The Okinawa Electric Power Company, Incorporated (OEPC)

Annual Report 2005

Financial Highlights (Consolidated)

The Okinawa Electric Power Company, Incorporated

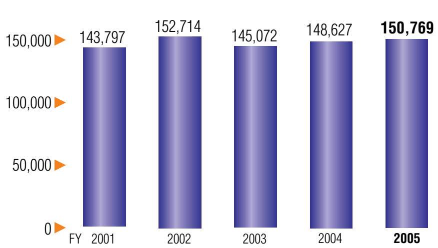
Years ended March 31, 2005 and 2004	Millions of Yen 2005	Millions of Yen 2004	Thousands of U.S. Dollars 2005
For the year:			
Operating revenues	**¥150,769**	¥148,627	**$1,403,938**
Operating income	**17,474**	16,859	**162,720**
Net income	**7,614**	5,497	**70,905**
Per share of common stock (yen and U.S. dollars):			
Basic net income	**¥494.78**	¥354.44	**$4.61**
Cash dividends applicable to the year	**60.00**	60.00	**0.56**
At year-end:			
Total assets	**¥392,159**	¥402,408	**$3,651,723**
Total shareholders' equity	**86,959**	79,448	**809,752**

Note: The U.S. dollar amounts represent translation of Japanese yen for convenience only at the approximate exchange rate on March 31, 2005, of ¥107.39 to $1.

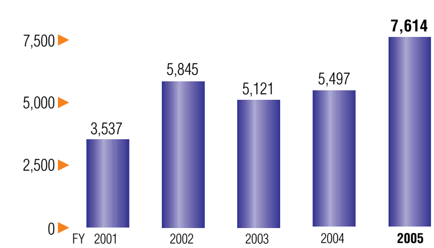
Operating Highlights (Non-Consolidated)

Years ended March 31, 2005, 2004 and 2003	2005	2004	2003
For the year:			
Electric energy sales (Millions of kWh)			
Lighting	**2,809**	2,808	2,704
Power	**4,384**	4,348	4,179
Peak load (Thousands of kW)	**1,363**	1,409	1,325
At year-end:			
Number of customers:			
Lighting	**716,674**	710,638	702,178
Power	**67,576**	68,082	68,526
Generating capacity (Thousands of kW)	**1,916**	1,918	1,676
Route length of transmission lines (km):			
Overhead	**712**	681	636
Underground	**194**	189	163

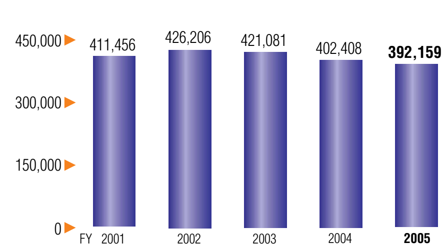
Consolidated Operating Revenues
(¥ Million)



Consolidated Net Income
(¥ Million)



Consolidated Total Assets
(¥ Million)



Note: The term "fiscal 2005" as used in this report refers to the business year ended March 31, 2005. The same applies to other fiscal years.

Profile

One of Japan's ten electric power utility companies, The Okinawa Electric Power Company, Inc. (OEPC) supplies power throughout Okinawa Prefecture, which has a population of approximately 1.4 million. The Company supplies power to 39 inhabited islands scattered over a wide area measuring approximately 400km from north to south and 1,000km from east to west. By addressing public utility-related issues and simultaneously working to maximize operating efficiency, we provide an equal level of service to all our customers and ensure a reliable supply of electricity. We celebrated the 30th anniversary of our establishment in May 2002, and in March of the same year the Company's shares were listed on the 1st Section of the Tokyo Stock Exchange, which reinforced our corporate position.

This is a time of difficult reforms as the industry moves from partial to full-scale liberalization of the electric power retailing market. To meet the challenges accompanying this period of great change, we will continue our strenuous efforts to solidify our position as the company of choice among our customers, shareholders and investors.

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Message from the Management

Hirokazu Nakaima, *Chairman* Tsugiyoshi Toma, *President*

Our Business Environment

In recent years, the Japanese government has been pursuing a structural reform initiative – centered on deregulation in various industrial fields – with the goal of revitalizing the economy and restoring the country's competitiveness in the global marketplace. For the electric power utility companies, this deregulation has principally taken the form of the gradual liberalization of the power supply retailing market, which has allowed non-utility companies to sell power produced by their own generators. At the same time, utility companies are widening their scope of business beyond the simple provision of electric power.

To respond effectively to this increasingly difficult business environment while maintaining the strong bonds of trust that we have created with our shareholders, customers and other stakeholders, the management of OEPC have been working to improve operational efficiency and lower costs in order to strengthen the Company's cost-competitiveness and enhance its financial position. Only in this way can we hope to achieve continued growth. At the same time, we are fulfilling our responsibilities as a company listed on the first section of the Tokyo Stock Exchange by conducting prompt and accurate disclosure of corporate information. Taken together, these various efforts will contribute to the achievement of our prime objective – raising the enterprise value of the Company.

To become the electric power supplier of first choice for our customers, it is not enough for us simply to obtain a detailed grasp of user needs and, on that basis, provide a service that will deliver complete satisfaction. We must also provide the same level of service to all citizens of Okinawa Prefecture, including those living on remote islands, raise the level of trustworthiness of our power supply even further, and fulfill our duties to society as a corporate citizen, including in the sphere of environmental protection. In these ways, we will continue to exert our full efforts to discharge our fundamental corporate mission.

In other fields of business apart from our core electric power operations, we will continue to build upon our accumulated expertise, and to leverage our comprehensive strengths as a group in steadily developing the earning power of new business lines in the fields of energy and telecommunications.

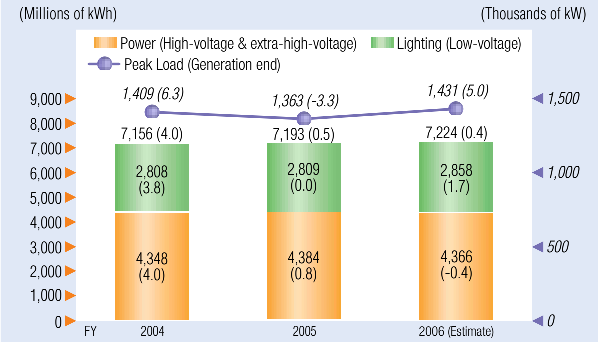
Electric Power Sales

The most notable characteristic of the electric power situation in Okinawa, compared with other regions of Japan, is that the supply of electricity for industrial use occupies a relatively small proportion of total power supplied. Approximately three-quarters of the power supplied by the Company is for business and residential use. As the population growth rate in Okinawa is higher than the national average, residential-use power demand can be expected to continue growing at a steady rate. Business-use demand is also likely to maintain a steady upward trend, in view of the growing number of new customers, particularly in the categories of supermarkets and hotels.

Our sales of electric power for fiscal 2005 (the fiscal year ended March 31, 2005) can be broken down into 2,809 million kWh of low-voltage supply, mainly for residential use, up slightly over the previous business term, and 4,384 million kWh of high-voltage and extra-high-voltage supply for business use (industrial and commercial), up by 0.8% year-on-year. This gives a total of 7,193 million kWh, a year-on-year increase of 0.5%.

For the current business term, ending March 2006, we project electric power sales at 7,224 million kWh, a year-on-year growth of 0.4%, broken down into 2,858 million kWh (up 1.7%) for low-voltage power, mainly for residential use and 4,366 million kWh of high-voltage and extra-high-voltage power for industry. Peak load in the term ended March 2005 was 1,363,000 kilowatts, a decline of 3.3% from the previous term's level. For the current term, we estimate a year-on-year increase of 5.0%, to 1,431,000 kilowatts.

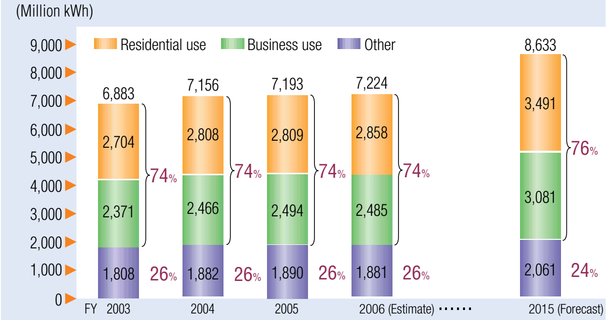
Electric Power Sales



Figures in parentheses represent year-on-year change (%)

Sales Trends

Stable growth centered on residential use and business (office and commercial) use



		Avg. Annual Growth (Okinawa) (%)		Avg. Annual Growth Rate: Japan (Excluding Okinawa) (%)	
		FY1994-2004	FY2004-2015	FY1994-2004	FY2004-2015
Electric Power Sales	Residential use	3.0 (3.0)	2.0 (2.2)	2.8 (2.7)	1.5 (1.4)
	Business use	3.2 (3.1)	2.0 (2.5)	3.7 (3.5)	2.2 (2.2)
	Other	2.0 (1.9)	0.8 (1.1)	0.7 (0.7)	0.5 (0.5)
Total		2.8 (2.7)	1.7 (2.0)	2.0 (1.9)	1.2 (1.2)

Figures appearing in parentheses are after adjustment for leap-year, and the FY2004-2015 figures assume no change in average temperature.

Source: Japan Electric Power Survey Committee

Income & Expenditure

The principal features of the Company's income and expenditure in fiscal 2005 were as follows:

1. Operating revenues rose as a result of increased electricity sales and the effects of raises in electricity rates to compensate for higher fuel prices.
2. Fuel costs rose, owing to the fact that oil and coal prices remained at a high level. Costs were also pushed upward by raises in the rates charged by other power providers from whom we purchased electric power.
3. On the other hand, total depreciation expenses declined from the previous year, thanks to progress made in the depreciation of the costs of construction of the Kin Thermal Power Station, and savings were made in various expense categories due to improved management efficiency.

As a result of the foregoing, the Company recorded year-on-year growth in both revenues and earnings on both a consolidated and non-consolidated basis. In the non-consolidated accounts, operating revenues came to ¥137,210 million; recurring profit to ¥11,588 million; and net income to ¥7,591 million. On a consolidated basis, operating revenues stood at ¥150,769 million; recurring profit at ¥11,318 million; and net income at ¥7,614 million.

Turning to OEPC's prospects on a non-consolidated basis for fiscal 2006, we expect to see an increase in operating revenues thanks to a steady growth in electricity sales volume and the effects of the increased rates to compensate for higher fuel prices (i.e., to pass on part of the extra cost burden to the user).

Regarding expenditures, while fuel costs are projected to rise, depreciation expenses and the costs of interest payable are forecast to post a year-on-year decline.

As a result of these factors, on a non-consolidated basis, we forecast operating revenues in the region of ¥140 billion, recurring profit of around ¥12 billion, and net income of around ¥7.7 billion, representing year-on-year growth in both revenues and earnings.

On a consolidated basis, too, we expect year-on-year increases in both revenues and earnings, thanks both to the strong contribution of the parent company and to an anticipated recovery in business performance by our subsidiaries. Operating revenues are seen at approximately, ¥155 billion, recurring profit at about ¥13.5 billion, and net income at around ¥8.2 billion.

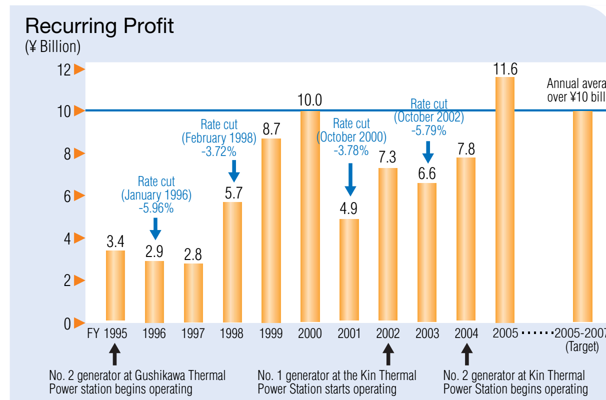
The management of the Okinawa Electric Power Company will continue to put forth their best efforts toward the goal of strengthening the Company still further, giving us a position of unshakeable trust among the public, and a reputation for excellence that ensures we are the electric power provider of first choice in Okinawa Prefecture. We hope that our shareholders and other stakeholders will support us in our endeavors.

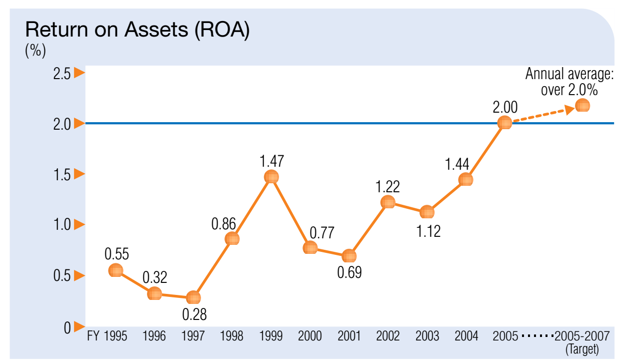
Hirokazu Nakaima
Chairman

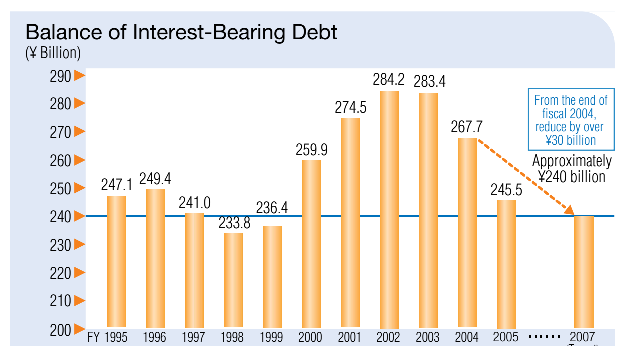
Tsugiyoshi Toma
President

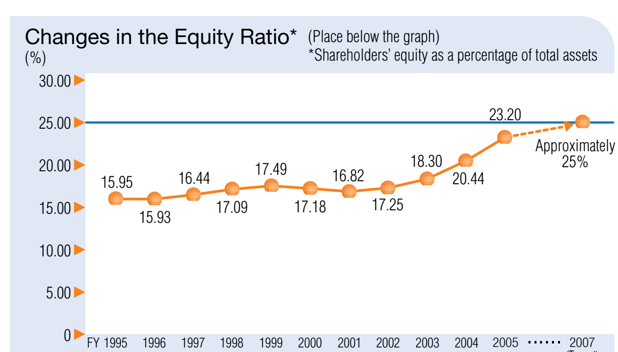
Priority Issues

Tsugiyoshi Toma, *President*









Key Questions & Answers

Q: What steps are being taken to strengthen the Company's financial position?

A: OEPC set out the following financial targets under its fiscal 2005 plan for improving management efficiency.

1. Securing an average annual recurring profit* of at least ¥10 billion for the fiscal years 2005-2007
2. Raising return on assets (ROA) to a minimum of 2%
3. Reducing the balance of interest-bearing debt by a minimum of ¥30 billion compared with the end of fiscal 2004 (March 2004), to approximately ¥240 billion by the fiscal 2007 term-end
4. Achieving an equity ratio of approximately 25% at fiscal 2007 term-end

During fiscal 2005, we attained our recurring profit target of ¥10 billion, and raised ROA from 1.44% for the previous term to 1.78% for the reporting period. Moreover, with interest-bearing debt at ¥246.4 billion and the equity ratio at 22.70%, we are well on the way to achieving our goals.

* On the income statements, recurring profit appears as "income before income taxes."

Q: What progress has been made in developing new markets and in achieving improved load-leveling?

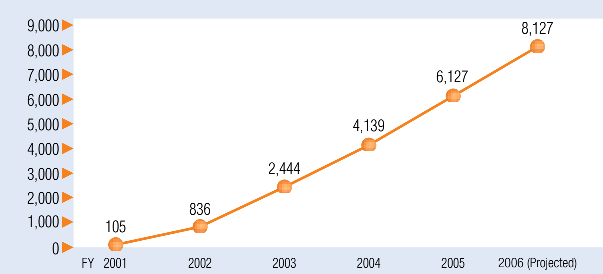
A: For the current fiscal year, we are implementing the following principal measures.

1. We are conducting advertising campaigns promoting the switchover to electricity for all purposes in place of gas or other fuels for households and for commercial kitchens, and are also promoting ice-storage air conditioning systems. These measures are expected to both create new demand and contribute to leveling-out the power load.
2. We are investing heavily in Okiden Fureai Plaza (a combined amusement and electricity promotion facility), all-electric house demonstration vehicles, and various promotional events. These measures are all part of our flexible marketing strategy, which is carefully tailored to the particular needs of our users here in Okinawa.
3. We are marketing electric power "solutions" under which the optimum system is offered to cater to the particular power usage patterns of each user.

On the assumption that these initiatives are carried out as per schedule, we expect to achieve the following targets for fiscal 2006 (the term ending March 31, 2006).

- All-electric residences: 9.2 million kWh (up by 2,000 residential units year-on-year)
- Ice-storage air conditioning systems: 1 million kWh (600kW)
- All-electric commercial kitchens: 0.5 million kWh (350kW)

Growth in All-Electric Residences

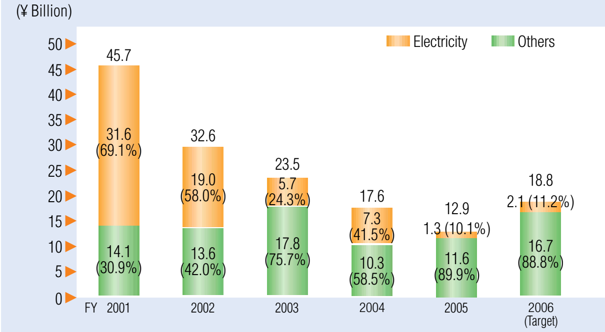


Q: What plans does OEPC have for capital investment?

A: With regard to investment in facilities and equipment, the Company aims to ensure that it has the resources to respond effectively to changes in the business environment. At the same time, we are also investing in the efficient provision of facilities from a long-term viewpoint, bearing in mind the severity and frequency of damage caused by typhoons in recent years. We will carefully scrutinize all capital investment plans to ensure maximum effectiveness and minimum waste.

Although demand for electric power in Okinawa Prefecture is growing, and this will have to be addressed, we have nonetheless set an average annual capital investment target maximum line of ¥250 billion over the next decade. The planned capital investment for fiscal 2006 (the current term) has been reduced by ¥1.8 billion from the previous year's plan to ¥18.8 billion. We are proceeding with plans for the construction of a thermal power station at Yoshinoura, which is needed to meet growing demand for electricity, but we will continue to do our best to hold down the investment amount.

Capital Investment
(¥ Billion)



Q: Could you give the reader some specific examples of measures being taken to hold down capital investment expenditure?

A: We are pursuing the following expenditure-restraint initiatives:

1. We will be undertaking a thorough review of our methods of design (including specifications) and construction of facilities, as well as the system of ordering and concluding contracts. We will also attempt to keep down construction costs by making use of existing facilities whenever possible.
2. Taking account of prices and fees actually charged by our contractors in recent years, we will seek cost reductions at every stage from planning to construction/installation.
3. We will closely examine the nature of the pre-construction surveys for the Yoshinoura thermal power station so as to effect a reduction in survey expenses.
4. Wherever feasible from a cost perspective, the Company will lower materials costs by reusing materials that would formerly have been disposed of when rebuilding, renovating or moving facilities (such as the steel latticework within reinforced concrete pillars, and electric cables).
5. In cases where concrete pillars, power cable insulators and other materials are unusable in their complete form, we will make efforts to reuse the materials from which they are made. Active efforts will be made to effectively utilize all materials from scrapped facilities.

Q: The prices on a CIF basis of fuels have risen sharply over the levels in 2004, with coal up 55% and crude oil up 31%. How is OEPC responding to this?

A: Under Japan's Electricity Enterprise Law, a system is provided whereby power utilities can raise their service charges to recoup a portion of the increased cost burden they are forced to bear as a result of fuel price rises. At OEPC, we take great care to avoid overdependence on this system, and we are therefore implementing the measures outlined below to reduce the fuel costs of operating our thermal (steam-powered) power stations, which use coal or oil as the energy source.

For coal-fired power stations –

■ *Concluding long-term coal procurement contracts, thereby assuring ourselves of stable supplies at a reasonable cost*

This system achieves superior cost-competitiveness compared with the purchase of coal on the market at spot prices, as well as ensuring sufficient fuel supplies over a long period.

■ *Switching from bituminous coal to less expensive subbituminous coal*

We are lowering our fuel procurement costs by switching largely to subbituminous coal, which is not only relatively environment-friendly (having low ash and sulfur content), but is also relatively inexpensive.

■ *Long-term coal transportation contracts*

Hitherto, we have signed single-year contracts for the transportation of coal, but we have replaced these with three-year contracts, enabling us to take advantage of transportation charges that are lower than the average spot market charges, and achieving a "leveling-out" of transportation costs by avoiding the frequently drastic fluctuations in spot transportation fees.

■ *Launching of the Shinryo-maru, a dedicated coal carrier vessel*

In August of 2003, we took ownership of a large new coal-carrier ship, the *Shinryo-maru*. This ship is allowing us to lower coal transportation costs thanks to its massive carrying capacity, which fits in well with our new system of long-term contracts.

The *Shinryo-maru*, a dedicated coal carrier

■ *Finding closer sources of coal*

By concluding coal purchasing contracts with suppliers in Indonesia and China, which are closer than our traditional sources in Australia, we have been able to cut transportation coats.

For oil-fired power stations –

■ *Close monitoring of market movements to procure lower price oil*

Hitherto, we have purchased oil at spot prices in an attempt to take advantage of periods when market prices were favorable, but in view of the persistent uptrend in oil prices, it is likely that we will experience difficulty in procuring oil at favorable spot prices. Nevertheless, we will continue to do our best to secure low-cost fuel supplies through close monitoring of market movements. Thanks to this method, we have been able to keep the rise in our fuel costs down to only 23%, compared with a general market price increase of between 30% and 50%.

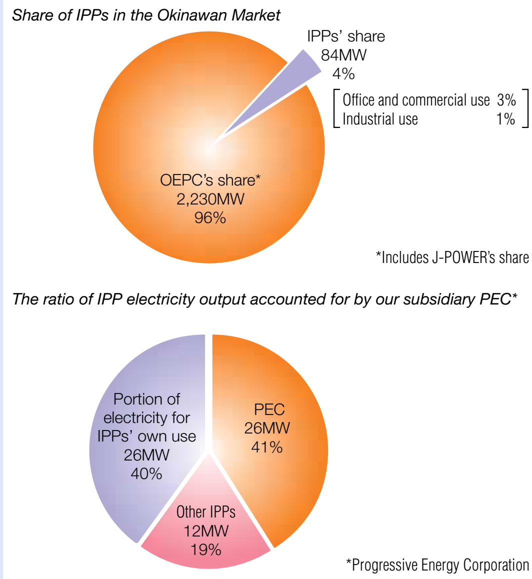
Q: Has the liberalization of the power supply business had any impact on OEPC's competitiveness?

A: Until recently, the electric power utility companies have had no competition, but with the deregulation of the industry, the way has been opened up for the emergence of power producers and suppliers (PPS). In Okinawa, however, no serious competitor is likely to emerge for the foreseeable future. Therefore, manufacturing companies that possess power generation facilities currently used solely in their own business operations are our potential rivals.

Firstly, as shown in the graph immediately below, power generated by IPPs at present accounts for only 4% of total power generation in Okinawa Prefecture.

The lower graph gives a breakdown of customers who purchased electricity from IPPs for office and general commercial use.

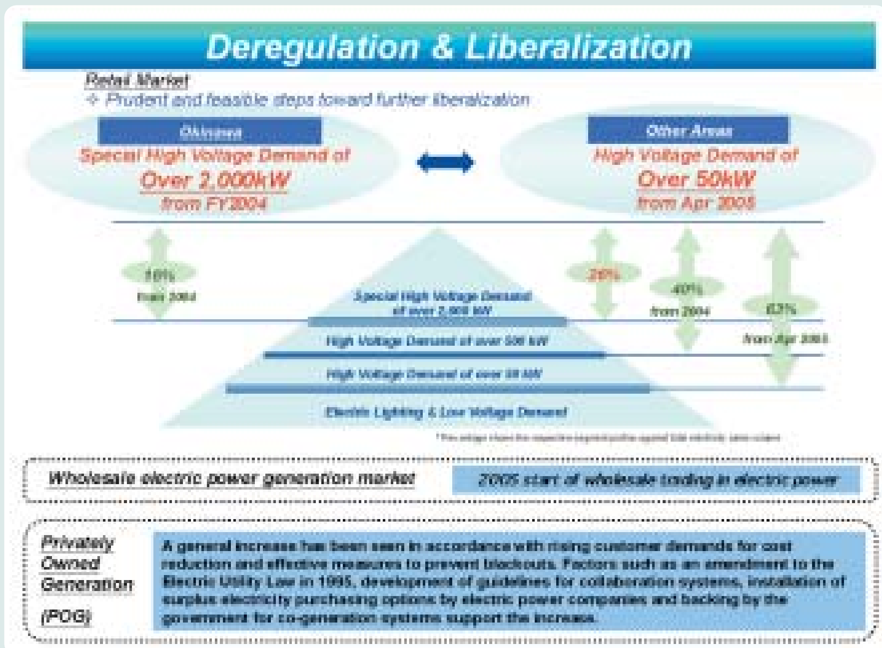
Status Report on Independent Power Producers (IPPs)



The Deregulation of the Electricity Supply Business

With effect from April 2004, all customers receiving extra-high-voltage power supply (supply at 20,000 volts or above; minimum contracted power of 2,000 kW) became eligible to purchase electricity on the deregulated retail market, enabling them to freely select their power supplier. From April 1, 2005, a revision to the Electricity Enterprise Law provided for the establishment of third-party organizations to oversee the fair apportionment of the transmission and distribution networks of the power utility companies, and the public disclosure of such, as well as the establishment of a wholesale trading exchange for electric power. A revision was also made to the system of calculation of fees charged for the use of transmission lines by non-utility companies.

In Okinawa Prefecture, as a result of the relatively large proportion of customers living on remote islands, and also because there is no undersea power cable linkage with mainland Japan, making it impossible to buy additional power from the nine other Japanese utility companies, plus the restricted scale of the prefecture's land, Okinawa's situation is subject to various unique conditions. Consequently, exceptional treatment of the prefecture was provided for in the abovementioned law, regarding the items covered by deregulation.

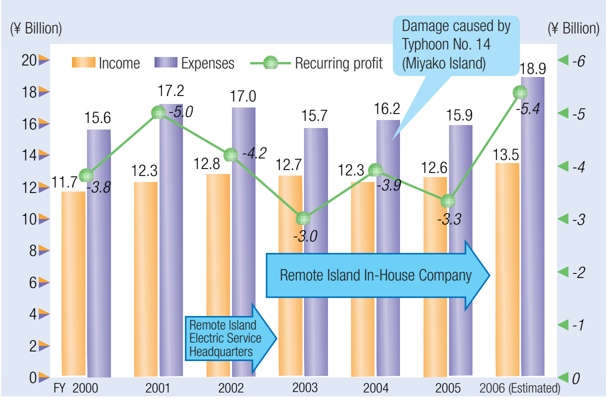


Q: In its supply of power to the smaller remote islands of Okinawa Prefecture, OEPC has to deal with a number of unique conditions that tend to raise the cost of power supply. These include factors of distance and lack of sufficient market scale. For a number of years, OEPC has registered an average red-ink figure on its remote-island operations of ¥4 billion annually; are there any changes on the drawing board?

A: As the deregulation of the electric power retail market proceeds, for OEPC, the efficient management of its operations on the prefecture's remote islands is becoming a matter of considerable importance from the viewpoint of maintaining our reputation for providing a power supply service of equal quality to residents of all parts of Okinawa. We have therefore been devoting further efforts to strengthening our service in this respect. In fiscal 2002, we established a special office to oversee remote island operations, and in fiscal 2003 we reorganized our remote island operations into a semiautonomous in-house "company" with a view to facilitating steady, reliable power supply to the prefecture's outlying islands through more cost-efficient operations. The most notable cost-reduction measures carried out thus far are detailed overleaf.

1. We have held down the costs of new capital investment by adopting new-type high-speed diesel generators.
2. We reviewed the status of a number of existing power generation facilities, and were able to postpone their originally scheduled demolition-and-replacement, as they are still operating sufficiently effectively.
3. On the basis of a review of regular facility inspection work carried out over the last decade, we determined that the costs of such work could be cut by employing fewer staff, and designed a new system to put this concept into practice.
4. We reviewed unit prices and the scope of work in a variety of work contracted out.
5. We hooked up Izena Island to Okinawa Island by undersea cable, with power supply commencing on April 1, 2003.
6. In July 2004 we installed a system for remote control and monitoring of supplemental power stations on Miyakojima and Ishigakijima islands from the main power stations.

Income and Expenses of Remote Island Operations



Q: Do you have any plans to increase the dividend payments in the future, and have you set a target for the payout ratio?

A: We have no specific plans regarding dividend payments at this point in time. Our fundamental policy is to make uninterrupted dividend payments, at a stable

level. Insofar as is possible, we hope to maintain the present per-share annual dividend payment of ¥60.

On May 20, 2005, we carried out a 1:1.05 stock split, as a result of which we can look forward to an improved degree of trading liquidity for our shares, as well as a higher dividend payout ratio. However, our payout ratio is likely to remain low compared with the other nine electric power utilities for the foreseeable future.

Companies like OEPC, which constantly have to invest in new equipment and facilities as well as in the maintenance of existing equipment and facilities, are forced to maintain a sufficient level of retained earnings for those purposes, and we believe it to be important to build a solid business structure over a long-term perspective.

Consequently, the management of OEPC are addressing their efforts, on an ongoing basis, to the tasks of reducing the balance of interest-bearing debt, raising the Company's equity ratio, and otherwise strengthening its financial position. At the same time, we constantly seek to find the ideal balance between lowering electricity rates so as to become even more cost-competitive, and distributing profit to the Company's shareholders. With regard to the payout ratio, too, we intend to carefully study the matter from all angles before taking any action.

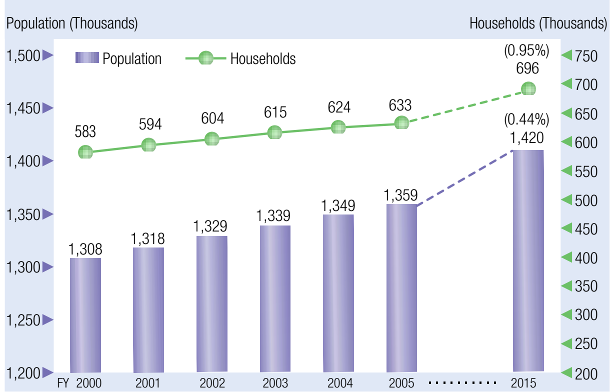
Economic Overview of Okinawa Prefecture

Population Growth

The rate of population growth in Okinawa is high compared with Japan as a whole. It is estimated that the average annual growth rate over the period from fiscal 2004 to fiscal 2015 will be 0.47% in Okinawa compared with minus 0.08% for the country as a whole. Moreover, whereas the population of Japan is forecast to peak in fiscal 2007, that of Okinawa is expected to continue growing until fiscal 2026.

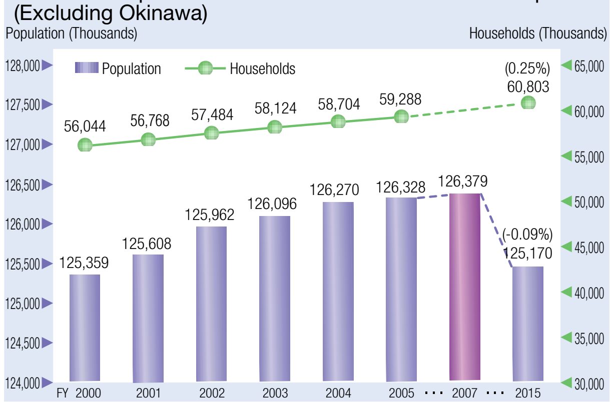
The number of households (residences) in the prefecture is also increasing more rapidly than in Japan as a whole, with the average annual growth rate for the period from fiscal 2004 to fiscal 2015 estimated at 1.00%, well above the national average of 0.32%.

Growth in Population and Number of Households in Okinawa



Source: Japan Electric Power Survey Committee
Note: For fiscal 2015, the rate in parentheses is the average annual growth rate for FY2004-2015.

Growth in Population and Number of Households in Japan (Excluding Okinawa)



Source: Japan Electric Power Survey Committee
Note: For fiscal 2015, the rate in parentheses is the average annual growth rate for FY2004-2015.

GDP

As a result of measures implemented under the government's Okinawa Promotion Plan, the GDP of the prefecture is forecast to grow at a faster pace that the GDP of the country as a whole. The average annual GDP growth for Japan as a whole from fiscal 2003 to fiscal 2012 is projected at 1.6%, compared with 2.6% for Okinawa. In parallel, GDP growth in the prefecture on a per capita basis over the same period is also forecast to exceed the national average, at approximately 3.4% compared with around 2.0% for the whole of Japan.

GDP Average Annual Growth Rate

	FY 2003	FY 2012	Avg. annual growth rate for 2003-2012
Okinawa	¥3,589,200 million	¥4,531,100 million	2.6%
Nationwide	¥513,177,200 million	¥590,021,600 million	1.6%

Source: Quantitative targets for economic and social development under the Okinawa Promotion and Development Plan, economic statistics for Okinawan residents in fiscal 2002; The Japan Electric Power Survey Committee

Average Annual Growth Rate of Per Capita Income for Okinawa and Japan as a Whole

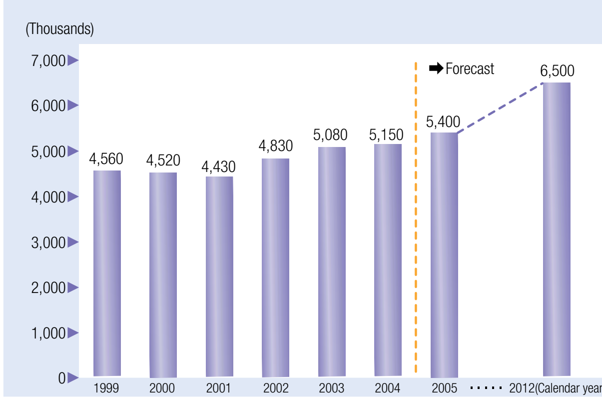
	FY 2003	FY 2012	Avg. annual growth rate for 2003-2012
Okinawa	¥2,030,000	¥2,740,000	3.4%
Nationwide	¥2,850,000	¥3,400,000	2.0%

Source: Quantitative targets for economic and social development under the Okinawa Promotion and Development Plan, economic statistics for Okinawan residents in fiscal 2002; The Japan Electric Power Survey Committee

Tourist Arrivals

Okinawa Prefecture saw a record number of tourist arrivals in 2004, at 5.15 million. The prefecture hopes to continue making effective use of its tourism resources, most notably its pleasant climate, beautiful beaches and sparkling blue waters, as well as its famous historical heritage sites. The prefecture will also continue to develop the potential of its large number of year-round, long-stay resorts, and has set a target figure for tourist arrivals in 2012 of 6.5 million.

Trends in Tourism in the Region



Source: Quantitative targets for economic and social development under the Okinawa Promotion and Development Plan; Tourism Directory, Tourism and the Economy (Okinawa)

An Overview of the Company's Facilities

Power Generation Facilities

Needless to say, modern society could not exist without electricity. As a power supply utilities company, OEPC bears a number of important public duties, principal among which are: to provide the same level of service to all users in Okinawa Prefecture; to guarantee an uninterrupted supply of power to the prefecture by ensuring that its energy (i.e. fuel) resources are always sufficient; and to make its best efforts to minimize the adverse effects of its business operations on the integrity of the environment.

An overriding concern of the management of OEPC is to plan the Company's supply of power from a long-term perspective, so as always to be one step ahead of the growth in demand. To this end, in planning and maintaining its power supply and transmission infrastructure, OEPC must constantly balance the requirements of economic viability and energy security, while building up its generation capacity so as to cope with the inevitable future growth in demand for power.

The upward trend of electric power consumption

In fiscal 2005, total electric power consumption amounted to approximately 7.2 billion kWh, a year-on-year increase of 0.5%. Peak load was 1,363,000 kilowatts, or approximately four times the figure for 1972, the initial year of operations as OEPC. Regarding the prospects for electric power demand from here on, although energy conservation initiatives have acted to constrain demand growth, the increase in the number of customers – fueled by population growth – and the steady growth of the prefecture's economy (helped by promotion plans implemented by the central government) are expected to push up demand by an annual average of 2.0% over the next decade, easily outpacing the projected 1.2% annual growth for Japan as a whole.

Expansion of power generation capacity

Japan imports approximately 80% of the fossil fuels used to generate electric power. Ever since the oil supply crises of the 1970s, particularly active efforts have been made to reduce the nation's dependence on oil by diversifying fuel sources. In Okinawa Prefecture, however, hydroelectric power generation is impossible because of the lack of suitable rivers, and the relatively small scale of demand for electric power in the prefecture does not justify the expenditure required to construct a nuclear power station. The Company is therefore forced to rely principally on thermal generators, in which the fuel burned is either oil or coal.

To lower OEPC's dependence on oil further, we commenced construction our second coal-fired generation facility (after the Gushikawa thermal power plant), the Kin thermal power plant. Operation of the No. 1 generator at the new power station began in February 2002, followed by the No. 2 generator in May 2003. The Kin power station is enabling OEPC to cope with the strong growth in electric power demand on Okinawa Island.

Our next major power generation development project is the Yoshinoura thermal power plant, operation of which is scheduled to commence in fiscal 2011. This new plant will use LNG as its fuel. As the combustion of LNG emits very little carbon dioxide, it will not materially contribute to global warming. At the same time, the use of LNG is in line with the Company's policy of diversifying the types of fuel used, thereby further ensuring the reliability of our power supply service.

Kin Thermal Power Station

Bolstering generation infrastructure on remote islands

OEPC constructs smaller power plants on islands remote from the prefecture's main island, and these power stations are, in many cases, connected to other even smaller outlying islands by undersea power cables. This is part of OEPC's effort to fulfill its public commitment to provide all residents of the prefecture with the same level of service.

Power Transmission Facilities

It is not enough simply to generate electric power – it must be delivered to the consumer – and to do this OEPC has built, and constantly maintains, an extensive network of high-voltage power transmission lines, transformer stations, and low-voltage local distribution networks. OEPC is directing its planning and investment in the construction and installation of generating facilities and its transmission network from an integrated perspective, taking fully into account demand trends in the prefecture and the overriding need to ensure a reliable supply into the indefinite future.

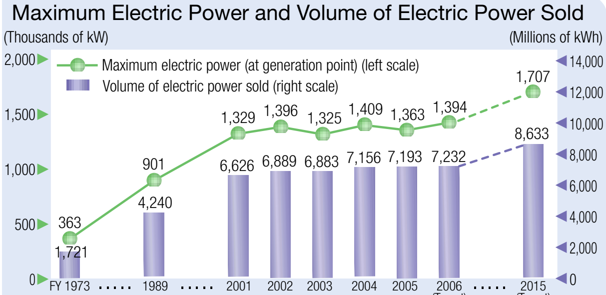
Our comprehensive network

At present, the Company's network of high-voltage power transmission lines connecting its power plants with its transformer stations (on Okinawa Island and all other islands of the prefecture), including above-ground and buried cables, measures a total of 906 kilometers. We operate 128 transformer stations, and the length of the low-voltage distribution line network connecting these stations with our customers (again, both overhead and underground), totals 10,516 kilometers. We are continuing to invest in the expansion and improvement of these transmission and distribution networks to cope with growing demand in Naha City and the surrounding region as well as to provide backup lines to ensure supply in all circumstances. This work is being carried out in coordination with the planning for the construction of the Yoshinoura thermal power plant.

Remote power control

OEPC has established a remote control system for power load adjustment at power stations and current adjustments at transformer stations and over transmission lines, to precisely match power demand.

Maximum Electric Power and Volume of Electric Power Sold

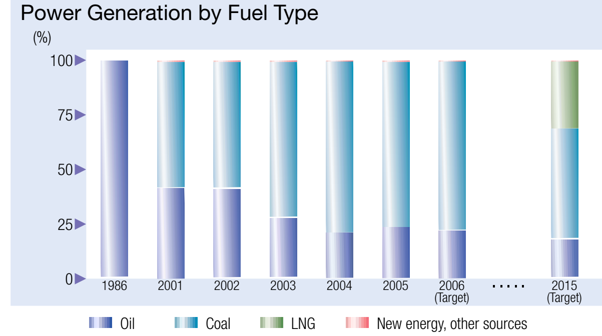


Automated power distribution system

This is a system whereby computers in our local offices are connected via telecommunication lines with the switching gear mounted on power poles in each office's service area. The system enables staff at the offices to switch power to particular customers on or off, and to remotely monitor data on voltage and current. Previously, these operations required the offices to send employees to the site.

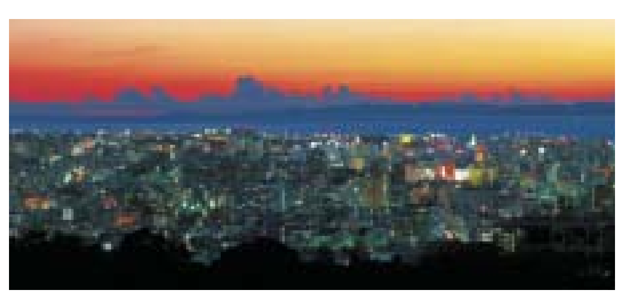
The system enables repair staff to restore service much more quickly when a line is severed by accident, and also allows the Company to more efficiently plan the construction of new infrastructure, as well as conduct services more effectively. It thus helps us provide our customers with a reliable power supply service at a reasonable cost.

Power Generation by Fuel Type



Laying local distribution lines underground

Urban redevelopment projects are being carried out in cities all over Japan as part of an overall concept of improving social infrastructure. The power utility companies are pursuing plans to take advantage of such redevelopment projects to dismantle their overhead local power distribution lines and lay them underground in these areas. In Okinawa Prefecture, too, we have been pursuing such initiatives since fiscal 1992, and by fiscal 2004 we had laid approximately 60 kilometers of underground power distribution lines. By fiscal 2009, we hope to have extended this by a further 30 kilometers.



Plan for Construction of LNG Combined-Cycle Power Plant in Fiscal 2011

OEPC's power plant construction plans are designed to cope with the steady increase in demand for electricity. The Company has decided to construct an LNG-fired CCGT power plant in view of the low carbon dioxide emission level of such plants and their consequent contribution to the prevention of global warming.

Furthermore, the adoption of LNG will give OEPC a third fuel option after oil and coal, thus achieving a more diversified (and therefore more risk-resistant) portfolio of energy sources. This will help the Company attain greater security in its fuel procurement, thereby guaranteeing still further the provision of a reliable supply of power.

We plan to install four 240,000-kilowatt class generators – the maximum feasible number for the planned power station site. No. 1 will go into operation in fiscal 2011, and No. 2 in the following year. We will draw up more detailed plans for the development of Nos. 3 and 4 in fiscal 2017 or later, as part of our policy of flexibly responding to changes in power demand trends and the likely ongoing requirements to reduce carbon dioxide emissions still further.

Construction Schedule

FY2004–2007	FY2008–2010	FY2011	FY2012	FY2017 and after
Conduct an environmental assessment Examine facility specifications	Facility construction	Start operating generator No. 1	Start operating generator No. 2	Start operating generators No. 3, No. 4

Outline of Facilities

Power generation

[kW]

Type	Name of power station	Max. capacity	Generator [Unit; kW]		Fuel used
Steam	Makiminato	465,000	No.5	85,000	Heavy oil C
			No.6	85,000	
			No.7	85,000	
			No.8	85,000	
			No.9	125,000	
	Ishikawa	250,000	No.1	125,000	
			No.2	125,000	
	Gushikawa	312,000	No.1	156,000	Coal
			No.2	156,000	
	Kin	440,000	No.1	220,000	
			No.2	220,000	
	Total	1,467,000	11 [units]		
Gas turbine	Makiminato	163,000	No.1	60,000	Kerosene
			No.2	103,000	
	Ishikawa	103,000	No.1	103,000	
	Miyako	15,000	No.1	5,000	Heavy oil A
			No.2	5,000	
			No.3	5,000	
	Ishigaki	10,000	No.1	5,000	
			No.2	5,000	
	Total	291,000	8 [units]		
Internal combustion	Kume	19,750	10 [units]	MAX 4,000	Heavy oil (A, C)
	Izena	3,800	5 [units]	MAX 1,000	
	Tokashiki	3,650	7 [units]	MAX 1,000	
	Tonaki	915	5 [units]	MAX 365	
	Aguni	1,580	6 [units]	MAX 380	
	Minami-daito	3,900	8 [units]	MAX 1,000	
	Kita-daito	1,400	6 [units]	MAX 300	
	Miyako	21,500	6 [units]	MAX 5,500	
	Miyako No.2	40,000	4 [units]	MAX 10,000	
	Shintarama	1,480	5 [units]	MAX 500	
	Ishigaki	26,500	5 [units]	MAX 10,000	
	Ishigaki No.2	30,000	3 [units]	MAX 10,000	
	Hateruma	900	5 [units]	MAX 300	
	Yonaguni	2,750	5 [units]	MAX 850	
	Total	158,125	80 [units]		
Total		1,916,125	99 [units]		

*As of March 31, 2005

Power transmission

Classified by voltage [kV]		132	66	22	13.8	Total
Route length of transmission line network [km]	Overhead	101	415	180	16	712
	Underground	17	84	81	12	194
	Total	118	499	261	28	906
Total length of transmission line network [km]	Overhead	202	482	182	23	889
	Underground	34	87	100	12	234
	Total	236	569	282	35	1,123

Transformer equipment

	Classified by voltage [kV]	132	66	22	13.8	Total
Total	Number of locations	9	68	19	32	128
	Voltage capacity [MVA]	2,755	2,663	188	47	5,653

Power distribution

		Extra-high-voltage lines	High-voltage lines	Low-voltage lines	Total
Route length of transmission line network [km]	Overhead	111	6,635	3,484	10,230
	Underground	6	276	4	286
	Total	117	6,911	3,488	10,516
Total length of transmission line network [km]	Overhead	338	21,951	11,163	33,452
	Underground	7	372	4	383
	Total	345	22,323	11,167	33,835

Research & Development Initiatives

The management environment for OEPC is becoming increasingly severe. Not only do we have to comply with commitments to reduce carbon dioxide emissions under the Kyoto Protocol, new Japanese legislation directly covering the electric power utilities obligates us to develop new energy sources. In addition, the market in which we operate is threatening to become more competitive as a result of the entry of independent power providers into the newly deregulated power market. The research staff of OEPC are conducting a variety of studies aimed at finding effective solutions to these urgent issues that face the Company's management. These research initiative are described below.

Biomass energy

The term "biomass energy," also called simply "biomass," refers to the solar energy stored by plants through the process of photosynthesis, by means of which they utilize sunlight to create their tissues. Unlike fossil fuels, biomass is a renewable energy source. No matter how many times biomass is converted into other forms of energy and utilized by mankind, the carbon dioxide thus released was originally taken from the atmosphere by the plants to form their mass. The process thus does not constitute the addition of any further carbon dioxide to the atmosphere.

We are currently studying the various forms of biomass available for use in Okinawa Prefecture. One likely candidate is wood chips and sawdust, mixed with the sludge left over after the combustion of coal. Studies are ongoing into the design of a generation plant utilizing such fuel.

Carbonized sewage sludge

Wood chips

Research into redox flow cell storage battery systems

Although electricity is a very versatile form of energy that can be easily utilized for a wide variety of purposes, its biggest drawback is that it cannot easily be stored. Redox flow cell batteries, however, are capable of storing a considerable amount of electricity, and can be effectively employed to store power at night, when demand is low, for use in the daytime. This is a very efficient way of utilizing a power supply system. At OEPC, we are also studying ways of utilizing redox flow cell batteries to overcome the principal drawback of such natural and renewable energy sources as wind power and solar energy, namely, that the level of power fluctuates almost constantly. Storing the electric power in redox flow cell batteries for use later would be one way of leveling-out such fluctuations in power supply, opening up the way to more extensive employment of clean and renewable energy.

OEPC aims to utilize redox flow cell battery systems to assist in load-leveling and generally promote greater stability in the Company's power supply system. Specifically, we hope to curb excessive fluctuations in power generation output, reduce the amount of power generated that goes to waste, and utilize research into redox flow systems to design an optimum system for the use of new (i.e. clean and renewable) energy while minimizing fluctuations in output.

Research into new energy sources

Wind-powered electricity generation is a classic example of "clean" energy, in that it employs a renewable natural energy source. The drawback is that it is dependent on the force of the wind, which varies almost constantly. Thus, if wind-power generation facilities are added to a small-scale power supply system, the stability (i.e., the reliability) of the power supply would be compromised. Because of this, at our Iheya wind-powered generating station, we have installed the world's first wind direction and wind-speed prediction system utilizing a laser beam device. Staff at the station are conducting research into ways of controlling wind-powered generation to produce a leveled-out power output through the accurate forecasting of fluctuations in wind strength.

Additionally, from fiscal 2001 to fiscal 2004, OEPC participated in joint research carried out by Japanese and Thai researchers under the aegis of Japan's New Energy Development Organization (NEDO), and in collaboration with NEDO, OEPC staff conducted verification studies on a solar power generation system that is believed to a prime candidate for practical introduction by Japanese industry.

An international joint research project into solar power generation (Thailand)

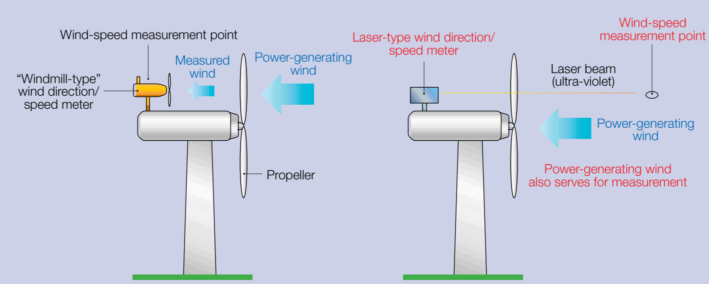
Field tests on an industrial solar power system are being carried out at a facility on Kita-Daito Island.

Utilizing coal ash to make organic fertilizer

Coal ash left over after the combustion of coal at thermal power stations contains constituent substances that have been shown to be effective in promoting plant growth. To turn it into a practical fertilizer, the ash is mixed with organic materials such as rice bran, fish meal, and oilseed husks, and then allowed to ferment. By reusing what would otherwise be solid waste produced by our operations, we are contributing to the preservation of the environment.

Growing vegetables using coal ash as fertilizer (Kin Town)

Wind power generators – comparison of conventional direction-control system and laser-type system



Laser-type wind direction/speed meter

New Energy Facilities (As of March 31, 2005)

Wind Power Generation Facilities

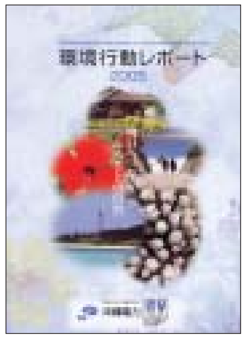
Name	Capacity (kW)	Started
Miyako Wind Power Research Facility	600	March 2003
Makiminato Wind Power Research Facility	170, 80	Sept. 1998
Ishikawa Wind Power Research Facility	130	Sept. 1998
Ginoza Wind Power Research Facility	250, 500 x 2	Sept. 1998
Tarama Wind Power Research Facility	280	July 1999
Hateruma Wind Power Research Facility	280	July 1999
Aguni Wind Power Research Facility	250	March 2000
Tonaki Wind Power Research Facility	250	March 2001
Yonaguni Wind Power Research Facility	600 x 2	March 2002
Iheya Wind Power Research Facility	300	Aug. 2003

Solar Power Generation Facilities

Name	Capacity (kW)	Started
Tokashiki Solar Power Research Facility	204	April 1988
Zamami Solar Power Research Facility	46	May 1988
Miyako Solar Power Research Facility	750	Sept. 1994
Urasoe Branch Solar Power Generation System	10	May 1998
Naha Branch Solar Power Generation System	12	Dec. 1999
Miyako Branch Solar Power Generation System	10	Jan. 2001
Yaeyama Branch Solar Power Generation System	10	March 2001
Kita-Daito Solar Power Research Facility	40	March 2001
Solar Power Generation EV Station Testing Facility	2	March 2003

Environmental Preservation Initiatives

To leave the heritage of a beautiful, unspoiled natural environment to future generations, it is our duty to utilize our technological expertise and all other forms of know-how, from every possible angle, to ensure that all our staff address their efforts to resolving the issue of harmonizing our business operations with the need to reduce their burden on the environment.



OEPC has been publishing a report on its environmental activities annually since 1996

Improving our environmental management

In March 2005, the Power Generation Dept. of OEPC's Electric Power Engineering Division obtained the 1996 version of the ISO 14001 certification of conformity with international standards for environmental management systems. This certification includes a blanket certification for the Company's four thermal power plants, which have hitherto obtained such certification separately. These separate certifications were as follows: February 1999 for the Ishikawa plant; September 2000 for the Gushikawa plant; and October 2000 for the Makiminato plant. The new blanket certification also covers the Kin plant and the Power Generation section at our head office.

Thus, all sections of the Company directly engaged in power generation have now been certified as in conformity with the ISO 140001 standards for environmental management systems. Building on this success, we will ensure that our environmental management systems under the blanket certification work more effectively, and will endeavor to reduce the environmental burden of our operations still further in the future.


DET NORSKE VERITAS
MANAGEMENT SYSTEM CERTIFICATE

An ISO 14001 certificate

Combating global warming

The carbon dioxide released into the atmosphere by the burning of fossil fuels is said to be the principal cause of global warming, and this is a major issue which the electric power utilities have to address. Up to now, countermeasures have included measures to improve the efficiency of heat utilization at power stations, the introduction of new energy sources such as wind power and solar power, and a variety of energy conservation initiatives. By these means, the utilities have attempted to reduce their volume of combustion of fossil fuels and thus their emissions of carbon dioxide.

At OEPC, we have decided on the construction of a new power station at Yoshinoura, which will burn LNG instead of coal or oil, as this fuel generates much lower carbon dioxide emission levels. As supplemental measures, we are also taking advantage of the mechanisms provided under the Kyoto Protocol to assist in the reduction of greenhouse gas emissions on a global scale, through contributions to the World Bank's Community Development Carbon Fund, among other such projects.

Local environmental improvement initiatives

To ensure that the islands of Okinawa retain their beautiful natural environment for the enjoyment of generations yet unborn, we make a special effort to protect the countryside and seaside in the vicinity of our power plants. We invest considerable efforts in planting greenery on the grounds of our power plants with the aim of providing extra greenery in urban areas for local residents to enjoy, and in pursuing initiatives, on a trial basis, to encourage the growth of coral reefs and seaweed in the seas around the plants.

In preparation for the start of operations at our planned Yoshinoura Thermal Power Station in fiscal 2011, we have conducted environmental assessments covering the likely impact of the construction and operation of the plant on the atmosphere as well as the local marine environment and, on land, on plants and animals. The results of these assessments have been collected in an environmental impact report for presentation to the authorities. We are canvassing the views of local residents as well as the local government, and hope to create a new power plant that will harmonize smoothly with the natural surroundings cherished by the community.

Environmental protection facilities at a power plant
As part of an overall policy of removing harmful chemicals from smoke emitted by our power plants, they are equipped with desulphurization and denitrification equipment.

Conducting a survey of plant and animal life as part of an Environmental Assessment

Creation of sustainable resource reuse system

OEPC is promoting the use of a three-pronged system for handling the waste products generated by its operations. The three-point system incorporates the concepts of "reduce, reuse, and recycle" as a way of optimally utilizing the Earth's limited natural resources. For example, we use the coal ash and gypsum created by the combustion process at our coal-fired power plants as raw materials for cement, as an alternative to sand in the production of synthetic stone materials, and as an agricultural soil improvement agent.

The picture at left shows a road surfaced with OEPC's Pozotech, made from coal ash produced at our power plants.
The photo at right shows an artificial gravel, also made from coal ash, which has various uses in civil engineering. These two products were certified in December 2004 by the Okinawan prefectural government for sale as recycled road-surfacing and civil engineering materials.

Recycled toilet paper
We collect used paper from our offices and supply it to local paper manufacturers, who recycle it into toilet paper.

Social Contributions

OEPC has grown to its present status in parallel with the development of Okinawa Prefecture, and with the invaluable support and cooperation of many members of the regional community. Under the motto of “With the region, for the region,” the Company aims to contribute to raising the standard of living of the residents of Okinawa, and to this end we make efforts to ensure that our management resources, including infrastructure and staff, are put to use in energizing the prefecture’s economy. In this and other ways, we take a very active stance toward contributions to the life of the local community.

Regional economic revitalization

OEPC pursues a number of initiatives aimed at assisting in the development of the Okinawan economy and the prefecture’s industrial base. These include liaising with business and industrial organizations both within the prefecture and elsewhere in Japan; making proposals regarding the promotion of industrial development, and providing valuable support for such schemes; and conducting joint surveys with members of industrial organizations, government bodies, academic institutions, and private-sector organizations. In addition to assisting in surveys, we dispatch staff members to work with the survey teams, and make our technological expertise available for industrial and economic redevelopment projects.

On a broader social and cultural stage, too, OEPC cooperates with social welfare organizations, the nation’s central and local governments, non-profit organizations, and local public corporations. These joint activities encompass social welfare programs, regional economic development projects, and sporting events.

OEPC provided support for the hosting in Okinawa of the annual general meeting of the International Development Bank (IDB) in 2005 by donating funds to the organizing committee and dispatching staff to assist in the preparations.

As part of activities to mark the 30th anniversary of OEPC’s establishment in its present form, we made a donation for the expansion of a zoo – the Okinawa Children’s Future Zone.

Youth programs

In order to foster an understanding of the pleasure to be derived from learning, and develop a love of creating things among schoolchildren, who will form the nation’s work force in future years, we organize a robot-building competition for high school students and an exhibition of science-work by the students. We also organize tours for schoolchildren of our Electrical Science Museum and our power stations, and hold a “science fair classroom” for students and their parents during the summer holidays.

The Okinawa Young People’s Science Fair

25th Anniversary Pamphlet on the exhibition of science-work by the students

A robot building and control competition for high school students

A “make it together with Mom and Dad” class

Arts & crafts, cultural events, and sports

As part of its program of support for the artistic and cultural scene in Okinawa Prefecture, OEPC has since 1995 been holding the annual Okiden Sugar Hall Newcomers' Performance Audition to provide an opportunity for the discovery of talented young classical musicians. In recognition of the Company's support for up-and-coming new musicians, it was awarded the Prize for Corporate Philanthropy for the Year 2000 by the Association for Corporate Support of the Arts.

In 2001, OEPC instituted a prize – the Okiden Illumination Prize – for work done in the field of artistic lighting and illumination effects, with the goal of fostering the growth of this new art form, which makes a valuable addition to Okinawa's tourist attractions.

In the field of sports, we sponsor a number of competitive events, including the Okiden Pennant Tournament – a rubber-ball baseball competition for elementary school children – Naginata martial arts tournaments, and the OEPC Cup table tennis team tournament (open to the general public).

The Okiden Pennant Tournament, a rubber-ball baseball competition for elementary school children

The Okiden Sugar Hall Newcomers' Performance Audition

An entry in the contest for the Okiden Illumination Prize

"Get-to-Know-Okiden" events

Every November, over a period of ten days, the Company organizes a variety of events to help local people get to know the Company better. The events include talk sessions with members of the public, guided tours of our power plants, sports competitions, and community volunteer initiatives by our employees.

Potato planting for children

Checks and repairs on wiring in homes where elderly people live alone

Baseball workshop for children

A "Learn About Electricity in the Home" class for local residents

An Outline of the OEPC Group

Our aim in managing the OEPC Group as a whole is to expand our sphere of business activities, as well as to maximize the enterprise value of the group through the efficient allocation of management resources such as equipment and personnel, and the sharing of technological expertise. With regard to the opening up of new business fields, we take care to ensure that such moves are backed by a consensus of approval among both our shareholders and the community at large. In addition, we also focus on businesses that help contribute to the growth of our core electric power business and to the development of customer industries in Okinawa Prefecture. In these ways, we select new businesses that expand and enhance the service we provide to our customers.

Group companies serve as invaluable partners in our provision of a reliable power service

The overriding concern of all companies in the OEPC Group is to assist the parent Company in its provision of a reliable electric power service to the people of Okinawa. To help make the supply of power by OEPC go smoothly, the seven companies of the OEPC group engage in the businesses of power plant construction and maintenance, facility inspection, and the procurement of essential facilities such as transformers, switchboards, power distribution lines, and electricity meters for the parent company. Utilizing their accumulated expertise in the construction of electric power facilities, they are also engaging in various public works projects and private-sector construction projects, so as to help promote the growth of the local economy.

Okidenko Company Incorporated installed the exterior lighting for the National Theater Okinawa.

Employees of Okinawa Denki Kogyo Company, Incorporated check power meters.

Staff from Okinawa Plant Kogyo Company, Incorporated disassemble a turbine at Makiminato Thermal Power Plant for a regular inspection.

Lifestyle support services

■ Telecommunications services

The OEPC Group's activities in this area are based on a vision of society in the near future in which the roles of computers and telecommunications will be enormously expanded by comparison with the present. For example, people will be able to view or download publicly accessible data held on file at their local government offices. They will be able to view movies selected from an almost infinitely wide choice range, via broadband Internet connection in their own homes, or participate in teleconferencing via their own PCs. In the near future, it is expected that all computers – at public facilities, private companies, and ordinary households – will be interconnected via one information technology network or another.

The companies in the OEPC Group are working on the design and practical creation of secure systems that will facilitate the establishment of new types of ties between individuals, between individuals and communities, and between different regional communities.

Okinawa Telecommunication Network Company, Incorporated has begun offering an Internet access service utilizing a proprietary optical fiber network.

The iDC Building – This building features highly reliable broadband Internet access services, provided by First Riding Technology Company, Incorporated.

IT Expo – Companies in the OEPC Group show off their wares and services.

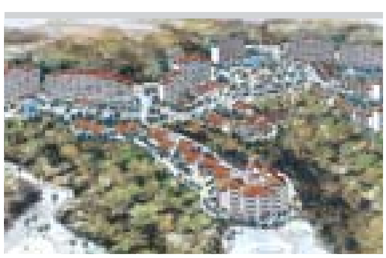
■ Operation of on-site power generators

We aim to meet our customers' needs for reduced costs, energy conservation, and a smaller environmental burden from their business operations by providing them with comprehensive, "one-stop" solutions for efficient, cost-effective, and environmentally-friendly power generation. We offer a comprehensive range of IPP services, from "diagnoses" of power generation equipment needs, through design, installation and operation of facilities, as well as monitoring, fuel supply, and maintenance and repair.

Employees of Progressive Energy Corporation (PEC) install a small-scale power generator, part of a "distributed generation" network.

■ Nursing care facilities

We plan to create high-quality nursing care facilities located in an extensive area of unspoiled nature, where the highest level of nursing and medical services will be provided.



Artist's impression of the Kanucha Hilt Community, a retirement community complex with nursing care facilities

In-house venture system

In the year 2000 the Group established the MOVE2000 Program as a means of fostering new businesses. Under this program, employees of OEPC and its Group subsidiaries are encouraged to put forward proposals for new business ventures. Those deemed commercially viable after careful study are put into practice, and thus far, five new companies springing from such suggestions have been established.

Okinawan Rum is made from sugar cane (for which Minami-Daito Island is renowned) and molasses. This delicious drink, made by Grace Rum, contains no artificial aromatics or coloring.

Pork has always played an important role in Okinawan cuisine. Ganju Company, Incorporated upholds very high quality standards in its production of tasty pork.

Aqua Culture Okinawa Co., Inc. sells decorative corals that are artificially cultivated in its tanks.

Okiden Group Companies (As of March 31, 2005)

Company Name	Established/Capital	Business Areas
Construction		
Okidenko Company, Incorporated	June 7, 1968 ¥130 million	Construction and installation of power distribution and generation facilities; civil engineering work; and building construction
Okiden Sekkei Company, Incorporated	May 10, 1994 ¥40 million	Feasibility studies and design of electric power facilities, and supervision of construction; environmental surveys, soil quality examination and land surveys
Okinawa New Energy Development Company, Incorporated	October 14, 1996 ¥49 million	Feasibility studies, design, and management of construction of new energy power generation systems; management of operation and maintenance of such systems
Okisetsubi Company, Limited	September 18, 1995 ¥20 million	Installation of air conditioning, sanitation, and electric water-heating equipment; design and installation of ice-storage air-conditioning equipment
Electric power supply and peripheral businesses		
Okiden Kigyo Company, Incorporated	October 15, 1975 ¥43 million	Sale and maintenance of electrical equipment; lease of vehicles and property; maintenance of vehicles; agency business for non-life insurance companies
Okinawa Plant Kogyo Company, Incorporated	June 1, 1981 ¥32 million	Operation of electrical machinery and facilities, etc. on commission; installation of electrical machinery and equipment
Okinawa Denki Kogyo Company, Incorporated	December 23, 1971 ¥23 million	Repair of electrical measuring equipment and inspection agency work; sale of components for electrical facilities
Information and telecommunication business		
The Okiden Global Systems Company, Incorporated	April 12, 1991 ¥20 million	Computer systems design and software development; sale, leasing, etc. of computers and peripheral equipment
Okinawa Telecommunication Network Company, Incorporated	October 29, 1996 ¥700 million	Operation of Type I carrier business based on the Telecommunications Business Law; telecommunications equipment installation & maintenance
OTNet Service Company, Incorporated	May 21, 2001 ¥10 million	Type 2 carrier under the Telecommunications Business Law; supplier of high-speed digital communication service via dedicated optic-fiber network
First Riding Technology Company, Incorporated	July 11, 2001 ¥945 million	Internet solutions; call center business
Trusted Technologies Company, Incorporated	April 2, 2001 ¥25 million	Providing comprehensive data security solutions
Real estate business		
Okiden Kaihatsu Company, Incorporated	April 26, 1989 ¥50 million	Management, buying & selling, and leasing of real estate
Small-scale, on-site power generators		
Progressive Energy Corporation (PEC)	August 23, 2001 ¥100 million	Installation, operation, and maintenance of home-use power generation systems, and support services for energy saving
Nursing care services and retirement home management		
Kanucha Hilt Community Company, Incorporated	February 18, 2003 ¥327 million	Development and management of retirement communities
Other businesses (including funding of businesses unrelated to electric power)		
Quetech Company, Limited	March 30, 2001 ¥3 million	Management consultant services, ISO certification support training, application software development business
Ganju Company, Incorporated	March 25, 2003 ¥10 million	Hog raising, and wholesaling and retailing of pork
Grace Rum Company, Incorporated	March 1, 2004 ¥10 million	Production and sale of rum
Aqua Culture Okinawa Company, Incorporated	June 13, 2005 ¥15 million	Cultivation and sale of decorative corals and other marine organisms

The following is a description of the various risks which could have an impact on the Group's business performance and financial position. Statements contained in this report regarding the Company's projections for future performance are based on our evaluations at the end of the fiscal year under review (consolidated basis).

1. Reform of the electricity business

Starting April 1, 2004, the scope of deregulated retail power sales for extra-high-voltage electricity was expanded, and as of the end of March 2005, 16% of our customers in terms of electric power sold are in this category. In fiscal 2008, further expansion of deregulation (to cover customers with purchase contracts other than extra-high voltage) is scheduled to be discussed.

Currently, there are no signs of new entrants making moves to enter the prefecture's electric power industry. However, such new entrants could have a potential impact on Group earnings performance and financial position.

2. Economic and climatic conditions

Changes in economic and climatic conditions have the potential to substantially affect volumes of electricity sold by the Electric Power Business. The Group's business and financial performance could be affected by such economic and climatic factors.

3. Fuel-price fluctuations

In our Group operations, we primarily use coal and oil as our thermal fuel sources. Fuel costs fluctuate in tandem with changes in fuel prices and foreign exchange rates.

However, we aim to minimize the impact on our earnings by applying our fuel cost adjustment measures, which take account of changing fuel prices and foreign exchange rates in the setting of electricity fees.

4. Interest-rate fluctuations

The balance of the Group's interest-bearing liabilities totaled ¥256.5 billion as of March 31, 2005. Future movements in interest rates have the potential to impact the Group's earnings performance. However, as the interest rates are fixed for the major portion of our interest-bearing debt, and as we are taking steps to substantially reduce our balance of interest-bearing debt to strengthen our financial position, the actual impact of interest rates on the Group's earnings performance is expected to be limited. In the event that a ratings agency lowers our credit rating, the interest rates on fund procurement for the Group would rise, with the potential to affect the Group's earnings.

5. Special legal measures

To ensure a stable and adequate supply of electric power to Okinawa, in accordance with the Law for Special Measures to Promote Okinawa, we benefit from special measures and provisions that enable us to secure funds and facilitate other aspects of our operations. Under the Okinawa Development Finance Corporation Law, we receive most preferential interest rates from the Okinawa Development Finance Corporation (ODFC), in line with the stipulations of the ODFC's business and service manual.

The Company also benefits from various tax advantages (such as reduced enterprise and fixed property taxes, and exemption from oil and coal tariffs). However, the savings achieved through these special benefits are passed on to electricity users. Any abolition of these measures and provisions would have a significant impact on Group business performance.

6. Natural disasters, etc.

Mindful of its duty to ensure a stable supply of electric power, the Company is committed to efficient facility construction, operation, and maintenance to ensure it can cope with natural disasters. However, Group earnings may be adversely affected by major natural disasters, typhoons in particular, and accidents.

7. Personal information leakage

The Group's earnings may be adversely affected by problems arising from leakage of customers' personal information acquired or managed for operation of Group business.

Corporate Governance

Basic Approach

The Group will conduct its business in conformity with relevant laws and in an ethical manner, and will deepen relations of trust with shareholders, investors and customers through prompt and appropriate disclosure, to ensure that it remains the electricity supplier of choice for its community. To this end, we are vigorously strengthening corporate governance throughout the Group.

In the 2006 business plan, we continue to pursue our Group target of establishing a Group "brand" by raising our reputation for trustworthiness through enhanced compliance.

1. Structure and Internal Controls of Group Organizations

Group Senior Executive Council

The Group has established a Senior Executive Council, chaired by the company president, to discuss important Group matters and assume a decision-making role in strategic management planning and implementation. In principle, the council meets once a quarter, and additionally whenever needed.

Every year, we hold a meeting of the President and the presidents of affiliates to clarify the management posture of all Group companies, ensuring that decision-making is relayed around the Group and that Group management is more cohesive.

The Board of Directors / Board of Executive Directors

The Board of Directors generally meets twice a month. It decides on important company executive matters, and supervises directors' conduct of operations.

In addition, based on the policies decided by the Board of Directors, the Board of Executive Directors discusses issues vital for smooth management of operations under the President's supervision, and works to assure smooth execution. It generally meets two or three times every month, and deals with conduct of important operations.

Board of Auditors

The Company uses the traditional corporate governance system based on corporate auditors. Corporate auditors supervise the conduct of operations by directors through attendance of important meetings such as the Board of Directors' meeting. The Board of Auditors generally meets once in every two months, and receives and discusses reports concerning important auditing matters. The Board of Auditors has its own staff, working from a corporate auditors' office, to offer support in auditing, and to handle administration. In addition, the corporate auditors work in partnership with independent auditors and internal auditing department to strengthen internal controls and risk avoidance in all Group companies.

Conflict of Interest Involving External Directors and External Auditors

No substantial conflict of interest exists between the Company and the external director and two external auditors.

Internal Audits

A two-person internal auditing (assessment) office has been set up as a separate entity under the President. To improve performance, this team carries out annual internal audits to confirm and evaluate the diligence of employees charged with target achievement with respect to management policy, corporate rules and regulations and legal observance in the conduct of their work.

Independent Auditors

Based on a contract between the Company and Deloitte Touche Tohmatsu, an accounting firm, Certified Public Accountants Noriyuki Takayama and Tatsuya Yasuda were responsible for auditing the settlement of accounts for this period. They were assisted by five other certified public accountants, two assistant accountants and three others.

Compliance

The Company has established a set of corporate conduct standards as a guideline for fair conduct and contribution to society. We are promoting legal observance through rules for legal compliance and ethical conduct for executives, and rules for ethical conduct for regular employees. Initiatives to realize compliance Groupwide include establishment of the "Okiden group code of conduct" for Group companies.

Disclosure

The Company discloses financial information in the first and third quarters in addition to disclosures for term-end and interim account settlements, to keep shareholders and investors fully informed.

Other

To enhance operational efficiency, the Company has acquired the ISO 9001 international quality management standard. Through internal audits, we ensure ISO 9001 methods take root and promote more efficient, enhanced operation of our business. We also use ISO-approved external auditors to ensure that ISO 9001 standards are kept.

2. Risk Management

We have set up a Risk Management Committee and are setting up internal mechanisms for dealing with various kinds of risk. We have compiled a variety of manuals for each of our offices and departments dealing with hypothetical risk, and are taking measures to forestall risk and deal quickly with it when it occurs.

To respond to risk management issues on a Groupwide basis, we are compiling various manuals covering risk scenarios at Group companies.

3. One Year of Corporate Governance Initiatives

In fiscal 2005, the Senior Executive Council met seven times. It discussed 1) Group management policy for 2006, 2) risk management at Group companies, and 3) reports and assessments of the management situation at Group companies. In addition, it receives a direct report from every Group company president enabling accurate understanding of conditions in each company. In July and August, after the general meetings of shareholders held by Group companies, we held interviews with the presidents, at which opinions were exchanged on 1) the previous term's earnings, 2) management policy, goals and issues in the current fiscal year, and 3) management goals and issues in the longer term. The fiscal 2005 internal audit (assessment) covered 13 departments and three consolidated subsidiaries.

Financial Section

CONTENTS

Financial Review (consolidated)

Business Performance

Although conditions remained difficult in construction, the Okinawa economy was supported in 2005 by continuing buoyancy in tourism and the emergence of consumer spending from the doldrums. The employment picture likewise continued to show moderate improvement, and the prefectural economy overall showed signs of recovery despite stagnation in some sectors.

Electric power demand in the fiscal year under review (consolidated) was about the same year on year. A reduction in demand due to lower summer temperatures, which affected power consumption for residential and commercial use, was offset by an increase in customers. Additionally, industrial power demand rose year on year due to expanded demand from the food processing, cement, railway (monorail) and other
sectors.

Residential power demand inched up to 2,809 million kWh, while industrial demand increased 0.8% to 4,384 million kWh. Total sales volume rose 0.5% to 7,193 million kWh.

In construction, an important business for our consolidated subsidiaries, operating conditions were adversely affected by intensifying competition for orders in public and private works. Conditions grew more difficult in the IT and telecommunications sector, due to the increasing diversification and sophistication of services and the lowering of prices.

Operating revenues (sales) on a consolidated basis rose ¥2,142 million or 1.4% to ¥150,769 million, reflecting increased sale volumes in the electric power business and a raise in electricity rates, to offset higher fuel costs.

However, operating income rose ¥615 million, or 3.6%, to ¥17,474 million. A rise in fuel costs due to higher fuel prices was offset by a decrease in depreciation expenses for the Kin thermal power station, and a Groupwide efficiency drive.

As a result, net income rose ¥2,117 million, or 38.5%, to ¥7,614 million.

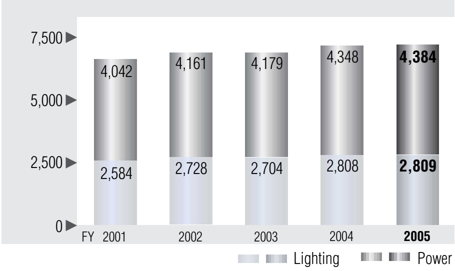
Segment Analysis (before elimination of intersegment transactions for purposes of consolidation)

1. Electric Power Business

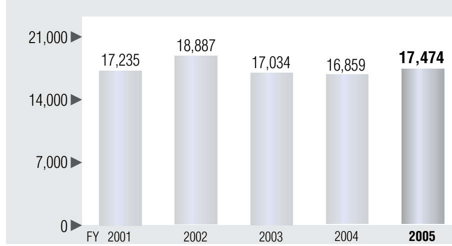
Electric utility operating revenues increased ¥2,409 million, or 1.8%, to ¥136,984 million year on year, due mainly to the above-mentioned increase in total electricity sales, and to rate increases corresponding to higher fuel prices.

Although depreciation costs relating to the Kin thermal power station declined, fuel expenses rose due to soaring fuel prices, pushing operating expenses up ¥489 million, or 0.4%, to ¥119,815 million. As a result, operating income rose ¥1,919 million, or 12.6%, to ¥17,169 million in the fiscal year.

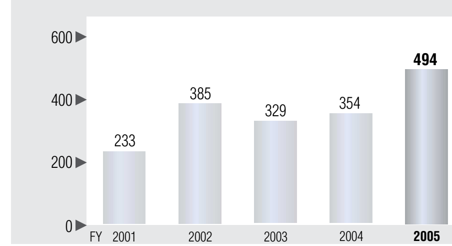
Electric Energy Sales
(Millions of kWh)



Consolidated Operating Income
(¥ Million)



Consolidated Net Income per Share
(¥)



2. Construction Business

Sales fell ¥1,743 million year on year, or 8.4%, to ¥18,919 million, reflecting a fall in the number of public works projects as well as tougher order and cost competition. Operating expenses fell ¥1,548 million, or 7.7%, to ¥18,622 million.

As a result, operating income in this segment fell ¥195 million, or 39.6%, to ¥297 million compared with the previous fiscal year.

3. Other Operations

Sales fell ¥1,384 million, or 4.6%, to ¥28,603 million due to a correction after the spike in power plant works in the previous fiscal year and a fall in fee revenue following withdrawal from the PHS (Personal Handyphone System) business in January 2005. The segment booked an operating loss of ¥201 million, compared with a ¥937 million profit in the previous fiscal year.

(Note) Consumption and other taxes are not included in the above sums.

Cash Flows

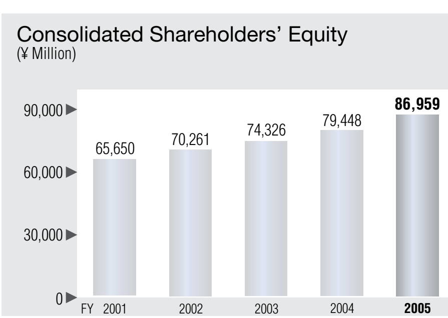
Net cash provided by operating activities totaled ¥40,540 million, an increase of ¥7,330 million, or 22.1%, compared with the previous fiscal year, due chiefly to an increase in income before income taxes, and accounts payable.

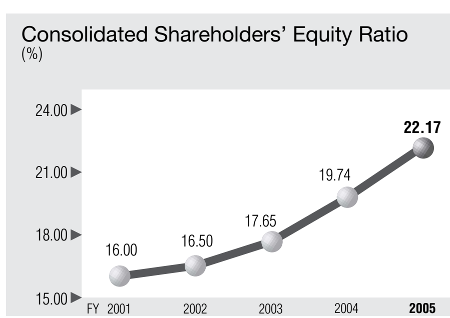
Net cash used in investing activities totaled ¥14,675 million, down ¥5,069 million or 25.7%, reflecting a fall in capital expenditures.

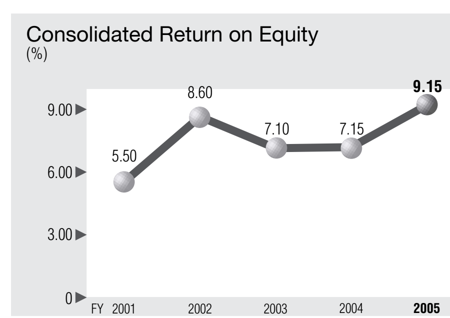
As a result of the above, free cash flow rose ¥12,400 million, or 92.1%, to ¥25,864 million.

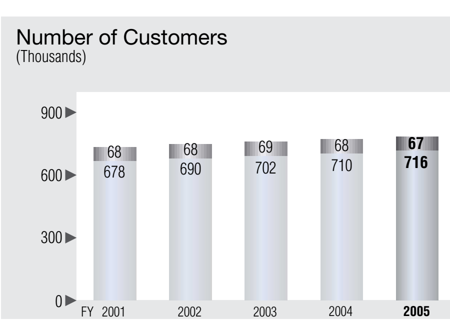
Net cash used in financing activities rose ¥6,125 million, or 34.0%, to ¥24,118 million compared with the previous fiscal year, reflecting a reduction in interest-bearing debt due to use of the above free cash flow to repay long-term borrowings.

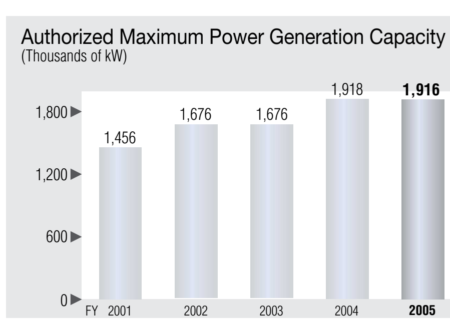
As a result of the above, cash and cash equivalents at the end of the fiscal year under review totaled ¥9,762 million on a consolidated basis, an increase of ¥1,762 million, or 22.0%, compared with the previous fiscal year.

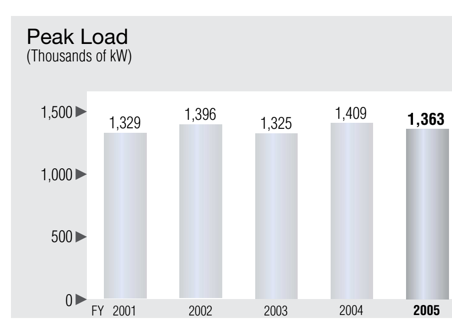












Consolidated Balance Sheets

March 31, 2005 and 2004	Millions of Yen 2005	Millions of Yen 2004	Thousands of U.S. Dollars (Note 1) 2005
Assets			
Property, plant and equipment (Note 4)**:**			
Utility plants	**¥741,362**	¥733,432	**$6,903,457**
Other plant and equipment	**41,777**	38,025	**389,024**
Construction in progress	**6,190**	6,356	**57,636**
	789,329	777,813	**7,350,117**
Less:			
Contributions in aid of construction	**(22,343)**	(22,093)	**(208,056)**
Accumulated depreciation	**(426,571)**	(399,369)	**(3,972,169)**
	(448,914)	(421,462)	**(4,180,225)**
Net property, plant and equipment	**340,415**	356,351	**3,169,892**
Investments and other assets:			
Investment securities (Note 5)	**8,924**	7,008	**83,095**
Investments in and advances to non-consolidated subsidiaries and affiliates	**734**	889	**6,834**
Deferred tax assets (Note 9)	**11,644**	10,743	**108,430**
Other assets	**3,007**	2,930	**28,005**
Allowance for doubtful accounts	**(239)**	(238)	**(2,227)**
Total investments and other assets	**24,070**	21,332	**224,137**
Current assets:			
Cash and cash equivalents	**9,762**	8,000	**90,906**
Short-term investment	**5**	690	**48**
Trade notes and accounts receivable, net of allowance for doubtful accounts of ¥229 ($2,142) in 2005 and ¥174 in 2004	**7,560**	7,313	**70,392**
Inventories	**8,056**	6,620	**75,010**
Deferred tax assets (Note 9)	**1,664**	1,590	**15,499**
Other current assets	**627**	512	**5,839**
Total current assets	**27,674**	24,725	**257,694**
Total	**¥392,159**	¥402,408	**$3,651,723**
Liabilities and shareholders' equity			
Long-term liabilities:			
Long-term debt, less current maturities (Note 6)	**¥217,226**	¥233,744	**$2,022,775**
Liabilities for employees' retirement benefits (Note 8)	**17,060**	16,680	**158,859**
Other long-term liabilities	**688**	438	**6,411**
Total long-term liabilities	**234,974**	250,862	**2,188,045**
Current liabilities:			
Current maturities of long-term debt (Note 6)	**34,042**	37,836	**316,995**
Commercial paper (Note 7)		3,000	
Short-term bank loans (Note 7)	**5,220**	5,049	**48,608**
Trade notes and accounts payable	**13,991**	12,739	**130,279**
Income taxes payable (Note 9)	**4,004**	2,385	**37,282**
Accrued expenses	**8,982**	7,907	**83,637**
Other current liabilities (Note 9)	**2,383**	1,364	**22,191**
Total current liabilities	**68,622**	70,280	**638,992**
Minority interests	**1,604**	1,818	**14,934**
Commitments and contingent liabilities (Notes 10 and 11)			
Shareholders' equity (Notes 12 and 16)**:**			
Common stock, Authorized — 30,000,000 shares Issued — 15,172,921 shares (2005 and 2004)	**7,586**	7,586	**70,644**
Capital surplus	**7,142**	7,142	**66,502**
Retained earnings	**70,531**	64,145	**656,775**
Unrealized gain on available-for-sale securities	**1,721**	587	**16,025**
Treasury stock, at cost — 6,677 shares in 2005, 4,741 shares in 2004	**(21)**	(12)	**(194)**
Total shareholders' equity	**86,959**	79,448	**809,752**
Total	**¥392,159**	¥402,408	**$3,651,723**

See notes to consolidated financial statements.

Consolidated Statements of Income

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Years ended March 31, 2005 and 2004	**2005**	2004	**2005**
Operating revenues:			
Electric	**¥136,773**	¥134,331	**$1,273,613**
Other	**13,996**	14,296	**130,325**
Total operating revenues	**150,769**	148,627	**1,403,938**
Operating expenses (Notes 8, 10 and 13)**:**			
Electric	**118,539**	117,423	**1,103,813**
Other	**14,756**	14,345	**137,405**
Total operating expenses	**133,295**	131,768	**1,241,218**
Operating income	**17,474**	16,859	**162,720**
Other expenses:			
Interest expense (Notes 6 and 7)	**5,586**	7,630	**52,018**
Other — net	**570**	418	**5,307**
Net other expenses	**6,156**	8,048	**57,325**
Income before income taxes and minority interests	**11,318**	8,811	**105,395**
Income taxes (Note 9)**:**			
Current	**5,520**	4,086	**51,402**
Deferred	**(1,605)**	(924)	**(14,944)**
Total	**3,915**	3,162	**36,458**
Income before minority interests	**7,403**	5,649	**68,937**
Minority interests in net income	**(211)**	152	**(1,968)**
Net income	**¥ 7,614**	¥ 5,497	**$ 70,905**
	Yen		U.S. Dollars
Per share of common stock (Note 2 (k))**:**			
Basic net income	**¥494.78**	¥354.44	**$4.61**
Cash dividends applicable to the year	**60.00**	60.00	**0.56**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2005 and 2004	Shares: Issued number of shares of common stock	Millions of Yen: Common stock	Capital surplus	Retained earnings	Unrealized gain (loss) on available-for-sale securities	Treasury stock
Balance, April 1, 2003	15,172,921	¥7,586	¥7,142	¥59,688	¥ (81)	¥ (9)
Appropriations:						
Cash dividends				(910)		
Bonuses to directors and corporate auditors				(130)		
Increase in treasury stock (1,117 shares)						(3)
Net increase in unrealized gain on available-for-sale securities					668	
Net income				5,497		
Balance, March 31, 2004	15,172,921	7,586	7,142	64,145	587	(12)
Adjustment of retained earnings for newly consolidated subsidiaries				**(197)**		
Appropriations:						
Cash dividends				**(910)**		
Bonuses to directors and corporate auditors				**(121)**		
Increase in treasury stock (1,936 shares)						**(9)**
Net increase in unrealized gain on available-for-sale securities					**1,134**	
Net income				**7,614**		
Balance, March 31, 2005	**15,172,921**	**¥7,586**	**¥7,142**	**¥70,531**	**¥1,721**	**¥(21)**

	Thousands of U.S. Dollars (Note 1): Common stock	Capital surplus	Retained earnings	Unrealized gain (loss) on available-for-sale securities	Treasury stock
Balance, March 31, 2004	$70,644	$66,502	$597,311	$ 5,463	$(114)
Adjustment of retained earnings for newly consolidated subsidiaries			**(1,835)**		
Appropriations:					
Cash dividends			**(8,474)**		
Bonuses to directors and corporate auditors			**(1,132)**		
Increase in treasury stock (1,936 shares)					**(80)**
Net increase in unrealized gain on available-for-sale securities				**10,562**	
Net income			**70,905**		
Balance, March 31, 2005	**$70,644**	**$66,502**	**$656,775**	**$16,025**	**$(194)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2005 and 2004	Millions of Yen 2005	Millions of Yen 2004	Thousands of U.S. Dollars (Note 1) 2005
Operating activities:			
Income before income taxes and minority interests	**¥11,318**	¥ 8,811	**$105,395**
Adjustments for:			
Income taxes paid	**(3,870)**	(4,465)	**(36,037)**
Depreciation and amortization	**30,094**	33,485	**280,229**
Provision for employees' retirement benefits	**380**	144	**3,538**
Loss on disposal of property, plant and equipment	**902**	1,002	**8,397**
Changes in operating assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable	**(58)**	626	**(542)**
Decrease (increase) in inventories	**(1,315)**	731	**(12,246)**
Increase (decrease) in trade notes and accounts payable	**1,251**	(5,333)	**11,653**
Decrease in interest payable	**(325)**	(257)	**(3,027)**
Other — net	**2,163**	(1,534)	**20,142**
Total adjustments	**29,222**	24,399	**272,107**
Net cash provided by operating activities	**40,540**	33,210	**377,502**
Investing activities:			
Purchase of property, plant and equipment	**(15,686)**	(19,343)	**(146,063)**
Proceeds from sale of property, plant and equipment	**575**	446	**5,351**
Purchase of investment securities	**(148)**	(278)	**(1,373)**
Increase in investments in and advances to unconsolidated subsidiaries and affiliates	**(62)**	(13)	**(577)**
Purchase of short-term investment	**(1,045)**	(770)	**(9,732)**
Proceeds from maturity of short-term investment	**1,730**	1,370	**16,109**
Other — net	**(39)**	(1,156)	**(368)**
Net cash used in investing activities	**(14,675)**	(19,744)	**(136,653)**
Financing activities:			
Proceeds from issuance of bonds	**6,969**	12,000	**64,897**
Repayments of bonds	**(2,000)**	(8,000)	**(18,624)**
Proceeds from long-term debt	**15,700**	13,250	**146,196**
Repayments of long-term debt	**(40,351)**	(33,046)	**(375,742)**
Proceeds from short-term bank loans	**12,325**	10,049	**114,769**
Repayments of short-term bank loans	**(12,154)**	(10,000)	**(113,179)**
Proceeds from issuance of commercial paper	**19,000**	18,000	**176,925**
Repayments on maturity of commercial paper	**(22,000)**	(19,000)	**(204,861)**
Cash dividends paid	**(912)**	(912)	**(8,492)**
Other — net	**(695)**	(333)	**(6,474)**
Net cash used in financing activities	**(24,118)**	(17,992)	**(224,585)**
Net increase (decrease) in cash and cash equivalents	**1,747**	(4,526)	**16,264**
Cash and cash equivalents of newly consolidated subsidiaries	**15**		**148**
Cash and cash equivalents, beginning of year	**8,000**	12,526	**74,494**
Cash and cash equivalents, end of year	**¥ 9,762**	¥ 8,000	**$ 90,906**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2005 and 2004

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements are prepared from the consolidated financial statements which are issued for domestic reporting purposes in accordance with the provisions set forth in the Japanese Securities and Exchange Law, the Japanese Electric Utility Law and their related accounting regulations. The Okinawa Electric Power Company, Incorporated (the "Company") and its consolidated subsidiaries (together the "Companies") maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financing Reporting Standards.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in 2004 financial statements to conform to the classifications used in 2005.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥107.39 to $1, the approximate rate of exchange at March 31, 2005. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements for the years ended March 31, 2005 and 2004 include the accounts of the Company and its fourteen significant subsidiaries. Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary / affiliated company at the date of acquisition is being amortized over five years using the straight-line method, or has been written off if the amount is ¥100 million or less.

Consolidation of the remaining subsidiaries and the application of the equity method to the remaining affiliates would not have a material effect on the accompanying consolidated financial statements. Investments in such unconsolidated subsidiaries and affiliates are stated at cost.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is provided mainly on the declining-balance method over the estimated useful lives of the assets.

Contributions in aid of construction are deducted from the cost of the related assets. Such accounting treatment is required by the regulations described in Note 1.

(c) Long-lived assets

In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No.6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Companies adopted the new accounting standard for impairment of fixed assets as of April 1, 2004.

The Companies review its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The effect of adoption of the new accounting standard for impairment of fixed assets was minimal.

(d) Investment securities

Investment securities are classified and accounted for, depending upon management's intent, as follows:
i) marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity, and ii) non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

(e) Cash and cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

(f) Inventories

Inventories are stated at cost, based principally on the average method.

(g) Derivative financial instruments

The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of raw materials from overseas suppliers. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

(h) Severance payments and pension plan

The liability for retirement benefits are accounted for based on projected benefit obligations and plan assets at the balance sheet date.

Severance payments to directors and corporate auditors are charged to income when authorized by resolution of the shareholders.

(i) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(j) Stock and bond issue costs and bond discount charges

Stock and bond issue costs and bond discount charges are charged to income when paid or incurred.

(k) Per share information

Basic net income per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(l) Lease

Leases that transfer ownership of the leased property to the lessee are accounted for as finance leases. All other leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(m) Appropriations of retained earnings

Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

3. Accounting change

Till last fiscal year ended March 31, 2004, Okidenko Company, a consolidated subsidiary of the Company, had recognized its construction contract revenues and expenses under the completed contract method. However, effective April 1, 2004, Okidenko Company adopted the percentage-of-completion method for any work with a contract amount and construction period exceeding ¥500 million and one year respectively. This change is made so as to present revenues and expenses more appropriately derived from or incurred in performing long-term, large-scale contracts. The impact of this change was minimal.

4. Property, plant and equipment

The major classes of property, plant and equipment as of March 31, 2005 and 2004, consisted of the following:

	Millions of Yen			
At March 31, 2005	Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
Thermal power				
generating facilities	**¥373,701**	**¥(17,090)**	**¥(225,334)**	**¥131,277**
Transmission facilities	**128,927**	**(2,331)**	**(62,447)**	**64,149**
Transformation facilities	**84,717**	**(373)**	**(49,872)**	**34,472**
Distribution facilities	**129,439**	**(2,187)**	**(60,748)**	**66,504**
General facilities	**24,578**	**(23)**	**(11,748)**	**12,807**
Utility plants	**741,362**	**(22,004)**	**(410,149)**	**309,209**
Other plant and equipment	**41,777**	**(339)**	**(16,422)**	**25,016**
Construction in progress	**6,190**			**6,190**
Total	**¥789,329**	**¥(22,343)**	**¥(426,571)**	**¥340,415**

	Millions of Yen			
At March 31, 2004	Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
Thermal power				
generating facilities	¥369,964	¥(17,091)	¥(210,330)	¥142,543
Transmission facilities	128,281	(2,330)	(57,792)	68,159
Transformation facilities	83,882	(367)	(47,828)	35,687
Distribution facilities	127,016	(2,183)	(58,235)	66,598
General facilities	24,289	(23)	(11,320)	12,946
Utility plants	733,432	(21,994)	(385,505)	325,933
Other plant and equipment	38,025	(99)	(13,864)	24,062
Construction in progress	6,356			6,356
Total	¥777,813	¥(22,093)	¥(399,369)	¥356,351

	Thousands of U.S. Dollars			
At March 31, 2005	Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
Thermal power				
generating facilities	**$3,479,849**	**$(159,134)**	**$(2,098,276)**	**$1,222,439**
Transmission facilities	**1,200,548**	**(21,708)**	**(581,501)**	**597,339**
Transformation facilities	**788,869**	**(3,470)**	**(464,399)**	**321,000**
Distribution facilities	**1,205,324**	**(20,367)**	**(565,672)**	**619,285**
General facilities	**228,867**	**(216)**	**(109,400)**	**119,251**
Utility plants	**6,903,457**	**(204,895)**	**(3,819,248)**	**2,879,314**
Other plant and equipment	**389,024**	**(3,161)**	**(152,921)**	**232,942**
Construction in progress	**57,636**			**57,636**
Total	**$7,350,117**	**$(208,056)**	**$(3,972,169)**	**$3,169,892**

5. Investment securities

The carrying amounts and aggregate fair values of investment securities at March 31, 2005 and 2004 were as follows:

	Millions of Yen			
At March 31, 2005	Cost (Carrying Amount)	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥2,521**	**¥2,705**		**¥5,226**
Debt securities	**20**			**20**
Other	**300**		**¥11**	**289**
Total	**¥2,841**	**¥2,705**	**¥11**	**¥5,535**

	Millions of Yen			
At March 31, 2004	Cost (Carrying Amount)	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,520	¥1,011	¥ 97	¥3,434
Debt securities	20			20
Other	300		12	288
Total	¥2,840	¥1,011	¥109	¥3,742

	Thousands of U.S. Dollars			
At March 31, 2005	Cost (Carrying Amount)	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$23,478**	**$25,192**		**$48,670**
Debt securities	**186**			**186**
Other	**2,792**		**$107**	**2,685**
Total	**$26,456**	**$25,192**	**$107**	**$51,541**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2005 and 2004 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Available-for-sale:			
Equity securities	**¥3,389**	¥3,266	**$31,554**
Total	**¥3,389**	¥3,266	**$31,554**

The carrying values of debt securities by contractual maturities of securities classified as available-for-sale at March 31, 2005 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥20	$186
Due after one year through five years		
Due after five years through ten years		
Due after ten years		
Total	¥20	$186

6. Long-term debt

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Secured bond, 0.20% to 1.97% in 2005 and 2004, due serially through 2018	**¥ 59,000**	¥ 54,000	**$ 549,399**
Secured loans from Okinawa Development Finance Public Corporation, 0.55% to 6.20% in 2005 and 0.55% to 6.30% in 2004, due serially through 2024	**179,534**	203,351	**1,671,792**
Secured and unsecured loans from banks, 0.12% to 3.40% in 2005 and 0.39% to 3.40% in 2004 due serially through 2016	**12,734**	13,568	**118,579**
Secured debt with a leasing company		661	
Total	**251,268**	271,580	**2,339,770**
Less current maturity	**(34,042)**	(37,836)	**(316,995)**
Long-term debt, less current maturity	**¥217,226**	¥233,744	**$2,022,775**

All of the Company's assets are subject to certain statutory preferential rights established to secure bonds, loans from the Okinawa Development Finance Public Corporation and banks, and bonds transferred to banks under debt assumption agreements (see Note 11).

Certain assets of the consolidated subsidiaries, amounting to ¥10,534 million ($98,089 thousand), are pledged as collateral for a portion of the long-term debt as of March 31, 2005.

The aggregate annual maturities of long-term debt outstanding at March 31, 2005 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2006	¥ 34,042	$ 316,995
2007	34,643	322,589
2008	25,306	235,646
2009	22,528	209,780
2010	20,503	190,921
2011 and thereafter	114,246	1,063,839
Total	¥251,268	$2,339,770

7. Short-term bank loans and commercial paper

The weighted average interest rates of short-term bank loans were 0.45% and 0.60% at March 31, 2005 and 2004, respectively. At March 31, 2004, the weighted average interest rate applicable to commercial paper was 0.01%.

8. Employees' retirement benefits

The Companies have unfunded retirement plans for all of their employees. Additionally, the Company and most of the consolidated subsidiaries have non-contributory funded defined benefit pension plans covering substantially all of their employees.

Under the pension plan, employees terminating their employment, in most circumstances, are entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to greater payment than in the case of voluntary termination.

The liability for employees' retirements benefit at March 31, 2005 and 2004 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Projected benefit obligation	**¥27,210**	¥27,128	**$253,377**
Fair value of pension assets	**(9,130)**	(8,639)	**(85,020)**
Unrecognized actuarial loss	**(1,020)**	(1,809)	**(9,498)**
Net liability	**¥17,060**	¥16,680	**$158,859**

The components of net periodic retirement benefit costs for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Service cost	**¥1,471**	¥1,330	**$13,701**
Interest cost	**464**	564	**4,326**
Expected return on plan assets			
Recognized actuarial loss	**668**	675	**6,216**
Net periodic retirement benefit costs	**¥2,603**	¥2,569	**$24,243**

Assumptions for actuarial computations for the years ended March 31, 2005 and 2004 were set forth as follows:

	2005	2004
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**0.0%**	0.0%
Recognition period of actuarial gain/loss	**primarily 5 years**	primarily 5 years

As to prior service cost, the Company charges to expense as incurred.

9. Income taxes

The Companies are subject to several taxes based on income and revenue. For the years ended March 31, 2005 and 2004, the aggregate normal statutory tax rates approximated 35%.

The tax effects of significant temporary differences and loss carry forwards, which resulted in deferred tax assets and liabilities at March 31, 2005 and 2004, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Deferred tax assets:			
Unrealized profit	**¥ 4,175**	¥ 4,332	**$ 38,877**
Tax loss carry forwards	**1,364**	800	**12,698**
Pension and severance costs	**5,624**	5,100	**52,375**
Other	**6,432**	4,010	**59,893**
Sub-total	**17,595**	14,242	**163,843**
Less: valuation allowance	**(2,899)**	(1,141)	**(26,993)**
Total deferred tax assets	**14,696**	13,101	**136,850**
Deferred tax liabilities:			
Unrealized gain on land revaluation	**(426)**	(434)	**(3,967)**
Unrealized gain on available-for-sale securities	**(951)**	(315)	**(8,857)**
Other	**(17)**	(19)	**(157)**
Total deferred tax liabilities	**(1,394)**	(768)	**(12,981)**
Net deferred tax assets	**¥13,302**	¥12,333	**$123,869**

Other current liabilities in the consolidated balance sheets contain deferred tax liabilities of ¥6 million ($60 thousand) for the year ended March 31, 2005 recognized in consolidated subsidiaries.

The difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2005 and 2004 are immaterial.

10. Lease

The Companies lease certain automobiles and office equipment. Total lease payments under the above leases for the years ended March 31, 2005 and 2004 were ¥833 million ($7,761 thousand) and ¥725 million, respectively.

Pro forma information on leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen		
As of March 31, 2005	General Facilities	Other	Total
Acquisition cost	**¥1,622**	**¥3,608**	**¥5,230**
Accumulated depreciation	**(984)**	**(757)**	**(1,741)**
Net leased property	**¥ 638**	**¥2,851**	**¥3,489**

	Millions of Yen		
As of March 31, 2004	General Facilities	Other	Total
Acquisition cost	¥1,648	¥2,861	¥4,509
Accumulated depreciation	(697)	(519)	(1,216)
Net leased property	¥ 951	¥2,342	¥3,293

	Thousands of U.S. Dollars		
As of March 31, 2005	General Facilities	Other	Total
Acquisition cost	**$15,101**	**$33,599**	**$48,700**
Accumulated depreciation	**(9,167)**	**(7,046)**	**(16,213)**
Net leased property	**$ 5,934**	**$26,553**	**$32,487**

Obligations under finance leases as of March 31, 2005 and 2004:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Due within one year	**¥ 799**	¥ 706	**$ 7,440**
Due after one year	**2,709**	2,597	**25,234**
Total	**¥3,508**	¥3,303	**$32,674**

The imputed interest expense portion is immaterial and therefore is not excluded from the above obligations under finance leases.

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method over the remaining lease term was ¥833 million ($7,761 thousand) and ¥725 million for the years ended March 31, 2005 and 2004, respectively.

The Companies are also lessor of certain automobiles and office equipment. Total lease income from the above leases for the years ended March 31, 2005 and 2004 was ¥118 million ($1,096 thousand) and ¥74 million, respectively.

At March 31, 2005 and 2004, summaries of the above leased property were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Other equipment:			
Acquisition cost	**¥578**	¥376	**$5,386**
Accumulated depreciation	**(227)**	(176)	**(2,116)**
Net leased property	**¥351**	¥200	**$3,270**

At March 31, 2005 and 2004, the total lease payments to be received from the above leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Due within one year	**¥141**	¥ 84	**$1,309**
Due after one year	**375**	207	**3,497**
Total	**¥516**	¥291	**$4,806**

11. Contingent liabilities

As of March 31, 2005, the Company was contingently liable for:

Redemption of bonds transferred to banks under the debt assumption agreements amounting to ¥6,000 million ($55,871 thousand).

12. Shareholders' equity

Japanese companies are subject to the Code to which various amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals to 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥67,899 million ($632,267 thousand) as of March 31, 2005, based on the amount recorded in the Company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

13. Research and development costs

Research and development costs charged to income were ¥593 million ($5,522 thousand) and ¥913 million for the years ended March 31, 2005 and 2004, respectively.

14. Segment information

Information about operations in different industry segments of the Companies for the years ended March 31, 2005 and 2004 is as follows:

	Millions of Yen					Thousands of U.S. Dollars				
2005	Electric	Construction	Other	Elimination	Consolidated	Electric	Construction	Other	Elimination	Consolidated
Sales to customers	**¥136,773**	**¥ 5,571**	**¥ 8,425**		**¥150,769**	**$1,273,613**	**$ 51,871**	**$ 78,454**		**$1,403,938**
Intersegment sales	**211**	**13,348**	**20,178**	**¥(33,737)**		**1,967**	**124,295**	**187,897**	**$(314,159)**	
Total operating revenues	**136,984**	**18,919**	**28,603**	**(33,737)**	**150,769**	**1,275,580**	**176,166**	**266,351**	**(314,159)**	**1,403,938**
Operating expenses	**119,815**	**18,622**	**28,804**	**(33,946)**	**133,295**	**1,115,701**	**173,397**	**268,225**	**(316,105)**	**1,241,218**
Operating income	**¥ 17,169**	**¥ 297**	**¥ (201)**	**¥ 209**	**¥ 17,474**	**$ 159,879**	**$ 2,769**	**$ (1,874)**	**$ 1,946**	**$ 162,720**
Total assets	**¥356,921**	**¥14,393**	**¥34,041**	**¥(13,196)**	**¥392,159**	**$3,323,592**	**$134,029**	**$316,986**	**$(122,884)**	**$3,651,723**
Depreciation and amortization	**27,774**	**131**	**3,080**	**(891)**	**30,094**	**258,624**	**1,216**	**28,686**	**(8,297)**	**280,229**
Capital expenditures	**12,891**	**693**	**2,814**	**(732)**	**15,666**	**120,042**	**6,457**	**26,190**	**(6,813)**	**145,876**

	Millions of Yen				
2004	Electric	Construction	Other	Elimination	Consolidated
Sales to customers	¥134,331	¥ 6,447	¥ 7,849		¥148,627
Intersegment sales	245	14,215	22,139	¥(36,599)	
Total operating revenues	134,576	20,662	29,988	(36,599)	148,627
Operating expenses	119,326	20,170	29,051	(36,779)	131,768
Operating income	¥ 15,250	¥ 492	¥ 937	¥ 180	¥ 16,859
Total assets	¥370,170	¥10,754	¥34,346	¥(12,862)	¥402,408
Depreciation and amortization	31,378	113	2,944	(950)	33,485
Capital expenditures	17,554	382	2,174	(813)	19,297

"Other" industry segment consisted of sales and maintenance services of electric appliances, information and telecommunication service and others. The Companies do not have foreign operations. No sales to foreign customers were made during the years ended March 31, 2005 and 2004.

As described in Note 3, effective April 1, 2004, Okidenko Company adopted the new accounting policy for revenue recognition. As a result of the change, intersegment sales and operating income of construction segment were increased by ¥1,107 million and ¥148 million, respectively, in 2005, compared with the previous revenue recognition method.

15. Derivatives

The Companies use derivative financial instruments ("derivatives"), including foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies also enter into interest rate swap agreements as a means of managing its interest rate exposures on certain liabilities. The Companies do not hold or issue derivatives for trading or speculative purposes.

Derivatives are subject to market risk, which is the exposure created by potential fluctuations in market conditions, including interest or foreign exchange rates. Because the counterparties to those derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Companies have been made in accordance with internal policies.

16. Subsequent event

The following appropriations of retained earnings at March 31, 2005 were approved at the shareholders' meeting held on June 29, 2005:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (28¢) per share	¥455	$4,237
Bonuses to directors and corporate auditors	87	810

On May 20, 2005, the Company made a 1.05-for-1 stock split for each outstanding share and 758,646 shares were consequently issued to shareholders recorded in the registration book of shareholders on March 31, 2005.

If the stock split had gone into effect during the years ended March 31, 2005 and 2004, net income per share and the amount per share of net assets would have been ¥471.22 ($4.39) and ¥5,453.79 ($50.78) in 2005 and ¥337.56 and ¥4,980.80 in 2004, respectively.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Okinawa Electric Power Company, Incorporated:

We have audited the accompanying consolidated balance sheets of The Okinawa Electric Power Company, Incorporated (the "Company") and consolidated subsidiaries (together the "the Companies") as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2(c) to the consolidated financial statements, the Companies adopted a new accounting standard for impairment of fixed assets as of April 1, 2004. As discussed in Note 3 to the consolidated financial statements, Okidenko Company, a consolidated subsidiary of the Company changed their accounting standard for the revenue recognition from the completed contract method to the percentage-of-completion method as of April 1, 2004.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion; such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 29, 2005

Member of
Deloitte Touche Tohmatsu

Non-Consolidated Balance Sheets

March 31, 2005 and 2004	Millions of Yen 2005	Millions of Yen 2004	Thousands of U.S. Dollars (Note 1) 2005
Assets			
Property, plant and equipment (Note 3)**:**			
Utility plants and equipment	**¥765,185**	¥755,704	**$7,125,291**
Construction in progress	**6,407**	6,632	**59,659**
	771,592	762,336	**7,184,950**
Less:			
Contributions in aid of construction	**(22,004)**	(21,995)	**(204,898)**
Accumulated depreciation	**(422,291)**	(396,512)	**(3,932,310)**
	(444,295)	(418,507)	**(4,137,208)**
Net property, plant and equipment	**327,297**	343,829	**3,047,742**
Investments and other assets:			
Investment securities (Note 4)	**8,258**	6,420	**76,895**
Investments in and advances to subsidiaries and affiliates	**14,100**	12,206	**131,299**
Deferred tax assets (Note 7)	**6,840**	6,671	**63,695**
Other assets	**883**	806	**8,224**
Allowance for doubtful accounts	**(3,185)**	(3,186)	**(29,664)**
Total investments and other assets	**26,896**	22,917	**250,449**
Current assets:			
Cash and cash equivalents	**1,947**	2,077	**18,130**
Trade accounts receivable, net of allowance for doubtful accounts of ¥171 ($1,589) in 2005 and ¥128 in 2004	**4,533**	4,154	**42,207**
Fuel and supplies inventories	**5,548**	5,298	**51,661**
Deferred tax assets (Note 7)	**1,350**	1,249	**12,576**
Other current assets	**291**	168	**2,711**
Total current assets	**13,669**	12,946	**127,285**
Total	**¥367,862**	¥379,692	**$3,425,476**
Liabilities and shareholders' equity			
Long-term liabilities:			
Long-term debt, less current maturities (Note 5)	**¥207,572**	¥223,236	**$1,932,882**
Liabilities for employees' retirement benefits	**14,385**	14,185	**133,947**
Other long-term liabilities	**586**	11	**5,458**
Total long-term liabilities	**222,543**	237,432	**2,072,287**
Current liabilities:			
Current maturities of long-term debt (Note 5)	**32,903**	36,468	**306,392**
Commercial paper (Note 6)		3,000	
Short-term bank loans (Note 6)	**5,000**	5,000	**46,559**
Trade accounts payable (Note 12)	**6,682**	7,869	**62,226**
Income taxes payable (Note 7)	**3,469**	1,827	**32,299**
Accrued expenses (Note 12)	**9,313**	8,952	**86,717**
Other current liabilities	**2,704**	1,553	**25,183**
Total current liabilities	**60,071**	64,669	**559,376**
Commitments and contingent liabilities (Notes 8 and 9)			
Shareholders' equity (Notes 10 and 13)**:**			
Common stock,			
Authorized — 30,000,000 shares			
Issued — 15,172,921 shares (2005 and 2004)	**7,586**	7,586	**70,644**
Capital surplus:			
Additional paid-in capital	**7,142**	7,142	**66,502**
Retained earnings:			
Legal reserve	**965**	965	**8,986**
Unappropriated	**67,920**	61,321	**632,461**
Unrealized gain on available-for-sale securities	**1,656**	589	**15,414**
Treasury stock, at cost 6,677 shares in 2005 and 4,741 shares in 2004	**(21)**	(12)	**(194)**
Total shareholders' equity	**85,248**	77,591	**793,813**
Total	**¥367,862**	¥379,692	**$3,425,476**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Income

Years ended March 31, 2005 and 2004	Millions of Yen 2005	Millions of Yen 2004	Thousands of U.S. Dollars (Note 1) 2005
Operating revenues	**¥137,210**	¥134,756	**$1,277,682**
Operating expenses (Notes 8, 11 and 12)**:**			
Fuel	**24,848**	20,212	**231,385**
Purchased power	**12,305**	11,250	**114,586**
Depreciation	**27,713**	31,360	**258,056**
Repair and maintenance	**13,470**	14,572	**125,435**
Taxes other than income taxes	**6,662**	6,623	**62,031**
Other	**35,266**	35,532	**328,394**
Total operating expenses	**120,264**	119,549	**1,119,887**
Operating income	**16,946**	15,207	**157,795**
Other expenses:			
Interest expense (Notes 5 and 6)	**5,452**	7,387	**50,765**
Other — net	**(94)**	30	**(873)**
Net other expenses	**5,358**	7,417	**49,892**
Income before income taxes	**11,588**	7,790	**107,903**
Income taxes (Note 7)**:**			
Current	**4,841**	3,106	**45,075**
Deferred	**(844)**	(910)	**(7,861)**
Total	**3,997**	2,196	**37,214**
Net income	**¥ 7,591**	¥ 5,594	**$ 70,689**

	Yen 2005	Yen 2004	U.S. Dollars 2005
Per share of common stock (Note 2 (j))**:**			
Basic net income	**¥494.77**	¥363.37	**$4.61**
Cash dividends applicable to the year	**60.00**	60.00	**0.56**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Shareholders' Equity

Years ended March 31, 2005 and 2004	Shares	Millions of Yen					
			Capital surplus	Retained earnings			
	Issued number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Unappropriated	Unrealized gain (loss) on available-for-sale securities	Treasury stock
Balance, April 1, 2003	15,172,921	¥7,586	¥7,142	¥965	¥56,721	¥ (78)	¥ (9)
Appropriations:							
Cash dividends					(910)		
Bonuses to directors and corporate auditors					(84)		
Increase in treasury stock (1,117 shares)							(3)
Net increase in unrealized gain on available-for-sale securities						667	
Net income					5,594		
Balance, March 31, 2004	15,172,921	7,586	7,142	965	61,321	589	(12)
Appropriations:							
Cash dividends					**(910)**		
Bonuses to directors and corporate auditors					**(82)**		
Increase in treasury stock (1,936 shares)							**(9)**
Net increase in unrealized gain on available-for-sale securities						**1,067**	
Net income					**7,591**		
Balance, March 31, 2005	**15,172,921**	**¥7,586**	**¥7,142**	**¥965**	**¥67,920**	**¥1,656**	**¥(21)**

	Thousands of U.S. Dollars (Note 1)					
		Capital surplus	Retained earnings			
	Common stock	Additional paid-in capital	Legal reserve	Unappropriated	Unrealized gain (loss) on available-for-sale securities	Treasury stock
Balance, March 31, 2004	$70,644	$66,502	$8,986	$571,014	$ 5,489	$(114)
Appropriations:						
Cash dividends				**(8,475)**		
Bonuses to directors and corporate auditors				**(767)**		
Increase in treasury stock (1,936 shares)						**(80)**
Net increase in unrealized gain on available-for-sale securities					**9,925**	
Net income				**70,689**		
Balance, March 31, 2005	**$70,644**	**$66,502**	**$8,986**	**$632,461**	**$15,414**	**$(194)**

See notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

Years ended March 31, 2005 and 2004

1. Basis of presenting non-consolidated financial statements

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by The Okinawa Electric Power Company, Incorporated (the "Company") in accordance with the provisions set forth in the Japanese Commercial Code (the "Code"), the Securities and Exchange Law, the Japanese Electric Utility Law and their related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

As consolidated statements of cash flows and certain disclosures are presented in the consolidated financial statements of the Company, non-consolidated statements of cash flows and certain disclosures are not presented herein in accordance with accounting procedures generally accepted in Japan.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the 2004 non-consolidated financial statements to conform to the presentations and classifications used in 2005. In accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be and, have not been, presented herein.

The non-consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥107.39 to $1, the approximate rate of exchange at March 31, 2005. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of significant accounting policies

(a) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is provided on the declining-balance method over the estimated useful lives of the assets.

Contributions in aid of construction are deducted from the cost of the related assets. Such accounting treatment is required by the regulations described in Note 1.

(b) Long-lived assets

In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No.6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Company adopted the new accounting standard for impairment of fixed assets as of April 1, 2004.

The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The effect of adoption of the new accounting standard for impairment of fixed assets was minimal.

(c) Investment securities

Investment securities are classified and accounted for, depending on management's intent, as follows:
i) marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity, ii) non-marketable available-for-sale securities are stated at cost determined by the moving-average method, and iii) investment in subsidiaries and affiliates are stated at cost, determined by the moving average method.

(d) Cash and cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

(e) Fuel and supplies inventories

Fuel and supplies inventories are stated at cost, based principally on the average method.

(f) Derivative financial instruments

The Company uses derivative financial instruments to manage their exposures to fluctuations in interest rates. Interest rate swaps are utilized by the Company to reduce interest rate risks. The Company does not enter into derivatives for trading or speculative purposes.

For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

(g) Severance payments and pension plan

The liability for retirement benefits are accounted for based on projected benefit obligations and plan assets at the balance sheet date.

Severance payments to directors and corporate auditors are charged to income when authorized by resolution of the shareholders.

(h) Income taxes

The provision for income taxes is computed based on the pretax income included in the non-consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(i) Stock and bond issue costs and bond discount charges

Stock and bond issue costs and bond discount charges are charged to income when paid or incurred.

(j) Per share information

Basic net income per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying non-consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(k) Lease

Leases that transfer ownership of the leased property to the lessee are accounted for as finance leases. All other leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(l) Appropriations of retained earnings

Appropriations of retained earnings are reflected in the non-consolidated financial statements for the following year upon shareholders' approval.

3. Property, plant and equipment

The major classes of property, plant and equipment as of March 31, 2005 and 2004, consisted of the following:

	Millions of Yen			
At March 31, 2005	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	**¥377,182**	**¥(17,090)**	**¥(227,657)**	**¥132,435**
Transmission facilities	**134,892**	**(2,331)**	**(65,722)**	**66,839**
Transformation facilities	**87,868**	**(373)**	**(51,691)**	**35,804**
Distribution facilities	**136,099**	**(2,187)**	**(63,550)**	**70,362**
General facilities	**29,144**	**(23)**	**(13,671)**	**15,450**
Utility plants and equipment	**765,185**	**(22,004)**	**(422,291)**	**320,890**
Construction in progress	**6,407**			**6,407**
Total	**¥771,592**	**¥(22,004)**	**¥(422,291)**	**¥327,297**

	Millions of Yen			
At March 31, 2004	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	¥373,215	¥(17,091)	¥(212,303)	¥143,821
Transmission facilities	134,213	(2,330)	(60,850)	71,033
Transformation facilities	86,933	(367)	(49,519)	37,047
Distribution facilities	133,436	(2,184)	(60,818)	70,434
General facilities	27,907	(23)	(13,022)	14,862
Utility plants and equipment	755,704	(21,995)	(396,512)	337,197
Construction in progress	6,632			6,632
Total	¥762,336	¥(21,995)	¥(396,512)	¥343,829

	Thousands of U.S. Dollars			
At March 31, 2005	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	**$3,512,259**	**$(159,135)**	**$(2,119,912)**	**$1,233,212**
Transmission facilities	**1,256,099**	**(21,708)**	**(611,989)**	**622,402**
Transformation facilities	**818,211**	**(3,470)**	**(481,336)**	**333,405**
Distribution facilities	**1,267,333**	**(20,367)**	**(591,772)**	**655,194**
General facilities	**271,389**	**(218)**	**(127,301)**	**143,870**
Utility plants and equipment	**7,125,291**	**(204,898)**	**(3,932,310)**	**2,988,083**
Construction in progress	**59,659**			**59,659**
Total	**$7,184,950**	**$(204,898)**	**$(3,932,310)**	**$3,047,742**

4. Investment securities

At March 31, 2005, the unrealized gain of market value over the carrying amount of quoted securities was ¥2,547 million ($23,714 thousand), at March 31, 2004, the unrealized gain of which was ¥907 million.

5. Long-term debt

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Secured bond, 0.20% to 1.97% in 2005 and 2004, due serially through 2018	**¥ 59,000**	¥ 54,000	**$ 549,399**
Secured loans from Okinawa Development Finance Public Corporation, 0.55% to 6.20% in 2005 and 0.55% to 6.30% in 2004, due serially through 2018	**175,222**	198,373	**1,631,649**
Unsecured loans from banks, 0.12% to 1.95% in 2005 and 0.39% to 2.10% in 2004, due serially 2015	**6,253**	7,331	**58,226**
Total	**240,475**	259,704	**2,239,274**
Less current maturity	**(32,903)**	(36,468)	**(306,392)**
Long-term debt, less current maturity	**¥207,572**	¥223,236	**$1,932,882**

All of the Company's assets are subject to certain statutory preferential rights established to secure bonds, loans from the Okinawa Development Finance Public Corporation, and bonds transferred to banks under debt assumption agreements (see Note 9).

The aggregate annual maturities of long-term debt outstanding at March 31, 2005 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2006	¥ 32,903	$ 306,392
2007	33,101	308,230
2008	24,276	226,055
2009	21,507	200,273
2010	19,482	181,413
2011 and thereafter	109,206	1,016,911
Total	¥240,475	$2,239,274

6. Short-term bank loans and commercial paper

The weighted average interest rates of short-term bank loans were 0.45% and 0.60% at March 31, 2005 and 2004, respectively. At March 31, 2004, the weighted average interest rate applicable to commercial paper was 0.01%.

7. Income taxes

The Company is subject to national corporate tax and local inhabitant taxes based on income with aggregate normal statutory tax rates of approximately 35% for the years ended March 31, 2005 and 2004, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2005 and 2004, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Deferred tax assets:			
Allowance for doubtful accounts	**¥1,056**	¥1,111	**$ 9,836**
Pension and severance costs	**4,703**	4,302	**43,798**
Other non-current assets	**2,496**	2,010	**23,238**
Other	**1,351**	1,249	**12,576**
Sub total	**9,606**	8,672	**89,448**
Less: valuation allowance	**(98)**		**(910)**
Total deferred tax assets	**9,508**	8,672	**88,538**
Deferred tax liabilities:			
Unrealized gain on land revaluation	**(426)**	(434)	**(3,967)**
Unrealized gain on available-for-sale securities	**(891)**	(318)	**(8,300)**
Total deferred tax liabilities	**(1,317)**	(752)	**(12,267)**
Net deferred tax assets	**¥8,191**	¥7,920	**$76,271**

The difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying non-consolidated statements of income for the year ended March 31, 2005 is immaterial.

Reconciliations between the normal effective statutory tax rate for the years ended March 31, 2004 and the actual effective tax rate reflected in the accompanying non-consolidated statements of income were as follows:

	2004
Normal effective statutory tax rate	35.0%
Expenses not deductible for income tax purposes	0.9
Investment tax credits	(8.6)
Other — net	0.9
Actual effective tax rate	28.2%

8. Lease

The Company leases certain automobiles and office equipment. Total lease payments under the above leases for the years ended March 31, 2005 and 2004 were ¥519 million ($4,829 thousand) and ¥534 million, respectively.

Pro forma information on leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen		
As of March 31, 2005	General facilities	Other	Total
Acquisition cost	**¥2,353**	**¥43**	**¥2,396**
Accumulated depreciation	**(1,483)**	**(18)**	**(1,501)**
Net leased property	**¥ 870**	**¥25**	**¥ 895**

	Millions of Yen		
As of March 31, 2004	General facilities	Other	Total
Acquisition cost	¥2,566	¥51	¥2,617
Accumulated depreciation	(1,248)	(18)	(1,266)
Net leased property	¥1,318	¥33	¥1,351

	Thousands of U.S. Dollars		
As of March 31, 2005	General facilities	Other	Total
Acquisition cost	**$21,914**	**$401**	**$22,315**
Accumulated depreciation	**(13,810)**	**(172)**	**(13,982)**
Net leased property	**$ 8,104**	**$229**	**$ 8,333**

Obligations under finance leases as of March 31, 2005 and 2004:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Due within one year	**¥484**	¥ 499	**$4,505**
Due after one year	**411**	852	**3,828**
Total	**¥895**	¥1,351	**$8,333**

The imputed interest expense portion is immaterial and therefore is not excluded from the above obligations under finance leases.

Depreciation expense, which is not reflected in the accompanying non-consolidated statements of income, computed by the straight-line method over the remaining lease term was ¥519 million ($4,829 thousand) and ¥534 million for the years ended March 31, 2005 and 2004, respectively.

9. Contingent liabilities

At March 31, 2005, the Company was contingently liable as a guarantor for loans and accounts payable of subsidiaries in the amount of ¥4,625 million ($43,068 thousand), and ¥4 million ($40 thousand), respectively.

Under the debt assumption agreements, the Company was contingently liable for the redemption of bonds transferred to banks in the amount of ¥6,000 million ($55,871 thousand) as of March 31, 2005.

10. Shareholders' equity

Japanese companies are subject to the Code to which various amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve until such reserve and additional paid-in capital equals to 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The amount of retained earnings available for dividends under the Code was ¥67,899 million ($632,267 thousand) as of March 31, 2005, based on the amount recorded in the Company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

11. Research and development costs

Research and development costs charged to income were ¥593 million ($5,522 thousand) and ¥913 million for the years ended March 31, 2005 and 2004, respectively.

12. Related party transactions

The following is a summary of transactions and balances with subsidiaries and affiliates for the years ended March 31, 2005 and 2004:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Transactions:			
Construction cost and facilities	**¥ 8,530**	¥ 9,699	**$ 79,430**
Repair and other operating expenses	**24,249**	25,017	**225,805**
Balance of accounts:			
Trade accounts payable	**¥ 2,353**	¥ 2,515	**$ 21,915**
Accrued expenses	**3,636**	3,375	**33,857**

13. Subsequent event

The following appropriations of retained earnings at March 31, 2005 were approved at the shareholders' meeting held on June 29, 2005:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (28¢) per share	¥455	$4,237
Bonuses to directors and corporate auditors	87	810

On May 20, 2005, the Company made a 1.05-for-1 stock split for each outstanding share and 758,646 shares were consequently issued to shareholders recorded in the registration book of shareholders on March 31, 2005.

If the stock split had gone into effect during the years ended March 31, 2005 and 2004, net income per share and the amount per share of net assets would have been ¥471.21 ($4.39) and ¥5,347.76 ($49.80) in 2005 and ¥346.07 and ¥4,866.65 in 2004, respectively.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Okinawa Electric Power Company, Incorporated:

We have audited the accompanying non-consolidated balance sheets of The Okinawa Electric Power Company, Incorporated (the "Company") as of March 31, 2005 and 2004, and the related non-consolidated statements of income and shareholders' equity for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Okinawa Electric Power Company, Incorporated as of March 31, 2005 and 2004, and the results of it's operations for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2(b) to the non-consolidated financial statements, the Company adopted a new accounting standard for impairment of fixed assets as of April 1, 2004.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion; such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 29, 2005

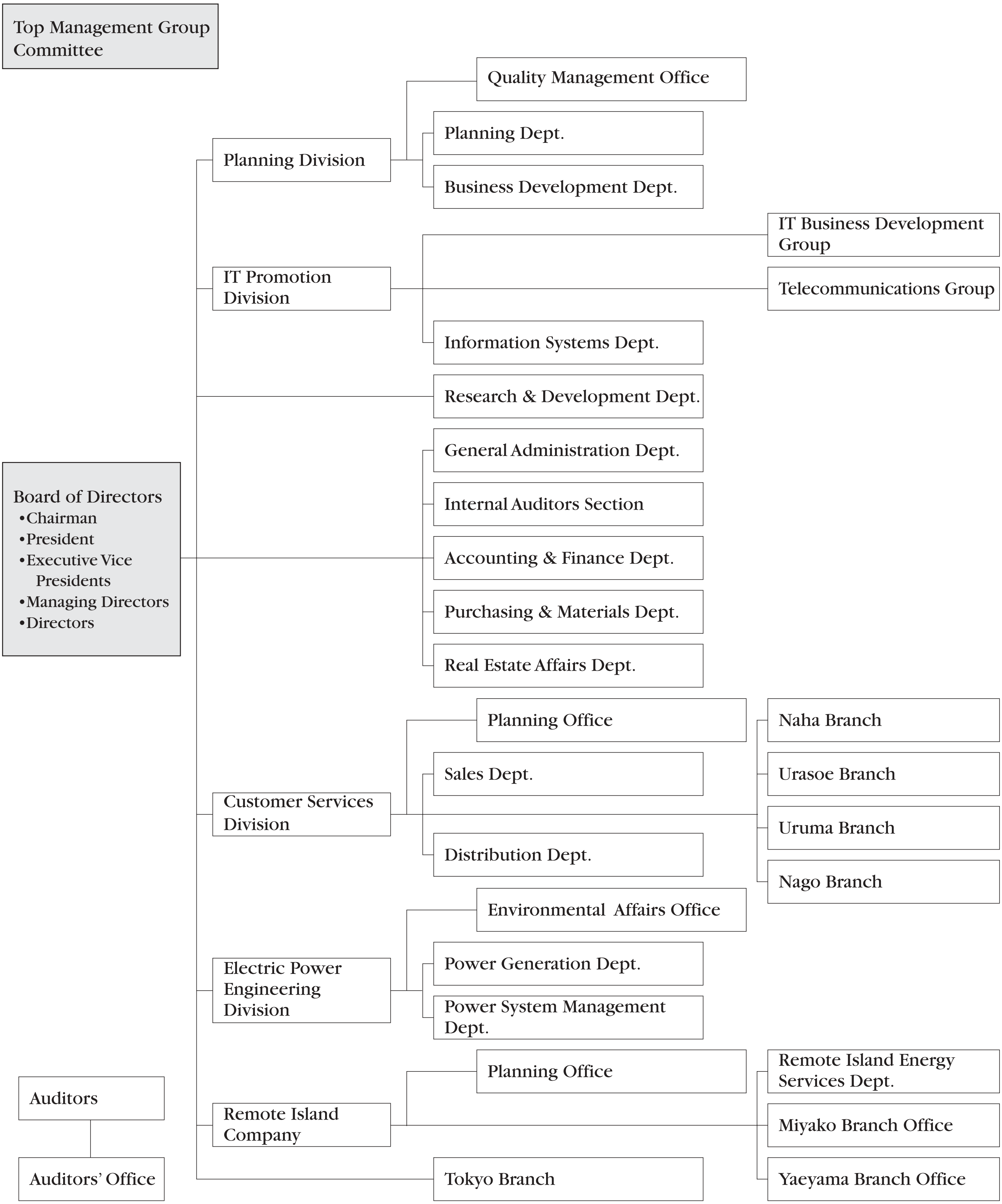
Consolidated Five-Year Summary

Years ended March 31

	Millions of Yen				
Financial Statistics	**2005**	2004	2003	2002	2001
For the year:					
Operating revenues	**¥150,769**	¥148,627	¥145,072	¥152,714	¥143,797
Electric	**136,773**	134,331	133,738	138,568	133,945
Other	**13,996**	14,296	11,334	14,146	9,852
Operating expenses	**133,295**	131,768	128,038	133,827	126,562
Electric	**118,539**	117,423	117,456	120,842	117,033
Other	**14,756**	14,345	10,582	12,985	9,529
Interest expense	**5,586**	7,630	8,195	8,986	9,746
Income before income taxes and minority interests	**11,318**	8,811	8,356	9,602	7,018
Income taxes	**3,915**	3,162	3,112	3,434	3,094
Net income	**7,614**	5,497	5,121	5,845	3,537
Per share of common stock (Yen):					
Basic net income	**¥494.78**	¥354.44	¥329.01	¥385.22	¥233.08
Cash dividends applicable to the year	**60.00**	60.00	60.00	60.00	60.00
At year-end:					
Total assets	**¥392,159**	¥402,408	¥421,081	¥426,206	¥411,456
Net property, plant and equipment	**340,415**	356,351	372,062	377,978	371,887
Long-term debt, less current maturities	**217,226**	233,744	254,792	260,108	259,638
Total shareholders' equity	**86,959**	79,448	74,326	70,261	65,650

Operating Statistics	**2005**	2004	2003	2002	2001
For the year:					
Electric energy sales (Millions of kWh)	**7,193**	7,156	6,883	6,889	6,626
Peak load (Thousands of kW)	**1,363**	1,409	1,325	1,396	1,329
At year-end:					
Generating capacity (Thousands of kW)	**1,916**	1,918	1,676	1,676	1,456
Transmission lines (km)	**906**	870	799	787	767
Distribution lines (km)	**12,516**	10,483	10,372	10,329	10,109

Organization Chart



(As of July 1, 2005)

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Fax: +81 (0)98-877-6017
e-mail: ir@okiden.co.jp
URL: www.okiden.co.jp/english/index.html

Tokyo Branch
No. 45 Kowa Bldg. 6F, 15-9, Minami-Aoyama 1-chome,
Minato-ku, Tokyo 107-0062, Japan
Tel: +81 (0)3-3796-7768

Established
May 15, 1972

Capital
¥7,586 million

Total Assets
¥367,862 million

Number of Customers
784,324 (Includes users of both lighting and power)

Number of Employees
1,466

(As of March 31, 2005)

Power Generation Facilities

Type of Station	Number of Facilities	Generating Capacity [kW]
Steam	4	1,467,000
Gas Turbine	4	291,000
Internal Combustion	14	160,125
Total	22	1,918,125

Independent Certified Public Accountants
Deloitte Touche Tohmatsu

Consolidated Subsidiaries

Name	Capital	Main Business Lines	Equity Ownership
Okidenko Co., Ltd.	¥130 million	Construction	48.0%
Okiden Kigyo Co., Ltd.	¥43 million	Peripheral operations related to electric power business	91.7%
Okinawa Plant Kogyo Co., Inc.	¥32 million	Peripheral operations related to electric power business	89.9%
Okinawa Denki Kogyo Co., Ltd.	¥23 million	Peripheral operations related to electric power business	99.4%
Okiden Kaihatsu Co., Inc.	¥50 million	Real estate	100.0%
The Okiden Global Systems Company, Inc.	¥20 million	Information and telecommunications	100.0%
Okiden Sekkei Co., Ltd.	¥40 million	Construction	95.5%
Astel Okinawa Corp.	¥1,000 million	Information and telecommunications	65.2%
Okinawa New Energy Development Co., Inc.	¥49 million	Construction	42.1%
Okinawa Telecommunication Network Co., Inc.	¥700 million	Information and telecommunications	43.9%
Okisetsubi Company, Ltd.	¥20 million	Construction	48.0%
First Riding Technology Co., Inc.	¥945 million	Information and telecommunications	74.3%
Progressive Energy Corp.	¥100 million	Dispersed generating plant business	58.0%
Kanucha Hilt Community Co., Inc.	¥327 million	Nursing care related business	76.5%

Investor Information

Transfer Agent and Registrar

The Mitsubishi Trust & Banking Corporation

11-1, Nagata-cho 2-chome, Chiyoda-ku, Tokyo 100-8212, Japan

Securities Traded

Tokyo Stock Exchange, Fukuoka Stock Exchange

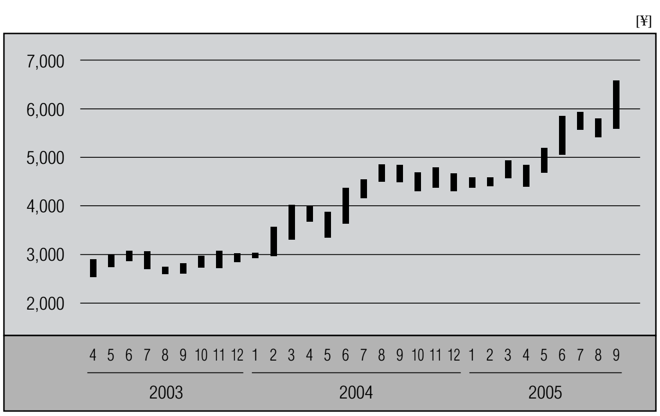
Common Stock Issued

15,172,921 shares

Number of Shareholders

7,821

Stock Price Range on the Tokyo Stock Exchange



Credit Ratings

	Long-Term	Short-Term	Outlook
Standard and Poor's (S&P)	AA-	A-1+	Stable
Moody's	Aa3	-	Stable
Rating and Investment Information, Inc. (R&I)	AA+	a-1+	Stable
Japan Credit Rating Agency, Ltd. (JCR)	AAA	J-1+	-

(As of October 31, 2005)

Board of Directors and Auditors

Hirokazu Nakaima
Chairman

Tsugiyoshi Toma
President

Kazuhiro Nakada
Executive Vice President

Shin Kadena
Executive Vice President

Denichiro Ishimine
Executive Vice President

Chairman:
Hirokazu Nakaima

President:
Tsugiyoshi Toma

Executive Vice Presidents:
Kazuhiro Nakada
Shin Kadena
Denichiro Ishimine

Managing Directors:
Akira Sakuma
Seiyu Ishikawa

Directors:
Inekazu Uehara
Kaoru Shimabukuro
Mitsuru Omine
Katsunari Omine
Tsutomu Ikemiya
Katsuaki Chinen
Kunio Oroku

Standing Auditors:
Hajime Ota
Hiroshi Teruya

External Auditors:
Honshin Aharen
Katsuko Asato

(As of June 29, 2005)

The Okinawa Electric Power Company, Incorporated

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