Management Overview

November 2012

The Okinawa Electric Power Company, Inc.

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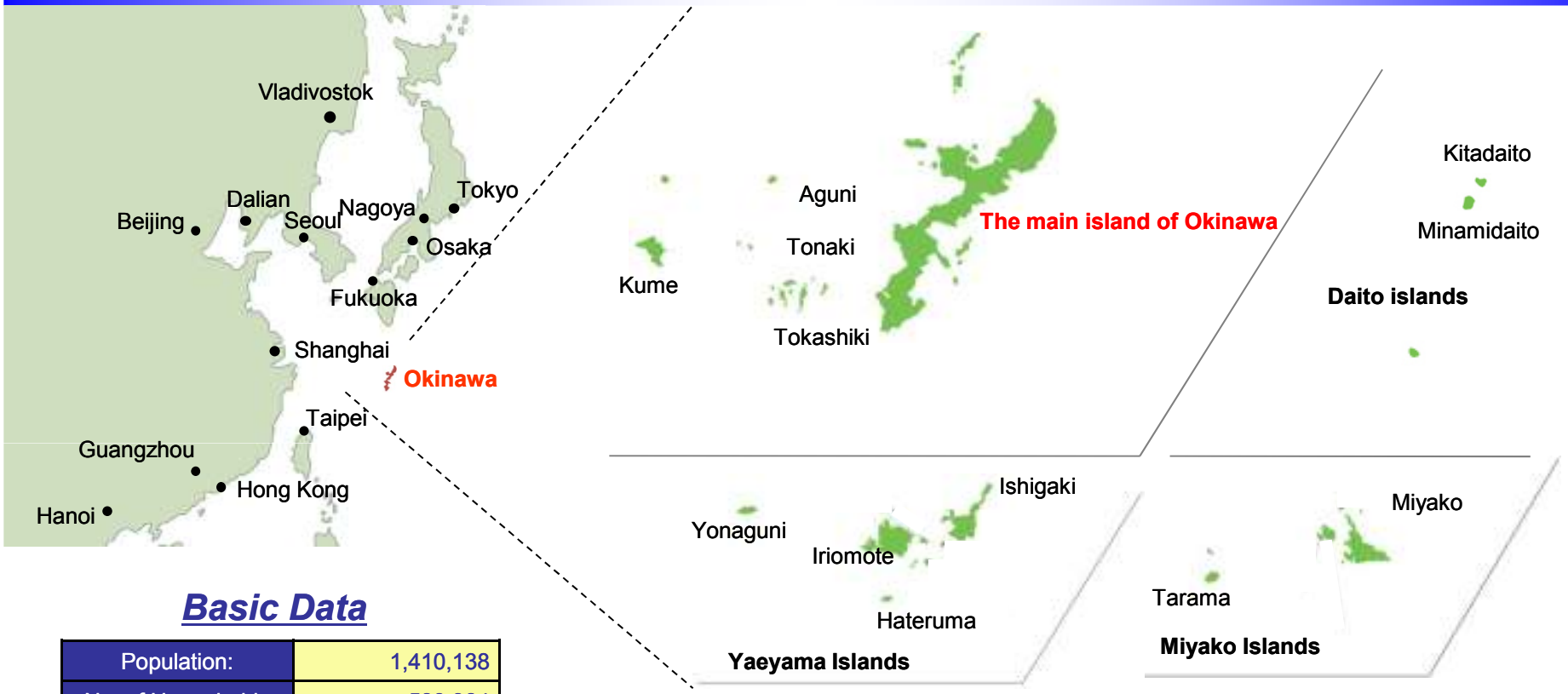
Overview of Okinawa Prefecture



Basic Data

Population:	1,410,138
No. of Households	539,984
Area	2,276㎢
Climate	Subtropical
Location	26°12N 127°41E
Prefectural GDP	¥4,081.0billion
Tourism Revenue	¥378.3billion

- **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 and Area as of October 1, 2012
Prefectural GDP as of FY2011
Tourism Revenue as of FY 2011
(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	7,842
Total assets	¥381.78 billion (Non-consolidated) ¥400.68 billion (Consolidated)
Sales (FY 2011)	¥157.88billion (Non-consolidated) ¥166.07 billion (Consolidated)
Employees	1,526 (Non-consolidated) 2,523(Consolidated)

Security code	9511
Service area	Okinawa Prefecture
Customers	Lighting 788 thousand units Power 61 thousand units Total 850 thousand units
Electricity sales (FY 2011)	Lighting 2,938 million kWh Power 4,502 million kWh (Deregulated demand 1,155million kWh) Total 7,440 million kWh
Generating facilities	Steam-power generators 4 locations 1,467 thousand kW (Oil 2 locations 715 thousand kW) (Coal 2 locations 752 thousand kW) Gas turbine generators 4 locations 291 thousand kW Internal-combustion power generators 13 locations 174 thousand kW

(as of March 31, 2012)

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, 2012

Financial Results for FY2012 2Q YTD
(Year-on-Year Comparison)

(Unit: million yen, X)

	Consolidated (A)			Non-consolidated (B)			(A) / (B)	
	FY2011 2Q YTD Results	FY2012 2Q YTD Results	Rate of change	FY2011 2Q YTD Results	FY2012 2Q YTD Results	Rate of change	FY2011 2Q YTD Results	FY2012 2Q YTD Results
Sales	86,564	90,176	+4.2%	83,002	87,074	+4.9%	1.04	1.04
Operating income	9,182	11,399	+24.1%	9,041	10,990	+21.6%	1.02	1.04
Ordinary income	7,878	10,094	+28.1%	7,636	9,696	+27.0%	1.03	1.04
Net income	5,536	7,438	+34.4%	5,339	7,201	+34.9%	1.04	1.03

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

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

【Expenditure】
■ Increase in Fuel costs, Business consignment expenses in Electric business.

Annual Outlook Summary

(Unit: million yen, X)

	Consolidated(A)				Non-consolidated(B)				(A) / (B)	
	FY2011 (Results)	FY2012 Forecast		Change ②-①	FY2011 (Results)	FY2012 Forecast		Change ④-③	FY 2011 (Results)	FY 2012 (Forecast)
		Announced in Jul.2012 ①	Announced in Oct 2012 ②			Announced in Jul.2012 ③	Announced in Oct 2012 ④			
Sales	166,075	175,200	171,800	-3,400	157,886	166,500	163,500	-3,000	1.05	1.05
Operating income	12,769	10,700	9,000	-1,700	10,844	9,400	7,700	-1,700	1.18	1.17
Ordinary income	10,273	7,900	6,400	-1,500	8,059	6,500	5,000	-1,500	1.27	1.28
Net income	6,956	5,700	4,700	-1,000	5,050	4,800	3,800	-1,000	1.38	1.24

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

[Comparison with previous forecast (Jul.2012)]

【Revenue】
- ■ Decrease in income from the Fuel Cost Adjustment System and Electricity sales volume in Electric business.
- ■ Decrease in Sales in consolidated subsidiaries.

【Expenditure 】
- ■ Decrease in Depreciation costs and Fuel costs in Electric business.

Electric Energy Demand
(FY2012 1st half and FY2012 Outlook)

FY2012 1st half Results

(Unit: Million kWh、%)

		FY 2012 1st half		FY2011 1st half Results	Perform-ance Against Plans	YoY Change
		Results	Plans			
Lighting		1,540	1,567	1,539	98.3	0.1
Power		2,448	2,457	2,423	99.6	1.0
Total		3,988	4,024	3,962	99.1	0.6
Reference	Consumer Use	3,326	3,349	3,297	99.3	0.9
	Industrial Use	662	675	665	98.1	-0.5
	Large Industrial Power (Restated)	436	450	441	97.1	-1.1

(Lighting)
- Although number of customer increased, the demand for Lighting remained almost unchanged from the same period of the previous year due to temperature variation.(0.1%)

(Power)
- The demand for Power increased Year-on-Year due to a increase in demand for Commercial power due to increased demand of new customers.(1.0%)

(Total)
- As a result, the figure totals at 3,988million kWh, which exceeded the previous fiscal year.(0.6%)

FY2012 Outlook

(Unit: Million kWh、%)

		FY2012 (Forecast)	FY2011 (Results)	YoY Change
Lighting		2,961	2,938	0.8
Power		4,543	4,502	0.9
Total		7,504	7,440	0.9
Reference	Consumer Use	6,214	6,159	0.9
	Industrial Use	1,290	1,281	0.7
	Large Industrial Power (Restated)	854	849	0.7

(Lighting)
- The demand for Lighting is expected to increase Year-on-Year due to the increase in the number of customers and diffusion of all-electric houses.(0.8%)

(Power)
- The demand for Power is expected to increase Year-on-Year due to the number of customers of Commercial power is projected to increase. (0.9%)

(Total)
- As a result, the figure totals at 7,540million kWh, which is projected to exceed the previous year's figure. (0.9%)

Electric Energy Demand (Long-term forecast)

Forecast for long-term Electric Energy demand

(Unit: million kWh, Thousand kW, %)

		2010 (Result)	2011 (Result)	2012 (Forecast)	2020 (Forecast)	2021 (Forecast)	Average growth rate per annum	
							2000 – 2010	2010 – 2021
No. 120EI forecast (2012)	Electric energy demand	(7,449) 7,521	(7,380) 7,440	7,541	8,479	8,597	(1.3) 1.3	(1.3) 1.2
	Peak load	(1,427) 1,382	(1,391) 1,341	1,430	1,588	1,608	(0.4) 0.4	(1.1) 1.4
	Annual load factor	(62.0) 64.8	(63.3) 66.0	63.0	63.8	63.9	–	–
No. 118EI forecast (2011)	Electric energy demand	(7,449) 7,521	(7,544) 7,564	7,639	8,605	–	(1.5) 1.3	(1.4) 1.3
	Peak load	(1,427) 1,382	1,437	1,454	1,617	–	(0.5) 0.7	(1.4) 1.2
	Annual load factor	(62.0) 64.8	62.7	62.8	63.6	–	–	–

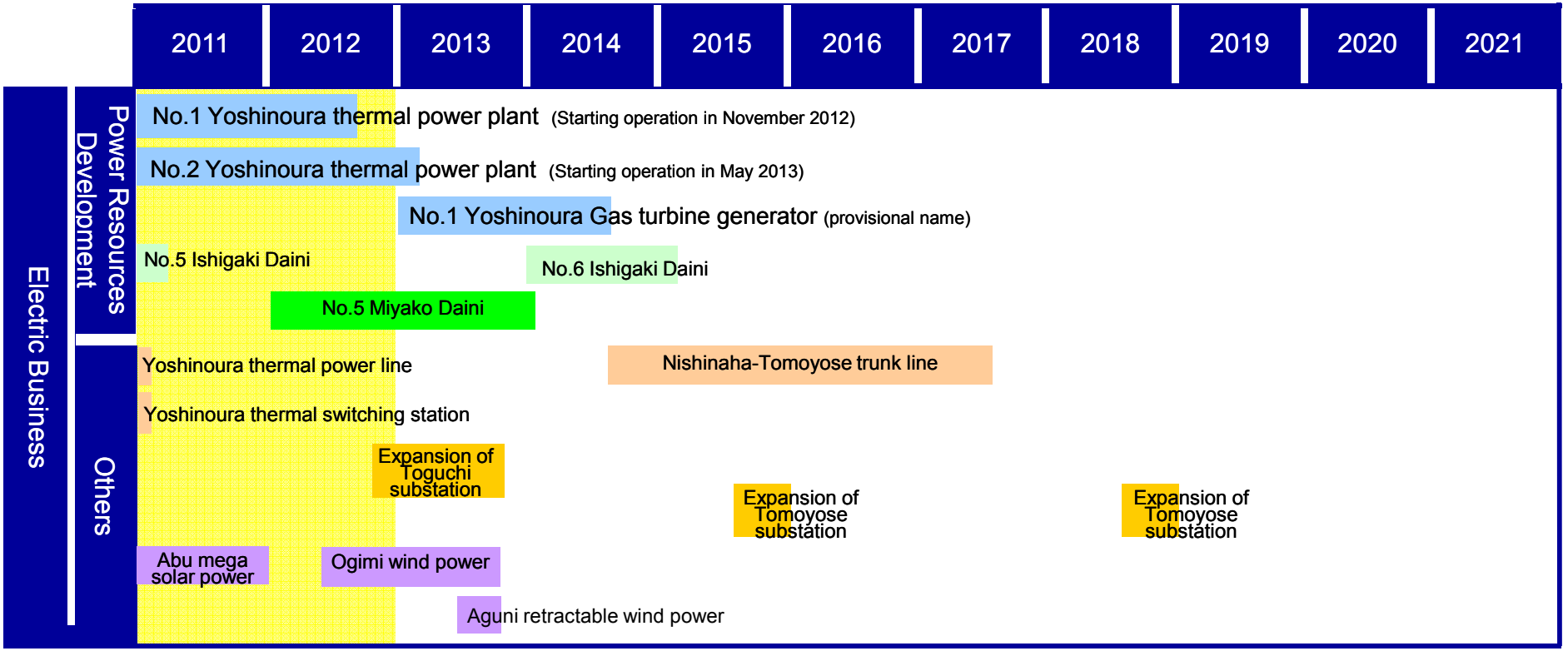
Note 1: Figures in parentheses are adjusted for the influence of temperature and leap year
(Electric energy demand and Annual load factor for FY2011 are provisional figures).
Note 2: The figures indicated for FY2011 of No. 118 EI are the estimate value.
Note 3: Average growth rate per annum for No. 118 EI are from 1999 to 2009 and 2009 to 2020.

The volume of electricity demand in FY2021 is expected to be 8,597 million kWh with the average annual growth rate from FY2010 of 1.2% (1.3% 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 Resources 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 FY2012 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 FY2012.

■ 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.

Capital Expenditures Plan (Electric Business II)

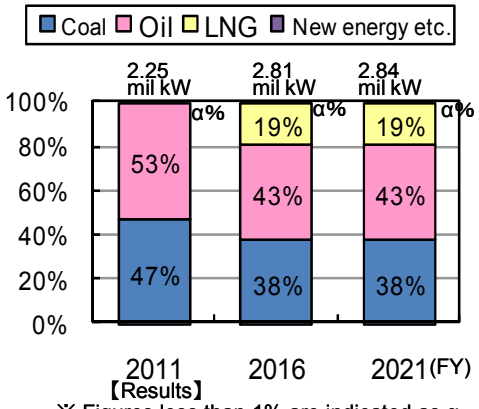
Demand-supply balance of maximum electric power (August)

(Unit : Thousand kW, %)

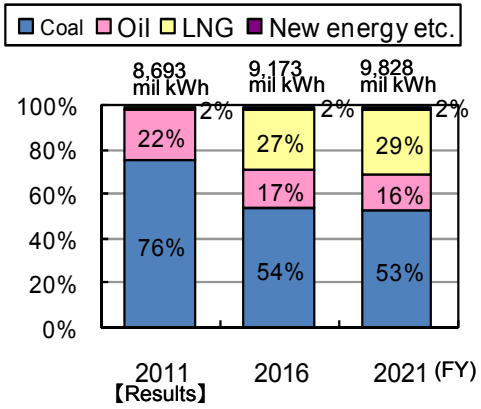
		2011 【Result】	2012 【Result】	2013	2014	2015	2016	2017	2018	2019	2020	2021
Demand-supply balance	Peak load	1,341	1,373	1,445	1,466	1,487	1,507	1,528	1,548	1,568	1,588	1,608
	Supply capacity	2,086	2,081	2,141	2,131	2,131	2,078	2,133	2,142	2,081	2,037	2,039
	Reserve supply capacity	745	708	696	665	644	571	605	594	513	449	431
	Reserve supply rate	55.6	51.6	48.2	45.4	43.3	37.9	39.6	38.4	32.7	28.3	26.8

*Maximum electric power in FY2011 and FY2012 were generated in July.

Composition ratio of plant facilities for the year-end



Composition ratio of generated power energy



※ Figures less than 1% are indicated as α.

- Reserve supply rate will be 48.2% in FY 2013 with the start of operation of the Yoshinoura Thermal Power Station.
- Capital expenditure will peak out at 48.8 billion yen in FY2012, when No.1 Yoshinoura thermal power plant starts operation, and decrease to 33.4 billion yen in FY2013.

Capital expenditures

(Unit : billion yen)

		2011 (Result)	2012	2013
Power Resources		28.0	31.5	14.6
Supply Facilities	Transmission	3.4	5.0	4.8
	Transformation	2.8	3.9	4.7
	Distribution	4.6	5.8	7.8
	Subtotal	10.9	14.6	17.3
Others		1.9	2.7	1.5
Total		40.9	48.8	33.4

※ 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 ・Disaster countermeasures ・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	・Steady operation of LNG thermal power (Yoshinoura Thermal Power Plant) with low CO2 emissions ・Efficient operation of existing thermal power plants ・Mixed combustion of biomass fuel ・Steady efforts in mega solar power plant verification studies ・Introduction of retractable wind-power generators, etc.
Ensuring proper profit levels	Improving the management of facilities	・ Reduction of the periodical inspection period by close examination of the inspection contents ・ Close investigation in design, quantity and unit price, etc.
	Reduction of fuel costs	・Stable procurement through diversification of procurement sources and Spot purchasing of C Heavy Oil ・Increasing the use of sub-bituminous coal, etc.
	Improving income and expenditure of operation in remote islands	・Increasing the rate of utilization of the existing renewable energy facilities.
	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.

*With regard to “review of energy policy,” we would like to watch future movements and take appropriate measures.

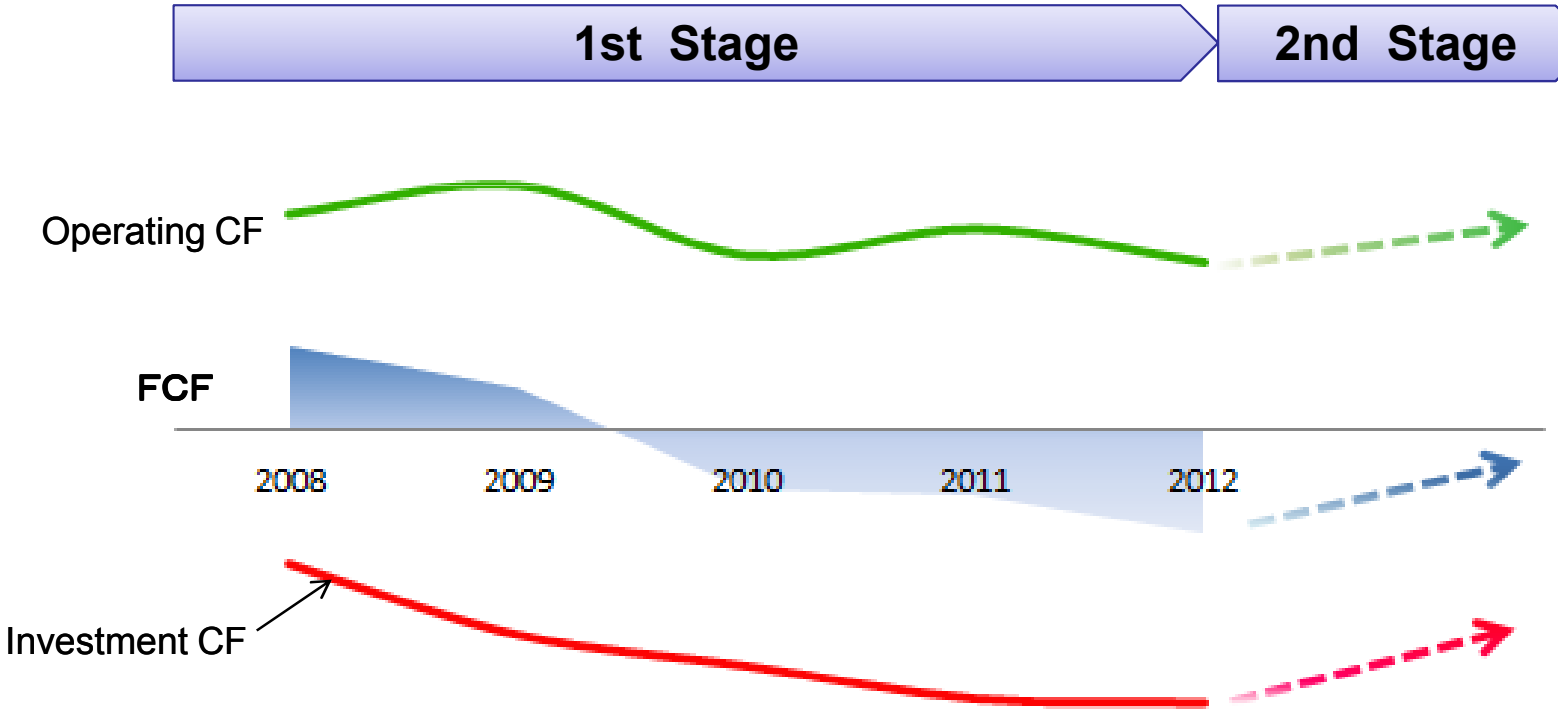
Outlook of Financial Position

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 costs 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 renewable energy and an increase in environmental costs	■ 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 FY2011 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		FY2011 Result	FY2012 Forecast
Ordinary Income	Consolidated	Yearly average of at least 11 billion yen	FY2008～FY2012	10.2 billion yen	6.4 billion yen
	Non-consolidated	Yearly average of at least 10 billion yen		8.0 billion yen	5.0 billion yen
ROA (operating Income / total assets)	Consolidated	Yearly average of at least 3.5%	FY2008～FY2012	3.2%	2.2%
	Non-consolidated			2.9%	1.9%
Balance of interest bearing debt	Consolidated	Approx. 260 billion yen	End of FY2012	219.7 billion yen	212.7 billion yen*
	Non-consolidated	Approx. 250 billion yen		217.4 billion yen	210.7 billion yen*
Equity ratio	Consolidated	Approx. 30%	End of FY2012	32.8%	31.2%
	Non-consolidated			31.9%	30.1%

* Finance leasing on major facilities at the Yoshinoura LNG terminal are not included.

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 costs	Expected to remain unchanged at JPY16～17bn. level to maintain about 1,500 staff.
Fuel costs	Fuel prices are expected to remain on high levels with uncertain outlook. There continues to be potential risk of rise in the crude oil price. There is a possibility of cost increases due to change in fuel composition after start of operation of Yoshinoura Thermal Power Plant.
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 costs	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	While expenses are expected to remain on the same level with the previous year, we will promote efficiency to reduce expenses.

Mid-term Prospects of Consolidated Subsidiaries

	Mid-term prospects
Construction Business	▸ The Okidenko is expected to remain stable on its profits, due to construction orders received mainly for electricity transmission, distribution and transformation related works. ▸ 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. ▸ Both sales and profits of The Okinawa New Energy Development Co., Ltd. are expected to improve significantly due to the effect of introduction of the feed-in tariff scheme for renewable energy.
Other Businesses	▸ The Okiden Kigyo will secure sales by striving to receive orders for expansion, improvement and maintenance of power generation plants on remote islands, as well as leasing business and non-life insurance agent business. ▸ 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, due to sales of electricity meters and maintenance work. ▸ The Okiden Global Systems (OGS) is expected to remain almost unchanged on its sales. ▸ First Riding Technology Inc. (FRT) is expected robust earnings centering on its mainstay iDC business. ▸ The Okiden Kaihatsu is expected to remain stable on its profits, due to the building lease business. ▸ The Progressive Energy Corporation (PEC) is expected to decrease both sales and profits .

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 fossil fuels
Fuel	◆ As fossil fuels 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 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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