

Management Overview

November 2009



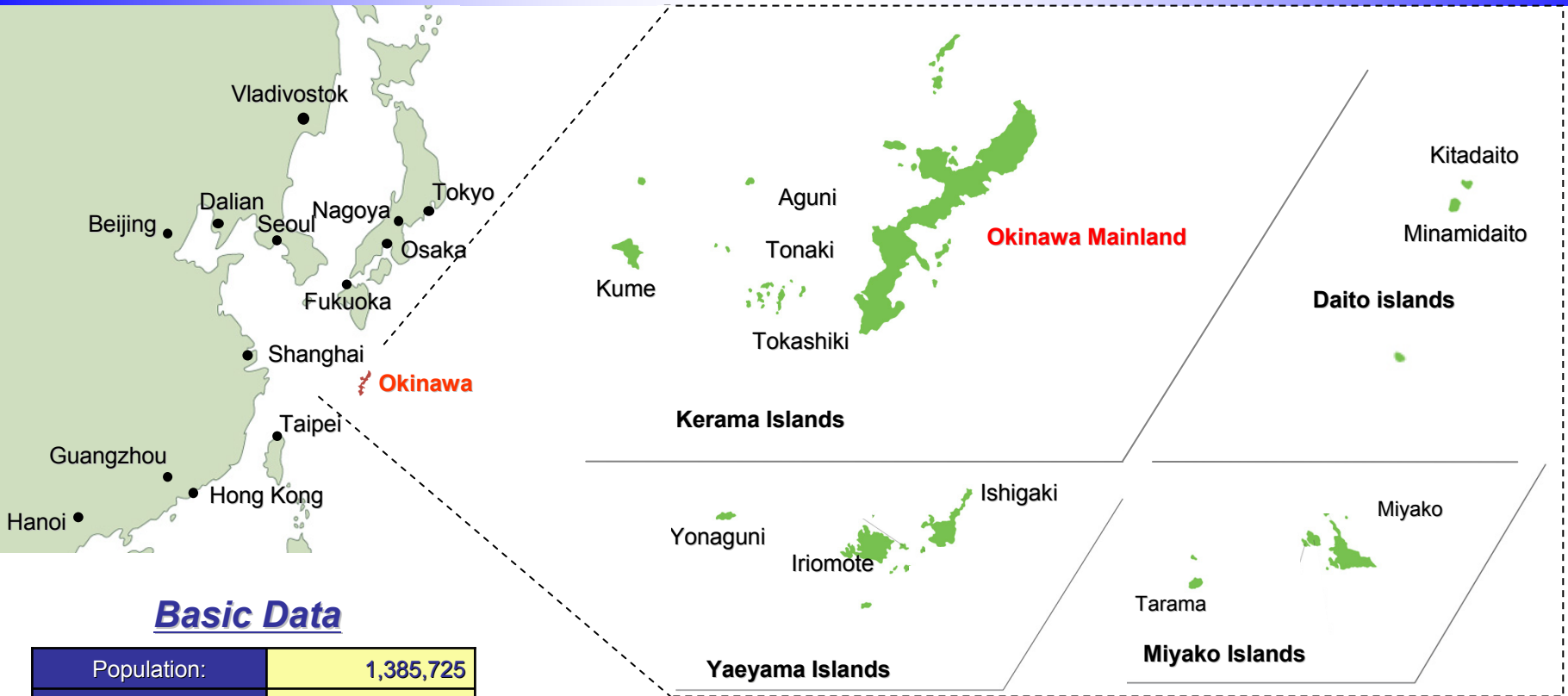
The Okinawa Electric Power Company, Inc.

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Overview of Okinawa Prefecture



Basic Data

Population:	1,385,725
No. of Households	508,064
Land Area	2,275.71km ²
Climate	Subtropical
Location	26° 12N 127° 41E
Gross Prefectural Product	¥3,966.8billion
Tourism Revenue	¥436.4billion

- ◆ 90% of the population is concentrated on the main island of Okinawa.
- ◆ Tertiary industrial sectors including commerce, finance and service account for roughly 90% of gross prefectural product.

Population, No. of Households and Land Area as of October 1, 2009
 Gross Prefectural Product as of FY 2006
 Tourism Revenue as of 2008
 (Source: Okinawa Prefectural Government, Geographical Survey Institute etc.)

Cities of the World at a similar latitude

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 part of Okinawa Prefecture including 37 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.

Date established	May 15, 1972	Securities identification code	9511
Capital	¥7,586 million	Supply area	Okinawa Prefecture
No. of shareholders	7,675	No. of customers	Lighting 758 thousand units Power 64 thousand units
Total assets	¥343.99 billion (Non-consolidated) ¥365.55 billion (Consolidated)	Electric power sales (Fiscal Year 2008)	Lighting 2,887 million kWh Power 4,589 million kWh (Deregulated demand 1,165million kWh) Total 7,476 million kWh
Sales (Fiscal Year 2008)	¥161.23 billion (Non-consolidated) ¥173.13 billion (Consolidated)	Supply facilities	Steam-power generators 4 locations 1,467 thousand kW Gas turbine generators 4 locations 291 thousand kW Internal-combustion power generators 13 locations 167 thousand kW
No. of employees	1,510 (Non-consolidated) 2,572 (Consolidated)		

(as of March 31, 2009)

Ratings

Rating agency	S&P	Moody's	R&I	JCR
Rating	AA	Aa2	AA+	AAA

* Ratings on long-term preferred debts as of September 30, 2009



Financial Results for FY2009 2Q YTD

(Period-on-Period Comparison)

(Unit: million yen, X)

	Consolidated (A)			Non-Consolidated (B)			(A)/ (B)	
	FY2009 2Q YTD Results	FY2008 2Q YTD Results	Rate of Change	FY2009 2Q YTD Results	FY2008 2Q YTD Results	Rate of Change	FY2009 2Q YTD Results	FY2008 2Q YTD Results
Sales	86,366	88,134	-2.0%	81,398	83,668	-2.7%	1.06	1.05
Operating Income	14,368	6,269	+129.2%	13,802	5,766	+139.3%	1.04	1.09
Ordinary Income	12,562	4,891	+156.8%	12,008	4,318	+178.0%	1.05	1.13
Net Income	8,195	2,974	+175.5%	7,823	2,729	+186.6%	1.05	1.09

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

【Revenue】

- Sales decreased due to decrease in income from the Fuel Cost Adjustment System in Electric Business.
- Sales increased due to increase in construction orders from private sector in Construction Business and Other Businesses.

【Expenditure】

- Fuel cost and Power purchase cost decreased largely in Electric Business.



Annual Outlook Summary

(Unit: million yen, X)

	Consolidated				Non-Consolidated				(A)/(B)	
	FY2009 Forecast		Change (A)-(B)	FY2008 (Results)	FY2009 Forecast		Change (A)-(B)	FY2008 (Results)	FY 2009 (Forecast)	FY 2008 (Results)
	Announced in Oct 2009 (A)	Announced in Jul 2009 (B)			Announced in Oct 2009 (A)	Announced in Jul 2009 (B)				
Sales	163,300	162,600	+700	173,136	151,400	150,600	+800	161,239	1.08	1.07
Operating Income	16,000	15,700	+300	14,086	14,300	14,100	+200	12,006	1.12	1.17
Ordinary Income	12,600	12,500	+100	10,717	11,000	11,000	—	8,889	1.15	1.21
Net Income	7,800	7,700	+100	5,604	7,000	7,000	—	3,635	1.11	1.54

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

[Comparison with Forecast (Jul.2009)]

【Revenue】

- Sales increase due to increase in income from the Fuel Cost Adjustment System in Electric Business.

【Expenditure】

- Fuel cost increase due to rising fuel prices in Electric Business.
- Power purchase cost increase due to increase in power purchase volume.



Electric Energy Demand (FY2009 1st half and FY2009 Outlook)

FY2009 1st half Results

(Unit: Million kWh, %)

		FY2009 1st half (Results)	FY2008 1st half (Results)	FY2009 1st half (Target)	YoY Change	Performance Against target
Electricity sales	Lighting	1,539	1,512	1,578	1.8	97.5
	Power	2,462	2,474	2,448	-0.5	100.6
	Total	4,001	3,986	4,026	0.4	99.4

Lighting : Residential use (Houses)

Power : Industrial and Commercial use (Factories, Department Stores, Hotels, Buildings etc)

(Lighting)

- The demand for Lighting increased Year-on-Year due to increased number of customers.(1.8%)

(Power)

- The demand for Power decreased Year-on-Year due to decreased demand in the steel industry in large industrial sector.(-0.5%)

(Total)

- As a result, the figure totaled at 4,001million kWh, which exceeded the previous year's figure. (0.4%)

FY2009 Outlook

(Unit: Million kWh, %)

		FY2009 (Forecast)	FY2008 (Results)	YoY Change
Electricity sales	Lighting	2,926	2,887	1.4
	Power	4,532	4,589	-1.2
	Total	7,458	7,476	-0.2

(Lighting)

- Expected to exceed the previous year's figure with a growth of the number of customers. (1.4%)

(Power)

- The demand for Power is projected to fall below the previous year's figure due to decrease Large Industrial Demand. (-1.2%)

(Total)

- As a result, the figure totals at 7,458million kWh, which is projected to remain almost on a par with the previous year's figure. (-0.2%)



Electric Energy Demand (Long-term forecast)

Forecast for long-term Electric Energy demand

(Unit: million kWh, Thousand kW, %)

(Unit:%)

		2007 (Result)	2008 (Result)	2009 (Forecast)	2017 (Forecast)	2018 (Forecast)	Average growth rate per annum		Average growth rate per annum FY2007 – FY2018
							FY1997 – FY2007	FY2007 – FY2018	Average of 9 other Electric Power companies
No. 114 EI forecast (FY2008)	Electric energy demand	(7,411) 7,491	(7,412) 7,476	7,483	8,607	8,749	(2.0) 2.0	(1.5) 1.4	(0.9) 0.8
	Peak load	《1,420》 (1,407) 1,431	《1,421》 (1,388) 1,388	1,426	1,629	1,654	(0.8) 1.4	(1.5) 1.3	(0.7) 0.6
	Annual load factor	《62.1》 (62.7) 62.2	《62.3》 (63.8) 64.5	62.7	63.1	63.2	—	—	
No. 112 EI forecast (FY2007)	Electric energy demand	(7,411) 7,491	7,525	7,688	8,876	—	(2.1) 2.1	(1.8) 1.7	
	Peak load	《1,420》 (1,407) 1,431	1,443	1,473	1,696	—	(0.9) 1.1	(1.8) 1.7	
	Annual load factor	《62.1》 (62.7) 62.2	62.4	62.4	62.6	—	—	—	

Note 1: () indicates the adjusted intercalary temperature .

Note 2: 《 》 indicates transient adjustment

FY2007 : The adjustment temperature plus typhoon.

FY2008 : The adjustment temperature plus humidity.

Note 3: The figure indicated for FY2008 of No. 112 EI is the estimate value.

Note 4: Average growth rate per annum for No. 112 EI are from 1996 to 2006 and 2006 to 2017.

FY2008 – FY2009 Economic forecast

(Average growth rate per annum, Unit:%)

		2007 (Result)	2008 (Estimated Result)	2009 (Forecast)
Real GDP	Okinawa	1.7	0.8	0.4
	Japan	1.9	-0.8	0.0

Note: GDP in Okinawa for FY2007 indicates the estimated performance.

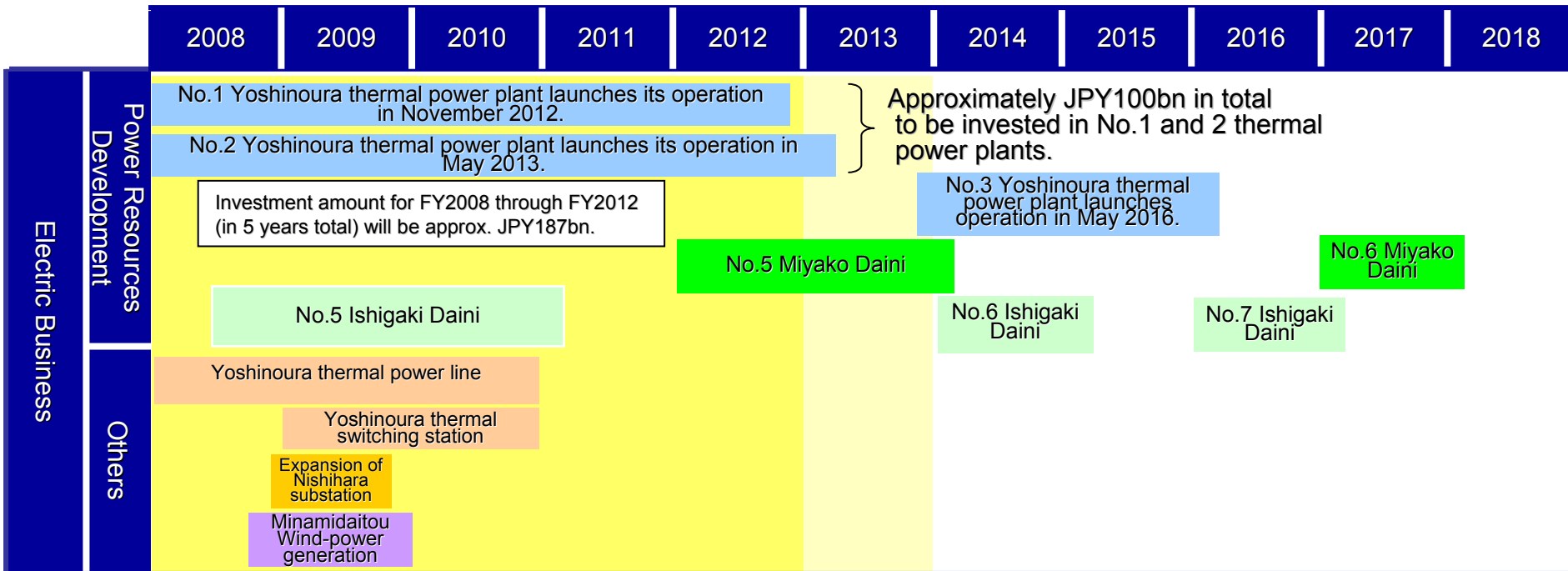
The economy in Okinawa is expected to grow under the Special Measures for the Promotion and Development of Okinawa, and various systems and policies in line with the Okinawa Promotion Plan which was compiled based on the said measures.

(According to the Economic and Social Outlook for the Okinawa Promotion Plan, average growth rate per annum of the real GDP in Okinawa for the period from 2000 to 2011 is expected to mark 2.6%.)

(Source for this page : Cabinet Office, Okinawa prefecture, FEPC)



Capital Investment Plan (Electric Business I)



Note: In the power resources development section, the facilities which launched its operation during the period between FY2009 and FY2018 with the power output of over 10,000kW are specified.

Note: As for distribution facilities, those with working voltage of 132kV or larger and are under construction or are scheduled to start construction within two years after FY2009 are listed.

- **The overall investment amount will be about JPY187bn for FY2008 through FY2012 in 5 years total.**
- **Capital investment for No.1 and 2 Yoshinoura thermal power plants**
 - Approximately JPY100bn to be invested in Yoshinoura thermal power plant.
- **Capital investment plan after No.1 and 2 Yoshinoura thermal power plants launched.**
 - Capital investment for No.3 and 4 Yoshinoura thermal power plants is purposed for electric generators only.
 - The investment amount will be lower than those of the plants No.1 and 2.



Capital Investment Plan (Electric Business II)

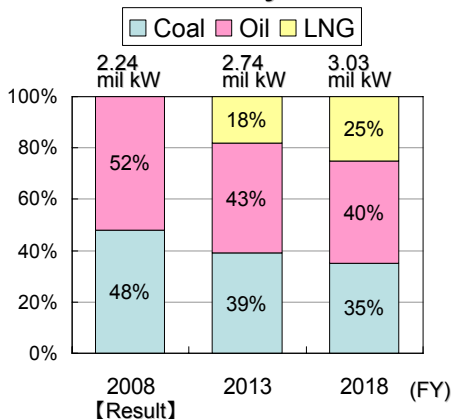
Demand-supply balance of maximum electric power (August)

(Unit : Thousand kW, %)

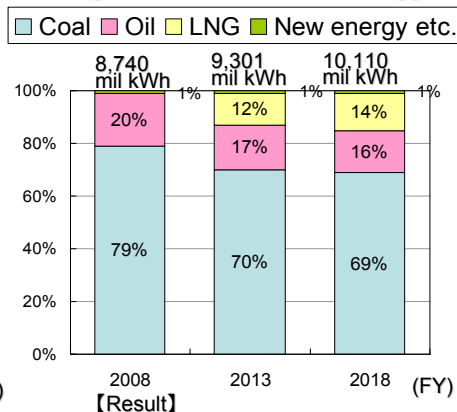
		2008 【Result】	2009 【Result】	2010	2011	2012	2013	2014	2015	2016	2017	2018
Demand- supply balance	Peak load	1,388	1,422	1,448	1,475	1,500	1,526	1,552	1,577	1,603	1,629	1,654
	Supply capacity	1,874	1,955	1,954	1,918	1,918	2,135	2,141	2,145	2,300	2,300	2,364
	Reserve supply capacity	486	533	506	443	418	609	589	568	697	671	710
	Reserve supply rate	35.0	37.5	34.9	30.0	27.9	39.9	38.0	36.0	43.5	41.2	42.9

*Maximum electric power in FY2008 were generated in July.

Composition ratio of plant facilities for the year-end



Composition ratio of generated power energy



- Reserve supply rate will be 39.9% in FY 2013 by the start of operation of the Yoshinoura Thermal Power Station.
- The amount of capital investment is expected to increase following the full-scale start of construction works related to Yoshinoura Thermal Power Station.

Capital investment amount

(Unit : billion yen)

		2008 (Result)	2009	2010	
Expansion	Power supply	Steam power	7.0	17.1	19.2
		Internal combustion power	0.0	0.6	0.1
		Subtotal	7.0	17.7	19.3
	Others	Electric power transmission	1.8	2.2	5.8
		Electric power transformation	0.8	2.9	3.9
		Electric power distribution	3.7	4.0	3.2
		Power dispatching, others	1.3	2.6	2.0
		Subtotal	7.8	11.7	14.9
	Total		14.9	29.4	34.2
	Improvement work, others		5.1	7.1	12.2
Total		20.1	36.5	46.4	



Management Issues (1 / 2)

【 Management issues and the course of action toward resolving them 】

Management Issues

- ◆ Steadily promoting construction of Yoshinoura Thermal Power Plant
- ◆ Ensuring the electricity charge comparable with the level in the mainland
- ◆ Addressing the global warming issues
- ◆ Reduction in fuel cost
- ◆ Improvement of remote island income and expenditure
- ◆ Establishing a strong and flexible financial position
- ◆ Dividend policy / return to shareholders
- ◆ Enhancing the Group management

Medium and long-term course of action toward resolving issues

Stable supply of high quality electricity

- Steady work on development / operation / maintenance of power generation facilities
- Stable fuel procurement

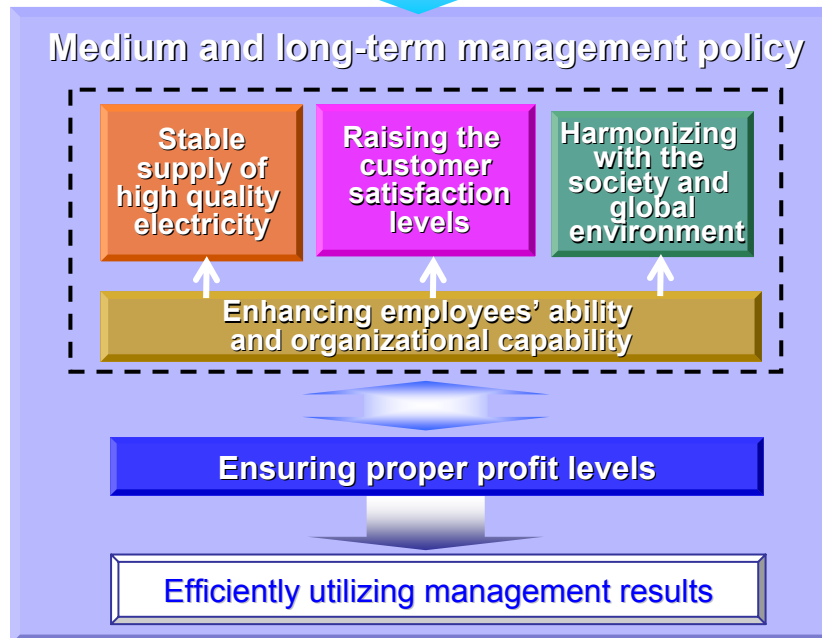
Raising the customer satisfaction levels

- Raising the customer satisfaction levels
- Secure the appropriate electricity charge level

Harmonizing with the society and global environment

- Maintaining public trust
- Consideration to the global environment
- Promotion of contribution activities to the local community

Medium and long-term management policy



Enhancing employees' ability and organizational capability

- Enhancing employee's ability
- Enhancing organizational capability

Ensuring proper profit levels

- Maintenance and expansion of profit
- Improving operational efficiency

Effectively utilizing management results

- Electricity charge policy
- Return to stockholders
- Enhancing financial position
- Investing in growth fields



Management Issues (2/2)

【 Issues and measures for resolving them 】

Management Issues	Measures for resolving the issues
Steadily promoting construction of Yoshinoura Thermal Power Plant	<ul style="list-style-type: none"> •Steadily carrying out construction work •Further cost reduction in each stage of construction work, etc.
Ensuring electricity charge comparable with the level in the mainland	<ul style="list-style-type: none"> •Curtailling capital investment •Further improving the operational efficiency •Stimulating demand, etc.
Addressing the global warming issue	<ul style="list-style-type: none"> •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 retractable wind turbine systems to remote islands •Utilization of Electric vehicles •Procuring CO2 credit using the Kyoto Mechanisms, etc.
Reduction in fuel cost	<ul style="list-style-type: none"> •Spot purchasing of C Heavy Oil •Reduction in transportation cost, etc.
Improving income and expenditure of operation in remote islands	<ul style="list-style-type: none"> •Introduction of new energy facilities including retractable wind power generation facilities and solar power generation facilities •Improving the operational efficiency of power generation facilities through the EDC (economic load dispatching control) system •Effective utilization of waste oil, etc.
Establishing a strong and flexible financial position	<ul style="list-style-type: none"> •Reasonable and efficient execution of operations •Stimulation of additional demand, etc.
Dividend policy / return to stockholders	<ul style="list-style-type: none"> •Well-balanced allocation of Free Cash Flow among "Dividend policy", "Electricity charge policy", "Improvement of financial position", "Investment in growth fields".
Enhancing the Group management	<ul style="list-style-type: none"> •Enhancing the integrated operation of the Group •Establishing an efficient and optimal organizational framework •Establishing the OEPC Group brand, etc.



Outlook of Financial Position

If a forecast is made for the coming 10 years taking the start of thermal power operations at Yoshinoura as the dividing point, the company expects to undergo a big turnaround at this point, including in its financial situation.

	1st Stage(~2012)	2nd Stage(2013~)
Summary	<ul style="list-style-type: none"> ■ Burden for capital investment has increased due to the construction work of the Yoshinoura thermal power plant ■ Profits have stabled until FY2011 due to decreased cost of depreciation ■ Operating CF remains unchanged, and FCF is expected to result in minus (until FY2011) ■ Cost increase by acquisition of the CO₂ credit 	<ul style="list-style-type: none"> ■ Burden for capital investment will be reduced significantly ■ Depreciation cost will increase and temporarily puts pressure on profits ■ Operating CF will increase, and FCF is expected to recover rapidly ■ The population will continue to increase even with a slower rate
Issues	<ul style="list-style-type: none"> ■ 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 	<ul style="list-style-type: none"> ■ Efforts for the improvement of capital efficiency ■ Implement the additional capital investment, taking into account profitability and efficiency ■ Improvement of return to stockholders
CF usage	<ul style="list-style-type: none"> ■ Will prioritize the capital investment in the Yoshinoura thermal power plant ■ Will consider return to stakeholders based on the assumption that the financial goal can be achieved 	<ul style="list-style-type: none"> ■ Improvement of return to stakeholders ■ Bolstering the foundation of integrated energy business



Summary of Mid-term Financial Targets

		FY2009 Management Plan		FY2008 Result	FY2009 Forecast
Ordinary Income	Consolidated	Yearly average of at least 11 billion yen	FY2008~FY2012	10.7 billion yen	12.6 billion yen
	Non-consolidated	Yearly average of at least 10 billion yen		8.8 billion yen	11.0 billion yen
ROA (operating Income / total assets)	Consolidated	Yearly average of at least 3.5%	FY2008~FY2012	3.8%	4.3%
	Non-consolidated			3.5%	4.1%
Balance of interest bearing debt	Consolidated	Approx. 260 billion yen	End of FY2012	214.4billion yen	210.8 billion yen
	Non-consolidated	Approx. 250 billion yen		206.0 billion yen	205.7 billion yen
Equity ratio	Consolidated	Approx. 30%	End of FY2012	30.2%	31.2%
	Non-consolidated			30.7%	31.3%

*We revised the mid-term targets in March 2009 due to launching Yoshinoura thermal power station were postponed for 2 years.



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	Energy price hike has eased, but the future 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	Expected to remain unchanged at JPY15bn. level although increasing factors with the increase in facilities are expected.
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	It will change with the coal price. There is a need to strive to reduce the basic charge (DC unit 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	Other expenses will increase due to CO ₂ credit cost.



Mid-term Prospects of Each Company

	Mid-term prospects
Construction Business	<ul style="list-style-type: none"> ▶ Okidenko, Oki Setsubi are expected to show nearly flat movements in revenue and expenditure. ▶ Okinawa Enetech is expected to strive to expand orders received using energy supply technology and new energy technology. ▶ Okinawa New Energy Development is expected to show steady sales with expansion in wind-power generation.
Other Businesses	<ul style="list-style-type: none"> ▶ Okiden Kigyo is expected to show nearly flat in revenue and expenditure with its sales supported by its lease and insurance businesses. ▶ Okinawa Plant Kogyo increases the Yoshinoura-related sales. ▶ Okinawa Denki Kogyo is expected to show nearly flat movement in sales. ▶ Okiden Global Systems (OGS) is expected to show nearly flat movement in sales. ▶ Okinawa Telecommunication Network (OTNet) are expected to show stable sales. ▶ First Riding Technology (FRT) is expected to increase sales with stable demand. ▶ Okiden Kaihatsu is expected to show stable movements in revenue and expenditure. The company may make an investment in accordance with order intakes for projects including PFI. ▶ Progressive Energy (PEC) will strive to increase sales by focusing on businesses other than in-house power generation business. ▶ Kanucha Community (KCC) is discussing business development for the future in consideration of the trends of rapidly changing economic situation.



Characteristics of the Business Bases

Advantage

Demand for Electric Power	<ul style="list-style-type: none"> ◆ Increasing demand as population increasing ◆ As the proportion of energy for consumer use is high, the effects of business fluctuations are low
Competition	<ul style="list-style-type: none"> ◆ 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.)

Disadvantage

Electric Power Generation Facilities	<ul style="list-style-type: none"> ◆ 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	<ul style="list-style-type: none"> ◆ As oil and coal are the only fuels used, high commodity prices exert a great influence
Remote Islands	<ul style="list-style-type: none"> ◆ With remote islands where cost efficiency is low, the Remote Islands Company constantly records losses
The Environment	<ul style="list-style-type: none"> ◆ 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.

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