The Okinawa Electric Power Company, Incorporated

The Okinawa Electric Power Company, Incorporated (OEPC)

Annual Report 2010

Printed in Japan on recycled paper

Profile

One of Japan's ten electric power utility companies, The Okinawa Electric Power Company, Inc. (OEPC) supplies power throughout Okinawa Prefecture, situated at the southwestern tip of Japan. With a population of 1.4 million, Okinawa is the only part of Japan with a subtropical climate, ensuring that it stays sunny and warm all year round. The prefecture is surrounded by emerald-green seas containing colorful coral reefs, making it one of the country's leading holiday destinations. As a comprehensive energy supplier and a key service provider for all of its customers, the OEPC Group makes every effort to effectively manage, maintain and guarantee the safety of its supply facilities, based on its core corporate mission of ensuring stable energy supplies. The Group is also dedicated to building relationships of trust with all of its stakeholders by improving customer satisfaction, contributing to the local community and ensuring environmentally friendly business activities.

Contents

Financial Highlights (Consolidated)

The Okinawa Electric Power Company, Incorporated

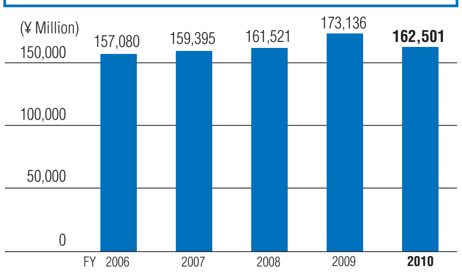
Years ended March 31, 2010 and 2009	Millions of Yen 2010	Millions of Yen 2009	Thousands of U.S. Dollars 2010
For the year:			
Operating revenues	**¥162,501**	¥173,136	**$1,746,581**
Operating income	**17,397**	14,086	**186,990**
Net income	**8,950**	5,604	**96,201**
Per share of common stock (yen and U.S. dollars):			
Basic net income	**¥512.04**	¥320.54	**$5.50**
Cash dividends applicable to the year	**60.00**	60.00	**0.64**
At year-end:			
Total assets	**¥365,299**	¥365,557	**$3,926,264**
Total equity	**119,651**	111,446	**1,286,017**

Note: The U.S. dollar amounts represent translation of Japanese yen for convenience only at the approximate exchange rate on March 31, 2010, of ¥93.04 to $1.

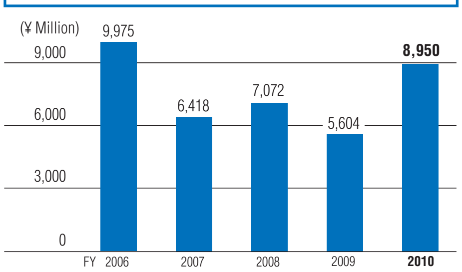
Operating Highlights (Non-Consolidated)

Years ended March 31, 2010, 2009 and 2008	2010	2009	2008
For the year:			
Electric energy sales (Millions of kWh)			
Lighting	**2,916**	2,887	2,945
Power	**4,562**	4,589	4,546
Peak load (Thousands of kW)	**1,422**	1,388	1,431
At year-end:			
Number of customers:			
Lighting	**769,967**	758,557	749,798
Power	**63,626**	64,344	65,735
Generating capacity (Thousands of kW)	**1,924**	1,925	1,925
Route length of transmission lines (km):			
Overhead	**766**	762	768
Underground	**267**	264	247

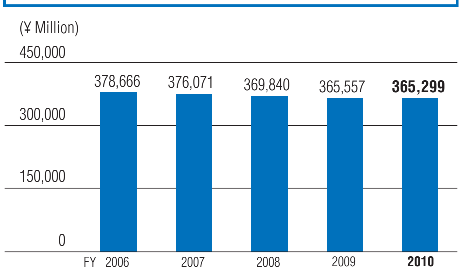
Consolidated Operating Revenues



Consolidated Net Income



Consolidated Total Assets



Note: The term “fiscal 2010” as used in this report refers to the business year ended March 31, 2010. The same applies to other fiscal years.

Message from the Management

Tsugiyoshi Toma
Chairman

Denichiro Ishimine
President

In July 2009, we set out the OEPC Group Vision, which plots a course for our business over the medium to long term, and the OEPC Medium- to Long-Term Business Plan with the aim of ensuring the sustainable growth and development of the OEPC Group over the course of the next decade.

The OEPC Group Vision sets out our vision for the future, pledging to “design and propose new value through services to support both corporate and individual customers” through our core business as a comprehensive energy supplier and to “become a unified business group that grows and develops hand-in-hand with the community.”

The OEPC Medium- to Long-Term Business Plan meanwhile outlines a range of management priorities that we are actively committed to addressing, including ensuring a high-quality, reliable electricity supply, improving customer satisfaction, working in harmony with the local community and environment, enhancing employee and organizational capabilities, securing reasonable profits and capitalizing on our management achievements.

In the electric power segment, the OEPC Group’s core line of business, we are committed to ensuring stable supplies and providing services that guarantee customer satisfaction so that we are valued by members of the local community. In response to growing public demand for a low-carbon society, we are making steady progress with the construction of Yoshinoura Thermal Power Station, which will spearhead our efforts to combat global warming. We also intend to implement a range of other global warming measures, including biomass mixed-fuel operations at our coal-fired power plants, installing mega solar power generation technology and organizing groupwide wind power initiatives, such as the installation of retractable wind turbines on remote islands. On other fronts, we are committed to cutting costs even further, not just temporarily but on a permanent basis, and are making every effort to run our operations as effectively and efficiently as possible.

In other segments, we are actively stepping up marketing activities and striving to differentiate our services from other companies, in an effort to increase profitability in the face of continuing harsh business conditions. In the gas segment for instance, we are laying the foundations for gas supply services using liquefied natural gas (LNG).

We are determined to work together to strengthen our operating foundations and reinforce the OEPC Group brand so as to turn our vision into a reality.

Financial Targets (FY2008-2012)

We have set ourselves the following financial targets (consolidated and non-consolidated) for the period from FY2008 to FY2012.

Medium-term financial targets

		Financial targets		2010.3
Recurring profit	Consolidated	Annual avg. ¥11 billion or more	2009.3-2013.3	¥13.6 billion
	Non-consolidated	Annual avg. ¥10 billion or more		¥11.3 billion
ROA	Consolidated	Annual avg. 3.5% or more (operating income/ total assets)	2009.3-2013.3	4.8%
	Non-consolidated			4.3%
Balance of interest-bearing liabilities	Consolidated	Approx. ¥260 billion	2013.3	¥200.8 billion
	Non-consolidated	Approx. ¥250 billion		¥198.7 billion
Equity ratio	Consolidated	Approx. 30%	2013.3	32.5%
	Non-consolidated			32.1%

Tsugiyoshi Toma
Chairman

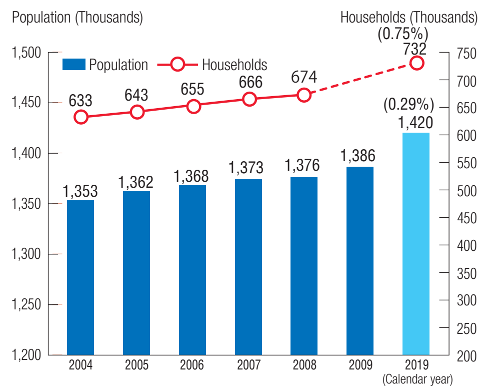
Denichiro Ishimine
President

Okinawa Today

Population Growth

The rate of population growth in Okinawa is high compared to Japan as a whole. It is estimated that the average annual growth rate over the period up until 2019 will be 0.29% in Okinawa, compared to -0.32% for the country as a whole. Whereas the national population peaked in 2004 and is now on the decline, the population of Okinawa is not expected to peak until some time between 2025 and 2030. As Okinawa's growing population will mean an increase in the number of households (accounts), residential demand for electric power is also expected to increase.

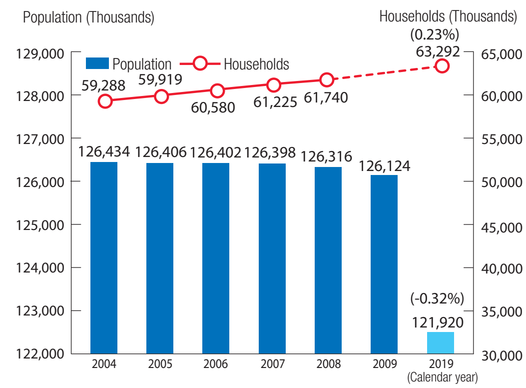
Growth in Population and Number of Households in Okinawa



Source: Population figures between March 2004 and March 2009 are based on surveys by the Ministry of Internal Affairs and Communications
Figures for population and number of households in March 2019 are based on surveys by the Japan Electric Power Survey Committee

Note: Figures for number of households in parentheses show annual average growth between March 2008 and March 2019
Population figures in parentheses show annual average growth between March 2008 and March 2019

Growth in Population and Number of Households in Japan (Excluding Okinawa)



Source: Population figures between March 2004 and March 2009 are based on surveys by the Ministry of Internal Affairs and Communications

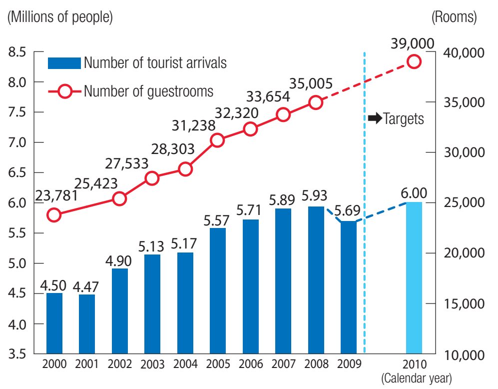
* Computed based on figures for all Japan (Ministry of Internal Affairs and Communications), excluding Okinawa
Figures for population and number of households in March 2019 are based on surveys by the Japan Electric Power Survey Committee

Note: Figures for number of households in parentheses show annual average growth between March 2008 and March 2019
Population figures in parentheses show annual average growth between March 2008 and March 2019

Tourist Arrivals

At 5.69 million, the number of tourists visiting Okinawa during 2009 was down on the previous year for the first time in eight years. This was due to factors such as a decline in demand within the travel industry as a result of the global recession and the spread of new strains of influenza. Other contributing factors included demand for more affordable overseas travel due to the strong yen and increased competition from other destinations as a result of reduced toll charges, prompting more people to opt for short-distance holidays. Okinawa Prefecture has set itself the target of attracting 6 million visitors during 2010.

Tourist Arrivals and Number of Guestrooms



Source: "Okinawa Tourism Guidebook," "Outline of Measures to Revitalize the Economy of Okinawa," and the "Visit Okinawa Plan," all published by the Okinawa Prefectural Government

Notes:
1. The survey of the number of guest rooms in hotels and other accommodation facilities was conducted every other year (odd-numbered years) up to 2003, since when it has been carried out every year.
2. Estimated number of tourists for calendar 2011 is 7.2 million.

The OEPC Group Vision

(Drawn up in July 2009)

Despite the projected severity of the operating environment over the medium and long term, the OEPC Group aims to grow and develop hand-in-hand with the regional community through the provision of services with new added value. Each executive and employee of the Group fully understands the Group's vision, and they are committed to working together to boldly take up the challenge of achieving the Group's targets.

1. What we aim to be

The OEPC Group Vision sets out our vision for the future, pledging to "design and propose new value through services to support both corporate and individual customers" through our core business as a comprehensive energy supplier and to "become a unified business group that grows and develops hand-in-hand with the community."

2. Basic Management Stance

- Discover the customer's needs, and do our best to provide greater satisfaction
- Act as a responsible corporate citizen
- Value our staff and help them grow
- Achieve sustainable growth through efficient business operations and a far-sighted capital investment strategy

3. Our business fields

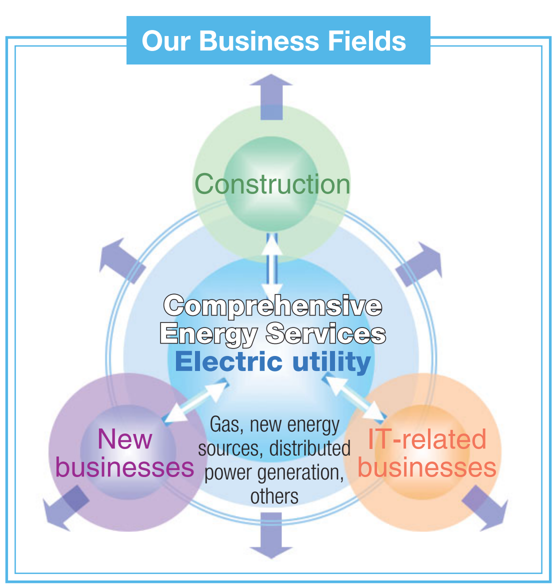
The core of the OEPC Group's business development will continue to be the provision of comprehensive energy services, centered on the supply of electric power. In addition, the Group will seek to leverage its strength as a comprehensive energy services provider and the advantages of its existing businesses — such as IT-related services, construction, and real estate operations — to steadily develop and grow new businesses, with particular focus on expanding earnings from customers outside the Group. We will seek to create an optimal business portfolio for the Group, characterized by collaboration among business units and realization of self-sustainability for each unit.

Comprehensive energy services provider

The core business field of the OEPC Group consists of the electric utilities business, the gas supply business, renewable energy services, and the distributed power generation business. The combined operation of these businesses makes OEPC a comprehensive provider of energy services. In this core business field, the OEPC Group aims to respond to the calls on it from society with respect to both economic and environmental issues through the provision of optimal energy services.

New business fields

The OEPC Group aims to efficiently leverage its strengths to develop and grow new businesses.



Construction and real estate businesses

Providing a high value-added service that precisely matches our customers' needs

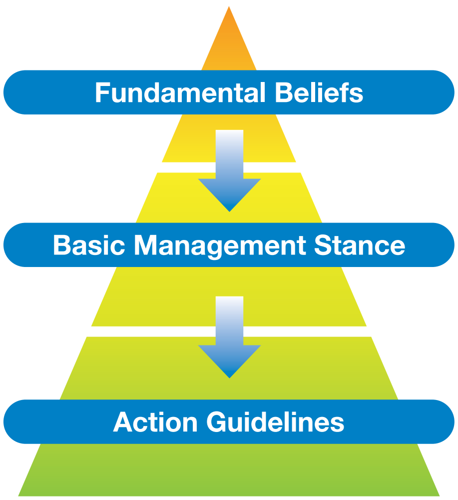
IT-related businesses

Expanding our earnings base through the provision of solutions in the information technology field

OEPC's Corporate Mission

(Drawn up in July 2009)

The corporate mission of Okinawa Electric Power Company (OEPC) is spelled out in three documents: our Fundamental Beliefs, in which we state the ways that we seek to provide value to the community as a whole; our Basic Management Stance, in which we define the fundamental goals we must aim for in order to realize our Fundamental Beliefs; and the Action Guidelines, in which we explain the ways to conduct their work that each employee of the Company is expected to follow.



1. Fundamental Beliefs

Become a major driving force behind the growth of the Okinawan economy through the supply of energy
(slogan: Energise Okinawa)

At OEPC, we are motivated by a strong sense of mission and pride in the capabilities of the Company to work to support the livelihoods of our individual customers and the economy of Okinawa Prefecture as a whole. We intend to harness our passion and creativity to help build a dynamic and forward-looking community in Okinawa.

2. Basic Management Stance

- Discover the customer's needs, and do our best to provide even greater satisfaction
- Act as a responsible corporate citizen
- Value our staff and help them grow
- Achieve continued growth through efficient business operations and a far-sighted capital investment strategy

3. Action Guidelines

- Follow work procedures faithfully and swiftly
- Be proactively inventive, plan your ideas carefully, and execute them thoroughly
- Boldly take on difficult challenges
- Support one another to reach your common goals
- Always keep profitability in mind, and work daily to achieve cost reductions
- Insatiably seek and acquire knowledge and skills, and pass them on to others
- Uphold high ethical standards at all times

At OEPC, we respond to a variety of needs. We put a high priority on listening and responding to our customers' views and requests, and try to respond to customers' needs quickly and appropriately to provide services that will satisfy them.

Meeting diverse needs

Promoting all-electric homes

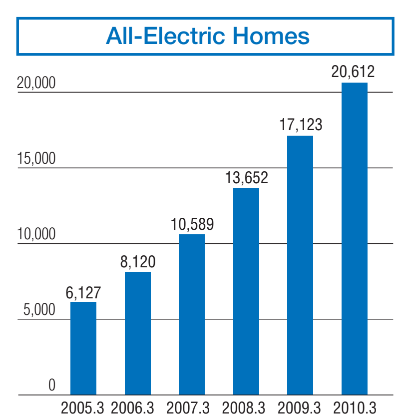
Equipped with technology such as IH (induction heating) cookers, which produce heat magnetically rather than by using an open flame, and EcoCute water heaters, which use heat from the air to heat water, the number of all-electric homes continues to increase every year.

In an effort to make customers' lives more comfortable through the power of electricity, OEPC offers a range of affordable charge plans to suit customers' lifestyles and promotes all-electric homes through various events and marketing campaigns, including displaying electric equipment at our Kaerupia all-electric showroom in Naha and enabling customers to experience IH via cooking classes and all-electric demonstration vehicles.


Cooking lessons

All-electric home demonstration vehicle

The design used from October 2006 in OEPC's all-electric home promotional campaign



For our corporate customers

All-electric kitchens — safe and easy to clean

OEPC is working to spread the word about the advantages of all-electric kitchens for restaurants, bakeries, and other commercial facilities. The absence of open flames makes stoves safer than those using gas or other fuels; they are cost-effective thanks to excellent heat efficiency at high power levels; and they are easier to keep clean and hygienic. These commercial kitchens conform to the principles used in the Hazard Analysis and Critical Control Points (HACCP) method, and make possible kitchens that boast what we call the "Three C's," i.e. they are cool, controllable and clean. What is more, customers who sign the "Commercial Electric Kitchen Power Service Contract" can take advantage of lower electricity rates. To encourage the increased use of commercial all- electric kitchens, we hold regular seminars such as the "Commercial Electric Kitchen Seminar" to make their features more well-known to potential users.

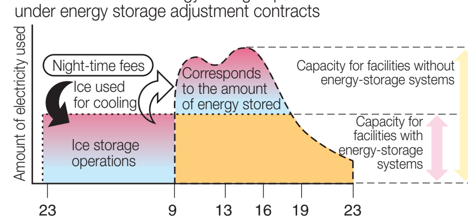
Welfare facility with an all-electric kitchen

Ice-storage air conditioning systems ideal for Okinawa's long, hot summer

We encourage the use of ice-storage air conditioning systems that make use of low-cost nighttime electricity to produce and store ice or cold water, which is then used as a cooling source for air conditioning during the day. These clean, safe systems have no ignition devices, and our customers can take advantage of our lower electricity rates by signing a "Load Shift Contract — Heat Storage Type" with OEPC. In addition, the reduced daytime use of electricity leads to load leveling, thereby permitting effective operation.

Ice-storage air conditioning systems

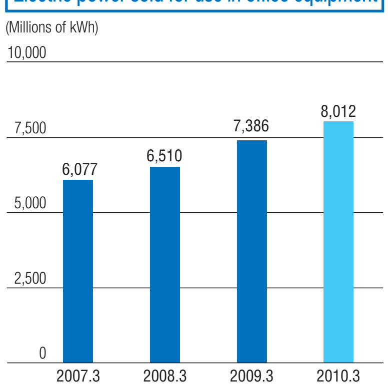
Patterns in thermal energy-storage operations under energy storage adjustment contracts



Heat pump technology — a highly effective solution for energy conservation

Heat pump equipment (air-conditioners and water heaters) efficiently pumps heat from the atmosphere for air-conditioning or heating water using less power. Heat pump technology enables users to obtain three to six times more heat energy than the electric power consumed in the process.

Electric power sold for use in office equipment



Note:
Figures for commercial electric equipment (in units of 1MkWh) are totals for ice-storage systems, commercial electric kitchens and water heating systems.

Provision of fine-tuned services

Energy solutions

Responding to our customers' desires, for instance for a safer and more comfortable daily living environment, or for reduced electricity costs, we have designed a menu of optimum electric power service payment plans, from which each customer can choose the one that best fits his or her particular lifestyle. We also propose electric equipment and systems that have different merits and will appeal to different customers. We strive to understand our customers' needs by visiting our corporate customers and conducting surveys so we can operate our business from the viewpoint of our customers and maintain our undisputed position within Okinawa Prefecture as the premier supplier of electric power as well as related equipment and services.

A consulting session

Toward Greater Customer Satisfaction

Okinawa Electric Power Company serves customers living on a large number of small islands scattered across a wide area. Moreover, because of the distance between the islands of the prefecture and the mainland of Japan, OEPC is unable to take part in the electric power-sharing system operated among Japan's other nine electric power utilities. Finally, with a total prefectural population of only around 1.4 million, OEPC's operational scale is the smallest of the ten Japanese power utilities, and it is thus unable to enjoy much in the way of economy of scale. Clearly, the Company labors under a number of handicaps, but ever since the establishment of OEPC, we have set ourselves the fundamental target of supplying electricity to our customers at rates comparable with those on the Japanese mainland. To this end, we have done our best to lower our power supply costs and hope to continue offering lower electricity rates in the future by adopting more efficient operational processes.

Lower electricity rates

Makiminato thermal power station

Aiming for lower electricity rates

To enable our customers to share in the profits gained through greater operational efficiency, OEPC has reduced its average electricity rates charge 12 times since 1988 (including temporary reductions). The Company will continue its efforts to increase the efficiency of its operations in order to keep electricity rates at approximately the same level as they are on the Japanese mainland in the long run.

Efficiency Initiatives

- Identifying peak demand and promoting load-leveling
- Ensuring stable fuel procurement and reducing fuel cost
- Efficient capital investment
- Reducing costs on remote islands
- Operating and maintaining facilities efficiently
- Increasing operational efficiency

The liberalization of the electric power utility business

The deregulation of power supply within OEPC's service area is limited, in principle, to customers contracting to receive a minimum of 2,000 kilowatts which is supplied to them by OEPC's high-voltage transmission lines. Because of the difficulties, infrastructure-wise, of supplying power to the smaller islands of the prefecture that are remote from Okinawa Island, the scope available to private power suppliers to take advantage of the partial deregulation of the power supply system is rather limited by comparison with the other Japanese power utility companies.

The Scope of Electric Power Supply Deregulation

Retail market

OEPC is allowed a longer preparation period for deregulation than the other utilities.

Special high voltage

20,000kW and up
60,000V and up

2,000kW and up

Large factories, dept. stores, hotels, etc.

High voltage

500kW and up

50kW and up

Medium-sized factories, supermarkets, smaller office buildings, etc.

Low voltage

Below 50kW

Small factories (workshops), shops, homes, etc.

OEPC

Deregulation = 16%

From Mar. 2000

From April 2004

In 2007, the further expansion of deregulation was suspended indefinitely.

Other utilities

Deregulation = 63%

From Mar. 2000

From Apr. 2004

From Apr. 2005

In 2007, the further expansion of deregulation was suspended indefinitely.

* Percentage figures represent electricity sales within the scope of deregulation as a percentage of total electricity sales (year ended March 2007).

Wholesale electric power market

April 2005
Trading commences at Japan Electric Power Exchange

Independent power generation (IPPs)

Power generation by independent power producers (IPPs) is growing as a result of the following changes: The Electric Utility Industry Law was amended in 1995, guidelines were prepared for interconnected power supply systems, electric power companies created a menu for purchasing surplus electricity, and the government provided support for co-generation.

Delivering a Reliable Supply of Power

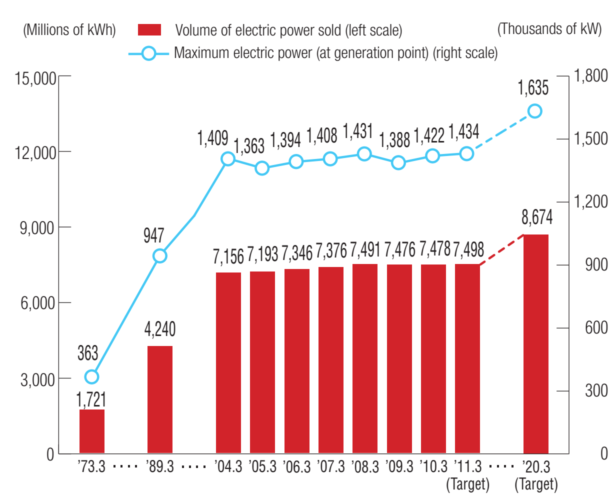
Modern society could not exist without electricity. In addition to reliably supplying customers with electricity, OEPC strives to perform a number of public duties, chief among which are to provide the same level of service to all users, to ensure energy security and to protect the environment. In the interests of ensuring stable energy supplies in line with demand over the long term, OEPC aims to use energy sources that strike a balance between economic viability, energy security and environmental preservation. It also continues to upgrade its power supply facilities.

Creating electricity

The upward trend of electric power consumption

Electric power consumption in Okinawa prefecture during fiscal 2009 totaled approximately 7.5 billion kWh, which is almost the same level as the previous year. Peak load was 1,422,000 kilowatts (transmission end), or approximately four times the figure for 1972, the initial year of operations as OEPC. In terms of long-term electric power consumption, an increase in the number of customers — fueled by the fact that population growth in Okinawa is outpacing that of Japan as a whole — and the steady growth of the prefecture's economy are expected to push up demand by an annual average of 1.4% over the period to 2019, outpacing the projected 0.9% annual growth for Japan as a whole.

Maximum Electric Power and Volume of Electric Power Sold



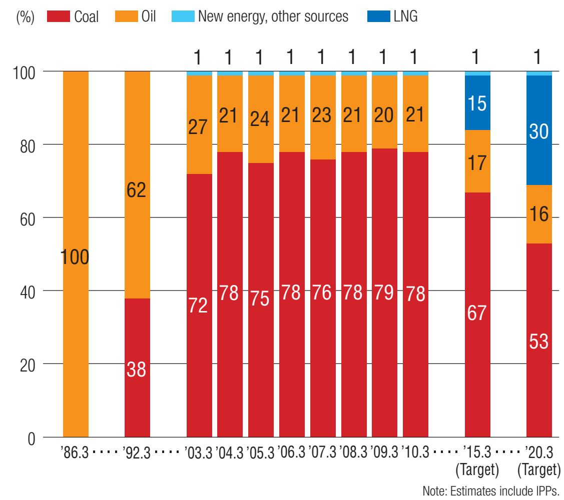
Expansion of power generation capacity

Having virtually no natural fuel resources of its own, Japan is heavily dependent on imports for the fossil fuels used to generate electric power. Ever since the oil crises of the 1970s, particularly active efforts have been made to reduce the nation's dependence on oil by diversifying fuel sources. But topographical factors and the limited scale of demand in Okinawa Prefecture mean that hydroelectric and nuclear power development is impractical at the moment, and so the Company is forced to rely principally on thermal generators, in which the fuel burned is either oil or coal. Currently, the Company has four main power supply facilities — two oil-fired and two coal-fired — which help the Company to manage the strong growth in demand for electric power in Okinawa.

Amid the growing concerns over global warming in recent years, OEPC has been committed to ensuring energy security and reducing CO_2 emissions. The Company has been focusing on the construction of the Yoshinoura thermal power plant. For fuel, the new plant will use LNG — our planned next-generation main power-generation fuel — which emits lower levels of CO_2 than other fossil fuels.

The use of this new fuel will not only help control global warming, but will also improve energy security, because the fuels used by the Company will be diversified into three types — oil, coal, and LNG.

Power Generation by Fuel Type



Note: Totals do not necessarily add up, owing to the rounding out of figures.

Gushikawa thermal power plant

Kin thermal power plant

Artist's representation of the Yoshinoura thermal power plant when completed (startup scheduled for in 2011)

Yoshinoura thermal power plant during construction

It is not enough simply to generate electric power — it must be delivered to the consumer — and to do this OEPC has built, and constantly maintains, an extensive network of high-voltage power transmission lines, transformer stations, and low-voltage local distribution networks. OEPC is directing its planning and investment in the construction and installation of generating facilities and its transmission network from an integrated perspective, taking fully into account demand trends in the prefecture and the overriding need to ensure a reliable supply into the indefinite future.

Delivering electricity

Our comprehensive network

At present, the Company's network of high-voltage power transmission lines connecting its power plants with its transformer stations (on Okinawa Island and all other islands of the prefecture), including above-ground and buried cables, measures a total of 1,033 kilometers. We operate 133 transformer stations, and the length of the low-voltage distribution line network connecting these stations with our customers (again, both overhead and underground), totals 10,816 kilometers. We are continuing to invest in the expansion and improvement of these transmission and distribution networks to cope with growing demand in Naha City and the surrounding region as well as to provide backup lines to ensure supply in all circumstances. This work is being carried out in coordination with the planning for the construction of the Yoshinoura thermal power plant.

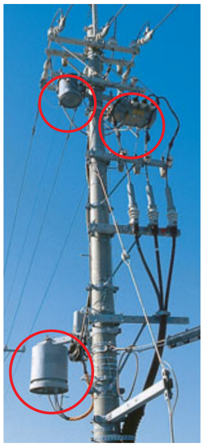
Load dispatching center

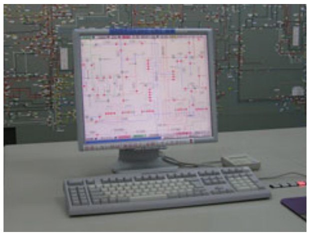
At OEPC we draw up operational plans based on estimates of customers' power needs, and the amount of power generated is carefully controlled around the clock to ensure an uninterrupted supply. Because the electricity power OEPC produces cannot be stored, we have established a remote control system for power load adjustment at power stations and current adjustments at transformer stations and over transmission lines, to precisely match power demand.

A more rational supply grid

Electrical power demand in Okinawa Island is concentrated in the cities of the central and southern areas, centered on Naha, but large-scale generation facilities are located north of the central area of Okinawa Prefecture, far away from demand centers. For this reason, the Company is expanding and strengthening facilities in line with expanding electrical demand. Even if a natural disaster cuts our power supplies, we aim to ensure resumption by structuring lines so as to enable us to use a secondary route. We supply power in high volumes using underground conduits and tunnels for areas where construction of pylons is difficult.

Undersea tunnels





Automatic power distribution monitoring system

OEPC uses computers in each branch office to automatically obtain data on the operation of local switches mounted on utility poles as well as on the voltage and current in local distribution lines. This system facilitates prompt repair work to restore power in the event of lines being cut, as well as more efficient installation planning and operation of equipment.

Automated power distribution system

This system enables staff at OPEC's local offices to control switching gears mounted on power poles, which are connected to their computers via telecommunication lines, and to remotely monitor voltage and current data.

Installing an automated power distribution system has made it possible to automatically adjust loads in unaffected areas when lines are severed by an accident, using measurements and other data gathered from switching gears. This enables power to be restored to unaffected areas as quickly as possible and speeds up the process of identifying problem areas.

The system also helps to maintain quality levels (voltage, etc.) and enables infrastructure construction to be planned more effectively, thereby providing customers with a more reliable power supply.

Laying local distribution lines underground

Since 1986 urban redevelopment projects, led by the Ministry of Land, Infrastructure, Transport and Tourism, have been carried out in cities all over Japan as part of an overall concept of improving social infrastructure.

In Okinawa Prefecture too, projects have been carried out to lay power distribution lines underground since 1991. Approximately 60 kilometers of distribution lines had been laid underground as of fiscal 2009. Work is currently underway to transfer approximately 38 kilometers of distribution lines underground as part of a plan to eliminate power poles, with a further 40 kilometers earmarked for underground transfer in the future.

Street with underground power distribution lines

Delivering a Reliable Supply of Power

Consisting of approximately 160 large and small islands, Okinawa Prefecture forms the southernmost and western-most point of Japan, extending approximately 400km from north to south and 1,000km from east to west. In addition to the main island of Okinawa, the Company delivers a stable supply of electricity to approximately 37 inhabited islands dotted around a large area of sea. However small an island may be, or however far away, as long as people are living there, our mission is to deliver electricity to them.

Working for all of Okinawa

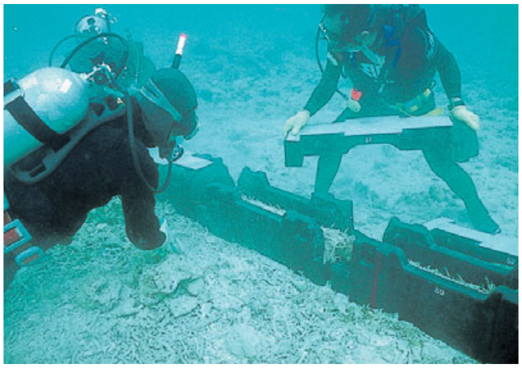
Power for remote islands

A vast distance from Japan's main islands, and composed of multiple islands, Okinawa's geographical conditions form a major handicap to the supply of electricity, the foundation of modern society. We are committed to setting up a generation and distribution network that overcomes the difficulties presented by supplies to remote islands.

In addition to the main island of Okinawa, we have established independent internal combustion power-generating facilities in 11 remote islands including Ishigakijima and Miyakojima islands. From these facilities, electricity is supplied to neighboring smaller islands round-the-clock using submarine cables.

During emergencies (failure of regular supplies to remote islands), we use gas turbine generator vehicles to ensure a stable supply of electricity.

Laying submarine power cables



Submarine power cables

Kumejima power plant

Reducing the costs of supplying remote islands

Because demand is so small in scale and the islands themselves are so far away from the main island of Okinawa, the remote islands present structural issues in terms of supply costs in every category, notably fuel and maintenance expenses. They are more expensive to supply than the main island.

To alleviate the imbalance in revenues and expenses with regard to remote island supplies, the Company set up a Remote Island Company in 2002, which has achieved results in increasing efficiency on various fronts. In December 2009, to meet our obligations under the Renewable Portfolio Standard (RPS) Law and reduce our CO_2 emissions by using new sources of energy, we introduced Japan's first retractable wind turbines (2 x 245kW turbines) at Hateruma Island and put them into operation. Despite a discouraging environment of soaring fuel prices, we intend to persist with these efforts and bring down costs of supplying remote islands.

Remote monitoring of Miyako and Ishigaki power plants

Retractable wind-power generator at Hateruma Island

Delivery of fuel

OEPC has grown to its present status in parallel with the development of Okinawa Prefecture with the invaluable support and cooperation of numerous local community members. Under the corporate slogan “With the region, for the region,” OEPC will continue its efforts to contribute to the development of the region by utilizing all its management resources, with the aim of being a company that continuously grows in tandem with the people in Okinawa.

Working with our community

OEPC provided support for the hosting in Okinawa of the annual general meeting of the International Development Bank (IDB) in 2005 by donating funds to the organizing committee and dispatching staff to assist in the preparations.

OEPC donated funds for the construction of the Family House, for the accommodation of parents and other relatives visiting patients at the Nanbu Prefectural Medical Center, a children’s care facility.

Regional community development

OEPC pursues a number of initiatives aimed at assisting the local economy, building the foundation for a thriving industry, and promoting technological development in Okinawa. Among these initiatives include making proposals and providing support for industrial promotion by liaising with business organizations in and outside of Okinawa, conducting collaborative research with industry, government, academia, and the private sector, providing support to strengthen the capabilities of these organizations and dispatching company staff to them.

In addition, OEPC provides financial support to various organizations such as social welfare organizations, government and non-governmental bodies, local government authorities that promote social welfare, cultural activities, and sports.

“Get-to-Know OEPC” events

Every November, OEPC holds company-wide “Get-to-Know OEPC” events to express its appreciation to the local community and customers for their support through spirited interaction with them. These events, held at all OEPC branch offices and power stations, include volunteer activities, sports competitions, and open dialogue with community members.

A guided tour of the Company’s facilities

OEPC employees inspecting street lights

Youth programs

OEPC supports a variety of academic and educational events to help local children, the central players in shaping Okinawa's future, to discover the pleasure of learning and creating. We organize the "Annual Exhibition of Science Work by Students in Okinawa" to help schoolchildren experience the fascination of science.

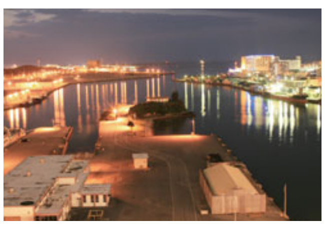
We also provide a variety of educational opportunities for children such as offering guided tours at our power plants where they can learn how electric power is produced and delivered to their homes, and a workshop entitled "Make it Together with Mom and Dad" where the children and their parents can create crafts together.

Annual Exhibition of Science Work by Students in Okinawa


A robot building and control competition for high school students


A "Make it Together with Mom and Dad" class


The Okiden Sugarhall Audition For Debut Concert


An entry in the contest for the Okiden Illumination Prize

Arts and cultural events

OEPC has been contributing to the development of the arts and cultural activities in Okinawa. The Company supports a variety of artistic and cultural events held in the prefecture, such as those related to Ryukyu dance and traditional "Eisa" dance. In addition, the Company organizes the "Okiden Sugarhall Audition for Debut Concert" and the "Okiden 'Landscape with Light' Digital Photo Contest."

Sports

OEPC also promotes sports in Okinawa. The Company sponsors numerous events for developing the next generation, including the Okiden Pennant Baseball Tournament — a rubber-ball baseball competition for elementary school children — as well as the Okiden Pennant Naginata Tournament — a competition in the art of wielding a Japanese polearm — and the OEPC Autumn Open Team Table Tennis Competition. The Company also supports and sends voluntary workers to a variety of sporting events for people of all generations, such as the NAHA Marathon.


The OEPC baseball team


Okiden Pennant Elementary School Baseball Tournament


Okiden Pennant Naginata Tournament


Baseball workshop for children


An OEPC staff member gives a talk on environmental and energy topics to elementary school children

Support activities for environmental education

To provide more information about energy to the people in Okinawa and to improve awareness of our environmental initiatives, we dispatch experts to give lectures on environmental and energy-related topics at the behest of local educational institutions and government authorities. In addition, to raise awareness of the importance of energy and the way power is generated, we arrange power station study visits and have prepared a range of attractions at the Electrical Science Museum at Gushikawa Thermal Power Station.

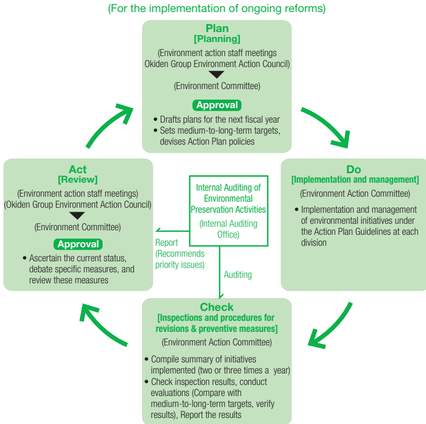
Harmony with the Global Environment

OEPC has been publishing a report on its environmental activities annually since 1996

The OEPC Group carries out a range of activities to enable us to leave the heritage of a beautiful, unspoiled natural environment to future generations. We work to create an effective system of environmental management, and always place the highest priority on minimizing the environmental burden of our business operations. To help realize the sustainable development of our society, every one of our employees is working proactively to contribute to our environmental aims in the full understanding of their overriding importance.

Environmental measures

The PDCA Cycle in Our Environmental Preservation Activities
(For the implementation of ongoing reforms)



Improving our environmental management

The Company has established the OEPC Group Environmental Policy under our Environment Committee, chaired by the President, and is engaged in environmental activities across the entire Group. Continuous improvement activities are being carried out, utilizing the PDCA ("Plan-Do-Check-Act") problem-solving process.

In March 2005, the Power Generation Dept. of OEPC's Electric Power Engineering Division obtained ISO14001 certification of conformity with international standards for environmental management systems. Building on this success, we will ensure that our environmental management systems work more effectively, and will endeavor to reduce the environmental burden of our operations still further in the future.

Ishigaki No. 2 Power Plant (diesel turbine plant surrounded by 90,000 native trees planted by the Company)

Promoting preservation of the regional environment

To ensure that the islands of Okinawa retain their beautiful natural environment for the enjoyment of generations yet unborn, we make a special effort to protect the countryside and shore lands in the vicinity of our power plants, giving consideration to biodiversity.

At existing power plants, we are undertaking a range of environment protection measures, targeting atmospheric pollution, water pollution, warm wastewater pollution, and noise and vibration issues, to ensure that our activities do not impact the surrounding environment. We also make reports to relevant local authorities based on environment protection agreements, after carrying out source measurements such as smoke and noise measurements and environmental monitoring studies into the air and water quality around our power plants.

We have conducted environmental assessments in accordance with laws and ordinances in preparation for the start of operations at our planned Yoshinoura Thermal Power Station in 2012, which will serve as a next generation power source. We are canvassing the views of local residents as well as the local government, and are aiming to create a new power plant that will harmonize smoothly with the natural surroundings cherished by the community.

In addition, we are taking the following measures to improve the local environment: rigorous management of chemical substances such as PCB and dioxin; greening power plant sites to achieve more harmony with the natural environment and areas of scenic beauty in the area; and trialing the "greening of the sea" (by planting coral and seaweed) around our power generation facilities.

Environmental protection facilities at a power plant
As part of an overall policy of removing harmful chemicals from smoke emitted by our power plants, they are equipped with desulphurization and denitrification equipment.

Taking action for the global environment

Carbon dioxide emissions, said to be the principal cause of global warming, are a major issue which electric power utilities have to address. For OEPC, measures against global warming are an extremely pressing issue, because factors such as geographical and topographical restrictions and limits on the scale of electric power demand in Okinawa Prefecture make it difficult to develop hydroelectric and nuclear power, leaving the Company no choice but to rely on fossil fuels such as oil and coal as its primary source of energy.

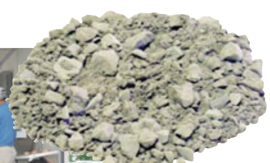
Under such conditions, as a secure and efficient measure against global warming, we are constructing a new power station at Yoshinoura, which will burn LNG instead of coal or oil, as this fuel generates lower CO_2 emission levels. As supplementary measures, we are improving the operating efficiency of our existing thermal power stations, replacing some of the coal in coal-fired power plants with biomass, operating a small hydroelectric power generator in Miyakojima Island, introducing mega solar power generation facilities, and launching group-wide wind power generation initiatives, including the introduction of retractable wind turbines in remote islands. We are also making contributions to the World Bank's Community Development Carbon Fund, among other such projects, which takes advantage of the mechanisms provided under the Kyoto Protocol to assist in the reduction of greenhouse gas emissions on a global scale.

Furthermore, the Company is raising awareness of global warming issues through participation in the Team Minus 6% national campaign for prevention of global warming (for achievement of a 6% reduction in emissions of greenhouse gases in Japan, in line with the Kyoto Protocol), and is aggressively promoting energy-saving measures.

Kariyushi shirts for our employees

みんなで止めよう温暖化
「沖縄電力」 チーム・マイナス6%

Confidential document recycling



Artificial gravel

Damaged ceramic insulators are recycled into material for tiles.

Creation of sustainable resource-oriented society

OEPC is committed to building a sustainable resource-oriented system, promoting the use of a three-pronged system for handling the waste products generated by its operations. The system incorporates the concepts of "reduce, reuse, and recycle" as a way of optimally utilizing the Earth's limited natural resources.

For example, we turn the coal ash and gypsum created by the combustion process at our coal-fired power plants into raw materials for cement and an alternative to the earth and sand used mainly in the production of synthetic stone materials. Also, in our offices, we are trying to reduce the amount of rubbish we generate by encouraging staff to use less paper and to bring in their own personal cup and handkerchief to cut down on paper cup and tissue use. We are also working to recycle waste and scrap paper by separately collecting, recycling and reusing them.

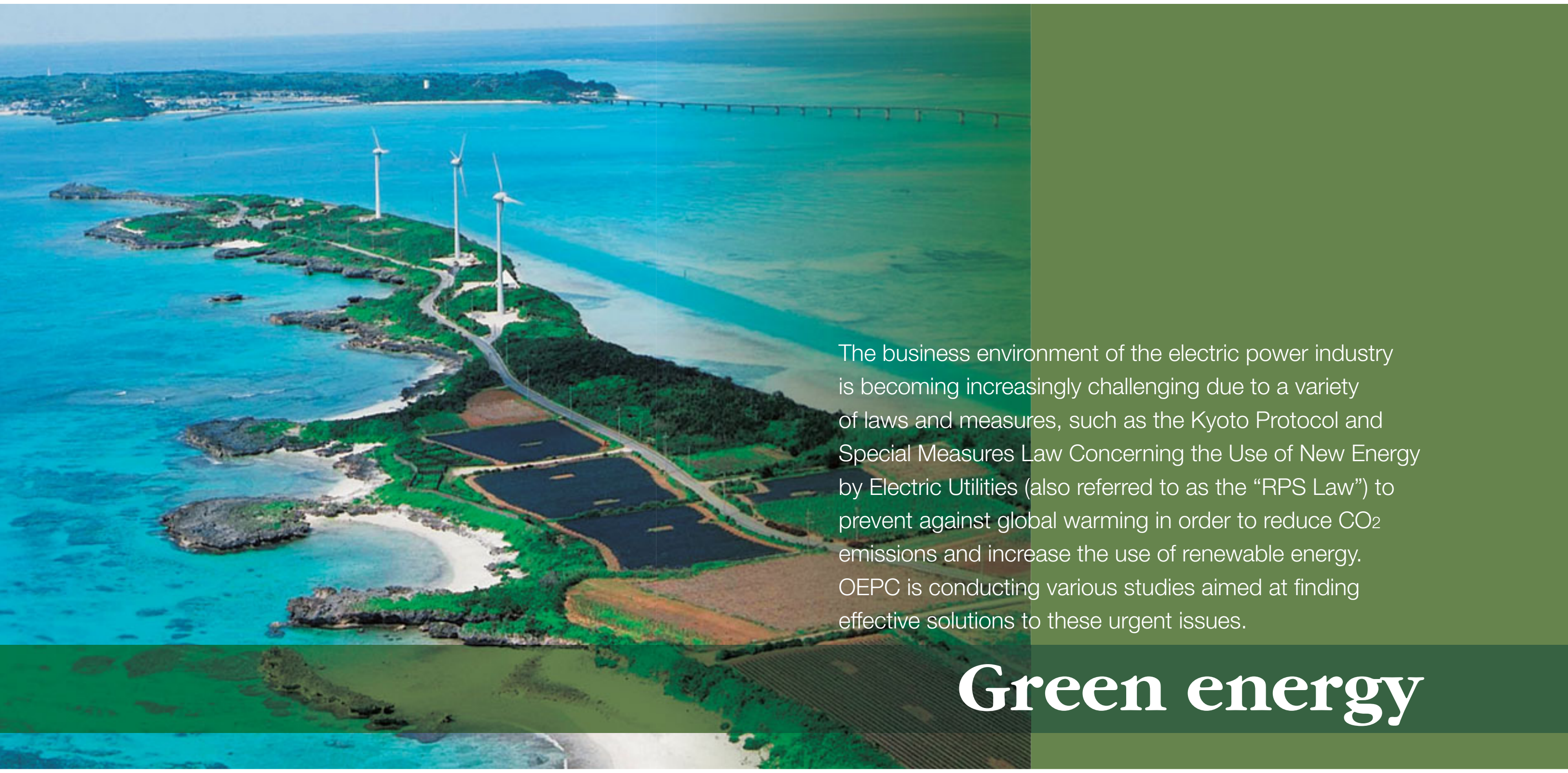
Promoting environmental communications

June is "environment month" at OEPC. We raise employee environmental awareness at our head office, power stations, branch offices and other business facilities, and undertake a range of activities such as participating in beach and sidewalk cleaning activities in the local region and tree-planting organized by local governments.

We are also actively involved in the regional community, organizing an Environmental Activities Panel Exhibition, delivering lectures on the environment and energy, and contributing to afforestation by creating the Zampa Shiosai no Mori recreational forest.

A tree-planting event at "Zampa Shiosai no Mori"

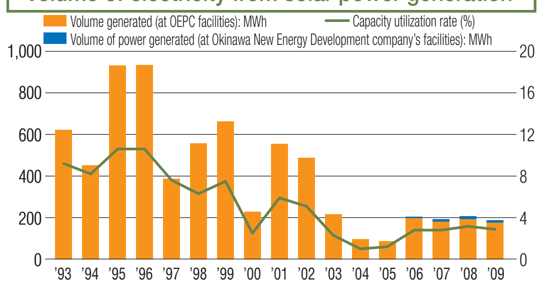
Environmental Activities Panel Exhibition (Independent research during summer vacation)



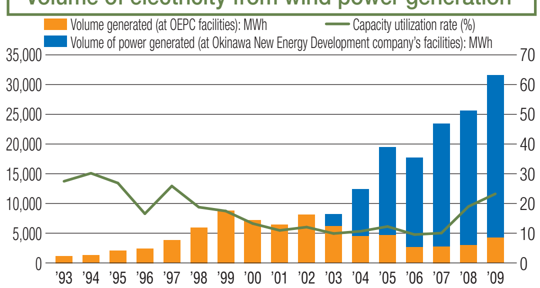
Green energy

The business environment of the electric power industry is becoming increasingly challenging due to a variety of laws and measures, such as the Kyoto Protocol and Special Measures Law Concerning the Use of New Energy by Electric Utilities (also referred to as the “RPS Law”) to prevent against global warming in order to reduce CO_2 emissions and increase the use of renewable energy. OEPC is conducting various studies aimed at finding effective solutions to these urgent issues.

Volume of electricity from solar power generation



Volume of electricity from wind power generation



Utilizing renewable energy sources

Although such renewable energy sources as wind and solar power have disadvantages in energy density and therefore generating cost, they are “clean” forms of energy that do not contribute to global warming through the release of CO_2; and are thus coming under growing scrutiny as answers to society’s energy needs.

In April 2003, the RPS Law came into force in Japan, imposing an obligation on electricity retailers to use a certain amount of electricity from new energy according to the amount of their retailing electricity. OEPC is committed to the development and adoption of renewable forms of energy such as solar and wind power. As of the end of March 2009, the Company has a total capacity of 18,158kW (including small hydroelectric generators) of renewable energy throughout the prefecture including remote islands.

Verification test on the introduction of off-grid renewable energy systems to remote islands

In July 2009, Agent for Natural Resource and Energy of the Ministry of Economy, Trade and Industry adopted OEPC’s proposal for a FY2009 Verification test on the Introduction of Off-Grid Renewable Energy Systems to Remote Islands. Under the adopted plan, we evaluated the impact on the normal power grid of the introduction of large-scale solar power systems to off-grid power systems on Miyakojima Island, Yonaguni Island, Kita-Daito Island, and Tarama Island, all of which have power systems of varying size. We also conducted a field test (“remote island micro-grid verification test”) to verify measures to stabilize the power supply. The capacity of the solar power systems will be 4,500kW in total, of which 4,000kW will be installed on Miyakojima Island, the largest of the four islands. The Company aims to stabilize the solar power supply in combination with storage batteries with the same capacity of the solar power facility.

Impression of the completed Miyako Island field test facility

Solar power microgrid system (Laos)

Receipt of order from NEDO for testing and development project in Laos

OEPC has received an order from NEDO (New Energy and Industrial Technology Development Organization) for field tests in Laos on a solar-power electricity generation method.

The project consists of the construction and testing of a system for controlling the electricity generation output of a solar power system in the district of Mai in the province of Phongsali, Laos, with the aim of realizing an acceptably stable supply of power at all times.

The most promising power generation system for Phongsali Province would appear to be a hybrid system employing solar power in combination with small-scale hydroelectric generators. This would offset the shortfalls both of solar power, which is adversely affected by the cloudy weather during the rainy season, and of hydroelectric power, which is impacted by a drop in river levels during the dry season.

The main research target of the project consists of finding a bilayer capacitor (temporary power storage device) capable of instant charging and discharging. This would overcome the problem that plagues solar power systems — the variability of power output in parallel with variations in the amount of solar radiation. If such a system could be perfected, it would allow a steadier supply of power by using it in harness with a small-scale hydroelectric power supply system. The facilities were completed in April 2010, and we have begun the field tests. Through this project, OEPC hopes to make significant progress toward the development of new technologies for the practical use of solar power.

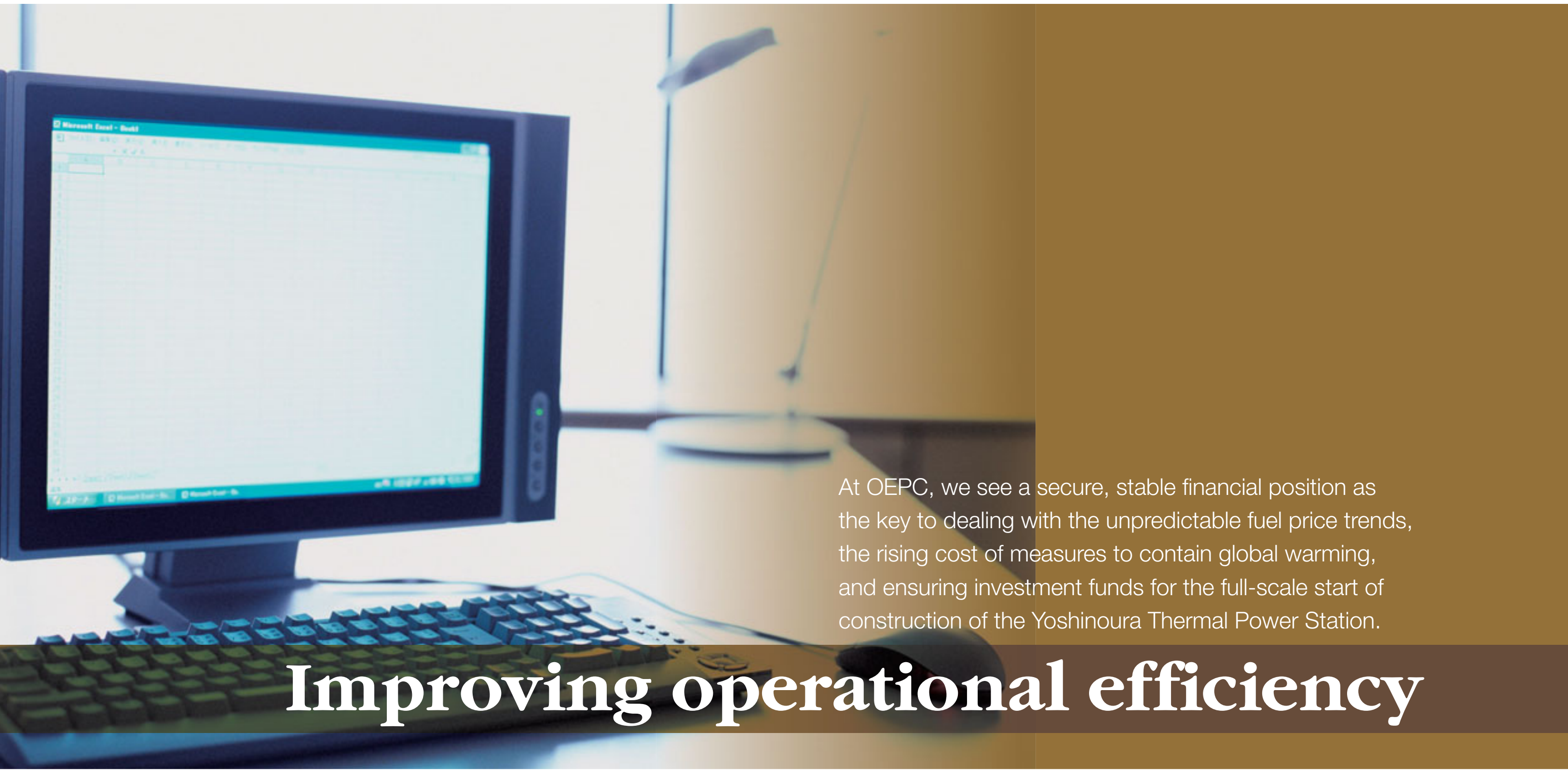
Measures to reduce greenhouse gas emissions

Biomass energy

OEPC conducted research on the use of woody biomass made out of construction and demolition waste, which, in Okinawa Prefecture, was mostly incinerated without being used effectively. Having confirmed that the biomass was perfectly usable based on the result of field tests conducted from June 2007 to October 2008 at the coal-fired Gushikawa thermal power station, we built a biomass distribution facility at the station, and on March 25, 2010, we started burning the biomass pellet (mixed with coal by three percent in weight). The successful utilization of the “carbon neutral” biomass fuel has enabled us to reduce CO_2 emissions, curb our coal consumption, and make effective use of an untapped energy source.

Biomass co-firing system

Strengthening our Financial Position



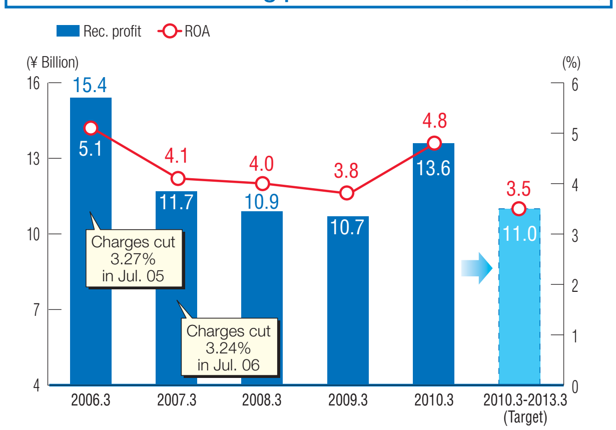
At OEPC, we see a secure, stable financial position as the key to dealing with the unpredictable fuel price trends, the rising cost of measures to contain global warming, and ensuring investment funds for the full-scale start of construction of the Yoshinoura Thermal Power Station.

Improving operational efficiency

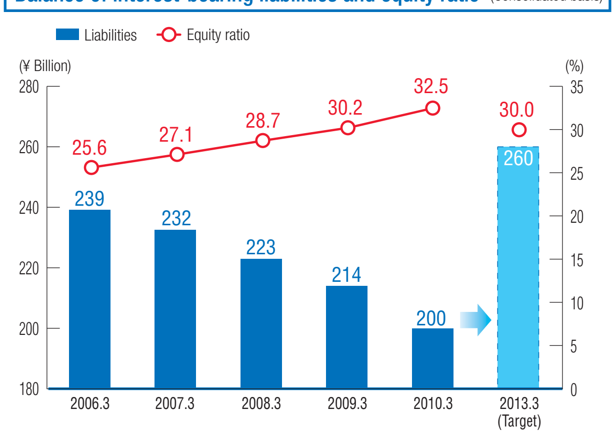
Medium-term financial targets

		Financial targets		2010.3
Recurring profit	Consolidated	Annual avg. ¥11 billion or more	2009.3-2013.3	¥13.6 billion
	Non-consolidated	Annual avg. ¥10 billion or more		¥11.3 billion
ROA	Consolidated	Annual avg. 3.5% or more (operating income/ total assets)	2009.3-2013.3	4.8%
	Non-consolidated			4.3%
Balance of interest-bearing liabilities	Consolidated	Approx. ¥260 billion	2013.3	¥200.8 billion
	Non-consolidated	Approx. ¥250 billion		¥198.7 billion
Equity ratio	Consolidated	Approx. 30%	2013.3	32.5%
	Non-consolidated			32.1%

Recurring profit and ROA (Consolidated basis)



Balance of interest-bearing liabilities and equity ratio (Consolidated basis)



Labor productivity and number of employees

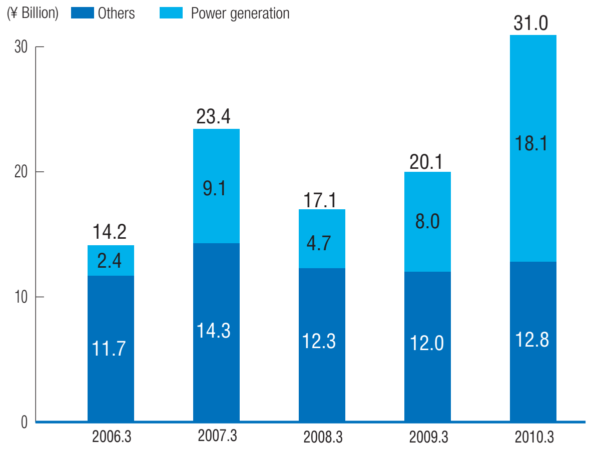
Note: Labor productivity = Amount of electric power sold per employee (adjusted for year-to-year temperature differences)

Efficient capital expenditures

Investment by the Company in plant and equipment for FY2009 rose sharply from the previous year as a result of the full-scale start of construction of the Yoshinoura Thermal Power Plant, but nonetheless came to ¥31.0 billion compared with the initially planned figure of ¥36.5 billion, primarily owing to the thorough review of design, specifications and construction methods.

Construction of the Yoshinoura Thermal Power Plant, which will burn LNG instead of coal or oil with a view to reducing CO_2 emissions, will push up annual equipment investment, but we aim to minimize our investment by factoring into our plans the efficiency measures we have already initiated.

Capital Investment



Striving for efficiency in operation and maintenance of equipment

Regarding expenses for the maintenance of equipment and facilities for the reporting period, the Company's choices were dominated by the twin aims of maintaining a stable and reliable supply of power, and further reducing costs. To these ends, considerable thought was given to employing the most rational methods of maintenance and the most efficient operational processes (exemplified by thorough reviews on the timing of spot checks, volume, price per unit and ordering methods). Expenses for repairs thus amounted to ¥17.0 billion.

While the cost of maintenance is expected to increase due to factors such as the increase and aging of facilities, we will attempt to keep the total cost of maintenance down by carefully studying the expenses from a long-term perspective to minimize the total cost.

The *Shinryo-maru*, a dedicated coal carrier

Stable fuel procurement and cost reduction

Against the backdrop of signs of a global recovery and various uncertainties, the price of fuel oil and coal is trending upwards. In response to this, we will take measures to ensure stable fuel procurement and lower fuel costs. Our specific measures include diversifying procurement sources, expanding the utilization of subbituminous coal, and reducing transportation costs by securing long-term contracts for coal-carrier vessels.

Reducing the cost of supplying power to remote islands

With the aim of improving the revenue shortfall in remote island operation, OEPC has been striving to improve the efficiency of supplying power to remote islands through the speedy implementation of various cost-cutting measures. For example, the Company has reduced labor costs by introducing remote supervisory controls, and has cut the amount of fuel consumption by introducing wind power generation.

While continuing these efforts, OEPC will plan and implement new initiatives for further cost reductions, including conducting field tests on the introduction of off-grid renewable energy systems to remote islands as a means of addressing global environment issues and reducing the cost of supplying power to remote islands in the future.

Wind power generators

Streamlining business operations

OEPC is working to maintain its employees' technical skills and train them in new skills at the technical training center, which is equipped with prototypes, improve its working style by making efficient use of IT to raise efficiency and standardize business operations, and improve its labor productivity. Through continuous improvement, we aim to streamline business operations for further cost reductions.

While continuing to accomplish its basic mission of providing a reliable electric power service, the OEPC Group has been engaged in a wide range of business activities by making use of its resources, including facilities, technologies and human resources, with the Okinawa Electric Power Company at the core.

The OEPC Group intends to continue utilizing its collective strengths for economic and community development of Okinawa so as to retain the support and trust of the community.

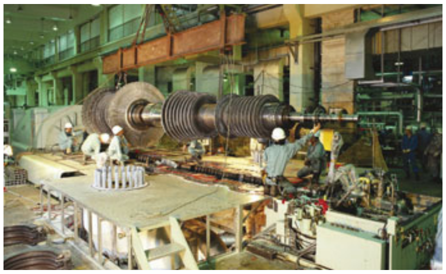
Supporting the local community

Group companies serve as invaluable partners in our provision of a reliable power service

The basic mission of the OEPC Group is to provide a reliable electric power service while leveraging the facilities, technological expertise, and human resources possessed by the Group’s member companies to expand its operations over a wide range of business fields.

The OEPC Group intends to continue employing its collective strengths for economic and community development of Okinawa, so as to maintain its position, supported and trusted by the community.

Employees of Okinawa Denki Kogyo Co., Ltd. check power meters.



Staff from Okinawa Plant Kogyo Company, Limited disassemble a turbine at Makiminato Thermal Power Plant for a regular inspection.

Okidenko Company Incorporated installed the exterior lighting for the National Theater Okinawa.

An Outline of the OEPC Group

OEPC Group Companies (As of March 31, 2010)

Company Name	Established/Capital	Business Areas
a. Construction		
Okidenko Company, Incorporated	June 12, 1968 ¥130 million	Construction and installation of power distribution and generation facilities; civil engineering work; and building construction
Okinawa Enetech Company, Incorporated*	May 10, 1994 ¥40 million	Feasibility studies and design of electric power facilities, and supervision of construction; environmental surveys, soil quality examination and land surveys
Okinawa New Energy Development Company, Incorporated	October 14, 1996 ¥49 million	Feasibility studies, design, and management of construction of new energy power generation systems; management of operation and maintenance of such systems
Okisetsubi Company, Limited	September 18, 1995 ¥20 million	Installation of air conditioning, sanitation, and electric water-heating equipment; design and installation of ice-storage air-conditioning equipment
b. Electric power supply and peripheral businesses		
Okiden Kigyo Company, Incorporated	October 15, 1975 ¥43 million	Sale and maintenance of electrical equipment; lease of vehicles and property; maintenance of vehicles; agency business for non-life insurance companies
Okinawa Plant Kogyo Company, Incorporated	June 1, 1981 ¥32 million	Operation of electrical machinery and facilities, etc. on commission; installation of electrical machinery and equipment
Okinawa Denki Kogyo Company, Incorporated	December 23, 1971 ¥23 million	Repair of electrical measuring equipment and inspection agency work; sale of components for electrical facilities
c. Information and telecommunication business		
The Okiden Global Systems Company, Incorporated	April 12, 1991 ¥20 million	Computer systems design and software development; sale, leasing, etc. of computers and peripheral equipment
First Riding Technology, Inc.	July 11, 2001 ¥945 million	Internet solutions; call center business
d. Real estate business		
Okiden Kaihatsu Company, Incorporated	April 26, 1989 ¥50 million	Management, buying & selling, and leasing of real estate
e. Other businesses		
Progressive Energy Corporation (PEC)	August 23, 2001 ¥100 million	Installation, operation, and maintenance of private power generation systems, and support services for energy saving
Kanucha Community Co., Inc.	February 18, 2003 ¥472 million	Development and management of resort communities
Quetech Co., Ltd.	March 30, 2001 ¥3 million	Management consultant services, ISO certification support training, application software development business
Ganjyu Co., Inc.	March 25, 2003 ¥10 million	Hog raising, and wholesaling and retailing of pork
Hoian Okinawa Co., Ltd.	Feb. 18, 2005 US$500,000	Production, and sale in Japan of blown-glass products and accessories

* Okiden Sekkei Company, Incorporated has changed its trade name to Okinawa Enetech Company, Incorporated, with effect from June 17, 2009.

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 business group 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. Corporate Governance Structure

Outline of corporate governance structure

The Board of Directors, which generally meets twice a month, decides on important matters as part of day-to-day operations and receives operational reports from individual directors, as well as overseeing the performance of their duties.

The Board of Executive Directors, which is made up of all of the Company's full-time directors and generally meets two or three times every month, discusses essential issues relating to the management of operations under the President's supervision and takes steps to ensure that operations run smoothly. It also discusses important business matters, including items to be submitted to the Board of Directors. Full-time Auditors are entitled to attend meetings of the Board of Executive Directors and express their opinions.

Auditors are responsible for auditing the performance of duties by individual directors, which they do by attending board meetings and other important meetings. The Board of Auditors, which generally meets once every two months, receives reports, and discusses and decides on important audit-related matters.

For the purpose of internal auditing, an Internal Audit Office has been set up as a separate entity under the direct control of the Board of Directors.

In addition to auditing OEPC and its consolidated subsidiaries, the Internal Audit Office is also responsible for making operational improvements.

Accounts for the current year have been audited by Certified Public Accountants Masao Mukai and Ryu Nagata, under contract from accounting firm Deloitte Touche Tohmatsu. They were assisted by five other certified public accountants and six additional members of staff.

Thinking behind corporate governance structure

Appointing one independent outside director ensures that the workings of the Board of Directors are fair and transparent and improves supervisory capabilities, in terms of overseeing the performance of duties by individual directors. Operating a team of five auditors that includes three independent external auditors similarly improves management supervisory capabilities. The current structure was introduced on the basis that it ensures effective corporate governance, in combination with the supervisory capabilities of the outside director and the Group's internal auditing structure.

Establishing internal control systems

Internal control systems are established in accordance with the Group's Basic Policy for a System to Ensure Appropriate Business Processes.

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.

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 counter.

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. Internal Audits and Auditor's Audits

For the purpose of internal audits, an Internal Audit Office has been set up as a separate entity under the direct control of the Board of Directors. In an effort to improve operations, the 17 members of staff assigned to the office conduct annual internal audits at OEPC and its consolidated subsidiaries in order to evaluate operations, check that employees are diligently working towards organizational targets in accordance with management policy, company rules and regulations and the law and make any necessary improvements. Auditors submit reports and exchange opinions regarding audit plans and results, whilst also coordinating with accounting auditors.

With regard to auditors' audits, the Board of Auditors, which consists of five auditors (including three external auditors) and generally meets once every two months, receives reports, discusses and decides on important audit-related matters. The Board of Auditors has its own members of staff, seven of whom are assigned to the Corporate Auditors' Office to assist auditors with their operations and organize board meetings. Auditors conduct audits to check that groupwide internal controls and risk avoidance measures are in place, working in conjunction with accounting auditors and internal auditing departments.

All three external auditors have considerable expertise in the field of finance and accounting, one being a qualified lawyer, one an experienced corporate director and accounts manager and one a university professor specializing in economics.

3. Outside Directors and External Auditors

OEPC has one outside director and three external auditors.

Outside director Kunio Oroku has extensive expertise and experience in corporate management, is of good character and offers superior insight. He can be relied upon to provide a long-term outlook on the company's business based on common values held throughout corporate community and to offer advice and opinions from a different perspective to OEPC.

External auditor Honshin Aharen is also of good character and offers superior insight. Thanks to his legal expertise, he can be expected to make an invaluable contribution to auditing activities in terms of ensuring the legitimacy of OEPC's operations.

External auditor Masateru Higa has held key positions at other companies and therefore has extensive expertise and experience in corporate management. He is also of good character, offers superior insight and can be relied upon to audit OEPC's operations effectively from an objective perspective.

External auditor Shiro Nozaki is an academic expert who is once again of good character and offers superior insight. His outstanding level of expertise and experience mean that he can be relied upon to audit operations effectively from an objective perspective.

The Company's outside director and external auditors are not in any way linked to major business partners or shareholders and are also independent from the standpoint of previous input during meetings of the Board of Directors or Board of Auditors. As such, there is no risk of conflicts of interest with general shareholders.

The outside director is responsible for independently overseeing the performance of duties by individual directors via attendance at board meetings. External auditors meanwhile are responsible for sharing information and coordinating with accounting auditors and the Internal Auditing Office, whilst also asking questions and exchanging opinions regarding matters such as audit plans and results.

4. Compensation for Directors and Auditors

- Total compensation paid to directors and auditors by position, type of compensation by type, and number of persons

Position	Total (¥ million)	Total Compensation by Type (¥ million)				Number of Persons
		Basic Compensation	Stock Options	Bonuses	Retirement Benefits	
Directors (excluding Outside Directors)	293	231	—	62	—	15
Company Auditors (excluding Outside Company Auditors)	58	45	—	12	—	2
Outside Directors	20	17	—	2	—	4

- Significant portion of salary paid to directors who concurrently serve as employees

Total (¥ million)	Number of Persons	Details
58	9	Salary (including bonuses) as employees

• Policy regarding the calculation of executive remuneration and method of determination

Although there is no specific policy in place regarding executive remuneration and other payments or the method by which payments are calculated, remuneration is basically determined in line with individual responsibilities, within remuneration limits approved by a general meeting of shareholders. Bonuses are determined on a case-by-case basis in line with individual responsibilities, pending approval by a general meeting of shareholders, taking into account factors such as the Company's performance.

5. Shareholdings

- The Company currently holds shares of a total of 48 companies, for purposes other than pure investment, with a balance sheet value of ¥8,393 million.
- Shares held for purposes other than pure investment (companies, number of shares, balance sheet value and purpose)

Company Name	Number of Shares	Balance Sheet Amounts (¥ million)	Holding Purpose
The Bank of Okinawa, Ltd.	494,000	1,882	Stabilization of electricity business, contribution to development of Okinawa's economy
Okinawa Cellular Telephone Company	4,720	822	Contribution to development of Okinawa's economy
Bank of the Ryukyus	689,660	726	Stabilization of electricity business, contribution to development of Okinawa's economy
San-A Co., Ltd.	43,200	151	Contribution to development of Okinawa's economy
KDDI Corporation	33	15	Stabilization of electricity business
Mizuho Financial Group, Inc	1,080	0	Stabilization of electricity business

- There are no totals available for the balance sheet value of shares held for the purpose of pure investment during the previous and current fiscal years, dividends received during the current year or profit and loss on the sale or valuation of shares.

6. Number of Directors

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

7. Conditions for Approval of the Appointment of Directors

The Company's articles of incorporation stipulate that the appointment of any director requires approval from a simple majority at a meeting of shareholders attended by at least one third of eligible shareholders with voting rights.

The articles of incorporation also state that a director may not be appointed via cumulative voting.

8. 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 auditors (including former directors and auditors) from liability for damages as stipulated under Paragraph 1 of Article 423 of the Companies Act, within relevant statutory and regulatory parameters.

These provisions are designed to ensure that directors' and auditors' 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.

9. 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.

FINANCIAL SECTION

CONTENTS

Financial Review (Consolidated Basis)

Business Performance

Although the government's stimulus package has started to have an effect in some areas, economic conditions remained harsh throughout Okinawa prefecture during fiscal 2009 as consumers remained on the defensive and the tourism industry continued to struggle. The overall unemployment rate in Okinawa also remained above the national average.

Amidst such difficult conditions, OEPC recorded operating revenues (sales) of ¥162,501 million (US$1,746 million) on a consolidated basis, down ¥10,634 million (6.1%) from the previous year, due to a decline in electricity charges under the fuel cost adjustment system, reduced revenues from other operations as a result of the transfer of a consolidated subsidiary and a decline in private sector orders in the construction segment.

Operating expenses fell by ¥13,945 million (8.8%) to ¥145,104 million (US$1,559 million) due to factors such as a substantial decline in fuel costs, the cost of purchasing power from other companies and other supply and demand-related expenses in the electric power segment.

As a result, operating income increased by ¥3,310 million (23.5%) to ¥17,397 million (US$186 million).

Ordinary income after adjustment for non-operating revenues and losses came to ¥13,659 million (US$146 million), up ¥2,942 million (27.5%). Net income increased by ¥3,345 million (59.7%) to ¥8,950 million (US$96 million).

Details of business performance in each segment (before elimination of intersegment transactions for the purposes of consolidation) are as follows:

1. Electric Power Business

In spite of increased demand for electric power in the private sector, due to an increase in the number of residential and commercial customers, the total amount of power sold over the course of the year under review remained at the same level as the previous year. This was due to factors such as a decline in demand, as a result of a decrease in the number of customers for low voltage power. Sales remained at the same level as the previous year in the industrial sector too, despite large-scale operations at desalination facilities as a result of a shortage of rainfall compared to average levels. This was due to a decline in demand as a result of reduced production in the steel industry.

A breakdown of sales by use (lighting and power) indicates that lighting was up by 1.0% year-on-year to 2,916 million kWh and power down by 0.6% to 4,562 million kWh, taking the total volume of electric power sold to 7,478 million kWh, around the same level as the previous year.

Maximum electric power figures increased by 34,000 kW (2.4%) year-on-year to 1.422 million kW due to the fact that temperatures during maximum power months remained higher than the previous year.

Operating revenues from the electric power business decreased by ¥9,351 million (5.8%) year-on-year to ¥151,617 million (US$1,629 million) as a result of lower electricity charges under the fuel cost adjustment system.

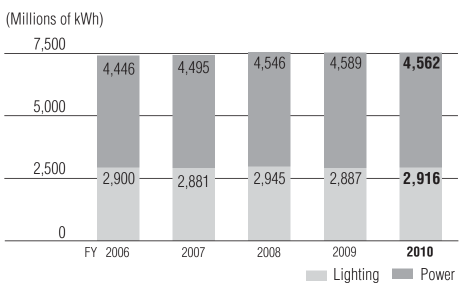
Operating expenses fell by ¥12,392 million (8.3%) to ¥136,695 million (US$1,469 million) due to factors such as a substantial decline in fuel costs, the cost of purchasing power from other companies and other supply and demand-related expenses.

As a result, operating income increased by ¥3,040 million (25.6%) year-on-year to ¥14,921 million (US$160 million).

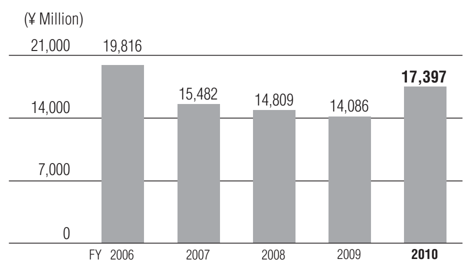
Supply capabilities remained stable throughout the year thanks to the effective and efficient running of existing facilities.

As a result of revisions under the fuel cost adjustment system, the timing of fuel cost adjustments was altered in May 2009, since which time electricity charges have been adjusted on a monthly basis. The one-time amount deducted from fuel prices during fiscal 2008 in an effort to alleviate the impact of rising fuel costs was added back during fiscal 2009.

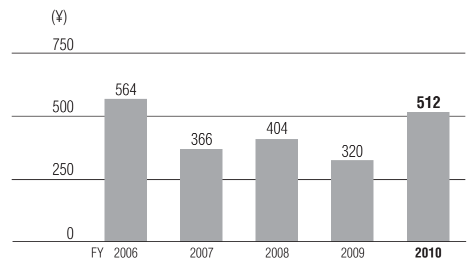
Electric Energy Sales



Consolidated Operating Income



Consolidated Net Income per Share



2. Construction Business

Operating revenues from the construction business recorded a year-on-year decrease of ¥1,469 million (8.0%) to ¥16,920 million (US$181 million) owing to a decline in private-sector orders and a fall in the value of orders within the OEPC Group. Operating expenses were down by ¥1,357 million (7.6%) to ¥16,565 million (US$178 million).

As a result, operating income declined by ¥112 million (24.1%) to ¥354 million (US$ 3 million).

3. Other Operations

In spite of the transfer of a consolidated subsidiary, operating revenues from other operations increased by ¥1,478 million (6.0%) to ¥26,273 million (US$282 million) due to factors such as a rise in private-sector construction orders and an increase in the value of orders within the OEPC Group. Operating expenses also increased by ¥1,214 million (5.3%) to ¥24,298 million.

As a result, operating income increased by ¥264 million (15.5%) year-on-year to ¥1,975 million (US$21 million).

Cash Flows

Cash flows from operating activities

Net cash provided by operating activities increased by ¥7,572 million (24.0%) year-on-year to ¥39,081 million (US$420 million) due to factors such as an increase in income before income taxes and minority interests and an increase in accounts payable.

Cash flows from investing activities

Net cash used in investing activities increased by ¥12,653 million (71.1%) year-on-year to ¥30,442 million (US$327 million) due to factors such as an increase in expenditure on the acquisition of fixed assets.

Free cash flow

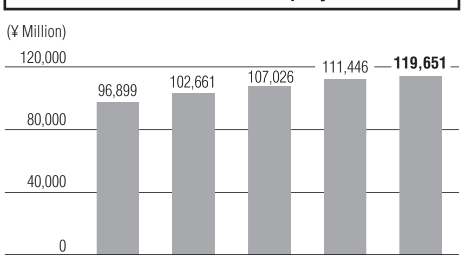
Accordingly, net free cash flow decreased by ¥5,080 million (37.0%) compared to the previous year to ¥8,638 million (US$92 million).

Cash flow from financing activities

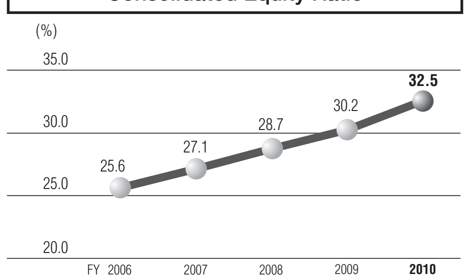
Net cash used in financing activities increased by ¥349 million (3.5%) year-on-year to ¥10,197 million (US$109 million) due to factors such as a decrease in interest-bearing liabilities.

As a result, cash and cash equivalents as of the end of the year under review totaled ¥11,207 million (US$120 million), down by ¥3,119 million (21.8%) compared to the end of the previous year.

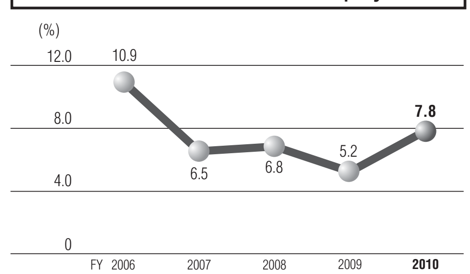
Consolidated Equity



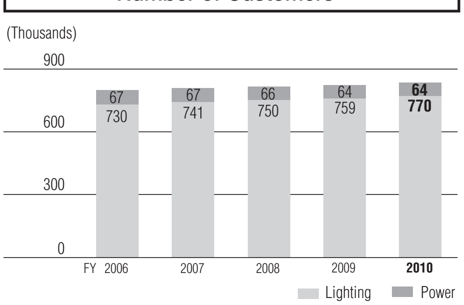
Consolidated Equity Ratio



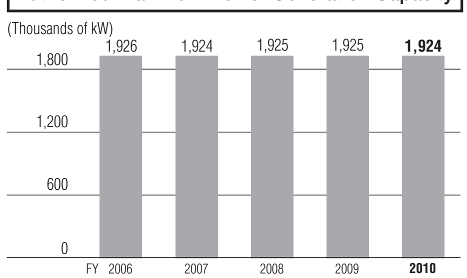
Consolidated Return on Equity



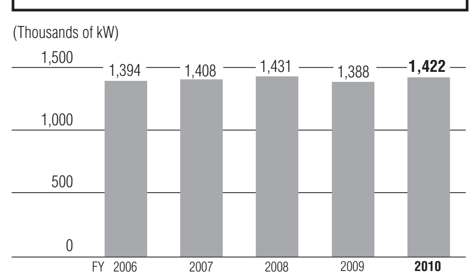
Number of Customers



Authorized Maximum Power Generation Capacity



Peak Load



Business and Other Risks

The following is a description of the various risks which could have an impact on the Group's business performance and financial position.

Statements contained in this report regarding the Group's projections for future performance are based on our evaluations as of the date of submission of the securities report (consolidated basis).

1. Deregulation in the electric power business

Starting April 1, 2004, the scope of deregulated retail power sales for extra-high-voltage electricity was expanded, and as of the end of March 2010, around 16% of our customers in terms of electric power sold are in this category. Since the term ended March 2008, a government committee has been holding subcommittee-level discussions on deregulation, including expansion of this customer category, but action in this matter has been postponed for the time being.

Although there are no real signs of deregulation bringing new entrants into the power industry in Okinawa Prefecture, if this were to happen, it could have an adverse effect on the business performance of the Group.

2. Environmental countermeasures

The management of OEPC has positioned countermeasures against global warming as a priority issue, and numerous measures have already been taken. In view of the increasing strength in recent years of calls by the public for electric utility companies to undertake environmental initiatives, the imposition by the authorities of stricter environmental regulations could have an adverse impact on the business performance of the Group.

3. Businesses other than electricity business

To improve enterprise value, the Group is leveraging its management resources to expand its scope of operations and develop new businesses. It is currently also engaged in businesses such as construction, IT/telecommunications, real estate, dispersed power generation (on-site power generation), and operation of retirement communities. The Group is also considering entry into the gas business. Unfavorable competitive developments, or a change in the operating environment surrounding these businesses, could have an adverse affect on the business performance of the Group.

4. Economic and climatic conditions

Changes in economic and climatic conditions have the potential to substantially affect volumes of electricity sold by the Group's Electric Power Business. The Group's business and financial performance could be affected by such economic and climatic factors.

5. Fuel-price fluctuations

In our Group operations, we primarily use coal and oil as our thermal fuel sources. Fuel costs fluctuate in tandem with changes in fuel prices and foreign exchange rates.

We can minimize these impacts on our earnings through official measures to ensure that changes in fuel prices and forex rates are reflected in electricity charges, but particularly large changes in fuel prices could adversely affect our business and financial performance.

6. Interest-rate fluctuations

The balance of the Group's interest-bearing liabilities totaled ¥200.8 billion as of March 31, 2010. Future movements in interest rates have the potential to impact the Group's earnings performance.

However, as the interest rates are fixed for the major portion of our interest-bearing debt, and as we are taking steps to substantially reduce our balance of interest-bearing debt to strengthen our financial position, the actual impact of interest rates on the Group's earnings performance is expected to be limited.

In the event that a ratings agency lowers our credit rating, the interest rates on fund procurement for the Group would rise, with the potential to affect the Group's performance.

7. Special legal measures

To ensure a stable and adequate supply of electric power to Okinawa, in accordance with the Law for Special Measures to Promote Okinawa, we benefit from special measures and provisions that enable us to secure funds and facilitate other aspects of our operations. Under the Okinawa Development Finance Corporation Law, we receive most preferential interest rates from the Okinawa Development Finance Corporation (ODFC), in line with the stipulations of the ODFC's business and service manual.

The Company also benefits from various tax advantages (such as reduced fixed property taxes, and exemption from coal tariffs). However, the savings achieved through these special benefits are passed on to electricity customers.

Any abolition of these measures and provisions would have a significant impact on Group business performance.

8. Natural disasters

Mindful of its duty to ensure a stable supply of electric power, the Company is committed to efficient facility construction, operation, and maintenance to ensure it can cope with natural disasters. To further strengthen response mechanisms, a disaster prevention office was set up in our General Administration Dept.

However, Group performance may be adversely affected by major natural disasters, typhoons and earthquakes in particular.

9. Personal information leakage

The Group's performance may be adversely affected by problems arising from leakage of customers' personal information acquired or managed for operation of Group business, despite our best efforts to prevent such an occurrence.

Consolidated Five-Year Summary

Years ended March 31

	Millions of yen				
Financial Statistics	**2010**	2009	2008	2007	2006
For the year:					
Operating revenues	**¥162,501**	¥173,136	¥161,521	¥159,395	¥157,080
Electric	**151,430**	160,782	148,831	146,735	143,234
Other	**11,071**	12,354	12,689	12,660	13,845
Operating expenses	**145,104**	159,049	146,711	143,912	137,264
Electric	**135,022**	147,637	134,650	131,852	123,439
Other	**10,081**	11,412	12,061	12,059	13,824
Interest expense	**3,329**	3,581	3,923	4,055	4,513
Income before income taxes and minority interests	**13,659**	9,677	10,971	10,643	15,437
Income taxes	**4,408**	3,836	3,734	4,357	6,048
Net income	**8,950**	5,604	7,072	6,418	9,975
Per share of common stock (Yen):					
Basic net income	**¥512.04**	¥320.54	¥404.36	¥366.82	¥564.25
Cash dividends applicable to the year	**60.00**	60.00	60.00	60.00	60.00
At year-end:					
Total assets	**¥365,299**	¥365,557	¥369,840	¥376,071	¥378,666
Net property, plant and equipment	**312,254**	310,486	317,921	325,450	328,524
Long-term debt, less current maturities	**159,724**	188,962	189,266	198,107	197,041
Total equity	**119,651**	111,446	107,026	102,661	96,899

Operating Statistics	**2010**	2009	2008	2007	2006
For the year:					
Electric energy sales (Millions of kWh)	**7,478**	7,476	7,491	7,376	7,346
Peak load (Thousands of kW)	**1,422**	1,388	1,431	1,408	1,394
At year-end:					
Generating capacity (Thousands of kW)	**1,924**	1,925	1,925	1,924	1,926
Transmission lines (km)	**1,033**	1,026	1,015	976	945
Distribution lines (km)	**10,816**	10,780	10,707	10,625	10,562

Consolidated Balance Sheets

March 31, 2010 and 2009	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
Assets			
Property, plant and equipment (Note 4)**:**			
Utility plants	**¥779,820**	¥774,109	**$8,381,566**
Other plant and equipment (Note 6)	**33,826**	43,384	**363,569**
Construction in progress	**38,771**	22,179	**416,716**
Total	**852,418**	839,673	**9,161,851**
Less:			
Contributions in aid of construction (Note 2(b))	**(24,270)**	(23,229)	**(260,865)**
Accumulated depreciation	**(515,893)**	(505,957)	**(5,544,854)**
Total	**(540,164)**	(529,186)	**(5,805,719)**
Net property, plant and equipment	**312,254**	310,486	**3,356,132**
Investments and other assets:			
Investment securities (Notes 5 and 16)	**9,898**	7,422	**106,387**
Investments in and advances to unconsolidated subsidiaries and affiliates	**894**	469	**9,613**
Deferred tax assets (Note 9)	**10,638**	9,621	**114,348**
Other assets	**1,580**	2,215	**16,990**
Allowance for doubtful accounts	**(298)**	(326)	**(3,207)**
Total investments and other assets	**22,714**	19,402	**244,132**
Current assets:			
Cash and cash equivalents (Note 16)	**11,207**	14,327	**120,461**
Receivables (Note 16)	**7,106**	8,284	**76,381**
Inventories	**8,139**	9,186	**87,481**
Deferred tax assets (Note 9)	**1,969**	2,128	**21,167**
Other current assets	**2,065**	2,111	**22,203**
Allowance for doubtful accounts	**(157)**	(368)	**(1,697)**
Total current assets	**30,330**	35,668	**325,999**
Total	**¥365,299**	¥365,557	**$3,926,264**
Liabilities and equity			
Long-term liabilities:			
Long-term debt, less current maturities (Notes 6 and 16)	**¥159,724**	¥188,962	**$1,716,731**
Liabilities for employees' retirement benefits (Note 8)	**13,942**	13,206	**149,857**
Other long-term liabilities	**481**	921	**5,177**
Total long-term liabilities	**174,149**	203,090	**1,871,766**
Current liabilities:			
Current maturities of long-term debt (Notes 6 and 16)	**35,640**	25,483	**383,064**
Short-term bank loans (Notes 7 and 16)	**5,565**	30	**59,812**
Notes and accounts payable (Note 16)	**17,620**	13,323	**189,385**
Income taxes payable (Note 16)	**3,736**	2,639	**40,159**
Accrued expenses	**6,900**	6,550	**74,169**
Other current liabilities	**2,036**	2,993	**21,888**
Total current liabilities	**71,499**	51,020	**768,479**
Commitments and contingent liabilities (Note 10)			
Equity (Note 11)**:**			
Common stock,			
Authorized — 30,000,000 shares			
Issued — 17,524,723 shares in 2010 and 2009	**7,586**	7,586	**81,539**
Capital surplus	**7,141**	7,141	**76,759**
Retained earnings	**103,357**	95,455	**1,110,891**
Unrealized gain on available-for-sale securities	**796**	368	**8,559**
Treasury stock, at cost — 51,867 shares in 2010 and 42,066 shares in 2009	**(267)**	(218)	**(2,877)**
Total	**118,614**	110,334	**1,274,872**
Minority interests	**1,036**	1,112	**11,144**
Total equity	**119,651**	111,446	**1,286,017**
Total	**¥365,299**	¥365,557	**$3,926,264**

See notes to consolidated financial statements.

Consolidated Statements of Income

Years ended March 31, 2010 and 2009	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
Operating revenues:			
Electric	**¥151,430**	¥160,782	**$1,627,580**
Other	**11,071**	12,354	**119,000**
Total operating revenues	**162,501**	173,136	**1,746,581**
Operating expenses (Notes 8, 10 and 12)**:**			
Electric	**135,022**	147,637	**1,451,233**
Other	**10,081**	11,412	**108,357**
Total operating expenses	**145,104**	159,049	**1,559,590**
Operating income	**17,397**	14,086	**186,990**
Other expenses:			
Interest expense (Notes 6 and 7)	**3,329**	3,581	**35,783**
Loss on impairment of long-lived assets (Note 13)		1,039	
Other — net	**409**	(212)	**4,396**
Net other expenses	**3,738**	4,409	**40,179**
Income before income taxes and minority interests	**13,659**	9,677	**146,810**
Income taxes (Note 9)**:**			
Current	**5,552**	4,112	**59,683**
Deferred	**(1,144)**	(275)	**(12,302)**
Total	**4,408**	3,836	**47,380**
Minority interests in net income	**300**	236	**3,229**
Net income	**¥ 8,950**	¥ 5,604	**$ 96,201**

	Yen 2010	Yen 2009	U.S. dollars 2010
Per share of common stock (Note 2(l))**:**			
Basic net income	**¥512.04**	¥320.54	**$5.50**
Cash dividends applicable to the year	**60.00**	60.00	**0.64**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

	Shares / Millions of yen									
	Common stock					Treasury stock				
Years ended March 31, 2010 and 2009	Shares	Amount	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Shares	Amount	Total	Minority interests	Total equity
Balance, April 1, 2008	17,524,723	¥7,586	¥7,141	¥ 90,900	¥714	37,247	¥(191)	¥106,150	¥ 875	¥107,026
Net income				5,604				5,604		5,604
Cash dividends				(1,049)				(1,049)		(1,049)
Purchase of treasury stock						4,819	(27)	(27)		(27)
Net change in the year					(345)			(345)	237	(107)
Balance, March 31, 2009	17,524,723	7,586	7,141	95,455	368	42,066	(218)	110,334	1,112	111,446
Net income				**8,950**				**8,950**		**8,950**
Cash dividends				**(1,048)**				**(1,048)**		**(1,048)**
Purchase of treasury stock						**10,545**	**(52)**	**(52)**		**(52)**
Disposal of treasury stock						**(744)**	**3**	**3**		**3**
Net change in the year					**427**			**427**	**(75)**	**351**
Balance, March 31, 2010	**17,524,723**	**¥7,586**	**¥7,141**	**¥103,357**	**¥796**	**51,867**	**¥(267)**	**¥118,614**	**¥1,036**	**¥119,651**

	Thousands of U.S. dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Treasury stock	Total	Minority interests	Total equity
Balance, March 31, 2009	$81,539	$76,759	$1,025,964	$3,964	$(2,350)	$1,185,877	$11,957	$1,197,835
Net income			**96,201**			**96,201**		**96,201**
Cash dividends			**(11,274)**			**(11,274)**		**(11,274)**
Purchase of treasury stock					**(566)**	**(566)**		**(566)**
Disposal of treasury stock					**40**	**40**		**40**
Net change in the year				**4,594**		**4,594**	**(812)**	**3,781**
Balance, March 31, 2010	**$81,539**	**$76,759**	**$1,110,891**	**$8,559**	**$(2,877)**	**$1,274,872**	**$11,144**	**$1,286,017**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars (Note 1)
Years ended March 31, 2010 and 2009	**2010**	2009	**2010**
Operating activities:			
Income before income taxes and minority interests	**¥13,659**	¥ 9,677	**$146,810**
Adjustments for:			
Income taxes paid	**(4,386)**	(3,194)	**(47,146)**
Depreciation and amortization	**22,342**	23,851	**240,138**
Loss on impairment of long-lived assets		1,039	
Provision for employees' retirement benefits	**829**	395	**8,917**
Loss on disposal of property, plant and equipment	**842**	902	**9,058**
Changes in operating assets and liabilities:			
Decrease in trade notes and accounts receivable	**961**	20	**10,335**
Decrease (Increase) in inventories	**1,092**	(2)	**11,737**
Increase (Decrease) in trade notes and accounts payables	**2,316**	(1,234)	**24,893**
Decrease in interest payable	**(12)**	(45)	**(136)**
Other — net	**1,437**	98	**15,445**
Total adjustments	**25,422**	21,832	**273,243**
Net cash provided by operating activities	**39,081**	31,509	**420,054**
Investing activities:			
Purchase of property, plant and equipment	**(28,975)**	(20,165)	**(311,427)**
Proceeds from sale of property, plant and equipment	**332**	506	**3,570**
Purchase of investment securities	**(2,021)**	(140)	**(21,722)**
Increase in investments in and advances to unconsolidated subsidiaries and affiliates	**(2)**	(38)	**(30)**
Purchase of short-term investment	**(905)**	(225)	**(9,726)**
Proceeds from maturity of short-term investment	**690**	105	**7,416**
Proceeds from sales of investment securities		1,846	
Other — net	**439**	320	**4,719**
Net cash used in investing activities	**(30,442)**	(17,789)	**(327,202)**
Financing activities:			
Proceeds from issuance of bonds		9,966	
Repayments of bonds	**(4,000)**	(2,000)	**(42,992)**
Proceeds from long-term debt	**10,420**	15,103	**111,994**
Repayments of long-term debt	**(21,899)**	(24,405)	**(235,372)**
Proceeds from short-term bank loans	**10,375**	40,730	**111,511**
Repayments of short-term bank loans	**(4,840)**	(48,160)	**(52,020)**
Proceeds from issuance of commercial paper	**8,000**	19,000	**85,984**
Repayments on maturity of commercial paper	**(8,000)**	(19,000)	**(85,984)**
Proceeds from minority shareholders	**864**		**9,286**
Cash dividends paid	**(1,048)**	(1,049)	**(11,272)**
Other — net	**(68)**	(32)	**(741)**
Net cash used in financing activities	**(10,197)**	(9,848)	**(109,606)**
Net (decrease) increase in cash and cash equivalents	**(1,558)**	3,871	**(16,754)**
Cash and cash equivalents, beginning of year	**14,327**	10,456	**153,987**
Decrease due to exclusion from consolidation (Note 14)	**(1,560)**		**(16,771)**
Cash and cash equivalents, end of year	**¥11,207**	¥14,327	**$120,461**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2010 and 2009

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared from the consolidated financial statements which are issued for domestic reporting purposes in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, the Electricity Business Act and their related accounting regulations. The Okinawa Electric Power Company, Incorporated (the "Company") and its consolidated subsidiaries (together the "Companies") maintain their accounts and records in accordance with the provisions set forth in the Companies Act of Japan (the "Companies Act") and in conformity with accounting principles generally accepted in Japan, ("Japanese GAAP") which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2009 financial statements to conform to the classifications used in 2010.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93.04 to $1, the approximate rate of exchange at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Amounts of less than one million yen have been rounded off except for per share data. 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.

2. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements for the years ended March 31, 2010 include the accounts of the Company and its twelve (thirteen for 2009) significant subsidiaries. Investments in one (none for 2009) affiliated company is accounted for by the equity method. Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

Okinawa Telecommunication Network Co., Inc. was excluded from the scope of consolidation and became an affiliate accounted for under the equity method, due to a decrease in the Company's voting rights as a result of a third-party allotment.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary / affiliated company at the date of acquisition is being amortized over five years using the straight-line method, or has been written off if the amount is ¥100 million or less.

Consolidation of the remaining subsidiaries and the application of the equity method to the remaining affiliates would not have a material effect on the accompanying consolidated financial statements.

Investments in such unconsolidated subsidiaries and affiliates are stated at cost.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost. Contributions in aid of construction are deducted from the cost of the related assets. Such accounting treatment is required by the regulations described in Note 1.

Depreciation is principally computed using the declining-balance method based on the estimated useful lives of the assets. Depreciation of easements is computed using the straight-line method based on the estimated useful lives of the transmission lines.

(c) Long-lived assets

The Companies review their long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(d) Investment securities

Investment securities are classified and accounted for, depending upon management's intent, as follows:
i) marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity, and ii) non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(e) Cash and cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

(f) Inventories

Inventories are stated at cost, based principally on the monthly average method (book values on the balance sheet are written down on the basis of decline in profitability).

(g) Derivative financial instruments

The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement from overseas suppliers. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

(h) Severance payments and pension plan
The liability for retirement benefits are accounted for based on projected benefit obligations and plan assets at the balance sheet date in order to provide employees' severance and retirement benefits.

Actuarial gains and losses are recognized in expenses using a declining-balance method over five years which is within the average of estimated remaining periods of the employees commencing with the following period.

(i) Bonuses to directors and corporate auditors
Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

(j) Income taxes
The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(k) Stock and bond issuance costs
Stock and bond issuance costs are charged to income when paid or incurred.

(l) Per share information
Basic net income per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the period. Diluted net income per share is not disclosed because no latent shares were outstanding.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. Accounting changes

Construction Contracts

In December 2007, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No.15 "Accounting Standard for Construction Contracts" and ASBJ Guidance No.18 "Guidance on Accounting Standard for Construction Contracts." Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009. The Companies applied the new accounting standard effective April 1, 2009. The effect of this change was immaterial.

4. Property, plant and equipment

The major classes of property, plant and equipment as of March 31, 2010 and 2009, consisted of the following:

	Millions of yen			
At March 31, 2010	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	**¥379,473**	**¥(16,996)**	**¥(278,066)**	**¥ 84,410**
Transmission facilities	**138,984**	**(2,860)**	**(80,831)**	**55,292**
Transformation facilities	**92,022**	**(1,108)**	**(59,136)**	**31,778**
Distribution facilities	**144,207**	**(2,275)**	**(72,105)**	**69,827**
General facilities	**25,132**	**(60)**	**(11,442)**	**13,629**
Utility plants	**779,820**	**(23,301)**	**(501,581)**	**254,937**
Other plant and equipment	**33,826**	**(969)**	**(14,311)**	**18,545**
Construction in progress	**38,771**			**38,771**
Total	**¥852,418**	**¥(24,270)**	**¥(515,893)**	**¥312,254**

	Millions of yen			
At March 31, 2009	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	¥378,196	¥(17,001)	¥(269,773)	¥ 91,420
Transmission facilities	138,262	(2,391)	(77,023)	58,848
Transformation facilities	90,763	(772)	(57,189)	32,801
Distribution facilities	142,004	(2,271)	(70,079)	69,653
General facilities	24,882	(20)	(11,369)	13,493
Utility plants	774,109	(22,456)	(485,435)	266,217
Other plant and equipment	43,073	(772)	(20,211)	22,089
Construction in progress	22,179			22,179
Total	¥839,362	¥(23,229)	¥(505,646)	¥310,486

	Thousands of U.S. dollars			
At March 31, 2010	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	**$4,078,605**	**$(182,679)**	**$(2,988,678)**	**$ 907,247**
Transmission facilities	**1,493,811**	**(30,747)**	**(868,778)**	**594,285**
Transformation facilities	**989,068**	**(11,910)**	**(635,602)**	**341,555**
Distribution facilities	**1,549,954**	**(24,455)**	**(774,989)**	**750,509**
General facilities	**270,126**	**(648)**	**(122,986)**	**146,491**
Utility plants	**8,381,566**	**(250,441)**	**(5,391,035)**	**2,740,089**
Other plant and equipment	**363,569**	**(10,423)**	**(153,818)**	**199,326**
Construction in progress	**416,716**			**416,716**
Total	**$9,161,851**	**$(260,865)**	**$(5,544,854)**	**$3,356,132**

5. Investment securities

The costs and aggregate fair values of investment securities at March 31, 2010 and 2009 were as follows:

	Millions of yen			
At March 31, 2010	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥2,496**	**¥1,761**	**¥413**	**¥3,844**
Other	**686**	**11**	**135**	**563**
Total	**¥3,183**	**¥1,773**	**¥548**	**¥4,407**

	Millions of yen			
At March 31, 2009	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,506	¥1,265	¥585	¥3,186
Other	686		127	559
Total	¥3,193	¥1,265	¥712	¥3,745

	Thousands of U.S. dollars			
At March 31, 2010	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	**$26,831**	**$18,933**	**$4,446**	**$41,319**
Other	**7,382**	**128**	**1,452**	**6,057**
Total	**$34,214**	**$19,061**	**$5,898**	**$47,376**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 were as follows. The similar information for 2010 is disclosed in Note 16.

	Carrying amount
	Millions of yen
	2009
Available-for-sale:	
Unlisted equity securities	¥3,049
Other	627
Total	¥3,676

6. Long-term debt

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Secured bond, 0.88% to 2.02% in 2010 and 0.88% to 2.02% in 2009, due serially through 2018	**¥ 66,999**	¥ 70,999	**$ 720,116**
Loans from Okinawa Development Finance Corporation, 0.55% to 3.65% in 2010 and 0.55% to 4.50% in 2009, due serially through 2024 Collateralized	**120,817**	132,774	**1,298,550**
Unsecured	**962**	738	**10,345**
Unsecured loans from banks, insurance companies and other sources, 0.50% to 2.55% in 2010 and 0.75% to 2.82% in 2009 due serially through 2023	**6,539**	9,857	**70,282**
Obligations under finance leases	**46**	44	**500**
Total	**195,365**	214,414	**2,099,795**
Less current maturities	**(35,640)**	(25,452)	**(383,064)**
Long-term debt, less current maturities	**¥159,724**	¥188,962	**$1,716,731**

All of the Company's assets are subject to certain statutory preferential rights established to secure bonds, loans from the Okinawa Development Finance Corporation.

Certain assets of the consolidated subsidiaries, amounting to ¥4,432 million ($47,645 thousand), are pledged as collateral for a portion of the long-term debt as of March 31, 2010.

The aggregate annual maturities of long-term debt outstanding at March 31, 2010 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 35,640	$ 383,064
2012	18,364	197,379
2013	28,730	308,798
2014	15,066	161,933
2015	20,475	220,069
2016 and thereafter	77,088	828,550
Total	¥195,365	$2,099,795

7. Short-term bank loans

The weighted average interest rates applicable to short-term bank loans were 0.86% and 0.70% at March 31, 2010 and 2009, respectively.

8. Employees' retirement benefits

The Company's pension plans are as follows:

- A cash balance pension plan based on the Defined-Benefit Corporate Pension Law
- A lump-sum retirement benefit plan
- A defined contribution pension plan

In certain cases, the Company pays additional retirement benefits for employees.

Consolidated subsidiaries have the defined benefits corporate pension plans, the tax-qualified pension plans and the lump-sum retirement benefit plans as defined benefit plans.

The liability for employees' retirements benefit at March 31, 2010 and 2009 consisted of the followings:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligation	¥23,774	¥23,917	$255,532
Fair value of pension assets	(8,931)	(8,153)	(95,992)
Unrecognized actuarial loss	(900)	(2,557)	(9,681)
Net liability	¥13,942	¥13,206	$149,857

The components of net periodic retirement benefit costs for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost	¥1,155	¥1,394	$12,415
Interest cost	371	374	3,994
Expected return on plan assets		(160)	
Recognized actuarial loss	943	446	10,143
Contribution to the defined contribution pension plan	189	190	2,037
Net periodic retirement benefit costs	¥2,660	¥2,245	$28,590

Assumptions used for the years ended March 31, 2010 and 2009 were set forth as follows:

	2010	2009
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	0.0%	2.0%
Recognition period of actuarial gain/loss	primarily 5 years	primarily 5 years

9. Income taxes

The Companies are subject to several taxes based on income and revenue. For the years ended March 31, 2010 and 2009, the aggregate normal statutory tax rates approximated 35%.

The tax effects of significant temporary differences and loss carry forwards, which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Pension and severance costs	¥ 5,047	¥ 4,763	$ 54,246
Unrealized profit	3,789	3,888	40,726
Depreciation and amortization	2,376	2,150	25,539
Expenses of CO_2 emission credit	1,095	370	11,769
Accrued bonus to employees	819	827	8,808
Other	3,392	3,911	36,458
Sub-total	16,519	15,911	177,549
Less: valuation allowance	(2,959)	(3,449)	(31,808)
Total deferred tax assets	¥13,559	¥12,461	$145,740
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(462)	(231)	(4,975)
Unrealized gain on land revaluation	(373)	(373)	(4,019)
Other	(114)	(107)	(1,230)
Total deferred tax liabilities	(951)	(713)	(10,225)
Net deferred tax assets	¥12,608	¥11,748	$135,515

Other long-term liabilities in the consolidated balance sheets contain deferred tax liabilities of ¥2 million for the years ended March 31, 2009, recognized by consolidated subsidiaries.

Reconciliations between the normal effective statutory tax rate for the years ended March 31, 2010 and 2009 and the actual effective tax rate reflected in the accompanying consolidated statements of income were as follows:

	2010	2009
Normal effective statutory tax rate	35.0%	35.0%
Changes in valuation allowance	(3.6)	6.9
Tax credit	(1.6)	(2.1)
Expenses not deductible for income tax purposes	0.8	0.7
Difference in subsidiaries' tax rates	0.8	0.2
Other-net	0.9	(1.1)
Actual effective tax rate	32.3%	39.6%

10. Leases

The Companies lease certain automobiles and office equipment.

ASBJ Statement No.13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No.13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31,2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Companies applied the ASBJ Statement No.13 effective April 1,2008 and accounted for such leases as operating lease transactions.

Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of yen		
As of March 31, 2010	General facilities	Other	Total
Acquisition cost	¥480	¥3,381	¥3,861
Accumulated depreciation	(351)	(2,201)	(2,552)
Accumulated impairment loss		(22)	(22)
Net leased property	¥128	¥1,158	¥1,287

	Millions of yen		
As of March 31, 2009	General facilities	Other	Total
Acquisition cost	¥495	¥3,387	¥3,883
Accumulated depreciation	(257)	(1,744)	(2,001)
Accumulated impairment loss		(22)	(22)
Net leased property	¥238	¥1,621	¥1,860

	Thousands of U.S. dollars		
As of March 31, 2010	General facilities	Other	Total
Acquisition cost	$5,165	$36,342	$41,508
Accumulated depreciation	(3,780)	(23,656)	(27,436)
Accumulated impairment loss		(236)	(236)
Net leased property	$1,385	$12,449	$13,834

Obligations under finance leases as of March 31, 2010 and 2009:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Due within one year	**¥ 567**	¥ 571	**$ 6,102**
Due after one year	**719**	1,288	**7,732**
Total	**¥1,287**	¥1,860	**$13,834**

Allowance for impairment loss on leased property of ¥15 million ($165 thousand) and ¥20 million as of March 31, 2010 and 2009 are not included in the obligations under finance leases.

Depreciation expense and other information under finance leases as of March 31,2010 and 2009.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Lease payments	**¥568**	¥638	**$6,108**
Depreciation expense	**563**	637	**6,051**
Reversal of allowance for impairment loss	**¥ 5**	1	**$ 56**
Impairment loss		¥ 22	

The Companies are also lessor of certain automobiles and office equipment. Total lease income from the leases for the years ended March 31, 2010 and 2009 were ¥174 million ($1,878 thousand) and ¥225 million, respectively. Lease income is recognized in income on a straight-line basis over the lease term.

Pro forma information of finance leases which existed at the transition date and do not transfer ownership of the leased property to the lessee, such as acquisition cost, accumulated depreciation, total lease payments to be received, on an "as if capitalized" basis for the years ended March 31, 2010 and 2009 were as follows:

At March 31, 2010 and 2009, summaries of the above leased property were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Other equipment:			
Acquisition cost	**¥686**	¥935	**$7,381**
Accumulated depreciation	**(441)**	(527)	**(4,740)**
Net leased property	**¥245**	¥408	**$2,641**

At March 31, 2010 and 2009, the total lease payments to be received from the above leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Due within one year	**¥126**	¥179	**$1,355**
Due after one year	**99**	228	**1,068**
Total	**¥225**	¥408	**$2,424**

Depreciation expense relating to the leased assets arrangements mentioned above was ¥114 million ($1,228 thousand) and ¥151 million for the years ended March 31, 2010 and 2009, respectively.

11. Equity

Since May 1, 2006, Japanese companies have been subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are now presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

12. Research and development costs

Research and development costs charged to income were ¥975 million ($10,484 thousand) and ¥447 million for the years ended March 31, 2010 and 2009, respectively.

13. Loss on impairment of long-lived assets

The Companies recognized an impairment loss of ¥1,039 million for the year ended March 31, 2009 as other expense for the "Active Seniors Community Business" assets.

Since the project of the business was behind schedule, the assets group was adjusted to their recoverable amount, which was measured at the respective net selling prices based on the appraisal value.

Impairment loss recognized for the year ended March 31, 2010 was immaterial.

14. Additional cash flow information

Okinawa Telecommunication Network Co., Inc. were excluded from the scope of consolidation as a result of a capital increase through third-party allotment of shares carried out on January 4, 2010.

The assets and liabilities of the company at the time of exclusion were as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	**2010**
Assets		
Property, plant and equipment and other	**¥3,673**	**$39,485**
Current assets	**1,929**	**20,737**
Total	**¥5,603**	**$60,222**
Liabilities		
Long-term liabilities	**¥3,082**	**$33,130**
Current liabilities	**812**	**8,733**
Total	**¥3,894**	**$41,863**

15. Segment information

Information about operations in different industry segments of the Companies for the years ended March 31, 2010 and 2009 is as follows:

	Millions of yen					Thousands of U.S. dollars				
2010	Electric	Construction	Other	Eliminations /Corporate	Consolidated	Electric	Construction	Other	Eliminations /Corporate	Consolidated
Sales to customers	**¥151,430**	**¥ 4,068**	**¥ 7,003**		**¥162,501**	**$1,627,580**	**$ 43,731**	**$ 75,269**		**$1,746,581**
Intersegment sales	**187**	**12,851**	**19,270**	**¥(32,309)**		**2,016**	**138,126**	**207,120**	**$(347,262)**	
Total operating revenues	**151,617**	**16,920**	**26,273**	**(32,309)**	**162,501**	**1,629,596**	**181,857**	**282,389**	**(347,262)**	**1,746,581**
Operating expenses	**136,695**	**16,565**	**24,298**	**(32,455)**	**145,104**	**1,469,215**	**178,052**	**261,156**	**(348,834)**	**1,559,590**
Operating income	**¥ 14,921**	**¥ 354**	**¥ 1,975**	**¥ 146**	**¥ 17,397**	**$ 160,380**	**$ 3,804**	**$ 21,232**	**$ 1,572**	**$ 186,990**
Total assets	**¥339,411**	**¥13,858**	**¥29,088**	**¥(17,059)**	**¥365,299**	**$3,648,014**	**$148,955**	**$312,646**	**$(183,352)**	**$3,926,264**
Depreciation and amortization	**21,328**	**205**	**1,658**	**(850)**	**22,342**	**229,240**	**2,208**	**17,829**	**(9,140)**	**240,138**
Capital expenditures	**31,178**	**685**	**984**	**(875)**	**31,972**	**335,113**	**7,366**	**10,579**	**(9,414)**	**343,644**

	Millions of yen				
2009	Electric	Construction	Other	Eliminations /Corporate	Consolidated
Sales to customers	¥160,782	¥ 4,666	¥ 7,688		¥173,136
Intersegment sales	187	13,723	17,106	¥(31,016)	
Total operating revenues	160,969	18,389	24,794	(31,016)	173,136
Operating expenses	149,088	17,923	23,083	(31,045)	159,049
Operating income	¥ 11,881	¥ 466	¥ 1,710	¥ 28	¥ 14,086
Total assets	¥334,388	¥12,762	¥32,091	¥(13,683)	¥365,557
Depreciation and amortization	22,601	198	1,926	(874)	23,851
Loss on impairment of long-lived assets			1,191	(151)	1,039
Capital expenditures	20,086	374	1,012	(767)	20,705

"Other" category consisted of sales and maintenance services of electric appliances, information and telecommunication service and others. The Companies do not have foreign operations. No sales to foreign customers were made during the years ended March 31, 2010 and 2009. As discussed in Note 3, effective April 1, 2009, the Companies applied ASBJ Statement No.15 "Accounting Standard for Construction Contracts." The effect of this change was immaterial.

16. Financial instruments and related disclosures

In March 2008, the ASBJ revised ASBJ Statement No.10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Companies applied the revised accounting standard and the new guidance effective March 31, 2010.

(a) Policy for financial instruments

The Companies use financial instruments, mainly long-term debt including loans and bonds, to raise funds required for capital investments, and repayments of liabilities. Short term bank loans and commercial paper are used to fund its ongoing operations.

(b) Nature and extent of risks arising from financial instruments

Investment securities, mainly equity securities issued by companies related through business, are exposed to the risk of market price fluctuations.

Receivables such as trade notes and trade accounts are exposed to customer credit risk.

A part of interest bearing liabilities, loans at variable interest rates are exposed to market risks from changes in variable interest rates. However, related interest rate fluctuations have a minimal impact because most funds are raised at fixed interest rates.

Almost payment terms of payables, such as trade notes and trade accounts, are less than one year.

The interest rates of a part of long-term loans are fluctuated by using interest rate swaps. The interest-rate swaps which meet specific matching criteria are omitted an assessment of the effectiveness of hedge accounting.

(c) Risk management for financial instruments

(1) Credit risk management

In accordance with electric power supply agreements and so on, the Companies continuously manage the credit risk from receivables by monitoring of payment term and balances of each customer and identifying the default risk of customers in early stage.

(2) Market risk management (stock price and interest rate risk)

The market risk of investment securities is managed by monitoring market values and financial position of issuers on a regular basis.

Derivative transactions have been made in accordance with internal policies which regulate the authorization. Risk management policies are set forth at the beginning of the fiscal year. Each derivative transaction is reported to the officer monthly and reported to the Board of Directors semiannually.

(3) Liquidity risk management for fund raising

The Companies make a financial planning in accordance with various plans on a timely basis and update it and manage the liquidity risk by laying down overdraft line and acquiring commitment line.

(d) Fair values of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. Also please see Note 17 for the detail of fair value for derivatives.

(1) Fair values of financial instruments

The carrying amounts and aggregate fair values of financial instruments at March 31, 2010 were as follows:

	Millions of yen		
March 31, 2010	Carrying amount	Fair value	Unrecognized loss
Investment securities:			
Available-for-sale	**¥ 4,407**	**¥ 4,407**	
Cash and cash equivalents	**11,207**	**11,207**	
Receivables	**7,106**	**7,106**	
Total	**¥ 22,722**	**¥ 22,722**	
Long-term debt:			
Bonds	**¥ 66,999**	**¥ 68,495**	**¥1,496**
Loans	**128,318**	**132,443**	**4,124**
Short-term bank loans	**5,565**	**5,565**	
Notes and accounts payable	**17,620**	**17,620**	
Income taxes payable	**3,736**	**3,736**	
Total	**¥222,240**	**¥227,861**	**¥5,620**

	Thousands of U.S. dollars		
March 31, 2010	Carrying amount	Fair value	Unrecognized loss
Investment securities:			
Available-for-sale	**$ 47,376**	**$ 47,376**	
Cash and cash equivalents	**120,461**	**120,461**	
Receivables	**76,381**	**76,381**	
Total	**$ 244,220**	**$ 244,220**	
Long-term debt:			
Bonds	**$ 720,116**	**$ 736,197**	**$16,081**
Loans	**1,379,178**	**1,423,512**	**44,333**
Short-term bank loans	**59,812**	**59,812**	
Notes and accounts payable	**189,385**	**189,385**	
Income taxes payable	**40,159**	**40,159**	
Total	**$2,388,653**	**$2,449,068**	**$60,414**

The securities whose fair value cannot be reliably determined are excluded from investment securities.

Bonds and loans contain current maturities of them.

Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity securities. The information of the fair value for the investment securities by classification is included in Note 5.

Cash and cash equivalents, and receivables

The carrying values of cash and cash equivalents, and receivables approximate fair value because of their short maturities.

Bonds

The fair values of bonds are measured at the quoted market price mainly.

Long-term loans

Because long-term loans at variable interest rates reflect short-term movements in market interest rates, the carrying amounts approximate fair value.

The fair values of loans at fixed interest rates are determined by discounting the cash flows related to the loans at the Company's assumed corporate borrowing rate.

Because a part of loans at fixed interest rates are subjected to interest rate swaps which qualify for hedge accounting and meet specific matching criteria, the carrying amounts of the loans with the interest rate swaps approximate fair value.

Short-term bank loans, Notes and accounts payable, and income taxes payable

The carrying values of short-term bank loans, notes and accounts payable, and income taxes payable approximate fair value because of their short maturities.

Derivatives

The information of the fair value for derivatives is included in Note 17.

(2) Financial instruments whose fair value cannot be reliably determined

	Carrying amount	
March 31, 2010	Millions of yen	Thousands of U.S. dollars
Investment securities:		
Available-for-sale:		
Unlisted equity securities	**¥4,852**	**$52,153**
Other	**637**	**6,854**
Total	**¥5,490**	**$59,007**

(e) Maturity analysis for financial assets with contractual maturities

	Millions of yen	Thousands of U.S. dollars
March 31, 2010	Due in one year or less	Due in one year or less
Cash and cash equivalents	**¥11,207**	**$120,461**
Receivables	**7,106**	**76,381**
Total	**¥18,314**	**$196,843**

17. Derivatives

The Company uses derivative financial instruments to manage their exposures to fluctuations in interest rates. Interest rate swaps are utilized by the Company to reduce interest rate risks. The Company does not hold or issue derivatives for trading or speculative purposes.

Derivatives are subject to market risk, which is the exposure created by potential fluctuations in market conditions, including interest rate.

Because the counterparties to those derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company have been made in accordance with internal policies.

Since all derivatives utilized by the Company were qualified for hedge-accounting, information on the market value is not provided.

As noted in Note 16, the Companies applied ASBJ Statement No.10 "Accounting Standard for Financial Instruments" and ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

Derivative transactions to which hedge accounting is applied at March 31, 2010

	Millions of yen				Thousands of U.S. dollars			
At March 31, 2010	Hedged item	Contract amount	Contract amount due after one year	Fair value	Hedged item	Contract amount	Contract amount due after one year	Fair value
Interest rate swaps: (floating rate payment, fixed rate receipt)	**Long-term debt**	**¥4,995**	**¥4,329**		**Long-term debt**	**$53,686**	**$46,528**	

The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income. As a result, the fair values of such interest rate swaps is included in that of hedged items (i.e. long-term debt) in Note 16.

18. Subsequent event

The following appropriations of retained earnings at March 31, 2010 were approved at the Company's shareholders' meeting held on June 29, 2010:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30 (32¢) per share	¥524	$5,633

Deloitte.

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Shoei Building
2-15-8, Kumoji
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Independent Auditors' Report

To the Board of Directors of
The Okinawa Electric Power Company, Incorporated:

We have audited the accompanying consolidated balance sheets of The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries (the "Company") as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 29, 2010

Member of
Deloitte Touche Tohmatsu

Non-Consolidated Balance Sheets

March 31, 2010 and 2009	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars 2010
Assets			
Property, plant and equipment:			
Utility plants and equipment	**¥806,640**	¥800,304	**$8,669,823**
Construction in progress	**39,231**	22,569	**421,662**
Total	**845,871**	822,873	**9,091,486**
Less:			
Contributions in aid of construction	**(23,362)**	(22,517)	**(251,097)**
Accumulated depreciation	**(517,814)**	(500,731)	**(5,565,502)**
Total	**(541,176)**	(523,249)	**(5,816,600)**
Net property, plant and equipment	**304,695**	299,624	**3,274,886**
Investments and other assets:			
Investment securities	**9,031**	6,586	**97,066**
Investments in and advances to subsidiaries and affiliates	**11,173**	10,128	**120,095**
Deferred tax assets	**6,209**	5,458	**66,736**
Other assets	**763**	746	**8,210**
Allowance for doubtful accounts	**(1,756)**	(1,557)	**(18,883)**
Total investments and other assets	**25,420**	21,363	**273,224**
Current assets:			
Cash and cash equivalents	**4,343**	6,573	**46,688**
Receivables	**4,723**	5,508	**50,766**
Fuel and supplies	**7,618**	7,960	**81,884**
Deferred tax assets	**1,503**	1,651	**16,155**
Other current assets	**1,508**	1,953	**16,212**
Allowance for doubtful accounts	**(505)**	(636)	**(5,432)**
Total current assets	**19,191**	23,011	**206,275**
Total	**¥349,308**	¥343,999	**$3,754,386**
Liabilities and equity			
Long-term liabilities:			
Long-term debt, less current maturities	**¥157,441**	¥182,506	**$1,692,187**
Liabilities for employees' retirement benefits	**10,292**	9,579	**110,629**
Other long-term liabilities	**290**	814	**3,121**
Total long-term liabilities	**168,024**	192,900	**1,805,938**
Current liabilities:			
Current maturities of long-term debt	**35,086**	23,712	**377,113**
Short-term borrowings	**6,300**		**67,712**
Accounts payable	**13,652**	9,424	**146,734**
Income taxes payable	**3,262**	2,116	**35,067**
Accrued expenses	**9,266**	8,258	**99,601**
Other current liabilities	**1,612**	2,082	**17,326**
Total current liabilities	**69,180**	45,595	**743,555**
Commitments and contingent liabilities			
Equity :			
Common stock,			
Authorized — 30,000,000 shares			
Issued — 17,524,723 shares in 2010 and 2009	**7,586**	7,586	**81,539**
Capital surplus:			
Additional paid-in capital	**7,141**	7,141	**76,759**
Retained earnings:			
Legal reserve	**964**	964	**10,371**
Unappropriated	**95,852**	89,607	**1,030,226**
Unrealized gain on available-for-sale securities	**825**	422	**8,872**
Treasury stock, at cost 51,867 shares in 2010 and 42,066 shares in 2009	**(267)**	(218)	**(2,877)**
Total equity	**112,103**	105,503	**1,204,892**
Total	**¥349,308**	¥343,999	**$3,754,386**

The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥93.04 to $1, the approximate rate of exchange at March 31, 2010.

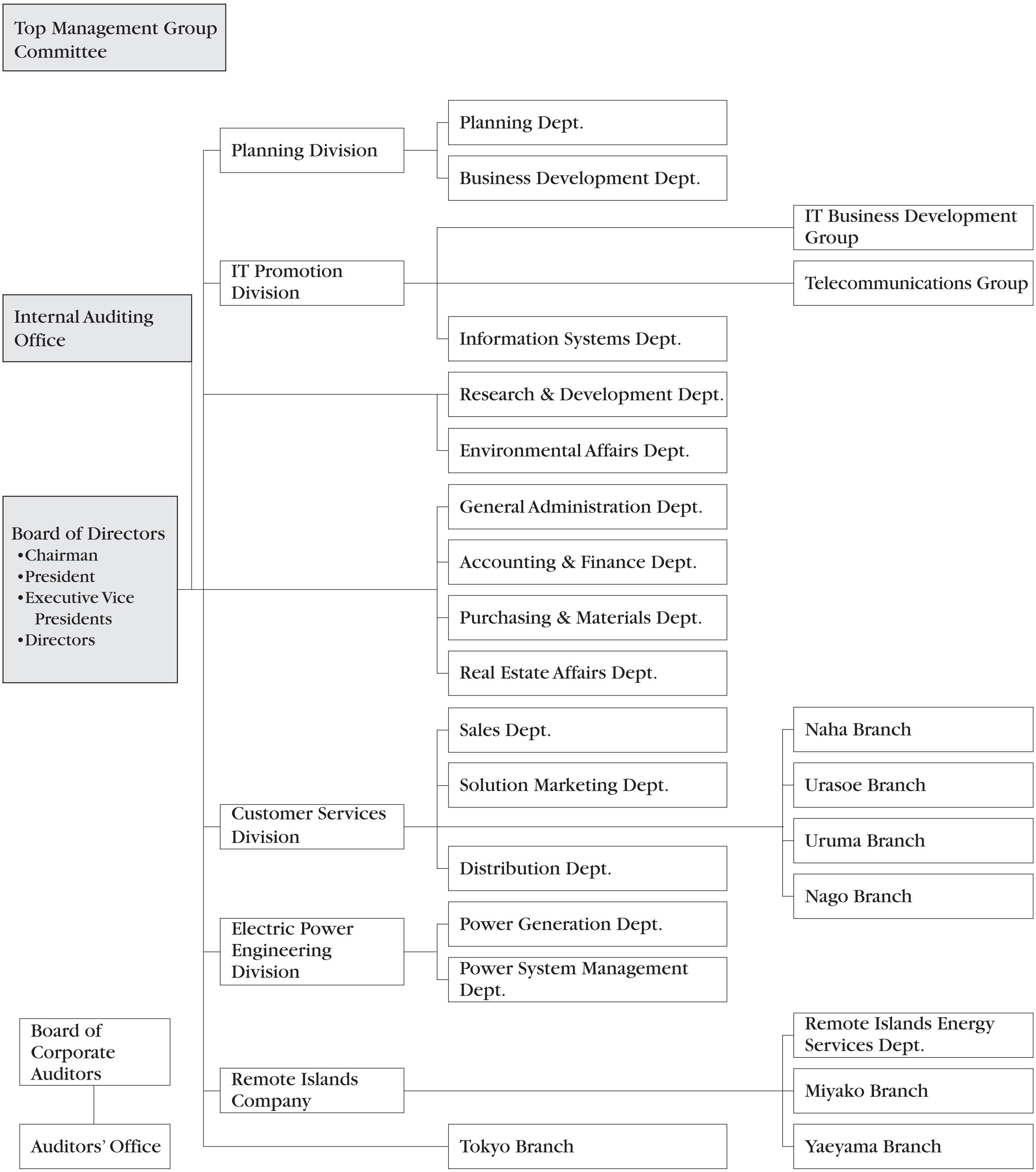
Non-Consolidated Statements of Income

Years ended March 31, 2010 and 2009	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Operating revenues	**¥151,825**	¥161,239	**$1,631,830**
Operating expenses:			
Personnel	**16,920**	16,227	**181,860**
Fuel	**39,327**	51,997	**422,698**
Purchased power	**15,105**	17,311	**162,350**
Depreciation	**21,328**	22,479	**229,240**
Repairs and maintenance	**17,009**	15,008	**182,817**
Taxes other than income taxes	**7,007**	7,116	**75,321**
Other	**20,190**	19,091	**217,008**
Total operating expenses	**136,889**	149,232	**1,471,297**
Operating income	**14,935**	12,006	**160,532**
Other expenses:			
Interest expense	**3,208**	3,429	**34,483**
Loss on business of affiliated corporations		2,273	
Other — net	**412**	(311)	**4,430**
Net other expenses	**3,620**	5,391	**38,913**
Income before income taxes	**11,315**	6,615	**121,618**
Income taxes:			
Current	**4,840**	3,316	**52,024**
Deferred	**(818)**	(335)	**(8,801)**
Total	**4,021**	2,980	**43,223**
Net income	**¥ 7,293**	¥ 3,635	**$ 78,395**

	Yen		U.S. dollars
Per share of common stock			
Basic net income	**¥417.26**	¥207.89	**$4.48**
Cash dividends applicable to the year	**60.00**	60.00	**0.64**

The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥93.04 to $1, the approximate rate of exchange at March 31, 2010.

Organization Chart



(As of July 1, 2010)

Corporate Data

Head Office

2-1, Makiminato 5-chome, Urasoe, Okinawa 901-2602, Japan
Tel: +81 (0)98-877-2341
Fax: +81 (0)98-877-6017
URL: www.okiden.co.jp/english/index.html

Tokyo Branch

No.45 Kowa Bldg. 6F, 15-9, Minami-Aoyama 1-chome,
Minato-ku, Tokyo 107-0062, Japan
Tel: +81 (0)3-3796-7768

Established

May 15, 1972

Capital

¥7,586 million

Total Assets

¥349,308 million

Number of Customers

833,593 (Includes users of both lighting and power)

Number of Employees

1,499

(As of March 31, 2010)

Power Generation Facilities

Type of Station	Number of Facilities	Generating Capacity [kW]
Steam	11	1,467,000
Gas Turbine	8	291,000
Internal Combustion	72	165,860
Total	91	1,923,860

Independent Certified Public Accountants

Deloitte Touche Tohmatsu LLC

Consolidated Subsidiaries

Name	Capital	Main Business Lines	Equity Ownership
Okidenko Company, Incorporated	¥130 million	Construction	48.0%
Okiden Kigyo Company, Incorporated	¥43 million	Peripheral operations related to electric power business	91.6%
Okinawa Plant Kogyo Company, Incorporated	¥32 million	Peripheral operations related to electric power business	89.9%
Okinawa Denki Kogyo Company, Incorporated	¥23 million	Peripheral operations related to electric power business	99.4%
Okiden Kaihatsu Company, Incorporated	¥50 million	Real estate	100.0%
The Okiden Global Systems Company, Incorporated	¥20 million	Information and telecommunications	100.0%
*Okinawa Enetech Company, Incorporated	¥40 million	Construction	95.5%
Okinawa New Energy Development Company, Incorporated	¥49 million	Construction	42.1%
Okisetsubi Company, Limited	¥20 million	Construction	48.0%
First Riding Technology, Inc.	¥945 million	Information and telecommunications	91.0%
Progressive Energy Corporation (PEC)	¥100 million	Dispersed generating plant business	77.9%
Kanucha Community Co., Inc.	¥472 million	Support services for active senior	74.2%

* Okiden Sekkei Company, Incorporated has changed its trade name to Okinawa Enetech Company, Incorporated, with effect from June 17, 2009.

Affiliates Accounted for Under the Equity Method

Name	Capital	Main Business Lines	Equity Ownership
Okinawa Telecommunication Network Co., Inc.	¥1,184 million	Information and telecommunications	30.1%

“Okinawa Telecommunication Network Co., Inc. (OTNet)” Changed from a consolidated subsidiary to an affiliate as a result of a capital increase through third-party allotment of shares carried out on January 4, 2010. Equity method has been applied to OTNet since January 2010.

Investor Information

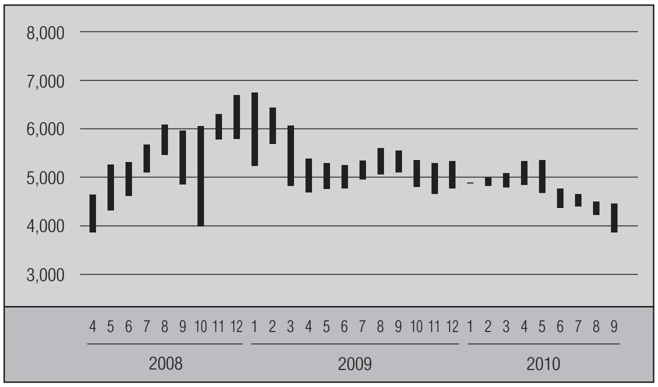
Transfer Agent and Registrar
The Mitsubishi UFJ Trust & Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8212, Japan

Securities Traded
Tokyo Stock Exchange,
Fukuoka Stock Exchange

Common Stock Issued
17,524,723 shares

Number of Shareholders
7,582

Stock Price Range on the Tokyo Stock Exchange



Credit Ratings

	Long-Term	Short-Term	Outlook
S&P	AA	A-1+	Negative
Moody's	Aa2	—	Stable
R&I	AA+	a-1+	Stable
JCR	AAA	J-1+	Stable

(As of August 31, 2010)

Board of Directors and Auditors

Tsugiyoshi Toma
Chairman

Denichiro Ishimine
President

Akira Sakuma
Executive Vice President

Seiyu Ishikawa
Executive Vice President

Managing Directors: Mitsuru Omine, Katsunari Omine, Tsutomu Ikemiya, Katsuaki Chinen

Directors Sunao Tamaki, Tsutomu Yogi, Masatoshi Endo

Outside Director*: Kunio Oroku

Standing Auditors: Hiroshi Teruya, Choei Yogi

External Auditors: Honshin Aharen, Masateru Higa, Shiro Nozaki

* Kunio Oroku Director is outside director as defined under the Companies Act of Japan.

(As of June 29, 2010)