

Management Reference Materials

February, 2007



The Okinawa Electric Power Company, Inc.



The Okinawa Electric Power Company, Inc.

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The Management Environment and Challenges for OEPC

The Management Environment for OEPC

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 independent producers ◆ No competition with PPS ◆ The advance of private power generation operations is limited (Prevention of demand withdrawals through Progressive Energy Corp.)

The Challenges for OEPC

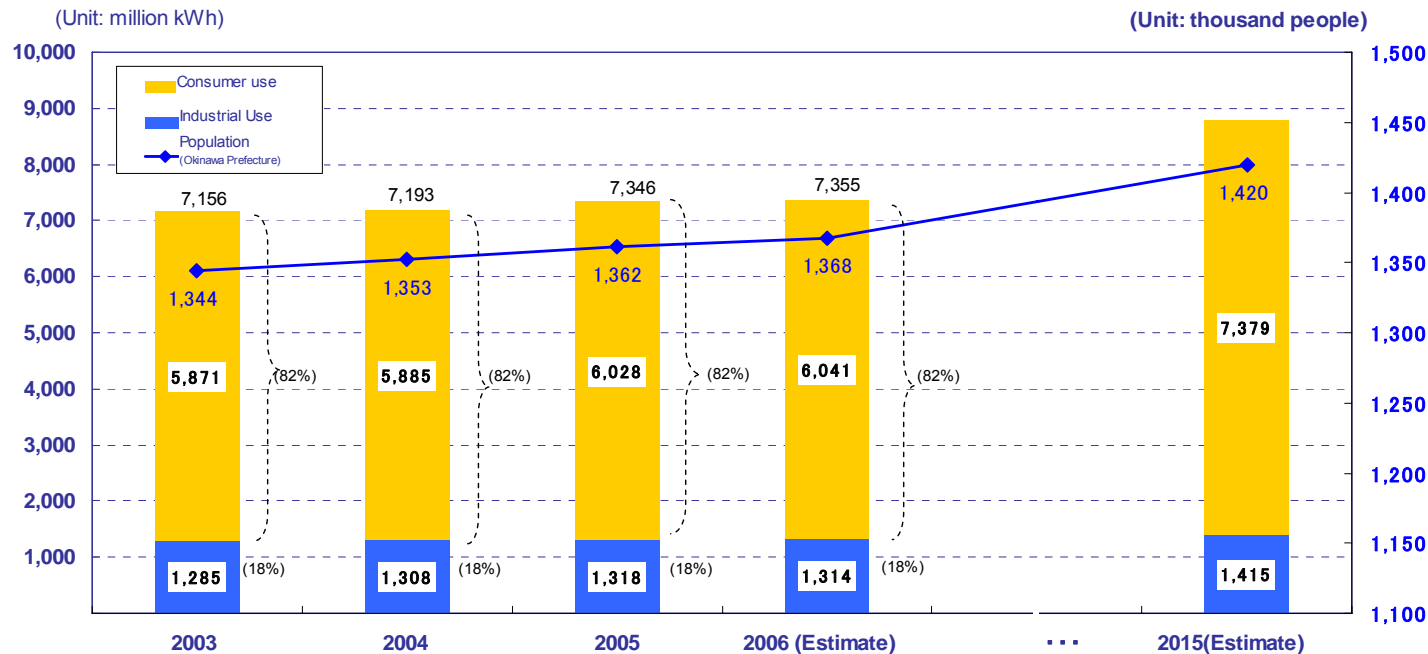
Electric Power Generation Facilities	<ul style="list-style-type: none"> ◆ Due to having an isolated system, it is necessary to have a high margin of power generation reserves ◆ Electrical power source composition reliant only on oil and coal
Fuel	<ul style="list-style-type: none"> ◆ As oil and coal are the only fuels used, high commodity prices exert a great influence
Remote Islands	<ul style="list-style-type: none"> ◆ With a high ratio of remote islands where cost efficiency is low, the company constantly records losses.
The Environment	<ul style="list-style-type: none"> ◆ Dependent on fossil fuels (oil and coal) with a high environmental burden



The Management Environment

– Demand for Electric Power

Stable growth is forecasted for demand for electric power, centering on increased demand for consumer use accompanying population increases.



Okinawa (Unit: %)

Annual Average Growth Rate		1994-2004	2004-2015
Demand for Electric Power	Consumer Use	2.6 (2.6)	2.1 (2.2)
	Commercial Use	2.3 (2.3)	0.7 (0.7)
Total		2.5 (2.6)	1.8 (2.0)

Note: Figures in brackets are post temperature correction.

Nationwide (Excluding Okinawa) (Unit: %)

Annual Average Growth Rate		1994-2004	2004-2015
Demand for Electric Power	Consumer Use	2.3 (2.5)	1.3 (1.4)
	Commercial Use	0.7 (0.7)	0.5 (0.5)
Total		1.7 (1.7)	1.0 (1.0)

Source: Japan Electric Power Survey Committee

(Growth rates were calculated from loads for distribution)

Note: Figures in brackets are post temperature correction.

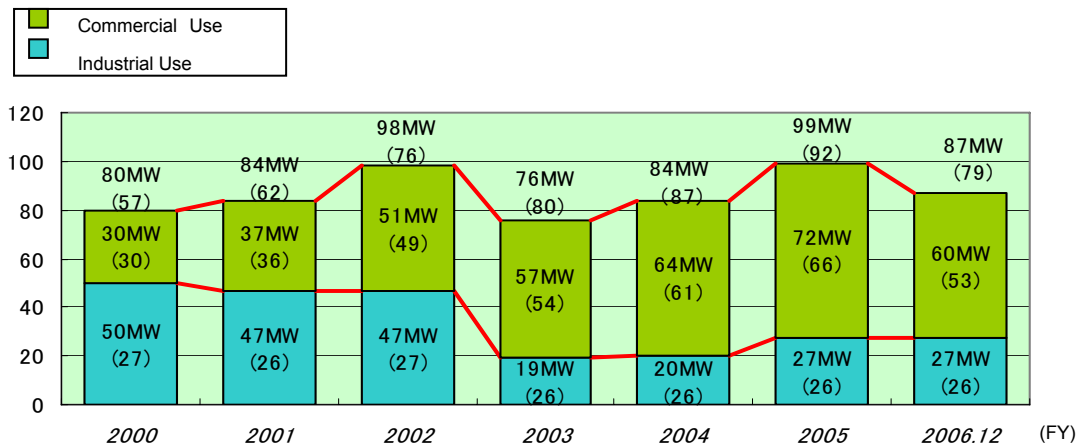


The Management Environment

– Competition with Private Power Generation Operations

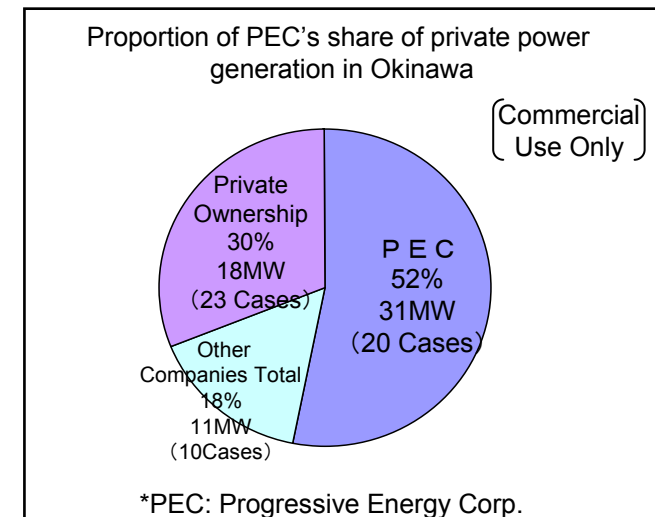
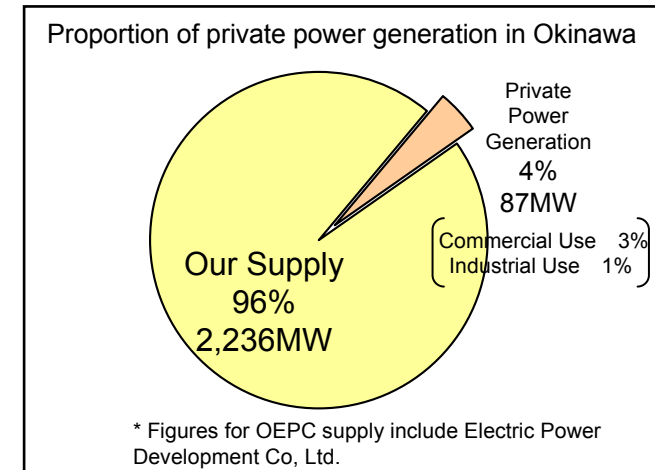
- The proportion of private power generation in Okinawa is 4%
- Progressive Energy Corp's share in commercial use sectors is 46%
- Competition with Private Power Generation Operations
Private generations are losing their competitiveness due to the effects of increasing cost owing to the high price of crude oil and the reduction of electricity rates by the company last year. An increasing number of private power generation operations have changed to buying power (from the company). (As of December 2006)

Trend in the Permitted Output of Private Power Generators



- Number of cases and output (kW) : converted to buying electricity from OEPC
- 2005 : Commercial Use 2 cases, Industrial Use 1 cases (total 1,220kW)
- 2006 : Commercial Use 20 cases (total 14,371kW) * As of the end of December, 2006

Status of market penetration by private power generators



Responses to Challenges

– Power Generation Facilities [1/2]

Generation Reserve Margin

Maximum Electric Power Generation Demand-Supply Balance

OEPC (Unit : MW,%)

	2005 Result	2006 Result	2010	2015
Maximum Electric Power Generation	1,394	1,408	1,565	1,719
Supply Capability	1,898 (1,634)	1,888 (1,624)	1,999 (1,735)	2,162 (1,958)
Generation Reserve Margin	504 (240)	480 (216)	434 (170)	443 (239)
Reserve Capacity Rate	36.2 (17.2)	34.1 (15.4)	27.7 (10.9)	25.8 (13.9)

Note : The figures in brackets show demand-supply balances when gas turbines are excluded.

Totals for the 10 Major Electric Power Companies (Unit : GW,%)

	2005 Result	2006	2010	2015
Maximum Electric Power Generation	170	173	178	187
Supply Capability	194	195	197	208
Generation Reserve Margin	23	22	19	21
Reserve Capacity Rate	13.8	12.8	10.8	11.1

(Source : Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry, "Summary of Electric Power Supply Planning ,FY2006")

- A high generation reserve margin is necessary for such reasons as the inability to be flexible with other electric power companies because of OEPC's isolated system and the responsibility to provide stable supply as a public utility.
- The required power supply reserve is achieved by securing the equivalent reserve capacity of the largest single generator so that it is possible to provide stable supply even if the largest unit breaks down.
- Part of the margin is provided by gas turbines, which carry lower investment burden (permitted output: 266,000 kW)

Although there are factors encouraging increased facility investment associated with the growth of electric power demand, OEPC is making efforts to suppress the level of facility investment and promote load leveling and the like, aiming at efficient facility formation.



Responses to Challenges

– Power Generation Facilities [2/2]

Power Supply Composition

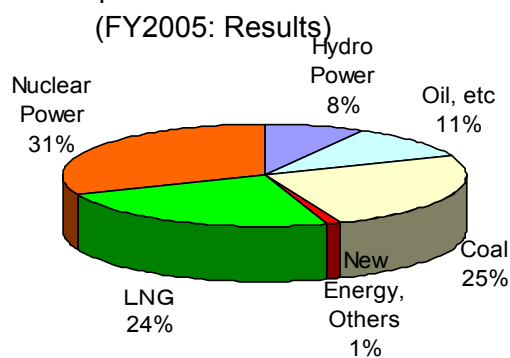
■ Power supply is dependent on oil and coal because of the difficulty of finding sites for hydro or nuclear power generation due to factors including geographic and topographical characteristics and constraints on the scale of demand.



■ Introducing LNG thermal power stations to diversify power supply sources
Improving security for the stable supply of electric power

Electric Power Composition Ratio (Generating End)

Totals for the 10 Major Electric Power Companies
 (FY2005: Results)



(Source: Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry, "Summary of Electric Power Supply Planning, FY2006")

Okinawa Electric Power Company

(FY2005: Results)

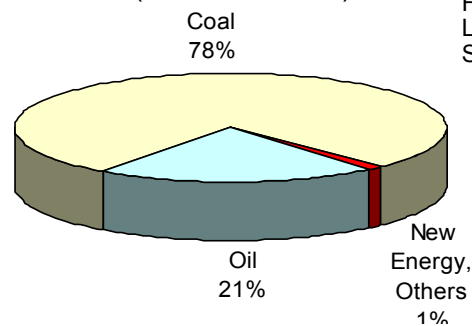
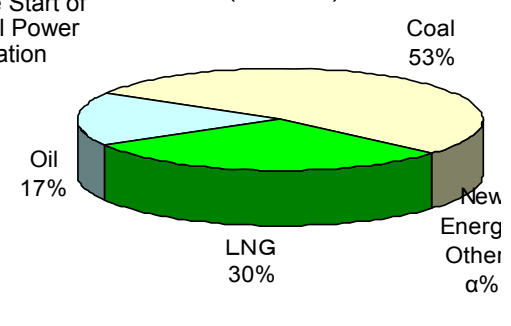


Image of Situation Following the Start of LNG Thermal Power Station Operation

(FY2015)



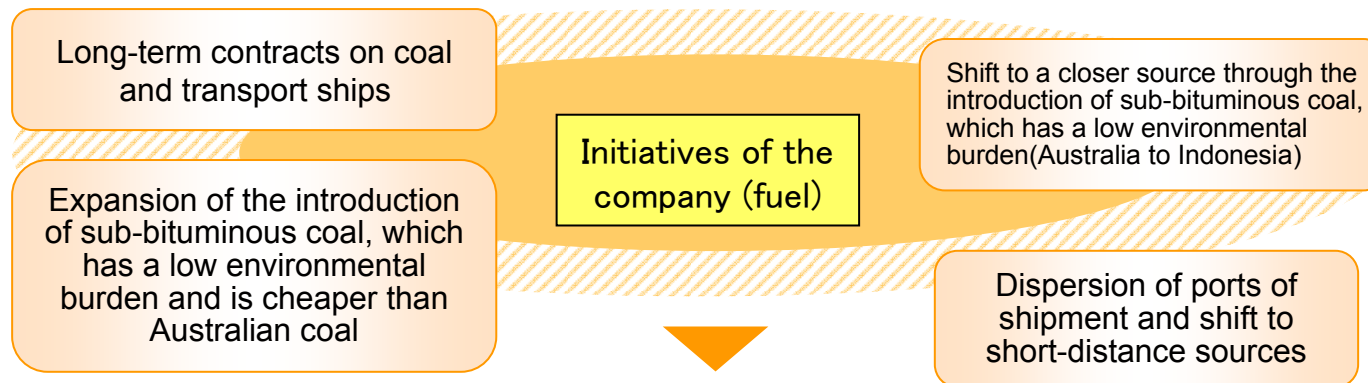
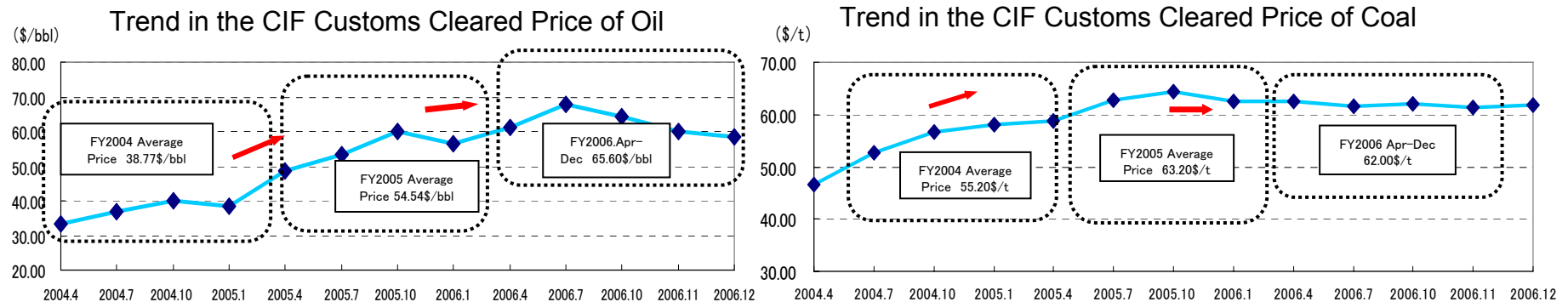
* Both pie charts include energy supplied by other companies.



Responses to Challenges

- Fuel

Great effects are exerted on the company by movements in fuel prices and both oil and coal prices are tending upwards.



Ensuring stability of procurement and cost reduction

* Although there is a time lag due to the fuel cost adjustment system, price changes are reflected in electricity rates.



Responses to Challenges

-The Fuel Cost Adjustment System

Summary of the System

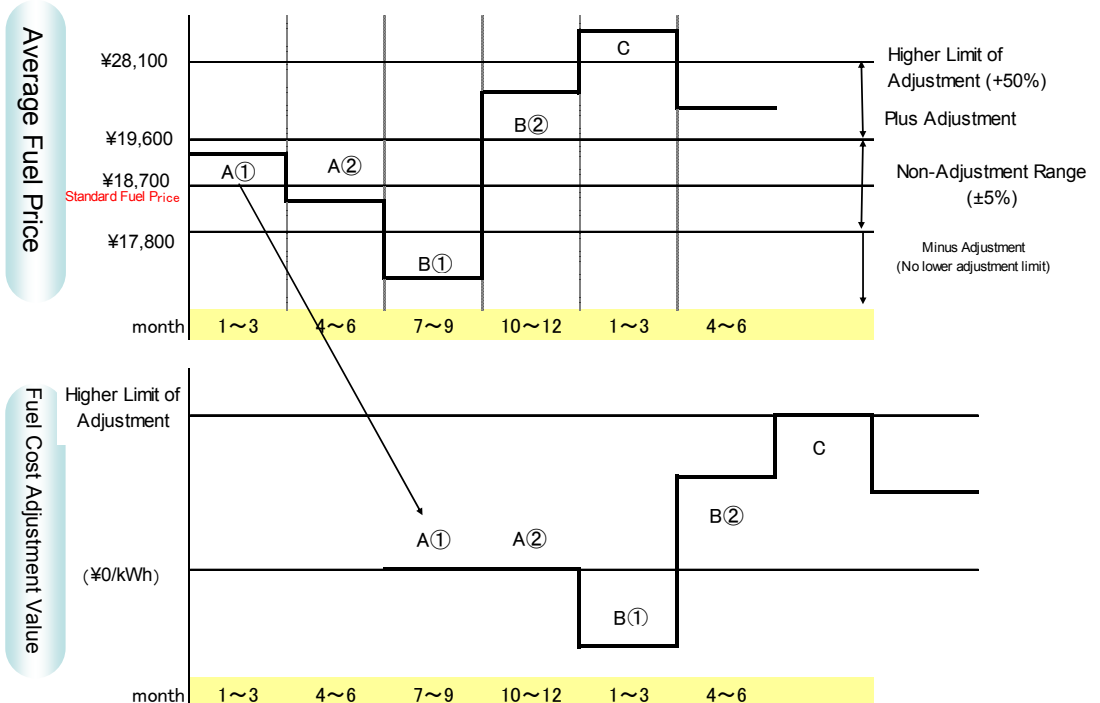
The fuel cost adjustment system was introduced for the purpose of clarifying the “internal factors” such as the results of efforts to promote management efficiency at electric power companies and reflecting “external factors” onto electricity rates such as exchange rates and oil and coal prices that alter the economic situation.

Scope of Fuel Cost Adjustment

- The average price of oil, coal, etc., is calculated every quarter based on customs clearance statistics and electricity rates are adjusted automatically by comparison with the standard fuel price when charges are revised.
- If the change is no greater than $\pm 5\%$, no adjustment is made.
- The limit on upward adjustments is 50%.
- There is no limit on downward adjustments.

- A No adjustment is made because the change is small ($\pm 5\%$)
- B Adjustment is made in accordance with the size of the change
- C Price adjustment is stopped at the higher limit as the increase is large

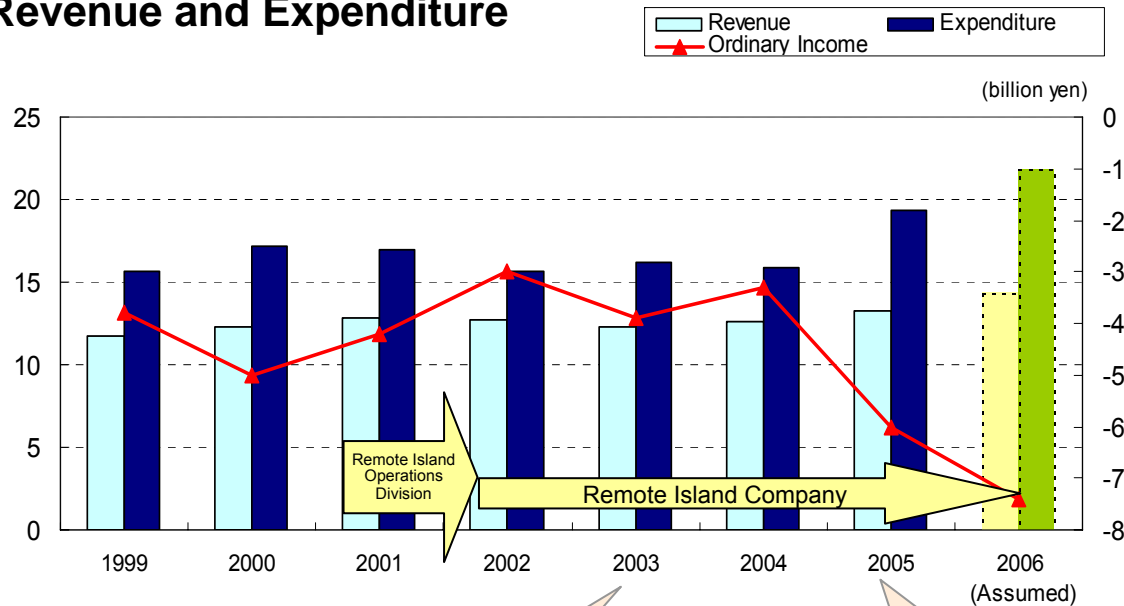
Image of the Fuel Cost Adjustment System



Responses to Challenges

- Improvement of Remote Island Income and Expenditure [1/2]

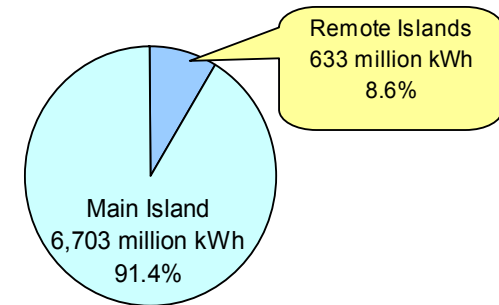
Movements in Remote Island Revenue and Expenditure



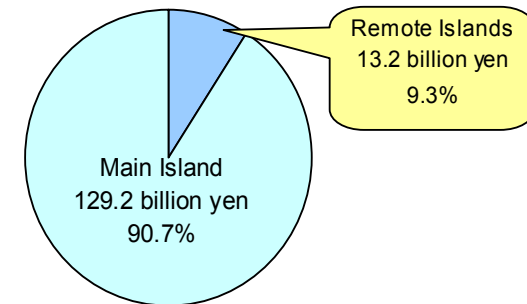
Damage worth 800 million yen due to Typhoon No.14 (Miyako)

Increased Fuel Costs
 • Change of Oil Type (C → A heavy oil)
 • High Cost of Crude Oil (FY2005-)

Electricity Sales (FY2005)
 (All Companies: 7,336 million kWh)



Residential, Commercial and Industrial Use Charges (FY2005)
 (All Companies: 142.4 billion yen)



Remote island business occupies slightly less than one-tenth of electricity sales and residential, commercial and industrial use charges.



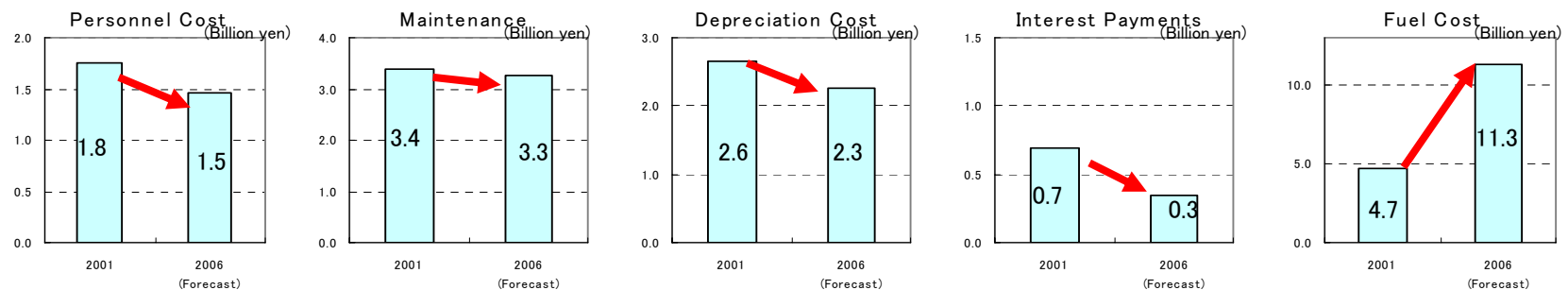
Responses to Challenges

– Improvement of Remote Island Income and Expenditure [2/2]

- The region has a high cost structure because of such reasons as having small islands scattered about a vast sea area and the narrow scale of the economy.

- In order to construct a system enabling fast implementation of measures to improve inequalities in income and expenditure, a Remote Island Operations Division was launched in FY2001 and from FY2002, this was converted into the Remote Island Company.
- Due to the measures to improve income and expenditure implemented to this point, there is a trend towards reductions in personnel costs, maintenance costs, depreciation expenses and interest payments from among the main cost items.
- New energy generation facilities are utilized to decrease fuel expenses. However, the revenue and expenditure balance is deteriorating owing to the effects of the rising prices of crude oil, as well as fuel expense increase due to fuel type conversion (C heavy oil → A heavy oil).

We work out new measures to stabilize supply and improve the balance of revenue and expenditure while pushing ahead with ongoing various measures (For example: building facilities for FCC-C heavy oil in Kume, Miyako and Ishigaki islands; introducing a pipeline to the second generating plant in Miyako island; partially laying power lines underground to prevent typhoon damages, etc.)



Responses to Challenges

– Environmental Burden (Global Warming Countermeasures)

- Finding sites for hydro or nuclear power is difficult in Okinawa Prefecture due to reasons including the region's geological and geographic characteristics and constraints on the scale of demand
→ **Dependency on fossil fuels (oil, coal, etc.)**
- **This situation means it is extremely difficult for the company to take action against global warming**

Company Efforts

- Introduction of LNG thermal power, which creates low CO₂ emissions (Yoshinoura Thermal Power Station)
(Generator No.1 starts operations in November 2010, Generator No.2 starts operations in May 2011)
- Equity participation in carbon funds (4 cases) taking advantage of the Kyoto Mechanism
 - (1) Community Development Carbon Fund (CDCF)
 - (2) Bio Carbon Fund (BioCF)
 - (3) Japan Greenhouse Gas Reduction Fund (JGRF)
 - (4) Greenhouse Gas Credit Aggregation Pool (GG-CAP)
- Promotion of the introduction of “new energy” based on the RPS system
- Maintenance and improvement of the heat efficiency of thermal power stations
- Promotion of load leveling
- Promotion of energy reduction and recycling

Contributing to the Prevention of Global Warming



Q & A



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Q1: What is the Current State of the Prefectural Economy and What is the Future Forecast?

1 Annual Average Growth Rates for GDP and Per Capita Prefectural (National) Income

- Due to measures based on the Okinawa Promotion and Development Plan, GDP growth in Okinawa prefecture is expected to exceed the national average. The forecast is for an annual average growth rate of 2.9% in Okinawa prefecture up to 2011, higher than the national annual average of 1.5%.
- Furthermore, per capita income is also expected to increase, supported by the growth of prefectural GDP. Growth of about 4.6% is anticipated, in contrast to the national figure of 2.7%.

Annual Average Growth Rate of GDP

	FY2004	FY2011	Annual Average Growth Rate FY2004-FY2011
Prefectural GDP	3,716.7 billion yen	4,531.1 billion yen	Approx. 2.9%
National GDP	527,856.1 billion yen	587,809.3 billion yen	Approx. 1.5%

Sources: "Economic and Social Perspectives in Figures", in the Okinawa Promotion and Development Plan
FY2004 Prefectural Economic Accounts
Cabinet Office, Japan Electric Power Survey Committee

Annual Average Growth Rate of Per Capita Prefectural (National) Income

	FY2004	FY2011	Annual Average Growth Rate FY2004-FY2011
Prefectural Income	2.00 million yen	2.74 million yen	Approx. 4.6%
National Income	2.83 million yen	3.40 million yen	Approx. 2.7%

"Sources: "Economic and Social Perspectives in Figures", in the Okinawa Promotion and Development Plan,
FY2004 Prefectural Economic Accounts

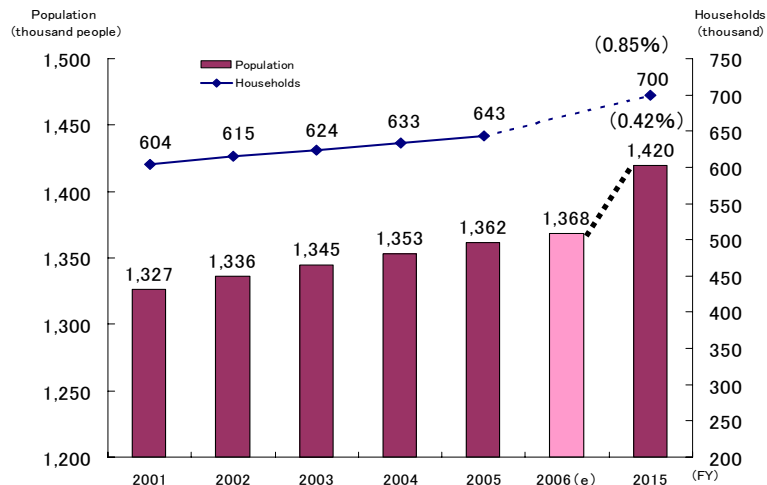


Q1: What is the Current State of the Prefectural Economy and What is the Future Forecast?

2 Population and Household Growth in Excess of Nationwide Growth

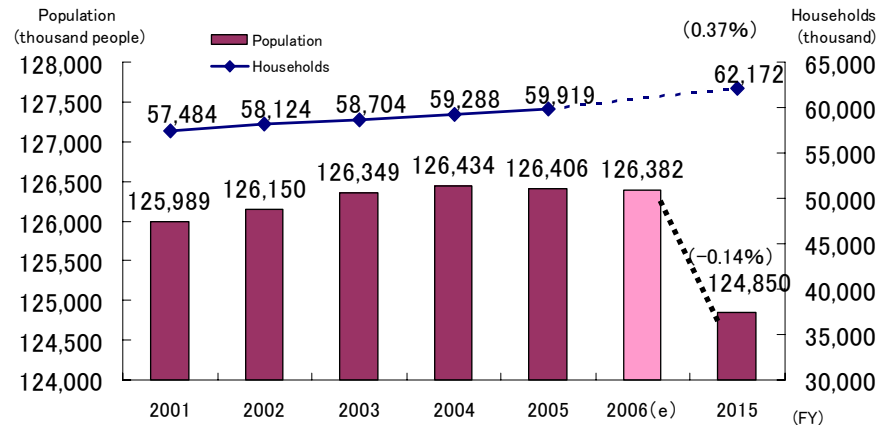
- Stable growth is expected for the population of Okinawa, with an annual average growth rate of 0.42% up to 2015, in excess of the national rate of -0.14%.
- In contrast to the national situation, where the population is entering a phase of decrease following a peak in FY2004, the population of Okinawa is forecasted to continue growing until 2025.

Growth of Population and Households in Okinawa



Source: National Census, Ministry of Internal Affairs and Communications, Japan Electric Power Survey Committee
 Note: For 2015, the rate in parentheses is the average annual growth rate for FY 2006-2015

Growth of Population and Households Nationally (Excluding Okinawa)



Source: National Census, Ministry of Internal Affairs and Communications, Japan Electric Power Survey Committee
 Note: For 2015, the rate in parentheses is the average annual growth rate for FY 2006-2015

Thanks to the stability and growth of household numbers in association with the increasing population, residential demand increases are expected.

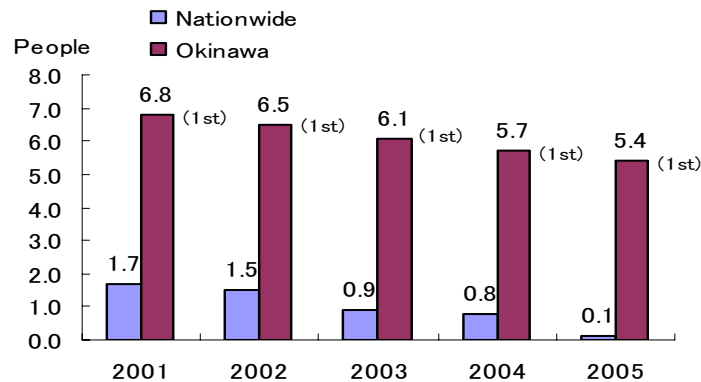


Q1: What is the Current State of the Prefectural Economy and What is the Future Forecast?

3 Okinawa Prefecture Demographics

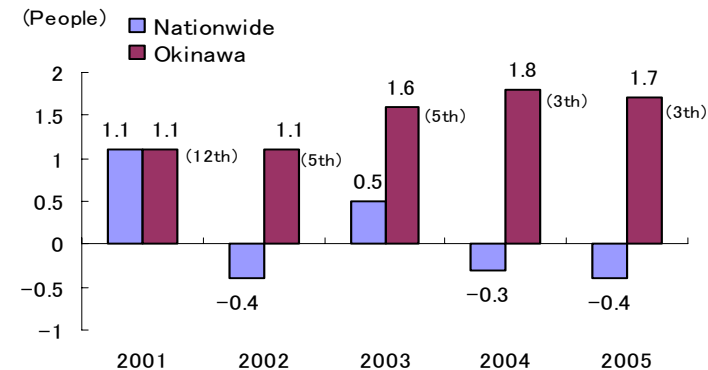
- The natural increase in the number of people in Okinawa Prefecture is 5.4 people per thousand, substantially in excess of the national level of 0.1 people per thousand. The social increase of population is also trending well at 1.7 people per thousand.
- As a result, the population of Okinawa Prefecture is growing stably.

Trend in the Natural Increase of population
(Per Thousand people)



Source: Bureau of Statistics, Ministry of Internal Affairs and Communications, "Yearly Population Estimates"
 Note: Natural increase of population = Births – Deaths
 The figures in brackets in the chart show Okinawa Prefecture's national ranking.

Trend in the Social Increase of Population
(Per thousand People)



Source: Bureau of Statistics, Ministry of Internal Affairs and Communications, "Yearly Population Estimates"
 Note: Social increase of population = Incoming population – Outgoing population
 The figures in brackets in the chart show Okinawa Prefecture's national ranking.

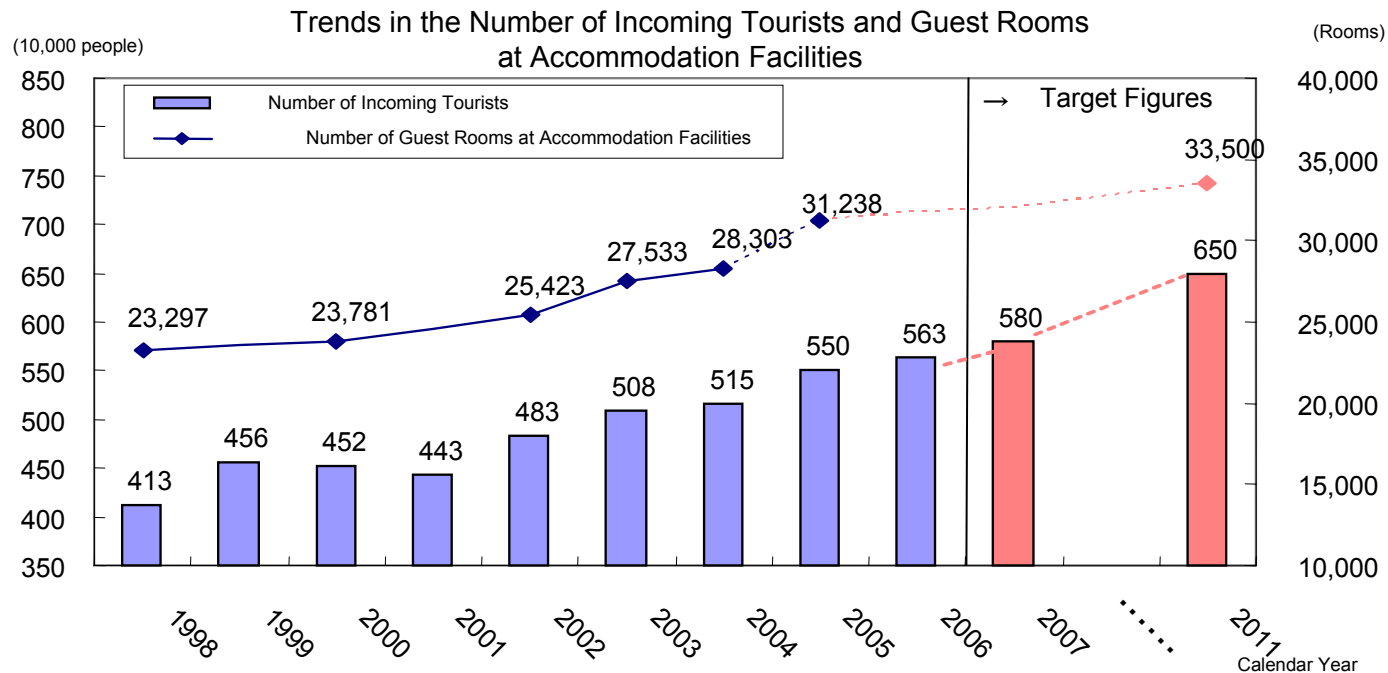


Q1: What is the Current State of the Prefectural Economy and What is the Future Forecast?

4

Trends in the Number of Incoming Tourists and Guest Rooms at Accommodation Facilities

The target figures for 2011 are 6.5 million incoming tourists and 33,500 rooms at accommodation facilities (FY2006 Result for incoming tourists: Record high of 5.6 million people)



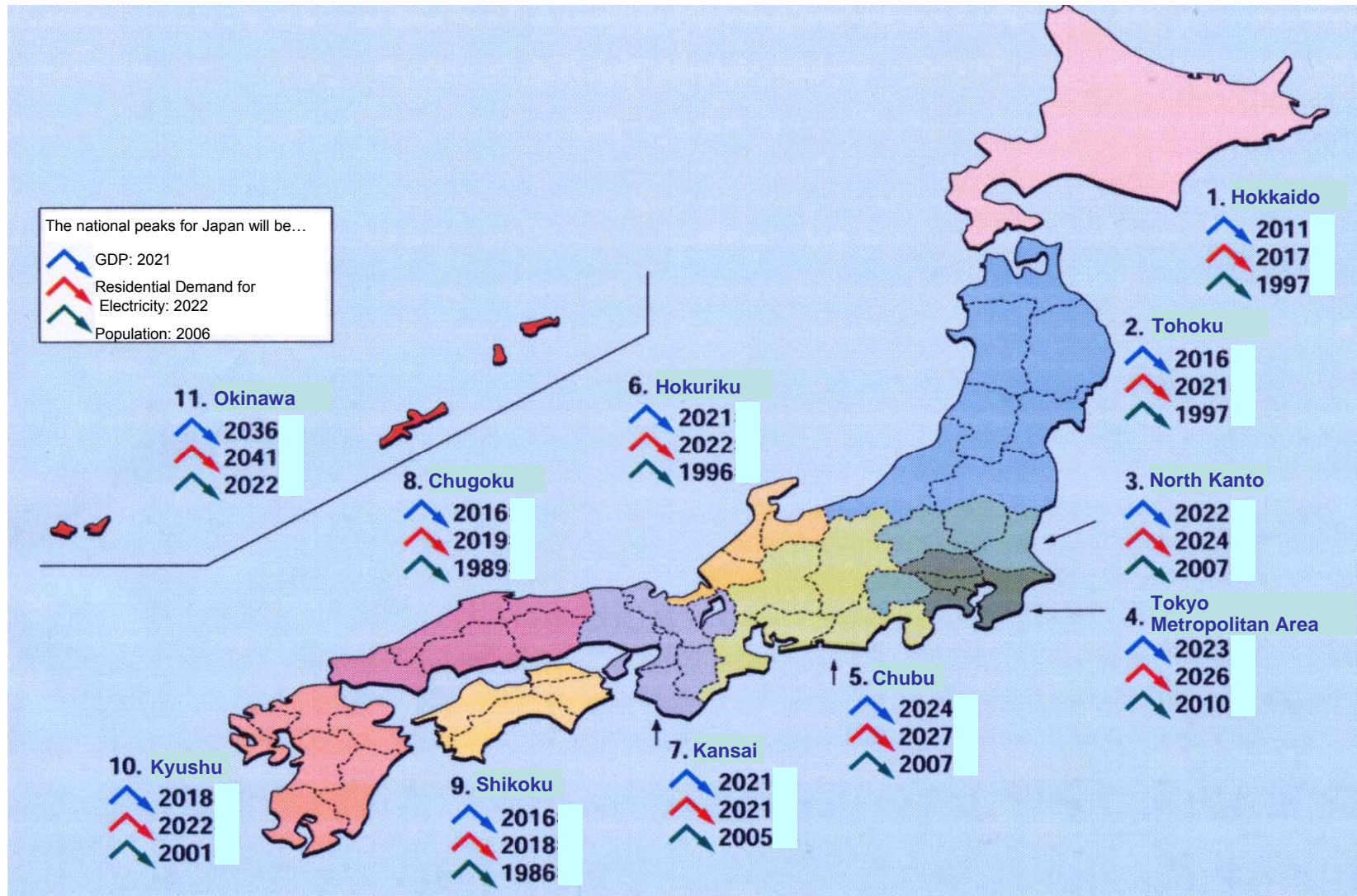
Sources: "Summary of Okinawa Promotion measure", "Tourism Directory", Okinawa Prefectural Government 2005

* The survey of guest rooms at accommodation facilities changed from a biennial to an annual basis from 2003.

With the number of tourism related facilities (hotels, etc.) increasing in association with increased numbers of incoming tourists, increases are forecast for demand for commercial use electricity.



Reference: Peaks for GDP, Demand and Population



(Source: Central Research Institute of Electric Power Industry News 409 Issue [March.2005])

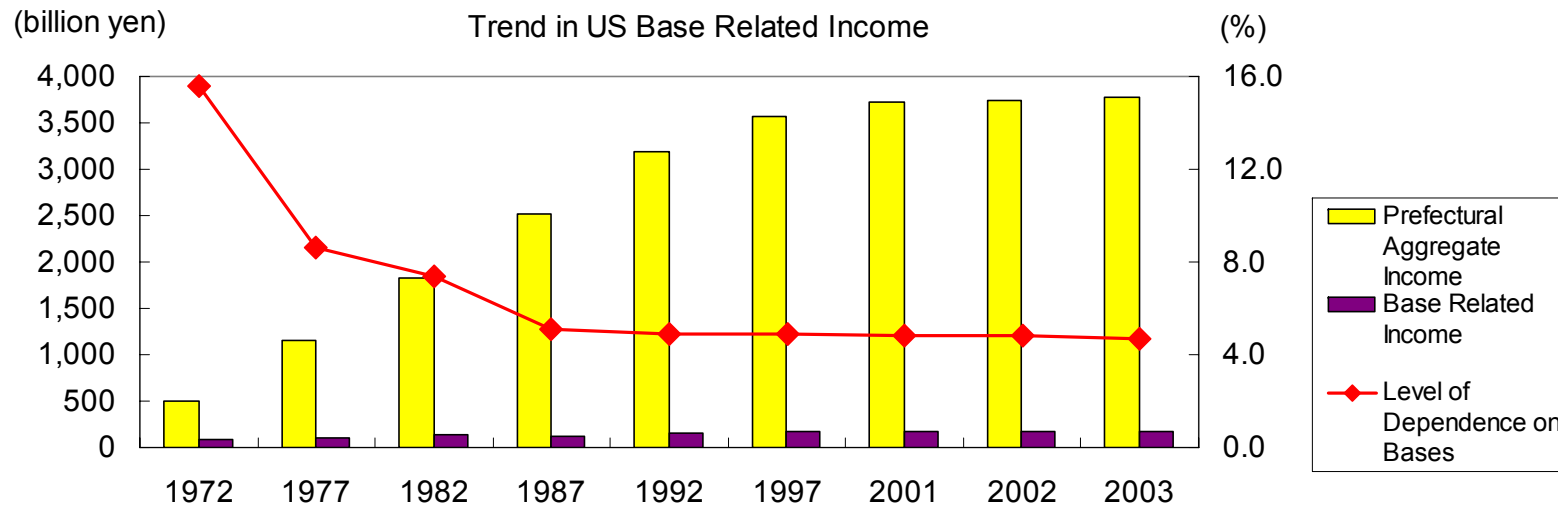


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Q1: What is the Current State of the Prefectural Economy and What is the Future Forecast?

5

Trend in U.S. Base Related Income



	1972	1977	1982	1987	1992	1997	2001	2002	2003
Base Related Income (Charges for Land Occupied by US Armed Forces, etc) (A)	77.7	100.6	134.6	128.2	156.3	174.6	180.3	179.7	178.3
Prefectural Aggregate Income (B)	501.3	1,163.1	1,822.6	2,516.5	3,192.9	3,574.4	3,732.0	3,740.7	3,779.2
Level of Dependence on Bases (A/B)	15.5	8.6	7.4	5.1	4.9	4.9	4.8	4.8	4.7

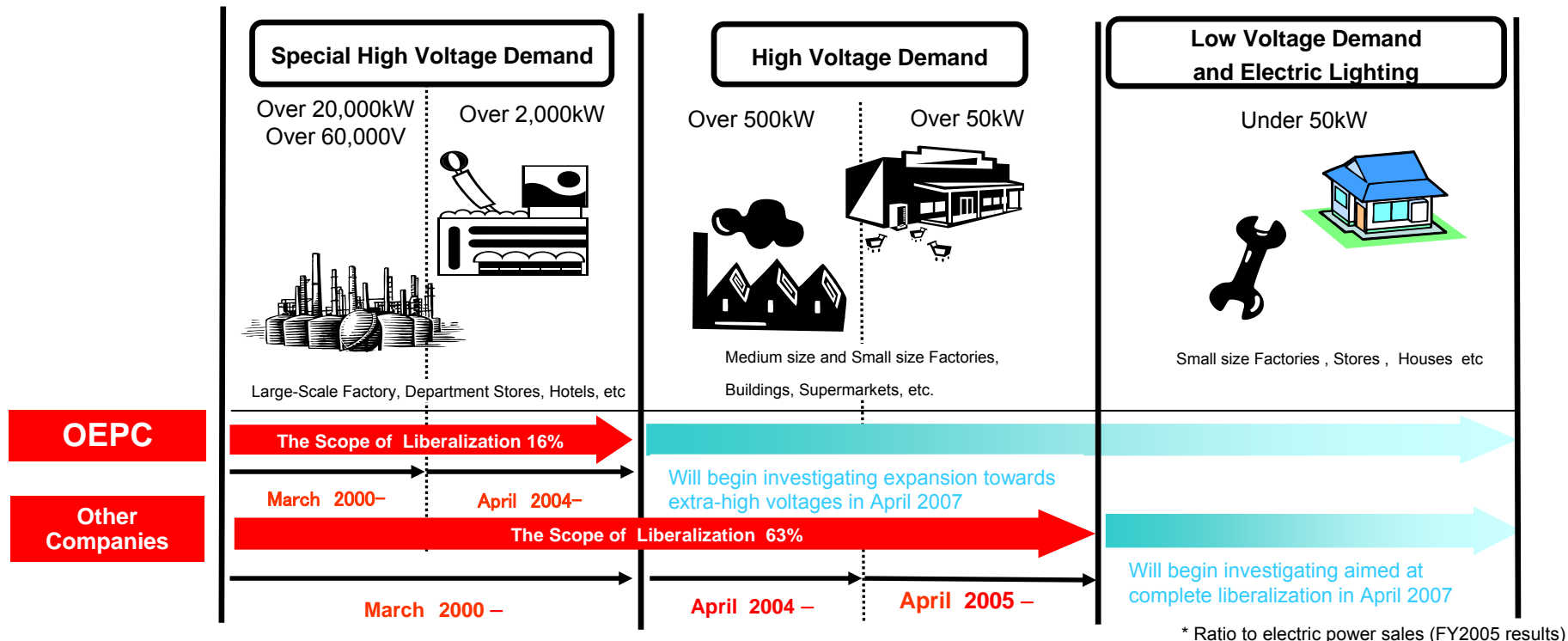
Source: Okinawa Prefectural Government, Governor's Office, US Base Countermeasure's Office, "Okinawa Bases of the US Armed Forces and Self Defence Forces (Statistics), March 2006"

- U.S. Base related income has become an income source that supports the Okinawa economy.
- However, the level of dependence on the bases has been falling year on year as the prefectural economy expands, and in FY2003 had fallen to 4.7% from the 15.5% share at the time Okinawa was returned to Japan (1972).



Q2: What are the Effects of Liberalization of Electric Power and What is the Future Forecast for Liberalization?

Retail Market Compared to other electricity companies, this will be a more cautious step in the liberalization process



Wholesale Electricity Market

April 2005: Start of trading on the Japan Electric Power Exchange

Private Power Generation

Expanding since the revision of the Electric Utility Law in 1995, the establishment of system related guidelines, the menu setting for purchasing surplus power from other companies, government support for cogeneration, etc.



Q3: What are the Preferential Tax Measures?

Currently Applied Preferential Tax Measures

1. Alleviation of Business Tax

Basic Law: Supplementary Provisions of the Local Tax Law (Article 9.2.1)

Details: Standard Tax Rate: 1.1% (Standard Tax Rate for Electric Utilities: 1.3%)

Period: December 31, 1971 – May 14, 2007

2. Alleviation of Fixed Property Tax

Basic Law: Supplementary Provisions of the Local Tax Law (Article 15.17), Supplementary Provisions of the Enforcement Order of the Local Tax Law (Article 11.26)

Details: Alleviation to 2/3 of the Standard Tax Rate

Period: April 1, 1982 – March 31, 2007

3. Exemption from the Oil and Coal Tax

Basic Law: Special Measures Law for the Promotion of Okinawa (Article 65.2), Special Taxation Measures Law (Article 90.4.3.1)

Details: Exemption from the Oil and Coal Tax for coal

Period: October 1, 2003 – March 31, 2007

Continuation of preferential treatment

- Since we had strongly demanded the continuation of the exemption from the coal and petroleum tax and the reduction of and exemption from the prefectural fixed assets tax in and after fiscal 2007, the extension of the preferential treatment for five years (to 2012) was decided in the fiscal 2007 tax system reform.

Value of Tax Alleviation Due to the Preferential Measures

- The value of the alleviation measures in FY2005 was about 2.1 billion yen.
- The value of the alleviation measures from FY2007 on will be about 2.2 billion yen.
(If the preferential measures are continued)

The value of tax alleviation due to the preferential measures is returned in whole to the residents of the prefecture through the lowering of electricity rates.



Q4: What is the Current State of the Promotion of All-Electric Houses?

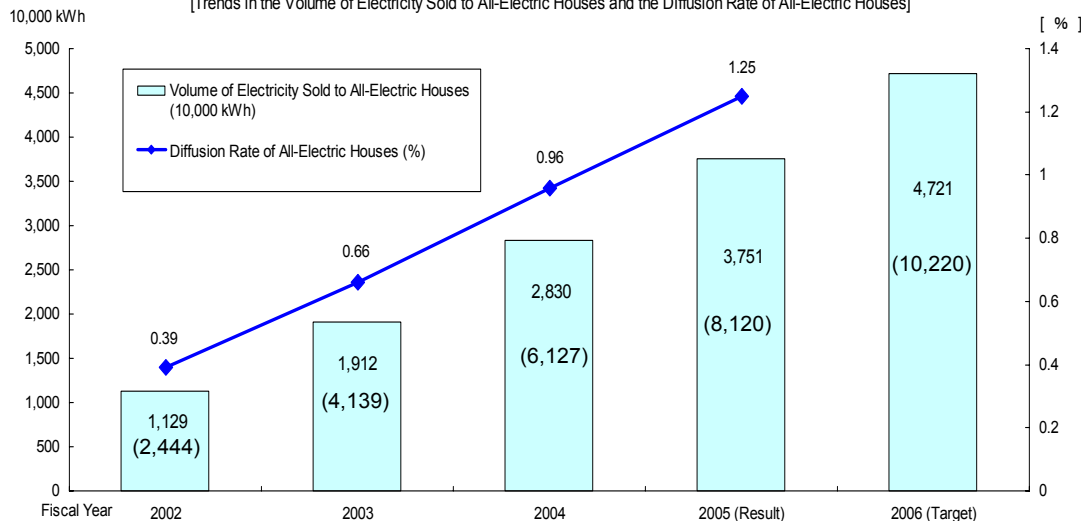
Business Strategy – Towards Development of New Demand and Expanded Diffusion of Load Leveling Equipment

- Implementation of consulting activities from the customer's perspective
- Strengthening of approaches to architects and house builders for the adoption of electrification
- Positive promotion of the diffusion of CO₂ cooling/heat pump water heaters (Ecocute)
- Strengthening of PR activities using commercials and other advertising

FY2006 Targets

	Targets	Achievement rate (%) as of the end of December, 2006
Diffusion of "all-electric houses"	: 9.7 mil kWh (2,100 cases)	Approx. 85.7%
Diffusion of electric storage systems	: 1.8 mil kWh (680 kW)	Approx. 73.3%
Diffusion of electrified kitchen for business use	: 0.7 mil kWh (370 kW)	Approx. 183.8%

[Trends in the Volume of Electricity Sold to All-Electric Houses and the Diffusion Rate of All-Electric Houses]



* The figures in brackets in the bar chart show the number of all-electric houses.

Reference

Diffusion rate (result for FY2005)

$$1.25\% = \frac{8,120 \text{ [houses] (discount for "all-electric houses")}}{648,450 \text{ [houses] (metered use + residential time-of-day use + "Ee life")}}$$

Adoption rate (result for FY2005)

$$9.54\% = \frac{1,364 \text{ [houses]}}{14,303 \text{ [houses] (No. of newly-built houses: from Ministry of Land, Infrastructure and Transport materials)}}$$

* All-electric adoption rate in newly built houses (result for FY2005): 38.9%

Compared to other companies in the industry, OEPC has a lot of room to develop demand

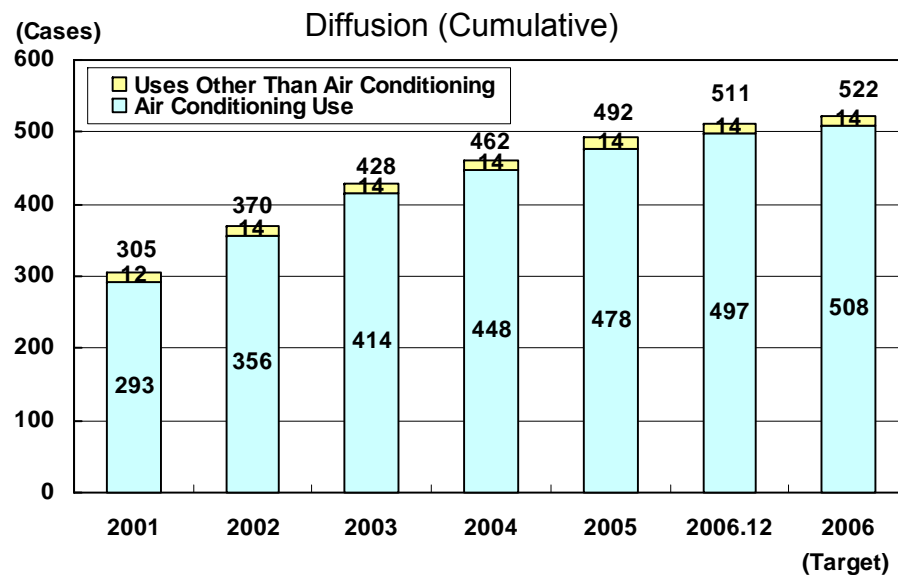


Q5: What is the Current State of the Promotion of Heat Storage Systems?

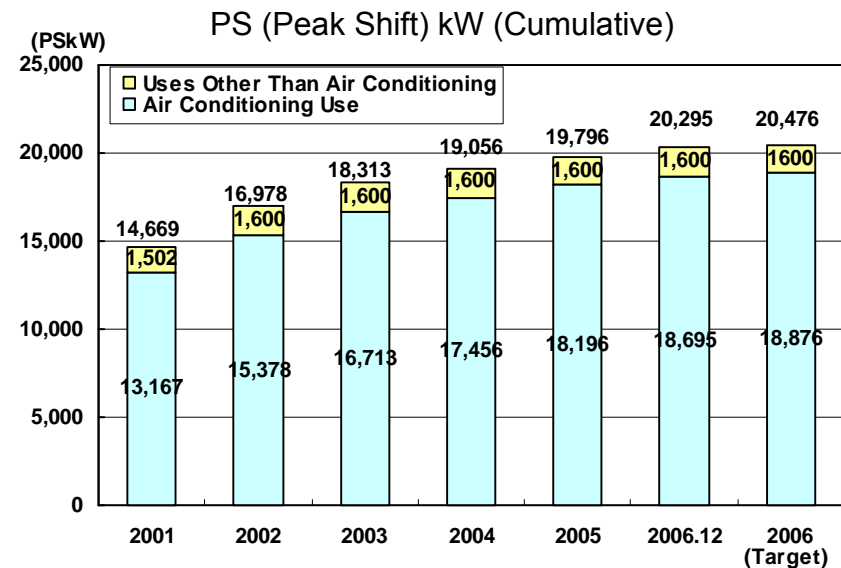
1. FY2006 Target Values → 1,800,000 kWh (peak shift 680 kW, 30 cases)

2. Efforts Towards the Promotion of Diffusion

- (1) Collection of information concerning buildings and primary sales operations
- (2) Visits to government offices
- (3) Consulting for individual buildings aimed at building owners and architects
- (4) Strengthening of cooperation with 5 construction groups
- (5) PR Activities



Total: 511 Cases (December 2006)



Total: 20,295 PS kW (December 2006)

3. Future Diffusion of Heat Storage Systems

Future market opportunities for heat storage systems will continue to be generated due to reasons such as the suppression of CO₂ emissions and energy efficiency.

Furthermore, there is plenty of room to enter the market due to reasons such as the existence of about 110 buildings yearly undergoing renewal.

However, user consciousness of the recovery of initial costs is strengthening, so we anticipate growth at similar levels to the FY2005 targets.

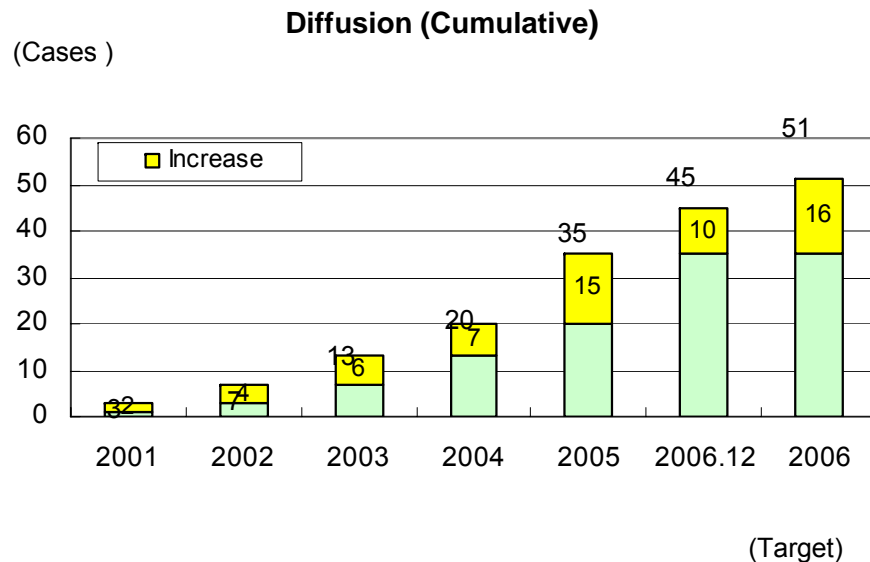


Q6: What is the Current State of the Promotion of Commercial Electric Kitchens?

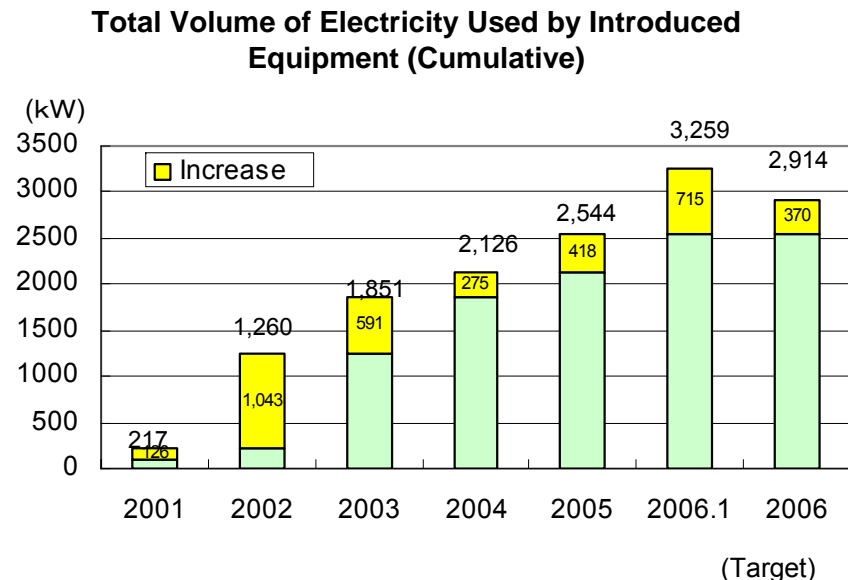
1. FY2006 Target Values → 700,000 kWh (370 kW, 16 cases)

2. Efforts Towards the Promotion of Diffusion

- (1) Early stage collection of information and consulting concerning the new construction or reconstruction of school canteen centers, hotels, restaurants, hospitals, welfare centers, etc.
- (2) Strengthening of relationships with kitchen manufacturers and various construction groups.
- (3) Consulting activities making effective use of facilities that have introduced electric kitchens for commercial use
- (4) Holding of seminars to improve awareness of electric kitchens for commercial use
- (5) PR Activities



Total: 45 Cases (December 2006)



Total: 3,259kW (December 2006)

3. Future Diffusion of Electric Kitchens for Commercial Use

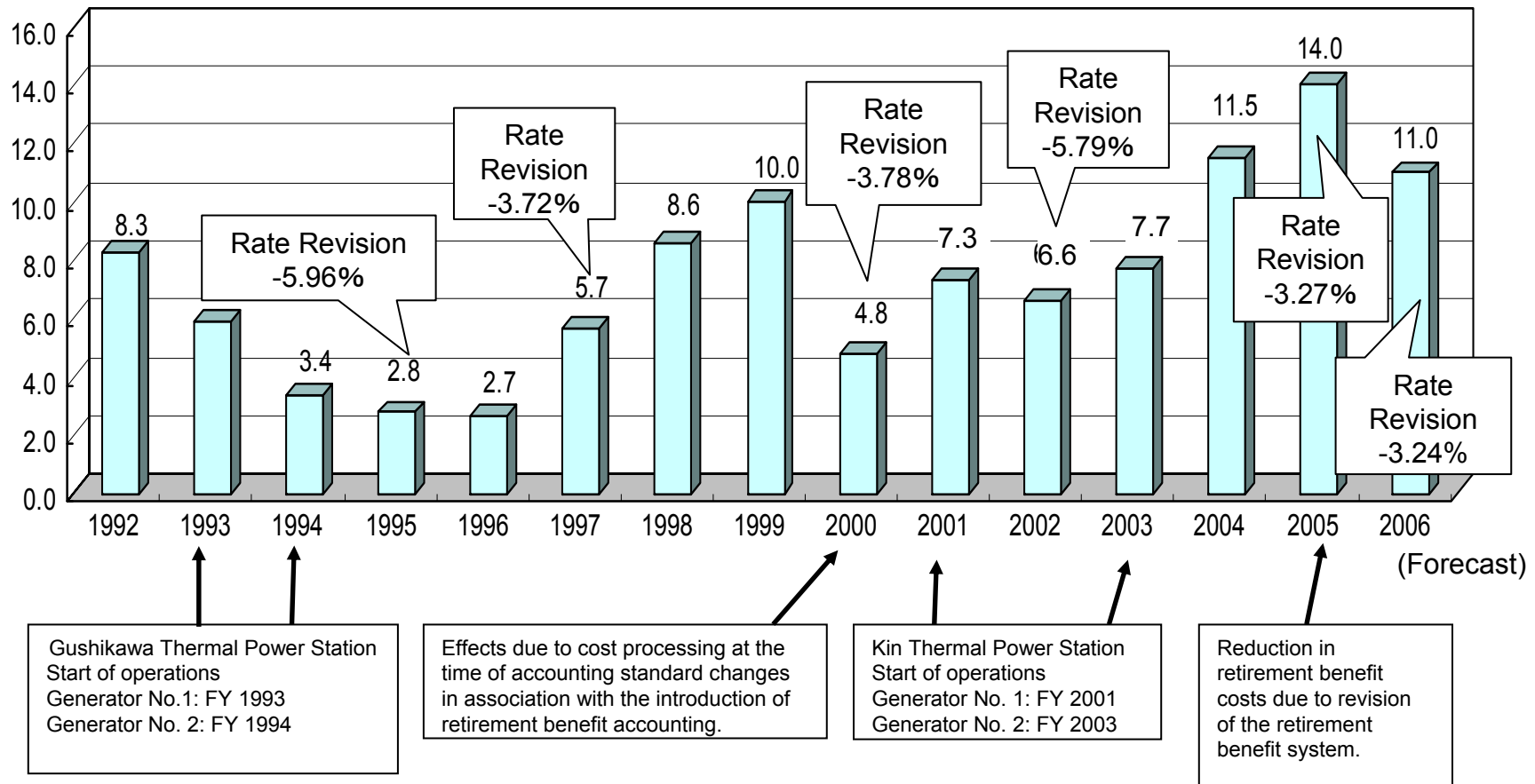
The level of awareness of electric kitchens has risen in recent years due to reasons such as improved awareness of hygiene management and an increased orientation towards kitchens that are comfortable to use. The market has only just appeared so while there is plenty of room, reducing initial costs is an issue.



Q7: What is the Past Trend for Ordinary Income and What is the Forecast for this Fiscal Year?

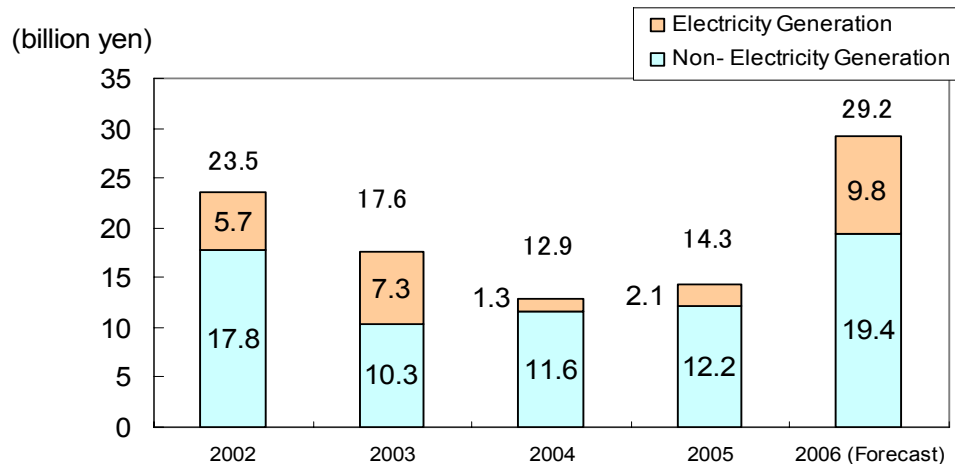
Trend in Ordinary Income (Non-Consolidated)

(Unit: billion yen)

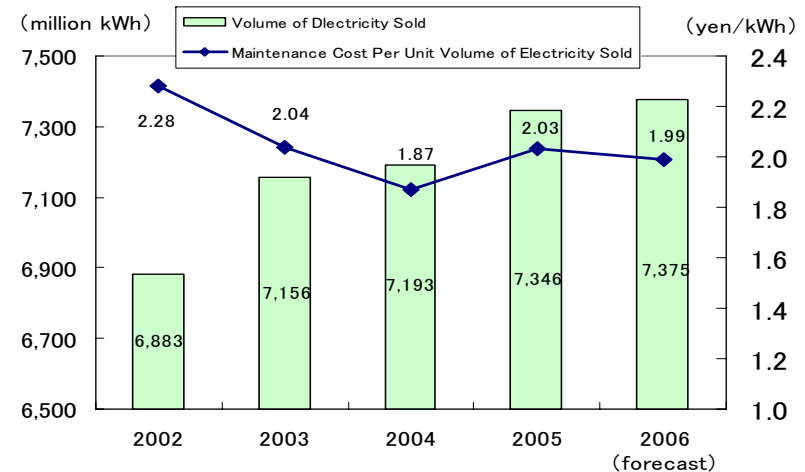


Q8: What is the past trend for capital expenditure and maintenance cost?

Trend in Value of Facility Investment



Maintenance Cost Per Unit Volume of Electricity Sold



Main Efforts

■ Suppression of the Value of Facility Investment

Suppression of construction costs through a review of design, specification, construction methods and ordering methods, and also through the diversion of existing facilities

Promotion of cost reduction in the procurement of materials through reuse of inventories of merchandise and supplies and efficient use of materials

■ Suppression of Maintenance Costs

Promotion of the introduction of CBM* (Condition Based Management)

Cost reduction and leveling through a review of the intervals for regular inspections and repairs

* CBM is an abbreviation of Condition Based Management and is the method of carrying out maintenance after checking the condition of equipment. Vibration diagnosis, lubricant diagnosis and basic insulation diagnosis are among the tools used for surveying the condition of equipment.



Q9: What is the Situation for FCC-C heavy oil Verification Test?

1. FCC-C heavy oil verification test

- A verification test of FCC-C heavy oil (including silica and alumina) was started in May 2006 at the power generation plant in Kume island.
 - After transferring the FCC-C heavy oil (including silica and alumina) for boilers at Ishikawa thermal power plant to Kume island, its impurities were removed by a fuel purifier and a fine filter, and then used.
- [Conditions after 2,000 hours] > No problem with impurities and combustibleness
> No adverse effects detected in the interior materials after release inspection

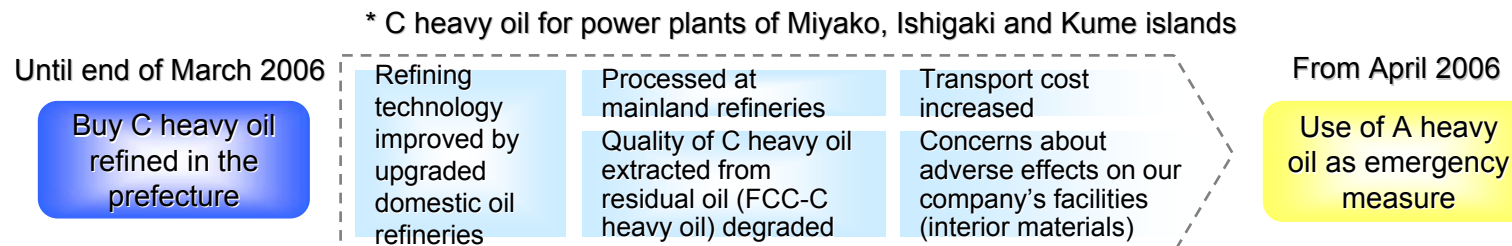
2. Future development

- Countermeasure equipment (fuel purifier, fine filter, etc.) in power plants in Miyako, Ishigaki and Kume islands will be constructed during this fiscal year.
 - Fuel conversion (A heavy oil > FCC-C heavy oil) is expected at the beginning of 2007.
- * Possibility of blending a maximum of 30% of A heavy oil, depending on combustion condition

Economic efficiency estimate

Though facility countermeasure expenses are expected to amount to about 670 million yen, fuel expenses are supposed to be reduced by 1.6 to 2.2 billion yen.

<Reference> Oil class change background (C heavy oil > A heavy oil)



Procurement possibilities of traditional C heavy oil

- Although there is still a margin for supply from both mainland Japan and abroad, it tends to decrease in the long term.
- Stable procurement may be difficult owing to the severe conditions such as difficulty arranging tankers and transport means.



Q10: What are the CO₂ Emission Volumes by Fuel Type?

LNG (Liquefied Natural Gas) produces less carbon dioxide, a major cause of global warming, than coal or oil.

Chart: Comparison of CO₂ Emission Volumes by Fuel Type

Fuel Type	CO ₂ Emission Volume Per Unit Heat Value [g-CO ₂ /MJ] * ₁	vs.Coal	vs.Oil * ₃	CO ₂ Emission Volume Per kWh [kg-CO ₂ /kWh] * ₂	vs.Coal	vs.Oil * ₃
Coal	90.6	1.00	1.27	0.82	1.00	1.20
C Heavy Oil	71.5	0.79	1.00	0.68	0.83	1.00
LNG	49.5	0.55	0.69	0.36	0.44	0.53

*1 The values from the Law Concerning the Promotion of the Measures to Cope with Global Warming (April 1, 2006) were used as the CO₂ emission factors to calculate g-CO₂/MJ.

*2 Power generation efficiency values of 40%, 38% and 50% were assumed for coal, oil and LNG respectively in calculations.

*3 Oil comparisons were based on type C heavy oil.



Q11: What has OEPC Contributed to Carbon Funds?

OEPC has contributed to the following carbon funds as part of its countermeasures against global warming:

- Community Development Carbon Fund (CDCF)
- Bio Carbon Fund (BioCF)
- Japan Greenhouse Gas Reduction Fund (JGRF)
- Greenhouse Gas Credit Aggregation Pool (GG-CAP)

Table: Summary of equity participation in carbon funds

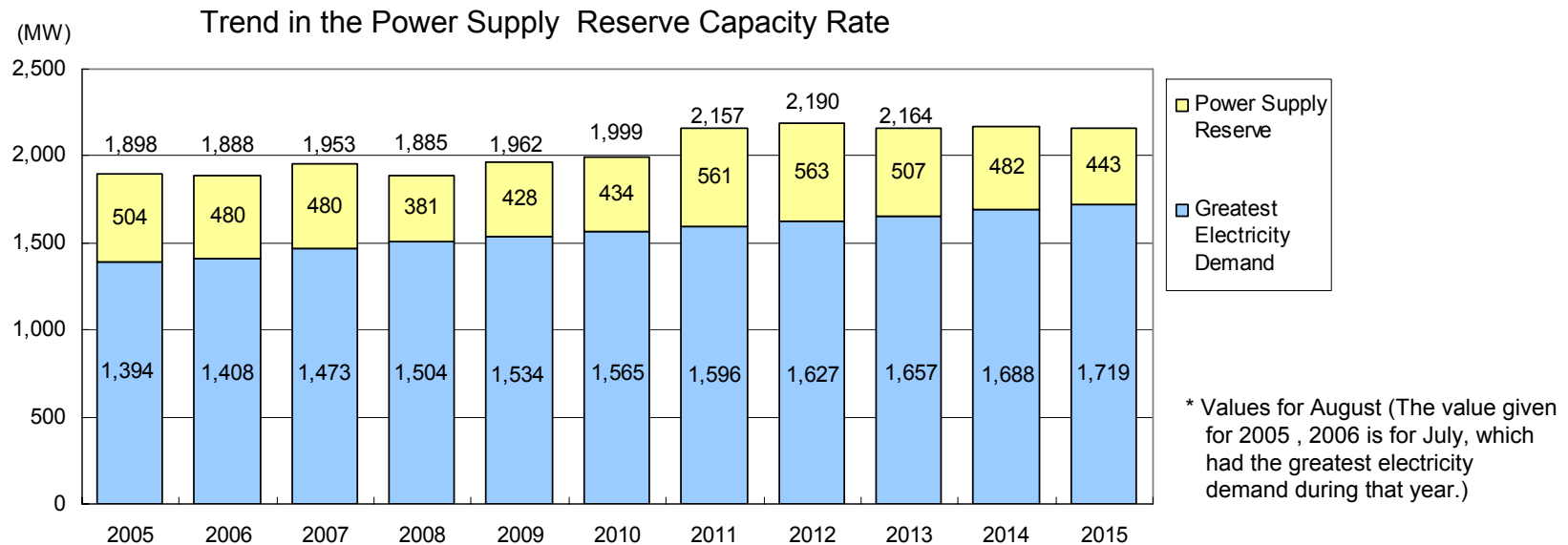
Name of fund	Acquired credit volume (estimate) or amount of investment
CDCF	2.5 million dollars (about 300 million yen)* ¹
BioCF	2.5 million dollars (about 300 million yen)* ¹
JGRF	1 million dollars (about 100 million yen) * ¹
GG-CAP	1.5 million tons-CO ₂ * ²

*1: The acquired credit volumes are not written because of the confidentiality obligation under the contracts.

*2: The amount of investment is not written because of the confidentiality obligation under the contract.



Q12: What is the Trend in Power Supply?



(Unit: MW)

	2005 (Result)	2006 (Result)	2007	2008	2009	2010	2011	2012	2013	2014	2015
Supply Capability (Transmission)	1,898	1,888	1,953	1,885	1,962	1,999	2,157	2,190	2,164	2,170	2,162
Greatest Electricity Demand	1,394	1,408	1,473	1,504	1,534	1,565	1,596	1,627	1,657	1,688	1,719
Power Supply Reserve	504	480	480	381	428	434	561	563	507	482	443
Reserve Capacity Rate	36.2%	34.1%	32.6%	25.3%	27.9%	27.7%	35.2%	34.6%	30.6%	28.6%	25.8%

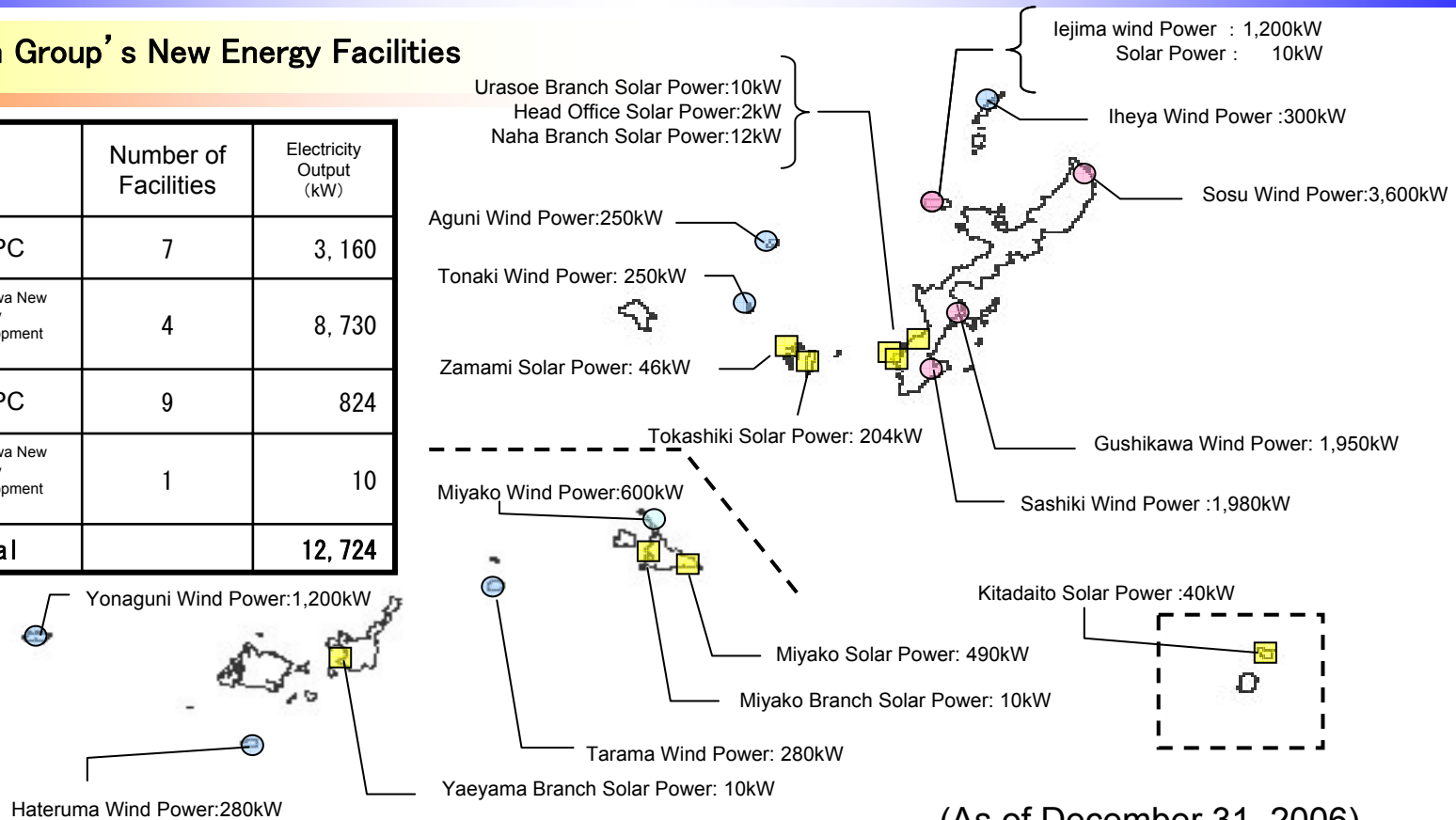
- Based on demand assumptions, OEP is planning the strengthening of electric power generation facilities on the basis of securing a stable long-term electricity supply.
- The power supply reserve will increase in FY2011 with the start of operations at Generator No.1 of the Yoshinoura Thermal Power Plant in November, 2010 and with the start of operations at Generator No.2 in May, 2011.



Q13: What is the Status of Wind and Solar Power Electricity Generation Facilities?

List of Okiden Group's New Energy Facilities

		Number of Facilities	Electricity Output (kW)
Wind Power	○ OEPC	7	3,160
	● Okinawa New Energy Development Co	4	8,730
Solar Power	■ OEPC	9	824
	● Okinawa New Energy Development Co	1	10
Total			12,724



- The company has established new energy facilities in all areas, including remote islands, with total output of 3,984kW (wind power: 3,160kW, solar power: 824kW)
- The Okiden Group will push forward with the introduction of wind power generation facilities.



Q14: How do Current Electricity Rates Compare to Rates at Other Companies?

With regard to the comparison of rate levels, there are limits to the publicly disclosed data so a detailed comparison is not possible. However, it is known that in general, OEPC has secured rates at about the same levels as on the mainland.

Model Unit Rates for All Companies (As of January 2007, including fuel cost adjustments and consumption taxes)

(Unit: yen/kWh)

	OEPC	Co. A	Co. B	Co. C	Co. D	Co. E	Co. F	Co. G	Co. H	Co. I
Metered Residential	24.30	24.04	22.43	22.10	21.34	21.06	21.41	22.49	22.10	20.87
Model Basic Unit 300	⑩	⑨	⑦	⑤	③	②	④	⑧	⑤	①
Commercial Use Electricity (High Voltage)	19.78	17.56	17.33	17.32	16.34	15.40	16.43	17.44	16.51	15.99
Model Basic Unit 250 (Power Factor 100%)	⑩	⑨	⑦	⑥	③	①	④	⑧	⑤	②
High Tension Power A	17.59	16.47	15.77	15.74	16.25	14.73	15.63	16.27	16.52	15.51
Model Basic Unit 250 (Power Factor 100%)	⑩	⑧	⑤	④	⑥	①	③	⑦	⑨	②

Note: The circled numbers indicate price level rankings (higher numbers indicate more expensive rates).



Changes in Main Expense Items

(Millions of yen)

	2004	2005	Increase/ decrease	2006 (estimate)	Increase/ decrease	Prospects for fiscal 2006
Personnel cost	16,586	15,445	-1,141	16,500	1,055	Expenses to be posted following the termination of retirement allowances for directors
Fuel cost	24,848	32,578	7,730	40,100	7,522	Increase expected due to sharp rises in crude oil prices
Repair cost	13,470	14,922	1,451	14,700	-222	Decrease in reaction to unplanned repair work (power transmission and transformation) conducted in the previous fiscal year
Depreciation	27,712	25,062	-2,649	23,300	-1,762	Decrease expected since a round of large investment came to an end
Electricity charges	12,305	13,422	1,117	13,000	-422	Decrease expected due to a review of the contract (reduction of basic charge) with Electric Power Development Co., Ltd.
Interest paid	5,451	4,316	-1,135	3,900	-416	Decrease projected due to the diminution of interest-bearing liabilities and declines in average interest rate



Sensitivity Analysis for Various Factors

Major Factors

	FY2005 First half	FY2006 First half	FY2006 (prospect)
Crude oil CIF price (\$/bbl)	53.1	67.8	64.0
Coal CIF price (\$/t)	57.6	55.3	57.0
Exchange Rate (¥/\$)	109.5	115.4	117.0

Sensitivity

(million yen)

	FY2004	FY2005	FY2006 (prospect)
Exchange Rate (1¥/\$)	240	310	350
Crude oil CIF price (1\$/bbl)	330	320	360
Demand (1%)	800	730	670
Interest Rate (1%)	100	110	100

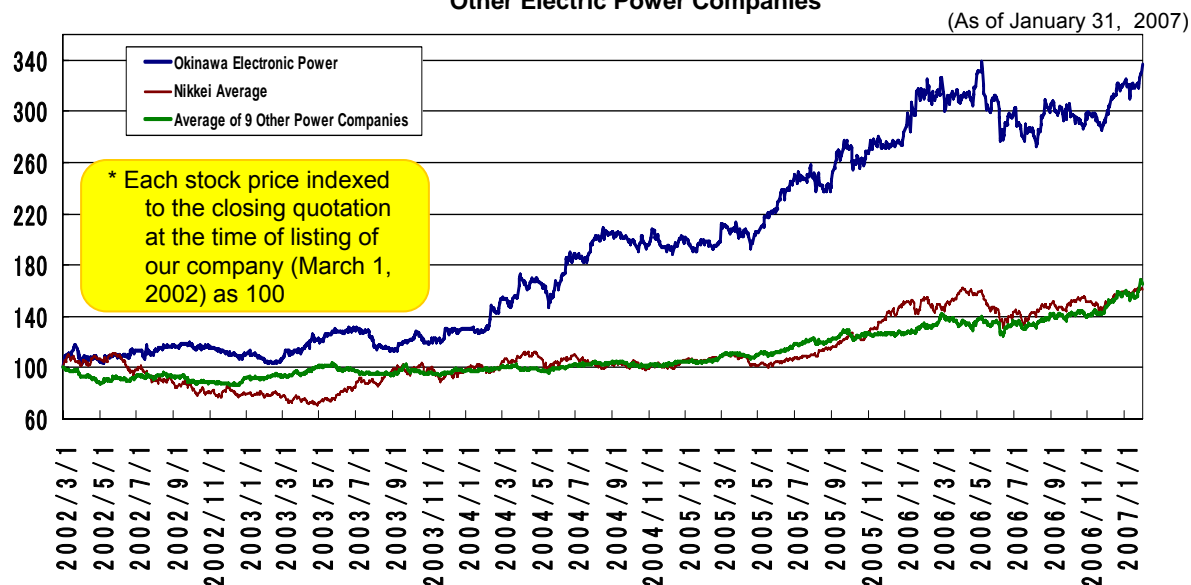


Change in Okinawa Electric Power's Stock Price

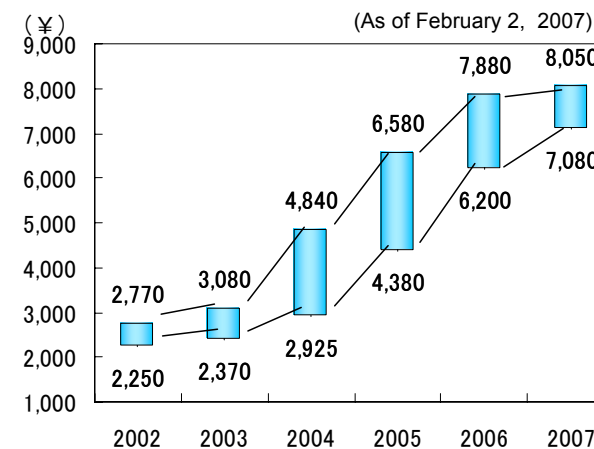
Change in Stock Price since the Time of Listing in First Section (March 1, 2002)

	Okinawa Electric Power	Average of 9 Other Power Companies	Nikkei Average
Stock price on March 1, 2002	¥2,300	¥1,985	¥10,812
All-time high	¥7,970 as of February 2, 2007 (+246.5%)	¥3,467 as of February 2, 2007 (+74.7%)	¥17,563 as of April 7, 2006 (+62.4%)
All-time low	¥2,300 as of March 1, 2002 (± 0.0%)	¥1,712 as of December 9, 2002 (-13.8%)	¥7,608 as of April 28, 2003 (-29.6%)
Latest stock price Closing quotation on February 2, 2007	¥7,970 (+246.5%)	¥3,467 (+74.7%)	¥17,547 (+62.3%)

Changes in the Stock Price of the Company, the Nikkei Stock Average and Average Stock Price of Other Electric Power Companies



Changes in the Highest and Lowest Prices of the Stock of the Company



Earnings Per Share and Payout Ratio

Earnings per Share and Payout Ratio

FY		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Net Income (Non-consolidated)	Million yen	904	2,773	4,843	2,725	2,606	4,807	4,430	5,594	7,591	9,163
Earnings per Share	Yen	60.80	186.42	325.61	179.61	171.77	316.86	286.52	363.37	494.77	571.05
Dividend per Share	Yen	50	50	50	50	60	60	60	60	60	60
Payout Ratio	%	82.2	26.8	15.4	27.8	34.9	18.9	20.9	16.5	12.1	10.5

Date	Issued number of shares of common stock	
1992.02.10	14,728,132	Listed
1995.11.20	14,875,413	Split 1 : 1.01
1999.05.25	15,172,921	Split 1 : 1.02
2005.05.20	15,931,567	Split 1 : 1.05
2007.04.01	17,524,723	Split 1 : 1.10



Reference

- <http://www.okiden.co.jp/english/index.html> (The Okinawa Electric Power Company Incorporated)
- <http://www.pref.okinawa.jp/english/index.html> (Okinawa Prefecture)
- <http://www.fepc.or.jp/english/index.html> (The Federation of Electric Power Companies of Japan)
- <http://cripi.denken.or.jp/en/> (Central Research Institute of Electric Power Industry)



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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