Corporate Governance

Basic Approach

The Group will conduct its business in conformity with relevant laws and in an ethical manner, and will deepen relations of trust with shareholders, investors and customers through prompt and appropriate disclosure, to ensure that it remains the electricity supplier of choice for its community. To this end, we are vigorously strengthening corporate governance throughout the Group.

In particular, concrete measures to achieve strict compliance with laws and regulations were given special mention in the OEPC Group's management plans for fiscal 2009, so as to achieve its priority goals.

1. Structure and Internal Controls of Group Organizations

Group Senior Executive Council

The Group has established a Group Senior Executive Council, chaired by the Company president, to discuss important Group matters and assume a decision-making role in strategic management planning and implementation. In principle, the council meets once a quarter, and additionally whenever needed.

Subsidiaries and Affiliates

With regard to major matters affecting the management of the Group, the Group positions itself for rapid decision-making based on maximized information-sharing by using summaries and reports of discussions undertaken in advance by Group members.

The Board of Directors / Board of Executive Directors

The Board of Directors has 12 members, of whom one is an outside director. It generally meets twice a month. In addition to deciding on significant matters in day-to-day operations, it receives reports on the conduct of business from individual directors and oversees their performance of duties.

In addition, based on the policies decided by the Board of Directors, the Board of Executive Directors (comprising all directors serving on a regular basis) discusses issues vital for smooth management of operations under the President's supervision, and works to assure smooth execution. It generally meets two or three times every month, and deals with conduct of important operations.

Board of Auditors

The Company uses the traditional corporate governance system based on statutory auditors ("corporate auditors"). These auditors supervise the conduct of operations by directors through attendance of important meetings such as the Board of Directors' meeting.

The Board of Auditors, comprising five statutory auditors including three outside auditors, generally meets once every two months. After receiving and discussing reports concerning important auditing matters, the Board makes resolutions based on those discussions, as necessary.

The Board of Auditors has its own staff, working from a corporate auditors' office, to offer support in auditing, and to handle administration.

In addition, the corporate auditors work in partnership with accounting auditors (stipulated in the Companies Act and selected from certified public accountants) and the internal auditing department to strengthen internal controls and risk avoidance in all Group companies.

Conflict of Interest Involving External Directors and External Auditors

No substantial conflict of interest exists between the Company and the external director and three external auditors.

Internal Audits

An 17-person internal auditing office has been set up as a separate entity under the direct control of the Board of Directors. To improve performance, this team carries out annual internal audits including consolidated subsidiaries to confirm and evaluate the diligence of employees charged with target achievement with respect to management policy, corporate rules and regulations and legal observance in the conduct of their work.

Accounting Auditors

Based on a contract between the Company and Deloitte Touche Tohmatsu, an accounting firm, Certified Public Accountants Noriyuki Takayama and Ryu Nagata were responsible for auditing the settlement of accounts for the reporting period. They were assisted by five other certified public accountants and seven other staff members.

Compliance

We aim to raise and uphold compliance awareness by establishing in-house regulations for legal and regulatory compliance and corporate ethics (Basic Code of Corporate Conduct, and Ethical Code for Employees), and by holding regular lectures on legal observance and corporate ethics.

We have established a corporate ethics committee chaired by the President, and ensure rigorous standards of corporate conduct based on observation of the law and corporate ethics standards. In addition to deliberating and deciding on frameworks and internal regulations relating to legal observance and corporate ethics, the committee works to prevent wrongful behavior and, failing that, ensure early remedial measures are taken, after discussion of specific instances as reported to the corporate ethics consultation office.

Other

To enhance operational efficiency, the Company has acquired the ISO9001:2000 international quality management standard. Through internal audits, we ensure ISO9001 methods take root and promote more efficient, enhanced operation of our business (excluding the corporate auditors' office and Yoshinoura Thermal Power Station). Based on internal audit using the ISO standard, the Company is improving its capability to assess and manage performance in observation of internal regulations and laws, and related processes.

2. Risk Management

The Company has compiled a variety of manuals for each of its offices and departments dealing with hypothetical risk, and is taking measures to forestall risk and deal quickly with it when it occurs.

The Company has fully prepared itself for the occurrence of risk events by compiling a procedure for rapid implementation of its crisis management measures and a handbook of measures for emergencies and disasters. It has in place a framework for responding rapidly to major disasters and accidents.

3. Remuneration for Executives

Remuneration for Company directors and auditors

Remuneration paid to directors (to the external director)	¥283 million (¥5 million)
Remuneration paid to auditors (to external auditors)	¥72 million (¥15 million)
Total	¥355 million

(Notes)

(1) The above sums include bonuses paid to directors and corporate auditors as approved at the 37th annual regular general meeting of shareholders held on June 26, 2009

Directors: ¥57 million

Corporate auditors: ¥13 million

(including ¥2 million for external director and auditors)

(2) Upper limits for remuneration, as approved by the annual regular general meeting of shareholders, are as follows

Directors: An aggregated total of ¥310 million per year (not including salaries paid to directors who are concurrently serving as ordinary employees)

Corporate auditors: A aggregated total of ¥60 million per year

(3) In addition to the above, the following aggregated total was also paid in compensation to directors concurrently serving as ordinary employees during the business year, as salaries due for non-executive functions: ¥111 million

4. Measures Undertaken During the Past Year to Enhance Corporate Governance

At the Okinawa Electric Group Senior Executive Council, Group management policies are discussed and Group companies report on business progress and reconfirm targets. At this conference, each Company president reports directly, to enable a more accurate overview of business performance.

To foster more efficient Group management, important matters affecting Group management are reported by subsidiaries and other affiliated companies in advance. Occasionally, these issues are discussed with the parent company beforehand.

In the reporting period, 25 departments and 13 subsidiaries and other affiliated companies (a total of 38 locations) underwent internal audits that were designed to raise standards in four areas: operational effectiveness and efficiency, reliability of financial reporting, respect for laws and ordinances relating to business activities, and asset preservation.

5. Number of Directors

Under the Company's articles of incorporation, the maximum number of directors is 15.

6. Conditions for Approval of the Appointment of Directors

For approval of appointments of directors, a simple majority at a meeting of shareholders attended by at least one-third of eligible shareholders with voting rights is sufficient.

7. Resolutions of the Board of Directors that do not Need Approval of Shareholders' Meetings

(1) Purchase of own shares

Pursuant to Section 2 of Article 165 of the Companies Act, the Company's articles of incorporation allow for purchase of own shares through market transactions by resolution of the Board of Directors. Such purchases ensure flexibility in Company policies to maintain the number of shares outstanding at an appropriate level.

(2) Approval for exemption of directors from liability

The Company's articles of incorporation stipulate that, in accordance with the provisions of Paragraph 1 of Article 426 of the Companies Act, the Company may, by a resolution of the Board of Directors, exempt directors and former directors from liability for damages, within relevant statutory and regulatory parameters.

These provisions are designed to ensure that directors' liability does not exceed reasonable bounds.

(3) Interim dividend

Based on Paragraph 5 of Article 454 of the Companies Act, the articles of incorporation of the Company provide for payment of an interim dividend by resolution of the Board of Directors, with September 30 each year as base date, as a measure to ensure greater flexibility in distribution of profits to shareholders.

8. Special Resolutions by the General Meeting of Shareholders

Based on Paragraph 2, Article 309 of the Companies Act, the Company's articles of incorporation allow for special resolutions to be adopted by a two-thirds majority at a shareholders' meeting at which one-third of voting rights of eligible shareholders are represented.

This relaxation of quorum requirements for approval of special resolutions ensures smoother running of the general meeting of shareholders.