

Information Session on Management Plan in Fiscal Year 2007

Hokkaido Electric Power Co., Inc.

April 5, 2006

Note: In this presentation, "FY(fiscal year)" refers to the period April 1 through March 31 of each year.
e.g. FY 2007 means the period from April 1, 2006 to March 31, 2007.

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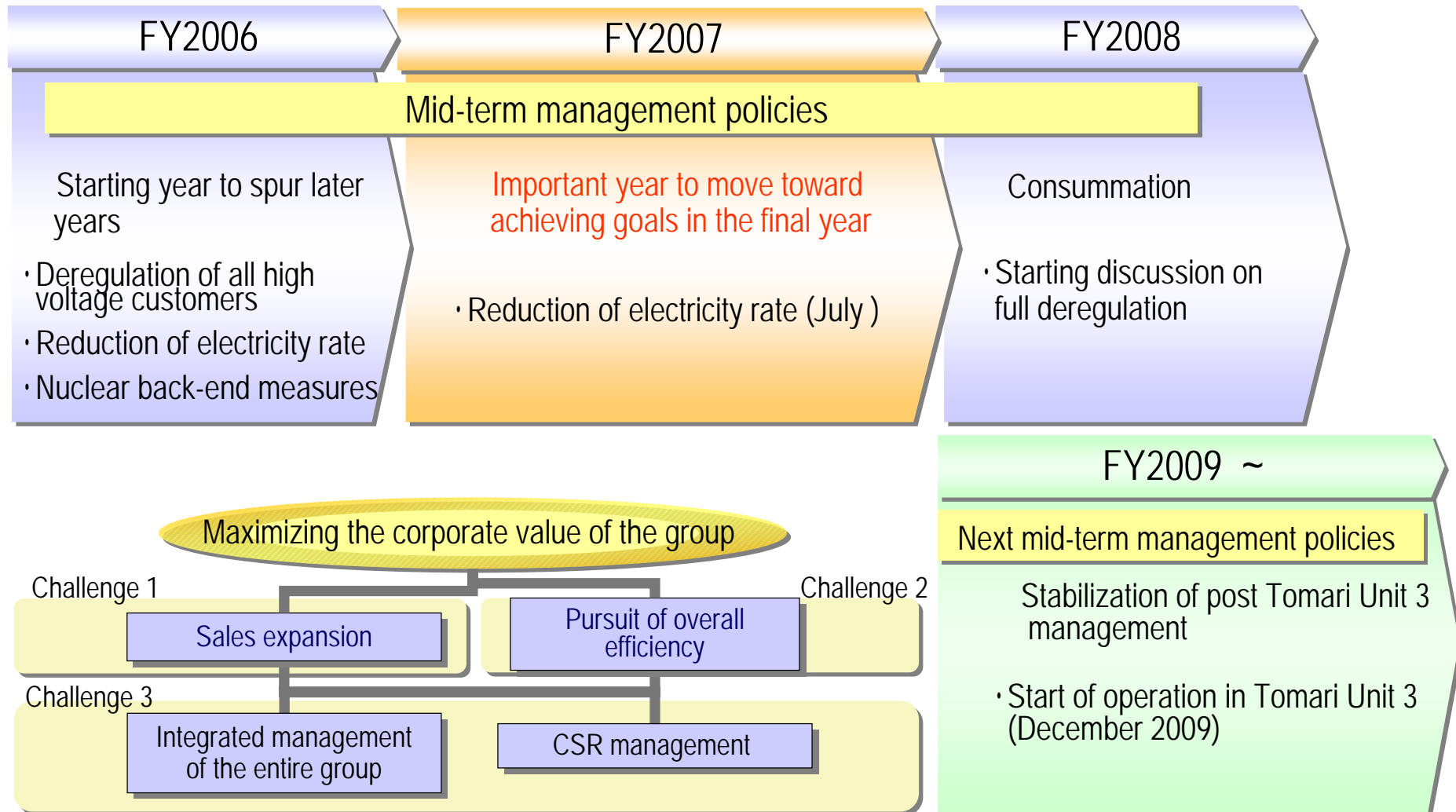
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Management Plan in FY 2007

Positioning of Management Plan in FY 2007

- Intermediate year of the mid-term management policies



Electric Supply Plan

Estimates for Demand: FY 2007

■ Estimated results in FY 2006 and plan for FY 2007

[Upper part: electricity sales (GWh); lower part: growth rate (%)]

		Results in FY2005	Estimated results in FY2006	Plan for FY2007
Non-eligible customers	Residential	11,399	11,561 1.4(0.8)	11,654 0.8(1.1)
	Commercial and industrial	2,177	2,192 0.7(0.2)	2,188 0.2(0.8)
	Subtotal	13,576	13,753 1.3(0.6)	13,842 0.6(1.1)
Eligible customers		16,616	16,876 1.6(1.3)	16,877 0.0(0.3)
Total		30,192	30,629 1.4(1.0)	30,719 0.3(0.6)

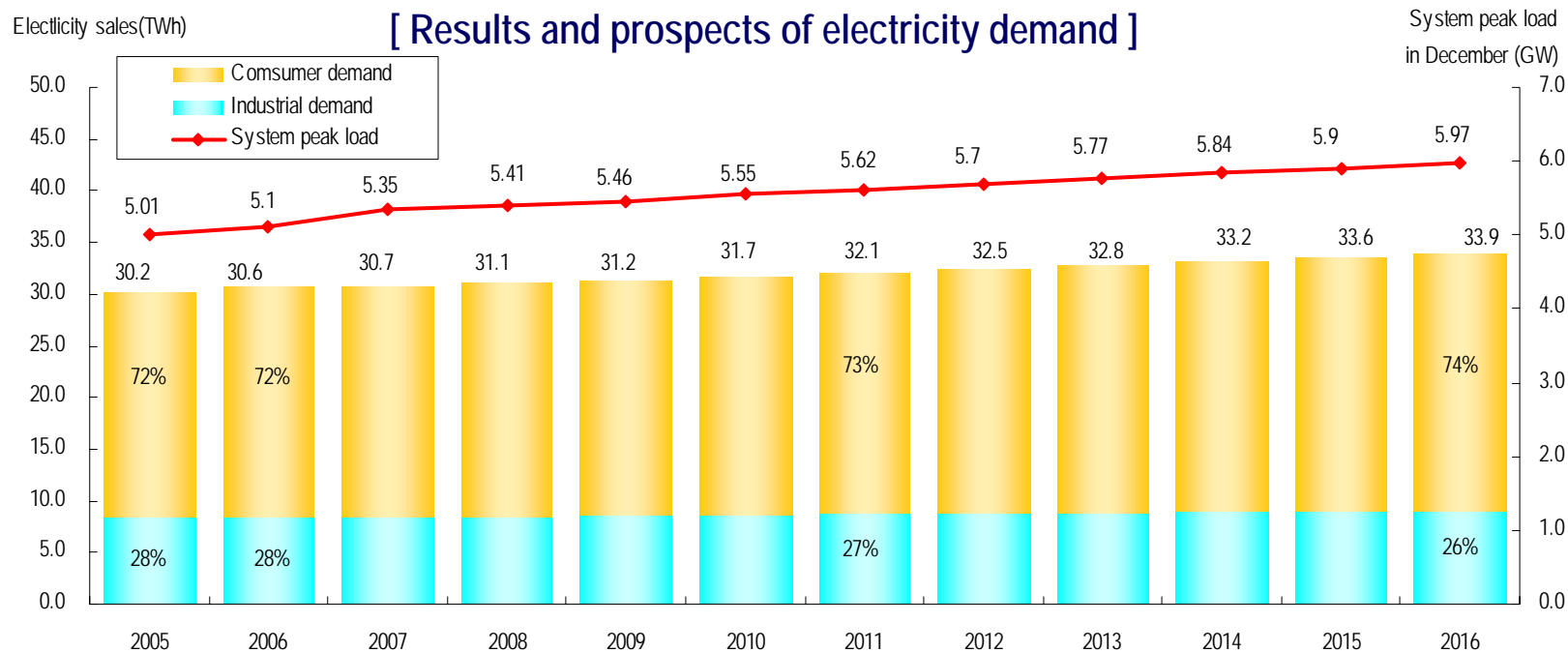
The figures in parentheses are after correction of temperature and intercalary effects.

Estimates for Demand: Long-range Prospects

■ Electricity sales/system peak load, and their growth rates

	FY2005	FY2006 (Estimated results)	FY2011	FY2016	FY2005-16 (Annual average growth rates, %)
Electricity sales (TWh)	30.2	30.6	32.1	33.9	1.1 (1.1)
Consumer use (TWh)	21.8	22.1	23.4	24.9	1.2
Industrial use (TWh)	8.4	8.5	8.7	9.0	0.7
Maximum electric power (GW)	5.01	5.10	5.62	5.97	1.6 (1.2)

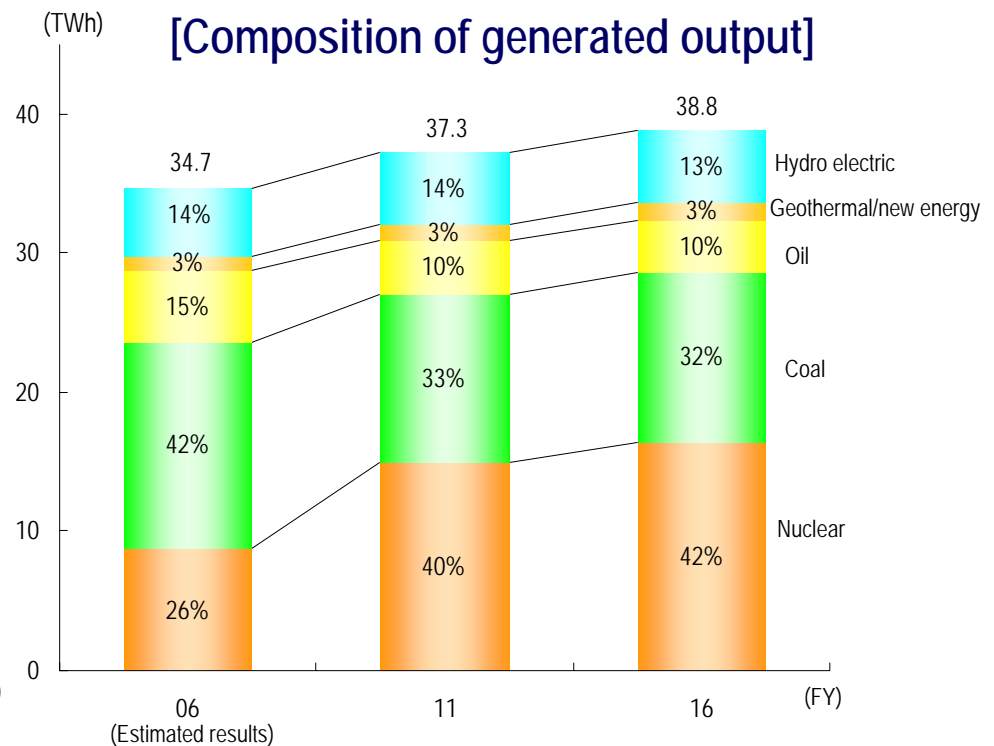
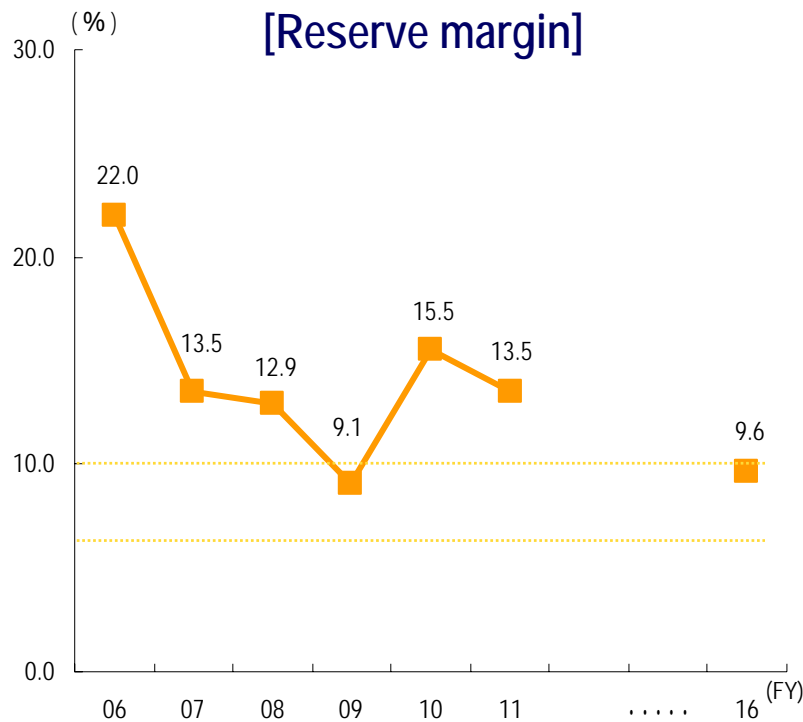
The figures in parentheses are after correction of temperature and intercalary effects.



Power Resource Development Plan

[Power resource development plan]

	Electric power station	Power output (MW)	Start of construction	Start of operation
Hydroelectric	Kyogoku	600 (20.0 × 3 plants)	2001-Sept.	2015-Oct. (Unit 1) FY 2017 or later (Unit 2,3)
	Shin-Chubetsu	10	2003-June	2006-Oct.
Nuclear	Tomari (Unit 3)	912	2003-Nov.	2009-Dec.



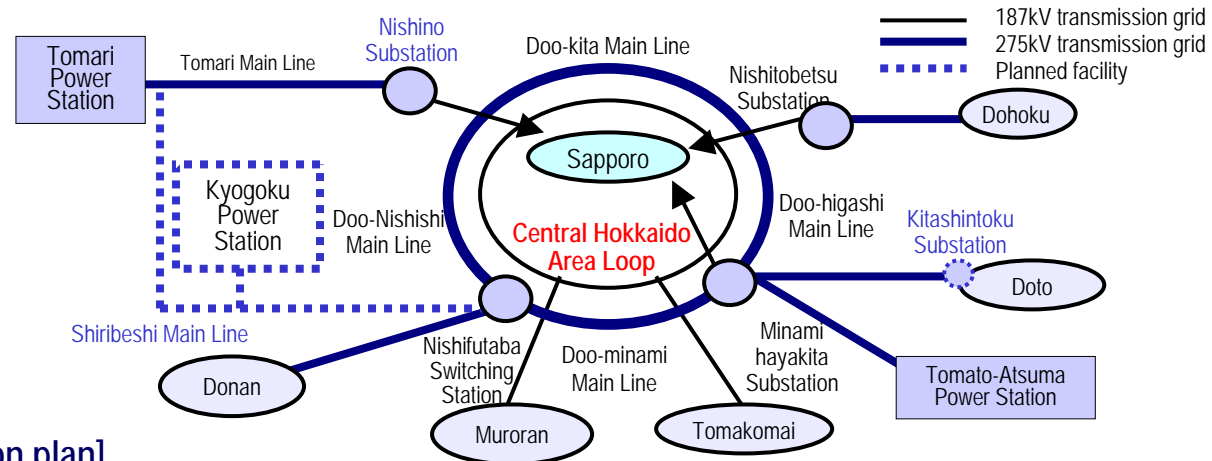
*FY ended March 31

Electric Power Distribution Facility Plan

- Improvement of distribution facilities focused on the Central Hokkaido Region before starting operation of Tomari Unit 3

- Adding another route in the transmission grid and improvement of core substations along with Tomari Unit 3 construction
- Improvement of substations due to an increase in demand

[Completion of the 275kV Central Hokkaido Area Loop (November 2005)]



[Main transmission facility construction plan]

Classification	Transmission line	Section	Voltage (kV)	Length (km)	Number of circuits	Construction schedule	
						Start of construction	Start of operation
Under construction	Shiribeshi Main Line (new construction)	Tomari Power Station - Nishifutaba Switching Station	275	66	2	2003-April	2007-Oct.

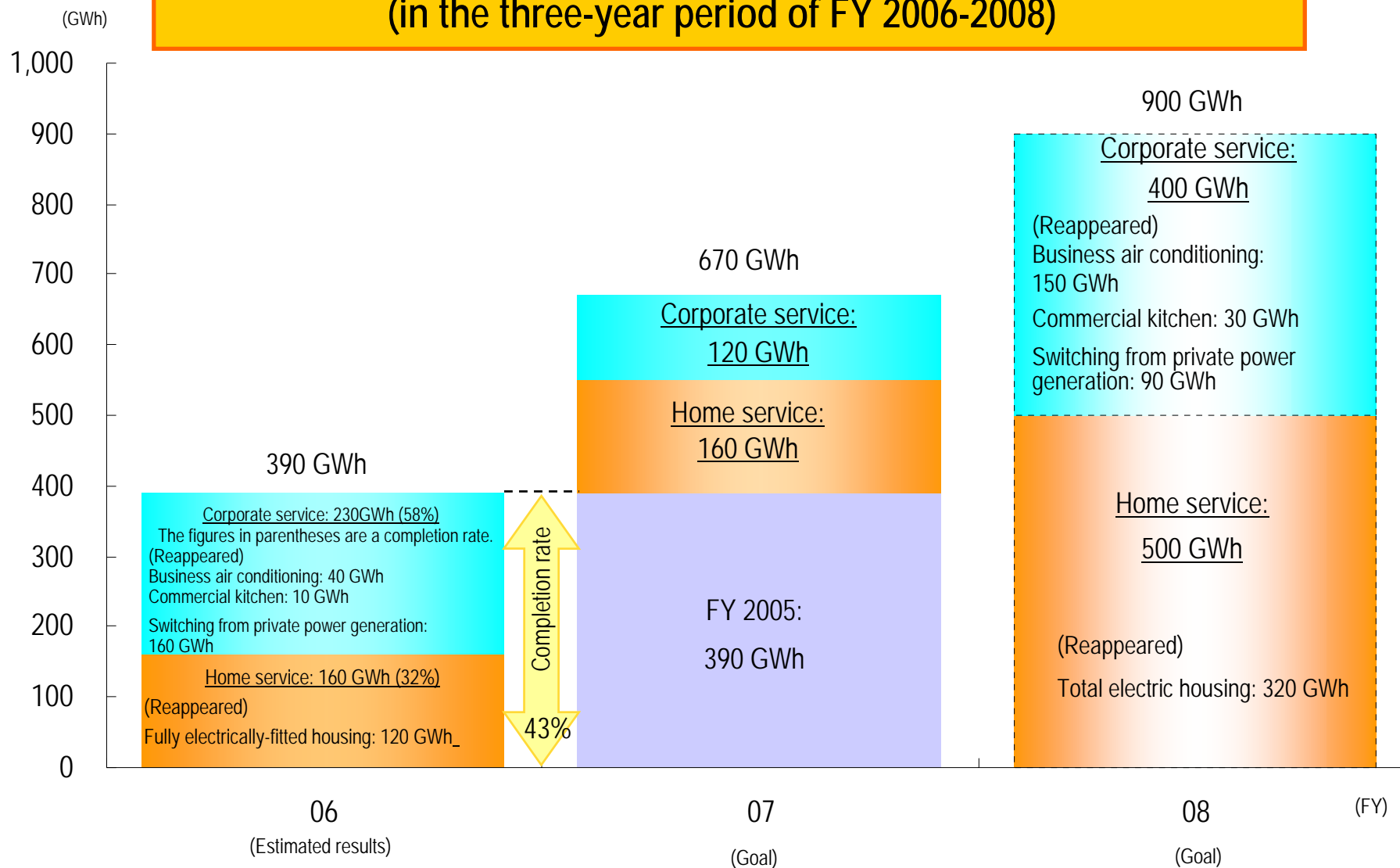
[Main substation facility construction plan]

Classification	Substation	Increased output (MVA)	Transformer			Construction schedule	
			Voltage (kV)	Capacity (MVA)	Number of machines	Start of construction	Start of operation
In preparation of construction	Kitashintoku (new construction)	900	275/187/66	450/450/100	2	2006-May	2008-Dec.
	Nishino (extention)	600	275/187/66	600/600/100	1	2007-Jan.	2008-Dec.

Sales Activities and Expansion of Business Domains

Sales Activities: Sales Goals

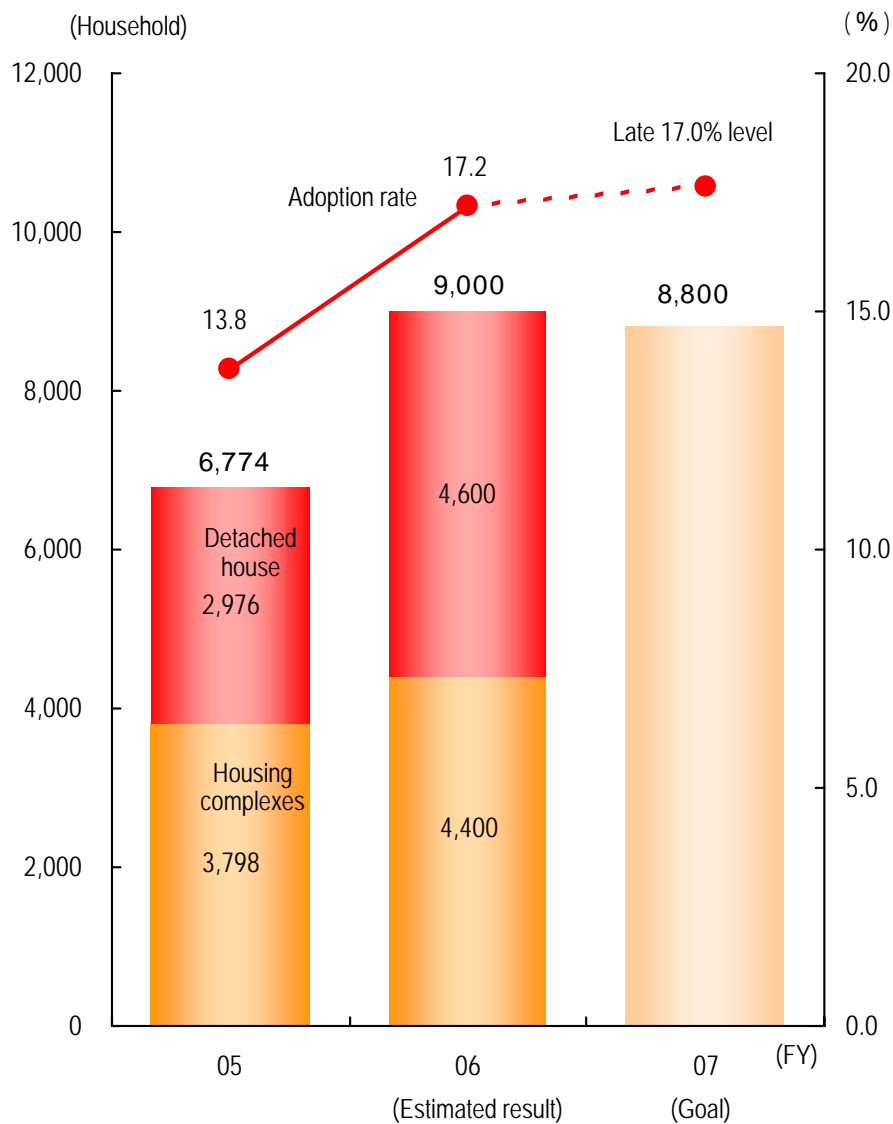
**Mid-term goal: Increase of 900 GWh or more
(in the three-year period of FY 2006-2008)**



*FY ended March 31

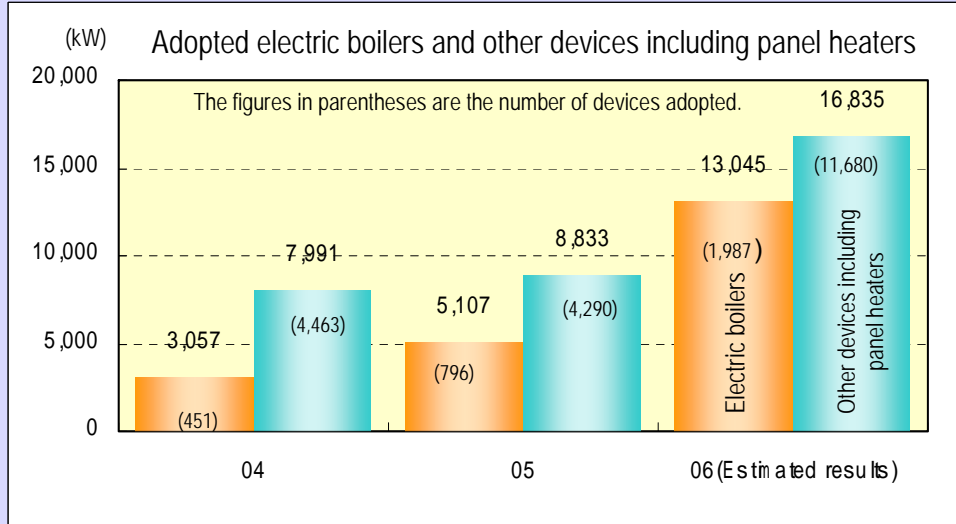
Sales Activities: Home Service—Fully Electrically-fitted Housing

[Results and goals of fully electrically-fitted housing]



Performance evaluation for FY 2006

- Significant increase in fully electrically-fitted housing system for both detached houses and housing complexes
 - Reduction of electricity rate (April, 2005)
 - Reduction of electricity rate for snow-melting machines (for electric heaters) by about 10%
 - Enhanced variations on electric appliance (Electric boilers, panel heaters, heater/boiler all-in-one system, etc.)

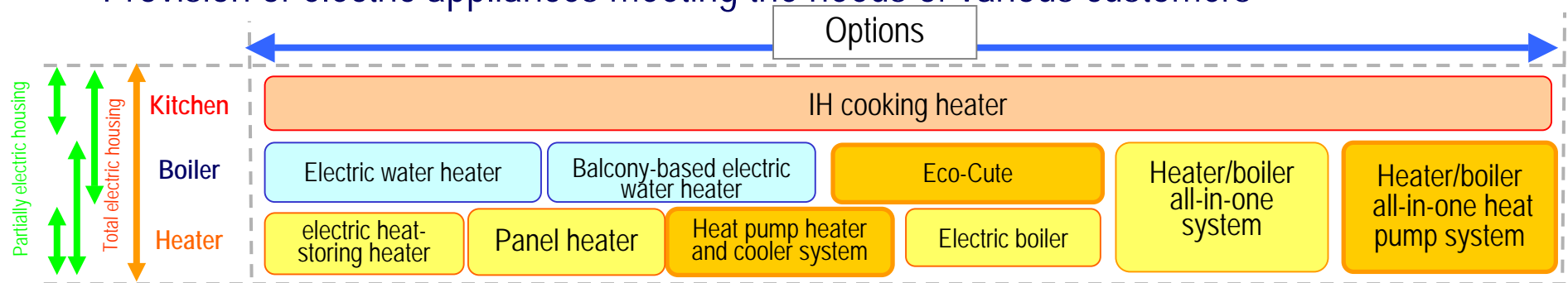


- Enhanced top sales and route sales to major condominium developers
- Oil price hike

*FY ended March 31

Sales Activities: Home Service

- Provision of electric appliances meeting the needs of various customers

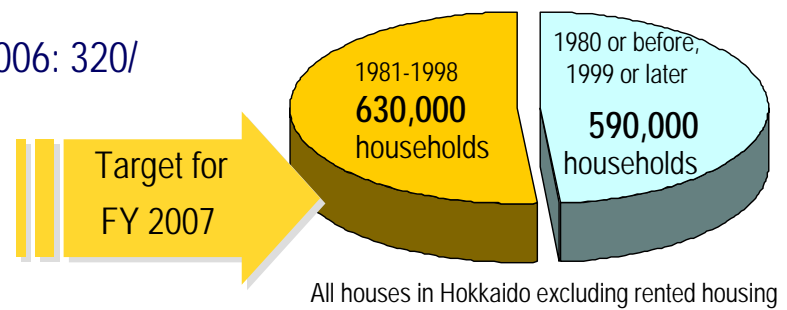


- Development and promotion of heat pump devices

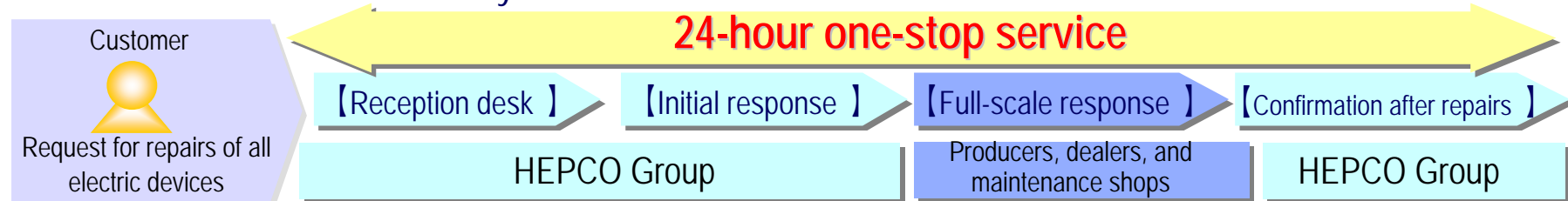
- Target number of existing devices to be adopted in FY 2006: 320/
 - Development of highly efficient devices for cold areas

- Expansion of electrification to remodeling market

- Construction of a sales network
 - Development of consulting tools
 - Establishment of a full-time organization (Sapporo)



- Enhanced after-sale service system

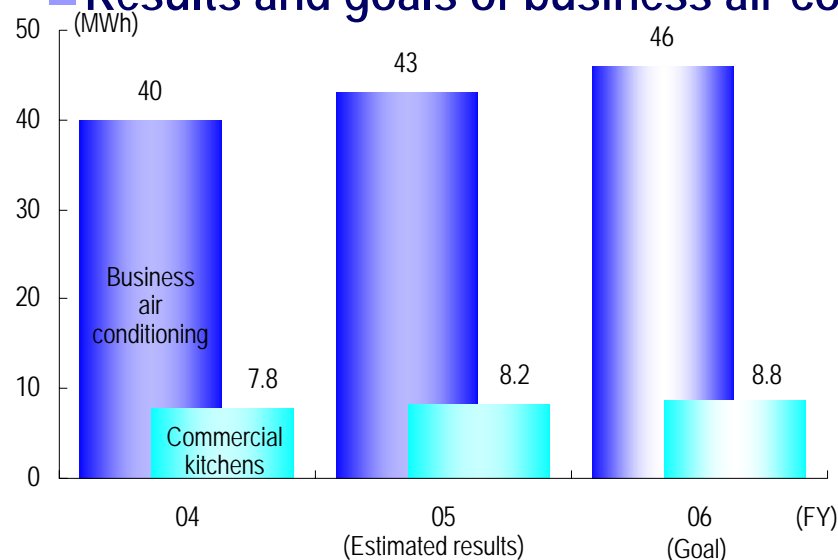


- Further reduction of initial costs

- Reduction of distribution costs by simplifying distribution routes from producers to users

Sales Activities: Corporate Service

Results and goals of business air conditioning and commercial kitchens



Efforts for FY 2007

- Implementation of a corporate electrification campaign
- Promotion of electrification and enhanced consulting activities targeted for sub-users
(Offering of optimum rate information and advice on energy cost reduction by electrification)
- Enhanced activities to get contracts to install electrical appliances in renewed buildings in the center of Sapporo
(15 years or more since completion)
- Reinforcement of corporate electrification promotion system
(reform of operation system in the head office)

Results and goals of electricity sales competing with private power generation

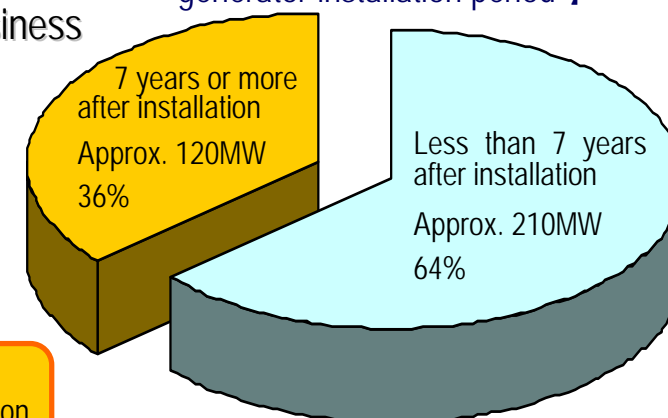
	FY 2005		FY 2006 (estimated result)		FY 2007 (goal)
	Number of cases	Thousand kW	Number of cases	Thousand kW	Thousand kW
Private power generation sold electric power	47	10	96	33	9
Sold electric power private power generation	36	28	14	10	-

Enhanced business solutions

Targets

- Reduction of electricity rate
- Offering of optimum rate information
- Aid by high-price of crude oil

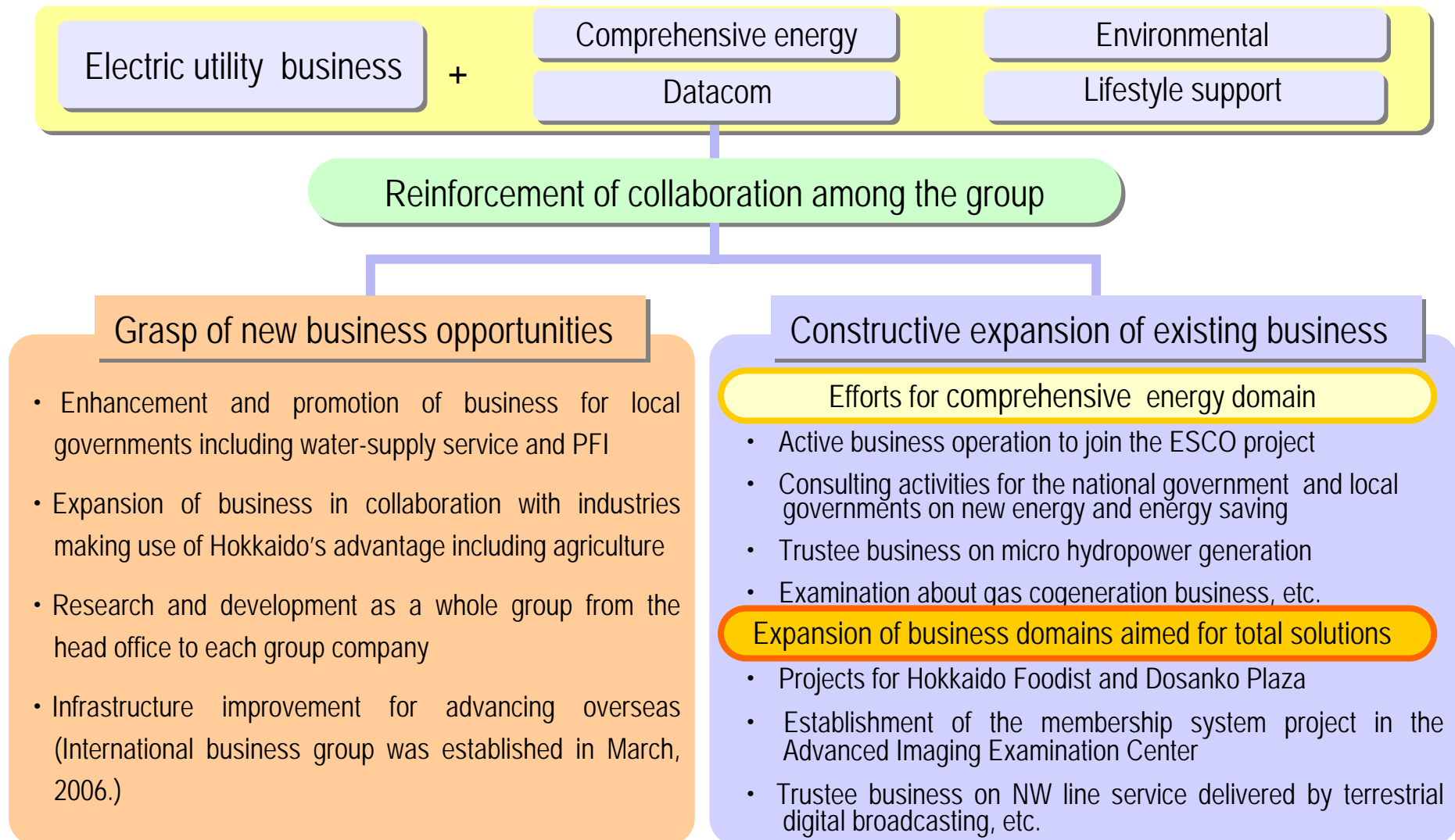
【Composition ratio of high voltage private power generator installation period】



The figures are based on the survey by our company.

Expansion of Business Areas

- Efforts to discover new business and to expand business constructively



Expansion of Business Areas: Constructive Business Expansion

Sales of Hokkaido products

Hokkaido Food Frontier Co., Ltd: Established in July 2004

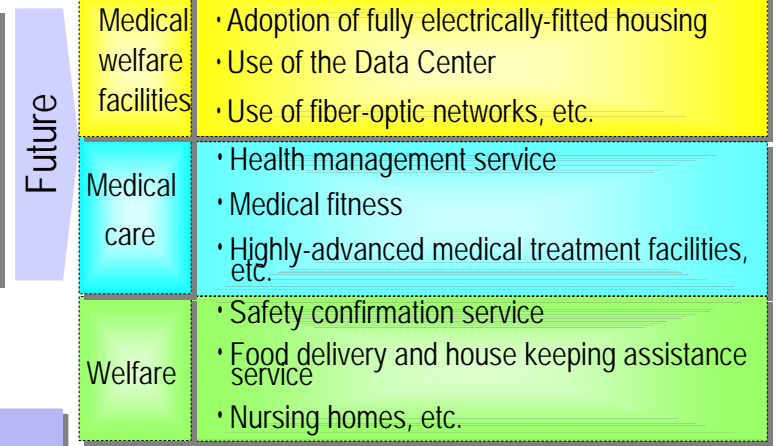
- ▶ Hokkaido Foodist Yaesu Store: Opened at Yaesu Exit of Tokyo Station in October 2004 Approx. 1,000 items
- ▶ Hokkaido Dosanko Plaza: Opened at Yurakucho in October 2005 (projects sponsored by the Hokkaido Government) Approx. 850 items



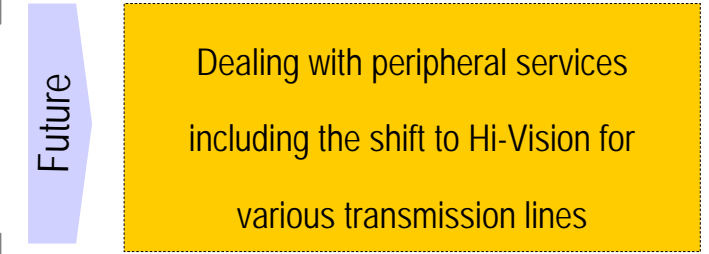
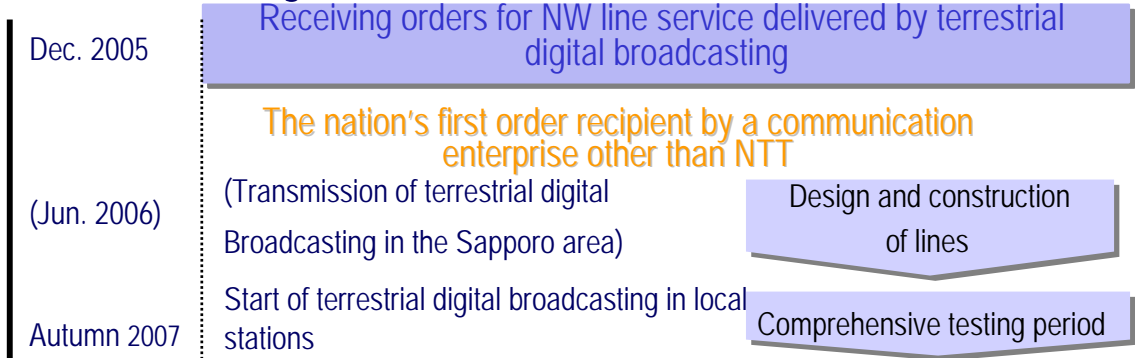
Medical welfare business

Kenko-Create Hokkaido Co, Ltd.: Established in November 2004

- ▶ LSI Sapporo Clinic: Opened in December 2005
 - ▶ Construction of a building and installation of equipment for the examination center, where advanced imaging screening including PET examination is conducted.
- ▶ Management of a members-only health club: Scheduled to be open in 2006



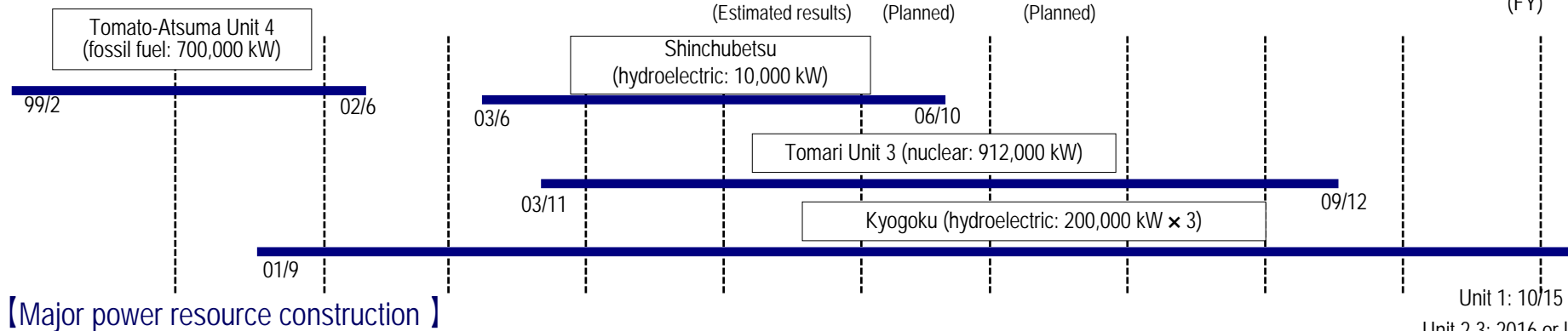
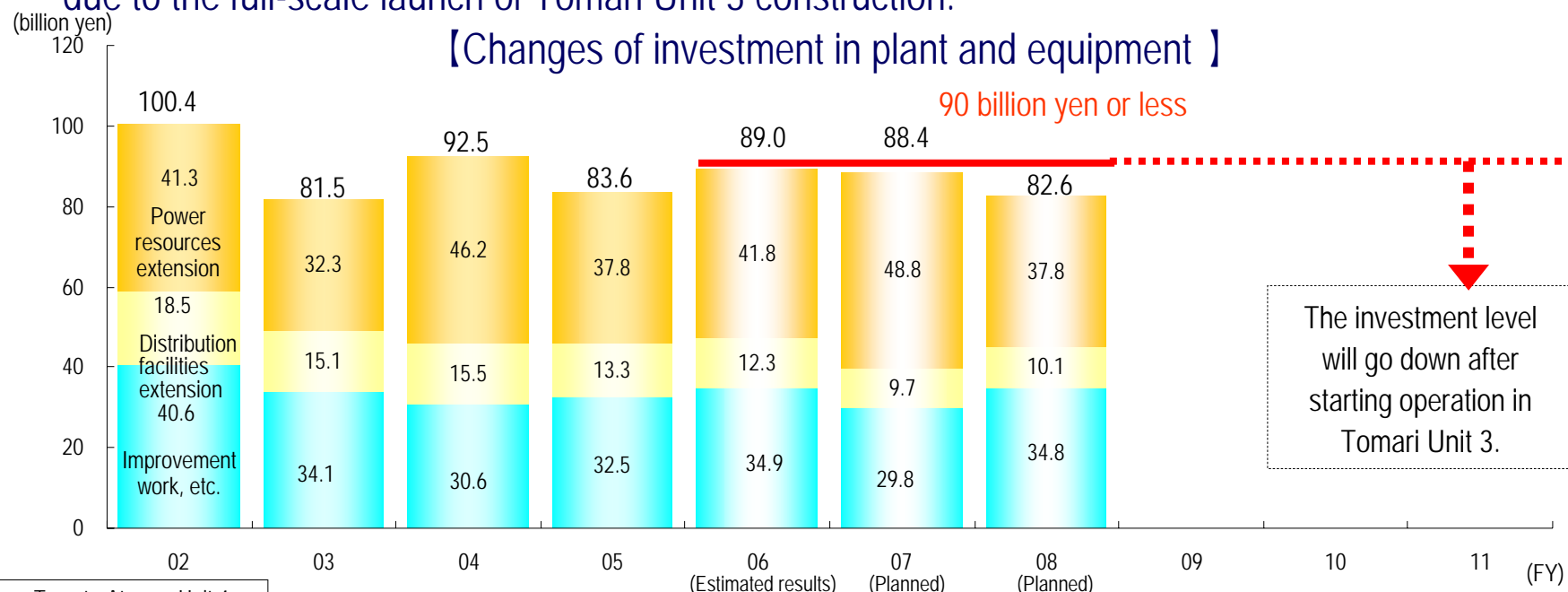
NW line service delivered by terrestrial digital broadcasting



Promotion of Efficiency

Reduction of Investment in Plant and Equipment

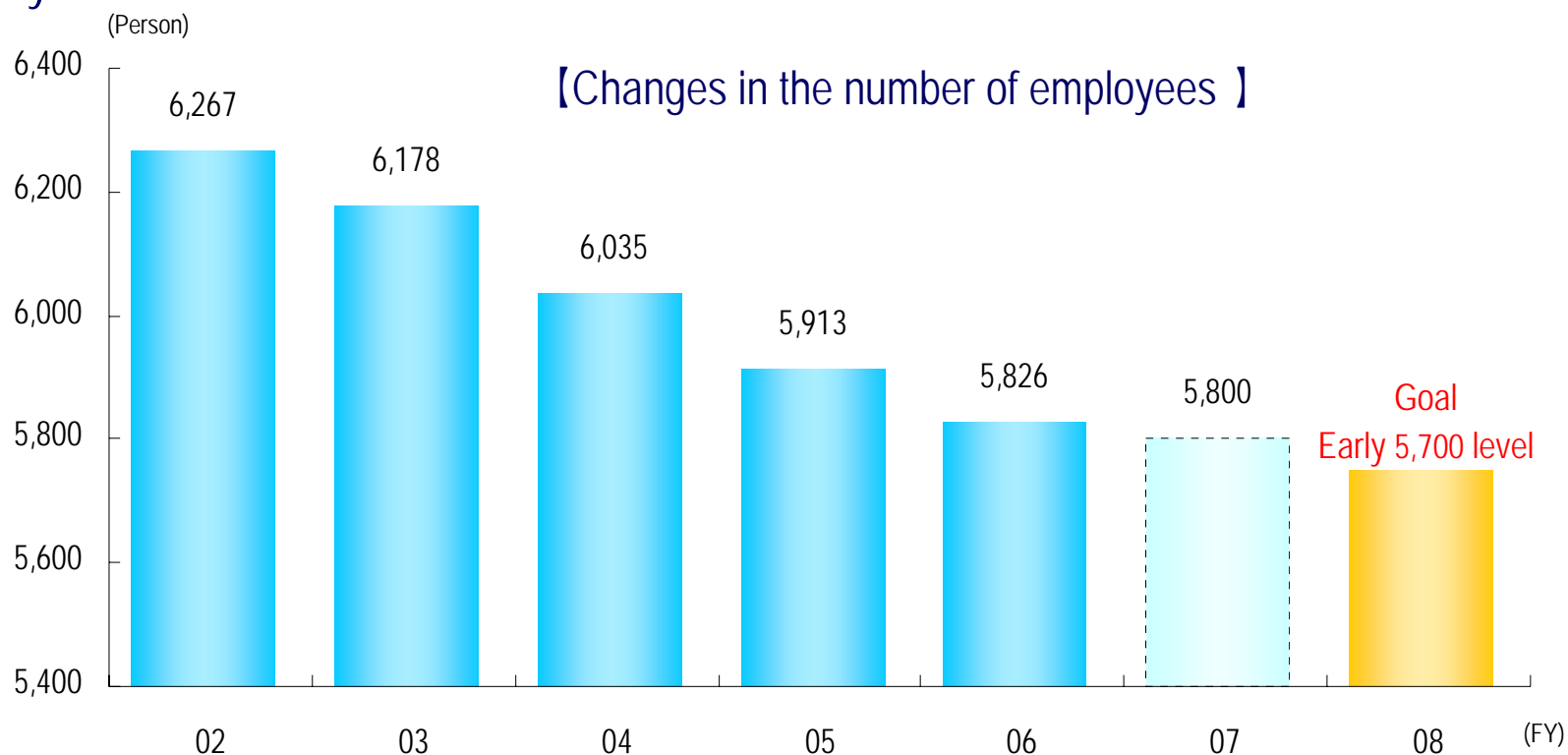
- Target 90 billion yen or less in FY 2006-2008
- Investment in plant and equipment for power resources development is expected to remain high due to the full-scale launch of Tomari Unit 3 construction.



*FY ended March 31

Workforce Reduction

- Workforce reduction after taking various viewpoints into account, such as strengthening of competitiveness, response to various business challenges, and balanced age composition of employees

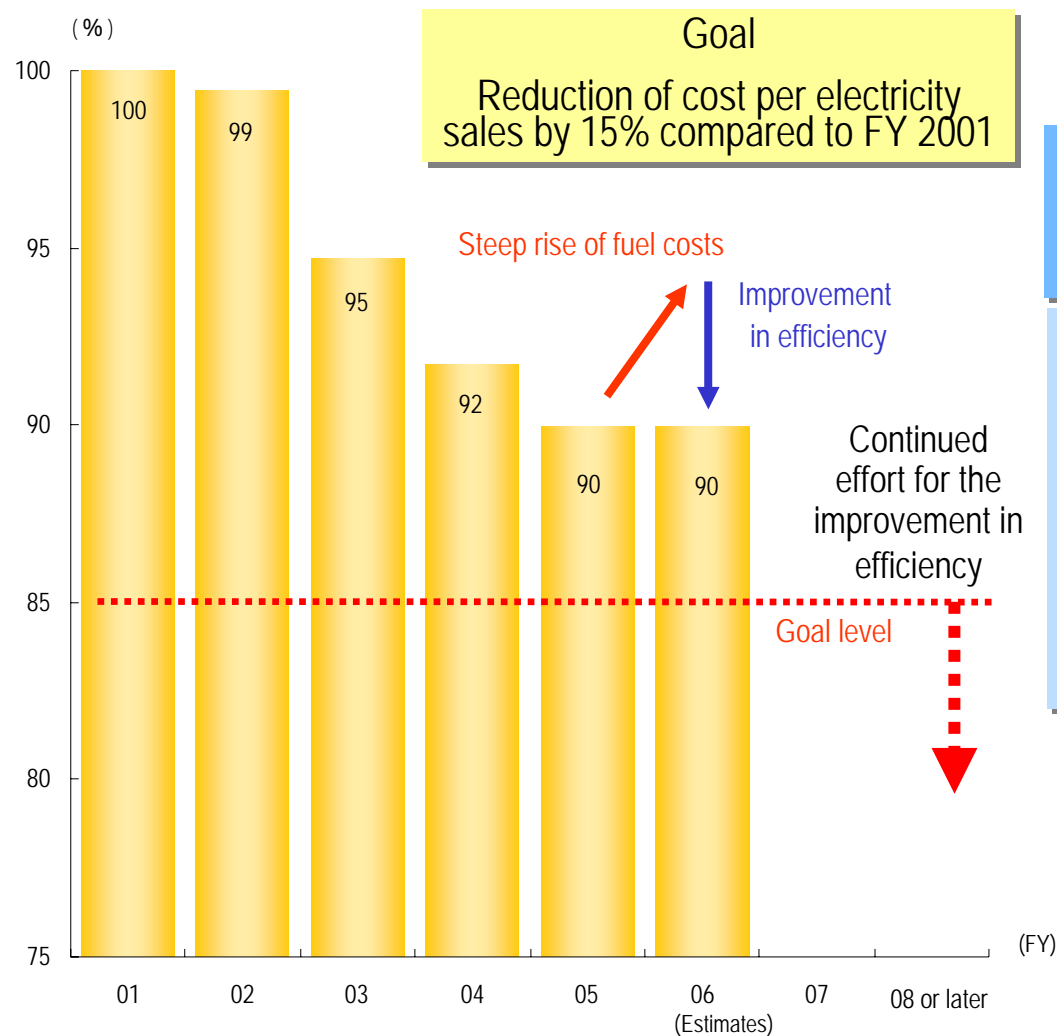


New recruits (person)	61	61	48	61	71	79	About 100
Retired employees (person)	166	150	191	183	157	About 110	—

*FY ended March 31

Improvement of Management Efficiency

- Achievement of cost reduction by 15% in FY 2007 and further improvement in efficiency



Continued effort for the improvement in efficiency as a whole group from the head office to each group company

- Establishment of supply chain management and sharing results with the whole group
- Cost reduction and upgrading of indirect operations by introducing shared services
- Steady promotion of activities in a group-wide operation system

Integrated Management of the Entire Group and Activities for CSR Management

Activities for CSR Management

Past activities

Steady development of activities for CSR management

Environment

- Establishment of the Environment Affairs Office
- Group environmental policies
- Eco-work campaign

Proper corporate behavior

- Establishment of the Corporate Behavior Committee
- Compliance counseling counter
- Compliance principles

Communication with society

- Public relations in electricity discussion sessions, etc.
- Establishment of the IR Office

Regional activities

- Support to industrial cluster creative endeavors
- Participation in local events

June 2005: Establishment of the Corporate Communication Division

April 2006: Formulation of "HEPCO Group CSR Behavior Charter"

Future activities

- Activities for CSR as a whole group
 - Penetration and settlement of "HEPCO Group CSR Behavior Charter" in the entire group
 - Clear and fair business activities with a core of electricity business

Securement of trust in society

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Upgraded corporate value

Performance Indicator

Performance Indicator

Indicator		Goal	Estimates		
			FY 2006	FY 2007	FY 2008
ROA (Gross capital operating earning rate)	Consolidated	4.5% or more (average of FY2006-FY2008)	About 4.2%	Aim to achieve the goal by implementing reduction of electricity rate in July 2006	
	Non-consolidated		About 4.2%		
Shareholders' equity ratio	Consolidated	30% or more (March 2008)	About 29%	Aim to achieve the goal step by step	
	Non-consolidated		About 29%		
Interest-bearing debt	Consolidated	720 billion yen or less (March 2008)	About 741 billion yen	Aim to achieve the goal in the face of reduction of electricity rate	
	Non-consolidated	700 billion yen or less (March 2008)	About 714 billion yen		

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