

Management Overview

May, 2007



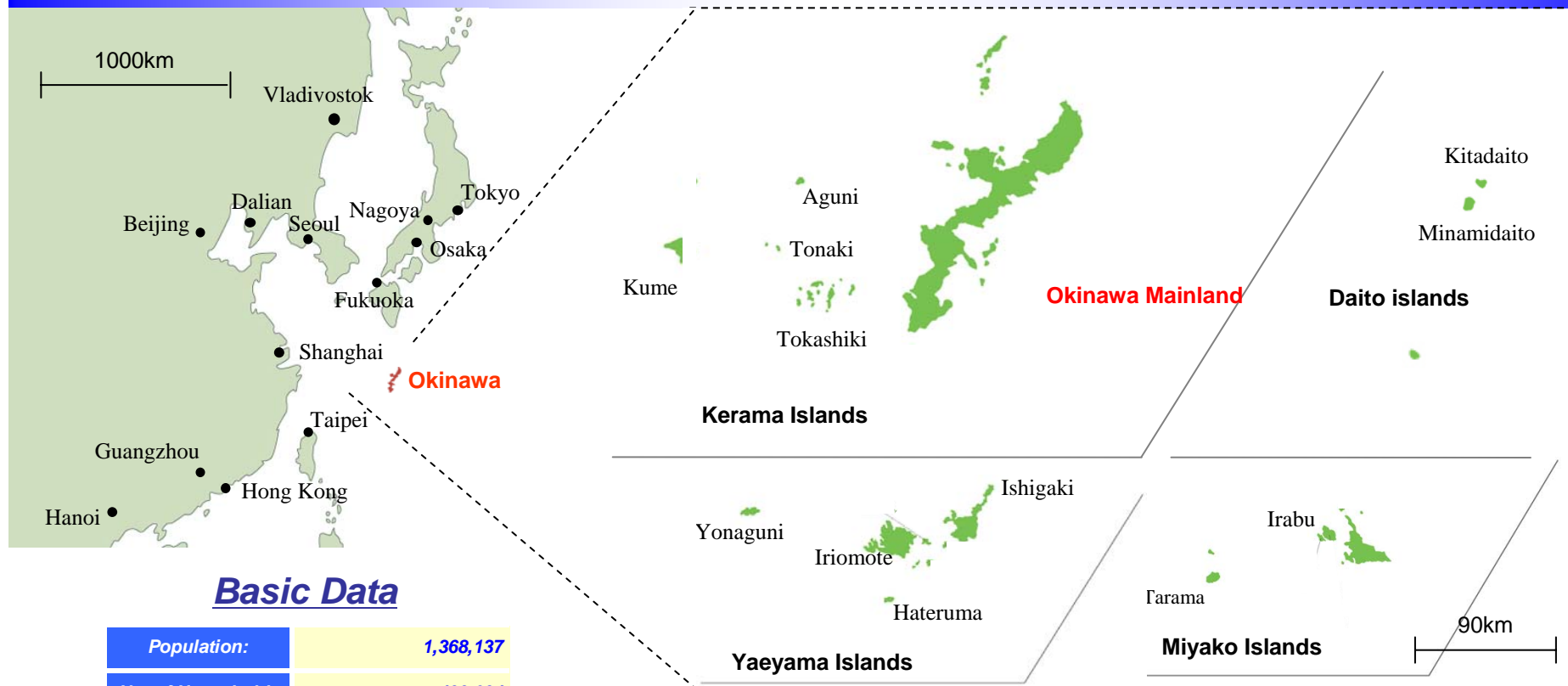
The Okinawa Electric Power Company, Inc.

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Overview of Okinawa Prefecture



Basic Data

Population:	1,368,137
No. of Households	499,094
Land Area	2274.59km ²
Climate	Subtropical
Location	26 ° 12N 127 ° 41E
Gross Prefectural Product	¥3,745.6 billion
Tourism Revenue	¥398.3 billion

- ◆ 90% of the population is concentrated on the main island of Okinawa.
- ◆ Tertiary industrial sectors including commerce, finance and service account for roughly 90% of gross prefectural product.

Population and No. of Households as of October 1, 2006
 Land Area as of October 1, 2005
 Gross Prefectural Product as of Fiscal Year 2004
 Tourism Revenue as of Fiscal Year 2005
 (Source: Okinawa Prefecture Statistical Yearbook, Prefectural Residents Economic Calculation, etc.)

Cities of the World at a similar latitude

Las Palmas	(Canary Islands)	28 ° 6N
Dubai	(UAE)	25 ° 18N
Miami	(Florida, USA)	25 ° 46N



Corporate Overview of OEPC

Okinawa Electric Power supplies electricity to all part of Okinawa Prefecture including 37 inhabited islands scattered over a vast sea area lying 1,000 kilometers east and west and 400 kilometers north and south. Okinawa Electric Power maintains its own electric line system without any linkage to that of any other electric power company based in mainland Japan.

Date established	May 15, 1972	Securities identification code	9511
Capital	¥7,586 million	Supply area	Okinawa Prefecture
No. of shareholders	7,420	No. of customers	Lighting 741 thousand units Power 67 thousand units
Sales (Fiscal Year 2006)	¥147.20 billion (Non-consolidated) ¥159.39 billion (Consolidated)	Electric power sales (Fiscal Year 2006)	Lighting 2,881 million kWh Power 4,495 million kWh (Deregulated demand 1,154million kWh) Total 7,376 million kWh
Total assets	¥354.11 billion (Non-consolidated) ¥376.07 billion (Consolidated)	Supply facilities	Steam-power generators 4 locations 1,467 thousand kW Gas turbine generators 4 locations 291 thousand kW Internal-combustion power generators 13 locations 166 thousand kW
No. of employees	1,515 (Non-consolidated) 2,582 (Consolidated)		

(as of March 31, 2007)

Ratings

Rating agency	S&P	Moody's	R&I	JCR
Rating	AA-	Aa2	AA+	AAA

March 8, 2007 Moody's changes the rating from Aa3 to Aa2.

March 28, 2007 S&P reviews the outlook from AA-/Stable to AA-/Positive.

* S&P has reviewed the rating on April 23, 2007 from AA-/Positive to AA/Stable.

* Ratings on long-term preferred debts as of March 31, 2007



Electric Energy Demand (FY2006 Result & FY2007 Outlook)

FY2006 Result

(Unit: Million kWh, %)

		FY2006 (Result)	FY2005 (Result)	FY2006 (Target)	YoY Change	Performance Against target
Electricity sales	Lighting	2,881	2,901	2,927	-0.7	98.4
	Power	4,495	4,445	4,431	1.1	101.4
	Total	7,376	7,346	7,358	0.4	100.2

(Lighting)

- Reacting against the increased demand caused by the impact on previous year's high temperature, etc., the figure fell below the previous year. (-0.7%)

(Power)

- The record exceeded that of the previous year due to the increased number of customers in the fields of industrial electric power and high-tension power A. (1.1%)

(Total)

- As a result, the figure totaled at 7.376billion kWh, which exceeded the previous year's figure. (0.4%)

FY2007 Outlook

(Unit: Million kWh, %)

		FY2007 (Forecast)	FY2006 (Result)	YoY Change
Electricity sales	Lighting	2,978	2,881	3.4
	Power	4,490	4,495	-0.1
	Total	7,468	7,376	1.3

(Lighting)

- Expected to exceed the previous year's figure with a steady growth of the number of customers. (3.4%)

(Power)

- The figure is expected to remain unchanged from the previous year due to the forecasted wholesale and retail's demand decrease for low-tension power. (-0.1%) in spite of likely increase in the number of customers.

(Total)

- As a result, the figure totals at 7.468billion kWh, which is expected to exceed the previous year's figure. (1.3%)



Electric Energy Demand (long-term forecast)

Forecast for long-term Electric Energy demand

(Unit: million kWh, Thousand kW, %)

(Unit:%)

		2005	2006	2007 (Forecast)	2015 (Forecast)	2016 (Forecast)	Average growth rate per annum		Average growth rate per annum FY2005 – FY2016 Total of 9 companies
							FY1995 – FY2005	FY2005 – FY2016	
No. 110 EI forecast	Electric energy demand	(7,246) 7,346	(7,300) 7,376	(7,448) 7,468	8,709	8,865	(2.3) 2.3	(1.9) 1.7	(1.1) 0.9
	Peak load	(1,412) 1,394	《1,419》 (1,391) 1,408	1,451	1,674	1,701	(1.1) 1.2	(1.7) 1.8	(1.0) 1.0
	Annual load factor	(61.2) 63.0	《61.3》 (62.6) 62.5	61.4	62.2	62.3	—	—	
No. 108 EI forecast	Electric energy demand	(7,246) 7,346	7,358	(7,499) 7,519	8,794	—	(2.6) 2.5	(2.0) 1.8	
	Peak load	(1,412) 1,394	1,446	1,473	1,719	—	(1.5) 1.3	(1.9) 2.1	
	Annual load factor	(61.2) 63.0	60.9	60.9	61.2	—	—	—	

Note 1: () indicates the adjusted intercalary temperature, provisional value is indicated for FY2006.

Note 2: << >> indicates the adjusted temperature (provisional value) plus the adjustment for typhoon.

Note 3: The figure indicated for FY2006 of No. 108 EI is the estimate value.

Note 4: Average growth rate per annum for No. 108 EI are from 1994 to 2004 and 2004 to 2015.

FY2006 – FY2008 Economic forecast

(Average growth rate per annum, Unit:%)

		2005 (Result)	2006	2007	2008
Real GDP	Okinawa	2.5	4.3	2.2	—
	Japan	2.4	1.9	2.0	1.7
CP (Final consumption expenditure in the private sector)		1.9	0.9	1.6	1.6
IIP (Index of mining and industrial output)		1.6	4.5	2.1	1.5

The economy in Okinawa is expected to grow under the Special Measures for the Promotion and Development of Okinawa, and various systems and policies in line with the Okinawa Promotion Plan which was compiled based on the said measures.

(According to the Economic and Social Outlook for the Okinawa Promotion Plan, average growth rate per annum of the real GDP in Okinawa for the period from 2000 to 2011 is expected to mark 2.6%.)

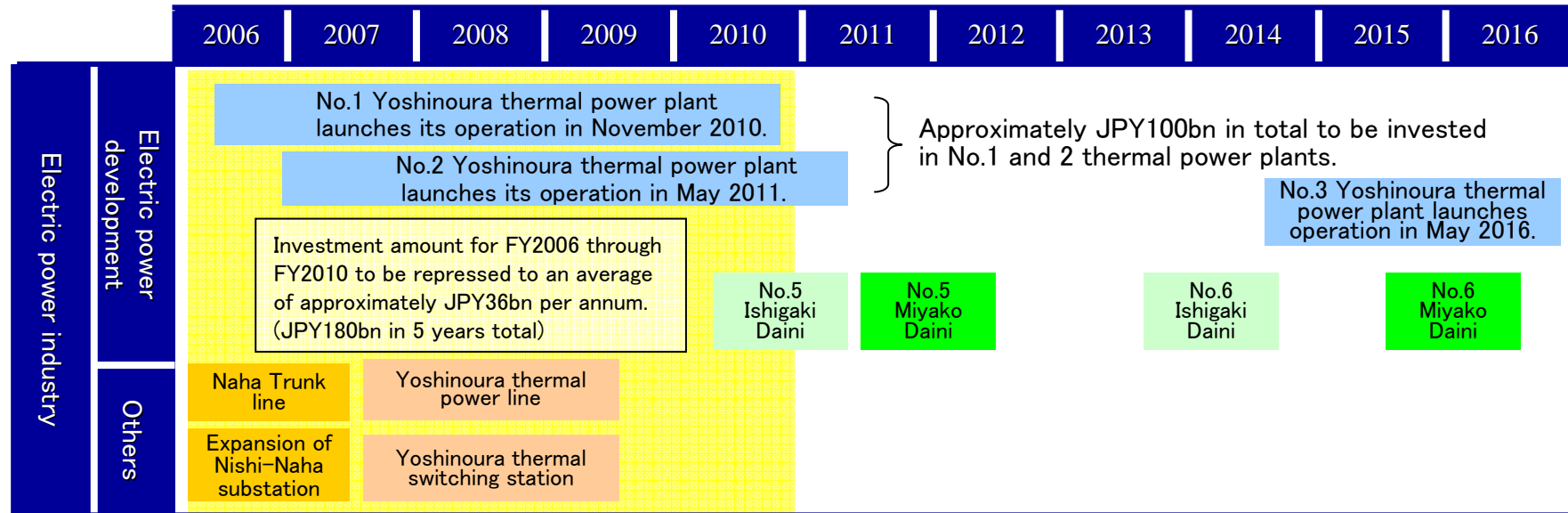
Note: GDP in Okinawa for FY2005 indicates the estimated performance.

(Source: Cabinet Office, Okinawa prefecture, FEPC)



The Okinawa Electric Power Company, Inc.

Capital investment plan (Electric power industry I)



Note: In the electric power development section, the facilities which launched its operation during the period between FY2007 and FY2016 with the power output of over 10,000kW are specified.

Note: The power transmission facilities which launched its operation during the period between FY2007 and FY2016 with the working voltage of over 132kV are specified.

Capital investment plan from FY2006 to FY2010

Substantial increase in capital investment with the development of Yoshinoura thermal power plant.
(251,000 kW × 2, LNG terminal 140,000 kl × 2)

Approximately JPY100bn to be invested in Yoshinoura thermal power plant,
and the overall investment amount will be about JPY180bn in 5 years.

Capital investment plan after FY2011

Capital investment for No.3 and 4 Yoshinoura thermal power plants is purposed for electric generators only.

The investment amount will be lower than those of the plants No.1 and 2.

Launch date may be reviewed depending on further demand increase.



Capital investment plan (Electric power industry II)

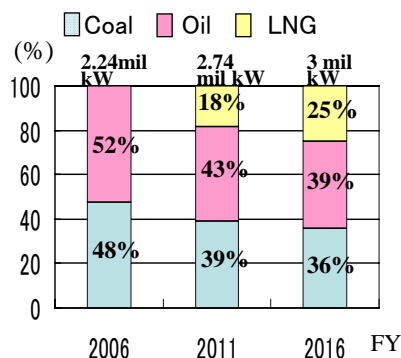
Demand-supply balance of maximum electric power (August)

(Unit : Thousand kW, %)

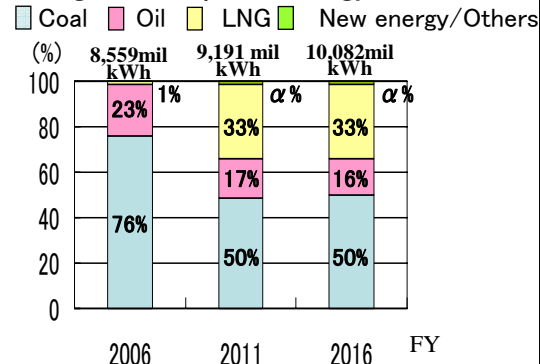
		2006 (Result)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Demand-supply balance	Peak load	1,408	1,451	1,476	1,505	1,534	1,562	1,590	1,618	1,646	1,674	1,701
	Supply capacity	1,888	1,881	1,935	1,949	1,948	2,132	2,161	2,138	2,143	2,136	2,301
	Reserve supply capacity	480	430	459	444	414	570	571	520	497	462	600
	Reserve supply rate	34.1	29.6	31.1	29.5	27.0	36.5	35.9	32.1	30.2	27.6	35.3

*Maximum electric power in FY2006 was generated in July.

Composition ratio of plant facilities for the year-end



Composition ratio of generated power energy



- Reserve supply rate for FY2011 is about 36.5% reflecting the launch of Yoshinoura thermal power plant operation.
 - This is the result of front-loading the operation launch in response to the environmental measure (CO₂).
 - Timing of installation of any other plants after No.3 Yoshinoura thermal power plant installation will be adjusted upon comprehensive consideration of demand and trend for environmental control.
- Capital investment amount is expected to reach a peak in FY2008 with the amount of JPY50.5bn when Yoshinoura-related construction is fully in progress.

Capital investment amount

(Unit : billion yen)

			2006 (Result)	2007	2008
Expansion	Power supply	Steam power	4.1	16.2	32.4
		Internal combustion power	0.2	—	0
		Subtotal	4.3	16.2	32.4
	Others	Electric power transmission	4.0	2.8	4.7
		Electric power transformation	2.9	2.5	2.4
		Electric power distribution	3.9	3.9	3.7
		Power dispatching, others	0.2	0.9	1.3
		Subtotal	11.0	10.1	12.1
	Total		15.3	26.3	44.5
	Improvement work, others			8.1	7.4
Total			23.4	33.7	50.5



Capital investment plan (Subsidiaries)

❑ Kanucha Community Co., Inc. (KCC)

- Total construction cost, JPY15.6bn (517 premises)
- Established a sales office in Tokyo in April 2007 and start a promotion for the booking.
- Construction schedule breakdown: 1st period (September 2007 – February 2009) 73 premises. 2nd period (March 2009 – June 2010) 120 premises, 3rd period (July 2010 – October 2011) 188 premises, 4th period (November 2011 – March 2013) 136 premises.

❑ Okinawa Telecommunication Network Company Inc. (OTNet)

- Will implement a capital investment within the range of depreciation.
- applied the asset impairment accounting for asset in relation to FTTH (Fiber to the Home) business at the end of FY2006.

❑ Okinawa New Energy Development Company Inc.

- Will propose the Miyako wind power (900kW × 4, Total construction cost, approximately JPY880mil) in FY2007.
- Will propose the Point A (3,000kW) in FY2008.

❑ Others

- The Okiden Kigyo Company Inc. is implementing a capital investment in leasing.
- Okiden Kaihatsu Company Inc. may implement a capital investment depending on the received order status of PFI, etc.
- Okinawa Plant Kogyo Company, Inc. is expected to implement a Yoshinoura thermal power plant-related capital investment.



Business challenges

Our Company Mission

- ① Providing a stable supply of electricity.
- ② Offer electricity at rates comparable with those on the Japanese mainland.
- ③ Secure appropriate levels of profit.
- ④ Earn the trust of our shareholders, investors and customers.

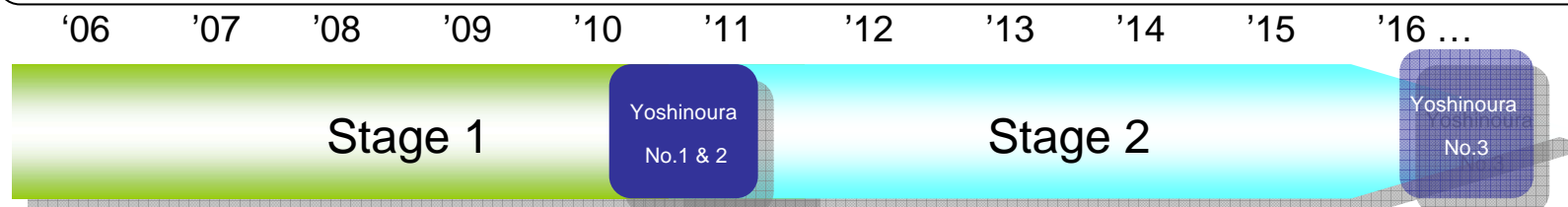
As a corporation in charge of providing the lifeline to the residents in Okinawa, we will address various challenges in order to conduct a long-term stable business management.

Profitability enhancement		Capital control	
Profitability	Profitability enhancement through cost efficiency. Development of new demands and promotion of liabilities standardization	Stability securement	Secure the stability of financial ground. Control the increase of interest-bearing liabilities.
Asset efficiency	Profitability enhancement through efficient Capex. Promote the efficiency of facility's operations security.	Equity efficiency	Appropriate balance between equity and liabilities. Maintain the earnings on equity.
Operating base		Reliability securement	
Stable supply	Sound promotion of power resources development and stable operation of facilities. Improvement of fuel balance and stable procurement.	Customer credibility	Approach for charging the similar amount of electric power charge to that of the mainland. Improve customer satisfaction through better services.
Business expansion	Expansion to the field of the gas. Enhancement of the business base of the existing group companies.	CSR	Approach to the environmental issues. Promoting compliance with laws. Contribution to the local community.



Outlook of financial position

If a forecast is made for the coming 10 years taking the start of thermal power operations at Yoshinoura in FY2010/11 as the dividing point, the first 5 years can be positioned as Stage 1 and the second 5 years as Stage 2 because the company expects to undergo a big turnaround at this point, including in its financial situation.



	1st Stage (2006 – 2010)	2nd Stage (2011 –)
Summary	Burden for capital investment has increased due to the construction work of Yoshinoura thermal power plant. Profit has stabilized due to decreased cost of depreciation. Operating CF remains unchanged, and FCF is expected to result in minus.	Burden for capital investment will be reduced significantly. Depreciation cost will increase and temporarily puts pressure on profit. Operating CF will increase, and FCF is expected to recover rapidly.
Issues	Issue on equity efficiency remains, but the increase of interest-bearing liabilities is inevitable. Will enhance the stability of financial position by increasing the equity capital. (Current goal for efficiency (consolidated)) Current profit: JPY12bn, Operating margin rate of total asset: 4.0%, Equity capital ratio: 30%, Balance of interest-bearing liabilities: approximately JPY270bn.	Interest-bearing liabilities can be narrowed with the upturn of CF. Phase where the balance between equity and liabilities can be controlled. Implement the additional capital investment in power business, investment in gas industry business utilizing LNG, etc. taking into account profitability and efficiency. ⇒ The issue is how to put them into shape.
CF usage	FCF for FY2008 – 2009 resulted in minus with the burden of investment in Yoshinoura. Severe CF situation continues, but will consider the reduction of charge and return to stockholders based on the assumption that the financial goal can be achieved.	Well-balanced CF allocation for reduction of charge, return to stockholders, new business, improvement of balance sheet, etc.



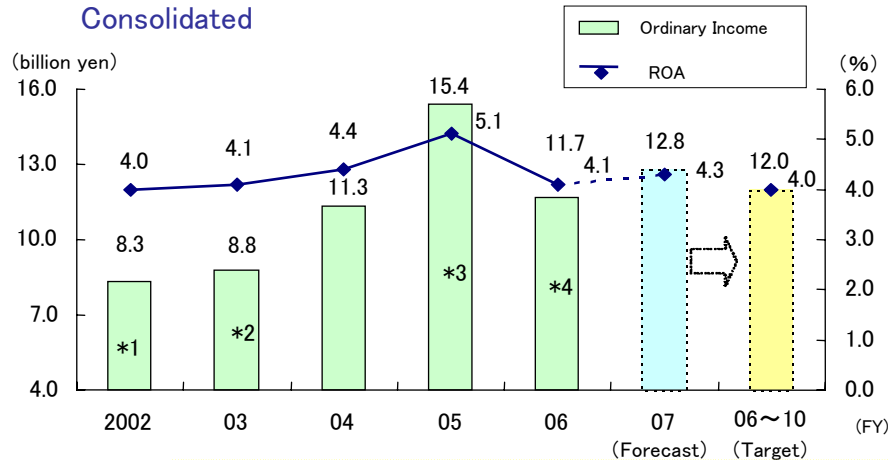
Summary of Mid-term Financial Targets

		FY2007 Management Plan		FY2006 Result	FY2007 Forecast
Ordinary Income	Consolidated	Yearly average of at least 12 billion yen	FY2006~FY2010	11.7 billion yen	12.8 billion yen
	Non-consolidated	Yearly average of at least 11 billion yen		10.0 billion yen	12.0 billion yen
ROA (operating Income / total assets)	Consolidated	Yearly average of at least 4%	FY2006~FY2010	4.1%	4.3%
	Non-consolidated			3.9%	4.3%
Balance of interest bearing debt	Consolidated	Approx. 270 billion yen	End of FY2010	232.6 billion yen	234.0 billion yen
	Non-consolidated	Approx. 260 billion yen		221.7 billion yen	221.2 billion yen
Equity ratio	Consolidated	Approx. 30%	End of FY2010	27.1%	27.9%
	Non-consolidated			28.1%	29.1%

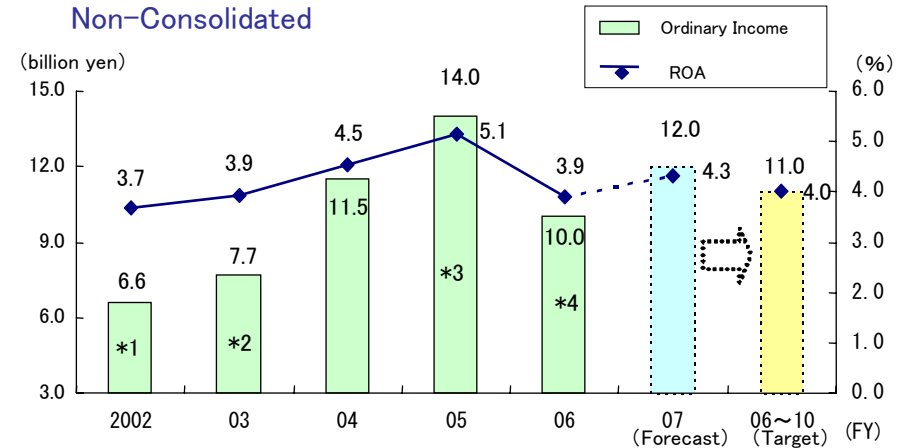


Efficiency Promotion

Trends in Ordinary Income and ROA

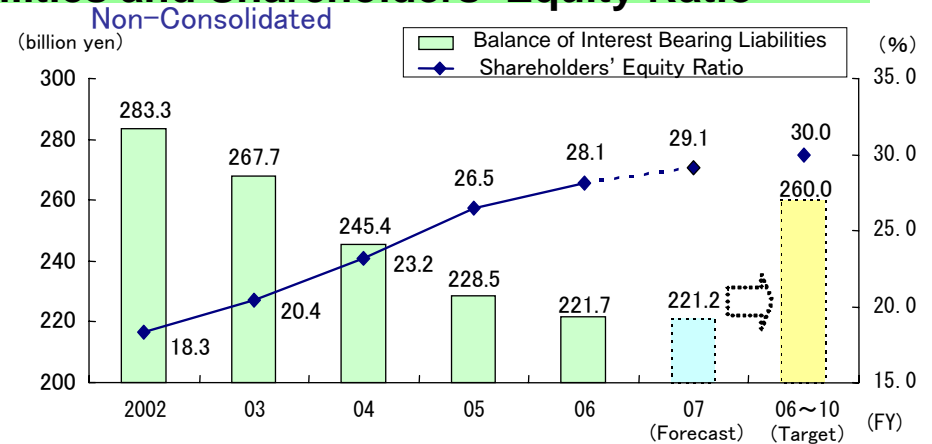
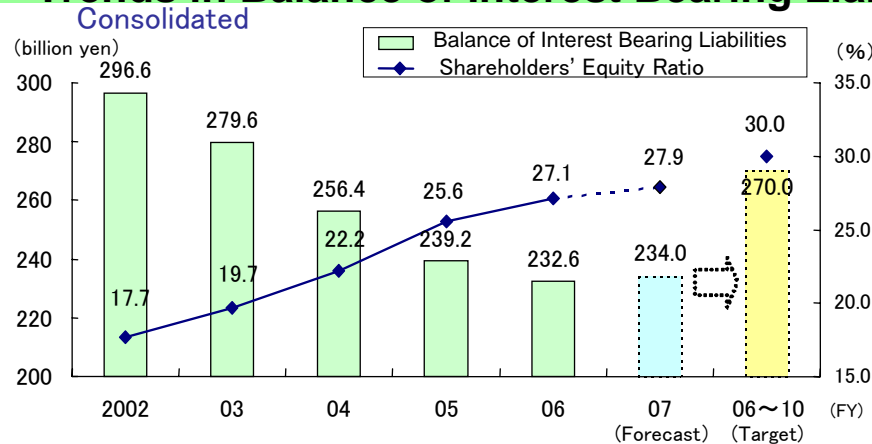


*1 Electricity Rate Revision ▲5.79% in Oct 2002
 *2 Kin Thermal Power Plant No2 began operation in 2003



*3 Electricity Rate Revision ▲3.27% in Jul 2005
 *4 Electricity Rate Revision ▲3.24% in Jul 2006

Trends in Balance of Interest Bearing Liabilities and Shareholders' Equity Ratio



Mid-term prospects for each item of expenses

	Item of expenses	Mid-term prospects
Non-consolidated	Sales amount	Sales amount may vary with the impact on The Fuel Cost Adjustment System, but is expected to increase as a base due to the increase of electric energy demand.
	Personnel cost	Expected to remain unchanged at about JPY16bn to maintain about 1,500 staff .
	Fuel cost	Conversion of C heavy oil has contributed for the reduction of fuel cost on the islands of Miyako, Ishigaki and Kume in FY2007.
	Repair cost	Expected to remain unchanged at about JPY15bn.
	Depreciation cost	Effect amount of the tax reform will be about JPY1bn in FY2007. (Effect amount of 95% less current maturity is about JPY0.8bn per annum.) The amount will continue to slightly decrease until FY2009, but will increase significantly in FY2010 with the operation launch of Yoshinoura thermal power plant.
	Expenditure for power purchase	Expected to remain nearly flat.
	Tax and public dues	Business tax has increased to approximately JPY250mil with the abolition of the relief measure. (Tax rate: 1.1%→1.3%) Tax rate of the promotion of power resources development tax has changed (JPY400 → JPY375), which leads to a decrease of approximately JPY180mil.
	Other expenses	Amount may vary due to the cost of outsourcing for system development, etc. Recorded the Co2 credit cost (JPY280mil) in FY2007. Will record the cost based on the acquisition of the credit after FY2008 as well.
Consolidated	Construction business	Although there are slight ups and downs each year, OKIDENKO, Okiden Sekkei and Oki Setsubi are expected to show nearly flat movements. Okinawa New Energy Development has recognized a sales increase with the expansion of wind power electricity. (Parent-subsiary)
	Other businesses	The Okinawa Electric Company, Okinawa Denki Kogyo and OGS are expected to show nearly flat movement. Okinawa plant increases the Yoshinoura-related sales for the period of 2009-2010. (Parent - subsidiary) Okiden Kaihatsu Company seems to continue to achieve handsome profits. OTNet will try to reconstruct the FTTH Division to aim for an prompt turnaround. FRT has restored profitability in FY2006, and will aim to achieve further profit increase after FY2007 by increase the number of customers. KCC will start the sales promotion for the booking in April 2007, and is scheduled to make the premises available in February 2009.



Characteristics of the business bases

Advantage

Demand for Electric Power	<ul style="list-style-type: none"> ◆ Increasing demand as population increasing ◆ As the proportion of energy for consumer use is high, the effects of business fluctuations are low.
Competition	<ul style="list-style-type: none"> ◆ Severance from competition among electric power companies on account of independent producers ◆ No competition with PPS (Power producers and Suppliers) ◆ The advance of private power generation operations is limited (Prevention of demand withdrawals through Progressive Energy Corp.)

Disadvantage

Electric Power Generation Facilities	<ul style="list-style-type: none"> ◆ Due to having an isolated system, it is necessary to have a high margin of power generation reserves ◆ Electrical power source composition reliant only on oil and coal
Fuel	<ul style="list-style-type: none"> ◆ As oil and coal are the only fuels used, high commodity prices exert a great influence
Remote Islands	<ul style="list-style-type: none"> ◆ With a high ratio of remote islands where cost efficiency is low, the company constantly records losses.
The Environment	<ul style="list-style-type: none"> ◆ Dependent on fossil fuels (oil and coal) with a high environmental burden



This document includes statements concerning future results. Such statements are based on calculations and predictions and are neither definite nor guaranteed. Please be aware that future results may change in accordance with changes in assumptions related to the management environment and the like.

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