

# ■ Financial Results for the Year Ended March 31, 2017

Hokkaido Electric Power Co., Inc.  
May 12, 2017

---

# ■ Contents

|   |    |
|---|----|
| ▪ Measures to Achieve Corporate Aims .....  | 3  |
| ▪ Measures to Achieve Corporate Aims ~ Activities until FY 2019 .....   | 4  |
| ▪ Measures towards Strengthen Management Foundation .....   | 5  |
| ▪ Measures Taken to Restart the Tomari Nuclear Power Station .....  | 6  |
| ▪ Measures Taken to Restart the Tomari Nuclear Power Station<br>~ Response to Reviews .....                                       | 7  |
| ▪ Improving Power Supply Competitiveness, Securing Stable Power<br>Supplies, and Contributing to Environmental Conservation ..... | 9  |
| ▪ Management Situation .....  | 11 |
| ▪ Dividends .....   | 12 |
| ▪ Financial Results and Forecasts   |    |
| Financial Results for the Year Ended March 31, 2017 .....   | 13 |
| Forecasts of Financial Results for the Year Ending March 31, 2018 ..  | 25 |
| ▪ Appendix .....  | 27 |

\*In this presentation, “FY(Fiscal Year)” refers to the period of April 1 through March 31 of each year.  
e.g. FY2017 means the period from April 1, 2016 to March 31, 2017.

# ■ Measures to Achieve Corporate Aims

## Managerial environment surrounding our company

- The present managerial environment surrounding our company is becoming increasingly severe. We must cope with intensifying competition following the full liberalization of the electricity retail market, and secure stable supplies while the long-term suspension of the Tomari Power Station continues.
- Along with the reform of the electricity system, we are in a great revolutionary stage, with the need to prepare for changes in organizational structure caused by the legal unbundling in 2020 and to respond to the revitalization of the wholesale market.



- All employees share an understanding of the "corporate image that Hepco group aims for," and we will aim for **"further growth and development as a total energy service corporate group,"** under the management philosophy of "respect for people," "contribution to the community" and "efficient management," in order to improve sustainable corporate value in the future.

### Aims of the Hepco group

- We will set "Together, for a bright tomorrow. Light up your future" as a corporate slogan, and will support the sustainable development of the region by fulfilling our role as a responsible energy supplier.
- We will boldly take on new challenges, incorporating new perspectives, in order to achieve further growth and development as a total energy service corporate group.
- We will respond to the expectations of our stakeholders by promoting speedy and flexible business operations based on the Hepco group's solid foundation.

# Measures to Achieve Corporate Aims ~ Activities until FY 2019

- In the management plan of fiscal 2018, based on changes in the business environment at the current stage, we will further follow through with and accelerate our efforts to achieve "Aims until FY 2019," which we stated last fiscal year.
- In the next two years, we will strive for further growth and development by improving our competitiveness, improving our income balance, strengthening our financial standing and laying the foundation as a total energy service corporate group.

## Aims until FY 2019

- We will overcome the competition and achieve profit growth.
- We will advance with enhancing income/expenditure and our financial base.
- We will progress steadily with the process to resume operations at the Tomari Power Station.
- We will lay the foundation as a total energy service corporate group.

## Efforts to achieve "Aims until FY 2019"

### Items to focus on

Responding to competition in retail electricity

Enhancing income/expenditure and our financial base  
 <Strengthen management foundation>

Quickly resuming operations at the Tomari Power Station and enhancing safety

### Items to be continued from last fiscal year

Improvement of power supply competitiveness and secure stable supplies

Expansion of business area

Consideration for legal unbundling

Contribution to environmental conservation

To nurture and secure human resources

Symbiosis with the community and society

- We will strongly push forward "efforts to strengthen our management foundation," such as income expansion measures and cost reduction measures, so that we will **ensure a sustainable competitive advantage and build a corporate constitution that can enhance stable profits** in the future.
- We **will quickly resume operations at the Tomari Power Station**, so that we will secure stable supplies, drastically improve income/expenditure and strengthen our financial standing.

## ■ Measures towards Strengthen Management Foundation

- In January this year, we established the “Management Foundation Enhancement Promotion Committee” to respond to intensifying competition and the need to improve profits, and to strengthen the financial base for recovery of damaged capital.
- By looking forward to the medium- to long-term as well as the present situation, and by strongly pushing forward with revenue expansion measures and efficiency as well as cost reduction measures, we will drastically improve income/expenditure and strengthen our financial standing.

### 【 Main measures 】

|  |  |  |
|--|--|--|
| <b>Increase revenue by strengthening sales</b>     | Strengthen sales activities  | <ul style="list-style-type: none"> <li>• Start offering new price menu, expand alliance partners of Web service points, further enhance new electricity price plan and services incorporating cooperation with companies from other industries, etc.</li> </ul>                                      |
|  | Electricity sales in the Tokyo metropolitan area   | <ul style="list-style-type: none"> <li>• Newly established the Tokyo Metropolitan Sales Division and strengthened sales structure [April 2017]</li> </ul>  |
|  | Gas supply business  | <ul style="list-style-type: none"> <li>• Quickly start business activities to customers and develop businesses that cooperate with other companies</li> </ul>  |
| <b>Improve management efficiency, reduce costs</b> | Organization review in retail sales division   | <ul style="list-style-type: none"> <li>• Expanding consignment to Hokuden Service (our group company) for the purpose of improving both service and efficiency [April 2017]</li> <li>• Streamlining of the operating institution (branch / sales office) [scheduled for April 2018], etc.</li> </ul> |
|  | Build an efficient and robust business management system   | <ul style="list-style-type: none"> <li>• While looking closely at the legal unbundling in April 2020, the Hepco group will unite and review work details and organization</li> </ul>   |
|  | Reduction of materials and equipment procurement costs   | <ul style="list-style-type: none"> <li>• Utilization of external knowledge, efforts for a competitive order rate of 30%, review specifications of equipment and utilize general purpose goods, separate order of materials and construction, etc.</li> </ul>   |
|  | Review of construction matters and construction methods with the latest technology and knowledge | <ul style="list-style-type: none"> <li>• Reduction of construction scope by partial replacement rather than total replacement, canceling new purchases through reuse of removed equipment, etc.</li> </ul>   |

# Measures Taken to Restart the Tomari Nuclear Power Station



- The main issues in the reviews based on the new regulatory requirements set out by the NRA have been focused on “formation of the coastal landform on the western coast of the Shakotan Peninsula,” “evaluation of the impact on plant facilities when breakwaters are damaged by a tsunami,” and “evaluation of the impact on liquefaction of the ground under the tide embankment (seawall) due to earthquake.” Currently, we are responding in unison with the entire company so that compliance to requirements will be confirmed at an early date.
- To ensure safety on construction works, the original plan is almost complete. We are making every effort to aim for early completion of construction works that were added or changed based on the reviews.

## [Response to Reviews Based on the New Regulatory Requirements]

|                            | Tomari Nuclear Power Station Unit 3   | Tomari Nuclear Power Station Units 1 & 2  |
|----------------------------|---|---|
| Submission of Applications | Jul. 2013   | Jul. 2013<br>Mar. 2014 (Correction Applied)   |
| Review Status              | 85 times  | 49 times  |
|                            | We are making efforts to ensure “formation of the coastal landform on the western coast of the Shakotan Peninsula,” “evaluation of the impact on plant facilities when breakwaters are damaged by a tsunami,” and “evaluation of the impact on liquefaction of the ground under the tide embankment (seawall) due to earthquake.” | The items, excluding plant facilities evaluation, are under review by the NRA, in conjunction with the review for Unit 3. |

## [Current Status of Ensuring Safety on Major Construction Works]

| Classification   | Facilities   | Tomari Unit 3   | Tomari Units 1 & 2  |
|--|--|---|---|
| Construction originally planned<br>(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 in use. Loading and equipment installation of other apparatus is almost complete. |   |
|  | Specialized safety facilities<br>(Decompression operating equipment, water injection facility, nuclear reactor containment pressurization damage prevention equipment, power supply equipment, emergency control room) | In process  |   |
| Construction added and revised<br>(Based on the review by the NRA)                             | Duplication of containment spray system  | Additional installation of pipe work is almost complete.  | —   |
|  | Protective facilities for tornadoes, construction countermeasures against internal fires and internal overflow water, etc.   | Construction is progressing smoothly in general although there is the possibility of additions and revisions to the work.                   | Construction will proceed, based on the construction situation of Unit 3. |

# ■ Measures Taken to Restart the Tomari Nuclear Power Station ~ Response to Reviews



## Formation of the coastal landform on the western coast of the Shakotan Peninsula

- We further expanded data and provided an explanation based on the field survey conducted last year and the matters pointed out at the review meeting. But, at the review meeting on March 10th this year, a new decision was made by NRA, that "it is difficult to deny that it is an earthquake uplift."
- At present, based on discussions at the review meeting, and based on the geological maps shown by NRA and the data we have acquired so far, we are working to organize our stance.

| Circumstances/Key Points  | Policies for the issues  |
|---|--|
| <ul style="list-style-type: none"> <li>• We explained the results of our comparison with the western coast of the Shakotan Peninsula based on the field survey conducted last year and the matters pointed out at the review meeting on March 10th, and based on the consideration of several seismic uplift areas on the Japan Sea side through detailed literature reviews and topographic data.</li> <li>• At the review meeting, a new decision was made by NRA, that "it is difficult to deny that it is an earthquake uplift."</li> </ul> | <ul style="list-style-type: none"> <li>➤ Based on the geological maps shown by NRA and the data we have acquired so far, we are working to organize our stance.</li> <li>➤ In organizing our stance, we are including in our review a conservative assumption that there may be active faults, from the viewpoint of further enhancing the safety of the Tomari Power Station.</li> <li>➤ We will explain our findings at the hearing and the review meeting as soon as possible.</li> </ul> |



# ■ Measures Taken to Restart the Tomari Nuclear Power Station

## ~ Response to Reviews



### Issues on breakwaters and tide embankments

■ Based on NRA's comments at the review meeting about "evaluation of the impact on plant facilities when breakwaters are damaged by a tsunami" and "evaluation of the impact on liquefaction of the ground under the tide embankment (seawall) due to earthquake," we will organize the results of our review as soon as possible and will explain them at the meeting.

| Issues   | Circumstances/Key Points   | Policies for the issues  |
|--|--|--|
| <p><b>Evaluation of the impact on plant facilities when breakwaters are damaged by a tsunami</b></p>                       | <ul style="list-style-type: none"> <li>• At the review meeting last October, the NRA commented that they will examine in detail the impact on the power plant facilities in the event that the breakwater is damaged.</li> </ul>   | <p>➤ Based on the results of our analytical evaluation and simulation experiments using hydraulic models, we will explain, as soon as possible, that there is no spillover effect.</p>       |
| <p><b>Evaluation of the impact on liquefaction of the ground under the tide embankment (seawall) due to earthquake</b></p> | <ul style="list-style-type: none"> <li>• At the review meeting last October, NRA commented that we were required to explain various scenarios for the validity of our evaluation of liquefaction of the ground under the tide embankment made of soil and cement due to earthquake.</li> <li>• At the review meeting on March 10th this year, we explained the status of examination of tidal bank support ground. We were given comments to the effect that it is necessary to conduct a study based on actual examples of damage caused by liquefaction or shaking down settlement.</li> </ul> | <p>➤ We will proceed with acquiring and examining data on liquefaction based on the review status of other power stations and will explain the results of the study as soon as possible.</p> |



**Securing Transmission and Distribution Facilities as well as Power Generation Facilities**

We are prompting activities to construct the Ishikariwan Shinko Power station, our first LNG power station which combines price competitiveness and environmental compatibility, and to expand the capacity of Kitahon HVDC Link, for the purposes of ensuring stable supplies and improving stability in the future.

|  | Items   | Features   | Progress etc.  |
|--|---|--|--|
| Power supply facilities                  | <p>□ <b>Ishikariwan Shinko Power station</b></p> <p>◇ Natural Gas Combined Cycle System<br/>Output: 56.94 million kW × 3 units</p>  | <ul style="list-style-type: none"> <li>● High power generation efficiency 1,600 degree class, design thermal efficiency about 62% (World top class)</li> <li>● Excellent environmental characteristics<br/>Low CO<sub>2</sub> emissions during power generation</li> <li>● Excellent operability<br/>Prompt response to ever-changing electric power demand</li> </ul>   | <ul style="list-style-type: none"> <li>● Unit 1: February 2019<br/>Scheduled to start commercial operations</li> </ul> <p>(Power plant construction progress rate: 40.4% (As of April 20th, 2017))</p> |
| Transmission and distribution facilities | <p>□ <b>Expanding the capacity of Kitahon HVDC Link</b></p> <p>◇ Transmission capacity: 300,000 kW<br/>Power transmission voltage: 250 kV (direct current)<br/>Power transmission distance: 122 km</p> <ul style="list-style-type: none"> <li>• Overhead power transmission line: 98 km (Hokkaido side: 77 km, Honshu side: 21 km)</li> <li>• Underground cable 24 km (inside Seikan Tunnel)</li> </ul> | <ul style="list-style-type: none"> <li>● It will be possible to deal with the suspension of operations due to repair of existing facilities and future large scale renovation (Current 600 MW→900 MW after boost)</li> <li>● The first domestic DC power transmission that adopts a "self-commutated converter," which can convert AC / DC without an AC power supply</li> <li>● We expect to contribute to the expansion of renewable energy adoption in Hokkaido and the promotion of power trading</li> </ul> | <ul style="list-style-type: none"> <li>● March 2019 Scheduled to start operations</li> </ul> <p>(Overall construction progress rate: 43.4% (As of March 31st, 2017))</p>                               |

# Improving Power Supply Competitiveness, Securing Stable Power Supplies, and Contributing to Environmental Conservation



## Broader Introduction of Renewable Energy Sources

- We are proactively promoting the introduction of renewable energy, a resource of the region, and will continue to fulfill our role towards both further utilization and maintenance of power quality.

### 【Current situation and main measures underway】

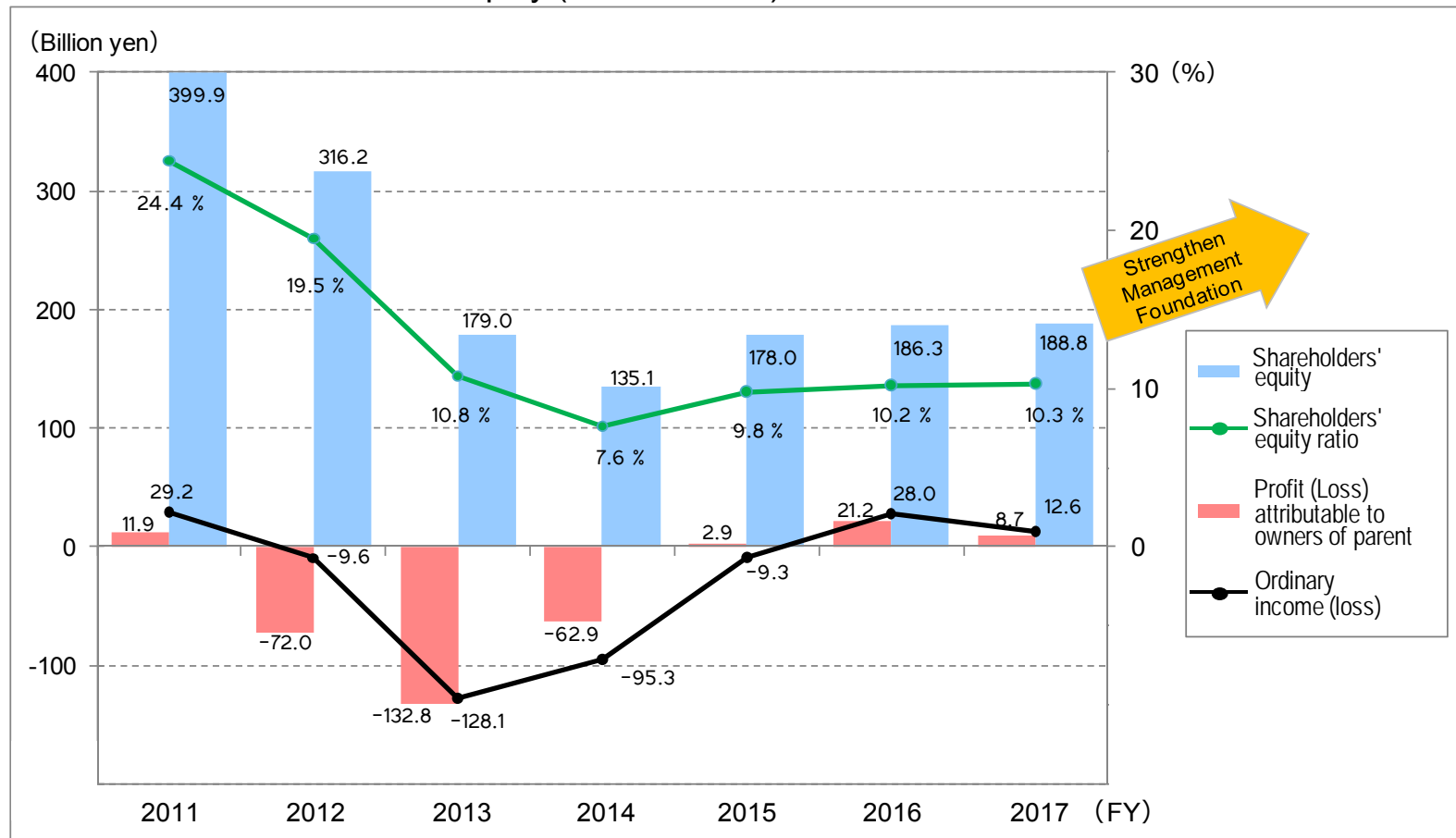
- In the Hokkaido area, where scale of power system is small, due to the rapid introduction of wind power and solar power generation, it is already necessary to take countermeasures in terms of adjustment power to absorb and control the fluctuation of output. We will work on our measures for further expanding adoption while clearly verifying the influence on the grid.
- At present, our countermeasures for expanding adoption involve attempting verification tests of wind power generation using Kitahon HVDC Link with TEPCO Power Grid, Inc., and soliciting applications for wind power generation by introducing transmission and distribution network side storage batteries.
- We are attempting to make maximum use of additional wind and photovoltaic power and maintain power quality by improving the accuracy of forecasts for the power output of wind and photovoltaic power, establishing control algorithms for fluctuation of power output, etc.
- Besides these, we proactively generate hydroelectric power by utilizing untapped energy and installing high-efficiency runners, as well as biomass power generation, geothermal power generation resource development, hydrogen energy system technology development, etc.

- From the viewpoint of S+3E: Safety, Energy security, Economy, and Environmental conservation, we will aim for a balanced power supply configuration.
- We will contribute to the realization of a low carbon society by operating Tomari Power Station in a safe and stable manner on the major premise of guaranteeing safety.

# Management Situation

- In the fiscal year ending March 31st, 2017, although challenging situations continued, such as reduction in electricity sales volume due to intensified competition and the ongoing long-term suspension of the Tomari Nuclear Power Station, we achieved profitability in ordinary income for the second consecutive year.
- We will continue to cooperate with the Hepco group to promote income expansion through efforts to strengthen our management foundation and to promote efficiency and cost reduction measures to improve income balance and strengthen our financial standing.

## Profit/Loss and Shareholders' equity (Consolidated)



# ■ Dividends

## FY 2017 Year-end dividend

- Regarding dividends of common stock, we will pay five yen per share, the same as in the previous term, and dividends on preferred stock in accordance with the articles of incorporation.

## FY 2018 Dividend forecast

- Regarding dividend forecasts, we can not predict business performance, so we declare that dividends on both common stock and preferred stock will be "undecided" for interim and year-end dividends.

- Financial Results and Forecasts
- Financial Results for the Year Ended March 31, 2017

(Blank page)

# Summary of Financial Results

Points of Financial Results for the Year ended March 31, 2017 (April 1, 2016 – March 31, 2017)

|         |  |
|---------|--|
| Revenue | <p>[Decrease factors]</p> <ul style="list-style-type: none"> <li>• Decrease in electricity sales, lowering electricity prices based on the fuel cost adjustment system, and others</li> </ul>  |
| Profit  | <p>[Decrease factors]</p> <ul style="list-style-type: none"> <li>• The decrease in operating revenue caused by lowering electricity prices based on the fuel cost adjustment system was greater than the decrease in fuel costs due to lower fuel prices, caused by a sharp rise in imported fuel prices in and after the second half of FY 2017.</li> <li>• Maintenance costs increased, caused by an increase in the number of periodic inspections of the thermal power units.</li> </ul> |

(Billion yen)

|                       | Consolidated                 |                              |                           |                        | Non-consolidated             |                              |                           |                        |
|-----------------------|------------------------------|------------------------------|---------------------------|------------------------|------------------------------|------------------------------|---------------------------|------------------------|
|                       | April 1 – March 31, 2017 (A) | April 1 – March 31, 2016 (B) | Increase/Decrease (A)-(B) | Comparison (A) / (B) % | April 1 – March 31, 2017 (A) | April 1 – March 31, 2016 (B) | Increase/Decrease (A)-(B) | Comparison (A) / (B) % |
| Operating Revenue     | 702.7                        | 724.1                        | (21.3)                    | 97.1                   | 677.1                        | 695.7                        | (18.5)                    | 97.3                   |
| Operating Profit      | 27.4                         | 43.1                         | (15.6)                    | 92.8                   | 20.2                         | 36.1                         | (15.9)                    | 56.0                   |
| Ordinary Profit       | 12.6                         | 28.0                         | (15.4)                    | 44.9                   | 5.8                          | 21.2                         | (15.3)                    | 27.5                   |
| Profit <sup>[1]</sup> | 8.7                          | 21.2                         | (12.4)                    | 41.3                   | 5.1                          | 17.0                         | (11.9)                    | 30.1                   |

1. "Profit" on the Consolidated Financial Results mentioned above means "Profit attributable to owners of parent" resulting from adoption of the "Accounting Standard for Business Combinations, and others"

# Statement of operations (Consolidated)

(Billion yen)

|   |                        | April 1, 2016 –<br>March 31, 2017(A) | April 1, 2015 –<br>March 31, 2016 (B) | Increase/Decrease<br>(A)-(B) | Comparison<br>(A)/(B)% |
|---|------------------------|--------------------------------------|---------------------------------------|------------------------------|------------------------|
| Ordinary<br>Revenues  | Operating Revenues     | 702.7                                | 724.1                                 | (21.3)                       | 97.1                   |
|   | Electricity            | 675.4                                | 694.0                                 | (18.5)                       | 97.3                   |
|   | Others                 | 27.3                                 | 30.0                                  | (2.7)                        | 90.9                   |
|   | Non-operating Income   | 2.5                                  | 3.0                                   | (0.4)                        | 85.9                   |
|   | Subtotal               | 705.3                                | 727.1                                 | (21.7)                       | 97.0                   |
| Ordinary<br>Expenses  | Operating Expenses     | 675.3                                | 681.0                                 | (5.6)                        | 99.2                   |
|   | Electricity            | 652.0                                | 655.1                                 | (3.1)                        | 99.5                   |
|   | Others                 | 23.3                                 | 25.8                                  | (2.5)                        | 90.1                   |
|   | Non-operating Expenses | 17.4                                 | 18.0                                  | (0.6)                        | 96.5                   |
|   | Subtotal               | 692.7                                | 699.0                                 | (6.3)                        | 99.1                   |
| [Operating Profit]  |                        | [27.4]                               | [43.1]                                | [(15.6)]                     | [63.7]                 |
| Ordinary Profit   |                        | 12.6                                 | 28.0                                  | (15.4)                       | 44.9                   |
| Provision or reversal of reserve for<br>fluctuation in water levels |                        | 1.2                                  | 1.0                                   | 0.1                          | 118.2                  |
| Extraordinary loss *  |                        | 1.6                                  | —                                     | 1.6                          | —                      |
| Profit before income taxes  |                        | 9.7                                  | 27.0                                  | (17.2)                       | 36.1                   |
| Income taxes  |                        | 0.4                                  | 5.1                                   | (4.6)                        | 9.7                    |
| Profit  |                        | 9.2                                  | 21.9                                  | (12.6)                       | 42.2                   |
| Profit (Loss) attributable to<br>non-controlling interests          |                        | 0.4                                  | 0.6                                   | (0.1)                        | 71.6                   |
| Profit attributable to owners of parent                             |                        | 8.7                                  | 21.2                                  | (12.4)                       | 41.3                   |

\* Posting an extraordinary loss for restoration costs caused by the typhoon disaster in August of last year

|            |                      |      |     |     |       |
|------------|----------------------|------|-----|-----|-------|
| (Appendix) | Comprehensive Income | 10.8 | 8.9 | 1.8 | 121.1 |
|------------|----------------------|------|-----|-----|-------|



# Electricity sales

Total electricity sales have decreased by 6.2% compared to the previous year

- Although heating demand increased, caused by lower temperatures than in the previous year, total electricity sales decreased by 1,786 GWh (a decrease of 6.2% compared to the previous year) due to the influence of switching to other suppliers and a decrease in electricity sales as a result of increased use of private power generation by some customers, and others

(GWh)

|  | April 1, 2016 –<br>March 31, 2017(A) | April 1, 2015 –<br>March 31, 2016 (B) | Increase/Decrease<br>(A)-(B) | Comparison<br>(A)/(B)% |
|--|--------------------------------------|---------------------------------------|------------------------------|------------------------|
| Low-voltage customers                            | 13,315                               | 13,444                                | (129)                        | 99.0                   |
| High-voltage and<br>Extra High-voltage customers | 13,491                               | 15,148                                | (1,657)                      | 89.1                   |
| Total  | 26,806                               | 28,592                                | (1,786)                      | 93.8                   |

(°C)

|  |                  | Mar.  | Apr.  | May  | Jun.  | Jul.  | Aug. | Sep. | Oct.  | Nov.  | Dec.  | Jan.  | Feb.  | Mar.  |
|--|------------------|-------|-------|------|-------|-------|------|------|-------|-------|-------|-------|-------|-------|
| Average<br>temperature<br>in 2016 - 2017 | actual           | 1.4   | 7.0   | 13.9 | 15.4  | 19.9  | 23.2 | 18.7 | 10.2  | 1.7   | (1.5) | (4.5) | (2.6) | 0.8   |
|  | year-on-<br>year | (1.7) | (0.8) | 0.8  | (0.5) | (0.6) | 1.7  | 1.0  | (0.2) | (3.3) | (1.9) | (0.6) | 0.4   | (0.6) |
|  | deviation        | 1.4   | 0.8   | 2.5  | (0.3) | 0.5   | 1.9  | 1.3  | (1.1) | (2.7) | (0.1) | (0.2) | 1.0   | 0.8   |

# ■ Power Supply

- Stable electric power supplies have been maintained since water flow rate was 111.5%, which is higher than the average year, and we operated supply facilities appropriately and others, despite the unplanned suspension and output power suppression of thermal power plants and others, in addition to the shutdown of all units at the Tomari Power Station.

[Reasons for the increase/decrease from the previous term]

(Hokkaido Electric Power)

- Hydroelectric power; Higher water flow rate, 111.5% and others
- Fossil Fuel; Decrease in electricity sales, increase in hydroelectric power generation and others
- Nuclear; Shutdown of all units at the Tomari Power Station.

(Purchased and interchanged power)

Increase in electricity sales through Japan Electric Power Exchange and others.

(GWh)

|                                      |                                       | April 1, 2016 –<br>March 31, 2017(A) | April 1, 2015 –<br>March 31, 2016 (B) | Increase/Decrease<br>(A)-(B) | Comparison<br>(A)/(B)% |
|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|------------------------------|------------------------|
| Hokkaido Electric Power<br>Co., Inc. | [Water flow rate %]<br>Hydroelectric  | [111.5%]<br>3,846                    | [99.8%]<br>3,502                      | [11.7%]<br>344               | 109.8                  |
|                                      | Fossil Fuel                           | 20,569                               | 22,158                                | (1,589)                      | 92.8                   |
|                                      | [Nuclear capacity ratio %]<br>Nuclear | [–]<br>–                             | [–]<br>–                              | [–]<br>–                     | –                      |
|                                      | Renewable                             | 135                                  | 131                                   | 4                            | 103.4                  |
|                                      | Subtotal                              | 24,550                               | 25,791                                | (1,241)                      | 95.2                   |
| Purchased and interchanged power     |                                       | 5,489                                | 6,229                                 | (740)                        | 88.1                   |
| Power used for pumped storage        |                                       | (200)                                | (120)                                 | (80)                         | 166.7                  |
| Total                                |                                       | 29,839                               | 31,900                                | (2,061)                      | 93.5                   |

# ■ Statement of Operations (Non-consolidated Revenue)

(Billion yen)

|                     |                                 | April 1, 2016 –<br>March 31, 2017<br>(A) | April 1, 2015 –<br>March 31, 2016<br>(B) | Increase/<br>Decrease<br>(A)-(B) | Major factors for increase/decrease   |
|---------------------|---------------------------------|--|--|----------------------------------|---|
| Electricity Sales   | Residential                     | 275.7                                    | 291.6                                    | (15.8)                           | [Factors for increase/decrease<br>in Operating Revenue]<br><br>▪ Increase in Surcharge for renewable<br>energy <sup>[1]</sup> ; 14.0<br><br>▪ Increase in Grant under Act on Purchase<br>of Renewable Energy Sourced<br>Electricity <sup>[1]</sup> ; 12.9<br><br>▪ Lowering electricity prices based on the fuel<br>cost adjustment system; (37.5)<br><br>▪ Decrease in electricity sales; (17.2) |
|                     | Commercial<br>and<br>Industrial | 303.1                                    | 346.2                                    | (43.1)                           |   |
|                     | Subtotal                        | 578.9                                    | 637.8                                    | (58.9)                           |   |
| Others              | 101.1                           | 60.7                                     | 40.3                                     |                                  |   |
| [Operating Revenue] |                                 | [677.1]                                  | [695.7]                                  | [(18.5)]                         |   |
| Ordinary Revenue    |                                 | 680.0                                    | 698.6                                    | (18.5)                           |   |

1. See page 32, "Financial Results - Effect of the feed-in-tariff scheme for renewable energy."

# Statement of Operations (Non-consolidated Expenses and Income)

(Billion yen)

|  | April 1, 2016 –<br>March 31, 2017<br>(A) | April 1, 2015 –<br>March 31, 2016<br>(B) | Increase /<br>Decrease<br>(A) - (B) | Major factors for increase/decrease   |
|--|--|--|-------------------------------------|---|
| Personnel  | 53.3                                     | 50.7                                     | 2.6                                 | • Increase in retirement allowance expenses and others  |
| Fuel and Purchased Power   | 234.2                                    | 256.5                                    | (22.2)                              | • Increase in amount of purchase of renewable energy <sup>[1]</sup> ; 12.9<br>• Lower fuel prices; (9.8)<br>• Decrease in electricity sales; (9.0)<br>• Increase in hydroelectric power generation; (6.0) |
| Fuel [included in “Fuel and Purchased Power”]                    | 120.3                                    | 148.0                                    | (27.7)                              |   |
| Purchased Power [included in “Fuel and Purchased Power”]         | 113.9                                    | 108.4                                    | 5.4                                 |   |
| Maintenance  | 97.3                                     | 82.7                                     | 14.5                                | • Increase in the number of periodic inspections of the thermal power units ; 10.7  |
| Depreciation   | 79.5                                     | 85.0                                     | (5.4)                               | • Fixed percentage effect and others  |
| Interest Expenses  | 15.0                                     | 16.2                                     | (1.1)                               |   |
| Other Expenses   | 194.6                                    | 186.1                                    | 8.4                                 | • Increase in levy under Act on Purchase of Renewable Energy Sourced Electricity <sup>[1]</sup> ; 14.0  |
| Total  | 674.2                                    | 677.4                                    | (3.1)                               |   |
| [Operating Income]   | [20.2]                                   | [36.1]                                   | [(15.9)]                            |   |
| Ordinary Income  | 5.8                                      | 21.2                                     | (15.3)                              |   |
| Provision or reversal of reserve for fluctuation in water levels | 1.2                                      | 1.0                                      | 0.1                                 |   |
| Extraordinary loss   | 1.5                                      | —  | 1.5                                 | • Restoration costs caused by the typhoon disaster in August of last year   |
| Income taxes   | (2.0)                                    | 3.1                                      | (5.1)                               | • Posting income taxes; (1.6) [1.6 → —]<br>• Income taxes – deferred; (3.4) [1.4 → (2.0)]   |
| Profit   | 5.1                                      | 17.0                                     | (11.9)                              |   |

1. See page 32, “Financial Results - Effect of the feed-in-tariff scheme for renewable energy.”

# ■ Key Factors Affecting Financial Results (Non-consolidated)

Ordinary Profit for the Year Ended March 31, 2016 : 21.2 billion yen

(Billion yen)

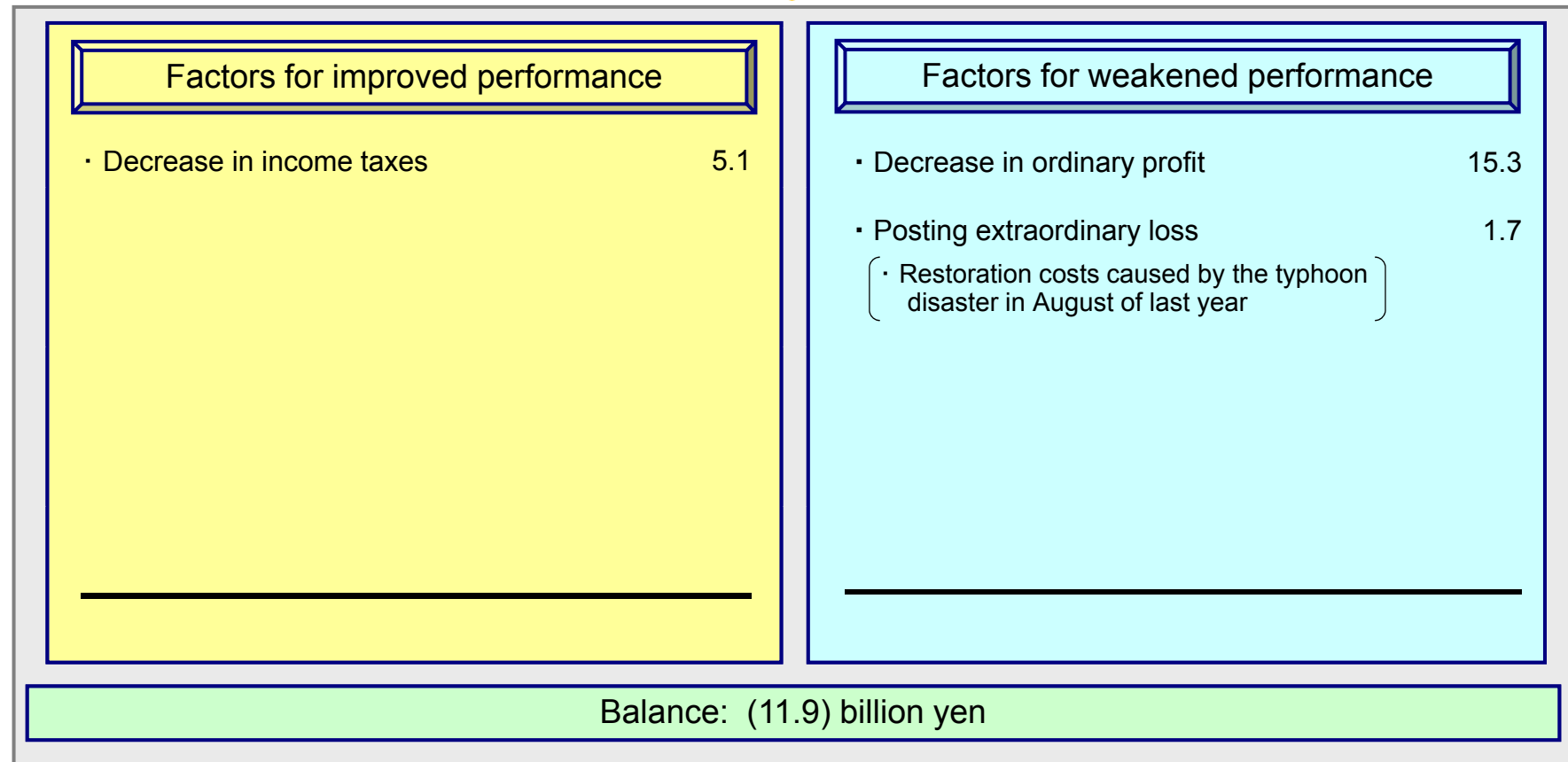
| Factors for improved performance   | Factors for weakened performance  |
|--|---|
| <ul style="list-style-type: none"> <li>▪ Decrease in fuel costs through lower fuel prices 9.8</li> <li>▪ Decrease in fuel costs through decrease in electricity sales 9.0</li> <li>▪ Decrease in fuel costs through increase in hydroelectric power generation 6.0</li> <li>▪ Decrease in depreciation, interest expenses 6.5</li> <li>▪ Others 22.6                             <ul style="list-style-type: none"> <li>▪ Decrease in data processing costs</li> <li>▪ Decrease in allowance for doubtful accounts</li> <li>▪ Increase in electricity sales through Japan Electric Power Exchange and others.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>▪ Decrease in operating revenue caused by lowering electricity prices based on the fuel cost adjustment system 37.5</li> <li>▪ Decrease in operating revenue due to decrease in electricity sales 17.2</li> <li>▪ Increase in maintenance costs 14.5                             <ul style="list-style-type: none"> <li>▪ Increase in the number of periodic inspections of the thermal power units</li> </ul> </li> </ul> |
| Balance: (15.3) billion yen  |   |

Ordinary Profit for the Year Ended March 31, 2017 : 5.8 billion yen

# ■ Key Factors Affecting Financial Results (Non-consolidated)

Profit for the Year Ended March 31, 2016 : 17.0 billion yen

(Billion yen)



Profit for the Year Ended March 31, 2017 : 5.1 billion yen

# Balance Sheets (Consolidated/Non-consolidated)

(Billion yen)

|             |                             | As of March 31, 2017(A) | As of March 31, 2016(B) | Increase/Decrease (A)-(B) | Major factors for increase/decrease (non-consolidated)   |
|-------------|-----------------------------|-------------------------|-------------------------|---------------------------|--|
| Assets      | Consolidated                | 1,829.5                 | 1,826.1                 | 3.3                       | <ul style="list-style-type: none"> <li>Capital expenditure; 155.1</li> <li>Decrease in property of Electric utility plant caused by depreciation; (79.5)</li> <li>Decrease in the reversal of the reserve fund for reprocessing of irradiated nuclear fuel with the enforcement of the Spent Nuclear Fuel Reprocessing Implementation Act and others; (48.6)</li> </ul>  |
|             | Non-consolidated            | 1,768.9                 | 1,765.0                 | 3.8                       |  |
| Liabilities | Consolidated                | 1,629.5                 | 1,628.9                 | 0.5                       | <ul style="list-style-type: none"> <li>Increase in interest-bearing debt outstanding; 71.1</li> <li>Decrease in the reversal of the provision for reprocessing of irradiated nuclear fuel with the enforcement of the Spent Nuclear Fuel Reprocessing Implementation Act and others                             <ul style="list-style-type: none"> <li>Provision for reprocessing of irradiated nuclear fuel; (49.3)</li> <li>Provision for reprocessing of irradiated nuclear fuel without specific plans; (9.2)</li> </ul> </li> </ul> |
|             | Non-consolidated            | 1,608.0                 | 1,604.2                 | 3.8                       |  |
| Net Assets  | Consolidated <sup>[1]</sup> | 188.8                   | 186.3                   | 2.4                       | <ul style="list-style-type: none"> <li>Year-ended dividends for FY2016; (4.6)</li> <li>Decrease in capital surplus due to cancellation of preferred stock; (3.2)</li> <li>Posting profit; 5.1</li> <li>Valuation difference on available-for-sale securities; 2.8</li> </ul>   |
|             | Non-consolidated            | 160.8                   | 160.8                   | 0                         |  |

1. Consolidated data of Net Assets exclude non-controlling interests.

|   |                  |         |         |      |
|---|------------------|---------|---------|------|
| Shareholders' Equity Ratio (%)                  | Consolidated     | 10.3    | 10.2    | 0.1  |
|   | Non-consolidated | 9.1     | 9.1     | —    |
| Interest-bearing Debt Outstanding (Billion yen) | Consolidated     | 1,355.9 | 1,289.0 | 66.9 |
|   | Non-consolidated | 1,361.1 | 1,290.0 | 71.1 |

# Consolidated Cash Flows

(Billion yen)

|   | April 1 –March 31,<br>2017(A) | April 1 – March 31,<br>2016(B) | Increase/Decrease<br>(A)-(B) |
|---|-------------------------------|--------------------------------|------------------------------|
| <b>Operating Activities</b>   | 67.0                          | 115.9                          | (48.8)                       |
| Profit before income taxes<br>[included in “Operating Activities”]                    | 9.7                           | 27.0                           | (17.2)                       |
| Depreciation and amortization<br>[included in “Operating Activities”]                 | 85.5                          | 91.1                           | (5.6)                        |
| Increase (decrease) in accrued expenses<br>[included in “Operating Activities”]       | (2.6)                         | 7.8                            | (10.5)                       |
| <b>Investing Activities</b>   | (145.2)                       | (149.0)                        | 3.7                          |
| Purchase of noncurrent assets<br>[included in “Investing Activities”]                 | (147.5)                       | (165.0)                        | 17.5                         |
| <b>Net CF</b>   | <b>(78.1)</b>                 | <b>(33.0)</b>                  | <b>(45.0)</b>                |
| <b>Financing Activities</b>   | 57.3                          | (10.1)                         | 67.5                         |
| Increase (decrease) in Interest-bearing Debts<br>[included in “Financing Activities”] | 66.9                          | (9.0)                          | 75.9                         |
| Purchase of treasury shares<br>[included in “Financing Activities”]                   | (3.2)                         | (0.0)                          | (3.2)                        |
| Cash dividends paid<br>[included in “Financing Activities”]                           | (4.7)                         | (0.0)                          | (4.6)                        |
| <b>Net increase (decrease) in Cash &amp; Cash Equivalents</b>                         | <b>(20.7)</b>                 | <b>(43.2)</b>                  | <b>22.4</b>                  |



---

■ Forecasts of Financial Results  
for the Year Ending March 31, 2018

# ■ Forecasts of Financial Results for the Year Ending March 31, 2018 (Consolidated/Non-consolidated)



## ■ Forecasts of Financial Results

- Consolidated operating revenue is forecast to be approximately 755,000 million yen (increasing by approximately 52,000 million yen compared to the previous fiscal year) due to the influence of the fuel cost adjustment system for higher fuel prices and others.
- The forecasts of Operating income (loss), Ordinary income (loss), and Profit (loss) are yet to be determined at this point. This is because expenses such as fuel costs cannot be assessed appropriately as we must monitor the situation regarding generating capacity from this point on.
- These forecasts will be promptly released as soon as they are determined.

(Billion yen, TWh)

|   |                  | April 1, 2017 –<br>March 31, 2018<br>Forecast (A) | April 1, 2016 –<br>March 31, 2017<br>(B) | Increase /<br>Decrease<br>(A) - (B) |
|---|------------------|---|--|-------------------------------------|
| Operating<br>revenue                                  | Consolidated     | Approx. 755.0                                     | 702.7                                    | Approx. 52.0                        |
|   | Non-consolidated | Approx. 725.0                                     | 677.1                                    | Approx. 48.0                        |
| [Comparison to last fiscal year]<br>Electricity sales |                  | [Approx. (1.4)%]<br>Approx. 26.4                  | 26.8                                     | Approx. (0.4)                       |

## Key Factors

|                                 |             |      |             |
|---------------------------------|-------------|------|-------------|
| Foreign Exchange Rate (yen/\$)  | Approx. 115 | 108  | Approx. 7   |
| CIF Crude Oil Price (\$/barrel) | Approx. 55  | 47.5 | Approx. 7.5 |

## ■ Dividends

- Regarding dividend forecasts, we can not predict business performance, so we declare that dividends on both common stock and preferred stock will be "undecided" for interim and year-end dividends.
- These forecasts will be promptly released as soon as they are determined.

## ■ Appendix

### [ Financial Results ]

|   |    |
|---|----|
| <input type="checkbox"/> Expense breakdown (non-consolidated)                           |    |
| •Personnel .....  | 28 |
| •Fuel and Purchased Power, Key Factors .....  | 29 |
| •Maintenance, Depreciation .....  | 30 |
| •Interest Expenses, Other Expenses .....  | 31 |
| <input type="checkbox"/> Effect of the feed-in-tariff scheme for renewable energy ..... | 32 |
| <input type="checkbox"/> Segment Information .....                                      | 33 |
| <input type="checkbox"/> Consolidated Statements of Comprehensive Income .....          | 34 |

# Financial Results - Expense breakdown (Non-consolidated)

## Personnel

(Billion yen)

|           | April 1 – March 31, 2017 (A) | April 1 – March 31, 2016 (B) | Increase/Decrease (A)-(B) | Major factors for increase/decrease                     |
|-----------|------------------------------|------------------------------|---------------------------|---|
| Personnel | 53.3                         | 50.7                         | 2.6                       | · Increase in retirement allowance expenses, and others |

### 【Amortization of actuarial gains and losses】

\*Actuarial gains and losses are being amortized in the following 5 years in which the gains or losses are recognized by the straight-line method.

(Billion yen)

| FY of accrual of the income | Amount accrued | Amortization of the previous year | April 1, 2016 – March 31, 2017 |                     |                            |
|-----------------------------|----------------|-----------------------------------|--------------------------------|---------------------|----------------------------|
|                             |                |                                   | Amortization                   | Unamortized Balance | Ending FY [remaining year] |
| 2011                        | (1.8)          | (0.4)                             | —                              | —                   | —                          |
| 2012                        | (2.1)          | (0.4)                             | (0.4)                          | —                   | —                          |
| 2013                        | (8.9)          | (1.8)                             | (1.8)                          | (1.8)               | 2018 [1 years]             |
| 2014                        | (12.8)         | (2.6)                             | (2.6)                          | (5.1)               | 2019 [2 years]             |
| 2015                        | 6.9            | 1.4                               | 1.4                            | 4.1                 | 2020 [3 years]             |
| 2016                        | 5.0            | —                                 | 1.0                            | 4.0                 | 2021 [4 years]             |
| 2017                        | 1.4            | —                                 | —                              | 1.4                 | 2022 [5 years]             |
| Total                       |                | (3.7)                             | (2.4)                          | 2.7                 |                            |

# Financial Results - Expense breakdown (Non-consolidated)

## Fuel and Purchased Power

(Billion yen)

|                          |                 | April 1 – March 31, 2017 (A) | April 1 – March 31, 2016 (B) | Increase/Decrease (A)-(B) | Major factors for increase/decrease  |
|--------------------------|-----------------|------------------------------|------------------------------|---------------------------|--|
| Fuel and Purchased Power |                 | 234.2                        | 256.5                        | (22.2)                    | <ul style="list-style-type: none"> <li>· Increase in amount of purchase of renewable energy <sup>[1]</sup>; 12.9</li> <li>· Lower fuel prices; (9.8)</li> <li>· Decrease in electricity sales; (9.0)</li> <li>· Increase in hydroelectric power generation; (6.0)</li> </ul> |
| Break down               | Fuel            | 120.3                        | 148.0                        | (27.7)                    |  |
|                          | Purchased Power | 113.9                        | 108.4                        | 5.4                       |  |

1. See page 32, "Financial Results - Effect of the feed-in-tariff scheme for renewable energy."

## Key Factors

|                                 | April 1 – March 31, 2017 (A) | April 1 – March 31, 2016 (B) | Increase/Decrease (A)-(B) |
|---------------------------------|------------------------------|------------------------------|---------------------------|
| Foreign Exchange Rate (yen/\$)  | 108                          | 120                          | (12)                      |
| CIF Crude Oil Price (\$/barrel) | 47.5                         | 48.8                         | (1.3)                     |
| CIF Coal Price (\$/t)           | 80.7                         | 75.4                         | 5.3                       |

# Financial Results - Expense breakdown (Non-consolidated)

## Maintenance

(Billion yen)

|             |                     | April 1 – March 31, 2017 (A) | April 1 – March 31, 2016 (B) | Increase/Decrease (A)-(B) | Major factors for increase/decrease   |
|-------------|---------------------|------------------------------|------------------------------|---------------------------|---|
| Maintenance |                     | 97.3                         | 82.7                         | 14.5                      | <ul style="list-style-type: none"> <li>· Increase in the number of periodic inspections of the thermal power units; 10.7 [4 units → 6 units]</li> <li>· Increase in cost for installation of smart meters; 1.2</li> </ul> |
| Break down  | Generation          | 54.3                         | 42.6                         | 11.7                      |   |
|             | Power- distribution | 41.2                         | 38.2                         | 2.9                       |   |
|             | Others              | 1.7                          | 1.8                          | (0.0)                     |   |

## Depreciation

(Billion yen)

|              |                     | April 1 – March 31, 2017 (A) | April 1 – March 31, 2016 (B) | Increase/Decrease (A)-(B) | Major factors for increase/decrease   |
|--------------|---------------------|------------------------------|------------------------------|---------------------------|---|
| Depreciation |                     | 79.5                         | 85.0                         | (5.4)                     | <ul style="list-style-type: none"> <li>· Fixed percentage effect; (8.9)</li> <li>· New acquisition of property and others; 3.5</li> </ul> |
| Break Down   | Generation          | 45.1                         | 49.4                         | (4.2)                     |   |
|              | Power- distribution | 29.5                         | 30.4                         | (0.8)                     |   |
|              | Others              | 4.8                          | 5.1                          | (0.3)                     |   |

## ■ Financial Results - Expense breakdown (Non-consolidated)

### Interest Expenses

(Billion yen)

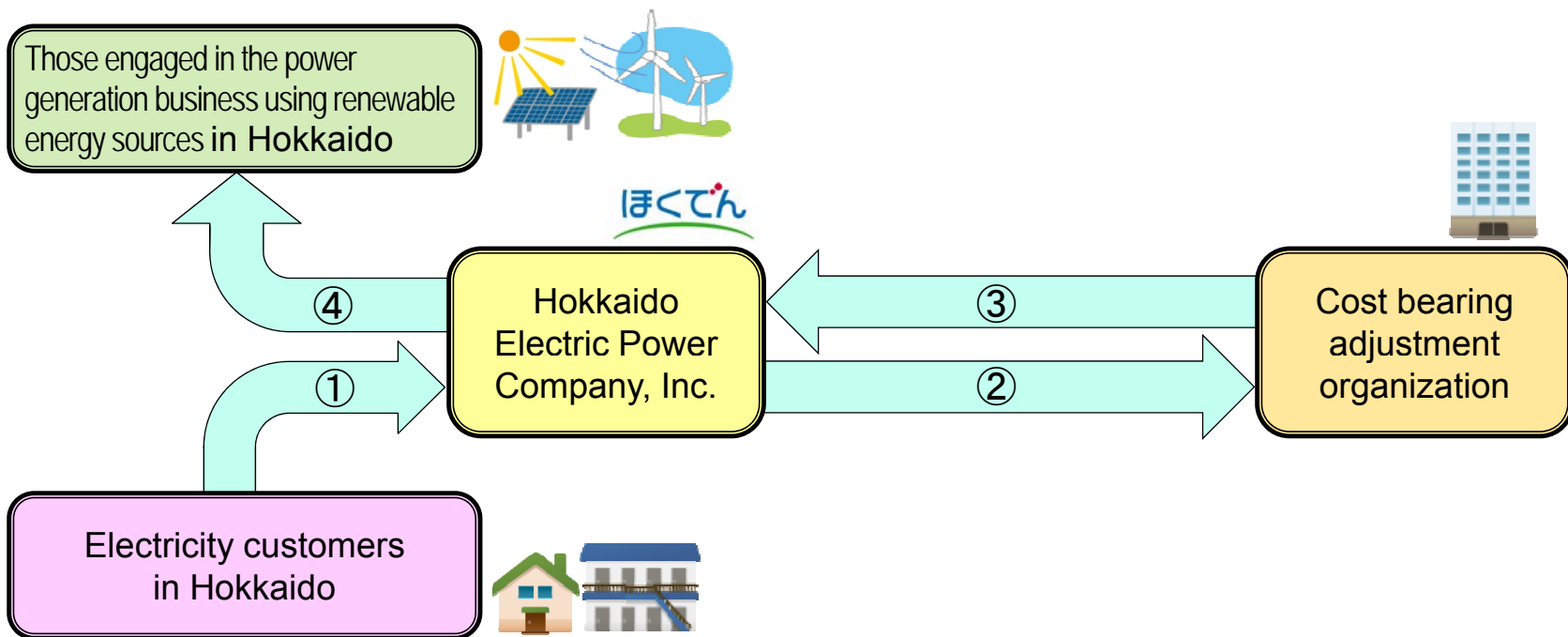
|  | April 1 – March 31, 2017 (A) | April 1 – March 31, 2016 (B) | Increase/Decrease (A)-(B) | Major factors for increase/decrease |
|--|------------------------------|------------------------------|---------------------------|-------------------------------------|
| [Interest(on average)%]<br>Interest Expenses | [1.14]<br>15.0               | [1.24]<br>16.2               | [(0.10)]<br>(1.1)         | · Lower interest rate and others    |

### Other Expenses

(Billion yen)

|                | April 1 – March 31, 2017 (A) | April 1 – March 31, 2016 (B) | Increase/Decrease (A)-(B) | Major factors for increase/decrease  |
|----------------|------------------------------|------------------------------|---------------------------|--|
| Other Expenses | 194.6                        | 186.1                        | 8.4                       | · Increase in levy under Act on Purchase of Renewable Energy Sourced Electricity; 14.0 |

# Financial Results - Effect of the feed-in-tariff scheme for renewable energy



## Effect of the feed-in-tariff scheme for renewable energy [Details of FY 2017]

(Billion yen)

|   |      |   |      |
|---|------|---|------|
| ① Surcharge for renewable energy  | 53.2 | ② Levy under Act on Purchase of Renewable Energy Sourced Electricity        | 53.2 |
| Collection of surcharge together with the electricity charge  |      | Submission of the collected surcharge                                       |      |
| ③ Grant under Act on Purchase of Renewable Energy Sourced Electricity   | 54.6 | ④ Cost of Purchased power   | 67.9 |
| Deliver of purchase cost excluding saved fuel cost and others made by purchasing electricity from renewable energy sources. |      | Purchase of electricity at a fixed price for a government guaranteed period |      |



## ■ Financial Results - Segment Information

(Billion yen)

|                   |                              | Reportable segment | Other | Total  | Adjustments | Consolidated total |
|-------------------|------------------------------|--------------------|-------|--------|-------------|--------------------|
|                   |                              | Electric           |       |        |             |                    |
| Operating Revenue | April 1 – March 31, 2017 (A) | 676.6              | 130.7 | 807.4  | (104.6)     | 702.7              |
|                   | April 1 – March 31, 2016 (B) | 695.1              | 127.8 | 822.9  | (98.8)      | 724.1              |
|                   | Increase/Decrease (A)-(B)    | (18.5)             | 2.9   | (15.5) | (5.7)       | (21.3)             |
| Operating Income  | April 1 – March 31, 2017 (A) | 20.0               | 5.8   | 25.9   | 1.4         | 27.4               |
|                   | April 1 – March 31, 2016 (B) | 36.1               | 6.3   | 42.4   | 0.6         | 43.1               |
|                   | Increase/Decrease (A)-(B)    | (16.0)             | (0.4) | (16.4) | 0.7         | (15.6)             |

|          |  |
|----------|--|
| Electric | Supply of electricity  |
| Other    | Electric/telecommunications works, overall management of buildings, civil engineering and construction, periodic inspection/maintenance/repair works at the power plant and others |

## Consolidated Statements of Comprehensive Income

(Billion yen)

|  | April 1 – March 31,<br>2017(A) | April 1 – March 31,<br>2016 (B) | Increase/<br>Decrease<br>(A)-(B) |
|--|--------------------------------|---------------------------------|----------------------------------|
| Profit   | 9.2                            | 21.9                            | (12.6)                           |
| Other Comprehensive Income   | 1.6                            | (12.9)                          | 14.5                             |
| Valuation difference on available-for-sale securities<br>[included in "Other Comprehensive Income"]    | 2.8                            | (3.6)                           | 6.4                              |
| Remeasurements of defined benefit plans<br>[included in "Other Comprehensive Income"]                  | (1.1)                          | (9.2)                           | 8.0                              |
| Comprehensive Income   | 10.8                           | 8.9                             | 1.8                              |
| Comprehensive income attributable to owners of parent<br>[included in "Comprehensive Income"]          | 10.4                           | 8.3                             | 2.0                              |
| Comprehensive income attributable to non-controlling<br>interests [included in "Comprehensive Income"] | 0.4                            | 0.6                             | (0.1)                            |

This material is compiled based on data available as of May 12, 2017. 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.

### *For further information*

IR Group  
Corporate Planning Department  
Hokkaido Electric Power Co., Inc.  
2, Higashi-1, Odori, Chuo-ku, Sapporo, Hokkaido 060-8677, JAPAN  
URL: <http://www.hepco.co.jp/english/>