

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

1. Reform of the electricity business

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

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

2. Economic and climatic conditions

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

3. Fuel-price fluctuations

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

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

4. Interest-rate fluctuations

The balance of the Group's interest-bearing liabilities totaled ¥256.5 billion as of March 31, 2005. Future movements in interest rates have the potential to impact the Group's earnings performance. However,

as the interest rates are fixed for the major portion of our interest-bearing debt, and as we are taking steps to substantially reduce our balance of interest-bearing debt to strengthen our financial position, the actual impact of interest rates on the Group's earnings performance is expected to be limited. In the event that a ratings agency lowers our credit rating, the interest rates on fund procurement for the Group would rise, with the potential to affect the Group's earnings.

5. Special legal measures

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

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

6. Natural disasters, etc.

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

7. Personal information leakage

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