Management Overview

November 2011

The Okinawa Electric Power Company, Inc.

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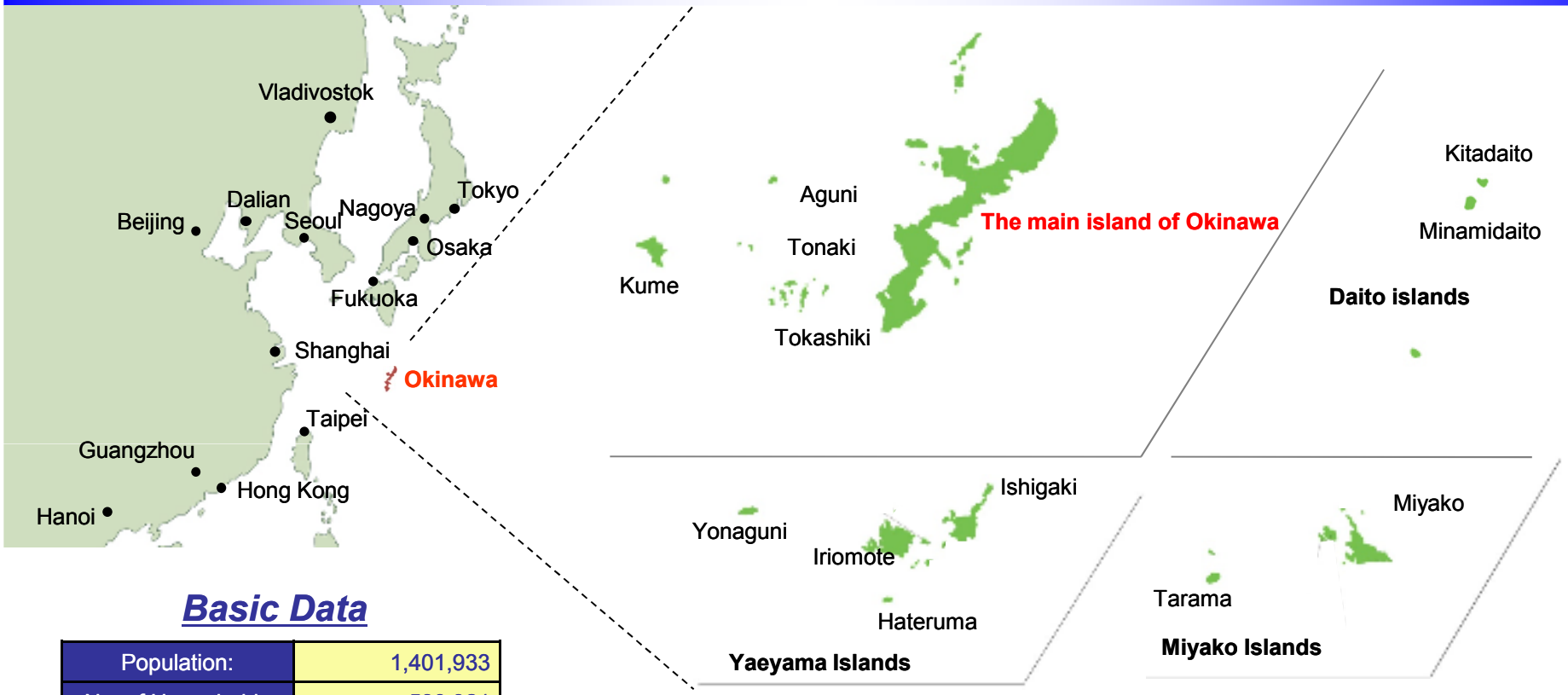
Overview of Okinawa Prefecture



Basic Data

Population:	1,401,933
No. of Households	530,921
Area	2,276㎢
Climate	Subtropical
Location	26°12N 127°41E
Prefectural GDP	¥4,082.2billion
Tourism Revenue	¥403.3billion

- **The main island of Okinawa is the most populous with 90% of the resident population.**
- **Tertiary industrial sectors including commerce, finance and service which account for roughly 90% of the prefectural GDP.**

Population, No. of Households as of October 1, 2011
Area as of October 1, 2010
Prefectural GDP as of 2010
Tourism Revenue as of FY 2010
(Source: Okinawa Prefecture, Geographical Survey Institute etc.)

Locales with similar latitude zones

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

Corporate Overview of OEPC

Okinawa Electric Power supplies electricity to all parts of Okinawa Prefecture including 38 inhabited islands scattered over a vast sea area lying 1,000 kilometers east and west and 400 kilometers north and south. Okinawa Electric Power maintains its own electric line system without any linkage to that of any other electric power company based in mainland Japan.

Established	May 15, 1972
Capital	¥7,586 million
Shareholders	7,779
Total assets	¥368.59 billion (Non-consolidated) ¥385.15 billion (Consolidated)
Sales (FY 2010)	¥150.89billion (Non-consolidated) ¥158.49 billion (Consolidated)
Employees	1,516 (Non-consolidated) 2,516(Consolidated)

Security code	9511
Service area	Okinawa Prefecture
Customers	Lighting 779 thousand units Power 62 thousand units
Electricity sales (FY 2010)	Lighting 2,991 million kWh Power 4,530 million kWh (Deregulated demand 1,143million kWh) Total 7,521 million kWh
Generating facilities	Steam-power generators 4 locations 1,467 thousand kW Gas turbine generators 4 locations 291 thousand kW Internal-combustion power generators 13 locations 16 thousand kW

(as of March 31, 2011)

Ratings

Rating agency	S&P	Moody's	R&I	JCR
Rating	AA−	Aa3	AA+	AAA

Ratings on long-term preferred debts as of September 30, 2011

Financial Results for FY2011 2Q YTD
(Year-on-Year Comparison)

(Unit: million yen, X)

	Consolidated (A)			Non-consolidated (B)			(A) / (B)	
	FY2011 2Q YTD Results	FY2010 2Q YTD Results	Rate of change	FY2011 2Q YTD Results	FY2010 2Q YTD Results	Rate of change	FY2011 2Q YTD Results	FY2010 2Q YTD Results
Sales	86,564	82,845	+4.5%	83,002	79,535	+4.4%	1.04	1.04
Operating income	9,182	9,725	-5.6%	9,041	9,471	-4.5%	1.02	1.03
Ordinary income	7,878	8,357	-5.7%	7,636	7,849	-2.7%	1.03	1.06
Net income	5,536	6,356	-12.9%	5,339	5,937	-10.1%	1.04	1.07

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

【Revenue】
■ Increase in income from the Fuel Cost Adjustment System in Electric business.

【Expenditure】
■ Increase in fuel cost and power purchase cost, depreciation cost in Electric business.

Annual Outlook Summary

(Unit: million yen, X)

	Consolidated (A)				Non-consolidated (B)				(A)/(B)	
	FY2011 Forecast		Change ①-②	FY2010 (Results)	FY2011 Forecast		Change ③-④	FY2010 (Results)	FY 2011 (Forecast)	FY 2010 (Results)
	Announced in Oct.2011 ①	Announced in Jul.2011 ②			Announced in Oct.2011 ③	Announced in Jul.2011 ④				
Sales	168,100	170,900	-2,800	158,494	159,400	161,900	-2,500	150,896	1.05	1.05
Operating income	12,000	13,700	-1,700	14,376	10,600	12,200	-1,600	12,490	1.13	1.15
Ordinary income	9,300	10,500	-1,200	11,042	7,500	9,000	-1,500	9,240	1.24	1.19
Net income	6,700	7,000	-300	8,047	5,300	6,100	-800	6,872	1.26	1.17

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

[Comparison with previous forecast (Jul.2011)]

【Revenue】

■ Decrease in electricity sales volume and income from the Fuel Cost Adjustment System in Electric business.

【Expenditure】

■ Decrease in fuel cost and power purchase cost in Electric business.

Electric Energy Demand
(FY2011 1st half and FY2011 Outlook)

FY2011 1st half Results

(Unit：Million kWh、%)

		FY2011 1st half		FY2010 1st half Results	Perform-ance Against targets	YoY Change
		Results	Targets			
Lighting		1,539	1,554	1,550	99.1	-0.7
Power		2,423	2,467	2,457	98.2	-1.4
Total		3,962	4,021	4,007	98.5	-1.1
Reference	Consumer Use	3,297	3,341	3,341	98.7	-1.4
	Industrial Use	665	680	666	97.8	-0.0

(Lighting)
- The demand for Lighting decreased year-on-year caused by lower temperature than last year.(-0.7%)

(Power)
- The demand for Power decreased year-on-year due to a decrease in demand for Commercial power caused by lower temperature than last year.(-1.4%)

(Total)
- As a result, the figure totals at 3,962million kWh, which fell below the previous year. (-1.1%)

FY2011 Outlook

(Unit：Million kWh、%)

		FY2011 (Forecast)	FY2010 (Results)	YoY Change
Lighting		2,958	2,991	-1.1
Power		4,547	4,530	0.4
Total		7,505	7,521	-0.2
Reference	Consumer Use	6,202	6,243	-0.6
	Industrial Use	1,303	1,278	1.9

(Lighting)
- The demand for Lighting is expected to fall below the previous fiscal year (-1.1%).
  (1st half) decrease in demand caused by lower temperature
  (2nd half) backlash of good demand last year thanks to cold winter

(Power)
- The demand for Power is expected to increase year-on-year due to increase in demand for large industrial power.(0.4%)

(Total)
- As a result, the figure totals at 7,505million kWh, which is at around the same level as the previous fiscal year. (-0.2%)

Electric Energy Demand (Long-term forecast)

Forecast for long-term Electric Energy demand

(Unit: million kWh, Thousand kW, %)

		2009 (Result)	2010 (Result)	2011 (Forecast)	2019 (Forecast)	2020 (Forecast)	Average growth rate per annum	
							1999 – 2009	2009 – 2020
No. 118EI forecast (2011)	Electric energy demand	(7,382) 7,478	(7,449) 7,521	(7,544) 7,564	8,486	8,605	(1.5) 1.3	(1.4) 1.3
	Peak load	(1,393) 1,422	(1,427) 1,382	1,437	1,597	1,617	(0.5) 0.7	(1.4) 1.2
	Annual load factor	(63.3) 62.9	(62.0) 64.8	62.7	63.5	63.6	–	–
No. 116EI forecast (2010)	Electric energy demand	(7,382) 7,478	7,498	(7,604) 7,625	8,674	–	(1.7) 1.2	(1.4) 1.4
	Peak load	(1,393) 1,422	1,434	1,452	1,635	–	(0.6) 0.4	(1.5) 1.5
	Annual load factor	(63.3) 62.9	62.5	62.6	63.4	–	–	–

(Unit:%)

Average growth rate per annum 2009–2020
Average of 9 other Electric Power companies (ex- OEPC)
(1.2) 1.3
(1.0) 1.6

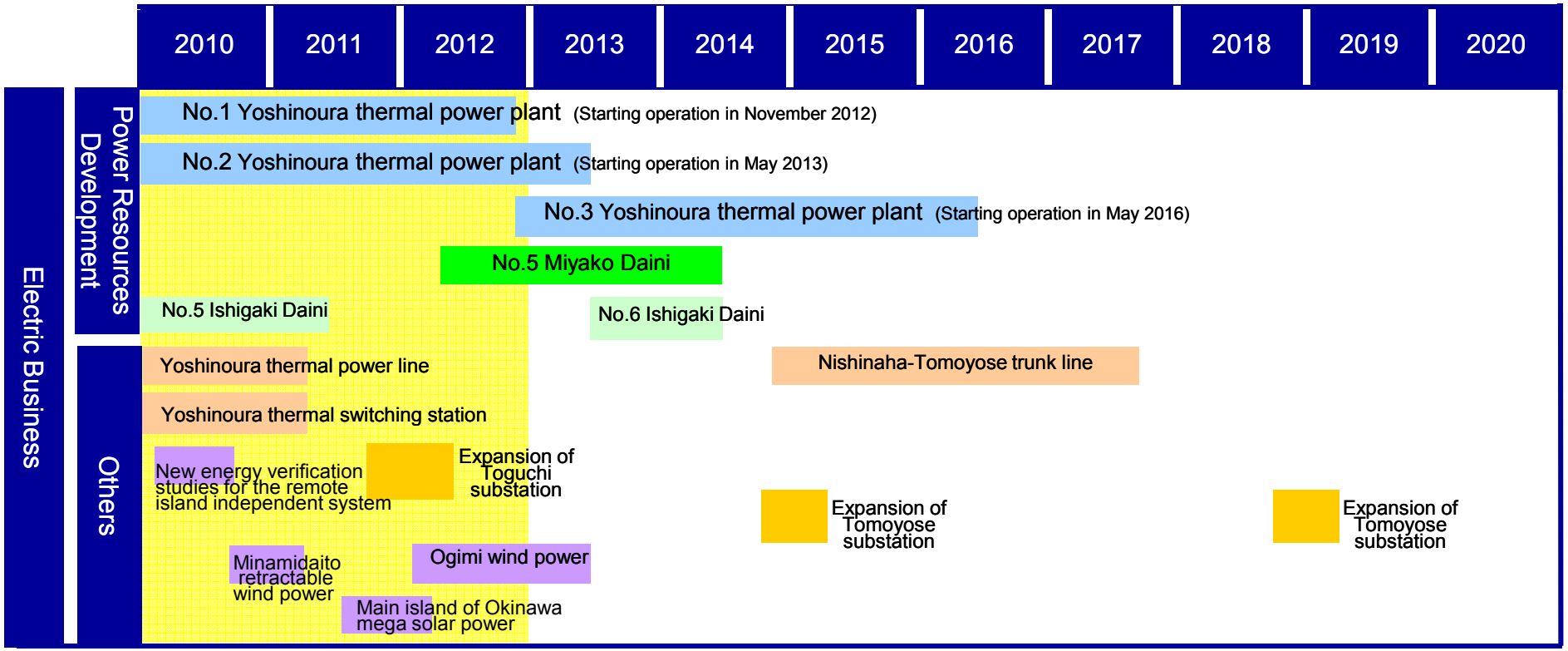
Note 1: Figures in parentheses are adjusted for the influence of temperature and leap year.
Note 2: The figure indicated for FY2010 of No. 116 EI is the estimate value.
Note 3: Average growth rate per annum for No. 116 EI are from 1998 to 2008 and 2008 to 2019.

The volume of electricity demand in FY2020 is expected to be 8,605 million kWh with the average annual growth rate from FY2009 of 1.3% (1.4% after correction of temperature).

[The background of growing demand]

- As for consumer use, the increase in number of customers at general households and commercial facilities (such as big supermarkets) based on population growth, and the increase in number of hotels based on boost in tourists.
- As for industrial use, the increase in demands related to daily living (such as food manufacturing and water utility industries) based on population growth.

Capital Expenditures Plan (Electric Business I)



Note: Power Rsources development cases listed above are those plants which have more than 10,000 kW generating capacity and are expected to initiate operations within 10 years from FY2011 for the Main island, and 5 years for remote islands.

Note: Power distribution facilities cases listed above have more than 132kV working voltage, and are under construction or expected to begin construction within 10 years from FY 2011.

■ Capital expenditures for the Yoshinoura thermal power plant (Power resources development section)

- Approximately JPY100bn to be invested in Yoshinoura thermal power plant No1.and No2 plants.
- The investment for Yoshinoura thermal power plant after its No1.and No2 plants launched will be lower than those of the plants No.1 and 2 because the investment will be only for generators.

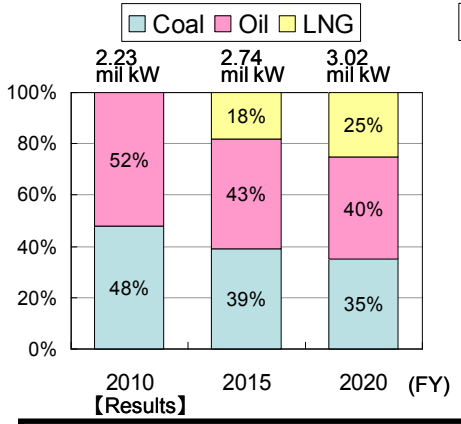
Capital Expenditures Plan (Electric Business II)

Demand-supply balance of maximum electric power (August)

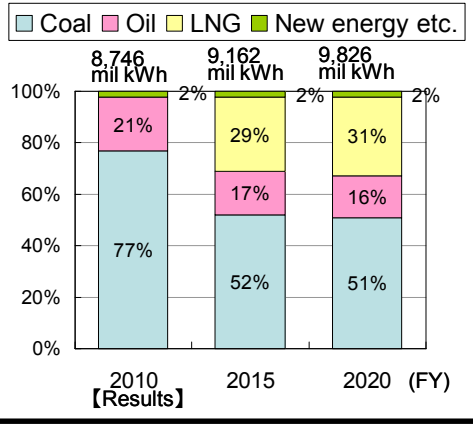
(Unit : Thousand kW, %)

		2010 【Result】	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Demand-supply balance	Peak load	1,382	1,437	1,454	1,474	1,495	1,516	1,536	1,556	1,577	1,597	1,617
	Supply capacity	1,835	2,084	2,076	2,132	2,135	2,094	2,273	2,346	2,355	2,274	2,230
	Reserve supply capacity	453	647	622	658	640	578	737	790	778	677	613
	Reserve supply rate	32.8	45.0	42.8	44.6	42.8	38.1	48.0	50.8	49.3	42.4	37.9

Composition ratio of plant facilities for the year-end



Composition ratio of generated power energy



- Reserve supply rate will be 44.6% in FY 2013 with the start of operation of the Yoshinoura Thermal Power Station.
- The amount of capital expenditures in the future is expected to remain almost unchanged until FY2012 when the Generator No. 1 at the Yoshinoura Thermal Power Plant starts to operate.

Capital expenditures

(Unit : billion yen)

		2010 (Result)	2011	2012
Power Resources		24.3	31.2	33.2
Supply Facilities	Transmission	3.9	5.5	3.5
	Transformation	3.8	3.4	4.5
	Distribution	5.2	6.1	5.7
	Subtotal	13.0	15.0	13.7
Others		11.2	4.2	3.3
Total		48.6	50.4	50.2

※ Figures in the table may not exactly match the total showed because of rounding.

Issues and Measures for Resolving Them

Medium and long-term management policy	Management Issues	Measures for resolving the issues
Stable supply of high quality electricity	Improvement of energy security	・Steady efforts for construction work and starting operation of the Yoshinoura Thermal Power Plant ・Stable fuel procurement, etc.
Raising the customer satisfaction levels	Ensuring electricity charge comparable with the level in the mainland	・Curtailing capital expenditures ・Further improving the operational efficiency, etc.
Harmonizing with the society and global environment	Addressing the global warming issue	・Introduction of LNG thermal power (Yoshinoura Thermal Power Plant) with lower CO2 emissions ・Efficient operation of existing thermal power plants ・Mixed combustion of biomass fuel ・Introduction of mega solar power generation plant ・Introduction of large scale wind power ・Introduction of retractable wind turbine systems to remote islands ・Procuring CO2 credit using the Kyoto Mechanisms, etc.
Ensuring proper profit levels	Improving the management of facilities	・ Reduction of the periodical inspection period by close examination of the inspection contents ・ Extending the life of existing facilities and effective utilization of removed facilities, etc.
	Reduction of fuel costs	・Spot purchasing of C Heavy Oil ・Increasing the use of sub-bituminous coal, etc.
	Improving income and expenditure of operation in remote islands	・Introduction of renewable energy facilities such as retractable wind power facilities in consideration of economy. ・Improving the operational efficiency of power generation facilities through the EDC (economic load dispatching control) system
	Establishing a strong and flexible financial position	・Reasonable and efficient execution of operations, etc.
Effectively utilizing management results	Dividend policy / return to stockholders	・Well-balanced allocation of Free Cash Flow among “Dividend policy”, ”Electricity charge policy”, “Improvement of financial position”, and “Investment in growth fields”.
Enhancing the group management		・Strengthen the management base ・Establishing the OEPC Group brand, etc.

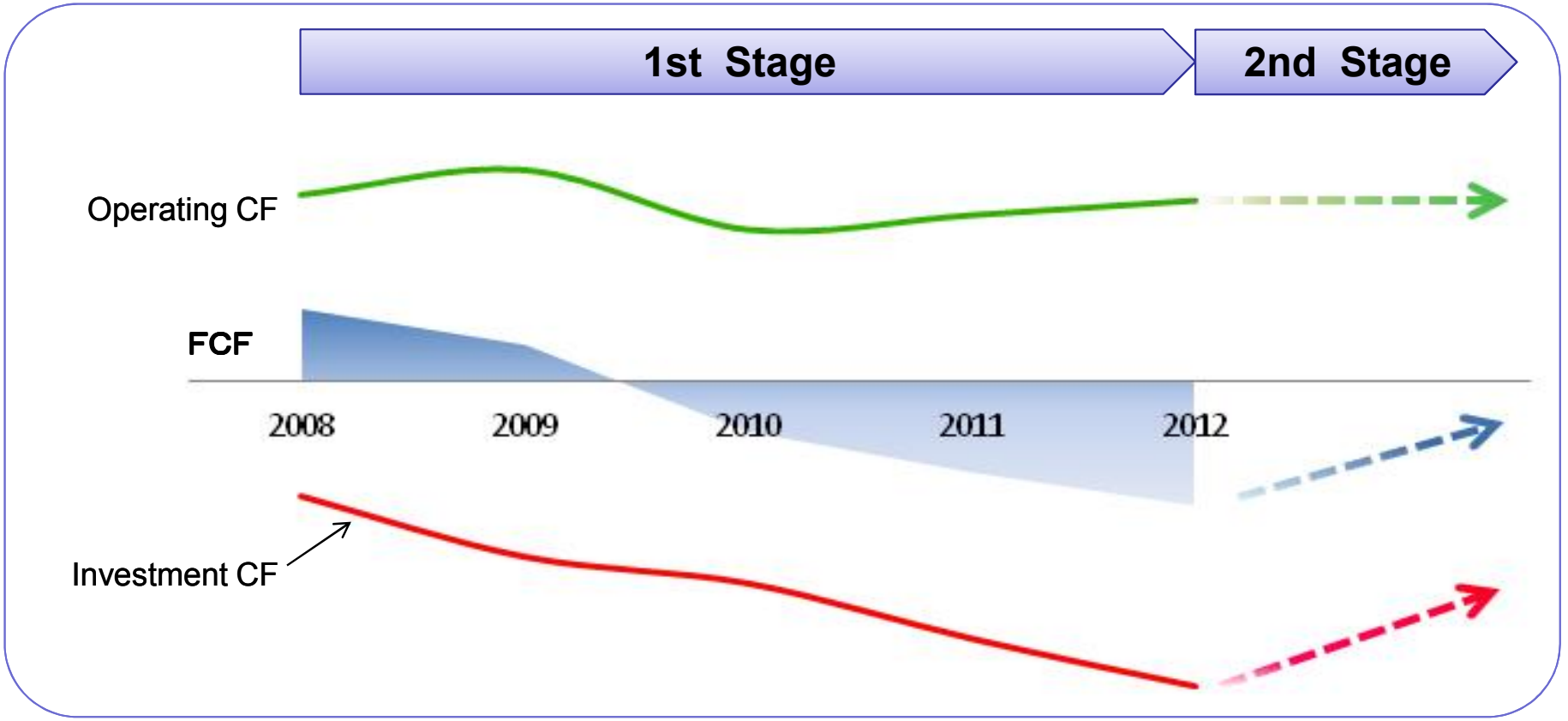
Outlook of Financial Position

Looking at 10 years from now on, our first stage is considered to be until 2012 and the second stage is 2013 and after, by separating a decade with the start year of operation of the Yoshinoura Thermal Power Plant.

	1st Stage(～2012)	2nd Stage(2013～)
Summary	■ Burden for capital expenditures have increased due to the construction work of the Yoshinoura thermal power plant ■ A certain level of profit shall be secured until FY2011 despite some probable changes in profit due to the effects of special measures on fuel cost adjustment system and increase in PCB treatment costs. ■ Operating CF remains almost unchanged, and FCF is expected to result in minus ■ Cost increase by acquisition of the CO_2 credit	■ Burden for capital expenditures will be reduced significantly ■ Depreciation cost and environmental cost will increase and put pressure on profits ■ Operating CF is expected to remain stable, and FCF is expected to recover ■ The electricity demand continue to increase although population grows at a slower pace.
Issues	■ Will control the increase of interest-bearing liabilities ■ Enhancement of the financial stability by accumulating the interest ■ Measures for the introduction of new energy and an increase in environmental cost	■ Efforts for the improvement of capital efficiency ■ Invest in improvements to profitability and efficiency ■ Improvement of return to stockholders
CF usage	■ Will prioritize the capital expenditures for the Yoshinoura thermal power plant ■ Will consider return to stakeholders based on the assumption that the financial goal can be achieved	■ Improvement of return to stakeholders ■ Bolstering the foundation of the integrated energy business

Outlook of Cash Flow

- The investment cash flow increased and the free cash flow became negative in FY2010 due to the increase of capital expenditures in relation to the construction of the Yoshinoura Thermal Power Plant.
- Although the free cash flow remains negative until the Yoshinoura Thermal Power Plant starts operation, it is expected to recover after the second stage due to the decrease in the relevant capital expenditures.



Summary of Mid-term Financial Targets

		FY2010 Management Plan		FY2010 Result	FY2011 Forecast
Ordinary Income	Consolidated	Yearly average of at least 11 billion yen	FY2008～FY2012	11.0 billion yen	9.3 billion yen
	Non-consolidated	Yearly average of at least 10 billion yen		9.2 billion yen	7.5 billion yen
ROA (operating Income / total assets)	Consolidated	Yearly average of at least 3.5%	FY2008～FY2012	3.8%	3.0%
	Non-consolidated			3.5%	2.8%
Balance of interest bearing debt	Consolidated	Approx. 260 billion yen	End of FY2012	208.3 billion yen	226.4 billion yen
	Non-consolidated	Approx. 250 billion yen		206.7 billion yen	223.9 billion yen
Equity ratio	Consolidated	Approx. 30%	End of FY2012	32.6%	31.9%
	Non-consolidated			31.9%	31.1%

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

	Mid-term prospects
Sales amount	Steady growth is expected in keeping with the increase in electricity sales volume.
Personnel cost	Expected to remain unchanged at JPY16bn. level to maintain about 1,500 staff.
Fuel cost	Fuel prices have been an upward trends, and the outlook is unclear. The risk of potential higher crude oil price remains. After the start-up of Yoshinoura Thermal Power Plant, fuel cost may increase due to the change in the fuel composition.
Repair and Maintenance costs	While the cost is expected to increase due to increase of facilities, we will attempt to keep the cost down by improving operational efficiency.
Depreciation cost	A significant increase is temporarily expected with the start of operation of the Yoshinoura Thermal Power Plant. It will be at its peak when the Unit No. 2 starts its operation, but it is expected to be in decreasing trend in and after FY 2014.
Expenditure for power purchase	Expenditure for power purchase will change mainly with the coal price. The purchase of new energy such as wind power and solar power will increase.
Tax and public dues	Assuming the special measure continues, it is expected to remain almost constant.
Other expenses	Expected to remain almost unchanged although there will be CO2 credit acquisition and other expenditures

Mid-term Prospects of Consolidated Subsidiaries

	Mid-term prospects
Construction Business	▸ The Okidenko is expected to remain stable on its balance of payments. ▸ The Okisetsubi shall aim to increase orders received by promotion activities on piping and electrical equipment works and photovoltaic installations. ▸ The Okinawa Enetech is expected to remain stable on its sales by strengthening proposal-based business utilizing its energy supply technologies and new energy technologies. ▸ The Okinawa New Energy Development shall aim to improve its balance of payments by expected increase in power sales revenues through wind power generation as well as the growth in number of orders received related to public works, etc. although its costs may increase due to the change in depreciation method (from straight-line method to declining balance method).
Other Businesses	▸ The Okiden Kigyo shall aim to secure its sales through insurance business, etc. in addition to expansion and improvement of its power plants at remote islands despite severe business environment surrounding the company. ▸ The Okinawa Plant Kogyo is expected to remain stable on its sales after its temporary increase in sales related to Yoshinoura plant is settled down. ▸ The Okinawa Denki Kogyo is expected to remain almost unchanged on its sales. ▸ The Okiden Global Systems (OGS) is expected to remain almost unchanged on its sales. ▸ The First Riding Technology (FRT) shall aim to increase its sales through acquiring new customers. ▸ The Okiden Kaihatsu is expected to remain stable on its balance of payments. ▸ The Progressive Energy Corporation (PEC) shall make up for its profit drop through ESCO business and water purification system business although its sales and profit related to private power generation business are expected to decrease.

* Kanucha Community (KCC) was dissolved on March 31, 2011 based on the judgment that its ongoing business operations would be extremely difficult in consideration of severe business environment surrounding the company.

Characteristics of the Business Bases

Advantages

Demand for Electric Power	◆ Increasing demand as population increasing ◆ As the proportion of energy for consumer use is high, the effects of business fluctuations are low
Competition	◆ Severance from competition among electric power companies on account of its isolated system ◆ No competition with PPS (Power Producers and Suppliers) ◆ The advance of private power generation operations is limited (Prevention of demand withdrawals through Progressive Energy Corp , a subsidiary of OEPC.)

Disadvantages

Electric Power Generation Facilities	◆ Due to having an isolated system, it is necessary to have a high margin of power generation reserves ◆ Electrical power source composition reliant only on oil and coal
Fuel	◆ As oil and coal are the only fuels used, high commodity prices exert a great influence
Remote Islands	◆ With remote islands where cost efficiency is low, the Remote Islands Company constantly records losses
The Environment	◆ Dependent on fossil fuels (oil and coal) with a high environmental burden

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

【Enquiries regarding this document】

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