

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.



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