

A New Course for Electric Power Companies

Deeply aware that the initiatives being undertaken this past year or two will have a large impact on OEPC's future, in the current term we are making efforts to be the kind of tenacious company capable of generating profits even in a severe operating environment. In fiscal 2003, we will push ahead steadily to achieve concrete results from the preparations made up to now. The following is a list of the initiatives we are currently undertaking, as we proceed with bold determination to fulfill our goals.

Targeting Company-Wide Implementation of ISO 9001

To achieve company-wide implementation of a quality management system adhering to the ISO 9001:2000 international standard, the certification of which we obtained in 2002, we are encouraging each and every employee to learn about and implement this system, and then make the necessary improvements. Such improvements will lead to increased efficiency in operations and a quicker response by our employees. We are simultaneously creating a corporate climate that welcomes improvements that will lead to higher customer satisfaction and lower costs. To this end we are further developing this management system, and in July 2003 we established the Quality Management Office, which reports directly to the head of the Planning Headquarters, to provide the necessary follow-up. We aim to expand the scope of ISO 9001 certification to include the Remote Island Electric Service Headquarters* and our power plants, and coordinate this with ISO 14001 certification.

* Remote Island Electric Service Headquarters: In July 2002, OEPC introduced an in-house company system. Due to the small size and geographic remoteness of the islands, the Company has found it difficult to conduct lower-cost operations in remote island areas. However, with the newly clarified scope of authority and responsibilities, an in-house company will carry out prompt decision-making in managing remote island operations, and aims to improve revenues through long-term self-help efforts as a highly autonomous entity.

Strengthening Cost Competitiveness

To survive the market competition, it is essential to implement the various measures for liberalization that we at OEPC have so eagerly put together and achieve fees competitive with those of new power producers and suppliers (PPS) and part-time service providers utilizing their in-house generators. At the same time, to strengthen our financial position, we aim to secure annually an ordinary profit of over ¥6,000 million, on average for the fiscal years 2003–2012, and achieve an equity ratio at the 20% level by the end of fiscal 2004. We will work steadily to achieve these goals.

To this end, we have introduced a managerial accounting system that raises cost-consciousness by holding each department accountable for its own costs. By means of more effective capital investment, we expect to reduce aggregate capital investment for the decade to less than ¥250 billion. We aim to further strengthen our cost competitiveness through aggressive measures, strict cost-cutting measures, active streamlining, and enhancing the efficiency of business operations through the use of IT. Furthermore, we will work actively to cultivate demand by enhancing marketing capabilities and to facilitate load leveling through the promotion of electric water heaters and energy-storage systems.



Kin Thermal Power Station

Providing Maximum Customer Satisfaction

As for the scope of liberalization at OEPC, authorities have decided to liberalize the whole range of special-purpose, high-voltage operations in April 2004, and are considering gradually expanding this scope.

Today, as we move into a new phase in which customers will be able to choose their own supplier, it will be important to respond to the diverse customer needs promptly and precisely.

To respond to liberalization and compete with private service providers, we undertook organizational reform in July 2003, and set up the Solution Marketing Group. By undertaking such initiatives as creating a wider variety of electricity rates and commencing consulting activities, and developing a Solutions Business, we are working to expand our marketing activities by drawing on our experience and knowledge. We are also setting up a call center to provide precise responses to customer inquiries in an effort to offer high-quality services. In this way,

we are working to become the company of choice among the prefecture's customers in this age of competition.

Ensuring a Steady Supply and Cost Reductions

Given the importance of a secure, stable power supply to customers, we expect every employee to recognize the importance of providing a stable supply of electric power, and are expanding and strengthening our facilities and systems to ensure that our power supply is indeed secure and stable, while simultaneously working to raise total system efficiency in operations and maintenance of facilities handling both power supply and distribution. Furthermore, we will give even greater priority to environmental preservation in regard to construction and operation of an electricity supply facilities.

With the commencement of operation of the No. 2 generator at Kin Thermal Power Station in May 2003, we expect coal to account for 77% (OEPC 54%,

other companies 23%) of electric power generation in fiscal 2003. Meanwhile, through the introduction of LNG as an energy source, we predict that generation using non-oil energy sources will account for 85% (coal 68%, LNG 17%) in ten years — by fiscal 2013. Plans are moving along smoothly for the LNG-powered Yoshinoura thermal power station. We will devise specifications of the power station which enable operation costs that are on par with generation costs at average coal-fired power plants. We are looking into measures to reduce fuel-procurement costs, and are devising the optimal distribution facility.

Moreover, we are planning to build facilities for the efficient transmission, transformation and supply of electricity after accurately assessing regional trends, while promoting widespread adoption of accident prevention measures for the automatic switch-over to backup generator systems, to enhance the efficiency of our distribution facilities.

Enhancing Corporate Value

In addition to bolstering the capacity of our electric power business to prepare for future risks, OEPC will struggle to foster new businesses and provide support for the new ventures of Group companies. We will form alliances with corporate groups within the prefecture to extend our business domain. We will also conduct surveys on business development and research. In these activities, we will not limit ourselves to the prefecture but also include areas outside the prefecture and outside Japan.

To maximize the Group's collective strength, we are putting considerable effort into training staff within the Group, promoting increased efficiency of all employees of Group companies, and expanding marketing activities. In particular, in the IT business, through close cooperation with Group companies, we are preparing a system through which to provide total solutions, with three functions serving as the core (telecommunications infrastructure, applications and data center), with the aim of making IT into a second core business. In the future, we will

continue to undertake comprehensive business development. To this end, we will also press on with the laying of an optic fiber network.

Furthermore, taking advantage of Okinawa's distinctive climate, we are looking into new businesses, such as nursing homes and recreation facilities, with the aim of aggressively expanding into new areas that promise enhanced profitability.

In addition, by improving our earnings performance through more closely integrated Group management, we will be able to pursue more active business expansion, promote greater efficiency and work to increase sales outside the Group. We are also undertaking various IR activities, ensuring a prompt and accurate disclosure of corporate data, in an effort to establish the Okiden Group brand, with the continued trust and support of our customers, shareholders, and investors.

Creating a Better Working Environment

Our goal is for all employees to recognize their roles and responsibilities, and then make action plans, set positive targets, and conduct their duties with the conviction that their activities are advancing business operations. Therefore, we require that all regulations and laws are observed, that business activities are performed with great care for ethical considerations, and that every employee take responsibility for bringing about positive reform. We hope to train staff to cultivate self-reliance and promote specialized study. We continue to promote the "MOVE 2000 program," which provides assistance and incentives for staff to form venture companies. In this way, we are working to create a pleasant work environment that instills in employees a will to work, as well as inspires their dreams.

Living in Harmony with the Global Environment

Based on the premises provided in its Environmental Preservation Action Plan, OEPC actively implements environmental preservation measures at all its

departments and power stations. As part of our initiative to reduce CO₂ emissions as a countermeasure against global warming, we are constructing the LNG-fueled Yoshinoura Thermal Power Plant. Meanwhile, the highly efficient Kin Thermal Power Station has commenced operation, and contributes to the World Bank's carbon fund*.

In addition to implementing such measures, we are promoting the development and introduction of technology for new energy systems, such as wind power and solar power, within the Okiden Group in an effort to reduce the environmental burden.

Regarding the international environmental standard for management systems (ISO 14001), three steam-powered generation plants have acquired certification, and are continuously undertaking activities toward the achievement of environmental targets and goals.

We actively engage in reforestation both in the prefecture and overseas. In addition, we are devising plans for effectively utilizing and processing coal ash.

Striving to preserve the beauty of nature for future generations by living in harmony with the environment, the Company is applying various technologies and expertise, autonomously and actively promoting the implementation of measures that reduce the burden on the environment. In this way, we make environmental preservation a foremost priority.

* The carbon fund is a fund established by the World Bank for supporting the transfer of global warming-related technologies to developing countries. It is an international mechanism by which contributors to the fund obtain credit for the reduction of CO₂ emissions. OEPC has decided to contribute funds to the Community Development Carbon Fund (CDCF), and the BioCarbon Fund (BioCF).

Contributing to Regional Society

Aware of the importance of working together with the local community for the good of the region, each and every member of our staff strives to be a responsible citizen by taking part in community activities. This is part of our overall effort to ensure that the Company contributes to the rich culture of the prefecture and earns the trust of the people of Okinawa Prefecture.

During the period, we hold various events and get-togethers at power stations and other facilities throughout the prefecture, in addition to public activities, volunteer work, and sports exchange events. Given our duty to contribute to the advancement of the society, the culture, the economy, and education in Okinawa Prefecture, we participate in or provide support for local festivals, as well as cultural and sporting events. We sponsor concerts and lectures on cultural topics, as well as events promoting science and technology. Our employees undertake volunteer activities.

In this way, the Company promotes various activities that contribute to the advancement of the country and the prefecture, and through cooperation with the Nansei-Shoto Industrial Advancement Center (NIAC), promotes analysis and research pertaining to the local business community.

