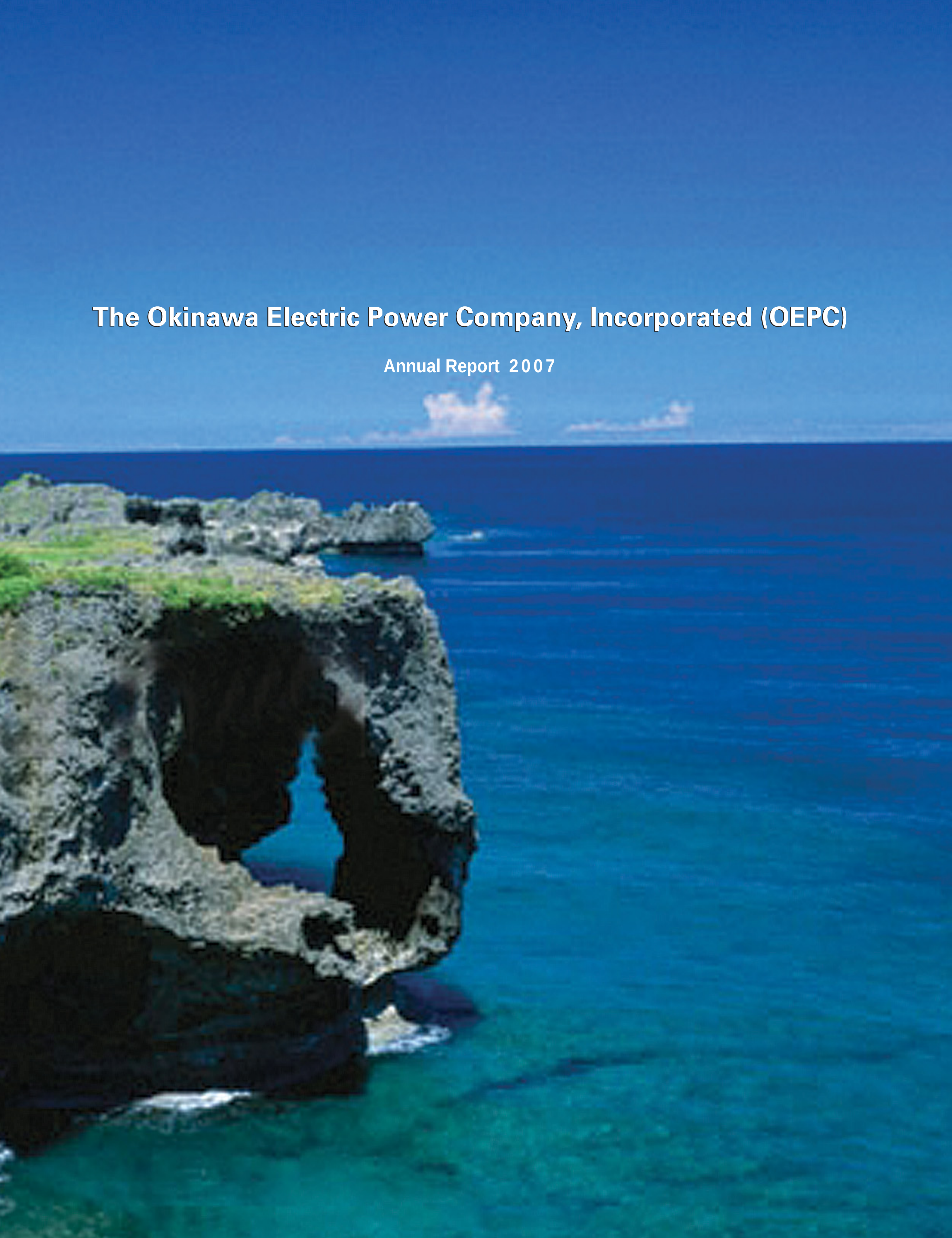
The Okinawa Electric Power Company, Incorporated (OEPC)

Annual Report 2007



Profile

One of Japan's ten electric power utility companies, The Okinawa Electric Power Company, Inc. (OEPC) supplies power throughout Okinawa Prefecture, which is situated at the south-westernmost tip of the Japanese archipelago and has a population of approximately 1.4 million. The prefecture consists of 160 large and small islands scattered across a wide area measuring approximately 400 km from north to south and 1,000 km from east to west. The Company supplies power to approximately 40 inhabited islands in the group.

In line with our motto — "With the region, for the region" — OEPC works to ensure a reliable supply of electric power to the people of Okinawa Prefecture and to assist the prefecture's economic development.

As a result of recent developments such as rising prices of fossil fuels and the need to take steps to ameliorate global warming, OEPC's business environment is becoming more severe with every passing year. Nevertheless, the management is actively tackling the various issues faced by the Company in order to fulfill the two fundamental goals of OEPC's corporate mission: 1) providing a fully reliable power supply service equitably across the entire length and breadth of the prefecture, and 2) maintaining electricity rates at approximately the same level as those charged by Japan's other nine electric utility companies. To do this, we are uncompromisingly pursuing greater efficiency in business operations and improved cost-competitiveness by cutting back on expenses wherever possible. We are also taking steps to strengthen our financial position, and are constructing LNG-burning power stations, which emit less carbon dioxide. In so doing, we aim to earn the trust of our customers and maintain the confidence of our shareholders.

Contents

Financial Highlights (Consolidated)

The Okinawa Electric Power Company, Incorporated

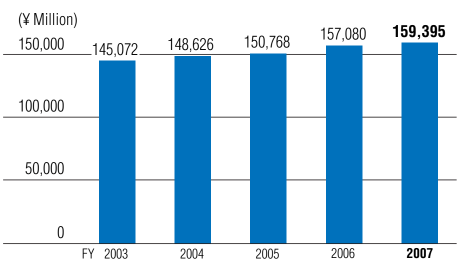
Years ended March 31, 2007 and 2006	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
For the year:			
Operating revenues	**¥159,395**	¥157,080	**$1,350,237**
Operating income	**15,482**	19,816	**131,155**
Net income	**6,418**	9,975	**54,372**
Per share of common stock (yen and U.S. dollars):			
Basic net income	**¥403.50**	¥620.68	**$3.42**
Cash dividends applicable to the year	**60.00**	60.00	**0.51**
At year-end:			
Total assets	**¥376,071**	¥378,666	**$3,185,700**
Total equity	**102,661**	96,899	**869,644**

Note: The U.S. dollar amounts represent translation of Japanese yen for convenience only at the approximate exchange rate on March 31, 2007, of ¥118.05 to $1.

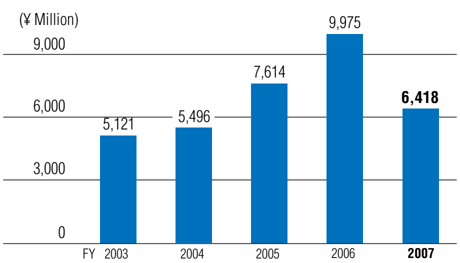
Operating Highlights (Non-Consolidated)

Years ended March 31, 2007, 2006 and 2005	**2007**	2006	2005
For the year:			
Electric energy sales (Millions of kWh)			
Lighting	**2,881**	2,900	2,809
Power	**4,495**	4,446	4,384
Peak load (Thousands of kW)	**1,408**	1,394	1,363
At year-end:			
Number of customers:			
Lighting	**741,268**	729,519	716,674
Power	**66,523**	67,230	67,576
Generating capacity (Thousands of kW)	**1,924**	1,926	1,916
Route length of transmission lines (km):			
Overhead	**743**	726	712
Underground	**233**	219	194

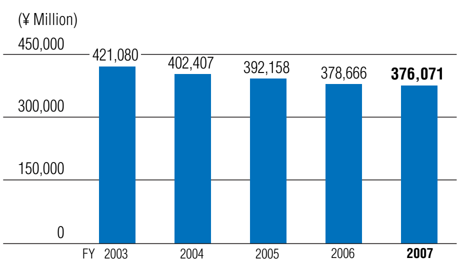
Consolidated Operating Revenues



Consolidated Net Income



Consolidated Total Assets



Note: The term "fiscal 2007" as used in this report refers to the business year ended March 31, 2007. The same applies to other fiscal years.

Message from the Management

Tsugiyoshi Toma
Chairman

Denichiro Ishimine
President

During fiscal 2008 ending March 2008, the Japanese economy is expected to show internally generated, self-sustaining growth in conditions of price stability, driven by steady recovery in the global economy, flourishing corporate results and household budgets, and a joint commitment by the Japanese government and the Bank of Japan to accelerate and deepen reform.

At the same time, the Okinawa Prefecture economy is expected to show moderate economic expansion, led by tourism as the “Okinawa boom” spread across Japan, the return of consumer spending to a growth track, and signs of a pickup in the construction industry centered on housing starts and other private-sector projects.

Demand for non-industrial electric power in fiscal 2008 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. We also expect demand for industrial-use power to increase, driven chiefly by rising consumption by the food-processing industry.

Despite these encouraging demand trends, we expect sales to be more or less flat year-on-year, due largely to the impact of lower electricity charges introduced in July 2006.

At the same time, we expect our expenses to rise. Positives such as tax breaks and the shift to C-grade heavy oil for fuelling power plant in the remote islands are likely to be outweighed by the continuing high level of fuel prices, unfavorable changes to depreciation-expense accounting rules and an increase in call-center expenses, as well as the cost of introduction of a new computer system to upgrade data-processing.

Under these circumstances, it will be necessary for every employee of the Company to commit to constantly improving efficiency if we are to reach our financial targets.

Business and Financial Issues

We expect the operating environment facing the Company to remain difficult, due to an increase in interest-bearing debt necessitated by the costs of funding the launch of works at Yoshinoura Thermal Power Plant, a decline in public-sector projects, increased competition in the information technology sphere, and the need to take measures to combat global warming.

During fiscal 2008, we plan to take the following priority policies aimed at transforming the Company into a comprehensive energy and lifestyle provider, based on our core business of stable, optimized energy supplies, as a means of raising enterprise value.

(1) Strengthening the Operating Base

All Group member companies will focus their management resources on their core businesses, and strengthen their operating base by improving their financial position, quality and safety management and procedural verification, and by developing their technological capabilities and talent.

(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.

In the electric power business, our core business, official deregulation discussions are focusing on ways of reconciling the goals of assuring a stable electricity supply and protecting the environment.

With the enactment of the Financial Products and Exchange Law in June 2006, it has become compulsory for companies to establish and operate internal control systems for corporate financial reporting. This has created pressure for a stronger corporate commitment to social responsibilities and missions.

In this 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. In addition to ensuring that we construct, operate and maintain power generation facilities in an efficient, rational way that takes ample account of the risks posed by natural disasters, we will take measures to verify the effectiveness of our management model and operating procedures for ensuring a stable power supply. Through our ever greater commitment to corporate ethics and compliance, to the regional environment and to anti-global warming measures, we aim to continue to justify the trust and support of our community, shareholders and investors.

Priority issues are as follows:

1. Increasing customer satisfaction
2. Becoming an electric power business known for reliability
3. Commitment to stable power supplies
4. Ensuring our operations are in harmony with the global environment
5. Strengthening our financial position
6. Strengthening our Group management

In other Group activities, our construction business continues to face difficult operating conditions due to a contraction in public-works budgets. It will strengthen its management base by selecting and focusing resources on promising projects, and expand marketing initiatives supported by its long-established technological capabilities.

In the Information and Telecommunications business, we will continue to grow by drawing on the strength of the whole Group, and supply high value-added services swiftly to meet customer needs.

We are considering entering the gas business, treating the introduction of LNG for the launch of operations at Yoshinoura Thermal Power Plant as business chance, helping us to develop into a general energy supplier.

The OEPC Group will continue to commit to corporate ethics and its corporate code of conduct standard, work to protect the environment based on the Okinawa Electric Power Company's environment policy, expand dialogue with its customers through a 10-day "get-to-know Okiden" program, and pursue CSR activities with an emphasis on relations with stakeholders (customers, shareholders, investors, and our community).

Tsugiyoshi Toma

Tsugiyoshi Toma
Chairman

D. Ishimine

Denichiro Ishimine
President

Interview with the President

Denichiro Ishimine
President

Q1 As the newly appointed president of Okinawa Electric Power, could you tell the readers something about your basic management stance?

Now that I have become president, I am even more keenly aware than ever before of the serious collective responsibility we bear in our role as provider of a crucial element in the community's lifeline.

As far as the Company's management style is concerned, I hope to create a transparent management style featuring the disclosure of specific targets. I will do my best to make the views held, and the strategies pursued, by the management of OEPC clear to all our employees, customers, and shareholders. To achieve this, interactive communication is vital, as is the strengthening of the bonds of trust between the Company and its stakeholders. OEPC is responsible for supplying electric power services to the whole of Okinawa Prefecture, and if the prefectural economy does not grow and develop, neither will the Company. This is something we must never forget, and we must do our utmost to build a strong reputation for ourselves both within Okinawa and among the wider world. For this reason, our employees must constantly keep in mind the importance of the Company's social role in supplying electric power to our customers. They must also take every opportunity to explain the Company's policies and plans to our customers, so as to alleviate any worries they may have and strengthen their confidence in the Company.

OEPC operates under various constraints on its power generation structure and operating system that do not apply to the other nine electric power utilities of Japan. These include our inability to make use of nuclear power; the impossibility of tapping the national grid to make up for temporary shortfalls in generating capacity, owing to the considerable distance between the Okinawan islands and Kyushu — the nearest main Japanese landmass; and the fact that the prefecture is scattered across a large number of islands.

Our basic responsibilities are to maintain a reliable supply of power, to provide the same level of services to all our customers (no matter where in the prefecture they may live), and to keep our charges at roughly the same level as those in other parts of Japan. I hope to lead the Company's management in carefully and thoroughly addressing the issues we face, including our long-term strategies.

Q2 Now that the first quarter of the current term has ended, what can you tell the readers about the Okinawan economy and developments in demand for electric power?

The Prefectural Economy

Consumer spending in Okinawa has been holding firm recently, and the number of tourists visiting the prefecture is up over last year. In the construction field, too, the rising trend in private-sector construction is being maintained thanks to solid levels of investment in housing and hotel construction. Overall, the pace of growth of the Okinawan economy appears to be accelerating.

Not only are tourism-related sectors of the economy expected to continue enjoying brisk business thanks to the popularity of the islands as a tourist destination, consumer spending is also thought likely to maintain its upward path, and the recovery of the construction industry – led by private-sector investment – is projected to persist. The overall prospects for Okinawa's economy are thus bright.

Demand for Electricity

Demand for electric power in the first quarter (April – June) of the current business year declined by 0.1% year-on-year, and was down 1.3% compared with our plan, at 1,681MWh.

Despite an increase in the number of customers, non-industrial power demand was at the same level as in the first quarter of the previous year, due to lower demand for air-conditioning as a result of cooler than usual weather. Industrial demand, too, remained at last year's level, despite an increased number of customers (mainly in the food processing industry), due to a year-on-year decline in demand from seawater desalination plants, which registered high-level capacity utilization rates last year owing to a lack of rainfall.

Q3 What are the main issues facing OEPC?

One of the basic policies of OEPC is to keep our charges at approximately the same level as the average among the other Japanese electric utilities, but putting this into practice is certainly not an easy matter. Unlike most of the other utilities, the Company has no nuclear power or hydroelectric power plants, and in addition, we have to supply power to a large number of small islands, most of which are a considerable distance from the prefecture's main island. Moreover, whereas the other power companies' networks are connected up into one national grid, allowing them to buy and sell power among themselves to make up for temporary capacity shortfalls, OEPC has to invest in construction of excess generating capacity, so as to be prepared for possible emergencies.

Given these operational circumstances, the management of OEPC will have to give long and serious thought to the questions of how we can maintain our electricity rates at approximately the level of the Japanese average, and to what extent we can allow our rates to deviate from that line. The directors and employees of the Company must unite to face this issue directly and work out some practical solutions.

Another issue we face is the recent increasingly firm calls from our shareholders for an increase in the dividend payment, and we are certainly taking this very seriously. It will be difficult to achieve an ideal balance between paying higher dividends and holding down our electricity rates to the level of the national average, and I will do my best to resolve this issue.

Other issues include the need to make a contribution to the fight against global warming, the need to minimize the impact of the steep worldwide rise in fossil fuel prices on the Company's earnings, and our responsibility to invest in new equipment that can withstand the destructive effects of typhoons, in view of the recent trend toward increasing size and power in typhoons striking Okinawa.

None of the issues I have mentioned here are new, and much thought has already been given to them. What is needed now is to incorporate our conclusions in our management strategy, to formulate clear and specific policies. I aim to mobilize the entire management and staff of the Company in implementing effective measures to resolve these issues.

Q4 Why have you recently set up the Management Strategy Council?

We recently set up the Management Strategy Council as a tool that would to help us examine what specific ways would be best suited to solving issues that must be addressed urgently, to sort out which problems need to be solved in the medium-to-long term, and to lay the conceptual framework for such problem-solving and thus set the stage for continuous growth in the decade 2010-2020. I therefore decided to set up the Management Strategy Council.

The purpose of the Council is to function as part of a problem-solving system that enables all members of the Company's management to share information relevant to the issues at hand and thereby reach a consensus. This consensus will then serve as the starting point for an all-out, combined effort by the Company's management and staff to address the issue in question.

Eight strategic project teams have been set up to work under the direction of the Management Strategy Council, i.e. teams responsible for marketing, finance, fuel, business diversification, IT, management structure, reduction of carbon dioxide emissions and other environmental issues, and the power transmission and distribution network. A director of the Company (who also serves as the general manager of the relevant department in each case) has been appointed to head each of these teams, which between them examine almost every conceivable management issue.

Within this current business year, I intend to draw on these reports to revise the Company's management strategy, with the aim of putting that strategy into practice as part of the Company's medium/long-term business plan commencing April 2008.

Q5 How is the Yoshinoura Thermal Power Plant project progressing?

Why choose LNG?

Currently, the Company's power plants are all fueled by coal or oil. The construction and eventual operation of the Yoshinoura Plant, which will be fueled by LNG, is of immense significance for OEPC — not only as an additional power plant to meet the constantly growing demand for electricity — but also to help us reduce our carbon footprint as part of efforts to combat global warming. On top of that, it will also diversify our energy sources and thus reduce overdependence on one or two particular types of fuel. We are putting our full efforts into this project.

As Okinawa Prefecture is a group of small islands situated at some distance from the large islands that form the main part of Japan, it is not connected to the national power grid. Carbon dioxide emission levels from nuclear and hydroelectric power plants are extremely low, and thus we would have liked to take advantage of such power sources. Unfortunately, neither hydroelectric power nor nuclear power is an option. This is because of the lack of large rivers in the first case, and in the second case, a nuclear power plant is not suitable for meeting the fluctuations in power demand of Okinawa Prefecture. Thus, the only proven and effective means open to us of lowering our emissions of carbon dioxide is the construction of LNG-fired power plants, as this fuel has a very low intensity of CO_2 emission.

Furthermore, the Yoshinoura Plant will employ the combined cycle method in generating power, i.e. it will make use of a combination of gas turbines and steam turbines, with the latter employing waste heat from the former. This composite system of power generation is approximately 20% more efficient than conventional thermal power generation systems, with a generation efficiency rate of approximately 51%. Another advantage of this system is the complete absence of emissions of ash and soot or sulfur oxides, and a comparatively low level of carbon dioxide emission. Clearly, this power generation system is more environmentally friendly than most others.

Progress report

Regarding the assessment of the likely environmental impact of the Yoshinoura Plant, OEPC completed all the necessary procedures with the public disclosure of the Environmental Assessment Report in August 2006.

Regarding the actual construction work on the plant, in February 2007 we conducted a ground magnetic survey of the proposed site, and began construction of a building yard outside the boundaries of the plant site. At the end of May we laid the foundations for the LNG tank and commenced construction of the main structure.

We are still in the midst of examining various proposals for cost-cutting with regard to the specifications of the equipment to be installed in the plant, and are also looking closely at a number of LNG scenarios in terms of procurement and scope of usage, taking into account both the need for reliable supply and the economic viability aspect.

Overview of Okinawa Prefecture

Population Growth

The rate of population growth in Okinawa is high compared with Japan as a whole. It is estimated that the average annual growth rate over the period until 2016 will be 0.37% in Okinawa, compared with -0.15% for the country as a whole. Moreover whereas the population of Japan is thought to have peaked in 2004 and is now on the decline, that of Okinawa is expected to continue growing until 2025. In line with this expected increase in population growth, the number of households (supply contracts) is expected to grow steadily as well, leading to an increase in demand for residential-use electric power.

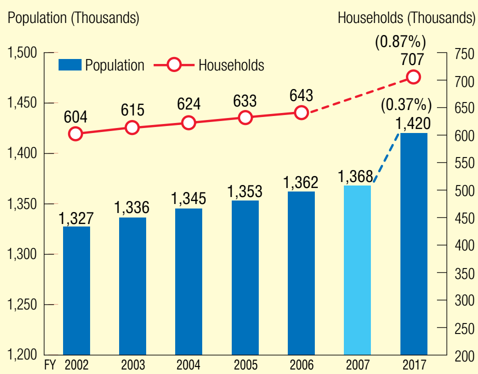
GDP

As a result of measures implemented under the government's Okinawa Promotion Plan, the GDP of the prefecture is forecast to grow at a faster pace than that of the country as a whole. Average annual GDP growth for Japan from 2004 to 2011 is projected at 1.8%, compared with 2.9% for Okinawa Prefecture. At the same time, per capita income growth, supported by GDP growth in the prefecture, is also forecast to exceed national rates over the same period, at approximately 4.6%, compared with around 2.7% for Japan as a whole.

Tourist Arrivals

Okinawa Prefecture saw a record number of 5.64 million tourist arrivals in 2006. This performance reflects rising interest in Japan in the natural beauty, musical traditions, cuisine, and arts and culture of Okinawa, and the area's concomitant rise in popularity; an expansion in aircraft seating availability due to addition of routes to Okinawa and deployment of larger aircraft by airlines, new construction of accommodation facilities, and an increase in school tours; and the success of public and private sector joint efforts to attract tourists through campaigns. The prefecture targets 6.5 million tourist arrivals in 2011.

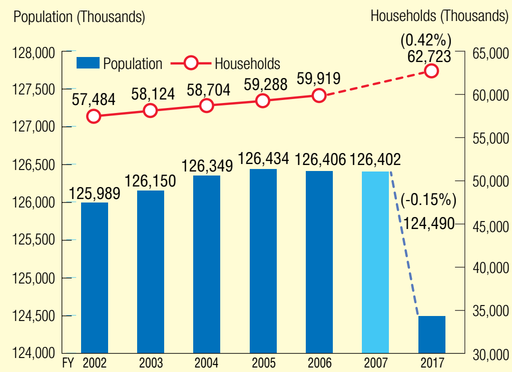
Growth in Population and Number of Households in Okinawa



Source: Population figures between FY2002 and FY2006 are based on surveys by the Ministry of Internal Affairs and Communications, Figures for 2005 are taken from the population census
Figures for FY2007 are provisionally supplemented values for Okinawa Prefecture based on findings of the population census
Figures for population and number of households in FY2017 are based on surveys by the Japan Electric Power Survey Committee

Note: Figures for number of households in parentheses show annual average growth between FY2006 and FY2017
Population figures in parentheses show annual average growth between FY2007 and FY2017

Growth in Population and Number of Households in Japan (Excluding Okinawa)



Source: Population figures between FY2002 and FY2007 are based on surveys by the Ministry of Internal Affairs and Communications, Figures for 2005 are taken from the population census
* Computed based on figures for all Japan (Ministry of Internal Affairs and Communications), excluding Okinawa
Figures for population and number of households in FY2017 are based on surveys by the Japan Electric Power Survey Committee

Note: Figures for number of households in parentheses show annual average growth between FY2006 and FY2017
Population figures in parentheses show annual average growth between FY2007 and FY2017

GDP Average Annual Growth Rate

	FY2005	FY2012	Avg. annual growth rate for 2005-2012
Okinawa	¥3,716,700 million	¥4,531,100 million	2.9%
Nationwide	¥527,826,700 million	¥597,513,800 million	1.8%

Source: Quantitative targets for economic and social development under the Okinawa Promotion and Development Plan, economic statistics for Okinawan residents in FY2005

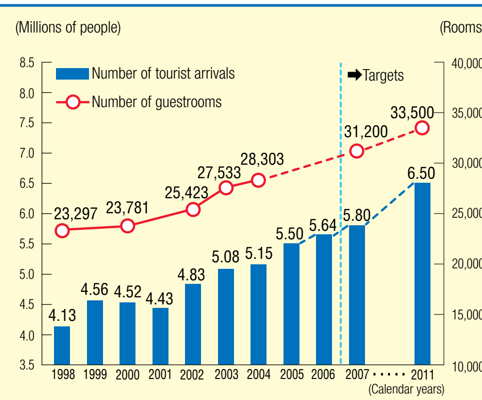
Cabinet Office, the Japan Electric Power Survey Committee
Notes: The GDP figures for both Okinawa and the whole of Japan are calculated using calendar 2000 as the base year (fixed base year method for Okinawa, chain-linking process for the whole nation)

Average Annual Growth Rate of Per Capita Income for Okinawa and Japan as a Whole

	FY2005	FY2012	Avg. annual growth rate for 2005-2012
Okinawa	¥2,000,000	¥2,740,000	4.6%
Nationwide	¥2,830,000	¥3,400,000	2.7%

Source: Quantitative targets for economic and social development under the Okinawa Promotion and Development Plan, economic statistics for Okinawan residents in FY2005

Tourist Arrivals and Number of Guestrooms



Source: "Okinawa Tourism Guidebook," "Outline of Measures to Revitalize the Economy of Okinawa," and the "Visit Okinawa Plan," all published by the Okinawa Prefectural Government

Notes: 1. The survey of the number of guest rooms in hotels and other accommodation facilities was conducted every other year (odd-numbered years) up to 2003, since when it has been carried out every year.
2. Estimated number of tourists for calendar 2007 is 5.8 million; number for fiscal 2007, ending March 31, 2008, is 5.9 million.

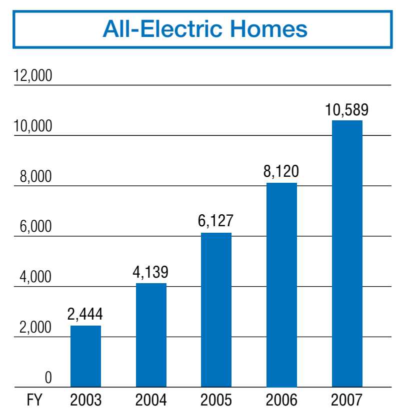
More convenience in daily life

Recognizing the diverse needs of our customers, we at OEPC have developed a range of finely tailored services, including a “menu” of electric power payment methods (which has proved very popular), consulting services that offer imaginative and effective solutions to all conceivable issues, and a full and reliable product after-sales service. These are some of the ways in which OEPC is working to achieve still higher levels of customer satisfaction.

All-electric homes on the increase

Because they do not employ open flames, all-electric homes are safer, and wit hour special-discount Ee Plan electricity charge payment plan, they are also very economical. A large number of customers have been extremely satisfied with our all-electric homes, thanks to their unique combination of safety and comfort, and the number of homes switching over to the all-electric plan is rising year-by-year.

OEPC uses its Kaerupia all-electric showroom as well as all-electric home demonstration vehicles to display vividly to the public the advantages of all-electric homes. We also hold various sales promotion events and marketing campaigns.



“Mother & child cooking lessons”

All-electric home demonstration vehicle

The design used from October 2006 in OEPC’s all-electric home promotional campaign

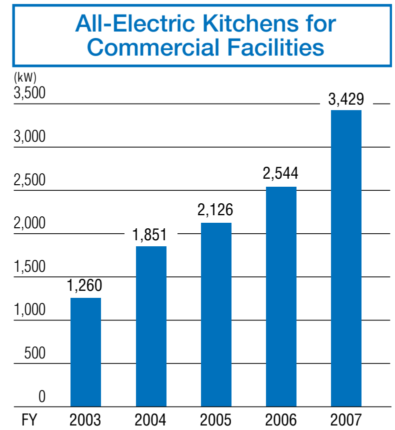
Clean and safe commercial kitchens that are a real pleasure to work in

At OEPC, we are working to spread the word about the advantages of all-electric kitchens for restaurants, bakeries, and other commercial facilities. The absence of open flames makes stoves safer than those using gas or other fuels; they are cost-effective thanks to excellent heat efficiency at high power levels; and they are easier to keep clean and hygienic. These commercial kitchens conform to the principles used in the Hazard Analysis and Critical Control Points

(HACCP) method, and make possible kitchens that boast what we call the "Four C's," i.e. they are cool, controllable, clean, and convenient. The majority of kitchens in restaurants and other commercial facilities still employ gas-fired cooking ranges. To encourage the expanded use of all-electric kitchens, we hold regular seminars on such kitchens to make their features more well-known among the potential users.

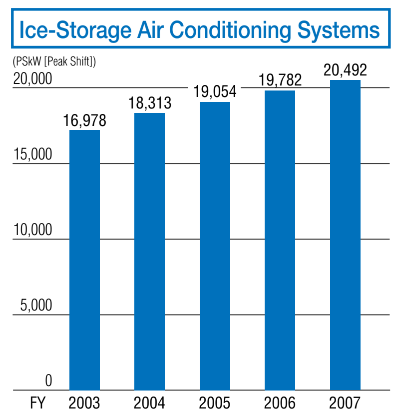
Seminar on all-electric kitchens for commercial facilities

Welfare facility with an all-electric kitchen

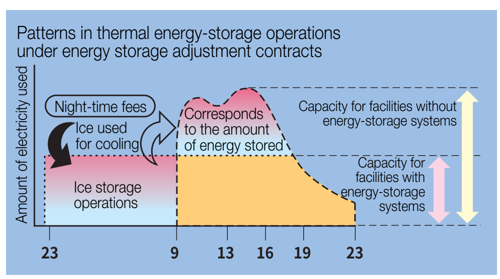


Ice-storage air conditioning systems ideal for Okinawa's long, hot summer

Energy storage-type air conditioning systems make use of low-cost nighttime electricity to produce and store ice or cold water, which is then used as a cooling source for air conditioning during the day. The use of this system also enables the running of the heat pump (the core of an air conditioning [room cooling] system) at higher levels of efficiency, which allows conservation of energy. As there is no combustion engine, the system is safer and more easily kept clean. By signing an "energy storage adjustment contract" with OEPC, our customers are able to take advantage of reduced electricity rates.



Ice-storage air conditioning systems



Opening of Call Center

To provide a single inquiry and request point where customers can interface with the Company, as well as to reduce telephone answer waiting times, we opened a call center in May 2007. The call center now handles all telephone interactions with our customers.

Providing services that truly satisfy our customers

Responding to our customers' desires, for instance for a safer and more comfortable daily living environment, or for reduced electricity costs, we have designed a menu of electric power service payment plans, from which each customer can choose the one that best fits his or her particular lifestyle. We also propose electric equipment and systems that have different merits and will appeal to different customers. Our lifestyle consulting staff are able to propose electricity-usage solutions that perfectly match each customer's lifestyle. Our marketing relies for its effectiveness on our salespeople's ability to instantly access the vast amount of expertise and experience that OEPC has built up, and we are constantly refining both our product-and-service lineup and our marketing system to maintain our undisputed position within Okinawa Prefecture as the premier supplier of electric power as well as related equipment and services.

A consulting session

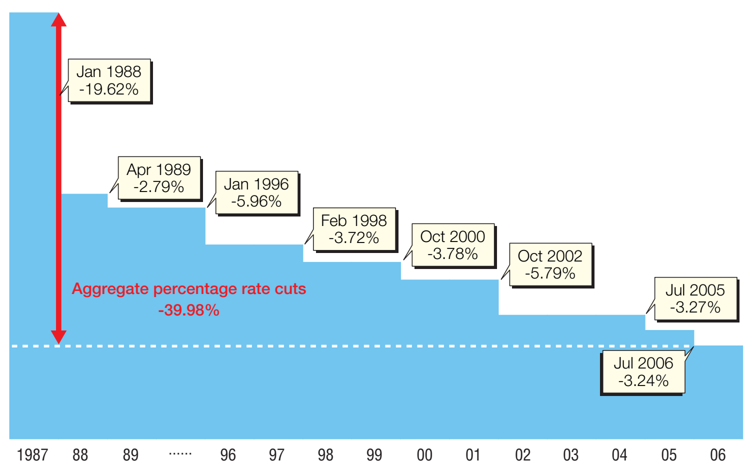
Lower electricity rates

Okinawa Electric Power Company serves customers living on a large number of small islands scattered across a wide area. Moreover, because of the distance between the islands of the prefecture and the mainland of Japan, OEPC is unable to take part in the electric power-sharing system operated among Japan's other nine electric power utilities. Finally, with a total prefectural population of only around 1.4 million, OEPC's operational scale is the smallest of the ten Japanese power utilities, and it is thus unable to enjoy much in the way of economy of scale. Clearly, the Company labors under a number of handicaps, but ever since the establishment of OEPC, we have made it one of our prime targets to supply electricity to our customers at rates comparable with those on the Japanese mainland. To this end, we have done our best to lower our power supply costs, and we hope to achieve further electricity rate reductions in the future by adopting more efficient operational processes.

Efforts to reduce electricity rates

To enable our customers to share in the profits gained through greater operational efficiency, the Company has successively implemented average rate reductions for power supply within the regulated category, the last of which was a 3.24% reduction effective July 2006. Since its privatization in 1988, OEPC has reduced its average electricity rates charge by approximately 40%. The Company will continue its efforts to raise the efficiency of its operations with the double aim of maintaining reliable electric power supply services and keeping its rates approximately at the same level as on the Japanese mainland.

Percentage cuts in electricity rates



The Liberalization of the Electric Power Utility Business

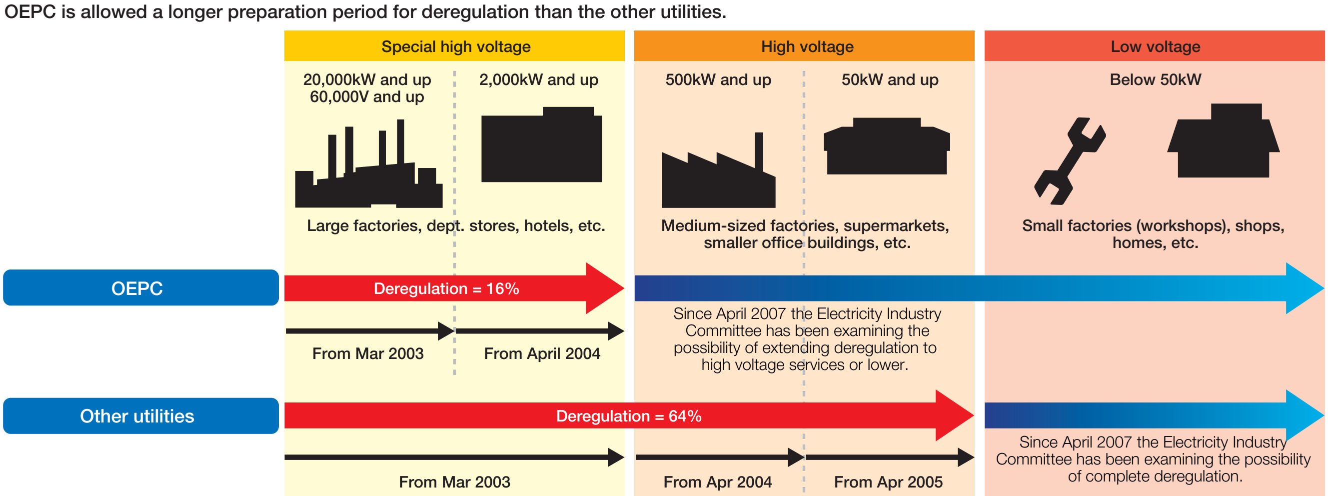
The deregulation of power supply within OEPC's operational region is limited, in principle, to customers contracting to receive a minimum of 2,000 kilowatts, which is supplied to them by OEPC's high-voltage (20,000 volts or higher) transmission lines. Because of the difficulties, infrastructure-wise, of supplying power to the smaller islands of the prefecture that are remote from Okinawa Island, the scope available to private power producers to take advantage of the partial deregulation of the power supply system is rather limited by comparison with the other Japanese power utility companies.

Since April of this year METI's Electricity Industry Committee has been holding discussions on expanding the scope of liberalization of power supply. In the case of the other nine utilities, the Committee will discuss full-fledged liberalization, including the supply of power to residences. In the case of OEPC, they will examine the feasibility of expanding the scope of deregulation to the supply of high-voltage power, or possibly lower-voltage power*.

* The decision on the expansion of the scope of deregulation is believed to have been postponed for the time being.

The Scope of Electric Power Supply Deregulation

OEPC is allowed a longer preparation period for deregulation than the other utilities.



* Percentage figures represent electricity sales within the scope of deregulation as a percentage of total electricity sales (year ended March 2006).

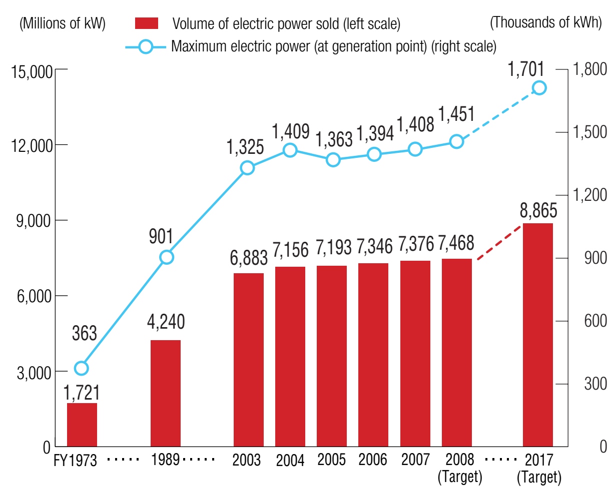
Creating electricity

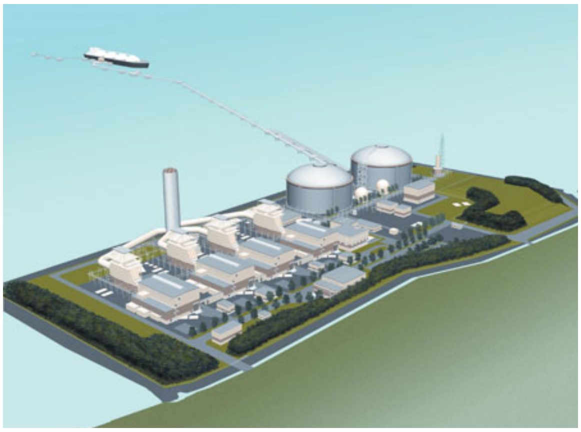
Needless to say, modern society could not exist without electricity. As a power supply utilities company, OEPC bears a number of important public duties, principal among which are: to provide the same level of service to all users in Okinawa Prefecture; to guarantee an uninterrupted supply of power to the prefecture by ensuring that its energy (i.e. fuel) resources are always sufficient; and to make its best efforts to minimize the adverse effects of its business operations on the integrity of the environment. An overriding concern of the management of OEPC is to plan the Company's supply of power from a long-term perspective, so as always to be one step ahead of the growth in demand. To this end, in planning and maintaining its power supply and transmission infrastructure, OEPC must constantly balance the requirements of economic viability and energy security, while building up its generation capacity so as to cope with the inevitable future growth in demand for power.

The upward trend of electric power consumption

In fiscal 2007, total electric power consumption amounted to approximately 7.4 billion kWh, a year-on-year increase of 0.4%. Peak load was 1,408,000 kilowatts, or approximately four times the figure for 1972, the initial year of operations as OEPC. Regarding the prospects for electric power demand from hereon, although energy conservation initiatives have acted to constrain demand growth, the increase in the number of customers — fueled by population growth — and the steady growth of the prefecture's economy (helped by pro-motion plans implemented by the central government) are expected to push up demand by an annual average of 1.7% over the period to 2016, easily outpacing the projected 0.9% annual growth for Japan as a whole.

Maximum Electric Power and Volume of Electric Power Sold





Artist's representation of the Yoshinoura thermal power plant when completed (startup scheduled for FY2011)

Power generation turbine

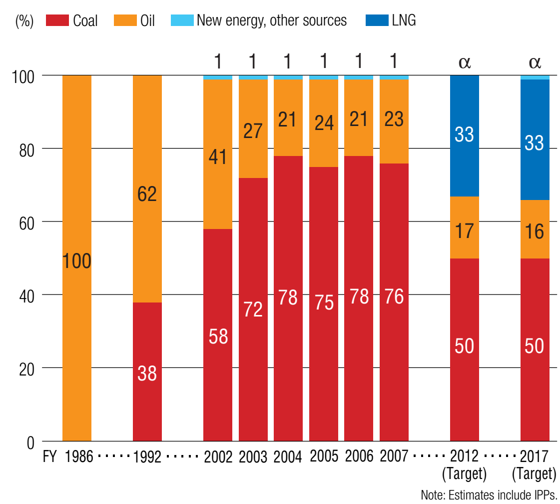
Expansion of power generation capacity

Having virtually no natural fuel resources of its own, Japan is heavily dependent on imports for the fossil fuels used to generate electric power. Ever since the oil supply crises of the 1970s, particularly active efforts have been made to reduce the nation's dependence on oil by diversifying fuel sources. But geographical and geological factors and the limited scale of demand in Okinawa Prefecture mean that hydroelectric and nuclear power generation is impractical at the moment, and so the Company is forced to rely principally on thermal generators, in which the fuel burned is either oil or coal.

To lower OEPC's dependence on oil further, we commenced construction of our second coal-fired generation facility (after the Gushikawa thermal power plant), the Kin thermal power plant. Operation of the No. 1 generator at the new power station began in February 2002, followed by the No. 2 generator in May 2003. The Kin power station is enabling OEPC to cope with the strong growth in electric power demand on Okinawa Prefecture.

Our next major power generation development project is the Yoshinoura thermal power plant, operation of which is scheduled to commence in fiscal 2011. This new plant will use LNG as its fuel. As the combustion of LNG emits very little carbon dioxide, it will not materially contribute to global warming. At the same time, the use of LNG is in line with the Company's policy of diversifying the types of fuel used, thereby further ensuring the reliability of our power supply service.

Power Generation by Fuel Type



Note: Totals do not necessarily add up, owing to the rounding out of figures.

Gushikawa Thermal Power Station

Kin Thermal Power Station

Delivering electricity

It is not enough simply to generate electric power — it must be delivered to the consumer — and to do this OEPC has built, and constantly maintains, an extensive network of high-voltage power transmission lines, transformer stations, and low-voltage local distribution networks. OEPC is directing its planning and investment in the construction and installation of generating facilities and its transmission network from an integrated perspective, taking fully into account demand trends in the prefecture and the overriding need to ensure a reliable supply into the indefinite future.

Our comprehensive network

At present, the Company's network of high-voltage power transmission lines connecting its power plants with its transformer stations (on Okinawa Island and all other islands of the prefecture), including above-ground and buried cables, measures a total of 976 kilometers. We operate 131 transformer stations, and the length of the low-voltage distribution line network connecting these stations with our customers (again, both overhead and underground), totals 10,625 kilometers. We are continuing to invest in the expansion and improvement of these transmission and distribution networks to cope with growing demand in Naha City and the surrounding region as well as to provide backup lines to ensure supply in all circumstances. This work is being carried out in coordination with the planning for the construction of the Yoshinoura thermal power plant.

Load dispatching center

OEPC has established a remote control system for power load adjustment at power stations and current adjustments at transformer stations and over transmission lines, to precisely match power demand.

A more rational supply grid

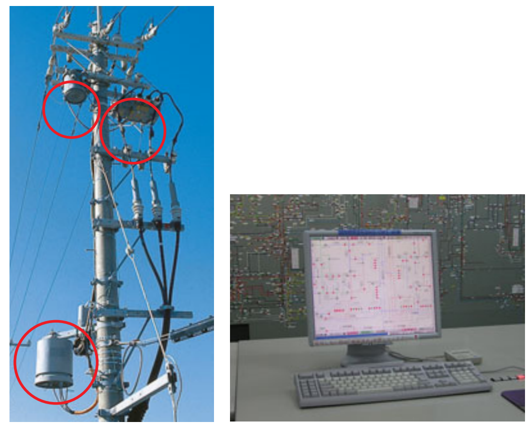
Electrical power demand in Okinawa island is concentrated in the cities of the central and southern areas, centered on Naha, but large-scale generation facilities are located north of the central area of Okinawa Prefecture, far away from demand centers. For this reason, the Company is expanding and strengthening facilities in line with expanding electrical demand. Even if a natural disaster cuts our power supplies, we aim to ensure resumption by using looped lines enabling us to use a secondary route. We supply power in high volumes using underground and submarine tunnels for areas where construction of pylons is difficult.

Undersea tunnels

Automated power distribution system

This is a system whereby computers in our local offices are connected via telecommunication lines with the switching gear mounted on power poles in each office's service area. The system enables staff at the offices to switch power to particular areas on or off, and to remotely monitor data on voltage and current. Previously, these operations required the offices to send employees to the site.

The system enables repair staff at local offices to restore service much more quickly when a line is severed by accident, and also allows the Company to more efficiently plan the construction of new infrastructure, as well as conduct services more effectively. It thus helps us provide our customers with a reliable power supply service.



Automatic power distribution monitoring system
OEPC uses computers in each branch office to automatically obtain data on the operation of local switches mounted on utility poles as well as on the voltage and current in local distribution lines. This system facilitates prompt repair work to restore power in the event of lines being cut, as well as more efficient installation planning and operation of equipment.

Laying local distribution lines underground

Urban redevelopment projects are being carried out in cities all over Japan as part of an overall concept of improving social infrastructure. The power utility companies are pursuing plans to take advantage of such redevelopment projects to dismantle their overhead local power distribution lines and lay them underground in these areas. OEPC has been making steady progress in dismantling those overhead power distribution cables designated for priority removal by the local commission, and replacing them with underground cables. At the same time, we are holding talks with the prefectural government and other institutions concerned, with the goal of aggressively pushing ahead with the underground laying of power lines.

Street with underground power distribution lines

Building electricity-networks that can handle typhoons

Okinawa is frequently hit by typhoons, and our facilities are often damaged by strong winds.

Since fiscal 2006, the Company has been carrying out tests into electricity supply lines that can reduce wind pressure load by 20-30% compared with conventional electricity lines. We plan to introduce wind-pressure resistant lines to ease the load on poles, and build transmission facilities strong enough to withstand typhoon damage.

Wind-pressure resistant power lines

Working for all of Okinawa

Consisting of approximately 160 large and small islands, Okinawa Prefecture forms the most southwesterly point of Japan, extending approximately 400km from north to south and 1,000km from east to west. In addition to the main island of Okinawa, the Company delivers a stable supply of electricity to approximately 40 inhabited islands dotted around a large area of sea. However small an island may be, or however far away, as long as people are living there, our mission is to deliver electricity to them.

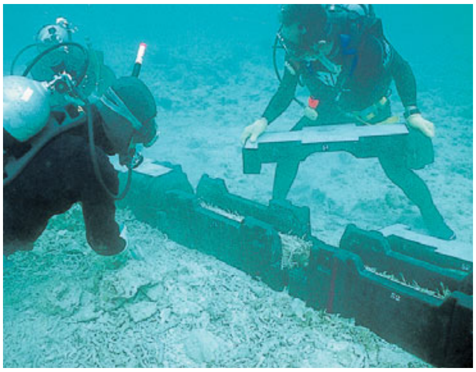
Power for remote islands

A vast distance from Japan's main islands, 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.

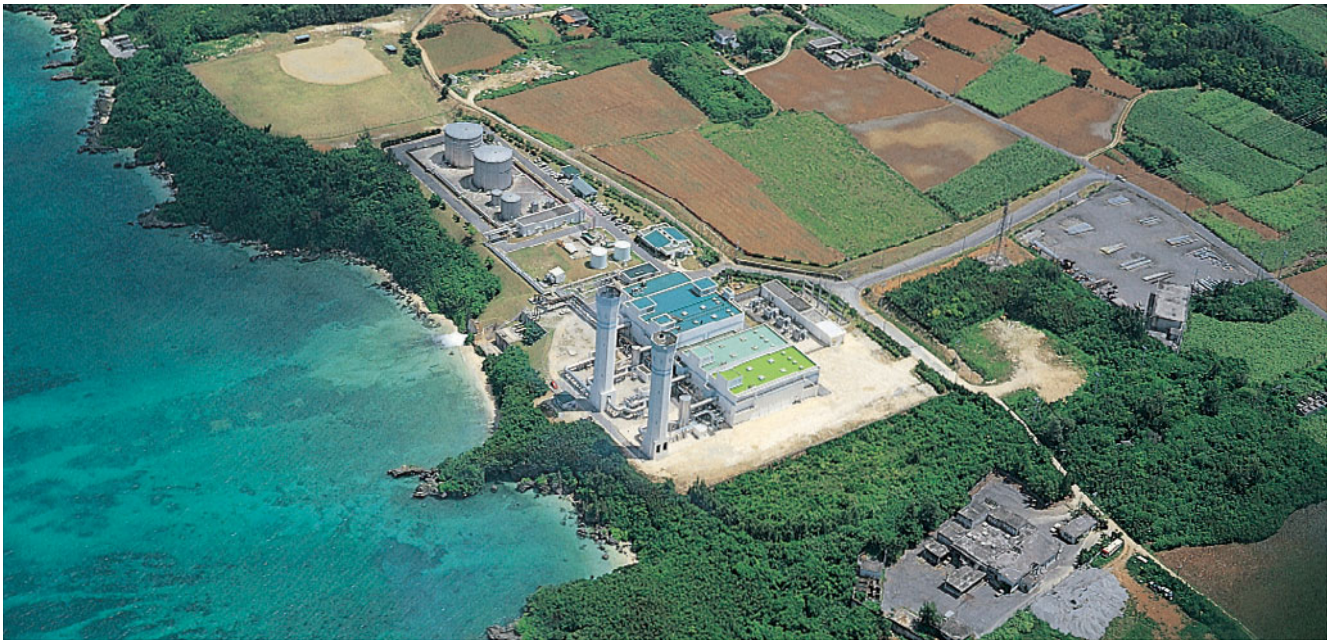
In addition to the main island of Okinawa, we have established independent internal combustion power-generating facilities in 11 remote islands including Ishigakijima and Miyakojima islands. From these facilities, electricity is supplied to neighboring remote islands round-the-clock using submarine cables.

During emergencies (failure of regular supplies to remote islands), we use gas turbine generator vehicles to ensure a stable supply of electricity.

Laying submarine power cables



Submarine power cables



Miyako No.2 Internal Combustion Power Station

Reducing the costs of supplying remote islands

Because demand is so small in scale and the islands themselves are so far away from the main island of Okinawa, the remote islands present structural issues in terms of supply costs in every category, notably fuel and maintenance expenses. They are more expensive to supply than the main island.

To alleviate the imbalance in revenues and expenses with regard to remote island supplies, the Company set up a Remote Island Company in fiscal 2003, which has achieved results in increasing efficiency on various fronts. Despite a discouraging environment of soaring fuel prices, we intend to persist with these efforts and bring down costs of supplying remote islands.

Remote monitoring of Miyako and Ishigaki power plants

Delivery of fuel

Working with our community

OEPC has grown to its present status in parallel with the development of Okinawa Prefecture, and with the invaluable support and cooperation of many members of the regional community. Under the motto of "With the region, for the region," the Company aims to contribute to the community on Okinawa, enabling a better life for its residents and building trust in our operations.

"Get-to-Know Okiden" events

Every November, over a period of ten days, the Company organizes a variety of events to help local people get to know the Company better. The events include talk sessions with members of the public, guided tours of our power plants, sports competitions, and community volunteer initiatives by our employees.

Junior high school students on a guided tour of the Company's facilities

Checks and repairs on wiring in homes where elderly people live alone

OEPC employees inspecting street lights

Regional economic revitalization

OEPC pursues a number of initiatives aimed at assisting in the development of the Okinawan economy and the prefecture's industrial base. These include liaising with business and industrial organizations both within the prefecture and elsewhere in Japan; making proposals regarding the promotion of industrial development, and providing valuable support for such schemes; and conducting joint surveys with members of industrial organizations, government bodies, academic institutions, and private-sector organizations. In addition to assisting in surveys, we dispatch staff members to work with the survey teams, and make our technological expertise available for industrial and economic redevelopment projects.

On a broader social and cultural stage, too, OEPC cooperates with social welfare organizations, the nation's central and local governments, non-profit organizations, and local public corporations. These joint activities encompass social welfare programs, regional economic development projects, and sporting events.

OEPC provided support for the hosting in Okinawa of the annual general meeting of the International Development Bank (IDB) in 2005 by donating funds to the organizing committee and dispatching staff to assist in the preparations.

In commemoration of the founding ten years ago of the Momosoe Kai, a Group company association, OEPC donated funds for the construction of the Family House, for the accommodation of parents and other relatives visiting patients at the Nanbu Prefectural Medical Center, a children's care facility.

Artist's impression of overnight stay facilities for parents of children hospitalized in the Nanbu Medical Center

Youth programs

To foster an understanding of the pleasure to be derived from learning, and develop a love of creating things among school-children, who will form the nation's work force in future years, we organize a robot-building competition for high school students and an exhibition of science-work by the students. We also organize tours for school-children of our Electrical Science Museum and our power stations, and hold a "science fair classroom" for students and their parents during the summer holidays.

The Okinawa Young People's Science Fair

A robot building and control competition for high school students

A "make it together with Mom and Dad" class

Arts and cultural events

As part of its program of support for the artistic and cultural scene in Okinawa Prefecture, OEPC has since 1995 been holding the Okiden Sugarhall Audition For Debut Concert to provide an opportunity for the discovery of talented young classical musicians. In recognition of the Company's support for up-and-coming new musicians, it was awarded the Prize for Corporate Philanthropy for the Year 2000 by the Association for Corporate Support of the Arts.

In 2001, OEPC instituted a prize — the Okiden Illumination Award — for work done in the field of artistic lighting and illumination effects, with the goal of fostering the growth of this new art form, which makes a valuable addition to Okinawa's tourist attractions.

An entry in the contest for the Okiden Illumination Prize

The Okiden Sugarhall Audition For Debut Concert

Sports

In 2001, the Company embraced baseball as its "symbol sport." The aims are to invigorate the workplace through revitalized sports activities and to contribute to the development of sports in the prefecture and help children realize their dreams and ambitions through sports courses. In the field of sports, we sponsor a number of competitive events, including the Okiden Pennant Tournament — a rubber-ball baseball competition for elementary school children — Naginata martial arts tournaments, and the OEPC Cup table tennis team tournament (open to the general public), and prefectural-level qualifying heats for a national-scale contest of "30 kids on 31 legs" races (a much-expanded version of the three-legged races we are familiar with in the West) between elementary school classes.

Okiden Pennant Elementary School Baseball Tournament

Baseball workshop for children

Support activities for environmental education

To provide more information about energy to inhabitants of the prefecture and to improve awareness of our environmental initiatives, we dispatch experts to give lectures on environmental and energy topics at the behest of local educational institutions and governments. In addition, to raise awareness of the importance of energy and the way power is generated, we arrange power station study visits and have prepared a range of attractions at the exhibition of electricity and science within Gushikawa Thermal Power Station.

Children visit a coral nursery supported

Environmental measures

To leave the heritage of a beautiful, unspoiled natural environment to future generations, it is our duty to utilize our technological expertise and all other forms of know-how, from every possible angle, to ensure that all our staff address their efforts to resolving the issue of harmonizing our business operations with the need to reduce their burden on the environment.

OEPC has been publishing a report on its environmental activities annually since 1996

Improving our environmental management

The Company has established the OEPC Environmental Policy under our Global Environment Action Committee, and is engaged in environmental activities covering all Company businesses.

In March 2005, the Power Generation Dept. of OEPC's Electric Power Engineering Division obtained the 1996 version of the ISO14001 certification of conformity with international standards for environmental management systems. This certification includes a blanket certification for three thermal power plants, Ishikawa, Gushikawa and Makiminato, which have hitherto obtained such certification separately, as well as Kin, and the Power Generation section at our head office, so that all power generation operations are now covered. Thus, all sections of the Company directly engaged in power generation have now been certified as in conformity with the ISO 140001 standards for environmental management systems. Building on this success, we will ensure that our environmental management systems under the blanket certification work more effectively, and will endeavor to reduce the environmental burden of our operations still further in the future.

An ISO14001 certificate

Combating global warming

The carbon dioxide released into the atmosphere by the burning of fossil fuels is said to be the principal cause of global warming, and this is a major issue which the electric power utilities have to address. Up to now, countermeasures have included measures to improve the efficiency of heat utilization at power stations, the introduction of new energy sources such as wind power and solar power, and a variety of energy conservation initiatives. By these means, the utilities have attempted to reduce their volume of combustion of fossil fuels and thus their emissions of carbon dioxide.

At OEPC, we have decided on the construction of a new power station at Yoshinoura, which will burn LNG instead of coal or oil, as this fuel generates much lower carbon dioxide emission levels. As supplemental measures, we are also taking advantage of the mechanisms provided under the Kyoto Protocol to assist in the reduction of greenhouse gas emissions on a global scale, through contributions to the World Bank's Community Development Carbon Fund, among other such projects.

The Company is raising the awareness of global warming issues through participation in the Team Minus 6% national campaign for prevention of global warming (for achievement of a 6% reduction in emissions of greenhouse gases in Japan, in line with the Kyoto Protocol). We are also aggressively promoting energy-saving measures already in place.

Office employees wearing Kariyushi shirts

みんなで止めよう温暖化
「沖縄電力」チーム・マイナス6%

Local environmental improvement initiatives

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 seaside in the vicinity of our power plants.

At existing power plants, we are undertaking a range of environment protection measures, targeting atmospheric pollution, water pollution, warm wastewater pollution, and noise and vibration issues, to ensure that our activities do not impact the surrounding environment. We also make reports to relevant local authorities based on environment protection agreements, after carrying out environmental monitoring studies into air and water quality and noise and vibration issues around our power plants.

In preparation for the start of operations at our planned Yoshinoura Thermal Power Station in fiscal 2011, we have conducted environmental assessments. We are canvassing the views of local residents as well as the local government, and hope to create a new power plant that will harmonize smoothly with the natural surroundings cherished by the community.

In addition, we are taking the following measures to improve the local environment: rigorous management of chemical substances such as PCB and dioxin; greening power plant sites to achieve more harmony with the natural environment and areas of scenic beauty in the area; and trialing the “greening of the sea” (by planting coral and seaweed) around our power generation facilities.

Conducting a survey of plant and animal life as part of an Environmental Assessment

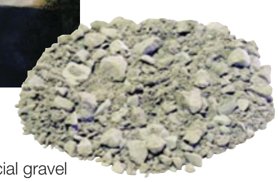
Environmental protection facilities at a power plant

As part of an overall policy of removing harmful chemicals from smoke emitted by our power plants, they are equipped with desulphurization and denitrification equipment.

Creation of sustainable resource reuse system

OEPC is promoting the use of a three-pronged system for handling the waste products generated by its operations. The three-point system incorporates the concepts of “reduce, reuse, and recycle” as a way of optimally utilizing the Earth’s limited natural resources. For example, we use the coal ash and gypsum created by the combustion process at our coal-fired power plants as raw materials for cement, as an alternative to sand in the production of synthetic stone materials, and as an agricultural soil improvement agent. In December 2004 we designated Pozotech, a road-surfacing material made from coal ash, as a recycling material for use in Okinawa Prefecture. We aim to expand its use in construction projects.

Road surfaced with OEPC’s Pozotech



Artificial gravel

Harmony with society

June is environmental month at OEPC. We undertake a range of activities such as raising employee environmental awareness at our head office and power stations, and participating in beach- and highway-cleaning activities and tree-planting organized by local governments.

To promote greening activities as part of our afforestation and global-warming prevention measures, we are turning the former US military shooting range Cape Zampa Park, Yomitan village, into a recreational forest, Zampa Shiosai no Mori, in cooperation with Okinawa Prefecture and Yomitan.

A beach cleanup by OEPC staff

A tree-planting event at “Zampa Shiosai no Mori”

Green energy

The management environment for OEPC is becoming increasingly severe. Not only do we have to comply with commitments to reduce carbon dioxide emissions under the Kyoto Protocol, new Japanese legislation directly covering the electric power utilities obligates us to develop new energy sources. In addition, the market in which we operate is threatening to become more competitive as a result of the entry of independent power providers into the newly deregulated power market. The research staff of OEPC are conducting a variety of studies aimed at finding effective solutions to these urgent issues that face the Company's management. These research initiatives are described below.

Biomass energy

The term "biomass energy," also called simply "biomass," refers to the solar energy stored by plants through the process of photosynthesis, by means of which they utilize sunlight to create their tissues. Unlike fossil fuels, biomass is a renewable energy source. No matter how many times biomass is converted into other forms of energy and utilized by mankind, the carbon dioxide thus released was originally taken from the atmosphere by the plants to form their mass. The process thus does not constitute the addition of any further carbon dioxide to the atmosphere (it is carbon neutral).

We are currently studying the various forms and volumes of biomass available in Okinawa Prefecture for use as a fuel in power generation. One likely candidate is the use of wood chips and sawdust, as well as pressed sludge as a fuel source after mixture with coal.

Carbonized sewage sludge

Wood chips

Research into redox flow cell storage battery systems

To level loads and stabilize systems, the Company is researching and trialling redox flow battery facilities.

Although electricity is a very versatile form of energy that can be easily utilized for a wide variety of purposes, its biggest drawback is that it cannot easily be stored. Redox flow cell batteries, however, are capable of storing a considerable amount of electricity, and can be effectively employed to store power at night, when demand is low, for use in the daytime. This is a very efficient way of utilizing a power supply system. At OEPC, we are also studying ways of utilizing redox flow cell batteries to overcome the principal drawback of such natural and renewable energy sources as wind power and solar energy, namely, that the level of power fluctuates almost constantly. Storing the electric power in redox flow cell batteries for use later would be one way of leveling-out such fluctuations in power supply, opening up the way to more extensive employment of clean and renewable energy.

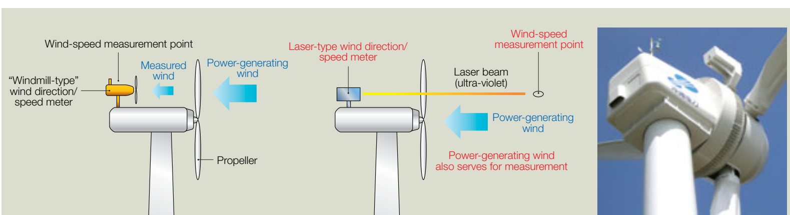
Research into new energy sources

Wind-powered electricity generation is a classic example of “clean” energy, in that it employs a renewable natural energy source. The drawback is that it is dependent on the force of the wind, which varies almost constantly. Thus, if wind-power generation facilities are added to a small-scale power supply system, the stability (i.e., the reliability) of the power supply would be compromised. Because of this, at our Iheya wind-powered generating station, we have installed the world’s first wind direction and wind-speed prediction system utilizing a laser beam device. Staff at the station are conducting research into ways of controlling wind-powered generation to produce a leveled-out power output through the accurate forecasting of fluctuations in wind strength.

Additionally, from fiscal 2001 to fiscal 2004, OEPC participated in joint research carried out by Japanese and Thai researchers under the aegis of Japan’s New Energy Development Organization (NEDO), and in collaboration with NEDO, OEPC staff conducted verification studies on a solar power generation system that is believed to a prime candidate for practical introduction by Japanese industry.

An international joint research project into solar power generation (Thailand)

Wind power generators — comparison of conventional direction-control system and laser-type system



Laser-type wind direction/speed meter

Field tests on an industrial solar power system are being carried out at a facility on Kita-Daito Island.

New Energy Facilities

(As of March 31, 2007)

Wind Power Generation Facilities

Name	Capacity (kW)	Started
Miyako Wind Power Research Facility	600	March 2003
Tarama Wind Power Research Facility	280	July 1999
Hateruma Wind Power Research Facility	280	July 1999
Aguni Wind Power Research Facility	250	March 2000
Tonaki Wind Power Research Facility	250	March 2001
Yonaguni Wind Power Research Facility	600 x 2	March 2002
Iheya Wind Power Research Facility	300	Aug. 2003

Solar Power Generation Facilities

Name	Capacity (kW)	Started
Tokashiki Solar Power Research Facility	204	April 1988
Miyako Solar Power Research Facility	490	Sept. 1994
Urasoe Branch Solar Power Generation System	10	May 1998
Naha Branch Solar Power Generation System	12	Dec. 1999
Miyako Branch Solar Power Generation System	10	Jan. 2001
Yaeyama Branch Solar Power Generation System	10	March 2001
Kita-Daito Solar Power Research Facility	40	March 2001
Solar Power Generation EV Station Testing Facility	2	March 2003

Utilizing coal ash to make organic fertilizer

Coal ash left over after the combustion of coal at thermal power stations contains constituent substances that have been shown to be effective in promoting plant growth. To turn it into a practical fertilizer, the ash is mixed with organic materials such as rice bran, fish meal, and oilseed husks, and then allowed to ferment. By reusing what would otherwise be solid waste produced by our operations, we are contributing to the preservation of the environment.

We are also making efficient use of this fertilizer in creating the Zampa Shiosai no Mori, with the goal of promoting greening as part of our global warming measures.

Growing vegetables using coal ash as fertilizer (Kin Town)

Improving operational efficiency

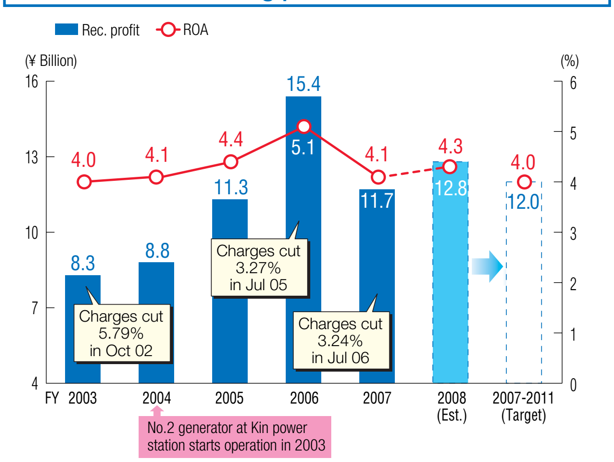
At OEPC, to deal with the high price of fuel, the rising cost of measures to retard global warming, and the need for working funds accompanying the full-scale start of construction of the Yoshinoura Thermal Power Station, among other factors, we have been exerting our full efforts to ensure that the Company's financial position is safe and stable.

Medium-Term Financial Targets

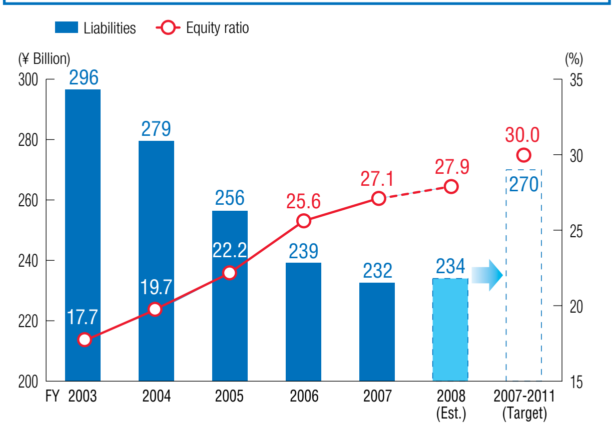
		FY2008 management plan	
Recurring profit	Consolidated	Annual avg. ¥12 billion or more	FY2006-10
	Non-consolidated	Annual avg. ¥11 billion or more	
ROA	Consolidated	Annual avg. 4.0% or more (operating income/total assets)	FY2006-10
	Non-consolidated		
Balance of interest-bearing liabilities	Consolidated	Approx. ¥270 billion	End of FY2010
	Non-consolidated	Approx. ¥260 billion	
Equity ratio	Consolidated	Approx. 30%	End of FY2010
	Non-consolidated		

Note: The Company's targets under its FY2007 management plan remain unchanged from the targets under the FY2006 management plan.

Recurring profit and ROA (Consolidated basis)



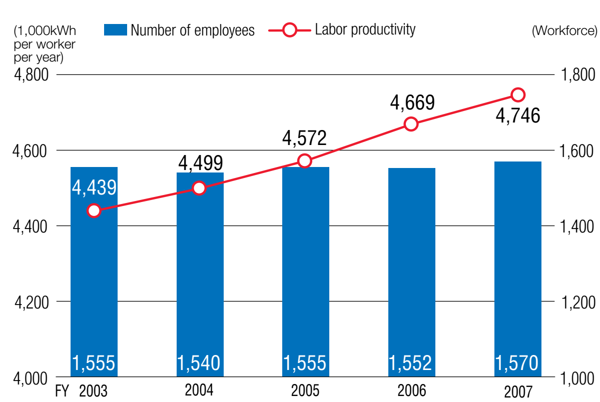
Balance of interest-bearing liabilities and equity ratio (Consolidated basis)



Raising Operational Efficiency

We are working to raise productivity by promoting rationalization for greater efficiency across the entire range of our business operations.

Labor productivity and number of employees

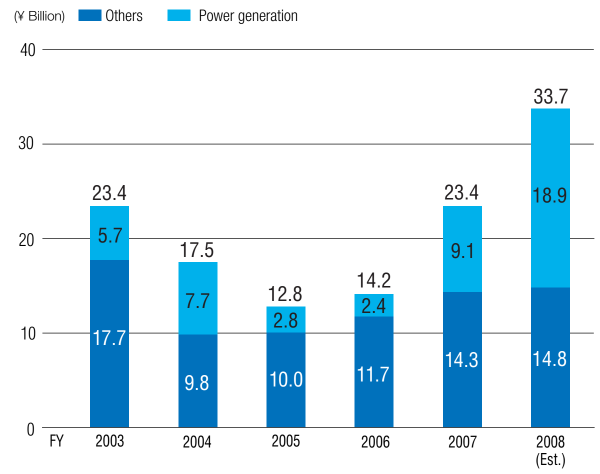


Note: Labor productivity = Amount of electric power sold per employee (adjusted for year-to-year temperature differences)

Effective Capital Investment

Investment by the Company in plant and equipment in fiscal 2007 came to ¥23.4 billion, ¥5.7 billion lower than the initially planned figure. This is attributable to a thorough review of our specifications and methods of design and installation, as well as cost savings on the procurement of materials thanks to progress in the reuse of recyclable scrap material. Capital investment is projected to remain at a high level until the completion of construction of the Yoshinoura thermal power plant. However, factoring into our plans the various measures we have taken thus far to improve the efficiency of our operations, we anticipate holding down annual equipment investment over the five-year period ending March 2011, to an average of ¥36.0 billion.

Capital Investment



Striving for efficiency in operation and maintenance of equipment

Regarding expenses for repairs to equipment and facilities in fiscal 2007, the Company's choices were dominated by the twin aims of maintaining a stable and reliable supply of power, and further reducing costs. To these ends, considerable thought was given to employing the most rational methods of maintenance and the most efficient operational processes (exemplified by changes to the timing of spot checks).

The *Shinryo-maru*, a dedicated coal carrier

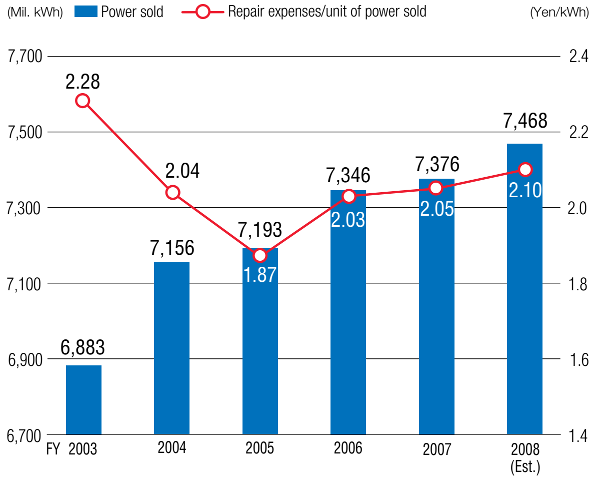
Reducing Fuel Costs

In response to the recent high level of fuel costs, to ensure the stability of our fuel supply while also bringing down costs, we have been making greater use of the spot market to purchase grade C heavy crude oil and have been signing long-term contracts for the purchase of coal. We also efficiently use the Shinryo-maru — a dedicated coal-carrier vessel — to reduce fuel transport costs.

Reducing the Cost of Supplying Power to Remote Islands

OEPC is examining a number of options for reducing the cost of supplying power to the residents of remote islands. These include laying underground pipelines from the fuel-delivery port to the generators, replacing the existing system, which employs tanker trucks to transport the fuel, and switching from Class A heavy oil to the less expensive FCC-C heavy oil.

Cost of repairs per unit of power sold



Strengthening group management

Our aim in managing the OEPC Group as a whole is to expand our sphere of business activities, as well as to maximize the enterprise value of the group through the efficient allocation of management resources such as equipment and personnel, and the sharing of technological expertise. With regard to the opening up of new business fields, we take care to ensure that such moves are backed by a consensus of approval among both our shareholders and the community at large. In addition, we also focus on businesses that help contribute to the growth of our core electric power business and to the development of customer industries in Okinawa Prefecture. In these ways, we select new businesses that expand and enhance the service we provide to our customers.

Group companies serve as invaluable partners in our provision of a reliable power service

The overriding concern of all companies in the OEPC Group is to assist the parent Company in its provision of a reliable electric power service to the people of Okinawa. To help make the supply of power by OEPC go smoothly, the seven companies of the OEPC group engage in the businesses of power plant and transmission/distribution facility construction and maintenance, facility inspection, and the procurement of essential facilities such as transformers, switchboards, power distribution lines, and electricity meters for the parent company. Utilizing their accumulated expertise in the construction of electric power facilities, they are also engaging in various public works projects and private-sector construction projects, so as to help promote the growth of the local economy.

Employees of Okinawa Denki Kogyo Company, Incorporated check power meters.

Staff from Okinawa Plant Kogyo Company, Incorporated disassemble a turbine at Makiminato Thermal Power Plant for a regular inspection.

Okidenko Company Incorporated installed the exterior lighting for the National Theater Okinawa.

Lifestyle support services

Telecommunications services

The OEPC Group's activities in this area are based on a vision of society in the near future in which the roles of computers and telecommunications will be enormously expanded by comparison with the present. For example, people will be able to view or download publicly accessible data held on file at their local government offices. They will be able to view movies selected from an almost infinitely wide choice range, via broadband Internet connection in their own homes, or participate in teleconferencing via their own PCs. In the near future, it is expected that all computers — at public facilities, private companies, and ordinary households — will be interconnected via one information technology network or another.

The companies in the OEPC Group are working on the design and practical creation of secure systems that will facilitate the establishment of new types of ties between individuals, between individuals and communities, and between different regional communities.

OTNetの ひかりふる

Okinawa Telecommunication Network Company, Incorporated has begun offering an Internet access service utilizing a proprietary optical fiber network.

The iDC Building — This building features highly reliable broadband Internet access services, provided by First Riding Technology Company, Incorporated.

IT Expo — Companies in the OEPC Group show off their wares and services.

Operation of on-site power generators

We aim to meet our customers' needs for reduced costs, energy conservation, and a smaller environmental burden from their business operations by providing them with comprehensive, "one-stop" solutions for efficient, cost-effective, and environmentally-friendly power generation. These services range from diagnostic facilities for IPP/cogeneration systems and water-cleansing systems, through design, installation and operation of facilities, to monitoring, fuel supply, and maintenance and repair services.

Installing a small-scale power generator

Support service for active seniors

Kanucha Community Co., Inc. is developing a retirement complex with nursing care facilities located in an extensive area of unspoiled nature, providing the highest level of nursing and medical facilities and amenities and capable of responding to the bodily changes that occur as we grow older. The Company enables residents to enjoy their daily lives in every way.

Artist's impression of the Kanucha Community, a retirement community complex with nursing care facilities

In-house venture system

In the year 2000, the Group established the MOVE2000 Program as a means of fostering new businesses. Under this program, employees of OEPC and its Group subsidiaries are encouraged to put forward proposals for new business ventures. Those deemed commercially viable after careful study are put into practice, and thus far, five new companies springing from such suggestions have been established.

Pork has always played an important role in Okinawan cuisine. Ganju Company, Incorporated upholds very high quality standards in its production of tasty pork.

Aqua Culture Okinawa Co., Inc. sells decorative corals that are artificially cultivated in its tanks.

Okinawan Rum is made from sugar cane (for which Minami-Daito Island is renowned) and molasses. This delicious drink, made by Grace Rum, contains no artificial aromatics or coloring.

Corporate Governance

Basic Approach

The Group will conduct its business in conformity with relevant laws and in an ethical manner, and will deepen relations of trust with shareholders, investors and customers through prompt and appropriate disclosure, to ensure that it remains the electricity supplier of choice for its community. To this end, we are vigorously strengthening corporate governance throughout the Group.

In the fiscal 2008 business plan, we continue to pursue our Group target of establishing a Group "brand" by raising our reputation for trustworthiness through enhanced compliance with laws and regulations.

1. Structure and Internal Controls of Group Organizations

Group Senior Executive Council

The Group has established a Senior Executive Council, chaired by the Company president, to discuss important Group matters and assume a decision-making role in strategic management planning and implementation. In principle, the council meets once a quarter, and additionally whenever needed.

Affiliates

With regard to major matters affecting the management of the Group, the Group positions itself for rapid decision-making based on maximized information-sharing by using summaries and reports of discussions undertaken in advance by Group members.

The Board of Directors / Board of Managing Directors

The Board of Directors has 13 members, of whom one is an outside director. It generally meets twice a month. In addition to deciding on significant matters in day-to-day operations, it receives reports on the conduct of business from individual directors and oversees their performance of duties.

In addition, based on the policies decided by the Board of Directors, the Board of Managing Directors discusses issues vital for smooth management of operations under the President's supervision, and works to assure smooth execution. It generally meets two or three times every month, and deals with conduct of important operations.

Board of Auditors

The Company uses the traditional corporate governance system based on corporate auditors. Corporate auditors supervise the conduct of operations by directors through attendance of important meetings such as the Board of Directors' meeting.

The Board of Auditors, comprising 4 statutory auditors including two outside auditors, generally meets once every two months, and receives and discusses reports concerning important auditing matters.

The Board of Auditors has its own staff, working from a corporate auditors' office, to offer support in auditing, and to handle administration.

In addition, the corporate auditors work in partnership with certified public accountants and the internal auditing department to strengthen internal controls and risk avoidance in all Group companies.

At the 35th annual regular general meeting of shareholders, held on June 28, 2007, a further outside auditor was appointed, so that three of the five auditors are outside auditors.

Conflict of Interest Involving External Directors and External Auditors

No substantial conflict of interest exists between the Company and the external director and two external auditors.

Internal Audits

A four-person internal auditing office has been set up as a separate entity under the President. To improve performance, this team carries out annual internal audits to confirm and evaluate the diligence of employees charged with target achievement with respect to management policy, corporate rules and regulations and legal observance in the conduct of their work.

Accounting Auditors

Based on a contract between the Company and Deloitte Touche Tohmatsu, an accounting firm, Certified Public Accountants Noriyuki Takayama and Tatsuya Yasuda were responsible for auditing the settlement of accounts for this period. They were assisted by ten other certified public accountants, three assistant accountants and five others.

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 office.

Disclosure

The Company discloses financial information in the first and third quarters in addition to disclosures for term-end and interim account settlements, to keep shareholders and investors fully informed.

Other

To enhance operational efficiency, the Company has acquired the ISO9001 international quality management standard. Through internal audits, we ensure ISO9001 methods take root and promote more efficient, enhanced operation of our business (excluding the corporate auditors' office and internal auditing office). Based on internal audit using the ISO standard, the Company is improving its capability to assess and manage performance in observation of internal regulations and laws, and related processes.

2. Risk Management

The Company has compiled a variety of manuals for each of its offices and departments dealing with hypothetical risk, and is taking measures to forestall risk and deal quickly with it when it occurs.

The Company has fully prepared itself for the occurrence of risk events by compiling a procedure for mobilization of its crisis management centers and a handbook of measures for emergencies and disasters. It has in place a framework for responding rapidly to major disasters and accidents.

3. Measures undertaken during the past year to enhance corporate governance

At the Okinawa Electric Group Senior Executive Council, Group management policies are discussed and Group companies report on and business progress and reconfirm targets. At this conference, each Company president reports directly, to enable a more accurate overview of business performance.

To foster more efficient Group management, important matters affecting Group management are reported by affiliated companies in advance. Occasionally, these issues are discussed with the parent company beforehand.

In fiscal 2007, the internal auditing office carried out audits and took remedial measures in respect of risk management, internal control processes and governance processes, at 21 locations at 15 offices and six affiliated companies of the Company.

Consolidated Five-Year Summary

Years ended March 31

Financial Statistics	Millions of Yen				
	2007	2006	2005	2004	2003
For the year:					
Operating revenues	**¥159,395**	¥157,080	¥150,768	¥148,626	¥145,072
Electric	**146,735**	143,234	136,773	134,330	133,738
Other	**12,660**	13,845	13,995	14,296	11,334
Operating expenses	**143,912**	137,264	133,294	131,767	128,038
Electric	**131,852**	123,439	118,538	117,423	117,455
Other	**12,059**	13,824	14,755	14,344	10,582
Interest expense	**4,055**	4,513	5,586	7,630	8,194
Income before income taxes and minority interests	**10,643**	15,437	11,318	8,811	8,356
Income taxes	**4,357**	6,048	3,915	3,162	3,112
Net income	**6,418**	9,975	7,614	5,496	5,121
Per share of common stock (Yen):					
Basic net income	**¥403.50**	¥620.68	¥471.22	¥337.56	¥313.34
Cash dividends applicable to the year	**60.00**	60.00	60.00	60.00	60.00
At year-end:					
Total assets	**¥376,071**	¥378,666	¥392,158	¥402,407	¥421,080
Net property, plant and equipment	**325,450**	328,524	340,414	356,350	372,062
Long-term debt, less current maturities	**198,107**	197,041	217,225	233,744	254,791
Total equity	**102,661**	96,899	86,959	79,447	74,325

Operating Statistics	**2007**	2006	2005	2004	2003
For the year:					
Electric energy sales (Millions of kWh)	**7,376**	7,346	7,193	7,156	6,883
Peak load (Thousands of kW)	**1,408**	1,394	1,363	1,409	1,325
At year-end:					
Generating capacity (Thousands of kW)	**1,924**	1,926	1,916	1,918	1,676
Transmission lines (km)	**976**	945	906	870	799
Distribution lines (km)	**10,625**	10,562	10,516	10,483	10,372

Financial Review (Consolidated Basis)

Business Performance

Economic recovery continued in Okinawa Prefecture during fiscal 2007 (the fiscal year ended March 31, 2007), with growth led by a pickup in tourism, and strong private sector investment. Personal spending was also robust.

There was only moderate momentum in employment, though. Despite an increase in demand for labor, reflecting buoyant economic conditions in the prefecture and beyond, jobseekers and vacancies were not well matched.

In these economic conditions, electric power demand in the fiscal year under review rose overall year-on-year in the private sector. A decline in residential power use, after the demand boost triggered by high temperatures in the previous fiscal year, was outweighed by higher commercial power use from an increase in the number of customers. Industrial consumption was down year-on-year, due to a correction from the one-time increase in demand caused by capacity surges at seawater desalination facilities in the previous year due to a water shortage.

Residential power demand declined 0.7% year-on-year to 2,881 million kWh, and industrial demand increased 1.1% to 4,495 million kWh. Total sales volume increased 0.4% year-on-year to 7,376 million kWh.

The operating environment was difficult for our Construction Business, due to intense competition for orders in the private sector, and likewise for our IT/Telecommunications Business, which faced increasing diversification and sophistication of service requirements and lower prices.

Against this backdrop, operating revenues (sales) rose ¥2,315 million or 1.5% to ¥159,395 million (US$1,350 million), driven by increased volume sales and fuel cost adjustment measures.

Operating expenses increased ¥6,648 million or 4.8% to ¥143,912 million (US$1,219 million). Despite our efforts to reduce costs, including a decline in depreciation expenses (on a declining-balance basis) for the Kin thermal power plant, and an efficiency drive across our businesses, we could not absorb a significant rise fuel costs due to soaring crude oil prices.

As a result, operating income declined ¥4,333 million or 21.9% to ¥15,482 million (US$131 million). And net income slumped ¥3,557 million or 35.7% to ¥6,418 million (US$54 million), due partly to booking of loss on impairment of long-lived assets.

Segment analysis (before elimination of intersegment transactions for purposes of consolidation)

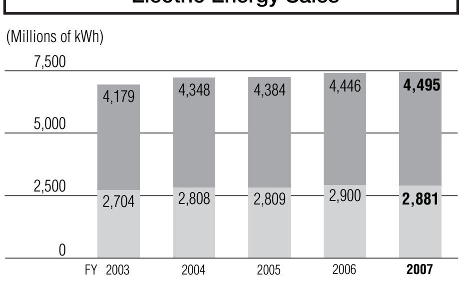
1. Electric Power Business

Electric utility operating revenues increased ¥3,547 million or 2.5% to ¥146,930 million (US$1,244 million), due to an increase in sales volumes and fuel cost adjustment measures.

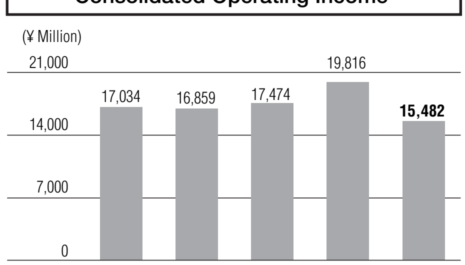
However operating expenses rose ¥8,286 million or 6.6% to ¥133,196 million (US$1,128 million). Despite our efforts to reduce costs, including a decline in depreciation expenses (on a declining-balance basis) for the Kin thermal power plant, and an efficiency drive across our businesses, we could not absorb a significant rise fuel costs due to soaring crude oil prices.

As a result, operating income declined ¥4,739 million or 25.7% to ¥13,734 million (US$116 million).

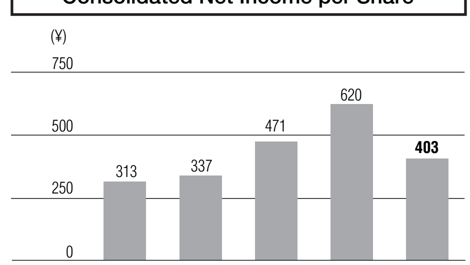
Electric Energy Sales



Consolidated Operating Income



Consolidated Net Income per Share



2. Construction Business

Sales in the Construction Business decreased ¥2,749 million or 13.2% to ¥18,135 million (US$153 million), after strong revenues from private sector and large-scale power generation projects in the previous fiscal year. Operating expenses also declined ¥2,666 million or 13.1% to ¥17,701 million (US$149 million).

As a result, operating income in the period under review declined ¥82 million or 16.0% to ¥433 million (US$3 million).

3. Other Operations

Sales in Other Operations increased ¥4,699 million or 16.3% to ¥33,584 million, chiefly reflecting an increase in private sector project orders, while operating expenses rose ¥4,209 million or 15.1% to ¥32,113 million (US$272 million).

As a result, operating income in this segment increased by ¥489 million or 49.9% to ¥1,470 million (US$12 million).

(Note): The above values do not include consumption tax.

Cash Flows (Consolidated Basis)

Net cash provided by operating activities decreased by ¥2,340 million or 6.9% to ¥31,558 million (US$267 million), due chiefly to a decline in income before income taxes, and a decline in depreciation.

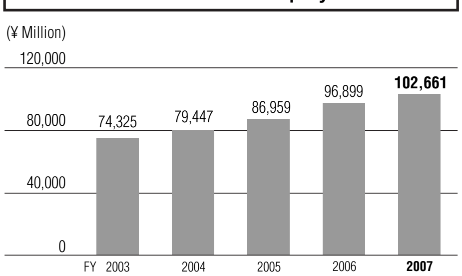
Net cash used in investing activities grew ¥8,857 million or 57.0% to ¥24,393 million (US$206 million), due mainly to an increase in capital expenditures reflecting large-scale projects.

Free cash flow declined ¥11,197 million or 61.0% to ¥7,165 million (US$60 million).

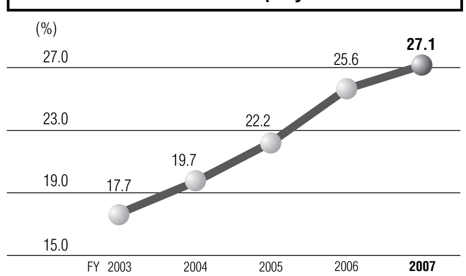
Net cash used in financing activities declined by ¥10,679 million or 58.4% to ¥7,615 million (US$64 million), due mainly to a reduction in repayments of long-term debt.

As a result of the above, cash and cash equivalents at the end of the term under review totaled ¥9,380 million (US$79 million), a decline of ¥450 million or 4.6% from the previous term-end.

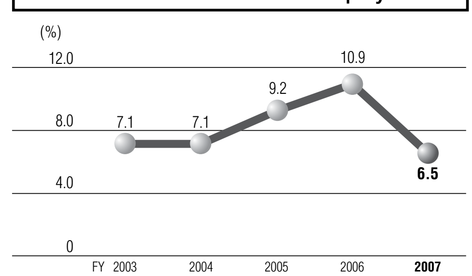
Consolidated Equity



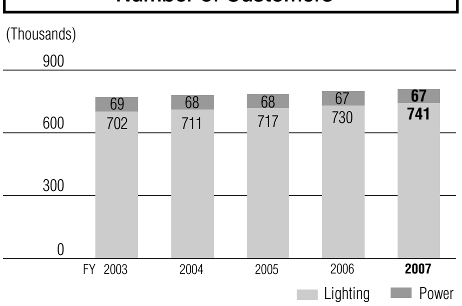
Consolidated Equity Ratio



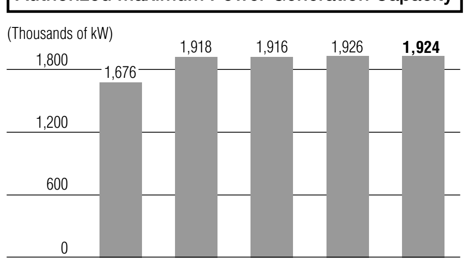
Consolidated Return on Equity



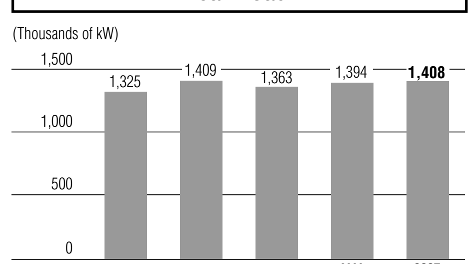
Number of Customers



Authorized Maximum Power Generation Capacity



Peak Load



Business and Other Risks

The following is a description of the various risks which could have an impact on the Group's business performance and financial position.

Statements contained in this report regarding the Companies' projections for future performance are based on our evaluations at the end of the fiscal year under review (consolidated basis).

1. Deregulation in the electricity business

Starting April 1, 2004, the scope of deregulated retail power sales for extra-high-voltage electricity was expanded, and as of the end of March 2007, around 16% of our customers in terms of electric power sold are in this category. During the current fiscal year, a government committee began subcommittee-level discussions of deregulation including expansion of this customer category.

Although there are no real signs of deregulation bringing new entrants into the power industry in Okinawa Prefecture, if this were to happen, it could have an adverse effect on the business performance of the Group.

2. Businesses other than electricity business

To improve enterprise value, the Group is leveraging its management resources to expand its scope of operations and develop new businesses. It is currently also engaged in businesses such as construction, IT/telecommunications, real estate, dispersed power generation (small-scale power plant for outlying islands), and operation of retirement communities. The Group is also considering entry into the gas business. Unfavorable competitive developments, or a change in the operating environment surrounding these businesses, could have an adverse affect on the business performance of the Group.

3. Economic and climatic conditions

Changes in economic and climatic conditions have the potential to substantially affect volumes of electricity sold by the Group's Electric Power Business. The Group's business and financial performance could be affected by such economic and climatic factors.

4. Fuel-price fluctuations

In our Group operations, we primarily use coal and oil as our thermal fuel sources. Fuel costs fluctuate in tandem with changes in fuel prices and foreign exchange rates.

However, we can minimize the impact on our earnings by applying our fuel cost adjustment measures, which take account of changing fuel prices and foreign exchange rates in the setting of electricity fees.

5. Interest-rate fluctuations

The balance of the Group's interest-bearing liabilities totaled ¥232.6 billion as of March 31, 2007. Future movements in interest rates have the potential to impact the Group's earnings performance.

However, as the interest rates are fixed for the major portion of our interest-bearing debt, and as we are taking steps to substantially reduce our balance of interest-bearing debt to strengthen our financial position, the actual impact of interest rates on the Group's earnings performance is expected to be limited.

In the event that a ratings agency lowers our credit rating, the interest rates on fund procurement for the Group would rise, with the potential to affect the Group's earnings.

6. Special legal measures

To ensure a stable and adequate supply of electric power to Okinawa, in accordance with the Law for Special Measures to Promote Okinawa, we benefit from special measures and provisions that enable us to secure funds and facilitate other aspects of our operations. Under the Okinawa Development Finance Corporation Law, we receive most preferential interest rates from the Okinawa Development Finance Corporation (ODFC), in line with the stipulations of the ODFC's business and service manual.

The Company also benefits from various tax advantages (such as reduced fixed property taxes, and exemption from coal tariffs). However, the savings achieved through these special benefits are passed on to electricity users.

Any abolition of these measures and provisions would have a significant impact on Group business performance.

7. Natural disasters, etc.

Mindful of its duty to ensure a stable supply of electric power, the Company is committed to efficient facility construction, operation, and maintenance to ensure it can cope with natural disasters. However, Group earnings may be adversely affected by major natural disasters, typhoons and earthquakes in particular, and accidents.

8. Personal information leakage

The Group's earnings may be adversely affected by problems arising from leakage of customers' personal information acquired or managed for operation of Group business, despite our best efforts to prevent such an occurrence.

Consolidated Balance Sheets

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
March 31, 2007 and 2006	**2007**	2006	**2007**
Assets			
Property, plant and equipment (Note 3)**:**			
Utility plants	**¥750,719**	¥746,931	**$6,359,333**
Other plant and equipment (Note 5)	**41,391**	41,053	**350,622**
Construction in progress	**20,840**	11,605	**176,542**
Total	**812,951**	799,590	**6,886,498**
Less:			
Contributions in aid of construction (Note 2(b))	**(22,663)**	(22,565)	**(191,980)**
Accumulated depreciation	**(464,836)**	(448,501)	**(3,937,626)**
Total	**(487,500)**	(471,066)	**(4,129,607)**
Net property, plant and equipment	**325,450**	328,524	**2,756,890**
Investments and other assets:			
Investment securities (Note 4)	**11,299**	11,360	**95,716**
Investments in and advances to unconsolidated subsidiaries and affiliates	**559**	521	**4,739**
Deferred tax assets (Note 8)	**8,523**	8,643	**72,203**
Other assets	**2,701**	2,653	**22,888**
Allowance for doubtful accounts	**(188)**	(117)	**(1,597)**
Total investments and other assets	**22,895**	23,002	**193,950**
Current assets:			
Cash and cash equivalents	**9,380**	9,831	**79,464**
Trade notes and accounts receivable, net of allowance for doubtful accounts of ¥266 ($2,255) in 2007 and ¥249 in 2006	**7,257**	7,128	**61,475**
Inventories	**7,463**	7,527	**63,223**
Deferred tax assets (Note 8)	**1,951**	1,867	**16,530**
Other current assets	**1,672**	784	**14,165**
Total current assets	**27,725**	27,139	**234,859**
Total	**¥376,071**	¥378,666	**$3,185,700**
Liabilities and equity			
Long-term liabilities:			
Long-term debt, less current maturities (Note 5)	**¥198,107**	¥197,041	**$1,678,167**
Liabilities for employees' retirement benefits (Note 7)	**13,098**	13,151	**110,960**
Other long-term liabilities	**1,000**	584	**8,479**
Total long-term liabilities	**212,207**	210,777	**1,797,607**
Current liabilities:			
Current maturities of long-term debt (Note 5)	**25,534**	34,642	**216,299**
Commercial paper (Note 6)	**5,000**	2,000	**42,354**
Short-term bank loans (Note 6)	**4,007**	5,547	**33,946**
Trade notes and accounts payable	**15,577**	17,274	**131,954**
Income taxes payable	**2,443**	1,628	**20,697**
Accrued expenses	**5,918**	5,839	**50,135**
Other current liabilities	**2,722**	3,059	**23,060**
Total current liabilities	**61,202**	69,991	**518,448**
Commitments and contingent liabilities (Notes 9 and 10)			
Minority interests		997	
Equity (Note 11)**:**			
Common stock, Authorized — 30,000,000 shares Issued — 15,931,567 shares in 2007 and 2006	**7,586**	7,586	**64,264**
Capital surplus	**7,141**	7,141	**60,497**
Retained earnings	**84,829**	79,464	**718,593**
Unrealized gain on available-for-sale securities	**2,489**	2,812	**21,087**
Treasury stock, at cost — 26,266 shares in 2007, 22,522 shares in 2006	**(133)**	(106)	**(1,126)**
Total	**101,914**	96,899	**863,315**
Minority interests	**747**		**6,328**
Total equity	**102,661**	96,899	**869,644**
Total	**¥376,071**	¥378,666	**$3,185,700**

See notes to consolidated financial statements.

Consolidated Statements of Income

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Years ended March 31, 2007 and 2006	**2007**	2006	**2007**
Operating revenues:			
Electric	**¥146,735**	¥143,234	**$1,242,992**
Other	**12,660**	13,845	**107,245**
Total operating revenues	**159,395**	157,080	**1,350,237**
Operating expenses (Notes 7, 9 and 12)**:**			
Electric	**131,852**	123,439	**1,116,923**
Other	**12,059**	13,824	**102,157**
Total operating expenses	**143,912**	137,264	**1,219,081**
Operating income	**15,482**	19,816	**131,155**
Other expenses:			
Interest expense (Notes 5 and 6)	**4,055**	4,513	**34,354**
Loss on impairment of long-lived assets (Note 13)	**1,095**		**9,279**
Other — net	**(311)**	(134)	**(2,642)**
Net other expenses	**4,839**	4,378	**40,991**
Income before income taxes and minority interests	**10,643**	15,437	**90,164**
Income taxes (Note 8)**:**			
Current	**4,134**	3,855	**35,021**
Deferred	**223**	2,193	**1,892**
Total	**4,357**	6,048	**36,913**
Income before minority interests	**6,286**	9,388	**53,250**
Minority interests	**132**	587	**1,121**
Net income	**¥ 6,418**	¥ 9,975	**$ 54,372**

	Yen		U.S. Dollars
Per share of common stock (Note 2 (l))**:**			
Basic net income	**¥403.50**	¥620.68	**$3.42**
Cash dividends applicable to the year	**60.00**	60.00	**0.51**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

	Shares / Millions of Yen									
	Common stock					Treasury stock				
Years ended March 31, 2007 and 2006	Shares	Amount	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Shares	Amount	Total	Minority interests	Total equity
Balance, April 1, 2005	15,172,921	¥7,586	¥7,141	¥70,531	¥1,720	6,677	¥ (20)	¥ 86,959		¥ 86,959
Common stock split (Note 11)	758,646									
Net income				9,975				9,975		9,975
Cash dividends				(932)				(932)		(932)
Bonuses to directors and corporate auditors				(110)				(110)		(110)
Increase in treasury stock						15,845	(85)	(85)		(85)
Net change in the year					1,091			1,091		1,091
Balance, March 31, 2006	15,931,567	7,586	7,141	79,464	2,812	22,522	(106)	96,899		96,899
Reclassified balance as of March 31, 2006 (Note 2(m))									**¥997**	**997**
Net income				**6,418**				**6,418**		**6,418**
Cash dividends				**(954)**				**(954)**		**(954)**
Bonuses to directors and corporate auditors				**(98)**				**(98)**		**(98)**
Increase in treasury stock						**3,744**	**(27)**	**(27)**		**(27)**
Net change in the year					**(323)**			**(323)**	**(250)**	**(573)**
Balance, March 31, 2007	**15,931,567**	**¥7,586**	**¥7,141**	**¥84,829**	**¥2,489**	**26,266**	**¥(133)**	**¥101,914**	**¥747**	**¥102,661**

	Thousands of U.S. Dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Treasury stock	Total	Minority interests	Total equity
Balance, March 31, 2006	$64,264	$60,497	$673,141	$23,825	$ (897)	$820,831		$820,831
Reclassified balance as of March 31, 2006 (Note 2(m))							**$8,451**	**8,451**
Net income			**54,372**			**54,372**		**54,372**
Cash dividends			**(8,085)**			**(8,085)**		**(8,085)**
Bonuses to directors and corporate auditors			**(835)**			**(835)**		**(835)**
Increase in treasury stock					**(228)**	**(228)**		**(228)**
Net change in the year				**(2,738)**		**(2,738)**	**(2,122)**	**(4,861)**
Balance, March 31, 2007	**$64,264**	**$60,497**	**$718,593**	**$21,087**	**$(1,126)**	**$863,315**	**$6,328**	**$869,644**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Years ended March 31, 2007 and 2006	**2007**	2006	**2007**
Operating activities:			
Income before income taxes and minority interests	**¥10,643**	¥15,437	**$ 90,164**
Adjustments for:			
Income taxes paid	**(3,319)**	(6,197)	**(28,119)**
Depreciation and amortization	**24,911**	26,577	**211,025**
Loss on impairment of long-lived assets	**1,095**		**9,279**
Provision for employees' retirement benefits	**(52)**	(3,908)	**(442)**
Loss on disposal of property, plant and equipment	**1,235**	513	**10,465**
Changes in operating assets and liabilities:			
Increase (decrease) in trade notes and accounts receivable	**(144)**	414	**(1,224)**
Decrease in inventories	**84**	593	**717**
Decrease (increase) in trade notes and accounts payable	**(1,697)**	3,259	**(14,379)**
Increase (decrease) in interest payable	**25**	(171)	**217**
Other — net	**(1,224)**	(2,617)	**(10,373)**
Total adjustments	**20,914**	18,461	**177,164**
Net cash provided by operating activities	**31,558**	33,898	**267,329**
Investing activities:			
Purchase of property, plant and equipment	**(24,122)**	(15,880)	**(204,338)**
Proceeds from sale of property, plant and equipment	**440**	733	**3,730**
Purchase of investment securities	**(43)**	(38)	**(367)**
Increase in investments in and advances to unconsolidated subsidiaries and affiliates	**(15)**	(151)	**(133)**
Purchase of short-term investment		(180)	
Proceeds from maturity of short-term investment		15	
Other — net	**(652)**	(34)	**(5,524)**
Net cash used in investing activities	**(24,393)**	(15,535)	**(206,634)**
Financing activities:			
Proceeds from issuance of bonds	**11,957**	1,989	**101,290**
Repayments of bonds	**(12,000)**	(3,000)	**(101,651)**
Proceeds from long-term debt	**13,953**	12,459	**118,195**
Repayments of long-term debt	**(22,595)**	(31,042)	**(191,410)**
Proceeds from short-term bank loans	**57,711**	32,199	**488,869**
Repayments of short-term bank loans	**(58,650)**	(31,872)	**(496,830)**
Proceeds from issuance of commercial paper	**37,000**	24,000	**313,426**
Repayments on maturity of commercial paper	**(34,000)**	(22,000)	**(288,013)**
Cash dividends paid	**(955)**	(935)	**(8,096)**
Other — net	**(34)**	(92)	**(289)**
Net cash used in financing activities	**(7,615)**	(18,294)	**(64,508)**
Net decrease (increase) in cash and cash equivalents	**(450)**	68	**(3,813)**
Cash and cash equivalents, beginning of year	**9,831**	9,762	**83,278**
Cash and cash equivalents, end of year	**¥ 9,380**	¥ 9,831	**$ 79,464**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2007 and 2006

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared from the consolidated financial statements which are issued for domestic reporting purposes in accordance with the provisions set forth in the Securities and Exchange Law, the Japanese Electricity Utilities Industry Law and their related accounting regulations. The Okinawa Electric Power Company, Incorporated (the "Company") and its consolidated subsidiaries (together the "Companies") maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") as well as a new corporate law of Japan (the "Corporate Law") and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financing Reporting Standards.

On December 27, 2005, the Accounting Standards Board of Japan ("ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the statement of changes in equity" in the current fiscal year.

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 which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in 2006 financial statements to conform to the classifications used in 2007.

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 are included solely for the convenience of readers outside Japan and have been made at the rate of ¥118.05 to $1, the approximate rate of exchange at March 31, 2007. 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 off 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 for the years ended March 31, 2007 and 2006 include the accounts of the Company and its thirteen significant subsidiaries. Under the control or influence concept, 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 material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary / affiliated company at the date of acquisition is being amortized over five years using the straight-line method, or has been written off if the amount is ¥100 million or less. 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 affiliates 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) non-marketable 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 that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

(f) Inventories

Inventories are stated at cost, based principally on the average method.

(g) Derivative financial instruments

The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

For derivatives used for hedging purposes, if 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.

Foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of raw materials from overseas suppliers. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

(h) Severance payments and pension plan

The liability for retirement benefits are accounted for based on projected benefit obligations and plan assets at the balance sheet date in order to provide employees' severance and retirement benefits.

Prior service costs are recognized in expenses within the statement of income for the year ended March 31, 2006.

Actuarial gains and losses are recognized in expenses using a declining-balance method over five years which is within the average of estimated remaining periods of the employees commencing with the following period.

Severance payments to directors and corporate auditors are charged to income when authorized by resolution of the shareholders.

(i) Bonuses to directors and corporate auditors

Prior to the fiscal year ended March 31, 2005 bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No.13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

The Companies adopted the new accounting standard for bonuses to directors and corporate auditors from the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease operating income, income before income taxes and minority interests for the year ended March 31, 2007 by ¥73 million ($625 thousand).

(j) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements 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.

(k) Stock and bond issuance costs and bond discount charges

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

(l) 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 statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(m) Presentation of Equity

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

(n) Lease

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(o) Appropriations of retained earnings

Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

(p)New Accounting Pronouncements

Measurement of Inventories

Under generally accepted accounting principles in Japan, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting

On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new task force prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. Property, plant and equipment

The major classes of property, plant and equipment as of March 31, 2007 and 2006, consisted of the following:

	Millions of Yen			
At March 31, 2007	Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
Thermal power generating facilities	**¥373,732**	**¥(17,017)**	**¥(248,249)**	**¥108,466**
Transmission facilities	**132,003**	**(2,392)**	**(69,297)**	**60,313**
Transformation facilities	**86,404**	**(517)**	**(53,835)**	**32,051**
Distribution facilities	**134,991**	**(2,222)**	**(65,492)**	**67,275**
General facilities	**23,587**	**(21)**	**(10,073)**	**13,492**
Utility plants	**750,719**	**(22,171)**	**(446,948)**	**281,599**
Other plant and equipment	**41,391**	**(492)**	**(17,888)**	**23,010**
Construction in progress	**20,840**			**20,840**
Total	**¥812,951**	**¥(22,663)**	**¥(464,836)**	**¥325,450**

	Millions of Yen			
At March 31, 2006	Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
Thermal power generating facilities	¥374,917	¥(17,073)	¥(238,625)	¥119,219
Transmission facilities	130,674	(2,402)	(66,775)	61,496
Transformation facilities	85,530	(511)	(52,158)	32,859
Distribution facilities	132,065	(2,215)	(63,155)	66,694
General facilities	23,744	(23)	(11,730)	11,990
Utility plants	746,931	(22,226)	(432,445)	292,259
Other plant and equipment	41,053	(338)	(16,056)	24,659
Construction in progress	11,605			11,605
Total	¥799,590	¥(22,565)	¥(448,501)	¥328,524

At March 31, 2007	Thousands of U.S. Dollars Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
Thermal power generating facilities	**$3,165,884**	**$(144,153)**	**$(2,102,915)**	**$ 918,815**
Transmission facilities	**1,118,202**	**(20,266)**	**(587,019)**	**510,916**
Transformation facilities	**731,930**	**(4,381)**	**(456,040)**	**271,508**
Distribution facilities	**1,143,508**	**(18,827)**	**(554,789)**	**569,891**
General facilities	**199,807**	**(183)**	**(85,330)**	**114,293**
Utility plants	**6,359,333**	**(187,812)**	**(3,786,095)**	**2,385,425**
Other plant and equipment	**350,622**	**(4,168)**	**(151,531)**	**194,922**
Construction in progress	**176,542**			**176,542**
Total	**$6,886,498**	**$(191,980)**	**$(3,937,626)**	**$2,756,890**

4. Investment securities

The carrying amounts and aggregate fair values of investment securities at March 31, 2007 and 2006 were as follows:

At March 31, 2007	Millions of Yen Cost (Carrying Amount)	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥2,544**	**¥3,888**	**¥0**	**¥6,432**
Other	**499**	**7**	**5**	**501**
Total	**¥3,044**	**¥3,896**	**¥6**	**¥6,934**

At March 31, 2006	Millions of Yen Cost (Carrying Amount)	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,543	¥4,421		¥6,964
Other	549		¥8	540
Total	¥3,092	¥4,421	¥8	¥7,505

At March 31, 2007	Thousands of U.S. Dollars Cost (Carrying Amount)	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$21,554**	**$32,940**	**$ 5**	**$54,488**
Other	**4,233**	**66**	**47**	**4,252**
Total	**$25,787**	**$33,006**	**$53**	**$58,740**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2007 and 2006 were as follows:

	Carrying Amount Millions of Yen 2007	2006	Thousands of U.S. Dollars 2007
Available-for-sale:			
Equity securities	**¥4,364**	¥3,855	**$36,975**
Total	**¥4,364**	¥3,855	**$36,975**

5. Long-term debt

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen 2007	2006	Thousands of U.S. Dollars 2007
Secured bond, 0.30% to 2.02% in 2007 and 0.20% to 1.97% in 2006, due serially through 2018	**¥ 58,000**	¥ 58,000	**$ 491,317**
Loans from Okinawa Development Finance Public Corporation, 0.55% to 4.60% in 2007 and 0.55% to 6.20% in 2006, due serially through 2024			
Collateralized	**155,021**	163,311	**1,313,189**
Unsecured	**200**		**1,694**
Secured and unsecured loans from banks, insurance companies and other sources, 0.50% to 3.03% in 2007 and 0.15% to 3.40% in 2006 due serially through 2016	**10,419**	10,373	**88,266**
Total	**223,641**	231,684	**1,894,467**
Less current maturity	**(25,534)**	(34,642)	**(216,299)**
Long-term debt, less current maturity	**¥198,107**	¥197,041	**$1,678,167**

All of the Company's assets are subject to certain statutory preferential rights established to secure bonds, loans from the Okinawa Development Finance Public Corporation and banks, and bonds transferred to banks under debt assumption agreements (see Note 10).

Certain assets of the consolidated subsidiaries, amounting to ¥9,574 million ($81,105 thousand), are pledged as collateral for a portion of the long-term debt as of March 31, 2007.

The aggregate annual maturities of long-term debt outstanding at March 31, 2007 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 25,534	$ 216,229
2009	26,383	223,497
2010	25,209	213,551
2011	33,232	281,513
2012	17,485	148,122
2013 and thereafter	95,795	811,483
Total	¥223,641	$1,894,467

6. Short-term bank loans and commercial paper

The weighted average interest rates applicable to short-term bank loans and commercial paper were 0.90% and 0.66% at March 31, 2007 and 0.56% and 0.07% at March 31, 2006, respectively.

7. Employees' retirement benefits

After having obtained the labor union's mutual agreement in October 2005, the Company revised its rules related to retirement benefit and pension plan to new rules under the Defined Benefit Corporate Pension Law. Elements of the new rules applied from January 1, 2006 are as follows:

- The Company shifted from a qualified retirement pension plan to contract-type corporate pension plan, which is a defined benefit pension plan based on variable interest rate, enabling the Company to flexibly respond to market interest rate fluctuations.
- A part of the former lump-sum retirement benefit plan was shifted to a defined contribution pension plan and a contract-type corporate pension plan.
- Benefits under the plans are calculated according to accumulated "points" that are earned based on employee's position and length of service period during employment.

Consolidated subsidiaries have the tax qualified pension plan and the lump-sum retirement benefit plan as defined benefit plan.

The liability for employees' retirements benefit at March 31, 2007 and 2006 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Projected benefit obligation	**¥23,976**	¥23,722	**$203,106**
Fair value of pension assets	**(10,831)**	(10,419)	**(91,750)**
Unrecognized actuarial loss	**(46)**	(152)	**(395)**
Net liability	**¥13,098**	¥13,151	**$110,960**

The effect of the transition to the defined contribution pension plan at March 31, 2006, is summarized as follows:

	Millions of Yen
Decrease in projected benefit obligation	¥3,259
Unrecognized actuarial loss	(242)
Decrease in liability for severance and retirement benefits	¥3,017

The amount of pension assets to be transferred to the defined contribution pension plan is ¥3,690 million and the pension assets will be transferred over a period of 4 years. At March 31, 2006, the amount of pension assets not yet transferred is ¥2,769 million, which is included in trade notes and accounts payable.

The components of net periodic retirement benefit costs for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Service cost	**¥1,220**	¥1,275	**$10,342**
Interest cost	**382**	421	**3,241**
Expected return on plan assets	**(174)**		**(1,477)**
Recognized actuarial loss	**56**	329	**477**
Prior service cost		(838)	
Contribution to the defined contribution pension plan	**191**		**1,624**
Net periodic retirement benefit costs	**¥1,677**	¥1,189	**$14,209**
Loss on the transition to the defined contribution pension plan		673	

Assumptions used for the years ended March 31, 2007 and 2006 were set forth as follows:

	2007	2006
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**2.0%**	0.0%
Recognition period of actuarial gain/loss	**primarily 5 years**	primarily 5 years

As to prior service cost, the Company charges to expense as incurred.

8. Income taxes

The Companies are subject to several taxes based on income and revenue. For the years ended March 31, 2007 and 2006, the aggregate normal statutory tax rates approximated 35%.

The tax effects of significant temporary differences and loss carry forwards, which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Deferred tax assets:			
Pension and severance costs	**¥ 4,806**	¥ 4,641	**$ 40,712**
Unrealized profit	**3,879**	3,955	**32,860**
Depreciation and amortization	**1,933**	1,748	**16,377**
Tax loss carry forward	**929**	815	**7,871**
Accrued bonus to employees	**872**	864	**7,390**
Other	**2,809**	2,867	**23,803**
Sub-total	**15,230**	14,893	**129,016**
Less: valuation allowance	**(2,882)**	(2,424)	**(24,418)**
Total deferred tax assets	**¥12,347**	¥12,468	**$104,597**
Deferred tax liabilities:			
Unrealized gain on land revaluation	**(406)**	(406)	**(3,446)**
Unrealized gain on available-for-sale securities	**(1,372)**	(1,559)	**(11,627)**
Other	**(104)**	(1)	**(882)**
Total deferred tax liabilities	**(1,883)**	(1,968)	**(15,956)**
Net deferred tax assets	**¥10,464**	¥10,500	**$ 88,640**

Other long-term liabilities in the consolidated balance sheets contain deferred tax liabilities of ¥11 million ($93 thousand) and ¥11 million for the years ended March 31, 2007 and 2006, respectively, recognized in consolidated subsidiaries.

Reconciliations between the normal effective statutory tax rate for the years ended March 31, 2007 and the actual effective tax rate reflected in the accompanying consolidated statements of income were as follows:

	2007	2006
Normal effective statutory tax rate	**35.0%**	35.0%
Expenses not deductible for income tax purposes	**1.0**	1.0
Changes in valuation allowance	**2.7**	2.1
Unrecognized tax effect against elimination of unrealized profit	**1.3**	1.7
Other-net	**0.9**	(0.6)
Actual effective tax rate	**40.9%**	39.2%

9. Lease

The Companies lease certain automobiles and office equipment. Total lease payments under the above leases for the years ended March 31, 2007 and 2006 were ¥790 million ($6,700 thousand) and ¥853 million, respectively.

Pro forma information on leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		
As of March 31, 2007	General Facilities	Other	Total
Acquisition cost	**¥566**	**¥4,019**	**¥4,586**
Accumulated depreciation	**(99)**	**(1,488)**	**(1,588)**
Net leased property	**¥466**	**¥2,531**	**¥2,997**

	Millions of Yen		
As of March 31, 2006	General Facilities	Other	Total
Acquisition cost	¥1,680	¥4,078	¥5,578
Accumulated depreciation	(1,255)	(1,135)	(2,390)
Net leased property	¥ 425	¥2,942	¥3,367

As of March 31, 2007	Thousands of U.S. Dollars General Facilities	Other	Total
Acquisition cost	**$4,797**	**$34,052**	**$38,850**
Accumulated depreciation	**(844)**	**(12,610)**	**(13,454)**
Net leased property	**$3,953**	**$21,442**	**$25,395**

Obligations under finance leases as of March 31, 2007 and 2006:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due within one year	**¥ 557**	¥ 786	**$ 4,722**
Due after one year	**2,446**	2,594	**20,721**
Total	**¥3,003**	¥3,381	**$25,444**

The imputed interest expense portion is immaterial and therefore is not excluded from the above obligations under finance leases.

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method over the remaining lease term was ¥790 million ($6,700 thousand) and ¥853 million for the years ended March 31, 2007 and 2006, respectively.

The Companies are also lessor of certain automobiles and office equipment. Total lease income from the above leases for the years ended March 31, 2007 and 2006 were ¥204 million ($1,728 thousand) and ¥152 million, respectively. Lease income is recognized in income on a straight-line basis over the lease term.

At March 31, 2007 and 2006, summaries of the above leased property were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Other equipment:			
Acquisition cost	**¥1,010**	¥702	**$8,559**
Accumulated depreciation	**(342)**	(252)	**(2,903)**
Net leased property	**¥ 667**	¥450	**$5,656**

At March 31, 2007 and 2006, the total lease payments to be received from the above leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due within one year	**¥226**	¥165	**$1,921**
Due after one year	**528**	393	**4,473**
Total	**¥754**	¥558	**$6,395**

10. Contingent liabilities

As of March 31, 2007, the Company was contingently liable for:

Redemption of bonds transferred to banks under the debt assumption agreements amounting to ¥6,000 million ($50,825 thousand).

11. Equity

On and after May 1, 2006, Japanese companies are subject to the Corporate Law which reformed and replaced the Code with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Corporate Law 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 Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

On May 20, 2005, the Company made a 1.05-for-1 stock split for each outstanding share and 758,646 shares were consequently issued to shareholders recorded in the registration book of shareholders on March 31, 2005.

12. Research and development costs

Research and development costs charged to income were ¥470 million ($3,984 thousand) and ¥547 million for the years ended March 31, 2007 and 2006, respectively.

13. Loss on impairment of long-lived assets

The Companies reviewed their long-lived assets for impairment as of the year ended March 31, 2007 and, as a result, recognized an impairment loss of ¥1,095 million ($9,279 thousand) as other expense mainly for the FTTH (Fiber to the Home) assets group and the idle assets.

The recoverable amount of the FTTH assets group was measured at their value in use and a prospect of the future cash flow generated from the FTTH business would be negative. As the result, the whole carrying amount of the FTTH assets was written down.

The idle assets for which market value has fallen have been adjusted to their recoverable amount, which was mainly measured at the respective net selling prices based on assessed value of the relevant assets.

14. Segment information

Information about operations in different industry segments of the Companies for the years ended March 31, 2007 and 2006 is as follows:

	Millions of Yen					Thousands of U.S. Dollars				
2007	Electric	Construction	Other	Eliminations / Corporate	Consolidated	Electric	Construction	Other	Eliminations / Corporate	Consolidated
Sales to customers	**¥146,735**	**¥ 3,302**	**¥ 9,357**		**¥159,395**	**$1,242,992**	**$ 27,974**	**$ 79,270**		**$1,350,237**
Intersegment sales	**195**	**14,832**	**24,226**	**¥(39,254)**		**1,653**	**125,648**	**205,219**	**$(332,520)**	
Total operating revenues	**146,930**	**18,135**	**33,584**	**(39,254)**	**159,395**	**1,244,645**	**153,622**	**284,489**	**(332,520)**	**1,350,237**
Operating expenses	**133,196**	**17,701**	**32,113**	**(39,098)**	**143,912**	**1,128,304**	**149,953**	**272,029**	**(331,205)**	**1,219,081**
Operating income	**¥ 13,734**	**¥ 433**	**¥ 1,470**	**¥ (155)**	**¥ 15,482**	**$ 116,340**	**$ 3,669**	**$ 12,460**	**$ (1,315)**	**$ 131,155**
Total assets	**¥343,301**	**¥11,772**	**¥34,855**	**¥(13,856)**	**¥376,071**	**$2,908,099**	**$ 99,724**	**$295,257**	**$(117,380)**	**$3,185,700**
Depreciation and amortization	**23,429**	**173**	**2,124**	**(815)**	**24,911**	**198,466**	**1,473**	**17,992**	**(6,907)**	**211,025**
Loss on impairment of long-lived assets			**913**	**182**	**1,095**			**7,736**	**1,542**	**9,279**
Capital expenditures	**23,492**	**109**	**2,196**	**(1,054)**	**24,743**	**199,004**	**926**	**18,607**	**(8,933)**	**209,604**

	Millions of Yen				
2006	Electric	Construction	Other	Eliminations / Corporate	Consolidated
Sales to customers	¥143,234	¥ 6,246	¥ 7,598		¥157,080
Intersegment sales	148	14,637	21,285	¥(36,072)	
Total operating revenues	143,383	20,884	28,884	(36,072)	157,080
Operating expenses	124,909	20,368	27,903	(35,917)	137,264
Operating income	¥ 18,473	¥ 515	¥ 981	¥ (154)	¥ 19,816
Total assets	¥345,684	¥11,928	¥35,448	¥(14,394)	¥378,666
Depreciation and amortization	25,121	154	2,129	(827)	26,577
Capital expenditures	14,432	259	2,136	(946)	15,881

"Other" industry segment consisted of sales and maintenance services of electric appliances, information and telecommunication service and others. The Companies do not have foreign operations. No sales to foreign customers were made during the years ended March 31, 2007 and 2006.

The Companies adopted the new accounting standard for bonuses to directors and corporate auditors from the year ended March 31, 2007 (see Note 2(i)). The effect of adoption of this accounting standard was to decrease operating income of Electric for the year ended March 31, 2007 by ¥73 million ($625 thousand) from such a segment in the prior year.

15. Derivatives

The Companies use derivative financial instruments ("derivatives"), including foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies also enter into interest rate swap agreements as a means of managing its interest rate exposures on certain liabilities. The Companies do 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 interest or foreign exchange rates. Because the counterparties to those derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Companies have been made in accordance with internal policies.

Since all derivatives utilized by the Company were qualified for hedge-accounting, information on the market value is not provided.

16. Subsequent event

The following appropriations of retained earnings at March 31, 2007 were approved at the Company's shareholders' meeting held on June 28, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (25¢) per share	¥477	$4,042

On April 1, 2007, the Company made a 1.1-for-1 stock split for each outstanding share and 1,593,156 shares were consequently issued to shareholders recorded in the registration book of shareholders on March 31, 2007.

If the stock split had gone into effect during the years ended March 31, 2007 and 2006, net income per share and the amount per share of net assets would have been ¥366.82 ($3.11) and ¥5,825.07 ($49.34) in 2007 and ¥564.25 and ¥5,531.48 in 2006, respectively.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of The Okinawa Electric Power Company, Incorporated (the "Company") and consolidated subsidiaries (together the "Companies") as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 28, 2007

Member of
Deloitte Touche Tohmatsu

Non-Consolidated Balance Sheets

March 31, 2007 and 2006	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2007
Assets			
Property, plant and equipment (Note 3):			
Utility plants and equipment	**¥775,616**	¥771,319	**$6,570,234**
Construction in progress	**20,523**	11,424	**173,851**
Total	**796,139**	782,744	**6,744,085**
Less:			
Contributions in aid of construction (Note 2(a))	**(22,232)**	(22,226)	**(188,331)**
Accumulated depreciation	**(461,100)**	(445,579)	**(3,905,975)**
Total	**(483,332)**	(467,805)	**(4,094,306)**
Net property, plant and equipment	**312,806**	314,938	**2,649,779**
Investments and other assets:			
Investment securities (Note 4)	**9,834**	10,246	**83,307**
Investments in and advances to subsidiaries and affiliates	**11,170**	11,173	**94,625**
Deferred tax assets (Note 7)	**4,625**	4,864	**39,180**
Other assets	**1,010**	849	**8,558**
Allowance for doubtful accounts	**(153)**	(133)	**(1,301)**
Total investments and other assets	**26,487**	27,000	**224,371**
Current assets:			
Cash and cash equivalents	**1,593**	3,223	**13,498**
Trade accounts receivable, net of allowance for doubtful accounts of ¥184 ($1,564) in 2007 and ¥156 in 2006	**4,637**	3,998	**39,283**
Fuel and supplies	**5,574**	5,577	**47,218**
Deferred tax assets (Note 7)	**1,615**	1,456	**13,687**
Other current assets	**1,399**	464	**11,855**
Total current assets	**14,820**	14,720	**125,543**
Total	**¥354,113**	¥356,659	**$2,999,694**
Liabilities and equity			
Long-term liabilities:			
Long-term debt, less current maturities (Note 5)	**¥188,296**	¥188,471	**$1,595,055**
Liabilities for employees' retirement benefits	**10,010**	10,261	**84,794**
Other long-term liabilities	**835**	487	**7,073**
Total long-term liabilities	**199,141**	199,221	**1,686,924**
Current liabilities:			
Current maturities of long-term debt (Note 5)	**24,475**	33,100	**207,327**
Commercial paper (Note 6)	**5,000**	2,000	**42,354**
Short-term bank loan (Note 6)	**4,000**	5,000	**33,883**
Trade accounts payable	**10,591**	11,658	**89,724**
Income taxes payable	**1,833**	1,387	**15,529**
Accrued expenses	**8,253**	8,476	**69,917**
Other current liabilities	**1,425**	1,475	**12,079**
Total current liabilities	**55,579**	63,098	**470,816**
Commitments and contingent liabilities (Notes 8 and 9)			
Equity (Note 10):			
Common stock,			
Authorized — 30,000,000 shares			
Issued — 15,931,567 shares (2007 and 2006)	**7,586**	7,586	**64,264**
Capital surplus:			
Additional paid-in capital	**7,141**	7,141	**60,497**
Retained earnings:			
Legal reserve	**964**	964	**8,174**
Unappropriated	**81,432**	76,063	**689,812**
Unrealized gain on available-for-sale securities	**2,400**	2,688	**20,331**
Treasury stock, at cost — 26,266 shares in 2007 and 22,522 shares in 2006	**(133)**	(106)	**(1,126)**
Total equity	**99,392**	94,339	**841,952**
Total	**¥354,113**	¥356,659	**$2,999,694**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Income

Years ended March 31, 2007 and 2006	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2007
Operating revenues	**¥147,201**	¥143,653	**$1,246,944**
Operating expenses (Notes 8 and 11)**:**			
Fuel	**40,607**	32,578	**343,984**
Purchased power	**12,766**	13,422	**108,145**
Depreciation	**23,319**	25,062	**197,540**
Repair and maintenance	**15,100**	14,922	**127,917**
Taxes other than income taxes	**6,672**	6,553	**56,521**
Other	**35,044**	32,817	**296,865**
Total operating expenses	**133,511**	125,357	**1,130,974**
Operating income	**13,690**	18,296	**115,970**
Other expenses:			
Interest expense (Notes 5 and 6)	**3,860**	4,316	**32,698**
Other — net	**(266)**	(83)	**(2,257)**
Net other expenses	**3,593**	4,232	**30,440**
Income before income taxes	**10,096**	14,063	**85,529**
Income taxes (Note 7)**:**			
Current	**3,462**	3,587	**29,329**
Deferred	**235**	1,312	**1,996**
Total	**3,697**	4,900	**31,325**
Net income	**¥ 6,398**	¥ 9,163	**$ 54,203**

	Yen 2007	Yen 2006	U.S. Dollars 2007
Per share of common stock (Note 2 (k))**:**			
Basic net income	**¥402.25**	¥571.05	**$3.41**
Cash dividends applicable to the year	**60.00**	60.00	**0.51**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Changes in Equity

	Shares / Millions of Yen								
	Common stock		Capital surplus	Retained earnings			Treasury stock		
Years ended March 31, 2007 and 2006	Shares	Amount	Additional paid-in capital	Legal reserve	Unappropriated	Unrealized gain on available-for-sale securities	Shares	Amount	Total equity
Balance, April 1, 2005	15,172,921	¥7,586	¥7,141	¥964	¥67,919	¥1,655	6,677	¥ (20)	¥85,247
Common stock split (Note 10)	758,646								
Net income					9,163				9,163
Cash dividends					(932)				(932)
Bonuses to directors and corporate auditors					(86)				(86)
Increase in treasury stock							15,845	(85)	(85)
Net change in the year						1,033			1,033
Balance, March 31, 2006	15,931,567	7,586	7,141	964	76,063	2,688	22,522	(106)	94,339
Net income					**6,398**				**6,398**
Cash dividends					**(954)**				**(954)**
Bonuses to directors and corporate auditors					**(75)**				**(75)**
Increase in treasury stock							**3,744**	**(27)**	**(27)**
Net change in the year						**(288)**			**(288)**
Balance, March 31, 2007	**15,931,567**	**¥7,586**	**¥7,141**	**¥964**	**¥81,432**	**¥2,400**	**26,266**	**¥(133)**	**¥99,392**

	Thousands of U.S. Dollars (Note 1)						
		Capital surplus	Retained earnings				
	Common stock	Additional paid-in capital	Legal reserve	Unappropriated	Unrealized gain on available-for-sale securities	Treasury stock	Total equity
Balance, March 31, 2006	$64,264	$60,497	$8,174	$644,334	$22,776	$ (897)	$799,149
Net income				**54,203**			**54,203**
Cash dividends				**(8,085)**			**(8,085)**
Bonuses to directors and corporate auditors				**(640)**			**(640)**
Increase in treasury stock						**(228)**	**(228)**
Net change in the year					**(2,445)**		**(2,445)**
Balance, March 31, 2007	**$64,264**	**$60,497**	**$8,174**	**$689,812**	**$20,331**	**$(1,126)**	**$841,952**

See notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

Years ended March 31, 2007 and 2006

1. Basis of presenting non-consolidated financial statements

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by The Okinawa Electric Power Company, Incorporated (the "Company") in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") as well as a new corporate law of Japan (the "Corporate Law"), the Securities and Exchange Law, the Japanese Electricity Utilities Industry Law and their related accounting regulations, 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.

On December 27, 2005, the Accounting Standards Board of Japan ("ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the statement of changes in equity" in the current fiscal year.

As consolidated statements of cash flows and certain disclosures are presented in the consolidated financial statements of the Company, non-consolidated statements of cash flows and certain disclosures are not presented herein in accordance with accounting procedures generally accepted in Japan.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the 2006 non-consolidated financial statements to conform to the presentations and classifications used in 2007. In accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be and, have not been, presented herein.

The non-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 are included solely for the convenience of readers outside Japan and have been made at the rate of ¥118.05 to $1, the approximate rate of exchange at March 31, 2007. 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 off except for per share data. Consequently, the totals shown in the accompanying non-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) 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.

(b) Long-lived assets

The Company reviews its 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.

(c) Investment securities

Investment securities are classified and accounted for, depending on 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, ii) non-marketable available-for-sale securities are stated at cost determined by the moving-average method, and iii) investment in subsidiaries and affiliates 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.

(d) Cash and cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

(e) Fuel and supplies

Fuel and supplies are stated at cost, based principally on the average method.

(f) Derivative financial instruments

The Company uses derivative financial instruments to manage their exposures to fluctuations in interest rates.

Interest rate swaps are utilized by the Company to reduce interest rate risks. The Company does not enter into derivatives for trading or speculative purposes.

For derivatives used for hedging purposes, if 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.

Interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

(g) Severance payments and pension plan

The liability for retirement benefits are accounted for based on projected benefit obligations and plan assets at the balance sheet date in order to provide employees' severance and retirement benefits.

Prior service costs are recognized in expenses within the statement of income for the year ended March 31, 2006.

Actuarial gains and losses are recognized in expenses using a declining-balance method over five years which is within the average of estimated remaining periods of the employees commencing with the following period.

(h) Bonuses to directors and corporate auditors

Prior to the fiscal year ended March 31, 2005 bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No.13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

The Company adopted the new accounting standard for bonuses to directors and corporate auditors from the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease operating income, income before income taxes for the year ended March 31, 2007 by ¥73 million ($625 thousand).

(i) Income taxes

The provision for income taxes is computed based on the pretax income included in the non-consolidated statements 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 and bond discount charges

Stock and bond issuance costs and bond discount charges 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 non-consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(l) Presentation of Equity

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The non-consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

(m) Lease

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the lessee’s financial statements.

(n) Appropriations of retained earnings

Appropriations of retained earnings are reflected in the non-consolidated financial statements for the following year upon shareholders’ approval.

(o) New Accounting Pronouncements

Measurement of Inventories

Under generally accepted accounting principles in Japan, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No.9, “Accounting Standard for Measurement of Inventories,” which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting

On March 30, 2007, the ASBJ issued ASBJ Statement No.13, “Accounting Standard for Lease Transactions,” which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the note to the lessee’s financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

3. Property, plant and equipment

The major classes of property, plant and equipment as of March 31, 2007 and 2006, consisted of the following:

	Millions of Yen			
At March 31, 2007	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	**¥377,270**	**¥(17,017)**	**¥(250,854)**	**¥109,398**
Transmission facilities	**138,183**	**(2,392)**	**(72,969)**	**62,821**
Transformation facilities	**89,722**	**(517)**	**(55,900)**	**33,304**
Distribution facilities	**142,239**	**(2,222)**	**(68,735)**	**71,281**
General facilities	**28,200**	**(82)**	**(12,641)**	**15,476**
Utility plants and equipment	**775,616**	**(22,232)**	**(461,100)**	**292,283**
Construction in progress	**20,523**			**20,523**
Total	**¥796,139**	**¥(22,232)**	**¥(461,100)**	**¥312,806**

	Millions of Yen			
At March 31, 2006	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	¥378,416	¥(17,073)	¥(241,097)	¥120,244
Transmission facilities	136,688	(2,402)	(70,250)	64,035
Transformation facilities	88,763	(511)	(54,102)	34,148
Distribution facilities	139,017	(2,215)	(66,178)	70,623
General facilities	28,434	(23)	(13,949)	14,461
Utility plants and equipment	771,319	(22,226)	(445,579)	303,513
Construction in progress	11,424			11,424
Total	¥782,744	¥(22,226)	¥(445,579)	¥314,938

	Thousands of U.S. Dollars			
At March 31, 2007	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	**$3,195,852**	**$(144,153)**	**$(2,124,982)**	**$ 926,716**
Transmission facilities	**1,170,552**	**(20,266)**	**(618,122)**	**532,163**
Transformation facilities	**760,036**	**(4,381)**	**(473,528)**	**282,125**
Distribution facilities	**1,204,910**	**(18,827)**	**(582,258)**	**603,823**
General facilities	**238,882**	**(701)**	**(107,082)**	**131,097**
Utility plants and equipment	**6,570,234**	**(188,331)**	**(3,905,975)**	**2,475,928**
Construction in progress	**173,851**			**173,851**
Total	**$6,744,085**	**$(188,331)**	**$(3,905,975)**	**$2,649,779**

4. Investment securities

At March 31, 2007, the unrealized gain of market value over the carrying amount of quoted securities was ¥3,692 million ($31,278 thousand), at March 31, 2006, the unrealized gain of which was ¥4,136 million.

5. Long-term debt

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Secured bond, 0.30% to 2.02% in 2007 and 0.20% to 1.97% in 2006, due serially through 2018	**¥ 58,000**	¥ 58,000	**$ 491,317**
Secured loans from Okinawa Development Finance Public Corporation, 0.55% to 4.60% in 2007 and 0.55% to 6.20% in 2006, due serially through 2021	**150,176**	158,261	**1,272,142**
Unsecured loans from banks, 0.74% to 2.20% in 2007 and 0.15% to 2.10% in 2006, due serially 2015	**4,594**	5,311	**38,923**
Total	**212,771**	221,572	**1,802,383**
Less current maturity	**(24,475)**	(33,100)	**(207,327)**
Long-term debt, less current maturity	**¥188,296**	¥188,471	**$1,595,055**

All of the Company's assets are subject to certain statutory preferential rights established to secure bonds, loans from the Okinawa Development Finance Public Corporation, and bonds transferred to banks under debt assumption agreements (see Note 9).

The aggregate annual maturities of long-term debt outstanding at March 31, 2007 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 24,475	$ 207,327
2009	25,320	214,487
2010	23,146	196,070
2011	32,133	272,199
2012	15,541	131,650
2013 and thereafter	92,155	780,647
Total	¥212,771	$1,802,383

6. Short-term bank loans and commercial paper

The weighted average interest rates applicable to short-term bank loans and commercial paper were 0.90% and 0.66% at March 31, 2007 and 0.50% and 0.07% at March 31, 2006 respectively.

7. Income taxes

The Company is subject to national corporate tax and local inhabitant taxes based on income with aggregate normal statutory tax rates of approximately 35% for the years ended March 31, 2007 and 2006, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Deferred tax assets:			
Pension and severance costs	**¥3,503**	¥3,591	**$29,678**
Depreciation and amortization	**1,810**	1,602	**15,333**
Accrued bonus to employees	**633**	629	**5,370**
Accrued defined contribution pension plan	**597**	969	**5,062**
Other	**1,666**	1,550	**14,116**
Sub total	**8,211**	8,343	**69,560**
Less: valuation allowance	**(271)**	(167)	**(2,297)**
Total deferred tax assets	**¥7,940**	¥8,176	**$67,262**
Deferred tax liabilities:			
Unrealized gain on land revaluation	**(406)**	(406)	**(3,446)**
Unrealized gain on available-for-sale securities	**(1,292)**	(1,447)	**(10,947)**
Total deferred tax liabilities	**(1,699)**	(1,854)	**(14,393)**
Net deferred tax assets	**¥6,241**	¥6,321	**$52,868**

The difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying non-consolidated statements of income for the year ended March 31, 2007 and 2006 is immaterial.

8. Lease

The Company leases certain automobiles and office equipment. Total lease payments under the above leases for the years ended March 31, 2007 and 2006 were ¥427 million ($3,618 thousand) and ¥510 million, respectively.

Pro forma information on leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		
As of March 31, 2007	General facilities	Other	Total
Acquisition cost	**¥1,004**	**¥84**	**¥1,089**
Accumulated depreciation	**(197)**	**(43)**	**(241)**
Net leased property	**¥ 806**	**¥41**	**¥ 848**

	Millions of Yen		
As of March 31, 2006	General facilities	Other	Total
Acquisition cost	¥2,338	¥69	¥2,408
Accumulated depreciation	(1,891)	(36)	(1,927)
Net leased property	¥ 446	¥33	¥ 480

	Thousands of U.S. Dollars		
As of March 31, 2007	General facilities	Other	Total
Acquisition cost	**$8,508**	**$717**	**$9,226**
Accumulated depreciation	**(1,674)**	**(366)**	**(2,041)**
Net leased property	**$6,833**	**$350**	**$7,184**

Obligations under finance leases as of March 31, 2007 and 2006:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due within one year	**¥215**	¥380	**$1,823**
Due after one year	**632**	99	**5,361**
Total	**¥848**	¥480	**$7,184**

The imputed interest expense portion is immaterial and therefore is not excluded from the above obligations under finance leases.

Depreciation expense, which is not reflected in the accompanying non-consolidated statements of income, computed by the straight-line method over the remaining lease term was ¥427 million ($3,618 thousand) and ¥510 million for the years ended March 31, 2007 and 2006, respectively.

9. Contingent liabilities

At March 31, 2007, the Company was contingently liable as a guarantor for loans and accounts payable of subsidiaries in the amount of ¥6,018 million ($50,981 thousand), and ¥6 million ($57 thousand), respectively.

Under the debt assumption agreements, the Company was contingently liable for the redemption of bonds transferred to banks in the amount of ¥6,000 million ($50,825 thousand) as of March 31, 2007.

10. Equity

On and after May 1, 2006, the Corporate Law became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 31, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria. The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Corporate Law 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 common stock. Under the Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

On May 20, 2005, the Company made a 1.05-for-1 stock split for each outstanding share and 758,646 shares were consequently issued to shareholders recorded in the registration book of shareholders on March 31, 2005.

11. Research and development costs

Research and development costs charged to income were ¥477 million ($4,043 thousand) and ¥547 million for the years ended March 31, 2007 and 2006, respectively.

12. Subsequent event

The following appropriations of retained earnings at March 31, 2007 were approved at the Company's shareholders' meeting held on June 28, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (25¢) per share	¥477	$4,042

On April 1, 2007, the Company made a 1.1-for-1 stock split for each outstanding share and 1,593,156 shares were consequently issued to shareholders recorded in the registration book of shareholders on March 31, 2007.

If the stock split had gone into effect during the years ended March 31, 2007 and 2006, net income per share and the amount per share of net assets would have been ¥365.68 ($3.10) and ¥5,680.93 ($48.12) in 2007 and ¥519.13 and ¥5,386.53 in 2006, respectively.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying non-consolidated balance sheets of The Okinawa Electric Power Company, Incorporated (the "Company") as of March 31, 2007 and 2006, and the related non-consolidated statements of income and changes in equity for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Okinawa Electric Power Company, Incorporated as of March 31, 2007 and 2006, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan.

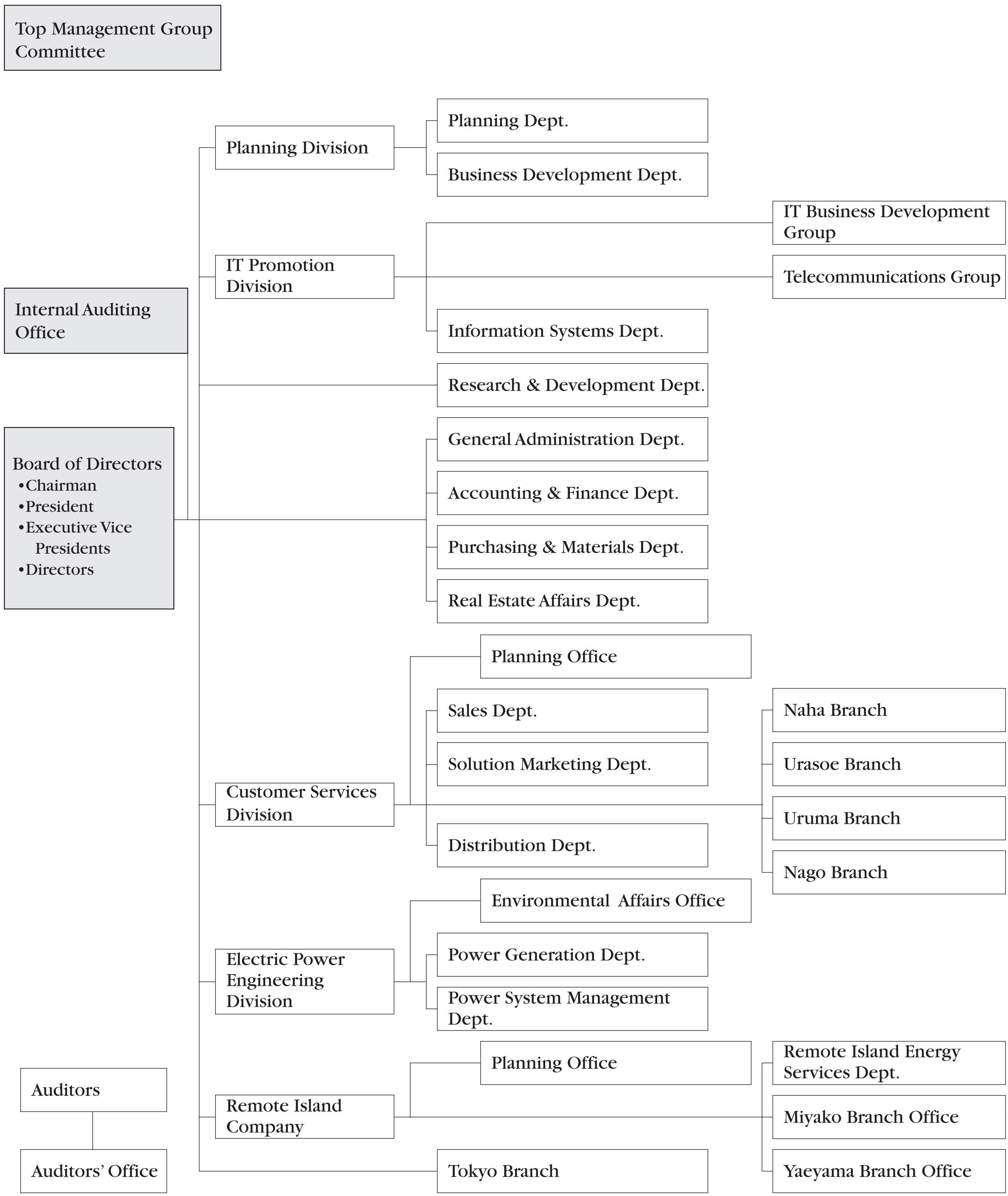
Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 28, 2007

Member of
Deloitte Touche Tohmatsu

Organization Chart



(As of July 1, 2007)

An Outline of the OEPC Group

Okiden Group Companies (As of March 31, 2007)

Company Name	Established/Capital	Business Areas
a. Construction		
Okidenko Company, Incorporated	June 12, 1968 ¥130 million	Construction and installation of power distribution and generation facilities; civil engineering work; and building construction
Okiden Sekkei Company, Incorporated	May 10, 1994 ¥40 million	Feasibility studies and design of electric power facilities, and supervision of construction; environmental surveys, soil quality examination and land surveys
Okinawa New Energy Development Company, Incorporated	October 14, 1996 ¥49 million	Feasibility studies, design, and management of construction of new energy power generation systems; management of operation and maintenance of such systems
Okisetsubi Company, Limited	September 18, 1995 ¥20 million	Installation of air conditioning, sanitation, and electric water-heating equipment; design and installation of ice-storage air-conditioning equipment
b. Electric power supply and peripheral businesses		
Okiden Kigyo Company, Incorporated	October 15, 1975 ¥43 million	Sale and maintenance of electrical equipment; lease of vehicles and property; maintenance of vehicles; agency business for non-life insurance companies
Okinawa Plant Kogyo Company, Incorporated	June 1, 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
c. Information and telecommunication business		
The Okiden Global Systems Company, Incorporated	April 12, 1991 ¥20 million	Computer systems design and software development; sale, leasing, etc. of computers and peripheral equipment
Okinawa Telecommunication Network Company, Incorporated	October 29, 1996 ¥700 million	Operation of Type I carrier business based on the Telecommunications Business Law; telecommunications equipment installation & maintenance
OTNet Service Company, Incorporated	May 21, 2001 ¥10 million	Type 2 carrier under the Telecommunications Business Law; supplier of high-speed digital communication service via dedicated optic-fiber network
First Riding Technology Company, Incorporated	July 11, 2001 ¥945 million	Internet solutions; call center business
d. Real estate business		
Okiden Kaihatsu Company, Incorporated	April 26, 1989 ¥50 million	Management, buying & selling, and leasing of real estate
e. Dispersed generating plant business		
Progressive Energy Corporation (PEC)	August 23, 2001 ¥100 million	Installation, operation, and maintenance of home-use power generation systems, and support services for energy saving
f. Support services for active seniors		
Kanucha Community Company, Incorporated	February 18, 2003 ¥472 million	Development and management of resort communities
g. Other businesses (including funding of businesses unrelated to electric power)		
Quetech Company, Limited	March 30, 2001 ¥3 million	Management consultant services, ISO certification support training, application software development business
Ganju Company, Incorporated	March 25, 2003 ¥10 million	Hog raising, and wholesaling and retailing of pork
Grace Rum Company, Incorporated	March 1, 2004 ¥10 million	Production and sale of rum
Aqua Culture Okinawa Company, Incorporated	June 13, 2005 ¥15 million	Cultivation and sale of decorative corals and other marine organisms
Churaumi Trading Co., Ltd.	Feb. 15, 2005 ¥47 million	Development and manufacture of ceramic products, their import & export, and sale via directly operated outlets; import & export of interior goods, textile products, accessories, health foods, and alcoholic beverages
Hoian Okinawa Co., Ltd.	Feb. 18, 2005 US$500,000	Production, and sale in Japan of blown-glass products and accessories

Corporate Data

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Fax: +81 (0)98-877-6017
e-mail: ir@okiden.co.jp
URL: www.okiden.co.jp/english/index.html

Tokyo Branch
No. 45 Kowa Bldg. 6F, 15-9, Minami-Aoyama 1-chome,
Minato-ku, Tokyo 107-0062, Japan
Tel: +81 (0)3-3796-7768

Established
May 15, 1972

Capital
¥7,586 million

Total Assets
¥354,113 million

Number of Customers
807,791 (Includes users of both lighting and power)

Number of Employees
1,515

(As of March 31, 2007)

Power Generation Facilities

Type of Station	Number of Facilities	Generating Capacity [kW]
Steam	4	1,467,000
Gas Turbine	4	291,000
Internal Combustion	13	166,025
Total	21	1,924,025

Independent Certified Public Accountants
Deloitte Touche Tohmatsu

Consolidated Subsidiaries

Name	Capital	Main Business Lines	Equity Ownership
Okidenko Co., Ltd.	¥130 million	Construction	48.0%
Okiden Kigyo Co., Ltd.	¥43 million	Peripheral operations related to electric power business	91.7%
Okinawa Plant Kogyo Co., Inc.	¥32 million	Peripheral operations related to electric power business	89.9%
Okinawa Denki Kogyo Co., Ltd.	¥23 million	Peripheral operations related to electric power business	99.4%
Okiden Kaihatsu Co., Inc.	¥50 million	Real estate	100.0%
The Okiden Global Systems Company, Inc.	¥20 million	Information and telecommunications	100.0%
Okiden Sekkei Co., Ltd.	¥40 million	Construction	95.5%
Okinawa New Energy Development Co., Inc.	¥49 million	Construction	42.1%
Okinawa Telecommunication Network Co., Inc.	¥700 million	Information and telecommunications	54.9%
Okisetsubi Company, Ltd.	¥20 million	Construction	48.0%
First Riding Technology Co., Inc.	¥945 million	Information and telecommunications	91.0%
Progressive Energy Corp.	¥100 million	Dispersed generating plant business	58.0%
Kanucha Community Co., Inc.	¥472 million	Support services for active senior	74.2%

Investor Information

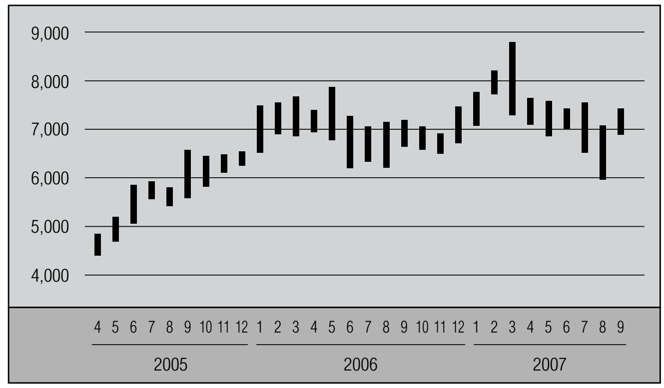
Transfer Agent and Registrar
The Mitsubishi Trust & Banking Corporation
11-1, Nagata-cho 2-chome, Chiyoda-ku,
Tokyo 100-8212, Japan

Securities Traded
Tokyo Stock Exchange,
Fukuoka Stock Exchange

Common Stock Issued
15,931,567 shares

Number of Shareholders
7,420

Stock Price Range on the Tokyo Stock Exchange



Credit Ratings

	Long-Term	Short-Term	Outlook
S&P	AA	A-1+	Stable
Moody's	AA2	—	Stable
R&I	AA+	a-1+	Stable
JCR	AAA	J-1+	Stable

(As of August 31, 2007)

Board of Directors and Auditors

Tsugiyoshi Toma
Chairman

Denichiro Ishimine
President

Akira Sakuma
Executive Vice President

Seiyu Ishikawa
Executive Vice President

Kazuhiro Nakada
Executive Vice President

Directors:
Inekazu Uehara
Kaoru Shimabukuro
Mitsuru Omine
Katsunari Omine
Tsutomu Ikemiya
Katsuaki Chinen
Kazuji Shimazaki
Sunao Tamaki
Kunio Oroku

Standing Auditors:
Hiroshi Teruya
Choei Yogi

External Auditors:
Honshin Aharen
Masateru Higa
Shiro Nozaki

(As of June 28, 2007)

The Okinawa Electric Power Company, Incorporated

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