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.

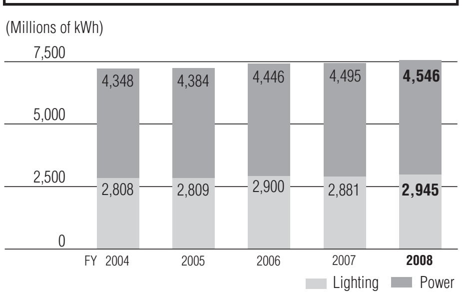
Segment analysis (before elimination of intersegment transactions for purposes of consolidation)

1. Electric Power Business

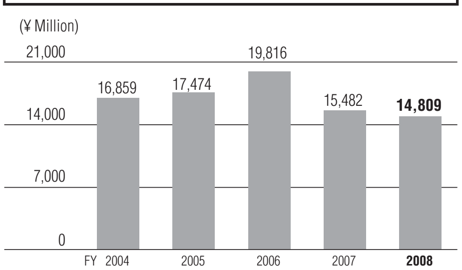
Operating revenues grew ¥2,094 million, or 1.4%, to ¥149,024 million (US$1,487 million), due to an increase in sales volume. Operating expenses also rose, by ¥2,735 million, or 2.1%, to ¥135,931 million (US$1,356 million). A reduction in personnel expenses was more than offset by higher costs of maintenance 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).

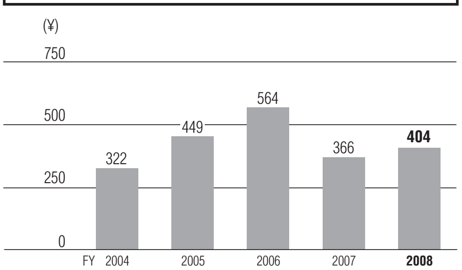
Electric Energy Sales



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.

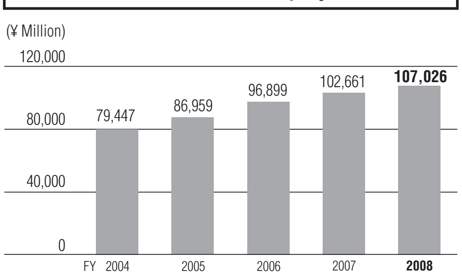
Net cash used in investing activities declined ¥6,289 million, or 25.8%, to ¥18,103 million (US$180 million), reflecting a fall in capital expenditures.

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

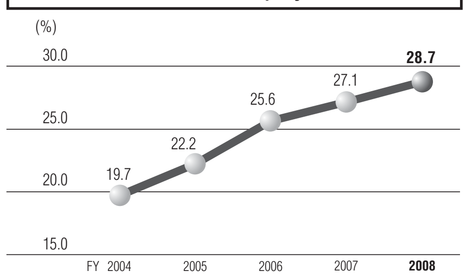
Net cash used in financing activities increased ¥2,995 million, or 39.3%, to ¥10,610 million (US$105 million), reflecting a reduction in interest-bearing debt.

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.

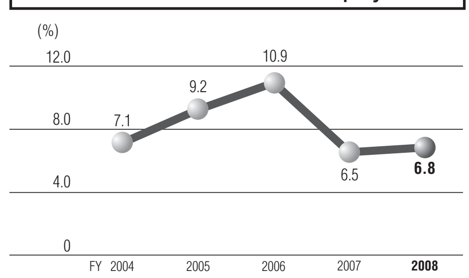
Consolidated Equity



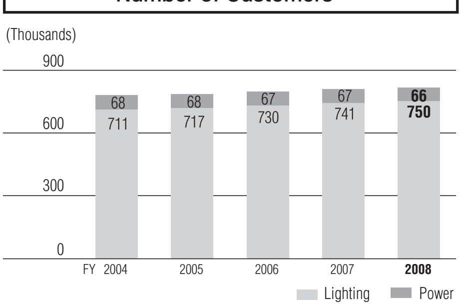
Consolidated Equity Ratio



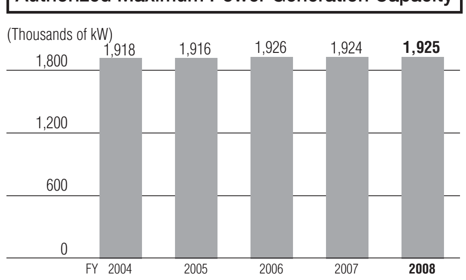
Consolidated Return on Equity



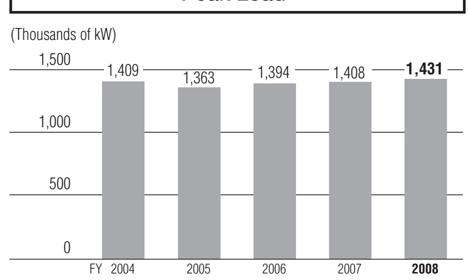
Number of Customers



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

Financial Statistics	Millions of Yen				
	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		U.S. Dollars
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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of The Okinawa Electric Power Company, Incorporated 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**

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