Network Company
July	2019	Operating Officer and General Manager, Distribution & Corporate Planning Department, Power Network Company (resigned March 2020)
April	2020	Operating Officer and General Manager, Planning Department, Hokkaido Electric Power Network Co., Inc.
June	2022	Operating Officer and Manager, Nuclear Power Internal Audit Office, HEPCO
June	2024	Director and Audit & Supervisory Committee Member, HEPCO (present position)

Outside Director
Audit & Supervisory Committee Member
Noriko Narita (Date of Birth: April 11, 1951)

April	1979	Licensed Attorney and Member, Sapporo Bar Association (present position)
December	2014	Chair, Hokkaido Labor Relations Commission (resigned November 2016)
June	2016	Corporate Auditor, HEPCO
June	2022	Director and Audit & Supervisory Committee Member, HEPCO (present position)

Outside Director
Audit & Supervisory Committee Member
Iwao Takeuchi (Date of Birth: April 5, 1958)

April	1981	Joined North Pacific Mutual Bank, Ltd.
June	2012	Executive Officer and Manager, Kushiro Chuo Branch, North Pacific Bank, Ltd.
November	2013	Executive Officer and Special Advisor, First Loan Department, North Pacific Bank, Ltd.
June	2014	Managing Executive Officer, North Pacific Bank, Ltd.
June	2016	Managing Director, North Pacific Bank, Ltd.
June	2019	Deputy President & Director, North Pacific Bank, Ltd.
June	2021	Corporate Auditor, HEPCO
June	2022	Standing Auditor, North Pacific Bank, Ltd. (resigned June 2024)
June	2022	Director and Audit & Supervisory Committee Member, HEPCO (present position)
June	2024	Chairman, Board of Directors, Koyo Real Estate Co., Ltd. (present position)

Outside Director
Audit & Supervisory Committee Member
Mitsuko Ukai (Date of Birth: April 20, 1952)

April	1983	Graduate Assistant, Graduate School of Humanities and Sciences, Ochanomizu University (resigned March 1985)
April	1985	Assistant Professor, Gumma Women's Junior College (resigned March 1991)
April	1991	Assistant Professor, Musashigaoka College (resigned March 2001)
April	2001	Professor, Graduate School of Education, Hokkaido University of Education
April	2018	Emeritus Professor, Graduate School of Education, Hokkaido University of Education (present position)
June	2018	Director, HEPCO
June	2022	Director and Audit & Supervisory Committee Member, HEPCO (present position)

Outside Director
Audit & Supervisory Committee Member
Toshifumi Igarashi (Date of Birth: August 8, 1958)

April	1983	Joined Central Research Institute of Electric Power Industry
June	1999	Senior Researcher, Abiko Campus, Central Research Institute of Electric Power Industry (resigned March 2001)
April	2001	Assistant Professor, Graduate School of Engineering, Hokkaido University
April	2008	Professor, Graduate School of Engineering, Hokkaido University
April	2010	Professor, Graduate School of Engineering, Hokkaido University
April	2016	Deputy Dean, Graduate School of Engineering, Hokkaido University (resigned March 2019)
April	2019	Deputy Dean, Office of Technical Support, Hokkaido University (resigned March 2022)
April	2022	Principal, Asahikawa College, National Institute of Technology (resigned March 2025) Professor Emeritus & Visiting Professor, Graduate School of Engineering, Hokkaido University
June	2025	Director and Audit & Supervisory Committee Member, HEPCO (present position)

Constructive Dialogue with Our Shareholders and Investors

So that we may hold a constructive dialogue with shareholders and investors, HEPCO set up a division exclusively for investor relations and designated a director to oversee these interactions.

Dialoguing with Shareholders at General Meetings of shareholders

In advance of general shareholder meetings, we have endeavored to enhance the information provided and disclose it early. We have also made available videos beforehand explaining our business reports, which are part of our other efforts to provide easy-to-understand explanations for shareholders as soon as possible.

Also, we have adopted discussion formats that make it easy for shareholders to communicate their views (format in which questions and comments about reports and agenda items are compiled and then discussed). We aspire to provide explanations and respectfully respond to questions posed by our many shareholders, thereby enhancing dialogue.

Dialoguing with Analysts and Institutional Investors

We are endeavoring to promote a better understanding of our business activities and enhance communication through various means that promote dialogue, such as holding company information sessions. Through our corporate website, we disclose the materials provided at company presentations as well as important questions asked and replies given during such briefings. Information of interest, comments, and other suggestions gained through these dialogues are timely and appropriately reported to HEPCO directors.

https://www.hepco.co.jp/english/ir/presentations.html

Dialogues Conducted in FY2025

Type	Date held	Conducted by	Attendees (counterparts)
General Meeting of Shareholders	June	14 directors	158 HEPCO shareholders
Meetings about General Meeting of Shareholders' agenda items	May (After the meeting agenda finalized)	Manager, Business Ethics Office, General & Environmental Affairs Department Leader, Stock Group, Business Ethics Office, General & Environmental Affairs Department	Japanese institutional investors (proxy voting officers) and proxy advisory firms FY2025: 7 firms
Company information session	May & November (After annual & interim financial releases)	President Manager, Corporate Planning Department General Manager, Accounting & Finance Department	Institutional investors, analysts, etc. May: 25 at venue and 50 online May: 30 at venue and 45 online
Meetings with shareholders & investors	After each quarterly financial release (FY2025: Total of 167 sessions)	Leader, IR Group	Institutional investors, analysts, etc. from Japan and other countries FY2025: Total of 309 attendees from 192 firms
Facility tours for analysts	October & February	Manager, Corporate Planning Department Leader, IR Group	Institutional investors, analysts, etc. October: 7 attendees February: 5 attendees
Small meetings with analysts	July & October	President Executive Vice President Manager, Corporate Planning Department	Institutional investors, analysts, etc. July: 7 attendees October: 9 attendees

General Meeting of Shareholders


Small meeting for analysts



Company information session

Appropriate Disclosure for Our Stakeholders

Disclosure of Financial & Non-Financial Data

In accordance with laws, regulations, and other principles, HEPCO discloses in a timely and appropriate manner to our shareholders and other stakeholders our financial position, operating results, and other financial information as well as management strategies, management issues, risks, governance, and other non-financial information. At the same time, we strive to provide information that extends beyond the disclosure mandated by statutory requirements.

To enhance our information disclosure and provide greater convenience to our stakeholders, HEPCO publishes on our "Data Downloads" webpage financial and non-financial metrics, actual figures, and other information, which may be downloaded in an Excel format.

https://www.hepco.co.jp/english/ir/datadownloads.html

Leveraging Sustainable Finance

Since FY2022, HEPCO has issued Hokkaido Electric Power Green Bonds, for which the proceeds may only be used for the development and other operations relating to renewable energy.

Furthermore, starting in FY2025, we introduced Hokkaido Electric Power Transition Bonds. Proceeds from these bonds are dedicated to funding initiatives that support the transition to decarbonization, a necessary step for achieving carbon neutrality.

Corporate Bond Issues

(Unit: Billion yen)

	FY2022	FY2023	FY2024	FY2025
Total Amount	70.0	123.5	65.0	144.9
(Reposted) Green Bonds	(5.0)	(5.0)	(–)	(5.0)
(Reposted) Transition Bonds	(–)	(–)	(–)	(60.0)

More information, including financing frameworks and outside assessments, is available on our website

https://www.hepco.co.jp/corporate/ir/ir_lib/finance/index.html

Participation in International Initiatives

Disclosures Based on the TCFD and TNFD Recommendations

HEPCO discloses information on climate change and natural capital in accordance with the frameworks established by the Task Force on Climate-related Financial Disclosures (TCFD) and Task Force on Nature-related Financial Disclosures (TNFD).

For the most recent disclosures regarding the risks and opportunities associated with climate change and nature, please see the following.

https://www.hepco.co.jp/corporate/environment/tcfd_sasb/tcfd.html

https://www.hepco.co.jp/corporate/environment/tcfd_sasb/tnfd.html

SASB Standards-Based Information Disclosure

HEPCO Group complies with the industry-specific standards for information disclosure developed by the United States Sustainability Accounting Standards Board (SASB*) (electric utilities & power generators).

*Established in the U.S. in 2011, the SASB is a non-profit standard-setting organization that aims to facilitate dialogue between investors and businesses through the development of industry-specific disclosure standards.

https://www.hepco.co.jp/english/environment/sasb.html

CDP Questionnaire Responses

Since FY2021, we have replied to the climate change questionnaire prepared by CDP*, an international NGO focusing on the environment. Our responses have received scores of "B" for five consecutive years through FY2025.

A "B" score indicates that HEPCO is ranked as maintaining a "Management Level" when addressing climate change challenges. CDP has recognized HEPCO's efforts to minimize climate change risks and identify opportunities associated with climate change.

*Environmental NGO established in 2000 and headquarters in the United Kingdom. The organization collects, analyzes, and assesses information relating to environmental initiatives of major global corporations, and discloses the results to institutional investors.

TCFD & TNFD-Based Disclosures

Governance and Risk Management Structure for Climate Change and Natural Capital

*More information is available here
https://www.hepco.co.jp/corporate/environment/tcfd_sasb/tcfd_tnfd_grc.html

HEPCO Group views changes in our business environment accompanying climate change as growth opportunities, and we will proactively expand our business accordingly.
In line with the TCFD-recommended framework, we hold discussions and update our disclosures approximately once annually with a focus on identifying climate-related risks and opportunities, assessing any accompanying impact, and taking measures to address these. We will continue to enhance our disclosures and promote dialogue with stakeholders.
Furthermore, our policy is to identify and disclose information about risks and opportunities related to natural capital based on the TNFD recommendations published in September 2023, taking into account our business's dependence and impact on nature. Going forward, we will strive to further enhance our disclosures and actively promote dialogue with our stakeholders.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

TNFD Taskforce on Nature-related Financial Disclosures

Governance & Risk Management Structure

Governance

The Environmental Committee, chaired by the President, has established a framework for deliberating key environmental policies and measures applicable throughout HEPCO Group. The Management and Operations Committee takes into consideration the Environmental Committee's deliberations in its discussions concerning HEPCO Group management policies and key environmental measures. Particularly important matters are submitted to the Board of Directors as necessary.

Risk Management

Under a group-wide integrated risk management system, we systematically identify risks, including those associated with environmental changes accompanying climate change and the depletion of natural capital. We also plan and execute measures to counter these changes, and confirm the progress of our responses. For risks that pose a potential material impact on our business, the Integrated Risk Management Committee, which is chaired by the President, confirms response strategies and progress and offers guidance. We are striving to prevent and mitigate risks through our business management cycle by incorporating the committee's insights into annual group management policies and submitting these to the Board of Directors for deliberation.

Overview of TCFD Recommendation-Based Information Disclosure

*More information is available here
https://www.hepco.co.jp/corporate/environment/tcfd_sasb/tcfd.html

Strategy

When examining risks and opportunities associated with climate change, we refer to the 1.5°C scenario and 4°C scenario indicated by published data from the International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC).

We have identified risks and opportunities associated with climate change by taking into account recent situational changes, including the status of the regulatory review for restarting Tomari Power Station Unit 3 and the increasing CO_2 countermeasure costs driven by increased electricity demand. Those items classified as having a "major" degree of impact or contribution (impact on revenue or costs in excess of ¥10 billion/year) are listed below. (For more information, please access the URL provided at the top right of this page.)

	Risks	Opportunities	
1.5℃ Scenario	1 2 Increase in costs accompanying policies and statutory provisions targeting CO_2 emissions 【Time horizon: Short ~ Long】 ⇩ (Principal measures) ■ Restart Tomari NPS as soon as possible ■ Promote development of renewable energy ■ Promote use of hydrogen, ammonia, CCUS, etc. ■ Shift to low-carbon & decarbonized power for procurement	Increase in electricity demand 【Time horizon: Short & Medium】 ⇩ (Principal measures) ■ Roll out electrification promotion measures & attract companies to Hokkaido ■ Address customers' needs with power sourced from renewable energies, etc.	1 Increase in power generated from non-fossil energy sources 【Time horizon: Short ~ Long】 ⇩ (Principal measures) ■ Restart Tomari NPS as soon as possible ■ Promote development of renewable energy ■ Enhance generation efficiency and optimize operations
		Increase in revenue as carbon-free hydrogen is supplied 【Time horizon: Long】 ⇩ (Principal measures) ■ Promote hydrogen & ammonia businesses	Increase in power generated from the low-carbon and decarbonized thermal power sources 【Time horizon: Medium & Long】 ⇩ (Principal measures) ■ Promote use of hydrogen, ammonia, CCUS, etc.
4℃ Scenario	Reduced power generation output caused by shifting weather patterns, etc. 【Time horizon: Short ~ Long】 ⇩ (Principal measures) ■ Enhance generation efficiency and optimize operations		

Major Financial Impact of Climate-Related Risks and Opportunities (Estimates)

1 The cost of CO_2 countermeasures when Tomari NPS capacity factor fluctuates by 1% is approx. ¥1.7 billion/year

2 The cost of CO_2 countermeasures when a 1% upward deviation occurs against projected electricity sales volume is approx. ¥3.3 billion/year

Metrics & Targets

In accordance with our Carbon Neutral Transition Plan, we aim to achieve targets set for reducing greenhouse gas emissions as well as factors contributing to their reduction.

*See P27-28 for information about how HEPCO intends to achieve these targets as well as our general approach.

Greenhouse Gas Emission & Reduction Contribution Targets

Target FY	Target
FY2031	■ Greenhouse gas emission reduction (Scope 1+2+3): 46% reduction compared to FY2014 level ■ Contribution to greenhouse gas reduction: Contribute to reduction of 1.5 million tons
FY2036	■ Greenhouse gas emission reduction (Scope 1+2+3): 60% reduction compared to FY2014 level ■ Contribution to greenhouse gas reduction: Contribute to reduction of 2.5 million tons
FY2051	■ Do our utmost to achieve carbon neutrality across all energy sources in Hokkaido

Overview of TNFD Recommendation-Based Information Disclosure

*More information is available here
https://www.hepco.co.jp/corporate/environment/tcfd_sasb/tnfd.html

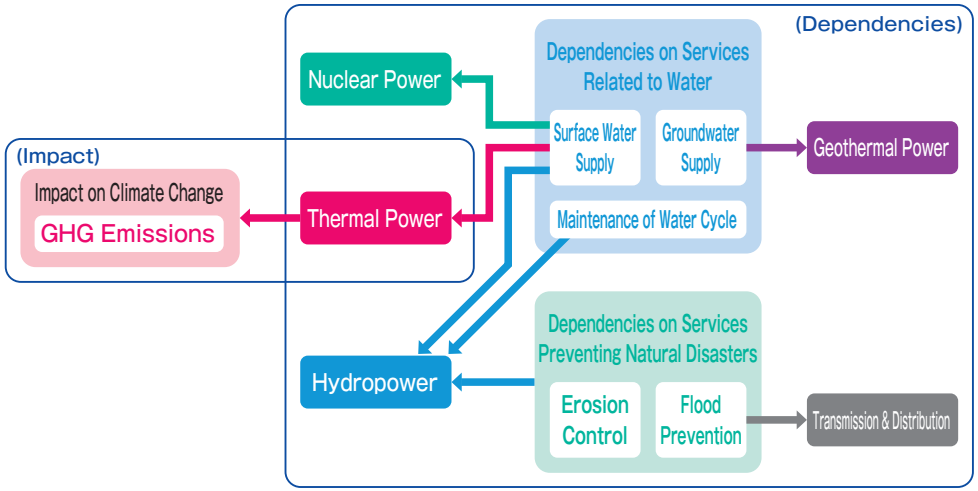
Hokkaido Electric Power supports the purpose of the Task Force on Nature-related Financial Disclosures (TNFD), so we registered to be a TNFD Adopter in February 2025.
Moreover, as a TNFD Adopter, we disclosed information pursuant to the TNFD recommendations in June 2025 (for more information, please access the URL provided at the top right of this page.)

Strategy

Dependencies & Impacts

We conducted an assessment using a five-tier scale (Very High, High, Middle, Low, Very Low) of our dependency and impact on nature that focused on the power generation as well as transmission and distribution operations of Hokkaido Electric Power and Hokkaido Electric Power Network, as these enterprises make use of an extensive amount of equipment within HEPCO Group's businesses.

Relationship of Dependencies & Impacts on Nature in Our Business Activities (H or VH Assessment)



Risks & Opportunities

Based on the assessed dependencies and impacts, we identified specific nature-related risks and opportunities (countermeasures) relevant to our electric power operations.

Physical Risks

Acute Risks	Risk	Damage to equipment caused by natural disasters
	Countermeasures	Rapid restoration of equipment and equipment measures
	Relevant Businesses	Hydropower, Geothermal power, Transmission & Distribution
Chronic Risks	Risk	Reduced power generation output due to water shortages or other factors
	Countermeasures	Enhancement of equipment efficiency, etc.
	Relevant Businesses	Hydropower, Thermal power, Nuclear power, Geothermal power
	Risk	Reduced generation efficiency due to rising seawater temperatures (climate change)
	Countermeasures	Accelerate adoption of decarbonized power sources and implement initiatives to achieve carbon neutrality
	Relevant Businesses	Thermal power, Nuclear power

Transition Risks

Policy Risks	Risk	Operational restrictions and additional equipment measures as regulations are tightened
	Countermeasures	Promotion of power source decarbonization, etc.
	Relevant Businesses	Thermal power, Nuclear power, Geothermal power, Transmission & Distribution
Reputational Risks	Risk	Reputational damage resulting from business's negative impact on nature
	Countermeasures	GHG emission reduction, compliance with environmental laws and regulations, etc.
	Relevant Businesses	Thermal power, Nuclear power, Geothermal power, Transmission & Distribution

Management of Risks & Opportunities

Based on the assessed dependencies and impacts, we determined the risks that we should manage as well as the impacts and opportunities affecting our finances to be as follows.

Management of Risks

Risks			Business	Financial Impacts
Physical Risks	Acute	Damage to facilities and equipment caused by increasingly severe natural disasters	Hydropower, Geothermal power, Transmission & Distribution	■ Rise in recovery costs as well as equipment and repair expenditures for disaster mitigation ■ Long-term suspension of power generation due to damage to geothermal steam piping
	Chronic	Reduced power generation output resulting from changing weather patterns and decreased precipitation	Hydropower	■ Decline in revenue resulting from reduced power generation output
		Reduced power generation output due to sedimentation in dam reservoirs	Hydropower	■ Decline in revenue resulting from reduced power generation output
		Reduced power generation output due to marine biofouling on water intake facilities	Thermal power, Nuclear power	■ Decline in revenue resulting from reduced power generation output
		Decline in power generation efficiency caused by rising seawater temperatures associated with climate change	Thermal power, Nuclear power	■ Rise in costs due to reduced generation efficiency
		Reduced power generation output resulting from decreased groundwater supply	Geothermal power	■ Decline in revenue resulting from reduced power generation output
Transitional Risks	Policy	Regulatory tightening resulting from policy changes and new policies for environmental conservation	Thermal power, Nuclear power, Geothermal power, Transmission & Distribution	■ Operation restrictions on power stations and higher costs due to tightening of regulations ■ Increase in additional equipment countermeasure costs due to tightening of regulations
	Reputation	Reputational damage stemming from perceived negative impact on nature (Such as GHG emissions from thermal power, potential radioactive material leaks from nuclear power, depletion of hot springs linked to geothermal power, and inadequate consideration for wildlife during construction of transmission and distribution infrastructure)	Thermal power, Nuclear power, Geothermal power, Transmission & Distribution	■ Erosion of stakeholder trust and confidence

Management of Opportunities

Opportunities	Business	Overview (Nature & Financial Impacts)
Reinforce infrastructure resilience with drills and equipment measures designed to withstand typhoons, earthquakes, heavy snowfalls, and other intensifying natural disasters, as well as with disaster recovery agreements with local governments	Hydropower, Thermal power, Nuclear power, Geothermal power, Transmission & Distribution	■ Achieve a stable power supply by rapidly restoring service following large-scale outages ■ Build trust with customers, communities, and others by providing timely information about service interruptions
Increase power generation output by enhancing efficiency with facility upgrades and optimizing maintenance and operations of hydroelectric facilities	Hydropower	■ Efficiently utilize river water ■ Curb greenhouse gas emissions by effectively utilizing hydroelectric power
Curb power output declines of thermal and nuclear power stations by adopting measures to prevent marine biofouling on water intake facilities	Thermal power, Nuclear power	■ Curb greenhouse gas emissions by effectively utilizing nuclear power ■ Effectively make use of fossil fuels while advancing the adoption of decarbonized power sources ■ Mitigate declines in power generation efficiency due to rising seawater temperatures associated with climate change
Efficient removal of scale buildup on geothermal production wells	Geothermal power	■ Effectively utilize precious water resources ■ Maintain a healthy and sound water cycle
Appropriately manage environmental pollutants pursuant to agreements with local governments in regions hosting thermal and nuclear power facilities	Thermal power, Nuclear power	■ Reduce environmental impact from environmental and other pollutants ■ Build trust with customers, communities, and others
Thoroughly educate employees to ensure adherence to environmental laws and regulations as well as compliance standards	Hydropower, Thermal power, Nuclear power, Geothermal power, Transmission & Distribution	■ Ensure the appropriate treatment and disposal of hazardous chemical substances, etc. ■ Build trust with customers, communities, and others with appropriate environmental stewardship

Metrics & Disclosure Items

In alignment with the metrics proposed by TNFD, we have selected disclosure items that are most relevant to our business operations.

We are currently in the process of considering specific TNFD targets. The review is proceeding as we take into account published environmental targets, and we plan to disclose these during the coming fiscal year.

Environmental targets

https://www.hepco.co.jp/corporate/environment/env_management/target.html

(As of the end of FY2025)

Category	Metric	Disclosure Items			Unit
Climate change	GHG emissions	GHG emissions*	Scope1	1,154	10,000t-CO_2
			Scope2	0	
			Scope3	815	
Change in land, freshwater and seawater use	Total spatial footprint	Land area of power generation and power transmission & distribution facilities (including leased land)	Power generation facility area	105,498	1,000m²
			Transmission/distribution facility area	108,002	
	Extent of land, freshwater and seawater use and change	Difference between intake and discharge water temperatures at thermal and nuclear power stations		7	℃ or lower
Pollution & pollution abatement	Wastewater	Wastewater discharge volume		244.4	10,000m³
	Waste generation and disposal	Volume of industrial waste generated		68.8	10,000t
		Rate of industrial waste recycling		89.7	%
	Plastic pollution	Waste plastic discharge volume		0.8	1,000t
		Rate of plastic recycling		92.8	%
	Non-GHG air pollutants	NOx generation volume		8.5	1,000t
		SOx generation volume		6.4	1,000t
Resource use & replenishment	Intake and consumption from water-stressed areas	* Hokkaido has zero water risk		None	
	Quantity of high-risk natural commodities sourced from land, ocean, and freshwater	Power generation fuel consumption amount	Coal	411.6	10,000t
			Heavy oil	26.2	10,000kℓ
			Light oil	1.5	10,000kℓ
			LNG	43.5	10,000t

*Actual results for FY2024 are provided for greenhouse gas emissions.

Financial Information

In addition, financial statements, sales performance figures, facility configurations, and other information may be downloaded from the HEPCO website on the Data Downloads page (https://www.hepco.co.jp/english/ir/datadownloads.html) as well as annual securities reports (https://www.hepco.co.jp/corporate/ir/ir_lib/securities_report.html).

5 Years of Key Data (Consolidated)

(Million yen)

	2021	2022	2023	2024	2025
Operating revenue (sales)*1	585,203	663,414	888,874	953,784	**902,053**
Electric utility operating revenue	547,329	625,497	835,974	912,066	**855,136**
Other business operating revenue	37,874	37,916	52,899	41,718	**46,916**
Operating expenses	531,428	638,443	911,405	852,628	**826,214**
Electric utility operating expenses	496,140	604,947	864,358	817,351	**786,799**
Other business operating expenses	35,288	33,496	47,046	35,277	**39,415**
Operating profit/loss	53,775	24,970	-22,530	101,155	**75,838**
Ordinary income/loss	41,150	13,830	-29,251	87,315	**64,051**
Profit/loss before income taxes	41,411	12,194	-26,596	88,597	**84,355**
Total income taxes	5,071	4,864	-4,783	21,676	**19,161**
Profit/loss attributable to owners of parent	36,155	6,864	-22,193	66,201	**64,218**
Total assets	2,001,650	1,992,879	2,093,339	2,141,691	**2,244,003**
Total net assets	289,733	285,717	258,106	333,528	**407,336**
Capital investment	78,360	87,185	100,064	130,774	**179,307**
Interest-bearing debt	1,397,394	1,385,387	1,475,953	1,405,940	**1,424,809**
Profit/loss per share of capital stock (JPY)*2	169.09	26.57	-114.96	315.44	**305.90**
Cash dividend per share (common stock) (JPY)	20	20	-	20	**20**
Cash dividend per share (Class-B preferred stock) (JPY)	3,000,000	3,000,000	-	6,060,164	**3,000,000**
Dividend payout ratio (%)	11.8	75.3	-	6.3	**6.5**
Shareholders' equity ratio (%)	13.8	13.7	11.7	14.9	**17.5**
ROA: Return on assets (%)	2.7	1.3	-1.1	4.8	**3.5**
ROE: Return on equity (%)*3	14.1	2.5	-8.6	23.5	**18.1**
Interest expenses	10,400	9,513	9,507	12,183	**10,991**
Depreciation	79,267	77,435	80,176	73,450	**73,241**
Cash flow from operating activities	136,547	102,337	-574	176,135	**125,588**
Cash flow from investing activities	-85,607	-77,720	-85,248	-80,841	**-90,702**
Cash flow from financing activities	-24,662	-19,489	86,795	-74,654	**10,726**
Cash and cash equivalents at end of period	83,767	88,894	89,867	110,709	**156,322**

*1 Following application of the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan, No. 29, March 31, 2020), the Regulation on Accounting at Electric Utilities was revised. Since FY2022, the amount of the impact from the Feed-in Tariffs (FIT) for renewable energy sources is no longer subject to revenue and expense reporting. Management indices and other metrics prior to FY2021 are those for which this revision has been applied retroactively to previous periods.

*2 Profit (loss) per share of capital stock is calculated by subtracting the amount of preferred dividends attributed to the current term from profit attributable to parent company shareholders or loss attributable to parent company.

*3 Shareholders' equity is calculated using the value arrived at by subtracting non-controlling shareholders' interest from net assets.

(1 million kWh)

	2021	2022	2023	2024	2025
Electricity sales	26,553	29,930	31,080	33,949	**33,570**
Low-voltage customers	10,815	10,345	9,962	9,851	**9,569**
High- and extra high-voltage customers	11,791	11,734	13,413	13,620	**13,160**
Other*4	77	86	557	315	**71**
Total retail electricity sales	22,683	22,165	23,932	23,786	**22,800**
Electricity sold to other companies	3,870	7,765	7,148	10,163	**10,770**
Supplied power	29,359	32,819	33,787	36,687	**36,252**
Hydroelectric	3,450	3,454	3,832	3,597	**2,992**
Thermal	18,007	19,554	16,487	15,382	**16,167**
Nuclear power	-	-	-	-	**-**
New energies, etc.	129	113	111	104	**117**
Electricity purchased externally*5	7,998	9,901	13,732	17,925	**17,427**
Pumping power capacity, etc. of pumping power plants	-225	-203	-375	-321	**-451**
Nuclear power capacity factor (%)	-	-	-	-	**-**

Segment Information

(Million yen)

Operating revenue	585,203	663,414	888,874	953,784	**902,053**
Hokkaido Electric Power	538,672	597,934	779,676	861,640	**788,051**
Hokkaido Electric Power Network	243,773	267,999	347,960	313,795	**321,189**
Other*6	139,621	136,331	155,128	154,980	**153,954**
Adjustments*7	-336,862	-338,851	-393,891	-376,632	**-361,142**
Segment income or loss	41,150	13,830	-29,251	87,315	**64,051**
Hokkaido Electric Power	36,226	12,000	-34,471	68,961	**53,689**
Hokkaido Electric Power Network	1,197	-4,444	-3,352	10,666	**1,115**
Other*6	4,745	7,965	9,309	11,592	**12,172**
Adjustments*7	-1,019	-1,690	-737	-3,904	**-2,926**

Reference (Fuel Prices)

Foreign exchange rate (JPY/USD)	106	112	135	145	**153**
Crude oil CIF (BL)	43.4	77.2	102.7	86.0	**82.4**
Overseas coal CIF (USD/t)	79.8	161.1	357.9	195.9	**151.1**
LNG CIF (USD/t)	389.9	621.6	929.7	647.0	**613.8**
Water flow rate (%)	92.3	96.2	107.3	103.6	**89.8**

*4 The "Other" column shows electricity sales for Hokkaido Electric Power Network Inc. Fiscal years prior to FY2024 include electricity sales for Hokkaido Electric Power Co-Creation Co., Ltd., which was acquired by HEPCO through a merger on October 1, 2023.

*5 Electricity purchased externally includes power received from consolidated subsidiaries and equity-method affiliates.

*6 The category of "Other" is business segments not included in reportable segments, and includes other consolidated subsidiaries, etc.

*7 "Adjustment" column indicates the amount eliminated in transactions between segments on the consolidated financial statement.

*8 The total may not match as figures have been rounded down or up.

Stock Information

As of March 31, 2025

Basic Stock Information

●Number of Shareholders	Common stock	106,612
	Class-B preferred stock	2
●Total Number of Authorized Shares	495 million	
●Total Number of Issued Shares	Common stock	215,291,912
	Class-B preferred stock	470
●Independent Auditor	Ernst & Young ShinNihon LLC	
●Listing Stock Exchange	Tokyo Stock Exchange, Inc. (Prime Market) Sapporo Securities Exchange	
●Transfer Agent	Mizuho Trust & Banking Co., Ltd.	

Major Shareholders

(1) Common Stock

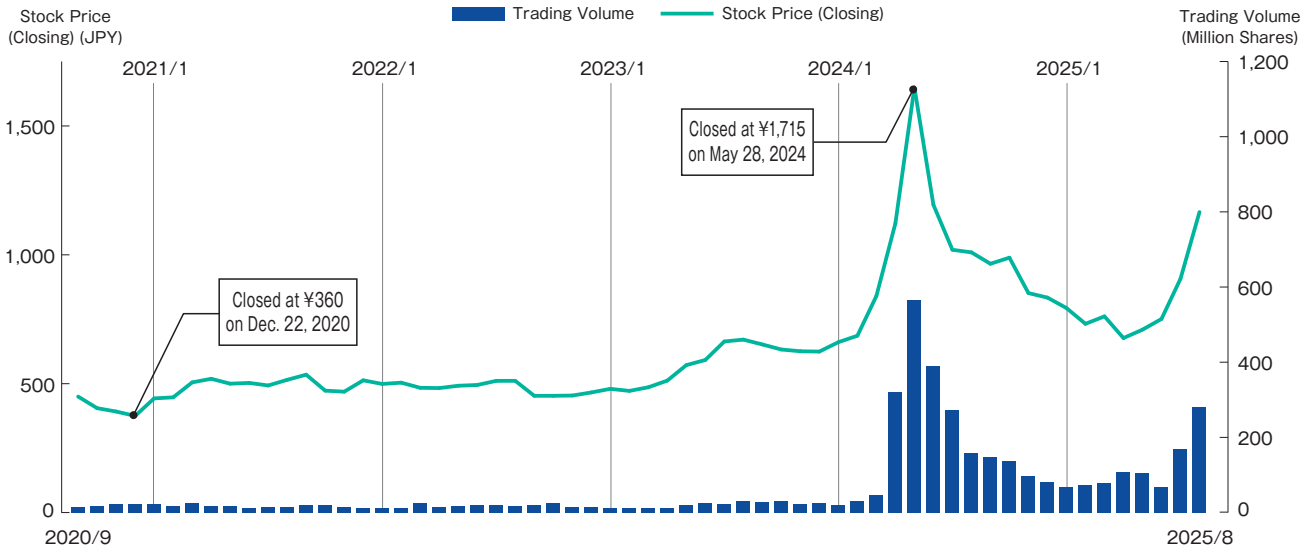
Shareholder	Shares held (1000s)	Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	20,563	9.99
North Pacific Bank, Ltd.	10,215	4.96
Custody Bank of Japan, Ltd. (Trust Account)	7,006	3.40
Nippon Life Insurance Company	6,147	2.99
HEPCO Employees Shareholding Association	5,015	2.44
The Hokkaido Bank, Ltd.	4,131	2.01
Meiji Yasuda Life Insurance Company	4,048	1.97
CGMI-Prime Finance Clearance Securities Account	3,635	1.77
UBS AG London A/C IPB Segregated Client Account	3,017	1.47
The Bank of New York Mellon 140044	2,886	1.40

Note: Ownership ratio is calculated by subtracting 9,543,325 shares of treasury stock from the total number of shares outstanding.

(2) Class-B Preferred Stock

Shareholder	Shares held	Ratio (%)
Development Bank of Japan, Inc.	400	85.11
Mizuho Bank, Ltd.	70	14.89

Stock Price (Closing) & Trading Volume (Sept. 2020~Aug. 2025)



Shareholder Composition