

OEPC's power supply plan for fiscal 2000 comprised three priority policies: encouraging rigorous cost-cutting measures, continuing to build and improve upon the efficiency of the Company's electric power supply system, and promoting measures to prevent environmental damage and develop new sources of energy. The OEPC Group has also made positive developments in enhancing its overall strength and in contributing to the local community.

Power Generation Facilities

With the fundamental goal of ensuring the stability of power supply over the long term, we are pushing forward with plans for the expansion of our power generation facilities to cope with forecast increases in demand, while improving the security and cost-effectiveness of our power supply structure.

During the term under review, the main development in the area of power generation was the steady progress made in the construction of the Kin Thermal Power Station on the main island, scheduled to start operations in February 2002. Another task was the establishment of a long-term management plan with the goal of generating sufficient income to rectify the balance of expenses necessary to supply electricity to remote islands by improving operational efficiency. This was done by introducing mobile generation units and gas turbine generators, which enabled reductions in capital investments, and by reducing expenses through periodic scheduled inspections. In practical terms, OEPC lowered its construction costs considerably by starting operations of the two low-cost fixed-type gas turbine generators (5,000 kW each) at its No. 2 Ishigaki Island Power Station to deal with peak load periods on the island, and introduced diesel generators with foreign-built engines (both 300 kW) on the smaller islands of Tonaki and Rikkoku.

While investigating new sources of energy, in order to demonstrate the efficiency of using distributed power generation systems on remote islands, the Company in November 2000



Gushikawa thermal power station and Kin thermal power station in the distance

began test operations of the micro-gas turbine power generation facility manufactured by Capstone Turbine Corporation of the U.S., which has recently received much attention from around the world.

During fiscal 2001, the Company will make steady preparations to begin operating the first power generator at the Kin Thermal Power Station, and at the same time, forge ahead with its plans to build an even more efficient and effective system of supplying power to remote islands. We will also clarify the rights and responsibilities of remote island operations and strengthen the functionality of our newly-established Remote Island Electrical Service Headquarters, with the purpose of introducing a semi-autonomous system for remote islands. During fiscal 2001, we expect coal-fired power stations to account for 61% of the total power generated.

Transmission Facilities

OEPC is working to improve the efficiency of its transmission facilities by reducing expenses, through reviews of basic facility designs, specifications, and methods, and by procuring resources and machinery from overseas. We have increased the capacity of existing trunk lines and installed backup routes from the trunk-line routes. Moreover, in accordance with our power supply plan, we are enhancing our transmission network, developing automated distribution systems, increasing the thickness of power transmission lines, and expanding the application of new methods of installation that minimize the probability of power blackouts.

In June 2000, the construction of a backup system both for the transmission lines to the northern part of the main island and the power route for the Gushikawa Power Station were completed so that more areas can have access to a secure supply of electric power. Until this time, the northern areas of the main island were supplied with electricity via the Kin trunk line and the eastern part of the New-Nago trunk line, and in the event that both lines were cut, by some natural occurrence such as



Power transmission route

lightning, the entire northern area of the main island would have suffered a power blackout. To remedy this situation, the Company not only provided a dual-routed backup system through the construction of the western route, but also doubled the cables along the new route. In this way, the Company was able to ensure an uninterrupted supply of energy and safeguard against a power shortage at the site of the G8 Summit in July 2000.

The construction of the dual-routed backup system (New-Nakagami trunk line) for the Gushikawa Power Station was completed over a period of approximately two years. It is one of the longest overhead transmission lines owned and operated by the OEPC.

During fiscal 2001, we will continue to work for more thoroughgoing reductions of supply costs and controls on capital investments, but also put our efforts into the efficient operation and maintenance of facilities by enhancing maintenance inspections, thereby extending the useful life of existing facilities.

Marketing Activities

The Company has been tackling two priority tasks - to respond effectively to the partial liberalization of electric power and to promote load leveling by encouraging people to adjust their consumption both between seasons and between daytime and nighttime. To do this, we are promoting the use of electric water heaters and heat-storage air-conditioning systems, and offering a selection of electricity rate packages that will promote load leveling. We have encouraged all employees to put marketing needs at the forefront of their concerns and help customers understand the merits of load leveling.

The Company has also developed a number of marketing schemes closely tailored to the preferences and needs of consumers in Okinawa, including the establishment of the Okinawa Electric Water Heater Promotion Committee and the Okiden Fureai Plaza, and various promotion campaigns such as the deploying of "mobile showrooms," containing mockups of residences filled with electric appliances, to tout the advantages of

electricity in terms of safety and convenience. As a result, ownership of heat-storage air-conditioning systems increased by 52.5% over the previous term to 215 households, and due to the introduction of a rental system, the number of households using electric water heaters increased by 36.3% to 7,606 during the term under review.

In October 2000, as part of a new electricity rates menu, we introduced what we call the Ee-Life system (low-voltage power supply contracts, where charges vary according to the season and time of day), which sets discounted rates for customers who use only electric power in the home. We also introduced a weekend electricity supply discount for businesses, a heat-storage-adjusted discount, and a heat storage air-conditioning subcontract, which provides discounts on the use of electric power air-conditioning systems during off peak times.

We have also enhanced the disclosure of our business activities, utilizing our Internet website and a wide variety of information tools, and we surveyed customers' views and desires and made them a factor in deciding our management strategies.

During fiscal 2001, we will actively endorse our new electricity rates menus, including the "Ee-Life" plan, while encouraging more customers to use electric water heaters and heat storage air-conditioning systems and offering improved consulting services to our major account customers. We are also examining the establishment of a clerical operations center that makes use of IT to handle everything from electricity supply contracts to payments and inquiries.

Preservation of the Environment and Utilization of New Energy Sources

Based on its Environmental Preservation Action Plan, the Company is working together to preserve the environment, conducting checks and reviews to ensure the effective execution of the plan. By the autumn of 2000, the Ishikawa, Gushikawa, and Makiminato Thermal Power Stations had acquired ISO 14001 certification. The Company will maintain strict adherence to its



The Miyako Wind Power Research Facility

environmental management system and make efforts to acquire ISO 14001 certification for its other power stations and offices.

The key to reducing CO₂ emissions is fuel selection. After the start of operations at the Kin Thermal Power Station in 2002, we will follow a concrete plan to reduce CO₂ emissions by introducing LNG as an energy source. Based on research results, the Company has also introduced wind and solar power generation and developed a new energy generating system that combines solar and wind power generation with new types of storage batteries. We drew up a Basic Plan for New Energy and are considering ways of reducing construction costs for the implementation of this Plan.

To further promote the use of new energy sources, the Company inaugurated the Okinawa Green Power Fund in October 2000 with donations from individual and corporate customers. On behalf of the fund, the Company collects donations together with customers' monthly payments. These donations are used mainly to promote the establishment within Okinawa Prefecture of power facilities that utilize renewable energy sources. A portion of the fund is also used as part of a nationwide effort to encourage the use of wind power generation. In order to ensure transparency in the collection of donations, the Company assists the Nansei Shoto Industrial Advancement Center, which is in charge of managing the fund.

Enhancing Corporate Value Through Groupwide Efforts

OEPC plans to take an active stance toward the creation and fostering of new businesses while keeping our eyes on changes in factors such as the accounting system and the business environment, which have in the recent past necessitated corporate

restructuring through deregulation as well as amendments to the Commercial Code for the establishment of holding companies. To accomplish this aim, the Okiden Group ("Okiden is an abbreviation of the Japanese name for Okinawa Electric Power) will utilize all the management resources it has cultivated to seize new business opportunities on a number of fronts, incorporate new businesses that are expected to achieve growth and profitability, and examine the possibilities of reconstructing and restructuring its business areas.

By enhancing the competitiveness and marketing strengths of Group companies, expanding sales from outside the Group and strengthening partnerships and cooperative relationships among the companies, we aim to promote the management efficiency of the Group as a whole and improve business performance on a consolidated basis.

Telecommunications is an area of business from which much growth is expected in the future. The government has been actively organizing IT Strategy Sessions based on its "e-Japan" concept, and rapid progress in computerization — of government, companies, and among individuals — is expected in the near future. Both the central government, through its plan to promote Okinawa as Japan's "special international telecommunications zone" and the prefectural government, through its "Multimedia Island" concept, have taken measures to subsidize telecommunications industries. Many call centers, contents creators, and software developers have already sprung up, and more IT and telecommunications industries are expected to merge on the main island in the near future. At the moment, three companies within the Okiden Group are involved in the telecommunications business — Okiden Joho Service, Astel Okinawa, and Okinawa Telecommunication Network. In July 2000, together with three

other companies, including Nippon Telecom, we established a new company that acts as both a data center and a call center and offers a wireless Internet connection service throughout the prefecture. In May 2001, Okinawa Telecommunication Network entered the Internet service provider business, establishing the wholly-owned subsidiary OT Net Service Co., Ltd. From here onward, we plan to further strengthen the cooperative relationship among the OEPC Group companies in order to enhance and support the Group as a whole.

The new Planning Headquarters, established as a result of the recent OEPC structural reform, will put its energies into drawing up and implementing strategies to enhance the performance of the entire Group.

Creating a Working Environment that Improves Staff Abilities

In this new era of severe competition, we require a flexible approach to management issues and speedier decision making. With these aims in mind, we have decided to create a new management system based on the principle of taking personal responsibility for one's decisions at the departmental level.

Specifically, we aim to foster the development of high-level specialist skills among our staff, improve the abilities of our marketing staff, make more extensive use of overseas study schemes, and expand the application of in-house language learning and certification schemes. In this way, we hope to train staff to cope effectively with the rapidly globalizing business environment and raise the level of computer literacy. Moreover, we plan to create a training system that will allow newly hired employees to make a contribution to the Company's bottom line in record time. To ensure the efficiency and effectiveness of our staff training programs, we plan to build a Central Training Institute.

In parallel with these efforts in the field of staff training, we are also promoting a change in the work attitudes of employees, including at affiliated companies. We intend to inject greater energy into the current system of making proposals and encourage staff to take a more active part in shaping the work process. To expand the scope of our business operations and foster the entrepreneurial spirit among employees of Group companies, we have implemented the "Move 2000 Program," which provides help and incentives for staff to form venture companies.

Contributions to Regional Society

The management of OEPC places emphasis on working together with the local community for the good of the region. To this

end, all members of staff strive to be responsible citizens by taking an active part in community activities such as educational and cultural programs. This is part of our overall effort to ensure that the Company enjoys the trust of the people of Okinawa Prefecture. We also make a contribution to the development of the local community by financing research projects at educational institutions and through cooperation with the activities of the Center for the Revitalization of Industry in the Nansei Region, a foundation. Moreover, the Company plays an active part in stimulating the economy of Okinawa Prefecture through various policy proposals to and support for local authorities.

As an important part of our continuing contribution to the community, we set aside a 10-day period every November to encourage closer communication between our staff and the public and to give us an opportunity to express our appreciation for their support. During this period, we hold various events and get-togethers at power stations and other facilities throughout the prefecture.

As part of our cultural activities, we sponsor the Okiden Sugar Hall Newcomers' Concert with the aim of discovering and helping foster promising new talents in the field of classical music. In recognition of our efforts in discovering and supporting talented young people in the arts field, we were recently awarded the Year 2000 Philanthropy Prize by the Association for Corporate Support of the Arts.

In addition to the foregoing, we sponsor the Exhibition of Science Works by Schoolchildren with the aim of broadening interest in science among students from elementary to high school level. Moreover, OEPC staff act as volunteer helpers at triathlons held on Ishigaki and Miyako islands. Employees also help cement the Company's ties with the local community by participating in festivals, giving lectures open to the public.



Okiden Sugar Hall Newcomers' Performance Audition