

Tsugiyoshi Toma, *President*

Key Questions & Answers

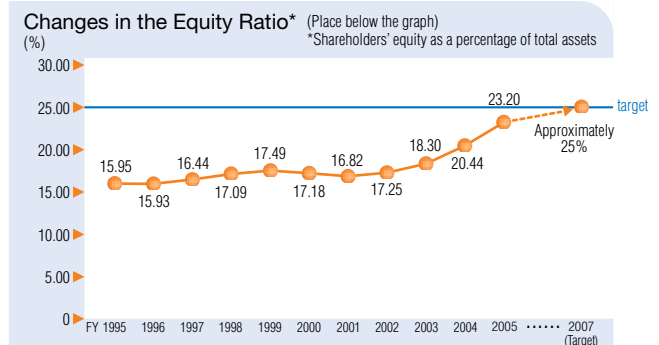
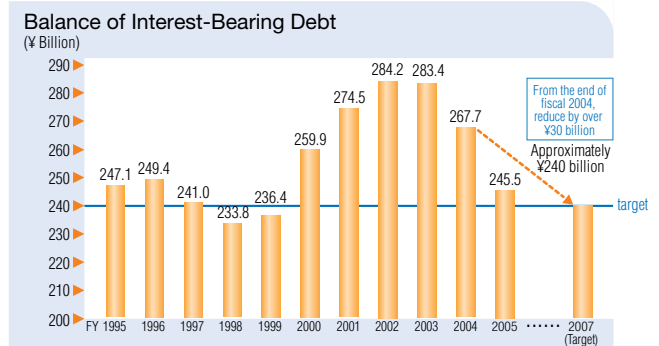
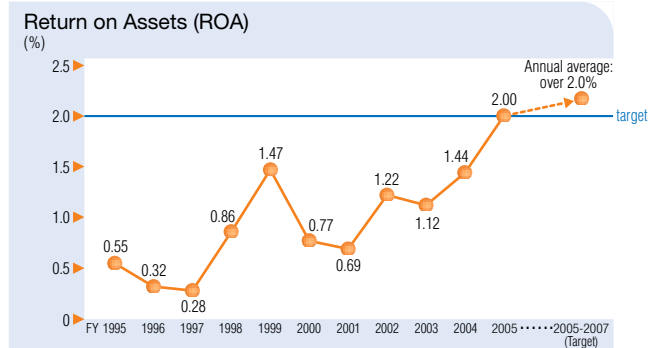
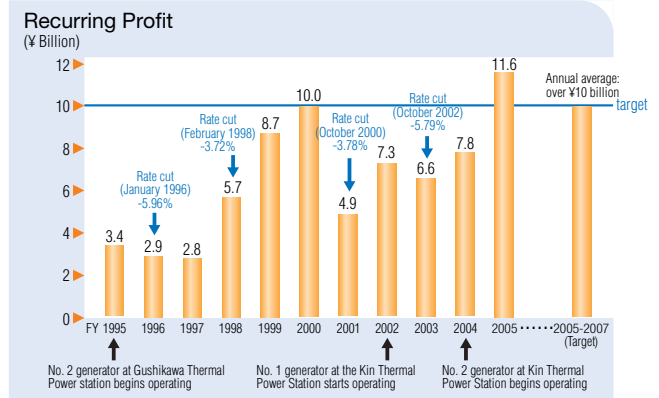
Q: What steps are being taken to strengthen the Company's financial position?

A: OEPC set out the following financial targets under its fiscal 2005 plan for improving management efficiency.

1. Securing an average annual recurring profit* of at least ¥10 billion for the fiscal years 2005-2007
2. Raising return on assets (ROA) to a minimum of 2%
3. Reducing the balance of interest-bearing debt by a minimum of ¥30 billion compared with the end of fiscal 2004 (March 2004), to approximately ¥240 billion by the fiscal 2007 term-end
4. Achieving an equity ratio of approximately 25% at fiscal 2007 term-end

During fiscal 2005, we attained our recurring profit target of ¥10 billion, and raised ROA from 1.44% for the previous term to 1.78% for the reporting period. Moreover, with interest-bearing debt at ¥246.4 billion and the equity ratio at 22.70%, we are well on the way to achieving our goals.

* On the income statements, recurring profit appears as "income before income taxes."



Q: What progress has been made in developing new markets and in achieving improved load-leveling?

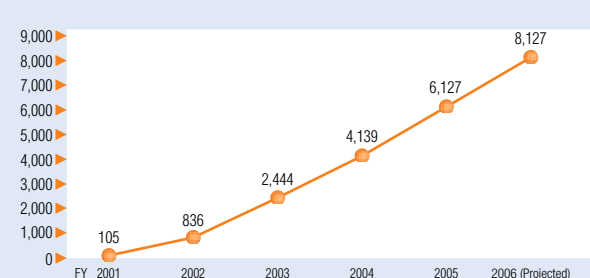
A: For the current fiscal year, we are implementing the following principal measures.

1. We are conducting advertising campaigns promoting the switchover to electricity for all purposes in place of gas or other fuels for households and for commercial kitchens, and are also promoting ice-storage air conditioning systems. These measures are expected to both create new demand and contribute to leveling-out the power load.
2. We are investing heavily in Okiden Fureai Plaza (a combined amusement and electricity promotion facility), all-electric house demonstration vehicles, and various promotional events. These measures are all part of our flexible marketing strategy, which is carefully tailored to the particular needs of our users here in Okinawa.
3. We are marketing electric power “solutions” under which the optimum system is offered to cater to the particular power usage patterns of each user.

On the assumption that these initiatives are carried out as per schedule, we expect to achieve the following targets for fiscal 2006 (the term ending March 31, 2006).

- All-electric residences: 9.2 million kWh (up by 2,000 residential units year-on-year)
- Ice-storage air conditioning systems: 1 million kWh (600kW)
- All-electric commercial kitchens: 0.5 million kWh (350kW)

Growth in All-Electric Residences

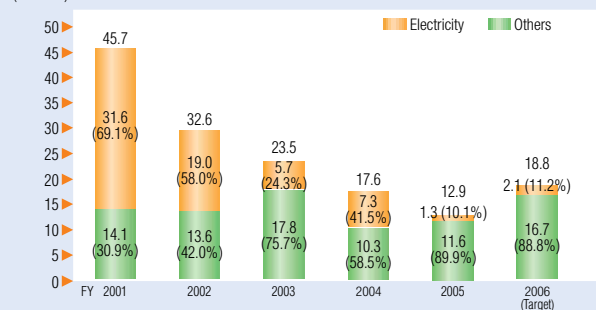


Q: What plans does OEPC have for capital investment?

A: With regard to investment in facilities and equipment, the Company aims to ensure that it has the resources to respond effectively to changes in the business environment. At the same time, we are also investing in the efficient provision of facilities from a long-term viewpoint, bearing in mind the severity and frequency of damage caused by typhoons in recent years. We will carefully scrutinize all capital investment plans to ensure maximum effectiveness and minimum waste.

Although demand for electric power in Okinawa Prefecture is growing, and this will have to be addressed, we have nonetheless set an average annual capital investment target maximum line of ¥250 billion over the next decade. The planned capital investment for fiscal 2006 (the current term) has been reduced by ¥1.8 billion from the previous year's plan to ¥18.8 billion. We are proceeding with plans for the construction of a thermal power station at Yoshinoura, which is needed to meet growing demand for electricity, but we will continue to do our best to hold down the investment amount.

Capital Investment
(¥ Billion)



Q: Could you give the reader some specific examples of measures being taken to hold down capital investment expenditure?

A: We are pursuing the following expenditure-restraint initiatives:

1. We will be undertaking a thorough review of our methods of design (including specifications) and construction of facilities, as well as the system of ordering and concluding contracts. We will also attempt to keep down construction costs by making use of existing facilities whenever possible.
2. Taking account of prices and fees actually charged by our contractors in recent years, we will seek cost reductions at every stage from planning to construction/installation.
3. We will closely examine the nature of the pre-construction surveys for the Yoshinoura thermal power station so as to effect a reduction in survey expenses.
4. Wherever feasible from a cost perspective, the Company will lower materials costs by reusing materials that would formerly have been disposed of when rebuilding, renovating or moving facilities (such as the steel latticework within reinforced concrete pillars, and electric cables).
5. In cases where concrete pillars, power cable insulators and other materials are unusable in their complete form, we will make efforts to reuse the materials from which they are made. Active efforts will be made to effectively utilize all materials from scrapped facilities.

Q: The prices on a CIF basis of fuels have risen sharply over the levels in 2004, with coal up 55% and crude oil up 31%. How is OEPC responding to this?

A: Under Japan's Electricity Enterprise Law, a system is provided whereby power utilities can raise their service charges to recoup a portion of the increased cost burden they are forced to bear as a result of fuel price rises. At OEPC, we take great care to avoid overdependence on this system, and we are therefore implementing the measures outlined below to reduce the fuel costs of operating our thermal (steam-powered) power stations, which use coal or oil as the energy source.

For coal-fired power stations –

- *Concluding long-term coal procurement contracts, thereby assuring ourselves of stable supplies at a reasonable cost*
This system achieves superior cost-competitiveness compared with the purchase of coal on the market at spot prices, as well as ensuring sufficient fuel supplies over a long period.
- *Switching from bituminous coal to less expensive subbituminous coal*
We are lowering our fuel procurement costs by switching largely to subbituminous coal, which is not only relatively environment-friendly (having low ash and sulfur content), but is also relatively inexpensive.



■ Long-term coal transportation contracts

Hitherto, we have signed single-year contracts for the transportation of coal, but we have replaced these with three-year contracts, enabling us to take advantage of transportation charges that are lower than the average spot market charges, and achieving a “leveling-out” of transportation costs by avoiding the frequently drastic fluctuations in spot transportation fees.

■ Launching of the *Shinryo-maru*, a dedicated coal carrier vessel

In August of 2003, we took ownership of a large new coal-carrier ship, the *Shinryo-maru*. This ship is allowing us to lower coal transportation costs thanks to its massive carrying capacity, which fits in well with our new system of long-term contracts.



The *Shinryo-maru*, a dedicated coal carrier

■ Finding closer sources of coal

By concluding coal purchasing contracts with suppliers in Indonesia and China, which are closer than our traditional sources in Australia, we have been able to cut transportation costs.

For oil-fired power stations –

■ Close monitoring of market movements to procure lower price oil

Hitherto, we have purchased oil at spot prices in an attempt to take advantage of periods when market prices were favorable, but in view of the persistent uptrend in oil prices, it is likely that we will experience difficulty in procuring oil at favorable spot prices. Nevertheless, we will continue to do our best to secure low-cost fuel supplies through close monitoring of market movements. Thanks to this method, we have been able to keep the rise in our fuel costs down to only 23%, compared with a general market price increase of between 30% and 50%.

Q: Has the liberalization of the power supply business had any impact on OEPC's competitiveness?

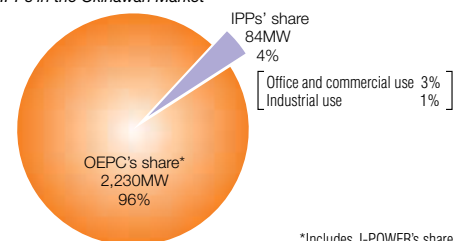
A: Until recently, the electric power utility companies have had no competition, but with the deregulation of the industry, the way has been opened up for the emergence of power producers and suppliers (PPS). In Okinawa, however, no serious competitor is likely to emerge for the foreseeable future. Therefore, manufacturing companies that possess power generation facilities currently used solely in their own business operations are our potential rivals.

Firstly, as shown in the graph immediately below, power generated by IPPs at present accounts for only 4% of total power generation in Okinawa Prefecture.

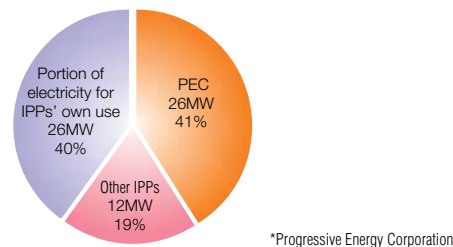
The lower graph gives a breakdown of customers who purchased electricity from IPPs for office and general commercial use.

Status Report on Independent Power Producers (IPPs)

Share of IPPs in the Okinawan Market



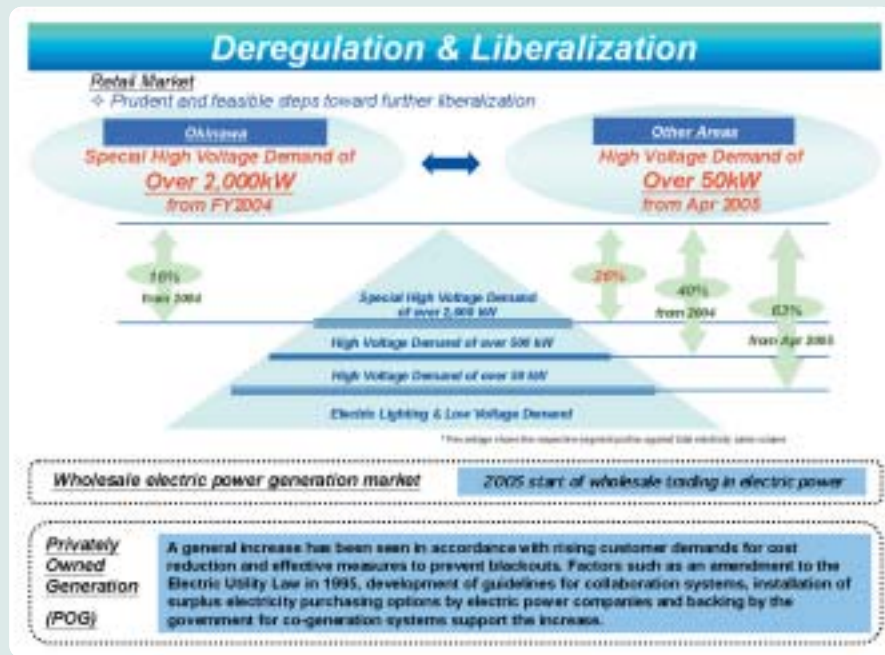
The ratio of IPP electricity output accounted for by our subsidiary PEC*



The Deregulation of the Electricity Supply Business

With effect from April 2004, all customers receiving extra-high-voltage power supply (supply at 20,000 volts or above; minimum contracted power of 2,000 kW) became eligible to purchase electricity on the deregulated retail market, enabling them to freely select their power supplier. From April 1, 2005, a revision to the Electricity Enterprise Law provided for the establishment of third-party organizations to oversee the fair apportionment of the transmission and distribution networks of the power utility companies, and the public disclosure of such, as well as the establishment of a wholesale trading exchange for electric power. A revision was also made to the system of calculation of fees charged for the use of transmission lines by non-utility companies.

In Okinawa Prefecture, as a result of the relatively large proportion of customers living on remote islands, and also because there is no undersea power cable linkage with mainland Japan, making it impossible to buy additional power from the nine other Japanese utility companies, plus the restricted scale of the prefecture's land, Okinawa's situation is subject to various unique conditions. Consequently, exceptional treatment of the prefecture was provided for in the abovementioned law, regarding the items covered by deregulation.

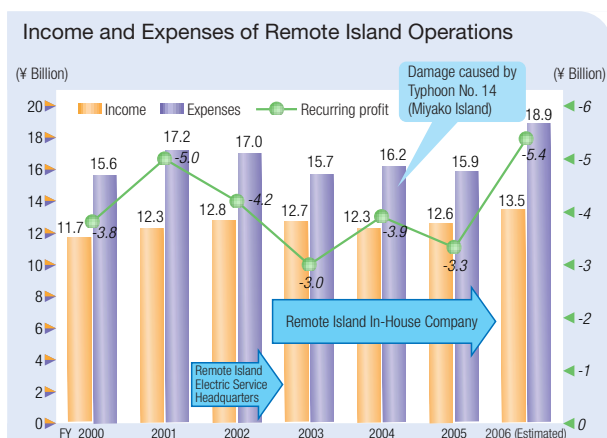


Q: In its supply of power to the smaller remote islands of Okinawa Prefecture, OEPC has to deal with a number of unique conditions that tend to raise the cost of power supply. These include factors of distance and lack of sufficient market scale. For a number of years, OEPC has registered an average red-ink figure on its remote-island operations of ¥4 billion annually; are there any changes on the drawing board?

A: As the deregulation of the electric power retail market proceeds, for OEPC, the efficient management of its operations on the prefecture's remote islands is

becoming a matter of considerable importance from the viewpoint of maintaining our reputation for providing a power supply service of equal quality to residents of all parts of Okinawa. We have therefore been devoting further efforts to strengthening our service in this respect. In fiscal 2002, we established a special office to oversee remote island operations, and in fiscal 2003 we reorganized our remote island operations into a semiautonomous in-house "company" with a view to facilitating steady, reliable power supply to the prefecture's outlying islands through more cost-efficient operations. The most notable cost-reduction measures carried out thus far are detailed overleaf.

1. We have held down the costs of new capital investment by adopting new-type high-speed diesel generators.
2. We reviewed the status of a number of existing power generation facilities, and were able to postpone their originally scheduled demolition-and-replacement, as they are still operating sufficiently effectively.
3. On the basis of a review of regular facility inspection work carried out over the last decade, we determined that the costs of such work could be cut by employing fewer staff, and designed a new system to put this concept into practice.
4. We reviewed unit prices and the scope of work in a variety of work contracted out.
5. We hooked up Izena Island to Okinawa Island by undersea cable, with power supply commencing on April 1, 2003.
6. In July 2004 we installed a system for remote control and monitoring of supplemental power stations on Miyakojima and Ishigakijima islands from the main power stations.



Q: Do you have any plans to increase the dividend payments in the future, and have you set a target for the payout ratio?

A: We have no specific plans regarding dividend payments at this point in time. Our fundamental policy is to make uninterrupted dividend payments, at a stable



level. Insofar as is possible, we hope to maintain the present per-share annual dividend payment of ¥60.

On May 20, 2005, we carried out a 1:1.05 stock split, as a result of which we can look forward to an improved degree of trading liquidity for our shares, as well as a higher dividend payout ratio. However, our payout ratio is likely to remain low compared with the other nine electric power utilities for the foreseeable future.

Companies like OEPC, which constantly have to invest in new equipment and facilities as well as in the maintenance of existing equipment and facilities, are forced to maintain a sufficient level of retained earnings for those purposes, and we believe it to be important to build a solid business structure over a long-term perspective.

Consequently, the management of OEPC are addressing their efforts, on an ongoing basis, to the tasks of reducing the balance of interest-bearing debt, raising the Company's equity ratio, and otherwise strengthening its financial position. At the same time, we constantly seek to find the ideal balance between lowering electricity rates so as to become even more cost-competitive, and distributing profit to the Company's shareholders. With regard to the payout ratio, too, we intend to carefully study the matter from all angles before taking any action.