The Okinawa Electric Power Company, Incorporated

Printed in Japan on recycled paper

THE OKINAWA ELECTRIC POWER COMPANY, INCORPORATED ANNUAL REPORT 2008

The Okinawa Electric Power Company, Incorporated (OEPC)

Annual Report 2008

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. With a population of approximately 1.4 million, the prefecture consists of 160 large and small islands. The only part of Japan with a subtropical climate, Okinawa is blessed with plenty of sunshine, and is warm all year round. It is surrounded by emerald-green sea waters containing a variety of colorful coral reefs, and these bounties of nature make the prefecture one of the leading holiday resort areas in Japan.

The core corporate mission of the OEPC Group is to support the economy of Okinawa and contribute to the development of the regional community. To this end, we are committed to the provision of what we call a "universal service," meaning that we offer the same service quality and reliability throughout our whole operating area. In view of the strong public service character of OEPC's business, we are very much aware of the importance of raising service quality and safety to still higher levels. In pursuit of this goal, we are putting our full efforts into raising operational efficiency, and to fulfilling our responsibility as an electric power utility enterprise.

Contents

Financial Highlights (Consolidated)

The Okinawa Electric Power Company, Incorporated

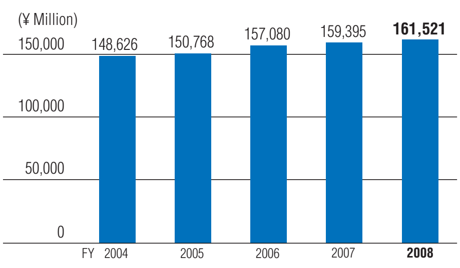
Years ended March 31, 2008 and 2007	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
For the year:			
Operating revenues	**¥161,521**	¥159,395	**$1,612,152**
Operating income	**14,809**	15,482	**147,817**
Net income	**7,072**	6,418	**70,587**
Per share of common stock (yen and U.S. dollars):			
Basic net income	**¥404.36**	¥366.82	**$4.04**
Cash dividends applicable to the year	**60.00**	60.00	**0.60**
At year-end:			
Total assets	**¥369,840**	¥376,071	**$3,691,395**
Total equity	**107,026**	102,661	**1,068,232**

Note: The U.S. dollar amounts represent translation of Japanese yen for convenience only at the approximate exchange rate on March 31, 2008, of ¥100.19 to $1.

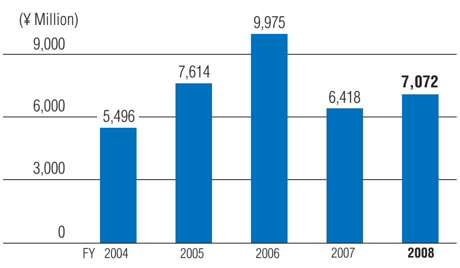
Operating Highlights (Non-Consolidated)

Years ended March 31, 2008, 2007 and 2006	**2008**	2007	2006
For the year:			
Electric energy sales (Millions of kWh)			
Lighting	**2,945**	2,881	2,900
Power	**4,546**	4,495	4,446
Peak load (Thousands of kW)	**1,431**	1,408	1,394
At year-end:			
Number of customers:			
Lighting	**749,798**	741,268	729,519
Power	**65,735**	66,523	67,230
Generating capacity (Thousands of kW)	**1,925**	1,924	1,926
Route length of transmission lines (km):			
Overhead	**768**	743	726
Underground	**247**	233	219

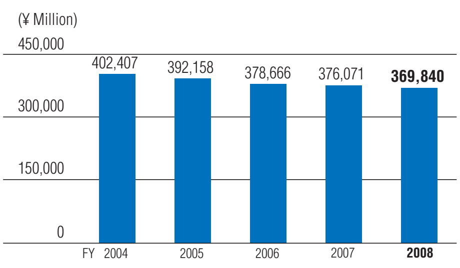
Consolidated Operating Revenues



Consolidated Net Income



Consolidated Total Assets



Note: The term "fiscal 2008" as used in this report refers to the business year ended March 31, 2008. The same applies to other fiscal years.

Message from the Management

Tsugiyoshi Toma
Chairman

Denichiro Ishimine
President

The Japanese economy appears likely to achieve further moderate growth in the current fiscal year, ending March 2009, against the background of a continuing recovery in global economic activity. Last year's firm undertone in the corporate sector is expected to persist this year, with a modest improvement in household income. We can expect to see stable goods prices due to the accelerated and more widespread implementation of reforms by the authorities under their stated policy of promoting more balanced growth of the Japanese economy.

In Okinawa Prefecture, the healthy tourism industry is expected to lead the growth of the economy as a whole. Private-sector demand should be firm, and capital investment is projected to follow a recovery trend.

Electric power demand from the private sector in the current business term is forecast to post an increase, with a steady growth in the number of user households, as well as new commercial customers. Demand for low-voltage power service is thus expected to record a year-on-year increase. In high-voltage supply to industrial users, a gradual rise throughout the year is foreseen in demand from the food processing industry, and the annual total should surpass the previous year.

In view of these demand prospects, OEPC can look forward to increased revenues, partially as the result of a rise in electricity charges under the official fuel cost adjustment system.

Regarding the Company's expenses, progress made in the depreciation of existing facilities means that depreciation expenses will decline, as will the cost of repairs thanks to the introduction of more efficient methods. In spite of these factors, the extraordinarily high price of fuels will cause substantial increases in fuel procurement expenses, and in expenses for the purchase of electricity from other power suppliers. The cost of environmental protection measures will also increase. Overall, a significant rise in expenses is predicted.

Amid this difficult operating environment, the management and employees of OEPC will maintain their efforts to realize radical improvement in operating and administrative efficiency in pursuit of the Company's financial goals.

Business and Financial Issues

Currently, the primary factors affecting the business operations of the OEPC Group are: the high prices of fuel; the upward trend in expenses involved in environmental protection; the tightening of the authorities' purse-strings regarding public works investment; intensified competition in the information and telecommunications business; and the rising need for funds to finance the construction of the Yoshinoura Thermal Power plant as work on the project gets fully underway. Taken together, these factors spell a difficult period for the OEPC Group.

During the current fiscal year, through the two major measures described below, the OEPC Group will be working to raise the enterprise value of all its member companies, with the ultimate goal of becoming a comprehensive energy services provider and a lifestyle advisor, based on our core mission of stable, optimized energy supply.

(1) Strengthening our operating base

The managements of all Group member companies, and all their employees, will be encouraged to be constantly aware of the need for cost reductions. Simultaneously with more thorough efforts than ever before to improve operational efficiency and raise profitability, all staff will be made aware of the crucial importance of quality and safety for both products and services. In addition, technological improvement initiatives will be promoted to reinforce the Group's business base.

(2) Reinforcing the OEPC Group's brand

While giving high priority to fulfilling our social responsibilities, we worked to establish an OEPC Group brand. To this end, we built closer relations of trust with our customers as a Group, by redoubling our commitment to reliability and safety through the promotion of safety and comfort in daily life, and by supporting local businesses in their operations.

In the power generation segment, our core business, on the basis of a report from a government advisory council in March 2008, the authorities decided to postpone for the time being the further expansion of the current scope of electric power deregulation. We will prepare ourselves for further deregulation of the business environment when it happens. At the present time, we are maintaining our commitment to the provision of the same level of service to all customers throughout the prefecture.

These days, all companies are being required not only to practice strict legal compliance and uphold high standards of corporate behavioral ethics, but also, more than ever before, to help preserve the environment and fulfill a wide range of social responsibilities.

Another important factor that has come into play in the current business term is the requirement for companies to set up systems for internal control on financial reporting as stipulated in the Financial Instruments and Exchange Law.

Amid these circumstances, to maintain a favorable impression of the OEPC Group among the Okinawan public, we must not only offer services that achieve full customer satisfaction, we must also practice rigorous legal compliance and maintain high ethical standards, while ensuring management transparency.

OEPC has over the years implemented a wide variety of measures to ensure the achievement of its core mission — the reliable supply of electric power. The importance of such efforts has increased recently, owing to the increasing severity of the typhoons that batter the prefecture. Needless to say, OEPC and its group companies will continue to carry out frequent close inspections of their facilities, and will spare no effort or cost to construct and install power generation facilities that are adequately resistant to natural disasters such as typhoons and earthquakes.

Priority Issues

1. Increasing customer satisfaction
2. Maintaining public trust
3. Delivering a reliable supply of power
4. Ensuring our operations are in harmony with the global environment
5. Strengthening our financial position
6. Improving organizational effectiveness and raising employee skill levels
7. Enhancing the Group's enterprise value

In the Group's non-core operations, our construction business faces a slump in private-sector business as a result of the application of the amendments to the Building Standards Law. At the same time, the volume of public works projects has been severely curtailed. The Group is therefore exercising strict selectivity regarding projects undertaken, and focusing management resources on priority areas. At the same time, we are working to enhance our technological capabilities and expand our lineup of proposals, to enable an aggressive marketing strategy that will yield fruit in the form of adequate profit margins and a reinforced earnings base.

In the Information and Telecommunications business, we are employing an active strategy of marketing proposals aimed at meeting customer needs promptly and precisely to realize a value-added service.

We are also examining the feasibility of moving into the gas supply business to take advantage of our importation of LNG — the first such in Okinawa's history — as fuel for the Yoshinoura Thermal Power Plant, which is currently under construction. This will fit in with our long-term plans to become a truly comprehensive energy services company, and constitutes a promising new business opportunity.

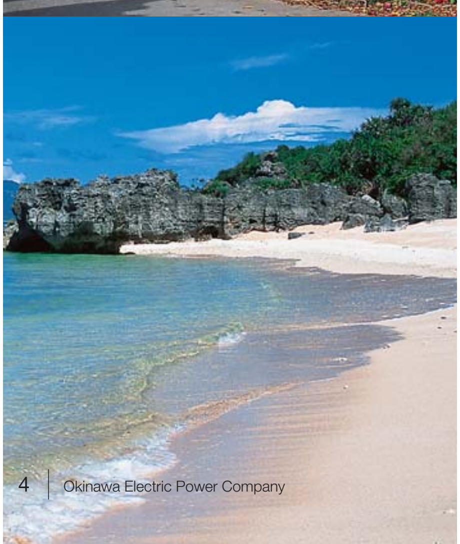
Tsugiyoshi Toma

Tsugiyoshi Toma
Chairman

D. Ishimine

Denichiro Ishimine
President

Okinawa Today



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 2017 will be 0.33% in Okinawa, compared with -0.27% 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 around 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 2005 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 5.2%, compared with around 2.8% for Japan as a whole.

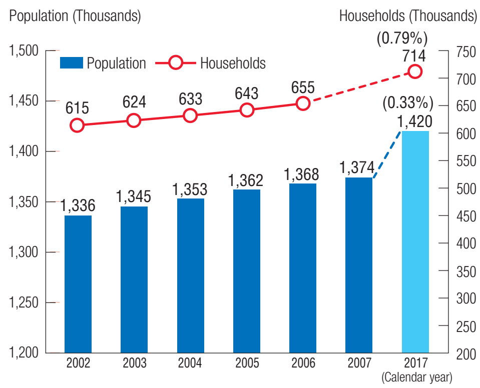
Tourist Arrivals

Okinawa Prefecture saw a record number of 5.89 million tourist arrivals in 2007. 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 an increase in the number of flights, an expansion in tourist accommodation capacity with the construction of new facilities; an increase in the offerings of tourism package plans for weddings in resort settings; and the success of public and private sector joint efforts to attract tourists through campaigns. The prefecture targets 7.2 million tourist arrivals in 2011.

Total Power Supply System

To enable the safe, efficient, and reliable supply of electric power, OEPC engages in a wide variety of business operations, from the procurement of fuel overseas to regular equipment maintenance, contingency planning, and the operation of a customer service counter.

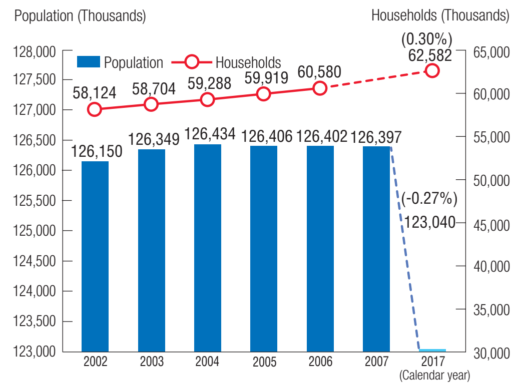
Growth in Population and Number of Households in Okinawa



Source: Population figures between March 2003 and March 2006 are based on surveys by the Ministry of Internal Affairs and Communications, Figures for March 2007 and 2008 are taken from the population census in Okinawa
Figures for population and number of households in March 2017 are based on surveys by the Japan Electric Power Survey Committee

Note: Figures for number of households in parentheses show annual average growth between March 2007 and March 2018
Population figures in parentheses show annual average growth between March 2008 and March 2018

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



Source: Population figures between March 2003 and March 2008 are based on surveys by the Ministry of Internal Affairs and Communications

* Computed based on figures for all Japan (Ministry of Internal Affairs and Communications), excluding Okinawa
Figures for population and number of households in March 2018 are based on surveys by the Japan Electric Power Survey Committee

Note: Figures for number of households in parentheses show annual average growth between March 2007 and March 2018
Population figures in parentheses show annual average growth between March 2008 and March 2018

Annualized GDP Growth Rate

	2006.3	2012.3	Avg. annual growth rate between 2006.3-2012.3
Okinawa	¥3,825,600 million	¥4,531,000 million	2.9%
Nationwide	¥540,731,500 million	¥600,935,700 million	1.8%

Source: Quantitative targets for economic and social development under the Okinawa Promotion and Development Plan, economic statistics for Okinawan residents in March 2005
Cabinet Office, the Japan Electric Power Survey Committee

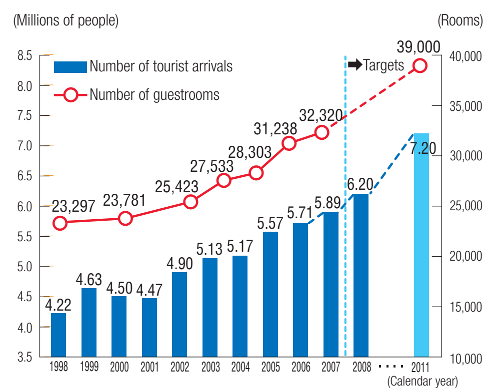
Notes: The GDP figures for both Okinawa and the whole of Japan are calculated using calendar 2000 as the base year (fixed base year method for Okinawa, chain-linking process for the whole nation)

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

	2006.3	2012.3	Annualized growth rate between 2006.3-2012.3
Okinawa	¥2,020,000	¥2,740,000	5.2%
Nationwide	¥2,880,000	¥3,400,000	2.8%

Source: Quantitative targets for economic and social development under the Okinawa Promotion and Development Plan, economic statistics for Okinawan residents in 2005

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 2011 is 7.2 million.

More convenience in daily life

We at OEPC put a high priority on listening and responding to our customers' views and requests, and we try at all times to view things from the customer's perspective when making decisions. We offer friendly and prompt after-sales service, among other carefully designed customer services. These are some of the ways in which OEPC is working to achieve raise customer satisfaction levels still higher.

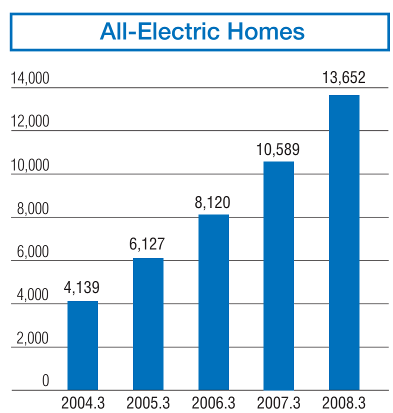
Comfortable all-electric homes on the increase

Because they do not employ open flames, all-electric homes are safer, and with our 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.

Cooking lessons

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



All-electric home demonstration vehicle

For our corporate customers

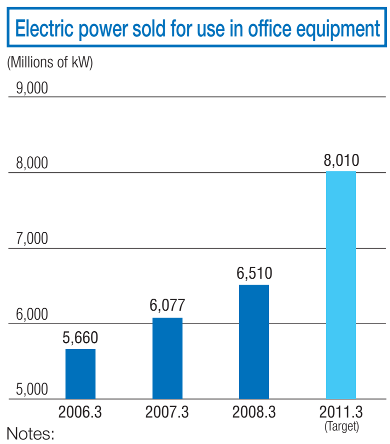
All-electric kitchens — safe and easy to clean

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.

Welfare facility with an all-electric kitchen

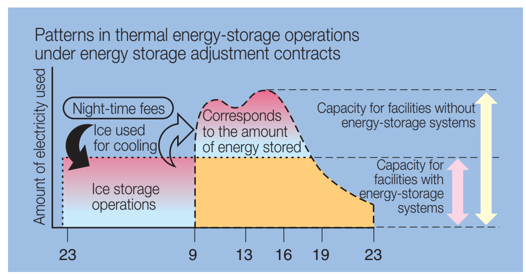
Ice-storage air conditioning systems ideal for Okinawa’s long, hot summer

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. By signing an “energy storage adjustment contract” with OEPC, our customers can take advantage of our lower nighttime electricity rates.



Notes:
1. Figures for commercial electric equipment (in units of 1MkWh) are totals for ice-storage systems, commercial electric kitchens and water heating systems.
2. Figures up to including year ended March2006 do not include water heating systems.

Ice-storage air conditioning systems



A consulting session

Reflecting our customers’ views

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.

Energy solutions

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 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.

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. Since its privatization in 1988, OEPC has reduced its average electricity rates charge 12 times. 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.

Makiminato thermal power station

Naha branch

Miyako branch

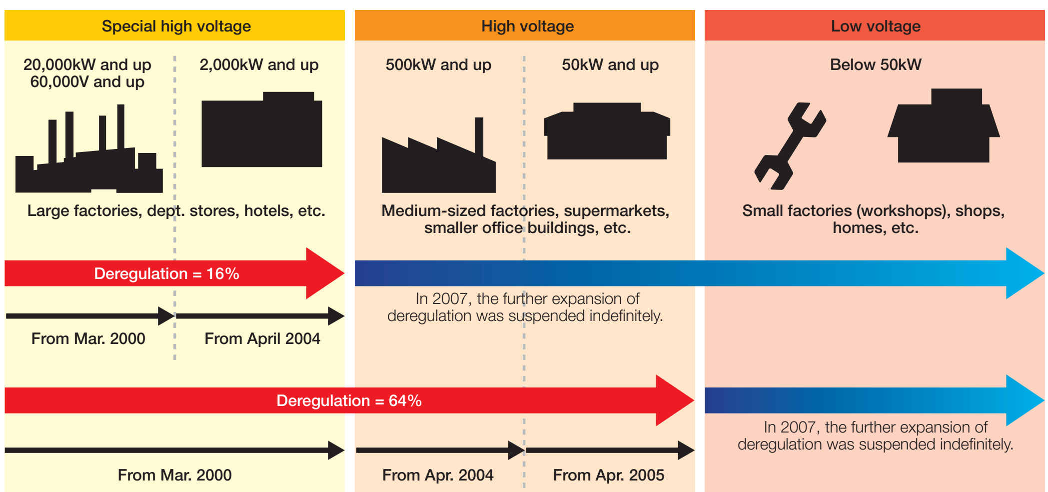
The Liberalization of the Electric Power Utility Business

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 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 suppliers to take advantage of the partial deregulation of the power supply system is rather limited by comparison with the other Japanese power utility companies.

The Scope of Electric Power Supply Deregulation

Retail market

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 2007).

Wholesale electric power market

April 2005
Trading commences at Japan Electric Power Exchange

Independent power generation (IPPs)

Power generation by independent power producers (IPPs) is growing as a result of the following changes: The Electric Utility Industry Law was amended in 1995, guidelines were prepared for interconnected power supply systems, electric power companies created a menu for purchasing surplus electricity, and the government provided support for co-generation.

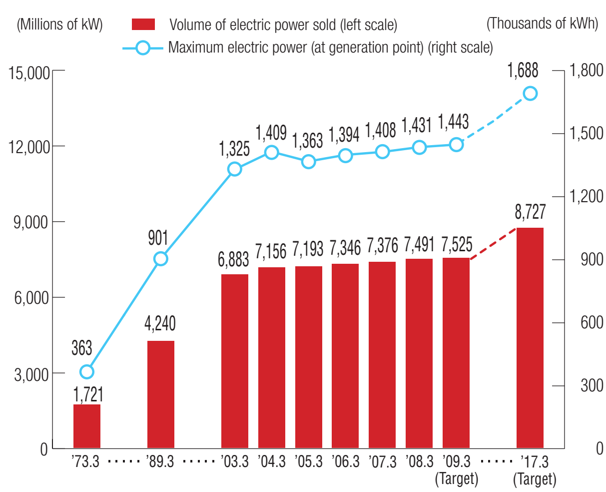
Creating electricity

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

Total electric power consumption in the reporting term, ended March 2008, amounted to approximately 7.5 billion kWh, a year-on-year increase of 1.6%. Peak load was 1,431,000 kilowatts (transmission end), 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 promotion plans implemented by the central government) are expected to push up demand by an annual average of 1.7% over the period to 2017, outpacing the projected 1.1% annual growth for Japan as a whole.

Maximum Electric Power and Volume of Electric Power Sold



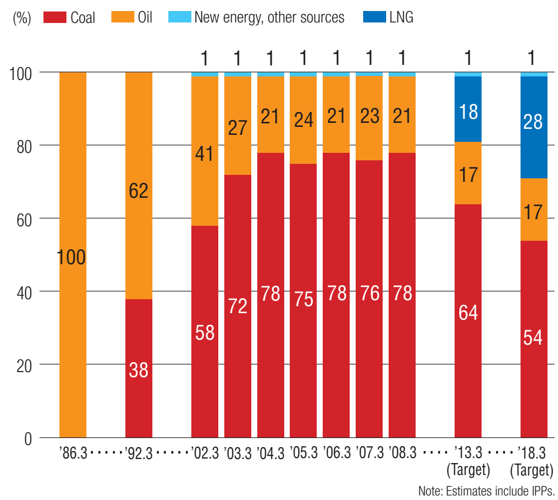
Expansion of power generation capacity

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 by the end of March 2012. This new plant will use LNG as its fuel. As the combustion of LNG emits lower levels of carbon dioxide than other fossil fuels, 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 plant

Kin thermal power plant

Artist's representation of the Yoshinoura thermal power plant when completed (startup scheduled for in 2011)

Pouring the concrete foundations for the No.1 LNG tank at the Yoshinoura thermal power plant

Delivering electricity

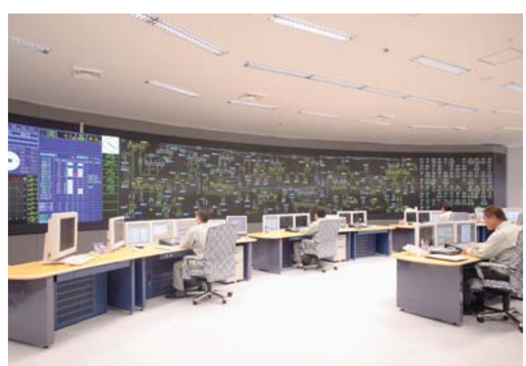
It is not enough simply to generate electric power — it must be delivered to the consumer — and to do this OEPC has built, and constantly maintains, an extensive network of high-voltage power transmission lines, transformer stations, and low-voltage local distribution networks. OEPC is directing its 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 1,015 kilometers. We operate 133 transformer stations, and the length of the low-voltage distribution line network connecting these stations with our customers (again, both overhead and underground), totals 10,707 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

At OEPC we draw up operational plans based on estimates of customers' power needs, and the amount of power generated is carefully controlled around the clock to ensure an uninterrupted supply. Because the electricity power OEPC produces cannot be stored, we have 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


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.

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.

Laying local distribution lines underground

Since 1986 urban redevelopment projects, led by the Ministry of Land, Infrastructure, Transport and Tourism, have been carried out in cities all over Japan as part of an overall concept of improving social infrastructure.

In Okinawa Prefecture, too, since 1991 projects have been carried out to lay power distribution lines underground. Under the fifth plan (2004-2008), which is currently underway, 37.9 kilometers of distribution lines currently carried by overhead lines have been earmarked for transferal underground, and OEPC is collaborating energetically in this project.

OEPC on its own initiative had already laid 44.4 kilometers of distribution lines underground up to the end of March 2008, and a further 53.5 kilometers is under preparation.

In the next plan for burying distribution lines underground, scheduled to start during the next term, as in the current plan, we will be collaborating closely with the road management authorities.


Street with underground power distribution lines


Wind-pressure resistant power lines

Building electricity-networks that can handle typhoons

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

For three years 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.

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.

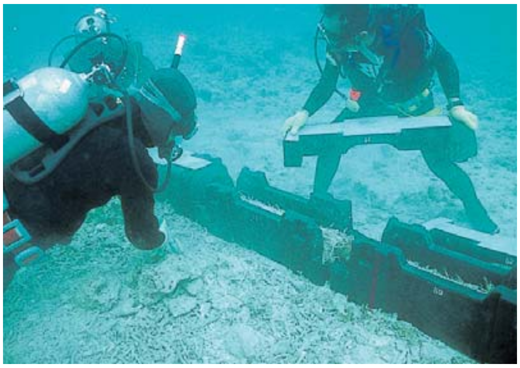
Power for remote islands

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 smaller 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

Kumejima power plant

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 2002, 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.

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 commercial and industrial bodies, 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.

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.

“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, sports competitions, and community volunteer initiatives by our employees.

A guided tour of the Company’s facilities

OEPC employees inspecting street lights

Youth programs

To foster an understanding of the pleasure to be derived from learning, and develop a love of creating things among schoolchildren, 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

The Okiden Sugarhall Audition For Debut Concert

An entry in the contest for the Okiden Illumination Prize

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.

Sports

We have our own amateur baseball team to raise the Company's profile. 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. Since 2001 we have designated the team as the main performer of baseball, the Company's "symbol sport," and in 2007 the Company team participated in the national tornament held by Japan Amateur Baseball Association as the No. 3 team for the Kyushu / Okinawa region.

The Company enthusiastically participates in the holdings of numerous sports events for the next generation of Japanese citizens as part of its overall program for sports promotion in Okinawa. These events include the Okiden Pennant Tournament — a rubber-ball baseball competition for elementary school children, Naginata martial arts tournaments, 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.

The OEPC baseball team

Okiden Pennant Elementary School Baseball Tournament

The "30 kids on 31 legs" race

Baseball workshop for children

Children visit a coral nursery supported

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. A list of contact points for arranging visits is provided at the end of this report.

Environmental measures

The OEPC Group carries out a range of activities to enable us to leave the heritage of a beautiful, unspoiled natural environment to future generations. We work to create an effective system of environmental management, and always place the highest priority on minimizing the environmental burden of our business operations. To help realize the sustainable development of our society, every one of our employees is working proactively to contribute to our environmental aims in the full understanding of their overriding importance.

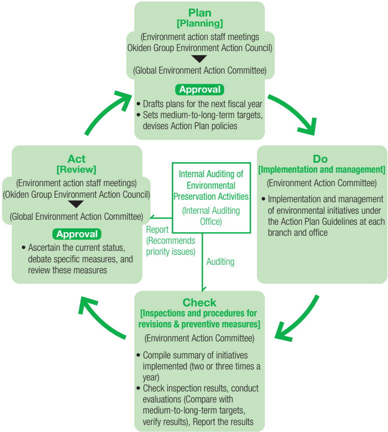
OEPC has been publishing a report on its environmental activities annually since 1996

Improving our environmental management

The Company has established the OEPC Environmental Policy under our Global Environment Action Committee, chaired by the President, and is engaged in environmental activities across the entire OEPC Group. Continuous improvement activities are being carried out, utilizing the PDCA ("Plan-Do-Check-Act") problem-solving process.

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. 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.

The PDCA Cycle in Our Environmental Preservation Activities
(For the implementation of ongoing reforms)



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 operational efficiency 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 commenced construction of a new power station at Yoshinoura, which will burn LNG instead of coal or oil, as this fuel generates 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.

We have conducted environmental assessments in preparation for the start of operations at our planned Yoshinoura Thermal Power Station in 2011. 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.

Road surfaced with OEPC’s Pozotech

Artificial gravel

Damaged ceramic insulators are recycled into material for tiles.

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, and is aimed ultimately at realizing “zero emissions,” i.e. reducing final waste disposal at landfill sites to as close to zero as possible. 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. We intend to expand the use in construction projects in Okinawa Prefecture of Pozotech, a road-surfacing material made from coal ash.

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, power stations, branch offices, and other business facilities 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, since 2004, in cooperation with Okinawa Prefecture and Yomitan we have been turning the former US military shooting range Cape Zampa Park, Yomitan village, into a recreational forest under the name of Zampa Shiosai no Mori. Under this project, we will have planted approximately 65,000 tree saplings or seeds by the end of 2008.

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

A beach cleanup by OEPC staff

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 becoming more severe. 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.

Wind power generators at Ie

Wind power generators at Tonaki

Measures to reduce greenhouse gas emissions

Biomass energy

OEPC is conducting research into the development and use of biomass as fuel with the aims of raising the carbon-neutral ratio of the Company's operations and conforming to the requirements of Japanese legislation (which stipulates that power utilities' total fuel portfolios must include a certain proportion of renewable energy sources, called the "renewables portfolio standard").

After considerable theoretical discussion and the test combustion of mixed fuel for the No. 1 Plant at the Gushikawa Thermal Power Station in 2007, we have confirmed the technical feasibility of a mixed fuel consisting of coal with up to 3% (in weight) of biomass (mostly wood chips).

In addition to the requirements of reducing carbon dioxide emissions and meeting the legally mandated renewables portfolio standard, we are also faced with urgent problems in the disposal of waste, particularly waste construction materials, in Okinawa Prefecture. With the steep rise in fuel prices in the last few years, the use of biomass fuels has become more feasible from the viewpoint of costs. It was this consideration that prompted us to conduct the biomass combustion tests at the Gushikawa Thermal Power Station.

We are currently planning systems and facilities for the procurement and storage of biomass fuel ahead of the scheduled start of use of the mixed fuel by the end of March 2010.

Development of CO_2 chemical solidification method

The method used for chemical solidification of CO_2 involves using ammonia (employed in desulfurization equipment) and alabaster (a by-product of the desulfurization process to turn the CO_2 contained in exhaust gases into calcium carbonate (a solid). We are currently conducting tests using a pilot-model plant, and hope to realize an economically feasible technology after obtaining sufficient data.

Pilot-model CO_2 chemical solidification plant

Utilizing renewable energy sources

Renewable energy sources found in nature, such as solar power and wind power, are easily affected by changes in the weather. They are thus described as "low-density" energy sources, and have the disadvantage of high generation costs. On the other hand, they are "clean" forms of energy that do not contribute to global warming through the release of CO_2, and are thus coming under growing scrutiny as answers to society's energy needs.

In April 2003, the Renewables Portfolio Standard Law came into force in Japan. This law stipulates that the energy sources used to generate the power supplied by the utility companies must come from a certain percentage of renewable sources.

The OEPC Group is putting efforts into the development and adoption of renewable forms of energy such as solar power and wind power. As of the end of March 2008, the Company was operating renewable energy facilities (including test operations) generating a total of 14,478 kW. These were located not only on the Prefecture's remote islands, but also in certain locations on the main island.

Electricity from solar energy

Solar power generation is a clean electricity generation system that uses photovoltaic panels to capture the energy of sunlight. OEPC has installed solar power generation systems both on Okinawa Island (the prefecture's main island) and the prefecture's remote islands to evaluate the effectiveness of this form of generation in providing power to households as an ancillary to the normal power supply grid. Research is being carried out to perfect the technology involved, and the economic feasibility of solar power is being extensively examined.

Electricity from wind power

Wind power is another "clean" source of energy for the generation of electricity. OEPC has already installed a number of wind-powered generation systems on the remote islands of Okinawa Prefecture. These systems are divided broadly into two types: hybrid systems that use storage batteries as a means of ensuring the same level of power output at all times by evening-out fluctuations in electricity generated, and direct output-control systems, which do not utilize storage batteries. We are currently conducting research to determine the effectiveness of these two systems in offsetting the uneven nature of wind-powered electricity generation.

The OEPC Group's wind power operations are handled principally by Okinawa New Energy Development, Incorporated.

Receipt of order from NEDO (New Energy and Industrial Technology Development Organization) for testing and development work in Laos

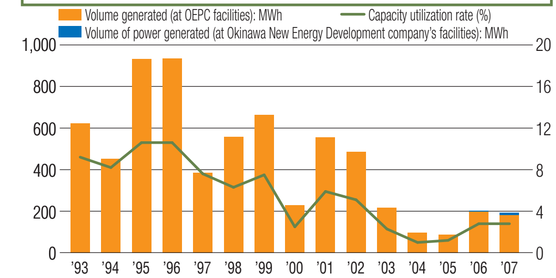
OEPC has received an order from NEDO (New Energy and Industrial Technology Development Organization) for field tests in Laos on a solar-power electricity generation method.

The project consists of the construction and testing of a system for controlling the electricity generation output of a solar power system in the district of Mai in the province of Phongsali, Laos, with the aim of realizing an acceptably stable supply of power at all times.

The most promising power generation system for Phongsali Province would appear to be a hybrid system employing solar power in combination with small-scale hydroelectric generators. This would offset the shortfalls both of solar power, which is adversely affected by the cloudy weather during the rainy season, and of hydroelectric power, which is impacted by a drop in river levels during the dry season.

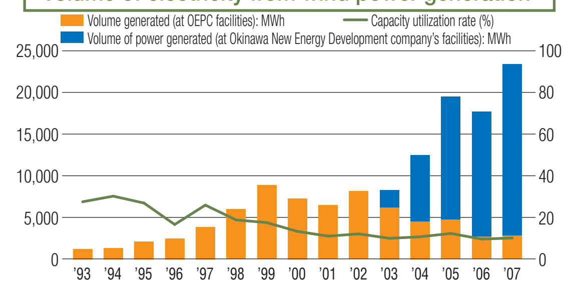
The main research target of the project consists of finding a bilayer capacitor (temporary power storage device) capable of instant charging and discharging. This would overcome the problem that plagues solar power systems — the variability of power output in parallel with variations in the amount of solar radiation. If such a system could be perfected, it would allow a steadier supply of power by using it in harness with a small-scale hydroelectric power supply system. Through this project, OEPC hopes to make significant progress toward the development of new technologies for the practical use of solar power.

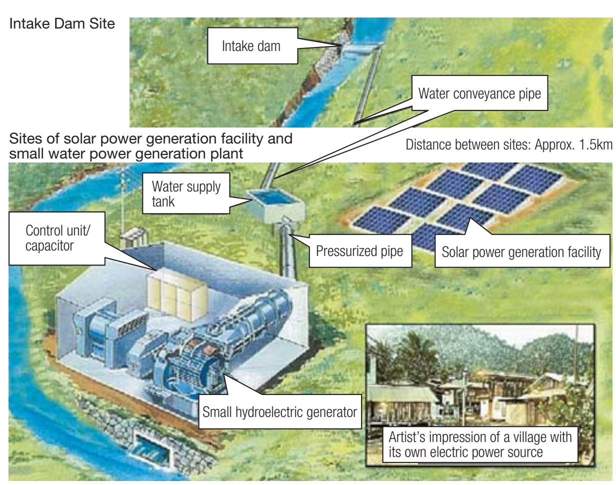
Volume of electricity from solar power generation



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

Volume of electricity from wind power generation





Improving operational efficiency

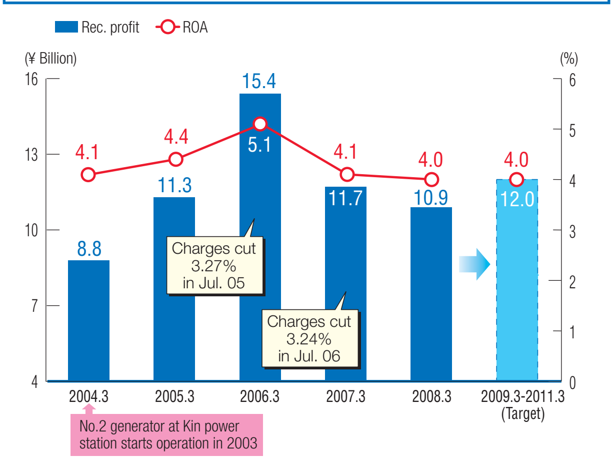
At OEPC, to deal with the high price of fuel, the rising cost of measures to retard global warming, and the need for working funds accompanying the full-scale start of construction of the Yoshinoura Thermal Power Station, among other factors, we have been exerting our full efforts to ensure that the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

Medium-term financial targets

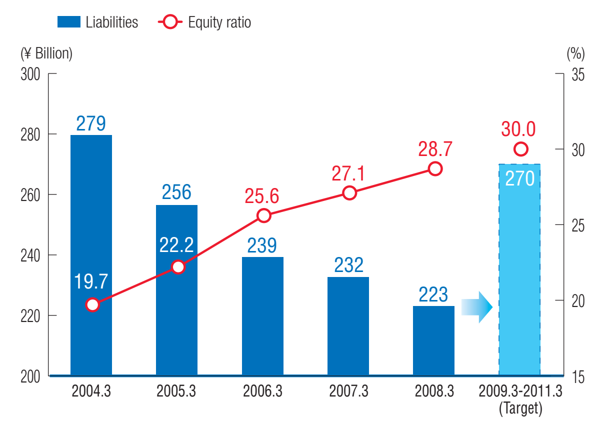
		2009.3 management plan	
Recurring profit	Consolidated	Annual avg. ¥12 billion or more	2007.3-2011.3
	Non-consolidated	Annual avg. ¥11 billion or more	
ROA	Consolidated	Annual avg. 4.0% or more (operating income/total assets)	2007.3-2011.3
	Non-consolidated		
Balance of interest-bearing liabilities	Consolidated	Approx. ¥270 billion	2011.3
	Non-consolidated	Approx. ¥260 billion	
Equity ratio	Consolidated	Approx. 30%	2011.3
	Non-consolidated		

Note: The Company's targets under its 2009.3 management plan remain unchanged from the targets under the 2008.3 management plan.

Recurring profit and ROA (Consolidated basis)



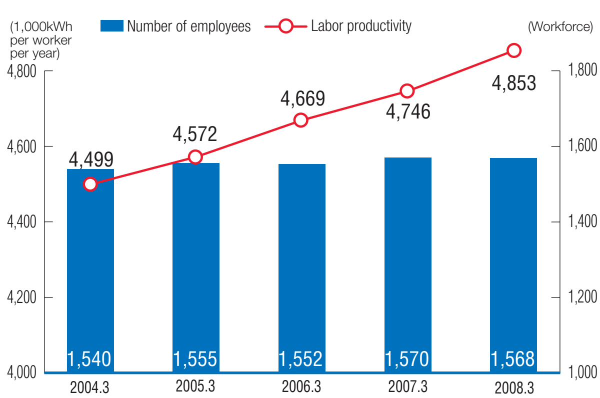
Balance of interest-bearing liabilities and equity ratio (Consolidated basis)



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

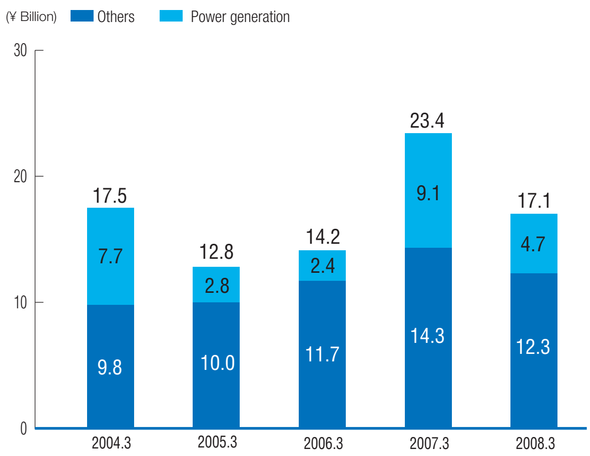


Note: Labor productivity = Amount of electric power sold per employee (adjusted for year-to-year temperature differences)

Curtailing capital expenditures

Investment by the Company in plant and equipment for the reporting period came to ¥17.1 billion compared with the initially planned figure of ¥33.7 billion. This is attributable to cost savings achieved thanks to a thorough review of our specifications and methods of design and installation, in addition to the postponement of planned investment in 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 from April 2007 to March 2012 to an average of ¥35.0 billion.



Striving for efficiency in operation and maintenance of equipment

Regarding expenses for the maintenance of equipment and facilities for the reporting period, 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). Expenses for repairs thus amounted to ¥16.0 billion. Further initiatives will be made to reduce costs while ensuring the maintenance of a stable and reliable supply.

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 expanding our range of sources to ensure a stable supply of grade C heavy crude oil, principally by making appropriate use of purchases on the spot market. We have also been distributing our purchases of coal over a larger number of countries. Within a single supplier country, too, we have been dispersing our risks by using a plural number of ports, and we 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 has established an autonomous in-house unit to oversee the supply of electric power to the remote islands of Okinawa Prefecture with the aim of improving the shortfall in revenues, and a number of steps have been taken to raise efficiency. Against the backdrop of unprecedentedly high fuel price levels, eliminating the shortfall in revenues from these operations has become still more difficult. We have set up a working group to examine options for fuel procurement for the remote islands operation. The Company has also come up with such ideas as 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.

Other ideas now under investigation include the introduction of a economic load-sharing system for more profitable operations, using a system to convert waste oil into fuel, and making use of alternative energy sources. Efforts to reduce the costs of these operations will continue.

Working for the future growth of Okinawa

The basic mission of the OEPC Group is to provide a reliable electric power service while leveraging the facilities, technological expertise, and human resources possessed by the Group's member companies to expand its operations over a wide range of business fields.

The OEPC Group intends to continue employing its comprehensive strengths for the economic development of Okinawa, so as to maintain its position, supported and trusted by the community.

Employees of Okinawa Denki Kogyo Co., Ltd. check power meters.

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

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

Pork has always played an important role in Okinawan cui-sine. Ganjyu Co., Inc. upholds very high quality standards in its production of tasty pork.

Aqua Culture Okinawa Ltd., 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 Co., Inc., contains no artificial aromatics or coloring.

An Outline of the OEPC Group

Okiden Group Companies (As of March 31, 2008)

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 Co., Inc.	October 29, 1996 ¥700 million	Operation of Type I carrier business based on the Telecommunications Business Law; telecommunications equipment installation & maintenance
OTNet Service Company, Inc.*	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, Inc.	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 Co., Inc.	February 18, 2003 ¥472 million	Development and management of resort communities
g. Other businesses (including funding of businesses unrelated to electric power)		
Quetech Co., Ltd.	March 30, 2001 ¥3 million	Management consultant services, ISO certification support training, application software development business
Ganjyu Co., Inc.	March 25, 2003 ¥10 million	Hog raising, and wholesaling and retailing of pork
Grace Rum Co., Inc.	March 1, 2004 ¥10 million	Production and sale of rum
Aqua Culture Okinawa Ltd.,	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

* OTNet Service Company, Inc. no longer exists, due to merger with Okinawa Telecommunication Network Co., Inc. on Oct. 1, 2008.

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 business plan for the current period, we continue to pursue our Group target of 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 Group 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.

Subsidiaries and 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 Executive Directors

The Board of Directors has 14 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 Executive Directors (comprising all directors serving on a regular basis) 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 statutory auditors ("corporate auditors"). These 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 five statutory auditors including three 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 accounting auditors (selected from certified public accountants) and the internal auditing department to strengthen internal controls and risk avoidance in all Group companies.

Conflict of Interest Involving External Directors and External Auditors

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

Internal Audits

An 15-person internal auditing office has been set up as a separate entity under the direct control of the Board of Directors. To improve performance, this team carries out annual internal audits including consolidated subsidiaries 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 Ryu Nagata were responsible for auditing the settlement of accounts for this period. They were assisted by ten other certified public accountants, one assistant accountant 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 ISO9001:2000 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 Yoshinoura Thermal Power Station). 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 rapid implementation of its crisis management measures and a handbook of measures for emergencies and disasters. It has in place a framework for responding rapidly to major disasters and accidents.

3. Remuneration for Executives

Remuneration for Company directors and auditors

Remuneration paid to directors (to the external director)	¥262 million (¥5 million)
Remuneration paid to auditors (to external auditors)	¥61 million (¥13 million)
Total	¥323 million

(Notes)

(1) The above sums include bonuses paid to directors and corporate auditors as approved at the 36th annual regular general meeting of shareholders held on June 27, 2008

Directors: ¥52 million

Corporate auditors: ¥11 million

(including ¥2 million for external director and auditors)

(2) Upper limits for remuneration, as approved by the annual regular general meeting of shareholders, are as follows

Directors: An aggregated total of ¥310 million per year (not including salaries paid to directors who are concurrently serving as ordinary employees)

Corporate auditors: A aggregated total of ¥60 million per year

(3) In addition to the above, the following aggregated total was also paid in compensation to directors concurrently serving as ordinary employees during the business year, as salaries due for non-executive functions: ¥115 million

Remuneration paid to directors and corporate auditors who retired at the end of the 35th annual regular general meeting of shareholders held on June 28, 2007: ¥12 million.

4. Remuneration for Accounting Auditors

Remuneration for CPAs of Deloitte Touche Tohmatsu

Remumeration for activities as laid down in 2-1 of Certified Public Accountants Law (No. 103)	¥36 million
Remumeration other than as described above	¥18 million
Total	¥55 million

5. 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 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 subsidiaries and other affiliated companies in advance. Occasionally, these issues are discussed with the parent company beforehand.

In the reporting period, 26 departments and 13 subsidiaries and other affiliated companies (a total of 39 locations) underwent internal audits that were designed to raise standards in four areas: operational effectiveness and efficiency, reliability of financial reporting, respect for laws and ordinances relating to business activities, and asset preservation.

6. Number of Directors

Under the Company's articles of incorporation, the maximum number of directors is 15.

7. Conditions for Approval of the Appointment of Directors

For approval of appointments of directors, a simple majority at a meeting of shareholders attended by at least one-third of eligible shareholders with voting rights is sufficient.

8. Resolutions of the Board of Directors that do not Need Approval of Shareholders' Meetings

(1) Purchase of own shares

Pursuant to Section 2 of Article 165 of the Corporate Law, the Company's articles of incorporation allow for purchase of own shares through market transactions by resolution of the Board of Directors. Such purchases ensure flexibility in Company policies to maintain the number of shares outstanding at an appropriate level.

(2) Approval for exemption of directors from liability

The Company's articles of incorporation stipulate that, in accordance with the provisions of Paragraph 1 of Article 426 of the Corporate Law, the Company may, by a resolution of the Board of Directors, exempt directors and former directors from liability for damages, within relevant statutory and regulatory parameters.

These provisions are designed to ensure that directors' liability does not exceed reasonable bounds.

(3) Interim dividend

Based on Paragraph 5 of Article 454 of the Corporate Law, the articles of incorporation of the Company provide for payment of an interim dividend by resolution of the Board of Directors, with September 30 each year as base date, as a measure to ensure greater flexibility in distribution of profits to shareholders.

9. Special Resolutions by the General Meeting of Shareholders

Based on Paragraph 2, Article 309 of the Corporate Law, the Company's articles of incorporation allow for special resolutions to be adopted by a two-thirds majority at a shareholders' meeting at which one-third of voting rights of eligible shareholders are represented.

This relaxation of quorum requirements for approval of special resolutions ensures smoother running of the general meeting of shareholders.

FINANCIAL SECTION

CONTENTS

Financial Review (Consolidated Basis)

Business Performance

The economy in Okinawa Prefecture achieved a moderate expansion during the reporting period (the fiscal year ended March 2008) despite a decline in private-sector housing investment as a result of the implementation of amendments to the Building Standards Law, owing to a growth in tourism and robust personal consumption.

The employment situation remained flat despite the buoyant economic conditions in the prefecture, which is attributable to a mismatch between jobseekers and vacancies.

Amid these economic conditions, electric power demand for residential and commercial use in the year under review rose year-on-year, owing to an increase in the number of users. Industrial power demand also exceeded previous-year levels, thanks to an increase in orders from small-scale factories with contracts under 500kW.

Residential power demand increased 2.2% year-on-year to 2,945 million kWh, and business demand increased 1.2% to 4,546 million kWh. Total sales volume increased 1.6% year-on-year to 7,491 million kWh. Peak electricity demand reached a record high of 1,431,000 kW, up 23,000 kW or 1.6% from the previous fiscal year, attributable to a rise in demand for air-conditioning due to a hotter summer than in the previous year.

The operating environment was difficult for our Construction Business, due to intense competition for orders for public works projects. The same was true for our Information and Telecommunications Business, which faced increasing diversification and sophistication of user requirements and a decline in service charges owing to increasingly severe competition.

Against this backdrop, operating revenues (sales) rose ¥2,126 million, or 1.3%, to ¥161,521 million (US$1,612 million), driven by a growth in the sales volume of electricity.

Operating expenses increased ¥2,799 million, or 1.9%, to ¥146,711 million (US$1,464 million). This was due to a rise in the costs of regular maintenance work on power plants, soaring fuel prices, and the resultant increase in the value of electricity purchased from other suppliers.

As a result, operating income declined ¥673 million, or 4.3%, to ¥14,809 million (US$147 million). Income before income taxes and minority interests rose ¥328 million, or 3.1% year-on-year, to ¥10,971 million (US$109 million). Net income rose ¥653 million, or 10.2%, to ¥7,072 million (US$70 million), due primarily to the booking of a loss on impairment of long-lived assets in the previous fiscal year.

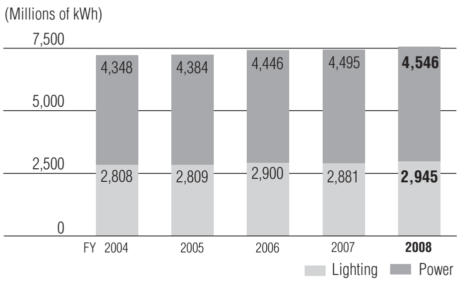
Segment analysis (before elimination of intersegment transactions for purposes of consolidation)

1. Electric Power Business

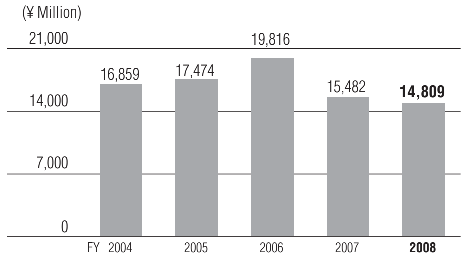
Operating revenues grew ¥2,094 million, or 1.4%, to ¥149,024 million (US$1,487 million), due to an increase in sales volume. Operating expenses also rose, by ¥2,735 million, or 2.1%, to ¥135,931 million (US$1,356 million). A reduction in personnel expenses was more than offset by higher costs of maintenance work on power plants, soaring fuel prices, and the resultant increase in the value of electricity purchased from other suppliers.

As a result, operating income declined ¥641 million, or 4.7%, to ¥13,092 million (US$130 million).

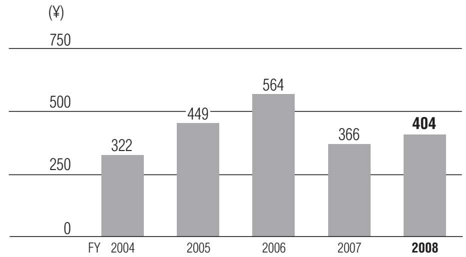
Electric Energy Sales



Consolidated Operating Income



Consolidated Net Income per Share



2. Construction Business

Revenues from the Construction Business grew ¥1,602 million, or 8.8%, to ¥19,737 million (US$197 million), due to an increase in orders for power generation and other private sector projects. Operating expenses rose ¥1,445 million, or 8.2%, to ¥19,147 million (US$191 million).

As a result, operating income in the period under review increased ¥156 million, or 36.2% year-on-year, to ¥589 million (US$5 million).

3. Other Operations

Revenues from Other Operations decreased ¥644 million, or 1.9%, to ¥32,939 million (US$328 million), reflecting an absence of large-scale private sector projects registered in the previous fiscal year, while operating expenses also declined ¥617 million, or 1.9%, to ¥31,495 million (US$314 million).

As a result, operating income in this segment fell ¥26 million, or 1.8%, to ¥1,444 million (US$14 million).

Note: Consumption taxes have been excluded from the amounts stated above.

Cash Flows

Net cash provided by operating activities decreased ¥1,769 million, or 5.6%, to ¥29,788 million (US$297 million), due chiefly to an increase in inventory assets.

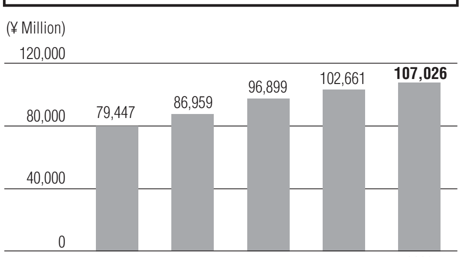
Net cash used in investing activities declined ¥6,289 million, or 25.8%, to ¥18,103 million (US$180 million), reflecting a fall in capital expenditures.

Accordingly, free cash flow rose ¥4,520 million, or 63.1%, to ¥11,685 million (US$116 million).

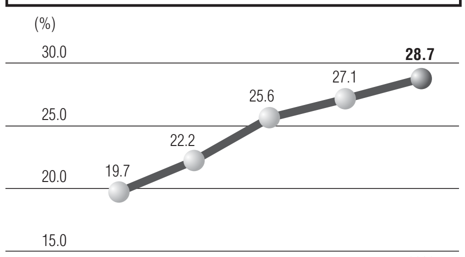
Net cash used in financing activities increased ¥2,995 million, or 39.3%, to ¥10,610 million (US$105 million), reflecting a reduction in interest-bearing debt.

Cash and cash equivalents at the end of the year under review totaled ¥10,456 million, an increase of ¥1,075 million, or 11.5%, compared with the end of the previous term.

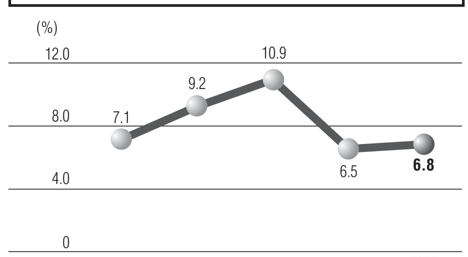
Consolidated Equity



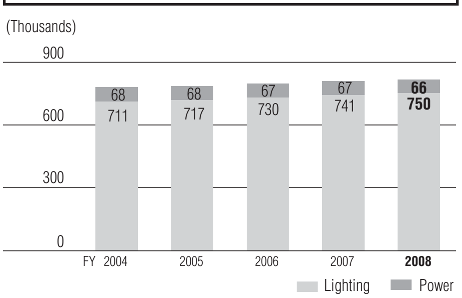
Consolidated Equity Ratio



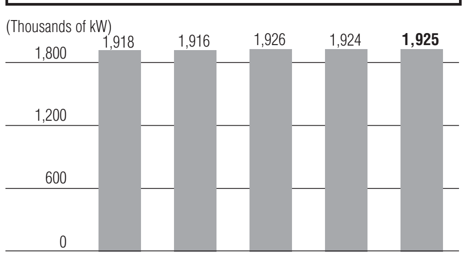
Consolidated Return on Equity



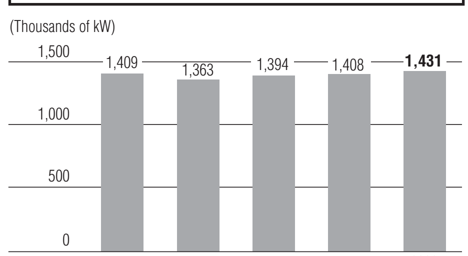
Number of Customers



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 as of the date of submission of the securities report (consolidated basis).

1. Deregulation in the electric power 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 2008, around 15% of our customers in terms of electric power sold are in this category. In the term ended March 2008, a government committee began subcommittee-level discussions of deregulation, including expansion of this customer category, but action in this matter has been postponed for the time being.

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 (on-site power generation), 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.

We can minimize these impacts on our earnings through official measures to ensure that changes in fuel prices and forex rates are reflected in electricity charges, but particularly large changes in fuel prices could adversely affect our business and financial performance.

5. Interest-rate fluctuations

The balance of the Group's interest-bearing liabilities totaled ¥223.1 billion as of March 31, 2008. 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 performance.

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 customers.

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. To further strengthen response mechanisms, a disaster prevention office was set up in our General Administration Dept. in July 2007.

However, Group performance may be adversely affected by major natural disasters, typhoons and earthquakes in particular, and accidents.

8. Personal information leakage

The Group's performance 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 Five-Year Summary

Years ended March 31

	Millions of Yen				
Financial Statistics	**2008**	2007	2006	2005	2004
For the year:					
Operating revenues	**¥161,521**	¥159,395	¥157,080	¥150,768	¥148,626
Electric	**148,831**	146,735	143,234	136,773	134,330
Other	**12,689**	12,660	13,845	13,995	14,296
Operating expenses	**146,711**	143,912	137,264	133,294	131,767
Electric	**134,650**	131,852	123,439	118,538	117,423
Other	**12,061**	12,059	13,824	14,755	14,344
Interest expense	**3,923**	4,055	4,513	5,586	7,630
Income before income taxes and minority interests	**10,971**	10,643	15,437	11,318	8,811
Income taxes	**3,734**	4,357	6,048	3,915	3,162
Net income	**7,072**	6,418	9,975	7,614	5,496
Per share of common stock (Yen):					
Basic net income	**¥404.36**	¥366.82	¥564.25	¥428.38	¥306.87
Cash dividends applicable to the year	**60.00**	60.00	60.00	60.00	60.00
At year-end:					
Total assets	**¥369,840**	¥376,071	¥378,666	¥392,158	¥402,407
Net property, plant and equipment	**317,921**	325,450	328,524	340,414	356,350
Long-term debt, less current maturities	**189,266**	198,107	197,041	217,225	233,744
Total equity	**107,026**	102,661	96,899	86,959	79,447

Operating Statistics	**2008**	2007	2006	2005	2004
For the year:					
Electric energy sales (Millions of kWh)	**7,491**	7,376	7,346	7,193	7,156
Peak load (Thousands of kW)	**1,431**	1,408	1,394	1,363	1,409
At year-end:					
Generating capacity (Thousands of kW)	**1,925**	1,924	1,926	1,916	1,918
Transmission lines (km)	**1,015**	976	945	906	870
Distribution lines (km)	**10,707**	10,625	10,562	10,516	10,483

Consolidated Balance Sheets

March 31, 2008 and 2007	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars (Note 1) 2008
Assets			
Property, plant and equipment (Note 3):			
Utility plants	**¥767,929**	¥750,719	**$7,664,728**
Other plant and equipment (Note 5)	**42,617**	41,391	**425,364**
Construction in progress	**16,457**	20,840	**164,267**
Total	**827,004**	812,951	**8,254,360**
Less:			
Contributions in aid of construction (Note 2(b))	**(22,671)**	(22,663)	**(226,283)**
Accumulated depreciation	**(486,411)**	(464,836)	**(4,854,895)**
Total	**(509,083)**	(487,500)	**(5,081,179)**
Net property, plant and equipment	**317,921**	325,450	**3,173,181**
Investments and other assets:			
Investment securities (Note 4)	**9,473**	11,299	**94,556**
Investments in and advances to unconsolidated subsidiaries and affiliates	**509**	559	**5,080**
Deferred tax assets (Note 8)	**9,366**	8,523	**93,485**
Other assets	**2,451**	2,701	**24,465**
Allowance for doubtful accounts	**(193)**	(188)	**(1,935)**
Total investments and other assets	**21,606**	22,895	**215,653**
Current assets:			
Cash and cash equivalents	**10,456**	9,380	**104,361**
Trade notes and accounts receivable, net of allowance for doubtful accounts of ¥410 ($4,092) — 2008 and ¥266 — 2007	**7,894**	7,257	**78,799**
Inventories	**9,014**	7,463	**89,975**
Deferred tax assets (Note 8)	**1,926**	1,951	**19,226**
Other current assets	**1,021**	1,672	**10,197**
Total current assets	**30,313**	27,725	**302,560**
Total	**¥369,840**	¥376,071	**$3,691,395**
Liabilities and equity			
Long-term liabilities:			
Long-term debt, less current maturities (Note 5)	**¥189,266**	¥198,107	**$1,889,071**
Liabilities for employees' retirement benefits (Note 7)	**12,811**	13,098	**127,872**
Other long-term liabilities	**1,034**	1,000	**10,327**
Total long-term liabilities	**203,112**	212,207	**2,027,270**
Current liabilities:			
Current maturities of long-term debt (Note 5)	**26,407**	25,534	**263,569**
Commercial paper (Note 6)		5,000	
Short-term bank loans (Note 6)	**7,460**	4,007	**74,458**
Trade notes and accounts payable	**14,363**	15,577	**143,360**
Income taxes payable	**1,733**	2,443	**17,306**
Accrued expenses	**6,883**	5,918	**68,704**
Other current liabilities	**2,854**	2,722	**28,491**
Total current liabilities	**59,702**	61,202	**595,891**
Commitments and contingent liabilities (Notes 9 and 10)			
Equity (Note 11):			
Common stock, Authorized — 30,000,000 shares Issued — 17,524,723 shares in 2008 and 15,931,567 shares in 2007	**7,586**	7,586	**75,720**
Capital surplus	**7,141**	7,141	**71,281**
Retained earnings	**90,900**	84,829	**907,278**
Unrealized gain on available-for-sale securities	**714**	2,489	**7,126**
Treasury stock, at cost — 37,247 shares in 2008, 26,266 shares in 2007	**(191)**	(133)	**(1,910)**
Total	**106,150**	101,914	**1,059,496**
Minority interests	**875**	747	**8,736**
Total equity	**107,026**	102,661	**1,068,232**
Total	**¥369,840**	¥376,071	**$3,691,395**

See notes to consolidated financial statements.

Consolidated Statements of Income

Years ended March 31, 2008 and 2007	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars (Note 1) 2008
Operating revenues:			
Electric	**¥148,831**	¥146,735	**$1,485,495**
Other	**12,689**	12,660	**126,656**
Total operating revenues	**161,521**	159,395	**1,612,152**
Operating expenses (Notes 7, 9 and 12)**:**			
Electric	**134,650**	131,852	**1,343,951**
Other	**12,061**	12,059	**120,383**
Total operating expenses	**146,711**	143,912	**1,464,334**
Operating income	**14,809**	15,482	**147,817**
Other expenses:			
Interest expense (Notes 5 and 6)	**3,923**	4,055	**39,165**
Loss on impairment of long-lived assets (Note 13)		1,095	
Other — net	**(85)**	(311)	**(850)**
Net other expenses	**3,838**	4,839	**38,314**
Income before income taxes and minority interests	**10,971**	10,643	**109,502**
Income taxes (Note 8)**:**			
Current	**3,557**	4,134	**35,508**
Deferred	**176**	223	**1,761**
Total	**3,734**	4,357	**37,270**
Minority interests in net income (loss)	**164**	(132)	**1,644**
Net income	**¥ 7,072**	¥ 6,418	**$ 70,587**

	Yen 2008	Yen 2007	U.S. Dollars 2008
Per share of common stock (Note 2(n))**:**			
Basic net income	**¥404.36**	¥366.82	**$4.04**
Cash dividends applicable to the year	**60.00**	60.00	**0.60**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

	Shares / Millions of Yen									
	Common stock					Treasury stock				
Years ended March 31, 2008 and 2007	Shares	Amount	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Shares	Amount	Total	Minority interests	Total equity
Balance, April 1, 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(i))									¥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
Common stock split (Note 11)	**1,593,156**									
Net income				**7,072**				**7,072**		**7,072**
Cash dividends				**(1,001)**				**(1,001)**		**(1,001)**
Increase in treasury stock						**10,981**	**(58)**	**(58)**		**(58)**
Net change in the year					**(1,775)**			**(1,775)**	**128**	**(1,647)**
Balance, March 31, 2008	**17,524,723**	**¥7,586**	**¥7,141**	**¥90,900**	**¥ 714**	**37,247**	**¥(191)**	**¥106,150**	**¥875**	**¥107,026**

	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, 2007	$75,720	$71,281	$846,690	$24,846	$(1,327)	$1,017,211	$7,456	$1,024,667
Net income			**70,587**			**70,587**		**70,587**
Cash dividends			**(9,999)**			**(9,999)**		**(9,999)**
Increase in treasury stock					**(583)**	**(583)**		**(583)**
Net change in the year				**(17,719)**		**(17,719)**	**1,279**	**(16,440)**
Balance, March 31, 2008	**$75,720**	**$71,281**	**$907,278**	**$ 7,126**	**$(1,910)**	**$1,059,496**	**$8,736**	**$1,068,232**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2008 and 2007	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars (Note 1) 2008
Operating activities:			
Income before income taxes and minority interests	**¥10,971**	¥10,643	**$109,502**
Adjustments for:			
Income taxes paid	**(4,266)**	(3,319)	**(42,588)**
Depreciation and amortization	**24,800**	24,911	**247,538**
Loss on impairment of long-lived assets		1,095	
Provision for employees' retirement benefits	**(287)**	(52)	**(2,868)**
Loss on disposal of property, plant and equipment	**958**	1,235	**9,565**
Changes in operating assets and liabilities:			
Increase in trade notes and accounts receivable	**(781)**	(144)	**(7,799)**
(Increase) decrease in inventories	**(3,575)**	84	**(35,683)**
Increase (decrease) in trade notes and accounts payables	**28**	(1,697)	**286**
(Decrease) increase in interest payable	**(43)**	25	**(438)**
Other — net	**1,984**	(1,224)	**19,811**
Total adjustments	**18,817**	20,914	**187,821**
Net cash provided by operating activities	**29,788**	31,558	**297,324**
Investing activities:			
Purchase of property, plant and equipment	**(17,517)**	(24,122)	**(174,840)**
Proceeds from sale of property, plant and equipment	**454**	440	**4,538**
Purchase of investment securities	**(750)**	(43)	**(7,489)**
Increase in investments in and advances to unconsolidated subsidiaries and affiliates	**(28)**	(15)	**(280)**
Purchase of short-term investment	**(105)**		**(1,048)**
Proceeds from maturity of short-term investment	**170**		**1,696**
Other — net	**(327)**	(652)	**(3,266)**
Net cash used in investing activities	**(18,103)**	(24,393)	**(180,689)**
Financing activities:			
Proceeds from issuance of bonds	**6,973**	11,957	**69,600**
Repayments of bonds	**(2,000)**	(12,000)	**(19,962)**
Proceeds from long-term debt	**10,903**	13,953	**108,823**
Repayments of long-term debt	**(23,871)**	(22,595)	**(238,260)**
Proceeds from short-term bank loans	**57,175**	57,711	**570,666**
Repayments of short-term bank loans	**(53,722)**	(58,650)	**(536,206)**
Proceeds from issuance of commercial paper	**41,000**	37,000	**409,222**
Repayments on maturity of commercial paper	**(46,000)**	(34,000)	**(459,127)**
Cash dividends paid	**(1,002)**	(955)	**(10,005)**
Other — net	**(65)**	(34)	**(654)**
Net cash used in financing activities	**(10,610)**	(7,615)	**(105,903)**
Net increase (decrease) in cash and cash equivalents	**1,075**	(450)	**10,731**
Cash and cash equivalents, beginning of year	**9,380**	9,831	**93,630**
Cash and cash equivalents, end of year	**¥10,456**	¥ 9,380	**$104,361**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2008 and 2007

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 Japanese Financial Instruments and Exchange Law (formerly, the Japanese 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 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.

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 2007 financial statements to conform to the classifications used in 2008.

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 ¥100.19 to $1, the approximate rate of exchange at March 31, 2008. 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, 2008 and 2007 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.

Property, plant and equipment acquired on and after April 1, 2007 are depreciated by the declining-balance method in accordance with the revised Corporate Tax Law, which is effective April 1, 2007. The effect of this treatment was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥264 million ($2,636 thousand).

Property, plant and equipment had been depreciated up to 95% of acquisition cost with 5% of residual value carried until previous fiscal years. However, such 5% portion of property, plant and equipment is systematically amortized over 5 years starting in the following year in which the carrying value of property, plant and equipment reaches 5% of the acquisition cost in accordance with the revised Corporate Tax Law, which is effective for fiscal years beginning on and after April 1, 2007. The effect of this treatment was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥837 million ($8,363 thousand).

(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.

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) 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 was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

(j) Leases
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.

(k) Bonuses to directors and corporate auditors
Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

(l) 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.

(m) 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.

(n) 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.

3. Property, plant and equipment

The major classes of property, plant and equipment as of March 31, 2008 and 2007, consisted of the following:

	Millions of Yen			
At March 31, 2008	Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
Thermal power generating facilities	**¥378,045**	**¥(17,009)**	**¥(259,580)**	**¥101,455**
Transmission facilities	**138,063**	**(2,393)**	**(73,465)**	**62,204**
Transformation facilities	**89,927**	**(529)**	**(55,558)**	**33,838**
Distribution facilities	**138,136**	**(2,226)**	**(67,714)**	**68,195**
General facilities	**23,756**	**(20)**	**(10,670)**	**13,066**
Utility plants	**767,929**	**(22,179)**	**(466,988)**	**278,760**
Other plant and equipment	**42,617**	**(491)**	**(19,423)**	**22,702**
Construction in progress	**16,457**			**16,457**
Total	**¥827,004**	**¥(22,671)**	**¥(486,411)**	**¥317,921**

	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

	Thousands of U.S. Dollars			
At March 31, 2008	Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
Thermal power generating facilities	**$3,773,282**	**$(169,773)**	**$(2,590,877)**	**$1,012,631**
Transmission facilities	**1,378,014**	**(23,888)**	**(733,260)**	**620,865**
Transformation facilities	**897,567**	**(5,286)**	**(554,535)**	**337,745**
Distribution facilities	**1,378,748**	**(22,226)**	**(675,861)**	**680,660**
General facilities	**237,114**	**(199)**	**(106,498)**	**130,416**
Utility plants	**7,664,728**	**(221,374)**	**(4,661,033)**	**2,782,320**
Other plant and equipment	**425,364**	**(4,908)**	**(193,862)**	**226,593**
Construction in progress	**164,267**			**164,267**
Total	**$8,254,360**	**$(226,283)**	**$(4,854,895)**	**$3,173,181**

4. Investment securities

The carrying amounts and aggregate fair values of investment securities at March 31, 2008 and 2007 were as follows:

	Millions of Yen			
At March 31, 2008	Cost (Carrying Amount)	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥2,545**	**¥1,723**	**¥562**	**¥3,706**
Other	**799**		**94**	**705**
Total	**¥3,345**	**¥1,723**	**¥656**	**¥4,412**

	Millions of Yen			
At March 31, 2007	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

	Thousands of U.S. Dollars			
At March 31, 2008	Cost (Carrying Amount)	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$25,408**	**$17,204**	**$5,615**	**$36,997**
Other	**7,980**		**938**	**7,041**
Total	**$33,388**	**$17,204**	**$6,554**	**$44,039**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2008 and 2007 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Available-for-sale:			
Unlisted equity securities	**¥4,455**	¥3,707	**$44,465**
Other	**606**	657	**6,051**
Total	**¥5,061**	¥4,364	**$50,517**

5. Long-term debt

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Secured bond, 0.50% to 2.02% in 2008 and 0.30% to 2.02% in 2007, due serially through 2018	**¥ 62,999**	¥ 58,000	**$ 628,800**
Loans from Okinawa Development Finance Corporation, 0.55% to 4.60% in 2008 and 0.55% to 4.60% in 2007, due serially through 2021 Collateralized	**142,260**	155,021	**1,419,903**
Unsecured	**692**	200	**6,909**
Unsecured loans from banks, insurance companies and other sources, 0.75% to 3.03% in 2008 and 0.50% to 3.03% in 2007 due serially through 2021	**9,721**	10,419	**97,027**
Total	**215,673**	223,641	**2,152,640**
Less current maturity	**(26,407)**	(25,534)	**(263,569)**
Long-term debt, less current maturity	**¥189,266**	¥198,107	**$1,889,071**

All of the Company's assets are subject to certain statutory preferential rights established to secure bonds, loans from the Okinawa Development Finance Corporation and banks, and bonds transferred to banks under debt assumption agreements (see Note 10). Certain assets of the consolidated subsidiaries, amounting to ¥7,860 million ($78,457 thousand), are pledged as collateral for a portion of the long-term debt as of March 31, 2008.

The aggregate annual maturities of long-term debt outstanding at March 31, 2008 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 26,407	$ 263,569
2010	25,442	253,943
2011	35,925	358,570
2012	18,416	183,814
2013	25,853	258,049
2014 and thereafter	83,627	834,693
Total	¥215,673	$2,152,640

6. Short-term bank loans and commercial paper

The weighted average interest rates applicable to short-term bank loans were 1.00% and 0.90% at March 31, 2008 and 2007, respectively. At March 31, 2007, the weighted average interest rate applicable to commercial paper was 0.66%.

7. Employees' retirement benefits

The Company's pension plans are as follows:

- A cash balance pension plan based on the Defined-Benefit Corporate Pension Law
- A lump-sum retirement benefit plan
- A defined contribution pension plan

In certain cases, the Company pays additional retirement benefits for employees.

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, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Projected benefit obligation	**¥23,848**	¥23,976	**$238,036**
Fair value of pension assets	**(9,826)**	(10,831)	**(98,079)**
Unrecognized actuarial loss	**(1,210)**	(46)	**(12,085)**
Net liability	**¥12,811**	¥13,098	**$127,872**

The components of net periodic retirement benefit costs for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Service cost	**¥1,332**	¥1,220	**$13,301**
Interest cost	**382**	382	**3,814**
Expected return on plan assets	**(181)**	(174)	**(1,806)**
Recognized actuarial loss	**17**	56	**171**
Contribution to the defined contribution pension plan	**191**	191	**1,914**
Net periodic retirement benefit costs	**¥1,742**	¥1,677	**$17,395**

Assumptions used for the years ended March 31, 2008 and 2007 were set forth as follows:

	2008	2007
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**2.0%**	2.0%
Recognition period of actuarial gain/loss	**primarily 5 years**	primarily 5 years

8. Income taxes

The Companies are subject to several taxes based on income and revenue. For the years ended March 31, 2008 and 2007, 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, 2008 and 2007, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Deferred tax assets:			
Pension and severance costs	**¥ 4,586**	¥ 4,806	**$ 45,780**
Unrealized profit	**3,971**	3,879	**39,639**
Depreciation and amortization	**2,070**	1,933	**20,665**
Tax loss carry forward	**900**	929	**8,988**
Accrued bonus to employees	**894**	872	**8,925**
Other	**2,551**	2,809	**25,461**
Sub-total	**14,974**	15,230	**149,461**
Less: valuation allowance	**(2,785)**	(2,882)	**(27,807)**
Total deferred tax assets	**¥12,188**	¥12,347	**$121,654**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**(407)**	(1,372)	**(4,066)**
Unrealized gain on land revaluation	**(390)**	(406)	**(3,896)**
Other	**(101)**	(104)	**(1,011)**
Total deferred tax liabilities	**(899)**	(1,883)	**(8,975)**
Net deferred tax assets	**¥11,289**	¥10,464	**$112,679**

Other long-term liabilities in the consolidated balance sheets contain deferred tax liabilities of ¥3 million ($32 thousand) and ¥11 million for the years ended March 31, 2008 and 2007, respectively, recognized in consolidated subsidiaries.

As the difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2008 is not more than 5% of the normal effective statutory tax rate, a reconciliation has not been disclosed.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2007 was as follows:

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

9. Leases

The Companies lease certain automobiles and office equipment. Total lease payments under the above leases for the years ended March 31, 2008 and 2007 were ¥654 million ($6,528 thousand) and ¥790 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, 2008 and 2007 were as follows:

	Millions of Yen		
As of March 31, 2008	General Facilities	Other	Total
Acquisition cost	**¥554**	**¥4,104**	**¥4,659**
Accumulated depreciation	**(205)**	**(1,795)**	**(2,000)**
Net leased property	**¥348**	**¥2,309**	**¥2,658**

	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

	Thousands of U.S. Dollars		
As of March 31, 2008	General Facilities	Other	Total
Acquisition cost	**$5,533**	**$40,968**	**$46,502**
Accumulated depreciation	**(2,050)**	**(17,916)**	**(19,966)**
Net leased property	**$3,483**	**$23,052**	**$26,535**

Obligations under finance leases as of March 31, 2008 and 2007:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Due within one year	**¥ 593**	¥ 557	**$ 5,927**
Due after one year	**2,067**	2,446	**20,632**
Total	**¥2,660**	¥3,003	**$26,559**

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 ¥654 million ($6,528 thousand) and ¥790 million for the years ended March 31, 2008 and 2007, respectively.

The Companies are also the lessor of certain automobiles and office equipment. Total lease income from the above leases for the years ended March 31, 2008 and 2007 were ¥234 million ($2,344 thousand) and ¥204 million, respectively. Lease income is recognized in income on a straight-line basis over the lease term.

At March 31, 2008 and 2007, summaries of the above leased property were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Other equipment:			
Acquisition cost	**¥1,047**	¥1,010	**$10,458**
Accumulated depreciation	**(461)**	(342)	**(4,603)**
Net leased property	**¥ 586**	¥ 667	**$ 5,855**

At March 31, 2008 and 2007, the total lease payments to be received from the above leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Due within one year	**¥227**	¥226	**$2,269**
Due after one year	**407**	528	**4,071**
Total	**¥635**	¥754	**$6,341**

10. Contingent liabilities

As of March 31, 2008, the Company was contingently liable for:

Redemption of bonds transferred to banks under the debt assumption agreements amounting to ¥6,000 million ($59,886 thousand).

11. Equity

Since May 1, 2006, Japanese companies have been subject to the Corporate Law which reformed and replaced the Commercial Code of Japan. The significant provisions 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 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 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.

12. Research and development costs

Research and development costs charged to income were ¥551 million ($5,503 thousand) and ¥470 million for the years ended March 31, 2008 and 2007, 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 idle assets.

The recoverable amount of the FTTH assets group was measured at their value in use and the 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 for the year ended March 31, 2007.

The idle assets for which market value had fallen was adjusted to their recoverable amount, which was mainly measured at the respective net selling prices based on assessed value of the relevant assets for the year ended March 31, 2007.

Impairment loss recognized for the year ended March 31, 2008 was immaterial.

14. Segment information

Information about operations in different industry segments of the Companies for the years ended March 31, 2008 and 2007 is as follows:

	Millions of Yen					Thousands of U.S. Dollars				
2008	Electric	Construction	Other	Eliminations / Corporate	Consolidated	Electric	Construction	Other	Eliminations / Corporate	Consolidated
Sales to customers	**¥148,831**	**¥ 4,527**	**¥ 8,161**		**¥161,521**	**$1,485,495**	**$ 45,193**	**$ 81,462**		**$1,612,152**
Intersegment sales	**193**	**15,209**	**24,778**	**¥(40,181)**		**1,926**	**151,809**	**247,312**	**$(401,049)**	
Total operating revenues	**149,024**	**19,737**	**32,939**	**(40,181)**	**161,521**	**1,487,422**	**197,003**	**328,775**	**(401,049)**	**1,612,152**
Operating expenses	**135,931**	**19,147**	**31,495**	**(39,863)**	**146,711**	**1,356,741**	**191,115**	**314,359**	**(397,881)**	**1,464,334**
Operating income	**¥ 13,092**	**¥ 589**	**¥ 1,444**	**¥ (317)**	**¥ 14,809**	**$ 130,680**	**$ 5,887**	**$ 14,415**	**$ (3,167)**	**$ 147,817**
Total assets	**¥335,414**	**¥14,386**	**¥33,846**	**¥(13,807)**	**¥369,840**	**$3,347,786**	**$143,596**	**$337,823**	**$(137,811)**	**$3,691,395**
Depreciation and amortization	**23,426**	**178**	**2,086**	**(890)**	**24,800**	**233,821**	**1,783**	**20,821**	**(8,887)**	**247,538**
Capital expenditures	**16,712**	**1,354**	**1,929**	**(1,417)**	**18,578**	**166,808**	**13,514**	**19,258**	**(14,152)**	**185,429**

	Millions of Yen				
2007	Electric	Construction	Other	Eliminations / Corporate	Consolidated
Sales to customers	¥146,735	¥ 3,302	¥ 9,357		¥159,395
Intersegment sales	195	14,832	24,226	¥(39,254)	
Total operating revenues	146,930	18,135	33,584	(39,254)	159,395
Operating expenses	133,196	17,701	32,113	(39,098)	143,912
Operating income	¥ 13,734	¥ 433	¥ 1,470	¥ (155)	¥ 15,482
Total assets	¥343,301	¥11,772	¥34,855	¥(13,856)	¥376,071
Depreciation and amortization	23,429	173	2,124	(815)	24,911
Loss on impairment of long-lived assets			913	182	1,095
Capital expenditures	23,492	109	2,196	(1,054)	24,743

"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, 2008 and 2007.

As discussed in Note2(b), property, plant and equipment acquired on and after April 1, 2007 are depreciated by the declining-balance method in accordance with the revised Corporate Tax Law, which is effective April 1, 2007. The effect of this treatment by segment was to increase operating expenses and decrease operating income by ¥234 million ($2,344 thousand) on Electric, ¥0 million ($5 thousand) on Construction, ¥47 million ($470 thousand) on Other, respectively, for the year ended March 31, 2008.

As discussed in Note2(b), 5% portion of property, plant and equipment is systematically amortized over 5 years starting in the following year in which the carrying value of property, plant and equipment reaches 5% of the acquisition cost in accordance with the revised Corporate Tax Law, which is effective for fiscal years beginning on and after April 1, 2007. The effect of this treatment by segment was to increase operating expenses and decrease operating income by ¥827 million ($8,256 thousand) on Electric, ¥2 million ($24 thousand) on Construction, ¥17 million ($171 thousand) on Other, respectively, for the year ended March 31, 2008.

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 Companies 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, 2008 were approved at the Company's shareholders' meeting held on June 27, 2008:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (30¢) per share	¥524	$5,236

Deloitte.

Deloitte Touche Tohmatsu
Shoei Building 2-15-8 Kumoji
Naha 900-0015
Japan

Tel: +81 98 866 1459
Fax:+81 98 866 8691
www.deloitte.com/jp

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 and consolidated subsidiaries as of March 31, 2008 and 2007, 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, 2008 and 2007, and the consolidated results of their operations and their 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 12, 2008

Member of
Deloitte Touche Tohmatsu

Non-Consolidated Balance Sheets

March 31, 2008 and 2007	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars 2008
Assets			
Property, plant and equipment:			
Utility plants and equipment	**¥794,272**	¥775,616	**$7,927,661**
Construction in progress	**15,213**	20,523	**151,844**
Total	**809,485**	796,139	**8,079,505**
Less:			
Contributions in aid of construction	**(22,240)**	(22,232)	**(221,983)**
Accumulated depreciation	**(482,063)**	(461,100)	**(4,811,492)**
Total	**(504,303)**	(483,332)	**(5,033,475)**
Net property, plant and equipment	**305,181**	312,806	**3,046,030**
Investments and other assets:			
Investment securities	**8,466**	9,834	**84,507**
Investments in and advances to subsidiaries and affiliates	**10,868**	11,170	**108,478**
Deferred tax assets	**5,113**	4,625	**51,040**
Other assets	**746**	1,010	**7,452**
Allowance for doubtful accounts	**(132)**	(153)	**(1,321)**
Total investments and other assets	**25,063**	26,487	**250,156**
Current assets:			
Cash and cash equivalents	**1,532**	1,593	**15,298**
Trade accounts receivable, net of allowance for doubtful accounts of ¥186 ($1,858) in 2008 and ¥184 in 2007	**5,495**	4,637	**54,850**
Fuel and supplies	**7,468**	5,574	**74,547**
Deferred tax assets	**1,492**	1,615	**14,894**
Other current assets	**957**	1,399	**9,560**
Total current assets	**16,947**	14,820	**169,151**
Total	**¥347,192**	¥354,113	**$3,465,337**
Liabilities and equity			
Long-term liabilities:			
Long-term debt, less current maturities	**¥179,975**	¥188,296	**$1,796,342**
Liabilities for employees' retirement benefits	**9,522**	10,010	**95,045**
Other long-term liabilities	**784**	835	**7,830**
Total long-term liabilities	**190,282**	199,141	**1,899,218**
Current liabilities:			
Current maturities of long-term debt	**25,320**	24,475	**252,722**
Commercial paper		5,000	
Short-term bank loan	**7,000**	4,000	**69,867**
Trade accounts payable	**10,347**	10,591	**103,273**
Income taxes payable	**980**	1,833	**9,789**
Accrued expenses	**8,265**	8,253	**82,499**
Other current liabilities	**1,737**	1,425	**17,338**
Total current liabilities	**53,650**	55,579	**535,491**
Commitments and contingent liabilities			
Equity :			
Common stock,			
Authorized — 30,000,000 shares			
Issued — 17,524,723 shares (2008 and 2007)	**7,586**	7,586	**75,720**
Capital surplus:			
Additional paid-in capital	**7,141**	7,141	**71,281**
Retained earnings:			
Legal reserve	**964**	964	**9,631**
Unappropriated	**87,021**	81,432	**868,564**
Unrealized gain on available-for-sale securities	**735**	2,400	**7,341**
Treasury stock, at cost — 37,247 shares in 2008 and 26,266 shares in 2007	**(191)**	(133)	**(1,910)**
Total equity	**103,258**	99,392	**1,030,628**
Total	**¥347,192**	¥354,113	**$3,465,337**

The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥100.19 to $1, the approximate rate of exchange at March 31, 2008.

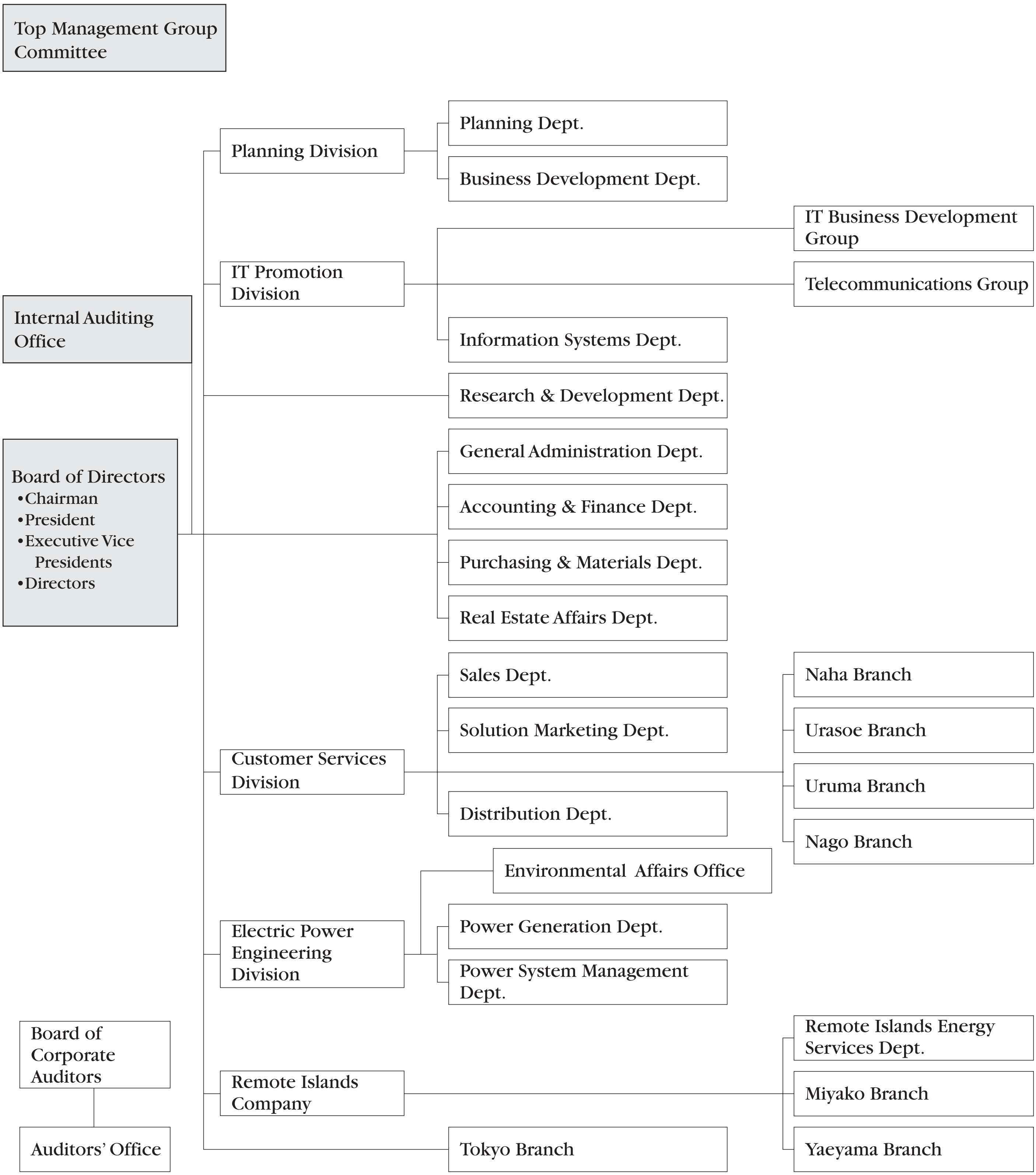
Non-Consolidated Statements of Income

Years ended March 31, 2008 and 2007	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars 2008
Operating revenues	**¥149,320**	¥147,201	**$1,490,376**
Operating expenses:			
Personnel	**16,234**	16,481	**162,037**
Fuel	**41,468**	40,607	**413,897**
Purchased power	**13,581**	12,766	**135,554**
Depreciation	**23,398**	23,319	**233,542**
Repair and maintenance	**16,049**	15,100	**160,193**
Taxes other than income taxes	**6,794**	6,672	**67,819**
Other	**18,649**	18,563	**186,140**
Total operating expenses	**136,176**	133,511	**1,359,185**
Operating income	**13,144**	13,690	**131,190**
Other expenses:			
Interest expense	**3,731**	3,860	**37,244**
Other — net	**(320)**	(266)	**(3,202)**
Net other expenses	**3,410**	3,593	**34,042**
Income before income taxes	**9,733**	10,096	**97,148**
Income taxes:			
Current	**2,610**	3,462	**26,059**
Deferred	**531**	235	**5,304**
Total	**3,142**	3,697	**31,364**
Net income	**¥ 6,590**	¥ 6,398	**$ 65,783**

	Yen 2008	Yen 2007	U.S. Dollars 2008
Per share of common stock			
Basic net income	**¥376.84**	¥365.68	**$3.76**
Cash dividends applicable to the year	**60.00**	60.00	**0.60**

The translations of Japanese yen amounts into U.S. dollar amounts have been made at the rate of ¥100.19 to $1, the approximate rate of exchange at March 31, 2008.

Organization Chart



(As of July 1, 2008)

Corporate Data

Head Office
2-1, Makiminato 5-chome, Urasoe, Okinawa 901-2602, Japan
Tel: +81 (0)98-877-2341
Fax: +81 (0)98-877-6017
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
¥347,192 million

Number of Customers
815,533 (Includes users of both lighting and power)

Number of Employees
1,510

(As of March 31, 2008)

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	167,325
Total	21	1,925,325

Independent Certified Public Accountants
Deloitte Touche Tohmatsu

Consolidated Subsidiaries

Name	Capital	Main Business Lines	Equity Ownership
Okidenko Company, Incorporated	¥130 million	Construction	48.0%
Okiden Kigyo Company, Incorporated	¥43 million	Peripheral operations related to electric power business	91.6%
Okinawa Plant Kogyo Company, Incorporated	¥32 million	Peripheral operations related to electric power business	89.9%
Okinawa Denki Kogyo Company, Incorporated	¥23 million	Peripheral operations related to electric power business	99.4%
Okiden Kaihatsu Company, Incorporated	¥50 million	Real estate	100.0%
The Okiden Global Systems Company, Incorporated	¥20 million	Information and telecommunications	100.0%
Okiden Sekkei Company, Incorporated	¥40 million	Construction	95.5%
Okinawa New Energy Development Company, Incorporated	¥49 million	Construction	42.0%
Okinawa Telecommunication Network Co., Inc.	¥700 million	Information and telecommunications	54.9%
Okisetsubi Company, Limited	¥20 million	Construction	48.0%
First Riding Technology, Inc.	¥945 million	Information and telecommunications	91.0%
Progressive Energy Corporation (PEC)	¥100 million	Dispersed generating plant business	57.9%
Kanucha Community Co., Inc.	¥472 million	Support services for active senior	74.2%

Investor Information

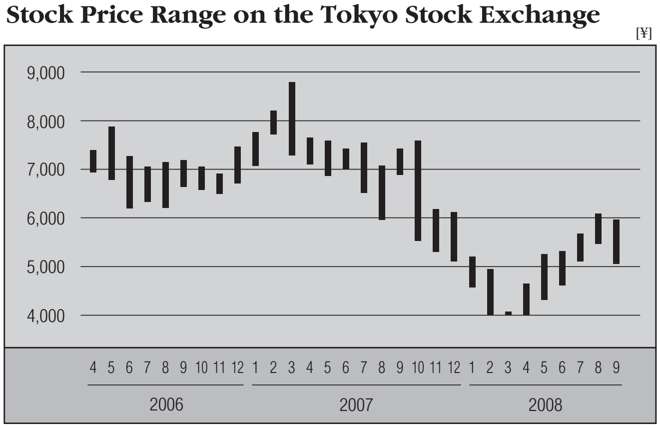
Transfer Agent and Registrar
The Mitsubishi UFJ Trust & Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8212, Japan

Securities Traded
Tokyo Stock Exchange,
Fukuoka Stock Exchange

Common Stock Issued
17,524,723 shares

Number of Shareholders
8,148

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, 2008)

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, 2008)