

The Okinawa Electric Power Company, Incorporated (OEPC)

Annual Report 2012





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.

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Financial Highlights (Consolidated)

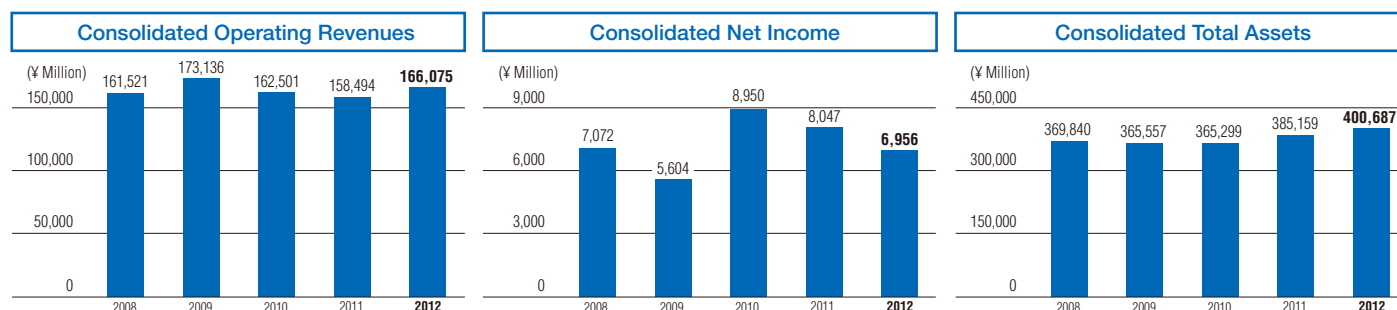
The Okinawa Electric Power Company, Incorporated

Years ended March 31, 2012 and 2011	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
For the year:			
Operating revenues.....	¥166,075	¥158,494	\$2,020,623
Operating income.....	12,769	14,376	155,359
Net income	6,956	8,047	84,637
Per share of common stock (yen and U.S. dollars):			
Basic net income.....	¥398.15	¥460.58	\$4.84
Cash dividends applicable to the year	60.00	60.00	0.73
At year-end:			
Total assets.....	¥400,687	¥385,159	\$4,875,141
Total equity.....	132,289	126,056	1,609,555

Note: The U.S. dollar amounts represent translations of Japanese yen for convenience only at the approximate exchange rate on March 31, 2012, of ¥82.19 to \$1.

Operating Highlights (Non-Consolidated)

Years ended March 31, 2012, 2011 and 2010	2012	2011	2010
For the year:			
Electric energy sales (Millions of kWh)			
Lighting.....	2,938	2,991	2,916
Power.....	4,502	4,530	4,562
Peak load (Thousands of kW).....	1,341	1,382	1,422
At year-end:			
Number of customers:			
Lighting.....	788,669	779,240	769,967
Power.....	61,950	62,841	63,626
Generating capacity (Thousands of kW)	1,933	1,919	1,924
Route length of transmission lines (km):			
Overhead.....	772	769	766
Underground.....	277	268	267





During the fiscal year under review, The Okinawa Electric Power Company, Inc. (OEPC) remained committed to achieving the goals set out in the July 2009 Group Vision, which plots a course for our business over the longer term, and the OEPC Medium- to Long-Term Business Plan.

In the core Electric Power Business, the Group was acutely reminded of the importance of its role, as a provider of one of Okinawa Prefecture's vital services, to secure the stable supply of high-quality electric power in the wake of the earthquake disaster last year. In addition to ensuring that its facilities are resilient to the damage caused by such large-scale disasters as typhoons, earthquakes and tsunamis, the OEPC Group is engaging in business operations with a heightened awareness toward disaster reduction and prevention, adopting a comprehensive approach with respect to facility management while bolstering initiatives aimed at countering every possible contingency. As the centerpiece of its global warming measures and efforts to enhance energy security, OEPC will bring online the Yoshinoura Thermal Power Station, the Company's first such facility to utilize LNG fuels, in November 2012. Accordingly, we are taking all possible measures to maintain and operate the facilities necessary to accommodate the inflow and receipt of LNG. As a part of wide-ranging global warming prevention measures, we are also using wood-based biomass fuels in combination with coal at thermal power stations, are conducting micro-grid verification tests on four remote islands including Miyakojima, have deployed retractable wind turbines and are trailing mega-solar power-generating facilities on the main island of Okinawa. In order to become the company of preferred choice, we will remain sensitive to the ever-changing needs of customers and deliver services that fully satisfy customer requirements. Turning to such issues as the reduction of costs and increased efficiency, OEPC will look to review every facet of its business activities based on the unflagging originality and ingenuity of each department.

In businesses other than Electric Power, operating conditions remained challenging. Against this backdrop, each Group company will work diligently to maximize operating efficiency while adhering strictly to a policy of cost reduction

and the improvement of earnings power with a renewed sense of crisis. In addition, we will review the steps required to put in place a system and structure that is capable of promoting Group-wide cooperation and endeavor to cultivate demand.

Our overarching goal is to evolve into an integrated energy group centered on the general energy business. We aim to create new value through business and lifestyle support services, and to help our region resurge and flourish. We are united in our determination to strengthen our operating fundamentals and establish a deeply respected brand for the group.

Financial targets (fiscal years 2008-2012)

Our earnings targets for the period from fiscal 2008 to fiscal 2012 (on a consolidated and non-consolidated basis) are presented as follows.

Medium-term financial targets				
		Financial targets		2012.3
Ordinary income	Consolidated	2009.3-2013.3	Annual avg. ¥11 billion or more	¥10.2 billion
	Non-consolidated		Annual avg. ¥10 billion or more	¥8.0 billion
ROA	Consolidated	2009.3-2013.3	Annual avg. 3.5% or more (operating income/total assets)	3.2%
	Non-consolidated			2.9%
Balance of interest-bearing liabilities	Consolidated	2013.3	Approx. ¥260 billion	¥219.7 billion
	Non-consolidated		Approx. ¥250 billion	¥217.4 billion
Equity ratio	Consolidated	2013.3	Approx. 30%	32.8%
	Non-consolidated			31.9%



Tsugiyoshi Toma
Chairman



Denichiro Ishimine
President

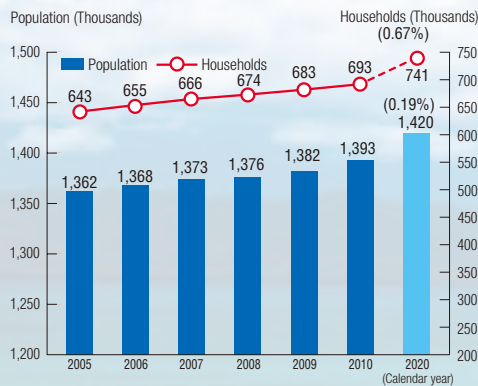


okinawa

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 from fiscal 2010 to fiscal 2020 will be 0.19% in Okinawa, compared to -0.43% for the country as a whole. Whereas the national population is leveling off and is expected to decline in the years ahead, 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

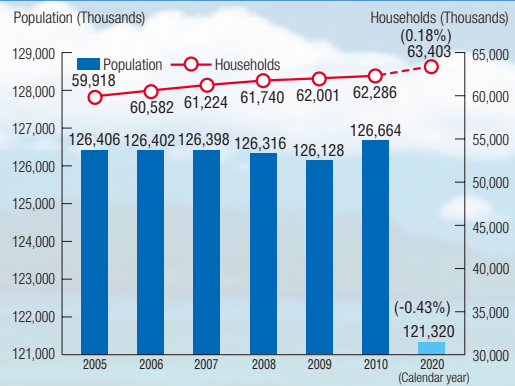


Source: Population figures between March 2005 and March 2010 are based on surveys by the Ministry of Internal Affairs and Communications

* Figures for 2005 and 2010 are from the official Population Census of Japan, while figures for fiscal 2020 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 2005 and March 2010 are based on surveys by the Ministry of Internal Affairs and Communications

* Figures for 2005 and 2010 are from the official Population Census of Japan, while figures for fiscal 2020 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

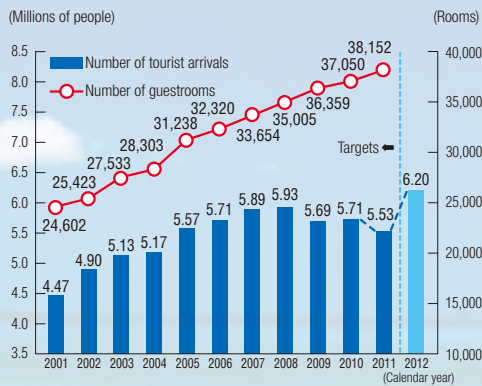


Today

■ Number of Tourist Arrivals

Despite a significant decline in arrivals due to the effects of voluntary travel restraints by tourists caused by the Great East Japan Earthquake, the number of tourist arrivals in Okinawa in fiscal 2011 showed signs of recovery in the second half of the fiscal year due to increased domestic tourism, such as school trips and sports events, as well as increased foreign tourism from the issuance of multiple entry visas, increased flights, and the opening of new routes. As a result, tourist arrivals decreased 3.1% from the previous year, to 5.53 million. The islands are targeting a total of 6.2 million tourist arrivals in fiscal 2012.

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



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.

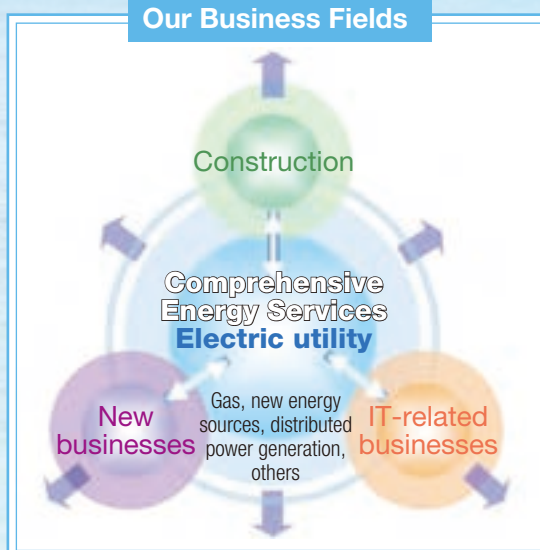
Comprehensive energy services provider

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.

Our Business Fields



Construction and real estate businesses

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

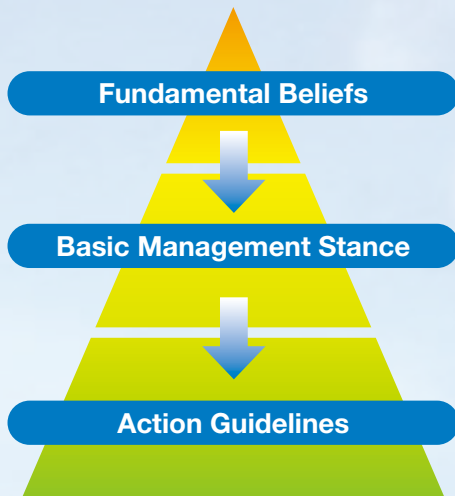
IT-related businesses

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



Ensuring a Stable Power Supply



Modern society could not exist without electricity. OEPC strives to perform a number of public duties, such as providing a stable supply of electricity and ensuring the same level of service to all users.

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 will also continue to upgrade its power generation facilities.

Creating electricity

Power consumption in Okinawa Prefecture

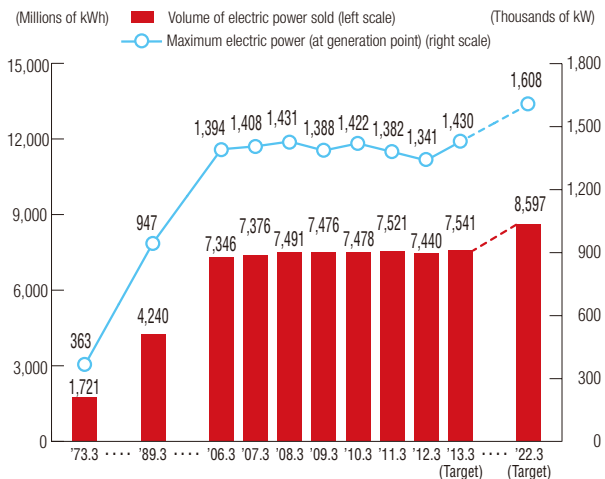
Electric power consumption in Okinawa Prefecture during fiscal 2011 totaled approximately 7.4 billion kWh, almost the same level as in the previous year. Peak load was 1,341,000 kilowatts (transmission end) or approximately 4 times the figure for 1972, our initial year of operations as OEPC.

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 1.2% between fiscal 2010 and fiscal 2021.



Kin Thermal Power Plant control room

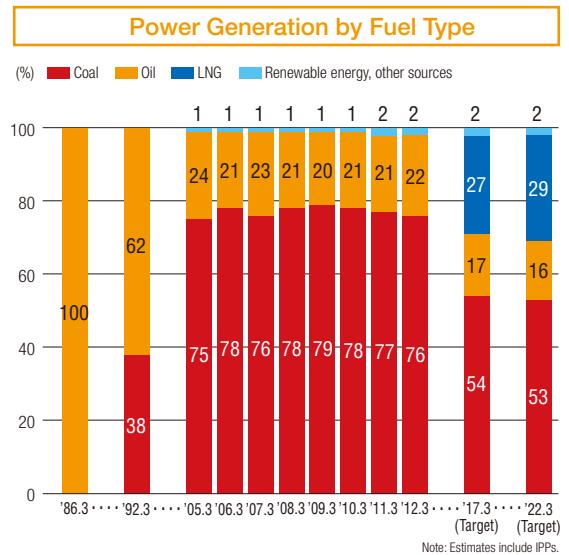
Maximum Electric Power and Volume of Electric Power Sold



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 power generators, in which the fuel burned is either oil or coal. Currently, the Company has four main power generation 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 CO₂ emissions. The Company has been focusing on the construction of the Yoshinoura Thermal Power Station (operation of the first thermal power generator is to commence in November 2012, while operation of the second generator is to commence in May 2013). For fuel, the new plant will use LNG — our planned next generation main power-generation fuel — which emits lower levels of CO₂ than other fossil fuels.



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



Gushikawa thermal power plant



Kin thermal power plant



Yoshinoura thermal power plant during construction

It is not enough simply to generate electric power — it must be delivered to the consumers — and to do this OEPC has built, and constantly maintains, an extensive network of high-voltage power transmission lines, substations, 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 substations (on Okinawa Island and all other islands of the prefecture), including above-ground and buried cables, measures a total of 1,037 kilometers. We operate 135 substations, and the length of the low-voltage distribution line network connecting these substations with our customers (again, both overhead and underground), totals 10,863 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.



OEPC pylons in Okinawa



Remote power control

Load dispatching center

At OEPC we draw up demand and supply 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 of high quality. Because the electric power cannot be stored, we have established a remote control system for power load adjustment at power stations and current adjustments at transformers and over transmission lines, to precisely match power demand.

Trunk lines for power supply

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



Maintenance of distribution lines

Construction, operation and maintenance of distribution facilities

The reliability of power distribution facilities, which cover a very large area and are very numerous, is strongly affected by the topography of the area the Company serves. In light of damage sustained in previous typhoons, we ensure the facilities we build are strong enough to withstand natural disasters.

Through regular power line patrols and inspections, we ensure that any irregularities in our distribution facilities are discovered at an early stage and are swiftly repaired. We work to prevent any recurrence of incidents.

Even in cases where incidents lead to power cuts, use of an automated distribution system* enables us to minimize the area of the outage and restore the supply quickly.

* Through communication lines linking computers in our branches with remote devices attached to power poles, the system enables remote operation of switching on power poles and collation of information about the voltage, current and other power-line variables.

Progress in laying 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 the appearance of social infrastructure. In Okinawa Prefecture too, power distribution lines have been laid underground. Approximately 64 kilometers of distribution lines had been buried as of fiscal 2010. Work is currently underway or planned to transfer approximately 70km of distribution lines underground, to eliminate power poles from the islands.



Street with underground power distribution lines

Ensuring a Stable Power Supply

Consisting of approximately 160 large and small islands, Okinawa Prefecture forms the southernmost and westernmost 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.

For every part of Okinawa

Power supply facilities 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 Ishigaki and Miyako 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.



Ishigaki No. 2 Power Plant (diesel turbine)



Laying submarine power cables



Submarine power cables



Miyako No. 2 internal combustion power station

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 successfully increased efficiency on various fronts. In December 2009, to meet our obligations under the Renewable Portfolio Standard (RPS) Law and reduce our CO₂ emissions by using renewable energy, we introduced Japan's first retractable wind turbines (2 x 245kW turbines) at Hateruma Island and put them into operation.

In February 2011, we also introduced retractable wind turbines at Minami Daito island, with the same capacity as on Hateruma.

Despite a discouraging environment of soaring fuel prices, we intend to persist with these efforts and bring down costs of supplying remote islands.



Delivery of fuel



Retractable wind-power generator at Hateruma Island

Ensuring a Stable Power Supply



As a provider of vital services in Okinawa Prefecture, we had already taken measures to prevent disasters from disrupting power facilities. We had rooted out causes of incidents and worked to make our operating environment “disaster-proof,” so we could quickly restore operations when disasters occur. However, the Great East Japan Earthquake has raised our awareness of the importance of ensuring a stable supply of power come what may. We now need to further beef up our readiness.

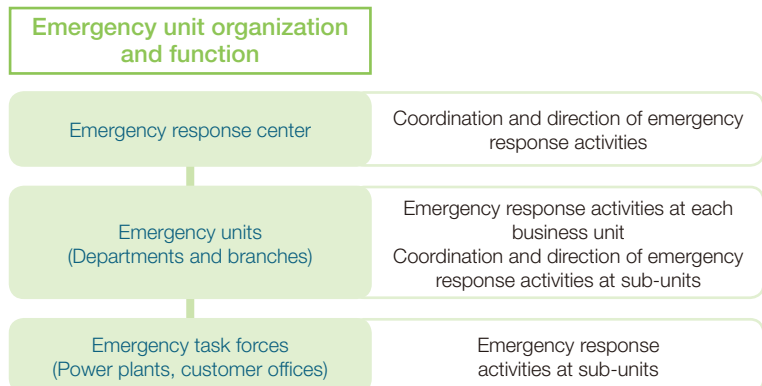
We are updating emergency procedures for our facilities to cope with major natural disasters, and carrying out practical and organizational re-inspections in anticipation of every possible scenario, assuming various types of disaster.

Disaster readiness

Readiness for disasters and service restoration

In addition to routine facility inspections, we deploy mobile power generators, have established disaster prevention frameworks on a Companywide basis, regularly update guidelines and manuals for dealing with the aftermath of disasters, and carry out comprehensive training to ensure a smoother response to disaster situations. In particular, our general disaster training programs are based on a hazard maps specific to Okinawa Prefecture, and we conduct drills on a Groupwide basis including partner companies.

In cases where a disaster has occurred or is expected, we have measures for setting up emergency response centers. Simultaneously, all of our branches have established their own emergency units, and customer offices, power plants and operational bases have emergency task forces. Affiliated and partner companies join in restoration work after disasters working with branches or offices responsible for generation, transmission and distribution facilities and remote island operations. We take every measure to ensure that power supplies can be restored by ensuring that affiliates and partner companies work together with us.



Comprehensive disaster training
Emergency disaster response center



Power facility restoration training



Routine equipment inspection

Emergency measures in light of the Great East Japan Earthquake

Establishment of Emergency Response Inspection Committee

On March 29, 2011, the Company set up the Emergency Response Inspection Committee chaired by the President. A working group was set up as a subordinate organization, comprising representatives of each business department. This group handles specific inspection tasks for disaster prevention purposes and takes whatever actions are necessary.

Principal areas needing verification

- General inspection and upgrading of power generation, transmission and substations, distribution and other facilities; measures for the general restoration of operations.
- Measures to ensure mobile power generators can be used in disaster-hit areas
- Information-sharing systems, command and control structures, partnership frameworks for affiliates and public institutions
- Measures needed for major disasters

Establishment of Disaster Prevention Office

To strengthen existing general systems for “disaster-proofing” facilities based on a review of existing measures, and for restoring disaster-hit operations through Groupwide cooperation, we upgraded the “emergency office” in the General Administration Department to Disaster Prevention Office, effective July 1, 2011. This office coordinates the disaster prevention activities of each department, on a cross-organizational basis.

Its responsibilities cover emergency management at times of major disaster and typhoons, anti-disaster prevention drills and related matters, and establishment of cooperative relations with government agencies involved in disaster prevention.

Space for Displaying Elevation above Sea Level on Power Poles

Okinawa Prefecture and municipalities have requested that OEPC display the elevation above sea level on its power poles to raise the disaster prevention awareness of prefecture residents. As part of its effort to cooperate on regional disaster prevention, OEPC provides free of charge a space for displaying the elevation above sea level on its power poles.

Application for Elevation above Sea Level Display and Size and Mounting Position of Display

- Coverage: All municipalities within Okinawa Prefecture (based on municipality requests)
- Application process: Submit prescribed application at the counter of an OEPC branch office, customer office, or operational base
- Sea level elevation display size: Length: 60cm (max.), width: 40cm (max.)
- Position of sea level elevation display: From 120cm to 180cm above street level



Keeping the public informed of locality elevation (notice to be affixed)

Toward Greater Customer Satisfaction



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



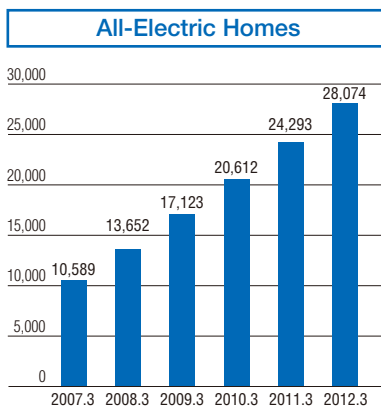
Promoting all-electric homes

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 enrich customers' lives and make them 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, such as displaying electric equipment and enabling customers to experience induction heaters (IH) at our Kaerupia all-electric showroom in Naha and all-electric demonstration vehicles.



Hands-on experience of all-electric home demonstration vehicle and induction-heater cookers



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



All-electric home demonstration vehicle

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.



Commercial Electric kitchen Seminar

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

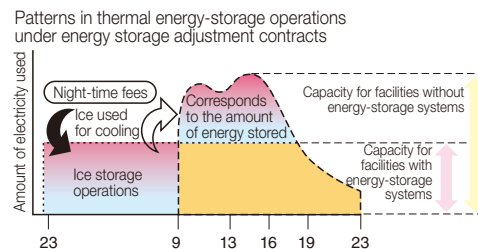
We encourage the use of ice-storage air conditioning systems that make use of low-cost nighttime electricity to produce and store ice or cold water, which is then used as a cooling source for air conditioning during the day. These clean, safe systems have no ignition devices, and our customers can take 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

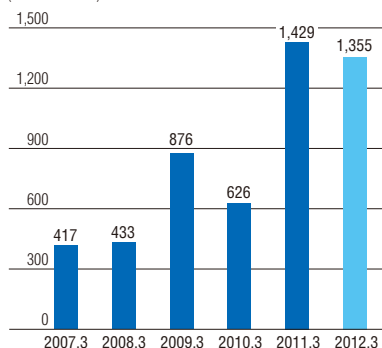
Heat pump technology — a highly effective solution for energy conservation

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

(Millions of kWh)



Finely tuned services

Energy solutions

To respond to our customers’ need for reduced costs and greater peace of mind and comfort in their daily lives, we offer a range of contract options optimized for customers’ particular lifestyles and patterns of electricity usage, as well as electric equipment and systems offering a wide range of benefits. Looking ahead, we plan to remain the power supplier of choice on Okinawa through services that satisfy, by establishing what customers really need by visiting corporate customers’ factories and offices and through questionnaire surveys. We conduct our businesses from the customer’s perspective.



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

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



Efficient capital investment



Reducing costs on remote islands



Operating and maintaining facilities efficiently



Increasing operational efficiency



Ensuring stable fuel procurement and reducing fuel cost



Promoting efficient use of electricity



Kin thermal power station

The deregulation of the electric power utility business

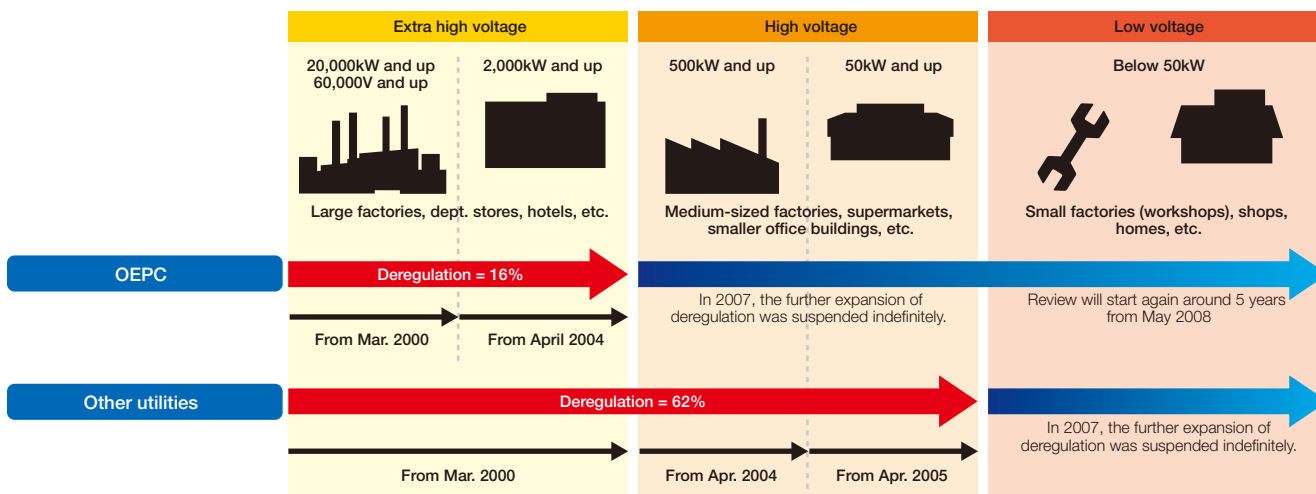
The deregulation of power supply within OEPC's service area is limited, in principle, to customers contracting to receive a minimum of 2,000 kilowatts which is supplied to them by OEPC's extra high-voltage transmission lines. Because of the structural disadvantage, of supplying power to the smaller islands 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.



* Percentage figures represent electricity sales within the scope of deregulation as a percentage of total electricity sales (year ended March 2011).

* At present, Expert Committee on the Electricity Power Systems Reform under the Coordination Subcommittee of the Advisory Committee for Natural Resources and Energy is studying the ideal form of the electric power industry including the possibility of the full liberalization of retail sale of electric power.



Maintaining Public Trust



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 community, for the community,” OEPC will continue its efforts to contribute to the development of the local community 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

Regional community services 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.

OEPC also 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.

In addition, the OKIDEN Group Volunteerism Mutual Aid Organization, which is composed of employees of OEPC and its affiliate companies, conducts community cleanups, makes donations, and collects used stamps and cards for charity.



OEPC donated funds for the construction of the Family House, accommodation of parents and relatives visiting patients, at the Okinawa Prefectural Nanbu Medical Center & Children's Center.



Get-to-Know OEPC events (informal discussion)



OEPC employees inspecting street lights

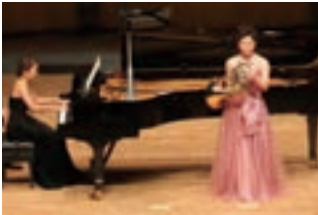
“Get-to-Know OEPC” events

Every November since 1978, 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 to enable communication with OEPC customers.

▶ 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.



The Okiden Sugarhall Audition For Debut Concert



An entry in 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.



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

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" handicraft class

▶ Arts and cultural events

OEPC has been contributing to the promotion of the arts and cultural activities in Okinawa. The Company supports a variety of arts and cultural events held in the prefecture, such as those related to Ryukyuu 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."



Okiden Pennant Elementary School Baseball Tournament



Okiden Pennant Naginata Tournament



Baseball workshop for children conducted by the Okiden baseball team

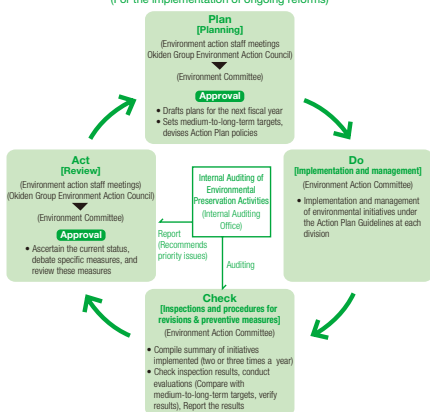
▶ Support activities for environmental education

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.

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. Meanwhile, the Power Generation Department of the Electric Power Engineering Division is integrating quality management systems with environmental management systems.

In addition, we are taking a more rigorous approach to facilities management and inspection, upgrading facility functionality as well as emergency drill, in order to ensure not only a stable supply of electricity but also effective accident prevention and contingency procedures.



Ammonia leakage practice drill
(Gushikawa Thermal Power Station)

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, noise, and vibration control measurements and environmental monitoring studies of the air quality, marine phenomenon, and marine organisms around our power plants.

We have conducted environmental assessments in accordance with laws and ordinances at our Yoshinoura Thermal Power Station, which is now under construction. 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 trailing 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 desulfurization 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 our most effective 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 CO₂ emission levels. As supplementary measures, we are improving the operating efficiency of our existing thermal power stations, launching Group-wide wind power generation initiatives, including the introduction of retractable wind turbines in remote islands, conducting verification tests for stable operation of solar power generation, replacing some of the coal in coal-fired power plants with biomass, and operating a small hydroelectric power generator in Miyakojima Island. 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.

In addition, various energy-saving initiatives are underway at each office and we are working to raise energy awareness of each employee.



Kariyushi shirts for our employees



Artificial gravel



Confidential document recycling

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.



Damaged ceramic insulators are recycled into material for tiles.

Environmental communication

To deepen understanding of our various environmental activities, OEPC has been publishing a report on its environmental activities annually since 1996, and uses exhibition panels to publicize our environmental commitment. Other environmental activities to raise environmental awareness include beach and side walk cleaning, tree-planting, and coral farming.

In addition, at the behest of local educational institutions, we deliver lectures at elementary schools or arrange hands-on study tours of our power generation facilities and Electrical Science Museum, to support energy- and environment-related education.



Energy and environmental education (Okuma Elementary School)

Environmental Activities Panel Exhibition (Independent research during summer vacation)



OEPC is working effectively to use green energy including environment-friendly LNG as fuel at the Yoshinoura Thermal Power Station, woody biomass combustion fuel at its coal-fired thermal power stations, as well as wind power generation cooperate with subsidiary company.

In order to contribute to the creation of a vibrant Okinawa future, OEPC conducts research on sustainable growth while pursuing research and development aimed at the creation of new value. OEPC is working to expand the use of renewable energy through a number of measures such as the performance of demonstration research for the stable operation of solar power generation.

Green energy

Utilizing renewable energy sources

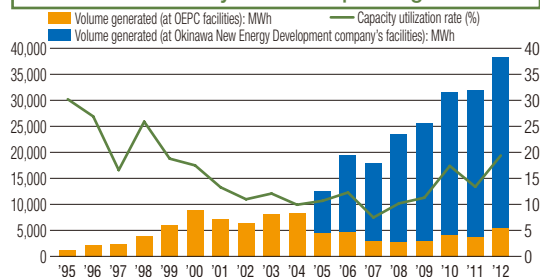
Renewable energy sources such as wind and solar power have problems including low energy density, they are significantly affected by changes in weather conditions, their energy output is unstable, and power generation cost is high. On the other hand, they are "clean" forms of energy that do not contribute to global warming through the release of CO₂; and the prospect and need for them is growing as answers to society's energy needs.

The OEPC Group is committed to introducing renewable forms of energy such as solar and wind power. As of March 31, 2011, the Company had a total capacity of 23,188kW (including small hydroelectric generators) of wind, solar, and other types of renewable energy throughout the prefecture including remote islands.



Solar power generation system on Tarama Island

Volume of electricity from wind power generation



Retractable wind-power generator at Minami-Daito Island

Remote island micro-grid verification tests

In July 2009, the Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry adopted OEPC's proposal for a FY2009 Demonstration Research on the Introduction of Renewable Energy to Remote Islands. It would be evaluated how introduction of large-scale of solar power systems impact isolated power systems of off-islands of Okinawa, which are Miyakojima Island, Yonaguni Island, Kita-Daito Island, and Tarama Island, all of which have power systems of varying sizes. We are also conducting demonstration research on countermeasures for power system stabilization.

The types of solar power systems are consist of multi-crystal and thin-film cells in the above 4 islands. The total amount of solar power capacity installed across all 4 remote islands is 4,500kW, which includes 4,000kW at Miyakojima Island. Consistent operation of solar power systems without losing power quality could be conducted using batteries to mitigate power fluctuation of solar power systems.



Solar power system on Miyako Island field test facility



Abu Mega Solar Power Experimental Research Facility

“Abu” Mega Solar Power Demonstration Research Facility

“Abu” mega solar power demonstration research facility was established by Okinawa Electric to take advantage of Okinawa Prefecture's Smart Energy Island Project to build a foundation for Okinawa as a smart energy island.

Among solar cells that go by the name “thin-film,” two types are used at the facility, CIGS thin-film solar cells (544.44kW) and amorphous silicon with poly-silicon multi-junction solar cells (547.2kW). The two types of solar cells combined give the facility a total output of one megawatt.

This facility's start of operation is in March 2012. In this project, the impact on physical power system by introduction of a large number of solar power systems would be verified by collecting and analyzing their data.



Biomass co-firing system

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 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 CO₂ emissions, curb our coal consumption, and make effective use of an untapped energy source.

Strengthening our Financial Position

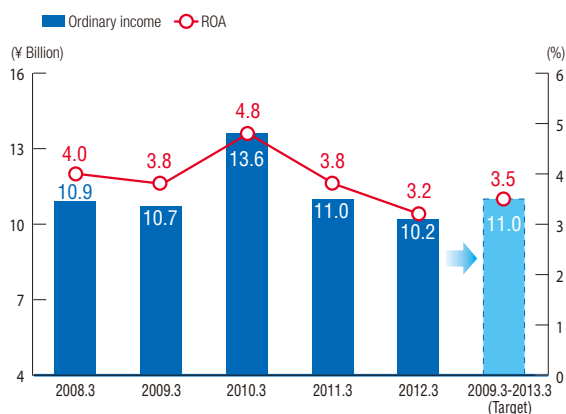
At OEPC, we see a secure, stable financial position as the key to dealing with the unpredictable fuel price trends, the rising cost of measures to contain global warming, and ensuring investment funds for the full-scale start of construction of the Yoshinoura Thermal Power Station.

Improving operational efficiency

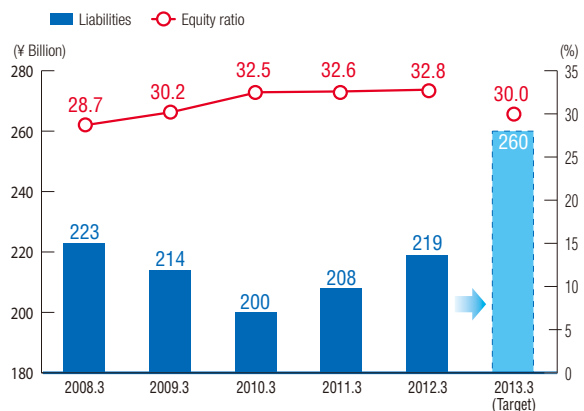
Medium-term financial targets

		Financial targets		2012.3
Ordinary income	Consolidated	2009.3-2013.3	Annual avg. ¥11 billion or more	¥10.2 billion
	Non-consolidated		Annual avg. ¥10 billion or more	¥8.0 billion
ROA	Consolidated	2009.3-2013.3	Annual avg. 3.5% or more (operating income/total assets)	3.2%
	Non-consolidated			2.9%
Balance of interest-bearing liabilities	Consolidated	2013.3	Approx. ¥260 billion	¥219.7 billion
	Non-consolidated		Approx. ¥250 billion	¥217.4 billion
Equity ratio	Consolidated	2013.3	Approx. 30%	32.8%
	Non-consolidated			31.9%

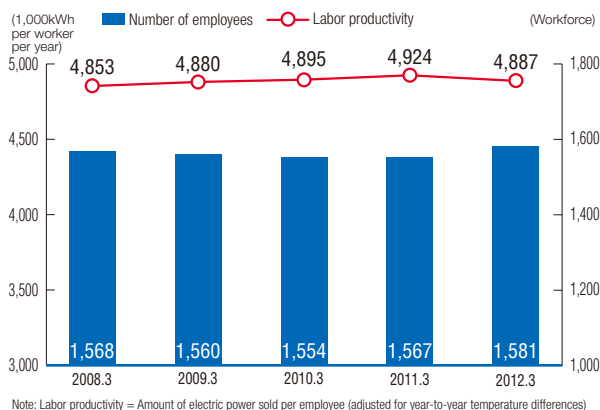
Ordinary income and ROA (Consolidated basis)



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



Labor productivity and number of employees



Improving operational efficiency

Efficient capital investment

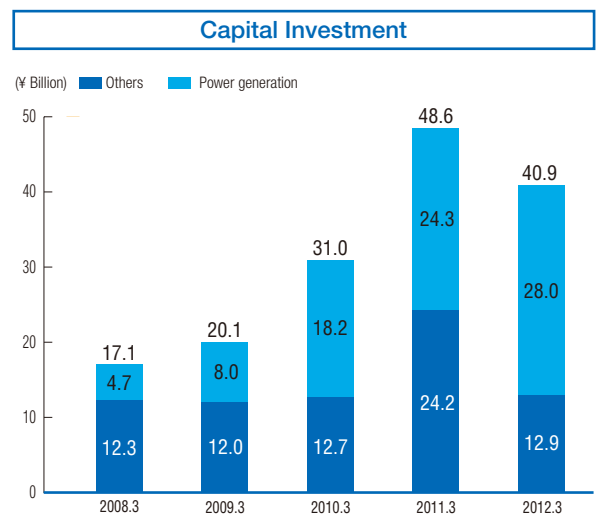
Capital investment came in at ¥40.9 billion in fiscal 2011, compared with budgeted ¥50.4 billion. Increases due to the Yoshinoura Thermal Power Station construction and the introduction of renewable energy facilities were more than offset by cost-cutting following a reexamination of our investment plan, and careful reviews of the design of each facility's construction, as well as specification and construction method.

In fiscal 2012, with capital investment costs expected to increase following the construction of the Yoshinoura Thermal Power Station, capital investment is expected to reach ¥48.8 billion as a result of cost-cutting measures at the design, contract, and construction stages. Furthermore, we will reduce the additional capital investment by continuing to implement measures to achieve greater efficiency.

More efficient plant operation and maintenance

In fiscal 2011, we reexamined our repair methods with the aim of reducing costs without compromising power supply stability and took steps to streamline operations by reviewing the timing of spot checks, volume, price per unit and ordering methods.

While repair costs are expected to remain high due to factors such as the increase in and aging of facilities, we will keep them in check by holding down total costs through careful reviews of long-term repair costs.



The *Shinyo-maru*, a dedicated coal carrier

Stable procurement and lower costs for fuels

In light of rising oil and coal costs due to demand increases in economically booming China and India, along with political unrest in the Middle East and speculative investments, we plan a range of measures to diversify fuel procurement and expand use of subbituminous coal, to ensure more stable procurement and lower costs.

In light of our need to take in a steady supply of LNG for the Yoshinoura Thermal Power Station, which began operation in fiscal 2012, we will continue to take steps to achieve a stable supply and to reduce fuel costs.

Reducing the cost of powering remote islands

To reduce the revenue shortfall in remote island operations, OEPC has been working to raise efficiency in remote island power supplies by rapidly implementing a range of cost-cutting measures including the reexamination of workforce needs through the use of remote monitoring controls at power stations, reduction of construction costs through the diversion of materials and equipment, waste oil fuel conversion using a waste oil regeneration system, reduction of fuel consumption using wind power generation systems, including retractable systems, and through more efficient operation using the economic load dispatching control (EDC) system.

While pressing on with these endeavors in years ahead, the Company will introduce and test off-grid renewable energy systems for remote islands, and review other cost-cutting measures, to gain a deeper understanding of their impact on the main grid system and master supply stabilization technologies.



Wind power generators

Streamlining business operations

OEPC is working to improve worker productivity through hands-on employee skill maintenance and -transfer programs and by using IT to make administrative processes more efficient. Through continuous improvement, we aim to streamline business operations for further cost reductions across the board.



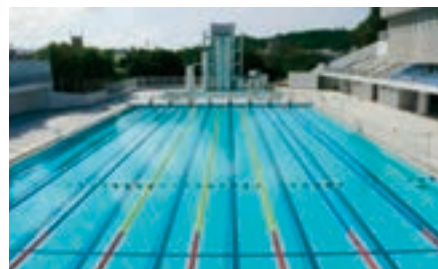
While continuing to accomplish its basic mission of providing a reliable electric power service, the OEPC Group has been engaged in a wide range of business activities by making use of its resources, including facilities, technologies and human resources, with the Okinawa Electric Power Company at the 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 ensure a stable supply of electricity to all customers in Okinawa. To pursue its mission, the group companies have been working together to operate the electric power business in a fully integrated way, by providing all the peripheral services including the construction and maintenance of power plants, transmission and distribution facilities, and the distribution of electrical equipments such as transformers, power switch boards, electric cables and meters. With the knowledge and technological capabilities gained through building the power supply infrastructure, we are expanding our role in private and public works projects, in order to help local industries and community.



Repair works at Ounoyama Park swimming pool in Naha (Okidenko Co., Inc.)



Ginowan Yui Marche: Built and maintained by Okiden Kaihatsu Co., Inc.



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

An Outline of the OEPC Group

OEPC Group Companies (As of March 31, 2012)

Company Name	Established/Capital	Business Areas
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	Sales of new energy electric power; Feasibility studies and design of electric power facilities, and supervision of construction; environmental surveys, soil quality examination and land surveys
Okisetsubi Company, Limited	September 18, 1995 ¥20 million	Installation of air conditioning, sanitation, electric water-heating equipment, and induction heaters (IH); design and installation of solar power generation systems, all-electric products for business use, and ice-storage air-conditioning equipment
Electric power supply and peripheral businesses		
Okiden Kigyo Company, Incorporated	October 15, 1975 ¥43 million	Sales and maintenance of electrical equipment; lease of vehicles and property; maintenance of vehicles; agency business for non-life insurance companies, full-service advertising agency
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
Information and telecommunication business		
The Okiden Global Systems Company, Incorporated	April 12, 1991 ¥20 million	Computer systems design, construction, operation, and sales; sales, leasing, etc. of computers and peripheral equipment
First Riding Technology, Inc.	July 11, 2001 ¥450 million	Internet data center business Internet solutions; call center business
Real estate business		
Okiden Kaihatsu Company, Incorporated	April 26, 1989 ¥50 million	Management, buying and selling, and leasing of real estate Civil engineering and building design, construction, and management
New energy development business		
Okinawa New Energy Development Company, Incorporated	October 14, 1996 ¥49 million	Sales of new energy electric power; feasibility studies, design, and management of construction of new energy power generation systems; management of operation and maintenance of such systems
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
Quetech Co., Ltd.	March 30, 2001 ¥3 million	Management consultant services, ISO certification support training, application software development business
Ganju Co., Inc.	March 25, 2003 ¥10 million	Raising, and wholesaling of Okinawa Benibuta pork, meat processing and sales, and agricultural product sales

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.

1. Corporate Governance Structure

Outline of the 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.

Thinking behind the 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 four 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 ISO9001:2008 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 16 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 four 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 Group-wide internal controls and risk avoidance measures are in place, working in conjunction with accounting auditors and internal auditing departments.

The three external auditors have considerable expertise in their respective fields. One has extensive experience as a general manager of corporate finance and accounting, one as a university professor specializing in economics and one as a qualified lawyer. As a result, all external auditors are well versed in finance and accounting.

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 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.

External auditor Hikaru 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.

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. Auditors

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 three additional members of staff.

5. 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	Bonuses	
Directors (excluding Outside Directors)	304	247	57	15
Company Auditors (excluding Outside Company Auditors)	57	45	11	3
Outside Directors	19	17	2	5

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

Total (¥ million)	Number of Persons	Details
65	6	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.

6. Shareholdings

- The Company currently holds shares of a total of 48 companies, for purposes other than pure investment, with a balance sheet value of ¥7,864 million.
- Shares held for purposes other than pure investment (companies, number of shares, balance sheet value and purpose)

(Previous fiscal year)

Company Name	Number of Shares	Balance Sheet Amounts (¥ million)	Holding Purpose
The Bank of Okinawa, Ltd.	494,000	1,674	Stabilization of electricity business, contribution to development of Okinawa's economy
Okinawa Cellular Telephone Company	4,720	856	Contribution to development of Okinawa's economy
Bank of the Ryukyus	689,660	655	Stabilization of electricity business, contribution to development of Okinawa's economy
San-A Co., Ltd.	43,200	140	Contribution to development of Okinawa's economy
KDDI Corporation	33	16	Stabilization of electricity business
Mizuho Financial Group, Inc	1,080	0	Stabilization of electricity business

(Fiscal year under review)

Company Name	Number of Shares	Balance Sheet Amounts (¥ million)	Holding Purpose
The Bank of Okinawa, Ltd.	494,000	1,822	Stabilization of electricity business, contribution to development of Okinawa's economy
Okinawa Cellular Telephone Company	4,720	801	Contribution to development of Okinawa's economy
Bank of the Ryukyus	689,660	775	Stabilization of electricity business, contribution to development of Okinawa's economy
San-A Co., Ltd.	43,200	135	Contribution to development of Okinawa's economy
KDDI Corporation	33	17	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.

7. Number of Directors

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

8. 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.

9. 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.

10. 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

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Financial Review (Consolidated Basis)

Business Performance

The islands' economy experienced mixed conditions during fiscal 2011. During the first half of the year, the number of tourists declined substantially due to a variety of factors including the deterioration in domestic economic conditions as a result of the Great East Japan Earthquake and a downturn in consumer sentiment toward travel. During the second half of the year, however, operating conditions were underpinned by the positive turnaround in personal consumption and enjoyed a modest recovery on the back of such factors as school excursion demand.

Under these conditions, OEPCC recorded operating revenues (sales) of ¥166,075 million (US\$2,020 million) on a consolidated basis, up ¥7,580 million (4.8%) compared with the previous fiscal year. This was largely attributable to the impacts of an increase in electricity charges under the fuel cost adjustment system, affecting the Electric Power Business, and an upswing in revenues from the external sales of consolidated subsidiaries.

At the same time, operating expenses rose by ¥9,187 million (6.4%) year on year to ¥153,305 million (US\$1,865 million), due to such factors in the Electric Power Business as the increase in fuel costs, the cost of purchasing electricity from other companies and depreciation and amortization.

As a result, operating income decreased by ¥1,607 million (11.2%) to ¥12,769 million (US\$155 million).

Income before income taxes and minority interests came to ¥10,273 million (US\$124 million), down ¥768 million (7.0%).

Net income decreased by ¥1,090 million (13.6%) to ¥6,956 million (US\$84 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

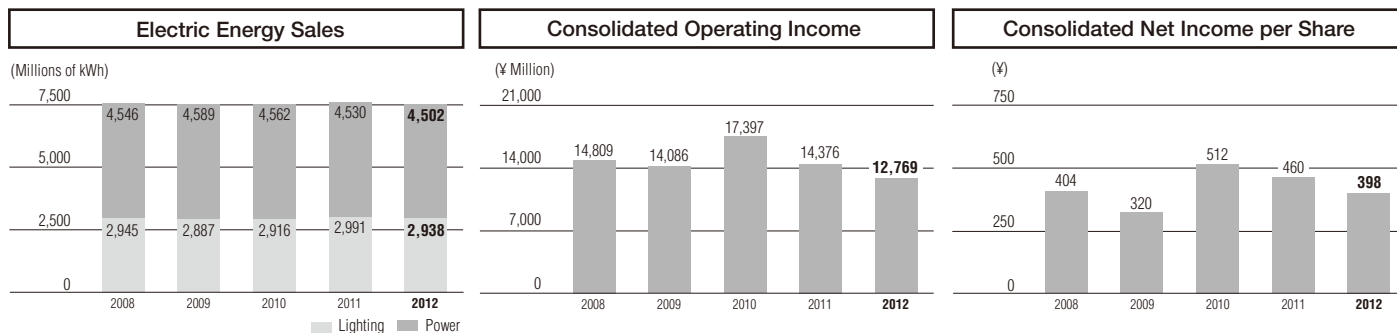
The total volume of electric power sold in the private sector (non-military) over the course of the fiscal year under review declined year on year due mainly to lower residential and business demand. This largely reflected lower summer temperatures compared with the previous fiscal year and the impact of inclement weather including typhoons. Sales in the industrial sector were essentially unchanged year on year.

By use (residential and business), residential power sales were down 1.8% year on year to 2,938 million kWh, while higher-voltage industrial and commercial power sales declined 0.6% to 4,502 million kWh. The total volume of electric power sold decreased 1.1% to 7,440 million kWh.

Operating revenues from the Electric Power Business increased by ¥6,990 million (4.6%) to ¥157,886 million (US\$1,920 million) year on year, due to such factors as an increase in residential electricity charges under the fuel cost adjustment system.

At the same time, operating expenses increased by ¥8,635 million (6.2%) to ¥147,042 million (US\$1,789 million), due in part to increases in fuel charges, the cost of purchasing electricity from other companies, and depreciation and amortization.

As a result, operating income decreased by ¥1,645 million (13.2%) to ¥10,844 million (US\$131 million).



2. Other Operations

In other revenues and expenses, sales decreased by ¥2,391 million (5.5%) to ¥40,991 million (US\$498 million) on the back of decreased orders for works for the Electric Power Business, which more than offset the increase in external sales. Operating expenses decreased by ¥2,364 million (5.7%) to ¥38,850 million (US\$472 million).

As a result of the foregoing, operating income decreased by ¥27 million (1.3%) to ¥2,141 million (US\$26 million).

(Note) The above amounts do not include consumption and other taxes.

Cash Flows

Cash flows from operating activities

Net cash provided by operating activities increased by ¥3,980 million (14.7%) to ¥31,128 million (US\$378 million). The principal factor behind this increase was the year-on-year decline in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities grew by ¥7,989 million (22.8%) to ¥43,017 million (US\$523 million), due in part to an increase in the purchase of property, plant and equipment.

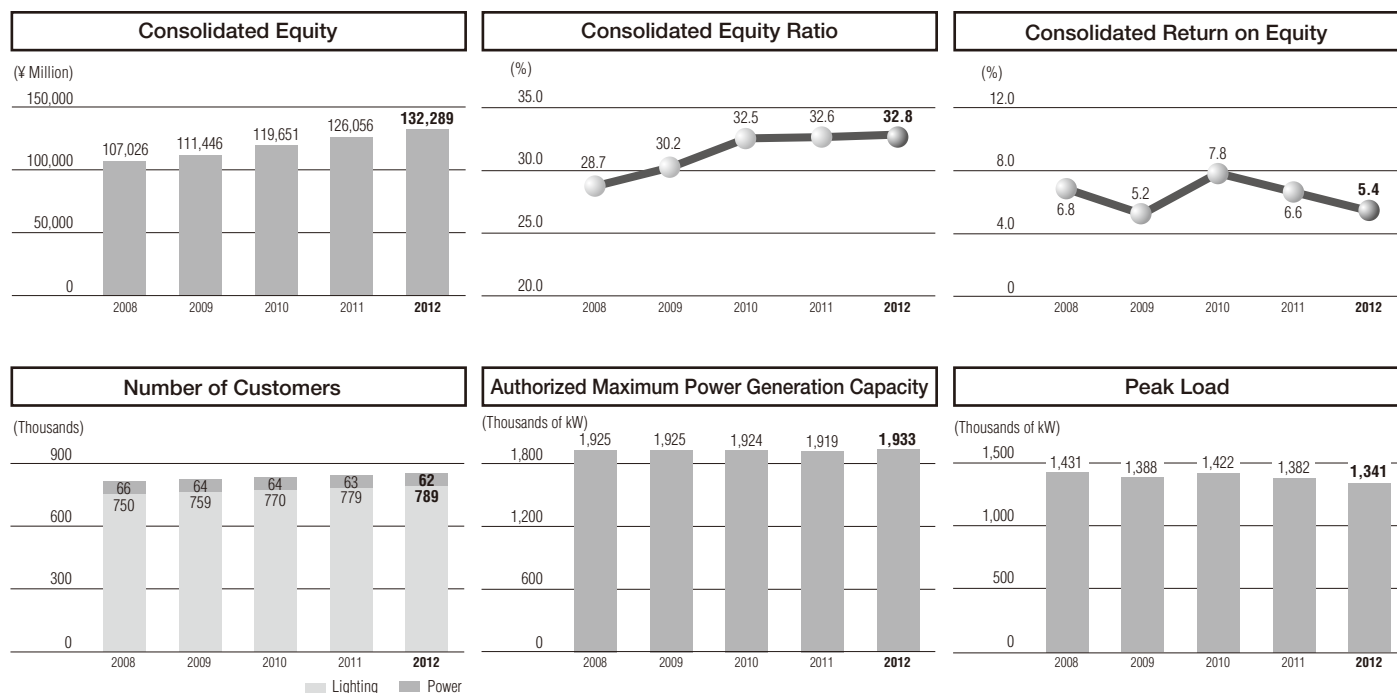
Free cash flow

Accordingly, the company had negative free cash flow of ¥11,888 million (US\$144 million), a year-on-year deterioration of ¥4,008 million.

Cash flow from financing activities

Net cash provided by financing activities increased by ¥3,634 million (58.5%) to ¥9,841 million (US\$119 million), owing partly to the decrease in repayments of bonds.

As a result, cash and cash equivalents as of the end of the year under review totaled ¥7,487 million (US\$91 million), down by ¥2,047 million (21.5%) compared with the end of the previous year.



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 2012, around 16% of our customers (by 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 new entry by Specified-Scale Electricity Utilities 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.

The Group's business performance could also be adversely affected depending on trends following any revision to the government's future energy policies as a result of current and ongoing deliberations.

2. Environmental countermeasures

The management of OEPC has positioned countermeasures against global warming as a priority issue, and numerous measures have already been taken. Looking ahead, the Company will continue to put in place measures aimed at realizing a low-carbon society.

Moving forward, growing trends toward the strengthening of environmental regulations could have an adverse impact on the business performance of the Group.

3. Businesses other than electricity business

With the electricity business at its core, the OEPC Group is currently engaged in business development activities in such fields as construction, IT/telecommunications, real estate, dispersed power generation (on-site power generation), and new energy. In this context, the Group is also steadfastly promoting measures aimed at implementation in gas-related businesses.

Unfavorable competitive developments, or a change in the operating environment surrounding these businesses, could have an adverse effect 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, oil and LNG 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 ¥219.7 billion as of March 31, 2012. 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, the impact of interest rates on the Group's earnings performance is expected to be limited.

In the event of a change in the Company's credit rating, the OEPC Group would experience a change in the interest rates on funds procured. This has 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 (ODFC) Law, we receive most preferential interest rates from the 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 could have a significant impact on Group business performance.

8. Natural disasters and accidents

OEPC has to date taken steps to prevent disasters at its facilities and has worked diligently to secure a quick restoration at the time of each incident. Every effort has been made to eliminate the causes of everyday accidents and to establish an earthquake-resistant environment. Following the Great East Japan Earthquake, and mindful of its duty to ensure a stable supply of electric power, OEPC will further reinforce its disaster countermeasures.

In addition to reviewing its disaster countermeasures with respect to facilities and other operating assets in the event of a large-scale disaster, OEPC will completely overhaul its initiatives both on the practical and organizational levels in order to ensure that the Group is fully prepared to undertake the necessary restoration endeavors with respect to any and all foreseeable contingencies. Moreover, the officer responsible for disaster prevention assigned to the General Administration Department has been upgraded to a disaster prevention office. In this manner, the Company is working to bolster its disaster prevention capabilities.

However, the Group's performance may be adversely affected by typhoons, earthquakes and other major natural disasters, as well as accidents.

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	2012	2011	2010	2009	2008
For the year:					
Operating revenues.....	¥166,075	¥158,494	¥162,501	¥173,136	¥161,521
Electric.....	157,563	150,552	151,430	160,782	148,831
Other.....	8,511	7,942	11,071	12,354	12,689
Operating expenses.....	153,305	144,118	145,104	159,049	146,711
Electric.....	145,453	136,884	135,022	147,637	134,650
Other.....	7,852	7,233	10,081	11,412	12,061
Interest expense.....	2,917	2,943	3,329	3,581	3,923
Income before income taxes and minority interests.....	10,273	11,042	13,659	9,677	10,971
Income taxes.....	3,118	2,929	4,408	3,836	3,734
Net income.....	6,956	8,047	8,950	5,604	7,072
Per share of common stock (Yen):					
Basic net income.....	¥398.15	¥460.58	¥512.04	¥320.54	¥404.36
Cash dividends applicable to the year.....	60.00	60.00	60.00	60.00	60.00
At year-end:					
Total assets.....	¥400,687	¥385,159	¥365,299	¥365,557	¥369,840
Net property, plant and equipment.....	346,784	329,971	312,254	310,486	317,921
Long-term debt, less current maturities.....	190,353	188,191	159,724	188,962	189,266
Total equity.....	132,289	126,056	119,651	111,446	107,026

Operating Statistics	2012	2011	2010	2009	2008
For the year:					
Electric energy sales (Millions of kWh).....	7,440	7,521	7,478	7,476	7,491
Peak load (Thousands of kW).....	1,341	1,382	1,422	1,388	1,431
At year-end:					
Generating capacity (Thousands of kW).....	1,933	1,919	1,924	1,925	1,925
Transmission lines (km).....	1,049	1,037	1,033	1,026	1,015
Distribution lines (km).....	10,894	10,863	10,816	10,780	10,707

Consolidated Balance Sheet

March 31, 2012	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Assets			
Property, plant and equipment (Note 4):			
Utility plants	¥815,105	¥792,964	\$9,917,334
Other plant and equipment (Note 6).....	32,768	32,208	398,691
Construction in progress	76,385	65,175	929,377
Total.....	924,259	890,348	11,245,403
Less:			
Contributions in aid of construction (Note 2(b))	(29,071)	(29,099)	(353,713)
Accumulated depreciation	(548,403)	(531,277)	(6,672,383)
Total.....	(577,474)	(560,376)	(7,026,096)
Net property, plant and equipment.....	346,784	329,971	4,219,306
Investments and other assets:			
Investment securities (Notes 5 and 13)	9,097	8,985	110,694
Investments in and advances to unconsolidated subsidiaries and affiliates.....	849	767	10,332
Deferred tax assets (Note 9).....	10,491	12,006	127,655
Other assets.....	1,229	1,474	14,957
Allowance for doubtful accounts.....	(179)	(178)	(2,181)
Total investments and other assets.....	21,489	23,055	261,458
Current assets:			
Cash and cash equivalents (Note 13)	7,487	9,534	91,097
Receivables (Note 13).....	7,373	8,163	89,708
Inventories.....	10,117	10,230	123,102
Deferred tax assets (Note 9).....	1,944	1,836	23,663
Other current assets.....	5,656	2,530	68,817
Allowance for doubtful accounts.....	(165)	(164)	(2,013)
Total current assets.....	32,413	32,132	394,376
Total	¥400,687	¥385,159	\$4,875,141
Liabilities and equity			
Long-term liabilities:			
Long-term debt, less current maturities (Notes 6 and 13)	¥190,353	¥188,191	\$2,316,017
Liabilities for employees' retirement benefits (Note 8).....	14,734	14,399	179,276
Other long-term liabilities	1,269	1,881	15,444
Total long-term liabilities.....	206,357	204,473	2,510,737
Current liabilities:			
Current maturities of long-term debt (Notes 6 and 13).....	29,522	18,076	359,200
Short-term bank loans (Notes 7 and 13)	1,650	4,000	20,075
Notes and accounts payable (Note 13)	21,330	21,560	259,526
Income taxes payable (Note 13).....	360	1,436	4,382
Accrued expenses.....	6,834	7,594	83,150
Other current liabilities.....	2,343	1,960	28,512
Total current liabilities.....	62,040	54,629	754,848
Equity (Note 11):			
Common stock,			
Authorized — 30,000,000 shares			
Issued — 17,524,723 shares in 2012 and 2011	7,586	7,586	92,303
Capital surplus	7,141	7,141	86,892
Retained earnings	116,264	110,356	1,414,576
Treasury stock, at cost — 53,373 shares in 2012 and 52,987 shares in 2011	(273)	(272)	(3,333)
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	794	602	9,664
Total.....	131,512	125,413	1,600,104
Minority interests	776	642	9,451
Total equity.....	132,289	126,056	1,609,555
Total	¥400,687	¥385,159	\$4,875,141

See notes to consolidated financial statements.

Consolidated Statement of Income

Year ended March 31, 2012	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Operating revenues:			
Electric	¥157,563	¥150,552	\$1,917,063
Other	8,511	7,942	103,559
Total operating revenues	166,075	158,494	2,020,623
Operating expenses (Notes 8, 10 and 12):			
Electric	145,453	136,884	1,769,717
Other	7,852	7,233	95,546
Total operating expenses	153,305	144,118	1,865,263
Operating income	12,769	14,376	155,359
Other expenses:			
Interest expense (Notes 6 and 7)	2,917	2,943	35,494
Other — net	(421)	390	(5,133)
Net other expenses	2,495	3,334	30,360
Income before income taxes and minority interests	10,273	11,042	124,999
Income taxes (Note 9):			
Current	1,730	4,051	21,051
Deferred	1,388	(1,122)	16,893
Total	3,118	2,929	37,944
Net income before minority interests	7,155	8,112	87,054
Minority interests in net income	198	64	2,417
Net income	¥ 6,956	¥ 8,047	\$ 84,637

Per share of common stock (Note 2(l)):	Yen		U.S. dollars
	2012	2011	2012
Basic net income	¥398.15	¥460.58	\$4.84
Cash dividends applicable to the year	60.00	60.00	0.73

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended March 31, 2012	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Net income before minority interests	¥7,155	¥8,112	\$87,054
Other comprehensive income (loss) (Note 15)			
Unrealized gain (loss) on available-for-sale securities	191	(200)	2,334
Share of other comprehensive income (loss) in an affiliate accounted for under the equity method	0	(0)	4
Total other comprehensive income (loss)	192	(200)	2,339
Comprehensive income	¥7,347	¥7,911	\$89,394
Total comprehensive income attributable to:			
Owners of the parent	¥7,148	¥7,853	\$86,973
Minority interests	198	58	2,420

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Shares / Millions of yen

	Common stock			Retained earnings	Treasury stock		Accumulated other comprehensive income	Total	Minority interests	Total equity
	Shares	Amount	Capital surplus		Unrealized gain on available-for-sale securities	Shares	Amount			
Year ended March 31, 2012										
Balance, April 1, 2010	17,524,723	¥7,586	¥7,141	¥103,357	51,867	¥(267)	¥796	¥118,614	¥1,036	¥119,651
Net income.....				8,047				8,047		8,047
Cash dividends.....				(1,048)				(1,048)		(1,048)
Purchase of treasury stock					1,250	(5)		(5)		(5)
Disposal of treasury stock				(0)	(130)	0		0		0
Net change in the year							(194)	(194)	(394)	(588)
Balance, March 31, 2011	17,524,723	7,586	7,141	110,356	52,987	(272)	602	125,413	642	126,056
Net income.....				6,956				6,956		6,956
Cash dividends.....				(1,048)				(1,048)		(1,048)
Purchase of treasury stock					466	(1)		(1)		(1)
Disposal of treasury stock				(0)	(80)	0		0		0
Net change in the year							192	192	134	326
Balance, March 31, 2012	17,524,723	¥7,586	¥7,141	¥116,264	53,373	¥(273)	¥794	¥131,512	¥ 776	¥132,289

Thousands of U.S. dollars (Note 1)

	Common stock		Retained earnings	Treasury stock	Accumulated other comprehensive income	Total	Minority interests	Total equity
		Capital surplus			Unrealized gain on available-for-sale securities			
Balance, March 31, 2011	\$92,303	\$86,892	\$1,342,695	\$(3,318)	\$7,328	\$1,525,901	\$7,820	\$1,533,721
Net income.....			84,637			84,637		84,637
Cash dividends.....			(12,754)			(12,754)		(12,754)
Purchase of treasury stock				(19)		(19)		(19)
Disposal of treasury stock			(1)	5		3		3
Net change in the year					2,336	2,336	1,631	3,967
Balance, March 31, 2012	\$92,303	\$86,892	\$1,414,576	\$(3,333)	\$9,664	\$1,600,104	\$9,451	\$1,609,555

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2012	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Operating activities:			
Income before income taxes and minority interests.....	¥10,273	¥11,042	\$124,999
Adjustments for:			
Income taxes paid.....	(3,408)	(6,347)	(41,473)
Depreciation and amortization.....	22,519	21,439	273,997
Provision for employees' retirement benefits.....	334	457	4,073
Loss on disposal of property, plant and equipment.....	886	846	10,791
Changes in operating assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable.....	790	(1,057)	9,619
Decrease (increase) in inventories.....	246	(2,004)	3,000
Increase (decrease) in trade notes and accounts payables.....	900	(1,038)	10,958
Increase (decrease) in interest payable.....	11	(64)	141
Other — net.....	(1,427)	3,873	(17,363)
Total adjustments.....	20,855	16,106	253,744
Net cash provided by operating activities.....	31,128	27,148	378,743
Investing activities:			
Purchase of property, plant and equipment.....	(42,473)	(39,701)	(516,767)
Proceeds from sale of property, plant and equipment.....	322	400	3,926
Payments for investments and advances.....	(84)	(240)	(1,023)
Proceeds from sales of investment securities and collections of advances.....	287	309	3,497
Other — net.....	(1,070)	4,203	(13,025)
Net cash used in investing activities.....	(43,017)	(35,028)	(523,393)
Financing activities:			
Proceeds from issuance of bonds.....	9,966	19,939	121,258
Repayments of bonds.....		(17,000)	
Proceeds from long-term debt.....	21,664	24,700	263,584
Repayments of long-term debt.....	(17,929)	(18,626)	(218,146)
Net decrease in short-term bank loans.....	(2,350)	(1,565)	(28,592)
Cash dividends paid.....	(1,048)	(1,047)	(12,758)
Other — net.....	(460)	(193)	(5,605)
Net cash provided by financing activities.....	9,841	6,207	119,740
Net decrease in cash and cash equivalents.....	(2,047)	(1,673)	(24,909)
Cash and cash equivalents, beginning of year.....	9,534	11,207	116,007
Cash and cash equivalents, end of year.....	¥ 7,487	¥ 9,534	\$ 91,097

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended March 31, 2012

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 2011 financial statements to conform to the classifications used in 2012.

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 ¥82.19 to \$1, the approximate rate of exchange on March 31, 2012. 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 down except for per share data. Consequently, the totals shown on 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 year ended March 31, 2012 include the accounts of the Company and its eleven significant subsidiaries (twelve in 2011). Investment in one affiliated company (one in 2011) 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.

Kanucha Community Company, Incorporated was legally liquidated on December 27, 2011 and is excluded from the significant subsidiaries above. However, the accounts of Kanucha Community Company, Incorporated are included in consolidated statements of income and consolidated statements of cash flow.

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

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary / affiliated company on the date of acquisition is being amortized over five years using the straight-line method, or was written off if the amount was ¥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) Derivatives and hedging activities

The Company uses derivative financial instruments to manage their exposures to fluctuations in interest rates. Interest rate swaps are utilized to reduce interest rate risks. The Company does 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.

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.

(b) 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 commencing with the following period using a declining-balance method over five years which is within the average of estimated remaining periods of the employees.

(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. Additional information

Accounting Changes and Error Corrections

In December 2009, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No.24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

i) Changes in Accounting Policies — When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. ii) Changes in Presentations — When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. iii) Changes in Accounting Estimates — A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. iv) Corrections of Prior-Period Errors — When an error in prior-period financial statements is discovered, those statements are restated. This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011. The Companies applied this standard and guidance effective April 1, 2011.

4. Property, plant and equipment

The major classes of property, plant and equipment as of March 31, 2012 and 2011, consisted of the following:

	Millions of yen			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
At March 31, 2012				
Thermal power generating facilities	¥386,886	¥(16,924)	¥(291,281)	¥ 78,679
Transmission facilities	145,635	(2,849)	(88,215)	54,569
Transformation facilities	96,398	(1,133)	(62,205)	33,058
Distribution facilities	151,157	(2,294)	(77,764)	71,098
General facilities	34,124	(4,796)	(13,230)	16,096
Other electricity-related facilities	904	(82)	(46)	775
Utility plants	815,105	(28,082)	(532,745)	254,278
Other plant and equipment	32,768	(989)	(15,657)	16,120
Construction in progress	76,385			76,385
Total	¥924,259	¥(29,071)	¥(548,403)	¥346,784

	Millions of yen			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
At March 31, 2011				
Thermal power generating facilities	¥377,545	¥(16,937)	¥(283,573)	¥ 77,034
Transmission facilities	139,652	(2,852)	(84,538)	52,262
Transformation facilities	94,772	(1,149)	(60,814)	32,808
Distribution facilities	147,780	(2,293)	(75,122)	70,364
General facilities	32,308	(4,795)	(12,277)	15,235
Other electricity-related facilities	904	(82)	(6)	814
Utility plants	792,964	(28,110)	(516,332)	248,521
Other plant and equipment	32,208	(989)	(14,944)	16,273
Construction in progress	65,175			65,175
Total	¥890,348	¥(29,099)	¥(531,277)	¥329,971

	Thousands of U.S. dollars			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
At March 31, 2012				
Thermal power generating facilities	\$ 4,707,218	\$(205,920)	\$(3,544,005)	\$ 957,292
Transmission facilities	1,771,931	(34,674)	(1,073,316)	663,940
Transformation facilities	1,172,868	(13,793)	(756,853)	402,220
Distribution facilities	1,839,124	(27,914)	(946,158)	865,051
General facilities	415,184	(58,360)	(160,973)	195,850
Other electricity-related facilities	11,006	(1,008)	(564)	9,433
Utility plants	9,917,334	(341,672)	(6,481,873)	3,093,788
Other plant and equipment	398,691	(12,041)	(190,509)	196,141
Construction in progress	929,377			929,377
Total	\$11,245,403	\$(353,713)	\$(6,672,383)	\$4,219,306

5. Investment securities

The costs and aggregate fair values of investment securities at March 31, 2012 and 2011 were as follows:

At March 31, 2012	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities.....	¥2,496	¥1,663	¥360	¥3,799
Other	500		181	319
Total.....	¥2,997	¥1,663	¥541	¥4,118

At March 31, 2011	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities.....	¥2,496	¥1,554	¥486	¥3,564
Other	500		156	344
Total.....	¥2,997	¥1,554	¥642	¥3,908

At March 31, 2012	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities.....	\$30,373	\$20,237	\$4,387	\$46,224
Other	6,091		2,202	3,888
Total.....	\$36,465	\$20,237	\$6,590	\$50,113

6. Long-term debt

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Domestic bonds, 0.524% to 2.020% in 2012 and 0.524% to 2.020% in 2011, due serially through 2021.....	¥ 79,999	¥ 69,999	\$ 973,351
Loans from Okinawa Development Finance Corporation, 0.550% to 2.500% in 2012 and 0.550% to 3.300% in 2011, due serially through 2026.....	126,725	123,706	1,541,855
Loans from banks, insurance companies and other sources, 0.386% to 1.950% in 2012 and 0.396% to 2.300% in 2011 due serially through 2023.....	11,401	10,685	138,725
Obligations under finance leases	1,749	1,876	21,285
Total.....	219,876	206,268	2,675,217
Less current maturities	(29,522)	(18,076)	(359,200)
Long-term debt, less current maturities.....	¥190,353	¥188,191	\$2,316,017

All of the Company's assets are subject to certain statutory preferential rights as collateral for bonds and loans from the Okinawa Development Finance Corporation.

Certain assets of the consolidated subsidiaries, amounting to ¥4,215 million (\$51,293 thousand), are pledged as collateral for a portion of the long-term debt as of March 31, 2012.

The aggregate annual maturities of long-term debt outstanding at March 31, 2012 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013.....	¥ 29,522	\$ 359,200
2014.....	18,684	227,338
2015.....	24,350	296,273
2016.....	24,523	298,375
2017.....	21,451	260,999
2018 and thereafter.....	101,342	1,233,030
Total.....	¥219,876	\$2,675,217

7. Short-term borrowings

The weighted-average interest rates applicable to short-term bank loans were 0.649% and 0.700% at March 31, 2012 and 2011, 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 cash balance pension plan based on the Defined-Benefit Corporate Pension Law and the lump-sum retirement benefit plans.

The liability for employees' retirements benefit at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligation.....	¥24,255	¥24,201	\$295,112
Fair value of plan assets.....	(8,982)	(8,997)	(109,288)
Unrecognized actuarial loss.....	(538)	(804)	(6,546)
Net liability.....	¥14,734	¥14,399	\$179,276

The components of net periodic retirement benefit costs for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost	¥1,240	¥1,240	\$15,095
Interest cost.....	372	368	4,537
Expected return on plan assets			
Recognized actuarial loss	296	332	3,610
Contribution to the defined contribution pension plan.....	191	190	2,335
Net periodic retirement benefit costs	¥2,102	¥2,131	\$25,579

Assumptions used for the years ended March 31, 2012 and 2011 were set forth as follows:

	2012	2011
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	0.0%	0.0%
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, 2012 and 2011, the aggregate normal statutory tax rates approximated 35.4%.

The tax effects of significant temporary differences and loss carry forwards, which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Pension and severance costs.....	¥ 4,646	¥ 5,231	\$ 56,538
Unrealized profit.....	3,909	3,879	47,572
Depreciation and amortization.....	2,123	2,358	25,839
Accrued expenses.....	875	1,052	10,647
Other.....	2,219	5,044	27,009
Sub-total.....	13,775	17,565	167,607
Less: valuation allowance.....	(538)	(2,869)	(6,547)
Total deferred tax assets.....	¥13,237	¥14,695	\$161,060
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities.....	(388)	(370)	(4,726)
Unrealized gain on land revaluation.....	(311)	(366)	(3,786)
Other.....	(100)	(114)	(1,228)
Total deferred tax liabilities.....	¥ (800)	(851)	\$ (9,741)
Net deferred tax assets.....	¥12,436	¥13,843	\$151,319

Reconciliations between the normal effective statutory tax rate for the years ended March 31, 2012 and 2011 and the actual effective tax rate reflected in the accompanying consolidated statements of income were as follows:

	2012
Normal effective statutory tax rate.....	35.4%
Changes in valuation allowance.....	(21.9)
Subsidiary liquidation.....	10.3
Tax credit.....	(4.9)
Difference in subsidiaries' tax rates.....	1.1
Other-net.....	(0.7)
Adjustment of deferred tax assets at year-end resulting from tax-rate changes.....	11.1
Actual effective tax rate.....	30.4%

	2011
Normal effective statutory tax rate.....	35.4%
Temporary differences relating to investments in subsidiaries.....	(8.1)
Tax credit.....	(2.3)
Expenses not deductible for income tax purposes.....	1.0
Difference in subsidiaries' tax rates.....	0.8
Other-net.....	(0.3)
Actual effective tax rate.....	26.5%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 35.4% to 32.7% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 30.1% afterwards. The effect of this change was to decrease deferred taxes by ¥1,083 million (\$13,180 thousand), and to increase income taxes-deferred by ¥1,138 million (\$13,851 thousand) and unrealized gain on available-for-sale securities by ¥55 million (\$670 thousand).

10. Leases

ASBJ Statement No.13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions 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.

As lessee

Pro forma information of leased property whose lease inception was before March 31, 2008 that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

As of March 31, 2012	Millions of yen		
	General facilities	Other	Total
Acquisition cost.....		¥2,301	¥2,301
Accumulated depreciation.....		(2,006)	(2,006)
Accumulated impairment loss.....		(22)	(22)
Net leased property.....		¥ 272	¥ 272

As of March 31, 2011	Millions of yen		
	General facilities	Other	Total
Acquisition cost.....		¥3,264	¥3,264
Accumulated depreciation.....		(2,567)	(2,567)
Accumulated impairment loss.....		(22)	(22)
Net leased property.....		¥ 675	¥ 675

As of March 31, 2012	Thousands of U.S. dollars		
	General facilities	Other	Total
Acquisition cost.....		\$28,000	\$28,000
Accumulated depreciation.....		(24,412)	(24,412)
Accumulated impairment loss.....		(267)	(267)
Net leased property.....		\$ 3,319	\$ 3,319

Obligations under finance leases as of March 31, 2012 and 2011:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year.....	¥181	¥402	\$2,211
Due after one year.....	91	272	1,108
Total.....	¥272	¥675	\$3,319

Allowance for impairment loss on leased property of ¥4 million (\$58 thousand) and ¥10 million as of March 31, 2012 and 2011 are not included in the obligations under finance leases.

Depreciation expense and other information under finance leases as of March 31, 2012 and 2011.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Lease payments.....	¥408	¥565	\$4,965
Depreciation expense.....	402	560	4,901
Reversal of allowance for impairment loss...	¥ 5	¥ 5	\$ 64

The minimum lease payments under non-cancelable operating leases as of March 31, 2012 and 2011:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥3		\$44
Due after one year			
Total	¥3		\$44

As lessor

Total lease income from the leases for the years ended March 31, 2012 and 2011 were ¥69 million (\$850 thousand) and ¥131 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 on an "as if capitalized" basis for the years ended March 31, 2012 and 2011 were as follows:

At March 31, 2012 and 2011, summaries of the above leased property were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Other equipment:			
Acquisition cost.....	¥149	¥501	\$1,821
Accumulated depreciation.....	(112)	(373)	(1,368)
Net leased property.....	¥ 37	¥127	\$ 452

At March 31, 2012 and 2011, the total lease payments to be received from the above leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥20	¥ 72	\$252
Due after one year	0	33	4
Total	¥21	¥106	\$257

Depreciation expense relating to the leased assets arrangements mentioned above was ¥20 million (\$249 thousand) and ¥71 million for the years ended March 31, 2012 and 2011, respectively.

11. Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). 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.

12. Research and development costs

Research and development costs charged to income were ¥1,375 million (\$16,741 thousand) and ¥1,251 million for the years ended March 31, 2012 and 2011, respectively.

13. Financial instruments and related disclosures

(a) The Companies' 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.

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.

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

The interest rates of a part of long-term loans are fluctuated by using interest rate swaps.

(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 at an 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 their authorization. Risk management policies are set forth at the beginning of the fiscal year. Each derivative transaction is reported to financial and accounting 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 through the use of an overdraft line and acquiring a commitment line.

(d) Fair values of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Also please see Note 14 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, 2012 and 2011 were as follows:

	Millions of yen		
	Carrying amount	Fair value	Unrecognized loss
March 31, 2012			
Investment securities:			
Available-for-sale.....	¥ 4,118	¥ 4,118	
Cash and cash equivalents.....	7,487	7,487	
Receivables	7,373	7,373	
Total.....	¥ 18,979	¥ 18,979	
Long-term debt:			
Bonds.....	¥ 79,999	¥ 82,371	¥2,371
Loans	138,126	143,561	5,434
Short-term bank loans.....	1,650	1,650	
Notes and accounts payable.....	21,330	21,330	
Income taxes payable.....	360	360	
Total.....	¥241,467	¥249,273	¥7,806

	Millions of yen		
	Carrying amount	Fair value	Unrecognized loss
March 31, 2011			
Investment securities:			
Available-for-sale.....	¥ 3,908	¥ 3,908	
Cash and cash equivalents.....	9,534	9,534	
Receivables	8,163	8,163	
Total.....	¥ 21,606	¥ 21,606	
Long-term debt:			
Bonds.....	¥ 69,999	¥ 71,650	¥1,650
Loans	134,392	138,815	4,423
Short-term bank loans.....	4,000	4,000	
Notes and accounts payable.....	21,560	21,560	
Income taxes payable.....	1,436	1,436	
Total.....	¥231,389	¥237,462	¥6,073

	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrecognized loss
March 31, 2012			
Investment securities:			
Available-for-sale.....	\$ 50,113	\$ 50,113	
Cash and cash equivalents.....	91,097	91,097	
Receivables	89,708	89,708	
Total.....	\$ 230,919	\$ 230,919	
Long-term debt:			
Bonds.....	\$ 973,351	\$1,002,210	\$28,859
Loans	1,680,580	1,746,699	66,118
Short-term bank loans.....	20,075	20,075	
Notes and accounts payable.....	259,526	259,526	
Income taxes payable.....	4,382	4,382	
Total.....	\$2,937,916	\$3,032,894	\$94,978

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

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 mainly measured at the quoted market price.

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 14.

(2) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Investment securities:			
Available-for-sale:			
Unlisted equity securities.....	¥4,364	¥4,449	\$53,107
Other.....	614	626	7,474
Total	¥4,979	¥5,076	\$60,581

(e) Maturity analysis for financial assets with contractual maturities

	Thousands of U.S. dollars	
	Millions of yen	Thousands of U.S. dollars
	Due in one year or less	Due in one year or less
March 31, 2012		
Cash and cash equivalents.....	¥ 7,487	\$ 91,097
Receivables	7,373	89,708
Total.....	¥14,860	\$180,806

14. 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 rates. 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.

Derivative transactions to which hedge accounting is applied

	Millions of yen				Thousands of U.S. dollars			
	Hedged item	Contract amount	Contract amount due after one year	Fair value	Hedged item	Contract amount	Contract amount due after one year	Fair value
At March 31, 2012								
Interest rate swaps: (floating rate payment, fixed rate receipt).....	Long-term debt	¥3,663	¥2,997		Long-term debt	\$44,567	\$36,464	

	Millions of yen			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
At March 31, 2011				
Interest rate swaps: (floating rate payment, fixed rate receipt).....	Long-term debt	¥4,329	¥3,663	

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. As a result, the fair value of such interest rate swaps is included in that of hedged items (i.e. long-term debt) in Note 13.

15. Comprehensive income

The components of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Other comprehensive income:		
Unrealized gain on available-for-sale securities		
Gains arising during the year	¥210	\$2,559
Amount before income tax effect ...	210	2,559
Income tax effect	(18)	(224)
Total.....	191	2,334
Share of other comprehensive income in an affiliate accounted for under the equity method		
Gains arising during the year	¥ 0	\$ 4
Total other comprehensive income.....	¥192	\$2,339

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

16. Segment information

(a) Description of reportable segments

The Companies' reportable segments are those for which financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Companies. The Company and its consolidated subsidiaries compose their own business segment, respectively, and the industry "Electric" holding most of their business is treated as a reportable segment. Industry "Electric" supplies electricity throughout Okinawa Prefecture.

(b) Methods of measurement for the amounts of sales, profit, assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies." Segment profit is based on operating income. The same or similar general business conditions are applied to "Sales to external customers" and "Intersegment sales or transfers."

(c) Information about sales, profit, assets and other items is as follows:

2012	Millions of yen					Thousands of U.S. dollars				
	Reportable segment	Other	Total	Reconciliations	Consolidated	Reportable segment	Other	Total	Reconciliations	Consolidated
	Electric					Electric				
Sales										
Sales to external customers.....	¥157,746	¥ 8,328	¥166,075		¥166,075	\$1,919,288	\$101,334	\$2,020,623		\$2,020,623
Intersegment sales or transfers...	140	32,663	32,803	¥(32,803)		1,709	397,410	399,120	\$(399,120)	
Total	157,886	40,991	198,878	(32,803)	166,075	1,920,998	498,745	2,419,743	(399,120)	2,020,623
Segment profit	¥ 10,844	¥ 2,141	¥ 12,985	¥ (216)	¥ 12,769	\$ 131,947	\$ 26,051	\$ 157,999	\$ (2,639)	\$ 155,359
Segment assets.....	¥381,787	¥41,132	¥422,919	¥(22,231)	¥400,687	\$4,645,180	\$500,450	\$5,145,631	\$(270,489)	\$4,875,141
Other:										
Depreciation.....	¥ 22,135	¥ 1,242	¥ 23,377	¥ (857)	¥ 22,519	\$ 269,315	\$ 15,115	\$ 284,430	\$ (10,433)	\$ 273,997
Increase in property, plant and equipment and intangible assets.....	40,930	1,110	42,040	(581)	41,458	497,993	13,505	511,499	(7,072)	504,426

2011	Millions of yen				
	Reportable segment	Other	Total	Reconciliations	Consolidated
	Electric				
Sales					
Sales to external customers.....	¥150,745	¥ 7,749	¥158,494		¥158,494
Intersegment sales or transfers...	151	35,634	35,785	¥(35,785)	
Total	150,896	43,383	194,280	(35,785)	158,494
Segment profit	¥ 12,490	¥ 2,168	¥ 14,659	¥ (283)	¥ 14,376
Segment assets.....	¥368,596	¥42,869	¥411,465	¥(26,306)	¥385,159
Other:					
Depreciation.....	¥ 21,078	¥ 1,321	¥ 22,399	¥ (960)	¥ 21,439
Increase in property, plant and equipment and intangible assets.....	48,607	731	49,339	(1,720)	47,618

Notes: 1. "Other" category consisted of construction, sales and maintenance services of electric appliances and others. The Companies do not have foreign operations. No sales to foreign customers were made during the years ended March 31, 2012 and 2011.

2. Reconciliations of the segment profit and the segment assets are intersegment transaction eliminations.

3. Segment profit is adjusted to reflect operating income on the consolidated statements of income.

17. Subsequent event

The following appropriations of retained earnings at March 31, 2012 were approved at the Company's shareholders' meeting held on June 28, 2012:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30 (36¢) per share.....	¥524	\$6,377

Independent Auditor's Report

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

We have audited the accompanying consolidated balance sheet of The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit 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, 2012

Non-Consolidated Balance Sheet

March 31, 2012 (Unaudited)	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Assets			
Property, plant and equipment:			
Utility plants and equipment.....	¥843,784	¥820,741	\$10,266,262
Construction in progress	76,634	65,903	932,403
Total.....	920,418	886,645	11,198,665
Less:			
Contributions in aid of construction	(28,143)	(28,171)	(342,414)
Accumulated depreciation	(550,475)	(533,177)	(6,697,592)
Total.....	(578,618)	(561,348)	(7,040,007)
Net property, plant and equipment.....	341,800	325,297	4,158,658
Investments and other assets:			
Investment securities	8,479	8,371	103,163
Investments in and advances to subsidiaries and affiliates	5,380	9,270	65,469
Deferred tax assets.....	5,094	7,263	61,978
Other assets.....	440	637	5,365
Allowance for doubtful accounts.....	(88)	(1,864)	(1,075)
Total investments and other assets.....	19,306	23,677	234,901
Current assets:			
Cash and cash equivalents	2,266	2,609	27,579
Receivables.....	5,243	5,504	63,799
Fuel and supplies.....	9,475	9,571	115,283
Deferred tax assets.....	1,566	1,378	19,059
Other current assets.....	2,260	1,065	27,499
Allowance for doubtful accounts.....	(131)	(507)	(1,601)
Total current assets.....	20,680	19,621	251,621
Total	¥381,787	¥368,596	\$4,645,180
Liabilities and equity			
Long-term liabilities:			
Long-term debt, less current maturities.....	¥187,856	¥186,117	\$2,285,632
Liabilities for employees' retirement benefits.....	11,015	10,683	134,020
Other long-term liabilities	1,049	1,700	12,773
Total long-term liabilities.....	199,921	198,500	2,432,427
Current liabilities:			
Current maturities of long-term debt.....	28,963	18,130	352,398
Short-term borrowings.....	2,300	4,700	27,983
Accounts payable.....	18,330	18,573	223,020
Income taxes payable.....		798	
Accrued expenses.....	8,426	8,880	102,525
Other current liabilities.....	1,891	1,256	23,015
Total current liabilities.....	59,912	52,339	728,945
Equity:			
Common stock,			
Authorized — 30,000,000 shares			
Issued — 17,524,723 shares in 2012 and 2011.....	7,586	7,586	92,303
Capital surplus:			
Additional paid-in capital	7,141	7,141	86,892
Retained earnings:			
Legal reserve.....	964	964	11,740
Unappropriated	105,678	101,676	1,285,785
Unrealized gain on available-for-sale securities.....	856	659	10,419
Treasury stock, at cost 53,373 shares in 2012 and 52,987 shares in 2011	(273)	(272)	(3,333)
Total equity.....	121,954	117,756	1,483,808
Total	¥381,787	¥368,596	\$4,645,180

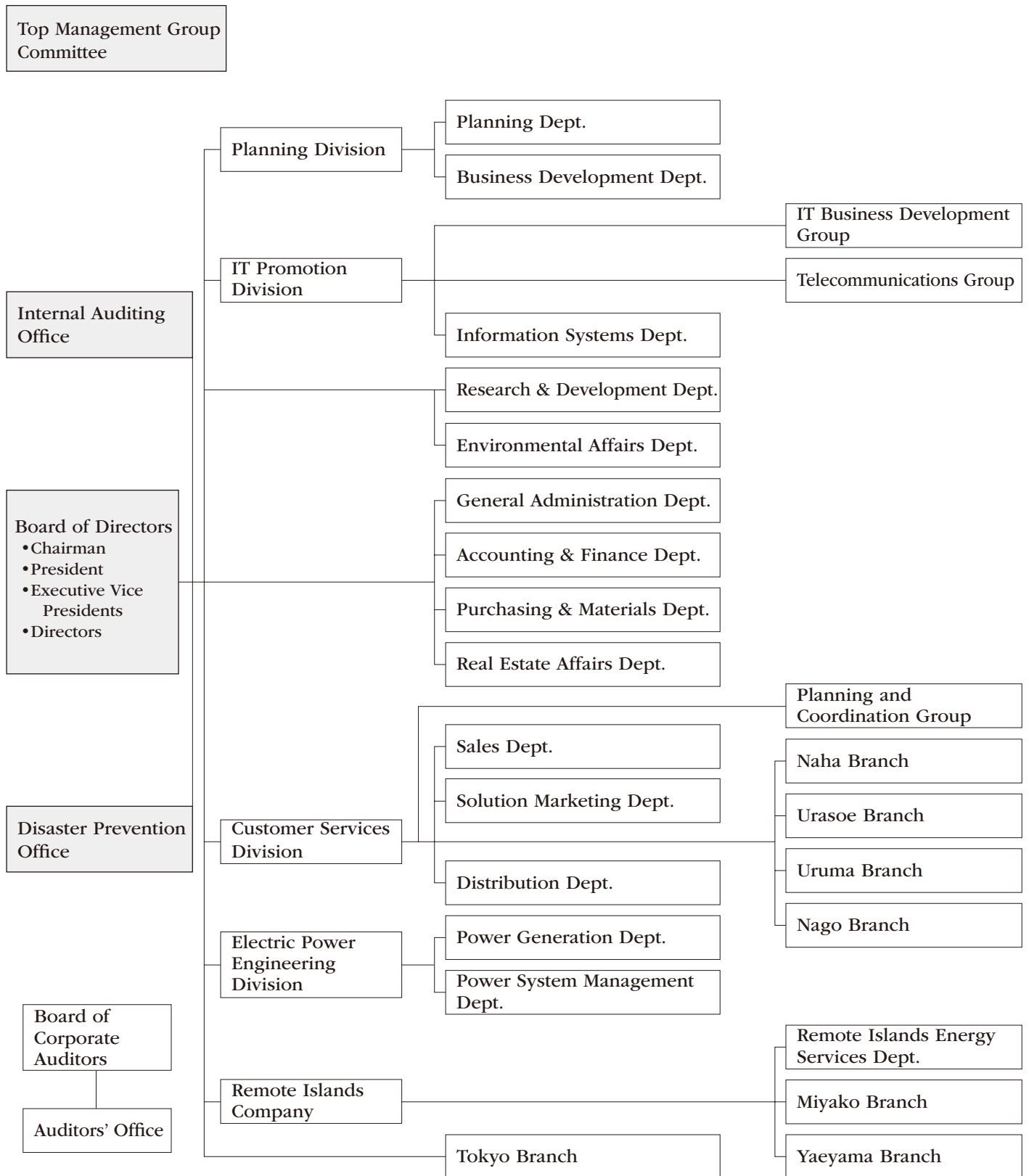
The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥82.19 to \$1, the approximate rate of exchange at March 31, 2012.

Non-Consolidated Statement of Income

Year ended March 31, 2012 (Unaudited)	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Operating revenues	¥157,886	¥150,896	\$1,920,998
Operating expenses:			
Personnel.....	16,622	16,322	202,244
Fuel.....	49,316	41,348	600,028
Purchased power.....	16,873	15,828	205,296
Depreciation.....	22,068	21,004	268,506
Repairs and maintenance.....	16,720	16,696	203,439
Taxes other than income taxes.....	7,001	6,917	85,183
Other	18,439	20,287	224,351
Total operating expenses.....	147,042	138,406	1,789,050
Operating income	10,844	12,490	131,947
Other expenses:			
Interest expense.....	2,867	2,888	34,882
Other — net.....	(82)	361	(997)
Net other expenses.....	2,785	3,250	33,885
Income before income taxes	8,059	9,240	98,062
Income taxes:			
Current.....	1,040	3,208	12,664
Deferred	1,968	(840)	23,945
Total	3,008	2,367	36,609
Net income	¥ 5,050	¥ 6,872	\$ 61,452
		Yen	U.S. dollars
Per share of common stock			
Basic net income.....	¥289.08	¥393.36	\$3.52
Cash dividends applicable to the year	60.00	60.00	0.73

The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥82.19 to \$1, the approximate rate of exchange at March 31, 2012.

Organization Chart



(As of July 1, 2012)

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

¥381,787 million

Number of Customers

850,619 (Includes users of both lighting and power)

Number of Employees

1,526

Power Generation Facilities

Type of Station	Number of Facilities	Generating Capacity [kW]
Steam	11	1,467,000
Gas Turbine	8	291,000
Internal Combustion	69	174,550
Renewable Energy*	2	490
Total	90	1,932,550

* Figures for Renewable Energy are included in total of facilities, but not in generating capacity total.

Independent Certified Public Accountants

Deloitte Touche Tohmatsu LLC

Consolidated Subsidiaries

Name	Capital	Main Business Lines	Equity Ownership
Okidenko Company, Incorporated	¥130 million	Construction	78.2%
Okiden Kigyo Company, Incorporated	¥43 million	Peripheral operations related to electric power business	91.8%
Okinawa Plant Kogyo Company, Incorporated	¥32 million	Peripheral operations related to electric power business	95.5%
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	98.2%
Okinawa New Energy Development Company, Incorporated	¥49 million	New energy business	96.5%
Okisetsubi Company, Limited	¥20 million	Construction	78.2%
First Riding Technology, Inc.	¥450 million	Information and telecommunications	95.8%
Progressive Energy Corporation (PEC)	¥100 million	Dispersed generating plant business	79.1%

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	31.0%

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

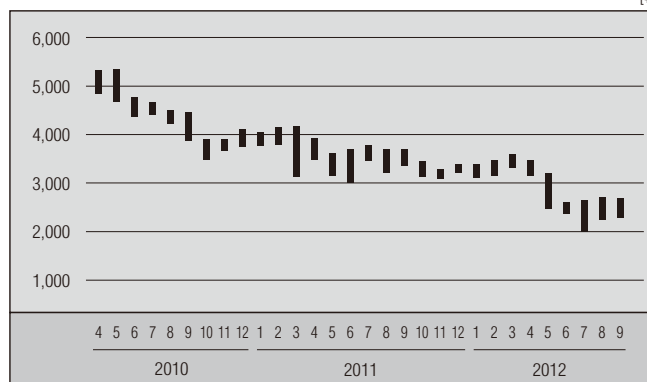
Common Stock Issued

17,524,723 shares

Number of Shareholders

7,842

Stock Price Range on the Tokyo Stock Exchange ^[M]



Credit Ratings

	Long-Term	Short-Term
S&P	AA-	A-1+
Moody's	Aa3	—
R&I	AA+	a-1+
JCR	AAA	J-1+

(As of August 31, 2012)

A credit rating may be subject to withdrawal or revision at any time

Board of Directors and Auditors



Tsugiyoshi Toma
Chairman



Denichiro Ishimine
President



Mitsuru Omine
*Executive
Vice President*



Katsunari Omine
*Executive
Vice President*

Managing Directors: Tsutomu Ikemiya
Katsuaki Chinen
Masatoshi Endo

Directors: Sunao Tamaki
Tsutomu Yogi
Mikiya Furugen
Katsumi Yamashiro
Hideki Onkawa
Takeshi Nakazato

Outside Director*: Kunio Oroku

Standing Auditor: Seiyu Ishikawa

External Auditors: Masateru Higa
Shiro Nozaki
Hikaru Aharen

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

(As of June 28, 2012)



The Okinawa Electric Power Company, Incorporated