

The Okinawa Electric Power Company, Incorporated (OEPC)

Annual Report 2018

Contents

- 1 Overview of Okinawa Prefecture
Corporate Overview of OEPC
- 2 Message from the Management
- 4 The OEPC Group Vision
- 5 OEPC's Corporate Mission

Ensuring the Stable Supply of High-Quality Electricity

- 6 Delivering a Reliable Supply of Power

Toward Greater Customer Satisfaction

- 9 Helping in comfortable lifestyle and
workplace creation

In Harmony with the Local Community

- 12 Working with our community

In Harmony with the Local Environment

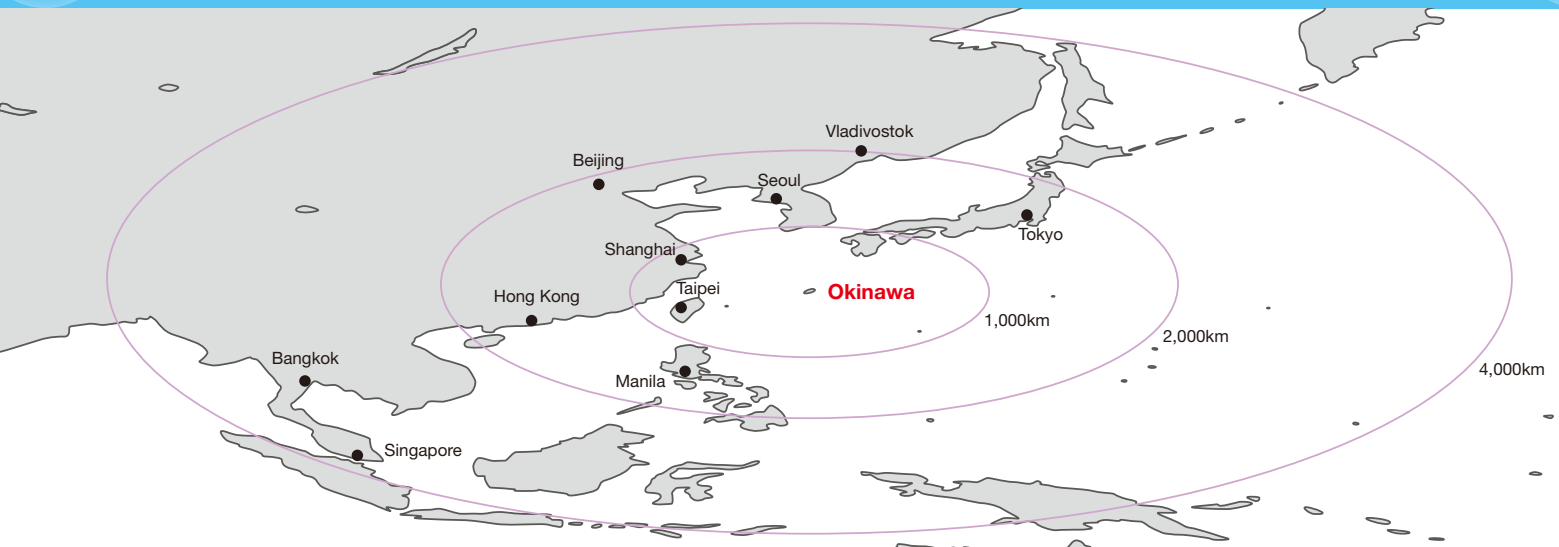
- 14 Environmental measures
- 15 Green energy

Reinforcing Group Management

- 16 Drawing on collective strengths of the
Group

- 18 Status of Corporate Governance
- 21 Organization Chart
- 22 Board of Directors and Auditors
Investor Information
- 23 Financial Section

Overview of Okinawa Prefecture



Basic Data

Population	1,447,488
No. of Households	592,155
Area	2,281 km ²
Climate	Subtropical
Location	26°12N 127°41E
Prefectural GDP	¥4,313.0 billion
Tourism Revenue	¥697.9 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 September 1, 2018
 Area as of October 1, 2017
 Prefectural GDP as of Estimated results FY 2017
 Tourism Revenue as of FY 2017

(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	¥375.163 billion (Non-consolidated) ¥402.088 billion (Consolidated)
Employees	1,535 (Consolidated: 2,676)
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 191 thousand kW
	Wind power generators
5 locations 2 thousand kW Total 2,148 thousand kW	

(as of March 31, 2018)

Message from the Management



Denichiro Ishimine
Chairman

Mitsuru Omine
President

The Okinawa Electric Power Company, Incorporated (OEPC) Group seeks to create new value as a comprehensive energy supplier through services to support both corporate and individual customers and to become a business group with a sense of solidarity, growing and developing hand-in-hand with the community.

In the electric power business, which forms the core of the Group's operations, the retail electricity market was fully liberalized in the Okinawa region in April 2016, as it was on mainland Japan, ushering in an era of full-scale competition. Legal unbundling of power transmission and distribution sectors from generation and retail sectors is scheduled for April 2020 as a means to ensure the neutrality of power transmission and distribution. OEPC is positioned as an "Approved general power transmission and distribution operator," which permits participation in both the retail and generation sides of the electricity business, so the Company will maintain its integrated power transmission and distribution structure even in the post-unbundling era.

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 business, we may experience a slowdown in demand for electricity, reflecting a wider perspective on saving energy, but demand for new energy is likely to grow, fueled mainly by large-scale urban development projects. To respond to increasingly sophisticated and diversified energy needs, we will draw on the strengths of the OEPC Group, which provides both electricity and gas, and strive to expand sales by resourcefully leveraging comprehensive energy services, and vigorously promoting all-electric options. On the cost front, we will push ahead on verification and revision of operations and work to boost profitability and sharpen competitiveness. In addition, we will reinforce investment in growth areas of the future and emphasize improved capital efficiency.

Regarding measures to curb global warming, we will work toward achievement of the CO₂ reduction target established for the whole electric power industry through steady operation of the Yoshinoura Thermal Power Plant, which uses liquefied natural gas (LNG)— the most efficient source—as its fuel.

Regarding disaster response, we will emphasize business operations and facility management with heightened awareness of disaster prevention and measures to minimize damage should disaster occur. Such approaches include steps to get services quickly back on line when typhoons knock out power and investment in facilities more resilient to the impact of natural disasters, including earthquakes and tsunamis.

In efforts to eliminate all accidents and disaster-caused damage, we are well aware that safety is the foundation of business and our highest priority. Working together with Group and partner companies, we will adhere strictly to a policy of safety management and work diligently to foster a safety culture as we fulfill our mission to ensure 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 outside the Group and also improve profitability and capital efficiency. Our goal is to encourage self-driven growth in each field of business. We will also verify and revise operations to achieve dramatic cost reduction.

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

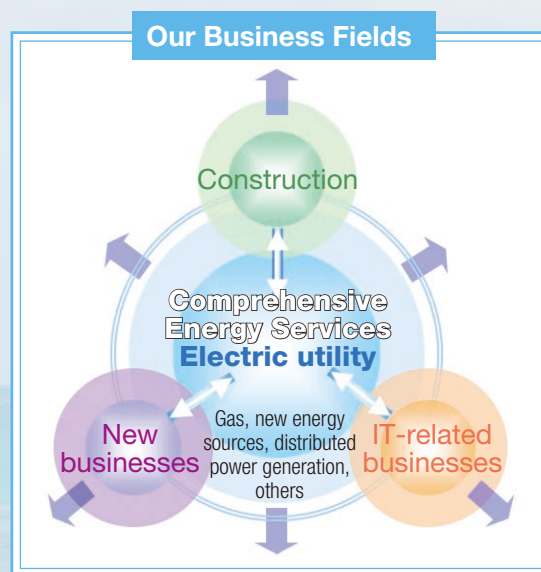
The core of the OEPC Group's business development will continue to be the provision of comprehensive energy services, centered on the supply of electric power. In addition, the Group will seek to leverage its strength as a comprehensive energy services provider and the advantages of its existing businesses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



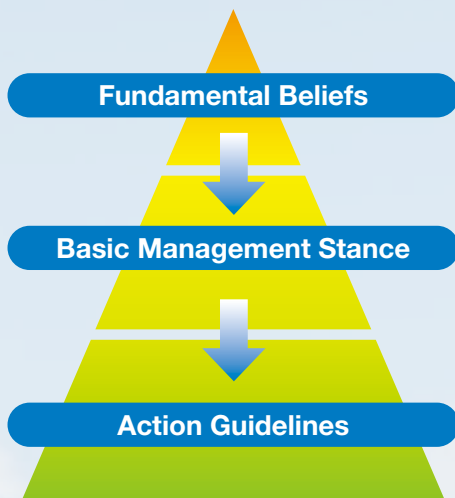
Construction and real estate businesses

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

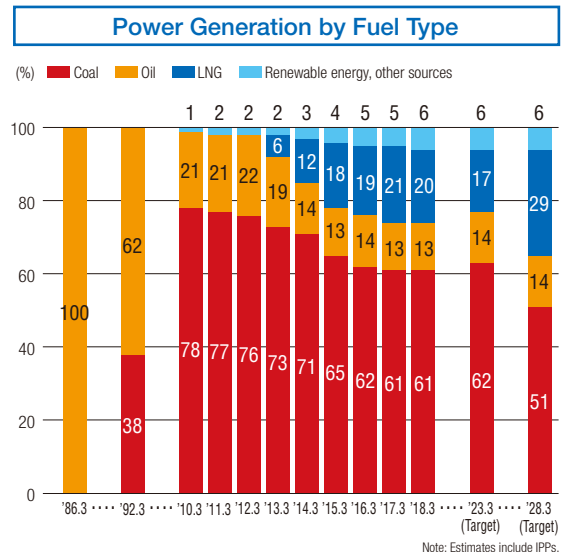
Electric power consumption in Okinawa Prefecture during fiscal 2017 totaled approximately 7.9 billion kWh and peak load (transmission end) was approximately 1,520,000kW, marking an increase of about four times from fiscal 1972, when the Company was established. Long-term demand for electricity is likely to grow at an average annual rate of 0.3% between fiscal 2016 and fiscal 2027, reflecting an anticipated 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, 2018.
- 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 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 electricity to our customers. 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.

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 cause power outages, we are able to restore power quickly through an automated distribution system operated from computers installed at each branch.



Distribution line maintenance

Power supply facilities for remote islands

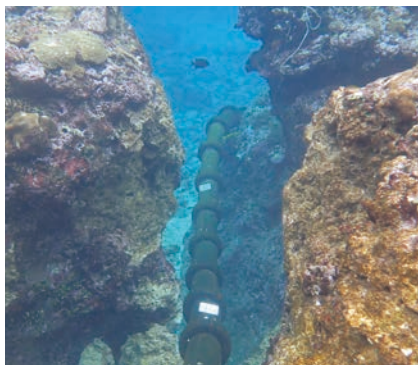
A vast distance from mainland Japan, and composed of multiple islands, Okinawa's geographical conditions form a major handicap to the supply of electricity, the foundation of modern society. We are committed to setting up a generation and distribution network that overcomes the difficulties presented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



Power distribution line continuing through to Yubu Island



Submarine power cables



Ishigaki No. 2 Power Plant (diesel generator)

Disaster readiness

As a provider of vital services in Okinawa Prefecture, the Company had already taken measures to minimize potential damage to power facilities.

We had rooted out causes of incidents and worked to make our operating environment "disaster-proof," so we could quickly restore operations when disasters occur. However, the Great East Japan Earthquake heightened our awareness of the importance of ensuring a stable supply of power come what may. We now need to further reinforce 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.



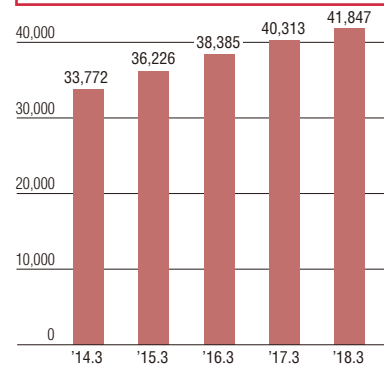
A consulting session

Promoting growth in popularity of all-electric homes

Equipped with technology such as highly efficient induction heating (IH) cookers, which produce heat magnetically rather than by using an open flame, and EcoCute water heaters, which use heat in the air (renewable energy) 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 event appearances and marketing campaigns. These include displaying electric equipment and enabling customers to try out IH cookers at our Kaerupia all-electric showroom in Naha and all-electric demonstration vehicles.

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



Providing households with a new electricity rate type

Under the corporate slogan “With the community, for the community,” we will always strive to be a company that our customers choose with confidence, and toward this end, we began offering the Good Value Plan, a new electricity rate type for households, on June 1, 2018, that gives customers a discount on power usage.

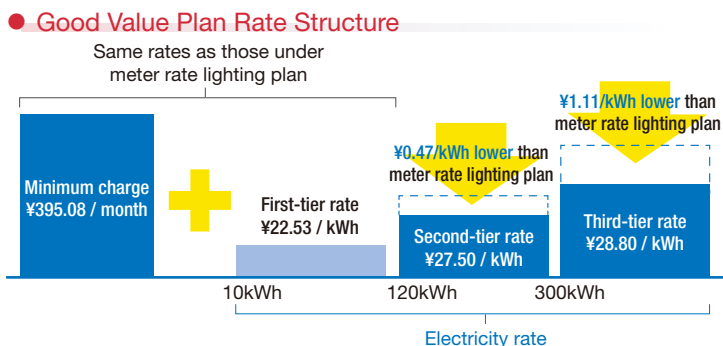
Summary of the Good Value Plan

The Good Value Plan is advantageous to customers in many cases because all rates are set equal to or less than meter rate lighting, a type of contract for general residential-use electricity supply.

Currently, we are recommending this plan to customers on meter rate lighting contracts who consume a large amount of electricity due to an increase in consumer electronics in the home or greater use of heating and cooling equipment or due to the family structure — a two- or three-generation household — where there is a higher chance of people being at home during the day as well as at night. We are also promoting this plan to customers who are considering a new contract.

Also, on April 1, 2017, we began providing Ee Home, a new electricity rate type for all-electric homes. We offer Ee Home Holiday for customers, such as double-income households, that use small amounts of electricity on weekdays, and Ee Home Flat for customers, such as single-income households, where housewife uses electricity high at home weekdays.

Through Ee Home, OEPC is working to encourage even more customers to see the merits of safe and comfortable all-electric homes that do not use an open flame for cooking or for room- or water heating systems.



For our corporate customers

All-electric kitchens — safe and easy to clean

The all-electric option for cooking is economical and hygienic and presents safe, high-power heating efficiency without the use of an open flame. To raise awareness of the advantages of all-electric kitchens for commercial facilities, OEPC works with the manufacturers of kitchen equipment on seminars and other events that showcase the benefits of all-electric kitchens for corporate customers. This underscores efforts to promote widespread popularity of all-electric kitchens.



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

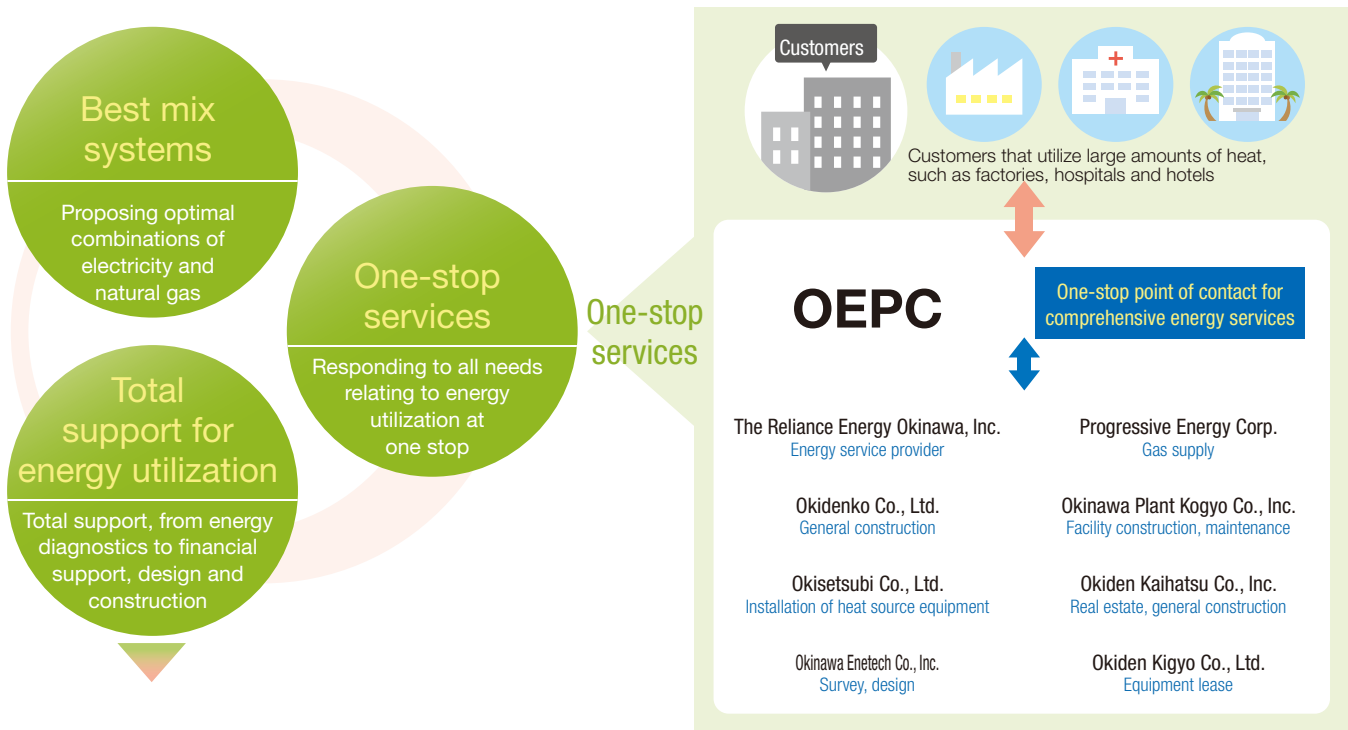
Deploy comprehensive energy services that meet customers' needs

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.

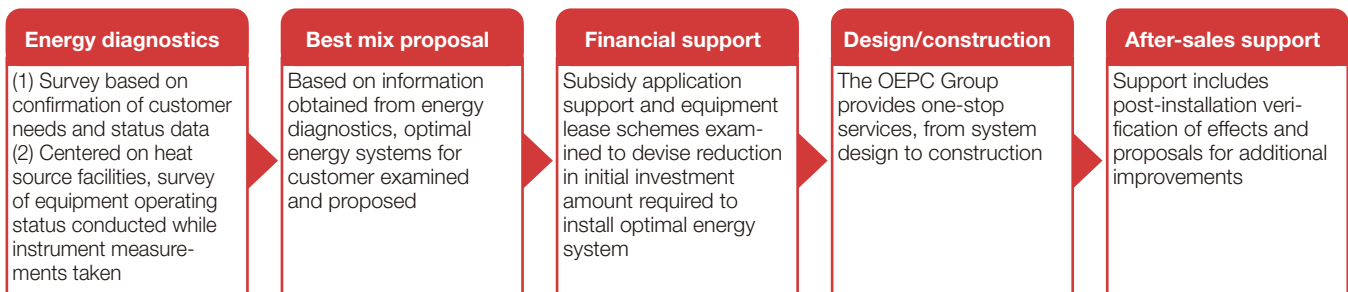
From the standpoint of electricity and gas sales promotions, the OEPC Group will leverage the expertise and management resources accumulated in its electricity business and promote comprehensive energy service efforts to meet customers' needs.

Comprehensive energy services of the OEPC Group

Given the increasingly sophisticated and diverse needs of our customers, we will respond with total energy support, best-mix proposals and one-stop services.



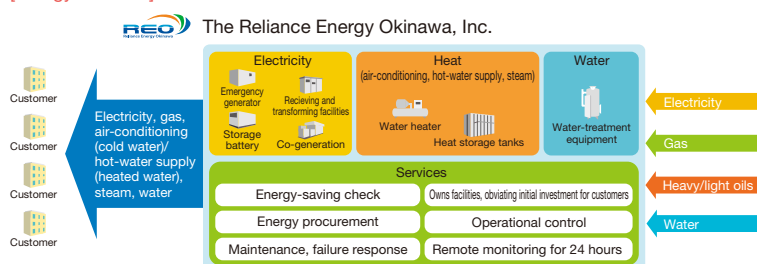
• Flow of services



Established The Reliance Energy Okinawa, Inc.

Burdens, such as initial investment associated with usage of electricity, gas and other energy sources as well as facility operation and maintenance and emergency response measures, easily become issues of concern to customers. Therefore, OEPC established The Reliance Energy Okinawa in December 2017 as an energy service provider. This company handles energy facility ownership, production and supply on behalf of customers.

[Energy Services]



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 Family House, for accommodation of parents and other relatives accompanying inpatients at Prefectural Nanbu Medical Center / Nanbu Child Medical Center



Community cleanup activity

Exhibition of Science Work by Okinawa Students

OEPC has run the Exhibition of Science Work by Okinawa Students since 1979 with the aim of stimulating interest in science among students as well as promoting science education and contributing to the development of human resources in Okinawa. As of fiscal 2017, the event has been held 40 times.

In addition to acknowledging and displaying all winning science projects at the venue, including those for the Okinawa Governor's Prize, the event offers poster sessions by top prize recipients, corners where visitors can challenge themselves in scientific experiments, hands-on science experiment stage shows by teachers and science classes. Such activities enable visitors to get close to science and have fun in the process. Every year, the event draws big crowds and garners lots of positive comments.



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. 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



10th “Okiden ‘Scenery of Light’ Digital Photo Contest” Winner

Sports

OEPC supports activities that promote and develop sports in Okinawa through sponsorship and volunteer involvement. These activities include sponsorship of such sporting events as the Okiden Pennant Elementary School Baseball Tournament, the Okiden Pennant Naginata Tournament and the OEPC Autumn Open Team Table Tennis Competition as well as sponsorship and a volunteer presence at sporting events for people of all ages, such as the Naha Marathon.



Okiden Pennant Naginata Tournament



Baseball workshop for children conducted by the Okiden baseball team



Okiden Pennant Elementary School Baseball Tournament



Environmental measures

To ensure that future generations enjoy a rich and beautiful natural environment, our goal is to reduce the burden that our operations have on the environment as much as possible and promote various activities to achieve harmony between our operations and the environment. In addition, every one of our employees is highly motivated and keen to contribute to the realization of a society underpinned by sustainable development.

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.



Coral survey (Yoshinoura Thermal Power Plant)

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

We are keen to use limited natural resources effectively and, seeking to build a sustainable resource-oriented society, we promote the 3R concept—reduce, reuse, recycle—for industrial and general waste generated by our operations and play a role in the creation of a recycling-oriented structure.



Plant producing alternative materials from the waste

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, 2018, the Company had a total capacity of 28,555kW (including small hydroelectric generators) from solar, wind and other types of renewable energy throughout the prefecture including remote islands.

Miyako Island Mega Solar Power Demonstration Research Facility

Taking advantage of a project initiated by the Ministry of Economy, Trade and Industry's Agency for Natural Resources and Energy to introduce and verify new energy systems on remote islands to create independent power systems, OEPC built the Miyako Island Mega Solar Power Demonstration Research Facility, featuring a 4,000kW solar power generation facility and 4,000kW sodium sulfur battery storage system. The company confirmed that sodium sulfur batteries are effective in maintaining a stable solar power generation system.

OEPC will utilize the results of this research to provide stable supply of electricity on Miyako Island.




Miyako Island Mega Solar Power Demonstration Research Facility

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



Drawing on collective strengths of the Group

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

◆ A Highly Capable Partner in Energy Supply

Each company under the OEPC Group umbrella that supports the supply of energy builds and repairs power plants, transmission and distribution facilities, and facilities related to the provision of gas, undertakes regular checks and sells resources and equipment, such as transformers, power distribution panels, cables and electric energy meters. In addition, these companies are expanding services for various public- and private-sector projects where accumulated know-how and technical capabilities can be applied to local industry and local communities.

◆ OEPC Group's International Cooperation Activities

The OEPC Group draws on technologies and know-how accumulated through business operations and vigorously supports technology related to the electricity business, mainly in developing countries, as well as international cooperation opportunities.

Involved in project to install hybrid power generation systems for island nations in the Pacific

To date, OEPC has run verification trials on hybrid power generation systems using diesel generators and renewable energy, such as solar or wind power, on remote islands within Okinawa Prefecture, such as Miyako Island, with recognizable results. Going beyond, in August 2017, OEPC and Okinawa Enetech Co., Inc., were jointly entrusted by the Japan International Cooperation Agency (JICA) to execute a wide-area project to install hybrid power generation systems for island nations in the Pacific.

The goal of this project is to support efficient applications of diesel power generation equipment and renewable energy that will promote appropriate and economical operation, maintenance and management of diesel power generation equipment and stabilize power grids.



Renewable energy facility (Kiribati)

Contract signed to deliver tilttable wind power turbine system to Kingdom of Tonga

Progressive Energy Corp., which is responsible for the construction, maintenance and management of tilttable wind turbine system, along with trading company Nishizawa Ltd., received a plan for installation of a wind turbine system—an Official Development Assistance grant aid project—for the Kingdom of Tonga by the government of Japan, and signed a contract on January 27, 2018 with Tonga Power Ltd. on the delivery of five tilttable wind power generators.

Like Okinawa, island nations in the Pacific are frequently pummeled by cyclones and their energy sectors are heavily reliant on fossil fuels. Tilttable wind power turbine systems would address such issues, and since 2012, OEPC has been looking into ways to promote wider installation of tilttable wind power generators on these islands. Through on-site surveys in these countries, OEPC is actively involved in tilttable wind power generator inspections by invited experts and runs hands-on maintenance training with engineers.



Delivery of tilttable wind power generator to Aguni Island, Okinawa

OEPC Group Companies (As of March 31, 2018)

Company Name	Established/Capital	Business Areas
Construction business		
Okidenko Company, Limited	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, Limited	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, Incorporated	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, construction, landscaping projects
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	August 23, 2001 ¥100 million	Sales of natural gas and LNG Construction and maintenance of tilttable wind turbine facilities Installation, operation, and maintenance of private power generation systems, and support services for energy saving
The Reliance Energy Okinawa, Incorporated	December 1, 2017 ¥100 million	Energy services business Sell, lease, install, operate and maintain equipment that contributes to efficient use of energy and the environment
Quetech Company, Incorporated	March 30, 2001 ¥3 million	Management consultant services, ISO certification support training

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 external 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. Also, maintaining a team of five auditors, including three independent external auditors, in conjunction with the supervisory function of external directors and the internal auditing structure ensures effective corporate governance.

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 Guidelines 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 15-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, through such methods as attending important

meetings, including Board of Directors' meetings, regularly exchanging opinions with representative directors and external 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.

External director Kunio Oroku is a director and supreme advisor to Ryukyu Broadcasting Corporation, a company in which OEPC possesses a shareholding 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, Kappeli 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)	291	234	56	12
Auditors (excluding External Auditors)	57	57	—	2
Outside Directors and External Auditors	30	30	—	7

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

Total (¥ million)	Number of Persons	Details
60	5	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 transparency and fairness standpoints, the policy on remuneration is explained in advance to external directors, and the Board of Directors' gives approval based on external 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 ¥8,701 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.	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

(Fiscal year under review)

Company Name	Number of Shares	Balance Sheet Amounts (¥ million)	Holding Purpose
The Bank of Okinawa, Ltd.	592,800	2,661	Stabilization of electricity business, contribution to development of Okinawa's economy
Okinawa Cellular Telephone Company	472,000	1,847	Contribution to development of Okinawa's economy
Bank of The Ryukyus, Ltd.	689,660	1,114	Stabilization of electricity business, contribution to development of Okinawa's economy
San-A Co., Ltd.	86,400	529	Contribution to development of Okinawa's economy
Mizuho Financial Group, Inc	1,768,490	338	Stabilization of electricity business
KDDI Corporation	19,800	53	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
 - (1) 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.
 - (2) 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.

(Compensation for Audits and Other Services Provided by Accounting Auditor)

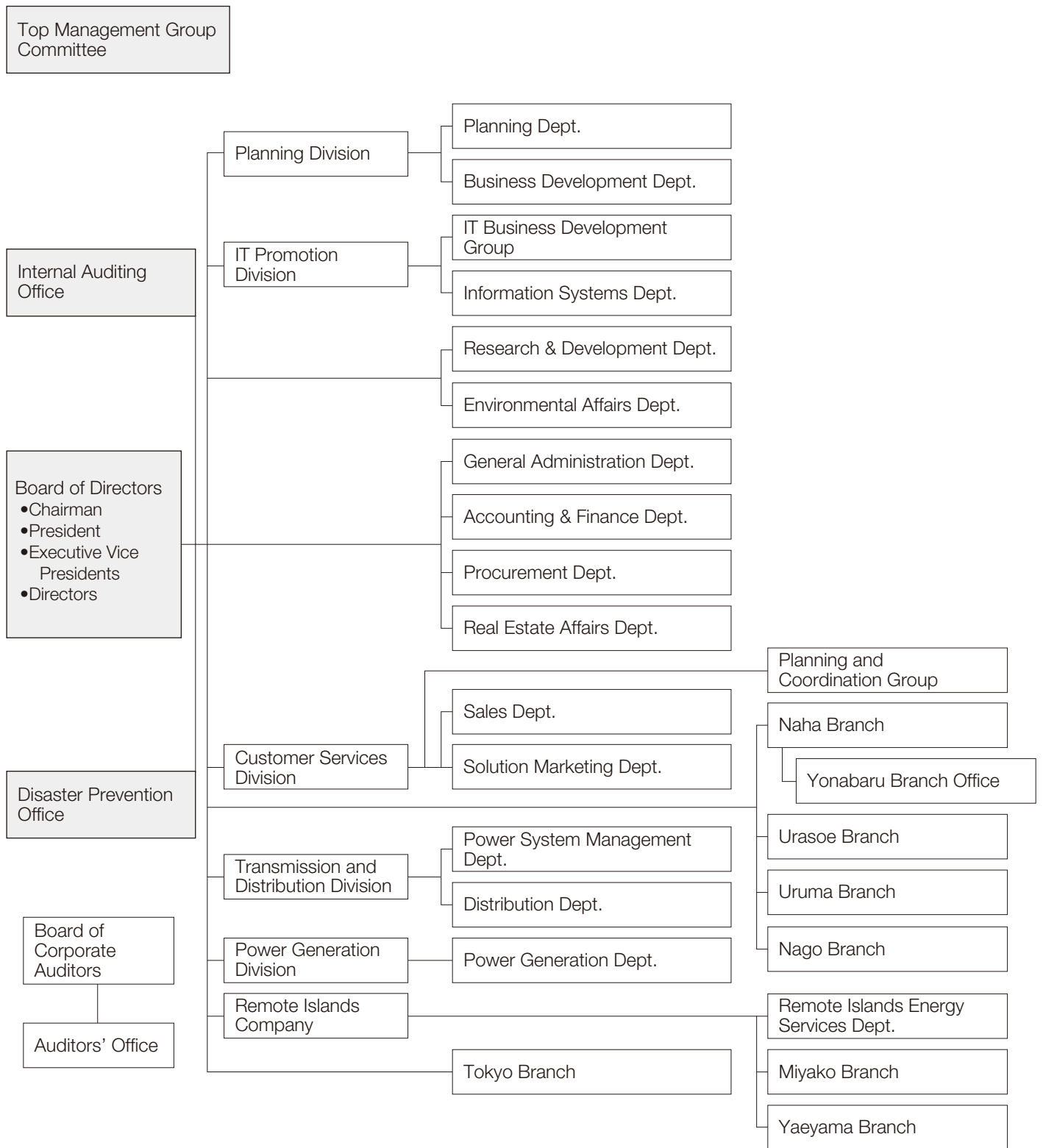
1. Details of compensation paid to certified public accountants and assistants engaged in audits of the Company

Classification	(Millions of yen)			
	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	49	1	50	0
Consolidated subsidiaries	-	-	-	-
Total	49	4	50	0

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

2. Other significant remuneration
 - Nothing of note
3. 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
 - Preparation of comfort letter paralleling convertible bond issue (Fiscal year in review)
 - Advice and guidance pertaining to internal controls for financial reporting
 - Preparation of comfort letter paralleling convertible bond issue
4. Policy for determining accounting auditor remuneration
 - Nothing of note

Organization Chart



(As of July 1, 2018)

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 Auditors: 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 28, 2018)

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

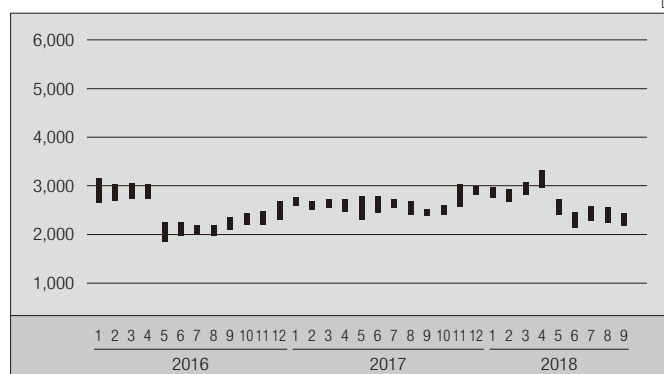
43,373,688 shares

Number of Shareholders

7,846

(As of March 31, 2018)

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



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.
Conducted a 1.25-for-1 stock split of ordinary shares on June 1, 2018.

Credit Ratings (As of August 31, 2018)

	Long-Term	Short-Term
S&P	A+	A-1
Moody's	A1	—
R&I	AA	a-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	2018	2017	2016	2015	2014
For the year:					
Operating revenues	¥196,134	¥179,997	¥182,265	¥185,001	¥179,266
Electric.....	186,080	170,675	173,046	177,184	171,735
Other	10,053	9,322	9,218	7,816	7,530
Operating expenses	186,801	170,870	175,025	175,522	170,572
Electric.....	177,393	162,078	166,232	168,273	163,600
Other	9,407	8,792	8,793	7,248	6,972
Interest expense	1,810	2,061	2,406	2,583	2,775
Income before income taxes and noncontrolling interests.....	8,381	7,521	5,229	7,638	6,936
Income taxes.....	1,978	1,896	1,521	2,610	2,095
Net income attributable to owners of the parent	6,273	5,517	3,647	4,943	4,731
Per share of common stock (Yen):					
Basic net income*	¥ 117.60	¥ 102.12	¥ 67.50	¥ 91.47	¥ 87.53
Cash dividends applicable to the year**	60.00	60.00	60.00	60.00	60.00
At year-end:					
Total assets.....	¥402,088	¥400,237	¥409,860	¥421,824	¥428,333
Net property, plant and equipment	330,559	337,292	345,579	354,197	360,691
Long-term debt, less current maturities	149,975	151,380	157,364	170,524	178,717
Total equity.....	152,759	153,361	148,111	147,973	141,103

Years Ended March 31	2018	2017	2016	2015	2014
Operating Statistics					
For the year:					
Electric energy sales (Millions of kWh)	7,761	7,813	7,649	7,531	7,556
At year-end:					
Generating capacity (Thousands of kW).....	2,148	2,153	2,155	2,136	2,435
Transmission lines (km).....	1,200	1,197	1,159	1,102	1,083
Distribution lines (km).....	10,940	10,837	10,828	10,744	10,664

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. A 1.25-for-1 stock split was effected on June 1, 2018. It is calculated on the assumption that these stock splits were conducted at the beginning of FY 2014 (April 1, 2013).

** 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. A 1.25-for-1 stock split was effected on June 1, 2018. However, the cash dividends per share information has not been restated to reflect these stock splits at each fiscal year.

CONTENTS

24	Financial Review (Consolidated Basis)	30	Consolidated Statement of Cash Flows
26	Business and Other Risks	31	Notes to Consolidated Financial Statements
27	Consolidated Balance Sheet	39	Independent Auditor's Report
28	Consolidated Statement of Income	40	Nonconsolidated Balance Sheet
28	Consolidated Statement of Comprehensive Income	41	Nonconsolidated Statement of Income
29	Consolidated Statement of Changes in Equity		

Financial Review (Consolidated Basis)

Business Performance

In fiscal 2017, the fiscal year ended March 31, 2018, 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 (“OEPC”) recorded operating revenues (sales) of ¥196,134 million on a consolidated basis, up ¥16,136 million (9.0%) compared with the previous fiscal year.

Operating expenses rose by ¥15,930 million (9.3%) year on year, to ¥186,801 million.

As a result, operating income increased ¥206 million (2.3%) compared with the previous fiscal year, to ¥9,333 million.

Income before income taxes and noncontrolling interests, which includes other income and expenses, was up ¥859 million (11.4%), to ¥8,381 million. Net income attributable to owners of the parent for the period under review increased ¥756 million (13.7%), to ¥6,273 million.

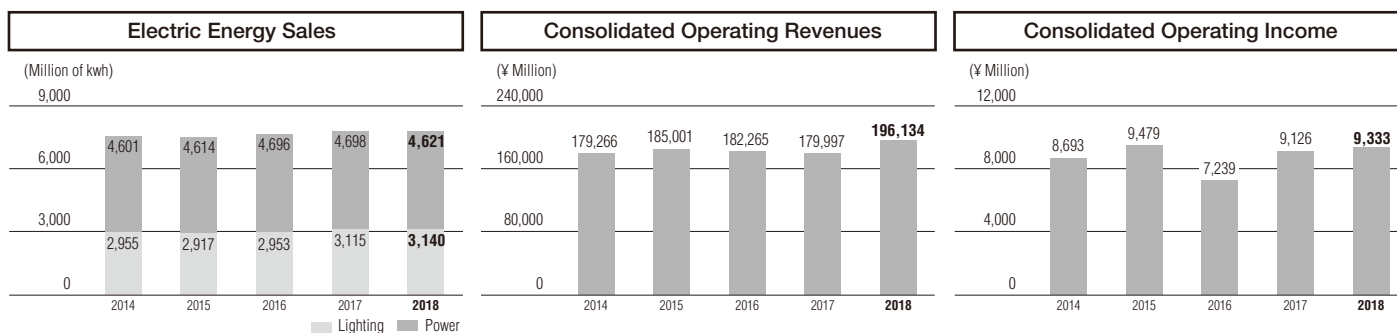
Details of business performance by segment are as follows:

1. Electric Power Business

Despite a drop in the total volume of electric power sold, operating revenues from the Electric Power Business rose by ¥15,735 million (9.1%) year on year, to ¥188,075 million due to the impact of the fuel cost adjustment system.

Meanwhile, operating expenses rose by ¥15,687 million (9.5%) year on year, to ¥180,915 million, as rising fuel costs and purchases from other power companies offset the benefits of lower depreciation and amortization.

This resulted in an increase in operating income of ¥47million (0.7%), to ¥7,160 million.



2. Other Operations

In other operations, revenues rose by ¥1,699 million (3.9%) year on year, to ¥45,059 million due to increases in work orders for the Electric Power Business and private sector projects. Meanwhile, expenses rose by ¥1,611 million (3.9%) year on year, to ¥42,902 million.

This resulted in an increase in operating income of ¥88 million (4.3%), to ¥2,157 million.

Cash Flows

Cash flows from operating activities

Net cash from operating activities increased by ¥702 million (2.2%) year on year, to ¥32,610 million, due largely to an increase in trade notes and accounts payable.

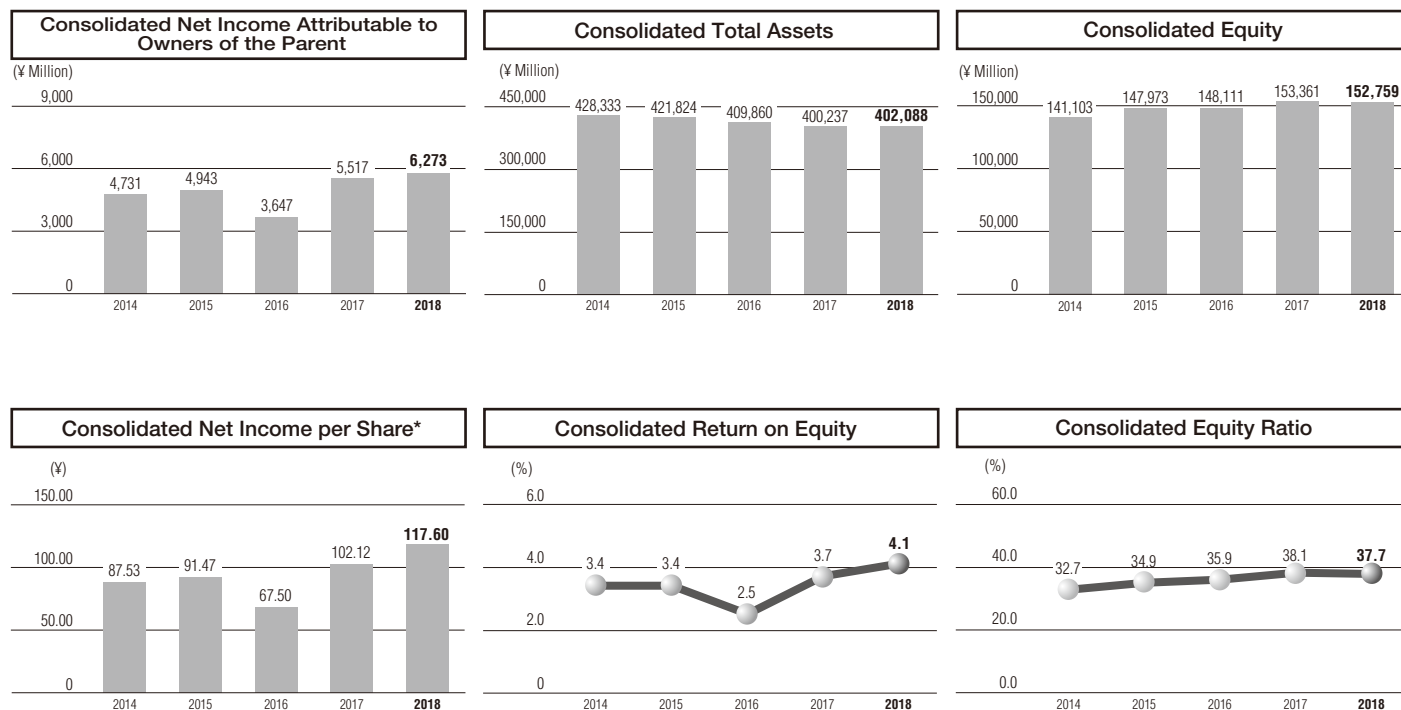
Cash flows from investing activities

Net cash used in investing activities fell by ¥4,557 million (23.0%), to ¥15,238 million, due largely to a decrease in payments to purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥11,411 million, due largely to repayment of interest-bearing debt and purchase of treasury stock.

As a result, cash and cash equivalents as of the end of the year under review totaled ¥18,086 million, up by ¥5,960 million (49.2%) 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. A 1.25-for-1 stock split was effected on June 1, 2018. It is calculated on the assumption that these stock splits were conducted at the beginning of FY 2014 (April 1, 2013).

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. Changes to system for electric power business

Electric power system reform in Japan is in progress in three steps, the first being the establishment of the Organization for Cross-regional Coordination of Transmission Operators, followed by the full liberalization of the electricity retail market, and then, legal separation designed to neutralize the power/ distribution sector, effective from 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.

Nevertheless, the Group's business performance could be affected by national energy policy, system changes related to electricity business in line with such policy, tougher environmental regulations, and other trends.

2. 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.

3. 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.

4. Fuel price fluctuations

In Group operations, we primarily use coal, oil, and LNG as 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.

5. Financial market trends

The balance of the Group's interest-bearing liabilities totaled ¥177.3 billion on March 31, 2018. 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 majority 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 on pension assets. Fluctuations in discount rates and investment yields have the potential to affect the Group's performance.

6. 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.

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

8. Personal information leakage

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

9. Conduct that violates corporate ethics

To maintain and improve awareness of compliance issues, the Group implements activities related to legal compliance and corporate ethics. But if social credibility were tarnished by actions that violate corporate ethics, such as breaking the law, the Group's performance could be adversely affected.

Consolidated Balance Sheet

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

March 31, 2018	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Assets			
Property, plant and equipment (Note 3):			
Utility plants	¥955,595	¥947,382	\$8,994,689
Other plant and equipment (Note 5)	36,261	36,066	341,318
Construction in progress	10,892	10,660	102,526
Total	1,002,749	994,109	9,438,534
Less:			
Contributions in aid of construction (Note 2(b))	(33,496)	(33,318)	(315,288)
Accumulated depreciation	(638,693)	(623,499)	(6,011,802)
Total	(672,190)	(656,817)	(6,327,090)
Net property, plant and equipment	330,559	337,292	3,111,443
Investments and other assets:			
Investment securities (Notes 4 and 11)	9,389	9,084	88,375
Investments in and advances to unconsolidated subsidiaries and affiliates	1,721	1,595	16,204
Deferred tax assets (Note 8)	8,745	8,981	82,317
Other assets	2,090	2,279	19,676
Allowance for doubtful accounts	(60)	(63)	(567)
Total investments and other assets	21,886	21,877	206,006
Current assets:			
Cash and cash equivalents (Note 11)	18,086	12,126	170,245
Notes and accounts receivable (Note 11)	12,110	10,920	113,988
Inventories	10,206	10,585	96,065
Deferred tax assets (Note 8)	2,049	1,551	19,288
Other current assets	7,303	5,984	68,746
Allowance for doubtful accounts	(113)	(101)	(1,063)
Total current assets	49,642	41,067	467,269
Total	¥402,088	¥400,237	\$3,784,719
Liabilities and equity			
Long-term liabilities:			
Long-term debt, less current maturities (Notes 5 and 11)	¥149,975	¥151,380	\$1,411,665
Lease obligations (Note 5)	24,077	25,569	226,630
Liability for retirement benefits (Note 7)	10,590	10,177	99,685
Other long-term liabilities	2,760	4,317	25,978
Total long-term liabilities	187,403	191,445	1,763,960
Current liabilities:			
Current maturities of long-term debt (Notes 5 and 11)	23,720	28,838	223,274
Short-term bank loans (Notes 6 and 11)	1,240	1,140	11,671
Commercial paper (Notes 6 and 11)	4,000		37,650
Notes and accounts payable (Note 11)	15,250	12,056	143,549
Income taxes payable (Note 11)	1,379	1,026	12,986
Accrued expenses	10,419	8,434	98,076
Other current liabilities	5,915	3,935	55,679
Total current liabilities	61,926	55,431	582,888
Equity (Note 9):* **			
Common stock,			
Authorized — 74,250,000 shares			
Issued — 43,373,688 shares in 2018 and 2017	7,586	7,586	71,408
Capital surplus	7,212	7,212	67,891
Retained earnings	139,131	135,332	1,309,594
Treasury stock, at cost — 1,906,955 shares in 2018 and 150,596 shares in 2017 ...	(5,224)	(306)	(49,176)
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	2,962	2,703	27,880
Deferred gain (loss) on derivatives under hedge accounting	11	(41)	109
Defined retirement benefit plans	(136)	(169)	(1,284)
Total	151,543	152,316	1,426,424
Noncontrolling interests	1,216	1,044	11,446
Total equity	152,759	153,361	1,437,870
Total	¥402,088	¥400,237	\$3,784,719

See notes to consolidated financial statements.

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

** A 1.25-for-1 stock split was effected on June 1, 2018. 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 - 92,800,000 shares

Issued - 54,217,110 shares in 2018 and 2017

Treasury stock, at cost - 2,383,693 shares in 2018 and 188,245 shares in 2017

Consolidated Statement of Income

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Year Ended March 31, 2018	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Operating revenues:			
Electric.....	¥186,080	¥170,675	\$1,751,513
Other	10,053	9,322	94,628
Total operating revenues	196,134	179,997	1,846,142
Operating expenses (Notes 7 and 10):			
Electric.....	177,393	162,078	1,669,744
Other	9,407	8,792	88,548
Total operating expenses	186,801	170,870	1,758,292
Operating income	9,333	9,126	87,850
Other expenses:			
Interest expense	1,810	2,061	17,041
Other — net.....	(858)	(456)	(8,081)
Net other expenses	951	1,605	8,960
Income before income taxes	8,381	7,521	78,889
Income taxes (Note 8):			
Current	2,378	1,868	22,392
Deferred.....	(400)	27	(3,769)
Total.....	1,978	1,896	18,622
Net income	6,402	5,625	60,266
Net income attributable to noncontrolling interests	128	108	1,213
Net income attributable to owners of the parent	¥ 6,273	¥ 5,517	\$ 59,053

Per share of common stock (Note 2(k)):	Yen		U.S. dollars
	2018	2017	2018
Basic net income*	¥117.60	¥102.12	\$1.10
Cash dividends applicable to the year**.....	60.00	60.00	0.56

See notes to consolidated financial statements.

Notes: * 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.

A 1.25-for-1 stock split was effected on June 1, 2018. It is calculated on the assumption that these stock splits were conducted at the beginning of FY 2017 (April 1, 2016).

** A 1.1-for-1 stock split was effected on June 1, 2017. A 1.25-for-1 stock split was effected on June 1, 2018.

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, 2018	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Net income	¥6,402	¥5,625	\$60,266
Other comprehensive income (Note 13)			
Unrealized gain on available-for-sale securities.....	258	945	2,430
Deferred gain (loss) on derivatives under hedge accounting	53	(17)	503
Defined retirement benefit plans.....	33	687	313
Share of other comprehensive income in an affiliate accounted for under the equity method.....	0	1	2
Total other comprehensive income.....	345	1,616	3,250
Comprehensive income	¥6,748	¥7,242	\$63,516
Total comprehensive income attributable to:			
Owners of the parent	¥6,618	¥7,129	\$62,300
Noncontrolling interests.....	129	113	1,216

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, 2018	Shares / Millions of yen					
	Common stock			Retained earnings	Treasury stock	
	Shares* **	Amount	Capital surplus		Shares* **	Amount
Balance, April 1, 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 the 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)
Stock split.....	3,943,062				13,720	
Net income attributable to owners of the parent				6,273		
Cash dividends				(2,475)		
Purchase of treasury stock					1,756,956	(4,919)
Disposal of treasury stock.....			0		(627)	1
Change in the parent's ownership interest due to transactions with noncontrolling interests...			0			
Net change in the year.....						
Balance, March 31, 2018	43,373,688	¥7,586	¥7,212	¥139,131	1,906,955	¥(5,224)

Year Ended March 31, 2018	Shares / Millions of yen					
	Accumulated other comprehensive income				Noncontrolling interests	Total equity
	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Defined retirement benefit plans	Total		
Balance, April 1, 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 the 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
Stock split.....						
Net income attributable to owners of the parent				6,273		6,273
Cash dividends				(2,475)		(2,475)
Purchase of treasury stock				(4,919)		(4,919)
Disposal of treasury stock.....				1		1
Change in the parent's ownership interest due to transactions with noncontrolling interests...				0		0
Net change in the year.....	258	53	33	344	171	516
Balance, March 31, 2018	¥2,962	¥ 11	¥(136)	¥151,543	¥1,216	¥152,759

	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 gain (loss) on derivatives under hedge accounting	Defined retirement benefit plans			
Balance, March 31, 2017	\$71,408	\$67,884	\$1,273,840	\$(2,887)	\$25,451	\$(393)	\$(1,598)	\$1,433,704	\$ 9,832	\$1,443,536
Net income attributable to owners of the parent.....			59,053					59,053		59,053
Cash dividends.....			(23,299)					(23,299)		(23,299)
Purchase of treasury stock ...				(46,301)				(46,301)		(46,301)
Disposal of treasury stock.....		2		13				15		15
Change in the parent's ownership interest due to transactions with noncontrolling interests.....		4						4		4
Net change in the year.....					2,429	\$ 503	313	3,246	1,613	4,860
Balance, March 31, 2018	\$71,408	\$67,891	\$1,309,594	\$(49,176)	\$27,880	\$ 109	\$(1,284)	\$1,426,424	\$11,446	\$1,437,870

See notes to consolidated financial statements.

Note: * 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.

** A 1.25-for-1 stock split was effected on June 1, 2018. 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, 2018	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Operating activities:			
Income before income taxes	¥ 8,381	¥ 7,521	\$ 78,889
Adjustments for:			
Income taxes paid	(2,013)	(1,708)	(18,957)
Depreciation and amortization	24,153	25,267	227,346
Loss on disposal of property, plant and equipment.....	871	1,089	8,200
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(1,201)	1,082	(11,305)
Decrease in inventories	530	1,212	4,994
Increase (decrease) in notes and accounts payable.....	2,543	(767)	23,938
Decrease in interest payable	(37)	(78)	(348)
Increase (decrease) in liability for retirement benefits.....	372	(295)	3,506
Other — net	(989)	(1,416)	(9,314)
Total adjustments	24,229	24,385	228,060
Net cash provided by operating activities.....	32,610	31,907	306,950
Investing activities:			
Purchase of property, plant and equipment	(18,281)	(19,320)	(172,078)
Proceeds from sale of property, plant and equipment.....	287	295	2,701
Payments for investments and advances.....	(27)	(20)	(260)
Proceeds from sales of investment securities and collections of advances.....	506	113	4,765
Other — net	2,277	(863)	21,440
Net cash used in investing activities.....	(15,238)	(19,795)	(143,431)
Financing activities:			
Proceeds from issuance of bonds	9,966	9,966	93,808
Repayments of bonds	(15,000)	(10,000)	(141,189)
Proceeds from long-term debt.....	10,746	11,622	101,148
Repayments of long-term debt	(12,271)	(14,751)	(115,507)
Net increase (decrease) in short-term bank loans	100	(3,860)	941
Net increase (decrease) in commercial paper.....	4,000	(2,000)	37,650
Purchase of treasury stock	(4,919)	(15)	(46,301)
Cash dividends paid	(2,472)	(1,962)	(23,274)
Other — net	(1,560)	(1,624)	(14,691)
Net cash used in financing activities	(11,411)	(12,626)	(107,415)
Net increase (decrease) in cash and cash equivalents	5,960	(513)	56,103
Cash and cash equivalents, beginning of year	12,126	12,640	114,141
Cash and cash equivalents, end of year	¥18,086	¥12,126	\$170,245

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, 2018

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, 2017, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2018.

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 ¥106.24 to \$1, the approximate rate of exchange on March 31, 2018. 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, 2018, include the accounts of the Company and its 12 significant subsidiaries (11 in 2017). Investment in one affiliated company (one in 2017) 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.

(j) 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 1.25-for-1 stock split on June 1, 2018 (see Note15).

(l) New accounting pronouncements

On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The accounting standard and guidance establish the principles that an entity applies when reporting information about revenue arising from a contract with a customer.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

3. Property, plant and equipment

The major classes of property, plant and equipment as of March 31, 2018 and 2017, consisted of the following:

As of March 31, 2018	Millions of yen			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power-generating facilities.....	¥ 465,854	¥(16,709)	¥(321,417)	¥127,727
Transmission facilities	159,459	(3,991)	(106,317)	49,150
Transformation facilities	107,977	(1,530)	(72,256)	34,189
Distribution facilities.....	174,149	(3,122)	(93,514)	77,513
General facilities	35,249	(6,198)	(15,008)	14,041
Other electricity-related facilities.....	12,906	(538)	(11,103)	1,264
Utility plants.....	955,595	(32,091)	(619,618)	303,886
Other plant and equipment	36,261	(1,128)	(19,075)	16,057
Construction in progress.....	10,892	(276)		10,616
Total.....	¥1,002,749	¥(33,496)	¥(638,693)	¥330,559

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, 2018	Thousands of U.S. dollars			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power-generating facilities.....	\$4,384,925	\$(157,281)	\$(3,025,391)	\$1,202,252
Transmission facilities	1,500,933	(37,567)	(1,000,731)	462,634
Transformation facilities	1,016,350	(14,410)	(680,127)	321,812
Distribution facilities.....	1,639,210	(29,387)	(880,218)	729,604
General facilities	331,787	(58,347)	(141,268)	132,171
Other electricity-related facilities.....	121,481	(5,072)	(104,509)	11,899
Utility plants.....	8,994,689	(302,066)	(5,832,248)	2,860,374
Other plant and equipment	341,318	(10,621)	(179,554)	151,142
Construction in progress.....	102,526	(2,600)		99,926
Total.....	\$9,438,534	\$(315,288)	\$(6,011,802)	\$3,111,443

4. Investment securities

The costs and aggregate fair values of investment securities at March 31, 2018 and 2017, were as follows:

As of March 31, 2018	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities.....	¥2,738	¥4,176	¥ 7	¥6,908
Other.....	398		115	282
Total.....	¥3,137	¥4,176	¥122	¥7,191

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, 2018	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities.....	\$25,780	\$39,313	\$ 69	\$65,024
Other.....	3,747		1,084	2,663
Total	\$29,527	\$39,313	\$1,153	\$67,687

Investment securities whose fair values cannot be reliably determined are excluded from the preceding tables. The carrying amounts of such investment securities were ¥2,197 million (\$ 20,687 thousand) in 2018 and ¥2,257 million in 2017.

5. Long-term debt

Long-term debt as of March 31, 2018 and 2017, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Domestic bonds, 0.110% to 1.719% in 2018 and 0.110% to 1.830% in 2017, due serially through 2027	¥ 65,000	¥ 69,999	\$ 611,822
Loans from Okinawa Development Finance Corporation, 0.150% to 2.100% in 2018 and 0.150% to 2.100% in 2017, due serially through 2037	102,495	103,417	964,753
Loans from banks, insurance companies, and other sources, 0.150% to 1.950% in 2018 and 0.150% to 1.950% in 2017, due serially through 2031	4,597	5,201	43,271
Obligations under finance leases.....	25,680	27,169	241,723
Total	197,773	205,787	1,861,570
Less current maturities.....	(23,720)	(28,838)	(223,274)
Long-term debt, less current maturities*	¥174,052	¥176,949	\$1,638,296

* Long-term debt, less current maturities, including lease obligations for the years ended March 31, 2018 and 2017, were ¥24,077 million (\$226,630 thousand) and ¥25,569 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 ¥2,381 million (\$22,415 thousand), are pledged as collateral for a portion of the long-term debt as of March 31, 2018.

The aggregate annual maturities of long-term debt outstanding as of March 31, 2018, were as follows:

Years Ending March 31	Millions of yen	Thousands of U.S. dollars
2019.....	¥ 23,720	\$ 223,274
2020.....	14,596	137,390
2021.....	23,315	219,463
2022.....	22,730	213,954
2023.....	21,562	202,960
2024 and thereafter.....	91,847	864,527
Total.....	¥197,773	\$1,861,570

6. Short-term borrowings

The weighted-average interest rates applicable to short-term bank loans were 0.169% and 0.149% as of March 31, 2018 and 2017, respectively. The weighted-average interest rate applicable to commercial paper was (0.026%) as of March 31, 2018.

7. 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, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of year.....	¥17,389	¥17,403	\$163,681
Current service cost.....	1,067	1,091	10,051
Interest cost.....	76	58	715
Actuarial losses (gains)	255	(328)	2,404
Benefits paid	(491)	(835)	(4,623)
Balance at end of year.....	¥18,297	¥17,389	\$172,230

- (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, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of year.....	¥3,390	¥3,414	\$31,914
Periodic benefit costs.....	504	472	4,744
Benefits paid.....	(150)	(183)	(1,416)
Contributions from the employer.....	(295)	(313)	(2,783)
Balance at end of year.....	¥3,448	¥3,390	\$32,459

- (3) The changes in plan assets for the years ended March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of year.....	¥13,588	¥12,625	\$127,899
Expected return on plan assets.....	265	245	2,494
Actuarial gains	214	182	2,023
Contributions from the employer.....	479	918	4,514
Benefits paid	(406)	(578)	(3,827)
Others	260	194	2,454
Balance at end of year.....	¥14,401	¥13,588	\$135,559

* 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, 2018 and 2017, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Funded defined benefit obligation.....	¥17,457	¥16,790	\$164,321
Plan assets.....	(14,401)	(13,588)	(135,559)
	3,055	3,202	28,761
Unfunded defined benefit obligation	7,534	6,975	70,924
Net liability for defined benefit obligation.....	¥10,590	¥10,177	\$ 99,685

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Liability for retirement benefits.....	¥10,590	¥10,177	\$99,685
Net liability for defined benefit obligation.....	¥10,590	¥10,177	\$99,685

(5) The components of net periodic benefit costs for the years ended March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Current service cost	¥1,067	¥1,091	\$10,051
Interest cost.....	76	58	715
Expected return on plan assets	(265)	(245)	(2,494)
Recognized actuarial losses.....	86	435	812
Others.....	504	472	4,744
Net periodic benefit costs	¥1,469	¥1,812	\$13,829

* 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, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Actuarial gains.....	¥45	¥946	\$432
Total	¥45	¥946	\$432

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized actuarial losses.....	¥(188)	¥(233)	\$(1,769)
Total	¥(188)	¥(233)	\$(1,769)

(8) Plan assets as of March 31, 2018 and 2017

a. Components of plan assets

Plan assets consisted of the following:

	2018	2017
Debt investments.....	21%	25%
Equity investments.....	20	21
General account.....	47	44
Others.....	12	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, 2018 and 2017, are set forth as follows:

	2018	2017
Discount rate.....	Mainly 0.3%	Mainly 0.4%
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, 2018 and 2017, was ¥195 million (\$1,841 thousand) and ¥195 million, respectively.

8. Income taxes

The Companies are subject to several taxes based on income and revenue. For the years ended March 31, 2018 and 2017, the aggregate normal effective statutory tax rates approximated 27.6%.

The significant components of deferred tax assets and liabilities as of March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Unrealized profit	¥ 3,775	¥ 3,791	\$ 35,540
Liability for retirement benefits	3,097	2,981	29,151
Depreciation and amortization	2,533	2,384	23,842
Accrued expenses	1,083	1,478	10,197
Other	2,189	1,707	20,611
Subtotal.....	12,678	12,343	119,342
Less: valuation allowance.....	(371)	(410)	(3,499)
Total deferred tax assets	¥12,307	¥11,933	\$115,842
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities.....	(1,106)	(998)	(10,412)
Unrealized gain on land revaluation.....	(282)	(282)	(2,658)
Other	(123)	(119)	(1,164)
Total deferred tax liabilities	¥ (1,512)	¥ (1,400)	\$ (14,236)
Net deferred tax assets.....	¥10,794	¥10,533	\$101,606

Reconciliations between the normal effective statutory tax rate for the years ended March 31, 2018 and 2017, and the actual effective tax rate reflected in the accompanying consolidated statements of income were as follows:

	2018
Normal effective statutory tax rate	27.6%
Tax credit	(5.0)
Difference in subsidiaries' tax rates	1.3
Other-net	(0.3)
Actual effective tax rate	23.6%
	2017
Normal effective statutory tax rate	27.6%
Tax credit	(4.7)
Difference in subsidiaries' tax rates	1.3
Elimination of unrealized gains	1.1
Other-net	(0.1)
Actual effective tax rate	25.2%

9. 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.

10. Research and development costs

Research and development costs charged to income were ¥577 million (\$5,434 thousand) and ¥671 million for the years ended March 31, 2018 and 2017, respectively.

11. 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 12 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, 2018 and 2017, were as follows:

	Millions of yen		
	Carrying amount	Fair value	Unrecognized loss
March 31, 2018			
Investment securities:			
Available-for-sale	¥ 7,191	¥ 7,191	
Cash and cash equivalents	18,086	18,086	
Notes and accounts receivable	12,110	12,110	
Total	¥ 37,388	¥ 37,388	
Long-term debt:			
Bonds	¥ 65,000	¥ 66,129	¥1,129
Loans	107,092	110,668	3,575
Short-term bank loans	1,240	1,240	
Commercial paper	4,000	4,000	
Notes and accounts payable	15,250	15,250	
Income taxes payable	1,379	1,379	
Total	¥193,963	¥198,667	¥4,704
Derivatives	¥ 16	¥ 16	

March 31, 2017	Millions of yen		
	Carrying amount	Fair value	Unrecognized loss
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, 2018	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrecognized loss
Investment securities:			
Available-for-sale	\$ 67,687	\$ 67,687	
Cash and cash equivalents	170,245	170,245	
Notes and accounts receivable.....	113,988	113,988	
Total	\$ 351,920	\$ 351,920	
Long-term debt:			
Bonds	\$ 611,822	\$ 622,449	\$10,626
Loans	1,008,025	1,041,682	33,657
Short-term bank loans.....	11,671	11,671	
Commercial paper.....	37,650	37,650	
Notes and accounts payable	143,549	143,549	
Income taxes payable.....	12,986	12,986	
Total	\$1,825,706	\$1,869,990	\$44,284
Derivatives	\$ 151	\$ 151	

Investment securities whose fair values cannot be reliably determined are excluded from the preceding 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 4.

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 12.

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Investment securities:			
Available-for-sale:			
Unlisted equity securities	¥2,197	¥2,247	\$20,687
Other.....		9	
Total	¥2,197	¥2,257	\$20,687

(e) Maturity analysis for financial assets with contractual maturities

March 31, 2018	Millions of yen	Thousands of U.S. dollars
	Due in one year or less	Due in one year or less
Cash and cash equivalents	¥18,086	\$170,245
Notes and accounts receivable.....	12,110	113,988
Total	¥30,196	\$284,233

12. 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, 2018	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)	¥986	¥493	¥16	Foreign currency transaction (forecasted transactions)	\$9,285	\$4,641	\$151

As of March 31, 2017	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)	¥1,093	¥492	¥(57)
Interest rate swaps:				
(floating rate payment, fixed rate receipt)..... Long-term debt ¥ 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 11.

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

13. Other comprehensive income

The components of other comprehensive income for the years ended March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Other comprehensive income:			
Unrealized gain on available-for-sale securities			
Gains arising during the year	¥364	¥1,260	\$3,428
Reclassification adjustments to profit or loss		¥ 17	
Amount before income tax effect	364	1,277	3,428
Income tax effect	(106)	(332)	(998)
Total	¥258	¥ 945	\$2,430
Deferred gain (loss) on derivatives under hedge accounting			
Gains (losses) arising during the year	¥ 73	¥ (23)	\$ 694
Amount before income tax effect	73	(23)	694
Income tax effect	(20)	6	(190)
Total	¥ 53	¥ (17)	\$ 503
Defined retirement benefit plans			
Losses (gains) arising during the year	¥ (40)	¥ 510	\$ (380)
Reclassification adjustments to profit or loss	86	435	812
Amount before income tax effect	45	946	432
Income tax effect	(12)	(259)	(118)
Total	¥ 33	¥ 687	\$ 313
Share of other comprehensive income in an affiliate accounted for under the equity method			
Gains arising during the year	¥ 0	¥ 1	\$ 2
Total other comprehensive income	¥345	¥1,616	\$3,250

14. 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 performed in order to decide how resources are allocated among the Companies. The Company and its consolidated subsidiaries compose their own business segments, respectively, and the "Electric" segment, which includes most of the Company's business, is treated as a reported segment. The "Electric" segment 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:

2018	Millions of yen					Thousands of U.S. dollars				
	Reportable segment Electric	Other	Total	Reconciliations	Consolidated	Reportable segment Electric	Other	Total	Reconciliations	Consolidated
Sales										
Sales to external customers	¥186,232	¥ 9,901	¥196,134		¥196,134	\$1,752,945	\$ 93,197	\$1,846,142		\$1,846,142
Intersegment sales or transfers	1,842	35,158	37,001	¥(37,001)		17,346	330,934	342,280	\$(348,280)	
Total.....	¥188,075	¥45,059	¥233,135	¥(37,001)	¥196,134	\$1,770,291	\$424,132	\$2,194,423	\$(348,280)	\$1,846,142
Segment profit.....	¥ 7,160	¥ 2,157	¥ 9,318	¥ 15	¥ 9,333	\$ 67,401	\$ 20,306	\$ 87,707	\$ 142	\$ 87,850
Segment assets	375,163	46,643	421,807	(19,718)	402,088	3,531,286	439,041	3,970,327	(185,607)	3,784,719
Other:										
Depreciation.....	23,810	1,204	25,015	(861)	24,153	224,119	11,339	235,459	(8,112)	227,347
Increase in property, plant and equipment and intangible assets	16,859	2,256	19,116	(173)	18,942	158,691	21,243	179,935	(1,635)	178,299

2017	Millions of yen				
	Reportable segment Electric	Other	Total	Reconciliations	Consolidated
Sales					
Sales to external customers	¥170,827	¥ 9,170	¥179,997		¥179,997
Intersegment sales or transfers	1,513	34,189	35,702	¥(35,702)	
Total.....	¥172,340	¥43,359	¥215,700	¥(35,702)	¥179,997
Segment profit.....	¥ 7,112	¥ 2,069	¥ 9,181	¥ (55)	¥ 9,126
Segment assets	376,373	44,741	421,114	(20,876)	400,237
Other:					
Depreciation.....	24,916	1,234	26,150	(883)	25,267
Increase in property, plant and equipment and intangible assets	19,330	1,355	20,686	(1,938)	18,747

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, 2018 and 2017.

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.

15. Subsequent events

The following appropriation of retained earnings at March 31, 2018, was approved at the Company's shareholders' meeting held on June 28, 2018:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30 (28¢) per share.....	¥1,244	\$11,709

On June 1, 2018, the Company effected a 1.25-for-1 stock split for each outstanding share and 10,843,422 shares were consequently issued to shareholders of record on May 31, 2018.

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, 2018, 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, 2018, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 29, 2018

Member of
Deloitte Touche Tohmatsu Limited

Nonconsolidated Balance Sheet

The Okinawa Electric Power Company, Incorporated

March 31, 2018 (Unaudited)	Millions of yen		Thousands of U.S. dollars*
	2018	2017	2018
Assets			
Property, plant and equipment:			
Utility plant and equipment	¥991,275	¥982,177	\$9,330,526
Construction in progress	8,430	10,541	79,357
Total	999,706	992,719	9,409,884
Less:			
Contributions in aid of construction	(32,408)	(32,291)	(305,052)
Accumulated depreciation	(642,997)	(627,708)	(6,052,308)
Total	(675,406)	(660,000)	(6,357,361)
Net property, plant and equipment.....	324,300	332,719	3,052,523
Investments and other assets:			
Investment securities.....	8,701	8,376	81,903
Investments in and advances to subsidiaries and affiliates.....	3,398	3,632	31,991
Deferred tax assets	3,743	3,973	35,231
Other assets	1,957	2,133	18,423
Allowance for doubtful accounts	(34)	(34)	(322)
Total investments and other assets.....	17,766	18,082	167,226
Current assets:			
Cash and cash equivalents	10,221	5,544	96,211
Accounts receivable.....	9,897	8,563	93,163
Fuel and supplies	9,308	9,939	87,621
Deferred tax assets	1,730	1,245	16,292
Other current assets	2,041	367	19,219
Allowance for doubtful accounts	(103)	(88)	(971)
Total current assets	33,097	25,571	311,536
Total.....	¥375,163	¥376,373	\$3,531,286
Liabilities and equity			
Long-term liabilities:			
Long-term debt, less current maturities.....	¥146,675	¥148,257	\$1,380,603
Lease obligations	23,856	25,261	224,549
Liability for retirement benefits.....	6,954	6,553	65,456
Other long-term liabilities.....	2,903	4,249	27,329
Total long-term liabilities.....	180,388	184,322	1,697,938
Current liabilities:			
Current maturities of long-term debt	23,130	28,337	217,721
Short-term borrowings.....	1,000	1,000	9,412
Commercial paper	4,000		37,650
Accounts payable	12,012	10,251	113,067
Income taxes payable	952	588	8,965
Accrued expenses	12,820	10,733	120,670
Other current liabilities.....	4,852	3,152	45,673
Total current liabilities.....	58,767	54,065	553,161
Equity:** ***			
Common stock,			
Authorized — 74,250,000 shares			
Issued — 43,373,688 shares in 2018 and 2017	7,586	7,586	71,408
Capital surplus:			
Additional paid-in capital.....	7,141	7,141	67,224
Retained earnings:			
Legal reserve.....	964	964	9,083
Unappropriated	122,614	119,983	1,154,123
Unrealized gain on available-for-sale securities	2,912	2,657	27,412
Deferred gain (loss) on derivatives under hedge accounting	11	(41)	109
Treasury stock, at cost 1,906,955 shares in 2018 and 150,596 shares in 2017	(5,224)	(306)	(49,176)
Total equity	136,006	137,985	1,280,186
Total.....	¥375,163	¥376,373	\$3,531,286

Notes: * The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥106.24 to \$1, the approximate rate of exchange as of March 31, 2018.

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

*** A 1.25-for-1 stock split was effected on June 1, 2018. 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 - 92,800,000 shares

Issued - 54,217,110 shares in 2018 and 2017

Treasury stock, at cost - 2,383,693 shares in 2018 and 188,245 shares in 2017

Nonconsolidated Statement of Income

The Okinawa Electric Power Company, Incorporated

Year Ended March 31, 2018 (Unaudited)	Millions of yen		Thousands of U.S. dollars*
	2018	2017	2018
Operating revenues	¥188,075	¥172,340	\$1,770,291
Operating expenses:			
Personnel.....	17,251	17,385	162,377
Fuel.....	45,609	36,785	429,308
Purchased power.....	29,335	25,590	276,121
Depreciation.....	23,584	24,650	221,991
Repairs and maintenance.....	19,717	18,986	185,591
Taxes other than income taxes	6,958	6,632	65,498
Other	38,458	35,196	362,000
Total operating expenses	180,915	165,227	1,702,889
Operating income	7,160	7,112	67,401
Other income (expenses):			
Interest and dividend income	539	538	5,074
Interest expense	(1,782)	(2,027)	(16,774)
Other — net.....	404	(1)	3,808
Net other expenses	(838)	(1,490)	(7,891)
Income before income taxes	6,322	5,622	59,509
Income taxes:			
Current	1,595	1,145	15,021
Deferred.....	(379)	(10)	(3,574)
Total.....	1,216	1,135	11,446
Net income	¥ 5,106	¥ 4,486	\$ 48,063
		Yen	U.S. dollars
Per share of common stock			
Basic net income**	¥95.71	¥83.04	\$0.90
Cash dividends applicable to the year***	60.00	60.00	0.56

Notes: * The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥106.24 to \$1, the approximate rate of exchange at March 31, 2018.

** 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. A 1.25-for-1 stock split was effected on June 1, 2018. It is calculated on the assumption that these stock splits were conducted at the beginning of FY 2017 (April 1, 2016).

*** A 1.1-for-1 stock split was effected on June 1, 2017. A 1.25-for-1 stock split was effected on June 1, 2018. However, the cash dividends per share information has not been restated to reflect these stock splits at each fiscal year.