

Information Session on Management Plan in Fiscal Year 2008

Hokkaido Electric Power Co., Inc.

April 4, 2007

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

e.g. FY 2008 means the period from April 1, 2007 to March 31, 2008.

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Dividend Increase

Dividend Increase

- Partial return of profits generated by promotion of efficiency to shareholders

Stance on dividend

Under the policy of the maintenance of consecutive dividend, the level of dividend is examined in accordance with attainment level of numerical targets in the mid-term management policies, changing management environment, etc.

- HEPCO turned the 2nd year in the current mid-term management policies.
- With a shareholders' equity ratio of over 30% achieved one year earlier than the target year by "the promotion of efficiency" management activity, the financial strength is assuredly increased.

Indicator		Target	FY 2006 (Results)	FY 2007 (Estimates)
ROA (Return on asset)	Consolidated	4.5% or more (Average of FY2006-FY2008)	4.4%	Approx. 4.8%
	Non-consolidated		4.3%	Approx. 4.8%
shareholders' equity ratio	Consolidated	30% or more (End of FY 2008)	29.5%	Approx. 30%
	Non-consolidated		29.3%	Approx. 30%
Interest bearing debt	Consolidated	720 billion yen or less (End of FY2008)	740.2 billion yen	Approx. 724 billion yen
	Non-consolidated	700 billion yen or less (End of FY2008)	714.2 billion yen	Approx. 700 billion yen

The year-end dividend in March 2007 is set at 35 yen, with a 10 yen increase, and **the annual dividend is set at 60 yen**, together with the mid-term dividend in November 2006. In the subsequent terms as well, we aim to maintain a constant annual dividend of 60 yen per share.

Demand Forecast

Estimates for Demand: FY 2008

■ Estimated results in FY 2007 and plan for FY 2008

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

		Results in 2006	Estimated results in 2007	Plan for 2008
Non-eligible customers	Residential	11,541 1.2 (0.6)	11,660 1.0 (1.7)	11,896 2.0 (1.4)
	Commercial and industrial	2,218 1.9 (0.8)	2,142 3.4 (0.2)	2,197 2.6 (0.3)
	Subtotal	13,759 1.3 (0.7)	13,802 0.3 (1.4)	14,093 2.1 (1.1)
Eligible customers		17,074 2.8 (2.5)	17,716 3.8 (4.1)	18,279 3.2 (3.0)
Total		30,833 2.1 (1.7)	31,518 2.2 (2.9)	32,372 2.7 (2.2)

The figures in parentheses are after corrections for weather conditions and intercalary effects.

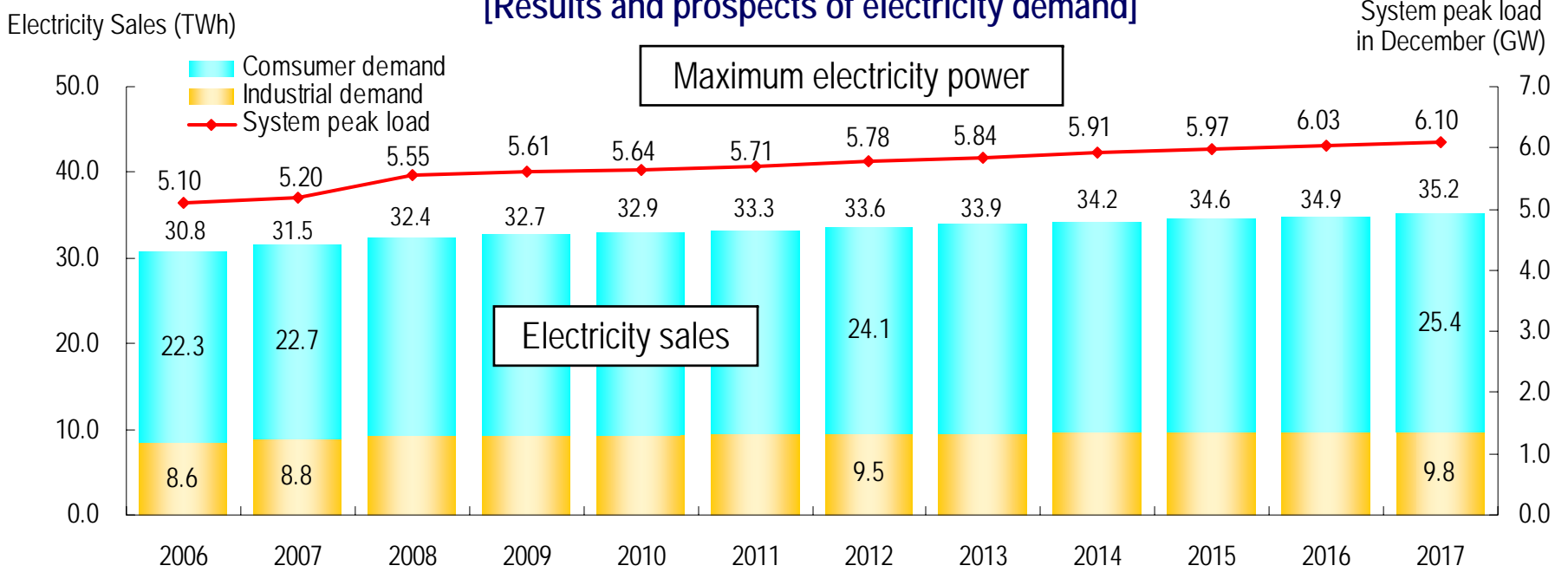
Estimates for Demand: Long-range Prospects

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

	2006	2007 (Estimated results)	2008	2012	2017	2006-17 (Annual average growth rates, %)
Electricity sales (TWh)	30.8	31.5	32.4	33.6	35.2	1.2 (1.2)
Consumer use (TWh)	22.2	22.7	23.2	24.1	25.4	1.2
Industrial use (TWh)	8.6	8.8	9.2	9.5	9.8	1.2
System peak load (GW)	5.10	5.20	5.55	5.78	6.10	1.6 (1.3)

The figures in parentheses are after corrections for weather conditions and intercalary effects.

[Results and prospects of electricity demand]



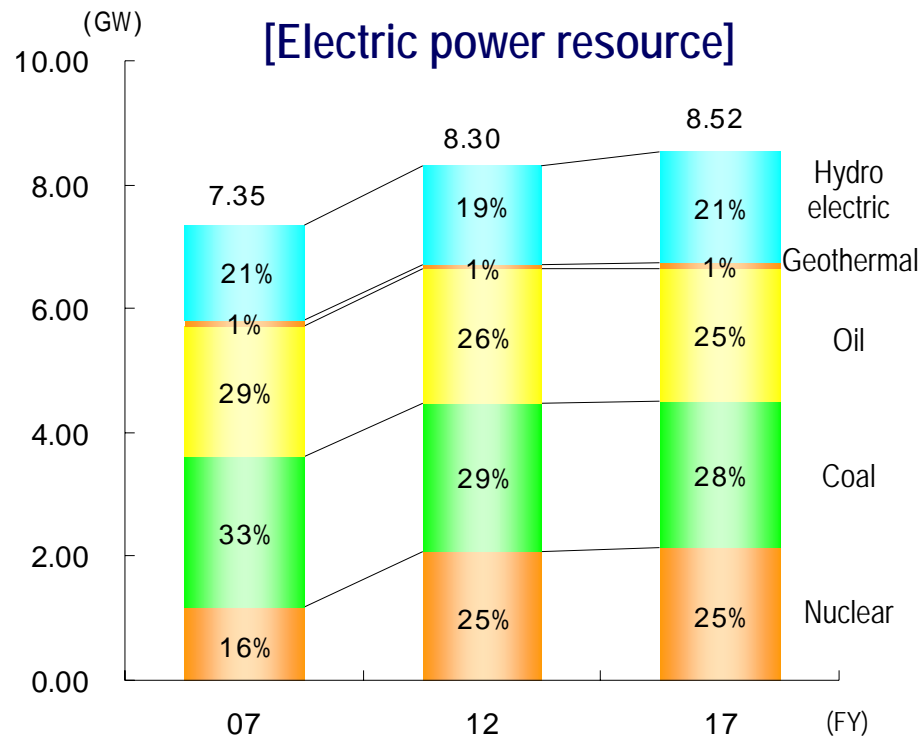
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Electric Facility Plan

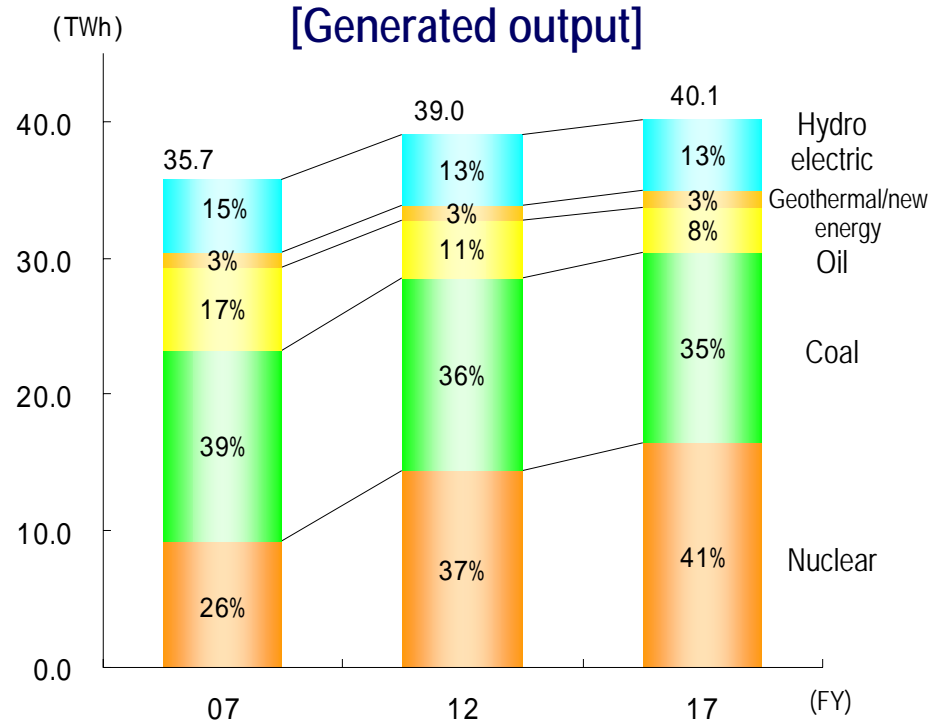
Power Resource Development Plan

[Power resource development plan]

	Electric power station	Power output (MW)	Start of construction	Start of operation
Hydroelectric	Kyogoku	600 (200 x 3 plants)	Sep. 2001	Oct. 2015 (Unit 1) FY 2017 or later (Unit 2, 3)
Nuclear	Tomari (Unit 3)	912	Nov. 2003	Dec. 2009



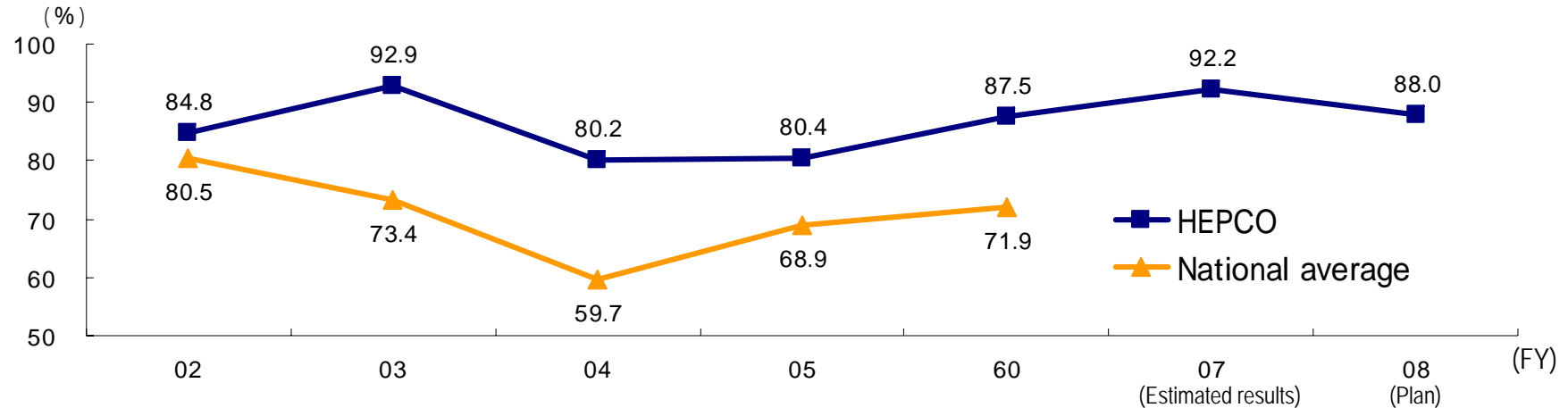
Well-balanced composition of power resources



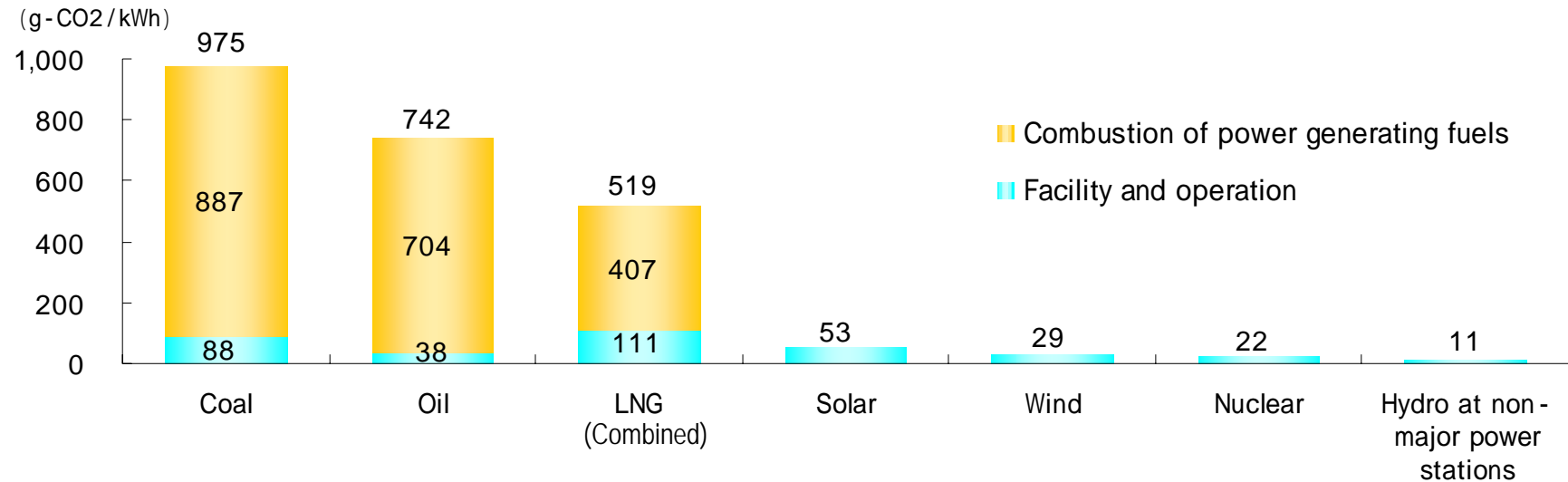
Increasing rate of nuclear energy due to its low fuel costs

Nuclear Power Generation

Utilization factors at Unit 1 and 2 of Tomari Nuclear Power Station



CO₂ emissions by power resource

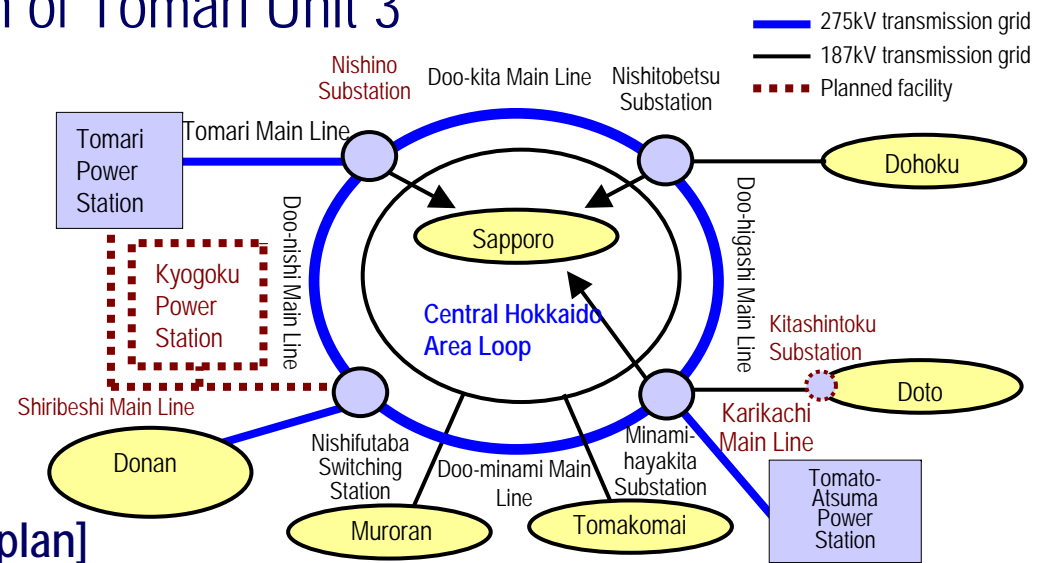


Source: reports by Central Research Institute of Electric Power Industry, etc.

Electric Power Distribution Facility Plan

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

- Adding another route in the transmission grid along with building an additional plant in Tomari Power Station
- Improvement in substations due to an increase in demand



[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	Apr. 2003	Oct. 2007
In preparation of construction	Karikachi Main Line (pressure rising)	Minamihayakita Substation - Kitashintoku Substation	275	114	2	Jul. 2008	Nov. 2008

[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
Under construction	Kitashintoku (new construction)	900	275/187/66	450/450/100	2	May 2006	Dec. 2008*
	Nishino (expansion)	600	275/187/66	600/600/100	1	Jan. 2007	Nov. 2008

*After pressure rising to 275kV on Karikachi Main Line, the Kitashintoku Substation will partially start its operation in November 2008.

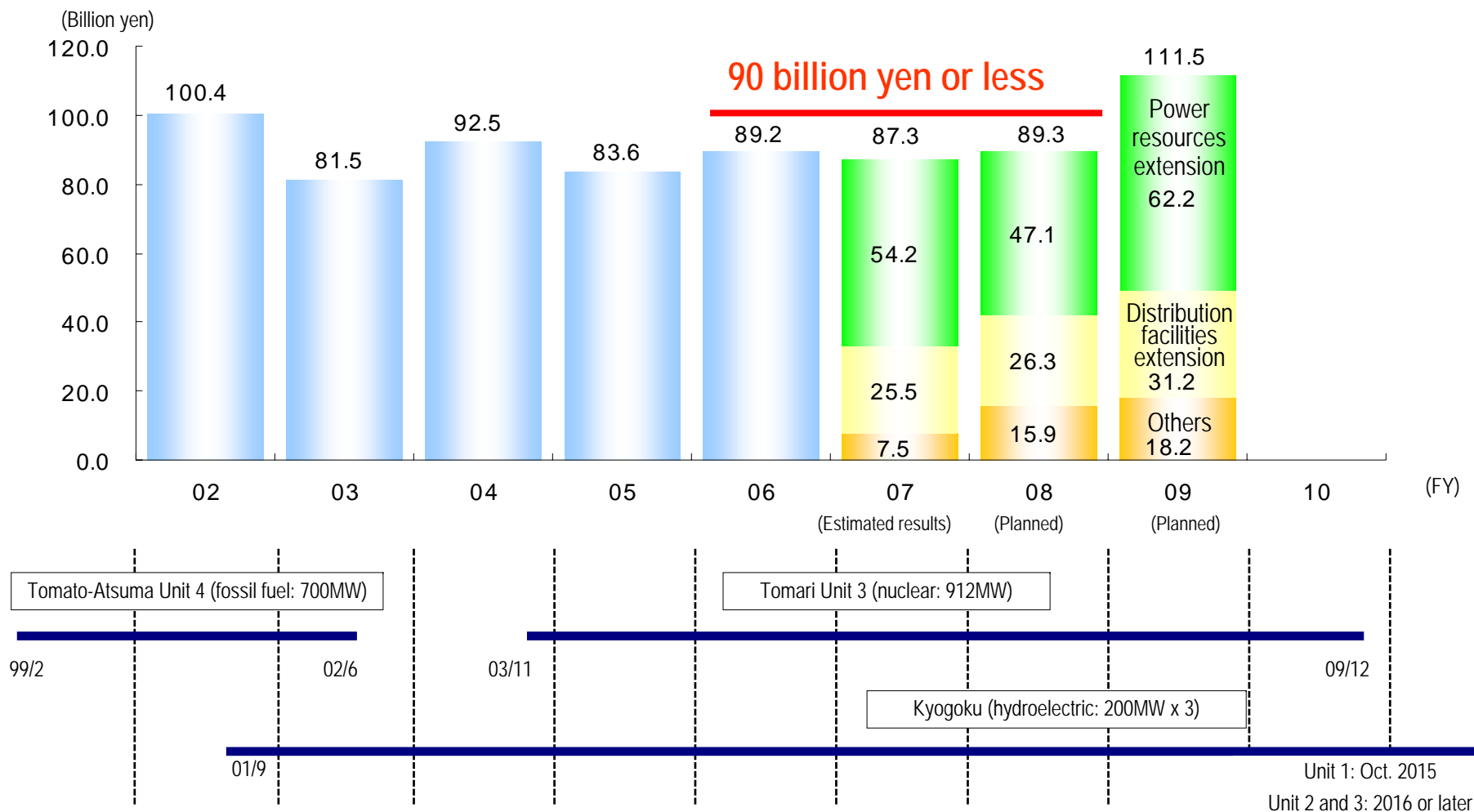
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Promotion of Efficiency

Changes in Investment in Plant and Equipment

■ Target 90 billion yen or less in FY 2006-2008

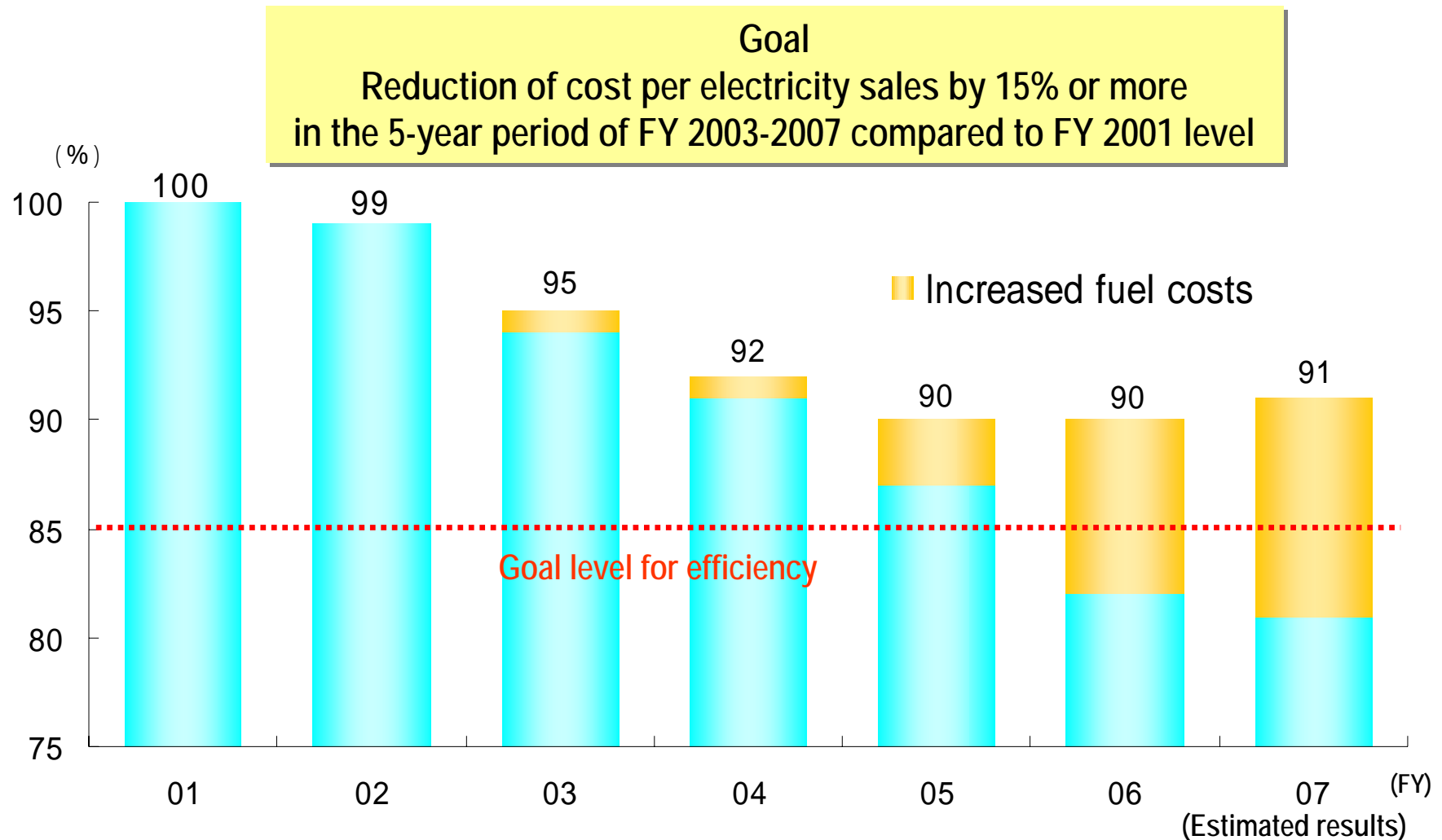
- Investment in plant and equipment is expected to remain high due to the full-scale launch of Tomari Unit 3 construction.



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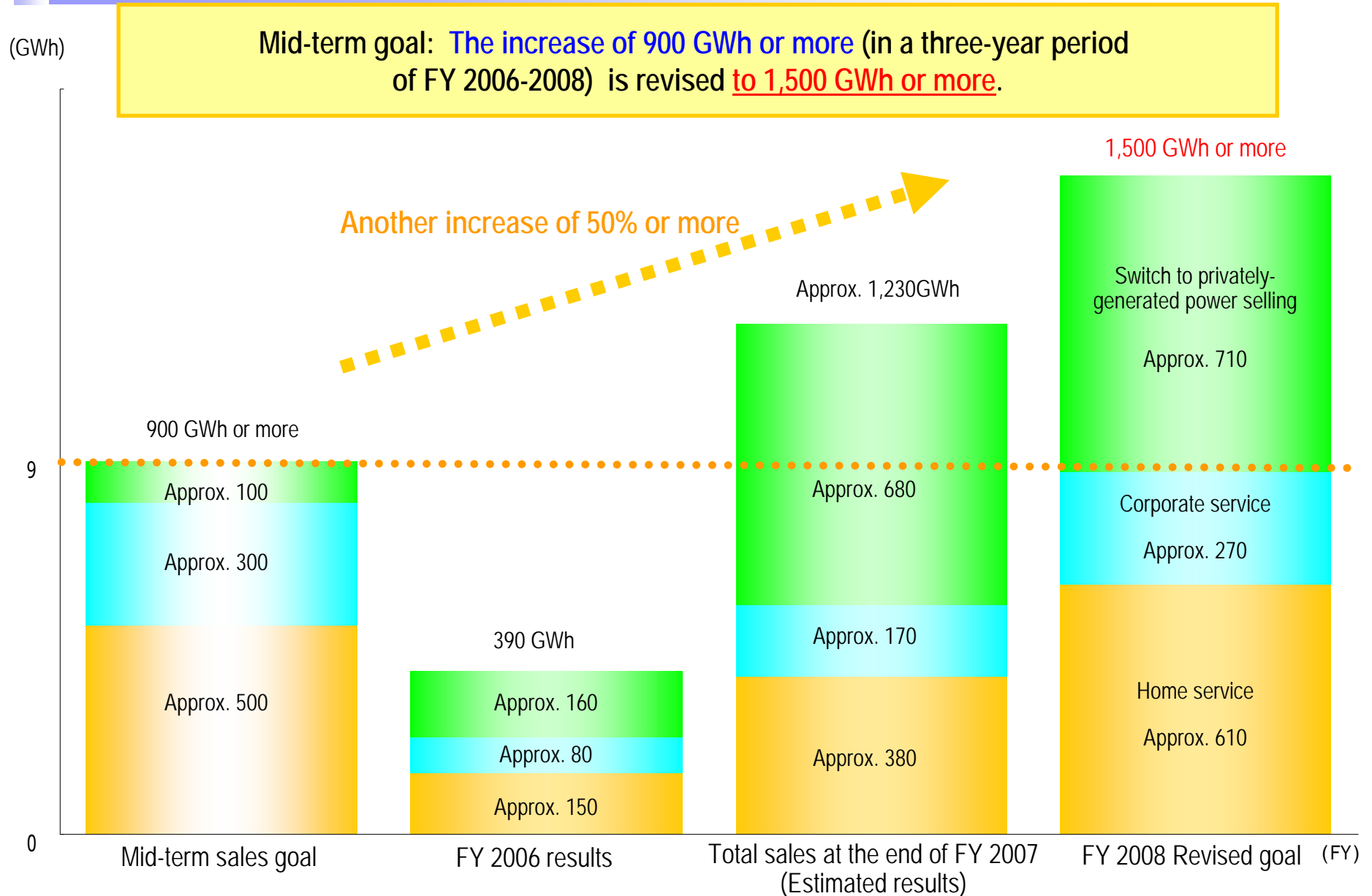
Improvement in Management Efficiency

- Our activities to achieve cost reduction by 15% in FY 2007



Sales Activities

Sales Activities: Upward Revision of Sales Goals

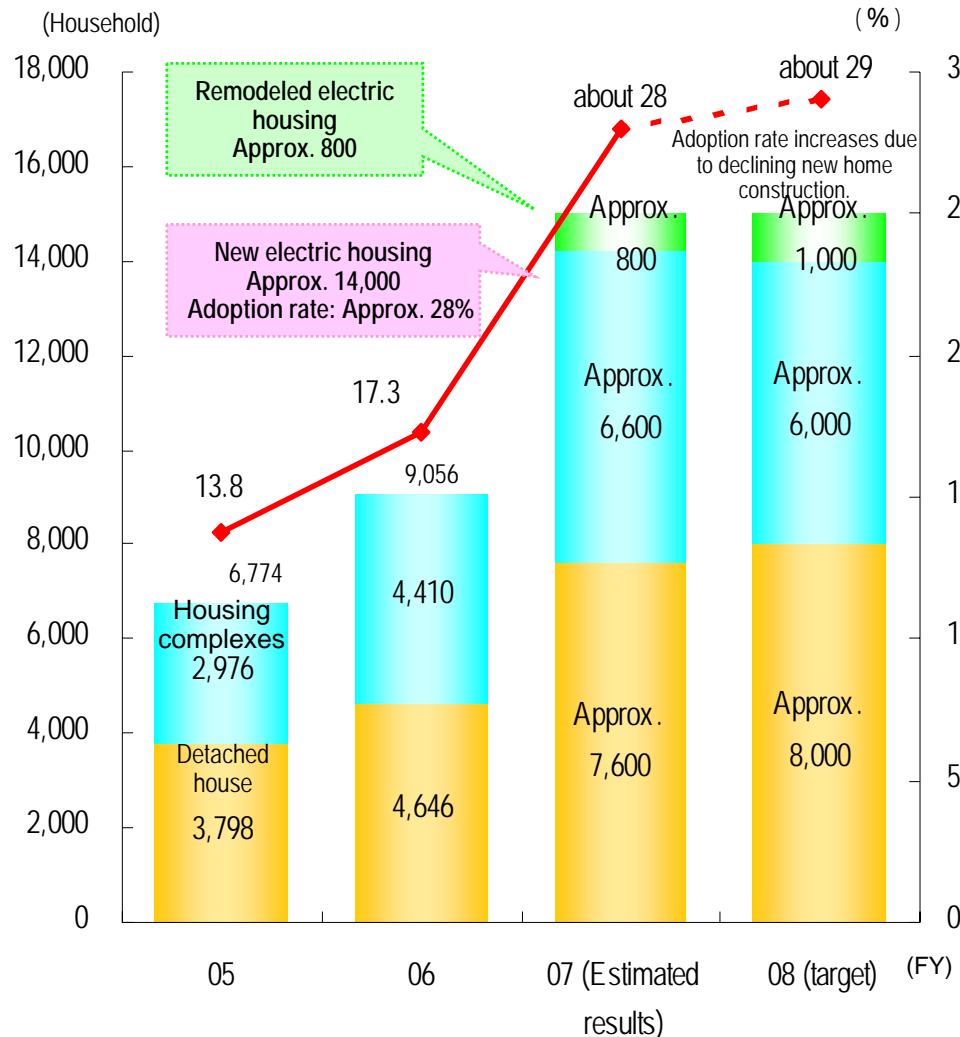


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Sales Activities: Home Service

■ About **one third of new homes** will be built with total electric systems.

[Results and goals of total electric housing]



[Factors in the increase in total electric housing]

More competitive price advantage

- Reduction in electricity rate (Jul. 2007): running costs cut by about 4%
- The kerosene price sharply rises and remains high.

Enhanced variation on electric appliances

- More various heating equipment, such as electric boilers and panel heaters, are available.

More strenuous sales efforts

- Enhanced route sales to major condominium developers

[FY 2008 key activities]

Goal: Approx. 15 thousand total electric houses (incl. remodeled electric housing)

Enhanced activities for expanding electrification to remodeling market

- Expansion and enhancement of sales networks to remodeling industry and equipment companies
- Development of electrification remodeling consulting tools

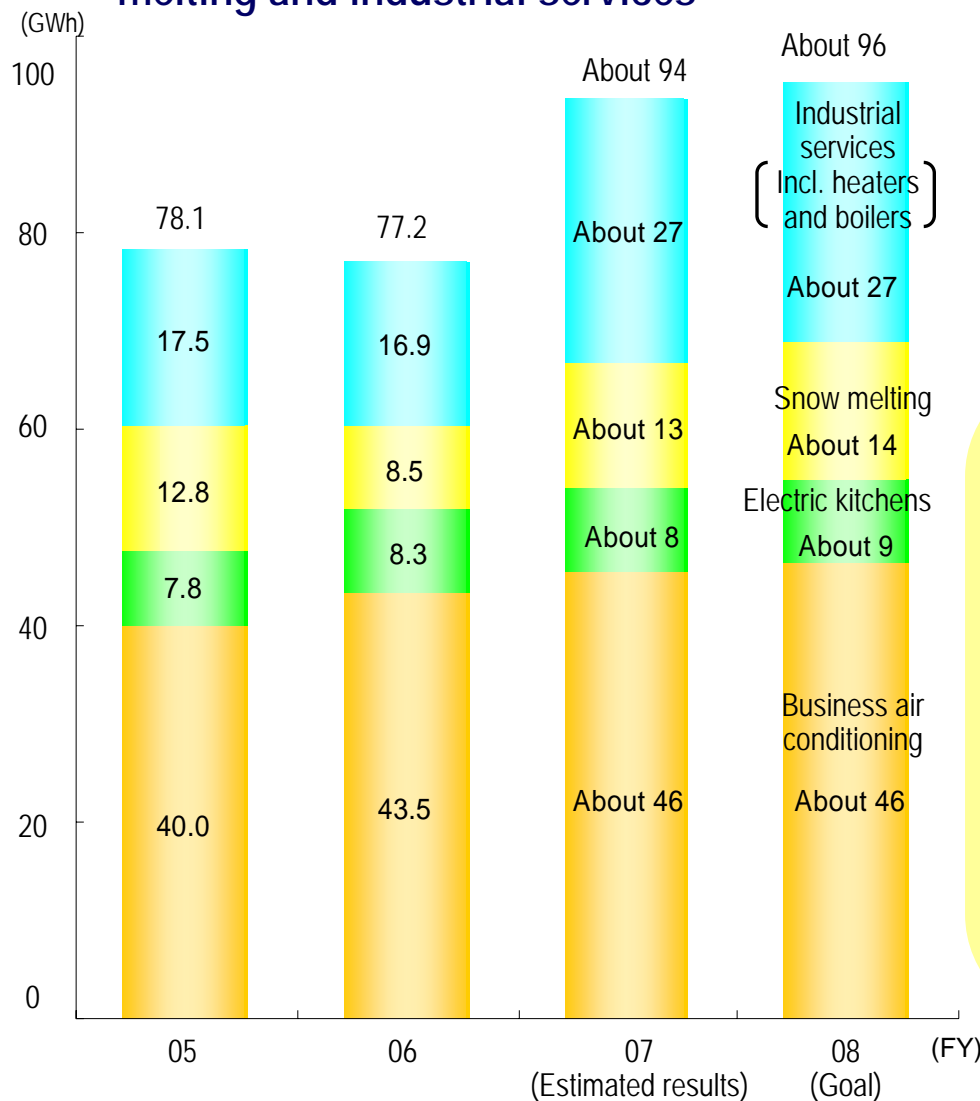
Development and sales promotion of electric appliances for local use in Hokkaido

- Heat pump devices (development of heaters and boilers in a combined system)
- Eco-Cute (for cold region)

*Total electric housing in FY 2004 and 2005 include remodeled electric homes.

Sales Activities: Corporate Service

■ Results and goals of promotion for business air conditioning, electric kitchens, snow melting and industrial services



[FY 2007 results]

The sales activities were expanded primarily in the central Sapporo area, particularly in the field of business air conditioning such as renewed property transactions.

Corporate electrification service achieved overall steady sales volumes.

[FY 2008 key activities]

Key policies

- Active proposals on electric systems for hot water supply, in addition to business air conditioning and electric kitchens
- Presentation of more proposals on demands for renewed properties and facility replacement

Target market

- Presentation of more proposals for chain restaurants with expected demands for hot water supply, in addition to conventional office buildings, hospitals, welfare facilities, etc.

Our proposed equipment and system

- Presentation of proposals on total electric housing by combining Hokkaido-specified "high-efficiency multi air conditioners for office buildings (jointly developed with a manufacturer)" with "commercial water heater (Eco-Cute)"

Specific activity plan

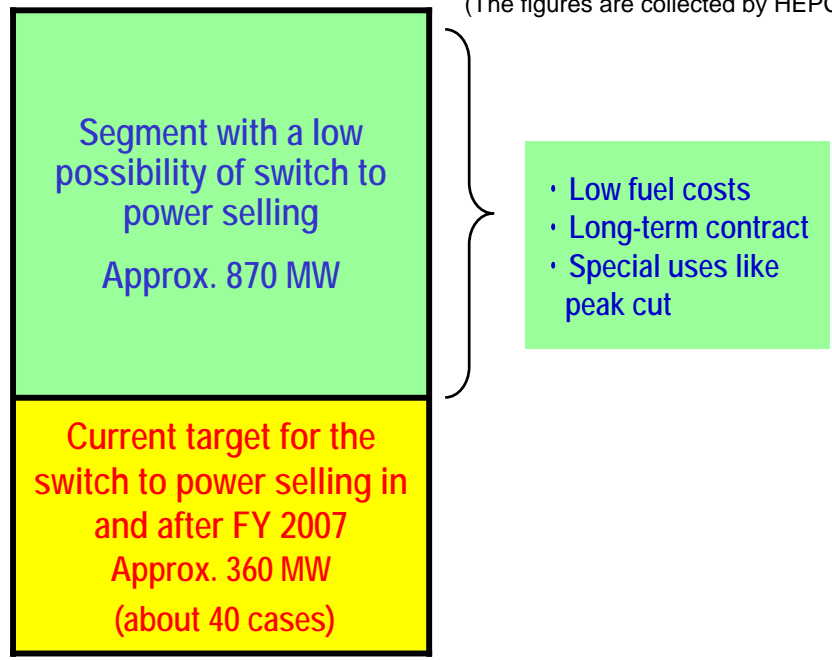
- Proactive expansion of optimal proposals using energy diagnosis approach, etc.
- Top sales for architect offices, owners, etc.

Sales activities: Switch to Privately-generated Power Selling

Results on the switch to privately-generated power selling

FY 2006		FY 2007 (Estimated results)	
Number of Cases	MW	Number of Cases	MW
98	33	224	110

Private power generation using A-type heavy oil:
approx. 120 MW (at the end of FY 2008)
(The figures are collected by HEPCO.)



[Factors in the promotion of the switch to power selling]

Reduction in electricity rate in July 2006
Proactive expansion of sales activities like presentation of proposals for optimal electricity rates
Impacts by the rise in crude oil price: withdrawal of major on-site operators from power generating business



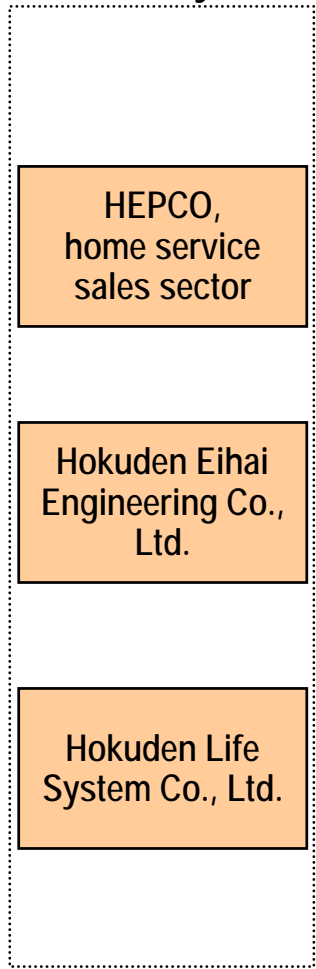
[FY 2008 key activities]

By highly focusing on target customers that can accept our power sales, solution activities will be intensively conducted for individual customers.

Sales Activities: Enforcement of sales system for home service

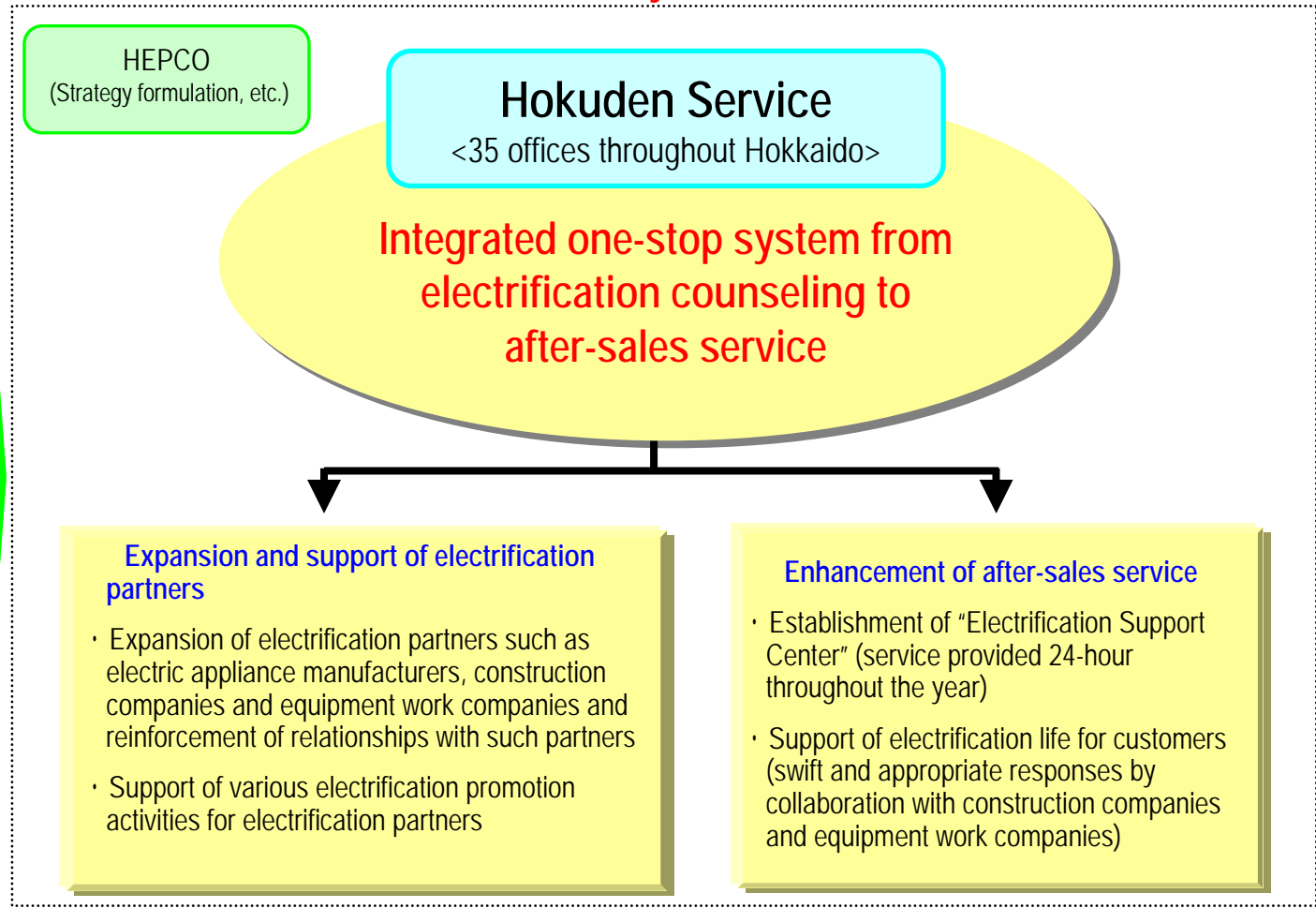
- The sales operations in the home service will be consolidated into “Hokuden Service Co., Ltd.”
- The integrated sales system is aimed at expanding the electrification market.

<Current system>



Integrated

<New system>

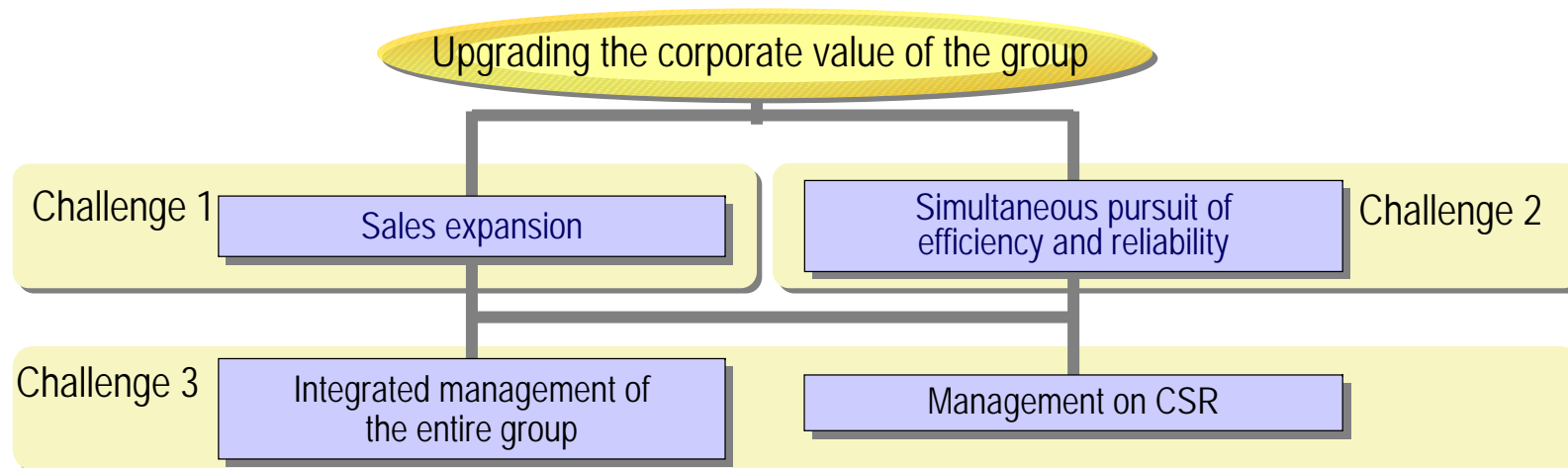
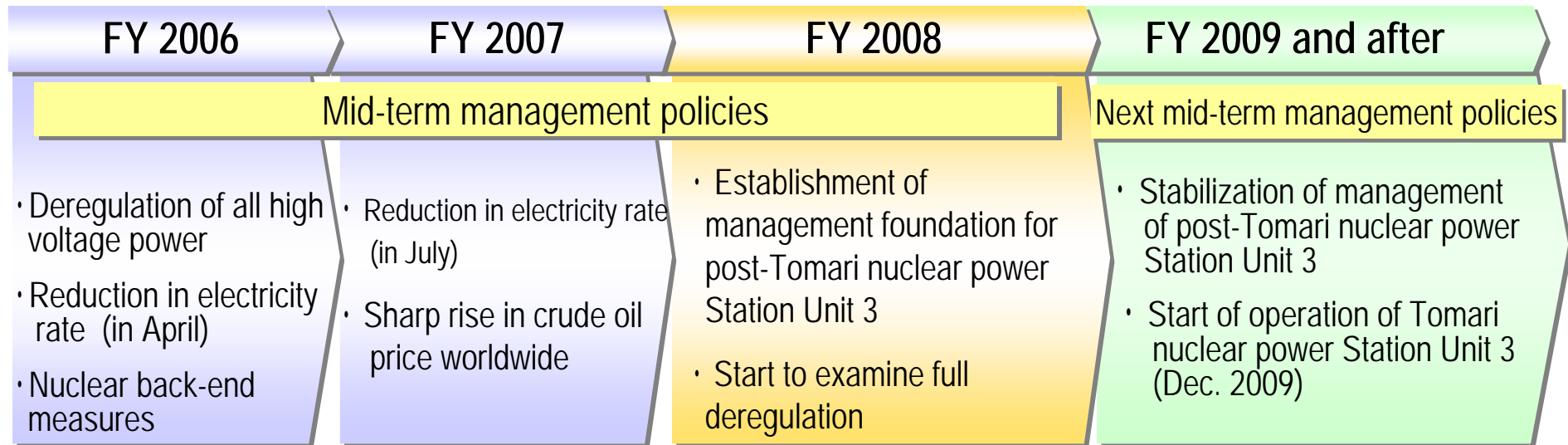


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Positioning of Management Plan in FY 2008

Positioning of Management Plan in FY 2008

- Final year of the mid-term management policies



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Contact

Hokkaido Electric Power Co., Inc. (HEPCO)
IR Office

Iwasaka, Iwai and Achi

2, Higashi 1-chome, Odori, Chuo-ku, Sapporo,
Hokkaido 060-8677, Japan

Tel: (81) 11-251-4833 (Direct number)

Fax: (81) 11-251-1607

URL: <http://www.hepco.co.jp>