Management Reference Materials

May 2010

The Okinawa Electric Power Company, Inc.

Contents

Characteristics of the Business Base

Advantage

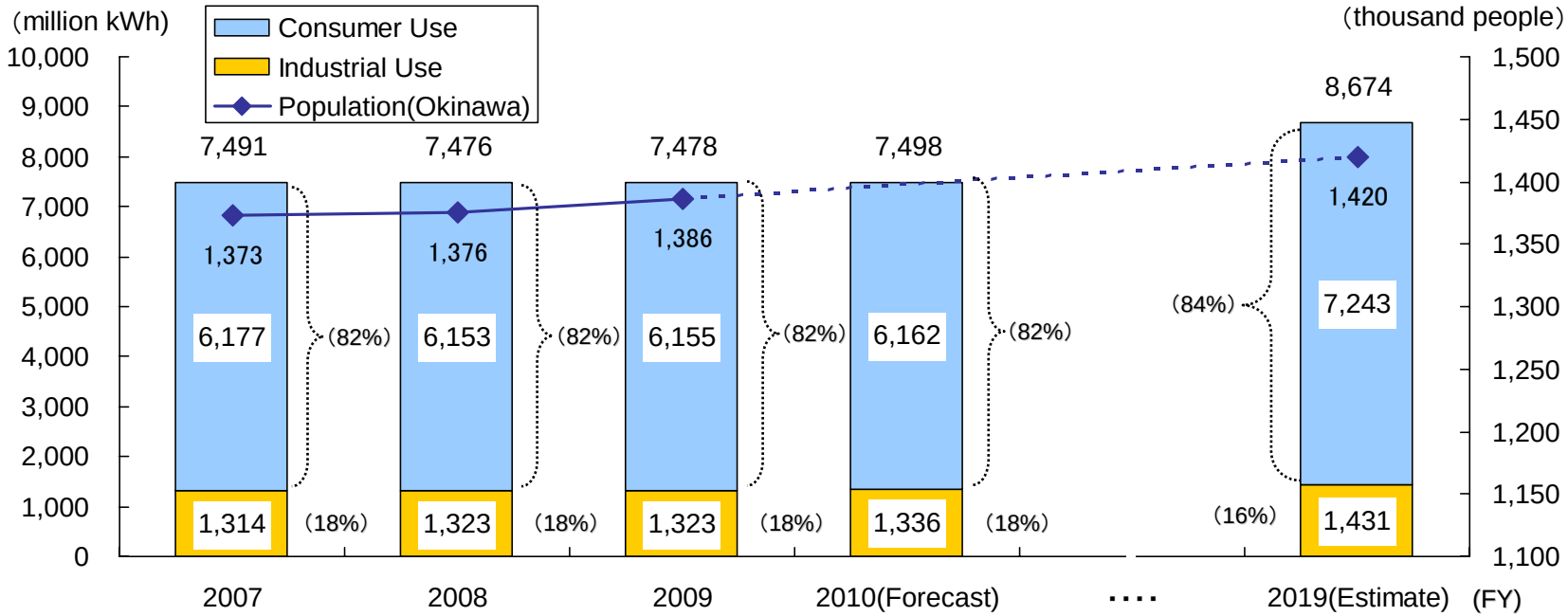
Demand for Electric Power	◆ Increasing demand as population increasing ◆ As the proportion of energy for consumer use is high, the effects of business fluctuations are low
Competition	◆ Severance from competition among electric power companies on account of its isolated system ◆ No competition with PPS (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		1998-2008	2008-2019
Demand for Electric Power	Consumer use	1.2(1.8)	1.5(1.6)
	Industrial use	1.4(1.4)	0.7(0.7)
Total		1.2(1.7)	1.4(1.4)

Note : Figures in brackets are post temperature correction.

Nationwide (Excluding Okinawa) (%)

Annual Average Growth Rate		1998-2008	2008-2019
Demand for Electric Power	Consumer use	1.5(1.6)	1.0(1.0)
	Industrial use	0.8(0.8)	0.6(0.6)
Total		1.2(1.3)	0.9(0.9)

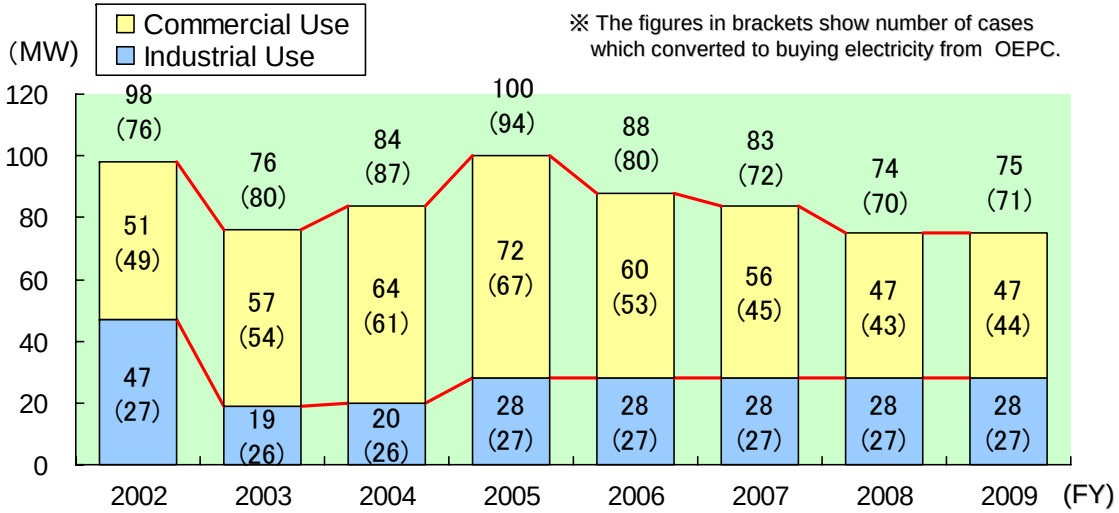
Source: Japan Electric Power Survey Committee
(Growth rates were calculated from loads for distribution)
Note: Figures in brackets are post temperature correction.

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 55%

(As of March 31, 2010)

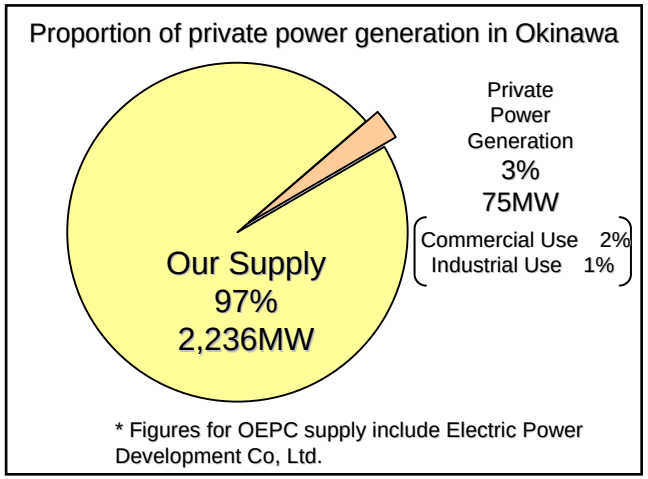
Trend in the Permitted Output of Private Power Generators

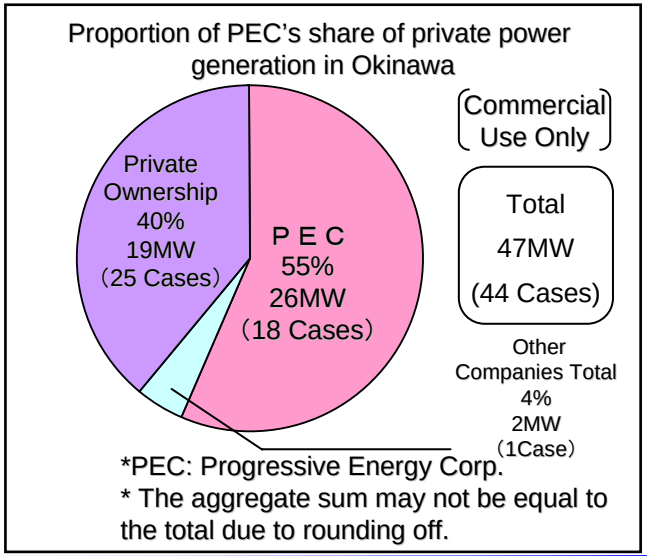


- Number of cases and output (kW) : converted to buying electricity from OEPC
  - FY2007：Commercial Use 8 cases（total 5,010kW）
  - FY2008：Commercial Use 8 cases (total 10,570kW)
  - FY2009：Commercial Use 0 cases (0kW)

* 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





The Okinawa Electric Power Company, Inc.

Power Generation Facilities〔1/4〕

Generation Reserve Margin

Demand-Supply Balance

OEPC （10 Thousands of kW、%）

	2009 【Result】	2010	2014	2019
Peak Load	142	143	152	164
Supply Capacity	196 (171)	195 (170)	214 (194)	228 (212)
Reserve Capacity	53 (28)	52 (27)	62 (42)	64 (49)
Reserve Margin(%)	37.5 (19.9)	36.3 (18.9)	40.4 (27.7)	39.1 (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、%）

	2009 【Result】	2010	2014	2019
Peak Load	15,512	16,965	17,603	18,257
Supply Capacity	19,540	19,414	19,507	20,274
Reserve Capacity	4,028	2,449	1,903	2,017
Reserve Margin(%)	26.0	14.4	10.8	11.0

(Source :Agency for Natural Resources and Energy, “Summary of Electric Power Supply Planning ,FY2010”)

- 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.

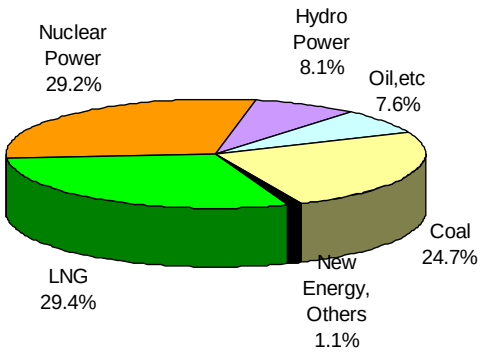
■ Introducing LNG thermal power stations to diversify power supply sources

Improving security for the stable supply of electric power

Electric Power Composition Ratio (Generating End)

Totals for the 10 Major Electric Power Companies

(FY2009: Estimated Results)



(Source:Agency for Natural Resources and Energy, "Summary of Electric Power Supply Planning ,FY2010")

Okinawa Electric Power Company

(FY2009:Estimated Results)

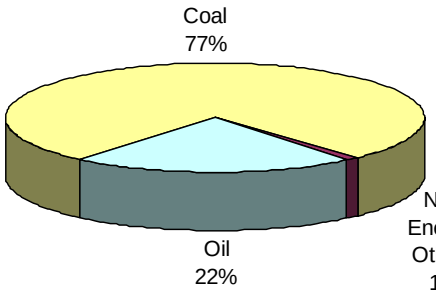
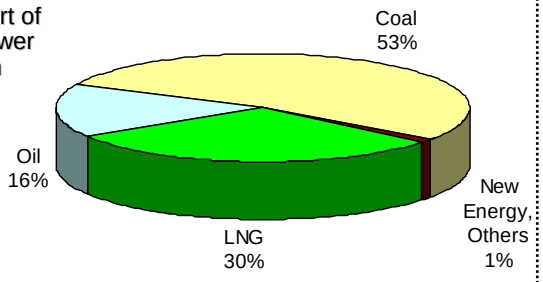


Image of Situation Following the Start of LNG Thermal Power Station Operation

(FY2019)



* 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 costs
Fuel diversification → Improvement of energy security
Search for new business opportunities making efficient use of LNG

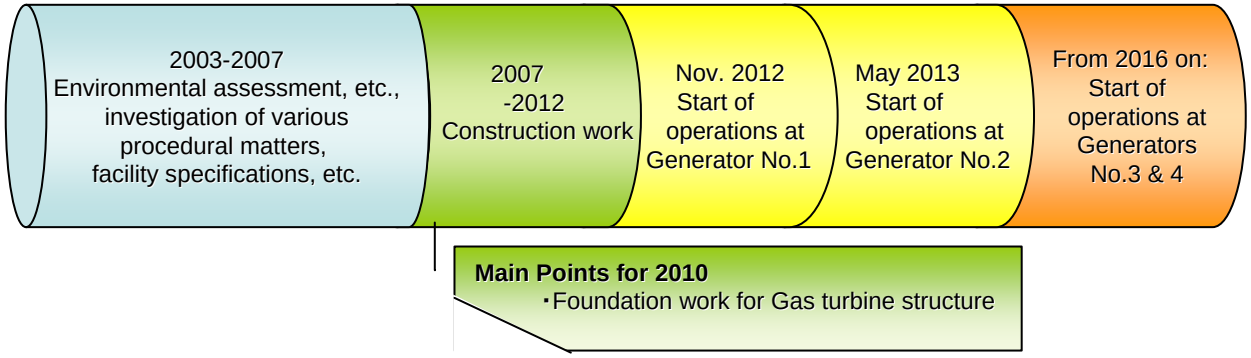
Okinawa Prefecture

【Site for Power plant construction】

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

Construction Schedule

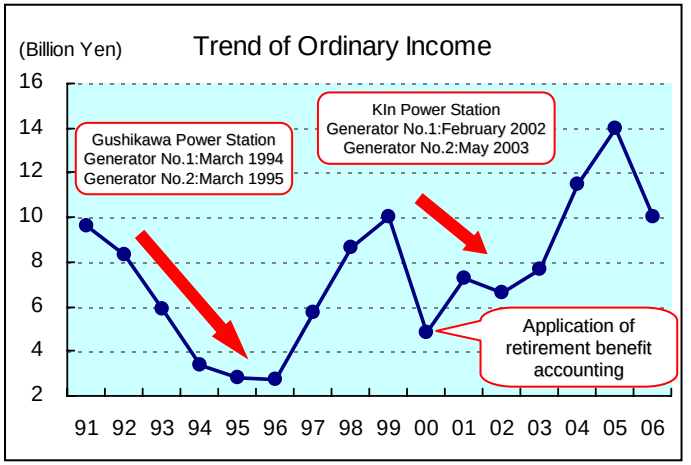


Conceptual Image of the Completed Facility

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

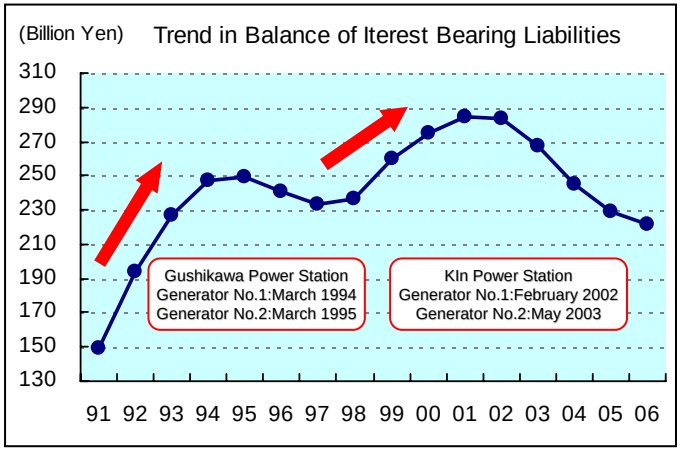
Effects on Finance（Past Tendencies）

- 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
  - → Investigating the way for cost leveling including the finance lease for the LNG terminals.



Perspective

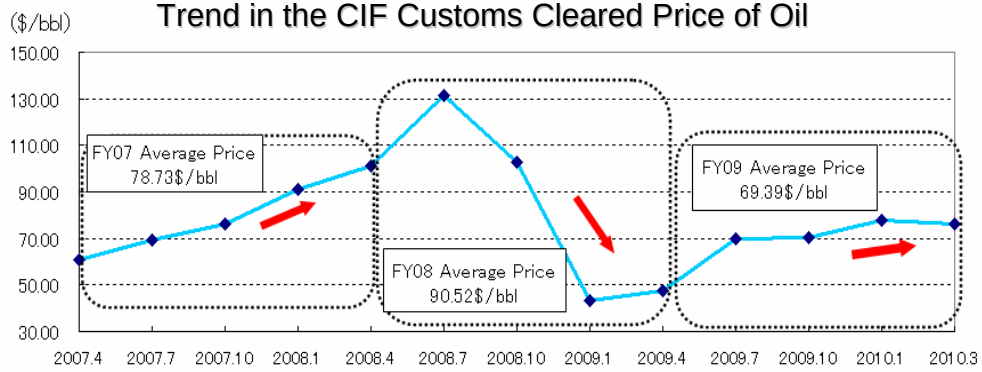
Power Generation Facilities	LNG Terminals
■ Application of usual finance to electricity operation as a whole ■ Earlier depreciation as previously using a fixed percentage method	■ Aim at stable costs for a part of fuel costs ■ Currently investigating cost leveling through lease finance

•If finance lease is adopted, the company applies on-balance sheet and non-transfer-ownership contracts.

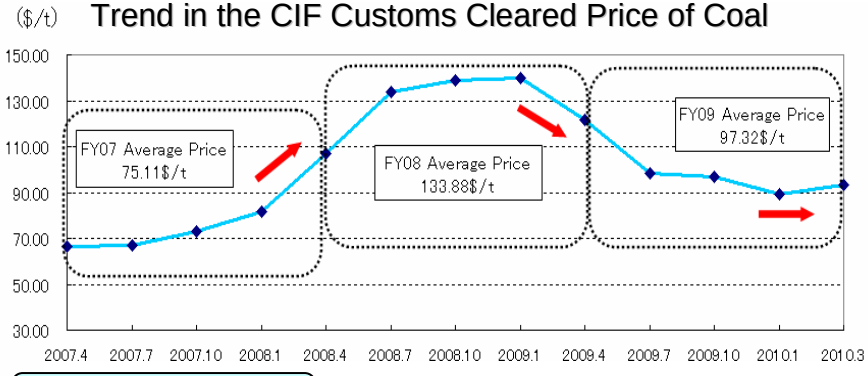
Fuel

- **Great effects are exerted on the company by movements in fuel prices.**
- **The outlook of fuel prices is uncertain due to the rise trend with a hint of economic recovery.**

Trend in the CIF Customs Cleared Price of Oil



Trend in the CIF Customs Cleared Price of Coal



Diversification of fuel oil suppliers including those overseas

Procurement that considers heavy oil market condition (Regular / Spot purchase)

Initiatives of the company (fuel)

Long-term contracts on coal and transport ships

Dispersion of ports of shipment and shift to short-distance sources

Efficient use of the' Shinryo-maru' and COA(contract of affreightment)

Expansion of the introduction of sub-bituminous coal, which has a low environmental burden

Activities this term

<Fuel Oil>

- Achieving stable 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
- Secure stable supply and reduced fuel cost by dispersing embarkation port and shifting to closely-located supply sources.
- Reduce transportation cost by utilizing “Shinryomaru”, a specialized carrier for low transportation cost, and competitive COA (Contract of Affreightment).
- Life expansion of ash processing facilities and the reduction of fuel costs by increasing the use of sub-bituminous coal which has lower ash, lower sulfur and lower environmental load than bituminous coal.

Achieving stable 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

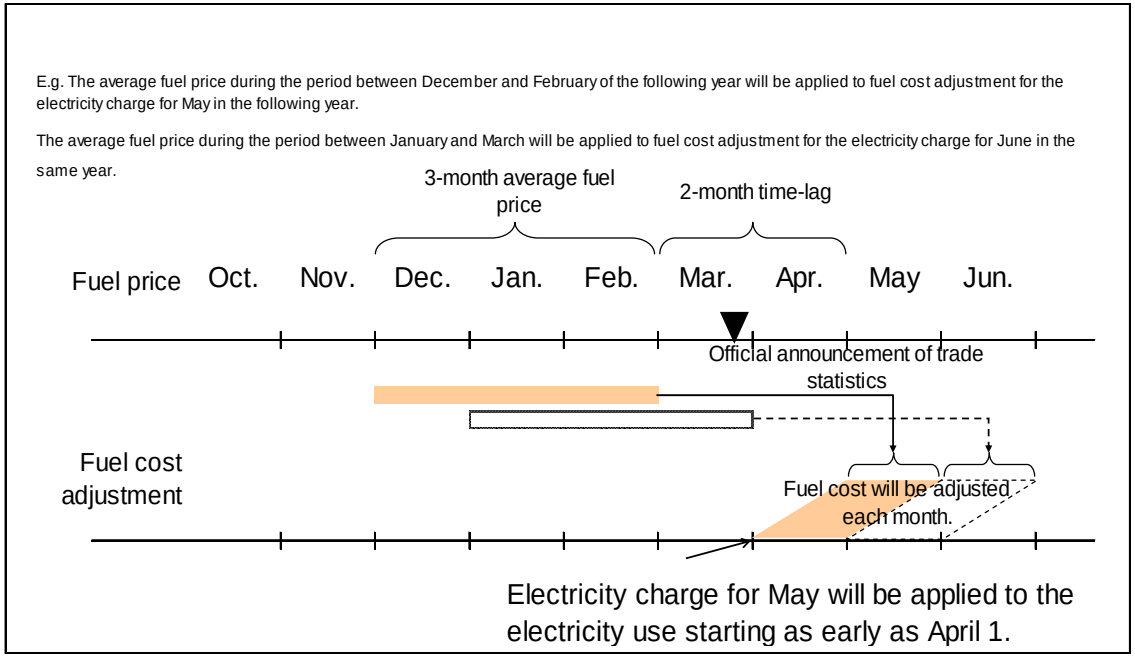
Summary of the System

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.

Range of fuel cost adjustment

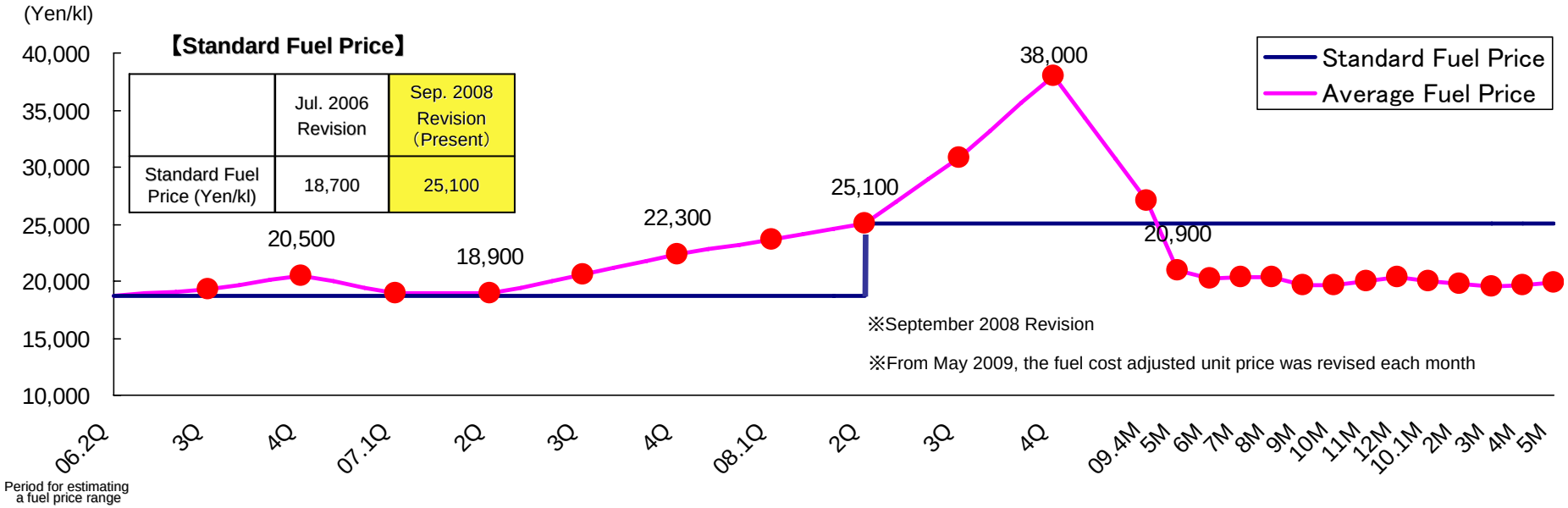
- We will calculate the average fuel price based on the prices of crude oil, coal and LNG on the trade statistics during the period between five months and three months prior to the fuel cost adjustment, and electricity charge will be automatically adjusted each month by comparing the above price with the standard fuel price at the time of electricity rate revision.
- The maximum level of fuel cost adjustment will be 50% .
- There will be no lower adjustment limit.

Conceptual drawing of the fuel cost adjustment system



Trend of Average Fuel Price and Standard Fuel Price

■Trend of Average Fuel Price and Standard Fuel Price（Since July 2006）



Period for applying the Fuel cost adjustment system	09.6M	09.7M	09.8M	09.9M	09.10M	09.11M	09.12M	10.1M	10.2M	10.3M	10.4M	10.5M
Period for estimating a fuel price range	09.1M ～ 09.3M	09.2M ～ 09.4M	09.3M ～ 09.5M	09.4M ～ 09.6M	09.5M ～ 09.7M	09.6M ～ 09.8M	09.7M ～ 09.9M	09.8M ～ 09.10M	09.9M ～ 09.11M	09.10M ～ 09.12M	09.11M ～ 10.1M	09.12M ～ 10.2M
Average Fuel Price（yen/kl）	20,200	20,300	20,300	19,600	19,700	20,000	20,400	20,000	19,800	19,500	19,700	19,900
Average Crude Oil Price（yen/kl）	25,703	27,340	29,334	32,258	36,932	39,626	41,714	41,057	41,734	42,330	43,843	44,530
Average Coal Price(yen/t)	12,374	12,174	11,688	10,503	9,555	9,305	9,167	8,963	8,647	8,280	8,140	8,095

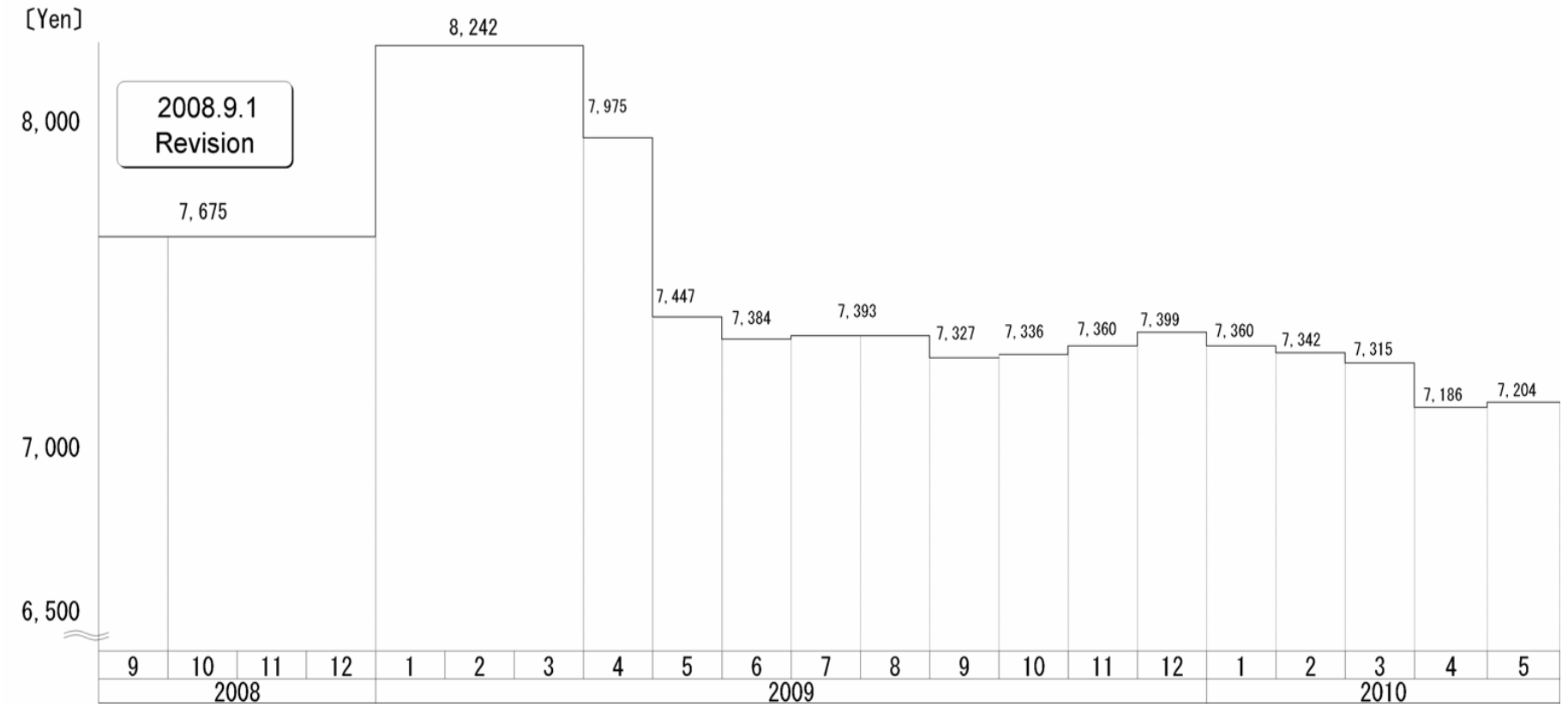
【Method of calculating Average Fuel Price】

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)

Recent changes in standard household electricity charges

○ Changes in standard Household electricity charges



※1 300kWh/Month

※2 From Jan.2009 to Apr. 2009, electricity charge after special measures are implemented were applied.

※3 From May 2009 to March 2010, electricity charge after special measures and transitional measures are implemented were applied.

The New Buyback Program for Photovoltaic Generation

The New Buyback Program for Photovoltaic Generation was launched on November 1, 2009, based on the Japanese state law to cover the cost of introducing solar photovoltaic power generation facilities by the entire nation and promote the introduction of solar photovoltaic generation with the aim of reducing CO_2 emissions domestically.
This system obliges electric power companies to purchase surplus electricity, which is generated using solar photovoltaic power facilities and meets the requirements, at the unit price specified in the law for 10 years.
This program is designed to be “an all-participating system," in which all customers assume the cost incurred for the purchase as photovoltaic generation surcharge (PV surcharge) according to their electricity usages.

■ Unit price of electricity purchase (FY2010)

（The maximum electricity receivable*1）

500kW			Not eligible for the purchase
50kW	50kW or greater Less than 500KW*2		24 yen（20 yen*3）
10kW	10kW or greater Less than 50kW	24 yen（20 yen*3）	24 yen（20 yen*3）
	Less than 10kW	48 yen（39 yen*3）	
		Residential electricity [Low-voltage]	Non-residential electricity [High-voltage]

*1. “The maximum electricity receivable” is either of the smaller of electricity generated through solar panel system or solar power inverter system.

*2. If the maximum electricity receivable is within the range between 50kW or greater and less than 500kW, this unit price of purchase will be applicable only when the maximum electricity receivable does not exceed the electricity contract (contract on electricity supply from us.)

*3. Unit price of purchase in the case where the customer has installed other in-house power generation facilities (including secondary batteries) and, while there is be no inflow of electricity from such facilities to our electricity system, inflow of electricity from solar power generation facilities may increase because in-house power generation facilities are also installed.

■ Unit Price of PV Surcharge

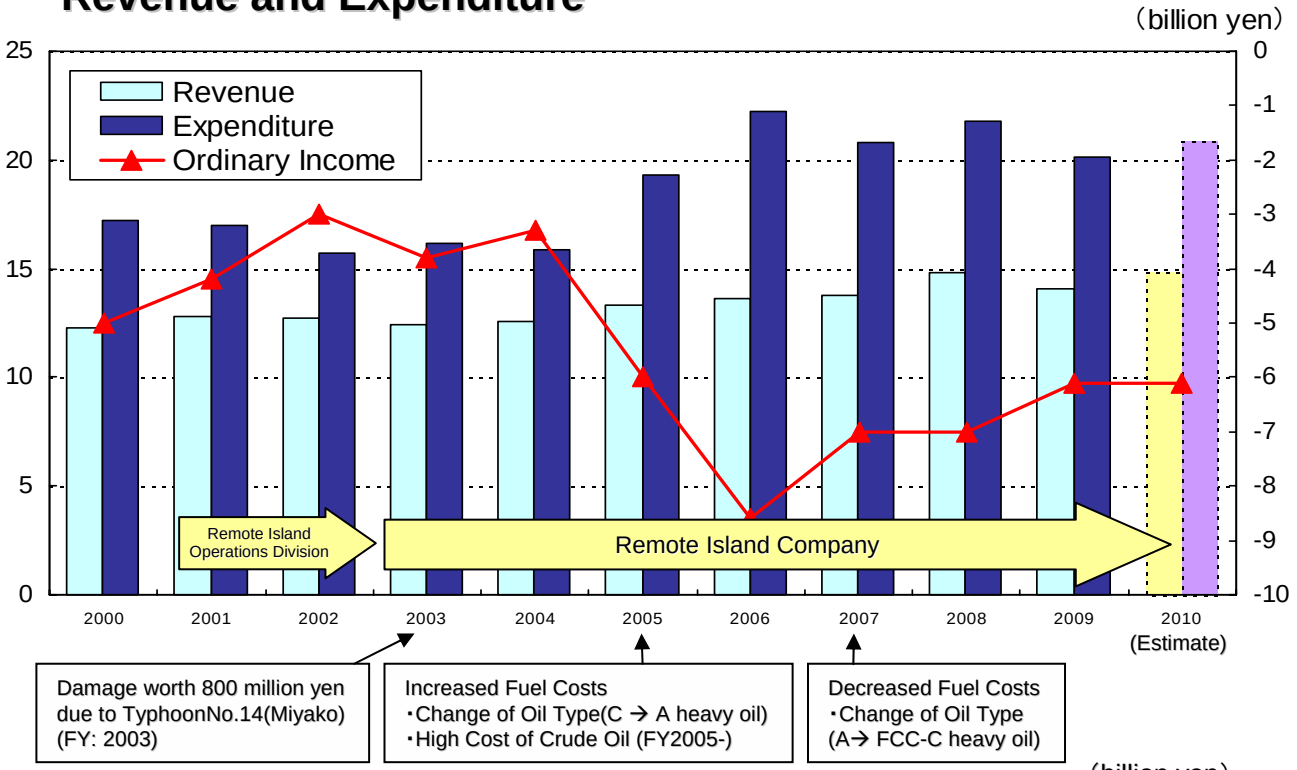
The unit price of photovoltaic generation surcharge (PV surcharge) applicable for the FY 2010 is 0.00 yen/kWh as a result of rounding off, therefore there is no charge for customers in the FY 2010.

	Unit Price of PV Surcharge
FY 2010	0 .00yen/kWh

Incidentally, the actual purchasing cost for the FY 2009 which could not be collected due to rounding off will be carried forward to the time of unit price calculation for the FY 2011, and the customers will be practically charged the cost in and after FY 2011.

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

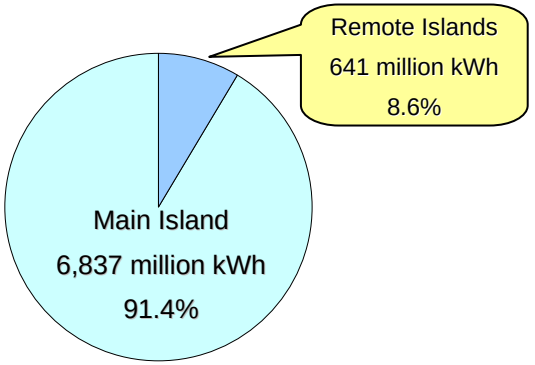
Movements in Remote Island Revenue and Expenditure



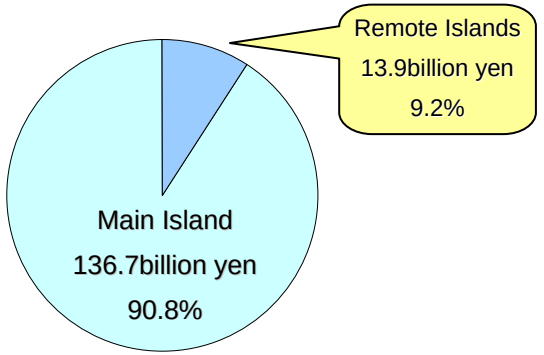
(billion yen)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 (Estimate)
Revenue	12.3	12.8	12.7	12.4	12.6	13.3	13.6	13.8	14.8	14.1	14.8
Expenditure	17.2	17.0	15.7	16.2	15.9	19.3	22.2	20.8	21.8	20.1	20.9
Ordinary Income	-5.0	-4.2	-3.0	-3.8	-3.3	-6.0	-8.6	-7.0	-7.0	-6.1	-6.1

Electricity Sales（FY2009）
（Total : 7,478 million kWh）



Residential,Commercial and Industrial Use Charges(FY2009)
(Total : 150.6billion yen)



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

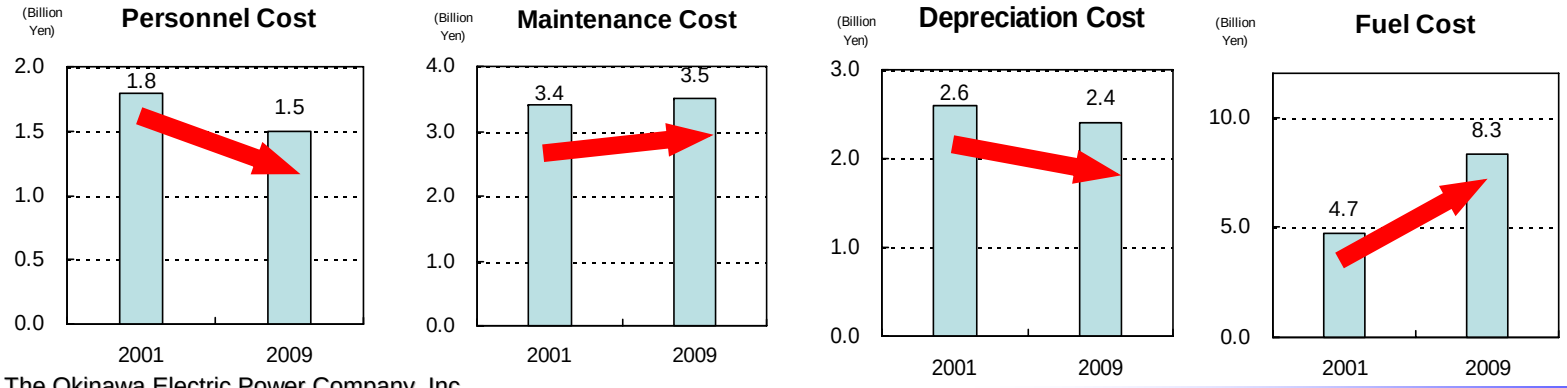
Improvement of Remote Island Income and Expenditure〔2/2〕

- 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.
  - Establishing remote control system for power generation plants in Miyako and Ishigaki.
  - Revising the procedures for regular inspections on electric power supply facilities.
  - Purchasing other companies' idle facilities and moving idle facilities of own company.
  - 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

- Reducing fuel consumption by introducing Retractable wind-power generators.
- Partially laying power lines underground to prevent typhoon damages.
- Effective utilization of waste oil. etc.



Addressing the global warming issues

■ 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
■ Efficient operation of thermal power plants
■ Promotion of multi-fuel operation with biomass energy
■ Equity participation in carbon funds taking advantage of the Kyoto Mechanism

(as of March 31, 2010)

Name of Funds		Acquired credit volume or amount of investment (contract basis)
Equity participation in carbon funds	Contract of amount of investment	6 million dollars
	Contract of credit volume	Approx.4.1 million tons-CO_2
Purchase Contract with a trading company etc.		

■ Investment for CCS survey research
■ Promoting introduction of electric vehicles for business-use (introducing 100 electric vehicles by FY2020)
■ Promoting energy saving on the demand side (by offering EcoCute services, etc.)

(cf.) Actual result of CO_2 emission coefficient for 2008: 0.946kg - CO_2 /kWh (The figure after adjustment is the same)
Estimated result of CO_2 emission coefficient for 2009: 0.937kg - CO_2 /kWh (The figure after adjustment is the same)

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

Okinawa has been facing a difficult economic situation as a whole, although there are some positive effects from economic policies by the government in part of consumer spending.

・On the whole, consumer spending is weak due to consumers' strong desire to protect their livelihood, while new car sales and the wholesale shipments of household appliance indicate policy effects.

・In the construction industry, public work spending falls below the previous year, because policy effects such as front-loading in the first half year are wearing off, and new housing starts have fallen below the previous year.

・The tourist industry has almost bottomed out, as it is showing signs of ceasing to fall, although the situation is still severe due to declining travel demand caused by the economic slump.

◎Prospects

On economic prospects, the economy is likely to maintain its severe situation as a whole, because of concerns regarding decreasing public works, although there are signs that the tourism industry has almost bottomed out.

Trends in Main Economic Indicators (Rates of Growth) (%)

Indicators	FY2009		
	First Half	Second Half	Total
Sales by large-scale retailers	-2.4	-4.6	-3.4
No. of new car sold	-11.9	19.0	1.8
Wholesale shipments of household appliance	7.4	29.1	17.7
New residential construction starts	-1.7	-25.2	-14.6
Value of public works contracts	8.3	-12.4	-2.8
No. of Inbound tourists	-4.0	-4.2	-4.1
Total unemployment rate	7.6	7.4	7.5
Value of corporate failures	-83.2	-44.6	-77.3

Note 1: The figures for 'Sales by large-scale retailers' are calculated from the values given in preliminary figures for February 2010 on an all-store base.
Note 2: The figures quoted here for 'Wholesale shipments of household appliance' 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 3.7% in Okinawa prefecture up to 2011, higher than the national annual average of -0.8%.
- Furthermore, per capita income is also expected to increase, supported by the growth of prefectural GDP. Growth of about 7.5% is anticipated, in contrast to the national figure of 3.8%.

Annual Average Growth Rate of GDP

	FY2007	FY2011	Annual Average Growth Rate FY2007-Y2011
Prefectural GDP	3,916.3 billion yen	4,531.1 billion yen	Approx. 3.7%
National GDP	562,350.4 billion yen	545,054.7 billion yen	Approx.-0.8%

Sources: “Economic and Social Perspectives in Figures”, in the Okinawa Promotion and Development Plan
FY2007 Prefectural Economic Accounts
Cabinet Office, Japan Electric Power Survey Committee

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

	FY2007	FY2011	Annual Average Growth Rate FY2007-Y2011
Prefectural Income	2.05 million yen	2.74 million yen	Approx. 7.5%
National Income	2.93 million yen	3.40 million yen	Approx. 3.8%

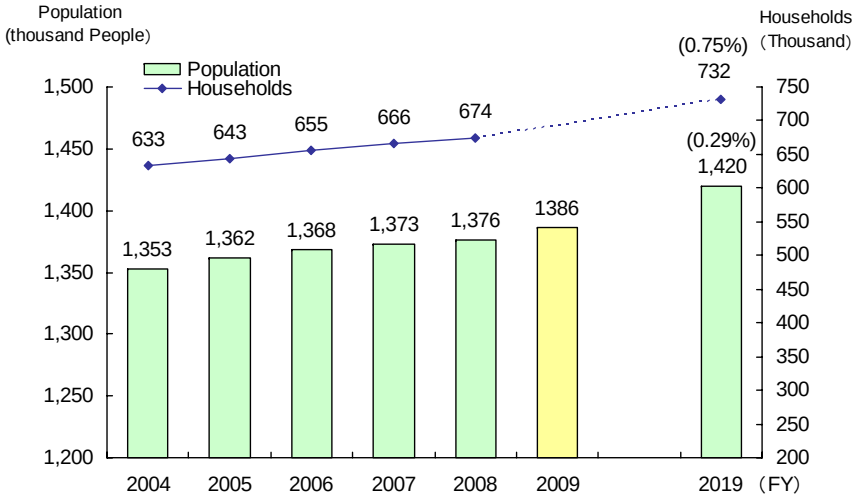
"Sources: “Economic and Social Perspectives in Figures”, in the Okinawa Promotion and Development Plan,
FY2007 Prefectural Economic Accounts

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

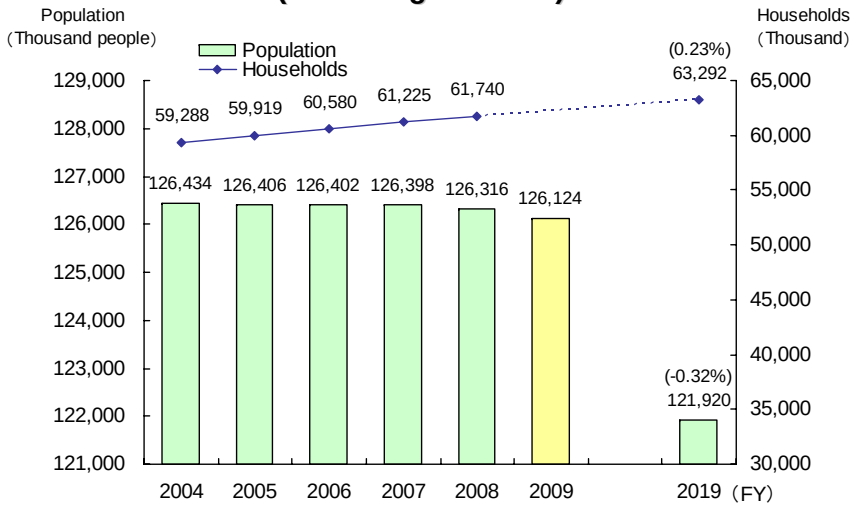
- Stable growth is expected for the population of Okinawa, with an annual average growth rate of 0.29% up between 2008-2019, in excess of the national rate of -0.32%.
- Whereas the population reached a peak in 2004 on a nationwide basis and has entered a downswing since then, Okinawa is expected to reach its population peak 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 2019, the rate in parentheses is the average annual growth rate for FY 2008-2019

Growth of Population and Households Nationally (Excluding Okinawa)



Source: National Census, Ministry of Internal Affairs and Communications, Japan Electric Power Survey Committee
Note: For 2019, the rate in parentheses is the average annual growth rate for FY 2008-2019

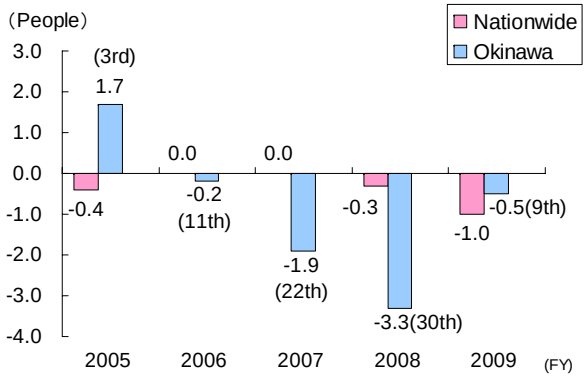
Thanks to the stability growth of household numbers in association with the increasing population, residential demand increases are expected.

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 0.5 person per 1,000 people in terms of social increase in population, but natural increase in population remains steady and is at the top nationwide with 5.0 persons per 1,000 people.
- Consequently, growth of population in the prefecture significantly exceeds the national average of -1.4 person, with 4.5 persons per 1,000 people.

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

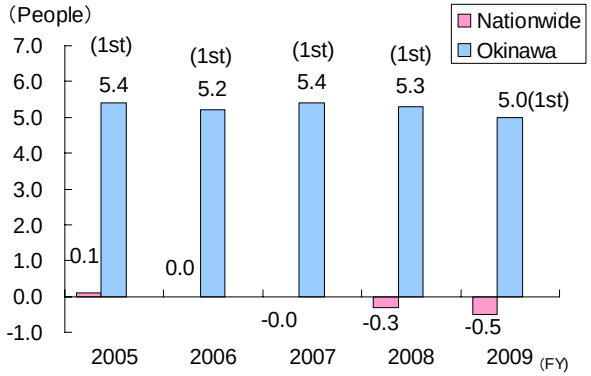


Source: Bureau of Statistics, Ministry of Internal Affairs and Communications, "Yearly Population Estimates"

Note: Social increase of population = Incoming population – Outgoing population

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

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

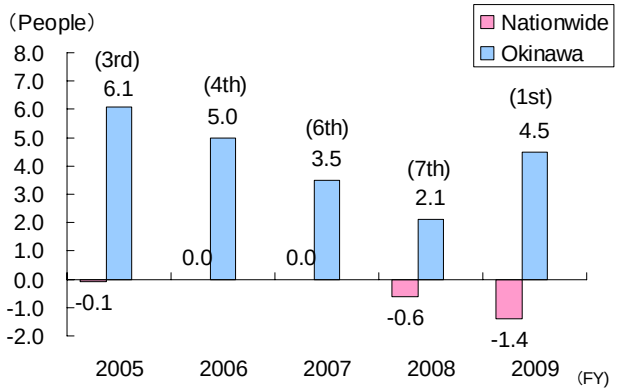


Source: Bureau of Statistics, Ministry of Internal Affairs and Communications, "Yearly Population Estimates"

Note: Natural increase of population = Births – Deaths

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

Trend in the 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

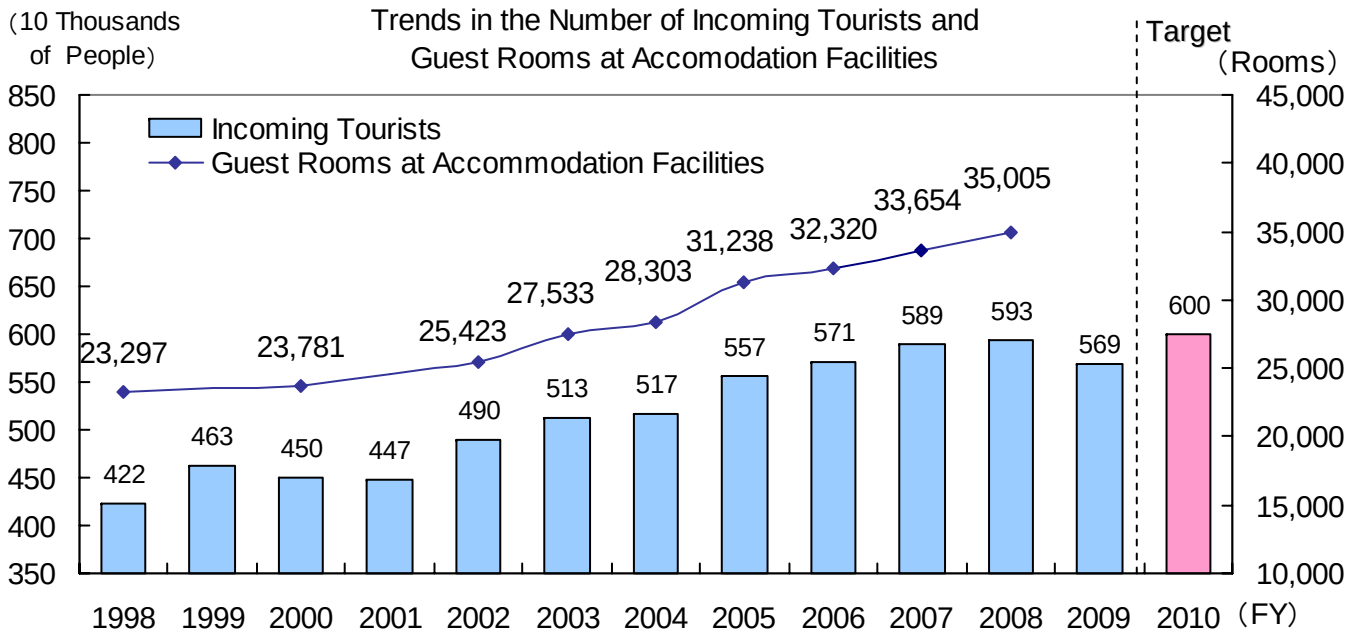
The figures in brackets in the chart show Okinawa Prefecture's national ranking.

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

■ FY2009 Result for incoming tourists: Record high of 5.69 million people(-4.1% in the previous year's figure)

※The target figures for 2010 are 6 million incoming tourists



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.

【Reference】

①FY2010

Visit Okinawa Plan

・Incoming Tourists 6.00million

(Including Tourists from foreign countries 0.3million)

・Tourist Income 438.0billion Yen

②FY2009 Results

・Incoming Tourists 5.69million

(Including Tourists from foreign countries 0.25million)

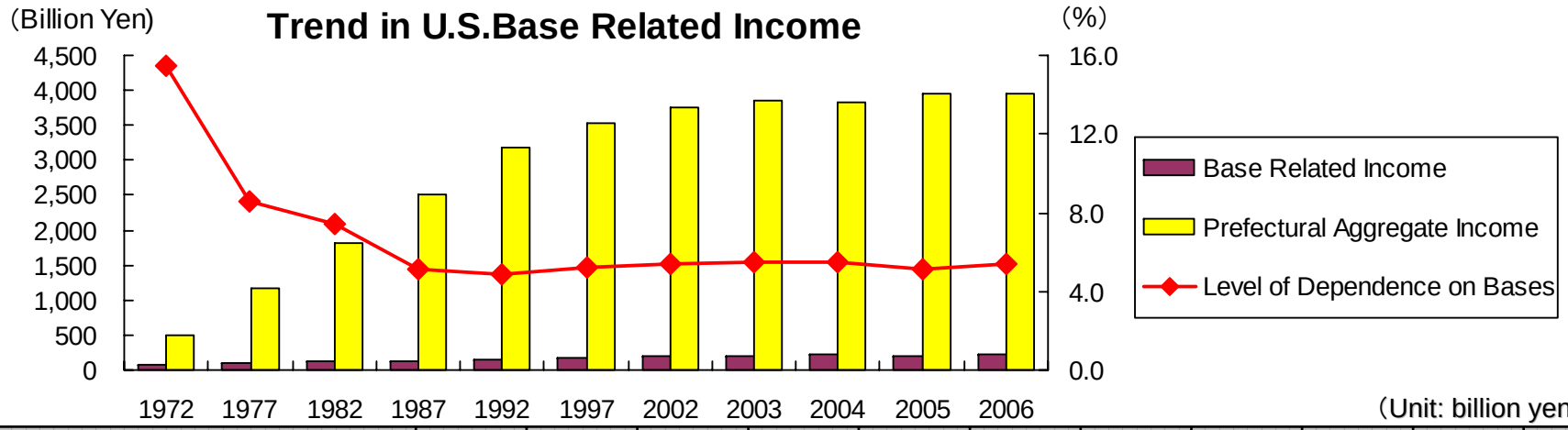
・-4.1% growth rate (YoY)

Because of holding back on traveling due to economic slump and H1N1 flu, the number fell below the previous year.

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	2006
Base Related Income (Charges for Land Occupied by US Armed Forces)(A)	77.7	100.6	134.6	128.2	156.3	184.0	203.0	211.3	211.8	201.0	215.5
Prefectural Aggregate Income(B)	501.3	1,163.1	1,822.6	2,516.5	3,192.9	3,542.5	3,761.9	3,841.6	3,834.5	3,941.7	3,959.2
Level of Dependence on Bases(A/B)	15.5	8.6	7.4	5.1	4.9	5.2	5.4	5.5	5.5	5.1	5.4

- 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 it had fallen to 5.4% in FY2006 from the 15.5% share at the time Okinawa was returned to Japan (1972).

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 2009"

Reference : Main Economic Indicators

Trends in Main Economic Indicators (Year-on-Year Comparison)

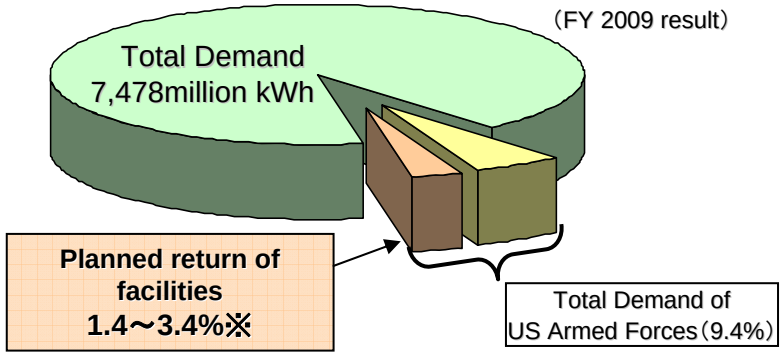
(Unit : %)

Indicators	FY2009														
	Apr.	May	Jun.	Jul.	Aug.	Sep.	1st half	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	2nd half	Total
Sales by large-scale retailers	-2.5	-1.5	-3.5	-4.3	-5.9	1.1	-2.4	-5.2	-8.8	-2.5	-4.9	-1.7	—	-4.6	-3.4
No.of new car sold	-15.4	-26.4	-23.2	-12.1	5.7	4.3	-11.9	6.8	11.7	12.5	20.1	29.4	30.2	19.0	1.8
Wholesale shipments of household appliance	10.7	5.2	-1.7	8.4	8.0	16.4	7.4	5.9	35.2	24.8	22.3	50.8	38.6	29.1	17.7
New residential construction starts	-31.8	-0.3	16.9	-8.6	75.7	-17.4	-1.7	-16.0	-34.3	-35.7	-0.8	11.9	-45.6	-25.2	-14.6
Value of public works contracts	-22.8	77.5	-12.9	27.6	-0.5	5.7	8.3	6.2	16.8	13.0	-39.3	-37.7	-25.2	-12.4	-2.8
No.of Inbound tourists	-7.4	-7.4	-2.7	0.5	-4.0	-3.7	-4.0	-12.3	-12.2	-7.3	-0.5	8.1	1.4	-4.2	-4.1
Total unemployment rate	7.6	8.6	7.5	6.6	7.5	7.7	7.6	7.1	7.5	6.8	7.1	8.1	8.0	7.4	7.5
Value of corporate failures	90.8	44.6	19.4	-98.9	-58.0	-74.9	-83.2	49.6	495.6	-26.8	-94.3	125.5	-7.1	-44.6	-77.3

Note 1: The figures for 'Sales by large-scale retailers' are calculated from the values given in preliminary figures for February 2010 on an all-store base.
Note 2: The figures quoted here for 'Wholesale shipments of household appliance' are estimates.
Note 3: The figures for 'Total unemployment rates' are raw data.
Source: Okinawa General Bureau, Okinawa Prefecture, Okigin Economic Institute, and others.

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.

【Summary of U.S. Armed Forces in Okinawa】 (As of Jan. 2010)

No. of Facilities		33
Area		229 ㎢
Personnel*	Soldiers	21,277
	Other Staff, Families	19,139
	Total	40,416

* The figures for personnel are as of the end of September 2008.
Reference: No. of army employees: 9,155 *As of the end of November 2009

* 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 2009," 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. Armed Forces demand was about 9.4% of total demand and about 7.1% of revenue in fiscal 2009.
- 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.
- The schedule for return of US military bases, which should have been developed by March 2007, has not been formulated yet and the detailed plan remains uncertain.
- In addition, as several proposals have been put forth as a relocation site of the US Marine Corps Futenma Air Base after the administration change in September 2009, the prospects have become more uncertain.
- 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.

[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.

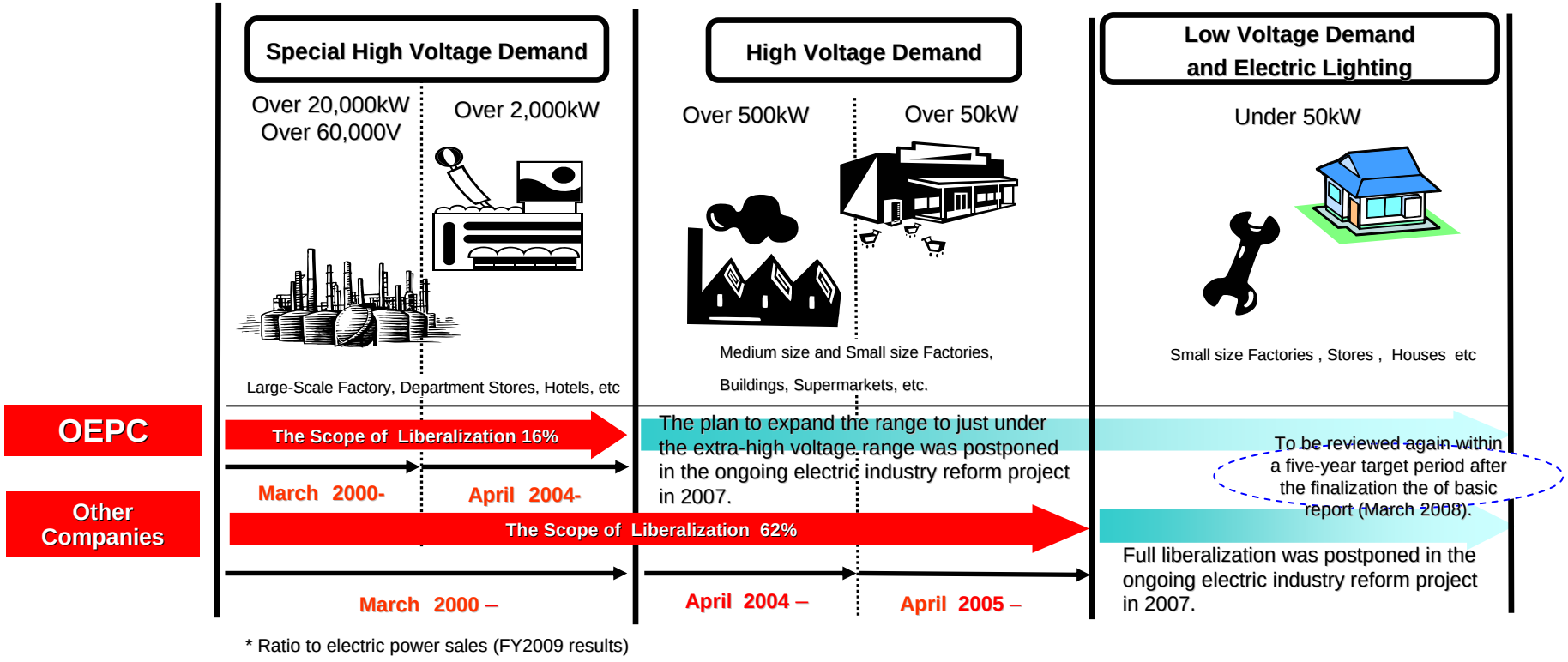
(b) Reduction of military forces and relocation to Guam
→ Relocation of 8,000 Marine Corps and their family (9,000 persons) to Guam by 2014.

(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 (FY2009 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 necessary for industrial development and improving the living standards of people in Okinawa Prefecture given that there has been no changes to the conditions of remote islands such as bearing of deficit arising from structural disadvantage.

Value of Tax Alleviation Due to the Preferential Measures

■ The value of the alleviation measures in FY2009 was about 2.1 billion yen.

■ The average value of the alleviation measures after FY2010 will be about 2.3 billion yen per year.

Amount of reduction by applying preferential treatment is deducted in calculating the Total Unit Cost of electricity charge and consequently is returned to customers.

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

1. Target value for FY2010 ⇒ All-Electric Houses 4,100 (14.2million kWh)

2. Approach for the promotion and diffusion.

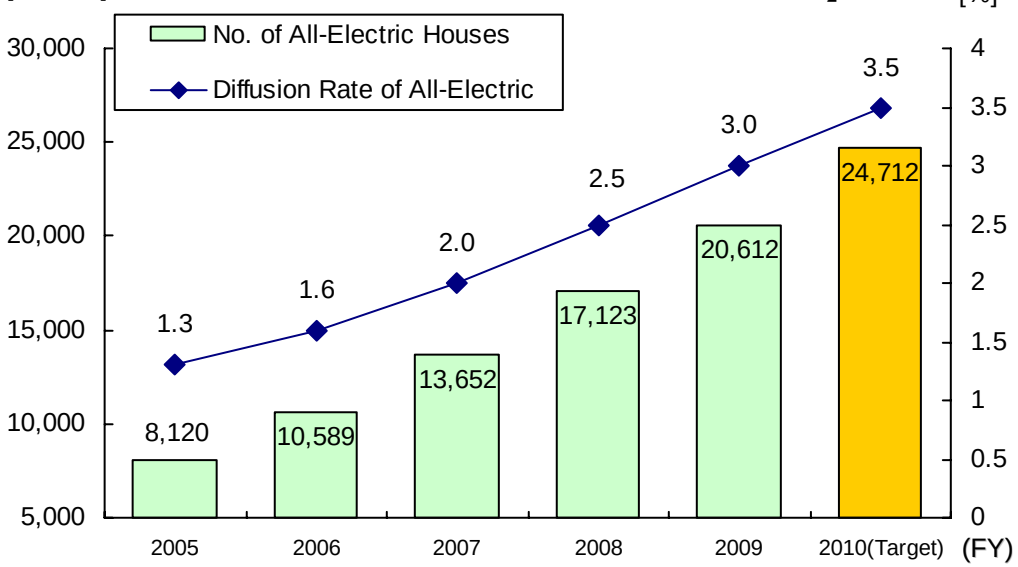
① Launching of effective promotion activities to facilitate penetration of all electrification housing brand.

② Proactive activities to promote penetration of ecocute (CO2 refrigerant heat pump water heater).

③ Expansion of sales activity in cooperation with sub-users.

④ Strengthening of sales activity to collective housing and existing homes.

【Trends in the No. of All-Electric Houses and the Diffusion Rate of All-Electric Houses】



【Reference】

Adoption rate（results for FY2009）

All-electric adoption rate in newly built houses (included multi-family dwellings etc.) = 12.6%

All-electric adoption rate in newly built houses = 56.3%

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 FY2010 to FY2012): 30 million kWh

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

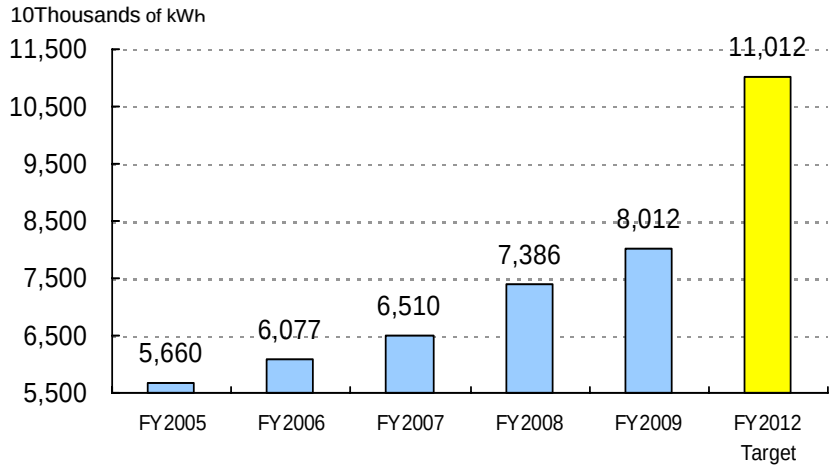
2. Approach for the promotion and diffusion.

① Implementation of electrification proposal activities suitable for the power usage of customers.
② Promotion of heat pump equipment (air-conditioning and water heaters)
③ Expansion of sales activity in cooperation with sub-users.
④ Launching sales activities that customers in various industries.

Changes in the net system energy demand for commercial electrification equipment

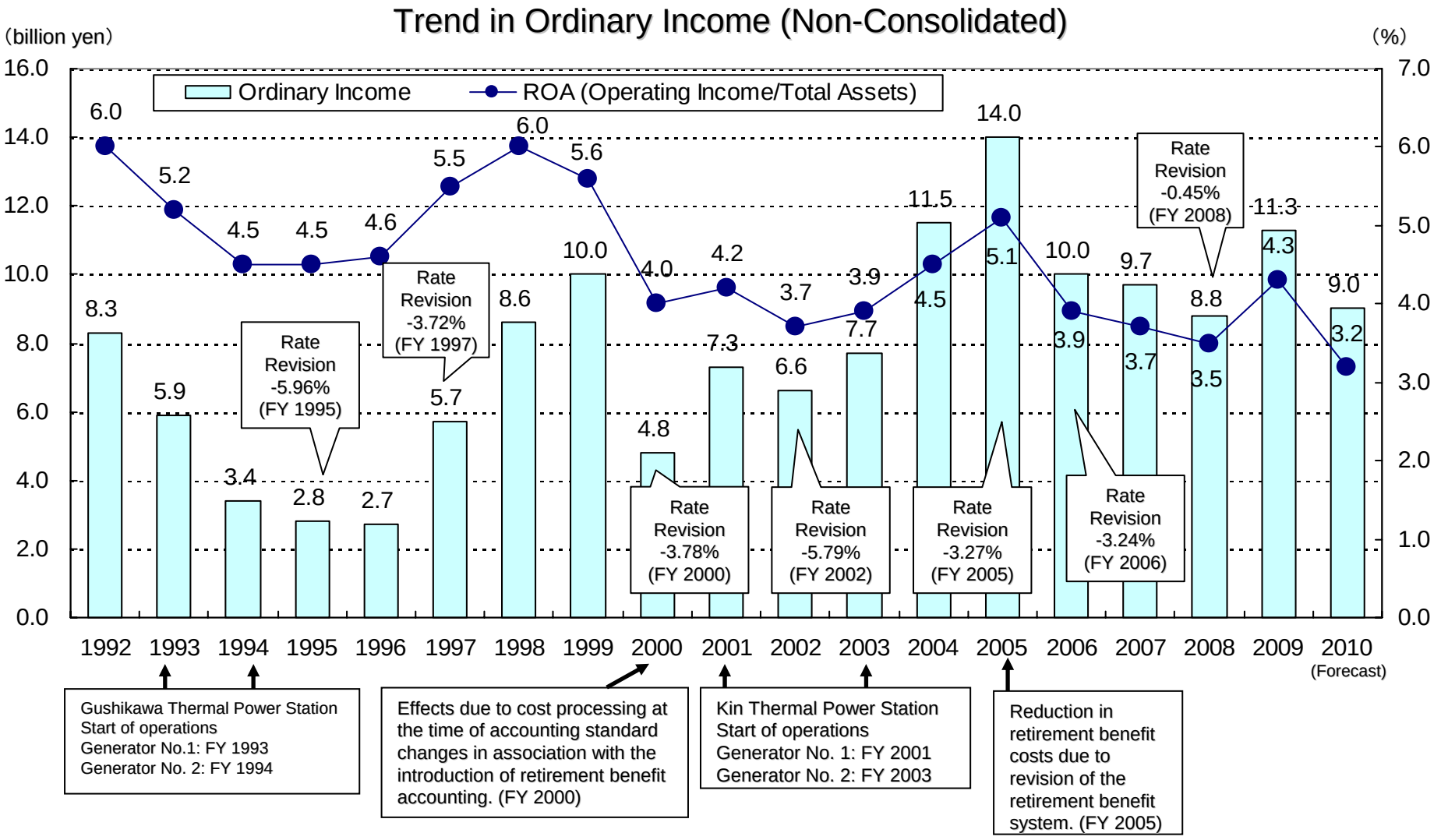
10Thousands of kWh

FY	2005	2006	2007	2008	2009	2010～2012 Target
Commercial Electrification Equipment (Cumulative)	267 (5,660)	417 (6,077)	433 (6,510)	876 (7,386)	626 (8,012)	3,000 (11,012)

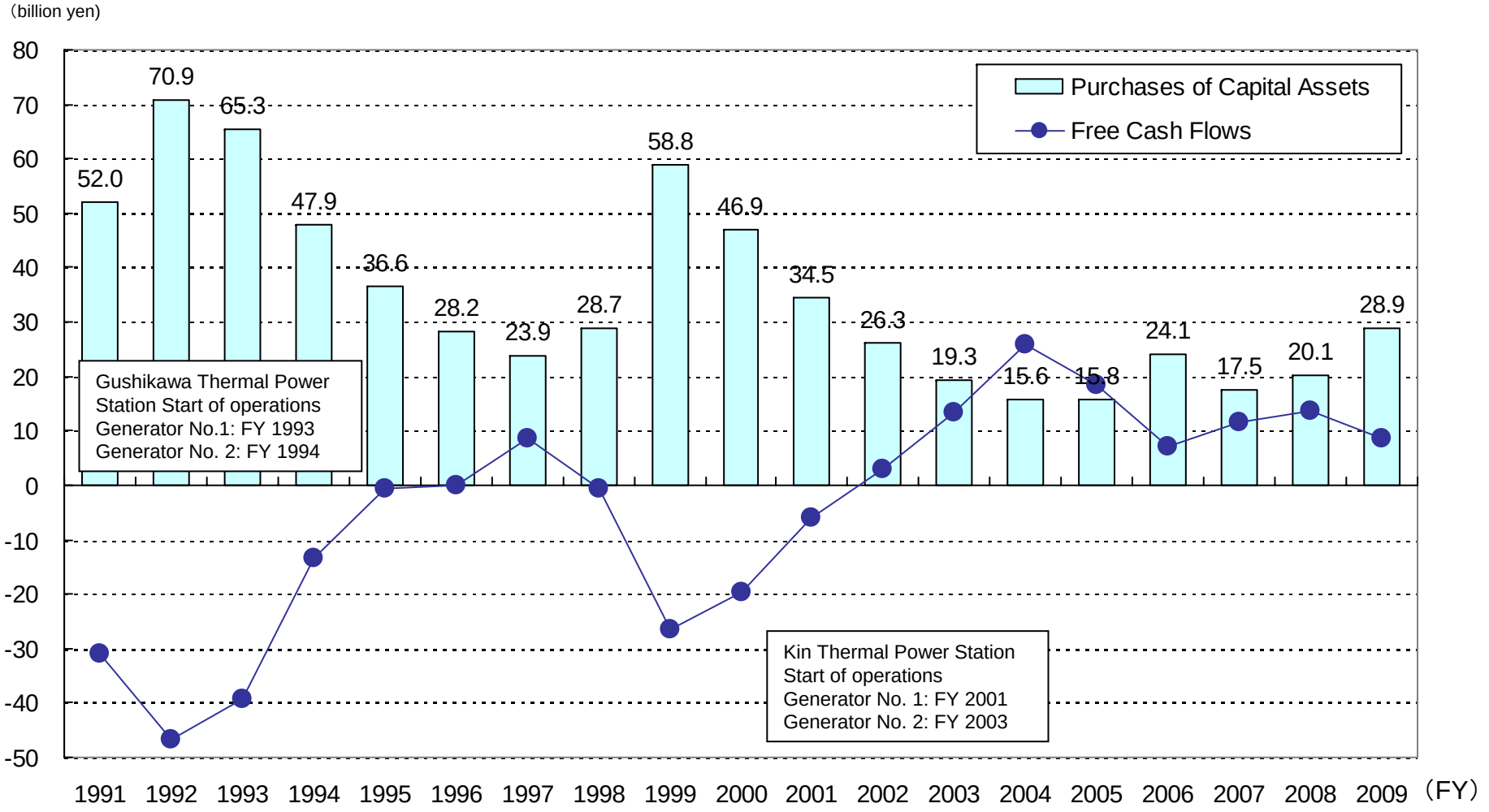


* Cumulative total indicates the cumulative total value from FY1989.

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



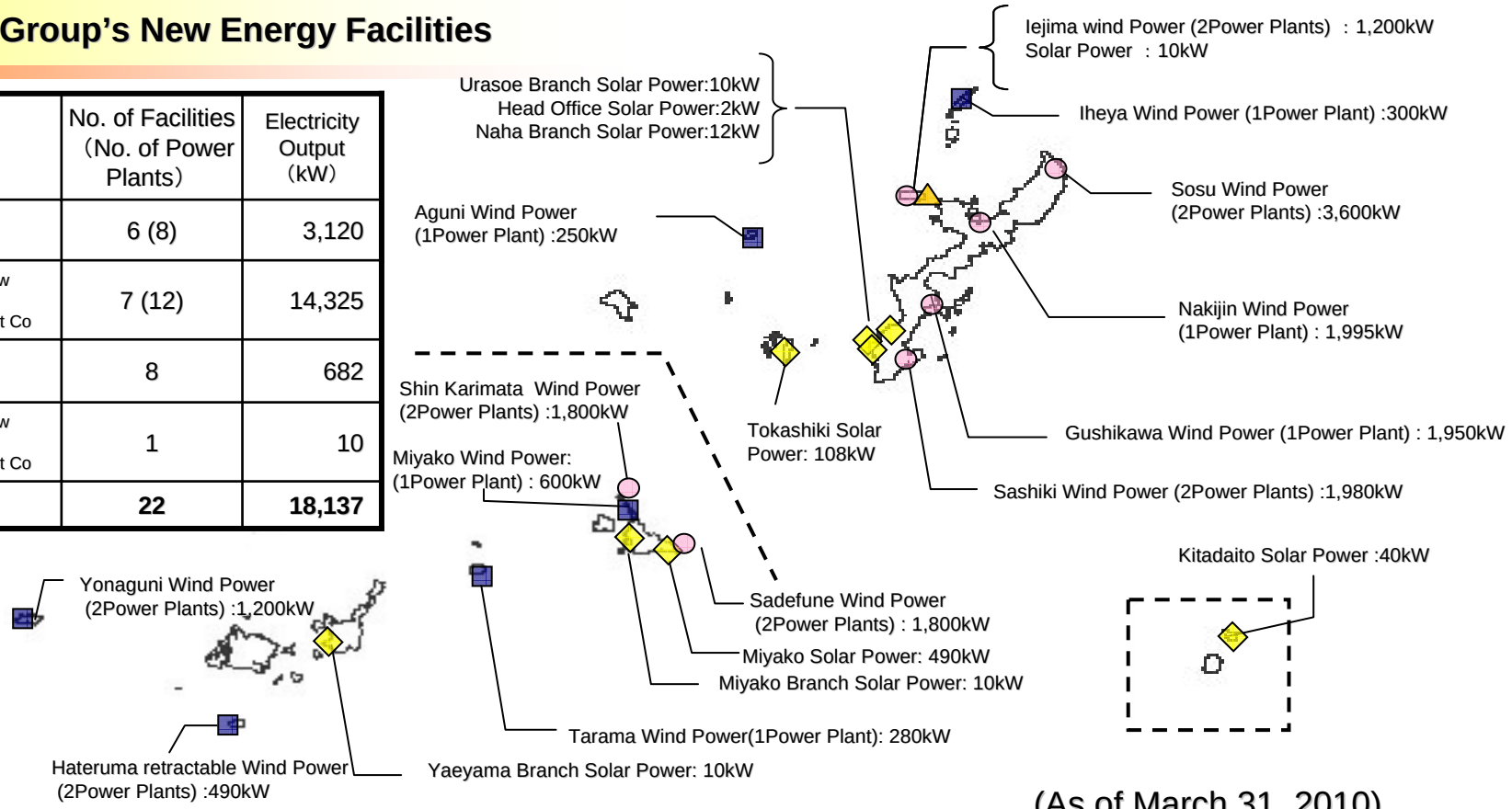
Q8.What are the trends of the Capital Expenditure and Free Cash Flows?



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

List of OEPC Group's New Energy Facilities

		No. of Facilities (No. of Power Plants)	Electricity Output (kW)
Wind Power	OEPC	6 (8)	3,120
	Okinawa New Energy Development Co	7 (12)	14,325
Solar Power	OEPC	8	682
	Okinawa New Energy Development Co	1	10
	Total	**22**	**18,137**



(As of March 31, 2010)

- OEPC Group has new energy facilities with total output of 18,137kW（wind power: 17,445kW, solar power: 692kW）
- Introducing Plan of New Energy Facilities.
  - ✓ Retractable wind-power generator (Minamidaito Island:2 plants: 245kW each, from January 2011).
  - ✓ New Energy verification studies for the Remote Island Independent System (total 4,470kW solar power in 4 remote islands).

Q10.What is a retractable wind-power generator?

■ Overview of retractable wind-power generator

Place	Hateruma Island
Manufacturer/country of manufacture	Vergnet/France
Rated power output	245kW
Wind speed for power rating/start-up/stoppage	13m/s, 4m/s, 20m/s
Number of blade	Two
Diameter of blade	32m
Height of hub	38m

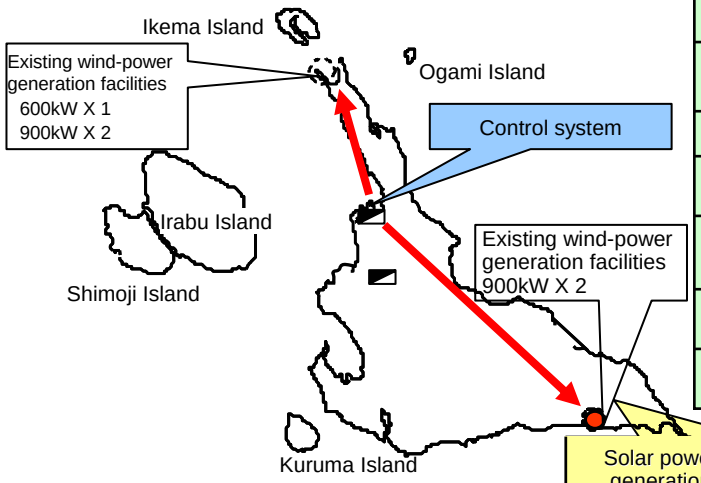
※Also, we are planning to introduce retractable wind-power generator at Minamidaito.

■ Advantages

- Wind-power generator can be folded nearly 90 degrees so that damages by big wind in typhoon can be avoided by folding it.
- Large-size cranes are not needed to construct the wind-power generator to enable construction in hilly areas.
- Wind-power generator is retractable, making it possible to perform maintenance on the ground.
- Wind-power generator is supported by wires.

Q11.What is the New Energy verification studies for the Remote Island Independent System?

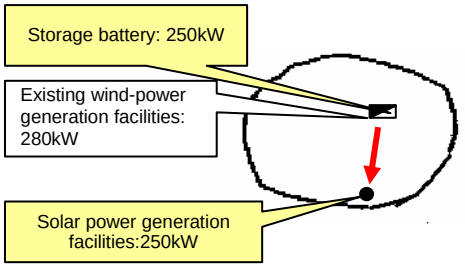
Miyako Island



Introduction ratio	8%
Maximum demand for electricity	50,000kW
Newly-established solar power generation facilities	4,000kW
Storage battery	4,000kW
Existing internal-combustion power	76,500kW
Existing new energy facilities	Wind-power generation 4,200kW
Installation area	About 44,000m^2
Facilities utilization rate	About 12%

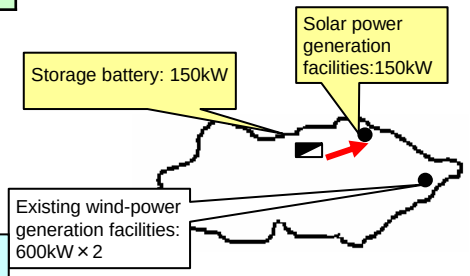
Solar power generation	Storage battery
3.0MWX 1	・NAS battery:4.0MW ・lithium-ion rechargeable battery:200kWh
150kW X 4 4kW X 100	

Tarama Island



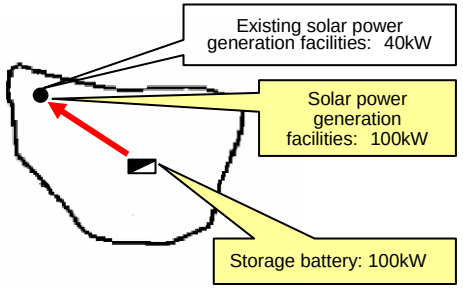
Introduction ratio	22%
Maximum demand for electricity	1,160kW
Newly-established solar power generation facilities	250kW
Storage battery	250kW
Existing internal-combustion power	1,590kW
Existing new energy facilities	280kW
Installation area	About 2,100m^2
Facilities utilization rate	About 12%

Yonaguni Island



Introduction ratio	7%
Maximum demand for electricity	2,160kW
Newly-established solar power generation facilities	150kW
Storage battery	150kW
Existing internal-combustion power	2,910kW
Existing new energy facilities	1,200kW
Installation area	About 1,300m^2
Facilities utilization rate	About 12%

Kitadaito Island



Introduction ratio	12%※1
Maximum demand for electricity	860kW
Newly-established solar power generation facilities	100kW
Storage battery	100kW
Existing internal-combustion power	1,540kW
Existing new energy facilities	40kW
Installation area	About 900m^2
Facilities utilization rate	About 12%

(1) Purpose

The purpose of performing introduction demonstration for the independent power generation system of Remote Islands with different scale of system is as follows:

■ Grasping the impact of large-scale introduction of solar power generation to the actual system

■ Calculation of allowable amount of solar power generation introduction

■ Obtaining knowledge on stabilization technology concerning the system

(2) Plan

■ Grasping the impact of solar power generation on four remote islands with different scale of system

■ Analyzing operation data on solar power generation and secondary battery

■ Verifying the method of system stabilization for remote island independent system

※1: Including existing solar power generation facilities(40kW) : 16%

Q12.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 May 2010, 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 Model Basic Unit 300	24.01 ⑩	23.70 ⑨	22.30 ⑧	21.58 ⑤	21.41 ④	20.90 ②	21.23 ③	22.22 ⑦	21.85 ⑥	20.62 ①
Commercial Use Electricity （High Voltage） Model Basic Unit 250（Power Factor 100%）	19.53 ⑩	17.24 ⑨	17.19 ⑦	16.79 ⑥	16.40 ⑤	15.25 ①	16.32 ④	17.22 ⑧	16.20 ③	15.99 ②
High-voltage Power A Model Basic Unit 250（Power Factor 100%）	17.32 ⑩	16.15 ⑧	15.64 ⑤	15.22 ②	15.90 ⑥	14.58 ①	15.52 ③	16.08 ⑦	16.31 ⑨	15.52 ③

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

Q13. 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	0.84	1.00	1.24
C Heavy Oil	71.5	0.79	1.00	0.68	0.81	1.00
LNG	49.5	0.55	0.69	0.35	0.42	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 39%, 38% and 51% were assumed for coal, oil and LNG respectively in calculations.
*3 Oil comparisons were based on type C heavy oil.

Q14. What is the Current State of the Progress of Discussion in the Gas Industry ?

As The integrated energy company

As LNG is expected to have potential needs as raw material for town gas and industrial fuel for its superior environmental and safety profiles, the Company is considering the supply business of LNG which will be introduced in the Yoshinoura Thermal Power Station.

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.

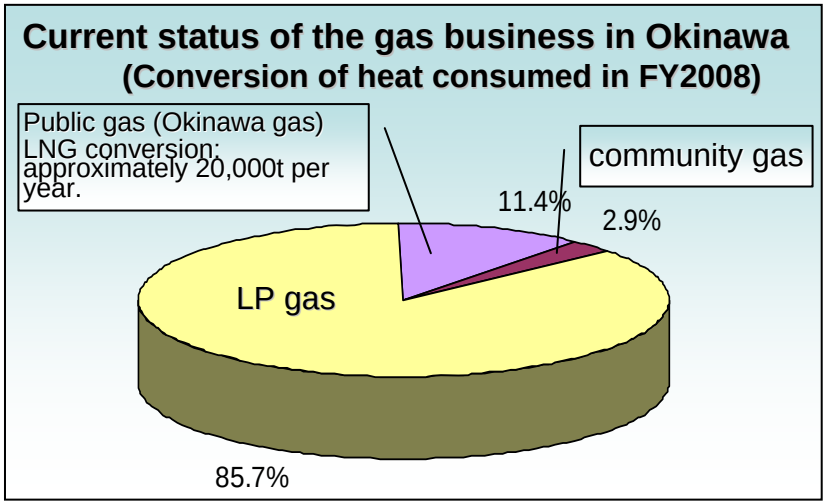
For the promotion of LNG

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 FY2008)



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 6.61bn (December 2008)

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

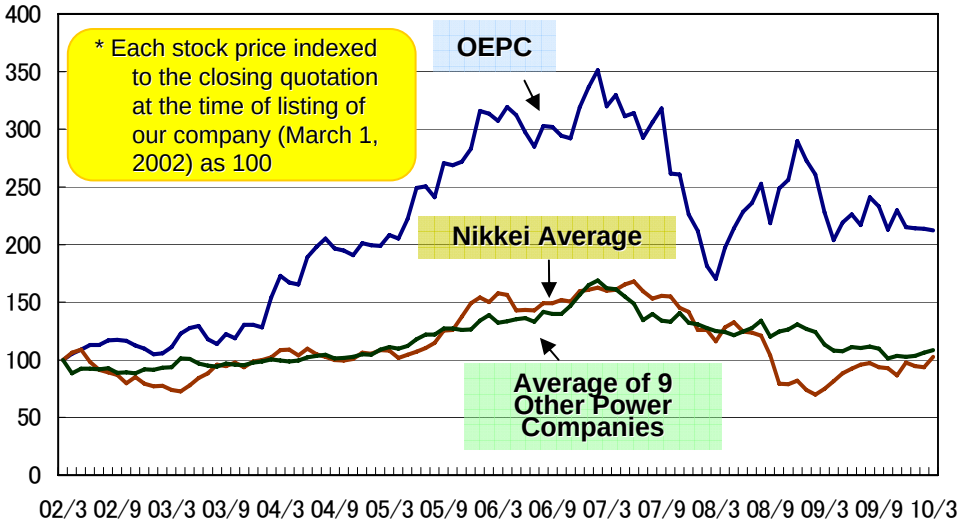
No. of customers: General gas: approx.59,000 units
LP gas: approx.17,000units

Change in Okinawa Electric Power's Stock Price

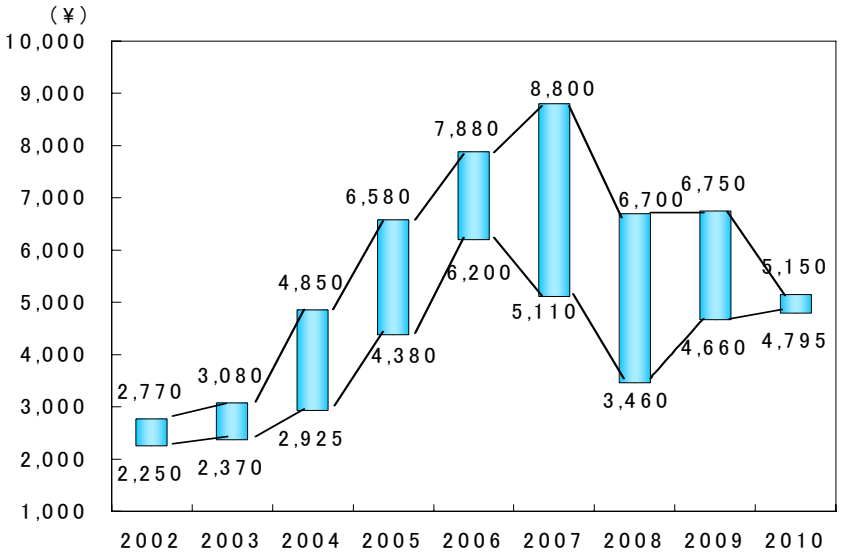
Change in Stock Price (January 5, 2009～March 31,2010)

	Okinawa Electric Power	Average of 9 Other Power Companies	Nikkei Average
Stock price on January 5, 2009	¥6,520	¥2,567	¥9,043
All-time high	¥6,520 as of January 5, 2009(±0.0%)	¥2,567 as of January 5, 2009(±0.0%)	¥11,097 as of March 30, 2010(+22.7%)
All-time low	¥4,690 as of April 30, 2009(-28.1%)	¥1,927 as of November 10, 2009(-24.9%)	¥7,055 as of March 10, 2009(-22.0%)
Latest stock price Closing quotation on March 31 , 2010	¥4,880(-25.2%)	¥2,149(-16.3%)	¥11,090(+22.6%)

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 (Non-consolidated)

FY		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Net Income	Million yen	2,606	4,807	4,430	5,594	7,591	9,163	6,398	6,590	3,635	7,293
Earnings per Share	Yen	171.77	316.86	286.52	363.37	494.77	571.05	402.25	376.84	207.89	417.26
Dividend per Share	Yen	60	60	60	60	60	60	60	60	60	60
Payout Ratio	%	34.9	18.9	20.9	16.5	12.1	10.5	14.9	15.9	28.9	14.4

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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