

# Financial Results

## for the Six-months Ended September 30, 2006

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Hokkaido Electric Power Co., Inc.

November 7, 2006

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# Financial Results for the Six-months Ended September 30, 2006

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# Summary of Financial Results



## ■ Points of financial results; Increase in revenues / increase in income

Non-consolidated / Consolidated	Revenues	[Increase factors] Increase in electricity sales, and influence of rate adjustment due to fuel cost, etc. [Decrease factors] Rate reduction in July, 2006
	Expenditures	[Increase factors] Fuel price hike, etc. [Decrease factors] High utilization of Tomari nuclear power plant, decrease in depreciation cost and interest payment, etc.

(Billion yen)

	Non-consolidated			Consolidated		
	April 1 – Sept. 30, 2006 (A)	April 1 – Sept. 30, 2005 (B)	(A)/(B)%	April 1 – Sept. 30, 2006 (A)	April 1 – Sept. 30, 2005 (B)	(A)/(B)%
Electricity Sales (TWh)	15.0	14.7	102.2	—	—	—
Operating Revenues	255.2	240.8	106.0	263.8	246.4	107.1
Operating Income	46.2	36.1	128.1	47.2	38.3	123.2
Ordinary Income	40.7	29.8	136.5	41.8	31.4	133.1
Net Income	25.0	19.3	129.2	25.6	20.5	125.0

# Electricity Sales

Total electricity sales have increased by 2.2% compared to the previous term

- There was an effect on residential and commercial/industrial power demand caused by the reduced contract with low voltage power, but as a result of proactive sales activities fully electrically-fitted houses increased in popularity, leading to a 0.3% increase compared with the same period of the previous year.
- In the eligible customers segment, in addition to large retailers opening new stores and booming production in the steel and paper/pulp industries, we pressed forward with activities designed to expand the use of electricity in air-conditioning and other equipment while more businesses switched to our supply from private power production. These and other factors resulted in a 3.5% increase over the same period of the previous year.

(GWh)

		April 1 – Sept. 30, 2006(A)	April 1 – Sept. 30, 2005 (B)	Increase/decrease (A)-(B)	Comparison (A)/(B)%
Non-eligible Customers	(Time of Use is shown separately)	(619)	(573)	(46)	(108.1)
	Residential	5,382	5,352	30	100.6
	Commercial and Industrial	889	901	12	98.7
	Subtotal	6,271	6,253	18	100.3
Eligible Customers		8,734	8,435	299	103.5
Total		15,005	14,688	317	102.2

# Power Supply

- Due to higher water flow rate in the current midterm which reached 103.4%, more than average per year and our appropriate operation of supply facilities by high utilization of Tomari nuclear power plant and so forth, we could maintain a stable power supply.

(GWh)

		April 1 – Sept. 30, 2006(A)	April 1 – Sept. 30, 2005 (B)	Increase/decrease (A)-(B)	Comparison (A)/(B)%
Hokkaido Electric Power Co., Inc.					
[Water flow rate%]		(103.4%)	(111.4%)	( 8.0%)	
Hydroelectric		2,211	2,330	119	94.9
Thermal power		6,903	7,175	272	96.2
[Nuclear capacity ratio %]		(101.7%)	(88.0%)	(13.7%)	
Nuclear		5,171	4,476	695	115.5
Subtotal		14,285	13,981	304	102.2
Purchased power		2,270	2,214	56	102.5
Interchanged power		11	5	6	193.4
Power used for pumped storage		56	52	4	107.7
Total		16,488	16,138	350	102.2
Foreign exchange rate	yen/\$	115	109	6	—
CIF crude oil price	\$/bl	67.8	53.1	14.7	—
CIF overseas coal	\$/t	62.2	62.9	0.7	—

# Statements of Income (Non-consolidated Revenues)



(Billion yen)

		April 1 – Sept. 30, 2006(A)	April 1 – Sept. 30, 2005 (B)	Increase/decrease (A)-(B)	Major factors for increase/decrease
Operating Revenues	Electricity Sales	253.3	239.2	14.1	<ul style="list-style-type: none"> <li>· Effect on the rate reduction ( 3.5)</li> <li>· Increase in electricity sales (4.2)</li> <li>· Effect on rate adjustment due to fuel cost , etc (13.4)</li> </ul>
	Other Revenues	1.9	1.6	0.2	
	Total	255.2	240.8	14.3	
Non-operating Revenues		1.1	1.0	0.1	
Ordinary Revenues		256.4	241.9	14.4	

# Statements of Income (Non-consolidated Expenses)



(Billion yen)

		April 1 –Sept. 30, 2006(A)	April 1 –Sept. 30, 2005 (B)	Increase/decrease (A)-(B)	Major factors for increase/decrease
Operating Expenses	Personnel	38.2	39.0	0.7	<ul style="list-style-type: none"> <li>• Decrease in amortization of actuarial difference( 0.5)</li> <li>• Decrease in amortization of past service liability( 0.2)</li> </ul>
	Fuel & Purchased Power	52.4	46.3	6.0	<ul style="list-style-type: none"> <li>• Increase in generation in nuclear power plant ( 6.9)</li> <li>• Increase in electricity sales (3.7) , fuel price hike (6.1)</li> </ul>
	Maintenance	26.5	26.9	0.3	<ul style="list-style-type: none"> <li>• Decrease in regular inspection cost of thermal power plants ( 0.6)</li> </ul>
	Depreciation	31.0	33.3	2.2	<ul style="list-style-type: none"> <li>• Fixed percentage depreciation effect ( 3.6)</li> </ul>
	Other Expenses	60.6	59.1	1.4	<ul style="list-style-type: none"> <li>• Increase in information processing cost(1.3)</li> </ul>
	Total	208.9	204.7	4.2	
Non-Operating Expenses	Interest	6.3	6.0	0.2	<ul style="list-style-type: none"> <li>• Increase in interest rate(0.2)</li> </ul>
	Other Expenses	0.3	1.2	0.8	<ul style="list-style-type: none"> <li>• Effects of the declared loss which accompanied changes to the retirement benefit scheme in the previous fiscal year( 1.0)</li> </ul>
Ordinary Expenses		215.7	212.1	3.5	
Reserve for Fluctuation in Water Level		1.2	0.1	1.1	<ul style="list-style-type: none"> <li>• Increase of reserve limitation due to fuel price hike</li> </ul>

# Comparison with Financial Outlook (Non-consolidated)



(Billion yen)

	Increase/decrease compared to April 1 – Sept. 30, 2005		Increase/ decrease (A)-(B)	Major factors for increase/decrease
	April 1 – Sept. 30, 2006 (A)	Projection announced in May, 2006 (B)		
(Electricity Sales: TWh) Operating Revenues	(0.3) 14.3	(Approx. 0.1) Approx. 9.0	(Approx. 0.4) Approx. 5.0	<ul style="list-style-type: none"> <li>· Increase in electricity sales (5.0)</li> </ul>
Operating Expenses	4.2	Approx. 1.0	Approx. 5.0	<ul style="list-style-type: none"> <li>· Increase in amount of hydro-electric power generation ( 3.0)</li> <li>· Increase in electricity sales (5.0)</li> <li>· Fuel price hike (2.0)</li> </ul>
Operating Income	10.1	Approx. 10.0	Approx. 0.0	
Non-operating Income	0.7	Approx. 0.0	Approx. 0.0	
Ordinary Income	10.8	Approx. 10.0	Approx. 0.0	

# Balance Sheets



(Billion yen)

		As of Sept. 30, 2006(A)	As of March 31, 2006 (B)	Increase/ decrease (A)-(B)	Major factors for increase/decrease
Asset	Non-consolidated	1,428.6	1,415.8	12.7	<ul style="list-style-type: none"> <li>• Depreciation ( 31.0)</li> <li>• Capital Expenditure (41.7)</li> </ul>
	Consolidated	1,504.4	1,490.1	14.3	
Liabilities	Non-consolidated	995.6	1,001.0	5.3	<ul style="list-style-type: none"> <li>• Accrued income taxes (15.5)</li> <li>• Interest-bearing Debt ( 19.6)</li> </ul>
	Consolidated	1,037.8	1,042.1	4.2	
Equity	Non-consolidated	432.9	414.8	18.1	<ul style="list-style-type: none"> <li>• Dividend ( 5.2)</li> <li>• Net interim Income (25.0)</li> </ul>
	Consolidated	457.9	439.2	18.6	

Note: Consolidated data excluding minority shareholders' interest

## Performance Indicator (Non-consolidated)

Shareholders' Equity Ratio (%)	30.3	29.3	1.0	Target: 30% or more (in March, 2008)
Interest-bearing Debt Outstanding (Billion yen)	694.5	714.2	19.6	Target: 700 billion yen or less (in March, 2008)

# Consolidated Cash Flow



(Billion yen)

	April 1 – Sept. 30, 2006(A)	April 1 – Sept. 30, 2005 (B)	Increase/ decrease (A)-(B)	Major factors for increase/decrease
Operating Activities	72.3	61.0	11.3	<ul style="list-style-type: none"> <li>· Increase in expense due to increase of inventories ( 7.8)</li> <li>· Increase in interim net income before taxes (9.2)</li> <li>· Decrease in payment of taxes (7.2)</li> </ul>
Investing Activities	42.9	31.5	11.4	<ul style="list-style-type: none"> <li>· Increase in expenditure for purchase of fixed assets ( 7.1)</li> </ul>
Financing Activities	24.7	29.4	4.6	<ul style="list-style-type: none"> <li>· Decrease in reduction of interest-bearing debt (4.7)</li> </ul>
Increase/decrease in Cash & Cash Equivalents	4.6	0.0	4.5	

# Outlook for the Full Year Ending in March, 2007

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# Outlook for the Full Year Ending in March, 2007



## ■ Non-consolidated

(Billion yen)

	Current projection (A)	Projection announced in May, 2006 (B)	April 1, 2005 – March 31, 2006 (C)	Increase/decrease		Comparison
				(A)-(B)	(A)-(C)	(A)/(C) %
Electricity Sales (TWh)	Approx. 31.6	Approx. 30.7	30.8	Approx. 0.9	Approx. 0.8	102.5
Operating Revenues	Approx. 536.0	Approx. 523.0	513.4	Approx. 13.0	Approx. 23.0	104.4
Operating Income	Approx. 68.0	Approx. 68.0	59.8	Approx. 0.0	Approx. 8.0	113.6
Ordinary Income	Approx. 54.0	Approx. 54.0	47.0	Approx. 0.0	Approx. 7.0	114.7
Net Income	Approx. 33.0	Approx. 34.0	30.1	Approx. 1.0	Approx. 3.0	109.4

## ■ Consolidated

(Billion yen)

Operating Revenues	Approx. 562.0	Approx. 549.0	536.8	Approx. 13.0	Approx. 25.0	104.7
Operating Income	Approx. 72.0	Approx. 72.0	64.6	Approx. 0.0	Approx. 8.0	111.4
Ordinary Income	Approx. 57.0	Approx. 57.0	50.1	Approx. 0.0	Approx. 7.0	113.6
Net Income	Approx. 35.0	Approx. 36.0	32.2	Approx. 1.0	Approx. 3.0	108.6

# Cash Flow Outlook for the Full Year Ending in March, 2007



(Billion yen)

	Projection (A)	Projection in May, 2006 (B)	April 1, 2005 – March 31, 2006 (C)	Increase/decrease		Major factors for increase/decrease compared with April 1, 2005 – March 31, 2006
				(A)-(B)	(A)-(C)	
Operating Activities	Approx. 120.0	Approx. 120.0	111.2	0.0	Approx. 9.0	· Increase in income before taxes
Investing Activities	Approx. 93.0	Approx. 93.0	94.6	0.0	Approx. 1.0	
Financing Activities	Approx. 27.0	Approx. 27.0	16.8	0.0	Approx. 10.0	· Increase in reduction of interest-bearing debt
Increase/decrease in Cash & Cash Equivalents	Approx. 0.0	Approx. 0.0	0.2	0.0	Approx. 0.0	

# Projection of Management Indexes



Index		Goals of the mid-term management plan	Projection for the FY 2007	FY 2006
Return on Asset	Non-consolidated	4.5% or more (Average of FY 2006-08)	Approx. 4.8%	4.3%
	Consolidated		Approx. 4.8%	4.4%
Shareholder's Equity Ratio	Non-consolidated	30% or more (End of FY 2008)	Approx. 30%	29.3%
	Consolidated		Approx. 30%	29.5%
Interest-bearing Debt	Non-consolidated	720.0 billion yen or less (End of FY 2008)	Approx. 700.0 billion yen	714.2 billion yen
	Consolidated	700.0 billion yen or less (End of FY 2008)	Approx. 724.0 billion yen	740.2 billion yen
Capital Expenditure	Non-consolidated	Approx. 90.0 billion yen or less (average of FY 2006-08)	Approx. 88.4 billion yen	89.2 billion yen
Number of Employee	Non-consolidated	The first half of 5,700 persons' level (End of FY 2008)	Approx. 5,800	5,826

Note: the term FY(Fiscal Year) describes the full year period ended March 31. e.g. FY 2007 dates from April 1, 2006 to March 31, 2007.

# 【 Appendix 】

# Key Factors

## Key Factors

	April 1, 2006 – Sept. 30, 2006	April 1, 2005– Sept. 30, 2005	Current Projection	Projection in May 2006	April 1, 2005 – March 31, 2006
Foreign Exchange Rate (yen/\$)	115	109	Approx. 115	Approx. 117	113
CIF Crude Oil Price(\$/bl)	67.8	53.1	Approx. 67	Approx. 60	55.8
Water Flow Rate(%)	103.4	111.4	Approx. 102	Approx. 100	100.4
Nuclear Capacity Ratio(%)	101.7	88.0	Approx. 90	Approx. 90	87.5

## Sensitivity Factors

	Current Projection	Projection in May 2006	April 1, 2005 – March 31, 2006
Foreign Exchange Rate (1 yen/\$)	Approx. 0.8	Approx. 0.8	Approx. 0.7
CIF Crude Oil Price(1 \$/bl)	Approx. 1.0	Approx. 1.1	Approx. 0.9
Water Flow Rate(1 %)	Approx. 0.5	Approx. 0.5	Approx. 0.5
Nuclear Capacity Ratio(1 %)	Approx. 1.0	Approx. 1.0	Approx. 0.9
Interest(1 %)	Approx. 0.8	Approx. 0.8	Approx. 0.8

(Billion yen)

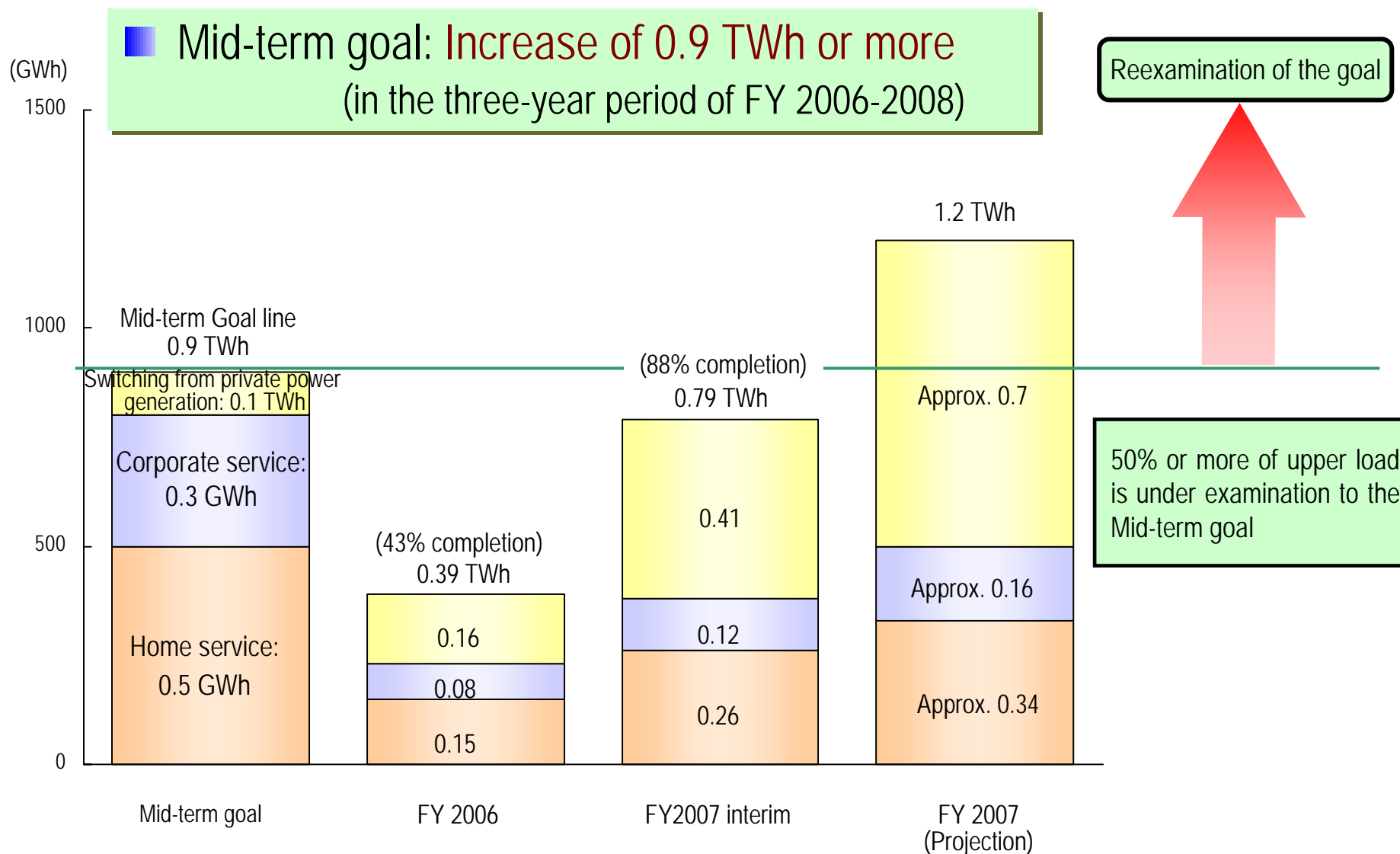
# Segment Information



(Billion yen)

		Electric	Other	Total	Eliminations	Consolidated
Operating revenues	April 1, 2006 – Sept. 30, 2006	255.1	38.4	293.5	29.6	263.8
	April 1, 2005 – Sept. 30, 2005	240.7	23.0	263.7	17.3	246.4
	Increase/decrease	14.3	15.4	29.7	12.3	17.4
Operating expenses	April 1, 2006 – Sept. 30, 2006	209.1	37.1	246.3	29.7	216.6
	April 1, 2005 – Sept. 30, 2005	204.6	20.7	225.3	17.3	208.0
	Increase/decrease	4.5	16.4	21.0	12.4	8.5
Operating income	April 1, 2006 – Sept. 30, 2006	45.9	1.2	47.1	0.0	47.2
	April 1, 2005 – Sept. 30, 2005	36.1	2.2	38.4	0.0	38.3
	Increase/decrease	9.7	0.9	8.7	0.1	8.9

# Sales Activities: Sales Goals & Results



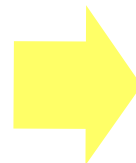
# Switch from Private Power Generation to Purchasing

## Substantial increase in switching from private power generation to purchasing

- Electricity fees reduced in July 2006
- Aggressive sales activities including introduction of optimal fee menu
- Effect of rising crude oil prices – Withdrawal of dominant on-site businesses

### Actual switching from privately generated power

April 1, 2005 – March 31, 2006		April 1, 2006 – Sept. 30, 2006		April 1, 2006 – March 31, 2007 (Projection)	
Number	MW	Number	MW	Number	MW
98	33	121	44	217	109



### Operational private power production in the high voltage sector

(Projection for April 1, 2006 – March 31, 2007)

Bunker A	Non-Bunker A	Total
(151) 117 MW	(122) 126 MW	(273) 243 MW



Immediate target for switch to power selling (FY2008 and beyond)  
Approx. 30 MW: Approx. 40

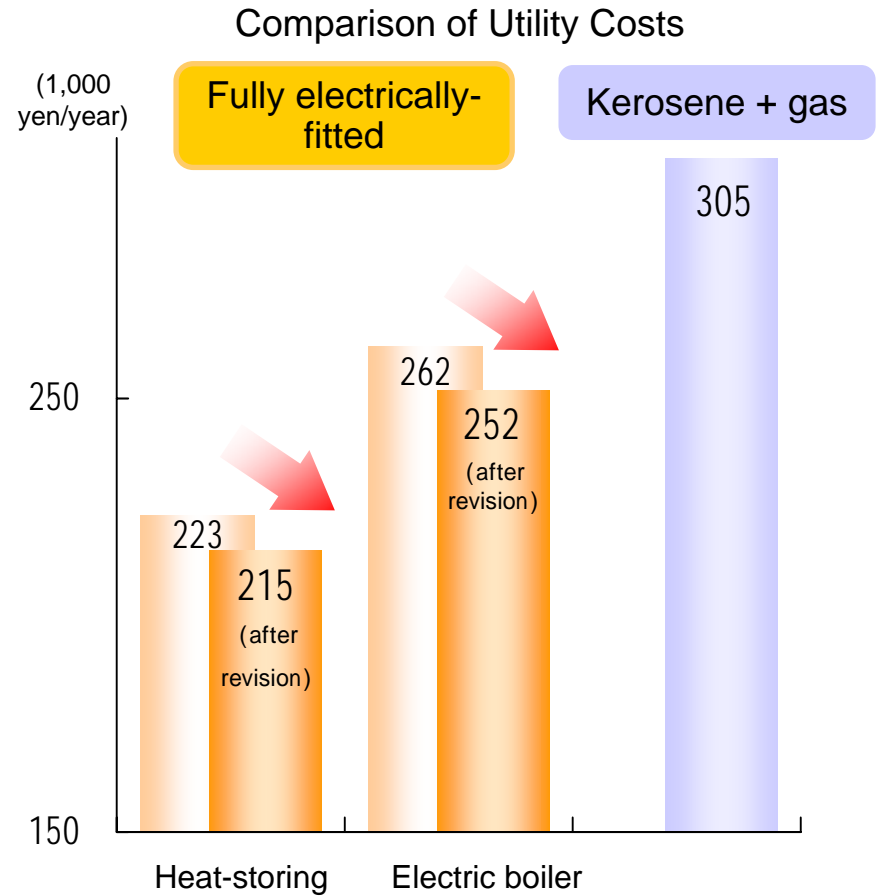
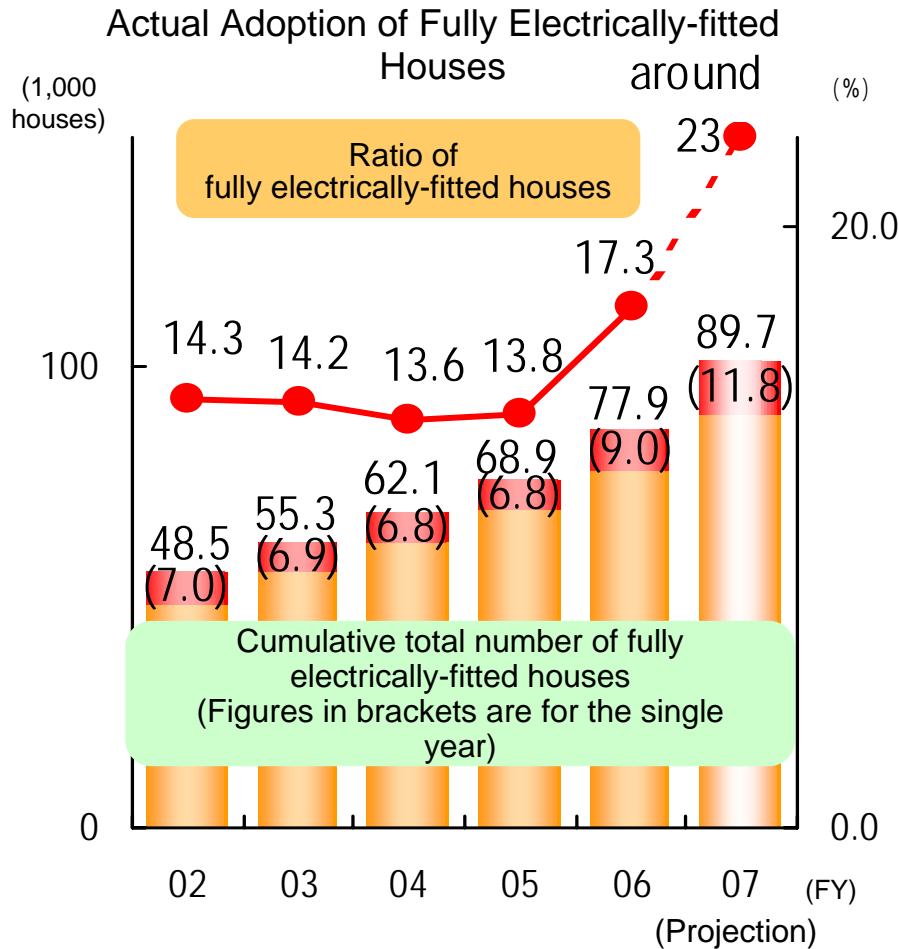
Excludes private generation for:  
 · Long-term low priced fuel contracts  
 · Peak cut and other special uses  
 from 117 MW of Bunker A

(Figures are based on our investigations)

# Increased Popularity of Fully Electrically-fitted Houses

■ 1 in 4 or 5 new houses are projected to adopt fully electrically-fitted systems

■ Running costs reduced by around 4% through lowered electricity fees (implemented in July)



(Estimation model: 4-person household living in 4LDK residence in Sapporo based on trial calculation by Hokuden)

# Electricity Sales



(GWh, )

	April 1, 2006 – Sept. 30, 2006	Projection in May 2006	April 1, 2005 – Sept. 30, 2005	Comparison with Supply Plan		Comparison with the Previous Year's Results		Changes in Temperature		
				Increase/decrease	Rate of change	Increase/decrease	Rate of change	Average temperature	Previous year	Gap with the average
April	2,715	2,658	2,673	57	102.1	42	101.6	4.5	1.1	1.3
May	2,499	2,412	2,426	87	103.6	73	103.0	12.0	2.4	0.9
June	2,292	2,247	2,258	45	102.0	34	101.5	14.9	2.2	0.5
1Q	7,506	7,317	7,357	189	102.6	149	102.0	-	-	-
July	2,345	2,300	2,320	45	101.9	25	101.1	19.6	0.7	0.1
August	2,527	2,476	2,456	51	102.0	71	102.9	23.4	0.7	2.3
Sept.	2,627	2,503	2,555	124	105.0	72	102.8	17.8	0.2	0.8
2Q	7,499	7,279	7,331	220	103.0	168	102.3	-	-	-
First Half Year	15,005	14,596	14,688	409	102.8	317	102.2	-	-	-

This material is compiled based on data available as of November 6, 2006. The company makes no guarantee as to the reliability and integrity of such information, as this is not intended to serve as disclosure material as stipulated by the Securities and Exchange Law of Japan. Projections concerning future performance in this material make no guarantee as to the future performance and contain risk and uncertainty. Please note that future performance can change according to the change of preconditions concerning the management environment. The information herein is for the purpose of disclosure of operating information. None of the information is intended to solicit or induce investors to invest in our securities. Those wishing to use this material should do so at their own judgment and be sure to verify the information obtained from other sources. Our company assumes no responsibility for any damages resulting from the use of this material.

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