

Management Overview

November 2015



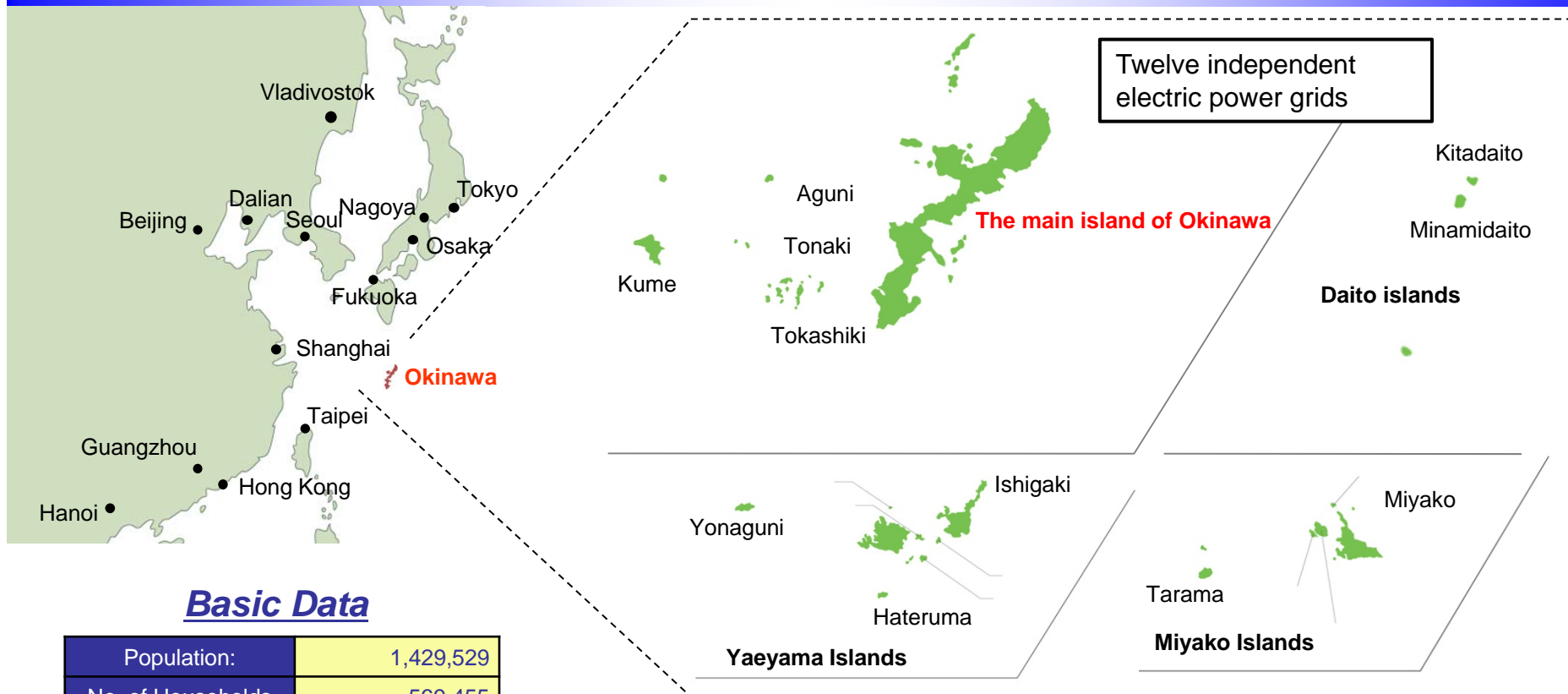
The Okinawa Electric Power Company, Inc.

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Overview of Okinawa Prefecture



Basic Data

Population:	1,429,529
No. of Households	569,455
Area	2,281km ²
Climate	Subtropical
Location	26° 12N 127° 41E
Prefectural GDP	¥4,483.6billion
Tourism Revenue	¥534.2billion

- ◆ The main island of Okinawa is the most populous with about 90% of the resident population.
- ◆ Tertiary industrial sectors including commerce, finance and service which account for roughly 90% of the prefectural GDP.

Population, No. of Households as of October 1, 2015
 Area as of October 1, 2015
 Prefectural GDP as of Estimated results FY 2014
 Tourism Revenue as of FY 2014
 (Source: Okinawa Prefecture, Geographical Survey Institute)

Locales with similar latitude zones

Las Palmas	(Canary Islands)	28° 6N
Dubai	(UAE)	25° 18N
Miami	(Florida, USA)	25° 46N



The Okinawa Electric Power Company, Inc.

Corporate Overview of OEPC

Okinawa Electric Power supplies electricity to all parts of Okinawa Prefecture including 38 inhabited islands scattered over a vast sea area lying 1,000 kilometers east and west and 400 kilometers north and south. Okinawa Electric Power maintains its own electric line system without any linkage to that of any other electric power company based in mainland Japan. The OEPC electric line system divides into smaller systems for remote islands.

Established	May 15, 1972	Security code	9511
Capital	¥7,586 million	Service area	Okinawa Prefecture
Shareholders	7,357	Customers	Lighting 830 thousand units Power 60 thousand units Total 891 thousand units
Total assets	¥400.932 billion (Non-consolidated) ¥421.824 billion (Consolidated)	Electricity sales (FY 2014)	Lighting 2,917 million kWh Power 4,614 million kWh (Deregulated demand 1,257million kWh) Total 7,531million kWh
Sales (FY 2014)	¥177.509 billion (Non-consolidated) ¥185.001 billion (Consolidated)	Generating facilities	Steam-power generators 5 locations 1,629 thousand kW (Oil 2 locations 375 thousand kW) (Coal 2 locations 752 thousand kW) (LNG 1 locations 502 thousand kW) Gas turbine generators 5 locations 326 thousand kW Internal-combustion power generators 13 locations 180 thousand kW
Employees	1,532 (Consolidated: 2,580)		

(as of March 31, 2015)

Ratings

Rating agency	S&P	Moody's	R&I	JCR
Rating	A+	A1	AA	AAA
Outlook (direction)	Stable	Stable	Stable	Stable



The Okinawa Electric Power Company, Inc.

* Ratings on long-term preferred debts as of September 30, 2015

Financial Results for FY2015 2Q YTD

(Year-on-Year Comparison)

(Unit: million yen, X)

	Consolidated (A)			Non-consolidated (B)			(A) / (B)	
	FY2014 2Q YTD (Results)	FY2015 2Q YTD (Results)	Rate of Change	FY2014 2Q YTD (Results)	FY2015 2Q YTD (Results)	Rate of Change	FY2014 2Q YTD (Results)	FY2015 2Q YTD (Results)
Sales	98,131	96,679	-1.5%	95,000	93,821	-1.2%	1.03	1.03
Operating income	7,928	6,774	-14.6%	7,688	6,644	-13.6%	1.03	1.02
Ordinary income	6,974	5,858	-16.0%	6,807	5,935	-12.8%	1.02	0.99
Net income	5,262*	4,587*	-12.8%	5,235	4,732	-9.6%	1.01	0.97

* Net income attributable to owners of parent

Consolidated and Non-consolidated : Decrease in Sales, Decrease in Income (the first time in 5 years)

【Revenue】

- Decrease in Electricity sales from the Fuel cost adjustment system in Electric business.
- Increase in Electricity sales volume in Electric business.
- Increase in Electricity sales due to increase in Renewable Energy Power Promotion Surcharge in Electric business.
- Increase in Grant under Act on Purchase of Renewable Energy Sourced Electricity due to increase in purchased power volume of renewable energy sourced electricity in Electric business.

【Expenditure】

- Decrease in Fuel costs and Noncurrent assets retirement costs in Electric business.
- Increase in Purchased power costs due to increase in purchased power volume of renewable energy sourced electricity in Electric business.



Annual Outlook Summary FY2015

(Unit: million yen, X)

	Consolidated(A)				Non - Consolidated(B)				(A) / (B)	
	FY2014 (Results)	FY2015 (Forecast)		Change ②-①	FY2014 (Results)	FY2015 (Forecast)		Change ②-①	FY 2014 (Results)	FY 2015 (Forecast)
		Announced In Jul.2015 ①	Announced In Oct.2015 ②			Announced In Jul.2015 ①	Announced In Oct.2015 ②			
Sales	185,001	185,500	184,400	-1,100	177,509	176,500	175,400	-1,100	1.04	1.05
Operating income	9,479	7,400	7,400	-	7,525	5,800	5,800	-	1.26	1.28
Ordinary income	7,638	5,400	5,400	-	5,720	4,000	4,000	-	1.34	1.35
Net income	4,943*	3,900*	3,900*	-	3,960	3,200	3,200	-	1.25	1.22

* Net income attributable to owners of parent

Consolidated and Non-consolidated : Decrease in Sales, Decrease in Income (the first time in 5 years)

[Comparison with previous forecast (Jul.2015)]

【Revenue】

- Decrease in Sales from the Fuel cost adjustment system in Electric business.

【Expenditure】

- Decrease in the Fuel costs in Electric business.
- Increase in Purchased power costs in Electric business.



Electric Energy Demand (FY2015 1st half Results)

Electricity sales volume (Result)

(Unit: million kWh, %)

	FY2014 1 st half Results	FY2015 1 st half			YoY Rate of Change	
		Plan	Results	Performance Against Plans		
Lighting	1,526	1,557	1,562	100.3	2.3	
Power	2,496	2,521	2,551	101.2	2.2	
Total	4,022	4,078	4,113	100.9	2.3	
Reference	Consumer Use	3,332	3,379	3,426	101.4	2.8
	Industrial Use	690	699	687	98.3	-0.3
	Large Industrial Power (Restated)	458	465	449	96.5	-1.9

(Lighting)

- The demand for Lighting increased Year-on-Year due to increase of new customers. (2.3%)

(Power)

- The demand for Power increased Year-on-Year due to increase of demand of new customers in Commercial Power. (2.2%)

(Total)

- As above, the total demand was 4,113 million kWh, and increased from the previous year. (2.3%)

Power Generation Infrastructure and Power Generated and Received

(Unit: thousand kW, million kWh)

		FY2014 1 st half		FY2015 1 st half			
		Electricity generated	Com- position ratio	Electricity generated	Com- position ratio	Maximum output	Com- position ratio
OEP C	Coal	2,208	47.1%	2,010	42.5%	752	30.5%
	Oil	625	13.3%	631	13.3%	865	35.1%
	LNG	815	17.4%	948	20.1%	537	21.8%
	Total	3,648	77.8%	3,589	75.9%	2,154	87.4%
	Other company (coal)	887	18.9%	930	19.7%	312	12.7%
	Other	154	3.3%	210	4.4%	—	—
	Total	4,689	100.0%	4,729	100.0%	2,466	100.0%

<Power Generation Infrastructure>

- The maximum electric power output increased 45,990 kW
 - Yoshinoura Multi-gas Turbine power plant : +35,000kW
 - Ishigaki Daini power plant No.6 : +18,000kW
 - Yonaguni wind-power No.1,2 : +1,200kW
 - Hateruma retractable wind-power No.1,2 : +490kW
 - Hateruma power plant No.10 : +300kW
 - Miyako power plant No.5,6,9 : -9,000kW

<Power Generated and Received>

- Power generated and received was up 0.9% Year-on-Year.
- Ratio of LNG thermal power was 20.1%.
- Ratio of coal-fired thermal power generation including those purchased from other company was 62.2%.



Electric Energy Demand (FY2015 and Long-term Outlook)

Electricity sales volume (FY2015 Outlook)

(Unit: Million kWh, %)

		FY2014 Results	FY2015 Forecast	YoY Rate of Change
Lighting		2,917	2,972	1.9 (2.2)
Power		4,614	4,705	2.0 (2.6)
Total		7,531	7,677	1.9 (2.4)
Reference	Consumer use	6,207	6,337	2.1 (2.8)
	Industrial use	1,324	1,340	1.2 (0.9)
	Large industrial power (Restated)	878	887	1.0 (0.7)

Note: Figures in parentheses are adjusted for the influence of temperature and leap year (Provisional value).

(Lighting)

- The demand is expected to exceed the previous year due to the increase in the number of customers and the spread of all-electric houses. (YoY Rate of Change:1.9%)

(Power)

- The demand is expected to exceed the previous year due to a rise in demand in the cement industries associated with large constructions in large industrial power in addition to the increase in commercial facilities and accommodation facilities in industrial use. (YoY Rate of Change:2.0%)

(Total)

- As above, the total demand is expected to increase to 7,677 million kWh, which is expected to exceed the previous year. (YoY Rate of Change:1.9%)

Electricity sales volume (Long-term Outlook)

(Unit: Million kWh, %)

		FY2003 Results	FY2013 Results	FY2024 Forecast	2003-2013 Annual average growth rate	2013-2024 Annual average growth rate
Lighting		2,808	2,955	3,124	0.5 (0.6)	0.5 (0.6)
Power		4,348	4,601	5,007	0.6 (0.8)	0.8 (0.9)
Total		7,156	7,556	8,131	0.5 (0.8)	0.7 (0.8)
Reference	Consumer use	5,871	6,256	6,757	0.6 (0.9)	0.7 (0.8)
	Industrial use	1,285	1,300	1,374	0.1 (0.2)	0.5 (0.5)
	Large industrial power (Restated)	872	856	910	-0.2 (-0.2)	0.6 (0.6)

Note: Figures in parentheses are adjusted for the influence of temperature.

(Lighting)

- The demand is expected to increase firmly due to an increasing number of customers along with population growth and the spread of all-electric houses. (Annual average growth rate:0.5%)

(Power)

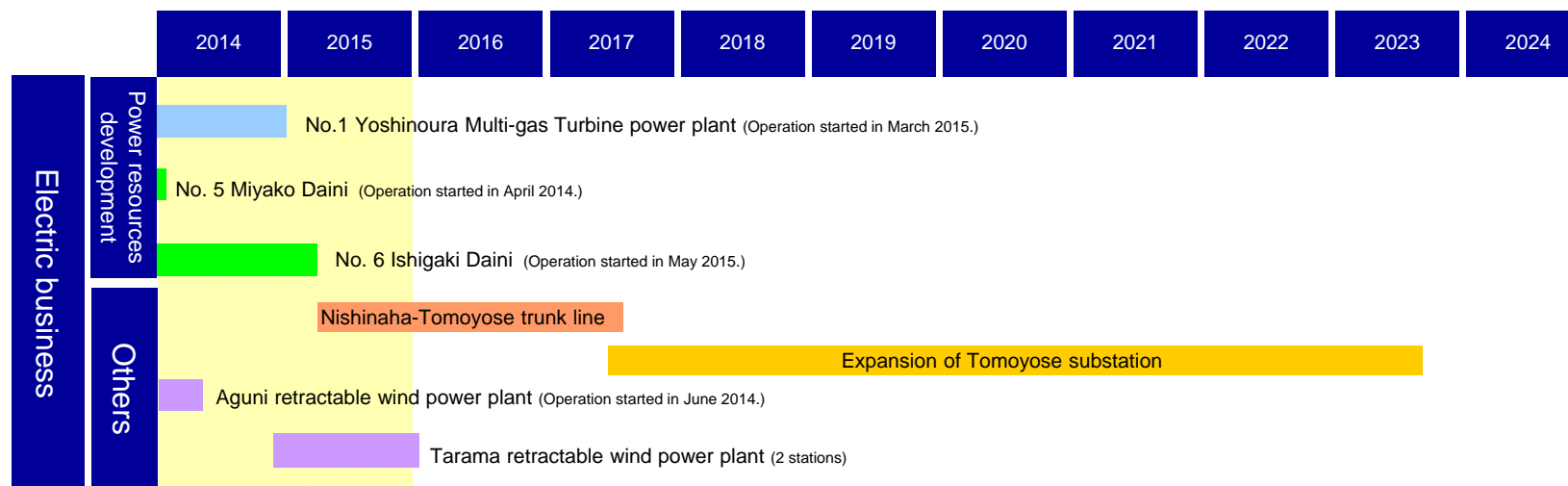
- The demand is expected to increase firmly due to an increasing number of accommodation facilities and commercial facilities for growing tourists as well as due to an increasing demand for daily living for growing population (food manufacturing and water utility industries) . (Annual average growth rate:0.8%)

(Total)

- As above, the total demand is expected to increase firmly to 8,131 million kWh. (Annual average growth rate:0.7%)



Capital Expenditures Plan (Electric Business I)



Note 1) Power resources development cases listed above are those plants that have more than 10,000 kW generating capacity and started operating in FY2014 or are expected to start operating within 10 years from FY2015 for the Main island, and five years for remote islands.

Note 2) Power distribution facilities listed above have more than 132kV working voltage, and started operating in FY2014 or are expected to start operating within 10 years from FY2015.

[Capital investment amount]

- When implementing a capital investment plan, OEPC ensures that cost reduction measures are put in place at each level of design, contract and construction with an aim to improve efficiency further.
- As a result, the FY2015 capital investment amount is expected to be 24.8 billion yen.

(Unit: billion yen)

Fiscal year		2014 (Results)	2015	2016
By facility				
Power resources		10.9	3.7	4.6
Supply facilities	Transmission	3.7	9.6	8.1
	Transformation	3.7	3.6	3.1
	Distribution	5.8	6.2	8.0
	Subtotal	13.3	19.4	19.1
Others		0.2	1.7	0.4
Total		24.5	24.8	24.2



Capital Expenditures Plan (Electric Business II)

Demand-supply balance of maximum electric power (August)

(Unit : Thousand kW, %)

		2014 【Result】* ₁	2015 【Result】* ₁	2016	2017	2018	2019	2020	2021	2022	2023	2024
Demand- supply balance	Peak load	1,396	1,428	1,432	1,437	1,443	1,453	1,463	1,472	1,482	1,491	1,503
	Supply capacity	2,180	2,173	2,220	2,161	2,152	2,110	2,207	2,066	2,207	2,212	2,211
	Reserve supply capacity	784	745	788	724	709	657	744	594	725	721	708
	Reserve supply rate	56.2	52.2	55.0	50.4	49.1	45.2	50.9	40.4	48.9	48.4	47.1

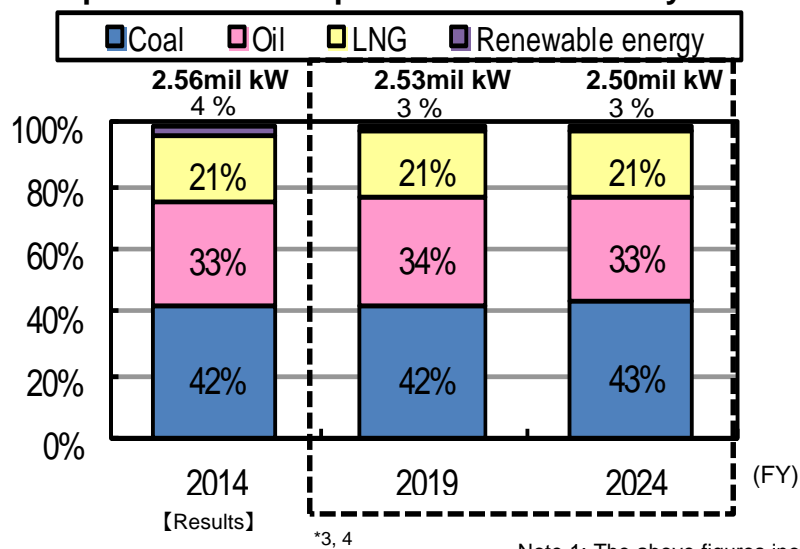
Note1 : As for 2014 and 2015, the July was described above, when the maximum three-day average electricity took place.

*2, 3

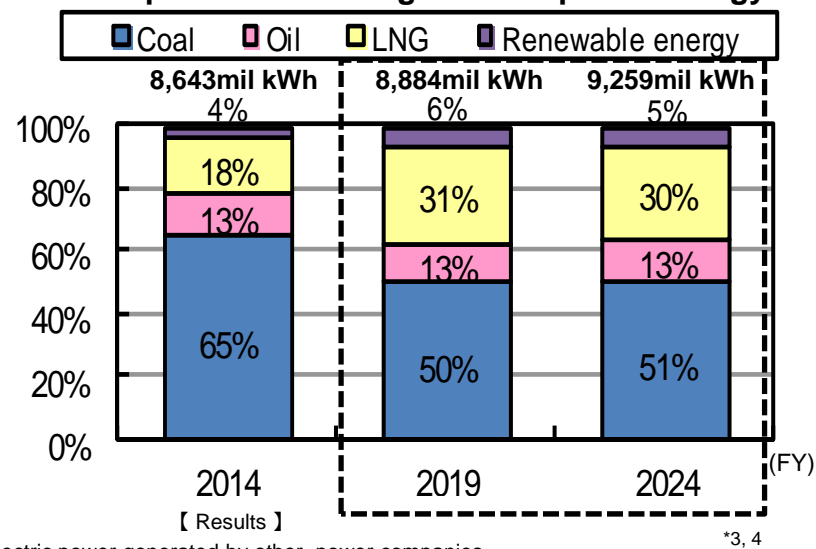
Note2 : The supply capacity, reserve capacity and reserve margin in/after 2017 is made "not determined" in the supply plan for 2015, because the connection volume of solar power generation facilities is not estimated.

Note3 : As for 2017 and later, figures calculated using the connection available volume the Company disclosed at present as an upper limit are described

Composition ratio of plant facilities for the year-end



Composition ratio of generated power energy



Note 1: The above figures include electric power generated by other power companies.

Note 2: The above figures may not exactly match the total figures because of rounding.

Note 3: The composition ratio of plant facilities for the year end and generated power energy in/after 2017 is made "not determined" in the supply plan for 2015, because the connection volume of solar power generation facilities is not estimated.

Note 4: As for 2019 and 2024, figures calculated using the connection available volume the Company disclosed at present as an upper limit are described.



Business environment and challenges

Item	Overview
Demand for Electric power	Due to increase in population and tourists, demand will be estimated to increase.
Supply capacity	Supply capacity is sufficiently secured. Large-scale power development is not planned for the foreseeable future.
Capital expenditure	Without large-scale power development, capital expenditure is within the range of depreciation costs.
Profitability	Due to shift from coal to LNG, burden of fuel cost reduces profit.
Cash flow	Due to decrease in capital expenditure, a certain level of free cash flow will be secured.
Capital composition	Equity capital is secured at the level necessary for financial stability. Concern about increase of Interest-bearing debt is diminishing.

Short-term

- ◆ Recovery of profitability in Electric business, responses to the change in the fuel composition
 - Thorough reduction of costs: To promote additional thorough cost reduction and operational streamlining without sanctuary
 - Sales promotion: To strengthen strategic sales activities and deeply exploit new and potential demands
- ◆ Steady promotion of total energy business and strengthening of the base

Mid, and long-term

- ◆ Consideration of mid- and long term business risk and financial objectives
 - To secure appropriate level of profits and achieve sound and sustainable growth
 - Efforts for the improvement of capital efficiency
 - Capital policy conscious of corporate governance



Improving Operational Efficiency

Initiatives for improving operational efficiency

- Given that a very severe income/expense condition is expected to continue, OEPC has been making efforts to reduce all costs to the maximum extent. Key cost reduction measures are as follows:
 - Reducing fuel costs by shifting AFC operation*, which has been conducted at oil-fired power plants, to the Yoshinoura Thermal Power Plant whose energy source is LNG as much as possible.
 - * AFC operation “Automatic Frequency Control”
 - Reducing fuel costs through such measures as spot purchase in light of fuel market conditions, continued use of subbituminous coal, and cutback in transportation cost.
 - Reduce costs, on the condition that stable supply is ensured, through planned renovations from the perspective of medium-term streamlining.
 - Reduction in procurement costs of materials and equipment by utilizing joint procurement, etc. proactively.
 - Sales promotion through the electricity business, the gas supply business and the provision of total energy services.
- In addition to these existing measures, OEPC will steadily continue to implement medium to long-term measures for efficiency improvement over the overall costs, and to consider and carry out additional thorough measures for cost reduction and operational streamlining without sanctuary.
 - Continued implementation of AFC operation at Yoshinoura Thermal Power Plant.
 - Study for achievement of the higher ratio of subbituminous coal use, etc.



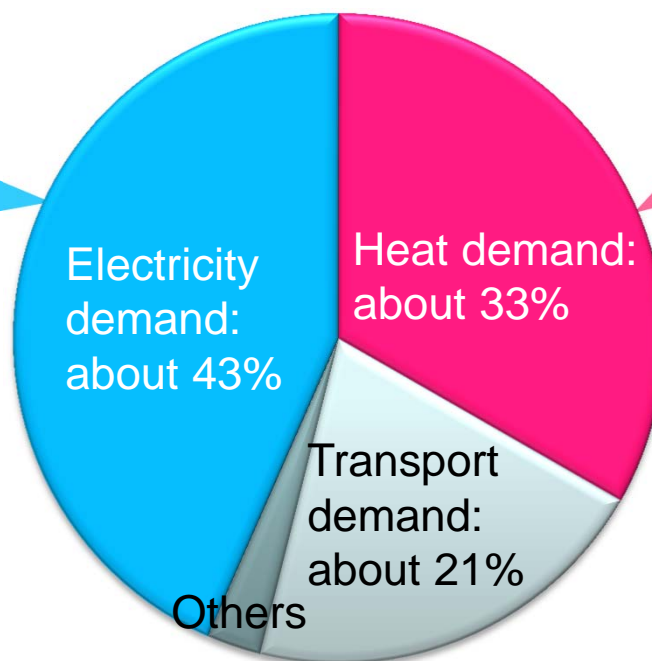
Development of Total Energy Services (1/4)

Status of final energy usage and customer needs in Okinawa Prefecture

- Promoting provision of total energy services to customers, including factories, hotels, hospitals and large-scale shopping centers, which have high heat consumption, as the only comprehensive energy supplier providing both electricity and gas in Okinawa.

Share of the Company's group

The Company currently accounts for about 43% of the final energy consumption in Okinawa.



[Status of final energy usage in Okinawa]

Focusing on development of the heat demand field, in which the Company has not tapped previously, with the aim of achieving a sustainable growth.

Customer needs in the field of heat demand

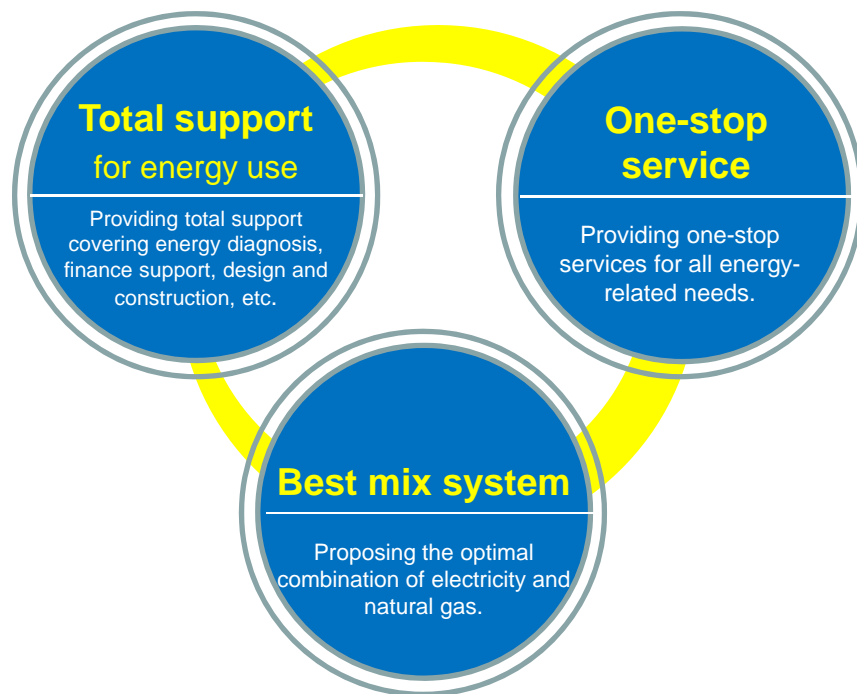
- Optimal combination of electricity and heat consumption
- Providing support for obtaining subsidy
- After-sales service



Development of Total Energy Services (2/4)

The initiatives for providing total energy services

- The Okinawa Electric Power Company Group has been promoting the initiatives for the total energy services since FY2014 based on the three core services: 1) Total support for energy use, 2) Proposal of best mix system, and 3) One-stop services.

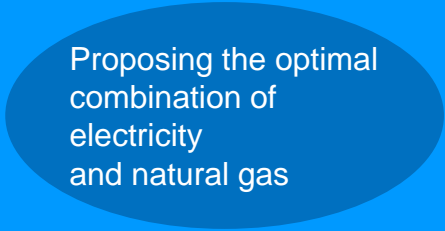

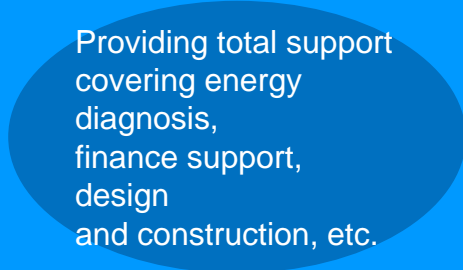



* ESP (Energy Service Provider) business: The business to own, operate and manage heat source facilities, etc. on behalf of customers.



Development of Total Energy Services (3/4)

The track record of provision of total energy services

	Examples of concrete efforts
Best mix system 	<p>Proposing the best mix system that combines electricity and gas for the Awase Golf Course site redevelopment area.</p>  <p>The Okinawa Electric Power Company Group is supplying most of the energy consumed in the large shopping mall and general hospital, the core facilities of the area.</p>
Total support 	<p>Helping customers to obtain subsidies as part of total support.</p>  <p>Beverage production plant (Nago City): Subsidy from the Ministry of the Environment Linen factory (Nakagusuku Village): Subsidy from the Ministry of Economy, Trade and Industry Large shopping mall (Kitanakagusuku Village): Subsidy from the Ministry of Land, Infrastructure, Transport and Tourism</p>



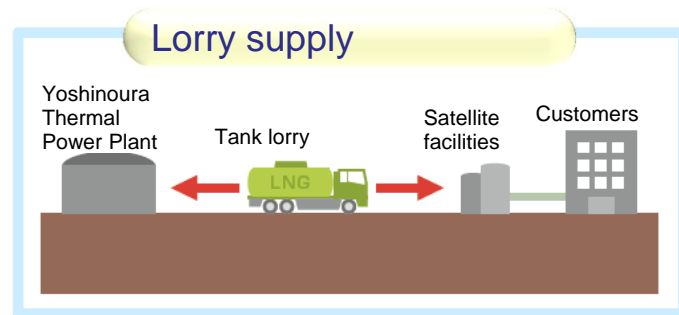
Development of Total Energy Services (4/4)

Development of gas business

(1) LNG supply business

Supplying LNG by lorry to the users (satellite facilities) which are located in remote places from Yoshinoura Thermal Power Plant.

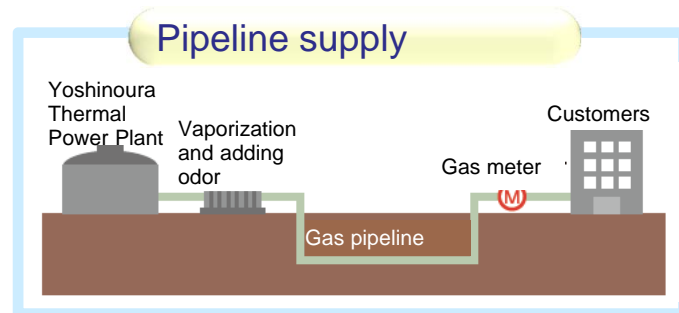
* Case of the site of the former Awase Meadows Golf Course



(2) Gas pipeline supply business

Being scheduled to launch the gas supply business by using pipeline to major customers located near Yoshinoura Thermal Power Plant from FY2015.

* Case example: Linen factory, etc.



(3) Gas wholesale supply business

Launched the gas wholesale supply business to the only general gas utility in Okinawa Prefecture in August 2015.



【Satellite facilities】
(Name: Awase supply center)



【Tank lorry】



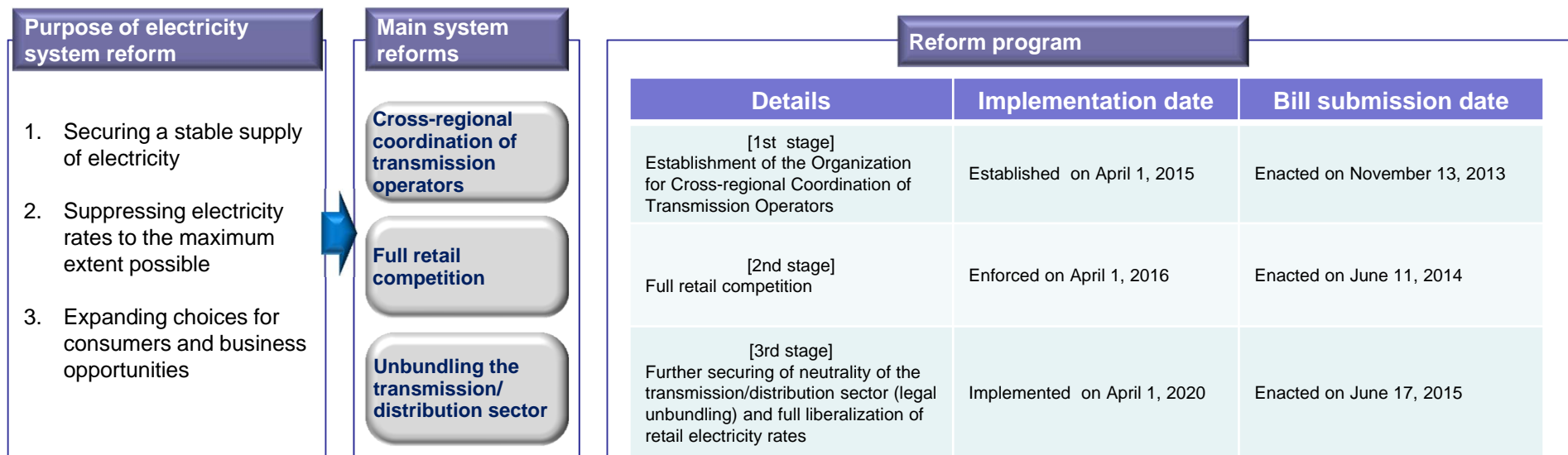
Characteristics of the Business Bases

Demand for Electric Power	<ul style="list-style-type: none"> ◆ Increasing demand due to population growth. ◆ As the proportion of energy for consumer use is high, effects of economic fluctuations are low. ◆ The prefectural economy has been growing sustainably thanks to the implementation of Okinawa promotion measures.
Competition	<ul style="list-style-type: none"> ◆ OEPC is outside the framework of wide-area power interchange because it has an isolated system. ◆ Most of privately-generated power is for captive consumption, so no excess power resources are available. ◆ Demand sizes are small.
Electric Power Generation Facilities	<ul style="list-style-type: none"> ◆ A high reserve supply capacity is required due to an isolated system ◆ Reliant on fossil fuels only due to difficulties to develop nuclear or hydraulic power generation.
Fuel	<ul style="list-style-type: none"> ◆ As fossil fuels are the only fuels used, high commodity prices exert a great influence.
Remote Islands	<ul style="list-style-type: none"> ◆ The fuel cost accounts for a large portion of the total cost. This high cost structure has led to constant loss recording.
The Environment	<ul style="list-style-type: none"> ◆ Dependent on fossil fuels with a high environmental burden.



Electricity System Reform

- In April 2013, the Cabinet decided to approve the Policy on Electricity System Reform that set the direction for the full retail competition and the unbundling the transmission / distribution sector.
- Based on this policy, the Cabinet decided to approve the Bill for the Act for Partial Revision of the Electricity Business Act in November 2013. The Policy also mentions that the reform focusing on these three pillars will be implemented by dividing it into three phases, while thoroughly studying the challenges to be overcome at each phase and taking necessary measures based on the results of the study, so as to advance the reform effectively. This act also sets forth that “measures based on the special nature of the electric power business in the Okinawa region” will be implemented for Okinawa.
- The full retail Competition is scheduled to be implemented in all of Japan including Okinawa Prefecture in accordance with the “Act for Partial Revision of the Electricity Business Act, etc.” (enacted in June 2014) which related to the second stage of the Electricity System Reform.
- From the point of the cooperation to improve competitive environment in Okinawa area, 10,000kW is scheduled to be cut from the supply capacity of the Ishikawa coal-fired thermal power station of Electric Power Development Co., Ltd. from April 2016.
- The OEPC is exempt from the treatment of the legal unbundling which aims at further securing of neutrality of the transmission/ distribution sector. Specifically, if the OEPC is approved as the “Approved general power transmission and distribution operator” which can operate power retail business and power generation business in accordance with the “Act for Partial Revision of the Electricity Business Act, etc.” which passed through the House of Councillors and was enacted as of June 17, 2015, we can continue maintaining the integrated system for power transmission and distribution.



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.

【Enquiries regarding this document】

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