

Management Reference Materials

February 2008



The Okinawa Electric Power Company, Inc.

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Characteristics of the business base

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 independent producers ◆ 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.) |

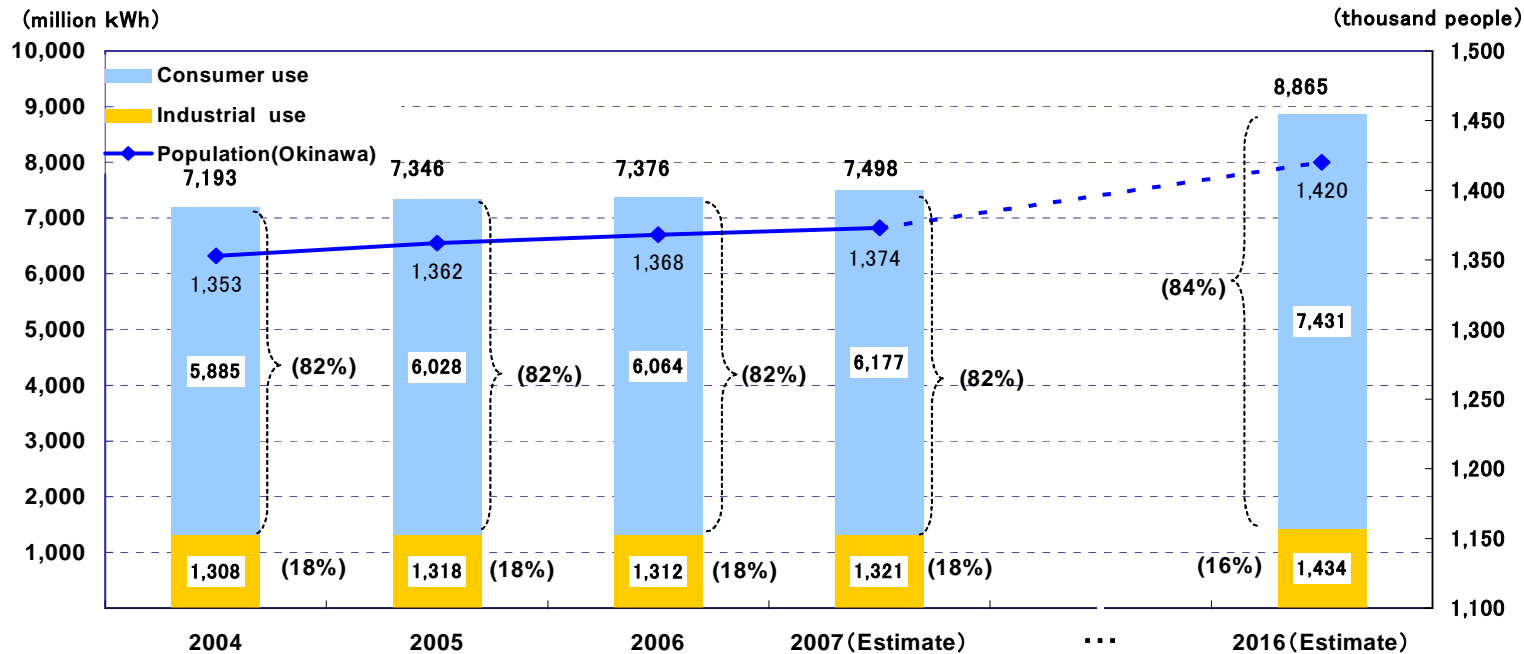
Disadvantage

| | |
|---|--|
| 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 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 |



Demand for Electric Power

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



| Okinawa | | (%) | |
|----------------------------|----------------|-----------|-----------|
| Annual Average Growth Rate | | 1995-2005 | 2005-2016 |
| Demand for Electric Power | Consumer use | 2.4 (2.4) | 1.9 (2.1) |
| | Industrial use | 1.9 (1.9) | 0.8 (0.8) |
| Total | | 2.3 (2.3) | 1.7 (1.9) |

Note : Figures in brackets are post temperature correction.

| Nationwide(Excluding Okinawa) | | (%) | |
|-------------------------------|----------------|-----------|-----------|
| Annual Average Growth Rate | | 1995-2005 | 2005-2016 |
| Demand for Electric Power | Consumer use | 2.3 (2.2) | 1.1 (1.4) |
| | Industrial use | 0.8 (0.9) | 0.6 (0.6) |
| Total | | 1.7 (1.6) | 0.9 (1.1) |

Source: Japan Electric Power Survey Committee
(Growth rates were calculated from loads for distribution)

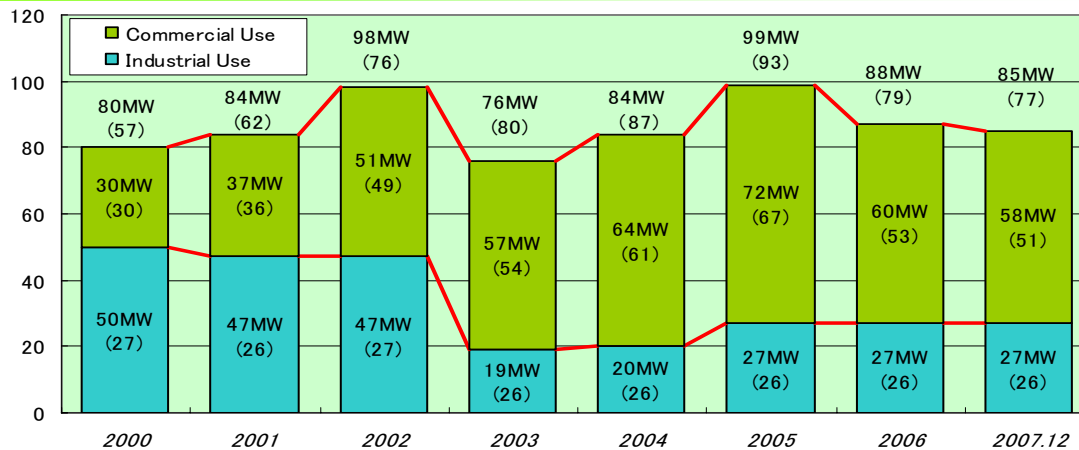
Note: Figures in brackets are post temperature correction.



Competition with Private Power Generation Operations

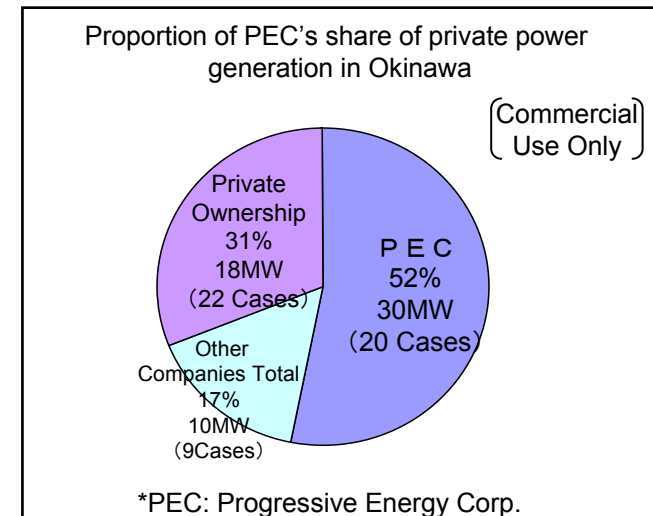
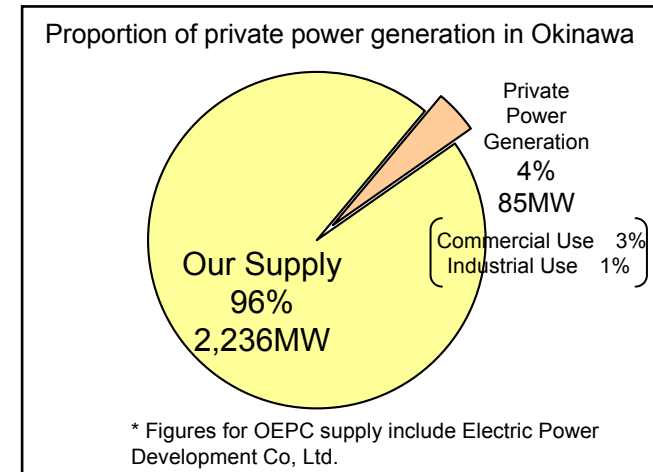
- The proportion of private power generation in Okinawa is 4%
- Progressive Energy Corp's share in commercial use sectors is 52%
- Competition with Private Power Generation Operations
Private generations are losing their competitiveness due to the effects of increasing cost owing to the high price of 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 OEPC. (As of December 2007)

Trend in the Permitted Output of Private Power Generators



- Number of cases and output (kW) : converted to buying electricity from OEPC
- 2005 : Commercial Use 1 cases, Industrial Use 1 case (total 740kW)
- 2006 : Commercial Use 20 cases (total 14,451kW)
- 2007 : Commercial Use 2 cases (total 2,500kW) (As of Dec.2007)

Status of market penetration by private power generators



Power Generation Facilities [1/4]

Generation Reserve Margin

Demand-Supply Balance

OEPC (10 Thousands of kW, %)

| | 2006【Result】 | 2007【Result】 | 2011 | 2016 |
|--------------------|--------------|--------------|-------------|-------------|
| Peak Load | 141 | 143 | 156 | 170 |
| Supply Capacity | 189 (162) | 195 (170) | 213 (193) | 230 (210) |
| Reserve Capacity | 48 (22) | 52 (27) | 57 (37) | 60 (40) |
| Reserve Margin (%) | 34.1 (15.4) | 36.5 (19.1) | 36.5 (23.4) | 35.3 (23.3) |

10 Major Electric Power Companies (10 Thousands of kW, %)

| | 2006【Result】 | 2007【Forecast】 | 2011 | 2016 |
|--------------------|--------------|----------------|--------|--------|
| Peak Load | 17,022 | 17,466 | 17,958 | 18,681 |
| Supply Capacity | 19,262 | 19,345 | 19,875 | 20,680 |
| Reserve Capacity | 2,241 | 1,878 | 1,918 | 1,999 |
| Reserve Margin (%) | 13.2 | 10.8 | 10.7 | 10.7 |

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

(Source : Agency for Natural Resources and Energy, Ministry of Economy, Trend and Industry, "Summary of Electric Power Supply Planning ,FY2007")

- 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: 266MW)

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.



Power Generation Facilities [2/4]

Power Supply Composition

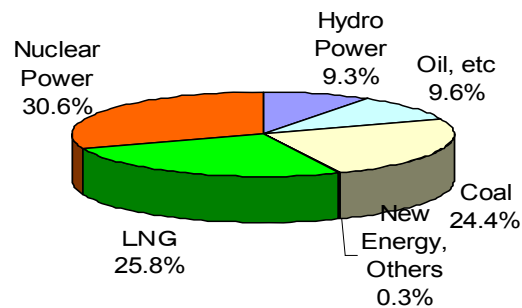
■ Power supply is dependent on oil and coal because of the difficulty of finding sites for hydro or nuclear power generation due to factors including geographic and topographical characteristics and constraints on the scale of demand.



■ 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
 (FY2006: Results)



(Source: Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry, "Summary of Electric Power Supply Planning, FY2007")

Okinawa Electric Power Company

(FY2006: Results)

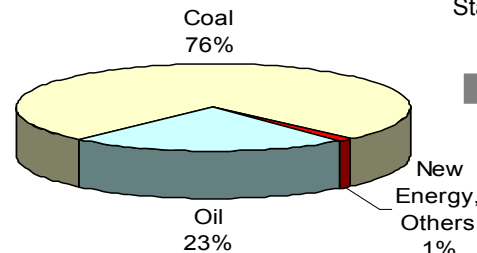
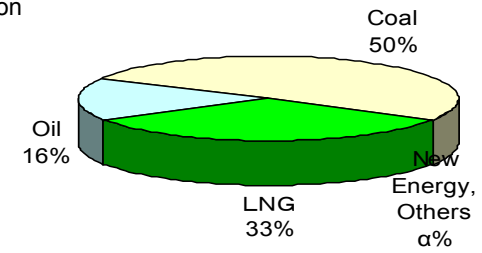


Image of Situation Following the Start of LNG Thermal Power Station Operation

(FY2016)



* Both pie charts include energy supplied by other companies.



Power Generation Facilities [3/4]

~ Yoshinoura LNG Thermal Power Plant ~

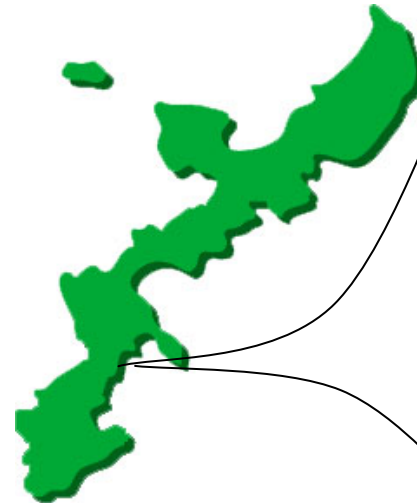
Construction Purpose

Response towards steady demand increases
 Environmental measures → Avoidance of large, environment-related costs
 Fuel diversification → Improvement of energy security
 Search for new business opportunities making efficient use of LNG

Investment Plan

Power generation facilities, Generators No.1 & 2 (251,000 kW each),
 2 LNG terminals (140,000 kl each)
 Including other expenses, the operation is on the scale of 100 billion yen
 The forecast investment peak is from FY2007 – FY2010

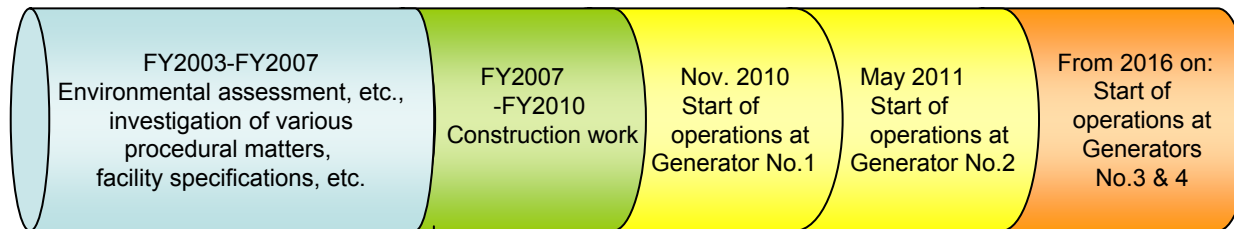
Okinawa Prefecture



【Site for Power plant construction】



Construction Schedule



Main Points for FY2007

- Preparatory construction
- Construction of main equipment

Conceptual Image of the Completed Facility



* The progress of the project, however, slightly falls behind the schedule of work.



The Okinawa Electric Power Company, Inc.

Power Generation Facilities [4/4]

~ Yoshinoura LNG Thermal Power Plant ~

Effects on Finance (Past Tendencies)

- The balance of interest bearing liabilities increased
- Large depreciation burden and decreased income associated with large-scale facility investment

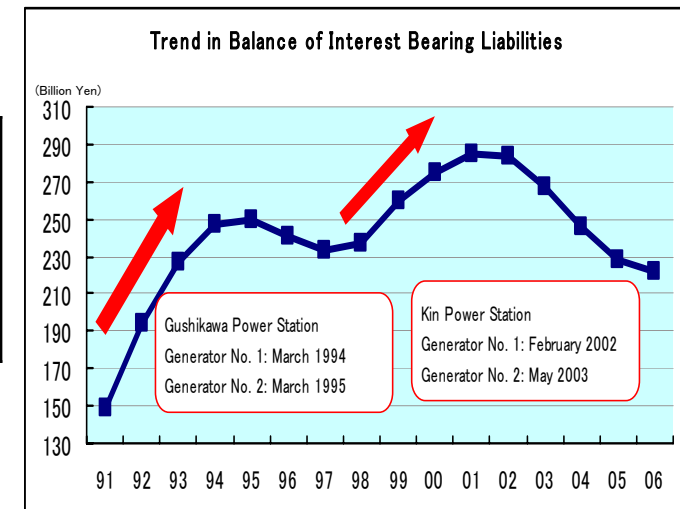
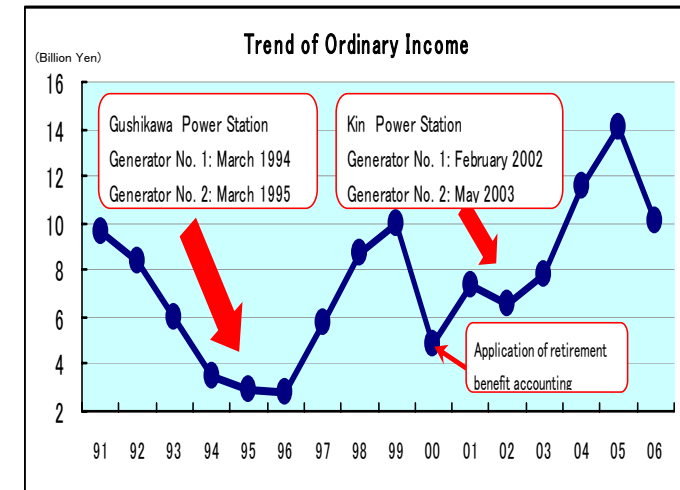
Countermeasures

- Creation of strong financial characteristics able to withstand the Yoshinoura Thermal Power Station investment burden
 - Control the increase of the balance of interest bearing liabilities
- Reduction of the depreciation burden associated with the start of operations at Yoshinoura Thermal Power Station
 - Currently investigating cost leveling through lease finance for the LNG terminals

Perspective

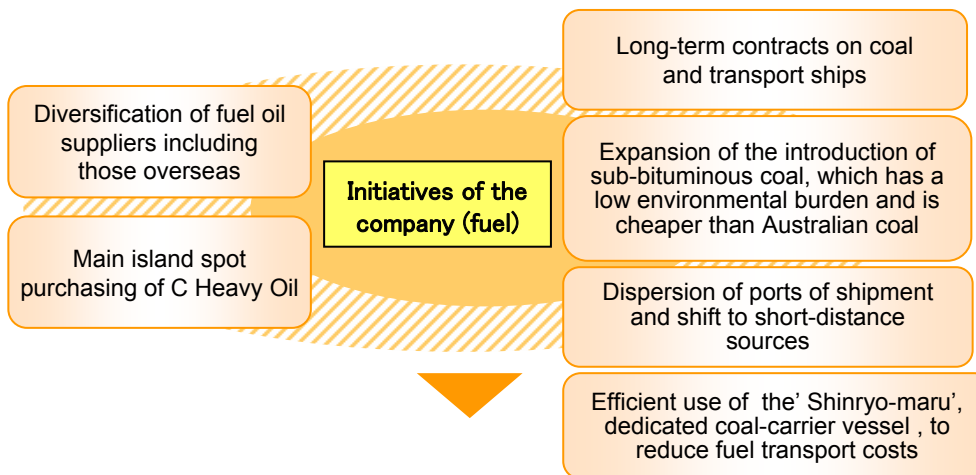
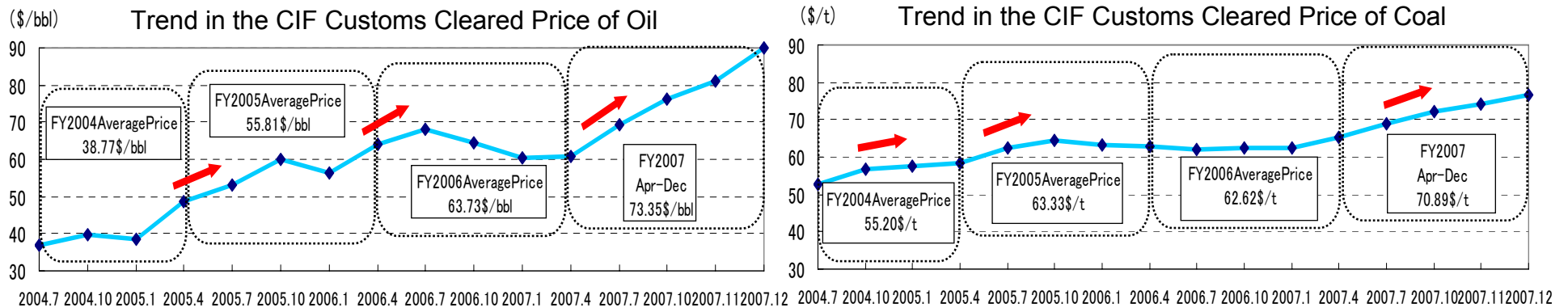
| Power Generation Facilities | LNG Terminals |
|--|---|
| <ul style="list-style-type: none"> ■ Application of usual finance to electricity operation as a whole ■ Earlier depreciation as previously using a fixed percentage method | <ul style="list-style-type: none"> ■ Aim at stable costs for a part of fuel costs ■ Currently investigating cost leveling through lease finance |

* Concerning finance lease, the Company will apply on-balance sheet non-transfer-ownership contracts.



Fuel

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



Activities this term

Fuel Oil

- Achieving stability of fuel oil supply via diversification of suppliers including those overseas
- Reduction of fuel costs via utilization of spot market

Coal

- Achieving stable coal supply and fuel cost reduction via long term contracts for coal and transport vessels
- Achieving stable coal supply and fuel cost reduction via decentralization of Australian coal shipping ports
- Additional orders for sub-bituminous coal with more moderately priced than Australian coal
- Transport cost reduction by using to maximum cost-competitive COA contracts renewed before shipping market tightening

Achieving stable fuel supply and pursuing cost reductions

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



The Fuel Cost Adjustment System

Summary of the System

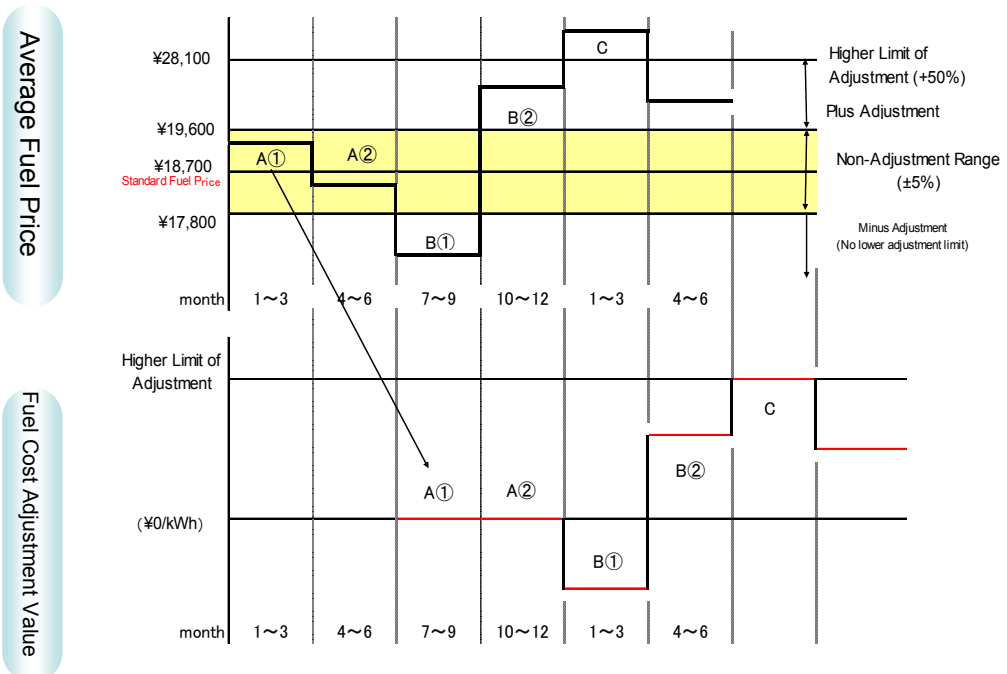
The fuel cost adjustment system was introduced for the purpose of clarifying the “internal factors” such as the results of efforts to promote management efficiency at electric power companies and reflecting “external factors” onto electricity rates such as exchange rates and oil and coal prices that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

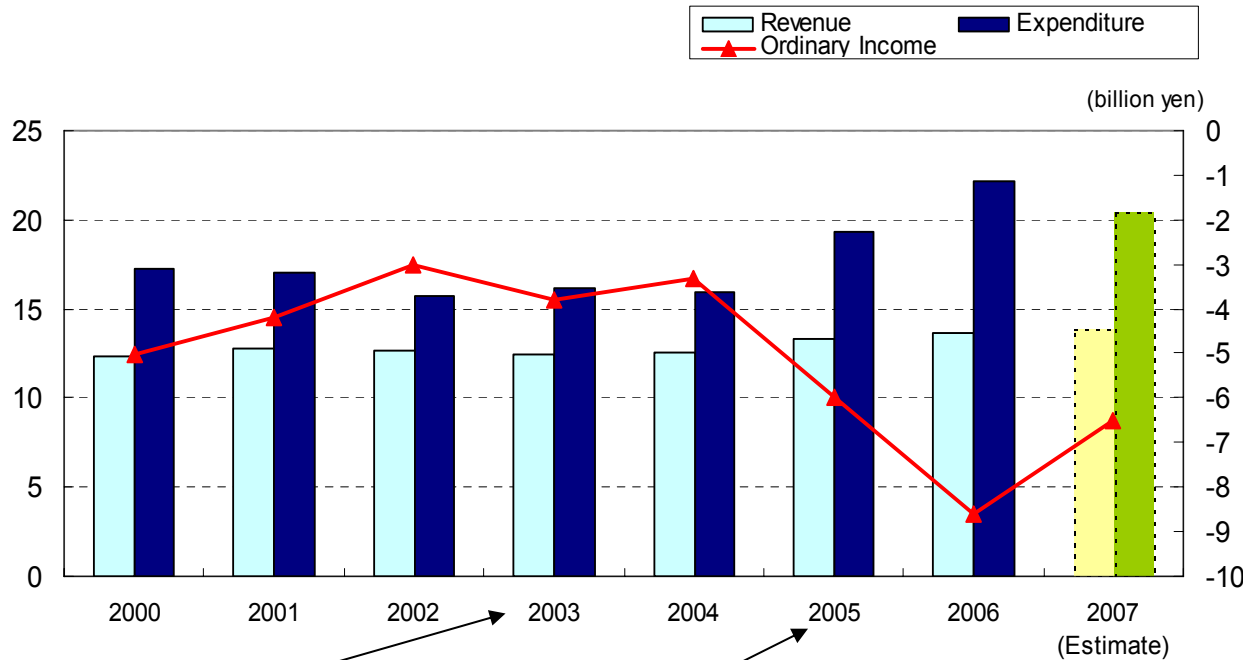
- A No adjustment is made because the change is small ($\pm 5\%$)
- B Adjustment is made in accordance with the size of the change
- C Price adjustment is stopped at the higher limit as the increase is large

Image of the Fuel Cost Adjustment System



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

Movements in Remote Island Revenue and Expenditure

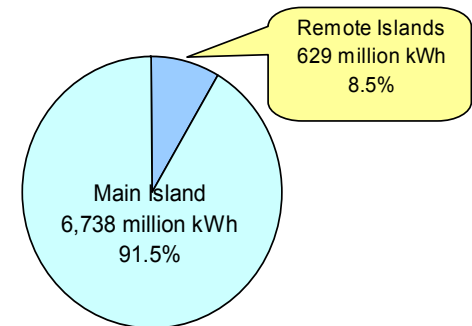


Damage worth 800 million yen due to Typhoon No.14(Miyako) (FY: 2003)

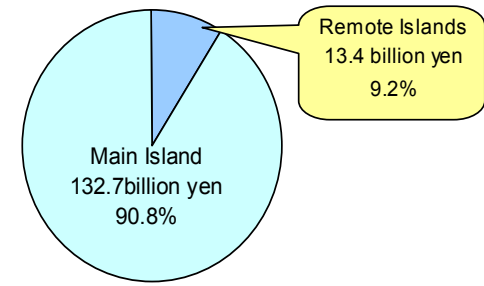
Increased Fuel Costs
 • Change of Oil Type (C → A heavy oil)
 • High Cost of Crude Oil (FY2005-)

Decreased Fuel Costs
 • Change of Oil Type (A → FCC-C heavy oil)

Electricity Sales (FY2006)
 (All Companies: 7,367 million kWh)



Residential, Commercial and Industrial Use Charges (FY2006)
 (All Companies: 146.1 billion yen)



| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 (Estimate) |
|-----------------|------|------|------|------|------|------|------|-----------------|
| Revenue | 12.3 | 12.8 | 12.7 | 12.4 | 12.6 | 13.3 | 13.6 | 13.9 |
| Expenditure | 17.2 | 17.0 | 15.7 | 16.2 | 15.9 | 19.3 | 22.2 | 20.4 |
| Ordinary Income | -5.0 | -4.2 | -3.0 | -3.8 | -3.3 | -6.0 | -8.6 | -6.5 |

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

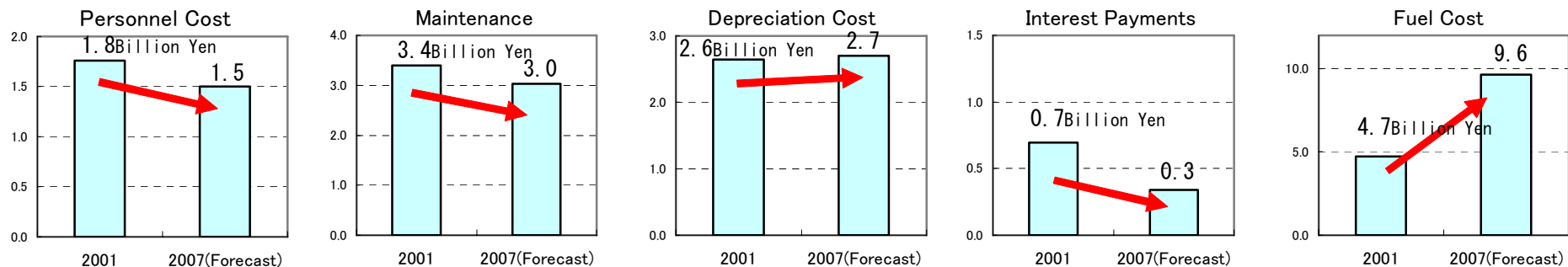


Improvement Of Remote Island Income and Expenditure [2/2]

- 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.
- Of the primary cost items, the depreciation cost has risen temporarily in the fiscal 2007 forecast due to installation of a pipeline to reduce costs and a change in the method of calculation used according to revision of applicable law. Labor costs, repair costs and interest expenses are falling from previous levels due to the balance of payments improvement plan.
- In order to cut back on fuel costs, new technology power generators are to be utilized. However, fuel costs are greatly increasing due to the recently soaring price of crude 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, Introduction of Economic Dispatching Control (EDC) system, partially laying power lines underground to prevent typhoon damages, etc.)



(Reference) Fuel Type Conversion in Remote Island

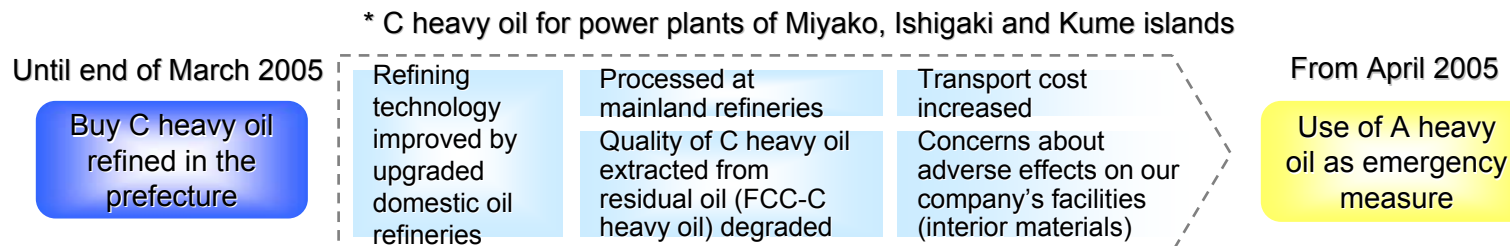
Fuel type Conversion (from A heavy oil to FCC-C heavy oil)

- 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
- Countermeasure equipment (fuel purifier, fine filter, etc.) in power plants in Miyako, Ishigaki and Kume islands were constructed in April,2007.
- Fuel type conversion (A heavy oil → FCC-C heavy oil), started from April 2007, were completed in May,2007.

Economic efficiency estimate

Though facility countermeasure expenses were amount to about 610 million yen, fuel expenses are supposed to be reduced by about 1.1 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.



Environmental Burden 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.)**



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 (6 cases) taking advantage of the Kyoto Mechanism

| Name of Funds | Acquired credit volume or amount of investment (contract basis) |
|---|---|
| Community Development Carbon Fund (CDCF) | 2.5 million dollars (about 300 million yen) |
| Bio Carbon Fund (BioCF) | 2.5 million dollars (about 300 million yen) |
| Japan Greenhouse Gas Reduction Fund (JGRF) | 1 million dollars (about 100 million yen) |
| Greenhouse Gas Credit Aggregation Pool (GG-CAP) | 1.5 million tons-CO ₂ |
| New Co-Purchase (NCP) | approx.0.5 million tons-CO ₂ |
| Purchase Contract with a trading company etc. | 0.40 million tons-CO ₂ |

- 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



Q & A



Q&A - Contents

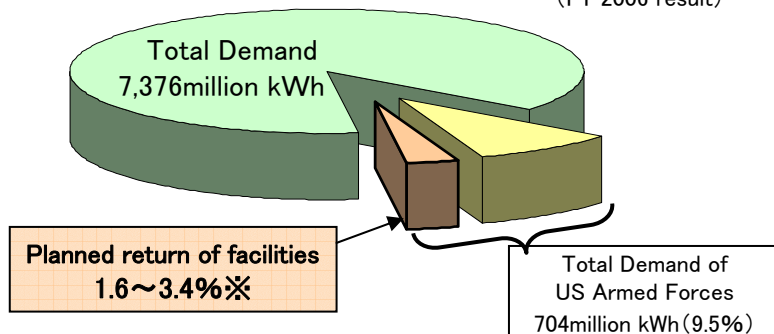
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Q1: What is the Current state of U.S. Military Bases ?

【Proportion of Demand Taken Up By U.S. Armed Forces】

(FY 2006 result)



※Range in figures due to planned return of facilities includes partial return.

- U.S. Armed Forces demand was about 9.5% of total demand and about 7.3% of revenue in fiscal 2006.
- The proposal for reorganization of the U.S. Armed Forces was agreed upon by the U.S.-Japan Security Consultative Committee on May 1, 2006, and the facilities to be returned were clarified.
- Okinawa's reversion scheduled to be set by March 2007 is yet to be determined, and thus, its detailed schedule is still unclear. Although there will be a temporary decrease in demand if facilities are returned, activation of the regional economy is forecasted in line with the redevelopment of returned sites.
- From now on, the company shall analyze the effects of returns on operations while paying attention to state and prefectural activity with regard to the proposal for reorganization of the U.S. Armed Forces.

【Summary of U.S. Armed Forces in Okinawa】 (As of Jan. 2007)

| | | |
|-------------------|-----------------------|---------------------|
| No. of Facilities | | 33 |
| Area | | 229 km ² |
| Personnel* | Soldiers | 23,140 |
| | Other Staff, Families | 20,410 |
| | Total | 43,550 |

* The figures for personnel are as of the end of September 2006.
Reference: No. of army employees: 9,023 *As of the end of September 2006

* Source: Website of Japan Ministry of Defense ; "Bases of the U.S. Armed Forces and Japan's Self-Defense Forces in Okinawa (collection of statistics and materials) March 2006," issued by the Military Base Affairs Office, Executive Office of the Governor, Department of General Affairs, Okinawa Prefectural Government; and the guide on recruitment of employees at U.S. Forces in Japan, prepared by the Labor Management Organization for USFJ Employees

【U.S.-Japan roadmap drafted for realignment of U.S. forces】

(Source: Website of Japan Ministry of Defense)

- Realignment of U.S. forces in Okinawa (main contents)
 - (a) Construction of supplement facility of Futenma Airbase: Futenma Replacement Facility (FRF)
 - Relocation to Camp Schwab scheduled to complete in 2014.
 - (b) Reduction of military forces and relocation to Guam
 - Relocation of 8,000 Marine Corps and their family (9,000 persons) to Guam by 2014.
 - (c) Return of land
 - Total or partial return of land of six bases south of Kadena airport.
 - * Said return of land will take place after completion of personnel relocation, after 2014.

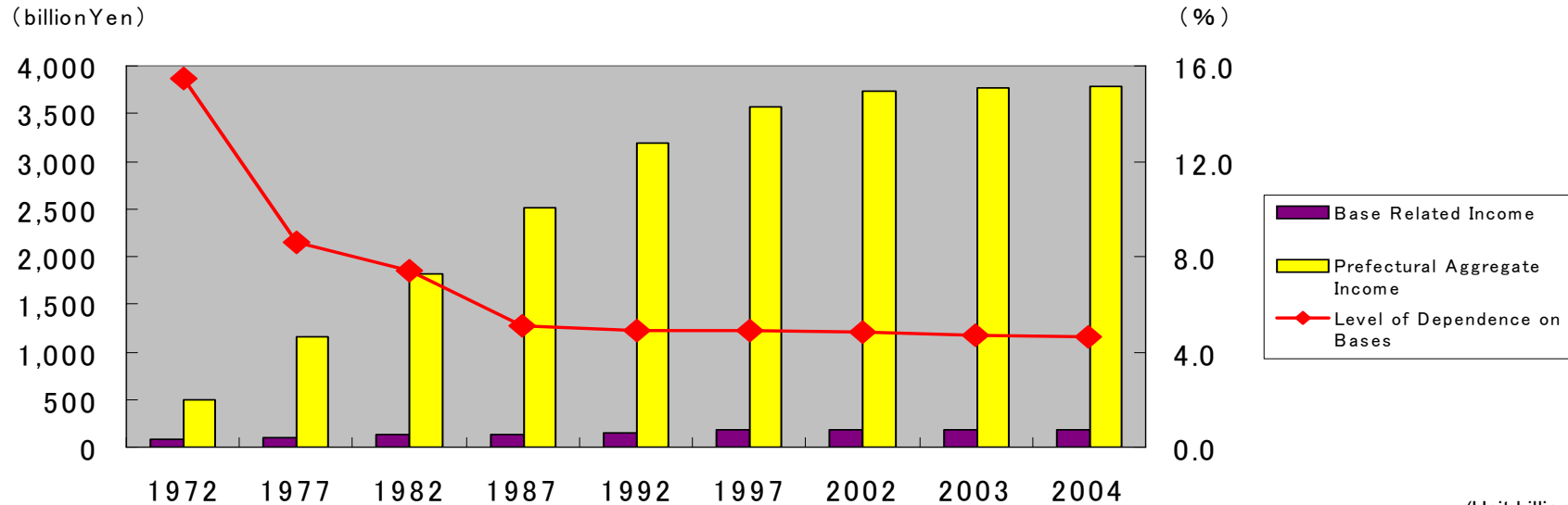
【Others】

In addition to the plan mentioned above, there is a plan to deploy a PAC-3 unit, which calls for relocation of 600 staffers and their 900 family members from Texas, the U.S., to Okinawa. Operation of PAC-3 will partially start by the end of 2006.



Q2:Trend in U.S. Base Related Income

Trend in U.S. Base Related Income



(Unit: billion yen, %)

| | 1972 | 1977 | 1982 | 1987 | 1992 | 1997 | 2002 | 2003 | 2004 |
|---|-------|---------|---------|---------|---------|---------|---------|---------|---------|
| 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 | 179.7 | 178.3 | 174.3 |
| Prefectural Aggregate Income (B) | 501.3 | 1,163.1 | 1,822.6 | 2,516.5 | 3,192.9 | 3,574.4 | 3,735.3 | 3,767.5 | 3,792.8 |
| Level of Dependence on Bases (A/B) | 15.5 | 8.6 | 7.4 | 5.1 | 4.9 | 4.9 | 4.8 | 4.7 | 4.6 |

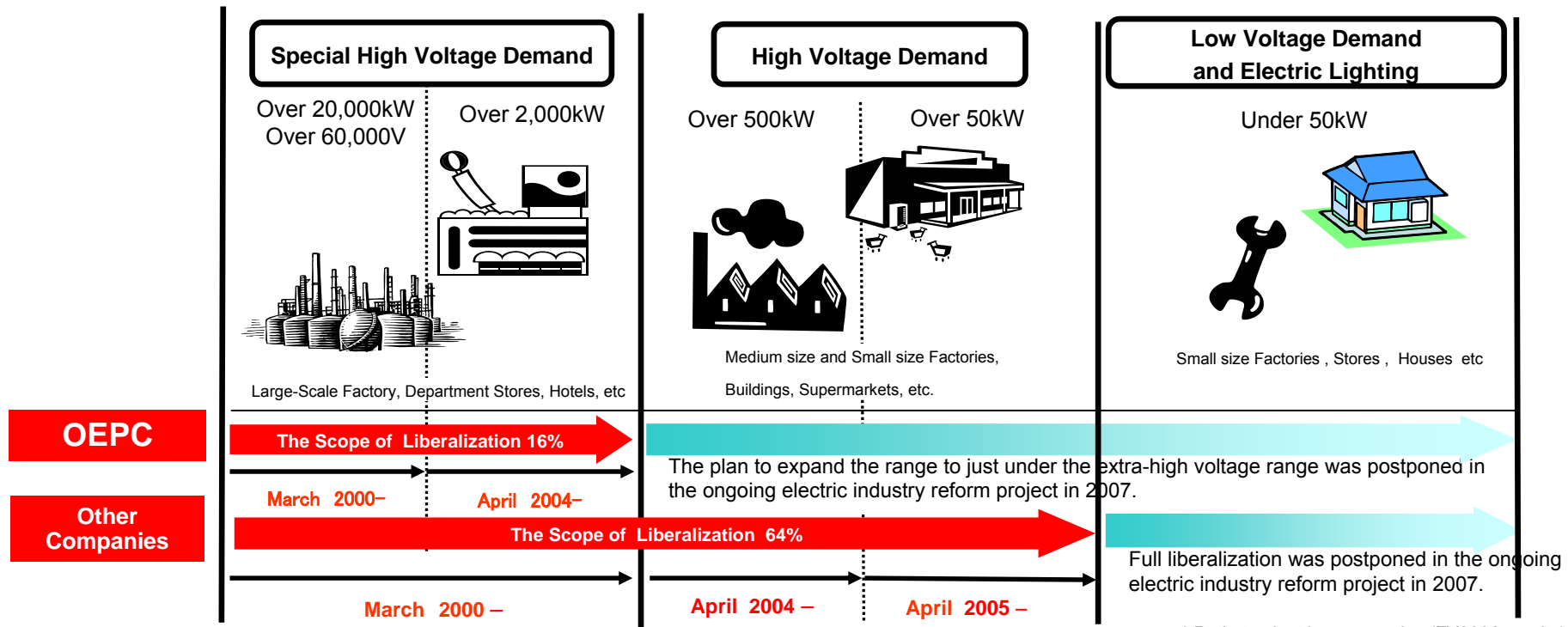
Source: Okinawa Prefectural Government, Governor's Office, US Base Countermeasure's Office, "Okinawa Bases of the US Armed Forces and Self Defence Forces (Statistics), March 2007"

- 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 FY2004 had fallen to 4.6% from the 15.5% share at the time Okinawa was returned to Japan (1972).



Q3: 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



* Ratio to electric power sales (FY2006 results)

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.



Q4: What are the Preferential Tax Measures?

Currently Applied Preferential Tax Measures

1. Alleviation of Fixed Property Tax

Basic Law: Supplementary Provisions of the Local Tax Law
(Article 15.16)

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

Period: April 1, 1982 – March 31, 2012

2. 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, 2012
(Extended for 5 years from April 1, 2007)

※ Alleviation of Business Tax was abolished on May 15, 2007

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

Period : December 31, 1971 – May 14, 2007

Need for preferential treatment

- Preferential treatment is required as the Company is expected to continue to record a loss resulted from the power supply at remote islands which suffer disadvantages deriving from their geographical conditions.

Value of Tax Alleviation Due to the Preferential Measures

- The value of the alleviation measures in FY2006 was about 2.1 billion yen.
- The average value of the alleviation measures after FY2007 will be about 1.8-2.3 billion yen per year.

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.



Q5: What is the Current State of the Promotion of All-Electric Houses?

1. Target value for FY2007 ⇒ 11million kWh

2. Approach for the promotion and diffusion.

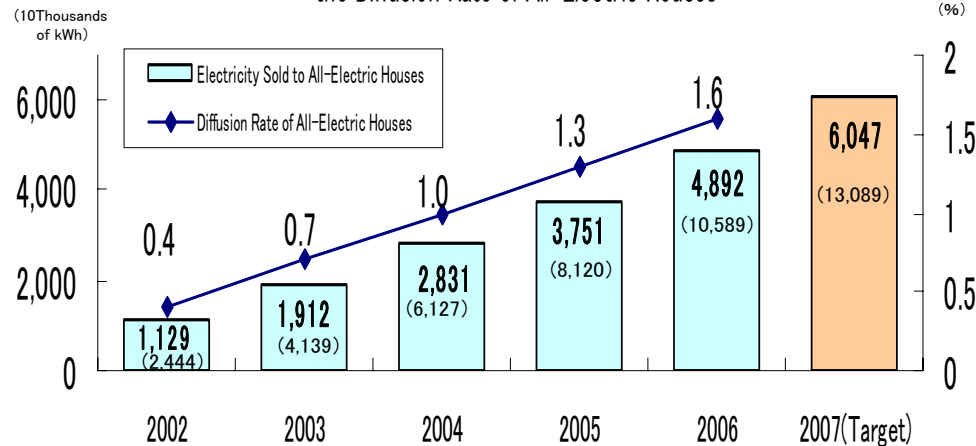
«Development of new demands and promotion of liabilities standardization. (Promote the housing which covers all necessary life energy with electricity (All-Denka))»

- (1) Active promotion of Co2 refrigerant heat pump hot-water machine (Eco-Cute).
- (2) Promote the community-based sales that focuses on the region (market).
- (3) Actively promote the architect offices, house makers, etc. (sub-users) to adopt the electrification.
- (4) Improvement of PR activity using 'electric homes simulation car' and 'electrical cooker simulation car'.
- (5) Enhance the promotion of All-Denka house in collaboration with customer-electronic makers and mass merchants.
- (6) Enhance the PR activity for All-Denka house through various events.

«Strengthen the advertisement activities.»

- (1) To establish the All-Denka brand and implement an effective promotion to customers. (Utilization of advertisement, HP, etc.)
- (2) To improve the sub user (house makers, design offices, etc.)-oriented support tool.

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 (As of December 31,2007)

$$1.9\% = \frac{12,803 \text{ [houses] (discount for "all-electric houses")}}{667,061 \text{ [houses] (metered use + residential time-of-day use + "Ee life")}}$$

Adoption rate (result for FY2006)

$$9.56\% = \frac{1,552 \text{ [houses]}}{16,233 \text{ [houses] (No. of newly-built houses: from Ministry of Land, Infrastructure and Transport materials)}}$$

* All-electric adoption rate in newly built houses (result for FY2006): 39.8%



Q6: What is the Current State of the New Demand Creation in Commercial & Industrial Fields ?

1. Target value for FY2007, 3 million kWh

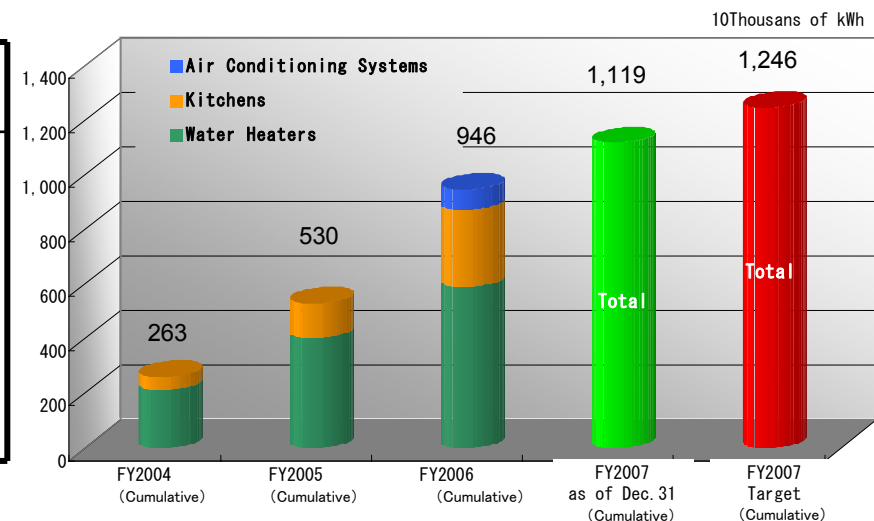
2. Approach for the promotion and diffusion.

- Active promotion of regenerative air conditioning system and high-efficiency electric air conditioning system.
- Implementation of seminar to further familiarize the industrial electric kitchen.
- Promotion of water heater for business use and Eco-Cute.
- Customer follow-up.
- Implementation of sales promotion towards the government and public offices (board of education, etc.).
- Implementation of sales promotion towards school meal center, medical and welfare institutions, hotels, restaurants, etc.
- Enhance the collaboration with regeneration/kitchen makers and respective architecture associations.
- Implementation of sales promotion through presentation,

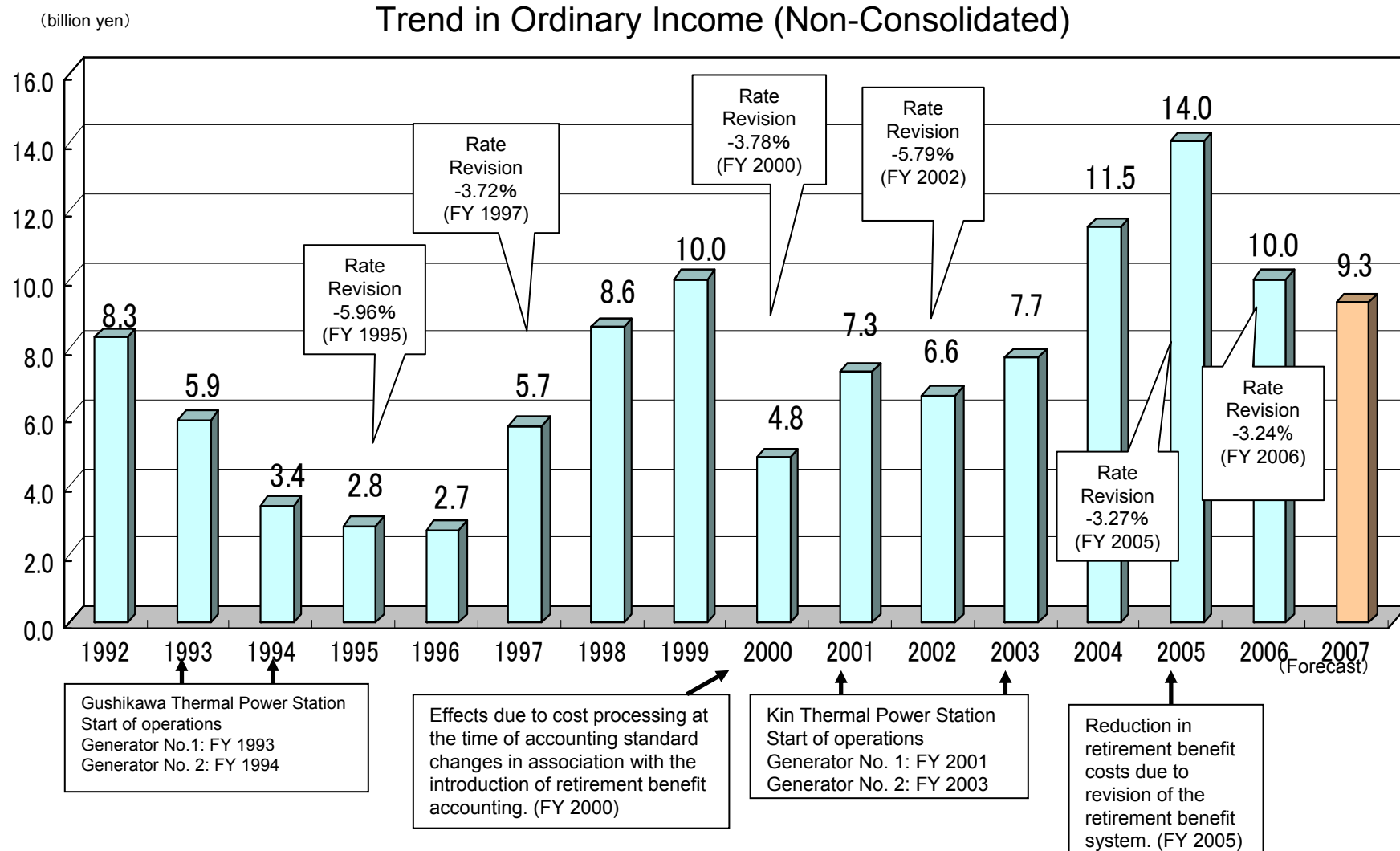
New Demand Creation in Commercial/Industrial Fields

10Thousands of kWh

| FY (Cumulative) | 2004 | 2005 | 2006 | 2007 as of Dec.31 | 2007 (Target) |
|--------------------------------|--------------|--------------|--------------|------------------------------|------------------------------|
| Air Conditioning Systems | 213 (213) | 191 (404) | 187 (591) | 173 (1,119) | 300 (1,246) |
| Commercial Electric Kitchens | 50 (50) | 75 (125) | 159 (284) | | |
| Water heaters for business use | — | — | 71 (71) | | |

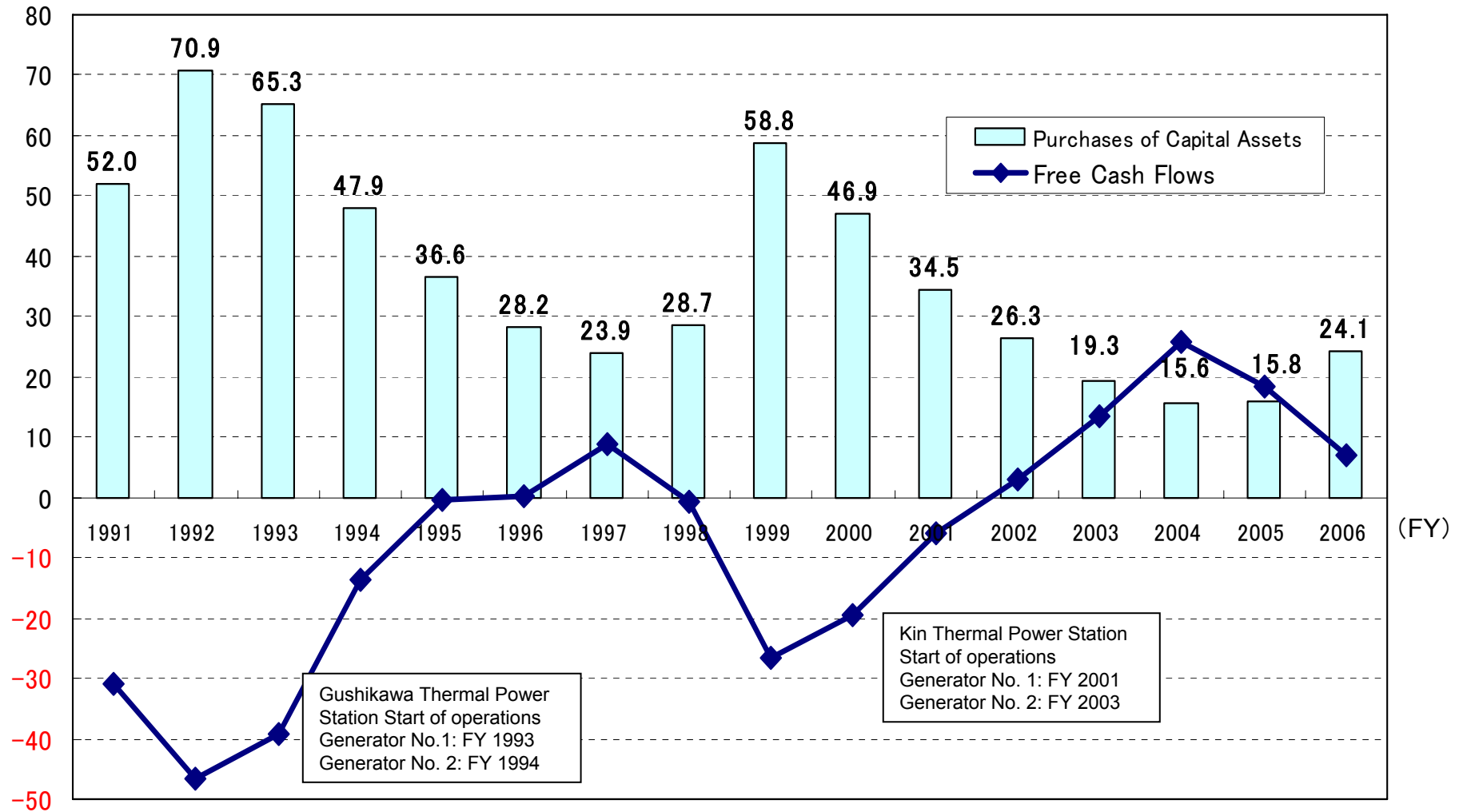


Q7: What is the Past Trend of Ordinary Income and What is the Forecast for this Fiscal Year?



Q8: What is the trend of the Capital Expenditure and Free Cash Flows

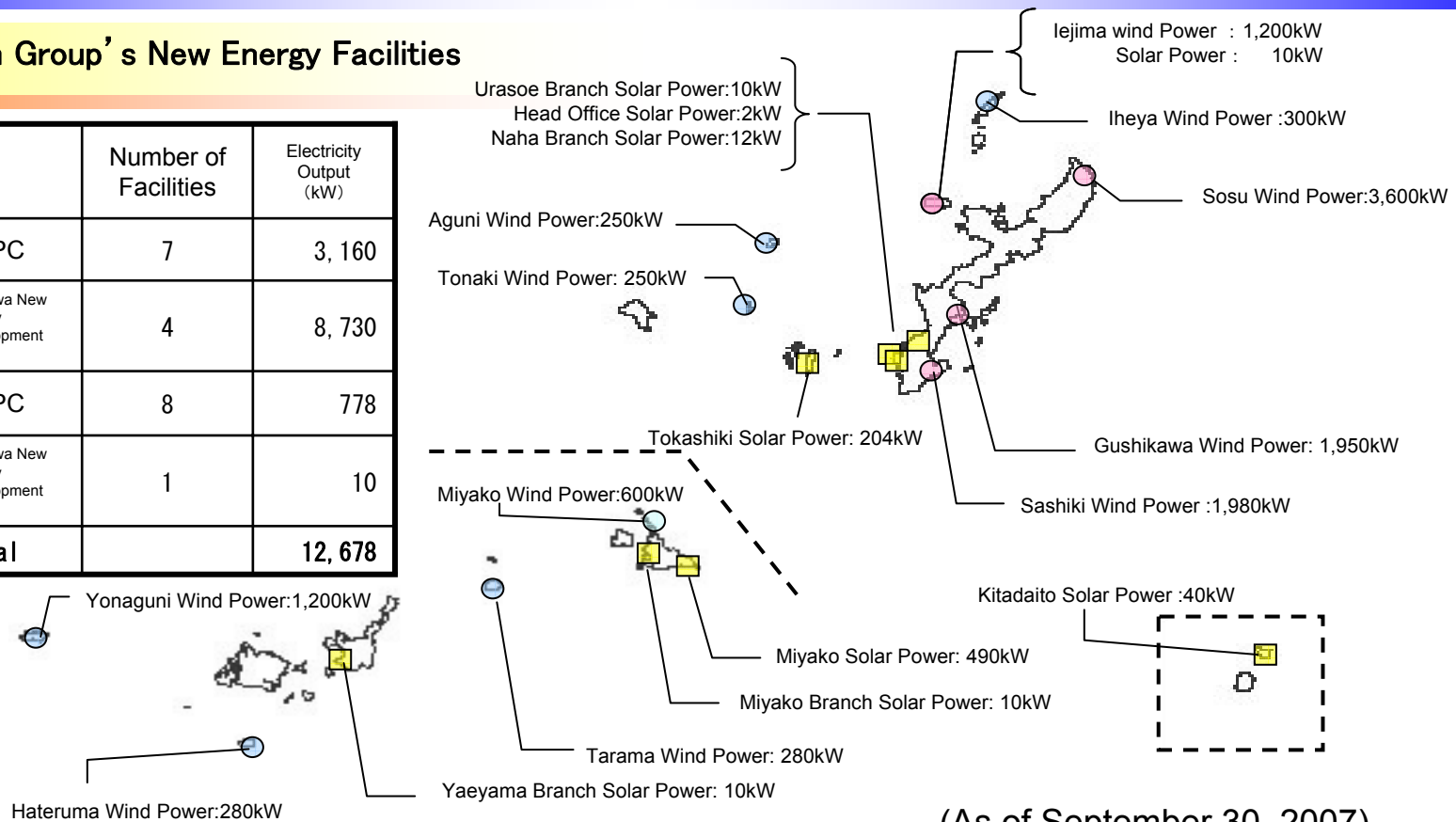
(billion yen)



Q9: What are 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 | 8 | 778 |
| | ● Okinawa New Energy Development Co | 1 | 10 |
| Total | | | 12,678 |



- The company has established new energy facilities in all areas, including remote islands, with total output of 3,938kW (wind power: 3,160kW, solar power: 778kW)
- The Okiden Group will push forward with the introduction of wind power generation facilities.



Q10: 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 February 2008, 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 | 24.85 | 24.31 | 22.72 | 22.41 | 21.73 | 21.27 | 21.64 | 22.91 | 22.33 | 21.09 |
| Model Basic Unit 300 | ⑩ | ⑨ | ⑦ | ⑥ | ④ | ② | ③ | ⑧ | ⑤ | ① |
| Commercial Use Electricity (High Voltage) | 20.30 | 17.82 | 17.60 | 17.62 | 16.70 | 15.60 | 16.65 | 17.83 | 16.73 | 16.19 |
| Model Basic Unit 250 (Power Factor 100%) | ⑩ | ⑧ | ⑥ | ⑦ | ④ | ① | ③ | ⑨ | ⑤ | ② |
| High Tension Power A | 18.11 | 16.73 | 16.05 | 16.05 | 16.61 | 14.93 | 15.85 | 16.66 | 16.74 | 15.72 |
| Model Basic Unit 250 (Power Factor 100%) | ⑩ | ⑧ | ④ | ④ | ⑥ | ① | ③ | ⑦ | ⑨ | ② |

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



Q11: 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 | 1.21 |
| C Heavy Oil | 71.5 | 0.79 | 1.00 | 0.68 | 0.83 | 1.00 |
| LNG | 49.5 | 0.55 | 0.69 | 0.35 | 0.43 | 0.51 |

*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 51% were assumed for coal, oil and LNG respectively in calculations.

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



Q12: Progress of Discussion in the Gas Industry

LNG thermal power introduction

Considering the introduction of Yoshinoura LNG thermal power plant (amount of LNG used: approximately 400,000t per year), as an opportunity for the integrated energy business-oriented new business, and started to discuss the development of gas business in view of a tie-up with local enterprises.



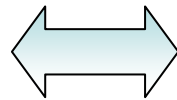
For the promotion of LNG

Started to discuss the business expansion that enables an interactive development with the existing energy business companies in order to improve Okinawa's energy environment through diffusion of LNG in the prefecture. LNG is the fuel that is both clean and safe.



Today

- Discussion on the business scheme that enables the diffusion in Okinawa.
- Discussion on the collaborative infrastructure building with Yoshinoura thermal power plant.
- Discussion on the securing of stable fuel supply.

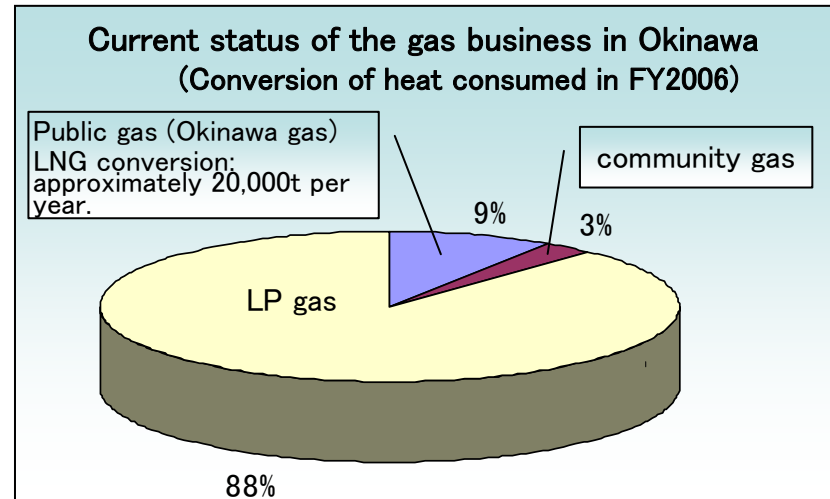


We are currently exchanging information on the business scheme for LNG promotion within the prefecture with Okinawa Gas, the public gas company in Okinawa, based on our ideas about the gas business.

Perspective for the launch of business



The Company aims to launch gas business within 1-2 years after the launch of operation at the Yoshinoura power plant, in consideration of the LNG fuel supply situation.



Public gas (Okinawa gas) LNG conversion: approximately 20,000t per year.

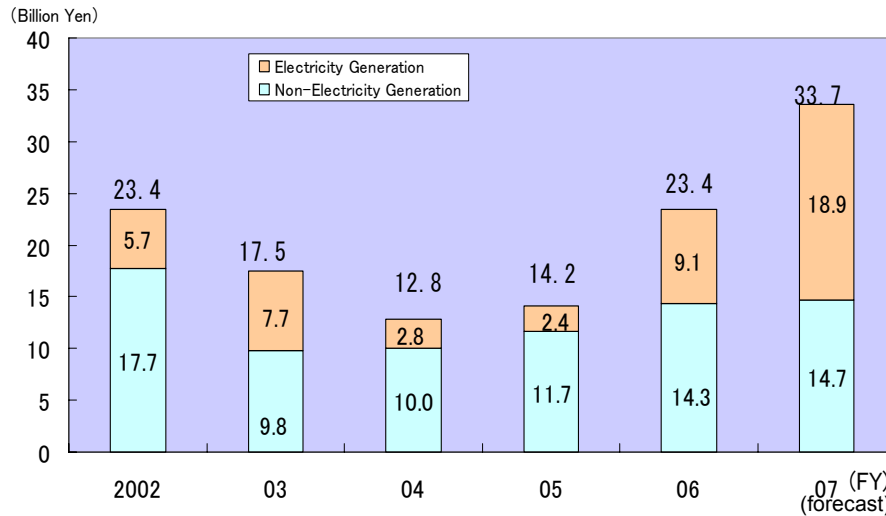
Source: Okinawa Gas Financial statements FY2006
Japan LP Gas Association website
Agency for Natural Resources and Energy website

Reference: Corporate profile of Okinawa Gas
Date of foundation : July 22, 1958.
Capital : JPY 250,222,000
Sales : JPY 6.04bn (FY 2006)

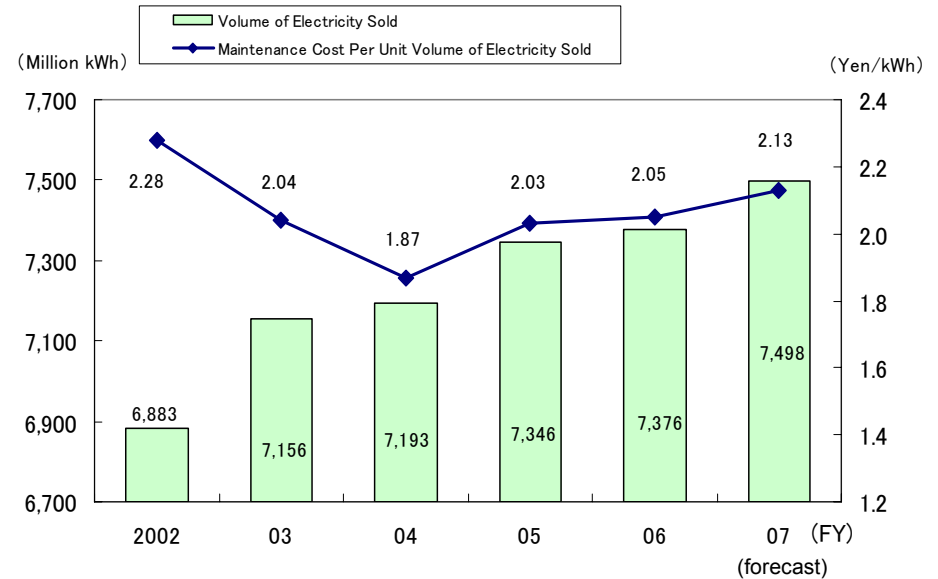


Q13: What is the Past Trend for Capital Expenditure and Maintenance cost?

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 costs 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 maintenance costs reduction through reviewing our maintenance process and outsourcing contracts.
 Cost reduction and leveling through a review of the intervals for regular inspections and repairs.



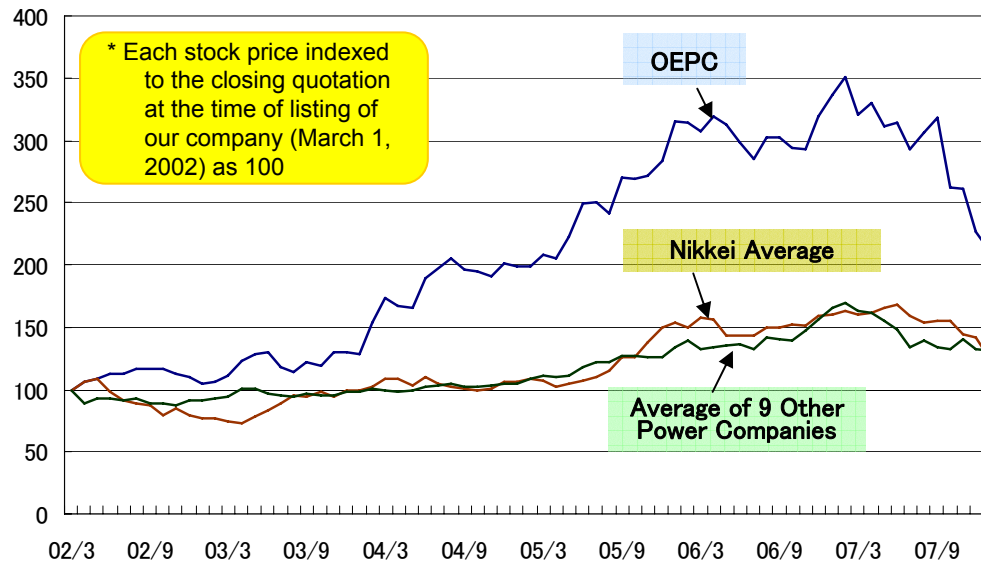
Change in Okinawa Electric Power's Stock Price

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

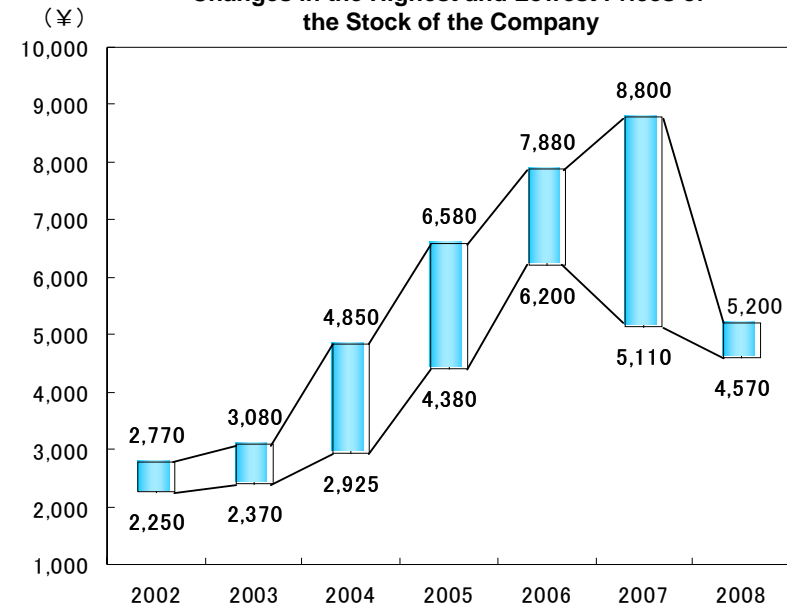
(As of January 31, 2008)

| | 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 | ¥8,780 as of March 22, 2007 (+281.7%) | ¥3,603 as of February 7, 2007 (+81.6%) | ¥18,262 as of July 9, 2007 (+68.9%) |
| 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 January 31, 2008 | ¥4,870(+111.7%) | ¥2,598(+30.9%) | ¥13,592(+25.7%) |

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 | | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|----------------------------------|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Net Income (Non-consolidated) | Million yen | 2,773 | 4,843 | 2,725 | 2,606 | 4,807 | 4,430 | 5,594 | 7,591 | 9,163 | 6,398 |
| Earnings per Share | Yen | 186.42 | 325.61 | 179.61 | 171.77 | 316.86 | 286.52 | 363.37 | 494.77 | 571.05 | 402.25 |
| Dividend per Share | Yen | 50 | 50 | 50 | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| Payout Ratio | % | 26.8 | 15.4 | 27.8 | 34.9 | 18.9 | 20.9 | 16.5 | 12.1 | 10.5 | 14.9 |

| 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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