



**ANNUAL REPORT**  
**2018**

## 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



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#### Consolidated Financial Statements

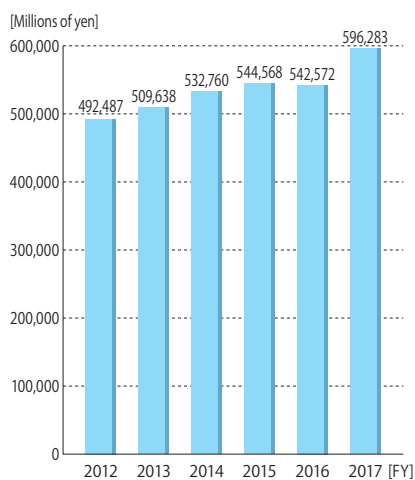
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# Highlights

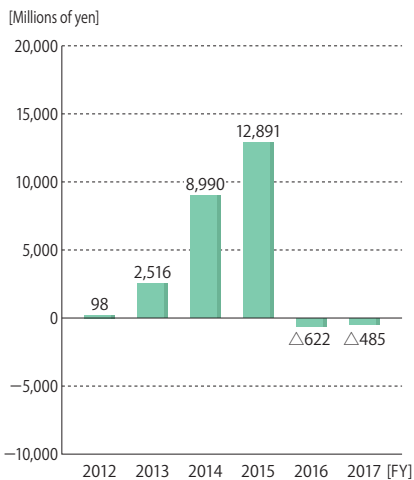
	FY2017	FY2016	FY2017
<b>CONSOLIDATED</b>			
Operating revenue	596,283 millions of yen	542,572 millions of yen	5,611.019 thousands of U.S. dollars
Operating income	14,826 millions of yen	10,539 millions of yen	139.513 thousands of U.S. dollars
Net income	△ 485 millions of yen	△ 622 millions of yen	△ 4,568 thousands of U.S. dollars
Net income per share	△ 2.33 yen	△ 2.98 yen	△ 0.02 U.S. dollars
Total assets	1,588,757 millions of yen	1,518,076 millions of yen	14,950,197 thousands of U.S. dollars
Electricity sales	28,663 millions of kWh	28,104 millions of kWh	
Generating capacity	8,078 MW	8,074 MW	
Hydroelectric	1,928 MW	1,924 MW	
Thermal	4,400 MW	4,400 MW	
Nuclear	1,746 MW	1,746 MW	
New energy	4 MW	4 MW	

At the rate of ¥112.20 = U.S.\$1.00

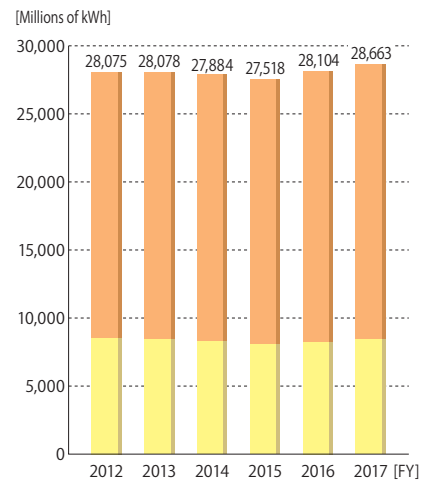
**Changes in operating revenue (consolidated)**  
(6 years from FY2012 through FY2017)



**Changes in net income (consolidated)**  
(6 years from FY2012 through FY2017)



**Changes in electricity sales**  
(6 years from FY2012 through FY2017)



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 have seen significant changes, including the electricity system reform, and there are varied predictions about Japan's future conditions. 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 actions based on our Group's CSR philosophy and guidelines for action 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 reviews on conformity to the regulatory requirements concerning the faults at the site and other matters, 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 steadily repairing the power station facilities, systematically replacing aged distribution facilities, and implementing all other necessary measures.

At the same time, through the increased introduction of renewable energy sources, including water power, as well as the commencement of commercial operation of the LNG-fired Unit 1 of Toyama Shinko Thermal Power Station, we continue to work on further diversification of generation resources and reduction of carbon emissions.

### We Respond to Customer Needs More Properly

Regrettably, electricity rates increased for certain customers starting this fiscal year, due to the company's unfavorable business conditions, including the continued suspension of the operations of Shika Nuclear Power Station.

To be chosen by consumers, we continue to make the utmost efforts 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 extending our existing business domains and



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

cultivating new business fields through the best possible use of our Group's management resources, we respond to customer needs more properly.

### 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 holding two-way discussions with people in the region, carrying out environmental preservation activities, and proceeding with other efforts. We aim to be a company trusted and chosen by the local community, as an enterprise rooted in the Hokuriku region, 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

## Efforts toward Early Restart of Shika Nuclear Power Station

After the application for the review on conformity to the new regulatory requirements regarding Shika Unit 2 was filed with the national government in August 2014, review by the national government has been under way, concerning the faults at the site of Shika Nuclear Power Station. Review meetings were held in March of this year to discuss the selection of representative faults for evaluating the activity, and in July to discuss the evaluation of the activity of the five faults selected.

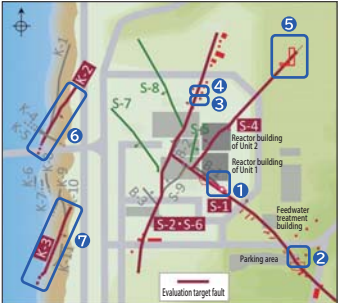
Hokuriku Electric Power Company explained the inactivity of the faults at the site, based on diverse data obtained through exhaustive geological surveys, which showed that the faults would not become active in the future either.

With regard to the comments from the Nuclear Regulation Authority, we intend to reorganize the data and provide answers at the next review meeting. We believe that our claims about the faults at the site will surely be accepted.

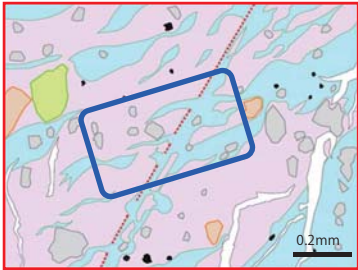
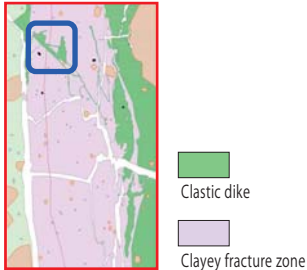
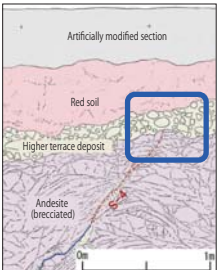
We will continue to take appropriate actions in relation to the reviews on conformity to the regulatory requirements, as well as steadily implementing safety measures, with the goal of the restart of Shika Unit 2 as soon as possible.

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

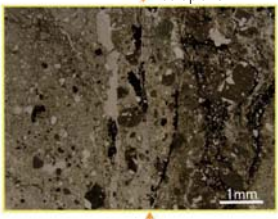
#### Progress of Review Meetings

From 2014 Review at Expert Meeting	August 12, 2014 Application for confirmation of conformity to the new regulatory requirements	
From 2016 Review on Conformity to the New Regulatory Requirements	<p>April 27, 2016 The final report was submitted by the Expert Meeting to the Nuclear Regulation Authority (Concluding that activity cannot be denied, with the presentation of future challenges* for more reliable evaluation)</p> <p>*Hokuriku Electric Power Company has already supplemented the data to satisfy the future challenges by conducting additional surveys and other work.</p> <p><b>Review Meetings Concerning the Faults at the Site</b></p> <ul style="list-style-type: none"> <li>As of July 2018, six review meetings have been held concerning the faults at the site.</li> <li>Hokuriku Electric Power Company provided explanations of the sampling of faults at the site and selection of evaluation target faults, the evaluation of the activity of the selected five faults, and the landform and geological features of the area around the site.</li> <li>Review continues, following the comments given by the Nuclear Regulation Authority.</li> </ul>	

#### Evaluation of Activity of Faults at the Site (Review Meeting on July 6, 2018)

Fault	Main data that has been expanded after the application in relation to the evaluation of activity, taking into account the "future challenges" presented at the expert meeting and the comments at the review meeting	Main comments at review meeting
S-1	<p>① Mineral veins in S-1 northwestern part / Fault plane</p>  <p>② Clastic dikes in S-1 northwestern part</p>  <p>③ Mineral vein      ④ Clayey fracture zone</p>	<p>In regard to evaluation by mineral veins, the clastic dike newly shown on S-1 can be valued as data that would be able to disprove activity more definitely compared to the mineral veins. It is necessary to prepare more convincing data if the activity is to be evaluated using mineral veins, and it would also be desirable to consider the possibility of showing other clastic dikes.</p>
S-2 • S-6	<p>No displacement found on the mineral vein and the clastic dike that were formed 9 million years ago or earlier<sup>1</sup> and travel across the fault. ⇒ <b>The fault is not active.</b></p> <p><sup>1</sup> The mineral vein and the clastic dike are deemed to have been formed 9 million years ago or earlier because:</p> <ul style="list-style-type: none"> <li>No evidence of igneous activity (the cause of the formation of mineral veins and clastic dikes) later than 9 million years ago can be observed within the area around the power station.</li> </ul>	
S-4	<p>⑤ Data for overlying strata above fault in new trench on the northeastern extension of S-4</p>  <p>No displacement or deformation found in the sandy gravel layer ca. 200,000 years ago.<sup>2</sup> ⇒ <b>The fault is not active.</b></p> <p><sup>2</sup> The sandy gravel layer is deemed to have been formed 200,000 years ago because:</p> <ul style="list-style-type: none"> <li>It is marine sediment formed during a high-sea-level period 200,000 years ago.</li> </ul>	<p>An explanation is required as to whether the fault evaluated at the trench location is S-4, which extends continuously (from Unit 2 reactor building).</p>

Overlying Strata Analysis Method: Activity of a fault is evaluated based on the displacement and deformation of the strata covering the fault. Evaluation by Mineral Veins: Activity of a fault is evaluated based on the presence of discontinuity of mineral veins crossing the fault.

Fault	Main data that has been expanded after the application in relation to the evaluation of activity, taking into account the "future challenges" presented at the expert meeting and the comments at the review meeting		Main comments at review meeting
K-2	<p>67</p> <p>Data on rock displacement and deformation structure</p> <ul style="list-style-type: none"> <li>• Microscopic observation</li> <li>• Hardness tests</li> </ul>	 <div data-bbox="746 241 1161 427" style="border: 1px solid black; padding: 5px;"> <p>The fault planes have been stuck fast and lithified, having about the same hardness as the surrounding undeformed rock.                      ⇒ K-2 and K-3 were formed during ancient times, when there was igneous activity.</p> </div>	<p>Although it is understandable that the faults along the seashore are old, qualitative data showing their ages must be presented in order to disprove activity after 120–130 thousand years ago.</p>
K-3			

Based on the findings, including the newly added data, we explained the inactivity of all five faults.

**For Future Review**


After reorganizing and reanalyzing the data, based on the comments that we received at preceding review meetings, we will prepare for future review on (1) selection of the evaluation target faults, (2) evaluation of the activity of the selected faults, and (3) the landforms and geological features of the area around the site.

**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 independent safety measures, 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.

**Installation of Backup On-Premises Power-Supply Facilities**

A new power supply system will be installed in a dedicated building for connecting the gas turbine generator (permanent backup AC power supply) to the facilities for handling major accidents and other emergencies.



**Installation of Backup Equipment for Residual Heat Removal**


New equipment will be installed to prevent the reactor containment vessel from being damaged even under conditions where the existing residual heat removal pump cannot be used.

**Installation of Backup Equipment for High Pressure Water Injection**

New equipment will be installed to enable water injection into the reactor, using a pump driven by steam from the reactor, even in the event of a station blackout.


**Installation of Filtered Vent Equipment for Containment Vessel**

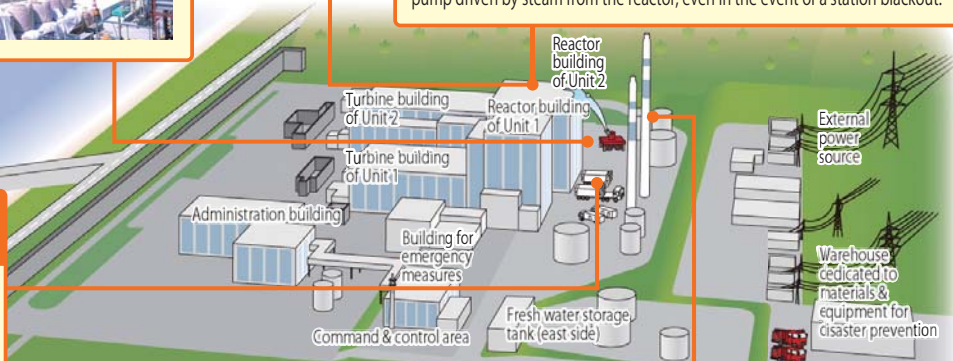
New equipment will be installed to reduce the release of radioactive substances in the event of containment venting.



**Installation of Underground Gas Oil Storage Tank Pit**

Instead of tanks for gas oil for emergency diesel generators, which are currently installed above ground, new tanks will be installed underground to enhance preparedness against disasters, including tornadoes and fires.





Labels in diagram: Administration building, Building for emergency measures, Command & control area, Fresh water storage tank (east side), Fresh water storage tank (south side), Turbine building of Unit 1, Turbine building of Unit 2, Reactor building of Unit 1, Reactor building of Unit 2, External power source, Warehouse dedicated to materials & equipment for disaster prevention.

Height of turbine building site (11m above sea level)  
 Height of reactor building site (21m above sea level)

**Voice Pursuing the World's Highest Level of Safety in a Concerted Effort with the Close-Knit "Team Shika"**

As we put the highest priority on safety, we work to improve safety measures at Shika Nuclear Power Station, 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 proceeding with the installation of underground gas oil storage tanks and backup power-supply facilities on the premises, as well as steadily advancing other works to provide safety measures.

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.



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

### Nuclear Disaster Prevention Training

On November 26, 2017, 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, as part of our efforts to improve safety at Shika Nuclear Power Station and to prepare for unexpected situations including natural disasters such as earthquakes or tsunamis, we continuously conduct training to maintain and improve our ability to respond quickly and accurately, as well as working 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.

#### ● Training Track Record

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Total
No. of Sessions	259	487	488	467	398	381	399	2,879



**Operational Training at the Headquarters of Shika Nuclear Power Station (Expanded emergency measures facility)**

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



**Training in the Operation of the Water Sprayer**

Training in the operation of the water sprayer, which is to be used for fire protection and to prevent the spread of radioactive substances

### Mutual Cooperation for Improved Nuclear Safety

Since August 5, 2016, five electric power companies (Kansai, Chugoku, Shikoku, Kyushu, and Hokuriku) have been mutually cooperating 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.

Since March 7, 2017, the Tokyo, Chubu, and Hokuriku electric power companies, all of which currently operate boiling water reactors (BWR) — specifically, advanced boiling water reactors (ABWR) — have been cooperating 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 have been mutually cooperating 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 fourteenth meeting, held in May of 2018, we explained about the present state of Shika Nuclear Power Station, and hosted a lecture by Kyoko Oba (Chair of Ethics Committee, Atomic Energy Society of Japan) about the creation of a culture of nuclear safety. We also exchanged opinions and received diverse advice.

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



14th 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.

### FY2017 Results:

Plant tours of Shika Nuclear Power Station (tours organized for applications and for various organizations): 295

Briefing sessions for residents' associations, women's groups, labor organizations, etc.: 561

Visits paid for dialogue activities

(local governments, economic organizations, etc.): About 1,600 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."

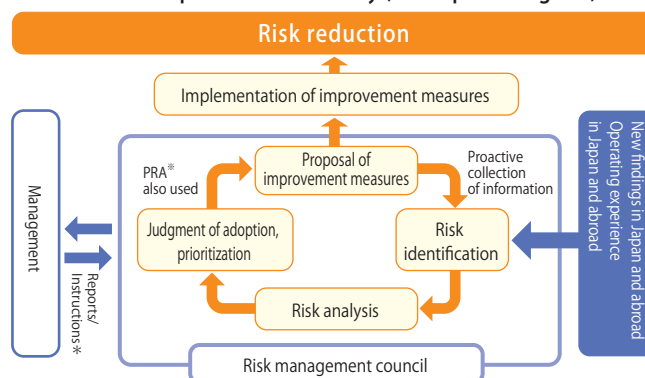
### Development of a Structure Based on the Quality Management System

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

### Study of Measures for Improved Safety Using Probabilistic Risk Assessment (PRA)<sup>※</sup>

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

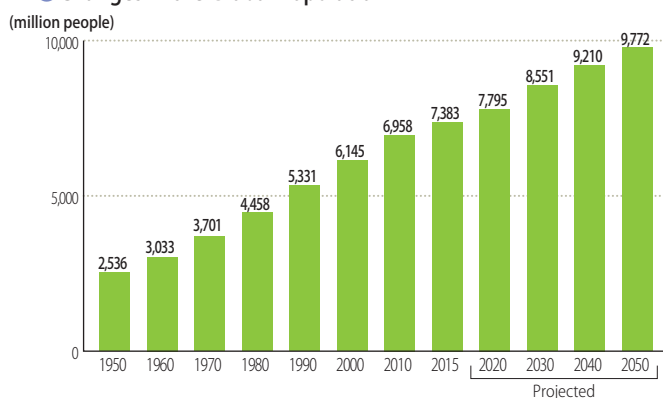
In order to ensure a stable supply of electricity in the future, we consider nuclear power generation to be an essential power source, based on the major premise that safety should come first. The proper energy mix is important for Japan given the country's low energy self-sufficiency rate; additionally, 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 8%, meaning that Japan relies on imports for almost all energy resources.

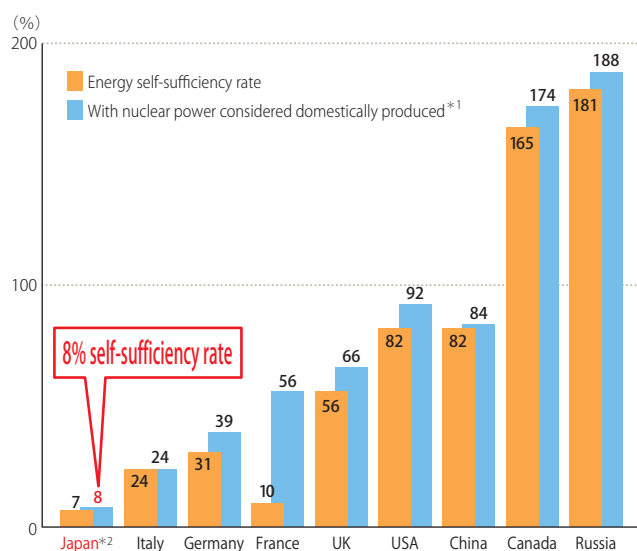
With the increasing global population, especially in emerging countries, energy demand is expected to rise significantly in the future, requiring energy composition that does not rely excessively on fossil fuels.

#### Changes in the Global Population



Source: UN, World Population Prospects: The 2017 Revision (Figures for 2020 and later are projections.)

#### Energy Self-sufficiency Rates of Major Countries (2015)



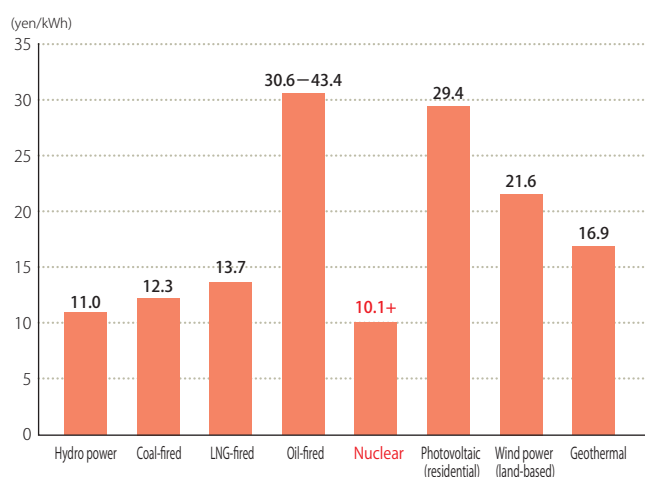
\*1 Uranium is a nuclear fuel, which can be used for a long period after import and can be reprocessed and recycled, and is considered a quasi-domestic energy source.  
\*2 The figures for Japan are results of FY 2016 (General Energy Statistics)

Source: IEA, Energy Balances of OECD Countries (2017 Edition) & Energy Balances of Non-OECD Countries (2017 Edition)

### Power Generation Cost by Sources

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 Sources (2014 Model Plants)



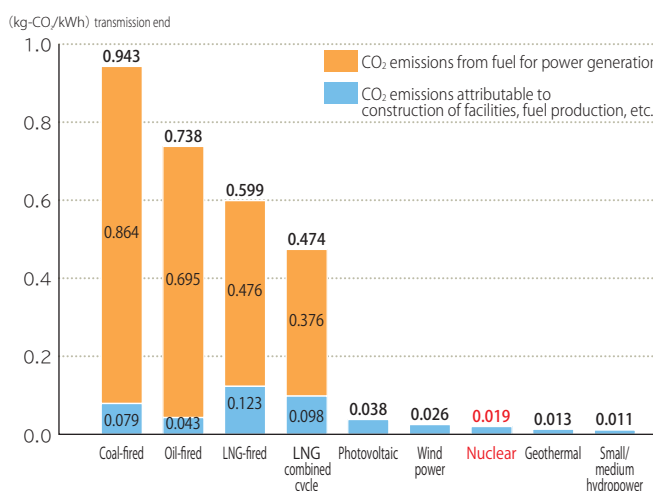
(Figures vary depending on preconditions and other factors.)

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

### CO<sub>2</sub> Emissions by Sources

Nuclear power does not emit CO<sub>2</sub> when generating electricity, akin to renewable energy sources like photovoltaic and wind power.

#### CO<sub>2</sub> Emissions per kWh by Sources



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

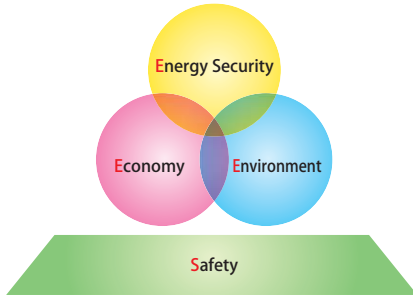
## Energy Mix

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

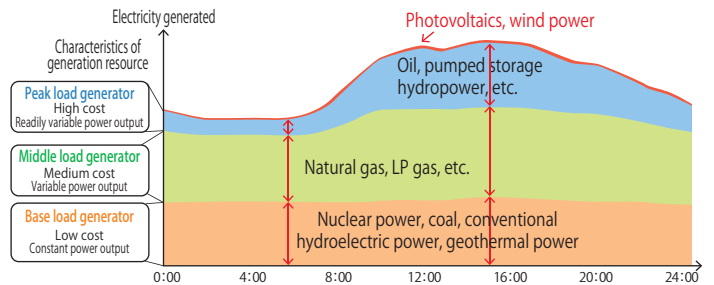
The proper energy mix is of importance for a supply of electricity that supports daily life and industry from the perspective of "S+3Es," to simultaneously achieve energy security, economy, and environmental suitability, while putting the highest priority on safety.

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.

### ● The concept 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

The policy of Japan's energy mix for FY 2030 was revised in the Fifth Basic Energy Plan, which was approved by the Cabinet in July 2018. While the approximately 20–22% share of nuclear power set for 2030 was unchanged, a policy to proceed with efforts to make renewable energy serve as a main power source was indicated.

	Before Tohoku Earthquake (2010)	Current (2016 preliminary figures)	FY2030
Renewable energy (Hydropower + new energy)	Approx. 10%	Approx. 15%	Approx. 22–24% (New energy including: Approx. 13–14%)
Nuclear	Approx. 26%	Approx. 2%	Approx. 20–22%
Coal	Approx. 27%	Approx. 33%	Approx. 26%
LNG	Approx. 28%	Approx. 40%	Approx. 27%
Oil	Approx. 9%	Approx. 9%	Approx. 3%

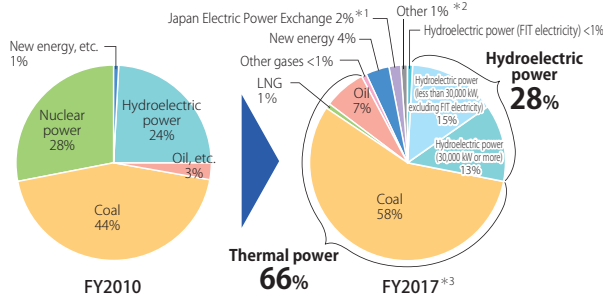
Source: Created based on the data presented at the 25th meeting of the Strategic Policy Committee of the Advisory Committee for Natural Resources and Energy of the Agency for Natural Resources and Energy

### 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)



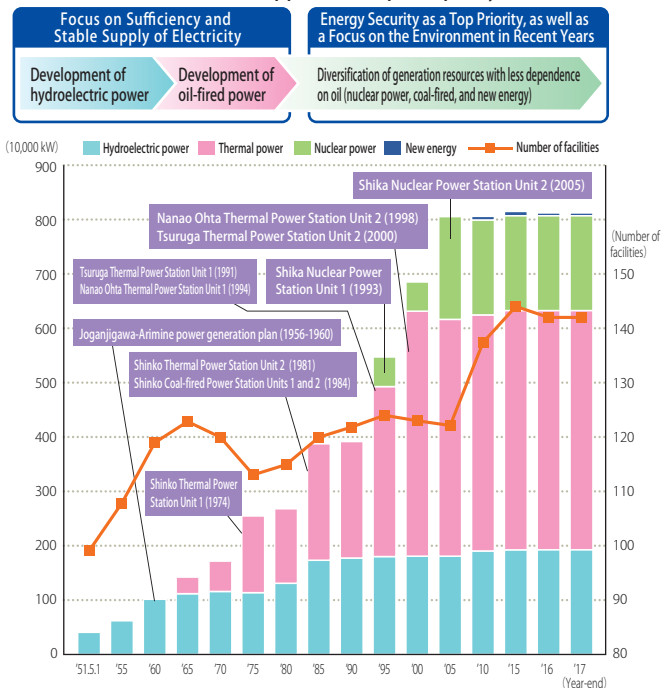
- \*1 In FY2017, we neither produced nor received any electric power based on nuclear power.
- \*2 "New energy" in FY2017 includes the 3% consisting of "Photovoltaics, wind power, etc. (FIT electricity)," and the less than 1% consisting of "Photovoltaics, wind power, etc. (excluding FIT electricity)."
- \*3 Total figures may not exactly equal values obtained by adding up the individual figures, which are rounded off.

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<sub>2</sub> emissions from this electricity are calculated based on national average CO<sub>2</sub> emissions from all types of electricity, including those from thermal power generation. The total value of FIT electricity in FY2017 amounted to 4%.

- \*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 FY2017 was calculated based on the Guidelines Concerning the Management of the Electricity Retail Business (June 2017) established by the Ministry of Economy, Trade and Industry.

### ■ Changes in Power Generation Facilities

#### (Number of facilities and approved output capacity)



## 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 establishing a system for every step from initial response to provision of support in the event of large-scale disasters, as well as confirming cooperation with the back-office operation team, we conduct various training programs on a yearly basis, in addition to daily efforts to create a favorable environment for smooth mutual cooperation.

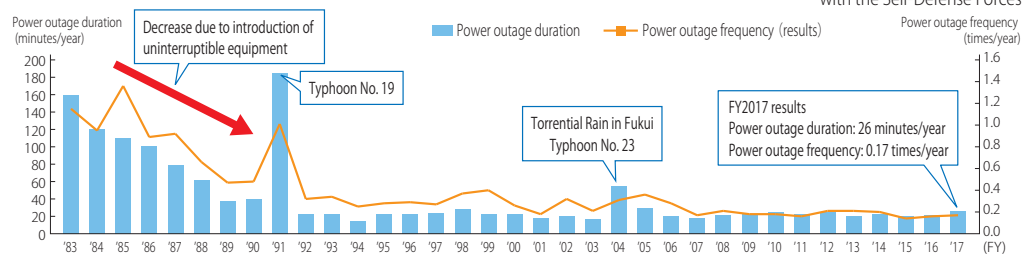
Our field training exercises for responding to emergency disasters include the establishment of a base meeting place, acceptance of the recovery support team, and collaboration with Japan's Self-Defense Forces (conveyance of materials and equipment).



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 work execution capability 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, targeting job-seeking students, their parents, and career advisors at schools, in order to communicate the sense of mission, worthwhileness, and other positive points of transmission and distribution equipment works.
- In March of 2018, we opened a special website called "So-High (E League Hokuriku)" for further increased recognition and image improvement.



Left: Poster, Right: Brochure



"So-High" Special Website

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

We are developing assist arms (robots for works on power distribution facilities) to assist workers, through joint research with universities and manufacturers.

We aim to automate distribution equipment works in the future, for improved work efficiency, labor savings, and easing workers' workloads, and to secure workers through improvements to the image of such works.



Power cable cutting and connection work

### Efforts for Efficient Use of Electricity

#### Installation and Effective Use of Smart Meters

We are working 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, including the provision of online service for viewing bill and the electric power-consumption data which is part of our Hoku-Link membership service.

## Efforts for Deployment of Low-carbon Generation Resources

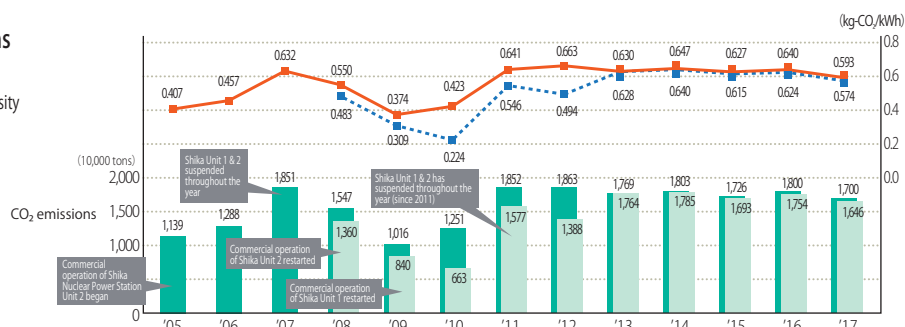
Through our steady efforts to further diversify generation resources, such as the construction of Hokuriku Electric Power Company's first LNG-fired power generation facility, as well as the development of renewable energy sources, we contribute to the stable supply of electricity and the realization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

### Changes in CO<sub>2</sub> Emission Intensity/CO<sub>2</sub> Emissions

Basic CO<sub>2</sub> emissions      Basic CO<sub>2</sub> emission intensity  
Adjusted\* CO<sub>2</sub> emissions      Adjusted CO<sub>2</sub> emission intensity

\* The adjusted values reflect the results of CO<sub>2</sub> credit trading (until FY 2012), adjustment amounts based on the feed-in tariff system for renewable energy (from FY 2012), and other factors.

Note: Customers using electricity supplied by Hokuriku Electric Power Company are to use the basic CO<sub>2</sub> emission intensity to calculate the volume of greenhouse gas emission, and the adjusted CO<sub>2</sub> emission intensity to calculate the adjusted volume of greenhouse gas emission, when submitting reports to the national government according to the Act on Promotion of Global Warming Countermeasures.



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

At Toyama Shinko Thermal Power Station, we are working on the construction of a combined-cycle power generation facility\* that uses liquefied natural gas (LNG) with reduced CO<sub>2</sub> emissions, with the aim of starting commercial operation in November. We will continue making steady progress on this work, placing the highest priority on safety, and will strive to maintain stable operation after the commencement of operation.

In March of 2018, the first LNG carrier arrived in port, allowing us to begin test runs of the equipment and facilities involved.



First LNG carrier arriving in port (March 17, 2018)

## Wider Use of Renewable Energy

As part of our efforts to reduce carbon emissions from power generation, Hokuriku Electric Power Company actively work to increase our generating capacity through the renovation of existing facilities and other approaches, in order to increase the amount of electricity generated by hydropower. Following the larger increase in hydroelectric power generation than initially planned, our previous target\* was revised upward in FY 2017.

### Increased Hydroelectric Power Generation Targets

Target year	Target for increased power generation (compared with FY2007)
By FY2025 [Intermediate target for FY2020]	Increase by 270 million kWh/year [Increase by 180 million kWh/year]

\* Previous target: Increase by 240 million kWh/year by FY 2025, and by 150 million kWh/year by FY 2020

Hokuriku Electric Power Company changed the output of Arimine No. 2 Power Station in the Jogajji River water system, confirming that the station capacity can be increased by 3,000 kW as a result of a performance test, after repairing hydraulic turbine equipment (replacement of the runner).

### Outline of Arimine No. 2 Power Station

Name of power station	Output	Electricity generated (increase)	Time of output change	Effect on CO <sub>2</sub> emission reduction
Arimine No. 2 Power Station	123,000 kW (3,000 kW increase)	Approx. 3 million kWh / year	March 2018	Approx. 1,770 t-CO <sub>2</sub> /year*

\* Estimated using the adjusted CO<sub>2</sub> emission intensity of our company in FY 2016 (0.624 kg-CO<sub>2</sub>/kWh).

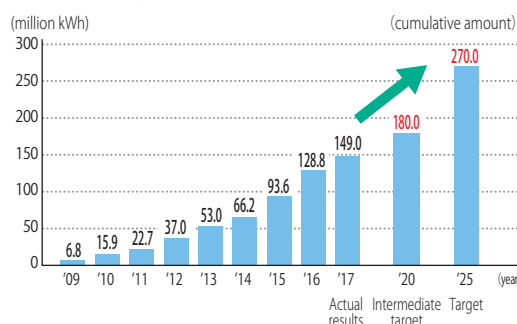
Kurobegawa Denryoku, one of the companies in the Hokuriku Electric Power Group, is constructing Shin-Himekawa No. 6 Power Station, a new hydroelectric power station, in Itoigawa City, Niigata, for operation commencing in FY2022.

### Outline of Shin-Himekawa No. 6 Power Station

Name of power station	Output	Electricity generated	Scheduled start of operation	CO <sub>2</sub> reductions
Shin-Himekawa No. 6 Power Station	27,500 kW	Approx. 85 million kWh / year	April 2022	Approx. 44,000 t-CO <sub>2</sub> /year*

\* Estimated using the substitute value (0.512 kg-CO<sub>2</sub>/kWh) from the FY2016 emission intensity by electric utility company published by the Ministry of the Environment

### Increase in Hydroelectric Power Generation (Compared with FY2007)



Arimine No. 2 Power Station



Hydraulic turbine runner at Arimine No. 2 Power Station



Shin-Himekawa No. 6 Power Station (Rendering)

### 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

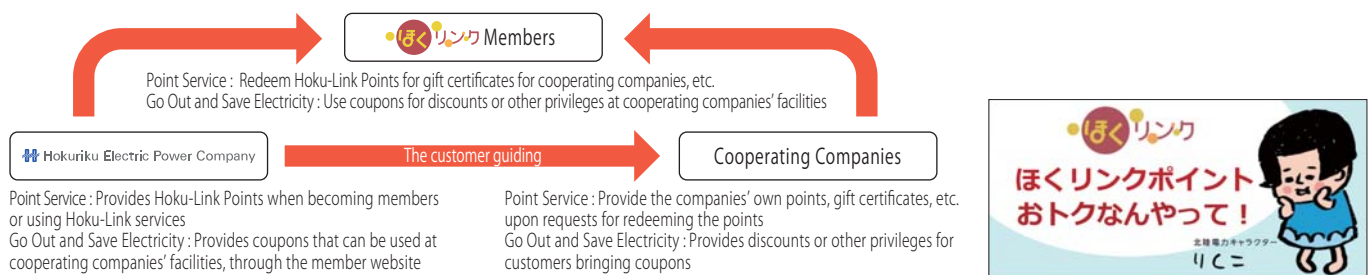
## Efforts to be Chosen by Customers

To continue to be chosen by consumers even in an increasingly intensive competitive environment, Hokuriku Electric Power Company continues various efforts, such as promoting community-based business activities and providing attractive high-value-added services that meet the market needs.

### Approaches in the Residential Sector

#### Upgrading the Hoku-Link Membership Service

Hoku-Link membership has reached about 250,000 as of the end of March, 2018, and is increasing steadily. The services provided include Hoku-Link Points, which can be redeemed for products, points, etc. of local companies in the region; the “Go Out and Save Electricity” program, which is a demand response service and offers coupons for facilities (stores, restaurants, leisure facilities, etc.) operated by cooperating companies/organizations, that can be used during peak hours of electric power demand to encourage users to go out and refrain from using electricity at home; and more. These services are used by many customers.



With regard to electricity rate menu, for the Power Saving Privilege rate menu, in which electricity rates are discounted according to the amount of electricity saved: eligibility has been expanded to customers with contracts for 30A and over starting in June of 2017 (previously, 60A and over), the power saving periods have been changed to summer and winter (previously, only summer), and other improvements have been made to allow more and more customers to use the service.

We continue striving to offer even better services based on our customers' needs.

#### Provision of Higher Value-Added Services through Tie-Ups with Partner Companies (Gas Companies, Telecommunications Companies, Etc.)

Through tie-ups with other companies, including local gas companies and all three major mobile carriers,\* and the provision of new services leveraging the advantages of different brands, we work to increase the appeal of the services of Hokuriku Electric Power Company.

\* Hokuriku Electric Power Company is the first Epco. in Japan to establish tie-ups with all three major mobile carriers.

### Approaches in the Corporate Sector

#### Providing Total Solution Services

We continue providing a service to offer suggestions for optimum energy saving plans by interviewing each customer on matters including electricity usage conditions and equipment details.



In addition, in the future, we plan to offer suggestions from a managerial point of view, including equipment offsets and utilization of subsidies; suggestions for non-electric energy sources, such as gas fuels; and other attractive services to meet diverse customer needs.



Energy savings consulting at a factory

## Approaches Beyond the Hokuriku Area

### Electricity Sales in the Tokyo Metropolitan Area

Residential Sector	<ul style="list-style-type: none"> <li>● Advertisements to increase recognition for our Hokuriku Kagayaki Contract in the Tokyo Metropolitan Area</li> <li>● Promotional campaigns, such as the Special Present Campaign for Hokuriku and Tokyo Area Combined Contract</li> <li>● Sales expansion through alliances with other companies, such as gas companies and other infrastructure companies</li> </ul>	 <p>Sales in the Tokyo Metropolitan Area</p>
Corporate Sector	<ul style="list-style-type: none"> <li>● Sales activities focusing on the Hokuriku Biz Kagayaki Contract and Low-Voltage Electric Power rate tariffs</li> <li>● Integrated sales and service activities for both the Hokuriku and Tokyo Metropolitan areas</li> <li>● Enhancement of sales activities utilizing agencies based in the Tokyo Metropolitan area</li> </ul>	

## Development of Comprehensive Energy Business

### Establishment of Organizational Structure for Improved Profitability

We have changed our organizational structure, aiming at expanding existing business domains and creating new ones. With these changes, we can accelerate the investigation and implementation of new businesses and services to meet the needs of society.

	Outline of New Organizational Structure (all changes implemented in July of 2018)	Main Functions
Business Development Dept.	<p><b>Change</b></p> <ul style="list-style-type: none"> <li>● Affiliated Business Sec. changed to Business Development Dept. directly responsible to the President</li> </ul> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Before Change (until June, 2018)</p> <pre> graph TD     P[President] --- CPD[Corporate Planning Dept.]     CPD --- ABS[Affiliated Business Sec.]                     </pre> </div> <div style="text-align: center;"> <p>After Change (from July, 2018)</p> <pre> graph TD     P[President] --- BDD[Business Development Dept.]     P --- CPD[Corporate Planning Dept.]                     </pre> </div> </div>	<ul style="list-style-type: none"> <li>○ Comprehensive coordination regarding new businesses</li> <li>○ Research and analysis on new businesses, and coordination, implementation, and support for commercialization</li> <li>○ Business management of group companies</li> </ul>
Marketing & Sales Office and Power Trading Dept.	<p><b>Change</b></p> <ul style="list-style-type: none"> <li>● Marketing Dept. reorganized to form Marketing &amp; Sales Office, which performs the back office work to support the General Manager of Marketing &amp; Sales Division, such as the formulation of marketing and sales strategy, and Power Trading Dept. specializing in power trading operations</li> </ul> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Before Change (until June, 2018)</p> <pre> graph TD     P[President] --- MSD[Marketing &amp; Sales Division]     MSD --- RSCS[Retail Sales &amp; Customer Service Dept.]     MSD --- ESD[Energy Sales Dept.]     MSD --- M&amp;SD[Marketing &amp; Sales Dept.]                     </pre> </div> <div style="text-align: center;"> <p>After Change (from July, 2018)</p> <pre> graph TD     P[President] --- MSD[Marketing &amp; Sales Division]     MSD --- RSCS[Retail Sales &amp; Customer Service Dept.]     MSD --- ESD[Energy Sales Dept.]     MSD --- PTD[Power Trading Dept.]     MSD --- MSO[Marketing &amp; Sales Office]                     </pre> </div> </div>	<p><b>Marketing &amp; Sales Office</b></p> <ul style="list-style-type: none"> <li>○ Support for General Manager of the Marketing &amp; Sales Division's decision-making</li> <li>○ Formulation of basic plans for marketing and sales</li> <li>○ Study of new services, etc. in relation to sales</li> </ul> <p><b>Power Trading Dept.</b></p> <ul style="list-style-type: none"> <li>○ Work related to further advancements in electricity trading</li> </ul>
Hydro Power Dept.	<p><b>Change</b></p> <ul style="list-style-type: none"> <li>● Hydro Power &amp; New Energy Office changed to Hydro Power Dept. directly responsible to the President</li> </ul> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Before Change (until June, 2018)</p> <pre> graph TD     P[President] --- CED[Civil Engineering Dept.]     CED --- HNEO[Hydro Power &amp; New Energy Office]                     </pre> </div> <div style="text-align: center;"> <p>After Change (from July, 2018)</p> <pre> graph TD     P[President] --- HPD[Hydro Power Dept.]     P --- CED[Civil Engineering Dept.]                     </pre> </div> </div>	<ul style="list-style-type: none"> <li>○ Formulation and management of plans for hydropower equipment works</li> <li>○ New businesses directly connected with operations under the hydropower category</li> </ul>

# Appropriate Response to Electricity System Reform

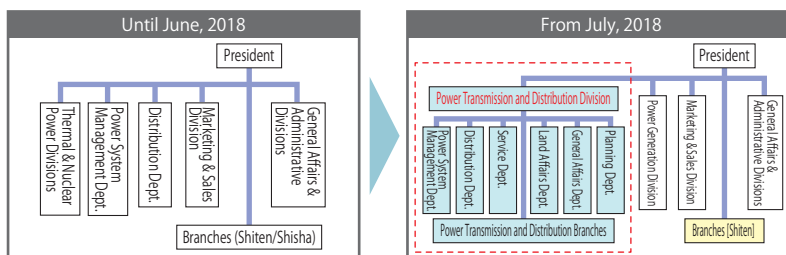
## Establishment of Power Transmission and Distribution Division

For the purpose of smooth implementation of the legal unbundling of power transmission and distribution, scheduled to be carried out from April of 2020, we established the Power Transmission and Distribution Division in July of 2018 as a transition preparation organization, and are carrying out investigations concerning the organization and operations after the legal unbundling.

We strive to establish even fairer, more transparent, and more neutral frameworks for power transmission and distribution business operations, and to ensure that Hokuriku Electric Power Company as a whole can demonstrate its overall capability to meet customers' expectations.

### ① Establishment of Power Transmission and Distribution Division

- The Power Transmission and Distribution Division, which reports directly to the President, was established, and power transmission and distribution operations (transmission, transformation, distribution, etc.) were transferred to it.

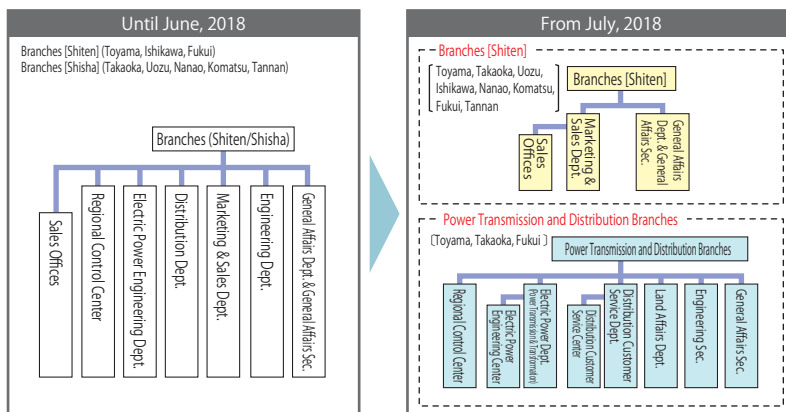


(Internal organizational structure is omitted.)

### ② Change in Branch Office Structure

- The term used to refer to our local sales facilities, previously "Branch [Shiten/Shisha],"\* was standardized to "Branch [Shiten]," and the hydroelectric power generation operations that had been handled by the Electric Power Department at each branch were transferred to the Hydro Power Centers, which are subordinate to the Head Office.
- Power Transmission and Distribution Branches were established in Toyama, Ishikawa, and Fukui Prefectures to serve as the local bases for the Power Transmission and Distribution Division.

\* Shiten referred to a branch office located in a prefectural capital, and shisha referred to a branch office located in any other city.



(Internal organizational structure is omitted.)

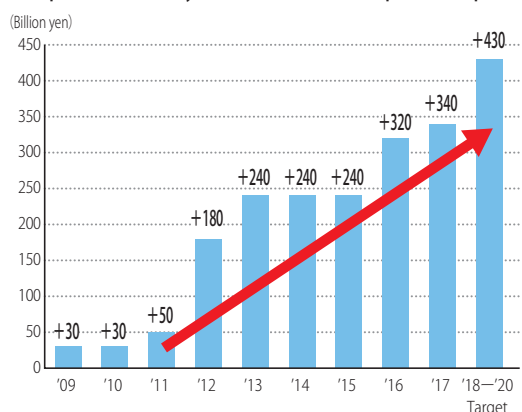
## Measures for Improving Managerial Efficiency

In order to deal with the harsh business environment after the Great East Japan Earthquake in 2011, 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.

In FY 2017, we established the Committee to Strengthen our Management Base, with the company president as the committee chair to streamline operations without any exceptions, and achieved cost savings of 34 billion yen, even higher than FY 2016's savings of 32 billion yen.

Starting in FY 2018, we are working to reduce total costs by 43 billion yen, a larger amount than ever before, as a target for the next three years, by further exploring possibilities for streamlining, such as reductions of costs related to power supply and demand. We continue our efforts to further reduce costs on a no-holds-barred basis, as well as to maximize sales profits through the liberalized business environment, and to move into new fields by utilizing our business resources.

### ● Improved Efficiency after the Great East Japan Earthquake



### ● Streamlining Plan for FY 2018 and Later

Category	Main Details	Streamlined Amount*
Reductions in personnel-related costs	<ul style="list-style-type: none"> <li>Lowered annual salary levels for both directors and employees</li> <li>Revisions to benefit programs, including the closure of the company's resort facilities, lowering of the subsidy rate for stock ownership, and raises in rents for company dormitories and apartments</li> <li>Improvements in labor productivity through the integration of operations and other efforts</li> </ul>	¥9 billion
Streamlining related to supply and demand costs	<ul style="list-style-type: none"> <li>Fuel cost reductions by shortening the periodic inspection duration at coal-fired power stations (through process changes, etc.)</li> <li>Utilization of economical power sources (increased electricity generated by hydropower and LNG-fired thermal power)</li> <li>Expansion of sales to the Japan Electric Power Exchange, with utilization of excess supply capability</li> <li>Reduction in fuel costs through extended use of low-cost coal sourced from nearby countries</li> </ul>	¥15 billion
Reductions in repair and other equipment-related costs	<ul style="list-style-type: none"> <li>Further reconsideration of the timings of equipment inspection and repair, taking into account the impact on stable supply and work execution capability</li> <li>7% reduction of acquisition costs through various procurement measures, including competitive bidding and joint procurement, and changes to work process specifications</li> </ul>	¥11 billion
Other cost reductions	<ul style="list-style-type: none"> <li>Reduction of overall miscellaneous costs by selecting only effective measures and actions to be taken</li> <li>7% reduction of acquisition costs through various procurement measures, including competitive bidding and joint procurement</li> <li>Discontinuance of the Elf Plaza public relations facilities</li> </ul>	¥8 billion
<b>Total</b>		<b>¥43 billion</b>

\* The streamlined amounts shown are the averages of figures for the three years from FY 2018 to FY 2020. Compared to the amounts based on the prices revised in 2008.

# 4. 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 FY2017, the Hokuriku Electric Power Group produced 942,000 tons of industrial waste, but through effective use efforts, 94.8% of that waste was recycled.

### Effective Use of Coal Ash

Coal ash (fly ash, clinker ash) is used effectively mainly as a raw material for cement (clay substitution). We also promote its effective use in concrete (fly ash) and ground surface layer material (clinker ash).

With the aim of popularizing the use of coal ash, we work to establish a supply system and improve quality, as well as conducting public relations activities.



Ground surface layer material

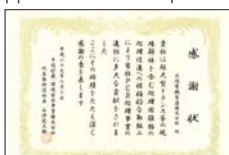
## The Three Rs at Group Companies

### ● Recycling Confidential Documents

Japan Ecology and Security Service Company, with its comprehensive security system and equipment, 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 FY 2017, the company recycled about 1,658 tons of paper.

### ● Promotion of PCB Waste Treatment

Hokuriku Electric Co., Ltd. received a letter of appreciation from Japan Environmental Storage & Safety Corporation (JESCO) for its active efforts to promote the treatment of PCB waste, including on-site disassembly of transformers.



Letter of appreciation from JESCO

## 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 five areas (Toyama, Uozu, Kaga, Noto, and Fukui)

of the three prefectures of the Hokuriku region, as “activities aimed at coexisting with the Hokuriku region.” Including FY2017, a total of 7,260 people (including participants of activities hosted by other organizations) have taken part in planting approx. 4,300 trees and clearing underbrush, showing appreciation to the forests for watershed cultivation,\* absorbing CO<sub>2</sub>, and everything else they do for us.

At the site in the Noto area, we celebrated ten years of activities, and invited local elementary school students, as well as other people, including former elementary school students and teachers, who took part during the early days of this project, for commemorative planting and commendations for long-term participation.



At the beginning of the project



Now

## Making Environmental Communication Dynamic

### ● Raising Environmental Awareness in the Company

We promote an environmental campaign, with a slogan of “Do Good for the Earth,” through internal publicity, proactively introducing topics related to energy and the environment.

### ● Sharing Information at Events Such as Environmental Exhibitions

We exhibit at environmental exhibitions organized by local governments or environmental groups, presenting the environmental efforts of the Hokuriku Electric Power Group. Since FY 2016, we have also had exhibits at environmental exhibitions held at shopping centers, to publicize Hokuriku Electric Power’s environmental conservation efforts, including energy saving activities, local eco activities, and forest preservation activities.

### ● Environmental Beautification Activities

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



Environmental beautification and cleanup

### ● Meetings of the Hokuriku Electric Power Group’s Environmental Management Promotion Managers

In order to promote group-wide environmental efforts, environmental management promotion managers of our group companies exchange opinions about the Hokuriku Electric Power Group’s Environmental Management Plan and measures to raise environmental awareness among employees of each company, and discuss other topics.

### ● Improved Environmental Education for Employees

We recommend that employees take the Eco Test (Certification Test for Environmental Specialists); to date, about 1,000 Hokuriku Electric Power employees have taken the Eco Test.

### 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. 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.

Our work style reforms are promoted in line with the three pillars: reform of job processes, reform of ways of thinking, and utilization of technological innovation. In FY 2017, we achieved an approximately 60-hour reduction in total work hours per employee.

#### ● Introduction of New Work Systems

Starting in FY 2018, we have introduced five new work systems to support flexible work styles, based on gender, age, and individual circumstances.

- Paid leave by the hour
- Set a minimum interval between end and start of work days
- Early-start work hours
- Hyper-flexible working hours
- Telecommuting

#### ● Introduction of New Technologies

We also proactively work to use new technologies to improve the quality and efficiency of operations and services, such as the use of drones to patrol and inspect electrical infrastructure, as well as investigation into systems to provide assistance from offices for on-site works using wearable cameras, tablet computers, and other devices.



Example of remote assistance with a wearable camera and monitor

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

### Efforts to Promote Diversity

We actively promote diversity to allow us to carry out drastic operational reforms, and to provide a wide variety of services, through the active involvement of employees with a wide variety of abilities and viewpoints, regardless of gender or age.

#### ● Supportive Boss Declaration Put into Practice

Our top- and middle-level managers have declared themselves, and strive to be, “supportive bosses” who support the work-life balance of the

## Respect for Human Rights

### Efforts to Promote Human Rights

Starting in 1995, we have annually held a Human Rights Enlightenment Promotion Committee meeting, including group-based information sharing, for the purpose of establishing better understandings of human rights issues and promoting the creation of a corporate culture with an open atmosphere, free of discrimination.

people who work under them, and who enjoy both work and private life for themselves too.

#### ● Women's Empowerment

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

In addition, we have introduced a mentor program to back the activities of female members of management with the help of female leaders from various industries, and have inaugurated 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. This meeting is held on a regular basis.

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.



L-Boshi Symbol

### Assisting Employees in Balancing Work with Family Care

We have established childcare and nursing care leave systems, a shortened work hour system, and temporary care leave systems to take care of sick children or other family members. We are planning to further enhance these systems.

In FY2017, our childcare leave system was used by 100% of female employees who gave birth (16 employees), as well as by two male employees.

We also provide support for employees who are on leave for child-rearing or nursing care, such as offering loans of computers to share company-internal information, and holding seminars on child-rearing and nursing care, in order to allow them to work positively without anxiety.



Kurumin Symbol  
Kurumin is a certification for companies that provide support for child-rearing, issued by the Minister of Health, Labour and Welfare.

#### Results of Our Efforts

- Acquired Kurumin certification (May 2013)
- Received an award from the Toyama prefectural government for our efforts to support employees balancing work and child-rearing (September 2015)
- Honored as a Toyama Prefecture Child-Rearing Model Business (February 2017)
- Certified as a Fukui Prefecture Child-Rearing Model Business (April 2017)

Each year, we host a lecture on human rights by an outside lecturer, on topics such as discrimination, harassment, and diversity. In 2016, we set a Progress Week to correspond with Human Rights Week (December 4–10) in order to further deepen our understanding of diversity; during this period, we share a message from the company president, and hold workplace discussions and other events.

### Consolidated Balance Sheets

Total assets amounted to ¥1,588.7 billion, up ¥70.6 billion from the end of the previous fiscal year (ratio to the figure at the end of the previous term: 104.7%). This is due to an increase in the construction in progress account and other factors.

Total liabilities amounted to ¥1,261.1 billion, up ¥70.6 billion from the end of the previous fiscal year (ratio to the figure at the end of the previous term: 105.9%). This is due to an increase in liabilities with interest and other factors.

Total net assets amounted to ¥327.6 billion, the same level as the end of the previous consolidated fiscal year, due to an increase in accumulated other comprehensive income and other factors.

### Consolidated Statements of Operations

Operating revenues amounted to ¥596.2 billion, up ¥53.7 billion from the previous fiscal year (ratio compared to the previous term: 109.9%), due to an increase in fuel adjustment charge in the electricity business, an increase in levy/grant under the Renewable Energy Special Measures Act, and other factors. As a result, together with other income, total ordinary revenues amounted to ¥598.8 billion, up ¥52.3 billion from the previous fiscal year (ratio compared to the previous term: 109.6%).

Ordinary income amounted to ¥2.6 billion, up ¥0.6 billion from the previous fiscal year (ratio compared to the previous term: 132.8%), due to an increase in contract work orders in businesses other than the electricity business.

Profit before income taxes amounted to ¥2.6 billion (ratio compared to the previous term: 100.1%), and loss attributable to owners of parent amounted to ¥0.4 billion (loss attributable to owners of parent for the previous fiscal year was ¥0.6 billion) after deducting the amount of income taxes-current, income taxes-deferred, and profit attributable to non-controlling interests, showing a loss for two consecutive fiscal years.

### Consolidated Statements of Cash Flow

Cash inflow from operating activities amounted to ¥82.2 billion, up ¥18.7 billion from the previous consolidated fiscal year (ratio compared to the previous term: 129.5%). This is due to factors including a rebound after the lump-sum payment of contributions for reprocessing irradiated nuclear fuel in the previous consolidated fiscal year following legislative revision.

Net cash used in investing activities amounted to ¥91.2 billion, down ¥12.9 billion from the previous consolidated fiscal year (ratio compared to the previous term: 87.5%). This is due to a decrease in payments for purchase of fixed assets and other factors.

Cash inflow from financing activities amounted to ¥35.4 billion, up ¥14.0 billion from the previous consolidated fiscal year (ratio compared to the previous term: 166.0%). This is due to a decrease in cash dividends paid and other factors.

As a result of these activities, cash and cash equivalents at the end of this consolidated fiscal year amounted to ¥200.1 billion, up ¥26.4 billion from the previous consolidated fiscal year (ratio to the figure at the end of the previous term: 115.2%).

# Consolidated Financial Statements

HOKURIKU ELECTRIC POWER COMPANY AND CONSOLIDATED SUBSIDIARIES  
As of March 31, 2018 and 2017

## Consolidated Balance Sheets

ASSETS	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2018	2017	2018
Nontcurrent assets	¥1,274,576	¥1,239,443	\$11,993,753
Property plant and equipment (Note 5)	770,042	786,948	7,246,092
Hydroelectric power production facilities	104,341	107,613	981,848
Thermal power production facilities	108,848	103,033	1,024,261
Nuclear power production facilities	130,709	144,880	1,229,978
Transmission facilities	154,691	157,587	1,455,645
Transformation facilities	84,820	85,843	798,163
Distribution facilities	148,046	147,264	1,393,112
General facilities	31,219	32,916	293,773
Other	7,365	7,809	69,309
Other noncurrent assets (Note 5)	39,446	41,210	371,189
Construction in progress	217,657	179,717	2,048,153
Construction and retirement in progress	214,593	179,717	2,019,321
Special account related to reprocessing of spent nuclear fuel	3,063	—	28,832
Nuclear fuel	94,715	101,641	891,271
Loaded nuclear fuel	26,219	26,219	246,725
Nuclear fuel in processing	68,495	75,422	644,546
Investments and other assets	152,714	129,925	1,437,045
Long-term investments	88,173	66,774	829,708
Asset for retirement benefits	19,359	17,586	182,173
Deferred tax assets	37,319	38,211	351,179
Other (Note 5)	7,910	7,546	74,439
Allowance for doubtful accounts	(48)	(194)	(456)
Current assets	314,181	278,633	2,956,443
Cash and deposits	200,166	173,746	1,883,566
Notes and accounts receivable-trade	61,984	57,193	583,270
Inventories (Note 5)	28,463	23,807	267,843
Deferred tax assets	6,681	4,760	62,874
Other	17,001	19,247	159,987
Allowance for doubtful accounts	(116)	(121)	(1,098)
<b>Total</b>	<b>¥1,588,757</b>	<b>¥1,518,076</b>	<b>\$14,950,197</b>

	Millions of yen	Millions of yen	Thousands of U.S. dollars
LIABILITIES AND NET ASSETS	2018	2017	2018
Noncurrent liabilities	¥977,860	¥957,518	\$9,201,663
Bonds payable (Note 5)	444,897	444,893	4,186,482
Long-term loans payable (Note 5)	427,558	406,874	4,023,323
Liability for retirement benefits	31,423	31,525	295,695
Asset retirement obligations	61,247	60,341	576,342
Other	12,733	13,884	119,818
Current liabilities	262,426	212,118	2,469,432
Current portion of long-term debt (Note 5)	104,122	85,554	979,789
Short-term loans payable	15,628	16,127	147,060
Notes and accounts payable-trade	37,479	32,704	352,684
Accrued income taxes and other	13,534	8,240	127,363
Other	91,661	69,492	862,533
Reserves under the special laws	20,824	20,824	195,962
Reserve for fluctuation in water levels	20,824	20,824	195,962
Total liabilities	1,261,112	1,190,462	11,867,057
Shareholders' equity	307,560	310,143	2,894,143
Capital stock	117,641	117,641	1,107,006
Capital surplus	33,994	33,994	319,886
Retained earnings	159,266	161,842	1,498,700
Treasury shares	(3,342)	(3,335)	(31,448)
Accumulated other comprehensive income	7,559	6,201	71,138
Valuation difference on available-for-sale securities	7,302	7,238	68,714
Deferred gains or losses on hedges	55	—	517
Retirement benefits liability adjustment	202	(1,036)	1,906
Non-controlling interests	12,524	11,268	117,856
Total net assets	327,645	327,614	3,083,139
Total	¥1,588,757	¥1,518,076	\$14,950,197

## 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
	2018	2017	2018
Operating revenues	¥596,283	¥542,572	\$5,611,019
Electricity:	547,943	496,118	5,156,147
Other:	48,339	46,453	454,872
Operating expenses (Note 6)	581,457	532,032	5,471,506
Electricity: (Note 6)	538,851	490,670	5,070,584
Other:	42,605	41,362	400,921
Operating income	14,826	10,539	139,513
Other income	2,584	3,951	24,317
Dividends income	802	561	7,547
Interest income	137	656	1,295
Equity in earnings of affiliates	47	35	443
Other	1,597	2,699	15,032
Other expenses	14,739	12,478	138,696
Interest expenses	9,638	10,427	90,693
Other	5,101	2,050	48,002
Total ordinary revenues	598,867	546,523	5,635,337
Total ordinary expenses	596,196	544,511	5,610,202
Ordinary income	2,671	2,012	25,134
Provision or reversal of reserve for fluctuation in water levels	—	(656)	—
Reversal of reserve for fluctuation in water levels	—	(656)	—
Profit before income taxes	2,671	2,668	25,134
Income taxes-current	3,271	2,920	30,784
Income taxes-deferred	(1,535)	(1,210)	(14,449)
Total income taxes	1,735	1,710	16,335
Profit	935	958	8,799
Profit attributable to non-controlling interests	1,420	1,580	13,367
Loss attributable to owners of parent	¥(485)	¥(622)	\$(4,568)

### Consolidated Statements of Comprehensive Income

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2018	2017	2018
Profit	¥935	¥958	\$8,799
Other comprehensive income			
Valuation difference on available-for-sale securities	85	1,865	807
Deferred gains or losses on hedges	55	(15)	517
Remeasurements of defined benefit plans, net of tax	1,238	1,400	11,658
Share of other comprehensive income of affiliates accounted for using the equity method	(0)	0	(2)
Total other comprehensive income (Note 7)	1,379	3,250	12,980
Comprehensive income	¥2,314	¥4,209	\$21,780
Comprehensive income attributable to			
Owners of parent	872	2,623	8,212
Non-controlling interests	1,441	1,585	13,567

## 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, 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 dividends 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 APRIL 1, 2017	210,333,694	117,641	33,994	161,842	(3,335)	310,143	7,238	—	(1,036)	6,201	11,268	327,614
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Restated balance	210,333,694	117,641	33,994	161,842	(3,335)	310,143	7,238	—	(1,036)	6,201	11,268	327,614
Cash dividends paid	—	—	—	(2,087)	—	(2,087)	—	—	—	—	—	(2,087)
Loss attributable to owners of parent	—	—	—	(485)	—	(485)	—	—	—	—	—	(485)
Purchase of treasury shares	—	—	—	—	(11)	(11)	—	—	—	—	—	(11)
Disposal of treasury shares	—	—	—	(2)	4	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	—	—	—	—	—	—	64	55	1,238	1,358	1,255	2,613
Total changes of items during the year	—	—	(0)	(2,576)	(6)	(2,583)	64	55	1,238	1,358	1,255	30
BALANCE AS OF MARCH 31, 2018	210,333,694	¥117,641	¥33,994	¥159,266	¥(3,342)	¥307,560	¥7,302	¥55	¥202	¥7,559	¥12,524	¥327,645

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, 2017	\$1,107,006	\$319,887	\$1,522,940	\$(31,383)	\$2,918,450	\$68,109	\$—	\$(9,752)	\$58,357	106,041	\$3,082,849
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—
Restated balance	1,107,006	319,887	1,522,940	(31,383)	2,918,450	68,109	—	(9,752)	58,357	106,041	3,082,849
Cash dividends paid	—	—	(19,647)	—	(19,647)	—	—	—	—	—	(19,647)
Loss attributable to owners of parent	—	—	(4,568)	—	(4,568)	—	—	—	—	—	(4,568)
Purchase of treasury shares	—	—	—	(107)	(107)	—	—	—	—	—	(107)
Disposal of treasury shares	—	—	(24)	43	18	—	—	—	—	—	18
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	(0)	—	—	(0)	—	—	—	—	—	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—	605	517	11,658	12,781	11,815	24,596
Total changes of items during the year	—	(0)	(24,240)	(64)	(24,306)	605	517	11,658	12,781	11,815	289
BALANCE AS OF MARCH 31, 2018	\$1,107,006	\$319,886	\$1,498,700	\$(31,448)	\$2,894,143	\$68,714	\$517	\$1,906	\$71,138	117,856	\$3,083,139

## Consolidated Statements of Cash Flows

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2018	2017	2018
Cash flows from operating activities:			
Profit before income taxes	¥2,671	¥2,668	\$25,134
Depreciation and amortization	62,773	64,842	590,699
Impairment losses on noncurrent assets	1,140	840	10,732
Decommissioning costs of nuclear power units	2,629	2,667	24,745
Loss on disposal of property, plant and equipment	1,691	2,483	15,917
Amortization of nuclear fuel in processing	—	578	—
Decrease (increase) in fund for reprocessing of irradiated nuclear fuel	—	2,662	—
Increase (decrease) in liability for retirement benefits	175	468	1,652
Decrease (increase) in asset for retirement benefits	(330)	660	(3,113)
Increase (decrease) in provision for reprocessing of irradiated nuclear fuel	—	(3,414)	—
Increase (decrease) in provision for reprocessing of irradiated nuclear fuel without specific plans	—	122	—
Increase (decrease) in contribution for accrued reprocessing of irradiated nuclear fuel	—	(6,232)	—
Increase (decrease) in reserve for fluctuation in water levels	—	(656)	—
Interest and dividends income	(939)	(1,217)	(8,842)
Interest expense	9,638	10,427	90,693
Decrease (increase) in notes and accounts receivable-trade	(4,790)	(1,448)	(45,077)
Decrease (increase) in inventories	(4,656)	(4,791)	(43,817)
Increase (decrease) in notes and accounts payable-trade	4,771	2,074	44,904
Increase (decrease) in accrued enterprise taxes and accrued consumption taxes	3,762	766	35,401
Other, net	13,881	5,382	130,628
Subtotal	92,418	78,885	869,658
Interest and cash dividends received	952	1,269	8,958
Interest expenses paid	(9,960)	(10,715)	(93,729)
Income taxes paid	(3,154)	(5,947)	(29,684)
Income taxes refund	2,021	56	19,025
Net cash provided by operating activities	82,277	63,547	774,228
Cash flows from investing activities			
Purchase of property, plant and equipment	(95,353)	(105,163)	(897,279)
Proceeds from contribution received for construction	3,128	1,379	29,441
Proceeds from sales of property, plant and equipment	411	167	3,867
Increase in long-term investments	(33,498)	(33,465)	(315,221)
Proceeds from long-term investments	34,053	32,829	320,444
Net cash used in investing activities	(91,259)	(104,252)	(858,747)
Cash flows from financing activities			
Proceeds from issuance of bonds	70,000	70,000	658,699
Redemption of bonds	(50,000)	(50,475)	(470,499)
Proceeds from long-term loans payable	51,900	49,725	488,378
Repayment of long-term loans payable	(33,110)	(37,275)	(311,572)
Net increase (decrease) in short-term loans payable	(930)	136	(8,755)
Proceeds from sales of treasury stock	1	1	18
Purchase of treasury stock	(11)	(10)	(107)
Cash dividends paid	(2,133)	(10,443)	(20,078)
Dividends paid to non-controlling interests	(185)	(162)	(1,742)
Other, net	(128)	(174)	(1,209)
Net cash provided by (used in) financing activities	35,401	21,322	333,132
Net increase (decrease) in cash and cash equivalents	26,420	(19,381)	248,613
Cash and cash equivalents at beginning of the year	173,746	193,128	1,634,953
Cash and cash equivalents at end of the year (Note 9)	¥200,166	¥173,746	\$1,883,566

## 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.

#### (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. The allocation method for capitalized

asset retirement cost related to decommissioning of specified nuclear power units is described in 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 provides allowance for doubtful accounts based on the historical ratio of actual credit losses to 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 that is 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.

#### (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 an 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 swaps

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 to be 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. If 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 on 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 expenses by the straight-line method over the expected operation period and planned period for safe storage.

(Additional Information)

Following the amendment of the Ministerial Ordinance Concerning Reserve Fund for Dismantling Nuclear Power Facilities due to the enforcement of the Ministerial Ordinance Partially Amending the Ministerial Ordinance Concerning Reserve Fund for Dismantling Nuclear Power Facilities, etc. (Ordinance No. 17 of 2018 of the Ministry of Economy, Trade and Industry) on April 1, 2018, the allocation method is to be changed to a method in which the cost is to be appropriated as Decommissioning Costs of Nuclear Power Units on a straight-line basis over the expected operation period.

However, should a nuclear reactor be decommissioned due to a change in energy policy or safety regulations or other reasons, and the application therefor from the power generating company be approved by the Minister of Economy, Trade and Industry, the cost is to be appropriated on a straight-line basis over a period lasting until the month during which ten years will have elapsed from the month containing the day when the specific nuclear power generation facility was decommissioned.

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

With respect to the expenses required for reprocessing irradiated nuclear fuel and other relevant purposes in relation to nuclear power generation, nuclear power plant operators are deemed to have fulfilled their responsibility to bear the costs of reprocessing and other relevant operations by the Nuclear Reprocessing Organization of Japan (hereafter, the "Organization") through the payment of contributions to the Organization, based on 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"). In this regard, the contributions to be paid to the Organization include contributions pertaining to the processing related to the reprocessing of irradiated nuclear fuel, pursuant to the provisions of Article 2 of the Amendment Act.

The expenses required for reprocessing irradiated nuclear fuel and other relevant purposes are to be appropriated as contribution 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 Article 4 of the Amendment Act. With regard to the unappropriated balance of the difference that has arisen as a result of the change of the basis for appropriating the reserve provisions in FY 2005, the average amount will be paid as contributions pertaining to irradiated nuclear fuel for each consolidated fiscal year until FY 2019, and will be appropriated as contribution 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). The unappropriated balance at the end of this consolidated fiscal year is 1,625 million yen.

In addition, contributions concerning the processing related to the reprocessing of irradiated nuclear fuel are represented as a special account related to reprocessing of spent nuclear fuel.

## **(o) Accounting for the consumption tax**

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

## **2. Accounting Standards Issued but Not yet Adopted**

1) Implementation Guidance on Accounting Standard for Tax Effect Accounting, Etc.

- Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, revised on February 16, 2018)
  - Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, February 16, 2018)
- (1) Summary

The accounting standards, etc. listed above were prepared by making amendments, as appropriate, to the practical guidelines for tax effect accounting at the Japanese Institute of Certified Public Accountants while essentially retaining their contents when they were transferred to the Accounting Standards Board of Japan.

(2) Scheduled Implementation Date

To be implemented as of the beginning of the fiscal term ending March 2019.

(3) Impact of the Implementation of the Accounting Standards, Etc.

There is no impact on the consolidated financial statements, at the time of the preparation of the current consolidated financial statements.

2) Accounting Standard for Revenue Recognition, Etc.

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018)
  - Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)
- (1) Summary

The accounting standards, etc. listed above contain provisions regarding accounting treatment and disclosure pertaining to revenues generated through contracts with customers.

(2) Scheduled Implementation Date

Planned to be implemented as of the beginning of the fiscal term ending March 2022.

(3) Impact of the Implementation of the Accounting Standard, Etc.

The impact on the consolidated financial statements is uncertain at the time of the preparation of the current consolidated financial statements.

### 3. Change in Presentation

(Consolidated Statements of Operations)

"Gain on sales of securities" of "Other income," which was listed separately for the previous consolidated fiscal year, is included in and shown as "Other" starting this consolidated fiscal year because the gain on sales of securities is not more than 10 percent of the total sum of other income. To reflect this change in the listing method, the consolidated financial statements for the previous consolidated fiscal year have been reorganized.

Consequently, in the consolidated statements of operations for the previous consolidated fiscal year, the figure for "Gain on sales of securities" (¥937 million) under "Other income" has been incorporated into "Other."

### 4. 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 ¥106.27 = U.S.\$1, the approximate rate of exchange prevailing at March 30, 2018. 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.

### 5. Notes to Consolidated Balance Sheets

#### (a) Reduction entry of property, plant and equipment

Reduction entries of property, plant and equipment as of March 31, 2018 and 2017 were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2018	2017	2018
Contributions in aid of construction	¥70,083	¥68,046	\$659,483

#### (b) Accumulated depreciation of property, plant and equipment

Accumulated depreciations of property, plant and equipment as of March 31, 2018 and 2017 were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2018	2017	2018
	¥2,611,685	¥2,571,541	\$24,575,939

#### (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, 2018 and 2017 were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2018	2017	2018
	¥3,902	¥3,965	\$36,718

#### (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
	2018	2017	2018
Hokuriku Electric Power Company			
Bonds	¥514,900	¥494,900	\$4,845,205
Loans from the Development Bank of Japan Incorporated	39,058	45,873	367,537
Recourse obligation under debt assumption agreements	30,000	58,200	282,299

Additionally, the 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
	2018	2017	2018
Consolidated subsidiaries			
Pledged assets:			
Other noncurrent assets	¥5,562	¥5,817	\$52,341
Investments and other assets	5	6	55
Secured liabilities			
Long-term loans	723	969	6,803

#### (e) Inventories

Inventories as of March 31, 2018 and 2017 were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2018	2017	2018
Merchandise and finished goods	¥232	¥188	\$2,190
Work in process	3,042	2,389	28,632
Raw materials and supplies	25,188	21,229	237,020
Total	¥28,463	¥23,807	\$267,843

#### (f) Contingent liabilities

Contingent liabilities as of March 31, 2018 and 2017 were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2018	2017	2018
Guarantees of loans of following companies and others			
Japan Nuclear Fuel Ltd.	¥32,985	¥35,422	\$310,394
The Japan Atomic Power Company	17,492	17,492	164,607
Kurobegawa Denryoku	1,250	—	11,762
Guarantees of housing and welfare loans of the Companies' employees	10,745	11,601	101,117
Total	¥62,474	¥64,516	\$587,881

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2018	2017	2018
Guarantees of the corporate bonds of following company			
Japan Nuclear Fuel Ltd.	¥—	¥404	\$—

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2018	2017	2018
Recourse obligation under debt assumption agreement of following corporate bonds (*)			
The 250th domestic straight bonds of Hokuriku Electric Power Company	¥—	28,200	\$—
The 281th domestic straight bonds of Hokuriku Electric Power Company	30,000	30,000	282,299
Total	¥30,000	¥58,200	\$282,299
(*) Recourse obligation by underwriter			
Mizuho Bank, Ltd.	¥30,000	¥58,200	\$282,299

## 6. 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, 2018 and 2017 were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2018	2017	2018
Retirement benefit expenses	¥7,651	¥8,455	\$71,998
Provision for reprocessing of irradiated nuclear fuel	—	409	—
Provision for preparation of the reprocessing of irradiated nuclear fuel without specific plans	¥—	122	\$—

### (b) Operating expenses

Details of operating expenses in the electric power business for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	
Personnel	¥49,696	¥22,900	
(Retirement benefit expense)	6,794	6,794	
Consignment and subcontract expenses	18,249	7,968	
Fuel	118,990	—	
Maintenance	69,436	1,261	
Depreciation	59,977	3,117	
Purchased electric power	84,636	—	
Levy under act on purchase of renewable energy sourced electricity	64,661	—	
Other	79,474	11,630	
<b>Subtotal</b>	<b>545,122</b>	<b>46,878</b>	
Intercompany elimination	(6,271)	—	
<b>Total</b>	<b>¥538,851</b>	<b>¥—</b>	

	Millions of yen		Thousands of U.S. dollars
	2017	2018	
Personnel	¥50,962	¥23,102	
(Provision for retirement benefits)	6,961	6,961	
Consignment and subcontract expenses	15,308	7,844	
Fuel	102,624	—	
Maintenance	63,496	1,053	
Depreciation	61,979	3,273	
Purchased electric power	69,660	—	
Levy under act on purchase of renewable energy sourced electricity	53,235	—	
Other	78,452	12,524	
<b>Subtotal</b>	<b>495,719</b>	<b>47,797</b>	
Intercompany elimination	(5,048)	—	
<b>Total</b>	<b>¥490,670</b>	<b>¥—</b>	

	Thousands of U.S. dollars	
	2018	2017
Personnel	\$467,639	\$215,489
(Retirement benefit expense)	63,933	63,933
Consignment and subcontract expenses	171,725	74,982
Fuel	1,119,700	—
Maintenance	653,399	11,871
Depreciation	564,383	29,337
Purchased electric power	796,430	—
Levy under act on purchase of renewable energy sourced electricity	608,466	—
Other	747,854	109,444
<b>Subtotal</b>	<b>5,129,601</b>	<b>441,125</b>
Intercompany elimination	(59,016)	—
<b>Total</b>	<b>\$5,070,584</b>	<b>\$—</b>

### (c) Research and Development Expenses

Total Research and Development Expenses included in the consolidated statements of operations for the fiscal years ended March 31, 2018 and 2017 were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2018	2017	2018
Research and Development Expenses	¥1,722	¥1,689	\$16,206

## 7. Other Comprehensive Income

The component of other comprehensive income for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2018	2017	2018
Valuation difference on available-for-sales securities			
Amount arising during the year	¥103	¥3,537	\$971
Reclassification adjustment	(13)	(937)	(128)
Before tax effect	89	2,600	843
Tax effect	(3)	(734)	(35)
Valuation difference on available-for-sales securities	85	1,865	807
Deferred gains or losses on hedges			
Amount arising during the year	¥76	¥(21)	\$718
Tax effect	(21)	6	(200)
Deferred gains or losses on hedges	55	(15)	517
Remeasurements of defined benefit plans, net of tax			
Amount arising during the year	¥948	¥131	\$8,926
Reclassification adjustment	770	1,812	7,254
Before tax effect	1,719	1,943	16,181
Tax effect	(480)	(543)	(4,523)
Remeasurements of defined benefit plans, net of tax	1,238	1,400	11,658
Share of other comprehensive income of affiliates accounted for using the equity method:			
Amount arising during the year	¥(0)	¥0	\$(2)
Reclassification adjustments	—	—	—
Share of other comprehensive income of affiliates accounted for using the equity method	(0)	0	(2)
<b>Total of other comprehensive income</b>	<b>¥1,379</b>	<b>¥3,250</b>	<b>\$12,980</b>

## 8. 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, 2018 and 2017 were as follows:

	Thousands of shares	
	2018	2017
Stock issued		
Beginning of the year	210,334	210,334
End of the year	210,334	210,334
Treasury stock		
Beginning of the year	1,536	1,529
Increase due to purchasing fractional shares	12	8
Decrease due to selling fractional shares	2	1
End of the year	1,546	1,536

### (2) Dividends

#### (1) Dividends paid

For the year ended March 31, 2018

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, 2017	Common stock	¥2,087	\$19,647	¥10	\$0.09	March 31, 2017	June 29, 2017

For the year ended March 31, 2017

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 28, 2016	Common stock	¥5,220	¥25	March 31, 2016	June 29, 2016
Meeting of the Board of Directors on October 27, 2016	Common stock	¥5,220	¥25	September 30, 2016	November 30, 2016

#### (2) Dividends with the cut-off date in the year ended March 31, 2017 and the effective date in the year ending March 31, 2018

None applicable.

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)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 28, 2017	Common stock	¥2,087	Retained earnings	¥10	March 31, 2017	June 29, 2017

## 9. 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, 2018 and 2017 is shown below:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2018	2017	2018
Cash and deposits	¥200,166	¥173,746	\$1,883,566
Cash and cash equivalents	¥200,166	¥173,746	\$1,883,566

## 10. Financial Instruments

### Overview

#### (1) Policy for financial instruments

In consideration of plans for capital investment for the electricity business, the Group raises funds through corporate bonds and loans from banks. 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, measures are taken to hedge against risks to which interest-bearing liabilities are exposed, such as exchange rate fluctuations.

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 this risk.

Financial liabilities are exposed to liquidity risk. However, to reduce such risk, the Group sets the authorized limits of short-term corporate bonds, concludes 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 derivative positions are limited to major financial institutions with good 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, 2018 and 2017 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, 2018	Carrying amount	Fair value	Difference
Assets			
① Long-term investments (other securities)	¥17,371	¥17,371	¥—
② Cash and deposits	200,166	200,166	—
③ Notes and accounts receivable-trade	61,984	61,984	—
Liabilities			
④ Bonds payable (*)	514,897	525,712	10,814
⑤ Long-term loans payable (*)	458,774	478,365	19,591
⑥ Short-term loans payable	15,628	15,628	—
⑦ Notes and accounts payable-trade	37,479	37,479	—

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 Cash and deposits	173,746	173,746	—
③ Notes and accounts receivable-trade	57,193	57,193	—
Liabilities			
④ Bonds payable (*)	494,893	508,260	13,367
⑤ Long-term loans payable (*)	439,985	461,755	21,770
⑥ Short-term loans payable	16,127	16,127	—
⑦ Notes and accounts payable-trade	32,704	32,704	—

Thousands of U.S. dollars			
As of March 31, 2018	Carrying amount	Fair value	Difference
Assets			
① Long-term investments (other securities)	\$163,467	\$163,467	\$—
② Cash and deposits	1,883,566	1,883,566	—
③ Notes and accounts receivable-trade	583,270	583,270	—
Liabilities			
④ Bonds payable (*)	4,845,182	4,946,951	101,768
⑤ Long-term loans payable (*)	4,317,062	4,501,416	184,354
⑥ Short-term loans payable	147,060	147,060	—
⑦ Notes and accounts payable-trade	352,684	352,684	—

(\*)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 Note 11. "Investment Securities."

#### ② Cash and deposits and ③ Notes and accounts receivable-trade

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

#### ④ 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.

⑤ 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.

⑥ Short-term loans payable and ⑦ 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 are as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
Carrying amount	2018	2017	2018
Unlisted stocks	¥36,063	¥36,063	\$339,353
Investment securities	634	634	5,971
Other	2	2	23
<b>Total</b>	<b>¥36,700</b>	<b>¥36,700</b>	<b>\$345,348</b>

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, 2018	Whithin one year	Due after one year
Cash and deposits	200,166	—
Notes and accounts receivable-trade	61,984	—
<b>Total</b>	<b>¥262,150</b>	<b>¥—</b>

	Millions of yen	
As of March 31, 2017	Whithin one year	Due after one year
Cash and deposits	173,746	—
Notes and accounts receivable-trade	57,193	—
<b>Total</b>	<b>¥230,940</b>	<b>¥—</b>

	Thousands of U.S. dollars	
As of March 31, 2018	Whithin one year	Due after one year
Cash and deposits	1,883,566	—
Notes and accounts receivable-trade	583,270	—
<b>Total</b>	<b>\$2,466,837</b>	<b>\$—</b>

(Note 4)

The aggregate annual maturities of bonds, long-term loans, and other interest-bearing liabilities subsequent to March 31, 2018 and 2017 are summarized as follows:

	Millions of yen		
As of March 31, 2018	Bonds payable	Long-term loans payable	Short-term loans payable
2019	¥70,000	¥31,215	¥15,628
2020	69,900	46,183	—
2021	50,000	52,001	—
2022	30,000	55,651	—
2023	40,000	42,127	—
2024 and thereafter	255,000	231,596	—

	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	—

	Thousands of U.S. dollars		
As of March 31, 2018	Bonds payable	Long-term loans payable	Short-term loans payable
2019	\$658,699	\$293,738	\$147,060
2020	657,758	434,587	—
2021	470,499	489,329	—
2022	282,299	523,675	—
2023	376,399	396,414	—
2024 and thereafter	2,399,548	2,179,316	—

## 11. Investment Securities

### (1) Information of other securities

Information on investment securities for which fair value is available as of March 31, 2018 and 2017 was as follows:

As of March 31, 2018	Millions of yen		
	Acquisition cost	Fair value	Unrealized gain (loss)
Unrealized gain			
Stock	¥6,547	¥16,982	¥10,435
Bonds	100	102	2
Unrealized loss			
Stock	196	181	(15)
Bonds	105	105	—
<b>Total</b>	<b>¥6,949</b>	<b>¥17,371</b>	<b>¥10,422</b>

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

As of March 31, 2018	Thousands of U.S. dollars		
	Acquisition cost	Fair value	Unrealized gain (loss)
Unrealized gain			
Stock	\$61,614	\$159,807	\$98,193
Bonds	943	967	23
Unrealized loss			
Stock	1,849	1,704	(144)
Bonds	988	988	—
<b>Total</b>	<b>\$65,395</b>	<b>\$163,467</b>	<b>\$98,072</b>

(Note) The amounts of non-marketable securities (¥36,700 million (\$345,348 thousand) and ¥36,700 million in the consolidated balance sheets as of March 31, 2018 and 2017, 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		Thousands of U.S. dollars
	2018	2017	2018
Sales proceeds	¥16	¥1,236	\$154
Realized gains	13	937	128
Realized losses	—	0	—

### (3) Impairment loss on other securities

No impairment loss on other securities was identified for the years ended March 31, 2018 and 2017, respectively.

## 12. Derivatives

Since derivative transactions were not significant, related disclosures are omitted for the years ended March 31, 2018 and 2017.

## 13. Employees' Retirement Benefits

The Company and its consolidated subsidiaries have 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 provide employees with the option of either a defined contribution pension plan or prepayment plan other than the defined benefit plan. The Company also pays employees an extra lump-sum retirement benefit 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, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Retirement benefit obligation at April 1	¥106,536	¥105,368	\$1,002,509
Service cost	4,472	4,546	42,088
Interest cost	980	1,009	9,225
Actuarial loss	415	548	3,906
Retirement benefit paid	(4,759)	(4,937)	(44,789)
<b>Retirement benefit obligation at March 31</b>	<b>¥107,645</b>	<b>¥106,536</b>	<b>\$1,012,940</b>

The changes in plan assets during the year ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Plan assets at April 1	¥92,597	¥90,614	\$871,344
Expected return on plan assets	1,851	1,812	17,426
Actuarial loss	1,365	247	12,848
Contributions by the Company	1,983	2,003	18,661
Retirement benefits paid	(2,217)	(2,080)	(20,863)
<b>Plan assets at March 31</b>	<b>¥95,581</b>	<b>¥92,597</b>	<b>\$899,418</b>

The following table shows the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2018 and 2017 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Funded retirement benefit obligation	¥76,221	¥75,011	\$717,244
Plan assets at fair value	(95,581)	(92,597)	(899,418)
	<b>¥(19,359)</b>	<b>¥(17,586)</b>	<b>\$(182,173)</b>
Unfunded retirement benefit obligation	¥31,423	¥31,525	\$295,695
Net liability for retirement benefits in the balance sheet	¥12,063	¥13,938	\$113,521
Liability for retirement benefits	¥31,423	¥31,525	\$295,695
Asset for retirement benefits	¥(19,359)	¥(17,586)	\$(182,173)
<b>Net liability for retirement benefits in the balance sheet</b>	<b>¥12,063</b>	<b>¥13,938</b>	<b>\$113,521</b>

The components of retirement benefit expense for the year ended March 31, 2018 and 2017 were as follows:

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Service cost	¥4,472	¥4,546	\$42,088
Interest cost	980	1,009	9,225
Expected return on plan assets	(1,851)	(1,812)	(17,426)
Amortization of actuarial loss	769	2,245	7,239
Others (Note)2	1,026	—	9,662
Retirement benefit expense	¥5,397	¥5,989	50,789

(Note)1 : In addition, an additional retirement benefit expense of ¥1,498 million (\$14,101 thousand) and ¥1,707 million was accounted for as an operating expense for the years ended March 31, 2018 and 2017.

(Note)2 : "Others" for the current consolidated fiscal year is identical to contributions to the closed defined benefit corporate pension plan.

Prior service cost and Actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2017 were as follows:

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Actuarial gain or loss	1,719	1,943	16,181
Total	¥1,719	¥1,943	\$16,181

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2017 were as follows:

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Unrecognized actuarial gain or loss	(281)	1,438	(2,645)
Total	(281)	1,438	(2,645)

Fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2018 and 2017 were as follows:

	2018	2017
Stock	25%	30%
Bonds	27%	24%
General account of life insurance	38%	39%
Others	10%	7%
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:

	2018	2017
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 amounted to ¥703 million (\$6,619 thousand) and ¥705 million, payments related to prepaid retirement benefit plan amounted to ¥51 million (\$487 thousand) and ¥52 million for the years ended March 31, 2018 and 2017.

## 14. Income Taxes

The significant components of deferred tax assets and liabilities as of March 31, 2018 and 2017 were as follows:

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Deferred tax assets:			
Depreciation	¥13,731	¥13,529	\$129,210
Liability for retirement benefits	9,358	9,383	88,067
Asset retirement obligations	8,074	8,514	75,977
Net operating loss carryforwards	6,063	4,369	57,053
Reserve for fluctuation in water levels	5,820	5,820	54,773
Elimination of unrealized intercompany profits	5,301	5,132	49,866
Expenses of disposition of polychlorinated biphenyl wastes	3,336	3,608	31,399
Deferred charges for tax purposes	1,625	1,910	15,297
Accrued enterprise taxes	915	777	8,615
Other	13,441	12,953	126,487
Gross deferred tax assets	67,664	66,001	636,722
Less: Valuation allowance	(8,844)	(8,288)	(83,226)
Total deferred tax assets	58,819	57,712	553,495
Deferred tax liabilities:			
Assets corresponding to asset retirement obligations	¥(6,123)	¥(6,599)	\$(57,619)
Asset for retirement benefits	(5,412)	(4,921)	(50,935)
Net unrealized gain on securities	(2,907)	(2,904)	(27,360)
Other	(374)	(315)	(3,525)
Total deferred tax liabilities	(14,818)	(14,740)	(139,441)
Net deferred tax assets	¥44,001	¥42,971	\$414,054

(Note) The net deferred tax assets as of March 31, 2018 and 2017 are included in the following items of the consolidated balance sheets.

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Deferred tax assets:			
Noncurrent assets - deferred tax assets	¥37,319	¥38,211	\$351,179
Current assets - deferred tax assets	6,681	4,760	62,874

A reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2018 and 2017 is as follows:

	2018	2017
Statutory tax rate	28.2%	28.2%
Increase (decrease) in taxes resulting from:		
Valuation allowance	19.1	21.3
Statutory tax rate differences between the Company and consolidated subsidiaries	13.5	17.6
Non-deductible expenses for the tax purposes	3.5	4.6
Tax credit	(4.0)	(3.7)
Equity in earnings of affiliates	(0.5)	(0.4)
Other	5.2	(3.4)
Effective tax rate	65.0%	64.1%



## 15. Asset Retirement Obligations

### (1) Overview

In principle, asset retirement obligations are recognized for decommissioning of specific nuclear power units prescribed by the "Act on the Regulation of Nuclear 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 decommissioning 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

In principle, 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. A 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
	2018	2017	2018
Balance at beginning of the year	¥60,341	¥59,153	\$567,814
Net changes during the year	906	1,187	8,527
Balance at end of the year	¥61,247	¥60,341	\$576,342

## 16. Segment Information

### (1) Overview of reportable segment

The Company's reportable segments are the business units for which the Company is able to obtain respective financial information separately, in order for the Corporate Management Committee and the Board of Directors to conduct periodic investigations to determine the distribution of operational resources and evaluate their business performance.

Hokuriku Electric Power Company designates the electricity business, which we operate as our principal business, as the reportable segment.

### (2) Accounting policies of each reportable segment

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

### (3) Information about each reportable segment

Millions of yen

	2018				
	Electricity	Others (Note 1)	Total	Adjustment and elimination (Note 2)	Consolidated (Note 3)
Sales to customers	¥547,943	¥48,339	¥596,283	¥—	¥596,283
Inter-segment sales	1,113	53,000	54,113	(54,113)	—
Total operating revenue	549,057	101,339	650,396	(54,113)	596,283
Segment income	6,133	8,901	15,034	(208)	14,826
Segment assets	1,501,765	122,790	1,624,556	(35,799)	1,588,757
Depreciation and amortization	59,977	3,835	63,813	(1,039)	62,773
Capital expenditure	106,331	4,509	110,841	(1,783)	109,057

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

Thousands of U.S. dollars

	2018				
	Electricity	Others (Note 1)	Total	Adjustment and elimination (Note 2)	Consolidated (Note 3)
Sales to customers	\$5,156,147	\$454,872	\$5,611,019	\$—	\$5,611,019
Inter-segment sales	10,477	498,731	509,209	(509,209)	—
Total operating revenue	5,166,625	953,603	6,120,229	(509,209)	5,611,019
Segment income	57,714	83,760	141,475	(1,961)	139,513
Segment assets	14,131,608	1,155,458	15,287,066	(336,869)	14,950,197
Depreciation and amortization	564,385	36,094	600,480	(9,780)	590,699
Capital expenditure	1,000,576	42,437	1,043,013	(16,780)	1,026,232

(Note1) Other segment represents construction and maintenance of 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 a single product exceeds 90% of revenue in the consolidated statements of operations, related disclosure is omitted.

##### (2) Information by respective areas

Because there are no sales to overseas customers and no tangible fixed assets located overseas, related 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.

## 17. Related Party Transactions

Fiscal year ended March 31, 2018

Category	Name	Address	Stated capital or contribution (million yen) (Thousands of U.S. dollars)	Description of business or occupation	Percentage of voting rights, etc. owned	Relationship	Transactions	Transaction amounts (million yen) (Thousands of U.S. dollars)	Account	Fiscal year-end balance (million yen) (Thousands of U.S. dollars)
Officer	Tateki Ataka	-	-	Managing Executive Officer of Hokuriku Electric Power Company President of the Hokkoku Bank, Ltd.	Owned directly 0.0%	Money brokerage	Borrowing of funds from the Hokkoku Bank, Ltd. (Note 3)	¥6,000	Long-term loans payable	¥22,000
								\$56,459	Noncurrent liabilities due within one year	¥1,000
								¥33,600	Short-term loans payable	¥3,360
								\$316,175		\$31,617
							Interest payment to the Hokkoku Bank, Ltd. (Note 3)	¥66	Accrued expenses	¥21
								\$630		\$198

Notes :

- The transaction amounts and the fiscal year-end balance do not include national and local consumption taxes.
- The transactions listed above were conducted for third parties.
- Transaction terms and policy for the determination of the transaction terms, etc.:  
For borrowing of funds, interest rates are determined reasonably, taking the market interest rates into consideration.
- Since Tateki Ataka was appointed as Managing Executive Officer as of June 28, 2017, transactions with the Hokkoku Bank, Ltd. thereafter are to fall under the category of related party transactions.  
The transaction amounts listed above were recorded after Tateki Ataka became a related party.

Fiscal year ended March 31, 2017

None applicable.

## 18. 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, 2018 and 2017 were as follows:

	Yen	Yen	U.S. dollars
	2018	2017	2018
Net assets per share	¥1,509.29	¥1,515.08	\$14.20
Profit (Loss) per share	¥(2.33)	¥(2.98)	\$(0.02)

(Note) Diluted net income per share is not listed, because it is a loss per share and there are no dilutive shares.

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

	Millions of yen	Millions of yen	Thousands of U.S. dollars
For the years ended March 31	2018	2017	2018
Profit (Loss) attributable to owners of parent	¥(485)	¥(622)	\$(4,568)
Amounts not attributable to common stock	-	-	-
Profit (Loss) attributable to owners of parent to common stock	(485)	(622)	\$(4,568)
Weighted average number of common stock during the year (thousands of shares)	208,793	208,802	

The bases of calculation for net assets per share were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
As of March 31	2018	2017	2018
Net assets	¥327,645	¥327,614	\$3,083,139
Amounts deducted from net assets	12,524	11,268	117,856
(Non-controlling interests)	(12,524)	(11,268)	(117,856)
Net assets attributable to common stock	315,120	316,345	2,965,282
Number of shares of common stock at the year end (thousand of shares)	208,788	208,798	



## 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, 2018, 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, 2018 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 27, 2018  
Toyama, Japan

*Ernst & Young Shin Nihon LLC*

## Six-Year Summary

	2018	2017	2016	2015	2014	2013
Consolidated Statements of Operations Data (millions of yen)						
Operating revenue	596,283	542,572	544,568	532,760	509,638	492,487
Operating expenses	581,457	532,032	506,443	492,801	489,782	480,729
Operating income	14,826	10,539	38,124	39,959	19,855	11,758
Other income deduction (net)	12,154	7,870	14,889	20,316	14,047	9,313
Profit before income taxes	2,671	2,668	23,234	19,642	5,807	2,444
Income taxes	1,735	1,710	8,848	10,609	3,277	2,346
Profit attributable to non-controlling interests	1,420	1,580	1,493	42	14	—
Profit (Loss) attributable to owners of parent	(485)	(622)	12,891	8,990	2,516	98
Profit (Loss) per share	(2.33)	(2.98)	61.74	43.05	12.05	0.47
Consolidated Statement of Cash Flows Data (millions of yen)						
Net cash provided by operating activities	82,277	63,547	69,792	113,132	81,626	86,505
Net cash used in investing activities	(91,259)	(104,252)	(85,006)	(104,048)	(60,004)	(61,743)
Net cash provided by (used in) financing activities	35,401	21,322	33,962	(19,368)	46,702	(1,183)
Net increase (decrease) in cash and cash equivalents	26,420	(19,381)	18,748	(10,284)	68,324	23,578
Cash and cash equivalents at end of year	200,166	173,746	193,128	174,379	184,664	116,340



### Date of Establishment

May 1, 1951

### Number of Shareholders

95,163 (at the end of March 2018)

### Corporate Resources and Facilities (at the end of March 2018)

Capital (billions of yen)	117.64
Number of employees	5,229
Hydroelectric power capacity (MW)	1,928
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)	3,320
Transformation facilities (thousands of kVA)	31,299
Distribution facilities (conductor length in km)	122,445
Electricity sales (billions of kWh) (for fiscal year)	28.7

### 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:	11-16-1 Tannan Denki Building, Takagi-cho, Echizen-shi, 951-0091, Japan
Tokyo Branch:	Kasumigaseki Common Gate West Tower 24F, 3-2-1 Kasumigaseki, Chiyoda-ku, Tokyo, 100-0013, Japan

## Directors and Auditors

Chairman of the Board: Susumu Kyuwa

President: Yutaka Kanai







Executive Vice Presidents: Nobuhiko Ishiguro  
Shiro Ojima  
Koichi Mizuno

Managing Executive Officer: Yukihiro Takabayashi

Motonobu Sugawa  
Kazuhiisa Mizutani  
Sesho Shiotani  
Tatsuo Kawada  
Shigeo Takagi  
Tateki Ataka  
Kenji Onishi

Audit & Supervisory Board Members: Tadashi Takamatsu  
Yasuhiro Mizukami  
Toshihiko Hosokawa  
Etsuko Akiba  
Tadaaki Ito

## List of Affiliated Companies (as of July 31, 2018)

Business field	Name of company	Capital (Millions of yen)	Investment ratio (%)	Date of establishment	Principal businesses
<b>Total Energy</b> 	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
<b>Electricity &amp; Engineering</b> 	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
<b>Information &amp; Telecommunication</b> 	Hokuriku Telecommunication Network Co., Inc.	6,000	100.0	May 25, 1993	Wide-area Ethernet service and corporate Internet connectivity
	Power and IT Company	495	53.5	Aug. 11, 2009	Data center operations
	Hokuden Information System Service Company, Inc.	50	100.0	Apr. 1, 1987	Software development and maintenance
<b>Environment &amp; Recycling</b> 	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
<b>Life &amp; Office</b> 	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 Denki Shoji Co., Ltd.	10	60.0	Nov. 8, 1949	Telephone pole advertising and travel services
	Hokuriku Electric Power Living Service Co., Ltd.	50	100.0	Jul. 1, 1987	Consulting to promote comfortable, energy-efficient lifestyles
	Hokuhai Dengyou Co., Ltd.	18	15.0	Mar. 29, 1951	Utility pole advertisements, and planning and execution of landscaping works
<b>Manufacturing</b> 	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, 2018)

- Hydroelectric power station with capacity of 80,000 kW or more
- Thermal power station with capacity of 250,000 kW or more
- Nuclear power station
- Transmission line (500 kV)
- Transmission line (275 kV)
- Substation
- ⊗ Switching station

\* Operation began in November 2018





 Hokuriku Electric Power Company

15-1 Ushijima-cho, Toyama-shi 930-8686, Japan

<http://www.rikuden.co.jp/english/>