



Hirokazu Nakaima, *Chairman*

Tsugiyoshi Toma, *President*

Our Business Environment

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

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

To become the electric power supplier of first choice for our customers, it is not enough for us simply to obtain a detailed grasp of user needs and, on that basis, provide a service that will deliver complete

satisfaction. We must also provide the same level of service to all citizens of Okinawa Prefecture, including those living on remote islands, raise the level of trustworthiness of our power supply even further, and fulfill our duties to society as a corporate citizen, including in the sphere of environmental protection. In these ways, we will continue to exert our full efforts to discharge our fundamental corporate mission.

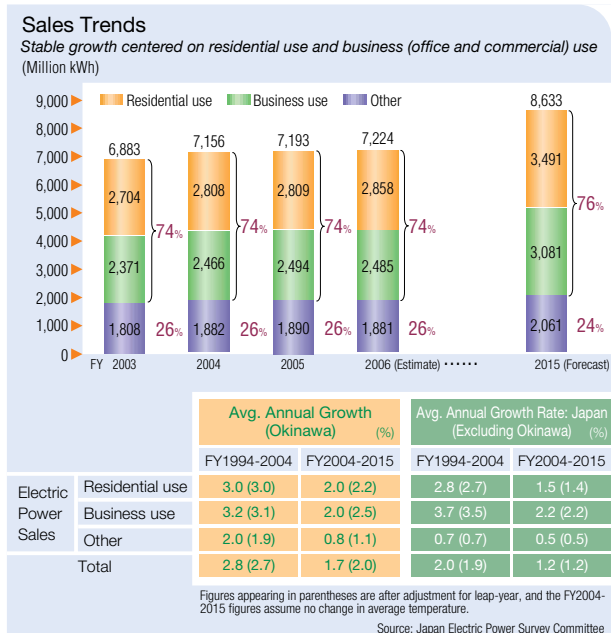
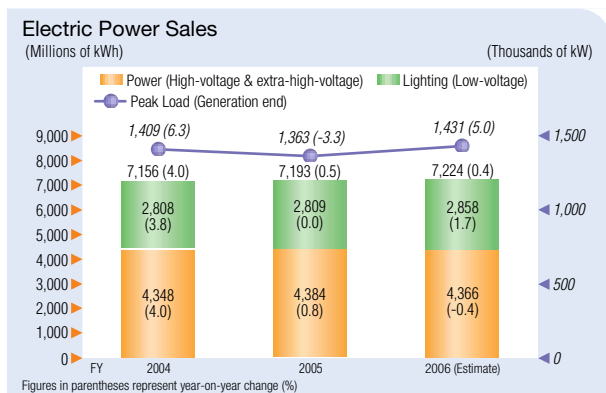
In other fields of business apart from our core electric power operations, we will continue to build upon our accumulated expertise, and to leverage our comprehensive strengths as a group in steadily developing the earning power of new business lines in the fields of energy and telecommunications.

Electric Power Sales

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

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

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



Income & Expenditure

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

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

As a result of the foregoing, the Company recorded

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

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

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

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

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

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

Hirokazu Nakaima
Chairman

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President