

# The Okinawa Electric Power Company, Incorporated (OEPC)

Annual Report 2014





## 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)

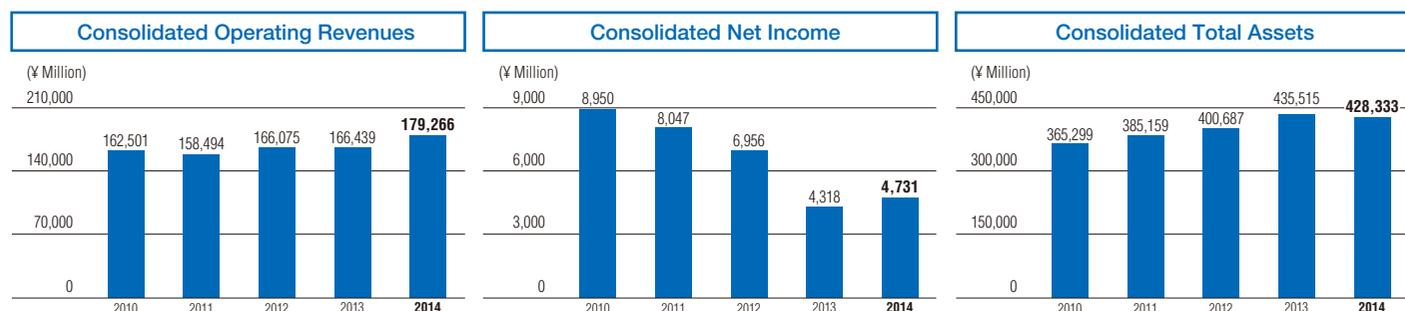
The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Years ended March 31, 2014 and 2013	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
<b>For the year:</b>			
Operating revenues .....	¥179,266	¥166,439	\$1,741,803
Operating income .....	8,693	8,969	84,469
Net income .....	4,731	4,318	45,968
Per share of common stock (yen and U.S. dollars):			
Basic net income .....	¥270.80	¥247.20	\$2.63
Cash dividends applicable to the year .....	60.00	60.00	0.58
<b>At year-end:</b>			
Total assets .....	¥428,333	¥435,515	\$4,161,807
Total equity .....	141,103	136,056	1,370,997

Note: The U.S. dollar amounts represent translations of Japanese yen for convenience only at the approximate exchange rate on March 31, 2014, of ¥102.92 to \$1.

# Operating Highlights (Nonconsolidated)

Years ended March 31, 2014, 2013, and 2012	2014	2013	2012
<b>For the year:</b>			
Electric energy sales (Millions of kWh)			
Lighting .....	2,955	2,851	2,938
Power .....	4,601	4,463	4,502
Peak load (Thousands of kW) .....	1,432	1,373	1,341
<b>At year-end:</b>			
Number of customers:			
Lighting .....	814,398	798,561	788,669
Power .....	60,643	60,981	61,950
Generating capacity (Thousands of kW) .....	2,435	2,013	1,933
Route length of transmission lines (km):			
Overhead .....	794	775	772
Underground .....	289	278	277



# 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.

As a result of Japan's efforts to restructure its electricity systems, the Electric Power Business, the OEPC Group's mainstay field of operation, has entered a period of definitive reform following the enactment of the Amended Electricity Business Act in November 2013. Looking specifically at the direction of the electricity system reform throughout the Okinawa region, the focus of attention has centered mainly on fully liberalizing the electricity retail market, in similar fashion to mainland Japan, while positioning legal separation aimed at further enhancing the neutrality of the power transmission/distribution sector as an issue to be addressed in the future. Against this backdrop, OEPC will take appropriate measures to realize an electric power system that offers real benefits to customers while taking into account the unique attributes of the electricity business in the Okinawa region. Moreover, in heralding retail market liberalization, we will work to bolster our competitive advantage in a bid to become the preferred choice of customers.

From an income and expenditure perspective, the Electric Power Business is expected to confront its most difficult operating environment since privatization. Despite ongoing efforts to adhere strictly to a policy of cost reduction, this is mainly attributable to the cumulative burden of depreciation and amortization expenses, increased fuel costs, and a downturn in electric power demand growth. Moving forward, we will steadfastly carry out recently formulated measures aimed at increasing the efficiency of expenses across-the-board over the medium term. In addition to pushing forward initiatives that are designed to increase revenue by cultivating demand, we will also continue to consider and implement new measures in order to reinforce our operating fundamentals with a greater sense of crisis.

Meanwhile, considerable weight will be given to implementing measures that will ensure a more timely recovery in the event of a typhoon. At the same time, OEPC will continue to put in place facilities that are more resilient to large-scale disasters including earthquakes and tsunamis. While engaging in thoroughgoing business operations and facility management that place a premium on disaster prevention and mitigation awareness, the Company will endeavor to strengthen disaster countermeasures that take into account every possible situation.



Engaging in activities that ensure the elimination of all accidents and disasters is an absolute priority and responsibility of any corporate entity. In this context, OEPC recognizes the paramount importance of maintaining safety throughout every facet of its business activities. Working in unison with partner companies, the OEPC Group will adhere strictly to a policy of safety management and work diligently to foster a safety culture. At the same time, each and every member of the Group including directors and employees will take the utmost care in carrying out their individual duties as a part of efforts to provide customers with a strong sense of security and peace of mind.

Looking at activities outside the core Electric Power Business, operating conditions remain extremely harsh. Under these circumstances, all directors and employees will maintain a strong 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. Furthermore, energies will be channeled toward establishing a robust business promotion structure and system that ensures close collaboration between Group companies. In addition to building facilities and engaging steadfastly in activities that address a variety of issues including the cultivation of demand, we will look toward launching a gas supply business in fiscal 2015.

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

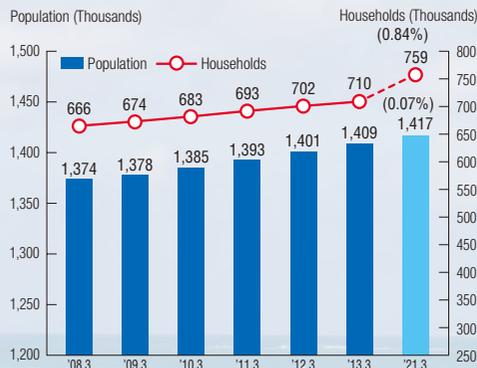


# Okinawa

## 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 2012 to fiscal 2020 will be 0.07% in Okinawa, compared to -0.34% 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.

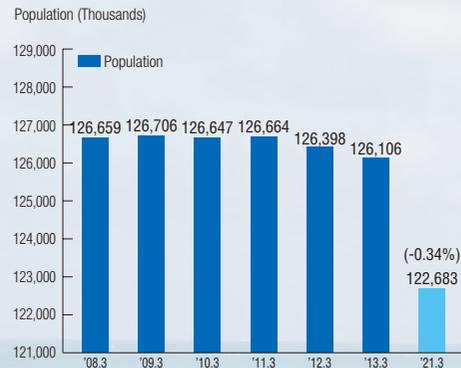
Growth in Population and Number of Households in Okinawa



Source: Population figures between fiscal 2006 and fiscal 2012 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 2012 and fiscal 2020

Growth in Population in Japan (Excluding Okinawa)



Source: Population figures between fiscal 2007 and fiscal 2012 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 2012 and fiscal 2020



# Today



## Number of Tourist Arrivals

In fiscal 2013, the number of tourists visiting Okinawa increased due to the expansion of both domestic and international air routes, the opening of Ishigaki airport bringing in more domestic travelers, and the increase in the number of cruise ships calling into Okinawa resulting in more international travelers. The number of visitors totaled 6.58 million, an increase of 11.1% compared with the previous year. As a result, this was substantially higher than the previous record of 5.93 million reported in fiscal 2008. In fiscal 2014, Okinawa Prefecture is targeting a total of 6.9 million tourist arrivals.



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

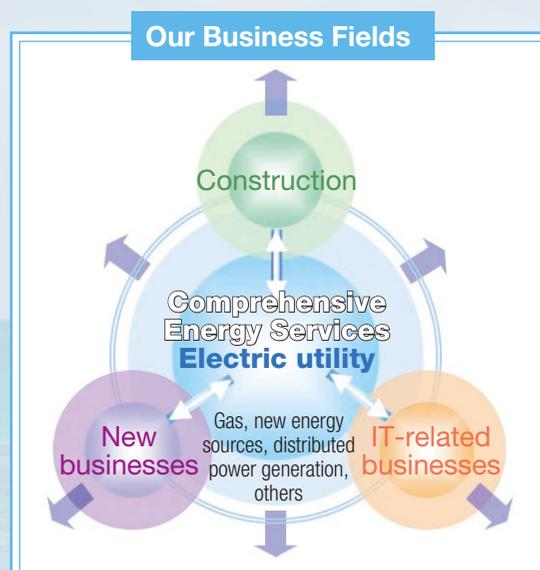
The core of the OEPC Group's business development will continue to be the provision of comprehensive energy services, centered on the supply of electric power. In addition, the Group will seek to leverage its strength as a comprehensive energy services provider and the advantages of its existing businesses — 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

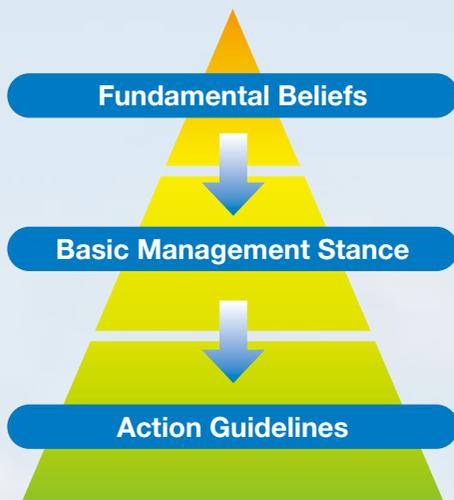
### IT-related businesses

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 among energy security, economic viability, and environmental concerns. With these 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

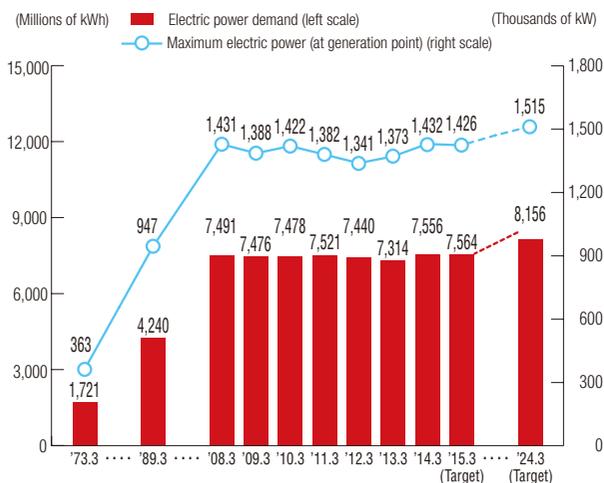
Electric power consumption in Okinawa Prefecture during fiscal 2013 totaled approximately 7.56 billion kWh. Peak load was 1,432,000 kilowatts (transmission end) or approximately 4 times the figure for 1972, our initial year of operations as OEPC.

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 1.0% between fiscal 2012 and fiscal 2023.



Kin Thermal Power Plant control room

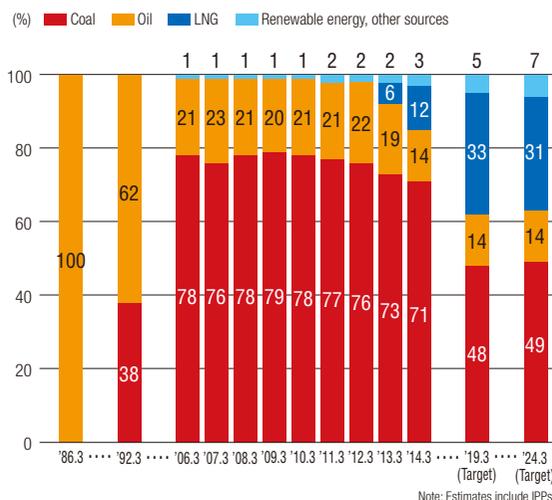
### Maximum Electric Power and Electric Power Demand



## Expansion of power generation capacity

In Okinawa Prefecture, to which OEPC supplies electric power, the development of hydroelectric and nuclear power is beset with difficulties, including the constraints caused by topography and the scale of electric power demand. Consequently, Okinawa has to rely on fossil fuels as its electric power energy source. Previously, OEPC had been sustaining the demand for electricity mainly by using oil- and coal-fired thermal power, but added to these by commencing operations of the LNG-fueled No. 1 and No. 2 generators at the Yoshinoura Thermal Power Station in 2012 and 2013, respectively. This has diversified the fuels used to three types—oil, coal, and LNG—and brought about an improvement in energy security. Furthermore, OEPC has enhanced its efforts to combat global warming by using LNG, which emits less CO<sub>2</sub> than oil and coal.

Power Generation by Fuel Type



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

## Operations commence at Yoshinoura Thermal Power Station

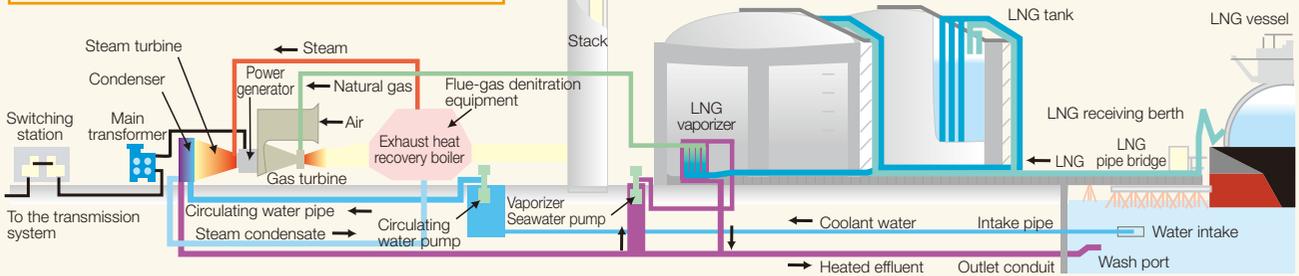
OEPC initiated steps to construct Yoshinoura Thermal Power Station, the Company's first liquefied natural gas (LNG)-fired facility, in Nakagusuku Village, located in the midland area of Okinawa Prefecture, in 2007. The first and second generators came online in November 2012 and May 2013, respectively. 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 CO<sub>2</sub> 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

LNG combined cycle power generation system



The LNG combined cycle power generation system is an integrated combined cycle method that offers high heat efficiency by combining gas turbines that apply the power of liquefied natural gas (LNG) combustion gas with steam turbines that utilize steam generated by the resulting exhaust heat. As a fuel, a defining feature of LNG is that it does not generate sulfur oxide or dust during combustion.

- Output: 251,000 kW x 2 units
- Commercial operations commenced: Unit 1: November 2012; Unit 2: May 2013

## 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 1,083 kilometers (line length). We operate 138 substations, and the length of our distribution line network connecting these substations with customers (again, both overhead and underground), totals 10,664 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 81 kilometers of distribution lines have been laid underground as of fiscal 2013. Work is currently underway or planned to eliminate power poles from the islands over an area of around 53km.



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 mainland Japan, 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 transportable generator equipment 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 CO<sub>2</sub> 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.



Damage due to flying debris



Electric power restoration operations

### 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.

### Collaboration with outside disaster relief-related organizations

During the disaster recovery operations following Typhoon No. 8, which struck in July 2014, OEPC transported personnel and vehicles to the hardest hit islands by helicopters with the cooperation of the Japan Ground Self-Defense Force and worked to restore power as quickly as possible.



Dispatch of OEPC service restoration personnel by Self-Defense Force helicopter.

## 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





## Helping in comfortable lifestyle creation

By acutely sensing customer feedback, occasionally providing customers with advisory notices, accurately and rapidly responding to diverse needs, and working to provide services that satisfy our customers, we help in the creation of abundant and comfortable lifestyles for our customers.

### ◆ 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.

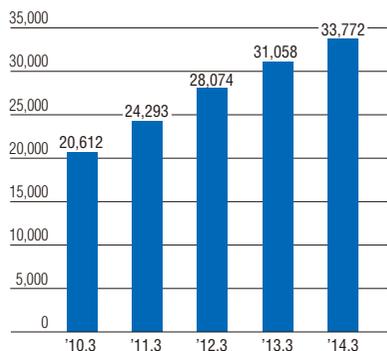


All-electric home demonstration vehicle; hands-on experience in the use of IH cooking heaters



All-electric home demonstration vehicle

The Growth in Popularity of All-Electric Homes (Cumulative)



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

## For our corporate customers

### All-electric kitchens — safe and easy to clean

OEPC is working to spread the word about the advantages of all-electric kitchens for restaurants, bakeries, and other commercial facilities. Conforming to the principles used in the Hazard Analysis and Critical Control Points (HACCP) method, these commercial kitchens make possible 3C (cool, controllable and clean) kitchen environments that are also safe, hygienic, and highly productive. 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.

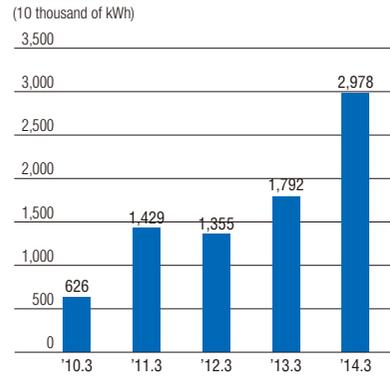


A welfare facility kitchen that has introduced commercial electrical equipment



Commercial electric kitchen seminar

### Spread of Commercial Electrical Equipment (Kitchens, Air Conditioners, Hot Water Supply) (Non-consolidated fiscal year)



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

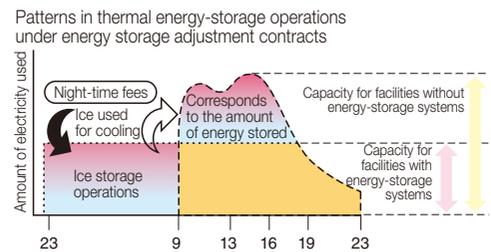
We encourage the use of ice-storage air conditioning systems that make use of low-cost nighttime electricity to produce and store ice or cold water, which is then used as a cooling source for air conditioning during the day. Not only reducing the daytime use of electricity, these clean, safe systems 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.



Ice-storage air conditioning systems

### Heat pump technology — a highly effective solution for energy conservation

We are working to promote heating and cooling systems as well as hot water systems that utilize energy-saving and highly efficient heat pump technology. This technology efficiently pumps heat from the atmosphere at low power, and the heat energy obtained is three to six times that of the electricity consumed in the process.



## 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

## 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.

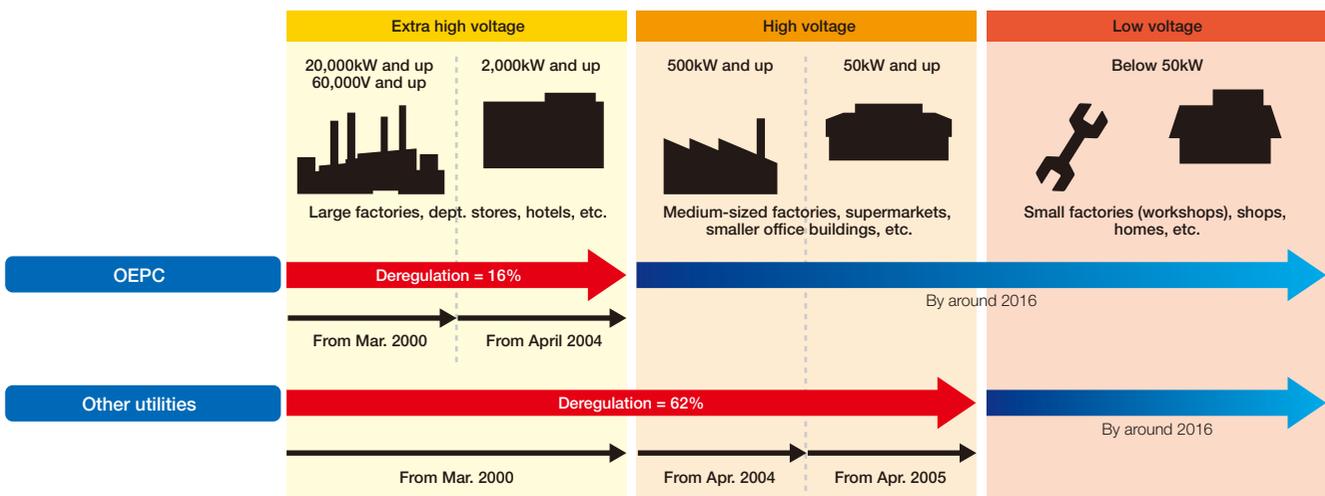
Currently, the reform of the electricity system is being advanced by Japanese government, and the indications are that all of Japan, including Okinawa Prefecture, is leaning toward full retail deregulation by 2016.



### The Scope of Electric Power Supply Deregulation

#### Retail market

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



\* Percentage figures represent electricity sales within the scope of deregulation as a percentage of total electricity sales (year ended March 2014).



## 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)



Inspection of household electric equipment and devices conducted free-of-charge.

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

## 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

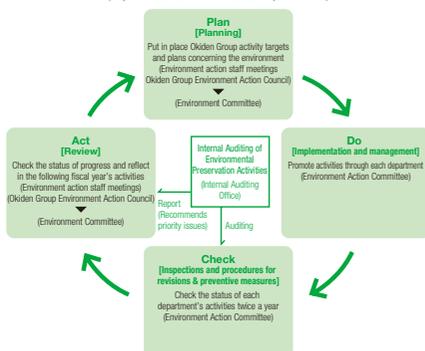
To provide more information about energy to the people in Okinawa and to improve awareness of our environmental initiatives, we dispatch experts to give lectures on environmental and energy-related topics at the behest of local educational institutions and government authorities. In addition, to raise 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.



## 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 CO<sub>2</sub> emissions than coal or oil. Operations of the first thermal power generator at the Yoshinoura Thermal Power Station commenced in November 2012, while the second generator commenced operations 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 the stable operation of solar and wind 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, 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



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.

The coal ash and gypsum created by the combustion process at our coal-fired power plants have been recycled as an alternative to cement, earth, and sand, and we are thus promoting the efficient reuse of these 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 made public a report on its environmental activities annually since 1996, and used exhibition panels to publicize its 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.



Clean-up activities on the seashore at Yoshinoura

Environmental Activities Panel Exhibition  
(for children to conduct their own research in summer vacation)

## 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 in cooperation with a 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.

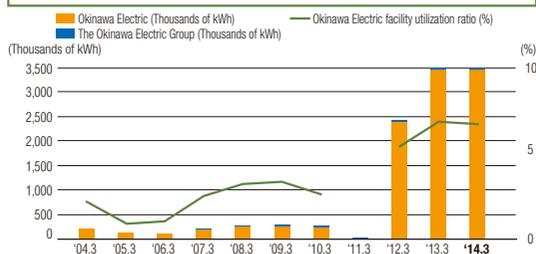


## Utilizing renewable energy sources

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 CO<sub>2</sub>; and the prospect and need for them is growing as answers to society’s energy needs.

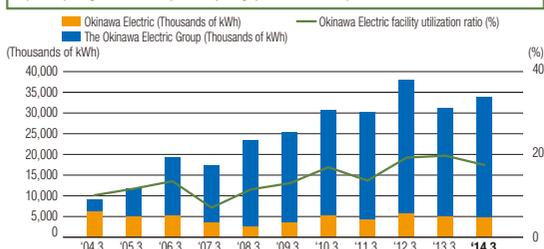
The OEPC Group is committed to introducing renewable forms of energy such as solar and wind power. As of March 31, 2014, the Company had a total capacity of 26,780kW (including small hydroelectric generators) of wind, solar, and other types of renewable energy throughout the prefecture including remote islands.

Volume of electricity from solar power generation (transmission end)  
(Company and Group company performance)



Note: The amount of electricity consumption by incidental testing equipment at research facilities exceeded the volume of electricity from solar power generation in 2010. As a result, graph details for the Company have not been provided.

Volume of electricity from wind power generation (transmission end)  
(Company and Group company performance)



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

Taking full advantage of Okinawa Prefecture’s Smart Energy Island Foundation Project, OEPC built this 1,000kW solar power generation facility in Nago City. The Company is verifying the power grid’s stabilization technologies—such as the mitigation of voltage fluctuations by means of the output characteristics of the solar photovoltaic system and its own output limit controls—with the aim of assessing the impact that the introduction of large-scale solar power systems to the main island of Okinawa would have on the electric power grid.

### Ogimi Wind Power Generation Demonstration Research Facility

In another 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 was established in Ogimi Village. The Company is verifying output stabilization technologies, which include the mitigation of output fluctuations by the charging and discharging of storage batteries. The aim is to ascertain the impact that the introduction of large-scale wind power generation systems to the main island of Okinawa would have on the electric power grid.



Ogimi Wind Power Generation Demonstration Research Facility



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.

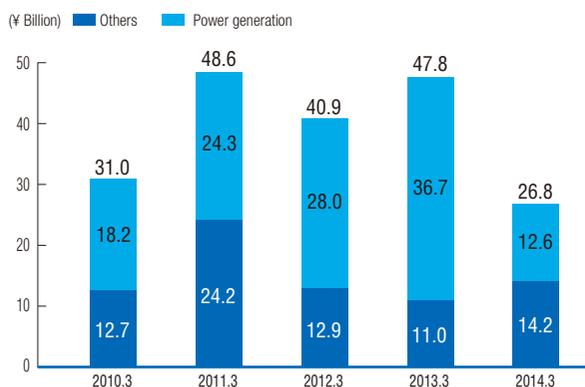
Having confirmed that the biomass was perfectly usable based on the result of field tests conducted from June 2007 to October 2008 at the coal-fired Gushikawa thermal power station, we built a biomass distribution facility at the station, and on March 2010, we started burning the biomass pellet (mixed with coal by three percent in weight).

The successful utilization of the “carbon neutral” biomass fuel has enabled us to reduce CO<sub>2</sub> emissions, curb our coal consumption, and make effective use of an untapped energy source.

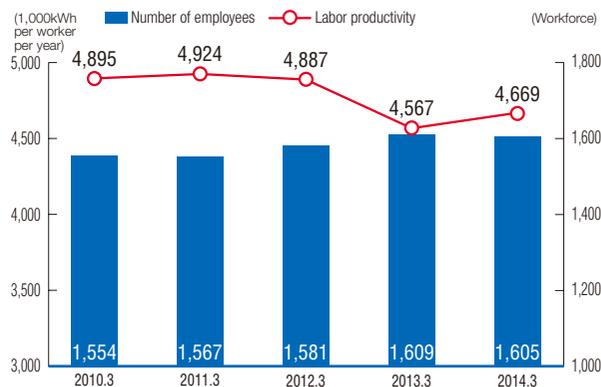
## Working to improving operational efficiency

While responding appropriately to the changes in the business environment in which it operates, OEPC is working to greatly improve the operational efficiency throughout the Group companies to further strengthen its financial position.

### Trends in capital investment



### 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 ¥26.8 billion in fiscal 2013, compared with the budgeted figure of ¥34.7 billion. This was largely attributable to the careful examination of the designs, specifications, and construction methods used in each facility's construction, as well as by reviews of order process methods.

Amid expectations of, for example, the construction of facilities that have provision for large-scale disaster prevention measures, capital investment is projected to total ¥28.2 billion in fiscal 2014. 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 2013, 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 2014, 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.



Makiminato Thermal Power Station



Unloading coal at Kin Thermal Power Plant

### Stable procurement and lower costs for fuels

Turning to the market for fuels, increased demand in such Asian countries as China and India is driving overall global demand. On the other hand, despite an upward swing in fuel prices due to such factors as geopolitical risks, including the unstable Middle East situation, there are also factors that could contribute to a drop in fuel prices, such as the risk of an economic slowdown in developing countries, including China, and elsewhere. As future conditions remain shrouded in uncertainty, OEPC is taking every possible step to ensure sustained and stable procurement of fuels while reducing costs.

Also in fiscal 2014, we will continue to implement measures aimed at procuring stable supplies of oil, coal, and LNG and to reduce fuel costs.

### 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.



Wind power generators



### Streamlining business operations

In fiscal 2013, besides planning to level out amortization by the introduction of finance leasing for the Yoshinoura Power Station's LNG receiving terminal facilities, OEPC worked to reduce all costs to the fullest extent.

Having also establishing an in-house management measures task force, the Company examined drastic, ongoing streamlining measures from a medium- to long-term perspective and implemented those measures designed to have an immediate and viable effect.

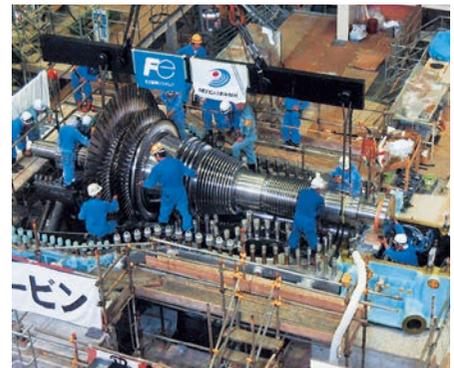
In fiscal 2014, in addition to these cost reductions and streamlining measures, we will steadily implement medium- to long-term streamlining measures covering overall costs in conjunction with, without exceptions, reviews and implementations of further cost reduction and streamlining measures.

## 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.



Yoshinoura steam turbine installation  
(Okinawa Plant Kogyo Co., Inc.)



New building construction at Okinawa Christian School  
(Okidenko Co., Inc.)



Marine Industry Promotion Center, Chatan  
(Okiden Kaihatsu Co., Inc.)

# An Outline of the OEPC Group

## OEPC Group Companies (As of March 31, 2014)

Company Name	Established/Capital	Business Areas
<b>Construction</b>		
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); sales and installation of solar photovoltaic systems and LED light fixtures
<b>Electric power supply and peripheral businesses</b>		
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 2, 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
<b>Information and telecommunication business</b>		
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
<b>Real estate business</b>		
Okiden Kaihatsu Company, Incorporated	April 26, 1989 ¥50 million	Management, buying and selling, and leasing of real estate, aquaculture business
<b>New energy development business</b>		
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
<b>Other businesses</b>		
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

Including the internal control reporting system relating to financial reporting, internal audits of OEPC and its consolidated subsidiaries are conducted annually by a 15-member Internal Audit Office that was set up as a separate entity under the direct control of the Board of Directors. The Internal Audit Office confirms the maintenance and operational status of the internal control systems at every organization, verifies that appropriate and effective business operations are being conducted to achieve management targets, and endeavors to conduct audits that add value to management. In addition to reporting to the Board of Directors, the Internal Audit Office submits reports to auditors and exchanges opinions regarding audit plans and results, while also coordinating information 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 who 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.

Outside director Kunio Oroku was formerly representative director of and is currently supreme advisor to Ryukyū Broadcasting Corporation, a company in which OEPC invests.

External auditor Masateru Higa is representative director and president of Ryūbo Holdings Co., Ltd., a company in which OEPC invests.

No special relationships exist between OEPC and external auditors Shiro Nozaki and Hikaru Aharen.

Normal power supply relationships and mere business relationships based on general terms and conditions have been omitted.

The Company does not currently have in place specific criteria or policies with respect to the independence of external directors and external auditors. However, for there to be no likelihood of any conflicts of interest arising, all outside directors and external auditors are designated and reported as independent directors, thereby fulfilling the criteria stipulated by the financial instruments exchanges on which the Company is listed.

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 Audit Office, whilst also asking questions and exchanging opinions regarding matters such as audit plans and results.

### 4. Overview of Limited Liability Agreement Details

Pursuant to the provision stipulated under Article 427, Paragraph 1 of Japan's Companies Act and its articles of incorporation, the Company has entered into agreements with its outside director and external auditors that limit liability for compensation for damages under Article 423, Paragraph 1 of Japan's Companies Act. The maximum amount of liability under such agreements is the amount specified in Article 425, Paragraph 1 of Japan's Companies Act.

### 5. Auditors

Accounts for the current year have been audited by two certified public accountants, Masao Mukai and Kazutoshi Hosono, who are under contract from accounting firm Deloitte Touche Tohmatsu. They were assisted by five other certified public accountants and five 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)	268	217	51	16
Company Auditors (excluding Outside Company Auditors)	32	32	—	1
Outside Directors	19	18	0	4

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

Total (¥ million)	Number of Persons	Details
74	8	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 49 companies, for purposes other than pure investment, with a balance sheet value of ¥9,154 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	1,953	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

(Fiscal year under review)

Company Name	Number of Shares	Balance Sheet Amounts (¥ million)	Holding Purpose
The Bank of Okinawa, Ltd.	494,000	2,151	Stabilization of electricity business, contribution to development of Okinawa's economy
Okinawa Cellular Telephone Company	472,000	1,240	Contribution to development of Okinawa's economy
Bank of the Ryukyus	689,660	946	Stabilization of electricity business, contribution to development of Okinawa's economy
San-A Co., Ltd.	86,400	263	Contribution to development of Okinawa's economy
KDDI Corporation	6,600	39	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 2013, the fiscal year ended March 31, 2014, the Okinawa economy experienced overall growth. This was largely attributable to the opening of the new Ishigaki Airport and successful steps to upgrade and expand airline routes, which triggered a substantial increase in the number of tourists, as well as the rush in demand in the lead up to Japan's consumption tax rate hike.

Under these circumstances, OEPC recorded operating revenues (sales) of ¥179,266 million (U.S.\$1,741 million) on a consolidated basis, up ¥12,826 million (7.7%) compared with the previous fiscal year.

Meanwhile, operating expenses rose by ¥13,102 million (8.3%) year on year to ¥170,572 million (U.S.\$1,657 million). Despite a drop in repairs and maintenance as well as other expenses in the Electric Power Business, this upswing mainly reflected higher fuel, depreciation, and purchased power costs, as well as an increase in non-current asset retirement costs.

As a result, operating income declined by ¥275 million (3.1%) compared with the previous fiscal year to ¥8,693 million (U.S.\$84 million).

Income before income taxes and minority interests, which includes other income and expenses, came to ¥6,936 million (U.S.\$67 million), up ¥629 million (10.0%) year on year. Net income for the period under review amounted to ¥4,731 million (U.S.\$45 million), an increase of ¥412 million (9.5%) compared with fiscal 2012.

Details of business performance by segment are as follows:

## 1. Electric Power Business

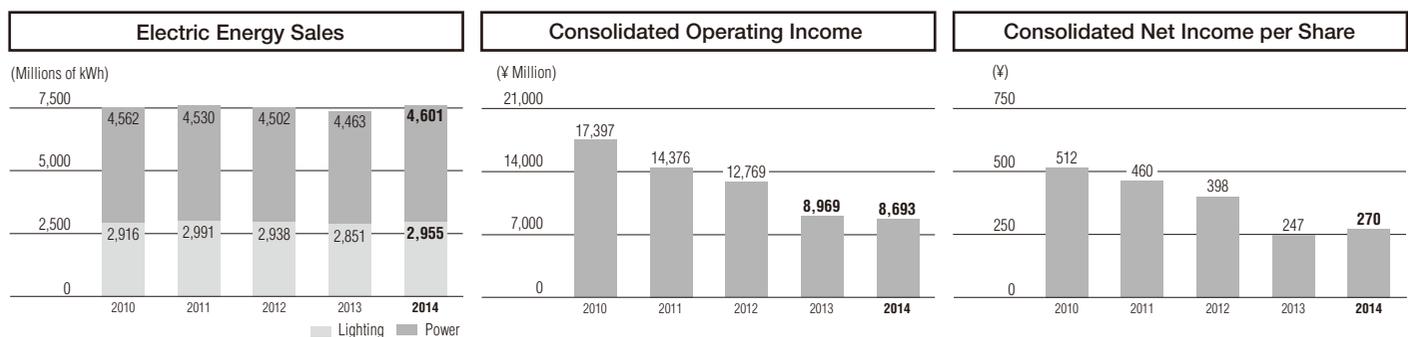
The total volume of electric power sold in the private sector over the course of the fiscal year under review increased year on year owing to a variety of factors. In addition to an upswing in demand from new customers in the residential and commercial sectors, this year-on-year improvement was primarily the result of higher temperatures during summer. Moreover, the volume of electric power sold for industrial use was up compared with the previous fiscal year due mainly to the increase demand particularly from the steel industry.

By use (residential and business), residential power sales were up 3.6% year on year to 2,955 million kWh, while higher-voltage industrial and commercial power sales climbed 3.1% to 4,601 million kWh. Accounting for these factors, the total volume of electric power sold grew 3.3% compared with the previous fiscal year to 7,556 million kWh.

Operating revenues from the Electric Power Business rose by ¥13,147 million (8.3%) to ¥172,059 million (U.S.\$1,671 million) year on year, due to the increase in the total volume of electric power sold, as well as the impact of such factors as the fuel cost adjustment system.

At the same time, operating expenses increased by ¥13,405 million (8.8%) to ¥165,270 million (U.S.\$1,605 million). Despite a drop in repairs and maintenance as well as other expenses, this upswing mainly reflected higher fuel, depreciation, and purchased power costs, as well as an increase in non-current asset retirement costs.

Based on the aforementioned factors, operating income decreased by ¥258 million (3.7%) compared with the previous fiscal year to ¥6,788 million (U.S.\$65 million).



## 2. Other Operations

In other revenue and expenses, sales decreased by ¥602 million (1.5%) compared with the previous fiscal year to ¥39,143 million (U.S.\$380 million) owing mainly to the drop in external sales. Operating expenses declined by ¥824 million (2.2%) year on year to ¥36,992 million (U.S.\$359 million).

As a result of the foregoing, operating income increased by ¥222 million (11.5%) compared with the previous fiscal year to ¥2,151 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 increased by ¥10,593 million (37.7%) to ¥38,725 million (U.S.\$376 million). Major cash inflows included increases in depreciation and amortization, as well as the increase in trade notes and accounts payable.

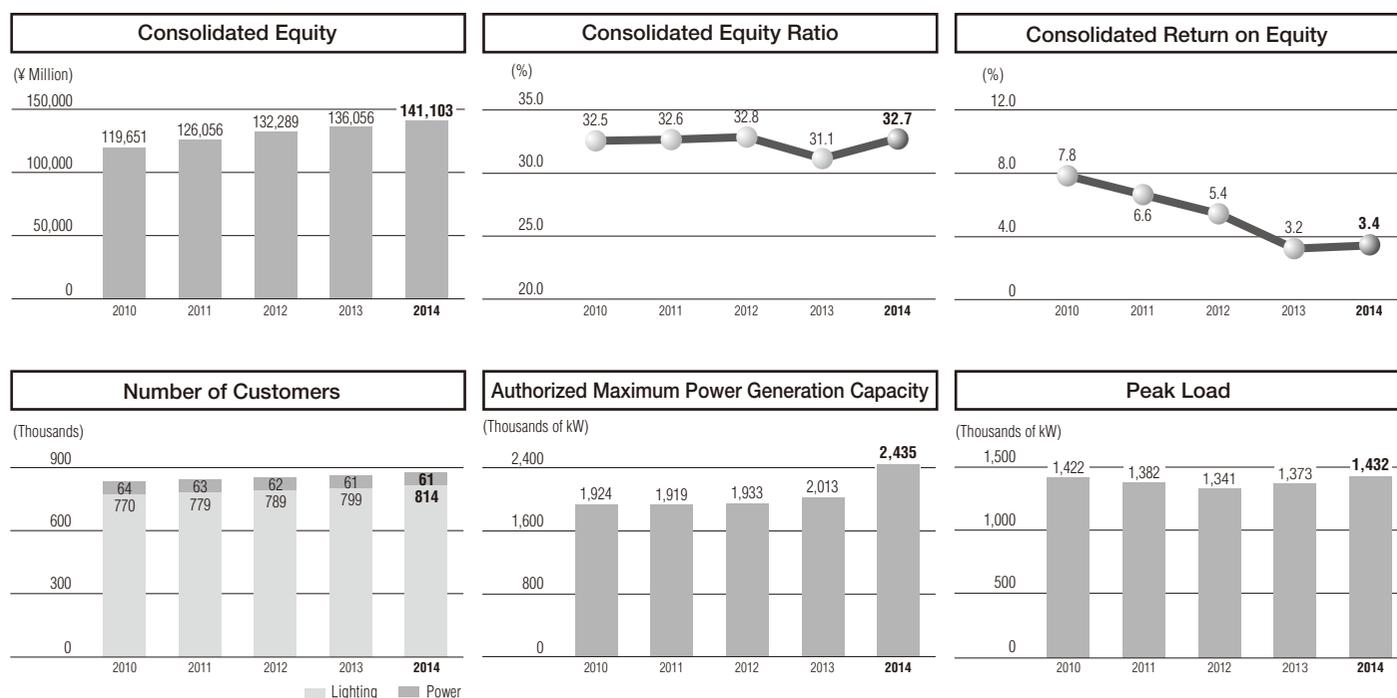
### Cash flows from investing activities

Net cash used in investing activities decreased by ¥1,716 million (4.5%) to ¥36,378 million (U.S.\$353 million) due in part to a decrease in the purchase of property, plant, and equipment.

### Cash flows from financing activities

Net cash used in financing activities amounted to ¥9,585 million (U.S.\$93 million), a turnaround of ¥27,841 million compared with the net cash provided by financing activities of ¥18,256 million in the previous fiscal year. This was mainly due to the absence of proceeds from sales and leaseback transactions recorded in fiscal 2012.

As a result, cash and cash equivalents as of the end of the year under review totaled compared with the end of the previous fiscal year.



# Business and Other Risks

The following is a description of the various risks that 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

The Act for Partial Revision of the Electricity Business Act was enacted in November 2013, and deregulation of the electric power system entered a specific development stage.

The direction of power system deregulation in Okinawa is indicated in documents produced by the Study Committee for Natural Resources and Energy, the Basic Policy Subcommittee, the Electricity System Reform Expert Subcommittee, and the Working Group on System Design concerning Electricity System Reform. Full retail deregulation will be implemented in the same way as on mainland Japan, and legal separation is organized and on the agenda for the future. Furthermore, to improve the competitive environment, it has been decided to examine efforts toward diversification of the power source off-takers of wholesale power utilities with a view to wholesale market revitalization.

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 ¥202.8 billion as of March 31, 2014. 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 that the gravity of its duty to ensure a stable supply of electric power requires the strengthening of disaster measures that are now recognized more than ever, 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	Millions of yen				
<b>Financial Statistics</b>	2014	2013	2012	2011	2010
<b>For the year:</b>					
Operating revenues .....	<b>¥179,266</b>	¥166,439	¥166,075	¥158,494	¥162,501
Electric.....	<b>171,735</b>	158,597	157,563	150,552	151,430
Other .....	<b>7,530</b>	7,842	8,511	7,942	11,071
Operating expenses .....	<b>170,572</b>	157,470	153,305	144,118	145,104
Electric.....	<b>163,600</b>	150,247	145,453	136,884	135,022
Other .....	<b>6,972</b>	7,223	7,852	7,233	10,081
Interest expense .....	<b>2,775</b>	2,915	2,917	2,943	3,329
Income before income taxes and minority interests.....	<b>6,936</b>	6,307	10,273	11,042	13,659
Income taxes.....	<b>2,095</b>	1,889	3,118	2,929	4,408
Net income.....	<b>4,731</b>	4,318	6,956	8,047	8,950
<b>Per share of common stock (Yen):</b>					
Basic net income .....	<b>¥ 270.80</b>	¥ 247.20	¥ 398.15	¥ 460.58	¥ 512.04
Cash dividends applicable to the year .....	<b>60.00</b>	60.00	60.00	60.00	60.00
<b>At year-end:</b>					
Total assets .....	<b>¥428,333</b>	¥435,515	¥400,687	¥385,159	¥365,299
Net property, plant, and equipment .....	<b>360,691</b>	366,028	346,784	329,971	312,254
Long-term debt, less current maturities .....	<b>178,717</b>	190,993	189,076	186,741	159,692
Total equity.....	<b>141,103</b>	136,056	132,289	126,056	119,651

Years ended March 31	2014	2013	2012	2011	2010
<b>Operating Statistics</b>					
<b>For the year:</b>					
Electric energy sales (Millions of kWh) .....	<b>7,556</b>	7,314	7,440	7,521	7,478
Peak load (Thousands of kW) .....	<b>1,432</b>	1,373	1,341	1,382	1,422
<b>At year-end:</b>					
Generating capacity (Thousands of kW).....	<b>2,435</b>	2,013	1,933	1,919	1,924
Transmission lines (km).....	<b>1,083</b>	1,053	1,049	1,037	1,033
Distribution lines (km).....	<b>10,664</b>	10,590	10,894	10,863	10,816

# Consolidated Balance Sheet

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

March 31, 2014	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
<b>Assets</b>			
<b>Property, plant, and equipment (Note 4):</b>			
Utility plants .....	¥941,978	¥909,762	\$9,152,535
Other plant and equipment (Note 6) .....	32,505	33,095	315,830
Construction in progress .....	10,312	21,260	100,202
Total .....	984,797	964,117	9,568,568
Less:			
Contributions in aid of construction (Note 2(b)) .....	(31,076)	(29,643)	(301,949)
Accumulated depreciation .....	(593,029)	(568,446)	(5,762,041)
Total .....	(624,105)	(598,089)	(6,063,990)
Net property, plant, and equipment.....	360,691	366,028	3,504,577
<b>Investments and other assets:</b>			
Investment securities (Notes 5 and 12).....	10,350	9,875	100,567
Investments in and advances to unconsolidated subsidiaries and affiliates .....	1,118	956	10,864
Deferred tax assets (Note 9).....	10,585	10,240	102,847
Other assets .....	2,925	3,302	28,426
Allowance for doubtful accounts .....	(72)	(98)	(701)
Total investments and other assets .....	24,907	24,276	242,004
<b>Current assets:</b>			
Cash and cash equivalents (Note 12) .....	8,541	15,780	82,995
Notes and accounts receivable (Note 12) .....	10,837	11,085	105,297
Inventories .....	16,679	13,217	162,059
Deferred tax assets (Note 9).....	1,752	1,807	17,028
Other current assets .....	5,074	3,470	49,307
Allowance for doubtful accounts .....	(150)	(150)	(1,463)
Total current assets .....	42,735	45,211	415,225
Total.....	¥428,333	¥435,515	\$4,161,807
<b>Liabilities and equity</b>			
<b>Long-term liabilities:</b>			
Long-term debt, less current maturities (Notes 6 and 12).....	¥178,717	¥190,993	\$1,736,470
Lease obligations (Note 6).....	30,102	32,064	292,485
Liabilities for employees' retirement benefits (Note 8) .....	13,279	15,080	129,030
Other long-term liabilities.....	4,635	865	45,038
Total long-term liabilities.....	226,735	239,004	2,203,024
<b>Current liabilities:</b>			
Current maturities of long-term debt (Notes 6 and 12).....	25,996	20,236	252,591
Short-term bank loans (Notes 7 and 12).....	150	196	1,457
Notes and accounts payable (Note 12) .....	20,288	28,227	197,129
Income taxes payable (Note 12).....	2,294	822	22,298
Accrued expenses .....	8,508	8,261	82,669
Other current liabilities.....	3,256	2,710	31,638
Total current liabilities.....	60,494	60,455	587,785
<b>Equity (Note 10):</b>			
Common stock,			
Authorized — 30,000,000 shares			
Issued — 17,524,723 shares in 2014 and 2013 .....	7,586	7,586	73,712
Capital surplus .....	7,141	7,141	69,390
Retained earnings .....	123,216	119,533	1,197,207
Treasury stock, at cost — 54,117 shares in 2014 and 53,331 shares in 2013 .....	(275)	(273)	(2,679)
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities .....	1,599	1,292	15,542
Defined retirement benefit plans .....	953		9,264
Total .....	140,222	135,281	1,362,437
Minority interests.....	881	774	8,560
Total equity .....	141,103	136,056	1,370,997
Total.....	¥428,333	¥435,515	\$4,161,807

See notes to consolidated financial statements.

# Consolidated Statement of Income

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Year ended March 31, 2014	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
<b>Operating revenues:</b>			
Electric.....	¥171,735	¥158,597	\$1,668,633
Other .....	7,530	7,842	73,169
Total operating revenues .....	179,266	166,439	1,741,803
<b>Operating expenses (Notes 8 and 11):</b>			
Electric.....	163,600	150,247	1,589,587
Other .....	6,972	7,223	67,746
Total operating expenses .....	170,572	157,470	1,657,334
<b>Operating income</b> .....	8,693	8,969	84,469
<b>Other expenses:</b>			
Interest expense (Notes 6, 7, and 13).....	2,775	2,915	26,970
Other — net.....	(1,018)	(252)	(9,896)
Net other expenses .....	1,757	2,662	17,074
<b>Income before income taxes and minority interests</b> .....	6,936	6,307	67,395
<b>Income taxes (Note 9):</b>			
Current .....	2,929	1,720	28,468
Deferred.....	(834)	168	(8,108)
Total.....	2,095	1,889	20,360
<b>Net income before minority interests</b> .....	4,840	4,417	47,034
<b>Minority interests in net income</b> .....	109	98	1,066
<b>Net income</b> .....	¥ 4,731	¥ 4,318	\$ 45,968
		Yen	U.S. dollars
<b>Per share of common stock (Note 2(k)):</b>			
Basic net income .....	¥270.80	¥247.20	\$2.63
Cash dividends applicable to the year .....	60.00	60.00	0.58

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, 2014	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
<b>Net income before minority interests</b> .....	¥4,840	¥4,417	\$47,034
<b>Other comprehensive income (Note 14)</b>			
Unrealized gain on available-for-sale securities.....	307	501	2,990
Share of other comprehensive income in an affiliate accounted for under the equity method.....	0	0	3
Total other comprehensive income.....	308	501	2,994
<b>Comprehensive income</b> .....	¥5,148	¥4,919	\$50,029
<b>Total comprehensive income attributable to:</b>			
Owners of the parent .....	¥5,038	¥4,817	\$48,951
Minority interests.....	110	102	1,077

See notes to consolidated financial statements.

# Consolidated Statement of Changes in Equity

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Year ended March 31, 2014	Shares / Millions of yen										
	Common stock		Retained earnings		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	Defined Retirement Benefit Plans			
<b>Balance, April 1, 2012</b> .....	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
<b>Balance, March 31, 2013</b> .....	17,524,723	7,586	7,141	119,533	53,331	(273)	1,292		135,281	774	136,056
Net income .....				4,731					4,731		4,731
Cash dividends .....				(1,048)					(1,048)		(1,048)
Purchase of treasury stock ...					786	(2)			(2)		(2)
Net change in the year .....							307	¥953	1,260	106	1,366
<b>Balance, March 31, 2014</b> .....	17,524,723	¥7,586	¥7,141	¥123,216	54,117	¥(275)	¥1,599	¥953	¥140,222	¥881	¥141,103

Year ended March 31, 2014	Thousands of U.S. dollars (Note 1)										
	Common stock		Retained earnings		Treasury stock		Accumulated other comprehensive income		Total	Minority interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Defined Retirement Benefit Plans					
<b>Balance, March 31, 2013</b> .....	\$73,712	\$69,390	\$1,161,424	\$(2,652)	\$12,559				\$1,314,433	\$7,528	\$1,321,961
Net income .....			45,968						45,968		45,968
Cash dividends .....			(10,185)						(10,185)		(10,185)
Purchase of treasury stock ...				(26)					(26)		(26)
Net change in the year .....					2,982	9,264	12,247	1,032			13,279
<b>Balance, March 31, 2014</b> .....	\$73,712	\$69,390	\$1,197,207	\$(2,679)	\$15,542	\$9,264	\$1,362,437	\$8,560			\$1,370,998

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, 2014	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
<b>Operating activities:</b>			
Income before income taxes and minority interests .....	¥ 6,936	¥ 6,307	\$ 67,395
Adjustments for:			
Income taxes paid .....	(1,457)	(1,196)	(14,164)
Income taxes refund .....		540	
Depreciation and amortization .....	29,058	24,249	282,344
Liability for employees' retirement benefits .....	(436)	345	(4,241)
Loss on disposal of property, plant, and equipment .....	601	1,129	5,848
Changes in operating assets and liabilities:			
Decrease (increase) in notes and accounts receivable .....	248	(3,712)	2,412
(Increase) in inventories .....	(4,536)	(2,997)	(44,077)
Increase in notes and accounts payable .....	3,065	892	29,789
(Decrease) in interest payable .....	(44)	(65)	(428)
Other — net .....	5,288	2,638	51,387
Total adjustments .....	31,788	21,824	308,869
Net cash provided by operating activities .....	38,725	28,131	376,265
<b>Investing activities:</b>			
Purchase of property, plant, and equipment .....	(37,360)	(39,665)	(363,003)
Proceeds from sale of property, plant, and equipment .....	331	283	3,218
Payments for investments and advances .....	(272)	(104)	(2,644)
Proceeds from sales of investment securities and collections of advances .....	228	74	2,220
Other — net .....	694	1,318	6,750
Net cash used in investing activities .....	(36,378)	(38,094)	(353,459)
<b>Financing activities:</b>			
Proceeds from issuance of bonds .....		9,966	
Repayments of bonds .....		(10,000)	
Proceeds from long-term debt .....	11,500	10,100	111,737
Repayments of long-term debt .....	(18,310)	(19,100)	(177,912)
Net increase (decrease) in short-term bank loans .....	234	(1,304)	2,273
Cash dividends paid .....	(1,048)	(1,047)	(10,191)
Proceeds from sale and leaseback .....		30,119	
Other — net .....	(1,959)	(478)	(19,043)
Net cash (used in) provided by financing activities .....	(9,585)	18,256	(93,137)
<b>Net (decrease) increase in cash and cash equivalents .....</b>	<b>(7,238)</b>	<b>8,293</b>	<b>(70,331)</b>
<b>Cash and cash equivalents, beginning of year .....</b>	<b>15,780</b>	<b>7,487</b>	<b>153,326</b>
<b>Cash and cash equivalents, end of year .....</b>	<b>¥ 8,541</b>	<b>¥15,780</b>	<b>\$ 82,995</b>

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, 2014

## 1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared from the consolidated financial statements that 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, 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 that is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the financial statements for the year ended in March 31, 2013, to conform to the classifications used in the consolidated financial statements for the year ended in March 31, 2014.

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 included herein are provided solely for the convenience of readers outside Japan and are stated at the rate of ¥102.92 to \$1, the approximate rate of exchange on March 31, 2014. 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 as of March 31, 2014, include the accounts of the Company and its 11 significant subsidiaries (11 in 2013). Investment in one affiliated company (one in 2013) 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 that 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 plans

The Company has a defined contribution pension plan, a funded defined benefit pension plan, and an unfunded retirement benefit plan for employees. Certain consolidated subsidiaries have funded defined benefit pension plans. Other consolidated subsidiaries have unfunded retirement benefit plans for employees.

The liability for retirement benefits are accounted for based on the projected benefit obligations and plan assets at the balance sheet date.

The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a declining-balance basis over five years within the average remaining service period.

In May 2012, the Accounting Standards Board of Japan (“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 were followed by partial amendments from time to time through 2009.

- i) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
- ii) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period 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 are 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) 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 Companies applied the revised accounting standard and guidance for retirement benefits for i) and ii) above, effective March 31, 2014. As a result, liability for retirement benefits of ¥13,279 million (\$129,030 thousand) was recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, increased by ¥953 million (\$9,264 thousand). In addition, the Companies expect applying iii) above to increase retained earnings at the beginning of the year ended March 31, 2015, by ¥2,330 million (\$22,646 thousand).

#### (i) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement 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.

#### (k) 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 statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

### 3. Change of accounting estimate

Effective the year ended March 31, 2014, the Company changed the useful lives of certain property, plant, and equipment. Therefore, consolidated operating income and income before income taxes and minority interests for the year ended March 31, 2014, decreased by ¥421 million (\$4,092 thousand), respectively.

### 4. Property, plant, and equipment

The major classes of property, plant, and equipment as of March 31, 2014 and 2013, consisted of the following:

	Millions of yen			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
<b>As of March 31, 2014</b>				
Thermal power-generating facilities.....	¥480,214	¥(16,852)	¥(300,471)	¥162,890
Transmission facilities.....	147,759	(2,936)	(94,460)	50,363
Transformation facilities.....	100,762	(1,306)	(65,742)	33,712
Distribution facilities.....	157,688	(2,426)	(82,936)	72,325
General facilities.....	35,590	(6,468)	(14,596)	14,525
Other electricity-related facilities.....	19,963	(82)	(18,320)	1,560
Utility plants.....	941,978	(30,073)	(576,527)	335,377
Other plant and equipment....	32,505	(1,002)	(16,501)	15,000
Construction in progress.....	10,312			10,312
<b>Total.....</b>	<b>¥984,797</b>	<b>¥(31,076)</b>	<b>¥(593,029)</b>	<b>¥360,691</b>

	Millions of yen			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
<b>As of March 31, 2013</b>				
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
<b>Total.....</b>	<b>¥964,117</b>	<b>¥(29,643)</b>	<b>¥(568,446)</b>	<b>¥366,028</b>

As of March 31, 2014	Thousands of U.S. dollars			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power-generating facilities.....	\$4,665,898	\$(163,743)	\$(2,919,465)	\$1,582,689
Transmission facilities.....	1,435,674	(28,531)	(917,801)	489,342
Transformation facilities.....	979,033	(12,693)	(638,775)	327,564
Distribution facilities.....	1,532,146	(23,576)	(805,834)	702,735
General facilities.....	345,808	(62,853)	(141,825)	141,129
Other electricity-related facilities.....	193,973	(805)	(178,005)	15,162
Utility plants.....	9,152,535	(292,204)	(5,601,707)	3,258,622
Other plant and equipment....	315,830	(9,744)	(160,333)	145,752
Construction in progress.....	100,202			100,202
<b>Total.....</b>	<b>\$9,568,568</b>	<b>\$(301,949)</b>	<b>\$(5,762,041)</b>	<b>\$3,504,577</b>

## 5. Investment securities

The costs and aggregate fair values of investment securities at March 31, 2014 and 2013, were as follows:

As of March 31, 2014	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities.....	¥ 2,496	¥ 2,621	¥ 179	¥ 4,937
Other.....	500		156	344
<b>Total.....</b>	<b>¥ 2,997</b>	<b>¥ 2,621</b>	<b>¥ 336</b>	<b>¥ 5,282</b>

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

As of March 31, 2014	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities.....	\$24,256	\$25,470	\$1,747	\$47,978
Other.....	4,864		1,517	3,347
<b>Total.....</b>	<b>\$29,120</b>	<b>\$25,470</b>	<b>\$3,265</b>	<b>\$51,325</b>

## 6. Long-term debt

Long-term debt as of March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2013
Domestic bonds, 0.524% to 2.020% in 2014 and 0.524% to 2.020% in 2013, due serially through 2022.....	¥ 79,999	¥ 79,999	\$ 777,301
Loans from Okinawa Development Finance Corporation, 0.550% to 2.100% in 2014 and 0.550% to 2.100% in 2013, due serially through 2028.....	114,573	120,385	1,113,233
Loans from banks, insurance companies, and other sources, 0.239% to 1.950% in 2014 and 0.316% to 1.950% in 2013, due serially through 2023.....	8,171	8,891	79,400
Obligations under finance leases.....	32,071	34,017	311,612
<b>Total.....</b>	<b>234,816</b>	<b>243,295</b>	<b>2,281,547</b>
Less current maturities.....	(25,996)	(20,236)	(252,591)
<b>Long-term debt, less current maturities.....</b>	<b>¥208,820</b>	<b>¥223,058</b>	<b>\$2,028,955</b>

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 ¥4,015 million (\$39,020 thousand), are pledged as collateral for a portion of the long-term debt as of March 31, 2014.

The aggregate annual maturities of long-term debt outstanding as of March 31, 2014, were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2015.....	¥ 25,996	\$ 252,591
2016.....	26,989	262,240
2017.....	25,823	250,906
2018.....	28,072	272,757
2019.....	22,212	215,821
2020 and thereafter.....	105,722	1,027,230
<b>Total.....</b>	<b>¥234,816</b>	<b>\$2,281,547</b>

## 7. Short-term borrowings

The weighted-average interest rates applicable to short-term bank loans were 1.250% and 0.640% as of March 31, 2014 and 2013, respectively.

## 8. Employees' retirement benefits

The company's retirement benefit plans are as follows:

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

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

Consolidated subsidiaries have the plans of either i) or ii) above calculating liabilities for retirement benefits by the simplified method.

### Year Ended March 31, 2014

The changes in defined benefit obligation, excluding plans applying the simplified method shown below, for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year.....	¥18,793	\$182,607
Current service cost.....	838	8,151
Interest cost.....	375	3,646
Actuarial gains.....	(291)	(2,831)
Benefits paid.....	(1,148)	(11,157)
<b>Balance at end of year.....</b>	<b>¥18,568</b>	<b>\$180,415</b>

The changes in the net carrying amount of liabilities and assets for the retirement benefits of plans applying the simplified method for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year.....	¥3,724	\$36,185
Periodic benefit costs.....	414	4,030
Benefits paid.....	(216)	(2,098)
Contributions from the employer.....	(316)	(3,075)
<b>Balance at end of year.....</b>	<b>¥3,606</b>	<b>\$35,042</b>

The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year.....	¥10,209	\$ 99,201
Actuarial gains.....	674	6,555
Contributions from the employer.....	930	9,045
Benefits paid.....	(779)	(7,569)
Others.....	220	2,137
<b>Balance at end of year.....</b>	<b>¥11,256</b>	<b>\$109,370</b>

\* Others above comprise changes in plans applying the simplified method.

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets, include plans applying the simplified method, as of March 31, 2014

	Millions of yen	Thousands of U.S. dollars
Funded defined benefit obligation.....	¥19,104	\$185,627
Plan assets.....	(11,256)	(109,370)
	7,848	76,257
Unfunded defined benefit obligation.....	5,431	52,772
<b>Net liability for defined benefit obligation.....</b>	<b>¥13,279</b>	<b>\$129,030</b>

	Millions of yen	Thousands of U.S. dollars
Liability for retirement benefits.....	¥13,279	\$129,030
<b>Net liability for defined benefit obligation.....</b>	<b>¥13,279</b>	<b>\$129,030</b>

The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Current service cost.....	¥ 838	\$ 8,151
Interest cost.....	375	3,646
Recognized actuarial gains.....	(232)	(2,261)
Others.....	414	4,030
<b>Net periodic benefit costs.....</b>	<b>¥1,396</b>	<b>\$13,567</b>

\* Others above comprise costs in plans applying the simplified method.

Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014:

	Millions of yen	Thousands of U.S. dollars
Unrecognized actuarial gains.....	¥1,364	\$13,253
<b>Total.....</b>	<b>¥1,364</b>	<b>\$13,253</b>

### Plan assets as of March 31, 2014

#### (a) Components of plan assets

Plan assets consisted of the followings:

Debt investments.....	38%
Equity investments.....	18
General account.....	35
Others.....	9
<b>Total.....</b>	<b>100%</b>

#### (b) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return that are expected currently and in the future from the various components of the plan assets.

Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate.....	2.0%
Expected rate of return on plan assets.....	0.0%

The required contribution to defined contribution plans by the Company for the year ended March 31, 2014, was ¥195 million (\$1,897 thousand).

### Year Ended March 31, 2013

The liability for employees' retirement benefits as of March 31, 2013, consisted of the following:

	Millions of yen
Projected benefit obligation.....	¥24,659
Fair value of plan assets.....	(10,209)
Unrecognized actuarial losses.....	630
<b>Net liability.....</b>	<b>¥15,080</b>

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

	Millions of yen
Service cost.....	¥1,187
Interest cost.....	371
Recognized actuarial losses.....	198
Contribution to the defined contribution pension plan.....	195
<b>Net periodic retirement benefit costs.....</b>	<b>¥1,952</b>

Assumptions used for the year ended March 31, 2013, were set forth as follows:

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

## 9. Income taxes

The Companies are subject to several taxes based on income and revenue. For the years ended March 31, 2014 and 2013, the aggregate normal effective statutory tax rates approximated 32.7%.

The tax effects of significant temporary differences and loss carryforwards, which resulted in deferred tax assets and liabilities as of March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Liability for employees' retirement benefits...	¥ 4,205	¥ 4,753	\$ 40,862
Unrealized profit .....	3,918	3,933	38,068
Depreciation and amortization .....	2,189	2,223	21,274
Accrued expenses .....	1,800	731	17,494
Other .....	1,753	1,812	17,041
Subtotal.....	13,867	13,455	134,741
Less: valuation allowance.....	(389)	(398)	(3,784)
Total deferred tax assets .....	¥13,478	¥13,057	\$130,957
Deferred tax liabilities:			
Unrealized gain			
on available-for-sale securities.....	(727)	(595)	(7,071)
Unrealized gain on land revaluation.....	(310)	(310)	(3,015)
Other .....	(102)	(103)	(993)
Total deferred tax liabilities .....	¥ (1,140)	¥ (1,009)	\$ (11,080)
Net deferred tax assets.....	¥12,337	¥12,047	\$119,876

Reconciliations between the normal effective statutory tax rate for the years ended March 31, 2014 and 2013, and the actual effective tax rate reflected in the accompanying consolidated statements of income were as follows:

	2014
Normal effective statutory tax rate.....	32.7%
Tax credit .....	(9.5)
Adjustment of deferred tax assets	
at year-end resulting from tax rate changes.....	2.5
Elimination of unrealized gains.....	1.4
Difference of tax rates on special income tax for reconstruction funding .....	1.4
Other-net .....	1.7
Actual effective tax rate.....	30.2%

	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%

On March 31, 2014, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 32.7% to 30.1% effective for the fiscal years beginning on or after April 1, 2014. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥173 million (\$1,688 thousand), and to increase income taxes-deferred in the consolidated statement of income for the year then ended by ¥173 million (\$1,688 thousand).

## 10. Equity

Japanese companies are subject to 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.

## 11. Research and development costs

Research and development costs charged to income were ¥1,083 million (\$10,530 thousand) and ¥1,061 million for the years ended March 31, 2014 and 2013, respectively.

## 12. 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 the financial position of issuers on a regular basis.

Derivative transactions have been made in accordance with internal policies that 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 13 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, 2014 and 2013, were as follows:

	Millions of yen		
	Carrying amount	Fair value	Unrecognized loss
<b>March 31, 2014</b>			
Investment securities:			
Available-for-sale .....	¥ 5,282	¥ 5,282	
Cash and cash equivalents .....	8,541	8,541	
Notes and accounts receivable.....	10,837	10,837	
Total .....	¥ 24,661	¥ 24,661	
Long-term debt:			
Bonds .....	¥ 79,999	¥ 82,783	¥2,783
Loans .....	122,745	128,105	5,359
Short-term bank loans.....	150	150	
Notes and accounts payable .....	20,288	20,288	
Income taxes payable.....	2,294	2,294	
Total .....	¥225,479	¥233,622	¥8,142

	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	
Notes and accounts receivable.....	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

	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrecognized loss
<b>March 31, 2014</b>			
Investment securities:			
Available-for-sale .....	\$ 51,325	\$ 51,325	
Cash and cash equivalents .....	82,995	82,995	
Notes and accounts receivable.....	105,297	105,297	
Total .....	\$ 239,618	\$ 239,618	
Long-term debt:			
Bonds .....	\$ 777,301	\$ 804,346	\$ 27,045
Loans .....	1,192,633	1,244,707	52,074
Short-term bank loans.....	1,457	1,457	
Notes and accounts payable .....	197,129	197,129	
Income taxes payable.....	22,298	22,298	
Total .....	\$2,190,820	\$2,269,940	\$79,119

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 5.

**Cash and cash equivalents and notes and accounts receivable**

The carrying values of cash and cash equivalents and notes and accounts receivable 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 that 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 13.

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Investment securities:			
Available-for-sale:			
Unlisted equity securities .....	¥4,590	¥4,415	\$44,599
Other .....	477	619	4,642
Total .....	¥5,067	¥5,035	\$49,241

**(e) Maturity analysis for financial assets with contractual maturities**

	Thousands of U.S. dollars	
	Millions of yen Due in one year or less	Due in one year or less
<b>March 31, 2014</b>		
Cash and cash equivalents .....	¥ 8,541	\$ 82,995
Notes and accounts receivable.....	10,837	105,297
Total .....	¥19,379	\$188,292

### 13. 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 the market value is not provided.

#### Derivative transactions to which hedge accounting is applied

As of March 31, 2014	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
Interest rate swaps: (floating rate payment, fixed rate receipt) .....	<b>Long-term debt</b>	<b>¥2,331</b>	<b>¥1,665</b>		<b>Long-term debt</b>	<b>\$22,648</b>	<b>\$16,177</b>	

As of March 31, 2013	Millions of yen			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Interest rate swaps: (floating rate payment, fixed rate receipt) .....	Long-term debt	¥2,997	¥2,331	

The above interest rate swaps that 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 12.

### 14. Comprehensive income

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Other comprehensive income:			
Unrealized gain on available-for-sale securities			
Gains arising during the year .....	<b>¥441</b>	¥721	<b>\$4,292</b>
Amount before income tax effect .....	<b>441</b>	721	<b>4,292</b>
Income tax effect .....	<b>(134)</b>	(220)	<b>(1,302)</b>
Total .....	<b>307</b>	501	<b>2,990</b>
Share of other comprehensive income in an affiliate accounted for under the equity method			
Gains arising during the year .....	<b>¥ 0</b>	¥ 0	<b>\$ 3</b>
Total other comprehensive income .....	<b>¥308</b>	¥501	<b>\$2,994</b>

## 15. 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 the fiscal year ended March 31, 2014, the Company has changed the useful lives of certain property, plant, and equipment. As a result, this change decreased segment profit for the fiscal year ended March 31, 2014, by ¥428 million (\$4,165 thousand) in Electric.

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

	Millions of yen					Thousands of U.S. dollars				
	Reportable segment Electric	Other	Total	Reconciliations	Consolidated	Reportable segment Electric	Other	Total	Reconciliations	Consolidated
<b>2014</b>										
Sales										
Sales to external customers .....	¥171,894	¥ 7,371	¥179,266		¥179,266	\$1,670,178	\$ 71,624	\$1,741,803		\$1,741,803
Intersegment sales or transfers .....	164	31,771	31,936	¥(31,936)		1,595	308,704	310,300	\$(310,300)	
Total.....	¥172,059	¥39,143	¥211,202	¥(31,936)	¥179,266	\$1,671,774	\$380,329	\$2,052,103	\$(310,300)	\$1,741,803
Segment profit.....	¥ 6,788	¥ 2,151	¥ 8,940	¥ (246)	¥ 8,693	\$ 65,961	\$ 20,902	\$ 86,864	\$ (2,395)	\$ 84,469
Segment assets.....	408,570	41,636	450,206	(21,873)	428,333	3,969,784	404,550	4,374,334	(212,527)	4,161,807
Other:										
Depreciation.....	28,955	1,031	29,986	(927)	29,058	281,341	10,019	291,361	(9,016)	282,344
Increase in property, plant, and equipment and intangible assets .....	26,865	746	27,612	(1,130)	26,482	261,036	7,253	268,289	(10,981)	257,308

	Millions of yen				
	Reportable segment Electric	Other	Total	Reconciliations	Consolidated
<b>2013</b>					
Sales					
Sales to external customers .....	¥158,755	¥ 7,684	¥166,439		¥166,439
Intersegment sales or transfers .....	156	32,061	32,217	¥(32,217)	
Total.....	¥158,911	¥39,745	¥198,657	¥(32,217)	¥166,439
Segment profit.....	¥ 7,047	¥ 1,929	¥ 8,976	¥ (6)	¥ 8,969
Segment assets.....	415,087	42,006	457,093	(21,577)	435,515
Other:					
Depreciation.....	24,017	1,103	25,120	(871)	24,249
Increase in property, plant, and equipment and intangible assets .....	47,852	922	48,775	(790)	47,985

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, 2014 and 2013.

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.

## 16. Subsequent event

The following appropriation of retained earnings at March 31, 2014, was approved at the Company's shareholders' meeting held on June 27, 2014:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30 (29¢) per share.....	¥524	\$5,092

## 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, 2014, 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, 2014, 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 30, 2014

Member of  
Deloitte Touche Tohmatsu

# Nonconsolidated Balance Sheet

The Okinawa Electric Power Company, Incorporated

March 31, 2014 (Unaudited)	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
<b>Assets</b>			
<b>Property, plant, and equipment:</b>			
Utility plants and equipment .....	¥972,975	¥939,321	\$9,453,704
Construction in progress .....	9,326	20,649	90,616
Total .....	982,301	959,971	9,544,320
Less:			
Contributions in aid of construction .....	(30,147)	(28,714)	(292,925)
Accumulated depreciation .....	(596,040)	(570,590)	(5,791,301)
Total .....	(626,188)	(599,304)	(6,084,227)
Net property, plant, and equipment.....	356,112	360,667	3,460,093
<b>Investments and other assets:</b>			
Investment securities.....	9,632	9,200	93,590
Investments in and advances to subsidiaries and affiliates.....	4,618	5,043	44,876
Deferred tax assets .....	5,748	4,848	55,850
Other assets .....	2,859	3,192	27,781
Allowance for doubtful accounts .....	(45)	(45)	(442)
Total investments and other assets.....	22,812	22,240	221,657
<b>Current assets:</b>			
Cash and cash equivalents .....	1,931	8,825	18,770
Accounts receivable.....	8,268	9,438	80,334
Fuel and supplies .....	15,967	12,236	155,142
Deferred tax assets .....	1,433	1,392	13,924
Other current assets .....	2,178	424	21,171
Allowance for doubtful accounts .....	(134)	(138)	(1,309)
Total current assets .....	29,644	32,179	288,034
Total.....	¥408,570	¥415,087	\$3,969,784
<b>Liabilities and equity</b>			
<b>Long-term liabilities:</b>			
Long-term debt, less current maturities.....	¥176,366	¥188,813	\$1,713,630
Lease obligations .....	30,125	32,114	292,710
Liabilities for employees' retirement benefits.....	11,037	11,356	107,241
Other long-term liabilities.....	4,543	757	44,149
Total long-term liabilities.....	222,073	233,041	2,157,731
<b>Current liabilities:</b>			
Current maturities of long-term debt .....	26,141	19,743	253,994
Short-term borrowings .....	1,200	600	11,659
Accounts payable .....	17,270	25,179	167,803
Income taxes payable .....	1,815	356	17,637
Accrued expenses .....	9,450	9,682	91,823
Other current liabilities.....	2,988	2,014	29,032
Total current liabilities.....	58,865	57,576	571,952
<b>Equity:</b>			
Common stock,			
Authorized — 30,000,000 shares			
Issued — 17,524,723 shares in 2014 and 2013 .....	7,586	7,586	73,712
Capital surplus:			
Additional paid-in capital.....	7,141	7,141	69,390
Retained earnings:			
Legal reserve.....	964	964	9,376
Unappropriated .....	110,597	107,728	1,074,592
Unrealized gain on available-for-sale securities.....	1,616	1,321	15,708
Treasury stock, at cost 54,117 shares in 2014 and 53,331 shares in 2013 .....	(275)	(273)	(2,679)
Total equity .....	127,631	124,469	1,240,099
Total.....	¥408,570	¥415,087	\$3,969,784

The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥102.92 to \$1, the approximate rate of exchange as of March 31, 2014.

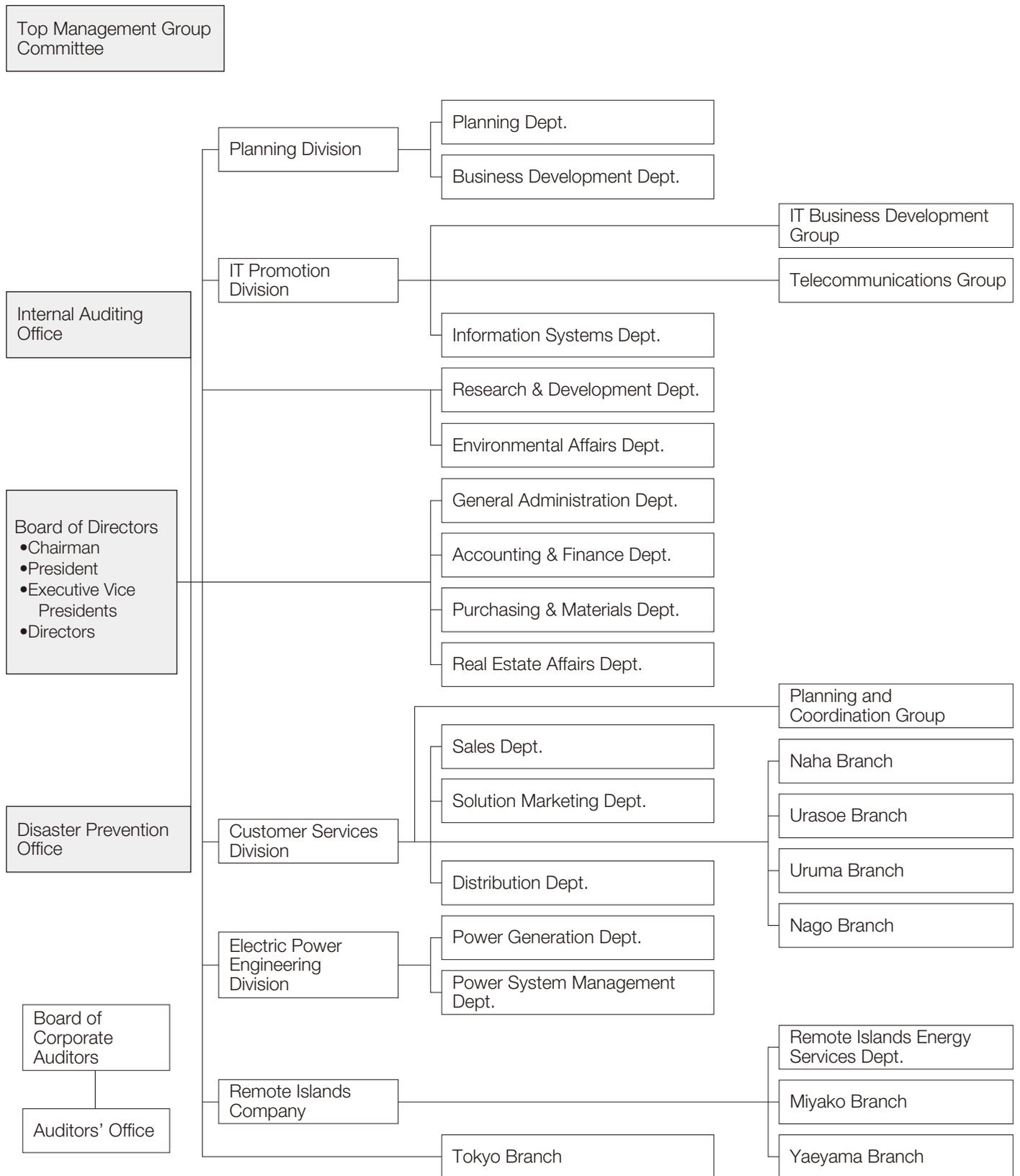
# Nonconsolidated Statement of Income

The Okinawa Electric Power Company, Incorporated

Year ended March 31, 2014 (Unaudited)	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
<b>Operating revenues</b> .....	<b>¥172,059</b>	¥158,911	<b>\$1,671,774</b>
<b>Operating expenses:</b>			
Personnel.....	16,581	16,839	161,106
Fuel.....	53,205	51,045	516,958
Purchased power.....	20,685	17,114	200,983
Depreciation.....	28,897	23,952	280,781
Repairs and maintenance.....	16,339	17,142	158,763
Taxes other than income taxes .....	7,027	6,759	68,281
Other .....	22,533	19,010	218,938
Total operating expenses .....	<b>165,270</b>	151,864	<b>1,605,812</b>
<b>Operating income</b> .....	<b>6,788</b>	7,047	<b>65,961</b>
<b>Other income (expenses):</b>			
Interest and dividend income .....	565	288	5,497
Interest expense .....	(2,735)	(2,866)	(26,579)
Other — net.....	588	(159)	5,717
Net other expenses .....	<b>(1,581)</b>	(2,737)	<b>(15,365)</b>
<b>Income before income taxes</b> .....	<b>5,207</b>	4,309	<b>50,596</b>
<b>Income taxes:</b>			
Current .....	2,356	992	22,900
Deferred.....	(1,066)	218	(10,364)
Total.....	<b>1,290</b>	1,210	<b>12,535</b>
<b>Net income</b> .....	<b>¥ 3,917</b>	¥ 3,098	<b>\$ 38,061</b>
		Yen	U.S. dollars
<b>Per share of common stock</b>			
Basic net income .....	<b>¥224.21</b>	¥177.35	<b>\$2.18</b>
Cash dividends applicable to the year .....	<b>60.00</b>	60.00	<b>0.58</b>

The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥102.92 to \$1, the approximate rate of exchange as of March 31, 2014.

# Organization Chart



(As of July 1, 2014)

# 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](http://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

¥408,570 million

## Number of Customers

875,041 (Includes users of both lighting and power)

## Number of Employees

1,531

## Power Generation Facilities (As of July 1, 2014)

Type of Station	Number of Facilities	Generating Capacity [kW]
Steam	9	1,629,000
Gas Turbine	8	291,000
Internal Combustion	68	174,250
Total	89	2,094,250

## 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

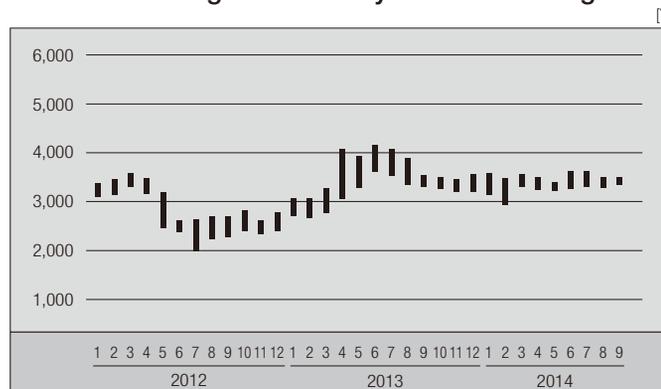
17,524,723 shares

## Number of Shareholders

7,994

(As of March 31, 2014)

## Stock Price Range on the Tokyo Stock Exchange



## Credit Ratings (As of August 31, 2014)

	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  
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, 2014)



The Okinawa Electric Power Company, Incorporated