

# Overview of the FY2025 HEPCO Group Management Plan

March 22, 2024  
Hokkaido Electric Power Co., Inc.

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

Hokkaido, which is blessed with abundant natural energy resources, has the greatest potential for renewable energy in Japan. Thus, companies aiming to achieve carbon neutrality are paying attention to Hokkaido and counting on Hokkaido. The HEPCO Group has been working on attracting companies to Hokkaido, and many next-generation semiconductor factories, large data centers, and other digital businesses are planning to establish facilities in Hokkaido. Their related businesses will come to Hokkaido with them as well, thus helping grow the economy of Hokkaido.

Demand for electricity in Hokkaido, which had been on a downward trend, is likely to reverse course and significantly increase. This means that the HEPCO Group has a golden opportunity to achieve dramatic growth. As a responsible provider of energy, without letting the opportunity pass, we will work to ensure stable energy supply, promoting decarbonization, to steadily win contracts.

And, in order to leverage our strengths and grow powerfully even amidst such changes in the business environment, we have established a new business portfolio. We will be transforming our business model for the existing electric power business, responding to customer needs such as decarbonization of energy and diversification of services, and taking on new business challenges, aiming to expand our revenue base.

In FY2025, we are strongly aware that we will enter a new growth stage. We will make full use of the accumulated strength of the HEPCO Group to create new value and secure our sustainable growth with the new business portfolio. The HEPCO Group will also contribute to the sustainable development of Hokkaido.

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

March 2024  
Hokkaido Electric Power Co., Inc.

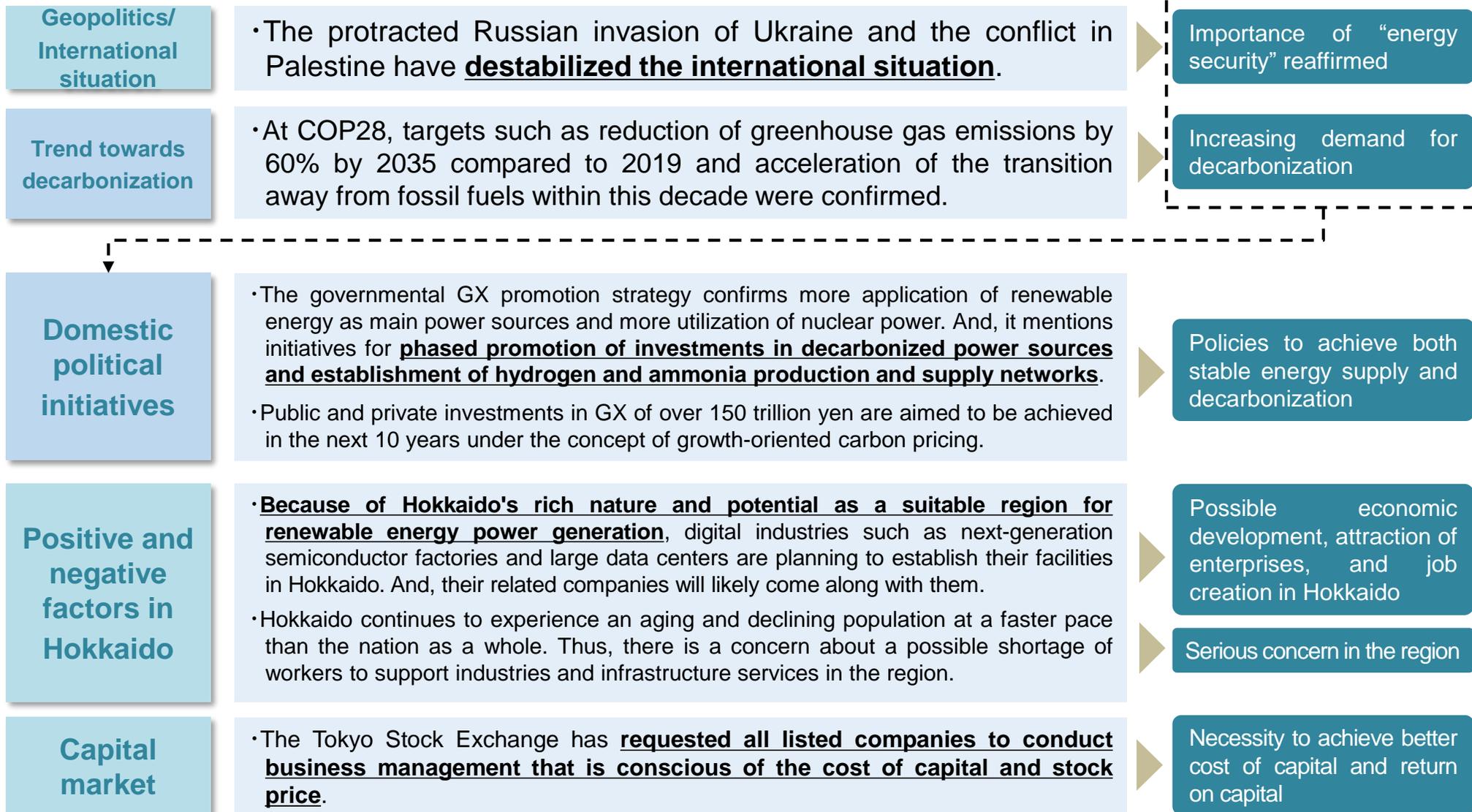
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# ■ I. Our new business portfolio

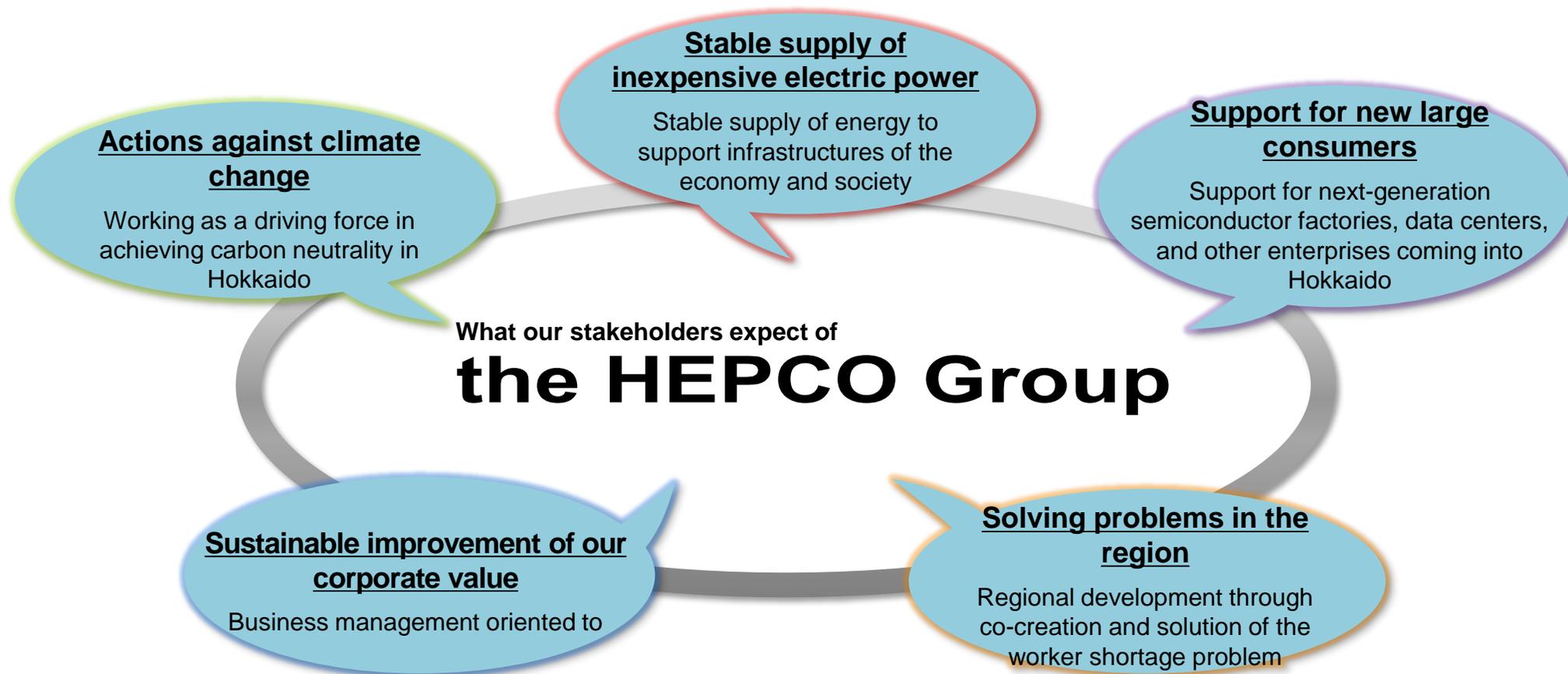
# Changes in our business environment

- Our business environment is changing rapidly as described below:



## What our stakeholders expect of the HEPCO Group

- Accurately grasping changes in the business environment, we are listening to the voices of our stakeholders, including customers, local communities, business communities, shareholders and investors, to meet their expectations of the HEPCO Group.



## Strengths of the HEPCO Group

- The HEPCO Group is strong in our comprehensive power, which consists of our sense of responsibility and mission for stable power supply we have cultivated as an electric power professional enterprise and our accumulated technology and expertise, synergy as a group, and relationships of trust we have built with our customers and local communities.
- Taking full advantage of our strengths, we are actively pursuing new businesses.

## HEPCO Group strengths

### Electricity professional

- Human resources and a sense of mission that underpin the stable supply of electricity
- Technology and expertise we have accumulated through the operation and maintenance of the power plants, grids, and other large facilities we own
- Electrification expertise optimized for cold regions with heavy snowfall
- Expertise in demand-supply operation and power transactions
- Pioneering achievements in the energy solution business

### Comprehensive capabilities of the HEPCO Group

- Technical expertise and track record in the maintenance and operation of information and communication infrastructure
- System development technology
- Expertise in real estate management
- Expertise in construction design and consulting
- Business transformation through the promotion of Kaizen and DX

### Trusting relationships with customers and communities

- Customer base in all Hokkaido regions
- Connections with Hokkaido local governments and economic organizations
- Community charity activities in all regions
- Business operations centered on sustainability, including ESG

Our new business portfolio

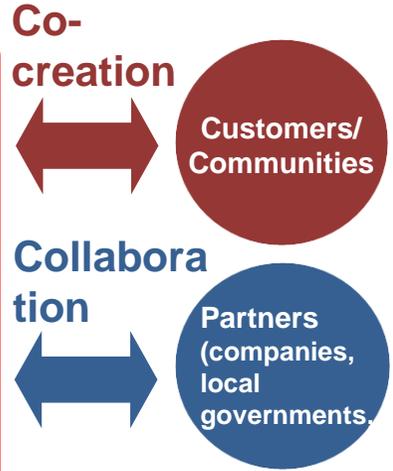
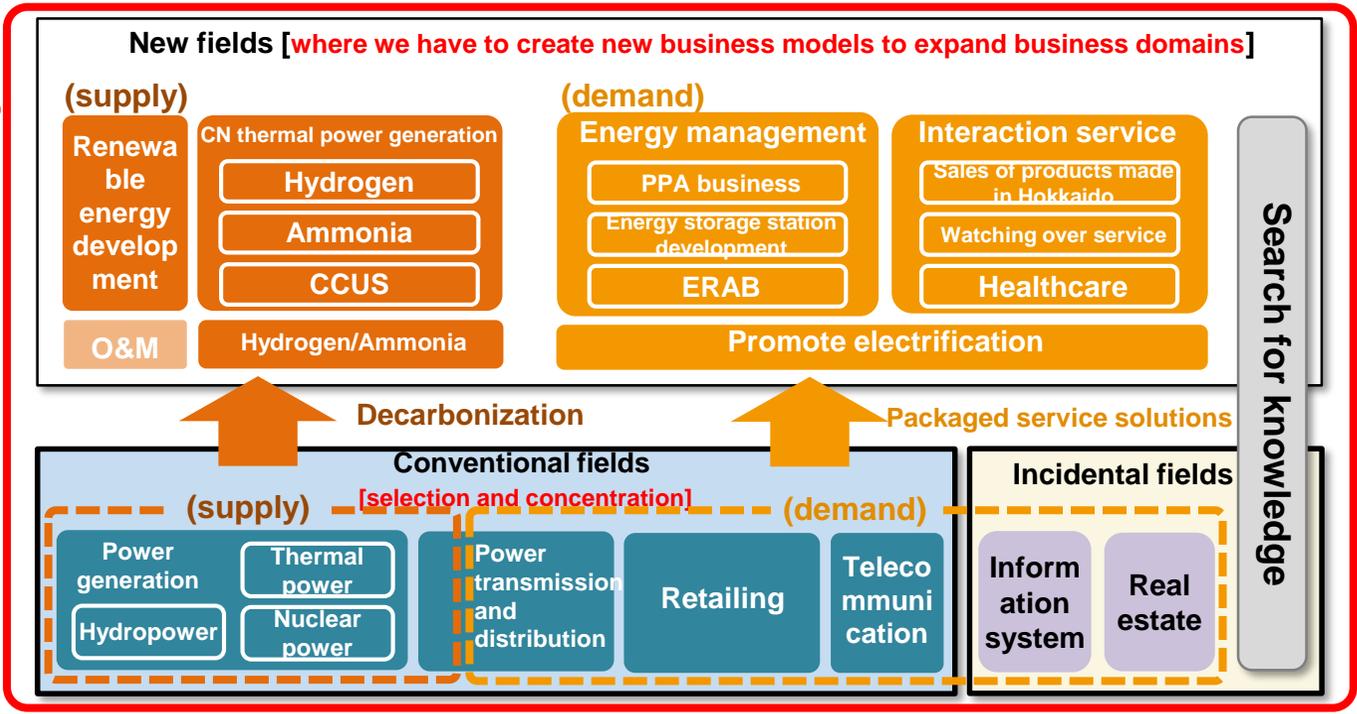
# Our new business portfolio (for 2030)

**Business domains the HEPCO Group aims at by 2030**

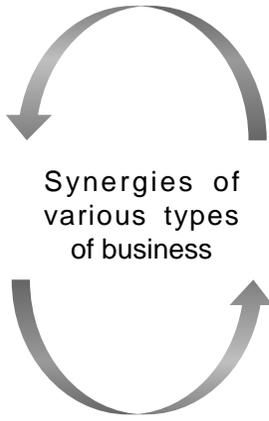
- [In our conventional business fields]
- As a responsible energy provider, we are providing a stable supply of electricity to generate profits and accumulating business resources through *selection and concentration* in our business fields to reallocate to new business fields.
- [In new business fields]
- On the energy supply side, we promote "decarbonization" in our conventional business fields, develop renewable energy sources, and implement practical application of hydrogen and ammonia in thermal power plants.
  - On the energy demand side, we work on energy management and interaction services\* to provide packaged service solutions.
- \*Services to create new value through communication with customers, businesses, and/or local governments.
- Through the business activities mentioned above, we are steadily creating new business models to expand our business domains.

The HEPCO Group companies are working together to realize comfortable and healthy living (well-being) in a sustainable society with the advantage of regional characteristics.

**Business domains the HEPCO Group aims at by 2030**

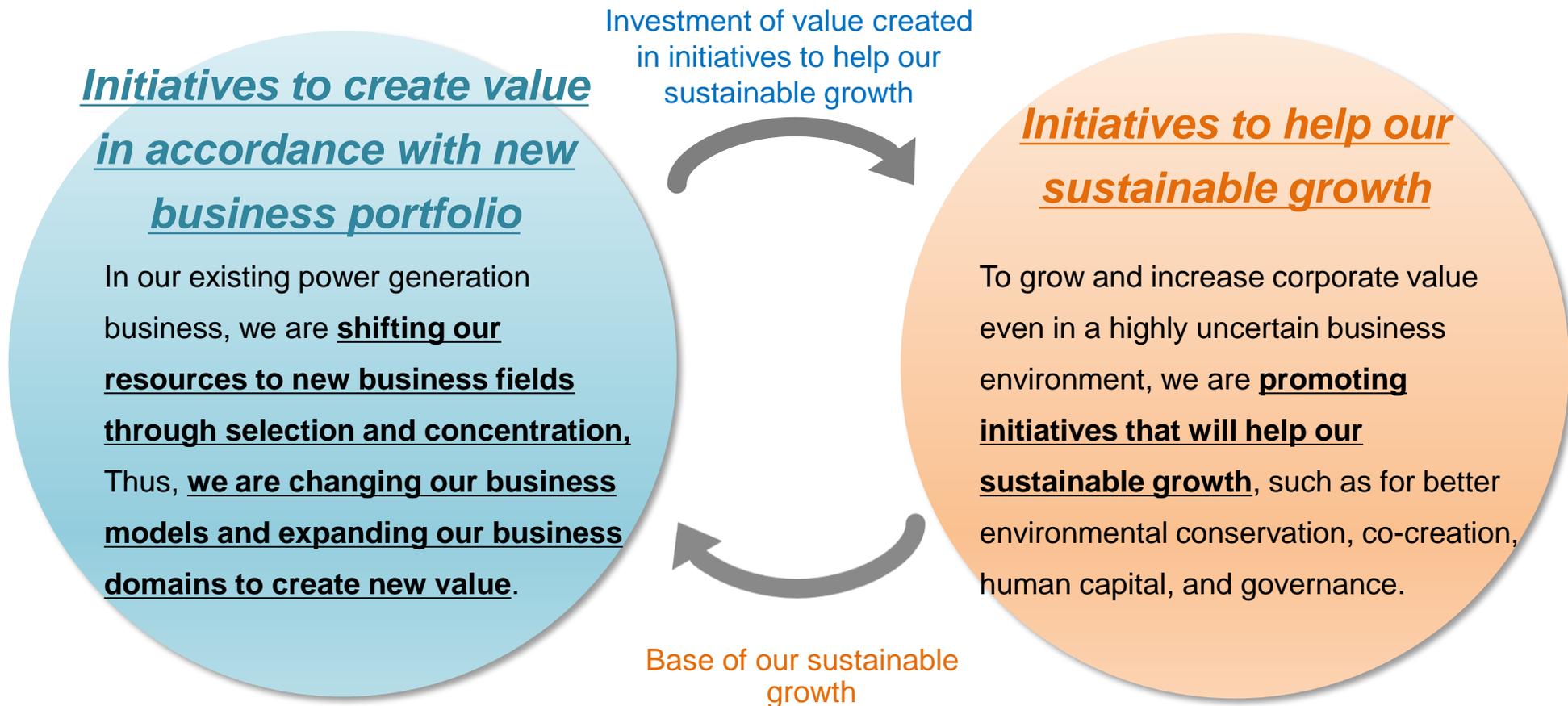


- Legend**
- Conventional fields
  - New fields (supply side)
  - New fields (demand side)
  - Incidental fields
  - Fields to explore



## Toward our sustainable growth

- Aiming to enter a new growth stage in FY2025, we are steadily promoting *initiatives to create value* in our business domains in accordance with our new business portfolio. Together with it, we are working on *initiatives to help our sustainable growth* such as by protecting the environment and improving our human capital.



## ■ II. Major initiatives for FY2025

1. Initiatives to create value in accordance with new business portfolio
  - (1) To increase profits in **our conventional business fields**
  - (2) To expand our conventional business fields by transforming them
  - (3) To improve our productivity and value added

# Initiatives to capture new large-scale demand

- **Because of Hokkaido's rich nature and potential as a suitable region for renewable power generation,** Rapidus, SoftBank, and other enterprises are planning to establish facilities in Hokkaido. **In the medium to long term, we expect that the demand for electricity in Hokkaido will increase significantly.** Thus, the HEPCO Group is making all possible efforts to capture new large-scale demand.
- As a responsible energy provider, the HEPCO Group is striving to ensure a stable supply of electric power and respond accurately to customer needs to earn higher profits and move toward a new stage of growth.

## Stable supply of electric power

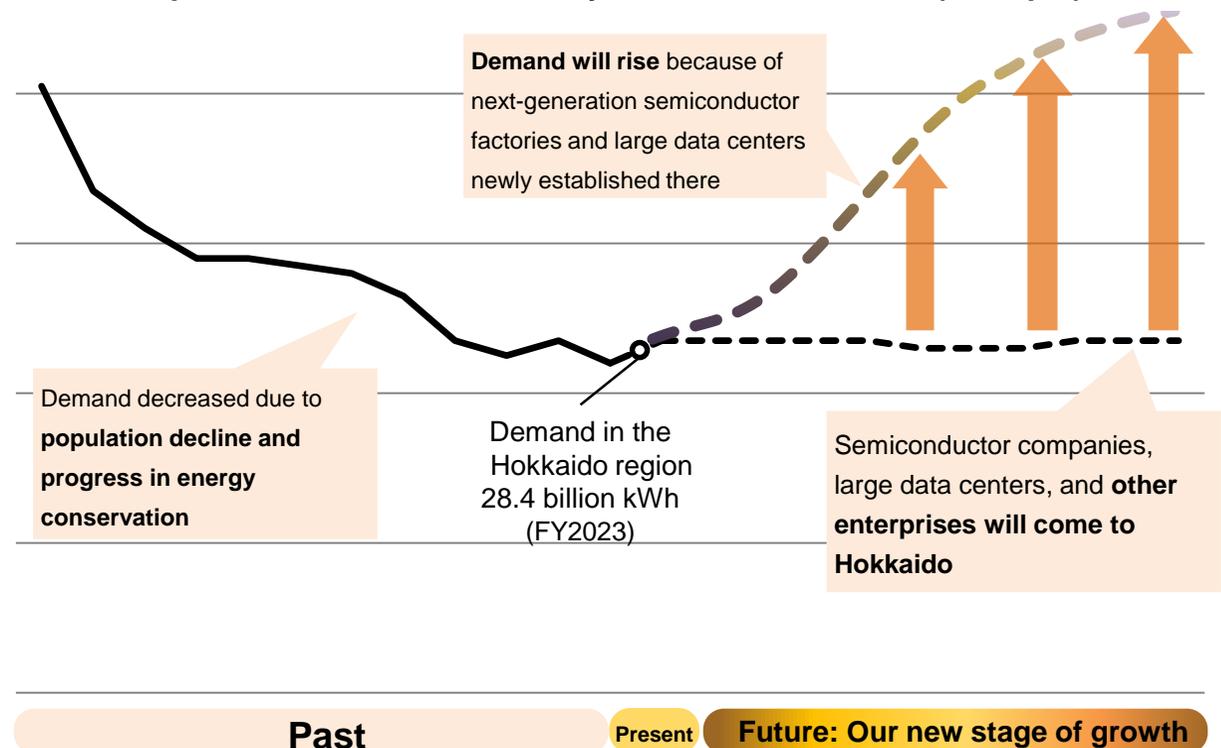
- ▶ In anticipation of the possible increase in electricity demand in the medium to long term, we are securing the expected supply capacity, and maintaining and reinforcing the power grid facilities needed for our stable supply of electric power.

## Responding to customer needs

- ▶ The HEPCO Group leverages its collective strengths to win contracts by responding to various sorts of customer needs with, for example, services that help customers achieve carbon neutrality.

(For details, see [P11.](#))

## Expected increase in electricity demand in Hokkaido (example)

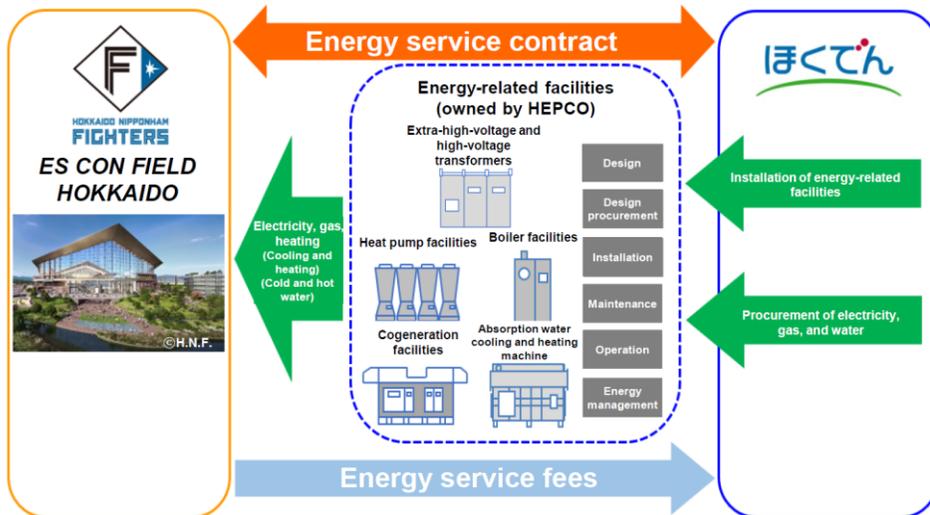


# Better services to meet customer needs

- Taking advantage of the rich nature of Hokkaido and its potential as a suitable location for renewable power generation, we are providing services that meet customer needs such as carbon neutrality and lower rates and improving their quality to win more contracts with customers.

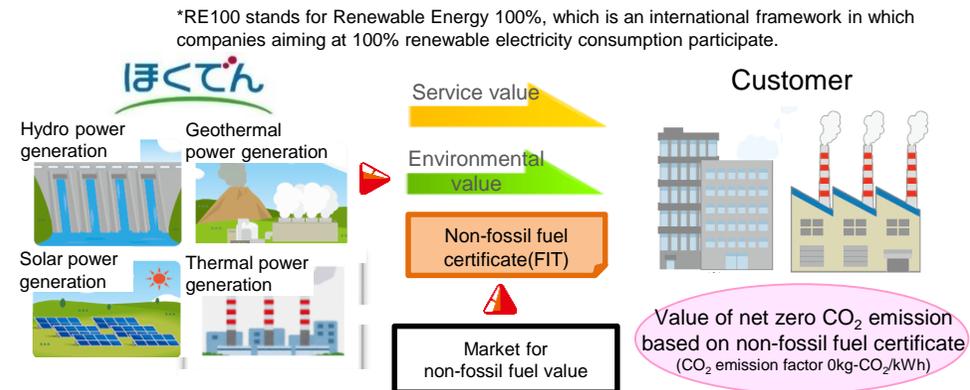
## ESP (Energy Service Provider) business

- The HEPCO Group brings its expertise and skills together to provide comprehensive ESP services that cover everything from installation of energy-saving and high-efficiency equipment to energy procurement, efficient operation of equipment, and optimal maintenance. Our ESP business allows customers to use their funds more effectively and streamline their energy-related business operations.
- The HEPCO Group has been chosen as the energy operator of the ES CONFIELD HOKKAIDO, which opened in March 2023. The HEPCO Group provides energy services for the stadium as ESP to enable the smooth operation of the stadium.



## Services to help customers achieve carbon neutrality

- We provide services to help our customers achieve carbon neutrality, e.g., the Carbon F Advanced plan designed for compliance to RE100\* and supply of renewable energy power through PPA (P17).



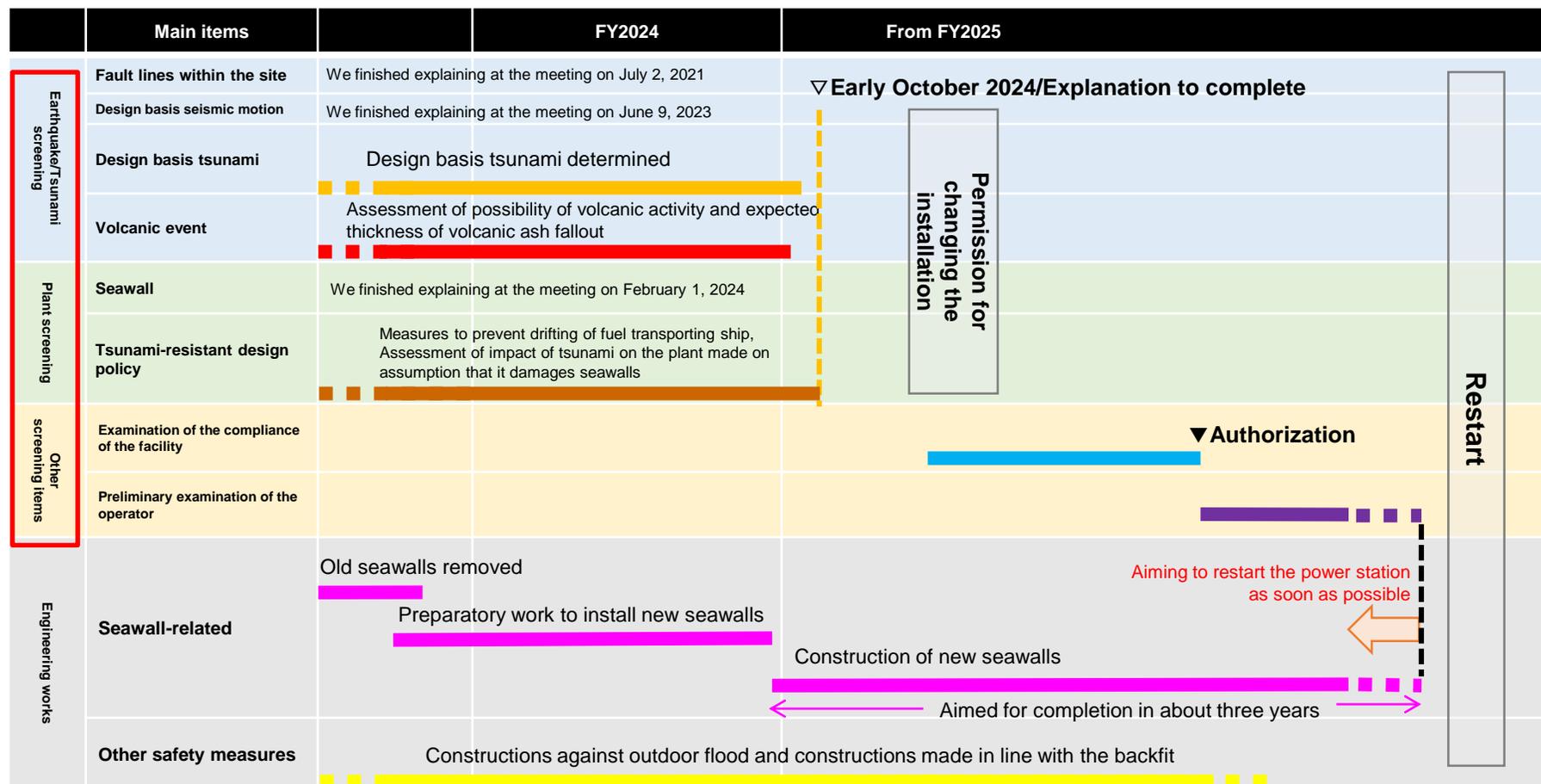
- HOKUDEN SOGO SEKKEI Corporation** helps customers to achieve carbon neutrality with consultation services on J-Credit\* and proposals for environmental value, energy saving, and renewable energy.

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



## Efforts towards restarting the Tomari Nuclear Power Station - Compliance with new regulatory standards

- Nuclear power generation has stable fuel supply, long-term price stability, no CO<sub>2</sub> emissions during power generation, and other features. It is an important type of power source that supports stable energy supply and decarbonization of electric power generation.
- In the medium to long term, the electricity demand in Hokkaido is expected to increase significantly (P10). In order to ensure stable energy supply and achieve carbon neutrality in Hokkaido (P28), we are making all-out efforts to put the Tomari Nuclear Power Station in service again with the priority on safety.



Permission for changing the installation submitted in July 8, 2013; Amendment to the permission submitted in December 22, 2023

## Efforts to take better safety measures at the Tomari Nuclear Power Station to make it safer

- With a strong determination to never allow any critical accident like the one at the Fukushima Daiichi Nuclear Power Station to occur again, we are working to further reduce the risk of serious accidents with better safety measures.
- We are evaluating and improving our own techniques and skills to achieve the world's highest level of safety and to make the power plant more reliable.

### Safety first

- Top management directly communicate their commitment to safety to the plant staff and staff of partner companies in order to instill in them the value of putting safety first through instructions and dialogues.



President giving instructions to power station staff

### Communication with people in the region

- We take various opportunities to clearly inform people in the region of how we are improving the safety of the Tomari Nuclear Power Station and listen to their comments.

Citizens of Hokkaido	- Opinion visits, etc. - PR magazines, press conferences
Citizens of the 20 municipalities of the Shiribeshi district	- Briefings and roundtable discussions - Energy caravan

### Emergency capabilities

- We are repeatedly conducting emergency drills, simulating critical accidents in the nuclear power plant, to strengthen our emergency capabilities.



Drill for pumping of water

#### Deployment of 2,120m fire belt

A fire belt is maintained so that, if a forest fire breaks out around the power station, it will not spread to areas inside the power station premises.

#### Deployment of 14 emergency power supply units outdoors

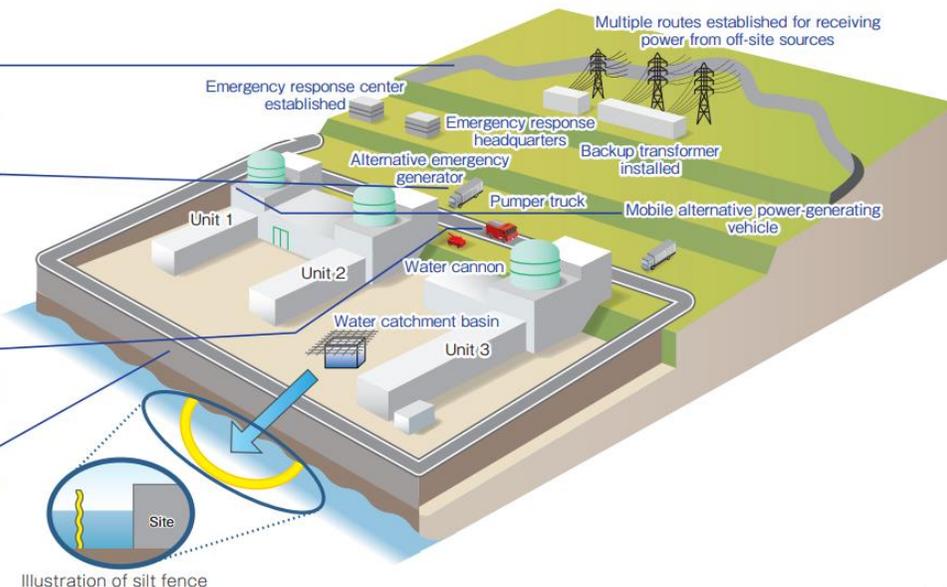
In preparation for a situation where power station emergency power is lost, a total of 14 units comprising both alternative emergency generators (permanent equipment) and mobile alternative power-generating vehicles (mobile equipment) have been deployed.

#### Deployment of 14 water pumping vehicles

In preparation for a situation where permanent pumps supplying water are unusable, 14 mobile water pumping vehicles have been deployed.

#### Installation of seawall

From the standpoint of further enhancing safety, a new seawall will be installed with a structure directly mounted onto hard bedrock.



## ■ II. Major initiatives for FY2025

1. Initiatives to create value in accordance with new business portfolio
  - (1) To increase profits in our conventional business fields
  - (2) **To expand our conventional business fields by transforming them**
  - (3) To improve our productivity and value added

# Promote renewable energy sources

- Regarding our power generation with renewable energy sources, we aim to first achieve the goal set in our management vision, or **increase it by 300,000 kW or more by FY2031** (including powers sources outside Hokkaido), and go beyond it.

## Power generation with renewable energy sources

- With the aim of increasing power generation using renewable energy sources by more than 300,000 kW, the HEPCO Group is working to develop new sites and carry out investment projects.



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



Survey of geothermal development in northern Kyogoku



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



Survey of wind conditions at Date Otaki



Tomakomai Biomass Power Station  
(illustration, scheduled to be put in service in April 2025)

## Making full use of hydroelectric power generation

- We are retrofitting a hydroelectric power plant operated by HEPCO and **Hokuden Eco-Energy Co., Inc.** to make more effective use of valuable water resources.
- From July 2023, we started to retrofit the Kamikawa Power Station. The plant will be put in service again in March 2027.



Photo of the Kamikawa Power Station renewal work

## Renewable energy development-related business (O&M)

- HEPCO Group companies provide services for equipment operated with renewable energy:
  - Hokkai Electrical Construction Co., Inc.:** Design, installation, and maintenance of electric facilities, etc.
  - HOKUDEN SOGO SEKKEI Corporation:** Environment surveys, design, etc.
  - Hokkaido Power Engineering Co., Inc.:** Maintenance of power facilities, etc.

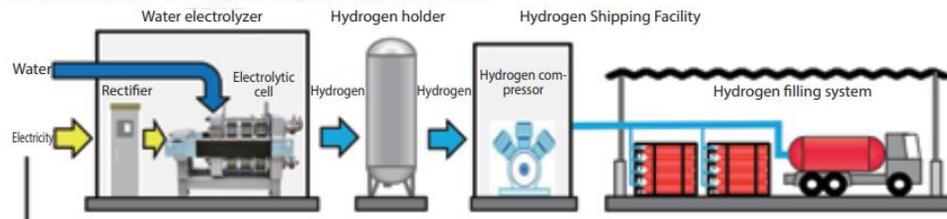
# Utilization of hydrogen and ammonia

- Hydrogen and ammonia, which do not emit CO<sub>2</sub> when burned, are energy sources that help us achieve carbon neutrality. We are making plans to use hydrogen and ammonia more in collaboration with the national government, local governments, and other companies. Together with this, we are decarbonizing our thermal power plants by making use of hydrogen, ammonia, and CCUS, and establishing ammonia supply stations (P31).

## Our hydrogen production equipment put in service

- In May 2023, we began operating a 1-MW class water electrolysis facility and hydrogen shipping equipment. We are working to establish the know-how and expertise to manufacture hydrogen stably and efficiently in cold regions.

### [Illustration of hydrogen production process]



## Domestic green hydrogen supply chain project

- Idemitsu Kosan Co., Ltd., ENEOS Corporation, and our company are conducting a project together to build a supply chain of domestically produced green hydrogen in the western Tomakomai area of Hokkaido.
- By around 2030, the three companies will build a water electrolysis plant (more than 100 MW) capable of producing more than 10,000 tons of green hydrogen per year, which will be the largest in Japan, and establish a supply chain to pipe the green hydrogen produced with Hokkaido's abundant renewable energy sources to Idemitsu Kosan and local factories.

Tomakomai City

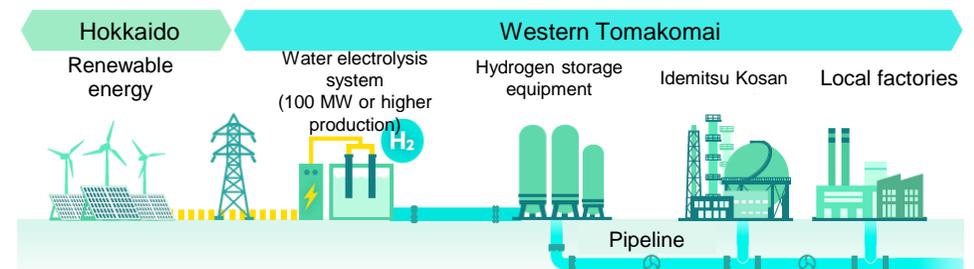


## Participation in Team Sapporo-Hokkaido

- We are participating in *Team Sapporo-Hokkaido*, which is a GX/financial consortium established to support GX\*-oriented companies through financing to help them make full use of the potential of renewable energy resources in Hokkaido.
- The HEPCO Group is actively working on hydrogen-related projects and other GX projects as a member of Team Sapporo-Hokkaido.

\*Green transformation. Green transformation is a term commonly used to refer to efforts aimed at making more use of clean energy.

## Domestic green hydrogen supply chain in Tomakomai, Hokkaido - Illustration



# Our energy management business

- In collaboration with the national government, local governments, and other companies, we are creating new business models by combining our **solution services** including renewable energy aggregation, storage station control, and renewable power supply through PPA, based on the value of abundant renewable energy resources in Hokkaido.

## Aggregator for a renewable energy project

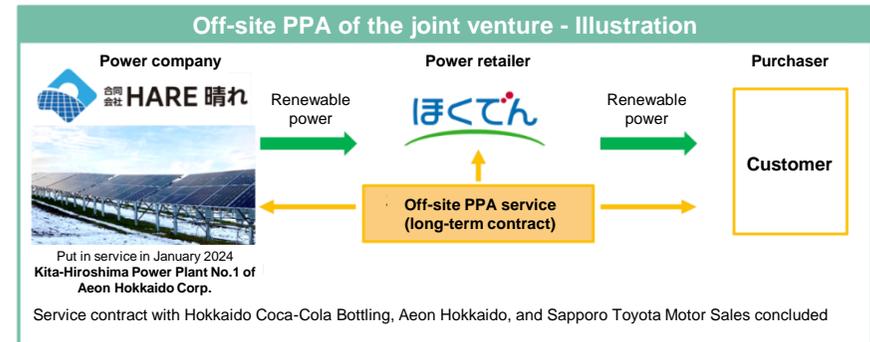
- We have been selected as the project coordinator (aggregator) for a *renewable electricity dissemination project in collaboration with local governments in Hokkaido* implemented by Sapporo City.
- In February 2024, we concluded an agreement for regional partnership with Sapporo City and Wakkanai City. We will be promoting local production and local consumption of renewable energy in the cities and enabling more efficient use of surplus renewable power in Sapporo City.



Photo of the ceremony for the agreement

## Off-site PPA service

- Last year, we established a joint venture company *HARE Bare* with ARC Co., Ltd. in July.
- By the end of FY2025, the joint venture company will construct 10 solar power plants with a total capacity of approximately 16,000 kW, and provide off-site PPA services to deliver the renewable energy to customers.

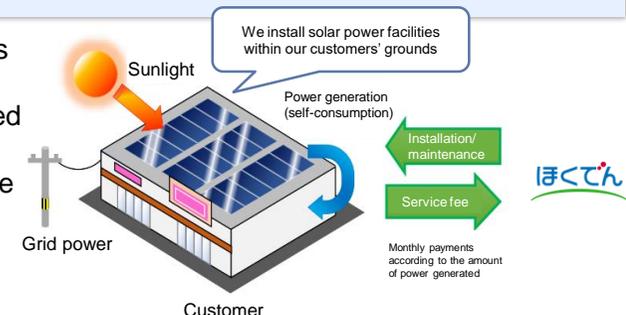


## Grid energy storage stations

- When renewable energy is used more, grid energy storage stations are expected to be used as kernels for decarbonized regulation and energy control.
- In October 2023, we established a new section engaged in development of power storage stations. The section is developing grid energy storage stations applicable for commercial use.

## On-site PPA services

- We are developing services so customers can use renewable energy generated from solar power facilities without having to pay for the initial investment. To date, five projects totaling approximately 1,800 kW have been provided.



# Interaction service

- We are providing a variety of services to have **closer communication with our customers and local communities**, who are the foundation of our electric power business, **help solve problems and social issues**, and create **virtuous cycles**. Going forward, we are expanding our services.

## Kira-make Store (selling products made in Hokkaido)

- The store is our online shop selling attractive carefully chosen products under the themes of **safety, local production and consumption, high-quality, and rarity**.



- To allow our customers to have attractive products, we are disseminating their manufacturers' enthusiasm for their products, the product experiences of our employees, and other information related to products sold in the store through our membership-based web service *Ene Mall* and our social media accounts.



### Recommendation of the staff! The sparkling point of the product!



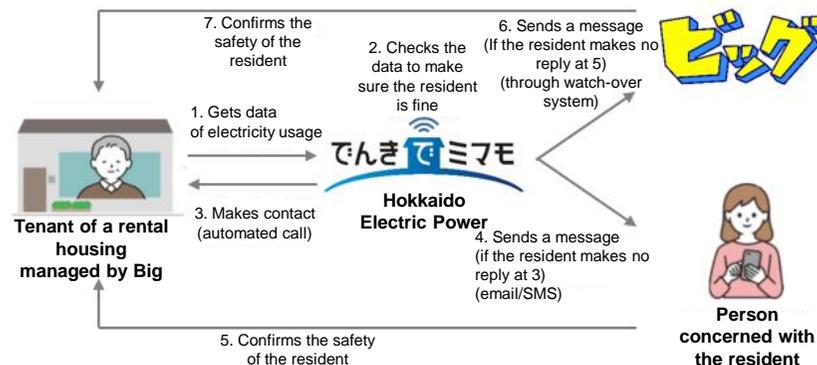
Miss Lisa

This is a masterpiece made with luxurious squid and salmon roe from Minami Kayabe. The flavor of the squid marinated in Nomura Suisan's secret sauce and the sweetness of the salmon roe explodes in your mouth, making it so delicious that you won't be able to stop eating it once you try just a mouthful! It comes in a beautiful container, so it's also recommended as a gift!



## Denki de Mimamo (watching over service)

- In partnership with Big Co., Ltd., we provide a service to watch over residents with electricity usage on smart meter.



## SalivaChecker (healthcare service)

- We are providing Ene Mall members with *SalivaChecker*, which allows testees to easily check for cancer with saliva at home.
- In February 2024, Shiriuchi Town started to provide it for its residents through us for the purpose of encouraging them to undergo cancer screening.

### Features

Easy test with just saliva



No strain on the body



Report of current diagnosis for cancer



# Promote electrification

- To achieve carbon neutrality, carbon-free power sources need to be used at the maximum level, and also **energy conservation and electrification need to be implemented at the maximum level**. The HEPCO Group is **strongly promoting efforts to allow electrification** through smart electrification and ZEB (Net Zero Energy Building) consultation, aiming to help customers **achieve energy-saving and comfortable living**.

## Smart electrification

- We offer services for smart electrification such as *Smart Electrification Leasing*, *Eco Swap* to heat pump, and *Flat Solar*, which allows customers to install solar power generation equipment without any initial costs. And, we are actively promoting smart electrification services so that customers can have energy-saving and comfortable smart electrified homes.
- Through [Denpota](#), operated by **Hokuden Service Co., Inc.**, we are posting information about smart electrification and valuable tips to make the features of smart electrification better known.



- We offer a new flat rate plan, *Flat Solar Plan*, which is recommended to customers who use smart electrification and solar power generation together.

(For more information, visit our [website](#).)



## ZEB consulting

- Together with **HOKUDEN SOGO SEKKEI Corporation** and **Hokkai Electrical Construction Co., Inc.**, we are supporting our customers with our ZEB consulting service that covers from the planning and design phase to the analysis and operational improvement phase after construction as a top runner in ZEB consulting in Hokkaido.
- In November 2023, COCONO SUSUKINO, which is the largest net zero energy consumption building in Hokkaido, opened as a pioneer of zero carbon emissions in Sapporo. In the commercial complex COCONO SUSUKINO, we have successfully helped make it ZEB Ready\* by leveraging our technical skills on energy use in cold regions.
- We are still working to make buildings, factories, school buildings, and other large facilities carbon neutral, energy-saving, more electrified, and more comfortable.

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

## Elenade the kitchen in which to experience all-electric cooking

- It is designed as a rental kitchen to allow people in the region to experience cooking in an all-electric kitchen.
- The kitchen has professional-grade electric kitchen equipment from various manufacturers in its **safe, comfortable, and clean space**.



COCONO SUSUKINO

(largest net zero energy consumption building in Hokkaido)

## ■ II. Major initiatives for FY2025

1. Initiatives to create value in accordance with new business portfolio
  - (1) To increase profits in our conventional business fields
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## Our efforts to make our business more efficient

- Under the HEPCO Group's committee to promote reinforcement of management fundamentals, we are making improvements, cutting costs for procurement of materials and equipment, and promoting DX to make our business management more efficient.
- HEPCO is improving the efficiency of its business management (with the aim of saving approximately 75 billion yen/year) to meet the new rates applied from June 2023, and trying to make it even more efficient.
- Hokkaido Electric Power Network, Inc.** is achieving the goal of more efficient business with the aim of saving approximately 13 billion yen/year as it stated in its business plan (FY2024-2028).

### [Efficiency improvements in our business reflected in the new rates]

Item	Continued initiatives for business efficiency		Future initiatives for business efficiency	
	Content of major initiatives	Monetary amount	Content of major initiatives	Monetary amount
Personnel expenses	- Revision of organizational structure and business operation systems - Business efficiency improvement through kaizen - Abolishment of the dormitory for unmarried employees and other facilities	4	- Further revision of organizational structure and business operation systems - Further business efficiency improvements through enhanced kaizen activities and digital transformation	6
Supply-demand related costs	- Optimization of energy mix for improved economic efficiency - Leveraging of energy sources with high economic efficiency - Initiatives in fuel procurement (diversification of contracted operators, etc.) - Optimization of electricity supply and demand operations	268	- Further initiatives in fuel procurement (increased procurement of low-grade coal, expansion of long-term LNG contracts, etc.) - Further enhancement of supply-demand operation leveraging AI - Further reduction in procurement prices in direct purchasing	147
Costs related to capital investment	- Extension of periodic inspection cycles - Development and introduction of new technology and new construction methods - Revision of the content and scope of construction work	2 (12)	- Further cost reductions through enhanced kaizen activities and digital transformation - Further reduction in the procurement cost of equipment and materials from the construction plan formulation stage	2 (14)
Repair costs	- Revision of the content and scope of outsourced activities	73		36
Miscellaneous expenses, etc.	- Reduction in the procurement cost of equipment and materials through enhanced price negotiation capabilities and effective ordering methods, etc.	71		39
Total		417		230

(hundred million yen/year)

Item	Assessed amount of improvement in business efficiency
Personnel expenses	—
Supply-demand related costs	—
Costs related to capital investment	10
Repair costs	38
Miscellaneous expenses	57
Total	105



The amounts assessed by the government are reflected in electricity bills.

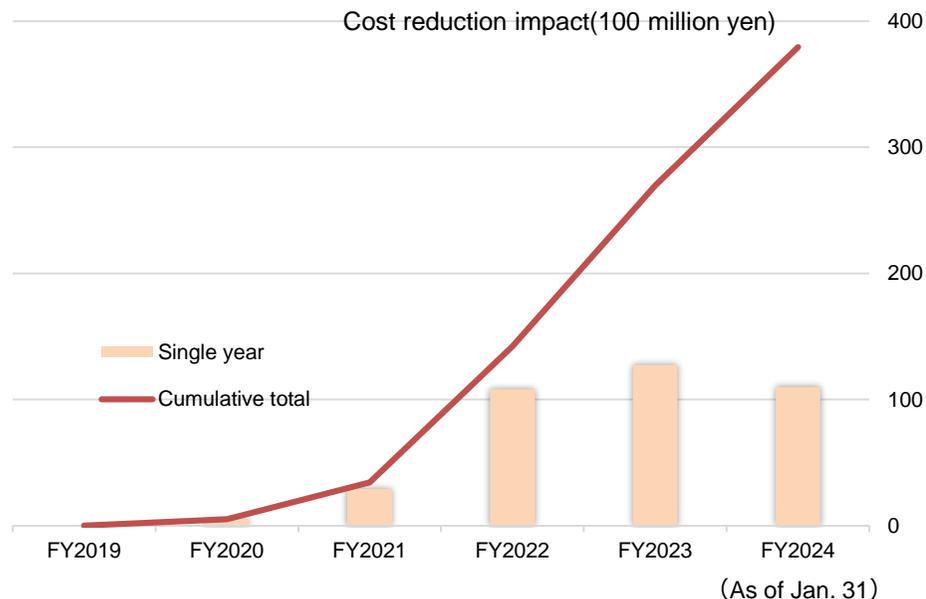
\*Capital investment-related costs are those reflected in depreciation and business compensation. The values in parentheses indicate the amounts applied as a capital investment.

# Promotion of kaizen (1)

- We are making more improvements to drastically achieve higher efficiency and cost reduction in all our business operations.
- We are conducting projects to make large-scale improvements that may lead to significant achievements applicable to our group companies, aiming to quadruple our productivity.

## Expansion of kaizen

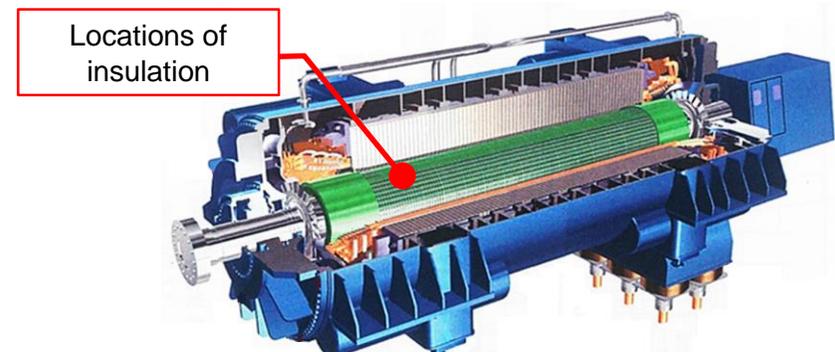
- ▶ Our initiative aimed to “quadruple our productivity” has steadily been expanding and permeating throughout the HEPCO Group since we started it in 2019.
- ▶ To date, we have carried out **approximately 3,400 projects** for the aim across the group, and successfully accumulating achievements from the projects that lead to cost reduction\*.



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

## Tomatoh-Atsuma Thermal Power Station - Improvement in remaining life assessment of generators

- ▶ For remaining life assessment of insulating materials used inside a generator, we successfully established our own remaining life assessment techniques in line with our kaizen initiative. The techniques enable us to reduce the frequency of replacing insulating materials and achieve **approximately 340 million yen of cost reduction**.
  - ① Find the true cause of damage on insulation by visiting the manufacturer's factory and looking closely into the same model to have a precise understanding of its structure
  - ② Measure the compressive strength of the insulation and review the validity of the reference replacement conditions specified by the manufacturer
  - ③ Get and analyze measurements obtained through various sorts of tests on it and **establish our own remaining life assessment technique**



Inside view of generator

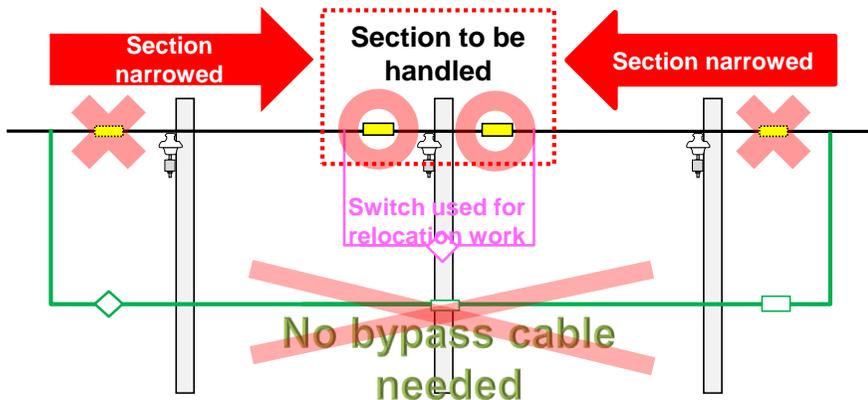
## Promotion of kaizen (2)

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

### Improvements in cable relocation work

- ▶ In collaboration with **Hokkai Electrical Construction Co., Inc.** we developed a new tool for cable relocation work and established a technique that eliminates bypass cable routing, ensuring safety. The tool and technique brought a **four-fold increase in productivity** and a **cost reduction of approximately 240 million yen.**

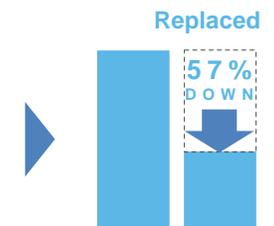
- ✓ The new tool **narrows the section to be handled** while ensuring safety in the work operation.
- ✓ Thus, **bypass cable routing is no longer needed**, and the time and cost required for the work are reduced.



### Improvements in protective relay panel replacement work

- ▶ For replacement work for aging protective relay panels, in collaboration with **Hokkai Electrical Construction Co., Inc.** and relay panel manufacturers, we determined to reuse the control cables, reduced the man-hours for in-house testing with a new method for the work, and developed a switchboard lift to radically improve the work, and we successfully achieved a **5.5-fold increase in productivity and cost reduction of approximately 500 million yen.**

- [Control cables]
  - ✓ Control cables are reused to eliminate the procurement of new cables.
- [In-house testing]
  - ✓ Unimportant test items are checked and the new work method is applied to eliminate the man-hours for the testing.
- [Protective relay panel installation work]
  - ✓ A switchboard lift was developed to reduce labor, improve safety, and cut the man-hours needed in the work.



# Promoting DX (digital transformation)

- The HEPCO Group defines DX as an *initiative for corporate reform through business transformation using digital technology and change in mindset to actively make changes*. Positioning it as one of our key initiatives to strengthen our business, we are focusing on DX.

## Our policies for DX

- We have set goals in four categories: positive changes, corporate culture, human resource development, and effective data utilization, and we are steadily promoting our DX by monitoring and visualizing degrees of achievement of the goals.

### Positive changes

- Make our **conventional businesses more efficient and advanced and create new businesses using digital technology** in anticipation of possible benefits in 2-3 years
- Make company-wide and fundamental structural reform, **reviewing our conventional businesses and making positive changes in the businesses**

### Corporate culture

- Improve **company-wide DX awareness and literacy levels** to promote it across the HEPCO Group
- Develop our **corporate culture to enable proactive approaches and tackling new challenges**

### Human resource development

- Develop **human resources with digital and consulting skills** who will help improve our profitability
- Develop **reform-minded human resources** who will be capable of making significant changes in our business

### Effective data utilization

- Establish strategies for data utilization and promote **quick and accurate data-driven decision-making**
- Promote data sharing across our organization and make collaboration in data utilization between sections better

## Better data utilization

- Recognizing business data as one of our important management assets, we are making our data utilization more efficient to better enable objective and quick decision-making that does not rely on experience or intuition.

### Data aggregation



- ✓ Consolidate various sorts of internal business data including data in business systems and various business devices

### Accumulation/Compilation



- ✓ Store aggregated data in common platforms
- ✓ Standardize the data forms and granularity to make it easy to utilize

### Analysis/Utilization



- ✓ Visualize the data in the form of graph or chart using BI tools and allow it to be analyzed
- ✓ Enable it to be utilized in business operations and decisions that need to be made in real time

## ■ II. Major initiatives for FY2025

1. Initiatives to create value in accordance with new business portfolio
2. Initiatives for sustainable growth

# Priority subjects for our sustainability (materiality)

- For the following priority items regarding our sustainability (materiality), the HEPCO Group is conducting practical initiatives addressing social issues listed in the SDGs.

Materiality	Major initiatives	Related SDGs
Steady progress of initiatives toward the realization of carbon neutrality in 2050	<ul style="list-style-type: none"> <li>- Initiatives for carbon-neutral energy sources</li> <li>- R&amp;D that contributes to the realization of carbon neutrality</li> <li>- Promotion of electrification with a focus on carbon neutrality</li> <li>- Initiatives to create a next-generation electricity network that balances stable energy supply and further adoption of renewable energy</li> </ul>	
Stable supply of energy	<ul style="list-style-type: none"> <li>-Strengthen our resilience</li> <li>-Have the capability to quickly recover in the event of a disaster</li> <li>-Secure stable supply of fuel, materials, equipment, and construction capabilities</li> </ul>	
Co-creation with communities	<ul style="list-style-type: none"> <li>-Create new businesses that meet needs of society and local communities</li> <li>-Promote alliances with other businesses and collaboration with local governments</li> <li>-Attract companies from outside Hokkaido</li> </ul>	
Maximizing employee potential	<ul style="list-style-type: none"> <li>-Develop human resources who can anticipate possible changes in the business environment and take on challenges autonomously</li> <li>-Promote health-oriented business management to ensure the physical and mental health of employees</li> <li>-Improve employee satisfaction and engagement</li> <li>-Promote diversity and inclusion</li> <li>-Eliminate occupational accidents</li> </ul>	
Thorough compliance and risk management	<ul style="list-style-type: none"> <li>-Ensure full compliance and secure neutrality as a power distribution company</li> <li>-Take sufficient information security measures</li> <li>-Fully secure the human rights of internal and external stakeholders</li> </ul>	
Enhancement of corporate governance	<ul style="list-style-type: none"> <li>-Improve the administration of our governance system and make it more strategy-oriented</li> <li>-Have active communication with stakeholders based on the Corporate Governance Code and other regulations</li> </ul>	



Sustainable Development Goals: SDGs

A declaration of 17 goals adopted at the UN Summit in September 2015 to be achieved by 2030 regarding poverty, hunger, energy, climate change, and other matters

## ■ II. Major initiatives for FY2025

1. Initiatives to create value in accordance with new business portfolio
2. Initiatives for sustainable growth
  - (1) Initiatives to achieve **Carbon Neutrality by 2050**
  - (2) To secure stable energy supply
  - (3) To co-create new businesses with local communities
  - (4) To allow our employees to perform to their full potential
  - (5) To fully ensure compliance and risk control
  - (6) To enhance our corporate governance and have more communication with local communities

## Challenges to achieving Carbon Neutrality by 2050

- The HEPCO Group is doing its utmost to achieve carbon neutrality for all energy sources in Hokkaido by 2050.
- Our power generation business is aiming to achieve our 2030 target (reduce CO<sub>2</sub> emissions by more than 50% compared to FY2014) and also aiming for *zero CO<sub>2</sub> emissions* in the long term.
- We are promoting electrification and green hydrogen application to help achieve Zero Carbon Hokkaido for all types of energy sources.

Illustration of future CO<sub>2</sub> emission reductions

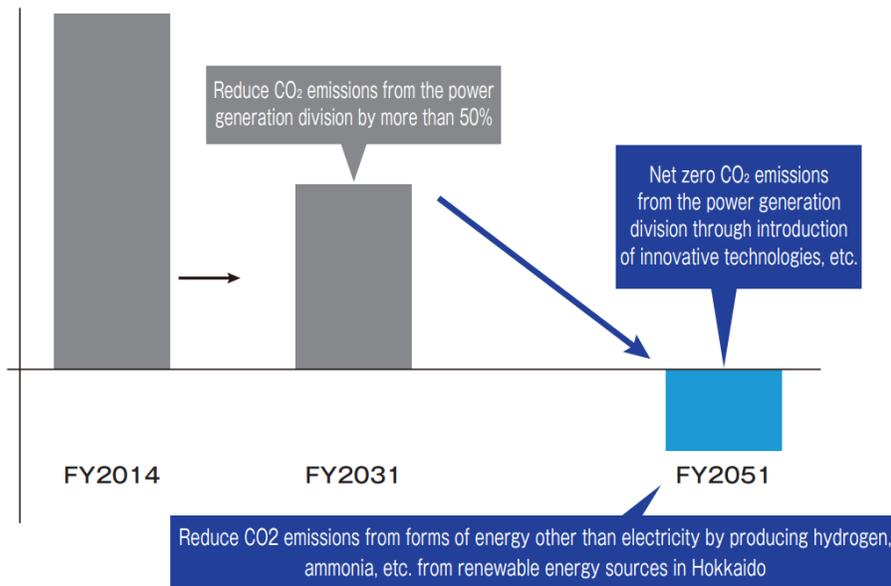
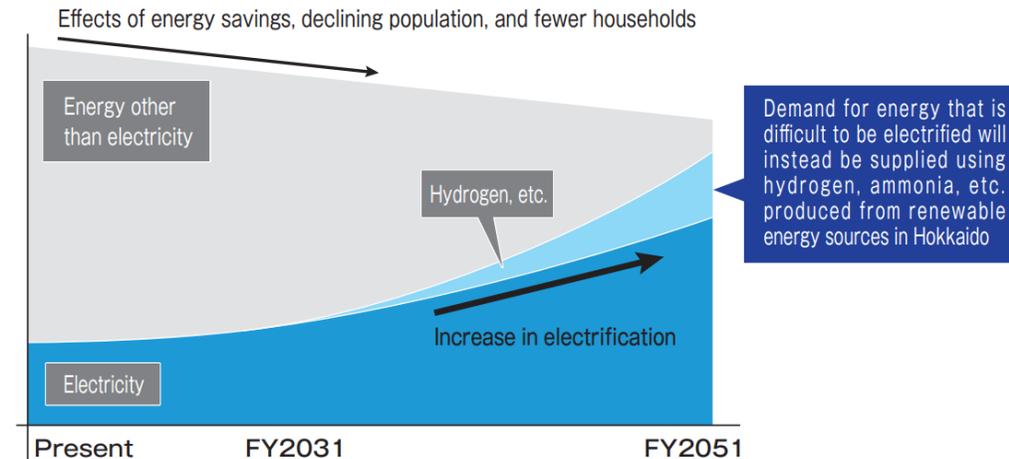
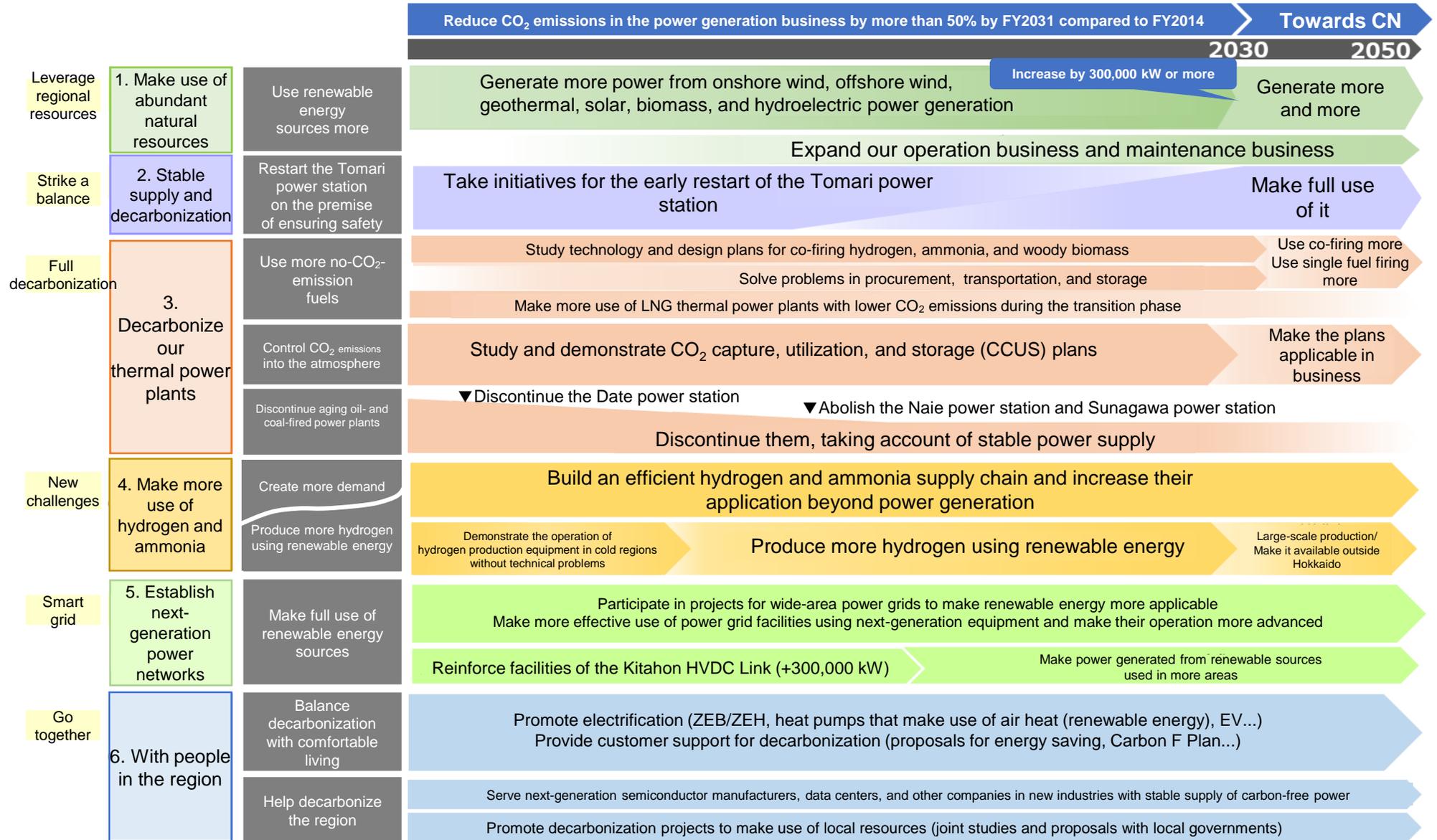


Illustration of future energy demand



# Roadmap

- The HEPCO Group is determined to take all possible measures to achieve carbon neutrality.

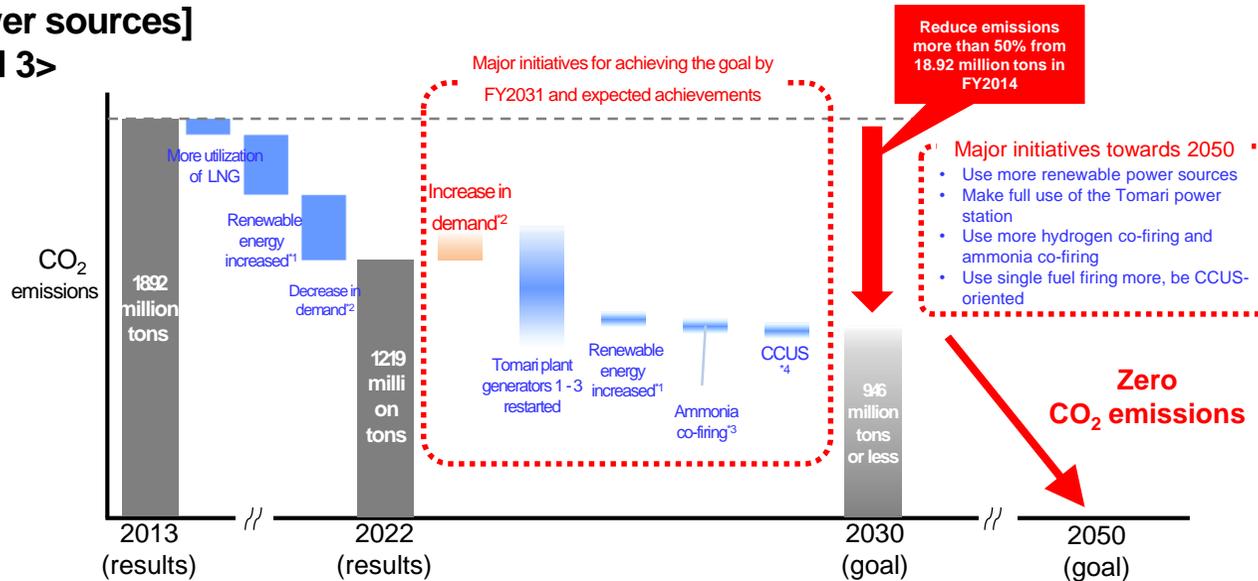


# Expected achievements of initiatives in roadmaps

## [To decarbonize power sources]

### <Roadmaps 1, 2, and 3>

- The HEPCO Group is aiming to *reduce its CO2 emissions in the power generation business by 50% or more compared to FY2014 by FY2031* and to achieve zero CO2 emissions in the long term.



\*1 The results are for renewable energy sources in Hokkaido, and the FY2031 goal is for our renewable energy sources.

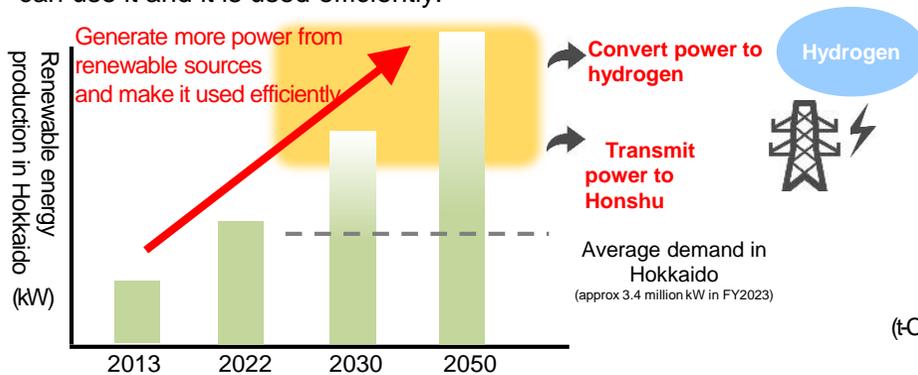
\*2 Increase/decrease in our sales to other companies such as electricity retail companies in terms of power generation business.

\*3 Technique to reduce CO<sub>2</sub> emissions by co-firing coal with ammonia, which does not emit CO<sub>2</sub> when burned, in coal-fired power generation.

\*4 New technology to capture CO<sub>2</sub> emissions from power plants and store the CO<sub>2</sub> deep underground or use it.

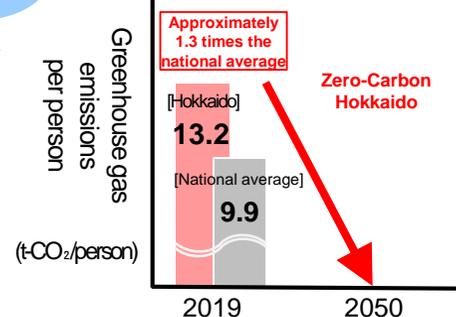
## [To make full use of renewable energy potential] <Roadmaps 4 and 5>

- We are planning to convert power generated from renewable energy resources into hydrogen so that it is easily applicable to various sorts of utilization, and transmit the power to Honshu through a grid so that more people can use it and it is used efficiently.



## [To support the decarbonization of the whole of Hokkaido] <Roadmap 6>

- Because Hokkaido is snowy, cold, and the population widely dispersed, consumption of fossil fuels such as kerosene for heating and gasoline for cars is high, and the greenhouse gas emissions per person are approximately 1.3 times the national average.
- We are planning to promote the decarbonization of power sources and energy conservation to achieve Zero-Carbon Hokkaido.



- ZEB/ZEH
- Heat pump
- Projects to help decarbonization in the region

Proposals for energy savings of 50% or more with better insulation of buildings and better operation of equipment

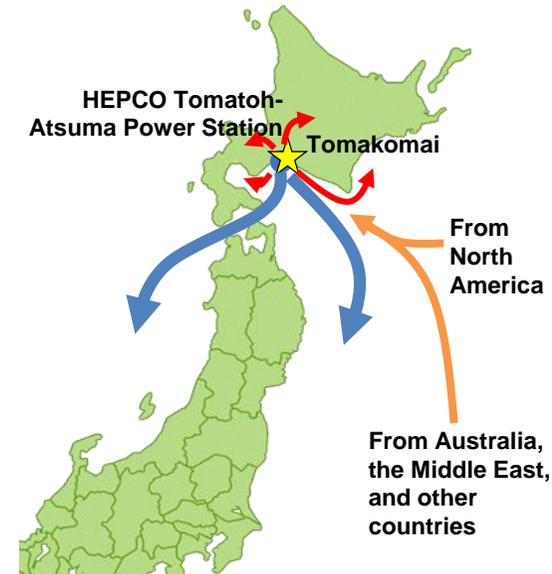
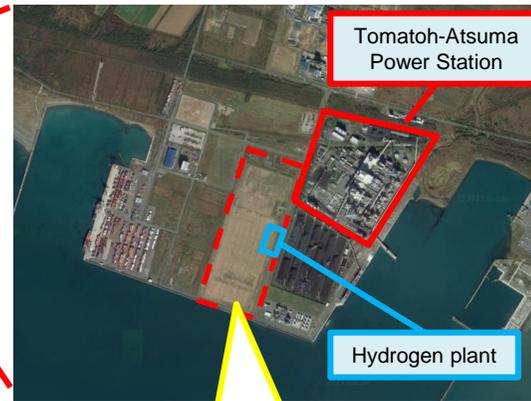
Use more high-efficiency equipment to half the power for air conditioning with air heat (renewable energy)

Support local initiatives for virtually zero CO<sub>2</sub> emissions from household-use electricity

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

## Decarbonization of our thermal power plants and construction of ammonia supply stations

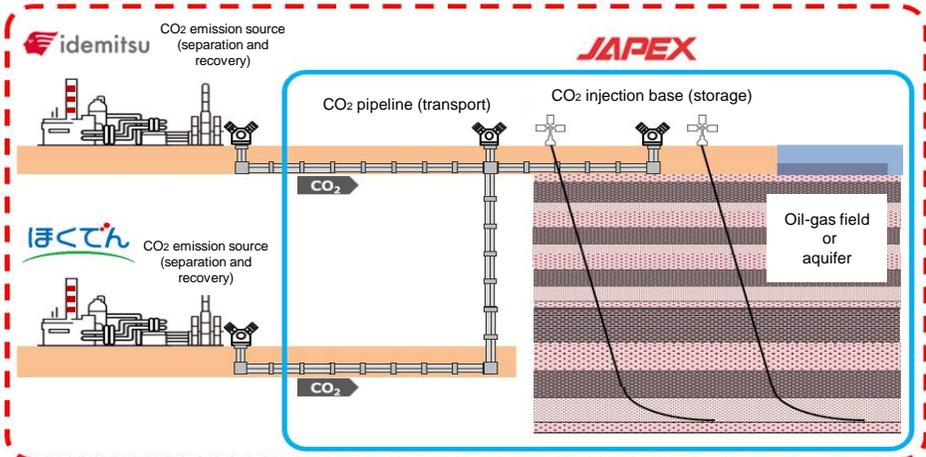
- The Tomatoh-Atsuma Power Station is located on the coast of the vast eastern Tomakomai area, which has excellent access by land, sea, and air. We are planning to develop adjacent land, conduct **CCUS business**, **make use of fuel ammonia**, and **establish ammonia supply stations**. Also, we are planning to develop expertise and skill for operation and maintenance of **existing hydrogen production facilities** to achieve our CN goals.



Site on which our hydrogen plant, CCUS-oriented facilities, and ammonia supply station will be placed to realize our carbon neutrality.

[Illustration of ammonia supply routes through Tomakomai]

- ◆ In July 2023, Japan Petroleum Exploration Co., Ltd. (JAPEX), Idemitsu Kosan Co., Ltd., and our company were commissioned to undertake the *study on the implementation of advanced CCS projects* from JOGMEC and conducted a feasibility study toward commercialization of advanced CCS projects.
- ◆ With a view to launching a hub and cluster type CCUS project to connect multiple points in the Tomakomai area by FY2031, we are conducting technical studies for CO<sub>2</sub> emission points, capture equipment, and transportation pipelines and searching for locations suitable for a storage facility.

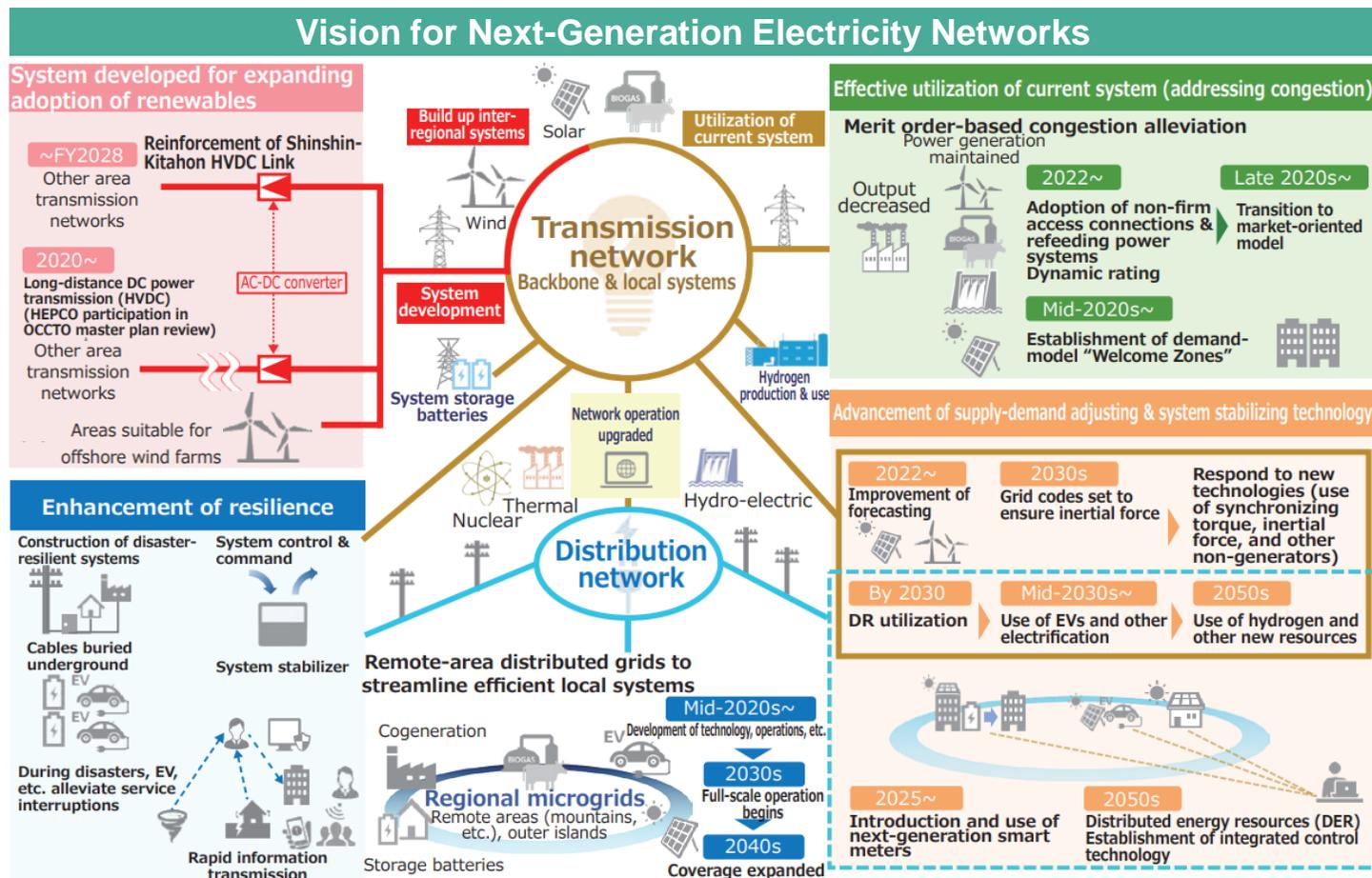


[JOGMEC: Study on the implementation of advanced CCS projects]

# Establish next-generation power networks

- **Hokkaido Electric Power Network, Inc.** is aiming to use more renewable energy sources for more decarbonization, strengthen its resilience to avoid large-scale and long-term power outages, and improve the operation of existing power transmission and distribution networks with digital technology in order to establish next-generation power networks.
- In addition, based on the Master Plan,\* we will participate in the investigation of the expansion of power transmission to Honshu through the Hokkaido–Honshu HVDC Link and strengthen our main transmission grid.

※ Master plan: Grand design for development of power transmission and distribution networks in response to designation of renewable energy sources as main power sources and reinforcement of energy supply, formulated by the Organization for Cross-regional Coordination of Transmission Operators, Japan.



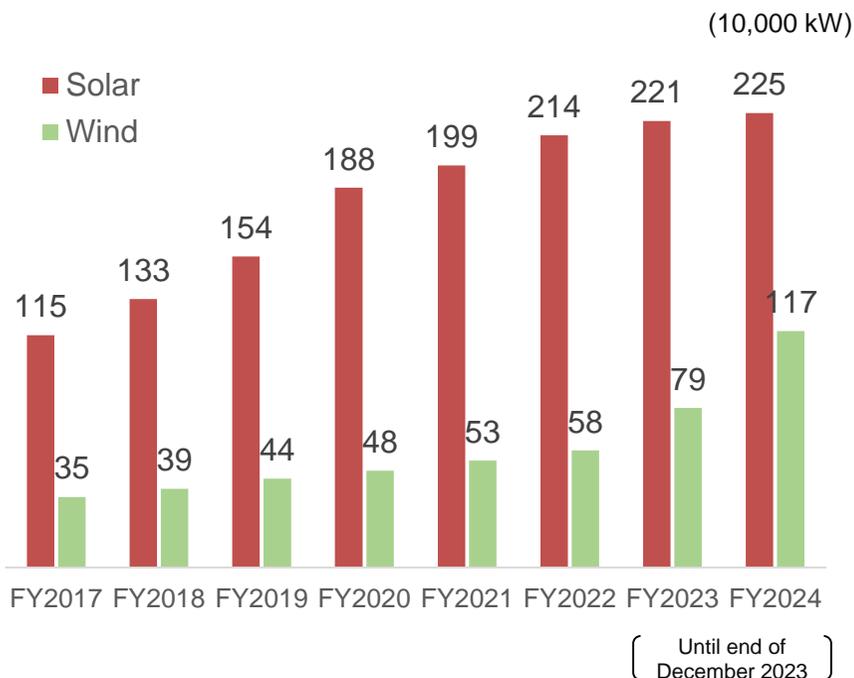
■ Major initiatives for FY2025 - 2. (1) Initiatives to achieve Carbon Neutrality by 2050

# Increase connections with power generated from renewable energy resources

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

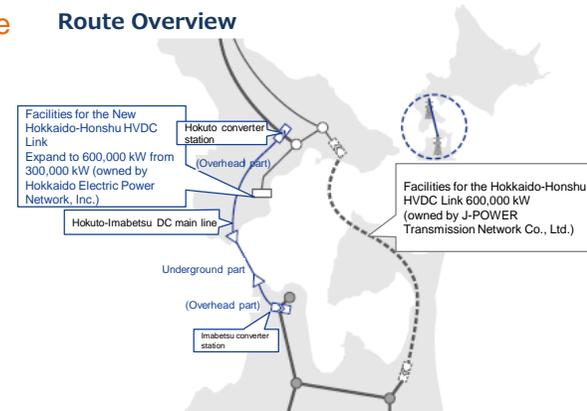
## Connections with power from renewable resources

- ▶ As of the end of December 2023, **the total power generated from renewable energy resources in Hokkaido was 5.59 million kW**. This includes 2.25 million kW of solar power, 1.17 million kW of wind power, 540,000 kW of biomass power, 1.6 million kW of hydropower (excluding pumped storage hydropower), and 30,000 kW of geothermal power. The total exceeds the annual average power consumption in Hokkaido (approximately 3.43 million kW).



## Initiatives to increase connections with power generated from renewable energy resources

- ▶ Aiming to activate wide-area electric power trading, strengthen our resilience, and apply renewable energy resources to power generation, based on the “wide-area grids development plan for facilities of the Kitahon HVDC Link,” **we have started to reinforce the current interconnection facilities by 300 MW (additional new interconnection line) in order to put it in service in March 2028.**



Hokuto converter station

## ■ II. Major initiatives for FY2025

1. Initiatives to create value in accordance with new business portfolio
2. Initiatives for sustainable growth
  - (1) Initiatives to achieve Carbon Neutrality by 2050
  - (2) To secure **stable energy supply**
  - (3) To **co-create new businesses with local communities**
  - (4) To allow our employees **to perform to their full potential**
  - (5) To fully ensure compliance and risk control
  - (6) To enhance our corporate governance and have more communication with local communities

## Strengthen our resilience

- Due to the increasing severity of natural disasters in recent years, we need to strengthen the resilience of our electric power infrastructure.
- As our facilities age, our group companies are working together to strengthen the resilience of our electric power infrastructure and **ensure stable power supply**.
- Against cyber-attacks, we are taking proper information security measures to protect the functionality of our power control systems.

### Response to the collapse of a steel tower on the 66-kV Monbetsu Higashi power line

- ▶ In December 2022, a snowstorm caused a steel tower collapse on the 66-kV Monbetsu Higashi power line.
- ▶ Against this type of accident, **Hokkaido Electric Power Network, Inc.** installed anti-snow rings and anti-twist dampers, which are expected to help prevent snow accretion on cables, onto the power cables near the tower and cables that may be subject to the same type of accident.



Anti-snow ring



Anti-twist damper

### Rapid provision of information regarding power outages

- ▶ We will strive to quickly communicate information regarding power outages.

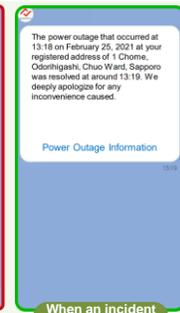
- ✓ Get information regarding power outages in your registered area through **LINE** push notifications

□ Scan here to add **HEPCO as a friend**



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

□ Scan here to make **inquiries**



When an incident occurs

When an incident has been resolved

- ✓ **AI** will give you power outage information about the address that you tell it over the phone
  - **AI automatic response service**  
[0120-165-598] Toll-free, available 24 hours a day

### Drills for large-scale disasters

- ▶ In preparation for large-scale disasters caused by a typhoon or earthquake, we conduct initial response drills to simulate how to identify damage, communicate with external organizations, and post information on recovery prospects.
- ▶ We are actively participating in drills hosted by related parties with whom we concluded agreements for partnership in time of disaster to build and strengthen our relationships with them.



Internal training for a large-scale disaster



Participation in drills hosted by Hokkaido gov.

# Co-create new businesses with local communities (1)

- Hokkaido has great potential, including abundant energy resources and agricultural, forestry and fishery resources that are important domestic food resources while it is blessed with the nature changing by season. On the other hand, Hokkaido has social issues such as depopulation and a shortage of workers in the primary sector.
- The HEPCO Group is determined to solve social issues and help regional development in the energy field and other relevant fields, making full use of the potential in Hokkaido through businesses and services.

## Initiatives to co-create new businesses with local firms

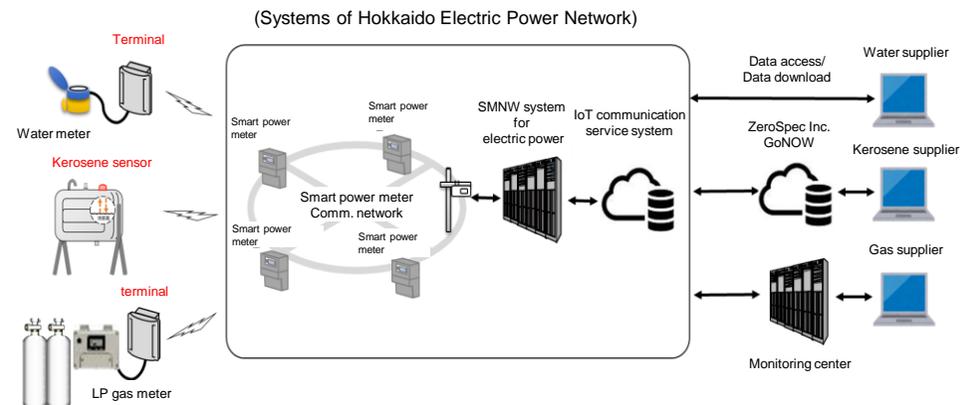
- ▶ Under the leadership of the Business Co-Creation Office established in November 2023, we are trying to co-create new businesses in the primary sector, tourism sector, and welfare sector using technologies and skills we possess and those other companies possess.
- ▶ We have invested in GOODGOOD Inc., a startup company aiming to realize a circular livestock farming business, and we are working on a small plant factory business with an energy-saving indoor farming system through a business alliance with Plants Laboratory Inc.



Energy-saving indoor farming system  
PUTFARM

## IoT communication service with electric smart meters

- ▶ **Hokkaido Electric Power Network, Inc. starts IoT Communication Service** in April 2024. It is designed for water, gas, and kerosene suppliers to have sophisticated and efficient meter reading and supply systems through the smart meter network (SMNW).
- ▶ Since the SMNW has been sufficiently established in most areas of Hokkaido, it is available almost throughout Hokkaido.



IoT communication service (example)

# Co-create new businesses with local communities (2)

## Our co-creation with local governments aiming to become a decarbonization-leading area

- ▶ We are providing support to local governments striving to be chosen as a *decarbonization-leading area* by the Ministry of the Environment. And, we are participating as a co-proposer in initiatives of Sapporo City and Tomakomai City, which have been selected as decarbonization-leading areas.
- ▶ With Sapporo City, we are planning to decarbonize the Hokkaido University campus and supply hydrogen to hydrogen stations in the city.
- ▶ With Tomakomai City, we are planning to make PPA rates available to companies in the western industrial park of the city and CO<sub>2</sub>-free power services available for consumers in the household sector using waste power generation at garbage processing facilities.

### Our co-creation with Tomakomai City (examples)

#### 1. Our efforts for decarbonization in the household-use electric power

- We started to make renewable energy services available to consumers in the household sector with **surplus power generated on holidays** by companies in the western industrial park and surplus power (2,000 kW) **generated from waste** at the Numanohata Clean Center.
- We are promoting people to use a solar power generation system (710 kW), storage battery, and high-efficiency water heater in their houses, and build **Zero-Emission Houses (ZEH)**.
- We replaced incandescent bulbs with **LED** bulbs in three public facilities.



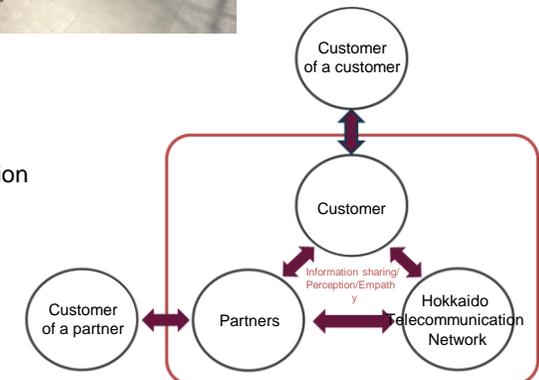
## Co-creation space Akallabo

- ▶ **Hokkaido Telecommunication Network Co.,Inc.** has established a new business space under the concept of a *space for co-creation with customers and partners* in a building directly connected to the basement of Sapporo Station.
- ▶ To have more communication with customers, promote collaboration with customers and partners, and co-create new businesses together with local communities, we designed it as a multipurpose space.



Photo of the co-creation space Akallabo

Illustration of co-creation through Akallabo



## Our human resources strategy to allow our employees to perform to their full potential

- For our employees, who are the driving force of our management strategies, the HEPCO Group has formulated our **HEPCO Group human capital strategy** to develop human resources and improve working conditions, aiming to allow our employees to perform to their full potential and maximize their abilities.

### HEPCO Group Human Capital Strategy

- Established by the HEPCO Group in March 2024.  
Click [here](#) to read it.
- By having each employee demonstrate their abilities to the fullest and play an active role, we aim to foster a corporate culture that enables them to improve the value we offer\* and create new value.  
\*Tasks and services our employees are engaged in, and rules, techniques, and expertise related to them.
- In line with the strategy, we are developing human resources who are able to acquire skills and take on challenges on their own, and arranging working conditions where diverse human resources can respect each other and work well with satisfaction and growth.

Basic concept of our human capital strategy



Goal of the strategy



### Diversity and inclusion

- We are promoting **diversity and inclusion**, considering that diverse perspectives and values can help us expand our business fields and achieve sustainable growth.
- We have set the following goals, and we are taking initiatives to increase the number of women in management positions.

Main goals based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace and the Act on Advancement of Measures to Support Raising Next-Generation Children (FY2024 - FY2026)

Item	Goal (at the end of FY2026)
Recruitment - Female ratio	13% or higher
Managerial positions - Number of women	More than 1.5 times compared to the beginning of FY2023 (21 people)
Percentage of men taking childcare leave	30% or higher

### Promotion of health management

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

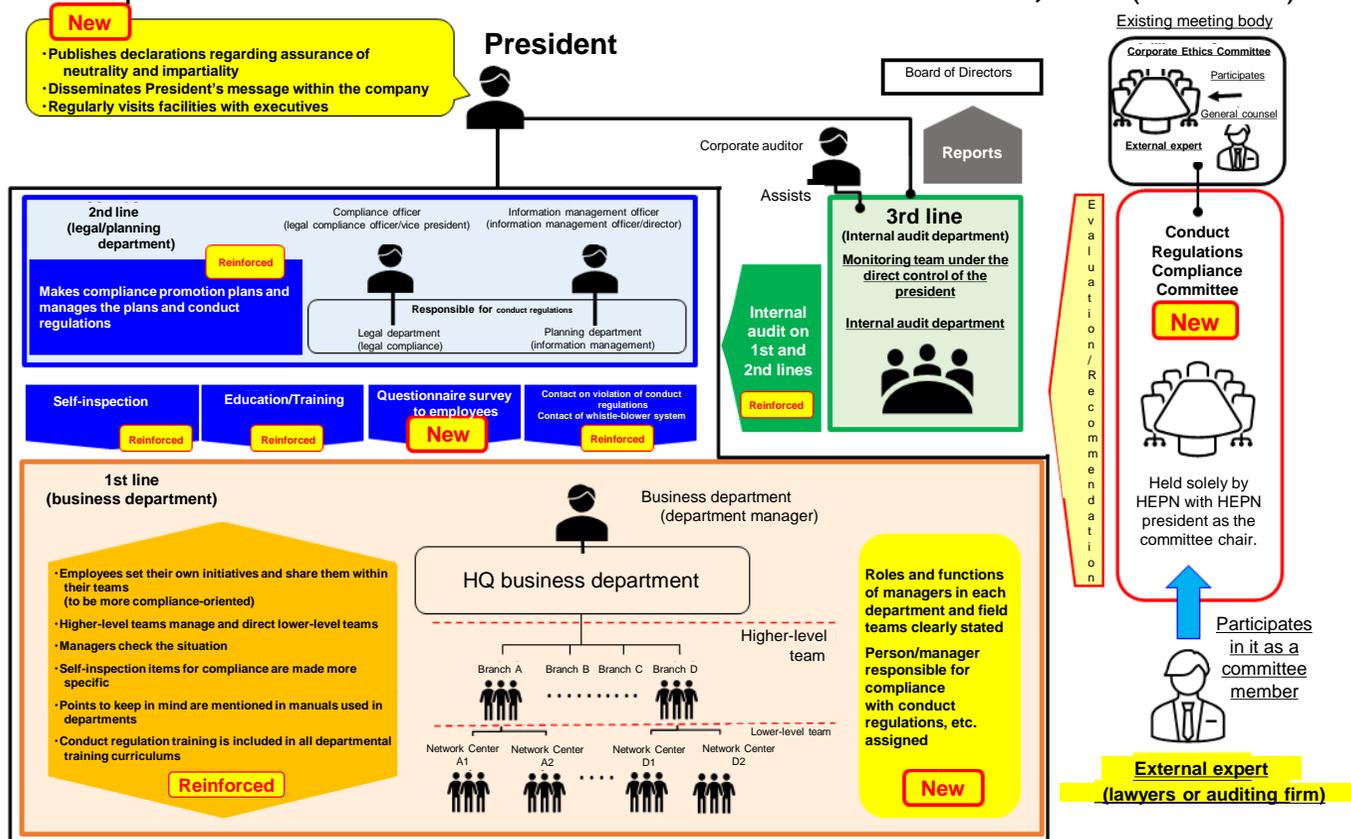


HEPCO recognized as *Certified Health & Productivity Management Outstanding Organization (White 500)* for five consecutive years

# Fully ensure compliance and risk control

- We are making our employees fully compliant to rules and regulations and fully responsible for risk control and information security to ensure that our business is transparent and fair.
- In light of cases of misconduct and violations of regulations in the electric power industry, we have strengthened our monitoring system regarding compliance with conduct regulations. Under the leadership of the newly established Conduct Regulations Compliance Committee, **Hokkaido Electric Power Network, Inc.** is striving to ensure thorough compliance with laws and regulations as illustrated below in order to enhance the neutrality and reliability of its general power transmission and distribution business.

Compliance scheme at Hokkaido Electric Power Network, Inc. (overview)



# Reinforce our corporate governance

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

## Towards a sustainable increase in our corporate value

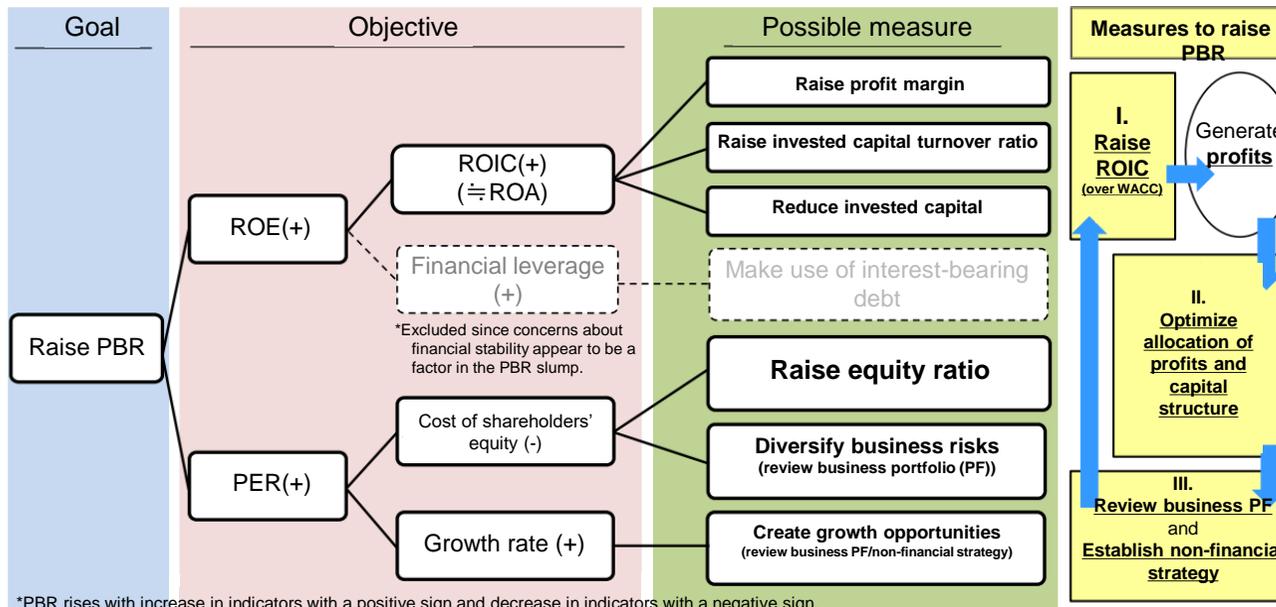
- To achieve a sustainable increase in our corporate value, we published our study toward business management conscious of cost of capital and stock price in January 2024. See [our press release](#) for more information.
- To raise the PBR, we are taking measures to raise ROIC and optimally distribute profits in accordance with our new business portfolio we have recently published. We are currently examining specific numerical targets. We are planning to publish the targets sometime in FY2025.

## ESG disclosure

- We are disclosing information about our efforts for ESG in accordance with an international disclosure framework through evaluation of environmental changes due to climate change from the aspects of risks and opportunities.

Click [here](#) to read it.

### Measures to raise the PBR



\*PBR rises with increase in indicators with a positive sign and decrease in indicators with a negative sign.

PBR: Price-to-book ratio (market capitalization ÷ equity) ROIC: Return on invested capital (profit ÷ total assets)  
 ROE: Return on equity (profit ÷ equity) PER: Price-to-earnings ratio (market capitalization ÷ profit) WACC: Weighted average cost of capital



TCFD : The Task Force on Climate-Related Financial Disclosures  
 SASB : Sustainability Accounting Standards Board  
 C D P : Environmental NGO headquartered in the UK

# Take initiatives for local communities

- Through communication with local residents, we are attempting to co-create new value together with them in order to solve local issues and develop the local economy ([P36](#) and [P37](#)).
- To help local communities, we are conducting the following community-based initiatives.

## Assisting with SDGs classes

- ▶ Approximately 70 employees in our companies who are certified as facilitators are assisting with SDGs classes at elementary schools in view of the future of Hokkaido.
- ▶ The *Hokkaido SDGs Action Book*, which we published as a supplementary textbook, is well received by teachers and children.



[Achievements]	FY2024	Total
No. of schools visited	56	159
No. of class attendants	3,540 approx.	9,900 approx.

## Interesting Laboratory with experimental classes

- ▶ Under the sponsorship of the school boards of Hokkaido Prefecture and Sapporo City, we are giving experimental classes on a variety of themes with the aim of encouraging children to have a scientific spirit.
- ▶ In FY2024, we gave 59 classes to a total of 1,300 children.



## Tree planting with students of a forestry academy

- ▶ Since 2021, we have been holding tree planting and study sessions at Domin no Mori (Tobetsu Town) in collaboration with the *Kita no Mori-Zukuri Academy of Hokkaido*.
- ▶ As a new initiative for FY2024, we are conducting *tree cultivation* to clear the underbrush around the seedlings planted in the previous year.



# ■ List of Group Companies

(As of March 2024)

	Hokkaido Electric Power Network, Inc.	General power transmission and distribution business, power generation business on remote islands
	Hokkai Electrical Construction Co., Inc.	Electrical and telecommunications construction
	HOKUDEN KOGYO Co., Ltd.	Real estate management, civil engineering, and construction
	HOKUDEN SOGO SEKKEI Corporation	Comprehensive construction consulting services in the fields of civil engineering, construction, electricity, environment, and energy
	Hokkaido Power Engineering Co., Inc.	Sale of electric power and periodic inspection, maintenance, and repair of power stations
	The Tomatoh Coal Center Co., Inc.	Receipt, storage, and delivery of overseas coal
	HOKUDEN ECO-ENERGY Co., Ltd.	Sale of electric power
	Hokuden Service Co., Inc.	Electricity meter reading, billing, energy-saving proposals
	Hokkaido Telecommunication Network Co., Inc.	Telecommunications
	Hokuden Information Technology, Inc.	Planning and design of information processing systems, sales of information processing equipment and software, and data center services
	HOKUDEN ASSOCIA Co., Inc.	Design, printing and bookbinding, and sales of novelty and gift products
	ISHIKARI LNG SAMBASHI K.K.	Leasing of LNG receiving facilities
	Hokkaido Records Management Co., Ltd.	Document management and consulting

For more information, please visit [our website](#).

ともに輝く明日のために。  
Light up your future.



These materials were created based on data correct as of March 22, 2024.

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

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

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