

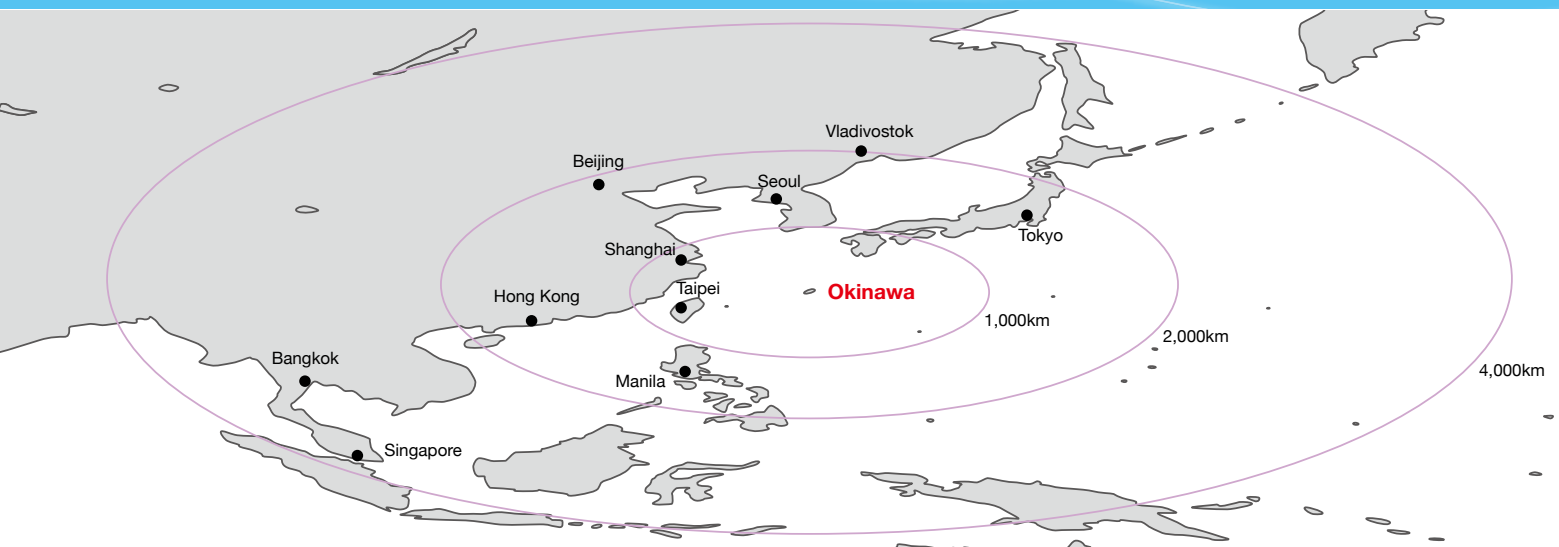
The Okinawa Electric Power Company, Incorporated (OEPC)

Annual Report 2019

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Overview of Okinawa Prefecture



Basic Data

Population	1,445,013
No. of Households	596,089
Area	2,281 km ²
Climate	Subtropical
Location	26°12N 127°41E
Prefectural GDP	¥4313.0billion
Tourism Revenue	¥697.9billion

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

Population, No. of Households as of April 1, 2019
 Area as of October 1, 2018
 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 main island.
- 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	¥368.746 billion (Non-consolidated) ¥399.104 billion (Consolidated)
Employees	1,542 (Consolidated: 2,724)
Security code	9511
Service area	Okinawa Prefecture

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 location 502 thousand kW)
	Gas turbine generators
	5 locations 326 thousand kW
	Internal-combustion power generators
	13 locations 190 thousand kW
	Wind power generators
5 locations 2 thousand kW Total 2,147 thousand kW	

(as of March 31, 2019)

Message from the Management



Mitsuru Omine
Chairman

Hiroyuki Motonaga
President

The Okinawa Electric Power Company Group (OEPC Group) advances a variety of initiatives with the aim of creating new value as a comprehensive energy supplier through services supporting both corporate and individual customers. We have emerged as a corporate group with a sense of solidarity, growing and developing hand-in-hand with the community.

Within the electric power business, which forms the core of OEPC Group's operations, Okinawa's retail electricity market was fully liberalized in April 2016, as it was on mainland Japan, ushering in an era of full-scale competition. The legally-mandated separation of power transmission and distribution divisions from the power generation and retail divisions is scheduled to take effect April 2020. This will ensure the neutrality of power transmission and distribution. OEPC is a "licensed general power transmission and distribution operator," which allows us to participate in both the retail and production sides of the electricity business. Therefore, the company will maintain its integrated power transmission and distribution structure even after the divisions separate.

It has been in this context that we formulated the OEPC Group Medium-Term Management Plan. With this as our guide, the entire Group will come together to make a concerted effort as we boldly embrace challenges toward realizing the corporate group that we aspire to be and achieving our financial goals for FY2020 and FY2025.

While we anticipate a slowdown in demand for electricity as initiatives are advanced and greater energy savings achieved, we expect new energy demand mainly from large-scale urban development projects. As for our earnings, we are vigorously promoting all-electric options and the conversion to natural gas, which reduces the carbon footprint, to meet heating demand in the prefecture. We are also supplying optimal energy services as well as actively developing comprehensive energy services that leverage our group strengths and capability to supply both electricity and gas. These and other initiatives will increase sales. In addition, we will also actively work to discover new businesses and new investment possibilities, and strengthen our investment in growth areas to further solidify our revenue base and increase group profits.

We will strive to further reinforce disaster prevention measures through the configuration of facilities highly-resilient to earthquakes, tsunami and other natural disasters. Our business operations will be conducted with a high awareness of disaster prevention to minimize any damage that might occur by thoroughly managing our facilities, improving our groupwide recovery system that mobilizes the entire group and partner companies to promptly restore service after typhoons, liaising with local governments and disaster prevention agencies, and communicating information in a timely manner.

The entire electricity business has been striving to abate global warming through the achievement of CO2 emission reduction targets. The OEPC Group is endeavoring to realize a low carbon society through, among other measures, steady operation of the Yoshinoura Thermal Power Station which uses liquefied natural gas, the most effective source for reducing CO2, as fuel.

In efforts to eliminate all accidents and damage from disasters, we are well aware that assuring the safety of every person engaged in our business is our highest priority. Working together with OEPC and partner companies, we will adhere strictly to our safety management policy and work diligently to foster a safety culture as we fulfill our mission of ensuring a stable supply of energy.

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 at one stretch. It is our goal to ensure both the mental and physical health of our employees and promote a harmonious work-life balance.

Besides our activities in the electric power business, we will take advantage of market opportunities offered by Okinawa Prefecture's favorable economy. We will work to further increase revenue by leveraging not only the strengths of OEPC companies but also our comprehensive strengths that we have fostered over the course of our business operations in construction, real estate and information technology, which are at the core of our comprehensive energy services.

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



Mitsuru Omine
Chairman



Hiroyuki Motonaga
President



Each member of OEPC Group is working diligently to realize the Group's overarching vision.

1. What we aim to be

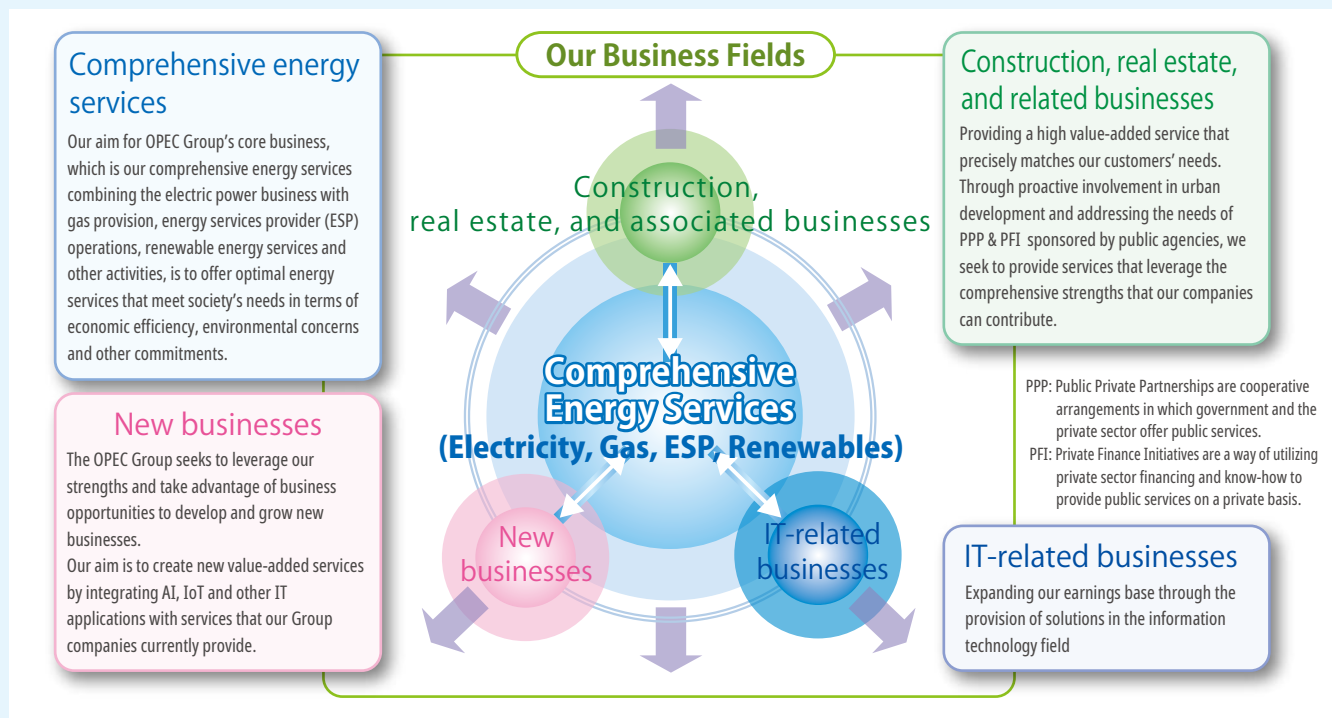
The OEPC Group Vision sets out our vision for the future, pledging to “design and propose new value through services to support both corporate and individual customers” through our core business as a comprehensive energy supplier and to “become a unified business group that grows and develops hand-in-hand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

2. Basic Management Stance

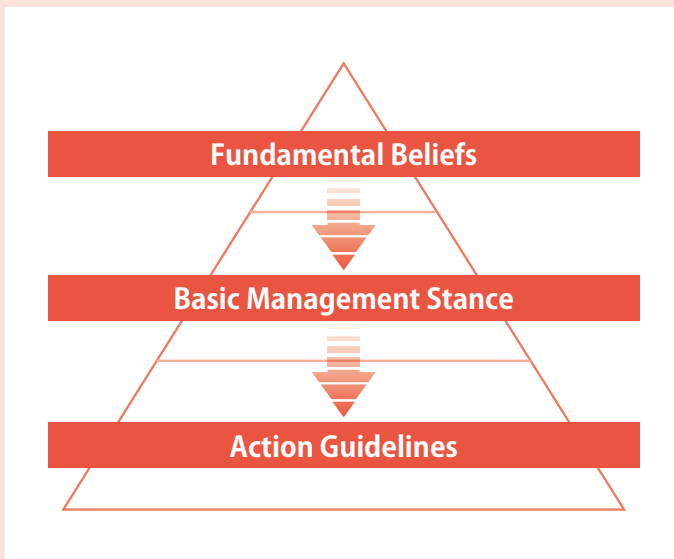
- Strive to provide a stable supply of energy
- Meet the diverse needs of our customers and do our utmost to enhance customer satisfaction
- Act as a responsible corporate citizen
- Value our staff and help them grow
- Achieve sustainable growth through proactive business operations and development and continually enhancing management efficiency

3. Our business fields

The core of the OEPC Group's business development will continue to be the provision of comprehensive energy services, which we maximize through our capability to supply both electricity and gas. Also, the Group will steadily promote business activities in IT services, construction, real estate and other sectors where we are currently active as well as steadily develop and grow new businesses with a particular focus on increasing earnings from outside the OEPC Group. In addition, we will aggressively move ahead in a way that marshals our comprehensive strength and makes fullest use of the assets of each business unit in the development of former military base sites and urban areas. Furthermore, we will consider business development outside our region and overseas that relates to our core comprehensive energy services and leverages the OEPC Group's strengths. We will seek to create an optimal business portfolio for the Group to achieve collaboration among business units and realize sustainable development for each unit.



The corporate mission of 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

- Strive to provide a stable supply of energy
- Meet the diverse needs of our customers and do our best to enhance customer satisfaction
- Act as a responsible corporate citizen
- Value our staff and help them grow
- Achieve sustainable growth through proactive business operations development and continual management efficiency enhancements

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 Energy



Electricity Production

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

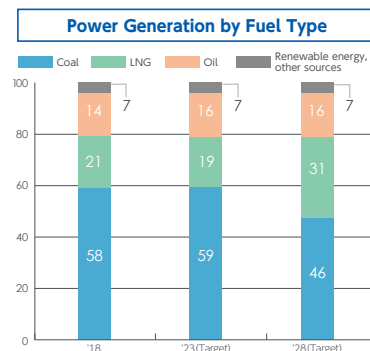
Electric power consumption in Okinawa Prefecture in FY2018 totaled approximately 7.6 billion kWh and peak load (transmission end) was approximately 1,470,000kW, marking a fourfold increase since FY1972 when OEPC was founded. Long-term demand for electricity is anticipated to grow at an average annual rate of 0.3% between FY2017 and FY2028, reflecting an estimated 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.



Notes : - Including portion from other companies
 + Estimated composition ratio for solar power generation facilities contracted as of March 31, 2019.
 * Sum totals may not add up due to rounding.

Electricity Production

To deliver the electricity, which we generate, to our customers, it needs to pass through transmission lines, substations, service lines and other distribution equipment. By taking into account demand trends throughout the region and reliability of supply, we have maintained and efficiently reinforced our distribution system so as to ensure a stable supply of electric power in the future as well.

Our comprehensive network

At present, our company's network of power transmission lines connecting power plants with 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 (both overhead and underground) connecting these substations with customers is about 11,000km. 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

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 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.



Load dispatching center

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, our 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 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

All for the Benefit of Okinawa

Okinawa Prefecture comprises roughly 160 islands of various sizes interspersed across an extensive sea area extending 1,000 km east to west and 400 km north to south. The prefecture lies at the southwest tip of Japan. OEPC is responsible for supplying all of Okinawa Prefecture. Our mission is to deliver electricity to any island no matter how small or how far away unless it is uninhabited.

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

Toward Greater Customer Satisfaction



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.



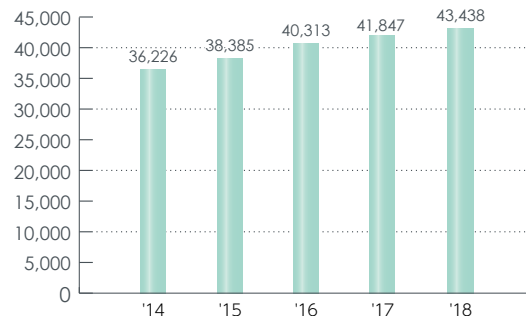
A consulting session

Promoting growth in popularity of all-electric homes

Technologies such as induction heating (IH) cookers, which generate heat magnetically rather than with open flame, and EcoCute water heaters, which use heat extracted from the air to boil water, help increase the number of all-electric homes every year.

As part of our efforts to convey how the power of electricity can enrich and make customers' lives more comfortable, OEPC offers a range of affordable rate plans to suit customers' lifestyles. We are also working to increase the popularity of all-electric homes through event appearances and marketing campaigns as well as hands-on IH experiences and appliance displays at KAERU PIA NAHA, our interactive all-electric showroom.

Growth in Popularity of All-Electric Homes (Cumulative)



Providing households with a new electricity rate type

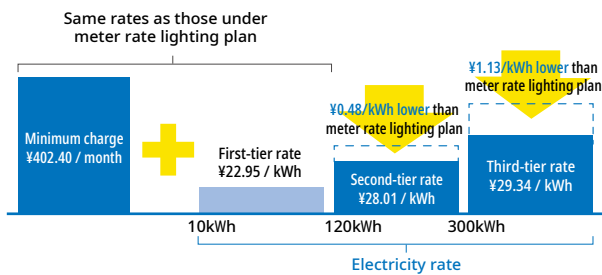
Under the corporate slogan “With the community, for the community,” we will always strive to be a company that our customers choose with confidence, and toward this end, we began offering the Good Value Plan, a new electricity rate type for households, on June 1, 2018, that gives customers a discount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

● Good Value Plan Rate Structure



For our corporate customers

Provision of Specific Services for Business Customers

With optimal energy systems and affordable rate plans tailored to suit our customers, we are able to provide consulting services specific to each customer's perspective. We are striving to improve follow-up and raise the level of customer satisfaction.



A welfare facility kitchen that has introduced commercial electrical equipment



Commercial electric kitchen seminar

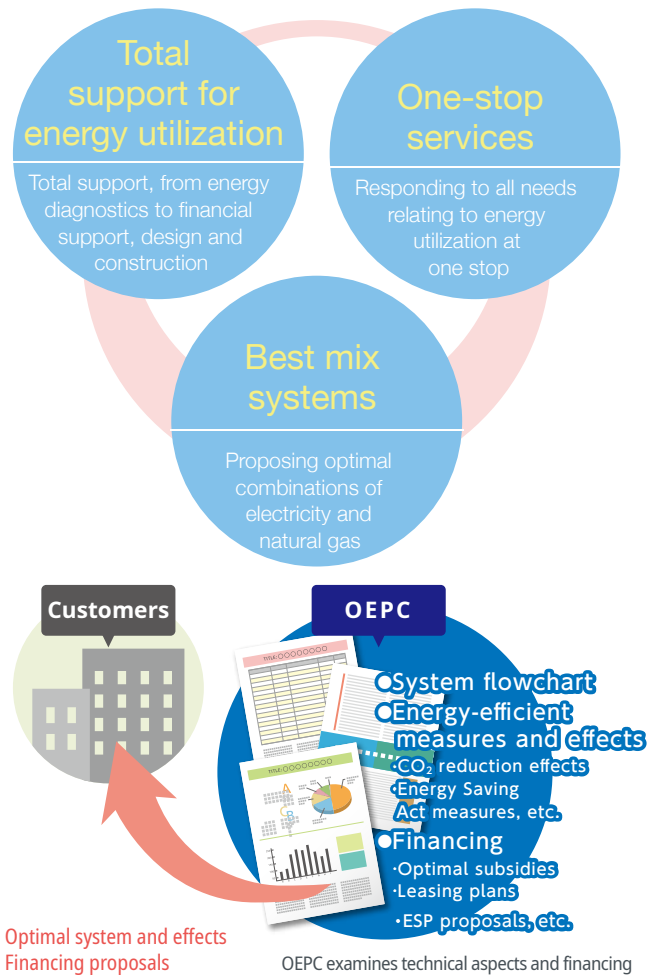
Meeting Diverse Requirements

The energy market in Okinawa Prefecture is projected to experience an increase in new energy demand due to extensive urban development of former military bases and other lands, hotel construction to accommodate the ever-increasing number of tourists, construction of large shopping complexes, and other factors. This will mean more diverse and complex energy needs. Our aim is to be an energy services provider that customers will select because we are able to meet their multifaceted and diverse needs.

Comprehensive Energy Services

In addition to providing a stable supply of electric power, the OEPC Group has started offering comprehensive energy services to secure demand for both electricity and natural gas. We have been proactively proposing solutions for heating in the industrial and commercial sectors (air conditioning, hot water supplies, kitchens and steam) since 2015.

• OEPC Group's Comprehensive Energy Services



Gas Supply

As one facet of our comprehensive energy services, via Progressive Energy Corporation, OEPC Group has been marketing natural gas, which offers greater cost performance, environmental friendliness, and safety compared to heavy oil, LPG or other fuels.

We have set up systems for supplying natural gas that are tailored to the customer's location and level of demand. Examples of such arrangements include gas supply lines to gas retailers and customers near Yoshinoura Thermal Power Station, truck deliveries of liquid natural gas to customers in areas where supply lines are not yet available, and gas supply lines from a natural gas supply center on former military bases, industrial parks and other such areas.



Unloading operation at a natural gas supply center

Energy Services Provider (ESP)

Energy services providers are involved with customers' business and operations, and retain the energy facilities as well as process to supply energy specific to the customer's needs. The OEPC Group established Reliance Energy Okinawa, an ESP company, to alleviate the burden on our customers from high initial capital investment for electricity, gas or other energies used, equipment operation and maintenance, emergency response, and other responsibilities.



Example of ESP operation (LAB 4 at the Okinawa Institute of Science and Technology Graduate University)
※ Courtesy of OIST / Tougou

- Service initiation: April 2020 (tentative)
- Total floor area: 19,000m²
- Building scale: 4 floors aboveground and 2 belowground

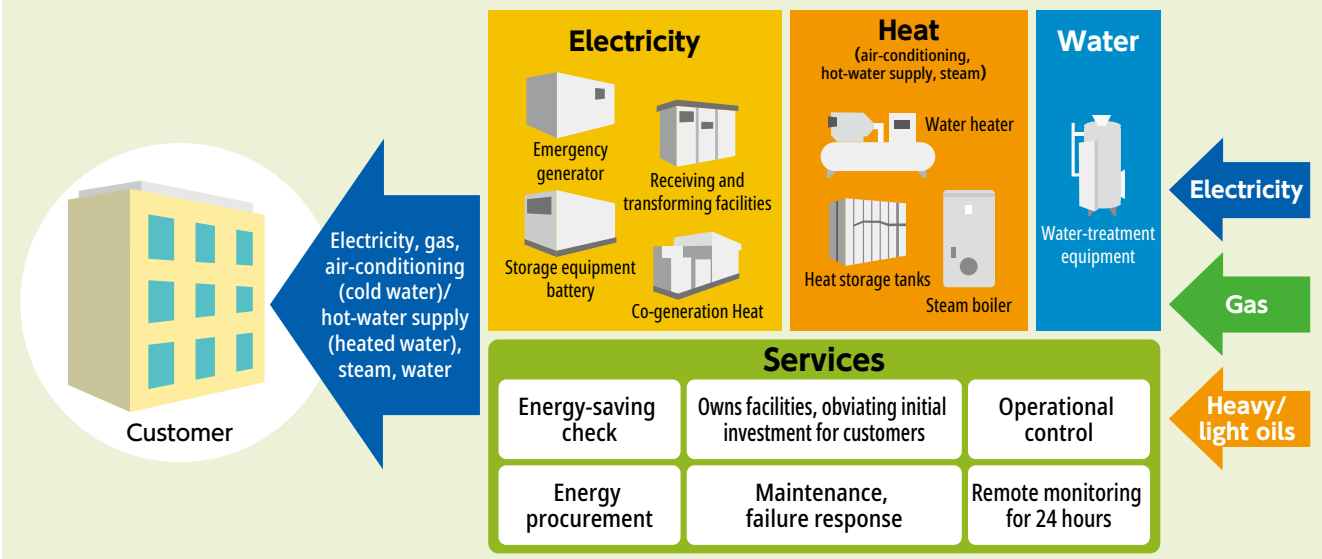


LAB 4 (Illustration of completed building)
※ Courtesy of OIST

[Energy Services]



The Reliance Energy Okinawa, Inc.



ESP Illustration

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

Okinawa Youth Science Work Exhibition

OEPC has run the Okinawa Youth Science Exhibition since 1979 with the aim of stimulating interest in science among students, promoting science education, and contributing to the development of human resources in Okinawa. As of FY2018, the event has been held 41 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 Okinawa Youth Science Work Exhibition

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 24th Okiden Sugarhall Audition for Debut Concert



11th “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.



Baseball workshop for children held by the Okiden baseball team



Okiden Pennant Elementary School Baseball Tournament



Okiden Pennant Naginata Tournament

In Harmony with the Local Environment



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, everyone of our employees is highly motivated and keen to contribute to the realization of a society underpinned by sustainable development.

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 Yoshinoura Thermal Power Plant, which uses LNG. This is the most effective means we have to prevent global warming.



Wood-based biomass distribution facility



Yoshinoura Thermal Power Plant

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.

Creation of a sustainable resource-oriented society

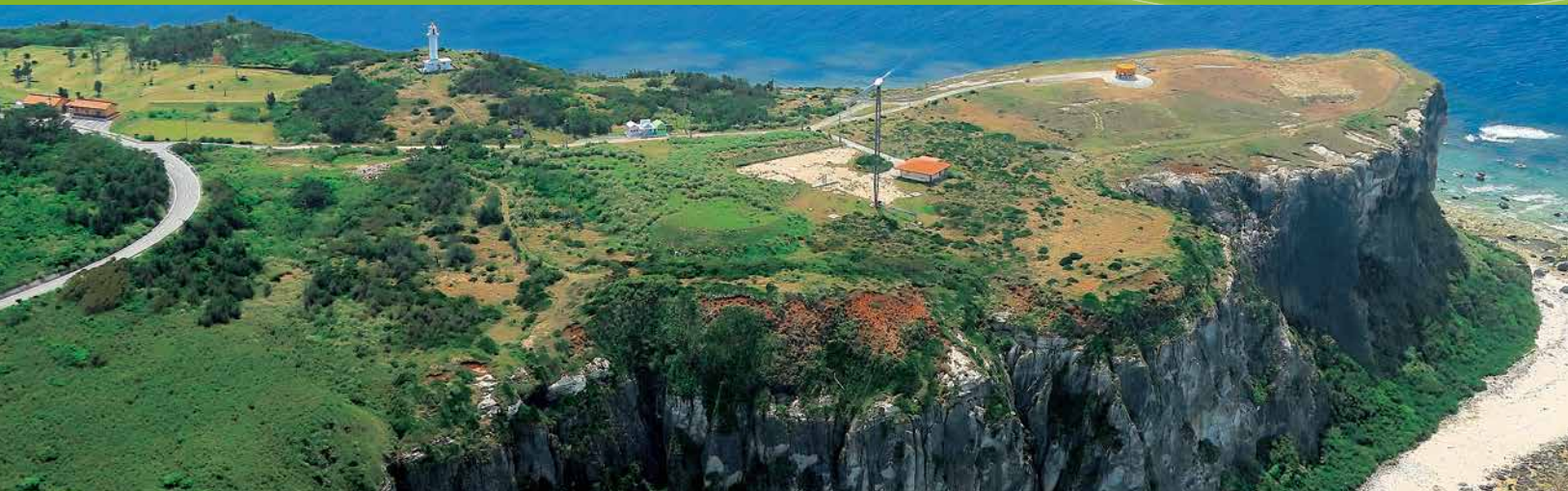
We are keen to use limited natural resources effectively and, seeking to build a sustainable resource-oriented society, we promote the 3R concept—reduce, reuse, recycle—for industrial and general waste generated by our operations and play a role in the creation of a recycling-oriented structure.



Plant producing alternative materials from the waste



Coral survey (Yoshinoura Thermal Power Plant)



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 a stable supply of solar power which 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, our company had a total generation capacity of 27,993 kW (including small hydroelectric generators) from solar, wind and other types of renewables throughout the prefecture including remote islands.

Ogimi Wind Power Generation Demonstration Research Facility

In Ogimi Village, we constructed a demonstration research facility that combines a wind power generation facility with twin turbines (2,000 kW each) and a 4,500 kWh storage battery. We have been accumulating data on wind power generation output to ascertain the particular output characteristics of this technology.



Ogimi Wind Power Generation Demonstration Research Facility

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



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.



Gas turbine inspection at the Makiminato Thermal Power Plant: Okinawa Plant Kogyo Co., Ltd.



Okiden Nago Building, OEPC's new office building: Okiden Kaihatsu Co., Inc. (Design: Okinawa Enetech Co., Inc.; Construction: Okidenko Co., Inc.)

OEPC Group's International Operations

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.

Contract Awarded for Project for Introduction of Hybrid Power Generation System in the Pacific Island Countries

OEPC and Okinawa Enetech Co., Inc. were jointly awarded by the Japan International Cooperation Agency (JICA) a contract for the Project for Introduction of Hybrid Power Generation System in the Pacific Island Countries. This project supports efficient operation of diesel power generation equipment and renewable energy with the goal of appropriately and economically operating, maintaining and managing diesel power generation facilities and stabilizing power grids. Through on-site training and other assistance for local engineers, the project will transfer technology to enable local technicians to appropriately operate, maintain, and manage diesel power generation facilities, which have not been adequately maintained, as



On-site training at the Yap Islands

well as review methods and processes for the adoption of renewable energies.

Contract Signed for Tilttable Wind Power Turbine System for Kingdom of Tonga

Progressive Energy Corporation, which is responsible for the construction, maintenance and management of tilttable wind turbine systems, along with trading company Nishizawa Ltd., secured a contract from the Government of Japan to develop a plan for installation of a wind power generation system, an Official Development Assistance grant, for the Kingdom of Tonga. The contract was signed on January 27, 2018 with Tonga Power Ltd. for delivery of five tilttable wind turbines. The work was completed and system delivered in June 2019.



Tilttable wind turbine power plant (275 kW×5 turbines) in Tonga



Group photo with local workers in Tonga

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
Gas and Decentralized power business		
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
Energy service business		
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
Other business		
Quetech Company, Incorporated	March 30, 2001 ¥3 million	Management consultant services, ISO certification support training

Status of Corporate Governance

Overview of Corporate Governance

1. 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.

2. Overview of Corporate Governance Structure and Reasons for Adoption

Overview of Corporate Governance Structure

The Board of Directors, which meets twice a month in principle, decides important matters relating to management of the company's affairs, receives status reports on operations from individual directors, and oversees the performance of their duties. In addition, all five corporate auditors attend meetings of the Board of Directors and offer opinions.

The Board of Executive Directors discusses essential issues relating to management of operations under the President's supervision and takes steps to ensure that operations run smoothly. In principle, the Board of Executive Directors meets two to three times per month where 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.

The Board of Corporate Auditors, which meets once every two months in principle, receives reports as well as discusses and renders decisions on important audit-related matters. Auditors are responsible for auditing individual director's performance of their duties, which is done by attending board and other important meetings.

The Nomination & Remuneration Committee is set up under the Board of Directors as an advisory body on the nomination and remuneration of directors. Independent outside directors are key members of this committee. The committee deliberates matters relating to personal affairs and remuneration of directors and, after taking into account the advice and counsel of committee members, submits these to the Board of Directors.

Reasons for Adoption

Appointing four independent outside directors ensures that the workings of the Board of Directors are fair and transparent and improves oversight of the performance of duties by individual directors. Also, maintaining a team of five auditors, including three independent outside corporate auditors, in conjunction with the supervisory function of outside directors and the internal auditing structure ensures effective corporate governance.

3. Other Matters Related to 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.

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.

Number of Directors

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

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.

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.

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)

1. 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.

Status of Corporate Governance

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 ensuring that directors' execution of their duties is efficiently conducted

- (1) Having established rules on administrative authority and office organization, the directors clarify each department's authority and the authority of those in charge.
- (2) For directors to execute their duties in an efficient manner, the Company established the Board of Executive Directors made up of the full-time directors, the Management Measure Committee comprised of full-time directors and auditors, and the 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.

Status of Directors

1. Status of Outside Directors

OEPC has four outside directors and three outside corporate auditors. In 2019, the Company increased the number of outside directors from three to four, which enhances the supervision and monitoring of management functions in the aim of further strengthening corporate governance.

Outside director Akira Okada is representative director and president of the ANA Strategic Research Institute Co., Ltd. and advisor to ANA Cargo, Inc. He has managed companies in the same manner as OEPC through the creation of a safety culture within the company and contributed to the region through business development based in Okinawa as well as projects that revitalize the region. In addition, he is a person of good character and keen insight who can be relied upon to provide a broad range of advice and opinions from a global perspective drawn from his wealth of experience.

Outside director Hideo Yuasa is representative director and president of Okinawa Cellular Telephone Company. As the company's chief executive, he has developed this community-oriented telecommunications carrier in Okinawa and possesses extensive knowledge about the telecommunications sector. In addition, he is a person of good character and keen insight who can be relied upon to provide a broad range of advice and opinions from a global perspective drawn from his wealth of experience.

Outside director Tatsuki Yogi is representative director and president of Daido Fire and Marine Insurance Co., Ltd. Through the insurance business, he has been intimately involved in developing the regional economy and, from the perspective of risk management, he has managed a company with a business orientation similar to that of OEPC, which operates an infrastructure business. In addition, he is a person of good character and keen insight who can be relied upon to provide a broad range of advice and opinions drawn from his wealth of experience accumulated in the insurance industry.

Outside director Seiko Nozaki is a licensed attorney. Despite her lack of experience in corporate management other than serving as an outside officer, she possesses a thorough knowledge of the Companies Act and corporate legal affairs as well as other specialized knowledge that is beneficial to operation of OEPC's businesses. In addition, she is a person of good character and keen

insight who can be relied upon to provide a broad range of advice and opinions based upon her wealth of practical experience.

Outside corporate auditor Hikaru Aharen is a licensed attorney, whose specialized knowledge and practical experience afford him the capability to appropriately execute the duties of an outside corporate auditor. In addition, he is a person of good character and keen insight who can be relied upon to conduct audits from a neutral and objective perspective and contribute to ensuring the integrity of management.

Outside corporate auditor Morihiko Kinjo is a university professor specializing in economics, regional and cultural promotion, tourism, and other areas. Despite his lack of involvement in corporate management, he possesses a thorough knowledge of the field of economics and may be relied upon to appropriately execute the duties of an outside corporate auditor. In addition, he is a person of good character and keen insight who can be relied upon to conduct audits from a neutral and objective perspective and contribute to ensuring the integrity of management.

Outside corporate auditor Miwa Furusho is a certified public accountant and public tax accountant. Despite her lack of involvement in corporate management, she possesses expertise in financial affairs, accounting and related areas and may be relied upon to appropriately execute the duties of an outside corporate auditor. In addition, she is a person of good character and keen insight who can be relied upon to conduct audits from a neutral and objective perspective and contribute to ensuring the integrity of management.

Outside director Hideo Yuasa is 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 has 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.

Outside director Tatsuki Yogi is representative director and president of Daido Fire and Marine Insurance Co., Ltd., a company with which OEPC has a business relationship relating to insurance premiums and other matters. In addition, OEPC holds less than 4% of the shares of Daido Fire and Marine Insurance Co., Ltd.

No special relationships exist between OEPC and outside directors Akira Okada and Seiko Nozaki.

No special relationships exist between OEPC and outside corporate auditors Hikaru Aharen, Morihiko Kinjo or Miwa Furusho.

The Company has a standard in place with respect to the independence of outside directors and outside corporate auditors. For there to be no likelihood of any conflicts of interest arising, all outside directors and outside corporate 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)
 - ※ 1. "A business operator whom the Company is a major client of" refers to a business operator to whom OEPC or an OEPC subsidiary paid 2% or more of the business operator's gross annual consolidated sales during the most recent fiscal year.
 - ※ 2. "A major client of the Company" refers to a client who paid OEPC 2% or more of the OEPC's gross annual consolidated sales during the most recent fiscal year.
 - ※ 3. "Receiving large amounts of monetary or other assets" refers to a situation where the consultant, accounting expert or legal expert (or an organization, such as a corporation or association, also meaning a person belonging to that organization) has annually received ¥10 million or more in monetary or other assets based on an average over the previous three fiscal years.

2. Mutual Coordination between Oversight and Audits by Outside Directors or Auditors and the Internal Audits, Company Auditor Audits and Accounting Audits, as well as the Relationship with Internal Control Division

Through their position on the Board of Directors, outside directors exercise oversight over the duties of directors from an external perspective. Outside corporate auditors coordinate information with financial auditors and the Internal Audit Office to listen to and exchange opinions about audit plans, results and other information.

Status of Audits

1. Status of Auditor's Audits

In principle, the Board of Corporate Auditors, which consists of five auditors, including three external auditors, meets once every two months. The Board receives reports, discusses and decides on important audit-related matters while working in conjunction with accounting auditors and internal auditing departments.

Pursuant to audit policy and audit plans, auditors attend Board of Directors' sessions and other important meetings, regularly exchange opinions with representative directors and external directors, conduct on-site audits of departments, communicate and exchange information with directors and auditors of subsidiaries, and employ other methods and means to audit the execution of directors' duties.

To provide an organization that assists auditors in their professional duties, OEPC established the Auditors' Office with seven full-time staff members responsible for assisting auditors in their tasks and the secretariat's duties for meetings of the Board of Corporate Auditors.

The three outside corporate auditors comprise a licensed attorney, university professor specializing in economics and other fields, as well as a certified public accountant and public tax accountant. Therefore, they possess extensive knowledge about financial affairs and accounting.

2. Status of Internal Audits

For internal auditing, OEPC established up the 15-member Internal Audit Office, which reports directly to the President, to assess whether internal control systems prescribed in accordance with the Companies Act and Financial Instruments and Exchange Act function effectively. The Internal Audit Office checks on the maintenance and operation of internal controls in every organization, verifies the implementation of appropriate and effective business operations to achieve management targets, and strives to conduct audits that add value to management. In addition to reporting to the Board of Directors, the Internal Audit Office submits reports to and exchanges opinions with auditors regarding audit plans and results, while also coordinating information with accounting auditors.

3. Status of Accounting Audits

- Name of audit firm
Deloitte Touche Tohmatsu LLC
- Certified public accountants executing the audit
Kappei Isomata, designated limited liability partner
Akihiro Kido, designated limited liability partner
Seiji Hamamura, designated limited liability partner
- Composition of audit service assistants
The team assisting with auditing operations includes five certified public accountants and four other personnel.
- Policy and Reasons for Selection of Audit Firm
The Board of Corporate Auditors reviews a range of matters that includes whether any conflicts exist pursuant to the Companies Act, Certified Public Accountants Act or other laws or regulations, the financial auditor's auditing quality and quality assurance, its independence and professional ethics as well as its overall capabilities, after which the board selects the financial auditor.
- Evaluation of Financial Auditor by Board of Corporate Auditors and the Corporate Auditors
Every year, in addition to considerations pertaining to selection of the financial auditor, the Board of Corporate Auditors evaluates, through its coordination with the financial auditor, the effectiveness and efficiency with which the audit is conducted, report of the auditing results, audit fees and other matters relating to the financial auditor.

Status of Corporate Governance

4. Compensation for Audits

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

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

(Millions of yen)

Classification	Previous Consolidated Fiscal Year		Consolidated Fiscal Year in Review	
	Compensation for audit certification duties	Compensation for non-audit duties	Compensation for audit certification duties	Compensation for non-audit duties
OEPC	50	0	50	0
Consolidated subsidiaries	-	-	-	-
Total	50	0	50	0

Details of non-audit services performed for OEPC

(Previous consolidated fiscal year)

Advice and guidance pertaining to internal controls for financial reporting.

Preparation of comfort letter as part of bond issue.

(Current consolidated fiscal year)

Preparation of comfort letter as part of bond issue.

- Remuneration paid to organizations belonging to the same network as the certified public accountants and other accountants (Deloitte Tohmatsu Group) (Previous consolidated fiscal year)
Any remuneration paid has been omitted due to its lack of significance. (Current consolidated fiscal year)
Any remuneration paid has been omitted due to its lack of significance.
- Description of other remuneration based on audit and attestation services
No applicable items.
- Policy for determining audit fees
No applicable items.
- Reason for Board of Corporate Auditors consenting to remuneration and other fees for the accounting auditors

The Board of Corporate Auditors agreed to the amount of remuneration and other fees for accounting auditors based upon the Board's verification and consideration of the audit plan, accounting auditors' performance of their duties during accounting audits, basis for calculation of estimated remuneration, and other factors that the Board found through the acquisition of necessary materials and listening to reports from relevant internal departments and accounting auditors.

Corporate Officers' Compensation

1. Policy for calculation of executive remuneration and method of determination

Comprehensively considering such factors as the OEPC's performance and operating information as well as the business environment, OEPC 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, after taking into account factors such as the Company's performance.

The date on which the General Meeting of Shareholders passed its resolution on the remuneration and other compensation for directors is June 29, 2006, amending the resolution to read that the amount of remuneration for directors shall "not exceed ¥310 million" and setting a quorum at 14.

The date on which the General Meeting of Shareholders passed its resolution on the remuneration and other compensation for corporate auditors is June 29, 2016, amending the resolution to read that the amount of remuneration for corporate auditors shall "not exceed ¥80 million" and setting a quorum at five.

In addition, from the standpoints of transparency and fairness, the amount of remuneration and other compensation is determined by the Board of Directors which takes into account the advice and counsel of the Nomination & Remuneration Committee, mainly comprised of independent outside directors.

At its April 26, 2019 meeting, the Board of Directors took into account deliberations conducted by the Nomination & Remuneration Committee meeting of April 23, 2019 and resolved to adopt the proposal for remuneration and other compensation for OEPC corporate officers this accounting year.

2. 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)	299	242	57	11
Auditors (excluding External Auditors)	58	58	—	2
Outside Directors and External Auditors	30	30	—	6

Notes: In addition to the aforementioned, a total of ¥54 million in retirement benefits, the system for which was discontinued at the 34th General Meeting of Shareholders held on June 29, 2006, was paid to two directors who retired as of the 47th General Meeting of Shareholders held on June 27, 2019.

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

Total (¥ million)	Number of Persons	Details
49	4	Salary (including bonuses) as employees

Shareholdings

1. Standard and Approach to Classification of Investment Equities

For investment equities where the purpose of such holdings is other than purely financial, OEPC focuses on "businesses that make OEPC Group's operations run smoothly" and "businesses instrumental in promoting the regional economy and sustainably developing the regional society" and equities are held as a matter of policy in cases where such retention is determined to contribute to enhancing OEPC's corporate value.

OEPC does not hold investment equities for purely financial purposes and, if the company does so in the future, the standard and approach to such investments will also be considered.

2. Investment equities for which the purpose of such holdings is other than purely financial

- Holding policy, method of verifying rationale for holding, and verification by the Board of Directors and other bodies of the propriety of holding particular issues
Each year, the OEPC Board of Directors verifies the propriety of its holdings by scrutinizing, from a mid- to long-term perspective, specific shares held as a matter of policy to determine whether the purpose of such holdings is appropriate as well as whether the benefits and risks consequent upon such holdings are consistent with the capital cost.

The verification conducted for the current accounting year determined that all stock issues contributed to increasing OEPC's corporate value and confirmed that they are valid.

- Issues and balance sheet amounts

	Number of security issues	Total balance sheet amount (¥ million)
Unlisted shares	33	2,045
Equity securities other than those not listed	6	5,214

(Issues for which the number of shares increased during the current period)

	Number of security issues	Total acquisition value of increase in shares (¥ million)	Reason for increase in shares
Unlisted shares	1	20	Based on an assessment evaluating feasibility of the business as instrumental in promoting the local economy and sustainably developing the local community, OEPC's investment was determined to be reasonable.

(Issues for which the number of shares decreased during the current period)

	Number of security issues	Total sale value of decrease in shares (¥ million)
Unlisted shares	2	999

Status of Corporate Governance

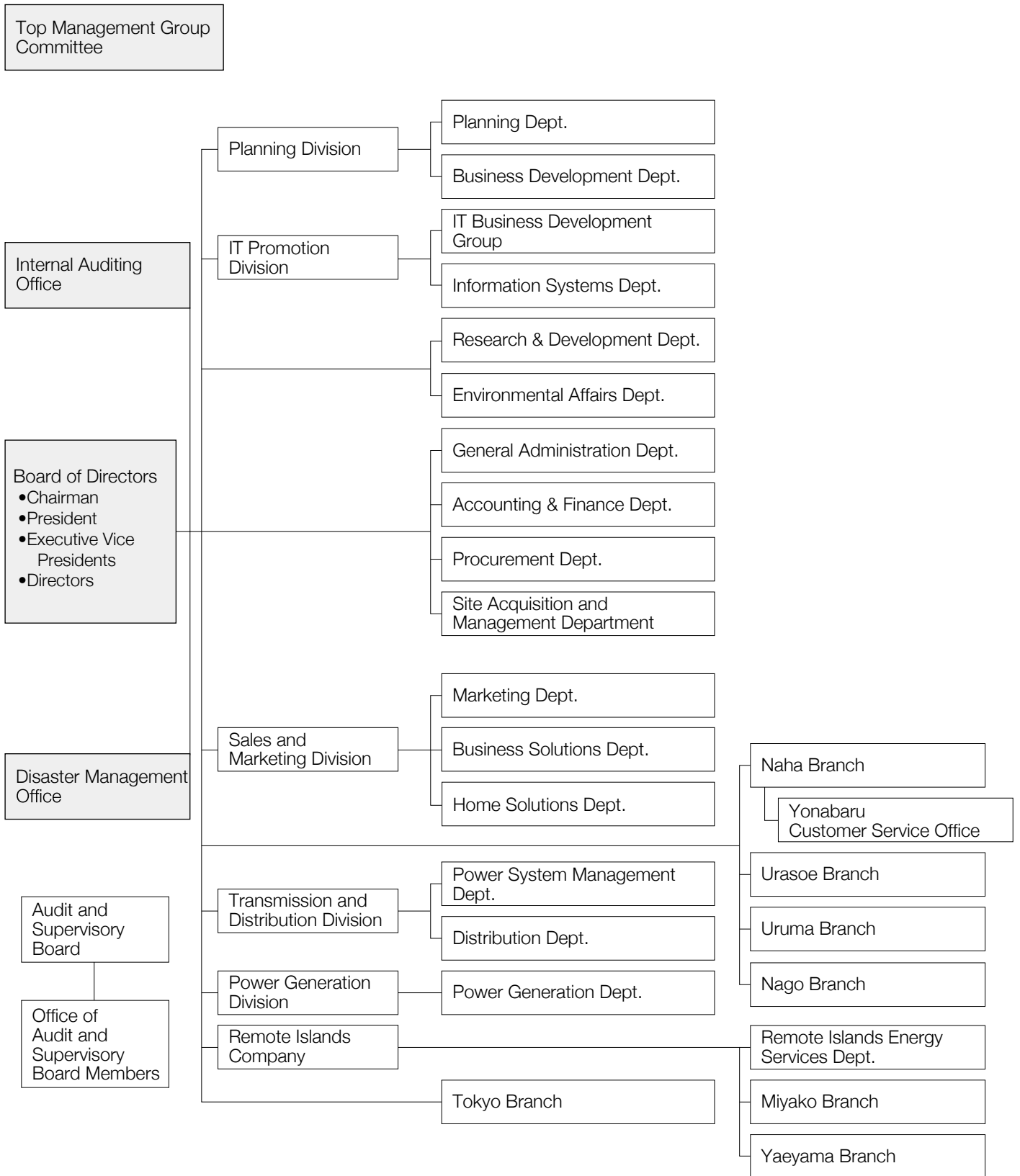
- Information about the number of shares for each issue of specified investment shares, deemed holding shares, balance sheet amounts, etc.

Specified investment shares

Company Name	Current period	Previous period	Purpose for holding, quantitative effect of holding, and reason for increase in number of shares	Are OEPC shares held?
	Number of shares	Number of shares		
	Balance sheet amount (¥ million)	Balance sheet amount (¥ million)		
The Bank of Okinawa, Ltd.	592,800	592,800	The holding contributes to promotion of the local economy and OEPC's business operations. An examination is conducted to determine whether the purpose for such holding is appropriate and whether the benefits and risks attendant upon such holding offset the capital cost.	Yes
	2,042	2,661		
Okinawa Cellular Telephone Company	472,000	472,000	The holding contributes to promotion of the local economy and OEPC's business operations. An examination is conducted to determine whether the purpose for such holding is appropriate and whether the benefits and risks attendant upon such holding offset the capital cost.	No
	1,661	1,847		
Bank of the Ryukyus, Ltd.	689,660	689,660	The holding contributes to promotion of the local economy and OEPC's business operations. An examination is conducted to determine whether the purpose for such holding is appropriate and whether the benefits and risks attendant upon such holding offset the capital cost.	No
	777	1,114		
SAN-A Co., Ltd.	86,400	86,400	The holding contributes to promotion of the local economy. An examination is conducted to determine whether the purpose for such holding is appropriate and whether the benefits and risks attendant upon such holding offset the capital cost.	Yes
	382	529		
Mizuho Financial Group, Inc.	1,768,490	1,768,490	The holding contributes to promotion of OEPC's business operations. An examination is conducted to determine whether the purpose for such holding is appropriate and whether the benefits and risks attendant upon such holding offset the capital cost.	Yes
	302	338		
KDDI Corporation	19,800	19,800	The holding contributes to promotion of OEPC's business operations. An examination is conducted to determine whether the purpose for such holding is appropriate and whether the benefits and risks attendant upon such holding offset the capital cost.	No
	47	53		

3. Investment shares whose purpose for such holding is net investment Not applicable.
No applicable items.

Organization Chart



(As of July 1, 2019)

Board of Directors and Auditors



Mitsuru Omine
Chairman



Hiroyuki Motonaga
President



Kiyohito Shimabukuro
Executive Vice President

Managing Directors: Manabu Miyazato
Hitoshi Nakasone
Hayato Narisoko

Directors: Tetsu Yokoda
Hiroyasu Kugai
Jun Uema
Naomasa Nakamura

Outside Directors*: Akira Okada
Hideo Yuasa
Tatsuki Yogi
Seiko Nozaki

Standing Auditors: Hideki Onkawa
Kenji Kobashigawa

External Auditors: Hikaru Aharen
Morihiro Kinjo
Miwa Furusho

Outside directors are as define outside directors are as

(As of June 27, 2019)

Investor Information

Transfer Agent and Registrar
Mitsubishi UFJ Trust & Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8212, Japan

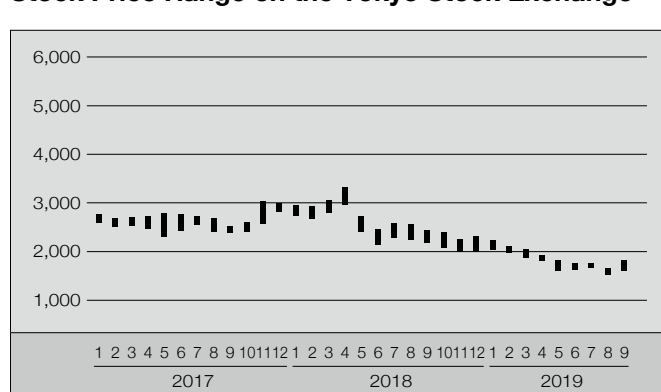
Securities Traded
Tokyo Stock Exchange
Fukuoka Stock Exchange

Common Stock Issued
54,217,110 shares

Number of Shareholders
8,964

(As of March 31, 2019)

Stock Price Range on the Tokyo Stock Exchange



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 Rating (As of August 31, 2018)

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

Credit ratings are 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	2019	2018	2017	2016	2015
For the year:					
Operating revenues	¥205,481	¥196,134	¥179,997	¥182,265	¥185,001
Electric.....	193,431	186,080	170,675	173,046	177,184
Other	12,049	10,053	9,322	9,218	7,816
Operating expenses	200,038	186,801	170,870	175,025	175,522
Electric.....	188,567	177,393	162,078	166,232	168,273
Other	11,470	9,407	8,792	8,793	7,248
Interest expense	1,549	1,810	2,061	2,406	2,583
Income before income taxes and noncontrolling interests.....	5,220	8,381	7,521	5,229	7,638
Income taxes.....	1,367	1,978	1,896	1,521	2,610
Net income attributable to owners of the parent	3,751	6,273	5,517	3,647	4,943
Per share of common stock (Yen):					
Basic net income*	¥ 72.38	¥ 117.60	¥ 102.12	¥ 67.50	¥ 91.47
Cash dividends applicable to the year**	60.00	60.00	60.00	60.00	60.00
At year-end:					
Total assets.....	¥399,104	¥402,088	¥400,237	¥409,860	¥421,824
Net property, plant and equipment	325,259	330,559	337,292	345,579	354,197
Long-term debt, less current maturities	163,680	149,975	151,380	157,364	170,524
Total equity.....	152,404	152,759	153,361	148,111	147,973

Years Ended March 31	2019	2018	2017	2016	2015
Operating Statistics					
For the year:					
Electric energy sales (Millions of kWh)	7,453	7,761	7,813	7,649	7,531
At year-end:					
Generating capacity (Thousands of kW).....	2,147	2,148	2,153	2,155	2,136
Transmission lines (km).....	1,204	1,200	1,197	1,159	1,102
Distribution lines (km).....	11,018	10,940	10,873	10,828	10,744

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 2015(April 1, 2014).

** 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.

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29	Business and Other Risks	34	Notes to Consolidated Financial Statements
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31	Consolidated Statement of Comprehensive Income	44	Nonconsolidated Statement of Income
32	Consolidated Statement of Changes in Equity		

Financial Review (Consolidated Basis)

Business Performance

In fiscal 2018, the fiscal year ended March 31, 2019, 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 ¥205,481 million on a consolidated basis, up ¥9,346 million (4.8%) compared with the previous fiscal year.

Operating expenses rose by ¥13,237 million (7.1%) year on year, to ¥200,038 million.

As a result, operating income fell by ¥3,890 million (41.7%) compared with the previous fiscal year, to ¥5,443 million.

Income before income taxes and noncontrolling interests, which includes other income and expenses, was down ¥3,160 million (37.7%) to ¥5,220 million. Net income attributable to owners of parent for the period under review fell by ¥2,522 million (40.2%), to ¥3,751 million.

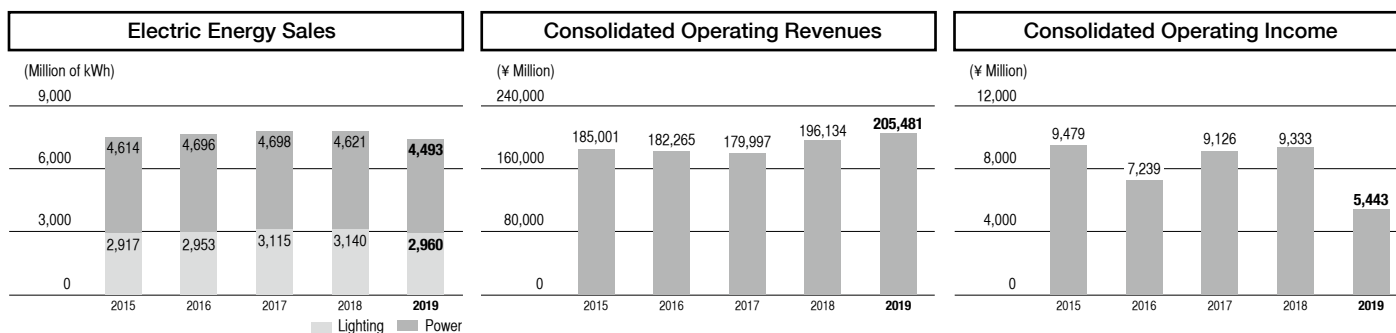
Details of business performance by segment are as follows:

1. Electric Power Business

Despite a drop in the total volume of electric power sold, operating revenues from the Electric Power Business rose by ¥7,884 million (4.2%) year on year, to ¥195,960 million due to the impact of the fuel cost adjustment system.

Meanwhile, operating expenses rose by ¥11,538 million (6.4%) year on year, to ¥192,453 million, as rising fuel costs and purchases from other power companies offset the benefits of lower depreciation and amortization, repair and maintenance costs.

This resulted in a decrease in operating income of ¥3,653 million (51.0%), to ¥3,507 million.



2. Other Operations

In other operations, revenues rose by ¥2,051 million (4.6%) year on year, to ¥47,111 million due to increases in work orders for private sector projects and the gas supply business. Meanwhile, expenses rose by ¥2,264 million (5.3%) year on year, to ¥45,166 million.

This resulted in a decrease in operating income of ¥213 million (9.9%) to ¥1,944 million.

Cash Flows

Cash flows from operating activities

Net cash from operating activities fell by ¥16,001 million (49.1%) year on year, to ¥16,608 million, due largely to a decrease in trade notes and accounts payable.

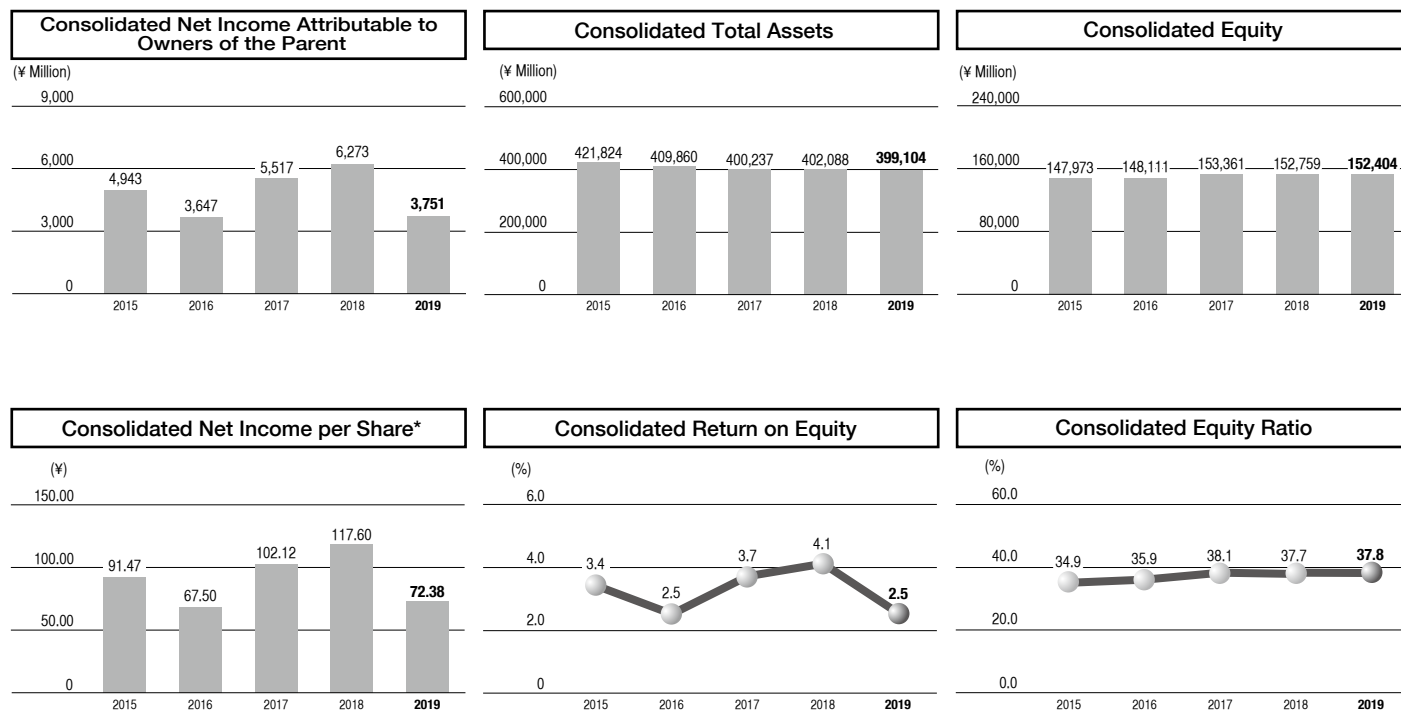
Cash flows from investing activities

Net cash used in investing activities increased by ¥2,170 million (14.2%), to ¥17,408 million, due largely to an increase in payments to purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥778 million, due largely to repayment of long-term debt.

As a result, cash and cash equivalents as of the end of the year totaled ¥16,508 million, down by ¥1,578 million (8.7%) 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 2015 (April 1, 2014).

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 ¥180.9 billion on March 31, 2019. 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 rates 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, OEPC 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, 2019	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Assets			
Property, plant and equipment (Note 3):			
Utility plants	¥965,901	¥955,595	\$8,702,597
Other plant and equipment (Note 5)	38,962	36,261	351,043
Construction in progress	10,664	10,892	96,081
Total	1,015,527	1,002,749	9,149,722
Less:			
Contributions in aid of construction (Note 2(b))	(33,607)	(33,496)	(302,797)
Accumulated depreciation	(656,660)	(638,693)	(5,916,393)
Total	(690,268)	(672,190)	(6,219,191)
Net property, plant and equipment	325,259	330,559	2,930,531
Investments and other assets:			
Investment securities (Notes 4 and 11)	7,856	9,389	70,784
Investments in and advances to unconsolidated subsidiaries and affiliated companies	1,853	1,721	16,698
Deferred tax assets (Note 8)	11,579	10,794	104,327
Other assets	1,905	2,090	17,167
Allowance for doubtful accounts	(60)	(60)	(543)
Total investments and other assets	23,134	23,935	208,433
Current assets:			
Cash and cash equivalents (Note 11)	16,508	18,086	148,738
Notes and accounts receivable (Note 11)	15,374	12,110	138,525
Inventories	13,826	10,206	124,576
Other current assets	5,128	7,303	46,210
Allowance for doubtful accounts	(127)	(113)	(1,152)
Total current assets	50,711	47,593	456,898
Total	¥399,104	¥402,088	\$3,595,863
Liabilities and equity			
Long-term liabilities:			
Long-term debt, less current maturities (Notes 5 and 11)	¥163,680	¥149,975	\$1,474,735
Lease obligations (Note 5)	22,632	24,077	203,911
Liability for retirement benefits (Note 7)	11,504	10,590	103,650
Other long-term liabilities	1,656	2,760	14,924
Total long-term liabilities	199,473	187,403	1,797,221
Current liabilities:			
Current maturities of long-term debt (Notes 5 and 11)	14,807	23,720	133,413
Short-term bank loans (Notes 6 and 11)	1,052	1,240	9,485
Commercial paper (Notes 6 and 11)	3,000	4,000	27,029
Notes and accounts payable (Note 11)	12,195	15,250	109,882
Income taxes payable (Note 11)	440	1,379	3,970
Accrued expenses	10,339	10,419	93,159
Other current liabilities	5,390	5,915	48,564
Total current liabilities	47,226	61,926	425,505
Equity (Note 9):*			
Common stock,			
Authorized — 92,800,000 shares			
Issued — 54,217,110 shares in 2019 and 2018	7,586	7,586	68,352
Capital surplus	7,218	7,212	65,035
Retained earnings	140,084	139,131	1,262,131
Treasury stock, at cost — 2,389,436 shares in 2019 and 2,383,693 shares in 2018	(5,238)	(5,224)	(47,194)
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	1,928	2,962	17,373
Deferred (loss) gain on derivatives under hedge accounting	(12)	11	(113)
Defined retirement benefit plans	(561)	(136)	(5,061)
Total	151,004	151,543	1,360,525
Noncontrolling interests	1,399	1,216	12,610
Total equity	152,404	152,759	1,373,135
Total	¥399,104	¥402,088	\$3,595,863

See notes to consolidated financial statements.

Note: * 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 2018(April 1, 2017).

Consolidated Statement of Income

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Year Ended March 31, 2019	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Operating revenues:			
Electric.....	¥193,431	¥186,080	\$1,742,783
Other	12,049	10,053	108,563
Total operating revenues	205,481	196,134	1,851,347
Operating expenses (Notes 7 and 10):			
Electric.....	188,567	177,393	1,698,956
Other	11,470	9,407	103,349
Total operating expenses	200,038	186,801	1,802,306
Operating income	5,443	9,333	49,040
Other expenses:			
Interest expense	1,549	1,810	13,962
Other — net.....	(1,326)	(858)	(11,955)
Net other expenses	222	951	2,006
Income before income taxes	5,220	8,381	47,033
Income taxes (Note 8):			
Current	1,598	2,378	14,397
Deferred.....	(230)	(400)	(2,073)
Total.....	1,367	1,978	12,323
Net income	3,852	6,402	34,709
Net income attributable to noncontrolling interests	100	128	908
Net income attributable to owners of the parent	¥ 3,751	¥ 6,273	\$ 33,800

Per share of common stock (Note 2(k)):	Yen		U.S. dollars
	2019	2018	2019
Basic net income*	¥72.38	¥117.60	\$0.65
Cash dividends applicable to the year**.....	60.00	60.00	0.54

See notes to consolidated financial statements.

Notes: * 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 2018 (April 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 this stock split at each fiscal year.

Consolidated Statement of Comprehensive Income

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Year Ended March 31, 2019	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net income	¥3,852	¥6,402	\$34,709
Other comprehensive income (Note 13)			
Unrealized (loss) gain on available-for-sale securities	(1,038)	258	(9,352)
Deferred (loss) gain on derivatives under hedge accounting	(24)	53	(218)
Defined retirement benefit plans	(425)	33	(3,831)
Share of other comprehensive (loss) income in an affiliate accounted for under the equity method.....	(1)	0	(12)
Total other comprehensive (loss) income.....	(1,488)	345	(13,414)
Comprehensive income	¥2,363	¥6,748	\$21,295
Total comprehensive income attributable to:			
Owners of the parent	¥2,268	¥6,618	\$20,437
Noncontrolling interests.....	95	129	857

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, 2019	Shares / Millions of yen					
	Common stock			Retained earnings	Treasury stock	
	Shares*	Amount	Capital surplus		Shares*	Amount
Balance, April 1, 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)
Stock split.....	10,843,422				476,832	
Net income attributable to owners of the parent				3,751		
Cash dividends				(2,798)		
Purchase of treasury stock					6,137	(14)
Disposal of treasury stock.....			0		(488)	1
Change in the parent's ownership interest due to transactions with noncontrolling interests...			5			
Net change in the year.....						
Balance, March 31, 2019	54,217,110	¥7,586	¥7,218	¥140,084	2,389,436	¥(5,238)

Year Ended March 31, 2019	Shares / Millions of yen					
	Accumulated other comprehensive income				Noncontrolling interests	Total equity
	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Defined retirement benefit plans	Total		
Balance, April 1, 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
Stock split.....						
Net income attributable to owners of the parent				3,751		3,751
Cash dividends				(2,798)		(2,798)
Purchase of treasury stock				(14)		(14)
Disposal of treasury stock.....				1		1
Change in the parent's ownership interest due to transactions with noncontrolling interests...				5		5
Net change in the year.....	(1,033)	(24)	(425)	(1,483)	183	(1,299)
Balance, March 31, 2019	¥1,928	¥(12)	¥(561)	¥151,004	¥1,399	¥152,404

	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 (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Defined retirement benefit plans			
Balance, March 31, 2018	\$68,352	\$64,986	\$1,253,548	\$(47,071)	\$26,687	\$104	\$(1,229)	\$1,365,378	\$10,956	\$1,376,334
Net income attributable to owners of the parent.....			33,800					33,800		33,800
Cash dividends.....			(25,217)					(25,217)		(25,217)
Purchase of treasury stock				(132)				(132)		(132)
Disposal of treasury stock.....		0		9				10		10
Change in the parent's ownership interest due to transactions with noncontrolling interests.....		49						49		49
Net change in the year.....					(9,313)	(218)	(3,831)	(13,363)	1,653	(11,709)
Balance, March 31, 2019	\$68,352	\$65,035	\$1,262,131	\$(47,194)	\$17,373	\$(113)	\$(5,061)	\$1,360,525	\$12,610	\$1,373,135

See notes to consolidated financial statements.

Note: *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.

Consolidated Statement of Cash Flows

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Year Ended March 31, 2019	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Operating activities:			
Income before income taxes	¥ 5,220	¥ 8,381	\$ 47,033
Adjustments for:			
Income taxes paid	(2,603)	(2,013)	(23,456)
Depreciation and amortization	23,239	24,153	209,380
Loss on disposal of property, plant and equipment.....	358	871	3,226
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(3,226)	(1,201)	(29,068)
(Increase) decrease in inventories.....	(3,225)	530	(29,064)
(Decrease) increase in notes and accounts payable	(1,925)	2,543	(17,349)
Decrease in interest payable	(45)	(37)	(411)
Increase in liability for retirement benefits	258	372	2,328
Other — net	(1,440)	(989)	(12,974)
Total adjustments	11,388	24,229	102,609
Net cash provided by operating activities.....	16,608	32,610	149,643
Investing activities:			
Purchase of property, plant and equipment	(20,557)	(18,281)	(185,222)
Proceeds from sale of property, plant and equipment.....	448	287	4,042
Payments for investments and advances.....	(47)	(27)	(430)
Proceeds from sales of investment securities and collections of advances.....	1,026	506	9,248
Other — net	1,721	2,277	15,512
Net cash used in investing activities.....	(17,408)	(15,238)	(156,850)
Financing activities:			
Proceeds from issuance of bonds	9,966	9,966	89,793
Repayments of bonds	(10,000)	(15,000)	(90,098)
Proceeds from long-term debt.....	16,879	10,746	152,083
Repayments of long-term debt	(12,111)	(12,271)	(109,118)
Net (decrease) increase in short-term bank loans	(187)	100	(1,686)
Net (decrease) increase in commercial paper.....	(1,000)	4,000	(9,009)
Purchase of treasury stock		(4,919)	
Cash dividends paid	(2,797)	(2,472)	(25,206)
Other — net	(1,528)	(1,560)	(13,770)
Net cash used in financing activities	(778)	(11,411)	(7,013)
Net (decrease) increase in cash and cash equivalents	(1,578)	5,960	(14,220)
Cash and cash equivalents, beginning of year	18,086	12,126	162,959
Cash and cash equivalents, end of year	¥16,508	¥18,086	\$148,738

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, 2019

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, 2018, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2019.

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 ¥110.99 to \$1, the approximate rate of exchange on March 31, 2019. 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, 2019, include the accounts of the Company and its 12 significant subsidiaries (12 in 2018). Investment in one affiliated company (one in 2018) 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 affiliated companies 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. Foreign currency forward contracts are utilized to reduce foreign currency exchange risk. 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.

(h) Retirement and pension plans

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

The liability for retirement benefits is accounted for based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a declining-balance basis over five years within the average remaining service period.

(i) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard.

The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. The Company retrospectively applied the revised accounting standard effective April 1, 2018, and deferred tax assets of ¥2,049 million which were previously classified as current assets as of March 31, 2018, have been reclassified as investments and other assets of ¥10,794, in the accompanying consolidated balance sheet.

(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.

(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, 2019 and 2018, consisted of the following:

As of March 31, 2019	Millions of yen			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power-generating facilities	¥ 466,534	¥(16,604)	¥(331,391)	¥118,538
Transmission facilities	164,094	(4,139)	(109,313)	50,640
Transformation facilities	108,849	(1,505)	(73,721)	33,623
Distribution facilities	178,688	(3,209)	(96,236)	79,242
General facilities.....	34,753	(6,195)	(14,998)	13,559
Other electricity-related facilities	12,980	(538)	(11,262)	1,179
Utility plants.....	965,901	(32,193)	(636,923)	296,784
Other plant and equipment....	38,962	(1,198)	(19,737)	18,026
Construction in progress.....	10,664	(215)		10,448
Total.....	¥1,015,527	¥(33,607)	¥(656,660)	¥325,259

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, 2019	Thousands of U.S. dollars			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power-generating facilities.....	\$4,203,394	\$(149,603)	\$(2,985,776)	\$1,068,014
Transmission facilities	1,478,460	(37,298)	(984,896)	456,265
Transformation facilities	980,713	(13,560)	(664,212)	302,940
Distribution facilities	1,609,950	(28,913)	(867,072)	713,965
General facilities.....	313,121	(55,823)	(135,132)	122,165
Other electricity-related facilities.....	116,956	(4,855)	(101,473)	10,627
Utility plants.....	8,702,597	(290,054)	(5,738,564)	2,673,978
Other plant and equipment....	351,043	(10,802)	(177,829)	162,412
Construction in progress.....	96,081	(1,940)		94,140
Total.....	\$9,149,722	\$(302,797)	\$(5,916,393)	\$2,930,531

4. Investment securities

The costs and aggregate fair values of investment securities at March 31, 2019 and 2018, were as follows:

As of March 31, 2019	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities.....	¥2,739	¥3,103	¥355	¥5,486
Other	398		116	281
Total	¥3,137	¥3,103	¥471	¥5,768

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, 2019	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	\$24,678	\$27,957	\$3,200	\$49,436
Other	3,586		1,050	2,536
Total	\$28,265	\$27,957	\$4,250	\$51,973

Investment securities whose fair values cannot be reliably determined are excluded from the preceding tables. The carrying amounts of such investment securities were ¥2,087 million (\$ 18,811 thousand) in 2019 and ¥2,197 million in 2018.

5. Long-term debt

Long-term debt as of March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Domestic bonds, 0.110% to 1.452% in 2019 and 0.110% to 1.719% in 2018, due serially through 2028	¥ 65,000	¥ 65,000	\$ 585,639
Loans from Okinawa Development Finance Corporation, 0.100% to 2.100% in 2019 and 0.150% to 2.100% in 2018, due serially through 2037.....	102,413	102,495	922,728
Loans from banks, insurance companies, and other sources, 0.150% to 1.950% in 2019 and 0.150% to 1.950% in 2018, due serially through 2039	9,447	4,597	85,121
Obligations under finance leases	24,259	25,680	218,572
Total.....	201,120	197,773	1,812,059
Less current maturities	(14,807)	(23,720)	(133,413)
Long-term debt, less current maturities*	¥186,312	¥174,052	\$1,678,646

Note: * Long-term debt, less current maturities including lease obligations for the years ended March 31, 2019 and 2018, were ¥22,632 million (\$203,911 thousand) and ¥24,077 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 ¥4,850 million (\$43,703 thousand), are pledged as collateral for a portion of the long-term debt as of March 31, 2019.

The aggregate annual maturities of long-term debt outstanding as of March 31, 2019, were as follows:

Years Ending March 31	Millions of yen	Thousands of U.S. dollars
2020	¥ 14,807	\$ 133,413
2021	23,526	211,967
2022	23,329	210,192
2023	22,578	203,423
2024	17,077	153,864
2025 and thereafter	99,801	899,197
Total.....	¥201,120	\$1,812,059

6. Short-term borrowings

The weighted-average interest rates applicable to short-term bank loans were 0.448% and 0.169% as of March 31, 2019 and 2018, respectively. The weighted-average interest rate applicable to commercial paper were (0.008)% and (0.026)% as of March 31, 2019 and 2018, respectively.

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, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year.....	¥18,297	¥17,389	\$164,859
Current service cost	1,102	1,067	9,930
Interest cost.....	61	76	557
Actuarial losses	456	255	4,113
Benefits paid	(367)	(491)	(3,312)
Balance at end of year	¥19,550	¥18,297	\$176,148

- (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, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year.....	¥3,448	¥3,390	\$31,070
Periodic benefit costs	472	504	4,259
Benefits paid	(262)	(150)	(2,368)
Contributions from the employer	(248)	(295)	(2,242)
Balance at end of year	¥3,409	¥3,448	\$30,719

- (3) The changes in plan assets for the years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year.....	¥14,401	¥13,588	\$ 129,758
Expected return on plan assets.....	278	265	2,512
Actuarial gains (losses)	(198)	214	(1,789)
Contributions from the employer	486	479	4,384
Benefits paid.....	(266)	(406)	(2,401)
Others.....	105	260	953
Balance at end of year	¥14,808	¥14,401	\$133,419

* 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, 2019 and 2018, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Funded defined benefit obligation	¥18,201	¥17,457	\$163,994
Plan assets	(14,808)	(14,401)	(133,419)
	3,393	3,055	30,575
Unfunded defined benefit obligation	8,110	7,534	73,075
Net liability for defined benefit obligation	¥11,504	¥10,590	\$103,650

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Liability for retirement benefits	¥11,504	¥10,590	\$103,650
Net liability for defined benefit obligation	¥11,504	¥10,590	\$103,650

(5) The components of net periodic benefit costs for the years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Current service cost	¥1,102	¥1,067	\$9,930
Interest cost	61	76	557
Expected return on plan assets	(278)	(265)	(2,512)
Recognized actuarial losses	69	86	625
Others	472	504	4,259
Net periodic benefit costs.....	¥1,427	¥1,469	\$12,860

* 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, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Actuarial gains (losses).....	¥(585)	¥45	\$5,277
Total	¥(585)	¥45	\$5,277

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized actuarial losses	¥(773)	¥(188)	\$(6,971)
Total	¥(773)	¥(188)	\$(6,971)

(8) Plan assets as of March 31, 2019 and 2018

a. Components of plan assets

Plan assets consisted of the following:

	2019	2018
Debt investments	20%	21%
Equity investments.....	18	20
General account	52	47
Others	10	12
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, 2019 and 2018, are set forth as follows:

	2019	2018
Discount rate.....	Mainly0.2%	Mainly0.3%
Expected rate of return on plan assets	2.5%	2.5%

(b) The required contribution to defined contribution plans by the Company for the years ended March 31, 2019 and 2018, was ¥197 million (\$1,778 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, 2019 and 2018, the aggregate normal effective statutory tax rates approximated 27.4% and 27.6%, respectively.

The significant components of deferred tax assets and liabilities as of March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Unrealized profit	¥ 3,729	¥ 3,775	\$33,598
Liability for retirement benefits	3,347	3,097	30,158
Depreciation and amortization.....	2,753	2,533	24,805
Accrued expenses.....	827	608	7,454
Other.....	2,470	2,664	22,259
Subtotal	13,127	12,678	118,275
Less: valuation allowance	(422)	(371)	(3,803)
Total deferred tax assets	¥12,705	¥12,307	\$114,471
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(730)	(1,106)	(6,580)
Unrealized gain on land revaluation	(282)	(282)	(2,540)
Other.....	(113)	(123)	(1,023)
Total deferred tax liabilities	¥(1,125)	¥(1,512)	\$(10,144)
Net deferred tax assets	¥11,579	¥10,794	\$104,327

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2018 and the actual effective tax rate reflected in the accompanying consolidated statements of income was as follows:

	2018
Normal effective statutory tax rate	27.6%
Tax credit	(5.0)
Difference in subsidiaries' tax rate	1.3
Other-net	(0.3)
Actual effective tax rate	23.6%

As the difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2019 is not more than 5% of the normal effective statutory tax rate, a reconciliation has not been disclosed.

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 ¥584 million (\$5,267 thousand) and ¥577 million for the years ended March 31, 2019 and 2018, 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, 2019 and 2018, were as follows:

	Millions of yen		
	Carrying amount	Fair value	Unrecognized loss
March 31, 2019			
Investment securities:			
Available-for-sale	¥ 5,768	¥ 5,768	
Cash and cash equivalents	16,508	16,508	
Notes and accounts receivable	15,374	15,374	
Total	¥ 37,651	¥ 37,651	
Long-term debt:			
Bonds	¥ 65,000	¥ 65,838	¥ 838
Loans	111,861	115,580	3,719
Short-term bank loans	1,052	1,052	
Commercial paper	3,000	3,000	
Notes and accounts payable	12,195	12,195	
Income taxes payable	440	440	
Total	¥193,550	¥198,108	¥4,558
Derivatives	(¥17)	(¥17)	

March 31, 2018	Millions of yen		
	Carrying amount	Fair value	Unrecognized loss
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, 2018	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrecognized loss
Investment securities:			
Available-for-sale	\$ 51,973	\$ 51,973	
Cash and cash equivalents.....	148,738	148,738	
Notes and accounts receivable.....	138,525	138,525	
Total	\$ 339,236	\$339,236	
Long-term debt:			
Bonds	\$ 585,638	\$ 593,193	\$ 7,554
Loans	1,007,849	1,041,362	33,513
Short-term bank loans.....	9,485	9,485	
Commercial paper.....	27,029	27,029	
Notes and accounts payable.....	109,882	109,882	
Income taxes payable.....	3,970	3,970	
Total	\$1,743,856	\$1,784,924	\$41,068
Derivatives	(\$155)	(\$155)	

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
	2019	2018	2019
Investment securities:			
Available-for-sale:			
Unlisted equity securities.....	¥2,087	¥2,197	\$18,811
Other			
Total	¥2,087	¥2,197	\$18,811

(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.....	¥16,508	\$148,738
Notes and accounts receivable.....	15,374	138,525
Total	¥31,883	\$287,263

12. Derivatives

The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign currency forward contracts are utilized to reduce foreign currency exchange risk. 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. 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, 2019	Millions of yen				Thousands of U.S. dollars			
	Hedged item	Contract amount	Contract amount due after one year	Fair value	Hedged item	Contract amount	Contract amount due after one year	Fair value
Foreign currency forward contracts:								
Buying EURO.....	Foreign currency transaction (forecasted transactions)	¥1,000	¥502	¥(17)	Foreign currency transaction (forecasted transactions)	\$9,012	\$4,527	\$(151)

As of March 31, 2018	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)	¥986	¥493	¥16

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

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, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Other comprehensive (loss) income:			
Unrealized (loss) gain on available-for-sale securities			
(Losses) gains arising during the year.....	¥ (1,422)	¥ 364	\$ (12,819)
Reclassification adjustments to profit or loss			
Amount before income tax effect	(1,422)	364	(12,819)
Income tax effect	384	(106)	3,466
Total.....	¥ (1,038)	¥ 258	\$ (9,352)
Deferred (loss) gain on derivatives under hedge accounting			
(Losses) gains arising during the year	¥ (33)	¥ 73	\$ (300)
Amount before income tax effect	(33)	73	(300)
Income tax effect	9	(20)	82
Total.....	¥ (24)	¥ 53	\$ (218)
Defined retirement benefit plans			
Losses arising during the year	¥ (655)	¥ (40)	\$ (5,902)
Reclassification adjustments to profit or loss	69	86	625
Amount before income tax effect	(585)	45	(5,277)
Income tax effect	160	(12)	1,446
Total.....	¥ (425)	¥ 33	\$ (3,831)
Share of other comprehensive (loss) income in an affiliate accounted for under the equity method			
(Losses) gains arising during the year	¥ (1)	¥ 0	\$ (12)
Total other comprehensive (loss) income.....	¥ (1,488)	¥ 345	\$ (13,414)

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:

2019	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.....	¥193,565	¥11,915	¥205,481		¥205,481	\$1,743,992	\$107,354	\$1,851,347		
Intersegment sales or transfers.....	2,394	35,195	37,590	¥(37,590)		21,577	317,107	338,684	\$(338,684)	
Total	¥195,960	¥47,111	¥243,071	¥(37,590)	¥205,481	\$1,765,570	\$424,461	\$2,190,032	\$(338,684)	
Segment profit	¥ 3,507	¥ 1,944	¥ 5,451	¥ (8)	¥ 5,443	\$ 31,600	\$ 17,515	\$ 49,116	\$ (75)	
Segment assets	368,746	49,045	417,792	(18,687)	399,104	3,322,343	441,892	3,764,236	(168,373)	
Other:										
Depreciation	22,899	1,222	24,121	(882)	23,239	206,321	11,012	217,333	(7,953)	
Increase in property, plant and equipment and intangible assets.....	17,376	2,892	20,268	(840)	19,428	156,554	26,063	182,618	(7,573)	

2018	Millions of yen				
	Reportable segment Electric	Other	Total	Reconciliations	Consolidated
Sales					
Sales to external customers.....	¥186,232	¥ 9,901	¥196,134		¥196,134
Intersegment sales or transfers.....	1,842	35,158	37,001	¥(37,001)	
Total	¥188,075	¥45,059	¥233,135	¥(37,001)	¥196,134
Segment profit	¥ 7,160	¥ 2,157	¥ 9,318	¥ 15	¥ 9,333
Segment assets	375,163	46,643	421,807	(19,718)	402,088
Other:					
Depreciation	23,810	1,204	25,015	(861)	24,153
Increase in property, plant and equipment and intangible assets.....	16,859	2,256	19,116	(173)	18,942

Notes: 1. "Other" consists of construction, operation of electrical machinery and facilities on commission and others. Information of sales by regions is omitted, since the Companies' sales to external customers in Japan accounted for more than 90% of the sales in the Consolidated Statements for the fiscal years ended March 31, 2019 and 2018.

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 event

The following appropriation of retained earnings at March 31, 2019, was approved at the Company's shareholders' meeting held on June 27, 2019:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30 (27¢) per share	¥1,554	\$14,008

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, 2019, 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, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 28, 2019

Member of
Deloitte Touche Tohmatsu Limited

Nonconsolidated Balance Sheet

The Okinawa Electric Power Company, Incorporated

March 31, 2019 (Unaudited)	Millions of yen		Thousands of U.S. dollars*
	2019	2018	2019
Assets			
Property, plant and equipment:			
Utility plant and equipment	¥1,002,237	¥991,275	\$9,029,981
Construction in progress	8,808	8,430	79,365
Total	1,011,046	999,706	9,109,346
Less:			
Contributions in aid of construction	(32,446)	(32,408)	(292,333)
Accumulated depreciation	(660,977)	(642,997)	(5,955,292)
Total	(693,423)	(675,406)	(6,247,625)
Net property, plant and equipment.....	317,622	324,300	2,861,720
Investments and other assets:			
Investment securities.....	7,259	8,701	65,410
Investments in and advances to subsidiaries and affiliated companies	3,087	3,398	27,821
Deferred tax assets	6,081	5,473	54,796
Other assets	1,718	1,957	15,479
Allowance for doubtful accounts	(34)	(34)	(308)
Total investments and other assets.....	18,113	19,497	163,199
Current assets:			
Cash and cash equivalents	7,379	10,221	66,488
Accounts receivable.....	12,373	9,897	111,479
Fuel and supplies	12,731	9,308	114,711
Other current assets	644	2,041	5,803
Allowance for doubtful accounts	(117)	(103)	(1,059)
Total current assets	33,010	31,366	297,423
Total.....	¥368,746	¥375,163	\$3,322,343
Liabilities and equity			
Long-term liabilities:			
Long-term debt, less current maturities.....	¥158,836	¥146,675	\$1,431,086
Lease obligations	22,651	23,856	204,090
Liability for retirement benefits	7,320	6,954	65,959
Other long-term liabilities.....	1,708	2,903	15,394
Total long-term liabilities.....	190,517	180,388	1,716,530
Current liabilities:			
Current maturities of long-term debt	14,068	23,130	126,754
Short-term borrowings.....		1,000	
Commercial paper	3,000	4,000	27,029
Accounts payable	9,122	12,012	82,194
Income taxes payable	50	952	453
Accrued expenses	12,264	12,820	110,497
Other current liabilities.....	4,494	4,852	40,497
Total current liabilities.....	43,000	58,767	387,427
Equity:**			
Common stock,			
Authorized — 92,800,000 shares			
Issued — 54,217,110 shares in 2019 and 2018	7,586	7,586	68,352
Capital surplus:			
Additional paid-in capital.....	7,142	7,141	64,348
Retained earnings:			
Legal reserve.....	964	964	8,694
Unappropriated	122,849	122,614	1,106,855
Unrealized gain on available-for-sale securities.....	1,935	2,912	17,442
Deferred (loss) gain on derivatives under hedge accounting	(12)	11	(113)
Treasury stock, at cost 2,389,436 shares in 2019 and 2,383,693 shares in 2018	(5,238)	(5,224)	(47,194)
Total equity	135,228	136,006	1,218,385
Total.....	¥368,746	¥375,163	\$3,322,343

Notes: * The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥110.99 to \$1, the approximate rate of exchange as of March 31, 2019.

** 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 2018 (April 1, 2017).

Nonconsolidated Statement of Income

The Okinawa Electric Power Company, Incorporated

Year Ended March 31, 2019 (Unaudited)	Millions of yen		Thousands of U.S. dollars*
	2019	2018	2019
Operating revenues	¥195,960	¥188,075	\$1,765,570
Operating expenses:			
Personnel.....	17,692	17,251	159,410
Fuel.....	54,070	45,609	487,163
Purchased power.....	32,732	29,335	294,911
Depreciation.....	22,717	23,584	204,683
Repairs and maintenance.....	18,992	19,717	171,115
Taxes other than income taxes	7,238	6,958	65,221
Other	39,008	38,458	351,461
Total operating expenses	192,453	180,915	1,733,969
Operating income	3,507	7,160	31,600
Other income (expenses):			
Interest and dividend income	587	539	5,297
Interest expense	(1,518)	(1,782)	(13,681)
Other — net.....	1,117	404	10,065
Net other expenses	186	(838)	1,682
Income before income taxes	3,694	6,322	33,282
Income taxes:			
Current	903	1,595	8,137
Deferred.....	(243)	(379)	(2,196)
Total.....	659	1,216	5,941
Net income	¥ 3,034	¥ 5,106	\$ 27,341
		Yen	U.S. dollars
Per share of common stock			
Basic net income**	¥58.55	¥95.71	\$0.52
Cash dividends applicable to the year***	60.00	60.00	0.54

Notes: * The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥110.99 to \$1, the approximate rate of exchange at March 31, 2019.

** 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 2018 (April 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 this stock split at each fiscal year.