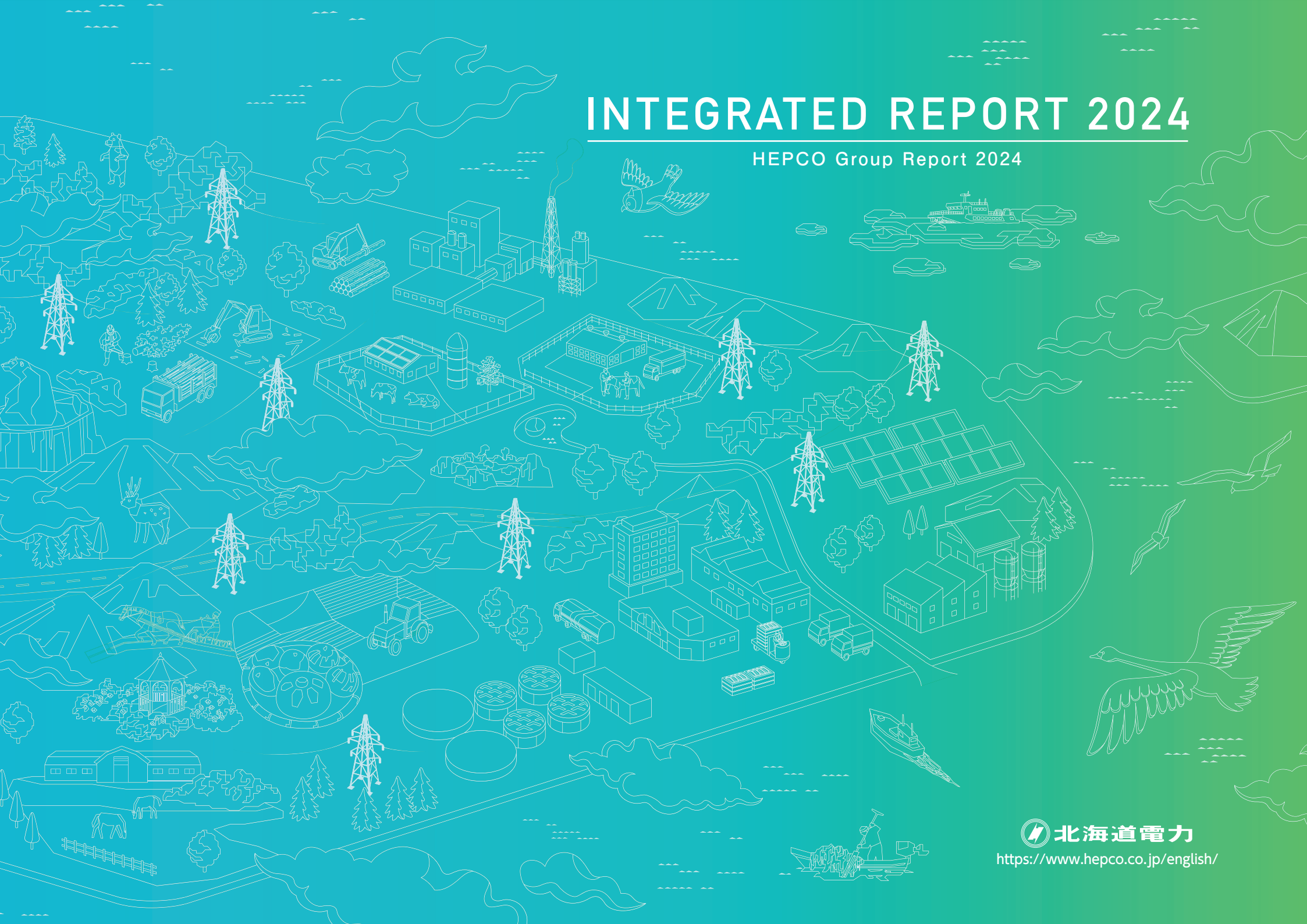
INTEGRATED REPORT 2024

HEPCO Group Report 2024



北海道電力

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

Editorial Policy

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

■ Notes on Forward-Looking Statements

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

■ Period covered

April 1, 2023 to March 31, 2024
Information may be reported that extends beyond this period when deemed appropriate to present previous circumstances or data, and more recent examples.

■ Organization

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

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■ Online Inquiries

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

* This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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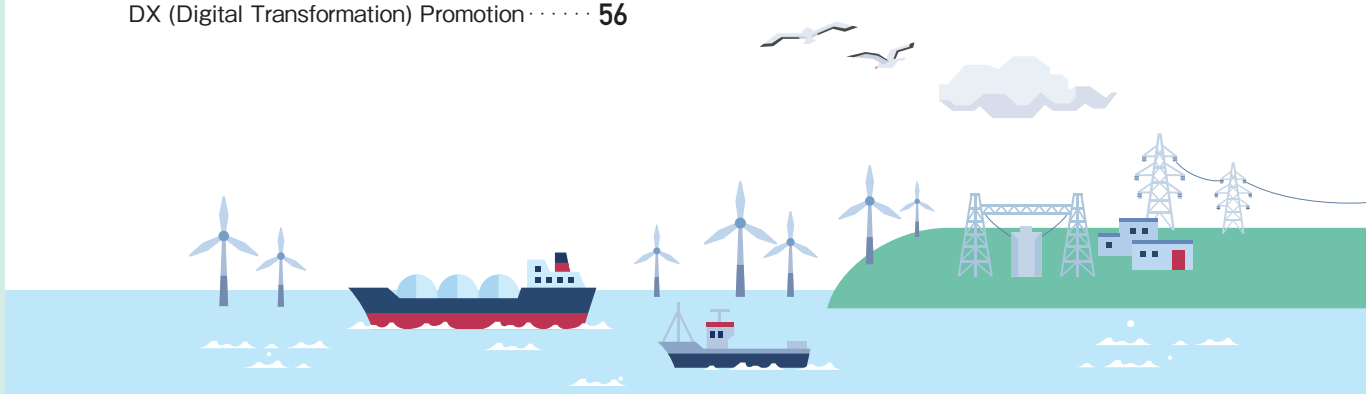
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Management Philosophy & Vision

The principal mission of the HEPCO Group is to keep the lights on in Hokkaido, support the regional economy as well as our customers' lives even in a business climate of significant change. Based upon our enduring management philosophy, all employees share a vision of the kind of company that the HEPCO Group aims to be and work to sustainably enhance corporate value.



In fulfilment of our management philosophy, we recognize that HEPCO Group cannot develop unless the local community also enjoys sustained development. We will always live up to our responsibility as a member of society, contribute to its development and the economy, as well as foster culture through the provision of products and services integrating electric power.

Light up your future.

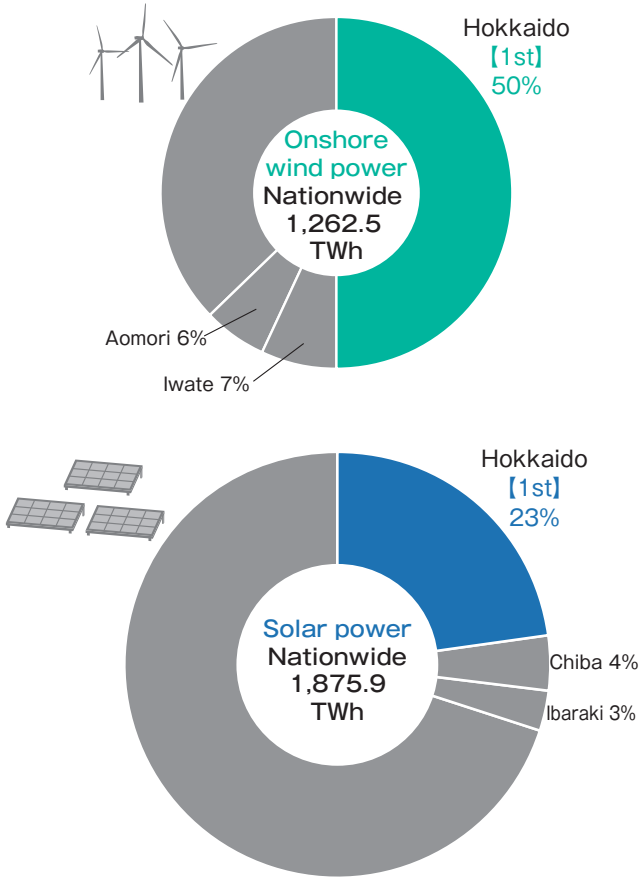
True to our slogan stated above, we support sustainable development of the region through fulfillment of our responsibility as an energy supplier.
Adopting novel perspectives, we aggressively take on challenges to grow and develop further as a total energy services corporate group.
We will manage our business operations in a nimble and agile manner, reinforce our business foundation, and meet the expectations of our stakeholders.



HEPCO Group's Business Foundation
Hokkaido

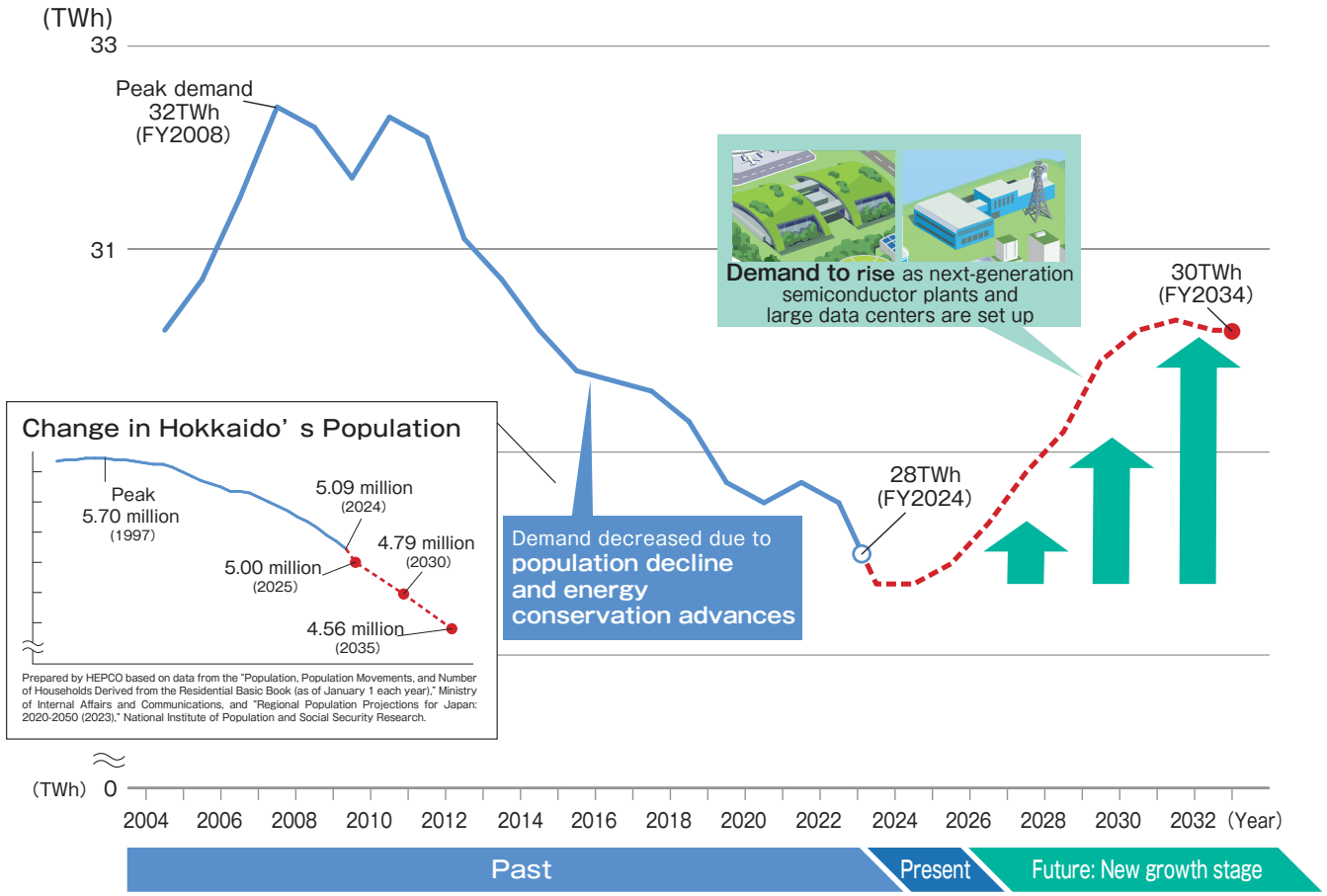
The HEPCO Group's business foundation is Hokkaido. This is the region where we have established deep roots and developed our businesses.
Blessed with abundant natural energy resources, Hokkaido offers the greatest potential for renewable energy of any region in Japan. Accordingly, it has garnered much attention and high expectations from companies seeking to achieve carbon neutrality.
The HEPCO Group has been working to attract businesses to Hokkaido. Today, many next-generation semiconductor plants, large data centers, and other digital businesses are looking to set up facilities in Hokkaido. These companies will bring with them affiliate businesses, which will also help grow Hokkaido's economy.

Hokkaido's renewable energy potential



Prepared by HEPCO based on data from the Ministry of the Environment' Renewable Energy Potential System.

Electricity Demand in the Hokkaido Area and Future Outlook

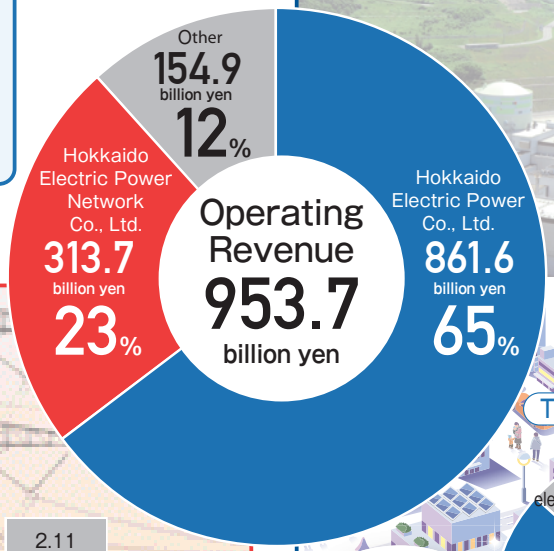


Prepared by HEPCO based on data from the Organization for Cross-regional Coordination of Transmission Operators, Japan

HEPCO Group at a Glance

HEPCO Group

- Operating Revenue (consolidated): 953.7 billion yen
- Ordinary Profit (consolidated): 87.3 billion yen
- Total electricity sold (consolidated): 33.9 TWh
- Total assets (consolidated): 2,141.6 billion yen
- No. of employees (consolidated): 9,206 people



Hokkaido Electric Power Network Co., Ltd.

- Segment income : 10.6 billion yen

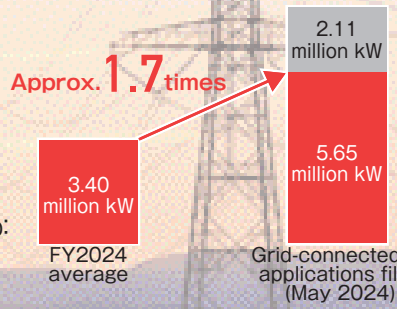
Transmission & Distribution

- Installed renewable energy capacity:

Approx. 5.65 million kW
【As of May 31, 2024】

➡Approx. 1.7 times FY2024 Hokkaido area average (~ 3.4 million kW)

- Demand for electric power in Hokkaido: 28.2 TWh

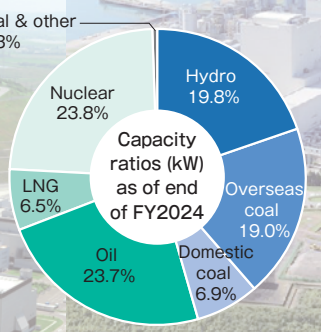


Hokkaido Electric Power Co., Inc.

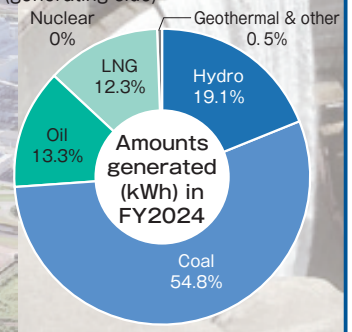
- Segment income : 68.9 billion yen

Power Generation

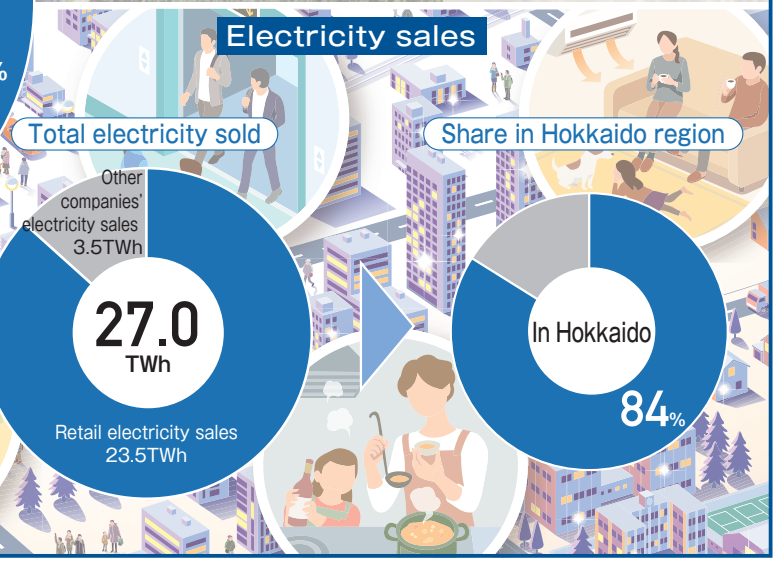
- Power generation capacity: 8.37 million kW



- Power generated: 19.1 TWh (generating side)



Electricity sales



* Quantitative data without a specific time indicated is as of the end of FY2024
* Segment income and segment sales figures are prior to elimination of intersegment transactions.



President's Message

Our focus is on accurately gauging changes in our business environment where demand for electricity is rapidly increasing and leveraging HEPCO's capabilities so that we may achieve sustainable growth.

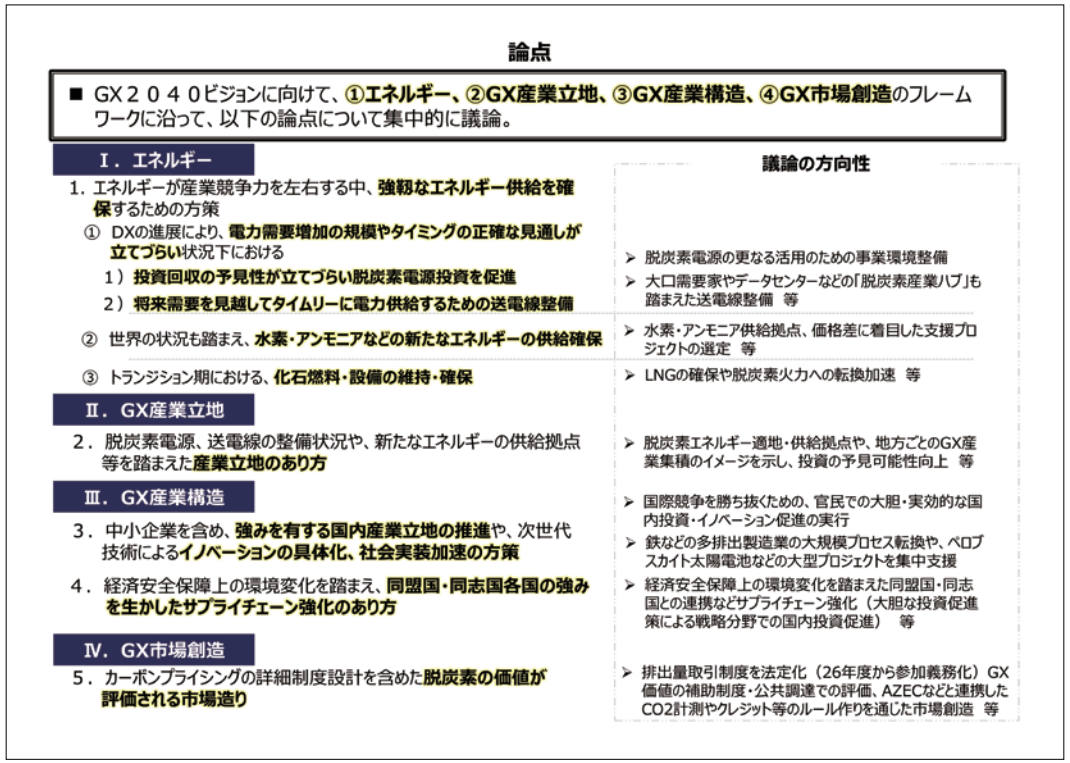
Representative Director & Chief Executive Officer

齋藤 晋

Looking back since appointment as HEPCO President

Since my appointment to serve as HEPCO President in June 2023, I have strived to advance a range of initiatives grounded in our new business portfolio for achieving sustainable growth, among which has been the crucial management challenge of complying with the review to restart Tomari Nuclear Power Station. During this time, the business environment has changed significantly with the emergence of a potential increase in demand for electric power in the Hokkaido area as semiconductor plants and data centers set up operations here.

This expansion in demand for electric power as state-of-the-art semiconductor plants and large data centers move into Hokkaido coincides perfectly with the GX2040 themes now under consideration by the Cabinet Office. The changes taking place now in Hokkaido mirror the GX industrial location discussions concerning “decarbonized power sources (including nuclear power) and development of transmission



Source: Excerpted from Document 1 (Toward Accelerating Japan’s Green Transformation) of the documentation distributed at the 11th Meeting of the GX Implementation Council, May 2024

lines" and the "approaches to industrial sites that take into account new energy supply hubs and other factors," as well as GX industrial structure topics such as "promotion of strong domestic industrial sites" and the "implementation of innovation."

Blessed with abundant nature, Hokkaido offers great potential for the development of renewable energies in addition to favorable conditions for choosing GX industry sites. Opening advanced semiconductor plants, generative AI-driven large data centers, and other GX industries in Hokkaido offers the hope that these businesses will translate into dramatic growth for the Hokkaido economy that is HEPCO's business base, and check population decline as well as increase employment as more and more industries set up operations here.

The HEPCO Group, which grows hand-in-hand with Hokkaido, sees these developments as a wonderful opportunity for us to provide a robust supply of energy supporting GX. I also feel the HEPCO Group needs to align our vectors with the Seventh Strategic Energy Plan.

More specifically, there is a greater need now for nuclear power, essential for resource-scarce Japan, from the S+3E perspective, so we will continue to do the utmost so that Tomari Nuclear Power Station may be restarted soon. We must also develop renewable energy sources and properly introduce decarbonized thermal power plants. Along with these efforts, we will efficiently and reliably advance initiatives that shape our power grid as renewable energy expands in addition to augmenting component facilities.



Over the roughly one year since I was appointed president, we have reassessed the manner in which demand is forecast and our plans for developing power sources so as to accommodate increases in power demand, which although still uncertain are highly anticipated.

I believe we have laid the foundation, even in terms of our organization, for pursuing future initiatives. We have set up the Business Development Office, which is dedicated to strengthening regional co-creation strategies in addition to implementing measures for achieving carbon neutrality.

Tomari NPS restart initiatives

As part of the review examining compliance with the new regulatory requirements, we have consistently provided explanations to the Nuclear Regulation Authority to emphasize how we make safety our top priority. Despite the amount of time the review has taken, key matters have been clarified for the most part, and we anticipate completing most of the remaining explanations soon. We will move forward steadily so that the amended reactor license is approved in early 2025, after which we will proceed with the construction plan approval, pre-use operator inspection, and other reviews. In managing our obligations under this review for restarting Tomari NPS, the critical path is construction of the new seawall, on which work began in March 2024 and is set to be completed within three years. Our aim is to collaborate with construction companies and other organizations to draw on their knowledge in order to consider ways to shorten the construction period so that the power station may be restarted even earlier.


President Saito holding discussions with construction industry representatives

In addition, the prolonged shutdown of Tomari NPS has led to an increase in the number of employees lacking experience in power plant operation. Currently, half of our employees do not possess such experience. To address this dilemma, we are continuing to provide training for the restart so as to enable our employees to maintain their engineering skills and pass these down to younger employees, while also striving to maintain and boost employees' motivation.

I have personally held talks with our younger employees and managers at Tomari Nuclear Power Station, as well as construction industry chiefs permanently stationed on-site. We have also created videos for the construction industry in which I personally express my gratitude to the companies involved and tell them how much they are needed at the power plant in addition to asking for their cooperation with all the work that needs to be done.

As a country with scarce natural resources, Japan depends on other countries for most of our fossil fuels. Russia's invasion of Ukraine and other conflicts abroad have made it clear that this dependency entails significant geopolitical risks. From the perspective of seeking to achieve carbon neutrality as well, nuclear power, which does not emit CO_2 during the power generation process, needs to play a key role in Japan's energy mix.

The expansion of renewable energy power generation and the restarting of nuclear power plants will increase the ratio of non-fossil fuel power sources as well as stabilize electricity rates thanks to the shift away from fossil fuels, the prices of which are quite volatile. I am confident these efforts will enhance the competitiveness of the electricity that we deliver, promote further economic growth in Hokkaido, and translate into sustainably enhancing the corporate value of the HEPCO Group which has deep roots in the region.



President Saito's video message for the construction industry



HEPCO Group's specific response to demand rising over the medium- and long-term

Restarting Tomari NPS as early as possible is key to ensuring the supply capacity to meet growing demand for electric power. The significance of this restart lies in the S+3E concept. Nuclear power has always been an essential part of this mix, but rising demand has further increased the necessity and importance of Tomari NPS. Having taken into consideration the forecasted increase in demand in the Hokkaido area over the medium- and long-term as well as other factors, we have moved up the date for the start of operation of Ishikariwan Shinko Unit 2 from December 2034 to FY2031. I believe we will be able to sufficiently ensure the necessary supply capacity for the time being.

In addition, we will accelerate development of wind, geothermal, and other renewable energy sources along with steadily promoting the introduction of decarbonized thermal power plants that will take us from co-firing to exclusive firing of hydrogen and ammonia. We will also endeavor to develop supply hub infrastructure for carbon-free energy so that hydrogen and ammonia may be used not only for power generation, but also be put to use in industry, logistics, heating, and other aspects of our daily life. Ammonia in particular offers an advantage in that it may be transported in large quantities at ordinary temperature as well as used as a hydrogen carrier. From the perspective of Japan's energy security also, Hokkaido, which is located not far from North America, provides a suitable location for establishing a base that will serve as an ammonia hub.

We will also steadily move forward to improve our power transmission and distribution facilities, which will include augmenting equipment. We will also secure contracts for retail electricity sales by striving to accommodate the diverse needs of our customer base.

For now, we will move forward with large investments that will be recouped later on. Such long lead times between investment and recovery are a characteristic feature of the electric power business. HEPCO Group is also involved in telecommunications, construction, real estate, warehousing, and many other businesses in addition to our electric power business. We allocate our resources throughout the HEPCO Group in response to changes in the business environment, such as growing demand for electric power, in an effort to curb capital costs and maximize the effect of our investments while also being mindful of investment leveling and early recovery of these investments.

New business portfolio

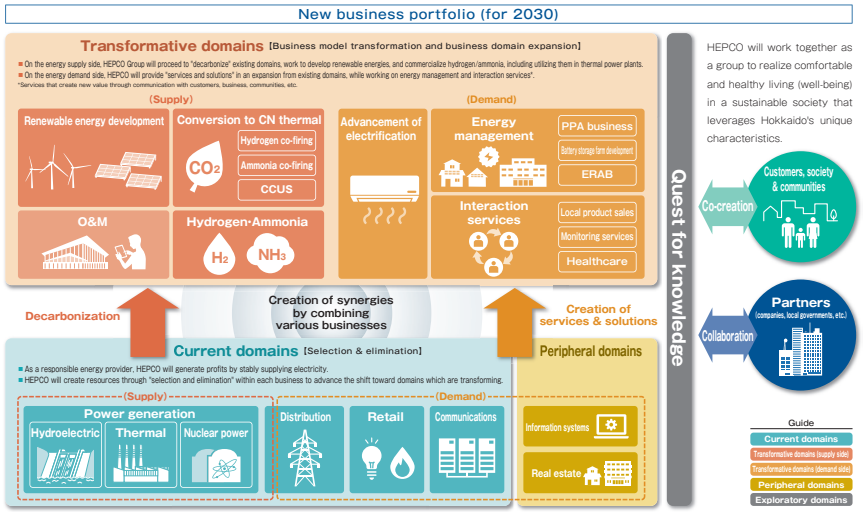
Demand for electric power in the Hokkaido area, which had been on the decline, shows real potential for starting to rise significantly. For HEPCO Group, this presents a rare opportunity for us to achieve tremendous growth. Having taken account of these changes in our business environment, we are very much aware that fiscal year 2025 sets us on a stage for new growth. To fully demonstrate the HEPCO capabilities that we have developed, we released in March 2024 to all of our stakeholders the "Overview of the HEPCO Group Management Plan," which rolls out both value creation initiatives based on our new business portfolio and initiatives supporting sustainable growth.

The value creation initiatives based on our new business portfolio will enable us to transform our business model for the current electric power business so that we meet the needs of our customers with an even more diverse range of services and decarbonized energy. We will also take up new business challenges and expand our revenue base.

Even Hokkaido, which is blessed with abundant natural energy, has limits on the amount of available energy resources. Many businesses have already entered the Hokkaido market, intensifying competition. As we continue to further strengthen our partnership with the Hokkaido region that is our strength, we need to clearly define our unparalleled strong points and clarify which energy sectors we will focus on so as to win over the competition. In this sense, I am sure our new business portfolio will appropriately amalgamate HEPCO Group's strengths.

For instance, with CCS that we are currently planning as part of our carbon neutrality initiatives, our strength lies in the business infrastructure that we have in the Tomakomai area where there are actual CO_2 storage reservoirs essential for CCS. We will think carefully about how to match this with HEPCO's capabilities to build our business.

Additionally, due to the rapid changes in the business environment which make it more difficult to foresee what is ahead, it is important that we are constantly verifying and assessing so that we may flexibly and dynamically generate further wisdom and ideas.



P23~26 Toward Realizing Sustainable Corporate Value Enhancement
P26 New Business Portfolio

Selection and elimination

Our foundation is comprised of power generation, distribution, retail electricity sales, and our other current businesses. We will continue to generate profits by stably supplying electric power. Accordingly, we will not be eliminating business units, but the process of selection and elimination within each business will yield resources that we will shift to areas of transformation.

The most urgent task for us right now is improving the rate of turnover on invested capital and condensing our invested capital by carefully selecting necessary assets.

We are also working to expand the fields in which we do business by building businesses that support the primary industries, which are a distinctive feature of Hokkaido. We need to move forward at a certain speed and engage in trial and error in these areas undergoing transformation. Natural selection and elimination will occur as part of this process.

Profitability and growth scenarios

The electricity business is significantly intertwined with government systems. We need to be mindful of this relationship when considering profitability and growth potential.

Capital cost and efficiency are considered in a bundle when examining profitability. The important thing is to enhance capital efficiency so that it exceeds capital costs in order to improve corporate value. For example, although distribution (power transmission and distribution) has a lower rate of return than power generation, it is a business that may be stably operated under the revenue cap system. Power generation also offers options for increasing the predictability of investments, such as long-term decarbonization power source auctions which is a program available for obtaining fixed cost-level capacity revenue for 20 years, in principle.

However, while such businesses offer high predictability, they do not necessarily offer high profitability. Therefore, when sketching out our growth scenario, I felt it was necessary to demonstrate our earning capacity across the entire group and not just in the electricity business. Also, it is important that we are constantly pursuing business models which match the demands of the business environment that is society, continuously reading what is ahead of these changes, and working out measures to address these changes. To do that, the time may come when we need to take the drastic step of reorganizing how our company is organized. This may lead to selection and elimination.

Sustainability initiatives

The “Overview of the HEPCO Group Management Plan,” which was announced in March 2024, presented our key sustainability challenges (materiality). I would like to elaborate on a few of these.

First, with regard to "steady progress on initiatives toward the realization of carbon neutrality in 2050," initiatives for carbon neutral energy sources, such as restarting nuclear power and expanding renewable energies, are a fundamental part of our management. Of course, we will achieve the environmental targets set out in our Management Vision, but we will also contribute to realizing a Zero Carbon Hokkaido by providing assistance for achieving energy savings and decarbonization.

"Co-creation with communities" is another important challenge. The trust that people in the Hokkaido region place in us and their selection of our services is HEPCO Group’s

greatest strength, and we must work to remain their unwavering choice. Recently, in our communications with customers, businesses, and local governments, we have developed and launched new businesses to create new value, such as selling local products online, providing cancer risk screening kits, and producing agricultural crops. The kaizen activities, digital transformation, and other initiatives, which we are tackling internally, should be able to provide solutions to labor shortages and other challenges that companies face in Hokkaido.

These solutions will also be important for us in competing with new power companies. The electricity that comes out of outlets has no color to it, our roots in the community and our desire to move forward together with the community and our customers should help us to create a distinctive "HEPCO" color for our electricity so that the people of Hokkaido keep choosing our services. As we continue to enhance our frontline functions that listen to what our customers and communities need, we will explore new businesses that focus on Hokkaido's potential and offer solutions to social challenges.



To address the materiality of "maximizing employee potential," we are implementing specific measures in line with our "Human Capital Strategy 2024," which we laid out in March, and we will proceed to reassess our personnel system and actively invest in our employees.

My aim is to build our company into one where our employees feel good about working as part of the HEPCO Group. We will inspire each and every one of our workers to dream higher, be more enthusiastic, and develop the ability to accomplish their jobs so that we all may contribute to a brighter future for Hokkaido. This will also lead to co-creation with the region, which I mentioned earlier. I hope that people in the community will see HEPCO Group employees working energetically and actively and that this will prompt them to choose us, realizing that "We can really count on HEPCO." This will then create a positive cycle linking the community with our businesses.

Our capital policy moving forward

We will first set out our growth strategy and then present a business strategy that will inspire confidence in investors. As I mentioned at the beginning of our discussion, I believe Japan's GX Vision 2040 has already started, and a "robust energy supply," which is one of its frameworks will inevitably be necessary. In fulfilling our duty to be a responsible energy supplier for Hokkaido, the HEPCO Group, must properly and successfully accomplish each and every one of these initiatives.

To do this, it may be unavoidable for us to increase our interest-bearing debt to a certain extent going forward. Nevertheless, we will strive to maximize control over amounts invested through efficiency enhancements and advancements derived from kaizen activities, DX initiatives, and other efforts. In addition, we will maximize our use of government programs, such as long-term decarbonization power source auctions, differential pricing support, and hub development support, to boost the certainty of investment recovery and also hold down investment costs.



In FY2025, we expect to achieve the target of a "consolidated equity ratio of 15% or higher," which we set out in our Management Vision. We still need to strengthen our financial base so that we may actively invest in new businesses in line with our new business portfolio. We will be considering a range of funding options that include some with equity features.

Our policy with regard to shareholder return has traditionally been based on maintaining a stable dividend and determined by comprehensively considering the medium- to long-term business environment, our financial circumstances, and other factors. Although we must give priority to growth investment and internal reserves for now, we would like to reward our shareholders with an increase in the dividend when we foresee our base earning power expanding as efficiency measures and growth investments bear fruit.

We are currently conducting a review aimed at formulating a new vision. Along with profits, capital efficiency, and other financial targets as well as environmental, human capital, and other nonfinancial targets, we hope to present an overall picture of our capital policy in terms of cash flow allocation during FY2025.

Importance of information sharing and dialogue

FY2024 ordinary income rose by 116.5 billion yen from the previous fiscal year's loss to end in a profit of 87.3 billion yen. The principal factor improving income was the rate revision that took effect in April 2023 for high-voltage customers and in June 2023 for low-voltage customers. While this revision put us on a sound management footing by incorporating an appropriate power source mix and measures to address aging facilities, it placed a significant burden on our customers.

This rate revision once again strongly reaffirmed that electricity is the foundation for industry and people's lives, and impressed upon us how important it is that we deliver stable, inexpensive, and carbon-free electricity so the people of Hokkaido can live and the economy function.

The explanations provided of the rate revision to help our customers better understand these changes brought home to us what a low awareness individuals have of our energy situation including geopolitical risks, the impact of electricity rate systems and their revisions, and our management efficiency enhancement efforts. It helped us to once again recognize the importance of communicating information.

Additionally, in January 2024, we announced an analysis of our current situation and measures to improve PBR in "Toward Realizing Sustainable Corporate Value Enhancement." To improve PBR, not only do we need measures to improve capital efficiency, but we must all have a proper recognition of our future sustainable growth in order to improve PER, which is currently not that high.

Since my appointment as President, I have talked with customers, community members, business leaders, shareholders, investors, and many other stakeholders, but I still have not been able to convey to many people that we are ready to develop with them by strengthening regional cooperation and co-creation, in addition to enhancing the communication and disclosure of information. Similarly, within HEPCO Group also, I feel I have only been able to share with some employees my readiness to transform and develop this company, and, more specifically, my readiness to create an environment where employees can actively contribute with a sense of purpose and growth, and to enhance employee benefits.

In the future as well, I will use a variety of means to share information both inside and outside our company, and engage in dialogue with as many people as possible.

In closing

It is not just the rapid increase in demand for electric power that is currently taking place, but also a variety of other factors that will prompt the business environment to continue to change. Within that context as well, we have returned to the fundamental reason why our company exists as we discussed our vision for the future so that we will be able to continue to share the path along which we will proceed together with our stakeholders in the future.

HEPCO Group wants to team up with the people of Hokkaido to create a region that is sustainable and attractive, and will enrich people's lives.

The role that we will play as a responsible energy supplier will be to continue to take up the challenge of transformation, deliver new value to our customers and local communities, and support Hokkaido's sustainable development and the safe and secure life that people live here.

We will create a future together with everyone by sharing with each and every member of HEPCO Group our values of not being complacent but continuing to enthusiastically take up challenges, continuing to produce originality and ingenuity through collaboration in a way that views are openly and honestly exchanged, and continually acting with integrity and fairness.

In FY2025, we will revise the current management vision and numerical targets developed in 2020, and present a vision to our investors and other stakeholders of how HEPCO Group will robustly grow and sustainably improve corporate value together with our business base Hokkaido.

I humbly ask for your continued understanding and support.

HEPCO Group

Value Creation Process

Grounded upon our management philosophy mandating 'respect for humanity, contributions to local communities, and efficient management,' the HEPCO Group recognizes that we cannot develop unless the community enjoys sustained development, and we will fulfill our steadfast mission of supporting the economy of Hokkaido and the lives of our customers.

Management Philosophy

Emphasizing Environmental, Social and Corporate Governance based on the HEPCO management philosophy mandating

ESG

'respect for humanity, contributions to local communities, and efficient management'

INPUTS (Management Resources)

To sustainably enhance corporate value

Manufacturing capital	Power generation facilities: Total output 8,702 MW Transmission line length: 8,445 km; distribution line length: 68,411 km
Human Capital	Employees: 9,206 Engineering personnel: Approx. 71% (HD and NW)
Intellectual capital	Patents, etc. held: 235 Technology and experience relating to power generation development, maintenance, and operation, as well as power supply Know-how relating to ZEB, ESP, and other energy solutions suited to cold snowy regions
Social & relational capital	Emergency partnership agreements entered into: 179 comprising all municipalities in Hokkaido (HD and NW) Registered business partners (material procurement): Approx. 2,300 companies (HD and NW)
Financial capital	Capital 114.2 billion yen | Cash 110.7 billion yen | Interest-bearing debt 1,405.9 billion yen
Natural capital	Fuel consumption (FY2024) ■ Coal: 3,920,000 tons ■ Heavy & light oil: 508,000 kl ■ LNG: 304,000 tons ■ Nuclear fuel material consumed: 0 kg Rich nature with high renewable energy potential ■ Wind: Good conditions and long coastline Potential: 1,680.3 billion kWh (approx. 60 times Hokkaido demand of 28.2 billion kWh) ■ Solar: Vast land area blessed with abundant sunlight Potential: 437.7 billion kWh (approx. 16 times Hokkaido demand of 28.2 billion kWh) *Prepared by HEPCO based on data provided by the Ministry of the Environment's Renewable Energy Potential System

* Quantitative data without a specific time indicated is as of the end of FY2024
* HD: Hokkaido Electric Power NW: Hokkaido Electric Power Network

Business operations

Power generation

- Hydroelectric
- Thermal
- Nuclear power

Distribution

Retail

Communications

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

OUTPUT (Performance)

Products & services

Electric power demand in Hokkaido
28.2 billion kWh

Electricity sales
Retail sales: 23.8 billion kWh
Wholesale sales: 10.1 billion kWh

Financial performance

Sales
953.7 billion yen

Ordinary profit
87.3 billion yen

Free cash flow
95.2 billion yen

Social & environmental effects

Greenhouse gas emissions
19,690,000 tons-CO_2

Industrial waste
707,000 tons

OUTCOMES(Value Creation)

Communities & customers

- Supporting our customers' lives and realizing a sustainable society
- Maintaining a stable supply to fulfill our responsibility as an energy provider
- Contributing to local sustainable development and overcoming challenges through 'co-creation' creating new value with the community

Shareholders & investors

- ROE
  23.5%
- Dividend
  Per share of common stock
  20 yen annually
  Total dividend payments 4.1 billion yen
- Interest expenses (amount paid to creditors)
  12.1 billion yen

Employees

- Safe and motivating work environment
  (Work-related injury frequency 0.47)
- Health Management "White 500" Organization
  (FY2025) (5th consecutive year) (HD and NW)
- Promoting work-style reforms
  (Rate of annual paid leave taken: 87.1%)
  (HD and NW)

Environment

- Reduction in CO_2 7.38 million tons
  (compared to FY2014 level)
- Industrial waste recycling rate 91.5%

Vision

Light up your future.

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

Management Vision 2030
(announced April 2020)
P19

Carbon Neutral 2050
(announced April 2021)
P58

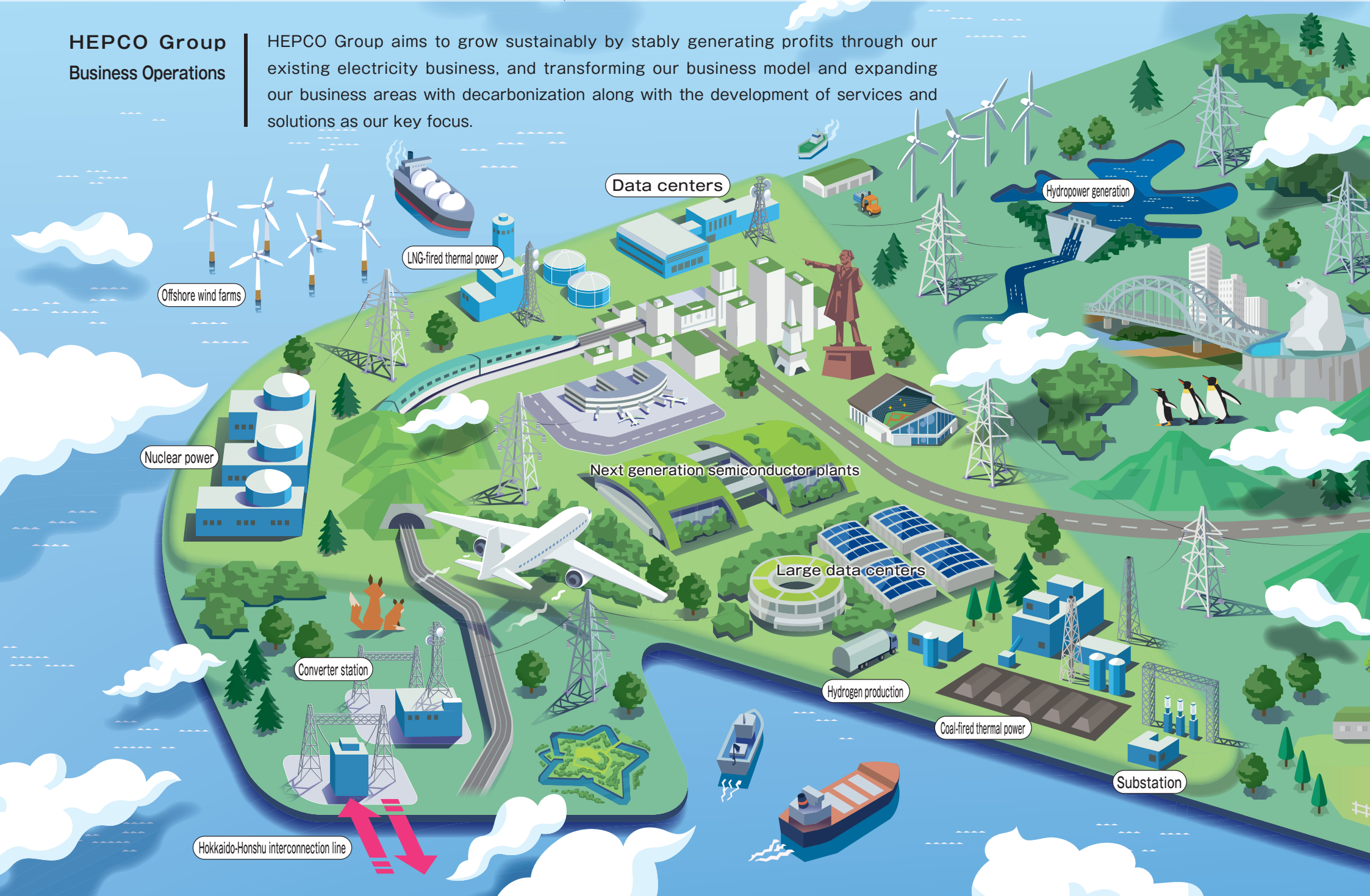
Toward Realizing Sustainable Corporate Value Enhancement
(announced January 2024)
P23



* Quantitative data without a specific time indicated is as of the end of FY2024
* HD: Hokkaido Electric Power NW: Hokkaido Electric Power Network (if not indicated, numbers are consolidated figures)

HEPCO Group
Business Operations

HEPCO Group aims to grow sustainably by stably generating profits through our existing electricity business, and transforming our business model and expanding our business areas with decarbonization along with the development of services and solutions as our key focus.




Solar
LNG sales

VALUE CREATION STORY

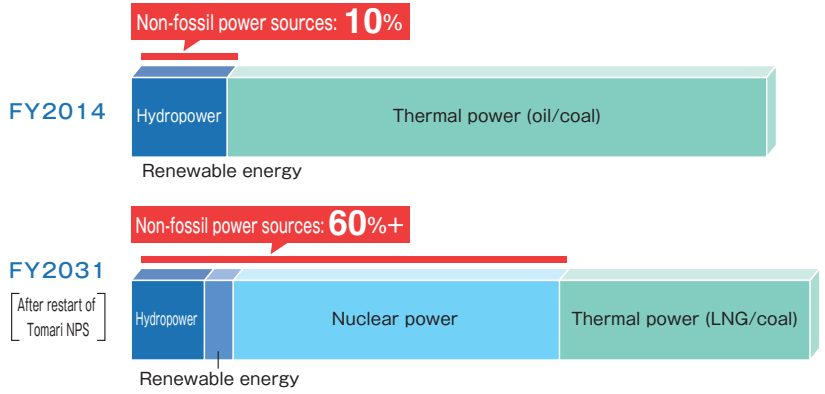
HEPCO Group Management Vision 2030 (Announced April 2020)

In April 2020, taking account of the intensifying competition and the ongoing transformation of the social structure involving decarbonization, population decline, digitalization, and shifts in consumer values, HEPCO Group consolidated the HEPCO Group Management Vision 2030, which presents the vision to which we aspire as we head toward the year 2030.
The restart of Tomari Nuclear Power Station, our main power source, will significantly alter the HEPCO Group's business environment. This step will improve our power source competitiveness and significantly shift emissions toward low carbonization.
To achieve that, Management Vision 2030 defines Phase I as the period prior to restart of Tomari Nuclear Power Station, and Phase II as the time after the restart.

Medium- to Long-term Phases and Business Development

	Phase I (before restart of Tomari NPS)	Phase II (after all Tomari NPS units are back online)
Power source mix	Use thermal power as the main power source Reinforce safety of Tomari NPS prior to restart	Use thermal power mainly for adjustment Restart Tomari NPS (Unit 3 ▶Units 1 and 2) Reduction in demand-supply correlation expenses leads to lower electricity rates Supply low-carbon electric power inside and outside Hokkaido
	Expand renewable energy power generation	
Increase retail sales and promote electrification	Implement sales strategies and promote total energy solutions Convert from other sources to electric power and expand electrification into industrial, transportation and other sectors, resulting in greater electric power demand	
Expand scope of business domains	Expand scope of business domains to include city gas sales and other businesses	
Provide stable supply and enhance efficiency	Secure stable supply and strengthen resilience while at the same time enhancing efficiency and reducing costs	
Target profit	Consolidated ordinary income: ¥23billion+/year	Consolidated ordinary income: ¥45billion+/year

Power source mix envisioned by HEPCO Group Power Generation Division



Management targets to be achieved by FY2031 (Announced April 2020)

HEPCO Group will achieve the management targets specified below by FY2031 by implementing the initiatives set out in the Management Vision with the aim of achieving growth throughout the entire group.

Management targets to be achieved by FY2031

Target profit (consolidated ordinary income)

- Phase I: ¥23billion+/year
- Phase II: ¥45billion+/year

Almost double

Growth Indicators

- Electricity retail and wholesale: 30billion kWh +/year
- Gas supply: 100,000t +/year
- Renewable energy power generation : up by 300,000kW+ (incl. outside Hokkaido)

Cost reduction

- Continuously promote efficiency improvements and cost reductions

Drive further growth

Cash flow

- Invest of ¥50billion+ new priority businesses
- Invest in updating existing equipment
- Strengthen price competitiveness
- Reinforce of financial base
- Return to shareholders

→We aim to return more profits to shareholders to meet their expectations while endeavoring to rebuild equity capital.

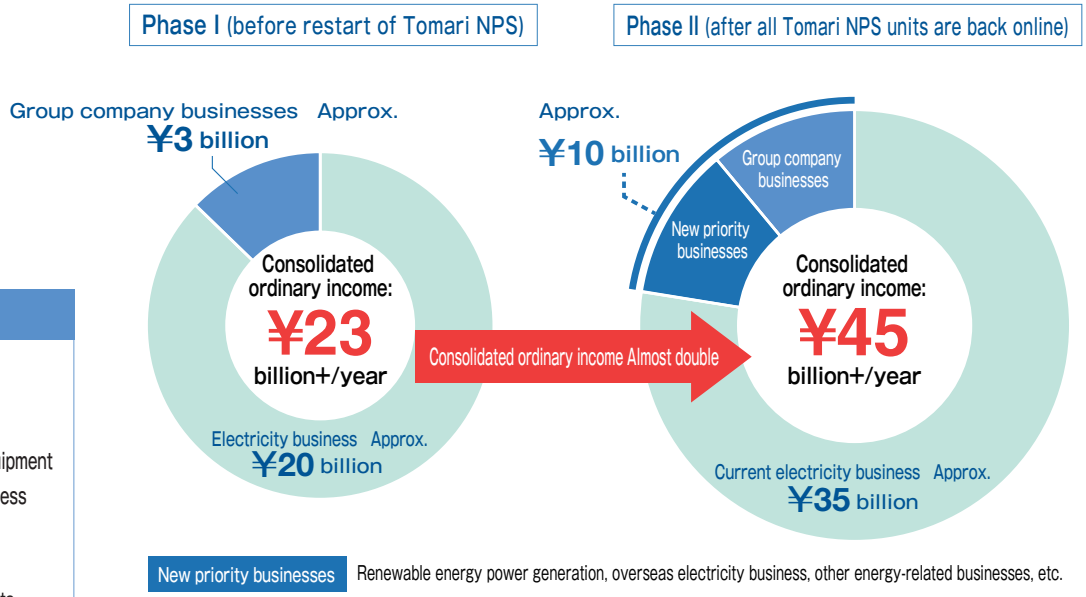
Environmental targets

- CO_2 emissions: Reduction by 50%+ from FY2014 levels through the restart of Tomari NPS and use of LNG-fired thermal generation

*FY2014 emissions: 18.92 million tons

Financial target

- Achieve consolidated capital ratio of 15%+and aim to further increase this percentage.



HEPCO Group Management Vision 2030 Progress

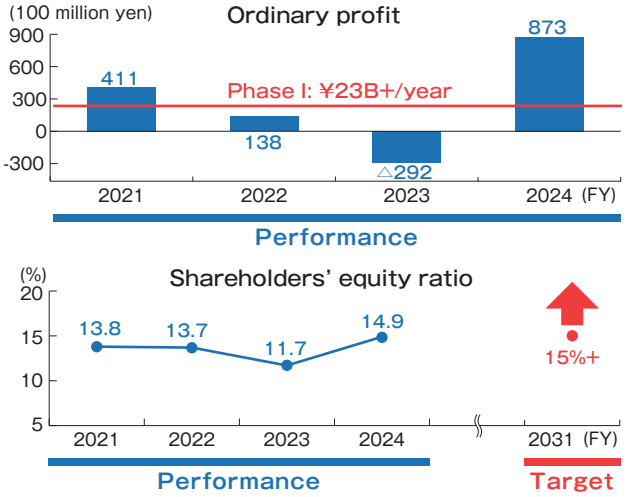
Target profit (consolidated ordinary income)
Phase I: ¥23 billion+/year
Phase II: ¥45 billion+/year

Financial target (consolidated capital ratio): **15%+**

In FY2022, because of the rapid increase in fuel prices, HEPCO incurred loss on the time lag in fuel cost adjustments (see p. 48). In FY2023, fuel prices continued to rise. Along with the loss due to the time lag as in the previous year and the inability to reflect costs in electric rates in excess of the fuel cost adjustment due to reaching its cap, we fell short of our profit target.

FY2024 saw a revision of electricity rates. This coupled with gains accrued on the time lag in fuel cost adjustments as fuel prices decreased together with other factors boosted performance significantly above our profit targets.

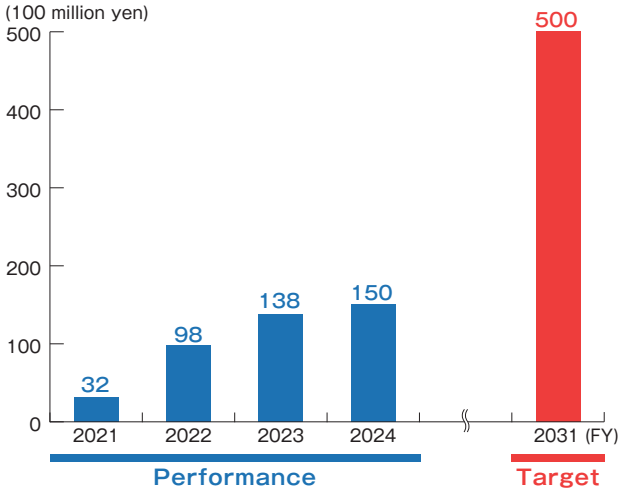
Consolidated capital ratio was 14.9 at the end of FY2024. From the perspective of securing stable funding, we will continue to steadily build up our equity capital.



Cash flow
(Investment in new priority businesses)
Total investment of ¥50 billion+

A total of 15.0 billion yen has been invested through FY2024 in new priority businesses, such as renewable energy power generation, overseas electricity business, gas supply business, and other energy-related businesses (Progress rate of 30.0%).

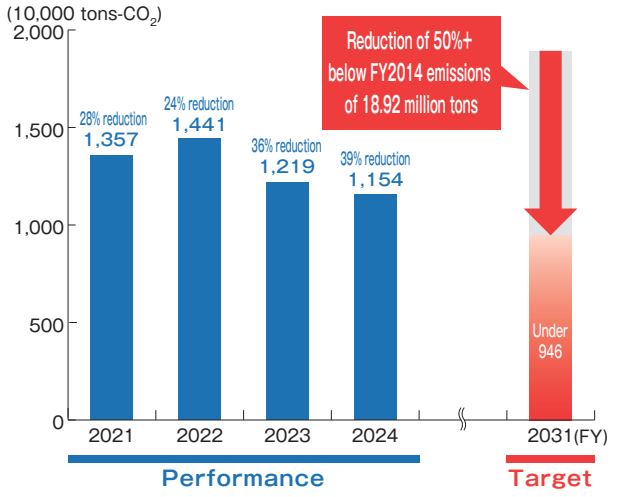
By FY2031, a total of 50 billion yen or more will be invested together with all group companies, generating a profit on the order of 10 billion yen annually.



Environmental target (Reduction in CO_2 emissions)
50% or greater reduction from FY2014 levels

In FY2024, CO_2 emissions totaled 11.54 million tons, a 39% reduction compared to the 18.92 million tons in FY2014. We achieved this thanks to decreased electric power demand, reduced thermal power plant operations as renewable energies were introduced and expanded in the Hokkaido area, and the utilization of the LNG-fired Ishikariwan Shinko Power Station, which emits less CO_2.

Going forward, our aim is to reduce CO_2 emissions more than 50% compared to the FY2014 level by FY2031. We will achieve this as we proceed to restart the carbon-free power source that is Tomari Nuclear Power Station, further expand renewable energy, as well as the introduction of ammonia co-firing and commercialization of CCUS in the aim of decarbonizing thermal power plants.



Growth Indicators

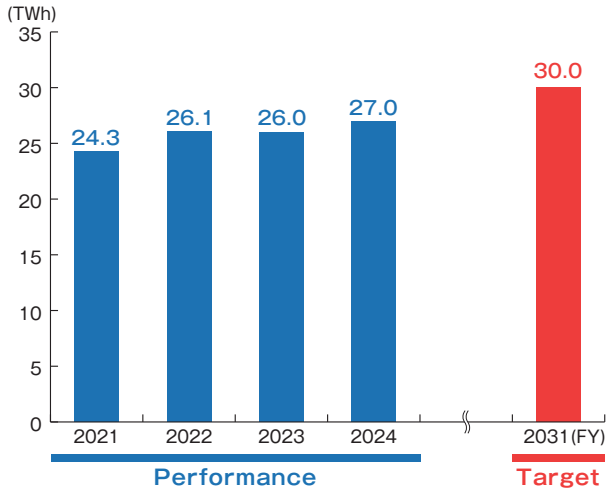
Retail and wholesale electricity sales*
30 billion kWh+/year

In FY2024, retail and wholesale electricity sales were 27 billion kWh, an increase of 1 billion kWh year-on-year due to increased sales to electricity retailers and in the wholesale market.

Demand for electric power in Hokkaido is expected to increase as more and more next-generation semiconductor plants, large data centers, and other such businesses set up operations in the region.

Our aim is to achieve annual electricity sales of over 30 billion kWh by appropriately responding to this increase in power demand and steadily securing contracts with customers that provide services that help them achieve carbon neutrality.

*Amount for HEPCO (incl. outside Hokkaido)

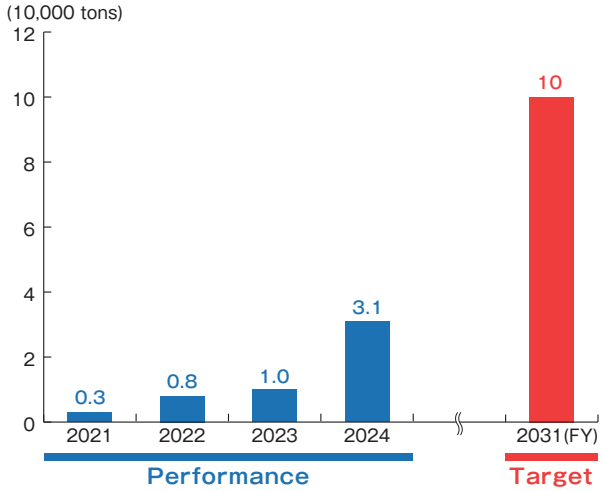


Gas supply business (LNG sales)
100,000 tons+/year

In FY2024, LNG sales through our gas supply business amounted to 31,000 tons for both our city gas and LNG supply businesses (Progress rate of 31%).

The city gas business will continue to aggressively market products mainly by offering packages combining electricity and gas.

We will strive to expand our LNG supply business through marketing that accurately assesses customers' CO_2 emission reduction needs and proposes solutions combined with other energy services.

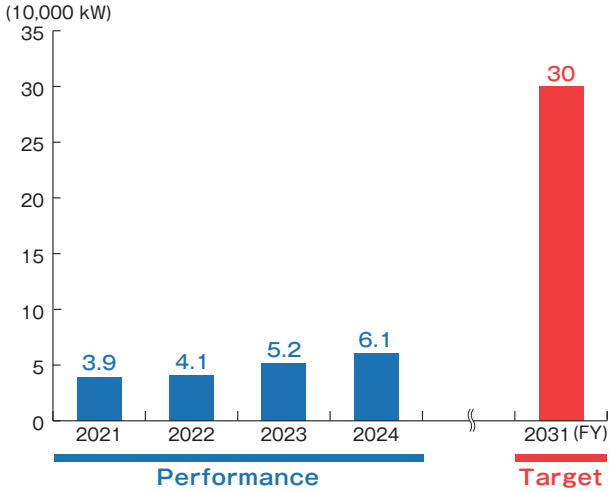


Renewable energy power generation (incl. outside Hokkaido)*
Increase by over 300,000 kW

Both inside and outside of Hokkaido, the installation of solar, biomass and other renewable energy power generation has been moved forward with 61,000 kW of renewable energy power sources developed through FY2024 (Progress rate of 20.3%).

We will increase renewable energy power generation by 300,000 kW and continue to actively build upon that once this goal has been achieved by broadly introducing and expanding not only wind and geothermal power generation for which Hokkaido offers great potential, but also solar and biomass energy power generation.

* Power generation capacity set to be installed since HEPCO management vision announced. (Includes capacity prior to commenced of operations, but not the replacement of existing facilities.)



VALUE CREATION STORY

Toward Realizing Sustainable Corporate Value Enhancement



Representative Director & Executive Vice President

上野昌裕

Understanding How the Environment Will Change to Realize Sustainable Growth

The GX promotion strategy confirms the direction for establishing renewable energy as a key power source and the use of nuclear power. It also presents the manner in which investments will systematically promote funding for decarbonized power sources. These and other developments are part of the major changes taking place in the environment in which the electric business operates. In addition, because of the potential that Hokkaido offers as a suitable location for renewable energy power generation businesses, expectations are high that demand for electric power will significantly increase as semiconductor-related companies and hyper-scale data centers proceed to move their operations into the region.

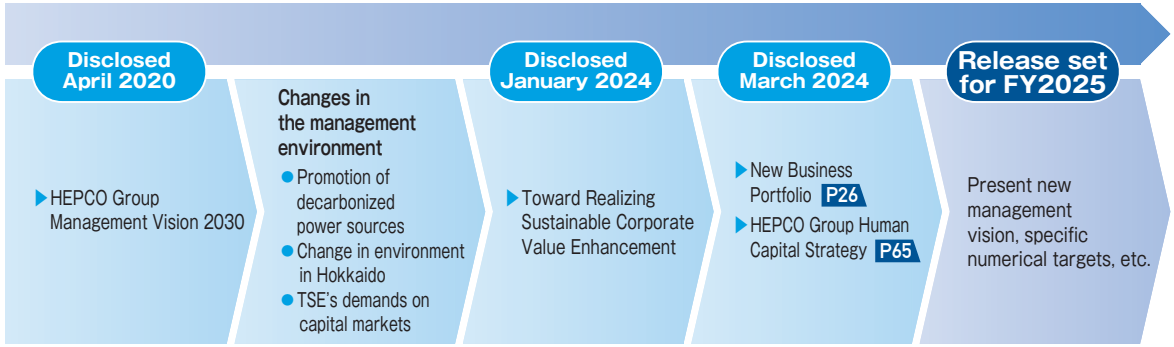
To determine what would be necessary for us to capitalize on this opportunity and achieve sustainable improvements in our corporate value, the Board of Directors analyzed these developments using PBR (price-to-book ratio), an indicator measuring corporate value, as a starting point and discussed the results.

In January 2024, we consolidated these findings, instituting three measures for enhancing corporate value: improving ROIC, optimally allocating profits & optimizing capital structure, in addition to reviewing our business portfolio and developing non-financial strategies. We then made the decision to advance these initiatives.

Then, in March 2024, after taking into consideration changes in the management environment and establishing a new business portfolio, we publicly announced the Overview of the FY2025 HEPCO Group Management Plan. Furthermore, as part of our efforts to develop non-financial strategies, we similarly announced in March 2024 the HEPCO Group Human Capital Strategy, on which we have been moving forward to steadily implement.

We are currently conducting a review to examine a new management vision as well as specific numerical targets. We hope to announce these in FY2025 once preparations have been consolidated.

Along with promoting these various initiatives, we will proactively initiate a dialogue with capital markets as part of our investor relations and other outreach activities. The entire HEPCO Group will work together to sustainably enhance corporate value as we move forward.



Toward Realizing Sustainable Corporate Value Enhancement (Announced January 31, 2024)

An analysis was conducted using PBR (price-to-book ratio), which is an indicator of measuring corporate value, as a starting point with the aim of sustainably enhancing corporate value.

Moving forward, the HEPCO Group will strive to implement three measures: improving ROIC, optimally allocating profits & optimizing capital structure, and reviewing our business portfolio and developing non-financial strategies.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
PBR (multiple)	1.44	1.08	1.02	0.92	0.83	0.79	1.14	1.33	1.54	1.46	1.24	0.94	0.78	0.51	0.45	0.44	0.51	0.63
ROE (%)	7.7	3.8	△5.6	1.9	3.0	△20.1	△53.6	△38.8	1.9	11.7	4.7	8.5	10.7	11.8	14.1	2.5	△8.6	23.5
PER (multiple)	18.7	28.0	–	49.4	28.0	–	–	–	82.1	12.5	26.4	11.1	7.3	4.3	3.2	17.7	–	2.7
ROA (%)	4.9	3.0	△1.1	2.0	2.7	0.2	△7.0	△4.7	0.3	2.4	1.5	1.8	2.2	2.2	2.7	1.3	△1.1	4.8
Shareholders' equity ratio (%)	30.5	29.6	25.1	25.4	24.4	19.5	10.8	7.6	9.8	10.2	10.3	10.5	11.1	12.0	13.8	13.7	11.7	14.9

*1: PBR is calculated by dividing the closing stock price at the end of the fiscal year by net assets per share at the end of the fiscal year (net assets at fiscal year-end after deducting the amount of Class B preferred stock issued and dividends related to that class of stock / number of shares outstanding at fiscal year-end).
*2: PER is calculated by dividing PBR, which is calculated according to the above formula, by ROE. However, for fiscal years recording net losses, PER is shown as "-".

Purpose

PBR
Price-to-book ratio
Market capitalization / Shareholders' equity

Component & factor analysis

ROE
Return on equity
Profit / Shareholders' equity

Except for immediately after the Great East Japan Earthquake and FY2023 when performance deteriorated due to the Ukraine situation, the level has been relatively high compared to before the earthquake.

PER
Price-to-earnings ratio
Market capitalization / Profit

PER has been low for many years since the Great East Japan Earthquake.
We believe this is due to the "delayed in restarting Tomari NPS," "concerns about profitability and growth potential due to electricity business competition policies," and "concerns about financial safety as financial leverage (dependence on interest-bearing debt) rises."

ROA≒ROIC
(Return on assets≒Return on invested capital)
Profit / Net assets

With the exception of the decline following the Great East Japan Earthquake and in FY2023 when performance deteriorated due to Ukraine situation, ROA≒ROIC has gradually increased thanks to efforts to enhance management efficiency.
HEPCO Group's ROIC has exceeded the cost of capital (WACC), except for recent years (FY2022 and FY2023).

Financial leverage
(Dependence on interest-bearing debt)
Total assets / Shareholders' equity

Major losses after the Great East Japan Earthquake substantially impaired shareholders' equity and financial leverage increased significantly.

Cost of shareholders' equity

Growth rate

Review items

- Expansion of profit margin on sales
- Improvement of invested capital turnover
- Reduction of invested capital
- Utilization of interest-bearing debt (As "concern about financial safety" are considered a factor depressing PBR, it has been excluded from the review items.)
- Improvement of shareholders' equity ratio
- Diversification of business risk (Review of business portfolio)
- Creation of growth opportunities (Business portfolio review & non-financial strategies)

PBR improvement measures

PBR improvement (above WACC)

ROIC will be introduced as a new management indicator with the aim of achieving ROIC above the cost of capital (WACC). Specifically, as we work to restart of Tomari NPS as soon as possible, we will continue to focus on significant increases in demand for electric power in Hokkaido and improve ROIC with the following initiatives.

- Expansion of profit margin on sales: Attract businesses & expand electrification, develop sales strategies taking into account the business environment, and promote efficiency through DX and Kaizen activities
- Improvement of invested capital turnover: Increase facility utilization rate and raise labor productivity
- Reduction of invested capital: Curb and select maximum investment amounts while pursuing growth investments in new businesses and expansion of demand

Using ROIC as a business-specific management indicator, business division will use ROIC trees and other instruments to autonomously improve. The Board of Directors and other organs will monitor business divisions to increase the probability of achieving ROIC above the cost of capital (WACC).

Profit generation

Optimal allocation of profits and optimization of capital structure

By achieving ROIC above the cost of capital (WACC), we will stably and continuously generate profits, which will be appropriately distributed among internal reserves, growth investments for demand expansion and new businesses, and shareholder returns.
Our aim will continue to be to achieve a "shareholders' equity ratio of 15% or higher" and "total investment of ¥50 billion or more in prioritized new businesses" as set out in the "HEPCO Group Management Vision 2030."

Review of business portfolio and development of non-financial strategies

We will continually review our business portfolio while taking into account changes in the environment in which the electricity business operates, increasing demand for electric power in Hokkaido, and expectations for expanding renewable energies, and concentrate our management resources on businesses that contribute to sustainable growth as we diversify business risks.
In addition, we will also work to develop and implement strategies relating to our efforts to enhance human capital as well as achieve carbon neutrality in Hokkaido so as to promote sustainable growth based on non-financial aspects as well.

Change in Management Environment Around HEPCO Group

The management environment in which the HEPCO Group operates is undergoing the following significant changes.

In response to these changes in the environment, we have developed a new business portfolio through a re-examination of business areas in which we are able to maximize the strengths that the HEPCO Group has developed as an electric power professional.

Changes in the environment

Domestic policy trends

- The GX promotion strategy confirms the direction for establishing renewable energy as a key power source and the use of nuclear power. It presents a path forward for systematically promoting the funding of decarbonized power sources and constructing a production and supply network for hydrogen and ammonia.
- A vision for growth-oriented carbon pricing was announced together with public-private GX investments exceeding ¥150 trillion over the next 10 years

Changes in the environment in Hokkaido

- With the rich natural environment and potential that Hokkaido offers as a suitable location for renewable energy projects, digital industries, such as next-generation semiconductor plants and large data centers, are moving into the region. Moreover, affiliated industries are also expected to gather here as well.
- Looking at the region as a whole, society continues to age and the population decrease at a pace above the national average, raising concerns about the shortage of workers capable of supporting regional industries and infrastructure services in the future.

Capital markets

- Tokyo Stock Exchange has asked all listed companies to manage operations with a focus on capital costs and share prices.

Opportunities & challenges

Consideration given to introducing policies balancing a stable supply and decarbonization

Possibilities for regional economic development, industrial expansion, and job creation

Serious regional challenges need to be addressed

Need to place a greater emphasis on capital costs and profitability

HEPCO Group strengths

Electric power professional

- Mission and personnel supporting the stable supply of electric power
- Possession of power plants, transmission & distribution facilities, and other large-scale assets, as well as technical expertise gained from maintaining and operating these assets
- Expertise in electrification appropriate for cold snowy climates
- Knowledge about demand and supply management as well as power trading
- Proven track record in businesses providing energy solutions

HEPCO Group's collective strengths

- Technology and proven track record of maintaining and operating IT infrastructures
- Technology for system development
- Real estate management expertise
- Construction design & consulting expertise
- Business transformation by promoting Kaizen & DX

Relationships of trust with customers and communities

- Customer base throughout Hokkaido
- Connections with regional governments and economic organizations
- Activities contributing to communities throughout the region
- Business operations emphasizing ESG and sustainability

New Business Portfolio

New Business Portfolio (Moving Toward 2030)

Transformative domains [Business model innovation & expansion of business domains]

- On the energy supply side, we will advance decarbonization starting with our current business areas, and work to develop renewable energies, and commercialize hydrogen and ammonia initiatives, including their use in thermal power plants.
- On the energy demand side, we will develop services and solutions starting with our current business areas that will enable us to tackle energy management and interaction services*.

*Services that create new value through communication with customers, businesses, local governments, and others

(Supply)

- Renewable energy development
- Development of carbon-neutral thermal power
  - Hydrogen co-firing
  - Ammonia co-firing
  - CCUS
- O&M
- Hydrogen & Ammonia

(Demand)

- Promotion of electrification
- Energy management
  - PPA business
  - Storage battery farm development
  - ERAB
- Interaction services
  - Sales of local products
  - Monitoring services
  - Healthcare

Decarbonization

Generate synergies by combining various businesses

Development of services & solutions

Conventional domains [Selection & elimination]

- As a responsible energy provider, HEPCO Group will generate profits through the stable supply of electric power.
- Through the process of selection and elimination within our businesses, we will create resources and shift these to areas where transformation is taking place.

(Supply)

- Power generation
  - Hydroelectric
  - Thermal
  - Nuclear power

(Demand)

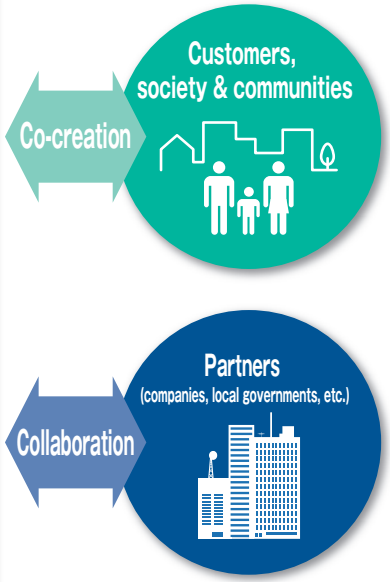
- Distribution
- Retail
- Communications

Peripheral domains

- Information systems
- Real estate

Quest for knowledge

HEPCO will work together as a group to realize comfortable and healthy living (well-being) in a sustainable society that leverages Hokkaido's unique characteristics.

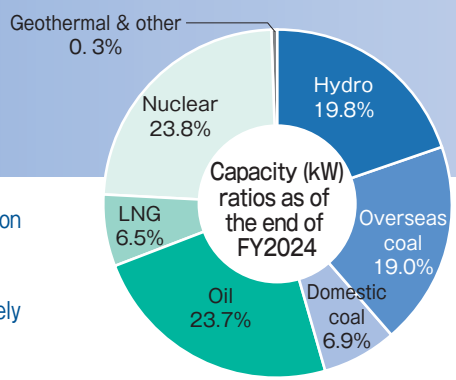


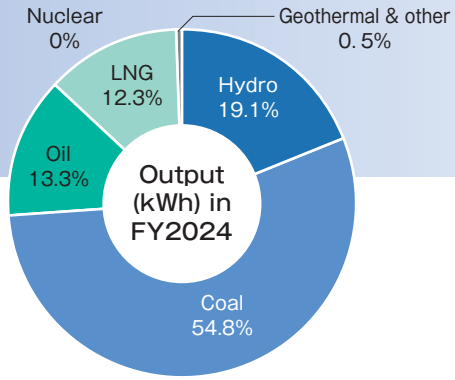
Guide

- Conventional domains
- Transformative domains (supply)
- Transformative domains (demand)
- Peripheral domains
- Exploratory domains

VALUE CREATION INITIATIVES

Power Generation





HEPCO's mission is to provide a stable supply of inexpensive electricity while also considering global environmental conservation (reduction of CO_2 emissions).

Toward the achievement of our mission, we are aiming to increase the ratio of non-fossil energy provided that Tomari NPS is safely and stably operated, and we will also seek to further optimize this mix from the perspective of decarbonizing power sources.

Current Power Source Mix

Formulation of HEPCO's power generation plan takes into account (1) the ability to ensure a stable supply of electric power over the long-term, (2) economic efficiency and price stability over the long-term, and (3) environmental conservation. We have given consideration to combinations of power sources that have a variety of characteristics at base, middle, and peak output, which are adjusted to meet demand gradually changing over time.

HEPCO's current power source mix balances hydropower, coal-fired thermal power, oil-fired thermal power, LNG-fired thermal power, and nuclear power. We will consider the most optimal power source mix in the future as well that is premised on assuring a stable supply, economic efficiency, and global environmental conservation.

Decarbonization Initiatives P35~36

HEPCO Group set a target of reducing CO_2 emissions by 50% or more (below FY2014 levels) by FY2031.In addition, toward our long-term goal of achieving carbon neutrality and effectively zero CO_2 emissions by FY2051, we will consider the adoption of power generation methods that utilize hydrogen and ammonia derived from renewable energy sources as well as the introduction of CCUS and other innovative technologies.

Currently, thermal power units are the mainstay of our supply capacity. So, we will continue to do our utmost to restart Tomari Nuclear Power Station which emits no CO_2 during power generation, as well as systematically suspend and decommission aging coal & oil-fired thermal power plants with the assurance that a stable supply is provided.We will also continue to steadily reduce carbon emissions and decarbonize the high-efficiency coal-fired and LNG-fired power that we are using.

Plans for new construction as well as the suspending and decommissioning of major HEPCO thermal power stations

	Power station	Output (10,000 kW)	Unit	Unit output (10,000 kW)	Date operation commenced	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Coal	Sunagawa	25.0	3	12.5	June 1977					▲To be decommissioned in Mar. 2027											
			4	12.5	May 1982					▲To be decommissioned in Mar. 2027											
	Naie*	35.0	1	17.5	May 1968					▲To be decommissioned in Mar. 2027											
			2	17.5	February 1970					▲To be decommissioned in Mar. 2027											
	Tomato-Atsuma	165.0	1	35.0	October 1980																
			2	60.0	October 1985																
			4	70.0	June 2002																
Oil	Tomakomai	25.0	1	25.0	November 1973																
	Date	70.0	1	35.0	November 1978	△Suspended in Dec. 2023															
			2	35.0	March 1980		△Suspended in Apr. 2024														
	Shiriuchi	70.0	1	35.0	December 1983																
			2	35.0	September 1998																
LNG	Ishikariwan Shinko	170.82	1	56.94	February 2019																
			2	56.94						Construction to start in May 2027		Operation to begin in FY2031									
			3	56.94													Construction to start in Mar. 2034			Operation to begin in Dec. 2037	

*Operation suspended in Mar. 2019

Plan for Development of Key Power Sources

HEPCO (As of September 2024)

	Power station	Output (10,000 kW)	Construction start date*1	Date operation started, transferred, suspended, or decommissioned
Under construction	Kyogoku Unit 3 (Pumped-storage hydropower)	20	September 2001	FY2035 or later
Preparation underway for construction	Ishikariwan Shinko Unit 2 (LNG-fired thermal)	56.94	May 2027	Scheduled for FY2031
	Ishikariwan Shinko Unit 3 (LNG-fired thermal)	56.94	March 2034	December 2037
Transferred*2	Isoyagawa Daiichi (Hydropower)	△ 0.24	—	May 2024
	Isoyagawa Daini (Hydropower)	△ 0.125	—	August 2024
	Nanae (Hydropower)	△ 1	—	December 2024
Suspended/ decommissioned	Date Units 1 & 2 (Oil-fired thermal)	△ 70(△ 35×2units)	—	Unit 1: December 2023 (to be suspended) Unit 2: April 2024 (to be suspended)
	Naie Units 1 & 2 (Coal-fired thermal)	△ 35(△ 17.5×2units)	—	March 2027 (to be decommissioned)
	Sunagawa Units 3 & 4 (Coal-fired thermal)	△ 25(△ 12.5×2units)	—	March 2027 (to be decommissioned)
	Onbetsu Units 1 & 2 (Oil-fired thermal)	△ 14.8(△ 7.4×2units)	—	Pending (to be decommissioned)

POINT 1 POINT 2 POINT 3

*1 Notification date pursuant to Article 48 of the Electricity Business Act.
*2 The hydroelectric power business will be transferred and acquired in keeping with the Hydroelectric Power Station Alliance Business in Southern Hokkaido (October 28, 2021 press release).

POINT 1 Development of Kyogoku (pure pumped-storage hydroelectric power facility)

With wind, solar, and other renewable energies anticipated to increase in the future as well, pumped-storage hydroelectric power plants, which can be started up and shut down quickly and handle load fluctuations, are expected to play a greater role. A decision will be made on when to place Kyogoku Power Station Unit 3 in service while keeping a close watch on future demand and supply conditions. Presently, HEPCO is considering starting operation of Unit 3 in FY2035 or later.

POINT 2 Development of Ishikariwan Shinko Thermal Power Station (LNG-fired thermal facility)

Having taken into account the projected demand increases in the Hokkaido area, we determined it necessary to move up the start date for Ishikariwan Shinko Unit 2. So, we bid and won the first long-term decarbonization power source auction, setting operation to start in FY2031.The start date for operation of Unit 3, which has been set for December 2037, remains unchanged. However, we continue to review the timing necessary for the unit's installation.Once Tomari Nuclear Power Station has been restarted, the demand and supply situation in Hokkaido are forecast to ease. We will still need a certain number of thermal power units to provide balancing capacity, so Ishikariwan Shinko Power Station Units 2 and 3 will continue to be utilized in that manner.

POINT 3 Suspension & Decommissioning of Aging Thermal Power Facilities

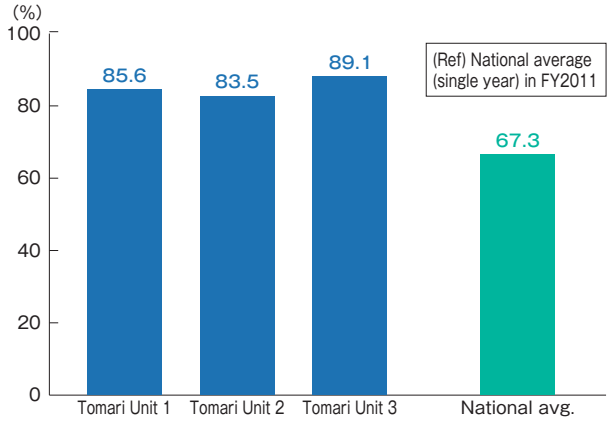
The capacity factor of the Date Power Station has declined with introduction of Ishikariwan Shinko Thermal Power Station Unit 1 and the installation and expansion of renewable energies. In addition, long-term operation has significantly aged the power generation facility and fuel pipeline, so Unit 1 was suspended in December 2023 and Unit 2 in April 2024.Also, as the Naie Power Station and Sunagawa Power Station facilities have also aged significantly, major equipment upgrades are required to maintain stable operation, so we plan to decommission them at the end of March 2027.

Nuclear Power

Tomari Nuclear Power Station is located along the coastline of Tomari village on the west side of Hokkaido. Units 1 through 3 have a combined output of 2.07 million kW.The power station uses pressurized water reactors (PWR). Since Unit 1 went online in 1989, the station has had a cumulative capacity factor through the end of FY2011 of over 80%.

Location	Horikappumura, Tomari Village, Furuu District, Hokkaido		
	Unit 1	Unit 2	Unit 3
Rated electrical output	579,000 kW	579,000 kW	912,000 kW
Reactor type	Light-water moderated, light water cooled, and pressurized water		
Start date	August 1984	August 1984	November 2003
Operation start date	June 1989	April 1991	December 2009

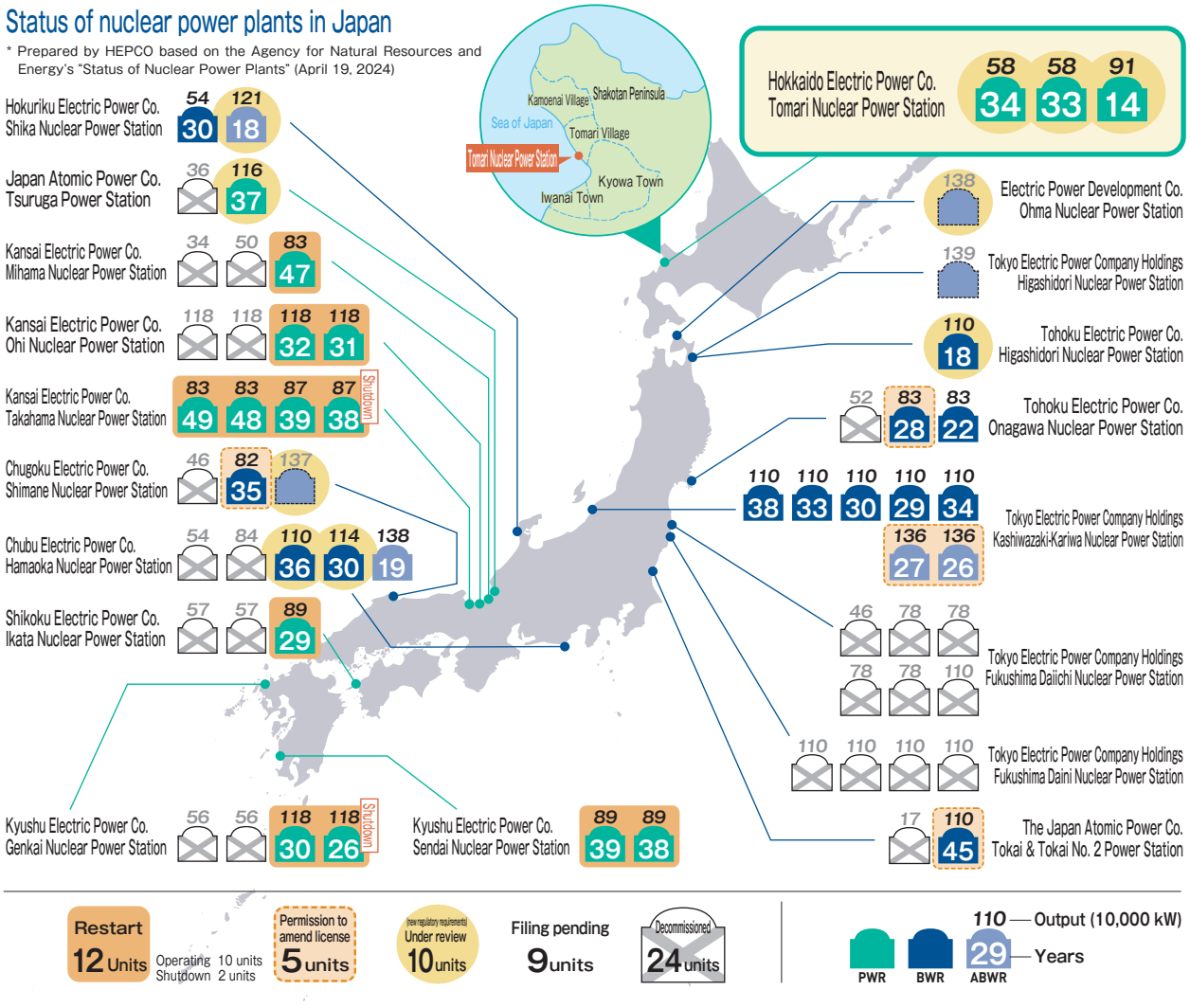
Capacity factors (cumulative as of end of FY2011)



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

Status of nuclear power plants in Japan

* Prepared by HEPCO based on the Agency for Natural Resources and Energy's "Status of Nuclear Power Plants" (April 19, 2024)



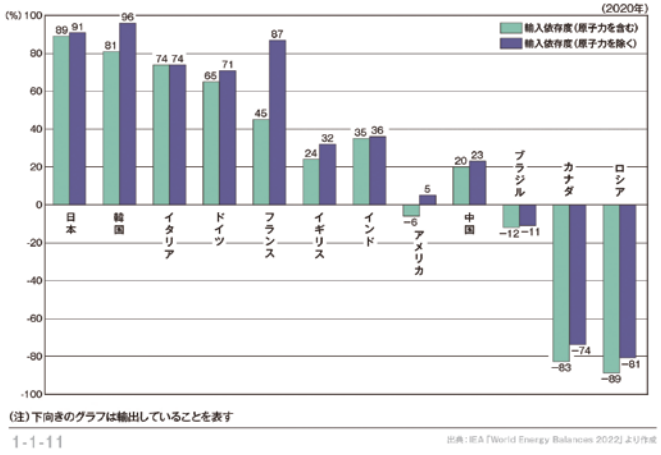
Merits of Nuclear Power Generation

For Japan as a country lacking in natural resources, the role of nuclear power, which offers an excellent 3E balance (assurance of a stable energy supply, economic efficiency, and environmental sustainability), is very significant, and this importance will not diminish in the future, either. HEPCO will restart Tomari NPS soon on the precondition that safety is assured and effectively utilize the station to realize carbon neutrality.

Assurance of Stable Energy Supply

With scarce resources, Japan is dependent upon other countries for most of its fossil fuels. Japan's energy self-sufficiency rate was close to 20% prior to the Great East Japan Earthquake in 2011. The shutdown of nuclear power, which is regarded as a quasi-domestic energy, has spurred an expansion of renewable energies over the past few years, but Japan's energy self-sufficiency rate is still only around 10%, a low level in comparison to other countries.

主要国のエネルギー輸入依存度



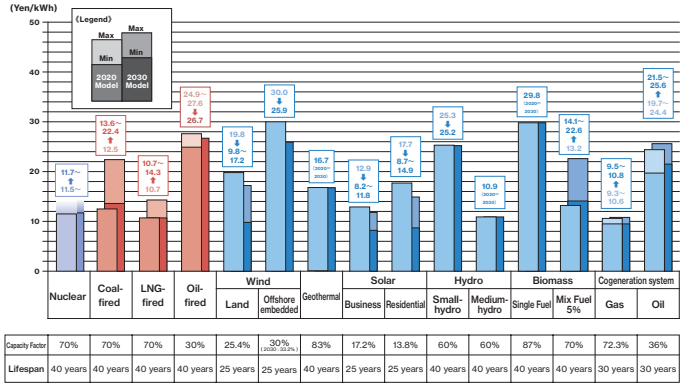
1-1-11

Source:"Graphical Flip-chart of Nuclear & Energy Related Topics," Japan Atomic Energy Relations Organization

Economic Efficiency

Figures showing the cost of generating electricity by power source have been released for the year 2030. Calculation of the cost of nuclear power generation is not only directly related to generation, but also incorporates the cost of reactor decommissioning, nuclear fuel cycle, accident response (incl. damage compensation and decontamination), as well as other factors. Even in the context of such a comparison, the cost of nuclear power generation measures up favorably compared to other power generation methods.

Generation Cost Per Kilowatt Hour (kWh)



1-2-14

Source: Power Generation Cost Verification Working Group Group, Report on Power Generation Cost Verification to the Basic Policy Subcommittee (Sep. 2021)

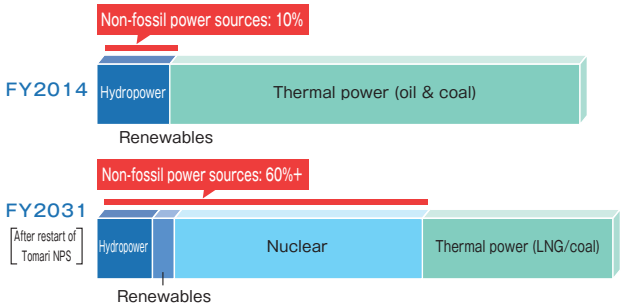
Source:"Graphical Flip-chart of Nuclear & Energy Related Topics," Japan Atomic Energy Relations Organization

Environmental Sustainability

Japan has declared that it will reduce greenhouse gas emissions by 46% in comparison to the FY2014 level by FY2031 and reach zero overall by the year 2050. Nuclear power plants and other carbon-free power sources will play a major role in achieving carbon neutrality.

After all units of Tomari Nuclear Power Station return to service, the HEPCO Group estimates that the ratio of non-fossil power sources to HEPCO Group's total power generation will rise from 10% in FY2014 to more than 60%, halving CO_2 emissions compared to the level in FY2014.

Power source mix envisioned by HEPCO Group Power Generation Division



Tomari Nuclear Power Station's Impact on Reducing CO_2

Although the effect may vary depending on the underlying conditions, when provisional calculations were made based on certain conditions*, the CO_2 emissions reduction effect from the restart of all Tomari Nuclear Power Station units would be on the order of 6 million tons of CO_2.

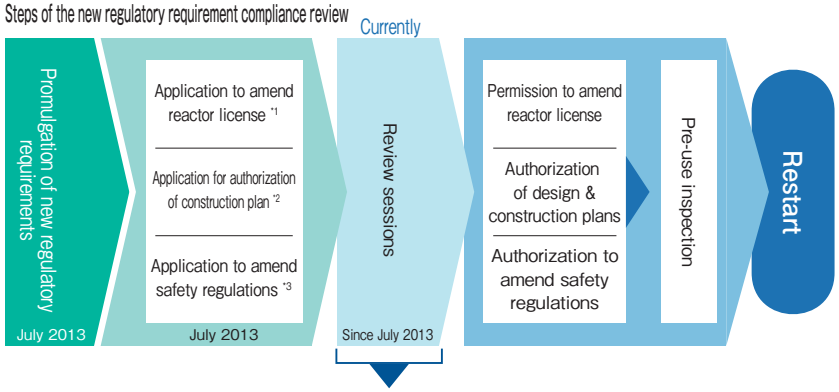
* <Provisional calculation conditions>
- CO_2 emission factor: 0.533kg-CO_2/kWh (FY2024 average emissions factor for all HEPCO power sources)
- Nuclear power station capacity factor: 70%
- Nuclear power plant auxiliary power ratio: 4% (Source: Report published by the Central Research Institute of Electric Power Industry)
- Rate of transmission/distribution loss: Assumed to be 5%

Tomari Nuclear Power Station Today

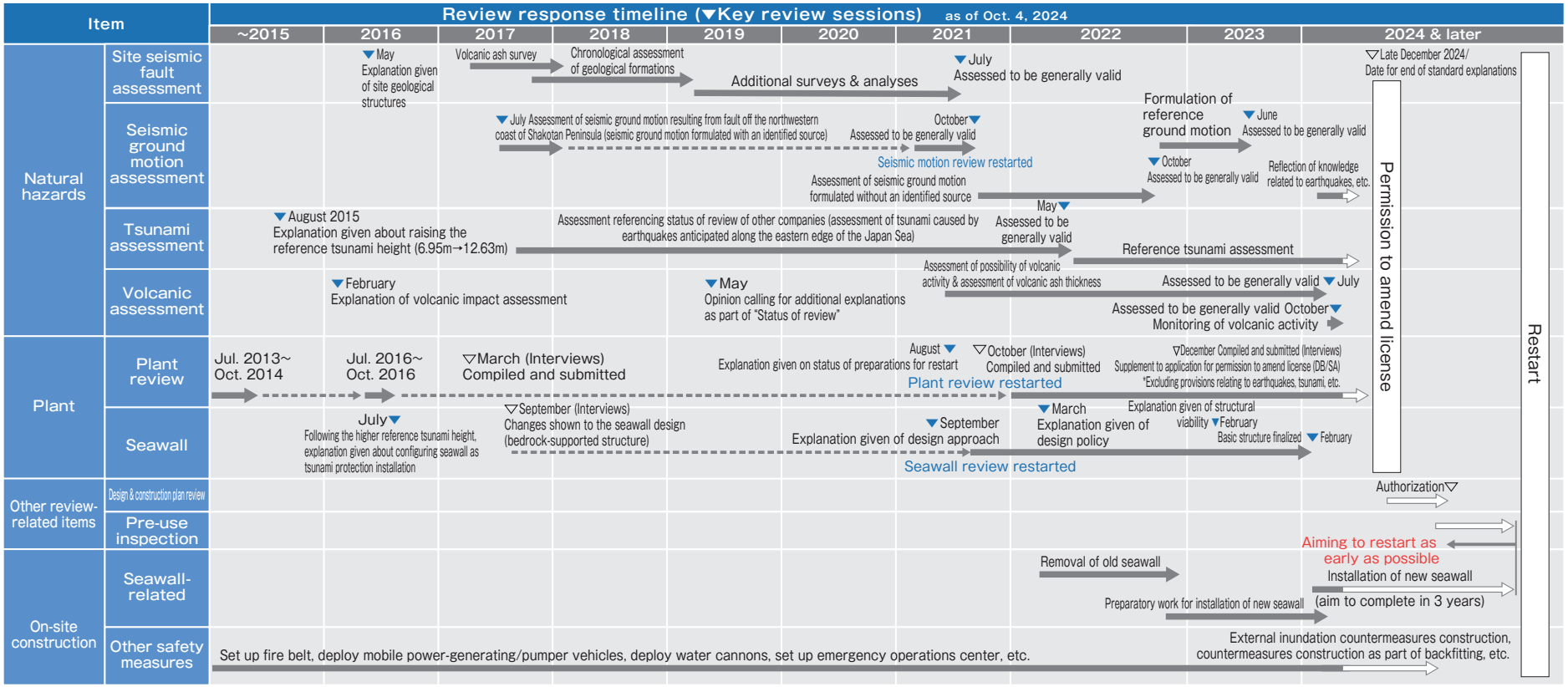
Tomari Nuclear Power Station Units 1 through 3 are currently undergoing review by the Nuclear Regulation Authority to determine their compliance with the new regulatory requirements with the aim of restarting the plant.We will take the lessons learned and experiences endured during the accident at Fukushima Daiichi Nuclear Power Station, Hokkaido Eastern Iburi Earthquake and other natural disasters, apply the advice and opinions of research institutes, third-party organizations, community residents and our customers, as well as collect, assess and utilize risk information to continue to rigorously evaluate and improve HEPCO's own activities in our tireless endeavor not only to sincerely comply with the review and enhance safety, but also to achieve world-class excellence in safety in our aim to make Tomari a power plant that people can trust.

*1 Assessment of effectiveness of basic design policy and measures as relates to severe accident or similar event response
*2 Description of detailed design of facilities and other equipment necessary for measures for severe accident or similar event response that are based upon permission to amend the reactor license (ex. pump specifications and number of units)
*3 Procedures for operating and managing facilities as well as a system of measures for severe accident or similar event response

Steps of the new regulatory requirement compliance review



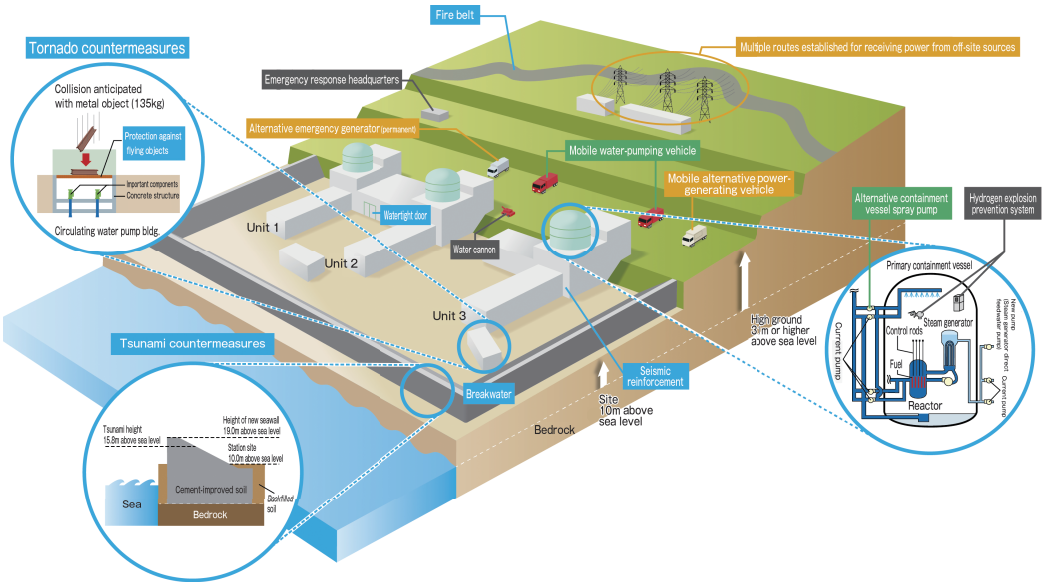
Necessary items through restart & status of HEPCO's response



Safety Improvements

Functions fundamental for ensuring the safety of a nuclear power plant are to "shut down" the reactors, "cool" the fuel, and "contain" radioactive materials. When the accident occurred at the Fukushima Daiichi Nuclear Power Station in March 2011, the reactors were successfully shut down, but inundation resulting from the tsunami made it impossible to cool the fuel, and, ultimately, the function for containing radioactive materials was lost.

HEPCO has promoted a variety of safety measures to enhance the safety of Tomari Nuclear Power Station. Even so, we are continuously working to further reduce the risk of a severe accident, not just limit our work to the safety measures implemented so far. This is based on our strong resolve never to allow an accident like the one at Fukushima Daiichi Nuclear Power Station to happen again.



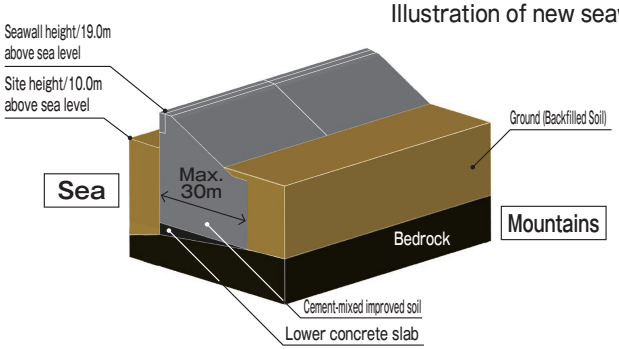
TOPICS Construction started on installation of new seawall

On March 28, 2024 at Tomari NPS, HEPCO Group started construction of the new seawall, which will serve to counter a tsunami strike.We conducted a review studying installation of a seawall. Then, during the February 2024 review meeting with the Nuclear Regulation Authority to examine compliance with new regulatory requirements, we explained the policy governing design of the seawall and the results of an assessment of its structural viability, and were able to finalize the basic structure.The new seawall will be 19.0 meters above sea level. A bedrock-supported structure has been adopted, which offers a high level of safety as it is directly supported by the solid bedrock beneath the structure.

We will continue to make absolutely sure that Tomari NPS is safe in our aim to make this power plant one that everyone is able to trust and rely upon.

Structure	Bedrock-supported structure constructed of concrete and cement-mixed improved soil
Cost	Approx. ¥180 billion (Preparation: approx. ¥70 billion, and installation: approx. ¥110 billion)
Completion date	Pending (The goal is to complete the seawall in three years after starting construction, but we are working with the goal of completing it as soon as possible.)

Illustration of new seawall installation & structure





Preliminary schedule for seawall

Seawall-related construction	FY2023	FY2024	FY2025 or later
Preparation work	Transport dirt, set up facility for producing cement-mixed improved soil, etc. ▲November		
Installation work			Retaining wall Excavation Pour concrete & cement-mixed improved soil

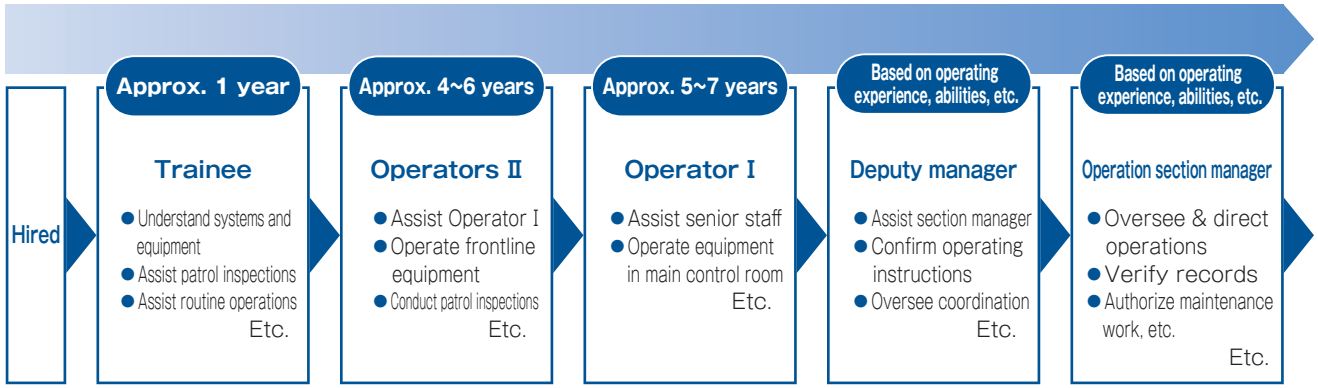
Initiatives for Maintaining and Transferring Engineering Skills

We are facing a challenge as the prolonged shutdown of Tomari NPS increases the number of employees without any experience in operating a nuclear power station, and we need to address this lack of operational experience.In facing this challenge, we continue to provide practical training that makes up for a lack of operational experience as well as training and education in which our veteran employees pass down their engineering skills to the younger generation. This will help us maintain and transfer the engineering competency that our employees require in preparation for restarting the power station.

Need for Long-Term Systematic Personnel Training

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

Illustration of Operator Training Process

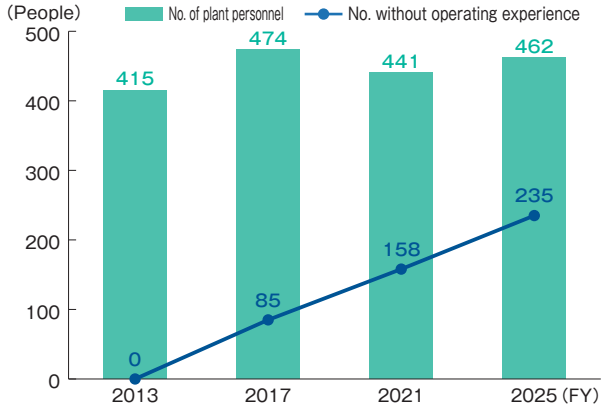


Increase in personnel without operating experience

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

As of April 2024, 235 of the 462 Tomari NPS personnel, or approximately 50.9%, do not have any operating experience.

No. of employees without plant operating experience



Specific training initiatives

Training focused on practical scenarios

We are working to maintain and improve power station personnel knowledge and engineering capabilities by dispatching them to our thermal power stations and plants run by other companies that have been restarted as well as posting our employees to temporarily assignments at engineering firms. In addition, we are also working to maintain and improve our operators' skills with continuing simulator training that focuses on a range of events from minor equipment failures to severe accidents.

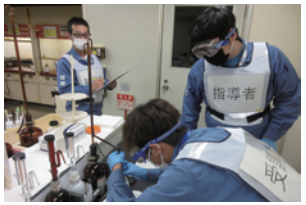

Personnel deployed to online HEPCO thermal power station


Simulator training

Passing down skills to the younger generation

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


Technical instruction for younger employees

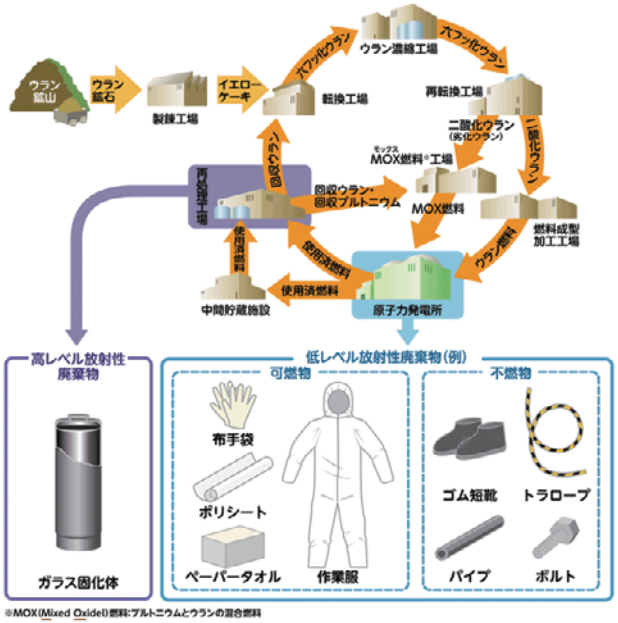


Radioactive Waste

What is Radioactive waste?

Radioactive waste is broadly categorized into low-level radioactive waste, which has a low level of radioactivity generated during operation of a nuclear power plant and other processes, and high-level radioactive waste, which has a high level of radioactivity remaining and is unable to be reused in reprocessing spent fuel.

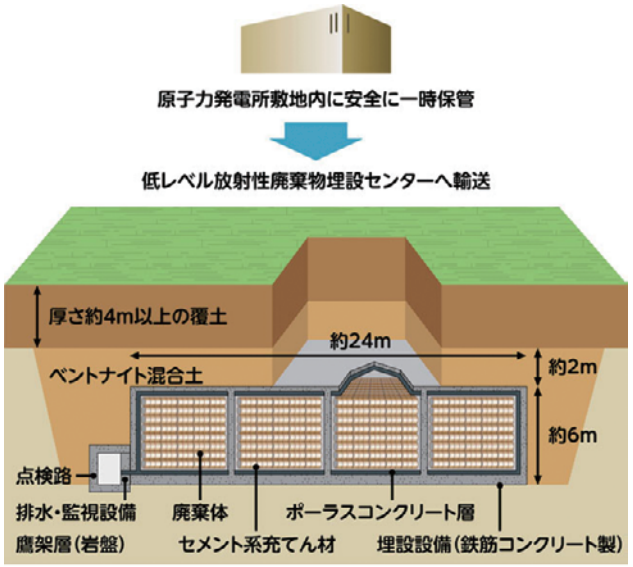
For disposal, radioactive waste is sorted appropriately according to its radioactivity level, properties, type of radioactive material, and other characteristics. Radioactive waste is strictly controlled, practically processed, and disposed of on the principle that it is the responsibility of the entity generating the radioactive waste to deal with it.



Low-Level Radioactive Waste

Low-level radioactive waste generated by a nuclear power plant includes gaseous, liquid, and solid waste. At the Tomari Nuclear Power Station, solid waste equivalent to 12,974 drum cans is in storage as of the end of FY2024.

After the waste stored in the drum cans is kept in a storage shed on the premises of the nuclear power station, it is transported to Japan Nuclear Fuel Limited's Low-Level Radioactive Waste Disposal Center in Rokkasho Village, Aomori Prefecture where it is disposed of by burying it in a concrete pit.

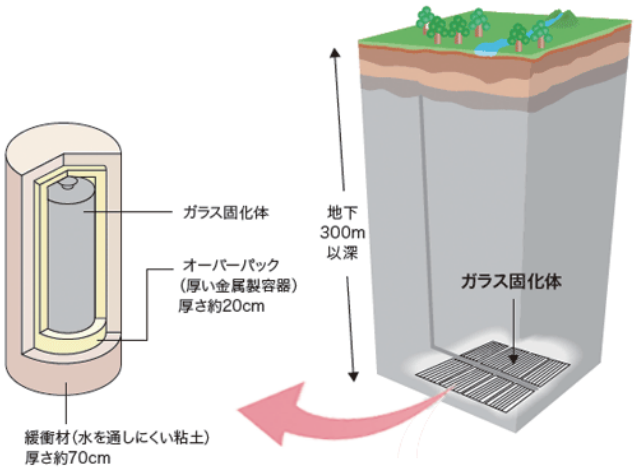


低レベル放射性廃棄物埋設センター　1号埋設設備断面図

High-Level Radioactive Waste

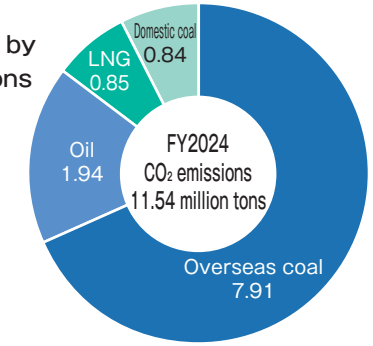
High-level radioactive waste refers to vitrified waste. This is highly-radioactive waste liquid, which is left over as it is unable to be reused in the reprocessing spent fuel, mixed with molten glass and allowed to harden.

After hardening it in a stable form (vitrification), it is cooled and kept in an aboveground facility for between 30 and 50 years, after which it is ultimately disposed of in deep stable bedrock deeper than 300 m underground (geological disposal).The Nuclear Waste Management Organization of Japan (NUMO), which has been authorized by the state, takes care of such disposal projects.



Thermal Power

FY2024 CO_2 emissions (11.54 million tons) by fuel type from HEPCO Group power divisions



Thermal power plays a dual role providing capacity for supplying power to meet demand and the balancing capacity for keeping power supply and demand in balance. Looking ahead, while installation of solar, wind, and other renewable energy sources is expected to expand, weather conditions and other uncertainties will cause greater fluctuations in output. That is why thermal power will continue to be important in underpinning both supply and balancing capacity in the future as well.

In aiming to reach our target of reducing CO_2 emissions by more than 50% by 2030 compared to FY2014 levels and achieving carbon neutrality by 2050, we will proceed to suspend or decommission aging and inefficient thermal power plants, while taking into account a stable supply of electric power. We will also take up the challenge of decarbonizing thermal power through conversion to hydrogen and ammonia for fuel and the adoption of CCUS technology.

Efforts to Decarbonize Ishikariwan Shinko Power Station

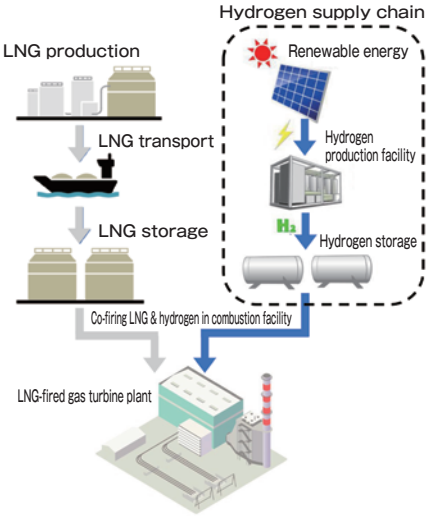
Ishikariwan Shinko Power Station uses LNG which emits less CO_2 during combustion than coal or oil, so it contributes to reducing CO_2 emissions over the course of our journey to carbon neutrality by 2050. Thanks also to its high output adjustment capability, Ishikariwan Shinko Power Station is also extremely valuable as a balancing capacity facility. Therefore, to ensure the station's continued use in the future, we are seeking to leverage the following low-carbon technologies to achieve our aim of being carbon neutral.

Hydrogen Utilization

Hydrogen is a viable fuel for decarbonizing our current LNG-fired thermal power as it contains no carbon, does not emit CO_2 during combustion, and the combustion speed approximates that of LNG.

We made a successful bid for construction of Unit 2 at Ishikariwan Shinko Power Station in the long-term decarbonization auction held in FY2024. The new unit will operate solely on LNG when it goes online in FY2031. We are advancing consideration of hydrogen combustion, transportation and storage technologies with the goal of utilizing hydrogen (conversion rate of 20-50%) in the early 2040s. Moreover, we will take up the challenge of converting to hydrogen exclusively in combustion by the end of the 2040s.

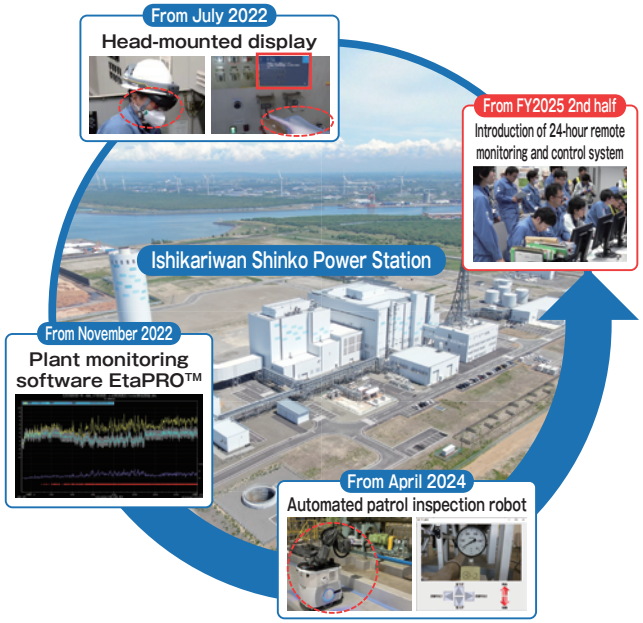
Illustration of hydrogen co-firing at Ishikariwan Shinko Power Station



TOPICS Promoting DX for Enhanced Operational Efficiency and Quality

We have taken the initiative in promoting Digital Transformation (DX), a means of reforming operations that allows the manner in which operations have been structured to be flexibly reassessed.

Challenges in the field of electrical safety have become increasingly apparent with the aging workforce and staff shortages. To address these, we have pursued solutions that enhance operational efficiency through the use of head-mounted displays and automated patrol inspection robots and upgraded plant monitoring leveraging IoT and AI technologies. In the second half of FY2025, we plan to introduce a 24-hour remote monitoring and control system at Ishikariwan Shinko Power Station. We will continue our efforts to raise both productivity and safety capabilities.



Initiatives for Decarbonizing Tomato-Atsuma Power Station

Tomato-Atsuma Power Station Unit 4 (coal-fired thermal power) has the largest generator output of all our thermal power units and one of the highest output adjustment capabilities of all Japan's coal-fired power plants. The facility is a very valuable in terms of both its power supply and balancing capacities. To ensure its continued utilization in the future, the following low carbon technologies will be combined so that the power station unit may achieve carbon neutrality.

1 Utilization of CCUS Technology

Carbon dioxide Capture, Utilization and Storage (CCUS) is a low-carbon technology comprised of Carbon dioxide Capture and Storage (CCS) that separates and captures CO_2 in exhaust gases emitted from power plants, factory boilers, and other such facilities for storage deep underground, and Utilization (CCU) that converts it into synthetic fuels and other applications for use. The Tomakomai region, where Tomato-Atsuma Power Station is located, offers potential for both underground CO_2 storage and its utilization. That is why we have been studying the installation of CO_2 separation and capture equipment at Unit 4. Once this technology is established, we will consider utilizing it at other units.

2 Utilization of Fuel Ammonia

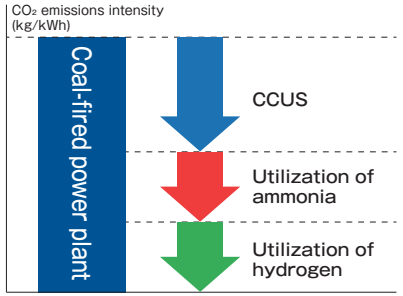
Not only does ammonia contain no carbon and emit no CO_2 during combustion, its combustion speed approximates that of coal, making it a viable fuel for decarbonizing our current coal-fired power plants.

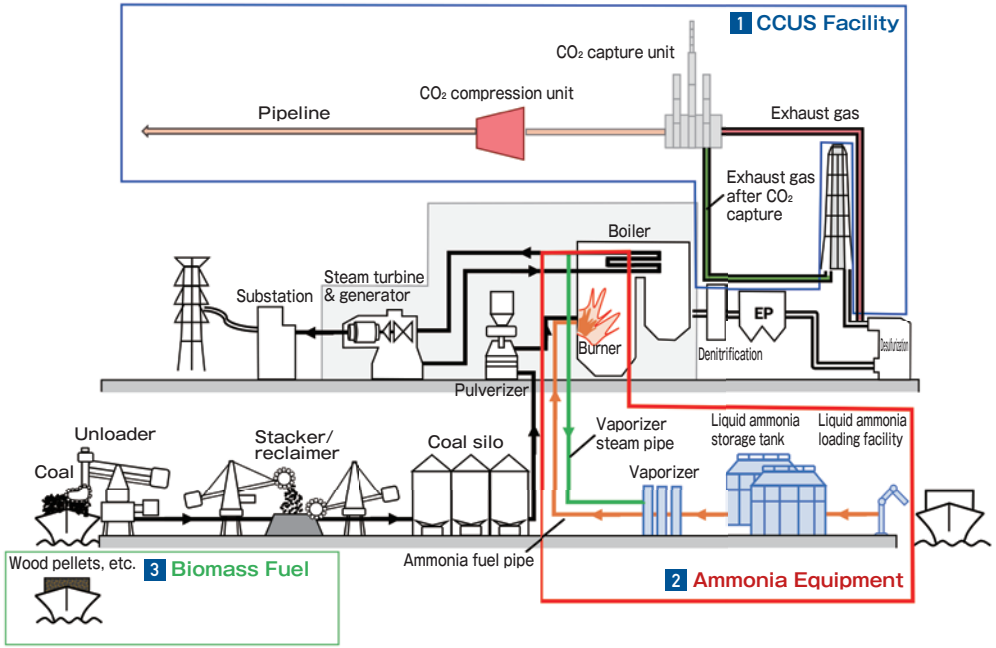
At the long-term decarbonization auction held in FY2024, we successfully bid for modification of Unit 4 to use fuel ammonia (20% conversion rate). With a target of initiating the use of fuel ammonia in FY2031, we are proceeding to review facility modifications, fuel ammonia procurement, and other requirements to further increase the conversion rate in the future and ensure that such single-fuel combustion is extended from Unit 4 to other plants.

3 Utilization of Biomass Fuel

Biomass fuel is a proven low-carbon fuel that many coal-fired power plants have already adopted. We are studying the feasibility of utilizing black pellets, which are semi-carbonized wood pellets, at Tomato-Atsuma Power Station. We will verify the feasibility of utilizing black pellets and their conversion rate in our current power generation facility, in addition to attempting combinations of biomass fuels with other low-carbon technologies.

Illustration of Decarbonization Technology





Renewable Energies

Hydropower

Hydroelectric power is a clean energy that does not emit CO_2 during the generation process. It is a renewable energy that allows stable power generation over the long-term. Of the different types of hydroelectric power, the ordinary (run-of-river) type that controls water flow is expected to serve as a baseload power source with the pumped storage-type fulfilling the role as a balancing solution. While there are some aging power plants, these types of hydroelectric power generation will contribute to achieving carbon neutrality through their use over the long-term as work is performed to replace aging facilities, update components, and perform other such tasks.

Hydropower generated (generating side) (FY2024)
3.6billion kWh

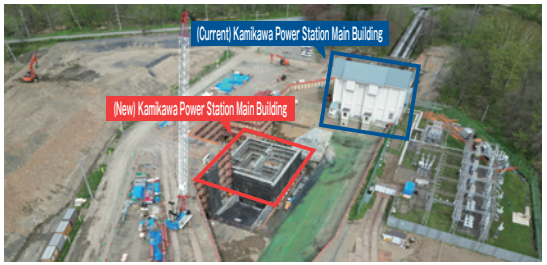
Aging Management: Replacement and Component Updating

Hydropower generation is a clean renewable energy that does not emit CO_2 during the generation process. It is also an essential power source for achieving carbon neutrality. HEPCO has strived to stably operate power plants while updating components and performing repairs at the appropriate times. We have also been introducing new technologies and effectively utilizing untapped energies as part of our efforts to increase output and generating capacity.

When aging facilities have deteriorated significantly, extensive renovation work (replacement) may also be necessary. Such facilities are addressed consecutively as the FIT scheme and other frameworks employed. HEPCO is working to maintain and ensure stable power sources for the future.

【Kamikawa Power Station Replacement Work】

Work begun in June 2023 with commercial operation set to start in March 2027.
Max. output: 12,000kW



Pumped-storage power stations contributing to greater adoption of renewable energies

In recent years, as solar power and other renewable energies have been increasingly installed, there are more and more occasions when surplus power is generated during daytime. Offering quick start and shutdown capability in addition to excellent load adjustment, pumped-storage power stations also function as storage batteries. They use surplus electricity from renewable energy sources to pump up water, which is then used when necessary to generate electricity. HEPCO Group has three pumped-storage power stations with a total capacity of 800,000 kW. These serve as balancing power sources to maximize the effective use of renewable energy.

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

List of HEPCO Pumped-Storage Power Stations
(As of August 31, 2024)

Power station	Type	Output (10,000 kW)
Kyogoku	Pumped-storage hydropower	40
Niikappu	Mixed pumped-storage hydropower	20
Takami	Mixed pumped-storage hydropower	20

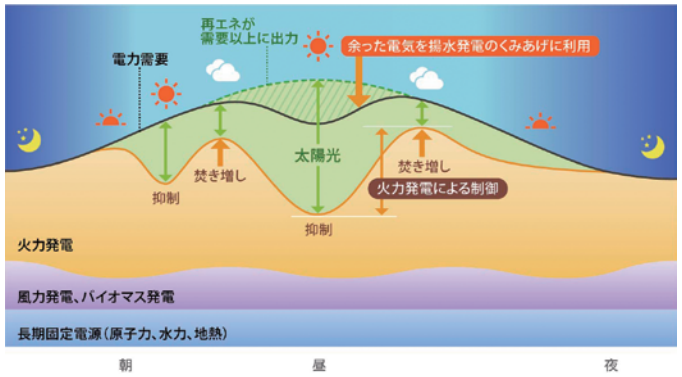


Illustration of Electric Power Demand & Supply

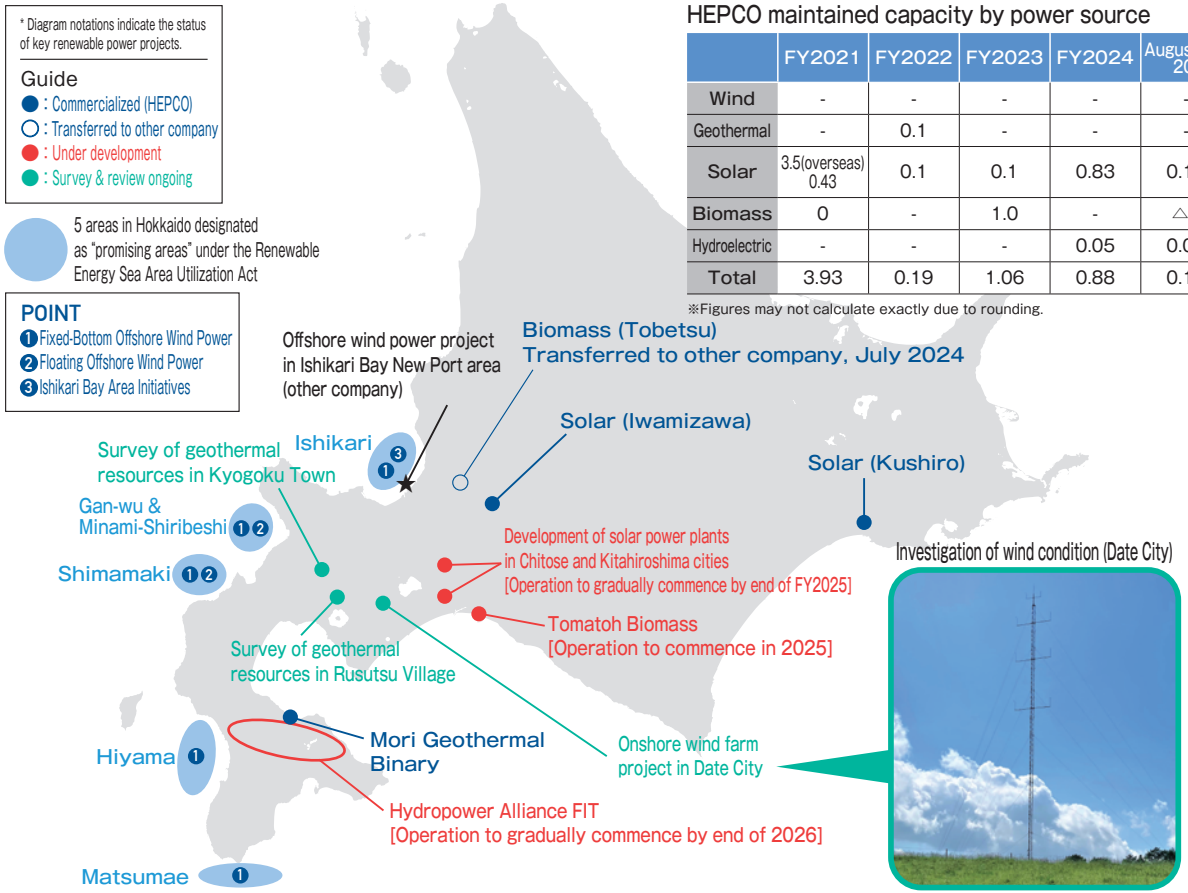
* Agency for Natural Resources and Energy document "Save Electric Power from Crisis! What is the Role of the Remarkable Pumped-Storage Power Generation?"

Striving to Expand Renewable Energies

HEPCO will achieve the target set out in the HEPCO Group Management Vision 2030, which we announced in April 2020, of increasing renewable energy power generation (including outside Hokkaido) to a minimum of 300,000kW by FY2031, after which we will work to further expand that capacity.

Total renewable energy sources for which installation has been set since we announced our vision amounts to approximately 61,000 kW (as of the end of FY2024). Moving forward, we will not miss any business opportunities as we also consider perspectives such as power source decarbonization and effective utilization of regional resources.

In Japan, Hokkaido is a region with exceptionally high potential particularly with regard to offshore wind power. Since the Act on Promoting the Utilization of Sea Areas for the Development of Marine Renewable Energy Power Generation Facilities ("Renewable Energy Sea Area Utilization Act") took effect, we have anticipated that offshore wind power will become more prevalent and expand, so we have been actively pursuing initiatives to further these opportunities.



HEPCO maintained capacity by power source — Unit (10,000 kW)

	FY2021	FY2022	FY2023	FY2024	August 31, 2024	Cumulative total
Wind	-	-	-	-	-	-
Geothermal	-	0.1	-	-	-	0.1
Solar	3.5(overseas) 0.43	0.1	0.1	0.83	0.11	3.5(overseas) 1.57
Biomass	0	-	1.0	-	△0	1.0
Hydroelectric	-	-	-	0.05	0.05	0.1
Total	3.93	0.19	1.06	0.88	0.14	6.20

※Figures may not calculate exactly due to rounding.

TOPICS Current Offshore Wind Power in Hokkaido

POINT ❶ Fixed-Bottom Offshore Wind Power

Under the Renewable Energy Sea Area Utilization Act, five areas of Hokkaido were partitioned into "promising areas" on May 12, 2023: the areas off the coast of Ishikari City, Gan-wu and Minami-Shiribeshi districts, Shimamaki, Hiyama, and Matsumae. Of these five, the three areas of the Gan-wu and Minami-Shiribeshi districts, Shimamaki, and Hiyama were selected as areas for survey using the Central Method. The Japan Organization for Metals and Energy Security is conducting the surveys.

With meticulous attention paid to trends toward designating areas for promotion pursuant to the Renewable Energy Sea Area Utilization Act as well as the results of Central Method surveys in addition to other factors, HEPCO is reviewing project feasibility with eye toward participating in projects while also gaining the understand of people in the community.

POINT ❷ Floating Offshore Wind Power

On October 3, 2023, Hokkaido's offshore areas of Gan-wu and Minami-Shiribeshi districts and Shimamaki were designated as "areas at a certain preparatory stage" for floating offshore wind power generation. Central surveys of these areas began in FY2025.

With regard to floating offshore wind power, HEPCO Group joined the Floating Offshore Wind Technology Research Association ("FLOWRA") in June 2024. With other FLOWRA members, we will collaborate on the development of technologies to reduce costs and risks associated with commercialization of floating offshore wind power generation.

POINT ❸ Ishikari Bay Area Initiatives

In 2019, we signed a partnership agreement with Green Power Investment Corporation. Since then, we have jointly studied offshore wind power in the Ishikari Bay New Port area and off the coast of Ishikari City in Hokkaido. Through this agreement, we began construction of a 100,000-kW fixed-bottom offshore wind power facility in August 2020 in the Ishikari Bay New Port area. Commercial operation started on January 1, 2024.

VALUE CREATION INITIATIVES

Electric Power Wholesaling

Amid the drastic changes taking place in the electricity business brought about in part by a series of electric power system reforms including full liberalization of the electricity business, HEPCO aims to maximize profit through the active use of wholesale transactions combining spot trading and derivatives as well as optimization of demand-supply management.

As renewable energies are adopted and expanded, new markets are created, and other events change the business environment, we are working to further reduce demand and supply-related expenditures. It is also necessary to actively leverage the spot market, futures market, negotiated transactions, and a variety of other avenues to increase revenue, so we established the Optimization & Trading Department and built a system that strengthens our market analysis capabilities, closely coordinates information, and allows for quick decision-making.

In addition, we have aggressively worked to hire personnel with expertise and intimate knowledge of financial transactions and trading. Maximizing the specialized knowledge and know-how that these professionals possess will contribute to enhancing corporate value.

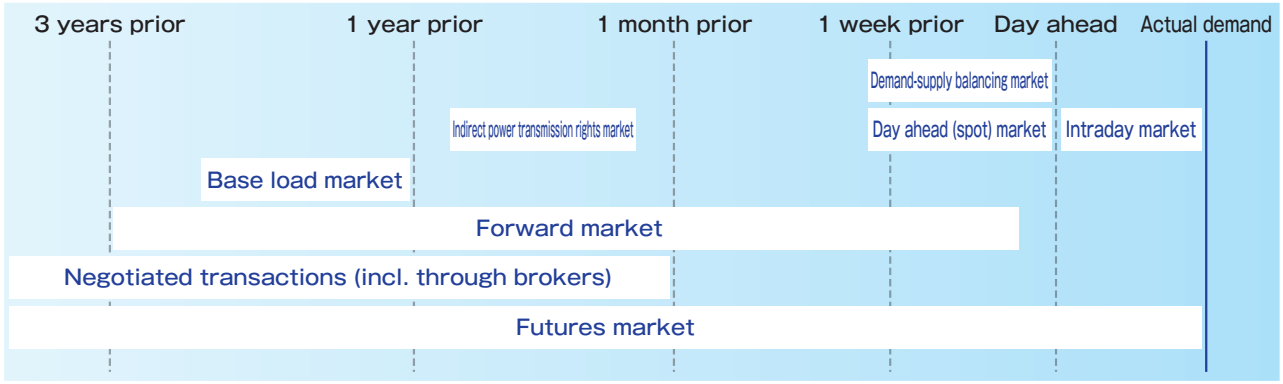


Demand-Supply Management Center

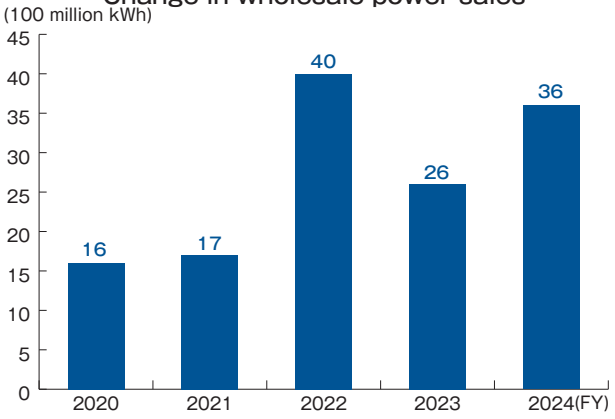
Timing of market and negotiated transactions

The diagram below shows the timing when market and negotiated transactions are executed.

The formation of new markets and revitalization of existing markets have created many opportunities for transactions ranging from short-term to long-term. To effectively utilize our supply capacity, we are seeking to increase revenue by prioritizing profitable market and negotiated transactions.



Change in wholesale power sales



Key Initiatives

Intensified competition in the retail electricity market has made it even more vital to engage in wholesale transactions. To capture such opportunities, we are optimizing our demand and supply planning, diversifying transactions, and pursuing other initiatives to differentiate ourselves from other companies and maximize profits through enhanced competitiveness.

Optimization of Demand-Supply Planning

Advantages of the Demand-Supply Management Center

The Demand-Supply Management Center (Balancing-Group Central Dispatch) operates three shifts covering all 24 hours of the day, preparing demand-supply plans, engaging in transactions in the spot market, and monitoring whether planned levels are simultaneously balanced.

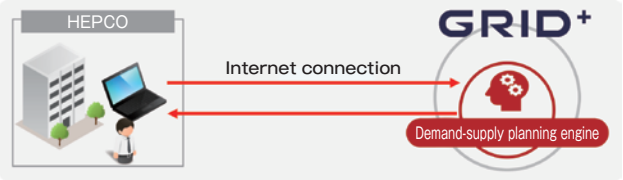
In addition, HEPCO's Balancing-Group Central Dispatch has operation monitoring and control functions for hydroelectric power plants as well as the capability to centrally and dynamically prepare and change operation plans for hydroelectric and thermal power in accordance with demand and supply conditions and market prices in addition to the electric power trading plans associated with that. This is another of HEPCO's strengths.

Development and Adoption of AI Systems

Together with Grid, Inc., HEPCO is working to develop and introduce demand-supply plan optimization systems utilizing AI (demand-supply planning engines).

The adoption of systems utilizing AI makes it possible to prepare in a short period of time optimized demand-supply plans, including plans for articulated water systems, which until now have depended on empirical rules based on complex mathematical programs. This makes an even greater contribution to containing thermal power fuel costs, increasing profits through higher market bids, and enhanced operational efficiency.

In addition, the reduction in CO_2 from thermal power plants contributes to a reduction in emissions from the entire region.



Transaction Diversification

Improving Need-Based Trading Methods

To realize wholesale power trading that does not discriminate between internal and external traders and treats our retail division the same as new power companies, we expanded our product lineup by introducing a new bidding system in addition to the broker-based market method for direct trading with delivery starting FY2025. HEPCO will strive to ensure transparency and fairness while engaging in transactions that reflect buyers' needs.

In addition, our wholesale power trading practice that does not discriminate between internal and external traders has been recognized by the Electricity and Gas Market Surveillance Commission. Ahead of other former general electricity utilities, we discontinued regular backups in FY2025.

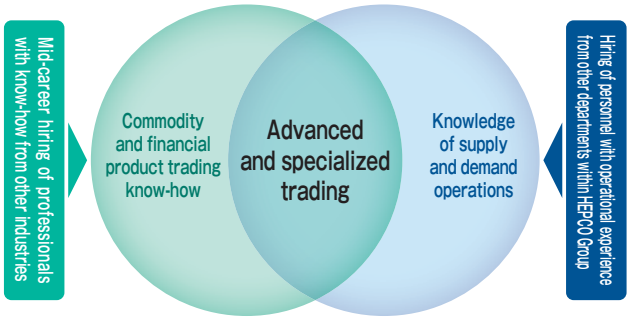
Date	Description
FY2021	Optimization & Trading Department established
FY2022	Derivatives trading begun
FY2023	Broker trading initiated in standard wholesale menu
FY2024	Bidding system introduced in standard wholesale menu
	Standard wholesale menu product lineup expanded (long-term wholesale and market price-linked menus introduced)
	Power options trading commenced
FY2025	Regular backups discontinued

Optimization & Trading Department Workforce Composition

The aim of power trading operations is to generate profits through both electricity procurement and sale. Knowledge is required of supply and demand operations, including the operational characteristics, costs, and other factors specific to each power station, and such operations are premised upon an understanding of the overall electric power business.

In addition to these elements, knowledge is also necessary of trading in commodities, financial products, and other markets, which was previously lacking among our traditional employees, in order to trade a variety of products relating to electric power and fuel.

Accordingly, the Optimization & Trading Department is comprised of personnel from diverse backgrounds, including career employees from a variety of other departments and mid-career hires from other industries. By combining each employee's particular expertise, know-how, and other knowledge to engage in sophisticated and specialized training, we have formed an organizational structure capable of expanding profits.



VALUE CREATION INITIATIVES

Power Transmission and Distribution Business

Overview of Hokkaido Electric Power Network Inc.

Hokkaido Electric Power Network Inc's principal operations comprise a general transmission and distribution network throughout Hokkaido and power generation systems on outlying islands. The company strives to efficiently operate the power transmission and distribution network so that facilities and equipment arrayed across a vast area are always maintained in sound condition, enabling the provision of a stable and inexpensive supply of electricity.

In addition, we are doing our utmost to expand the use of renewable energies in Hokkaido, a treasure trove of natural energy, in order to contribute to achieving carbon neutrality.

Distribution System	
Transmission line route length	8,445km
No. of support structures	45,126
Substations	401w/24,603MVA capacity
Distribution line route length	68,411km
No. of support structures	1,486,391

Power Generation Facilities	
Hydroelectric power stations	3 w/0.4MW capacity
Thermal power stations	4 w/17MW capacity
Breakdown	
Internal combustion	4 w/17MW capacity
Total	7 w/17MW capacity

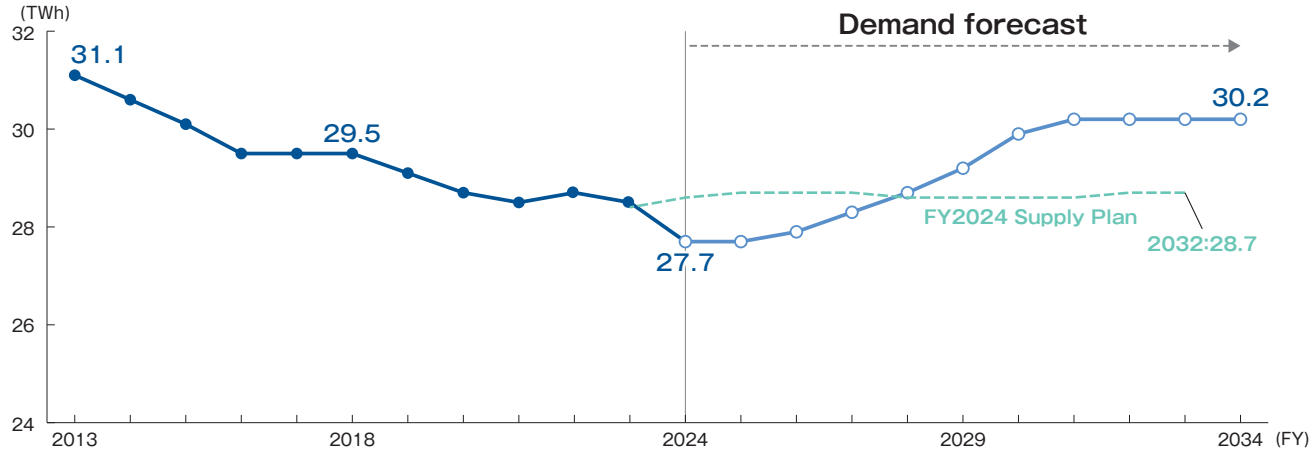
Distribution and power generation systems are current as of March 31, 2024

Hokkaido Area Power Demand Forecast Shows Increase as Companies Move into Region

Plans are being drafted for construction and expansion of semiconductor plants and data centers in the Hokkaido area, driven by the region's cool climate and potential as a suitable site for renewable energy power generation operations.

While previous electric power demand forecasts indicated flat growth, the forecast for the next 10 years takes into account the construction and expansion of semiconductor plants and data centers with demand now projected to increase in the FY2025 supply plan.

10-Year Area Demand Forecast (FY2025 Supply Plan)



"Notification of FY2025 Supply Plan" (announced by Hokkaido Electric Power Network on March 29, 2024)
* Created by Hokkaido Electric Power Network based on demand projections for Japan and specific service areas (FY2025)" (released by Organization for Cross-regional Coordination of Transmission Operators, Japan on January 24, 2024)

(TWh)

		FY2024 estimated results		FY2034 projection	Major changes
Area power demand volume		27.7	→	30.2	Increased demand expected from new and expanded commercial facilities, data centers, and semiconductor plants
Reposted	Residential, etc.	12.3	→	11.8	Downward trend anticipated due to population decline, energy conservation initiatives, and factors which are similar to other areas
	Commercial	7.7	→	8.0	Upward trend due to new and expanded commercial facilities (Sapporo city urban redevelopment, resort developments, etc.)
	Industrial	7.7	→	10.4	Upward trend due to new and expanded data centers, semiconductor plants, etc.

Facility Formation Approach to Meet New Demand

Hokkaido Electric Power Network has ensured stable supply by incrementally constructing facilities in line with renewable energy interconnections and demand growth so that we may keep wheeling charges low and respond to increasingly severe natural disasters.

Given recent plans for high power demand by large-scale semiconductor plants and data centers as they enter the region, the early implementation of major facility measures to address this demand is a critical challenge that we face.

Accordingly, our aim when augmenting facilities is to incorporate both a "pull-type*" approach, where we respond whenever a contract application is filed, and a "push-type*" approach, where Hokkaido Electric Power Network takes the initiative and systematically reinforces our facilities, so that they are structured in a reasonable manner.

* Pull-type approach is a concept where facility formation takes place irrationally in a patchwork manner, implementing facility enhancements whenever a power source or user files an application for a contract.
* Push-type approach takes into consideration future trends in power sources and inroads by users and other factors as well as cost-benefit analyses so that facility formation takes place in a rational manner making it possible for general transmission and distribution operators to proactively and systematically augment their facilities.

Capital Investment Plan to Meet New Demand

Looking ahead to future increases in power demand, we will reliably ensure a stable supply by moving forward with development of transmission and distribution facilities, including securing necessary supply capacity and enhancing power facilities.

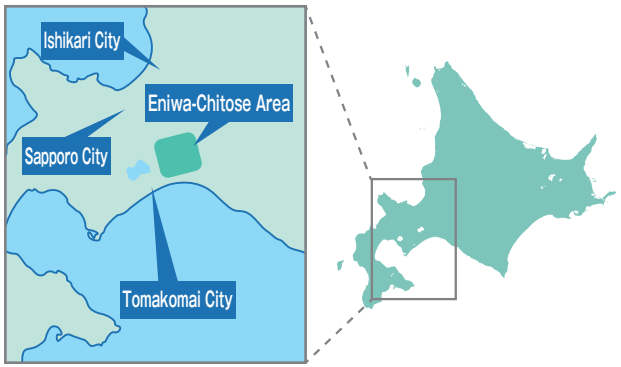
In addition, we are systematically proceeding to construct new facilities, including new substations, so that we can deliver the electricity that our customers want when they need it.

The Eniwa-Chitose area is expected to be the site of new semiconductor plants and other facilities, so we decided to construct the Minami-Chitose Underground Line (tentative name) and Minami-Chitose Substation, and are proceeding with preparations for construction of these facilities.

Project		(Tentative) Minami-Chitose Underground Line (new construction)
Construction period	Start of construction	2024.9
	Start of operation	2027.10

Substation		Minami-Chitose Substation (new construction)
Construction period	Start of construction	2025.5
	Start of operation	2027.10

Source:"Notification of FY2025 Supply Plan" (announced by Hokkaido Electric Power Network on March 29, 2024)

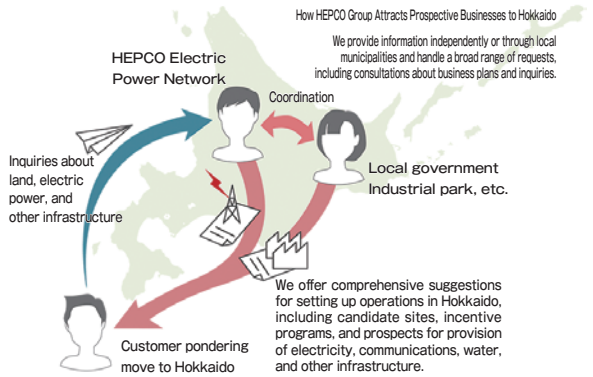


TOPICS Boosting Efforts to Attract Businesses to Hokkaido

Hokkaido Electric Power Network provides assistance to customers considering moving their operations to Hokkaido. We seek to attract companies from the standpoint of actively promoting the region's industrial development.

Large-scale demand for semiconductor plants, data centers, and other digital-related industries is planned primarily in the central Hokkaido's industrial zone stretching from Ishikari City to Tomakomai City from FY2025.

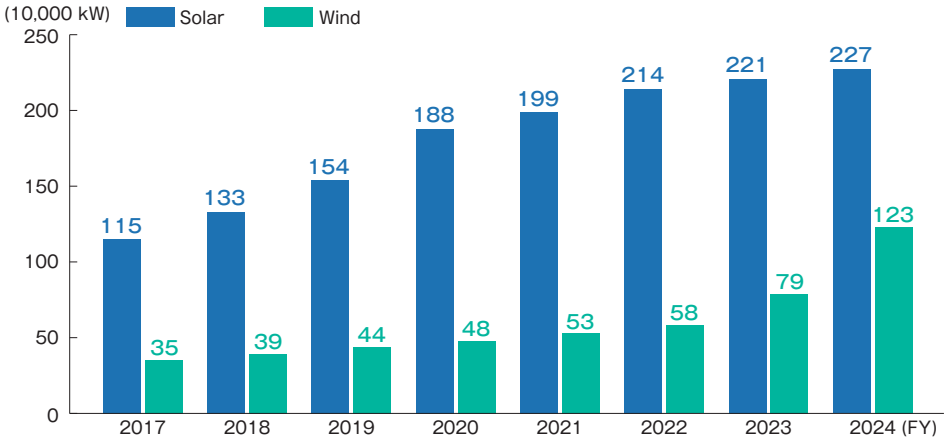
In coordination with the Hokkaido Prefectural Government and local municipalities, we are reviewing our electric power facilities to meet the public's expectations, particularly with regard to location promotion policies that leverage Hokkaido's advantages such as its cool climate and renewable energy resources.Furthermore, we are promoting activities to attract companies to the area that capitalize on the region's features in order to advance industrial clusters throughout Hokkaido, not just the central region.



Construction of Next-Generation Electric Power Network

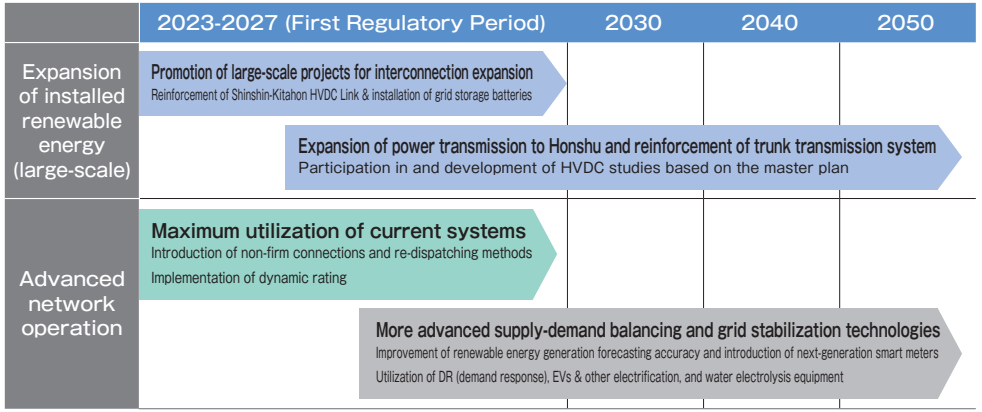
Expansion of Renewable Energy Connections

The Hokkaido area offers greater potential for renewable energies than the rest of the country. Renewable energy grid capacity in Hokkaido as of March 2024 was 2.27 million kW for solar, 1.23 million kW for wind, 540,000 kW for biomass, and 30,000 kW for geothermal, surpassing the annual electric power average for the Hokkaido area (approx. 3.4 million kW).



To expand installation of renewable energy and establish this as a core power source, Hokkaido Electric Power Network has been promoting large-scale projects such as bolstering the Shinshin-Kitahon HVDC Link, maximizing use of current grids, effectively utilizing transmission and distribution facilities leveraging next-generation equipment, and implementing other initiatives.

In addition, we have been working to improve renewable energy forecasting accuracy and striving to reduce costs for procuring balancing capacity from the demand-supply balancing market.



Source: Excerpted and partially modified from Construction of Next-Generation Power Networks (Hokkaido Electric Power Network Business Plan 2023-2027)

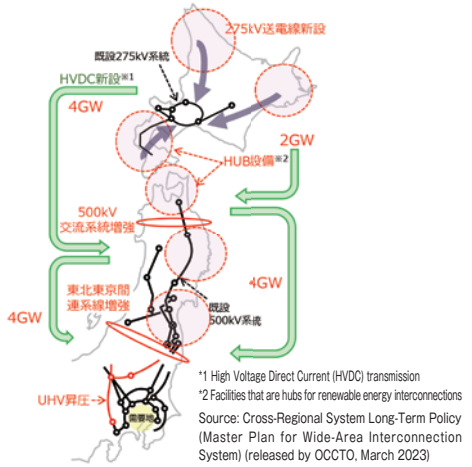
TOPICS Expansion of power transmission to Honshu and reinforcement of trunk transmission system

Master Plan for Wide-Area Interconnected System

In March 2023, the Organization for Cross-Regional Coordination of Transmission Operators, Japan (OCCTO) compiled a long-term policy for wide-area systems that includes its "Long-Term Policy for Wide-Area Grid" which is a detailed picture of future wide-area interconnected systems that anticipates achieving carbon neutrality by 2050 as well as specific initiatives for realizing that target. Hokkaido Electric Power Network is actively cooperating toward realizing this master plan for wide-area interconnected systems to contribute to expanding the use of renewable energies in Hokkaido.

Wide-Area System Development Plan

On April 3, 2024, OCCTO compiled the basic requirements that are to serve as the outline for plans to expand the wide-area system that is the Hokkaido-Honshu HVDC Link (Japan Sea Route), for which the planning process was initiated on July 20, 2022.Moving forward, OCCTO is set to solicit the project implementation entity. As the general transmission and distribution operator for the Hokkaido area, Hokkaido Electric Power Network will continue to study technical challenges and other issues related to stably supplying power to the grid in order to realize the plan.

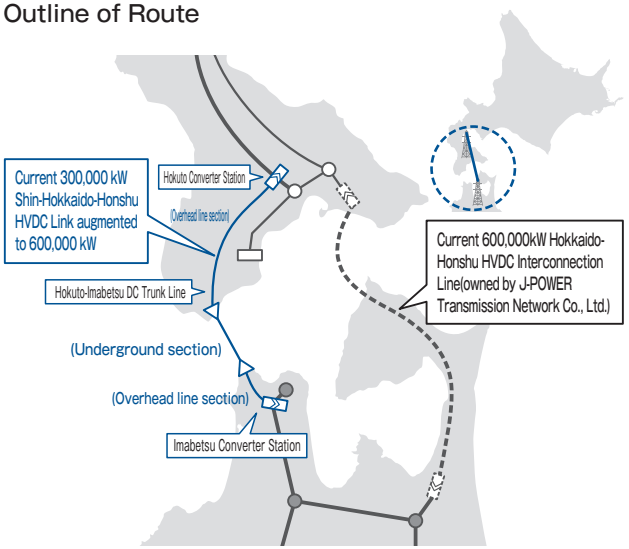


Promotion of large-scale projects for interconnection expansion

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

Pursuant to the Cross-Regional Grid Development Plan Concerning Interconnection Links Between Hokkaido and Honshu which was drafted in May 2021 to stimulate wide-area electric power transactions, reinforce resilience, and further expand adoption of renewable energies, we have started work on augmenting the link with 300,000 kW (Shinshin-Kitahon) in the aim of commencing operation in March 2028 along the same route as the current Shin-Hokkaido-Honshu HVDC Link. (Total construction cost is 47.9 billion yen, including work to be performed by Tohoku Electric Power Network Co., Inc.)

Outline of Route



Overall Project Schedule

Segment \ FY	2022	2023	2024	2025	2026	2027	2028
Hokuto Converter Station			■Start				
			Design, contract bidding, manufacture				
				Construction			
Imabetsu Converter Station			■Start				
			Design, contract bidding, manufacture				
				Construction			
Hokuto-Imabetsu DC Trunk Line			■Start				
			Inquiry, site support, surveying, etc.				
				Construction (overhead lines, cables)			

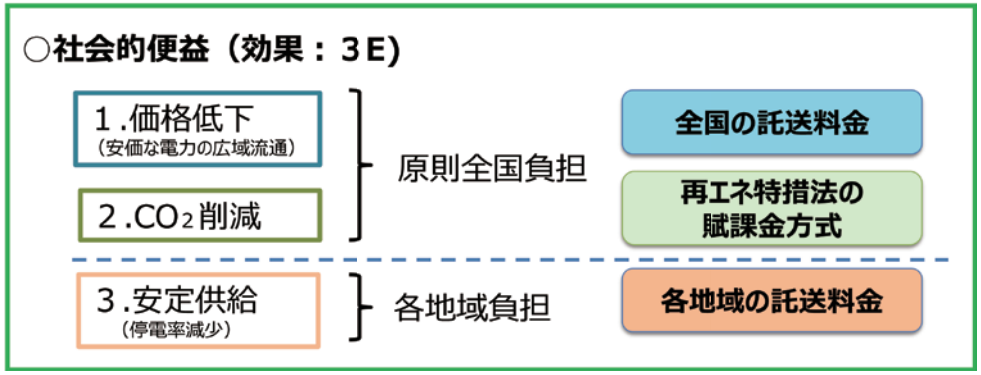
System interconnection test

Operation start in March 2028

Approach to Recovery of Wide-Area System Development Costs

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

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



Source: Excerpt from material for the Agency for Natural Resources and Energy Subcommittee on Mass Introduction of Renewable Energy and Next-Generation Electricity Networks (49th Session)

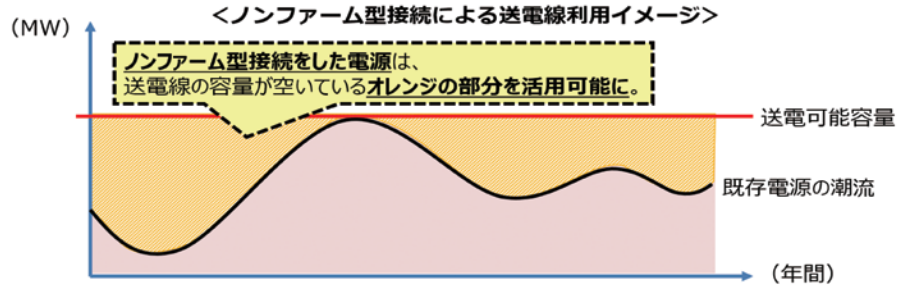
Addressing Advances in Network Operations

Maximum utilization of current systems

Non-Firm Connections

Because operation of power sources connected to the grid are dependent on demand and weather conditions (sunlight and wind conditions), there may be available capacity in transmission and substation facilities.A non-firm connection refers to a method that utilizes transmission and substation facilities within the scope of capacity available in transmission and distribution lines and other equipment to connect new power sources.

Since January 2021 when applications started for requesting non-firm connections, the Hokkaido area has accepted 19.63 GW of consideration for non-firm connections as of the end of March 2024.



Source: Excerpt from material for the Agency for Natural Resources and Energy Subcommittee on Mass Introduction of Renewable Energy and Next-Generation Electricity Networks (20th Session)

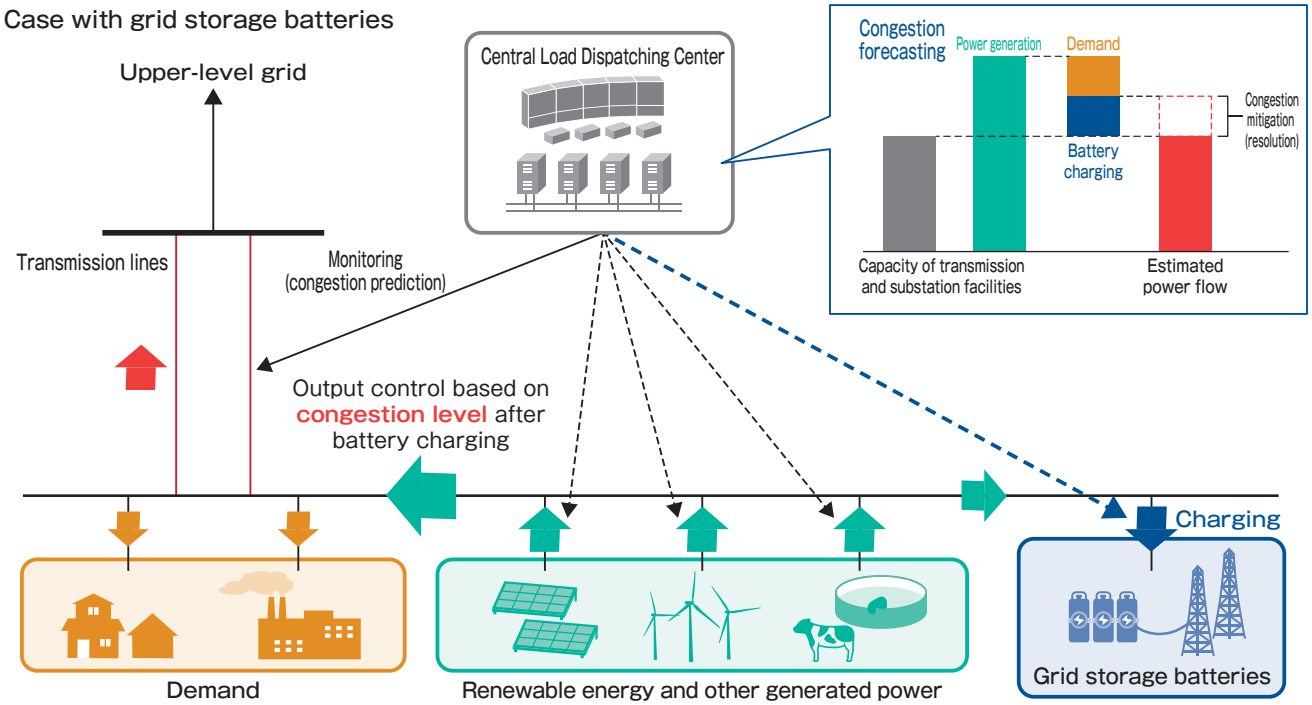
Development of Grid Congestion* Mitigation Technology Controlling the Charging of Grid Storage Batteries

Hokkaido Electric Power Network applied for the New Energy and Industrial Technology Development Organization's (NEDO) "Development of Flexible and Distributed Energy Resources Control Technology to Mitigate Congestion in Power Systems (FLEX DER project)" and we will be studying the development of grid congestion mitigation technology using technology that controls the charging of grid storage batteries.

Since applications began to be accepted for non-firm connections in the Hokkaido area in 2021, we have received many applications asking for connections to renewable energy. This demonstration project will study the development of basic technologies that use functions for charging grid storage batteries to mitigate grid congestion during those times when grid congestion is anticipated due to generation of renewable and other energies. This is expected to promote further installation of renewable energies toward the goal of carbon neutrality as grid operations become updated and grid reinforcements are extended or alternatives found.

* Current from renewable energy and other generation sources exceeds the operational capacity of transmission and substation facilities.

Case with grid storage batteries



Source: Excerpted and partially modified from "Participation in NEDO Demonstration Project for Effective Utilization of Renewable Energy" (released by Hokkaido Electric Power Network on June 28, 2024)

TOPICS Procurement of Balancing Capacity from Demand-Supply Balancing Market

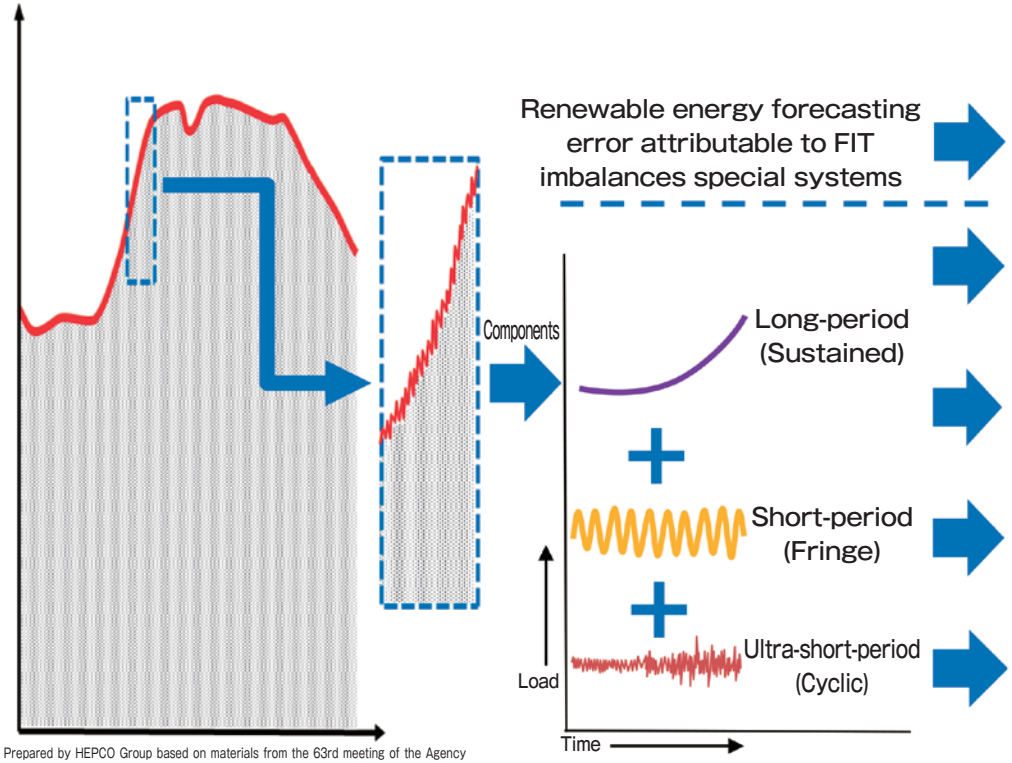
The Demand-Supply Balancing Market opened on April 1, 2021. It serves as a market for general transmission and distribution operators, including Hokkaido Electric Power Network, that are responsible for frequency maintenance so that such operators may efficiently procure the necessary balancing capacity.

Market transactions were initiated for procurement of tertiary control reserve② starting in April 2021 and tertiary control reserve① in April 2022, then for all products, including primary control reserve, secondary control reserve①, and secondary control reserve② in April 2024.

As for the cost of procuring balancing capacity in the Demand-Supply Balancing Market, renewable energy surcharges fund the tertiary control reserve② that is the balancing capacity to address renewable energy forecasting errors, and wheeling charges fund all other balancing capacity.

Hokkaido Electric Power Network is striving to improve renewable energy forecasting accuracy so that we may reduce the costs of adjusting for renewable energy forecasting errors.

Example of Power Demand During a Typical Day



Prepared by HEPCO Group based on materials from the 63rd meeting of the Agency for Natural Resources and Energy's Basic Policy Subcommittee on Electricity and Gas

Product Categories and Implementation Schedule

Product Category	Response time / Duration	2022	2023	2024	2025	2026
Tertiary control reserve② Respond to day-ahead renewable energy forecasting errors	Response time: within 45 minutes Duration: 3 hours	▼Procurement starts				
Tertiary control reserve① Respond to demand forecasting errors occurring 1 hour or less before actual supply and demand	Response time: within 15 minutes Duration: 3 hours		▼Procurement starts			
Secondary control reserve② Respond to forecasting errors (long-period components) occurring 1 hour or less before actual supply and demand	Response time: within 5 minutes Duration: 30 minutes or longer				▼Procurement starts	
Secondary control reserve① Respond to short-period component fluctuations, etc.	Response time: within 5 minutes Duration: 30 minutes or longer				▼Procurement starts	
Primary control reserve Responds to ultra-short-period component fluctuations	Response time: within 10 seconds Duration: 5 minutes or more				▼Procurement starts	

VALUE CREATION INITIATIVES

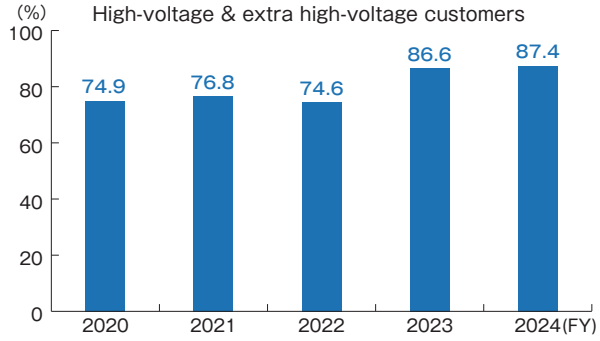
Electricity Retail Sales

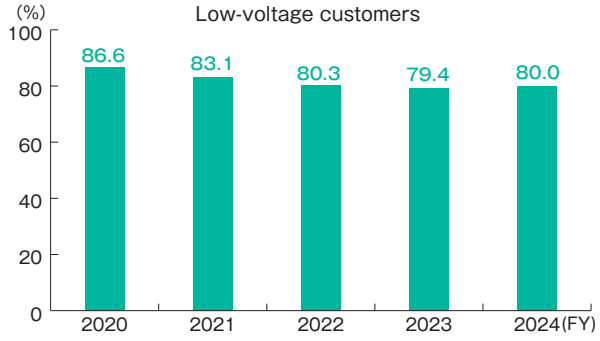
Based in Hokkaido, HEPCO provides a variety of peripheral energy services, which center mainly around retail electricity sales.
Since FY2017, we have also engaged in electricity retailing in the Tokyo metropolitan area.
As needs further diversify with changing customers' lifestyles, energy conservation initiatives, and decarbonization, HEPCO will continue to provide energy services that are tailored to each customer.

Electricity sales

Although HEPCO had seen electricity sales fall as the environment turned increasingly competitive after retail electricity operations were liberalized, our sales conversely rose in FY2023 thanks to marketing efforts and other factors such as electricity retailers suspending their operations as fuel prices and electricity market prices soared. Furthermore, in FY2024, electricity sales increased as more customers contracted with HEPCO, following the resumption of new high-voltage and extra-high-voltage service applications, which had been temporarily suspended. In FY2024, HEPCO held 87.4% of the high- and extra-high voltage sector and 80.0% of the low-voltage sector.

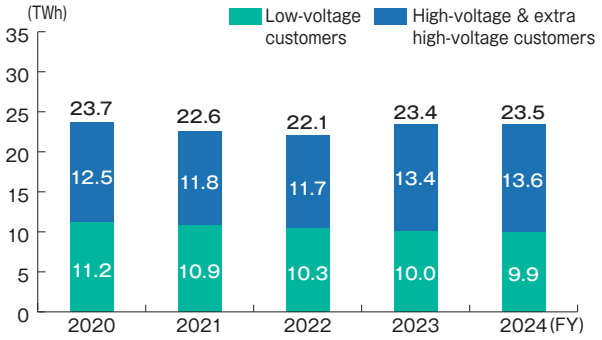
Change in HEPCO share in the Hokkaido area (kWh)*





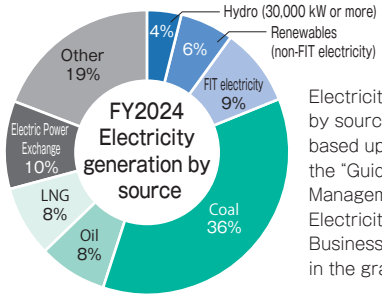
* Nationwide: Average share (kWh) in supply areas of former general electricity utilities
* Calculated based on electric power transaction reports published by the Electricity and Gas Market Surveillance Commission

Change in wholesale power sales

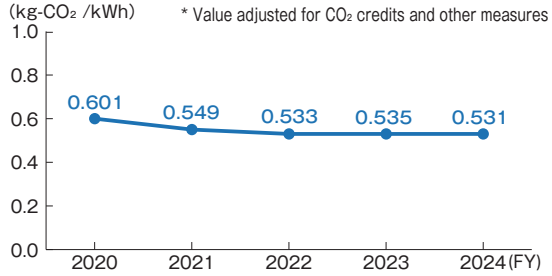


* Figures for FY2021 and later exclude electricity sales by Hokkaido Electric Power Network.

Change in power source mix and CO_2 emissions factor of HEPCO's retail electricity sales business



Electricity generation by source was prepared based upon the "Guidelines Concerning Management of the Electricity Retail Business," and is shown in the graph at left.



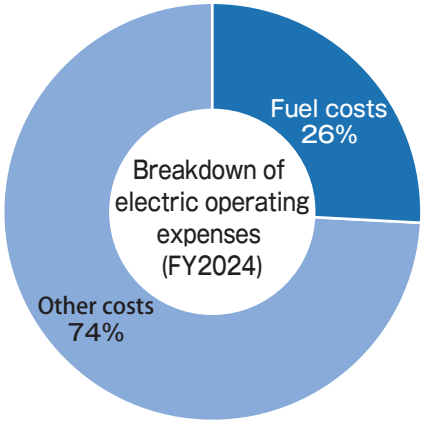
CO_2 emissions factor is calculated based upon the Act on Promotion of Global Warming Countermeasures ("Global Warming Countermeasures Act").

TOPICS Time Lag Effect on Fuel Cost Adjustments

Fuel costs, which account for a large part of the expenditures that comprise electricity rates, fluctuate significantly due to exchange rates and fuel prices.

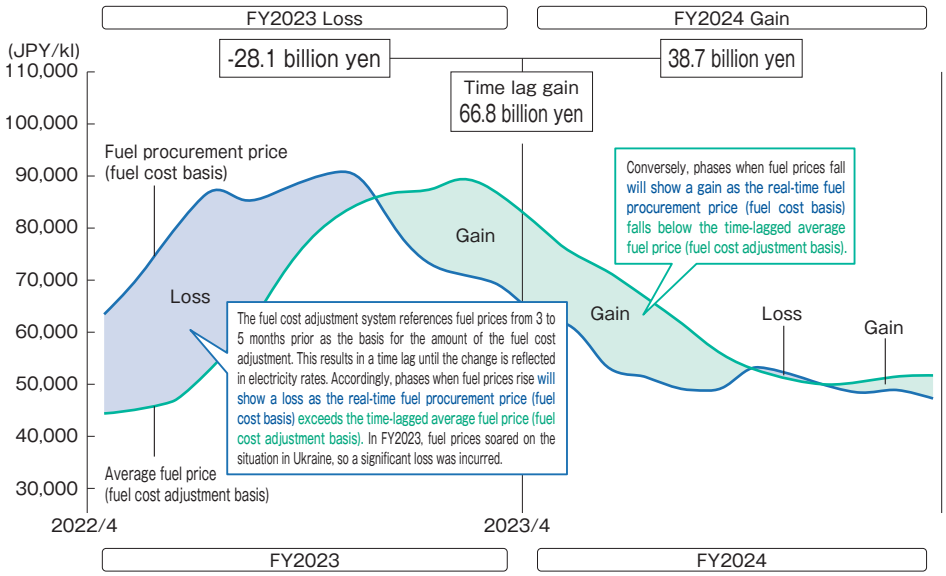
These fluctuations are reflected in electricity rates as fuel cost adjustments under the fuel cost adjustment system, which incorporates fuel price changes within certain a certain range. This system helps mitigate the extent to which fuel price fluctuations affect business performance.

However, because there is a lag between when fuel prices change and when they are reflected in electricity rates, this time lag had a significant impact on our business performance (time lag effect) in FY2023 through FY2024 when fuel prices changed drastically.



* Fuel costs are the combined total for Hokkaido Electric Power and Hokkaido Electric Power Network

Illustration of Time Lag Effect



Fuel Cost Adjustment Method

The three-month average fuel price is calculated based on trade statistics prices of crude oil, LNG, and coal. When this exceeds the baseline fuel price, a positive adjustment is made, and, when it falls below the baseline fuel price, a negative adjustment is made.

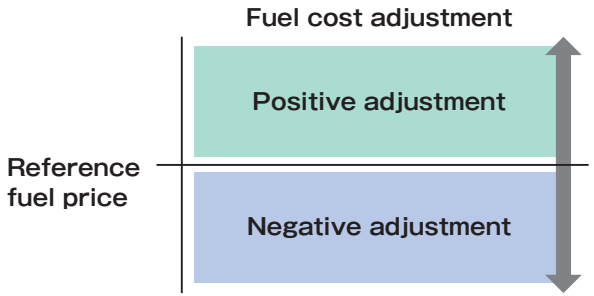
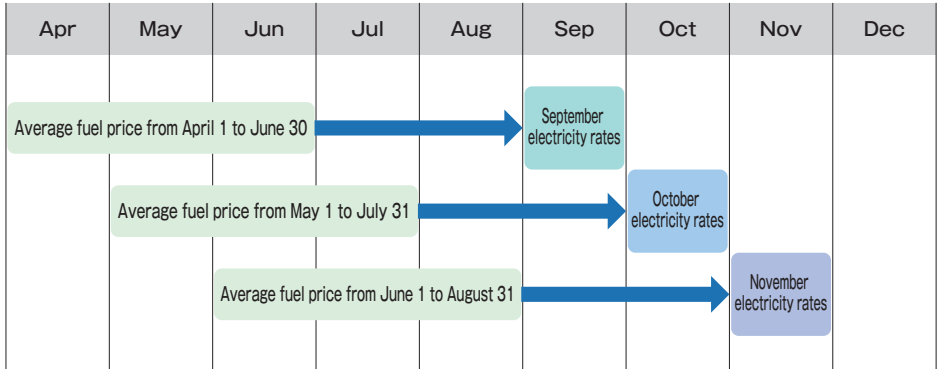


Illustration of Timing for Reflection of Fuel Prices in Electricity Rates

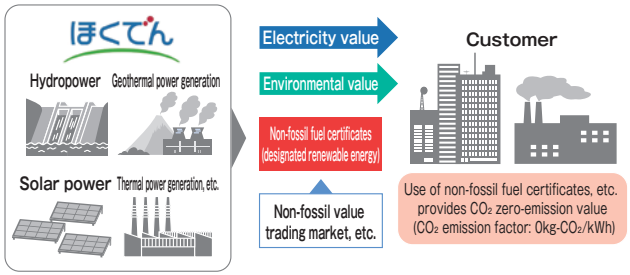


Providing Services that Contribute to Carbon Neutrality

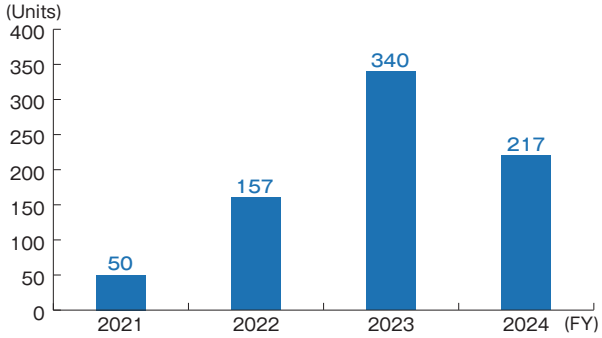
Leveraging Hokkaido's rich natural environment and potential as a suitable location for renewable energy generation projects, we have prepared services and electricity rate plans that help our customers achieve carbon neutrality. These and other efforts are being implemented to further expand solutions that meet our customers' needs.

Electricity Rate Plans Offering Environmental Value

We are offering electricity rate plans that support our customers' efforts to add environmental value through power supply. These plans include Carbon F Advance, which can be utilized for RE100 compliance.



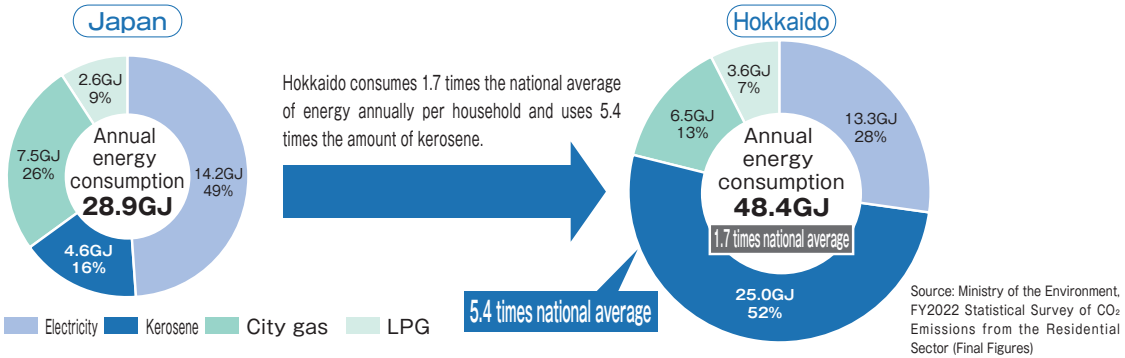
Contracts



Promoting Smart Electrification

Focusing on energy consumption in Hokkaido's household sector, we view it to be highly dependent on petroleum-derived energy compared to the rest of the nation as energy is used for heating and other uses during winter due to the region's cold winters with much snowfall. As such, we believe Hokkaido holds enormous potential for increasing the rate of electrification.

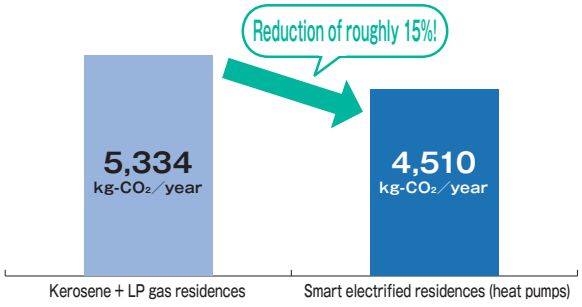
Annual household energy consumption by type (FY2023 figures)



Source: Ministry of the Environment, FY2022 Statistical Survey of CO_2 Emissions from the Residential Sector (Final Figures)

To achieve carbon neutrality, it is necessary to not only maximize the use of decarbonized power sources, but also thoroughly conserve energy and implement electrification. HEPCO Group will aggressively promote greater electrification through conversion to smart electrification to deliver energy-efficient and comfortable living.

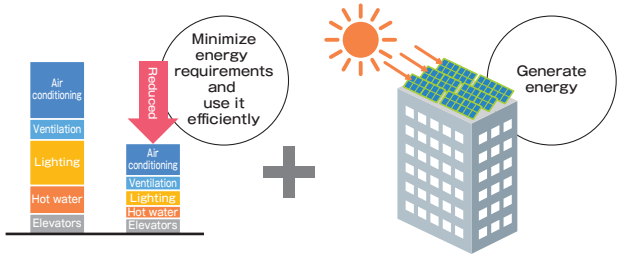
Reduction in CO_2 from Converting to Smart Electrified Residences



<Provisional calculation conditions>
2-story 3LDK detached wood house in Sapporo, 109.3㎡, average thermal transmission coefficient (UA value) 0.29W/㎡K, family of 4, designed for outside temperature of -10℃, room temperature set at 22℃, type 1 ventilation system (heat recovery rate 58.8%)
○Smart electrified residence (8,429kWh/year), hot water: EcoCute; heating: central heating using air-source heat pump; cooking: IH cooking heater; other lighting etc.
○Kerosene + LP gas residences: hot water/heating (kerosene): Eco Feel (1,384L/year); cooking (LP gas): gas cooking appliances (37.0㎥/year); other lighting etc. (3,113kWh/year)
<CO_2 emission factor>
Electricity: 0.535kg-CO_2/kWh (actual figure for Hokkaido Electric Power Company in FY2023)
LP gas: 6.0kg-CO_2/㎥ (Japan LP Gas Association)
Kerosene: 2.49kg-CO_2/L (Ministry of Environment: "List of Calorific Values and Carbon Dioxide Emission Coefficients by Fuel Type")

ZEB Consulting

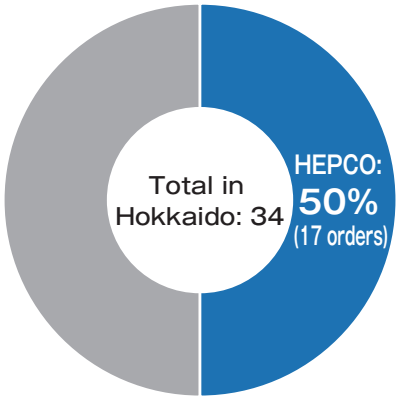
ZEB or Net Zero Energy Building refers to structures that significantly reduce annual energy consumption through a combination of energy conservation, which is achieved through installation of high thermal insulation and higher efficiency equipment, and energy generation, which is achieved through solar power generation and other means, while, at the same time, maintaining a comfortable indoor environment.



As the top ZEB consultant in Hokkaido, HEPCO Group supports our customers across the entire process from planning and design through post-completion analysis and operational improvements.

We will continue to provide solutions for carbon neutrality, energy conservation, expanded electrification, and improved comfort for buildings, factories, schools, and other structures.

Share of ZEB Planning Orders in Hokkaido



* As of July 31, 2024

City gas

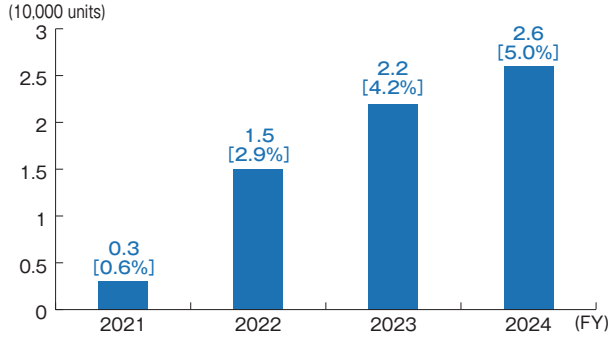
The number of contracts for HEPCO Gas, which launched in October 2020, reached approximately 26,000 in FY2024.

We offer Kaketsuke Plus, a gas appliance support service, and Anshin Keihouki Plus, a gas alarm leasing service, to encourage customers throughout the broad region of central Hokkaido to choose HEPCO Gas.

In April 2024, the gas rate discount for customers contracting with us for both electricity and gas services (Electricity & Gas Set Discount) was increased from 3% to 5%.

We will continue to actively market HEPCO Gas and offer services tailored to our customers' needs so that more and more Hokkaido residents choose us for their electricity and gas needs.

Number of contracts



* Figures in parentheses indicate market share in the HEPCO supply area (estimated by HEPCO).

Utilization of Specialized Personnel



Sales Promotion Department
City Gas Operations Group
Yasuo Imai

For about 12 years, I worked at a company providing city gas. There, I was involved in natural gas conversion work, and gas equipment design and installation for new construction and renovation projects. In 2016 when HEPCO Group was considering entering the city gas business amid liberalization of the energy market, I decided to change jobs, seeking out a change in my career to a comprehensive energy business handling both electricity and gas.

In the gas business, retail operators are responsible for gas equipment safety. They are required to be prepared for gas leaks and other emergencies, and maintain the capability to respond appropriately and quickly where safety is concerned. This was a new business venture, so the company initially lacked a comprehensive knowledge and expertise of gas operations. However, after holding many safety training programs on basic gas knowledge and equipment for both company employees and contractors, I am pleased to see how we are now quite sensitive to keywords such as "gas smell" and "alarm activation," and able to handle such situations appropriately.

While our current HEPCO Gas clientele is mainly residential customers, we will be required to comply with tighter safety standards as we expand to serve more commercial customers in the future. I will continue to fully leverage my previous work experience as I strive to prevent gas accidents and raise safety awareness among everyone involved.

VALUE CREATION INITIATIVES

Hydrogen and Ammonia Utilization Initiatives

Hydrogen and ammonia, which do not emit CO_2 during combustion, are energy sources that play a crucial role in achieving carbon neutrality. Hydrogen is expected to be used for the fields of power generation (fuel cells, steam power), transport (automobiles, ships, aircraft), and industry (steelmaking, chemicals, petroleum refining, etc.), while ammonia is expected to be used in the fields of steam power generation and maritime transport, not only by HEPCO but also by other industries in a wide range of fields. However, to utilize and apply hydrogen and ammonia, it is important to reduce costs through increased usage. Currently, technologies are being developed for the various stages of manufacturing, transport, storage, and consumption. A large supply chain is also being constructed that encompasses all of the processes from manufacturing through consumption.

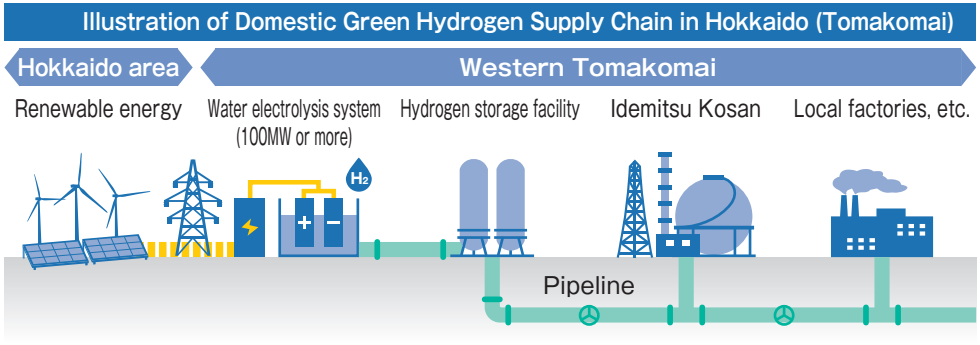
Along with the use of hydrogen and ammonia in our power generation business presented on page 35, we are moving forward with hydrogen production and construction of hydrogen and ammonia supply chains.

Our Efforts to Construct Japan's Largest Green Hydrogen Supply Chain in Hokkaido

In collaboration with Idemitsu Kosan Co., Ltd. and ENEOS Corporation, we are studying the feasibility of a project to construct a domestic green hydrogen supply chain in Hokkaido's western Tomakomai area.

By around 2030, we aim to construct the largest water electrolysis plant in Japan (100MW+ class) capable of producing over 10,000 tons/year of green hydrogen, as well as a supply chain that will supply green hydrogen, produced using the abundant renewable energy in Hokkaido, via pipeline to Idemitsu Kosan Co., Ltd., local factories, and other facilities.



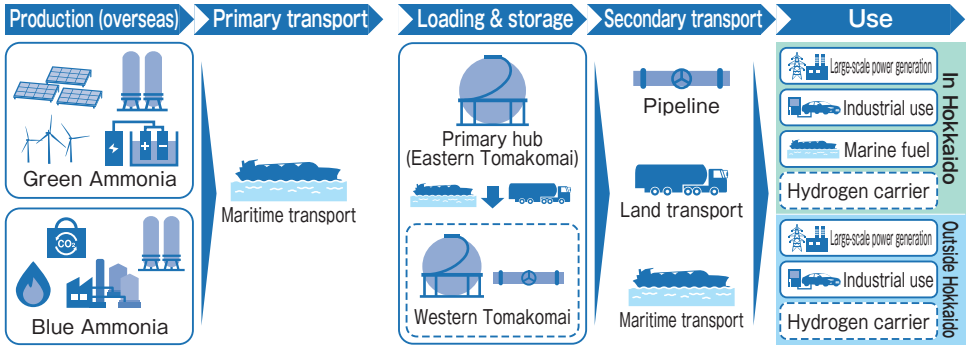


Construction of Supply Chain for Ammonia Utilization and Application

Six companies, HEPCO Group, Hokkaido Mitsui Chemicals, Inc., IHI Corporation, Marubeni Corporation, Mitsui & Co., Ltd., and Tomakomai Futo Co., Ltd., have been jointly studying construction of an ammonia supply chain to be based in the Tomakomai region of Hokkaido.

As presented on page 52, Tomakomai region is northern Japan's largest maritime transportation hub and offers access to shipping routes opening to both the Sea of Japan and Pacific Ocean. This makes it possible to supply ammonia not only to users near the hub, but also, by using coastal vessels and other means, to users throughout northern Japan.

These six companies are making use of their respective technologies and expertise to construct an ammonia supply chain serving the broader region of northern Japan region from a hub in Tomakomai in an effort to expand adoption of ammonia as part of the initiatives to realize a carbon-free society.



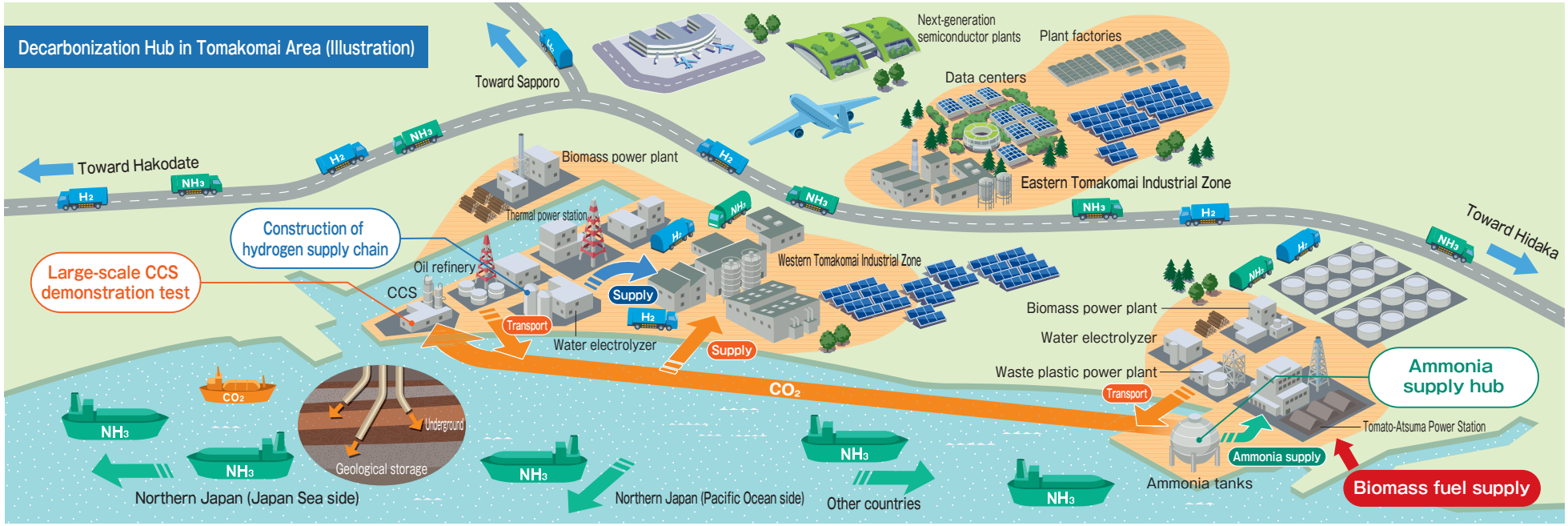
TOPICS Tomakomai Area Aiming to Be Major Hub for Decarbonization

Tomakomai is the site of thermal power plants, oil refineries, paper mills, and other large facilities, and it offers great potential for decarbonization. The surrounding area provides outstanding land, sea, and air access thanks to high-standard roads as well as large-scale port facilities capable of accommodating foreign vessels in addition to the New Chitose Airport located to the north. In Tomakomai area, the following decarbonization efforts are underway.

- The Tomakomai Western Port area is the site of large-scale demonstration tests for CCS projects that include CO_2 capture and storage as well as transportation using CO_2 carrier ships, in addition to studies of CCUS where CO_2 is transported from nearby emission sources via a pipeline to be stored underground and effectively utilized. In addition, with the goal of constructing a hydrogen supply chain, studies are also being conducted on the use of large-scale hydrogen production equipment to produce green hydrogen and supply it via pipeline to nearby factories.
- In the Tomakomai Eastern Port area, we are studying how to make use of the large-scale port facilities to develop a hub that will supply ammonia to all sorts of industries located not just in Hokkaido, but throughout northern Japan, in addition to our Tomato-Atsuma Power Station (HEPCO's largest coal-fired plant).

Studies are underway seeking to introduce technology and other developments that will leverage these characteristics to realize carbon neutrality with hydrogen, ammonia, and CCUS in the Tomakomai area. There are high expectations for its development into a major hub for decarbonization throughout Hokkaido and northern Japan.

We are participating in a variety of projects for feasible decarbonization that will be rolled out in the Tomakomai area. In collaboration with the central and local governments as well as other companies, we are taking up the challenge of realizing a zero-carbon city.



VALUE CREATION INITIATIVES

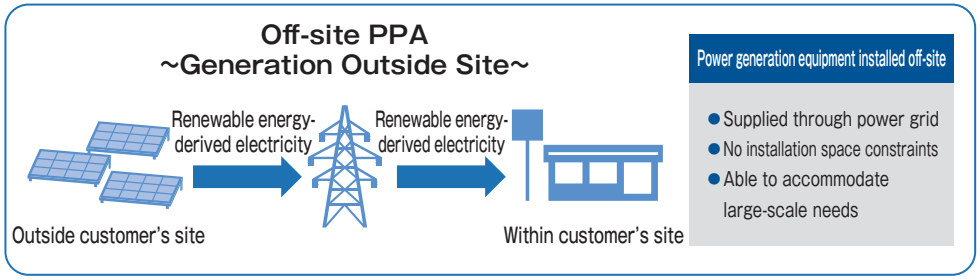
Energy Management Business

In collaboration with national and local governments as well as other companies, HEPCO Group is developing new business models that combine various solutions and services, including renewable energy aggregation and battery farm controls that focus on providing Hokkaido's abundant renewable energy value in addition to power purchase agreements (PPA)* that supply renewable energy-derived electric power.

* PPA: Agreement for the direct sale of electricity that brings together a power producer who owns power sources and a customer who purchases electricity

Development of Off-site PPA Services

Off-site PPA services make use of our power transmission and distribution network to supply renewable energy-derived electricity generated by solar power facilities run by operators that we partner with. This service makes it possible for customers pursuing decarbonization initiatives to receive renewable energy despite constraints such as a lack of space for equipment installation and alleviation of the initial cost burden.

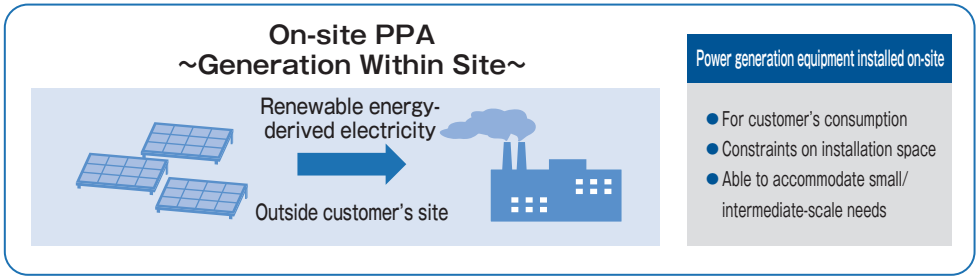


Contracts (as of August 31, 2024)

Category		Facility capacity (kW)
Off-site PPA	Begun supplying power	6,997
	In preparation	7,398
	Total	**14,395**

Development of On-site PPA Services

We offer on-site PPA services that supply renewable energy-derived electricity from solar power generation equipment installed on the roof of a customer's facility or adjacent land (on-site). This service makes it possible for customers pursuing decarbonization initiatives to receive renewable energy without the initial cost burden.



Contracts (as of August 31, 2024)

Category		Facility capacity (kW)
On-site PPA	Begun supplying power	3,832
	In preparation	6,001
	Total	**9,833**

Aiming to Commercialize Grid-Scale Storage Facilities

Large-scale facilities are being installed for solar, wind, and other renewable energy generation. The output of such facilities fluctuates depending upon weather, wind conditions, and other factors. Against this backdrop, grid storage facilities, which have the capability to charge and discharge as the output of renewable energy sources fluctuates, are expected to contribute to ensuring a stable power supply and facilitating the expansion of renewable energies.

In such a context, we have positioned battery storage facility development to be included as part of our energy management business, which is a transformative field in our business portfolio. We will promote the use of grid-scale battery storage facilities to provide a decarbonized-type of balancing capacity as well as to serve as core facility in terms of energy management.

In November 2022, we launched a cross-departmental study team that brought together know-how and knowledge of operations, maintenance, demand-supply management, and other areas that HEPCO Group developed in power generation, comprehensive energy, and other businesses. In October 2023, this team was organized into specialized organization.

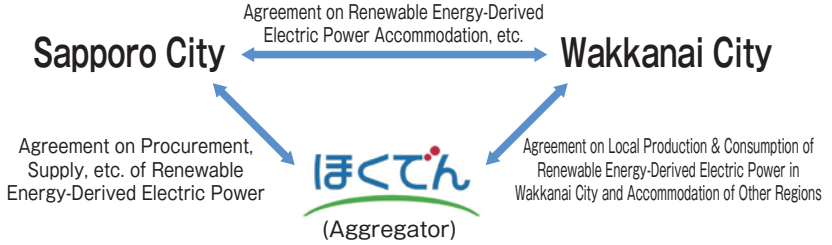
We are currently reviewing potential sites and equipment specifications for construction of grid-scale storage facilities in addition to assessing the feasibility of this business. As we move forward, this new specialized organization will play a key role in studying the development and commercialization of grid-scale storage facilities in striving to contribute to the installation and expansion of renewable energy power sources in Hokkaido.

Promoting Renewable Energy Aggregation

Having consolidated renewable energies dispersed throughout Hokkaido, we are now studying mechanisms for delivering that power to our customers from the standpoint of maximizing the use of Hokkaido's abundant renewable energy potential.

We were selected by Sapporo City to be the municipality's business coordinator (aggregator) for the Hokkaido Local Municipality Cooperative Project to Introduce Renewable Energy-Derived Electric Power. This project will help Sapporo City effectively utilize surplus renewable energy-derived power that local municipalities in Hokkaido with its abundant renewable energy resources have produced for local consumption within their respective municipal limits. In February 2024, we signed an agreement for this project with Sapporo City and Wakkanai City.





As part of this project, we began purchasing surplus power from three waste processing plants in Sapporo City (Shiroishi, Hassamu, and Komaoka waste processing plants) on April 1, 2024, and supply this surplus power through our transmission and distribution network to three subway lines in the city (Namboku, Tozai, and Toho lines). These three subway lines consume approximately 120 million kWh/year. This project will supply roughly 85 million kWh annually, decarbonizing about 70% of the power consumed by these three subway lines and reducing CO_2 emissions by approximately 45,000 tons* each year in comparison to the conventional level.

* Calculated using HEPCO's FY2023 CO_2 emission coefficient of 0.541 (kg-CO_2/kWh)
Emission coefficient for cases where contracts are in place other than for zero CO_2 emission rate plans sold to certain customers who have requested such contracts.

Illustration of Scheme



VALUE CREATION INITIATIVES

Management Efficiency Enhancement Initiatives

Under the auspices of HEPCO Group's Committee Promoting Strengthening of our Management Foundation, we will promote Kaizen activities, reductions in equipment and material procurement costs, digital transformation (DX), and other initiatives to aggressively enhance efficiency and reduce costs.Having steadily implemented management efficiency enhancements that reflect the electricity rates revised in June 2023 (approximately ¥75 billion annually averaged over the cost calculation period (3 years from FY2024 through FY2026)), we will actively work with the aim of achieving even higher levels of efficiency. In addition, Hokkaido Electric Power Network will steadily work to enhance management efficiency on the order of approximately ¥13 billion/year as presented in our business plan (FY2024~2028).

HEPCO: Management Efficiency Enhancements Reflected in Electricity Rates Taking Effect June 2023

(100 million yen)

Expense	Ongoing management efficiency enhancement initiatives		Further management efficiency enhancement initiatives in the future		Assessed management efficiency enhancement amount*1 ③	FY2024 total =①+②+③	FY2024 efficiency enhancements
	Description of key initiatives	Amount ①	Description of key initiatives	Amount ②			
Personnel expenses	● Reassess organizational and business operations structures ● Implement Kaizen to enhance operational efficiency ● Close single-employee dormitories, etc.	4	● Further reassess organizational and business operations structures ● Enhance Kaizen, implement DX, and other initiatives to further enhance operational efficiency	3	-	7	7
Demand/ supply-related expenses	● Optimize power mix for greater economic efficiency ● Effectively utilize high-efficiency power sources ● Pursue ingenuity in fuel procurement (diversify contracts, etc.) ● Optimize power demand-supply operations	257	● Pursue further ingenuity in fuel procurement (expand procurement of low-grade coal, expand long-term LNG contracts, etc.) ● Pursue further advancements in demand-supply operations utilizing AI ● Further reduce procurement prices through counterpart purchases	151	-	407	446
Capital investment expenses*2	● Extend periodic inspection intervals ● Develop & introduce new technologies & methods ● Reassess construction particulars & scope ● Reassess outsourcing particulars & scope ● Reduce equipment and material procurement costs by strengthening price negotiation power, applying effective order placement systems, etc.	1 (13)	● Enhance Kaizen, implement DX, and other initiatives to further reduce costs ● Engage in upstream procurement activities to further reduce equipment and material procurement costs	1 (21)	10 (29)	11 (63)	1 (48)
Repair costs		80		34	38	152	114
Other expenditures		70		27	57	153	110
Total*3		411		216	105	731	680

*1 Assessment amounts from government reviews reflected in electricity rates
*2 Capital investment expenses reflect depreciation costs and business returns. Figures in parentheses indicate the amount reflected in capital investment *3 Totals may not match due to rounding

Hokkaido Electric Power Network: Management Efficiency Enhancements Reflected in Wheeling Rates Taking Effect April 2023

(100 million yen)

Item	Description of key efficiency enhancements	FY2024 planned ①	FY2024 results ②*	Change ②-①
Personnel efficiency enhancements	● Pursue Kaizen activities & promote DX to reduce personnel, etc.	9	11	2
Procurement ingenuity	● Reduce material procurement costs, etc.	29	30	1
Quantity optimization	● Consolidate electricity sites and streamline & enhance efficiency of facilities ● Optimize power distribution transformers & phase modifying equipment, etc.	2	2	0
Broaden grid operations	● Unify central supply system specifications, create shared systems, etc.	0	0	0
Efficient facility operation	● Extend inspection cycles ● Extend facility lifespan, etc.	14	14	0
Next-generation development & digitalization	● Manage adjacent trees utilizing drones and LiDAR ● Update patrol inspections utilizing robots and sensors	1	1	0
Other	● Reduce meter reading outsourcing costs with installation of smart meters ● Reassess equipment specifications and introduce new technologies	6	6	0
Total		61	64	3

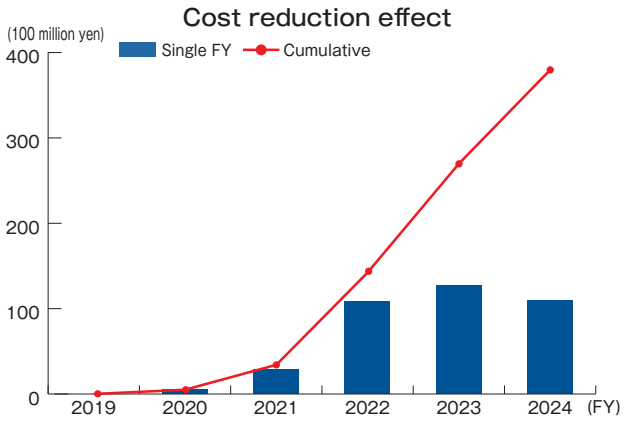
*Presented as actual results versus planned efficiency enhancements at the time of business plan formulation

More Intensive & Expanded Kaizen

Since its introduction, our Kaizen initiative aiming to increase productivity fourfold has been steadily expanded and continues to take hold throughout the entire HEPCO Group.

To date, roughly 3,400 projects have been launched throughout HEPCO Group. These projects have had the cumulative effect* of steadily reducing costs on the order of 38 billion yen as of the end of FY2024.

* Aggregate effect of initiatives for HEPCO and Hokkaido Electric Power Network
* Includes effects anticipated over the medium- and long-term and resources utilized in other operations



"Specific Measures for Efficiency Enhancement and Cost Reduction" are disclosed on the HEPCO website.
https://www.hepco.co.jp/corporate/efficiency/index.html

VALUE CREATION INITIATIVES

Promotion of Digital Transformation (DX)

In FY2022, we initiated a full-scale DX implementation and created roughly 40 projects over the three years since then, of which nearly half are already operational or prepped for operation. We estimate the effect of these digital transformations over the five years since their initiation to be approximately ¥20 billion.

The pursuit of DX projects has been based on an approach where they are promoted by holding thorough discussions on future concepts with business units and deliberating how the use of DX will realize those visions.

Moving forward, we aim to make use of organizational capabilities to promote DX developed so far in order to shift from external support to in-house implementation.

To achieve this, we will proceed to develop our DX personnel. DX officers will be appointed in each business unit with these units taking the initiative to promote digital transformation.

HEPCO Group DX Promotion Policy

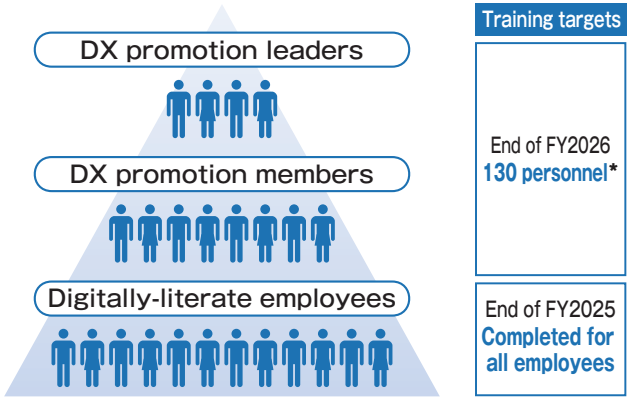
We have set promotion targets in four areas: Effect creation, Work culture development, Personnel development, and Effective data utilization. We will steadily implement DX to transform our operations by visualizing and monitoring the degree to which achievements are made in each of these four areas.

Of these four target areas, we intend to prioritize personnel development and data utilization this fiscal year.

Effect creation	● Promotion of "efficiency enhancements and updating current businesses" as well as "creation of new businesses utilizing digital technologies" is anticipated to reap benefits over the short-term (2 to 3 years) ● Promotion of "reassessment of current businesses" and "major business challenges" as part of company-wide and fundamental structural reform efforts
Work culture development	● Improvement of HEPCO Group-wide DX awareness and literacy so as to accelerate the promotion of DX throughout the group ● Development of a corporate culture that is different from previous practices so that now employees take the initiative on their own to embrace new challenges
Personnel development	● Development of personnel with digital and consulting skills who will be able to contribute to immediate profitability improvements ● Development of transformation leaders capable of responding to future business changes
Effective data utilization	● Development of a data strategy and promotion of quick and effective data-based decision-making ● Promotion of data sharing throughout our organization and strengthened collaboration for cross-departmental data utilization

Development of DX Personnel

So that we may expand DX initiatives and maximize their effect through operational and mindset transformation in all employees, we will raise the level of digital literacy among all personnel, and develop a systematic training curriculum for each level in order to train our DX human resources.

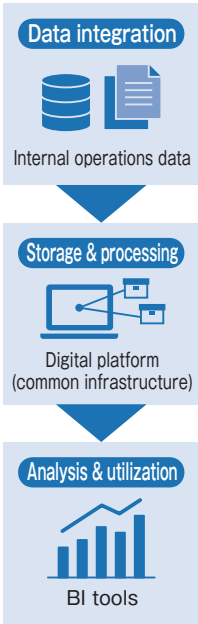


* Because part of the curriculum for DX promotion leaders and members anticipates an application system, only the total number is set for the training target.

Personnel type	Group-wide personnel	Specialists
	Digitally-literate employees	DX strategists DX consultants DX technologists DX data scientists DX experience architects

Promotion of Effective Data Utilization

We regard business data as a key management asset and promote effective data utilization to realize objective and rapid decision-making not dependent upon experience or intuition.



Data integration	A variety of internal data is consolidated, including data held by operational systems and other operational data interspersed throughout the group
Storage & processing	Consolidated data is integrated into a common infrastructure Data processed by, for example, standardizing the format and granularity of accumulated data so that it is available for use
Analysis & utilization	BI tools (tools supporting business decision-making) are used to visualize accumulated data in graphs, charts, and other formats for analysis Data reflected in real-time is utilized for operations and management decisions

Sustainability Priorities(Materialities)

HEPCO Group regards the items below as sustainability priorities (materialities), and we are rolling out specific initiatives to address these, while, at the same time, earnestly grappling with social challenges raised in SDGs.

SUSTAINABLE DEVELOPMENT GOALS

Sustainable Development Goals: SDGs
Declaration of 17 goals for poverty, hunger, energy, climate change, and other areas that were adopted at the UN Summit in September 2015 and are slated to be achieved by 2030.

Priorities (Materialities)	Key initiatives	Relevant SDGs
Initiatives for realizing carbon neutrality by 2050	● Initiatives for decarbonizing power sources ● R&D for achieving carbon neutrality ● Promoting electrification in anticipation of achieving carbon neutrality ● Initiatives for constructing next-generation power networks that balance stable supply with expansion of renewable energy installations	
Stable energy supply	● Strengthening resilience ● Quickly restoring service when disaster occurs ● Ensuring the stability of fuel, equipment, materials, and construction capabilities	
Co-create with communities	● Creating new businesses that cater to social and regional needs ● Promoting alliances with other businesses and partnerships with local governments ● Attracting businesses from outside Hokkaido	
Maximize employee potential	● Development of personnel capable of anticipating changes in the business environment and taking the initiative to address these challenges and adapt ● Promote health management to ensure employees' mental and physical well-being ● Promote initiatives to enhance engagement and employee satisfaction ● Promotion of Diversity & Inclusion ● Put an end to work-related injuries	
Thorough compliance and risk management	● Ensuring thorough compliance and maintaining neutrality as a power transmission & distribution company ● Thorough information security measures ● Promote respect for human rights as concerns stakeholders both inside and outside the company	
Enhance corporate governance	● Enhancing governance supervisory functions and strengthening strategic capabilities ● Proactively communicate with stakeholders in a way that takes into consideration the Corporate Governance Code and other standards	

Process for Identifying Materialities

Step 1
Along with looking back to examine previous management initiatives, points are identified that are necessary for promoting management with the aim of achieving sustainable growth.

Step 2
Sustainability priorities (materialities) are consolidated based upon the points identified.

Step 3
Management policies, including sustainability priorities (materialities), are discussed by the Executive Committee which is comprised of executive officers, and views are exchanged with outside directors.

Step 4
The Board of Directors determines management policy, including sustainability priorities (materialities).

Sustainable Growth Support Initiatives

Our Aim to be Carbon Neutral by 2050 (Announced April 2021)

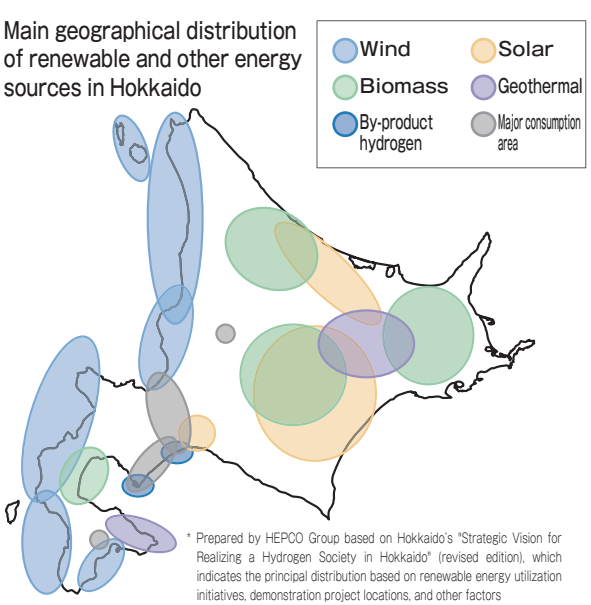
Blessed with abundant natural energy resources, Hokkaido offers the greatest potential of any region in Japan for the adoption of renewable energy. The region has attracted attention and garnered high expectations from companies and others pursuing carbon neutrality. Demand for electric power in Hokkaido, which had been declining, shows great promise for reversing and achieving significant growth. We see this as a once-in-a-lifetime opportunity to achieve dramatic growth. We will not miss this opportunity to leverage HEPCO Group's strengths as we give our utmost to take on the challenge of realizing carbon neutrality across the entire energy sector in Hokkaido by the year 2050, contributing to further growth of the HEPCO Group and the sustainable development of Hokkaido.

Abundant Natural Energy Resources

Hokkaido has abundant reserves of natural energy resources. The region offers the greatest potential of anywhere else in Japan for making use of renewable energies. Hokkaido is ranked first nationally in terms of its potential for adopting wind power (onshore: approximately 50% of Japan's potential amount; offshore: approximately 30% of domestic potential). The area is also ranked second nationally in terms of geothermal power and first for solar power.

HEPCO Group is working to expand adoption of renewable energy power sources that make use of these abundant natural resources, and we will seek to expand renewable energy power sources that have already been installed.

Main geographical distribution of renewable and other energy sources in Hokkaido



* Prepared by HEPCO Group based on Hokkaido's "Strategic Vision for Realizing a Hydrogen Society in Hokkaido" (revised edition), which indicates the principal distribution based on renewable energy utilization initiatives, demonstration project locations, and other factors

Hokkaido's potential for renewable energy adoption (based on power generation facility capacity)

Type of power sources	Share (of national total)	Ranking
Wind	51%	1st in Japan
Geothermal	13%	2nd in Japan
Solar	25%	1st in Japan
Small/medium-scale hydroelectric power	9%	1st in Japan

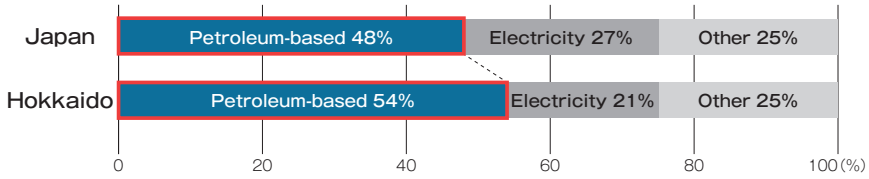
* Prepared by HEPCO Group based on the Renewable Energy Potential System (administered by the Ministry of Environment) and other sources.

Potential for electrification of energy demand

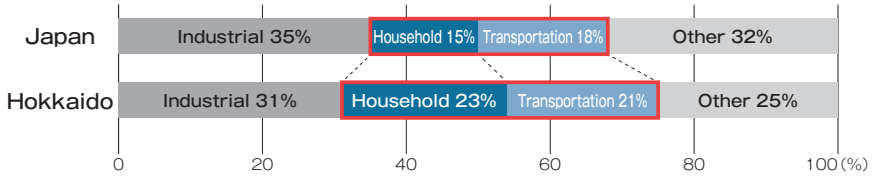
Hokkaido is a cold and snowy region. Municipalities are scattered across this vast region, which makes up 20% of Japan's land area. Because of the region's population is distributed across a wide area, Hokkaido is highly-dependent on petroleum-based energy sources, such as kerosene for heating and gasoline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

HEPCO Group is promoting decarbonization in energy demand. We offer ZEB, ZEH, and heat pumps utilizing air heat (renewable energy), promote widespread adoption of electric vehicles, and offer assistance to our customers in reaching their decarbonization goals.

Ratio of Energy Consumption by All Sectors *1



Ratio of Greenhouse Gas Emissions by Sector *2



*1 Prepared by HEPCO Group based on Hokkaido's "Zero Carbon Hokkaido Promotion Plan (Share of Greenhouse Gas Emissions by Sector)" (April 2023).
*2 Prepared by HEPCO Group based on the Ministry of Environment's "CO_2 Emissions Statistical Survey of the Household Sector (Annual Energy Consumption per Person by Region and Energy Type)" (March 2024).

HEPCO Group Vision

The HEPCO Group will do its utmost to meet the challenge of achieving carbon neutrality in every energy source in Hokkaido.

- Our aim is to have zero CO_2 emissions over the long-run in addition to achieving our 2030 target for the power generation division (reduction of CO_2 emissions by more than 50% compared to the FY2014 level).
- Moreover, we will further expand electrification and efficiently utilize green hydrogen among other efforts to contribute to achieving carbon neutrality in Hokkaido, including for non-electric energy.

We will reduce CO_2 emissions from the power generation division by more than 50% compared to the FY2014 level by the year 2030. Over the long term, we aim to introduce CCUS* and other innovative technologies so that zero CO_2 is emitted from the power generation division.

Furthermore, we will make use of hydrogen and ammonia produced from renewable energy sources in Hokkaido to meet demand for non-electrical power energy to reduce CO_2 and thereby contribute to lowering emissions throughout the region.

* CCUS (Carbon Capture, Utilization and Storage): Technology to separate and capture CO_2 for reuse or underground storage, etc.

Although Hokkaido's future energy demand is anticipated to decrease due to energy savings, population decline, and other factors, demand for principally petroleum-based energy will be converted to demand for electric power as a result of promoting electrification using CO_2-free electricity, which will help curb CO_2 emissions and lead to an increase in the amount of electric power supplied.

Moreover, hydrogen and ammonia produced from renewable energies in Hokkaido will provide an alternative supply to meet demand for energy that is difficult to be electrified. This will curb CO_2 emissions and increase HEPCO's contribution in that respect among all energy sources.

Illustration of reductions in HEPCO Group CO_2 emission

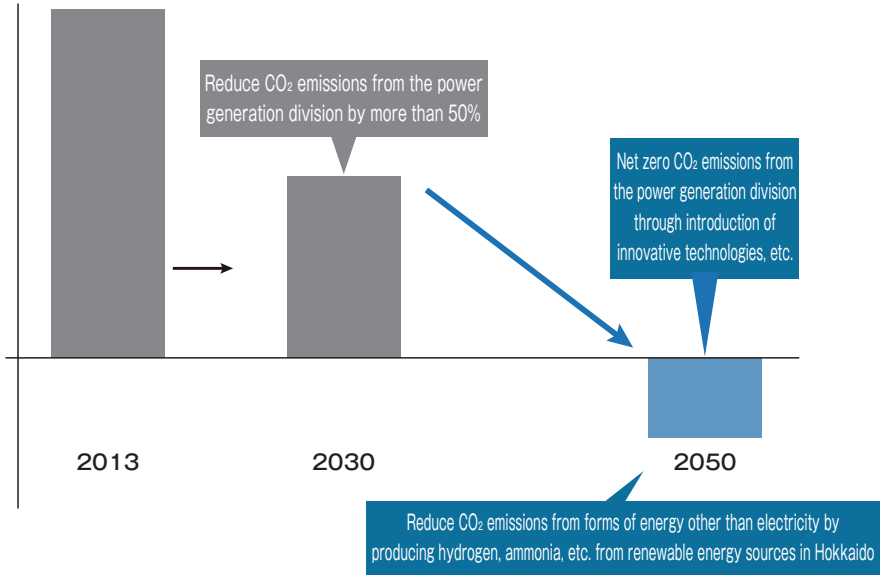
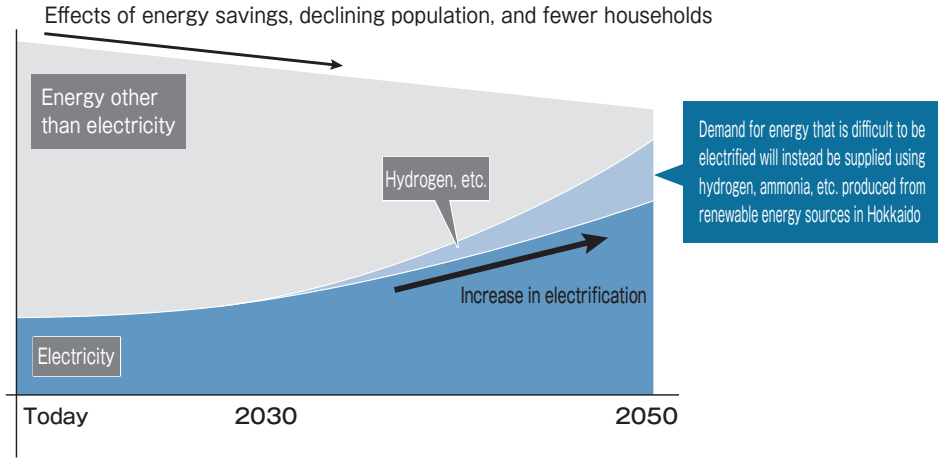
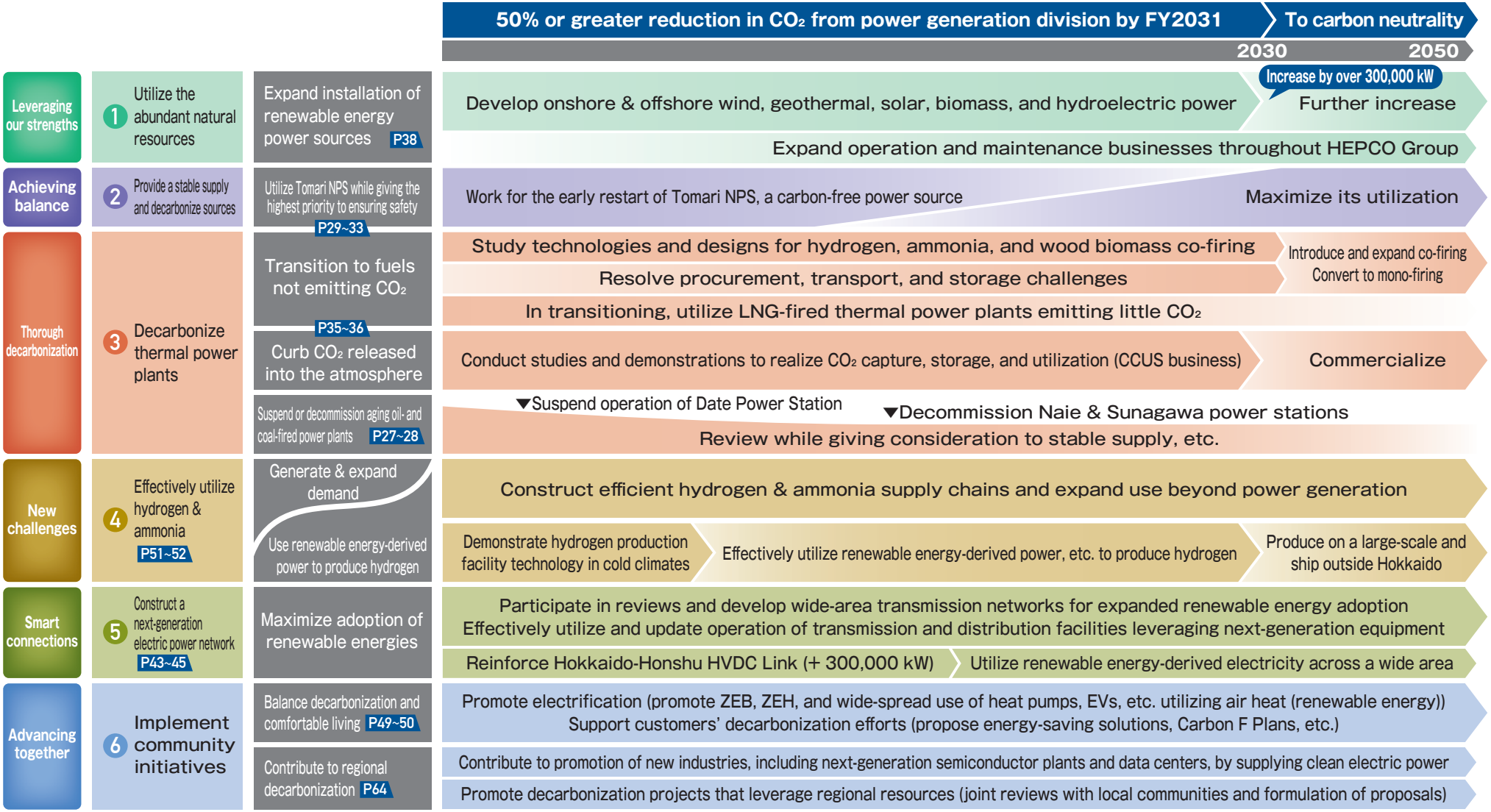


Illustration of energy demand in Hokkaido



Roadmap to Carbon Neutrality by 2050

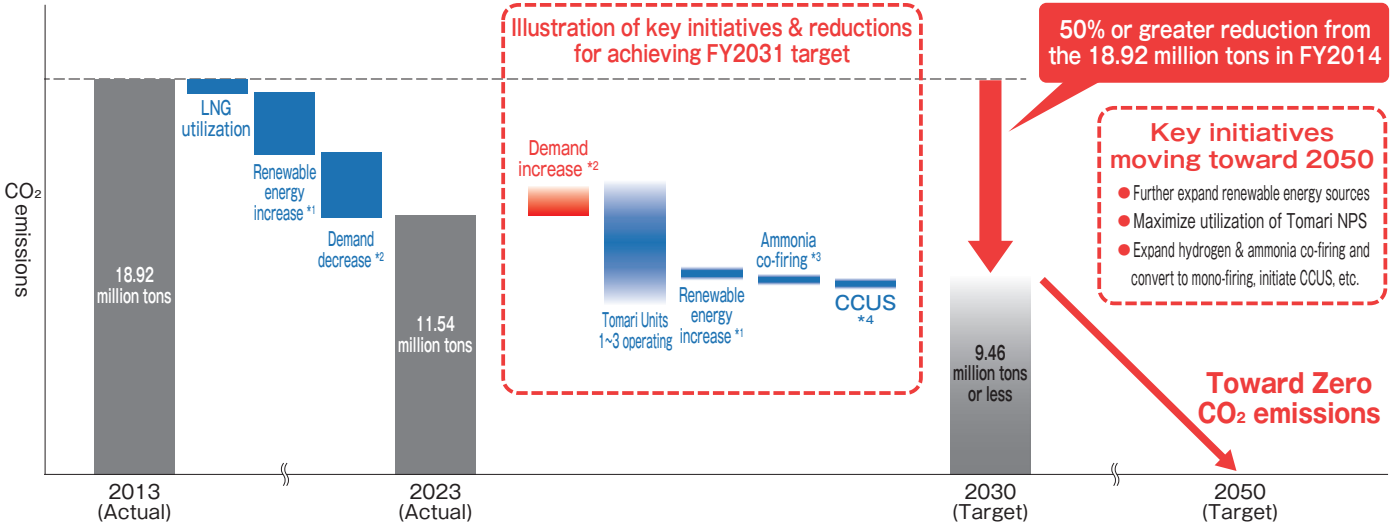
As we follow our Roadmap to Carbon Neutrality by 2050, we will mobilize all available means, including the use of innovative technologies and initiatives with local communities in addition to expanding renewable energy installations through Tomari NPS and other efforts.



Effect of Roadmap Initiatives

Decarbonization of Power Sources〈Roadmap ①②③〉

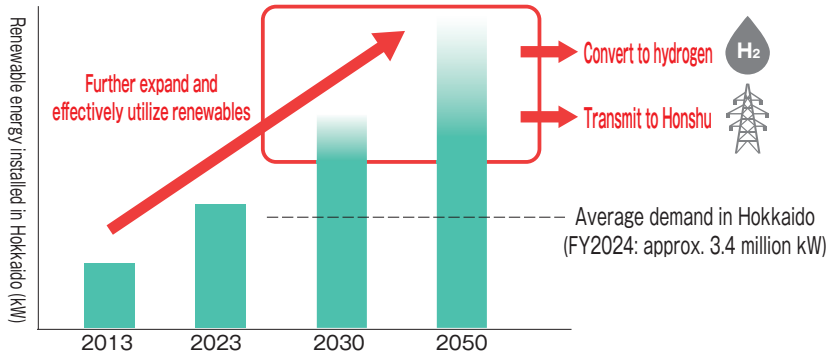
Our aim is to have zero CO_2 emissions in the long-term in addition to achieving the HEPCO Group environmental target of reducing CO_2 emissions from the power generation division by more than 50% compared to the FY2014 level by FY2031.



*1 Actual figures are of renewable energy in Hokkaido and HEPCO's renewable energies for our 2030 target
*2 Change in sales to retail electricity providers that are power generators
*3 Technology that reduces CO_2 emissions by co-firing coal thermal power plants with ammonia, a fuel that does not emit CO_2 during combustion
*4 New technology that captures CO_2 emitted from power plants, etc., stores it deep underground, or effectively utilizes it

Maximize utilization of renewable energy potential〈Roadmap ④⑤〉

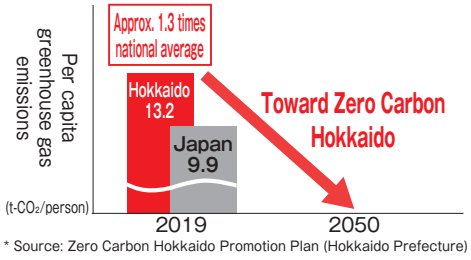
We will convert renewable energy-derived electricity to hydrogen and effectively utilize it or transmit the electricity to Honshu via our transmission network so as to further expand renewable energies and effectively utilize them.



Supporting decarbonization throughout Hokkaido〈Roadmap ⑥〉

Hokkaido is characterized by cold and snow as well as a dispersed population, so much fossil fuel is used, including kerosene for heating and gasoline for automobiles. The region's per capita greenhouse gas emissions are roughly 1.3 times the national average.

We will advance decarbonization of power sources and provide energy savings and decarbonization assistance in an effort to contribute to the Zero Carbon Hokkaido goal.



* Source: Zero Carbon Hokkaido Promotion Plan (Hokkaido Prefecture)

ZEB & ZEH	Proposals for 50% or greater energy savings achieved by improving building insulation and utilizing high-efficiency equipment
Heat pumps	Expanding adoption of high-efficiency equipment utilizing air heat (renewable energy) to provide cooling and heating with less than half of the regular level of electric power
Community decarbonization projects	Assistance for communities to convert home electric power to achieve essentially zero CO_2 emissions

TOPICS Revision of HEPCO Group Environmental Targets

HEPCO Group established the HEPCO Group Environmental Policy to address carbon neutrality, biodiversity, and other environmental challenges, and we set environmental targets to serve as specific measures for realizing our environmental policy.The Environmental Committee, which is chaired by the President, deliberates environmental targets and manages the progress of these initiatives to ensure that they are implemented in a planned and continuous manner. In FY2025, we revised our environmental targets to take into consideration stakeholder interests and future initiatives based upon the five environmental guidelines of our environmental policy.

* Please see the HEPCO website for more information about the HEPCO Group Environmental Policy and environmental initiatives.

Environmental Targets (FY2024)

Item				Target	FY2024 Achievements
Contribute to global warming countermeasures and carbon neutrality	Curb CO_2 emissions	CO_2 emission factor [kg-CO_2/kWh]	Unadjusted	Reduce as much as possible	0.553kg-CO_2/kWh * Year-on-year+0.02 kg-CO_2/kWh
			Adjusted		0.531kg-CO_2/kWh Year-on-year Decreased 0.004 kg-CO_2/kWh
		CO_2 emissions from power generation divisions throughout HEPCO Group [10,000 t-CO_2/year]		Reduce as much as possible ▶Reduce by 50% or more below FY2014 level by FY2031	11.54 million t-CO_2/year * Decreased 39% compared to FY2014
	Curb non- CO_2 greenhouse gas emissions	SF_6 recovery rate (Calendar year) [%]	At time of equipment inspection	Raise to 97 or higher	99%
			At time of equipment removal	99 or higher	99%
	Increase adoption of electric vehicles (EVs)	Initiatives to increase adoption of EVs		Review and implement measures to expand EV use	·Supported installation of EV charging infrastructure for homes ·Proposed EV charging solutions for offices and factories ·Developed EV demonstrations from BCP standpoint (government buildings, evacuations centers, etc.) ·In partnership with automobile manufacturers, engaged in PR activities targeting local governments & organizations
		Number of company-owned EVs acquired (Excluding specialized vehicles)		Introduce 100 or more vehicles by the end of FY2028	25 (total: 62)
Promote local environmental conservation	Air pollution prevention	SOx emission intensity [g/kWh]		Approx. 0.6	0.56 g/kWh
		NOx emission intensity [g/kWh]		Approx. 0.5	0.46 g/kWh
	Promote PCB treatment	Weight of treated trace-level PCB-contaminated pole transformers [t] (number of transformers)		Make sure treatment is completed by the end of FY2027	Steadily treated pole transformers with goal of completing the work by the end of FY2027 * FY2024 treated weight 408 t (2,600 transformers)
Contribute to creation of a sound material-cycle society	Increase industrial waste recycling rate	Industrial waste recycling rate [%]		Approx. 95	91.5%
		Coal ash recycling rate [%]		Approx. 95	90.4%
	Promote plastic resource recycling	Initiatives to reduce waste plastic emissions, increase recycling, etc. (incl. cleanup activities)		Promote the reduction of waste plastic emissions, recycling, etc.	To curb waste plastic emissions, encourage recycling, and promote other efforts, electronic manifests were used to compile and analyze data on treated industrial waste
Promote office environmental activities	Promote office energy-saving and resource conservation activities	Office electricity usage [1 million kWh]		57 or below (below average for past 3 years)	58.4 million kWh
		Office water usage [10,000m³]		21 or below (below average for past 3 years)	197,000 m³
		Green procurement rate (office supplies, etc.) [%]		93	93.5%
		Amount of copy paper purchased per employee [sheets/person] (Amount of copy paper purchased companywide [million sheets] (A4-size equivalent))		Amount of copy paper purchased per employee 20% reduction (compared to FY2019)	7,148 sheets purchased per employee Reduction of 29.0% compared to FY2019 (Total of 71.5 million sheets purchased company-wide)

Environmental Targets (Set May 2024)

Environmental Guidelines	Item		Target	Target FY	Target scope *1
① Contribute to global warming countermeasures and carbon neutrality	Decarbonization of power sources	Reduce CO_2 emissions from power generation divisions throughout HEPCO Group	Aim for zero emissions	2051	G
			Reduction of 50% or more below FY2014 level	2031	G
		Expand renewable energy power generation	Increase generated renewable energy (incl. outside Hokkaido) *2 by 300,000 kW or more	2031	G
		Utilize Tomari NPS on the assurance of safety as a prerequisite	Restart as soon as possible	–	H
		Adopt hydrogen, ammonia, woody biomass, and CCUS for thermal power plants	Study technology for adoption	~2031	H
	Support for customer and community decarbonization initiatives	Promote ZEB consulting	ZEB to account for 50% or more of consulting orders	2026	H
		Implement initiatives to increase adoption of EVs in Hokkaido	Promote adoption of EVs & charging stations	–	G
			100 or more company-owned EVs	2028	HN
		Promote decarbonization projects utilizing regional resources	Conduct joint studies with local governments, etc. and actively put forward proposals	–	H
	Construction of next-generation power network to expand adoption of renewables	Reinforce Hokkaido-Honshu HVDC Link	Start operation of Shinshin-Kitahon HVDC Link (300,000 kW increase)	2028	N
	Curb non-CO_2 greenhouse gas emissions	Curb emissions of sulfur hexafluoride (SF_6) gas	Gas recovery rate Inspection: 97%, removal: 99%	–	G
② Promotion of local environmental conservation	Air pollution prevention	Reduce sulfur oxide (SOx) emissions	Emission intensity: 0.6g/kWh	–	G
		Reduce nitrogen oxide (NOx) emissions	Emission intensity: 0.5g/kWh	–	G
	Proper treatment of hazardous chemical substances	Treat pole transformers containing low-level PCBs	Within deadline	2027 Statutory treatment deadline	N
③ Contribute to creation of a sound material-cycle society	Curbing industrial waste emissions & promoting recycling, etc.		Industrial waste recycling rate: 95%	2026	G
	Promoting plastic resource recycling		Waste plastic recycling rate: 50%	2026	G
④ Consider biodiversity	Biodiversity conservation	Utilize TNFD framework to analyze and assess impact of business activities on biodiversity	Disclose pursuant to TNFD framework	2026	HN
⑤ Disclose environmental information and promote dialogue	Promotion of dialogue with community members		Actively engage in dialogue taking advantage of a variety of opportunities, such as environmental conservation & SDG education support projects	–	G
Other	Thorough environmental management	Comply with environmental laws and regulations	Zero major violations of environmental laws or regulations	–	G
		Foster environmental awareness among employees	Provide environmental training and promote sustainability actions	–	G

*1 Scope: H = HEPCO, N = Hokkaido Electric Power Network, G = HEPCO Group
*2 Capacity maintained of power sources the introduction of which was decided after announcement of HEPCO's Management Vision (including prior to operation commencing, but excluding replacement of existing power source)

Sustainable Growth Support Initiatives

Reinforcing Resilience

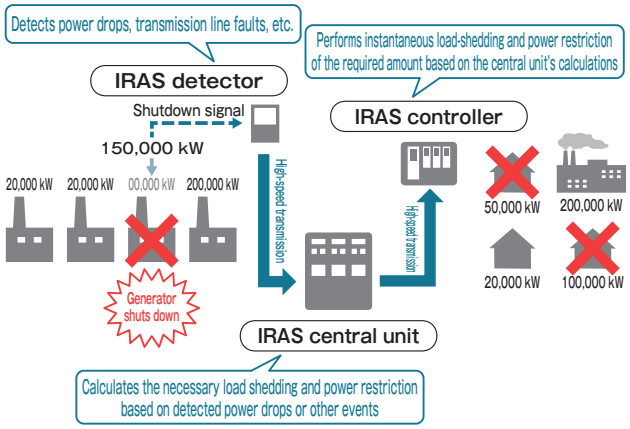
The increasingly severe natural disasters in recent years require electric power infrastructure resilience be reinforced.
Even as our facilities age, the entire HEPCO Group is striving to ensure a stable supply and that effort includes strengthening the resilience of our electric power infrastructure.

Enhancement of Electric Power Infrastructure Resilience

Having completed installation of the Integrated Remedial Action Scheme (IRAS), which is a measure to prevent recurrence of the blackout occurred due to the 2018 Hokkaido Eastern Iburi Earthquake, we placed IRAS into operation in March 2024.

This system makes it possible to exercise optimal control at high speed to maintain the balance between demand and supply, further stabilizing the power grid.

Integrated Remedial Action Scheme (IRAS)



Source: Excerpted and partially modified from "Commencement of Integrated Remedial Action Scheme (IRAS) Operation" (released by Hokkaido Electric Power Network, March 19, 2024)

Training for Large-Scale Disasters

To prepare for a large-scale disaster resulting from a typhoon, earthquake, or other natural event, we have strived to reinforce our resilience by conducting annual in-house training that focuses on initial response, damage assessment, coordination with outside organizations, and communication of information detailing recovery estimates.


In-house session of training in responding to large-scale disasters

In addition, we have signed disaster preparedness agreements with Hokkaido Prefecture, all 179 municipalities in Hokkaido, the Self-Defense Forces, First Regional Coast Guard Headquarters, and local businesses to ensure a stable supply of electric power. To facilitate the smooth implementation of the provisions of these agreements, we maintain regular communication with these organizations during normal times and actively participate in external training exercises, including those organized by our agreement partners, so that we may strengthen coordination with relevant organizations.


Agreement ceremony signed with the First Regional Coast Guard Headquarters



Participating in training sponsored by Hokkaido Prefecture

Initiatives Aiding Early Provision of Power Outage Information

Although we strive to prevent power outages from occurring, we regard the prompt provision of information to our customers to be as important as the quick restoration of service. We have been working to reassess our response when an outage occurs so that information about service disruptions can be promptly communicated.

HEPCO Network's Power Outage Information
https://teiden-info.hepco.co.jp/

Service interruption information is posted on our website when an outage occurs. Our local network offices respond 24 hours a day to inquiries received through our toll-free number.

In addition, we are also working to provide information about service disruptions as quickly as possible even when our phone lines are congested. In addition to text message support, we introduced an AI-automated response service providing outage information in March 2021. Customers that have registered us as friends on the LINE app receive information about their registered addresses (up to 4 locations) through push notifications.





Sustainable Growth Support Initiatives

Co-creation with Communities

In addition to abundant energy resources, Hokkaido has tremendous potential having been blessed with agricultural, forestry, and marine resources that support Japan's food supply as well as its natural beauty in each of the four seasons. Nevertheless, social challenges have emerged, such as rural depopulation and a shortage of workers in primary industries.
Even as we maximize Hokkaido's potential through our businesses and services, HEPCO Group contributes to developing the region and solving social challenges across a range of sectors not limited to energy.

Plant Factory Launched for Stable Agricultural Product Supply Year-Round

Hokkaido agriculture is currently mostly open-field farming that makes use of the region's vast land, but the aging and declining population have prompted the industry to retain farmworkers and improve the working environment. In addition, environmental needs have also continued to increase, such as reducing food loss and food miles.

In December 2023, we opened Hokkaido's first small-scale plant factory PUTFARM* in Niseko, an area popular with environmentally-conscious tourists from Europe and the United States.

In May 2024, we invested in Plants Laboratory Inc. Based on a relationship of mutual trust that has been steadily strengthened, we will together contribute to the development of food and tourism in Hokkaido.


PUTFARM: Energy-efficient indoor farming system

* About PUTFARM
PUTFARM is an energy-efficient indoor farming system, which Plants Laboratory Inc. jointly developed with the University of Tokyo. This system is not affected by the weather, and offers the capability to cultivate vegetables, herbs, and other plants stably and without the use of pesticides year-round.The compact and lightweight cultivation system can be installed near where the product will be consumed, so it also addresses the environmental needs of reducing food loss and food mileage.

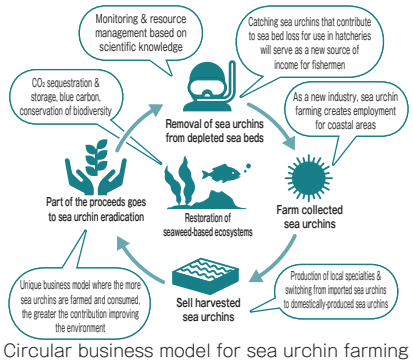
Sea Urchin Farming Project to Counter Seaweed Bed Loss

In recent years, seaweed beds have waned due to rising sea water temperatures, lack of nutrients, and overgrazing by sea urchins. Seaweed beds continue to be depleted throughout Japan. The same situation has also been creeping forward along the coasts of Hokkaido. Seaweed beds nurture the rich marine ecosystem and protect its biodiversity. It is hoped that restoring seaweed beds will contribute to reviving fishery resources and preventing global warming.

We have been advancing blue carbon initiatives at multiple locations throughout Hokkaido with the goal of restoring seaweed beds. We are also researching and developing seaweed reefs and automated sea urchin capture devices.

As a new initiative, in April 2024, we entered into a partnership agreement with Uninomics Inc., which has established a circular business model with its technology that provides short-term farming of low-quality sea urchins that inhabit depleted areas, so that we may jointly study sea urchin hatcheries to combat seaweed bed loss.

Moving forward, we will collaborate with Uninomics Inc. to study business areas and models that contribute to eradicating seaweed bed loss and stimulating the local economy.



Circular business model for sea urchin farming

Co-Creation with Municipalities Aiming for Carbon Neutrality

We are supporting municipalities that are working to become carbon neutral. More specifically, we are participating as a joint proposer in the plans for Sapporo City (2nd selection, November 2022) and Tomakomai City (4th selection, November 2023), both of which were selected to be Decarbonization Leading Areas as designated by the Ministry of Environment.

The aim set for the Decarbonization Leading Areas is to effectively achieve zero CO_2 emissions in the consumption of electric power by the private sector before the year 2030 as part of the drive to be carbon neutral by 2050. Very detailed support is provided tailored to each municipality's characteristics and requests.

Under the Sapporo City plan, HEPCO plans to study the decarbonization of the Hokkaido University campus and the supply of hydrogen to the city's hydrogen stations.

Under the Tomakomai City plan, we have been reviewed a PPA installation in the companies in the city's western industrial district and the provision of a CO_2 free menu of electricity for users in the private sector, who are utilizing power generated from refuse at a waste treatment facility.



Tomakomai City initiatives (examples)
Source: Excerpted from the Ministry of Environment's 4th Overview of Decarbonization Leading Areas

Sustainable Growth Support Initiatives

Human Capital Strategy 2024

HEPCO Group Human Capital Strategy

~People: The Driving Force Propelling HEPCO Group's Sustainable Growth

For more information about the HEPCO Group Human Capital Strategy
https://www.hepco.co.jp/corporate/human_rights/hc_strategy/index.html

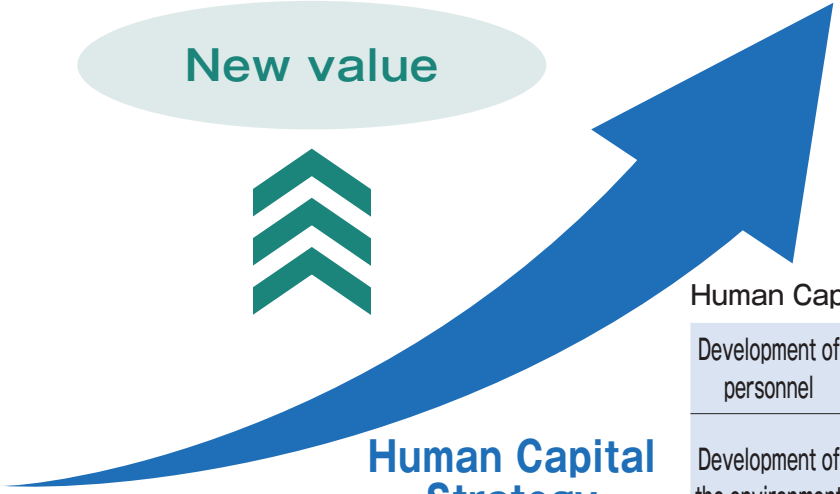
The business environment in which HEPCO Group operates is rapidly changing, with increasing calls to balance stable supply with decarbonization as well as greater development of Hokkaido's economy, industrial expansion, and job creation.In such an environment, we must be able to leverage these changes in our business environment to achieve sustainable growth. It is our "people" that are the fundamental foundation supporting this expansion.This concept forms the basis upon which we defined the HEPCO Group Human Capital Strategy in March 2024.

For HEPCO Group to grow sustainably, it is vital that we demonstrate the technical expertise and know-how as well as sense of responsibility and mission for stably supplying power, which we have developed in our electricity business and constitute the strengths of the HEPCO Group (HEPCO capabilities), and that, even as we enhance the value of these capabilities, we produce new value appropriate for this time of change as well as boost our diverse appeal.

Vision Our Human Capital Strategy Will Realize

So that we may contribute to Hokkaido in a business environment undergoing significant changes, we will foster a corporate culture with the HEPCO Group Human Capital Strategy that produces 'new value' while enhancing 'current value' to take up the challenge of sustainably growing our business and contribute to realizing a sustainable society.

We have set out two basic concepts: development of our personnel and our environment, both of which are necessary to accomplish these goals, and we are promoting initiatives in line with these basic concepts.





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

Human Capital Strategy: Two Basic Concepts

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



Past | Present | Future

Overview of HEPCO Group Human Capital Strategy

Executing a human capital strategy aligned with our management strategy will create a corporate culture that produces new value while enhancing current value. It will enable each and every employee to acquire the necessary skills so they are more disciplined, continue to take up challenges and adapt. It will help our diverse personnel accept one another and thrive as they find satisfaction in their jobs and growth. These initiatives are classified according to five perspectives, and we will promote specific measures to achieve each.

HEPCO Group Management Vision 2030

Basic Approach

Taking on the challenge of sustainably growing our businesses and contributing to realizing a sustainable society

Management Strategy

Direction of HEPCO Group businesses

Ensure a stable supply of electric power by anticipating changes, transform our business model, expand our business domains, and create innovation

Sustainably enhance corporate value

Human Capital Strategy

Two basic concepts

Concept 1 Development of personnel

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

Concept 2 Development of the environment

Create an environment where our diverse personnel accept each other and thrive as they find satisfaction in their jobs and growth

Five perspectives for achieving the basic concepts

- Perspective 1 Provide support for enhancing HEPCO Capabilities* as well as taking up challenges and adapting P67
- Perspective 2 Build a human resources portfolio P67
- Perspective 3 Promote diversity and inclusion P68~69
- Perspective 4 Support flexible work styles P69
- Perspective 5 Promote health management P70

Specific key measures

- Support acquisition & maintenance of necessary skills and qualifications
- Support autonomous career development
- Review evaluation & compensation systems
- Strengthen recruitment
- Develop management talent
- Promote advancement of women
- Empower people with disabilities
- Review senior employment policies
- Expand work style options
- Promote safety activities to eradicate occupational accidents
- Advance health promotion initiatives

Human Capital Strategy Goal

Create a corporate culture that creates new value while enhancing current value

* HEPCO Capabilities: The HEPCO Capabilities refer to the abilities demonstrated with the collective strength derived from technical expertise and know-how as well as a sense of responsibility and mission for providing a stable supply of electric power that has been honed in the electric power business.

Human Resource Acquisition and Development Measures

Perspective 1

Support for Enhancing HEPCO Capabilities and Taking up Challenges & Adapting

Support for Acquisition and Maintenance of Necessary Skills

We have been expanding training and distance-learning from the standpoint of encouraging motivated employees to learn so that they may acquire a variety of skills.

〈FY2025 Initiatives〉

- Expanded career vision training for all fifth-year employees (curriculum added for fifth-year employees to envision HEPCO Group's future with management)
- Business book summary service introduced as well as online learning service for all employees
- Increased subsidies for online learning relating to MBA courses, and new subsidy established for MBA degree recipients

Support for Career Self-Development

We expanded eligibility for our internal job recruitment system *1 and introduced an internal side-job system*2 to offer our employees self-growth opportunities, enabling them to independently think about their careers and achieve their goals.

***1 Expanded applicability for internal job recruitment system**

Current	After
■ Project-based	■ Project-based + ■ Regular recruitment

***2 Internal side-job system (illustration)**

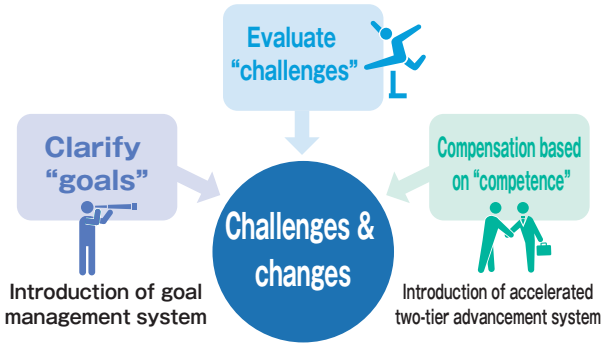
System that allows employees to work a certain percentage of their time for a certain period of time in another department that will be their internal side job while maintaining their employment in the department to which they are currently assigned.

Current assignment	Internal side job
■ Personnel & Labor Relations Dept. ■ 4 days/week	■ Accounting & Finance Dept. ■ 1 day/week, half year

Review of Evaluation and Compensation System

We will proceed to reassess our evaluation and compensation system to enhance each and every employee's motivation so that they feel they are truly growing and satisfied with their work.

Items added relating to "challenge" in employee performance evaluations



Perspective 2

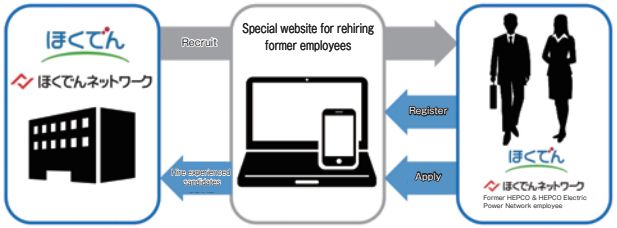
Construction of Human Resource Portfolio

Strengthening Recruitment

With the competition for acquiring talent in Hokkaido anticipated to further intensify, we have expanded our various internship programs to strengthen recruiting and public relations. We are also actively engaged in activities to bolster engagement with students through individual consultations and roundtable discussions.

We have also introduced new recruitment methods to increase hiring of experienced professionals (direct recruiting, rehiring former employees, and referral recruitment).

Illustration of How Former Employees are Rehired



Development of Management Talent

Having looked ahead at the changes coming to our business environment, we have developed a training system for everyone from our younger employees to managers in order to systematically develop our personnel at an early stage to enable them to possess a broad company-wide perspective and the ability to make business judgments. We have also implemented a personnel development method known as stretch assignments that provide our employees with challenging tasks and experience performing unfamiliar work.

Perspective 3

Promotion of Diversity & Inclusion

Promoting Advancement of Women

An assessment of our current status and analysis of challenges that we face pursuant to the Act on Promotion of Female Participation and Career Advancement in the Workplace and the Act on Advancement of Measures to Support Raising Next-Generation Children found that HEPCO and Hokkaido Electric Power Network face three principal challenges: ①low ratio of women managers, ② low ratio of women recruited, and ③few male employees taking childcare leave.

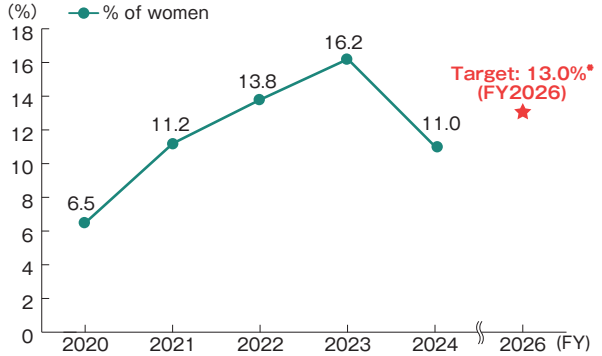
With regard to ①low ratio of women managers, there were 15 women managers as of March 2024 (2.3%). Because this is a low level in comparison with the industry average (4.2% for the electricity, gas, heat supply, and water industries), we believe that further efforts are necessary to address this shortfall.

Change in Number of Women Managers (Section Chief or Higher)



Toward the goal of increasing the percentage of women managers, we believe it is necessary to maintain and increase the ②percentage of women recruited so that women account for a greater percentage of all employees.

Change in percentage of women among new hires

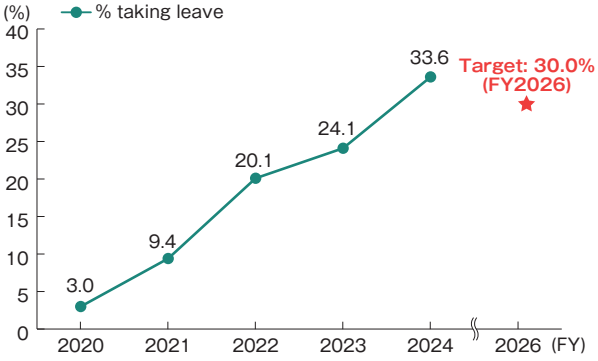


* Due to variation in the number of individuals hired in different fiscal years, the average of the previous General Employer Action Plan (April 2020~March 2023) has been used.

HEPCO recruitment website
https://www.hepco.co.jp/corporate/recruit/recruit.html

In recent years, ③ the percentage of male employees taking childcare leave has tended upward and was 33.6% in FY2024. This exceeds our current goal of 30%. However, we believe that further efforts to improve this ratio are needed after giving consideration to raising our target.

Changes in Percentage of Male Employees Taking Childcare Leave



We have set the following numerical targets in working to address the aforementioned challenge.

For example, since FY2023, we have held Management Experience Seminars for women employees, as well as roundtable discussions with HEPCO Group women managers for participants in the seminars.

Moving forward, we will also strengthen our efforts to achieve our targets.

Targets (Project Period: FY2024~FY2026)

Item	Current target (end of FY when planning period ends)
Ratio of women to all hires	13% or more
No. of women among all managers	1.5 times or more compared to FY2023 start (21 women)
Percentage of men employees taking childcare leave	30% or more

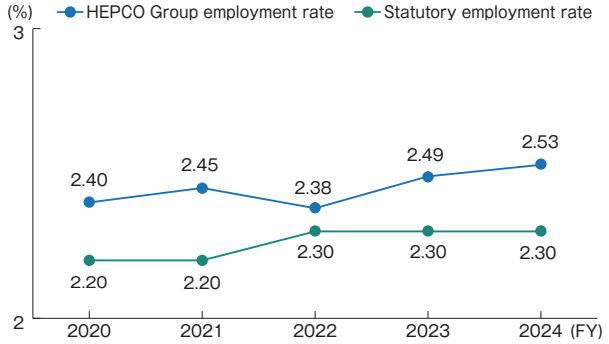
Empowering People with Disabilities

HOKUDEN ASSOCIA Co., Inc. was established in 2007 (certified as a "special subsidiary" in 2009) to provide services including printing, bookbinding, PDF conversion, subtitle creation, and soap sales.

As of June 2024, the HEPCO Group's employment rate for people with disabilities was 2.64%, exceeding the legally required rate (2.5%). However, we believe further improvements are needed to create an environment where people with disabilities can make a greater contribution.

From FY2025 onward, to increase work engagement for people with disabilities, we aim to expand employment opportunities and job categories. HOKUDEN ASSOCIA will also increase employment through new business initiatives.

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



Reassessment of Senior Employment Policy

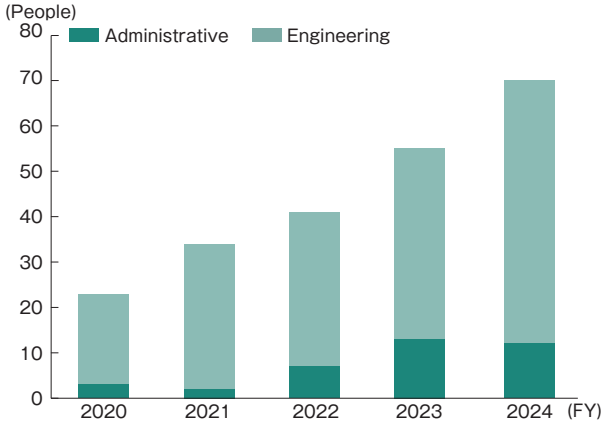
Having taken into consideration the increasing life expectancy and progression of Japan's declining birthrate and aging population, we need to have a system and develop an environment where veteran employees possessing a wealth of knowledge, technical skills, expertise, and the motivation to work are able to make a contribution while also enjoying job satisfaction.

Taking into consideration the purport and particulars of the Act on Stabilization of Employment of Elderly Persons as well as coming changes in the age structure, both HEPCO and Hokkaido Electric Power Network introduced a reemployment system in April 2013, under which all employees who wish to work up to the age of 65 are able to do so, in principle.

In addition, so that our personnel with high-level expertise and knowledge are able to continue to demonstrate their abilities for a long time, we have appropriately enhanced and improved our personnel system since April 2018 to, among other measures, introduce a program that extends, in special cases, the employment of people with high-level skills who will up to the age of 70 be able to support our efforts to pass on technical skills and competencies to younger employees.

In the future, we will consider other measures, including raising the mandatory retirement age (currently 60) to 65.

Number of employees rehired from age 65 to 70



Perspective 4

Support for Flexible Work Styles

Expansion of Work Style Options

So that the working environment is more accommodating for our employees, we need to develop systems that allow employees to work in a manner suited to their individual circumstances and be even more productive.

Although we have already introduced hourly-leave and work-from-home schemes, offering additional options that fit individual employee circumstances will help create an environment where each and every employee is able to employ a flexible work style enabling them to find fulfillment and fully demonstrate their abilities.

More specifically, our aim is to reduce total working hours and increase the number of leave days taken by reviewing and implementing initiatives, such as expanding workplaces eligible for flextime work, eliminate core time or mandatory working hours, and introducing a four-day workweek.

Development of Work Schemes

2018	● Extended eligibility period for shortened working hours for childcare and nursing care leave ● Introduced flex work for childcare & nursing care ● Revised number of days of leave granted new employees ● Added and expanded reasons for taking accumulated leave ● Extended period for taking marriage leave and increased days allocated for maternity leave
2020	● Introduced hourly leave ● Introduced work-from-home system
2021	● Expanded work-from-home eligibility, frequency, etc. ● Introduced shortened working hours for self-medical treatment
2022	● Expanded conditions for taking hourly leave ● Extended eligibility periods for shortened working hours for childcare, accumulated leave for 'child rearing', and nursing care leave
2023	● Launched the environmentally-friendly Natural Business Style
2024	● Introduced leave system for accompanying a spouse's job relocation

Perspective 5

Promoting Health Management

We have rolled out activities sharing with everyone involved in our business that safety is the highest priority and our goal is zero accidents.

We also practice health management, which, as one of our management pillars, promotes the creation of an environment where our employees, the driving force behind our business, are able to thrive in their work and enjoy good health.

Promoting Safety Activities to Eliminate Workplace Accidents

Everyone in our offices and work sites is united in their commitment to make absolutely sure that no one involved in our business becomes a victim of an accident. All members of our workplaces participate in occupational health and safety activities.

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

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

Safety Promotion System

HEPCO Group established the Central Industrial Safety & Health Committee at our Head Office, which works to draft the Safety & Health Activity Priority Policy that everyone throughout our group prioritizes in their work. The committee also deliberates measures to prevent the recurrence of work-related accidents that have occurred.All workplaces take into consideration this group-wide policy and measures in the activities that they take the initiative to launch. Continuous improvements are made by applying the PDCA method to these activities to ensure their effectiveness.

Promoting Safety Together with Partner Companies

We established the Relevant Work Safety Council, which is comprised of our construction sectors and vendors (recipients of orders for contracted projects and outsourced operations). This council works together closely to prevent accidents by discussing accident prevention measures, conducting site safety patrols, as well as holding safety workshops and informal discussions.

We are also engaging in activities to promote greater safety awareness. These include recognizing companies and individuals that practice outstanding safety management and contribute to preventing work-related accidents.



Joint HEPCO and contractor on-site safety patrol

Promoting Health Enhancement Activities

The health of our employees is of the utmost importance for continuous business development. We provide programs for our employees and their families that promote health measures enabling everyone to lead a fulfilling life and find job satisfaction. We also contribute to the promotion of health in our communities through initiatives that support health management for companies that we do business with.

Safety Promotion System

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



Assessment of Health Management Initiatives

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

Health and Productivity Management KPIs (FY2024 survey)

Metric		Score	Initial target
Work engagement (Index indicating the status of employees' involuntary behavior and positive emotional involvement as they perform their work)	2-item average	2.21	3.00
	Vitality	2.05	-
	Pride	2.36	-
Presenteeism (Index measuring decline in productivity due to health issues)		74.2(%)	80.0
Absenteeism (Index revealing work absences due to health issues)		2.99(days)	1.50

Identifying Challenges & Making Improvements

With the aim of reducing the risk of lifestyle-related illnesses and thus improving on those factors that have led to a decline in productivity, we have held company-wide walk rallies (83% participation in FY2024) along with other initiatives. Although these efforts have shown improvement in encouraging employees to exercise appropriately and regularly, the percentage of our employees with a BMI ≥25, which is closely related to lifestyle and habits, still remains high at around 30% of our workforce.

Creating an environment and structure that makes it easier for less health-conscious employees to improve their health is an issue that we need to address. With health screening data, surveys, and other means, we are continuing to verify the effectiveness of ongoing measures, such as learning and health events, that help improve employees' health literacy.

Chronological Comparison of Health Measures & Health Data

	2022	2023	2024
Appropriate exercise habits	29.0%	29.9%	31.3%
Percentage of employees with BMI ≥25	29.8%	29.8%	30.0%
Employees participating in walk rallies	84.4%	83.8%	83.0%

HEPCO website "Promoting Health Management"
Both the HEPCO and Hokkaido Electric Power Network websites take a positive stance toward presenting various health initiatives.

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

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

We will be proactive in continuing initiatives that promote better health for our employees (including those working at group companies), their families, business partners, and local communities.

2024 健康経営優良法人 Health and productivity ホワイト500

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

Sustainable Growth Support Initiatives

Thorough compliance and risk management

HEPCO Group CSR Action Charter

Basic Approach

Grounded upon our management philosophy mandating "respect for humanity," "contribution to local communities," and "efficient management," HEPCO Group recognizes that we cannot develop unless the community enjoys sustained development. We make sure that we fulfill our responsibility as a member of society and contribute to social and economic development as well as foster culture through the provision of products and services integrating electric power. With a management structure unifying the HEPCO Group, we conduct our business activities in a transparent and fair manner so as to secure the trust of society and enhance corporate value. In pursuing our business activities, we give top priority to safety, respect for human rights, and consideration of the environment. Our position is firmly established upon a basic recognition of these principles and we will always act in accordance with the standards of conduct shown below.

Standards of Conduct

Our top priority is customer satisfaction in the provision of products and services integrating electric power.
- We will improve communication with our customers to ensure safety and stability, and provide products and services of a quality and price satisfactory to our customers.

We will sincerely live up to the trust and expectations that the community places in us.
- We will proactively provide information relating to our business activities, and, as a member of the community and greater society, we will improve communication with the community in an effort to enhance mutual understanding.
- We will deploy the comprehensive strengths of our group as we work to energize the local economy, community and greater society.

We will be sure to live up to the expectations of our shareholders and investors.
- We will be unrelenting in promoting increased managerial efficiency, appropriately managing risks in our business activities, and striving to stably and sustainably enhance value.
- We will appropriately and timely disclose information about our business activities, and actively communicate with our shareholders and investors.

We will create a work environment that is safe and motivating for our employees.
- We will always aim to be thoroughly aware of health and safety as we strive to improve the workplace environment and culture, endeavor to create an open and transparent work culture, ensure safety, and maintain health.
- We will respect each and every individual's personality and individuality, and create a pleasant and fulfilling workplace where each employee is able to sufficiently demonstrate his or her abilities.

We will engage in transparent and fair transactions with our business partners as equal partners upon a basis of mutual trust.
- We will value good faith and act sincerely in accordance with our agreements and sound business practices.
- We will also ask our business partners to share our awareness of corporate social responsibility and make the effort necessary to ensure that such obligations are fulfilled.

We will conduct our business activities while also proactively working to find solutions to global and local environmental issues.
- So that our society may sustainably develop, we will promote global warming prevention measures, local environmental conservation, and formation of a recycling-oriented society, and we will work to reduce our environmental footprint in every facet of our business.
- We will practice thorough environmental management, and provide appropriate and timely announcements about our initiatives to address environmental issues.

We will practice compliance thoroughly in all aspects of our business.
- We will always be aware and act in a manner which recognizes that practicing compliance (upholding laws, regulations, internal rules, and company ethics) is our responsibility.
- We will properly manage personal information as well as all forms of information that our company is entrusted with.
- We will stand firmly against and stringently respond to any antisocial acts that threaten the order and safety of society.

CSR Committee

The CSR Committee, which is chaired by HEPCO President, was established at the Head Office with the aim of smoothly and effectively promoting corporate social responsibility initiatives throughout the HEPCO Group. The CSR Committee deliberates revisions to the HEPCO Group CSR Action Charter, policies and measures concerning important CSR initiatives, and other matters.

Business and Other Risks

The principal risks that may affect the HEPCO Group's performance are described below.

Forward-looking statements provided here are current as of the date on which the financial statement was filed (June 27, 2024).

The HEPCO Group recognizes these risks and strives to prevent and address them in the event they do arise.

(1) Status of Nuclear Power Generation	HEPCO regards ensuring the safety of Tomari Nuclear Power Station as our most important management task, and, spearheaded by the president's responsibility for top management, we are striving to further enhance safety based upon our "Safety Improvement Plan." Specifically, we are complying with the new regulatory requirements enacted for nuclear power plants, and have been endeavoring to diversify our safety measures as well as strengthen and enhance our severe accident response system through, among other efforts, conducting nuclear emergency preparedness training which anticipates a severe accident or other such disaster, as well as implementing construction work for safety measures aimed at further enhancing safety and reliability. In March 2024, we began construction of a new seawall that will serve as a tsunami countermeasure for Tomari Nuclear Power Station. Toward our goal of restarting Tomari Nuclear Power Station, we are working with the review examining compliance with the new regulatory requirements. This work has addressed such tasks as establishing the design-basis tsunami, assessing the thickness of pyroclastic material (volcanic ash) fall, implementing measures to prevent drifting of ships transporting fuel and other cargo, and assessing the impact of a potential seawall failure due to tsunami. Nevertheless, there is the possibility that our business performance may be affected if the shutdown of Tomari Nuclear Power Station is further prolonged, which depends upon on the status of future reviews and other factors as well as the possibility that fuel costs may continue to rise.
(2) Equipment Failure & Supply Hindrance	Although HEPCO Group endeavors to maintain the reliability of our power generation and distribution systems through steady implementation of inspections and maintenance, stable fuel procurement, and maintenance of equipment and material supply chains, there is the possibility that performance may be affected where costs are incurred for restoring such systems or burning more fuel than anticipated at other power plants due to the shutdown of the power plant if its facilities or equipment experience interference due to a natural disaster, malfunction, or other such event, or if facility operation and maintenance become more difficult due to interruptions in fuel supply or equipment and material supply chains.
(3) Institutional Changes Encompassing the Electricity Industry	The development, revision, and other changes to markets and rules aimed at further promoting competition in the electricity business as well as other such changes to national systems and frameworks may affect the HEPCO Group's performance. Nuclear back-end operations, a crucial element of nuclear power generation, are very long-term projects entailing inherent uncertainties. However, there are systems in place that contribute to offsetting costs required for reprocessing spent fuel and disposing of radioactive waste. These contributions are calculated using legally-established unit prices. Similarly, for decommissioning costs, there is a system that contribute amounts set based on current laws and regulations. Although these systems and measures mitigate risks to the operator, performance may be affected if such systems are revised.
(4) Climate Change Impact	Amid growing concerns about climate change, our aim is to reduce CO_2 emissions from the power generation division by at least 50% below the FY2014 level by FY2031. Moreover, we will take up the challenge to achieve zero emissions by the year 2050. To reach these targets, we will proceed to decarbonize our thermal power plants with the use of hydrogen and ammonia as well as adoption of CCUS. We will also be expanding installation of renewable energies, restarting Tomari Nuclear Power Station with safety as the top priority, as well as suspending and decommissioning aging thermal power plants. Additionally, we will promote electrification as a measure to boost demand in addition to presenting proposals to customers facing electrification challenges so they may make use of clean hydrogen produced from renewable energy. With these efforts contributing to a reduction in CO_2 emissions across all energy types, we will do our utmost to make the entire energy sector in Hokkaido carbon free by FY2051. Nevertheless, our business performance may be affected by tighter environmental regulations, such as carbon pricing, to counter global warming, and a potential decline in competitiveness if we are unable to appropriately address decarbonization.
(5) Fluctuations in Fuel & Wholesale Electricity Market Prices	Fuel procurement costs are affected by fluctuations in fuel prices and exchange rates, while power purchasing costs by changes in wholesale electricity market prices. Accordingly, the HEPCO Group aims to achieve a balanced power source mix, and endeavors to spread out and avoid the risk of price fluctuations through a combination of long-term contracts and spot purchases, diversification of suppliers and other contractual methods, leveraging derivative trading, and adoption of other measures. In addition, from the standpoint of economic rationality, we have reduced costs through optimal combinations of power generated in-house and the procurement of electricity through power market transactions. The impact on performance due to fluctuations in fuel and wholesale power market prices is mitigated through application of the fuel cost adjustment system, which reflects fluctuations in fuel prices within a certain range, to low-voltage customers, and the fuel-cost adjustment and other systems, which also reflects fluctuations in wholesale power market prices, to high- and extra-high voltage customers.
(6) Fluctuations in Electricity Demand and Sales	The HEPCO Group's performance may be affected if there is a decrease in electricity demand as a result of an economic or production decline due to an economic downturn, advances in energy savings, decrease in population, temperature effects, and other factors, or if there is a decrease in electricity sales on account of intensified competition with other operators.
(7) Fluctuations in Amount of Rainfall or Snowfall	The amount of annual rainfall or snowfall may affect the HEPCO Group's performance as an abundance of water would be a factor reducing fuel costs and a shortage of water would be a factor increasing fuel costs. Because the system of setting aside a reserve for fluctuation in water levels has resulted in certain adjustments being made, the effect on performance is diminished.
(8) Interest Rate Fluctuations	There is the possibility that market interest rates may change, increasing costs for new financing and affecting performance. At the end of FY2024, all of HEPCO Group's interest-bearing debt was procured at fixed interest rates, so there is no risk that interest payment may change due to rate fluctuations.
(9) Businesses other than Electricity	HEPCO Group strives to conduct preliminary evaluations and appropriately manage operation of businesses other than our electricity business. However, deteriorations in the business environment and other factors may make engaging in such businesses more difficult than initially anticipated.
(10) Spread of Infectious Diseases	To ensure a stable supply of electric power, HEPCO Group has implemented measures to prevent the spread of infectious diseases. However, if such a spread hinders business operations, performance may be affected.
(11) Strict Adherence to Compliance	Having established the HEPCO Group CSR Action Charter and Compliance Code of Conduct, we are striving to thoroughly comply with all legal and regulatory requirements. To facilitate and effectively promote compliance initiatives, the Corporate Ethics Committee, chaired by the President, meets quarterly, and outside experts verify the effectiveness of these compliance initiatives. In addition, Hokkaido Electric Power Network has established the Committee on Conduct Restrictions & Compliance, under whose auspices we are enhancing the effectiveness of initiatives for compliance with conduct restrictions and other standards, based on assessments and proposals provided by outside experts. We are also promoting company-wide activities to ensure the neutrality and reliability of our general transmission and distribution operations. However, any violations or unethical conduct could impair our social credibility and affect business performance.
(12) Information Management	The HEPCO Group has maintained information security, established internal rules, and conducted employee training to strictly control operational information about our customers and others that is held by the HEPCO Group. However, problems resulting from information leaks may demean HEPCO Group's social credibility and affect its performance.

The potential degree, timing and amount are not provided for aforementioned risks that are difficult to reasonably foresee.

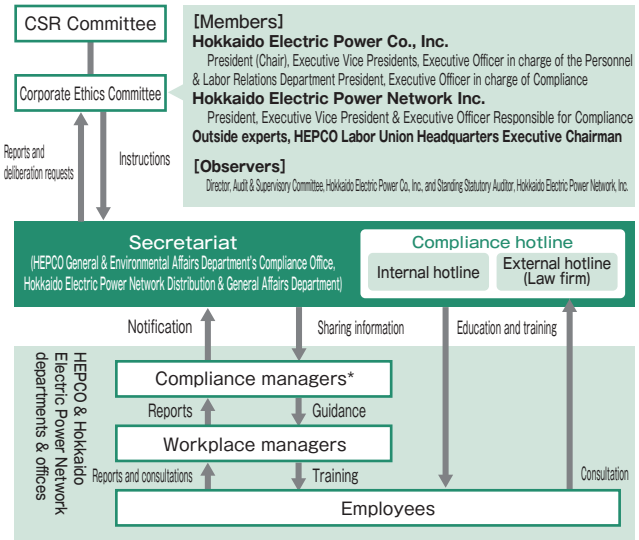
Strict Adherence to Compliance

HEPCO and Hokkaido Electric Power Network established the "Compliance Code of Conduct," which mandates that their corporate officers and employees be fully aware of how they should conduct themselves so as to always be in compliance.

Compliance Promotion Framework

Under the auspices of the Corporate Ethics Committee chaired by HEPCO's President, the HEPCO General Affairs Department's Compliance Office and Hokkaido Electric Power Network's General Affairs Department serve as secretariats, supporting efforts to provide compliance training and workshops as well as implement compliance initiatives throughout these companies and group companies. Corporate Ethics Committee was established to properly respond to and prevent the recurrence of compliance violations, and effectively facilitate compliance-related initiatives throughout the HEPCO Group. The Corporate Ethics Committee holds regular meetings each quarter.

Compliance Promotion Framework



* 109 as of March 31, 2024

Compliance Promotion Initiatives

Because compliance is inseparable from business operations, executives who are supervising departments and offices have been installed as compliance managers, and the secretariats work together with these compliance managers. In each workplace, these compliance managers are central to efforts to promote greater awareness of compliance and establish proper observance in the way that personnel conduct themselves.

Specific initiatives include e-Learning courses offered to all employees annually. In FY2024, 99% of employees took such courses. In addition to on-the-job training in the workplace (provided quarterly), which uses teaching materials with compilations of case studies detailing compliance violations and other such incidents, compliance workshops have been held with sessions tailored to each workplace and administrative hierarchy, for which the secretariats have provided instructors (attended by a total of 4,881 personnel, including sessions conducted at group companies).

Compliance hotline

Compliance hotlines have each set up to handle consultations about compliance violations or other infractions by employees in the workplace as well as on or off of the job. This system is able to gather a broad range of information about compliance violations.

Number of compliance hotline inquiries (including anonymous inquiries)

FY2022	FY2023	FY2024
20	42	37

Initiatives relating to personal information protection

HEPCO and Hokkaido Power Network have constructed frameworks headed by their respective executive officers overseeing compliance. Internal rules have been developed based upon the Act on the Personal Information Protection and other relevant laws and regulations. Contractors' efforts are periodically supervised. E-Learning and workshops are also regularly offered to employees.

In addition, both companies have established and released personal information protection policies. They have set up personal information consultation services, to which comments and questions from people outside the company are directed regarding how personal information is handled.

Initiatives for Ensuring Neutrality and Reliability in General Power Transmission & Distribution Operations

Hokkaido Electric Power Network strives to be thoroughly compliant through our Committee on Conduct Restrictions & Compliance, which was established in June 2023, to further enhance the neutrality and reliability of our general power transmission and distribution operations.

https://www.hepco.co.jp/network/corporate/neutrality_reliability/index.html

Information Security

Basic information security policy

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

Information security management system

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



Cyberattack Countermeasures

As a key infrastructure company engaged in the electricity business, HEPCO recognizes that a cyberattack poses a major threat, and we have implemented the following initiatives in accordance with relevant laws, regulations, company rules and other standards.

①Management and operational measures (organizational and personal security control measures)

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

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

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

②Physical and technical security control measures to prevent human system breaches

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

③Preparations to Counter External Threats

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

Group-wide information security initiatives

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

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

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

TOPICS

Employee Education & Training to Improve and Practice Information Security

HEPCO Group offers e-Learning courses on the basics of information security for both HEPCO and HEPCO Group company employees. In addition, since FY2021, we have strengthened our ability to respond to cyberattacks attempted with suspicious emails by conducting training several times annually for HEPCO and HEPCO Group corporate officers and employees so they learn how to respond to targeted email attacks. In addition, follow-up training is also provided to further enhance our information security practices.

The repeated implementation of these training programs and drills helps our employees to make information security an instinctive part of their daily operations.

Sustainable Growth Support Initiatives

Enhance corporate governance

Basic Approach to Corporate Governance

Based upon our management philosophy mandating "respect for humanity," "contributions to local communities," and "efficient management," HEPCO Group recognizes that we cannot develop unless the local community enjoys sustained development, and we will make sure that we fulfill our responsibility as a member of society to provide products and services integrating electric power, and endeavor to achieve sustainable growth and enhance corporate value.In order to promote these initiatives for enhancing corporate value, HEPCO will actively strive to implement them in accordance with the following basic policies, which are based on our fundamental belief that it is essential for us to enhance corporate governance that supports transparent, fair, quick, and bold decision-making.

Corporate Governance Basic Policies

1. Appropriate cooperation with shareholders

○ Assurance of shareholders' rights

On the basic principle that shareholders are equal according to their share class and equity, HEPCO supports all our shareholders pursuant to laws, regulations, and other principles so that their voting rights at the general meeting of shareholders as well as all other rights that shareholders possess are appropriately assured

○ Dialogue with shareholders

HEPCO strives to disclose information in a timely, appropriate, and fair manner, and communicates information to allow for an extensive understanding of our business activities. We will construct a relationship of trust through a continuing dialogue with our shareholders and investors.

2. Appropriate cooperation with stakeholders other than shareholders

HEPCO has established the HEPCO Group CSR Action Charter mandating that we conduct ourselves with an awareness of HEPCO's social responsibility in all our business activities, and strive to cooperate not only with shareholders, but also employees, customers, business partners, community residents as well as a variety of other stakeholders.

3. Assurance of appropriate information disclosure and transparency

In accordance with laws, regulations, and other principles, HEPCO discloses in a timely and appropriate manner to our shareholders and other stakeholders information about our financial affairs and managerial situation as well as management strategies, management issues, risks, governance, and other non-financial information.

4. Responsibilities of the Board of Directors and other HEPCO institutions

Under the auspices of the system for companies establishing an audit and supervisory committee, HEPCO promptly responds to changes in the electricity business environment, recognizes our fiduciary responsibility and accountability to our shareholders, and strives to achieve sustainable growth as well as increase corporate value.In addition, we aim to manage our businesses in a highly transparent manner, and endeavor to strengthen this framework and provide support so that independent outside corporate directors are able to appropriately fulfill their roles and responsibilities.

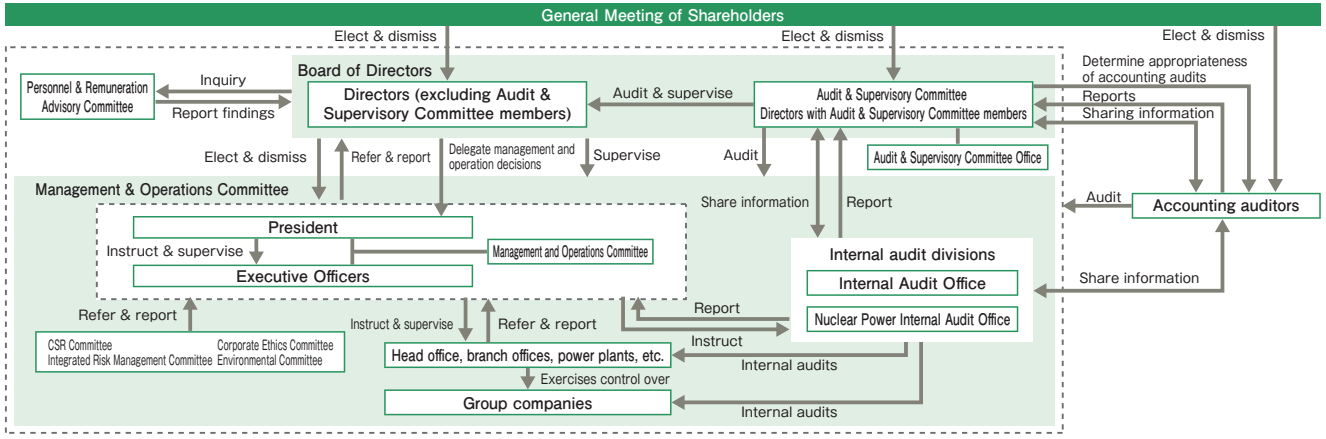
Corporate Governance Framework

As the business environment in which HEPCO operates undergoes significant changes, we recognized the need to construct a framework that not only makes it possible for us to respond promptly and agilely to important business challenges, but also further enhance the transparency of the Board of Directors' decision-making and effectiveness of its management oversight, so we adopted the system of a company with an audit and supervisory committee.

Changes in the Corporate Governance Framework

	2020	2021	2022	2023	2024
Number of directors*	17(2)	17(2)	16(2)	15(2)	15(2)
Number of outside directors*	5(2)	5(2)	5(2)	5(2)	5(2)
Company with Audit & Supervisory Committee	–	–	–	Transition →	
Assessment of Board of Directors' effectiveness	Introduced →				
Performance-linked compensation system	–	–	Introduced →		

* Auditors included through FY2022. Figures in parentheses indicate the number of women.

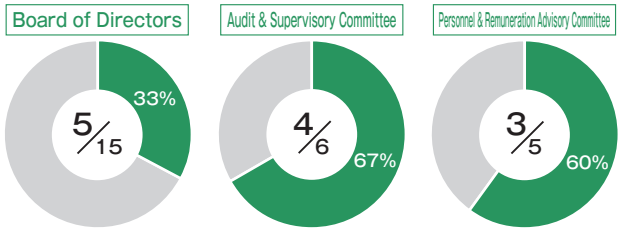


Board of Directors Maintains a Good Balance & Diversity of Knowledge, Experience and Abilities

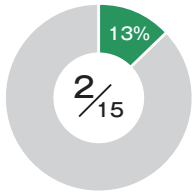
The foundation of HEPCO Group's Board of Directors is its composition, encompassing an array of specializations and career experiences, so that management challenges may be appropriately and promptly addressed.

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

Percentage of outside directors on the Board of Directors, etc. (as of July 2024)



Percentage of women directors on the Board of Directors (as of July 2024)



Directors' Skill Matrix

In order for HEPCO to continue to sustainably grow and contribute to realizing a sustainable society, there are areas of expertise that we regard as important and should be provided by our directors. These are corporate management & management strategy, sales, business development, technology & research and development, legal affairs, finance & accounting, and ESG. Our Board of Directors is comprised of members possessing such expertise.

Name	Position		Knowledge & experience expected of directors						
			Corporate management & management strategy	Sales	Business development	Technology and R&D	Legal affairs	Finance & accounting	ESG
Yutaka Fujii	Chairman of the Board		●		●				●
Susumu Saito	President and Representative Director		●	●	●				
Masahiro Ueno	Executive Vice President		●		●			●	
Tsuyoshi Kobayashi	Executive Vice President		●	●				●	
Noriaki Harada	Executive Officer		●	●		●			
Kazuhiko Katsuumi	Executive Officer				●	●			●
Masato Hamaya	Executive Officer			●		●			●
Hiroshi Tsuchida	Executive Officer				●		●		●
Takeshi Yoshikawa	Member of the Board	Outside / independent					●	●	●
Hiroshi Oono	Director, Audit & Supervisory Committee		●	●			●		
Yuichi Tomaki	Director, Audit & Supervisory Committee		●			●			●
Jun Hasegawa	Director and Audit & Supervisory Committee Member	Outside / independent			●	●			●
Noriko Narita	Director and Audit & Supervisory Committee Member	Outside / independent Female					●	●	●
Iwao Takeuchi	Director and Audit & Supervisory Committee Member	Outside / independent	●		●			●	
Mitsuko Ukai	Director and Audit & Supervisory Committee Member	Outside / independent Female			●	●			●

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

Policies and Procedures for Appointing and Discharging Senior Management and Nominating Candidates for Director with Audit & Supervisory Committee Portfolio

The policies and procedures for determining candidates for Director with Audit & Supervisory Committee portfolio are stated below. The Personnel & Remuneration Advisory Committee has been established, which is comprised of a majority of independent outside directors, and provides appropriate involvement in and advice for determining remuneration.

[Policies and Procedures]

We consider character, acumen, ability, and other attributes when selecting candidates determined to be the most qualified to serve as HEPCO directors as well as Directors with Audit & Supervisory Committee portfolio so that the Board of Directors will be able to appropriately address a range of management challenges. Based on this policy, representative directors recommend candidates to serve as HEPCO directors as well as Directors with Audit & Supervisory Committee portfolio. A final decision on the candidates is rendered once sufficient deliberation by the Board of Directors is held after the Personnel & Remuneration Advisory Committee, which is comprised of a majority of independent outside directors, has discussed the candidates. The names of candidates that pass this selection process are then submitted to the shareholders meeting for a vote. When the Board of Directors deliberates candidates for Director with Audit & Supervisory Committee portfolio, it also seeks the consent of the Audit & Supervisory Committee.

Amid the tremendous change taking place in the environment that the electricity business operates in, we believe it is necessary for HEPCO to construct an optimal governance framework that enables our strategic orientation to be further enhanced as well as prompt and appropriate responses implemented to address changes in the electricity business, expansion of our business domains, and other transitions while always ensuring a stable supply of electric power.

Taking into account electricity business expertise, the Board of Directors will deliberate its optimal composition, necessary skills, and other attributes from the standpoint of improving oversight function and strengthening its strategic orientation.

The Board of Directors appropriately appoints and discharges senior management after deliberations by the Personnel & Remuneration Advisory Committee, which is comprised of a majority of independent outside directors, have been held that take into consideration evaluations of performance and other aspects.

Remuneration Policy

Remuneration for directors (excluding outside directors and directors with Audit & Supervisory Committee portfolio ; hereinafter referred to as "directors") is based on each director's duties, performance, and other factors, and determined according to the following policy for the purpose of linking performance and corporate value as well as heightening awareness of contributions made to sustainable performance improvements and corporate value enhancement, and, with regard to remuneration for outside directors and Audit & Supervisory Committee members, from the perspective of assuring independence in relation to management by putting in place a compensation structure not affected by company performance.

1. Composition

The remuneration provided to HEPCO directors (excluding outside directors) is comprised of a base compensation, bonus (short-term performance-linked compensation), and stock compensation (medium to long-term performance-linked compensation).

Outside directors and Directors with Audit & Supervisory Committee portfolio receive only a base compensation package from the standpoint of assuring their independence vis-a-vis management, which is achieved by putting in place a compensation structure not vulnerable to corporate performance.

Total amount of remuneration, etc. for each corporate officer category, total amount of remuneration, etc. by type, and number of eligible corporate officers (FY2024)

Category	Total remuneration, etc. (Million yen)	Total amount of remuneration, etc. by type					
		Monetary compensation				Non-monetary compensation	
		Base compensation		Bonus (short-term performance-linked compensation)		Stock compensation (medium- to long-term performance-linked compensation)	
		Number of recipients (Persons)	Amount paid (Million yen)	Number of recipients (Persons)	Amount paid (Million yen)	Number of recipients (Persons)	Amount paid (Million yen)
Directors (Excluding directors with Audit & Supervisory Committee portfolio and outside directors)	291	10	251	–	–	8	40
Directors with Audit & Supervisory Committee portfolio (Excluding outside directors)	54	2	54	–	–	–	–
Outside officers	39	5	39	–	–	–	–

(Notes)1. The above-mentioned includes two directors who retired as of the close of the 99th Ordinary General Meeting of Shareholders held on June 28, 2023.
2. It was determined that no bonuses would be paid this business year.
3. The maximum remuneration amounts set by resolution of the 98th Ordinary General Meeting of Shareholders held on June 28, 2022 are as follows:
Directors (excluding those with Audit & Supervisory Committee portfolio): Not to exceed ¥34 million per month (Outside directors: Not to exceed ¥4 million per month)
Directors with Audit & Supervisory Committee members Not to exceed ¥10 million per month
The number of directors (excluding those with Audit & Supervisory Committee portfolio) at the close of the ordinary general meeting of shareholders is 9 (of which 1 is an outside director), and the number of directors with Audit & Supervisory Committee portfolio is 6 (of which 4 are outside directors).
4.At the 98th Annual General Meeting of Shareholders held on June 28, 2022, it was resolved that stock compensation (medium- to long-term performance-linked compensation) would be separate from monthly compensation. HEPCO Group's contribution to the trust for each of the consecutive three business years would be limited to ¥139 million and a maximum of 86,000 total points allocated annually to directors. At the conclusion of this Annual General Meeting of Shareholders, there were eight directors (excluding outside directors). To raise awareness of contributions made toward improving performance over the medium- and long-term as well as enhancing corporate value, the performance indicators used are dividends to shareholders and the status of achieving the ¥23 billion consolidated ordinary income per year, which is the profit target set out in the HEPCO Group Management Vision 2030. In addition, the compensation amount is stated as expenses recorded for the current business year.

2. Base compensation

Base compensation is a fixed monthly remuneration. The amount is determined by a meeting of the Board of Directors and set within the range of the amount of remuneration determined by resolution of the general meeting of shareholders. The determination takes into account each director's responsibilities and performance, medium- and long-term earnings forecasts, annual operating performance, the fact that the electric business is a public service, in addition to other factors, and the amounts to be paid to each individual are discussed by the Personnel & Remuneration Advisory Committee, which is comprised of a majority of independent outside corporate officers. Then, entrusted by a resolution of the Board of Directors, the Chairman and President take into consideration the Personnel & Remuneration Advisory Committee's deliberations in determining the amount to be paid.

3. Performance-linked compensation

(1) Bonus (short-term performance-linked compensation)

The total amount to be paid in bonuses (short-term performance-linked compensation) is determined on each such occasion as set by resolution of the general meeting of shareholders, after which the Board of Directors decides the amounts to be paid. In making this decision, specific metrics are not relied upon, but each business year's performance is comprehensively considered. The Personnel & Remuneration Advisory Committee, of which a majority of the members are independent outside officers, deliberates the appropriateness of any payments as well as amounts to be paid to each individual. In addition, if a bonus is to be paid, it is done after a resolution has been passed by the general meeting of shareholders. By a resolution of the Board of Directors, the Chairman and President are entrusted with the responsibility to take into account the Personnel & Remuneration Advisory Committee's deliberations in determining the amounts to be paid.

(2) Stock compensation (medium- to long-term performance-linked compensation)

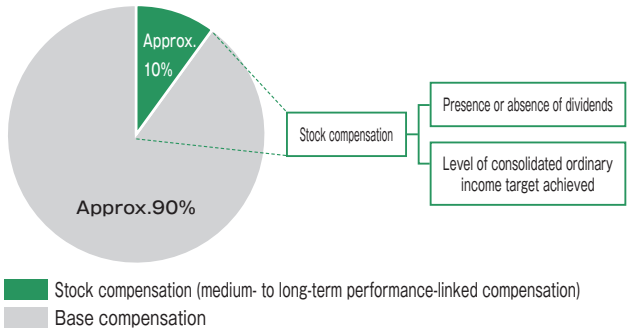
In FY2022, HEPCO introduced a stock compensation system to better clarify how director compensation is linked to company performance and share price, further raise directors' awareness of their contribution to improving performance over the medium- and long-term, and increase corporate value.

As for stock compensation (medium- to long-term performance-linked compensation), the number of shares to be paid is determined within the range of the maximum number of shares set by resolution of the general meeting of shareholders. After the matter has been discussed by the Personnel & Remuneration Advisory Committee of which a majority of the members are independent outside officers, the number of shares to be paid and other matters are determined in accordance with the Corporate Officer Stock Payout Provisions stipulated by resolution of the Board of Directors. The number of shares to be paid is calculated using the total number of points awarded for each business year of the individual's term of service with one share of the company's common stock per point conferred through a stock benefit trust system at the time of retirement. The points awarded comprise points determined according to whether or not a dividend is paid as well as points linked to performance. The number of performance-linked points is determined according to the degree to which the target of ¥23 billion/year in consolidated ordinary income is achieved, which is the target profit set out in the HEPCO Group Management Vision 2030. If the target profit is not reached, then no points are awarded for that business year.

4. Ratio of base compensation, bonus (short-term performance-linked compensation), and stock compensation (medium- to long-term performance-linked compensation) amounts

The ratio of the base compensation and stock compensation (medium- to long-term performance linked compensation) paid is 9:1 at the time of target achievement, and, if a bonus (short-term performance-linked compensation) is paid, the percentage that accounts for of total remuneration is determined after comprehensively taking into account duties, performance, and other factors.

Breakdown of Directors' Compensation



Management & Operations

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

In principle, the Board of Directors meets monthly to make decisions on the execution of important operations as prescribed by laws, regulations, HEPCO's Articles of Incorporation, and internal rules in addition to receiving reports on the status of ongoing operations from members of the board, and supervising the performance of each director's duties. There are 15 directors, 5 of whom are outside directors, comprised of 13 men and 2 women.

In addition, the Management and Operations Committee, which is comprised of executive officers (President, Executive Vice Presidents, and Executive Officers) and other senior management, meets weekly, in principle, to deliberate important matters pertaining to policies and plans that concern overall HEPCO Group management as well as business execution. In addition, committees have been established to deliberate and coordinate the direction of the entire company on key management issues, such as compliance and risk management.

Audit & Oversight

In principle, the Audit and Supervisory Committee meets once a month during which it receives reports from accounting auditors and internal audit divisions as well as engages in consultations and passes resolutions about important matters relating to audits as stipulated in laws, regulations, HEPCO's Articles of Incorporation, and internal rules. The six-member Audit & Supervisory Committee is comprised of directors (4 men and 2 women), of which 4 are outside directors. In addition, a full-time staff of seven is assigned to support the work of the Audit & Supervisory Committee members.

In accordance with the audit policy and other guidelines stipulated by the Audit & Supervisory Committee, the Committee members, in addition to attending sessions of the Board of Directors and other important meetings, question directors and others about the status of execution of their duties, peruse important decisions and other documentation, examine operations and assets of business offices, and conduct other inquiries. The Audit & Supervisory Committee examines the arrangement and operation of the internal control system and conducts audits of directors' performance of their duties from the perspectives of legality and appropriateness. The efficiency of audits has been enhanced through close cooperation between the accounting auditors and internal audit divisions.

Assessment of Board of Directors' Effectiveness

Previous Fiscal Year Initiatives

Taking into account the results of an effectiveness assessment, initiatives have been implemented that contribute towards better governance through measures such as discussions relating to composition of the Board of Directors, discussions relating to appropriate risk-taking that takes into account transformation of the electricity business, expansion of business domains, and other elements, sharing of individual group company management challenges and goals, ensuring opportunities for communication with executive officers and others that contribute to election of directors, and concluding compensation agreements with directors.

Effectiveness Assessment Conducted of Board of Directors

A survey was conducted of all directors by the Audit & Supervisory Committee that focused on elements such as the Board of Directors' composition, operations, agenda, and the board's support structure. In May of this year, the Board of Directors exchanged views on the assessment and challenges with a view toward enhancing its effectiveness.

[Survey Categories]

(1) Number and composition of the Board of Directors
(2) Operation of the Board of Directors
(3) Structure supporting the Board of Directors
(4)Agenda items addressed by the Board of Directors (from the standpoints of strengthening oversight functions and focusing on strategy)
(5) Other (overall corporate governance)

Summary of Assessment Results

From the results of the assessment and views exchanged about questionnaire items, it was confirmed that the Board of Directors has engaged in vigorous discussions and that its effectiveness is generally assured owing to preliminary briefings about agenda items provided to both inside and outside directors as well as other helpful measures.

In addition, we confirmed our continuing commitment to constructing optimal governance structures to ensure a stable power supply while effectively responding to and capitalizing on changes in the business environment.

FY2025 Initiatives

In FY2025, in discussing how to further enhance its governance functions and strengthen its strategic perspective, the Board of Directors will delve deeper to examine its composition, reassess the HEPCO Group's management vision as changes take place in our business environment (including setting profit targets with an awareness of capital costs, allocating cash, and establishing environmental targets among other measures), as well as deliberating public relations and human resources strategies. We will strive to enhance the efficiency of our operations by providing information to board members earlier and clarifying points to be discussed in order to engage in meaningful discussions during board sessions. In addition, we will take into account our new business portfolio as we discuss taking risks in investment projects and other activities as well as enhancing group governance through the sharing of individual group company management challenges and goals. We will also take a proactive stance in engaging with capital markets, including creating opportunities for outside directors to dialogue with market participants.

Our aim is to move these initiatives forward to further enhance corporate governance.

Reasons Outside Directors Elected

HEPCO strives to enhance transparency of our management process and improve oversight functions by vesting directors with Audit & Supervisory Committee portfolio with voting rights on the Board of Directors, granting them the right to state opinions about the appointment, dismissal, resignation, and remuneration of directors without Audit & Supervisory Committee portfolio during the general meeting of shareholders, and increasing the composition of outside directors on the Audit & Supervisory Committee and Board of Directors. We are working to ensure effective oversight of management by having outside directors offer objective and multi-faceted opinions and advice during Board of Directors' meetings and on other occasions.

Name	Audit & Supervisory Committee Member	Independent Officer	Reasons for Election
Takeshi Yoshikawa		○	As an attorney, Takeshi Yoshikawa has extensive experience and expertise in legal affairs, compliance, and risk management as well as considerable knowledge of finance and accounting. Moreover, he possesses the necessary character, insight, and capabilities required to serve as a director. He was elected in the expectation that his contributions will strengthen the Board of Directors' supervisory function from an independent and objective standpoint.
Jun Hasegawa	○	○	Jun Hasegawa possesses a wealth of experience and extensive knowledge gained as a distinguished academic. He has expressed helpful opinions and comments grounded in his expertise during sessions of the Board of Directors and Audit & Supervisory Committee. Also, as a member of the Personnel & Remuneration Advisory Committee, he has contributed to greater transparency and objectivity of the system for board member personnel and remuneration affairs. In consideration of such experience, knowledge, and achievements, he was elected with the expectation that he will contribute to strengthening oversight functions of the Board of Directors and Audit & Supervisory Committee from an independent and objective standpoint.
Noriko Narita	○	○	Noriko Narita has practiced law as an attorney, a career over which she has gained extensive experience and broad insight. She possesses considerable knowledge about financial and accounting affairs, and has expressed informative views and comments about corporate governance during sessions of the Board of Directors and Audit & Supervisory Board. In consideration of such experience, knowledge, and achievements, she was elected with the expectation that she will contribute to strengthening oversight functions of the Board of Directors and Audit & Supervisory Committee from an independent and objective standpoint.
Iwao Takeuchi	○	○	Iwao Takeuchi has served as vice president and standing statutory auditor at North Pacific Bank, Ltd. In addition to his wealth of managerial experience as well as broad knowledge and insight, he possesses considerable knowledge about financial and accounting affairs. He has expressed useful views and comments about corporate governance during sessions of the Board of Directors and Audit & Supervisory Board. In consideration of such experience, knowledge, and achievements, he was elected with the expectation that he will contribute to strengthening oversight functions of the Board of Directors and Audit & Supervisory Committee from an independent and objective standpoint.
Mitsuko Ukai	○	○	Mitsuko Ukai has a wealth of experience and extensive knowledge gained as a distinguished academic. With her expertise, she has offered instructive comments grounded in her expertise during sessions of the Board of Directors and Audit & Supervisory Board. Also, as a member of the Personnel & Remuneration Advisory Committee, she has contributed to a more transparent and objective system for board member personnel and remuneration affairs. In consideration of such experience, knowledge, and achievements, she was elected with the expectation that she will contribute to strengthening oversight functions of the Board of Directors and Audit & Supervisory Committee from an independent and objective standpoint.

* The aforementioned five individuals meet the requirements for independent directors pursuant to the provisions of the Tokyo Stock Exchange and Sapporo Stock Exchange.

Tripartite Discussion of HEPCO Governance



Enhancing Board Effectiveness Through Constructive Discussion to Achieve Sustainable Growth and Medium- to Long-term Corporate Value Enhancement

Entering a Growth Stage Where Power Demand Increases

Fujii: Since deregulation of the electric power market, our management style has probably been, how should I put this, somewhat defensive. However, now although uncertainties are present, HEPCO Group looks at these as opportunities to expand demand for electric power. To translate these opportunities into growth, we need to find a careful balance between acceleration and restraint in our management. When considering strategies for how we should commit resources and to which projects, even though we need to take action to gain results, we must also think about when to pull back.

Takeuchi: I think it has become more challenging to make management decisions. Without taking risks, we can neither achieve results nor enhance corporate value. In addition, management is not sustainable unless we meet the expectations of all stakeholders: capital markets, local communities, consumers, and our employees. The Board of Directors is also entering a crucial phase. We must move forward in our discussions by incorporating both internal and external perspectives.

Narita: The electricity business is intertwined with national policy, so that is a perspective which we need to take into consideration as to how to effectively align these two vectors. This requires that we carefully watch government policies and quickly take action to respond to changes.

Fujii: Even as we properly respond to changes, we must not forget to maintain the trust and confidence of local communities, just as we have always done, even in our next growth stage.

Takeuchi: Today, there are not many companies that local people address with respect by adding the honorific "san" to the name as they do with us in saying "HEPCO-san." This reflects the trust and confidence people feel towards our company. As we enter this next phase when demand for electric power is expected to grow over the medium- to long-term and when we will be taking on bold challenges, this sentiment is a value we must continue to cherish.

Board of Directors' Discussions and Operation

Takeuchi: I always make it a point to speak up about things I do not agree with or find questionable. For instance, during a discussion about downsizing businesses, I questioned a division head on the executive side when he stated, "We're considering how the division will be able to survive." From an outside director's perspective, it is simply a matter of reallocating resources to another divisions with growth potential, but division chiefs tend to optimize for their own divisions.

Fujii: Even businesses that are downsizing possess expertise which they have developed, so it is about leveraging those resources and redirecting

them to new areas. Taking on challenges also creates opportunities for our people to grow.

Takeuchi: While Board of Directors' discussions are a free and open-minded exchange of views, we tend to fall into a dynamic that pits the internal against the external. When we set up forums where we exchange ideas on specific themes, we get a range of opinions from both inside and outside directors. I believe informal discussions like the one we are having today are also very valuable.

Narita: We have had frank exchanges on important management topics like achieving carbon neutrality by 2050 and group management. These have been excellent opportunities for engaging in very substantive board discussions.

Takeuchi: Outside directors are unable to fulfill their roles without the proper flow of information from within the company. In that sense, I feel operations of the Board of Directors are well managed as flexible arrangements are made, when necessary, such as remote preliminary briefings to help us make appropriate decisions.

Human Resource Development

Fujii: Our employees have always fulfilled their roles with awareness of HEPCO's responsibility as an energy provider continually responding to the needs of each era. I believe development of our human resources is the key to generating new value in addition to producing our current value during the coming growth stage.

As outside directors, you interact with employees during the usual preliminary briefings on board proposals, such as the recent direct discussions with frontline personnel. Could you share your impressions of our employees and what you see as the human resource challenges we face for future growth?

Takeuchi: Our employees are very capable and highly committed. However, I don't think their abilities are being fully utilized within the organization. There seems to be someone or something that is holding them back. It could even be their supervisors. To develop our young people, we need to give them the authority to exercise more discretion in their jobs and provide them with more opportunities to do just that.

Narita: I also find our employees to be diligent and capable, but sometimes I get the feeling that younger employees lack the drive to persuade their supervisors and colleagues to realize their ideas. This might be because managers and other mid-level personnel might tend to be risk-averse. How we handle this middle management tier is a key challenge for us as we implement initiatives in the future.

Takeuchi: It was also true at the bank where I previously served that middle management tend to avoid risk in large organizations, so we need create initiatives and frameworks to change this. Also, we must promote talented people. These should be people that our young employees will want to look up to and follow in their example with the desire to be like them.

Fujii: Young people will shape the future. Unless we acknowledge their willingness to try even when their attempts fail, we will not be able to foster a spirit of challenge.

Narita: Frontline personnel mentioned that, while they usually work without any gender distinction, it becomes difficult for them to continue to do so when there are changes in their lifestyle. When we consider how to develop our personnel, I feel we will move forward in a good direction from the perspectives of diversity and inclusion if we can offer career paths based on abilities and lifestyles regardless of gender, in addition to following the traditional pattern.

Closing Comments

Takeuchi: Having served more than three years as an outside director, I have always maintained the mindset of 'saying what needs to be said,' even if it costs me my job. I feel this way because it has often been the case, in many of the recent corporate scandals at major corporations, that outside directors failed to do their jobs properly. While I do not have such concerns about our company, we must be prepared should something like that happen. That is where the significance of outside directors lies, I believe.

Narita: As an attorney, I tend to focus on legal risks, but I feel the executive leadership provides explanations based on well-organized, objective facts. This makes it possible for us as outside directors to offer appropriate opinions on these matters. I feel they are doing an excellent job.

Additionally, while we have been working on promoting the advancement of women, I intend to continue to provide input on creating systems and career development approaches that make the workplace more comfortable for everyone regardless of gender as I strive to make HEPCO a place where women can grow and thrive with a sense of purpose in their work.

Fujii: As Chairman, I will continue to demand the executive leadership make it possible for us to engage in discussions based on facts and not hide any uncomfortable truths. Outside directors provide perspectives that are in line with a variety of stakeholders and not dependent on internal company logic. This leads to very productive discussions.

The important thing is that we remain a company all stakeholders trust and have confidence in. The Board of Directors is the highest decision-making body for ensuring this outcome, and I will maintain this responsibility in fulfilling my duties as chairman.

Message from Our New Outside Director



Contributing to Strengthening Both 'Offensive' and 'Defensive' Governance from a Stance Independent of Business Execution

Outside Director **Takeshi Yoshikawa**

Since registering as an attorney in 1987, I have worked on corporate bankruptcies and legal affairs, legal matters and committees for local municipalities, and investigations of governance and compliance issues for corporations and national universities. While I have dealt professionally with organizations of various sizes and sectors, my experience in the energy sector includes legal liquidation and other settlements for coal mines after their closure. It is from this background that I arrived to serve as an outside director for HEPCO in June 2024. Although not a member of the Audit & Supervisory Committee, I volunteer on the Personnel & Remuneration Advisory Committee, which consists mostly of outside directors.

HEPCO Group faces numerous challenges amid major changes in our business environment. Electricity system reform has introduced the principle of competition in the electricity business, and these reforms have yet to reach their final structure. Moreover, there are demands for decarbonization, yet we are still in the process of restarting Tomari Nuclear Power Station. Nevertheless, Hokkaido offers the greatest potential for renewable energy in Japan thanks to its rich natural environment. A substantial increase in demand for electric power is anticipated as next-generation semiconductor plants and large data centers move into the region. Furthermore, Hokkaido and Sapporo City have both been designated as a national GX Finance and Asset Management Special Zones.

The HEPCO Board of Directors engages in frank discussions about the various challenges that we face under these circumstances so that we may achieve sustainable growth and enhance corporate value over the medium- and long-term while continuing to address sustainability issues. Ample opportunities are created for outside directors, including those who are Audit & Supervisory Committee members, to straightforwardly share from their respective backgrounds their views with the executive leadership during board meetings and preliminary briefings. In addition, explanations are also given of technical and specialized matters that relate to challenges we face, and we also receive materials and information in advance so that we may review and discuss agenda matters.

With this kind of support system in place for outside directors, it is my intention to contribute to further strengthening and improving the quality of both 'offensive' and 'defensive' governance from a position independent of business execution that also brings in my perspective as an attorney in a different field.

Outside Directors Visit Business Offices

Taking into account the assessment of the Board of Directors' effectiveness which was conducted in March 2024, we are continuing this fiscal year to have outside directors visit business offices and sites.

On-site Inspection of Tomari Nuclear Power Station

In August 2024, HEPCO outside directors conducted an on-site inspection of Tomari Nuclear Power Station. Major civil engineering projects are currently underway at the station with the goal of restarting Unit 3.

After viewing the entire power station from an observation deck and receiving a briefing about the new seawall under construction, the outside directors had a close-up look at the facility that monitor the base material quarry being used to construct the seawall and the site where excavation is underway down to the bedrock. Afterward, they exchanged views about the construction and plant with the station general managers and others accompanying the visit.

Actually verifying on-site the work discussed during sessions of the Board of Directors and talking with the workers on the frontlines involved in these projects will help enhance outside directors understanding even further. They will be able to apply these experiences to board deliberations and management decisions.



Construction briefing



Site inspection

Discussions with Younger Employees

Along with the on-site inspection of Tomari Nuclear Power Station, outside directors held talks with younger employees at the station, a continuing initiative from last year arranged to enhance the Board of Directors' effectiveness.

During the discussions, younger employees freely voiced their questions about management and workplace concerns. The meeting served as a meaningful exchange of views, drawing out what frontline employees are really saying, as well as advice from outside directors based on their expertise and experience.



Roundtable Discussion between Outside Directors and Younger Employees

Disclosure of information and constructive dialogue with shareholders and investors

HEPCO strives to disclose information in a timely, appropriate, and fair manner, and communicates information to allow for an extensive understanding of our business activities. We will build a relationship of trust with our shareholders and investors through a continuing dialogue.

Assurance of appropriate information disclosure and transparency

In accordance with laws, regulations, and other principles, HEPCO discloses in a timely and appropriate manner to our shareholders and other stakeholders information about our financial affairs and managerial situation as well as management strategies, management issues, risks, governance, and other non-financial information.

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

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


Environment 環境ハイライト

経営指標等（連結）

年度	2017	2018	2019	2020	2021	2022
収益性指標						
ROA 総資産営業利益率(%)	1.80	2.18	2.17	2.72	1.25	△1.10
売上高営業利益率(%)	4.60	5.61	5.67	7.26	3.76	△ 2.53
売上高当期純利益率(%)	2.16	2.97	3.57	4.88	1.03	△ 2.50
ROE 自己資本利益率(%)	8.48	10.69	11.83	14.10	2.50	△ 8.58
安全性指標等						
自己資本比率(%)	10.51	11.09	11.99	13.84	13.68	11.69
インタレスト・カバレッジ・レシオ(倍)	7.19	9.13	9.09	13.00	10.56	△ 0.06
有利子負債残高(十億円)	1,426.80	1,400.74	1,416.99	1,397.39	1,385.38	1,475.95
効率性指標						
総資産回転率(回)	0.39	0.39	0.38	0.37	0.33	0.42
株式関連指標						
BPS 1株当たり純資産額(円)	742.64	819.83	911.01	1,117.26	1,095.61	956.63
PBR 株価純資産倍率(倍)	0.94	0.78	0.51	0.45	0.44	0.51
EPS 1株当たり当期純利益(円)	71.44	101.93	123.16	169.09	29.57	△114.96
PER 株価収益率(倍)	9.10	6.24	3.80	2.99	18.22	-

Constructive Dialogue with Our Shareholders and Investors

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

Dialoguing with shareholders at the general meeting of shareholders

In advance of general shareholder meetings, we have endeavored to enhance the content of information provided and disclose it early. We have also made available in advance videos explaining our business reports among other efforts to provide easy-to-understand explanations for shareholders as soon as possible. Also, we have adopted discussion formats that make it easy for shareholders to communicate their views (format in which questions and comments about reports and agenda items are compiled and then discussed). We aspire to respectfully provide explanations and respond to questions posed by our many shareholders and thereby enhance dialogue.

Record of Dialogues Conducted in FY2024

Type of Dialogue	Date held	Conducted by	Attendees (counterparts)
Company information session	May and November (After year-end and 2nd quarter financial releases)	President Manager, Corporate Planning Department General Manager, Accounting & Finance Department	Institutional investors, analysts, etc. May: 30 at the venue and 45 online November: 30 at the venue and 40 online
Meetings with shareholders & investors	After each quarterly financial release	Leader, IR Group	Institutional investors, analysts, etc. from Japan and other countries FY2024 Achievements: 43 companies/Total of 110 meetings
Meetings about General Meeting of Shareholders' agenda items	May (After the meeting agenda is finalized)	Manager of the Business Ethics Office, General Affairs Department & the Leader, Stock Group in the Business Ethics Office, General Affairs Department	Institutional investors (responsible for exercising voting rights) FY2024 Achievements: 7 companies

Dialogue with Capital Markets

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

https://www.hepco.co.jp/corporate/ir/ir_lib/ir_lib-01.html


General Meeting of Shareholders



Company information session

Board of Directors (As of June 26, 2024)



Chairman of the Board

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

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



Representative director
Chief Executive Officer

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

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



Representative director
Executive Vice President

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

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



Representative director
Executive Vice President

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

Acting Director, Nuclear Power Promotion Division
Responsible for Secretary Office, Accounting & Finance Department, and Purchasing & Contracting Department
April 1984 Joined HEPCO
June 2015 General Manager, Corporate Planning Department, HEPCO
June 2017 General Manager, Accounting & Finance Department, HEPCO
July 2017 Operating Officer and General Manager, Accounting & Finance Department, HEPCO
June 2020 Director & Executive Officer, HEPCO
June 2024 Representative Director and Executive Vice President, HEPCO (present position)



Member of the Board
Executive Officer

Noriaki Harada (Date of Birth: September 19, 1961)

Deputy Director, Nuclear Power Promotion Division Director, Nuclear Power Administration Division and Assistant Responsible for Hydropower Department, Civil Engineering Department, Moiwa Power Station Replacement Construction Office, and Kamikawa Power Station Replacement Construction Office
April 1985 Joined HEPCO
June 2014 General Manager, Distribution Department, HEPCO
June 2017 Operating Officer and General Manager, Personnel & Labor Relations Department, HEPCO
June 2020 Director and Executive Officer, HEPCO (present position)



Member of the Board
Executive Officer

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

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



Member of the Board
Executive Officer

Masato Hamaya (Date of Birth: January 3, 1959)

Deputy Director, Nuclear Power Promotion Division, Assistant Director, Nuclear Power Administration Division, and Director, Tomari Nuclear Power Office
April 1982 Joined HEPCO
December 2011 Manager, Siting Office, General Affairs Department, HEPCO
July 2014 Operating Officer and Manager, Siting Office, General Affairs Department, HEPCO
June 2015 Operating Officer and Manager, Hakodate Branch Office, HEPCO
July 2020 Executive Officer and General Manager, General Affairs Department, HEPCO
June 2023 Executive Officer, Assistant Director, Nuclear Power Administration Division, and Director, Tomari Nuclear Power Office, HEPCO
June 2024 Director & Executive Officer, Assistant Director, Nuclear Power Administration Division, and Director, Tomari Nuclear Power Office, HEPCO (present position)



Member of the Board
Executive Officer

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

Deputy Director, Nuclear Power Promotion Division
Responsible for Internal Audit Office, Personnel & Labor Relations Department, Public Relations Department, General & Environmental Affairs Department
April 1985 Joined HEPCO
June 2016 Manager, Business Ethics Office, General Affairs Department, HEPCO
June 2019 Manager, Obihiro Branch Office, HEPCO
April 2020 Manager, Obihiro Branch Office, Hokkaido Electric Power Network Co., Inc.
July 2020 Operating Officer and Manager, Obihiro Branch Office, HEPCO (resigned June 2021)
June 2021 Operating Officer and Manager, Secretary Office, HEPCO
June 2024 Director & Executive Officer, HEPCO (present position)



Outside Directors

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

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

Director, Audit & Supervisory Committee Member (As of June 26, 2024)



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

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



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

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



Outside Directors
Audit & Supervisory Committee Member
Jun Hasegawa (Date of Birth: December 13, 1943)

April 1971	Lecturer, School of Engineering, Hokkaido University
April 1985	Professor, School of Engineering, Hokkaido University
April 1997	Professor, Graduate School of Engineering, Hokkaido University (resigned March 2004)
April 2004	Principal, National Institute of Technology, Hakodate College (resigned March 2009)
April 2009	President, Hokkaido Information University
April 2013	Advisor, Hokkaido Information University (resigned March 2014)
June 2013	Audit & Supervisory Committee Member, HEPCO
June 2022	Director and Audit & Supervisory Committee Member, HEPCO (present position)



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

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



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

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



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

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

ESG Highlights

H: Hokkaido Electric Power Co., Inc. and N: Hokkaido Electric Power Network, Inc.

E Environment

	Concern	FY2022	FY2023	FY2024	Unit
CO_2 emission factor [adjusted]	H	0.533	0.535	0.531	kg-CO_2／kWh
CO_2 emissions [adjusted]		1,176	1,252	1,247	10,000 tons-CO_2
Direct greenhouse gas emissions (Scope 1)	HN	1,410	1,200	1,154	10,000 tons-CO_2
Indirect greenhouse gas emissions (Scope 2)		0.1	0.2	0.2	10,000 tons-CO_2
Other indirect greenhouse gas emissions (Scope 3)		475	629	815	10,000 tons-CO_2

G Governance

	Concern	FY2022	FY2023	FY2024	Unit
Number of directors not sitting on Audit & Supervisory Committee (number who are outside directors)	H	11 (2)	9 (1)	9 (1)	Directors
Number of directors sitting on Audit & Supervisory Committee (number who are outside directors) *		5 (3)	6 (4)	6 (4)	Directors
Ratio of outside directors		31.2	33.3	33.3	%
Women directors		2	2	2	Directors
Ratio of women directors		12.5	13.3	13.3	%
Board of Directors' sessions		14	14	14	Sessions
Average ratio of directors attending		98.7	99.1	99.2	%

* Number of corporate auditors is given for FY2022 performance.
Data published on this page and other financial and non-financial metrics, figures, etc. pertaining to HEPCO's businesses is available for download on the "Data Downloads" page of our website, using the link below.
Data download (Factbook) https://www.hepco.co.jp/english/ir/datadownloads.html

TOPICS

Use of Green Finance and Transition Finance

Since FY2022, HEPCO has issued Hokkaido Electric Power Green Bonds, which are corporate bonds limiting the use of funds procured to development and other operations relating to renewable energy.

Since FY2023, we have been making use of transition-linked loans to procure funds, which we have allocated to a variety of initiatives for which the goal is achieving carbon neutrality.

These financing activities provide financial institutions and other stakeholders with a better understanding of the active commitment we are making in our transition to decarbonization, in addition to diversifying and stabling our financing channels.

Cumulative Financing through End of FY2024

Green bonds	¥10 billion
Transition-linked loans	¥67 billion

More information, including financing frameworks and outside assessments, is available on our website
https://www.hepco.co.jp/corporate/ir/corporate_bonds/index.html

H: Hokkaido Electric Power Co., Inc. and N: Hokkaido Electric Power Network, Inc.

S Social

		Concern	FY2022		FY2023		FY2024		Unit
Employees (gender ratio)	Total	HN	5,065	(100.0)	5,000	(100.0)	4,902	(100.0)	Persons (%)
	Men		4,640	(91.6)	4,570	(91.4)	4,489	(91.6)	Persons (%)
	Women		425	(8.4)	430	(8.6)	413	(8.4)	Persons (%)
Average years of service	Total		21.0		21.0		20.9		Year
	Men		21.1		21.1		21.0		Year
	Women		20.2		19.8		19.9		Year
Number hired (gender ratio) (incl. hires with career experience)	Total	HN	174	(100.0)	154	(100.0)	155	(100.0)	Persons (%)
	Men		150	(86.2)	129	(83.8)	138	(89.0)	Persons (%)
	Women		24	(13.8)	25	(16.2)	17	(11.0)	Persons (%)
Number of managers (gender ratio)	Total	HN	691	(100.0)	654	(100.0)	661	(100.0)	Persons (%)
	Men		677	(98.0)	639	(97.7)	646	(97.7)	Persons (%)
	Women		14	(2.0)	15	(2.3)	15	(2.3)	Persons (%)
Paid leave days taken			16.5		17.2		17.4		Days
Rate of annual paid leave taken			82.5		86.4		87.1		%
Percentage of men employees taking childcare leave			20.1		24.1		33.6		%
Wage difference between men and women workers	All employees	H	—		61.3		62.1		%
	Regular employment		—		79.5		80.5		%
	Temporary employment		—		38.7		35.8		%
	All employees	N	—		54.5		55.4		%
	Regular employment		—		77.8		78.2		%
	Temporary employment		—		87.7		92.8		%

Participation in International Initiatives

HEPCO Group participates in the following initiatives.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

HEPCO Group discloses climate change-related information in line with the framework established by the Task Force on Climate-related Financial Disclosures (TCFD). More information is available on pp. 89 to 91.

VALUE REPORTING FOUNDATION SASB STANDARDS

HEPCO Group complies with the industry-specific standards for information disclosure developed by the United States Sustainability Accounting Standards Board (SASB) (electric utilities & power generators). These are described in more detail on pp. 93 to 96.

CDP DISCLOSURE INSIGHT ACTION

Since FY2021, we have replied to the climate change questionnaire prepared by CDP, an international NGO focusing on the environment. Our responses have received a score of B for four consecutive years.
This B score refers to the “management level” addressing climate change issues. CDP has found our efforts minimize climate change risks and recognize climate-related opportunities.

TCFD & TNFD-Based Disclosures

Addressing Climate Change

The Hokuden Group views changes in our business environment accompanying climate change as growth opportunities, and we will actively expand our business accordingly. In line with the TCFD-recommended framework, we hold discussions and update our disclosures approximately once a year with a focus on identifying climate-related risks and opportunities, assessing any accompanying impact, and taking measures to address these. We will continue to enhance our disclosures and promote dialogue with stakeholders.

TCFD: Task Force on Climate-related Financial Disclosures. TCFD ascertains risks and opportunities that climate change has on companies' businesses with the objective of urging financial institutions to make appropriate investment decisions that take into account the impact of climate change, and recommends information be disclosed using four core pillars: governance, risk management, strategy, as well as metrics & targets. HEPCO Group recognizes that addressing climate change has a direct effect on our business. Based on this understanding, we analyze risks and opportunities as well as disclose information about climate change in accordance with the TCFD framework.

Governance

The Environmental Committee, chaired by the President, has established a framework for deliberating identified climate change-related risks and opportunities, impact assessments, response measures, and other actions. The Management and Operations Committee takes into consideration what the Environmental Committee has deliberated in its discussions on HEPCO Group management policies and key environmental measures, including measures for responding to climate change. Particularly important matters are submitted to the Board of Directors as necessary.

Risk Management

We regard climate change-related risks as one of the major risks affecting management of the HEPCO Group. Within our management cycle, we systematically identify risks, develop measures to address these risks, and check on how these measures are being implemented as part of our work to prevent and reduce such risks. In identifying risks, we take into consideration not only current regulations, but also new regulations that may be adopted in the future, such as carbon pricing.

Strategy

When examining climate change-related risks and opportunities P90, not only do we reference the 1.5°C and 4°C scenarios presented respectively by the International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC), we also consider Hokkaido's regional characteristics P03, which are the foundation for HEPCO Group's business. More specifically, we accurately assess changes in our business environment, such as the increase in demand for power in Hokkaido over the medium- and long-term due to greater demands for carbon neutrality and the influx of next-generation semiconductor plants.
We have also released a roadmap P60 outlining specific initiatives toward our goal of being carbon neutral by the year 2050.

Metrics & Targets P91

We have established goals for ourselves. These are to take up the greatest challenge of achieving carbon neutrality across all energy sources in Hokkaido by 2050 and to achieve quantitative targets for reducing greenhouse gas emissions by 2030. We make it a point to disclose our performance in relation to these goals.
Pursuing initiatives toward achieving these goals helps us prevent and reduce risks associated climate change and make the maximum of any opportunities presented.

Governance & Risk Management Structure



Reference scenarios

1.5°C Scenario (IEA)	This scenario assumes progress will be made in achieving low & zero-carbon energy supplies that include power generation, electrification will expand in energy demand, and advancements will be made in enhancing the efficiency of energy use. Even as final energy consumption is expected to decrease toward 2050, demand for electric power is anticipated to increase.
4°C Scenario (IPCC)	This scenario assumes heavy rainfall will be more frequent and intense as global warming accelerates, and there will be a greater proportion of strong tropical cyclones.

Strategy

Against the backdrop of Hokkaido's potential as a suitable location for renewable energy power businesses, there are next-generation semiconductor plants, large data centers, and other businesses that are planning to move operations into the region. A significant increase in the scale of electric power demand is estimated over the medium- and long-term. In addition, Hokkaido's characteristics of heavy snowfall, severe cold, and a population dispersed across a wide area mean the region is more dependent upon petroleum-based energy, such as kerosene for heating and gasoline for vehicles that enable people to get around, than the rest of the country. Our strategy takes into account the enormous potential that promoting electrification of energy demand will have.

Risks Associated with Climate Change

Category	Description of risk	When likely to occur	Degree of impact	Principal measures
Policy & legal	Increase in costs accompanying tighter laws and regulations targeting CO_2 emissions	Short-term · Medium-term · Long-term	High	● Promote development of renewable energy ● Restart Tomari NPS as soon as possible ● Promote decarbonization of thermal power generation (Utilizing hydrogen, ammonia, CCUS, etc.)
Engineering	Reduction in revenue accompanying decline in utilization of current thermal power due to delays in addressing decarbonization	Short-term · Medium-term · Long-term	Moderate	● Promote decarbonization of thermal power generation (Utilizing hydrogen, ammonia, CCUS, etc.)
	Delay in recouping investments in new technologies	Short-term · Medium-term · Long-term	Moderate	● Identify business risks & assess economic viability
Market	Reduction in revenue due to slowdown in companies moving into the region which is caused by HEPCO's slow decarbonization response and slump in sales of electricity derived from fossil fuels as customers more aware of decarbonization	Short-term · Medium-term · Long-term	Moderate	● Promote development of renewable energy ● Restart Tomari NPS as soon as possible ● Promote decarbonization of thermal power generation (Utilizing hydrogen, ammonia, CCUS, etc.)
	Reduction in revenue as the competitive environment changes due to installation of large amounts of renewable energies	Short-term · Medium-term · Long-term	Moderate	● Expand scope of business domains ● Roll out electrification promotion measures & attract companies to Hokkaido
Reputation	Greater difficulty in procuring financing due to slow decarbonization response	Short-term · Medium-term · Long-term	Moderate	● Promote development of renewable energy ● Restart Tomari NPS as soon as possible ● Promote decarbonization of thermal power generation (Utilizing hydrogen, ammonia, CCUS, etc.)
Acute	Increase in costs for responding to typhoons, snowstorms, and other natural disasters as these become more severe and frequent	Short-term · Medium-term · Long-term	Moderate	● Implement equipment measures based on new insight and previous events ● Recover quickly (training, etc.)
Chronic	Greater cash flow instability due to changes in weather patterns	Short-term · Medium-term · Long-term	High	● Enhance efficiency and optimize operation of hydropower facilities

Opportunities Associated with Climate Change

Category	Description of opportunity	When likely to be realized	Degree of contribution	Principal measures
Resource efficiency/ products & services	Increase in demand for electric power demand through electrification of heating and transportation needs heavily dependent on petroleum-based energy and entry of semiconductor-related industries and data centers leveraging renewable energy potential	Short-term · Medium-term · Long-term	High	● Roll out electrification promotion measures & attract companies to Hokkaido ● Respond to customers' needs with supplies of power from renewable energies, etc.
	Increase in revenue by providing customers with solutions that consider their heightened awareness of decarbonization	Short-term · Medium-term · Long-term	Moderate	● Promote energy management business
	Increase in revenue as carbon-free hydrogen is supplied	Short-term · Medium-term · Long-term	High	● Promote hydrogen & ammonia businesses
Energy sources	Increase in sales of electric power accompanying promotion of the use of nuclear power and renewable energies, such as offshore wind, geothermal and biomass power that leverage Hokkaido's potential	Short-term · Medium-term · Long-term	High	● Promote development of renewable energy ● Restart Tomari NPS as soon as possible
	Increase in sales of electric power accompanying reduction and decarbonization of thermal power generation achieved through practical application of innovative technologies	Short-term · Medium-term · Long-term	High	● Promote decarbonization of thermal power generation (Utilizing hydrogen, ammonia, CCUS, etc.)
Market	Diversification and stabilization of procurement of financing through green bond issues, etc.	Short-term · Medium-term · Long-term	Moderate	● Diversify and stabilize financing through use of green & transition financing
Resilience	Increase in demand and assurance of the advantages of electricity thanks to enhanced reliability achieved through early recovery	Short-term · Medium-term · Long-term	Moderate	● Implement equipment measures based on new insight and previous events ● Recover quickly (training, etc.) ● Set up cooperative framework with local governments and communicate information

(When likely to occur/be realized) Long-term: over 10 years, medium-term: approx. 10 years, short-term: approx. 5 years
(Degree of impact/contribution) Large: over 10 billion yen/year, moderate: approx. 1 to several billion yen/year, small: approx. hundreds of million yen/year
* Entire HEPCO Group assesses impact of climate change risks and opportunities.

Financial Impact (Estimate)

	Description of risk	Amount of impact	Calculation formula/approach
Risk	Increase in costs if CO_2 emissions not reduced from current level	Approx. 45 billion yen/year (2030)	Estimated based on FY2024 performance Carbon price: 140 USD/t-CO_2 * See IEA's "World Energy Outlook 2023."
	Costs for dealing with typhoons, snowstorms, and other natural disasters	Approx. ¥2 billion	Case of damage similar to August 2016 typhoon for which an extraordinary loss was booked

Financial Impact (Estimate)

	Description of opportunity	Amount of impact	Calculation formula/approach
Opportunity	Effect of CO_2 reduction by restarting Tomari NPS	Approx. 120 billion/year	Estimate based on restart of all Tomari NPS and other fixed conditions. Carbon price: 140 USD/t-CO_2 * See IEA's "World Energy Outlook 2023."
	Increase in revenue when retail electricity sales rise 1%	Approx. 6 billion/year	Estimate based on FY2024 performance.

Metrics & Targets

Greenhouse Gas Reduction Targets

FY2031 Reduce HEPCO Group power generation division CO_2 emissions at least 50% below the FY2014 level [FY2014 CO_2 emissions: 18.92 million t-CO_2]

FY2051 Do our utmost to achieve carbon neutrality across all energy sources in Hokkaido

Recent Performance (HEPCO Group Power Generation CO_2 Emissions)

	FY2014	FY2022	FY2023	FY2024
Emissions	18.92 million t-CO_2	14.41 million t-CO_2	12.19 million t-CO_2	11.54 million t-CO_2
Compared to FY2014	–	-24% (-4.51 million tons)	-36% (-6.73 million tons)	-39% (-7.38 million tons)

*HEPCO Group Management Vision 2030 Progress p. 21

Greenhouse Gas Emissions Across Supply Chains*1

[10,000 tons-CO_2]

Scope	FY2022	FY2023	FY2024
Scope 1 Direct greenhouse gas emissions	1,410	1,200	1,154
Scope 2 Indirect greenhouse gas emissions from utilizing electricity and heat supplied by other companies	0.1	0.2	0.2
Scope 3 Other indirect greenhouse gas emissions	475	629	815
Category 1 Products & services purchased	21	27	34
Category 2 Capital goods	0	0	0
Category 3 Fuel and energy activities not included in Scope 1 or 2	448	596	769
Category 4 Transport, distribution (upstream)	0.3	0.3	0.5
Category 5 Waste produced by businesses	3.8	3.3	3.1
Category 6 Business travel	0.1	0.1	0.1
Category 7 Employees' commuting	0.2	0.2	0.2
Category 8 Leased assets (upstream)	–*2	–*2	–*2
Category 9 Transport, distribution (downstream)	–*2	–*2	–*2
Category 10 Processing of products sold	–*2	–*2	–*2
Category 11 Use of products sold	2.1	2.8	8.3
Category 12 Disposal of products sold	–*2	–*2	–*2
Category 13 Leased assets (downstream)	–*2	–*2	–*2
Category 14 Franchises	–*2	–*2	–*2
Category 15 Investments	–*2	–*2	–*2

*1 Performance of HEPCO and Hokkaido Electric Power Network
*2 Not calculated due to weak relationship with business, among other factors.
Category 1 (Data on the amount of goods and services purchased) × (Emissions intensity)
Category 2 (Increase in costs book relating to fixed assets) × (Emissions intensity)
Category 3 (Amount of power received from other companies) × (Emissions factor of alternative values)
Category 4 (Amount of heat consumed by type, such as vehicles and ships) × (Emissions intensity)
Category 5 (Industrial waste output) × (Emissions intensity)
Category 6 (Number of employees) × (Emissions intensity)
Category 7 (Number of employees for each work pattern and city sector) × (Emissions intensity)
Category 11 (Total amount of gas sold) × (Emissions intensity)

TNFD-Based Information Disclosure Initiatives

It is the vast land, abundant water resources, and the entire rich natural environment of Hokkaido that supports HEPCO Group. We are sincere in our commitment considering biodiversity so that we may leave the region's natural environment to future generations.

We have been reviewing the disclosure of information pursuant to the Task Force on Nature-related Financial Disclosures (TNFD Framework) announced by TNFD in September 2023, and we are planning to release these disclosures in October 2025.

We will continue to operate our businesses in a nature-positive manner (conserving and restoring nature) as we give consideration to biodiversity.

TNFD Framework

Governance
Disclose organizational governance as concerns dependencies, impacts, risks, and opportunities relating to natural capital

Strategy
Disclose information when dependencies, impacts, risks, and opportunities relating to natural capital significantly affect business, strategy, or financial planning

Risk and Impact Management
Explain the process for identifying, assessing, prioritizing, and monitoring dependencies, impacts, risks, and opportunities relating to natural capital

Metrics and Targets
Disclose metrics and targets for assessing and managing significant dependencies, impacts, risks, and opportunities relating to natural capital

Trial Implementation of the LEAP Approach

We are conducting a trial analysis that adopts TNFD's recommended LEAP Approach for future TNFD framework-based disclosures.

Specifically, we are identifying interfaces with nature to recognize dependencies and impacts of our hydroelectric power operations as well as transmission and distribution operations, both of which very often come into contact with nature and are widely dispersed throughout all of Hokkaido.

LEAP Approach

❶ Locate
Locate interfaces with nature
Identify businesses and locations that interface with nature

❷ Evaluate
Evaluate dependencies and impacts
Identify, analyze, and assess dependencies and impacts on nature

❸ Assess
Assess risks and opportunities
Identify, analyze, and assess nature-related risks and opportunities

❹ Prepare
Prepare to respond and report
Prepare specific content for disclosure

Hydroelectric power operations
We have installed the facilities necessary for power generation at dams, reservoirs, in addition to maintaining our hydroelectric power plants in Hokkaido

Power Transmission and Distribution Business
We have set up and maintain 1.53 million transmission towers and utility poles as well as 280,000 km of power lines so that we may deliver electricity to customers throughout Hokkaido.

TNFD

TNFD is an abbreviation of Task Force on Nature-related Financial Disclosures. In response to the accelerating loss of biodiversity on a global scale, TNFD was launched in June 2021 to shift global financial flows away from "harmful" toward "nature-positive" outcomes.

TOPICS Examples of Biodiversity Initiatives

Ecosystem Conservation Around Hydroelectric Power Facilities

When planning to replace hydroelectric power facilities, we take into consideration the impact on rare species and, with the help of advice from experts and other specialists, determine optimal construction methods to avoid such impact. We modify and shorten time periods when water discharges are suspended so there is minimal impact on living creatures. During construction as well, we work with the community to survey and monitor rare species.



Identified cherry trout and freshwater pearl mussels (released after confirmation)

Preventing Birds from Electrocution by Power Transmission & Distribution Equipment

In cooperation with competent government authorities and experts, we have installed preventive devices on transmission towers and utility poles, such as bird checkers so that rare birds keep away from potential electrocution areas and perches which guide birds to safe resting spots.


Bird checkers mounted on pylons


Working with experts to study preventive measures

SASB INDEX

Electric Utilities & Power Generators
(VERSION 2023-12)

SASB-Based Information Disclosure

The status of HEPCO Group performance and initiatives are stated in accordance with the United States Sustainability Accounting Standards Board (SASB) industry-specific standards for electric utilities & power generators. The SASB standards were prepared envisioning mainly companies and markets in the United States, so they also include items that do not correspond to business activities in Japan. HEPCO has endeavored to disclose as much information as possible in accordance with the SASB standards.

Quantitative data without a specific time indicated is as of the end of FY2024

Topic	Accounting Metric	Category	Unit	Code	Performance
Greenhouse Gas Emissions & Energy/ Power Plan	(1) Scope 1 emissions (total global emissions) (2) Ratio of Scope 1 emissions subject to emission regulations (3) Ratio of Scope 1 emissions subject to mandatory emission reporting	Quantitative	t-CO_2-e % %	IF-EU-110a.1	(1) 11,540,000t-CO_2 (2) 99% (3) 100%
	Greenhouse gas emissions associated with power supplied	Quantitative	t-CO_2-e	IF-EU-110a.2	13,010,000t-CO_2
	○Consideration of strategy & plan for managing Scope 1 emissions over the short- and long-term ○Emissions reduction targets ○Analysis of performance vis-à-vis above targets	Consideration & analysis	–	IF-EU-110a.3	The HEPCO Group is striving to achieve targets for reducing greenhouse gas emissions set in the HEPCO Group Management Vision 2030, redouble those efforts, and further promote initiatives to achieve carbon neutrality for all energy use in Hokkaido by 2050. ○Emissions reduction targets ◇FY2031 target ·Aim is to reduce CO_2 emissions from the power generation division by more than half compared to FY2014 level. ◇FY2051 target ·In addition to eliminating CO_2 emissions from the power generation division, aim is to expand electrification and use hydrogen and ammonia produced using renewable energy sources among other efforts to achieve carbon neutrality in Hokkaido across all energy types, including energies other than electricity. ○Reduction plan ◇By 2030 ·Increase installed renewable energy capacity by 300,000 kW (including areas outside Hokkaido) ·Restart nuclear power station on the fundamental premise that safety is assured ·Utilize low CO_2-emitting LNG thermal power plants ·Suspend or decommission aging oil- and coal-fired power plants ·Promote adoption of heat pumps and other high- efficiency electric devices and electric vehicles ·Support customers decarbonization efforts with energy-saving diagnoses Carbon F Plans, and other solutions ·Expand adoption of ZEB and ZEH ·Offer PPA services ◇By 2050 ·Develop CO_2-free thermal power plants that utilize hydrogen, ammonia, CCUS, and other innovative technologies ·Supply hydrogen and ammonia produced using renewable energy sources ○Analysis of achievements ·In addition to utilizing the low CO_2-emitting and highly-efficient LNG-fired Ishikariwan-Shinko Power Station, HEPCO is suspending or decommissioning aging coal-fired thermal power plants and taking other steps that put the company on course for reducing emissions. (CO_2 emissions from power generation division in FY2024: 11.54 million tons)

Quantitative data without a specific time indicated is as of the end of FY2024

Topic	Accounting Metric	Category	Unit	Code	Performance
Air Quality	Emissions of the following pollutants into the atmosphere and percentage of each in or near densely-populated areas (1) NOx (excluding N_2O) (2) SOx (3) Particulate matter (PM_{10}) (4) Lead (Pb) (5) Mercury (Hg);	Quantitative	t %	IF-EU-120a.1	(1) 8,500t, 92% (2) 8,300t, 98% (3) Undisclosed (4) Undisclosed (5) Undisclosed
Water Resource Management	(1) Total water withdrawn (2) Total water consumed; Percentage of each in regions with high or extremely high baseline water stress	Quantitative	(1)1,000㎥ (2)1,000㎥ %	IF-EU-140a.1	(1) 26,000,000,000㎥, 0% (2) 1,700,000㎥, 0%
	Number of non-compliance incidents associated with water intake and water quantity	Quantitative	Incidents	IF-EU-140a.2	0 incidents
	Explanation of water resource management risks and consideration of risk mitigation strategies and implementation	Consideration & analysis	–	IF-EU-140a.3	The following initiatives have been carried out in an effort to ascertain and mitigate water-related risks. To ascertain the impact of water-related risks, the World Resources Institute's Aqueduct tools have been used to verify the state of water stress in areas where HEPCO Group facilities are located. Water stress has been classified as "low," so we do not believe water stress has a significant impact on operations. [Thermal power generation facilities] ·Water used for cleaning equipment and other wastewater generated during power plant operation is passed through a comprehensive wastewater treatment system or other such facility to separate oils, remove solids, neutralize effluent, and perform other functions so that the water may then be released as clean water. ·The difference between water intake and drainage temperatures as well as other parameters are monitored to investigate the effect that water releases have on the sea environment. ·In accordance with the Water Pollution Prevention Act's effluent standards, pollution control agreements entered into with local governments, and other mandates, HEPCO sets management values and strives to prevent water pollution. [Hydroelectric power generation facilities] ·The HEPCO Group complies with water intake quantities for which permits have been received in accordance with laws and regulations. ·At hydroelectric power plants that meet certain conditions*, water is released to maintain the river environment. * Sectors where the water level may fall due to water intake for hydroelectric power generation are required to be 10 km or longer in length with a catchment area of 200 km^2 or larger.

Quantitative data without a specific time indicated is as of the end of FY2024

Topic	Accounting Metric	Category	Unit	Code	Performance
Coal Ash Management	Amount of coal ash generated and percentage recycled	Quantitative	t %	IF-EU-150a.1	540,000t, 90%
	Explanation of the management policy for Coal Combustion Products (CCP), and procedures for operations handling active and inactive CCPs	Consideration & analysis	–	IF-EU-150a.3	The 3Rs - Reduce, Reuse, and Recycle – are promoted to address the issue of processing industrial by-products. Initiatives have also been advanced that contribute to creating a circular society. We have strived to research and develop technologies to effectively make use of coal ash as a recycled resource in particular because it accounts for a large portion of the industrial by-product from coal-fired thermal power plants. Coal ash is widely used in a variety of sectors, such as civil engineering and construction in applications for cement raw material, concrete, tunnel spraying, and road base material, the environmental sector in applications for treating sludge at construction sites, as well as the agricultural sector in applications such as an anti-mud agent for livestock paddocks. Planning and performance are managed for both effective utilization and final disposal of coal ash so that coal ash management efforts may be better assessed. In addition, in cooperation with HEPCO Group companies and our partners, we have established a system that provides guidance on coal ash management to facilitate coal ash management initiatives.
Energy Affordability	Average electric rates (per 1 kWh) for (1) residential, (2) commercial, and (3) industrial customers	Quantitative	yen	IF-EU-240a.1	(1) 30.80 [JPY] (2) and (3) total: 28.09 [JPY] (Total electric power) * Including amount equivalent to consumption taxes and other charges * Calculation excludes the renewable energy surcharge.
	(1) Number of cases where supply shutoff due to nonpayment of electricity charges (residential) (2) Ratio of resumptions within 30 days	Quantitative	Shutoff %	IF-EU-240a.3	(1) 23,717 Number of disconnections due to nonpayment of electric bill Excludes number of supply shutoffs pursuant to the General Provisions for Specified Retail Service (2) None Cases where an electric bill has not been paid after the due date are stipulated to be revocation of the supply contract in accordance with the Electricity Standard Terms and Conditions (contract cancellation). Because supply shutoffs and resumptions are not specified in the Electricity Standard Terms and Conditions, this item is listed as "None."
	Consideration of the impact of external factors relating to ease with which consumers may access electric power (including economic conditions in the electric power supply service area)	Consideration & analysis	–	IF-EU-240a.4	The Electricity Business Act stipulates: "A general electricity transmission and distribution utility must not refuse to provide a wheeling service in its service area without justifiable grounds." As Hokkaido Electric Power Network, in principle, provides service to all customers who request it within the Hokkaido Electric Power Network service area, there is no difference in accessibility to electricity. Other external factors that may affect electricity rates are the policy-based renewable energy surcharge, fuel cost adjustment, and rate discounts based on Japan's Electricity and Gas Price Dramatic Change Mitigation Measures Project.
Occupational Health & Safety	Figures below are for each employee employed by (a) HEPCO and (b) contractors (1) TRIR (Number of work-related incidences per 200,000 hours worked) (2) Rate of fatalities resulting from work-related incidents (3) NMFR (Number of near miss events in the workplace per 200,000 hours worked)	Quantitative	%	IF-EU-320a.1	(1) 0.47 [%] (a. HEPCO employees) (2) 0 [Fatalities] (a. HEPCO employees) (3) Undisclosed (Total near-miss incidents are not tabulated for the entire company, so this item is given as undisclosed.)
End-Use Energy Efficiency & Demand	Ratio of electricity supplied (MWh) that is delivered over smart grids	Quantitative	%	IF-EU-420a.2	Percentage of meters converted to smart meters as of the end of March 2024: 100% (Smart meters have been installed for all customers (approx. 3.74 million units), except for some sites where meter replacement is difficult.)
	Reduction in electric power achieved through energy-saving initiatives	Quantitative	MWh	IF-EU-420a.3	The following quantitative data is disclosed in lieu of the amount of electric power reduced. ○FY2024 energy-saving, electrification and ZEB proposals: approx. 1,800 (companies) * HEPCO proposes a variety of solutions to our customers to help them meet their electrification and energy-saving needs. (See https://www.hepco.co.jp/business/total_solution/index.html)

Quantitative data without a specific time indicated is as of the end of FY2024

Topic	Accounting Metric	Category	Unit	Code	Performance
Nuclear Safety & Crisis Management	Total number of nuclear power units (Based on classification using U.S. Nuclear Regulatory Commission (NRC) Action Matrix Column)	Quantitative	Number of units	IF-EU-540a.1	3 units (3 units at Tomari NPS) ※ Currently, all three units at Tomari NPS are shutdown, and HEPCO is responding to the review by the Nuclear Regulation Authority to verify compliance with new regulatory requirements.
	Explanations of nuclear safety management and crisis management (preparations for emergencies)	Consideration & analysis	–	IF-EU-540a.2	Each and every HEPCO employee recognizes that he or she is responsible for safety and continually works to foster and maintain a safety culture. HEPCO's efforts to enhance safety include formulation and annual reassessments of safety improvement plans based on our value that safety is the highest priority. One example of this commitment may be seen in HEPCO Group's establishment and reinforcement of the Corrective Action Program (CAP), an initiative for broadly collecting information as well as detecting and resolving issues voluntarily in order to prevent nonconformances from happening and recurring. Furthermore, in striving to achieve world-class excellence in safety, we have promoted programs that incorporate guidelines and best practices, as presented by specialists from Japan and throughout the world, which have been applied in various sectors to our own operations and work processes. Some of the activities implemented in FY2024 include safety lectures presented by speakers invited from other industries, learning about safety initiatives in other industries through opportunities to exchange views with such personnel, and fostering greater safety awareness.
Grid Resiliency	Number of code and regulatory non-compliance incidents relating to cybersecurity and/or physical risks	Quantitative	Number of incidents	IF-EU-550a.1	Undisclosed (Out of consideration of the risks that disclosure may lead to a cyber attack, the number of instances is given as "undisclosed.
	(1) Average annual service interruption time (System Average Interruption Duration Index (SAIDI)) per user (2) Average annual number of service interruptions (System Average Interruption Frequency Index (SAIFI)) per user (3) Average time until restoration after one service interruption (Customer Average Interruption Duration Index (CAIDI))	Quantitative	(1) Minutes (2) Times (3) Minutes	IF-EU-550a.2	(1) 6 minutes (2) 0.09 interruptions (3) 67 min./ interruption

Activity Metric	Category	Unit	Code	Performance
Number of customers (1) Residential, (2) commercial, and (3) industrial	Quantitative	Number of units	IF-EU-000.A	(1) 2.93 million (total lights) Total for (2) and (3): 370,000 (total lights)
Total electricity supplied to: (1) residential, (2) commercial, (3) industrial, (4) other, and (5) wholesale customers	Quantitative	MWh	IF-EU-000.B	(1) 8,024 [GWh] Total for (2) and (3): 15,447 [GWh] (4) 315 [GWh] (5) 10,163 [GWh]
Length of transmission and distribution lines	Quantitative	km	IF-EU-000.C	Length of power transmission and distributions lines as of the end of March 2024 [Transmission lines] Overhead: 12,492km, Underground: 742km [Distribution lines] Overhead: 66,651km, Underground: 1,760km
○Total power generated ○Ratio of power generated from key resources ○Ratio of power generated in regulated markets	Quantitative	MWh % %	IF-EU-000.D	Total electricity generated: 19,083GWh, of which hydroelectric power is 18.8%, thermal power 80.6%, nuclear power: none, and new energies: 0.5%. (The total for generation ratios does not amount to 100% due to rounding.) Japan has no regulated markets.
Amount of wholesale electricity purchased	Quantitative	MWh	IF-EU-000.E	17,925 [GWh]

Financial Information

In addition, financial statements, sales performance, facility configurations, and other information is available on the HEPCO website under data downloads (https://www.hepco.co.jp/english/ir/datadownloads.html) and annual securities reports (https://www.hepco.co.jp/corporate/ir/ir_lib/ir_lib-06.html).

Data downloads

Annual securities reports

5 Years of Key Data (Consolidated)

(Million yen)

	2020	2021	2022	2023	2024
Operating revenue (sales) *1	603,693	585,203	663,414	888,874	**953,784**
Electric utility operating revenue	567,895	547,329	625,497	835,974	**912,066**
Other business operating revenue	35,798	37,874	37,916	52,899	**41,718**
Operating expenses	561,278	531,428	638,443	911,405	**852,628**
Electric utility operating expenses	529,898	496,140	604,947	864,358	**817,351**
Other business operating expenses	31,379	35,288	33,496	47,046	**35,277**
Operating profit/loss	42,415	53,775	24,970	△ 22,530	**101,155**
Ordinary profit/loss	32,640	41,150	13,830	△ 29,251	**87,315**
Profit/loss before income taxes	33,437	41,411	12,194	△ 26,596	**88,597**
Total income taxes	6,316	5,071	4,864	△ 4,783	**21,676**
Profit/loss attributable to owners of parent	26,720	36,155	6,864	△ 22,193	**66,201**
Total asset	1,959,060	2,001,650	1,992,879	2,093,339	**2,141,691**
Total net asset	247,381	289,733	285,717	258,106	**333,528**
Capital investment	116,606	78,360	87,185	100,064	**130,774**
Interest-bearing debt	1,416,997	1,397,394	1,385,387	1,475,953	**1,405,940**
Profit/loss per share of capital stock (yen/share) *2	123.16	169.09	26.57	△ 114.96	**315.44**
Cash dividend per share (common stock) (JPY)	10	20	20	–	**20**
Cash dividend per share (Class-B preferred stock) (JPY)	3,000,000	3,000,000	3,000,000	–	**6,060,164**
Dividend payout ratio (%)	8.12	11.83	75.27	–	**6.34**
Shareholders' equity ratio (%)	11.99	13.84	13.68	11.69	**14.91**
ROA: Return on assets (%)	2.17	2.72	1.25	△ 1.10	**4.77**
ROE: Return on equity (%) *3	11.83	14.12	2.50	△ 8.58	**23.47**
Interest expenses	11,194	10,400	9,513	9,507	**12,183**
Depreciation	75,463	79,267	77,435	80,176	**73,450**
Cash flow from operating activities	102,686	136,547	102,337	△ 574	**176,135**
Cash flow from investing activities	△ 126,745	△ 85,607	△ 77,720	△ 85,248	**△ 80,841**
Cash flow from financing activities	9,823	△ 24,662	△ 19,489	86,795	**△ 74,654**
Cash and cash equivalents at end of period	57,490	83,767	88,894	89,867	**110,709**

*1 Following application of the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan, No. 29, March 31, 2020), the Regulation on Accounting at Electric Utilities was revised. The amount of the impact from the Feed-in Tariffs (FIT) for renewable energy sources is no longer subject to revenue and expense reporting since FY2022. Management indices and other metrics prior to FY2021 are those for which this revision has been applied retroactively to previous periods.
*2 Profit (loss) per share of capital stock is calculated by subtracting the amount of preferred dividends attributed to the current term from profit attributable to parent company shareholders or loss attributable to parent company.
*3 Shareholders' equity is calculated using the value arrived at by subtracting non-controlling shareholders' interest from net assets.

(1 million kWh)

	2020	2021	2022	2023	2024
Electricity sales	26,519	26,553	29,930	31,080	**33,949**
Low-voltage customers	11,169	10,815	10,345	9,962	**9,851**
High- and extra high-voltage customers	12,532	11,791	11,734	13,413	**13,620**
Other *4	–	77	86	557	**315**
Total retail electricity sales	23,701	22,683	22,165	23,932	**23,786**
Electricity sold to other companies	2,818	3,870	7,765	7,148	**10,163**
Supplied power	28,727	29,359	32,819	33,787	**36,687**
Hydroelectric	3,277	3,450	3,454	3,832	**3,597**
Thermal	18,020	18,007	19,554	16,487	**15,382**
Nuclear power	–	–	–	–	**–**
New energies, etc.	128	129	113	111	**104**
Electricity purchased externally *5	7,546	7,998	9,901	13,732	**17,925**
Pumping power capacity, etc. of pumping power plants	△ 244	△ 225	△ 203	△ 375	**△ 321**
Nuclear power capacity factor (%)	–	–	–	–	**–**

Segment Information

(Million yen)

Sales	748,468	585,203	663,414	888,874	**953,784**
Hokkaido Electric Power	713,778	538,672	597,934	779,676	**861,640**
Hokkaido Electric Power Network	–	243,773	267,999	347,960	**313,795**
Other *6	133,395	139,621	136,331	155,128	**154,980**
Adjustments *7	△ 98,705	△ 336,862	△ 338,851	△ 393,891	**△ 376,632**
Segment profit or loss	42,415	41,150	13,830	△ 29,251	**87,315**
Hokkaido Electric Power	36,609	36,226	12,000	△ 34,471	**68,961**
Hokkaido Electric Power Network	–	1,197	△ 4,444	△ 3,352	**10,666**
Other *6	6,210	4,745	7,965	9,309	**11,592**
Adjustments *7	△ 404	△ 1,019	△ 1,690	△ 737	**△ 3,904**

Reference (fuel prices)

Foreign exchange rate (JPY/USD)	109	106	112	135	**145**
Crude oil CIF price (BL)	67.8	43.4	77.2	102.7	**86.0**
Overseas coal CIF (USD/t)	101.3	79.8	161.1	358.0	**195.5**
LNG CIF (USD/t)	492.5	389.9	621.6	929.6	**647.5**
Water flow rate (%)	88.7	92.3	96.2	107.3	**103.6**

*4 The "Other" column shows electricity sales for Hokkaido Electric Power Network Inc. and Hokkaido Electric Power Co-Creation Co., Ltd.
*5 Electricity purchased externally includes power received from consolidated subsidiaries and equity-method affiliates.
*6 The category of "Other" is business segments not included in reportable segments, and includes other consolidated subsidiaries, etc.
*7 "Adjustment" indicates the amount eliminated in transactions between segments on the consolidated financial statement.
*8 The total may not match as figures have been rounded down or up.

Consolidated Balance Sheets

(Million yen)

	2023	2024
Assets		
Non-current assets	1,761,374	**1,748,635**
Electric utility plants and equipment	1,147,235	**1,138,647**
Hydroelectric power production facilities	205,222	**200,373**
Thermal power production facilities	182,564	**166,613**
Nuclear power production facilities	135,707	**133,258**
Transmission facilities	177,122	**177,740**
Transformation facilities	105,107	**105,378**
Distribution facilities	297,060	**300,871**
General facilities	38,095	**43,138**
Other electric utility plants and equipment	6,354	**11,272**
Other non-current assets	59,767	**61,688**
Construction in progress	190,294	**227,374**
Construction in progress	169,148	**202,533**
Retirement in progress	198	**401**
Special account related to reprocessing of spent nuclear fuel	20,947	**24,439**
Nuclear fuel	208,055	**163,258**
Nuclear fuel in processing	208,055	**163,258**
Investments and other assets	156,021	**157,665**
Long-term investments	83,439	**86,460**
Retirement benefit asset	14,076	**21,307**
Deferred tax assets	47,572	**36,663**
Other	14,250	**13,581**
Allowance for doubtful accounts	△ 3,317	**△ 346**
Current assets	331,964	**393,056**
Cash and deposits	89,867	**110,709**
Notes & accounts receivable-trade and contract assets	91,465	**97,639**
Inventories	92,122	**67,989**
Other	60,297	**118,389**
Allowance for doubtful accounts	△ 1,788	**△ 1,670**
Total	2,093,339	**2,141,691**

(Million yen)

	2023	2024
Liabilities and net assets		
Liabilities		
Non-current liabilities	1,421,993	**1,358,231**
Bonds payable	753,500	**678,500**
Long-term borrowings	510,648	**514,891**
Retirement benefit liability	35,929	**34,602**
Asset retirement obligations	112,599	**117,313**
Other	9,315	**12,924**
Current liabilities	411,047	**447,337**
Current portion of non-current liabilities	167,800	**168,936**
Short-term borrowings	44,500	**44,500**
Notes and accounts payable-trade	84,732	**86,460**
Accrued taxes	8,960	**26,685**
Other	105,054	**120,754**
Reserves under special laws	2,192	**2,594**
Reserve for water shortage	2,192	**2,594**
Total liabilities	1,835,233	**1,808,163**
Net assets		
Shareholders' equity	248,911	**311,839**
Share Capital	114,291	**114,291**
Capital surplus	47,348	**47,348**
Retained earnings	105,139	**168,070**
Treasury shares	△ 17,868	**△ 17,870**
Accumulated other comprehensive income	△ 4,095	**7,543**
Valuation difference on available-for-sale securities	2,264	**7,235**
Deferred gains or losses on hedges	△ 1,831	**△ 1,499**
Remeasurements of defined benefit plans	△ 4,528	**1,807**
Non-controlling interests	13,291	**14,145**
Total net assets	258,106	**333,528**
Total	2,093,339	**2,141,691**

Consolidated Statements of Operations

(Million yen)

	2023	2024
Operating revenue	888,874	**953,784**
Electric utility operating revenue	835,974	**912,066**
Other business operating revenue	52,899	**41,718**
Operating expenses	911,405	**852,628**
Electric utility operating expenses	864,358	**817,351**
Other business operating expenses	47,046	**35,277**
Operating profit/loss	△ 22,530	**101,155**
Non-operating income	4,579	**3,011**
Dividend income	698	**691**
Interest income	64	**75**
Share of profit of entities accounted for using equity method	72	**161**
Gain on sales of goods	749	**598**
Gain on derivatives	905	**-**
Other	2,090	**1,484**
Non-operating expenses	11,300	**16,851**
Interest expenses	9,507	**12,183**
Other	1,792	**4,668**
Total ordinary revenue	893,454	**956,796**
Total ordinary expenses	922,706	**869,480**
Ordinary profit/loss	△ 29,251	**87,315**
Provision or reversal of reserve for water shortage	545	**401**
Provision of reserve for water shortage	545	**401**
Extraordinary income	5,705	**10,019**
Gain on sale of nuclear fuel	5,705	**3,328**
Compensation received	-	**6,691**
Extraordinary loss	2,504	**8,335**
Impairment loss	2,504	**8,335**
Profit/loss before income taxes	△ 26,596	**88,597**
Income taxes-current	816	**15,442**
Income taxes-deferred	△ 5,599	**6,233**
Total income taxes	△ 4,783	**21,676**
Profit/loss	△ 21,812	**66,921**
Profit attributable to non-controlling interests	380	**719**
Profit/loss attributable to owners of parent	△ 22,193	**66,201**

Consolidated Statements of Comprehensive Income

(Million yen)

	2023	2024
Profit/loss	△ 21,812	**66,921**
Other comprehensive income		
Valuation difference on available-for-sale securities	760	**5,026**
Deferred gains or losses on hedges	△ 1,831	**316**
Remeasurements of defined benefit plans, net of tax	△ 1,811	**6,549**
Share of other comprehensive income of entities accounted for using equity method	-	**15**
Total other comprehensive income	△ 2,882	**11,908**
Comprehensive income	△ 24,695	**78,829**
Comprehensive income attributable to		
owners of parent	△ 25,069	**77,841**
non-controlling interests	374	**988**

Consolidated Statements of Cash Flows

(Million yen)

	2023	2024
Cash flow from operating activities		
Profit/loss before income taxes	△ 26,596	**88,597**
Depreciation	80,176	**73,450**
Decommissioning costs of nuclear power units	4,850	**5,166**
Impairment loss	2,504	**8,335**
Loss on retirement of non-current assets	2,663	**3,109**
Interest and dividends income	△ 762	**△ 767**
Interest expenses	9,507	**12,183**
Gain on sale of nuclear fuel	△ 5,705	**△ 3,328**
Compensation received	–	**△ 6,691**
Decrease (increase) in notes & accounts receivable-trade and contract assets	△ 21,531	**△ 6,274**
Decrease (increase) in accounts receivable-other	△ 13,250	**△ 21,745**
Decrease (increase) in inventories	△ 55,038	**24,133**
Increase (decrease) in notes and accounts payable-trade	24,942	**1,478**
Increase (decrease) in deposits received	12,270	**△ 9,492**
Increase (decrease) in accrued consumption taxes	△ 7,883	**8,200**
Other, net	3,293	**3,107**
Subtotal	9,441	**179,464**
Interest and dividend received	764	**769**
Interest paid	△ 9,350	**△ 12,173**
Proceeds from compensation	–	**7,542**
Income taxes refunded (paid)	△ 1,429	**533**
Net cash provided by (used in) operating activities	△ 574	**176,135**

(Million yen)

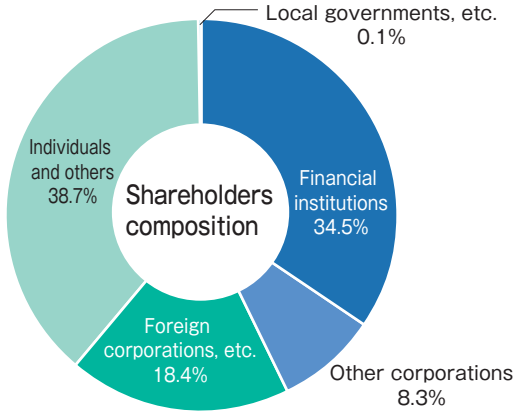
	2023	2024
Cash flow from investing activities		
Purchase of non-current assets	△ 104,755	**△ 113,944**
Proceeds from contributions received for construction	△ 368	**14,872**
Proceeds from sale of nuclear fuel	19,443	**18,606**
Investments and loan advances	△ 247	**△ 869**
Proceeds from divestments and collection of loans receivable	528	**382**
Other, net	152	**110**
Net cash provided by (used in) investing activities	△ 85,248	**△ 80,841**
Cash flow from financing activities		
Proceeds from issuance of bonds	123,139	**64,746**
Redemption of bonds	△ 50,000	**△ 100,000**
Proceeds from long-term borrowings	85,500	**52,220**
Repayments of long-term borrowings	△ 67,617	**△ 87,312**
Proceeds from short-term borrowings	116,700	**111,200**
Repayments of short-term borrowings	△ 117,517	**△ 111,200**
Proceeds from issuance of commercial papers	164,000	**15,000**
Redemption of commercial papers	△ 164,000	**△ 15,000**
Dividends paid	△ 2,765	**△ 3,174**
Other, net	△ 645	**△ 1,134**
Net cash provided by (used in) financing activities	86,795	**△ 74,654**
Net increase (decrease) in cash and cash equivalents	972	**20,639**
Cash and cash equivalents at beginning of period	88,894	**89,867**
Increase in cash and cash equivalents from newly consolidated subsidiaries	–	**202**
Cash and cash equivalents at end of period	89,867	**110,709**

Stock Information

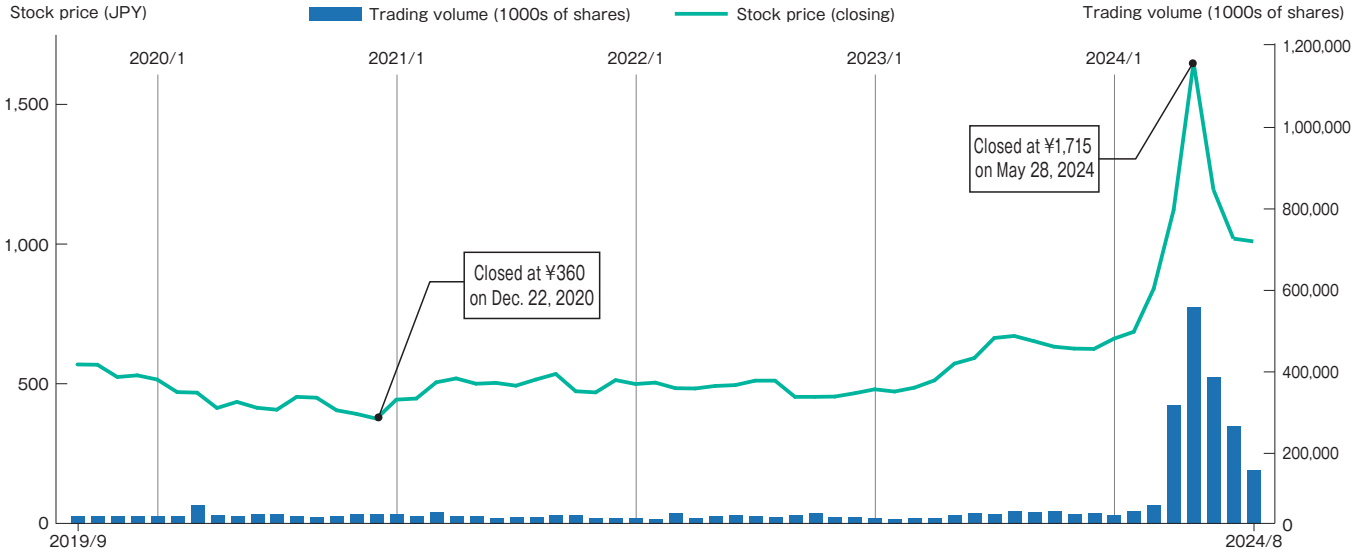
As of March 31, 2024

Stock Information

●Number of Shareholders	Common stock	70,342
	Class-B preferred stock	2
●Total Number of Authorized Shares	495 million	
●Total Number of Issued Shares	Common stock	215,291,912
	Class-B preferred stock	470
●Independent Auditor	Ernst & Young ShinNihon LLC	
●Listing stock exchange	Tokyo Stock Exchange, Inc. (Prime Market) Sapporo Securities Exchange	
●Transfer Agent	Mizuho Trust & Banking Co., Ltd.	



Stock Price (Closing) & Trading Volume (Sept. 2019~Aug. 2024)



Major Shareholders

(1) Common Stock

Shareholder	Shares held (1000s)	Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	26,315	12.80
North Pacific Bank, Ltd.	10,215	4.97
Custody Bank of Japan, Ltd. (Trust Account)	9,250	4.50
Nippon Life Insurance Company	7,231	3.52
HEPCO Employees Shareholding Association	5,477	2.66
The Hokkaido Bank, Ltd.	4,131	2.01
Meiji Yasuda Life Insurance Company	4,048	1.97
HAYAT (Standing Proxy: MUFG Bank, Ltd.)	2,843	1.38
Custody Bank of Japan, Ltd. (Trust Account 4)	2,822	1.37
JP Morgan Securities Co., Ltd.	2,695	1.31

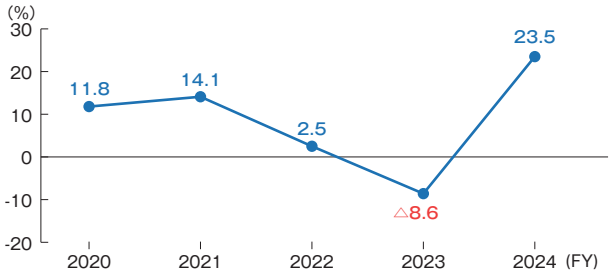
Note: Ownership ratio is calculated by subtracting 9,665,021 shares of treasury stock from the total number of shares outstanding.

(2) Class-B Preferred Stock

Shareholder	Shares held (1000s)	Ratio (%)
Development Bank of Japan Inc	400	85.11
Mizuho Bank, Ltd.	70	14.89

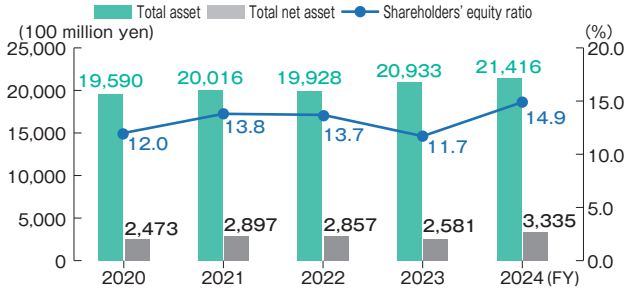
Financial & Non-Financial Highlights

Consolidated ROE



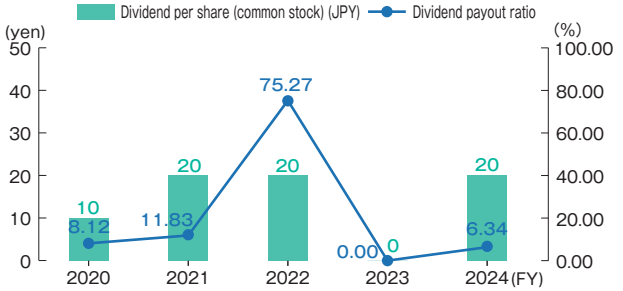
*Shareholders' equity is calculated by subtracting non-controlling shareholders' interest from net assets.

Total assets, total net assets and shareholders' equity ratio (Consolidated)

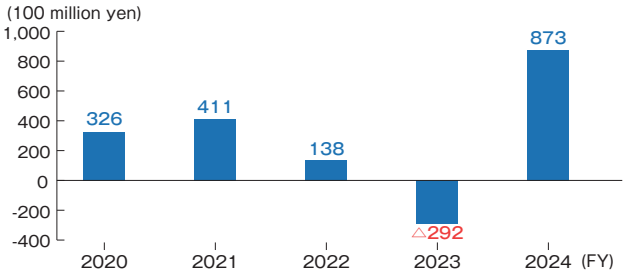


*Shareholders' equity is calculated by subtracting non-controlling shareholders' interest from net assets.

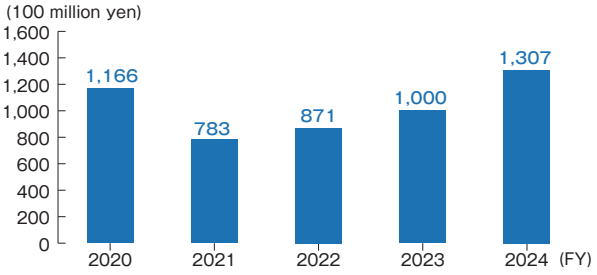
Dividend per share (common stock) & payout ratio



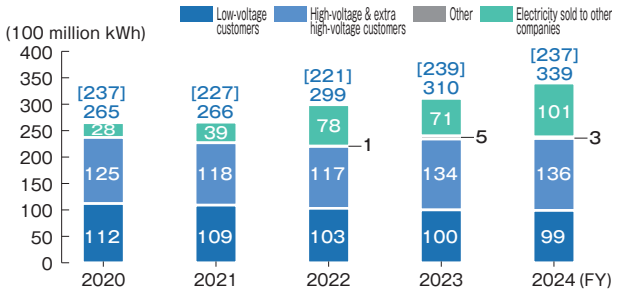
Consolidated ordinary income



Capital investment (Consolidated)

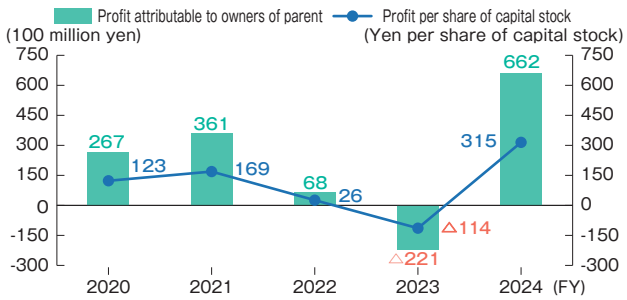


Total electricity sold



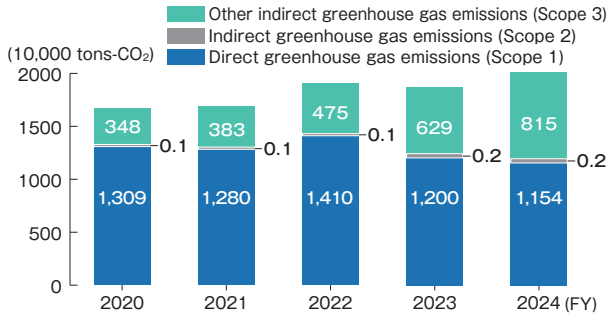
*Figures in parentheses indicate retail electricity sales (repost)

Profit attributable to parent company shareholders and profit per share of capital stock



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

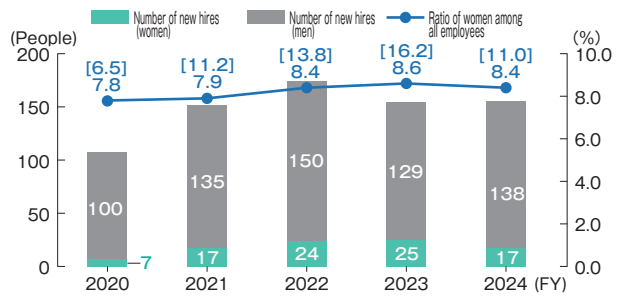
Greenhouse Gas (GHG) Emissions



*Subject to Scope 3 calculation

Since FY2020: Categories 2, 3
Since FY2021: Categories 1, 2, 3, 4, 5, 6, 7, 11

Number of new hires/gender ratio & ratio of women employees(Hires)



*Figures in parentheses indicate ratio of women hires

