

## Message from the President



**Tsugiyoshi Toma**  
President

During fiscal 2007, the Japanese economy is expected to show moderate recovery, with business and households both benefiting from sustained high levels of corporate profit, despite the negative influence of reduced public investment. The recovery momentum continued from the previous year, supported by private-sector demand in terms of capital investment and consumption.

We saw sustained steady recovery overall in the Okinawa Prefecture economy, led by tourism amid the ongoing "Okinawa boom" across Japan and firm consumer spending, despite the ongoing woes of the construction industry due to declining public-sector investment.

Demand for non-industrial electric power in fiscal 2007 is set to rise year-on-year, amid steady growth in the number of households (residential demand) and an increase in the number of new customers for commercial-use power. Industrial-use power consumption is also rising year-on-year on steadily increasing demand from the food-processing and water-supply industries.

These demand patterns pushed up our revenues

despite uncertainties surrounding fuel price trends. At the same time, expenses remained at a stable level, as rationalization measures took effect, despite expense-bloating factors such as introduction of a call center and a new computer system based on a highly sophisticated IT model.

Through the efforts of all our employees from executives down, we are determined to optimize the efficiency of our operations, with minimal waste, and further strengthen our financial position in the future.

### Business and Financial Issues

We expect the operating environment facing The Okinawa Electric Power Company to be difficult in the future, due to factors such as further liberalization of the electric power business, contraction of non-power-related public works projects, and intensified competition in the IT sector.

In fiscal 2006, we pursued the following priority policies to strengthen Group operations, to enable us to contribute to the future development of the prefectural economy and raise the enterprise value of the OEPC Group.

#### (1) Strengthening the Operating Base

We strengthened our operating base by clarifying the role and mission of each company in the Group, ensuring each member company redoubles its commitment to its core business, pursuing optimal allocation of management resources, strengthening our financial position, ensuring the highest quality and safety standards, and developing and strengthening our technological capabilities.

#### (2) Establishing an OEPC Group Brand

While prioritizing the Company's social responsibilities and corporate ethics, we worked to establish an OEPC Group brand. To this end, we built up closer relations of trust with our customers as a Group, by redoubling our commitment to reliability and safety by promoting safe and comfortable lifestyles and supporting local business in its operations.

The Electric Power Business, the core business of the Group, needs to remain particularly alert to developments in the industry. Ahead of the reported start of discussions for full liberalization of the electric power industry scheduled for April 2007, the Company is carrying out impact tests ahead of full liberalization in terms of streamlining, stability of supplies and environmental protection. Even though the pressure from the market entry of Independent Power Producers (IPPs) has slackened somewhat, we continue to face a severe competitive environment.

In this operating environment, we have enhanced customer satisfaction by pinpointing and promptly responding to customers' diversifying needs and providing a stable and safe supply of electric power. To ensure stability of supplies, we took measures to construct, operate, and maintain efficient and rationalized electric power generation and transmission facilities, with due precautions taken against natural disasters. At the same time, we continued to build up the trust and support of customers, shareholders and investors in the region, by ensuring maximum adherence to ethical and compliance requirements.

Our environmental protection activities are based on the Okinawa Electric Power Company's environment policy, including measures to safeguard the local environment and combat global warming.

Priority issues are as follows:

1. Increasing customer satisfaction

2. Becoming an electric power business known for reliability
3. Strengthening our financial position
4. Ensuring our operations are in harmony with the global environment
5. Strengthening our Group management

We have taken measures to strengthen the operating base of businesses other than the Electric Power Business. In our Construction Business, we faced an environment of reduced public-works spending and intensified price competition, and needed to cope with these pressures by rigidly screening projects and concentrating management resources on the most promising, and focusing sales activities on securing orders. In our IT business, we will develop our operations by bringing to bear comprehensive Group strengths, remaining finely attuned to customer requirements with a focus on telecom infrastructure and software development, data centers and contact centers (call center business and outsourcing services). In addition to diversifying by developing new businesses peripheral to power generation and moving into growth sectors, we have taken steps to expand our portfolio of businesses by leveraging our in-house venture capital system.

The OEPC Group has taken every step to ensure full awareness of corporate ethical standards, by laying down ethical regulations for both directors and employees. We contribute to our regional community through environment protection activities based on the Group environmental policy, and "Get-to-know Okiden" events including discussion sessions with the public and continued support for exhibitions of scientific work by students (Okinawa Young People's Science Fair). Through these day-to-day initiatives that keep our customers, our community and the environment in our thoughts, we aim to create an operational paradigm enabling a deeper focus on CSR and sound relations with our stakeholders — our customers, shareholders/investors, and regional community.

A handwritten signature in black ink that reads "Tsugiyoshi Toma". The signature is fluid and cursive.

Tsugiyoshi Toma  
President