

Management Reference Materials

May 2013



The Okinawa Electric Power Company, Inc.

Contents

■ Main contents

Characteristics of the Business Base	1
Demand for Electric Power	2
Competition with Private Power Generation Operations	3
Power Generation Facilities	
Reserve Capacity	4
Power Supply Composition	5
Yoshinoura LNG Thermal Power Plant	6
Fuel	7
The Fuel Cost Adjustment System	8
Trend of Average Fuel Price and Standard Fuel Price	9
Improvement of Remote Island Income and Expenditure (1/2)~(2/2)	10、11
Addressing the global warming issues	12

■ Q&A contents

Q1. What is the Current State of the Okinawa Prefectural Economy and What is the Future Forecast?	
1) Okinawa's Economy	13
2) Annual Average Growth Rate of GDP	14
3) Population and Household Growth in Excess of Nationwide Growth	15
4) Okinawa Prefecture Demographics	16
5) Trends in the Number of Incoming Tourists and Guest Rooms at Accommodation Facilities	17
6) Trends in U.S. Base Related Income	18
Reference: Main Economic Indicators	19
Q2. What is the Current State of U.S Military Bases?	20
Q3. What are the Effects of Liberalization of Electric Power and What is the Future Forecast for Liberalization?	21
Q4. What are the Special Tax Measures ?	22
Q5. What is the Current State of the Promotion of All-Electric Houses ?	23
Q6. What is the Current State of the New Demand Creation Through the Promotion of Commercial Electrification Equipment ?	24
Q7. What is the Past Trend for Ordinary Income and What is the Forecast for this Fiscal Year?	25
Q8. What are the trends of the Capital Expenditure and Free Cash Flows?	26
Q9. What is the Status of Wind and Solar Power Electricity Generation Facilities?	27
Q10. What is a retractable wind-power generator?	28
Q11. What is the New Energy verification studies for the Remote Island Independent System?	29
Q12. How do Current Electricity Rates Compare to Rates at Other Companies?	30
Q13. Recent changes in standard household electricity charges	31
Q14. What is the feed-in tariff system of renewable energies?	32
Q15. What are the CO ₂ Emission Volumes by Fuel Type?	33
Q16. What is the Current State of the Progress of Discussion in the Gas supply Business?	34
Q17. What is the Current State of the Disaster Prevention Measures ?	35
○ Change in Okinawa Electric Power Company's Stock Price	36
○ Earnings Per Share and Payout Ratio	37



Characteristics of the Business Base

Advantage

		Reference page
Demand for Electric Power	<ul style="list-style-type: none"> ◆ Increasing demand as population increasing ◆ As the proportion of energy for consumer use is high, the effects of business fluctuations are low 	2
Competition	<ul style="list-style-type: none"> ◆ 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.) 	3

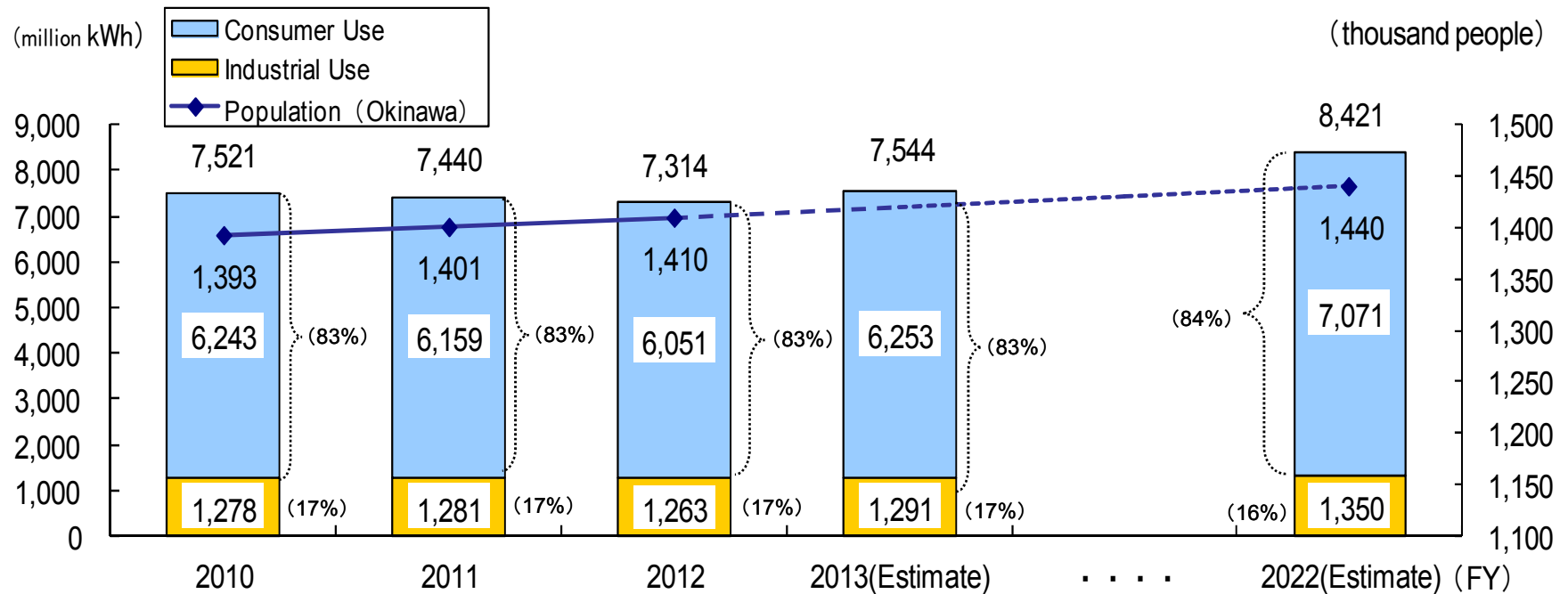
Disadvantage

		Reference page
Electric Power Generation Facilities	<ul style="list-style-type: none"> ◆ Due to having an isolated system, it is necessary to have a high margin of power generation reserves ◆ Electrical power source composition reliant only on fossil fuels 	4~6
Fuel	<ul style="list-style-type: none"> ◆ As fossil fuels are the only fuels used, high commodity prices exert a great influence 	7~9
Remote Islands	<ul style="list-style-type: none"> ◆ With remote islands where cost efficiency is low, the Remote Islands Company constantly records losses 	10~11
The Environment	<ul style="list-style-type: none"> ◆ Dependent on fossil fuels with a high environmental burden 	12



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 (%)	
		2001-2011	2011-2022
Demand for Electric Power	Consumer use	0.8 (0.9)	1.3 (1.3)
	Industrial use	0.9 (0.8)	0.5 (0.5)
Total		0.8 (0.9)	1.1 (1.2)

Nationwide (Excluding Okinawa)		Annual Average Growth Rate
		2001-2011
Demand for Electric Power	Consumer use	0.8 (0.7)
	Industrial use	0.4 (0.4)
Total		0.6 (0.6)

Note : Figures in brackets are post temperature correction.

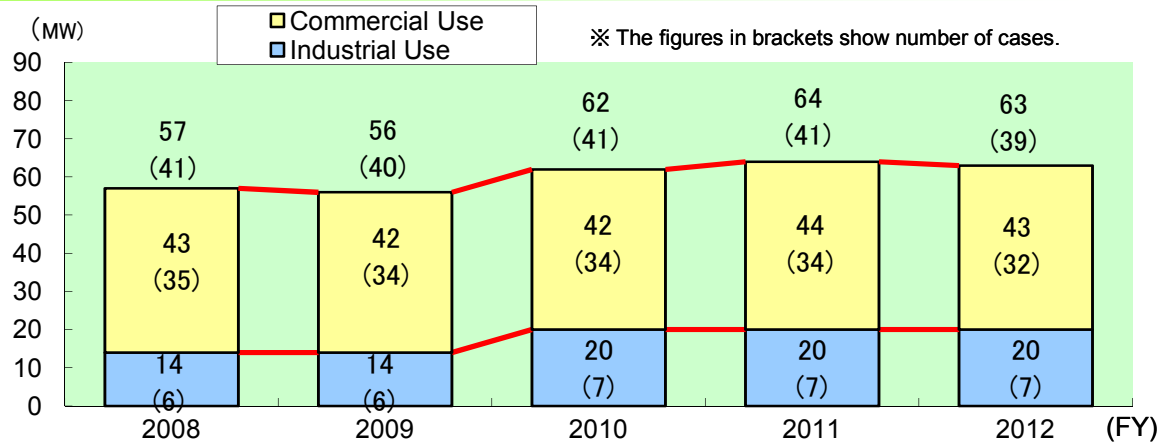
Source: Japan Electric Power Survey Committee
(Growth rates were calculated from loads for distribution)
Note: Figures in brackets are post temperature correction.



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 46%
(As of March 31, 2013)

Trend in the Permitted Output of Private Power Generators

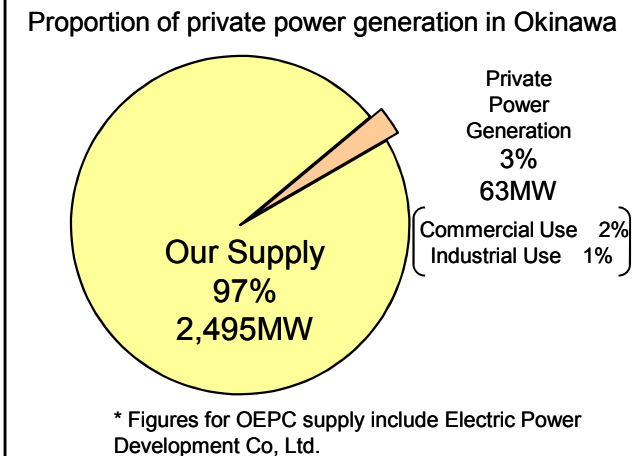


Trend in independent power generation (output and number of facilities)

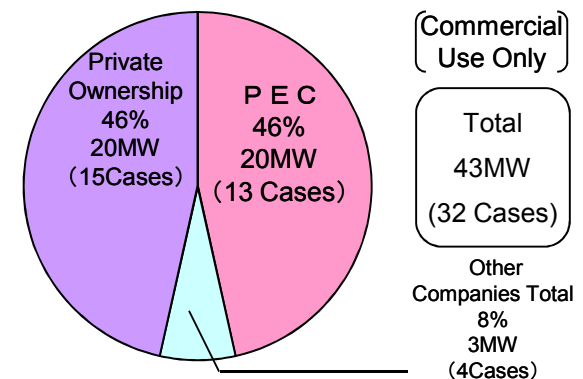
	FY 2009	FY 2010	FY 2011	FY 2012
Switch to power purchase	-1MW (-2Cases)	-1MW (-2Cases)	-1MW (-1Case)	-3MW (-3Cases)
Switch to independent power generation	α (1Case)	7MW (3Cases)	3MW (1Case)	2MW (1Case)
Total	-1MW (-1Case)	6MW (1Case)	2MW (0Case)	-1MW (-2Case)

* Totalizing only continuously used power generators interconnected to the company's power grid.
* Excluding wind power, solar power and the company's facilities.

Status of market penetration by private power generators



Proportion of PEC's share of private power generation in Okinawa



Power Generation Facilities (Reserve Capacity)

Generation Reserve Capacity

(Thousand kW, %)

	2012 【Result】	2013	2017	2022
Peak Load	1,373	1,428	1,490	1,568
Supply Capacity	2,082	2,264	2,151	2,209
Reserve Capacity	709	836	661	641
Reserve Margin(%)	51.6	58.5	44.4	40.9

Note : Peak Load in FY2012 was generated in July.

- 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.

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 (Power Supply Composition)

Power Supply Composition

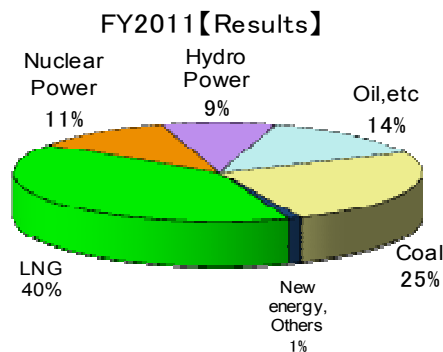
- Power supply is dependent on oil and coal because of the difficulty of introducing hydro or nuclear power generation due to factors including geographic and topographical characteristics and constraints on the scale of demand.



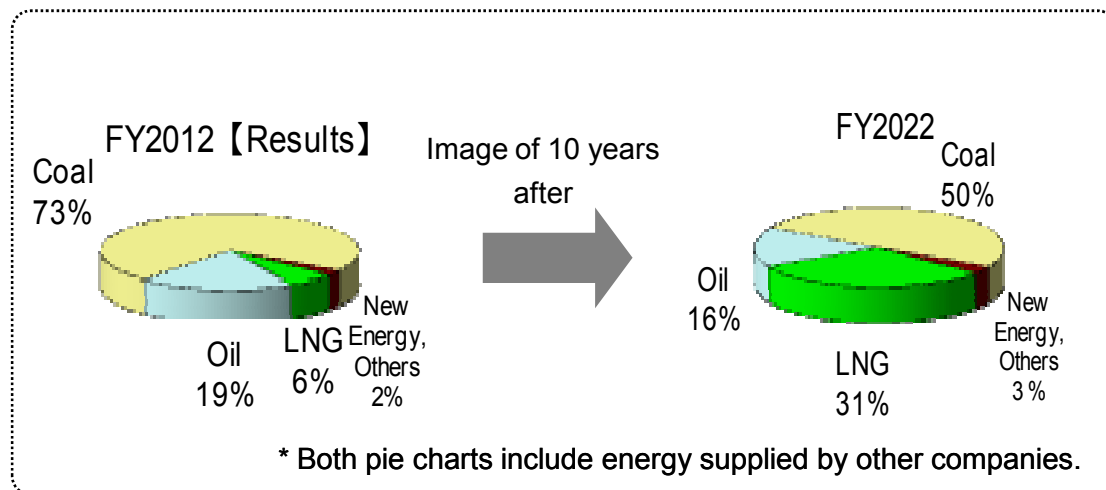
- Introducing LNG thermal power stations to diversify power supply sources
Improving security for the stable supply of electric power

Electric Power Composition Ratio (Generating End)

Totals of the 10 Major Electric Power Companies



(Source: The Federation of Electric Power Companies of Japan)



Power Generation Facilities (Yoshinoura LNG Thermal Power Plant)

- ◆ OEPC constructed its first LNG thermal power plant from the viewpoints of securing stable supply of electricity, increasing energy security, environmental measures and venturing into gas-related business.
- ◆ Generator No.1 started commercial operation in November 2012 and Generator No.2 is scheduled to launch commercial operation in May 2013.



【Outline of the power plant construction plan】

Name	Yoshinoura Thermal Power Plant
Location	Nakagusuku-son, Okinawa Prefecture
Power generation capacity	251,000kW × 4 power generators
Fuel	Liquefied natural gas (LNG)
Storage facilities	140,000kl × 2 stations
Scheduled start of commercial operation	Generator No.1: November 27, 2012 Generator No.2: May 2013 Generator No.3 & 4: In 2022 or thereafter
Fuel procurement	Contractor: Osaka Gas Co., Ltd. Contract period: 27 years from FY2012 (main source of supply: Gorgon Project in Australia) Contracted quantity: About 400,000 t/year Terms of delivery: Delivery on ship's arrival (EX-Ship)

Purpose of Construction

- Responses to steady increase of electricity demand in Okinawa
- Diversification of fuels ⇒ Improve energy security
- Environment measures ⇒ Reduce CO2 and avoid significant increase in environment related cost
- Development into gas supply business

- With respect to wholesale supply of electricity to Okinawa Gas, details of a sales agreement are under discussion
- The possibility of supplying to large customers with thermal demand such as plants and hotels is being studied.
- Aim to start operations in 2015.

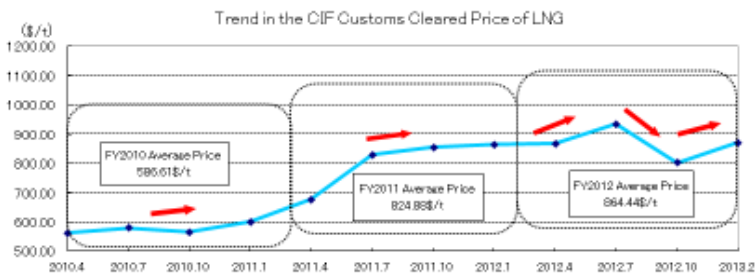
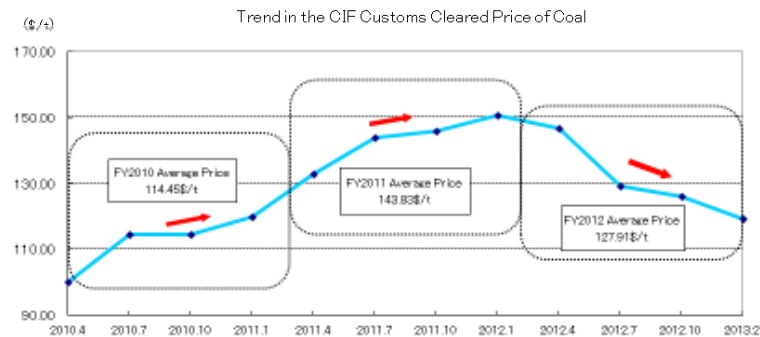
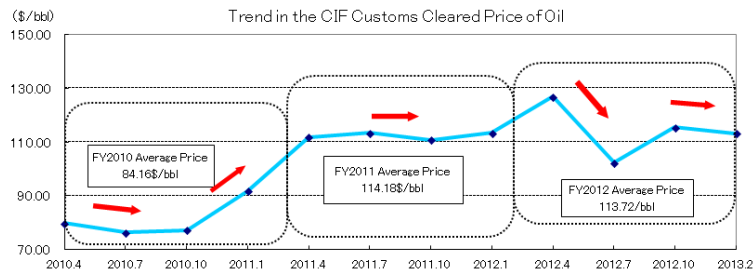


The Okinawa Electric Power Company, Inc.



Fuel

- Movements in fuel prices have a significant impact on OEPC's performance.
- Reflecting unstable fuel and oil prices in the Middle East and prospects for recovery of the global economy, fuel prices have recently been on the rise. However, there are factors for price falls such as concerns about slowdown of the economy, and the outlook remains uncertain. Coal price is expected to level off or decline gradually in response to softening supply and demand balance.



Diversifying fuel supply sources through spot purchase of fuel.

Stable procurement through long-term LNG supply contracts

Long-term contracts on coal and transport ships

Initiatives of the company (fuel)

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

Achieving stable fuel supply and pursuing cost reductions

Measures of this fiscal year

<<Fuel oil>>

- Achieving reduction of fuel costs through spot purchase in consideration of the crude oil market conditions and diversification of fuel oil supply sources.

<<Coal>>

- Achieving stable procurement and reduction of fuel costs by signing long-term contracts for coal and its shipping vessel.
- Achieving stable procurement and reduction of fuel costs through diversification of shipping port and shift to short-distance supply sources.
- Achieving stable procurement of coal and reduction of transportation costs by making the maximum use of competitively-priced consecutive voyage charter contract mainly with bulk coal carrier "SHINRYO MARU."
- Achieving service-life extension of ash treatment facilities and reduction of fuel costs by proactively using subbituminous coal that has low ash and sulfur contents and a low environmental burden and is lower in the total cost compared with bituminous coal.

<< LNG >>

- Stable procurement through long-term LNG supply contracts.



The Fuel Cost Adjustment System

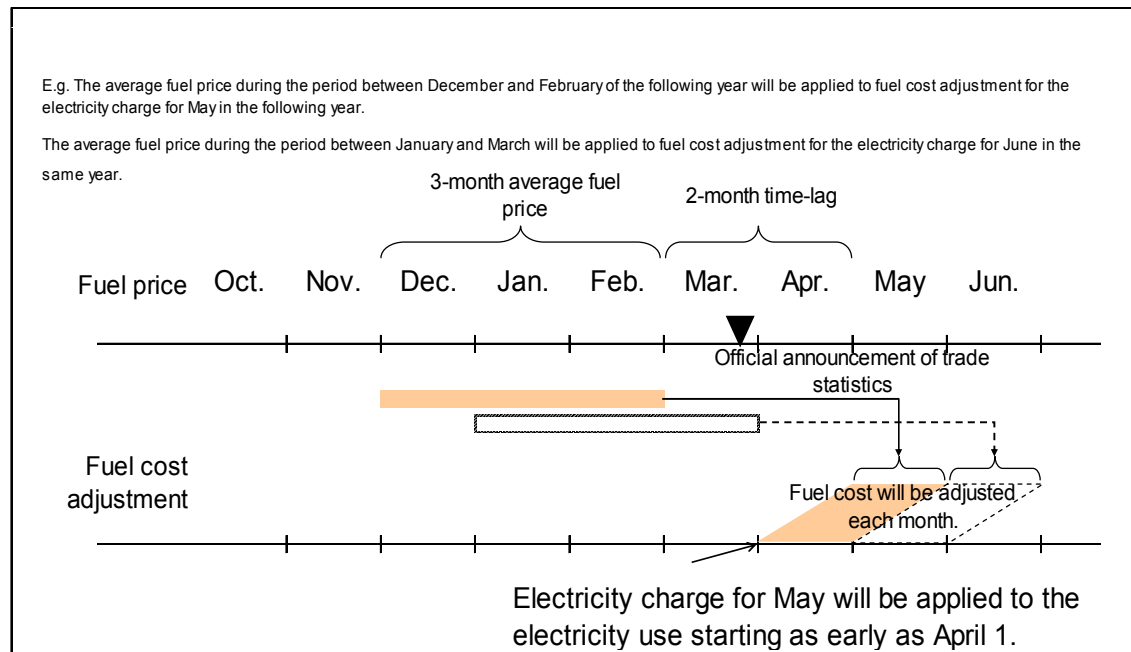
Summary of the System

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

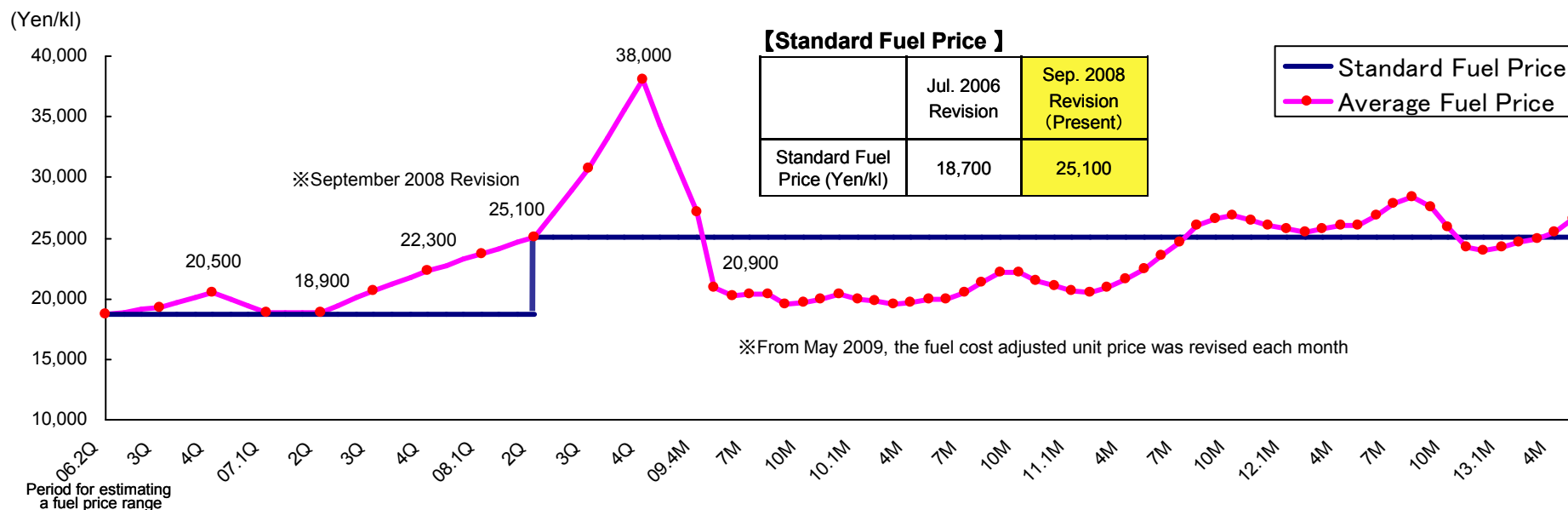
- We will calculate the average fuel price based on the prices of crude oil, coal and LNG on the trade statistics during the period between five months and three months prior to the fuel cost adjustment, and electricity charge will be automatically adjusted each month by comparing the above price with 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	12.Jun.	12.Jul.	12.Aug.	12.Sep.	12.Oct.	12.Nov.	12.Dec.	13.Jan.	13.Feb.	13.Mar.	13.Apr.	13.May
Period for estimating a fuel price range	12.Jan.	12.Feb.	12.Mar.	12.Apr.	12.May	12.Jun.	12.Jul.	12.Aug.	12.Sep.	12.Oct.	12.Nov.	12.Dec.
	12.Mar.	12.Apr.	12.May	12.Jun.	12.Jul.	12.Aug.	12.Sep.	12.Oct.	12.Nov.	12.Dec.	13.Jan.	13.Feb.
Average Fuel Price (yen/kl)	26,900	27,800	28,400	27,600	25,900	24,300	24,000	24,200	24,600	25,000	25,500	26,600
Average Crude Oil Price (yen/kl)	57,802	61,362	63,598	62,326	57,233	53,051	52,519	54,040	56,241	57,651	59,038	61,612
Average Coal Price (yen/t)	11,452	11,542	11,606	11,184	10,694	10,227	10,039	9,906	9,833	9,800	10,011	10,439

【Method of calculating Average Fuel Price】

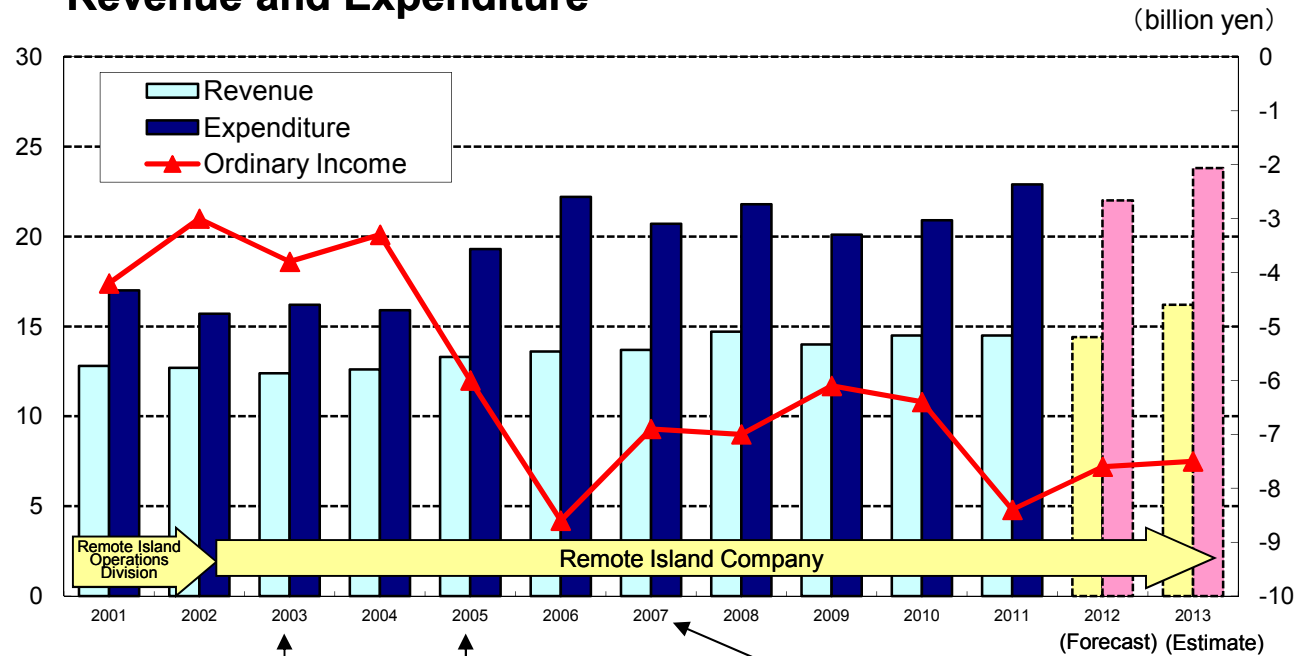
Average Fuel Price = A × α + B × β A : Average crude oil price per kiloliter in each quarter B : Average coal price per ton in each quarter

※ 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)



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

Movements in Remote Island Revenue and Expenditure

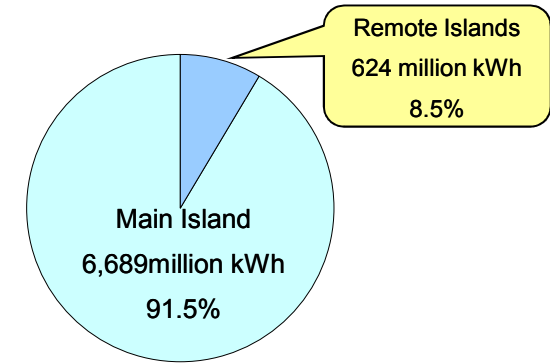


Damage worth 800 million yen due to Typhoon No.14(Miyako) (FY: 2003)

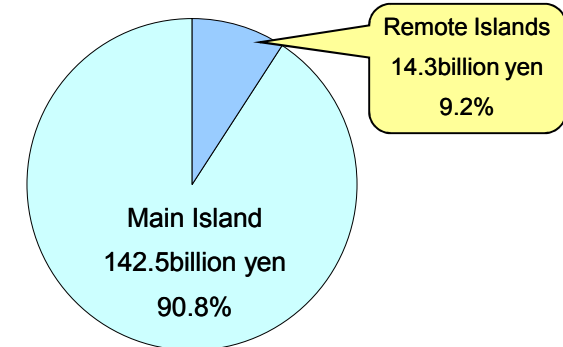
Increased Fuel Costs
 • Change of Oil Type(C → A heavy oil)
 • High Cost of Crude Oil (FY2005-)

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

Electricity Sales (FY2012)
 (Total : 7,313million kWh)



Residential, Commercial and Industrial Use Charges (FY2012)
 (Total : 156.8 billion yen)



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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 (Forecast)	2013 (Estimate)
Revenue	12.8	12.7	12.4	12.6	13.3	13.6	13.7	14.7	14.0	14.5	14.5	14.4	16.2
Expenditure	17.0	15.7	16.2	15.9	19.3	22.2	20.7	21.8	20.1	20.9	22.9	22.0	23.8
Ordinary Income	-4.2	-3.0	-3.8	-3.3	-6.0	-8.6	-6.9	-7.0	-6.1	-6.4	-8.4	-7.6	-7.5



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.

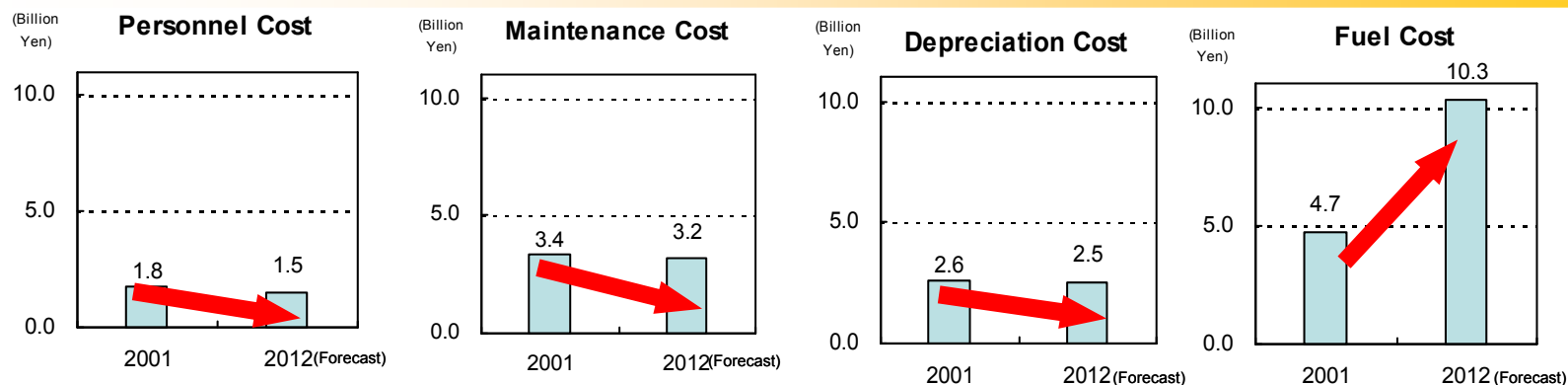
- In order to construct a system enabling fast implementation of measures to improve inequalities in income and expenditure, a Remote Island Operations Division was launched in FY2001 and from FY2002, this was converted into the Remote Island Company.

- 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 renewable energies (Retractable wind-power generators, etc.).
- Effective utilization of waste oil. etc.



Addressing the global warming issues

- Introducing 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.)**

- Introduction of LNG thermal power, which creates low CO₂ emissions (Yoshinoura Thermal Power Station)
- Promotion of the introduction of new energy such as wind and solar power
- Promotion of multi-fuel operation with biomass energy
- Operation of small hydro power generation facilities
- Efficient operation of thermal power plants
- Equity participation in carbon funds taking advantage of the Kyoto Mechanism
- Investment for CCS survey research
- Promoting energy saving on the demand side (by offering EcoCute services, etc.)

Company Efforts

(Reference) CO₂ emission coefficient of OEPC

	Unit	FY 1990	FY 2010	FY 2011
Actual CO ₂ emission coefficient	kg- CO ₂ /kWh	0.865	0.935	0.932
Adjusted CO ₂ emission coefficient		—	0.692	0.692
Percent change(compared with FY1990)	%	—	▲ 20.0	▲ 20.0



Q & A



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

Looking at the economy in Okinawa, consumer spending and tourist-related business are robust. In addition, construction-related business remains brisk both for public works and private works. As a result, the economy on the whole is expanding in the region.

◎Prospects

As for the outlook of the economy in Okinawa, there will be a surge in demand for consumer spending and housing investment, etc. before the consumption tax goes up, and the number of tourists is expected to increase as a result of opening of the New Ishigaki Airport and on the back of pulling power of LCCs. In addition, projects will be carried out by using lump-sum subsidies for Okinawa development and public works are expected to increase following carry over of the supplementary budget, etc. As a result, the economy in Okinawa is forecast to continue expanding.

Trends in Main Economic Indicators (Rates of Growth)

(%)

Indicators	FY 2011			FY 2012		
	1st Half	2nd Half	Total	1st Half	2nd Half	Total
Sales by large-scale retailers	0.8	3.4	2.1	1.8	11.1	6.1
No. of new car sold	-25.2	32.3	-2.6	36.5	0.1	17.1
Wholesale shipments of household appliance	-4.3	-24.7	-14.7	-15.7	2.1	-7.6
New residential construction starts	14.8	0.2	7.5	9.7	23.5	16.1
Value of public works contracts	-6.6	-19.8	-13.6	14.6	24.2	19.3
No. of Inbound tourists	-11.1	6.3	-3.1	8.9	5.5	7.2
Total unemployment rate	7.3	6.9	7.1	7.0	6.1	6.6
Value of corporate failures	93.5	44.4	75.4	-67.0	315.0	48.7

Note 1: The figures for 'Sales by large-scale retailers' are calculated from the values given in preliminary figures for February 2013 on an all-store base.

Note 2: The figures for 'Total unemployment rates' are raw data.

Source: Okinawa General Bureau, Okinawa Prefecture, Ryugin Research Institute, and others.



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

2 Annual Average Growth Rate of GDP

- The average annual growth rate of GDP in Okinawa was about 1.9%, which is higher than the average growth rate nationwide of about 0.8%, for the period of the Okinawa Promotion Plan (from FY2002 to FY2011) on the strength of the measures implemented based on the plan (ended at the end of FY2011).
- Through the implementation of various measures based on the Okinawa 21st Century Vision Basic Plan, a new promotion plan, the economy of Okinawa prefecture is expected to grow solidly.

Annual Average Growth Rate of GDP

	FY2002	FY2011	Annual Average Growth Rate FY2002-Y2011
Prefectural GDP	3,470.0 billion yen	4,099.8 billion yen	Approx. 1.9%
National GDP	479,870.8 billion yen	513,730.6 billion yen	Approx. 0.8%

Sources: Okinawa prefecture
Economic and Social Research Institute, Cabinet Office
Figures for FY2011 are estimates.

“The Okinawa 21st Century Vision Basic Plan,” a new Okinawa promotional plan

“The Okinawa 21st Century Vision Basic Plan,” a new promotional plan, was formulated in May 2012 under the initiative of Okinawa Prefecture to replace the Okinawa Promotional Plan which expired as of the end of FY2011.

Through the implementation of various measures that are developed based on the Okinawa 21st Century Vision Basic Plan to take advantage of regional characteristics of Okinawa Prefecture, gross production in Okinawa in FY2020 is estimated to increase about 1.4 times compared with that in FY2010 to 5,100 billion yen.

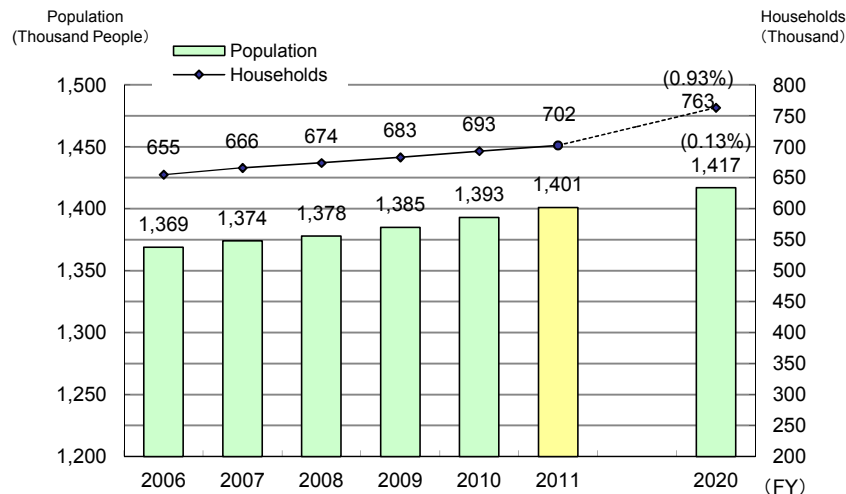


Q1.What is the Current State of the Okinawa Prefectural Economy and What is the Future Forecast?

3 Population and Household Growth in Excess of Nationwide Growth

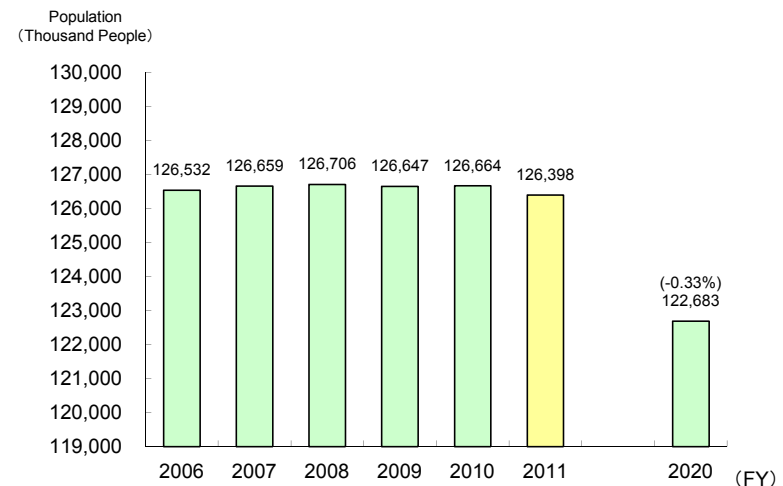
- While nationwide (excluding Okinawa) is expected to decrease by 0.33% annually on average from FY 2011 to FY 2020, the population in Okinawa is expected to increase by 0.13%.
- Okinawa is expected to reach its population peak between 2020 and 2025.

Growth of Population and Households in Okinawa



Source: Ministry of Internal Affairs and Communications, National Institute of Population and Social Security Research
 Note: The rate in parentheses is the average annual growth rate for FY 2011-2020

Growth of Population (Excluding Okinawa)



Source: Ministry of Internal Affairs and Communications, National Institute of Population and Social Security Research
 Note: The rate in parentheses is the average annual growth rate for FY 2011-2020

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

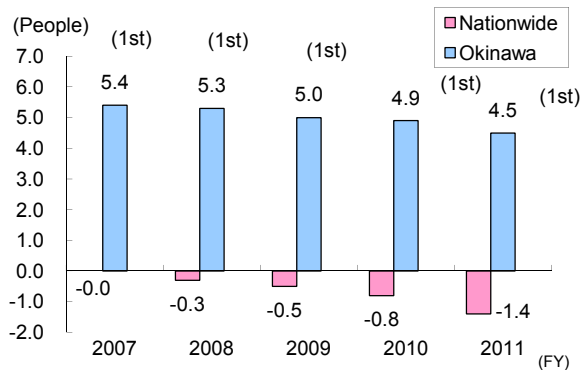


Q1.What is the Current State of the Okinawa Prefectural Economy and What is the Future Forecast?

4 Okinawa Prefecture Demographics

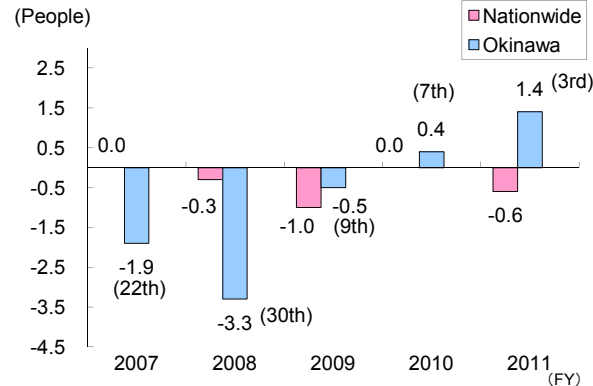
- The population of Okinawa Prefecture in FY2011 is on a favorable trend, with the number of natural population growth per 1,000 people being 4.5 persons, which is the highest nationwide, and the number of social population growth per 1,000 people being 1.4 persons, which is the third highest nationwide.
- Consequently, growth of population in the prefecture significantly exceeds the national average of -2.0 person, with 5.9 persons per 1,000 people.

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



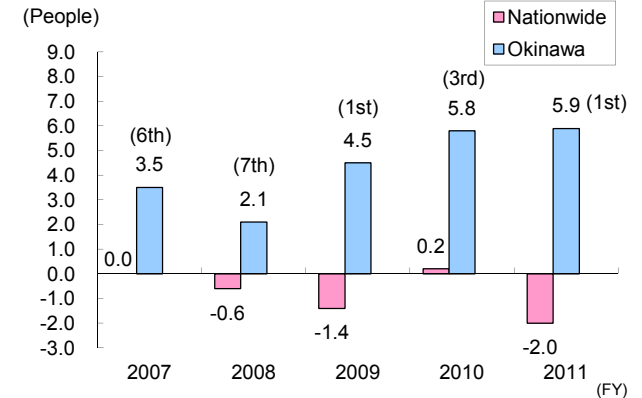
Source: Bureau of Statistics,
Ministry of Internal Affairs and Communications
Note: Natural increase of population = Births – Deaths
The figures in brackets in the chart show
Okinawa Prefecture's national ranking.

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



Source: Bureau of Statistics,
Ministry of Internal Affairs and Communications
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 Increase of population
(Per Thousand people)**



Source: Bureau of Statistics,
Ministry of Internal Affairs and Communications
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.

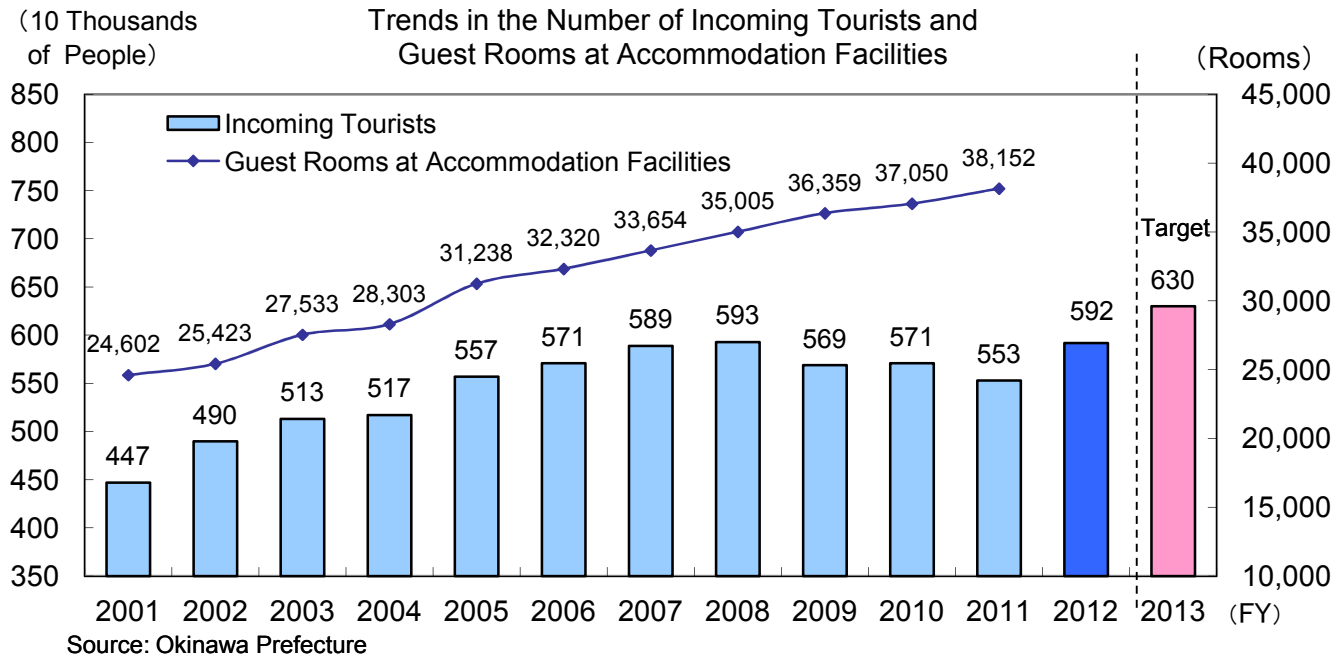


Q1.What is the Current State of the Okinawa Prefectural Economy and What is the Future Forecast?

5

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

- FY2012 Result for incoming tourists: 5.92million people(7.2% in the previous year's figure)
- ※The target figures for 2013 are 6.3 million incoming tourists



① FY2012 Results

- Incoming Tourists 5.92million (Including Tourists from foreign countries 0.38million)
- 7.2% growth rate (YoY)

The number of domestic tourists remained robust due to factors such as an increase in individual tourists as a result of start of service of LCCs and an increase in groups of tourists from corporations. The total number of foreign tourists increased 7.2% year-on-year due to factors such as expansion of air service routes to Okinawa and an increase in frequency of port call of cruise ships.

② FY2013

Visit Okinawa Plan

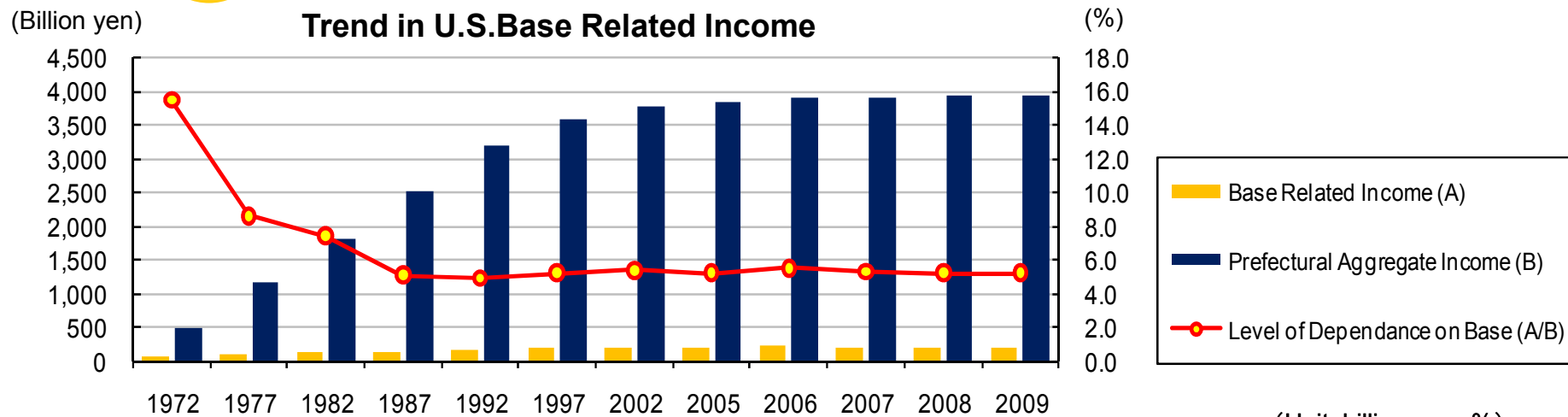
- Incoming Tourists 6.30million (Including Tourists from foreign countries 0.50million)
- Tourist Income 474.0billion Yen

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	2005	2006	2007	2008	2009
Base Related Income (Charges for Land Occupied by US Armed Forces) (A)	77.7	100.6	134.6	128.2	156.3	184.0	203.1	201.0	215.4	206.9	204.5	205.8
Prefectural Aggregate Income (B)	501.3	1,163.1	1,822.6	2516.5	3,192.9	3,570.0	3,767.2	3,852.8	3,893.7	3,923.9	3,930.9	3,937.6
Level of Dependence on Bases (A/B)	15.5	8.6	7.4	5.1	4.9	5.2	5.4	5.2	5.5	5.3	5.2	5.2

- 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 5.2% in FY2009 from the 15.5% share at the time Okinawa was returned to Japan (1972).

Source: Okinawa Prefecture



Reference : Main Economic Indicators

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

(Unit : %)

Indicators	FY2012												
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Total
Sales by large-scale retailers	4.7	4.9	-2.7	-5.2	0.6	9.3	8.6	15.2	10.9	10.0	11.1	-	6.1
No.of new car sold	86.3	72.6	53.2	32.1	5.3	2.7	-0.5	3.6	2.5	-5.5	2.6	-1.1	17.1
Sale of household appliance (Wholesale base)	-10.6	-5.6	-26.8	-20.7	-18.3	-5.0	-1.0	-13.6	-3.0	-7.8	7.0	27.5	-7.6
New residential construction starts	-37.0	102.8	-17.1	45.6	14.5	29.3	19.9	11.7	4.5	9.1	62.5	51.1	16.1
Value of public works contracts	-33.7	47.4	33.7	27.8	16.6	10.2	41.3	1.7	20.2	54.0	69.6	-3.6	19.3
No.of Inbound tourists	28.3	14.2	8.6	10.0	2.4	-2.1	0.8	9.6	3.7	6.1	6.5	6.7	7.2
Total unemployment rate	8.9	8.3	6.6	5.5	6.3	6.6	5.9	5.9	6.6	6.6	5.6	5.8	6.6
Value of corporate failures	3.6	-42.1	-78.5	-73.0	-39.6	-84.2	50.2	-42.3	43.9	4,116.5	63.1	-75.0	48.7

Note 1: The figures for 'Sales by large-scale retailers' are calculated from the values given in preliminary figures for February 2013 on an all-store base.

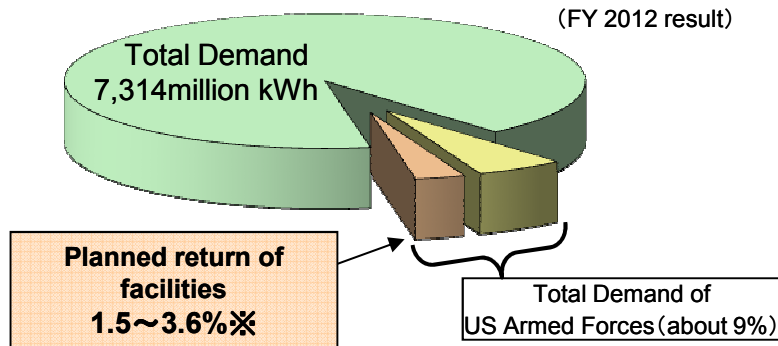
Note 2: The figures for 'Total unemployment rates' are raw data.

Source: Okinawa General Bureau, Okinawa Prefecture, Ryugin Research 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】

No. of Facilities		34
Area		232km ²
Personnel*	On Base	33,511
	Off Base	16,524
	Total	50,035

*The figures for No. of Facilities and Area are as of the end of March 2011.
The figures for personnel are as of the end of March 2012.
Reference: No. of army employees: 8,862 *As of the end of December 2011

• Source:
Japan Ministry of Defense
Military Base Affairs Division, Executive Office of the Governor, Okinawa Prefecture
Labor Management Organization for USFJ Employees

<Ratio of demand from US military forces in Japan>

- The US military forces accounted for about 9% of the total electricity demand and about 7% of revenue in the actual results for FY2012.

<The circumstances of realignment of the US military forces in Japan>

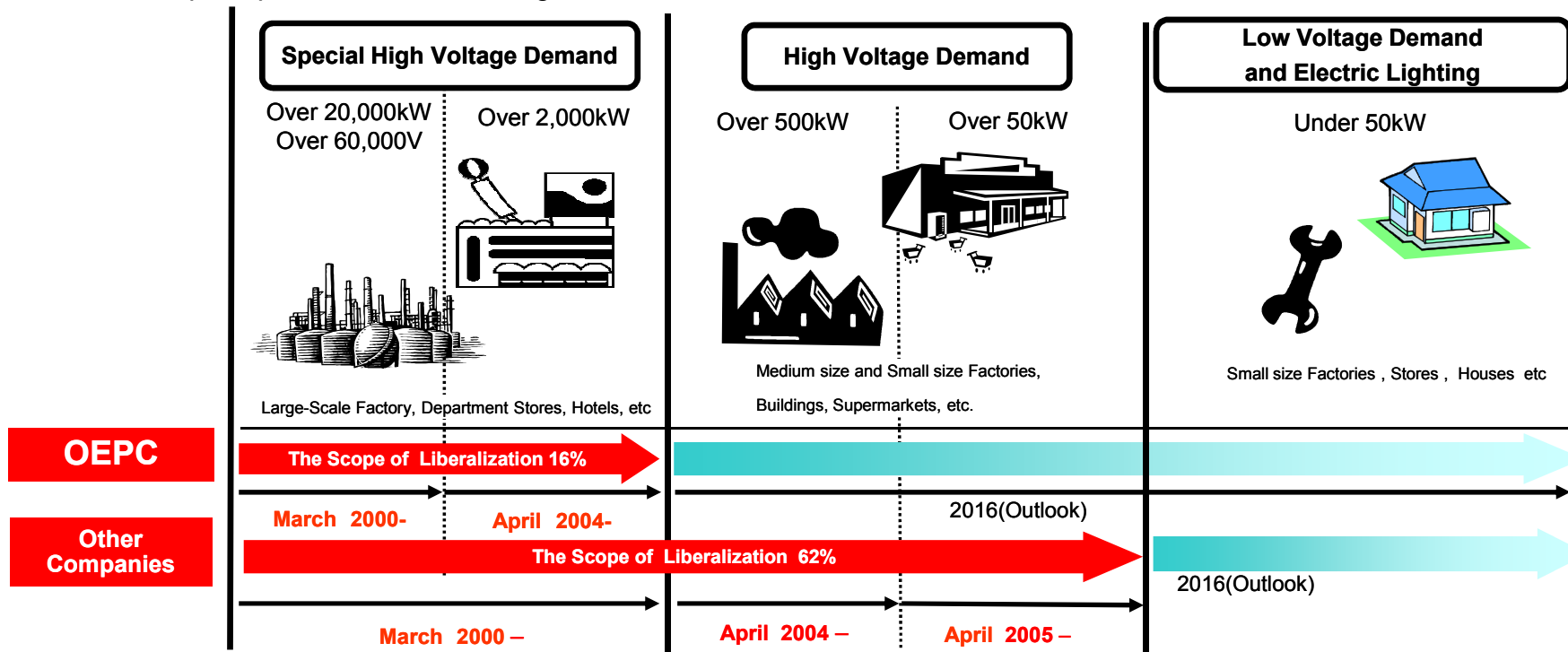
- On May 1, 2006, the Security Consultative Committee agreed on the US military forces realignment plan and clarified the facilities to be returned to Okinawa.
- After the change of government in September 2009, two or more relocation plans for Marine Corps Air Station Futenma were studied. However, a US-Japan joint statement was released to confirm relocation to Henoko.
- On April 27, 2012, the Japanese and US governments released a joint statement on review of realignment plan for the US military forces in Japan. In this statement, the governments agreed on overseas relocation of the US Marines in Okinawa and accompanying return of five military facilities and the military zone south of the Kadena Air Base, taking a new approach of delinking relocation of Air Station Futenma.
- On March 22, 2013, the Japanese government submitted an application for approval of public water body reclamation for relocation of Futenma Air Station to Henoko. On April 5 of that year, the Japanese and US governments reached a final agreement on a plan to return/integrate six facilities/zones south of Kadena including Futenma Air Station, showing the timing of return. However, the agreement was largely contingent on relocation of functions to other facilities or construction of alternative facilities, and uncertainty remains in timing of the return. Given the circumstances, the outlook of return of the air station is still unclear.

If the US military facilities are returned, demand is expected to decrease temporarily. However, demand will subsequently increase on the strength of revitalization of the local economy following redevelopment of the US military facilities site.



Q3. What are the Effects of Liberalization of Electric Power and What is the Future Forecast for Liberalization?

- While liberalization of electricity retailing has been pursued in four steps in the electricity business system reform, the scope of liberalization of OEPC's electricity retailing has been limited compared with that for other electric power companies.
- In April 2013, the Cabinet decided to adopt the Policy on Electricity System Reform, which indicates the direction of full liberalization of electricity retailing with 2016 as the target year. With respect to Okinawa, "the electricity system will take into account the peculiarities of the area" and details will be discussed hereafter.
- "Electricity System Reform Committee's Report of February 2013" states that "Okinawa will fully liberalize the electricity retail market in principle as well as other regions" and the details will be discussed.



* Ratio to electric power sales (FY2012 results)



Q4. What are the Special Tax Measures?

Currently Applied Special Tax Measures

1. Alleviation of Fixed Property Tax

Basic Law: Supplementary Provisions of the Local Tax Law (Article 15.6)

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

Period: April 1, 1982 – March 31, 2015
(Extended for 3 years from April 1, 2012)

2. Exemption from the Oil and Coal Tax

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

Details: ① Exemption from the Oil and Coal Tax for coal
② Exemption from the Oil and Coal Tax for LNG

Period: ① October 1, 2003 – March 31, 2015
(Extended for 3 years from April 1, 2012)
② April 1, 2012 – March 31, 2015
(Newly added starting on April 1, 2012)

※ 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 Special treatment

- Special 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.

Revision of the Act on the Special Measures for the Promotion and Development of Okinawa

- The Act on the Special Measures for the Promotion and Development of Okinawa was revised in March 2012, and the revised law came into effect on April 1, 2012.
- In addition to the extension of the applicable period of special tax measures applied to the Company up until now (property tax relief measures, exemption of petroleum and coal tax relating to coal), the Company has become exempted from petroleum and coal tax relating to LNG.

Value of Tax Alleviation Due to the Special Measures

- The value of the alleviation measures in FY2012 was about 2.4 billion yen.
- The value of the alleviation measures for FY2013 is expected to be 3.3 billion yen.

The amount of reduction based on the special measures is being returned to customers through electricity charge.

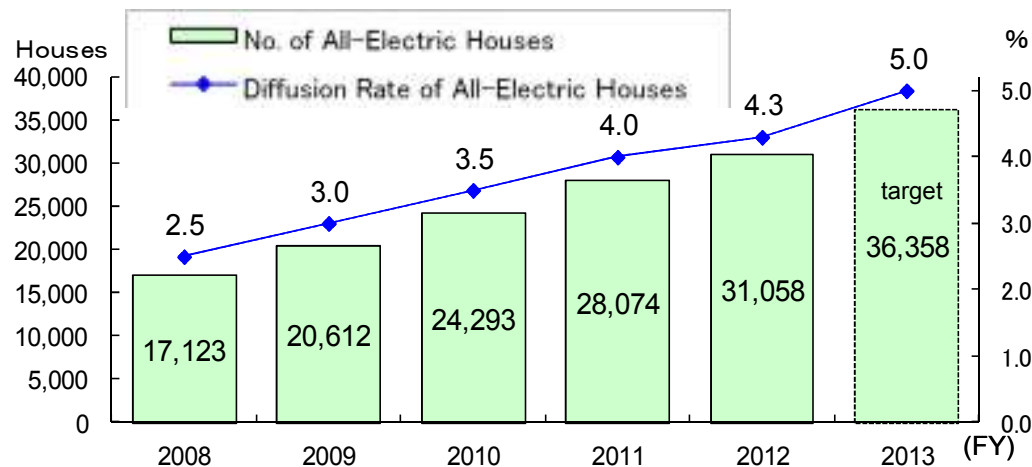


Q5. What is the Current State of the Promotion of All-Electric Houses?

1. Sales target for FY2013 ⇒ All-Electric Houses 5,300 (17.20 million kWh)

2. Approach for the promotion and diffusion.

- ① Launching of effective promotion activities to facilitate penetration of all electrification housing brand.
- ② Expansion of sales activity in cooperation with sub-users.
- ③ Strengthening of sales activity to collective housing and existing homes.
- ④ Promotion of sales activities for electrification based on widespread use of solar power



【Reference】

Adoption rate (results for FY2012)
 All-electric adoption rate in newly built houses
 (included multi-family dwellings etc.) = 14.9%

All-electric adoption rate in newly built houses = 52.5%



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 FY2013 to FY2015): 32 million kWh

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

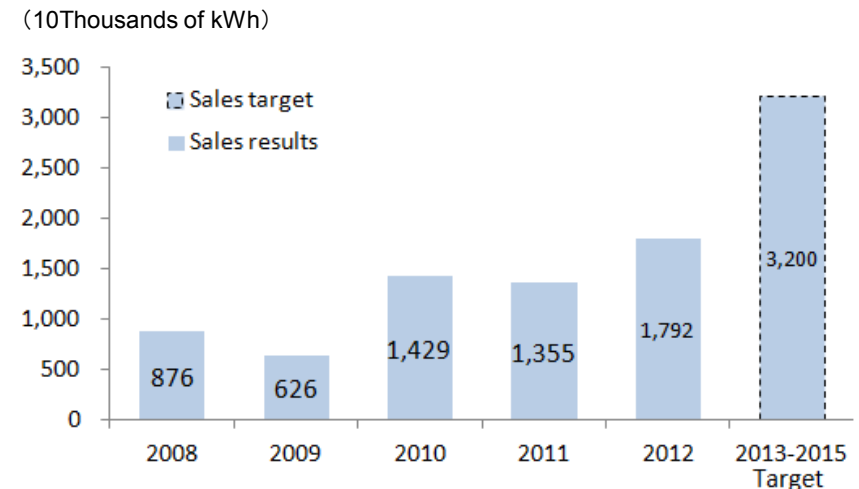
2. Approach for the promotion and diffusion.

- 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.

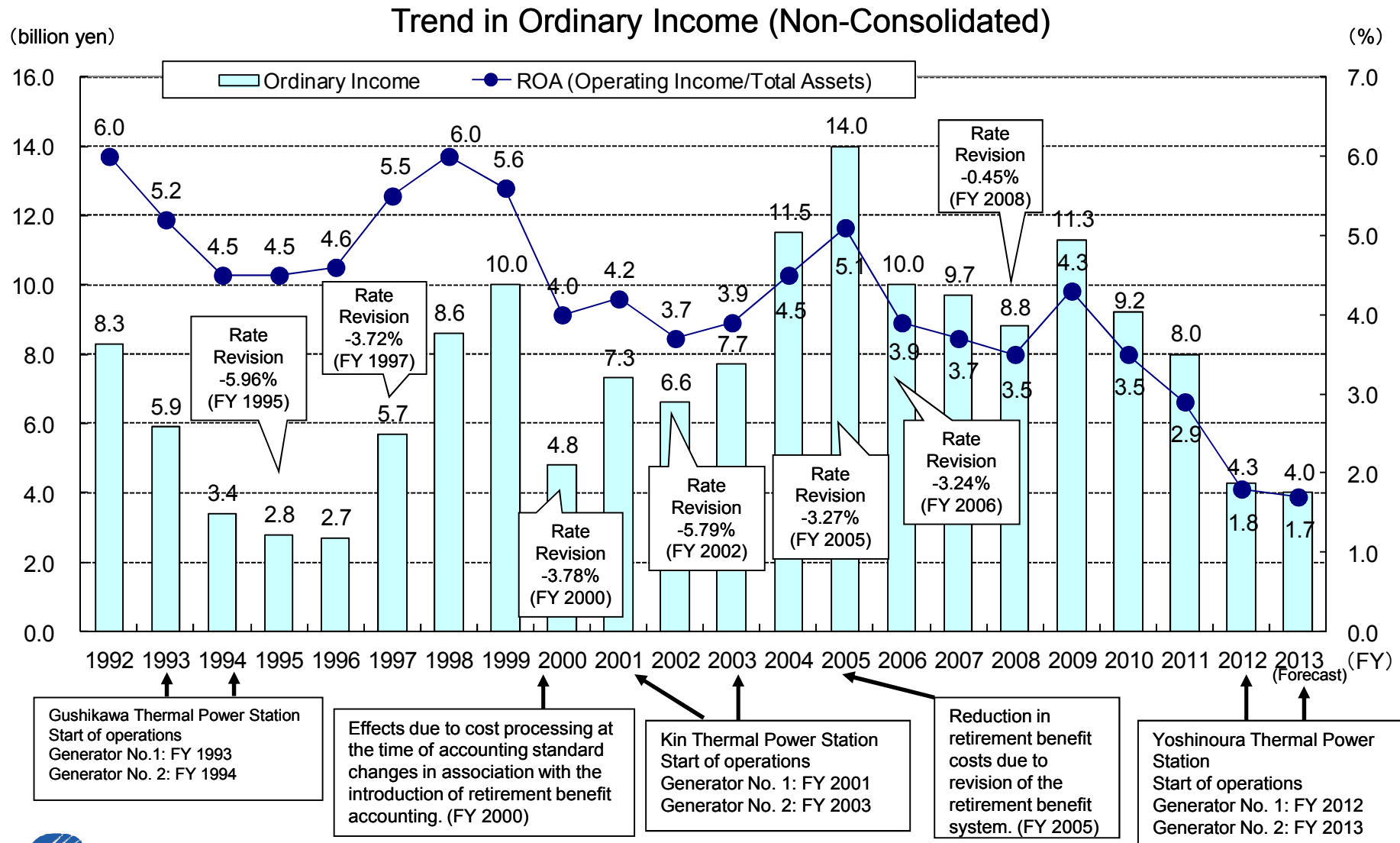
➤ **Sales target (in total of three years from FY2013 to FY2015): 32 million kWh**

The demand for commercial electrification equipment

	10Thousands of kWh					
	2008	2009	2010	2011	2012	2013-2015 (Target)
Commercial Electrification Equipment (Cumulative)	876	626	1,429	1,355	1,792	3,200

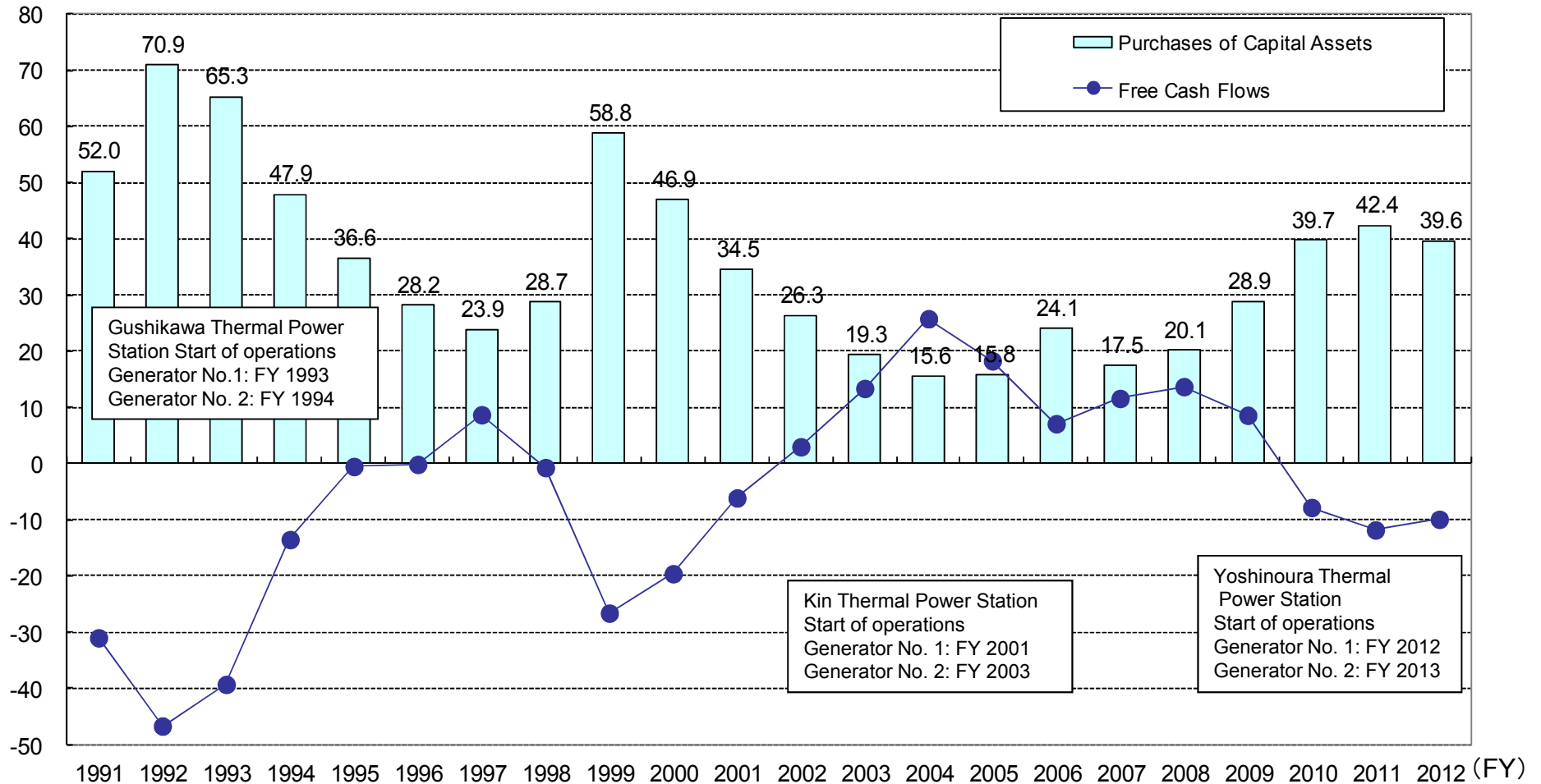


Q7. What is the Past Trend of Ordinary Income and What is the Forecast for this Fiscal Year ?







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

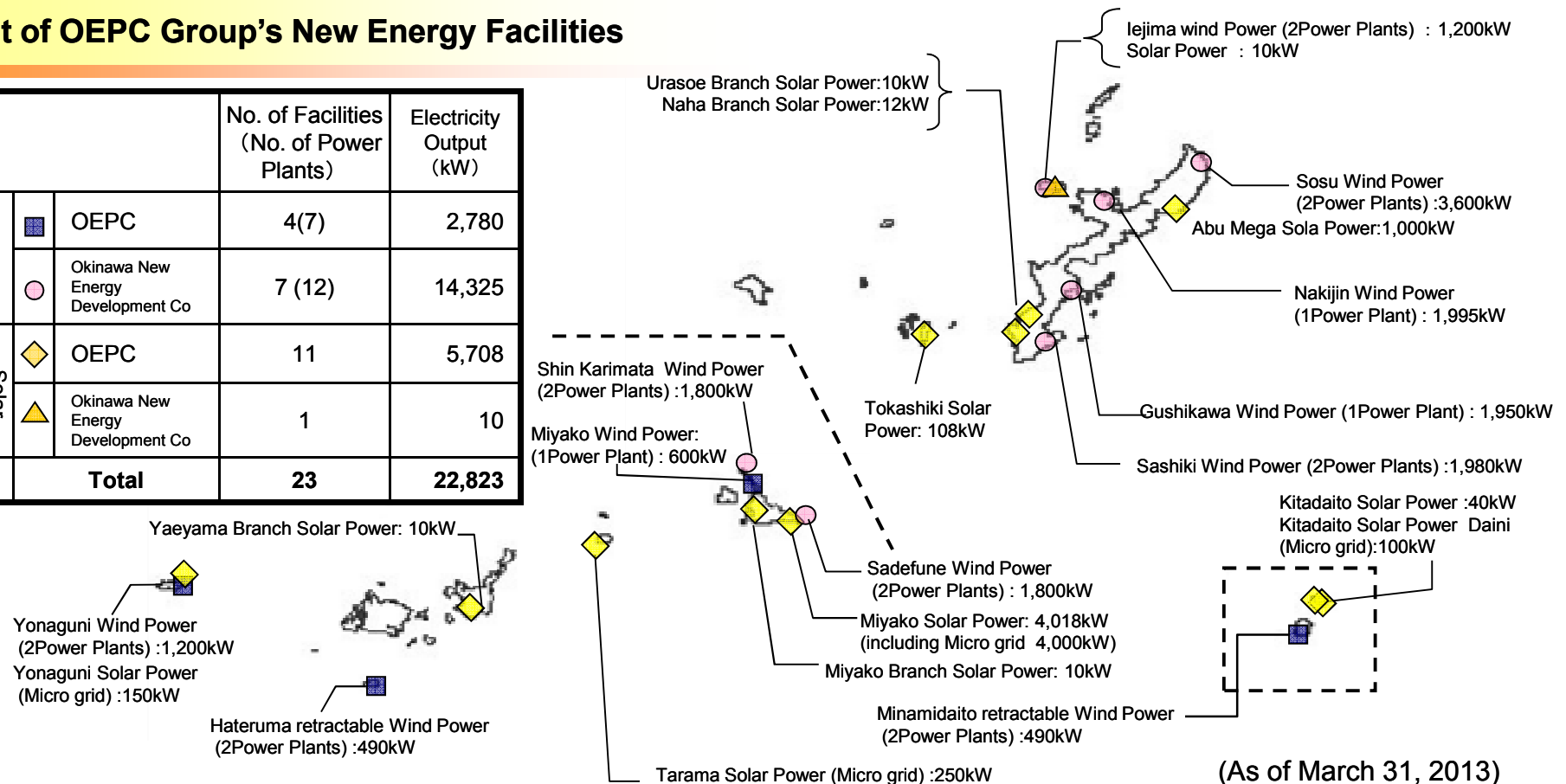
(billion yen)



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	4(7)	2,780
	 Okinawa New Energy Development Co	7 (12)	14,325
Solar Power	 OEPC	11	5,708
	 Okinawa New Energy Development Co	1	10
Total		23	22,823



(As of March 31, 2013)

- OEPC Group has new energy facilities with total output of 22,823kW (wind power: 17,105 kW, solar power: 5,718 kW)
- Introducing Plan of New Energy Facilities.
 - ✓ Ogimi wind power plant (2,000 kW class × 2, start in FY2013)
 - ✓ Aguni retractable wind power (245kW, start in FY2013)



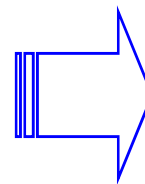
Q10.What is a retractable wind-power generator?

■ Overview of retractable wind-power generator

Place	Hateruma/Minamidaito Island(2 Plants each)
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

■ Advantages

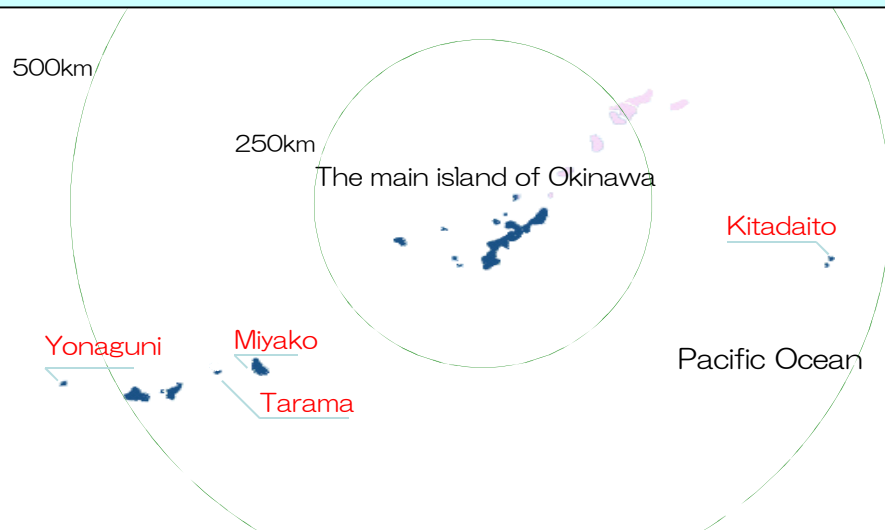
- Wind-power generator can be folded nearly 90 degrees so that damages by big wind in typhoon can be avoided by folding it.
- Large-size cranes are not needed to construct the wind-power generator to enable construction in hilly areas.
- Wind-power generator is retractable, making it possible to perform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



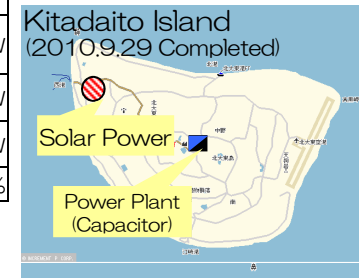
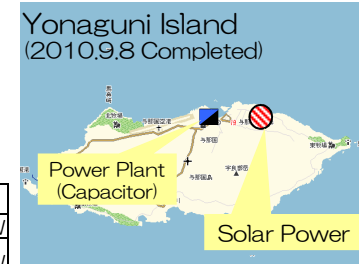
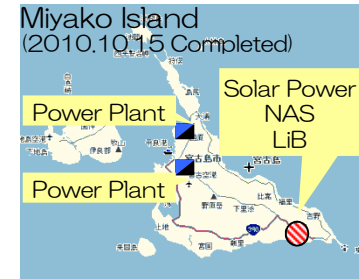
Q11.What is the New Energy verification studies for the Remote Island Independent System?

Purpose

- Grasping the impact on the actual system of introducing large-scale photovoltaic power generation to four remote islands with systems different in size.
- Analyzing the operating data of photovoltaic power generation systems and capacitor to verify the system stabilization method for remote island independent systems.



Place	Miyako Island	Tarama Island	Yonaguni Island	Kitadaito Island
Maximum demand for electricity	About 50,000kW	About 1,160kW	About 2,160kW	About 860kW
Existing internal-combustion power	74,000kW	1,860kW	2,910kW	1,540kW
Existing new energy facilities	Solar Power 18kW Wind Power 4,200kW	—	Wind Power 1,200kW	Solar Power 40kW
Newly-established solar power generation facilities	4,000kW	250kW	150kW	100kW
Newly-established capacitor	NAS 4,000kW LiB 100kW	Lic 250kW	Lic 150kW	Lic 100kW
Introduction ratio of solar power	8%	22%	7%	12%



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 2013, including fuel cost adjustments, consumption taxes, Renewable Energy Power Promotion Surcharge, and PV Surcharge)

(Unit: yen/kWh)

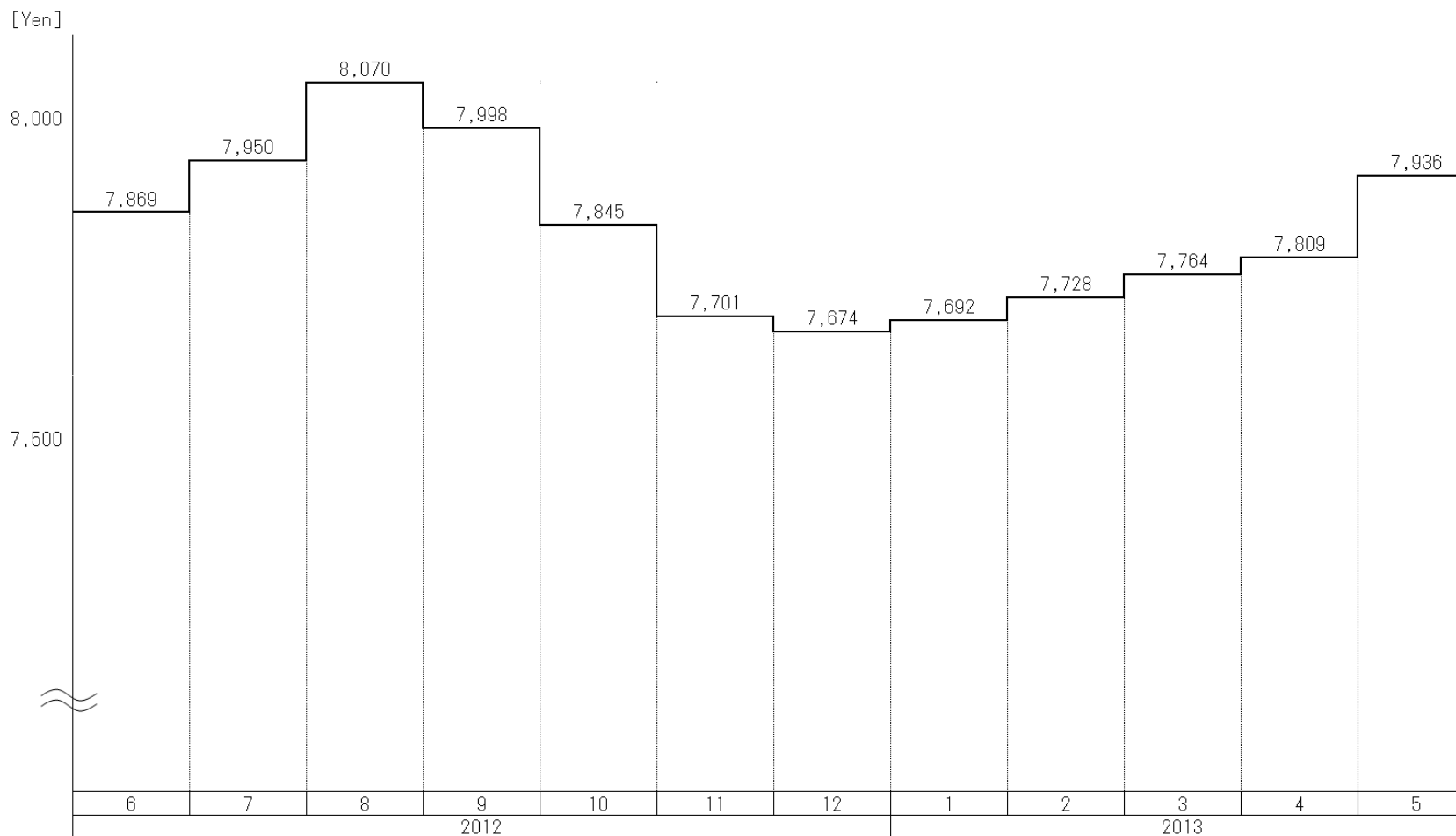
	OEPC	Co. A	Co. B	Co. C	Co. D	Co. E	Co. F	Co. G	Co. H	Co. I
Metered Residential Model Basic Unit 300	26.45 ⑩	25.43 ⑧	24.45 ⑤	26.33 ⑨	24.35 ④	22.27 ①	24.85 ⑦	24.66 ⑥	23.15 ②	23.32 ③
Commercial Use Electricity (High Voltage) Model Basic Unit 250 (Power Factor 100%)	21.90 ⑨	18.90 ③	19.28 ⑥	22.56 ⑩	19.22 ⑤	16.57 ①	20.77 ⑧	19.57 ⑦	17.48 ②	19.19 ④
High-voltage Power A Model Basic Unit 250 (Power Factor 100%)	19.69 ⑧	17.81 ④	17.73 ③	20.99 ⑩	18.72 ⑥	15.90 ①	19.97 ⑨	18.43 ⑤	17.59 ②	18.72 ⑥

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



Q13. Recent changes in standard household electricity charges

○ Recent changes in standard household electric charges



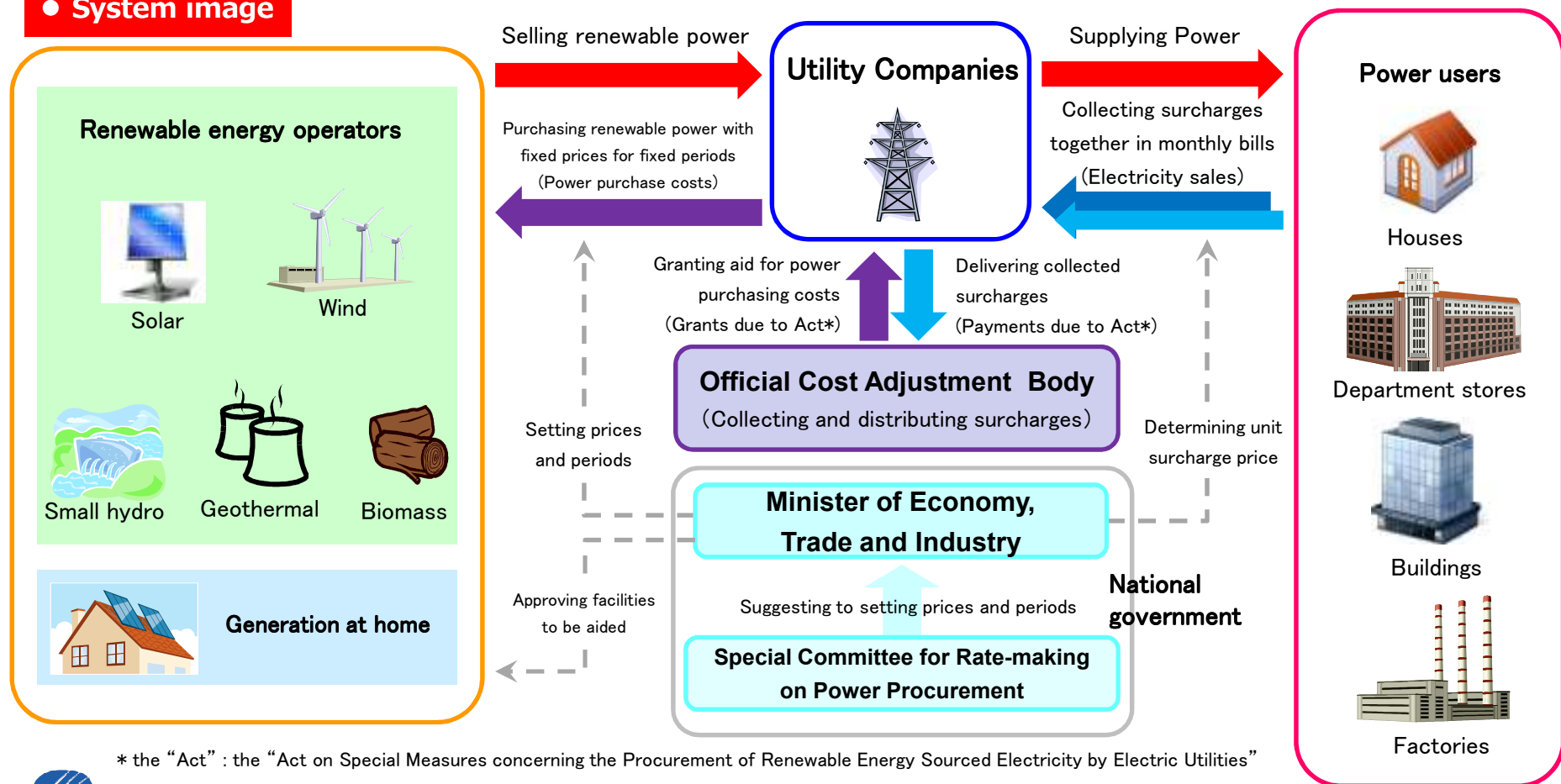
※ 300kWh/Month ※ Renewable Energy Power Promotion Surcharge and PV Surcharge is included in electricity charges



Q14. What is the feed-in tariff system of renewable energies?

- The feed-in tariff system of renewable energies was enforced in July 2012
- In this scheme, electric utilities are obliged to purchase electricity generated from renewable energy sources at a fixed price for a specified period set by the government, and purchase cost of electricity will be paid by electricity customers as surcharge together with electricity charge.

● System image



* the "Act" : the "Act on Special Measures concerning the Procurement of Renewable Energy Sourced Electricity by Electric Utilities"



The Okinawa Electric Power Company, Inc.

Q15. What are the CO₂ Emission Volumes by Fuel Type?

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

Chart: Comparison of CO₂ Emission Volumes by Fuel Type

Fuel Type	CO ₂ Emission Volume Per Unit Heat Value [g-CO ₂ /MJ] * ₁	vs.Coal	vs.Oil * ₃	CO ₂ Emission Volume Per kWh [kg-CO ₂ /kWh] * ₂	vs.Coal	vs.Oil * ₃
Coal	90.6	1.00	1.27	0.84	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 were used as the CO₂ emission factors to calculate g-CO₂/MJ.

*2 Thermal Efficiency at Generation End 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.



Q16. What is the Current State of the Progress of Discussion in the Gas Supply Business ?

As The integrated energy company

The entry into the gas supply business with the introduction of LNG will contribute to expansion of the business domain of the Group through the entry into the thermal demand field. In addition, it will become a major turning point for operating the total energy business, which the Group positions at its core. Moreover, the Group will be able to make a contribution to the improvement of the energy environment in Okinawa prefecture by supplying LNG, which is superior energy from the environmental and safety viewpoints.



The first step

OEPC has entered into an agreement with Okinawa Gas, a general gas utility in Okinawa, on basic matters of wholesale supply of LNG such as supply scheme and supply quantity, and the two companies are currently discussing the details toward concluding a sales contract.



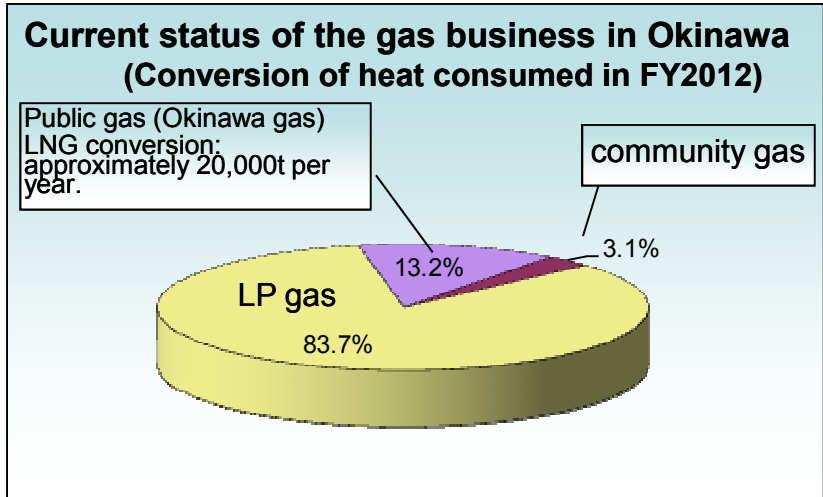
The second step

Besides wholesale supply of LNG, OPEC is studying the possibility of supplying to large customers with thermal demand such as plants and hotels.



Perspective for the launch of business

The Company aims to launch gas supply business from 2015 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.



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

【Reference: Corporate profile of Okinawa Gas】

Date of foundation : July 22, 1958.

Capital : JPY 250,222,000

Sales : JPY 7.3bn (2012)

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.54,000 units

LP gas: approx.17,000units



Q17. What is the Current State of the Disaster Prevention Measures ?

We have ever been addressing the removal of causes of disasters and the improvement of disaster resistant environment on a day-to-day basis in order to prevent our power facilities from accidents and to recover the damages that occurred promptly. Based on the enormous damages caused by the Great East Japan Earthquake occurred on March 11, we need to enhance disaster contingency planning by recognizing the importance of our mission, “stable supply of electric power,” more than ever.

We are proceeding with practical and organizational revalidation in order to make disaster recovery complete assuming various situations as well as to aim at reviewing disaster contingency planning related to our facilities, etc. against large-scale disasters.

(1) Setting up of the Emergency Response Inspection Committee

In March 2011, we set up the Emergency Response Inspection Committee chaired by President, and established working groups which were organized for each relevant department as subordinate organization. We have had total of ten committee meetings so far to verify disaster countermeasures and recovery scenarios, as well as administrative support, for electric power systems from the viewpoint of business continuity, and we are implementing necessary measures.

(2) Countermeasures against typhoons

Following occurrence of the large-scale, long-lasting blackout caused by the season’s 17th typhoon last year, we set up a panel for early elimination of obstacles to electricity supply caused by typhoon under the Emergency Response Inspection Committee, and put together countermeasures.

The main measures against typhoon are as follows:

- We have already taken measures for preventing entanglement of flying objects to utility poles and electric wires and contact between trees and electric wires, which are the main cause of blackouts, by reinforcing utility poles to prevent their consecutive falls by attaching support poles and stay wires and by strengthening electric wires by replacing the existing electric wires with antifriction wires, low wind pressure wires and high pressure drop cable. In addition, we will pursue expansion of simple type remote controlled switch, which will reduce the blackout area at the time of typhoon by operating it along with the distribution automation system.
- We will also conduct a study toward improving the method of facility inspection to identify the cause of blackout after typhoon for recovering from power outage early, and work to reduce flying objects and cut trees in cooperation with local governments, etc.

(3) Reflecting to comprehensive disaster-preparedness drill for FY2012

We further recognized the need to enhance the ability to respond to disasters in the light of lessons learned from the Great East Japan Earthquake, we conducted a drill in which disaster scenarios are not provided beforehand, in addition to the field drill which we have carried out previously and drills in which the result of review in the Emergency Response Inspection Committee is reflected.

(4) Future schedule

Based on the new hazard map released by Okinawa Prefectural Government in March 2013, we plan to review the existing disaster countermeasures and confirm how we should proceed hereafter, and we will take appropriate actions successively.

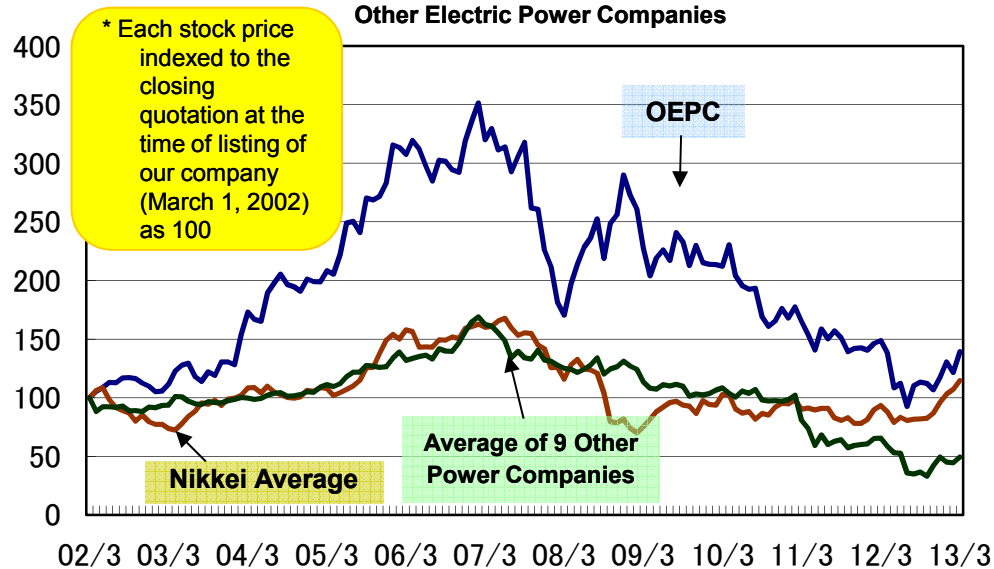


Change in Okinawa Electric Power's Stock Price

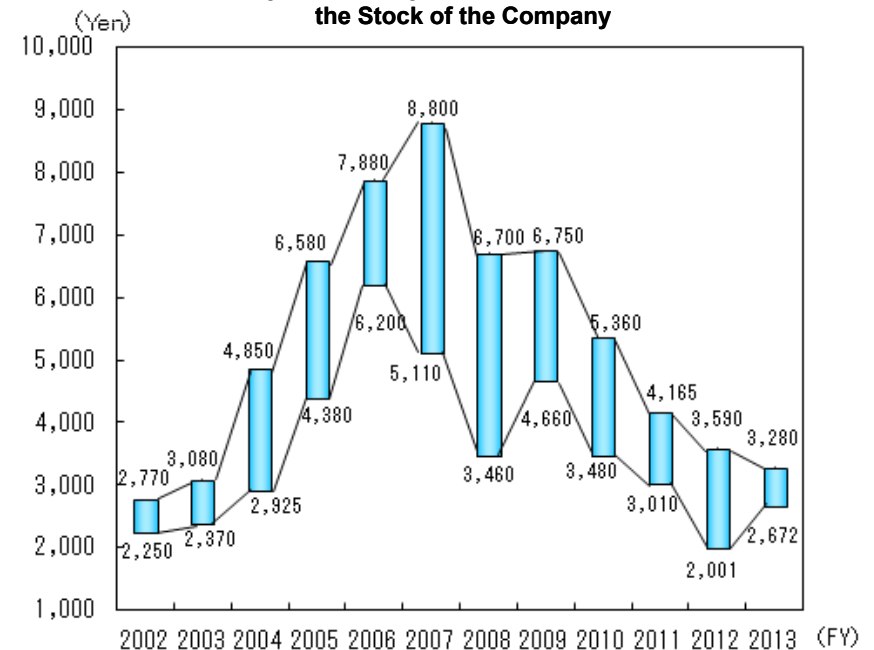
Change in Stock Price (January 4, 2012~March 31,2013)

	Okinawa Electric Power	Average of 9 Other Power Companies	Nikkei Average
Stock price on January 4, 2012	¥3,320	¥1,225	¥8,560
All-time high	¥3,570 as of March 7, 2012(+7.5%)	¥1,358 as of March 16, 2012(+10.9%)	¥12,636 as of March 21, 2013(+47.6%)
All-time low	¥2,020 as of July 30, 2012(-39.2%)	¥593 as of September 12, 2012(-69.3%)	¥8,296 as of June 4, 2012(-3.1%)
Latest stock price Closing quotation (March 29, 2013)	¥3,205(-3.5%)	¥983(-19.8%)	¥12,398(+44.8%)

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		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net Income	Million yen	5,594	7,591	9,163	6,398	6,590	3,635	7,293	6,872	5,050	3,098
Earnings per Share	Yen	363.37	494.77	571.05	402.25	376.84	207.89	417.26	393.36	289.08	177.35
Dividend per Share	Yen	60	60	60	60	60	60	60	60	60	60
Payout Ratio	%	16.5	12.1	10.5	14.9	15.9	28.9	14.4	15.3	20.8	33.8

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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