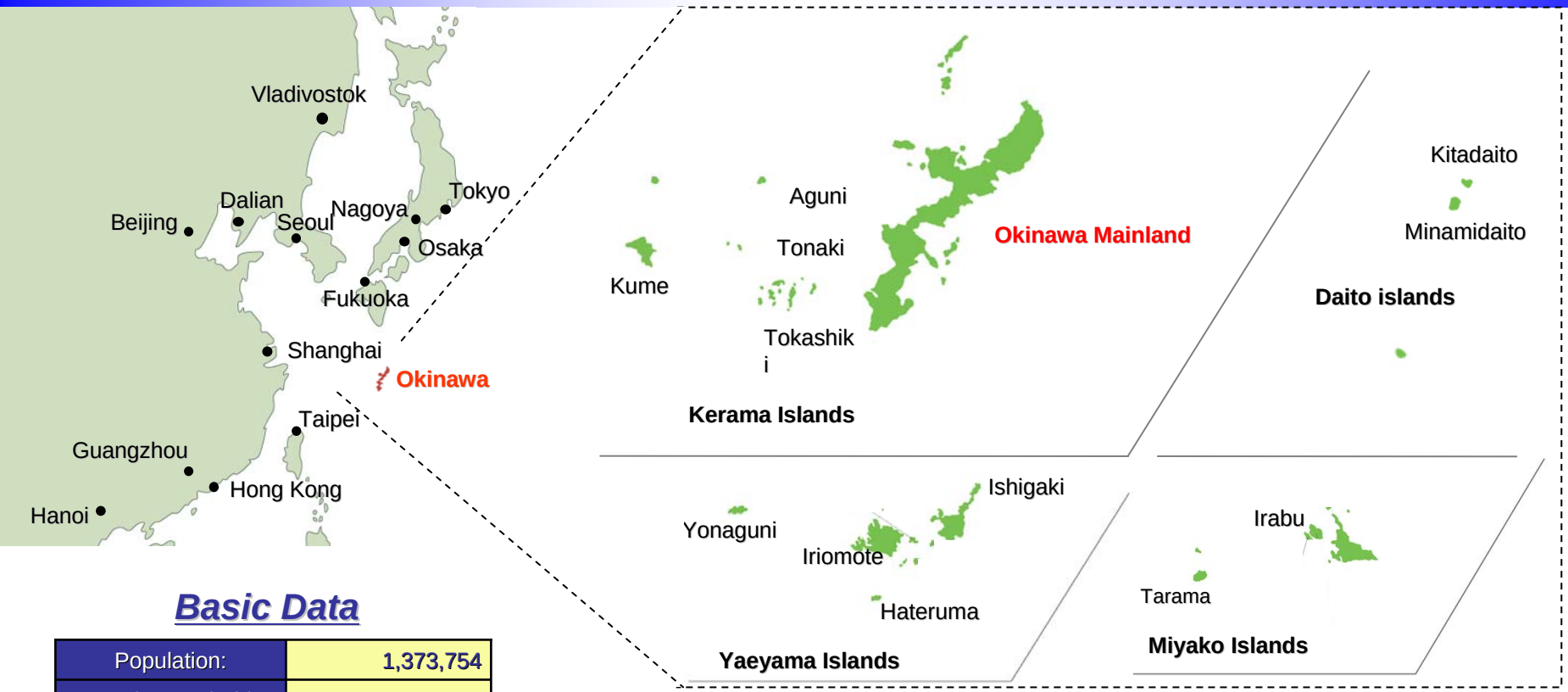
Management Overview

May 2008

The Okinawa Electric Power Company, Inc.

Table of Contents

Overview of Okinawa Prefecture



Basic Data

Population:	1,373,754
No. of Households	508,064
Land Area	2,275.71㎢
Climate	Subtropical
Location	26°12N 127°41E
Gross Prefectural Product	¥3,825.6billion
Tourism Revenue	¥422.7billion

- 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, No. of Households and Land Area as of October 1, 2007
Gross Prefectural Product as of FY 2005
Tourism Revenue as of 2007(Preliminary figure)
(Source: Okinawa Prefectural Government, Geographical Survey Institute 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
Capital	¥7,586 million
No. of shareholders	8,148
Total assets	¥347.19 billion (Non-consolidated) ¥369.84 billion (Consolidated)
Sales (Fiscal Year 2007)	¥149.32 billion (Non-consolidated) ¥161.52 billion (Consolidated)
No. of employees	1,510 (Non-consolidated) 2,580 (Consolidated)

Securities identification code	9511
Supply area	Okinawa Prefecture
No. of customers	Lighting 750 thousand units Power 66 thousand units
Electric power sales (Fiscal Year 2007)	Lighting 2,945 million kWh Power 4,546 million kWh (Deregulated demand 1,150million kWh) Total 7,491 million kWh
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 167 thousand kW

(as of March 31, 2008)

Ratings

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

* Ratings on long-term preferred debts as of March 31, 2008

Financial Results Summary for FY2007

（Unit：million yen, X ）

	Consolidated (A)			Non-Consolidated (B)			(A)／(B)	
	FY2007 Results	FY2006 Results	Rate of Change	FY2007 Results	FY2006 Results	Rate of Change	FY2007 Results	FY2006 Results
Sales	161,521	159,395	+1.3%	149,320	147,201	+1.4%	1.08	1.08
Operating Income	14,809	15,482	-4.3%	13,144	13,690	-4.0%	1.13	1.13
Ordinary Income	10,971	11,739	-6.5%	9,733	10,096	-3.6%	1.13	1.16
Net Income	7,072	6,418	+10.2%	6,590	6,398	+3.0%	1.07	1.00

Increase in Sales, Decrease in Income

（Consolidated）

- Sales increased due to the non-consolidated factors.
- Ordinary income declined due to the non-consolidated factors.
- Net income increased due to the non-consolidated factors and the influence of the previous fiscal year’s Impairment loss.

（Non-consolidated）

- Sales grew due to increased electricity sales volume.
- Ordinary income declined due to increase in maintenance costs, fuel cost and power purchase cost, although there were decrease in personnel cost and non-operating expenses.
- Net income increased due to the special corporate tax credit.

Outlook Summary for FY2008

（Unit：million yen, X ）

	Consolidated (A)				Non-consolidated (B)				(A)／(B)	
	FY2008 （Outlook）	FY2007 （Results）	Change	FY2008 Interim (Outlook)	FY2008 （Outlook）	FY2007 （Results）	Change	FY2008 Interim (Outlook)	FY2008 （Outlook）	FY2007 （Results）
Sales	176,300	161,521	+9.1%	90,900	163,500	149,320	+9.5%	86,000	1.08	1.08
Operating Income	11,700	14,809	-21.0%	8,800	10,700	13,144	-18.6%	8,800	1.09	1.13
Ordinary Income	8,500	10,971	-22.5%	7,200	7,600	9,733	-21.9%	7,300	1.12	1.13
Net Income	5,300	7,072	-25.1%	4,600	4,900	6,590	-25.7%	4,700	1.08	1.07

（Consolidated）

■ Increase in Sales, Decrease in Income

- Sales are forecast to increase due to increase in construction orders in Construction Business in addition to non-consolidated factors.
- Profit is forecast to decrease due to increase in expenditures in consolidated subsidiaries in addition to non-consolidated factors.

（Non-consolidated）

■ Increase in Sales, Decrease in Income

- Sales are forecast to grow due to increase in revenue from the Fuel Cost Adjustment System.
- Profit is forecast to decline.

  【Factor for decrease】increase in fuel cost, power purchase cost and expenses for CO2 credit.

  【Factor for increase】increase in sales. decrease in maintenance cost and depreciation cost.

Electric Energy Demand (FY2007 Results and FY2008 Outlook)

FY2007 Results

（Unit：Million kWh、%）

		FY2007 (Results)	FY2006 (Results)	FY2007 (Target)	YoY Change	Performance Against target
Electricity sales	Lighting	2,945	2,881	2,978	2.2	98.9
	Power	4,546	4,495	4,490	1.2	101.3
	Total	7,491	7,376	7,468	1.6	100.3

Lighting : Residential use (Houses)
Power : Industrial and Commercial use (Factories, Department Stores, Hotels, Buildings etc)

(Lighting)
- The demand for Lighting exceeded that of the same period of the previous year due to increase in number of customers. (2.2%)

(Power)
- The record exceeded that of the previous year due to the increased number of customers in the fields of Commercial power and High-voltage power A. (1.2%)

(Total)
- As a result, the figure totaled at 7,491 million kWh, which exceeded the previous year's figure. (1.6%)

FY2008 Outlook

（Unit：Million kWh、%）

		FY2008 (Forecast)	FY2007 (Results)	YoY Change
Electricity sales	Lighting	2,982	2,945	1.3
	Power	4,543	4,546	-0.1
	Total	7,525	7,491	0.5

(Lighting)
- Expected to exceed the previous year's figure with a growth of the number of customers. (1.3%)

(Power)
- Although the number of customers is expected to increase, the figure is estimated to remain unchanged from the previous year (-0.1%) due to decreased demand, reacting against the increased demand caused by previous year's higher temperatures.

(Total)
- As a result, the figure totals at 7,525million kWh, which is expected to exceed the previous year's figure. (0.5%)

Electric Energy Demand (Long-term forecast)

Forecast for long-term Electric Energy demand

(Unit: million kWh, Thousand kW, %)

		2006 (Result)	2007 (Result)	2008 (Forecast)	2016 (Forecast)	2017 (Forecast)	Average growth rate per annum	
							FY1996 – FY2006	FY2006 – FY2017
No. 112 EI forecast (FY2007)	Electric energy demand	(7,300) 7,376	(7,411) 7,491	7,525	8,727	8,876	(2.1) 2.1	(1.8) 1.7
	Peak load	《1,419》 (1,391) 1,408	《1,420》 (1,407) 1,431	1,443	1,668	1,696	(0.9) 1.1	(1.8) 1.7
	Annual load factor	《61.3》 (62.6) 62.5	《62.1》 (62.7) 62.2	62.4	62.6	62.6	–	–
No. 110 EI forecast (FY2006)	Electric energy demand	(7,300) 7,376	(7,448) 7,468	7,594	8,865	–	(2.3) 2.3	(1.9) 1.7
	Peak load	《1,419》 (1,391) 1,408	1,451	1,476	1,701	–	(1.1) 1.2	(1.7) 1.8
	Annual load factor	《61.3》 (62.6) 62.5	61.4	61.5	62.3	–	–	–

(Unit:%)

Average growth rate per annum FY2006 – FY2017
Total of 9 companies
(1.1) 1.1
(0.9) 1.0

Note 1: ( ) indicates the adjusted intercalary temperature . FY2007 is a provisional figure.
Note 2: 《 》 indicates the adjusted temperature plus the adjustment for typhoon.

Note 3: The figure indicated for FY2007 of No. 110 EI is the estimate value.
Note 4: Average growth rate per annum for No. 110 EI are from 1995 to 2005 and 2005 to 2016.

FY2007 – FY2008 Economic forecast

(Average growth rate per annum, Unit:%)

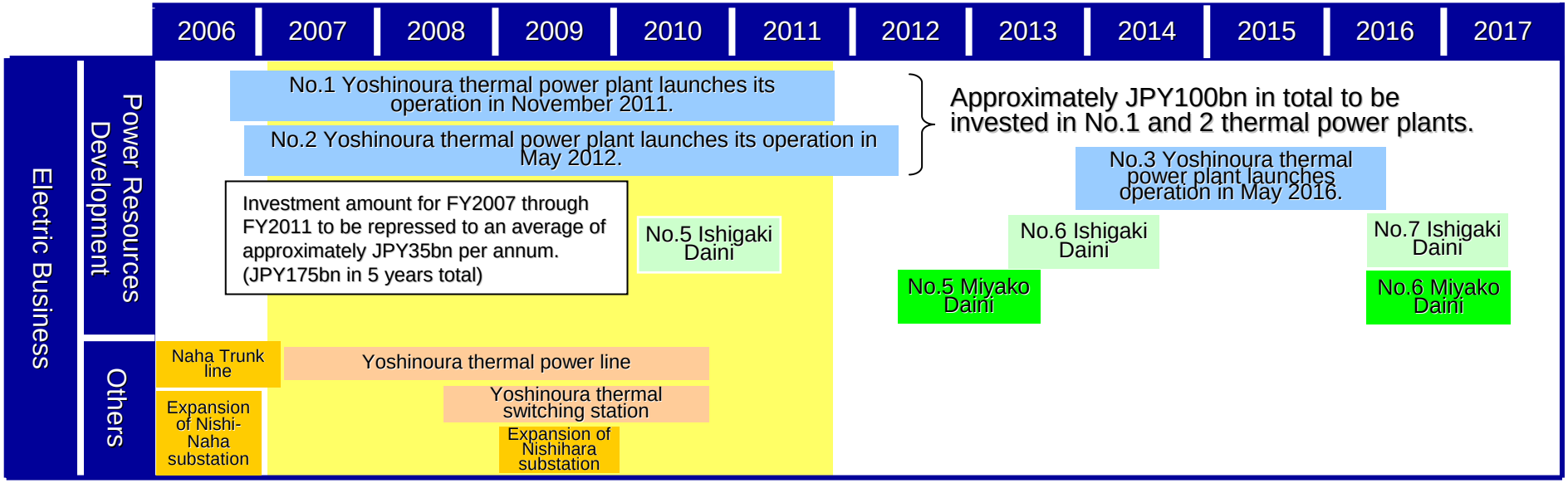
		2006 (Result)	2007 (Estimated Result)	2008 (Forecast)
Real GDP	Okinawa	2.3	2.1	2.6
	Japan	2.3	1.3	2.0

Note: GDP in Okinawa for FY2006 indicates the estimated performance.
(Source: Cabinet Office, Okinawa prefecture, FEPC)

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%.)

Capital Investment Plan (Electric Business Ⅰ)



Note: In the power resources development section, the facilities which launched its operation during the period between FY2008 and FY2017 with the power output of over 10,000kW are specified.

Note: As for distribution facilities, those with working voltage of 132kV or larger and are under construction or are scheduled to start construction within two years after FY2008 are listed.

Capital investment plan from FY2007 to FY2011

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 JPY175bn in 5 years.

Capital investment plan after FY2012

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.

※ The construction schedule of Yoshinoura thermal power station(No1and 2), Yoshinoura thermal power line and Yoshinoura switching station were postponed for a year.

Capital Investment Plan (Electric Business II)

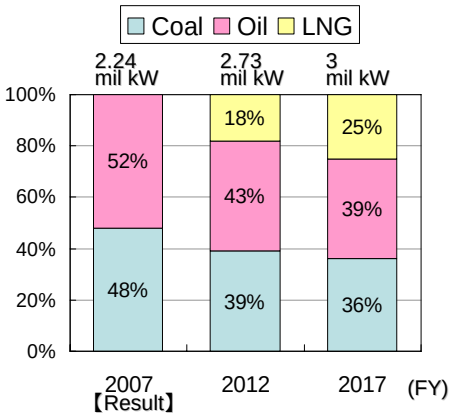
Demand-supply balance of maximum electric power (August)

(Unit : Thousand kW, %)

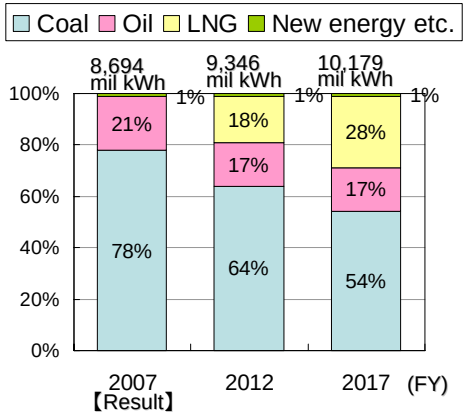
		2007 【Result】	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Demand-supply balance	Peak load	1,431	1,443	1,473	1,502	1,529	1,557	1,585	1,613	1,640	1,668	1,696
	Supply capacity	1,953	1,906	1,955	1,948	1,915	2,264	2,138	2,143	2,136	2,286	2,288
	Reserve supply capacity	522	463	482	446	386	707	553	530	496	618	592
	Reserve supply rate	36.5	32.1	32.7	29.7	25.2	45.4	34.9	32.9	30.2	37.1	34.9

*Maximum electric power in FY2007 was generated in July.

Composition ratio of plant facilities for the year-end



Composition ratio of generated power energy



- Reserve supply rate for FY2012 is about 45.4% reflecting the launch of Yoshinoura thermal power plant operation.
- The amount of capital investment in future is expected to increase following the full-scale start of construction works related to Yoshinoura Thermal Power Station.

Capital investment amount

(Unit : billion yen)

			2007 (Result)	2008	2009
Expansion	Power supply	Steam power	3.0	13.7	31.7
		Internal combustion power	-	0	0
		Subtotal	3.0	13.7	31.7
	Others	Electric power transmission	2.2	2.1	3.9
		Electric power transformation	2.2	1.6	3.4
		Electric power distribution	3.2	4.2	4.0
		Power dispatching, others	0.7	0.5	2.0
		Subtotal	8.5	8.4	13.3
	Total		11.5	22.1	45.0
Improvement work, others			5.5	7.2	4.6
Total			17.1	29.3	49.6

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	
Profitability	Profitability enhancement through cost efficiency. Development of new demands and promotion of load leveling.
Asset efficiency	Profitability enhancement through efficient Capex. Promote the efficiency of facility's operations security.

Capital control	
Stability securement	Secure the stability of financial ground. Control the increase of interest-bearing liabilities.
Equity efficiency	Appropriate balance between equity and liabilities. Maintain the earnings on equity.

Operating base	
Stable supply	Sound promotion of power resources development and stable operation of facilities. Improvement of fuel balance and stable procurement.
Business expansion	Expansion to the field of the gas. Enhancement of the business base of the existing group companies.

Reliability securement	
Customer credibility	Approach for charging the similar amount of electric power charge to that of the mainland. Improve customer satisfaction through better services.
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 FY2011/12 as the dividing point, the company expects to undergo a big turnaround at this point, including in its financial situation.

	1st Stage	2nd Stage
Summary	■ Burden for capital investment has increased due to the construction work of the Yoshinoura thermal power plant ■ Profits have stabled due to decreased cost of depreciation ■ Trend in fuel prices will become an earnings changing factor in the short run ■ 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 profits ■ Operating CF will increase, and FCF is expected to recover rapidly
Issues	■ Will control the increase of interest-bearing liabilities ■ Enhancement of the financial stability by accumulating the interest	■ Controlling the balance between capital and liabilities (Securing capital efficiency) ■ Implement the additional capital investment, taking into account profitability and efficiency ■ Improvement of return to stockholders
CF usage	■ Will prioritize the capital investment in the Yoshinoura thermal power plant ■ Will consider the reduction of charge and return to stockholders based on the assumption that the financial goal can be achieved	■ Reduction of charges ■ Improvement of return to stockholders ■ Bolstering the foundation of integrated energy business ■ Improvement of balance sheet

Summary of Mid-term Financial Targets

		FY2008 Management Plan		FY2007 Result	FY2008 Forecast
Ordinary Income	Consolidated	Yearly average of at least 12 billion yen	FY2006～FY2010	10.9 billion yen	8.5 billion yen
	Non-consolidated	Yearly average of at least 11 billion yen		9.7 billion yen	7.6 billion yen
ROA (operating Income / total assets)	Consolidated	Yearly average of at least 4.0%	FY2006～FY2010	4.0%	3.1%
	Non-consolidated			3.7%	3.0%
Balance of interest bearing debt	Consolidated	Approx. 270 billion yen	End of FY2010	223.1 billion yen	227.3 billion yen
	Non-consolidated	Approx. 260 billion yen		212.2 billion yen	216.0 billion yen
Equity ratio	Consolidated	Approx. 30%	End of FY2010	28.7%	28.9%
	Non-consolidated			29.7%	29.8%

Mid-term Prospects for Each Item of Expenses (Non-consolidated)

	Mid-term prospects
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	Fuel costs are increasing due to fuel price hikes. Although there is a Fuel Cost Adjustment System, the trend in fuel prices will become an earnings changing factor in the short run.
Repair and Maintenance cost	Expected to remain unchanged at about JPY15bn.
Depreciation cost	Following the progress of depreciation of Kin Thermal Power Station and other facilities, Depreciation cost is expected to remain decreasing slightly until FY2010,but will increase significantly in FY2011 with the operation launch of Yoshinoura thermal power plant.
Expenditure for power purchase	Expenditure for power purchase are increasing due to coal price hikes.
Tax and public dues	Expected to remain nearly flat. – Business tax relief measure was abolished in May 2007 (as a result, business tax increased from 1.1% to 1.3%.) – Promotion of power resource development tax was reduced in FY2007 (tax rate was reduced from JPY400 to JPY375 per 1,000kWh.)
Other expenses	Amount may vary due to the cost of outsourcing for system development, etc. Recorded the CO_2 credit cost of JPY10million in FY2007. About JPY1 billion is appropriated for FY2008. Will record the cost based on the acquisition of the credit after FY2009 as well.

Mid-term Prospects of Each Company

	Mid-term prospects
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 expects a sales increase with expansion in wind-power generation (Parent – subsidiary). Income and expenses are expected to remain steady. Construction of Nakijin Wind Power Generation Plant (power generation capacity of 1,995kW x 1 power plant; total construction cost of about JPY 680 million) is planned.
Other Businesses	▸ Okiden Kigyo is expected to show nearly flat movement. Capital investment for leasing business is expected on a regular basis. ▸ Okinawa Plant Kogyo increases the Yoshinoura-related sales. (Parent – subsidiary) Capital investment related to Yoshinoura such as building of office wing is projected to be implemented. ▸ Okinawa Denki Kogyo is expected to show nearly flat movement. ▸ Okiden Global Systems is expected to show nearly flat movement. ▸ Okinawa Telecommunication Network booked impairment losses in FY2006 and FY2007. Although the Company was in the red in FY2006, it returned to profitability in FY2007. ▸ First Riding Technology remains in the black in FY2007 for the second consecutive year. Revenue expansion through accumulation of customers is expected to continue in future. ▸ Income and expenses of Okiden Kaihatsu is expected to flat out on the whole. The company may make an investment in accordance with order intakes for projects including PFI. ▸ Progressive Energy is expected to show nearly flat movement for the time being. ▸ Kanucha Community (KCC) planed to implement capital investment with the total construction cost of JPY 15.6 billion (517 units). It started to take reservation for purchase from April 2007.KCC will proceed with construction in four development processes and plans to register sales from FY2009.

Characteristics of the Business Bases

Advantage

Demand for Electric Power	◆ Increasing demand as population increasing ◆ As the proportion of energy for consumer use is high, the effects of business fluctuations are low
Competition	◆ Severance from competition among electric power companies on account of its isolated system ◆ 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 , a subsidiary of OEPC.)

Disadvantage

Electric Power Generation Facilities	◆ 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	◆ As oil and coal are the only fuels used, high commodity prices exert a great influence
Remote Islands	◆ With remote islands where cost efficiency is low, the Remote Islands Company constantly records losses
The Environment	◆ 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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