

Management Overview

March 2009



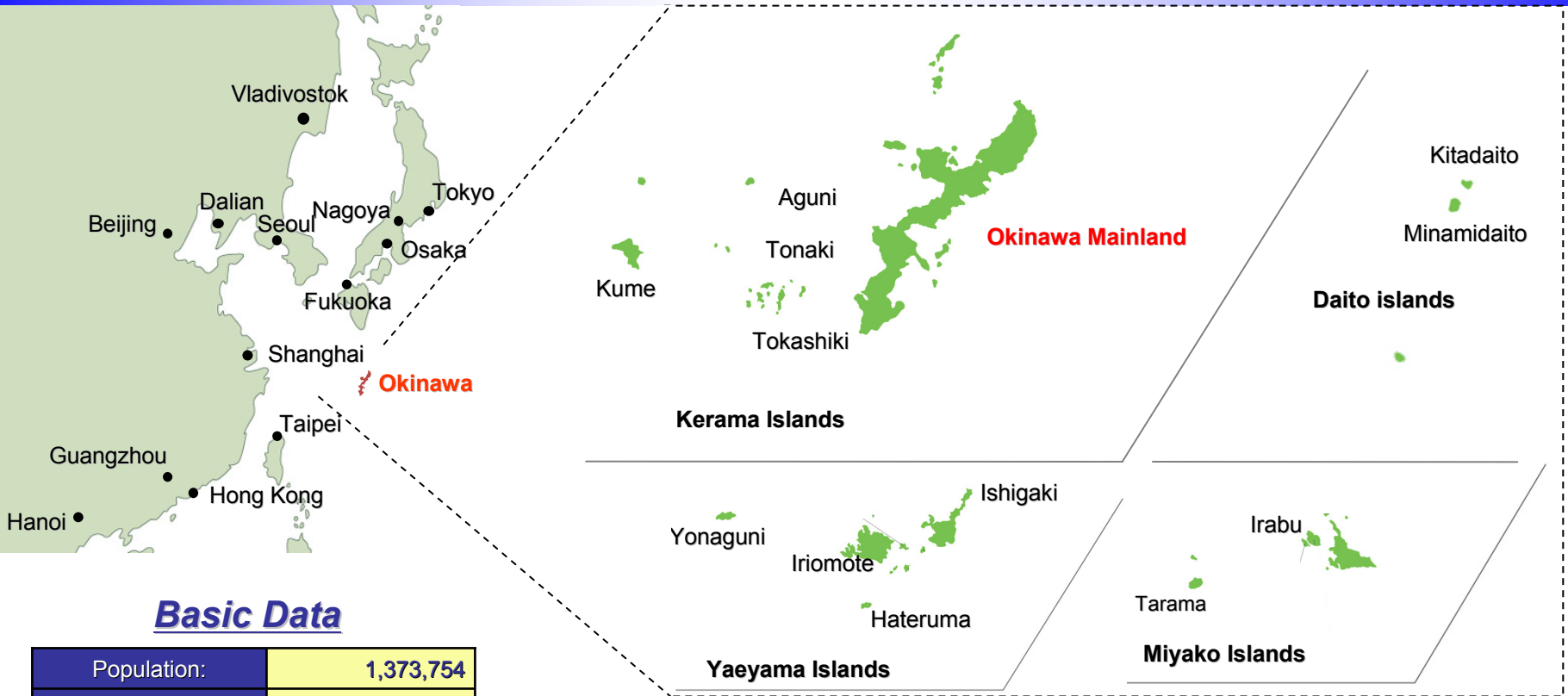
The Okinawa Electric Power Company, Inc.

Table of Contents

Overview of Okinawa Prefecture	.....	1
Corporate Overview of OEPC	.....	2
Financial Results for FY2008 3Q YTD	.....	3
Annual Outlook Summary	.....	4
Electric Energy Demand (FY2008 3Q YTD and FY2008 Outlook)	.....	5
Electric Energy Demand (Long-term forecast)	.....	6
Capital Investment Plan		
(Electric Business I )	.....	7
(Electric Business II )	.....	8
Business Challenges	.....	9
Outlook of Financial Position	.....	10
Summary of Mid-term Financial Targets	.....	11
Mid-term Prospects for Each Item of Expenses (Non-Consolidated)	.....	12
Mid-term Prospects of Each Company	.....	13
Characteristics of the Business Bases	.....	14



Overview of Okinawa Prefecture



Basic Data

Population:	1,373,754
No. of Households	508,064
Land Area	2,275.71km ²
Climate	Subtropical
Location	26° 12N 127° 41E
Gross Prefectural Product	¥3,966.8billion
Tourism Revenue	¥423.9billion

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

Population, No. of Households and Land Area as of October 1, 2007
 Gross Prefectural Product as of FY 2006
 Tourism Revenue as of 2007
 (Source: Okinawa Prefectural Government, Geographical Survey Institute etc.)

Cities of the World at a similar latitude

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



Corporate Overview of OEPC

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

Date established	May 15, 1972	Securities identification code	9511
Capital	¥7,586 million	Supply area	Okinawa Prefecture
No. of shareholders	8,148	No. of customers	Lighting 750 thousand units Power 66 thousand units
Total assets	¥347.19 billion (Non-consolidated) ¥369.84 billion (Consolidated)	Electric power sales (Fiscal Year 2007)	Lighting 2,945 million kWh Power 4,546 million kWh (Deregulated demand 1,150million kWh) Total 7,491 million kWh
Sales (Fiscal Year 2007)	¥149.32 billion (Non-consolidated) ¥161.52 billion (Consolidated)	Supply facilities	Steam-power generators 4 locations 1,467 thousand kW Gas turbine generators 4 locations 291 thousand kW Internal-combustion power generators 13 locations 167 thousand kW
No. of employees	1,510 (Non-consolidated) 2,578 (Consolidated)		

(as of March 31, 2008)

Ratings

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

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



Financial Results for FY2008 3Q YTD

(Period-on-Period Comparison)

(Unit: million yen, X)

	Consolidated (A)			Non-Consolidated (B)※			(A)/ (B)	
	FY2008 3Q YTD Results	FY2007 3Q YTD Results	Rate of Change	FY2008 3Q YTD Results	FY2007 3Q YTD Results	Rate of Change	FY2008 3Q YTD Results	FY2007 3Q YTD Results
Sales	131,155	122,765	+6.8%	123,693	115,646	+7.0%	1.06	1.06
Operating Income	12,071	15,215	-20.7%	11,002	14,603	-24.7%	1.10	1.04
Ordinary Income	9,654	12,345	-21.8%	8,676	12,052	-28.0%	1.11	1.02
Net Income	5,006	7,727	-35.2%	3,377	7,675	-56.0%	1.48	1.01

※Figures for Non-Consolidated are not an object of the review in legal disclosure

Increase in Sales, Decrease in Income (Consolidated and Non-Consolidated)

- Sales increased due to increase in income from the Fuel Cost Adjustment System in Electric Business.
- Ordinary Income decreased due to increase in fuel cost and power purchase cost in response to the fuel price surges in Electric Business, although Depreciation cost and Repair and maintenance costs decreased.
- Net Income decreased due to mentioned above and capitalize impairment losses.



Annual Outlook Summary

(Unit: million yen)

	Consolidated				Non-Consolidated			
	FY2008 Forecast		Change (A)-(B)	FY2007 (Results)	FY2008 Forecast		Change (A)-(B)	FY2007 (Results)
	Announced in Jan 2009 (A)	Announced in Oct 2008 (B)			Announced in Jan 2009 (A)	Announced in Oct 2008 (B)		
Sales	173,600	173,300	+300	161,521	162,000	161,000	+1,000	149,320
Operating Income	13,200	8,600	+4,600	14,809	12,000	7,300	+4,700	13,144
Ordinary Income	10,000	5,600	+4,400	10,971	8,900	4,300	+4,600	9,733
Net Income	5,100	3,300	+1,800	7,072	3,400	2,700	+700	6,590

Increase in Sales, Decrease in Income 【Comparison with Forecast (Oct.2008)】

■ Sales increase of 0.3 billion yen.

【Factor for increase】 · Increase in total sales of Electricity due to Sales volume exceeded projection in the 3rd quarter of FY2008 in Electric Business

【Factor for decrease】 · Decrease in construction orders in Construction Business

■ Ordinary income increase of 4.4 billion yen.

【Factors for increase】 · Sales increase in Electric Business.

· Fuel cost decrease

· Expenditure for power purchases is forecast to decrease



Electric Energy Demand (FY2008 3Q YTD and FY2008 Outlook)

FY2008 3Q YTD Results

(Unit: Million kWh, %)

		FY2008 3Q YTD (Results)	FY2007 3Q YTD (Results)	FY2008 3Q YTD (Target)	YoY Change	Performance Against target
Electricity sales	Lighting	2,227	2,264	2,289	-1.7	97.3
	Power	3,673	3,632	3,630	1.1	101.2
	Total	5,900	5,896	5,919	0.1	99.7

Lighting : Residential use (Houses)

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

(Lighting)

- Although the number of customers increased, the demand for Lighting decreased due to the fewer meter reading days than the same period of the previous year and demand decline due to temperatures having remained lower in the period between late July and early August than the same period in the previous year. (-1.7%)

(Power)

- The demand for Power was up Period-on-Period due to the increased number of customers in Commercial power.(1.1%)

(Total)

- As a result, the figure totaled at 5,900 million kWh, which remained almost on a par with the previous year's figure. (0.1%)

FY2008 Annual Outlook

(Unit: Million kWh, %)

		FY2008 (Forecast)	FY2007 (Results)	FY2008 (Target)	YoY Change	Performance Against target
Electricity sales	Lighting	2,920	2,945	2,982	-0.8	97.9
	Power	4,586	4,546	4,543	0.9	100.9
	Total	7,506	7,491	7,525	0.2	99.7

(Lighting)

- Although the number of customers is expected to increase, the demand for Lighting is projected to fall below the result of the previous year's figure because the fewer meter reading days than the previous year. (-0.8%)

(Power)

- The demand for Power is expected to exceed the previous year's figure with a growth of the number of customers. (0.9%)

(Total)

- As a result, the figure totals at 7,506million kWh, which is expected to exceed the previous year's figure. (0.2%)



Electric Energy Demand (Long-term forecast)

Forecast for long-term Electric Energy demand

(Unit: million kWh, Thousand kW, %)

(Unit:%)

		2006 (Result)	2007 (Result)	2008 (Forecast)	2016 (Forecast)	2017 (Forecast)	Average growth rate per annum		Average growth rate per annum FY2006 – FY2017
							FY1996 – FY2006	FY2006 – FY2017	Average of 9 other Electric Power companies
No. 112 EI forecast (FY2007)	Electric energy demand	(7,300) 7,376	(7,411) 7,491	7,525	8,727	8,876	(2.1) 2.1	(1.8) 1.7	(1.1) 1.1
	Peak load	《1,419》 (1,391) 1,408	《1,420》 (1,407) 1,431	1,443	1,668	1,696	(0.9) 1.1	(1.8) 1.7	(0.9) 1.0
	Annual load factor	《61.3》 (62.6) 62.5	《62.1》 (62.7) 62.2	62.4	62.6	62.6	—	—	
No. 110 EI forecast (FY2006)	Electric energy demand	(7,300) 7,376	(7,448) 7,468	7,594	8,865	—	(2.3) 2.3	(1.9) 1.7	
	Peak load	《1,419》 (1,391) 1,408	1,451	1,476	1,701	—	(1.1) 1.2	(1.7) 1.8	
	Annual load factor	《61.3》 (62.6) 62.5	61.4	61.5	62.3	—	—	—	

Note 1: () indicates the adjusted intercalary temperature .

Note 2: 《 》 indicates the adjusted temperature plus the adjustment for typhoon.

Note 3: The figure indicated for FY2007 of No. 110 EI is the estimate value.

Note 4: Average growth rate per annum for No. 110 EI are from 1995 to 2005 and 2005 to 2016.

FY2007 – FY2008 Economic forecast

(Average growth rate per annum, Unit:%)

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

Note: GDP in Okinawa for FY2006 indicates the estimated performance.

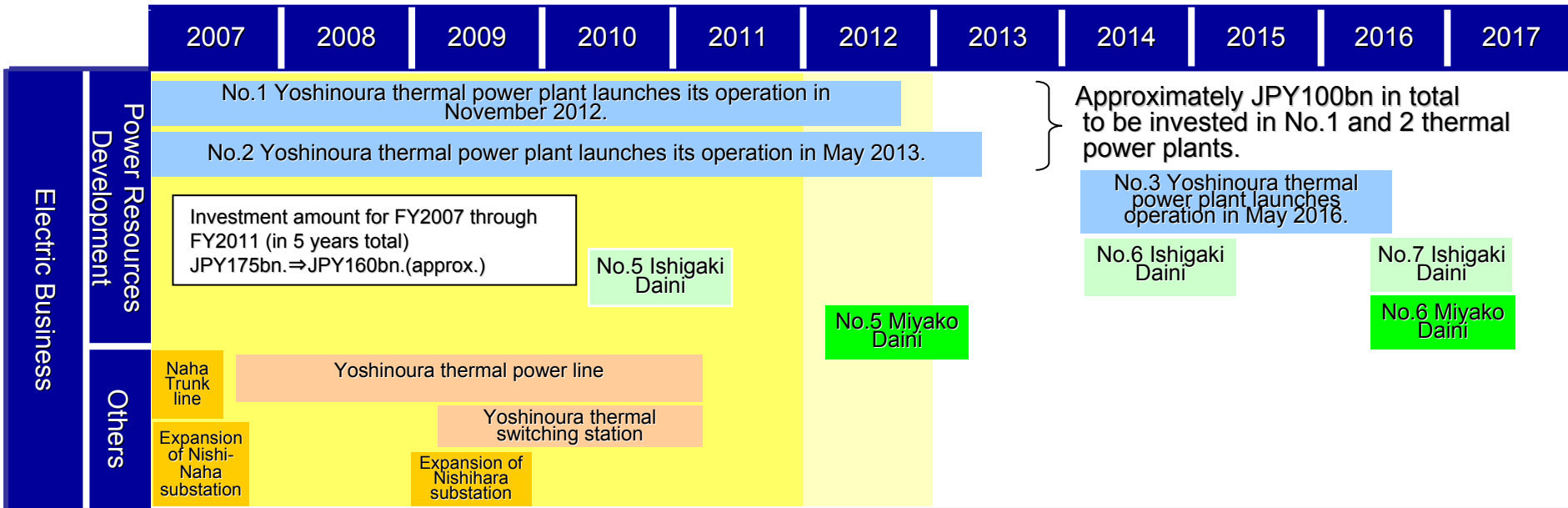
(Source: Cabinet Office, Okinawa prefecture, FEPC)

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

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



Capital Investment Plan (Electric Business I)



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

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

- **The construction schedule of Yoshinoura thermal power station(No1and 2) were postponed for a year again.**
 - Negotiation for fisheries compensation reached a settlement 2008 summer.
 - Approximately JPY100bn to be invested in Yoshinoura thermal power plant.
 - The overall investment amount will be about JPY170bn for FY2008 through FY2012 in 5 years total.

- **Capital investment plan after No.1 and 2 Yoshinoura thermal power plants launched.**
 - Capital investment for No.3 and 4 Yoshinoura thermal power plants is purposed for electric generators only.
 - The investment amount will be lower than those of the plants No.1 and 2.



Capital Investment Plan (Electric Business II)

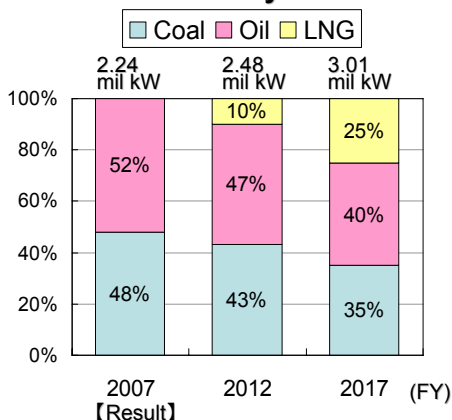
Demand-supply balance of maximum electric power (August)

(Unit : Thousand kW, %)

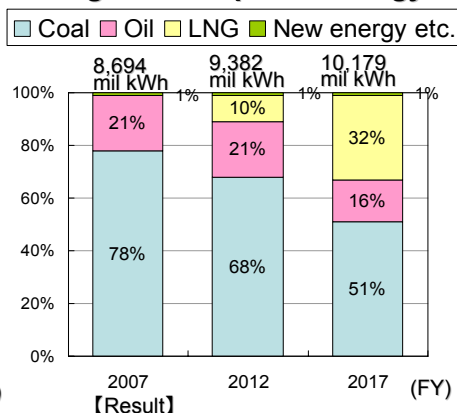
		2007 【Result】	2008 【Result】	2009	2010	2011	2012	2013	2014	2015	2016	2017
Demand- supply balance	Peak load	1,431	1,388	1,473	1,502	1,529	1,557	1,585	1,613	1,640	1,668	1,696
	Supply capacity	1,953	1,874	1,955	1,948	1,918	1,914	2,141	2,132	2,143	2,293	2,298
	Reserve supply capacity	522	486	482	446	389	357	556	519	503	625	602
	Reserve supply rate	36.5	35.0	32.7	29.7	25.4	22.9	35.1	32.2	30.7	37.5	35.5

*Maximum electric power in FY2007 and FY2008 were generated in July.

Composition ratio of plant facilities for the year-end



Composition ratio of generated power energy



- Reserve supply rate for FY2013 is about 35.1% reflecting the launch of Yoshinoura thermal power plant operation.
- The amount of capital investment in future is expected to increase following the full-scale start of construction works related to Yoshinoura Thermal Power Station.

Capital investment amount

(Unit : billion yen)

		2007 (Result)	2008	2009	
Expansion	Power supply	Steam power	3.0	5.0	15.0
		Internal combustion power	-	0	0
		Subtotal	3.0	5.0	15.1
	Others	Electric power transmission	2.2	2.1	3.2
		Electric power transformation	2.2	1.6	3.4
		Electric power distribution	3.2	4.2	4.0
		Power dispatching, others	7	5	2.0
		Subtotal	8.5	8.4	12.6
	Total		11.5	13.4	27.6
	Improvement work, others		5.5	7.2	4.6
Total		17.1	20.5	32.3	



Business Challenges

Our Company Mission

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



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

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



Outlook of Financial Position

If a forecast is made for the coming 10 years taking the start of thermal power operations at Yoshinoura as the dividing point, the company expects to undergo a big turnaround at this point, including in its financial situation.

	1st Stage(~2012)	2nd Stage(2013~)
Summary	<ul style="list-style-type: none"> ■ Burden for capital investment has increased due to the construction work of the Yoshinoura thermal power plant ■ Profits have stabled due to decreased cost of depreciation ■ Trend in fuel prices will become an earnings changing factor in the short run ■ Cost increase by acquisition of the CO₂ credit. ■ Operating CF remains unchanged, and FCF is expected to result in minus 	<ul style="list-style-type: none"> ■ Burden for capital investment will be reduced significantly ■ Depreciation cost will increase and temporarily puts pressure on profits ■ Operating CF will increase, and FCF is expected to recover rapidly
Issues	<ul style="list-style-type: none"> ■ Will control the increase of interest-bearing liabilities ■ Enhancement of the financial stability by accumulating the interest 	<ul style="list-style-type: none"> ■ Controlling the balance between capital and liabilities (Securing capital efficiency) ■ Implement the additional capital investment, taking into account profitability and efficiency ■ Improvement of return to stockholders
CF usage	<ul style="list-style-type: none"> ■ Will prioritize the capital investment in the Yoshinoura thermal power plant ■ Will consider the reduction of charge and return to stockholders based on the assumption that the financial goal can be achieved 	<ul style="list-style-type: none"> ■ Reduction of charges ■ Improvement of return to stockholders ■ Bolstering the foundation of integrated energy business ■ Improvement of balance sheet



Summary of Mid-term Financial Targets

		FY2008 Management Plan		FY2007 Result	FY2008 Forecast
Ordinary Income	Consolidated	Yearly average of at least 12 billion yen	FY2006~FY2010	10.9 billion yen	10.0 billion yen
	Non-consolidated	Yearly average of at least 11 billion yen		9.7 billion yen	8.9 billion yen
ROA (operating Income / total assets)	Consolidated	Yearly average of at least 4.0%	FY2006~FY2010	4.0%	3.6%
	Non-consolidated			3.7%	3.5%
Balance of interest bearing debt	Consolidated	Approx. 270 billion yen	End of FY2010	223.1 billion yen	218.4 billion yen
	Non-consolidated	Approx. 260 billion yen		212.2 billion yen	210.0 billion yen
Equity ratio	Consolidated	Approx. 30%	End of FY2010	28.7%	29.8%
	Non-consolidated			29.7%	30.3%

* Financial targets in the management plan for FY2008 are unchanged from those in the management plan for FY2007.

* We plan to review the mid-term targets by incorporating the near-term management environment.



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

	Mid-term prospects
Sales amount	Sales amount may vary with the impact on the Fuel Cost Adjustment System, but is expected to increase as a base due to the increase of electric energy demand.
Personnel cost	Expected to remain unchanged at about JPY16bn to maintain about 1,500 staff . Although, in FY2009, pension expense is expected to increase due to unrecognized net loss.
Fuel cost	Although a surge in fuel cost has hit a lull, we need to continue paying attention to the price trends. Although there is a Fuel Cost Adjustment System, the trend in fuel prices will become an earnings changing factor in the short run.
Repair and Maintenance cost	Expected to remain unchanged at about JPY15bn.
Depreciation cost	Following the progress of depreciation of Kin Thermal Power Station and other facilities, Depreciation cost is expected to remain decreasing slightly until FY2010, but will increase significantly in FY2011 with the operation launch of Yoshinoura thermal power plant.
Expenditure for power purchase	Expenditure for power purchase are increasing until FY2008. Power purchase cost will change depending on the trends in coal price after FY2009.
Tax and public dues	Expected to remain nearly flat.
Other expenses	Amount may vary due to the cost of outsourcing for system development, etc. Recorded the CO ₂ credit cost of JPY10million in FY2007. About JPY1 billion is appropriated for FY2008. Will record the cost based on the acquisition of the credit after FY2009 as well.



Mid-term Prospects of Each Company

	Mid-term prospects
Construction Business	<ul style="list-style-type: none"> ▶ Although there are slight ups and downs each year, Okidenko, Okiden Sekkei and Oki Setsubi are expected to show nearly flat movements. ▶ Okinawa New Energy Development expects a sales increase with expansion in wind-power generation (Parent – subsidiary). Income and expenses are expected to remain steady. Construction of Nakijin Wind Power Generation Plant (power generation capacity of 1,995kW x 1 power plant; total construction cost of about JPY 680 million) is planned in FY2009.
Other Businesses	<ul style="list-style-type: none"> ▶ Okiden Kigyo is expected to show nearly flat movement. Capital investment for leasing business is expected on a regular basis. ▶ Okinawa Plant Kogyo increases the Yoshinoura-related sales. (Parent – subsidiary) Capital investment related to Yoshinoura such as building of office wing is projected to be implemented. ▶ Okinawa Denki Kogyo is expected to show nearly flat movement. ▶ Okiden Global Systems is expected to show nearly flat movement. ▶ Okinawa Telecommunication Network booked impairment losses in FY2006 and FY2007. Although the Company was in the red in FY2006, it returned to profitability in FY2007. ▶ First Riding Technology remains in the black in FY2007 for the second consecutive year. Revenue expansion through accumulation of customers is expected to continue in future. ▶ Income and expenses of Okiden Kaihatsu is expected to flat out on the whole. The company may make an investment in accordance with order intakes for projects including PFI. ▶ Progressive Energy is expected to show nearly flat movement for the time being. ▶ Kanucha Community Co., Inc. booked impairment losses in FY2008 3rd quarter.



Characteristics of the Business Bases

Advantage

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

Disadvantage

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



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

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