

The Okinawa Electric Power Company, Incorporated (OEPC)

Annual Report 2013





Profile

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, 2013 and 2012	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
For the year:			
Operating revenues	¥166,439	¥166,075	\$1,769,696
Operating income	8,969	12,769	95,366
Net income	4,318	6,956	45,921
Per share of common stock (yen and U.S. dollars):			
Basic net income	¥247.20	¥398.15	\$2.63
Cash dividends applicable to the year	60.00	60.00	0.64

At year-end:

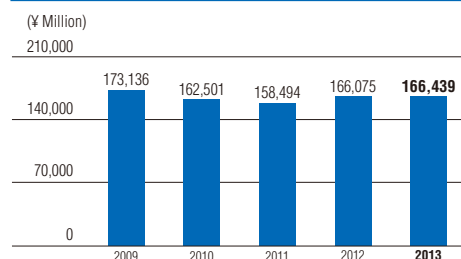
Total assets	¥435,515	¥400,687	\$4,630,684
Total equity	136,056	132,289	1,446,638

Note: The U.S. dollar amounts represent translations of Japanese yen for convenience only at the approximate exchange rate on March 31, 2013, of ¥94.05 to \$1.

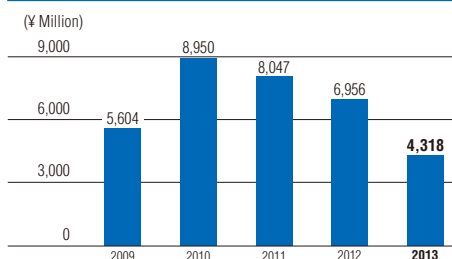
Operating Highlights (Nonconsolidated)

Years ended March 31, 2013, 2012, and 2011	2013	2012	2011
For the year:			
Electric energy sales (Millions of kWh)			
Lighting	2,851	2,938	2,991
Power	4,463	4,502	4,530
Peak load (Thousands of kW)	1,373	1,341	1,382
At year-end:			
Number of customers:			
Lighting	798,561	788,669	779,240
Power	60,981	61,950	62,841
Generating capacity (Thousands of kW)	2,013	1,933	1,919
Route length of transmission lines (km):			
Overhead	775	772	769
Underground	278	277	268

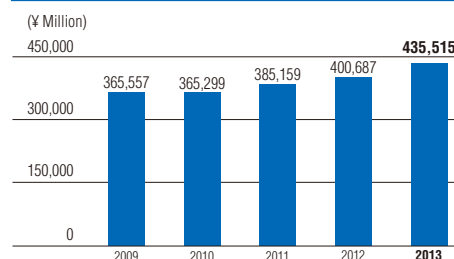
Consolidated Operating Revenues



Consolidated Net Income



Consolidated Total Assets



Message from the Management

The Okinawa Electric Power Company, Inc. (OEPC) Group formulated its Group Vision and OEPC Medium- to Long-Term Business Plan in July 2009. Guided by this Vision and Plan, the Group has continued to work aggressively to resolve a host of management issues.

Looking at the Group's core Electric Power Business, the Cabinet of Japan decided to adopt the Policy on Electricity System Reform in April 2013. Taking into consideration the purpose and purport of reform measures, and as an electric power utility company, OEPC will take steps to respond accordingly. Moreover, the Company will conduct a detailed analysis going forward cognizant of the importance of building and maintaining a system and mechanism that is capable of ensuring the stable supply of electric power. Against this backdrop, and the separation of the power transmission/distribution sector, OEPC is acutely aware of the need to establish a system that offers real benefits to customers while taking into account the unique attributes of Okinawa including those operating difficulties arising from the structural disadvantages inherent in a small-scale independent electricity system. In November 2012, the Yoshinoura Thermal Power Station, which utilizes LNG fuels, came online. This goes a long way toward enhancing long-term supply capabilities as well as energy security while providing an effective countermeasure to help prevent global warming. As an additional consequence of the commencement of operations at the Yoshinoura Thermal Power Station, OEPC encountered extremely harsh income and expenditure conditions. This was largely attributable to the cumulative burden of depreciation expenses, increased fuel costs, and a downturn in electricity demand growth. As a result, the Company is facing the pressing need to drastically reduce expenditure and secure increased operating efficiency. In order to overcome these difficulties, it is vital that OEPC make full use of the unflagging originality and ingenuity of each department. In addition to promoting exhaustive cost reduction measures that leave no stone unturned and taking steps to improve operating efficiency, energies will be channeled toward implementing Companywide efforts to cultivate demand with the aim of building a robust earnings base. Furthermore, OEPC is strongly reaffirming the importance of its mission to serve as a lifeline for Okinawa Prefecture. This is particularly relevant after such recent disasters as Typhoon Jelawat (1217) that hit the region in 2012. In addition to implementing measures that are designed to ensure a more timely recovery in the event of a typhoon, the Company is working diligently to secure facility formation that is



more resilient to large-scale disasters including typhoons, earthquakes, and tsunamis. While engaging in thoroughgoing business operations and facility management that place a premium on disaster prevention awareness, OEPC is endeavoring to strengthen disaster countermeasures that take into account every possible situation.

Looking at activities outside the core Electric Power Business, operating conditions remain extremely harsh. Moving forward, each Group company will foster an increased sense of crisis while drastically reducing costs. At the same time, every effort will be made to maximize operating efficiency and build a robust earnings base. In gas-related businesses, the Group is endeavoring to steadily promote the construction of gas supply facilities, cultivate demand, and build a strong business base.

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.



D. Ishimine

Denichiro Ishimine
Chairman



Mitsuru Omine

Mitsuru Omine
President

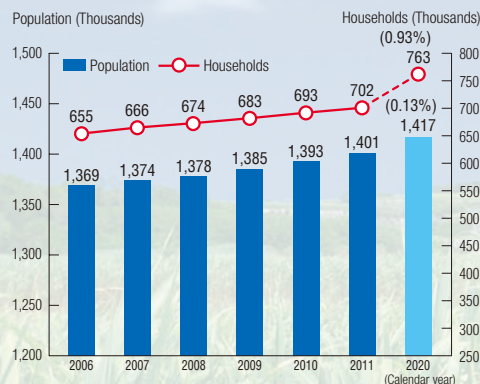


Okinawa

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 2011 to fiscal 2020 will be 0.13% in Okinawa, compared to -0.33% 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 increasing and not expected to peak until some time between 2020 and 2025. 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.

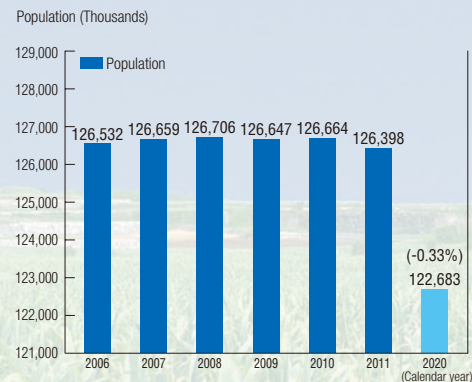
Growth in Population and Number of Households in Okinawa



Source: Population figures between fiscal 2006 and fiscal 2011 are based on surveys by the Ministry of Internal Affairs and Communications, while figures for fiscal 2020 are based on surveys by the National Institute of Population and Social Security Research
Number of households is the result and forecast for the accounts of OEPC's residential electric power

Note: Population figures in parentheses show annual average growth between fiscal 2011 and fiscal 2020

Growth in Population in Japan (Excluding Okinawa)



Source: Population figures between fiscal 2006 and fiscal 2011 are based on surveys by the Ministry of Internal Affairs and Communications, while figures for fiscal 2020 are based on surveys by the National Institute of Population and Social Security Research

Note: Population figures in parentheses show annual average growth between fiscal 2011 and fiscal 2020



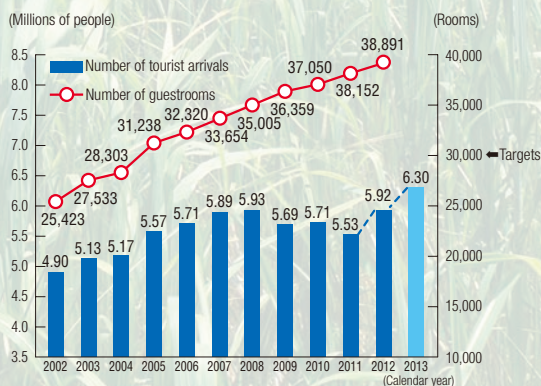
Today



■ Number of Tourist Arrivals

In fiscal 2012, the number of tourists visiting Okinawa totaled 5.92 million, an increase of 7.2% compared with the previous year. This was the second highest level recorded, and fell shortly behind the 5.93 million reported in fiscal 2008. In addition to the upswing in domestic travelers reflecting the growing presence of low-cost carrier (LCC) services and other factors, this year-on-year increase was largely attributable to the surge in visitors from outside Japan owing mainly to the efforts of airlines to upgrade and expand their routes and the increased frequency of cruise ships calling into Japanese ports. In fiscal 2013, Okinawa Prefecture is targeting a total of 6.3 million tourist arrivals.

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)

Each member of the Okinawa Electric Power Company (OEPC) Group is working diligently to realize the Group's overarching vision.

1. What we aim to be

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

2. Basic Management Stance

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

3. Our business fields

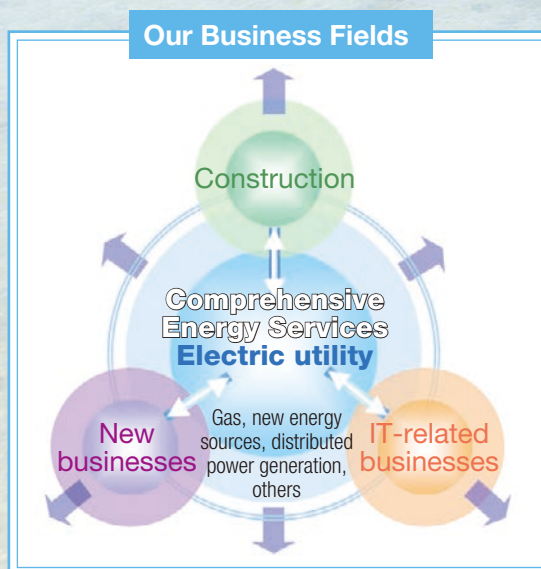
The core of the OEPC Group's business development will continue to be the provision of comprehensive energy services, centered on the supply of electric power. In addition, the Group will seek to leverage its strength as a comprehensive energy services provider and the advantages of its existing businesses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

Comprehensive energy services provider

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

New business fields

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



Construction and real estate businesses

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

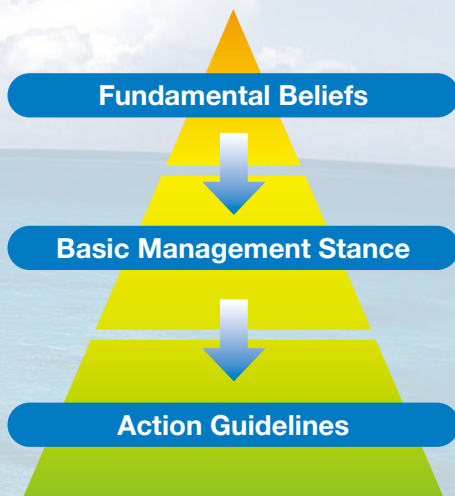
IT-related businesses

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

OEPC's Corporate Mission

(Drawn up in July 2009)

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



1. Fundamental Beliefs

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

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

2. Basic Management Stance

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

3. Action Guidelines

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



Creating electricity

OEPC recognizes that its core mission and the fundamental driving force behind any electric utility is the stable supply of the power necessary to support people's lives and economic activity. Basic to the Company's operations is the ability to supply electric power on a stable basis to meet future demand while at the same time striking a balance between economic viability, energy security, and environmental concerns. With this in mind, we are taking steps to upgrade and expand our power generation and distribution facilities in an efficient and integrated manner.



Power consumption in Okinawa Prefecture

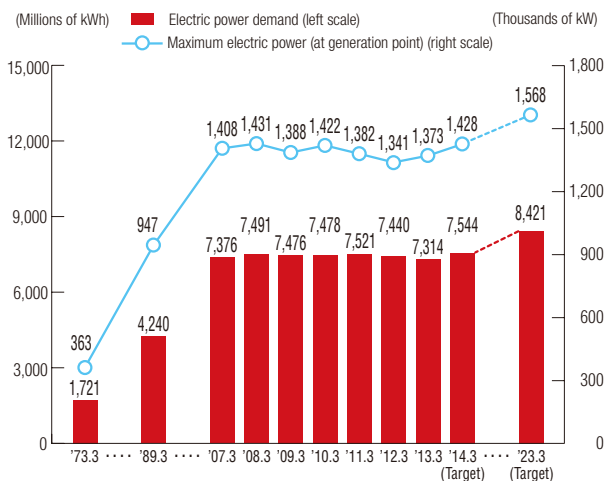
Electric power consumption in Okinawa Prefecture during fiscal 2012 totaled approximately 7.3 billion kWh. Peak load was 1,373,000 kilowatts (transmission end) or approximately 4 times the figure for 1972, our initial year of operations as OEPC.

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 1.1% between fiscal 2011 and fiscal 2022.



Kin Thermal Power Plant control room

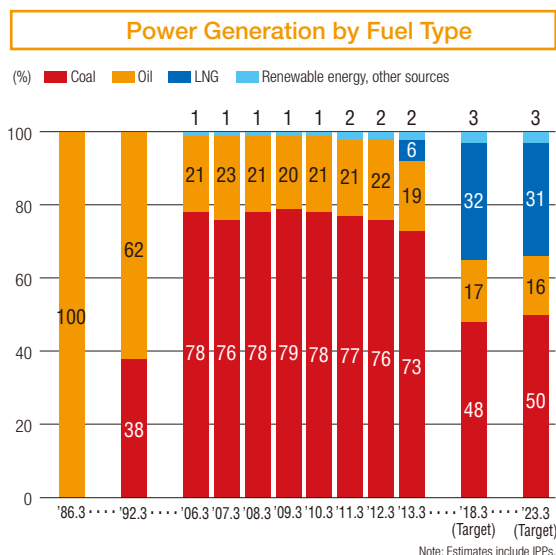
Maximum Electric Power and Electric Power Demand



Expansion of power generation capacity

Having virtually no natural fuel resources of its own, Japan is heavily dependent on imports for 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 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. To date, OEPC has maintained four principal power generation facilities — two oil-fired and two coal-fired — which have helped 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 Yoshinoura Thermal Power Station (operations of the first thermal power generator commenced in November 2012, while operations of the second generator commenced in May 2013). For fuel, the new plant uses LNG which emits lower levels of CO₂ than other fossil fuels.



Operations commence at Yoshinoura Thermal Power Station

OEPC initiated steps to construct Yoshinoura Thermal Power Station, the Company's first liquefied natural gas (LNG)-fired facility, in Nakagusuku Village, located in the midland area of Okinawa Prefecture, in 2007. The first and second generators came online in November 2012 and May 2013, respectively.

This power station is an important source of electric power while taking into consideration three key aspects of power supply capacity, energy security, and the environment.

From an environmental perspective in particular, the Station boasts substantial positive features and benefits. By employing LNG as its principal source of fuel, Yoshinoura Thermal Power Station does not release sulfur oxide or produce dust and soot. At the same time, emissions of CO₂ are less than for fossil fuel-fired facilities. Moreover, the Station has adopted an LNG combined cycle power generation system, which is recognized as a highly efficient power generation method. Taking these features into consideration, Yoshinoura Thermal Power Station can be expected to help inhibit global warming and remain friendly to the environment.



Yoshinoura Thermal Power Station

Ensuring a Stable Power Supply

Delivering electricity

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.

Our comprehensive network

At present, the Company's network of power transmission lines connecting its power plants with its substations across the main and remote islands, including overhead and underground cables, measures a total of 1,053 kilometers (line length). We operate 136 substations, and the length of our distribution line network connecting these substations with customers (again, both overhead and underground), totals 10,590 kilometers (line length). Moving ahead, we are continuing to build and develop transmission and distribution networks that can cope with the region's growing demand and ensure reliable supply.



Transmission and distribution facilities



Load dispatching center

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.



Naha trunk line tunnel



Distribution line maintenance

Construction, operation and maintenance of distribution facilities

Okinawa is constantly struck by typhoons. Therefore, it is not uncommon for transmission and distribution facilities to incur significant damage due to strong winds and flying debris. Taking these regional characteristics into consideration, OEPC's transmission and distribution operations draw on past data regarding damage and blackouts to build robust facilities that are resilient to natural disasters. In this manner, the Company strives to ensure stable supply across its broad prefecture-wide transmission and distribution network. 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. In this manner, we work to prevent any recurrence of incidents. Even in cases where incidents lead to power cuts, use of computers installed at each branch and an automated distribution system enables us to minimize the area of outage and quickly restore supply.

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.

Okinawa Prefecture has participated in nationwide plans to promote the laying of underground cables since 1991. Approximately 79 kilometers of distribution lines have been laid underground as of fiscal 2012. Work is currently underway or planned to eliminate power poles from the islands over an area of around 54km.



Kokusai Street with underground power distribution lines

Ensuring a Stable Power Supply

For every part of Okinawa

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.

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.

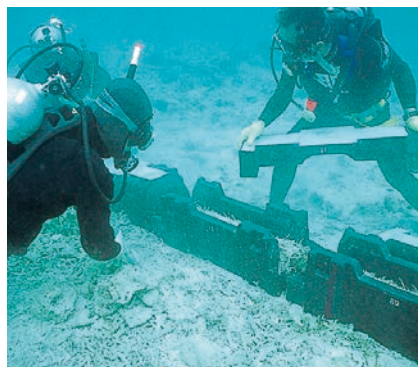
During emergencies (failure of regular supplies to remote islands), we use gas turbine generator vehicles to ensure a stable supply of electricity.



Ishigaki No. 2 Power Plant (diesel generator)



Power distribution line continuing through to Yubu Island



Submarine power cables



Ishigaki No. 2 Power Plant

Reducing the costs of supplying remote islands

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

To alleviate the imbalance in revenues and expenses with regard to remote island supplies, the Company set up a Remote Island Company in 2002, which 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 × 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.



The transportation of fuel to Minami-Daito Island



Retractable wind-power generator at Hateruma Island

Ensuring a Stable Power Supply



Disaster readiness

As a provider of vital services in Okinawa Prefecture, we had already taken measures to mitigate the damages to the 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.

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.

Daily facility patrols, reducing flying debris, tree cutting

OEPC is bolstering its facility patrols in a bid to counter the effects of typhoons and ensure early restoration of operations following a blackout. At the same time, the Company is considering measures aimed at improving facility patrol methods as a part of efforts to quickly identify the causes of each blackout after a typhoon has passed.

Working to complement these initiatives, OEPC is coordinating with local government and other authorities to cut and remove trees and strengthen activities aimed at reducing the impact of flying debris.

Emergency unit organization and function

Emergency response center

Coordination and direction of emergency response activities

Emergency units (Departments and branches)

Emergency response activities at each business unit
Coordination and direction of emergency response activities at sub-units

Emergency task forces (Power plants, customer offices)

Emergency response activities at sub-units



Tree cutting

Major causes of blackouts and countermeasures

Blackouts are largely attributable to the damage caused by flying debris to telephone poles and electric power lines. Interruptions to the supply of electric power can also occur when electric power lines come in contact with trees. In order to minimize the inconvenience created by power cuts, OEPC is undertaking a variety of measures including the reinforcement of its electric power lines by progressively replacing its existing network with stronger, anti-wear cables, low wind pressure electric wires, and drop cables. Moreover, the Company is working to install auxiliary poles and support power lines as a part of efforts to prevent any cascading collapse and to better strengthen telephone poles. Building on these endeavors, OEPC is promoting the installation of handy remote controlled time limiting switches in combination with automated distribution systems with the aim of minimizing the areas affected by power cuts when a typhoon strikes.

Providing information to customers

OEPC receives a large number of customer inquiries regarding blackouts and power recovery. In addition to the customer service staff at each branch, the Company dispatches additional support staff as a part of efforts to provide a comprehensive explanation to its customers.

Furthermore, OEPC provides updates on blackout areas and projected schedules regarding power recovery to the mass media and broadcasting organizations on an hourly 24-hour basis from the time high-voltage power distribution lines are cut to power recovery. This information is also posted on the Company's homepage.



Damage due to flying debris



Electric power restoration operations

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.

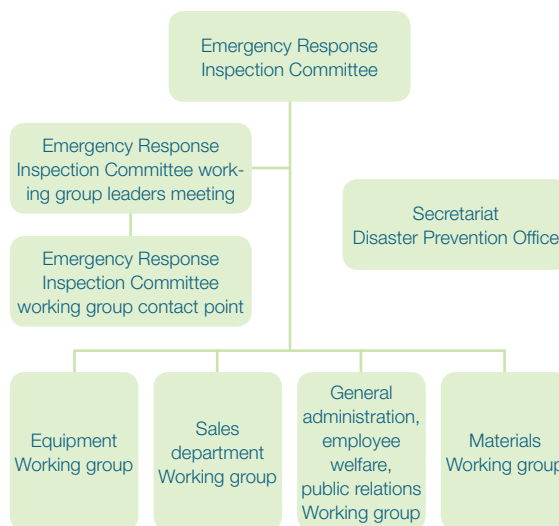
Principal areas needing verification

- 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

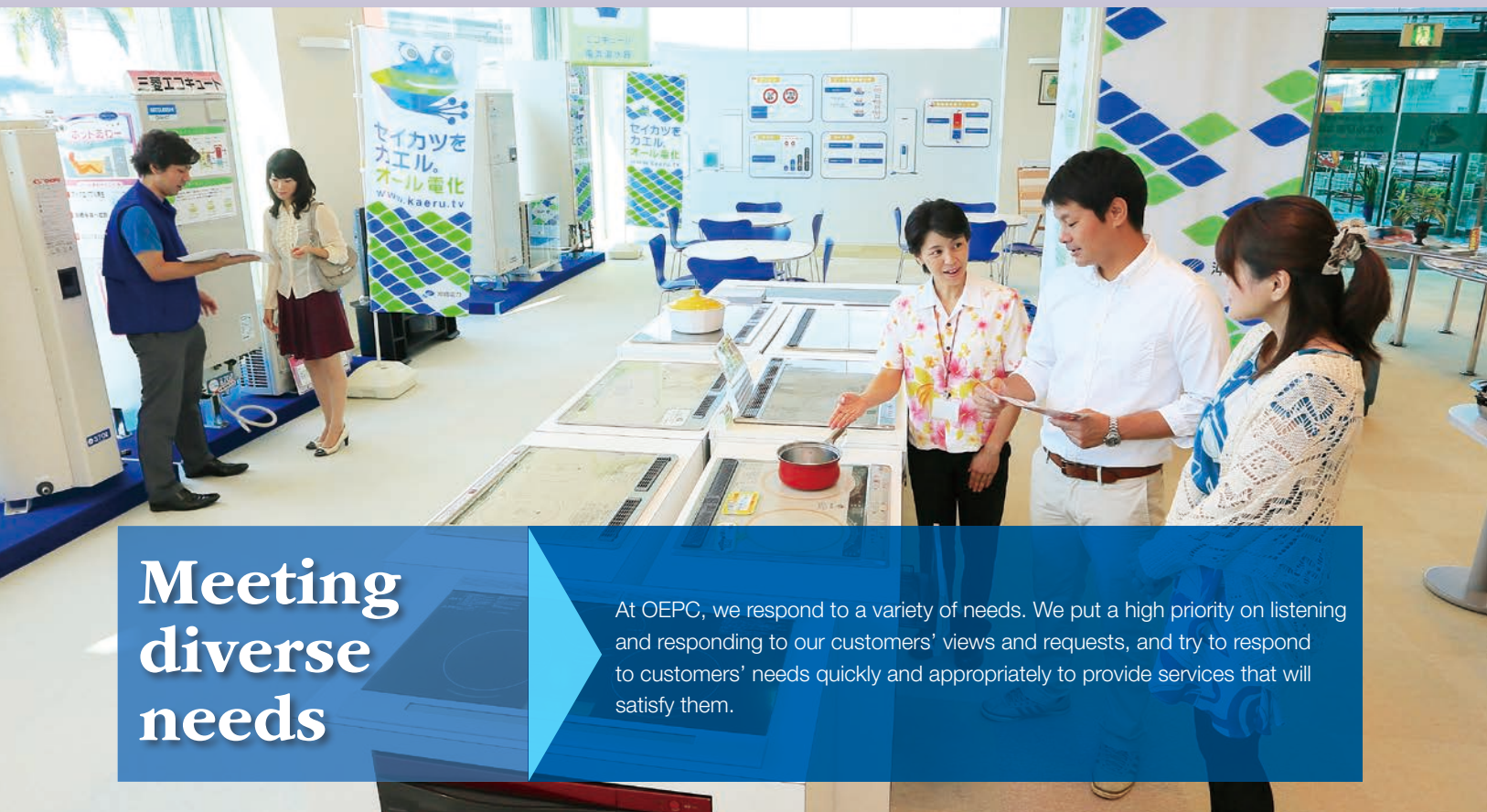
Establishing a typhoon study panel

Following extended power cuts over a wide area in the wake of typhoon 17, OEPC again recognized the critical need to channel all of its energies toward meeting the growing requirements of customers and ensuring a quick recovery of electric power following interruptions to supply. As one countermeasure, the Company set up a study panel, under the Emergency Response Inspection Committee, to investigate ways in which to ensure the quick recovery of power following interruptions to supply caused by a typhoon between October and December 2012. Looking ahead, OEPC will implement a variety of countermeasures on a progressive basis.

Emergency Response Inspection Committee organizational chart



Toward Greater Customer Satisfaction



Meeting diverse needs

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.

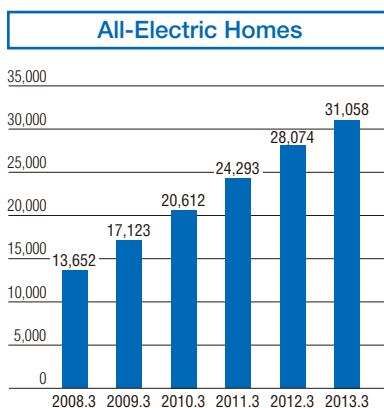
Promoting all-electric homes

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.



All-electric home demonstration vehicle; hands-on experience in the use of IH cooking heaters



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.



Business-use electric kitchen seminar

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

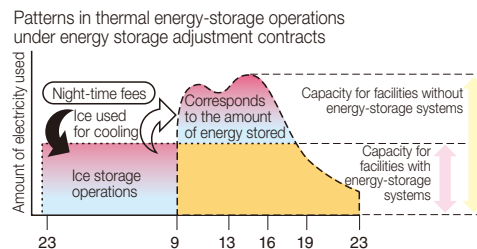
We encourage the use of ice-storage air conditioning systems that make use of low-cost nighttime electricity to produce and store ice or cold water, which is then used as a cooling source for air conditioning during the day. These clean, safe systems have no ignition devices, and our customers can take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

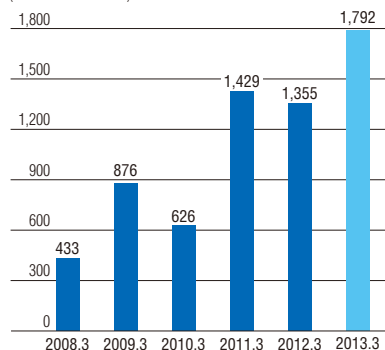
Heat pump technology — a highly effective solution for energy conservation

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.



Trends in business-use electric equipment electricity sales (kWh)

(10 thousand 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

Lower electricity rates

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.

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.

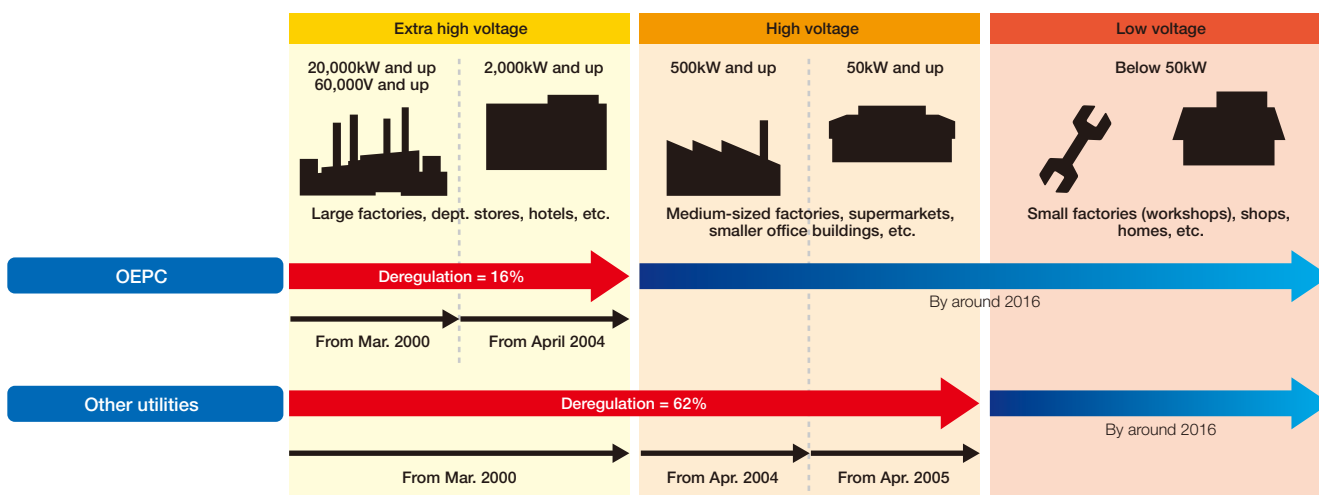
Currently, the government is debating over electric power systems reform and regulation. Indications are that Japan including Okinawa Prefecture is leaning toward full retail deregulation by 2016.



The Scope of Electric Power Supply Deregulation

Retail market

OEPC has to date adopted a cautious approach toward deregulation compared with other utilities.



* Percentage figures represent electricity sales within the scope of deregulation as a percentage of total electricity sales (year ended March 2013).



Maintaining Public Trust



Working with our community

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.

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



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.

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



Awarding ceremony of the audition for Okiden Sugarhall Debut Concert



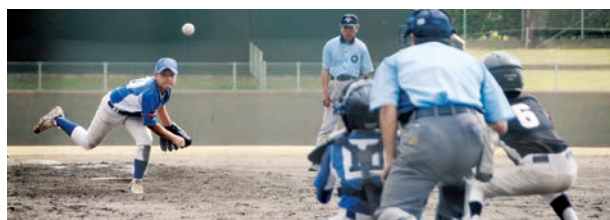
An entry in the "Okiden 'Landscape with Light' Digital Photo Contest"

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 Ryukyu dance and traditional "Eisa" dance. In addition, the Company organizes the "Okiden Sugarhall Audition for Debut Concert" and the "Okiden 'Landscape with Light' Digital Photo Contest."

Sports

OEPC sponsors numerous events including the Okiden Pennant Baseball Tournament, the Okiden Pennant Naginata Tournament, 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.



Okiden Pennant Elementary School Baseball Tournament



Okiden Pennant Naginata Tournament



Baseball workshop for children conducted by the Okiden baseball team

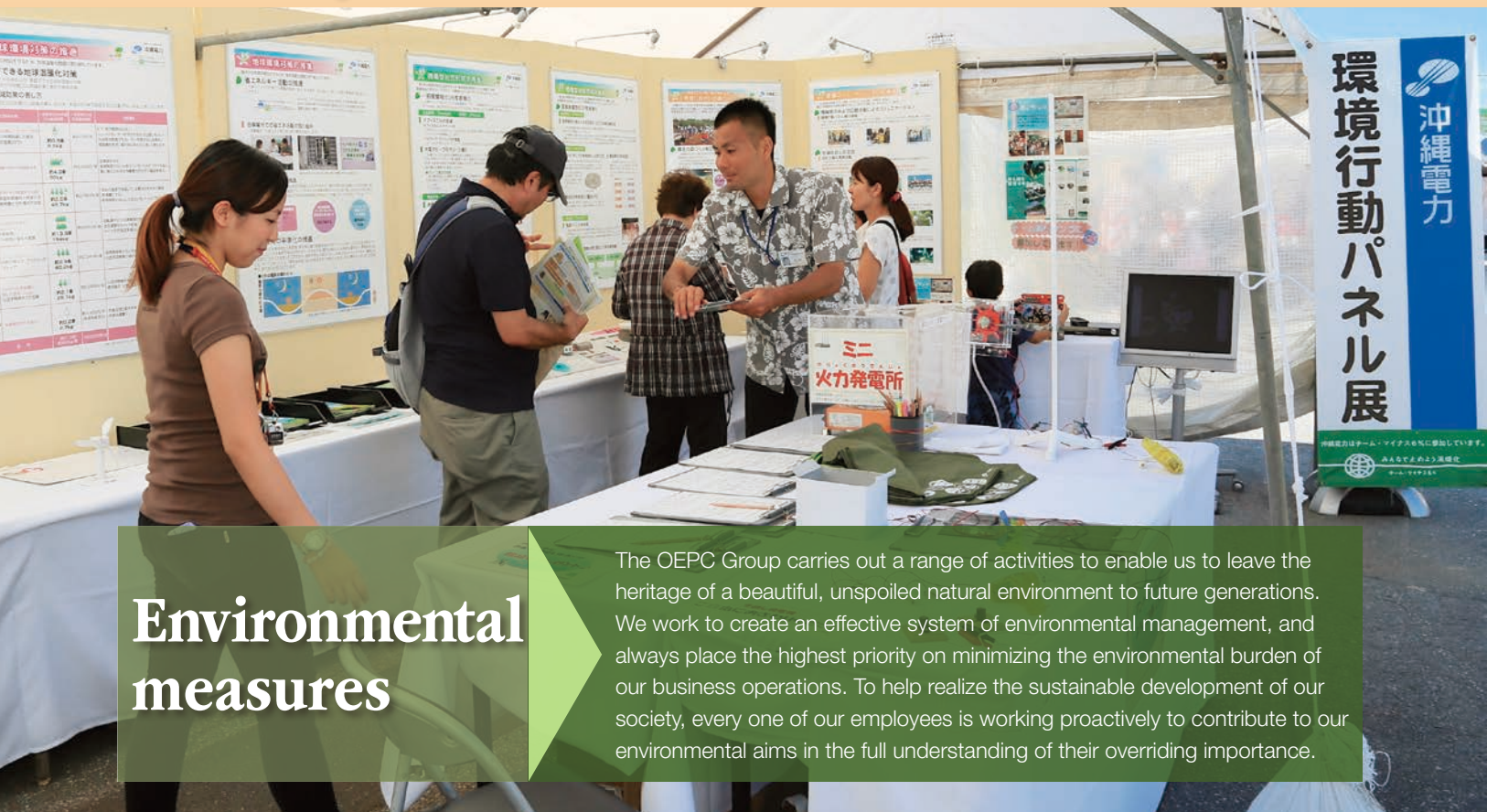


An OEPC staff member gives a talk on environmental and energy topics to elementary school children

Support activities for environmental education

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

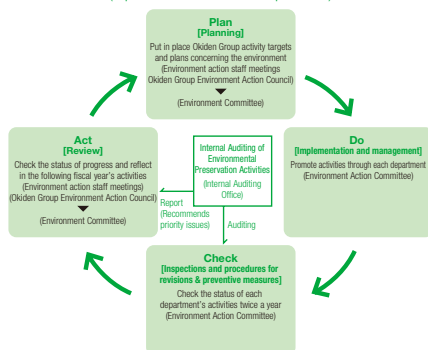
Harmony with the Global Environment



Environmental measures

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.

The PDCA Cycle in Our Environmental Preservation Activities
(Implementation of continuous improvement)



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.



Joint meeting encompassing environment action staff meetings and the Okiden Group Environment Action Council

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. As a part of this process, we continue to take into consideration the views of local residents as well as the local government. Looking ahead, we will 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.



Green power plant (Ishigaki No. 2 Power Plant)

Promoting initiatives aimed at protecting 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 undertook the construction of a new power station at Yoshinoura, which burns LNG, a fuel that generates lower CO₂ emissions than coal or oil. Operations of the first thermal power generator at the Yoshinoura Thermal Power Station commenced in November 2012, while operations of the second generator commenced in May 2013. 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
(April to November)



Wood-based biomass distribution facility

Wood-based biomass pellets



Yoshinoura Thermal Power Station



Confidential document recycling



Damaged ceramic insulators are recycled into material for tiles.

Creation of sustainable resource-oriented society

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

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

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.



Environmental Activities Panel Exhibition
(Okinawa Industry Festival)

Energy and environmental education
(Good Job Summer School)

Green energy

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.

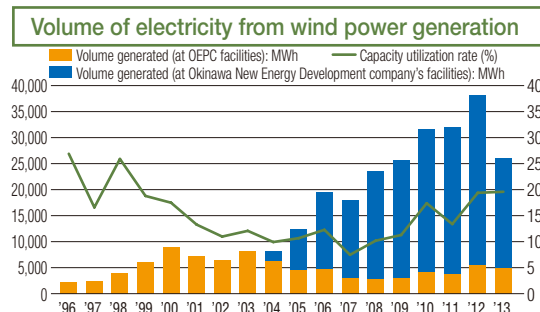
Utilizing renewable energy sources

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, 2013, the Company had a total capacity of 28,888kW (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



Retractable wind-power generator (Minami Daito Island)

Remote island micro-grid verification tests

Utilizing a verification process carried out under the “fiscal 2009 verification of stand-alone new energy systems on remote islands,” supported by the Agency for Natural Resources and Energy of Japan’s Ministry of Economy, Trade and Industry, steps are being taken to gauge the impact of a large-scale adoption of solar power generation systems on the four existing isolated power systems of Miyako, Yonaguni, Kita-Daito, and Tarama islands. As each system differs from island to island, energies are also being channeled toward the demonstration research of isolated power system stabilization while analyzing the operating data of solar power generation and storage systems.

Recognizing that the stabilization of isolated systems is vital to expanding the use of renewable energy, every effort is being made to uncover technologies and countermeasures. This includes the charge and discharge of storage systems to overcome fluctuations in frequency, a major cause of power variations in 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

The “Abu” mega solar power demonstration research facility was established as a part of efforts to take full advantage of Okinawa Prefecture’s Smart Energy Island Foundation Project. The facility is engaged in demonstration research into construction of a 1,000kW solar power generation facility in Nago City and the impact that introduction of large-scale solar power systems to the main island of Okinawa would have on electric power grid. At the same time, the facility takes steps to confirm the output attributes of solar cells by type.

Currently, the facility is undertaking demonstration research to acquire information including solar radiation and photovoltaic output data on an annual basis. Moreover, the facility is working to ascertain the output attributes of each solar cell.

Ogimi Wind Power Generation Demonstration Research Facility

In a bid to make full use of Okinawa Prefecture’s Smart Energy Island Foundation Project, a demonstration research facility that combines a twin turbine ($2 \times 2,000\text{kW}$) wind power generation facility and 4,500kWh capacity storage battery facility is being established in Ogimi Village. Plans are in place to ascertain the impact that introduction of large-scale wind power generation systems to the main island of Okinawa would have on electric power grid, and to assess output stabilization technologies of power variation control and other systems that employ storage batteries.

Construction will take place during fiscal 2013 with demonstration research to commence from fiscal 2014.



A conceptual image of Ogimi Wind Power Generation Demonstration Research Facility on its completion.



Biomass co-firing system

Developing biomass energy application technologies

Since September 2005, OEPC has 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

Improving operational efficiency

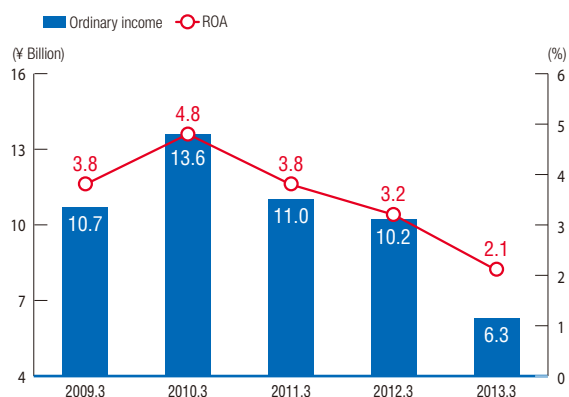
At OEPC, we see a secure, stable financial position as the key to dealing with unpredictable fuel price trends and the rising cost of measures to contain global warming.

Medium-term financial targets

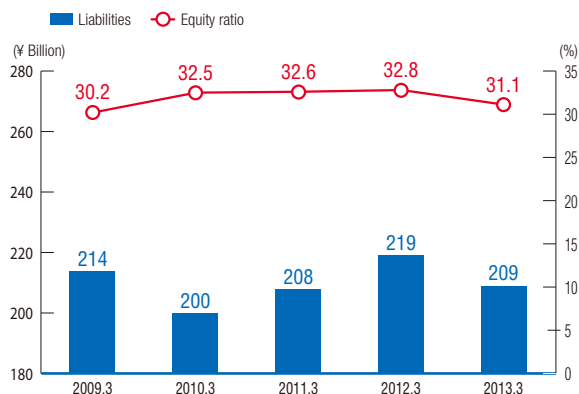
		Financial targets		2013.3
		2009.3-2013.3		
Ordinary income	Consolidated	Annual avg. ¥11 billion or more		¥6.3 billion
	Non-consolidated	Annual avg. ¥10 billion or more		¥4.3 billion
ROA	Consolidated	Annual avg. 3.5% or more (operating income/total assets)		2.1%
	Non-consolidated			1.8%
Balance of interest-bearing liabilities*	Consolidated	Approx. ¥260 billion		¥209.4 billion
	Non-consolidated	Approx. ¥250 billion		¥207.2 billion
Equity ratio	Consolidated			31.1%
	Non-consolidated			30.0%

* Lease obligations relating to Yoshinoura Thermal LNG terminal totaling ¥32.6 billion are not included in the balance of interest-bearing liabilities.

Ordinary income and ROA (Consolidated basis)



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



Labor productivity and number of employees



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

Improving operational efficiency

Efficient capital investment

Capital investment came in at ¥47.8 billion in fiscal 2012, compared with the budgeted figure of ¥48.8 billion. This was largely attributable to the reexamination of investment plans, and careful reviews of the design of each facility's construction, as well as specification and construction method.

Amid expectations of the construction of facilities that boast large-scale disaster prevention specifications, capital investment is projected to total ¥34.7 billion in fiscal 2013. This largely reflects successful efforts to reduce expenditure at the design, contract, and construction stages as cost-cutting measures take hold. Furthermore, we will reduce additional capital investment by continuing to implement measures to achieve greater efficiency.

More efficient plant operation and maintenance

In fiscal 2012, 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.

In fiscal 2013, we will work to hold down repair and maintenance costs by reviewing expenses from a long-term perspective and implementing measures aimed at minimizing total costs.



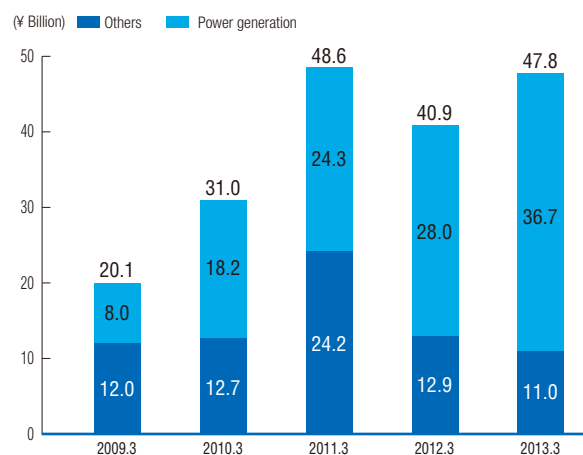
Unloading coal at Kin Thermal Power Plant

Reducing the cost of powering remote islands

Due to such wide-ranging factors as remote location and narrowing scale, electric power operations across remote islands remain in a constant state of revenue and expenditure imbalance. Under these circumstances, OEPC has been working to raise efficiency in remote island power supplies by rapidly implementing a range of cost-cutting measures including the 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 operations using the economic load dispatching control (EDC) system.

While pressing on with these endeavors, the Company will consider a raft of new initiatives while working to further reduce costs.

Trends in capital investment



Stable procurement and lower costs for fuels

Turning to the market for fuels, future conditions remain shrouded in uncertainty. Despite an upward swing in fuel prices due to such wide-ranging factors as economic growth in China and India, which continues to drive demand, as well as instability throughout the Middle East and speculative investments, this uncertainty reflects a drop in fuel prices attributable to fears of financial conditions in Europe and other factors including a slowdown in the rate of economic growth in China. Under these circumstances, OEPC is taking every possible step to ensure sustained and stable procurement of fuels while reducing costs.

Also in fiscal 2013, we will continue to implement measures aimed at procuring stable supplies of oil, coal, and LNG and to reduce fuel costs.



Wind power generators

Streamlining business operations

In fiscal 2012, the Cost Oversight Committee undertook steps to consider ways in which to reduce costs. Particular attention was directed toward curtailing expenses especially in such areas as consumables and outsourcing fees.

In addition, OEPC has cutback expenses in the initial period while ensuring that repayments are made on a more even basis by adopting a finance leasing structure for Yoshinoura Thermal Power Station. This has helped to alleviate the burden on the Company from both the funding and expenditure perspectives. Moreover, OEPC has introduced various work-style reforms in a bid to improve operating efficiency and standardizing operations through the use of IT.

In fiscal 2013, each department will continue to use its creative ingenuity to enhance operating efficiency. No stone will go unturned in the Company's efforts to reduce costs and promote operating efficiency in earnest. This will include a drastic review including discontinuation of existing operations.

Supporting the local community

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.

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.



Okiden Kaihatsu Co., Inc.'s Okinawa IT Shinryo Park facility development operations



Okidenko Co., Inc. undertaking reconstruction work at the prefecture-operated Tomigusuku Estate



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, 2013)

Company Name	Established/Capital	Business Areas
Construction		
Okidenko Company, Incorporated	June 12, 1968 ¥130 million	Civil engineering, construction, electrical work, piping, electric telecommunications work, electric power system construction work, inspection and maintenance
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, EcoCute and induction heaters (IH); design and installation of solar power generation systems, 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; full-service advertising agency, lease of vehicles and property; maintenance of vehicles; agency business for non-life insurance companies
Okinawa Plant Kogyo Company, Incorporated	June 1, 1981 ¥32 million	Operation of electrical machinery and facilities, etc. on commission; installation of electrical machinery and equipment
Okinawa Denki Kogyo Company, Incorporated	December 23, 1971 ¥23 million	Repair of electrical measuring equipment and inspection agency work; sale of components for electrical facilities
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
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

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 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 the Dean of the Faculty of Economics of a university 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 does not currently have in place specific criteria or policies with respect to the independence of external directors and external auditors. Each of the Company's external director and external auditors do, however, fulfill the criteria stipulated by the financial instruments exchanges on which the Company is listed. Accordingly, the independence of each external officer is considered appropriate with little or no likelihood of a conflict 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. Overview of Limited Liability Agreement Details

The Company has entered into limited liability agreements with its external director and external auditors pursuant to the provision stipulated under Article 427, Paragraph 1 of Japan's Companies Act that limits the liability for compensation for damages due to a director neglecting his or her duties, pursuant to the provision stipulated under Article 425, Paragraph 1 of Japan's Companies Act (Contracts for Limitation of Liability).

5. Auditors

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

6. 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)	292	232	60	13
Company Auditors (excluding Outside Company Auditors)	36	36	—	2
Outside Directors	19	18	0	4

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

Total (¥ million)	Number of Persons	Details
75	5	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. Director's 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.

7. Shareholdings

- The Company currently holds shares of a total of 48 companies, for purposes other than pure investment, with a balance sheet value of ¥8,580 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	1,822	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

(Fiscal year under review)

Company Name	Number of Shares	Balance Sheet Amounts (¥ million)	Holding Purpose
The Bank of Okinawa, Ltd.	494,000	1,953	Stabilization of electricity business, contribution to development of Okinawa's economy
Okinawa Cellular Telephone Company	472,000	1,112	Contribution to development of Okinawa's economy
Bank of the Ryukyus	689,660	943	Stabilization of electricity business, contribution to development of Okinawa's economy
San-A Co., Ltd.	43,200	182	Contribution to development of Okinawa's economy
KDDI Corporation	3,300	25	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.

8. Number of Directors

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

9. 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.

10. 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 the payment of compensation 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.

11. 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

In fiscal 2012, the fiscal year ended March 31, 2013, economic conditions throughout Okinawa Prefecture witnessed moderate growth. This was largely attributable to an upswing in government final consumption expenditure reflecting such factors as the expansion of service-type businesses on the back of lump-sum subsidies for Okinawa development and substantial growth in the number of tourists, thanks mainly to a turnaround in voluntary controls following the Great East Japan Earthquake and the robust pulling power of Low-cost Carriers.

Under these circumstances, OEPC recorded operating revenues (sales) of ¥166,439 million (U.S.\$1,769 million) on a consolidated basis, up ¥364 million (0.2%) compared with the previous fiscal year. Despite a decrease in revenues from the external sales of consolidated subsidiaries, this increase in operating revenues (sales) mainly reflected the impact of such factors as the fuel cost adjustment system on the Electric Power Business.

Operating expenses rose by ¥4,164 million (2.7%) year-on-year to ¥157,470 million (U.S.\$1,674 million), owing to such factors in the Electric Power Business as the increase in depreciation and amortization, fuel costs, and repairs and maintenance expenses.

As a result, operating income decreased by ¥3,799 million (29.8%) to ¥8,969 million (U.S.\$95 million).

Income before income taxes and minority interests came to ¥6,307 million (U.S.\$67 million), down ¥3,966 million (38.6%).

Net income decreased by ¥2,637 million (37.9%) to ¥4,318 million (U.S.\$45 million).

Details of business performance by segment are as follows:

1. Electric Power Business

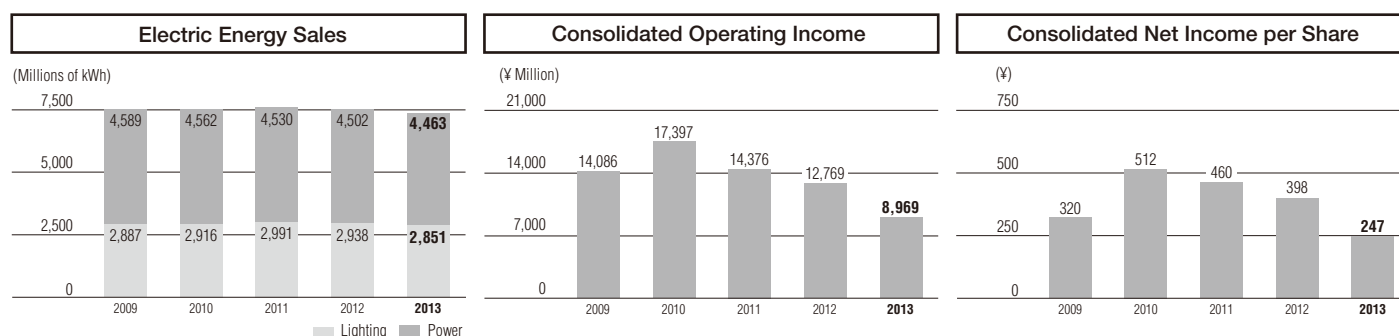
The total volume of electric power sold in the private sector over the course of the fiscal year under review declined year-on-year due mainly to the drop in primarily residential demand. This largely reflected the succession of typhoons that hit the area and lower temperatures compared with the previous fiscal year. Sales in the industrial sector also declined year-on-year mainly as a result of the drop in demand in the water utility industry and from the U.S. armed forces stationed in the area.

By use (residential and business), residential power sales were down 3.0% year-on-year to 2,851 million kWh, while higher-voltage industrial and commercial power sales declined 0.9% to 4,463 million kWh. Accounting for these factors, the total volume of electric power sold fell 1.7% compared with the previous fiscal year to 7,314 million kWh.

Operating revenues from the Electric Power Business increased by ¥1,024 million (0.6%) to ¥158,911 million (U.S.\$1,689 million) year-on-year, due to the impact of such factors as the fuel cost adjustment system.

At the same time, operating expenses increased by ¥4,822 million (3.3%) to ¥151,864 million (U.S.\$1,614 million), due in part to increases in depreciation and amortization, fuel charges, and repairs and maintenance expenses.

As a result, operating income decreased by ¥3,797 million (35.0%) to ¥7,047 million (U.S.\$74 million).



2. Other Operations

In other revenues and expenses, sales decreased by ¥1,246 million (3.0%) compared with the previous fiscal year to ¥39,745 million (U.S.\$422 million) owing mainly to the drop in external sales. Operating expenses declined by ¥1,033 million (2.7%) year-on-year to ¥37,816 million (U.S.\$402 million).

As a result of the foregoing, operating income decreased by ¥212 million (9.9%) compared with the previous fiscal year to ¥1,929 million (U.S.\$20 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 decreased by ¥2,997 million (9.6%) to ¥28,131 million (U.S.\$299 million). The principal factor behind this decrease was the year-on-year decline in income before income taxes and minority interests.

Cash flows from investing activities

Net cash used in investing activities fell by ¥4,923 million (11.4%) to ¥38,094 million (U.S.\$405 million), due in part to a decrease in the purchase of property, plant, and equipment.

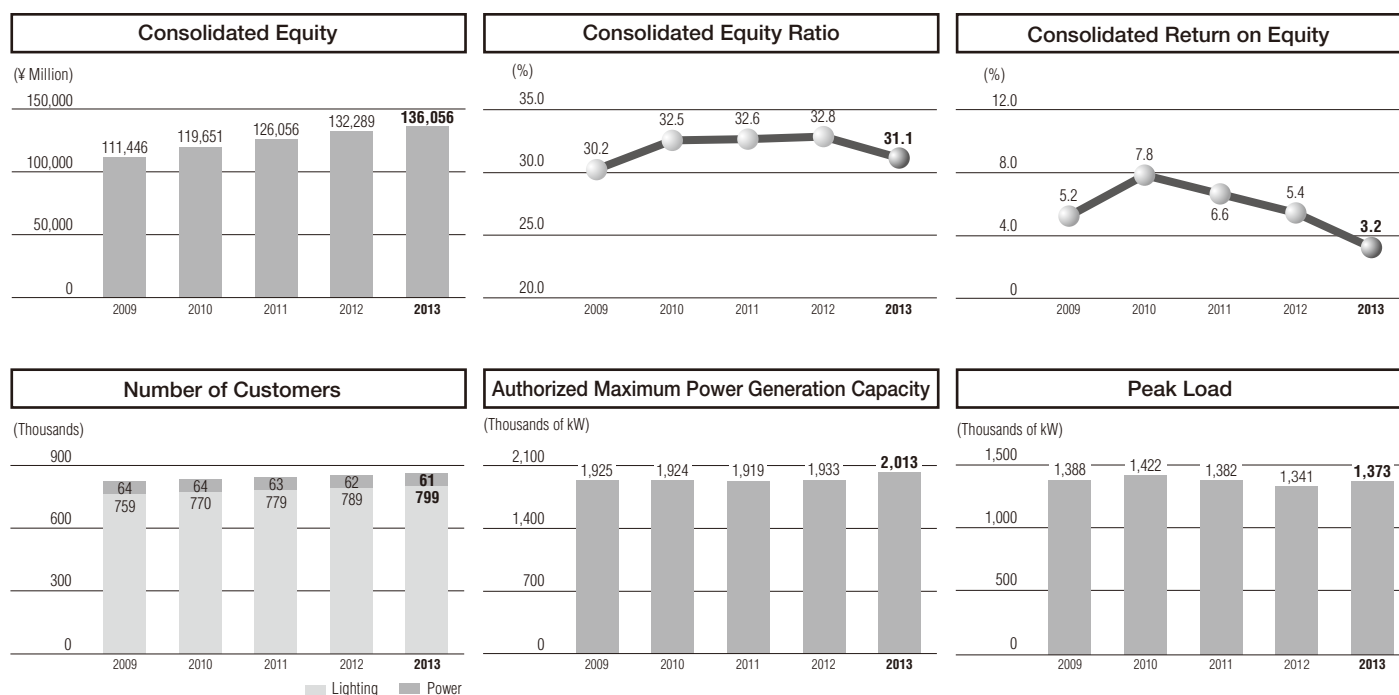
Free cash flow

Accordingly, the Company had negative free cash flow of ¥9,963 million (U.S.\$105 million), a year-on-year increase of ¥1,925 million.

Cash flow from financing activities

Net cash provided by financing activities increased by ¥8,414 million (85.5%) to ¥18,256 million (U.S.\$194 million), owing partly to the increase in proceeds from sales and leaseback transactions.

As a result, cash and cash equivalents as of the end of the year under review totaled ¥15,780 million (U.S.\$167 million), up by ¥8,293 million (110.8%) 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 of a forward-looking nature contained in this report are based on the Group's evaluations as of the end of the fiscal year under review (consolidated basis).

1. Deregulation in the electric power business

Over the recent past, certain government policies have been approved by the Cabinet of Japan. As a result, bills to amend laws relating to the electric power business are scheduled for submission on a progressive basis with expectations that detailed design measures will be implemented.

In the context of the aforementioned government policies, there are also indications that certain systems that take into consideration the special regional characteristics of Okinawa will be established.

In this context, and depending on trends of electric power system reform, the potential exists for the Group's business performance to be affected.

2. Environmental countermeasures

The management of OEPC has positioned countermeasures against global warming as a priority issue and numerous measures have already been taken.

In view of the increasing strength in recent years of calls by the public for electric utility companies to undertake environmental initiatives, the imposition by the authorities of stricter environmental regulations could have an adverse impact on the business performance of the Group.

3. Businesses other than electricity business

To improve enterprise value, the Group is leveraging its management resources to expand its scope of operations and develop new businesses. It also currently engages in businesses, such as construction, IT/telecommunications, real estate, dispersed power generation (on-site power generation), and is considering entering the gas supply business.

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

In its core Electric Power Business, the volumes of electricity sold by the Group can be affected by economic trends, climatic factors (temperatures, typhoons, and other conditions), and changes in such initiatives as energy conservation. The potential therefore exists for the Group's business performance to be affected by these and related factors.

5. Fuel price fluctuations

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

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

6. Interest-rate fluctuations

The balance of the Group's interest-bearing liabilities totaled ¥209.4 billion as of March 31, 2013. 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 that a rating agency lowers our credit rating, the interest rates on fund procurement for the Group would rise, with the potential to affect the Group's performance.

7. Special legal measures

To ensure a stable and adequate supply of electric power to Okinawa, in accordance with the Law for Special Measures to Promote Okinawa, we benefit from special measures and provisions that enable us to secure funds and facilitate other aspects of our operations. Under the Okinawa Development Finance Corporation (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 in connection with coal and LNG). 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 the Group's business performance.

8. Natural disasters and accidents

Mindful of its duty to ensure a stable supply of electric power, the Company is committed to efficient facility construction, operation, and maintenance to ensure it can cope with natural disasters.

In addition to a review of its facility and other large-scale disaster countermeasures, the Company is taking steps to again verify its disaster recovery capabilities from both practical and organizational perspectives taking into consideration a wide range of scenarios.

However, Group 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

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Years ended March 31

Financial Statistics

	Millions of yen				
	2013	2012	2011	2010	2009
For the year:					
Operating revenues	¥166,439	¥166,075	¥158,494	¥162,501	¥173,136
Electric.....	158,597	157,563	150,552	151,430	160,782
Other	7,842	8,511	7,942	11,071	12,354
Operating expenses	157,470	153,305	144,118	145,104	159,049
Electric.....	150,247	145,453	136,884	135,022	147,637
Other	7,223	7,852	7,233	10,081	11,412
Interest expense	2,915	2,917	2,943	3,329	3,581
Income before income taxes and minority interests.....	6,307	10,273	11,042	13,659	9,677
Income taxes.....	1,889	3,118	2,929	4,408	3,836
Net income.....	4,318	6,956	8,047	8,950	5,604
 Per share of common stock (Yen):					
Basic net income	¥ 247.20	¥ 398.15	¥ 460.58	¥ 512.04	¥ 320.54
Cash dividends applicable to the year	60.00	60.00	60.00	60.00	60.00

At year-end:

Total assets	¥435,515	¥400,687	¥385,159	¥365,299	¥365,557
Net property, plant, and equipment	366,028	346,784	329,971	312,254	310,486
Long-term debt, less current maturities	190,993	189,076	186,741	159,692	188,928
Total equity.....	136,056	132,289	126,056	119,651	111,446

Years ended March 31

Operating Statistics

	2013	2012	2011	2010	2019
For the year:					
Electric energy sales (Millions of kWh)	7,314	7,440	7,521	7,478	7,476
Peak load (Thousands of kW)	1,373	1,341	1,382	1,422	1,388
At year-end:					
Generating capacity (Thousands of kW).....	2,013	1,933	1,919	1,924	1,925
Transmission lines (km).....	1,053	1,049	1,037	1,033	1,026
Distribution lines (km).....	10,590	10,894	10,863	10,816	10,780

Consolidated Balance Sheet

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

March 31, 2013	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Assets			
Property, plant, and equipment (Note 5):			
Utility plants	¥909,762	¥815,105	\$ 9,673,174
Other plant and equipment (Note 7)	33,095	32,768	351,888
Construction in progress	21,260	76,385	226,056
Total	964,117	924,259	10,251,119
Less:			
Contributions in aid of construction (Note 2(b))	(29,643)	(29,071)	(315,184)
Accumulated depreciation	(568,446)	(548,403)	(6,044,085)
Total	(598,089)	(577,474)	(6,359,270)
Net property, plant, and equipment	366,028	346,784	3,891,849
Investments and other assets:			
Investment securities (Notes 6 and 14)	9,875	9,097	105,004
Investments in and advances to unconsolidated subsidiaries and affiliates	956	849	10,167
Deferred tax assets (Note 10)	10,240	10,491	108,881
Other assets	3,302	1,229	35,113
Allowance for doubtful accounts	(98)	(179)	(1,046)
Total investments and other assets	24,276	21,489	258,120
Current assets:			
Cash and cash equivalents (Note 14)	15,780	7,487	167,787
Receivables (Note 14)	11,085	7,373	117,868
Inventories	13,217	10,117	140,532
Deferred tax assets (Note 10)	1,807	1,944	19,218
Other current assets	3,470	5,656	36,905
Allowance for doubtful accounts	(150)	(165)	(1,598)
Total current assets	45,211	32,413	480,714
Total	¥435,515	¥400,687	\$ 4,630,684
Liabilities and equity			
Long-term liabilities:			
Long-term debt, less current maturities (Notes 7 and 14)	¥190,993	¥189,076	\$ 2,030,766
Lease obligations	32,064	1,277	340,933
Liabilities for employees' retirement benefits (Note 9)	15,080	14,734	160,344
Other long-term liabilities	865	1,269	9,199
Total long-term liabilities	239,004	206,357	2,541,244
Current liabilities:			
Current maturities of long-term debt (Notes 7 and 14)	20,236	29,522	215,168
Short-term bank loans (Notes 8 and 14)	196	1,650	2,083
Notes and accounts payable (Note 14)	28,227	21,330	300,138
Income taxes payable (Note 14)	822	360	8,749
Accrued expenses	8,261	6,834	87,843
Other current liabilities	2,710	2,343	28,818
Total current liabilities	60,455	62,040	642,801
Equity (Note 11):			
Common stock,			
Authorized — 30,000,000 shares			
Issued — 17,524,723 shares in 2013 and 2012	7,586	7,586	80,664
Capital surplus	7,141	7,141	75,934
Retained earnings	119,533	116,264	1,270,960
Treasury stock, at cost — 53,331 shares in 2013 and 53,373 shares in 2012	(273)	(273)	(2,902)
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	1,292	794	13,744
Total	135,281	131,512	1,438,400
Minority interests	774	776	8,238
Total equity	136,056	132,289	1,446,638
Total	¥435,515	¥400,687	\$ 4,630,684

See notes to consolidated financial statements.

Consolidated Statement of Income

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Year ended March 31, 2013	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Operating revenues:			
Electric.....	¥158,597	¥157,563	\$1,686,314
Other	7,842	8,511	83,382
Total operating revenues	166,439	166,075	1,769,696
Operating expenses (Notes 9 and 12):			
Electric.....	150,247	145,453	1,597,524
Other	7,223	7,852	76,805
Total operating expenses	157,470	153,305	1,674,330
Operating income	8,969	12,769	95,366
Other expenses:			
Interest expense (Notes 7 and 8).....	2,915	2,917	30,994
Other — net.....	(252)	(421)	(2,689)
Net other expenses	2,662	2,495	28,304
Income before income taxes and minority interests	6,307	10,273	67,061
Income taxes (Note 10):			
Current	1,720	1,730	18,296
Deferred.....	168	1,388	1,792
Total.....	1,889	3,118	20,088
Net income before minority interests	4,417	7,155	46,972
Minority interests in net income	98	198	1,051
Net income	¥ 4,318	¥ 6,956	\$ 45,921
	Yen		U.S. dollars
Per share of common stock (Note 2(k)):			
Basic net income	¥247.20	¥398.15	\$2.63
Cash dividends applicable to the year	60.00	60.00	0.64

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Year ended March 31, 2013	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Net income before minority interests	¥4,417	¥7,155	\$46,972
Other comprehensive income (Note 16)			
Unrealized gain on available-for-sale securities	501	191	5,330
Share of other comprehensive income in an affiliate accounted for under the equity method	0	0	2
Total other comprehensive income.....	501	192	5,333
Comprehensive income	¥4,919	¥7,347	\$52,305
Total comprehensive income attributable to:			
Owners of the parent	¥4,817	¥7,148	\$51,219
Minority interests.....	102	198	1,086

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Shares / Millions of yen										
Year ended March 31, 2013	Common stock				Treasury stock		Accumulated other comprehensive income	Total	Minority interests	Total equity
	Shares	Amount	Capital surplus	Retained earnings	Shares	Amount	Unrealized gain on available-for- sale securities			
Balance, April 1, 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
Net income.....				4,318				4,318		4,318
Cash dividends.....				(1,048)				(1,048)		(1,048)
Purchase of treasury stock.....					312	(0)		(0)		(0)
Disposal of treasury stock				(0)	(354)	1		0		0
Net change in the year.....							498	498	(2)	496
Balance, March 31, 2013	17,524,723	¥7,586	¥7,141	¥119,533	53,331	¥(273)	¥1,292	¥135,281	¥774	¥136,056

	Thousands of U.S. dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total	Minority interests	Total equity
					Unrealized gain on available-for- sale securities			
Balance, March 31, 2012	\$80,664	\$75,934	\$1,236,194	\$(2,913)	\$ 8,445	\$1,398,325	\$8,259	\$1,406,585
Net income.....			45,921			45,921		45,921
Cash dividends.....			(11,146)			(11,146)		(11,146)
Purchase of treasury stock				(9)		(9)		(9)
Disposal of treasury stock			(9)	19		10		10
Net change in the year.....					5,298	5,298	(21)	5,276
Balance, March 31, 2013	\$80,664	\$75,934	\$1,270,960	\$(2,902)	\$13,744	\$1,438,400	\$8,238	\$1,446,638

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Year ended March 31, 2013	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Operating activities:			
Income before income taxes and minority interests	¥ 6,307	¥10,273	\$ 67,061
Adjustments for:			
Income taxes paid	(1,196)	(3,408)	(12,726)
Income taxes refund	540		5,750
Depreciation and amortization	24,249	22,519	257,835
Provision for employees' retirement benefits	345	334	3,675
Loss on disposal of property, plant, and equipment.....	1,129	886	12,011
Changes in operating assets and liabilities:			
(Increase) decrease in trade notes and accounts receivable	(3,712)	790	(39,472)
(Increase) decrease in inventories.....	(2,997)	246	(31,871)
Increase in trade notes and accounts payables.....	892	900	9,494
(Decrease) increase in interest payable.....	(65)	11	(697)
Other — net	2,638	(1,427)	28,050
Total adjustments	21,824	20,855	232,049
Net cash provided by operating activities.....	28,131	31,128	299,111
Investing activities:			
Purchase of property, plant, and equipment	(39,665)	(42,473)	(421,750)
Proceeds from sale of property, plant, and equipment.....	283	322	3,009
Payments for investments and advances.....	(104)	(84)	(1,110)
Proceeds from sales of investment securities and collections of advances.....	74	287	789
Other — net	1,318	(1,070)	14,016
Net cash used in investing activities.....	(38,094)	(43,017)	(405,045)
Financing activities:			
Proceeds from issuance of bonds	9,966	9,966	105,967
Repayments of bonds	(10,000)		(106,326)
Proceeds from long-term debt.....	10,100	21,664	107,389
Repayments of long-term debt	(19,100)	(17,929)	(203,086)
Net decrease in short-term bank loans	(1,304)	(2,350)	(13,864)
Cash dividends paid	(1,047)	(1,048)	(11,134)
Proceeds from sale and leaseback	30,119		320,250
Other — net	(478)	(460)	(5,082)
Net cash provided by financing activities	18,256	9,841	194,111
Net increase (decrease) in cash and cash equivalents	8,293	(2,047)	88,177
Cash and cash equivalents, beginning of year	7,487	9,534	79,609
Cash and cash equivalents, end of year	¥15,780	¥ 7,487	\$167,787

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Year ended March 31, 2013

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 (collectively 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 2012 financial statements to conform to the classifications used in 2013.

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 ¥94.05 to \$1, the approximate rate of exchange on March 31, 2013. 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 in the accompanying consolidated financial statements both in yen and in U.S. dollars do not necessarily agree with the sums of the individual amounts.

2. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements for the year ended March 31, 2013, include the accounts of the Company and its eleven significant subsidiaries (eleven in 2012). Investment in one affiliated company (one in 2012) 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.

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) nonmarketable 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 that 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 in 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.

(h) Severance payments and pension plan

The liability for retirement benefits is 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) 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.

(j) 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. Change of accounting policy which is not easily distinguished from change of accounting estimate

Effective April 1, 2012, as a result of the revision of Japanese corporate tax law, the Companies changed their depreciation method for property, plant, and equipment acquired on or after April 1, 2012, to the method stipulated under the revised corporate tax law. Therefore, consolidated operating income and income before income taxes and minority interests for the year ended March 31, 2013, both increased by ¥994 million.

4. New accounting pronouncements

Accounting standard for retirement benefits

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and followed by partial amendments from time to time through 2009.

Major changes are as follows:

(i) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(ii) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses, and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(iii) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (i) and (ii) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (iii) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard for (i) and (ii) above from the end of the annual period beginning on April 1, 2013, and for (iii) above from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

5. Property, plant, and equipment

The major classes of property, plant, and equipment as of March 31, 2013 and 2012, consisted of the following:

	Millions of yen			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
As of March 31, 2013				
Thermal power-generating facilities.....	¥464,121	¥(16,871)	¥(289,430)	¥157,819
Transmission facilities.....	145,856	(2,954)	(91,488)	51,413
Transformation facilities.....	97,402	(1,298)	(64,070)	32,032
Distribution facilities.....	154,330	(2,306)	(80,392)	71,631
General facilities.....	34,064	(5,138)	(14,150)	14,774
Other electricity-related facilities.....	13,987	(82)	(12,245)	1,659
Utility plants.....	909,762	(28,653)	(551,777)	329,331
Other plant and equipment....	33,095	(989)	(16,376)	15,728
Construction in progress.....	21,260		(292)	20,968
Total.....	¥964,117	¥(29,643)	¥(568,446)	¥366,028

	Millions of yen			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
As of 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

	Thousands of U.S. dollars			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
As of March 31, 2013				
Thermal power-generating facilities.....	\$ 4,934,835	\$(179,389)	\$(3,077,407)	\$1,678,038
Transmission facilities.....	1,550,835	(31,410)	(972,761)	546,663
Transformation facilities.....	1,035,642	(13,811)	(681,239)	340,591
Distribution facilities.....	1,640,940	(24,528)	(854,780)	761,632
General facilities.....	362,199	(54,640)	(150,462)	157,096
Other electricity-related facilities.....	148,721	(881)	(130,196)	17,643
Utility plants.....	9,673,174	(304,661)	(5,866,848)	3,501,664
Other plant and equipment....	351,888	(10,522)	(174,130)	167,235
Construction in progress.....	226,056		(3,107)	222,949
Total.....	\$10,251,119	\$(315,184)	\$(6,044,085)	\$3,891,849

6. Investment securities

The costs and aggregate fair values of investment securities as of March 31, 2013 and 2012, were as follows:

	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
As of March 31, 2013				
Securities classified as:				
Available-for-sale:				
Equity securities.....	¥2,496	¥2,180	¥183	¥4,493
Other.....	500		153	347
Total.....	¥2,997	¥2,180	¥336	¥4,840

	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
As of March 31, 2012				
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

	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
As of March 31, 2013				
Securities classified as:				
Available-for-sale:				
Equity securities.....	\$26,543	\$23,183	\$1,951	\$47,776
Other.....	5,323		1,630	3,692
Total.....	\$31,867	\$23,183	\$3,582	\$51,468

7. Long-term debt

Long-term debt as of March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Domestic bonds, 0.524% to 2.020% in 2013 and 0.524% to 2.020% in 2012, due serially through 2022.....	¥ 79,999	¥ 79,999	\$ 850,609
Loans from Okinawa Development Finance Corporation, 0.550% to 2.100% in 2013 and 0.550% to 2.500% in 2012, due serially through 2027.....	120,385	126,725	1,280,011
Loans from banks, insurance companies and other sources, 0.316% to 1.950% in 2013 and 0.386% to 1.950% in 2012, due serially through 2023.....	8,891	11,401	94,540
Obligations under finance leases.....	34,017	1,749	361,700
Other.....	0		7
Total.....	243,295	219,876	2,586,868
Less current maturities.....	(20,236)	(29,522)	(215,168)
Long-term debt, less current maturities.....	¥223,058	¥190,353	\$2,371,700

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 ¥4,117 million (\$43,776 thousand), are pledged as collateral for a portion of the long-term debt as of March 31, 2013.

The aggregate annual maturities of long-term debt outstanding as of March 31, 2013, were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2014.....	¥ 20,236	\$ 215,168
2015.....	25,938	275,798
2016.....	26,932	286,362
2017.....	23,849	253,580
2018.....	27,181	289,011
2019 and thereafter.....	119,156	1,266,946
Total	¥243,295	\$2,586,868

8. Short-term borrowings

The weighted-average interest rates applicable to short-term bank loans were 0.640% and 0.649% as of March 31, 2013 and 2012, respectively.

9. 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 cash balance pension plans based on the Defined-Benefit Corporate Pension Law as well as lump-sum retirement benefit plans.

The liability for employees' retirements benefit as of March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligation.....	¥24,659	¥24,255	\$262,195
Fair value of plan assets.....	(10,209)	(8,982)	(108,557)
Unrecognized actuarial gain (loss)	630	(538)	6,706
Net liability.....	¥15,080	¥14,734	\$160,344

The components of net periodic retirement benefit costs for the years ended March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost.....	¥1,187	¥1,240	\$12,623
Interest cost.....	371	372	3,953
Expected return on plan assets			
Recognized actuarial loss	198	296	2,111
Contribution to the defined contribution pension plan.....	195	191	2,073
Net periodic retirement benefit costs.....	¥1,952	¥2,102	\$20,762

Assumptions used for the years ended March 31, 2013 and 2012, were set forth as follows:

	2013	2012
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

10. Income taxes

The Companies are subject to several taxes based on income and revenue. For the years ended March 31, 2013 and 2012, the aggregate normal statutory tax rates approximated 32.7% and 35.4%, respectively.

The tax effects of significant temporary differences and loss carryforwards, which resulted in deferred tax assets and liabilities as of March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Pension and severance costs	¥ 4,753	¥ 4,646	\$ 50,540
Unrealized profit	3,933	3,909	41,827
Depreciation and amortization	2,223	2,123	23,645
Accrued bonus to employees.....	762	769	8,109
Other	1,781	2,325	18,944
Subtotal.....	13,455	13,775	143,067
Less: valuation allowance.....	(398)	(538)	(4,234)
Total deferred tax assets	¥13,057	¥13,237	\$138,832
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(595)	(388)	(6,334)
Unrealized gain on land revaluation.....	(310)	(311)	(3,299)
Other	(103)	(100)	(1,097)
Total deferred tax liabilities	¥ (1,009)	¥ (800)	\$ (10,732)
Net deferred tax assets.....	¥12,047	¥12,436	\$128,100

Reconciliations between the normal effective statutory tax rate for the years ended March 31, 2013 and 2012, and the actual effective tax rate reflected in the accompanying consolidated statements of income were as follows:

	2013
Normal effective statutory tax rate.....	32.7%
Tax credit	(4.3)
Difference in subsidiaries' tax rates.....	1.5
Expenses not deductible for income tax purpose	1.2
Changes in valuation allowance	(0.9)
Other-net	(0.2)
Actual effective tax rate	30.0%

	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%

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.

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 ¥1,061 million (\$11,290 thousand) and ¥1,375 million for the years ended March 31, 2013 and 2012, respectively.

13. Additional cash flow information

The amounts of assets and obligations related to finance lease transactions that were newly recorded in the current fiscal year are ¥32,737 million (\$348,086 thousand) and ¥32,740 million (\$348,114 thousand) for lease assets and lease obligations, respectively. The amounts of the above lease transactions include sale and leaseback transactions.

14. 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 the payment terms 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 a financial and accounting officer monthly and reported to the Board of Directors semiannually.

(3) Liquidity risk management for fund-raising

The Companies prepare and update their financial plans on a timely basis and manage liquidity risk through the use of an overdraft line and by acquiring a commitment line.

(d) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Please see Note 15 for details related to fair values for derivatives.

(1) Fair values of financial instruments

The carrying amounts and aggregate fair values of financial instruments as of March 31, 2013 and 2012, were as follows:

	Millions of yen		
	Carrying amount	Fair value	Unrecognized loss
March 31, 2013			
Investment securities:			
Available-for-sale	¥ 4,840	¥ 4,840	
Cash and cash equivalents	15,780	15,780	
Receivables	11,085	11,085	
Total	¥ 31,706	¥ 31,706	
Long-term debt:			
Bonds	¥ 79,999	¥ 83,492	¥3,492
Loans	129,276	135,765	6,488
Short-term bank loans	196	196	
Notes and accounts payable	28,227	28,227	
Income taxes payable	822	822	
Total	¥238,523	¥248,504	¥9,981

	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

	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrecognized loss
March 31, 2013			
Investment securities:			
Available-for-sale	\$ 51,468	\$ 51,468	
Cash and cash equivalents	167,787	167,787	
Receivables	117,868	117,868	
Total	\$ 337,124	\$ 337,124	

Long-term debt:			
Bonds	\$ 850,609	\$ 887,743	\$ 37,134
Loans	1,374,551	1,443,546	68,994
Short-term bank loans	2,083	2,083	
Notes and accounts payable	300,138	300,138	
Income taxes payable	8,749	8,749	
Total	\$2,536,132	\$2,642,261	\$106,128

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. Fair value information for investment securities by classification is included in Note 6.

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 together 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

Fair value information for derivatives is included in Note 15.

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Investment securities:			
Available-for-sale:			
Unlisted equity securities	¥4,415	¥4,364	\$46,943
Other	619	614	6,592
Total	¥5,035	¥4,979	\$53,535

(e) Maturity analysis for financial assets with contractual maturities

	Millions of yen	Thousands of U.S. dollars
	Due in one year or less	Due in one year or less
March 31, 2013		
Cash and cash equivalents	¥15,780	\$167,787
Receivables	11,085	117,868
Total	¥26,865	\$285,655

15. 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 qualified for hedge accounting, information on their 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
As of March 31, 2013								
Interest rate swaps:								
(floating rate payment, fixed rate receipt).....	Long-term debt	¥2,997	¥2,331		Long-term debt	\$31,866	\$24,784	

	Millions of yen			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
As of March 31, 2012				
Interest rate swaps:				
(floating rate payment, fixed rate receipt).....	Long-term debt	¥3,663	¥2,997	

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 14.

16. Comprehensive income

The components of other comprehensive income for the years ended March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Other comprehensive income:			
Unrealized gain on available-for-sale securities			
Gains arising during the year	¥721	¥210	\$7,674
Amount before income tax effect	721	210	7,674
Income tax effect	(220)	(18)	(2,344)
Total	501	191	5,330
Share of other comprehensive income in an affiliate accounted for under the equity method			
Gains arising during the year	¥ 0	¥ 0	\$ 2
Total other comprehensive income	¥501	¥192	\$5,333

17. 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 with 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."

Effective April 1, 2012, as a result of the revision of Japanese corporate tax law, the Company and its domestic consolidated subsidiaries changed their depreciation method for property, plant, and equipment acquired on or after April 1, 2012, to the method stipulated under the revised corporate tax law. As a result, this change increased segment profit for the year ended March 31, 2013, by ¥996 million in Electric.

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

	Millions of yen					Thousands of U.S. dollars				
	Reportable segment					Reportable segment				
2013	Electric	Other	Total	Reconciliations	Consolidated	Electric	Other	Total	Reconciliations	Consolidated
Sales										
Sales to external customers	¥158,755	¥ 7,684	¥166,439		¥166,439	\$1,687,990	\$ 81,705	\$1,769,696		\$1,769,696
Intersegment sales or transfers	156	32,061	32,217	¥(32,217)		1,660	340,897	342,558	\$(342,558)	
Total.....	158,911	39,745	198,657	(32,217)	166,439	1,689,651	422,603	2,112,254	(342,558)	1,769,696
Segment profit.....	¥ 7,047	¥ 1,929	¥ 8,976	¥ (6)	¥ 8,969	\$ 74,929	\$ 20,510	\$ 95,440	\$ (73)	\$ 95,366
Segment assets	¥415,087	¥42,006	¥457,093	¥(21,577)	¥435,515	\$4,413,476	\$446,637	\$4,860,114	\$(229,429)	\$4,630,684
Other:										
Depreciation.....	¥ 24,017	¥ 1,103	¥ 25,120	¥ (871)	¥ 24,249	\$ 255,366	\$ 11,730	\$ 267,096	\$ (9,261)	\$ 257,835
Increase in property, plant, and equipment and intangible assets	47,852	922	48,775	(790)	47,985	508,800	9,813	518,614	(8,406)	510,207

	Millions of yen				
	Reportable segment				
2012	Electric	Other	Total	Reconciliations	Consolidated
Sales					
Sales to external customers	¥157,746	¥ 8,328	¥166,075		¥166,075
Intersegment sales or transfers	140	32,663	32,803	¥(32,803)	
Total.....	157,886	40,991	198,878	(32,803)	166,075
Segment profit.....	¥ 10,844	¥ 2,141	¥ 12,985	¥ (216)	¥ 12,769
Segment assets	¥381,787	¥41,132	¥422,919	¥(22,231)	¥400,687
Other:					
Depreciation.....	¥ 22,135	¥ 1,242	¥ 23,377	¥ (857)	¥ 22,519
Increase in property, plant, and equipment and intangible assets	40,930	1,110	42,040	(581)	41,458

Notes: 1. "Other" 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, 2013 and 2012.

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

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

18. Subsequent event

The following appropriation of retained earnings at March 31, 2013, was approved at the Company's shareholders' meeting held on June 27, 2013:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30 (31¢) per share.....	¥524	\$5,573

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 its consolidated subsidiaries as of March 31, 2013, 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 accordance 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. 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 its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance 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 accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 28, 2013

Member of
Deloitte Touche Tohmatsu

Nonconsolidated Balance Sheet

The Okinawa Electric Power Company, Incorporated

March 31, 2013 (Unaudited)	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Assets			
Property, plant, and equipment:			
Utility plants and equipment	¥939,321	¥843,784	\$ 9,987,472
Construction in progress	20,649	76,634	219,563
Total	959,971	920,418	10,207,036
Less:			
Contributions in aid of construction	(28,714)	(28,143)	(305,309)
Accumulated depreciation	(570,590)	(550,475)	(6,066,881)
Total	(599,304)	(578,618)	(6,372,191)
Net property, plant, and equipment.....	360,667	341,800	3,834,845
Investments and other assets:			
Investment securities.....	9,200	8,479	97,821
Investments in and advances to subsidiaries and affiliates.....	5,043	5,380	53,628
Deferred tax assets	4,848	5,094	51,556
Other assets	3,192	440	33,949
Allowance for doubtful accounts	(45)	(88)	(478)
Total investments and other assets	22,240	19,306	236,476
Current assets:			
Cash and cash equivalents	8,825	2,266	93,842
Receivables	9,438	5,243	100,357
Fuel and supplies	12,236	9,475	130,103
Deferred tax assets	1,392	1,566	14,809
Other current assets	424	2,260	4,516
Allowance for doubtful accounts	(138)	(131)	(1,474)
Total current assets	32,179	20,680	342,154
Total.....	¥415,087	¥381,787	\$ 4,413,476
Liabilities and equity			
Long-term liabilities:			
Long-term debt, less current maturities.....	¥188,813	¥186,600	\$ 2,007,582
Lease obligations	32,114	1,255	341,458
Liabilities for employees' retirement benefits.....	11,356	11,015	120,745
Other long-term liabilities.....	757	1,049	8,055
Total long-term liabilities.....	233,041	199,921	2,477,841
Current liabilities:			
Current maturities of long-term debt	19,743	28,963	209,922
Short-term borrowings	600	2,300	6,379
Accounts payable	25,179	18,330	267,728
Income taxes payable	356		3,794
Accrued expenses	9,682	8,426	102,948
Other current liabilities.....	2,014	1,891	21,420
Total current liabilities.....	57,576	59,912	612,195
Equity:			
Common stock,			
Authorized — 30,000,000 shares			
Issued — 17,524,723 shares in 2013 and 2012	7,586	7,586	80,664
Capital surplus:			
Additional paid-in capital.....	7,141	7,141	75,934
Retained earnings:			
Legal reserve.....	964	964	10,260
Unappropriated	107,728	105,678	1,145,433
Unrealized gain on available-for-sale securities	1,321	856	14,049
Treasury stock, at cost 53,331 shares in 2013 and 53,373 shares in 2012	(273)	(273)	(2,902)
Total equity	124,469	121,954	1,323,439
Total.....	¥415,087	¥381,787	\$ 4,413,476

The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥94.05 to \$1, the approximate rate of exchange as of March 31, 2013.

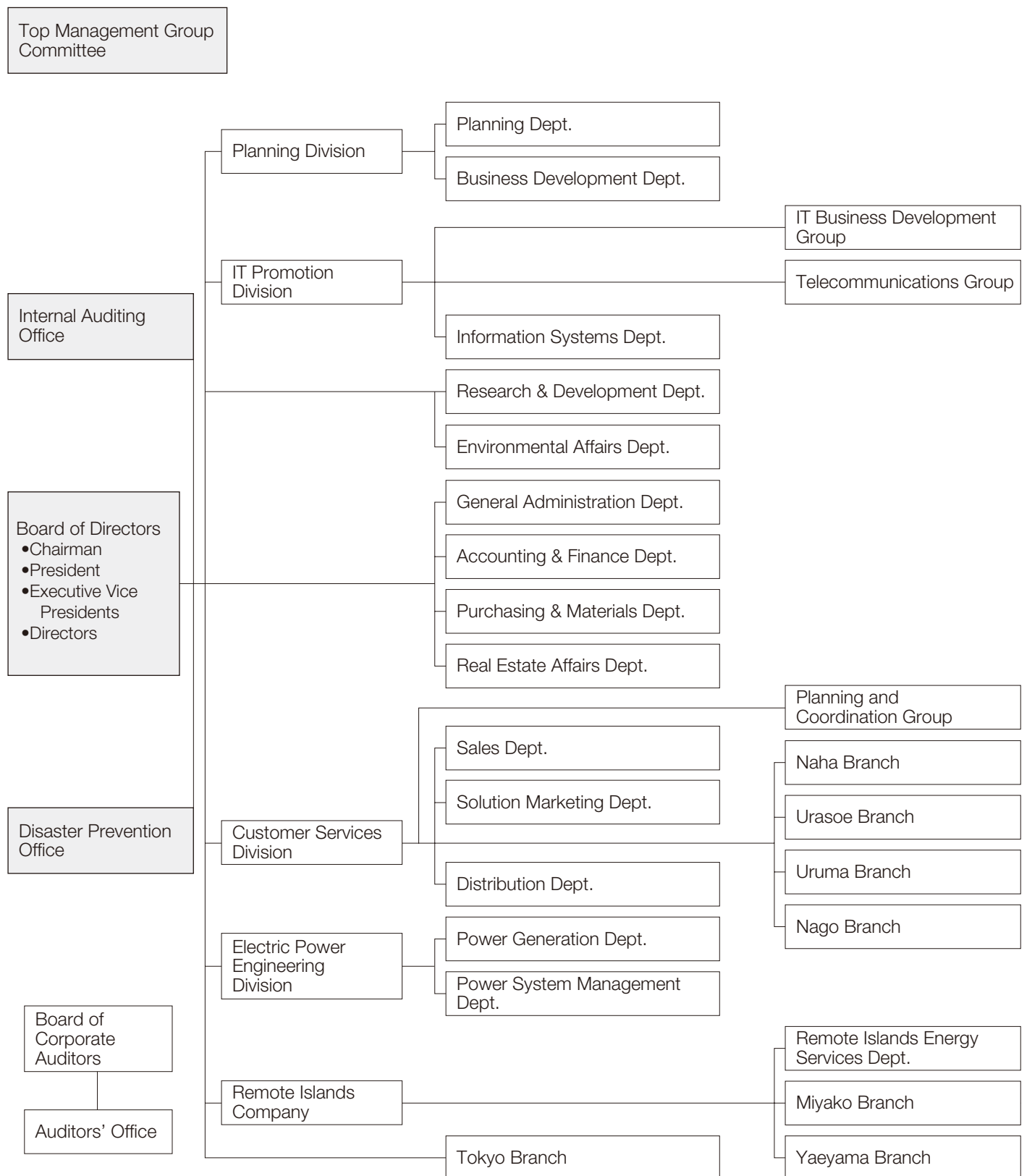
Nonconsolidated Statement of Income

The Okinawa Electric Power Company, Incorporated

Year ended March 31, 2013 (Unaudited)	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Operating revenues	¥158,911	¥157,886	\$1,689,651
Operating expenses:			
Personnel.....	16,839	16,622	179,044
Fuel.....	51,045	49,316	542,751
Purchased power.....	17,114	16,873	181,969
Depreciation.....	23,952	22,068	254,680
Repairs and maintenance.....	17,142	16,720	182,268
Taxes other than income taxes	6,759	7,001	71,875
Other	19,010	18,439	202,133
Total operating expenses	151,864	147,042	1,614,721
Operating income	7,047	10,844	74,929
Other expenses:			
Interest expense	2,866	2,867	30,483
Other — net.....	(129)	(82)	(1,371)
Net other expenses	2,737	2,785	29,111
Income before income taxes	4,309	8,059	45,817
Income taxes:			
Current	992	1,040	10,548
Deferred.....	218	1,968	2,324
Total.....	1,210	3,008	12,872
Net income	¥ 3,098	¥ 5,050	\$ 32,944
	Yen		U.S. dollars
Per share of common stock			
Basic net income	¥177.35	¥289.08	\$1.89
Cash dividends applicable to the year	60.00	60.00	0.64

The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥94.05 to \$1, the approximate rate of exchange as of March 31, 2013.

Organization Chart



(As of July 1, 2013)

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

¥415,087 million

Number of Customers

859,542 (Includes users of both lighting and power)

Number of Employees

1,540

Power Generation Facilities

Type of Station	Number of Facilities	Generating Capacity [kW]
Steam	12	1,718,000
Gas Turbine	8	291,000
Internal Combustion	68	173,550
Total	88	2,182,550

Independent Certified Public Accountants

Deloitte Touche Tohmatsu LLC

Consolidated Subsidiaries

Name	Capital	Main Business Lines	Equity Ownership
Okidenko Company, Incorporated	¥130 million	Construction	79.6%
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	95.7%
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	98.3%
Okinawa New Energy Development Company, Incorporated	¥49 million	New energy business	96.7%
Okisetsubi Company, Limited	¥20 million	Construction	79.6%
First Riding Technology, Inc.	¥450 million	Information and telecommunications	95.8%
Progressive Energy Corporation (PEC)	¥100 million	Dispersed generating plant business	99.1%

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%

Investor Information

Transfer Agent and Registrar

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

Securities Traded

Tokyo Stock Exchange,
Fukuoka Stock Exchange

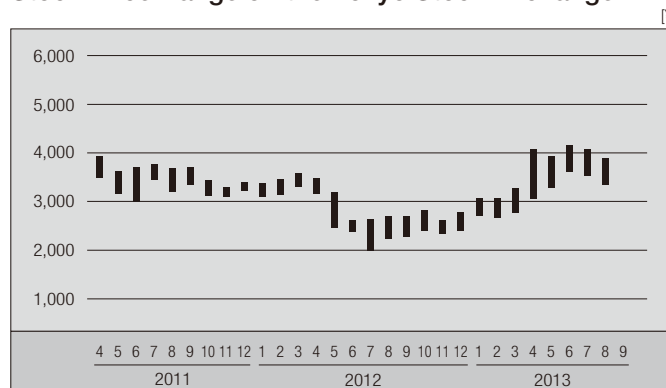
Common Stock Issued

17,524,723 shares

Number of Shareholders

8,254

Stock Price Range on the Tokyo Stock Exchange



Credit Ratings (As of August 31, 2013)

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

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

Board of Directors and Auditors



Denichiro Ishimine
Chairman



Mitsuru Omine
President



Tsutomu Ikemiya
Executive Vice President



Katsuaki Chinen
Executive Vice President

Managing Directors: Sunao Tamaki
Mikiya Furugen
Katsumi Yamashiro

Directors: Hideki Onkawa
Takeshi Nakazato
Noboru Kuwae
Hiroyuki Motonaga
Kiyohito Shimabukuro

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 27, 2013)



The Okinawa Electric Power Company, Incorporated