

The Okinawa Electric Power Company, Incorporated (OEPC)

Annual Report 2017

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In Harmony with the Local Community

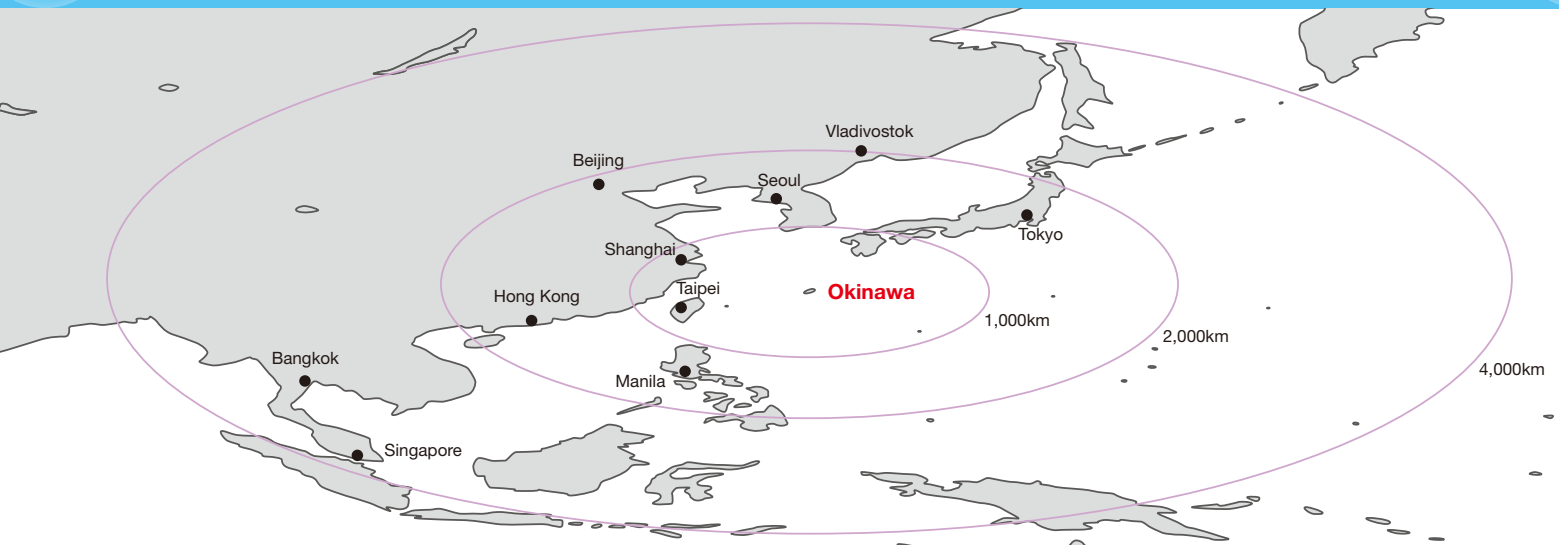
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Overview of Okinawa Prefecture



Basic Data

Population	1,436,683
No. of Households	574,111
Area	2,281 km ²
Climate	Subtropical
Location	26°12N 127°41E
Prefectural GDP	¥4621.1 billion
Tourism Revenue	¥602.2 billion

- ◇ 160 islands scattered over a sea area lying about 1,000 kilometers east and west and about 400 kilometers north and south.
- ◇ Okinawa has attracted attention for its advantages and potentials.
 - Geographical characteristics as being located in the center of East Asia.
 - The highest birth rate in Japan.
 - Rich nature and mild climate.
- ◇ Making good use of such advantages and potentials, initiatives are underway
 - Promotion of tourism.
 - Clustering of international logistics industry.

Population, No. of Households as of April 1, 2017
 Area as of October 1, 2016
 Prefectural GDP as of Estimated results FY 2016
 Tourism Revenue as of FY 2015

(Source: Okinawa Prefecture, Geographical Survey Institute)

Corporate Overview of OEPC

- The Okinawa Electric Power Company (OEPC) supplies electricity to 38 inhabited islands including Okinawa mainland.
- OEPC maintains 11 isolated systems that are not connected with the transmission lines of other power companies.
- OEPC has no nuclear and hydroelectric power plants and depends on fossil fuels for its power supply.

Established	May 15, 1972
Capital	¥7,586 million
Total assets	¥376.373 billion (Non-consolidated) ¥400.237 billion (Consolidated)
Employees	1,537 (Consolidated: 2,631)

Service area	Okinawa Prefecture
Head Office	2-1, Makiminato 5-chome, Urasoe, Okinawa 901-2602, Japan
Generating facilities	Steam-power generators 5 locations 1,629 thousand kW (Oil 2 locations 375 thousand kW) (Coal 2 locations 752 thousand kW) (LNG 1 locations 502 thousand kW) Gas turbine generators 5 locations 326 thousand kW Internal-combustion power generators 13 locations 195 thousand kW

(as of March 31, 2017)

Message from the Management



Denichiro Ishimine
Chairman

Mitsuru Omine
President

The Okinawa Electric Power Company, Inc. (OEPC) Group aims to design and propose new value through services to support both corporate and individual customers as a comprehensive energy supplier and to become a unified business group that grows and develops hand-in-hand with the community.

In the electric power business that forms the mainstay of the Group's operations, the full liberalization of the electricity retail market was implemented in the Okinawa region, in the same way as on mainland Japan, in April 2016, ushering in an era of full-scale competition. The OEPC is exempt from the treatment of the legal unbundling which aims at further securing of neutrality of the transmission/distribution sector. Specifically, if the OEPC is approved as the "Approved general power transmission and distribution operator" which can operate power retail business and power generation business, we can continue maintaining the integrated system for power transmission and distribution.

Against this backdrop, we formulated OEPC Group Medium- to Long-Term Growth Strategies to define the corporate group we want to be. With these strategies as our guide, we will boldly embrace challenges as a cohesive group to resolve various management issues and achieve our financial targets.

The electric power industry is faced with some negative factors, such as the heightened efforts to save energy, which could slow growth in electricity demand. Nevertheless, positive factors exist as well, such as large-scale urban development plans, which could boost demand for new energy. We will strive to expand sales of electricity and gas by maximizing the strengths we have built as a corporate group with roots in the community, resourcefully leveraging comprehensive energy services, and vigorously promoting all-electric options for residential and commercial customers. On the cost front, we will consider and implement radical cost-reduction measures that go beyond any concepts entertained to date as well as measures to enhance business efficiency.

With regard to measures to curb global warming, we will engage with the electric power industry as a whole to achieve CO₂ emission reduction targets based on national energy mix decisions. We will also engage in efforts to realize a low-carbon society through steady operation of the Yoshinoura Thermal Power Plant, which uses liquefied natural gas (LNG)— the most efficient source—as its fuel.

In addition, OEPC will strive to reinforce measures to ensure quick recovery when typhoons knock out power. We also seek to strengthen our ability to respond when disaster strikes, and toward this end, we will emphasize business operations and facility management with a heightened awareness of disaster prevention and reduced impact should occur through such approaches as investment in facilities to better withstand the impact of natural disasters, including earthquakes and tsunamis.

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 while gradually and conscientiously building on its experience of standard procedures in fulfilling its mission of the stable supply of electricity.

We will also be thorough in our efforts to keep the number of working hours to an appropriate level. This includes efforts to prevent situations where employees work for long periods in a stretch. It is our goal to ensure the health of our employees and to promote a harmonious work-life balance.

In activities other than the electric power business, all employees under the Group umbrella are well aware of the corporate mission and the roles they play in fulfilling this mission. We will continue to provide comprehensive energy services—the Group’s core business—but we will also direct effort into measures that contribute to expanded sales and profitability and improved capital efficiency outside the Group. Our goal is to encourage self-driven growth in each field of business.

Going forward, the OEPC Group will work as a cohesive unit to address various management issues and thereby sustain growth and development.



Denichiro Ishimine
Chairman



Mitsuru Omine
President



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 customers' 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

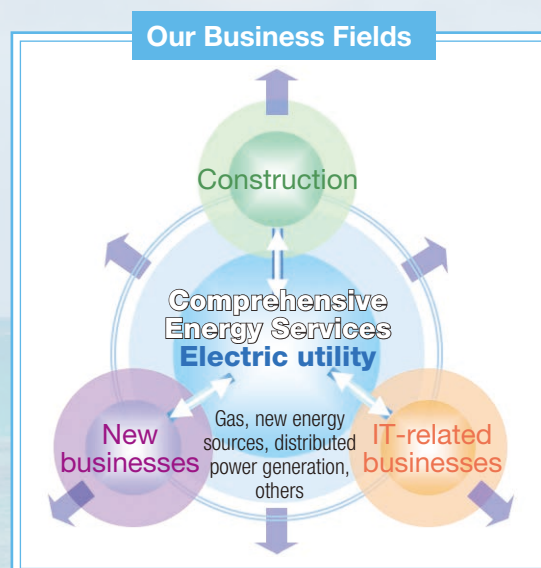
The core of the OEPC Group's business development will continue to be the provision of comprehensive energy services, centered on the supply of electric power. In addition, the Group will seek to leverage its strength as a comprehensive energy services provider and the advantages of its existing businesses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



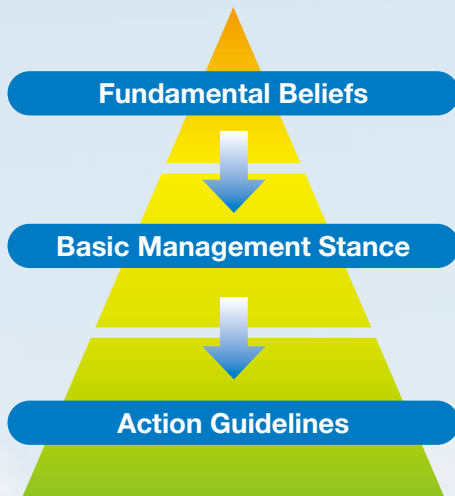
Construction and real estate businesses

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

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 the 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

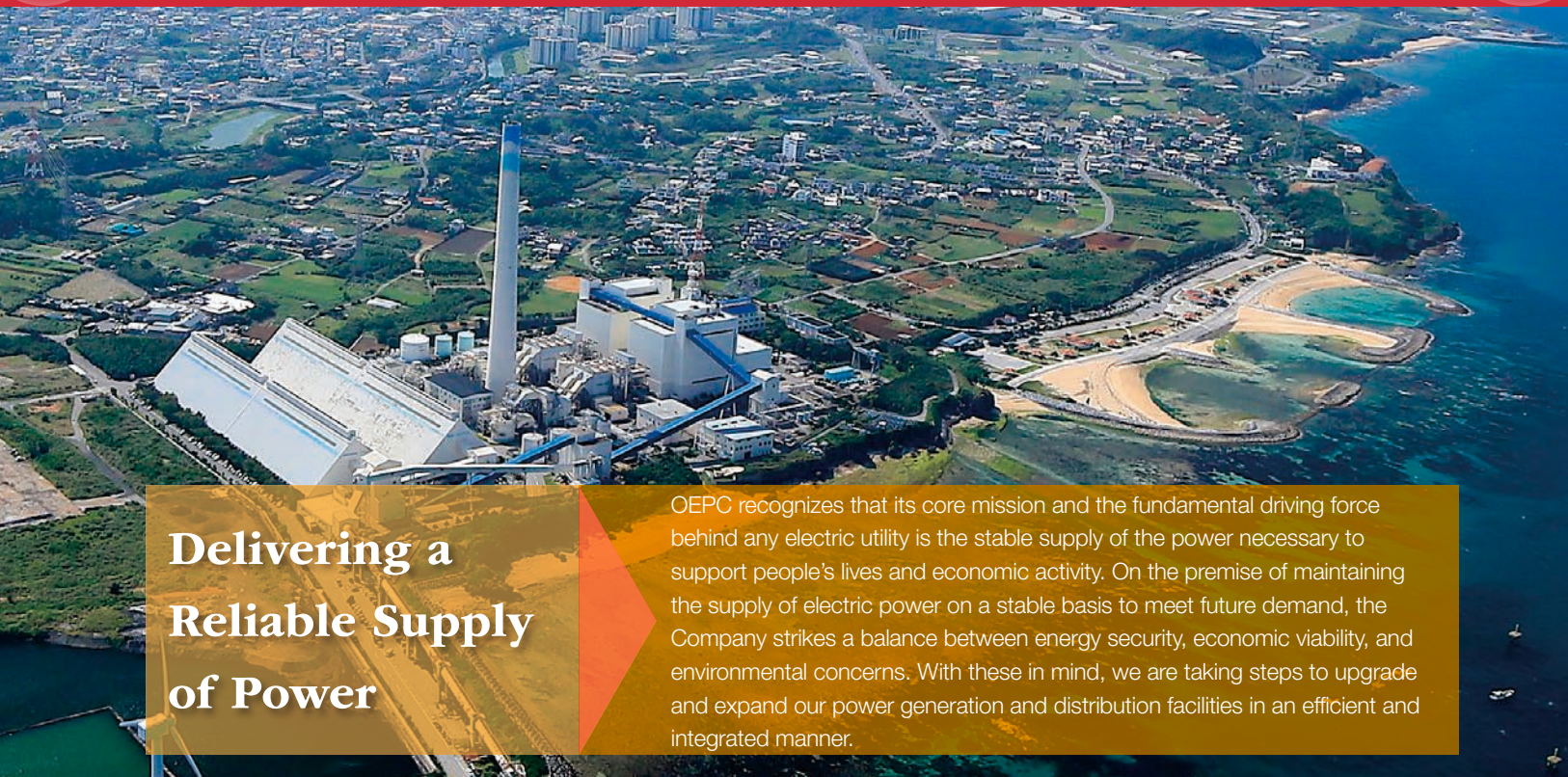
- Discover customers' needs, and do our best to provide greater satisfaction
- Act as a responsible corporate citizen
- Value our staff and help them grow
- Achieve sustainable growth through efficient business operations and a far-sighted capital investment strategy

3. Action Guidelines

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



Ensuring the Stable Supply of High-Quality Electricity



Delivering a Reliable Supply of Power

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. On the premise of maintaining the supply of electric power on a stable basis to meet future demand, the Company strikes a balance between 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

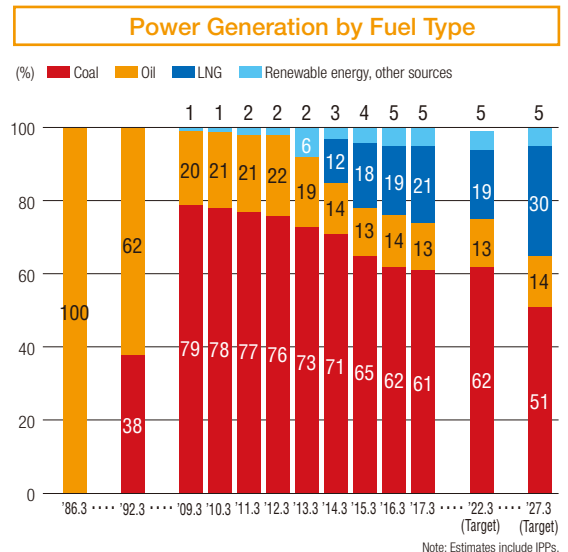
Electric power consumption in Okinawa Prefecture during fiscal 2016 totaled approximately 7.9 billion kWh. Peak load (transmission end) was approximately 1,480,000kW, and demand for electricity in Okinawa Prefecture is expected to continue to expand, reflecting an increase in the number of customers—fueled by a larger population—and steady growth of the local economy.



View of Naha, capital of Okinawa Prefecture

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 geography, 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 Plant 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 CO₂ than oil and coal.



- Including portion from other companies
- Estimated composition ratio using solar power generation facilities contracted as of March 31, 2017.
- Some total values do not add up due to rounding

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 about 1,200km (line length). We operate some 140 substations, and the length of our distribution line network connecting these substations with customers (again, both overhead and underground), is about 10,900km (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 facility



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 plants and current adjustments at transformers and over transmission lines, to precisely match power demand.



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.

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 10 remote islands including Ishigaki and Miyako islands. From these facilities, electricity is supplied to neighboring smaller islands round-the-clock using submarine cables.

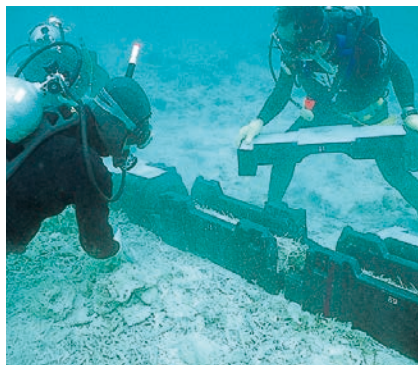
During emergencies such as the failure of regular supplies to remote islands, we use transportable generator equipment to ensure a stable supply of electricity.



Ishigaki No. 2 Power Plant (diesel generator)



Power distribution line continuing through to Yubu Island



Submarine power cables

Disaster readiness

As a provider of vital services in Okinawa Prefecture, the Company 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 "disasterproof," 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.

The Company is updating emergency procedures for its 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.



General disaster drills prepare for major disasters



Helping in comfortable lifestyle and workplace creation

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

Deployment of finely tuned services

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



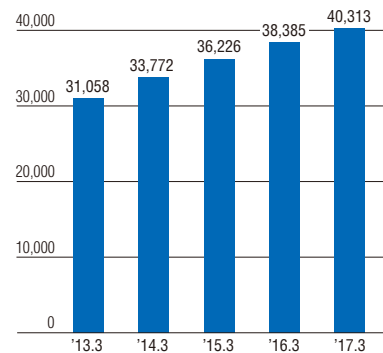
A consulting session

Promoting growth in popularity of all-electric homes

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

In its efforts to convey how the power of electricity can enrich customers' lives and make them more comfortable, OEPC offers a range of affordable charge plans to suit customers' lifestyles and works to increase the popularity of all-electric homes through various events and marketing campaigns. These include displaying electric equipment and enabling customers to experience induction heaters (IH) at our Kaerupia all-electric showroom in Naha and all-electric demonstration vehicles.

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



For our corporate customers

All-electric kitchens — safe and easy to clean

OEPC is working to raise awareness of the advantages of all-electric kitchens for restaurants, bakeries, and other commercial facilities and promote widespread popularity.



A welfare facility kitchen that has introduced commercial electrical equipment



Commercial electric kitchen seminar

Proposals for air-conditioning systems tailored to customer needs

We propose optimal air-conditioning systems tailored to customer needs. These include highly efficient air-conditioning systems that enable extensive compatibility with the scale of customer facilities, regardless of whether they are large or small, and heat storage air-conditioning systems that store cold as ice and chilled water at night for use as a coolant during the day.



Ice-storage air conditioning systems

Proposals for heat pump hot water systems that are highly effective in conserving energy

To utilize the heat in the atmosphere heat pump hot water systems are highly energy efficient compared with conventional hot water systems and enable a significant reduction in CO₂ emissions.



Commercial heat-pump hot-water supply system

Comprehensive Energy Services

Deploy comprehensive energy services that meet customers' needs

At a time when regional environmental conservation and management efficiency are being demanded, particularly in the fields of industrial and commercial energy use, efforts to save energy and reduce CO₂ and the lowering of energy costs have become important issues for management. Furthermore customer needs with regard to energy utilization are becoming more sophisticated and diverse.

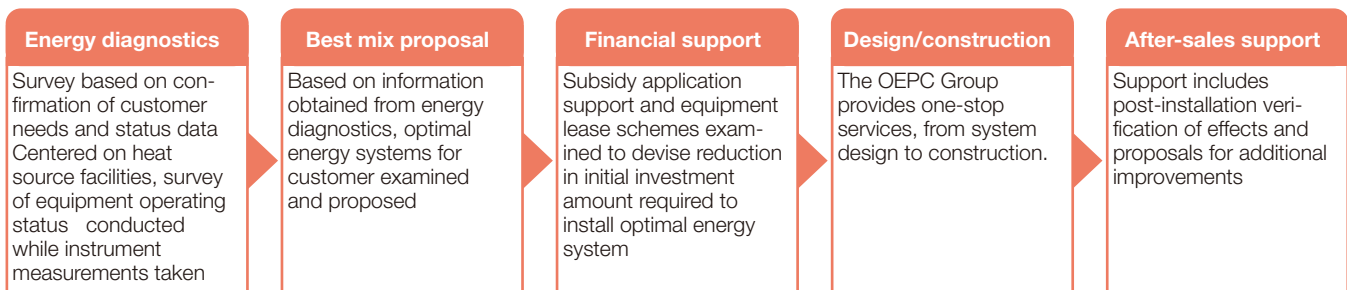
From the standpoint of electricity and gas sales promotions, the OEPC Group will leverage the expertise and management resources accumulated in its electricity business and promote comprehensive energy service efforts to meet customers' needs.

Comprehensive energy services of the OEPC Group

On the basis of needs that are becoming more sophisticated and diverse, the OEPC Group will provide its customers with total energy support, best mix proposals, and one-stop services.



• Flow of services



• Gas supply business commenced in May 2015

Enables the proposal of energy systems that include gas with conventional electricity, expands the extent of comprehensive energy service provision

- | | |
|----------------------------------|---|
| 1. LNG supply business by truck | Supplies LNG from Yoshinoura Thermal Power Plant by tanker truck to customers located in remote locations |
| 2. Wholesale gas supply business | Wholesale supply of LNG and gas to other energy business operators |
| 3. Piped gas supply business | Supplies gas by pipeline to, for example, factories in the vicinity of the Yoshinoura Thermal Power Plant |



LNG shipment by tanker truck

In Harmony with the Local Community



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 inside 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.



General view of a community cleanup activity

Exhibition of Science Work by Students

With the aims of stimulating interest in and fascination for science among students as well as promoting science tuition and nurturing human resources in Okinawa Prefecture, the Company has been held the Exhibition of Science Work by Okinawa Students since 1979. The event held in fiscal 2016 marked the 39th exhibition. Besides awards for and displays of all the entries at the venue, including those for the Okinawa Governor's Prize, the Company holds poster sessions by the winners and provides booths and areas where visitors can gain hands-on experience of science. The exhibition has become an event that enables visitors to have fun while coming into close contact with science.



General view of the venue for the exhibition of science work by Okinawa students

Arts and cultural events

OEPC has been contributing to the promotion of the arts and cultural activities in Okinawa. The Company supports a variety of arts and cultural events held in the prefecture, such as those related to Ryukyu dance and traditional “Eisa” dance. In addition, the Company organizes the “Okiden Sugarhall Audition for Debut Concert” and the “Okiden ‘Scenery of Light’ Digital Photo Contest.”



Award ceremony at the Okiden Sugarhall Audition for Debut Concert



An entry in the “Okiden ‘Scenery of Light’ Digital Photo Contest”

Sports

OEPC supports efforts to promote prefectural sports through sponsorship and volunteer involvement in events welcoming participation from a spectrum of ages.



Baseball workshop for children conducted by the Okiden baseball team



Okiden Pennant Naginata Tournament



Okiden Pennant Elementary School Baseball Tournament

Supporting the local community

While continuing to deploy its comprehensive energy services that supply electricity and gas, 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 OEPC 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.

OEPC Group Companies (As of March 31, 2017)

Company Name	Established/Capital	Business Areas
Construction		
Okidenko Company, Incorporated	June 12, 1968 ¥130 million	Civil engineering, construction, electrical work, piping, electric telecommunications work, electric power system construction work, inspection and maintenance
Okinawa Enetech Company, Incorporated	May 10, 1994 ¥40 million	Sales of new energy electric power; Feasibility studies and design of electric power facilities, and supervision of construction; environmental surveys, odor measurement, 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 LED light fixtures
Electric power supply and peripheral businesses		
Okiden Kigyo Company, Incorporated	October 15, 1975 ¥43 million	Construction of internal combustion power generation equipment, repair and consignment operations 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
Information and telecommunication business		
The Okiden Global Systems Company, Incorporated	April 12, 1991 ¥20 million	Computer systems design, construction, operation, and sales; sales, leasing, etc. of computers and peripheral equipment
First Riding Technology, Inc.	July 11, 2001 ¥450 million	Internet data center business Internet solutions; call center business
Real estate business		
Okiden Kaihatsu Company, Incorporated	April 26, 1989 ¥50 million	Management, buying and selling, and leasing of real estate, aquaculture business
Renewable development business		
Okinawa New Energy Development Company, Incorporated	October 14, 1996 ¥49 million	Sales of electricity from renewable energy sources Planning, survey and design of renewable energy systems Construction and maintenance of renewable energy facilities
Other businesses		
Progressive Energy Corporation (PEC)	August 23, 2001 ¥100 million	Sales of natural gas and LNG Construction and maintenance of retractable wind turbine facilities 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



Environmental measures

Environmental issues are a management priority for us, and we carry 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.

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.

When constructing power plants, we will conduct environmental assessments in accordance with laws and ordinances and, while continuing to take into consideration the views of local residents as well as the local government as a part of the process, will create a new power plant that will harmonize smoothly with the natural surroundings cherished by the community for many years to come.

We undertake a range of environment protection measures to ensure that our activities do not impact the surrounding environment, and we undertake environmental monitoring studies.

In addition, we are taking the following measures to improve the local environment: rigorous management of chemical substances, such as PCBs and dioxins; greening power plant sites; and testing out an initiative for "greening of the sea" by planting coral and seaweed around our power generation facilities.



Environmental monitoring survey

Promoting initiatives aimed at protecting the global environment

To address the issue of global warming, OEPC participates in the Electric Power Council for a Low Carbon Society and strives to achieve the CO₂ emission reduction target set by the council for all members. We will work toward the realization of a low-carbon society through various global warming prevention measures available to us, including stable operation of the Yoshinoura Thermal Power Plant, which uses LNG. This is the most effective means we have to fight global warming.



Wood-based biomass pellets

Wood-based biomass distribution facility



Yoshinoura Thermal Power Plant

Creation of a sustainable resource-oriented society

OEPC is committed to building a sustainable resource-oriented society, 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.



Plant producing alternative materials for soil and sand

Green energy

Solar power, wind power and other renewable forms of energy are considered clean, as they do not emit CO₂—a contributory factor to global warming—during power generation. But these forms of energy present certain challenges, including low energy density, unstable energy output due to high susceptibility to changes in weather conditions, and high cost in generating power. OEPC is pursuing research aimed at expanding the use of renewable energy. These efforts include verification tests aimed at ensuring stable supply solar power when feeds output to power systems in large quantity.



Utilizing renewable energy sources

The OEPC Group is committed to introducing renewable forms of energy such as solar and wind power. As of March 31, 2017, the Company had a total capacity of 28,555kW (including small hydroelectric generators) from wind, solar and other types of renewable energy throughout the prefecture including remote islands.



Solar power generation system on Tarama Island



Retractable wind turbine (Minami-Daito Island)

Remote island micro-grid verification tests

Steps are being taken to gauge the impact of 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 into experimental research on 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.



Miyako Island Mega Solar Power Experimental Research Facility



Abu Mega Solar Power Experimental Research Facility

Abu Mega Solar Power Demonstration Research Facility

OEPC built this 1,000kW solar power generation facility in Abu, Nago City. The Company is conducting experimental studies into the output characteristics of the solar photovoltaic system and output stabilization technologies 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

We established a demonstration research facility that combines a twin turbine (2,000kW each) wind power generation facility and 4,500kWh capacity storage battery facility in the village of Ogimi. We are 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

Mixed burning of woody biomass at coal-fired thermal power plant

In March 2010, we started burning biomass pellets with coal at a three percent weight ratio at the Gushikawa Thermal Power Plant, a coal-fired facility.

The successful utilization of the “carbon neutral” biomass fuel has enabled us to reduce CO₂ emissions, curb our coal consumption, and make effective use of an untapped energy source.

Status of Corporate Governance

Basic Approach

Conducting its business in conformity with relevant laws and in an ethical manner, the Company will deepen its relationships 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, receives operational reports from individual directors and oversees 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 Corporate Auditors, which generally meets once every two months, receives reports and discusses and decides on important audit-related matters.

With regard to internal auditing, an Internal Auditing Office has been set up as an entity under the direct control of the President to assess whether the internal control systems stipulated on the basis of Japan's Companies Act and the Financial Instruments and Exchange Act are functioning effectively.

Thinking behind the corporate governance structure

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

Establishing internal control systems

Internal control systems are established in accordance with the Group's Basic Policy Relating to System to Ensure Appropriate Business Processes. In addition, the policy undergoes regular review.

Risk management

The Company formulated Basic Points for Risk Management and prepared materials, including a response manual, based on regular identification, analysis and evaluation of risk in each office and department, in its efforts to preempt risk and deal quickly with it if it materializes. The Company has fully prepared itself for the occurrence of risk events by compiling procedures for rapid implementation of the guidance contained in two handbooks, one covering crisis management measures and the other emergency and disaster measures. 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.

2. Internal Audits and Auditor's Audits

With regard to internal auditing, OEPC set up the 16-member Internal Auditing Office under the direct control of the President to assess whether the internal control systems stipulated on the basis of the Companies Act and the Financial Instruments and Exchange Act are functioning effectively. The Internal Auditing 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 Auditing 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 Corporate Auditors, which consists of five auditors, including three external auditors, and generally meets once every two months, receives reports, discusses and decides on important audit-related matters while working in conjunction with accounting auditors and internal auditing departments. On the basis of audit policy and audit plans, auditors conduct

audits of the business execution of directors, such as by attending important meetings, including Board of Directors' meetings, by regularly exchanging opinions with representative directors, performing on-site audits of each department, and through communications with the directors and auditors of subsidiaries. To serve as an organization to assist auditors in their professional duties, OEPC established an Auditors' Office, the seven full-time staff members of which are responsible for assisting the tasks of the auditors and in charge of the secretariat for meetings of the Board of Corporate Auditors.

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 three outside directors and three external auditors.

In 2015, the Company increased the number of its outside directors from one to three and brought about improvements to the system for supervising and monitoring management functions with the aim of enhancing corporate governance.

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 the corporate community and to offer advice and opinions from a different perspective to OEPC.

Having also held important positions in other companies, outside director Hiroshi Kitagawa possesses knowledge of the communications field, is of good character and offers superior insight. With regard to OEPC, he can be expected to offer advice and opinions from a global perspective that draw on his wealth of experience.

Outside director Akira Okada is of good character and offers superior insight. Having held important positions in corporations that are moving in the same direction as the Company in such areas as contributing to local communities and the fostering of a culture of safety in companies, he can be expected to offer advice and opinions from a global perspective that draw on his wealth of experience.

Having also held important positions in other companies, outside director Hideo Yuasa possesses knowledge of the communications field, is of good character and offers superior insight. With regard to OEPC, he can be expected to offer advice and opinions from a global perspective that draw on his wealth of experience.

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 Ryukyu Broadcasting Corporation, a company in which OEPC possesses a share holding of less than 3%.

Outside director Hideo Yuasa was representative director and president of Okinawa Cellular Telephone Company, a company with which OEPC has a business relationship relating to communications rates and in which OEPC possesses a shareholding of less than 2%. Mr. Yuasa was an outside director of Okinawa Telecommunication Network Co., Inc., an OEPC affiliate. Furthermore, he was a director of that company during the previous five years.

No special relationships exist between OEPC and outside director Akira Okada.

External auditor Masateru Higa is representative director of Ryubo Holdings Co., Ltd., a company in which OEPC possesses a share holding of less than 4%.

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

Normal power supply relationships exist between the Company and each outside director and external auditor.

The Company has criteria in place with respect to the independence of outside directors and external auditors. 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.

(Criteria in Respect of Independence of Outside Directors)

Determining that the Company's outside directors and external auditors are independent requires that they do not fall into any of the following categories:

1. A business operator whom the Company is a major client
2. A major client of the Company
3. A consultant, accounting expert or legal expert who is receiving large amounts of money or other assets other than director remuneration from the Company (if the recipient of those assets is an organization, such as a corporation or association, also means a person belonging to that organization)
4. Someone to whom any of 1. through 3. above was applicable in the past year

5. Spouse and relatives within two degrees of kinship of anyone (excluding those with little importance) listed in items (1) through (3) below
- (1) Any person listed in items 1. through 4. above
 - (2) Anyone who executes business at a subsidiary of the Company (including directors who do not execute business if they are outside corporate auditors designated as independent officers)
 - (3) Anyone who, in the past year, has fallen under (2) above or executed Company business (including directors who do not execute business if they are outside corporate auditors designated as independent officers)
- Note that outside directors execute supervision of directors' duties from an external perspective through participation in meetings of the Board of Directors. Outside auditors share information with accounting auditors and the Internal Auditing Office and listen to presentations on content, such as accounting audit plans and accounting auditor reports, and give their opinions on such materials.

4. Overview of Limited Liability Agreement Details

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

5. Accounting Auditors

Accounts for the fiscal year 2014 have been audited by three certified public accountants, Kappai Isomata, Akira Nozawa and Akihiro Kido, who are under contract from accounting firm Deloitte Touche Tohmatsu LLC. They were assisted by four 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, total 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)	282	225	57	11
Auditors (excluding External Auditors)	47	47	—	2
Outside Directors and External Auditors	29	29	1	6

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

Total (¥ million)	Number of Persons	Details
52	4	Salary (including bonuses) as employees

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

Taking into comprehensive consideration such factors as the Company's performance and operating information as well as the business environment, the Company determines the amounts of director remuneration to be paid within the scope of the remuneration limits approved by resolution of a general meeting of shareholders and in line with each director's responsibilities. 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.

From the transparency and fairness standpoints, remuneration is explained in advance to outside directors and the Board of Directors' approval given on the basis of the outside directors' opinions.

7. Shareholdings

- The Company currently holds shares of a total of 41 companies, for purposes other than pure investment, with a balance sheet value of ¥8,367 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	1,825	Stabilization of electricity business, contribution to development of Okinawa's economy
Okinawa Cellular Telephone Company	472,000	1,484	Contribution to development of Okinawa's economy
Bank of The Ryukyus, Ltd.	689,660	871	Stabilization of electricity business, contribution to development of Okinawa's economy
San-A Co., Ltd.	86,400	459	Contribution to development of Okinawa's economy
Mizuho Financial Group, Inc	1,768,490	297	Stabilization of electricity business
KDDI Corporation	19,800	59	Stabilization of electricity business

(Fiscal year under review)

Company Name	Number of Shares	Balance Sheet Amounts (¥ million)	Holding Purpose
The Bank of Okinawa, Ltd.	592,800	2,525	Stabilization of electricity business, contribution to development of Okinawa's economy
Okinawa Cellular Telephone Company	472,000	1,701	Contribution to development of Okinawa's economy
Bank of The Ryukyus, Ltd.	689,660	1,104	Stabilization of electricity business, contribution to development of Okinawa's economy
San-A Co., Ltd.	86,400	437	Contribution to development of Okinawa's economy
Mizuho Financial Group, Inc	1,768,490	360	Stabilization of electricity business
KDDI Corporation	19,800	57	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 to the effect that the appointment of any director requires approval from a simple majority at a general meeting of shareholders attended by at least one third of eligible shareholders with voting rights.

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

10. Resolutions of the Board of Directors That Do not Need Approval of a General Meeting of Shareholders

(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 Section 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 Section 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 Section 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 the 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 Section 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 general meeting of shareholders 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.

(Basic Policy Relating to System to Ensure Appropriate Business Processes)

- System to ensure that the execution of business by directors complies with laws and the Company's articles of incorporation
- In addition to thoroughly stating legal compliance and the upholding of corporate ethics in management policy and setting out internal rules and regulations relating to legal compliance and the upholding of corporate ethics (Standard Regulations on Corporate Behavior, Legal Compliance and Ethics Rules for Directors, etc.), directors work to improve the levels of their compliance awareness.
- Meeting in principle twice a month, the Board of Directors decides on important matters as part of day-to-day operations and oversees directors in the performance of their duties. At the times when Board of Directors' meetings are held, plans are devised to activate deliberation by, for example, providing the annual meeting schedule and meeting materials in advance as well as ensuring an appropriate length of time for deliberation.

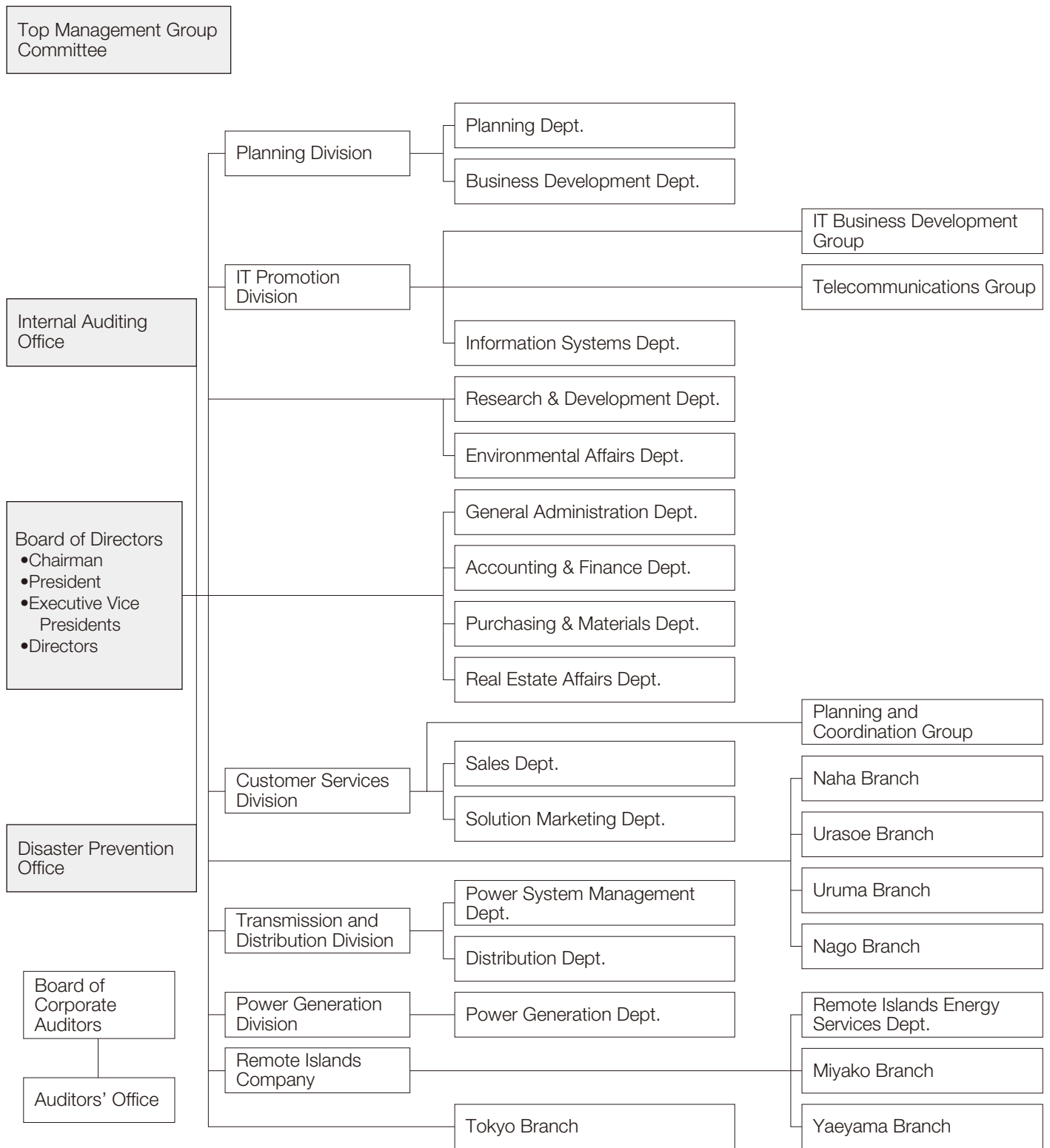
- (3) The supervisory functions of meetings is enhanced by the receipt of appropriate advice and suggestions from outside directors from standpoints that are independent from that of the Company. As they are able to provide appropriate advice, outside directors work to ensure that information is exchanged, understanding shared and collaboration maintained by exchanging opinions with directors and auditors.
 - (4) The Company has established a Corporate Ethics Committee chaired by the President to work to thoroughly instill corporate behavior on the basis of legal compliance and the upholding of corporate ethics. The Company has also set up a corporate ethics consultation counter, which offers advice on corporate ethics and receives reports on any violations of the law, and works to deter malpractice.
 - (5) The Company has stipulated internal rules (Basic Code of Corporate Conduct, Guidelines for Responses to Anti-Social Forces) with regard to the rejection of approaches by anti-social forces and, maintaining no relationships at all with anti-social forces, thoroughly ensures compliance by taking a resolute attitude.
2. System for storing and managing information relating to directors' business execution
- Information such as documents relating to directors' business execution is appropriately stored and managed on the basis of internal rules (guidelines covering document management, record management, the handling of electronic information, and the management of important documents).
3. Rules and other systems regarding loss-related risk management
- (1) Having established "Basic Guidelines on Risk Management" to manage risk in an appropriate manner, the Company regularly undertakes the identification, analysis, and assessment of the risk in each department, maintains response manuals, and works on risk prevention and to respond rapidly on the occasions risk does arise.
 - (2) Having established "Crisis Management Guidelines" and "Natural Disaster Guidelines" to respond rapidly and appropriately to major disasters and accidents, the Company maintains systems and response procedures in preparation for any occurrence of risk.
4. System to ensure that the execution of directors' business duties is efficiently conducted
- (1) Having established rules on administrative authority and office organization, the directors decide on the clarification of each department's authority and on the authority of those responsible.
 - (2) For directors to conduct the execution of their duties in an efficient manner, the Company established the Board of Executive Directors made up of the full-time directors and an Executive Board comprising full-time directors, senior management and department heads where directors regularly consult on essential matters relating to business operations.
 - (3) Defining quality as "quality of management," directors work on effective business management and continuous improvement based on quality management systems that leverage techniques from ISO 9001, the international quality management standard.
 - (4) Directors work to steadily achieve the fiscal year targets developed from fiscal year management policies and a variety of plans by causing the fiscal year's management policies to become ingrained across the entire organization and by each department and rank of human resource steadily fulfilling its respective role.
5. System to ensure that the execution of business duties by employees complies with laws and the Company's articles of incorporation
- (1) The Company works to maintain and improve awareness of compliance by stipulating internal rules (Standard Regulations on Corporate Behavior, Ethics Rules for Employees) relating to legal compliance and the upholding of corporate ethics as well as by regularly holding lectures on legal compliance and corporate ethics.
 - (2) The Internal Audit Department works to collaborate with auditors and implement audits to ensure legal compliance and the upholding of corporate ethics.
 - (3) The Company works to deter malpractice and planned for early rectification by setting up a corporate ethics consultation counter, which offers advice on corporate ethics and receives reports on any violations of the law. Cases heard by the corporate ethics consultation counter are deliberated by the Corporate Ethics Committee and responded to in an appropriate manner.
6. System to ensure appropriateness of business in the corporate group
- (1) The Company stipulates Group management policy and promotes Group management on a Groupwide basis.
 - (2) In addition to setting the OEPC Group Standards on Corporate Behavior, the Company promotes the formulation of codes of ethics for each Group company and thoroughly undertakes legal compliance for the Group as a whole.
 - (3) The Company works to ensure Groupwide legal compliance by offering advice on corporate ethics and receiving reports on any violations of the law at Group companies at the corporate ethics consultation counter.
 - (4) As regards the management of affiliate companies, the Company has set up management divisions, stipulated affiliate company management guidelines for important matters that will have a bearing on Group management, and receives prior consultation or reports from affiliated companies.
- (5) The gathering of information on business risk is undertaken by the holding of regular meetings of the OEPC Group Chief Executive Conference that comprises the presidents of the Company and each Group company.
 - (6) The Company and each Group company ensure the trustworthiness of their financial reporting by maintaining and operating the essential and appropriate internal control systems relating to financial reporting.
 - (7) The Internal Audit Department conducts internal audits of Group companies on an as required basis.
7. In the event that auditors have requested that employees be assigned to assist in their duties, the Company will assign full-time staff members and set up an Auditors' Office, independent from the directors, to act as an organization that will assist the auditors in matters relating to such employees.
8. Matters regarding the independence of the employees in the preceding clause from directors and ensuring the effectiveness of directions given to said employees from auditors
- (1) The Auditors' Office staff perform their duties under the supervision of the auditors.
 - (2) Directors and auditors will exchange opinions on personnel matters pertaining to the Auditors' Office staff.
9. System for directors and employees to report to the auditors and system for reports to other auditors
- (1) Directors and employees will submit major approval documents as well as other important documents relating to business execution for perusal by the auditors and offer explanations as required.
 - (2) In the event that auditors have requested reports, directors respond to those requests at important meetings, such as of the Board of Directors or of the Board of Executive Directors.
 - (3) In the event that auditors have requested reports, the directors and auditors of the Company and all Group companies respond to those requests at OEPC Group Chief Executive Conference and OEPC Group Auditors Liaison Committee.
 - (4) Directors provide the auditors with information on important matters relating to legal compliance and corporate ethics by having auditors attend Corporate Ethics Committee meetings as observers and establishing in the Audit Office the corporate ethics consultation counter, which can be used by all Company and Group company personnel for matters relating to directors.
 - (5) Stipulating in the Rules Governing the Management of the Corporate Ethics Consultation Counter that there must be no disadvantageous treatment for anyone on the grounds of having submitted a report, directors work to protect the identity of the said informant.
10. System to ensure that audits conducted by other auditors are conducted effectively
- (1) Having regular meetings with auditors, the representative director exchanges views and deepens mutual understanding.
 - (2) Maintaining close cooperation with the auditors, the Internal Audit Department works to effectively perform auditors' audits.
 - (3) When an auditor has requested a prepayment or reimbursement of expenses generated by the performance of those business duties, a director will respond to the request, excluding cases in which the tasks performed by the said auditor are regarded as not having been necessary.
 - (4) Compensation for Audits and Other Services Provided by Accounting Auditor
 - (a) Details of compensation paid to certified public accountants and assistants engaged in audits of the Company

Classification	Previous Consolidated Fiscal Year		Consolidated Fiscal Year in Review	
	Compensation for audit certification duties	Compensation for non-audit duties	Compensation for audit certification duties	Compensation for non-audit duties
OEPC	48	1	49	1
Consolidated subsidiaries	-	2	-	-
Total	48	4	49	1

Notes: Same total values do not add up due to rounding.

- (b) Other significant remuneration
Nothing of note
- (c) Details of non-audit services performed for OEPC by auditing certified public accountant and assistants
(Previous fiscal year)
Advice and guidance pertaining to internal controls for financial reporting
Services for agreed-upon procedures to prepare a windfall profit management table for the Income and Expenditure Statement of Electricity Transmission and Distribution Sector
(Fiscal year in review)
Advice and guidance pertaining to internal controls for financial reporting
Preparation of comfort letter (solvency opinion) paralleling convertible bond issue
- (d) Policy for determining accounting auditor remuneration
Nothing of note

Organization Chart



(As of July 1, 2017)

Board of Directors and Auditors



Denichiro Ishimine
Chairman



Mitsuru Omine
President



Hiroyuki Motonaga
Executive Vice President



Kiyohito Shimabukuro
Executive Vice President

Managing Directors: Takeshi Nakazato
Hideki Onkawa

Directors: Manabu Miyazato
Hitoshi Nakasone
Hayato Narisoko
Tetsu Yokoda
Hiroyasu Kugai

Outside Directors*: Kunio Oroku
Akira Okada
Hideo Yuasa

Standing Auditor: Katsumi Yamashiro
Kenji Kobashigawa

External Auditors: Masateru Higa
Shiro Nozaki
Hikaru Aharen

* Outside directors are as defined under the Companies Act of Japan

(As of June 29, 2017)

Investor Information

Transfer Agent and Registrar

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

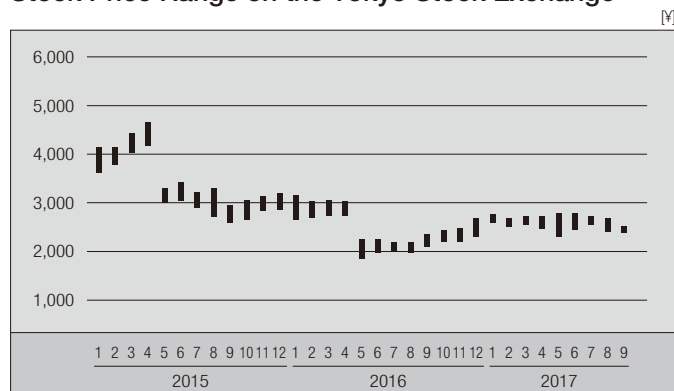
39,430,626 shares

Number of Shareholders

7,770

(As of March 31, 2017)

Stock Price Range on the Tokyo Stock Exchange



Conducted a 1.5-for-1 stock split of ordinary shares on June 1, 2015.

Conducted a 1.5-for-1 stock split of ordinary shares on June 1, 2016.

Conducted a 1.1-for-1 stock split of ordinary shares on June 1, 2017.

Credit Ratings (As of August 31, 2017)

	Long-Term	Short-Term
S&P	A+	A-1
Moody's	A1	—
R&I	AA	a-1+
JCR	AAA	J-1+

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

FINANCIAL SECTION

Consolidated Five-Year Summary

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Years Ended March 31	Millions of yen				
Financial Statistics	2017	2016	2015	2014	2013
For the year:					
Operating revenues	¥179,997	¥182,265	¥185,001	¥179,266	¥166,439
Electric.....	170,675	173,046	177,184	171,735	158,597
Other	9,322	9,218	7,816	7,530	7,842
Operating expenses	170,870	175,025	175,522	170,572	157,470
Electric.....	162,078	166,232	168,273	163,600	150,247
Other	8,792	8,793	7,248	6,972	7,223
Interest expense	2,061	2,406	2,583	2,775	2,915
Income before income taxes and noncontrolling interests.....	7,521	5,229	7,638	6,936	6,307
Income taxes.....	1,896	1,521	2,610	2,095	1,889
Net income attributable to owners of the parent	5,517	3,647	4,943	4,731	4,318
 Per share of common stock (Yen):					
Basic net income*	¥ 127.65	¥ 84.38	¥ 114.34	¥ 109.41	¥ 99.88
Cash dividends applicable to the year**	60.00	60.00	60.00	60.00	60.00
At year-end:					
Total assets.....	¥400,237	¥409,860	¥421,824	¥428,333	¥435,515
Net property, plant and equipment	337,292	345,579	354,197	360,691	366,028
Long-term debt, less current maturities	151,380	157,364	170,524	178,717	190,993
Total equity.....	153,361	148,111	147,973	141,103	136,056

Years Ended March 31	2017	2016	2015	2014	2013
Operating Statistics					
For the year:					
Electric energy sales (Millions of kWh)	7,813	7,649	7,531	7,556	7,314
At year-end:					
Generating capacity (Thousands of kW).....	2,153	2,155	2,136	2,435	2,013
Transmission lines (km).....	1,197	1,159	1,102	1,083	1,053
Distribution lines (km).....	10,837	10,828	10,744	10,664	10,590

Notes: * A 1.5-for-1 stock split was effected on June 1, 2015. A 1.5-for-1 stock split was effected on June 1, 2016. A 1.1-for-1 stock split was effected on June 1, 2017. It is calculated on the assumption that these stock splits were conducted at the beginning of FY 2013 (April 1, 2012).

** A 1.5-for-1 stock split was effected on June 1, 2015. A 1.5-for-1 stock split was effected on June 1, 2016. A 1.1-for-1 stock split was effected on June 1, 2017. However, the cash dividends per share information has not been restated to reflect these stock splits at each fiscal year.

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Financial Review (Consolidated Basis)

Business Performance

In fiscal 2016, the fiscal year ended March 31, 2017, the Okinawan economy experienced overall growth. This was largely attributable to substantial growth in personal consumption, tourism, and public investment in construction.

Under these circumstances, the Okinawa Electric Power Company, Incorporated (the "OEPC") recorded operating revenues (sales) of ¥179,997 million on a consolidated basis, down ¥2,267 million (1.2%) compared with the previous fiscal year.

Operating expenses edged down by ¥4,154 million (2.4%) to ¥170,870 million year on year.

As a result, operating income increased by ¥1,887 million (26.1%) compared with the previous fiscal year to ¥9,126 million.

Income before income taxes and noncontrolling interests, which includes other income and expenses, was up ¥2,291 million (43.8%) to ¥7,521 million. Net income attributable to owners of parent for the period under review increased ¥1,869 million (51.3%) to ¥5,517 million.

Details of business performance by segment are as follows:

1. Electric Power Business

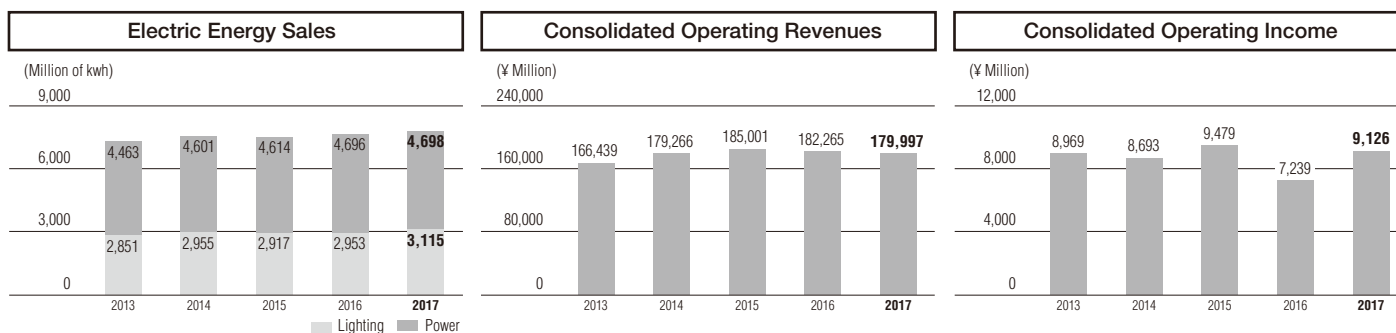
The total volume of electric power sold over the course of the fiscal year under review increased year on year. This is because of an increase in the number of residential customers and a surge in demand resulting from higher temperatures compared with the previous year. Moreover, for businesses, while results were affected by switches to other providers, higher temperatures compared with the previous year kept demand at par with last year's results.

This resulted in a year-on-year increase in total power sales for residences and businesses by 2.1% to 7,813 million kWh.

Despite the increase in power sales, operating revenues from the Electric Power Business decreased year on year by ¥1,945 million (1.1%) to ¥172,340 million due to the impact of the fuel cost adjustment system.

Meanwhile, regarding operating expenses, while repair and maintenance costs increased, fuel costs declined, resulting in a year on year decrease of ¥3,461 million (2.1%) to ¥165,227 million.

This resulted in an increase in operating income of ¥1,515 million (27.1%) to ¥7,112 million.



2. Other Operations

In other revenue and expenses, thanks to increases in work orders for the Electric Power Business and gas supply business, net sales were higher than those posted in the previous fiscal year by ¥999 million (2.4%) to ¥43,359 million, with operating expenses also up by ¥811 million (2.0%) to ¥41,290 million.

This resulted in an increase in operating income of ¥188 million (10.0%) to ¥2,069 million.

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

Cash Flows

Cash flows from operating activities

Net cash from operating activities fell year on year by ¥1,967 million (5.8%) to ¥3,197 million due partly to a decrease in inventories.

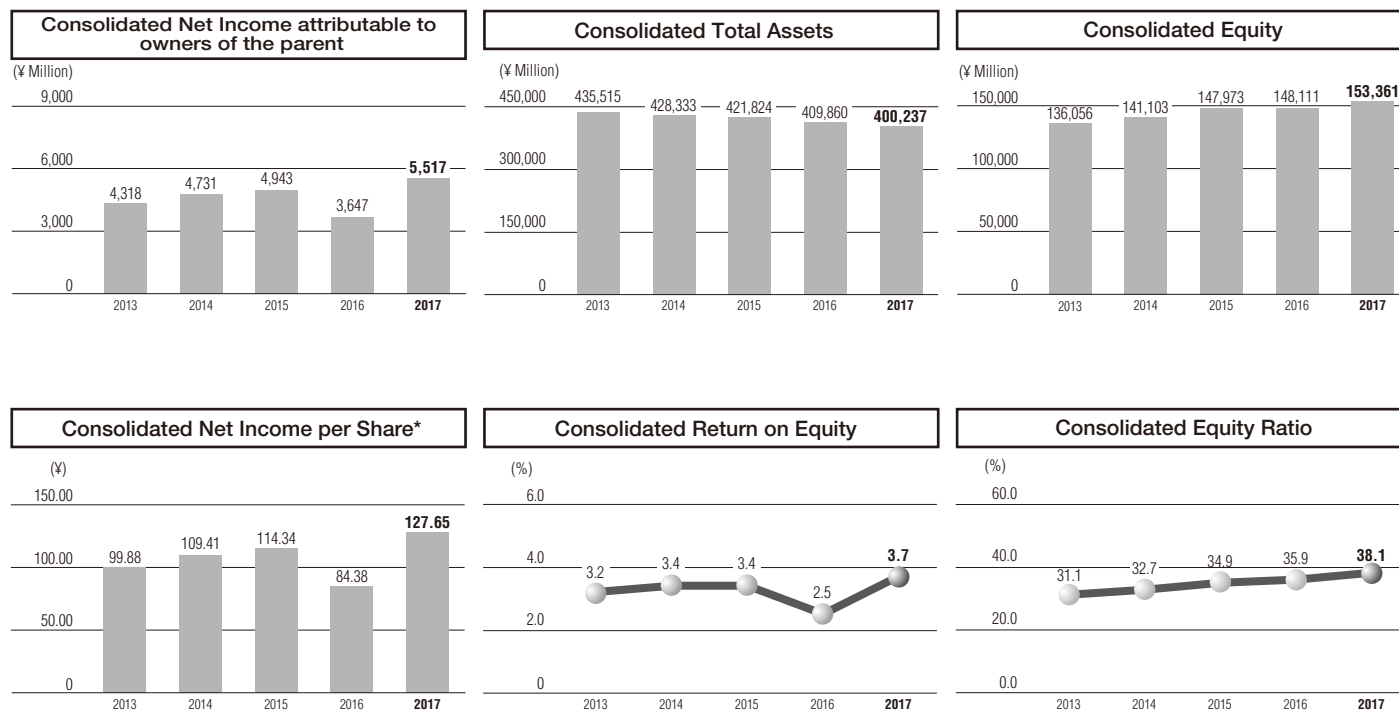
Cash flows from investing activities

Net cash used in investing activities increased by ¥2,699 million (15.8%) to ¥19,795 million due to an inflow decrease from the collection of investments and loans receivable.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥12,626 million due to repayments of interest-bearing debt.

As a result, cash and cash equivalents as of the end of the year under review totaled ¥12,126 million, down by ¥513 million (4.1%) compared with the end of the previous fiscal year.



Note: * A 1.5-for-1 stock split was effected on June 1, 2015. A 1.5-for-1 stock split was effected on June 1, 2016. A 1.1-for-1 stock split was effected on June 1, 2017. It is calculated on the assumption that these stock splits were conducted at the beginning of FY 2013 (April 1, 2012).

Business and Other Risks

The following is a description of the various risks that could have an impact on the business performance and financial position of the OEPC Group (the “Group”). 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

In the same way as in mainland Japan, the full liberalization of the electricity retail market was implemented in the Okinawa region in April 2016. The legal separation designed to neutralize the power/distribution sector is planned for April 2020; however, the Group will continue to maintain its integrated power transmission system by being positioned as an approved general power transmission and distribution business operator able to engage in the retail electricity business and power generation business.

In this context, and depending on trends in 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 environmental issues as a priority matter and has already taken numerous measures. The Group will continue to work towards the realization of a low carbon society in the years to come.

In view of the imposition by the authorities of stricter environmental regulations and other trends, the potential exists for the Group’s business performance to be affected.

3. Businesses other than the electricity business

To improve its enterprise value, the Group is leveraging its management resources to expand its scope of operations and develop new businesses. The Group currently engages in the construction business, IT-related business and real estate business as well as in gas supply and renewable energy businesses.

Unfavorable competitive developments, or a change in the operating environment surrounding these businesses, could have an adverse effect on the business performance of the Group.

4. Power sale fluctuations

In its core Electric Power Business, the volumes of electricity sold by the Group can be affected by climatic factors (temperatures, typhoons, etc.), economic trends, developments in energy conservation initiatives, competition dynamics, among others. 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, oil, and LNG as our thermal fuel sources. Fuel costs fluctuate in tandem with changes in fuel prices and foreign exchange rates.

We can minimize these impacts on our earnings through a fuel cost adjustment system to ensure that changes in fuel prices and foreign exchange rates are reflected in electricity charges.

Nevertheless, particularly large changes in fuel prices could adversely affect our business and financial performance.

6. Financial market trends

The balance of the Group’s interest-bearing liabilities totaled ¥179.7 billion on March 31, 2017. Future changes in interest rates on fund procurement brought about by such factors as movements in market interest rates or changes in credit ratings 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.

The Group’s retirement benefit costs and obligations are calculated on the basis of actuarial prerequisites, such as discount rates, and the long-term rate of return of pension assets. Fluctuations in discount rates and investment yields have 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 preferential interest rates from the ODFC, in line with the stipulations of the ODFC’s business and service manual.

OEPC 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

To ensure the stable supply of electricity to customers, the Group regularly conducts equipment inspections, improvements and repairs striving to maintain and enhance equipment reliability.

However, Group performance may be adversely affected by major earthquakes, tsunamis, typhoons and other natural disasters, as well as equipment failures, malfunctions and other incidents.

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 the Group’s business, despite our best efforts to prevent such an occurrence.

Consolidated Balance Sheet

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

March 31, 2017	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Assets			
Property, plant and equipment (Note 4):			
Utility plants	¥947,382	¥935,835	\$8,444,443
Other plant and equipment (Note 6)	36,066	34,460	321,478
Construction in progress	10,660	11,481	95,025
Total	994,109	981,778	8,860,947
Less:			
Contributions in aid of construction (Note 2(b))	(33,318)	(32,975)	(296,982)
Accumulated depreciation	(623,499)	(603,224)	(5,557,527)
Total	(656,817)	(636,199)	(5,854,510)
Net property, plant and equipment	337,292	345,579	3,006,437
Investments and other assets:			
Investment securities (Notes 5 and 12)	9,084	7,948	80,970
Investments in and advances to unconsolidated subsidiaries and affiliates	1,595	1,390	14,225
Deferred tax assets (Note 9)	8,981	8,996	80,053
Other assets	2,279	2,613	20,318
Allowance for doubtful accounts	(63)	(72)	(564)
Total investments and other assets	21,877	20,876	195,004
Current assets:			
Cash and cash equivalents (Note 12)	12,126	12,640	108,088
Notes and accounts receivable (Note 12)	10,920	11,987	97,337
Inventories	10,585	11,665	94,353
Deferred tax assets (Note 9)	1,551	2,150	13,833
Other current assets	5,984	5,068	53,346
Allowance for doubtful accounts	(101)	(106)	(903)
Total current assets	41,067	43,405	366,054
Total	¥400,237	¥409,860	\$3,567,496
Liabilities and equity			
Long-term liabilities:			
Long-term debt, less current maturities (Notes 6 and 12)	¥151,380	¥157,364	\$1,349,321
Lease obligations (Note 6)	25,569	27,111	227,908
Liabilities for employees' retirement benefits (Note 8)	10,177	10,983	90,717
Other long-term liabilities	4,317	4,353	38,487
Total long-term liabilities	191,445	199,813	1,706,435
Current liabilities:			
Current maturities of long-term debt (Notes 6 and 12)	28,838	25,995	257,047
Short-term bank loans (Notes 7 and 12)	1,140	5,000	10,161
Commercial paper (Note 12)		2,000	
Notes and accounts payable (Note 12)	12,056	13,401	107,467
Income taxes payable (Note 12)	1,026	850	9,145
Accrued expenses	8,434	9,942	75,183
Other current liabilities	3,935	4,745	35,076
Total current liabilities	55,431	61,935	494,082
Equity (Note 10):* **			
Common stock,			
Authorized — 67,500,000 shares			
Issued — 39,430,626 shares in 2017 and 2016	7,586	7,586	67,621
Capital surplus	7,212	7,156	64,284
Retained earnings	135,332	131,780	1,206,282
Treasury stock, at cost — 136,906 shares in 2017 and 130,306 shares in 2016....	(306)	(292)	(2,734)
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	2,703	1,762	24,101
Deferred loss on derivatives under hedge accounting	(41)	(24)	(372)
Defined retirement benefit plans	(169)	(857)	(1,513)
Total	152,316	147,111	1,357,667
Noncontrolling interests	1,044	1,000	9,310
Total equity	153,361	148,111	1,366,978
Total	¥400,237	¥409,860	\$3,567,496

See notes to consolidated financial statements.

Note: * A 1.5-for-1 stock split was effected on June 1, 2016. It is calculated on the assumption that this stock split was conducted at the beginning of FY 2016 (April 1, 2015).

** A 1.1-for-1 stock split was effected on June 1, 2017. However, the number of shares presented above has not been restated to reflect this stock split.

The number of the shares after the stock split is as follows:

Authorized shares - 74,250,000 shares

Issued - 43,373,688 shares in 2017 and 2016

Treasury stock, at cost - 150,596 shares in 2017 and 143,336 shares in 2016

Consolidated Statement of Income

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Year Ended March 31, 2017	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Operating revenues:			
Electric.....	¥170,675	¥173,046	\$1,521,303
Other	9,322	9,218	83,096
Total operating revenues	179,997	182,265	1,604,399
Operating expenses (Notes 8 and 11):			
Electric.....	162,078	166,232	1,444,678
Other	8,792	8,793	78,369
Total operating expenses	170,870	175,025	1,523,048
Operating income	9,126	7,239	81,351
Other expenses:			
Interest expense (Notes 6, 7 and 13).....	2,061	2,406	18,370
Other — net.....	(456)	(397)	(4,064)
Net other expenses	1,605	2,009	14,306
Income before income taxes	7,521	5,229	67,045
Income taxes (Note 9):			
Current	1,868	1,579	16,653
Deferred.....	27	(58)	246
Total.....	1,896	1,521	16,900
Net income	5,625	3,708	50,145
Net income attributable to noncontrolling interests	108	60	964
Net income attributable to owners of the parent	¥ 5,517	¥ 3,647	\$ 49,180

Per share of common stock (Note 2(k)):	Yen		U.S. dollars
	2017	2016	2017
Basic net income*	¥127.65	¥84.38	\$1.13
Cash dividends applicable to the year**	60.00	60.00	0.53

See notes to consolidated financial statements.

Notes: * A 1.5-for-1 stock split was effected on June 1, 2015. A 1.5-for-1 stock split was effected on June 1, 2016.

A 1.1-for-1 stock split was effected on June 1, 2017. It is calculated on the assumption that these stock splits were conducted at the beginning of FY 2016 (April 1, 2015).

** A 1.5-for-1 stock split was effected on June 1, 2016. A 1.1-for-1 stock split was effected on June 1, 2017. However, the cash dividends per share information has not been restated to reflect these stock splits at each fiscal year.

Consolidated Statement of Comprehensive Income

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Year Ended March 31, 2017	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net income	¥5,625	¥3,708	\$50,145
Other comprehensive income (Note 14)			
Unrealized gain (loss) on available-for-sale securities	945	(883)	8,425
Deferred loss on derivatives under hedge accounting.....	(17)	(15)	(153)
Defined retirement benefit plans	687	(1,340)	6,125
Share of other comprehensive income (loss) in an affiliate accounted for under the equity method	1	(1)	14
Total other comprehensive income.....	1,616	(2,240)	14,411
Comprehensive income	¥7,242	¥1,467	\$64,556
Total comprehensive income attributable to:			
Owners of the parent	¥7,129	¥1,412	\$63,544
Noncontrolling interests.....	113	55	1,012

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, 2017	Shares / Millions of yen					
	Common stock			Retained earnings	Treasury stock	
	Shares* **	Amount	Capital surplus		Shares* **	Amount
Balance, April 1, 2015	17,524,723	¥7,586	¥7,141	¥129,442	55,037	¥(278)
Stock split.....	8,762,361				27,620	
Net income attributable to owners of the parent				3,647		
Cash dividends				(1,310)		
Purchase of treasury stock					4,709	(15)
Disposal of treasury stock.....				(0)	(495)	1
Change in parent's ownership interest due to transactions with noncontrolling interests....			14			
Net change in the year.....						
Balance, March 31, 2016	26,287,084	¥7,586	¥7,156	¥131,780	86,871	¥(292)
Stock split.....	13,143,542				43,525	
Net income attributable to owners of the parent				5,517		
Cash dividends				(1,964)		
Purchase of treasury stock					7,046	(15)
Disposal of treasury stock.....			0		(536)	1
Change in parent's ownership interest due to transactions with noncontrolling interests....			55			
Net change in the year.....						
Balance, March 31, 2017	39,430,626	¥7,586	¥7,212	¥135,332	136,906	¥(306)

Year Ended March 31, 2017	Shares / Millions of yen					
	Accumulated other comprehensive income				Noncontrolling interests	Total equity
	Unrealized (loss) gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Defined retirement benefit plans	Total		
Balance, April 1, 2015	¥2,642	¥ (9)	¥ 483	¥147,008	¥ 964	¥147,973
Stock split.....						
Net income attributable to owners of the parent				3,647		3,647
Cash dividends				(1,310)		(1,310)
Purchase of treasury stock				(15)		(15)
Disposal of treasury stock.....				1		1
Change in parent's ownership interest due to transactions with noncontrolling interests....				14		14
Net change in the year.....	(879)	(15)	(1,340)	(2,235)	35	(2,199)
Balance, March 31, 2016	¥1,762	¥(24)	¥ (857)	¥147,111	¥1,000	¥148,111
Stock split.....						
Net income attributable to owners of the parent				5,517		5,517
Cash dividends				(1,964)		(1,964)
Purchase of treasury stock				(15)		(15)
Disposal of treasury stock.....				1		1
Change in parent's ownership interest due to transactions with noncontrolling interests....				55		55
Net change in the year.....	941	(17)	687	1,611	44	1,655
Balance, March 31, 2017	¥2,703	¥(41)	¥ (169)	¥152,316	¥1,044	¥153,361

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income			Total	Noncontrolling interests	Total equity
					Unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Defined retirement benefit plans			
Balance, March 31, 2016	\$67,621	\$63,787	\$1,174,615	\$(2,605)	\$15,710	\$(219)	\$(7,639)	\$1,311,269	\$8,917	\$1,320,186
Net income attributable to owners of the parent.....			49,180					49,180		49,180
Cash dividends.....			(17,513)					(17,513)		(17,513)
Purchase of treasury stock				(139)				(139)		(139)
Disposal of treasury stock.....		0		10				11		11
Change in parent's ownership interest due to transactions with noncontrolling interests....		496						496		496
Net change in the year.....					8,391	\$(153)	6,125	14,363	393	14,757
Balance, March 31, 2017	\$67,621	\$64,284	\$1,206,282	\$(2,734)	\$24,101	\$(372)	\$(1,513)	\$1,357,667	\$9,310	\$1,366,978

See notes to consolidated financial statements.

Note: * A 1.5-for-1 stock split was effected on June 1, 2015. A 1.5-for-1 stock split was effected on June 1, 2016.

** A 1.1-for-1 stock split was effected on June 1, 2017. However, the number of shares presented above has not been restated to reflect this stock split.

Consolidated Statement of Cash Flows

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Year Ended March 31, 2017	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Operating activities:			
Income before income taxes	¥ 7,521	¥ 5,229	\$ 67,045
Adjustments for:			
Income taxes paid	(1,717)	(1,227)	(15,312)
Income taxes refunded	9	180	86
Depreciation and amortization	25,267	26,583	225,216
Liability for employees' retirement benefits	(295)	(280)	(2,631)
Loss on disposal of property, plant and equipment	1,089	684	9,707
Changes in operating assets and liabilities:			
Decrease (increase) in notes and accounts receivable	1,082	(1,675)	9,647
Decrease in inventories	1,212	3,725	10,811
Decrease in notes and accounts payable	(767)	(6)	(6,840)
Decrease in interest payable	(78)	(41)	(698)
Other — net	(1,416)	702	(12,625)
Total adjustments	24,385	28,645	217,360
Net cash provided by operating activities	31,907	33,875	284,406
Investing activities:			
Purchase of property, plant and equipment	(19,320)	(20,921)	(172,214)
Proceeds from sale of property, plant and equipment	295	252	2,631
Payments for investments and advances	(20)	(32)	(184)
Proceeds from sales of investment securities and collections of advances	113	2,115	1,014
Other — net	(863)	1,489	(7,692)
Net cash used in investing activities	(19,795)	(17,096)	(176,444)
Financing activities:			
Proceeds from issuance of bonds	9,966		88,833
Repayments of bonds	(10,000)	(10,000)	(89,134)
Proceeds from long-term debt	11,622	11,322	103,592
Repayments of long-term debt	(14,751)	(15,284)	(131,489)
Net decrease in short-term bank loans	(3,860)	(172)	(34,405)
Net (decrease) increase in commercial paper	(2,000)	2,000	(17,826)
Cash dividends paid	(1,962)	(1,310)	(17,493)
Other — net	(1,639)	(1,950)	(14,616)
Net cash used in financing activities	(12,626)	(15,395)	(112,541)
Net (decrease) increase in cash and cash equivalents	(513)	1,384	(4,579)
Cash and cash equivalents, beginning of year	12,640	11,256	112,667
Cash and cash equivalents, end of year	¥12,126	¥12,640	\$108,088

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, 2017

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 March 31, 2016, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2017.

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 ¥112.19 to \$1, the approximate rate of exchange on March 31, 2017. 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, 2017, include the accounts of the Company and its 11 significant subsidiaries (11 in 2016). Investment in one affiliated company (one in 2016) is accounted for by the equity method. Under the control and influence concepts, 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.

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 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, or net selling value.

(g) Derivatives and hedging activities

The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign currency forward contracts and interest rate swaps are utilized to reduce foreign currency exchange and interest rate risks. The Company does not enter into derivatives for trading or speculative purposes.

For derivatives used for hedging purposes, if such 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.

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

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

(h) Retirement 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 is 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 benefit formula basis. Actuarial gains and losses are amortized on a declining-balance basis over five years within the average remaining service period.

(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.

The Company effected a 1.1-for-1 stock split on June 1, 2017 (see Note16).

3. Additional information

The Companies applied the Accounting Standards Board of Japan Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets" effective April 1, 2016.

4. Property, plant and equipment

The major classes of property, plant and equipment as of March 31, 2017 and 2016, consisted of the following:

As of March 31, 2017	Millions of yen			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power-generating facilities.....	¥468,812	¥(16,847)	¥(314,453)	¥137,511
Transmission facilities.....	154,398	(3,916)	(103,569)	46,912
Transformation facilities.....	107,059	(1,512)	(70,551)	34,995
Distribution facilities.....	170,129	(3,014)	(90,661)	76,453
General facilities.....	34,026	(6,193)	(14,965)	12,867
Other electricity-related facilities.....	12,956	(538)	(11,058)	1,359
Utility plants.....	947,382	(32,023)	(605,259)	310,099
Other plant and equipment....	36,066	(1,117)	(18,239)	16,709
Construction in progress.....	10,660	(177)		10,483
Total.....	¥994,109	¥(33,318)	¥(623,499)	¥337,292

As of March 31, 2016	Millions of yen			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power-generating facilities.....	¥466,670	¥(16,923)	¥(302,803)	¥146,944
Transmission facilities.....	151,965	(3,687)	(100,846)	47,432
Transformation facilities.....	104,387	(1,459)	(68,842)	34,085
Distribution facilities.....	165,933	(2,886)	(88,059)	74,986
General facilities.....	33,888	(6,199)	(14,754)	12,935
Other electricity-related facilities.....	12,989	(538)	(10,993)	1,457
Utility plants.....	935,835	(31,695)	(586,299)	317,840
Other plant and equipment....	34,460	(1,101)	(16,924)	16,435
Construction in progress.....	11,481	(178)		11,303
Total.....	¥981,778	¥(32,975)	¥(603,224)	¥345,579

As of March 31, 2017	Thousands of U.S. dollars			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power-generating facilities.....	\$4,178,734	\$(150,168)	\$(2,802,863)	\$1,225,703
Transmission facilities.....	1,376,224	(34,909)	(923,161)	418,153
Transformation facilities.....	954,266	(13,484)	(628,853)	311,928
Distribution facilities.....	1,516,438	(26,870)	(808,187)	681,460
General facilities.....	303,289	(55,202)	(133,397)	114,690
Other electricity-related facilities.....	115,490	(4,803)	(98,568)	12,118
Utility plants.....	8,444,443	(285,438)	(5,394,950)	2,764,054
Other plant and equipment....	321,478	(9,964)	(162,576)	148,937
Construction in progress.....	95,025	(1,579)		93,445
Total.....	\$8,860,947	\$(296,982)	\$(5,557,527)	\$3,006,437

5. Investment securities

The costs and aggregate fair values of investment securities at March 31, 2017 and 2016, were as follows:

As of March 31, 2017	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities.....	¥2,738	¥3,813	¥ 17	¥6,534
Other.....	398		105	292
Total.....	¥3,136	¥3,813	¥123	¥6,826

As of March 31, 2016	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities.....	¥2,738	¥2,777	¥258	¥5,257
Other.....	445		107	338
Total.....	¥3,184	¥2,777	¥365	¥5,596

As of March 31, 2017	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities.....	\$24,411	\$33,988	\$ 157	\$58,242
Other.....	3,548		941	2,607
Total	\$27,960	\$33,988	\$1,099	\$60,849

The investment securities whose fair value cannot be reliably determined at March 31, 2017 and 2016, are excluded from the above tables. The carrying amounts of such investment securities were ¥2,257 million (\$20,120 thousand) in 2017 and ¥2,352 million in 2016.

6. Long-term debt

Long-term debt as of March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Domestic bonds, 0.110% to 1.830% in 2017 and 0.469% to 2.020% in 2016, due serially through 2026	¥ 69,999	¥ 69,999	\$ 623,941
Loans from Okinawa Development Finance Corporation, 0.150% to 2.100% in 2017 and 0.450% to 2.100% in 2016, due serially through 2031	103,417	104,949	921,803
Loans from banks, insurance companies and other sources, 0.150% to 1.950% in 2017 and 0.310% to 1.950% in 2016, due serially through 2031	5,201	6,798	46,359
Obligations under finance leases.....	27,169	28,723	242,173
Total	205,787	210,471	1,834,277
Less current maturities.....	(28,838)	(25,995)	(257,047)
Long-term debt, less current maturities*	¥176,949	¥184,475	\$1,577,229

* Long-term debt, less current maturities are including lease obligations for the years ended March 31, 2017 and 2016, were ¥25,569 million (\$227,908 thousand) and ¥27,111 million, respectively.

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 ¥3,731 million (\$33,263 thousand), are pledged as collateral for a portion of the long-term debt as of March 31, 2017.

The aggregate annual maturities of long-term debt outstanding as of March 31, 2017, were as follows:

Years Ending March 31	Millions of yen	Thousands of U.S. dollars
2018.....	¥ 28,838	\$ 257,047
2019.....	23,671	210,992
2020.....	14,506	129,301
2021.....	23,224	207,014
2022.....	21,807	194,381
2023 and thereafter.....	93,739	835,539
Total.....	¥205,787	\$1,834,277

7. Short-term borrowings

The weighted-average interest rates applicable to short-term bank loans were 0.149% and 0.212% as of March 31, 2017 and 2016, respectively.

8. Retirement and pension plans

(a) 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 and calculate liabilities for retirement benefits by the simplified method.

- (1) The changes in defined benefit obligation, excluding plans applying the simplified method shown below, for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at beginning of year.....	¥17,403	¥15,835	\$155,129
Current service cost.....	1,091	970	9,726
Interest cost.....	58	153	523
Actuarial (gains) losses	(328)	1,373	(2,929)
Benefits paid.....	(835)	(929)	(7,448)
Balance at end of year.....	¥17,389	¥17,403	\$155,001

- (2) The changes in the net carrying amount of liabilities and assets for the retirement benefits of plans applying the simplified method for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at beginning of year.....	¥3,414	¥3,429	\$30,432
Periodic benefit costs.....	472	454	4,215
Benefits paid.....	(183)	(220)	(1,634)
Contributions from the employer.....	(313)	(248)	(2,792)
Balance at end of year.....	¥3,390	¥3,414	\$30,221

- (3) The changes in plan assets for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at beginning of year.....	¥12,625	¥12,301	\$112,539
Expected return on plan assets.....	245	192	2,191
Actuarial gains (losses)	182	(231)	1,625
Contributions from the employer.....	918	932	8,184
Benefits paid.....	(578)	(665)	(5,154)
Others	194	96	1,729
Balance at end of year.....	¥13,588	¥12,625	\$121,116

* Others above comprises changes in plans applying the simplified method.

(4) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets, including plans applying the simplified method, as of March 31, 2017 and 2016, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Funded defined benefit obligation.....	¥16,790	¥16,458	\$149,661
Plan assets.....	(13,588)	(12,625)	(121,116)
	3,202	3,832	28,545
Unfunded defined benefit obligation	6,975	7,151	62,172
Net liability for defined benefit obligation.....	¥10,177	¥10,983	\$ 90,717

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Liability for retirement benefits.....	¥10,177	¥10,983	\$90,717
Net liability for defined benefit obligation.....	¥10,177	¥10,983	\$90,717

(5) The components of net periodic benefit costs for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Current service cost	¥1,091	¥ 970	\$ 9,726
Interest cost.....	58	153	523
Expected return on plan assets	(245)	(192)	(2,191)
Recognized actuarial losses (gains)	435	(248)	3,882
Others.....	472	454	4,215
Net periodic benefit costs	¥1,812	¥1,138	\$16,157

* Others above comprises costs in plans applying the simplified method.

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Actuarial gains (losses).....	¥946	¥(1,853)	\$8,437
Total	¥946	¥(1,853)	\$8,437

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unrecognized actuarial losses.....	¥(233)	¥(1,180)	\$(2,085)
Total	¥(233)	¥(1,180)	\$(2,085)

(8) Plan assets as of March 31, 2017 and 2016

a. Components of plan assets

Plan assets consisted of the following:

	2017	2016
Debt investments.....	25%	30%
Equity investments.....	21	14
General account.....	44	46
Others.....	10	10
Total	100%	100%

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 which are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used for the years ended March 31, 2017 and 2016, are set forth as follows:

	2017	2016
Discount rate.....	Mainly 0.4%	Mainly 0.3%
Expected rate of return on plan assets.....	2.5%	2.5%

(b) The required contribution to defined contribution plans by the Company for the years ended March 31, 2017 and 2016, was ¥195 million (\$1,739 thousand) and ¥195 million, respectively.

9. Income taxes

The Companies are subject to several taxes based on income and revenue. For the years ended March 31, 2017 and 2016, the aggregate normal effective statutory tax rates approximated 27.6% and 28.2%, respectively.

The significant components of deferred tax assets and liabilities as of March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets:			
Unrealized profit	¥ 3,791	¥ 3,859	\$ 33,795
Liability for employees' retirement benefits...	2,981	3,204	26,577
Depreciation and amortization	2,384	1,767	21,251
Accrued expenses	1,478	1,503	13,174
Other	1,707	2,290	15,223
Subtotal.....	12,343	12,624	110,023
Less: valuation allowance.....	(410)	(399)	(3,657)
Total deferred tax assets	¥11,933	¥12,225	\$106,366
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(998)	(674)	(8,900)
Unrealized gain on land revaluation.....	(282)	(282)	(2,517)
Other	(119)	(122)	(1,061)
Total deferred tax liabilities	¥ (1,400)	¥ (1,079)	\$(12,479)
Net deferred tax assets.....	¥10,533	¥11,146	\$ 93,886

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2017 and the actual effective tax rate reflected in the accompanying consolidated statements of income was as follows:

	2017
Normal effective statutory tax rate	27.6%
Tax credit	(4.7)
Difference in subsidiaries' tax rate	1.3
Elimination of unrealized gains	1.1
Other-net	(0.1)
Actual effective tax rate	25.2%

As the difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2016 is not more than 5% of the normal effective statutory tax rate, a reconciliation has not been disclosed.

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 within equity under certain conditions upon resolution of the shareholders.

11. Research and development costs

Research and development costs charged to income were ¥671 million (\$5,982 thousand) and ¥990 million for the years ended March 31, 2017 and 2016, 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 their 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 Companies use foreign currency forward contracts and interest rate swaps to manage their exposures to fluctuations in foreign exchange and interest rates.

(c) Risk management for financial instruments

(1) Credit risk management

In accordance with electric power supply agreements and the like, 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, interest rate and foreign exchange risks)

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, 2017 and 2016, were as follows:

	Millions of yen		
	Carrying amount	Fair value	Unrecognized loss
March 31, 2017			
Investment securities:			
Available-for-sale	¥ 6,826	¥ 6,826	
Cash and cash equivalents	12,126	12,126	
Notes and accounts receivable.....	10,920	10,920	
Total	¥ 29,873	¥ 29,873	
Long-term debt:			
Bonds	¥ 69,999	¥ 71,665	¥1,665
Loans	108,618	113,047	4,429
Short-term bank loans.....	1,140	1,140	
Notes and accounts payable.....	12,056	12,056	
Income taxes payable.....	1,026	1,026	
Total	¥192,841	¥198,936	¥6,095
Derivatives	¥ (57)	¥ (57)	

March 31, 2016	Millions of yen		
	Carrying amount	Fair value	Unrecognized loss
Investment securities:			
Available-for-sale	¥ 5,596	¥ 5,596	
Cash and cash equivalents	12,640	12,640	
Notes and accounts receivable.....	11,987	11,987	
Total	¥ 30,223	¥ 30,223	
Long-term debt:			
Bonds	¥ 69,999	¥ 72,661	¥2,661
Loans	111,748	117,946	6,198
Short-term bank loans.....	5,000	5,000	
Commercial paper.....	2,000	2,000	
Notes and accounts payable.....	13,401	13,401	
Income taxes payable.....	850	850	
Total	¥202,999	¥211,859	¥8,860
Derivatives	¥ (34)	¥ (34)	

March 31, 2017	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrecognized loss
Investment securities:			
Available-for-sale	\$ 60,849	\$ 60,849	
Cash and cash equivalents	108,088	108,088	
Notes and accounts receivable.....	97,337	97,337	
Total	\$ 266,275	\$ 266,275	
Long-term debt:			
Bonds	\$ 623,941	\$ 638,791	\$14,849
Loans	968,162	1,007,647	39,484
Short-term bank loans.....	10,161	10,161	
Notes and accounts payable.....	107,467	107,467	
Income taxes payable.....	9,145	9,145	
Total	\$1,718,878	\$1,773,213	\$54,334
Derivatives	\$ (514)	\$ (514)	

Investment securities whose fair value cannot be reliably determined are excluded from the above tables.

Derivatives are stated at the net amount.

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, commercial paper, notes and accounts payable, and income taxes payable

The carrying values of short-term bank loans, commercial paper, 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
	2017	2016	2017
Investment securities:			
Available-for-sale:			
Unlisted equity securities	¥2,247	¥2,316	\$20,035
Other.....	9	35	84
Total	¥2,257	¥2,352	\$20,120

(e) Maturity analysis for financial assets with contractual maturities

March 31, 2017	Millions of yen	Thousands of U.S. dollars
	Due in one year or less	Due in one year or less
Cash and cash equivalents	¥12,126	\$108,088
Notes and accounts receivable.....	10,920	97,337
Total	¥23,046	\$205,425

13. Derivatives

The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign currency forward contracts and interest swaps are utilized to reduce foreign currency exchange and 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 foreign exchange and 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.

Derivative transactions to which hedge accounting is applied

As of March 31, 2017	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
Foreign currency forward contracts:								
Buying EURO	Foreign currency transaction (forecasted transactions)	¥1,093	¥492	¥(57)	Foreign currency transaction (forecasted transactions)	\$9,745	\$4,390	\$(514)
Interest rate swaps:								
(floating rate payment, fixed rate receipt)	Long-term debt	¥ 333			Long-term debt	\$2,968		

As of March 31, 2016	Millions of yen			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Foreign currency forward contracts:				
Buying EURO	Foreign currency transaction (forecasted transactions)	¥1,204	¥644	¥(34)
Interest rate swaps:				
(floating rate payment, fixed rate receipt)	Long-term debt	¥ 999	¥333	

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

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.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Company's exposure to credit or market risk.

14. Other comprehensive income

The components of other comprehensive income for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities			
Gains (losses) arising during the year	¥1,260	¥(1,280)	\$11,235
Reclassification adjustments to profit or loss	¥ 17	¥ 55	\$ 154
Amount before income tax effect	1,277	(1,225)	11,389
Income tax effect	(332)	342	(2,964)
Total	¥ 945	¥ (883)	\$ 8,425
Deferred loss on derivatives under hedge accounting			
Losses arising during the year	¥ (23)	¥ (20)	\$ (211)
Amount before income tax effect	(23)	(20)	(211)
Income tax effect	6	5	58
Total	¥ (17)	¥ (15)	\$ (153)
Defined retirement benefit plans			
Gains (losses) arising during the year	¥ 510	¥(1,605)	\$ 4,554
Reclassification adjustments to profit or loss	435	(248)	3,882
Amount before income tax effect	946	(1,853)	8,437
Income tax effect	(259)	513	(2,311)
Total	¥ 687	¥(1,340)	\$ 6,125
Share of other comprehensive income (loss) in an affiliate accounted for under the equity method			
Gains (losses) arising during the year	¥ 1	¥ (1)	\$ 14
Total other comprehensive income	¥1,616	¥(2,240)	\$14,411

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 "Electric" industry, which includes most of the Company's business, is treated as a reported segment. The "Electric" industry 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."

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

	Millions of yen					Thousands of U.S. dollars				
	Reportable segment					Reportable segment				
2017	Electric	Other	Total	Reconciliations	Consolidated	Electric	Other	Total	Reconciliations	Consolidated
Sales										
Sales to external customers	¥170,827	¥ 9,170	¥179,997		¥179,997	\$1,522,659	\$ 81,740	\$1,604,399		\$1,604,399
Intersegment sales or transfers	1,513	34,189	35,702	¥(35,702)		13,490	304,745	318,235	\$(318,235)	
Total.....	¥172,340	¥43,359	¥215,700	¥(35,702)	¥179,997	\$1,536,149	\$386,485	\$1,922,635	\$(318,235)	\$1,604,399
Segment profit.....	¥ 7,112	¥ 2,069	¥ 9,181	¥ (55)	¥ 9,126	\$ 63,400	\$ 18,442	\$ 81,843	\$ (491)	\$ 81,351
Segment assets	376,373	44,741	421,114	(20,876)	400,237	3,354,785	398,797	3,753,582	(186,085)	3,567,496
Other:										
Depreciation.....	24,916	1,234	26,150	(883)	25,267	222,088	10,999	233,088	(7,872)	225,216
Increase in property, plant and equipment and intangible assets	19,330	1,355	20,686	(1,938)	18,747	172,305	12,083	184,388	(17,280)	167,108

	Millions of yen				
	Reportable segment				
2016	Electric	Other	Total	Reconciliations	Consolidated
Sales					
Sales to external customers	¥173,205	¥ 9,060	¥182,265		¥182,265
Intersegment sales or transfers	1,081	33,299	34,381	¥(34,381)	
Total.....	¥174,286	¥42,360	¥216,646	¥(34,381)	¥182,265
Segment profit.....	¥ 5,597	¥ 1,880	¥ 7,477	¥ (238)	¥ 7,239
Segment assets	384,459	45,945	430,405	(20,544)	409,860
Other:					
Depreciation.....	26,415	1,058	27,474	(890)	26,583
Increase in property, plant and equipment and intangible assets	18,466	2,257	20,723	(455)	20,267

Notes: 1. "Other" consists of construction, operation of electrical machinery and facilities on commission and others. The Companies do not have foreign operations. No sales to foreign customers were made during the years ended March 31, 2017 and 2016.

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, 2017, was approved at the Company's shareholders' meeting held on June 29, 2017:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30 (26¢) per share.....	¥1,178	\$10,507

On June 1, 2017, the Company effected a 1.1-for-1 stock split for each outstanding share and 3,943,062 shares were consequently issued to shareholders of record on May 31, 2017.

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, 2017, 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, 2017, 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.



June 30, 2017

Member of
Deloitte Touche Tohmatsu Limited

Nonconsolidated Balance Sheet

The Okinawa Electric Power Company, Incorporated

March 31, 2017 (Unaudited)	Millions of yen		Thousands of U.S. dollars*
	2017	2016	2017
Assets			
Property, plant and equipment:			
Utility plant and equipment	¥982,177	¥969,148	\$8,754,594
Construction in progress	10,541	10,117	93,960
Total	992,719	979,265	8,848,554
Less:			
Contributions in aid of construction	(32,291)	(31,948)	(287,829)
Accumulated depreciation	(627,708)	(607,348)	(5,595,049)
Total	(660,000)	(639,296)	(5,882,878)
Net property, plant and equipment.....	332,719	339,969	2,965,676
Investments and other assets:			
Investment securities.....	8,376	7,282	74,665
Investments in and advances to subsidiaries and affiliates.....	3,632	3,939	32,381
Deferred tax assets	3,973	3,634	35,420
Other assets	2,133	2,452	19,014
Allowance for doubtful accounts	(34)	(43)	(305)
Total investments and other assets.....	18,082	17,264	161,176
Current assets:			
Cash and cash equivalents	5,544	5,042	49,418
Accounts receivable.....	8,563	8,615	76,330
Fuel and supplies	9,939	10,704	88,597
Deferred tax assets	1,245	1,871	11,098
Other current assets	367	1,079	3,273
Allowance for doubtful accounts	(88)	(88)	(785)
Total current assets	25,571	27,225	227,932
Total.....	¥376,373	¥384,459	\$3,354,785
Liabilities and equity			
Long-term liabilities:			
Long-term debt, less current maturities.....	¥148,257	¥154,139	\$1,321,490
Lease obligations	25,261	26,761	225,171
Liabilities for employees' retirement benefits.....	6,553	6,389	58,411
Other long-term liabilities.....	4,249	4,299	37,880
Total long-term liabilities.....	184,322	191,589	1,642,953
Current liabilities:			
Current maturities of long-term debt	28,337	25,569	252,582
Short-term borrowings.....	1,000	7,000	8,913
Commercial paper		2,000	
Accounts payable	10,251	8,780	91,379
Income taxes payable	588	456	5,249
Accrued expenses	10,733	11,106	95,676
Other current liabilities.....	3,152	3,348	28,103
Total current liabilities.....	54,065	58,260	481,906
Equity:** ***			
Common stock,			
Authorized — 67,500,000 shares			
Issued — 39,430,626 shares in 2017 and 2016	7,586	7,586	67,621
Capital surplus:			
Additional paid-in capital.....	7,141	7,141	63,657
Retained earnings:			
Legal reserve.....	964	964	8,601
Unappropriated	119,983	117,461	1,069,463
Unrealized gain on available-for-sale securities	2,657	1,772	23,689
Deferred loss on derivatives under hedge accounting.....	(41)	(24)	(372)
Treasury stock, at cost 136,906 shares in 2017 and 130,306 shares in 2016	(306)	(292)	(2,734)
Total equity	137,985	134,609	1,229,925
Total.....	¥376,373	¥384,459	\$3,354,785

Notes: * The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥112.19 to \$1, the approximate rate of exchange as of March 31, 2017.

** A 1.5-for-1 stock split was effected on June 1, 2016. It is calculated on the assumption that this stock split was conducted at the beginning of FY 2016 (April 1, 2015).

*** A 1.1-for-1 stock split was effected on June 1, 2017. However, the number of shares presented above has not been restated to reflect this stock split.

The number of the shares after the stock split is as follows:

Authorized shares - 74,250,000 shares

Issued - 43,373,688 shares in 2017 and 2016

Treasury stock, at cost - 150,596 shares in 2017 and 143,336 shares in 2016

Nonconsolidated Statement of Income

The Okinawa Electric Power Company, Incorporated

Year Ended March 31, 2017 (Unaudited)	Millions of yen		Thousands of U.S. dollars*
	2017	2016	2017
Operating revenues	¥172,340	¥174,286	\$1,536,149
Operating expenses:			
Personnel.....	17,385	16,724	154,963
Fuel.....	36,785	46,162	327,881
Purchased power.....	25,590	25,543	228,104
Depreciation.....	24,650	26,143	219,724
Repairs and maintenance.....	18,986	17,128	169,237
Taxes other than income taxes	6,632	6,647	59,119
Other	35,196	30,340	313,719
Total operating expenses	165,227	168,689	1,472,749
Operating income	7,112	5,597	63,400
Other income (expenses):			
Interest and dividend income	538	528	4,803
Interest expense	(2,027)	(2,372)	(18,074)
Other — net.....	(1)	31	(17)
Net other expenses	(1,490)	(1,812)	(13,288)
Income before income taxes	5,622	3,784	50,111
Income taxes:			
Current	1,145	957	10,213
Deferred.....	(10)	(104)	(96)
Total.....	1,135	853	10,117
Net income	¥ 4,486	¥ 2,931	\$ 39,994
		Yen	U.S. dollars
Per share of common stock			
Basic net income**	¥103.80	¥67.80	\$0.93
Cash dividends applicable to the year***	60.00	60.00	0.53

Notes: * The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥112.19 to \$1, the approximate rate of exchange at March 31, 2017.

** A 1.5-for-1 stock split was effected on June 1, 2015. A 1.5-for-1 stock split was effected on June 1, 2016. A 1.1-for-1 stock split was effected on June 1, 2017. It is calculated on the assumption that these stock splits were conducted at the beginning of FY 2016 (April 1, 2015).

*** A 1.5-for-1 stock split was effected on June 1, 2016. A 1.1-for-1 stock split was effected on June 1, 2017. However, the cash dividends per share information has not been restated to reflect these stock splits at each fiscal year.