

Overview of the FY2026 HEPCO Group Management Plan

**April 30, 2025
Hokkaido Electric Power Co., Inc.**

We, the HEPCO Group, would like to express our sincere gratitude for your continued support of our business.

Hokkaido, the base of our operations, is facing issues such as a declining population and a shortage of workers due to the falling birthrate and aging population. However, plans are underway to establish digital industry facilities such as next-generation semiconductor plants and large-scale data centers. As a result, electricity demand, which had been on a downward trend due to progress in energy conservation, has bottomed out and is expected to increase and expand over the medium to long term.

Amid this context, the HEPCO Group announced the HEPCO Group Management Vision 2035 in March 2025, which sets out a strategic direction for the next 10 years. The vision outlines how we aim to capture new business opportunities by reliably responding to increased electricity demand and co-creating businesses that contribute to solving social issues, with the aim of growing strongly together with Hokkaido.

The new vision outlines a pathway for solving future social issues and achieving business growth, utilizing Hokkaido's potential and the contributions of the HEPCO Group. The vision contains the three management Agenda of “Realization of GX for Hokkaido's Growth,” “Challenge of Creating New Value,” and “Robust Business Foundation for Sustainable Growth.” The HEPCO Group will continue to actively transform our business and take up these challenges to both grow our business and develop Hokkaido.

FY2026 is a vital year as we begin our journey toward the realization of the HEPCO Group Management Vision 2035. By steadily implementing the initiatives outlined in the management plan, we aim to sustainably improve corporate value by optimizing our business portfolio and enhancing capital efficiency in all our businesses.

We hope for your continued understanding and support for our business.

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■ I. Management Agenda and Targets of Our New Vision



HEPCO Group Management Agenda toward 2035

- In the HEPCO Group Management Vision 2035 we announced in March 2025, we established the following management agenda: “Realization of GX for Hokkaido’s Growth,” and “Challenge of Creating New Value,” and to underpin the above, “Robust Business Foundation for Sustainable Growth.” We set these agenda based on the recognition that the HEPCO Group has the capability to contribute to Hokkaido’s development. We will implement initiatives outlined in these management themes to grow the business of the HEPCO Group and develop Hokkaido.

※ *GX (Green Transformation): An initiative that aims to transform the entire economic and social system by viewing the shift toward carbon neutrality as a growth opportunity and enhancing international industrial competitiveness.

HEPCO Group Management Agenda toward 2035

HEPCO Group's Business Growth and Hokkaido's Development

Realization of GX for Hokkaido's Growth

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

Challenge of Creating New Value

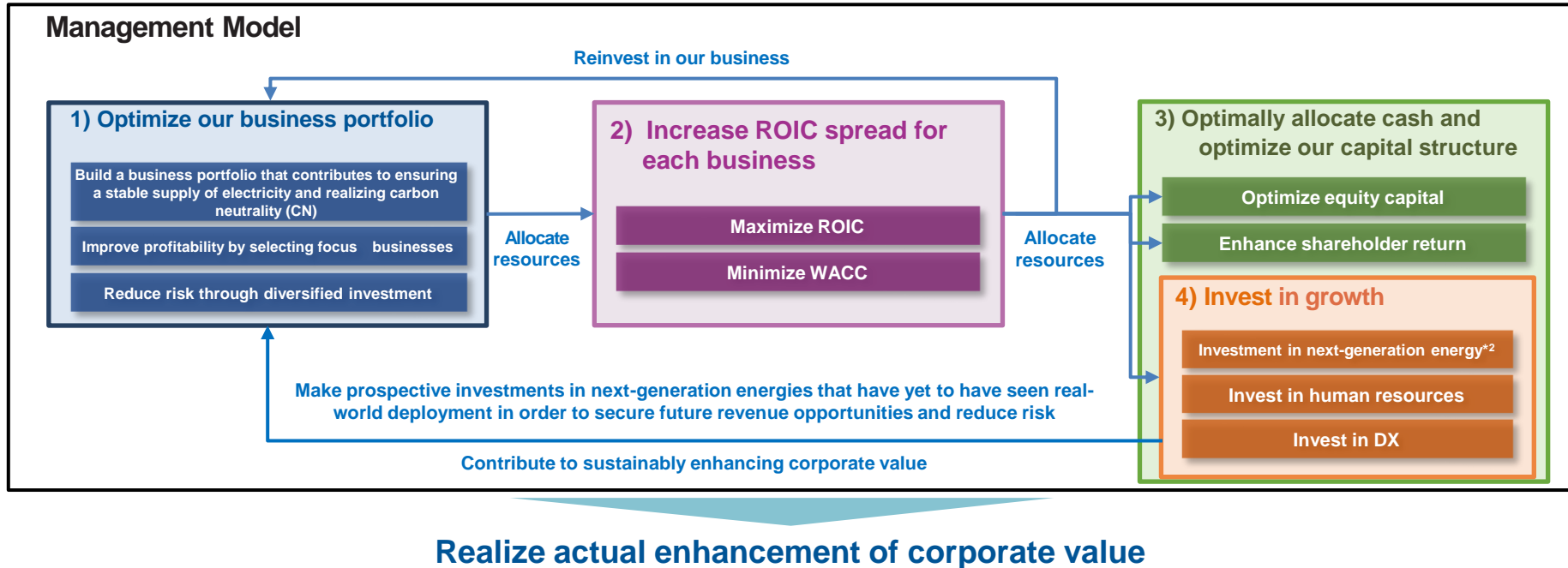
To contribute to the promotion of industry in Hokkaido and resolution of regional issues, we will also take up the challenge of developing non-energy businesses while maintaining our focus on the energy business.

Robust Business Foundation for Sustainable Growth

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

Sustainable Corporate Value Enhancement Measures (Management Model)

- In advancing the initiatives outlined in our management Agenda, we will implement measures to 1) optimize our business portfolio, 2) expand ROIC spread*¹ for each business, 3) optimally allocate cash and optimize our capital structure, and 4) invest in growth. The aim of which is to sustainably enhance our corporate value.



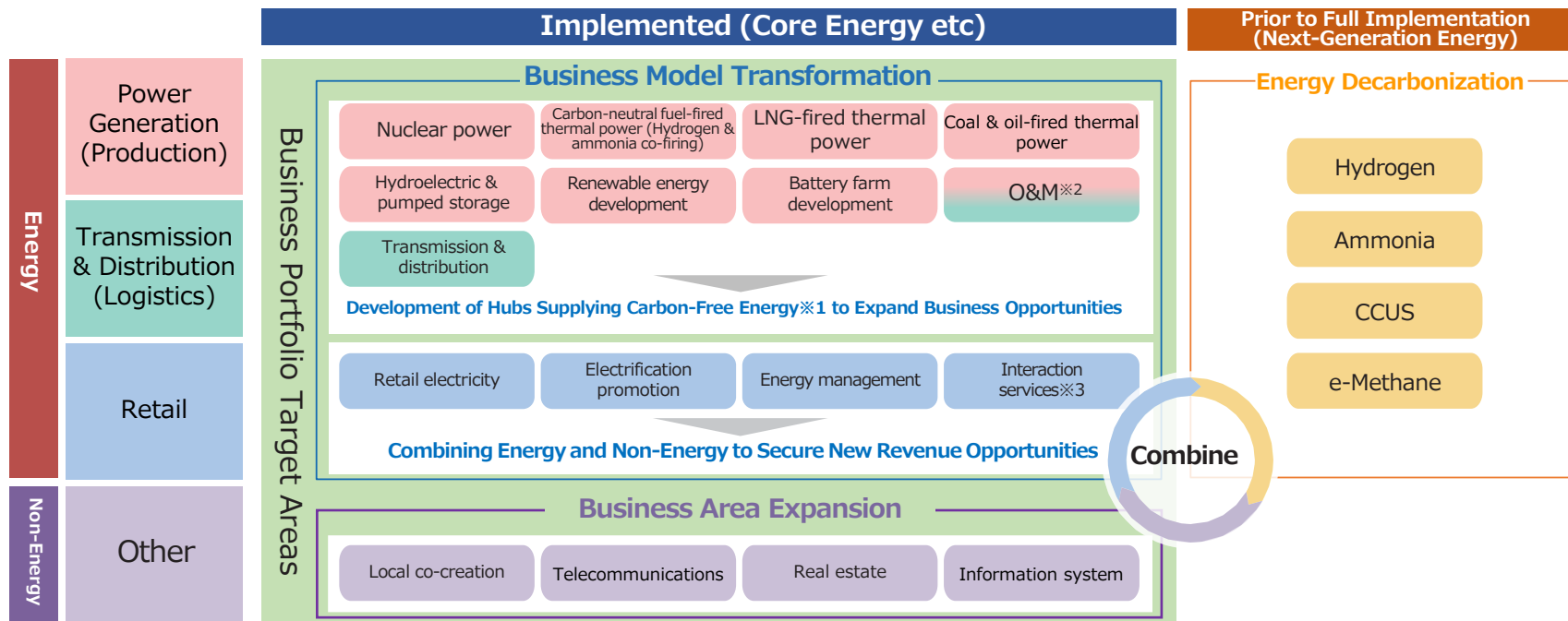
*1 ROIC (Return on Invested Capital) - WACC (Weighted Average Cost of Capital)

*2 Investment in hydrogen, ammonia, CCUS*³, e-methane*⁴, etc. (next-generation energy will be incorporated into our business portfolio at the stage when the project is expected to monetize)

*3 Carbon dioxide Capture, Utilization, and Storage (Capture, effective utilization, and storage of CO₂) *4 Methane produced using renewable hydrogen and recycled CO₂

HEPCO Group's Business Domains Moving Toward 2035

- In optimizing 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).”



※1 Business model for actively investing to leverage Hokkaido's carbon-free energy so that it may be supplied not just throughout Hokkaido, but also Japan (we anticipate supplying not just electric power, but next-generation energies also throughout Japan in the future)

※2 O&M: Abbreviation for “Operation & Maintenance”

※3 Interaction services: Businesses integrally providing a variety of products and services not limited to the energy sector































Management Goals to be Reached by FY2035

- The progress of the management goals outlined in the HEPCO Group Management Vision 2035 is displayed below.
We will address the three management themes introduced on page four and enhance corporate value.

	FY2025 Results (reference)	FY2026 (Forecast)	Before restart of Tomari NPS Unit3	FY2031	FY2036
Electricity sales (retail)	22.7 TWh	About 22.6 TWh	29 TWh +	33 TWh +	
Reduction in GHG emissions	-12%*1	About - 13%	Compared to FY2014: - 46%	Compared to FY2014: - 60%	
Contribution to GHG reduction	0.06 million tons	About 0.09 million tons	1.5 million tons	2.5 million tons	
CN-related investment	6.5 billion yen	About 28.0 billion yen	About 400 billion yen (cumulative FY2026~FY2036)		
Renewable energy target (gross)	42 MW	—*2	1,000 MW+ ※300 MW+ net	3,000 MW+ ※1,000 MW+ net	
Ordinary income	64.0 billion yen	About 40.0 billion yen	40 billion yen +	70 billion yen + ※	90 billion yen + ※
ROIC (WACC)	3.1%	About 2.0%	3.0% + (about 2.2%)	3.5% + (about 2.4%)	
ROE	18.1%	About 6.5%	8% +		
Capital ratio	17.5%	About 16%	20% +	25% + (Future target: 30%)	
Debt-to-EBITDA ratio	9.5	About 12.1	About 11	8 or lower	
Dividends (annual) Dividend on Equity (DOE)	20 yen/share (1.3%)	30 yen/share (about 1.8%)	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 yen	—*2	About 250 billion yen (cumulative FY2026~FY2036)		
Human capital investment (added value/personnel expenditures)	1.0x	About 1.0x	—	Compared to FY2025: about 1.5 times	
DX investment	2.3 billion yen	About 3.5 billion yen	About 30 billion yen (cumulative FY2026~FY2036)		

Material Issues for HEPCO Group (Materiality)

- At the HEPCO Group, we have positioned our three management agenda as materiality. We will also contribute to achieving the SDGs by promoting initiatives with a focus on sustainability including ESG.

Task	Subtask (key work)	Relevant SDGs
Realization of GX for Hokkaido's Growth	Growing Power Demand and Stable Supply Plan including Renewable Energy	   
	Energy Decarbonization	    
Challenge of Creating New Value	Value Expansion and Creation for Customers	     
	Value Creation through Business Co-creation	   
Robust Business Foundation for Sustainable Growth	Kaizen & DX Application to Transform Business	  
	Promotion of Human Capital Management	    
	Exercise Thorough Compliance and Risk Management	 
	Enhance Corporate Governance	

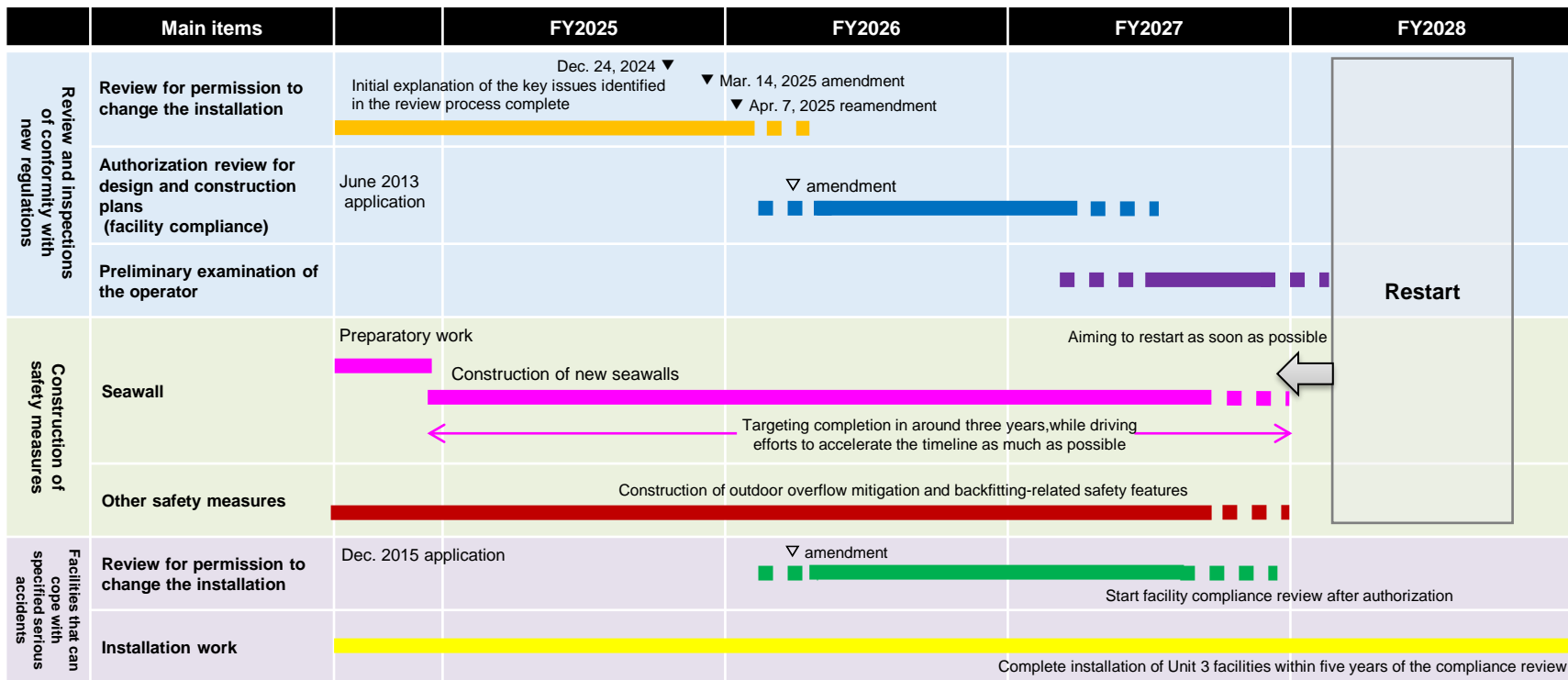
■ II. Main Initiatives for FY2026

1. Realization of GX for Hokkaido's Growth



Initiative for Restart of Tomari Nuclear Power Station

- Nuclear power plays a vital role in supporting both the achievement of CN and a stable supply of electricity, thanks to its characteristics such as stable fuel supply, long-term price stability, and zero CO₂ emissions during operation.
- We are steadily advancing the design and construction plan authorization review, preliminary examination of the operator, and the construction of safety measures such as seawalls, in preparation for the earliest possible restart of Tomari NPS Unit 3 in 2027. Also, we will reduce electricity rates to an appropriate level after the restart.



Initiatives to Further Improve Safety at the Tomari Nuclear Power Station

- With a strong determination to never allow any critical accident like the one at the Fukushima Daiichi Nuclear Power Station to occur, we are working to further reduce the risk of serious accidents, going beyond implementing existing safety measures.
- We will continue to maintain and enhance our technical capabilities with the goal of achieving the highest global standards of safety. At the same time, we will use a range of engagement activities to actively communicate our safety improvement efforts, striving to earn the trust of all stakeholders.

Promoting a Shared Commitment to Safety First

- ▶ Top management actively communicates the importance of putting safety first, while also promoting shared values through direct dialogue with power plant staff and employees of partner companies.



Dialogue between the President and power plant staff

Maintaining and Enhancing Technical Capabilities

- ▶ To ensure a more reliable response in the event of a severe accident, we systematically conduct a range of necessary training programs to maintain and enhance our response capabilities.



Power supply drills using alternative power source vehicles

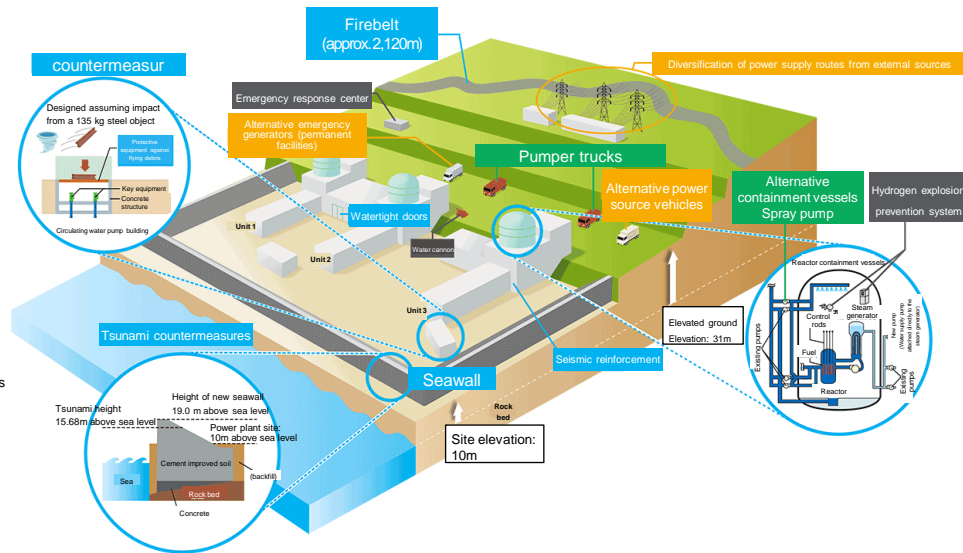
Promotion of Communication Activities

- ▶ We take various opportunities to actively provide information to people in the region on how we are improving the safety of the Tomari Nuclear Power Station and listen to their comments.



Energy Caravan

Main safety measures



In addition to the above, we are also considering the construction of a specified severe accident response facility and a new offsite unloading area for fuel and related materials.

Further Expanding Sources of Renewable Energy

- To achieve the goal set in our management vision—an increase of over 3,000 MW in renewable energy sources by FY2036 (based on development scale)—we are advancing the development of new sites and considering participation through investment.

Renewable-Energy Power Generation

- The entire HEPCO Group is working together on increasing renewable energy sources in pursuit of this goal.



Binary Geothermal Power Station in Mori Town
(put in service from November 2023)



Tomakomai Biomass Power Station
(scheduled to begin operation in May 2025)



Offshore wind farm in Ishikari Bay
(put in service from January 2024)



Survey of wind conditions at Date Otaki

- As part of procedures under the Environmental Impact Assessment Act we made draft environmental consideration documents related to the offshore wind power generation project off the coast of Hiyama, and the onshore wind power generation project in Kaminokuni-cho, available for public inspection. We will continue our investigations into the commercialization of the projects.

Making full use of hydroelectric power generation

- We are retrofitting a hydroelectric power plant operated by HEPCO and **Hokuden Eco-Energy** to make more effective use of valuable water resources.
- In January 2025 operations restarted at the Makunbetsu Power Plant following the completion of renewal work.



Turbine room following renewal work



Renewal work

Renewable energy development-related business (O&M)

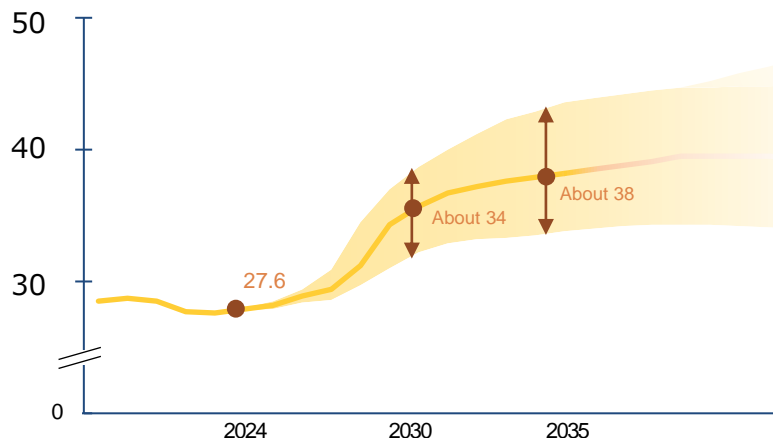
- HEPCO Group companies provide the following services for equipment operated with renewable energy.
 - Hokkaidenko Corporation:** Design, construction, electrical equipment maintenance, and more
 - Hokuden Integrated Consulting Service Co., Inc.:** Environment surveys, design, diagnosis, construction management, and more
 - Hokkaido Power Engineering Co., Inc.:** Maintenance of power generation equipment, and more

Initiatives to Ensure Future Supply Capacity

- In anticipation of a possible medium-to long-term increase in electricity demand in Hokkaido, we are steadily preparing to commence operation of Units 2 and 3 of the Ishikariwan Shinko Power Station (fuel type: LNG, planned output: 569,400 kW per unit, scheduled operation start date: Unit 2, FY2031; Unit 3, FY2034). We are also examining the potential for future fuel conversion to hydrogen as part of our efforts toward decarbonization. (For more information about thermal power decarbonization initiatives, see [p.14](#))

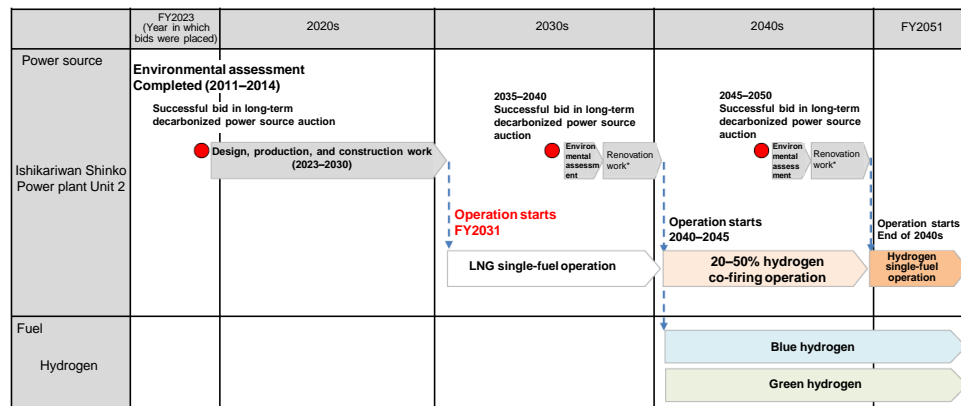
Hokkaido Area Demand Increase (Projected)

(TWh, end-use)



※ The above is HEPCO's current estimate.

Roadmap for the Start of Operations and Decarbonization of Unit 2 at the Ishikariwan Shinko Power Station



Note: Including improvement work of hydrogen supply and storage facilities

Assumptions

- ✓ Appropriate investment recovery will be ensured through successful bids in the long-term decarbonized power source auction and application of fuel cost recovery mechanisms
- ✓ A hydrogen supply chain will be established, and a stable supply of hydrogen will be ensured in Japan and overseas from the latter half of the 2030s.
- ✓ Construction work toward decarbonization will be feasible from the latter half of the 2030s due to the establishment of technologies for hydrogen transport, storage, co-firing, and single-fuel firing, and the acquisition of land, equipment, materials, and workforce

※: We plan to post the above roadmap for Unit 3 of the Ishikariwan Shinko Power Plant on the homepage of the Organization for Cross-regional Coordination of Transmission Operators, Japan in July 2025.

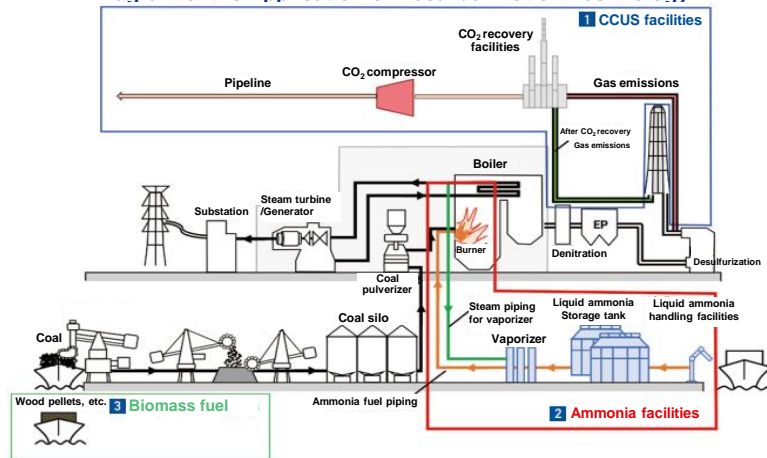
Decarbonize our Thermal Power Station

- We are promoting the large-scale integration of renewable energy. However, due to the potential for sudden output fluctuations caused by changes in the weather, maintaining a stable power supply will continue to require the flexibility of thermal power generation. The HEPCO Group aims for the future decarbonization of thermal power, and we are proceeding with initiatives to switch to non-carbon fuels and utilize CCUS technology.

Initiatives at Unit 4 of the Tomato-Atsuma Power Station

- At Unit 4 of the Tomato-Atsuma Power Station, we are making use of government long-term decarbonized power source auctions etc., and we will partially replace (20% conversion on a calorific basis) coal with ammonia as a fuel source (operation scheduled for FY2031).
- In addition to ammonia, we will promote decarbonization through partial fuel conversion to biomass fuels (black pellets) and the use of CCS.

Diagram of the Application of Decarbonization Technology



Initiatives Toward the Commercialization of CCUS

- In October 2024, we were awarded a contract through a Japan Organization for Metals and Energy Security (JOGMEC) public solicitation to carry out design and engineering work for a CCS* project in the Tomakomai region.
- *Carbon dioxide Capture and Storage
- (Joint project with Japan Petroleum Exploration Co., Ltd. (JAPEX), and Idemitsu Kosan, Co., Ltd.)
- We aim to launch CCS operations by 2030, while also working toward the future development of a hub-and-cluster-type CCUS project that will capture, store, and utilize CO₂ from multiple emission sources in the region.

Work Scope and Schedule (Estimate)

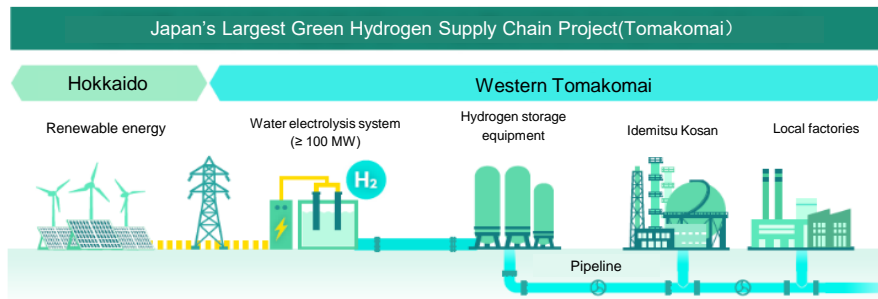
Work scope of the three participating companies (estimate)	FY2025	FY2026	FY2027
1) Design work in the CCS value chain <ul style="list-style-type: none"> Design of CO₂ separation and recovery facilities: Idemitsu Kosan, Hokkaido Electric Power Company Design of CO₂ transport and storage facilities: JAPEX 	▶▶▶	▶▶▶	▶▶▶
2) Preparation for storage potential assessment <ul style="list-style-type: none"> Activities related to exploratory drilling: JAPEX 	▶▶▶	▶▶▶	▶▶▶
3) Storage potential assessment <ul style="list-style-type: none"> Analysis and assessment of exploratory drilling data: JAPEX 		▶▶▶	▶▶▶

Energy Decarbonization (Hydrogen)

- The use of fuels such as hydrogen and ammonia, which do not emit CO₂ during combustion, is essential for the decarbonization of energy.
- To advance the practical application of these fuels, the HEPCO Group is working in collaboration with the Japanese and local governments, as well as other companies, to explore their potential use. By promoting the widespread adoption of clean fuels such as hydrogen and ammonia, we will contribute to bringing about a decarbonized society.

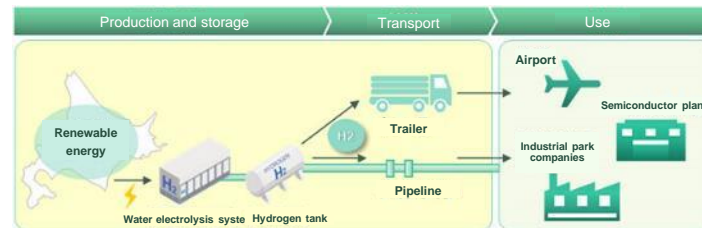
Japan's Largest Green Hydrogen Supply Chain Project(Tomakomai)

- ▶ We are working with other companies to explore the development of a domestically produced green hydrogen supply chain in the western Tomakomai area of Hokkaido.
- ▶ By around 2030, we aim to build one of Japan's largest green hydrogen production plants, a water electrolysis plant with a capacity of over 100 MW, capable of producing more than 10,000 tons of green hydrogen per year. Using abundant green energy, the green hydrogen produced will be supplied by pipeline to Idemitsu Kosan and local factories, contributing to the development of a domestic green hydrogen supply chain.



Supply of Locally Produced and Consumed Green Hydrogen (Chitose)

- ▶ To advance the supply of locally produced and consumed green hydrogen in Hokkaido's Chitose area, we are working jointly with other companies to evaluate potential sites for hydrogen production and storage, as well as to explore optimal transportation and supply methods.
- ▶ We expect demand for green hydrogen as a decarbonization method to increase in the Chitose area. This is because the area is home to New Chitose Airport, Hokkaido's main airport; an industrial park with a variety of companies; and a next-generation semiconductor plant under construction.
- ▶ We will complete a hydrogen hub by 2030, and promote integration with other sites, as well as the Chitose area.

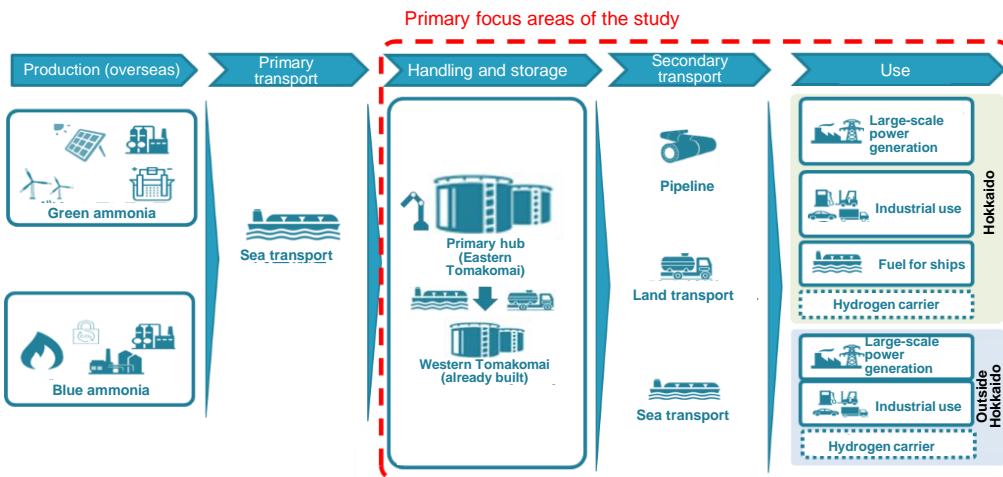


Energy Decarbonization (Ammonia)

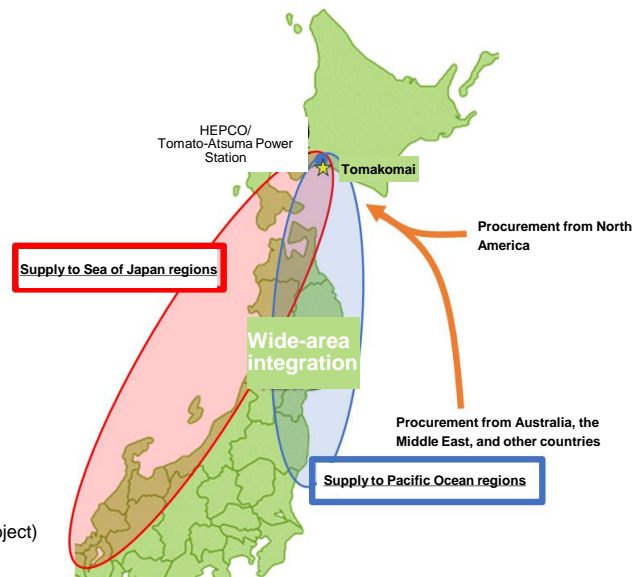
Joint Study on the Development of an Ammonia Supply Chain in the Tomakomai Area

- ▶ We are investigating the development of an ammonia supply chain based in the Tomakomai area that will supply to northern Japan, including a feasibility study into the establishment of a large-scale ammonia supply hub in Tomakomai.

Scope of Feasibility Study under the Joint Study in the Tomakomai Area



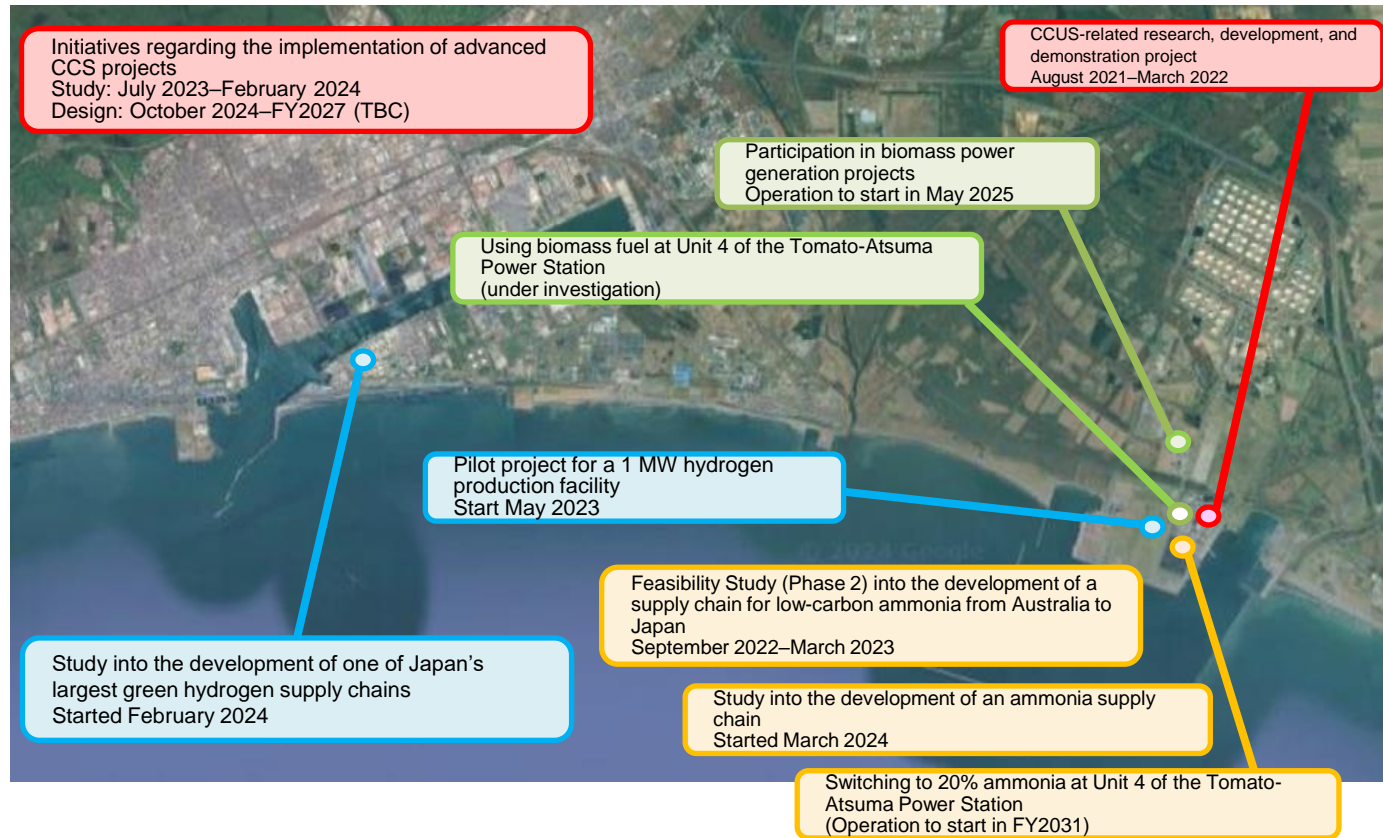
Concept of Wide-Area Ammonia Integration in Northern Japan



(Selected for FY2025 Subsidy for Measures to Promote Introduction of Non-Fossil Energy (Hydrogen Supply Infrastructure Development Project))

(for reference) CN Initiatives in the Tomakomai Region

- We are working with communities and businesses in the Tomakomai region to promote CN initiatives.



- **Hokkaido Electric Power Network** is developing a next-generation power network with a medium- to long-term perspective. We aim to achieve decarbonization through the further integration of renewable energy, strengthen resilience to prevent large-scale and prolonged blackouts, and appropriately respond to future developments such as the large-scale expansion of energy demand.

Development and Reinforcement of New Interconnection Lines

- We are adding 300MW of capacity to interconnection lines along the same route as the current New Hokkaido-Honshu HVDC Link, aiming to start operations in March 2028. Following the start of operations, the lines are expected to facilitate further integration of renewable energy, enhance grid resilience, and activate wide-area electricity trading.

Facilities for the New Hokkaido-Honshu HVDC Link Expand to 600MW from 300MW

Hokuto converter station

Overhead section

Hokuto-Imabetsu DC main line

(Underground section)

(Overhead section)

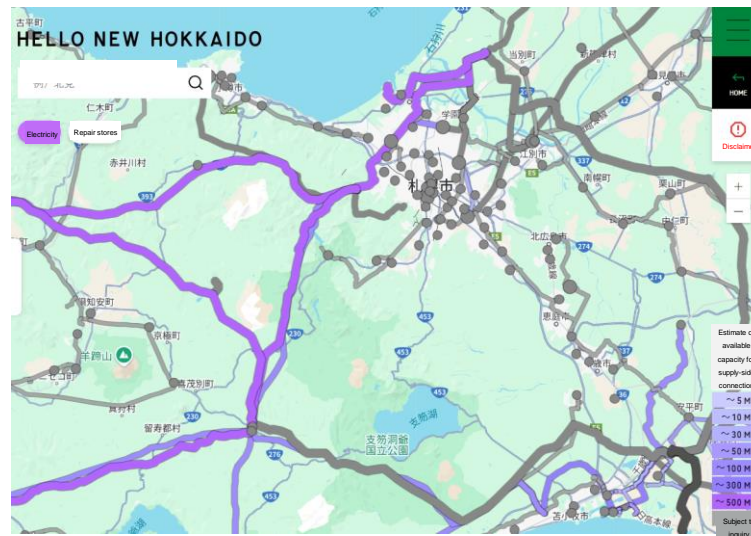
Imabetsu converter station

Facilities for the Hokkaido-Honshu HVDC Link 600MW (owned by J-POWER Transmission Network Co., Ltd.)

- ▶ Also, we are jointly considering proposals with other operators to enhance interconnecting facilities between Hokkaido and Honshu (Sea of Japan Route) based on the Master Plan*.

Publication of the Welcome Zone Map for Demand

- ▶ The Welcome Zone Map was published in March 2025 containing information such as grid location data and available capacity on the demand side. We will continue to enhance content to support companies that are expanding into Hokkaido.

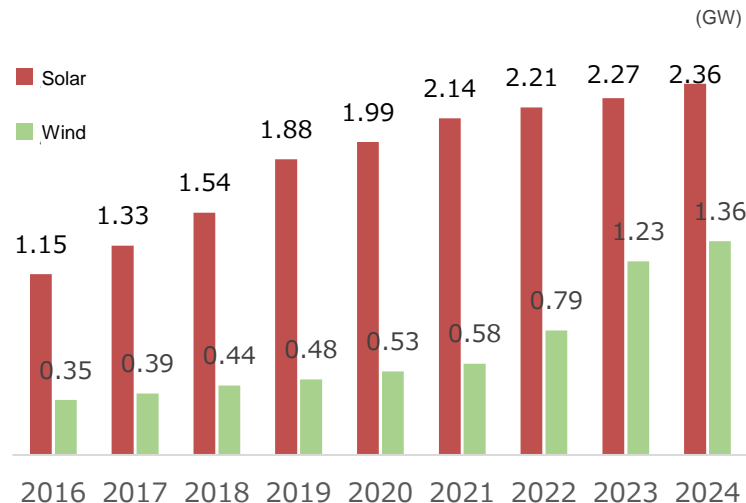


Initiatives for Greater Integration of Renewable Energy

- Hokkaido Electric Power Network is determined to **increase connections with power generated from renewable energy resources** while ensuring stable power supply using new technologies so that rich renewable natural resources in Hokkaido are fully used.

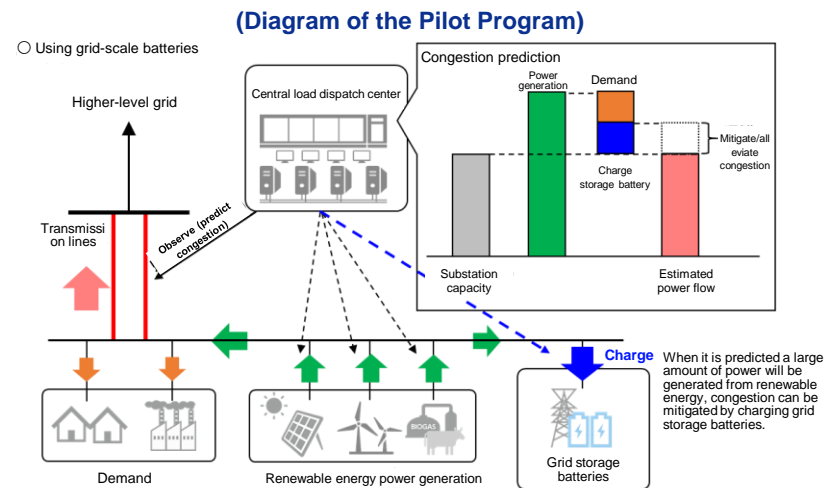
Renewable Energy Production in Hokkaido

- As of the end of February 2025, the total power generated from renewable energy resources in Hokkaido was 5,860 MW*, exceeding the region's average annual power demand of approximately 3,400 MW.
*(Solar: 2.36GW, wind: 1.36GW, biomass: 0.52GW, hydro: (excluding pumped storage) 1.59GW, Geothermal: 0.03GW)



Initiatives for the Effective Use of Renewable Energy

- We are promoting the integration of renewable energy by making the most of existing infrastructure through measures such as introducing non-firm connections*1, implementing redispatching*2 during grid congestion, and utilizing dynamic line rating*3.
- In collaboration with Mitsubishi Research Institute, Inc., we are conducting a pilot program into the development of technology to mitigate grid congestion using charge control of grid storage batteries.



*1: A connection subject to capacity constraints of transmission lines at peak times where grid reinforcement is not conducted

*2: A method for prioritizing renewable energy power generation and curtails thermal power output first.

*3: Technology that can increase the carrying capacity of transmission lines based on weather conditions and other factors.

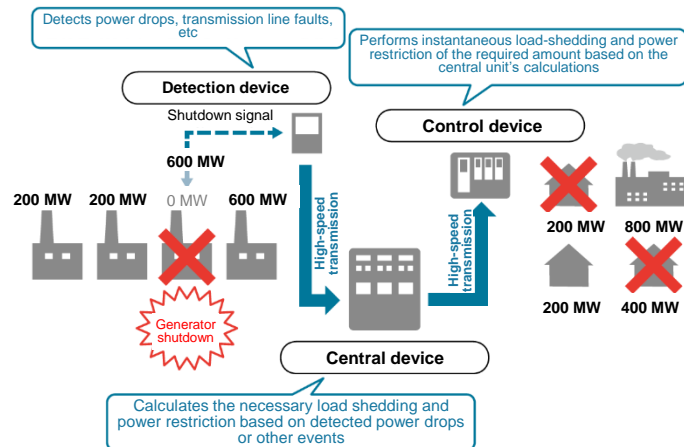
Strengthen our resilience

- As a responsible energy provider, HEPCO group companies are working together to strengthen the resilience of our electric power infrastructure and ensure a stable supply of power, even in the face of intensifying natural disasters.
- In anticipation of cyber-attacks, we implement robust information security measures to ensure the continued functionality of our power control systems.

Introduction of an Integrated Grid Stabilization System

- Hokkaido Electric Power Network** has completed the installation of an integrated grid stabilization system as part of measures to prevent the recurrence of blackouts. The system began operation in March 2024.
- This system makes it possible to achieve increased grid stability, by conducting optimal control at high speed to maintain supply-demand balance.

Integrated Remedial Action Scheme (IRAS)



Rapid provision of information regarding power outages

- We will strive to reduce customer inconvenience by quickly communicating information regarding power outages.

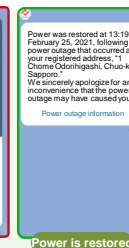
- Get information regarding power outages in your registered area through **LINE** push notifications

- Scan here to add HEPCO as a friend



- You can inquire about power outages and facility downtimes through **chat**

- Scan here to make inquiries



- AI will give you power outage information about the address that you tell it over the phone.
 - **AI automatic response service**
0120-165-597 Toll-free, available 24 hours a day

Drills for large-scale disasters

- We conduct drills focused on the initial response to large-scale power outages, assessing damage, coordinating with relevant external institutions, and communicating the estimated time for restoration.
- Based on various disaster prevention agreements, we also actively participate in drills held by external institutions.



Drill in collaboration with the Maritime Self-Defense Force

■ II. Main Initiatives for FY2026

2. Challenge of Creating New Value

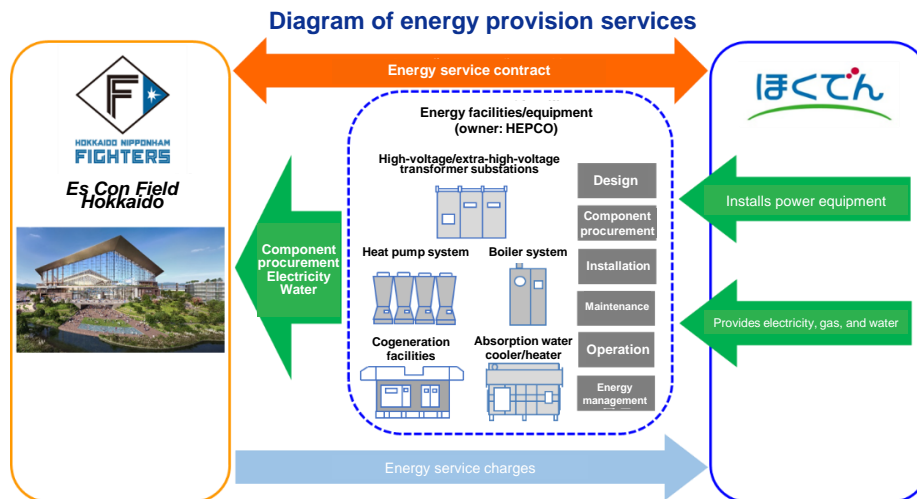


Providing Services to Solve Customer Issues

- We aim to secure power contracts by providing services that meet customer needs—such as optimizing energy use and utilizing renewable energy—primarily for corporate clients while contributing to maximizing the value of their businesses and operations.

ESP (Energy Service Provider) Business

- We utilize the technological capabilities and expertise of HEPCO and other Group companies to provide energy services that help streamline customers' energy-related operations and reduce their initial investment costs. Click [here](#) to read it.
- We offer a one-stop solution covering everything from the introduction of energy-saving and high-efficiency equipment—such as heat pump systems—to energy procurement, efficient facility operation, and maintenance. This solution has been adopted by clients such as Es Con Field Hokkaido.

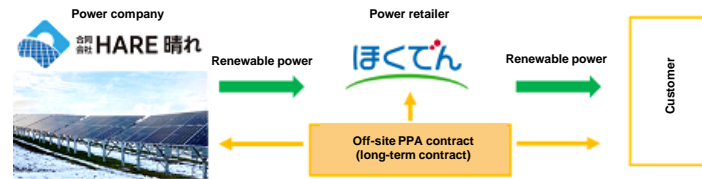


CN Solutions

- We provide solutions such as PPA* and renewable energy aggregation that leverage the value of Hokkaido's abundant renewable energy.

*Power Purchase Agreement: A service in which renewable energy generation facilities are owned and installed either on or off the customer's premises, with the generated electricity supplied to the customer

Providing renewable energy via off-site PPA



CN Consulting

- Hokuden Integrated Consulting Service** helps customers to achieve carbon neutrality with consultation services on the creation and use of J-Credit* and proposals for utilizing environmental value, implementing energy-saving measures, and introducing renewable energy.



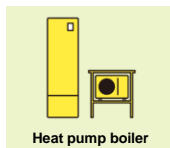
*J-Credit: The J-Credit Scheme is designed to officially certify the amount of greenhouse gas emissions reduced and removed by sinks through efforts to introduce energy-saving devices within Japan.

Promotion of Smart Electrification

- We contribute to customers' energy-saving and CO₂ emissions reduction through initiatives such as the promotion of smart electrification and ZEB (net zero energy buildings) consulting.
- Hokuden Service Co., Inc.** provides information about smart electrification in Hokkaido and valuable tips through their portal site [Denpota](#).

Promotion of Smart Electrification

- We offer a variety of smart electrification services that support energy savings and comfort, including “*Smart Electrification Lease*” and “*Furatto Solar*”, which allow customers to install heat pump systems and solar power equipment with no upfront investment, as well as Eco Replacement services for upgrading from conventional all-electric appliances to heat pump systems.



HEPCO's “*Furatto Solar*” is a service where customers who are building new homes can install and use solar power facilities **without any upfront costs**.



	Conventional all-electric appliances	Smart electrification appliances
Hot water supply	Electric water heater	Heat pump boiler
Heating systems	Thermal storage heater Electric boiler	Heat pump water heater system Warm air conditioners for cold regions
Cooking		IH cooking heater

Next-generation Energy-Efficient Design (ZEB / ZEH-M)

- As the leading provider of ZEB consulting in Hokkaido, we work alongside **Hokuden Integrated Consulting Service** to provide comprehensive support to our clients—from planning and design to post-completion analysis of energy use and operational improvements.
- Hokuden Kogyo Inc.** is enhancing added value by acquiring ZEB Ready*1 and ZEH-M Oriented*2 certifications for real estate developments.



Ena Square Oodori Building
(ZEB Ready certified)



Enaglanz Yamahana Park
(ZEH-M Oriented certified)

*1: Certification given to buildings that meet the criterion of reducing their primary energy consumption by 50% or more from the standard primary energy consumption, excluding renewable energy.

*2: Certification given to housing complexes that meet the standard insulation performance and the criterion of reducing their primary energy consumption by 20% (excluding renewable energy) compared to the standard primary energy consumption for the entire building, including common areas.

Providing Services for Comfortable Safe Living

- Leveraging the connections we have fostered until now, we are enhancing our lineup of services that solve customer problems or social issues through communication with customers and communities.

Hokuden Hikari

- We offer the “*Hokuden Hikari*” optical fiber internet service that is simple, fast, and affordable, to support customers’ daily lives.
Click [here](#) to read it.

Appeal of “*Hokuden Hikari*”



Home Repair Support

- We offer a one-stop service that handles everything from repair arrangements to completion, with just a single phone call—available 24 hours a day, 365 days a year—for issues such as electrical or plumbing problems.
Click [here](#) to read it.



Healthcare Services

- We offer “*Hokuden Healthcare*,” a service which allows users to access health and medical consultations via chat, and receive medical examinations online.
Click [here](#) to read it.



- We offer Ene Mall Insurance to Hokuden Ene Mall members.
Click [here](#) to read it.



- We are working to expand our services that contribute to healthy living, including the “*Saliva Checker*” cancer screening kit which we started in FY2024.
Click [here](#) to read it.

Co-creation of new businesses(1)

- The HEPCO Group, to contribute to the sustainable development of Hokkaido, will create new value by finding business opportunities in Hokkaido's strengths and issues faced by local communities.
- In Hokkaido's core industries of agriculture, forestry, and fisheries, we aim to establish a new sustainable model that not only improves energy efficiency and productivity, but also helps address challenges such as labor shortages and environmental concerns. Also, we will expand our business co-creation to fields such as welfare and tourism.

Small Energy-Efficient Plant Production Facilities

- ▶ We aim to promote the adoption of plant production facilities to reduce food mileage (environmental burden related to food transport) and ensure the availability of an agricultural workforce, that is decreasing due to population decline and aging.
- ▶ In the Niseko area, we are working with Plants Laboratory Inc. to supply leafy greens all year round by growing them in a small energy-efficient production facility, and are exploring further expansion.



Sea urchin cultivation business

- ▶ Together with Uninomics Inc., we are conducting a joint study into the implementation of a sea urchin cultivation business to solve the problem of rocky-shore denudation in Hokkaido.



In areas severely affected by rocky shore denudation, we aim to address the issues and create new industries—such as local specialty products—by removing undernourished sea urchins from rocky shores and cultivating them on land.

Highly Efficient, Sustainable, Large-Scale Production Facilities for Plants

- ▶ We are exploring new sustainable forms of agriculture that leverage local resources, are highly efficient, and use CO₂ to promote plant growth. We hope that this will contribute to solving the issues of agricultural instability caused by labor shortages and climate change.
- ▶ Together with Torafuku Co., Ltd., we are conducting a joint study into creating a large-scale solar-powered plant production facility in Mukawa Town.

In November 2024, the three parties concluded the Cooperation Agreement for a Joint Study into a Large-Scale Solar-Powered Plant Production Facility in Mukawa Town



Aging sake in hydroelectric facilities

- ▶ We are conducting a pilot study in collaboration with Kamikawa Taisetsu Sake Brewing Co., Ltd. using the tunnels of hydroelectric facilities such as dams to create high-added-value Hokkaido sake.

Goals of the pilot project

- To enhance the profile and consumption of sake made using Hokkaido sake rice
- To achieve the sustainable development of Hokkaido through regional revitalization (expansion of sake rice production, increased appeal of local sake, and spillover effects on tourism and other industries)



Transporting sake inside tunnels

Co-creation of new businesses(2)

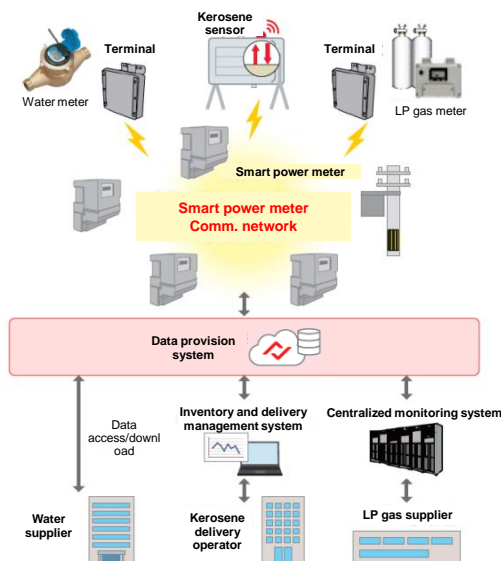
- **Hokkaido Electric Power Network** and other Group companies are advancing initiatives to contribute to the co-creation of businesses and industrial development.

IoT communication service with smart meters

- ▶ **Hokkaido Electric Power Network** provides an IoT service that utilizes the communication network of smart meters used for electricity metering to deliver data such as water and LP gas meter readings. Around 15,000 units have been installed by municipalities and businesses.

- ▶ We believe this service will contribute to improving our customers' operational efficiency in Hokkaido, which is expected to face social issues in the future, such as a declining workforce.

- ▶ Hokkaido Electric Power Network is leveraging the technologies and expertise it has cultivated over the years to help create safe and secure living environments for customers and contribute to the local economy.



Installing a Fiber-Optic Network in the Ishikari RE Zone

- ▶ **Hokkaido Telecommunication Network Co., Ltd.** has installed a fiber-optic network in the Ishikari RE Zone* in the Ishikariwan Shinko area—where many data centers are being built—to provide a reliable communications network.
- ▶ We are already capable of providing 100 Gbps connectivity and will continue to enhance our infrastructure. Looking ahead, we are also preparing for integrated operations with data centers in other regions, including inter-data center connectivity and full optical network deployment.
- ▶ Hokkaido Telecommunication Network Co., Ltd. is contributing to improving Hokkaido's communication infrastructure by providing networks and other services to a wide range of industries, including government institutions and telecommunications carriers.

*An area designated by Ishikari City aiming for 100% renewable energy.



Representation of services provided in the Ishikari RE Zone

■ II. Main Initiatives for FY2026

3. Robust Business Foundation for Sustainable Growth

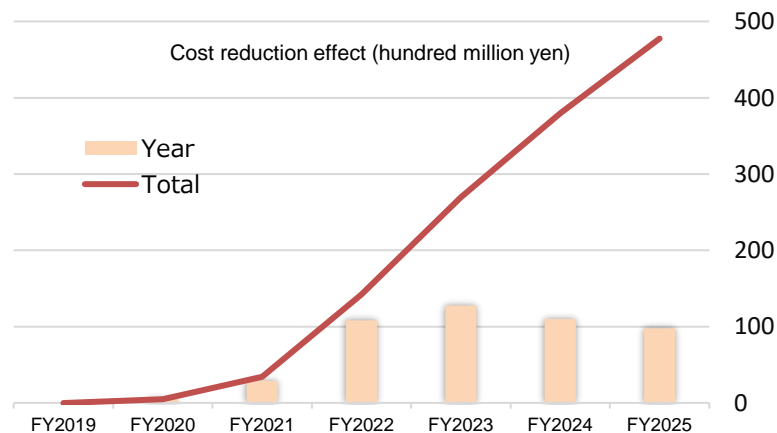


Promotion of Kaizen (1)

- We will achieve drastic efficiency improvements and cost reductions by constantly reviewing our operations.
- We will advance kaizen activities by steadily implementing large-scale kaizen projects with a high expected impact, rolling them out across group companies. Our goal is to achieve a fourfold increase in productivity.

Promoting and Expanding Kaizen

- ▶ Our initiative aimed to “quadruple our productivity” has steadily been expanding and taking root across the HEPCO Group.
- ▶ To date, approximately 4,200 projects have been implemented across the group, steadily generating cumulative cost reduction benefits*.



※ Total value of cost reduction efforts at HEPCO and Hokkaido Electric Power Network
 ※ In the respective totals, achievements that are expected to be realized over the medium to long term and those in which our resources are reallocated to other business operations are included.

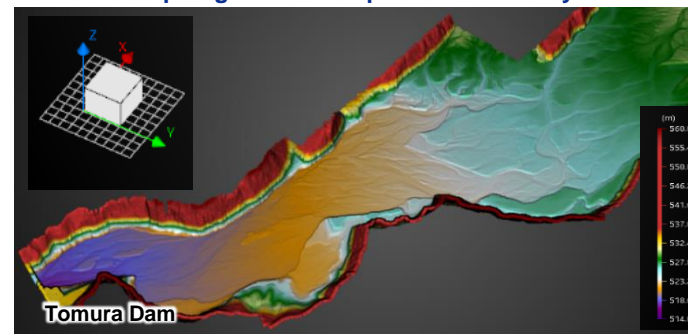
Tomura Dam: Kaizen Project to Optimize Flushing Timing

- ▶ Previously, the completion of flushing* operations was determined by visually assessing river turbidity. However, by conducting topographic surveys before and after flushing to visualize the effectiveness of sediment removal, we are now able to optimize the required flushing period.

* A process that uses the power of the flow generated from releasing reservoir water to flush out deposited sediments

- ▶ This Kaizen initiative reduces the amount of dam water used for flushing, thereby contributing to more efficient use of water resources at hydroelectric power plants.

Topological data acquired from surveys



• Surface topographic data is obtained by continuously surveying land, shallow, and underwater areas

Visualization of the impact of flushing on sediment removal

• Optimization of flushing timing

Promotion of Kaizen (2)

- Hokkaido Electric Power Network and other our group companies are working to make improvements for more efficient maintenance and cost reduction.

Kaizen Projects Related to Utility Installation

- Installing utility poles requires ground excavation, but due to underground obstacles, the excavation must be done manually. This task accounts for approximately 80% of the total construction time.
- An excavation support tool developed by **Hokkaido Electric Power Network** reduces the physical burden and the number of workers required for ground excavation, resulting in an approximately two-fold increase in productivity.
- We are looking to further enhance productivity by making further improvements to the support tool and expanding its use to construction companies including **Hokkaidenko Corporation**.

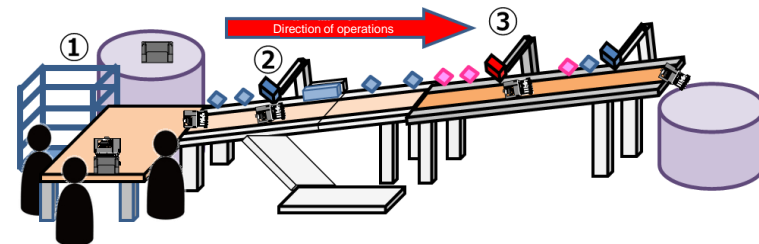
Ground excavation: before and after kaizen

- ✓ As a support tool, we developed a simple frame that can be easily assembled on-site.
- ✓ Excavated soil is pulled up by an electric winch, increasing operational efficiency



Kaizen Project Regarding Smart Meter Disposal

- Starting in FY2025, full-scale replacement of smart meters whose certification periods have expired has begun. This has led to a significant increase in associated tasks, such as data deletion and disposal of removed meters, creating operational challenges.
- At Hokkaidenko Corporation**, automating operations for reading and deleting registration information from smart meters that were previously done manually, along with a review of back-office procedures, has led to approximately double the productivity and improved work quality.



- 1) Removal of the cover and base of the smart meter terminal
- 2) A device reads the smart meter data and confirms whether it can be disposed of or not
Smart meters that can not be disposed of are automatically removed from the work line
- 3) Smart meters that can be disposed of have their data deleted (via automatic linkage with servers) and the meters are then placed into disposal bags

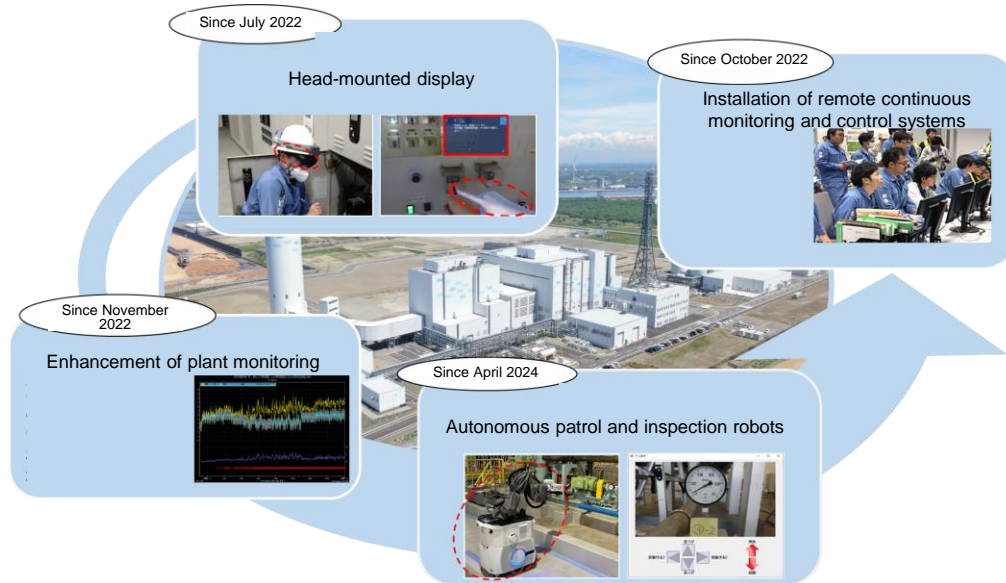
* Work quality was improved by automating steps 2 and 3, eliminating the need for two workers

DX Promotion

- At the HEPCO Group, we define digital transformation as corporate transformation driven by both business innovation through digital technologies and a shift in mindset to continuously embrace change. We will continue to create high-added value and new business value through the application of digital technologies including AI.

Enhancement of Thermal Power Plant Operations

- At our thermal power plants, we are advancing operational enhancement through DX, including the use of head-mounted displays, plant monitoring with IoT and AI technologies, autonomous patrol and inspection robots, and remote continuous monitoring and control systems. These efforts support more efficient and stable operations.



Optimization of Supply-Demand Planning Through the Use of AI

- In collaboration with GRID Inc., we have developed an AI engine for an optimization system that uses AI-based optimization technology to improve supply-demand planning for thermal and hydroelectric power generation.
- This system enables the optimization of supply-demand planning for both thermal and hydroelectric power generation, with reduced fuel consumption and improved operational efficiency in supply-demand planning.
- Full-scale rollout is under consideration for FY2026.

Promotion of Human Capital Management

- At the HEPCO Group, our employees are our most valuable asset. Therefore, under the HEPCO Group Human Capital Strategy, we are working to create human resource development programs and work environments where each employee can grow and thrive.

HEPCO Group Human Capital Strategy

- We are advancing initiatives for human resource development and work environment improvement under the HEPCO Group Human Capital Strategy that was formulated in March 2024.
Please click [here](#) for more information on the HEPCO Group Human Capital Strategy.
- We will enhance our corporate value by supporting the growth and success of our employees, and enhancing our existing value* while fostering a corporate culture that continually creates new value.
*The work and services carried out by each employee, along with the associated rules, technical skills, and expertise

Basic concepts of our Human Capital Strategy

Human resource development	Develop our human resources so that they acquire the necessary skills and take the initiative in facing challenges and adapting to change
Development of the work environment	An environment where diverse human resources respect one another and can thrive while experiencing a sense of purpose and growth

Foster a corporate culture that continually creates new value while enhancing existing value



Discussion session between the President and young employees

Enhancement of corporate value

Promotion of Health Management

- We believe that mental and physical health is linked to the well-being of our employees, and we are actively improving our workplaces so that they can work healthily and comfortably.



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

HEPCO has been recognized as *Certified Health & Productivity Management Outstanding Organization (White 500)* for six consecutive years

Promotion of Diversity and Inclusion

- We are promoting diversity and inclusion with an awareness that diverse viewpoints and values are essential for business transformation and sustainable growth.
- To increase the number of women in management positions, we are conducting initiatives such as management training seminars and networking events with external organizations.



Group discussion at a networking event

Take initiatives for local communities

- We are advancing business co-creation initiatives to create new value together with various businesses and communities, in pursuit of Hokkaido's sustainable development and solutions to regional challenges. ([p.25](#) and [p.26](#))
- Also, we continue to build stronger relationships with local communities through community-based initiatives.

Regional Revitalization through the Power of Sport

- ▶ We have concluded a club partner contract with the professional soccer club Hokkaido Consadole Sapporo. We have also concluded a cooperation agreement with the Hokkaido Frontier League, an independent league for professional baseball in Hokkaido.
- ▶ We contribute to regional revitalization by leveraging the many ways sport contributes to society and supports local development.



Support for SDG-Related Education

- ▶ Approximately 150 certified facilitators from our group across Hokkaido are engaged in supporting SDG-related education for elementary school students who will shape the future of the region.



[Achievements]	FY2025	Total
No. of schools visited	48	207
No. of class attendants	2,500 approx.	12,500 approx.

Tree Planting With Students of a Forestry Academy

- ▶ Since 2021, we have been holding tree planting and study sessions at Domin no Mori (Tobetsu Town) in collaboration with the Kita no Mori-Zukuri Academy of Hokkaido.
- ▶ In FY2025, employees and students worked together to learn about R&D initiatives on measures to prevent browsing (eating buds and leaves) and weeding robots, both of which are related to the cultivation of seedlings.



Contributing to the Preservation and Use of Historical Buildings

- ▶ **Hokuden Integrated Consulting Service** has received contracts from local governments regarding the development of conservation and utilization plans for Important Cultural Properties, seismic assessments, various design tasks, and construction supervision. Through these efforts, we contribute to the preservation and effective use of cultural heritage in local communities.



Important Cultural Property: Former Hanada Family Fishermen's Lodge (Obira Town)



Former Shimamatsu Station Relay Office (Kitahiroshima City)

Fully ensure compliance and risk control

- To ensure the continued transparency and fairness of our business operations, we are working to foster a corporate culture that emphasizes strict compliance, while appropriately identifying business risks and strengthening our risk management practices.

Possession of Information Related to Wheeling Services by a HEPCO Employee

- ▶ HEPCO reported to the Electricity and Gas Market Surveillance Commission that it confirmed*2 that a HEPCO employee was in possession of materials created by Hokkaido Electric Power Network that may include undisclosed information*1.
- ▶ In response, we received a request for the collection of a report from the Commission pursuant to the provisions of the Electricity Business Act on April 28, 2025.
- ▶ This incident was reported via the internal whistleblowing hotlines of both HEPCO and Hokkaido Electric Power Network. It was revealed that the employee in question was in possession of paper materials created by Hokkaido Electric Power Network several years ago that contained undisclosed information regarding wheeling services, such as grid configuration and plans for transmission line upgrades.
- ▶ HEPCO takes this matter seriously, and we are continuing our investigation into the facts. We will formulate measures to prevent reoccurrence and respond appropriately to the request that we received for the collection of a report.

*1 Information regarding a wheeling service and an electricity quantity adjustment service that a general electricity transmission and distribution utility conducts that has not been publicized, and may affect electricity retail, electricity generation, or specified wholesale supply.

*2 Under the Electricity Business Act, HEPCO is a specified related business operator (general electricity transmission and distribution utility, and electricity retailer within the same group, electricity generation utility) of Hokkaido Electric Power Network, and is prohibited from using non-disclosed information in electricity retail or power generation services.

Strengthening our Risk Management Framework

- ▶ To achieve sustainable growth amid a constantly changing business environment, we must appropriately identify and address business-related risks based on a clear understanding of environmental changes.
- ▶ In FY2025, we strengthened our risk management framework by restructuring our existing risk management committee into the Integrated Risk Management Committee, chaired by our President.
- ▶ We are also renewing our risk management approach and further strengthening the PDCA cycle to implement more effective measures for risk mitigation.

Respect for Human Rights

- ▶ The HEPCO Group respects the human rights of all people involved in the business activities of the Group and has formulated the HEPCO Group Human Rights Policy.
- ▶ We promote respect for human rights by continuously conducting human rights due diligence and establishing grievance mechanisms.

Please click [here](#) for more information on the HEPCO Group Human Rights Policy.

Reinforce our corporate governance

- We are enhancing our corporate governance to achieve a sustainable increase in our corporate value.

Sustainable enhancement of corporate value

- In the corporate vision published in March 2025, we set new management objectives. (p.7) We are steadily working on initiatives to optimize our business portfolio, expand ROIC spread for each business, optimally allocate cash, optimize our capital structure, and invest in growth (introduced on p.5). The aim of which is to enhance our corporate value.

Please click [here](#) for more information on the HEPCO Group Management Vision 2035.

Basic Policy Regarding Corporate Governance

- With the fundamental belief that enhancing corporate governance—which supports transparent, fair, and prompt decision-making—is essential for the sustainable enhancement of corporate value, we actively promote initiatives based on the following basic policies.

Appropriate collaboration with shareholders

Appropriate protection of stakeholder rights

Creating relationships of trust through continued dialogue

Appropriate collaboration with stakeholders other than shareholders

Collaboration with stakeholders such as employees, customers, business partners, and local communities

Ensure appropriate disclosure and transparency

Appropriate and timely disclosure of financial and non-financial information

Responsibility of the Board of Directors

Rapidly respond to changes in the business environment;
ensure transparency in management

ESG Disclosure

- We disclose ESG-related information in accordance with globally recognized disclosure frameworks.

Click [here](#) to read it.














- We are currently considering disclosure in line with the nature-related disclosures framework published by TNFD.



TCFD: Task Force on Climate-related Financial Disclosures
TNFD: Taskforce on Nature-related Financial Disclosures
SASB: Sustainability Accounting Standards Board
CDP: NGO based in the United Kingdom

List of Group Companies

(As of April 2025)

	Hokkaido Electric Power Network, Co., Ltd.	General electricity transmission and distribution utility; power generation on remote islands
	Hokkaidenko Corporation	Electrical and telecommunications construction
	Hokuden Kogyo inc.	Comprehensive real estate management, civil engineering, and construction work
	Hokuden Integrated Consulting Service, Co., Inc.	Comprehensive construction consultancy services in civil engineering, architecture, electrical systems, and environmental fields
	Hokkaido Power Engineering Co., Inc.	Electricity sales and periodic inspection, maintenance, and repair work at power plants
	The Tomatoh Coal Center Co., Inc.	Reception, storage, and shipment of coal imported from overseas
	Hokuden Eco-Energy, Co., Ltd.	Electricity sales
	Hokuden Service Co., Inc.	Billing services and energy-saving proposals
	Hokkaido Telecommunication Network Co., Inc.	Telecommunications business
	Hokuden Information Technology, Inc.	Information system development, IT services, and data center operations
	HOKUDEN ASSOCIA Co., Inc.	Design, printing, bookbinding, and sales of novelty and gift items
	Ishikari LNG Terminal Co., Ltd.	Leasing of LNG fuel receiving facilities
	Hokkaido Records Management Co., Ltd.	Document management services and consulting

For more information, please see the [HEPCO website](#).

ともに輝く明日のために。
Light up your future.



This document is based on data as of April 30, 2025.

Also, these are not disclosure materials under the Financial Instruments and Exchange Act, and the accuracy or completeness of the information provided in the materials is not guaranteed.

Although these materials contain statements about future performance, such statements do not constitute warranties of future performance and include risks and uncertainties.

Please note that future performance may change due to various changes in the conditions of the operating environment.

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