ANNUAL REPORT
2017

Hokuriku Electric Power Company

Corporate Profile

Hokuriku Electric Power Company established on May 1, 1951, supplies electricity through integrated power generation, transmission and distribution systems as one of the ten general electric utilities in Japan.

In order to fulfill a social mission of ensuring stable supply of low-cost and high-quality energy, we aim to create "Hokuriku Electric Power Group that will serve as your trustworthy and chosen partner" by steadily addressing various challenges.

As a leading private corporation in the Hokuriku region, we actively participate in various projects for economic and cultural development of the local communities in our service area.

Trade name : Hokuriku Electric Power Company

Head office location : 15-1 Ushijima-cho, Toyama-shi, Toyama 930-8686 Japan
Tel : +81-76-441-2511 (main line)
Website: http://www.rikuden.co.jp/english/index.html
The Hokuriku Electric Power Company website provides a wide variety of information for your reference.

Date of establishment : May 1, 1951

Capital : 117.641 billion yen

Company representative : Yutaka Kanai, Executive President and Representative Director

Main business : Electricity business

Contents

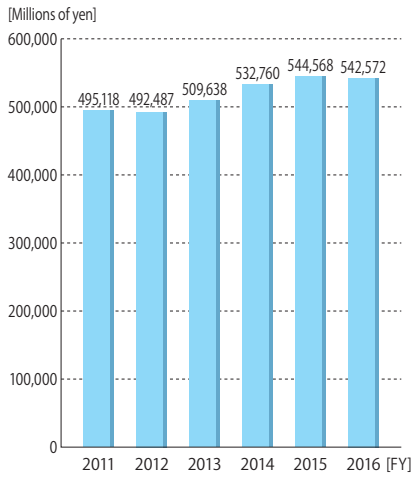
Highlights

	FY2016	FY2015	FY2016
CONSOLIDATED			
Operating revenue	542,572 millions of yen	544,568 millions of yen	4,835,758 thousands of U.S. dollars
Operating income	10,539 millions of yen	38,124 millions of yen	93,931 thousands of U.S. dollars
Net income	△ 622 millions of yen	12,891 millions of yen	△ 5,548 thousands of U.S. dollars
Net income per share	△ 2.98 yen	61.74 yen	△ 0.02 U.S. dollars
Total assets	1,518,076 millions of yen	1,509,393 millions of yen	13,530,096 thousands of U.S. dollars
Electricity sales	28,104 millions of kWh	27,518 millions of kWh	
Generating capacity	8,074 MW	8,074 MW	
Hydroelectric	1,924 MW	1,921 MW	
Thermal	4,400 MW	4,400 MW	
Nuclear	1,746 MW	1,746 MW	
New energy	4 MW	8 MW	

At the rate of ¥ 112.20 = U.S. $ 1.00

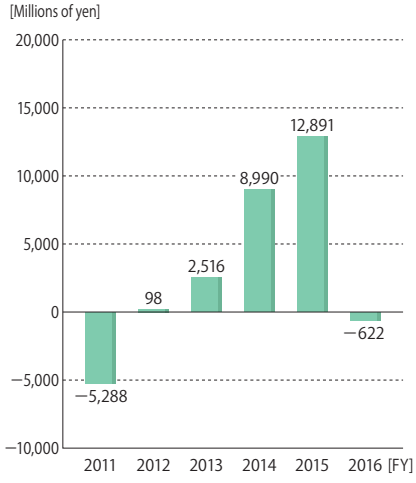
Changes in operating revenue (consolidated)

(6 years from FY2011 through FY2016)



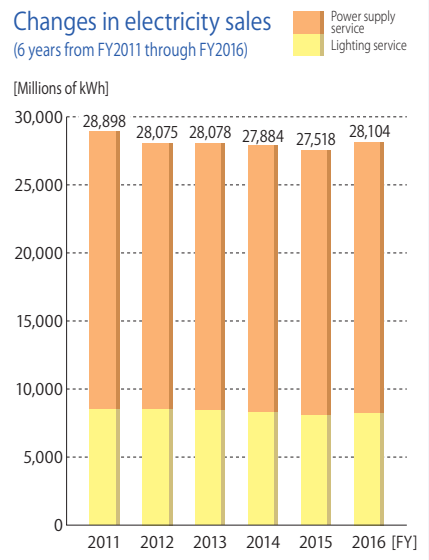
Changes in net income (consolidated)

(6 years from FY2011 through FY2016)



Changes in electricity sales

(6 years from FY2011 through FY2016)



Message from Management

We aim to make the Hokuriku Electric Power Group an organization that will serve as your trustworthy and chosen partner, by fulfilling our social mission of ensuring a stable supply of low-cost, high-quality energy.

Circumstances surrounding the electricity business are in the midst of a number of changes, including a series of institutional reforms for the full liberalization of the retail electricity market in Japan and the accomplishment of the electricity system reform. Against this backdrop, we aim to make the Hokuriku Electric Power Group an organization that will serve as your trustworthy and chosen partner through the steady engagement of every one of us in our initiatives based on our Group's CSR philosophy and code of conduct, and by rapidly addressing various issues.

We Aim to Achieve an Early Restart of Shika Nuclear Power Station

In order to continue fulfilling our social mission of ensuring a stable supply of low-cost, high-quality energy, our first aim is to quickly resume operation of Shika Nuclear Power Station. In addition to taking appropriate actions in relation to the resumed review on conformity to the regulatory requirements concerning the fault lines at the site, we will make every possible effort to gain the understanding of the people in the local communities through careful explanations of safety, while making steady progress on safety improvement work.

We Strive to Ensure a Stable Supply of Electricity and Reduce Carbon Emissions from Power Generation

As a result of the suspended operation of Shika Nuclear Power Station, our hydroelectric and thermal power stations continue to operate at high utilization rates. Amid these circumstances, as a responsible power company, we make continued efforts to deliver a stable supply of electricity, by implementing every possible measure, such as the coordination of regular inspection schedules, as well as steadily working to maintain the functions of distribution facilities.

At the same time, we promote the increased introduction of renewable energy sources, including water power, while proceeding with the construction of the LNG-fired Unit 1 of Toyama Shinko Thermal Power Station, for further diversification of generation resources and reduction of carbon emissions.

We Respond to Customer Needs More Properly

To be chosen by consumers in the highly competitive environment following the full liberalization of the retail electricity market, we continue to work to improve managerial efficiency on the precondition that safety is of the highest priority, as well as actively providing more and more attractive services and promoting community-based business activities. In addition, by conducting our comprehensive energy business through the best possible use of our Group's management resources, we respond to customer needs more properly.

Left: Susumu Kyuwa, Chairman of the Board
Right: Yutaka Kanai, Executive President and Representative Director

We Continue our Efforts to Earn the Trust of People in the Hokuriku Region

Ever since Hokuriku Electric Power Company was established in May 1951 with the support of the Hokuriku region, our steadfast commitment to contribute to the development of the region through our electric power business has run deep in our corporate culture.

We continue striving to establish and maintain the trust and reliability as a company rooted in the Hokuriku region that lead us to be chosen by consumers, by holding interactive discussions with people in the region, carrying out environmental preservation activities, and proceeding with other efforts, while endeavoring to both further deepen the culture of safety that we have developed and improve our company-wide quality of operations and services.

We at the Hokuriku Electric Power Group will continue to practice CSR management, with every employee earnestly listening to the voices of our stakeholders.

Susumu Kyuwa
Chairman of the Board

Yutaka Kanai
Executive President and Representative Director

1. Persistent Efforts toward Early Restart and Safe and Stable Operation of Shika Nuclear Power Station

At the review meeting on June 10, 2016, where the first session related to the ground was held, we explained the summary of the evaluation of the seams at the site, the progress in the increase of data (which was included in the "future challenges" in the evaluation document at the expert meeting), and other issues.

In response to Hokuriku Electric Power Company's explanation, the Secretariat of the Nuclear Regulation Authority gave a comment to the effect that the Company should provide an overview of the structure spreading in the site and explain the faults that the Company would evaluate and the reason for selecting them.

At the review meeting on March 10, 2017, Hokuriku Electric Power Company explained the selection of the evaluation target faults, with the sampling of a wide range of faults at the site, including the portions that might have been active during periods before the seams were active, on the basis of the comment given at the previous review meeting. At the review meeting on June 23, the Company explained the outline of the additional survey plan pertaining to the selection of the evaluation target faults.

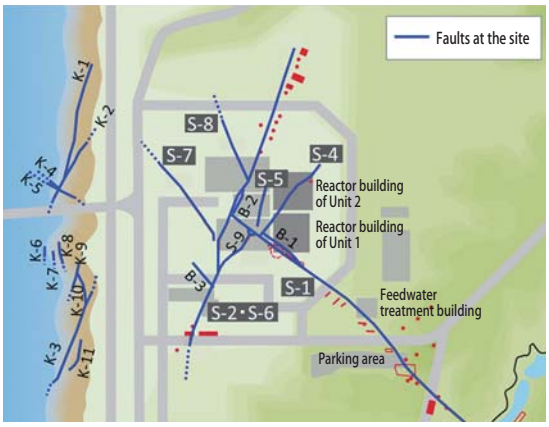
We believe that continued explanation at future review meetings based on detailed data will certainly lead to the recognition of the inactivity of the faults at the site.

2014 Review at Expert Meeting	August 12	Application for confirmation of conformity to the new regulatory requirements
2016 Review on Conformity to the New Regulatory Requirements	April 27	Evaluation document was submitted by the Expert Meeting to the Nuclear Regulation Authority (including the presentation of future challenges)
	June 10	Explanation of "future challenges" at review meeting (review on the seams)
	↓	Hearings prior to the review meeting (explanation of detailed materials; 8 hearings held)
2017	March 10	Review meeting (explanation of sampling of faults at the site and selection of evaluation target faults)
	June 23	Review meeting (explanation of additional survey plan pertaining to the selection of evaluation target faults)

Appropriate Action for the Early Settlement of the Issue Concerning the Faults at the Shika Nuclear Power Station Site

■Sampling of Faults at the Site

- In addition to the seams that had been evaluated, portions that may have been active during periods before the seams were active were also evaluated (Explanation 1).
- The entire site (including the coastal area, where intake tunnels to important facilities are located) was evaluated, and 21 zones (10 in the land area and 11 in the coastal area) were sampled as faults at the site.

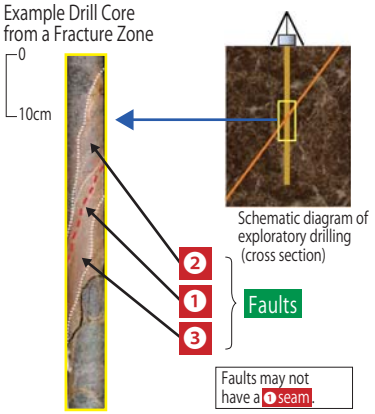


Explanation 1

◆Previously, we focused on and evaluated ❶ the seams (thin clayey layers).

◆In this report, on the basis of the comment given by the Nuclear Regulation Authority, we look at a wider range of portions, including ❷ portions composed of consolidated gravel and ❸ portions composed of consolidated clay and sand, portions that may have been active during periods before the seams were active, in addition to the seams, in order to avoid overlooking faults at the site.

◆Hereafter, ❷ and ❸ near ❶ the seams are also referred to as faults.



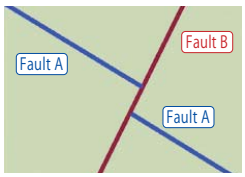
■Selection of Evaluation Target Faults to Be Investigated for Activity

- From among the 21 sampled faults in the site, we selected the faults that are large and that have been active in relatively recent periods, such as S-2 and S-6 (land area), as the evaluation target faults that are to be investigated in detail, regarding the presence of activity (Explanation 2).

Explanation 2

◆Methods for the Judgment of Relative Fault Age

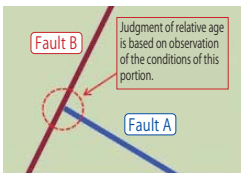
Case a



- At present, there are two faults: Fault A and Fault B. If Fault B extends in a straight line, and Fault A is discontinuous, interrupted at Fault B:

➡ It is judged that Fault A developed first, and Fault B developed later; in other words, Fault B is evaluated as being newer.

Case b



- At present, there are two faults: Fault A and Fault B. If Fault B intercepts the extension of Fault A, forming a T shape as a whole:

➡ Detailed observation of the intersection of Fault A and Fault B allows for the evaluation of which fault developed first.
In this report, we took into consideration data that includes the thickness of the fracture zone of Fault A at the intersection, and evaluated that Fault B is newer.

〈Reason for Selecting New Faults〉

- If a new fault has been found to have not been active since more than 120–130 thousand years ago,* it can be said that any older faults have not been active as well.

＊According to the Japanese national standard, if there is no slip in a stratum 120–130 thousand years old, it is not considered an active fault.

■Comments from the Secretariat of the Nuclear Regulation Authority at the Review Meeting on March 10, 2017

- With regard to the selection of the major faults, further data is required to compensate for the insufficiency of the reliability of the age of the activity for some faults.
- The faults located directly under important facilities should be classified separately from other faults, for the evaluation of the activity of the faults and other factors.

■Review Meeting on June 23, 2017

- Based on the above comments, we explained the additional survey plan pertaining to the selection of evaluation target faults. (Currently, the data is being expanded further.)

Additional survey plan pertaining to the selection of evaluation target faults:
Plans for geological observation, exploratory drilling, and other surveys for the purpose of reexamining the condition of the intersections between faults, scale of the faults (length, thickness), direction of the slips of the faults, etc.

■For Future Review

At future review meetings, we will provide satisfactory explanations by bringing together the results of the additional survey that we are working on, data that we have obtained so far, and other information, in order to gain the authorities' understanding as soon as possible regarding the adequacy of the evaluation by Hokuriku Electric Power Company that the faults at the site are not considered faults that may be active in the future (capable faults).

Steady Implementation of Safety Measures

In order to further improve the safety of Shika Nuclear Power Station, we continue to work on various measures, including strengthened fire protection for the central control room, taking account of the review statuses and results for other companies and other factors. We steadily continue to implement the safety improvement works, and take appropriate actions in relation to future reviews on conformity to the regulatory requirements, with the goal of an early restart of Shika Nuclear Power Station.

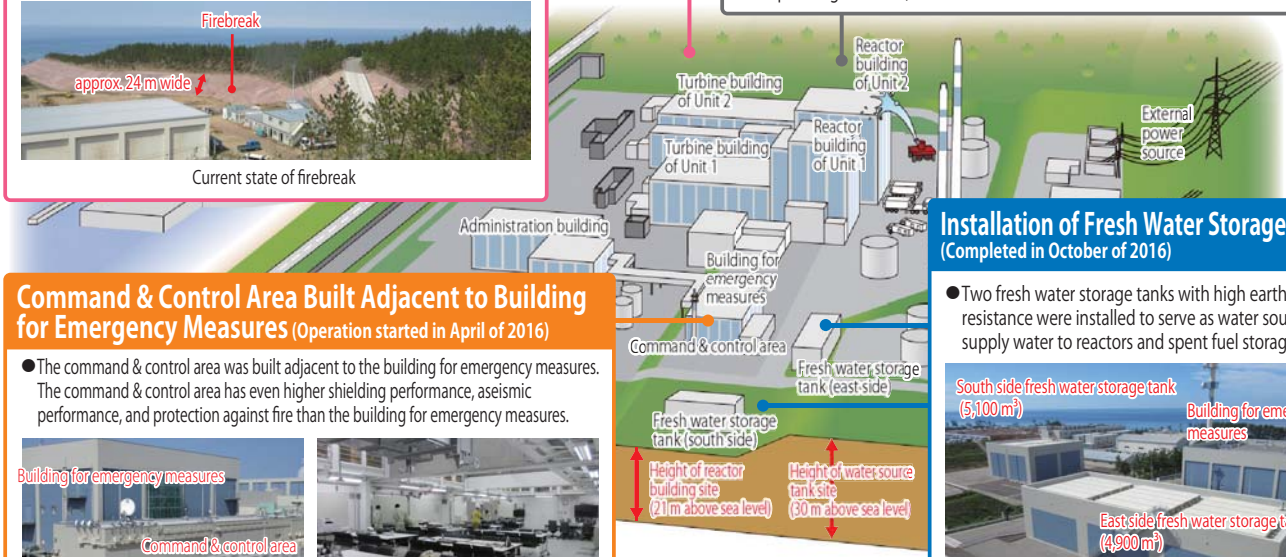
Creation of a Firebreak (Completed in December of 2016)

- A firebreak (approx. 24 m wide) was created by cutting down the trees surrounding the buildings, in order to prevent the fire from reaching the buildings in the event of a forest fire.

Current state of firebreak

Fire Protection for the Central Control Room (Scheduled to be completed within FY 2017)

- Expansion of functions for fire detection and extinguishing (increase in detectors and extinguishing equipment)
- Addition of measures to mitigate the effects of fire (fire-resistant barriers, fireproofing of cables)



Command & Control Area Built Adjacent to Building for Emergency Measures (Operation started in April of 2016)

- The command & control area was built adjacent to the building for emergency measures. The command & control area has even higher shielding performance, aseismic performance, and protection against fire than the building for emergency measures.

Exterior of command & control addition

Interior of command & control area

Installation of Fresh Water Storage Tanks (Completed in October of 2016)

- Two fresh water storage tanks with high earthquake resistance were installed to serve as water sources to supply water to reactors and spent fuel storage pools.

Exterior of fresh water storage tanks

Voice Pursuing the World's Highest Level of Safety with Commitment and Dedication as "Team Shika."

We put the highest priority on safety in operating Shika Nuclear Power Station, and take all safety measures with a firm determination to prevent any accidents like the one that occurred at Fukushima Daiichi Nuclear Power Station from happening again.

At present, we are steadily proceeding with the installation of an underground light-oil storage tank and on construction work to provide safety measures for the alternative power-supply facilities and other equipment.

As for the incident in September of 2016, when rainwater entered the reactor building, we sincerely apologize for the trouble and anxiety that the situation caused. We strive to take proper measures to prevent an incident like that from happening again.

With even greater commitment and dedication, we pursue the world's highest level of safety, and implement safety measures in integrated cooperation with the employees of our company and partner companies working at Shika Nuclear Power Station, as the close-knit "Team Shika," in order to earn the trust of, and provide peace of mind to, the people in our local communities.

Toshinao Furuya,
Superintendent of Shika Nuclear Power Station
Hokuriku Electric Power Company

Fundamental Efforts for the Safe and Stable Operation of Shika Nuclear Power Station

Nuclear Disaster Prevention Training

On November 20, 2016, Ishikawa prefecture, Shika-machi, and other organizations conducted a nuclear disaster prevention training program, including evacuation training for local residents. Hokuriku Electric Power Company took part in this training to confirm the division of roles and coordination with the government and the local public authorities, and carried out various skill improvement drills for responding to disasters.

In addition, we continuously conduct safety improvement training at Shika Nuclear Power Station with the aim of maintaining and improving our ability to respond quickly and accurately. We also consistently work to reinforce various pieces of equipment, based on our belief that ultimately, it is people who assume the prime responsibility for operating devices and equipment, to prepare for unexpected situations including natural disasters such as earthquakes or tsunamis.

Training Track Record

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
No. of Sessions	259	487	488	467	398	381	2,480

Operational Training at the Headquarters of Shika Nuclear Power Station (Emergency measures room)

Notifications when an emergency situation occurs, situation reports of accidents, and confirmations of response measures

Training in the Operation of the Water Injection Vehicle for High Places

A water discharge exercise with the water injection vehicle for high places, which is used when water injection or a spray using the permanent piping cannot be used on the spent fuel storage pool

Mutual Cooperation for Improved Nuclear Safety

In August of 2016, five electric power companies (Kansai, Chugoku, Shikoku, Kyushu, and Hokuriku) decided to mutually cooperate to further strengthen their measures to prevent harm from spreading in the event of a nuclear hazard, as well as to further improve the restoration measures.

In March of 2017, the Tokyo, Chubu, and Hokuriku electric power companies, all of which currently operate boiling water reactors (BWR) — specifically, advanced boiling water reactors (ABWR) — decided to cooperate technologically, taking advantage of the fact that all three companies operate the same type of reactors, with the aim of improving operator skills, sharing related knowledge, etc. The three companies also decided to mutually cooperate for improved safety, taking advantage of their geographical proximity.

Nuclear Safety Reliability Conference

We have formed the Nuclear Safety Reliability Conference (Chairman: Hiroto Ishida, Honorary President of Kanazawa Gakuin University), an organization designed to gather multilateral opinions and comments from external knowledgeable persons on the overall measures related primarily to the operation and management of Shika Nuclear Power Station.

At the twelfth meeting, held in May of 2017, we explained about the status of the review on conformity to the new regulatory requirements regarding the fault lines at the site of Shika Nuclear Power Station, and our actions following the influx of rainwater, and listened to attendees' opinions.

We plan to hold these meetings regularly, to consistently hear views and opinions to further improve safety.

12th meeting of the Nuclear Safety Reliability Conference

Measures to Increase Understanding of the Safety of Shika Nuclear Power Station

We work on company-wide efforts, using every opportunity to carefully and thoroughly inform the people in our local communities about the safety of Shika Nuclear Power Station in an easy-to-understand manner, in order to gain their understanding and provide a sense of relief.

FY2016 Results:
Plant tours of Shika Nuclear Power Station (tours organized for applications and for various organizations): 322
Briefing sessions for residents' associations, women's groups, labor organizations, etc.: 610
Visits paid for dialogue activities (local governments, economic organizations, etc.): About 2,200 people in total

On-site Tour

Risk Management for Continued Safety Improvements at Shika Nuclear Power Station

Promotion of Risk Management is Included in Our Quality Policy for Improved Nuclear Safety

Based on the Safety Regulations for Nuclear Facilities, our president has established our Quality Policy for Improved Nuclear Safety. To achieve our aim of having our employees perform their duties with consistent awareness of the existence of risks, the Quality Policy explicitly states ways to strengthen risk management, such as "Understand safety risks and always try to reduce them."

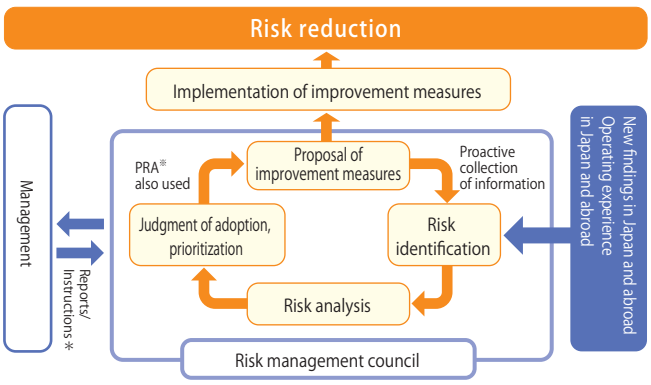
Development of a Structure Based on the Quality Management System

In order to identify risks and continuously discuss and implement measures for improvements, we set up a risk management council in April of 2015 to establish a risk management system.

Study of Measures for Improved Safety Using Probabilistic Risk Assessment (PRA)※

In order to continuously study and implement effective measures, we proactively use PRA, as well as training employees to work on PRA.

●Continuous Improvement of Safety (Conceptual diagram)



＊Reports and instructions are performed based on the management review (review by the president) in the quality management system.

Glossary ▶ ●Probabilistic risk assessment (PRA): A method of indicating the degree of safety, with regard to all possible accidents that can occur in nuclear power plants or other facilities, by degree of risk, which is determined through quantitative evaluation of the probability of occurrence of a given accident, and the significance of the potential damage caused by the accident.

The Need for Nuclear Power

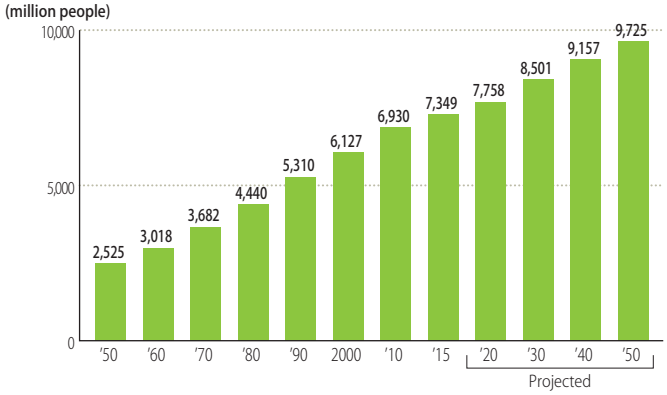
In order to ensure a stable supply of electricity in the future, we consider nuclear power generation to be an essential power source, based on the major premise that safety should come first. The proper energy mix is important for Japan given the country's low energy self-sufficiency rate; additionally, from the perspectives of energy security, economics, and environmental conservation, nuclear power generation is required to continuously play an important role as a base load generation resource.

Energy Self-sufficiency Rate

Japan is poor in natural energy resources, with an energy self-sufficiency rate of only 6%, meaning that Japan relies on imports for almost all energy resources.

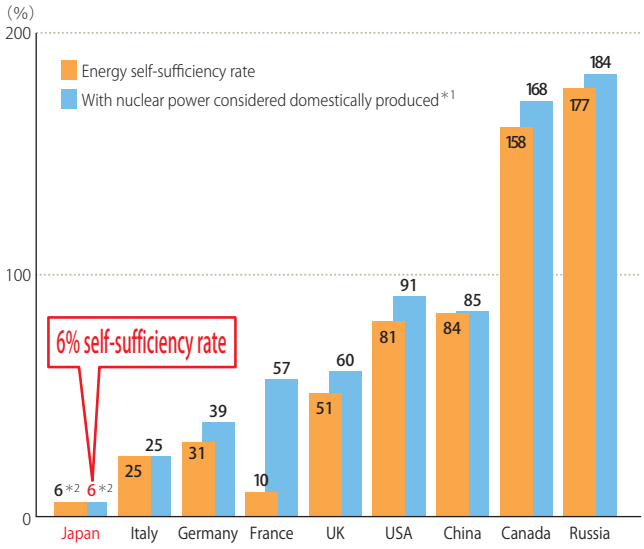
With the increasing global population, especially in emerging countries, energy demand is expected to rise significantly in the future, requiring energy composition that does not rely excessively on fossil fuels.

Changes in the Global Population



Source: UN, World Population Prospects: The 2015 Revision
(Figures for 2020 and later are projections.)

Energy Self-sufficiency Rates of Major Countries (2014)



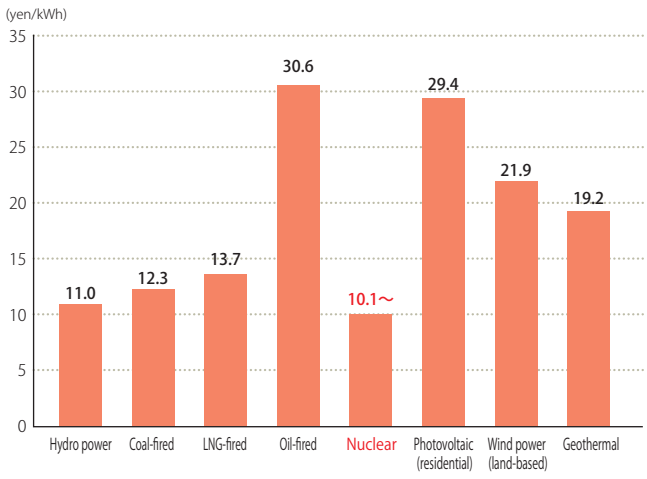
*1 Uranium is a nuclear fuel, which can be used for a long period after import and can be reprocessed and recycled, and is considered a quasi-domestic energy source.
*2 Because the contribution of nuclear power is negligible, the 6% rate shown is the same for both due to rounding.

Source: IEA, Energy Balances of OECD Countries (2016 Edition)
& Energy Balances of Non-OECD Countries (2016 Edition)

Power Generation Cost by Source

The cost of nuclear power generation measures up favorably to other power generation sources, even if additional costs such as accident risk costs are included.

Power Generation Cost by Source (2014 Model Plants)



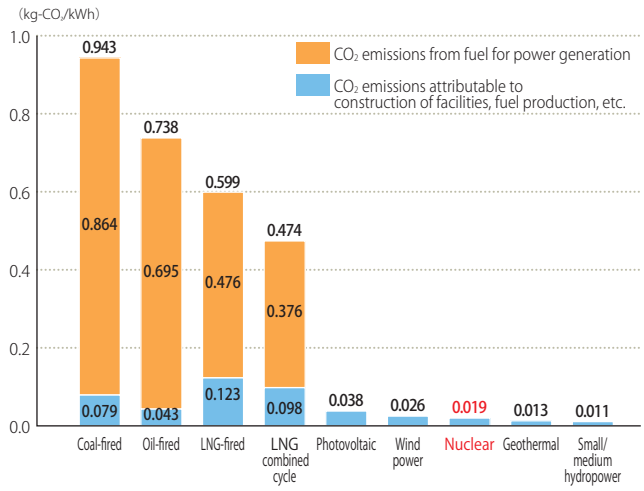
(Figures vary depending on preconditions and other factors.)

Source: Power Generation Cost Verification Working Group (May 2015)

CO_2 Emissions by Power Generation Source

Nuclear power does not emit CO_2 when generating electricity, akin to renewable energy sources like photovoltaic and wind power.

CO_2 Emissions per kWh by Power Generation Source



Source: Central Research Institute of Electric Power Industry Report (July 2016)

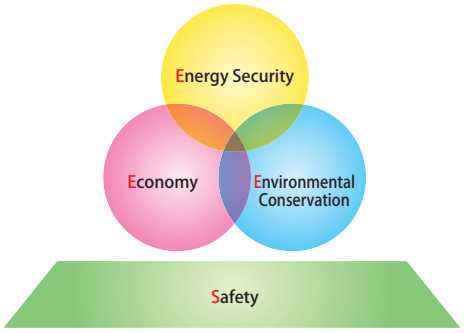
Energy Mix

Electric utilities have a social mission to ensure a stable supply of low-cost, high-quality electricity.

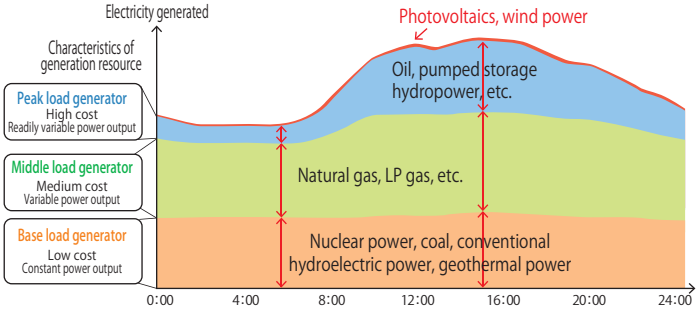
The proper energy mix is of importance for a supply of electricity that supports daily life and industry from the perspective of "S+3Es," to simultaneously achieve energy security, economy, and environmental conservation, while putting the highest priority on safety.

In addition, it is crucial to produce power based on a well-balanced combination of various generation resources that makes effective use of their respective characteristics, including economic efficiency, responsiveness to changes in electricity demand, etc., in order to satisfy ever-changing power demand.

Idea of energy mix (S+3Es)



Combination of Generation Resources to Meet Changes in Demand



Source: "Basic Energy Plan (April 2014)," Agency for Natural Resources and Energy

In July 2015, Japan's energy mix for FY2030 was determined, with an approximately 20–22% share set for nuclear power. Following this, the greenhouse gas emission reduction target was also formulated.
(Japan as a whole: 26% reduction by FY2030 compared to FY2013; electric utilities: emission factor of around 0.37 kg-CO_2/kWh in FY2030)

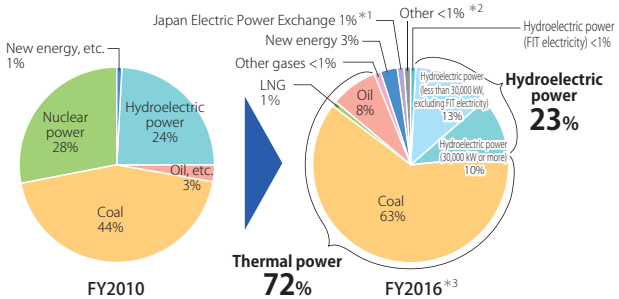
	Before Tohoku Earthquake (2006–2010)	Current state (2013)	FY2030
Renewable energy (Hydropower + new energy)	Approx. 10% (New energy re-published: 1%)	Approx. 11% (New energy re-published: 2%)	Approx. 22–24% (New energy re-published: Approx. 13–14%)
Nuclear	Approx. 28%	Approx. 1%	Approx. 20–22%
Coal	Approx. 25%	Approx. 30%	Approx. 26%
LNG	Approx. 27%	Approx. 43%	Approx. 27%
Oil	Approx. 10%	Approx. 15%	Approx. 3%

Hokuriku Electric Power Company's Generation Mix

Hokuriku Electric Power Company's generation mix is characterized by a higher ratio of hydroelectric power generation, capitalizing on the Hokuriku area's plentiful water resources; this ratio is the highest in Japan.

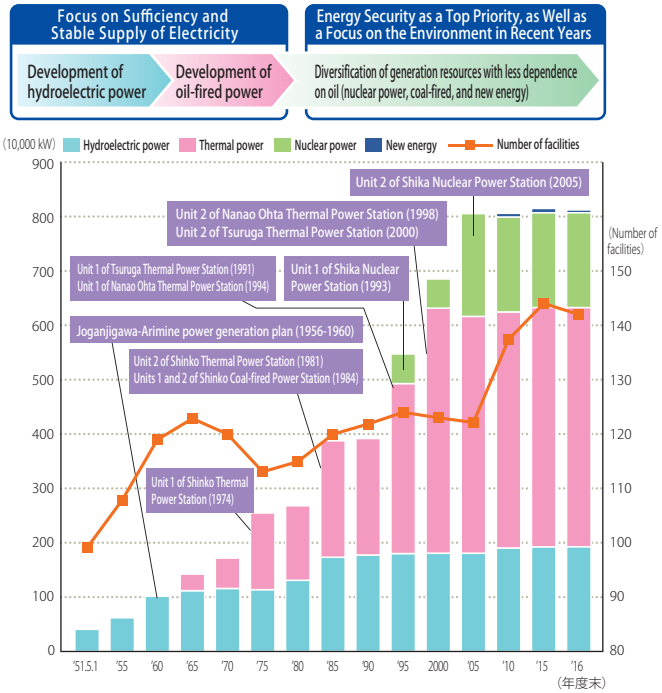
After the Great East Japan Earthquake, Shika Nuclear Power Station stopped operation; in its place, thermal power stations have been operating at high utilization rates since then. We steadily work toward restarting Shika Nuclear Power Station, the construction of our first LNG-fired power generation facility, and the development of renewable energy sources in view of cost-effectiveness, as ways to further diversify our generation resources.

Component Ratio of Electricity Generated by Hokuriku Electric Power Company (Component ratio relative to our retail power demand)



- In FY2016, we neither produced nor received any electric power based on nuclear power.
- "New energy" in FY2016 includes the 3% consisting of "Photovoltaics, wind power, etc. (FIT electricity)," and the less than 1% consisting of "Photovoltaics, wind power, etc. (excluding FIT electricity)."

Changes in Power Generation Facilities (Number of facilities and approved output capacity)



Note: "FIT electricity" refers to electricity produced by hydroelectric power, photovoltaics, wind power, etc., and procured under the Feed-in Tariff Program for renewable energy. Part of the cost that Hokuriku Electric Power Company incurs to procure this electricity is covered by surcharges collected from all electricity users, including non-customers of Hokuriku Electric Power Company. CO_2 emissions from this electricity are calculated based on national average CO_2 emissions from all types of electricity, including those from thermal power generation. The total value of FIT electricity in FY2016 amounted to 3%.

*1 This includes electricity obtained from hydroelectric power, thermal power, nuclear power, the FIT program, and renewable energy.

*2 Electricity procured from other electric utilities, and for which the generation resource is unknown, falls under "Other."

*3 The component ratio in FY2016 was calculated based on the Guidelines Concerning the Management of the Electricity Retail Business (July 2016) established by the Ministry of Economy, Trade and Industry.

2. To Ensure Stable Supply of Electricity

Ensuring Supply Capability and Reinforcing Risk Management

In order to be prepared for various risks, such as the shutdown of large-capacity power sources or large-scale disasters, we make consistent efforts to ensure supply capability, improve our facilities and equipment, and take appropriate measures to prevent disasters.

Measures to Ensure the Supply Capability of Thermal Power Stations

The operation of Shika Nuclear Power Station has been suspended for a prolonged period, compelling us to operate our thermal power stations at high utilization rates. In order to ensure our supply capability under these circumstances, we take every possible measure to inspect the facilities, including petitioning the national government for deferred regular inspection periods, shortening the inspection periods, and conducting short mid-term inspections, as well as avoiding the peak periods of demand in summer and winter as much as possible for inspection dates.

Regular inspection of a thermal power station

Improvement of Response Capability for Large-scale Disasters

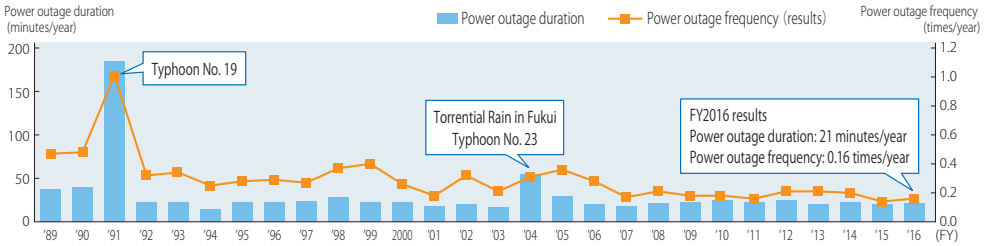
With the aim of improving our preparedness and responsiveness for large-scale disasters, as well as confirming cooperation with the back-office operation team, we conduct an annual field training exercise for responding to emergency disasters.

We also conduct various other exercises, including ones conducted in collaboration with Japan's Self-Defense Forces, such as establishing a base meeting place and accepting the recovery support team, thus striving to promote mutual cooperation on a day-to-day basis for smooth teamwork in the event of disasters.

Collaborative training with the Self-Defense Forces

Power Outage Duration and Frequency

Annual power outage duration and frequency per household



Implementation of Measures for Maintaining Power Transmission and Distribution Equipment

We conduct maintenance, management, and operation work on our power transmission and distribution equipment. Additionally, because replacement work for the facilities and equipment installed in the high-growth period of the Japanese economy will eventually reach a peak, we work to even out our long-term replacement plans, and to secure a work execution system for maintaining equipment functions.

Efforts of E League Hokuriku

In July of 2015, we established a corporate group called E League Hokuriku with companies that carry out transmission and distribution equipment works for Hokuriku Electric Power Company, and are working to secure and develop human resources for transmission and distribution equipment works. Through close cooperation, we will continue endeavoring to provide a stable supply of electricity.

Main Approaches

- We produced a brochure and video to promote the transmission and distribution equipment works companies, targeting students, their parents, and career advisers at schools. The brochure and video are used by Hokuriku Electric Power Company and E League Hokuriku member companies for recruiting activities, internship orientation, opinion exchanges with high school students, and other opportunities.
- Hokuriku Electric Power Company participates in opinion exchange meetings with students, hosted by transmission and distribution equipment works companies, in order to communicate our sense of mission in supporting social infrastructure, the worthwhileness of personal growth as expert technicians, and other positive points.

Research toward the Development of Robots for Works on Power Distribution Facilities

We have entered into joint research agreements with universities and manufacturers, and are conducting research to develop robots for works on power distribution facilities. We are currently proceeding with the development of assistive robots (assist arms) to assist workers, and aim to automate distribution equipment works in the future, for improved work efficiency, labor savings, and easing workers' workloads.

Assistive robot (example)

Efforts for Efficient Use of Electricity

Installation and Effective Use of Smart Meters

We plan to complete our systematic installation of smart meters at all customers' homes by March of 2024 (approx. 200,000 units per year). We utilize smart meter functions that contribute to efficient use of electricity, to help improve our customer service.

Smart meter installation

Efforts for Deployment of Low-carbon Generation Resources

Through our steady efforts to further diversify generation resources, such as the construction of Hokuriku Electric Power Company's first LNG-fired power generation facility, as well as the development of renewable energy sources, we contribute to the stable supply of electricity and the realization of a low-carbon society.


Overall view of the LNG facilities


LNG purchasing contract signing ceremony

Steady Promotion of Construction Work on LNG-fired Power Generation Facility

At Toyama Shinko Thermal Power Station, we are scheduled to introduce a combined-cycle power generation facility※ that uses liquefied natural gas (LNG) as a fuel that can significantly reduce CO2 emissions, and we will place the highest priority on safety as we steadily proceed with the construction work to start operation in November of 2018.

In December of 2016, we signed a contract with Malaysia LNG Sdn. Bhd. regarding the buying and selling of LNG, and the first tanker will arrive in March of 2018.

Outline of the LNG Purchasing Contract with Malaysia LNG Sdn. Bhd.

Seller	Contract Period	Contract Quantity
Malaysia LNG Sdn. Bhd.	March of 2018 to March of 2028	Up to 6 tankers/year (approx. 380,000 tons)

Wider Use of Renewable Energy

Hydroelectric Power Generation

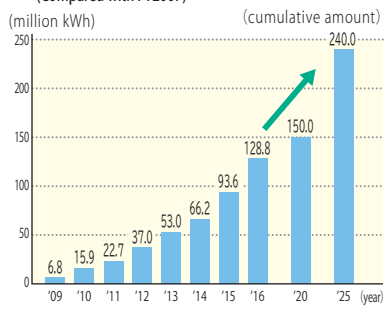
We have set a new target* for further increasing the amount of electricity generated by hydropower, and we work to increase our generating capacity through the renovation of existing power stations and other approaches.

Increased Hydroelectric Power Generation Targets

Target year	Target for increased power generation
By FY2025 [Intermediate target for FY2020]	Increase by 240 million kWh/year (compared with FY2007) [Increase by 150 million kWh/year (compared with FY2007)]

＊Previous target: Increase by 130 million kWh/year by FY2020 (compared with FY2007)

Increase in Hydroelectric Power Generation
(Compared with FY2007)

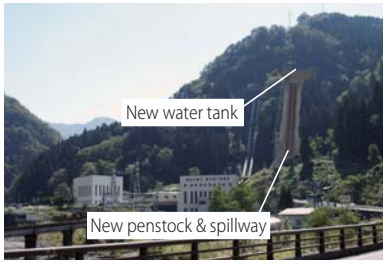


Kurobegawa Denryoku, one of the companies in the Hokuriku Electric Power Group, has planned the construction of Shin-Himekawa No. 6 Power Station, a new hydroelectric power station, in Itoigawa City, Niigata, and is making progress in preparing for operation commencing in FY2022.

Outline of Shin-Himekawa No. 6 Power Station

Name of power station	Output	Electricity generated	Scheduled start of operation	CO_2 reductions
Shin-Himekawa No. 6 Power Station	27,500 kW	Approx. 85 million kWh / year	April 2022	Approx. 50,000 t-CO_2/year＊

＊Estimated using the substitute value (0.587 kg-CO_2/kWh) from the FY2015 emission intensity by electric utility company published by the Ministry of the Environment



Shin-Himekawa No. 6 Power Station (Rendering)

Wind Power Generation

Mikuni Wind Power Station was built by the Nihonkai Power Generating Company, one of the companies in the Hokuriku Electric Power Group. It commenced operation in January of 2017 at Technoport Fukui (Sakai City, Fukui).

Outline of Mikuni Wind Power Station

Name of power station	Output	Electricity generated	Start of operation	CO_2 reductions
Mikuni Wind Power Station	8,000kW (2,000 kW × 4 units)	Approx. 14.4 million kWh / year	January 2017	Approx. 0.84 t-CO_2/year＊

＊Estimated using the adjusted CO_2 emission intensity of our company in FY2015 (0.615 kg-CO_2/kWh).


Mikuni Wind Power Station in operation

Glossary ▶ ●Combined-cycle power generation facility: A power generation facility that combines a gas turbine and a steam turbine. Higher thermal efficiency can be achieved compared to conventional power generation facilities with a steam turbine, thereby enabling more effective use of energy.

3. Enhancing Competitiveness

Efforts to be Chosen by Customers

In this increasingly competitive environment, we work to provide services to meet customer needs and to swiftly and accurately respond to customers' energy-related requests, in the hopes that customers continue to choose us. In addition, our Marketing & Sales division and our new company, Hokuriku Electric Power Biz Energy Solution, work together to further strengthen our sales efforts.

In addition to making a stable supply of power to the Hokuriku area our highest priority, we are also actively working to develop our sales outside of the Hokuriku area, by promoting our electricity in the Tokyo metropolitan area for homes, offices, factories, and more, as well as strengthening our alliances with other enterprises.

Approaches in the Residential Sector

Hoku-Link Membership Service

Starting in July of 2016, we began issuing Hoku-Link Points, which can be redeemed for products or gift certificates for local businesses in the region. This system has been used by many of our customers. We plan to continue to offer services based on our customers' needs, and working to increase membership (goal for FY2017: 150,000 new members, for a cumulative total of 330,000 members).

ほくリンク

About the Name "Hoku-Link"
The name "Hoku-Link" comes from our desire to connect (link) with our customers and local communities, as a business with roots in the Hokuriku area.

Approaches in the Corporate Sector

Providing Total Solution Services

In addition to power rate consultations, we also offer practical and effective energy consulting services, including proposals for everything from simple operational improvements to updated equipment, through services like energy saving diagnoses based on energy measurement data and other factors.

Beyond just electricity, we also provide total solution services that incorporate gas or heat. Through these services, we can respond to customers' various energy-related needs, helping to bring about energy savings and reduced costs.

In order to improve these, in March of 2017, we established Hokuriku Electric Power Biz Energy Solutions Co., Ltd. (Hokuden BEST), a company specializing in energy solutions business.

Our Marketing & Sales division and Hokuden BEST work together to offer more useful, better targeted services to our customers.

Energy savings consulting at a factory

BEST

The Beliefs behind the Company Name and Logo

Providing the BEST options for our customers
Always doing our BEST
Serving as the BEST partner for our customers

Approaches Beyond the Hokuriku Area

Electricity Sales for Residential Customers in the Tokyo Metropolitan Area

In April of 2016, we began offering our Hokuriku Kagayaki Contract power rates for residential customers in the Tokyo metropolitan area, and by January of 2017, we had achieved 1,000 sales.

We have been well regarded by customers originally from the Hokuriku area, and we plan to continue meeting customers' needs and increasing sales.

Hokuriku Kagayaki Contract
Power Rates

Electricity Sales for Corporate Customers in the Tokyo Metropolitan Area

We provide electricity sales to corporate customers in the Tokyo metropolitan area, such as offices and factories, with a focus on customers connected to the Hokuriku area, and we have been well regarded.

In April of 2017, we began offering our Hokuriku Biz Kagayaki Contract and Low-Voltage Electric Power rate tariffs for low-voltage corporate customers in the Tokyo metropolitan area. By establishing new rates with advantages for corporate customers who use large amounts of electricity, such as shops, offices, and factories, we are expanding our electricity sales to a wider customer base.

Promoting Alliances with Other Companies

In order to expand sales, we are collaborating with local financial institutions, working with LP gas sales companies to establish gas-and-electricity sets for sale, and working with communications companies to establish internet access-and-electricity sets for sale.

We will continue to collaborate with other companies, in order to provide added value to our customers while working to further expand our sales.

Appropriate Response to Electricity System Reform

In order for electricity system reform to be truly tied to our customers' benefit, we work as proactively as possible as a business to flexibly respond to the changes and needs of society.

This includes the legal unbundling of power transmission and distribution, scheduled to be carried out from April of 2020; it will be necessary to take careful measures to maintain mid-to-long-term supply capability, in order to ensure an uninterrupted stable supply of energy. In addition, we believe that we must take the appropriate steps to allow necessary measures to be taken, with respect to issues such as improvements to electric power supply/demand and maintenance of the business environment for nuclear power, as well as the results of future inspections to be undertaken on the national level.

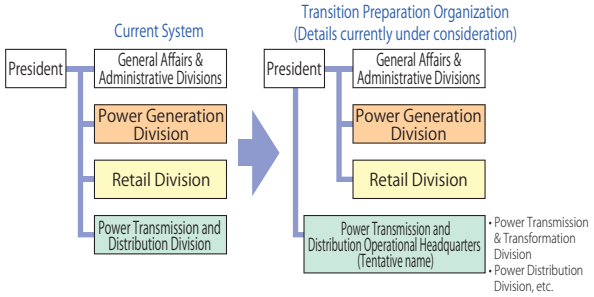
Establishment (FY2018) of the Power Transmission and Distribution Operational Headquarters (Tentative name)

In July of 2015, we established the Committee on Structural Improvements toward 2020 to consider the fundamental direction for the company structure and other topics.

In FY2018, we plan to establish the Power Transmission and Distribution Operational Headquarters (tentative name) as a transition preparation organization to investigate organization and business operations options for after legal unbundling. (Details currently under consideration.)

In the future, we will continue to perform practical investigations to overcome diverse challenges, with the aim of building an organizational structure that continues to allow us to use our strengths, using the Hokuriku area as a base to demonstrate our comprehensive abilities.

Transition Preparation Organization Structure



Measures for Improving Managerial Efficiency

In order to deal with the harsh business environment, including the increase in fuel costs as a result of the suspended operations of Shika Nuclear Power Station, we have been working to streamline our operations, through efforts such as reducing personnel expenses and miscellaneous costs, and revising the periodic inspection process for coal-fired power stations.

Measures for Improving Managerial Efficiency in FY2016

In addition to existing efforts, starting in FY2016, we have added new efforts for further streamlining, including a 7% reduction in material procurement prices and further reductions in personnel expenses.

Details of Measures Taken in FY2016

	Details
Existing Efforts	◇ Reduction of personnel expenses by streamlining operations, etc. ◇ Reduction of overall miscellaneous costs by clearly prioritizing measures and actions to be taken ◇ Revision of periodic inspection process for thermal power stations, and reduction in fuel costs through measures including extended use of low-cost coal sourced from nearby countries ◇ Sale of electricity to the Japan Electric Power Exchange, with maximal utilization of excess supply capability
New Efforts	
Material Procurement Prices	◇ 7% reduction achieved through various procurement measures and revised designs and methods of construction
Personnel Expenses, Miscellaneous Costs, Etc.	◇ Further reductions in executive compensation (starting Feb. of 2017), reductions in employee bonuses ◇ Further reduction of miscellaneous costs

Periodic Inspection at Thermal Power Station

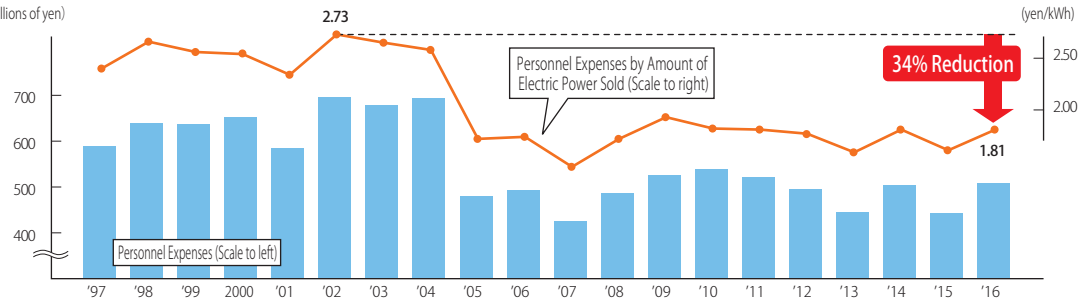
Measures for Improving Managerial Efficiency in FY2017

In order to deal with the difficult circumstances surrounding revenue and expenses, we have established the Committee to Strengthen our Management Base, with the company president as the committee chair, and we are working to expand current measures and establish new ones, in order to streamline company-wide operations without any exceptions.

○ Reference Data

Reference 1

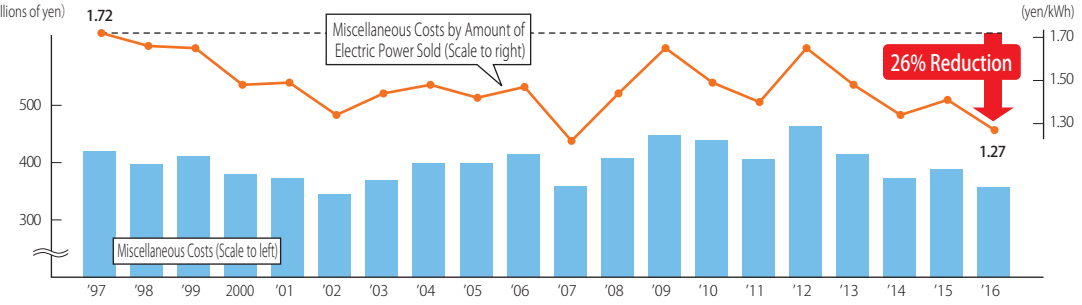
Streamlining of Personnel Expenses



Note: "Personnel expenses" includes salaries, as well as retirement bonuses, welfare expenses, outsourced power meter reading fees, outsourced payment collection fees, etc.

Reference 2

Streamlining of Miscellaneous Costs



Note: "Miscellaneous costs" includes costs of consumables, compensation/damages, lease payments, outsourcing costs, casualty insurance costs, costs related to popularization and development, training costs, research costs, etc.

4. Active Efforts toward Environmental Conservation

Group-wide Efforts toward Environmental Conservation

Working to bring about a recycling-oriented society, and developing sustainable business activities with proper concern for living things and the blessings of nature.

Active Promotion of the Three Rs

We work to reduce the production of waste materials, and to reuse and recycle them.

●Improvements in Proportion of Industrial Waste Recycled

In FY2016, the Hokuriku Electric Power Group produced 1,000,000 tons of industrial waste, but through effective use efforts, 93.9% of that waste was recycled.

The Three Rs at Group Companies

●Recycling Confidential Documents

Japan Ecology and Security Service Company offers various services, including recycling of confidential documents, custody of records, and sales of recycled paper products. At their security center, they process the confidential documents they have received from customers using a crusher, and send the crushed documents to papermaking companies as a production material to be recycled into toilet paper, copy paper, or other paper products, which are then provided to consumers, thus developing a regional recycling system. In FY2016, the company recycled about 1,753 tons of paper.

Collecting confidential documents from a customer's office

Expanding Forest Conservation Activities

We work alongside our employees and their families on efforts to take part in volunteering activities for forest conservation.

●"Appreciating the Blessings of Water, and Repaying the Favor to Forests"

Since FY2008, the Hokuriku Electric Power Group has expanded forest conservation activities in the three prefectures that make up the Hokuriku area, as "activities aimed at coexisting with the Hokuriku region." In FY2016, 440 people took part in showing appreciation to the forests for watershed cultivation,※ absorbing CO_2, and everything else they do for us, by helping out with tree-planting, clearing underbrush, and other activities.

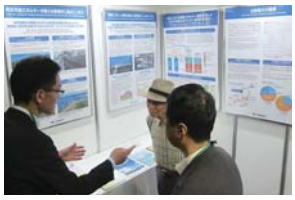
Some of the cleared underbrush was effectively used as biomass fuel at a thermal power station.

Activities in the Uozu area of Toyama Prefecture

Making Environmental Communication Dynamic

● Booth Presence at the Toyama Environmental Exhibition, Held by the Ministry of the Environment

We had a booth presence at the Toyama Environmental Exhibition, which was held in May of 2016 by the Ministry of the Environment as a side event for the G7 Toyama Environment Ministers' Meeting. Visitors to the booth could learn about our environmental conservation activities, including our efforts to reduce CO_2.



Booth at Toyama Environmental Exhibition

●Sharing Information at Events Such as Environmental Exhibitions

We have exhibits at environmental exhibitions held at shopping centers, focused at families on their days off, where visitors can learn about Hokuriku Electric Power's environmental conservation activities.

Environmental PR at a shopping center, alongside a craft workshop using lumber from thinning

●Environmental Beautification Activities

The Hokuriku Electric Power Group is continuously engaged in activities to clean the areas near our offices, beaches, and more.

Beach-cleaning activities

Improved Environmental Education for Employees

In order for the entire Hokuriku Electric Power Group as a whole to understand environmental management and put it into practice, we hold environmental education for employees of the Group.

In addition, we also hold training meetings for new hires and new members of management, with the goal of improving environmental awareness.

We also recommend that employees take the Eco Test (Certification Test for Environmental Specialists); to date, over 900 Hokuriku Electric Power employees (including former employees) have taken the Eco Test.

Certificate of passing the Eco Test

Group training for new hires and other employees

Glossary ▶ ●Watershed cultivation: A characteristic of forests wherein trees, fallen leaves, and forest soil all serve to cause precipitation to effectively permeate into the ground; through long-term retention and downward flow, this helps prevent flooding and evens out water supply in rivers to prevent droughts.

5. Establishing a Pleasant Work Environment with Respect for Human Rights

Creating a Pleasant Workplace

Efforts to Promote Work Style Reforms

At the Hokuriku Electric Power Group, we aim to be very active in both our work and personal lives, so we promote reforms of the way we work in order to improve labor productivity, in addition to improving our work itself.

To improve our work, members of management take the initiative in improving workplace efficiency through discontinuing, reducing, or changing things that are conventionally done. At the same time, managers in each workplace are encouraged to be "supportive bosses" who support both employees' careers and personal lives, taking into account the work-life balance of the people who work under them. (In February of 2017, the Hokuriku Electric Power Group put into practice the Supportive Boss Declaration.)

In order to promote these efforts, we have established an investigation team composed of members of different divisions (the Cross-Functional Way of Working Reform Team), to proceed with improvements — including awareness reform and work style reform, application of technical innovation, investigating new work systems based on employees' needs, and more — that are more than simple extensions of existing ways of working from the past.

By pursuing efficient and productive ways of working, we also promote the creation of lifestyles rich in variety.

Supportive Boss Declaration

Promoting Diversity through Women in Active Roles and More

We have expanded areas of work where our driven female employees can work, developing and showing their skills not only in sales, regional PR, fuel procurement, and other office work, but also in technical work such as equipment operation, design work, maintenance work, and more.

We have established the Progress Promotion Team, a specialized organization that works to promote diversity, through which employees of diverse points of view and sensibilities can complement and positively influence each other, making the Hokuriku Electric Power Group stronger as a whole.

Promoting women playing active roles involves not just expanding our childcare-related support system, but also the introduction of a mentor program to back the activities of female members of management with the help of female leaders from various industries, as well as the inauguration of the "Shine! COSMOS Project,"* an inter-industry exchange meeting that aims to deepen mutual understanding of women's career development and ways of working by sharing information with other local businesses. (Inaugural companies: Intec Inc.; Hokuriku Bank, Ltd.; and Hokuriku Electric Power Company)

＊The "COSMOS" in the name stands for…

- CO … Communication
- S … Skills
- MO… Motivation
- S …Smiles

In addition, our target for female members of management has been set as "By 2020, aim to roughly triple the numbers from 2015" (going from 24 to about 70), and, in January of 2017, our efforts toward reaching this goal earned us the highest of the three ranks of "L-Boshi" certification from the Ministry of Health, Labour, and Welfare, based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

We look forward to continuing to work to promote diversity, to create workplaces full of vitality and to help individuals and organizations reach their maximum potential.

Assisting Employees in Balancing Work with Family Care

We offer childcare and nursing care leave systems for employees who are engaged in child-rearing or taking care of sick family members.

In FY2016, our childcare leave system was used by 100% of female employees who gave birth (17 employees), as well as by two male employees.

In addition, in order to allow employees to continue working while engaged in child-rearing or nursing care, we have established a shortened work hour system for child-rearing or nursing care, as well as temporary care leave systems to take care of sick children or other family members.

Starting in FY2016, we have increased the number of days provided for paternity leave, as well as extending the length of time the shortened work hour system for child-rearing can be used, among other system revisions and improvements. In addition, to help support employees currently on leave for child-rearing, we offer loans of mobile PCs and seminars on returning to work that are designed to also be attended by family members, as well as other efforts to expand our support for employees raising children.

As a result of our efforts to enable employees to balance their work with child-rearing, and create pleasant workplaces where employees can fully develop and demonstrate their skills, in May of 2013, we received "Kurumin" certification from the Ministry of Health, Labour, and Welfare, based on the Act on Advancement of Measures to Support Raising Next-Generation Children.

In addition, in February of 2017, we were honored as a Toyama Prefecture Child-rearing Model Business, and in the following April as a Fukui Prefecture Child-rearing Model Business.

Consolidated Balance Sheets

Total assets amounted to ¥1,518.0 billion, up ¥8.6 billion from the end of the previous fiscal year (ratio to the figure at the end of previous term: 100.6%). This is due to an increase in construction in progress account and other factors.

Total liabilities amounted to ¥1,190.4 billion, up ¥15.0 billion from the end of the previous fiscal year (ratio to the figure at the end of previous term: 101.3%). This is due to an increase in liabilities with interest and other factors.

Total net assets amounted to ¥327.6 billion, down ¥6.3 billion from the end of the previous fiscal year (ratio to the figure at the end of previous term: 98.1%). This is due to cash dividends paid and other factors.

Consolidated Statements of Operations

Operation revenues in FY 2016 amounted to ¥542.5 billion, down ¥1.9 billion from the previous fiscal year (ratio to the figure of previous term: 99.6%). Despite the increase in retail electricity sales and renewable energy surcharge, the decrease in contract works and other orders at subsidiaries and other factors, in addition to the decrease in fuel adjustment charge, led to a decrease in revenue.

Ordinary income came to ¥2.0 billion, down ¥26.0 billion from the previous fiscal year (ratio to the figure of previous term: 7.2%). This decrease was caused by an increase in maintenance and repair costs, including those for highly aged equipment, an increase in retirement benefit expenses resulting from declining interest rates, a decrease in the amount of hydroelectric power generation, and other factors, notwithstanding our all-out efforts to streamline our overall costs, including reductions in material procurement costs.

As a result of adding ¥1.7 billion of income taxes to above, and utilizing ¥0.6 billion of drought reserves, loss attributable to owners of parent amounted to ¥0.6 billion (compared to profit attributable to owners of parent of the previous term: ¥12.8 billion). Moreover, net loss per share was ¥2.98 (compared to net income per share of the previous term: ¥61.74).

Consolidated Statements of Cash Flow

The balance of cash and cash equivalents at the end of FY 2016 totaled ¥173.7 billion, down ¥19.3 billion from the end of previous term (ratio to the figure at the end of previous term: 90.0%).

Cash in flows from "operating activities" reached ¥63.5 billion, down ¥6.2 billion from the previous term (ratio to the figure of the previous term: 91.1%). This is due to a decrease in profit before income taxes and other factors.

Expenditure from "investing activities" amounted to ¥104.2 billion, up ¥19.2 billion from the previous term (ratio to the figure of the previous term: 122.6%). This is due to an increase in expenditure for acquisition of fixed assets and other factors.

Cash in flows from "financing activities" was ¥21.3 billion, down ¥12.6 billion from the previous term (ratio to the figure of the previous term: 62.8%). This is due to an increase in repayment of debt and other factors.

Consolidated Financial Statements

HOKURIKU ELECTRIC POWER COMPANY AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2017 and 2016

Consolidated Balance Sheets

	Millions of yen	Millions of yen	Thousands of U.S. dollars
ASSETS	2017	2016	2017
Noncurrent assets	¥1,239,443	¥1,216,657	$11,046,733
Property plant and equipment (Note 4)	786,948	808,779	7,013,803
Hydroelectric power production facilities	107,613	108,666	959,121
Thermal power production facilities	103,033	108,325	918,302
Nuclear power production facilities	144,880	160,919	1,291,274
Transmission facilities	157,587	159,648	1,404,522
Transformation facilities	85,843	86,878	765,094
Distribution facilities	147,264	146,729	1,312,513
General facilities	32,916	31,527	293,369
Other	7,809	6,084	69,605
Other noncurrent assets (Note 4)	41,210	43,488	367,293
Construction in progress	179,717	133,901	1,601,757
Construction and retirement in progress	179,717	133,901	1,601,757
Nuclear fuel	101,641	108,405	905,896
Loaded nuclear fuel	26,219	26,219	233,685
Nuclear fuel in processing	75,422	82,186	672,211
Investments and other assets	129,925	122,082	1,157,982
Long-term investments	66,774	55,268	595,140
Fund for reprocessing of irradiated nuclear fuel	—	5,369	—
Asset for retirement benefits	17,586	16,557	156,742
Deferred tax assets	38,211	37,561	340,566
Other (Note 4)	7,546	7,648	67,263
Allowance for doubtful accounts	(194)	(322)	(1,729)
Current assets	278,633	292,736	2,483,363
Cash and deposits	173,746	193,128	1,548,542
Notes and accounts receivable-trade	57,193	55,745	509,748
Inventories (Note 4)	23,807	19,016	212,185
Deferred tax assets	4,760	5,473	42,426
Other	19,247	19,520	171,547
Allowance for doubtful accounts	(121)	(147)	(1,087)
Total	¥1,518,076	¥1,509,393	$13,530,096

	Millions of yen	Millions of yen	Thousands of U.S. dollars
LIABILITIES AND NET ASSETS	2017	2016	2017
Noncurrent liabilities	¥957,518	¥932,709	$8,534,033
Bonds payable (Note 4)	444,893	424,887	3,965,180
Long-term loans payable (Note 4)	406,874	390,259	3,626,329
Liability for retirement benefits	31,525	31,310	280,974
Provision for reprocessing of irradiated nuclear fuel	—	6,124	—
Provision for reprocessing of irradiated nuclear fuel without specific plans	—	6,107	—
Asset retirement obligations	60,341	59,153	537,804
Other	13,884	14,867	123,744
Current liabilities	212,118	221,199	1,890,543
Current portion of long-term debt (Note 4)	85,554	90,487	762,518
Short-term loans payable	16,127	16,127	143,741
Notes and accounts payable-trade	32,704	30,664	291,479
Accrued income taxes and other	8,240	8,291	73,442
Other	69,492	75,628	619,360
Reserves under the special laws	20,824	21,481	185,605
Reserve for fluctuation in water levels	20,824	21,481	185,605
Total liabilities	1,190,462	1,175,390	10,610,182
Shareholders' equity	310,143	321,208	2,764,204
Capital stock	117,641	117,641	1,048,498
Capital surplus	33,994	33,994	302,980
Retained earnings	161,842	172,899	1,442,450
Treasury shares	(3,335)	(3,327)	(29,725)
Accumulated other comprehensive income	6,201	2,955	55,273
Valuation difference on available-for-sale securities	7,238	5,377	64,510
Deferred gains or losses on hedges	—	15	—
Retirement benefits liability adjustment	(1,036)	(2,436)	(9,236)
Non-controlling interests	11,268	9,839	100,436
Total net assets	327,614	334,003	2,919,914
Total	¥1,518,076	¥1,509,393	$13,530,096

Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Consolidated Statements of Operations

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Operating revenue	¥542,572	¥544,568	$4,835,758
Electricity:	496,118	492,382	4,421,734
Other:	46,453	52,185	414,023
Operating expenses (Note 5)	532,032	506,443	4,741,826
Electricity: (Note 5)	490,670	460,563	4,373,178
Other:	41,362	45,879	368,648
Operating income	10,539	38,124	93,931
Other income	3,951	2,940	35,218
Dividends income	561	563	5,002
Interest income	656	575	5,847
Gain on sales of securities	937	—	8,356
Equity in earnings of affiliates	35	20	312
Other	1,761	1,781	15,700
Other expenses	12,478	13,022	111,216
Interest expenses	10,427	11,265	92,938
Other	2,050	1,757	18,277
Total ordinary revenue	546,523	547,508	4,870,976
Total ordinary expenses	544,511	519,466	4,853,043
Ordinary income	2,012	28,041	17,933
Provision or reversal of reserve for fluctuation in water levels	(656)	4,807	(5,852)
Provision of reserve for fluctuation in water levels	—	4,807	—
Reversal of reserve for fluctuation in water levels	(656)	—	(5,852)
Profit before income taxes	2,668	23,234	23,785
Income taxes-current	2,920	6,432	26,029
Income taxes-deferred	(1,210)	2,416	(10,785)
Total income taxes	1,710	8,848	15,243
Profit	958	14,385	8,542
Profit attributable to non-controlling interests	1,580	1,493	14,090
Loss (Profit) attributable to owners of parent	(¥622)	¥12,891	($5,548)

Consolidated Statements of Comprehensive Income

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Profit	¥958	¥14,385	$8,542
Other comprehensive income			
Valuation difference on available-for-sale securities	1,865	(3,996)	16,625
Deferred gains or losses on hedges	(15)	15	(138)
Remeasurements of defined benefit plans, net of tax	1,400	(10,003)	12,483
Share of other comprehensive income of affiliates accounted for using the equity method	0	(1)	2
Total other comprehensive income (Note 6)	3,250	(13,985)	28,972
Comprehensive income	¥4,209	¥399	$37,514
Comprehensive income attiributable to			
Owners of parent	2,623	(1,069)	23,379
Non-controlling interests	1,585	1,469	14,135

Consolidated Statements of Changes in Equity

Millions of yen

	Number of shares of capital stock	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
		Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Retirement benefits liability adjustment	Total accumulated other comprehensive income		
BALANCE AS OF APRIL 1, 2015	210,333,694	¥117,641	¥33,993	¥170,449	¥(3,309)	¥318,775	¥9,350	¥–	¥7,566	¥16,917	¥8,517	¥344,209
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–
Restated balance	210,333,694	117,641	33,993	170,449	(3,309)	318,775	9,350	–	7,566	16,917	8,517	344,209
Cash devidends paid	–	–	–	(10,440)	–	(10,440)	–	–	–	–	–	(10,440)
Profit attributable to owners of parent	–	–	–	12,891	–	12,891	–	–	–	–	–	12,891
Purchase of treasury shares	–	–	–	–	(20)	(20)	–	–	–	–	–	(20)
Disposal of treasury shares	–	–	–	(0)	2	1	–	–	–	–	–	1
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	1	–	–	1	–	–	–	–	–	1
Net changes of items other than shareholders' equity	–	–	–	–	–	–	(3,972)	15	(10,003)	(13,961)	1,321	(12,639)
Total changes of items during the year	–	–	1	2,450	(18)	2,433	(3,972)	15	(10,003)	(13,961)	1,321	(10,205)
BALANCE AS OF APRIL 1, 2016	210,333,694	117,641	33,994	172,899	(3,327)	321,208	5,377	15	(2,436)	2,955	9,839	334,003
Cumulative effects of changes in accounting policies	–	–	–	6	–	6	–	–	–	–	–	6
Restated balance	210,333,694	117,641	33,994	172,906	(3,327)	321,215	5,377	15	(2,436)	2,955	9,839	334,010
Cash devidends paid	–	–	–	(10,440)	–	(10,440)	–	–	–	–	–	(10,440)
Loss attributable to owners of parent	–	–	–	(622)	–	(622)	–	–	–	–	–	(622)
Purchase of treasury shares	–	–	–	–	(10)	(10)	–	–	–	–	–	(10)
Disposal of treasury shares	–	–	–	(1)	3	1	–	–	–	–	–	1
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	–	(0)	–	–	(0)	–	–	–	–	–	(0)
Net changes of items other than shareholders' equity	–	–	–	–	–	–	1,860	(15)	1,400	3,245	1,429	4,675
Total changes of items during the year	–	–	(0)	(11,063)	(7)	(11,071)	1,860	(15)	1,400	3,245	1,429	(6,395)
BALANCE AS OF MARCH 31, 2017	210,333,694	¥117,641	¥33,994	¥161,842	¥(3,335)	¥310,143	¥7,238	¥–	¥(1,036)	¥6,201	¥11,268	¥327,614

Thousands of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Retirement benefits liability adjustment	Total accumulated other comprehensive income		
BALANCE AS OF APRIL 1, 2016	$1,048,498	$302,981	$1,540,997	$(29,657)	$2,862,820	$47,926	$138	$(21,719)	$26,345	$87,691	$2,976,857
Cumulative effects of changes in accounting policies	–	–	61	–	61	–	–	–	–	–	61
Restated balance	1,048,498	302,981	1,541,059	(29,657)	2,862,882	47,926	138	(21,719)	26,345	87,691	2,976,919
Cash devidends paid	–	–	(93,049)	–	(93,049)	–	–	–	–	–	(93,049)
Loss attributable to owners of parent	–	–	(5,548)	–	(5,548)	–	–	–	–	–	(5,548)
Purchase of treasury shares	–	–	–	(95)	(95)	–	–	–	–	–	(95)
Disposal of treasury shares	–	–	(11)	28	16	–	–	–	–	–	16
Change in treasury shares of parent arising from transactions with non-controlling shareholders	–	(0)	–	–	(0)	–	–	–	–	–	(0)
Net changes of items other than shareholders' equity	–	–	–	–	–	16,583	(138)	12,483	28,928	12,744	41,672
Total changes of items during the year	–	(0)	(98,609)	(67)	(98,677)	16,583	(138)	12,483	28,928	12,744	(57,004)
BALANCE AS OF MARCH 31, 2017	$1,048,498	$302,980	$1,442,450	$(29,725)	$2,764,204	$64,510	$–	$(9,236)	$55,273	$100,436	$2,919,914

Consolidated Statements of Cash Flows

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Cash flows from operating activities:			
Profit before income taxes	¥2,668	¥23,234	$23,785
Depreciation and amortization	64,842	67,215	577,918
Impairment losses on noncurrent assets	840	28	7,495
Decommissioning costs of nuclear power units	2,667	2,678	23,775
Loss on disposal of property,plant and equipment	2,483	2,085	22,134
Amortization of nuclear fuel in processing	578	1,156	5,154
Decrease (increase) in fund for reprocessing of irradiated nuclear fuel	2,662	4,112	23,726
Increase(decrease) in liability for retirement benefits	468	657	4,174
Decrease(increase) in asset for retirement benefits	660	(6,795)	5,891
Increase (decrease) in provision for reprocessing of irradiated nuclear fuel	(3,414)	(4,115)	(30,432)
Increase (decrease) in provision for reprocessing of irradiated nuclear fuel without specific plans	122	234	1,088
Increase (decrease) in contribution for accured reprocessing of irradiated nuclear fuel	(6,232)	—	(55,546)
Increase (decrease) in reserve for fluctuation in water levels	(656)	4,807	(5,852)
Interest and dividends income	(1,217)	(1,138)	(10,849)
Interest expense	10,427	11,265	92,938
Decrease (increase) in notes and accounts receivable-trade	(1,448)	(1,754)	(12,911)
Decrease (increase) in inventories	(4,791)	3,071	(42,700)
Increase (decrease) in notes and accounts payable-trade	2,074	(7,209)	18,485
Increase (decrease) in accrued enterprise taxes and accrued consumption taxes	766	(7,761)	6,831
Other, net	5,382	(1,427)	47,974
Subtotal	78,885	90,347	703,080
Interest and cash dividends received	1,269	1,171	11,310
Interest expenses paid	(10,715)	(11,532)	(95,502)
Income taxes paid	(5,947)	(10,255)	(53,007)
Income taxes refund	56	61	500
Net cash provided by operating activities	63,547	69,792	566,381
Cash flows from investing activities			
Purchase of property, plant and equipment	(105,163)	(86,728)	(937,287)
Proceeds from contribution received for construction	1,379	868	12,298
Proceeds from sales of property, plant and equipment	167	529	1,496
Increase in long-term investments	(33,465)	(16,327)	(298,268)
Proceeds from long-term investments	32,829	16,651	292,594
Net cash used in investing activities	(104,252)	(85,006)	(929,165)
Cash flows from financing activities			
Proceeds from issuance of bonds	70,000	70,000	623,885
Redemption of bonds	(50,475)	(60,000)	(449,866)
Proceeds from long-term loans payable	49,725	59,000	443,186
Repayment of long-term loans payable	(37,275)	(24,180)	(332,224)
Net increase (decrease) in short-term loans payable	136	(61)	1,212
Proceeds from sales of treasury stock	1	1	16
Purchase of treasury stock	(10)	(20)	(95)
Cash dividends paid	(10,443)	(10,451)	(93,078)
Dividends paid to non-controlling interests	(162)	(139)	(1,444)
Other, net	(174)	(185)	(1,550)
Net cash provided by (used in) financing activities	21,322	33,962	190,040
Net increase (decrease) in cash and cash equivalents	(19,381)	18,748	(172,744)
Cash and cash equivalents at beginning of the year	193,128	174,379	1,721,286
Cash and cash equivalents at end of the year (Note 8)	¥173,746	¥193,128	$1,548,542

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of preparation

The accompanying consolidated financial statements of Hokuriku Electric Power Company (the "Company") and its consolidated subsidiaries (collectively, the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts of less than one million yen have been rounded off. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

(b) Basis of consolidation

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company. All significant intercompany transactions and balances have been eliminated in consolidation.

Investments in significant companies over which the Company exercises significant influence in terms of their operating and financial policies are stated at cost plus equity in their undistributed earnings; consolidated net income includes the Company's equity in the current net earnings of the affiliates, after the elimination of unrealized intercompany profit.

Investments in unconsolidated subsidiaries and other affiliates, not significant in amount, are stated at cost.

The closing date of the subsidiaries is same as that of the Company.

(c) Investment in securities

Marketable equity securities, excluding investments in affiliates accounted for by the equity method, included in long-term investments are classified as other securities and carried at fair value with unrealized gain and loss on the securities, net of the applicable taxes, included in net assets.

Non-marketable equity securities classified as other securities are carried at cost determined mainly by the moving average method or less impairment loss if the value of the investments has been significantly impaired. No debt securities were held on March 31, 2017.

(d) Derivatives

Derivative financial instruments are stated at fair value.

(e) Inventories

Fuel, biomass and supplies are stated principally at the lower of cost or net realizable value, cost being determined principally by the average method.

(f) Depreciation and amortization of significant long-term assets

Property, plant and equipment is principally stated at cost less contributions in aid of construction.

Depreciation of property, plant and equipment is computed principally by the declining-balance method over the estimated useful lives of the respective assets. Allocation method for capitalized asset retirement cost related to decommissioning of specified nuclear power units, is described in the section (m).

Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income as incurred.

Amortization of intangible fixed assets is computed by the straight-line method over the estimated useful lives of the respective assets.

(g) Allowance for doubtful accounts

The Group provide the allowance for doubtful accounts based on the historical ratio of actual credit losses to the total receivables and the amount of uncollectible receivables estimated on an individual basis.

(h) Reserve for fluctuation in water levels

To provide for losses caused by fluctuation in water levels, the Company has a reserve calculated, based on the Ministerial Ordinance on Drought Reserves (Ordinance No. 53 of 2016 of the Ministry of Economy, Trade and Industry), pursuant to the provisions of Article 36 of the Electricity Business Act (Act No. 170 of 1964) prior to the revision by Article 1 of the Law for Partial Amendment of the Electricity Business Act, Etc. (Act No. 72 of 2014), which shall be read as still effective under the provisions of Paragraph 3, Article 16 of the Supplementary Provisions of said Law.

(Changes in Accounting Policies)

(Enforcement of the Ministerial Ordinance on Drought Reserves (Ordinance No. 53 of 2016 of the Ministry of Economy, Trade and Industry))

On April 1, 2016, the Ministerial Ordinance on Drought Reserves (Ordinance No. 53 of 2016 of the Ministry of Economy, Trade and Industry; hereafter, the "New Ministerial Ordinance") came into effect, and the Ministerial Ordinance on Drought Reserves (Ordinance No. 56 of 1965 of the Ministry of International Trade and Industry; hereafter, the "Old Ministerial Ordinance") was repealed. As a result, the provision or reversal of the reserve and the reserve limit are calculated by multiplying the amount determined using the method based on the Old Ministerial Ordinance by the value obtained by dividing the electricity sales pertaining to specified retail supply by the electricity sales pertaining to the electricity business (specified retail supply ratio).

The application of the New Ministerial Ordinance conforms to the provisions stipulated in Article 5 of the Supplementary Provisions of the New Ministerial Ordinance, and the reserve for fluctuation in water levels will be reduced when the provisions of Paragraph 1, Article 36 of the Electricity Business Act (Act No. 170 of 1964) prior to the revision by Article 1 of the Law for Partial Amendment of the Electricity Business Act, Etc. (Act No. 72 of 2014) become no longer applicable, and the amount equivalent to the reduced amount will be included in the retained earnings.

As a consequence of this change, profit before income taxes in this consolidated fiscal year decreased by ¥2,842 million yen compared to the amount that would be obtained using the previous method.

Net asset amount per share in this consolidated fiscal year decreased by ¥9.77, and net loss per share increased by ¥9.77. Diluted net income per share is not affected, because there are no dilutive shares.

(i) Accounting procedures for retirement benefits

Attribution of expected retirement benefits to periods of service

In calculation of retirement benefit obligations, the benefit formula basis is mainly used for attributing expected retirement benefits to periods of service.

Amortization of actuarial gain or loss

Actuarial gain or loss is amortized in the years following the year in which the gain or loss is recognized primarily by the declining balance method over periods of 3 years, which is shorter than the average remaining years of service of the employees.

(j) Important hedge accounting method

(1)Hedge accounting method

Forward foreign exchange contracts which meet certain criteria are accounted for by the allocation method which requires that recognized foreign currency payables be translated at corresponding contract rates.

(2)Hedging instruments and hedged items

Hedging instruments ……Forward foreign exchange contracts, Currency swap

Hedged items ……Part of payables denominated in foreign currency, Long-term loans payable

(3)Hedge policy

For the purpose of avoiding the risk of fluctuations in foreign exchange rates and others or reducing fund raising costs, we make use of derivative transactions for those debts that are caused by our normal operations, in accordance with our internal rules on derivative transactions.

(4)Method of evaluating hedge effectiveness

As hedging is considered being highly effective, evaluation of its effectiveness is omitted.

(k) Goodwill

Amortization of goodwill is computed by the straight-line method over the estimated useful life. In case the amount is immaterial, goodwill is recognized in profit and loss immediately.

(l) Cash and cash equivalents

All highly liquid investments with a maturity of three months or less, that are readily convertible to cash and present an insignificant risk of any changes in value, are considered cash equivalents in the consolidated statement of cash flows.

(m) Allocation method for capitalized asset retirement cost related to decommissioning of specified nuclear power units.

Based on Section 8 of the "Guidance on Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan Guidance No. 21, issued on March 31, 2008) and the provisions of the " Ministerial Ordinance of Funds Reserved for Decommissioning Costs of Nuclear Power Units"(Ordinance by METI No. 30 of 1989), total estimated asset retirement costs related to decommissioning of specified nuclear power units are allocated to expense by the straight-line method over the expected operation period and planned period for safe storage.

(n) Method of calculating contributions the expenses required for reprocessing irradiated nuclear fuel and other relevant purposes in relation to nuclear power generation

The expenses required for reprocessing irradiated nuclear fuel and other relevant purposes in relation to nuclear power generation are appropriated as contributions costs for reprocessing irradiated nuclear fuel, where contributions are estimated according to the amount of the irradiated nuclear fuel generated as a result of operating the nuclear power plant based on Paragraph 1, Article 4 of the Act for Partial Amendment to the Act for Deposit and Management of the Reserve Funds for Reprocessing of Spent Fuel from Nuclear Power Generation (Act No. 40 of 2016; hereafter, the "Amendment Act").

By paying of the contributions to the Nuclear Reprocessing Organization of Japan (hereafter, the "Organization"), the obligation of the cost burden to nuclear operators is fulfilled, and the Organization performs the reprocessing.

With respect to differences arising from the change in the accounting standards in FY2005, the averaged amount will be paid as contributions pertaining to irradiated nuclear fuel for each consolidated fiscal year until FY 2019, and the amount paid will be appropriated as contributions costs for reprocessing irradiated nuclear fuel based on Article 4 of the Supplementary Provisions of the Ministerial Ordinance Partially Amending the Electricity Business Accounting Regulations, Etc. (Ordinance No. 94 of 2016 of the Ministry of Economy, Trade and Industry; hereafter, the "Amendment Ordinance"). The unappropriated balance at the end of this consolidated fiscal year is 2,438 million yen.

(Additional Information)

Previously, for the expenses required for reprocessing the irradiated nuclear fuel and other relevant purposes, the amount equivalent to the present value estimated according to the amount of irradiated nuclear fuel generated as a result of nuclear power plant operations was reserved and allocated; following the enforcement of the Amendment Act and the Amendment Ordinance on October 10, 2016, as well as the amendment of the Electricity Business Accounting Regulations, it was determined that contributions stipulated in Paragraph 1, Article 4 of the Amendment Act would be appropriated as contributions costs for reprocessing irradiated nuclear fuel according to the amount of irradiated nuclear fuel generated as a result of operations.

Accordingly, the fund for reprocessing of irradiated nuclear fuel (¥2.706 billion) was offset by the provision for reprocessing of irradiated nuclear fuel and tapped, and the provision for reprocessing of irradiated nuclear fuel (¥409 million) and the provision for reprocessing of irradiated nuclear fuel without specific plans (¥6,229 million) were re-allotted to noncurrent liabilities due within one year (¥6,232 million) and other current liabilities (¥406 million). In addition, the provision for reprocessing of irradiated nuclear fuel (¥807 million yen) was re-allotted to other noncurrent liabilities. Incidentally, the amount allocated as noncurrent liabilities due within one year, which is to be paid in a lump sum based on Article 7 of the Supplementary Provisions of the Amendment Act, was already paid to the Organization at the end of this consolidated fiscal year.

With regard to the irradiated nuclear fuel involved in the calculation of the provision for reprocessing of irradiated nuclear fuel before the Amendment Act was enforced, the balance of the estimate difference at the end of the previous consolidated fiscal year pertaining to the amount equivalent to the present value estimated according to the amount of the irradiated nuclear fuel for which notification, as having specific plans for reprocessing, has been submitted to the Minister of

Economy, Trade and Industry (¥12,822 million yen) is not recognized due to the enforcement of the Amendment Act.

(o) Accounting for the consumption tax

National and local consumption taxes are accounted for using the tax-excluded method.

2. Change in Accounting Policies

(Application of the Implementation Guidance on Recoverability of Deferred Tax Assets)

The "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016; hereafter, the " Implementation Guidance on Recoverability") applies as of this consolidated fiscal year, and the account processing method on recoverability of deferred tax assets has been partially revised.

With regard to the application of the Implementation Guidance on Recoverability, some of the consolidated subsidiaries follow the transitional measures stipulated in Section 49 (4) of the Implementation Guidance on Recoverability; therefore, the difference between the amount of deferred tax assets and deferred tax liabilities in cases where provisions that fall under Items (i) to (iii) of Section 49 (3) of the Implementation Guidance on Recoverability are applied at the beginning of this consolidated fiscal year and the amount of deferred tax assets and deferred tax liabilities at the end of the previous consolidated fiscal year is added to the retained earnings at the beginning of this consolidated fiscal year.

Any effects attributable to this change are negligible.

3. U.S. Dollar Amounts

The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥112.20 = U.S.$1, the approximate rate of exchange prevailing at March 31, 2017. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

4. Notes to Consolidated Balance Sheets

(a) Reduction entry of property, plant and equipment

Reduction entries of property, plant and equipment as of March 31, 2017 and 2016 were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Contributions in aid of construction	¥68,046	¥67,996	$606,475

(b) Accumulated depreciation of property, plant and equipment

Accumulated depreciations of property, plant and equipment as of March 31, 2017 and 2016 were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
	¥2,571,541	¥2,537,773	$22,919,264

(c) Investments in unconsolidated subsidiaries and affiliates included in "Other" of Investments and other assets:

Investments of unconsolidated subsidiaries and affiliates included in "Other" of Investments and other assets as of March 31, 2017 and 2016 were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
	¥3,965	¥3,910	$35,344

(d) Pledged assets and secured liabilities

All assets of the Company are subject to certain statutory preferential rights established to secure the following bonds and loans from the Development Bank of Japan Incorporated:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
Hokuriku Electric Power Company	2017	2016	2017
Bonds	¥494,900	¥475,375	$4,410,873
Loans from the Development Bank of Japan Incorporated	45,873	51,852	408,850
Recourse obligation under debt assumption agreements	58,200	80,700	518,716

Additionally, following property, plant and equipment of consolidated subsidiaries are pledged as collateral for the following loans:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
Consolidated subsidiaries	2017	2016	2017
Pledged assets:			
Other noncurrent assets	¥5,817	¥6,090	$51,845
Investments and other assets	6	8	61
Secured liabilities			
Long-term loans	969	1,215	8,636

(e) Inventories

Inventories as of March 31, 2017 and 2016 were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Merchandise and finished goods	¥188	¥256	$1,676
Work in process	2,389	2,360	21,295
Raw materials and supplies	21,229	16,399	189,213
Total	¥23,807	¥19,016	$212,185

(f) Contingent liabilities

Contingent liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Guarantees of loans of following companies and other			
Japan Nuclear Fuel Ltd.	¥35,422	¥36,959	$315,707
The Japan Atomic Power Company	17,492	17,492	155,907
Power and IT Company	—	1,300	—
Guarantees of housing and welfare loans of the Companies' employees	11,601	12,516	103,398
Total	¥64,516	¥68,269	$575,013

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Guarantees of the corporate bonds of following company			
Japan Nuclear Fuel Ltd.	¥404	¥404	$3,600

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Recourse obligation under debt assumption agreement of following corporate bonds (*)			
The 248th domestic straight bonds of Hokuriku Electric Power Company	¥—	¥22,500	$—
The 250th domestic straight bonds of Hokuriku Electric Power Company	28,200	28,200	251,336
The 281th domestic straight bonds of Hokuriku Electric Power Company	30,000	30,000	267,379
Total	¥58,200	¥80,700	$518,716
(*) Recourse obligation by underwriter			
Mizuho Bank, Ltd.	¥58,200	¥70,700	$518,716
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	—	10,000	—

5. Notes to Consolidated Statements of Operations

(a) Provision

Retirement benefit expense and provision included in the consolidated statement of operations for the fiscal year March 31, 2017 and 2016 were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Retirement benefit expenses	¥8,455	¥1,253	$75,360
Provision for reprocessing of irradiated nuclear fuel	409	874	3,645
Provision for preparation of the reprocessing of irradiated nuclear fuel without specific plans	122	234	1,088

(b) Operating expenses

Details of operating expenses in the electric power business for the years ended March 31, 2017 and 2016 were as follows:

Millions of yen

	Operating expenses in the electric power business	
	2017	Selling, general and administrative expenses
Personnel	¥50,962	¥23,102
(Retirement benefit expense)	6,961	6,961
Fuel	102,624	—
Maintenance	63,496	1,053
Depreciation	61,979	3,273
Purchased electric power	69,660	—
Other	146,995	20,368
Subtotal	495,719	47,797
Intercompany elimination	(5,048)	—
Total	¥490,670	¥—

Millions of yen

	Operating expenses in the electric power business	
	2016	Selling, general and administrative expenses
Personnel	¥44,318	¥16,100
(Provision for retirement benefits)	(272)	(272)
Fuel	102,396	—
Maintenance	58,170	1,020
Depreciation	64,334	2,689
Purchased electric power	63,802	—
Other	132,981	19,937
Subtotal	466,003	39,747
Intercompany elimination	(5,439)	—
Total	¥460,563	¥—

Thousands of U.S. dollars

	Operating expenses in the electric power business	
	2017	Selling, general and administrative expenses
Personnel	$454,213	$205,900
(Retirement benefit expense)	62,049	62,049
Fuel	914,658	—
Maintenance	565,918	9,392
Depreciation	552,403	29,174
Purchased electric power	620,859	—
Other	1,310,123	181,534
Subtotal	4,418,177	426,002
Intercompany elimination	(44,999)	—
Total	$4,373,178	$—

(c) Research and development expenses

Total Research and Development Expenses included in the consolidated statements of operations for the fiscal years ended March 31, 2017 and 2016 were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Research and development expenses	¥1,689	¥1,405	$15,054

6. Other Comprehensive Income

The component of other comprehensive income for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Valuation difference on available-for-sales securities			
Amount arising during the year	¥3,537	¥(5,663)	$31,532
Reclassification adjustment	(937)	—	(8,356)
Before tax effect	2,600	(5,663)	23,176
Tax effect	(734)	1,667	(6,550)
Valuation difference on available-for-sales securities	1,865	(3,996)	16,625
Deferred gains or losses on hedges			
Amount arising during the year	¥(21)	¥21	$(192)
Tax effect	6	(6)	54
Deferred gains or losses on hedges	(15)	15	(138)
Remeasurements of defined benefit plans, net of tax			
Amount arising during the year	¥131	¥(8,313)	$1,167
Reclassification adjustment	1,812	(5,696)	16,158
Before tax effect	1,943	(14,009)	17,325
Tax effect	(543)	4,005	(4,842)
Remeasurements of defined benefit plans, net of tax	1,400	(10,003)	12,483
Share of other comprehensive income of affiliates accounted for using the equity method:			
Amount arising during the year	¥0	¥(1)	$2
Reclassification adjustments	—	—	—
Share of other comprehensive income of affiliates accounted for using the equity method	0	(1)	2
Total of other comprehensive income	¥3,250	¥(13,985)	$28,973

7. Stock Issued and Treasury Stock

(1) Changes in number of stock issued and treasury stock

Changes in number of stock issued and treasury stock for the years ended March 31, 2017 and 2016 were as follows:

Thousands of shares

	2017	2016
Stock issued		
Beginning of the year	210,334	210,334
End of the year	210,334	210,334
Treasury stock		
Beginning of the year	1,529	1,518
Increase due to purchasing fractional shares	8	12
Decrease due to selling fractional shares	1	1
End of the year	1,536	1,529

(2) Dividends

(1) Dividends paid

For the year ended March 31, 2017

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Dividends per share (yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 28, 2016	Common stock	¥5,220	$46,525	¥25	$0.22	March 31, 2016	June 29, 2016
Meeting of the Board of Directors on October 27, 2016	Common stock	¥5,220	$46,524	¥25	$0.22	September 30, 2016	November 30, 2016

For the year ended March 31, 2016

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 25, 2015	Common stock	¥5,220	¥25	March 31, 2015	June 26, 2015
Meeting of the Board of Directors on October 29, 2015	Common stock	¥5,220	¥25	September 30, 2015	November 30, 2015

(2) Dividends with the cut-off date in the year ended March 31, 2016 and the effective date in the year ending March 31, 2017

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 28, 2017	Common stock	¥2,087	$18,609	Retained earnings	¥10	$0.08	March 31, 2017	June 29, 2017

Dividends with the cut-off date in the year ended March 31, 2015 and the effective date in the year ending March 31, 2016

Resolution	Type of shares	Total dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 28, 2016	Common stock	¥5,220	Retained earnings	¥25	March 31, 2016	June 29, 2016

8. Supplementary Cash Flow Information

A reconciliation between cash and cash equivalents in the consolidated statements of cash flows and corresponding balance sheet items as of March 31, 2017 and 2016 were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Cash and deposits	¥173,746	¥193,128	$1,548,542
Cash and cash equivalents	¥173,746	¥193,128	$1,548,542

9. Financial Instruments

Overview

(1) Policy for financial instruments

In consideration of plans for capital investment for the electricity business, the Group raise funds through corporate bonds and loans from bank. The Group manages temporary cash surpluses through short-term deposits.

The Group uses derivatives for the purpose of reducing foreign currency exchange risk and interest rate fluctuation risk, and does not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments, related risk and risk management for financial instruments

Long-term investments (other securities) are composed of mainly shares of common stock of other companies with which the Group has business relationships. Those securities are exposed to market risk. The Group periodically reviews the fair values of such financial instruments and the financial position of the issuers.

Trade notes and accounts receivable are composed of mainly electricity charges and power charges. Those receivables are exposed to credit risk in relation to customers. In accordance with the Rules for Supply of Electricity and other regulations for managing credit risk arising from receivables, each related division monitors credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer.

Interest-bearing liabilities are exposed to interest rate fluctuation risk. However, those liabilities are composed of mainly bonds payable and long-term loans payable, of which the interest rates are fixed in the medium and long term; therefore, the impact of market interest rate fluctuations on the Group's financial performance is limited. Furthermore, for the interest-bearing liabilities exposed to risks of fluctuations, such as exchange-rate fluctuations, measures are taken to hedge against such risks.

Substantially all trade notes and accounts payable have payment due dates within one year. Although the Group is exposed to foreign currency exchange risk arising from those payables denominated in foreign currencies, forward foreign exchange contracts are arranged to reduce the risk.

The financial liabilities are exposed to liquidity risk. However, to reduce such risk, the Group sets the authorized limits of short-term corporate bonds,concludes the commitment-line contracts and keeps appropriate cash and cash deposits balances.

Derivatives are exposed to credit risk of counterparties. However, to reduce such risk, transactions involving derivatives are conducted in compliance with its internal policies. In addition, the counterparties to derivatives positions are limited to major financial institutions with high credit ratings.

(3) Supplementary explanations of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market prices, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values.

Fair value of financial instruments

Carrying amount of financial instruments on the consolidated balance sheet and respective fair value as of March 31, 2017 and 2016 are shown in the following table. The following table does not include financial instruments whose fair values are not readily determinable (please refer to Note 2 below.)

Millions of yen

As of March 31,2017	Carrying amount	Fair value	Difference
Assets			
① Long-term investments (other securities)	¥17,177	¥17,177	¥—
② Fund for reprocessing of irradiated nuclear fuel	—	—	—
③ Cash and deposits	173,746	173,746	—
④ Notes and accounts receivable-trade	57,193	57,193	—
Liabilities			
⑤ Bonds payable (*)	494,893	508,260	13,367
⑥ Long-term loans payable (*)	439,985	461,755	21,770
⑦ Short-term loans payable	16,127	16,127	—
⑧ Notes and accounts payable-trade	32,704	32,704	—

Millions of yen

As of March 31,2016	Carrying amount	Fair value	Difference
Assets			
① Long-term investments (other securities)	¥14,420	¥14,420	¥—
② Fund for reprocessing of irradiated nuclear fuel	5,369	5,369	—
③ Cash and deposits	193,128	193,128	—
④ Notes and accounts receivable-trade	55,745	55,745	—
Liabilities			
⑤ Bonds payable (*)	475,362	493,198	17,836
⑥ Long-term loans payable (*)	427,535	453,075	25,540
⑦ Short-term loans payable	16,127	16,127	—
⑧ Notes and accounts payable-trade	30,664	30,664	—

Thousands of U.S. dollars

As of March 31,2017	Carrying amount	Fair value	Difference
Assets			
① Long-term investments (other securities)	$153,096	$153,096	$—
② Fund for reprocessing of irradiated nuclear fuel	—	—	—
③ Cash and deposits	1,548,542	1,548,542	—
④ Notes and accounts receivable-trade	509,748	509,748	—
Liabilities			
⑤ Bonds payable (*)	4,410,813	4,529,952	119,139
⑥ Long-term loans payable (*)	3,921,434	4,115,465	194,031
⑦ Short-term loans payable	143,741	143,741	—
⑧ Notes and accounts payable-trade	291,479	291,479	—

(*) Current portion of bonds payable and long-term loans payable is included in bonds payable and long-term loans payable.

(Note 1)

Methods for estimating fair value of financial instruments and other matters related to securities and derivative transactions.

① Long-term investments (other securities)

The fair value of stocks is based on quoted market prices. For information on securities classified by holding purpose, please refer to the Note11. "Investment Securities."

② Fund for reprocessing of irradiated nuclear fuel

The fund is made in accordance with the "Spent Nuclear Fuel Reprocessing Fund Act" (Act No. 48 of 2005). For the redemption of the fund, it is necessary to comply with the redemption plan approved by the Minister of Economy, Trade and Industry. The carrying amount of the fund is based on the present value determined by redemption schedule of the plan.

③ Cash and deposits and ④ Notes and accounts receivable-trade

Since these items are settled in a short period of time, their carrying amount approximates fair value.

⑤ Bonds payable

The fair value of bonds is based on either the quoted market price when available or present value of the total of principal and interest discounted by an interest rate determined taking into account the remaining period of each bond and current credit risk.

⑥ Long-term loans payable

The fair value of long-term loans payable is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.

⑦ Short-term loans payable and ⑧ Notes and accounts payable-trade

Since these items are settled in a short period of time, their carrying amount approximates fair value.

(Note 2) Financial instruments whose fair values are not readily determinable

Carrying amount	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Unlisted stocks	¥36,063	¥36,277	$321,418
Investment securities	634	636	5,655
Other	2	5	25
Total	¥36,700	¥36,920	$327,099

Because no quoted market price is available and their fair values are not readily determinable, the above financial instruments are not included in the preceding table.

(Note 3) Redemption schedule for receivables

Millions of yen

As of March 31, 2017	Whithin one year	Due after one year
Fund for reprocessing of irradiated nuclear fuel (*)	¥—	¥—
Cash and deposits	173,746	—
Notes and accounts receivable-trade	57,193	—
Total	¥230,940	¥—

Millions of yen

As of March 31, 2016	Whithin one year	Due after one year
Fund for reprocessing of irradiated nuclear fuel (*)	¥5,205	¥—
Cash and deposits	193,128	—
Trade notes and accounts receivable	55,745	—
Total	¥254,079	¥—

Thousands of U.S. dollars

As of March 31, 2017	Whithin one year	Due after one year
Fund for reprocessing of irradiated nuclear fuel (*)	$—	$—
Cash and deposits	1,548,542	—
Notes and accounts receivable-trade	509,748	—
Total	$2,058,291	$—

(*) Regarding fund for reprocessing of irradiated nuclear fuel, only the amount due in one year or less is disclosed.

(Note 4)

The aggregate annual maturities of bonds, long-term loeans, and other interest-bearing liabilities subsequent to March 31, 2017 and 2016 were summarized as follows:

Millions of yen

As of March 31, 2017	Bonds payable	Long-term loans payable	Short-term loans payable
2018	¥50,000	¥33,110	¥16,127
2019	70,000	31,215	—
2020	69,900	46,183	—
2021	50,000	52,001	—
2022	20,000	55,651	—
2023 and thereafter	235,000	221,823	—

Millions of yen

As of March 31, 2016	Bonds payable	Long-term loans payable	Short-term loans payable
2017	¥50,475	¥37,275	¥16,127
2018	50,000	33,110	—
2019	70,000	31,215	—
2020	69,900	46,183	—
2021	40,000	43,001	—
2022 and thereafter	195,000	236,748	—

Thousands of U.S. dollars

As of March 31, 2017	Bonds payable	Long-term loans payable	Short-term loans payable
2018	$445,632	$295,105	$143,741
2019	623,885	278,213	—
2020	622,994	411,618	—
2021	445,632	463,467	—
2022	178,253	495,998	—
2023 and thereafter	2,094,474	1,977,032	—

10. Investment Securities

(1) Information of other securities

Information on investment securities for which fair value is available as of March 31, 2017 and 2016 was as follows:

Millions of yen

As of March 31, 2017	Acquisition cost	Fair value	Unrealized gain (loss)
Unrealized gain			
Stock	¥6,398	¥16,797	¥10,399
Bonds	100	105	4
Unrealizes loss			
Stock	346	274	(71)
Total	¥6,844	¥17,177	¥10,332

Millions of yen

As of March 31, 2016	Acquisition cost	Fair value	Unrealized gain (loss)
Unrealized gain			
Stock	¥5,938	¥13,755	¥7,816
Bonds	100	108	7
Unrealizes loss			
Stock	648	556	(92)
Total	¥6,688	¥14,420	¥7,732

Thousands of U.S. dollars

As of March 31, 2017	Acquisition cost	Fair value	Unrealized gain (loss)
Unrealized gain			
Stock	$57,023	$149,712	$92,689
Bonds	896	938	42
Unrealizes loss			
Stock	3,087	2,445	(641)
Total	$61,006	$153,096	$92,090

(Note) Non-marketable securities (the amount of ¥36,700 million ($327,099 thousand) and ¥36,920 milion in the consolidated balance sheets as of March 31, 2017 and 2016, respectively) are not included in the table above because their fair values are not readily determinable.

(2) Other securities sold during the year

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Sales proceeds	¥1,236	—	$11,019
Realized gains	937	—	8,356
Realized losses	0	¥—	$0

(3) Impairment loss on other securities

No impairment loss on other securities was identified for the years ended March 31, 2017 and 2016,respectively.

11. Derivatives

Since derivative transactions were not significant, relating disclosure is omitted for the years ended March 31, 2017 and 2016.

12. Employees' Retirement Benefits

The Company and its consolidated subsidiaries have the defined benefit plans, including lump-sum retirement benefit plan, defined benefit corporate pension plan, welfare pension fund plan and company sponsored pension plan, and they also provides employees with the options of either the defined contribution pension plan or the prepayment plan other than the defined benefit plan. The Company also pays employees lump-sum retirement benefit extra accordingly.

Some subsidiaries adopt a short-cut method in computing projected benefit obligation and retirement benefit expense.

1. Defined benefit plan

The changes in the retirement benefit obligation during the year ended March 31, 2017 and 2016 are as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Retirement benefit obligation at April 1	¥105,368	¥96,524	$939,111
Service cost	4,546	4,288	40,525
Interest cost	1,009	1,372	9,000
Actuarial loss	548	7,587	4,891
Retirement benefit paid	(4,937)	(4,404)	(44,003)
Retirement benefit obligation at March 31	¥106,536	¥105,368	$949,524

The changes in plan assets during the year ended March 31, 2017 and 2016 are as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Plan assets at April 1	¥90,614	¥89,643	$807,619
Expected return on plan assets	1,812	1,792	16,152
Actuarial loss	247	(1,157)	2,204
Contributions by the Company	2,003	2,041	17,856
Retirement benefits paid	(2,080)	(1,705)	(18,540)
Plan assets at March 31	¥92,597	¥90,614	$825,292

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2017 and 2016 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Funded retirement benefit obligation	¥75,011	¥74,057	$668,550
Plan assets at fair value	(92,597)	(90,614)	(825,292)
	¥(17,586)	¥(16,557)	$(156,742)
Unfunded retirement benefit obligation	¥31,525	¥31,310	$280,974
Net liability for retirement benefits in the balance sheet	¥13,938	¥14,753	$124,232
Liability for retirement benefits	¥31,525	¥31,310	$280,974
Asset for retirement benefits	¥(17,586)	¥(16,557)	$(156,742)
Net liability for retirement benefits in the balance sheet	¥13,938	¥14,753	$124,232

The components of retirement benefit expense for the year ended March 31, 2017 and 2016 are as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Service cost	¥4,546	¥4,288	$40,525
Interest cost	1,009	1,372	9,000
Expected return on plan assets	(1,812)	(1,792)	(16,152)
Amortization of actuarial loss	2,245	(5,264)	20,012
Retirement benefit expense	¥5,989	¥(1,397)	$53,386

In addition, additional retirement benefit expense of ¥1,707 million ($15,218 thousand) and ¥1,888 million was accounted for as an operating expense for the year ended March 31,2017 and 2016.

Prior service cost and Actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 and 2016 are as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Actuarial gain or loss	1,943	(14,009)	17,325
Total	¥1,943	(14,009)	$17,325

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 and 2016 are as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Unrecognized actuarial gain or loss	¥1,438	3,382	$12,820

Fair value of plan assets,by major category,as a percentage of total plan assets as of March 31, 2017 and 2016 are as follows:

	2017	2016
Stock	30%	36%
Bonds	24%	24%
General account of life insurance	39%	39%
Others	7%	1%
Total	100%	100%

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans were as follows:

	2017	2016
Discount rates	Mainly 1.0%	Mainly 1.0%
Expected rates of return on plan assets	2.0%	2.0%

2. Defined contribution pension plan and prepaid retirement benefit plan

Contributions related to defined contribution pension plan were accounted ¥705 million ($6,285 thousand) and ¥709 million , the payments related to prepaid retirement benefit plan were accounted ¥52 million($470 thousand) and ¥53 miliion for the year ended March 31, 2017 and 2016.

13. Income Taxes

The significant components of deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets:			
Depreciation	¥13,529	¥13,090	$120,579
Liability for retirement benefits	9,383	9,282	83,628
Asset retirement obligations	8,514	8,853	75,890
Reserve for fluctuation in water levels	5,820	6,009	51,878
Elimination of unrealized intercompany profits	5,132	5,119	45,747
Net operating loss carryforwards	4,369	—	38,947
Expenses of disposition of polychlorinated biphenyl wastes	3,608	4,086	32,160
Deferred charges for tax purposes	1,910	2,071	17,030
Accrued enterprise taxes	777	824	6,931
Reserve for reprocessing of irradiated nuclear fuel and reserve for reprocessing of irradiated nuclear fuel without specific plans	—	2,151	—
Other	12,953	13,479	115,449
Gross deferred tax assets	66,001	64,968	588,244
Less: Valuation allowance	(8,288)	(7,716)	(73,870)
Total deferred tax assets	57,712	57,252	514,374
Deferred tax liabilities:			
Assets corresponding to asset retirement obligations	¥(6,599)	¥(7,013)	$(58,822)
Asset for retirement benefits	(4,921)	(4,639)	(43,863)
Net unrealized gain on securities	(2,904)	(2,169)	(25,888)
Other	(315)	(409)	(2,807)
Total deferred tax liabilities	(14,740)	(14,232)	(131,381)
Net deferred tax assets	¥42,971	¥43,020	$382,993

(Note) The net deferred tax assets as of March 31, 2017 and 2016 are included in the following items of the consolidated balance sheets.

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets:			
Noncurrent assets - deferred tax assets	¥38,211	¥37,561	$340,566
Current assets- deferred tax assets	4,760	5,473	42,426
Deferred tax liabilities:			
Current liabilities - others	¥—	¥(15)	$—

Reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2017 and 2016 were summarized as follows:

	2017	2016
Statutory tax rate	28.2%	28.8%
Increase (decrease) in taxes resulting from:		
Valuation allowance	21.3	2.0
Statutory tax rate differences between the Company and consolidated subsidiaries	17.6	2.7
Non-deductible expenses for the tax purposes	4.6	0.5
Tax credit	(3.7)	(1.0)
Equity in earnings of affiliates	(0.4)	(0.0)
Decrease of deferred tax asset by changing the effective statutory tax rate	—	4.8
Other	(3.4)	0.2
Effective tax rate	64.1%	38.1%

(Note) Amount of tax credit, which was included in "Other" in the previous consolidated fiscal year, is listed separately from the current consolidated fiscal year since its importance increased.
To reflect this change in the listing method, the figure (0.8) for "Other" listed in the previous consolidated fiscal year has been divided into (1.0) for "Tax credit" and 0.2 for "Other."

14. Asset Retirement Obligations

(1) Overview

Asset retirement obligations are recognized for decommissioning of specific nuclear power units prescribed by the "Act on the Regulation of Nuclar Source Material, Nuclear Fuel Material and Reactors."

Based on the "Ministerial Ordinance on Reserves for Decommissioning Costs of Nuclear Power Units"(Ordinance of METI No. 30 of 1989), the total estimate of decommission expense is recognized by the straight-line method over the expected operating period of nuclear power units and planned period for safe storage.

(2) Accounting method of the asset retirement obligations

Remaining years are determined by each unit at the period which includes the planned period for safe storage in addition to the expected operation period of nuclear power units after deducting the past operation period. Discount rate of 2.3% is used in the calculation.

(3) Changes in asset retirement obligations

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2017	2016	2017
Balance at beginning of the year	¥59,153	¥56,537	$527,216
Net changes during the year	1,187	2,616	10,587
Balance at end of the year	¥60,341	¥59,153	$537,804

15. Segment Information

(1) Overview of reportable segment

The Company's business segment consists of companies from which separated financial information can be obtained in order for the Board of Managing Directors and the Board of Directors to decide the distribution of management resources and evaluate performance. Of these, the "Electricity" segment that accounts for the major portion of our whole business is defined as the reportable segment, and other businesses are classified as "Others."

In the "Electricity" segment, the Company supplies electricity to the three prefectures in the Hokuriku region [Toyama, Ishikawa and Fukui (partly excluded)] and part of Gifu prefecture, and the Nihonkai Power Generating supplies electricity to the Company on a wholesale basis.

(2) Accounting policies of each reportable segment

The accounting policies of the segments are substantially the same as described in the Summary of Siginificant Accounting Policies. Segment performance is evaluated based on operating income or loss. Intersegment sales are arm's length transaction.

(3) Information about each reportable segment

Millions of yen

	2017				
	Electricity	Others (Note 1)	Total	Adjustment and elimination (Note 2)	Consolidated (Note 3)
Sales to customers	¥496,118	¥46,453	¥542,572	¥—	¥542,572
Inter-segment sales	602	48,485	49,088	(49,088)	—
Total operating revenue	496,721	94,938	591,660	(49,088)	542,572
Segment income	2,935	7,612	10,548	(9)	10,539
Segment assets	1,437,874	109,978	1,547,852	(29,776)	1,518,076
Depreciation and amortization	61,964	3,896	65,860	(1,018)	64,842
Capital expenditure	93,361	2,920	96,281	(1,391)	94,889

Millions of yen

	2016				
	Electricity	Others (Note 1)	Total	Adjustment and elimination (Note 2)	Consolidated (Note 3)
Sales to customers	¥492,382	¥52,185	¥544,568	¥—	¥544,568
Inter-segment sales	636	49,064	49,701	(49,701)	—
Total operating revenue	493,019	101,250	594,269	(49,701)	544,568
Segment income	29,125	8,921	38,047	76	38,124
Segment assets	1,430,503	108,870	1,539,373	(29,979)	1,509,393
Depreciation and amortization	64,327	3,906	68,233	(1,018)	67,215
Capital expenditure	96,976	3,751	100,728	(1,170)	99,558

Thousands of U.S. dollars

	2017				
	Electricity	Others (Note 1)	Total	Adjustment and elimination (Note 2)	Consolidated (Note 3)
Sales to customers	$4,421,734	$414,023	$4,835,758	$—	$4,835,758
Inter-segment sales	5,372	432,134	437,507	(437,507)	—
Total operating revenue	4,427,107	846,158	5,273,265	(437,507)	4,835,758
Segment income	26,166	67,849	94,016	(84)	93,931
Segment assets	12,815,280	980,199	13,795,480	(265,383)	13,530,096
Depreciation and amortization	552,270	34,725	586,995	(9,077)	577,918
Capital expenditure	832,095	26,026	858,122	(12,403)	845,718

(Note1) Other segment represents construction and maintenance of the electrical power facilities, information, telecommunications and other.

(Note2) Adjustment and eliminations of "Segment income, ""Segment assets, ""Depreciation and amortization, "and "Capital expenditure" are intersegment transaction eliminations.

(Note3) Segment income is adjusted to reflect operating income in the consolidated statement of operations.

(Relevant information)

(1) Information by product or service

As revenue from single product exceed 90% of revenue in the consolidated statements of operations, relating disclosure is omitted.

(2) Information by respective areas

Because there are no sales to overseas customers and no tangible fixed assets located overseas, relating disclosure is omitted.

(Information related to impairment loss on fixed assets by reportable segment)

Since this information is not significant, this disclosure is omitted.

(Information related to amortization of goodwill and amortized balance by reportable segment)

None applicable.

(Information related to gain on negative goodwill by reportable segment)

None applicable.

16. Related Party Transactions

Significant related party transactions of the Company for the years ended March 31, 2017 and 2016 were as follows:

None applicable.

17. Amounts per Share

Basic profit per share has been computed based on the profit available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year.

Net assets per share are computed based on the net assets excluding share subscription rights and non-controlling interests and the number of common stock outstanding at the year end.

Net assets and basic profit per share as of and for the years ended March 31, 2017 and 2016 were as follows:

	Yen	Yen	U.S. dollars
	2017	2016	2017
Net assets per share	¥1,518.08	¥1,552.48	$13.53
Profit (Loss) per share	¥(2.98)	¥61.74	$(0.02)

(Note) Diluted net income per share for the current consolidated fiscal year is not listed, because it is loss per share for the current consolidated fiscal yaer and there are no dilutive shares.
Diluted net income per share for the previous fiscal year is not listed, because there were no dilutive shares.

	Millions of yen	Millions of yen	Thousands of U.S. dollars
For the years ended March 31	2017	2016	2017
Profit (Loss) attributable to owners of parent	¥(622)	¥12,891	$(5,548)
Amounts not attributable to common stock	—	—	—
Profit (Loss) attributable to owners of parent to common stock	(622)	12,891	$(5,548)
Weighted average number of common stock during the year (thousands of shares)	208,802	208,810	

The bases of calculation for profit per share were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
As of March 31	2017	2016	2017
Net assets	¥327,614	¥334,003	$2,919,914
Amounts deducted from net assets	11,268	9,839	100,436
(Non-controlling interests)	(11,268)	(9,839)	(100,436)
Net assets attributable to common stock	316,345	324,164	2,819,478
Number of shares of common stock at the year end (thousand of shares)	208,798	208,805	

Ernst & Young ShinNihon LLC

Building a better working world

Independent Auditor's Report

The Board of Directors
Hokuriku Electric Power Company

We have audited the accompanying consolidated financial statements of Hokuriku Electric Power Company and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hokuriku Electric Power Company and its consolidated subsidiaries as at March 31, 2017 and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

June 28, 2017
Toyama, Japan

Ernst & Young ShinNihon LLC

Six-Year Summary

	2017	2016	2015	2014	2013	2012
Consolidated Statements of Operations Data (millions of yen)						
Operating revenue	542,572	544,568	532,760	509,638	492,487	495,118
Operating expenses	532,032	506,443	492,801	489,782	480,729	483,457
Operating income	10,539	38,124	39,959	19,855	11,758	11,661
Other income deduction (net)	7,870	14,889	20,316	14,047	9,313	8,275
Profit before income taxes	2,668	23,234	19,642	5,807	2,444	3,385
Income taxes	1,710	8,848	10,609	3,277	2,346	8,674
Profit attributable to non-controlling interests	1,580	1,493	42	14	—	—
Profit (Loss) attributable to owners of parent	(622)	12,891	8,990	2,516	98	(5,288)
Profit (Loss) per share	(2.98)	61.74	43.05	12.05	0.47	(25.32)
Consolidated Statement of Cash Flows Data (millions of yen)						
Net cash provided by operating activities	63,547	69,792	113,132	81,626	86,505	68,048
Net cash used in investing activities	(104,252)	(85,006)	(104,048)	(60,004)	(61,743)	(58,841)
Net cash provided by (used in) financing activities	21,322	33,962	(19,368)	46,702	(1,183)	9,569
Net increase (decrease) in cash and cash equivalents	(19,381)	18,748	(10,284)	68,324	23,578	18,776
Cash and cash equivalents at end of year	173,746	193,128	174,379	184,664	116,340	92,749

Corporate Information

Date of Establishment
May 1, 1951

Number of Shareholders
95,074 (at the end of March 2017)

Corporate Resources and Facilities (at the end of March 2017)

Capital (billions of yen)	117.64
Number of employees	5,010
Hydroelectric power capacity (MW)	1,924
Thermal power capacity (MW) (steam and internal combustion engine)	4,400
Nuclear power capacity (MW)	1,746
New energy (MW)	4
Transmission facilities (line length in km)	3,315
Transformation facilities (thousands of kVA)	31,118
Distribution facilities (conductor length in km)	122,305
Electricity sales (billions of kWh) (for fiscal year)	28.1

Head Office and Branches

Head Office: 15-1 Ushijima-cho, Toyama-shi 930-8686, Japan
Toyama Branch: 13-15 Ushijima-cho, Toyama-shi 930-0858, Japan
Takaoka Branch: 7-15 Hirokoji, Takaoka-shi 933-0057, Japan
Uozu Branch: 1-12-12 Shinkanaya, Uozu-shi 937-0801, Japan
Ishikawa Branch: 6-11 Shimohonda-machi, Kanazawa-shi 920-0993, Japan
Nanao Branch: 61-7 Mishima-cho, Nanao-shi 926-8585, Japan
Komatsu Branch: 25-1 Sakae-machi, Komatsu-shi 923-0934, Japan
Fukui Branch: 1-4-1 Hinode, Fukui-shi 910-8565, Japan
Tannan Branch: 1-6 Aza Higashinozue, 10, Shin-cho, Echizen-shi 915-0883, Japan
Tokyo Branch: 2-8-1 Toranomon, Minato-ku 105-0001, Japan

Directors and Auditors

Chairman of the Board:	Susumu Kyuwa
President:	Yutaka Kanai
Executive Vice Presidents:	Shigeru Yano Nobuhiko Ishiguro Hiroaki Sono
Managing Executive Officer:	Shiro Ojima Yukihiro Takabayashi Koichi Mizuno Motonobu Sugawa Tatsuo Kawada Shigeo Takagi Tateki Ataka Toshihiko Takahashi
Audit & Supervisory Board Members:	Takamasa Omi Tadashi Takamatsu Toshihiko Hosokawa Etsuko Akiba Tadaaki Ito

List of Affiliated Companies (as of July 31, 2017)

Business field	Name of company	Capital (Millions of yen)	Investment ratio (%)	Date of establishment	Principal businesses
Total Energy	The Nihonkai Power Generating Company, Inc.	7,350	100.0	Apr. 15, 1982	Wholesale supply of electricity
	Kurobegawa Denryoku	3,000	50.0	Oct. 20, 1923	Wholesale supply of electricity
	Toyama Kyodo Jikahatsuden Co., Ltd.	1,350	50.0	Apr. 28, 1952	Small-scale electrical power generation
	Hokuriku Lnes Co., Ltd.	200	75.0	Aug.31, 2001	Sale of LNG
	Hokuden Partner Service Inc.	20	100.0	Jul. 2, 1990	Maintenance of electrical power equipment and operation of electrical and related facilities
Electricity & Engineering	Hokuriku Plant Services Co., Ltd.	95	100.0	Apr. 1, 1970	Construction of thermal and nuclear power plant equipment
	Hokuden Techno Service	50	100.0	Apr. 1, 1982	Maintenance of hydroelectric power plant and transformer equipment
	Nihonkaikenko Corporation	200	48.0	Mar. 23, 1946	Design and execution of civil engineering and construction projects
	HOKURIKU ELECTRICAL CONSTRUCTION CO., LTD.	3,328	46.8	Oct. 1, 1944	Electrical work
	Hokuden Engineering Consultants Co., Ltd.	50	100.0	Jul. 1, 2001	Research, design, and administration of civil engineering and construction projects
	Hokuriku Electric Power Biz Energy Solutions Co., Ltd.	110	100.0	Mar.1, 2017	Energy solution business
Information & Telecommunication	Hokuriku Telecommunication Network Co., Inc.	6,000	100.0	May 25, 1993	Wide-area Ethernet service and corporate Internet connectivity
	Hokuden Information System Service Company, Inc.	50	100.0	Apr. 1, 1987	Software development and maintenance
	Power and IT Company	495	53.5	Aug. 11, 2009	Data center operations
Environment & Recycling	Nihonkai Environmental Service Inc.	50	100.0	Jan. 10, 1992	Environmental research; design and execution of environmental greening projects
	Japan Ecology and Security Service Company	50	51.0	Jun. 1, 2000	Recycling and storage of confidential documents and archives; sale of paper products
Life & Office	Hokuden Sangyo Co., Ltd.	100	100.0	Jun. 1, 1974	Real estate leasing and management, temporary staffing, equipment leasing, operation of the Hyakusen Yokocho online store, and nursing care/ social welfare services
	Hokuriku Electric Power Living Service Co., Ltd.	50	100.0	Jul. 1, 1987	Consulting to promote comfortable, energy-efficient lifestyles
	Hokuriku Denki Shoji Co., Ltd.	10	60.0	Nov. 8, 1949	Telephone pole advertising and travel services
Manufacturing	Nihonkai Concrete Industries Co.	150	80.0	Feb. 4, 1953	Manufacture and sale of concrete poles and piles
	Hokuriku Instrumentation Co., Inc.	30	40.0	Sep. 1, 1970	Manufacture, repair, and testing of power meters and other instrumentation
	Hokuriku Energys Co., Ltd.	48	25.0	Apr. 3, 1981	Manufacture and sale of distribution switches and other equipment
	Hokuriku Electric Co., Ltd.	200	19.8	May 17, 1944	Manufacture and sale of transformers and distribution boards

Power Distribution Network (As of March 31, 2017)

Hokuriku Electric Power Company

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