April 2, 2025
HEPCO Group Management Vision 2035
Briefing for analysts and institutional investors

HEPCO (Hokkaido Electric Power Co., Inc) Group Management Vision 2035

Growing HEPCO's Business Through GX & Striving to Further Develop Hokkaido

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Light up your future.
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Introduction

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

Particularly thanks to the exceptional attractiveness and richness of its natural environment and the highest renewable energy potential anywhere in Japan, Hokkaido has been the site selected by the digital industry as it plans next generation semiconductor plants and data centers. In addition, powerful tailwinds are facilitating Hokkaido’s development. The Japanese government is promoting local production and consumption of carbon-free energy, and more and more businesses may concentrate their operations in Hokkaido as the nation seeks to achieve carbon neutrality.

Still, however, the region’s population continues to decline and age. Labor shortages may make it difficult to maintain public services and social infrastructure in the future. Efforts are needed to find solutions to these challenges as well.

It is in this context that HEPCO Group continues to manage our operations upon the foundation that is Hokkaido, and support the realization and further development of a sustainable society. In reaffirming this unwavering commitment and codifying it as our new management philosophy, we have defined HEPCO Group Management Vision 2035. It is the ideal to which we aspire to embody by the year 2035 so that HEPCO Group may achieve robust growth collectively with the Hokkaido region.

Even as the electricity business transforms, HEPCO Group will continue to fulfill our responsibility as an energy provider. We will ensure energy decarbonization is consistent with a secure and stable supply in accordance with the management tenants set out in this vision: ‘Realization of GX for Hokkaido’s Growth,’ ‘Challenge of Creating New Value,’ and ‘Robust Business Foundation for Sustainable Growth.’ With an accurate understanding of what customers need and the challenges that communities face, we will continue to persevere to create value and further grow HEPCO Group so that we may facilitate a sustainable society as well as safe and secure living.

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 we will endeavor to enrich the lives of people who call Hokkaido home.

March 2025
Susumu Saito
Representative Director &
Chief Executive Officer
Hokkaido Electric Power Co., Inc.
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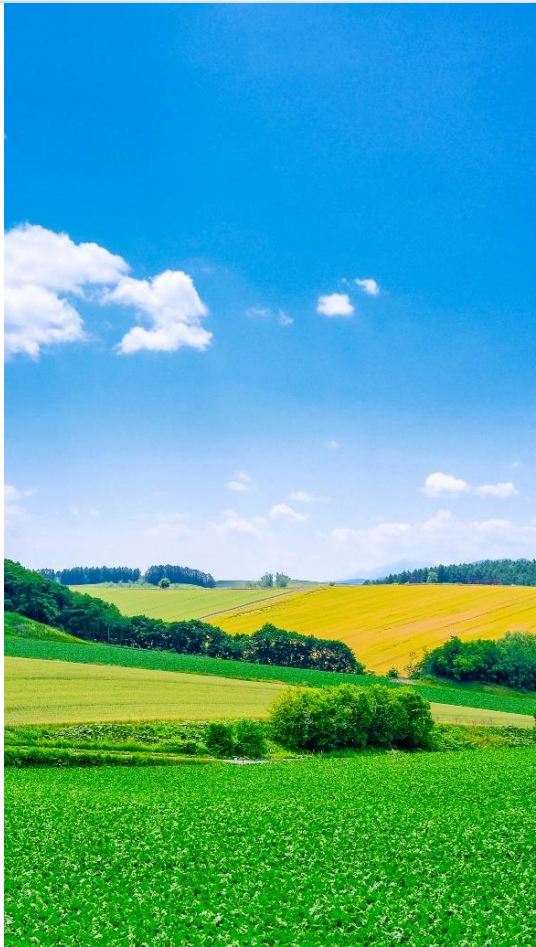
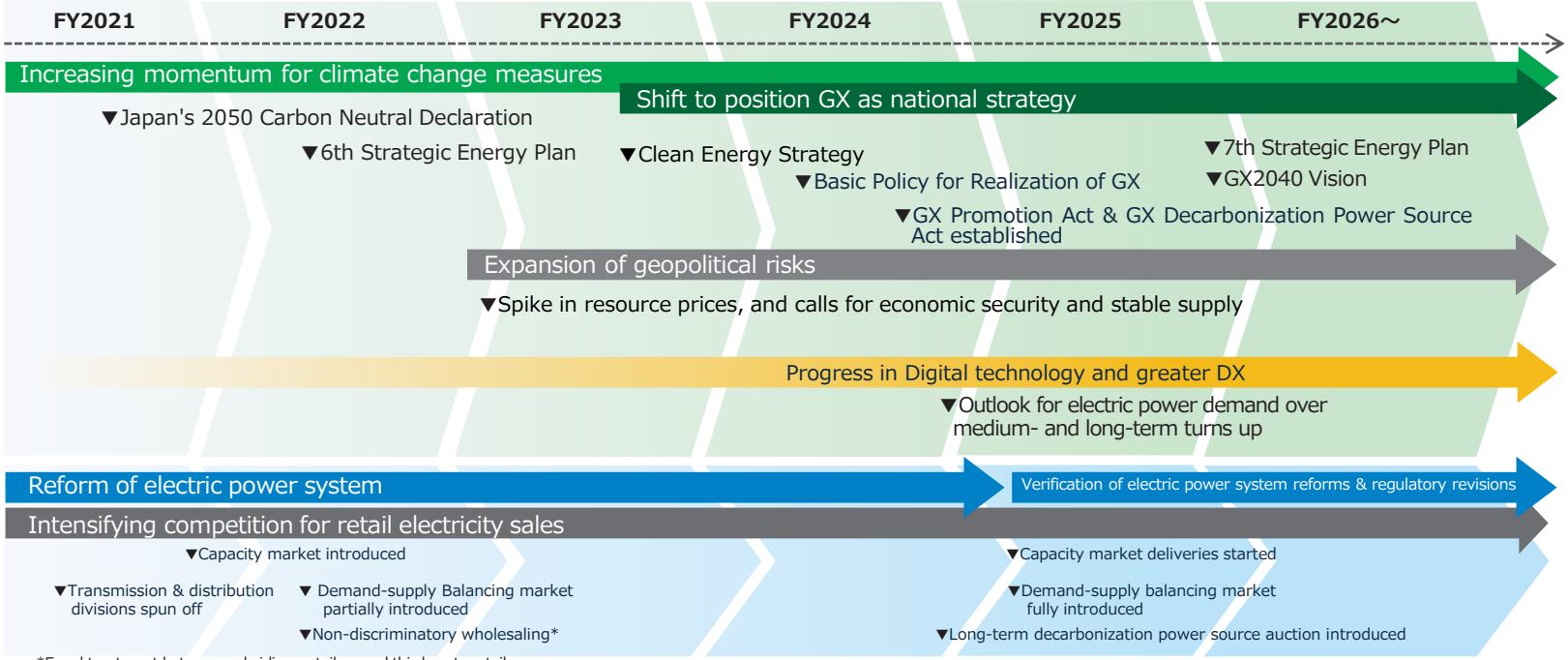


Review of Vision 2030

Review of HEPCO Group Management Vision 2030 ①

Even as reform of the electric power system has paved way for liberalization and marketization of the electric power industry, momentum has increased for measures to address climate change since our previous management vision was announced in April 2020. A more noticeable emphasis has also been placed on economic security and stable energy supply as geopolitical risks have come to the forefront, triggering a surge in resource prices.

By promoting a green transformation (GX), Japan aims to concurrently achieve a stable energy supply, economic growth, and decarbonization. Moreover, the business environment has also been altered significantly as the digital transformation (DX), including the expanding application of generative AI, extends further and further and propels an upward shift in demand for electric power over the medium- and long-term.



*Equal treatment between subsidiary retailers and third-party retailers

Review of HEPCO Group Management Vision 2030 ②

As of FY2025 (projected), both consolidated ordinary income and the Consolidated capital ratio have surpassed the targets set for each.

HEPCO Group has strived to achieve the 2030 targets set for new priority business investment, retail and wholesale electricity, gas supply business, renewable energy generation, and reduction in CO_2 emissions. The progress we have made is summarized in the table below.

	FY2021	FY2022	FY2023	FY2024	FY2025 (Projected)	…	2030 Vision Targets
Consolidated ordinary income	¥41.1B	¥13.8B	-¥29.2B	¥87.3B	**¥43B**		**Phase I※2 ¥23B+/year** **Phase II※2 ¥45B+/year**
Consolidated capital ratio	13.8%	13.7%	11.7%	14.9%	**About 17%**		**15% +**
Invest in new priority businesses※1	cumulative total ¥3.2B	cumulative total ¥9.8B	cumulative total ¥13.8B	cumulative total ¥15B	**cumulative total ¥17B**		**Total investment of ¥50B+**
Power Retail/wholesale (inc. outside of Hokkaido; ex. NW wholesale)	24.3TWh	26.1TWh	26TWh	27TWh	**26.5TWh**		**30TWh+/year**
Gas supply business	3kt	8kt	10kt	31kt	**37kt**		**100kt+/year**
Renewable power generation (inc. outside Hokkaido)	Cumulative 39MW	Cumulative 41MW	Cumulative 52MW	Cumulative 61MW	**Cumulative 39MW※3**		**Up min. 0.3M kW** (Inc. outside Hokkaido)
Environmental target [Actual CO_2 emissions]	28% reduced [13.57Mt]	24% reduced [14.41Mt]	36% reduced [12.19Mt]	39% reduced [11.54Mt]	**37% reduced [11.77Mt]**		**Cut min. 50%** from FY2014 levels

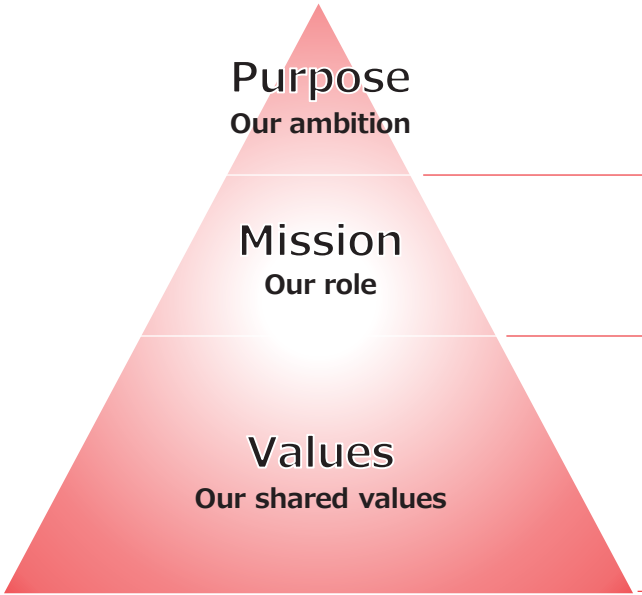
※1 Renewable power generation, overseas electricity business (solar power), energy service providers (ESP), etc.
※2 Phase I: before restart of Tomari NPS ; Phase II: after all units of Tomari NPS are back in operartion
※ 3 Decreased from FY2024 due to sale of stake in investment projects

HEPCO Group’s New Management Philosophy

HEPCO Group's New Management Philosophy

Even in an ever-changing business climate, we will continue to transform and pursue a management style that keeps Hokkaido as our foundation so that the HEPCO Group may grow further and a sustainable society be achieved.
This new management philosophy serves as a recompilation of our principles orientated toward this concept.

HEPCO Group's New Management Philosophy



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.

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 realization of a sustainable society.

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.

Our Vision of Society in the Years 2050 & 2035

Project the Society in the Year 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 the realization of 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.

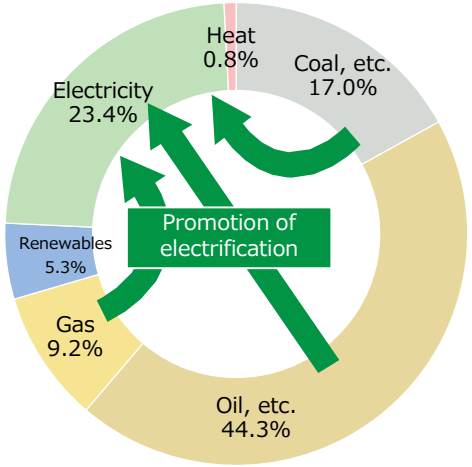
Achieving Carbon Neutral by 2050

To be carbon neutral by 2050, not only do we need to thoroughly conserve energy, but also shift from CO2-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 using decarbonized power sources.

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)※1. These efforts help us to maximize our commitment to having all energy in Hokkaido be carbon neutral by 2050 (pp. 32 & 33).

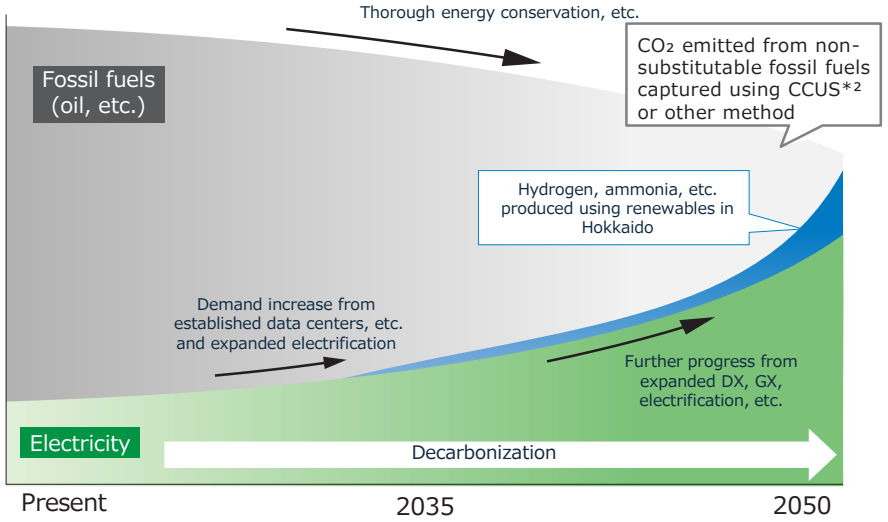
Final Energy Consumption in Hokkaido

(Provisional figures for FY2023, heat value basis)



Source: Energy consumption statistics by prefecture

Future Energy Demand in Hokkaido (Illustration)



※1 ZEB stands for 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.

※2 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.

Project the Society in the Year 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 declining population and Japan's aging society will take on more prominence, potentially disrupting daily life.

We believe solutions can be found to these social challenges by stably supplying energy that is 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 as a whole.
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.
Demographics	・Society is aging further and there are fewer children ・Depopulation decreases regional vitality
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 (p. 11)

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HEPCO Group's contribution (p. 13)

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

Hokkaido's Development Potential

Japan's GX policy※1 defines a course of action in the aims of achieving a stable energy supply and decarbonization as well as utilizing decarbonization-related technologies in addition to 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 based on 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 in 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.

Hokkaido's Development Potential

Hub for Digital Industries

- Construction is currently underway to build next generation semiconductor plants and there are expectations that affiliated industries will also 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.

Hub for Supplying Carbon-Free Energy

- 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.

Major Food Supplier Popular Tourist Destination

- 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 and Hokkaido will continue to fulfill its important role.
- The regions 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 Material from the "Research Group on Localized Power Demand Growth and Power Transmission and Distribution Networks"

Our Efforts toward 2035

Our 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 Our Business Foundation for Sustainable Growth,**" which provides a foundation for addressing these challenges and transform our businesses.

We have positioned these three points as management themes ahead of 2035 based 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 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.

Material Issues for HEPCO Group (Materiality)

The table below shows the direction in which initiatives (subtasks) are oriented for each management theme (task). We determined these to be "material issues (materiality) for HEPCO Group." Promoting efforts from the perspective of sustainability, including ESG, will also enable us to contribute to the achievement of SDGs.

Task	Subtask (key work)	Relevant SDGs
Realization of GX for Hokkaido's Growth	Growing Power Demand and Stable Supply Plan including Renewable Energy (pp. 15~16)	
	Energy Decarbonization (pp. 17~18)	
Challenge of Creating New Value	Value Expansion and Creation for Customers (p. 19)	
	Value Creation through Business Co-creation (p. 20)	
Robust Business Foundation for Sustainable Growth	Kaizen & DX Application to Transform Businesses (p. 21)	
	Promote human capital management (p. 22)	
	Exercise thorough compliance and risk management	
	Enhance corporate governance	

SUSTAINABLE DEVELOPMENT GOALS

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

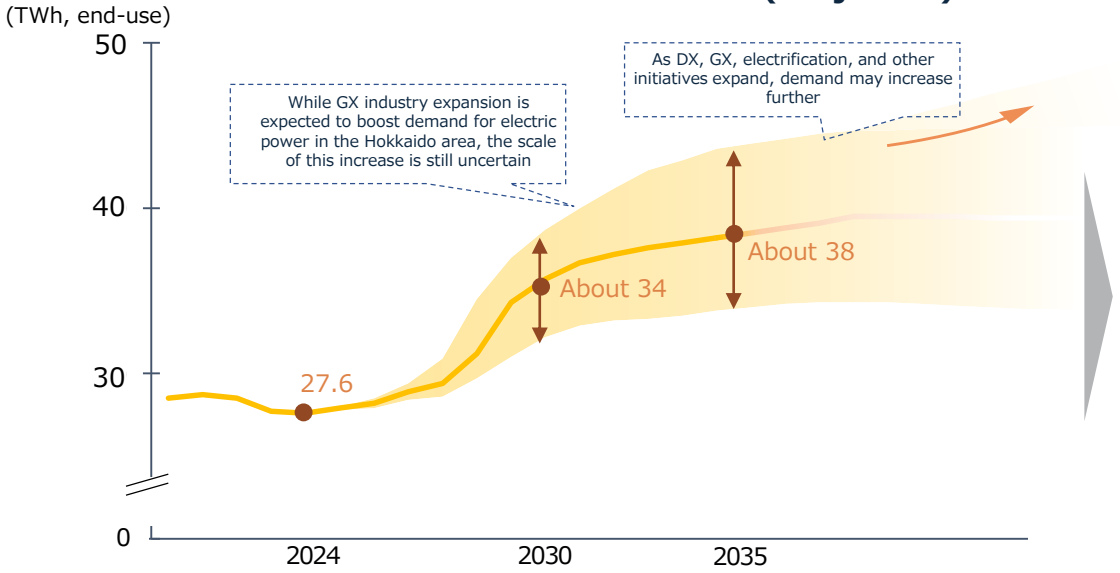
Growing Power Demand and Stable Supply Plan including Renewable Energy

Even with renewable energies being built out and demand for electric power rising as GX industries locate in Hokkaido, whether it be expansion of next-generation semiconductor plants or establishment of large data centers into the region, HEPCO Group continues to deliver electricity to our customers while simultaneously balancing environmental compliance, economic efficiency, and the assurance of a stable supply, all of which are premised on the axiom of ensuring safety.

To achieve this, we are striving to decarbonize power sources (p. 17) while maintaining supply and balancing capacity, and will lower electricity rates to their proper level after Tomari Nuclear Power Station has been restarted. We will also marshal the collective strengths of the HEPCO Group in our efforts to supply energy to meet new large-scale demand (p. 19).

Hokkaido Electric Power Network is steadily constructing a next-generation electric power network (p. 16).

Hokkaido Area Demand Increase (Projected) and Electricity Business Orientation



※ The above is HEPCO's current estimate.

Power generation	• Ensure supply capacity in anticipation of greater demand • Ensure balancing capacity which contributes to power source decarbonization and renewable energy buildout
Transmission & distribution	• Steadily improve grids in anticipation of renewable energy buildout and increase in demand
Retail sales	• Reinforce connections with customers, expand value offered, and create new value to secure increasing demand for electric power

※ Since April 2020, the transmission and distribution business has been handled by Hokkaido Electric Power Network, a wholly-owned subsidiary, so as to maintain neutrality.

Construction of Next-Generation Electric Power Network

Hokkaido Electric Power Network is working to enhance resilience to avoid large-scale and prolonged service interruptions as well as promote decarbonization by improving the grid to welcome the buildout of renewable energies, and is also pursuing initiatives to construct a next-generation electric power network for the medium and long-term to appropriately respond to future trends including large-scale expansion of demand.

Responding to large-scale expansion of demand & efficiently improving grids

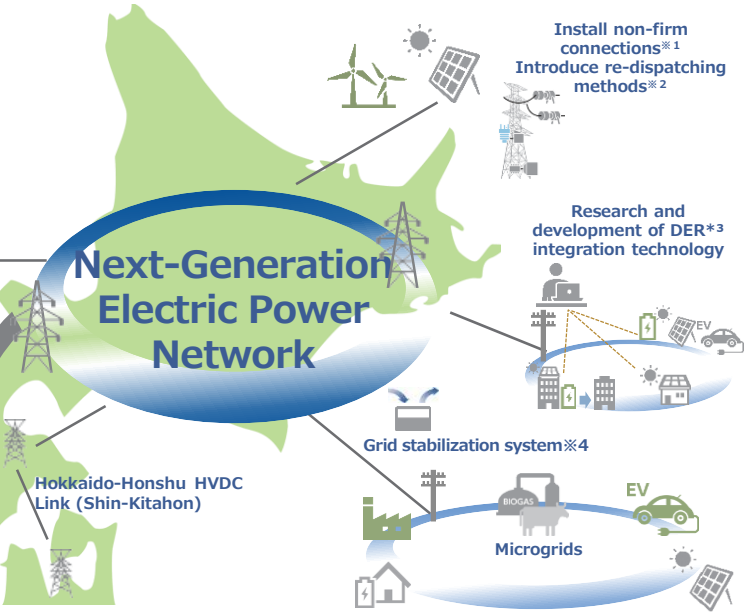
- Welcome Zone Map published showing locations may be available
- Strategically construct facilities for large-scale demand and supply

Data centers, semiconductor plants, etc.

Improve grid to handle renewable energy buildout

- Reinforce Shin-Kitahon HVDC Link
- Implement initiatives to improve grid, including HVDC links, in anticipation of a master plan drafted by the Organization for Cross-regional Coordination of Transmission Operators

Long-range HVDC transmission



Effectively utilize existing grid (address congestion)

- Resolve congestion based on merit order
- Increase transmittable capacity by reflecting weather and other conditions (dynamic rating)

Advance balancing & grid stabilization technology

- Field new technologies (Secure synchronizing capacity and inertia without synchronous generators)

Establishment of technical rules and standards (grid codes) for maintaining inertia, etc.

Enhance resilience

- Leverage distributed grids to more efficiently utilize grids
- Use online operations to stabilize grids
- Rapidly communicate information during service interruptions

※1 Non-firm connection: Method of connecting power sources to a grid without grid reinforcement on the condition that output is controlled during times of congestion so that the existing grid may be effectively utilized.
※2 Re-dispatching methods: Method of resolving grid congestion by increasing output of balancing power sources on grids with capacity while decreasing output of balancing power sources on congested grids so as to alleviate electric power grid congestion.
※3 DER: Distributed energy resources such as solar power generation facilities, wind power generation facilities, storage batteries, electric vehicles, etc.
※4 Grid stabilization system: System that provides high-speed load control necessary to maintain demand-supply balance during large-scale power outages or transmission line accidents so as to maintain grid stability and prevent large-scale service interruptions.

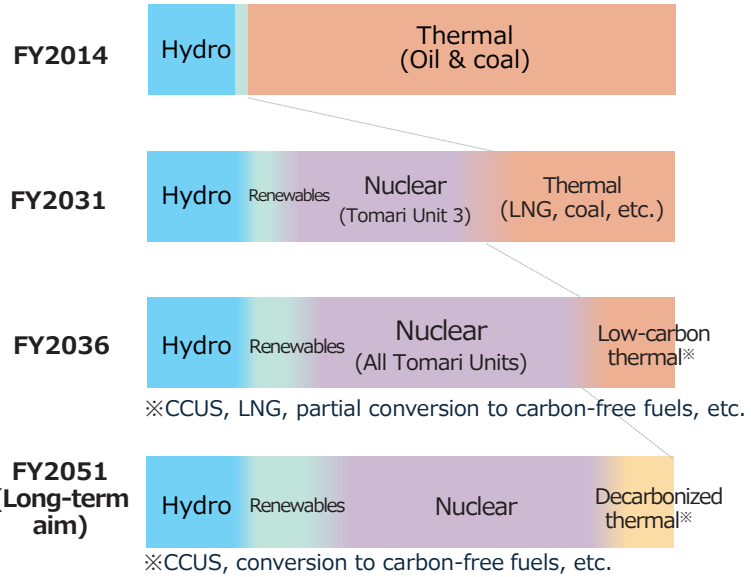
Energy Decarbonization (Power Source Decarbonization)

HEPCO Group will maximize nuclear and renewable energies, which are carbon-free power sources, so that we may achieve carbon neutrality.

However, weather changes may not allow wind, solar, and other renewable energies to generate power for long periods of time or may cause sudden fluctuations in output, so the balancing capacity of thermal and other traditional power sources is essential to stabilize supply.

To that end, while continuing to utilize thermal power generated from fossil fuels during a transition period, our aim is to decarbonize thermal power, and we will proceed to review converting to carbon-free fuels (hydrogen, ammonia, etc.), introducing CCUS, and taking other steps.

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



Orientation of Initiatives

Nuclear Power

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

Renewable Energies (including Hydropower)

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

Thermal Power

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

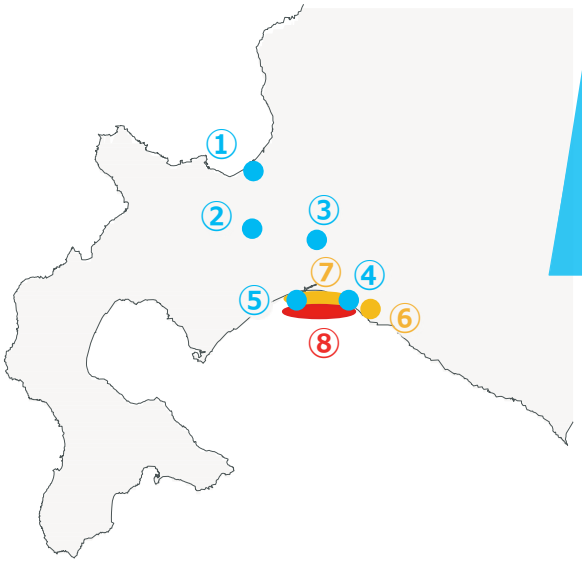
Energy Decarbonization (Hydrogen, Ammonia, and CCUS Initiatives)

Hydrogen and ammonia, which do not emit CO2 during combustion, are expected to serve as energy sources that will play an important role in achieving carbon neutrality. These are used as carbon-free fuels in the industrial and transportation sectors, for power generation, as raw material for e-methane※ and other alternatives, and in other sectors where electrification poses significant challenges.

※Methane manufactured using decarbonized hydrogen and CO_2 as raw materials

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.

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



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)

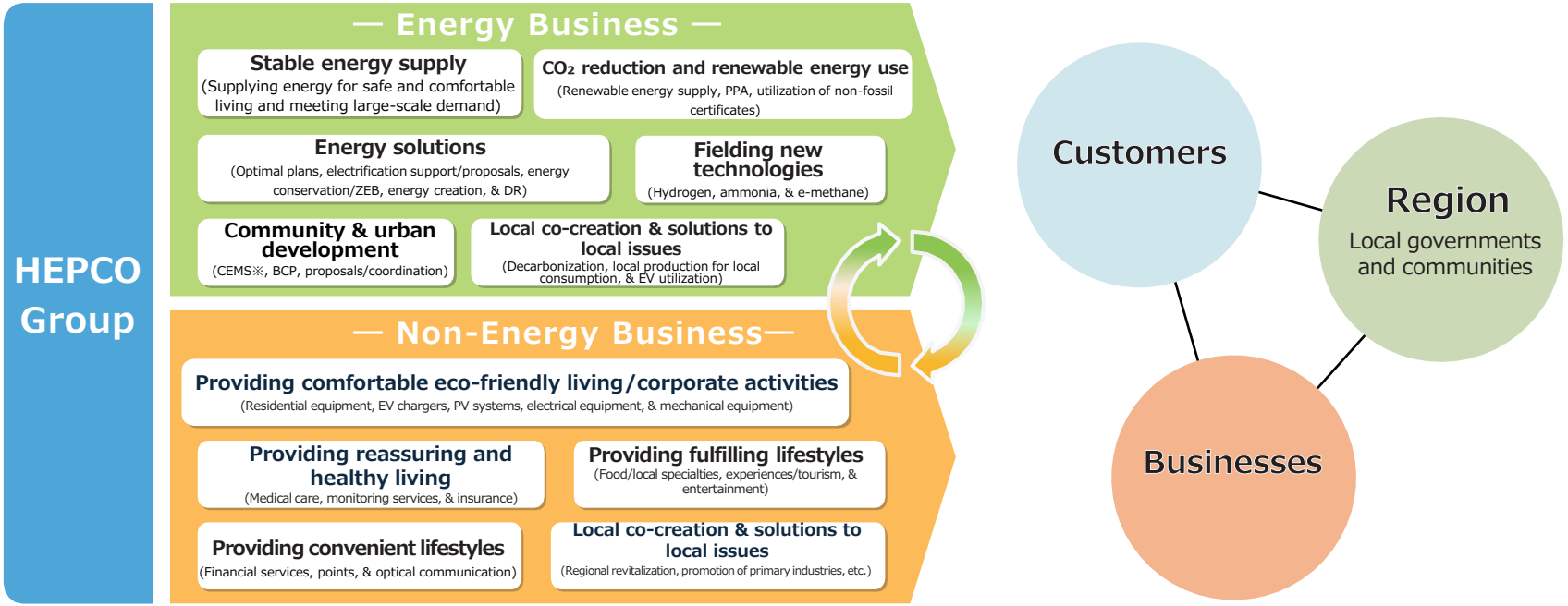
※The above projects represents the current status of initiatives and include those for which decisions have not been made on the official launch of the project.

Value Expansion and Creation for Customers

HEPCO Group is working, mainly through energy-focused projects and programs, to strengthen our relationship with households, companies, local governments, and communities so that we are selected as their provider of choice.

In addition, we are promoting initiatives that reduce CO2, provide energy solutions, offer comfortable and eco-friendly living, co-create with communities, and solve local challenges as these will lead to the expansion and creation of value provided to customers.

Expansion and Creation of Value Provided to Customers



※Abbreviation of "Community Energy Management System" which is a system that manages energy throughout an entire area.

Value Creation through Business Co-creation

To contribute to the sustainable development of Hokkaido, we will focus on Hokkaido's strengths and local community challenges, identify business opportunities in these, and create new value by expanding businesses that combine our business foundation and technical capabilities that we have developed with the technologies and know-how of our alliance partners as we take up the challenge to create an even better future.

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

HEPCO Capabilities

Business foundation and technological capabilities developed over many years

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Alliance Partners

Technologies & know-how

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 bolstered branding and 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

Kaizen & DX Application to Transform Businesses

Recognizing that Kaizen and DX are sources from which the power to transform emanates, we are resolutely extending both of these tools and working to improve the foundation underpinning such elements. We are confident these initiatives will lead to sustainable growth and transform our businesses.

Business Transformation & Sustainable Growth

Kaizen

- Visualize business processes so they are represented chronologically and repeatedly engage in Kaizen to thoroughly eliminate waste and enhance productivity
- In so doing, ascertain the nature of the work and understand the value that we produce, a practice that will lead to business transformation

Apply insight gained through Kaizen to reassess business processes in order to facilitate DX implementation

Advanced reciprocally

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.

Support

Improvement of foundation supporting Kaizen and DX

・Establish a system that resolutely applies Kaizen and DX
・Provide specialized training to equip personnel with the necessary skills and encourage a change in mindset

Promotion of Human Capital Management

At HEPCO Group, we value each and every one of our employees, our most important capital, very highly and seek to further enhance their motivation and abilities so that we may contribute to sustainably growing our businesses and realizing a sustainable society even though a shortage of workers is projected due to the aging and declining population.

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

HEPCO Group Human Capital Strategy
(Two basic concepts)

Concept 1 Development of personnel

Develop our personnel so they acquire the necessary skills and take the initiative in facing challenges and adapting to change

Concept 2 Development of the environment

Create an environment where our diverse personnel recognize and accept each other and are able to thrive while feeling they are growing and satisfied with their work

Employee growth & endeavors

Human Capital Strategy Goal

Create a corporate culture that produces new value while enhancing current value※

Enhancement of Corporate Value

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

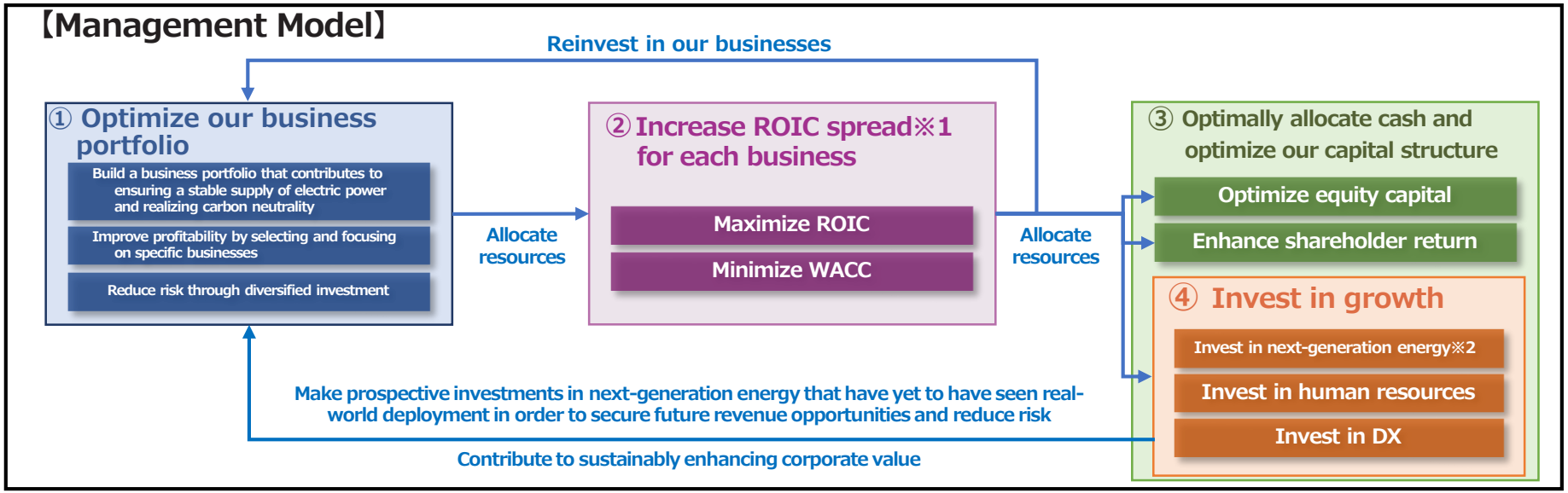
※Current value refers to current work and services carried out by each and every employee as well as related rules, technologies, and expertise.

Sustainably Enhancing HEPCO's Value

Sustainable Corporate Value Enhancement Measures (Management Model)

Addressing the three management agendas outlined on p. 13 will enable HEPCO Group to contribute to perfecting the vision of society in the year 2035.

At the same time, we will also realize a 'sustainable enhancement of our corporate value' by addressing measures to ①optimize our business portfolio, ②expand 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 investment: Investment in hydrogen, ammonia, CCUS, e-methane, etc. (next-generation energy will be incorporated into our business portfolio at the stage when the project is expected to monetize)

Sustainable Corporate Value Enhancement Measures and Management Targets

To achieve each specific measure, HEPCO Group will set relevant management targets and advance initiatives while, at the same time, maintaining a strong awareness of what exactly we are seeking to achieve.

Measure	Overview	Relevant Management Targets
① Optimize our business portfolio 【see p. 28】	• Build a business portfolio with the flexibility to adapt to a widely-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 risks between businesses and reduce WACC company-wide	
② Increase ROIC spread for each business 【see p. 29】	• Optimize our business portfolio to ensure proper investment and human resources are allocated to 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	■ Ordinary income ■ ROIC (WACC) ■ ROE
③ Optimally allocate cash and optimize our 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, as has always been done, continue to provide a stable dividend to enhance shareholder return predictability. • During the phase where our company is expanding, increased investment will boost interest-bearing debt, but measures ① and ② will ensure our earning power corresponds to the increase in that debt	■ Capital ratio ■ Debt-to-EBITDA ratio※2 ■ Dividends [Dividends on equity ratio(DOE)]
④ Invest in growth	• Based on measure ③, invest in next-generation energy that has yet to see real-world deployment 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

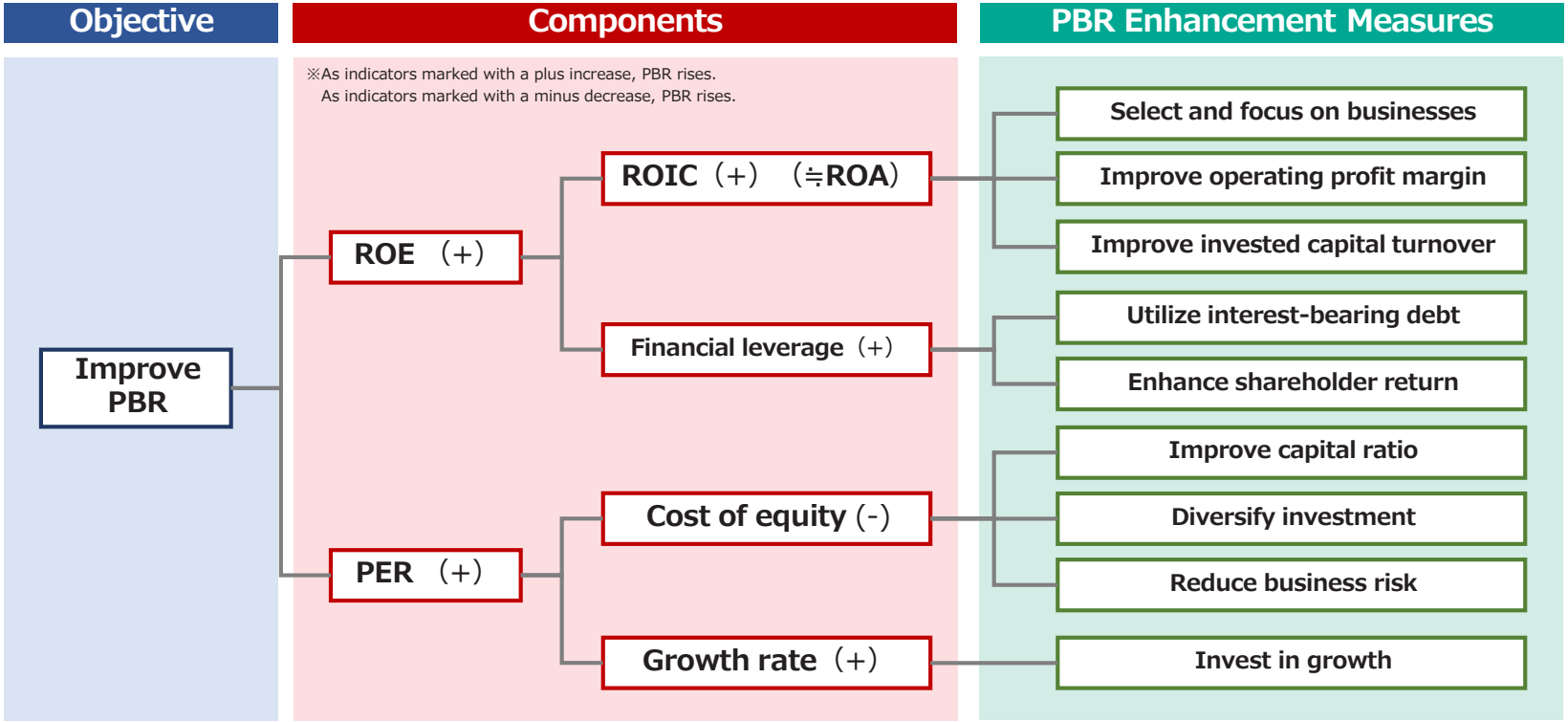
※1 CN-related investment: Investment in hydroelectric power (including pumped storage) business, carbon-neutral thermal power business, renewable energy development business, storage battery development business, and decarbonization-related transmission & distribution business

※2 Debt-to-EBITDA ratio: Indicator showing a company's debt repayment capacity (calculated using interest-bearing debt divided by EBITDA (operating income + depreciation, etc.))

※3 Added Value: Calculated using personnel expenses + depreciation + interest payments + rent + taxes and public dues + ordinary income

(REF) PBR-Derived Corporate Value Enhancement Measures

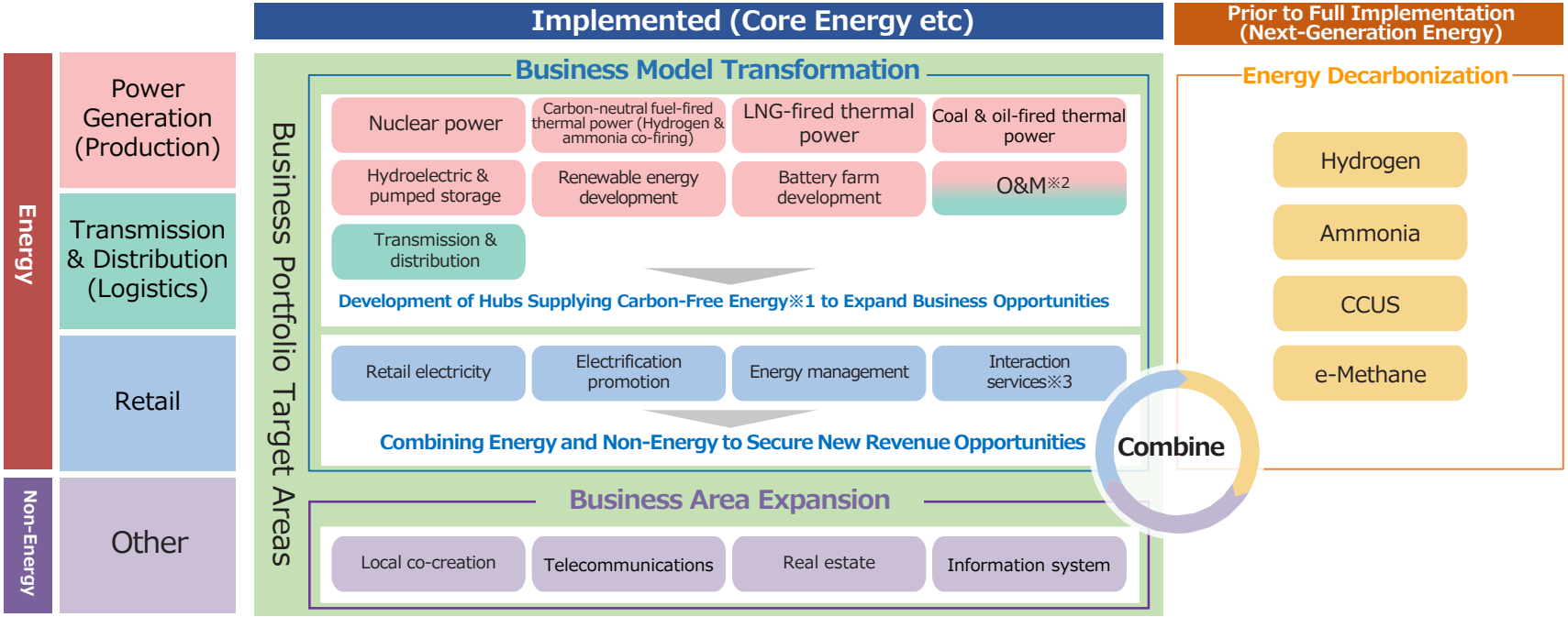
The measures outlined on pp. 24 and 25 are commensurate with measures for improving PBR (Price-to-Book Ratio: indicator showing the ratio of the stock price to book value per share and is used for evaluating the company and making investment decisions) announced in January 2024.



(Note) To gain the trust and meet the expectations of capital markets, we will take the initiative through our investor relations and other channels to dialogue with capital markets and further bolster our efforts.

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)."

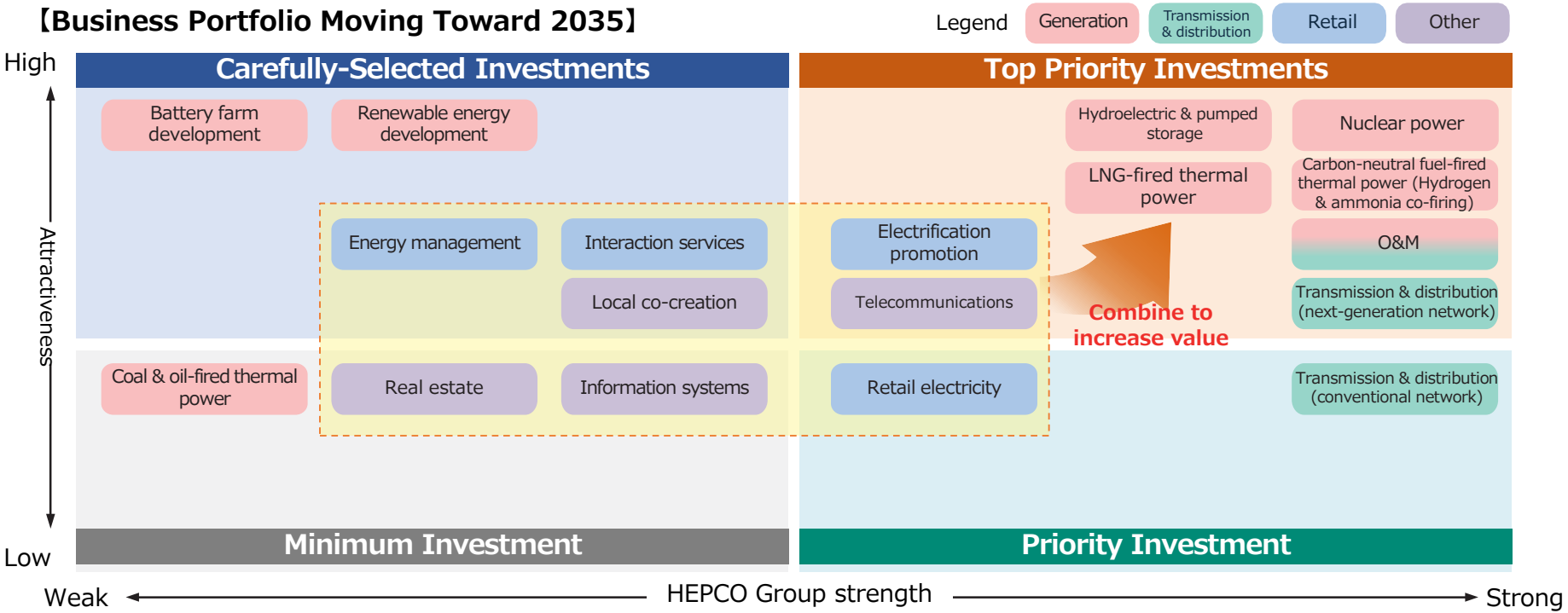


※1 Business model for actively investing to leverage Hokkaido’s carbon-free energy so that it may be supplied not just throughout Hokkaido, but also Japan (we anticipate supplying not just electric power, but next-generation energies also throughout Japan in the future)
※2 O&M: Abbreviation for “Operation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

Business Portfolio Optimization

HEPCO Group will allocate resources (investment and personnel) to each of the businesses listed as Business Portfolio Target Areas on p. 27 from the perspectives of optimizing ROIC companywide through careful selection and focus as well as reducing WACC company-wide through diversified investment, while also taking into consideration the respective market positions and always keeping in mind that we will strive to ensure a stable supply of electric power and realize carbon neutrality.

【Business Portfolio Moving Toward 2035】



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

Increase ROIC Spread for Each Business

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 and invested capital turnover as well as reducing 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, 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.
Energy	Transmission & Distribution (Logistics)	• HEPCO Group will make steady grid enhancements to include regional grid reinforcement and long-range HVDC transmission aimed at responding to 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.
Energy	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. • In the non-energy business, we see business 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 ties with customers, enable us to seize new earning opportunities, and expand our share of the retail electricity business, which will grow our revenue.
Non-Energy	Other	
(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 seize future business opportunities through the acquisition of insight and know-how gained through early entry into these businesses with the aim of securing revenue.

HEPCO Group Management Targets

HEPCO Group will implement the initiatives set out in this vision to achieve the following management targets.

		Before restart of Tomari NPS Unit3	FY2031	FY2036
Electricity sales (retail)	p. 31	29 TWh +		33 TWh +
Reduction in GHG emissions	pp. 32, 33	Compared to FY2014: -46%		Compared to FY2014: -60%
Contribution to GHG reduction	pp. 32, 33	1.5 million tons		2.5 million tons
CN-related investment		About 400 billon yen (cumulative FY2026～FY2036)		
Renewable energy target (gross)		1,000 MW+ ※300 MW+ net		3,000 MW+ ※1,000 MW+ net
Ordinary income	p. 34	40 billon yen +	70 billon yen + ※	90 billon yen + ※
ROIC (WACC)	p. 34	3.0% + (about 2.2%)		3.5% + (about 2.4%)
ROE	p. 34	8% +		
Capital ratio	p. 35	20% +		25% + (Future target: 30%)
Debt-to-EBITDA ratio	p. 35	About 11		8 or lower
Dividends [Dividends on equity ratio(DOE)]	p. 36	Stable dividend using a guideline of 2% DOE (Until Tomari NPS Unit 3 is restarted, we will aim for a 2% DOE and make a comprehensive determination while being mindful to rebuild our financial foundation.)		
Next-generation energy investment		About 250 billon yen (cumulative FY2026～FY2036)		
Human capital investment (added value/personnel expenditures)		—		Compared to FY2025: about 1.5 times
DX investment		About 30 billon yen (cumulative FY2026～FY2036)		

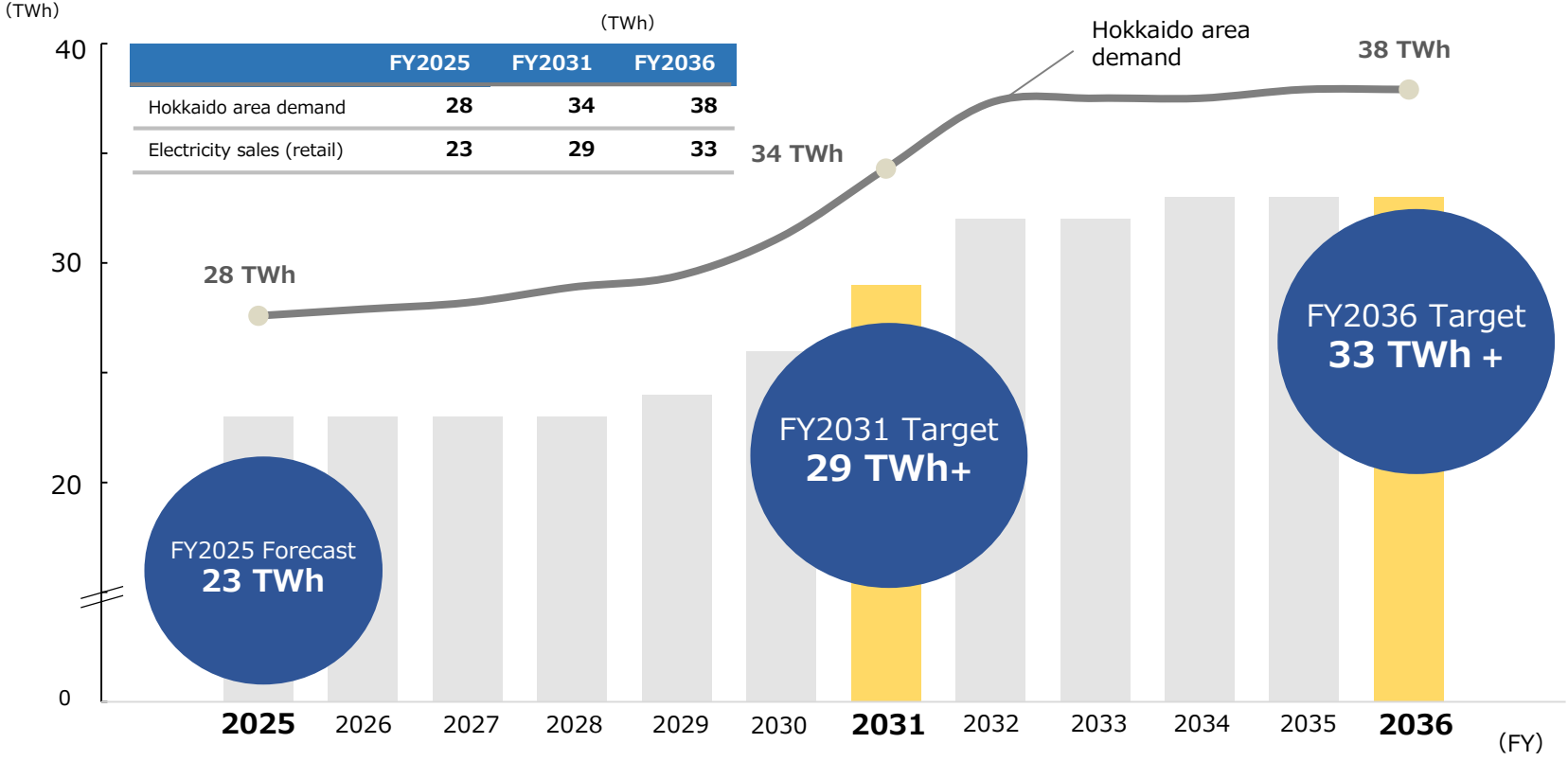
※Profit targets reflect the impact of planned rate cut following the restart of Tomari NPS

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.

(TWh)

	FY2025	FY2031	FY2036
Hokkaido area demand	28	34	38
Electricity sales (retail)	23	29	33



※The above figures are current estimates provided by HEPCO

HEPCO Group Environmental Targets

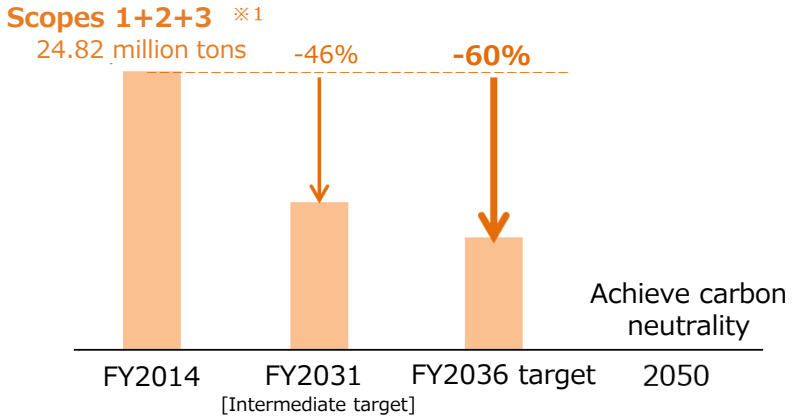
HEPCO Group will do our utmost as we take on the challenge of achieving carbon neutrality across all energies in Hokkaido by the year 2050.

Environmental Targets

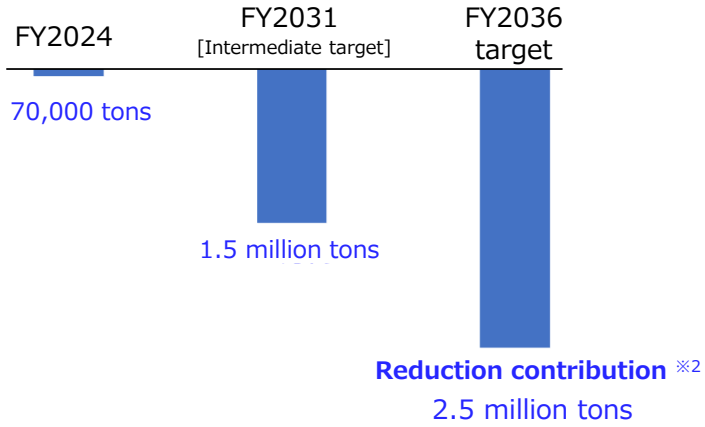
We will rise to the challenge of achieving a 46% reduction compared to FY2014 levels in supply chain emissions (Scopes 1+2+3) throughout the HEPCO Group by FY2031 and 60% by FY2036.

We will contribute to a 1.5 million-ton reduction in emissions by FY2031 and 2.5 million-ton reduction by FY2036 by promoting electrification with heat pumps utilizing air heat, which is a renewable energy source, energy-saving proposals, customer support for decarbonization, and our renewable energy development business.

Reduction in greenhouse gas emissions



Contribution to achieving carbon neutrality

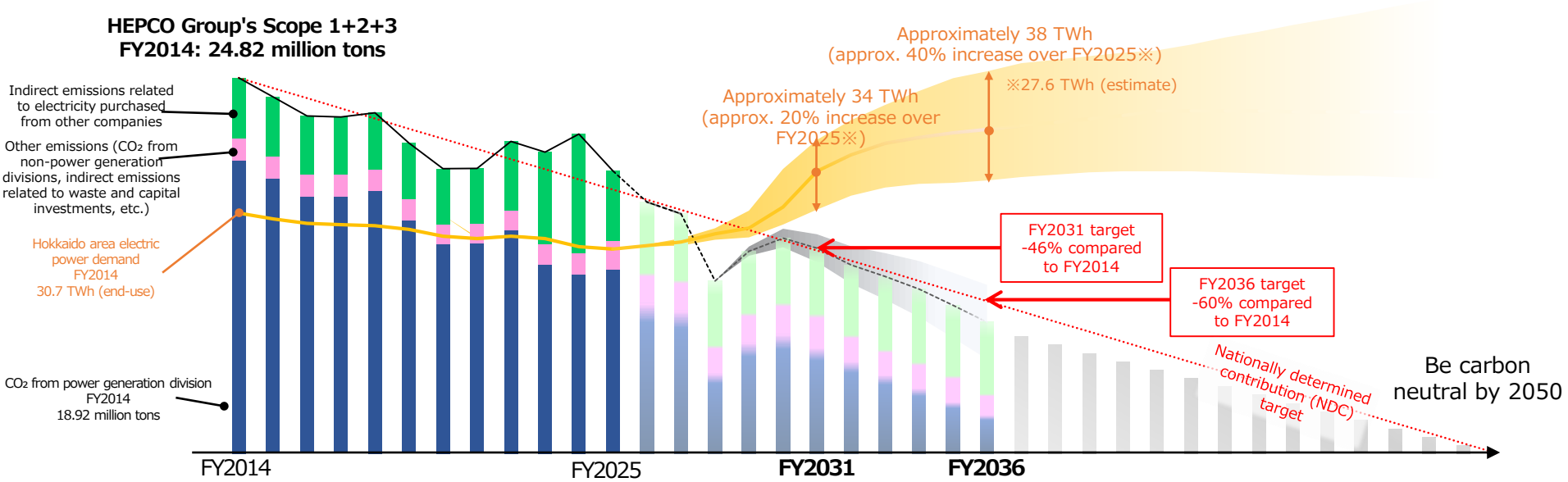


※1:
Scope 1: Direct emissions from HEPCO Group business sites (mainly thermal power plants).
Scope 2: Indirect emissions associated with use of electricity, heat, etc. that HEPCO Group receives as a user.
Scope 3: Other indirect emissions (mainly indirect emissions associated with electricity purchased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

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

Plan for Transitioning to Carbon Neutral

HEPCO Group will promote a steady transition to decarbonize so that we achieve our environmental targets.



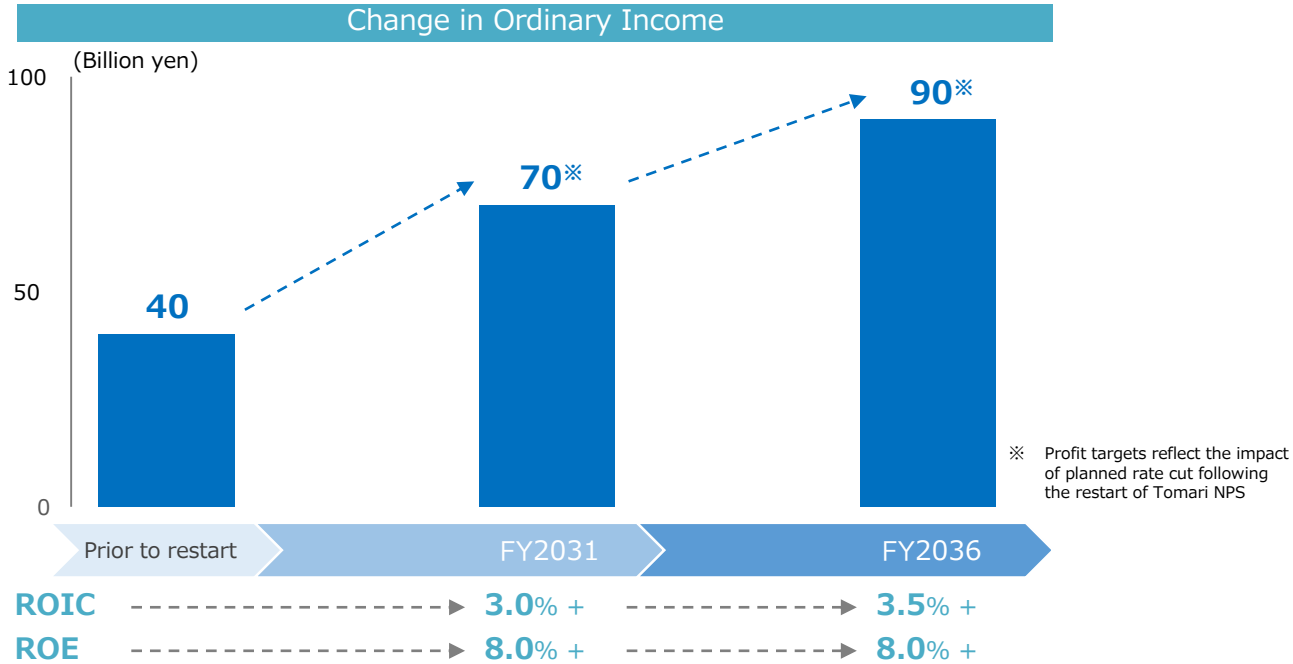
Key initiatives for achieving carbon neutrality

- Renewable energy buildout
- As early as possible in 2027: Restart Tomari Unit 3
- Early 2030s: Restart all units
  - FY2031: Start commercial operation of Ishikari Unit 2 (LNG), start ammonia co-firing in Tomato-Atsuma PS Unit 4, and launch CCS business
- Late 2030s: start 50% ammonia co-firing in Tomato-Atsuma PS Unit 4
- 2040s: Ammonia single-fuel operation
  Hydrogen co-firing ～ single-fuel operation

Ordinary Income, ROIC & ROE

In addition to improving revenue following the restart of all Tomari Nuclear Power Station units, HEPCO Group will steady increase profits as business opportunities expand thanks to the establishment of hubs supplying carbon-free energy, our products and services expanding, and retail electricity sales increasing 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.

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.

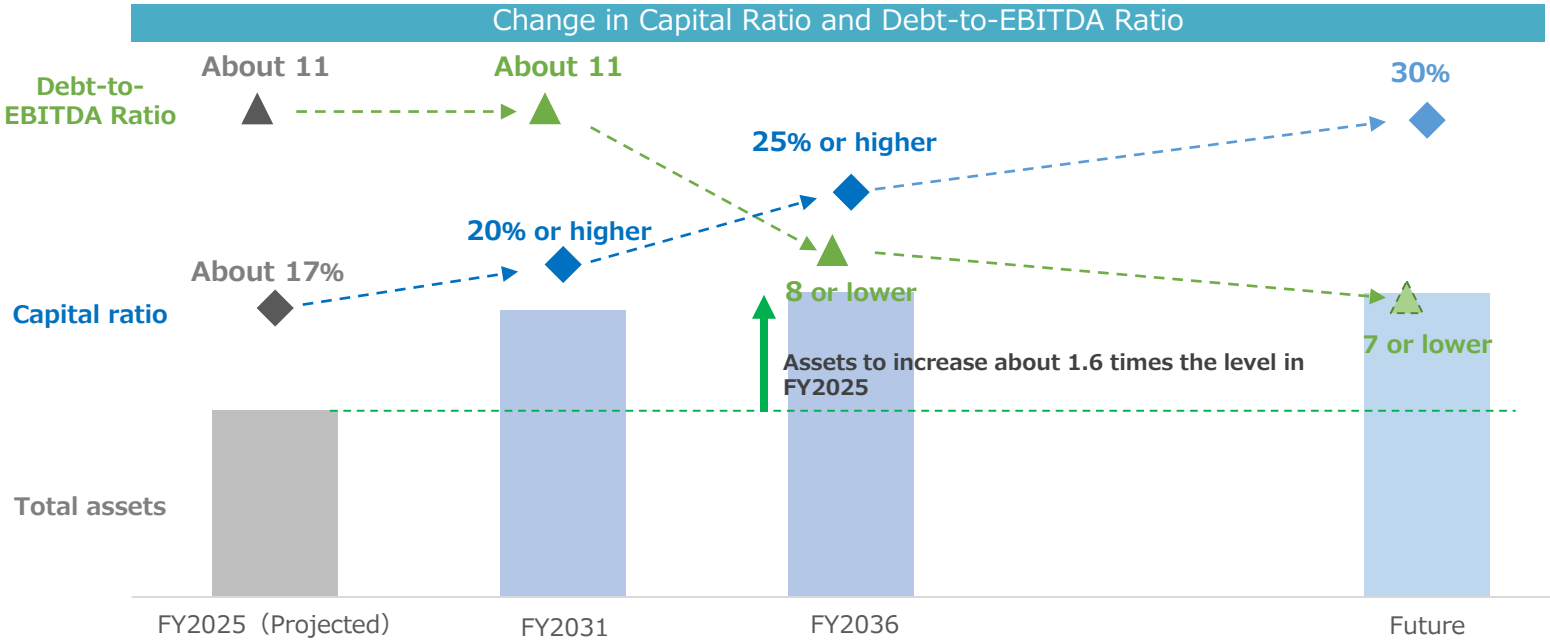


Capital Ratio & Debt-to-EBITDA Ratio

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 capital ratio to 25% or more by the end of FY2036 and, in the future, aim to 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.



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.

(REF) Ordinary Income / ROIC

Ordinary Income

(Billion yen)

	2024 (Forecast)	Prior to restart	2030	2035
Company-wide	43	40	70	90
(Repost) H D	(34)	(28)	(53)	(70)
(Repost) NW	(1)	(4)	(9)	(10)

※2024 (Forecast) is based on the earnings forecast announced on January 31, 2025.

ROIC

(%)

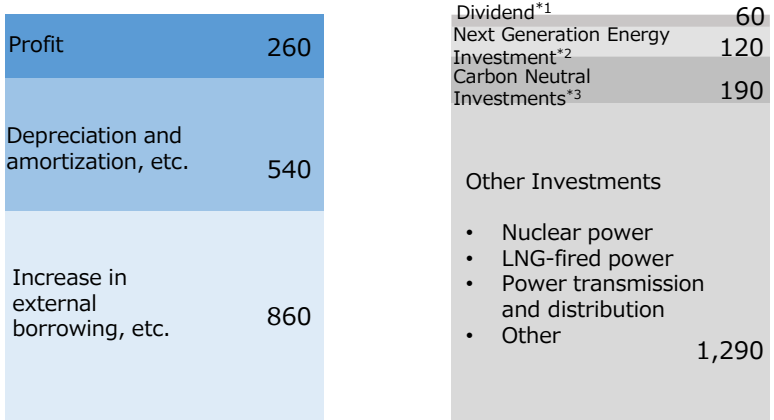
	2024 (Forecast)	2030	2035
Company-wide	2.3	3.0	3.5
(Repost) H D	(2.6)	(3.2)	(4.0)
(Repost) NW	(0.5)	(2.0)	(2.3)

※ROIC＝NOPAT/(Interest-bearing debt + Shareholders' equity)

(REF) Capital Allocation

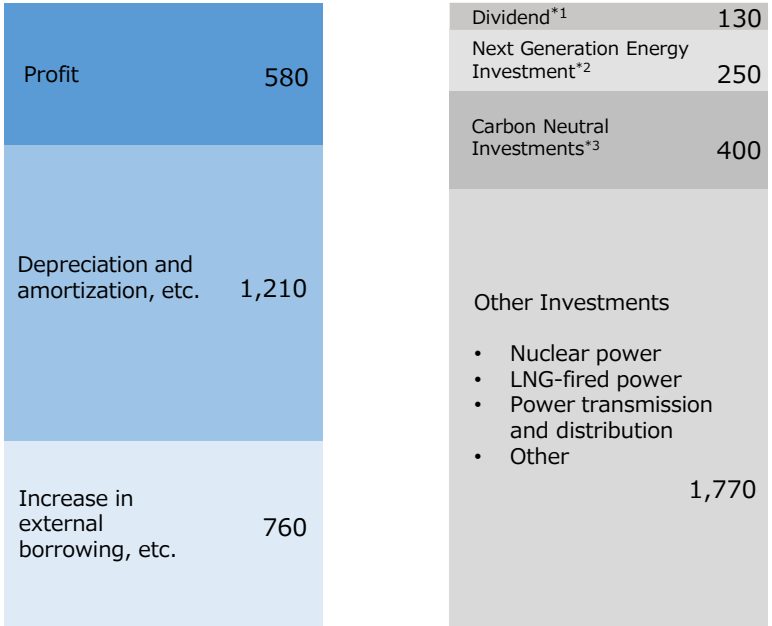
2025-30 Cumulative total (6 years)

1,660 Billion yen



2025-35 Cumulative total (11 years)

2,550 Billion yen



*1 Dividends: For common stock, calculated based on 2% DOE. Preferred shares are calculated based on the current Articles of Incorporation.
*2 Investment in next-generation energy: Investment in hydrogen, ammonia, CCUS, e-methane, etc.
*3 CN-related investments: Hydroelectric power generation (including pumped storage), CN thermal power generation, renewable energy development, power storage development, and power transmission and distribution related to decarbonization

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This document has been prepared based on data that is current as of April 1, 2025.

This is not a disclosure pursuant to the Financial Instruments and Exchange Act, and no guarantee is provided of the accuracy or completeness of the information provided herein.

This document contains forward-looking statements, but these do not guarantee future performance and entail risks and uncertainties.

Please note that future performance may vary due to changes in assumptions regarding the business environment and other factors.

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