

■ Financial Results for the Nine Months
Ended December 31, 2015

Hokkaido Electric Power Co., Inc
January 29, 2016



| | |
|---|----|
| ▪ Management Situation | 3 |
| ▪ Measures Taken to Restart the Tomari Nuclear Power Plant | 4 |
| ▪ Process for the Restart of Tomari (Image) | 5 |
| ▪ Ensuring the Power Supply System supporting the Development of Hokkaido | 6 |
| ▪ Response to Changes in the Management Environment (Electric power system reform) | 7 |
| ▪ Measures for the Changes in the Management Environment (Electric power system reform) | 8 |
| ▪ Conditions of Profit/Loss and Net Assets | 9 |
| ▪ Forecasts of Financial Results for the Year Ending March 31, 2016 | 10 |
| ▪ Dividends | 11 |

*In this presentation, “FY(Fiscal Year)” refers to the period of April 1 through March 31 of each year.
e.g. FY2016 means the period from April 1, 2015 to March 31, 2016.

■ Management Situation

< State of management >

- Hepco will secure an ordinary income for the first time in five years in the year ending March 31, 2016 because of two electricity rates hike after Great East Japan Earthquake and the improvement of managerial efficiency.
- The reviews based on the new regulatory requirements for the Tomari Nuclear Power Plant (Tomari) have taken a big step toward the restart of Tomari because the Nuclear Regulation Authority (NRA) had almost approved our evaluation on the basis seismic ground motions. We continue to cope with the remaining reviews sincerely and work on further safety improvement. So we aim for the restart of Tomari as soon as possible.

Measures for Stabilizing Management

- We will try to further enhance the safety of Tomari and make every effort to ensure that there are no issues with reviews based on the new regulatory requirements set out by NRA. We are making earnest efforts to restart operation of Tomari based on the safety of the units as soon as possible.
- We will proceed with strengthening managerial efficiency to improve profits and strengthen the financial base.

We aim to stabilize our business by ensuring stable power supplies and improving net assets.



Measures for Further Development

- We are promoting the introduction of new power plants, such as Ishikariwan Shinko Power Plant (LNG) and expanding the capacity of the Hokkaido-Honshu HVDC Link (Kitahon HVDC Link) towards ensuring stable power supplies in the future.
- In order to become more competitive, we are proceeding with measures to ensure our customers continue to select our company and are also considering expansion of our business domains.

Amid the new business environment, our aim is that the "Hepco Group" will win the selection and trust of our customers and develop along with our region.

Measures Taken to Restart the Tomari Nuclear Power Plant

- We are making every effort to ensure that there are no issues with reviews based on the new regulatory requirements set out by NRA and aim to finish the construction work promptly to ensure safety.
- Since the basis seismic ground motions had been almost approved, we are pushing forward preparations for the permission for changes in reactor installation license and exert every effort to restart Tomari as soon as possible.

【Response to Reviews Based on the New Regulatory Requirements】

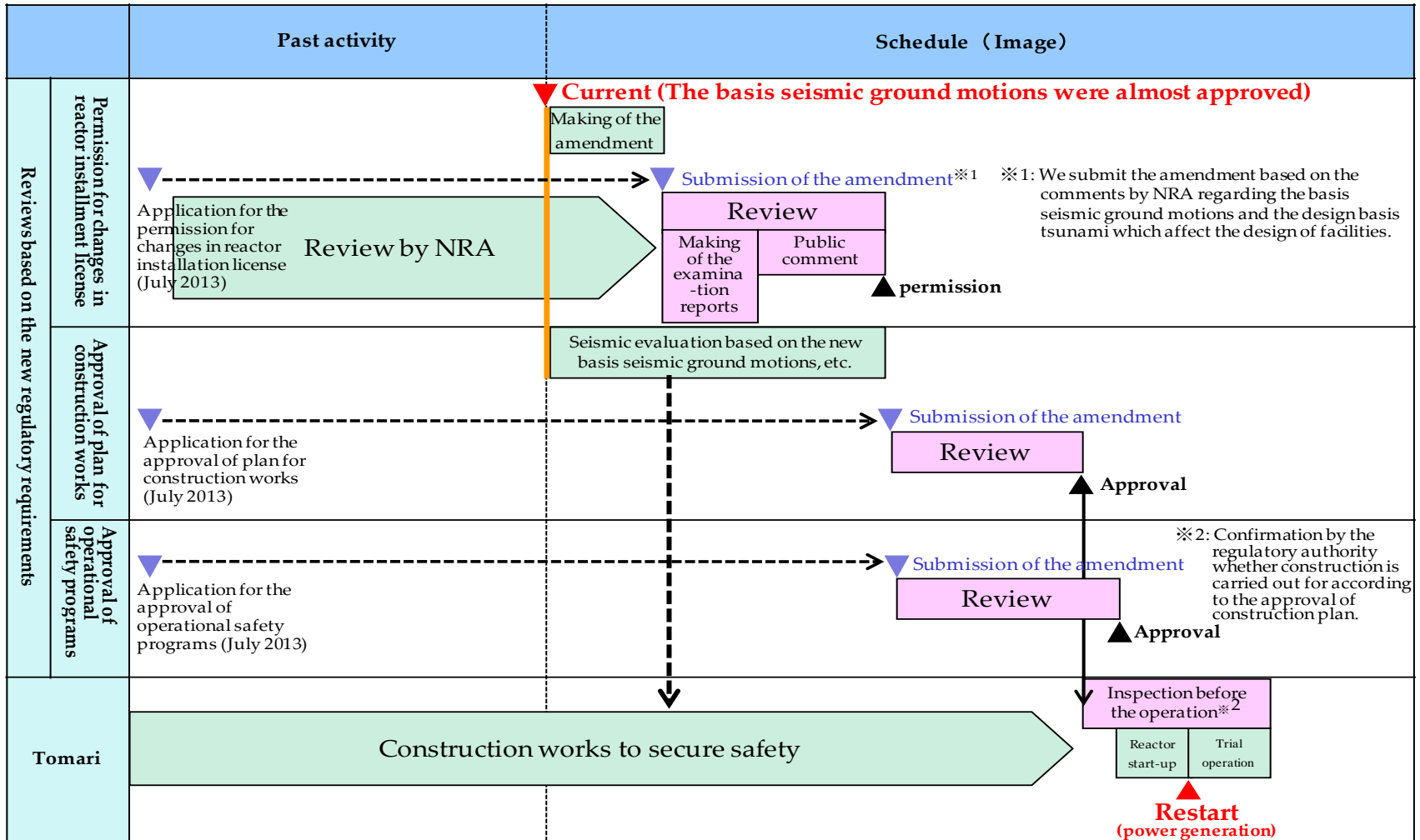
| | Tomari Nuclear Power Plant Unit 3 | Tomari Nuclear Power Plant Unit 1 & 2 |
|----------------------------|--|---|
| Submission of Applications | Jul. 2013 | Jul. 2013 Mar. 2014 (Correction Applied) |
| Review Status | 72 times | 42 times |
| | <ul style="list-style-type: none"> ○ The basis seismic ground motions were almost approved by NRA at the review meeting on December 25, 2015. We added 8 basis seismic ground motions to the original one (July 2013) for the further safety improvement. ○ We are making every effort to ensure the remaining review items. | The items, excluding plant facilities evaluation, are under review by NRA, in conjunction with the review for Unit 3. |

【Current Status of Major Construction Works to Secure Safety】

| Measures | Facilities | Tomari Unit 3 | Tomari Unit 1 & 2 |
|---|---|--|------------------------------|
| Planned construction works to secure safety at the time of enforcement of New Regulatory Requirements | Facility for preventing core damage, facility for preventing damage to the containment vessel, coastal levee, emergency response center, etc. | Coastal levee is complete. Emergency response building is under use. Loading and equipment installation of other apparatus is almost complete. | |
| | Specialized safety facility (water tanks, pumps for serious accidents, generators for serious accidents, filtered containment venting system, and emergency control room) | | Will be completed in FY 2020 |
| Added and revised major construction works based on the review by the NRA | Duplication of containment spray system | Additional installation of pipe work is almost complete. | — |
| | Protective facilities for tornados, construction countermeasures against internal fires and internal overflow water, etc. | We are making every effort to finish the construction work as soon as possible although there is the possibility of additions and revisions to the work. | |

Process for the Restart of Tomari (Image)

○By the best use of the precedents of other nuclear power plants, we make the every effort to shorten the process of making the amendment of the application for the “Permission for changes in reactor installation license” and the “Approval of plan for construction works”, and taking the reviews by NRA.



Ensuring the Power Supply System supporting the Development of Hokkaido

○Ensuring the Base for a Stable Power Supply in the Future

In order to ensure a stable power supply in Hokkaido in the future, we are promoting the introduction of new power plants, such as Ishikariwan Shinko Power Plant (our first LNG plant) and expanding the capacity of the Hokkaido Honshu HVDC Link (Kitahon HVDC Link).

○Broader Introduction of Renewable Energy Sources

For further utilization of renewable energy sources, we are for example promoting activities such as verification tests for broader introduction of wind power generation using Kitahon HVDC Link in conjunction with Tokyo Electric Power Company(TEPCO), a Large-scale Storage Battery System Demonstration Project, and utilization of untapped energy in hydroelectric power generation.

<Status of Activities>

| Segments | Contents of Activities | Current Status |
|---|--|--|
| Ensuring the Base for Stable Power Supply in the Future | ➢Construction of Ishikariwan Shinko Power Plant (LNG-fuelled thermal power facility) [Total output(Unit 1-3): 1708.2MW(569.4 MW/unit)] | Unit 1) Commencement of construction: August 2015(Commencement of operation scheduled for February 2019) |
| | ➢Construction of Kyogoku Power Plant (Pure pumped-storage hydroelectric power facility) [Total output(Unit 1-3): 600MW(200 MW/unit)] | Unit 1) Commencement of operation: October 2014 Unit 2) Commencement of operation: November 2015 |
| | ➢Expanding the capacity of Kitahon HVDC Link [Capacity: 300 MW, Voltage: 250 kV, Length: 122 km] | •Commencement of construction: April 2014 •Commencement of operation scheduled for March 2019 |
| Broader Introduction of Renewable Energy Sources | ➢Verification testing for broader introduction of wind power generation [Joint test with TEPCO, Offer: 200 MW] | •Start of verification testing: FY 2018 or later |
| | ➢Large-scale Storage Battery System Demonstration Project [Redox flow batteries] (rated output: 15 MW, rated capacity: 60 MWh) | •Demonstration period: FY 2014 – FY 2019 (six years) •Completion of construction, Start of demonstration: December 2015 |
| | ➢Utilization of untapped energy in hydroelectric power generation (Improvement of existing hydroelectric power plant outputs) | •Shin Iwamatsu Power Plant(Shintoku-cho): 16 MW (Commencement of operation: January 2016) |
| | ➢Research and development on biomass power generation using livestock manure. One of NEDO's projects, Research and Development on Output Control | •Research period: FY 2015 – FY 2019 |

■ Response to Changes in the Management Environment (Electric power system reform)

- All customers will be able to select their electric power supply company freely through the full liberalization of the electricity retail market this April.
- In order to appropriately respond to the Electric Power System Reform, we are pursuing preparations such as our operation system and the development of various systems.
- Responding to this more competitive environment, we are reviewing the measures to ensure our customers continue to select our company, such as:
 - Offering products and services with which our customers are satisfied
 - Creating a new business model and the expansion of our business domains, etc.

□ Measures for Electric Power System Reform

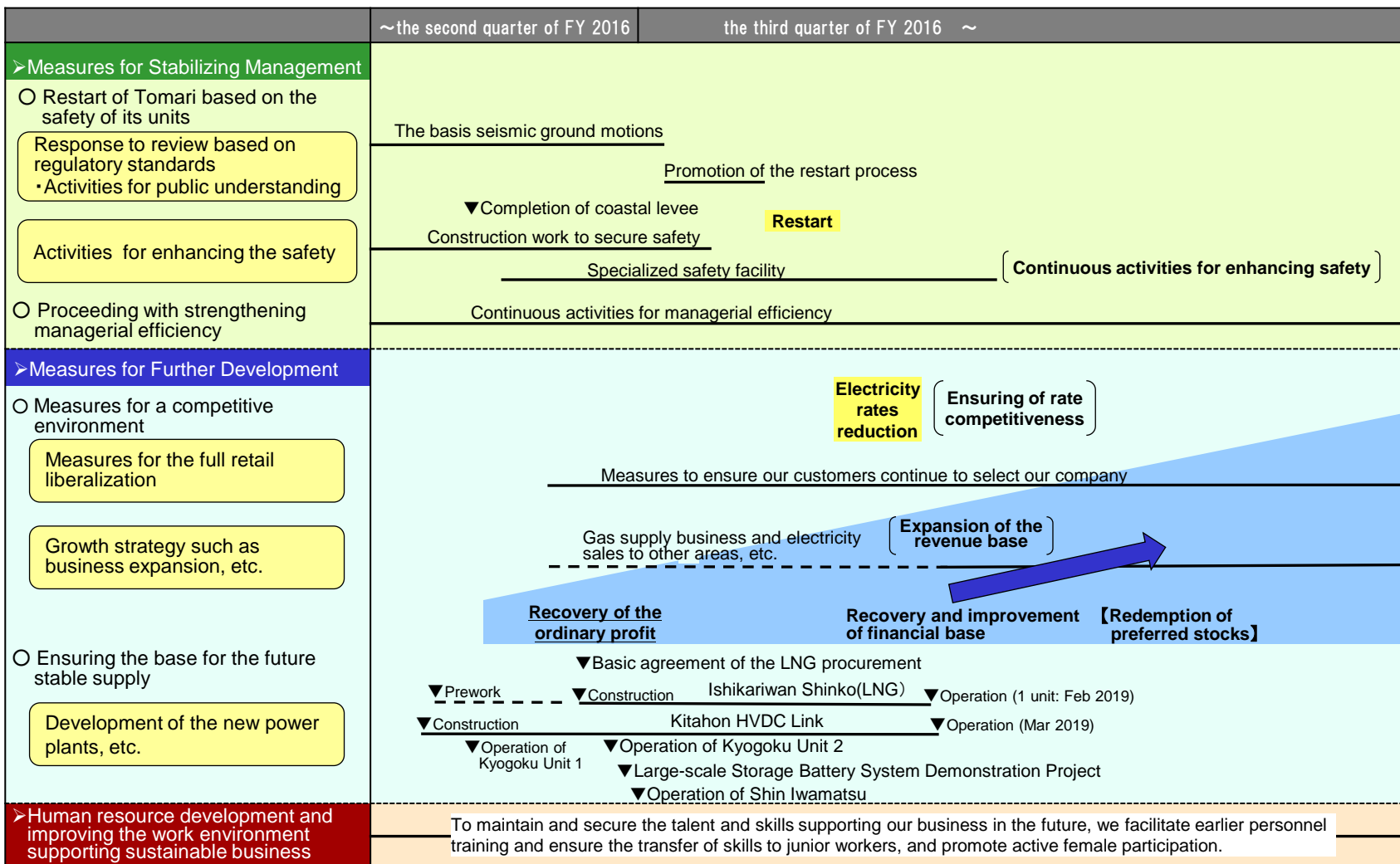
- Concerning full retail liberalization in April 2016, we are now reviewing the operation system we require and proceeding with various system developments.
- Based on the arguments for detailed system design by the government, we will properly respond to the separation of generation and transmission in April 2020.

□ Measures for a Competitive Environment

- Measures to ensure our customers continue to select our company
 - We will diversify our rate menu by utilizing smart meters, etc. which make it possible for us to meet customers' needs flexibly.
 - We will discuss various business models that combine electricity with other goods and services, etc.
 [A point-based service and web services such as those with a membership system, Combined sales through tie-ups with other business, etc.]
- Plans for new business domains
 - We are planning to expand into new business domains, such as the gas supply business and electricity sales to other areas, while also considering alliances with other companies.
- Realization of an economically superior power source structure
 - We can enhance competitiveness through the early restart of Tomari and operation of the Ishikariwan Shinko Power Plant (LNG), etc. in the near future.

Measures for the Changes in the Management Environment (Electric power system reform)

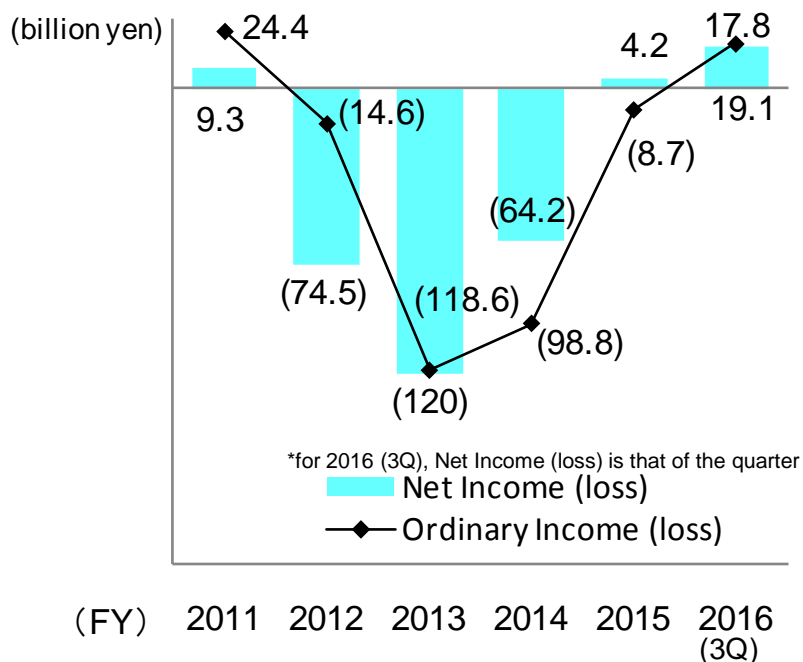
We will realize the early restart of Tomari based on the safety of its units, and we will ensure stable power supply and restore the financial base. Amid the new business environment, our aim is that the "Hepco Group" will win the selection and trust of our customers and develop along with our region.



Conditions of Profit/Loss and Net Assets

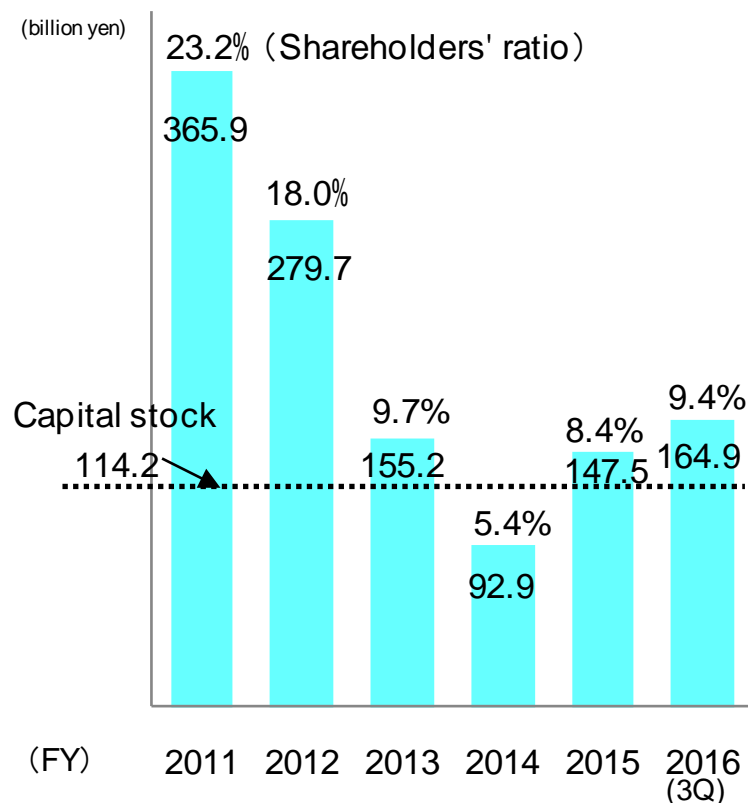
Profit/Loss 【Non-Consolidated】

○Our Profit/Loss in the third quarter of FY 2016 totaled 19.1 billion yen because of the rise in electricity rates and promoting managerial efficiency, etc.



Net Assets 【Non-Consolidated】

○Net assets as of December 31, 2015, totaled 164.9 billion yen.
Shareholders' ratio is 9.4%.



Forecasts of Financial Results

- The electricity sales and the operating revenue have been revised from the previous forecasts by reflecting the current situation such as decrease in contract electricity demand from commercial customers.
- The forecasts for consolidated and non-consolidated results of operating income, ordinary income, and profit were yet to be decided to date. This is because unplanned suspensions and so forth have sometimes occurred at thermal power plants which operate at a high utilization rate, and thus, we had to monitor the operational situation. We have now estimated the forecasts of financial results for the full year by reflecting the recent operational situation at thermal power plants, based on an assumption that the Tomari nuclear power plant will have been shut down until the end of this fiscal year.

(Billion yen, TWh)

| | | April 1, 2015– March 31, 2016 Forecasts | | | April 1, 2014 – March 31, 2015 (C) | Increase/ Decrease from last fiscal year (A)-(C) |
|---|--|---|--|----------------------------------|--|---|
| | | Revised forecasts (A) | Forecasts announced in October, 2015 (B) | Increase/ Decrease (A)-(B) | | |
| Consolidated | Operating Revenue | Approx. 726.0 | Approx. 732.0 | Approx. (6.0) | 692.9 | Approx. 33.0 |
| | Operating Income | Approx. 40.0 | — | — | 4.7 | Approx. 36.0 |
| | Ordinary Income | Approx. 25.0 | — | — | (9.3) | Approx. 34.0 |
| | Profit attributable to owners of parent | Approx. 22.0 | — | — | 2.9 | Approx. 19.0 |
| Non- consolidated | Operating Revenue | Approx. 697.0 | Approx. 703.0 | Approx. (6.0) | 663.9 | Approx. 33.0 |
| | Operating Income | Approx. 35.0 | — | — | 4.5 | Approx. 31.0 |
| | Ordinary Income | Approx. 20.0 | — | — | (8.7) | Approx. 29.0 |
| | Net Income | Approx. 19.0 | — | — | 4.2 | Approx. 15.0 |
| [Comparison to last fiscal year] Electricity sales | [Approx. (3.5%)] Approx. 28.8 | Approx. 28.9 | Approx. (0.1) | 29.8 | Approx. (1.0) | |

Key Factors

| | | | | | |
|---------------------------------|-------------|-------------|-------------|------|----------------|
| Foreign Exchange Rate (yen/\$) | Approx. 121 | Approx. 121 | Same Level | 110 | Approx. 11 |
| CIF Crude Oil Price (\$/barrel) | Approx. 50 | Approx. 57 | Approx. (7) | 90.4 | Approx. (40.4) |

Note: We assume the foreign exchange rate and CIF crude oil price in the 4th quarter will be 120 yen/\$ and 35 \$/barrel in these forecasts.

End of FY 2016

Although the year-end dividend for the year ending March 31, 2016 have yet to be decided, regarding common stock as well as preferred stock, we are going to consider the dividend based on the confirmation of the progress of the financial results for the current fiscal year, etc.

This material is compiled based on data available as of January 29, 2016. 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 Financial Instruments 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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