The Okinawa Electric Power Company, Incorporated (OEPC)

Annual Report 2004

Financial Highlights (Consolidated)

The Okinawa Electric Power Company, Incorporated

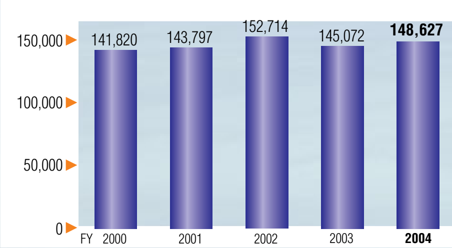
Years ended March 31, 2004 and 2003	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars 2004
For the year:			
Operating revenues	**¥148,627**	¥145,072	**$1,406,252**
Operating income	**16,859**	17,034	**159,514**
Net income	**5,497**	5,121	**52,010**
Per share of common stock (yen and U.S. dollars):			
Basic net income	**¥354.44**	¥329.01	**$3.35**
Cash dividends applicable to the year	**60.00**	60.00	**0.57**
At year-end:			
Total assets	**¥402,408**	¥421,081	**$3,807,432**
Total shareholders' equity	**79,448**	74,326	**751,706**

Note: The U.S. dollar amounts represent translation of Japanese yen for convenience only at the approximate exchange rate on March 31, 2004, of ¥105.69 to $1.

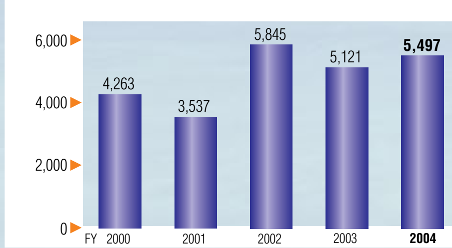
Operating Highlights (Non-Consolidated)

Years ended March 31, 2004, 2003 and 2002	2004	2003	2002
For the year:			
Electric energy sales (Millions of kWh)			
Lighting	**2,808**	2,704	2,728
Power	**4,348**	4,179	4,161
Peak load (Thousands of kW)	**1,409**	1,325	1,396
At year-end:			
Number of customers:			
Lighting	**710,638**	702,178	689,939
Power	**68,082**	68,526	68,322
Generating capacity (Thousands of kW)	**1,918**	1,676	1,676
Route length of transmission lines (km):			
Overhead	**681**	636	627
Underground	**189**	163	160

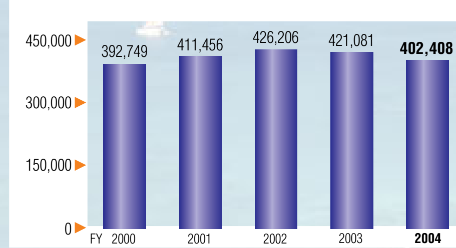
Consolidated Operating Revenues
(¥ Million)



Consolidated Net Income
(¥ Million)



Consolidated Total Assets
(¥ Million)



Note: The term "fiscal 2004" as used in this report refers to the business year ended March 31, 2004. 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 1.3 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 universal services and maintain a steady and 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.

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
			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	
			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	9 [units]	MAX 4,000	Heavy oil
	Izena	3,800	5 [units]	MAX 1,000	
	Tokashiki	3,650	7 [units]	MAX 1,000	
	Tonaki	915	5 [units]	MAX 365	
	Aguni	1,080	5 [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	29,000	6 [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	160,125	79 [units]		
Total		1,918,125	98 [units]		

*As of March 31, 2004

Power transmission

Classified by voltage [kV]		132	66	22	13.8	Total
Route length of transmission line network [km]	Overhead	101	383	180	16	680
	Underground	17	79	81	12	189
	Total	118	462	261	28	869
Total length of transmission line network [km]	Overhead	202	473	182	23	880
	Underground	34	82	100	12	228
	Total	236	555	282	35	1,108

Transformer equipment

	Classified by voltage [kV]	132	66	22	13.8	Total
Total	Number of locations	9	68	19	32	128
	Voltage capacity [MVA]	2,605	2,609	187	46	5,447

Power distribution

		Extra-high-voltage lines	High-voltage lines	Low-voltage lines	Total
Route length of transmission line network [km]	Overhead	111	6,610	3,482	10,203
	Underground	6	270	4	280
	Total	117	6,880	3,486	10,483
Total length of transmission line network [km]	Overhead	335	21,900	11,086	33,321
	Underground	7	366	4	377
	Total	342	22,266	11,090	33,698

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Message from the Management

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

We will continue to work diligently to maintain the confidence of our customers and shareholders, and to remain the company of choice.

Hirokazu Nakaima
Chairman

Tsugiyoshi Toma
President

The Japanese economy has been undergoing an extensive structural reorganization, which includes widespread deregulation in numerous sectors, with the aim of achieving economic revitalization and enhancing international competitiveness. Against this backdrop, the electric power industry has entered an era of reform, characterized by advancements in the phased lifting of regulations on small-lot sales of electric power, an intensification of competition resulting from the emergence of private power generation companies, and an expansion of business domains through diversification into new business areas.

To overcome these challenging management conditions, we will continue to cultivate a strong relationship with our stakeholders, while undertaking various measures to increase management efficiency, and reduce costs to ensure sustained growth, with the aim of bolstering our price competitiveness and improving our financial position. Moreover, in keeping with our responsibilities as a company whose stock is listed on the First Section of the Tokyo Stock Exchange, we will conduct information disclosure swiftly and accurately, and make utmost efforts to maximize our enterprise value.

With the aim of becoming the electric power supply company of choice for the residents of Okinawa, the staff of OEPC are making extensive efforts to identify customers' needs and provide services tailored to meet those needs. In addition, we are also responding to public concerns such as the maintenance of universal services, enhancement of the degree of reliability in electric power supply, and preservation of the natural environment.

Overview of Okinawa Electric Power's Business

Volume of Electricity Sold

The volume of electricity sold in fiscal 2004, the business term ended March 31, 2004, was 2,808 million kWh for low-voltage residential use, up 3.8% year-on-year, and 4,348 million kWh for high-voltage business use, up 4.0% year-on-year. The total was 7,156 million kWh, an increase of 4.0%.

In fiscal 2005 the volume of electricity sold is expected to rise by 0.5% from fiscal 2004 in the case of electricity for residential use, to 2,823 million kWh, but to decline by 1.9% for business use, to 4,267 million kWh. As a result, total volume is expected to decline by 0.9% to 7,090 million kWh.

Peak load in fiscal 2004 increased by 6.3% from the previous year, to 1,409,000 kW, and in fiscal 2005 there will be a further 1.0% increase to 1,423,000 kW.

Electric Power Sales

(Millions of kWh) (%) (Thousands of kW)

		FY2003	FY2004	FY2005 (Estimate)
Electric Power Sales	Residential use	2,704 (-0.9)	2,808 (3.8)	2,823 (0.5)
	Business use	4,179 (0.4)	4,348 (4.0)	4,267 (-1.9)
	Total	6,883 (-0.1)	7,156 (4.0)	7,090 (-0.9)
Peak load (Thousands of kW)		1,325 (-5.1)	1,409 (6.3)	1,423 (1.0)

Change year-on-year

Sales Trends

Demand for electric power in Okinawa Prefecture is characterized by a high proportion of private-sector demand for residential and business use. Residential and business demand currently account for approximately 75% of total demand.

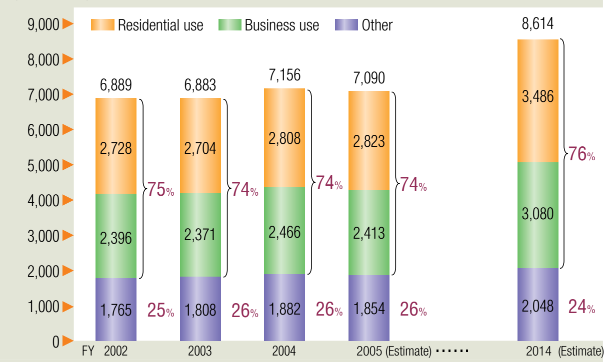
The rate of Okinawa's population growth is high relative to the average for the nation as a whole, and thus power demand for residential use is projected to continue increasing steadily. Stable growth in demand for electric power for business use is also forecast, owing to an increase in new customers such as supermarkets and hotels.

Based on these trends, the Company projects ongoing robust growth in demand.

Sales Trends

Stable growth centered on residential use and business use

(Million kWh)



		Avg. Annual Growth (Okinawa) (%)		Avg. Annual Growth Rate: Japan (Excluding Okinawa) (%)	
		FY1993-2003	FY2003-2014	FY1993-2003	FY2003-2014
Electric Power Sales	Residential use	3.3	2.3	3.2	1.3
	Business use	3.4	2.4	—	—
	Other	2.1	1.1	—	—
Total		3.0	2.1	2.1	1.0

Electric Power Demand in Fiscal 2004

Private-sector demand for electric power grew by 3.8% year-on-year. The factors behind this were the increases in the number of accounts for residential use and in the volume of business demand, and also the surge in the use of air conditioning as a result of particularly high summer temperatures.

Industrial demand is increasing steadily as population growth is generating a stable increase in demand in industries that have a close relationship with the daily lives of the people, such as food manufacturing. In addition, demand for electric power in the steel industry is rising as a result of the increase in output. Overall, demand grew by 4.9% year-on-year.

Consequently, demand totaled 7,156 million kWh, up by 4.0%.

Peak load was affected by the hot weather in July, with average temperatures 1.7°C higher than the same month of the previous year, the month in which power output is typically at its highest. As a result it reached 1,409,000 kW, up by 6.3% year-on-year.

Electric Power Demand in Fiscal 2005

Private-sector demand is expected to be positively affected by stable growth in the number of accounts for residential use, and in the field of business demand by the increase in the number of customers such as supermarkets and hotels. However, as a result of a reaction to the surge in demand sparked by the previous year's high temperatures, overall private-sector demand is forecast to edge downwards by 1.1%.

Industrial demand is expected to record a stable increase, primarily because of the growth in demand from industries such as food processing. It is expected to show 0.1% growth from the previous year.

As a result, demand should total 7,090 million kWh, a decline of 0.9%.

Peak load in fiscal 2005 is expected to rise by 1.0% from the previous year, to 1,423,000 kW, owing to the increase in the number of households and of users.

Fiscal 2004 Income and Expenditures

Operating revenue in fiscal 2004 was affected by the reduction in charges made in October 2002, but the increase in the volume of sales of electric power more than offset this negative factor. Expenses were impacted by the increase in costs, such as depreciation charges, upon the start of operation of the No. 2 generator at Kin Thermal Power Station. However, the shift in fuel for power generation from oil to coal reduced spending on fuel, and there were also positive impacts from a program to enhance operating efficiency throughout the Company and cut costs. As a result, OEPC posted income before income taxes totaling ¥7,790 million (US$74 million) and net income of ¥5,594 million (US$53 million) on a non-consolidated basis, and recurring profit of ¥8,811 million (US$83 million) and net income of ¥5,497 million (US$52 million) on a consolidated basis. In both cases, these figures constituted increases in both revenues and earnings.

Earnings Performance in Fiscal 2004

Non-consolidated (Increases in both revenues and earnings)	
Operating revenue	¥134,756 million
Recurring profit	¥ 7,790 million
Net income	¥ 5,594 million
Consolidated (Increases in both revenues and earnings)	
Operating revenue	¥148,627 million
Recurring profit	¥ 8,811 million
Net income	¥ 5,497 million

Fiscal 2005 Forecast

The forecast for fiscal 2005 points to a steady increase in income from power for residential use, but income from sales of electric power for business use will be affected by the reaction to the demand fueled by the previous year's high temperatures. As a result of factors such as these, non-consolidated operating revenue is expected to remain roughly at the year-earlier level, approximately ¥134.5 billion.

With respect to expenses, the Company is experiencing increases in fuel costs and charges for the purchase of power from other utilities, impacted by sharp rises in coal prices. However, depreciation charges and interest payments are forecast to decline, and steps are being taken to curb growth in other expenses. In consequence, non-consolidated recurring profit is projected at ¥10.5 billion, and net income is expected to rise to ¥6.5 billion.

On a consolidated basis, the Company forecasts increases in both revenues and earnings: operating revenue of ¥154.0 billion, recurring profit of ¥11.5 billion, and net income of ¥6.5 billion.

Earnings Forecasts for Fiscal 2005

Non-consolidated (Decrease in revenues, increase in earnings)	
Operating revenue	¥134,500 million
Recurring profit	¥ 10,500 million
Net income	¥ 6,500 million
Consolidated (Increases in both revenues and earnings)	
Operating revenue	¥154,000 million
Recurring profit	¥ 11,500 million
Net income	¥ 6,500 million

Fiscal 2005 Capital Investment Plan

The philosophy underlying the formulation of OEPC's capital investment plan for fiscal 2005 was to ensure an efficient configuration of plant and equipment from a long-term perspective based on changes in the operating environment. The prime changes are the widening of the scope of liberalization of electric power retailing that was effected in April this year, and the expected stiffening of environmental regulations by the national government in the future.

1. The planning for the principal power plants includes the construction of the No. 4 generator at the Ishigaki No. 2 power plant, a facility on a remote island. Start of operations is planned for fiscal 2006.

   With respect to the development of the No. 1 and No. 2 generators at the Yoshinoura thermal power plant, OEPC's first LNG-powered plant, environmental assessment procedures are currently underway, and earnest efforts are being made with a view to starting construction in fiscal 2007.

2. Capital investment spending planned for fiscal 2005 totals ¥21.8 billion, representing a decrease of ¥6.4 billion from the initial spending level of ¥28.2 billion planned for fiscal 2004. This figure encompasses spending on these power plant facilities and on transmission, transformer facilities, power distribution facilities, and also on other business-related facilities and research and survey expenses.

   Targeted capital investment spending over the next 10 years, including for the Yoshinoura No. 1 and No. 2 generators, will be capped at ¥250 billion, which is within the scope of depreciation charges. This is part of OEPC's efforts to reduce costs.

Fiscal 2005 OEPC Management Plan

During the current term — fiscal 2005 — we are experiencing a lull in large-scale capital investment and we are taking this opportunity to prepare for our next growth phase. For this purpose, we have designated the following five priority tasks.

The first task is to increase customer satisfaction. Now that customers are able to choose their power supplier, to ensure that they select OEPC it is essential for us to strengthen our marketing capabilities. In this, we will strive to increase the degree of customer satisfaction by providing them with a service fine-tuned to their needs, including by assessing and understanding those needs sensitively, providing uses with the range of charges they require, in addition to expert consulting and improved after-sales service.

The second task is to ensure that we are always a reliable power utility, the stable supply of electricity being the cornerstone of our business.

Events last year freshly reinforced our strong awareness of the need for stability in electric power supply. They included major blackouts in the United States, and an accident at a nuclear power station in Japan, as well as severe damage to electric power facilities caused by a powerful typhoon. Additionally, there are stringent requirements for active information disclosure and the observance of laws, and the trustworthiness of companies is coming under close public scrutiny.

Given these circumstances, our aim is to continue being a reliable, trusted power utility supplier by building, operating, and maintaining efficient and effective plant and equipment, always conscious of the necessity of assuring a stable power supply, and by ensuring that we make prompt and accurate information disclosure and conduct our business in accordance with high ethical standards.

The third task is to strengthen our financial position. We must strengthen our financial position, including by reducing our interest-bearing debt, to enable a level of charges comparable to those prevalent on the Japanese mainland, to return profit to our shareholders, and to develop new business activities. In every division we will always conduct business in a cost-conscious manner, and will maintain strict adherence to the ISO 9001 quality management standard, constantly enhancing operating efficiency.

The fourth task is to address environmental problems actively. Measures to counter global warming are one example of the type of action being taken to resolve the broad array of environmental issues. As a responsible company, OEPC will fulfill its environmental role and responsibilities by applying all possible technologies and know-how from every angle, independently and actively helping to alleviate the burden on the environment.

The fifth and final task is to increase Group enterprise value.

In the future, the electric power industry will see a slowing of demand and the likelihood of competition from strong inroads made by independent power producers. In view of this, it is incumbent on us to strengthen the resilience of our electricity supply business and at the same time take vigorous, Group-wide steps to develop and support new business activities. In tandem with this, we must ensure our business makes efficient and effective use of Group management resources, so as to increase the enterprise value of the entire Group.

These five priority tasks constitute our management policy for fiscal 2005:

OEPC's Management Policies for FY2005

1. Improve customer satisfaction
- Expand our offering of customer-tailored services

2. Be a trustworthy company by providing a stable supply of electricity
- Create, operate and maintain electric power plants that are efficient and effective, never forgetting the vital importance of ensuring a steady supply of electric power
- Disclose precise information promptly

3. Strengthen our financial position
- Increase cost awareness
- Raise efficiency of business operations

4. Work actively to implement environment-related measures
- Give environmental considerations greater priority in daily business operations

5. Raise the Group's enterprise value
- Develop and support new businesses
- Expand business operations by efficiently and effectively employing the Group's management resources

Management Goals and Progress Report

OEPC has laid down four numerical management goals for improving its financial condition.

1. To achieve average annual income before income taxes of at least ¥10 billion (fiscal 2005 – fiscal 2007)
2. To achieve average annual return on assets (ROA) of at least 2.0% (fiscal 2005 – fiscal 2007)
3. To reduce the balance of interest-bearing debt by at least ¥30 billion from its level at March 31, 2004, to approximately ¥240 billion (at end fiscal 2007)
4. To achieve an equity ratio of approximately 25% (at

end fiscal 2007)

In setting out these goals, we have foreseen an increasingly difficult business environment. Accordingly, to strengthen the foundations of our operations, we added the new goal of achieving a certain level of ROA (net income as a percentage of total assets), a valuable indicator of increasing profitability and efficiency of asset utilization. To this end, all employees of the Group are committed to implementing the measures set out below.

First, we will promote load leveling by strengthening marketing capabilities. Specifically, we have fixed a numerical target for the diffusion of load-leveling units and are undertaking marketing activities to achieve it. In tandem with this, we engage in a solutions business through which we provide optimal systems after careful examination of the ways that customers use electricity.

Second, we will hold down capital investment spending to a maximum of ¥250 billion over the next 10 years. Capital investment in fiscal 2005 will be reduced to ¥21.8 billion, down by ¥6.4 billion from the planned level in fiscal 2004. We aim to ensure an efficient configuration of plant and equipment from a long-term perspective, while continuing to reduce capital investment spending.

Third, while enhancing the efficiency with which plant and equipment are operated and maintained, we will keep repair costs below an average of ¥15 billion annually over the next three years. This represents a reduction of ¥1 billion from our previous target, which has been made possible by reviewing the nature of the repairs despite the fact that an increase in plant and equipment will lead to higher repair costs.

Fourth, based on our Action Program III targeting an improvement in the profitability of remote island operations, we will accelerate efficiency enhancements and improve the high-cost structure of these operations.

Fifth, we will increase business efficiency through the use of IT and the adoption of measures such as business outsourcing. In addition we will ensure strict cost management and income and expenditure control at the divisional level with the use of our managerial accounting system, and employ this as a springboard for the introduction of a system of performance assessment for each division.

OEPC's Management Objectives and Progress Report

1. Bolster OEPC's financial structure

(1) Realize average annual recurring profit of ¥10 billion or more (FY2005–2007)

(2) Achieve an ROA (net income as a percentage of total assets) of 2.0% on average (FY2005–2007)

(3) Reduce interest-bearing debt by more than ¥30 billion in three years by the end of March 2007, to the ¥240 billion level

(4) Raise the equity ratio to 25% (by the end of March 2007)

We will undertake the following measures to achieve these goals.

2. Plan for Increasing Management Efficiency in FY2005

(1) Expand marketing capabilities to even out load levels

(2) Keep capital investment below ¥250 billion during the next 10 years

(3) Increase efficiency in facility operation and maintenance
- Keep average annual maintenance costs below ¥15 billion over the next three years

(4) Make remote island operations more profitable
- Reduce the losses from remote island operations by 50% by the end of March 2006

(5) Raise the efficiency of operations

Improving Profitability of Remote Island Operations

OEPC's remote island operations have a high-cost structure owing to a variety of factors caused by the distance of these scattered islands from the Okinawa Main Island, and by their small size. As a result, these operations have hitherto recorded an average annual deficit of approximately ¥4 billion.

Amid the progressive liberalization of electric power retailing, OEPC regards the improvement of the efficiency of its remote island operations as an important issue for the maintenance of its universal services. Steps were initiated in the fiscal 2002 to achieve that goal, and have since been strengthened with the aim of halving the deficit to around ¥2 billion by fiscal 2006.

The Remote Island Electric Service Headquarters has been reorganized into an in-house company (Remote Island Company), and a range of measures taken to reduce personnel expenses and repair costs and to limit capital investment. Internal analyses show that these steps enabled the deficit to be reduced to around ¥3 billion in fiscal 2003.

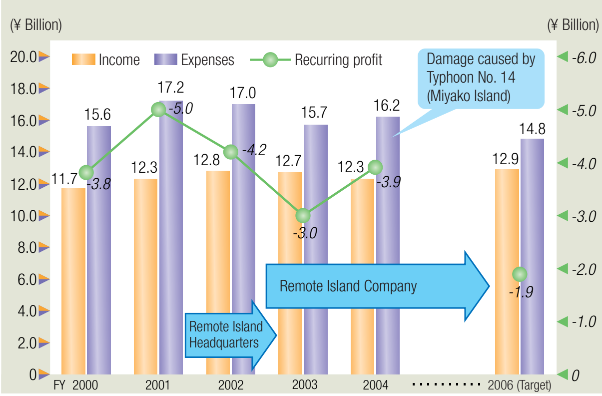
The estimates for fiscal 2004, however, indicate a deficit of approximately ¥3.9 billion. This has resulted from factors such as a fall in income resulting from the full-year impact of the reductions in electricity charges in

October 2002, higher fuel expenses caused by increased demand and price increases, and damage inflicted by Typhoon No. 14.

Nevertheless, as a result of the efforts made to date, the deficit was reduced by ¥0.2 billion year-on-year in fiscal 2004, if the extraordinary factor of the damage from Typhoon No. 14 is excluded. This was possible thanks to improvements in the areas of personnel, repair, and interest costs, and indicates the downward trend in the deficit.

Steps being taken in fiscal 2005 in preparation for attaining the target for fiscal 2006 include the switch to remote control of the power plants on the islands of Miyako and Ishigaki, leading to the reduction of personnel, and the laying of a fuel pipeline on Miyako.

Income and Expenditures of Remote Island Operations



Group Management Policies for Fiscal 2005

The Okiden Group aims to grow and develop into a strong group with a cleancut vision. To that end, throughout the Group we will work as one to achieve a high level of efficiency and to actively expand operations in fields outside the electric power business.

During fiscal 2005 the Group will ensure steady implementation of three priority policies: the establishment of the Okiden Group brand, the enhancement of efficiency, and the expansion of sales outside the Group.

To implement the first of these policies, namely the establishment of the Okiden Group brand, we will fulfill our mission as a corporation operating in the public interest, and under the motto "With the region; for the region," we will build a relationship of ever-greater trust with our customers. Specifically, we will ensure strict adherence to business practices that adopt the customer's perspective, we will address environmental problems vigorously, we will secure capabilities in various technologies, we will contribute to the local communities we serve, and we will create safe and comfortable workplaces for our staff.

With respect to the second policy, the enhancement of efficiency, OEPC will implement a program of steady cost reductions. To counter declines in the value of orders, every Group company will implement measures to promote efficiency, including the cutting of controllable costs such as personnel expenses and general and administrative expenses, and also of outsourcing costs, so as to ensure an appropriate level of profit. To ensure the efficient use of Group funds, we are studying measures such as the introduction of a group-wide cash-flow management system.

Group-wide Management Policies in Fiscal Year 2005

Priority Initiatives

Raise the brand profile of the Okiden Group

- Introduce marketing activities that focus more on the customer's real needs
- Actively take steps to resolve environmental problems
- Make efforts to advance our technological capabilities
- Contribute to the local community
- Create a safe and pleasant workplace

Promote more efficient operations

- Conduct a feasibility study for a centralized cash-flow management system
- Ensure steady implementation by Group companies of efficiency-raising measures

Expand sales to companies outside the Group

- Expand business operations and develop new businesses by leveraging the management resources of the Group
- Led by OEPC's new business development department, make aggressive efforts to establish new core businesses to supplement the electricity business
- Conduct joint sales activities, utilizing each Group company's products and strengths

To achieve the expansion of sales outside the Group — the third policy — each Group company will both expand existing activities that employ their management resources, and develop new activities. In addition, OEPC's department responsible for the development of new business will pursue that task vigorously with the aim of establishing businesses that will form the principal driving force of Group operations as successors to the electricity supply business. By cooperation, and by shaping an astute mix of their products and strengths, Group companies will be able to create new opportunities for winning orders, conducting Group marketing that combines Group management resources effectively.

Development Plan for Next-Generation Power Sources

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

OEPC constructs power plants to meet robust growth in demand, and it has opted to construct an LNG combined-cycle plant, because this type of plant is environmentally friendly, featuring reduced emissions of carbon dioxide.

OEPC is exempt from the tax on petroleum and coal introduced in October 2003. Nevertheless, there are mounting demands for carbon dioxide to be reduced, reflected in developments such as the Ministry of the Environment's current study on the introduction of an environment tax.

At present the majority of the electric power supplied by the Company is derived from coal-fired thermal power plants with relatively high volumes of carbon dioxide emissions, but the situation is very difficult with respect to the reduction of such emissions, and currently OEPC has no means of cutting them drastically. In addition, owing to geographical and topographical limitations and restrictions in terms of the scale of demand, in the near future there can be no prospect of using alternatives such as hydro or nuclear power generation. In consequence, the sole realistic option for the Company in order to ensure an environmentally friendly approach is to build a power plant fueled by LNG.

In addition, the introduction of LNG will give OEPC a third fuel after oil and coal, thereby diversifying the composition of its network of power plants. Therefore, from the perspective of the security of fuel procurement, this will make a major contribution to assuring greater stability in power supply.

Development of Cost-Competitive Power Plants

OEPC is making exhaustive efforts to reduce costs, including rationalizing plant specifications and conducting studies on fuel procurement, and we predict that we will be able to achieve a level of costs for on-grid power generation on a par with those of our currently most cost-competitive coal-fired plants. Additionally, studies from a variety of perspectives aimed at realizing even further cost reductions are under way.

Development Schedule

Out of environmental considerations, taking into account that the first commitment period under the Kyoto Protocol is from 2008 to 2012, OEPC plans to introduce its No. 1 generator midway through that period, in fiscal 2011, and the No. 2 generator in the following year. Fiscal 2011 is also the target year for the reduction of carbon dioxide emissions by the Federation of Electric Power Companies.

In regard to the number of units, plans call for the establishment of four 240,000 kW-class power generators, which is the maximum number that is possible to install within the planned site. The third and fourth generators will be developed from fiscal 2017 onwards as part of the Company's flexible response to fluctuations in power demand as well as the ongoing requirement to reduce carbon dioxide emissions.

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

We will continue to do our utmost to live up to the expectations of our customers, shareholders, and investors, and we hope to receive your ongoing support and understanding for our endeavors.

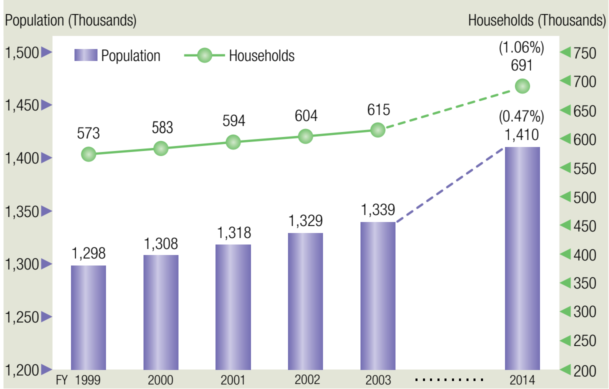
Economic Overview of Okinawa Prefecture

Population Growth

The rate of population growth in Okinawa is high relative to Japan as a whole. It is estimated that over the period from fiscal 2003 to 2014 the average annual rate of growth will be 0.47%, compared with minus 0.05% in the country as a whole. In addition, whereas the population of Japan is forecast to peak in two years' time (fiscal 2007), the population of Okinawa is expected to continue growing until fiscal 2026.

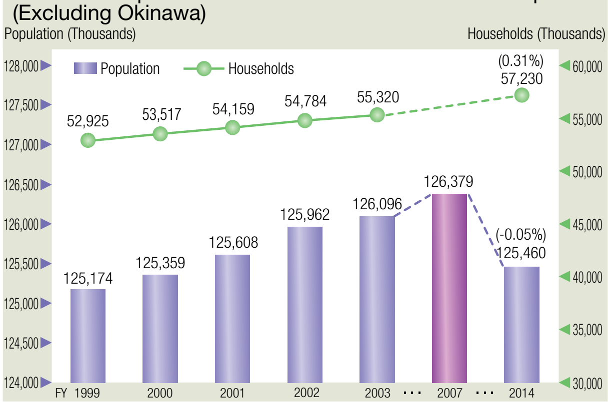
The number of households is increasing rapidly compared with Japan as a whole. The average annual rate of growth for the period from fiscal 2003 to fiscal 2014 is estimated at 1.06%, compared with 0.31% for the country as a whole.

Growth in Population and Number of Households in Okinawa



Source: Japan Electric Power Survey Committee
Note: For 2014, the rate in parentheses is the average annual growth rate for FY2003-2014.

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



Source: Japan Electric Power Survey Committee
Note: For 2014, the rate in parentheses is the average annual growth rate for FY2003-2014.

GDP

The GDP of Okinawa Prefecture is expected to grow at a faster pace than that of the country as a whole, as a result of the implementation of measures under the Okinawa Promotion Plan. Compared with the forecast national average growth of 1.5% per annum from fiscal 2002 to fiscal 2012, in Okinawa Prefecture the corresponding rate is 2.3%. Moreover, buoyed by the prefecture's GDP growth, income per capita in Okinawa is forecast to rise by approximately 2.9%, well above the projected national figure of around 1.6%.

GDP Avg. Annual Growth Rate

	FY 2002	FY 2012	Avg. annual growth rate for 2002-2012
Okinawa	¥3,599,800 million	¥4,531,100 million	2.3%
Nationwide	¥530,370,300 million	¥616,260,000 million	1.5%

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

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

	FY 2002	FY 2012	Avg. annual growth rate for 2002-2012
Okinawa	¥2,060,000	¥2,740,000	2.9%
Nationwide	¥2,910,000	¥3,400,000	1.6%

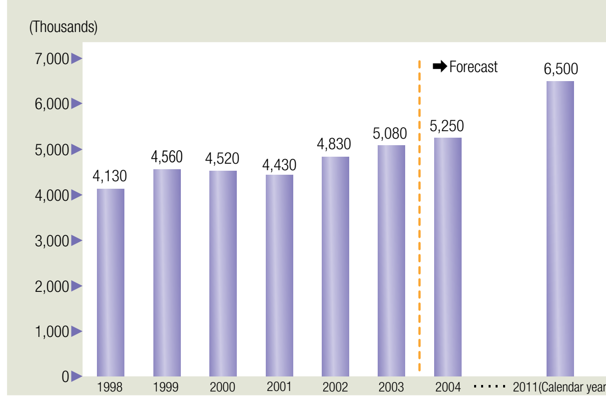
Source: Quantitative targets for economic and social development under the Okinawa Promotion and Development Plan, economic statistics for Okinawan residents in fiscal 2002

Tourist Arrivals

The number of tourist arrivals in the region in calendar 2003 was 5.08 million, an all-time high.

The prefecture plans to continue making effective use of its tourism resources such as its historical heritage sites, and to develop itself into an attractive year-round residential resort zone. It has set the targeted number of tourist arrivals in 2011 at 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)

Financial Review (consolidated)

Business Performance

Overall, the economy of Okinawa Prefecture showed signs of recovery in fiscal 2004. Although investment in private housing and public works declined, consumer spending increased moderately and tourism-related industries continued to perform well.

Electric power demand in the fiscal year under review exceeded previous-year levels, due to increased demand for home and office-use air-conditioning as customer numbers grew and summer temperatures soared. Industrial power consumption was also higher than year-earlier levels, due to increased demand from food manufacturers and steelmakers.

Lighting (residential) power demand rose 3.8% to 2,808 million kWh, while industrial power demand rose 3.9% to 4,205 million kWh. Total sales volume including unregulated area demand totaled 7,156 million kWh, a 4.0% increase compared with the previous fiscal year.

Conditions remained harsh in construction, an important business for our consolidated subsidiaries, with competition for orders intensifying sharply amid reduced public works spending and sluggish private sector investment. Operating conditions were also difficult in the IT and telecommunications sector, which continues to evolve rapidly in terms of service diversification and sophistication, and rate reductions.

Operating revenues (sales) on a consolidated basis rose 2.4% to ¥148,627 million (US$1,406 million) on increased sales volumes in the Electric Power Business and increased operating revenues from Other Operations.

However, operating expenses increased 2.9% to ¥131,768 million (US$1,247 million), rising in Other Operations, although they were unchanged from the previous fiscal year in the Electric Power Business.

As a result of the foregoing, operating income totaled ¥16,859 million (US$160 million), a 1.0% decrease compared with the previous fiscal year. However, net income increased 7.3% to ¥5,497 million (US$52 million) on reduced interest expenses.

On a non-consolidated basis, net income increased 26.3% to ¥5,594 million (US$53 million), with operating revenues increasing 0.5% to ¥134,756 million (US$1,275 million).

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

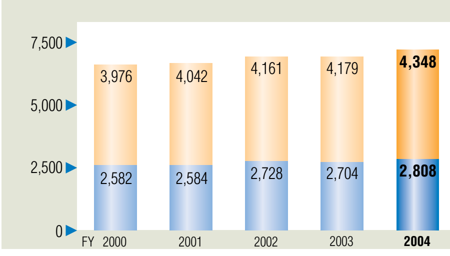
1. Electric Power Business

Electric utility operating revenues increased 0.4% to ¥134,576 million (US$1,273 million). Sales volumes were pushed up by high temperatures compared with the previous fiscal year, which more than offset the impact of electric charge reductions implemented in October 2002 and lower revenues due to changes in fuel costs under the official fuel price adjustment system.

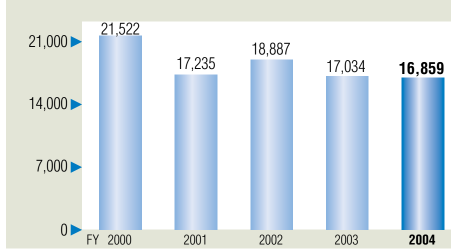
Operating expenses were flat from the previous fiscal year at ¥119,326 million (US$1,129 million). Although depreciation costs at the Kin thermal power station rose at the startup of operation, fuel costs were greatly reduced by a shift from oil to coal, and various costs were pared through efficiency improvements.

As a result, operating income increased 4.2% to ¥15,250 million (US$144 million) compared with the previous fiscal year.

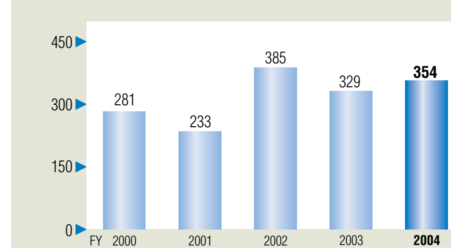
Electric Energy Sales
(Millions of kWh)



Consolidated Operating Income
(¥ Million)



Consolidated Net Income per Share
(¥)



2. Construction Business

Operating revenues fell 9.5% to ¥20,662 million (US$195 million) compared with the previous fiscal year, and operating expenses declined 8.5% to ¥20,170 million (US$191 million). An increase in completions of large-scale private and public projects was outweighed by a drop in power-related building projects.

As a result, operating income decreased 37.6% to ¥492 million (US$5 million) compared with the previous fiscal year.

3. Other Operations

Operating revenues fell 2.8% to ¥29,988 million (US$284 million), reflecting the absence of large power-generation and transmission equipment orders seen in the previous fiscal year, reduced orders for telecommunications projects, and lower income from telephone-charge earnings. Operating expenses increased 1.0% to ¥29,051 million (US$275 million), on a surge in depreciation expenses compared with the previous fiscal year due to recalculation of service life periods for fixed assets used in the PHS-type mobile phone business.

As a result, operating income decreased 55.0% to ¥937 million (US$9 million) compared with the previous fiscal year.

(Note) The above figures do not include consumption tax.

Cash Flows

Net cash provided by operating activities totaled ¥33,210 million (US$314 million), an increase of ¥2,590 million (8.5%) compared with the previous fiscal year, due chiefly to increased income before income taxes and minority interests and depreciation expenses.

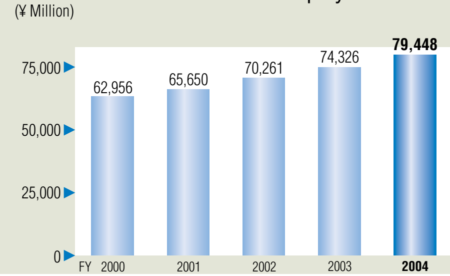
Net cash used in investing activities totaled ¥19,744 million (US$187 million), ¥7,787 million (28.3%) less than in the previous fiscal year, reflecting a fall in capital expenditures due to completion of major works at the No. 1 and No. 2 generators at Kin thermal power station.

Accordingly, free cash flows (operating and investing cash flows combined) totaled ¥13,466 million (US$127 million), an increase of ¥10,377 million (336.0%) compared with the previous fiscal year.

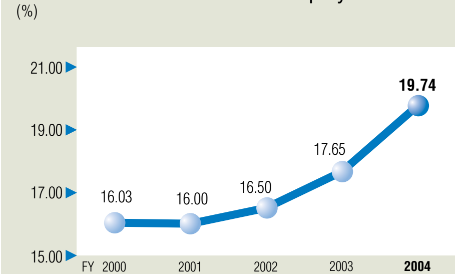
Net cash used in financing activities totaled ¥17,992 million (US$170 million), ¥15,484 million (617.4%) more than in the previous fiscal year, with repayment of bank loans outweighing proceeds from the issue of bonds and increases in long-term debt.

As a result of the above, cash and cash equivalents at the end of the fiscal year under review totaled ¥8,000 million (US$76 million) on a consolidated basis, a decrease of ¥4,526 million (36.1%) compared with the previous fiscal year.

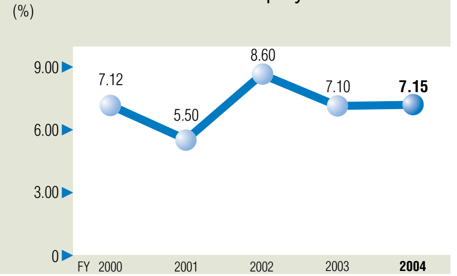
Consolidated Shareholders' Equity
(¥ Million)



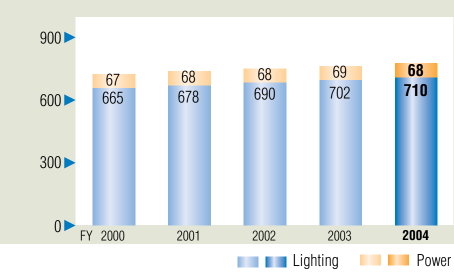
Consolidated Shareholders' Equity Ratio
(%)



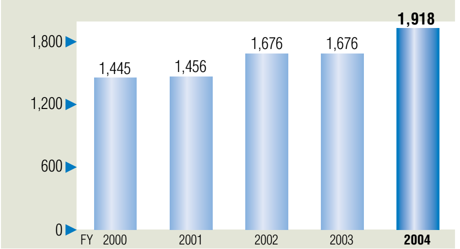
Consolidated Return on Equity
(%)



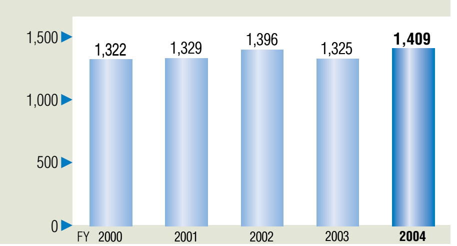
Number of Customers
(Thousands)



Authorized Maximum Power Generation Capacity
(Thousands of kW)



Peak Load
(Thousands of kW)



Operational Risks

The following is a description of the various risks whose materialization might have an impact on the Okiden Group's business performance and financial position. Statements contained in this report regarding the Company's projections for future performance fall into the category of "forward-looking statements." Such statements are based on current estimates and industry forecasts, as well as the management's beliefs and assumptions. Management decisions were made based on the data available at the time of writing, i.e. up until the end of the reporting period.

1. Ongoing deregulation of the electricity business

Starting April 1, 2004, the scope of deregulated retail power sales for extra-high-voltage electricity was expanded further in a downward direction, from power supply at 60,000 volts previously to 20,000 volts or higher. As a result, the percentage of users under extra-high-voltage purchase contracts (now 20,000 volts or higher) rose to 16%, compared with 2% (contracts of 60,000 volts or higher) as of March 31, 2004.

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 our earnings performance and financial position.

2. Economic and climatic conditions

Changes in economic or climatic conditions have the potential to substantially affect the Okiden Group's business performance, in view of the consequent fluctuation in power demand.

3. Fuel price fluctuations

In our operations, we primarily use coal and oil as our thermal fuel sources, and yen-denominated fuel prices fluctuate in tandem with changes in foreign exchange rates in addition to changes in international prices. The current fuel cost adjustment system, which reflects fuel price fluctuations in electricity fees, limits the impact of fuel price fluctuations on our earnings performance.

4. Interest-rate fluctuations

The balance of the Okiden Group's interest-bearing liabilities totaled ¥279,629 million (US$2,646 million) as of March 31, 2004. Future movements in interest rates have the potential to impact the Okiden Group's earnings performance. However, as the interest rates are fixed rates 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 is expected to have a limited impact on the Okiden Group's earnings performance.

In the event that a credit-rating agency lowers the credit rating for OEPC, the interest rates on fund procurement for the Okiden Group would rise, and such a rise has the potential to affect the Group's earnings performance.

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. More specifically, in accordance the Okinawa Development Finance Corporation Law, we receive the most preferential interest rates from the Okinawa Development Finance Corporation (ODFC), in line with the stipulations of the ODFC's business and service manual.

OEPC receives 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 is passed on to electricity users. In the event that these measures and provisions are abolished, this development would have a significant impact on the Okiden's Group business performance.

Financial Section

CONTENTS

Consolidated Balance Sheets

March 31, 2004 and 2003	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 1) 2004
Assets			
Property, plant and equipment (Note 3)**:**			
Utility plants	**¥733,432**	¥689,596	**$6,939,460**
Other plant and equipment	**38,025**	36,005	**359,782**
Construction in progress	**6,356**	37,499	**60,141**
	777,813	763,100	**7,359,383**
Less:			
Contributions in aid of construction	**(22,093)**	(21,936)	**(209,044)**
Accumulated depreciation	**(399,369)**	(369,102)	**(3,778,680)**
	(421,462)	(391,038)	**(3,987,724)**
Net property, plant and equipment	**356,351**	372,062	**3,371,659**
Investments and other assets:			
Investment securities (Note 4)	**7,008**	5,430	**66,305**
Investments in and advances to non-consolidated subsidiaries and affiliates	**889**	880	**8,413**
Deferred tax assets (Note 8)	**10,743**	10,443	**101,647**
Other assets	**2,930**	2,142	**27,729**
Allowance for doubtful accounts	**(238)**	(273)	**(2,255)**
Total investments and other assets	**21,332**	18,622	**201,839**
Current assets:			
Cash and cash equivalents	**8,000**	12,526	**75,692**
Short-term investment	**690**	1,290	**6,529**
Trade notes and accounts receivable, net of allowance for doubtful accounts of ¥174 ($1,650) in 2004 and ¥214 in 2003	**7,313**	7,572	**69,196**
Inventories	**6,620**	7,337	**62,632**
Deferred tax assets (Note 8)	**1,590**	1,326	**15,045**
Other current assets	**512**	346	**4,840**
Total current assets	**24,725**	30,397	**233,934**
Total	**¥402,408**	¥421,081	**$3,807,432**
Liabilities and shareholders' equity			
Long-term liabilities:			
Long-term debt, less current maturities (Note 5)	**¥233,744**	¥254,792	**$2,211,605**
Liabilities for employees' retirement benefits (Note 7)	**16,680**	16,536	**157,819**
Other long-term liabilities	**438**	126	**4,142**
Total long-term liabilities	**250,862**	271,454	**2,373,566**
Current liabilities:			
Current maturities of long-term debt (Note 5)	**37,836**	32,828	**357,985**
Commercial paper (Note 6)	**3,000**	4,000	**28,385**
Short-term bank loans (Note 6)	**5,049**	5,001	**47,774**
Trade notes and accounts payable	**12,739**	18,072	**120,534**
Income taxes payable (Note 8)	**2,385**	2,767	**22,571**
Accrued expenses	**7,907**	9,059	**74,808**
Other current liabilities	**1,364**	1,869	**12,903**
Total current liabilities	**70,280**	73,596	**664,960**
Minority interests	**1,818**	1,705	**17,200**
Commitments and contingent liabilities (Notes 9, 10 and 14)			
Shareholders' equity (Notes 11 and 15)**:**			
Common stock, Authorized — 30,000,000 shares Issued — 15,172,921 shares (2004 and 2003)	**7,586**	7,586	**71,780**
Capital surplus	**7,142**	7,142	**67,572**
Retained earnings	**64,145**	59,688	**606,919**
Unrealized gain (loss) on available-for-sale securities	**587**	(81)	**5,551**
Treasury stock, at cost 4,741 shares in 2004 and 3,624 shares in 2003	**(12)**	(9)	**(116)**
Total shareholders' equity	**79,448**	74,326	**751,706**
Total	**¥402,408**	¥421,081	**$3,807,432**

See notes to consolidated financial statements.

Consolidated Statements of Income

Years ended March 31, 2004 and 2003	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 1) 2004
Operating revenues:			
Electric	**¥134,331**	¥133,738	**$1,270,986**
Other	**14,296**	11,334	**135,266**
Total operating revenues	**148,627**	145,072	**1,406,252**
Operating expenses (Notes 7, 9 and 12)**:**			
Electric	**117,423**	117,456	**1,111,015**
Other	**14,345**	10,582	**135,723**
Total operating expenses	**131,768**	128,038	**1,246,738**
Operating income	**16,859**	17,034	**159,514**
Other expenses:			
Interest expense (Notes 5 and 6)	**7,630**	8,195	**72,195**
Other — net	**418**	483	**3,952**
Net other expenses	**8,048**	8,678	**76,147**
Income before income taxes and minority interests	**8,811**	8,356	**83,367**
Income taxes (Note 8)**:**			
Current	**4,086**	4,264	**38,662**
Deferred	**(924)**	(1,152)	**(8,741)**
Total	**3,162**	3,112	**29,921**
Income before minority interests	**5,649**	5,244	**53,446**
Minority interests in net income	**152**	123	**1,436**
Net income	**¥ 5,497**	¥ 5,121	**$ 52,010**

	Yen 2004	Yen 2003	U.S. Dollars 2004
Per share of common stock (Note 2 (j))**:**			
Basic net income	**¥354.44**	¥329.01	**$3.35**
Cash dividends applicable to the year	**60.00**	60.00	**0.57**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2004 and 2003	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, 2002	15,172,921	¥7,586	¥7,142	¥55,674	¥(139)	¥ (2)
Adjustment of retained earnings for newly consolidated subsidiaries				(84)		
Appropriations:						
Cash dividends				(910)		
Bonuses to directors and corporate auditors				(113)		
Increase in treasury stock (2,836 shares)						(7)
Net decrease in unrealized loss on available-for-sale securities					58	
Net income				5,121		
Balance, March 31, 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)**

	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, 2003	$71,780	$67,572	$564,743	$ (767)	$ (85)
Appropriations:					
Cash dividends			**(8,611)**		
Bonuses to directors and corporate auditors			**(1,223)**		
Increase in treasury stock (1,117 shares)					**(31)**
Net increase in unrealized gain on available-for-sale securities				**6,318**	
Net income			**52,010**		
Balance, March 31, 2004	**$71,780**	**$67,572**	**$606,919**	**$5,551**	**$(116)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2004 and 2003	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 1) 2004
Operating activities:			
Income before income taxes and minority interests	**¥ 8,811**	¥ 8,356	**$ 83,367**
Adjustments for:			
Income taxes paid	**(4,465)**	(3,382)	**(42,245)**
Depreciation and amortization	**33,485**	30,265	**316,818**
Provision for employees' retirement benefits	**144**	132	**1,362**
Loss on disposal of property, plant and equipment	**1,002**	1,573	**9,477**
Changes in operating assets and liabilities:			
Decrease in trade notes and accounts receivable	**626**	2,169	**5,924**
Decrease in inventories	**731**	468	**6,919**
Decrease in trade notes and accounts payables	**(5,333)**	(8,786)	**(50,458)**
Decrease in interest payable	**(257)**	(125)	**(2,434)**
Other — net	**(1,534)**	(50)	**(14,510)**
Total adjustments	**24,399**	22,264	**230,853**
Net cash provided by operating activities	**33,210**	30,620	**314,220**
Investing activities:			
Purchase of property, plant and equipment	**(19,343)**	(26,309)	**(183,025)**
Proceeds from sale of property, plant and equipment	**446**	489	**4,222**
Purchase of investment securities	**(278)**	(2,125)	**(2,629)**
Increase in investments in advances to unconsolidated subsidiaries and affiliates	**(13)**	(251)	**(119)**
Purchase of short-term investment	**(770)**	(1,270)	**(7,285)**
Proceeds from maturity of short-term investment	**1,370**	1,620	**12,962**
Other — net	**(1,156)**	315	**(10,934)**
Net cash used in investing activities	**(19,744)**	(27,531)	**(186,808)**
Financing activities:			
Proceeds from issuance of bonds	**12,000**	13,000	**113,540**
Repayments of bonds	**(8,000)**		**(75,693)**
Proceeds from long-term debt	**13,250**	14,560	**125,367**
Repayments of long-term debt	**(33,046)**	(30,843)	**(312,668)**
Proceeds from short-term bank loans	**10,049**	11,100	**95,082**
Repayments of short-term bank loans	**(10,000)**	(11,150)	**(94,620)**
Proceeds from issuance of commercial paper	**18,000**	16,000	**170,309**
Repayments on maturity of commercial paper	**(19,000)**	(14,000)	**(179,771)**
Cash dividends paid	**(912)**	(914)	**(8,632)**
Other — net	**(333)**	(261)	**(3,151)**
Net cash used in financing activities	**(17,992)**	(2,508)	**(170,237)**
Net increase (decrease) in cash and cash equivalents	**(4,526)**	581	**(42,825)**
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year		334	
Cash and cash equivalents, beginning of year	**12,526**	11,611	**118,517**
Cash and cash equivalents, end of year	**¥ 8,000**	¥12,526	**$ 75,692**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2004 and 2003

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 2003 financial statements to conform to the classifications used in 2004.

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 ¥105.69 to $1, the approximate rate of exchange at March 31, 2004. 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, 2004 and 2003 include the accounts of the Company and its thirteen 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 regulations described in Note 1.

Effective April 1, 2003, Astel Okinawa Corporation, a consolidated subsidiary of the Company, changed its estimated useful lives of telecommunication equipment in other plant and equipment to two years from five to thirteen years. These reductions of useful lives were made to better reflect the estimated periods during which such assets will remain in service under the continuing advancement of telecommunication technology. The effects of these changes were to increase in depreciation expenses by ¥640 million and to decrease income before income taxes and minority interests by ¥640 million for the year ended March 31, 2004.

(c) 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.

(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 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.

(e) Inventories

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

(f) 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.

(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 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 consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of 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 financial statements for the following year upon shareholders' approval.

(m) New accounting pronouncements

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 new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that 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 Companies are currently in the process of assessing the effect of adoption of these pronouncements.

3. Property, plant and equipment

The major classes of property, plant and equipment as of March 31, 2004 and 2003 consisted of the following:

	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**

	Millions of Yen			
At March 31, 2003	Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
Thermal power generating facilities	¥334,092	¥(17,108)	¥(192,091)	¥124,893
Transmission facilities	125,070	(2,334)	(53,066)	69,670
Transformation facilities	81,744	(339)	(45,524)	35,881
Distribution facilities	123,522	(2,132)	(55,666)	65,724
General facilities	25,168	(23)	(11,358)	13,787
Utility plants	689,596	(21,936)	(357,705)	309,955
Other plant and equipment	36,005		(11,397)	24,608
Construction in progress	37,499			37,499
Total	¥763,100	¥(21,936)	¥(369,102)	¥372,062

	Thousands of U.S. Dollars			
At March 31, 2004	Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
Thermal power generating facilities	**$3,500,461**	**$(161,707)**	**$(1,990,067)**	**$1,348,687**
Transmission facilities	**1,213,747**	**(22,049)**	**(546,804)**	**644,894**
Transformation facilities	**793,657**	**(3,467)**	**(452,527)**	**337,663**
Distribution facilities	**1,201,783**	**(20,661)**	**(550,998)**	**630,124**
General facilities	**229,812**	**(219)**	**(107,108)**	**122,485**
Utility plants	**6,939,460**	**(208,103)**	**(3,647,504)**	**3,083,853**
Other plant and equipment	**359,782**	**(941)**	**(131,176)**	**227,665**
Construction in progress	**60,141**			**60,141**
Total	**$7,359,383**	**$(209,044)**	**$(3,778,680)**	**$3,371,659**

4. Investment securities

The carrying amounts and aggregate fair values of investment securities at March 31, 2004 and 2003 were as follows:

	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**

	Millions of Yen			
At March 31, 2003	Cost (Carrying Amount)	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,520	¥111	¥239	¥2,392
Debt securities	20			20
Total	¥2,540	¥111	¥239	¥2,412

	Thousands of U.S. Dollars			
At March 31, 2004	Cost (Carrying Amount)	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$23,843**	**$9,561**	**$ 914**	**$32,490**
Debt securities	**189**	**2**		**191**
Other	**2,838**		**116**	**2,722**
Total	**$26,870**	**$9,563**	**$1,030**	**$35,403**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2004 and 2003 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Available-for-sale:			
Equity securities	**¥3,266**	¥3,018	**$30,902**
Total	**¥3,266**	¥3,018	**$30,902**

The carrying values of debt securities by contractual maturities of securities classified as available-for-sale at March 31, 2004 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥20	$191
Due after one year through five years		
Due after five years through ten years		
Due after ten years		
Total	¥20	$191

5. Long-term debt

Long-term debt at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Secured bond, 0.2% to 1.97% in 2004 and 0.2% to 1.97% in 2003, due serially through 2018	**¥ 54,000**	¥ 50,000	**$ 510,928**
Secured loans from Okinawa Development Finance Public Corporation, 0.55% to 6.30% in 2004 and 1.10% to 6.30% in 2003, due serially through 2024	**203,351**	220,988	**1,924,035**
Secured and unsecured loans from banks, 0.39% to 3.40% in 2004 and 0.37% to 3.40% in 2003 due serially through 2016	**13,568**	15,726	**128,372**
Secured debt with a leasing company, semi-annual payment of ¥144 million ($1,361 thousand) with interest, maturity in 2005 and 2008	**661**	906	**6,255**
Total	**271,580**	287,620	**2,569,590**
Less current maturity	**(37,836)**	(32,828)	**(357,985)**
Long-term debt, less current maturity	**¥233,744**	¥254,792	**$2,211,605**

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 10).

Certain assets of the consolidated subsidiaries, amounting to ¥11,524 million ($109,040 thousand), are pledged as collateral for a portion of the long-term debt as of March 31, 2004.

The aggregate annual maturities of long-term debt outstanding at March 31, 2004 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2005	¥ 37,836	$ 357,985
2006	31,607	299,056
2007	38,672	365,898
2008	25,375	240,086
2009	21,057	199,239
2010 and thereafter	117,033	1,107,326
Total	¥271,580	$2,569,590

6. Commercial paper and short-term bank loans

The weighted average interest rates applicable to commercial paper and short-term bank loans were 0.01% and 0.60% at March 31, 2004 and 0.01% and 0.38% at March 31, 2003, respectively.

7. 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 terminate their employment are, in most circumstances, 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 (assets) for employees' retirements benefit at March 31, 2004 and 2003 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Projected benefit obligation	**¥27,128**	¥26,146	**$256,679**
Fair value of pension assets	**(8,639)**	(7,781)	**(81,742)**
Unrecognized actuarial loss	**(1,809)**	(1,829)	**(17,118)**
Net liability	**¥16,680**	¥16,536	**$157,819**

The components of net periodic retirement benefit costs for the years ended March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Service cost	**¥1,330**	¥1,330	**$12,584**
Interest cost	**564**	662	**5,334**
Amortization of prior service cost		(179)	
Recognized actuarial loss	**675**	311	**6,387**
Net periodic retirement benefit costs	**¥2,569**	¥2,124	**$24,305**

Assumptions for actuarial computations for the years ended March 31, 2004 and 2003 were set forth as follows:

	2004	2003
Discount rate	**2.0%**	2.5%
Expected rate of return on plan assets	**0.0%**	0.0%
Amortization period of prior service cost		1 year
Recognition period of actuarial gain/loss	**primarily 5 years**	primarily 5 years

8. Income taxes

The Companies are subject to several taxes based on income. For the years ended March 31, 2004 and 2003, the aggregate normal statutory tax rates approximated 35%.

The tax effects of significant temporary differences and loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Deferred tax assets:			
Unrealized profit	**¥ 4,332**	¥ 4,438	**$ 40,987**
Tax loss carry forwards	**800**	915	**7,565**
Pension and severance costs	**5,100**	4,481	**48,258**
Other	**4,010**	3,331	**37,943**
Sub-total	**14,242**	13,165	**134,753**
Less: valuation allowance	**(1,141)**	(943)	**(10,795)**
Total deferred tax assets	**13,101**	12,222	**123,958**
Deferred tax liabilities:			
Unrealized gain on land revaluation	**(434)**	(434)	**(4,111)**
Unrealized gain on available-for-sale securities	**(315)**		**(2,984)**
Other	**(19)**	(19)	**(171)**
Total deferred tax liabilities	**(768)**	(453)	**(7,266)**
Net deferred tax assets	**¥12,333**	¥11,769	**$116,692**

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 year ended March 31, 2004 is immaterial.

Reconciliations between the normal effective statutory tax rate for the years ended March 31, 2003 and the actual effective tax rate reflected in the accompanying consolidated statements of income were as follows:

	2003
Normal effective statutory tax rate	35.0%
Expenses not deductible for income tax purposes	1.5
Investment tax credits	(3.2)
Statutory tax rate differences between the Company and consolidated subsidiaries	1.7
Other–net	2.3
Actual effective tax rate	37.3%

9. Lease

The Companies lease certain automobiles and office equipment. Total lease payments under the above leases for the years ended March 31, 2004 and 2003 were ¥725 million ($6,856 thousand) and ¥605 million, respectively.

Pro forma information of 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, 2004 and 2003 were as follows:

	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**

	Millions of Yen		
As of March 31, 2003	General Facilities	Other	Total
Acquisition cost	¥1,709	¥2,173	¥3,882
Accumulated depreciation	(545)	(272)	(817)
Net leased property	¥1,164	¥1,901	¥3,065

	Thousands of U.S. Dollars		
As of March 31, 2004	General Facilities	Other	Total
Acquisition cost	**$15,591**	**$27,075**	**$42,666**
Accumulated depreciation	**(6,595)**	**(4,913)**	**(11,508)**
Net leased property	**$ 8,996**	**$22,162**	**$31,158**

Obligations under finance leases as of March 31, 2004 and 2003:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥ 706**	¥ 633	**$ 6,682**
Due after one year	**2,597**	2,432	**24,570**
Total	**¥3,303**	¥3,065	**$31,252**

The imputed interest expense portion is immaterial and therefore 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 ¥725 million ($6,856 thousand) and ¥605 million for the years ended March 31, 2004 and 2003, 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, 2004 and 2003 was ¥74 million ($699 thousand) and ¥60 million, respectively.

At March 31, 2004 and 2003, summaries of the above leased property were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Other equipment:			
Acquisition cost	**¥376**	¥272	**$3,560**
Accumulated depreciation	**(176)**	(143)	**(1,667)**
Net leased property	**¥200**	¥129	**$1,893**

At March 31, 2004 and 2003, the total lease payments to be received from the above leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥ 84**	¥ 59	**$ 796**
Due after one year	**207**	117	**1,956**
Total	**¥291**	¥176	**$2,752**

10. Contingent liabilities

As of March 31, 2004, the Company was contingently liable for:

Guarantees and items of a similar nature of loans of customer amounting to ¥432 million ($4,092 thousand).

Redemption of bonds transferred to banks under the debt assumption agreements amounting to ¥6,000 million ($56,770 thousand).

11. Shareholders' equity

Japanese companies are subject to the Japanese Commercial Code (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 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 ¥61,309 million ($580,082 thousand) as of March 31, 2004, 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 also 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.

12. Research and development costs

Research and development costs charged to income were ¥913 million ($8,642 thousand) and ¥1,163 million for the years ended March 31, 2004 and 2003, respectively.

13. Segment information

Information about operations in different industry segments of the Companies for the years ended March 31, 2004 and 2003 is as follows:

	Millions of Yen					Thousands of U.S. Dollars				
2004	Electric	Construction	Other	Elimination	Consolidated	Electric	Construction	Other	Elimination	Consolidated
Sales to customers	**¥134,331**	**¥ 6,447**	**¥ 7,849**		**¥148,627**	**$1,270,986**	**$ 61,003**	**$ 74,263**		**$1,406,252**
Intersegment sales	**245**	**14,215**	**22,139**	**¥(36,599)**		**2,315**	**134,492**	**209,476**	**$(346,283)**	
Total operating revenues	**134,576**	**20,662**	**29,988**	**(36,599)**	**148,627**	**1,273,301**	**195,495**	**283,739**	**(346,283)**	**1,406,252**
Operating expenses	**119,326**	**20,170**	**29,051**	**(36,779)**	**131,768**	**1,129,014**	**190,835**	**274,872**	**(347,983)**	**1,246,738**
Operating income	**¥ 15,250**	**¥ 492**	**¥ 937**	**¥ 180**	**¥ 16,859**	**$ 144,287**	**$ 4,660**	**$ 8,867**	**$ 1,700**	**$ 159,514**
Total assets	**¥370,170**	**¥10,754**	**¥34,346**	**¥(12,862)**	**¥402,408**	**$3,502,414**	**$101,747**	**$324,969**	**$(121,698)**	**$3,807,432**
Depreciation and amortization	**31,378**	**113**	**2,944**	**(950)**	**33,485**	**296,890**	**1,071**	**27,848**	**(8,991)**	**316,818**
Capital investments	**17,554**	**382**	**2,174**	**(813)**	**19,297**	**166,092**	**3,610**	**20,571**	**(7,692)**	**182,581**

	Millions of Yen				
2003	Electric	Construction	Other	Elimination	Consolidated
Sales to customers	¥133,738	¥ 3,397	¥ 7,937		¥145,072
Intersegment sales	236	19,440	22,915	¥(42,591)	
Total operating revenues	133,974	22,837	30,852	(42,591)	145,072
Operating expenses	119,338	22,048	28,770	(42,118)	128,038
Operating income	¥ 14,636	¥ 789	¥ 2,082	¥ (473)	¥ 17,034
Total assets	¥386,258	¥12,506	¥36,724	¥(14,407)	¥421,081
Depreciation and amortization	28,812	92	2,294	(933)	30,265
Capital investments	23,494	427	4,317	(1,484)	26,754

"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, 2004 and 2003.

14. 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.

15. Subsequent event

The following appropriations of retained earnings at March 31, 2004 were approved at the shareholders' meeting held on June 29, 2004:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (28¢) per share	¥455	$4,305
Bonuses to directors and corporate auditors	82	779

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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 as of March 31, 2004 and 2003, 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, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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, 2004

Non-Consolidated Balance Sheets

March 31, 2004 and 2003	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 1) 2004
Assets			
Property, plant and equipment (Note 3)**:**			
Utility plants and equipment	**¥755,704**	¥710,939	**$7,150,192**
Construction in progress (Note 12)	**6,632**	38,072	**62,749**
	762,336	749,011	**7,212,941**
Less:			
Contributions in aid of construction	**(21,995)**	(21,936)	**(208,105)**
Accumulated depreciation	**(396,512)**	(367,875)	**(3,751,650)**
	(418,507)	(389,811)	**(3,959,755)**
Net property, plant and equipment	**343,829**	359,200	**3,253,186**
Investments and other assets:			
Investment securities (Note 4)	**6,420**	5,136	**60,743**
Investments in and advances to subsidiaries and affiliates	**12,206**	11,375	**115,488**
Deferred tax assets (Note 7)	**6,671**	6,382	**63,122**
Other assets	**806**	680	**7,620**
Allowance for doubtful accounts	**(3,186)**	(3,182)	**(30,142)**
Total investments and other assets	**22,917**	20,391	**216,831**
Current assets:			
Cash and cash equivalents	**2,077**	4,874	**19,654**
Short-term investment		280	
Trade accounts receivable, net of allowance for doubtful accounts of ¥128 ($1,214) in 2004 and ¥162 in 2003	**4,154**	4,064	**39,305**
Fuel and supplies inventories	**5,298**	5,394	**50,123**
Deferred tax assets (Note 7)	**1,249**	988	**11,818**
Other current assets	**168**	69	**1,591**
Total current assets	**12,946**	15,669	**122,491**
Total	**¥379,692**	¥395,260	**$3,592,508**
Liabilities and shareholders' equity			
Long-term liabilities:			
Long-term debt, less current maturities (Note 5)	**¥223,236**	¥242,785	**$2,112,175**
Liabilities for employees' retirement benefits	**14,185**	14,214	**134,209**
Other long-term liabilities	**11**	6	**107**
Total long-term liabilities	**237,432**	257,005	**2,246,491**
Current liabilities:			
Current maturities of long-term debt (Note 5)	**36,468**	31,605	**345,045**
Commercial paper (Note 6)	**3,000**	4,000	**28,385**
Short-term bank loan (Note 6)	**5,000**	5,000	**47,308**
Trade accounts payable (Note 12)	**7,869**	12,245	**74,457**
Income taxes payable (Note 7)	**1,827**	1,723	**17,288**
Accrued expenses (Note 12)	**8,952**	9,341	**84,698**
Other current liabilities	**1,553**	2,014	**14,694**
Total current liabilities	**64,669**	65,928	**611,875**
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 (2004 and 2003)	**7,586**	7,586	**71,780**
Capital surplus:			
Additional paid-in capital	**7,142**	7,142	**67,572**
Retained earnings:			
Legal reserve	**965**	965	**9,130**
Unappropriated	**61,321**	56,721	**580,198**
Unrealized gain (loss) on available-for-sale securities	**589**	(78)	**5,578**
Treasury stock, at cost 4,741 shares in 2004 and 3,624 shares in 2003	**(12)**	(9)	**(116)**
Total shareholders' equity	**77,591**	72,327	**734,142**
Total	**¥379,692**	¥395,260	**$3,592,508**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Income

Years ended March 31, 2004 and 2003	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 1) 2004
Operating revenues	**¥134,756**	¥134,141	**$1,275,014**
Operating expenses (Notes 8, 11 and 12)**:**			
Fuel	**20,212**	21,127	**191,236**
Purchased power	**11,250**	12,300	**106,448**
Depreciation	**31,360**	28,796	**296,716**
Repair and maintenance	**14,572**	15,727	**137,873**
Taxes other than income taxes	**6,623**	6,613	**62,668**
Other	**35,532**	35,016	**336,188**
Total operating expenses	**119,549**	119,579	**1,131,129**
Operating income	**15,207**	14,562	**143,885**
Other expenses:			
Interest expense (Notes 5 and 6)	**7,387**	7,923	**69,895**
Other — net	**30**	39	**283**
Net other expenses	**7,417**	7,962	**70,178**
Income before income taxes	**7,790**	6,600	**73,707**
Income taxes (Note 7)**:**			
Current	**3,106**	2,906	**29,389**
Deferred	**(910)**	(737)	**(8,613)**
Total	**2,196**	2,169	**20,776**
Net income	**¥ 5,594**	¥ 4,431	**$ 52,931**

	Yen 2004	Yen 2003	U.S. Dollars 2004
Per share of common stock (Note 2 (i))**:**			
Basic net income	**¥363.37**	¥286.52	**$3.44**
Cash dividends applicable to the year	**60.00**	60.00	**0.57**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Shareholders' Equity

	Shares	Millions of Yen					
			Capital surplus	Retained earnings			
Years ended March 31, 2004 and 2003	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, 2002	15,172,921	¥7,586	¥7,142	¥965	¥53,273	¥(132)	¥ (2)
Appropriations:							
Cash dividends					(911)		
Bonuses to directors and corporate auditors					(72)		
Increase in treasury stock (2,836 shares)							(7)
Net decrease in unrealized loss on available-for-sale securities						54	
Net income					4,431		
Balance, March 31, 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)**

	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, 2003	$71,780	$67,572	$9,130	$536,677	$ (739)	$ (85)
Appropriations:						
Cash dividends				**(8,611)**		
Bonuses to directors and corporate auditors				**(799)**		
Increase in treasury stock (1,117 shares)						**(31)**
Net increase in unrealized gain on available-for-sale securities					**6,317**	
Net income				**52,931**		
Balance, March 31, 2004	**$71,780**	**$67,572**	**$9,130**	**$580,198**	**$5,578**	**$(116)**

See notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

Years ended March 31, 2004 and 2003

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 2003 non-consolidated financial statements to conform to the presentations and classifications used in 2004. 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 ¥105.69 to $1, the approximate rate of exchange at March 31, 2004. 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) 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.

(c) 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.

(d) Fuel and supplies inventories

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

(e) 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.

The 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) Appropriations of retained earnings

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

(l) New accounting pronouncements

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 new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that 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 Company is currently in the process of assessing the effect of adoption of these pronouncements.

3. Property, plant and equipment

The major classes of property, plant and equipment as of March 31, 2004 and 2003 consisted of the following:

	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**

	Millions of Yen			
At March 31, 2003	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	¥337,290	¥(17,109)	¥(194,053)	¥126,128
Transmission facilities	130,821	(2,333)	(55,896)	72,592
Transformation facilities	84,691	(338)	(47,088)	37,265
Distribution facilities	129,655	(2,132)	(58,024)	69,499
General facilities	28,482	(24)	(12,814)	15,644
Utility plants and equipment	710,939	(21,936)	(367,875)	321,128
Construction in progress	38,072			38,072
Total	¥749,011	¥(21,936)	¥(367,875)	¥359,200

	Thousands of U.S. Dollars			
At March 31, 2004	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	**$3,531,222**	**$(161,707)**	**$(2,008,735)**	**$1,360,780**
Transmission facilities	**1,269,874**	**(22,049)**	**(575,736)**	**672,089**
Transformation facilities	**822,526**	**(3,467)**	**(468,534)**	**350,525**
Distribution facilities	**1,262,521**	**(20,661)**	**(575,436)**	**666,424**
General facilities	**264,049**	**(221)**	**(123,209)**	**140,619**
Utility plants and equipment	**7,150,192**	**(208,105)**	**(3,751,650)**	**3,190,437**
Construction in progress	**62,749**			**62,749**
Total	**$7,212,941**	**$(208,105)**	**$(3,751,650)**	**$3,253,186**

4. Investment securities

At March 31, 2004, the unrealized gain of market value over the carrying amount of quoted securities was ¥907 million ($8,581 thousand), at March 31, 2003, the unrealized loss of which was ¥120 million.

5. Long-term debt

Long-term debt at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Secured bond, 0.20% to 1.97% in 2004 and 2003, due serially through 2018	**¥ 54,000**	¥ 50,000	**$ 510,928**
Secured loans from Okinawa Development Finance Public Corporation, 0.55% to 6.30% in 2004 and 1.10% to 6.30% in 2003, due serially through 2017	**198,373**	215,987	**1,876,931**
Unsecured loans from banks, 0.39% to 2.10% in 2004 and 0.37% to 2.50% in 2003, due serially 2014	**7,331**	8,403	**69,361**
Total	**259,704**	274,390	**2,457,220**
Less current maturity	**(36,468)**	(31,605)	**(345,045)**
Long-term debt, less current maturity	**¥223,236**	¥242,785	**$2,112,175**

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, 2004 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2005	¥ 36,468	$ 345,045
2006	30,324	286,910
2007	37,104	351,069
2008	24,369	230,575
2009	20,166	190,800
2010 and thereafter	111,273	1,052,821
Total	¥259,704	$2,457,220

6. Commercial paper and short-term bank loans

The weighted average interest rates applicable to commercial paper and short-term bank loans were 0.01% and 0.60% at March 31, 2004 and 0.01% and 0.38% at March 31, 2003, respectively.

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, 2004 and 2003, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2004 and 2003, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Deferred tax assets:			
Allowance for doubtful accounts	**¥1,111**	¥1,119	**$10,513**
Pension and severance costs	**4,302**	3,816	**40,706**
Other non-current assets	**2,010**	1,881	**19,018**
Other	**1,249**	988	**11,817**
Total deferred tax assets	**8,672**	7,804	**82,054**
Deferred tax liabilities:			
Unrealized gain on land revaluation	**(434)**	(434)	**(4,111)**
Unrealized gain on available-for-sale securities	**(318)**		**(3,003)**
Total deferred tax liabilities	**(752)**	(434)	**(7,114)**
Net deferred tax assets	**¥7,920**	¥7,370	**$74,940**

Reconciliations between the normal effective statutory tax rate for the years ended March 31, 2004 and 2003 and the actual effective tax rate reflected in the accompanying non-consolidated statements of income were as follows:

	2004	2003
Normal effective statutory tax rate	**35.0%**	35.0%
Expenses not deductible for income tax purposes	**0.9**	1.1
Investment tax credits	**(8.6)**	(4.0)
Other — net	**0.9**	0.8
Actual effective tax rate	**28.2%**	32.9%

8. Lease

The Company leases certain automobiles and office equipment. Total lease payments under the above leases for the years ended March 31, 2004 and 2003 were ¥534 million ($5,049 thousand) and ¥549 million, respectively.

Pro forma information of 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, 2004 and 2003 were as follows:

	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**

	Millions of Yen		
As of March 31, 2003	General facilities	Other	Total
Acquisition cost	¥2,628	¥29	¥2,657
Accumulated depreciation	(916)	(12)	(928)
Net leased property	¥1,712	¥17	¥1,729

	Thousands of U.S. Dollars		
As of March 31, 2004	General facilities	Other	Total
Acquisition cost	**$24,284**	**$482**	**$24,766**
Accumulated depreciation	**(11,814)**	**(166)**	**(11,980)**
Net leased property	**$12,470**	**$316**	**$12,786**

Obligations under finance leases as of March 31, 2004 and 2003:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥ 499**	¥ 507	**$ 4,719**
Due after one year	**852**	1,222	**8,067**
Total	**¥1,351**	¥1,729	**$12,786**

The imputed interest expense portion is immaterial and therefore 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 ¥534 million ($5,049 thousand) and ¥549 million for the years ended March 31, 2004 and 2003, respectively.

9. Contingent liabilities

At March 31, 2004, the Company was contingently liable as a guarantor for loans and accounts payable of subsidiaries in the amount of ¥5,048 million ($47,762 thousand), and ¥1 million ($10 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 ($56,770 thousand) as of March 31, 2004.

10. Shareholders' equity

Japanese companies are subject to the Japanese Commercial Code (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 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 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 ¥61,309 million ($580,082 thousand) as of March 31, 2004, 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 ¥913 million ($8,642 thousand) and ¥1,163 million for the years ended March 31, 2004 and 2003, respectively.

12. Related party transactions

The following is a summary of transactions and balances with subsidiaries and affiliates for the years ended March 31, 2004 and 2003:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Transactions:			
Construction cost and facilities	**¥ 9,699**	¥16,412	**$ 91,764**
Repair and other operating expenses	**25,017**	22,437	**236,701**
Balance of accounts:			
Trade accounts payable	**¥ 3,375**	¥ 3,372	**$ 31,932**
Accrued expenses	**2,515**	3,623	**23,793**

13. Subsequent event

The following appropriations of retained earnings at March 31, 2004 were approved at the shareholders' meeting held on June 29, 2004:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (28¢) per share	¥455	$4,305
Bonuses to directors and corporate auditors	82	779

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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, 2004 and 2003, 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, 2004 and 2003, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan.

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, 2004

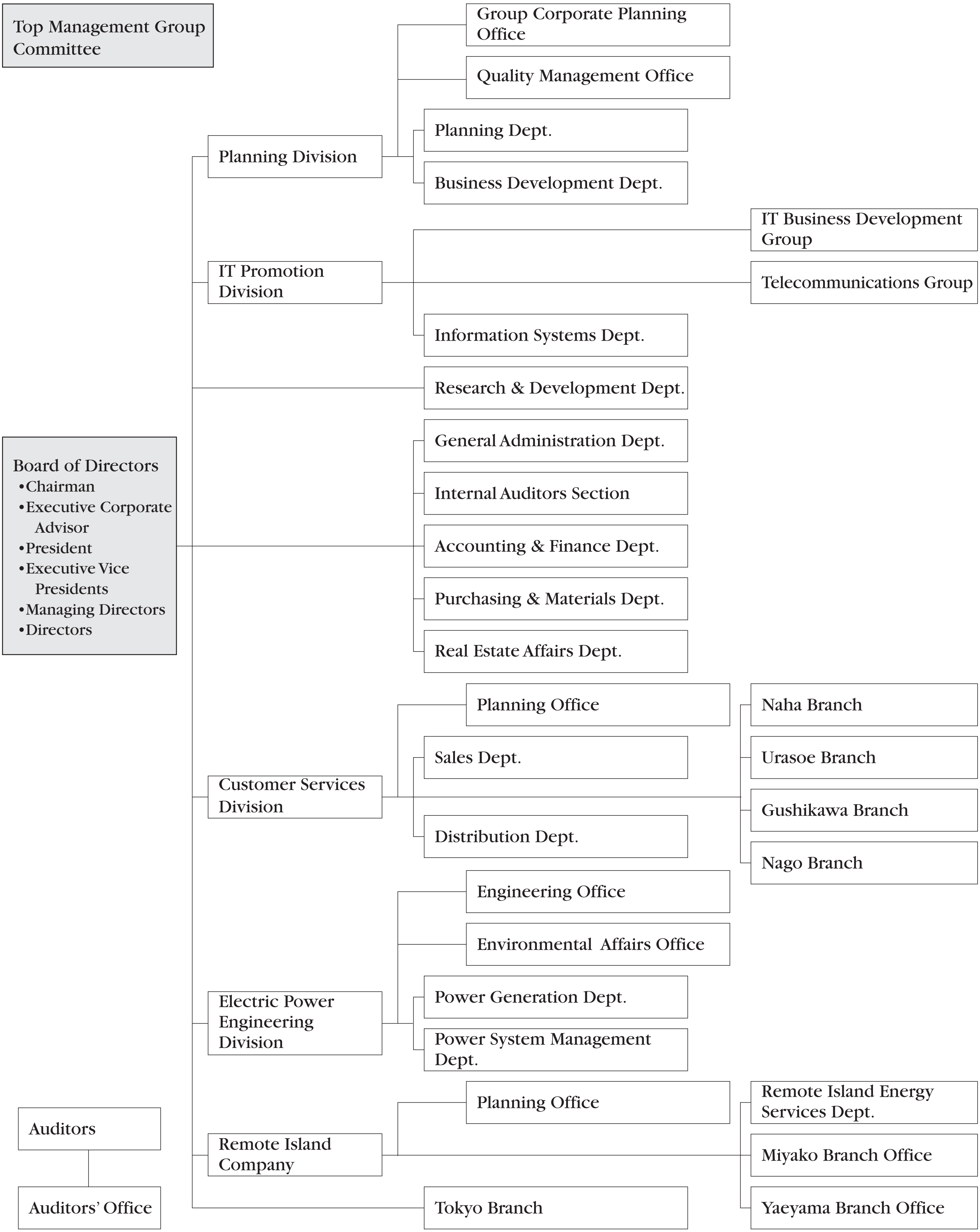
Consolidated Five-Year Summary

Years ended March 31

	Millions of Yen				
Financial Statistics	**2004**	2003	2002	2001	2000
For the year:					
Operating revenues	**¥148,627**	¥145,072	¥152,714	¥143,797	¥141,820
Electric	**134,331**	133,738	138,568	133,945	131,571
Other	**14,296**	11,334	14,146	9,852	10,249
Operating expenses	**131,768**	128,038	133,827	126,562	120,298
Electric	**117,423**	117,456	120,842	117,033	108,891
Other	**14,345**	10,582	12,985	9,529	11,407
Interest expense	**7,630**	8,195	8,986	9,746	9,720
Income before income taxes and minority interests	**8,811**	8,356	9,602	7,018	7,606
Income taxes	**3,162**	3,112	3,434	3,094	3,183
Net income	**5,497**	5,121	5,845	3,537	4,263
Per share of common stock (Yen):					
Basic net income	**¥354.44**	¥329.01	¥385.22	¥233.08	$280.95
Cash dividends applicable to the year	**60.00**	60.00	60.00	60.00	50.00
At year-end:					
Total assets	**¥402,408**	¥421,081	¥426,206	¥411,456	¥392,749
Net property, plant and equipment	**356,351**	372,062	377,978	371,887	350,601
Long-term debt, less current maturities	**233,744**	254,792	260,108	259,638	242,738
Total shareholders' equity	**79,448**	74,326	70,261	65,650	62,956

Operating Statistics	**2004**	2003	2002	2001	2000
For the year:					
Electric energy sales (Millions of kWh)	**7,156**	6,883	6,889	6,626	6,558
Peak load (Thousands of kW)	**1,409**	1,325	1,396	1,329	1,322
At year-end:					
Generating capacity (Thousands of kW)	**1,918**	1,676	1,676	1,456	1,445
Transmission lines (km)	**870**	799	787	767	680
Distribution lines (km)	**10,483**	10,372	10,329	10,109	9,911

Organization Chart



(As of July 1, 2004)

Corporate Data

Head Office
2-1, Makiminato 5-chome, Urasoe, Okinawa 901-2602, Japan
Tel: +81 (0)98-877-2341
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
¥379,692 million

Number of Customers
778,720 (Includes users of both lighting and power)

Number of Employees
1,474

(As of March 31, 2004)

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%

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

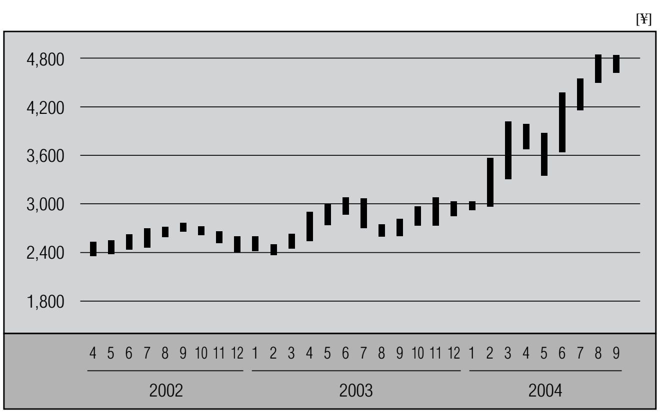
Common Stock Issued

15,172,921 shares

Number of Shareholders

6,574

Stock Price Range on the Tokyo Stock Exchange



Board of Directors and Auditors

Hirokazu Nakaima
Chairman

Sojin Toyama
Executive
Corporate Advisor

Tsugiyoshi Toma
President

Kazuhiro Nakada
Executive
Vice President

Yasushi Kayamoto
Executive
Vice President

Shin Kadena
Executive
Vice President

Chairman:
Hirokazu Nakaima

Executive Corporate Advisor:
Sojin Toyama

President:
Tsugiyoshi Toma

Executive Vice Presidents:
Kazuhiro Nakada
Yasushi Kayamoto
Shin Kadena

Managing Directors:
Ken Tamaki
Denichiro Ishimine

Directors:
Akira Sakuma
Seiyu Ishikawa
Kunio Oroku

Standing Auditors:
Hajime Ota
Hiroshi Teruya

External Auditors:
Honshin Aharen
Katsuko Asato

(As of June 29, 2004)

The Okinawa Electric Power Company, Incorporated

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