

The Okinawa Electric Power Company, Incorporated (OEPC)

Annual Report 2020

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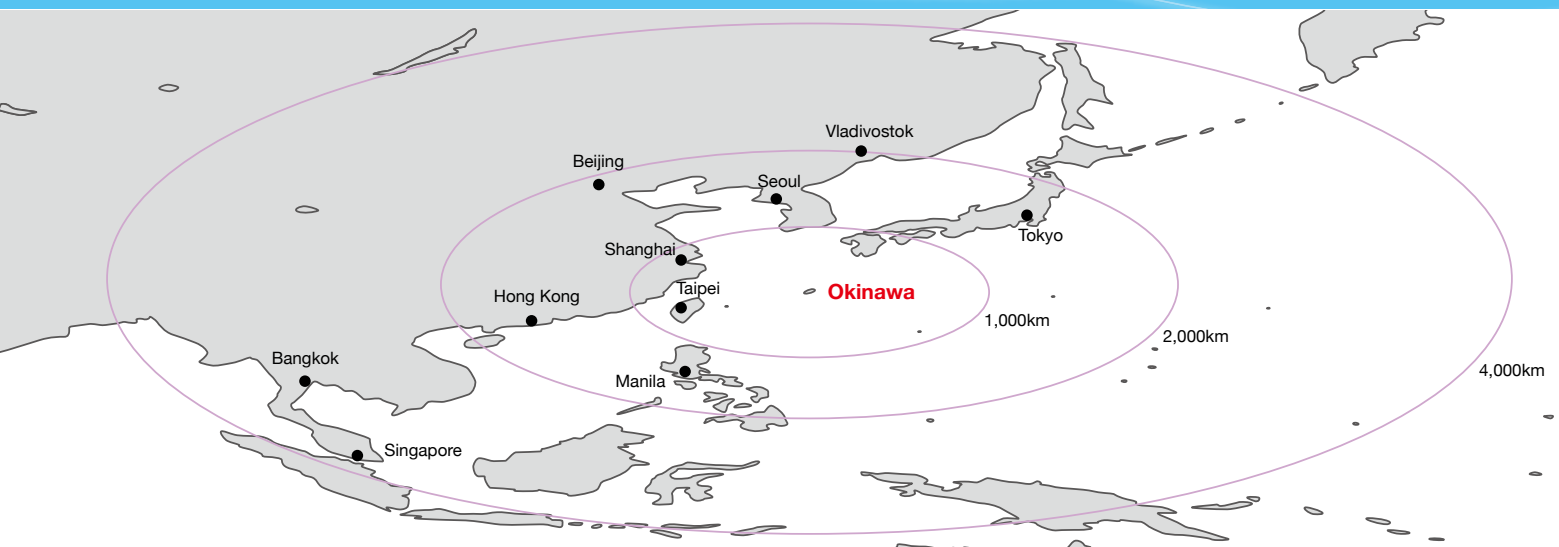
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Overview of Okinawa Prefecture



Basic Data

Population	1,451,676
No. of Households	608,753
Area	2,281 km ²
Climate	Subtropical
Location	26°12'N 127°41'E
Prefectural GDP	¥4330.4billion
Tourism Revenue	¥734.1billion

◇ 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, 2020

Area as of January 1, 2020

Prefectural GDP as of Estimated results FY 2018

Tourism Revenue as of FY 2018

(Source: Okinawa Prefecture, Geographical Survey Institute)

Corporate Overview of OEPC

- The Okinawa Electric Power Company (OEPC) supplies electricity to 37 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	¥373.941 billion (Non-consolidated) ¥408.789 billion (Consolidated)
Employees	1,543 (Consolidated: 2,752)
Security code	9511
Service area	Okinawa Prefecture

Generating facilities	<p>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)</p> <p>Gas turbine generators 5 locations 326 thousand kW</p> <p>Internal-combustion power generators 13 locations 190 thousand kW</p> <p>Wind power generators 5 locations 2 thousand kW</p> <p>Total 2,147 thousand kW</p>
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(as of March 31, 2020)

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 is getting into the era of full-scale competition as well due to the new energy suppliers entering the market in the wake of power system reform.

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.

Okinawa's energy market faces intensive competition among business operators, not only caused by subsequent entry of new energy suppliers into the market due to full liberalization of the retail electricity market, but also increased competition with gas and ESP business that are in progress. Further, the impact of the COVID-19 pandemic to Okinawa's economy is unclear but it is likely to impact the demand for energy as well.

On the other hand, however, we continue to 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, as well as the development of ESP business. Simultaneously, we are making efforts to accomplish "Expansion of the topline" to encourage users to choose our service through our fine-tuned sales activities by providing comprehensive rate plans and better service overall. We will also work on establishing a strong and competitive management foundation and focus on increasing our sales revenue throughout the entire group, further to obtain new investment opportunities and develop to actualize new business projects.

As we experienced increasing damages on the infrastructural system throughout Japan due to numbers of natural disasters in recent years, we will continue to reinforce stable supply 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 group wide 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.

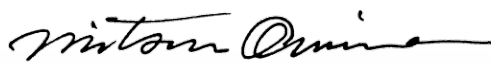
The entire electricity business has been striving to abate global warming through the achievement of CO₂ emission reduction targets. The OEPC Group is endeavoring to realize a low carbon society through, among other measures, from steady operation of the Yoshinoura Thermal Power Station which uses liquefied natural gas, the most effective source for reducing CO₂ as fuel, to mixed firing woody biomass with coal at thermal power plants as well as further introduction and expansion of renewable energy usage.

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, so that we actualize “Principles for the Healthy and Productive Management”.

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

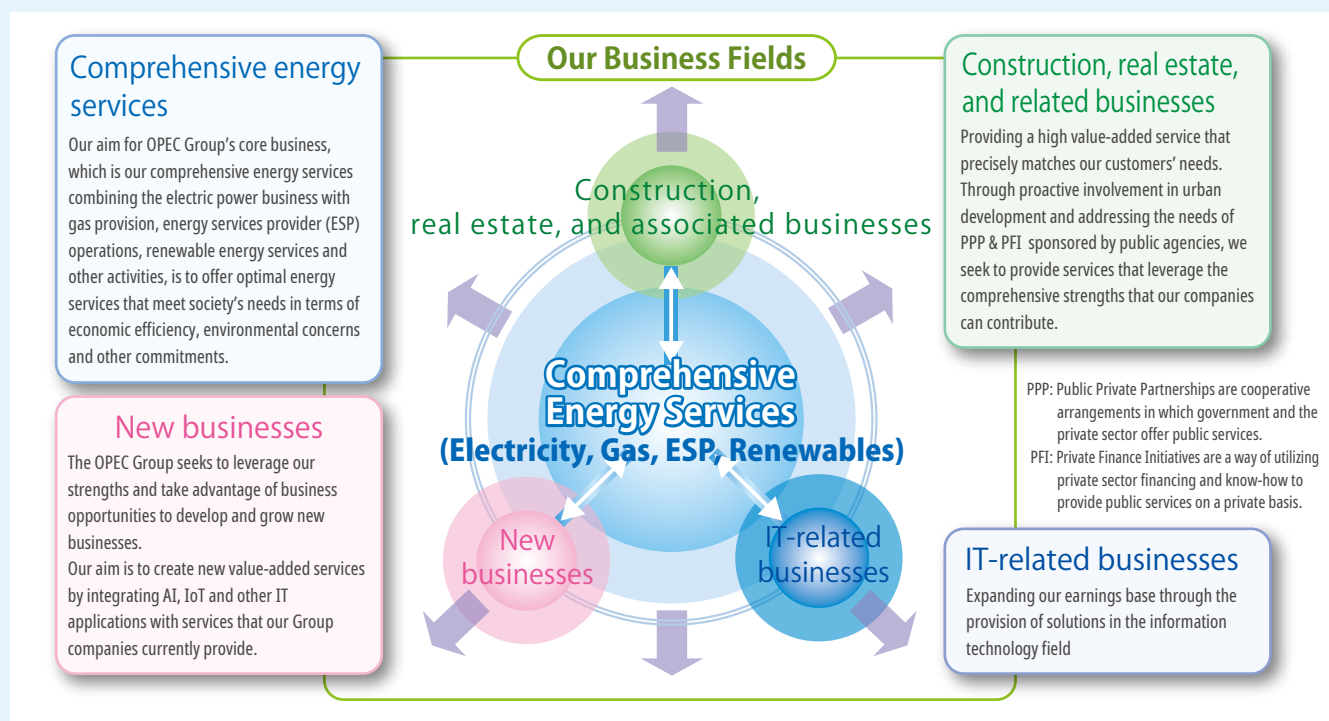
The OEPC Group Vision sets out our vision for the future, pledging to “design and propose new value through services to support both corporate and individual customers” through our core business as a comprehensive energy supplier and to “become a unified business group that grows and develops hand-in-hand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

2. Basic Management Stance

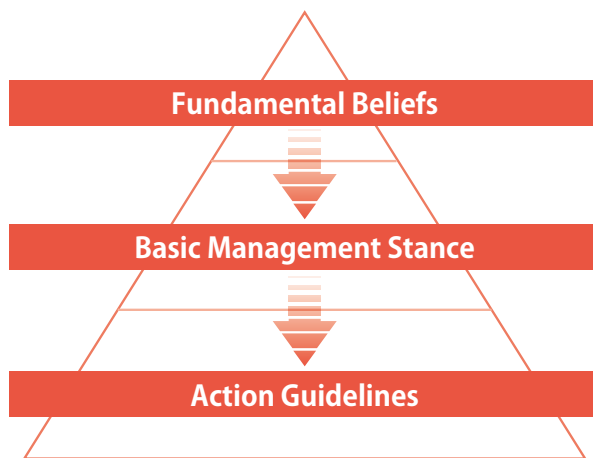
- Strive to provide a stable supply of energy
- Meet the diverse needs of our customers and do our utmost to enhance customer satisfaction
- Act as a responsible corporate citizen
- Value our staff and help them grow
- Achieve sustainable growth through proactive business operations and development and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

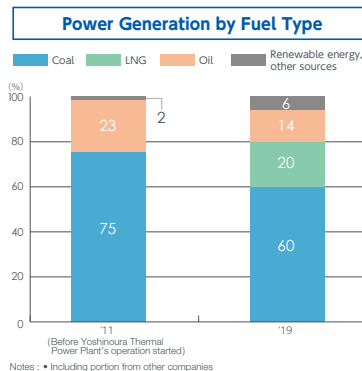
Power consumption in Okinawa Prefecture

Electric power consumption in Okinawa Prefecture in FY2019 totaled approximately 7.74 billion kWh and peak load (transmission end) was approximately 1,503,000kW, 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 0.6% between FY2018 and FY2029, forecasting a mild increase reflecting an estimated increase in the number of customers fueled by a larger population and growth of the local economy.



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.



Finally, it is worth noting that OEPC uses renewable energy, mixed firing woody biomass with coal at thermal power plants, as one of the efforts that we are taking actions against global warming.

Electricity Delivery

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 1,220km (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 11,078km. 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.

Submarine cable overhaul projects are ongoing to stabilize power supplies to remote islands. This is being conducted with the fund support of government subsidies aimed to promote laying infrastructure groundwork for those smaller remote islands.

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



Submarine power cables



Power distribution line continuing through to Yubu Island



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 and numbers of natural disasters intensified in recent years 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.

For corporate customers

To respond to our customers' needs for reduced costs and establishing business environments, we offer optimized energy systems and cost-effective rate plans, and further we provide ideas and follow-up activities that help them use energy more effectively so that our service satisfies our corporate customers at our best.



A welfare facility kitchen that has introduced commercial electrical equipment



Commercial electric kitchen seminar



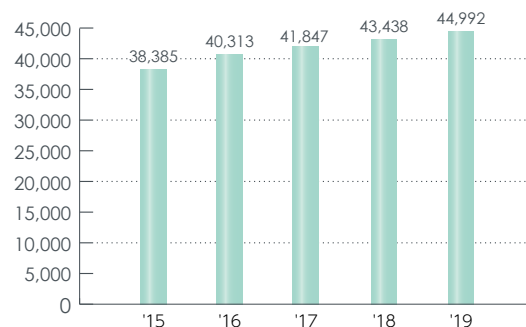
A consulting session

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

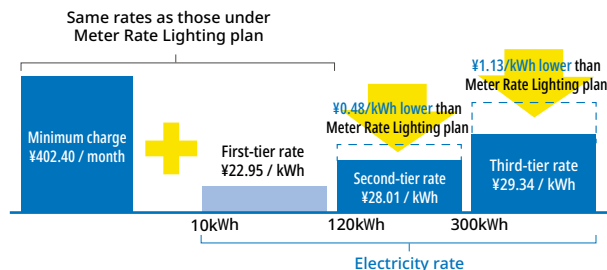
Under our corporate slogan “With the community, for the community,” we always strive to be a company that our customers choose with confidence, and toward this end, we began offering new electricity rate plans for individual customers such as the Good Value Plan on June 1, 2018, and the Meter Rate Lighting plus on September 1, 2020 that provide the customers with discounted rates 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.

Further, we have added a feature as of September 1, 2020, to link the plan with our members only website, “Okiden more-E” that allow customers to earn points by their electricity usage. (1 point added per 200 yen of electricity bill)

● Good Value Plan Rate Structure



Summary of the Meter Rate Lighting plus

Meter Rate Lighting plus is the same price as Meter Rate Lighting, a general residential-use electricity bill, and is a great value that allows you to earn points from our member site “Okiden more-E” launched on September 1, 2020. (1 point added per 200 yen of electricity bill)

*In order to apply for Meter Rate Lighting plus, you must be a member of “Okiden more-E” in advance.

Members only website “Okiden more-E” is opened

With our service concept of “More “E” (meaning good) to support Okinawa!”, this website is to be used as a community connecting us with our customers, who then in turn can enjoy “more cost-efficient” and “more convenient” services.

The point service is connected with a number of Okinawa's business and professional sports teams, as well as organizations supporting social welfares, medical supports and environmental activities, and eventually allow us to contribute to boost Okinawa's economy, to vitalize the point service market and to solve regional issues.

おきでん
more-E



1 Earn and use “Okiden E points”

“Okiden E points” are given to member customers who purchased electricity or contracted with us to sell electricity! “Okiden E points” can be used for shopping at local stores or providing support for the professional sports teams, or you can donate the points to social activities, etc.



2 Make Visible service

This service displays graphs of electricity bill amount and usage, solar power sell rate and the power generated amount, also the comparison of electricity usage with other families of similar structure, allowing to analyze energy usage.



3 Information providing service

Articles useful to customers' daily lives and regional information are available.



4 Interactive service

Participants get points by participating in various campaigns, events and surveys.



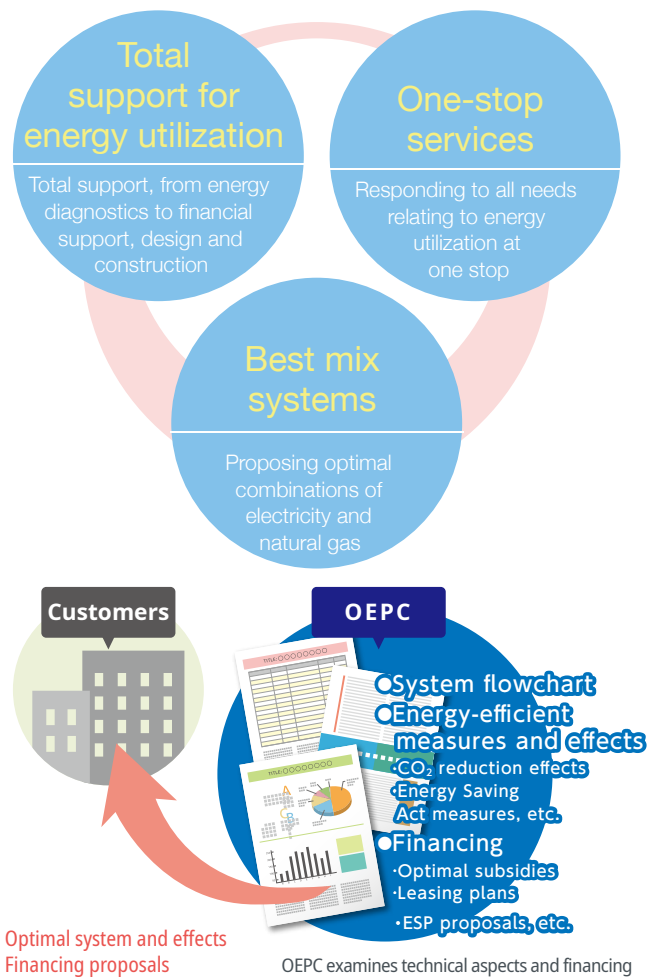
Meeting Diverse Requirements

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 such 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

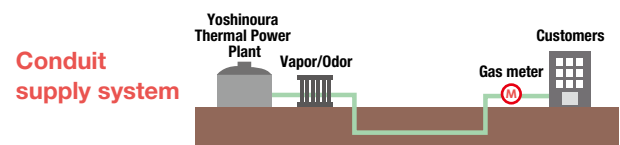


Gas Supply

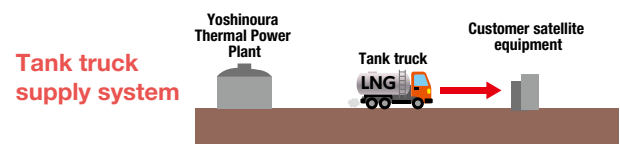
As one facet of our comprehensive energy services, via Progressive Energy Corporation, OEPC Group has been marketing natural gas, which offers greater cost performance, environmental friendliness, and safety compared to heavy oil, LPG or other fuels.

We have set up systems for supplying natural gas as below, that are tailored to the customer's location and level of demand.

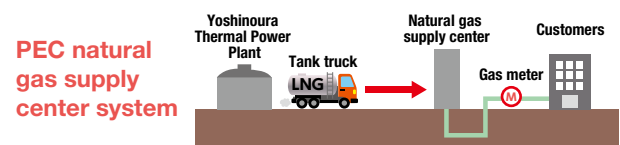
3 supply systems



For customers we supply vapor/odor gas to, through conduit from Yoshinoura Thermal Power Plant

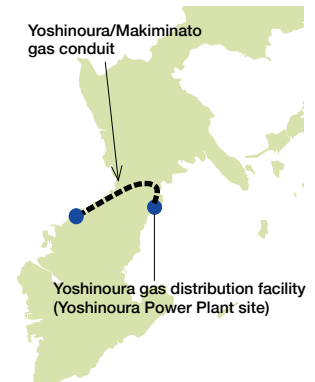


For customers in the regions where conduit not available



For customers near PEC natural gas supply center (Area supply such as US base return site or industrial park)

In order to supply more natural gas, we will be setting up a gas conduit from Yoshinoura Thermal Power Plant (in Nakagusuku Village) to Urasoe City through the Nishi Futenma area in Ginowan City (Approximately 14km in length total) targeting for commercialization in 2023.



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.



Adopted case (LAB 4 at the Okinawa Institute of Science and Technology Graduate University)
※ Courtesy of OIST / Tougou

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

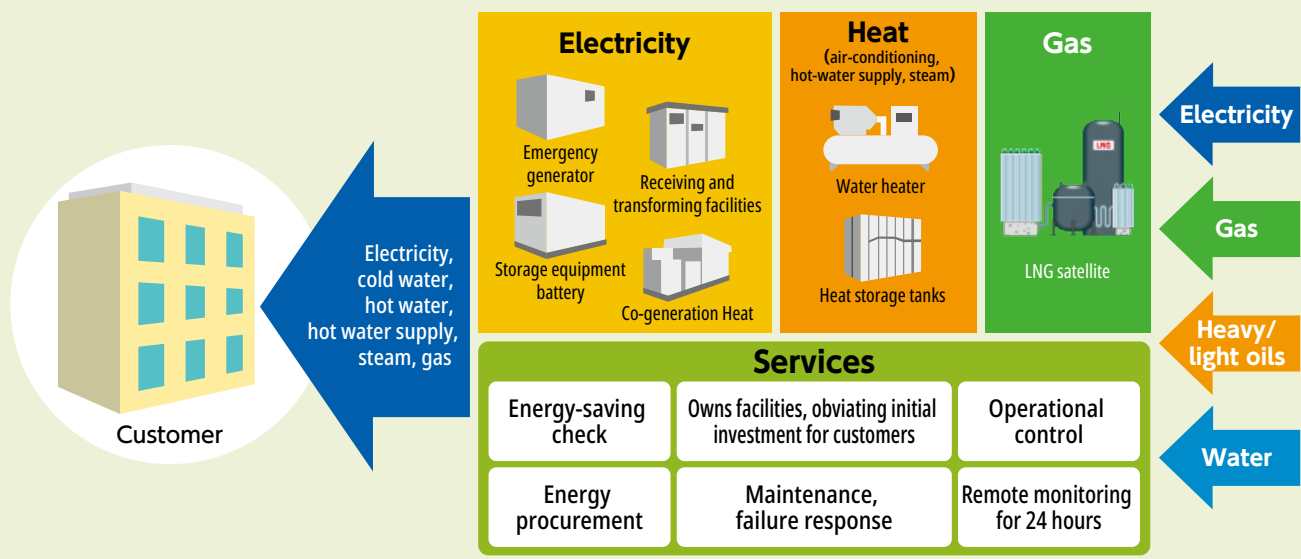


LAB 4 (Illustration of completed building)
※ Courtesy of OIST

[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



100 million yen donation to Okinawa Medical Association working on COVID-19 measures

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 FY2019, the event has been held 42 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.



Exhibition of prize-winning works

In Harmony with the Local Community

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.”



Sponsorship to “Kokoro no Theatre” project by Shiki Theatre Company



Grand Prize-winning artwork of the 12th Okiden “Scenery of Lights” Digital Photo Contest

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

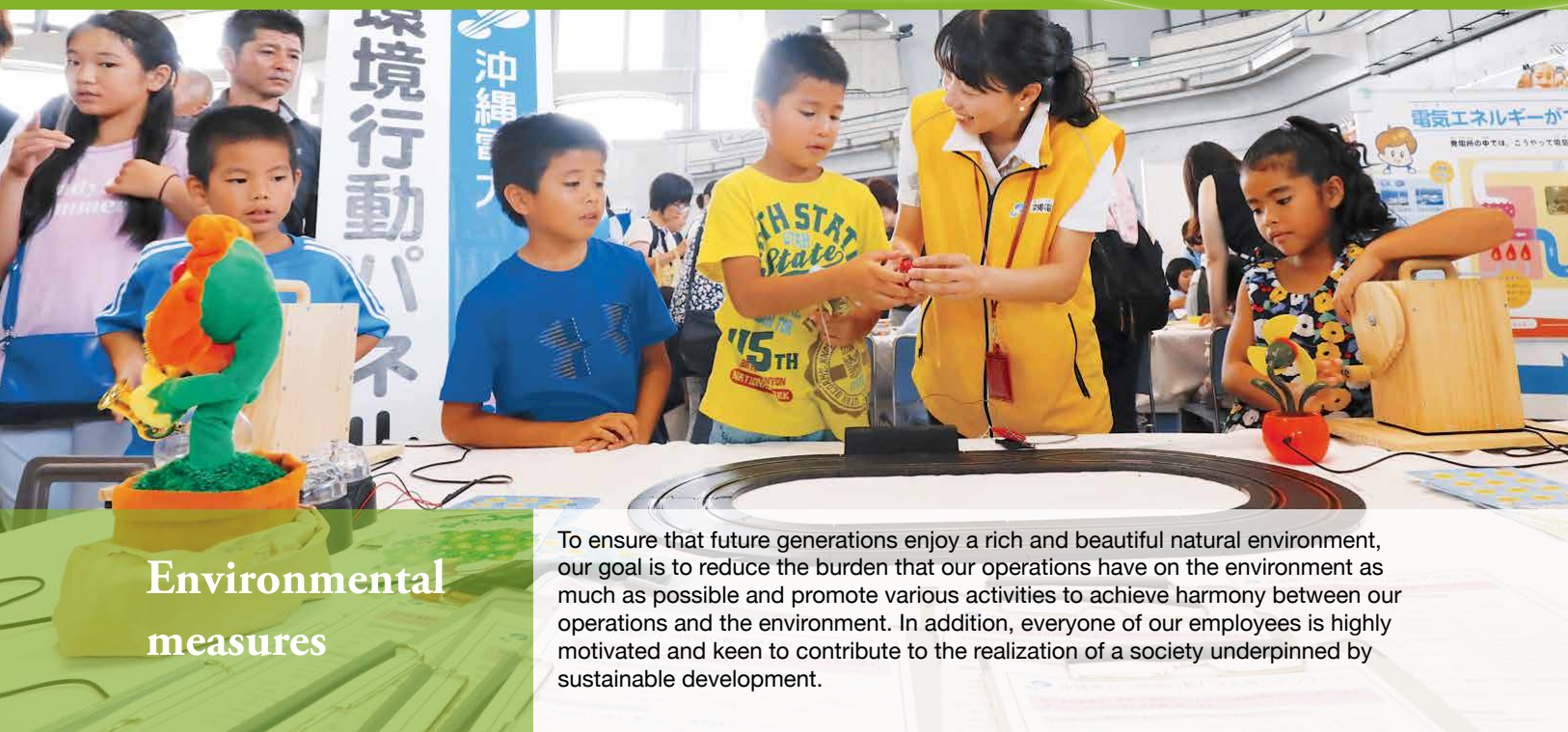


Okiden Pennant Elementary School Baseball Tournament



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 that emits less CO₂ than oil or coal, as well as woody biomass mix-fired with coal at the plant.



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 in order to create power plants 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

Endorsement of recommendations of TCFD

In September 2019, OEPC officially announced our endorsement of recommendations of “the Task Force on Climate-related Financial Disclosures (TCFD)”.

We will make efforts to disclose more information related to climate change in order to contribute for the sustainable growth of society, while improving our own corporate value as well.





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, 2020, our company had a total generation capacity of 27,868 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 (NaS) battery storage system. Because NaS batteries have a faster response speed than thermal power generators, the effect on frequency in the system can be mitigated by charging and discharging in a manner that suppresses frequency fluctuations (These fluctuations are difficult to emulate using the thermal power machines).

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 (NaS battery)

Reinforcing Group Management



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 region

Since August 2017, 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.

A hybrid power generation system is a system that combines diesel generators with renewable energy such as solar power and wind power generators. OEPC Group has been conducting trial experiments on hybrid power generation systems in remote islands within the prefecture such as Miyako Island. We are utilizing experiences and technologies from these demonstrations in this project.

In addition to appropriately and economically operating and maintenance control of diesel power generation system, conducted with the deliberations for the introduction status of renewable energy specific to this country, this project will also support introduction and operation of renewable energy power generation equipment in an appropriate scale, in order to promote hybrid power generation system, built on the premise of stabilization of power system.

Tilttable Wind Power Turbine System for Kingdom of Tonga

Utilizing knowledge and experience built through construction and maintenance of tilttable wind turbine systems, Progressive Energy Corporation (PEC), 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 delivery of five tilttable wind turbine systems was made in June 2019. In September 2019, after completion of the plant, we visited the power generation facilities in the Kingdom of Tonga and paid a courtesy call to stakeholders. The stakeholders in the Government of Tonga (Deputy Prime Minister, Ministry of Energy), Tonga Power Limited, Embassy of Japan, and JICA Tonga Office

made the following comment of appreciation: "Starting an operation of a tilttable wind power plant will play a critical role in the goal for the Kingdom of Tonga, which is set to acquire the 50% renewable energy composition by 2020."

Taking advantage of the technology and expertise cultivated in Okinawa, the OEPC Group will contribute to the development of the Pacific island nations that face the same energy-related problems as Okinawa (such as high dependence on fossil fuels due to severe damages caused by cyclones) and continue to promote overseas business initiatives.



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.

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

Status of Corporate Governance

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 has business alliances related to the sales of electricity. 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

• Organization, personnel, and procedures of audits made by the auditors
The Board of Corporate Auditors consists of five auditors, including three external auditors. 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.

Auditors conduct audits in the decision making process by directors and their execution of duties in accordance with the auditing policies and plans established by the Board of Auditors. In addition to the necessary reports received from the directors, etc., to improve the effectiveness of audits from the viewpoint of mutual complementation and efficiency of the audits, they also cooperate with the Internal Audit Office and the accounting auditors.

Furthermore, Standing Auditor Hideki Onkawa has years of experience in accounting at OEPC. And External Auditor Miwa Furusho is a certified public accountant and public tax accountant, with expertise in financial affairs and accounting.

• Activities of auditors & Board of Corporate Auditors in this fiscal year
In this fiscal year, OEPC held a Board of Corporate Auditors eight times. The attendance of individual auditors is as follows.

Name	Number of meetings	Number of attendances
Hideki Onkawa*	5	5
Kenji Kobashigawa	8	8
Hikaru Aharen	8	8
Morihiko Kinjo*	5	5
Miwa Furusho*	5	5

*Please note that the attendance records for Hideki Onkawa, Morihiko Kinjo, and Miwa Furusho are based on the Board of Corporate Auditors held after June 27, 2019.

As a general principle, the Board of Corporate Auditors is held once every two months. In addition to receiving reports on the status and results of the audit from individual auditors, they monitor and verify whether the accounting auditors are maintaining their independent position and conducting audits appropriately. Items related to the assignment, dismissal, and refusal of accounting auditors, as well as consent to remuneration, etc. are investigated according to the agendas of the Board of Corporate Auditors.

Furthermore, regularly scheduled meetings are held with representative directors and outside directors to exchange opinions on the critical auditing issues.

Full-time auditors investigate on the status of business and property through attendance at important meetings including the Board of Directors and verifying important business approval documents, etc., to confirm the process of making important decisions and the status of execution of duties conducted by directors, and to provide opinions on these matters.

Part-time (external) auditors attend the Board of Directors and receive reports from other auditors, directors, and employees, etc. They request explanations where necessary, and express their opinions from a neutral and independent standpoint based on specialized expertise.

2. Status of Internal Audits

For internal auditing, OEPC established up the 16-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.

Status of Corporate Governance

3. Status of Accounting Audits

- Name of audit firm
Deloitte Touche Tohmatsu LLC
- Certified public accountants executing the audit
Akihiro Kido, designated limited liability partner
Seiji Hamamura, designated limited liability partner
- Numbers of consecutive years conducting audits
47 years
- Composition of audit service assistants
The team assisting with auditing operations includes four certified public accountants and six 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.

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	51	2
Consolidated subsidiaries	-	-	-	-
Total	50	0	51	2

Details of non-audit services performed for OEPC

(Previous consolidated fiscal year)

Preparation of comfort letter as part of bond issue.

(Current consolidated fiscal year)

Preparation of comfort letter as part of bond issue.

Advisory services on CDP Climate Change questionnaire.

- Compensations for organizations belonging to the same network with auditing certified public accountants (Detroit Tohmatsu Group)

Classification	Previous Consolidated Fiscal Year		Consolidated Fiscal Year in Review	
	Compensation for audit certification duties (Millions of yen)	Compensation for non-audit duties (Millions of yen)	Compensation for audit certification duties (Millions of yen)	Compensation for non-audit duties (Millions of yen)
Company submitting audit	-	2	-	13
Consolidated Subsidiaries	-	-	-	-
Total	-	2	-	13

Our non-audit operations details are as follows.

(Previous Consolidated Fiscal Year)

Tax return documentation review operations

Advisory services related to the construction of the security cloud for our group

- 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.

*Monthly compensation is decided during the Human Resources and Compensation Committee held on April 23, 2019, as well as the Board of Directors held on June 27, 2019

*The bonus plans will be decided during the Human Resources and Compensation Committee held on April 14, 2020, as well as the Board of Directors held on April 30, 2020

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)	295	237	58	13
Auditors (excluding External Auditors)	58	58	—	3
Outside Directors and External Auditors	34	34	—	10

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

Total (¥ million)	Number of Persons	Details
34	5	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.

(The 1174th Board of Directors held on November 26, 2019 "Verification Results of the Eligibility of Cross-Shareholdings")

Status of Corporate Governance

• Issues and balance sheet amounts

	Number of security issues	Total balance sheet amount (¥ million)
Unlisted shares	32	2,045
Equity securities other than those not listed	6	4,969

(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	-	-	-

(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	-	-

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

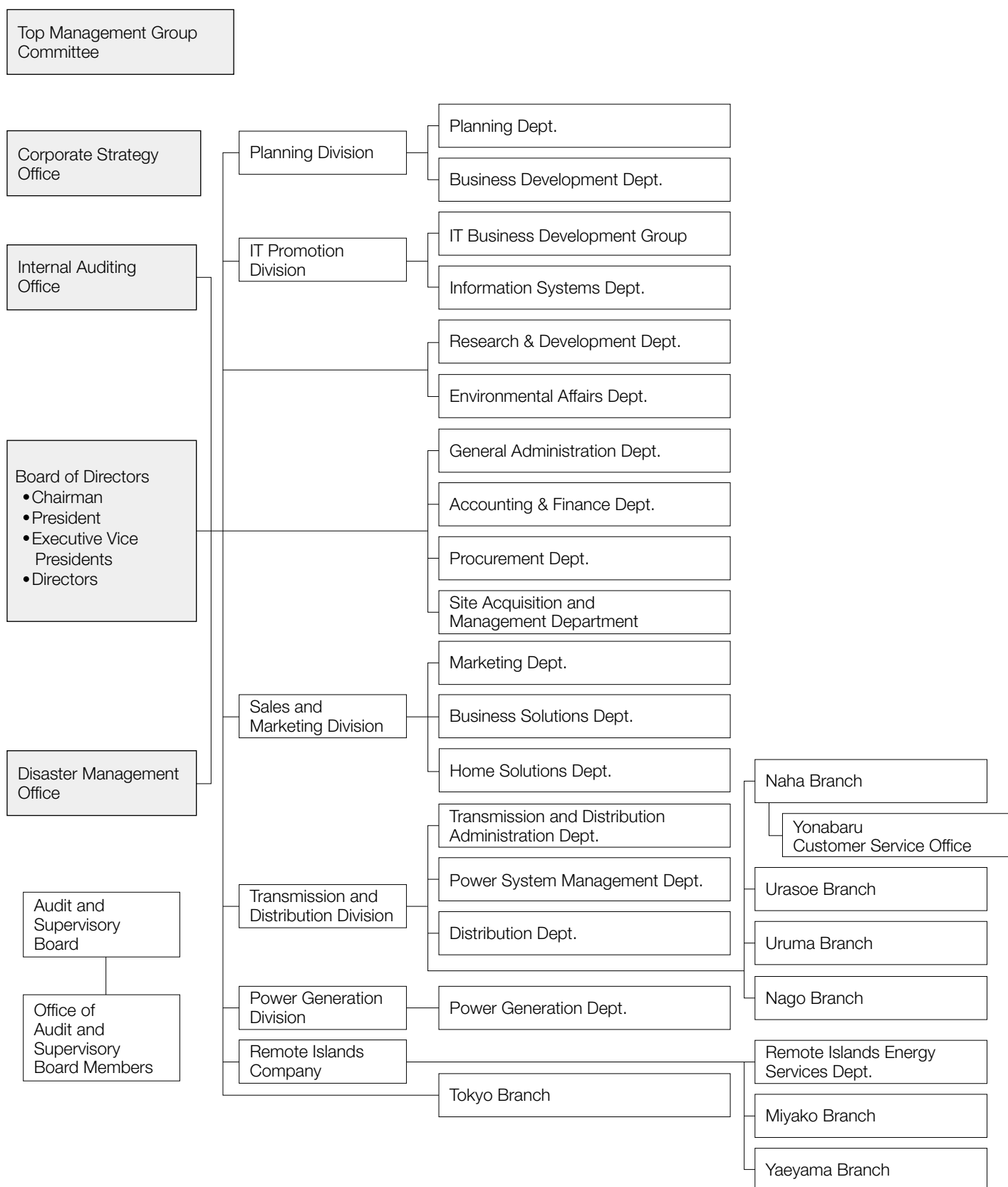
Specified investment shares

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	Contribution to the promotion of the local economy and OEPC's business operations. The dividend yield is greater than or equal to OEPC's Cost of Capital (WACC).	Yes
	1,870	2,042		
Okinawa Cellular Telephone Company	472,000	472,000	While contributing to the promotion of local economies, OEPC has a business alliances handling package sale of electricity and communications, contributing to the operation of our business. The dividend yield is greater than or equal to OEPC's Cost of Capital (WACC).	No
	1,696	1,661		
Bank of the Ryukyus, Ltd.	689,660	689,660	Contribution to the promotion of the local economy and OEPC's business operations. The dividend yield is greater than or equal to OEPC's Cost of Capital (WACC).	No
	731	777		
SAN-A Co., Ltd.	86,400	86,400	Contribution to the promotion of the local economy. The dividend yield is greater than or equal to OEPC's Cost of Capital (WACC).	Yes
	389	382		
Mizuho Financial Group, Inc.	1,768,490	1,768,490	Contribution to the promotion of the local economy. The dividend yield is greater than or equal to OEPC's Cost of Capital (WACC).	No*
	218	302		
KDDI Corporation	19,800	19,800	Contribution to the promotion of OEPC's business operations. The dividend yield is greater than or equal to OEPC's Cost of Capital (WACC).	No
	63	47		

Note: *The holding company does not hold OEPC shares, but the shares are owned by their subsidiaries.

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

Organization Chart



(As of July 1, 2020)

Board of Directors and Auditors



Mitsuru Omine
Chairman



Hiroyuki Motonaga
President



Kiyohito Shimabukuro
Executive Vice President

Managing Directors: Hitoshi Nakasone
Hayato Narisoko
Tetsu Yokoda
Hiroyasu Kugai

Directors: Jun Uema
Naomasa Nakamura
Hiraku Nakahodo

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 26, 2020)

Investor Information

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

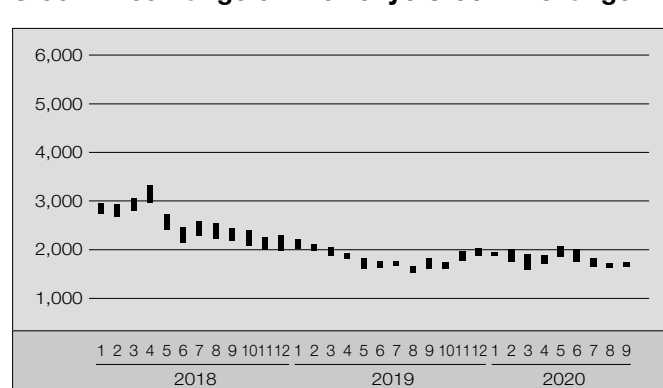
Securities Traded
Tokyo Stock Exchange
Fukuoka Stock Exchange

Common Stock Issued
54,217,110 shares

Number of Shareholders
9,256

(As of March 31, 2020)

Stock Price Range on the Tokyo Stock Exchange



Conducted a 1.25-for-1 stock split of ordinary shares on June 1, 2018.
Conducted a 1.05-for-1 stock split of ordinary shares on June 1, 2020.

Credit Rating (As of August 31, 2020)

Rating agency	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	2020	2019	2018	2017	2016
For the year:					
Operating revenues	¥204,296	¥205,481	¥196,134	¥179,997	¥182,265
Electric.....	191,492	193,431	186,080	170,675	173,046
Other	12,803	12,049	10,053	9,322	9,218
Operating expenses	193,969	200,038	186,801	170,870	175,025
Electric.....	182,079	188,567	177,393	162,078	166,232
Other	11,890	11,470	9,407	8,792	8,793
Interest expense	1,347	1,549	1,810	2,061	2,406
Income before income taxes and noncontrolling interests.....	9,311	5,220	8,381	7,521	5,229
Income taxes.....	2,519	1,367	1,978	1,896	1,521
Net income attributable to owners of the parent	6,705	3,751	6,273	5,517	3,647
Per share of common stock (Yen):					
Basic net income*	¥ 123.22	¥ 68.94	¥ 112.00	¥ 97.25	¥ 64.29
Cash dividends applicable to the year**	60.00	60.00	60.00	60.00	60.00
At year-end:					
Total assets.....	¥408,789	¥399,104	¥402,088	¥400,237	¥409,860
Net property, plant and equipment	329,840	325,259	330,559	337,292	345,579
Long-term debt, less current maturities	158,101	163,680	149,975	151,380	157,364
Total equity.....	155,710	152,404	152,759	153,361	148,111

Years Ended March 31	2020	2019	2018	2017	2016
Operating Statistics					
For the year:					
Electric energy sales (Millions of kWh)	7,316	7,453	7,761	7,813	7,649
At year-end:					
Generating capacity (Thousands of kW).....	2,147	2,147	2,148	2,153	2,155
Transmission lines (km).....	1,220	1,204	1,200	1,197	1,159
Distribution lines (km).....	11,078	11,018	10,940	10,873	10,828

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. A 1.05-for-1 stock split was effected on June 1, 2020. It is calculated on the assumption that these stock splits were conducted at the beginning of FY 2016 (April 1, 2015).

** A 1.5-for-1 stock split was effected on June 1, 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. A 1.05-for-1 stock split was effected on June 1, 2020. However, the cash dividends per share information has not been restated to reflect these stock splits at each fiscal year.

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27	Financial Review (Consolidated Basis)	34	Consolidated Statement of Cash Flows
29	Business and Other Risks	35	Notes to Consolidated Financial Statements
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32	Consolidated Statement of Comprehensive Income	47	Nonconsolidated Statement of Income
33	Consolidated Statement of Changes in Equity		

Financial Review (Consolidated Basis)

Business Performance

In the first half of fiscal 2019, the fiscal year ended March 31, 2020, the Okinawan economy experienced substantial growth in personal consumption, tourism, and public investment in construction. However, towards the end of the fiscal year the spread of COVID-19 and other factors weakened personal consumption and tourism, slowing the pace of growth.

Under these circumstances, the Okinawa Electric Power Company, Incorporated ("OEPC") recorded operating revenues (sales) of ¥204,296 million on a consolidated basis, down ¥1,184 million (0.6%) compared with the previous fiscal year.

Operating expenses fell by ¥6,068 million (3.0%) year on year, to ¥193,969 million compared with the previous fiscal year.

As a result, operating income rose by ¥4,883 million (89.7%) compared with the previous fiscal year, to ¥10,326 million.

Income before income taxes and non-controlling interests, which includes other income and expenses, was up ¥4,090 million (78.4%) to ¥9,311 million. Net income attributable to owners of parent for the period under review rose by ¥2,954 million (78.7%), to ¥6,705 million.

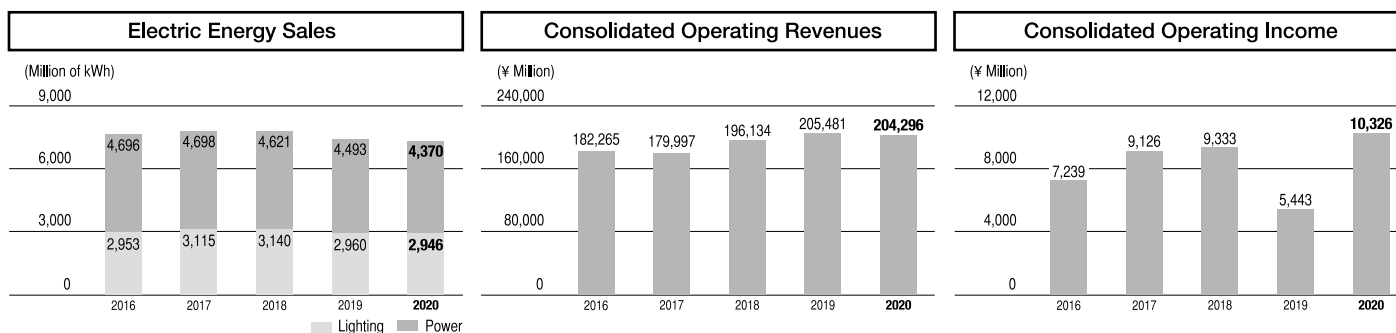
Details of business performance by segment are as follows:

1. Electric Power Business

Despite increases in sales of electric power to other companies and profits from power wheeling, revenues from the Electric Power Business fell by ¥1,489 million (0.8%) year on year, to ¥194,471 million due to the decrease the volume of electric power sold and the impact of the fuel cost adjustment system.

Meanwhile, operating expenses fell by ¥6,218 million (3.2%) year on year, to ¥186,234 million due to lower fuel costs, depreciation and amortization.

This resulted in an increase in operating income of ¥4,728 million (134.8%), to ¥8,236 million.



2. Other Operations

In other operations, revenues rose by ¥1,681 million (3.6%) year on year, to ¥48,792 million due to increases in work orders for energy service providers and the gas supply business. Meanwhile, expenses rose by ¥1,249 million (2.8%) year on year, to ¥46,416 million.

This resulted in an increase in operating income of ¥431 million (22.2%) to ¥2,375 million.

Cash Flows

Cash flows from operating activities

Net cash from operating activities rose by ¥19,484 million (117.3%) year on year, to ¥36,092 million compared with the previous fiscal year.

Cash flows from investing activities

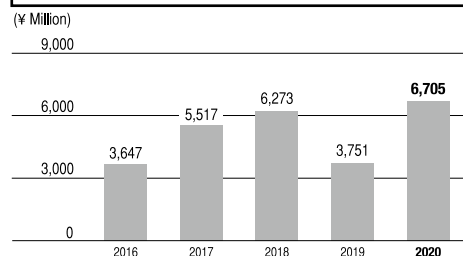
Net cash used in investing activities increased by ¥8,580 million (49.3%), to ¥25,988 million compared with the previous fiscal year.

Cash flows from financing activities

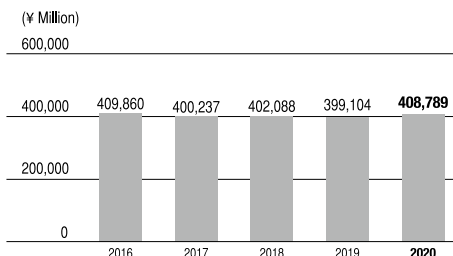
Net cash used in financing activities rose by ¥4,240 million (544.7%) to ¥5,018 million compared with the previous fiscal year.

As a result, cash and cash equivalents as of the end of the year totaled ¥21,593 million, up by ¥5,085 million (30.8%) compared with the end of the previous fiscal year.

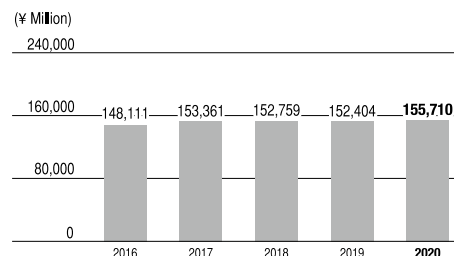
Consolidated Net Income Attributable to Owners of the Parent



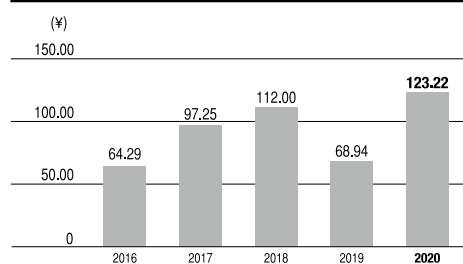
Consolidated Total Assets



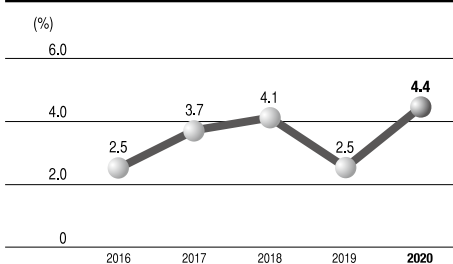
Consolidated Equity



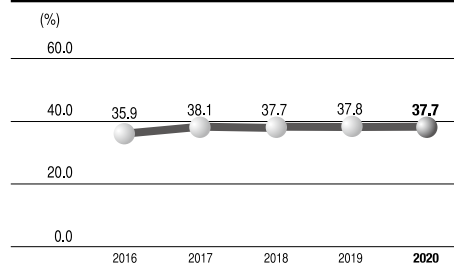
Consolidated Net Income per Share*



Consolidated Return on Equity



Consolidated Equity Ratio



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. A 1.05-for-1 stock split was effected on June 1, 2020. It is calculated on the assumption that these stock splits were conducted at the beginning of FY 2016 (April 1, 2015).

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 progressing 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 continues 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 the supply-demand picture and foreign exchange rates. However, we are working to minimize the risk of fuel cost fluctuations by aiming for a balanced electric power generation mix among other things.

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 ¥180.8 billion on March 31, 2020. 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, OEPC benefits from special measures and provisions in accordance with the Law for Special Measures to Promote Okinawa, which enable us to secure funds and facilitate other aspects of our operations. This means we receive financing at low interest rates from the Okinawa Development Finance Corporation (ODFC).

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

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. To reduce the risks posed by these kinds of natural disasters and incidents, and to ensure a stable supply of electricity, the Group strives to maintain and enhance equipment reliability by regularly conducting equipment inspections, improvements, and repairs.

Also, under the assumption that electric power facilities and other infrastructure could suffer damage from major earthquakes, tsunamis, typhoons, and other natural disasters, we work to ensure swift recovery from disasters by participating in company-wide coordinated disaster preparedness training as well as disaster preparedness training conducted by government agencies.

8. Personal information leakage

Our Group collects and manages personal information (including specified personal information) from customers in order to conduct business, and if this information is leaked externally, our performance may be adversely affected by problems such as deterioration of brand image or payment of reparations for subsequent damages.

We are working to implement the following measures against these risks:

We have established a basic policy concerning the protection of personal information (privacy policy) which is posted on our website and at each place of business, in order to ensure that our employees are well informed.

We have enacted internal regulations relating to the protection of personal information and established a corporate structure for carrying out appropriate information management.

We are working to increase awareness and comprehension of personal information protection through activities such as conducting training via e-learning and publishing case studies in the company newsletter which highlight problems related to personal information protection.

Moreover, because the nature of these risks make it difficult to reasonably forecast the timing and likelihood of their actualization, we do not touch on this here.

9. Conduct that violates corporate ethics

If our Group's social credibility or brand image were tarnished by actions that violate corporate ethics, such as breaking the law, or if we had to pay reparations for damages resulting from such actions, the Group's performance could be adversely affected. We are working to handle such risks in the following ways:

We have established a Corporate Ethics Committee, chaired by the President, which engages in activities such as enacting the internal regulations and planning activities related to corporate ethics.

This committee strives to thoroughly enforce the corporate ethics through activities including delivering a President's Message, holding lectures related to compliance and corporate ethics, publishing case studies in the company newsletter, and raising awareness among business partners.

We have also established "corporate ethics hotlines" both inside and outside the company to handle reports and consultations on matters related to corporate ethics. In addition to continuing to raise awareness among employees, we strive to provide comprehensive protection for whistle blowers.

Moreover, because the nature of these risks make it difficult to reasonably forecast the timing and likelihood of their actualization, these factors will not be described here.

10. Impact of COVID-19

The global spread of COVID-19 has caused effects like stagnation in economic activity and a decline in consumer spending due to lock downs, and has resulted in a situation in which the future outlook is opaque. In response to the government's declaration of a state of emergency, trends to refrain from travel have gathered momentum nationwide. Okinawa is also facing a worsening economy due to fewer tourists visiting the prefecture, and the closure of hotels and other commercial facilities.

While we are seeing signs of resumption of economic activities following the government's lifting of the state of emergency, there are still concerns about a possible second or third wave of infections. Prolonged impacts from COVID-19 may negatively impact demand for electricity due to a worsening prefectural economy, or cause a contraction in the movement of people and goods due to the disruption of supply chains. This, in turn, could impact procurement of materials and equipment as well as activities such as equipment maintenance and inspection.

Under the circumstances, our group will do everything in our power to fulfill our responsibility as an essential utility provider by continuing to maintain a stable supply of energy.

Consolidated Balance Sheet

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

March 31, 2020	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Assets			
Property, plant and equipment (Note 3):			
Utility plants	¥973,374	¥965,901	\$8,943,991
Other plant and equipment (Note 5)	45,063	38,962	414,069
Construction in progress	17,175	10,664	157,817
Total	1,035,612	1,015,527	9,515,877
Less:			
Contributions in aid of construction (Note 2(b))	(34,016)	(33,607)	(312,569)
Accumulated depreciation	(671,755)	(656,660)	(6,172,520)
Total	(705,772)	(690,268)	(6,485,090)
Net property, plant and equipment	329,840	325,259	3,030,787
Investments and other assets:			
Investment securities (Notes 4 and 11)	7,428	7,856	68,258
Investments in and advances to unconsolidated subsidiaries and affiliated companies	2,030	1,853	18,653
Deferred tax assets (Note 8)	11,201	11,579	102,930
Other assets	1,694	1,905	15,566
Allowance for doubtful accounts	(58)	(60)	(536)
Total investments and other assets	22,296	23,134	204,872
Current assets:			
Cash and cash equivalents (Note 11)	21,593	16,508	198,419
Notes and accounts receivable (Note 11)	16,776	15,374	154,152
Inventories, principally fuel	10,969	13,826	100,790
Other current assets	7,411	5,128	68,104
Allowance for doubtful accounts	(98)	(127)	(908)
Total current assets	56,652	50,711	520,557
Total	¥408,789	¥399,104	\$3,756,217
Liabilities and equity			
Long-term liabilities:			
Long-term debt, less current maturities (Notes 5 and 11)	¥158,101	¥163,680	\$1,452,741
Lease obligations (Note 5)	23,807	22,632	218,757
Liability for retirement benefits (Note 7)	12,508	11,504	114,937
Other long-term liabilities	1,195	1,656	10,983
Total long-term liabilities	195,613	199,473	1,797,419
Current liabilities:			
Current maturities of long-term debt (Notes 5 and 11)	23,918	14,807	219,779
Short-term bank loans (Notes 6 and 11)	671	1,052	6,167
Commercial paper (Notes 6 and 11)		3,000	
Notes and accounts payable (Note 11)	13,351	12,195	122,681
Income taxes payable (Note 11)	1,139	440	10,466
Accrued expenses	10,721	10,339	98,514
Other current liabilities	7,664	5,390	70,422
Total current liabilities	57,465	47,226	528,031
Equity (Note 9):* **			
Common stock,			
Authorized – 92,800,000 shares			
Issued – 54,217,110 shares in 2020 and 2019	7,586	7,586	69,709
Capital surplus	7,217	7,218	66,319
Retained earnings	143,690	140,084	1,320,318
Treasury stock, at cost – 2,390,471 shares in 2020 and 2,389,436 shares in 2019	(5,239)	(5,238)	(48,148)
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	1,767	1,928	16,240
Deferred loss on derivatives under hedge accounting	(21)	(12)	(195)
Defined retirement benefit plans	(774)	(561)	(7,116)
Total	154,226	151,004	1,417,127
Noncontrolling interests	1,484	1,399	13,639
Total equity	155,710	152,404	1,430,766
Total	¥408,789	¥399,104	\$3,756,217

See notes to consolidated financial statements.

Notes: * A 1.25-for-1 stock split was effected on June 1, 2018.

It is calculated on the assumption that this stock split was conducted at the beginning of FY 2019 (April 1, 2018).

** A 1.05-for-1 stock split was effected on June 1, 2020. However, the number of shares presented above has not been restated to reflect this stock split.

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

Authorized shares – 92,800,000 shares

Issued – 56,927,965 shares in 2020 and 2019

Treasury stock – 2,509,994 shares in 2020 and 2,508,907 shares in 2019

Consolidated Statement of Income

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Year Ended March 31, 2020	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Operating revenues:			
Electric.....	¥191,492	¥193,431	\$1,759,554
Other	12,803	12,049	117,650
Total operating revenues	204,296	205,481	1,877,204
Operating expenses (Notes 7 and 10):			
Electric.....	182,079	188,567	1,673,062
Other	11,890	11,470	109,253
Total operating expenses	193,969	200,038	1,782,316
Operating income	10,326	5,443	94,888
Other expenses:			
Interest expense	1,347	1,549	12,383
Other – net	(332)	(1,326)	(3,051)
Net other expenses	1,015	222	9,332
Income before income taxes	9,311	5,220	85,556
Income taxes (Note 8):			
Current	2,037	1,598	18,721
Deferred.....	482	(230)	4,429
Total.....	2,519	1,367	23,151
Net income	6,791	3,852	62,404
Net income attributable to noncontrolling interests	85	100	788
Net income attributable to owners of the parent.....	¥ 6,705	¥ 3,751	\$ 61,615
	Yen		U.S. dollars
Per share of common stock (Note 2(k)):			
Basic net income*	¥ 123.22	¥68.94	\$ 1.13
Cash dividends applicable to the year**	60.00	60.00	0.55

See notes to consolidated financial statements.

Notes: * A 1.25-for-1 stock split was effected on June 1, 2018. A 1.05-for-1 stock split was effected on June 1, 2020.

It is calculated on the assumption that these stock splits were conducted at the beginning of FY 2019 (April 1, 2018).

** A 1.25-for-1 stock split was effected on June 1, 2018. A 1.05-for-1 stock split was effected on June 1, 2020.

However, the cash dividends per share information has not been restated to reflect these stock splits at each fiscal year.

Consolidated Statement of Comprehensive Income

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Year Ended March 31, 2020	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net income	¥ 6,791	¥ 3,852	\$ 62,404
Other comprehensive loss (Note 13)			
Unrealized loss on available-for-sale securities	(156)	(1,038)	(1,442)
Deferred loss on derivatives under hedge accounting.....	(8)	(24)	(80)
Defined retirement benefit plans	(212)	(425)	(1,954)
Share of other comprehensive loss in an affiliate accounted for under the equity method	(0)	(1)	(3)
Total other comprehensive loss.....	(378)	(1,488)	(3,480)
Comprehensive income	¥ 6,412	¥ 2,363	\$ 58,924
Total comprehensive income attributable to:			
Owners of the parent	¥ 6,323	¥ 2,268	\$ 58,103
Noncontrolling interests.....	89	95	820

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, 2020	Shares / Millions of yen					
	Common stock		Capital surplus	Retained earnings	Treasury stock	
	Shares * **	Amount			Shares * **	Amount
Balance, April 1, 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)
Net income attributable to owners of the parent				6,705		
Cash dividends				(3,109)		
Purchase of treasury stock					1,121	(2)
Disposal of treasury stock			(0)		(86)	0
Change in the parent's ownership interest due to transactions with noncontrolling interests...			(0)			
Other				10		
Net change in the year						
Balance, March 31, 2020	¥54,217,110	¥7,586	¥7,217	¥143,690	¥2,390,471	¥(5,239)

Year Ended March 31, 2020	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, 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
Net income attributable to owners of the parent				6,705		6,705
Cash dividends				(3,109)		(3,109)
Purchase of treasury stock				(2)		(2)
Disposal of treasury stock				0		0
Change in the parent's ownership interest due to transactions with noncontrolling interests...				(0)		(0)
Other				10		10
Net change in the year	(160)	(8)	(212)	(382)	84	(297)
Balance, March 31, 2020	¥1,767	¥(21)	¥(774)	¥154,226	¥1,484	¥155,710

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings	Treasury stock	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		
Balance, March 31, 2019	\$69,709	\$66,326	\$1,287,182	\$(48,130)	\$17,718	\$(115)	\$(5,162)	\$1,387,528	\$12,860
Net income attributable to owners of the parent			61,615					61,615	61,615
Cash dividends			(28,573)					(28,573)	(28,573)
Purchase of treasury stock				(19)				(19)	(19)
Disposal of treasury stock		(0)		1				1	1
Change in the parent's ownership interest due to transactions with noncontrolling interests...		(7)						(7)	(7)
Other			93					93	93
Net change in the year					(1,477)	(80)	(1,954)	(3,512)	778
Balance, March 31, 2020	\$69,709	\$66,319	\$1,320,318	\$(48,148)	\$16,240	\$(195)	\$(7,116)	\$1,417,127	\$13,639

See notes to consolidated financial statements.

Note: * A 1.25-for-1 stock split was effected on June 1, 2018.

** A 1.05-for-1 stock split was effected on June 1, 2020. However, the number of shares presented above has not been restated to reflect this stock split.

Consolidated Statement of Cash Flows

The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries

Year Ended March 31, 2020	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Operating activities:			
Income before income taxes.....	¥ 9,311	¥ 5,220	\$ 85,556
Adjustments for:			
Income taxes paid	(1,289)	(2,603)	(11,846)
Depreciation and amortization	22,384	23,239	205,686
Loss on disposal of property, plant and equipment	767	358	7,051
Changes in assets and liabilities:			
Increase in notes and accounts receivable.....	(1,451)	(3,226)	(13,335)
Decrease (increase) in inventories	2,932	(3,225)	26,943
Increase (decrease) in notes and accounts payable	846	(1,925)	7,775
Decrease in interest payable	(12)	(45)	(119)
Increase in liability for retirement benefits	426	258	3,914
Other - net.....	2,178	(1,440)	20,017
Total adjustments	26,781	11,388	246,088
Net cash provided by operating activities.....	36,092	16,608	331,644
Investing activities:			
Purchase of property, plant and equipment.....	(25,403)	(20,557)	(233,422)
Proceeds from sale of property, plant and equipment	219	448	2,014
Payments for investments and advances.....	(21)	(47)	(193)
Proceeds from sales of investment securities and collections of advances.....	303	1,026	2,790
Other - net.....	(1,087)	1,721	(9,992)
Net cash used in investing activities.....	(25,988)	(17,408)	(238,803)
Financing activities:			
Proceeds from issuance of bonds.....	9,966	9,966	91,577
Repayments of bonds		(10,000)	
Proceeds from long-term debt.....	6,501	16,879	59,736
Repayments of long-term debt	(13,194)	(12,111)	(121,241)
Net decrease in short-term bank loans	(381)	(187)	(3,506)
Net decrease in commercial paper	(3,000)	(1,000)	(27,565)
Cash dividends paid	(3,104)	(2,797)	(28,529)
Other - net.....	(1,804)	(1,528)	(16,582)
Net cash used in financing activities.....	(5,018)	(778)	(46,112)
Net increase (decrease) in cash and cash equivalents	5,085	(1,578)	46,728
Cash and cash equivalents, beginning of year	16,508	18,086	151,690
Cash and cash equivalents, end of year	¥21,593	¥16,508	\$198,419

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, 2020

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, 2019, to conform to the classifications used in the consolidated financial statements for the year ended March 31, 2020.

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 ¥108.83 to \$1, the approximate rate of exchange on March 31, 2020. 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, 2020, include the accounts of the Company and its 12 significant subsidiaries (12 in 2019). Investment in one affiliated company (one in 2019) 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. Account 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.

(j) Stock and bond issuance costs

Stock and bond issuance costs are charged to income when paid or incurred.

(k) Per share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net income per share is not disclosed because no latent shares were outstanding.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

The Company effected a 1.05-for-1 stock split on June 1, 2020 (see Note15)

(l) New Accounting Pronouncements

On March 31, 2020, 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.

On July 4, 2019, the ASBJ issued ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement," ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement." These accounting standards and the guidance establish the measuring of the fair value of financial instruments in ASBJ Statement No. 10 "Accounting Standard for Financial Instruments."

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

3. Property, plant and equipment

The major classes of property, plant and equipment as of March 31, 2020 and 2019, consisted of the following:

As of March 31, 2020	Millions of yen			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power-generating facilities	¥ 467,506	¥(16,569)	¥(338,010)	¥112,925
Transmission facilities	166,235	(4,223)	(112,095)	49,916
Transformation facilities.....	110,623	(1,510)	(75,012)	34,100
Distribution facilities.....	182,531	(3,269)	(99,308)	79,952
General facilities.....	33,496	(5,375)	(14,824)	13,297
Other electricity-related facilities	12,980	(538)	(11,340)	1,101
Utility plants	973,374	(31,487)	(650,592)	291,294
Other plant and equipment...	45,063	(2,314)	(21,163)	21,585
Construction in progress.....	17,175	(215)		16,959
Total.....	¥1,035,612	¥(34,016)	¥(671,755)	¥329,840

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, 2020	Thousands of U.S. dollars			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power-generating facilities	\$4,295,747	\$(152,254)	\$(3,105,858)	\$1,037,634
Transmission facilities	1,527,483	(38,808)	(1,030,005)	458,669
Transformation facilities.....	1,016,480	(13,877)	(689,266)	313,335
Distribution facilities.....	1,677,213	(30,043)	(912,511)	734,658
General facilities.....	307,789	(49,390)	(136,212)	122,186
Other electricity-related facilities	119,277	(4,951)	(104,203)	10,121
Utility plants	8,943,991	(289,326)	(5,978,059)	2,676,605
Other plant and equipment...	414,069	(21,263)	(194,461)	198,343
Construction in progress.....	157,817	(1,978)		155,838
Total.....	\$9,515,877	\$(312,569)	\$(6,172,520)	\$3,030,787

4. Investment securities

The costs and aggregate fair values of investment securities at March 31, 2020 and 2019, were as follows:

As of March 31, 2020	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 2,739	¥ 2,907	¥ 427	¥ 5,218
Other	148		26	121
Total.....	¥ 2,887	¥ 2,907	¥ 454	¥ 5,340

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, 2020	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	\$25,170	\$26,714	\$3,931	\$47,953
Other	1,362		241	1,120
Total	\$26,532	\$26,714	\$4,172	\$49,074

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 (\$ 19,184 thousand) in 2020 and ¥2,087 million in 2019.

5. Long-term debt

Long-term debt as of March 31, 2020 and 2019, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Domestic bonds, 0.110% to 1.452% in 2020 and 0.110% to 1.452% in 2019, due serially through 2030	¥ 75,000	¥ 65,000	\$ 689,148
Loans from Okinawa Development Finance Corporation, 0.100% to 2.050% in 2020 and 0.100% to 2.100% in 2019, due serially through 2039	96,736	102,413	888,878
Loans from banks, insurance companies and other sources, 0.159% to 1.950% in 2020 and 0.150% to 1.950% in 2019, due serially through 2039	8,430	9,447	77,468
Obligations under finance leases	25,660	24,259	235,781
Total	205,827	201,120	1,891,277
Less current maturities	(23,918)	(14,807)	(219,779)
Long-term debt, less current maturities *	¥181,909	¥186,312	\$1,671,498

Note * Long-term debt, less current maturities, including lease obligations for the years ended March 31, 2020 and 2019, were ¥23,807 million (\$218,757 thousand) and ¥22,632 million, respectively.

All of the Company's assets are subject to certain statutory preferential rights as collateral for bonds and loans from the Okinawa Development Finance Corporation.

Certain assets of the consolidated subsidiaries, amounting to ¥3,238 million (\$29,761 thousand), are pledged as collateral for a portion of the long-term debt as of March 31, 2020.

The aggregate annual maturities of long-term debt outstanding as of March 31, 2020, were as follows:

Years Ended March 31	Millions of yen	Thousands of U.S. dollars
2021	¥ 23,918	\$ 219,779
2022	23,477	215,728
2023	22,725	208,818
2024	17,640	162,093
2025	18,495	169,948
2026 and thereafter	99,569	914,909
Total	¥205,827	\$1,891,277

6. Short-term borrowings

The weighted-average interest rates applicable to short-term bank loans were 0.493% and 0.448% as of March 31, 2020 and 2019, respectively. The weighted-average interest rate applicable to commercial paper was (0.008)% as of March 31, 2019.

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, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of year	¥19,550	¥18,297	\$179,644
Current service cost	1,169	1,102	10,749
Interest cost	38	61	358
Actuarial (gains) losses	(6)	456	(60)
Benefits paid	(513)	(367)	(4,716)
Balance at end of year	¥20,239	¥19,550	\$185,975

- (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, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of year	¥3,409	¥3,448	\$31,328
Periodic benefit costs	547	472	5,031
Benefits paid	(139)	(262)	(1,284)
Contributions from the employer	(205)	(248)	(1,888)
Balance at end of year	¥3,611	¥3,409	\$33,187

- (3) The changes in plan assets for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of year	¥14,808	¥14,401	\$136,067
Expected return on plan assets	286	278	2,631
Actuarial losses	(585)	(198)	(5,375)
Contributions from the employer	495	486	4,555
Benefits paid	(310)	(266)	(2,851)
Others	52	105	481
Balance at end of year	¥14,747	¥14,808	\$135,508

*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, 2020 and 2019, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Funded defined benefit obligation	¥18,986	¥18,201	\$174,456
Plan assets	(14,747)	(14,808)	(135,508)
	4,238	3,393	38,947
Unfunded defined benefit obligation	8,270	8,110	75,990
Net liability for defined benefit obligation	¥12,508	¥11,504	\$114,937

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Liability for retirement benefits	¥12,508	¥11,504	\$114,937
Net liability for defined benefit obligation	¥12,508	¥11,504	\$114,937

- (5) The components of net periodic benefit costs for the years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Current service cost	¥1,169	¥1,102	\$10,749
Interest cost	38	61	358
Expected return on plan assets	(286)	(278)	(2,631)
Recognized actuarial losses	285	69	2,623
Others	547	472	5,031
Net periodic benefit costs	¥1,755	¥1,427	\$16,131

*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, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Actuarial losses	¥(292)	¥(585)	\$(2,691)
Total	¥(292)	¥(585)	\$(2,691)

- (7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized actuarial losses	¥(1,066)	¥(773)	\$(9,802)
Total	¥(1,066)	¥(773)	\$(9,802)

- (8) Plan assets as of March 31, 2020 and 2019

a. Components of plan assets

Plan assets consisted of the following:

	2020	2019
Debt investments	16%	20%
Equity investments	20	18
General account	53	52
Others	11	10
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

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

- (9) Assumptions used for the years ended March 31, 2020 and 2019, are set forth as follows:

	2020	2019
Discount rate	Mainly 0.3%	Mainly 0.2%
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, 2020 and 2019, was ¥198 million (\$1,819 thousand) and ¥197 million, respectively.

8. Income taxes

The Companies are subject to several taxes based on income and revenue. For the years ended March 31, 2020 and 2019, the aggregate normal effective statutory tax rates approximated 27.4%.

The significant components of deferred tax assets and liabilities as of March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Unrealized profit	¥3,733	¥3,729	\$34,304
Liability for retirement benefits	3,634	3,347	33,391
Depreciation and amortization	3,035	2,753	27,892
Accrued bonus	738	721	6,786
Other	1,662	2,576	15,276
Subtotal	12,804	13,127	117,652
Less: valuation allowance	(522)	(422)	(4,796)
Total deferred tax assets	¥12,282	¥12,705	\$112,856
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(682)	(730)	(6,267)
Unrealized gain on land revaluation	(282)	(282)	(2,591)
Other	(116)	(113)	(1,067)
Total deferred tax liabilities	¥(1,080)	¥(1,125)	\$(9,926)
Net deferred tax assets	¥11,201	¥11,579	\$102,930

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, 2020 and 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 ¥613 million (\$5,638 thousand) and ¥584 million for the years ended March 31, 2020 and 2019, 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 to manage exposure to fluctuations in foreign exchange.

(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, 2020 and 2019, were as follows:

March 31, 2020	Millions of yen		
	Carrying amount	Fair value	Unrecognized loss
Investment securities:			
Available-for-sale	¥ 5,340	¥ 5,340	
Cash and cash equivalents	21,593	21,593	
Notes and accounts receivable	16,776	16,766	
Total	¥ 43,711	¥ 43,711	

Long-term debt:			
Bonds.....	¥ 75,000	¥ 75,096	¥ 96
Loans	105,167	108,250	3,082
Short-term bank loans	671	671	
Notes and accounts payable	13,351	13,351	
Income taxes payable.....	1,139	1,139	
Total	¥195,329	¥198,508	¥3,179
Derivatives	¥ (29)	¥ (29)	

March 31, 2019	Millions of yen		
	Carrying amount	Fair value	Unrecognized loss
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)	

	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrecognized loss
March 31, 2020			
Investment securities:			
Available-for-sale	\$49,074	\$49,074	
Cash and cash equivalents	198,419	198,419	
Notes and accounts receivable	154,152	154,152	
Total	\$ 401,645	\$ 401,645	
Long-term debt:			
Bonds	\$ 689,148	\$ 690,034	\$ 886
Loans	966,347	994,672	28,324
Short-term bank loans	6,167	6,167	
Notes and accounts payable	122,681	122,681	
Income taxes payable	10,466	10,466	
Total	\$1,794,811	\$1,824,023	\$29,211
Derivatives	\$ (269)	\$ (269)	

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.

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
	2020	2019	2020
Investment securities:			
Available-for-sale:			
Unlisted equity securities	¥2,087	¥2,087	\$19,184
Other			
Total	¥2,087	¥2,087	\$19,184

(e) Maturity analysis for financial assets with contractual maturities

March 31, 2020	Millions of yen	Thousands of U.S. dollars
	Due in one year or less	Due in one year or less
Cash and cash equivalents	¥21,593	\$198,419
Notes and accounts receivable	16,776	154,152
Total	¥38,370	\$352,571

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, 2020	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)	¥969	¥465	¥(29)	Foreign currency transaction (forecasted transactions)	\$8,912	\$4,277	\$(269)

As of March 31, 2019	Millions of yen			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Foreign currency forward contracts:				
Buying EURO	Foreign currency transaction (forecasted transactions)	¥1,000	¥502	¥(17)

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, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Other comprehensive loss			
Unrealized loss on available-for-sale securities			
Losses arising during the year	¥ (274)	¥ (1,422)	\$ (2,524)
Reclassification adjustments to profit or loss	96		887
Amount before income tax effect	(178)	(1,422)	(1,636)
Income tax effect	21	384	194
Total	¥ (156)	¥ (1,038)	\$ (1,442)
Deferred loss on derivatives under hedge accounting			
Losses arising during the year	¥ (12)	¥ (33)	\$ (110)
Amount before income tax effect	(12)	(33)	(110)
Income tax effect	3	9	30
Total	¥ (8)	¥ (24)	\$ (80)
Defined retirement benefit plans			
Losses arising during the year	¥ (578)	¥ (655)	\$ (5,315)
Reclassification adjustments to profit or loss	285	69	2,623
Amount before income tax effect	(292)	(585)	(2,691)
Income tax effect	80	160	737
Total	¥ (212)	¥ (425)	\$ (1,954)
Share of other comprehensive loss in an affiliate accounted for under the equity method			
Losses arising during the year	¥ (0)	¥ (1)	\$ (3)
Total other comprehensive loss	¥ (378)	¥ (1,488)	\$ (3,480)

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:

	Millions of yen					Thousands of U.S. dollars				
	Reportable segment					Reportable segment				
2020	Electric	Other	Total	Reconciliations	Consolidated	Electric	Other	Total	Reconciliations	Consolidated
Sales										
Sales to external customers	¥191,609	¥12,686	¥204,296		¥204,296	\$1,760,633	\$116,571	\$1,877,204		\$1,877,204
Intersegment sales or transfers	2,861	36,105	38,966	¥(38,966)		26,291	331,761	358,052	\$(358,052)	
Total	¥194,471	¥48,792	¥243,263	¥(38,966)	¥204,296	\$1,786,924	\$448,332	\$2,235,257	\$(358,052)	\$1,877,204
Segment profit	¥ 8,236	¥ 2,375	¥ 10,611	¥ (284)	¥ 10,326	\$ 75,679	\$ 21,826	\$ 97,506	\$ (2,617)	\$ 94,888
Segment assets	373,941	57,083	431,025	(22,236)	408,789	3,436,017	524,520	3,960,537	(204,320)	3,756,217
Other:										
Depreciation	21,840	1,414	23,255	(870)	22,384	200,688	12,995	213,684	(7,998)	205,686
Increase in property, plant and equipment and intangible assets	23,064	6,056	29,120	(569)	28,551	211,931	55,647	267,578	(5,232)	262,346

	Millions of yen				
	Reportable segment				
2019	Electric	Other	Total	Reconciliations	Consolidated
Sales					
Sales to external customers	¥193,565	¥11,915	¥205,481		¥205,481
Intersegment sales or transfers	2,394	35,195	37,590	¥(37,590)	
Total	¥195,960	¥47,111	¥243,071	¥(37,590)	¥205,481
Segment profit	¥ 3,507	¥ 1,944	¥ 5,451	¥ (8)	¥ 5,443
Segment assets	368,746	49,045	417,792	(18,687)	399,104
Other:					
Depreciation	22,899	1,222	24,121	(882)	23,239
Increase in property, plant and equipment and intangible assets	17,376	2,892	20,268	(840)	19,428

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, 2020 and 2019.

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, 2020, was approved at the Company's shareholders' meeting held on June 26, 2020:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30 (27¢) per share	¥1,554	\$14,286

On June 1, 2020, the Company effected a 1.05-for-1 stock split for each outstanding share and 2,710,855 shares were consequently issued to shareholders of record on May 31, 2020.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Okinawa Electric Power Company, Incorporated:

Opinion

We have audited the consolidated financial statements of The Okinawa Electric Power Company, Incorporated and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 30, 2020

Non-consolidated Balance Sheet

The Okinawa Electric Power Company, Incorporated

March 31, 2020 (Unaudited)	Millions of yen		Thousands of U.S. dollars *
	2020	2019	2020
Assets			
Property, plant and equipment:			
Utility plant and equipment	¥1,011,793	¥1,002,237	\$9,297,008
Construction in progress.....	14,097	8,808	129,533
Total	1,025,890	1,011,046	9,426,542
Less:			
Contributions in aid of construction	(32,559)	(32,446)	(299,174)
Accumulated depreciation	(675,819)	(660,977)	(6,209,863)
Total	(708,378)	(693,423)	(6,509,038)
Net property, plant and equipment.....	317,511	317,622	2,917,503
Investments and other assets:			
Investment securities	7,014	7,259	64,454
Investments in and advances to subsidiaries and affiliated companies.....	5,766	3,087	52,988
Deferred tax assets.....	5,576	6,081	51,241
Other assets	1,464	1,718	13,456
Allowance for doubtful accounts	(29)	(34)	(273)
Total investments and other assets	19,792	18,113	181,866
Current assets:			
Cash and cash equivalents	12,760	7,379	117,250
Accounts receivable	13,198	12,373	121,272
Fuel and supplies.....	10,071	12,731	92,543
Other current assets	691	644	6,351
Allowance for doubtful accounts	(83)	(117)	(769)
Total current assets	36,637	33,010	336,647
Total	¥373,941	¥368,746	\$3,436,017
Liabilities and equity			
Long-term liabilities:			
Long-term debt, less current maturities	¥152,549	¥158,836	\$1,401,724
Lease obligations.....	21,501	22,651	197,571
Liability for retirement benefits.....	7,830	7,320	71,948
Other long-term liabilities	1,070	1,708	9,838
Total long-term liabilities.....	182,952	190,517	1,681,081
Current liabilities:			
Current maturities of long-term debt	22,987	14,068	211,228
Short-term borrowings			
Commercial paper	0	3,000	0
Accounts payable.....	10,945	9,122	100,576
Income taxes payable.....	583	50	5,357
Accrued expenses.....	12,039	12,264	110,630
Other current liabilities	6,874	4,494	63,164
Total current liabilities	53,430	43,000	490,956
Equity:** ***			
Common stock,			
Authorized - 92,800,000 shares			
Issued - 54,217,110 shares in 2020 and 2019	7,586	7,586	69,709
Capital surplus :			
Additional paid-in capital	7,141	7,142	65,625
Retained earnings :			
Legal reserve	964	964	8,866
Unappropriated	125,391	122,849	1,152,180
Unrealized gain on available-for-sale securities.....	1,734	1,935	15,939
Deferred loss on derivatives under hedge accounting	(21)	(12)	(195)
Treasury stock, at cost 2,390,471 shares in 2020 and 2,389,436 shares in 2019	(5,239)	(5,238)	(48,148)
Total equity	137,558	135,228	1,263,978
Total	¥373,941	¥368,746	\$3,436,017

Notes: * The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥108.83 to \$1, the approximate rate of exchange as of March 31, 2020.

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

It is calculated on the assumption that this stock split was conducted at the beginning of FY2019(April 1, 2018).

*** A 1.05-for-1 stock split was effected on June 1, 2020. However, the number of shares presented above has not been restated to reflect this stock split.

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

Authorized shares - 92,800,000 shares

Issued - 56,927,965 shares in 2020 and 2019

Treasury stock - 2,509,994 shares in 2020 and 2,508,907 shares in 2019

Non-consolidated Statement of Income

The Okinawa Electric Power Company, Incorporated

Year Ended March 31, 2020 (Unaudited)	Millions of yen		Thousands of U.S. dollars *
	2020	2019	2020
Operating revenues	¥194,471	¥195,960	\$1,786,924
Operating expenses:			
Personnel.....	17,981	17,692	165,225
Fuel.....	48,836	54,070	448,745
Purchased power.....	32,010	32,732	294,128
Depreciation.....	21,693	22,717	199,335
Repairs and maintenance.....	18,841	18,992	173,124
Taxes other than income taxes.....	7,329	7,238	67,351
Other	39,541	39,008	363,335
Total operating expenses.....	186,234	192,453	1,711,245
Operating income	8,236	3,507	75,679
Other income (expenses):			
Interest and dividend income	440	587	4,046
Interest expense.....	(1,298)	(1,518)	(11,930)
Other - net	(56)	1,117	(521)
Net other expenses (income)	(914)	(186)	(8,405)
Income before income taxes	7,321	3,694	67,273
Income taxes:			
Current	1,117	903	10,264
Deferred.....	552	(243)	5,078
Total	1,669	659	15,342
Net income	¥5,651	¥3,034	\$51,930
		Yen	U.S. Dollars
Per share of common stock			
Basic net income **	¥103.86	¥55.76	\$0.95
Cash dividends applicable to the year ***	60.00	60.00	0.55

Notes: * The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥108.83 to \$1, the approximate rate of exchange at March 31, 2020.

** A 1.25-for-1 stock split was effected on June 1, 2018. A 1.05-for-1 stock split was effected on June 1, 2020. It is calculated on the assumption that these stock splits were conducted at the beginning of FY 2019 (April 1, 2018).

*** A 1.05-for-1 stock split was effected on June 1, 2020. However, the cash dividends per share information has not been restated to reflect this stock split at each fiscal year.