

Financial Release for the Three Months Ended June 30, 2018

[Japanese Standards] (Consolidated)

July 31, 2018

Hokkaido Electric Power Co., Inc.

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

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The prearranged date of quarterly financial statement report publication: August 13, 2018

Commencement of payment of dividend: —

Preparation of supplementary materials for quarterly financial results: Yes

Information meeting for quarterly financial results to be held: None

(Monetary figures are rounded down to the nearest million yen)

I. Consolidated Results for the Three Months (April 1, 2018 – June 30, 2018)

(1) Consolidated Business Results

	Operating Revenue		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
April 1, 2018–June 30, 2018	177,650	2.7	15,055	115.9	12,327	254.0	9,407	253.8
April 1, 2017–June 30, 2017	173,058	2.0	6,973	(62.5)	3,482	(77.9)	2,659	(79.5)

Note: Percentage figures represent changes as compared to the same period of the previous year.

Reference: Comprehensive income: April 1, 2018 – June 30, 2018 9,490 million yen [355.4%]

April 1, 2017 – June 30, 2017 2,084 million yen [(83.0)%]

	Basic Earnings per Share (primary)		Basic Earnings per Share (fully diluted)	
	Yen	Yen	Yen	Yen
April 1, 2018–June 30, 2018	43.61	—	—	—
April 1, 2017–June 30, 2017	10.77	—	—	—

(2) Consolidated Financial Position

	Total Assets		Net Assets		Shareholders' Equity Ratio	
	Million yen	Million yen	Million yen	Million yen	%	%
As of June 30, 2018	1,884,522	219,514	219,514	212,991	11.0	10.5
As of March 31, 2018	1,915,904	212,991	212,991	201,412	10.5	10.5

Reference: Shareholders' Equity: As of June 30, 2018 208,095 million yen

As of March 31, 2018 201,412 million yen

Note: "Partial revision of Tax Effect Accounting" (Corporate Accounting Standard No.28, February 16, 2018) etc. had been reflected from the beginning of 1Q-FY2019, amount of previous FY is shown as revision reflected amount.

II. Dividends

Cash dividend

	Cash dividends per share				
	June 30	September 30	December 31	Year-ended	Annual total
April 1, 2017 – March 31, 2018	Yen —	Yen 0.00	Yen —	Yen 5.00	Yen 5.00
April 1, 2018 – March 31, 2019	—	—	—	—	—
April 1, 2018 – March 31, 2019 (Forecast)	—	—	—	—	—

Note1: Changes of the forecasts of the cash dividends per share from the latest release: None

Note2: The forecasts of cash dividends for the 1st half and full year ending March 31, 2019 have yet to be determined at this point.

Dividends mentioned the above is regarding common stock. Regarding preferred stock which differ in shareholders' rights from common stock, see "Dividends for preferred stock".

III. Forecasts of Consolidated Results for the Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

	Operating Revenue		Operating Profit		Ordinary Profit		Profit attributable to owners of parent		Basic Earnings per Share (primary)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
April 1, 2018 – March 31, 2019	755,000	3.0	—	—	—	—	—	—	—

Note1: Percentage figures represent changes as compared to the previous year.

Note2: Changes of the forecasts of consolidated results in this period: Yes

* Given that the forecasts above were made on the basis of information available at the time of the release of this document, the actual result may vary from the forecast data due to various factors.

(Notes)

- (1) Changes among major consolidated subsidiaries in this period: None
- (2) Application of special accounting methods in preparation of quarterly financial statements: None
- (3) Changes in accounting policies; changes in accounting estimates; restatements
- Changes of accounting policies due to amendment of accounting standards: Yes
 - Other changes in accounting policies: None
 - Changes in accounting estimates: None
 - Restatements: None
- (4) Outstanding shares (Common stock)
- Number of outstanding shares (Treasury stock included):

As of June 30, 2018: 215,291,912	As of March 31, 2018: 215,291,912
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 - Number of treasury stock:

As of June 30, 2018: 9,775,468	As of March 31, 2018: 9,774,070
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 - Average number of shares over period:

April 1, 2018 – June 30, 2018: 205,516,779	April 1, 2017 – June 30, 2017: 205,527,158
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* This summary report is not subject to audit.

* Given that the forecasts above were made on the basis of information available at the time of the release of this document, the actual result may vary from the forecast data due to various factors.

Dividends for preferred stock

The breakdown of dividend per preferred stock which differs in shareholders' rights from common stock is as follows.

Class B preferred stock	Cash dividends per share				
	June 30	September 30	December 31	Year-ended	Annual total
	Yen	Yen	Yen	Yen	Yen
April 1, 2018 – March 31, 2019	—	—	—	—	—
April 1, 2018 – March 31, 2019 (Forecast)	—	—	—	—	—

(Reference)**Forecasts of Non-consolidated Results for the Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)**

	Operating Revenue		Operating Profit		Ordinary Profit		Profit		Basic Earnings per Share (primary)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	
April 1, 2018 – March 31, 2019	723,000	2.8	—	—	—	—	—	—	Yen —

Note1: Percentage figures represent changes as compared to the previous year.

Note2: Changes of the forecasts of non-consolidated results in this period: Yes

* Given that the forecasts above were made on the basis of information available at the time of the release of this document, the actual result may vary from the forecast data due to various factors.

Consolidated Balance Sheets

(Million yen)

Item	As of March 31, 2018	As of June 30, 2018
Assets		
Non-current assets	1,678,754	1,688,407
Electric utility plant and equipment	1,056,830	1,058,497
Hydroelectric power production facilities	215,962	214,846
Thermal power production facilities	79,297	76,973
Nuclear power production facilities	196,545	206,649
Transmission facilities	161,159	159,273
Transformation facilities	81,786	80,121
Distribution facilities	278,585	277,766
General facilities	38,730	38,226
Other electric utility plant and equipment	4,763	4,639
Other noncurrent assets	54,835	53,814
Construction in progress	281,409	292,218
Construction in progress	277,699	288,454
Retirement in progress	218	273
Special account related to reprocessing of spent nuclear fuel	3,491	3,491
Nuclear fuel	176,264	177,036
Nuclear fuel in processing	176,264	177,036
Investments and other assets	109,415	106,841
Long-term investments	53,926	50,965
Net defined benefit asset	15,080	15,354
Deferred tax assets	37,922	36,213
Other	4,288	4,362
Allowance for doubtful accounts	(1,802)	(55)
Current assets	237,150	196,114
Cash and deposits	116,087	70,903
Notes and accounts receivable-trade	67,622	67,732
Inventories	41,257	42,188
Other	13,114	16,086
Allowance for doubtful accounts	(931)	(797)
Total	1,915,904	1,884,522
Liabilities and Net assets		
Liabilities		
Non-current liabilities	1,271,841	1,323,383
Bonds payable	630,000	650,000
Long-term loans payable	512,277	529,355
Net defined benefit liability	37,458	36,960
Asset retirement obligations	79,717	95,422
Other	12,388	11,644
Current liabilities	429,771	339,851
Current portion of long-term debt	212,106	150,144
Short-term loans payable	53,250	52,680
Commercial papers	20,000	20,000
Notes and accounts payable-trade	39,329	30,350
Accrued taxes	14,154	20,159
Other	90,931	66,518
Reserves under the special laws	1,299	1,773
Reserve for fluctuation in water levels	1,299	1,773
Total Liabilities	1,702,913	1,665,008
Net assets		
Shareholders' equity	201,456	208,049
Capital stock	114,291	114,291
Capital surplus	46,750	46,750
Retained earnings	58,611	65,205
Treasury stock	(18,197)	(18,198)
Accumulated other comprehensive income	(44)	45
Valuation difference on available-for-sale securities	3,398	3,481
Remeasurements of defined benefit plans	(3,442)	(3,435)
Non-controlling interests	11,578	11,418
Total Net assets	212,991	219,514
Total	1,915,904	1,884,522

Consolidated Statements of Operations

(Million yen)

Item	April 1, 2017– June 30, 2017	April 1, 2018– June 30, 2018
Operating Revenues	173,058	177,650
Electric utility operating revenue	166,254	171,075
Other business operating revenue	6,804	6,574
Operating Expenses	166,085	162,594
Electric utility operating expenses	160,305	156,810
Other business operating expenses	5,780	5,784
Operating Profit	6,973	15,055
Non-operating Income	814	956
Dividend income	332	416
Interest income	2	2
Gain on sales of goods	16	222
Reversal of allowance for doubtful accounts	35	206
Other	428	109
Non-operating Expenses	4,305	3,684
Interest expenses	3,752	3,230
Share of loss of entities accounted for using equity method	68	113
Other	484	341
Ordinary revenue	173,873	178,607
Ordinary expenses	170,391	166,279
Ordinary Profit	3,482	12,327
Provision or reversal of reserve for fluctuation in water levels	(304)	473
Provision of reserve for fluctuation in water levels	—	473
Reversal of reserve for fluctuation in water levels	(304)	—
Profit before income taxes	3,786	11,853
Income taxes-current	14	717
Income taxes-deferred	1,116	1,768
Total income taxes	1,131	2,486
Profit	2,655	9,367
Loss attributable to non-controlling interests	(3)	(39)
Profit attributable to owners of parent	2,659	9,407

Consolidated Statements of Comprehensive Income

(Million yen)

Item	April 1, 2017– June 30, 2017	April 1, 2018– June 30, 2018
Profit	2,655	9,367
Other Comprehensive Income		
Valuation difference on available-for-sale securities	(380)	121
Remeasurements of defined benefit plans	(190)	0
Total other comprehensive income	(570)	122
Comprehensive Income	2,084	9,490
Comprehensive income attributable to		
owners of parent	2,091	9,497
non-controlling interests	(6)	(6)

Material Subsequent events

(Issuance of Class-B preferred Stock by third party allotment)

Hepco resolved at the Board of directors meeting held on April 27, 2018 to issue the Class-B preferred stock by the third party allotment, to the regular general meeting of shareholders to be held on June 27, 2018 (“the Regular General Meeting of Shareholders”). It was approved at the Regular General Meeting of Shareholders, and the payment completed on July 31, 2018.

(1) Overview of issuance of the Class-B preferred Stock

(1) Payment date (issue date)	July 31, 2018
(2) Number of new shares to be issued	470 shares of Class B preferred stock
(3) Issue price	100,000,000 yen/share
(4) Amount of funds procured	47,000,000,000 yen
(5) Preferred dividend	3,000,000 yen annually/share
(6) Method of offering or allotment	Third party allotment
(7) Allottee	Development Bank of Japan Inc. 400 shares Mizuho Bank, Ltd. 70 shares

(2) Other

The Preferred Shares provide no call provision or put option using common stock as consideration, nor do they provide any voting rights at the general meeting of shareholders. These shares will also not dilute common stock.

(Acquisition and Cancellation of Class-A preferred Stock)

Hepco resolved at the Board of directors meeting held on April 27, 2018 to acquire the Class-A preferred stock based on the article of incorporation and to cancel it based on Companies Act. It was acquired and canceled on July 31, 2018.

(1) Reasons for acquisition and cancellation

Since the reduction of preferred dividends burden while maintaining the our equity capital is possible, it will acquire and cancel of the Class-A preferred stock, after issuance of the Class-B preferred stock.

(2) Contents of the matters concerning acquisition

- a) Class of the target stock Class-A preferred stock issued by Hokkaido Electric Power Co., Inc.
- b) Number of shares aquired 470 shares
- c) Acquisition price 101,270,137 yen per share
- d) Total Acquisition price 47,596,964,390 yen
- e) Buy-back from Development Bank of Japan Inc.
- f) Date of acquisition July 31, 2018

(3) Contents of the matters concerning cancellation

- a) Class of the target stock Class-A preferred stock issued by Hokkaido Electric Power Co., Inc.
- b) Number of shares cancelled 470 shares
- c) Date of cancellation July 31, 2018

Note: The information shown above is an English translation of the "Financial Release for the Three Months Ended June 30, 2018" which was filed with stock exchanges (Tokyo and Sapporo) on the date shown above. Be advised that the Japanese version (the original) shall prevail if in any case a discrepancy arises between the original and the English translation.