Management Reference Materials

March 2009

The Okinawa Electric Power Company, Inc.

Contents

Characteristics of the Business Base

Advantage

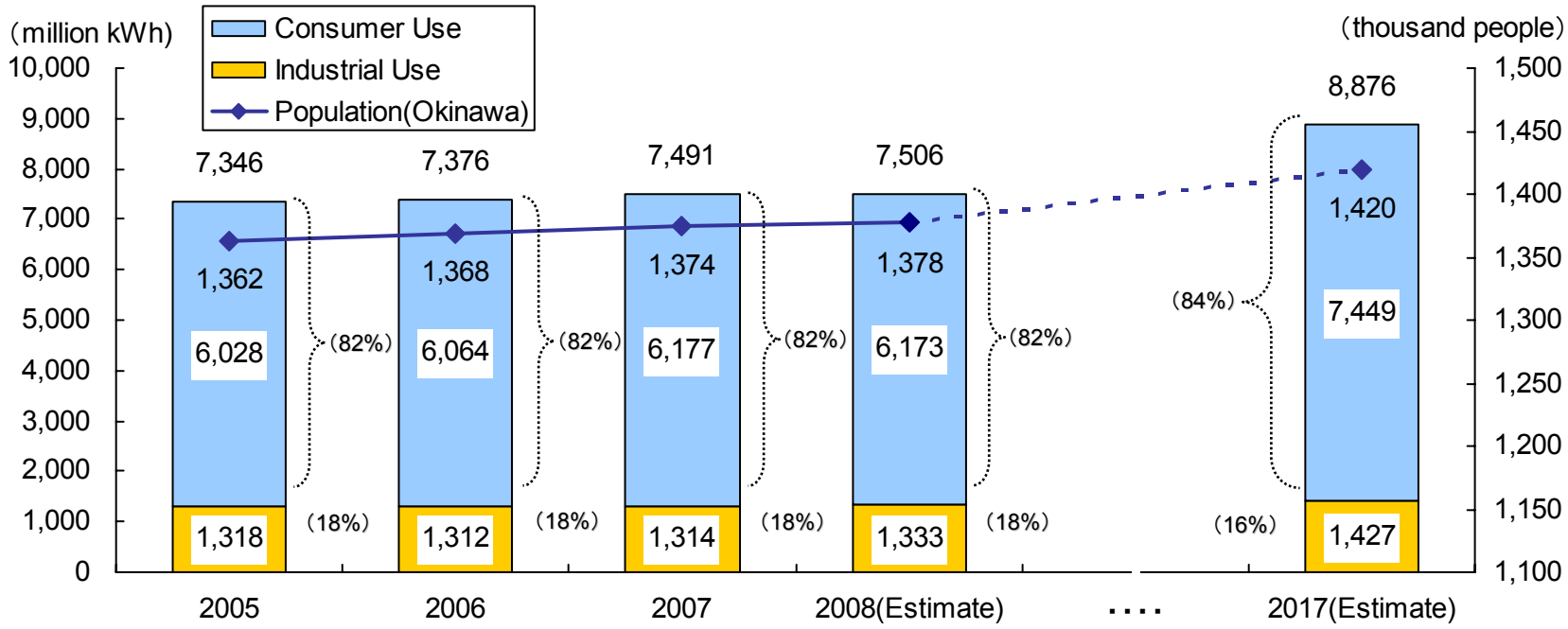
Demand for Electric Power	◆ Increasing demand as population increasing ◆ As the proportion of energy for consumer use is high, the effects of business fluctuations are low
Competition	◆ Severance from competition among electric power companies on account of its isolated system ◆ No competition with PPS (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	◆ 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	◆ As oil and coal are the only fuels used, high commodity prices exert a great influence
Remote Islands	◆ With remote islands where cost efficiency is low, the Remote Islands Company constantly records losses
The Environment	◆ 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		1996-2006	2006-2017
Demand for Electric Power	Consumer use	2.2(2.2)	1.9(2.0)
	Industrial use	1.7(1.7)	0.8(0.8)
Total		2.1(2.1)	1.7(1.8)

Note : Figures in brackets are post temperature correction.

Nationwide (Excluding Okinawa) (%)

Annual Average Growth Rate		1996-2006	2006-2017
Demand for Electric Power	Consumer use	2.0(2.0)	1.3(1.3)
	Industrial use	1.0(1.0)	0.7(0.7)
Total		1.5(1.6)	1.1(1.1)

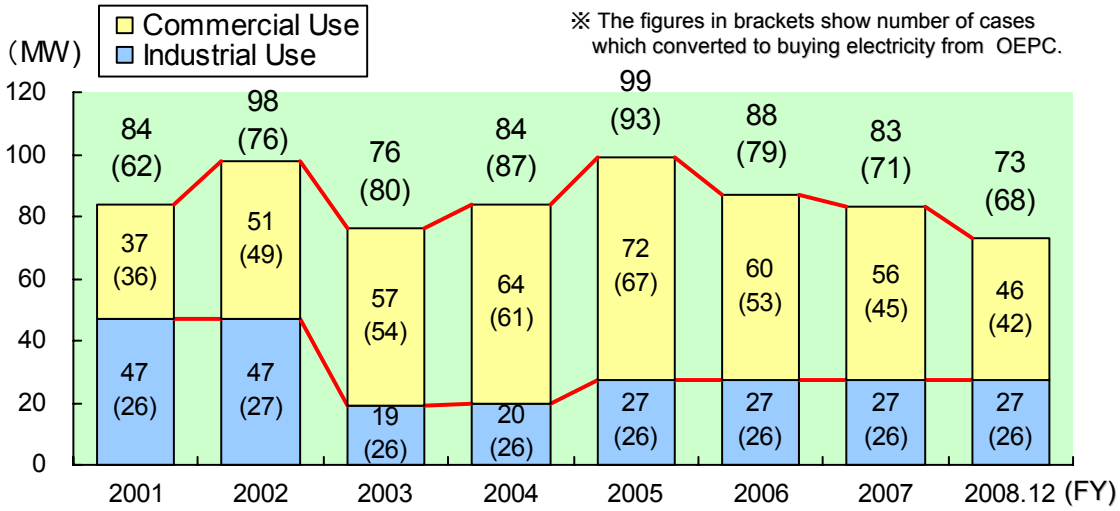
Source: Japan Electric Power Survey Committee
(Growth rates were calculated from loads for distribution)
Note: Figures in brackets are post temperature correction.

Competition with Private Power Generation Operations

- The proportion of private power generation in Okinawa is 3%
- Progressive Energy Corp's share of private power generation in commercial use sectors is 58%

(As of December 2008)

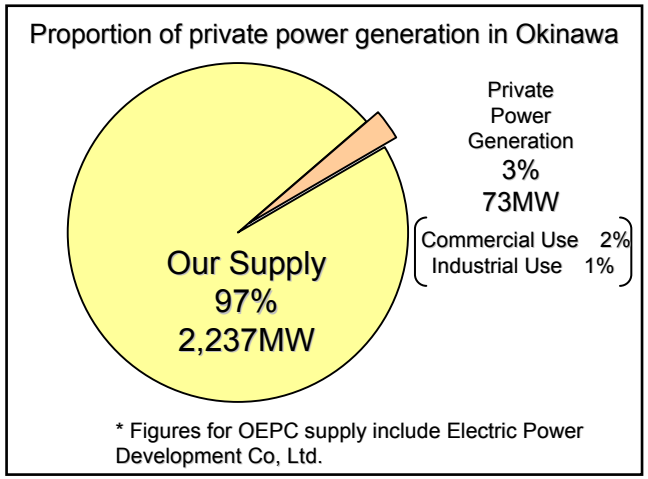
Trend in the Permitted Output of Private Power Generators

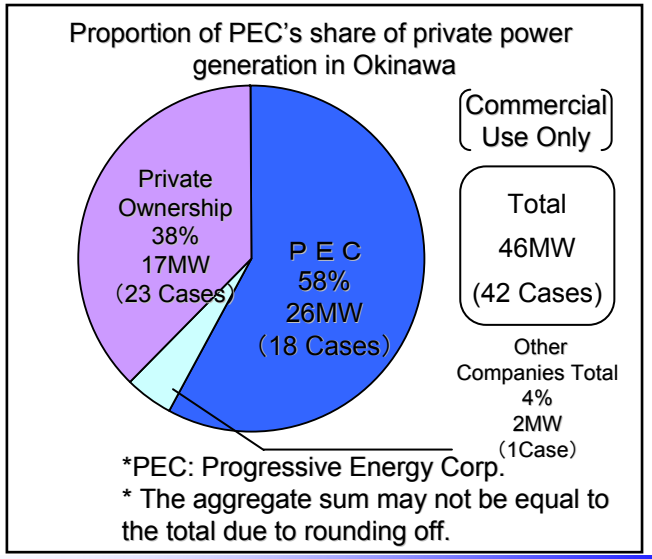


- Number of cases and output (kW) : converted to buying electricity from OEPC
  - FY2006：Commercial Use 20 cases（total 14,451kW）
  - FY2007：Commercial Use 8 cases（total 5,010kW）
  - FY2008：Commercial Use 8 cases (total 10,570kW)

* The number of change in output and switchover to private power generation within a fiscal year do not correspond with each other as there are customers who newly establish private power generation system and switch over to private power generation.

Status of market penetration by private power generators





Power Generation Facilities〔1/4〕

Generation Reserve Margin

Demand-Supply Balance

OEPC （10 Thousands of kW、%）

	2007 【Result】	2008 【Result】	2012	2017
Peak Load	143	139	156	170
Supply Capacity	195 (170)	187 (162)	191 (166)	230 (220)
Reserve Capacity	52 (27)	49 (24)	36 (11)	60 (51)
Reserve Margin(%)	36.5 (19.1)	35.0 (17.0)	22.9 (6.9)	35.5 (29.8)

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

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

	2007 【Result】	2008	2012	2017
Peak Load	17,565	17,562	17,953	18,621
Supply Capacity	18,858	19,405	19,895	20,631
Reserve Capacity	1,293	1,843	1,942	2,010
Reserve Margin(%)	7.4	10.5	10.8	10.8

(Source :The Central Electric Power Council, “Summary of Electric Power Supply Planning ,FY2008”)

- A high generation reserve margin is necessary for such reasons as the inability to exchange power with other electric power companies because of OEPC’s isolated system and the responsibility to provide stable supply as a public utility.
- The 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.

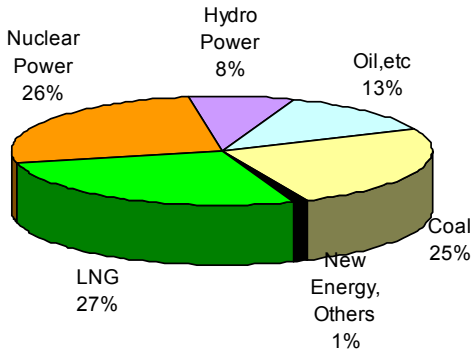
■ Introducing LNG thermal power stations to diversify power supply sources

Improving security for the stable supply of electric power

Electric Power Composition Ratio (Generating End)

Totals for the 10 Major Electric Power Companies

(FY2007: Estimated Results)



(Source:The Central Electric Power Council, "Summary of Electric Power Supply Planning ,FY2008")

Okinawa Electric Power Company

(FY2007:Results)

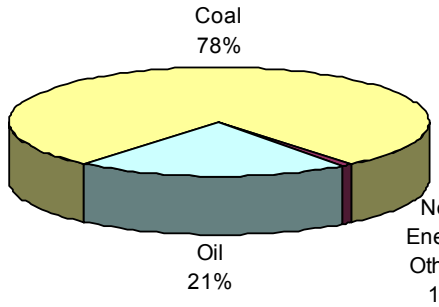
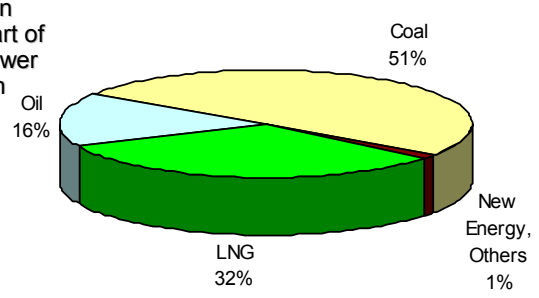


Image of Situation Following the Start of LNG Thermal Power Station Operation

(FY2017)



* 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

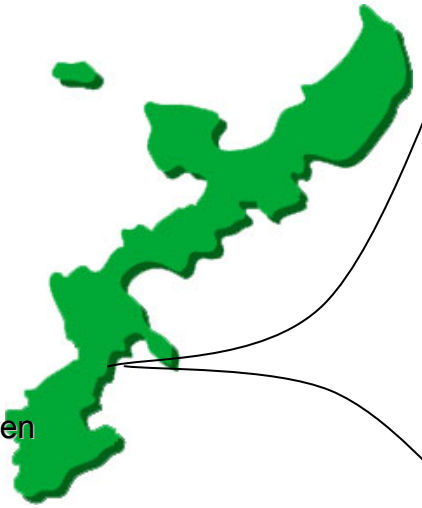
Power generation facilities, Generators No.1 & 2 (251,000 kW each)

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 FY2010 – FY2011

Okinawa Prefecture



【Site for Power plant construction】

Construction Schedule

FY2003-FY2007	FY2007 -FY2012	Nov. 2012	May 2013	From 2016 on:
Environmental assessment, etc., investigation of various procedural matters, facility specifications, etc.	Construction work	Start of operations at Generator No.1	Start of operations at Generator No.2	Start of operations at Generators No.3 & 4

Main Points for FY2008

・Second submission of Construction Plan

・Construction of LNG tank

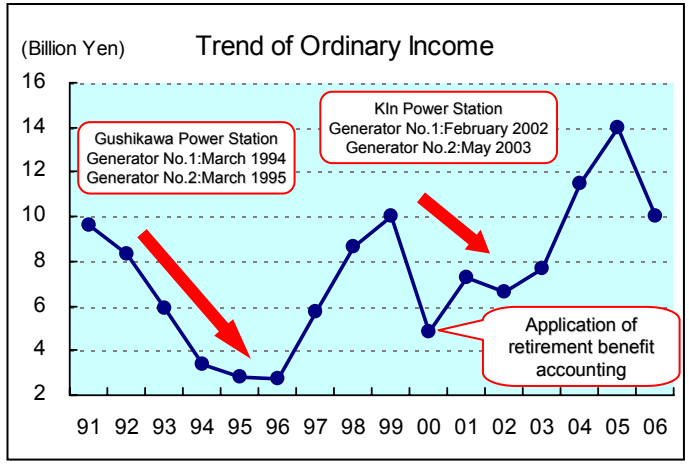
* The start of operation was postponed for a year again.

Conceptual Image of the Completed Facility

Power Generation Facilities〔4/4〕
～ Yoshinoura LNG Thermal Power Plant ～

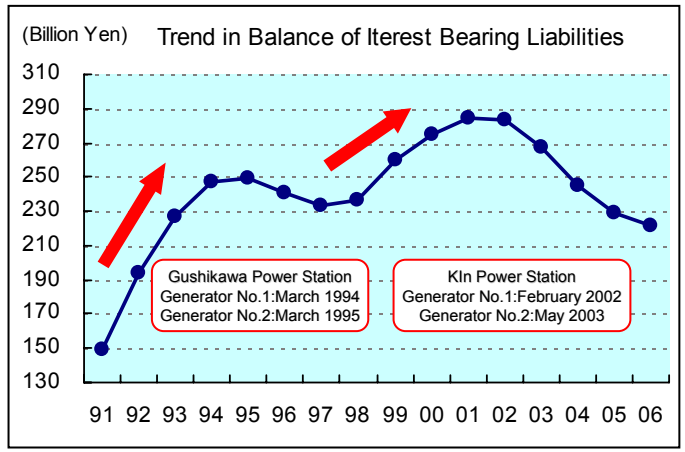
Effects on Finance（Past Tendencies）

- 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

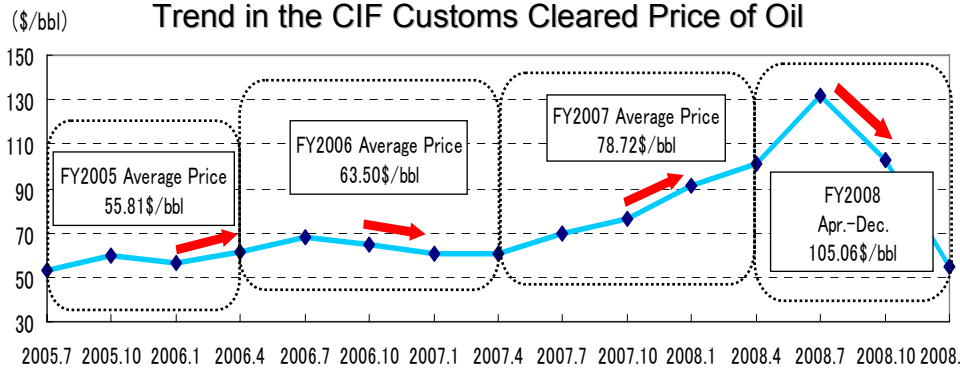
Power Generation Facilities	LNG Terminals
■ Application of usual finance to electricity operation as a whole ■ Earlier depreciation as previously using a fixed percentage method	■ Aim at stable costs for a part of fuel costs ■ Currently investigating cost leveling through lease finance

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

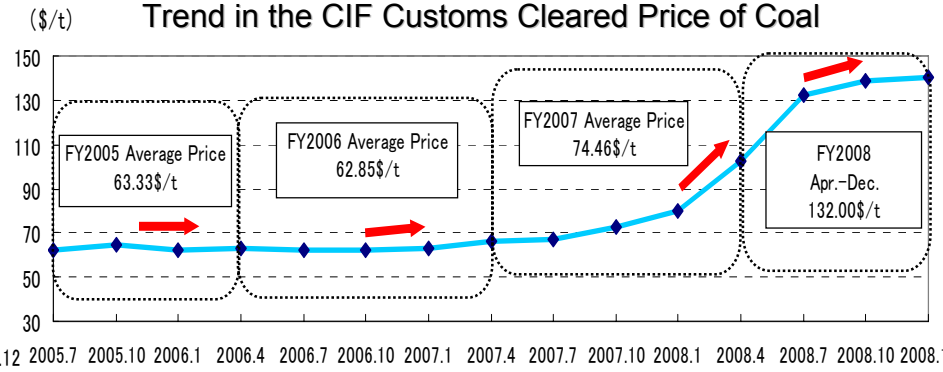
Fuel

- **Great effects are exerted on the company by movements in fuel prices.**
- **Fuel prices dropped sharply in last autumn after it had kept rising since FY2007. However, the future outlook remains uncertain.**

Trend in the CIF Customs Cleared Price of Oil



Trend in the CIF Customs Cleared Price of Coal



Initiatives of the company (fuel)

- Diversification of fuel oil suppliers including those overseas
- Main island regular purchasing and spot purchasing of C Heavy Oil
- Long-term contracts on coal and transport ships
- Expansion of the introduction of sub-bituminous coal, which has a low environmental burden and is cheaper than Australian coal
- Dispersion of ports of shipment and shift to short-distance sources
- Efficient use of the' Shinryo-maru', dedicated coal-carrier vessel , to reduce fuel transport costs

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
- Reduce fuel cost by expanding introduction of subbituminous coal, which has low ash content and low sulfur content in comparison with bituminous coal, that leads to reduced environmental burden and lower total cost.
- Secure stable supply and reduced fuel cost by dispersing embarkation port and shifting to closely-located supply sources.
- Reduce fuel cost by making the best use of "Shinryomaru," which is a specialized carrier for low transportation cost.

Achieving stabile fuel supply and pursuing cost reductions

* Although there is a time lag, fuel price changes are reflected to the electricity rates through the Fuel Cost Adjustment System.

The Fuel Cost Adjustment System (applicable through to the electricity charge for April 2009)

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 and LNG prices that alter the economic situation. *The revised system will be applicable from the electricity charge for May 2009.

Scope of Fuel Cost Adjustment

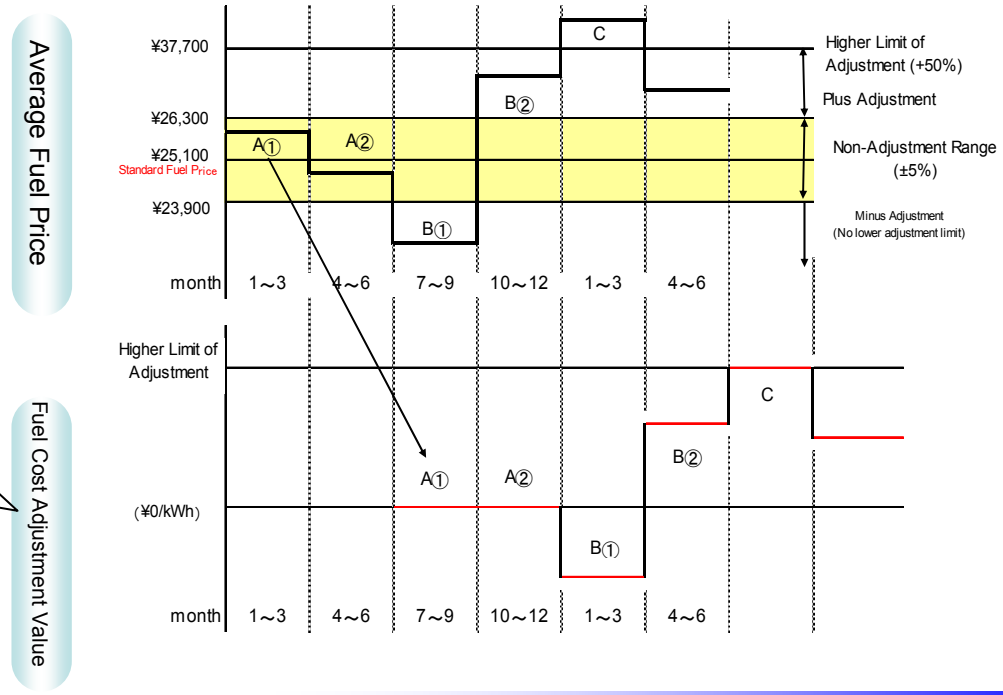
- The average price of oil, coal, LNG etc., is calculated every quarter based on customs clearance statistics and electricity rates are adjusted automatically by comparison with the standard fuel price when charges are revised.
- If the change is no greater than ±5%, no adjustment is made.
- The limit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

A No adjustment is made because the change is small (± 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



The Okinawa Electric Power Company, Inc.

The Fuel Cost Adjustment System (to be applied from the electricity charge for May 2009)

Electricity Industry Committee has been pursuing review of the fuel cost adjustment system specifically, to allow flexible response to the current circumstances in which fuel prices, notably crude oil price, have changed drastically and rapidly. We plan to shift to the new fuel cost adjustment system starting with the electricity charge for May 2009 after the ministerial ordinance is revised. Specifically, under the current system, the electricity charges are adjusted by applying the 3-month average fuel price to the electricity charge for the following 3 months after the 3-month time-lag. Under the new system, the electricity charges will be adjusted by applying the 3-month average fuel price to the electricity charge for the following month after the 2-month time-lag. (See diagram below.)

Range of fuel cost adjustment

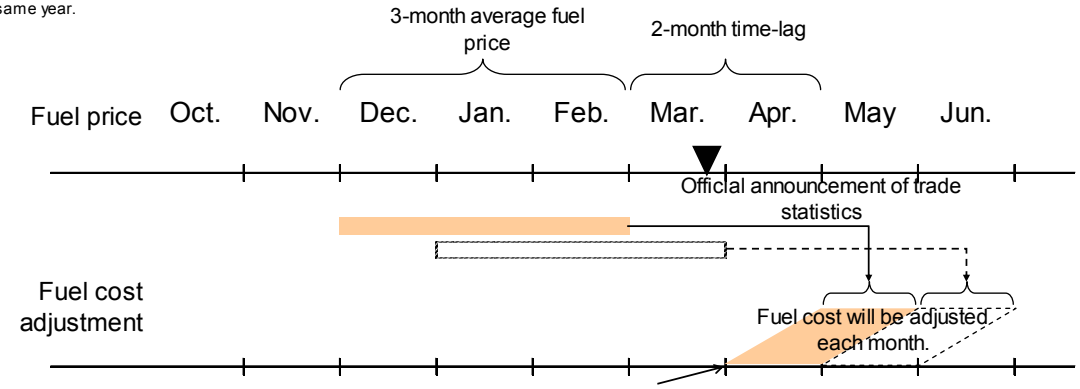
- We will calculate the average fuel price based on the prices of crude oil, coal and LNG on the trade statistics during the period between five months and three months prior to the fuel cost adjustment, and electricity charge will be automatically adjusted each month by comparing the above price with the standard fuel price at the time of electricity rate revision.
- Non-adjustment band, which is applied in the case where the fluctuation of fuel price falls within the range of plus or minus 5 %, will be abolished.
- The maximum level of fuel cost adjustment will be 50% (unchanged).
- There will be no lower adjustment limit (unchanged).

Conceptual drawing of the fuel cost adjustment system

New system

E.g. The average fuel price during the period between December and February of the following year will be applied to fuel cost adjustment for the electricity charge for May in the following year.

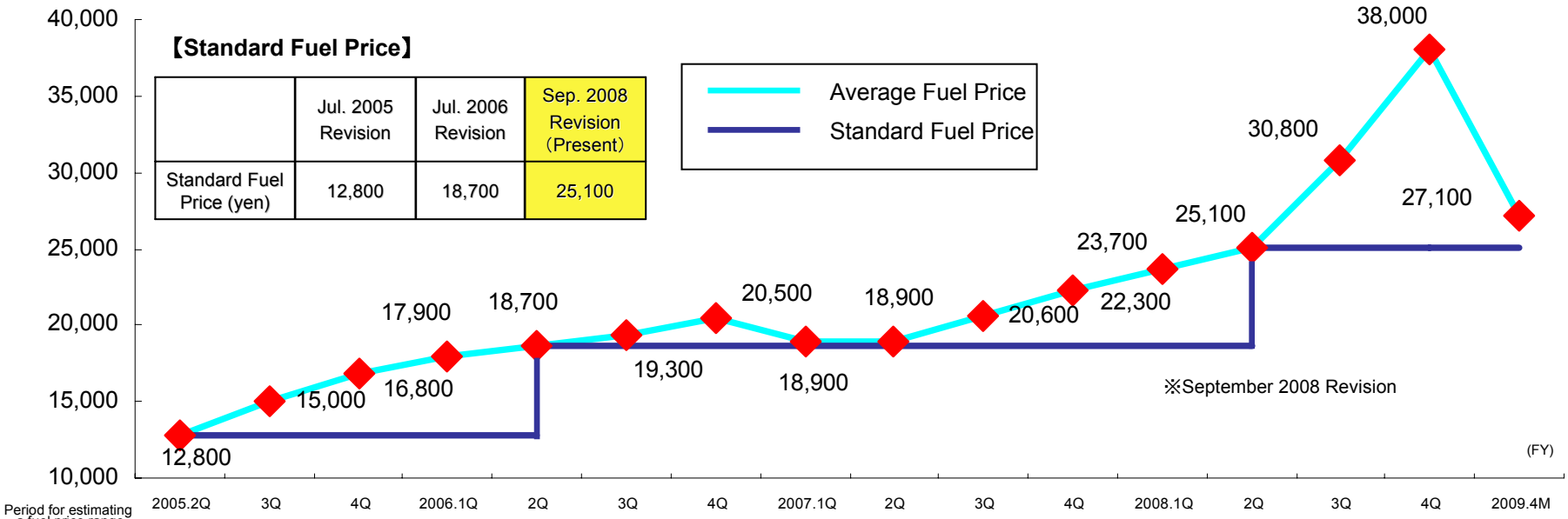
The average fuel price during the period between January and March will be applied to fuel cost adjustment for the electricity charge for June in the same year.



Electricity charge for May will be applied to the electricity use starting as early as April 1.

Trend of Average Fuel Price and Standard Fuel Price

■Trend of Average Fuel Price and Standard Fuel Price（Since July 2005）



Period for applying the Fuel cost adjustment system	05.2Q	3Q	4Q	06.1Q	2Q	3Q	4Q	07.1Q	2Q	3Q	4Q	08.1Q	2Q	3Q	4Q	09.4M
Period for estimating a fuel price range	4Q	05.1Q	2Q	3Q	4Q	06.1Q	2Q	3Q	4Q	07.1Q	2Q	3Q	4Q	08.1Q	2Q	3Q
Average Crude Oil Price（yen/kl）	26,665	33,439	39,100	41,988	43,728	46,831	51,587	44,907	43,197	48,666	53,137	59,131	62,735	71,306	87,776	47,771
Average Coal Price(yen/t)	6,015	6,602	7,036	7,470	7,311	7,166	7,159	7,250	7,573	7,980	8,462	8,406	8,873	12,101	14,929	13,838

【Method of calculating Average Fuel Price】

Average Fuel Price ＝ A× α ＋B× β

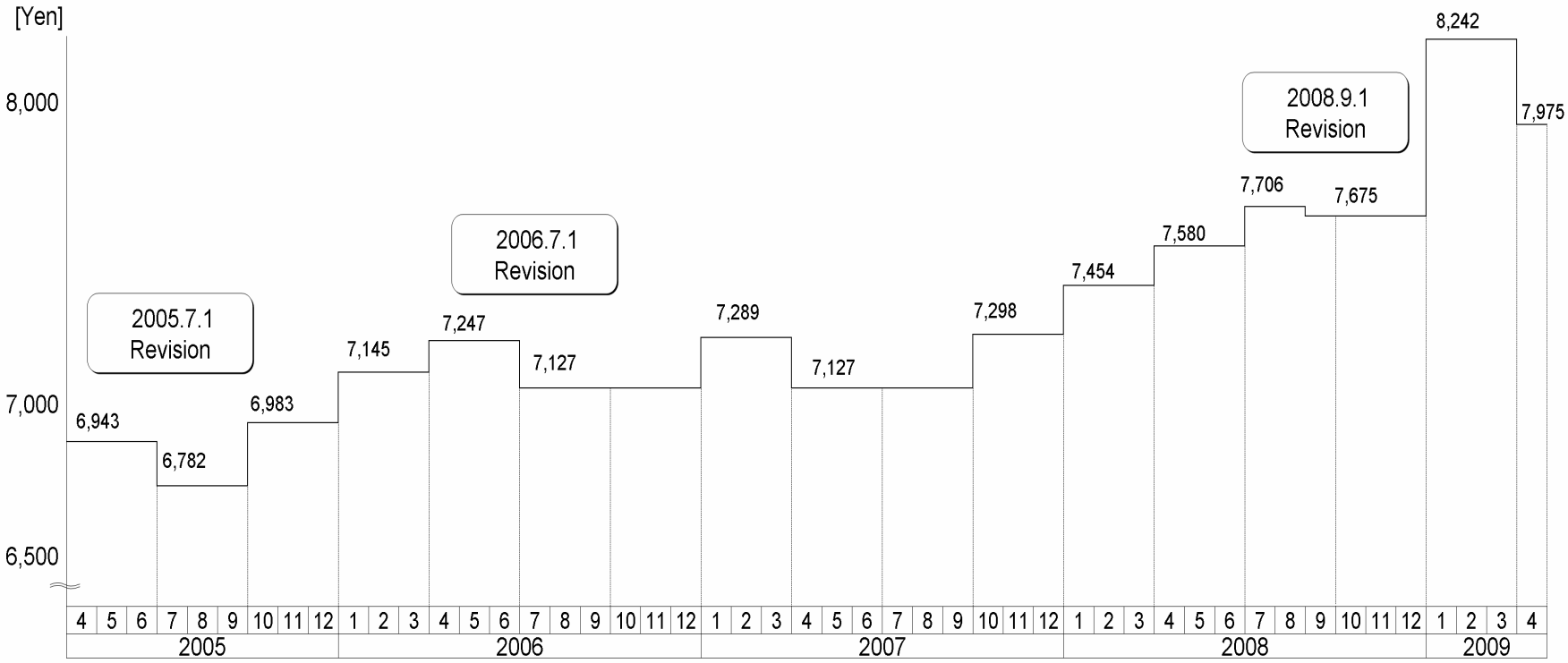
A : Average crude oil price per kiloliter in each quarter B : Average coal price per ton in each quarter

※ α and β are coefficients in Provisions of supply to calculate the average fuel price. (Reference α:0.2410 、β:1.1282 Provisions of supply Sep. 2008 effective)

※ There is a time lag of about 3 months before the fuel price is reflected to the electricity rate through the Fuel Cost Adjustment System. *The revised system will be applicable from the electricity charge for May 2009.

Recent changes in standard household electricity charges

Changes in standard household electricity charges after the electricity rates revision in July 2005 are as shown below.



※1 300kWh/Month

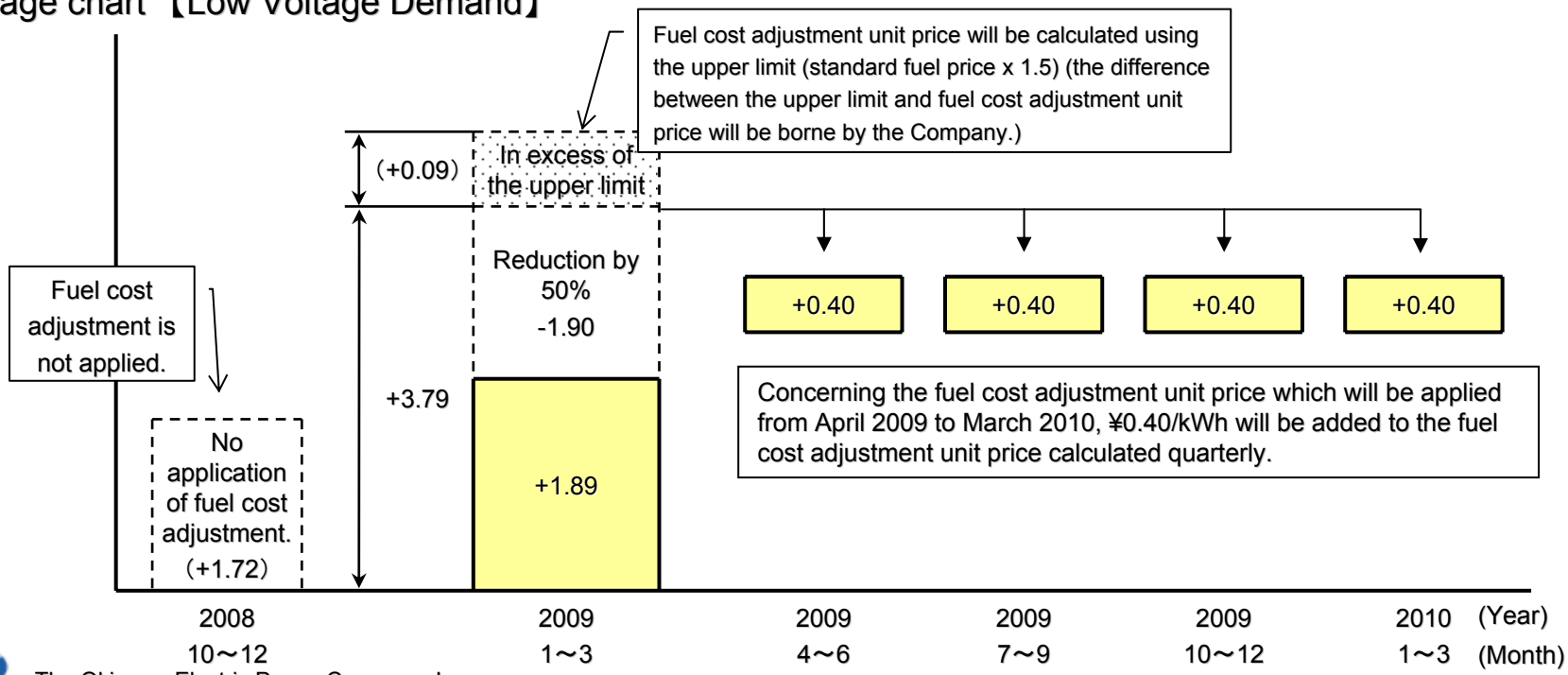
※2 In the fourth quarter of FY2008 and April 2009, electricity charge after special measures are implemented will be applied.

Special measures for fuel cost adjustment

Unit：Yen/kWh

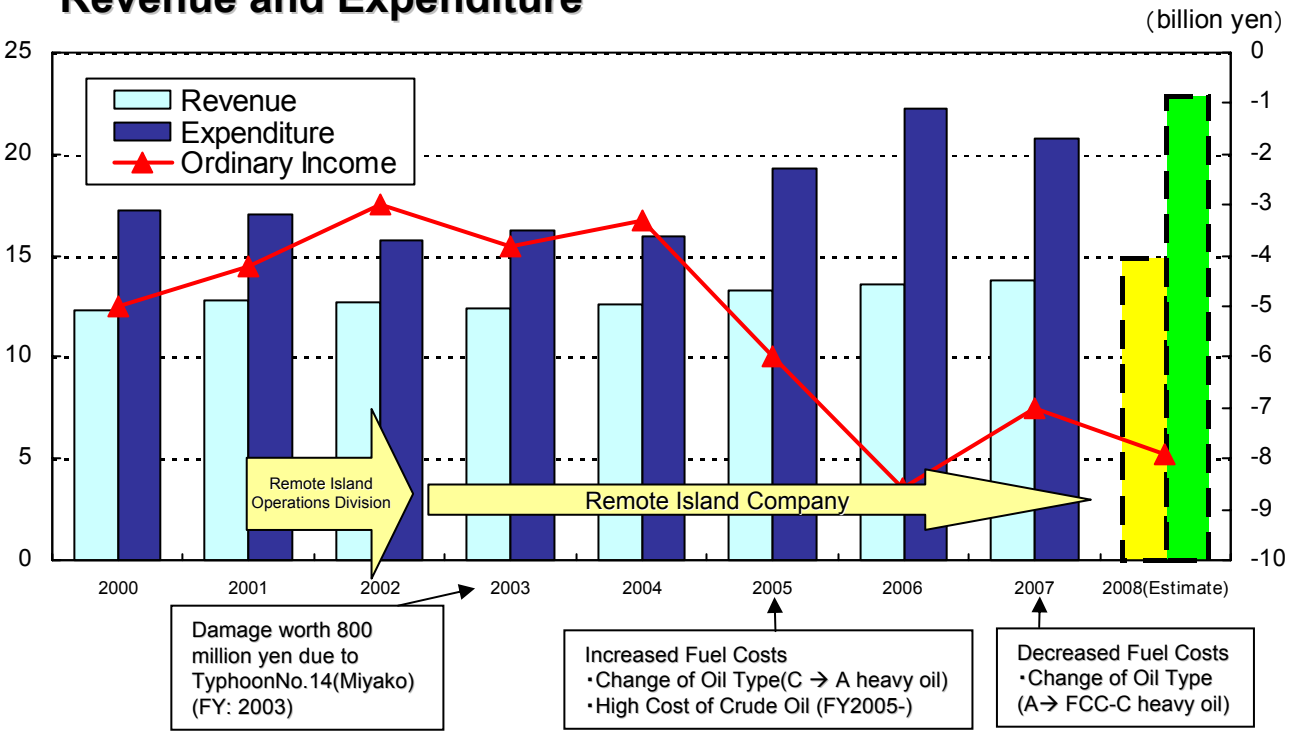
	Fuel cost adjustment unit price for the period between January 2009 and March 2009			Fuel cost adjustment unit price for the period between April 2009 and March 2010		
	Fuel cost adjustment unit price calculated under the normal conditions (A)	Reduction in fuel cost adjustment unit price through application of special measures (B)	Fuel cost adjustment unit price that will be applied practically (C)=(A)+(B)	Fuel cost adjustment unit price calculated under the normal conditions (A')	Adjustment in unit price through application of special measures (B')	Fuel cost adjustment unit price that will be applied practically (C')=(A')+(B')
Low Voltage Demand and Electric Lighting	3.79	- 1.90	1.89	*.**	0.40	*.**
High Voltage Demand	3.67	- 1.84	1.83	*.**	0.36	*.**

Image chart【Low Voltage Demand】



Improvement of Remote Island Income and Expenditure〔1/2〕

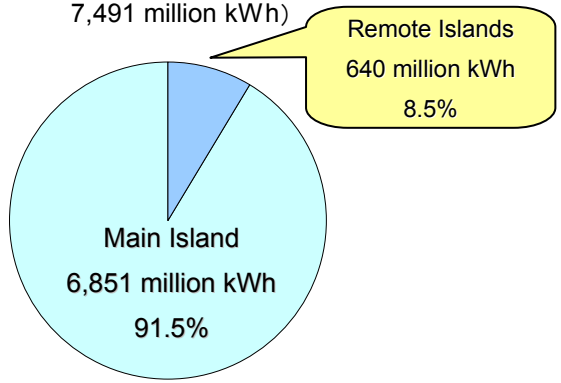
Movements in Remote Island Revenue and Expenditure



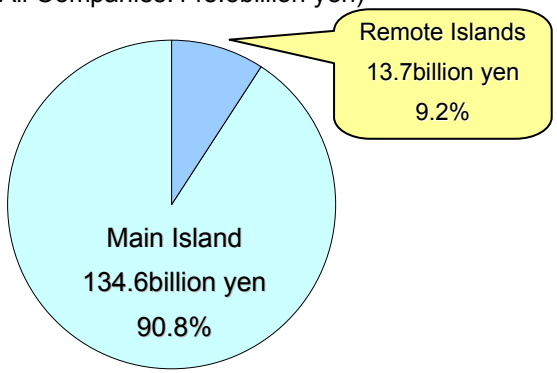
(billion yen)

	2000	2001	2002	2003	2004	2005	2006	2007	2008 (Estimate)
Revenue	12.3	12.8	12.7	12.4	12.6	13.3	13.6	13.8	14.9
Expenditure	17.2	17.0	15.7	16.2	15.9	19.3	22.2	20.8	22.8
Ordinary Income	-5.0	-4.2	-3.0	-3.8	-3.3	-6.0	-8.6	-7.0	-7.9

Electricity Sales（FY2007）
（All Companies:
7,491 million kWh）



Residential,Commercial and Industrial Use Charges(FY2007)
(All Companies:148.3billion yen)



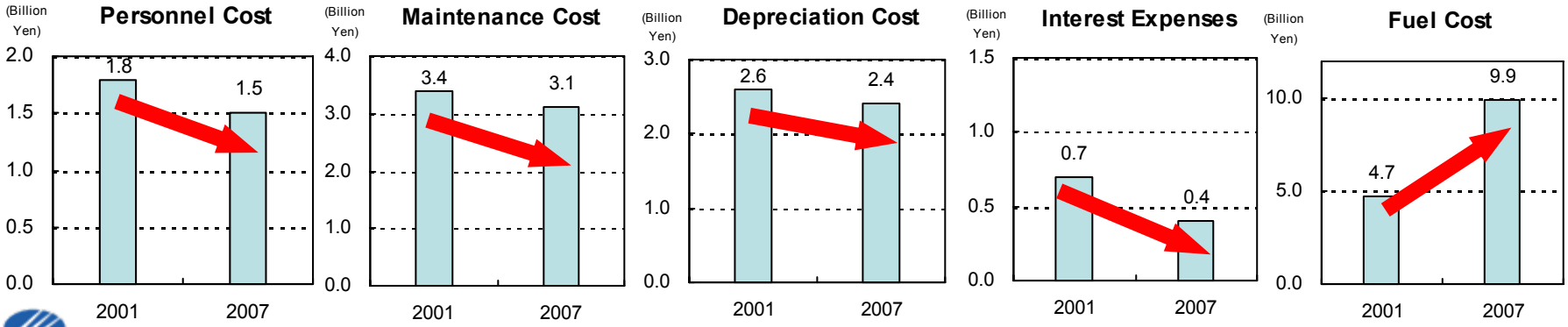
Remote island business occupies slightly less than one-tenth of electricity sales and residential, commercial and industrial use charges.

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.
  - Reduction of labor cost achieved by establishing remote control system for power generation plants in Miyakojima and Ishigaki island.
  - Reduction of repair cost achieved by revising the procedures for regular inspections on electric power supply facilities.
  - Reduction of depreciation expenses achieved by purchasing other companies' idle facilities and moving idle facilities of own company.
  - Reduction of fuel cost achieved by switching from A heavy oil to FCC-C heavy oil.
- 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: Introduction of Economic Dispatching Control (EDC) system, partially laying power lines underground to prevent typhoon damages, etc.)



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 CO_2 emissions (Yoshinoura Thermal Power Station)
- 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
- Equity participation in carbon funds taking advantage of the Kyoto Mechanism

Name of Funds	Acquired credit volume or amount of investment (contract basis)
Equity participation in carbon funds	6 million dollars
	Approx.1.25 million tons-CO_2
Purchase Contract with a trading company etc.	1.54 million tons-CO_2

Q & A

Q&A - Contents

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

1 Okinawa's Economy

◎The current state of affairs

The economy in Okinawa Prefecture is weak.

- While consumer spending increased from the previous year due to strong sales of home electronics, sales of clothing and high-price goods are sluggish because consumers are positively taking defensive attitude toward consumption.
- With respect to the construction-related market conditions, the influence of the revised Building Standards Law on new housing starts is waning and there are signs of recovery in the market.
- Tourism related industry remains strong for the most part.

◎Prospects

Due to negative factors including the impact of nationwide economic deterioration, the economy in Okinawa Prefecture is expected to slow down further.

- There is concern that consumer will increase their defensive stance on consumption against the backdrop of deterioration in employment and income environment, which would weigh down consumer spending.
- There is concern that tourism related industry will be subject to the influence of economic deterioration and appreciation of the yen such as decreases in domestic and foreign visitors.

Trends in Main Economic Indicators (Rates of Growth)

(%)

Indicators	FY2007			FY2008	
	1st Half	2nd half	Total	1st Half	3rd Q
Sales by large-scale retailers	0.9	0.8	0.8	-0.8	-0.6
No. of new car sold	-2.7	2.3	-0.3	-1.8	-8.4
Wholesale shipments of household appliance	2.4	0.8	1.7	5.8	10.7
New residential construction starts	-34.5	-48.8	-40.8	-0.0	161.0
Value of public works contracts	1.8	-11.3	-5.6	8.9	-5.3
No. of Inbound tourists	4.9	1.7	3.3	4.6	1.3
Total unemployment rate	7.6	6.9	7.3	7.5	7.6
Value of corporate failures	-58.5	-73.9	-68.9	1009.9	-25.6

Note 1: The figures for 'Sales by large-scale retailers' are calculated from the values given in preliminary figures for December 2008, and on an all-store base.
Note 2: The figures quoted here for the wholesale price of electric appliance for shipment are estimates.
Note 3: The figures for total unemployment rates are raw data.
Source: Okinawa General Bureau, Okinawa Prefecture, Okigin Economic Institute, and others.

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

2 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 2.7% in Okinawa prefecture up to 2011, higher than the national annual average of 1.7%.
- Furthermore, per capita income is also expected to increase, supported by the growth of prefectural GDP. Growth of about 5.6% is anticipated, in contrast to the national figure of 3.1%.

Annual Average Growth Rate of GDP

	FY2006	FY2011	Annual Average Growth Rate FY2006-Y2011
Prefectural GDP	3,966.8 billion yen	4,531.1 billion yen	Approx. 2.7%
National GDP	552,273.0 billion yen	600,935.7 billion yen	Approx.1.7%

Sources: "Economic and Social Perspectives in Figures", in the Okinawa Promotion and Development Plan
FY2006 Prefectural Economic Accounts
Cabinet Office, Japan Electric Power Survey Committee

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

	FY2006	FY2011	Annual Average Growth Rate FY2006-Y2011
Prefectural Income	2.09 million yen	2.74 million yen	Approx. 5.6%
National Income	2.92 million yen	3.40 million yen	Approx. 3.1%

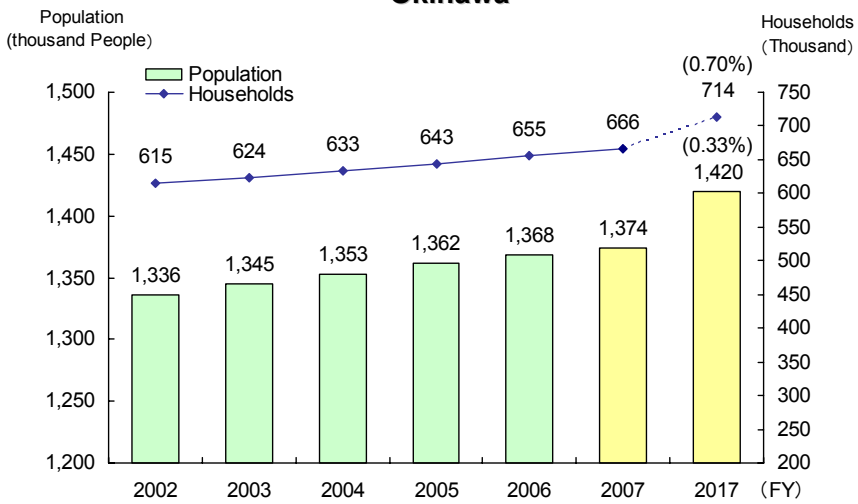
"Sources: "Economic and Social Perspectives in Figures", in the Okinawa Promotion and Development Plan,
FY2006 Prefectural Economic Accounts

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

3 Population and Household Growth in Excess of Nationwide Growth

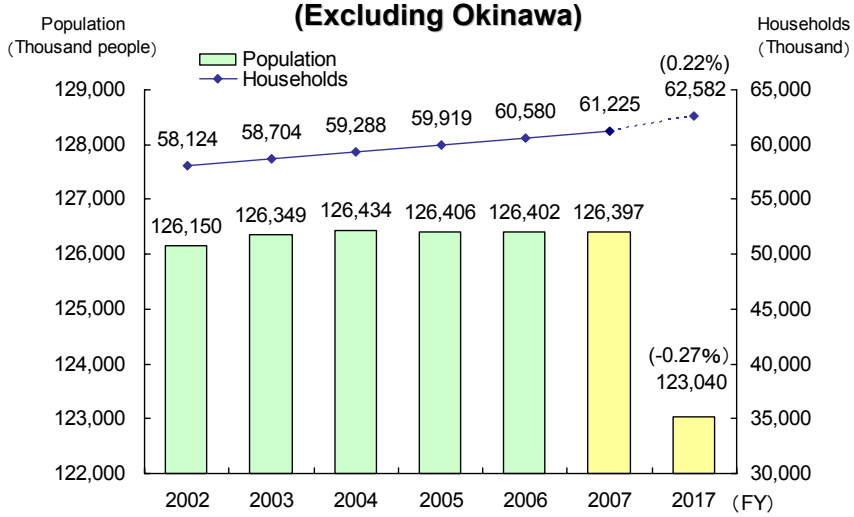
- Stable growth is expected for the population of Okinawa, with an annual average growth rate of 0.33% up between 2007-2017, in excess of the national rate of -0.27%.
- Whereas the population reached a peak in 2004 on a nationwide basis and has entered a downswing since then, Okinawa is expected to shift to a population decline between 2025 and 2030.

Growth of Population and Households in Okinawa



Source: National Census, Ministry of Internal Affairs and Communications, Japan Electric Power Survey Committee
Note: For 2017, the rate in parentheses is the average annual growth rate for FY 2007-2017

Growth of Population and Households Nationally (Excluding Okinawa)



Source: National Census, Ministry of Internal Affairs and Communications, Japan Electric Power Survey Committee
Note: For 2017, the rate in parentheses is the average annual growth rate for FY 2007-2017

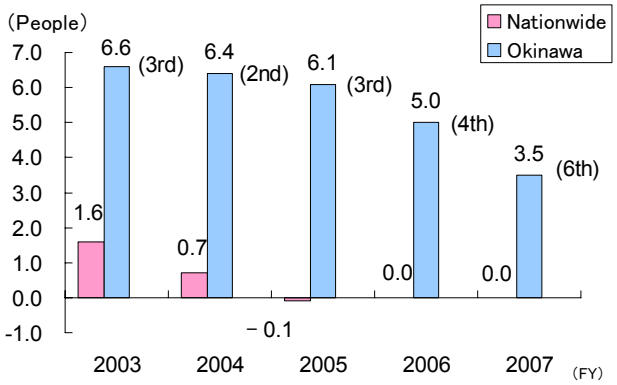
Thanks to the stability growth of household numbers in association with the increasing population, residential demand increases are expected.

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

4 Okinawa Prefecture Demographics

- Demographics of Okinawa Prefecture are in outflow of 1.9 person per 1,000 people in terms of increase/decrease of population in the society, but natural increase in population remains steady and is at the top nationwide with 5.4 persons per 1,000 people. Consequently, growth of population in the prefecture significantly exceeds the national average of 0.0 person, with 3.5 persons per 1,000 people.
- As a result, the population of Okinawa Prefecture is growing stably.

Trend in the Increase of population (Per Thousand people)

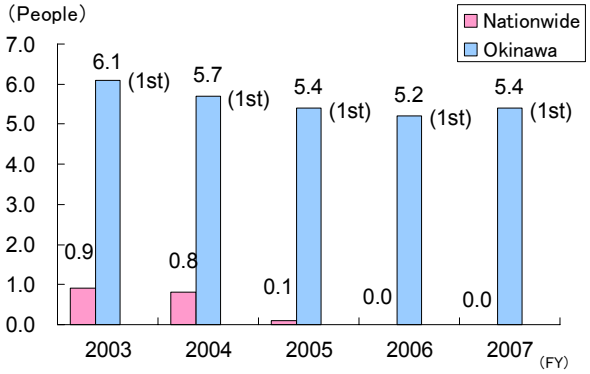


Source: Bureau of Statistics, Ministry of Internal Affairs and Communications, "Yearly Population Estimates"

Note: Population increase = natural increase in population + increase/decrease of population in the society

The figures in brackets in the chart show Okinawa Prefecture's national ranking.

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

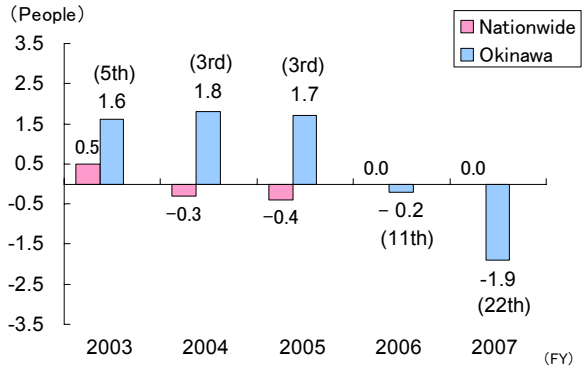


Source: Bureau of Statistics, Ministry of Internal Affairs and Communications, "Yearly Population Estimates"

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 Okinawa Prefectural Economy and What is the Future Forecast?

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

- FY2007 Result for incoming tourists: Record high of 5.89 million people,33,654 rooms at accommodation facilities
- FY2008 (Apr.-Dec.) Result for incoming tourists: Record high of 4.56 million people (period on period)

※The target figures for 2011 are 7.2 million incoming tourists and 39,000 rooms at accommodation facilities

【Reference】

FY2008

Visit Okinawa Plan

・Incoming Tourists

6.2million

(Including Tourists from foreign countries 0.22million)

・Tourist Income

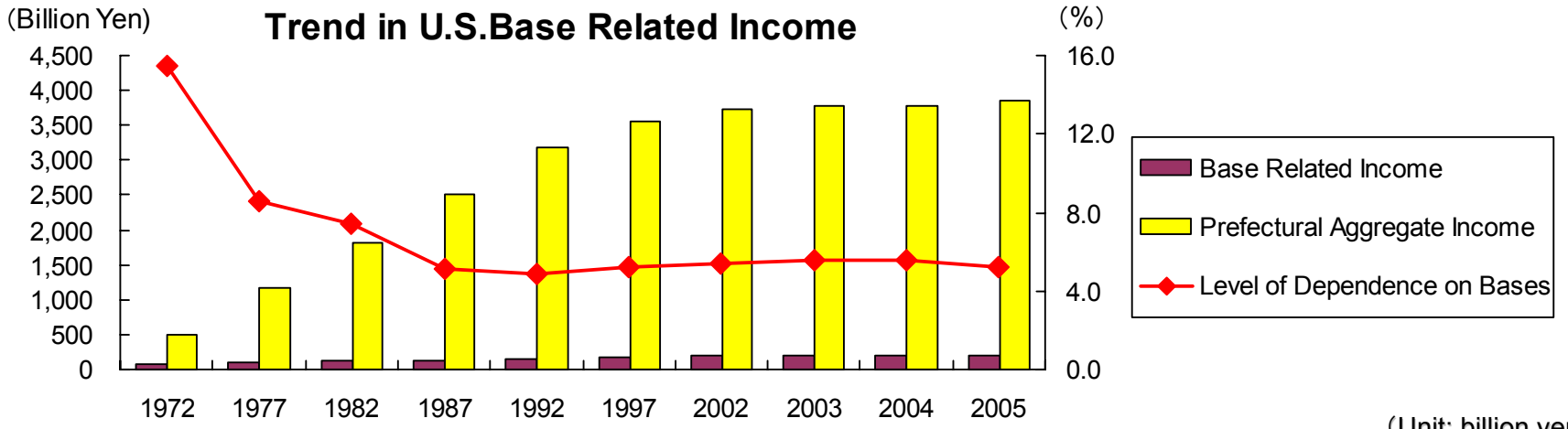
477billion Yen

Sources: "Summary of Okinawa Promotion measure", "Tourism Directory", "Visit Okinawa Plan"
•The survey of guest rooms at accommodation facilities changed from a biennial to an annual basis from 2003.
•The incoming tourists target of 7.2 million people for 2011 is on a calendar year basis.

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.

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

6 Trend in U.S. Base Related Income



(Unit: billion yen、%)

	1972	1977	1982	1987	1992	1997	2002	2003	2004	2005
Base Related Income (Charges for Land Occupied by US Armed Forces) (A)	77.7	100.6	134.6	128.2	156.3	184.1	202.7	211.3	211.2	200.6
Prefectural Aggregate Income (B)	501.3	1,163.1	1,822.6	2,516.5	3,192.9	3,547.5	3,741.1	3,778.4	3,781.3	3,863.8
Level of Dependence on Bases (A/B)	15.5	8.6	7.4	5.1	4.9	5.2	5.4	5.6	5.6	5.2

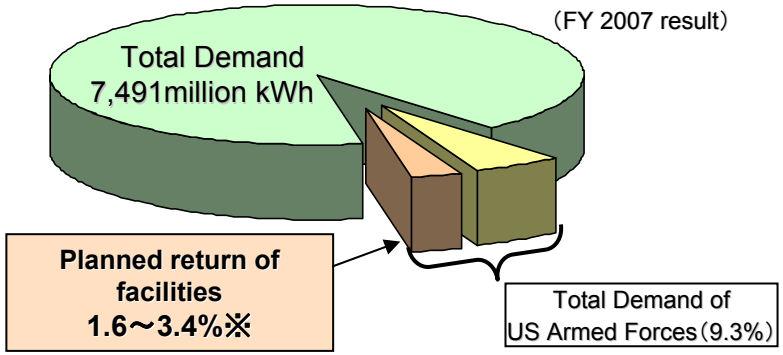
* Concerning military-related revenue, remunerations of employers earned by business activities of construction works and tenant vendors within the U.S. military base have been included from FY2005 and figures back to FY1997 are estimated retroactively.

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 2008"

- 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 FY2005 had fallen to 5.2% from the 15.5% share at the time Okinawa was returned to Japan (1972).

Q2. What is the Current State of U.S. Military Bases ?

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



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

- U.S. Armed Forces demand was about 9.3% of total demand and about 7.2% of revenue in fiscal 2007.
- 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. 2008)

No. of Facilities		33
Area		229 ㎢
Personnel*	Soldiers	22,720
	Other Staff, Families	25,770
	Total	48,490

* The figures for personnel are as of the end of September 2007.
Reference: No. of army employees: 9,012 *As of the end of November 2007

* 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 2007," 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.

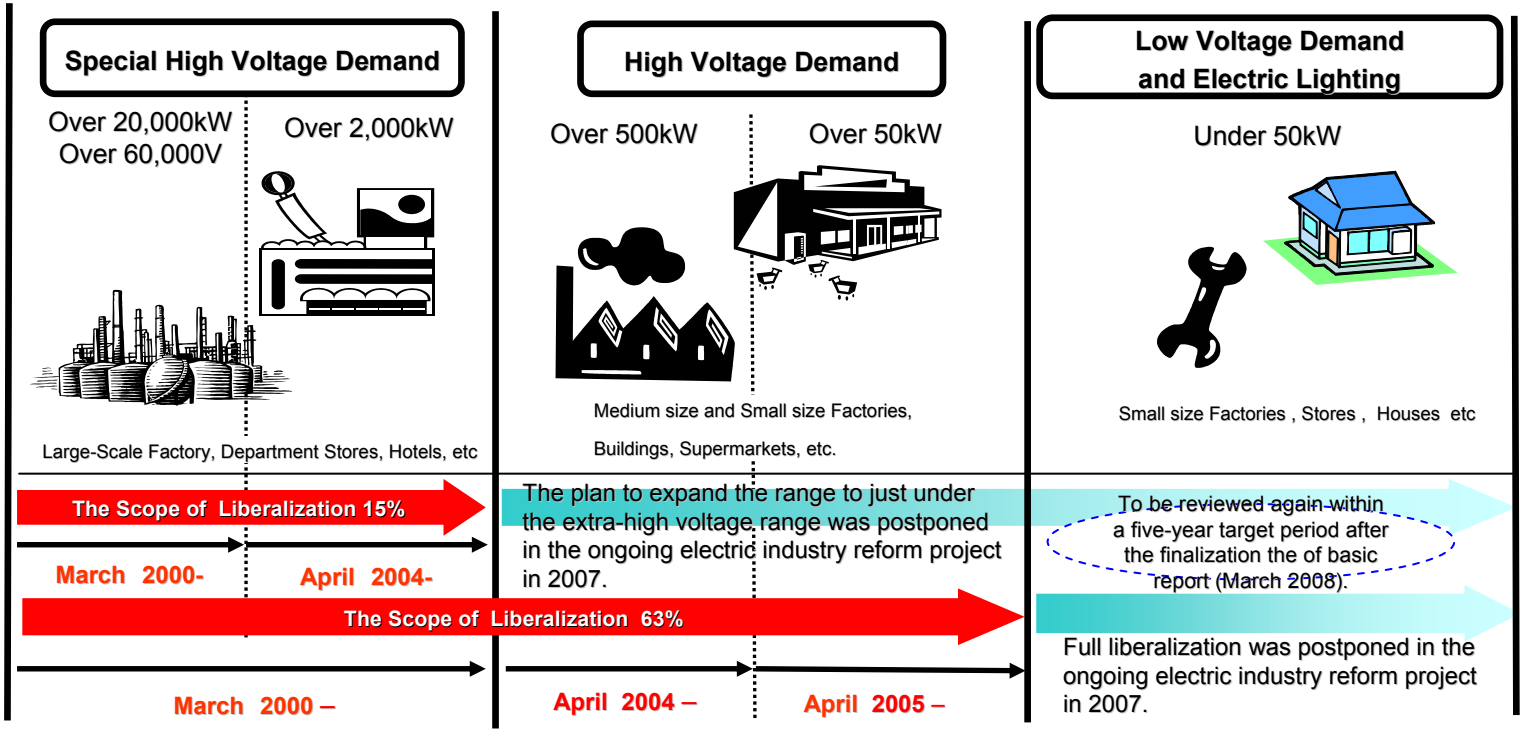
(b) Reduction of military forces and relocation to Guam
→ Relocation of 8,000 Marine Corps and their family (9,000 persons) to Guam by 2014.

(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.

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 (FY2007 results)

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 15.14)

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

Period: April 1, 1982 – March 31, 2012
(Extended for 5 years from April 1, 2007)

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 FY2007 was about 2.2 billion yen.

■ The average value of the alleviation measures after FY2008 will be about 2.2-2.4 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 FY2008 ⇒ All-Electric Houses 3,000 (12.5million kWh)

2. Approach for the promotion and diffusion.

(1) Launching of effective promotion activities to facilitate penetration of all electrification housing brand.

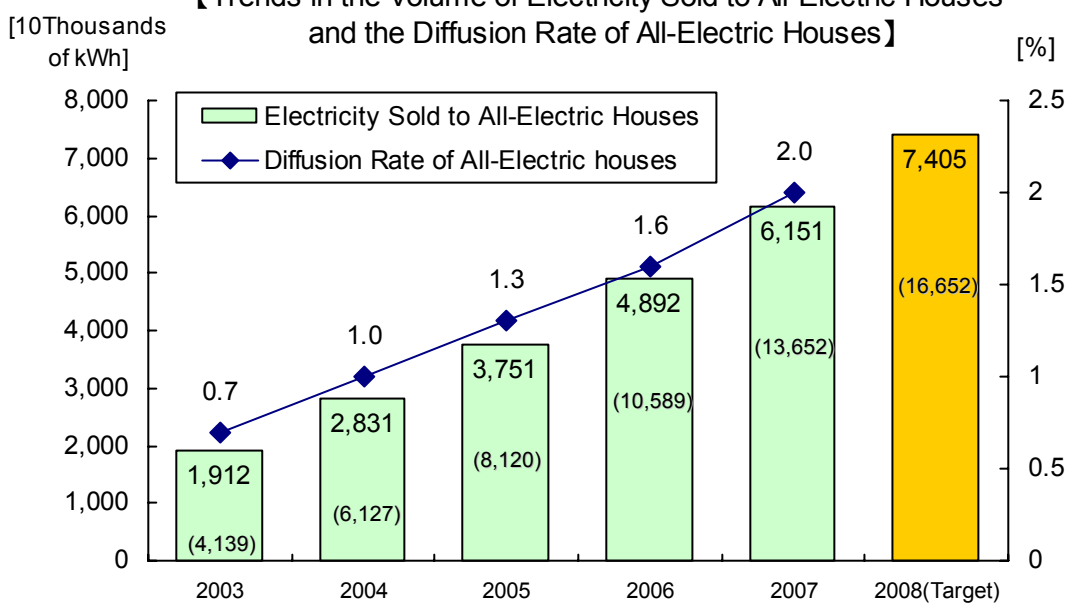
(2) Launching activities to facilitate penetration of all electrification housing in the fields of multi-family dwellings and housing improvement.

(3) Proactive activities to promote penetration of CO2 refrigerant heat pump water heater (ecocute).

(4) Hosting various events with the aim of achieving word-of-mouth effect.

(5) Promote the community-based sales that focuses on the region (market).

【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 31,2008)

$$2.4\% = \frac{\text{16,305〔houses〕(discount for “all-electric houses”)}}{\text{675,257〔houses〕(metered use + residential time-of-day use + “Ee life”)}}$$

Adoption rate（result for FY2007）

$$14.0\% = \frac{\text{1,832〔houses〕}}{\text{13,103〔houses〕(No. of newly-built houses: from Ministry of Land, Infrastructure and Transport materials)}}$$

* All-electric adoption rate in newly built houses (result for FY2007): 51.9%

Q6.What is the Current State of the New Demand Creation Through the Promotion of Commercial Electrification Equipment ?

1. Sales target (in total of three years from FY2008 to FY2010): 15 million kWh

* Electrification system (electric air-conditioning system (including heat storage), electrified kitchen and electrified water heater)

2. Approach for the promotion and diffusion.

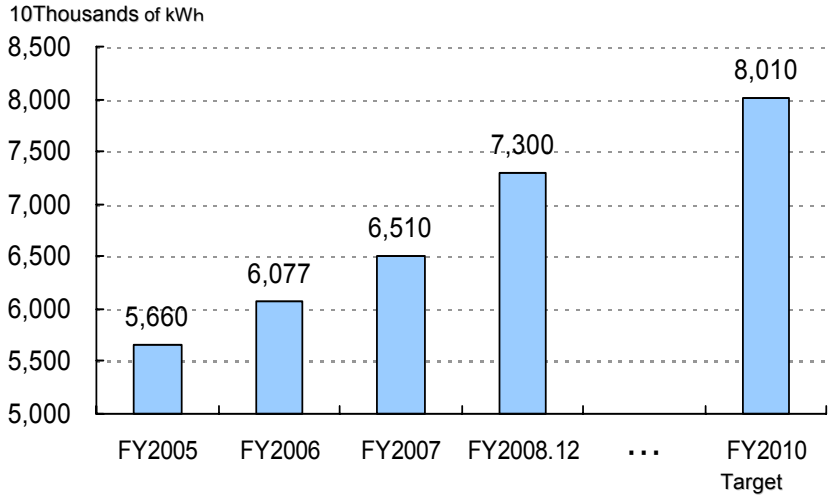
- Initiating PR activities to get across the advantages of electrification such as running cost reduction and making a comprehensive proposal for all electrification (air-conditioner (including heat-storage type), kitchen and water heater fields)
- Strengthening cooperation with local communities including prefecture and municipalities and launching various activities related to attracting enterprises.
- Launching sales activities that suit government and other public offices (education board, etc.) and customers in various industries.
- Strengthening cooperation with makers related to proposal of electrification.
- Strengthening cooperation with various construction industry group organizations and carrying out follow-up activities related to proposal of electrification.
- Beefing up proposals and information provision tools.

Changes in the net system energy demand for commercial electrification equipment

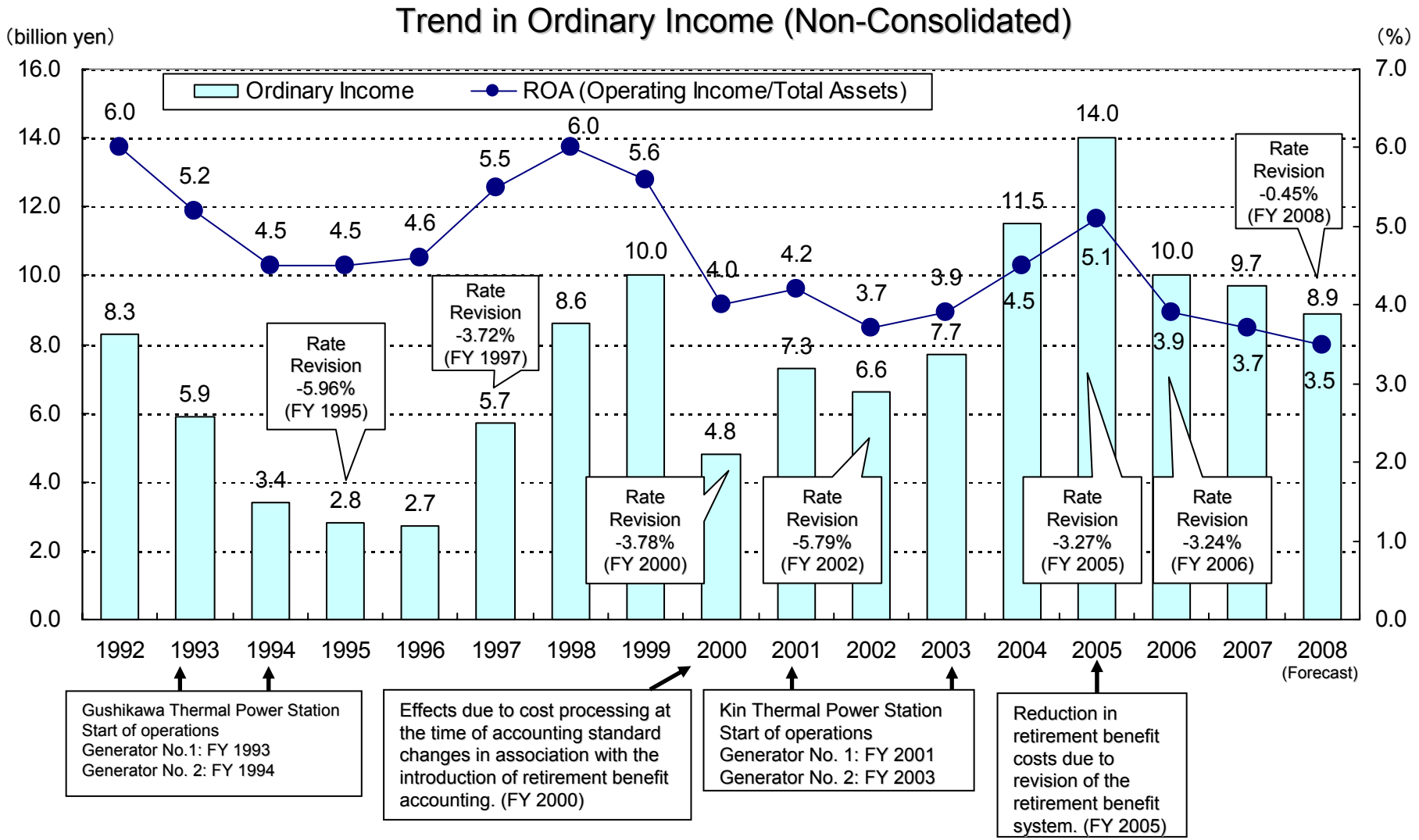
10Thousands of kWh

FY	2005	2006	2007	2008～2010 Target
Commercial Electrification Equipment (Cumulative)	267 (5,660)	417 (6,077)	433 (6,510)	1,500 (8,010)
				2008.12
				790 (7,300)

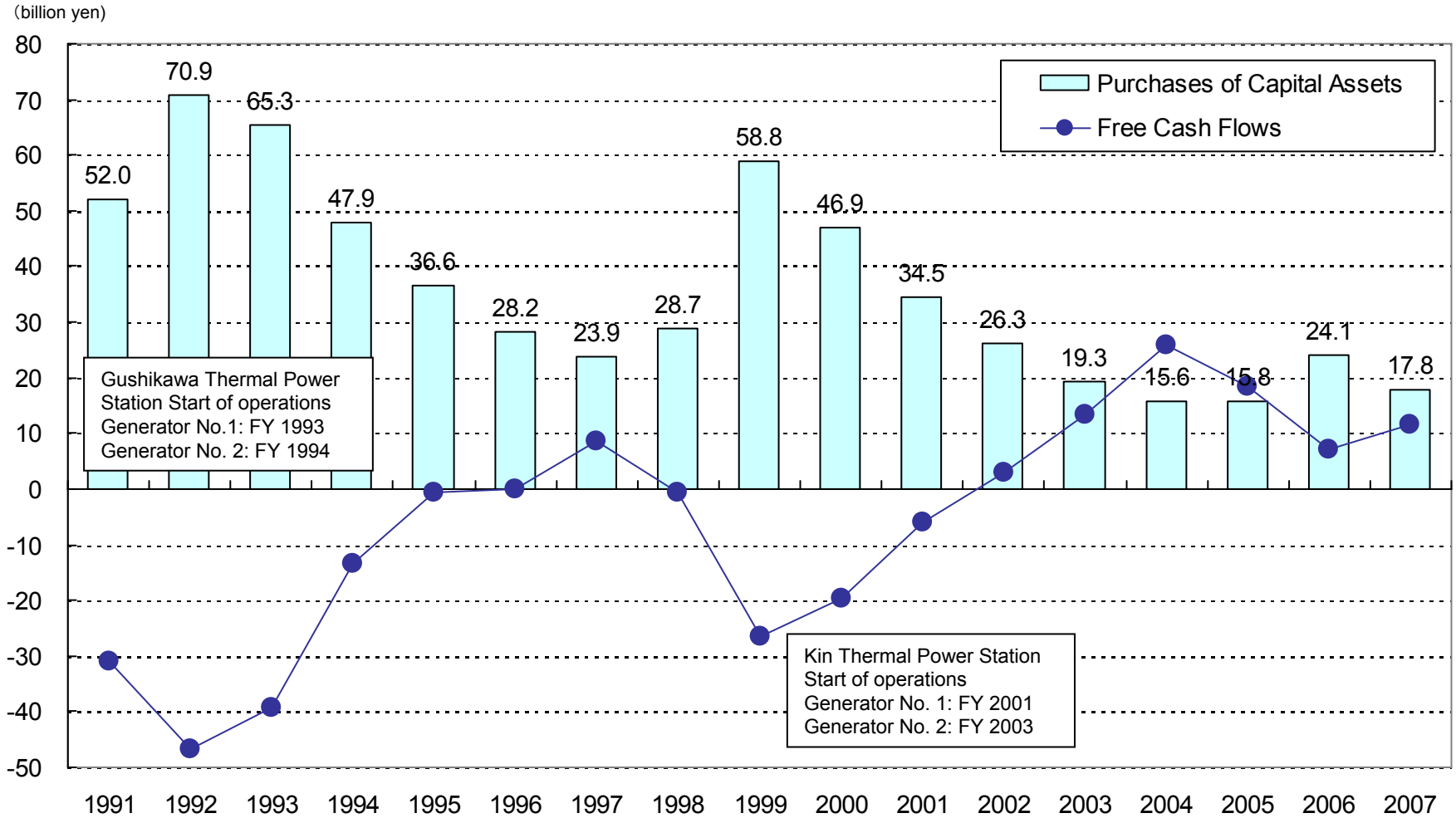
* Cumulative total indicates the cumulative total value from FY1989.



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



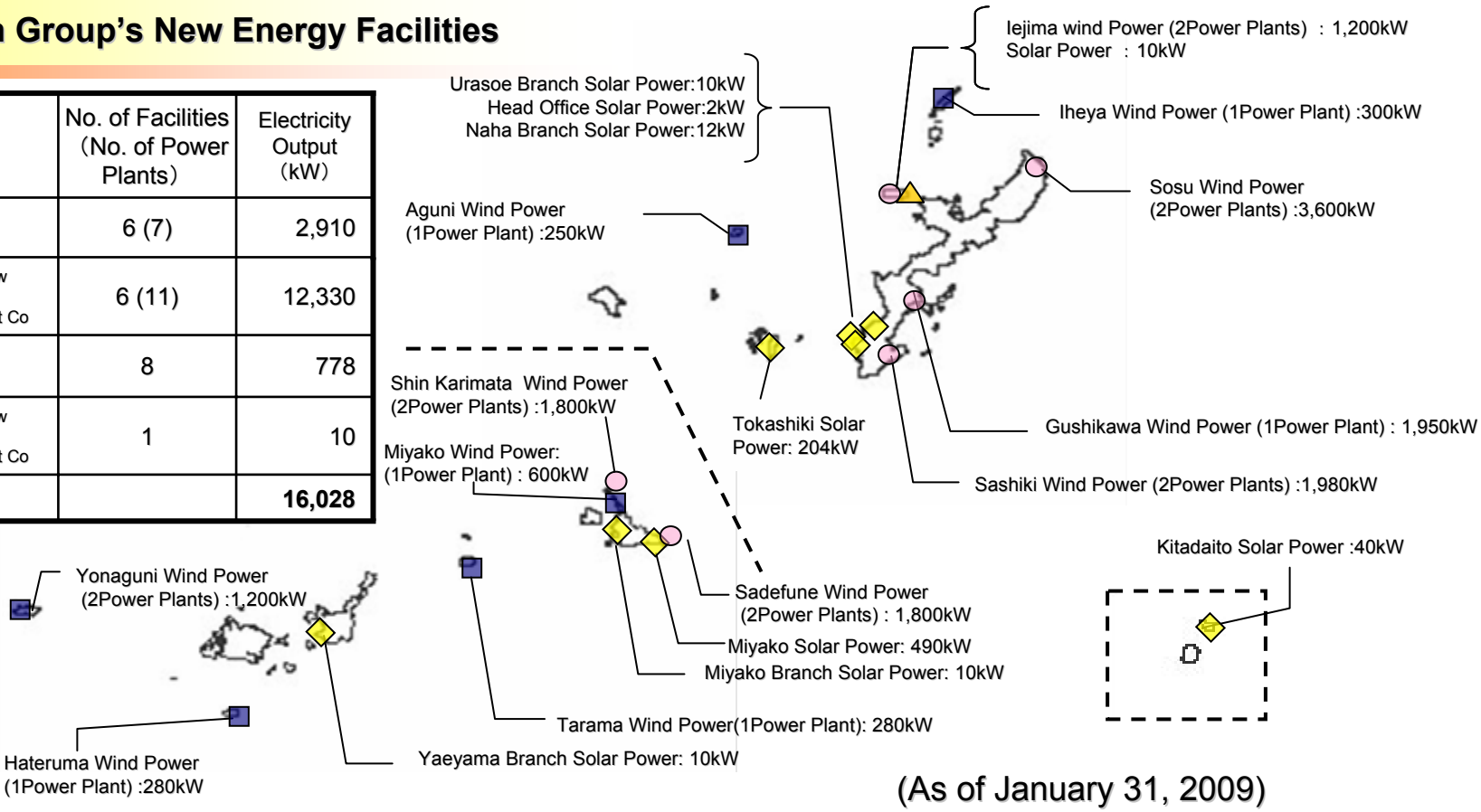
Q8.What are the trends of the Capital Expenditure and Free Cash Flows?



Q9.What is the Status of Wind and Solar Power Electricity Generation Facilities?

List of Okiden Group's New Energy Facilities

		No. of Facilities (No. of Power Plants)	Electricity Output (kW)
Wind Power	OEPC	6 (7)	2,910
Wind Power	Okinawa New Energy Development Co	6 (11)	12,330
Solar Power	OEPC	8	778
Solar Power	Okinawa New Energy Development Co	1	10
	Total		**16,028**



(As of January 31, 2009)

- The company has established new energy facilities in all areas, including remote islands, with total output of 3,688kW（wind power: 2,910kW, solar power: 778kW）
- The Okiden Group will push forward with the introduction of New Energy Facilities.

Q10.How do Current Electricity Rates Compare to Rates at Other Companies?

While the detailed comparison of electricity rates is not available due to limited amount of reported data, the following is the comparison of electricity rates for the main supply contracts.

Model Unit Rates for All Companies （As of March 2009, 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	27.47	26.08	24.53	24.83	23.98	22.75	22.90	24.79	23.34	22.09
Model Basic Unit 300	⑩	⑨	⑥	⑧	⑤	②	③	⑦	④	①
Commercial Use Electricity （High Voltage）	22.87	20.65	20.42	21.34	19.50	17.20	18.71	21.03	18.42	18.13
Model Basic Unit 250（Power Factor 100%）	⑩	⑦	⑥	⑨	⑤	①	④	⑧	③	②
High Tension Power A	20.66	19.56	18.87	19.77	19.46	16.53	17.91	19.89	18.53	17.66
Model Basic Unit 250（Power Factor 100%）	⑩	⑦	⑤	⑧	⑥	①	③	⑨	④	②

Note: 1. The circled numbers indicate price level rankings (higher numbers indicate more expensive rates).

2. Electricity charges shown in the above table are after special measures for fuel cost adjustment in electricity charge are applied.

Q11. What are the CO_2 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 CO_2 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 CO_2 emission factors to calculate g-CO_2/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. What is the Current State of the Progress of Discussion in the Gas Industry ?

As The integrated energy company

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.

Current status

The Company is proceeding with discussions with Okinawa Gas Co., Ltd., which is a public gas provider in Okinawa Prefecture, about LNG supply and business schemes including wholesale supply system while assessing the status of procurement of LNG fuel and the progress of construction works of Yoshinoura Thermal Power Plant.

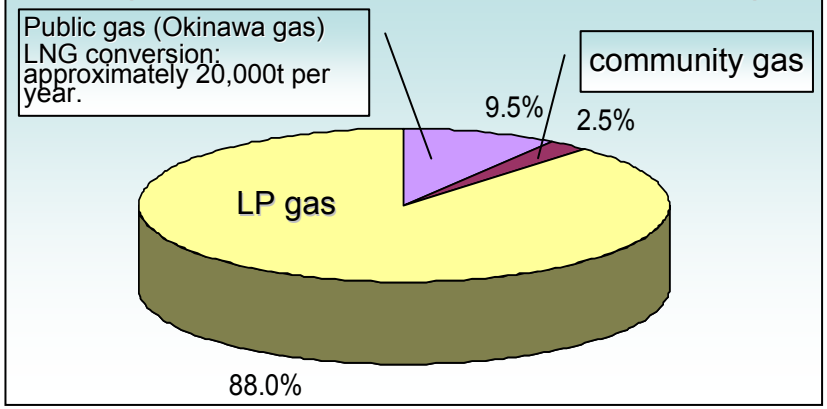
For the promotion of LNG

In addition to the wholesale supply of LNG to Okinawa Gas, the Company is examining the possibility of supplying it to heavy consumers for commercial and industrial uses in consideration of energy environment and market trends.

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 and the stable operation at the Yoshinoura thermal plant.

Current status of the gas business in Okinawa
(Conversion of heat consumed in FY2007)



Source: Agency for Natural Resources and Energy website, Japan LP Gas Association website, Gas Energy newspaper

Reference: Corporate profile of Okinawa Gas

Date of foundation : July 22, 1958.

Capital : JPY 250,222,000

Sales : JPY 6.15bn (December 2007)

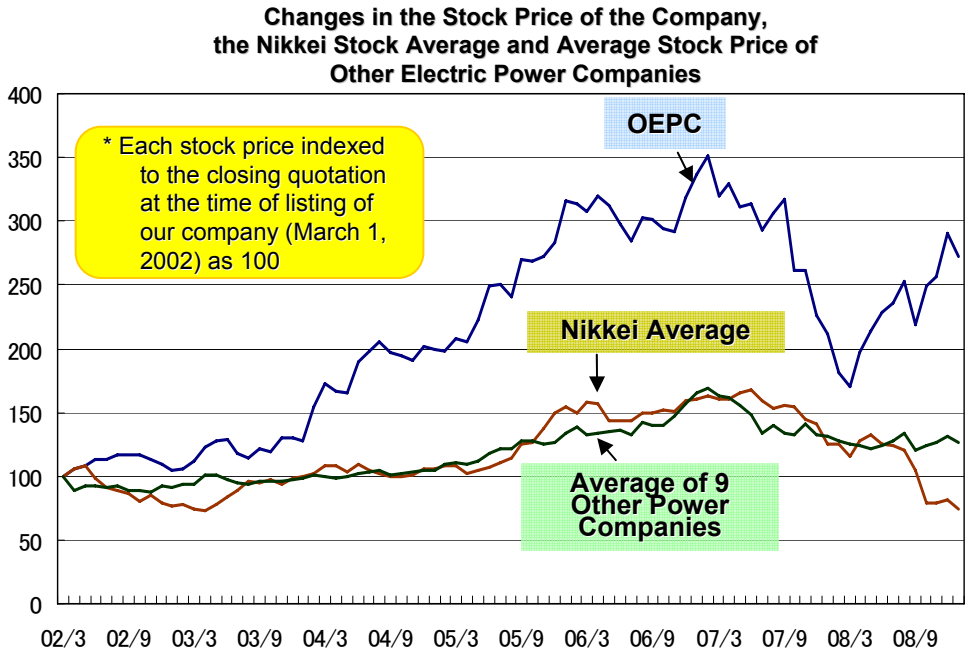
Supply area : Most of Naha city, A part of Urasoe city, Tomishiro city, Haebaru town, Nishihara town, Nakagusuku village

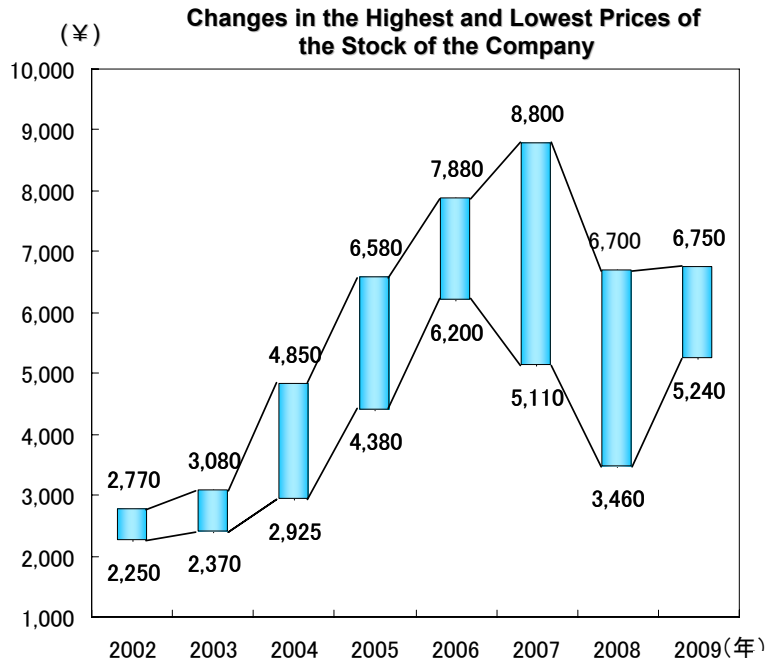
No. of customers: General gas: approx.58,000 units
LP gas: approx.17,000units

Change in Okinawa Electric Power's Stock Price

Change in Stock Price (January 4, 2008～January 31,2009)

	Okinawa Electric Power	Average of 9 Other Power Companies	Nikkei Average
Stock price on January 4, 2008	¥5,020	¥2,508	¥14,691
All-time high	¥6,670 as of December 30, 2008(+32.9%)	¥2,719 as of September 3, 2008(+8.4%)	¥14,691 as of January 4, 2008(0.0%)
All-time low	¥3,560 as of March 17, 2008(-29.1%)	¥1,987 as of October 10, 2008(-20.8%)	¥7,163 as of October 27, 2008(-51.2%)
Latest stock price Closing quotation on January 30 , 2009	¥6,270(+24.9%)	¥2,519(+0.4%)	¥7,994(-45.6%)





Earnings Per Share and Payout Ratio

Earnings per Share and Payout Ratio (Non-consolidated)

FY		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Net Income	Million yen	4,843	2,725	2,606	4,807	4,430	5,594	7,591	9,163	6,398	6,590
Earnings per Share	Yen	325.61	179.61	171.77	316.86	286.52	363.37	494.77	571.05	402.25	376.84
Dividend per Share	Yen	50	50	60	60	60	60	60	60	60	60
Payout Ratio	%	15.4	27.8	34.9	18.9	20.9	16.5	12.1	10.5	14.9	15.9

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://criepi.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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