

HEPCO Group Management Vision 2030

Toward achievement of the sustainable growth of business and society

ともに輝く明日のために。
Light up your future.



The HEPCO Group is at a major turning point following the legal separation of the transmission and distribution divisions of electricity supply from generation in April 2020.

The business environment surrounding the HEPCO Group is changing rapidly with the intensification of competition as well as the transformation of the social structure, driven mainly by the advances in low-carbon and other technologies, the aging and shrinking of the population, and the diversification of consumer values. The pace of changes affecting our environment is expected to get even faster in the 2020s. To ensure we can keep up with these changes, we explored what we should be like in 2030 and have compiled the results as the HEPCO Group Management Vision 2030.

The HEPCO Group views the changes in the business environment as an opportunity for evolution and aims to achieve sustainable growth by leveraging all of its strengths.

Our efforts toward that end will include enhancing our price competitiveness to supply electricity at inexpensive rates and enhancing our services to exceed customer expectations; exploiting new technologies and expanding the scope of our business domains; and strengthening our resilience against natural disasters and other risks to continue to fulfill our responsibility as an energy supplier.

We will also strive to help solve social issues by promoting low carbonization and contributing to the development of the local economy, based on our credo of co-creation, which describes our aspiration to create new value together with the people of Hokkaido.

We will do everything we can to make the HEPCO Group a corporate group selected and loved by people in local communities in order to create a bright future.

- We uphold respect for humanity, contributions to local communities, and efficient management as our Management Philosophy.
- Based on this philosophy, in this Management Vision we place more focus than ever before on environmental, social, and governance (ESG) efforts.
- We will continue to fulfill our missions to support the local economy and the lives of our customers in Hokkaido, achieve sustainable business growth, and help realize a sustainable society.

HEPCO Group Management Philosophy

Respect for humanity, Contributions to local communities, Efficient management

Basic stance of Management Vision

Focus on environmental, social, and governance (ESG) efforts more than ever before

Achieve sustainable business growth
+
Help realize a sustainable society

Our business environment is changing rapidly. We will capture the latest trends and customer needs accurately in order to stay a step ahead.

Changes in our business environment	
Intensifying competition	<ul style="list-style-type: none"> A variety of businesses are entering into the electricity retail market in Hokkaido, intensifying the competition. Energy demand in Hokkaido will decrease in the future, mainly due to the declining birthrate and aging and shrinking population.
Global environmental issues	<ul style="list-style-type: none"> Global movement toward creating a low-carbon society will be accelerated. (Japanese greenhouse gas reduction target for 2030: 26% compared to 2013 levels)
Responsibility for stable supply of electricity	<ul style="list-style-type: none"> Natural disasters have been growing in scale and severity in recent years.
Transformation of social structure	<ul style="list-style-type: none"> Innovative technologies that may change the way energy is used will continue to be developed. The development of infrastructure to maintain local communities will become an issue amid a declining birthrate and an aging and shrinking population.

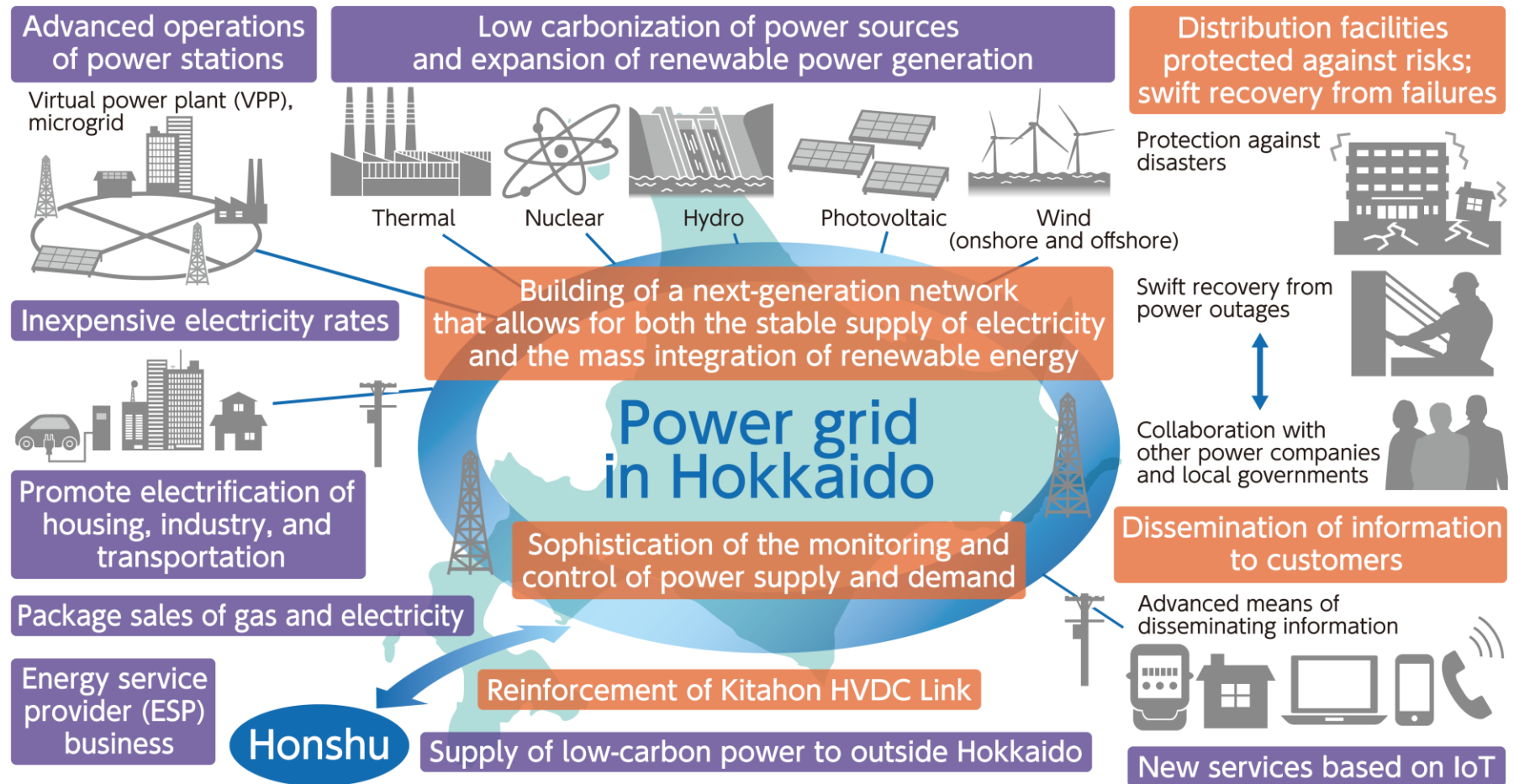


Future direction of activities
<ul style="list-style-type: none"> Establish a well-balanced power source mix to reduce carbon emissions and supply electricity at inexpensive rates
<ul style="list-style-type: none"> As a total energy services corporate group, implement the Retail Sales Strategy and expand the scope of business domains to offer services that meet customer expectations
<ul style="list-style-type: none"> Contribute to energy saving and low carbonization by promoting electrification in industry, transportation, and other sectors
<ul style="list-style-type: none"> Continue our efforts to maintain a stable supply of electricity and enhance resilience to fulfill our responsibility as an energy supplier
<ul style="list-style-type: none"> Make ceaseless efforts to enhance efficiency and reduce costs to make electricity available at inexpensive rates and increase revenue
<ul style="list-style-type: none"> Promote “co-creation” aimed at addressing local issues and achieving the sustainable development of local communities by acquiring and utilizing new technologies and knowledge

We will adapt to new needs by focusing on environmental performance and convenience as well as on the stable supply of electricity.

[Outline of our future electricity business]

Legend : Activities by retail sales and generation divisions Activities by Hokkaido Electric Power Network



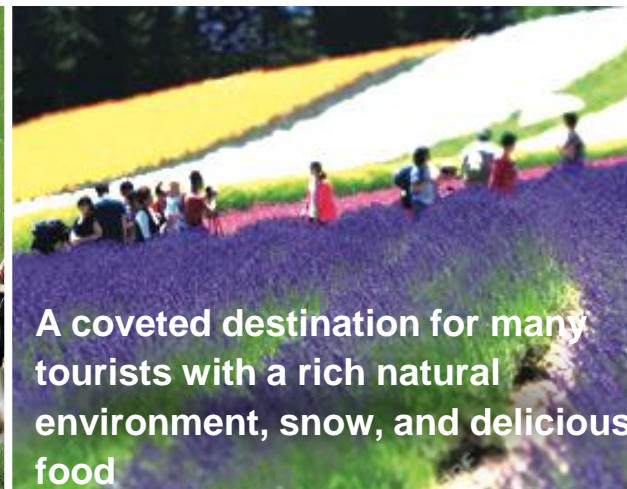
Hokkaido is blessed with considerable potential for future growth, including a rich natural environment and other tourism attractions as well as agricultural and fishery resources, which are an important food source for Japanese people. We will take full advantage of this potential for our business.

[Present and future potential of Hokkaido]

Seasonal natural beauty and diverse ecosystems



One of the most important sources of food for Japanese people, with abundant agricultural and fishery resources



A coveted destination for many tourists with a rich natural environment, snow, and delicious food

The operation of 7 airports in Hokkaido will be integrated under the Multi Tourism Gateway concept



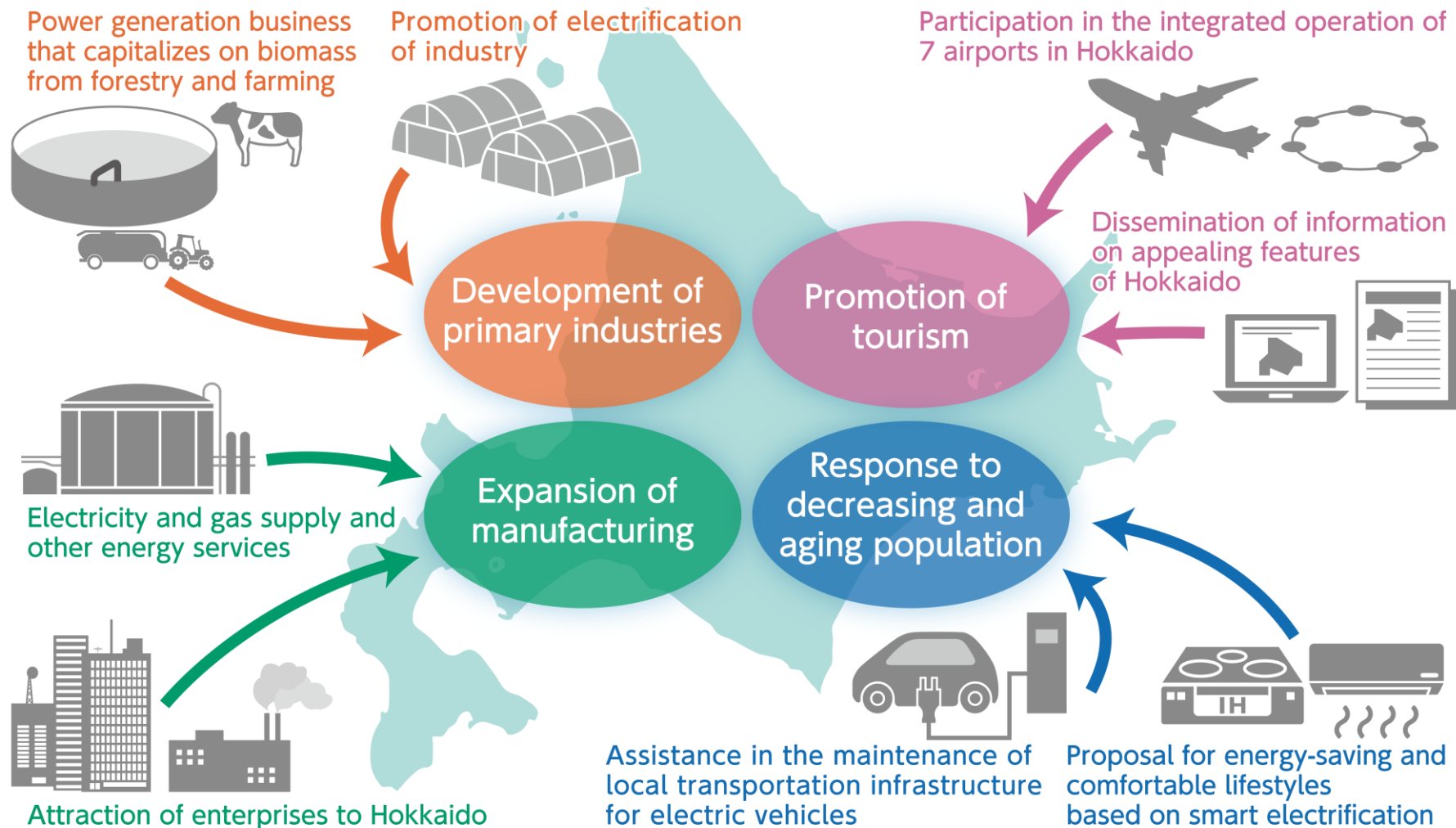
Sapporo is bidding to host the 2030 Winter Olympics and Paralympics



The Hokkaido Shinkansen will be extended to Sapporo in 2030

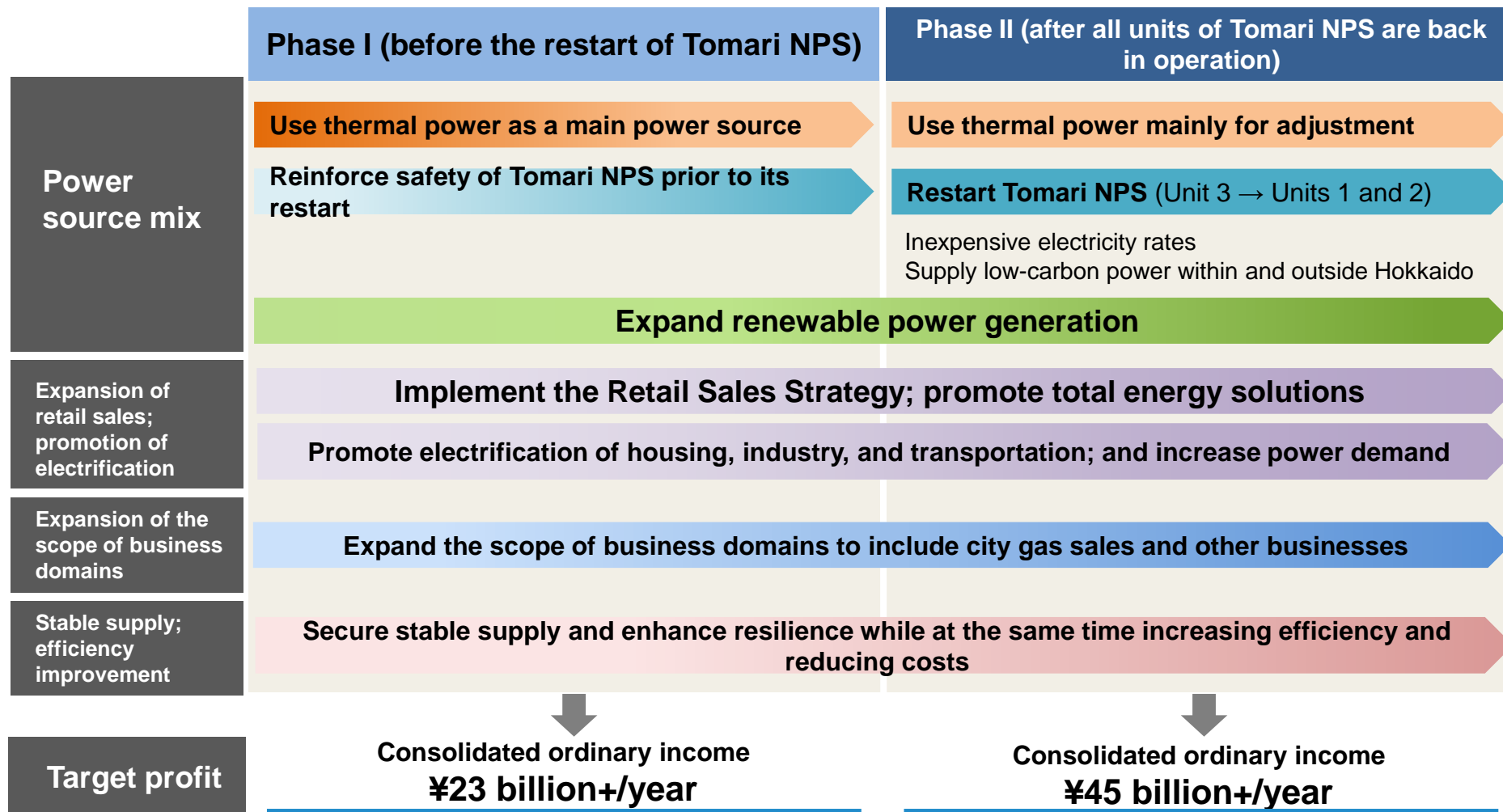
The sustainable development of Hokkaido is essential for solidifying our business foundation. Based on this understanding, we will advance “co-creation” aimed at addressing local issues and promoting the local economy.

[Contribution to the sustainable development of Hokkaido through our business]



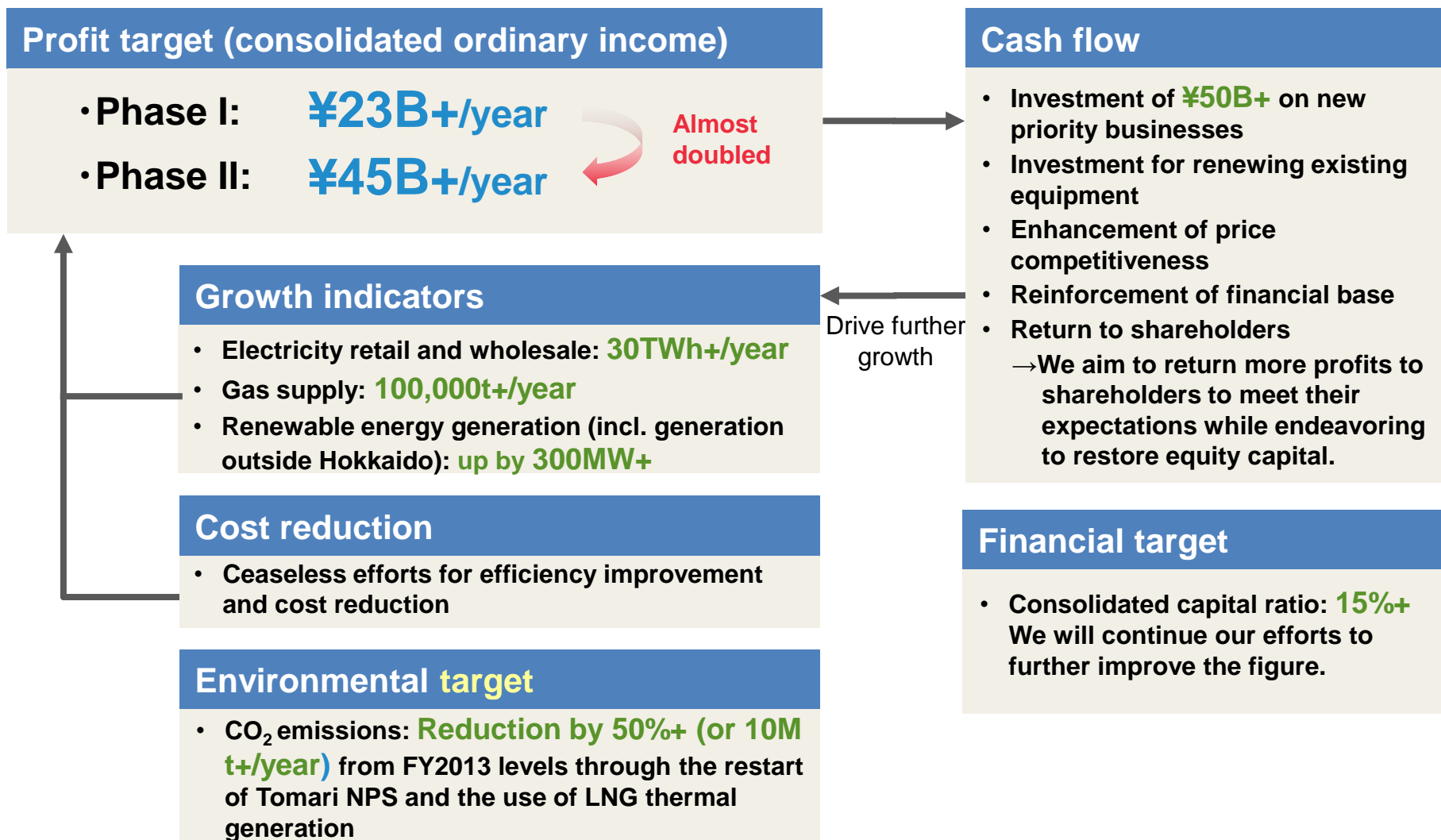
Management Goals for FY2030

- Our business environment will change substantially around the time the Tomari Nuclear Power Station, our major power source, is restarted.
- While aiming to return the Tomari Nuclear Power Station to operation as early as possible under the fundamental provision of safety being assured, we have and will continue to work hard to increase management efficiency prior to the restart of the power station in order to secure profits. We will also endeavor to expand our business domains to ensure sustainable growth.



| We will achieve the management goals specified below by FY2030 through efforts described in this Management Vision.

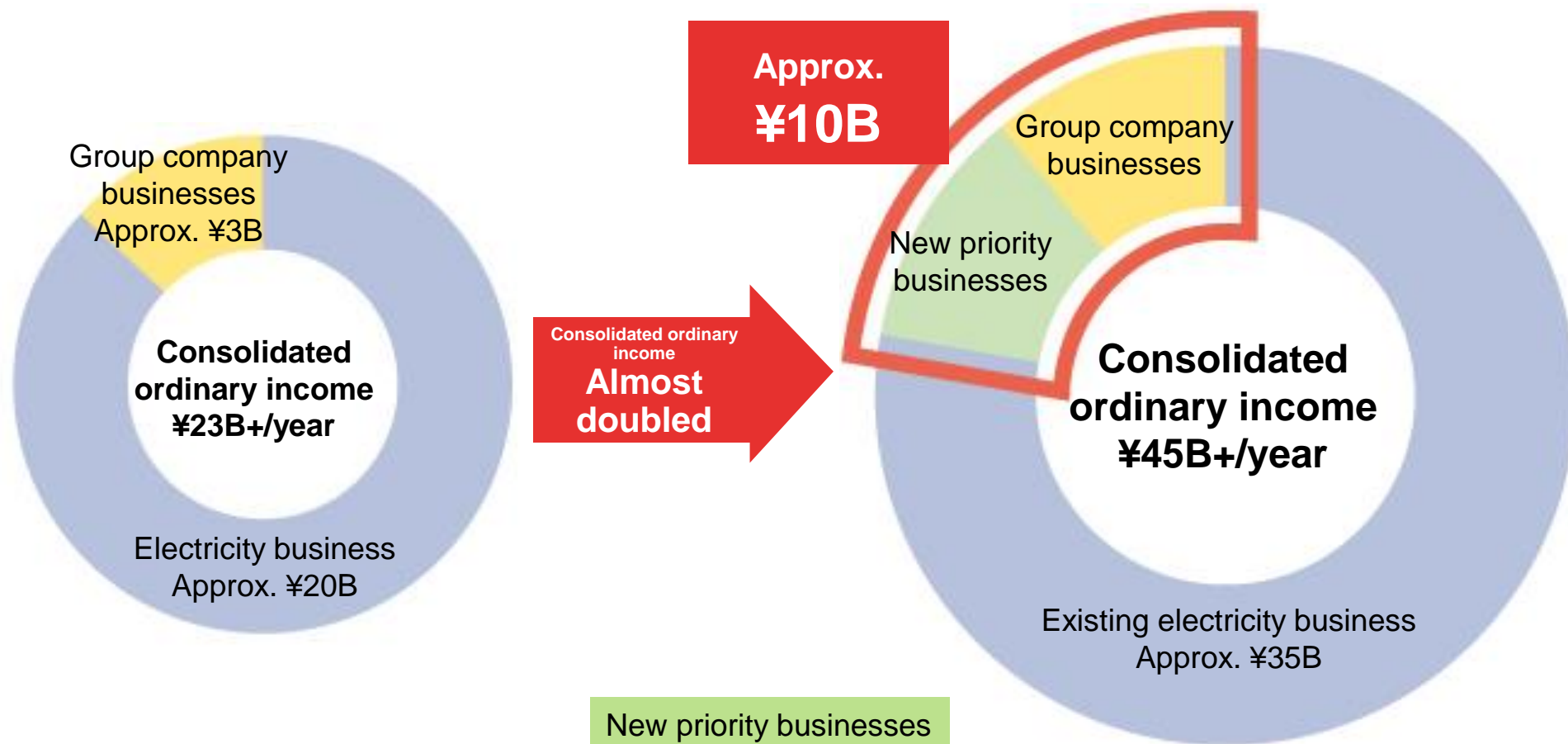
[Management goals for FY2030]



In addition to the existing electricity business, we will expand the scope of our business domains to include other energy-related areas of business, such as renewable power generation, overseas electricity business, and gas supply, which we define as new priority businesses, in order to drive the growth of the Group as a whole.

[Phase I (before the restart of Tomari NPS)]

[Phase II (after all units of Tomari NPS are back in operation)]



Renewable power generation, overseas electricity business, and other energy-related businesses

Commitments for Further Growth

The generation division will advance the restart of the Tomari Nuclear Power Station, the introduction of renewable power sources, the construction of Ishikariwan Shinko Power Station Unit 2, and other projects to establish a well-balanced power source mix that meets the requirements of economic efficiency, reduction of CO₂ emissions, and energy security.

Well-balanced power source mix that meets the “S + 3E” requirements

Safety

Energy Security

Economic Efficiency

Environment

Nuclear

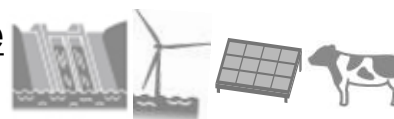


Secure a high level of safety as an essential prerequisite for the restart

Achieve a higher non-fossil power source ratio and reduce CO₂ emissions

Reduce electricity rates after the restart

Renewable



Increase renewable energy generation by 300MW+ (incl. generation outside Hokkaido) as our next-generation major power source

Promote offshore wind power, biomass generation, and other renewable power sources that take advantage of Hokkaido’s characteristics

Improve the accuracy of wind and photovoltaic power generation forecasting and leverage power storage technology

Thermal



Use thermal power for adjustment to maintain the balance between power supply and demand in Hokkaido

Advance the construction of Ishikariwan Shinko Power Station and decommission aging oil/coal thermal power stations in order to reduce generation costs and CO₂ emissions

Non-fossil power sources that do not emit CO₂ during power generation

- The ratio of non-fossil power sources to the Group's total generation is expected to rise from the 10% level in FY2013 to 60%+ after all units of the Tomari Nuclear Power Station are returned to operation.
- It is expected that the restart of the Tomari Nuclear Power Station, as well as our efforts to promote renewable power generation and the use of LNG thermal power, will reduce our CO₂ emissions by 50%+ (or 10 million t+/year) from FY2013 levels, while increasing total generation. This reduction will significantly exceed the Japanese government's FY2030 greenhouse gas reduction target of 26% from FY2013 levels.

Non-fossil power sources	Thermal power sources
<ul style="list-style-type: none"> Restart Tomari NPS Expand renewable power generation business in and outside Japan 	<ul style="list-style-type: none"> Secure the balance between power supply and demand Decommission aging oil and coal thermal power stations and use LNG

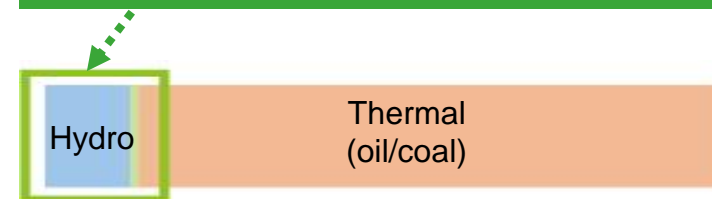
Reduce CO₂ emissions by
50%+ (10M t+) from FY2013 levels

The retail sales division aims to achieve **the non-fossil fuel power source ratio target of 44%+ by FY2030** as well as the CO₂ emissions reduction target set by the Electric Power Council for a Low Carbon Society.

[Power source mix envisioned by our generation division]

FY2013

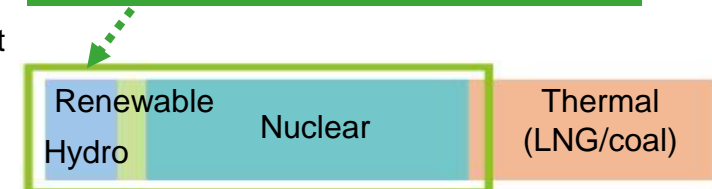
Non-fossil power sources: 10% level



FY2030

(after the restart of Tomari NPS)

Non-fossil power sources: 60%+



While increasing total generation by expanding retail sales in Hokkaido and selling electricity to outside Hokkaido, we will also reduce CO₂ emissions.

Our total sales target of electricity, our main product, within and outside Hokkaido is 30 billion kWh+/year.



Slogan: “HEPCO Declaration: Doing Everything We Can”

The slogan represents our determination to provide the people of Hokkaido with a bright and pleasant life and contribute to the future development of the region.

[Retail Sales Strategy]

[Common for Phases I and II]

Offer diverse rate plans that satisfy customers' different power usage needs

Offer package sales of electricity and gas/kerosene/LPG and implement energy service provider (ESP) business

Promote electrification that will lead to energy saving and comfortable lives for customers

Expand sales (including among households outside Hokkaido) through retail and wholesale activities



After the
restart of
Tomari NPS

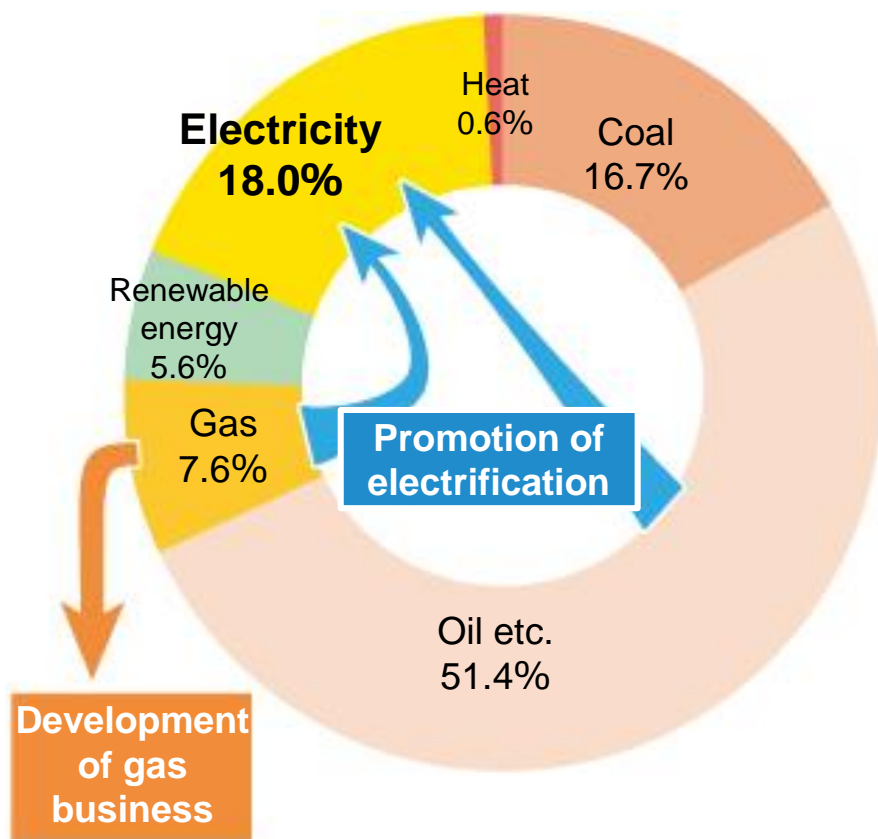
[Phase II strategy]

Reduce electricity rates immediately after the restart of Tomari NPS

Supply low-carbon power within and outside Hokkaido

We propose advanced electrified equipment and promote electrification of industry and transportation, in order to increase electricity sales and help customers enjoy an energy-efficient and low-carbon lifestyle.

**[Final energy consumption in Hokkaido]
(FY2017 tentative results on a calorie basis)**



Source: Energy Consumption Statistics by Prefecture

Smart electrification recommended by HEPCO Group

Smart house

Photovoltaic-sourced energy



Smart lifestyle with Home Energy Management System (HEMS)

- Energy consumption is visualized by HEMS
- Home IoT services

Popularization of electric vehicles

Comfortable lifestyle where energy is saved and CO₂ emissions are reduced by smart electrification

Kitchen



IH cooking heater

Hot water supply



EcoCute

Air heating



Air conditioner with high heating performance, heat-pump heater

As a total energy services corporate group, we will meet the diverse energy needs of Hokkaido people and undertake all operations in connection with the supply of electricity, gas, and other types of energy in order to become customers' most trusted energy business and achieve sustainable growth.

Offering services that meet customer needs and expectations

HEPCO Group's total energy solutions

HEPCO Group's energy services "Customers' most trusted energy business"

Electricity business

- ◇ Generation/retail sales
 - Sales of electricity
 - Smart electrification, promotion of electrification in industry and transportation
 - Expansion of renewable power generation
 - Overseas electricity business
- ◇ Transmission/distribution

Energy-related business

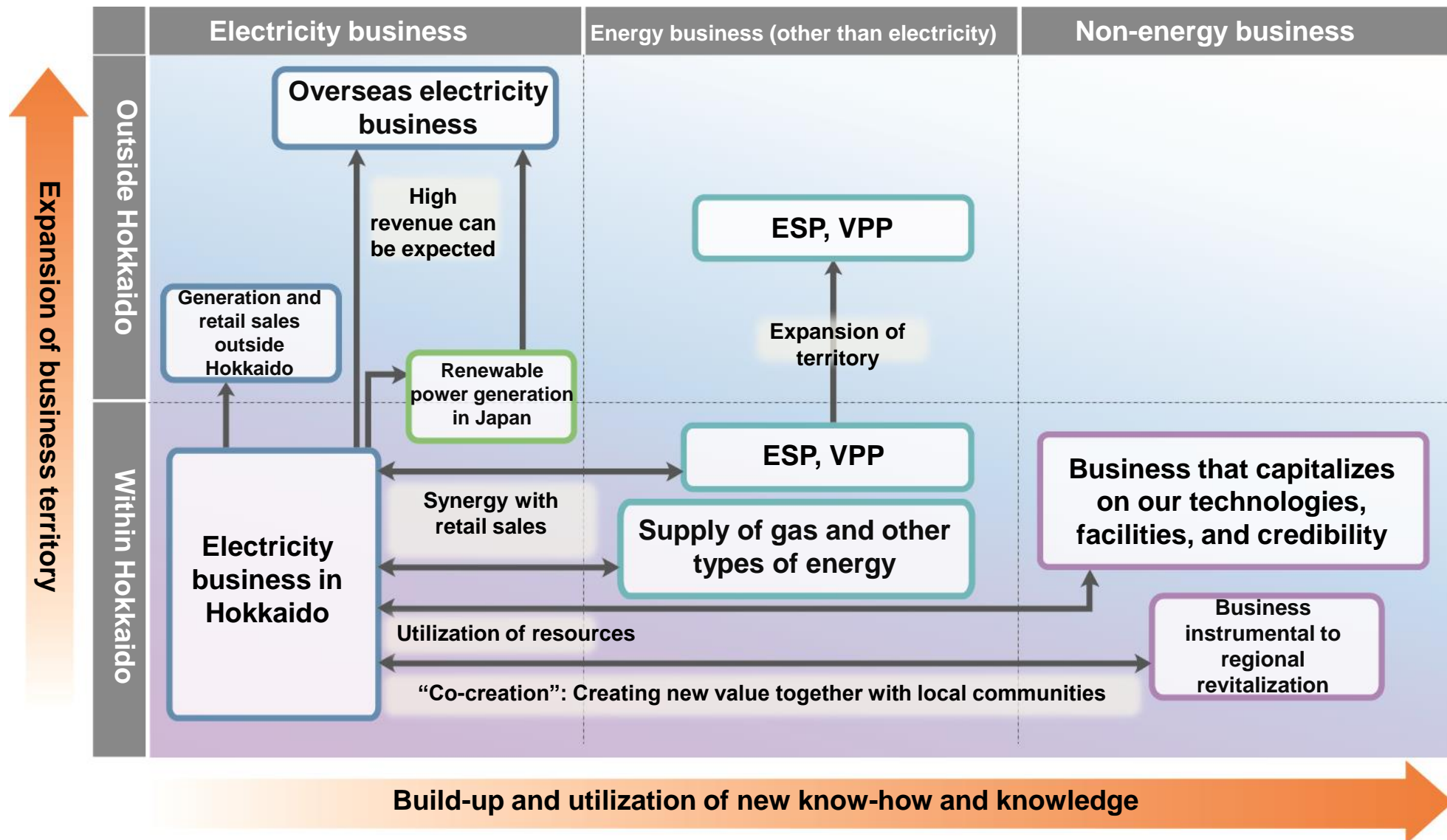
- ◇ Gas supply
 - Delivery by tanker trucks
 - Sales of city gas to households
- ◇ Package sales with kerosene/LPG
- ◇ ESP business
- ◇ Energy diagnosis of customers' facilities, proposals for energy saving
- ◇ Design/construction/maintenance of energy systems



Other services provided by HEPCO Group

- ◇ Information and communications
- ◇ Real property
- ◇ Peripheral businesses that capitalize on our technologies and facilities

We will expand the scope of business domains in view of synergy effects with existing businesses, our available resources such as technologies and knowledge, and the likelihood of reinforcing our business foundation through “co-creation” with communities.



Our transmission and distribution divisions will spin off as a separate company called “Hokkaido Electric Power Network Co., Inc.” in FY2020. The new company will take over the mission of the divisions to ensure a stable supply of electricity in Hokkaido.

[Logo mark of Hokkaido Electric Power Network]



Hokkaido Electric Power Network will be established as a spin-off of our transmission and distribution divisions in April 2020 to further ensure the neutrality of general power transmission and distribution businesses.



[Mission of transmission and distribution divisions]

Secure stable supply of electricity

- Improve resilience and consistently implement other energy security measures based on lessons learned from the power failure throughout Hokkaido that followed the 2018 Hokkaido Eastern Iburu Earthquake

Reduce the wheeling charges

- Strive tirelessly to reduce costs with drastic measures to reduce the wheeling charges

Contribute to low carbonization

- Contribute to low carbonization through various efforts, including the expansion of the grid interconnection of renewable energy sources and adjustment for optimal supply and demand

Expand power supply and demand in Hokkaido

- Promote the establishment of new business facilities and electrification (electric vehicles, etc.) in Hokkaido, among other efforts, to help develop the local economy, expand the grid interconnection of renewable energy sources, and reduce the transmission tariff



Deployment
of new
technologies
and
knowledge

We will anticipate changes and actively and consistently pursue new technologies and knowledge that will lead to the solution of issues hampering the realization of a sustainable society, expansion of the scope of business domains, and reduction of costs.

Issues to be addressed to achieve a sustainable society

Hokkaido's characteristics: dispersed over expansive land area, cold climate, low birthrate and declining population

Need for low-carbonization and decarbonization

Issues of Group business

Expansion of the scope of business domains

Reduction of costs of existing businesses

Acquire and utilize new technologies and knowledge

“Co-creation” with communities

- Effectively utilize decentralized energy sources through VPP, DR, etc.
- Cooperate with the regional energy model
- Promote local business-academia collaboration through open laboratory, etc.
- Expand the use of IoT and drones
- Help revitalize agriculture by promoting LED, etc.

New energy services

- Provide IoT-based energy management service
- Promote electrification of housing and industry
- Help develop regional transportation infrastructure for electric vehicles

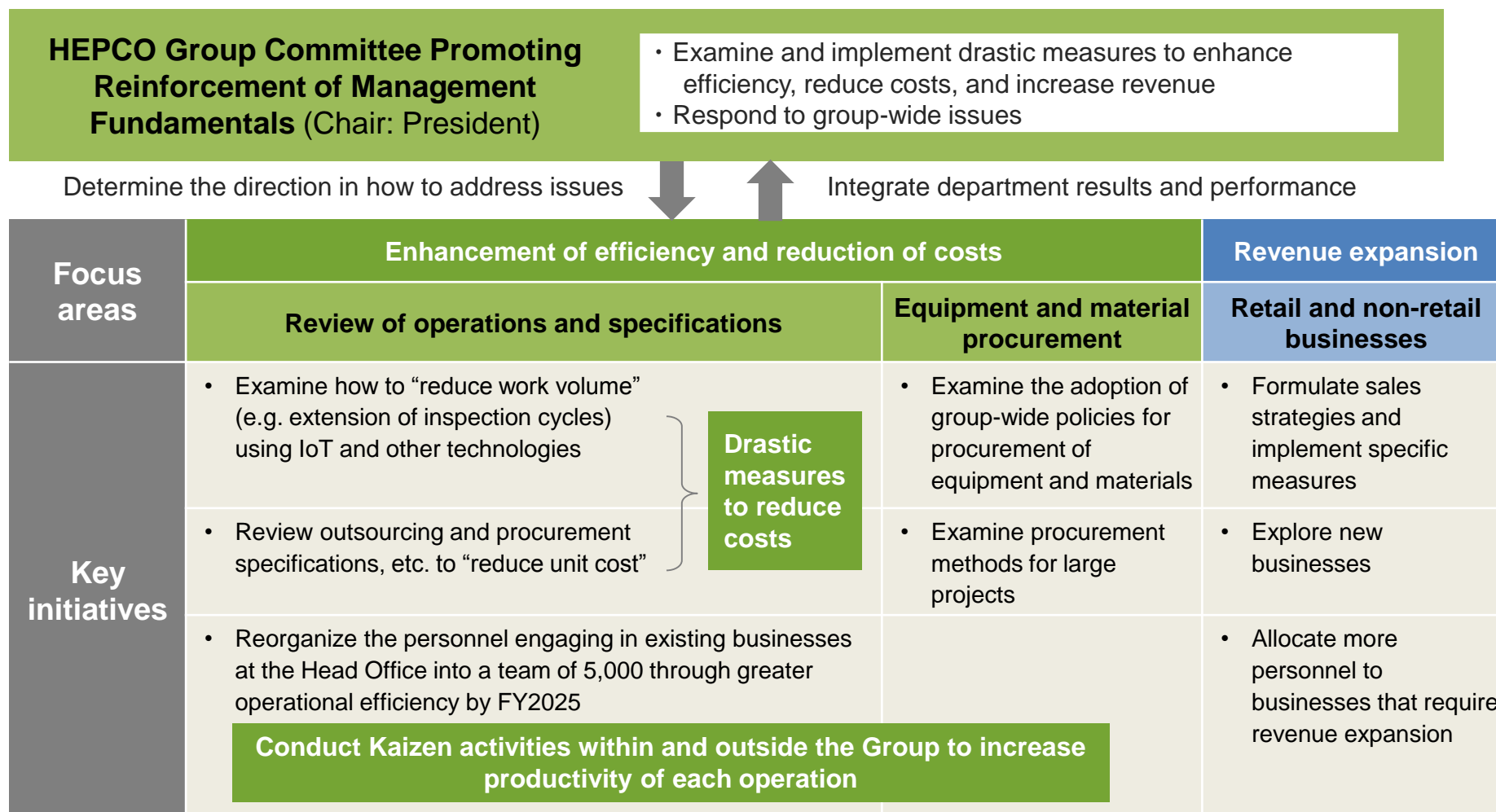


Utilization of digital technology

















- Utilize digital technology in, for instance, developing platform for new business models and services
- Develop technologies for the sophistication of our operations, such as inspection and maintenance of electric power facilities, that will lead to the reduction of costs



- We will enhance our price competitiveness by adopting drastic measures to increase efficiency and reduce costs to beat the competition even before the restart of the Tomari Nuclear Power Station.
- The HEPCO Group Committee Promoting Reinforcement of Management Fundamentals will examine and plan drastic measures to solve group-wide issues without confining itself to existing rules or ideas in order to improve revenue.



We will confront, and implement specific measures for, social issues addressed in the Sustainable Development Goals.

	Key initiatives		Relevant SDGs
E Environmental	Address global and local environmental issues	Reduce CO ₂ emissions. Increase the use of renewable energy sources. Protect the local environment.	    
S Social	Provide products and services centering on electricity	Ensure the safe and stable supply of electricity. Prepare for major natural disasters.	    
	Earnestly meet the expectations of local residents, shareholders, and investors	Cooperate to develop the regional economy. Ensure sufficient communication. Conduct activities to promote understanding of energy. Provide OMOSHIRO (fun) Lab and other educational services.	
	Create a safe and motivational work environment for employees	Promote the Work Style Reform. Promote respect for human rights and diversity. Advance HR development. Give emphasis to “health and productivity management” and safety and health.	
	Engage in transparent and fair transactions with business partners.		    
G Governance	Reinforce corporate governance. Develop strategies and disclose information based on the TCFD Recommendations. Ensure thorough compliance and information security.		



Sustainable Development Goals (SDGs)

17 goals adopted at the UN Summit in September 2015 concerning poverty, hunger, energy, climate change, and other issues, which signatory nations aim to achieve by 2030

2030年に向けて世界が合意した「持続可能な開発目標」です

As a corporate group based in Hokkaido, a land blessed with abundant natural features, we will endeavor to reduce our environmental impact in all areas of our business so as to maintain the rich natural environment for many years to come.

Reduce CO₂ emissions

- Reduce CO₂ emissions of our generation division by 50%+ (10 million t+/year) from FY2013 levels
[See page 14]
- Aim to achieve a level below the emission factor target level of the Electric Power Council for a Low Carbon Society (0.37 kg-CO₂/kWh)

Increase the use of renewable energy sources

- Aim to increase renewable power generation by 300MW+

Protect the local environment

- Manage water quality, prevent air pollution, and implement other measures appropriately at power stations and other facilities
- Promote “Reduce, Reuse, and Recycle” to achieve a recycling-based society

[Contribution to low carbonization]

HEPCO Group’s key initiatives

**[Supply side]
Reduce CO₂
emissions from
power stations**

- Restart Tomari NPS
- Increase the use of renewable energy sources
- Utilize LNG thermal generation
- Decommission aging oil/coal thermal power stations

Aim to achieve a level below the emission factor target level of the Electric Power Council for a Low Carbon Society (0.37 kg-CO₂/kWh) by FY2030

**[Demand side]
Support energy
saving**

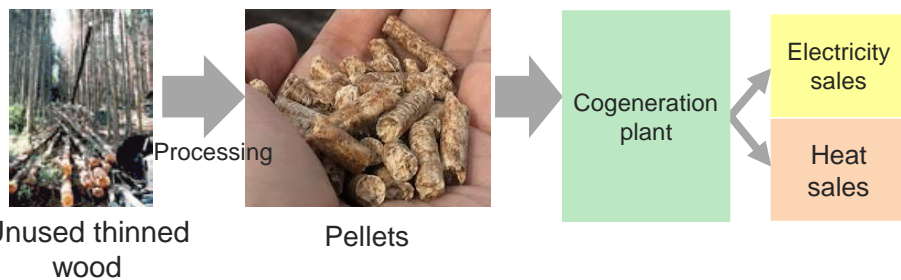
- Promote heat pump and other high-efficiency electrified equipment and electric vehicles
- Provide home IoT services, energy-saving diagnoses, and other services

[Government’s long-term greenhouse gas reduction target]

Reduce greenhouse gas emissions by 80% by 2050.
Achieve decarbonization as early as possible in the second half of the 21st century.

“Co-creation” with the community for biomass generation

- We are participating in a project for small-scale distributed biomass generation in Shimokawa Town and Tobetsu Town that utilizes unused thinned wood.



Increase of hydropower output

- We are renovating old hydropower stations by installing high-efficiency water turbines, as well as utilizing untapped river and other hydropower sources.



Improved water turbine

Promotion of recycling

- We are recycling more than 95% of nearly 1 million tons of coal ash from coal thermal power stations annually into materials used for coal mine reclamation, cement production, and roadbed construction.



Coal ash is recycled into concrete used for tunnel linings.

Ishikari Bay offshore wind farm project

- We are promoting offshore wind power generation in Ishikari Bay in partnership with Green Power Investment Corporation.



(Not actual photo)

Participation in photovoltaic power generation projects

- We are participating in photovoltaic power generation projects in:
 - sunny central Mexico, and
 - Iwamizawa and Kushiro in Hokkaido



Promotion of ZEB in cold areas

- We are acting as a ZEB Planner to support the popularization of ZEB*¹ and ZEH*², buildings/houses that allow for significant reduction of energy consumption while maintaining comfortable indoor conditions.



*¹ ZEB: Net-zero energy building that meets the government criterion of 50% or more reduction of energy consumption and utilizes photovoltaic power generation, etc.
 *² ZEH: Net-zero energy house, meaning annual net consumption of primary energy is zero

| We are pursuing “co-creation” of new value with people in communities and society at large as well as with shareholders, investors, business partners, employees, and every other stakeholder associated with our business through constructive dialogues with them.

Cooperate to develop Hokkaido economy

- Actively support the efforts of local government and other organizations to develop the local economy and address local issues by leveraging our technologies and knowledge

[Activity examples]

Cooperation for the development of economy and tourism in Hokkaido

We are a member of the Hokkaido Airport Group consortium for the integrated operation of 7 airports in Hokkaido.



Energy business in the region

We are taking part in renewable power generation projects that capitalize on Hokkaido’s characteristics.



We are developing next-generation regional transportation platforms for electric vehicle stands.



Prepare for major natural disasters

- Establish a system to manage a disaster for early restoration of equipment failures in collaboration with external organizations and promptly communicate necessary information on electric power outages, etc.

Ensure sufficient communication

- Actively disclose information on our business and reflect external opinions in our future business

Promote the Work Style Reform

- Reduce working hours, encourage employees to take all their paid leave, introduce diverse work systems, and implement other measures to promote the Work Style Reform in order to raise employees’ motivation and productivity
- Develop workers capable of bringing changes that meet the needs of the new era
- Further promote “health and productivity management” to help employees and their families enhance their health
- Improve work environments to secure safety and health

Even after the legal separation of transmission and distribution divisions in April 2020, the holding company will ensure governance throughout the Group to enhance its corporate value.

Reinforce corporate governance

- Strengthen the function of the Board of Directors to enable swift response to social changes and expand revenue of new businesses
- Develop a HR system and an organizational structure that allow us to secure diversity of personnel and take on new challenges in a speedy manner
- Provide information to shareholders, investors, and other stakeholders in a timely and appropriate manner
- Disclose information sufficiently in accordance with the TCFD* Recommendations and commit ourselves to a sustainable society

* Task Force on Climate-related Financial Disclosures

Ensure thorough compliance

- Maintain compliance in every aspect of our corporate activities
- Ensure complete management of information security as a critical infrastructure operator
- Even after the spin-off of transmission and distribution divisions (Hokkaido Electric Power Network Co., Inc.), maintain compliance with regulations concerning transmission and distribution operations to ensure their fairness and equitability

