

# Interview with the President



**Denichiro Ishimine**  
President

## Q1 As the newly appointed president of Okinawa Electric Power, could you tell the readers something about your basic management stance?

Now that I have become president, I am even more keenly aware than ever before of the serious collective responsibility we bear in our role as provider of a crucial element in the community's lifeline.

As far as the Company's management style is concerned, I hope to create a transparent management style featuring the disclosure of specific targets. I will do my best to make the views held, and the strategies pursued, by the management of OEPC clear to all our employees, customers, and shareholders. To achieve this, interactive communication is vital, as is the strengthening of the bonds of trust between the Company and its stakeholders. OEPC is responsible for supplying electric power services to the whole of Okinawa Prefecture, and if the prefectural

economy does not grow and develop, neither will the Company. This is something we must never forget, and we must do our utmost to build a strong reputation for ourselves both within Okinawa and among the wider world. For this reason, our employees must constantly keep in mind the importance of the Company's social role in supplying electric power to our customers. They must also take every opportunity to explain the Company's policies and plans to our customers, so as to alleviate any worries they may have and strengthen their confidence in the Company.

OEPC operates under various constraints on its power generation structure and operating system that do not apply to the other nine electric power utilities of Japan. These include our inability to make use of nuclear power; the impossibility of tapping the national grid to make up for temporary shortfalls in generating capacity, owing to the considerable distance between the Okinawan islands and Kyushu — the nearest main Japanese landmass; and the

fact that the prefecture is scattered across a large number of islands.

Our basic responsibilities are to maintain a reliable supply of power, to provide the same level of services to all our customers (no matter where in the prefecture they may live), and to keep our charges at roughly the same level as those in other parts of Japan. I hope to lead the Company's management in carefully and thoroughly addressing the issues we face, including our long-term strategies.

## Q2 Now that the first quarter of the current term has ended, what can you tell the readers about the Okinawan economy and developments in demand for electric power?

### The Prefectural Economy

Consumer spending in Okinawa has been holding firm recently, and the number of tourists visiting the prefecture is up over last year. In the construction field, too, the rising trend in private-sector construction is being maintained thanks to solid levels of investment in housing and hotel construction. Overall, the pace of growth of the Okinawan economy appears to be accelerating.

Not only are tourism-related sectors of the economy expected to continue enjoying brisk business thanks to the popularity of the islands as a tourist destination, consumer spending is also thought likely to maintain its upward path, and the recovery of the construction industry – led by private-sector investment – is projected to persist. The overall prospects for Okinawa's economy are thus bright.

### Demand for Electricity

Demand for electric power in the first quarter (April – June)

of the current business year declined by 0.1% year-on-year, and was down 1.3% compared with our plan, at 1,681MWh.

Despite an increase in the number of customers, non-industrial power demand was at the same level as in the first quarter of the previous year, due to lower demand for air-conditioning as a result of cooler than usual weather. Industrial demand, too, remained at last year's level, despite an increased number of customers (mainly in the food processing industry), due to a year-on-year decline in demand from seawater desalination plants, which registered high-level capacity utilization rates last year owing to a lack of rainfall.

## Q3 What are the main issues facing OEPC?

One of the basic policies of OEPC is to keep our charges at approximately the same level as the average among the other Japanese electric utilities, but putting this into practice is certainly not an easy matter. Unlike most of the other utilities, the Company has no nuclear power or hydroelectric power plants, and in addition, we have to supply power to a large number of small islands, most of which are a considerable distance from the prefecture's main island. Moreover, whereas the other power companies' networks are connected up into one national grid, allowing them to buy and sell power among themselves to make up for temporary capacity shortfalls, OEPC has to invest in construction of excess generating capacity, so as to be prepared for possible emergencies.

Given these operational circumstances, the management of OEPC will have to give long and serious thought to the questions of how we can maintain our electricity rates at approximately the level of the Japanese average, and to what extent we can allow our rates to deviate from that line. The directors and employees of the Company

must unite to face this issue directly and work out some practical solutions.

Another issue we face is the recent increasingly firm calls from our shareholders for an increase in the dividend payment, and we are certainly taking this very seriously. It will be difficult to achieve an ideal balance between paying higher dividends and holding down our electricity rates to the level of the national average, and I will do my best to resolve this issue.

Other issues include the need to make a contribution to the fight against global warming, the need to minimize the impact of the steep worldwide rise in fossil fuel prices on the Company's earnings, and our responsibility to invest in new equipment that can withstand the destructive effects of typhoons, in view of the recent trend toward increasing size and power in typhoons striking Okinawa.

None of the issues I have mentioned here are new, and much thought has already been given to them. What is needed now is to incorporate our conclusions in our management strategy, to formulate clear and specific policies. I aim to mobilize the entire management and staff of the Company in implementing effective measures to resolve these issues.

#### **Q4** Why have you recently set up the Management Strategy Council?

We recently set up the Management Strategy Council as a tool that would help us examine what specific ways would be best suited to solving issues that must be addressed urgently, to sort out which problems need to be solved in the medium-to-long term, and to lay the conceptual framework for such problem-solving and thus set the stage for continuous growth in the decade 2010-2020. I therefore decided to set up the Management

Strategy Council.

The purpose of the Council is to function as part of a problem-solving system that enables all members of the Company's management to share information relevant to the issues at hand and thereby reach a consensus. This consensus will then serve as the starting point for an all-out, combined effort by the Company's management and staff to address the issue in question.

Eight strategic project teams have been set up to work under the direction of the Management Strategy Council, i.e. teams responsible for marketing, finance, fuel, business diversification, IT, management structure, reduction of carbon dioxide emissions and other environmental issues, and the power transmission and distribution network. A director of the Company (who also serves as the general manager of the relevant department in each case) has been appointed to head each of these teams, which between them examine almost every conceivable management issue.

Within this current business year, I intend to draw on these reports to revise the Company's management strategy, with the aim of putting that strategy into practice as part of the Company's medium/long-term business plan commencing April 2008.

#### **Q5** How is the Yoshinoura Thermal Power Plant project progressing?

##### **Why choose LNG?**

Currently, the Company's power plants are all fueled by coal or oil. The construction and eventual operation of the Yoshinoura Plant, which will be fueled by LNG, is of immense significance for OEPC — not only as an additional power plant to meet the constantly growing demand for electricity — but also to help us reduce our carbon

footprint as part of efforts to combat global warming. On top of that, it will also diversify our energy sources and thus reduce overdependence on one or two particular types of fuel. We are putting our full efforts into this project.

As Okinawa Prefecture is a group of small islands situated at some distance from the large islands that form the main part of Japan, it is not connected to the national power grid. Carbon dioxide emission levels from nuclear and hydroelectric power plants are extremely low, and thus we would have liked to take advantage of such power sources. Unfortunately, neither hydroelectric power nor nuclear power is an option. This is because of the lack of large rivers in the first case, and in the second case, a nuclear power plant is not suitable for meeting the fluctuations in power demand of Okinawa Prefecture. Thus, the only proven and effective means open to us of lowering our emissions of carbon dioxide is the construction of LNG-fired power plants, as this fuel has a very low intensity of CO<sub>2</sub> emission.

Furthermore, the Yoshinoura Plant will employ the combined cycle method in generating power, i.e. it will make use of a combination of gas turbines and steam turbines, with the latter employing waste heat from the former. This composite system of power generation is approximately 20% more efficient than conventional thermal power generation systems, with a generation efficiency rate of approximately 51%. Another advantage of this system is the complete absence of emissions of ash and soot or sulfur oxides, and a comparatively low level of carbon dioxide emission. Clearly, this power generation system is more environmentally friendly than most others.

### **Progress report**

Regarding the assessment of the likely environmental impact of the Yoshinoura Plant, OEPC completed all the necessary procedures with the public disclosure of the

Environmental Assessment Report in August 2006.

Regarding the actual construction work on the plant, in February 2007 we conducted a ground magnetic survey of the proposed site, and began construction of a building yard outside the boundaries of the plant site. At the end of May we laid the foundations for the LNG tank and commenced construction of the main structure.

We are still in the midst of examining various proposals for cost-cutting with regard to the specifications of the equipment to be installed in the plant, and are also looking closely at a number of LNG scenarios in terms of procurement and scope of usage, taking into account both the need for reliable supply and the economic viability aspect.

